

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Taiwan Cooperative Financial Holding Co., Ltd. (TCFHC) and its subsidiaries (collectively, the "Company"), as of March 31, 2021 and 2020, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2021 and 2020, and related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Yin-Chou Chen and Tza-Li Gung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 19, 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 review such consolidated financial statements are those generally applied in the Republic of China.

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

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

| | March 31, 2021 (Reviewed) | | December 31, 2020 (Audited) | | March 31, 2020 (Reviewed) | |
|---|------------------------------|------------|--------------------------------|------------|------------------------------|------------|
| | Amount | % | Amount | % | Amount | % |
| ASSETS | | | | | | |
| CASH AND CASH EQUIVALENTS (Note 6) | \$ 46,343,889 | 1 | \$ 50,865,216 | 1 | \$ 42,532,862 | 1 |
| DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7, 41 and 42) | 319,301,342 | 8 | 371,470,642 | 9 | 263,143,677 | 7 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 41 and 42) | 95,106,387 | 2 | 78,730,563 | 2 | 75,121,419 | 2 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Note 9) | 464,297,233 | 11 | 429,136,054 | 10 | 420,847,584 | 11 |
| INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 10 and 42) | 718,524,890 | 17 | 728,266,474 | 18 | 544,220,670 | 15 |
| SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 11) | 1,963,078 | - | 1,278,803 | - | 3,010,005 | - |
| RECEIVABLES, NET (Notes 12 and 41) | 42,993,943 | 1 | 37,306,638 | 1 | 31,190,061 | 1 |
| CURRENT TAX ASSETS | 2,394,332 | - | 2,201,243 | - | 1,484,818 | - |
| DISCOUNTS AND LOANS, NET (Notes 13, 41 and 42) | 2,338,964,092 | 56 | 2,275,331,514 | 55 | 2,238,706,166 | 59 |
| REINSURANCE ASSETS, NET | 150,655 | - | 151,280 | - | 112,074 | - |
| INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Note 14) | 145,094 | - | 139,175 | - | 133,890 | - |
| OTHER FINANCIAL ASSETS, NET (Notes 15, 31 and 42) | 116,888,768 | 3 | 115,485,762 | 3 | 102,345,892 | 3 |
| INVESTMENT PROPERTIES, NET (Note 16) | 11,373,704 | - | 11,418,672 | - | 11,011,486 | - |
| PROPERTIES AND EQUIPMENT, NET (Note 17) | 33,312,552 | 1 | 33,451,779 | 1 | 33,650,097 | 1 |
| RIGHT-OF-USE ASSETS, NET (Note 18) | 1,611,153 | - | 1,704,880 | - | 1,679,549 | - |
| INTANGIBLE ASSETS (Note 19) | 3,878,323 | - | 3,888,623 | - | 3,776,694 | - |
| DEFERRED TAX ASSETS (Note 38) | 3,006,469 | - | 2,831,695 | - | 2,001,424 | - |
| OTHER ASSETS, NET (Notes 18 and 20) | 3,069,007 | - | 3,382,377 | - | 4,171,996 | - |
| TOTAL | \$ 4,203,324,911 | 100 | \$ 4,147,041,390 | 100 | \$ 3,779,140,364 | 100 |
| LIABILITIES AND EQUITY | | | | | | |
| DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Notes 21 and 41) | \$ 262,186,770 | 6 | \$ 231,993,626 | 5 | \$ 266,494,938 | 7 |
| DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 22) | 53,890,930 | 1 | 37,118,610 | 1 | - | - |
| FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 27 and 41) | 2,447,374 | - | 4,832,498 | - | 1,022,010 | - |
| SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 8, 9 and 23) | 55,301,027 | 1 | 55,775,026 | 1 | 44,053,880 | 1 |
| COMMERCIAL PAPER ISSUED, NET (Note 24) | 33,736,156 | 1 | 31,801,343 | 1 | 32,470,820 | 1 |
| PAYABLES (Notes 25 and 41) | 53,034,335 | 1 | 48,083,228 | 1 | 41,306,602 | 1 |
| CURRENT TAX LIABILITIES | 985,871 | - | 1,113,261 | - | 2,355,696 | - |
| DEPOSITS AND REMITTANCES (Notes 26 and 41) | 3,271,350,523 | 78 | 3,269,871,544 | 79 | 2,967,845,100 | 79 |
| BONDS PAYABLE (Note 27) | 71,600,000 | 2 | 71,600,000 | 2 | 57,500,000 | 2 |
| OTHER BORROWINGS (Notes 24 and 28) | 1,293,502 | - | 815,302 | - | 2,481,626 | - |
| PROVISIONS (Notes 29 and 30) | 37,187,650 | 1 | 38,262,395 | 1 | 41,197,854 | 1 |
| OTHER FINANCIAL LIABILITIES (Notes 16 and 31) | 111,661,656 | 3 | 111,109,742 | 3 | 88,899,762 | 2 |
| LEASE LIABILITIES (Note 18) | 1,574,831 | - | 1,649,746 | - | 1,630,256 | - |
| DEFERRED TAX LIABILITIES (Notes 17 and 38) | 4,449,211 | - | 3,789,000 | - | 3,312,615 | - |
| OTHER LIABILITIES (Note 32) | 1,504,328 | - | 1,544,512 | - | 1,387,421 | - |
| Total liabilities | <u>3,962,204,164</u> | <u>94</u> | <u>3,909,359,833</u> | <u>94</u> | <u>3,551,958,580</u> | <u>94</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF TCFHC | | | | | | |
| Capital stock | | | | | | |
| Common stock | 133,342,237 | 3 | 133,342,237 | 3 | 129,458,483 | 3 |
| Capital surplus | 57,974,241 | 2 | 57,974,241 | 2 | 57,973,141 | 2 |
| Retained earnings | | | | | | |
| Legal reserve | 9,622,864 | - | 9,622,864 | - | 7,927,632 | - |
| Special reserve | 995,669 | - | 995,669 | - | 996,026 | - |
| Unappropriated earnings | 22,584,975 | 1 | 16,748,682 | 1 | 20,922,033 | 1 |
| Total retained earnings | 33,203,508 | 1 | 27,367,215 | 1 | 29,845,691 | 1 |
| Other equity | 9,837,185 | - | 12,366,076 | - | 4,718,737 | - |
| Total equity attributable to owners of TCFHC | <u>234,357,171</u> | <u>6</u> | <u>231,049,769</u> | <u>6</u> | <u>221,996,052</u> | <u>6</u> |
| NON-CONTROLLING INTERESTS | 6,763,576 | - | 6,631,788 | - | 5,185,732 | - |
| Total equity | <u>241,120,747</u> | <u>6</u> | <u>237,681,557</u> | <u>6</u> | <u>227,181,784</u> | <u>6</u> |
| TOTAL | \$ 4,203,324,911 | 100 | \$ 4,147,041,390 | 100 | \$ 3,779,140,364 | 100 |

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

| | For the Three Months Ended March 31 | | | |
|--|-------------------------------------|-------------|--------------------|-------------|
| | 2021 | | 2020 | |
| | Amount | % | Amount | % |
| INTEREST REVENUE (Notes 33 and 41) | \$ 12,273,702 | 94 | \$ 14,793,369 | 131 |
| INTEREST EXPENSE (Notes 33 and 41) | <u>(3,434,924)</u> | <u>(26)</u> | <u>(5,893,514)</u> | <u>(52)</u> |
| NET INTEREST | <u>8,838,778</u> | <u>68</u> | <u>8,899,855</u> | <u>79</u> |
| NET REVENUES AND GAINS OTHER THAN INTEREST | | | | |
| Service fee and commission income, net (Notes 34 and 41) | 2,156,725 | 17 | 1,839,076 | 16 |
| Premium income (loss), net (Notes 31 and 35) | 327,023 | 2 | (422,140) | (4) |
| Gains (losses) on financial assets and liabilities at fair value through profit or loss (Notes 36 and 41) | 3,252,954 | 25 | (391,851) | (3) |
| Gains on disposal of investment properties, net | 17,985 | - | - | - |
| Realized gains on financial assets at fair value through other comprehensive income (Note 9) | 869,035 | 7 | 672,777 | 6 |
| Foreign exchange losses, net | (2,251,572) | (17) | (22,883) | - |
| Reversal of impairment losses (impairment losses) on assets (Notes 9 and 10) | 748 | - | (15,777) | - |
| Share of gains (losses) of associates and joint ventures accounted for using the equity method (Note 14) | 5,919 | - | (904) | - |
| Gains (losses) on reclassification of overlay approach (Note 8) | (241,924) | (2) | 699,142 | 6 |
| Other noninterest gains, net (Notes 16 and 41) | <u>33,544</u> | <u>-</u> | <u>56,457</u> | <u>-</u> |
| Total net revenues and gains other than interest | <u>4,170,437</u> | <u>32</u> | <u>2,413,897</u> | <u>21</u> |
| TOTAL NET REVENUES | <u>13,009,215</u> | <u>100</u> | <u>11,313,752</u> | <u>100</u> |
| BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES (Note 13) | <u>(1,157,543)</u> | <u>(9)</u> | <u>(910,156)</u> | <u>(8)</u> |
| NET CHANGE IN RESERVES FOR INSURANCE LIABILITIES (Note 29) | <u>(83,032)</u> | <u>(1)</u> | <u>674,600</u> | <u>6</u> |

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

| | For the Three Months Ended March 31 | | | |
|--|-------------------------------------|-------------|--------------------|-------------|
| | 2021 | | 2020 | |
| | Amount | % | Amount | % |
| OPERATING EXPENSES (Notes 4, 16, 17, 18, 30 and 37) | | | | |
| Employee benefits | \$ (4,088,421) | (31) | \$ (4,021,685) | (36) |
| Depreciation and amortization | (557,716) | (4) | (529,605) | (5) |
| General and administrative | <u>(1,520,236)</u> | <u>(12)</u> | <u>(1,629,152)</u> | <u>(14)</u> |
| Total operating expenses | <u>(6,166,373)</u> | <u>(47)</u> | <u>(6,180,442)</u> | <u>(55)</u> |
| INCOME BEFORE INCOME TAX | 5,602,267 | 43 | 4,897,754 | 43 |
| INCOME TAX EXPENSE (Notes 4 and 38) | <u>(824,735)</u> | <u>(6)</u> | <u>(793,342)</u> | <u>(7)</u> |
| NET INCOME | <u>4,777,532</u> | <u>37</u> | <u>4,104,412</u> | <u>36</u> |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss | - | - | (669) | - |
| Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income | <u>3,167,440</u> | <u>24</u> | <u>(4,206,467)</u> | <u>(37)</u> |
| Items that will not be reclassified subsequently to profit or loss, net of income tax | <u>3,167,440</u> | <u>24</u> | <u>(4,207,136)</u> | <u>(37)</u> |
| Items that may be reclassified subsequently to profit or loss (Notes 8 and 38) | | | | |
| Exchange differences on the translation of financial statements of foreign operations | 520,968 | 4 | 179,578 | 1 |
| Unrealized gains (losses) on investments in debt instruments at fair value through other comprehensive income | (5,339,278) | (41) | 715,823 | 6 |
| Other comprehensive income (losses) on reclassification of overlay approach | 241,924 | 2 | (699,142) | (6) |
| Income tax attributable to other comprehensive income | <u>70,604</u> | <u>-</u> | <u>180,945</u> | <u>2</u> |
| Items that may be reclassified subsequently to profit or loss, net of income tax | <u>(4,505,782)</u> | <u>(35)</u> | <u>377,204</u> | <u>3</u> |
| Other comprehensive losses, net of income tax | <u>(1,338,342)</u> | <u>(11)</u> | <u>(3,829,932)</u> | <u>(34)</u> |
| TOTAL COMPREHENSIVE INCOME | <u>\$ 3,439,190</u> | <u>26</u> | <u>\$ 274,480</u> | <u>2</u> |

(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

| | For the Three Months Ended March 31 | | | |
|---|-------------------------------------|-----------|---------------------|------------|
| | 2021 | | 2020 | |
| | Amount | % | Amount | % |
| NET INCOME ATTRIBUTABLE TO: | | | | |
| Owners of TCFHC | \$ 4,530,686 | 35 | \$ 3,937,225 | 35 |
| Non-controlling interests | <u>246,846</u> | <u>2</u> | <u>167,187</u> | <u>1</u> |
| | <u>\$ 4,777,532</u> | <u>37</u> | <u>\$ 4,104,412</u> | <u>36</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of TCFHC | \$ 3,307,402 | 25 | \$ 576,128 | 5 |
| Non-controlling interests | <u>131,788</u> | <u>1</u> | <u>(301,648)</u> | <u>(3)</u> |
| | <u>\$ 3,439,190</u> | <u>26</u> | <u>\$ 274,480</u> | <u>2</u> |
| EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 39) | | | | |
| Basic | <u>\$0.34</u> | | <u>\$0.29</u> | |
| Diluted | <u>\$0.34</u> | | <u>\$0.29</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
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

| | Equity Attributable to Owners of TCFHC | | | | | | Other Equity | | | | | Total Equity |
|---|--|-----------------------|------------------------------|------------------------------------|-------------------|----------------------------|---|--|--|---|---|-----------------------|
| | Capital Stock (Note 40) | | Capital Surplus (Note 40) | Retained Earnings (Notes 9 and 40) | | | Exchange Differences on the Translation of Financial Statements of Foreign Operations | Unrealized Valuation Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 9) | Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss | Other Comprehensive Income on Reclassification of Overlay Approach | Non-controlling Interests (Note 40) | |
| | Shares (In Thousands) | Common Stock | | Legal Reserve | Special Reserve | Unappropriated Earnings | | | | | | |
| BALANCE AT JANUARY 1, 2021 | 13,334,224 | \$ 133,342,237 | \$ 57,974,241 | \$ 9,622,864 | \$ 995,669 | \$ 16,748,682 | \$ (3,357,203) | \$ 15,043,647 | \$ - | \$ 679,632 | \$ 6,631,788 | \$ 237,681,557 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | - | 1,305,607 | - | (1,305,607) | - | - | - | - |
| Total comprehensive income | | | | | | | | | | | | |
| Net income for the three months ended March 31, 2021 | - | - | - | - | - | 4,530,686 | - | - | - | - | 246,846 | 4,777,532 |
| Other comprehensive income (loss) for the three months ended March 31, 2021 | - | - | - | - | - | - | 423,438 | (1,769,724) | - | 123,002 | (115,058) | (1,338,342) |
| Total comprehensive income (loss) for the three months ended March 31, 2021 | - | - | - | - | - | 4,530,686 | 423,438 | (1,769,724) | - | 123,002 | 131,788 | 3,439,190 |
| BALANCE AT MARCH 31, 2021 | <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>\$ 22,584,975</u> | <u>\$ (2,933,765)</u> | <u>\$ 11,968,316</u> | <u>\$ -</u> | <u>\$ 802,634</u> | <u>\$ 6,763,576</u> | <u>\$ 241,120,747</u> |
| BALANCE AT JANUARY 1, 2020 | 12,945,848 | 129,458,483 | 57,973,141 | 7,927,632 | 996,026 | 16,952,318 | (1,242,818) | 9,000,271 | 970 | 353,901 | 5,487,380 | 226,907,304 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | - | 32,189 | - | (32,189) | - | - | - | - |
| Transfer of changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition | - | - | - | - | - | 301 | - | - | (301) | - | - | - |
| Total comprehensive income | | | | | | | | | | | | |
| Net income for the three months ended March 31, 2020 | - | - | - | - | - | 3,937,225 | - | - | - | - | 167,187 | 4,104,412 |
| Other comprehensive income (loss) for the three months ended March 31, 2020 | - | - | - | - | - | - | 145,540 | (3,151,461) | (669) | (354,507) | (468,835) | (3,829,932) |
| Total comprehensive income (loss) for the three months ended March 31, 2020 | - | - | - | - | - | 3,937,225 | 145,540 | (3,151,461) | (669) | (354,507) | (301,648) | 274,480 |
| BALANCE AT MARCH 31, 2020 | <u>12,945,848</u> | <u>\$ 129,458,483</u> | <u>\$ 57,973,141</u> | <u>\$ 7,927,632</u> | <u>\$ 996,026</u> | <u>\$ 20,922,033</u> | <u>\$ (1,097,278)</u> | <u>\$ 5,816,621</u> | <u>\$ -</u> | <u>\$ (606)</u> | <u>\$ 5,185,732</u> | <u>\$ 227,181,784</u> |

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

| | For the Three Months Ended March 31 | |
|--|--|--------------|
| | 2021 | 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 5,602,267 | \$ 4,897,754 |
| Adjustments for: | | |
| Depreciation expense | 500,132 | 477,044 |
| Amortization expense | 57,584 | 52,561 |
| Expected credit losses/bad-debt expense | 1,140,229 | 1,005,548 |
| Losses (gains) on financial assets and liabilities at fair value through profit or loss | (3,252,954) | 391,851 |
| Interest expense | 3,434,924 | 5,893,514 |
| Interest revenue | (12,273,702) | (14,793,369) |
| Dividend income | (56,951) | (23,074) |
| Net changes in reserves for insurance liabilities | 83,032 | (674,600) |
| Reversal of provision for losses on guarantees | 7,573 | (78,033) |
| Net changes in reserves for other liabilities | 9,741 | (17,359) |
| Share of losses (gains) of associates and joint ventures accounted for using equity method | (5,919) | 904 |
| Losses (gains) on reclassification of overlay approach | 241,924 | (699,142) |
| Losses (gains) on disposal of properties and equipment | (23) | 24 |
| Gains on disposal of investment properties | (17,985) | - |
| Gains on disposal of investments | (812,084) | (649,703) |
| Impairment losses on financial assets | - | 15,777 |
| Reversal of impairment losses on financial assets | (748) | - |
| Unrealized gains on foreign exchange | (109,305) | (66,615) |
| Gains on disposal of collaterals assumed | - | (20,358) |
| Others | - | (78) |
| Net changes in operating assets and liabilities | | |
| Decrease in due from the Central Bank and call loans to other banks | 50,076,782 | 1,022,658 |
| Increase in financial assets at fair value through profit or loss | (13,716,609) | (14,855,585) |
| Increase in financial assets at fair value through other comprehensive income | (36,242,976) | (42,360,616) |
| Decrease in investments in debt instruments at amortized cost | 9,583,534 | 13,340,678 |
| Decrease (increase) in receivables | (6,712,718) | 2,388,919 |
| Increase in discounts and loans | (67,572,255) | (46,103,015) |
| Decrease (increase) in reinsurance assets | 5,723 | (17,274) |
| Decrease (increase) in other financial assets | (2,579,263) | 3,095,601 |
| Decrease (increase) in other assets | 20,393 | (351,962) |
| Increase in deposits from the Central Bank and other banks | 30,193,144 | 23,528,757 |
| Decrease in financial liabilities at fair value through profit or loss | (1,969,234) | (3,271,867) |
| Decrease in securities sold under repurchase agreements | (490,578) | (1,501,682) |
| Increase (decrease) in payables | 4,726,583 | (7,652,698) |
| Increase in deposits and remittances | 1,478,979 | 76,039,958 |

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TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

| | For the Three Months Ended March 31 | |
|--|--|---------------------|
| | 2021 | 2020 |
| Decrease in provision for employee benefits | \$ (215,454) | \$ (184,265) |
| Decrease in provisions | (968,321) | (814,580) |
| Increase (decrease) in other financial liabilities | 5,505,690 | (1,037,081) |
| Decrease in other liabilities | <u>(126,568)</u> | <u>(324,442)</u> |
| Cash used in operations | (34,455,413) | (3,345,850) |
| Interest received | 13,744,588 | 16,002,224 |
| Dividends received | 94,408 | 71,651 |
| Interest paid | (3,017,214) | (7,967,191) |
| Income tax paid | <u>(245,003)</u> | <u>(23,851)</u> |
| Net cash generated from (used in) operating activities | <u>(23,878,634)</u> | <u>4,736,983</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of properties and equipment | (181,778) | (186,409) |
| Proceeds from disposal of properties and equipment | 80 | - |
| Increase in refundable deposits | (1,473,892) | (1,659,205) |
| Decrease in refundable deposits | 1,755,884 | 1,507,460 |
| Acquisition of intangible assets | (45,505) | (106,182) |
| Proceeds from disposal of collaterals assumed | - | 139,748 |
| Acquisition of investment properties | (111,286) | (210,688) |
| Proceeds from disposal of investment properties | 153,704 | - |
| Increase in other assets | (12,865) | (9) |
| Decrease in other assets | <u>-</u> | <u>16,864</u> |
| Net cash generated from (used in) investing activities | <u>84,342</u> | <u>(498,421)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in due to the Central Bank and other banks | 16,772,320 | - |
| Increase in commercial paper issued | 1,935,000 | 1,370,000 |
| Repayments of bank debentures | - | (7,500,000) |
| Increase in other borrowings | 7,534,972 | 11,443,247 |
| Decrease in other borrowings | (7,057,720) | (12,386,960) |
| Decrease in financial liabilities designated as at fair value through profit or loss | - | (12,096,000) |
| Increase in guarantee deposits received | 1,607,458 | 751,950 |
| Decrease in guarantee deposits received | (2,565,975) | (1,205,816) |
| Repayments of the principal portion of lease liabilities | (139,697) | (140,336) |
| Increase in other liabilities | 86,221 | - |
| Decrease in other liabilities | <u>-</u> | <u>(26,891)</u> |
| Net cash generated from (used in) financing activities | <u>18,172,579</u> | <u>(19,790,806)</u> |

(Continued)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

| | For the Three Months Ended March 31 | |
|--|--|----------------------|
| | 2021 | 2020 |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | \$ (304,212) | \$ 272,874 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (5,925,925) | (15,279,370) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | <u>95,067,646</u> | <u>90,305,606</u> |
| CASH AND CASH EQUIVALENTS, END OF THE PERIOD | <u>\$ 89,141,721</u> | <u>\$ 75,026,236</u> |
| Cash and cash equivalents reconciliations: | | |
| | March 31 | |
| | 2021 | 2020 |
| Cash and cash equivalents in consolidated balance sheets | \$ 46,343,889 | \$ 42,532,862 |
| 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” | 40,588,166 | 29,211,524 |
| Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows” | 1,953,121 | 3,010,005 |
| Others in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows” | <u>256,545</u> | <u>271,845</u> |
| Cash and cash equivalents, end of period | <u>\$ 89,141,721</u> | <u>\$ 75,026,236</u> |

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

TCFHC invests in and manages financial institutions.

TCB engages in (a) all commercial banking operations allowed under the Banking Law; (b) international banking operations; (c) overseas branch operations as authorized by the respective foreign governments; and (d) other operations as authorized by the central authority-in-charge. TCB has its Head Office in Taipei. It had a Business, International Banking, Finance, Credit Card, Trust and Insurance Agent Departments as well as 269 domestic branches, an offshore banking unit (OBU), 13 overseas branches, 8 overseas sub-branches and 2 representative offices as of March 31, 2021.

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

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

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

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

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

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

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

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

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

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

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

As of March 31, 2021 and 2020, TCFHC and its subsidiaries (the Company) had 9,482 and 9,388 employees, respectively.

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by TCFHC's board of directors on May 19, 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) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
"Interest Rate Benchmark Reform - Phase 2"

The Company elected to apply the practical expedient provided in the amendment to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities resulting from the interest rate benchmark reform. The changes 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.

- b. 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 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 (Note 8) |
| 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.

Note 8: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

- 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:

- a. A group of contracts that are onerous at initial recognition;
- b. A group of contracts that subsequent to initial recognition have not shown signs of becoming onerous;
- c. A group of the remaining contracts in the portfolio.

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

Recognition

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

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

Measurement

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

- a. The initial recognition of an amount for the fulfillment cash flows;
- b. All cash flows arising from the contracts in the group at that date;
- c. The derecognition of the following at initial recognition date
 - 1) Insurance acquisition cash flow assets; and
 - 2) 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:

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

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

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

- a. The premium received at the initial recognition;
- b. The premium minus all insurance acquisition cash flows at that date; and
- c. Plus or minus the following items derecognition at the initial recognition date.
 - 1) Insurance acquisition cash flow assets; and
 - 2) Any other assets and liabilities related 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 IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

Basis of Preparation

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

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

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

Basis of Consolidation

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

The accounting policies of TCFHC and its subsidiaries are consistent.

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

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

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

Other Major Accounting Policies

In addition to the following, refer to the summary of significant accounting policies of the consolidated financial statements for the year ended December 31, 2020.

- a. Employee benefits

Retirement benefits

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

- b. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

c. Modification of financial instruments

For the changes in the basis for determining contractual
cash flows resulting from the interest rate benchmark reform

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Company elects to apply the practical expedient in which the changes 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. Impairment losses on loans

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

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

b. Insurance liability and liability adequacy test

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

6. CASH AND CASH EQUIVALENTS

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-------------------------------------|----------------------|----------------------|----------------------|
| Cash on hand | \$ 25,297,537 | \$ 23,531,314 | \$ 24,185,540 |
| Notes and checks in clearing | 5,139,060 | 5,709,157 | 4,332,787 |
| Due from banks | <u>15,922,085</u> | <u>21,633,705</u> | <u>14,018,208</u> |
| | 46,358,682 | 50,874,176 | 42,536,535 |
| Less: Allowance for possible losses | <u>14,793</u> | <u>8,960</u> | <u>3,673</u> |
| | <u>\$ 46,343,889</u> | <u>\$ 50,865,216</u> | <u>\$ 42,532,862</u> |

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of March 31, 2021 and 2020 are shown in the consolidated statements of cash flows. The reconciliation as of December 31, 2020 are stated below:

| | December 31, 2020 |
|--|----------------------|
| Cash and cash equivalent in the consolidated balance sheet | \$ 50,865,216 |
| 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 |
| 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 |
| Other in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows” | <u>252,900</u> |
| Cash and cash equivalents, end of the year | <u>\$ 95,067,646</u> |

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

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|-----------------------|-----------------------|-----------------------|
| Reserves for deposits - account A | \$ 50,984,436 | \$ 103,930,664 | \$ 30,789,389 |
| Reserves for deposits - account B | 86,917,446 | 83,714,410 | 75,907,705 |
| Reserves for deposits - community financial institutions | 66,965,038 | 65,382,499 | 61,524,360 |
| Reserves for deposits - foreign-currency deposits | 544,755 | 539,693 | 517,607 |
| Deposits in the Central Bank | 39,200,000 | 39,200,000 | 39,200,000 |
| Due from the Central Bank - others | 20,588,706 | 25,477,059 | 15,428,765 |
| Due from the Central Bank - central government agencies’ deposits | 2,283,646 | 2,262,307 | 1,995,732 |
| Call loans to banks | <u>51,817,315</u> | <u>50,964,010</u> | <u>37,780,119</u> |
| | <u>\$ 319,301,342</u> | <u>\$ 371,470,642</u> | <u>\$ 263,143,677</u> |

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

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

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

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|----------------------|----------------------|----------------------|
| <u>Financial assets mandatorily classified as at fair value through profit or loss</u> | | | |
| Commercial paper | \$ 72,362,278 | \$ 57,253,280 | \$ 53,106,833 |
| Negotiable certificates of deposit | 6,098,981 | 7,598,419 | 4,800,037 |
| Beneficial certificates | 5,597,140 | 5,659,247 | 4,434,499 |
| Investment in equity instruments | 3,405,509 | 2,779,845 | 1,886,506 |
| Corporate bonds | 2,581,256 | 2,150,067 | 3,615,006 |
| Convertible bonds | 873,671 | 862,948 | 924,151 |
| Government bonds | 1,013,829 | 484,292 | 3,824,396 |
| Acquired loans | 155,630 | 166,140 | 274,429 |
| Commercial paper contracts with reference rate | 9,043 | 10,389 | 6,681 |
| Bank debentures | 28,497 | - | 438,806 |
| Currency swap contracts | 2,480,390 | 1,265,419 | 1,174,739 |
| Futures exchange margins | 351,385 | 296,381 | 364,870 |
| Forward contracts | 54,383 | 82,557 | 31,833 |
| Convertible bond asset swap contracts | 63,218 | 63,476 | 173,371 |
| Currency option contracts - buy | 18,064 | 38,487 | 48,564 |
| Cross-currency swap contracts | 7,964 | 14,316 | 5,579 |
| Interest rate swap contracts | 5,149 | 5,300 | 2,877 |
| Foreign-currency margin contracts | - | - | 8,242 |
| Financial assets at fair value through profit or loss | <u>\$ 95,106,387</u> | <u>\$ 78,730,563</u> | <u>\$ 75,121,419</u> |
| <u>Held-for-trading financial liabilities</u> | | | |
| Payable - security borrowing | \$ 479,957 | \$ 410,521 | \$ 131,460 |
| Securities purchased under resell agreements - short sale | 966,496 | - | - |
| Commercial paper contracts with reference rate | 175 | 2 | - |
| Currency swap contracts | 881,578 | 4,317,870 | 795,507 |
| Currency option contracts - sell | 18,126 | 38,583 | 48,777 |
| Forward contracts | 52,631 | 33,803 | 21,503 |
| Asset swap options contracts | 32,427 | 17,881 | 1,617 |
| Interest rate swap contracts | 10,823 | 12,867 | 22,240 |
| Foreign-currency margin contracts | 407 | 921 | - |
| Convertible bonds assets swap contracts | 88 | 50 | - |
| Cross-currency swap contracts | 4,666 | - | 906 |
| Financial liabilities at fair value through profit or loss | <u>\$ 2,447,374</u> | <u>\$ 4,832,498</u> | <u>\$ 1,022,010</u> |

As of March 31, 2021, December 31, 2020 and March 31, 2020, financial assets at fair value through profit or loss amounting to \$35,245,000 thousand, \$36,890,958 thousand and \$23,083,424 thousand, respectively, had been sold under repurchase agreements.

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

As of March 31, 2021, December 31, 2020 and March 31, 2020, the contract (notional) amounts of derivative transactions of TCB were as follows:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-----------------------------------|-----------------------|------------------------------|-----------------------|
| Currency swap contracts | \$ 225,049,643 | \$ 255,510,944 | \$ 323,062,546 |
| Interest rate swap contracts | 1,700,000 | 1,700,000 | 1,700,000 |
| Forward contracts | 8,581,547 | 8,586,387 | 6,736,946 |
| Currency option contracts - sell | 7,920,794 | 4,967,696 | 4,467,337 |
| Currency option contracts - buy | 7,920,794 | 4,967,696 | 4,467,337 |
| Cross-currency swap contracts | 441,507 | 407,450 | 1,272,251 |
| Foreign-currency margin contracts | 21,680 | 43,300 | 55,935 |

As of March 31, 2021 and December 31, 2020, the open position of futures transactions of TCB were as follows:

| | | March 31, 2021 | | | |
|-------------------|------------------------|-----------------------|--------------------------------|--|--------------------|
| Items | Products | Open Position | | Contract | Fair Values |
| | | Buy/Sell | Number of Contracts | Amounts or Premium Paid (Charged) | |
| Futures contracts | Interest index futures | Sell | 55 | \$ 205,917 | \$ 205,672 |
| Futures contracts | Stock index futures | Sell | 30 | 98,730 | 98,538 |

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

As of March 31, 2021, December 31, 2020 and March 31, 2020, the open position of futures and option transactions of Taiwan Cooperative Securities Co., Ltd. (TCS) were as follows:

| | | March 31, 2021 | | | |
|-------------------|--------------------------|-----------------------|--------------------------------|--|--------------------|
| Items | Products | Open Position | | Contract | Fair Values |
| | | Buy/Sell | Number of Contracts | Amounts or Premium Paid (Charged) | |
| Futures contracts | Stock index futures | Buy | 17 | \$ 20,840 | \$ 20,054 |
| | Single-stock futures | Buy | 503 | 294,233 | 295,110 |
| | Commodity futures | Buy | 125 | 45,383 | 45,650 |
| | Interest rate futures | Sell | 9 | 49,740 | 49,614 |
| | Stock index futures | Sell | 209 | 575,977 | 582,501 |
| | Single-stock futures | Sell | 47 | 53,070 | 53,200 |
| | Commodity futures | Sell | 415 | 418,175 | 413,174 |
| | Foreign exchange futures | Sell | 6 | 19,688 | 19,337 |

| | | December 31, 2020 | | | |
|-------------------|--------------------------|--------------------------|------------------|-------------------|--------------------|
| Items | Products | Open Position | | Contract | Fair Values |
| | | Buy/Sell | Number of | Amounts or | |
| | | | Contracts | 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 |

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

As of March 31, 2021, December 31, 2020 and March 31, 2020, the contract (notional) amounts of asset swap contracts of TCS were as follows:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|----------------------|-----------------------|--------------------------|-----------------------|
| Asset swap contracts | \$ 155,000 | \$ 90,000 | \$ 146,200 |

As of March 31, 2021, December 31, 2020 and March 31, 2020, the contract (notional) amounts of currency swap contracts and interest rate swap contracts of TCS were as follows:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|------------------------------|-----------------------|--------------------------|-----------------------|
| Interest rate swap contracts | \$ 600,000 | \$ 600,000 | \$ 600,000 |

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

As of March 31, 2021, December 31, 2020 and March 31, 2020, the contract (notional) amounts of derivative transactions of BPCTLI were as follows:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-------------------------------|-----------------------|------------------------------|-----------------------|
| Currency swap contracts | \$ 10,543,792 | \$ 10,328,651 | \$ 12,009,933 |
| Cross-currency swap contracts | 285,050 | 281,000 | - |

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

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|----------------------------------|-----------------------|------------------------------|-----------------------|
| <u>Financial assets at FVTPL</u> | | | |
| Beneficial certificates | \$ 4,583,722 | \$ 4,659,902 | \$ 3,789,754 |
| Investment in equity instruments | 535,972 | 471,590 | 333,678 |

For the three months ended March 31, 2021 and 2020, for the financial assets designated for the overlay approach, the amount reclassified between profit or loss and other comprehensive income were as follows:

| | For the Three Months Ended March 31 | |
|--|--|---------------------|
| | 2021 | 2020 |
| Profit or loss on application of IFRS 9 | \$ 433,695 | \$ (571,208) |
| Profit or loss from application of IAS 39 | <u>(191,771)</u> | <u>(127,934)</u> |
| Gain or loss on reclassification by overlay approach | <u>\$ 241,924</u> | <u>\$ (699,142)</u> |

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|-----------------------|------------------------------|-----------------------|
| <u>Investment in equity instruments at FVTOCI</u> | | | |
| Listed shares and emerging market shares | \$ 36,894,025 | \$ 17,514,458 | \$ 17,436,431 |
| Unlisted shares | <u>6,541,530</u> | <u>6,123,249</u> | <u>4,371,919</u> |
| | <u>43,435,555</u> | <u>23,637,707</u> | <u>21,808,350</u> |
| <u>Investments in debt instruments at FVTOCI</u> | | | |
| Government bonds | 215,249,412 | 204,430,335 | 215,652,938 |
| Corporate bonds | 115,426,991 | 117,051,244 | 108,001,470 |
| Bank debentures | <u>90,185,275</u> | <u>84,016,768</u> | <u>75,384,826</u> |
| | <u>420,861,678</u> | <u>405,498,347</u> | <u>399,039,234</u> |
| | <u>\$ 464,297,233</u> | <u>\$ 429,136,054</u> | <u>\$ 420,847,584</u> |

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

For the purpose of risk diversification and profit strategy, the Company adjusted the investment position to sell part of equity instruments in the amounts of \$7,948,738 thousand and \$1,264,510 thousand for the three months ended March 31, 2021 and 2020, respectively. The accumulated unrealized valuation gain or loss of financial assets at FVTOCI under other equity in the amount of \$1,305,607 thousand gains and \$32,189 thousand gains have been transferred to retained earnings, respectively.

