

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

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 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 September 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020, and for the nine months ended September 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

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

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2021 and 2020, and its consolidated financial performance for the three months ended September 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 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

November 17, 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)

	September 30, 2021 (Reviewed)		December 31, 2020 (Audited)		September 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
CASH AND CASH EQUIVALENTS (Note 6)	\$ 65,600,759	1	\$ 50,865,216	1	\$ 55,957,565	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7, 41 and 42)	281,650,606	7	371,470,642	9	315,171,924	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8, 41 and 42)	105,765,101	2	78,730,563	2	87,187,005	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Note 9)	456,991,025	11	429,136,054	10	436,613,661	11
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 10 and 42)	725,631,717	17	728,266,474	18	579,697,490	15
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 11)	761,811	-	1,278,803	-	863,153	-
RECEIVABLES, NET (Notes 12 and 41)	41,475,340	1	37,306,638	1	34,562,827	1
CURRENT TAX ASSETS	2,114,618	-	2,201,243	-	2,283,002	-
DISCOUNTS AND LOANS, NET (Notes 13, 41 and 42)	2,460,747,357	57	2,275,331,514	55	2,318,427,571	58
REINSURANCE ASSETS, NET	139,485	-	151,280	-	106,854	-
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Note 14)	140,793	-	139,175	-	135,777	-
OTHER FINANCIAL ASSETS, NET (Notes 15, 31 and 42)	117,813,137	3	115,485,762	3	111,736,598	3
INVESTMENT PROPERTIES, NET (Note 16)	10,993,687	-	11,418,672	-	11,488,305	-
PROPERTIES AND EQUIPMENT, NET (Note 17)	33,183,230	1	33,451,779	1	33,658,054	1
RIGHT-OF-USE ASSETS, NET (Note 18)	1,565,973	-	1,704,880	-	1,586,265	-
INTANGIBLE ASSETS (Note 19)	3,850,203	-	3,888,623	-	3,864,453	-
DEFERRED TAX ASSETS (Note 38)	2,584,386	-	2,831,695	-	2,423,620	-
OTHER ASSETS, NET (Notes 18 and 20)	<u>3,448,258</u>	<u>-</u>	<u>3,382,377</u>	<u>-</u>	<u>6,247,455</u>	<u>-</u>
TOTAL	<u>\$ 4,314,457,486</u>	<u>100</u>	<u>\$ 4,147,041,390</u>	<u>100</u>	<u>\$ 4,002,011,579</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Notes 21 and 41)	\$ 254,695,524	6	\$ 231,993,626	5	\$ 254,828,586	6
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 22)	80,607,290	2	37,118,610	1	18,529,930	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 41)	1,654,690	-	4,832,498	-	3,569,237	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 8, 9, 23 and 41)	53,146,626	1	55,775,026	1	54,855,263	1
COMMERCIAL PAPER ISSUED, NET (Note 24)	28,782,504	1	31,801,343	1	35,938,843	1
PAYABLES (Notes 25 and 41)	60,425,712	1	48,083,228	1	60,430,354	2
CURRENT TAX LIABILITIES	1,378,721	-	1,113,261	-	906,890	-
DEPOSITS AND REMITTANCES (Notes 26 and 41)	3,360,261,146	78	3,269,871,544	79	3,124,103,000	78
BONDS PAYABLE (Note 27)	81,100,000	2	71,600,000	2	68,200,000	2
OTHER BORROWINGS (Notes 24 and 28)	561,743	-	815,302	-	1,181,189	-
PROVISIONS (Notes 29 and 30)	35,630,960	1	38,262,395	1	38,652,564	1
OTHER FINANCIAL LIABILITIES (Notes 16 and 31)	108,921,736	2	111,109,742	3	101,762,919	3
LEASE LIABILITIES (Note 18)	1,537,735	-	1,649,746	-	1,550,090	-
DEFERRED TAX LIABILITIES (Notes 17 and 38)	3,735,762	-	3,789,000	-	3,682,121	-
OTHER LIABILITIES (Note 32)	<u>1,258,386</u>	<u>-</u>	<u>1,544,512</u>	<u>-</u>	<u>1,827,319</u>	<u>-</u>
Total liabilities	<u>4,073,698,535</u>	<u>94</u>	<u>3,909,359,833</u>	<u>94</u>	<u>3,770,018,305</u>	<u>94</u>
EQUITY ATTRIBUTABLE TO OWNERS OF TCFHC						
Capital stock						
Common stock	<u>136,009,082</u>	<u>3</u>	<u>133,342,237</u>	<u>3</u>	<u>133,342,237</u>	<u>3</u>
Capital surplus	<u>57,976,124</u>	<u>2</u>	<u>57,974,241</u>	<u>2</u>	<u>57,974,241</u>	<u>2</u>
Retained earnings						
Legal reserve	11,260,796	-	9,622,864	-	9,622,864	-
Special reserve	995,661	-	995,669	-	996,026	-
Unappropriated earnings	<u>19,193,884</u>	<u>1</u>	<u>16,748,682</u>	<u>1</u>	<u>12,562,459</u>	<u>1</u>
Total retained earnings	<u>31,450,341</u>	<u>1</u>	<u>27,367,215</u>	<u>1</u>	<u>23,181,349</u>	<u>1</u>
Other equity	<u>8,585,993</u>	<u>-</u>	<u>12,366,076</u>	<u>-</u>	<u>11,302,092</u>	<u>-</u>
Total equity attributable to owners of TCFHC	234,021,540	6	231,049,769	6	225,799,919	6
NON-CONTROLLING INTERESTS	<u>6,737,411</u>	<u>-</u>	<u>6,631,788</u>	<u>-</u>	<u>6,193,355</u>	<u>-</u>
Total equity	<u>240,758,951</u>	<u>6</u>	<u>237,681,557</u>	<u>6</u>	<u>231,993,274</u>	<u>6</u>
TOTAL	<u>\$ 4,314,457,486</u>	<u>100</u>	<u>\$ 4,147,041,390</u>	<u>100</u>	<u>\$ 4,002,011,579</u>	<u>100</u>

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

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

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 33 and 41)	\$ 12,400,954	82	\$ 12,459,486	89	\$ 37,006,935	89	\$ 40,283,887	106
INTEREST EXPENSE (Notes 33 and 41)	(3,306,046)	(22)	(3,928,918)	(28)	(10,046,755)	(24)	(14,343,941)	(38)
NET INTEREST	9,094,908	60	8,530,568	61	26,960,180	65	25,939,946	68
NET REVENUES AND GAINS OTHER THAN INTEREST								
Service fee and commission income, net (Notes 34 and 41)	2,096,642	14	2,015,959	14	6,294,590	15	5,731,047	15
Premium income, net (Notes 31 and 35)	299,697	2	76,559	-	985,169	2	(236,389)	(1)
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Notes 36 and 41)	620,979	4	(1,309,245)	(9)	1,474,155	4	(2,977,046)	(8)
Gains on disposal of investment properties	10,639	-	-	-	98,263	-	18,198	-
Realized gains on financial assets at fair value through other comprehensive income	2,842,356	19	2,194,082	16	4,504,839	11	3,774,012	10
Foreign exchange gains (losses), net	(66,366)	(1)	2,929,442	21	1,000,241	2	6,069,811	16
Impairment losses (reversal of impairment losses) on assets (Notes 9 and 10)	335	-	(10,089)	-	(1,227)	-	(40,180)	-
Share of gains of associates and joint ventures accounted for using the equity method (Note 14)	2,280	-	4,102	-	8,491	-	8,064	-
Losses on reclassification of overlay approach (Note 8)	96,454	1	(438,047)	(3)	56,439	-	(178,404)	-
Other noninterest gains (losses), net (Notes 16 and 41)	98,269	1	(41,300)	-	175,025	1	15,023	-
Total net revenues and gains other than interest	6,001,285	40	5,421,463	39	14,595,985	35	12,184,136	32
TOTAL NET REVENUES	15,096,193	100	13,952,031	100	41,556,165	100	38,124,082	100
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENT AND GUARANTEES (Note 13)	(637,964)	(4)	(2,417,155)	(17)	(2,259,635)	(5)	(5,653,431)	(15)
NET CHANGE IN RESERVES FOR INSURANCE LIABILITIES (Note 29)	32,578	-	171,659	1	(61,766)	-	1,088,654	3
OPERATING EXPENSES (Notes 4, 16, 17, 18, 19, 30 and 37)								
Employee benefits	(4,691,861)	(31)	(4,251,108)	(30)	(13,078,282)	(32)	(12,355,666)	(32)
Depreciation and amortization	(570,998)	(4)	(544,253)	(4)	(1,694,196)	(4)	(1,612,975)	(4)
General and administrative	(1,814,741)	(12)	(1,754,719)	(13)	(4,953,492)	(12)	(5,005,163)	(13)
Total operating expenses	(7,077,600)	(47)	(6,550,080)	(47)	(19,725,970)	(48)	(18,973,804)	(49)

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 7,413,207	49	\$ 5,156,455	37	\$ 19,508,794	47	\$ 14,585,501	39
INCOME TAX EXPENSE (Notes 4 and 38)	<u>(1,149,183)</u>	<u>(7)</u>	<u>(823,617)</u>	<u>(6)</u>	<u>(3,044,893)</u>	<u>(7)</u>	<u>(2,198,112)</u>	<u>(6)</u>
NET INCOME	<u>6,264,024</u>	<u>42</u>	<u>4,332,838</u>	<u>31</u>	<u>16,463,901</u>	<u>40</u>	<u>12,387,389</u>	<u>33</u>
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss								
Change in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	-	-	-	-	-	-	(669)	-
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income (Note 9)	<u>(1,500,712)</u>	<u>(10)</u>	<u>(1,279,994)</u>	<u>(9)</u>	<u>3,815,480</u>	<u>9</u>	<u>(1,227,644)</u>	<u>(3)</u>
Items that will not be reclassified subsequently to profit or loss, net of income tax	<u>(1,500,712)</u>	<u>(10)</u>	<u>(1,279,994)</u>	<u>(9)</u>	<u>3,815,480</u>	<u>9</u>	<u>(1,228,313)</u>	<u>(3)</u>
Items that may be reclassified subsequently to profit or loss (Notes 8, 9, 14 and 38)								
Exchange differences on the translation of financial statements of foreign operations	(246,356)	(2)	(570,238)	(4)	(723,755)	(2)	(1,394,146)	(4)
Unrealized gains (losses) on investments in debt instruments at fair value through other comprehensive income	(764,282)	(5)	1,780,605	13	(5,230,964)	(13)	6,195,127	16
Other comprehensive income on reclassification of overlay approach	(96,454)	(1)	438,047	3	(56,439)	-	178,404	1
Income tax attributable to other comprehensive income	<u>91,095</u>	<u>1</u>	<u>61,816</u>	<u>-</u>	<u>330,197</u>	<u>1</u>	<u>105,129</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>(1,015,997)</u>	<u>(7)</u>	<u>1,710,230</u>	<u>12</u>	<u>(5,680,961)</u>	<u>(14)</u>	<u>5,084,514</u>	<u>13</u>
Other comprehensive income (losses), net of income tax	<u>(2,516,709)</u>	<u>(17)</u>	<u>430,236</u>	<u>3</u>	<u>(1,865,481)</u>	<u>(5)</u>	<u>3,856,201</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 3,747,315</u>	<u>25</u>	<u>\$ 4,763,074</u>	<u>34</u>	<u>\$ 14,598,420</u>	<u>35</u>	<u>\$ 16,243,590</u>	<u>43</u>