For the three months ended of March 31, 2021 and 2020, the Company recognized dividends revenue \$56,951 thousand and \$23,074 thousand, respectively. Those related to investments derecognized during the reporting period was \$15,158 thousand and those related to investments held at the end of the reporting period was \$41,793 thousand and \$23,074 thousand, respectively.

As of March 31, 2021, December 31, 2020 and March 31, 2020, the allowance for possible losses of investment in debt instruments at FVTOCI recognized was \$129,375 thousand, \$134,016 thousand and \$117,309 thousand, respectively, through expected credit loss. A reversal of impairment loss recognized in profit or loss for the three months ended March 31, 2021 was \$660 thousand. Impairment loss recognized in profit or loss for the three months ended March 31, 2020 was \$14,457 thousand.

As of March 31, 2021, December 31, 2020 and March 31, 2020, financial assets at fair value through other comprehensive income amounting to \$19,813,814 thousand, \$18,840,795 thousand and \$20,756,028 thousand, respectively, had been sold under repurchase agreements.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|-----------------------|-----------------------|-----------------------|
| Negotiable certificates of deposit in the Central Bank | \$ 546,640,000 | \$ 559,280,000 | \$ 370,760,000 |
| Government bonds | 110,684,309 | 107,807,918 | 107,827,841 |
| Corporate bonds | 46,267,731 | 46,270,440 | 42,851,464 |
| Bank debentures | 12,629,730 | 12,678,455 | 22,550,003 |
| Certificates of deposit | <u>2,350,736</u> | <u>2,277,320</u> | <u>280,906</u> |
| | 718,572,506 | 728,314,133 | 544,270,214 |
| Less: Allowance for possible loss | <u>47,616</u> | <u>47,659</u> | <u>49,544</u> |
| | <u>\$ 718,524,890</u> | <u>\$ 728,266,474</u> | <u>\$ 544,220,670</u> |

A reversal of impairment loss recognized in profit or loss for the three months ended March 31, 2021 was \$88 thousand. Impairment loss recognized in profit or loss for the three months ended March 31, 2020 was \$1,020 thousand.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$1,963,078 thousand, \$1,278,803 thousand and \$3,010,005 thousand under resell agreements as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively, will subsequently be sold for \$1,966,053 thousand, \$1,279,081 thousand and \$3,017,728 thousand, respectively.

12. RECEIVABLES, NET

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|----------------------|----------------------|----------------------|
| Accrued interest | \$ 6,935,072 | \$ 7,759,494 | \$ 8,975,576 |
| Settlement consideration | 7,621,615 | 6,655,545 | 2,669,996 |
| Settlement receivable | 6,949,815 | 5,479,698 | 2,712,728 |
| Margin loans receivable | 5,615,942 | 4,883,614 | 2,627,875 |
| Credit cards | 3,848,296 | 4,388,635 | 3,292,826 |
| Acceptances | 3,704,654 | 3,103,379 | 4,267,813 |
| Lease payment receivable | 2,135,021 | 2,403,726 | 2,721,804 |
| Receivables on lending funds | 697,414 | 712,782 | 837,826 |
| Receivables on merchant accounts in the credit card business | 571,976 | 654,861 | 1,094,347 |
| Accounts receivable | 366,141 | 454,382 | 363,900 |
| Receivable on securities | 3,507,197 | 384,358 | 483,597 |
| Credits receivable | - | 231,991 | 414,785 |
| Accounts receivable factored without recourse | 139,985 | 214,150 | 125,694 |
| Refundable deposits receivable in leasehold agreements | 183,993 | 183,993 | 183,993 |
| Receivable - separated account | 160,664 | - | 490,909 |
| Others | <u>1,202,268</u> | <u>740,982</u> | <u>1,010,227</u> |
| | 43,640,053 | 38,251,590 | 32,273,896 |
| Less: Allowance for possible losses | 531,562 | 811,962 | 914,965 |
| Less: Unrealized interest revenue | <u>114,548</u> | <u>132,990</u> | <u>168,870</u> |
| | <u>\$ 42,993,943</u> | <u>\$ 37,306,638</u> | <u>\$ 31,190,061</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, 2021 | \$ 19,755,861 | \$ 46,627 | \$ 169,402 | \$ 19,971,890 |
| Transfers to | | | | |
| Lifetime ECL | (19,581) | 19,734 | (153) | - |
| Credit-impaired financial assets | (6,548) | (2,632) | 9,180 | - |
| 12-month ECL | 9,474 | (9,434) | (40) | - |
| New financial assets purchased or originated | 28,564,836 | 24,973 | 36,481 | 28,626,290 |
| Write-offs | - | - | (2,636) | (2,636) |

(Continued)

| Gross Carrying Amount | 12-month ECL | Lifetime ECL (Collective Assessment) | Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets) | Total |
|---|----------------------|---|--|-------------------------------------|
| Derecognition of financial assets in the current reporting period | \$ (28,397,464) | \$ (32,161) | \$ (35,326) | \$ (28,464,951) |
| Changes in exchange rates and other changes | <u>(419,871)</u> | <u>-</u> | <u>10</u> | <u>(419,861)</u> |
| Balance at March 31, 2021 | <u>\$ 19,486,707</u> | <u>\$ 47,107</u> | <u>\$ 176,918</u> | <u>\$ 19,710,732</u> |
| Balance at January 1, 2020 | \$ 20,762,410 | \$ 48,850 | \$ 185,004 | \$ 20,996,264 |
| Transfers to | | | | |
| Lifetime ECL | (25,159) | 25,245 | (86) | - |
| Credit-impaired financial assets | (8,286) | (3,782) | 12,068 | - |
| 12-month ECL | 10,999 | (10,944) | (55) | - |
| New financial assets purchased or originated | 22,328,947 | 81,181 | 114,403 | 22,524,531 |
| Write-offs | - | (56,506) | (5,487) | (61,993) |
| Derecognition of financial assets in the current reporting period | (24,475,131) | (34,291) | (46,959) | (24,556,381) |
| Changes in exchange rates and other changes | <u>(252,014)</u> | <u>-</u> | <u>14</u> | <u>(252,000)</u> |
| Balance at March 31, 2020 | <u>\$ 18,341,766</u> | <u>\$ 49,753</u> | <u>\$ 258,902</u> | <u>\$ 18,650,421</u> (Concluded) |

| Allowance for Possible Losses | 12-month ECL | Lifetime ECL (Collective Assessment) | Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets) | Impairment Loss under IFRS 9 | Difference of Impairment Loss under Regulations | Total |
|---|---------------------|---|--|---|--|-------------------|
| Balance at January 1, 2021 | \$ 35,409 | \$ 12,978 | \$ 70,631 | \$ 119,018 | \$ 163,955 | \$ 282,973 |
| Changes from financial instruments recognized at the beginning of the current reporting period | | | | | | |
| Transfers to | | | | | | |
| Lifetime ECL | (222) | 235 | (13) | - | - | - |
| Credit-impaired financial assets | (252) | (739) | 991 | - | - | - |
| 12-month ECL | 2,344 | (2,342) | (2) | - | - | - |
| Derecognition of financial assets in the current reporting period | (21,152) | (7,984) | (12,909) | (42,045) | - | (42,045) |
| Reversal from financial instruments recognized at the beginning of the current reporting period | 2,212 | 2,912 | 12,489 | 17,613 | - | 17,613 |
| New financial assets purchased or originated | 18,876 | 6,393 | 3,247 | 28,516 | - | 28,516 |
| Difference of impairment loss under regulations | - | - | - | - | (35,718) | (35,718) |
| Write-offs | - | - | (2,636) | (2,636) | - | (2,636) |
| Recovery of written-off receivables | - | - | 5,720 | 5,720 | - | 5,720 |
| Changes in exchange rates and other changes | <u>56</u> | <u>-</u> | <u>(140)</u> | <u>(84)</u> | <u>-</u> | <u>(84)</u> |
| Balance at March 31, 2021 | <u>\$ 37,271</u> | <u>\$ 11,453</u> | <u>\$ 77,378</u> | <u>\$ 126,102</u> | <u>\$ 128,237</u> | <u>\$ 254,339</u> |
| Balance at January 1, 2020 | \$ 49,498 | \$ 13,869 | \$ 77,288 | \$ 140,655 | \$ 149,395 | \$ 290,050 |
| Changes from financial instruments recognized at the beginning of the current reporting period | | | | | | |
| Transfers to | | | | | | |
| Lifetime ECL | (489) | 495 | (6) | - | - | - |
| Credit-impaired financial assets | (392) | (811) | 1,203 | - | - | - |
| 12-month ECL | 2,860 | (2,854) | (6) | - | - | - |

(Continued)

| Allowance for Possible Losses | 12-month ECL | Lifetime ECL (Collective Assessment) | Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets) | Impairment Loss under IFRS 9 | Difference of Impairment Loss under Regulations | Total |
|---|------------------|--|--|------------------------------------|--|-------------------|
| Derecognition of financial assets in the current reporting period | \$ (26,816) | \$ (8,972) | \$ (14,674) | \$ (50,462) | \$ - | \$ (50,462) |
| Reversal from financial instruments recognized at the beginning of the current reporting period | (3,175) | 4,403 | 1,181 | 2,409 | - | 2,409 |
| New financial assets purchased or originated | 28,821 | 63,150 | 69,226 | 161,197 | - | 161,197 |
| Difference of impairment loss under regulations | - | - | - | - | 7,648 | 7,648 |
| Write-offs | - | (56,506) | (5,487) | (61,993) | - | (61,993) |
| Recovery of written-off receivables | - | - | 129 | 129 | - | 129 |
| Changes in exchange rates and other changes | (6,426) | - | 6,527 | 101 | - | 101 |
| Balance at March 31, 2020 | <u>\$ 43,881</u> | <u>\$ 12,774</u> | <u>\$ 135,381</u> | <u>\$ 192,036</u> | <u>\$ 157,043</u> | <u>\$ 349,079</u> |

(Concluded)

Impairment assessment except the above receivables were based on expected credit losses model at the beginning of the current reporting period by simplified method. On March 31, 2021, December 31, 2020 and March 31, 2020, the amount of impairment assessment to receivables were \$23,929,321 thousand, \$18,279,700 thousand and \$13,623,475 thousands, respectively, and the amount of allowance for possible losses were \$277,223 thousand, \$528,989 thousand and \$565,886 thousand, respectively.

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

| | For the Three Months Ended March 31 | |
|---|--|-------------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 528,989 | \$ 591,799 |
| Provision (reversal of provision) for possible losses | 43,550 | (24,557) |
| Write-offs | (253,099) | (869) |
| Recovery of written-off receivables | 1,126 | (71) |
| Effects of exchange rate changes and other changes | (43,343) | (416) |
| Balance at March 31 | <u>\$ 277,223</u> | <u>\$ 565,886</u> |

13. DISCOUNTS AND LOANS, NET

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--------------------------------|----------------|----------------------|----------------|
| Bills discounted | \$ 3,322,317 | \$ 2,873,302 | \$ 1,794,193 |
| Overdraft | | | |
| Unsecured | 33,790 | 26,683 | 79,643 |
| Secured | 31,393 | 27,581 | 45,806 |
| Import and export negotiations | 626,750 | 937,030 | 299,906 |
| Short-term loans | | | |
| Unsecured | 284,241,126 | 251,607,009 | 324,520,751 |
| Accounts receivable financing | 267,224 | 257,023 | 268,196 |
| Secured | 196,377,429 | 198,240,650 | 211,718,664 |

(Continued)

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-------------------------------------|-------------------------|------------------------------|-------------------------|
| Medium-term loans | | | |
| Unsecured | \$ 373,239,866 | \$ 359,883,619 | \$ 345,546,564 |
| Secured | 408,931,998 | 401,042,799 | 322,517,463 |
| Long-term loans | | | |
| Unsecured | 36,500,681 | 35,508,190 | 31,913,193 |
| Secured | 1,058,135,766 | 1,047,578,506 | 1,020,256,386 |
| Overdue loans | 6,331,339 | 6,564,807 | 6,781,363 |
| Life insurance loan | 370,086 | 397,042 | 544,419 |
| Temporary insurance paid | <u>62,880</u> | <u>60,491</u> | <u>52,631</u> |
| | 2,368,472,645 | 2,305,004,732 | 2,266,339,178 |
| Less: Allowance for possible losses | 28,988,564 | 29,173,224 | 27,174,240 |
| Less: Adjustment of discount | <u>519,989</u> | <u>499,994</u> | <u>458,772</u> |
| | <u>\$ 2,338,964,092</u> | <u>\$ 2,275,331,514</u> | <u>\$ 2,238,706,166</u> |

(Concluded)

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

| Gross Carrying Amount | 12-month ECL | Lifetime ECL (Collective Assessment) | Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets) | Total |
|---|-------------------------|---|--|-------------------------|
| Balance at January 1, 2021 | \$ 2,261,133,785 | \$ 2,802,802 | \$ 41,068,145 | \$ 2,305,004,732 |
| Transfers to | | | | |
| Lifetime ECL | (1,005,833) | 1,039,027 | (33,194) | - |
| Credit-impaired financial assets | (2,057,722) | (184,504) | 2,242,226 | - |
| 12-month ECL | 731,210 | (674,244) | (56,966) | - |
| New financial assets purchased or originated | 353,836,708 | 222,742 | 133,593 | 354,193,043 |
| Write-offs | - | - | (1,606,101) | (1,606,101) |
| Derecognition of financial assets in the current reporting period | (288,504,875) | (670,927) | (2,154,971) | (291,330,773) |
| Changes in exchange rates and other changes | <u>2,082,127</u> | <u>7,105</u> | <u>122,512</u> | <u>2,211,744</u> |
| Balance at March 31, 2021 | <u>\$ 2,326,215,400</u> | <u>\$ 2,542,001</u> | <u>\$ 39,715,244</u> | <u>\$ 2,368,472,645</u> |
| Balance at January 1, 2020 | \$ 2,181,142,309 | \$ 2,524,438 | \$ 37,638,133 | \$ 2,221,304,880 |
| Transfers to | | | | |
| Lifetime ECL | (3,447,681) | 3,508,178 | (60,497) | - |
| Credit-impaired financial assets | (2,130,280) | (706,296) | 2,836,576 | - |
| 12-month ECL | 594,302 | (523,725) | (70,577) | - |
| New financial assets purchased or originated | 325,376,275 | 126,091 | 46,562 | 325,548,928 |
| Write-offs | - | - | (1,365,534) | (1,365,534) |
| Derecognition of financial assets in the current reporting period | (276,548,168) | (324,369) | (2,047,158) | (278,919,695) |
| Changes in exchange rates and other changes | <u>208,469</u> | <u>(333,287)</u> | <u>(104,583)</u> | <u>(229,401)</u> |
| Balance at March 31, 2020 | <u>\$ 2,225,195,226</u> | <u>\$ 4,271,030</u> | <u>\$ 36,872,922</u> | <u>\$ 2,266,339,178</u> |

| 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, 2021 | \$ 3,903,935 | \$ 19,762 | \$ 5,304,254 | \$ 9,227,951 | \$ 19,945,273 | \$ 29,173,224 |
| Changes from financial instruments recognized at the beginning of the current reporting period | | | | | | |
| Transfers to | | | | | | |
| Lifetime ECL | (565) | 2,665 | (2,100) | - | - | - |
| Credit-impaired financial assets | (147,562) | (250) | 147,812 | - | - | - |
| 12-month ECL | 7,194 | (3,553) | (3,641) | - | - | - |
| Derecognition of financial assets in the current reporting period | (571,810) | (1,870) | (11,494) | (585,174) | - | (585,174) |
| Reversal from financial instruments recognized at the beginning of the current reporting period | 59,010 | (2,385) | 631,018 | 687,643 | - | 687,643 |
| New financial assets purchased or originated | 701,200 | 1,549 | 1,775 | 704,524 | - | 704,524 |
| Difference of impairment loss under regulations | - | - | - | - | 313,041 | 313,041 |
| Write-offs | - | - | (1,606,101) | (1,606,101) | - | (1,606,101) |
| Recovery of write-off credits | - | - | 278,940 | 278,940 | - | 278,940 |
| Changes in exchange rates and other changes | 6,719 | 145 | 15,603 | 22,467 | - | 22,467 |
| Balance at March 31, 2021 | <u>\$ 3,958,121</u> | <u>\$ 16,063</u> | <u>\$ 4,756,066</u> | <u>\$ 8,730,250</u> | <u>\$ 20,258,314</u> | <u>\$ 28,988,564</u> |
| Balance at January 1, 2020 | \$ 4,383,474 | \$ 15,152 | \$ 5,790,070 | \$ 10,188,696 | \$ 17,187,696 | \$ 27,376,392 |
| Changes from financial instruments recognized at the beginning of the current reporting period | | | | | | |
| Transfers to | | | | | | |
| Lifetime ECL | (13,605) | 25,723 | (12,118) | - | - | - |
| Credit-impaired financial assets | (45,154) | (8,961) | 54,115 | - | - | - |
| 12-month ECL | 8,783 | (927) | (7,856) | - | - | - |
| Derecognition of financial assets in the current reporting period | (833,416) | (946) | (472,886) | (1,307,248) | - | (1,307,248) |
| Reversal from financial instruments recognized at the beginning of the current reporting period | 99,336 | (72,772) | 1,472,257 | 1,498,821 | - | 1,498,821 |
| New financial assets purchased or originated | 874,707 | 615 | 1,456 | 876,778 | - | 876,778 |
| Difference of impairment loss under regulations | - | - | - | - | (182,710) | (182,710) |
| Write-offs | - | - | (1,365,534) | (1,365,534) | - | (1,365,534) |
| Recovery of write-off credits | - | - | 272,445 | 272,445 | - | 272,445 |
| Changes in exchange rates and other changes | (601,237) | 64,864 | 541,669 | 5,296 | - | 5,296 |
| Balance at March 31, 2020 | <u>\$ 3,872,888</u> | <u>\$ 22,748</u> | <u>\$ 6,273,618</u> | <u>\$ 10,169,254</u> | <u>\$ 17,004,986</u> | <u>\$ 27,174,240</u> |

The bad-debt expenses and provision for losses on guarantees for the three months ended March 31, 2021 and 2020 were as follows:

| | For the Three Months Ended March 31 | |
|---|--|-------------------|
| | 2021 | 2020 |
| Provision for possible losses on discounts and loans | \$ 1,120,034 | \$ 885,641 |
| Provision for possible losses on receivables | 11,916 | 96,235 |
| Provision for possible losses on overdue receivables | 8,279 | 23,672 |
| Provision (reversal of provision) for possible losses on guarantees | 7,573 | (78,033) |
| Provision (reversal of provision) for possible losses on loan commitment | 11,820 | (16,847) |
| Provision for other possible losses | (2,079) | (512) |
| | <u>\$ 1,157,543</u> | <u>\$ 910,156</u> |

As of March 31, 2021, December 31, 2020 and March 31, 2020, TCB was in compliance with the FSC-required provision for credit assets.

As of March 31, 2021, December 31, 2020 and March 31, 2020, accrual of interest on the above overdue loans had been stopped. Thus, the unrecognized interest revenue was \$27,480 thousand and \$32,288 thousand for the three months ended March 31, 2021 and 2020, respectively, based on the average loan interest rate for the year.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | <u>March 31, 2021</u> | | <u>December 31, 2020</u> | | <u>March 31, 2020</u> | |
|---|-----------------------|--------------------------------|--------------------------|--------------------------------|-----------------------|--------------------------------|
| | <u>Amount</u> | <u>Percentage of Ownership</u> | <u>Amount</u> | <u>Percentage of Ownership</u> | <u>Amount</u> | <u>Percentage of Ownership</u> |
| <u>Investment in associate</u> | | | | | | |
| United Real Estate Management Co., Ltd. | \$ 140,916 | 30.00 | \$ 134,382 | 30.00 | \$ 130,856 | 30.00 |
| Mesh Cooperative Ventures, Inc. | 1,720 | 33.00 | 1,992 | 33.00 | 3,034 | 33.00 |
| JC Capital Taiwan Co., Ltd. | <u>2,458</u> | 35.00 | <u>2,801</u> | 35.00 | <u>-</u> | - |
| | <u>\$ 145,094</u> | | <u>\$ 139,175</u> | | <u>\$ 133,890</u> | |

Aggregate information of associate that is not individually material:

| | <u>For the Three Months Ended March 31</u> | |
|---|--|-----------------|
| | <u>2021</u> | <u>2020</u> |
| The Company's share of: | | |
| Net income | \$ 5,919 | \$ (904) |
| Other comprehensive income | <u>-</u> | <u>-</u> |
| Total comprehensive income for the period | <u>\$ 5,919</u> | <u>\$ (904)</u> |

The investments accounted for by equity method and the share of profit or loss and other comprehensive income of the investments for the three months ended March 31, 2021 and 2020 were based on the associate's financial statements for the same period which have not been reviewed by the auditors. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements of the associate that have not been reviewed.

15. OTHER FINANCIAL ASSETS, NET

| | <u>March 31, 2021</u> | <u>December 31, 2020</u> | <u>March 31, 2020</u> |
|-------------------------------------|-----------------------|--------------------------|-----------------------|
| Overdue receivables | \$ 380,150 | \$ 337,110 | \$ 139,372 |
| Less: Allowance for possible losses | <u>147,224</u> | <u>103,102</u> | <u>106,239</u> |
| Overdue receivables, net | 232,926 | 234,008 | 33,133 |
| Due from banks | 11,040,367 | 8,512,487 | 16,014,734 |
| Security borrowing margin | 729,615 | 683,255 | 200,312 |
| Call loans to security firms | 256,545 | 252,900 | 271,845 |
| Separate-account assets (Note 31) | <u>104,629,315</u> | <u>105,803,112</u> | <u>85,825,868</u> |
| | <u>\$ 116,888,768</u> | <u>\$ 115,485,762</u> | <u>\$ 102,345,892</u> |

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

16. INVESTMENT PROPERTIES, NET

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|-----------------------|------------------------------|-----------------------|
| Land | \$ 8,582,663 | \$ 8,633,740 | \$ 8,311,543 |
| Buildings | <u>2,791,041</u> | <u>2,784,932</u> | <u>2,699,943</u> |
| | <u>\$ 11,373,704</u> | <u>\$ 11,418,672</u> | <u>\$ 11,011,486</u> |
| | Land | Buildings | Total |
| <u>Cost</u> | | | |
| Balance at January 1, 2021 | \$ 8,633,740 | \$ 3,933,522 | \$ 12,567,262 |
| Additions | 42,101 | 69,185 | 111,286 |
| Disposal | (99,700) | (38,339) | (138,039) |
| Reclassification | <u>6,522</u> | <u>(1,064)</u> | <u>5,458</u> |
| Balance at March 31, 2021 | <u>\$ 8,582,663</u> | <u>\$ 3,963,304</u> | <u>\$ 12,545,967</u> |
| Balance at January 1, 2020 | \$ 8,149,105 | \$ 3,632,616 | \$ 11,781,721 |
| Additions | 162,438 | 48,250 | 210,688 |
| Reclassification | <u>-</u> | <u>(1,530)</u> | <u>(1,530)</u> |
| Balance at March 31, 2020 | <u>\$ 8,311,543</u> | <u>\$ 3,679,336</u> | <u>\$ 11,990,879</u> |
| <u>Accumulated depreciation and impairment</u> | | | |
| Balance at January 1, 2021 | \$ - | \$ 1,148,590 | \$ 1,148,590 |
| Disposal | - | (2,320) | (2,320) |
| Depreciation expenses | <u>-</u> | <u>25,993</u> | <u>25,993</u> |
| Balance at March 31, 2021 | <u>\$ -</u> | <u>\$ 1,172,263</u> | <u>\$ 1,172,263</u> |
| Balance at January 1, 2020 | \$ - | \$ 955,280 | \$ 955,280 |
| Depreciation expenses | <u>-</u> | <u>24,113</u> | <u>24,113</u> |
| Balance at March 31, 2020 | <u>\$ -</u> | <u>\$ 979,393</u> | <u>\$ 979,393</u> |

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 by internal appraisal personnel using level 3 inputs according to internal procedures and related regulations. The management of the Company had assessed and determined that there was no significant changes in the fair value of investment properties for the three months ended March 31, 2021 and 2020.

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

| | For the Three Months Ended March 31 | |
|---|--|------------------|
| | 2021 | 2020 |
| Rental income from investment properties (part of other noninterest gains, net) | \$ 128,321 | \$ 126,657 |
| Direct operating expenses for investment properties that generate rental income | <u>(41,039)</u> | <u>(39,041)</u> |
| | <u>\$ 87,282</u> | <u>\$ 87,616</u> |

Lease agreements on investment properties owned by the Company and rented to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of March 31, 2021, December 31, 2020 and March 31, 2020, guarantee deposits on these leases totaled \$103,051 thousand, \$103,574 thousand and \$97,577 thousand, respectively. Minimum future annual rentals are as follows:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-----------------|-----------------------|------------------------------|-----------------------|
| Year 1 | \$ 420,547 | \$ 413,448 | \$ 402,740 |
| Year 2 | 370,063 | 381,384 | 354,292 |
| Year 3 | 279,889 | 287,593 | 308,158 |
| Year 4 | 221,199 | 254,894 | 220,981 |
| Year 5 | 70,208 | 93,539 | 168,494 |
| Over five years | <u>98,096</u> | <u>99,609</u> | <u>406,749</u> |
| | <u>\$ 1,460,002</u> | <u>\$ 1,530,467</u> | <u>\$ 1,861,414</u> |

17. PROPERTIES AND EQUIPMENT, NET

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|-----------------------|------------------------------|-----------------------|
| <u>Carrying amount</u> | | | |
| Land | \$ 20,631,618 | \$ 20,638,106 | \$ 20,715,368 |
| Buildings | 10,554,563 | 10,677,659 | 11,130,845 |
| Machinery and equipment | 1,225,713 | 1,274,451 | 1,164,795 |
| Transportation equipment | 140,143 | 138,583 | 111,088 |
| Other equipment | 236,240 | 248,473 | 227,984 |
| Leasehold improvements | 191,738 | 180,642 | 157,360 |
| Prepayments for equipment, land and buildings and construction in progress | <u>293,701</u> | <u>252,798</u> | <u>142,657</u> |
| | <u>\$ 33,273,716</u> | <u>\$ 33,410,712</u> | <u>\$ 33,650,097</u> |

(Continued)

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|------------------|----------------------|----------------|
| <u>Assets leased under operating leases</u> | | | |
| Machinery and equipment | \$ 9,882 | \$ 10,419 | \$ - |
| Other equipment | <u>28,954</u> | <u>30,648</u> | <u>-</u> |
| | <u>\$ 38,836</u> | <u>\$ 41,067</u> | <u>\$ -</u> |

(Concluded)

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, 2021 | \$ 20,653,283 | \$ 19,183,858 | \$ 5,222,854 | \$ 663,282 | \$ 1,456,066 | \$ 1,071,777 | \$ 252,798 | \$ 48,503,918 |
| Additions | - | 14,604 | 40,630 | 6,357 | 8,289 | 5,960 | 105,938 | 181,778 |
| Disposals | - | - | (65,926) | (1,402) | (4,922) | (4,180) | - | (76,430) |
| Reclassification | (6,522) | 32,808 | 7,719 | 2,739 | 900 | 20,015 | (65,036) | (7,377) |
| Effects of exchange rate changes | <u>34</u> | <u>74</u> | <u>2,067</u> | <u>293</u> | <u>556</u> | <u>1,372</u> | <u>1</u> | <u>4,397</u> |
| Balance at March 31, 2021 | <u>\$ 20,646,795</u> | <u>\$ 19,231,344</u> | <u>\$ 5,207,344</u> | <u>\$ 671,269</u> | <u>\$ 1,460,889</u> | <u>\$ 1,094,944</u> | <u>\$ 293,701</u> | <u>\$ 48,606,286</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 | - | 15,617 | 84,757 | 13,464 | 12,318 | 12,152 | 48,101 | 186,409 |
| Disposals | - | - | (33,642) | (8,814) | (10,096) | (4,870) | - | (57,422) |
| Reclassification | - | 2,803 | 140,167 | 1,139 | 2,410 | 2,057 | (160,032) | (11,456) |
| Effects of exchange rate changes | <u>18</u> | <u>39</u> | <u>(79)</u> | <u>(447)</u> | <u>(3,806)</u> | <u>(1,007)</u> | <u>(93)</u> | <u>(5,375)</u> |
| Balance at March 31, 2020 | <u>\$ 20,730,545</u> | <u>\$ 19,304,570</u> | <u>\$ 4,938,599</u> | <u>\$ 642,372</u> | <u>\$ 1,405,222</u> | <u>\$ 1,026,249</u> | <u>\$ 142,657</u> | <u>\$ 48,190,214</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | | |
| Balance at January 1, 2021 | \$ 15,177 | \$ 8,506,199 | \$ 3,948,403 | \$ 524,699 | \$ 1,207,593 | \$ 891,135 | \$ - | \$ 15,093,206 |
| Disposals | - | - | (65,888) | (1,402) | (4,903) | (4,180) | - | (76,373) |
| Depreciation expense | - | 170,511 | 97,703 | 7,577 | 21,519 | 15,373 | - | 312,683 |
| Reclassification | - | - | (29) | 29 | - | - | - | - |
| Effects of exchange rate changes | <u>-</u> | <u>71</u> | <u>1,442</u> | <u>223</u> | <u>440</u> | <u>878</u> | <u>-</u> | <u>3,054</u> |
| Balance at March 31, 2021 | <u>\$ 15,177</u> | <u>\$ 8,676,781</u> | <u>\$ 3,981,631</u> | <u>\$ 531,126</u> | <u>\$ 1,224,649</u> | <u>\$ 903,206</u> | <u>\$ -</u> | <u>\$ 15,332,570</u> |
| Balance at January 1, 2020 | \$ 15,177 | \$ 8,004,869 | \$ 3,725,215 | \$ 533,914 | \$ 1,166,042 | \$ 861,348 | \$ - | \$ 14,306,565 |
| Disposals | - | - | (33,618) | (8,814) | (10,096) | (4,870) | - | (57,398) |
| Depreciation expense | - | 168,831 | 82,380 | 6,517 | 21,286 | 13,545 | - | 292,559 |
| Reclassification | - | - | (94) | - | 94 | - | - | - |
| Effects of exchange rate changes | <u>-</u> | <u>25</u> | <u>(79)</u> | <u>(333)</u> | <u>(88)</u> | <u>(1,134)</u> | <u>-</u> | <u>(1,609)</u> |
| Balance at March 31, 2020 | <u>\$ 15,177</u> | <u>\$ 8,173,725</u> | <u>\$ 3,773,804</u> | <u>\$ 531,284</u> | <u>\$ 1,177,238</u> | <u>\$ 868,889</u> | <u>\$ -</u> | <u>\$ 14,540,117</u> |

Taiwan Cooperative Bank, Ltd. (TCB) revalued its properties five times in 1979, 1998, 2007, 2011 and 2012. As March 31, 2021, 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%, 8.61% and 7.54% as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

b. Assets leased under operating leases

| | Machinery and Equipment | Other Equipment | Total |
|--|------------------------------------|----------------------------|------------------|
| <u>Cost</u> | | | |
| Balance at January 1, 2021 | \$ 11,802 | \$ 34,610 | \$ 46,412 |
| Additions | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance at March 31, 2021 | <u>\$ 11,802</u> | <u>\$ 34,610</u> | <u>\$ 46,412</u> |
| <u>Accumulated depreciation and impairment</u> | | | |
| Balance at January 1, 2021 | \$ 1,383 | \$ 3,962 | \$ 5,345 |
| Depreciation expenses | <u>537</u> | <u>1,694</u> | <u>2,231</u> |
| Balance at March 31, 2021 | <u>\$ 1,920</u> | <u>\$ 5,656</u> | <u>\$ 7,576</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

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--------------------------|-----------------------|------------------------------|-----------------------|
| <u>Carrying amount</u> | | | |
| Land | \$ 11,332 | \$ 12,826 | \$ 15,494 |
| Buildings | 1,522,461 | 1,607,444 | 1,583,611 |
| Transportation equipment | 61,092 | 67,217 | 59,942 |
| Other equipment | <u>16,268</u> | <u>17,393</u> | <u>20,502</u> |
| | <u>\$ 1,611,153</u> | <u>\$ 1,704,880</u> | <u>\$ 1,679,549</u> |

| | For the Three Months Ended March 31 | |
|---|--|-------------------|
| | 2021 | 2020 |
| Additions to right-of-use assets | <u>\$ 112,529</u> | <u>\$ 131,224</u> |
| Depreciation charge for right-of-use assets | | |
| Land | \$ 1,652 | \$ 1,366 |
| Buildings | 148,780 | 149,759 |
| Transportation equipment | 7,668 | 8,122 |
| Other equipment | <u>1,125</u> | <u>1,125</u> |
| | <u>\$ 159,225</u> | <u>\$ 160,372</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 three months ended March 31, 2021 and 2020.

b. Lease liabilities

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-----------------|-----------------------|------------------------------|-----------------------|
| Carrying amount | <u>\$ 1,574,831</u> | <u>\$ 1,649,746</u> | <u>\$ 1,630,256</u> |

Range of discount rate for lease liabilities was as follows:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--------------------------|-----------------------|------------------------------|-----------------------|
| Land | 1.356%-1.627% | 1.593%-1.627% | 1.615%-1.627% |
| Buildings | 1.359%-9.800% | 1.359%-9.800% | 1.615%-9.800% |
| Transportation equipment | 0.845%-8.880% | 0.845%-8.880% | 1.040%-8.880% |
| Other equipment | 2.445%-4.000% | 2.445%-4.000% | 2.445%-4.000% |

c. Material lease-in activities

The Company signed lease agreements on office premises due to operating activities. Rentals are calculated on the basis of leased areas and are receivable monthly, quarterly or semiannually. As of March 31, 2021, December 31, 2020 and March 31, 2020, guarantee deposits on these leases totaled \$137,584 thousand, \$137,242 thousand and \$133,620 thousand, respectively.

d. Other lease information

| | For the Three Months Ended March 31 | |
|---|--|---------------------|
| | 2021 | 2020 |
| Expenses relating to short-term leases | <u>\$ 2,376</u> | <u>\$ 1,914</u> |
| Expenses relating to low-value asset leases | <u>\$ 720</u> | <u>\$ 944</u> |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | <u>\$ 675</u> | <u>\$ 595</u> |
| Total cash outflow for leases | <u>\$ (157,001)</u> | <u>\$ (158,361)</u> |

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

19. INTANGIBLE ASSETS

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-------------------|---------------------|----------------------|---------------------|
| Goodwill | \$ 3,170,005 | \$ 3,170,005 | \$ 3,170,005 |
| Computer software | <u>708,318</u> | <u>718,618</u> | <u>606,689</u> |
| | <u>\$ 3,878,323</u> | <u>\$ 3,888,623</u> | <u>\$ 3,776,694</u> |

Except for amortization expenses recognized and the reclassification of intangible assets, the Company had no significant addition, disposal and impairment on intangible assets during the three months ended March 31, 2021 and 2020.

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

In testing assets for impairment, TCB defined each operating unit or operating segment as a cash-generating unit (CGU). The recoverable amount of a CGU was determined at its value in use for goodwill impairment test. The discount rates for the CGUs' value in use were 8.61%, 8.61% and 7.54% as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

Goodwill resulting from merger of Taiwan Cooperative Bank, Ltd. with the Farmers Bank of China was allocated to operating units or operating segment (cash-generating units with allocated goodwill). There was no impairment loss on goodwill as of March 31, 2021, December 31, 2020 and March 31, 2020.

20. OTHER ASSETS, NET

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|---------------------|----------------------|---------------------|
| Refundable deposits | \$ 1,565,686 | \$ 1,869,126 | \$ 1,733,705 |
| Prepaid expenses | 571,071 | 188,344 | 1,616,536 |
| Operating deposits and settlement funds | 736,396 | 726,271 | 714,738 |
| Settlement payments | 165,664 | 80,228 | 43,098 |
| Receipts under custody for securities under writing | - | 473,856 | - |
| Others | <u>30,190</u> | <u>44,552</u> | <u>63,919</u> |
| | <u>\$ 3,069,007</u> | <u>\$ 3,382,377</u> | <u>\$ 4,171,996</u> |

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

21. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|-----------------------|-----------------------|-----------------------|
| Deposits from banks | \$ 140,506,123 | \$ 150,923,009 | \$ 126,205,530 |
| Call loans from banks | 119,350,828 | 79,278,093 | 137,934,561 |
| Overdraft from other banks | 1,965,991 | 1,272,379 | 1,328,321 |
| Transfer deposits from Chunghwa Post Co., Ltd. | 95,665 | 95,665 | 589,604 |
| Deposits from the Central Bank | <u>268,163</u> | <u>424,480</u> | <u>436,922</u> |
| | <u>\$ 262,186,770</u> | <u>\$ 231,993,626</u> | <u>\$ 266,494,938</u> |

22. DUE TO THE CENTRAL BANK AND OTHER BANKS

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-------------------------|----------------------|----------------------|----------------|
| Due to the Central Bank | <u>\$ 53,890,930</u> | <u>\$ 37,118,610</u> | <u>\$ -</u> |

23. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$55,301,027 thousand, \$55,775,026 thousand and \$44,053,880 thousand under repurchase agreements as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively, would subsequently be purchased for \$55,315,869 thousand, \$55,788,273 thousand and \$44,075,392 thousand respectively.

24. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were \$33,745,000 thousand, \$31,810,000 thousand and \$32,495,000 thousand and the annual discount rates were from 0.262%-0.338%, from 0.288%-0.438% and from 0.598%-0.838% as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively, and the commercial paper will mature by June 10, 2021, March 12, 2021 and June 29, 2020, respectively. The foregoing commercial paper was accepted and guaranteed by financial institutions. As of March 31, 2021, the Company had not used the amount of \$80,509,296 thousand, the sum of the amount of the commercial paper issued and the credit.

25. PAYABLES

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|----------------|----------------------|----------------|
| Settlement payable | \$ 8,966,387 | \$ 7,048,937 | \$ 2,458,445 |
| Settlement consideration | 8,688,590 | 5,980,110 | 2,978,753 |
| Accrued expenses | 6,169,696 | 5,900,975 | 6,134,548 |
| Collections payable | 6,030,858 | 5,814,606 | 6,230,297 |
| Checks for clearing | 5,139,060 | 5,709,157 | 4,332,787 |
| Collections of notes and checks for various financial institutions in other cities | 4,976,539 | 4,602,498 | 4,622,428 |
| Acceptances | 3,829,122 | 3,256,086 | 4,517,522 |
| Accrued interest | 3,004,187 | 2,586,276 | 4,376,539 |

(Continued)

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|-----------------------|------------------------------|-------------------------------------|
| Payables on notes and checks collected for others | \$ 1,479,889 | \$ 1,478,345 | \$ 1,432,203 |
| Separate account payable | - | 935,499 | - |
| Payables for short-sale transactions | 254,970 | 651,341 | 226,272 |
| Deposits on short-sale transactions | 244,069 | 584,061 | 206,280 |
| Tax payable | 414,324 | 466,208 | 428,340 |
| Payable on securities | 1,106,505 | 418,565 | 516,071 |
| Dividends payable | 378,555 | 377,104 | 340,992 |
| Factored accounts payable | 139,985 | 202,009 | 68,240 |
| Insurance claims and benefits payable | 79,331 | 75,276 | 192,481 |
| Others | <u>2,132,268</u> | <u>1,996,175</u> | <u>2,244,404</u> |
| | <u>\$ 53,034,335</u> | <u>\$ 48,083,228</u> | <u>\$ 41,306,602</u> (Concluded) |

26. DEPOSITS AND REMITTANCES

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|------------------------------------|-------------------------|------------------------------|-------------------------|
| Deposits | | | |
| Checking | \$ 44,641,979 | \$ 49,488,911 | \$ 40,406,434 |
| Demand | 726,014,772 | 710,468,591 | 557,282,775 |
| Savings - demand | 1,025,008,706 | 1,032,998,013 | 893,083,132 |
| Time | 712,316,158 | 702,675,620 | 695,486,452 |
| Negotiable certificates of deposit | 40,574,150 | 47,136,505 | 44,880,371 |
| Savings - time | 607,396,226 | 610,115,507 | 624,178,077 |
| Treasury | 115,247,105 | 116,755,684 | 112,410,242 |
| Remittances | <u>151,427</u> | <u>232,713</u> | <u>117,617</u> |
| | <u>\$ 3,271,350,523</u> | <u>\$ 3,269,871,544</u> | <u>\$ 2,967,845,100</u> |

27. BONDS PAYABLE

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

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|-----------------------|------------------------------|-----------------------|
| Bank debentures | \$ 61,600,000 | \$ 61,600,000 | \$ 57,500,000 |
| First unsecured corporate bond of TCFHC in 2020: Fixed rate of 0.68%; maturity - May 26, 2027 | 5,700,000 | 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 | 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>2,200,000</u> | <u>-</u> |
| | <u>\$ 71,600,000</u> | <u>\$ 71,600,000</u> | <u>\$ 57,500,000</u> |

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

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|----------------------|----------------------|----------------------|
| First subordinated bonds in 2012: Fixed rate of 1.65%; maturity - June 28, 2022 | \$ 11,650,000 | \$ 11,650,000 | \$ 11,650,000 |
| Second subordinated bonds in 2012, Type B: Fixed rate of 1.55%; maturity - December 25, 2022 | 7,350,000 | 7,350,000 | 7,350,000 |
| 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 | 4,600,000 |
| First subordinated bonds in 2014, Type A: Fixed rate of 1.70%; maturity - May 26, 2021 | 1,500,000 | 1,500,000 | 1,500,000 |
| First subordinated bonds in 2014, Type B: Fixed rate of 1.85%; maturity - May 26, 2024 | 2,700,000 | 2,700,000 | 2,700,000 |
| First subordinated bonds in 2014, Type C: Fixing rate for 90 day's New Taiwan dollar commercial paper refers to the Taiwan Bills Index Rate 02 plus 0.43%; maturity - May 26, 2024 | 5,800,000 | 5,800,000 | 5,800,000 |
| First subordinated bonds in 2016, Type A: Fixed rate of 1.09%; maturity - September 26, 2023 | 950,000 | 950,000 | 950,000 |
| First subordinated bonds in 2016, Type B: Fixed rate of 1.20%; maturity - September 26, 2026 | 4,050,000 | 4,050,000 | 4,050,000 |
| First subordinated bonds in 2017, Type A: Fixed rate of 1.32%; maturity - September 26, 2024 | 600,000 | 600,000 | 600,000 |
| First subordinated bonds in 2017, Type B: Fixed rate of 1.56%; maturity - September 26, 2027 | 1,400,000 | 1,400,000 | 1,400,000 |
| First non-cumulative perpetual subordinated bonds in 2018: Fixed rate of 2.28%; TCB may exercise its redemption rights after 5 years and 2 months | 5,000,000 | 5,000,000 | 5,000,000 |
| First non-cumulative perpetual subordinated bonds in 2019: Fixed rate of 1.90%; TCB may exercise its redemption rights after 5 years and 1 months | 5,000,000 | 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 | 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 | 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>5,000,000</u> | <u>-</u> |
| | <u>\$ 61,600,000</u> | <u>\$ 61,600,000</u> | <u>\$ 57,500,000</u> |

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.

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 to 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.

In order to 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 April 26, 2021. The application has not yet been submitted to the authority for approval.

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 March 31, 2021, 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 March 31, 2021, the amount of unissued non-cumulative perpetual subordinated bonds of TCB was \$5,000,000 thousand.

On March 11, 2021, TCB has obtained approval from the FSC to issue unsecured bank debentures amounting to \$1,000,000 thousand. As of March 31, 2021, the amount of unissued unsecured bank debentures of TCB was \$1,000,000 thousand.

28. OTHER BORROWINGS

| | <u>March 31, 2021</u> | | <u>December 31, 2020</u> | | <u>March 31, 2020</u> | |
|----------------------|-----------------------|-------------|--------------------------|-------------|-----------------------|-------------|
| | Amount | Rate (%) | Amount | Rate (%) | Amount | Rate (%) |
| Borrowings (Note 24) | <u>\$ 1,293,502</u> | 0.610-4.750 | <u>\$ 815,302</u> | 0.700-4.956 | <u>\$ 2,481,626</u> | 0.776-5.220 |

29. PROVISIONS

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|-----------------------|--------------------------|-----------------------|
| Reserve for life insurance liabilities | \$ 26,631,959 | \$ 26,595,637 | \$ 26,967,266 |
| Reserve for insurance contracts with financial instrument features | 1,570,666 | 2,535,145 | 5,284,157 |
| Provision for employee benefits | 6,529,660 | 6,745,114 | 6,748,971 |
| Provision for losses on guarantees | 1,565,132 | 1,557,351 | 1,401,870 |
| Provision for losses on loan commitment | 236,033 | 223,012 | 166,090 |
| Provision for others | 40,305 | 42,156 | 34,430 |
| Other provision for insurance | <u>613,895</u> | <u>563,980</u> | <u>595,070</u> |
| | <u>\$ 37,187,650</u> | <u>\$ 38,262,395</u> | <u>\$ 41,197,854</u> |

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

| | March 31, 2021 | | |
|--|--------------------------------|--|----------------------|
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Life insurance | \$ 11,422,767 | \$ 5,299,135 | \$ 16,721,902 |
| Health insurance | 783,637 | - | 783,637 |
| Annuity insurance | - | 9,072,361 | 9,072,361 |
| Investment insurance | <u>51,155</u> | <u>-</u> | <u>51,155</u> |
| | 12,257,559 | 14,371,496 | 26,629,055 |
| Less: Ceded life insurance liability reserve | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 12,257,559</u> | <u>\$ 14,371,496</u> | <u>\$ 26,629,055</u> |
| | 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> |
| | 11,983,767 | 14,610,915 | 26,594,682 |
| 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> |
| | March 31, 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Life insurance | \$ 10,535,277 | \$ 5,557,770 | \$ 16,093,047 |
| Health insurance | 640,281 | - | 640,281 |
| Annuity insurance | - | 10,156,177 | 10,156,177 |
| Investment insurance | <u>76,776</u> | <u>-</u> | <u>76,776</u> |
| | 11,252,334 | 15,713,947 | 26,966,281 |
| Less: Ceded life insurance liability reserve | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 11,252,334</u> | <u>\$ 15,713,947</u> | <u>\$ 26,966,281</u> |

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

| | For the Three Months Ended March 31 | | | | | |
|--|-------------------------------------|---|----------------------|----------------------|---|----------------------|
| | 2021 | | | 2020 | | |
| | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total | Insurance Contracts | Financial Instruments with Discretionary Participation Features | Total |
| Balance at January 1 | \$ 11,983,767 | \$ 14,610,915 | \$ 26,594,682 | \$ 11,733,123 | \$ 15,945,711 | \$ 27,678,834 |
| Provision | 354,151 | 63,412 | 417,563 | 358,993 | 82,514 | 441,507 |
| Recovery | (80,359) | (302,831) | (383,190) | (839,782) | (314,278) | (1,154,060) |
| Ending balance | 12,257,559 | 14,371,496 | 26,629,055 | 11,252,334 | 15,713,947 | 26,966,281 |
| Less: Ceded life insurance liability reserve | - | - | - | - | - | - |
| Balance at March 31 | <u>\$ 12,257,559</u> | <u>\$ 14,371,496</u> | <u>\$ 26,629,055</u> | <u>\$ 11,252,334</u> | <u>\$ 15,713,947</u> | <u>\$ 26,966,281</u> |

As of March 31, 2021, December 31, 2020 and March 31, 2020, total life policy reserve carrying amounts (including reserve of policyholders payables) were \$26,631,959 thousand, \$26,595,637 thousand and \$26,967,266 thousand, respectively.

c. Details of liability adequacy reserves are as follows:

| | Insurance Contracts and Financial Instruments with Discretionary Participation Features | | |
|--|---|----------------------|----------------------|
| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
| Life insurance liability reserve | \$ 26,629,055 | \$ 26,594,682 | \$ 26,966,281 |
| Unearned premium reserve | 314,684 | 308,331 | 298,512 |
| Claims reserve | 76,274 | 57,546 | 81,298 |
| Premium deficiency reserve | <u>1,399</u> | <u>1,463</u> | <u>641</u> |
| Book value of insurance reserve | <u>\$ 27,021,412</u> | <u>\$ 26,962,022</u> | <u>\$ 27,346,732</u> |
| Present value of discounted cash flows | <u>\$ 24,786,862</u> | <u>\$ 24,398,215</u> | <u>\$ 24,914,707</u> |
| Balance of liability adequacy reserve | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

As of March 31, 2021, December 31, 2020 and March 31, 2020, the Company's reserves for insurance contracts satisfied the liability adequacy tests.

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

| March 31, 2021, December 31, 2020 and March 31, 2020 | |
|--|--|
| Test method | Total premium measurement method |
| Tested group | All insurance contracts as a whole |
| Assumptions | The discount rate assumption for every year was based on the best estimate scenario as well as the rate of return on investment with current information |

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

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|----------------|---------------------|---------------------|---------------------|
| Life insurance | <u>\$ 1,570,666</u> | <u>\$ 2,535,145</u> | <u>\$ 5,284,157</u> |

| | For the Three Months Ended March 31 | |
|--|--|---------------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 2,535,145 | \$ 6,068,784 |
| Insurance claim payments for the period | (968,321) | (814,580) |
| Reserve for insurance contracts with financial instrument features | <u>3,842</u> | <u>29,953</u> |
| Balance at March 31 | <u>\$ 1,570,666</u> | <u>\$ 5,284,157</u> |

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

1) Hedging strategy and foreign exchange exposure

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

2) Reconciliation of the reserve of foreign exchange variation

| | For the Three Months Ended March 31 | |
|-----------------------|--|-------------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 196,640 | \$ 230,520 |
| Provisions | | |
| Compulsory provisions | 4,127 | 4,649 |
| Additional provisions | <u>20,771</u> | <u>-</u> |
| | 24,898 | 4,649 |
| Recovery | <u>-</u> | <u>(20,550)</u> |
| Balance at March 31 | <u>\$ 221,538</u> | <u>\$ 214,619</u> |

3) Impact of the reserve of foreign exchange variation

For the three months ended March 31, 2021

| Items | Amount Without Reserve | Amount With Reserve | Effect |
|---------------------------------------|------------------------|---------------------|-------------|
| Net income | \$ 4,797,450 | \$ 4,777,532 | \$ (19,918) |
| Earnings per share (NT\$) | 0.34 | 0.34 | - |
| Reserve of foreign exchange variation | - | 221,538 | 221,538 |
| Equity | 241,327,280 | 241,120,747 | (206,533) |

For the three months ended March 31, 2020

| Items | Amount Without Reserve | Amount With Reserve | Effect |
|---------------------------------------|------------------------|---------------------|-----------|
| Net income | \$ 4,091,691 | \$ 4,104,412 | \$ 12,721 |
| Earnings per share (NT\$) | 0.29 | 0.30 | 0.01 |
| Reserve of foreign exchange variation | - | 214,619 | 214,619 |
| Equity | 227,382,782 | 227,181,784 | (200,998) |

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

| | For the Three Months Ended March 31 | |
|---|--|---------------------|
| | 2021 | 2020 |
| Reserve for life insurance liabilities, net | \$ 34,373 | \$ (712,553) |
| Reserve for insurance contract with financial instrument features, net | 3,842 | 29,953 |
| Others, net | <u>44,817</u> | <u>8,000</u> |
| | <u>\$ 83,032</u> | <u>\$ (674,600)</u> |

g. Provisions for employee benefits are summarized below:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|-----------------------|------------------------------|-----------------------|
| Net defined benefit liabilities | \$ 2,594,975 | \$ 2,773,207 | \$ 2,815,817 |
| Present value of retired employees' preferential interest deposit obligation | <u>3,934,685</u> | <u>3,971,907</u> | <u>3,933,154</u> |
| | <u>\$ 6,529,660</u> | <u>\$ 6,745,114</u> | <u>\$ 6,748,971</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, 2021 | \$ 963,936 | \$ 12,684 | \$ 56,788 | \$ 1,033,408 | \$ 789,111 | \$ 1,822,519 |
| Changes from financial instruments recognized at the beginning of the current reporting period | | | | | | |
| Transfers to | | | | | | |
| Lifetime ECL | (8) | 8 | - | - | - | - |
| Credit-impaired financial assets | (12,678) | - | 12,678 | - | - | - |
| 12-month ECL | 154 | (4) | (150) | - | - | - |
| Derecognition of financial assets in the current reporting period | (74,558) | (6) | (91) | (74,655) | - | (74,655) |
| Reversal from financial instruments recognized at the beginning of the current reporting period | (84,831) | (120) | 330,201 | 245,250 | - | 245,250 |
| New financial assets purchased or originated | 119,280 | - | 227 | 119,507 | - | 119,507 |
| Difference of impairment loss under regulations | - | - | - | - | (272,788) | (272,788) |
| Change in exchange rates and other changes | <u>1,637</u> | <u>-</u> | <u>-</u> | <u>1,637</u> | <u>-</u> | <u>1,637</u> |
| Balance at March 31, 2021 | <u>\$ 912,932</u> | <u>\$ 12,562</u> | <u>\$ 399,653</u> | <u>\$ 1,325,147</u> | <u>\$ 516,323</u> | <u>\$ 1,841,470</u> |
| Balance at January 1, 2020 | \$ 899,338 | \$ 104,032 | \$ 75,588 | \$ 1,078,958 | \$ 618,313 | \$ 1,697,271 |
| Changes from financial instruments recognized at the beginning of the current reporting period | | | | | | |
| Transfers to | | | | | | |
| Lifetime ECL | (39) | 39 | - | - | - | - |
| Credit-impaired financial assets | (62) | - | 62 | - | - | - |
| 12-month ECL | 1,917 | - | (1,917) | - | - | - |

(Continued)

| | 12-month ECL | Lifetime ECL (Collective Assessment) | Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets) | Impairment Loss under IFRS 9 | Difference of Impairment Loss under Regulations | Total |
|---|-------------------|--|--|------------------------------------|--|---------------------|
| Derecognition of financial assets in the current reporting period | \$ (112,434) | \$ (333) | \$ (59,672) | \$ (172,439) | \$ - | \$ (172,439) |
| Reversal from financial instruments recognized at the beginning of the current reporting period | (81,264) | (65,709) | 7,291 | (139,682) | - | (139,682) |
| New financial assets purchased or originated | 126,232 | 62 | - | 126,294 | - | 126,294 |
| Difference of impairment loss under regulations | - | - | - | - | 90,435 | 90,435 |
| Change in exchange rates and other changes | 511 | - | - | 511 | - | 511 |
| Balance at March 31, 2020 | <u>\$ 834,199</u> | <u>\$ 38,091</u> | <u>\$ 21,352</u> | <u>\$ 893,642</u> | <u>\$ 708,748</u> | <u>\$ 1,602,390</u> |

(Concluded)

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 \$56,870 thousand and \$55,137 thousand in the consolidated statement of comprehensive income for the three months ended March 31, 2021 and 2020, respectively, in accordance with the defined contribution plan.

b. Defined benefit plan

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

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

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

- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

For the three months ended March 31, 2021 and 2020, the pension expenses under defined benefit plan recognized in the consolidated statements of comprehensive income amounted to \$110,606 thousand and \$114,271 thousand, respectively. For more information about the defined benefit plan, refer to Note 30 of the consolidated financial statements for the year ended December 31, 2020.

c. Employees' preferential deposit plan

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

For the three months ended March 31, 2021 and 2020, the employee preferential deposit expense under employee's preferential deposit plan recognized in the consolidated statements of comprehensive income amounted to \$176,889 thousand and \$174,816 thousand, respectively. For more information about the employee preferential deposit plan, refer to Note 30 of the consolidated financial statements for the year ended December 31, 2020.

31. OTHER FINANCIAL LIABILITIES

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--------------------------------------|-----------------------|------------------------------|-----------------------|
| Structured products - host contracts | \$ 5,056,287 | \$ 2,365,355 | \$ 1,497,922 |
| Guarantee deposits received | 1,966,703 | 2,908,532 | 1,551,705 |
| Appropriation for loans | 9,351 | 32,743 | 24,267 |
| Separate-account liabilities | <u>104,629,315</u> | <u>105,803,112</u> | <u>85,825,868</u> |
| | <u>\$ 111,661,656</u> | <u>\$ 111,109,742</u> | <u>\$ 88,899,762</u> |

The status of the Company's investment-linked products - separate account as of March 31, 2021, December 31, 2020 and March 31, 2020, are summarized as follows:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|-----------------------|------------------------------|-----------------------|
| Separate-account assets (part of other financial assets) | | | |
| Demand deposits | \$ 892,085 | \$ 1,423,969 | \$ 1,395,552 |
| Financial assets at FVTPL | 103,516,448 | 102,989,435 | 84,107,415 |
| Other receivables | | | |
| General accounts receivables | - | 935,500 | - |
| Investment settlement receivables | <u>220,782</u> | <u>454,208</u> | <u>322,901</u> |
| | <u>220,782</u> | <u>1,389,708</u> | <u>322,901</u> |
| | <u>\$ 104,629,315</u> | <u>\$ 105,803,112</u> | <u>\$ 85,825,868</u> |

(Continued)

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|-----------------------|------------------------------|-------------------------------------|
| Separate-account liabilities (part of other financial liabilities) | | | |
| Reserve for separate account - insurance contract | \$ 77,737,207 | \$ 79,033,405 | \$ 65,868,861 |
| Reserve for separate account - investment contract | 26,731,444 | 26,769,707 | 19,466,098 |
| Other payables | | | |
| General accounts payables | <u>160,664</u> | <u>-</u> | <u>490,909</u> |
| | <u>\$ 104,629,315</u> | <u>\$ 105,803,112</u> | <u>\$ 85,825,868</u> (Concluded) |

| | For the Three Months Ended March 31 | |
|--|--|------------------------|
| | 2021 | 2020 |
| Separate-account revenue | | |
| Premium income | \$ 964,157 | \$ 1,297,732 |
| Gain (loss) on financial assets at FVTPL | (912,723) | (16,595,311) |
| Gain (loss) on foreign exchange | 295,771 | (4,852,238) |
| Interest revenue | <u>245</u> | <u>409</u> |
| | <u>\$ 347,450</u> | <u>\$ (20,149,408)</u> |
| Separate-account expense | | |
| Insurance claims and benefits | \$ 1,537,320 | \$ 1,998,966 |
| Reserves for separate accounts, net of releases - insurance contract | (1,448,585) | (22,408,560) |
| Administrative expenses | <u>258,715</u> | <u>260,186</u> |
| | <u>\$ 347,450</u> | <u>\$ (20,149,408)</u> |

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

32. OTHER LIABILITIES

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|------------------|-----------------------|------------------------------|-----------------------|
| Advance receipts | \$ 1,313,970 | \$ 1,441,312 | \$ 1,300,837 |
| Others | <u>190,358</u> | <u>103,200</u> | <u>86,584</u> |
| | <u>\$ 1,504,328</u> | <u>\$ 1,544,512</u> | <u>\$ 1,387,421</u> |

33. NET INTEREST

| | For the Three Months Ended March 31 | |
|---|--|---------------------|
| | 2021 | 2020 |
| Interest revenue | | |
| From discounts and loans | \$ 9,288,359 | \$ 11,289,460 |
| From investments | 2,361,581 | 2,716,607 |
| From due from banks and call loans to other banks | 271,045 | 552,036 |
| Others | <u>352,717</u> | <u>235,266</u> |
| | <u>12,273,702</u> | <u>14,793,369</u> |
| Interest expense | | |
| From deposits | (2,946,956) | (4,891,681) |
| From due to the Central Bank and other banks | (149,124) | (527,590) |
| From issuing bonds payable | (247,151) | (244,536) |
| From deposits from the Central Bank and other banks | (42,300) | (132,153) |
| From securities sold under repurchase agreements | (29,455) | (63,454) |
| Others | <u>(19,938)</u> | <u>(34,100)</u> |
| | <u>(3,434,924)</u> | <u>(5,893,514)</u> |
| | <u>\$ 8,838,778</u> | <u>\$ 8,899,855</u> |

34. SERVICE FEE AND COMMISSION INCOME, NET

| | For the Three Months Ended March 31 | |
|--|--|---------------------|
| | 2021 | 2020 |
| Service fee and commission revenues | | |
| From trust business | \$ 635,020 | \$ 522,187 |
| From guarantee | 268,703 | 251,571 |
| From loans | 227,384 | 227,196 |
| From insurance service | 218,846 | 189,531 |
| From management fees of investment-linked products | 151,524 | 175,442 |
| From credit cards | 208,653 | 125,534 |
| From brokerage service | 274,987 | 135,774 |
| Others | <u>543,603</u> | <u>542,128</u> |
| | <u>2,528,720</u> | <u>2,169,363</u> |
| Service charge and commission expenses | | |
| From cross-bank transactions | (86,090) | (85,935) |
| From insurance business | (31,968) | (72,600) |
| From credit cards | (64,708) | (64,171) |
| From credit cards acquiring | (102,482) | (33,365) |
| From custody | (23,126) | (23,668) |
| Others | <u>(63,621)</u> | <u>(50,548)</u> |
| | <u>(371,995)</u> | <u>(330,287)</u> |
| | <u>\$ 2,156,725</u> | <u>\$ 1,839,076</u> |

35. PREMIUM INCOME, NET

| | For the Three Months Ended March 31 | |
|------------------------------------|--|---------------------|
| | 2021 | 2020 |
| Premium income | | |
| Separate-account revenue (Note 31) | \$ 347,450 | \$ (20,149,408) |
| Premium income | <u>889,576</u> | <u>928,496</u> |
| | <u>1,237,026</u> | <u>(19,220,912)</u> |
| Premium losses | | |
| Separate-account expense (Note 31) | (347,450) | 20,149,408 |
| Insurance claims and benefits | (505,563) | (1,287,562) |
| Reinsurance premium ceded | (53,662) | (55,235) |
| Others | <u>(3,328)</u> | <u>(7,839)</u> |
| | <u>(910,003)</u> | <u>18,798,772</u> |
| | <u>\$ 327,023</u> | <u>\$ (422,140)</u> |

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

| | For the Three Months Ended March 31, 2021 | | | | |
|---|--|------------------------------------|-------------------------------------|----------------------------|---------------------|
| | 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 | \$ 117,505 | \$ 1,182,559 | \$ 1,457,376 | \$ 60,343 | \$ 2,817,783 |
| Held-for-trading financial liabilities | - | (3,002,741) | 3,437,912 | - | 435,171 |
| Financial liabilities designated as at fair value through profit or loss | - | - | - | - | - |
| | <u>\$ 117,505</u> | <u>\$ (1,820,182)</u> | <u>\$ 4,895,288</u> | <u>\$ 60,343</u> | <u>\$ 3,252,954</u> |
| | For the Three Months Ended March 31, 2020 | | | | |
| | Interest Revenue (Expense) | Gain (Loss) on Disposal | Gain (Loss) on Valuation | Dividend Income | Total |
| Financial assets mandatorily classified as at fair value through profit or loss | \$ 133,853 | \$ 1,360,204 | \$ (1,631,892) | \$ 71,538 | \$ (66,297) |
| Held-for-trading financial liabilities | - | (3,322,465) | 3,085,140 | - | (237,325) |
| Financial liabilities designated as at fair value through profit or loss | <u>(145,326)</u> | - | <u>57,097</u> | - | <u>(88,229)</u> |
| | <u>\$ (11,473)</u> | <u>\$ (1,962,261)</u> | <u>\$ 1,510,345</u> | <u>\$ 71,538</u> | <u>\$ (391,851)</u> |

37. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

a. Employee benefits expenses

| | For the Three Months Ended March 31 | |
|--|--|---------------------|
| | 2021 | 2020 |
| Employee benefits expenses | | |
| Salaries | \$ 2,206,164 | \$ 2,206,882 |
| Incentives | 814,885 | 738,180 |
| Excessive interest from preferential interest deposits | 283,821 | 281,638 |
| Post-employment benefits, termination benefits and compensation | 169,698 | 176,373 |
| Overtime | 95,173 | 97,765 |
| Others | <u>518,680</u> | <u>520,847</u> |
| | <u>\$ 4,088,421</u> | <u>\$ 4,021,685</u> |