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INCOME								
ATTRIBUTABLE TO:								
Owners of TCFHC	\$ 6,136,987	41	\$ 4,207,098	30	\$ 15,882,952	38	\$ 11,959,627	32
Non-controlling interests	<u>127,037</u>	<u>1</u>	<u>125,740</u>	<u>1</u>	<u>580,949</u>	<u>2</u>	<u>427,762</u>	<u>1</u>
	<u>\$ 6,264,024</u>	<u>42</u>	<u>\$ 4,332,838</u>	<u>31</u>	<u>\$ 16,463,901</u>	<u>40</u>	<u>\$ 12,387,389</u>	<u>33</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of TCFHC	\$ 3,739,851	25	\$ 4,344,035	31	\$ 14,303,978	34	\$ 15,382,866	41
Non-controlling interests	<u>7,464</u>	<u>-</u>	<u>419,039</u>	<u>3</u>	<u>294,442</u>	<u>1</u>	<u>860,724</u>	<u>2</u>
	<u>\$ 3,747,315</u>	<u>25</u>	<u>\$ 4,763,074</u>	<u>34</u>	<u>\$ 14,598,420</u>	<u>35</u>	<u>\$ 16,243,590</u>	<u>43</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 39)								
Basic	<u>\$ 0.45</u>		<u>\$ 0.31</u>		<u>\$ 1.17</u>		<u>\$ 0.88</u>	
Diluted	<u>\$ 0.45</u>		<u>\$ 0.31</u>		<u>\$ 1.17</u>		<u>\$ 0.88</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)			Retained Earnings (Notes 9 and 40)			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 9)	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Other Comprehensive Income on Reclassification of Overlay Approach	Non-controlling Interests (Note 40)	
	Shares (In Thousands)	Common Stock	Capital Surplus	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
Reversal of special reserve	-	-	-	-	(8)	8	-	-	-	-	-	-
Changes in equity of associates and joint ventures accounted for using equity method	-	-	714	-	-	-	-	-	-	-	-	714
Unclaimed dividends	-	-	1,169	-	-	-	-	-	-	-	-	1,169
Appropriation of the 2020 earnings												
Legal reserve	-	-	-	1,637,932	-	(1,637,932)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(11,334,090)	-	-	-	-	-	(11,334,090)
Stock dividends	266,684	2,666,845	-	-	-	(2,666,845)	-	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	2,201,109	-	(2,201,109)	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(188,819)	(188,819)
Net income for the nine months ended September 30, 2021	-	-	-	-	-	15,882,952	-	-	-	-	580,949	16,463,901
Other comprehensive losses for the nine months ended September 30, 2021	-	-	-	-	-	-	(566,333)	(985,057)	-	(27,584)	(286,507)	(1,865,481)
Total comprehensive income (losses) for the nine months ended September 30, 2021	-	-	-	-	-	15,882,952	(566,333)	(985,057)	-	(27,584)	294,442	14,598,420
BALANCE AT SEPTEMBER 30, 2021	<u>13,600,908</u>	<u>\$ 136,009,082</u>	<u>\$ 57,976,124</u>	<u>\$ 11,260,796</u>	<u>\$ 995,661</u>	<u>\$ 19,193,884</u>	<u>\$ (3,923,536)</u>	<u>\$ 11,857,481</u>	<u>\$ -</u>	<u>\$ 652,048</u>	<u>\$ 6,737,411</u>	<u>\$ 240,758,951</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
Unclaimed dividends	-	-	1,100	-	-	-	-	-	-	-	-	1,100
Appropriation of the 2019 earnings												
Legal reserve	-	-	-	1,695,232	-	(1,695,232)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(11,003,971)	-	-	-	-	-	(11,003,971)
Stock dividends	388,376	3,883,754	-	-	-	(3,883,754)	-	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	233,170	-	(233,170)	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(154,749)	(154,749)
Transfer of changes in the fair value attributable to changes in the credit risk of financial liabilities designed as at fair value through profit or loss upon derecognition	-	-	-	-	-	301	-	-	(301)	-	-	-
Net income for the nine months ended September 30, 2020	-	-	-	-	-	11,959,627	-	-	-	-	427,762	12,387,389
Other comprehensive income (losses) for the nine months ended September 30, 2020	-	-	-	-	-	-	(1,117,631)	4,449,432	(669)	92,107	432,962	3,856,201
Total comprehensive income (losses) for the nine months ended September 30, 2020	-	-	-	-	-	11,959,627	(1,117,631)	4,449,432	(669)	92,107	860,724	16,243,590
BALANCE AT SEPTEMBER 30, 2020	<u>13,334,224</u>	<u>\$ 133,342,237</u>	<u>\$ 57,974,241</u>	<u>\$ 9,622,864</u>	<u>\$ 996,026</u>	<u>\$ 12,562,459</u>	<u>\$ (2,360,449)</u>	<u>\$ 13,216,533</u>	<u>\$ -</u>	<u>\$ 446,008</u>	<u>\$ 6,193,355</u>	<u>\$ 231,993,274</u>

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



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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 19,508,794	\$ 14,585,501
Adjustments for:		
Depreciation expenses	1,520,071	1,448,950
Amortization expenses	174,125	164,025
Expected credit losses/bad-debt expenses	2,325,050	5,542,119
Losses (gains) on financial assets and liabilities at fair value through profit or loss	(1,474,155)	2,977,046
Interest expense	10,046,755	14,343,941
Interest revenue	(37,006,935)	(40,283,887)
Dividend income	(3,162,272)	(1,926,319)
Net changes in reserves for insurance liabilities	61,766	(1,088,654)
Reversal of provision for losses on guarantees	(80,299)	31,747
Net changes in reserves for other liabilities	14,884	79,565
Share of gains of associates and joint ventures accounted for using equity method	(8,491)	(8,064)
Losses (gains) on reclassification of overlay approach	(56,439)	178,404
Losses (gains) on disposal of properties and equipment	(332)	32,153
Gains on disposal of investments properties	(98,263)	(18,198)
Gains on disposal of investments	(1,342,567)	(1,847,693)
Impairment losses on financial assets	1,227	40,180
Unrealized losses on foreign exchange	214,910	412,931
Gains on disposal of collaterals assumed	-	(20,358)
Others	(3)	(166)
Net changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	97,217,374	(21,280,927)
Increase in financial assets at fair value through profit or loss	(23,918,655)	(22,750,005)
Increase in financial assets at fair value through other comprehensive income	(31,101,598)	(53,107,415)
Decrease (increase) in investments in debt instruments at amortized cost	1,840,206	(23,184,781)
Decrease in securities purchased under resell agreements	9,957	-
Increase in receivables	(4,959,624)	(3,050,762)
Increase in discounts and loans	(187,363,744)	(130,077,376)
Decrease (increase) in reinsurance assets	44,852	(22,015)
Decrease (increase) in other financial assets	(3,425,331)	5,775,202
Increase in other assets	(266,813)	(2,533,046)
Increase in deposits from the Central Bank and other banks	22,701,898	11,862,405
Decrease in financial liabilities at fair value through profit or loss	(5,332,670)	(7,843,913)
Increase (decrease) in securities sold under repurchase agreements	(2,611,853)	9,309,569
		(Continued)

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
Increase in payables	\$ 12,489,802	\$ 12,663,123
Increase in deposits and remittances	90,389,602	232,297,858
Decrease in provision for employee benefits	(496,491)	(437,809)
Decrease in provisions	(2,164,471)	(2,884,893)
Decrease in other financial liabilities	(3,847)	(523,389)
Decrease in other liabilities	(270,572)	(102,365)
Cash used in operations	(46,584,152)	(1,247,316)
Interest received	39,190,817	43,866,582
Dividends received	3,171,122	2,037,165
Interest paid	(9,991,232)	(17,565,507)
Income tax paid	(2,346,443)	(4,114,252)
Net cash generated from (used in) operating activities	(16,559,888)	22,976,672
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of properties and equipment	(719,530)	(841,198)
Proceeds of the disposal of properties and equipment	530	-
Increase in refundable deposits	(4,165,820)	(2,915,137)
Decrease in refundable deposits	4,359,917	2,910,607
Acquisition of intangible assets	(124,951)	(303,811)
Proceeds from disposal of collaterals assumed	-	139,748
Acquisition of investment properties	(343,249)	(812,311)
Proceeds from disposal of investment properties	793,177	89,927
Increase in other assets	(45,941)	(20,167)
Decrease in other assets	24,292	20,211
Net cash used in investing activities	(221,575)	(1,732,131)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in due to the Central Bank and other banks	43,488,680	18,529,930
Increase in commercial paper issued	-	4,825,000
Decrease in commercial paper issued	(3,020,000)	-
Proceeds from the issuance of corporate bonds	10,000,000	5,700,000
Proceeds from the issuance of bank debentures	1,000,000	5,000,000
Repayments of bank debentures	(1,500,000)	(7,500,000)
Increase in other borrowings	15,975,521	19,839,282
Decrease in other borrowings	(16,226,550)	(22,082,565)
Decrease in financial liabilities designated as at fair value through profit or loss	-	(12,096,000)
Increase in guarantee deposits received	3,456,735	1,800,333
Decrease in guarantee deposits received	(4,579,663)	(1,871,419)

(Continued)

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
Repayments of the principal portion of lease liabilities	\$ (450,997)	\$ (445,217)
Increase in other liabilities	-	185,428
Decrease in other liabilities	(21,405)	-
Dividends paid	(11,334,090)	(11,003,971)
Changes in non-controlling interests	<u>(188,819)</u>	<u>(154,749)</u>
Net cash generated from financing activities	<u>36,599,412</u>	<u>726,052</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>1,805,647</u>	<u>3,741,615</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,623,596	25,712,208
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>95,067,646</u>	<u>90,305,606</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 116,691,242</u>	<u>\$ 116,017,814</u>
Cash and cash equivalents reconciliations:		
	September 30	
	2021	2020
Cash and cash equivalents in the consolidated balance sheets	\$ 65,600,759	\$ 55,957,565
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”	50,078,022	58,936,186
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	761,811	863,153
Other items in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>250,650</u>	<u>260,910</u>
Cash and cash equivalents, end of period	<u>\$ 116,691,242</u>	<u>\$ 116,017,814</u>

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

(Concluded)

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

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)**

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

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

TCFHC invests in and manages financial institutions.

TCB engages in (a) all commercial banking operations allowed under the Banking Law; (b) international banking operations; (c) overseas branch operations as authorized by the respective foreign governments; and (d) other operations as authorized by the central authority-in-charge. TCB has its Head Office in Taipei. It had a Business, International Banking, Finance, Credit Card, Trust and Insurance Agent Departments as well as 269 domestic branches, an offshore banking unit (OBU), 13 overseas branches, 8 overseas sub-branches and 2 representative offices as of September 30, 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 September 30, 2021 and 2020, TCFHC and its subsidiaries (the Company) had 9,452 and 9,488 employees, respectively.

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

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

The consolidated financial statements were approved by TCFHC's board of directors on November 17, 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 amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or 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 IFRS endorsed by the FSC for application starting from 2022, but not yet applied by the Company

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: 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 2: 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 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Company assessed that the above amendments have no significant impact on the Company. The Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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 4: Except for deferred taxes that 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:

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

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

Recognition

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

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

### Measurement

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

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

### Subsequent measurement

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

### Onerous contracts

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

### Premium allocation approach

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

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

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



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

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

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

#### Investment contracts with discretionary participation features

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

#### Modification and derecognition

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

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

#### Transition

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

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

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

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

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

##### **Statement of Compliance**

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

##### **Basis of Preparation**

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

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

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

##### **Basis of Consolidation**

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

The accounting policies of TCFHC and its subsidiaries are consistent.

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

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

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

## Other Major Accounting Policies

In addition to the following, refer to the summary of significant accounting policies of the consolidated financial statements for the year ended December 31, 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 Company considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future periods if the revision affects both current year and future periods.

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

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

a. Impairment losses on loans

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

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

b. Insurance liability and liability adequacy test

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

## 6. CASH AND CASH EQUIVALENTS

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$ 23,513,048	\$ 23,531,314	\$ 23,311,688
Notes and checks in clearing	6,121,610	5,709,157	10,626,208
Due from banks	<u>35,980,555</u>	<u>21,633,705</u>	<u>22,025,003</u>
	65,615,213	50,874,176	55,962,899
Less: Allowance for possible losses	<u>14,454</u>	<u>8,960</u>	<u>5,334</u>
	<u>\$ 65,600,759</u>	<u>\$ 50,865,216</u>	<u>\$ 55,957,565</u>

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

	September 30, 2021	December 31, 2020	September 30, 2020
Reserves for deposits - account A	\$ 10,291,130	\$ 103,930,664	\$ 36,796,889
Reserves for deposits - account B	90,772,365	83,714,410	81,193,018
Reserves for deposits - community financial institutions	69,514,806	65,382,499	63,977,087
Reserves for deposits - foreign-currency deposits	531,850	539,693	555,810
Deposits in the Central Bank	39,200,000	39,200,000	39,200,000
Due from the Central Bank - others	25,434,244	25,477,059	26,408,539
Due from the Central Bank - central government agencies' deposits	2,496,556	2,262,307	3,222,851
Call loans to banks	<u>43,409,655</u>	<u>50,964,010</u>	<u>63,817,730</u>
	<u>\$ 281,650,606</u>	<u>\$ 371,470,642</u>	<u>\$ 315,171,924</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 reserves - account A and foreign-currency deposit reserves may be withdrawn anytime.