Under the amended Articles, TCFHC will make distributions at percentages from 0.01% to 0.08% and up to 1% of its annual profit (pretax income which exclude compensations of employees and remuneration to directors) for the employees' compensation and directors' remuneration, respectively. However, the actual appropriation of the compensation and remuneration should be made only from the annual net income less any accumulated deficit. For the three months ended March 31, 2021 and 2020, compensations of employees were estimated at \$784 thousand and \$681 thousand and the remuneration of directors were estimated at \$25,056 thousand and \$21,782 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 Three Months Ended March 31 | |
|-----------------------|--|-------------------|
| | 2021 | 2020 |
| Depreciation expenses | \$ 500,132 | \$ 477,044 |
| Amortization expenses | <u>57,584</u> | <u>52,561</u> |
| | <u>\$ 557,716</u> | <u>\$ 529,605</u> |

38. INCOME TAX

a. Income tax expense (benefit) recognized in profit or loss

Main components of income tax expense were as follows:

| | For the Three Months Ended March 31 | |
|---|--|-------------------|
| | 2021 | 2020 |
| Current tax | | |
| Current period | \$ 286,364 | \$ 260,292 |
| Land revaluation increment tax | 157 | 2,794 |
| Prior year's adjustments | <u>(17,827)</u> | <u>164</u> |
| | 268,694 | 263,250 |
| Deferred tax | | |
| Current period | <u>556,041</u> | <u>530,092</u> |
| Income tax expense recognized in profit or loss | <u>\$ 824,735</u> | <u>\$ 793,342</u> |

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

| | For the Three Months Ended March 31 | |
|--|--|---------------------|
| | 2021 | 2020 |
| <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 | \$ 105,815 | \$ 36,385 |
| Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income | (177,162) | (213,300) |
| Other comprehensive income on reclassification of overlay approach | <u>743</u> | <u>(4,030)</u> |
| Total income tax recognized in other comprehensive income | <u>\$ (70,604)</u> | <u>\$ (180,945)</u> |

c. Deferred tax assets and liabilities

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|-----------------------|------------------------------|-----------------------|
| <u>Deferred tax assets</u> | | | |
| Temporary differences | | | |
| Financial instruments at fair value through other comprehensive income | \$ - | \$ - | \$ 36,941 |
| Properties and equipment | 8,377 | 8,538 | 9,021 |
| Payable for annual leave | 126,209 | 100,510 | 127,900 |
| Employee's preferential interest deposit obligation | 786,937 | 794,381 | 786,631 |
| Other liabilities | 5,783 | 5,783 | 5,783 |
| Exchange differences on foreign operations | 719,005 | 824,820 | 259,838 |
| Allowance for possible losses | 59,530 | 56,510 | 54,256 |
| Collaterals assumed | - | - | 372 |
| Financial instruments at fair value through profit or loss | 536,926 | 678,683 | 27 |
| Pension liabilities | 418 | 412 | 395 |
| Accrued expense | - | 2,921 | - |
| Unrealized foreign exchange losses | 192,977 | 198,626 | 53,052 |
| Revenue from disposal of acquired loans | 160,511 | 160,511 | 170,279 |
| Loss carryforwards | <u>409,796</u> | <u>-</u> | <u>496,929</u> |
| | <u>\$ 3,006,469</u> | <u>\$ 2,831,695</u> | <u>\$ 2,001,424</u> |
| <u>Deferred tax liabilities</u> | | | |
| Temporary differences | | | |
| Financial instruments at fair value through profit or loss | \$ 794,808 | \$ 184 | \$ 7,363 |
| Financial instruments at fair value through other comprehensive income | 310,983 | 487,402 | 58,242 |
| Intangible assets | 428,614 | 428,614 | 428,614 |
| The reserve for land revaluation increment tax | 2,595,339 | 2,595,339 | 2,596,230 |
| Defined benefit obligation | 192,978 | 157,331 | 103,996 |
| Investments accounted for using equity method | 124,548 | 118,753 | 93,624 |
| Collaterals assumed | - | - | 466 |
| Lease incentive | - | 1,377 | 12,010 |
| Others | <u>1,941</u> | <u>-</u> | <u>12,070</u> |
| | <u>\$ 4,449,211</u> | <u>\$ 3,789,000</u> | <u>\$ 3,312,615</u> |

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

| <u>TCFHC</u> | <u>TCB</u> | <u>CAM</u> | <u>TCBF</u> | <u>TCS</u> | <u>BPCTLI</u> | <u>TCSIT</u> | <u>TCVC</u> |
|--------------|------------|------------|-------------|------------|---------------|--------------|-------------|
| 2015 | 2015 | 2015 | 2015 | 2015 | 2018 | 2015 | 2015 |

- e. 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 three months ended March 31, 2021</u> | | | |
| Basic EPS | \$ 4,530,686 | 13,334,224 | <u>\$ 0.34</u> |
| Effect of dilutive common stock: | | | |
| Employees' compensation | <u>-</u> | <u>163</u> | |
| Diluted EPS | <u>\$ 4,530,686</u> | <u>13,334,387</u> | <u>\$ 0.34</u> |
| <u>For the three months ended March 31, 2020</u> | | | |
| Basic earnings per share (EPS) | \$ 3,937,225 | 13,334,224 | <u>\$ 0.29</u> |
| Effect of dilutive common stock: | | | |
| Employees' compensation | <u>-</u> | <u>191</u> | |
| Diluted EPS | <u>\$ 3,937,225</u> | <u>13,334,415</u> | <u>\$ 0.29</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 earning appropriation.

| | <u>For the Three Months Ended March 31, 2020</u> | |
|------------------|--|---|
| | <u>Before Adjusted Retrospectively</u> | <u>After Adjusted Retrospectively</u> |
| Basic EPS (NT\$) | <u>\$ 0.30</u> | <u>\$ 0.29</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

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|-----------------------|-----------------------|-----------------------|
| Numbers of shares authorized (in thousands) | <u>15,000,000</u> | <u>15,000,000</u> | <u>15,000,000</u> |
| Authorized capital | <u>\$ 150,000,000</u> | <u>\$ 150,000,000</u> | <u>\$ 150,000,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>13,334,224</u> | <u>13,334,224</u> | <u>12,945,848</u> |
| Common stocks issued | <u>\$ 133,342,237</u> | <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 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 Ministry of Economic Affairs (MOEA).

b. Capital surplus

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

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

The capital surplus as of March 31, 2021 came from the issuance of shares in excess of par value and treasury stock transactions. Capital surplus sources and uses were as follows:

Sources

From subsidiaries

| | |
|--|-------------------|
| Capital surplus (mainly additional paid-in capital from share issuance in excess of par value) | \$ 27,783,766 |
| Legal reserve | 15,799,245 |
| Special reserve | 195,968 |
| Unappropriated earnings | <u>10,410,804</u> |
| | 54,189,783 |
| Additional paid-in capital from TCFHC's share issuance in excess of par value | 3,861,434 |
| Cash dividends from TCFHC received by subsidiary | 148,857 |
| Additional paid-in capital from TCFHC's share issuance in excess of par value | 12,642,000 |

(Continued)

| | |
|--|--------------|
| 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:

| | For the Three Months Ended | |
|--|-----------------------------------|-------------------|
| | March 31 | |
| | 2021 | 2020 |
| Balance on January 1 | \$ 995,669 | \$ 996,026 |
| Reversed on elimination of the original need to appropriate a special reserve: | | |
| Disposal of properties and equipment | <u>-</u> | <u>-</u> |
| Balance on March 31 | <u>\$ 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 2020 and 2019 were approved in the board of directors' meeting on March 22, 2021 and in the stockholders' meeting on June 24, 2020, respectively. The appropriations and dividends per share were as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT\$) | |
|-----------------|----------------------------------|--------------|---------------------------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| Legal reserve | \$ 1,637,932 | \$ 1,695,232 | | |
| Cash dividends | 11,334,090 | 11,003,971 | \$0.85 | \$0.85 |
| Stock dividends | 2,666,845 | 3,883,754 | 0.20 | 0.30 |

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

e. Non-controlling interests

| | For the Three Months Ended March 31 | |
|--|--|---------------------|
| | 2021 | 2020 |
| Balance on January 1 | \$ 6,631,788 | \$ 5,487,380 |
| Attributable to non-controlling interests | | |
| Net income | 246,846 | 167,187 |
| Exchange differences on the translation of financial statements of foreign operations | (8,285) | (2,347) |
| Unrealized valuation gain (loss) on financial assets at FVTOCI | (224,952) | (125,883) |
| Other comprehensive income reclassification of overlay approach | <u>118,179</u> | <u>(340,605)</u> |
| Balance on March 31 | <u>\$ 6,763,576</u> | <u>\$ 5,185,732</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. |
| TCB 2023 Maturity selective Emerging Market Bond Fund | Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd. |

(Continued)

| <u>Related Party</u> | <u>Relationship with the Company</u> |
|--|--|
| 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 three months ended March 31, 2021</u> | | | | |
| Others | <u>\$ 1,842,160</u> | <u>\$ 842,160</u> | <u>\$ 260,937</u> | 0.180-0.290 |
| <u>For the three months ended March 31, 2020</u> | | | | |
| Others | <u>\$ 500,000</u> | <u>\$ -</u> | <u>\$ 55</u> | 0.500 |

2) Due to banks

| | For the Three Months Ended March 31 | | | |
|--|--|-------------------------|-----------------------|-------------------------|
| | 2021 | | 2020 | |
| | Ending Balance | Interest Expense | Ending Balance | Interest Expense |
| Main management | \$ 342,643 | \$ 290 | \$ 410,575 | \$ 755 |
| Others | | | | |
| Tamshui First Credit Bank | 24,754,296 | 42,338 | 24,043,259 | 55,447 |
| The Fifth Credit Cooperation of Taipei | 6,768,038 | 10,690 | - | - |
| Others | <u>10,153</u> | <u>-</u> | <u>32,294</u> | <u>-</u> |
| | <u>\$ 31,875,130</u> | <u>\$ 53,318</u> | <u>\$ 24,486,128</u> | <u>\$ 56,202</u> |

3) Loans

| | Highest Balance | Ending Balance | Interest Revenue | Interest Rate (%) |
|---|----------------------------|---------------------------|-----------------------------|------------------------------|
| For the three months ended <u>March 31, 2021</u> | | | | |
| Main management | \$ 331,965 | \$ 314,036 | \$ 872 | 0.955-1.530 |
| Others | <u>1,174,596</u> | <u>195,301</u> | <u>522</u> | 0.100-1.990 |
| | <u>\$ 1,506,561</u> | <u>\$ 509,337</u> | <u>\$ 1,394</u> | |
| For the three months ended <u>March 31, 2020</u> | | | | |
| Main management | \$ 256,561 | \$ 231,556 | \$ 1,138 | 0.995-1.790 |
| Others | <u>1,120,655</u> | <u>108,042</u> | <u>1,354</u> | 0.887-2.465 |
| | <u>\$ 1,377,216</u> | <u>\$ 339,598</u> | <u>\$ 2,492</u> | |

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

4) Deposits

| | Ending Balance | Interest Expense | Interest Rate (%) |
|---|---------------------------|-----------------------------|------------------------------|
| For the three months ended <u>March 31, 2021</u> | | | |
| Associates | \$ 157,050 | \$ - | - |
| Main management | 662,555 | 2,075 | 0-13.000 |
| Others | <u>16,580,242</u> | <u>4,417</u> | 0-13.000 |
| | <u>\$ 17,399,847</u> | <u>\$ 6,492</u> | |
| For the three months ended <u>March 31, 2020</u> | | | |
| Associates | \$ 76,536 | \$ 49 | 0-0.640 |
| Main management | 689,427 | 2,625 | 0-13.000 |
| Others | <u>12,270,366</u> | <u>6,154</u> | 0-13.000 |
| | <u>\$ 13,036,329</u> | <u>\$ 8,828</u> | |

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|-----------------------|--|-----------------------|
| 5) Accrued income (part of receivables) | | | |
| Others | \$ <u>28,613</u> | \$ <u>32,487</u> | \$ <u>31,819</u> |
| 6) Accrued interest (part of receivables) | | | |
| Others | \$ <u>172</u> | \$ <u>-</u> | \$ <u>-</u> |
| 7) Receivable on securities (part of receivables) | | | |
| Others | \$ <u>4,546</u> | \$ <u>-</u> | \$ <u>2,877</u> |
| 8) Payable on securities (part of payables) | | | |
| Others | \$ <u>-</u> | \$ <u>9,286</u> | \$ <u>-</u> |
| | | For the Three Months Ended March 31 | |
| | | 2021 | 2020 |
| 9) Service fee income (part of service fee and commission income, net) | | | |
| Associated | | \$ - | \$ - |
| Main management | | 108 | 29 |
| Others | | <u>90,024</u> | <u>107,245</u> |
| | | <u>\$ 90,132</u> | <u>\$ 107,274</u> |
| 10) Service charge (part of service fee and commission income, net) | | | |
| Main management | | \$ 29 | \$ 24 |
| Others | | <u>-</u> | <u>1</u> |
| | | <u>\$ 29</u> | <u>\$ 25</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.

11) Derivatives

| For the Three Months Ended March 31, 2021 | | | | | | |
|--|---------------------|-----------------------|-----------------|-----------------------|--|----------|
| 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 | 2021.02.26-2021.08.31 | US\$ 6,100 | \$ 1,551 | Financial assets at fair value through profit or loss | \$ 1,551 |
| | Currency swap | 2020.11.20-2021.08.31 | US\$ 7,100 | 1,237 | Financial liabilities at fair value through profit or loss | (1,409) |
| Other - TCB 6 Year Emerging Market Bond Fund | Currency swap | 2021.02.23-2021.07.23 | US\$ 22,450 | 8,365 | Financial assets at fair value through profit or loss | 8,365 |
| Other - TCB 2023 Maturity Selective Emerging Market Bond Fund | Currency swap | 2020.11.27-2021.11.29 | US\$ 7,200 | 1,775 | Financial liabilities at fair value through profit or loss | (1,415) |
| Other - TCB Global High Yield Bond Fund | Currency swap | 2020.11.23-2021.10.29 | US\$ 17,220 | 8,196 | Financial assets at fair value through profit or loss | 6,817 |
| Other - TCB US Short Duration High Yield Bond Fund | Currency swap | 2021.01.19-2021.05.10 | US\$ 35,500 | 17,216 | Financial assets at fair value through profit or loss | 17,216 |
| Other - TCB Fund of Emerging Markets Bond Fund | Currency swap | 2021.02.26-2021.05.28 | US\$ 1,620 | 1,040 | Financial assets at fair value through profit or loss | 1,040 |
| Other - TCB 6 Year ESG Emerging Market Bond Fund | Currency swap | 2021.03.31-2021.06.30 | US\$ 28,500 | 3,916 | Financial assets at fair value through profit or loss | 3,916 |
| | Currency swap | 2020.11.19-2021.05.20 | US\$ 14,300 | 2,486 | Financial liabilities at fair value through profit or loss | (3,199) |
| Other - TCB 2026 Maturity Senior Emerging Market Corporate Bond Fund | Currency swap | 2021.03.08-2021.06.08 | US\$ 1,650 | 705 | Financial assets at fair value through profit or loss | 705 |

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

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

| | For the Three Months Ended March 31 | |
|---|--|------------------|
| | 2021 | 2020 |
| Financial assets and liabilities at fair value through profit or loss | | |
| Others | <u>\$ (55,995)</u> | <u>\$ 13,205</u> |

12) Loans

March 31, 2021

| Type | Account Volume or Name | Highest Balance in the Three Months Ended March 31, 2021 (Note 1) | Ending Balance | Loan Classification | | Collaterals | Differences in Terms of Transaction Compared with Those for Unrelated Parties |
|----------------------------------|------------------------|---|----------------|---------------------|---------------------|-------------------------|---|
| | | | | Normal Loans | Nonperforming Loans | | |
| Consumer loans | 78 | \$ 192,977 | \$ 178,202 | \$ 178,202 | \$ - | Note 2 | None |
| Self-used housing mortgage loans | 50 | 313,584 | 269,635 | 269,635 | - | Land and buildings | None |
| Other loans | Others | 61,500 | 61,500 | 61,500 | - | Certificates of deposit | None |

March 31, 2020

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

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

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

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

1) Taiwan Cooperative Bank, Ltd.

- a) Due from banks

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|------------|-----------------------|--------------------------|-----------------------|
| Subsidiary | <u>\$ 624,006</u> | <u>\$ 628,687</u> | <u>\$ 544,544</u> |

b) Call loans to banks

| | Highest Balance | Ending Balance | Interest Revenue | Interest Rate (%) |
|--|----------------------------|---------------------------|-----------------------------|------------------------------|
| For the three months ended March 31, <u>2021</u> | | | | |
| Subsidiary | \$ 6,962,609 | \$ 4,314,145 | \$ 1,297 | 0.010-0.500 |
| Sister companies | 5,255,990 | 4,537,010 | 2,626 | 0.200-0.400 |
| Others | <u>1,842,160</u> | <u>842,160</u> | <u>261</u> | 0.180-0.290 |
| | <u>\$ 14,060,759</u> | <u>\$ 9,693,315</u> | <u>\$ 4,184</u> | |
| For the three months ended March 31, <u>2020</u> | | | | |
| Subsidiary | \$ 8,130,336 | \$ 7,559,428 | \$ 5,396 | 0.001-2.360 |
| Sister companies | 6,200,000 | 6,200,000 | 5,461 | 0.471-0.570 |
| Others | <u>500,000</u> | <u>-</u> | <u>55</u> | 0.500 |
| | <u>\$ 14,830,336</u> | <u>\$ 13,759,428</u> | <u>\$ 10,912</u> | |

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

| | Highest Balance | Ending Balance | Interest Revenue | Interest Rate (%) |
|--|----------------------------|---------------------------|-----------------------------|------------------------------|
| For the three months ended March 31, <u>2021</u> | | | | |
| Sister company TCS | <u>\$ 286,140</u> | <u>\$ 285,050</u> | <u>\$ 241</u> | 0.330-0.370 |
| For the three months ended March 31, <u>2020</u> | | | | |
| Sister company TCS | <u>\$ 304,630</u> | <u>\$ 302,050</u> | <u>\$ 1,271</u> | 1.420-2.480 |

d) Due to banks

| | For the Three Months Ended March 31 | | | |
|--|--|-----------------------------|---------------------------|-----------------------------|
| | 2021 | | 2020 | |
| | Ending Balance | Interest Expense | Ending Balance | Interest Expense |
| Subsidiary | \$ 25 | \$ - | \$ 1,134 | \$ - |
| Main management | 342,643 | 290 | 410,575 | 755 |
| Others | | | | |
| Tamshui First Credit Bank | 24,754,296 | 42,338 | 24,043,259 | 55,447 |
| The Fifth Credit Cooperation of Taipei | 6,768,038 | 10,690 | - | - |
| Others | <u>10,153</u> | <u>-</u> | <u>32,294</u> | <u>-</u> |
| | <u>\$ 31,875,155</u> | <u>\$ 53,318</u> | <u>\$ 24,487,262</u> | <u>\$ 56,202</u> |

e) Call loans from banks

| | Highest Balance | Ending Balance | Interest Revenue | Interest Rate (%) |
|---|----------------------------|---------------------------|-----------------------------|------------------------------|
| For the three months ended March 31, 2021 | | | | |
| Subsidiary | <u>\$ 523,963</u> | <u>\$ -</u> | <u>\$ 7</u> | 0.020-0.050 |

f) Loans

| | Highest Balance | Ending Balance | Interest Revenue | Interest Rate (%) |
|---|----------------------------|---------------------------|-----------------------------|------------------------------|
| For the three months ended March 31, 2021 | | | | |
| Subsidiary | \$ 2,838,150 | \$ 2,838,150 | \$ 2,644 | 0.900 |
| Sister companies | 1,000,000 | - | - | - |
| Main management | 331,965 | 314,036 | 872 | 0.995-1.530 |
| Others | <u>1,174,596</u> | <u>195,301</u> | <u>522</u> | 0.100-1.990 |
| | <u>\$ 5,344,711</u> | <u>\$ 3,347,487</u> | <u>\$ 4,038</u> | |
| For the three months ended March 31, 2020 | | | | |
| Sister company | \$ 1,000,000 | \$ - | \$ - | 2.265 |
| Main management | 256,561 | 231,556 | 1,138 | 0.995-1.790 |
| Others | <u>1,120,655</u> | <u>108,042</u> | <u>1,354</u> | 0.887-2.465 |
| | <u>\$ 2,377,216</u> | <u>\$ 339,598</u> | <u>\$ 2,492</u> | |

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 (%) |
|--|---------------------------|-----------------------------|------------------------------|
| <u>For the three months ended March 31, 2021</u> | | | |
| Parent company | \$ 74,564 | \$ - | - |
| Sister companies | 3,314,323 | 428 | 0-1.035 |
| Associates | 157,050 | - | - |
| Main management | 662,555 | 2,075 | 0-13.000 |
| Others | <u>16,580,242</u> | <u>4,417</u> | 0-13.000 |
| | <u>\$ 20,788,734</u> | <u>\$ 6,920</u> | |
| <u>For the three months ended March 31, 2020</u> | | | |
| Parent company | \$ 54,047 | \$ - | - |
| Sister companies | 4,502,362 | 399 | 0-1.065 |
| Associates | 76,536 | 49 | 0-0.640 |
| Main management | 689,427 | 2,625 | 0-13.000 |
| Others | <u>12,270,366</u> | <u>6,154</u> | 0-13.000 |
| | <u>\$ 17,592,738</u> | <u>\$ 9,227</u> | |

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

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|----------------|-----------------------|------------------------------|-----------------------|
| Parent company | <u>\$ 2,277,278</u> | <u>\$ 2,100,191</u> | <u>\$ 1,329,119</u> |

i) Payable on securities (part of payables)

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-----------------------|-----------------------|------------------------------|-----------------------|
| Sister company TCS | <u>\$ 1,121,577</u> | <u>\$ 49,086</u> | <u>\$ 53,678</u> |

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

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|----------------|-----------------------|------------------------------|-----------------------|
| Parent company | <u>\$</u> | <u>\$</u> | <u>\$ 1,639,593</u> |

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

| | For the Three Months Ended March 31 | |
|------------------|--|-------------------|
| | 2021 | 2020 |
| Sister companies | | |
| BPCTLI | \$ 113,373 | \$ 166,481 |
| Others | 12,279 | 4,780 |
| Associates | - | - |
| Main management | 108 | 29 |
| Others | <u>5,218</u> | <u>5,786</u> |
| | <u>\$ 130,978</u> | <u>\$ 177,076</u> |

l) Lease agreements - TCB is lessor

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

i. Future lease payment receivables was as follows:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|------------------|-----------------------|------------------------------|-----------------------|
| Parent company | \$ 32,932 | \$ 42,101 | \$ 61,489 |
| Sister companies | | | |
| TCS | 158,669 | 179,478 | 156,628 |
| BPCTLI | 9,839 | 13,387 | 38,224 |
| TCBF | 17,606 | 28,610 | 35,212 |
| Others | <u>24,704</u> | <u>28,037</u> | <u>30,090</u> |
| | <u>\$ 243,750</u> | <u>\$ 291,613</u> | <u>\$ 321,643</u> |

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

| | For the Three Months Ended March 31 | |
|------------------|--|------------------|
| | 2021 | 2020 |
| Parent company | \$ 6,012 | \$ 6,012 |
| Sister companies | | |
| TCS | 10,759 | 10,645 |
| Others | <u>6,766</u> | <u>8,477</u> |
| | <u>\$ 23,537</u> | <u>\$ 25,134</u> |

m) Derivatives

| For the Three Months Ended March 31, 2021 | | | | | | | |
|--|---------------------|-----------------------|-----------------|-----------------------|--|------------|--|
| Related Party | Type of Derivatives | Contract Period | Nominal Amounts | Valuation Gain (Loss) | Amounts on the Consolidated Balance Sheet | | |
| | | | | | Account | Amounts | |
| Sister company - BPCTLI | Currency swap | 2020.12.31-2022.01.19 | EUR 7,856 | \$ (7,918) | Financial liabilities at fair value through profit or loss | \$ (7,009) | |
| | Currency swap | 2021.01.11-2022.01.28 | US\$ 54,897 | 29,832 | Financial assets at fair value through profit or loss | 29,832 | |
| | Currency swap | 2021.03.31-2022.03.31 | US\$ 65,460 | (3,007) | Financial liabilities at fair value through profit or loss | (3,007) | |
| Other - TCB 6 Year ESG Senior Emerging Market Bond Fund | Currency swap | 2021.02.26-2021.08.31 | US\$ 6,100 | 1,551 | Financial assets at fair value through profit or loss | 1,551 | |
| | Currency swap | 2020.11.20-2021.08.31 | US\$ 7,100 | 1,237 | Financial liabilities at fair value through profit or loss | (1,409) | |
| Other - TCB 6 Year Emerging Market Bond Fund | Currency swap | 2021.02.23-2021.07.23 | US\$ 22,450 | 8,365 | Financial assets at fair value through profit or loss | 8,365 | |
| Other - TCB 2023 Maturity Selective Emerging Market Bond Fund | Currency swap | 2020.11.27-2021.11.29 | US\$ 7,200 | 1,775 | Financial liabilities at fair value through profit or loss | (1,415) | |
| Other - TCB Global High Yield Bond Fund | Currency swap | 2020.11.23-2021.10.29 | US\$ 17,220 | 8,196 | Financial assets at fair value through profit or loss | 6,817 | |
| Other - TCB US Short Duration High Yield Bond Fund | Currency swap | 2021.01.19-2021.05.10 | US\$ 35,500 | 17,216 | Financial assets at fair value through profit or loss | 17,216 | |
| Other - TCB Fund of Emerging Markets Bond Fund | Currency swap | 2021.02.26-2021.05.28 | US\$ 1,620 | 1,040 | Financial assets at fair value through profit or loss | 1,040 | |
| Other - TCB 6 Year ESG Emerging Market Bond Fund | Currency swap | 2021.03.31-2021.06.30 | US\$ 28,500 | 3,916 | Financial assets at fair value through profit or loss | 3,916 | |
| | Currency swap | 2020.11.19-2021.05.20 | US\$ 14,300 | 2,486 | Financial liabilities at fair value through profit or loss | (3,199) | |
| Other - TCB 2026 Maturity Senior Emerging Market Corporate Bond Fund | Currency swap | 2021.03.08-2021.06.08 | US\$ 1,650 | 705 | Financial assets at fair value through profit or loss | 705 | |

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

(Continued)

| For the Three Months Ended March 31, 2020 | | | | | | |
|---|---------------------|-----------------------|-----------------|-----------------------|--|----------|
| Related Party | Type of Derivatives | Contract Period | Nominal Amounts | Valuation Gain (Loss) | Amounts on the Balance Sheet | |
| | | | | | Account | Amounts |
| Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund | Currency swap | 2020.03.23-2020.04.23 | US\$ 3,000 | \$ (735) | Financial liabilities at fair value through profit or loss | \$ (735) |
| Other - TCB Mobility and Innovation Fund | Currency swap | 2020.03.03-2020.04.08 | US\$ 4,000 | (640) | Financial liabilities at fair value through profit or loss | (640) |

(Concluded)

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

| | For the Three Months Ended March 31 | |
|---|-------------------------------------|-----------------|
| | 2021 | 2020 |
| Financial assets and liabilities at fair value through profit or loss | | |
| Sister companies | | |
| BPCTLI | \$ 24,206 | \$ (10,196) |
| Others | <u>(55,995)</u> | <u>13,205</u> |
| | <u>\$ (31,789)</u> | <u>\$ 3,009</u> |

n) Loans

March 31, 2021

| Type | Account Volume or Name | Highest Balance in the Period Ended March 31, 2021 (Note 1) | Ending Balance | Loan Classification | | Collaterals | Differences in Terms of Transaction Compared with Those for Unrelated Parties |
|----------------------------------|------------------------|---|----------------|---------------------|---------------------|-------------------------|---|
| | | | | Normal Loans | Nonperforming Loans | | |
| Consumer loans | 78 | \$ 192,977 | \$ 178,202 | \$ 178,202 | \$ - | Note 2 | None |
| Self-used housing mortgage loans | 50 | 313,584 | 269,635 | 269,635 | - | Land and buildings | None |
| Other | TCS | 1,000,000 | - | - | - | Bonds | None |
| | UTB | 2,838,150 | 2,838,150 | 2,838,150 | - | None | None |
| | Others | 61,500 | 61,500 | 61,500 | - | Certificates of deposit | None |

March 31, 2020

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

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

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

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

a) Settlement payments (part of other current assets)

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|------------------|-------------------|----------------------|------------------|
| Sister companies | \$ <u>165,664</u> | \$ <u>80,227</u> | \$ <u>43,098</u> |

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

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|------------------|----------------|----------------------|----------------|
| Sister companies | \$ <u>-</u> | \$ <u>473,856</u> | \$ <u>1</u> |

c) Settlement receivable (part of receivable)

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|------------------|---------------------|----------------------|------------------|
| Sister companies | \$ 1,121,577 | \$ 49,086 | \$ 62,095 |
| Others | <u>-</u> | <u>-</u> | <u>2,877</u> |
| | <u>\$ 1,121,577</u> | <u>\$ 49,086</u> | <u>\$ 64,972</u> |

d) TCS applied to TCB for call loans

| Related Party | <u>For the Three Months Ended March 31, 2021</u> | | | |
|-------------------------|--|-------------------|---------------------|----------------------|
| | Highest Balance | Ending Balance | Interest Expense | Interest Rate (%) |
| Sister companies TCB | \$ <u>285,050</u> | \$ <u>285,050</u> | \$ <u>241</u> | 0.330-0.370 |

| Related Party | <u>For the Three Months Ended March 31, 2020</u> | | | |
|-------------------------|--|-------------------|---------------------|----------------------|
| | Highest Balance | Ending Balance | Interest Expense | Interest Rate (%) |
| Sister companies TCB | \$ <u>302,250</u> | \$ <u>302,205</u> | \$ <u>1,269</u> | 1.420-2.480 |

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 March 31, 2021, December 31, 2020 and March 31, 2020, TCS had no borrowing and overdraft. The overdraft for the three months ended March 31, 2021 and 2020 were as follows:

| | <u>For the Three Months Ended March 31, 2021</u> | | | |
|------------------|--|-------------------|---------------------|----------------------|
| | Highest Balance | Ending Balance | Interest Expense | Interest Rate (%) |
| Sister companies | \$ <u>1,000,000</u> | \$ <u>-</u> | \$ <u>-</u> | - |

For the Three Months Ended March 31, 2020

| | Highest Balance | Ending Balance | Interest Expense | Interest Rate (%) |
|------------------|----------------------------|---------------------------|-----------------------------|------------------------------|
| Sister companies | \$ <u>1,000,000</u> | \$ <u>-</u> | \$ <u>-</u> | 2.265 |

f) Lease agreements - TCS is lessee

i. Right-of-use assets, net

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|------------------|-----------------------|------------------------------|-----------------------|
| Sister companies | | | |
| TCB | \$ <u>152,891</u> | \$ <u>163,190</u> | \$ <u>140,456</u> |

ii. Lease liabilities

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|------------------|-----------------------|------------------------------|-----------------------|
| Sister companies | \$ <u>154,717</u> | \$ <u>164,752</u> | \$ <u>141,723</u> |

iii. Interest expense

| | For the Three Months Ended March 31 | |
|------------------|--|---------------|
| | 2021 | 2020 |
| Sister companies | \$ <u>723</u> | \$ <u>535</u> |

iv. Depreciation expense

| | For the Three Months Ended March 31 | |
|------------------|--|------------------|
| | 2021 | 2020 |
| Sister companies | \$ <u>10,287</u> | \$ <u>10,258</u> |

3) Taiwan Cooperative Bills Finance Corporation Ltd.

a) Cash in bank

| | Highest Balance | Ending Balance | Interest Expense | Interest Rate (%) |
|--|----------------------------|---------------------------|-----------------------------|------------------------------|
| <u>For the three months ended March 31, 2021</u> | | | | |
| Sister companies | \$ <u>205,764</u> | \$ <u>67,332</u> | \$ <u>-</u> | 0.010-0.815 |
| <u>For the three months ended March 31, 2020</u> | | | | |
| Sister companies | \$ <u>193,103</u> | \$ <u>48,381</u> | \$ <u>1</u> | 0.010-1.065 |

b) Call loans from banks

| | Highest Balance | Ending Balance | Interest Expense | Interest Rate (%) |
|---|----------------------------|---------------------------|-----------------------------|------------------------------|
| For the three months ended <u>March 31, 2021</u> | | | | |
| Sister companies TCB | <u>\$ 5,255,990</u> | <u>\$ 4,537,010</u> | <u>\$ 2,626</u> | 0.200-0.400 |
| For the three months ended <u>March 31, 2020</u> | | | | |
| Sister companies TCB | <u>\$ 6,200,000</u> | <u>\$ 6,200,000</u> | <u>\$ 5,461</u> | 0.410-0.570 |

c) Securities sold under repurchase agreement

| | Ending Balance | Interest Expense | Interest Rate (%) |
|---|-----------------------|-----------------------------|------------------------------|
| For the three months ended <u>March 31, 2021</u> | | | |
| Sister companies | <u>\$ 555,952</u> | <u>\$ 355</u> | 0.200-0.230 |
| For the three months ended <u>March 31, 2020</u> | | | |
| Sister companies | <u>\$ 1,286,628</u> | <u>\$ 1,178</u> | 0.490-0.570 |