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

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

	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets mandatorily classified as at fair value through profit or loss			
Commercial paper	\$ 85,192,873	\$ 57,253,280	\$ 66,477,101
Negotiable certificates of deposit	7,097,935	7,598,419	6,599,021
Beneficial certificates	5,099,253	5,659,247	5,285,307
Investment in equity instruments	3,525,295	2,779,845	2,265,824
Corporate bonds	2,429,919	2,150,067	2,921,121
Convertible bonds	793,658	862,948	874,169
Bank debentures	27,906	-	-
Acquired loans	92,404	166,140	222,067
Government bonds	149,713	484,292	1,172,137
Commercial paper contracts with reference rate	7,683	10,389	9,804
Currency swap contracts	760,736	1,265,419	858,665
Futures exchange margins	503,653	296,381	328,065
Convertible bonds assets swap contracts	-	63,476	70,698
Forward contracts	47,404	82,557	53,767
Currency option contracts - buy	13,985	38,487	36,412
Cross-currency swap contracts	18,523	14,316	9,488
Interest rate swap contracts	2,674	5,300	2,074
Foreign-currency margin contracts	<u>1,487</u>	<u>-</u>	<u>1,285</u>
Financial assets at fair value through profit or loss	<u>\$ 105,765,101</u>	<u>\$ 78,730,563</u>	<u>\$ 87,187,005</u>

(Continued)

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Held-for-trading financial liabilities</u>			
Payable - security borrowing	\$ 623,986	\$ 410,521	\$ 367,691
Commercial paper contracts with reference rate	67	2	265
Currency swap contracts	946,514	4,317,870	3,109,193
Currency option contract - sell	14,036	38,583	36,485
Interest rate swap contracts	6,240	12,867	15,646
Forward contracts	52,475	33,803	29,019
Asset swap options	10,009	17,881	4,924
Foreign-currency margin	455	921	115
Convertible bonds assets swap contracts	-	50	154
Cross-currency swap contracts	<u>908</u>	<u>-</u>	<u>5,745</u>
Financial liabilities at fair value through profit or loss	<u>\$ 1,654,690</u>	<u>\$ 4,832,498</u>	<u>\$ 3,569,237</u> (Concluded)

As of September 30, 2021, December 31, 2020 and September 30, 2020, financial assets at fair value through profit or loss amounting to \$34,848,657 thousand, \$36,890,958 thousand and \$32,681,415 thousand, respectively, had been sold under repurchase agreements.

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

As of September 30, 2021, December 31, 2020 and September 30, 2020, the contract (notional) amounts of derivative transactions of TCB were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Currency swap contracts	\$ 280,018,243	\$ 255,510,944	\$ 268,593,576
Interest rate swap contracts	1,700,000	1,700,000	1,700,000
Forward contracts	13,823,407	8,586,387	9,267,462
Currency option contracts - sell	5,495,020	4,967,696	5,151,812
Currency option contracts - buy	5,495,020	4,967,696	5,151,812
Cross-currency swap contracts	983,371	407,450	1,051,901
Foreign-currency margin contracts	100,150	43,300	62,085

As of September 30, 2021, December 31, 2020 and September 30, 2020, the open position of futures transactions of TCB were as follows:

		September 30, 2021			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or Premium	
				Paid (Charged)	
Futures contracts	Interest rate futures	Sell	1,120	\$ 4,149,037	\$ 4,100,773

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

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

As of September 30, 2021, December 31, 2020 and September 30, 2020, the open position of futures and option transactions of Taiwan Cooperative Securities Co., Ltd. (TCS) were as follows:

		September 30, 2021			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or	
				Premium Paid (Charged)	
Futures contracts	Stock index futures	Buy	92	\$ 47,689	\$ 47,911
	Single-stock futures	Buy	246	78,779	78,160
	Interest rate futures	Sell	5	29,175	29,028
	Stock index futures	Sell	82	298,858	295,263
	Single-stock futures	Sell	174	66,704	66,983
	Commodity futures	Sell	209	433,765	443,626
	Foreign exchange futures	Sell	1	3,158	3,126

		December 31, 2020			
Items	Products	Open Position		Contract	Fair Values
		Buy/Sell	Number of Contracts	Amounts or	
				Premium Paid (Charged)	
Futures contracts	Interest rate futures	Buy	1	\$ 6,156	\$ 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

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

As of September 30, 2021, December 31, 2020 and September 30, 2020, the contract (notional) amounts of asset swap contracts of TCS were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Asset swap contracts	\$ 135,000	\$ 90,000	\$ 50,000

As of September 30, 2021, December 31, 2020 and September 30, 2020, the contract (notional) amounts of interest rate swap contracts of TCS were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Currency swap contracts	\$ 300,000	\$ 600,000	\$ 600,000

BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI) engages in currency swap contracts and cross-currency swap contracts to reduce risks due to exchange rate 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 September 30, 2021, December 31, 2020 and September 30, 2020, the contract (notional) amounts of derivative transactions of BPCTLI were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Currency swap contracts	\$ 9,996,430	\$ 10,328,651	\$ 10,561,355
Cross-currency swap contracts	278,500	281,000	-



BPCTLI has applied IFRS 9 since 2018, and also 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:

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets at FVTPL</u>			
Beneficial certificates	\$ 4,066,352	\$ 4,659,902	\$ 4,490,395
Investment in equity instruments	598,441	471,590	380,943

For the nine months ended September 30, 2021 and 2020, for the financial assets designated for the overlay approach, the amounts reclassified between profit or loss and other comprehensive income were as follows:

	<u>For the Nine Months Ended September 30</u>	
	2021	2020
Profit or loss on application of IFRS 9	\$ 336,037	\$ 363,699
Less: Profit or loss from application of IAS 39	<u>(392,476)</u>	<u>(185,295)</u>
Gain or loss on reclassification of overlay approach	<u>\$ (56,439)</u>	<u>\$ 178,404</u>

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

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Investments in equity instruments at FVTOCI</u>			
Listed shares and emerging market shares	\$ 39,912,861	\$ 17,514,458	\$ 14,221,040
Unlisted shares	<u>7,747,101</u>	<u>6,123,249</u>	<u>5,916,454</u>
	<u>47,659,962</u>	<u>23,637,707</u>	<u>20,137,494</u>
<u>Investments in debt instruments at FVTOCI</u>			
Government bonds	200,630,974	204,430,335	211,532,661
Corporate bonds	116,048,475	117,051,244	120,096,030
Bank debentures	<u>92,651,614</u>	<u>84,016,768</u>	<u>84,847,476</u>
	<u>409,331,063</u>	<u>405,498,347</u>	<u>416,476,167</u>
	<u>\$ 456,991,025</u>	<u>\$ 429,136,054</u>	<u>\$ 436,613,661</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 \$37,770,947 thousand and \$24,860,695 thousand for the nine months ended September 30, 2021 and 2020, respectively. The accumulated unrealized gain of financial assets at FVTOCI under other equity in the amounts of \$2,201,109 thousand and \$233,170 thousand has been transferred to retained earnings, respectively.

For the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the Company recognized unrealized gains on investments in equity instruments at FVTOCI of \$1,500,712 thousand losses, \$1,279,994 thousand losses, \$3,815,480 thousand gains and \$1,227,644 thousand losses, respectively.

For the three months ended September 30, 2021 and 2020 and the nine months ended September 30, 2021 and 2020, the Company recognized dividends revenue \$2,599,119 thousand, \$1,578,181 thousand, \$3,162,272 thousand and \$1,926,319 thousand, respectively, also derecognized amounts related to investments \$1,078,268 thousand, \$668,559 thousand, \$1,190,593 thousand and \$1,016,697 thousand, respectively, compared to the amounts held on September 30, 2021 and 2020 which were \$1,971,679 thousand and \$909,622 thousand, respectively.

For the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, the Company recognized unrealized gains or losses on investments in debt instruments at FVOCI of \$764,282 thousand losses, \$1,780,605 thousand gains, \$5,230,964 thousand losses and \$6,195,127 thousand gains, respectively.

As of September 30, 2021, December 31, 2020 and September 30, 2020, the allowance for possible losses of investment in debt instruments at FVTOCI recognized was \$125,540 thousand, \$134,016 thousand and \$131,328 thousand, respectively, through expected credit loss. Impairment loss recognized in profit or loss for the three months ended September 30, 2021 and 2020 and nine months ended September 30, 2021 and 2020 were \$332 thousand gains, \$4,710 thousand losses, \$935 thousand and \$36,657 thousand losses, respectively.

As of September 30, 2021, December 31, 2020 and September 30, 2020, financial assets at fair value through other comprehensive income amounting to \$17,841,809 thousand, \$18,840,795 thousand and \$21,645,322 thousand, respectively, had been sold under repurchase agreements.

## 10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	September 30, 2021	December 31, 2020	September 30, 2020
Negotiable certificates of deposit in the Central Bank	\$ 557,240,000	\$ 559,280,000	\$ 410,760,000
Government bonds	110,633,974	107,807,918	108,608,929
Corporate bonds	44,909,329	46,270,440	45,371,613
Bank debentures	11,291,728	12,678,455	12,997,924
Certificates of deposit	<u>1,604,520</u>	<u>2,277,320</u>	<u>2,008,728</u>
	725,679,551	728,314,133	579,747,194
Less: Allowance for impairment loss	<u>47,834</u>	<u>47,659</u>	<u>49,704</u>
	<u>\$ 725,631,717</u>	<u>\$ 728,266,474</u>	<u>\$ 579,697,490</u>

Impairment loss recognized in profit or loss for the three months ended September 30, 2021 and 2020 and the nine months ended September 30, 2021 and 2020 were \$3 thousand gains, \$919 thousand losses, \$292 thousand losses and \$1,366 thousand losses, respectively.

## 11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$761,811 thousand, \$1,278,803 thousand and \$863,153 thousand under resell agreements as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively, will subsequently be sold for \$763,624 thousand, \$1,279,081 thousand and \$867,354 thousand, respectively.

## 12. RECEIVABLES, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Accrued interest	\$ 7,222,622	\$ 7,759,494	\$ 7,581,520
Settlement consideration	5,634,089	6,655,545	3,758,984
Settlement receivable	6,120,669	5,479,698	2,555,445
Margin loans receivable	6,624,396	4,883,614	4,167,673
Credit cards	4,327,041	4,388,635	4,294,913
Acceptances	3,660,571	3,103,379	4,644,882
Lease payment receivable	2,269,418	2,403,726	2,418,613
Receivable on securities	1,490,476	384,358	2,659,833
Receivables on merchant accounts in the credit card business	525,273	654,861	890,343
Receivables on financing provided	701,377	712,782	676,815
Accounts receivable	412,022	454,382	365,036
Credits receivable	-	231,991	378,947
Refundable deposits receivable in leasehold agreements	183,993	183,993	183,993
Accounts receivable factored without recourse	165,638	214,150	198,652
Others	<u>2,924,473</u>	<u>740,982</u>	<u>774,751</u>
	42,262,058	38,251,590	35,550,400
Less: Allowance for possible losses	653,191	811,962	834,963
Less: Unrealized interest revenue	<u>133,527</u>	<u>132,990</u>	<u>152,610</u>
	<u>\$ 41,475,340</u>	<u>\$ 37,306,638</u>	<u>\$ 34,562,827</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	(14,218)	14,372	(154)	-
Credit-impaired financial assets	(6,326)	(2,123)	8,449	-
12-month ECL	9,432	(9,328)	(104)	-
New financial assets purchased or originated	91,138,804	87,061	263,081	91,488,946
Write-offs	-	-	(8,261)	(8,261)
Derecognition of financial assets in the current reporting period	(89,302,938)	(99,443)	(57,195)	(89,459,576)
Changes in exchange rates and other changes	<u>(331,479)</u>	<u>(1)</u>	<u>(8)</u>	<u>(331,488)</u>
Balance at September 30, 2021	<u>\$ 21,249,136</u>	<u>\$ 37,165</u>	<u>\$ 375,210</u>	<u>\$ 21,661,511</u>

<b>Gross Carrying Amount</b>	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Total</b>
Balance at January 1, 2020	\$ 20,762,410	\$ 48,850	\$ 185,004	\$ 20,996,264
Transfers to				
Lifetime ECL	(14,370)	14,577	(207)	-
Credit-impaired financial assets	(16,653)	(2,450)	19,103	-
12-month ECL	7,132	(6,803)	(329)	-
New financial assets purchased or originated	68,926,329	139,655	74,696	69,140,680
Write-offs	-	(56,506)	(48,571)	(105,077)
Derecognition of financial assets in the current reporting period	(68,555,994)	(95,056)	(55,223)	(68,706,273)
Changes in exchange rates and other changes	<u>(1,012,883)</u>	<u>(1)</u>	<u>(16)</u>	<u>(1,012,900)</u>
Balance at September 30, 2020	<u>\$ 20,095,971</u>	<u>\$ 42,266</u>	<u>\$ 174,457</u>	<u>\$ 20,312,694</u>

<b>Allowance for Possible Losses</b>	<b>12-month ECL</b>	<b>Lifetime ECL (Collective Assessment)</b>	<b>Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)</b>	<b>Impairment Loss under IFRS 9</b>	<b>Difference of Impairment Loss under Regulations</b>	<b>Total</b>
Balance at January 1, 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	(176)	202	(26)	-	-	-
Credit-impaired financial assets	(151)	(506)	657	-	-	-
12-month ECL	2,165	(2,158)	(7)	-	-	-
Derecognition of financial assets in the current reporting period	(26,359)	(29,336)	(34,316)	(90,011)	-	(90,011)
Reversal from financial instruments recognized at the beginning of the current reporting period	(1,147)	3,746	5,732	8,331	-	8,331
New financial assets purchased or originated	29,913	24,061	149,076	203,050	-	203,050
Difference of impairment loss under regulations	-	-	-	-	4,182	4,182
Write-offs	-	-	(8,261)	(8,261)	-	(8,261)
Recovery of written-off receivables	-	-	6,001	6,001	-	6,001
Changes in exchange rates and other changes	<u>62</u>	<u>-</u>	<u>33</u>	<u>95</u>	<u>-</u>	<u>95</u>
Balance at September 30, 2021	<u>\$ 39,716</u>	<u>\$ 8,987</u>	<u>\$ 189,520</u>	<u>\$ 238,223</u>	<u>\$ 168,137</u>	<u>\$ 406,360</u>

Allowance for Possible Losses	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	\$ 49,498	\$ 13,869	\$ 77,288	\$ 140,655	\$ 149,395	\$ 290,050
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(153)	167	(14)	-	-	-
Credit-impaired financial assets	(272)	(616)	888	-	-	-
12-month ECL	1,489	(1,415)	(74)	-	-	-
Derecognition of financial assets in the current reporting period	(33,744)	(31,081)	(34,194)	(99,019)	-	(99,019)
Reversal from financial instruments recognized at the beginning of the current reporting period	(3,218)	61,301	34,474	92,557	-	92,557
New financial assets purchased or originated	40,578	25,531	39,547	105,656	-	105,656
Difference of impairment loss under regulations	-	-	-	-	(12,576)	(12,576)
Write-offs	-	(56,506)	(48,571)	(105,077)	-	(105,077)
Recovery of written-off receivables	-	-	538	538	-	538
Changes in exchange rates and other changes	(2,891)	-	2,611	(280)	-	(280)
Balance at September 30, 2020	<u>\$ 51,287</u>	<u>\$ 11,250</u>	<u>\$ 72,493</u>	<u>\$ 135,030</u>	<u>\$ 136,819</u>	<u>\$ 271,849</u>

Impairment assessment, except the above receivables was based on the expected credit loss model at the beginning of the current reporting period by the simplified method. On September 30, 2021, December 31, 2020 and September 30, 2020, the amounts of impairment of receivables were assessed as \$20,600,547 thousand, \$18,279,700 thousand and \$15,237,706 thousand, respectively, and the amounts of allowance for possible losses were \$246,831 thousand, \$528,989 thousand and \$563,114 thousand, respectively.

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 528,989	\$ 591,799
Provision for possible losses	36,044	1,364
Write-offs	(268,599)	(9,962)
Recovery of written-off receivables	1,798	5,797
Effects of exchange rate changes and other changes	<u>(51,401)</u>	<u>(25,884)</u>
Balance at September 30	<u>\$ 246,831</u>	<u>\$ 563,114</u>

### 13. DISCOUNTS AND LOANS, NET

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Bills discounted	\$ 2,112,890	\$ 2,873,302	\$ 3,227,483
Overdraft	16,619	26,683	46,471
Unsecured			
Secured	33,458	27,581	39,135
Import and export negotiations	1,363,645	937,030	598,049

(Continued)

	September 30, 2021	December 31, 2020	September 30, 2020
Short-term loans			
Unsecured	\$ 342,686,788	\$ 251,607,009	\$ 326,745,230
Accounts receivable financing	286,125	257,023	315,202
Secured	206,679,116	198,240,650	199,283,732
Medium-term loans			
Unsecured	384,822,610	359,883,619	357,127,573
Secured	426,732,108	401,042,799	378,829,864
Long-term loans			
Unsecured	41,440,636	35,508,190	34,447,923
Secured	1,079,513,209	1,047,578,506	1,037,938,256
Overdue loans	4,982,504	6,564,807	8,254,785
Life insurance loan	381,635	397,042	389,291
Temporary insurance paid	<u>69,052</u>	<u>60,491</u>	<u>57,093</u>
	2,491,120,395	2,305,004,732	2,347,300,087
Less: Allowance for possible losses	29,901,019	29,173,224	28,450,820
Less: Adjustment of discount	<u>472,019</u>	<u>499,994</u>	<u>421,696</u>
	<u>\$ 2,460,747,357</u>	<u>\$ 2,275,331,514</u>	<u>\$ 2,318,427,571</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	(4,958,487)	4,992,261	(33,774)	-
Credit-impaired financial assets	(4,543,157)	(344,517)	4,887,674	-
12-month ECL	964,929	(809,037)	(155,892)	-
New financial assets purchased or originated	849,570,389	165,926	1,721,940	851,458,255
Write-offs	-	-	(2,609,587)	(2,609,587)
Derecognition of financial assets in the current reporting period	(651,169,753)	(760,343)	(6,981,975)	(658,912,071)
Changes in exchange rates and other changes	<u>(3,618,385)</u>	<u>(39,192)</u>	<u>(163,357)</u>	<u>(3,820,934)</u>
Balance at September 30, 2021	<u>\$ 2,447,379,321</u>	<u>\$ 6,007,900</u>	<u>\$ 37,733,174</u>	<u>\$ 2,491,120,395</u>
Gross Carrying Amount	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2020	\$ 2,181,142,309	\$ 2,524,438	\$ 37,638,133	\$ 2,221,304,880
Transfers to				
Lifetime ECL	(1,563,468)	1,641,675	(78,207)	-
Credit-impaired financial assets	(15,221,849)	(540,717)	15,762,566	-
12-month ECL	875,205	(614,064)	(261,141)	-
New financial assets purchased or originated	831,222,359	367,542	287,463	831,877,364
Write-offs	-	-	(4,956,223)	(4,956,223)
Derecognition of financial assets in the current reporting period	(683,721,237)	(669,821)	(5,538,824)	(689,929,882)
Changes in exchange rates and other changes	<u>(10,389,487)</u>	<u>1,533</u>	<u>(608,098)</u>	<u>(10,996,052)</u>
Balance at September 30, 2020	<u>\$ 2,302,343,832</u>	<u>\$ 2,710,586</u>	<u>\$ 42,245,669</u>	<u>\$ 2,347,300,087</u>

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	(9,524)	14,550	(5,026)	-	-	-
Credit-impaired financial assets	(121,828)	(1,044)	122,872	-	-	-
12-month ECL	12,580	(2,641)	(9,939)	-	-	-
Derecognition of financial assets in the current reporting period	(1,231,288)	(1,457)	(918,718)	(2,151,463)	-	(2,151,463)
Reversal from financial instruments recognized at the beginning of the current reporting period	(47,980)	62,398	656,652	671,070	-	671,070
New financial assets purchased or originated	1,449,706	828	300,729	1,751,263	-	1,751,263
Difference of impairment loss under regulations	-	-	-	-	1,876,857	1,876,857
Write-offs	-	-	(2,609,587)	(2,609,587)	-	(2,609,587)
Recovery of write-off credits	-	-	1,250,475	1,250,475	-	1,250,475
Changes in exchange rates and other changes	(29,259)	(177)	(31,384)	(60,820)	-	(60,820)
Balance at September 30, 2021	<u>\$ 3,926,342</u>	<u>\$ 92,219</u>	<u>\$ 4,060,328</u>	<u>\$ 8,078,889</u>	<u>\$ 21,822,130</u>	<u>\$ 29,901,019</u>

Allowance for Possible Losses	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	\$ 4,383,474	\$ 15,152	\$ 5,790,070	\$ 10,188,696	\$ 17,187,696	\$ 27,376,392
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(5,504)	18,180	(12,676)	-	-	-
Credit-impaired financial assets	(277,480)	(8,123)	285,603	-	-	-
12-month ECL	23,540	(1,792)	(21,748)	-	-	-
Derecognition of financial assets in the current reporting period	(1,773,230)	(4,198)	(1,580,246)	(3,357,674)	-	(3,357,674)
Reversal from financial instruments recognized at the beginning of the current reporting period	(292,257)	(857)	5,886,129	5,593,015	-	5,593,015
New financial assets purchased or originated	2,079,842	4,247	15,704	2,099,793	-	2,099,793
Difference of impairment loss under regulations	-	-	-	-	1,034,582	1,034,582
Write-offs	-	-	(4,956,223)	(4,956,223)	-	(4,956,223)
Recovery of write-off credits	-	-	771,171	771,171	-	771,171
Changes in exchange rates and other changes	(123,147)	624	12,287	(110,236)	-	(110,236)
Balance at September 30, 2020	<u>\$ 4,015,238</u>	<u>\$ 23,233</u>	<u>\$ 6,190,071</u>	<u>\$ 10,228,542</u>	<u>\$ 18,222,278</u>	<u>\$ 28,450,820</u>

The bad-debt expenses and provision for losses on guarantees for the three months ended September 30, 2021 and 2020 and the nine months ended September 30, 2021 and 2020 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Provision for possible losses on discounts and loans	\$ 486,627	\$ 2,201,126	\$ 2,147,727	\$ 5,369,716
Provision for possible losses on receivables	148,300	53,820	161,596	87,982
Provision for possible losses on overdue receivables	1,456	5,433	15,727	84,421

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Provision (reversal of provision) for possible losses on guarantees	\$ (32,737)	\$ 58,160	\$ (80,299)	\$ 31,747
Provision for possible losses on loan commitment	40,721	101,753	19,771	88,837
Reversal of provision for other possible losses	<u>(6,403)</u>	<u>(3,137)</u>	<u>(4,887)</u>	<u>(9,272)</u>
	<u>\$ 637,964</u>	<u>\$ 2,417,155</u>	<u>\$ 2,259,635</u>	<u>\$ 5,653,431</u>

(Concluded)

As of September 30, 2021, December 31, 2020 and September 30, 2020, TCB was in compliance with the FSC-required provision for credit assets.

As of September 30, 2021, December 31, 2020 and September 30, 2020, accrual of interest on the above overdue loans had been stopped. Thus, the unrecognized interest revenue was \$71,163 thousand and \$106,938 thousand for the nine months ended September 30, 2021 and 2020, respectively, based on the average loan interest rate for the year.

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

	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)
<u>Investment in associate</u>						
United Real Estate Management Co., Ltd.	\$ 137,229	30.00	\$ 134,382	30.00	\$ 133,470	30.00
Mesh Cooperative Ventures Inc.	1,803	22.00	1,992	33.00	2,307	33.00
JC Capital Taiwan Co., Ltd.	<u>1,761</u>	35.00	<u>2,801</u>	35.00	<u>-</u>	-
	<u>\$ 140,793</u>		<u>\$ 139,175</u>		<u>\$ 135,777</u>	

Aggregate information of associate that is not individually material:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
The Company's share of:				
Net income	\$ 2,280	\$ 4,102	\$ 8,491	\$ 8,064
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>\$ 2,280</u>	<u>\$ 4,102</u>	<u>\$ 8,491</u>	<u>\$ 8,064</u>



The Company should have received \$7,587 thousand and \$7,081 thousand of dividends from United Real Estate Management Co., Ltd. for the nine months ended September 30, 2021 and 2020, respectively. The dividends are recognized as a reduction of investments accounted for using equity method.