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

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

| | <u>March 31, 2021</u> | | <u>December 31, 2020</u> | | <u>March 31, 2020</u> | |
|-----------------------|-----------------------|-----------|--------------------------|-----------|-----------------------|-----------|
| | Amount | % | Amount | % | Amount | % |
| Sister company TCB | <u>\$ 2,453,772</u> | <u>60</u> | <u>\$ 4,031,405</u> | <u>64</u> | <u>\$ 2,932,071</u> | <u>36</u> |

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

| | <u>For the Three Months Ended March 31, 2021</u> | | |
|------------------------|--|-----------------------|-----------------|
| | <u>Securities Purchase Under Resell Agreements</u> | | |
| | <u>Amount (Note)</u> | <u>Ending Balance</u> | <u>Rate (%)</u> |
| Sister company TCBF | \$ 1,540,061 | \$ 555,952 | 0.200-0.230 |

For the Three Months Ended March 31, 2020

**Securities Purchase Under Resell
Agreements**

| | Amount (Note) | Ending Balance | Rate (%) |
|------------------------|---------------|----------------|-------------|
| Sister company TCBF | \$ 2,739,038 | \$ 1,286,628 | 0.490-0.570 |

Note: The amount includes securities purchased under resell agreements.

c) Derivatives

For the three months ended March 31, 2021

| Type of Derivatives | Related Party | Contract Period | Nominal Amounts | Valuation Gain (Loss) | Amounts on the Balance Sheet | |
|---------------------|---|-----------------------|-----------------|-----------------------|--|----------|
| | | | | | Account | Amounts |
| Currency swap | Sister company - TCB | 2021.03.31-2022.03.31 | US\$ 65,459 | \$ 3,614 | Financial assets at fair value through profit or loss | \$ 3,614 |
| | | 2021.01.11-2022.01.28 | US\$ 54,896 | (27,749) | Financial liabilities at fair value through profit or loss | (27,749) |
| | | 2020.12.31-2022.01.19 | EUR 7,856 | 7,882 | Financial assets at fair value through profit or loss | 7,379 |
| | Associates -Banque Nationale De Paris, Taipei Branch (Note) | 2019.06.06-2022.08.24 | US\$ 103,261 | (40,809) | Financial assets at fair value through profit or loss | 119,373 |
| | | 2021.02.19-2022.02.22 | EUR 4,827 | 2,280 | Financial assets at fair value through profit or loss | 2,280 |
| | | | | | | |

For the three months ended March 31, 2020

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

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

For the three months ended March 31, 2021 and 2020, the realized gains or losses on currency swaps with sister companies were \$24,206 thousand losses and \$11,379 thousand gains, respectively. Besides, the realized gains on currency swaps with affiliates were \$6,048 thousand and \$11,333 thousand, 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 March 31, 2021, December 31, 2020 and March 31, 2020, the BPCTLI had received deposits of \$108,034 thousand, \$119,693 thousand and \$61,981 thousand, respectively.

d) Payables

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|----------------|-----------------------|------------------------------|-----------------------|
| Sister company | | | |
| TCB | <u>\$ 73,072</u> | <u>\$ 112,738</u> | <u>\$ 72,347</u> |

e) Operating cost - insurance contract expenses

| | For the Three Months Ended March 31 | |
|----------------|--|-------------------|
| | 2021 | 2020 |
| Sister company | | |
| TCB | <u>\$ 112,964</u> | <u>\$ 173,521</u> |

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

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

| | For the Three Months Ended March 31 | |
|-----------------------|--|-------------------|
| | 2021 | 2020 |
| Management fee income | | |
| Sister company | \$ - | \$ 251 |
| Others | <u>84,537</u> | <u>101,239</u> |
| | <u>\$ 84,537</u> | <u>\$ 101,490</u> |

d. Salaries, bonuses and remunerations to main management

The salaries, bonuses and remunerations of the directors and main management for the three months ended March 31, 2021 and 2020, are summarized as follows:

| | For the Three Months Ended March 31 | |
|--|--|------------------|
| | 2021 | 2020 |
| Salaries and other short-term employment benefits | \$ 46,047 | \$ 45,364 |
| Post-employment benefits | 1,005 | 2,738 |
| Interest arising from the employees' preferential rate in excess of normal rates | <u>440</u> | <u>479</u> |
| | <u>\$ 47,492</u> | <u>\$ 48,581</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:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|----------------------|----------------------|----------------------|
| Collaterals for call loans of foreign currency | \$ 40,000,000 | \$ 40,000,000 | \$ 40,000,000 |
| Collaterals for domestic overdraft | 31,400,000 | 31,400,000 | 31,400,000 |
| Collaterals for overdraft of domestic U.S. dollar settlement | 11,000,000 | 11,000,000 | 11,000,000 |
| Collaterals for overdraft of domestic RMB settlement | 1,300,800 | 1,297,500 | 2,338,050 |
| Guarantee deposits for provisional collateral seizure for loan defaults and others | 1,016,600 | 1,069,700 | 1,240,000 |
| Guarantee deposits for the insurance operation | 1,035,000 | 1,035,000 | 1,010,000 |
| Collaterals for overdraft of domestic JPY settlement | 500,000 | 500,000 | 500,000 |
| Overseas branches' capital adequate reserve | 372,028 | 366,740 | 392,790 |
| Guarantee deposits for securities operation | 355,000 | 355,000 | 355,000 |
| Guarantee deposits for the bills finance business | 293,900 | 293,900 | 278,100 |
| Guarantee deposits for the trust business compensation reserve | 280,000 | 280,000 | 260,000 |
| Collaterals for overseas branch KHR settlement | 9,002 | 8,901 | 86,023 |
| Collaterals for overseas branch U.S. dollar settlement | 43,243 | 42,628 | 66,928 |
| Overseas branches' guarantee deposits for operation | 5,701 | 5,620 | 6,041 |
| Others | <u>90,000</u> | <u>90,000</u> | <u>90,000</u> |
| | <u>\$ 87,701,274</u> | <u>\$ 87,744,989</u> | <u>\$ 89,022,932</u> |

To comply with the Central Bank of the Republic of China's (CBC) Interbank Funds Transfer and Settlement System for real-time gross settlement (RTGS), TCB provided certificates of deposit of \$30,000,000 thousand as collateral for day-term overdraft as of March 31, 2021, December 31, 2020 and March 31, 2020. The pledged amount may be adjusted anytime, and the unused overdraft amount at the end of a day can also be treated as TCB's liquidity reserve.

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

(In Thousands of U.S. Dollars)

| Date | Outstanding Loan Balance | Collateral Value |
|-------------------|-----------------------------|---------------------|
| March 31, 2021 | <u>\$ 316,647</u> | <u>\$ 226,132</u> |
| December 31, 2020 | <u>\$ 283,691</u> | <u>\$ 203,103</u> |
| March 31, 2020 | <u>\$ 304,046</u> | <u>\$ 219,183</u> |

- c. As of March 31, 2021, TCB had pledged \$60,000,000 thousand to deposit reserve account B in accordance with the Central Bank's project financing regulations in response to the epidemic.
- d. As of March 31, 2021, due to the KHR loans borrowed from the National Bank of Cambodia, up to US\$97,192 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 were as follows:

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

As of March 31, 2021, TCFHC's outstanding major construction and procurement contracts amounted to \$159,872 thousand, of which \$59,253 thousand was still unpaid.

- b. Taiwan Cooperative Bank, Ltd.

- 1) As of March 31, 2021, TCB's outstanding major construction and procurement contracts amounted to \$177,735 thousand, of which \$135,546 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 BPCTI as the sole supplier of life insurance products for TCB and CIB, also applying TCB's marketing channels to sell life insurance products. Since TCB merged with the CIB on June 24, 2016, TCB signed a two-party agreement with BPCTLI on March 30, 2018 to replace the original tri-party agreement, the rights and obligations of the CIB were assumed by TCB.

- c. Taiwan Cooperative Bills Finance Cooperation Ltd.

As of March 31, 2021, the commitments or contingencies arose from business were as follows:

| | March 31, 2021 |
|---|-----------------------|
| Guarantees of commercial paper | <u>\$ 33,455,800</u> |
| Purchase of reference-rate commercial paper | <u>\$ 8,031,000</u> |

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

- 1) As of March 31, 2021, TCS's agreements on the acquisition equipment and procurement contracts amounted to \$26,159 thousand, of which \$14,786 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

| | <u>March 31, 2021</u> | | <u>December 31, 2020</u> | | <u>March 31, 2020</u> | |
|---|------------------------|-----------------------------|--------------------------|-----------------------------|------------------------|-----------------------------|
| | <u>Carrying Amount</u> | <u>Estimated Fair Value</u> | <u>Carrying Amount</u> | <u>Estimated Fair Value</u> | <u>Carrying Amount</u> | <u>Estimated Fair Value</u> |
| <u>Financial assets</u> | | | | | | |
| Investments in debt instruments at amortized cost | \$ 718,524,890 | \$ 723,741,132 | \$ 728,266,474 | \$ 735,468,885 | \$ 544,220,670 | \$ 550,842,628 |
| <u>Financial liabilities</u> | | | | | | |
| Bonds payable | 71,600,000 | 73,147,096 | 71,600,000 | 73,279,402 | 57,500,000 | 59,209,829 |

Fair value hierarchy as at March 31, 2021, December 31, 2020 and March 31, 2020:

March 31, 2021

| | Total | Level 1 | Level 2 | Level 3 |
|---|----------------|----------------|----------------|----------------|
| <u>Financial assets</u> | | | | |
| Investments in debt instruments at amortized cost | \$ 723,741,132 | \$ 9,890,639 | \$ 713,850,493 | \$ - |

Financial liabilities

| | | | | |
|---------------|------------|---|------------|---|
| Bonds payable | 73,147,096 | - | 73,147,096 | - |
|---------------|------------|---|------------|---|

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 | \$ - |

Financial liabilities

| | | | | |
|---------------|------------|---|------------|---|
| Bonds payable | 73,279,402 | - | 73,279,402 | - |
|---------------|------------|---|------------|---|

March 31, 2020

| | Total | Level 1 | Level 2 | Level 3 |
|---|----------------|----------------|----------------|----------------|
| <u>Financial assets</u> | | | | |
| Investments in debt instruments at amortized cost | \$ 550,842,628 | \$ 7,848,159 | \$ 542,994,469 | \$ - |
| <u>Financial liabilities</u> | | | | |
| Bonds payable | 59,209,829 | - | 59,209,829 | - |

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 0.4782% and 0.6749%, between 0.4977% and 0.6913%, between 0.6052% and 0.7640% as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively, and were comparable with interest rates for loans with similar terms and characteristics.

Evaluation technique and input of fair value measurement at Level 3

The Company adopts the market approach, adjusted net asset method, and income approach for domestic unlisted equity investment. Under the market approach, the company selects similar industries with the target company. The main business model is similar and the products and scales are close to the comparable listed companies. The fair value estimation is based on the information of the listed company, or the price-book ratio (P/B) of the industry to which the target is evaluated is estimated as the multiplier of the fair value estimate. Under the adjusted net asset method, the overall value of a company or business is evaluated by the total market value of individual assets and individual liabilities of the target company with the consideration of the discount for lack of marketability and for minority interest. Acquired loans are evaluated by the income approach. The estimated income was estimated by discounting future cash flows. The significant unobservable input used is discount for lack of marketability and discount for minority interest. A decrease in discount for lack of marketability and for minority interest used in isolation would result in increases in fair value. The Company adopts the discount for lack of marketability at 10% to 40% and for minority interest at 10% on March 31, 2021, December 31, 2020 and March 31, 2020. With other input values remaining and a change in discount for lack of marketability or for minority interest input value to reflect reasonable assumptions, the amount of fair value of investment in equity instruments will increase (decrease) as follows:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|------------------------------------|-----------------------|------------------------------|-----------------------|
| Discount for lack of marketability | | | |
| Increase 10% | <u>\$ (1,071,249)</u> | <u>\$ (1,007,807)</u> | <u>\$ (644,003)</u> |
| Decrease 10% | <u>\$ 1,071,249</u> | <u>\$ 1,007,807</u> | <u>\$ 644,003</u> |
| Discount for minority interest | | | |
| Increase 10% | <u>\$ (21,353)</u> | <u>\$ (20,012)</u> | <u>\$ (239)</u> |
| Decrease 10% | <u>\$ 21,353</u> | <u>\$ 20,012</u> | <u>\$ 239</u> |

- c. The fair value hierarchy of the Company's financial instruments measured at fair value on a recurring basis as of March 31, 2021, December 31, 2020 and March 31, 2020 were as follows:

1) Fair Value Hierarchy

| Financial Instruments Measured at Fair Value | March 31, 2021 | | | |
|---|-----------------------|----------------|----------------|----------------|
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Non-derivative financial instruments</u> | | | | |
| <u>Assets</u> | | | | |
| Financial assets at FVTPL | | | | |
| Equity instruments | \$ 3,405,509 | \$ 2,284,729 | \$ 3,542 | \$ 1,117,238 |
| Debt instruments | 4,497,253 | 2,354,131 | 2,133,122 | 10,000 |
| Others | 84,223,072 | 5,597,141 | 78,470,301 | 155,630 |
| Financial assets at FVTOCI | | | | |
| Equity instruments | 43,435,555 | 36,894,025 | - | 6,541,530 |
| Debt instruments | 420,861,678 | 32,779,589 | 388,082,089 | - |
| <u>Liabilities</u> | | | | |
| Financial liabilities at FVTPL | (1,446,628) | (1,446,453) | (175) | - |
| <u>Derivative financial instruments</u> | | | | |
| <u>Assets</u> | | | | |
| Financial assets at FVTPL | 2,980,553 | 351,385 | 2,629,168 | - |
| <u>Liabilities</u> | | | | |
| Financial liabilities at FVTPL | (1,000,746) | - | (1,000,746) | - |

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

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, 2021 | \$ 1,401,070 | \$ 6,123,249 | \$ 7,524,319 |
| Recognized in profit | 11,501 | - | 11,501 |
| Recognized in OCI (included in unrealized valuation gain or loss on investment in equity instruments at FVTOCI) | - | 418,281 | 418,281 |
| Purchases | 22,359 | - | 22,359 |
| Disposals | (69,664) | - | (69,664) |
| Transferred out of Level 3 | <u>(82,398)</u> | <u>-</u> | <u>(82,398)</u> |
| Balance at March 31, 2021 | <u>\$ 1,282,868</u> | <u>\$ 6,541,530</u> | <u>\$ 7,824,398</u> |
| Balance at January 1, 2020 | \$ 976,177 | \$ 5,416,359 | \$ 6,392,536 |
| Recognized in profit | 106,414 | - | 106,414 |
| Recognized in OCI (included in unrealized valuation gain or loss on investment in equity instruments at FVTOCI) | - | (1,044,440) | (1,044,440) |
| Purchases | 45,000 | - | 45,000 |
| Disposals | (101,390) | - | (101,390) |
| Transferred to Level 3 | 34,200 | - | 34,200 |
| Transferred out of Level 3 | <u>(53,147)</u> | <u>-</u> | <u>(53,147)</u> |
| Balance at March 31, 2020 | <u>\$ 1,007,254</u> | <u>\$ 4,371,919</u> | <u>\$ 5,379,173</u> |

The change in unrealized gains for the three months ended March 31, 2021 and 2020 included in profit or loss for assets held at the March 31, 2021 and 2020, respectively, was \$30,847 thousand and \$23,842 thousand, respectively.

d. Information on financial risk management

Taiwan Cooperative Financial Holding Co., Ltd.

1) Risk management

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

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

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

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

2) Credit risk

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

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

3) Market risk

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

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

4) Liquidity risk

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

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

Taiwan Cooperative Bank Ltd. and subsidiary

1) Risk management

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

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

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

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

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

2) Credit risk

a) Credit risk management policy

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

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

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

i. Loans business (including loan commitment and guarantees)

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

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

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

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

ii. Due from and call loans to other banks

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

iii. Investments in debt instruments and derivatives

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

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

b) Measurement of expected credit losses

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

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

Loans business

i) Quantitative benchmark

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

ii) Qualitative benchmark

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

Bonds and bills business

i) Quantitative benchmark

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

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

ii) Qualitative benchmark

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

ii. Definition of default and credit loss on financial assets

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

Loans business

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

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

Bonds and bills business

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

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

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

iii. Reversal policy

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

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

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

iv. Measurement of expected credit losses

Loans business

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

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

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

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

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

There is no significant change in the estimation method and assumptions used to calculate expected credit loss as of March 31, 2021.

Bonds and bills business

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

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

There is no significant change in the estimation method and assumptions used to calculate expected credit loss as of March 31, 2021.

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, 2020 and 2019 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:

March 31, 2021

| | Gross Carrying Amount | Allowance for Possible Losses | Total Exposure Amount (Amortized Cost) | Fair Value of Collateral |
|--------------------------------------|--------------------------------------|--|---|-------------------------------------|
| <u>Impaired financial assets</u> | | | | |
| Discount and loans | <u>\$ 39,715,244</u> | <u>\$ 4,756,066</u> | <u>\$ 34,959,178</u> | <u>\$ 109,103,082</u> |

December 31, 2020

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

March 31, 2020

| | Gross Carrying Amount | Allowance for Possible Losses | Total Exposure Amount (Amortized Cost) | Fair Value of Collateral |
|--------------------------------------|--------------------------------------|--|---|-------------------------------------|
| <u>Impaired financial assets</u> | | | | |
| Discount and loans | <u>\$ 36,872,922</u> | <u>\$ 6,273,618</u> | <u>\$ 30,599,304</u> | <u>\$ 62,817,057</u> |

The total amount of financial assets that have been written off but have recourse action by TCB and its subsidiary in March 31, 2021, December 31, 2020 and March 31, 2020 were \$8,025,833 thousand, \$7,793,168 thousand and \$7,401,816 thousand, respectively.

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

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

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

| Credit Risk Profile by Group or Industry | March 31, 2021 | | December 31, 2020 | | March 31, 2020 | |
|---|-----------------------|----------|--------------------------|----------|-----------------------|----------|
| | Amount | % | Amount | % | Amount | % |
| Natural person | \$ 917,509,550 | 39 | \$ 912,721,994 | 40 | \$ 880,206,003 | 39 |
| Manufacturing | 419,542,329 | 18 | 415,971,331 | 18 | 409,546,291 | 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:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|-----------------------|------------------------------|-----------------------|
| Financial assets at fair value through profit or loss - debt instrument | \$ 2,715,955 | \$ 1,987,618 | \$ 4,895,894 |

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

| March 31, 2021 | | | | | |
|---|-----------------------|---------------------|--|---|-----------------------|
| | 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 | \$ 287,045,421 | \$ 7,860 | \$ 2,596,860 | \$ - | \$ 289,650,141 |
| Allowance for possible losses | (707,373) | (62) | (399,653) | - | (1,107,088) |
| Difference of impairment loss under “Regulations Governing the Procedure for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | - | - | - | (319,341) | (319,341) |
| | <u>\$ 286,338,048</u> | <u>\$ 7,798</u> | <u>\$ 2,197,207</u> | <u>\$ (319,341)</u> | <u>\$ 288,223,712</u> |
| 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> |

| March 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 | \$ 248,506,217 | \$ 59,809 | \$ 124,305 | \$ - | \$ 248,690,331 |
| Allowance for possible losses | (620,399) | (91) | (21,352) | - | (641,842) |
| Difference of impairment loss under “Regulations Governing the Procedure for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | - | - | - | (601,033) | (601,033) |
| | <u>\$ 247,885,818</u> | <u>\$ 59,718</u> | <u>\$ 102,953</u> | <u>\$ (601,033)</u> | <u>\$ 247,447,456</u> |

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

| March 31, 2021 | | | | | |
|---|-------------------------|-------------------------|-------------------------|---|-------------------------|
| | 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 | \$ 2,325,782,434 | \$ 2,542,001 | \$ 39,715,244 | \$ - | \$ 2,368,039,679 |
| Allowance for possible losses | (3,958,121) | (16,063) | (4,756,066) | - | (8,730,250) |
| Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” | - | - | - | (20,258,314) | (20,258,314) |
| | <u>\$ 2,321,824,313</u> | <u>\$ 2,525,938</u> | <u>\$ 34,959,178</u> | <u>\$ (20,258,314)</u> | <u>\$ 2,339,051,115</u> |

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

b) Credit quality analysis of receivables

| March 31, 2021 | | | | | | |
|---|-------------------------|-------------------------|-------------------------|---|--|----------------------|
| | 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 | \$ 13,408,922 | \$ 47,107 | \$ 176,918 | \$ 3,834,429 | \$ - | \$ 17,467,376 |
| Allowance for possible losses | (35,201) | (11,453) | (77,378) | (223,267) | - | (347,299) |
| Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” | - | - | - | - | (128,237) | (128,237) |
| | <u>\$ 13,373,721</u> | <u>\$ 35,654</u> | <u>\$ 99,540</u> | <u>\$ 3,611,162</u> | <u>\$ (128,237)</u> | <u>\$ 16,991,840</u> |
| 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) |
| | <u>\$ 14,361,171</u> | <u>\$ 33,649</u> | <u>\$ 98,771</u> | <u>\$ 1,882,236</u> | <u>\$ (163,955)</u> | <u>\$ 16,211,872</u> |

March 31, 2020

| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Credit Impairment by Using Simplified Method | Impairment Recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” | Total |
|---|-------------------------|-------------------------|-------------------------|---|--|----------------------|
| Receivables | \$ 15,175,883 | \$ 49,753 | \$ 258,902 | \$ 3,369,331 | \$ - | \$ 18,853,869 |
| Allowance for possible losses | (42,198) | (12,774) | (135,381) | (487,608) | - | (677,961) |
| Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” | - | - | - | - | (157,043) | (157,043) |
| | <u>\$ 15,133,685</u> | <u>\$ 36,979</u> | <u>\$ 123,521</u> | <u>\$ 2,881,723</u> | <u>\$ (157,043)</u> | <u>\$ 18,018,865</u> |

c) Credit quality analysis of securities

March 31, 2021

| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
|--|-------------------------|-------------------------|-------------------------|-----------------------|
| Investments in debt instruments at FVTOCI | | | | |
| Gross carrying amount | \$ 364,487,290 | \$ - | \$ - | \$ 364,487,290 |
| Allowance for possible losses | (107,056) | - | - | (107,056) |
| Amortized cost | 364,380,234 | - | - | 364,380,234 |
| Fair value adjustments | 5,258,297 | - | - | 5,258,297 |
| | <u>\$ 369,638,531</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 369,638,531</u> |
| Investments in debt instruments at amortized cost | \$ 714,214,346 | \$ - | \$ - | \$ 714,214,346 |
| Allowance for possible losses | (45,550) | - | - | (45,550) |
| | <u>\$ 714,168,796</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 714,168,796</u> |

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> |

| | March 31, 2020 | | | |
|---|---------------------------------|---------------------------------|---------------------------------|-----------------------|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
| Investments in debt instruments at FVTOCI | | | | |
| Gross carrying amount | \$ 342,461,057 | \$ - | \$ - | \$ 342,461,057 |
| Allowance for possible losses | <u>(95,208)</u> | <u>-</u> | <u>-</u> | <u>(95,208)</u> |
| Amortized cost | 342,365,849 | - | - | 342,365,849 |
| Fair value adjustments | <u>5,675,467</u> | <u>-</u> | <u>-</u> | <u>5,675,467</u> |
| | <u>\$ 348,041,316</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 348,041,316</u> |
| Investments in debt instruments at amortized cost | \$ 542,027,285 | \$ - | \$ - | \$ 542,027,285 |
| Allowance for possible losses | <u>(48,762)</u> | <u>-</u> | <u>-</u> | <u>(48,762)</u> |
| | <u>\$ 541,978,523</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 541,978,523</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, 2021 | \$ 110,684 | \$ - | \$ - | \$ 110,684 |
| New financial assets purchased | 12,274 | - | - | 12,274 |
| Derecognition of financial assets in the current reporting period | (3,773) | - | - | (3,773) |
| Change in model or risk parameters | 6,105 | - | - | 6,105 |
| Changes in exchange rates and other changes | <u>(18,234)</u> | <u>-</u> | <u>-</u> | <u>(18,234)</u> |
| Balance at March 31, 2021 | <u>\$ 107,056</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 107,056</u> |

| | 12-month ECL | Lifetime ECL (Collective Assessment) | Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets) | Total |
|---|---------------------|---|--|------------------|
| Balance at January 1, 2020 | \$ 83,771 | \$ - | \$ - | \$ 83,771 |
| New financial assets purchased | 13,192 | - | - | 13,192 |
| Derecognition of financial assets in the current reporting period | (1,853) | - | - | (1,853) |
| Change in model or risk parameters | (810) | - | - | (810) |
| Changes in exchange rates and other changes | <u>908</u> | <u>-</u> | <u>-</u> | <u>908</u> |
| Balance at March 31, 2020 | <u>\$ 95,208</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 95,208</u> |

- 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, 2021 | \$ 45,712 | \$ - | \$ - | \$ 45,712 |
| New financial assets purchased | 4,511 | - | - | 4,511 |
| Derecognition of financial assets in the current reporting period | (971) | - | - | (971) |
| Change in model or risk parameters | (1,939) | - | - | (1,939) |
| Changes in exchange rates and other changes | <u>(1,763)</u> | <u>-</u> | <u>-</u> | <u>(1,763)</u> |
| Balance at March 31, 2021 | <u>\$ 45,550</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 45,550</u> |

| | 12-month ECL | Lifetime ECL (Collective Assessment) | Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets) | Total |
|--|---------------------|---|--|------------------|
| Balance at January 1, 2020 | \$ 47,897 | \$ - | \$ - | \$ 47,897 |
| New financial assets purchased | 2,677 | - | - | 2,677 |
| Derecognition of financial assets in the current reporting period | (469) | - | - | (469) |
| Change in model or risk parameters | (2,547) | - | - | (2,547) |
| Changes in exchange rates and other changes | <u>1,204</u> | <u>-</u> | <u>-</u> | <u>1,204</u> |
| Balance at March 31, 2020 | <u>\$ 48,762</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 48,762</u> |

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.

Effect of interest rate benchmark reform

TCB and its subsidiary's non-derivative financial assets are exposed to LIBOR which is subject to interest rate benchmark reform. TCB and its subsidiary established a LIBOR transition project plan. This transition project is considering risk management policy adjustment, internal procedures modification, information system update, financial instrument valuation model adjustment and related issues of accounting and taxation. TCB and its subsidiary has started to discuss the modification of contracts with the counterparties in the financial instrument transactions and expect to accomplish modification before interest rate transition.

The following table contains details of non-derivative financial instruments held by the Company at March 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

| | Carrying Amount |
|---|----------------------------|
| Financial assets that reference USD LIBOR | |
| Financial assets at FVTOCI | \$ 285,050 |
| Discounts and loans | <u>74,295,638</u> |
| | <u>\$ 74,580,688</u> |
| Financial assets that reference JPY LIBOR | |
| Discounts and loans | <u>\$ 787,543</u> |
| Financial assets that reference EUR LIBOR | |
| Discounts and loans | <u>\$ 534,345</u> |
| Financial debts that reference GBP LIBOR | |
| Deposits and remittances | <u>\$ 832,363</u> |

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

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

| Main Risk | Change Scenario | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|----------------------------|--|----------------|-------------------|----------------|
| Interest rate risk | Interest rate curve increased 100 basis points | \$ (230,615) | \$ (132,255) | \$ (432,360) |
| | Interest rate curve fell 100 basis points | 240,741 | 139,368 | 466,788 |
| Exchange rate risk | USD/NT\$, EUR/NT\$ increased 3% | (143,667) | (153,007) | (137,019) |
| | USD/NT\$, EUR/NT\$ fell 3% | 143,667 | 153,007 | 137,019 |
| | Others (RMB, AUD etc.)/ NT\$ increased 5% | 29,758 | 59,168 | 41,327 |
| | Others (RMB, AUD etc.)/ NT\$ fell 5% | (29,758) | (59,168) | (41,327) |
| Equity security price risk | Equity security price increased by 15% | 113,939 | 114,003 | 90,870 |
| | Equity security price fell by 15% | (113,939) | (114,003) | (90,870) |

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

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

Taiwan Cooperative Bank, Ltd.

| | For the Three Months Ended March 31 | | | |
|---|-------------------------------------|------------------|-----------------|------------------|
| | 2021 | | 2020 | |
| | Average Balance | Average Rate (%) | Average Balance | Average Rate (%) |
| <u>Interest-earning assets</u> | | | | |
| Due from banks and other financial assets - due from banks | \$ 28,586,535 | 1.01 | \$ 29,955,226 | 1.96 |
| Due from the Central Bank | 192,051,754 | 0.23 | 176,104,485 | 0.36 |
| Call loans to banks and other financial assets - call loans to security firms | 71,916,872 | 0.53 | 55,307,529 | 1.81 |
| Financial assets mandatorily classified as at fair value through profit or loss | 27,387,517 | 0.32 | 18,918,919 | 0.63 |
| Financial assets at fair value through other comprehensive income | 354,105,442 | 1.35 | 321,980,656 | 1.64 |
| Investments in debt instruments at amortized cost | 753,399,079 | 0.51 | 550,870,921 | 0.84 |
| Discounts and loans | 2,294,519,052 | 1.63 | 2,226,083,463 | 2.03 |

(Continued)

| | For the Three Months Ended March 31 | | | |
|---|--|-----------------------------|----------------------------|-----------------------------|
| | 2021 | | 2020 | |
| | Average Balance | Average Rate (%) | Average Balance | Average Rate (%) |
| <u>Interest-bearing liabilities</u> | | | | |
| Deposits from the Central Bank and other banks | \$ 228,858,795 | 0.27 | \$ 243,972,576 | 0.95 |
| Due to the Central Bank and other banks | 47,728,736 | 0.10 | - | - |
| Financial liabilities designated as at fair value through profit or loss | - | - | 11,833,165 | 4.94 |
| Securities sold under repurchase agreements | 6,617,499 | 0.18 | 7,965,104 | 0.31 |
| Demand deposits | 714,928,656 | 0.06 | 553,295,239 | 0.15 |
| Savings - demand deposits | 1,052,251,700 | 0.18 | 909,965,638 | 0.26 |
| Time deposits | 692,728,210 | 0.57 | 655,912,013 | 1.36 |
| Time savings deposits | 608,855,761 | 0.82 | 625,814,807 | 1.04 |
| Treasury deposits | 113,360,930 | 0.47 | 114,851,354 | 0.65 |
| Negotiable certificates of deposits | 44,659,611 | 0.31 | 36,420,119 | 0.69 |
| Structured products | 2,421,228 | 0.30 | 1,047,409 | 1.15 |
| Bank debentures | 61,600,000 | 1.52 | 64,835,165 | 1.52 |
| Lease liabilities | 1,593,302 | 2.67 | 1,613,081 | 2.85 |
| | | | | (Concluded) |

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

(In Thousands)

| | March 31, 2021 | | |
|------------------------------|-------------------------------|----------------------|-------------------------------|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| USD | \$ 13,703,738 | 28.5050 | \$ 390,625,039 |
| RMB | 12,406,277 | 4.3360 | 53,793,617 |
| AUD | 1,576,928 | 21.6800 | 34,187,791 |
| EUR | 494,757 | 33.3900 | 16,519,935 |
| JPY | 41,060,628 | 0.2577 | 10,581,324 |
| <u>Financial liabilities</u> | | | |
| USD | 18,090,466 | 28.5050 | 515,668,733 |
| RMB | 10,381,706 | 4.3360 | 45,015,078 |
| AUD | 1,208,671 | 21.6800 | 26,203,986 |
| JPY | 51,222,696 | 0.2577 | 13,200,089 |
| ZAR | 4,139,715 | 1.9090 | 7,902,717 |

| | 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 |
| <u>Financial liabilities</u> | | | |
| 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 |
| | March 31, 2020 | | |
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| USD | \$ 12,870,583 | 30.2050 | \$ 388,755,974 |
| RMB | 13,618,190 | 4.2510 | 57,890,926 |
| AUD | 1,667,322 | 18.6450 | 31,087,223 |
| EUR | 428,314 | 33.2800 | 14,254,299 |
| HKD | 2,115,240 | 3.8940 | 8,236,744 |
| <u>Financial liabilities</u> | | | |
| USD | 15,984,242 | 30.2050 | 482,804,043 |
| RMB | 11,931,424 | 4.2510 | 50,720,482 |
| AUD | 1,248,063 | 18.6450 | 23,270,129 |
| JPY | 37,120,994 | 0.2784 | 10,334,485 |
| EUR | 253,973 | 33.2800 | 8,452,231 |

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 32.58% in March 2021, 32.20% in December 2020 and 28.80% in March 2020.