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

	September 30, 2021	December 31, 2020	September 30, 2020
Overdue receivables	\$ 376,346	\$ 337,110	\$ 354,645
Less: Allowance for possible losses	<u>152,060</u>	<u>103,102</u>	<u>117,569</u>
Overdue receivables, net	224,286	234,008	237,076
Due from banks	11,650,823	8,512,487	12,974,520
Security borrowing margin	957,453	683,255	521,192
Call loans to security firms	250,650	252,900	260,910
Separate-account assets (Note 31)	<u>104,729,925</u>	<u>105,803,112</u>	<u>97,742,900</u>
	<u>\$ 117,813,137</u>	<u>\$ 115,485,762</u>	<u>\$ 111,736,598</u>

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

## 16. INVESTMENT PROPERTIES, NET

	September 30, 2021	December 31, 2020	September 30, 2020
Land	\$ 8,407,463	\$ 8,633,740	\$ 8,671,026
Buildings	<u>2,586,224</u>	<u>2,784,932</u>	<u>2,817,279</u>
	<u>\$ 10,993,687</u>	<u>\$ 11,418,672</u>	<u>\$ 11,488,305</u>
	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2021	\$ 8,633,740	\$ 3,933,522	\$ 12,567,262
Additions	189,318	153,931	343,249
Disposals	(422,117)	(302,298)	(724,415)
Reclassification	<u>6,522</u>	<u>(4,170)</u>	<u>2,352</u>
Balance at September 30, 2021	<u>\$ 8,407,463</u>	<u>\$ 3,780,985</u>	<u>\$ 12,188,448</u>

(Continued)

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
Balance at January 1, 2020	\$ 8,149,105	\$ 3,632,616	\$ 11,781,721
Additions	558,721	253,590	812,311
Disposals	(36,800)	(37,481)	(74,281)
Reclassification	<u>-</u>	<u>(5,142)</u>	<u>(5,142)</u>
Balance at September 30, 2020	<u>\$ 8,671,026</u>	<u>\$ 3,843,583</u>	<u>\$ 12,514,609</u>

Accumulated depreciation and impairment

Balance at January 1, 2021	\$ -	\$ 1,148,590	\$ 1,148,590
Disposals	-	(29,501)	(29,501)
Depreciation expenses	<u>-</u>	<u>75,672</u>	<u>75,672</u>
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ 1,194,761</u>	<u>\$ 1,194,761</u>
Balance at January 1, 2020	\$ -	\$ 955,280	\$ 955,280
Disposals	-	(2,552)	(2,552)
Depreciation expenses	<u>-</u>	<u>73,576</u>	<u>73,576</u>
Balance at September 30, 2020	<u>\$ -</u>	<u>\$ 1,026,304</u>	<u>\$ 1,026,304</u>

(Concluded)

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 nine months ended September 30, 2021 and 2020.

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Rental income from investment properties (part of other noninterest gains, net)	\$ 130,334	\$ 119,683	\$ 385,589	\$ 364,335
Direct operating expenses for investment properties that generate rental income	<u>(39,174)</u>	<u>(39,738)</u>	<u>(119,415)</u>	<u>(117,771)</u>
	<u>\$ 91,160</u>	<u>\$ 79,945</u>	<u>\$ 266,174</u>	<u>\$ 246,564</u>

Lease agreements on investment properties owned by the Company and rented to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of September 30, 2021, December 31, 2020 and September 30, 2020, guarantee deposits on these leases totaled \$101,824 thousand, \$103,574 thousand and \$105,707 thousand, respectively. Minimum future annual rentals are as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Year 1	\$ 420,786	\$ 413,448	\$ 428,324
Year 2	335,016	381,384	393,975
Year 3	269,821	287,593	314,143
Year 4	153,644	254,894	269,080
Year 5	44,149	93,539	136,959
Over five years	<u>88,287</u>	<u>99,609</u>	<u>114,371</u>
	<u>\$ 1,311,703</u>	<u>\$ 1,530,467</u>	<u>\$ 1,656,852</u>

#### 17. PROPERTIES AND EQUIPMENT, NET

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Assets used by the Company</u>			
Land	\$ 20,633,147	\$ 20,638,106	\$ 20,715,265
Buildings	10,307,301	10,677,659	10,870,365
Machinery and equipment	1,233,477	1,274,451	1,228,981
Transportation equipment	154,773	138,583	121,047
Other equipment	227,000	248,473	231,812
Leasehold improvements	207,857	180,642	189,154
Prepayments for equipment, land and buildings and construction in progress	<u>385,302</u>	<u>252,798</u>	<u>273,492</u>
	<u>\$ 33,148,857</u>	<u>\$ 33,410,712</u>	<u>\$ 33,630,116</u>
<u>Assets leased under operating leases</u>			
Machinery and equipment	\$ 8,809	\$ 10,419	\$ 8,797
Other equipment	<u>25,564</u>	<u>30,648</u>	<u>19,141</u>
	<u>\$ 34,373</u>	<u>\$ 41,067</u>	<u>\$ 27,938</u>

a. Assets used by the Company

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment, Land and Buildings and Construction in Progress	Total
<u>Cost</u>								
Balance at January 1, 2021	\$ 20,653,283	\$ 19,183,858	\$ 5,222,854	\$ 663,282	\$ 1,456,066	\$ 1,071,777	\$ 252,798	\$ 48,503,918
Additions	-	73,178	198,247	33,778	36,359	37,698	340,270	719,530
Disposals	(106)	(15,931)	(426,403)	(15,858)	(25,853)	(9,360)	-	(493,511)
Reclassification	(4,831)	70,861	70,623	7,253	7,114	38,934	(207,702)	(17,748)
Effects of exchange rate changes	(22)	(45)	(5,444)	(873)	906	(3,742)	(64)	(9,284)
Balance at September 30, 2021	<u>\$ 20,648,324</u>	<u>\$ 19,311,921</u>	<u>\$ 5,059,877</u>	<u>\$ 687,582</u>	<u>\$ 1,474,592</u>	<u>\$ 1,135,307</u>	<u>\$ 385,302</u>	<u>\$ 48,702,905</u>
Balance at January 1, 2020	\$ 20,730,527	\$ 19,286,111	\$ 4,747,396	\$ 637,030	\$ 1,404,396	\$ 1,017,917	\$ 254,681	\$ 48,078,058
Additions	-	104,221	233,180	33,801	49,590	59,639	331,148	811,579
Disposals	-	(93,903)	(91,719)	(26,550)	(23,500)	(6,604)	-	(242,276)
Reclassification	-	25,202	242,785	4,436	4,980	16,338	(312,325)	(18,584)
Effects of exchange rate changes	(85)	(181)	(7,228)	(817)	(4,141)	(3,428)	(12)	(15,892)
Balance at September 30, 2020	<u>\$ 20,730,442</u>	<u>\$ 19,321,450</u>	<u>\$ 5,124,414</u>	<u>\$ 647,900</u>	<u>\$ 1,431,325</u>	<u>\$ 1,083,862</u>	<u>\$ 273,492</u>	<u>\$ 48,612,885</u>
<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	-	(15,931)	(426,330)	(15,858)	(25,834)	(9,360)	(493,313)	
Depreciation expenses	-	514,396	306,240	24,505	66,635	47,698	959,474	
Reclassification	-	-	(29)	29	-	4	4	
Effects of exchange rate changes	-	(44)	(1,884)	(566)	(802)	(2,027)	(5,323)	
Balance at September 30, 2021	<u>\$ 15,177</u>	<u>\$ 9,004,620</u>	<u>\$ 3,826,400</u>	<u>\$ 532,809</u>	<u>\$ 1,247,592</u>	<u>\$ 927,450</u>	<u>\$ 15,554,048</u>	
Balance at January 1, 2020	\$ 15,177	\$ 8,004,869	\$ 3,725,215	\$ 533,914	\$ 1,166,042	\$ 861,348	\$ 14,306,565	
Disposals	-	(61,868)	(91,602)	(26,550)	(23,500)	(6,603)	(210,123)	
Depreciation expenses	-	508,262	265,686	20,115	58,142	42,452	894,657	
Reclassification	-	-	(94)	-	94	-	-	
Effects of exchange rate changes	-	(178)	(3,772)	(626)	(1,265)	(2,489)	(8,330)	
Balance at September 30, 2020	<u>\$ 15,177</u>	<u>\$ 8,451,085</u>	<u>\$ 3,895,433</u>	<u>\$ 526,853</u>	<u>\$ 1,199,513</u>	<u>\$ 894,708</u>	<u>\$ 14,982,769</u>	

Taiwan Cooperative Bank, Ltd. (TCB) revalued its properties five times in 1979, 1998, 2007, 2011 and 2012. As September 30, 2020, the reserve for land revaluation increment tax (part of deferred tax liabilities) was \$2,595,338 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 September 30, 2021, December 31, 2020 and September 30, 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	-	-	-
Balance at September 30, 2021	<u>\$ 11,802</u>	<u>\$ 34,610</u>	<u>\$ 46,412</u>

(Continued)

	<b>Machinery and Equipment</b>	<b>Other Equipment</b>	<b>Total</b>
Balance at January 1, 2020	\$ -	\$ -	\$ -
Additions	<u>9,393</u>	<u>20,226</u>	<u>29,619</u>
Balance at September 30, 2020	<u>\$ 9,393</u>	<u>\$ 20,226</u>	<u>\$ 29,619</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2021	\$ 1,383	\$ 3,962	\$ 5,345
Depreciation expenses	<u>1,610</u>	<u>5,084</u>	<u>6,694</u>
Balance at September 30, 2021	<u>\$ 2,993</u>	<u>\$ 9,046</u>	<u>\$ 12,039</u>
Balance at January 1, 2020	\$ -	\$ -	\$ -
Depreciation expenses	<u>596</u>	<u>1,085</u>	<u>1,681</u>
Balance at September 30, 2020	<u>\$ 596</u>	<u>\$ 1,085</u>	<u>\$ 1,681</u>
			(Concluded)

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 their estimated useful lives as follows:

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

## 18. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
<u>Carrying amounts</u>			
Land	\$ 14,745	\$ 12,826	\$ 14,456
Buildings	1,483,083	1,607,444	1,480,380
Transportation equipment	54,061	67,217	72,912
Other equipment	<u>14,084</u>	<u>17,393</u>	<u>18,517</u>
	<u>\$ 1,565,973</u>	<u>\$ 1,704,880</u>	<u>\$ 1,586,265</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Depreciation charge for right-of-use assets				
Land	\$ 1,714	\$ 1,737	\$ 5,029	\$ 5,299
Buildings	148,597	146,630	446,049	445,131
Transportation equipment	8,345	9,160	23,845	25,231
Other equipment	<u>1,058</u>	<u>1,125</u>	<u>3,308</u>	<u>3,375</u>
	<u>\$ 159,714</u>	<u>\$ 158,652</u>	<u>\$ 478,231</u>	<u>\$ 479,036</u>

For the nine months ended September 30, 2021 and 2020, the additions to right-of-use assets of the Company were \$407,890 thousand and \$384,718 thousand, respectively.

Except for the above listed additions and recognized depreciation expenses, there was no significant sublease or impairment of the Company's right-of-use assets for the nine months ended September 30, 2021 and 2020.

b. Lease liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
Carrying amounts	<u>\$ 1,537,735</u>	<u>\$ 1,649,746</u>	<u>\$ 1,550,090</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Land	1.356%-1.627%	1.593%-1.627%	1.593%-1.627%
Buildings	1.356%-9.800%	1.359%-9.800%	1.593%-11.625%
Transportation equipment	0.845%-8.880%	0.845%-8.880%	0.845%-8.880%
Other equipment	2.445%-4.000%	2.445%-4.000%	2.445%-4.000%

c. Material lease-in activities

The Company signed lease agreements on office premises due to operating activities. Rentals are calculated on the basis of leased areas and are receivable monthly, quarterly or semiannually. As of September 30, 2021, December 31, 2020 and September 30, 2020, refundable deposits on these leases totaled \$137,103 thousand, \$137,242 thousand and \$134,474 thousand, respectively.

d. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Expenses relating to short-term leases	<u>\$ 2,202</u>	<u>\$ 1,315</u>	<u>\$ 6,859</u>	<u>\$ 5,801</u>
Expenses relating to low-value asset leases	<u>\$ 1,480</u>	<u>\$ 829</u>	<u>\$ 2,331</u>	<u>\$ 2,776</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 737</u>	<u>\$ 1,784</u>	<u>\$ 2,396</u>	<u>\$ 3,342</u>

As of September 30, 2021 and 2020, the total cash outflow for leases of the Company was \$492,794 thousand and \$484,576 thousand, respectively.