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

| March 31, 2021 | 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 | \$ 172,788,230 | \$ 61,678,030 | \$ 15,632,393 | \$ 4,273,299 | \$ - | \$ 254,371,952 |
| Due to the Central Bank and other banks | - | - | 23,207,190 | 30,683,740 | - | 53,890,930 |
| Financial liabilities at fair value through profit or loss | 588,891 | - | - | - | - | 588,891 |
| Securities sold under repurchase agreements | 2,469,473 | 2,415,514 | 1,042,784 | 151,377 | 796,853 | 6,876,001 |
| Payables | 23,757,863 | 2,117,577 | 2,678,950 | 2,351,876 | 2,955,355 | 33,861,621 |
| Deposits and remittances | 297,014,627 | 451,308,547 | 469,389,839 | 753,772,953 | 1,301,845,423 | 3,273,331,389 |
| Bank debentures | - | 1,500,000 | - | - | 60,100,000 | 61,600,000 |
| Lease liabilities | 60,982 | 127,934 | 110,717 | 173,748 | 705,632 | 1,179,013 |
| Other items of cash outflow on maturity | 5,755,111 | 222 | 270 | 937,992 | 8,229 | 6,701,824 |

| 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 |

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

In the above table, the maturity analysis of deposits and remittances by residual-maturity period was based on TCB and its subsidiary's historical experience. Assuming that all demand deposits as of March 31, 2021, December 31, 2020 and March 31, 2020 must be repaid soon, the capital expenditure will be increased by \$1,791,890,689 thousand, \$1,796,222,648 thousand and \$1,494,034,776 thousand, respectively, within 30 days these balance sheet dates.

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

a) Derivative financial liabilities to be settled at net amounts

| March 31, 2021 | 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 | \$ 212 | \$ 486 | \$ 142 | \$ - | \$ - | \$ 840 |
| Interest | (1,464) | (519) | (1,391) | (3,413) | (3,878) | (10,665) |

| 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) |

| March 31, 2020 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days- 1 Year | Over 1 Year | Total |
|---|------------------|-------------------|--------------------|-----------------------------|--------------------|--------------|
| Derivative financial liabilities at fair value through profit or loss | | | | | | |
| Currency | \$ 8 | \$ 127 | \$ 278 | \$ 163 | \$ - | \$ 576 |
| Interest | (913) | (286) | (1,206) | (4,367) | (12,586) | (19,358) |

b) Derivative financial liabilities to be settled at gross amounts

| March 31, 2021 | 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 | \$ 21,455,285 | \$ 17,390,923 | \$ 8,294,015 | \$ 3,779,519 | \$ 253,045 | \$ 51,172,787 |
| Cash inflow | 21,632,685 | 17,809,193 | 8,502,936 | 3,830,018 | 253,224 | 52,028,056 |
| Interest derivatives | | | | | | |
| Cash outflow | 42,779 | 314,679 | - | 143,117 | - | 500,575 |
| Cash inflow | 41,981 | 154,503 | - | 140,991 | - | 337,475 |
| Total cash outflow | 21,498,064 | 17,705,602 | 8,294,015 | 3,922,636 | 253,045 | 51,673,362 |
| Total cash inflow | 21,674,666 | 17,963,696 | 8,502,936 | 3,971,009 | 253,224 | 52,365,531 |
| Net cash flow | 176,602 | 258,094 | 208,921 | 48,373 | 179 | 692,169 |

| 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 |

| March 31, 2020 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days - 1 Year | Over 1 Year | Total |
|---|---------------|---------------|---------------|-------------------|-------------|----------------|
| Derivative financial liabilities at fair value through profit or loss | | | | | | |
| Currency derivatives | | | | | | |
| Cash outflow | \$ 42,266,346 | \$ 36,224,513 | \$ 27,629,185 | \$ 16,707,527 | \$ - | \$ 122,827,571 |
| Cash inflow | 42,420,174 | 36,542,680 | 27,785,446 | 16,772,340 | - | 123,520,640 |
| Interest derivatives | | | | | | |
| Cash outflow | 136,321 | 60,545 | - | - | - | 196,866 |
| Cash inflow | 135,300 | 60,236 | - | - | - | 195,536 |
| Total cash outflow | 42,402,667 | 36,285,058 | 27,629,185 | 16,707,527 | - | 123,024,437 |
| Total cash inflow | 42,555,474 | 36,602,916 | 27,785,446 | 16,772,340 | - | 123,716,176 |
| Net cash flow | 152,807 | 317,858 | 156,261 | 64,813 | - | 691,739 |

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

| March 31, 2021 | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days - 1 Year | Over 1 Year | Total |
|-------------------------------------|--------------|---------------|---------------|-------------------|---------------|---------------|
| Irrevocable loan commitments issued | \$ 1,064,560 | \$ 10,741,001 | \$ 16,784,451 | \$ 11,865,498 | \$ 52,571,072 | \$ 93,026,582 |
| Irrevocable credit card commitments | 504,459 | 142,265 | 796,388 | 4,135,062 | 51,787,576 | 57,365,750 |
| Letters of credit issued yet unused | 5,573,527 | 13,786,203 | 3,292,734 | 1,930,188 | 7,377,187 | 31,959,839 |
| Other guarantees | 11,194,423 | 13,371,545 | 10,727,625 | 8,922,991 | 63,081,386 | 107,297,970 |

| 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 |

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

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

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

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

1) Market risk

a) Market risk source and market risk factors

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

b) Market risk strategy and procedures

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

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

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

c) Market risk management framework

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

d) Market risk information

i. VaR (value at risk)

VaR measures “the worst expected loss over a target horizon with a given level of confidence and normal market environment.” BPCTLI’s worst expected losses for two weeks with a 99% confidence level were \$748,476 thousand, \$780,722 thousand and \$830,998 thousand as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

ii. Sensitivity analysis

i) Interest rate risk

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

Assuming all other indicators had been held constant and had the interest rate increased by 0.01% as of March 31, 2021, December 31, 2020 and March 31, 2020 the fair values of financial assets would have decreased by \$21,605 thousand, \$22,259 thousand and \$22,026 thousand, respectively.

ii) Equity risk

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

Assuming all other indicators had been held constant and based on the asset condition of BPCTLI on March 31, 2021, December 31, 2020 and March 31, 2020, had the TAIEX fallen 1%, the fair value of the equity assets would have decreased by \$18,269 thousand, \$19,555 thousand and \$17,138 thousand, respectively.

iii) Foreign currency risk

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

BPCTLI’s overseas financial instruments were primarily exposed to the U.S. dollar. Assuming all other factors had been held constant, no hedging had been involved, and had the U.S. dollar decreased 1% for the three months ended March 31, 2021, the year ended December 31, 2020 and the three months ended March 31, 2020, the income before income tax would have decreased \$139,025 thousand, \$148,870 thousand and \$140,372 thousand, respectively.

The table below shows the carrying value of financial assets and liabilities denominated in foreign currency as of March 31, 2021, December 31, 2020 and March 31, 2020.

March 31, 2021

| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
|------------------------------------|-------------------------------|----------------------|-------------------------------|
| <u>Financial assets</u> | | | |
| Savings accounts | | | |
| USD | \$ 16,410 | 28.505 | \$ 467,771 |
| EUR | 2,658 | 33.360 | 88,673 |
| AUD | 1,662 | 21.665 | 36,012 |
| Receivables | | | |
| USD | 4,734 | 28.505 | 134,929 |
| EUR | 558 | 33.360 | 18,599 |
| RMB | 1,692 | 4.334 | 7,335 |
| Financial assets at FVTPL | | | |
| USD | 3,721 | 28.505 | 106,077 |
| Financial assets at FVTOCI | | | |
| USD | 464,517 | 28.505 | 13,241,049 |
| EUR | 54,064 | 33.360 | 1,803,575 |
| RMB | 202,963 | 4.334 | 879,643 |
| Financial assets at amortized cost | | | |
| USD | 5,419 | 28.505 | 154,477 |
| EUR | 9,664 | 33.360 | 322,376 |
| <u>Financial liabilities</u> | | | |
| Guarantee deposits received | | | |
| USD | 7,078 | 28.505 | 201,771 |

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 |

(Continued)

| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
|------------------------------------|-------------------------------|----------------------|-------------------------------|
| 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 (Concluded) |

March 31, 2020

| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
|------------------------------------|-------------------------------|----------------------|-------------------------------|
| <u>Financial assets</u> | | | |
| Savings accounts | | | |
| USD | \$ 16,159 | 30.235 | \$ 488,562 |
| ZAR | 28,704 | 1.6879 | 48,449 |
| AUD | 2,090 | 18.705 | 39,085 |
| EUR | 984 | 33.320 | 32,776 |
| Receivables | | | |
| USD | 4,585 | 30.235 | 138,622 |
| EUR | 559 | 33.320 | 18,612 |
| RMB | 3,040 | 4.256 | 12,939 |
| Financial assets at FVTPL | | | |
| USD | 3,034 | 30.235 | 91,722 |
| Financial assets at FVTOCI | | | |
| USD | 439,387 | 30.235 | 13,309,369 |
| EUR | 66,722 | 33.320 | 2,223,183 |
| RMB | 243,900 | 4.256 | 1,038,423 |
| Financial assets at amortized cost | | | |
| EUR | 9,622 | 33.320 | 320,615 |
| USD | 5,425 | 30.235 | 164,017 |
| <u>Financial liabilities</u> | | | |
| Guarantee deposits received | | | |
| USD | 5,130 | 30.235 | 155,106 |

iii. Stress testing

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

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

Assuming the U.S. 10 year Treasury yield increased 1% as of March 31, 2021, December 31, 2020 and March 31, 2020, the losses on financial assets of the BPCTLI would have been \$715,854 thousand, \$855,407 thousand and \$912,526 thousand, respectively.

2) Credit risk

a) Credit risk definition and classifications

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

b) Credit risk strategy and procedures

BPCTLI controls credit risk as follows:

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

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

ii. Stress testing

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

iii. Credit risk reduction policy

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

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

iv. Credit analysis for bonds

| | March 31, 2021 | | |
|---|----------------------------|----------------------|------------|
| | Carrying Amount | Fair Value | % |
| Domestic investment - government bonds (Note 1) | \$ 11,846,671 | \$ 11,905,108 | 38 |
| Domestic investment - corporate bonds (twAAA - twAA) | 3,295,487 | 3,295,487 | 10 |
| Overseas investment - government bonds | 2,341,045 | 2,399,605 | 7 |
| Overseas investment - corporate bonds and bank debentures (Aa2 - A3) | 11,972,068 | 11,972,922 | 38 |
| Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1) | <u>2,088,007</u> | <u>2,088,007</u> | <u>7</u> |
| | <u>\$ 31,543,278</u> | <u>\$ 31,661,129</u> | <u>100</u> |
| | 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> |
| | March 31, 2020 | | |
| | Carrying Amount | Fair Value | % |
| Domestic investment - government bonds (Note 1) | \$ 11,272,217 | \$ 11,329,904 | 36 |
| Domestic investment - corporate bonds (twAAA - twAA) | 2,770,590 | 2,770,590 | 9 |
| Overseas investment - government bonds | 1,943,054 | 1,961,415 | 6 |
| Overseas investment - corporate bonds and bank debentures (Aa2 - A3) | 13,022,772 | 13,023,279 | 42 |
| Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1) | <u>2,065,281</u> | <u>2,065,281</u> | <u>7</u> |
| | <u>\$ 31,073,914</u> | <u>\$ 31,150,469</u> | <u>100</u> |

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

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

3) Liquidity risk

a) Source and definition of liquidity risk

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

b) Liquidity risk management strategy and principles

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

c) Maturity analysis

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

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

ii. Maturity analysis of derivatives

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

| | March 31, 2021 | | | |
|-------------------------------|----------------------------|------------------------------|-------------------------------|----------------------------|
| | Within One Year | 1 Year to 3 Years | 3 Years to 5 Years | Over Five Years |
| <u>Net settled</u> | | | | |
| Currency swap contracts | \$ 155,025 | \$ 102,295 | \$ - | \$ - |
| Cross-currency swap contracts | - | 7,557 | - | - |
| | <u>\$ 155,025</u> | <u>\$ 109,852</u> | <u>\$ -</u> | <u>\$ -</u> |
| | 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> |

| | March 31, 2020 | | | |
|-------------------------|----------------------------|------------------------------|-------------------------------|----------------------------|
| | Within One Year | 1 Year to 3 Years | 3 Years to 5 Years | Over Five Years |
| <u>Net settled</u> | | | | |
| Currency swap contracts | \$ <u>266,411</u> | \$ <u>21,456</u> | \$ _____ | \$ _____ |

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 | 12 | | |
| 2010 | \$ 3 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ - |
| 2011 | 4,170 | 7,263 | 7,786 | 7,854 | 7,854 | 8,034 | 8,034 | 8,034 | 7,854 | 7,854 | 7,854 | 7,854 | 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 | 21,113 | 21,113 | - |
| 2013 | 19,586 | 27,531 | 27,762 | 28,666 | 28,555 | 28,551 | 28,553 | 28,553 | 28,553 | 28,553 | 28,553 | 28,553 | 28,553 | - |
| 2014 | 25,862 | 28,357 | 28,976 | 31,011 | 31,016 | 31,018 | 31,018 | 31,018 | 31,018 | 31,018 | 31,018 | 31,018 | 31,018 | - |
| 2015 | 35,899 | 42,080 | 42,346 | 42,353 | 42,361 | 42,381 | 42,381 | 42,381 | 42,381 | 42,381 | 42,381 | 42,381 | 42,381 | 1 |
| 2016 | 26,485 | 31,219 | 31,407 | 31,432 | 31,444 | 31,444 | 31,445 | 31,445 | 31,445 | 31,445 | 31,445 | 31,445 | 31,445 | 1 |
| 2017 | 53,250 | 63,055 | 58,484 | 58,652 | 58,652 | 58,660 | 58,660 | 58,660 | 58,661 | 58,661 | 58,661 | 58,661 | 58,661 | 9 |
| 2018 | 36,190 | 45,800 | 46,223 | 46,227 | 46,235 | 46,242 | 46,243 | 46,243 | 46,243 | 46,243 | 46,243 | 46,243 | 46,243 | 17 |
| 2019 | 52,386 | 68,948 | 69,444 | 71,194 | 71,204 | 71,211 | 71,212 | 71,212 | 71,213 | 71,213 | 71,213 | 71,213 | 71,213 | 1,769 |
| 2020 | 45,488 | 48,505 | 48,951 | 49,320 | 49,330 | 49,337 | 49,337 | 49,337 | 49,338 | 49,338 | 49,338 | 49,338 | 49,338 | 833 |
| 2021 | 63,755 | 79,194 | 79,827 | 81,320 | 81,333 | 81,342 | 81,343 | 81,343 | 81,345 | 81,345 | 81,345 | 81,345 | 81,345 | 17,590 |
| | | | | | | | | | | | | | | Incurred but not reported |
| | | | | | | | | | | | | | | Reported but not paid |
| | | | | | | | | | | | | | | 20,220 |
| | | | | | | | | | | | | | | 56,054 |
| | | | | | | | | | | | | | | Balance of claim reserve |
| | | | | | | | | | | | | | | <u>\$ 76,274</u> |

b) Development of retained business

| Accident Year | Development Ages | | | | | | | | | | | | Claim Reserve | |
|---------------|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | | |
| 2010 | \$ 3 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ 35 | \$ - |
| 2011 | 4,170 | 7,263 | 7,786 | 7,854 | 7,854 | 8,034 | 8,034 | 8,034 | 7,854 | 7,854 | 7,854 | 7,854 | 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 | 19,066 | 19,066 | - |
| 2013 | 19,497 | 26,841 | 27,071 | 27,975 | 27,864 | 27,860 | 27,861 | 27,861 | 27,861 | 27,861 | 27,861 | 27,861 | 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 | 30,320 | 30,320 | - |
| 2015 | 31,538 | 37,711 | 37,977 | 37,985 | 37,992 | 38,012 | 38,012 | 38,012 | 38,013 | 38,013 | 38,013 | 38,013 | 38,013 | 1 |
| 2016 | 25,930 | 30,590 | 30,778 | 30,802 | 30,815 | 30,815 | 30,816 | 30,816 | 30,816 | 30,816 | 30,816 | 30,816 | 30,816 | 1 |
| 2017 | 51,121 | 58,887 | 56,315 | 56,484 | 56,484 | 56,491 | 56,492 | 56,492 | 56,493 | 56,493 | 56,493 | 56,493 | 56,493 | 9 |
| 2018 | 35,432 | 44,832 | 45,226 | 45,229 | 45,238 | 45,244 | 45,245 | 45,245 | 45,246 | 45,246 | 45,246 | 45,246 | 45,246 | 17 |
| 2019 | 47,585 | 62,159 | 62,654 | 63,781 | 63,790 | 63,798 | 63,798 | 63,798 | 63,799 | 63,799 | 63,799 | 63,799 | 63,799 | 1,145 |
| 2020 | 45,298 | 48,299 | 48,743 | 49,111 | 49,121 | 49,127 | 49,128 | 49,128 | 49,129 | 49,129 | 49,129 | 49,129 | 49,129 | 830 |
| 2021 | 61,889 | 75,378 | 76,000 | 77,235 | 77,248 | 77,257 | 77,258 | 77,258 | 77,259 | 77,259 | 77,259 | 77,259 | 77,259 | 15,370 |
| | | | | | | | | | | | | | | Incurred but not reported |
| | | | | | | | | | | | | | | Reported but not paid |
| | | | | | | | | | | | | | | 17,373 |
| | | | | | | | | | | | | | | 41,094 |
| | | | | | | | | | | | | | | Balance of claim reserve |
| | | | | | | | | | | | | | | <u>\$ 58,467</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.

| March 31, 2021 | | | |
|------------------------|----------------------------|------------------------------------|------------------|
| | Changes in the Assumptions | Impact on Income Before Income Tax | Impact on Equity |
| Discount rate | 0.25% | \$ 15,860 | \$ 12,688 |
| Discount rate | (0.25%) | (15,895) | (12,716) |
| Mortality rate | 10.00% | (7,007) | (5,605) |
| Mortality rate | (10.00%) | 11,985 | 9,588 |
| Withdrawal rate | 30.00% | 4,225 | 3,380 |
| Withdrawal rate | (30.00%) | (4,212) | (3,370) |
| Illness rate/loss rate | 15.00% | (5,195) | (4,156) |
| Expense rate | 10.00% | (16,490) | (13,192) |

| | 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) |

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

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:

| March 31, 2021 | | | | | |
|--|--|---|---|--|-----------------------------------|
| 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 | \$ 35,245,000 | \$ 35,257,603 | \$ 35,245,000 | \$ 35,257,603 | \$ (12,603) |
| Financial assets at FVTOCI - securities sold under repurchase agreements | 19,813,814 | 20,043,424 | 19,813,814 | 20,043,424 | (229,610) |

| 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) |

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

h. Offsetting financial assets and financial liabilities

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

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

March 31, 2021

| 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 | \$ 1,963,078 | \$ - | \$ 1,963,078 | \$ (1,123,918) | \$ - | \$ 839,160 |

| 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 | \$ 55,301,027 | \$ - | \$ 55,301,027 | \$ (54,508,055) | \$ - | \$ 792,972 |

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 |

March 31, 2020

| Financial Assets | Gross Amounts of Recognized Financial Assets | Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet | Net Amounts of Financial Assets Presented in the Balance Sheet | Related Amounts Not Offset in the Balance Sheet | | Net Amount |
|-------------------|--|---|--|---|--------------------------|------------|
| | | | | Financial Instruments | Cash Collateral Received | |
| Resell agreements | \$ 3,010,005 | \$ - | \$ 3,010,005 | \$ (3,010,005) | \$ - | \$ - |

| Financial Liabilities | Gross Amounts of Recognized Financial Liabilities | Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet | Net Amounts of Financial Liabilities Presented in the Balance Sheet | Related Amounts Not Offset in the Balance Sheet | | Net Amount |
|-----------------------|---|--|---|---|-------------------------|------------|
| | | | | Financial Instruments | Cash Collateral Pledged | |
| Repurchase agreements | \$ 44,053,880 | \$ - | \$ 44,053,880 | \$ (43,273,036) | \$ - | \$ 780,844 |

45. CAPITAL MANAGEMENT

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

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

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

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

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

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

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

a. Asset quality of Taiwan Cooperative Bank, Ltd.: Table 3 (attached).

b. Concentration of credit extensions

1) Taiwan Cooperative Bank, Ltd. (TCB)

(In Thousands of New Taiwan Dollars, %)

| Rank (Note 1) | March 31, 2021 | | |
|------------------|--|--|----------------------------------|
| | 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 | 15.43 |
| 2 | Group B Real estate development | 27,320,837 | 11.16 |
| 3 | Group C Computers and computing peripheral equipment manufacturing | 13,754,996 | 5.62 |
| 4 | Group D Petroleum and coal products manufacturing | 13,237,184 | 5.41 |
| 5 | Group E Financial leasing | 11,907,715 | 4.86 |
| 6 | Group F Real estate development | 11,567,314 | 4.72 |
| 7 | Group G Harbor services | 11,417,625 | 4.66 |
| 8 | Group H Iron and steel smelting | 11,334,298 | 4.63 |
| 9 | Group I Computers manufacturing | 10,760,649 | 4.40 |
| 10 | Group J Cotton and textile | 10,340,703 | 4.22 |

(In Thousands of New Taiwan Dollars, %)

| Rank (Note 1) | March 31, 2020 | | |
|------------------|--|--|----------------------------------|
| | Industry of Group Enterprise (Note 2) | Total Amount of Credit Endorsement or Other Transactions (Note 3) | Percentage of TCB's Equity |
| 1 | Group A Railway transportation | \$ 39,312,493 | 17.24 |
| 2 | Group B Real estate development | 16,252,120 | 7.13 |
| 3 | Group C Computers and computing peripheral equipment manufacturing | 13,557,129 | 5.94 |
| 4 | Group K Cotton and textile | 13,073,265 | 5.73 |
| 5 | Group G Harbor services | 13,005,607 | 5.70 |
| 6 | Group F Real estate development | 11,696,938 | 5.13 |
| 7 | Group J Cotton and textile | 11,560,164 | 5.07 |
| 8 | Group D Petroleum and coal products manufacturing | 11,379,959 | 4.99 |
| 9 | Group L Shipping agency | 10,893,614 | 4.78 |
| 10 | Group H Iron and steel smelting | 10,487,770 | 4.60 |

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

(In Thousands of New Taiwan Dollars, %)

| Rank (Note 1) | March 31, 2021 | | |
|------------------|---|--|-----------------------------------|
| | 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 | \$ 1,298,000 | 17.59 |
| 2 | Group B Iron and steel rolls over extends and crowding | 1,250,000 | 16.94 |
| 3 | Group C Real estate development | 970,000 | 13.14 |
| 4 | Group D Real estate development | 935,000 | 12.67 |
| 5 | Group E Real estate development | 798,200 | 10.82 |
| 6 | Group F Other retail sale in non-specialized stores | 750,000 | 10.16 |
| 7 | Group G Real estate development | 735,200 | 9.96 |
| 8 | Group H Non-alcoholic beverages manufacturing | 720,000 | 9.76 |
| 9 | Group I Shipping agency | 700,000 | 9.49 |
| 10 | Group J Real estate development | 699,000 | 9.47 |

(In Thousands of New Taiwan Dollars, %)

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

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

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

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

c. Interest rate sensitivity information

Taiwan Cooperative Bank, Ltd.

**Interest Rate Sensitivity
March 31, 2021**

(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 | \$ 2,650,784,497 | \$ 132,140,528 | \$ 34,712,924 | \$ 371,768,638 | \$ 3,189,406,587 |
| Interest rate-sensitive liabilities | 1,068,017,508 | 1,662,752,673 | 113,679,536 | 59,961,176 | 2,904,410,893 |
| Interest rate sensitivity gap | 1,582,766,989 | (1,530,612,145) | (78,966,612) | 311,807,462 | 284,995,694 |
| Net worth | | | | | 207,009,228 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 109.81 |
| Ratio of interest rate sensitivity gap to net worth | | | | | 137.67 |

**Interest Rate Sensitivity
March 31, 2020**

(In Thousands of New Taiwan Dollars, %)

| Items | 1 to 90 Days | 91 to 180 Days | 181 Days to One Year | Over One Year | Total |
|--|------------------|-----------------|----------------------|----------------|------------------|
| Interest rate-sensitive assets | \$ 2,371,997,523 | \$ 96,876,207 | \$ 19,313,141 | \$ 377,136,016 | \$ 2,865,322,887 |
| Interest rate-sensitive liabilities | 984,379,005 | 1,415,085,135 | 121,985,519 | 57,484,097 | 2,578,933,756 |
| Interest rate sensitivity gap | 1,387,618,518 | (1,318,208,928) | (102,672,378) | 319,651,919 | 286,389,131 |
| Net worth | | | | | 196,505,159 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 111.10 |
| Ratio of interest rate sensitivity gap to net worth | | | | | 145.74 |

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

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

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

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

**Interest Rate Sensitivity
March 31, 2021**

(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 | \$ 14,258,658 | \$ 976,804 | \$ 265,071 | \$ 2,401,459 | \$ 17,901,992 |
| Interest rate-sensitive liabilities | 17,268,254 | 3,092,430 | 1,978,640 | - | 22,339,324 |
| Interest rate sensitivity gap | (3,009,596) | (2,115,626) | (1,713,569) | 2,401,459 | (4,437,332) |
| Net worth | | | | | 1,326,494 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 80.14 |
| Ratio of interest rate sensitivity gap to net worth | | | | | (334.52) |

Interest Rate Sensitivity
March 31, 2020

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

| Items | 1 to 90 Days | 91 to 180 Days | 181 Days to One Year | Over One Year | Total |
|--|---------------|----------------|-------------------------|---------------|---------------|
| Interest rate-sensitive assets | \$ 15,539,024 | \$ 698,090 | \$ 247,553 | \$ 1,940,925 | \$ 18,425,592 |
| Interest rate-sensitive liabilities | 18,572,234 | 1,660,458 | 1,663,689 | - | 21,896,381 |
| Interest rate sensitivity gap | (3,033,210) | (962,368) | (1,416,136) | 1,940,925 | (3,470,789) |
| Net worth | | | | | 1,044,229 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 84.15 |
| Ratio of interest rate sensitivity gap to net worth | | | | | (332.38) |

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

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

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

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

d. Profitability

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

(%)

| Items | March 31, 2021 | March 31, 2020 |
|------------------------|-------------------|----------------|
| Return on total assets | Before income tax | 0.54 |
| | After income tax | 0.46 |
| Return on equity | Before income tax | 9.36 |
| | After income tax | 7.98 |
| Net income ratio | 36.72 | 36.28 |

2) Taiwan Cooperative Financial Holding Co., Ltd.

(%)

| Items | March 31, 2021 | March 31, 2020 |
|------------------------|-------------------|----------------|
| Return on total assets | Before income tax | 6.71 |
| | After income tax | 6.71 |
| Return on equity | Before income tax | 7.79 |
| | After income tax | 7.79 |
| Net income ratio | 98.78 | 98.67 |

3) Taiwan Cooperative Bank, Ltd.

(%)

| Items | | March 31, 2021 | March 31, 2020 |
|------------------------|-------------------|----------------|----------------|
| Return on total assets | Before income tax | 0.47 | 0.49 |
| | After income tax | 0.41 | 0.41 |
| Return on equity | Before income tax | 7.65 | 7.55 |
| | After income tax | 6.53 | 6.34 |
| Net income ratio | | 35.08 | 33.39 |

4) Taiwan Cooperative Bills Finance Corporation Ltd.

(%)

| Items | | March 31, 2021 | March 31, 2020 |
|------------------------|-------------------|----------------|----------------|
| Return on total assets | Before income tax | 0.81 | 0.79 |
| | After income tax | 0.69 | 0.65 |
| Return on equity | Before income tax | 7.05 | 6.30 |
| | After income tax | 5.96 | 5.25 |
| Net income ratio | | 62.45 | 59.36 |

5) Taiwan Cooperative Securities Co., Ltd.

(%)

| Items | | March 31, 2021 | March 31, 2020 |
|------------------------|-------------------|----------------|----------------|
| Return on total assets | Before income tax | 2.47 | 1.62 |
| | After income tax | 2.14 | 1.37 |
| Return on equity | Before income tax | 14.23 | 6.81 |
| | After income tax | 12.32 | 5.76 |
| Net income ratio | | 39.54 | 26.96 |

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

(%)

| Items | | March 31, 2021 | March 31, 2020 |
|------------------------|-------------------|----------------|----------------|
| Return on total assets | Before income tax | 1.53 | 1.07 |
| | After income tax | 1.33 | 0.92 |
| Return on equity | Before income tax | 17.43 | 14.88 |
| | After income tax | 15.08 | 12.86 |
| Net income ratio | | 67.23 | 61.80 |

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

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

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

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

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

e. Maturity analysis of assets and liabilities

Taiwan Cooperative Bank, Ltd.