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

	September 30, 2021	December 31, 2020	September 30, 2020
Goodwill	\$ 3,170,005	\$ 3,170,005	\$ 3,170,005
Computer software	<u>680,198</u>	<u>718,618</u>	<u>694,448</u>
	<u>\$ 3,850,203</u>	<u>\$ 3,888,623</u>	<u>\$ 3,864,453</u>
	Goodwill	Computer Software	Total
Balance at January 1, 2021	\$ 3,170,005	\$ 718,618	\$ 3,888,623
Separate acquisition	-	124,951	124,951
Amortization expenses	-	(173,271)	(173,271)
Reclassification	-	10,765	10,765
Effect of exchange rate changes	<u>-</u>	<u>(865)</u>	<u>(865)</u>
Balance at September 30, 2021	<u>\$ 3,170,005</u>	<u>\$ 680,198</u>	<u>\$ 3,850,203</u>
Balance at January 1, 2020	\$ 3,170,005	\$ 541,713	\$ 3,711,718
Separate acquisition	-	303,811	303,811
Amortization expenses	-	(164,020)	(164,020)
Reclassification	-	15,642	15,642
Effect of exchange rate changes	<u>-</u>	<u>(2,698)</u>	<u>(2,698)</u>
Balance at September 30, 2020	<u>\$ 3,170,005</u>	<u>\$ 694,448</u>	<u>\$ 3,864,453</u>

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

In testing assets for impairment, TCB defined each operating unit or operating segment as a cash-generating unit (CGU). The recoverable amount of a CGU was determined at its value in use for goodwill impairment test. The discount rates for the CGUs' value in use were 8.61%, 8.61% and 7.54% as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

Goodwill resulting from the merger of Taiwan Cooperative Bank, Ltd. with the Farmers Bank of China was allocated to operating units or operating segment (cash-generating units with allocated goodwill). There was no impairment loss on goodwill as of September 30, 2021, December 31, 2020 and September 30, 2020.

**20. OTHER ASSETS, NET**

	September 30, 2021	December 31, 2020	September 30, 2020
Refundable deposits	\$ 1,652,614	\$ 1,869,126	\$ 1,625,350
Operating deposits and settlement funds	740,882	726,271	728,756
Prepaid expenses	468,328	188,344	1,370,058
Receipts under custody for securities underwriting	444,197	473,856	2,386,070
Others	<u>142,237</u>	<u>124,780</u>	<u>137,221</u>
	<u>\$ 3,448,258</u>	<u>\$ 3,382,377</u>	<u>\$ 6,247,455</u>

**21. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS**

	September 30, 2021	December 31, 2020	September 30, 2020
Deposits from banks	\$ 149,866,131	\$ 150,923,009	\$ 133,923,759
Call loans from banks	103,021,755	79,278,093	118,800,322
Overdrafts from other banks	1,438,170	1,272,379	1,570,643
Transfer deposits from Chunghwa Post Co., Ltd.	95,665	95,665	95,665
Deposits from the Central Bank	<u>273,803</u>	<u>424,480</u>	<u>438,197</u>
	<u>\$ 254,695,524</u>	<u>\$ 231,993,626</u>	<u>\$ 254,828,586</u>

**22. DUE TO THE CENTRAL BANK AND OTHER BANKS**

	September 30, 2021	December 31, 2020	September 30, 2020
Due to the Central Banks	<u>\$ 80,607,290</u>	<u>\$ 37,118,610</u>	<u>\$ 18,529,930</u>

**23. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS**

Securities sold for \$53,146,626 thousand, \$55,775,026 thousand and \$54,855,263 thousand under repurchase agreements as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively, would subsequently be purchased for \$53,160,642 thousand, \$55,788,273 thousand and \$54,870,373 thousand, respectively.

**24. COMMERCIAL PAPER ISSUED, NET**

The face values of commercial paper issued were \$28,790,000 thousand, \$31,810,000 thousand and \$35,950,000 thousand and the annual discount rates were from 0.240%-0.398%, 0.288%-0.438% and 0.383%-0.628% as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively, and from the commercial paper will mature by December 9, 2021, March 12, 2021 and November 19, 2021, respectively. The foregoing commercial paper was accepted and guaranteed by financial institutions. As of September 30, 2020, the Company had not used the amount of \$94,340,697 thousand, the sum of the amount of the commercial paper issued and the credit.



## 25. PAYABLES

	September 30, 2021	December 31, 2020	September 30, 2020
Settlements payable	\$ 5,758,432	\$ 7,048,937	\$ 3,801,346
Settlement consideration	6,547,375	5,980,110	2,745,688
Accrued expenses	5,761,826	5,900,975	5,059,902
Collections payable	17,849,023	5,814,606	15,309,029
Checks for clearing	6,121,610	5,709,157	10,626,208
Collections of notes and checks for various financial institutions in other cities	5,014,455	4,602,498	4,931,399
Acceptances	3,804,627	3,256,086	4,870,635
Accrued interest	2,640,692	2,586,276	3,214,848
Payables on notes and checks collected for others	1,719,837	1,478,345	1,912,197
Separate accounts payable	-	935,499	792,665
Payables for short-sale transactions	487,593	651,341	425,420
Deposits on short-sale transactions	445,131	584,061	379,799
Tax payable	502,547	466,208	494,257
Payable on securities	1,382,869	418,565	1,911,735
Dividends payable	415,962	377,104	377,140
Factored accounts payable	132,844	202,009	136,842
Insurance claims and benefits payable	116,260	75,276	81,493
Others	<u>1,724,629</u>	<u>1,996,175</u>	<u>3,359,751</u>
	<u>\$ 60,425,712</u>	<u>\$ 48,083,228</u>	<u>\$ 60,430,354</u>

## 26. DEPOSITS AND REMITTANCES

	September 30, 2021	December 31, 2020	September 30, 2020
Deposits			
Checking	\$ 47,912,085	\$ 49,488,911	\$ 42,639,784
Demand	758,300,537	710,468,591	652,302,984
Savings - demand	1,065,500,235	1,032,998,013	961,394,220
Time	712,636,233	702,675,620	692,996,797
Negotiable certificates of deposit	43,045,910	47,136,505	45,495,144
Savings - time	602,973,982	610,115,507	614,459,682
Treasury	129,717,089	116,755,684	114,625,355
Remittances	<u>175,075</u>	<u>232,713</u>	<u>189,034</u>
	<u>\$ 3,360,261,146</u>	<u>\$ 3,269,871,544</u>	<u>\$ 3,124,103,000</u>

## 27. BONDS PAYABLE

	September 30, 2021	December 31, 2020	September 30, 2020
Bank debentures	\$ 61,100,000	\$ 61,600,000	\$ 62,500,000
First unsecured corporate bond of TCFHC in 2020: Fixed rate of 0.68%; maturity - May 26, 2027	5,700,000	5,700,000	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	2,200,000	2,200,000	-
First unsecured corporate bond of TCFHC in 2021, Type A: Fixed rate of 0.49%; maturity - July 12, 2026	3,400,000	-	-
Second unsecured corporate bond of TCFHC in 2021, Type B: Fixed rate of 0.55%; maturity - July 12, 2028	<u>6,600,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 81,100,000</u>	<u>\$ 71,600,000</u>	<u>\$ 68,200,000</u>

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

	September 30, 2021	December 31, 2020	September 30, 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
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

(Continued)

	September 30, 2021	December 31, 2020	September 30, 2020
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 bonds 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	5,000,000	5,000,000	5,000,000
First unsecured bank debentures in 2021: Fixed rate of 0.40%; maturity - May 31, 2026	<u>1,000,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 61,100,000</u>	<u>\$ 61,600,000</u>	<u>\$ 62,500,000</u> (Concluded)

To expand its long-term USD capital, TCB applied for the issuance of unsecured bank debentures amounting to US\$1,000,000 thousand. The application was approved by the Financial Supervisory Commission (FSC) on January 22, 2015. TCB issued unsecured bank debentures with an aggregate face value of US\$400,000 thousand, consisting of type A bonds worth US\$300,000 thousand with 0% interest rate and type B bonds worth US\$100,000 thousand with 0% interest rate; TCB may exercise its redemption rights at an agreed price after two years and three years, respectively, from the issue dates. If TCB does not exercise its redemption rights during issue period, all unsecured bank debentures will be refunded on the settlement date, March 30, 2045.

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

In order repay its outstanding commercial paper, TCFHC resolved to issue unsecured priority corporate bonds amounting to \$10,000,000 thousand in their board of directors' meeting on October 28, 2019, out of which \$5,700,000 thousand and 4,300,000 thousand have been approved by the authorities on May 19, 2020 and September 28, 2020. and have been issued on May 26, 2020 and October 7, 2020, respectively.

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 been approved by the authority, and will be issued on July 12, 2021.

TCB has obtained approval from the FSC to issue unsecured bank debentures amounting to US\$1,000,000 thousand on November 18, 2019. As of September 30, 2020, the amount of unissued unsecured bank debentures of TCB was US\$1,000,000 thousand.

TCB has obtained approval from the FSC to issue unsecured bond debentures amounting to \$1,000,000 thousand on August 16, 2021. As of September 30, 2021, the amount of unissued non-cumulative perpetual subordinated bonds of TCB was \$1,000,000 thousand.

## 28. OTHER BORROWINGS

	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
Borrowings (Note 24)	\$ <u>561,743</u>	0.630-4.700	\$ <u>815,302</u>	0.700-4.956	\$ <u>1,181,189</u>	0.388-4.956

## 29. PROVISIONS

	September 30, 2021	December 31, 2020	September 30, 2020
Reserve for life insurance liabilities	\$ 26,595,585	\$ 26,595,637	\$ 26,551,699
Reserve for insurance contracts with financial instrument features	383,597	2,535,145	3,244,177
Provision for employee benefits	6,248,623	6,745,114	6,495,427
Provision for losses on guarantees	1,476,918	1,557,351	1,511,412
Provision for losses on loan commitment	241,168	223,012	268,469
Provision for others	37,094	42,156	25,143
Other provision for insurance	<u>647,975</u>	<u>563,980</u>	<u>556,237</u>
	<u>\$ 35,630,960</u>	<u>\$ 38,262,395</u>	<u>\$ 38,652,564</u>

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

	September 30, 2021		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	\$ 11,986,078	\$ 5,181,634	\$ 17,167,712
Health insurance	852,113	-	852,113
Annuity insurance	-	8,537,043	8,537,043
Investment insurance	<u>35,719</u>	<u>-</u>	<u>35,719</u>
	12,873,910	13,718,677	26,592,587
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,873,910</u>	<u>\$ 13,718,677</u>	<u>\$ 26,592,587</u>

	<b>December 31, 2020</b>		
	<b>Financial Instruments with Discretionary Participation Features</b>		
	<b>Insurance Contracts</b>		<b>Total</b>
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>

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

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

	<b>For the Nine Months Ended September 30</b>					
	<b>2021</b>			<b>2020</b>		
	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>	<b>Insurance Contracts</b>	<b>Financial Instruments with Discretionary Participation Features</b>	<b>Total</b>
Balance at January 1	\$ 11,983,767	\$ 14,610,915	\$ 26,594,682	\$ 11,733,123	\$ 15,945,711	\$ 27,678,834
Provision	1,124,483	183,478	1,307,961	959,576	253,843	1,213,419
Recovery	<u>(234,340)</u>	<u>(1,075,716)</u>	<u>(1,310,056)</u>	<u>(969,417)</u>	<u>(1,372,070)</u>	<u>(2,341,487)</u>
Ending balance	12,873,910	13,718,677	26,592,587	11,723,282	14,827,484	26,550,766
Less: Ceded life insurance liability reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at September 30	<u>\$ 12,873,910</u>	<u>\$ 13,718,677</u>	<u>\$ 26,592,587</u>	<u>\$ 11,723,282</u>	<u>\$ 14,827,484</u>	<u>\$ 26,550,766</u>

- b. As of September 30, 2021, December 31, 2020 and September 30, 2020, total life policy reserve carrying amounts (including reserve of policyholders payables) were \$26,595,585 thousand, \$26,595,637 thousand and \$26,551,699 thousand, respectively.

c. Details of liability adequacy reserves are as follows:

<b>Insurance Contracts and Financial Instruments with Discretionary Participation Features</b>			
	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Life insurance liability reserve	\$ 26,592,587	\$ 26,594,682	\$ 26,550,766
Unearned premium reserve	338,400	308,331	310,973
Claims reserve	105,450	57,546	64,130
Premium deficiency reserve	<u>1,148</u>	<u>1,463</u>	<u>1,620</u>
Book value of insurance reserve	<u>\$ 27,037,585</u>	<u>\$ 26,962,022</u>	<u>\$ 26,927,489</u>
Present value of discounted cash flows	<u>\$ 24,599,746</u>	<u>\$ 24,398,215</u>	<u>\$ 24,251,446</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Company's reserves for insurance contracts satisfied the liability adequacy tests.