Maturity Analysis of Assets and Liabilities
March 31, 2021

(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 | \$ 3,505,110,483 | \$ 381,810,477 | \$ 464,916,113 | \$ 173,361,491 | \$ 180,396,920 | \$ 382,065,748 | \$ 1,922,559,734 |
| Main capital outflow on maturity | 4,161,230,235 | 216,935,659 | 195,664,027 | 516,908,611 | 486,276,873 | 865,390,221 | 1,880,054,844 |
| Gap | (656,119,752) | 164,874,818 | 269,252,086 | (343,547,120) | (305,879,953) | (483,324,473) | 42,504,890 |

Maturity Analysis of Assets and Liabilities
March 31, 2020

(In Thousands of New Taiwan Dollars)

| | Total | Remaining Period to Maturity | | | | | |
|----------------------------------|------------------|------------------------------|----------------|----------------|----------------|----------------------|------------------|
| | | 0 to 10 Days | 11 to 30 Days | 31 to 90 Days | 91 to 180 Days | 181 Days to One Year | Over One Year |
| Main capital inflow on maturity | \$ 3,184,534,768 | \$ 430,171,951 | \$ 261,677,104 | \$ 224,248,261 | \$ 167,514,292 | \$ 339,537,977 | \$ 1,761,385,183 |
| Main capital outflow on maturity | 3,704,437,380 | 205,928,044 | 186,150,955 | 470,308,338 | 442,071,746 | 707,460,481 | 1,692,517,816 |
| Gap | (519,902,612) | 224,243,907 | 75,526,149 | (246,060,077) | (274,557,454) | (367,922,504) | 68,867,367 |

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

Maturity Analysis of Assets and Liabilities
March 31, 2021

(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 | \$ 25,226,491 | \$ 8,060,498 | \$ 4,468,739 | \$ 1,837,606 | \$ 2,858,464 | \$ 8,001,184 |
| Main capital outflow on maturity | 29,723,150 | 9,736,636 | 4,452,666 | 5,244,900 | 6,049,637 | 4,239,311 |
| Gap | (4,496,659) | (1,676,138) | 16,073 | (3,407,294) | (3,191,173) | 3,761,873 |

Maturity Analysis of Assets and Liabilities
March 31, 2020

(In Thousands of U.S. Dollars)

| | Total | Remaining Period to Maturity | | | | |
|----------------------------------|---------------|------------------------------|---------------|----------------|----------------------|---------------|
| | | 0 to 30 Days | 31 to 90 Days | 91 to 180 Days | 181 Days to One Year | Over One Year |
| Main capital inflow on maturity | \$ 26,541,974 | \$ 9,744,972 | \$ 4,334,863 | \$ 2,605,290 | \$ 1,635,049 | \$ 8,221,800 |
| Main capital outflow on maturity | 30,888,369 | 13,960,040 | 5,190,508 | 3,427,123 | 4,651,956 | 3,658,742 |
| Gap | (4,346,395) | (4,215,068) | (855,645) | (821,833) | (3,016,907) | 4,563,058 |

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

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

March 31, 2021

| Items | | Period | | | | |
|-------------------------------|---|---------------|---------------|----------------|----------------------|---------------|
| | | 1 to 30 Days | 31 to 90 Days | 91 to 180 Days | 181 Days to One Year | Over One Year |
| Use of funds | Bills | \$ 21,059,425 | \$ 22,861,136 | \$ 1,560,269 | \$ - | \$ - |
| | Bonds | - | 200,000 | 693,360 | 200,000 | 15,888,240 |
| | Cash in bank | 230,136 | 200 | - | - | - |
| | Total | 21,289,561 | 23,061,336 | 2,253,629 | 200,000 | 15,888,240 |
| Source of funds | Borrowings | 12,351,828 | - | - | - | - |
| | Securities sold under repurchase agreements | 39,681,998 | 3,897,705 | 3,016 | - | - |
| | Equity fund | - | - | - | - | - |
| | Total | 52,033,826 | 3,897,705 | 3,016 | - | - |
| Net flows | | (30,744,265) | 19,163,631 | 2,250,613 | 200,000 | 15,888,240 |
| Accumulated capital net flows | | (30,744,265) | (11,580,634) | (9,330,021) | (9,130,021) | 6,758,219 |

March 31, 2020

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

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

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

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

Balance Sheets of Trust Accounts

| Trust Assets | December 31, | | | Trust Liabilities | December 31, | | |
|--------------------------|----------------|----------------|----------------|--|----------------|----------------|----------------|
| | March 31, 2021 | 2020 | March 31, 2020 | | March 31, 2021 | 2020 | March 31, 2020 |
| Cash in banks | \$ 10,431,992 | \$ 9,375,320 | \$ 5,272,380 | Payables | | | |
| Short-term investments | | | | Accrued expense | \$ 890 | \$ 885 | \$ 535 |
| Mutual funds | 179,724,550 | 167,528,197 | 160,771,564 | Others | 16 | 15 | 21 |
| Stocks | 1,844,123 | 2,283,474 | 939,491 | Payables on the purchase of securities | 19,259 | 80,113 | - |
| Debt instruments | 6,734,499 | 6,210,456 | 5,096,868 | | 20,165 | 81,013 | 556 |
| Structured products | - | - | 99,072 | Accounts payable on securities under custody | 185,094,307 | 166,841,784 | 165,537,653 |
| | 188,303,172 | 176,022,127 | 166,906,995 | Trust capital | 293,125,479 | 274,507,930 | 257,299,915 |
| Securities lending | 298,164 | 225,168 | 239,943 | Reserves and retained earnings | | | |
| Receivables | 5,305 | 22,713 | 3,741 | Net income | 615,793 | 439,554 | (176,117) |
| Real estate | | | | Retained earnings | 64,084 | (4,052) | 54,387 |
| Land | 69,000,192 | 65,545,184 | 65,220,267 | | 679,877 | 435,502 | (121,730) |
| Buildings | 4,453 | 4,453 | 1,601 | | | | |
| Construction in process | 25,643,581 | 23,673,868 | 19,416,214 | | | | |
| | 94,648,226 | 89,223,505 | 84,638,082 | | | | |
| Intangible assets | | | | | | | |
| Leasehold | - | - | 60,940 | | | | |
| Superficies | 138,662 | 138,662 | 56,660 | | | | |
| | 138,662 | 138,662 | 117,600 | | | | |
| Other assets | - | 16,950 | - | | | | |
| Securities under custody | 185,094,307 | 166,841,784 | 165,537,653 | | | | |
| Total | \$ 478,919,828 | \$ 441,866,229 | \$ 422,716,394 | Total | \$ 478,919,828 | \$ 441,866,229 | \$ 422,716,394 |

Trust Property List

| Investment Items | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--------------------------------------|------------------------------|------------------------------|------------------------------|
| Cash in banks | \$ 10,431,992 | \$ 9,375,320 | \$ 5,272,380 |
| Short-term investments | | | |
| Mutual funds | 179,724,550 | 167,528,197 | 160,771,564 |
| Stocks | 1,844,123 | 2,283,474 | 939,491 |
| Debt instruments | 6,734,499 | 6,210,456 | 5,096,868 |
| Structured products | - | - | 99,072 |
| Securities lending | 298,164 | 225,168 | 239,943 |
| Receivables | | | |
| Accrued interest | 1,689 | 1,498 | 1,972 |
| Receivable on the sale of securities | 1,689 | 17,276 | - |
| Mutual funds | - | 2,430 | 880 |
| Cash dividends | 1,060 | 703 | - |
| Others | 867 | 806 | 889 |
| Real estate | | | |
| Land | 69,000,192 | 65,545,184 | 65,220,267 |
| Buildings | 4,453 | 4,453 | 1,601 |
| Construction in process | 25,643,581 | 23,673,868 | 19,416,214 |
| Intangible assets | | | |
| Leasehold | - | - | 60,940 |
| Superficies | 138,662 | 138,662 | 56,660 |
| Other assets | - | 16,950 | - |
| Securities under custody | <u>185,094,307</u> | <u>166,841,784</u> | <u>165,537,653</u> |
| Total | <u>\$ 478,919,828</u> | <u>\$ 441,866,229</u> | <u>\$ 422,716,394</u> |

**Statements of Income on Trust Accounts
For the Three Months Ended March 31, 2021 and 2020**

| | 2021 | 2020 |
|---|-------------------|---------------------|
| Revenues | | |
| Interest revenue | \$ 1,486 | \$ 1,959 |
| Lending stock | 1,065 | 1,068 |
| Cash dividends | 2,009 | 30 |
| Realized gain on investment - stocks | 122,529 | 6,975 |
| Unrealized gain on investment - stocks | 399,964 | 104,770 |
| Unrealized gain on investment - lending stock | 106,665 | 27,313 |
| Realized gain on investment - mutual funds | 6,597 | 702 |
| Unrealized gain on investment - mutual funds | 46,001 | 15,476 |
| Beneficial certificate appropriation | 4,758 | 1,301 |
| Others | 46 | - |
| Total revenues | <u>691,120</u> | <u>159,594</u> |
| Expenses | | |
| Management fees | 2,162 | 1,076 |
| Monitoring fees | 2 | - |
| Taxes | 1 | 15 |
| Service charge | - | 262 |
| Postage | 14 | 2 |
| Unrealized loss on investment - stocks | 43,251 | 277,082 |
| Unrealized loss on investment - lending stock | 4,669 | 39,525 |
| Unrealized loss on investment - mutual funds | 14,303 | 16,154 |
| Realized loss on investment - mutual funds | 898 | 155 |
| Realized loss on investment - stocks | 9,995 | 1,395 |
| Others | 32 | 45 |
| Total expenses | <u>75,327</u> | <u>335,711</u> |
| Income (loss) before income tax | 615,793 | (176,117) |
| Income tax expense | <u>-</u> | <u>-</u> |
| Net income (loss) | <u>\$ 615,793</u> | <u>\$ (176,117)</u> |

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

48. ALLOCATION OF REVENUE, COST AND EXPENSE THAT RESULTED FROM THE SHARING OF RESOURCES BETWEEN TAIWAN COOPERATIVE FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

Under cooperation arrangements, Taiwan Cooperative Bank, Ltd. (TCB) and Taiwan Cooperative Securities (TCS) promoted securities brokerage business together; thus, related revenues received by TCB were calculated as follows: (a) revenue based on 20% of the net revenue derived from security transactions for three years; (b) related revenues from utilizing some operating sites and equipment by the TCS; and (c) receiving cross-selling service fees of \$2,000 thousand annually.

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

As of March 31, 2021, December 31, 2020 and March 31, 2020, TCB's accrued receivables were \$6,819 thousand \$13,179 thousand and \$3,523 thousand, respectively. TCB's revenues from cross-selling transactions were \$6,714 thousand and \$3,523 thousand for the three months ended March 31, 2021 and 2020, respectively.

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

As of March 31, 2021, December 31, 2020 and March 31, 2020, TCB's accrued receivables were \$2,591 thousand, \$2,369 thousand and \$2,494 thousand, respectively. TCB's revenues from cross-selling transactions were \$7,393 thousand and \$7,284 thousand for the three months ended March 31, 2021 and 2020, respectively.

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

Table 3 (attached).

50. BUSINESS SEGMENT FINANCIAL INFORMATION

Table 4 (attached).

51. CASH FLOW INFORMATION

a. Non-cash financing activities

Undistributed cash dividends approved by stockholders' meetings are \$378,555 thousand, \$377,104 thousand and \$340,992 thousand as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

b. Changes in liabilities arising from financing activities

For the three months ended March 31, 2021

| | 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 | \$ 16,772,320 | \$ - | \$ - | \$ - | \$ 53,890,930 |
| Commercial paper issued | 31,801,343 | 1,935,000 | - | - | (187) | 33,736,156 |
| Bonds payable | 71,600,000 | - | - | - | - | 71,600,000 |
| Other borrowings | 815,302 | 477,252 | - | - | 948 | 1,293,502 |
| Guarantee deposits received | 2,908,532 | (958,517) | - | - | 16,688 | 1,966,703 |
| Lease liabilities | 1,649,746 | (139,697) | (51,728) | - | 116,510 | 1,574,831 |
| Other liabilities - other | 103,200 | 86,221 | - | - | 937 | 190,358 |
| | <u>\$ 145,996,733</u> | <u>\$ 18,172,579</u> | <u>\$ (51,728)</u> | <u>\$ -</u> | <u>\$ 134,896</u> | <u>\$ 164,252,480</u> |

For the three months ended March 31, 2020

| | Opening Balance | Cash Inflows (Outflows) | Non-cash Changes | | | Closing Balance |
|--|-----------------------|-------------------------|-------------------|---|--------------------|----------------------|
| | | | New Leases | Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk) | Others | |
| Financial liabilities designated as at fair value through profit or loss - bank debentures | \$ 12,052,429 | \$ (12,096,000) | \$ - | \$ 669 | \$ 42,902 | \$ - |
| Commercial paper issued | 31,104,638 | 1,370,000 | - | - | (3,818) | 32,470,820 |
| Bonds payable | 65,000,000 | (7,500,000) | - | - | - | 57,500,000 |
| Other borrowings | 3,432,028 | (943,713) | - | - | (6,689) | 2,481,626 |
| Guarantee deposits received | 2,050,163 | (453,866) | - | - | (44,592) | 1,551,705 |
| Lease liabilities | 1,651,391 | (140,336) | 124,008 | - | (4,807) | 1,630,256 |
| Other liabilities - other | 114,606 | (26,891) | - | - | (1,131) | 86,584 |
| | <u>\$ 115,405,255</u> | <u>\$ (19,790,806)</u> | <u>\$ 124,008</u> | <u>\$ 669</u> | <u>\$ (18,135)</u> | <u>\$ 95,720,991</u> |

52. SIGNIFICANT SUBSEQUENT EVENTS

In order to comply with the regulations on the use land in industrial district and for active and efficient asset utilization, the TCB board of directors approved in its meeting on April 26, 2021 the resolution to dispose of and transfer to CAM the pieces of land with lot numbers 1045 and 1045-2 at Youshi Rd., Yangmei Dist., Taoyuan City which were acquired on May 10, 1977. According to the evaluation report, the selling price will be \$468,300 thousand and 20% of the total transaction amount will be payable at the time of signing of the contract and 80% of the total transaction amount will be payable after the demolition of the building. On May 11, 2021, the board of directors of CAM will resolve to purchase the land from TCB within the amount not higher than \$483,170 thousand.

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 5 (attached).
- 2) Endorsement/guarantee provided: TCFHC - none; TCB, UTB, TCBF, and BPCTLI - not applicable; investee company - none.
- 3) Marketable securities held: TCFHC, TCB, UTB, TCBF, TCS and BPCTLI - not applicable; investee company - Table 6 (attached).
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (TCFHC, TCB and UTB disclosed its investments acquired or disposed of): TCS and BPCTLI - not applicable; TCFHC and investee company - none.

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: None.
 - 6) Disposal of individual real estates at costs of at least NT\$300 million or 10% of the paid-in capital: None.
 - 7) Financial asset securitization by subsidiaries: None.
 - 8) Allowance of service fees to related parties amounting to at least NT\$5 million: Table 7 (attached).
 - 9) Sale of nonperforming loans by subsidiaries: None.
 - 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 8 (attached).
 - 11) Percentage share in investees and related information: Not applicable.
 - 12) Derivative transactions: Notes 8, 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 9 (attached).
- d. Business relationships and significant transactions among the parent company and subsidiaries: Table 10 (attached).
- e. Information on major shareholders: Table 11 (attached).

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, loan, capital, trust, insurance and other businesses;
- b. Other noncore businesses.

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

The revenue, expenses and related information of the Company's reportable segments for the three months ended March 31, 2021 and 2020 are as follows:

| | For the Three Months Ended March 31, 2021 | | | | |
|---|--|---------------------|----------------------|---|---------------------|
| | TCB Business | Others | Total | Adjustment and Elimination | Total |
| Net interest | \$ 8,537,194 | \$ 300,286 | \$ 8,837,480 | \$ 1,298 | \$ 8,838,778 |
| Net revenues and gains other than interest | <u>2,795,493</u> | <u>6,092,919</u> | <u>8,888,412</u> | <u>(4,717,975)</u> | <u>4,170,437</u> |
| Net revenues | 11,332,687 | 6,393,205 | 17,725,892 | (4,716,677) | 13,009,215 |
| Bad-debt expenses and provision for losses on commitment and guarantees | (1,143,253) | (14,290) | (1,157,543) | - | (1,157,543) |
| Net change in reserves for insurance liabilities | - | (83,032) | (83,032) | - | (83,032) |
| Operating expenses | <u>(5,536,366)</u> | <u>(691,395)</u> | <u>(6,227,761)</u> | <u>61,388</u> | <u>(6,166,373)</u> |
| Income before income tax | <u>\$ 4,653,068</u> | <u>\$ 5,604,488</u> | <u>\$ 10,257,556</u> | <u>\$ (4,655,289)</u> | <u>\$ 5,602,267</u> |
| | For the Three Months Ended March 31, 2020 | | | | |
| | TCB Business | Others | Total | Adjustment and Elimination | Total |
| Net interest | \$ 8,631,718 | \$ 266,794 | \$ 8,898,512 | \$ 1,343 | \$ 8,899,855 |
| Net revenues and gains other than interest | <u>2,178,772</u> | <u>4,378,372</u> | <u>6,557,144</u> | <u>(4,143,247)</u> | <u>2,413,897</u> |
| Net revenues | 10,810,490 | 4,645,166 | 15,455,656 | (4,141,904) | 11,313,752 |
| Bad-debt expenses and provision for losses on commitment and guarantees | (898,894) | (11,262) | (910,156) | - | (910,156) |
| Net change in reserves for insurance liabilities | - | 674,600 | 674,600 | - | 674,600 |
| Operating expenses | <u>(5,619,182)</u> | <u>(633,053)</u> | <u>(6,252,235)</u> | <u>71,793</u> | <u>(6,180,442)</u> |
| Income before income tax | <u>\$ 4,292,414</u> | <u>\$ 4,675,451</u> | <u>\$ 8,967,865</u> | <u>\$ (4,070,111)</u> | <u>\$ 4,897,754</u> |

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES

MARCH 31, 2021, DECEMBER 31, 2020 AND MARCH 31, 2020

Subsidiaries included in the consolidated financial statements

| Investor Company | Investee Company | Location | Main Business and Products | Percentage of Ownership | | | Note |
|--|--|---------------|---------------------------------|-------------------------|-------------------|----------------|------|
| | | | | March 31, 2021 | December 31, 2020 | March 31, 2020 | |
| Taiwan Cooperative Financial Holding Co., Ltd. | Taiwan Cooperative Bank, Ltd. | Taipei City | Banking | 100.00 | 100.00 | 100.00 | Note |
| | Co-operative Assets Management Co., Ltd. | Taipei City | Acquisition of delinquent loans | 100.00 | 100.00 | 100.00 | |
| | Taiwan Cooperative Bills Finance Co., Ltd. | Taipei City | Bills finance dealer | 100.00 | 100.00 | 100.00 | |
| | Taiwan Cooperative Securities Co., Ltd. | Taipei City | Securities dealer | 100.00 | 100.00 | 100.00 | |
| | Taiwan Cooperative Securities Investment Trust Co., Ltd. | Taipei City | Securities investment trust | 100.00 | 100.00 | 100.00 | |
| | BNP Paribas Cardif TCB Life Insurance Co., Ltd. | Taipei City | Life insurance | 51.00 | 51.00 | 51.00 | |
| | Taiwan Cooperative Venture Capital Co., Ltd. | Taipei City | Venture capital | 100.00 | 100.00 | 100.00 | |
| Taiwan Cooperative Bank, Ltd. | United Taiwan Bank S.A. | Belgium | Banking | 90.02 | 90.02 | 90.02 | |
| Co-operative Assets Management Co., Ltd. | Taiwan Cooperative International Leasing Co., Ltd. | Suzhou, China | Leasing | 100.00 | 100.00 | 100.00 | Note |

Subsidiaries not included in the consolidated financial statements

| Investor Company | Investee Company | Location | Main Business and Products | Percentage of Ownership | | | Note |
|------------------|------------------|----------|----------------------------|-------------------------|-------------------|----------------|------|
| | | | | March 31, 2021 | December 31, 2020 | March 31, 2020 | |
| None | - | - | - | - | - | - | |

Note: Non-major subsidiary, which financial reports for the three months ended March 31, 2021 and 2020 are not reviewed.

TAIWAN COOPERATIVE BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
MARCH 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, %)

| Period | | March 31, 2021 | | | | | March 31, 2020 | | | | |
|--|-----------------------------------|------------------------------------|----------------|---|-----------------------------|-------------------------|------------------------------------|----------------|---|-----------------------------|-------------------------|
| 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 | \$ 4,578,231 | \$ 813,771,268 | 0.56 | \$ 10,424,538 | 227.70 | \$ 3,894,938 | \$ 734,291,508 | 0.53 | \$ 7,814,890 | 200.64 |
| | Unsecured | 548,754 | 663,684,024 | 0.08 | 6,149,304 | 1,120.59 | 1,202,085 | 671,315,256 | 0.18 | 7,447,428 | 619.54 |
| Consumer banking | Housing mortgage (Note 4) | 894,748 | 557,872,701 | 0.16 | 8,427,588 | 941.90 | 1,087,065 | 538,556,689 | 0.20 | 8,159,405 | 750.59 |
| | Cash card | - | - | - | - | - | - | - | - | - | - |
| | Small-scale credit loans (Note 5) | 7,803 | 12,825,282 | 0.06 | 157,703 | 2,021.06 | 34,841 | 12,229,616 | 0.28 | 218,350 | 626.70 |
| | Other (Note 6) | Secured | 940,646 | 301,595,898 | 0.31 | 3,494,908 | 371.54 | 988,563 | 289,389,245 | 0.34 | 3,213,553 |
| Unsecured | | 17,619 | 11,282,989 | 0.16 | 172,625 | 979.77 | 17,225 | 9,833,905 | 0.18 | 148,776 | 863.72 |
| Loan | | 6,987,801 | 2,361,032,162 | 0.30 | 28,826,666 | 412.53 | 7,224,717 | 2,255,616,219 | 0.32 | 27,002,402 | 373.75 |
| | | Nonperforming Receivables (Note 1) | Receivables | Ratio of Nonperforming Receivables (Note 2) | Allowance for Credit Losses | Coverage Ratio (Note 3) | Nonperforming Receivables (Note 1) | Receivables | Ratio of Nonperforming Receivables (Note 2) | Allowance for Credit Losses | Coverage Ratio (Note 3) |
| Credit cards | | 8,422 | 3,856,781 | 0.22 | 59,232 | 703.30 | 10,857 | 3,303,568 | 0.33 | 58,932 | 542.80 |
| Accounts receivable factored without recourse (Note 7) | | - | 139,985 | - | 8,165 | - | - | 125,694 | - | 7,951 | - |
| Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8) | | | | | 286 | | | | 559 | | |
| Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8) | | | | | 3,407 | | | | 4,767 | | |
| Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9) | | | | | 9,795 | | | | 8,582 | | |
| Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9) | | | | | 48,995 | | | | 45,201 | | |

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

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

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

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

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

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

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

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

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

TCFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

1. TCFHC's financial statements

Taiwan Cooperative Financial Holding Co., Ltd.

Balance Sheets
(In Thousands of New Taiwan Dollars)

| Assets | March 31, 2021 | December 31, 2020 | March 31, 2020 | Liabilities and Equity | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|----------------|----------------------|----------------|------------------------------|----------------|----------------------|----------------|
| | | | | | | | |
| Cash and cash equivalents | \$ 74,565 | \$ 48,444 | \$ 53,813 | <u>Liabilities</u> | | | |
| Financial assets at fair value through other comprehensive income | 20,925 | 20,075 | 15,525 | Commercial paper issued, net | \$ 24,693,152 | \$ 24,622,924 | \$ 27,267,727 |
| Receivables | 136 | 136 | 35,707 | Payables | 390,055 | 347,777 | 309,605 |
| Current tax assets | 2,290,372 | 2,064,770 | 2,994,639 | Current tax liabilities | 2,287,411 | 2,110,323 | 2,962,020 |
| Investments accounted for using equity method | 269,382,705 | 265,989,373 | 249,481,856 | Bonds payable | 10,000,000 | 10,000,000 | - |
| Properties and equipment, net | 12,758 | 11,841 | 6,282 | Other financial liabilities | 4,804 | 3,904 | 2,774 |
| Right-of-use assets, net | 33,678 | 39,685 | 57,704 | Lease liabilities | 34,677 | 40,730 | 58,647 |
| Intangible assets | 3,100 | 3,274 | 251 | Deferred tax liabilities | 48,465 | - | 46,890 |
| Deferred tax assets | 369 | 369 | 334 | Other liabilities | 11,373 | 10,845 | 10,932 |
| Other assets | 8,500 | 8,305 | 8,536 | Total liabilities | 37,469,937 | 37,136,503 | 30,658,595 |
| | | | | <u>Equity</u> | | | |
| | | | | Capital stock | 133,342,237 | 133,342,237 | 129,458,483 |
| | | | | Capital surplus | 57,974,241 | 57,974,241 | 57,973,141 |
| | | | | Retained earnings | 33,203,508 | 27,367,215 | 29,845,691 |
| | | | | Other equity | 9,837,185 | 12,366,076 | 4,718,737 |
| | | | | Total equity | 234,357,171 | 231,049,769 | 221,996,052 |
| Total | \$ 271,827,108 | \$ 268,186,272 | \$ 252,654,647 | Total | \$ 271,827,108 | \$ 268,186,272 | \$ 252,654,647 |

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

| | For the Three Months Ended March 31 | |
|--|--|--------------------|
| | 2021 | 2020 |
| Revenues and gains | | |
| Share of gains of subsidiaries, associates and joint ventures accounted for using equity method | \$ 4,617,466 | \$ 4,030,709 |
| Other revenues and gains | <u>582</u> | <u>234</u> |
| Total revenues and gains | <u>4,618,048</u> | <u>4,030,943</u> |
| Expenses and losses | | |
| Operating expenses | 56,127 | 53,256 |
| Other expenses and losses | <u>31,235</u> | <u>40,462</u> |
| Total expenses and losses | <u>87,362</u> | <u>93,718</u> |
| Income before income tax | 4,530,686 | 3,937,225 |
| Income tax benefit | <u>-</u> | <u>-</u> |
| Net income | 4,530,686 | 3,937,225 |
| Other comprehensive income (loss) | <u>(1,223,284)</u> | <u>(3,361,097)</u> |
| Total comprehensive income | <u>\$ 3,307,402</u> | <u>\$ 576,128</u> |
| Earnings per share (New Taiwan dollars) | | |
| Basic | <u>\$ 0.34</u> | <u>\$ 0.29</u> |
| Diluted | <u>\$ 0.34</u> | <u>\$ 0.29</u> |

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

| | Capital Stock | | Capital Surplus | Retained Earnings | | | Other Equity | | | | Total Equity |
|---|--------------------------|-----------------------|----------------------|---------------------|-------------------|----------------------------|--|---|--|--|-----------------------|
| | Shares (In Thousands) | Common Stock | | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on the Translation of Financial Statements of Foreign Operations | Unrealized Valuation Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income | Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value through Profit or Loss | Other Comprehensive Income on Reclassification of Overlay Approach | |
| | | | | | | | | | | | |
| BALANCE AT JANUARY 1, 2021 | 13,334,224 | \$ 133,342,237 | \$ 57,974,241 | \$ 9,622,864 | \$ 995,669 | \$ 16,748,682 | \$ (3,357,203) | \$ 15,043,647 | \$ - | \$ 679,632 | \$ 231,049,769 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | - | 1,305,607 | - | (1,305,607) | - | - | - |
| Total comprehensive income | | | | | | | | | | | |
| Net income for the three months ended March 31, 2021 | - | - | - | - | - | 4,530,686 | - | - | - | - | 4,530,686 |
| Other comprehensive income (loss) for the three months ended March 31, 2021 | - | - | - | - | - | - | 423,438 | (1,769,724) | - | 123,002 | (1,223,284) |
| Total comprehensive income (loss) for the three months ended March 31, 2021 | - | - | - | - | - | 4,530,686 | 423,438 | (1,769,724) | - | 123,002 | 3,307,402 |
| BALANCE AT MARCH 31, 2021 | <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>\$ 22,584,975</u> | <u>\$ (2,933,765)</u> | <u>\$ 11,968,316</u> | <u>\$ -</u> | <u>\$ 802,634</u> | <u>\$ 234,357,171</u> |
| BALANCE AT JANUARY 1, 2020 | 12,945,848 | \$ 129,458,483 | \$ 57,973,141 | \$ 7,927,632 | \$ 996,026 | \$ 16,952,318 | \$ (1,242,818) | \$ 9,000,271 | \$ 970 | \$ 353,901 | \$ 221,419,924 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | - | 32,189 | - | (32,189) | - | - | - |
| Transfer of changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition | - | - | - | - | - | 301 | - | - | (301) | - | - |
| Total comprehensive income | | | | | | | | | | | |
| Net income for the three months ended March 31, 2020 | - | - | - | - | - | 3,937,225 | - | - | - | - | 3,937,225 |
| Other comprehensive income (loss) for the three months ended March 31, 2020 | - | - | - | - | - | - | 145,540 | (3,151,461) | (669) | (354,507) | (3,361,097) |
| Total comprehensive income (loss) for the three months ended March 31, 2020 | - | - | - | - | - | 3,937,225 | 145,540 | (3,151,461) | (669) | (354,507) | 576,128 |
| BALANCE AT MARCH 31, 2020 | <u>12,945,848</u> | <u>\$ 129,458,483</u> | <u>\$ 57,973,141</u> | <u>\$ 7,927,632</u> | <u>\$ 996,026</u> | <u>\$ 20,922,033</u> | <u>\$ (1,097,278)</u> | <u>\$ 5,816,621</u> | <u>\$ -</u> | <u>\$ (606)</u> | <u>\$ 221,996,052</u> |

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

| | For the Three Months Ended March 31 | |
|--|--|--------------|
| | 2021 | 2020 |
| Cash flows from operating activities | | |
| Income before income tax | \$ 4,530,686 | \$ 3,937,225 |
| Adjustments for: | | |
| Share of gains of subsidiaries, associates and joint ventures accounted for using equity method | (4,617,466) | (4,030,709) |
| Depreciation and amortization expenses | 7,045 | 6,411 |
| Interest expense | 31,235 | 40,462 |
| Interest revenue | (495) | - |
| Net changes in operating assets and liabilities | | |
| Decrease in receivables | - | 4 |
| Increase in other assets | (195) | (397) |
| Increase in payables | 25,988 | 22,040 |
| Increase in other liabilities | 528 | 836 |
| Cash used in operations | (22,674) | (24,128) |
| Interest received | 495 | - |
| Interest paid | (14,474) | (42,817) |
| Income tax paid | (49) | - |
| Net cash used in operating activities | (36,702) | (66,945) |
| Cash flows from investing activities | | |
| Acquisition of properties and equipment | (1,781) | (292) |
| Cash flows from financing activities | | |
| Increase in commercial paper issued | 70,000 | 80,000 |
| Increase in guarantee deposits received | 900 | - |
| Decrease in guarantee deposits received | - | (91) |
| Repayments of the principal portion of lease liabilities | (6,296) | (6,294) |
| Net cash generated from financing activities | 64,604 | 73,615 |
| Net increase in cash and cash equivalents | 26,121 | 6,378 |
| Cash and cash equivalents, beginning of the period | 48,444 | 47,435 |
| Cash and cash equivalents, end of the period | \$ 74,565 | \$ 53,813 |

(Continued)

2. Subsidiaries' condensed balance sheets

Taiwan Cooperative Bank, Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

| Assets | March 31, 2021 | December 31, 2020 | March 31, 2020 | Liabilities and Equity | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|-------------------------|--------------------------|-------------------------|--|-------------------------|--------------------------|-------------------------|
| Cash and cash equivalents | \$ 43,120,857 | \$ 48,772,704 | \$ 39,355,709 | <u>Liabilities</u> | | | |
| Due from the Central Bank and call loans to other banks | 328,152,497 | 384,321,287 | 276,903,105 | Deposits from the Central Bank and other banks | \$ 252,797,269 | \$ 223,658,360 | \$ 248,561,720 |
| Financial assets at fair value through profit or loss | 39,170,114 | 22,292,683 | 26,467,743 | Due to the Central Bank and other banks | 53,890,930 | 37,118,610 | - |
| Financial assets at fair value through other comprehensive income | 412,103,439 | 375,773,466 | 368,784,741 | Financial liabilities at fair value through profit or loss | 1,557,908 | 4,347,280 | 941,164 |
| Investments in debt instruments at amortized cost | 713,599,107 | 723,209,819 | 541,157,745 | Securities sold under repurchase agreements | 6,876,001 | 6,332,308 | 11,215,483 |
| Receivables, net | 16,955,490 | 16,182,383 | 17,975,135 | Payables | 34,217,507 | 30,558,247 | 33,859,071 |
| Current tax assets | 2,377,703 | 2,190,949 | 1,465,247 | Current tax liabilities | 611,272 | 769,403 | 2,273,882 |
| Discounts and loans, net | 2,331,687,660 | 2,264,446,500 | 2,228,155,749 | Deposits and remittances | 3,272,434,718 | 3,271,783,532 | 2,969,578,250 |
| Investments accounted for using equity method | 2,239,712 | 2,278,968 | 2,117,294 | Bank debentures | 61,600,000 | 61,600,000 | 57,500,000 |
| Other financial assets, net | 11,179,291 | 8,376,494 | 16,221,556 | Other financial liabilities | 6,701,824 | 5,031,105 | 2,749,740 |
| Properties and equipment, net | 33,051,439 | 33,178,687 | 33,418,093 | Provisions | 7,956,089 | 8,165,092 | 7,991,846 |
| Right-of-use assets, net | 1,576,874 | 1,668,222 | 1,644,747 | Lease liabilities | 1,540,013 | 1,612,664 | 1,594,460 |
| Investment properties, net | 7,565,908 | 7,570,720 | 7,432,718 | Deferred tax liabilities | 4,160,381 | 3,430,126 | 3,202,486 |
| Intangible assets | 3,793,377 | 3,799,294 | 3,706,295 | Other liabilities | 918,586 | 1,066,211 | 1,088,244 |
| Deferred tax assets | 2,612,700 | 2,376,561 | 1,739,158 | Total liabilities | <u>3,705,262,498</u> | <u>3,655,472,938</u> | <u>3,340,556,346</u> |
| Other assets | 897,270 | 825,352 | 2,057,407 | <u>Equity</u> | | | |
| | | | | Capital stock | 104,507,300 | 104,507,300 | 96,765,300 |
| | | | | Capital surplus | 58,767,245 | 58,767,245 | 58,767,245 |
| | | | | Retained earnings | 73,393,169 | 68,151,447 | 68,089,817 |
| | | | | Other equity | 8,153,226 | 10,365,159 | 4,423,734 |
| | | | | Total equity | <u>244,820,940</u> | <u>241,791,151</u> | <u>228,046,096</u> |
| Total | \$ 3,950,083,438 | \$ 3,897,264,089 | \$ 3,568,602,442 | Total | \$ 3,950,083,438 | \$ 3,897,264,089 | \$ 3,568,602,442 |

(Continued)

Taiwan Cooperative Bills Finance Co., Ltd.

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

| Assets | March 31, 2021 | December 31, 2020 | March 31, 2020 | Liabilities and Equity | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|-----------------------|------------------------------|-----------------------|--|-----------------------|------------------------------|-----------------------|
| Cash and cash equivalents | \$ 110,137 | \$ 105,641 | \$ 124,850 | <u>Liabilities</u> | | | |
| Financial assets at fair value through profit or loss | 45,672,956 | 46,778,311 | 38,823,045 | Call loans from banks | \$ 12,351,827 | \$ 11,769,040 | \$ 21,500,000 |
| Financial assets at fair value through other comprehensive income | 16,444,530 | 15,307,417 | 15,672,759 | Financial liabilities at fair value through profit or loss | 263 | 52 | - |
| Investments in debt instruments at amortized cost | 1,257,884 | 1,258,693 | 1,279,397 | Securities sold under repurchase agreements | 43,575,341 | 44,333,802 | 27,676,218 |
| Receivables, net | 196,424 | 159,628 | 201,678 | Payables | 235,085 | 67,857 | 74,387 |
| Current tax assets | - | - | 36,759 | Current tax liabilities | 8,791 | 2,696 | - |
| Other financial assets, net | 120,200 | 120,200 | 120,200 | Provisions | 415,041 | 402,541 | 359,515 |
| Properties and equipment, net | 11,491 | 11,931 | 11,892 | Lease liabilities | 17,798 | 20,163 | 26,935 |
| Right-of-use assets, net | 17,296 | 19,660 | 26,516 | Other liabilities | <u>155,325</u> | <u>69,204</u> | <u>53,487</u> |
| Intangible assets, net | 14,264 | 15,495 | 6,244 | Total liabilities | <u>56,759,471</u> | <u>56,665,355</u> | <u>49,690,542</u> |
| Other assets, net | <u>294,203</u> | <u>294,633</u> | <u>277,789</u> | <u>Equity</u> | | | |
| | | | | Capital stock | 4,877,740 | 4,877,740 | 4,560,710 |
| | | | | Capital surplus | 312,633 | 312,633 | 312,633 |
| | | | | Retained earnings | 2,086,732 | 1,963,211 | 1,855,467 |
| | | | | Other equity | <u>102,809</u> | <u>252,670</u> | <u>161,777</u> |
| | | | | Total equity | <u>7,379,914</u> | <u>7,406,254</u> | <u>6,890,587</u> |
| Total | <u>\$ 64,139,385</u> | <u>\$ 64,071,609</u> | <u>\$ 56,581,129</u> | Total | <u>\$ 64,139,385</u> | <u>\$ 64,071,609</u> | <u>\$ 56,581,129</u> |

Taiwan Cooperative Securities Co., Ltd.