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

<b>September 30, 2021, December 31, 2020 and September 30, 2020</b>	
Test method	Total premium measurement method
Tested group	All insurance contracts as a whole
Assumptions	The discount rate assumption for every year was based on the best estimate scenario as well as the rate of return on investment with current information

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Life insurance	<u>\$ 383,597</u>	<u>\$ 2,535,145</u>	<u>\$ 3,244,177</u>
<b>For the Nine Months Ended September 30</b>			
		<b>2021</b>	<b>2020</b>
Balance at January 1		\$ 2,535,145	\$ 6,068,784
Insurance claim payments for the period		(2,164,471)	(2,884,893)
Reserve for insurance contracts with financial instrument features		<u>12,923</u>	<u>60,286</u>
Balance at September 30		<u>\$ 383,597</u>	<u>\$ 3,244,177</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 investments, BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI) uses cross-currency swaps and currency swaps to hedge exchange rate risks. BPCTLI maintains the hedging ratio at over 95%.

2) Reconciliation of the reserve for foreign exchange variation

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 196,640	\$ 230,520
Provisions		
Compulsory provisions	11,921	13,956
Additional provisions	<u>25,842</u>	<u>42,020</u>
	37,763	55,976
Recovery	<u>(31,426)</u>	<u>(106,982)</u>
Balance at September 30	<u>\$ 202,977</u>	<u>\$ 179,514</u>

3) Impact of the reserve for foreign exchange variation

For the nine months ended September 30, 2021

<b>Items</b>	<b>Amount Without Reserve</b>	<b>Amount With Reserve</b>	<b>Effect</b>
Net income	\$ 16,468,971	\$ 16,463,901	\$ (5,070)
Earnings per share (NT\$)	1.17	1.17	-
Reserve of foreign exchange variation	-	202,977	202,977
Equity	240,950,636	240,758,951	(191,685)

For the nine months ended September 30, 2020

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

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Reserve for life insurance liabilities, net	\$ (30,221)	\$ (188,577)	\$ (2,095)	\$ (1,128,068)
Reserve for insurance contract with financial instrument features, net	3,421	994	12,923	60,286
Others, net	<u>(5,778)</u>	<u>15,924</u>	<u>50,938</u>	<u>(20,872)</u>
	<u>\$ (32,578)</u>	<u>\$ (171,659)</u>	<u>\$ 61,766</u>	<u>\$ (1,088,654)</u>

g. Provisions for employee benefits are summarized below:

	September 30, 2021	December 31, 2020	September 30, 2020
Net defined benefit liabilities	\$ 2,388,384	\$ 2,773,207	\$ 2,639,188
Present value of retired employees' preferential interest deposit obligation	<u>3,860,239</u>	<u>3,971,907</u>	<u>3,856,239</u>
	<u>\$ 6,248,623</u>	<u>\$ 6,745,114</u>	<u>\$ 6,495,427</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	(44)	44	-	-	-	-
Credit-impaired financial assets	(5,894)	-	5,894	-	-	-
12-month ECL	6	(6)	-	-	-	-
Derecognition of financial assets in the current reporting period	(215,788)	(4)	(15,014)	(230,806)	-	(230,806)
Reversal from financial instruments recognized at the beginning of the current reporting period	(43,321)	591	128,409	85,679	-	85,679
New financial assets purchased or originated	211,816	31	-	211,847	-	211,847
Difference of impairment loss under regulations	-	-	-	-	(132,135)	(132,135)
Change in exchange rates and other changes	<u>(1,924)</u>	<u>-</u>	<u>-</u>	<u>(1,924)</u>	<u>-</u>	<u>(1,924)</u>
Balance at September 30, 2021	<u>\$ 908,787</u>	<u>\$ 13,340</u>	<u>\$ 176,077</u>	<u>\$ 1,098,204</u>	<u>\$ 656,976</u>	<u>\$ 1,755,180</u>

  

	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	\$ 899,338	\$ 104,032	\$ 75,588	\$ 1,078,958	\$ 618,313	\$ 1,697,271
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Credit-impaired financial assets	(944)	-	944	-	-	-
12-month ECL	11	(11)	-	-	-	-
Derecognition of financial assets in the current reporting period	(132,473)	(321)	(61,621)	(194,415)	-	(194,415)
Reversal from financial instruments recognized at the beginning of the current reporting period	(29,638)	(83,800)	98,543	(14,895)	-	(14,895)
New financial assets purchased or originated	202,165	-	194	202,359	-	202,359
Difference of impairment loss under regulations	-	-	-	-	118,263	118,263
Change in exchange rates and other changes	<u>(3,559)</u>	<u>-</u>	<u>-</u>	<u>(3,559)</u>	<u>-</u>	<u>(3,559)</u>
Balance at September 30, 2020	<u>\$ 934,900</u>	<u>\$ 19,900</u>	<u>\$ 113,648</u>	<u>\$ 1,068,448</u>	<u>\$ 736,576</u>	<u>\$ 1,805,024</u>



### 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 \$177,956 thousand and \$167,259 thousand in the consolidated statement of comprehensive income for the nine months ended September 30, 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 nine months ended September 30, 2021 and 2020, the pension expenses under defined benefit plan recognized in the consolidated statements of comprehensive income amounted to \$331,818 thousand and \$342,814 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 nine months ended September 30, 2021 and 2020, the employee preferential deposit expense under employee's preferential deposit plan recognized in the consolidated statements of comprehensive income amounted to \$538,797 thousand and \$532,887 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

	September 30, 2021	December 31, 2020	September 30, 2020
Structured products - host contracts	\$ 2,354,886	\$ 2,365,355	\$ 1,998,755
Guarantee deposits received	1,797,560	2,908,532	1,984,138
Appropriation for loans	39,365	32,743	37,126
Separate-account liabilities	<u>104,729,925</u>	<u>105,803,112</u>	<u>97,742,900</u>
	<u>\$ 108,921,736</u>	<u>\$ 111,109,742</u>	<u>\$ 101,762,919</u>

The status of the Company's investment-linked products - separate-account as of September 30, 2021, December 31, 2020 and September 30, 2020, are summarized as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Separate-account assets (part of other financial assets)			
Demand deposits	\$ 1,140,736	\$ 1,423,969	\$ 932,181
Financial assets at FVTPL	103,293,988	102,989,435	95,633,973
Other receivables			
General accounts receivables	-	935,500	792,665
Investment settlement receivables	<u>295,201</u>	<u>454,208</u>	<u>384,081</u>
	<u>295,201</u>	<u>1,389,708</u>	<u>1,176,746</u>
	<u>\$ 104,729,925</u>	<u>\$ 105,803,112</u>	<u>\$ 97,742,900</u>
Separate-account liabilities (part of other financial liabilities)			
Reserve for separate-account - insurance contract	\$ 104,417,667	\$ 79,033,405	\$ 73,706,667
Reserve for separate-account - investment contract	247,199	26,769,707	24,036,233
Other receivables			
General accounts receivables	<u>65,059</u>	<u>-</u>	<u>-</u>
	<u>\$ 104,729,925</u>	<u>\$ 105,803,112</u>	<u>\$ 97,742,900</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Separate-account revenue				
Premium income	\$ 994,860	\$ 1,122,774	\$ 2,969,351	\$ 3,559,868
Gain (loss) on financial assets at FVTPL	(1,579,429)	2,856,368	(273,419)	(4,981,254)
Interest revenue	227	252	873	1,077
Loss on foreign exchange	<u>(1,268,727)</u>	<u>(254,129)</u>	<u>(1,507,990)</u>	<u>(5,133,321)</u>
	<u>\$ (1,853,069)</u>	<u>\$ 3,725,265</u>	<u>\$ 1,188,815</u>	<u>\$ (6,553,630)</u>
Separate-account expense				
Insurance claims and benefits	\$ 1,683,666	\$ 1,494,204	\$ 4,752,630	\$ 4,353,218
Reserves for separate accounts, net of releases - insurance contract	(3,798,309)	1,957,535	(4,339,644)	(11,727,809)
Administrative expenses	<u>261,574</u>	<u>273,526</u>	<u>775,829</u>	<u>820,961</u>
	<u>\$ (1,853,069)</u>	<u>\$ 3,725,265</u>	<u>\$ 1,188,815</u>	<u>\$ (6,553,630)</u>

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

## 32. OTHER LIABILITIES

	September 30, 2021	December 31, 2020	September 30, 2020
Advance receipts	\$ 1,176,025	\$ 1,441,312	\$ 1,530,267
Others	<u>82,361</u>	<u>103,200</u>	<u>297,052</u>
	<u>\$ 1,258,386</u>	<u>\$ 1,544,512</u>	<u>\$ 1,827,319</u>

## 33. NET INTEREST

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Interest revenue				
From discounts and loans	\$ 9,553,984	\$ 9,384,659	\$ 28,261,160	\$ 30,609,221
From investments	2,302,440	2,370,433	6,991,814	7,585,730
From due from banks and call loans to other banks	236,688	312,164	769,885	1,216,051
Others	<u>307,842</u>	<u>392,230</u>	<u>984,076</u>	<u>872,885</u>
	<u>12,400,954</u>	<u>12,459,486</u>	<u>37,006,935</u>	<u>40,283,887</u>

(Continued)

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest expense				
From deposits	\$ (2,795,944)	\$ (3,387,316)	\$ (8,551,988)	\$ (12,108,697)
From due to the Central Bank and other banks	(150,442)	(179,516)	(455,112)	(1,028,494)
From issuing bonds payables	(258,822)	(236,122)	(753,626)	(704,059)
From deposits from the Central Bank and other banks	(48,965)	(54,167)	(136,080)	(259,397)
From securities sold under repurchase agreements	(27,353)	(36,233)	(82,670)	(146,100)
Others	<u>(24,520)</u>	<u>(35,564)</u>	<u>(67,279)</u>	<u>(97,194)</u>
	<u>(3,306,046)</u>	<u>(3,928,918)</u>	<u>(10,046,755)</u>	<u>(14,343,941)</u>
	<u>\$ 9,094,908</u>	<u>\$ 8,530,568</u>	<u>\$ 26,960,180</u>	<u>\$ 25,939,946</u>
				(Concluded)

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Service fee and commission revenues				
From trust business	\$ 594,609	\$ 550,212	\$ 1,778,538	\$ 1,550,736
From insurance service	249,637	151,091	634,578	536,455
From guarantee	258,659	257,994	782,629	764,617
From loans	257,771	331,267	724,049	845,035
From commission of investment-linked products	125,910	169,193	414,548	486,606
From credit cards	266,230	136,774	735,298	380,906
From brokerage service	373,674	223,273	1,047,442	528,425
From remittance	71,930	77,113	212,390	222,801
From cross-bank transactions	47,726	74,409	192,874	217,102
Management fee income	90,903	94,784	252,032	304,531
From management fees of investment-linked products	71,504	110,439	263,765	323,639
Others	<u>226,291</u>	<u>226,441</u>	<u>643,638</u>	<u>603,456</u>
	<u>2,634,844</u>	<u>2,402,990</u>	<u>7,681,781</u>	<u>6,764,309</u>
Service charge and commission expenses				
From cross-bank transactions	(72,656)	(88,977)	(241,679)	(256,900)
From insurance business	(40,217)	(100,119)	(111,847)	(235,060)
From credit cards	(72,598)	(67,597)	(202,629)	(199,905)
From credit cards acquiring	(172,446)	(30,787)	(457,239)	(101,188)
From custody	(23,151)	(21,823)	(68,367)	(62,181)
Others	<u>(157,134)</u>	<u>(77,728)</u>	<u>(305,430)</u>	<u>(178,028)</u>
	<u>(538,202)</u>	<u>(387,031)</u>	<u>(1,387,191)</u>	<u>(1,033,262)</u>
	<u>\$ 2,096,642</u>	<u>\$ 2,015,959</u>	<u>\$ 6,294,590</u>	<u>\$ 5,731,047</u>

### 35. PREMIUM INCOME, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Separate - account revenue (Note 31)	\$ (1,853,069)	\$ 3,725,265	\$ 1,188,815	\$ (6,553,630)
Premium income	<u>975,663</u>	<u>888,514</u>	<u>2,885,628</u>	<u>2,725,611</u>
	<u>(877,406)</u>	<u>4,613,779</u>	<u>4,074,443</u>	<u>(3,828,019)</u>
Separate - account expense (Note 31)	1,853,069	(3,725,265)	(1,188,815)	6,553,630
Insurance claims and benefits	(601,568)	(740,169)	(1,696,062)	(2,750,401)
Reinsurance premium ceded	(66,345)	(63,904)	(186,749)	(190,133)
Others	<u>(8,053)</u>	<u>(7,882)</u>	<u>(17,648)</u>	<u>(21,466)</u>
	<u>1,177,103</u>	<u>(4,537,220)</u>	<u>(3,089,274)</u>	<u>3,591,630</u>
	<u>\$ 299,697</u>	<u>\$ 76,559</u>	<u>\$ 985,169</u>	<u>\$ (236,389)</u>