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

| Assets | March 31, 2021 | December 31, 2020 | March 31, 2020 | Liabilities and Equity | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|-----------------------|------------------------------|-----------------------|-------------------------------|-----------------------|------------------------------|-----------------------|
| Current assets | \$ 36,351,673 | \$ 30,684,735 | \$ 20,829,748 | <u>Liabilities</u> | | | |
| Financial assets at fair value through other comprehensive income - noncurrent | 102,190 | 48,952 | 50,725 | Current liabilities | \$ 30,951,251 | \$ 25,374,339 | \$ 16,323,308 |
| Properties and equipment, net | 47,549 | 51,371 | 54,391 | Lease liabilities | 156,188 | 166,429 | 143,069 |
| Right-of-use assets, net | 154,353 | 164,859 | 141,798 | Deferred tax liabilities | 900 | 184 | 3,876 |
| Intangible assets | 48,187 | 51,716 | 47,661 | Other liabilities | <u>4,885</u> | <u>4,856</u> | <u>4,620</u> |
| Deferred tax assets | 8,538 | 14,837 | 5,042 | Total liabilities | <u>31,113,224</u> | <u>25,545,808</u> | <u>16,474,873</u> |
| Other noncurrent assets | <u>425,483</u> | <u>414,367</u> | <u>535,984</u> | <u>Equity</u> | | | |
| | | | | Capital stock | 4,724,200 | 4,724,200 | 4,724,200 |
| | | | | Capital surplus | 294,440 | 294,440 | 294,440 |
| | | | | Retained earnings | 1,043,502 | 847,320 | 428,195 |
| | | | | Other equity | <u>(37,393)</u> | <u>19,069</u> | <u>(256,359)</u> |
| | | | | Total equity | <u>6,024,749</u> | <u>5,885,029</u> | <u>5,190,476</u> |
| Total | <u>\$ 37,137,973</u> | <u>\$ 31,430,837</u> | <u>\$ 21,665,349</u> | Total | <u>\$ 37,137,973</u> | <u>\$ 31,430,837</u> | <u>\$ 21,665,349</u> |

(Continued)

Co-operative Assets Management Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

| Assets | March 31, 2021 | December 31, 2020 | March 31, 2020 | Liabilities and Equity | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|---------------------|---------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| Current assets | \$ 312,125 | \$ 301,500 | \$ 73,572 | <u>Liabilities</u> | | | |
| Financial assets at fair value through profit or loss | 155,630 | 166,140 | 274,429 | Current liabilities | \$ 4,411,320 | \$ 4,245,750 | \$ 4,085,241 |
| Financial assets at fair value through other comprehensive income | 20,925 | 20,075 | 15,525 | Lease liabilities | 6,965 | 9,307 | 16,248 |
| Accounts receivable, net | 1,581,081 | 1,319,036 | 1,618,068 | Deferred tax liabilities | 47,015 | 46,451 | 48,010 |
| Investments accounted for using the equity method | 1,029,158 | 1,017,595 | 968,243 | Other liabilities | <u>79,863</u> | <u>73,442</u> | <u>110,142</u> |
| Properties and equipment, net | 53,147 | 54,029 | 15,142 | Total liabilities | <u>4,545,163</u> | <u>4,374,950</u> | <u>4,259,641</u> |
| Investment properties, net | 4,388,219 | 4,428,376 | 4,159,192 | <u>Equity</u> | | | |
| Right-of-use assets, net | 6,779 | 9,086 | 16,007 | Capital stock | 2,825,280 | 2,825,280 | 2,825,280 |
| Intangible assets | 3,855 | 4,486 | 6,514 | Capital surplus | 2,553 | 2,553 | 2,553 |
| Deferred tax assets | 204,123 | 204,643 | 223,561 | Retained earnings | 679,382 | 613,139 | 654,728 |
| Long-term lease payment receivable | 196,798 | 177,586 | 241,762 | Other equity | <u>(96,064)</u> | <u>(98,995)</u> | <u>(117,512)</u> |
| Other assets | <u>4,474</u> | <u>14,375</u> | <u>12,675</u> | Total equity | <u>3,411,151</u> | <u>3,341,977</u> | <u>3,365,049</u> |
| Total | <u>\$ 7,956,314</u> | <u>\$ 7,716,927</u> | <u>\$ 7,624,690</u> | Total | <u>\$ 7,956,314</u> | <u>\$ 7,716,927</u> | <u>\$ 7,624,690</u> |

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

| Assets | March 31, 2021 | December 31, 2020 | March 31, 2020 | Liabilities and Equity | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---------------------------|-----------------------|------------------------------|-----------------------|--|-----------------------|------------------------------|-----------------------|
| Cash and cash equivalents | \$ 3,206,237 | \$ 4,908,426 | \$ 6,677,789 | <u>Liabilities</u> | | | |
| Receivables | 562,198 | 438,606 | 980,438 | Payables | \$ 538,638 | \$ 1,612,042 | \$ 607,795 |
| Current tax assets | 99,428 | 99,428 | 99,428 | Current tax liabilities | 374,599 | 314,364 | 125,265 |
| Investments | 38,417,732 | 38,490,375 | 34,983,875 | Financial liabilities at fair value through profit or loss | 38,898 | 60,162 | 16,041 |
| Reinsurance assets | 150,655 | 151,280 | 112,074 | Lease liabilities | 11,119 | 14,855 | 25,934 |
| Equipment, net | 113,003 | 120,605 | 127,673 | Insurance liabilities | 27,024,316 | 26,962,977 | 27,347,717 |
| Right-of-use assets | 10,858 | 14,548 | 25,619 | Reserve for insurance contracts with financial | | | |
| Deferred tax assets | 189,958 | 196,138 | 51,533 | instruments features | 1,570,666 | 2,535,145 | 5,284,157 |
| Other assets | 1,196,117 | 1,205,714 | 1,153,037 | Reserve of foreign exchange variation | 221,538 | 196,640 | 214,619 |
| Separate-account assets | <u>104,629,315</u> | <u>105,803,112</u> | <u>85,825,868</u> | Deferred tax liabilities | 240,915 | 312,239 | 58,242 |
| | | | | Other liabilities | 596,910 | 567,418 | 397,788 |
| | | | | Separate-account liabilities | <u>104,629,315</u> | <u>105,803,112</u> | <u>85,825,868</u> |
| | | | | Total liabilities | <u>135,246,914</u> | <u>138,378,954</u> | <u>119,903,426</u> |
| | | | | <u>Equity</u> | | | |
| | | | | Capital stock | 6,881,166 | 6,881,166 | 6,719,466 |
| | | | | Capital surplus | 9,310 | 9,310 | 9,310 |
| | | | | Retained earnings | 3,052,226 | 2,555,013 | 2,267,162 |
| | | | | Other equity | <u>3,385,885</u> | <u>3,603,789</u> | <u>1,137,970</u> |
| | | | | Total equity | <u>13,328,587</u> | <u>13,049,278</u> | <u>10,133,908</u> |
| Total | <u>\$ 148,575,501</u> | <u>\$ 151,428,232</u> | <u>\$ 130,037,334</u> | Total | <u>\$ 148,575,501</u> | <u>\$ 151,428,232</u> | <u>\$ 130,037,334</u> |

(Continued)

Taiwan Cooperative Securities Investment Trust Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

| Assets | March 31, 2021 | December 31, 2020 | March 31, 2020 | Liabilities and Equity | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|-------------------|----------------------|-------------------|------------------------|-------------------|----------------------|-------------------|
| Current assets | \$ 433,272 | \$ 422,477 | \$ 432,783 | <u>Liabilities</u> | | | |
| Financial assets at fair value through profit or loss - noncurrent | 2,105 | 2,034 | 1,933 | Current liabilities | \$ 81,692 | \$ 79,252 | \$ 106,878 |
| Properties and equipment, net | 8,236 | 8,796 | 2,370 | Lease liabilities | 20,601 | 21,783 | 3,439 |
| Right-of-use assets | 20,369 | 21,640 | 3,342 | Other liabilities | <u>1,745</u> | <u>1,591</u> | <u>1,556</u> |
| Intangible assets | 11,142 | 9,914 | 4,911 | Total liabilities | <u>104,038</u> | <u>102,626</u> | <u>111,873</u> |
| Prepaid equipment | 560 | 560 | 959 | <u>Equity</u> | | | |
| Other assets | <u>56,215</u> | <u>56,215</u> | <u>56,239</u> | Capital stock | 303,000 | 303,000 | 303,000 |
| | | | | Capital surplus | 72,860 | 72,860 | 72,860 |
| | | | | Retained earnings | 52,170 | 43,390 | 15,145 |
| | | | | Other equity | <u>(169)</u> | <u>(240)</u> | <u>(341)</u> |
| | | | | Total equity | <u>427,861</u> | <u>419,010</u> | <u>390,664</u> |
| Total | <u>\$ 531,899</u> | <u>\$ 521,636</u> | <u>\$ 502,537</u> | Total | <u>\$ 531,899</u> | <u>\$ 521,636</u> | <u>\$ 502,537</u> |

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

| Assets | March 31, 2021 | December 31, 2020 | March 31, 2020 | Liabilities and Equity | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|---------------------|----------------------|---------------------|------------------------|---------------------|----------------------|---------------------|
| Current assets | \$ 1,102,874 | \$ 637,117 | \$ 1,014,753 | <u>Liabilities</u> | | | |
| Financial assets at fair value through profit or loss - noncurrent | - | 434,788 | - | Current liabilities | \$ 11,047 | \$ 10,256 | \$ 10,682 |
| Investments accounted for using equity method | 4,179 | 4,793 | 3,034 | Lease liabilities | 7,092 | 7,917 | 8,554 |
| Properties and equipment, net | 696 | 770 | 602 | Other liabilities | <u>121</u> | <u>121</u> | <u>124</u> |
| Right-of-use assets | 6,986 | 7,812 | 8,470 | Total liabilities | <u>18,260</u> | <u>18,294</u> | <u>19,360</u> |
| Intangible assets | 210 | 125 | 1 | <u>Equity</u> | | | |
| Other assets | <u>474</u> | <u>474</u> | <u>474</u> | Capital stock | 1,024,642 | 1,024,642 | 1,000,000 |
| | | | | Retained earnings | 80,467 | 47,537 | 71,425 |
| | | | | Other equity | <u>(7,950)</u> | <u>(4,594)</u> | <u>(63,451)</u> |
| | | | | Total equity | <u>1,097,159</u> | <u>1,067,585</u> | <u>1,007,974</u> |
| Total | <u>\$ 1,115,419</u> | <u>\$ 1,085,879</u> | <u>\$ 1,027,334</u> | Total | <u>\$ 1,115,419</u> | <u>\$ 1,085,879</u> | <u>\$ 1,027,334</u> |

(Continued)

3. Subsidiaries' condensed statements of comprehensive income

Taiwan Cooperative Bank, Ltd.

**Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2021 and 2020
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Interest revenue | \$ 11,895,595 | \$ 14,366,048 |
| Less: Interest expense | <u>(3,358,401)</u> | <u>(5,734,330)</u> |
| Net interest | 8,537,194 | 8,631,718 |
| Net revenues and gains other than interest | <u>2,795,493</u> | <u>2,178,772</u> |
| Total net revenues | 11,332,687 | 10,810,490 |
| Bad-debt expenses and provision for losses on commitment and guarantees | (1,143,253) | (898,894) |
| Operating expenses | <u>(5,536,366)</u> | <u>(5,619,182)</u> |
| Income before income tax | 4,653,068 | 4,292,414 |
| Income tax expense | <u>(678,115)</u> | <u>(683,256)</u> |
| Net income | 3,974,953 | 3,609,158 |
| Other comprehensive income (loss) | <u>(945,164)</u> | <u>(2,592,849)</u> |
| Total comprehensive income | <u>\$ 3,029,789</u> | <u>\$ 1,016,309</u> |
| Earnings per share (NT\$) | | |
| Basic | <u>\$ 0.38</u> | <u>\$ 0.35</u> |

Taiwan Cooperative Bills Finance Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2021 and 2020
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

| | 2021 | 2020 |
|---|--------------------|-------------------|
| Net interest | \$ 99,200 | \$ 66,372 |
| Net revenues and gains other than interest | <u>77,264</u> | <u>84,512</u> |
| Total net revenues | 176,464 | 150,884 |
| Reversal of allowance (impairment losses) for credit losses and provision | (7,440) | (7,193) |
| Operating expenses | <u>(38,742)</u> | <u>(36,120)</u> |
| Income before income tax | 130,282 | 107,571 |
| Income tax expense | <u>(20,074)</u> | <u>(18,000)</u> |
| Net income | 110,208 | 89,571 |
| Other comprehensive income (loss) | <u>(136,547)</u> | <u>41,140</u> |
| Total comprehensive income (loss) | <u>\$ (26,339)</u> | <u>\$ 130,711</u> |
| Earnings per share (NT\$) | | |
| Basic | <u>\$ 0.23</u> | <u>\$ 0.18</u> |

(Continued)

Taiwan Cooperative Securities Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2021 and 2020
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

| | 2021 | 2020 |
|---------------------------------------|-----------------------|-------------------------|
| Revenues | \$ 507,212 | \$ 339,597 |
| Service charge | (24,945) | (13,124) |
| Other operating costs | (20,675) | (37,767) |
| Employee benefits | (143,685) | (111,976) |
| Other operating expenses | (108,282) | (80,390) |
| Other gains and losses | <u>2,250</u> | <u>(6,332)</u> |
| Income before income tax | 211,875 | 90,008 |
| Income tax expense | <u>(28,466)</u> | <u>(13,867)</u> |
| Net income | 183,409 | 76,141 |
| Other comprehensive income (loss) | <u>(43,690)</u> | <u>(269,345)</u> |
| Total comprehensive income (loss) | <u>\$ 139,719</u> | <u>\$ (193,204)</u> |
| Earnings per share (NT\$) | | |
| Basic | <u>\$ 0.39</u> | <u>\$ 0.16</u> |

Co-operative Assets Management Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2021 and 2020
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

| | 2021 | 2020 |
|-----------------------------------|----------------------|----------------------|
| Operating revenues | \$ 142,219 | \$ 133,323 |
| Operating expenses | <u>(64,734)</u> | <u>(62,333)</u> |
| Operating benefits | 77,485 | 70,990 |
| Non-operating gains and losses | <u>5,533</u> | <u>8,486</u> |
| Income before income tax | 83,018 | 79,476 |
| Income tax expenses | <u>(16,776)</u> | <u>(18,720)</u> |
| Net income | 66,242 | 60,756 |
| Other comprehensive income (loss) | <u>2,931</u> | <u>(13,808)</u> |
| Total comprehensive income | <u>\$ 69,173</u> | <u>\$ 46,948</u> |
| Earnings per share (NT\$) | | |
| Basic | <u>\$ 0.23</u> | <u>\$ 0.22</u> |

(Continued)

BNP Paribas Cardif TCB Life Insurance Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2021 and 2020
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

| | 2021 | 2020 |
|-----------------------------------|-------------------|---------------------|
| Operating revenues | \$ 1,833,644 | \$ (18,710,513) |
| Operating costs | (1,094,128) | 19,253,837 |
| Operating expenses | (164,905) | (154,910) |
| Non-operating gains and losses | <u>53</u> | <u>-</u> |
| Income before income tax | 574,664 | 388,414 |
| Income tax expenses | <u>(77,451)</u> | <u>(52,632)</u> |
| Net income | 497,213 | 335,782 |
| Other comprehensive income (loss) | <u>(217,904)</u> | <u>(952,015)</u> |
| Total comprehensive income (loss) | <u>\$ 279,309</u> | <u>\$ (616,233)</u> |
| Earnings per share (NT\$) | | |
| Basic | <u>\$ 0.72</u> | <u>\$ 0.49</u> |

Taiwan Cooperative Securities Investment Trust Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2021 and 2020
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

| | 2021 | 2020 |
|--------------------------------|-----------------|-----------------|
| Operating revenues | \$ 84,691 | \$ 101,665 |
| Operating expenses | <u>(76,396)</u> | <u>(92,927)</u> |
| Operating gain | 8,295 | 8,738 |
| Non-operating gains and losses | <u>485</u> | <u>740</u> |
| Income before income tax | 8,780 | 9,478 |
| Income tax expenses | <u>-</u> | <u>-</u> |
| Net income | 8,780 | 9,478 |
| Other comprehensive income | <u>71</u> | <u>34</u> |
| Total comprehensive income | <u>\$ 8,851</u> | <u>\$ 9,512</u> |
| Earnings per share (NT\$) | | |
| Basic | <u>\$ 0.29</u> | <u>\$ 0.31</u> |

(Continued)

Taiwan Cooperative Venture Capital Co., Ltd.

Condensed Statements of Comprehensive Income
For the Three Months Ended March 31, 2021 and 2020
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

| | 2021 | 2020 |
|-----------------------------------|------------------|--------------------|
| Operating revenues | \$ 29,581 | \$ 22,506 |
| Operating expenses | <u>(9,358)</u> | <u>(8,671)</u> |
| Operating gain | 20,223 | 13,835 |
| Non-operating gains and losses | <u>22</u> | <u>225</u> |
| Income before income tax | 20,245 | 14,060 |
| Income tax expenses | <u>(66)</u> | <u>(56)</u> |
| Net income | 20,179 | 14,004 |
| Other comprehensive income (loss) | <u>9,394</u> | <u>(34,990)</u> |
| Total comprehensive income (loss) | <u>\$ 29,573</u> | <u>\$ (20,986)</u> |
| Earnings per share (NT\$) | | |
| Basic | <u>\$0.20</u> | <u>\$0.14</u> |
| | | (Concluded) |

TABLE 4

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS SEGMENT FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

| Business Segment Items | For the Three Months Ended March 31, 2021 | | | | | |
|---|---|--------------|-----------|------------|-----------|--------------|
| | Banking | Bill Finance | | Insurance | Others | Consolidated |
| Net interest | \$ 8,575,831 | \$ 9,054 | \$ 62,631 | \$ 181,284 | \$ 9,978 | \$ 8,838,778 |
| Net revenues and gains other than interest | 2,665,853 | 170,735 | 396,908 | 692,330 | 244,611 | 4,170,437 |
| Total net revenues | 11,241,684 | 179,789 | 459,539 | 873,614 | 254,589 | 13,009,215 |
| Bad-debt expenses and provision for losses on commitment and guarantees | (1,138,606) | (7,440) | 377 | - | (11,874) | (1,157,543) |
| Net change in reserves for insurance liabilities | - | - | - | (83,032) | - | (83,032) |
| Operating expenses | (5,550,812) | (36,559) | (229,593) | (164,221) | (185,188) | (6,166,373) |
| Income before income tax | 4,552,266 | 135,790 | 230,323 | 626,361 | 57,527 | 5,602,267 |
| Income tax expenses | (678,916) | (20,074) | (28,466) | (77,451) | (19,828) | (824,735) |
| Net income | 3,873,350 | 115,716 | 201,857 | 548,910 | 37,699 | 4,777,532 |

| Business Segment Items | For the Three Months Ended March 31, 2020 | | | | | |
|---|---|--------------|-----------|------------|-----------|--------------|
| | Banking | Bill Finance | | Insurance | Others | Consolidated |
| Net interest | \$ 8,661,427 | \$ (18,049) | \$ 37,473 | \$ 213,938 | \$ 5,066 | \$ 8,899,855 |
| Net revenues and gains other than interest | 2,003,259 | 175,816 | 246,106 | (251,284) | 240,000 | 2,413,897 |
| Total net revenues | 10,664,686 | 157,767 | 283,579 | (37,346) | 245,066 | 11,313,752 |
| Bad-debt expenses and provision for losses on commitment and guarantees | (895,389) | (7,193) | - | - | (7,574) | (910,156) |
| Net change in reserves for insurance liabilities | - | - | - | 674,600 | - | 674,600 |
| Operating expenses | (5,633,783) | (33,911) | (177,478) | (156,592) | (178,678) | (6,180,442) |
| Income before income tax | 4,135,514 | 116,663 | 106,101 | 480,662 | 58,814 | 4,897,754 |
| Income tax expenses | (684,751) | (18,000) | (13,867) | (52,632) | (24,092) | (793,342) |
| Net income | 3,450,763 | 98,663 | 92,234 | 428,030 | 34,722 | 4,104,412 |

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(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 | \$ 162,704 | \$ 162,704 | 3-8 | Short-term financing | \$ - | Operating use | \$ 1,627 | Real estate | \$ 390,634 | \$ 334,198 (Note 3) | \$ 1,336,791 (Note 3) |
| | | Hanky&Partners (Taiwan) Ltd. | Receivables on lending funds | No | 166,046 | 113,384 | 113,384 | 3-8 | Short-term financing | - | Operating use | 1,134 | Real estate | 133,620 | 334,198 (Note 3) | 1,336,791 (Note 3) |
| | | Tsuru Chikusan Co., Ltd. | Receivables on lending funds | No | 82,500 | 60,000 | 60,000 | 3-8 | Short-term financing | - | Operating use | 600 | Real estate | 48,550 | 334,198 (Note 3) | 1,336,791 (Note 3) |
| | | Grandsun Engineering Co., Ltd. | Receivables on lending funds | No | 28,000 | 22,750 | 22,750 | 3-8 | Short-term financing | - | Operating use | 228 | Guarantee | 5,250 | 334,198 (Note 3) | 1,336,791 (Note 3) |
| | | Yieh Hong Enterprise Co., Ltd. | Receivables on lending funds | No | 191,746 | 183,428 | 183,428 | 3-8 | Short-term financing | - | Operating use | 1,834 | Stocks | 112,800 | 334,198 (Note 3) | 1,336,791 (Note 3) |
| | | Suction Food Co., Ltd. | Receivables on lending funds | No | 35,679 | 29,157 | 29,157 | 3-8 | Short-term financing | - | Operating use | 292 | 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 | 48,228 | 48,228 | 3-8 | Short-term financing | - | Operating use | 482 | Guarantee | 5,000 | 334,198 (Note 3) | 1,336,791 (Note 3) |
| | | Anli Lines Corp. | Receivables on lending funds | No | 28,608 | 27,763 | 27,763 | 3-8 | Short-term financing | - | Operating use | 278 | Stocks | 46,000 | 334,198 (Note 3) | 1,336,791 (Note 3) |
| | | ET Pet Co., Ltd. | Receivables on lending funds | No | 50,000 | 50,000 | 50,000 | 3-8 | Short-term financing | - | Operating use | 500 | - | - | 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.

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2021

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

| Holding Company Name | Marketable Securities Type and Issuer | Relationship with the Holding Company | Financial Statement Account | March 31, 2021 | | | | 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 | \$ 49,543 | - | \$ 49,543 | |
| 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 | 2,015 | 0.38 | 2,015 | |
| Taiwan Cooperative Venture Capital Co., Ltd. | Chen Nan Iron Wire Co., Ltd. | - | Financial assets at fair value through profit or loss | 1,000 | 24,670 | 2.38 | 24,670 | |
| | Acmept Energy Services Co., Ltd. | - | Financial assets at fair value through profit or loss | 1,058 | 54,191 | 3.25 | 54,191 | |
| | SR Suntour Inc. | - | Financial assets at fair value through profit or loss | 1,700 | 129,829 | 2.82 | 129,829 | |
| | Lung Teh Shipbuilding Co., Ltd. | - | Financial assets at fair value through profit or loss | 2,257 | 70,242 | 2.82 | 70,242 | |
| | Eland Information Co., Ltd. | - | Financial assets at fair value through profit or loss | 578 | 24,613 | 3.33 | 24,613 | |
| | Prince Pharmaceutical Co., Ltd. | - | Financial assets at fair value through profit or loss | 800 | 21,528 | 2.41 | 21,528 | |
| | Tachyon Intelligence Robot Company | - | Financial assets at fair value through profit or loss | 95 | 1,181 | 2.95 | 1,181 | |
| | ULSee Cayman Co., Ltd. | - | Financial assets at fair value through profit or loss | 651 | 16,426 | 6.51 | 16,426 | |
| | Inrestec Inc. | - | Financial assets at fair value through profit or loss | 2,000 | 37,020 | 1.96 | 37,020 | |

(Continued)

| Holding Company Name | Marketable Securities Type and Issuer | Relationship with the Holding Company | Financial Statement Account | March 31, 2021 | | | | Note |
|----------------------|--|---------------------------------------|---|--------------------|----------------|-------------------------|---------------------------------|------|
| | | | | Shares (Thousands) | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value | |
| | Cloud Mile Inc. | - | Financial assets at fair value through profit or loss | 838 | \$ 60,511 | 8.38 | \$ 60,511 | |
| | 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 | 124,880 | 20.00 | 124,880 | |
| | Cheng Mei Instrument Technology Co., Ltd. | - | Financial assets at fair value through profit or loss | 2,250 | 50,445 | 8.54 | 50,445 | |
| | APMTD Global Limited | - | Financial assets at fair value through profit or loss | 331 | 22,359 | 0.85 | 22,359 | |
| | Winking Entertainment Ltd. | - | Financial assets at fair value through profit or loss | 6,452 | 66,839 | 11.03 | 66,839 | |
| | China Development II Biomedical Venture Capital, LP. | - | Financial assets at fair value through profit or loss | - | 8,094 | 1.61 | 8,094 | |
| | TA Chen Stainless Pipe Co., Ltd. | - | Financial assets at fair value through other comprehensive income | 1,101 | 34,523 | 0.07 | 34,523 | |
| | PharmaEssentia Corporation | - | Financial assets at fair value through other comprehensive income | 329 | 31,952 | 0.13 | 31,952 | |
| | Adimmune Corporation | - | Financial assets at fair value through other comprehensive income | 316 | 18,044 | 0.07 | 18,044 | |
| | Mesh Cooperative Ventures, Inc. | Associate | Investments accounted for using equity method | 330 | 1,720 | 33.00 | 1,720 | |
| | JC Capital Taiwan Co., Ltd. | Associate | Investments accounted for using equity method | 350 | 2,458 | 35.00 | 2,458 | |

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

**ALLOWANCE OF SERVICE FEES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$5 MILLION
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

(In Thousands of New Taiwan Dollars)

| Securities Firms | Counterparty | 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 | \$ 577,918 | \$ 302,704 | \$ 47,847 | \$ 34,239 | 8.28 | 11.31 |

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

MARCH 31, 2021

(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Relationship | Ending Balance (Note) | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Impairment Loss |
|-------------------------------|--|----------------|--------------------------|---------------|---------|---------------|--|-------------------------------------|
| | | | | | Amount | Actions Taken | | |
| Taiwan Cooperative Bank, Ltd. | Taiwan Cooperative Financial Holding Company, Ltd. | Parent company | \$ 2,277,278 | - | \$ - | - | \$ - | \$ - |

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

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(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, 2021 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of March 31, 2021 | Investee Net Income | % Ownership of Direct or Indirect Investment | Investment Gain | Carrying Value as of March 31, 2021 | Accumulated Inward Remittance of Earnings as of March 31, 2021 |
|---|--|--|-----------------|---|------------------|--------|--|---------------------|--|-----------------|-------------------------------------|--|
| | | | | | 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) | \$ 35,455 | 100 | \$ 35,455 | \$ 5,983,375 | \$ - |
| 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) | 8,666 | 100 | 8,666 | 2,527,821 | - |
| 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) | (43,039) | 100 | (43,039) | 3,204,480 | - |
| 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) | (274) | 100 | (274) | 2,302,052 | - |

| Accumulated Investment in Mainland China as of March 31, 2021 | Investment Amount Approved by the Investment Commission, MOEA | Maximum Investment Allowable (Note 2) |
|---|---|---------------------------------------|
| \$ 13,075,916 (US\$ 436,563) (Note 1) | \$ 13,075,916 (US\$ 436,563) (Note 1) | \$ 147,032,105 (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, 2021 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of March 31, 2021 | Investee Net Income | % Ownership of Direct or Indirect Investment | Investment Gain | Carrying Value as of March 31, 2021 | Accumulated Inward Remittance of Earnings as of March 31, 2021 |
|--|------------------------------|---|-----------------|---|------------------|--------|--|---------------------|--|-----------------|-------------------------------------|--|
| | | | | | Outflow | Inflow | | | | | | |
| Taiwan Cooperative International Leasing Co., Ltd. | Financial leasing | \$ 910,980 (CNY 185,460) (Note 1) | Direct | \$ 910,980 (CNY 185,460) (Note 1) | \$ - | \$ - | \$ 910,980 (CNY 185,460) (Note 1) | \$ 8,962 | 100 | \$ 8,962 | \$ 1,029,158 | \$ - |

| Accumulated Investment in Mainland China as of March 31, 2021 | Investment Amount Approved by the Investment Commission, MOEA | Maximum Investment Allowable (Note 3) |
|---|---|---------------------------------------|
| \$ 910,980 (CNY 185,460) (Note 1) | \$ 910,980 (CNY 185,460) (Note 1) | \$ 2,046,691 (Note 3) |

(Continued)

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

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

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

(Concluded)

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE PARENT COMPANY AND SUBSIDIARIES

FOR THE THREE MONTHS ENDED MARCH 31, 2021

(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 | \$ 2,277,278 | Note 4 | 0.05 |
| 1 | Taiwan Cooperative Bank, Ltd. | Taiwan Cooperative Financial Holding Co., Ltd. | b | Tax receivables - consolidated tax return | 2,277,278 | Note 4 | 0.05 |
| 1 | Taiwan Cooperative Bank, Ltd. | United Taiwan Bank S.A. | a | Due from banks | 624,006 | Note 4 | 0.01 |
| 2 | United Taiwan Bank S.A. | Taiwan Cooperative Bank, Ltd. | b | Deposits from banks | 624,006 | Note 4 | 0.01 |
| 1 | Taiwan Cooperative Bank, Ltd. | United Taiwan Bank S.A. | a | Call loans to banks | 4,314,145 | Note 4 | 0.10 |
| 2 | United Taiwan Bank S.A. | Taiwan Cooperative Bank, Ltd. | b | Call loans from banks | 4,314,145 | Note 4 | 0.10 |
| 1 | Taiwan Cooperative Bank, Ltd. | United Taiwan Bank S.A. | a | Medium-term unsecured loans | 2,838,150 | Note 4 | 0.07 |
| 2 | United Taiwan Bank S.A. | Taiwan Cooperative Bank, Ltd. | b | Long-term unsecured loans | 2,838,150 | Note 4 | 0.07 |
| 1 | Taiwan Cooperative Bank, Ltd. | BNP Paribas Cardif TCB Life Insurance Co., Ltd. | c | Deposits and remittances | 1,561,687 | Note 4 | 0.04 |
| 3 | BNP Paribas Cardif TCB Life Insurance Co., Ltd. | Taiwan Cooperative Bank, Ltd. | c | Cash and cash equivalents, refundable deposits | 1,561,687 | Note 4 | 0.04 |
| 1 | Taiwan Cooperative Bank, Ltd. | BNP Paribas Cardif TCB Life Insurance Co., Ltd. | c | Service fee and commission income | 104,426 | Note 4 | 0.80 |
| 3 | BNP Paribas Cardif TCB Life Insurance Co., Ltd. | Taiwan Cooperative Bank, Ltd. | c | Service charge and commission expense | 104,426 | Note 4 | 0.80 |
| 3 | BNP Paribas Cardif TCB Life Insurance Co., Ltd. | Taiwan Cooperative Bills Finance Co., Ltd. | c | Securities purchased under resell agreements | 555,952 | Note 4 | 0.01 |
| 4 | Taiwan Cooperative Bills Finance Co., Ltd. | BNP Paribas Cardif TCB Life Insurance Co., Ltd. | c | Security sold under repurchased agreements | 555,952 | Note 4 | 0.01 |
| 1 | Taiwan Cooperative Bank, Ltd. | Taiwan Cooperative Bills Finance Co., Ltd. | c | Call loans to banks | 4,537,010 | Note 4 | 0.11 |
| 4 | Taiwan Cooperative Bills Finance Co., Ltd. | Taiwan Cooperative Bank, Ltd. | c | Call loans from banks | 4,537,010 | Note 4 | 0.11 |

(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 (%) |
| 6 | Taiwan Cooperative Securities Co., Ltd. | Taiwan Cooperative Bank, Ltd. | c | Other borrowings | \$ 285,050 | Note 4 | 0.01 |
| 1 | Taiwan Cooperative Bank, Ltd. | Taiwan Cooperative Securities Co., Ltd. | c | Call loans to securities firms | 285,050 | Note 4 | 0.01 |
| 6 | Taiwan Cooperative Securities Co., Ltd. | Taiwan Cooperative Bank, Ltd. | c | Settlement receivable | 1,121,577 | Note 4 | 0.03 |
| 1 | Taiwan Cooperative Bank, Ltd. | Taiwan Cooperative Securities Co., Ltd. | c | Payable on securities | 1,121,577 | Note 4 | 0.03 |
| 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 | 4.46 |
| 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 | 152,891 | Note 4 | 0.00 |
| 6 | Taiwan Cooperative Securities Co., Ltd. | Taiwan Cooperative Bank, Ltd. | c | Lease liabilities | 154,717 | Note 4 | 0.00 |
| 6 | Taiwan Cooperative Securities Co., Ltd. | Taiwan Cooperative Bank, Ltd. | c | Interest expense | 723 | Note 4 | 0.01 |
| 6 | Taiwan Cooperative Securities Co., Ltd. | Taiwan Cooperative Bank, Ltd. | c | Depreciation expense | 10,299 | Note 4 | 0.08 |
| 1 | Taiwan Cooperative Bank, Ltd. | Taiwan Cooperative Securities Co., Ltd. | c | Lease income | 10,759 | Note 4 | 0.08 |

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

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

Note 2: Transaction flows are as follows:

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

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

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

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

(Concluded)

TABLE 11**TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD.****INFORMATION ON MAJOR SHAREHOLDERS
MARCH 31, 2021**

| 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.