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

	For the Three Months Ended September 30, 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	\$ 136,305	\$ 1,060,565	\$ (247,567)	\$ 54,009	\$ 1,003,312
Held-for-trading financial liabilities	<u>-</u>	<u>(953,284)</u>	<u>570,951</u>	<u>-</u>	<u>(382,333)</u>
	<u>\$ 136,305</u>	<u>\$ 107,281</u>	<u>\$ 323,384</u>	<u>\$ 54,009</u>	<u>\$ 620,979</u>
	For the Three Months Ended September 30, 2020				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 136,227	\$ 1,925,836	\$ (283,063)	\$ 63,138	\$ 1,842,138
Held-for-trading financial liabilities	<u>-</u>	<u>(3,099,004)</u>	<u>(52,379)</u>	<u>-</u>	<u>(3,151,383)</u>
	<u>\$ 136,227</u>	<u>\$ (1,173,168)</u>	<u>\$ (335,442)</u>	<u>\$ 63,138</u>	<u>\$ (1,309,245)</u>
	For the Nine Months Ended September 30, 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	\$ 380,165	\$ 3,543,856	\$ (418,583)	\$ 142,357	\$ 3,647,795
Held-for-trading financial liabilities	<u>-</u>	<u>(5,566,494)</u>	<u>3,392,854</u>	<u>-</u>	<u>(2,173,640)</u>
	<u>\$ 380,165</u>	<u>\$ (2,022,638)</u>	<u>\$ 2,974,271</u>	<u>\$ 142,357</u>	<u>\$ 1,474,155</u>

	For the Nine Months Ended September 30, 2020				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 409,125	\$ 4,893,768	\$ (1,006,777)	\$ 165,228	\$ 4,461,344
Held-for-trading financial liabilities	-	(8,190,457)	840,296	-	(7,350,161)
Financial liabilities designated as at fair value through profit or loss	<u>(145,326)</u>	<u>-</u>	<u>57,097</u>	<u>-</u>	<u>(88,229)</u>
	<u>\$ 263,799</u>	<u>\$ (3,296,689)</u>	<u>\$ (109,384)</u>	<u>\$ 165,228</u>	<u>\$ (2,977,046)</u>

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

#### a. Employee benefits expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Employee benefits expenses				
Salaries	\$ 2,407,745	\$ 2,238,046	\$ 6,881,235	\$ 6,667,101
Incentives	1,128,616	887,304	2,789,091	2,368,341
Excessive interest from preferential interest deposits	290,495	290,096	862,515	859,428
Post-employment benefits, termination benefits and compensation	176,188	174,911	530,953	522,175
Overtime	104,708	108,358	307,826	320,402
Others	<u>584,109</u>	<u>552,393</u>	<u>1,706,662</u>	<u>1,618,219</u>
	<u>\$ 4,691,861</u>	<u>\$ 4,251,108</u>	<u>\$ 13,078,282</u>	<u>\$ 12,355,666</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 compensation of employees and remuneration to directors) for the employees' compensation and directors' remuneration, respectively. However, the actual appropriation of the compensation and remuneration should be made only from the annual net income less any accumulated deficit. For the nine months ended September 30, 2021 and 2020, compensations of employees were estimated at \$2,748 thousand and \$2,065 thousand and the remuneration of directors were estimated at \$87,864 thousand and \$66,035 thousand, respectively, based on the amended Articles and past experiences.

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

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Depreciation expenses	\$ 511,852	\$ 488,172	\$ 1,520,071	\$ 1,448,950
Amortization expenses	<u>59,146</u>	<u>56,081</u>	<u>174,125</u>	<u>164,025</u>
	<u>\$ 570,998</u>	<u>\$ 544,253</u>	<u>\$ 1,694,196</u>	<u>\$ 1,612,975</u>

### 38. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current tax				
Current period	\$ 1,082,513	\$ 963,634	\$ 2,474,011	\$ 1,923,945
Additional income tax on unappropriated earnings	-	-	50,428	14,046
Land revaluation increment tax	869	1,179	1,048	4,378
Prior year's adjustments	<u>-</u>	<u>6,010</u>	<u>(4,862)</u>	<u>(145,843)</u>
	1,083,382	970,823	2,520,625	1,796,526
Deferred tax				
Current period	<u>65,801</u>	<u>(147,206)</u>	<u>524,268</u>	<u>401,586</u>
Income tax expense recognized in profit or loss	<u>\$ 1,149,183</u>	<u>\$ 823,617</u>	<u>\$ 3,044,893</u>	<u>\$ 2,198,112</u>

b. Income tax recognized in other comprehensive income

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>				
Recognized in other comprehensive income - items that may be reclassified subsequently to profit or loss				
Exchange differences on the translation of financial statements of foreign operations	\$ (48,003)	\$ (115,287)	\$ (141,584)	\$ (279,408)
Unrealized valuation loss on financial assets at fair value through other comprehensive income	(42,524)	52,836	(186,260)	176,475
Other comprehensive income on reclassification of overlay approach	<u>(568)</u>	<u>635</u>	<u>(2,353)</u>	<u>(2,196)</u>
Total income tax recognized in other comprehensive income	<u>\$ (91,095)</u>	<u>\$ (61,816)</u>	<u>\$ (330,197)</u>	<u>\$ (105,129)</u>

c. Deferred tax assets and liabilities

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
<u>Deferred tax assets</u>			
Temporary differences			
Financial instrument at fair value through other comprehensive income	\$ 42,440	\$ -	\$ -
Properties and equipment	8,055	8,538	8,699
Payable for annual leave	178,013	100,510	177,826
Employee's preferential interest deposit obligation	772,048	794,381	771,248
Other liabilities	5,783	5,783	5,783
Exchange differences on foreign operations	966,404	824,820	575,631
Allowance for possible losses	53,469	56,510	54,277
Collaterals assumed	-	-	372
Financial instruments at fair value through profit or loss	104,559	678,683	485,832
Pension liabilities	435	412	406
Accrued expense	-	2,921	-
Unrealized foreign exchange losses	260,801	198,626	173,267
Revenue from disposal of acquired loans	<u>192,379</u>	<u>160,511</u>	<u>170,279</u>
	<u>\$ 2,584,386</u>	<u>\$ 2,831,695</u>	<u>\$ 2,423,620</u>

(Continued)



	September 30, 2021	December 31, 2020	September 30, 2020
<u>Deferred tax liabilities</u>			
Temporary differences			
Financial instruments at fair value through profit or loss	\$ 1,513	\$ 184	\$ 135
Financial instruments at fair value through other comprehensive income	341,229	487,402	412,910
Intangible assets	428,614	428,614	428,614
The reserve for land revaluation increment tax	2,595,338	2,595,339	2,596,230
Defined benefit obligation	234,296	157,331	139,321
Investments accounted for using equity method	131,913	118,753	104,445
Collaterals assumed	-	-	466
Lease incentive	<u>2,859</u>	<u>1,377</u>	<u>-</u>
	<u>\$ 3,735,762</u>	<u>\$ 3,789,000</u>	<u>\$ 3,682,121</u>
			(Concluded)

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

TCFHC	TCB	CAM	TCBF	TCS	BPCTLI	TCSIT	TCVC
2016	2016	2016	2016	2016	2018	2016	2016

- 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 September 30, 2021</u>			
Basic earnings per share (EPS)	\$ 6,136,987	13,600,908	<u>\$ 0.45</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>130</u>	
Diluted EPS	<u>\$ 6,136,987</u>	<u>13,601,038</u>	<u>\$ 0.45</u>
			(Continued)

	<b>Net Income (Numerator)</b>	<b>Shares (Denominator in Thousands)</b>	<b>Earnings Per Share (NT\$)</b>
<u>For the three months ended September 30, 2020</u>			
Basic earnings per share (EPS)	\$ 4,207,098	13,600,908	<u>\$ 0.31</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>106</u>	
Diluted EPS	<u>\$ 4,207,098</u>	<u>13,601,014</u>	<u>\$ 0.31</u>
<u>For the nine months ended September 30, 2021</u>			
Basic earnings per share (EPS)	\$ 15,882,952	13,600,908	<u>\$ 1.17</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>172</u>	
Diluted EPS	<u>\$ 15,882,952</u>	<u>13,601,080</u>	<u>\$ 1.17</u>
<u>For the nine months ended September 30, 2020</u>			
Basic earnings per share (EPS)	\$ 11,959,627	13,600,908	<u>\$ 0.88</u>
Effect of dilutive common stock:			
Employees' compensation	<u>-</u>	<u>157</u>	
Diluted EPS	<u>\$ 11,959,627</u>	<u>13,601,065</u>	<u>\$ 0.88</u>

(Concluded)

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

	<b>Before Adjusted Retrospectively</b>		<b>After Adjusted Retrospectively</b>	
	<b>For the Three Months Ended September 30, 2020</b>	<b>For the Nine Months Ended September 30, 2020</b>	<b>For the Three Months Ended September 30, 2020</b>	<b>For the Nine Months Ended September 30, 2020</b>
Basic EPS (NT\$)	<u>\$ 0.32</u>	<u>\$ 0.90</u>	<u>\$ 0.31</u>	<u>\$ 0.88</u>
Diluted EPS (NT\$)	<u>\$ 0.32</u>	<u>\$ 0.90</u>	<u>\$ 0.31</u>	<u>\$ 0.88</u>

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

#### 40. EQUITY

##### a. Capital stock

###### Common stocks

	September 30, 2021	December 31, 2020	September 30, 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>13,600,908</u>	<u>13,334,224</u>	<u>13,334,224</u>
Common stocks issued	<u>\$ 136,009,082</u>	<u>\$ 133,342,237</u>	<u>\$ 133,342,237</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 change in registration is awaiting the approval of the MOEA.

On June 20, 2021, the stockholders of TCFHC resolved to issue 266,684 thousand shares, which included the 2020 earnings amounting to \$2,666,845 thousand. This issuance was approved by the FSC and the change in registration is awaiting the approval of the MOEA.

##### b. Capital surplus

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

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

The capital surplus as of September 30, 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
Share-based payment for the subscription for TCFHC's new shares by the employees of TCFHC and its subsidiaries	618,750
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	714
Unclaimed dividends	<u>11,067</u>
	71,472,605

#### 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>\$ 57,976,124</u>

#### c. Special reserve

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

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

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
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>(8)</u>	<u>-</u>
Balance on September 30	<u>\$ 995,661</u>	<u>\$ 996,026</u>

d. Appropriation of earnings

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

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

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

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

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

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

The appropriations from the earnings of 2020 and 2019 were approved in the stockholders' meeting on July 20, 2021 and June 24, 2020, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
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

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Balance on January 1	\$ 6,631,788	\$ 5,487,380
Attributable to non-controlling interests		
Net income	580,949	427,762
Exchange differences on the translation of financial statements of foreign operations	(15,838)	2,893
Unrealized losses on financial assets at FVTOCI	(244,167)	341,576
Other comprehensive income reclassification of overlay approach	(26,502)	88,493
Cash dividends distributed by subsidiary	<u>(188,819)</u>	<u>(154,749)</u>
Balance on September 30	<u>\$ 6,737,411</u>	<u>\$ 6,193,355</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

<b>Related Party</b>	<b>Relationship with the Company</b>
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.

(Continued)

<b>Related Party</b>	<b>Relationship with the Company</b>
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 ESG Retirement Growth Fund of Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Global Healthcare Multi-Asset Income 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.
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

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the nine months ended <u>September 30, 2021</u>				
Others	\$ 2,430,700	\$ 1,535,500	\$ 1,565	0.160-0.290
For the nine months ended <u>September 30, 2020</u>				
Others	\$ 1,300,000	\$ 1,300,000	\$ 160	0.260-0.500

2) Deposits from banks

	For the Nine Months Ended September 30			
	2021		2020	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Main management	\$ 291,604	\$ 905	\$ 316,434	\$ 1,790
Others				
Tamshui First Credit Bank	25,610,509	138,374	24,603,006	153,486
The Fifth Credit Cooperation of Taipei	6,895,749	33,218	6,701,976	7,305
Others	<u>14,782</u>	<u>-</u>	<u>34,765</u>	<u>14</u>
	<u>\$ 32,812,644</u>	<u>\$ 172,497</u>	<u>\$ 31,656,181</u>	<u>\$ 162,595</u>

3) Call loans from banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the six months ended September 30, 2021				
Others	<u>\$ 559,880</u>	<u>\$ -</u>	<u>\$ 3</u>	0.100-0.110

4) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the nine months ended September 30, 2021				
Main management	\$ 400,688	\$ 337,571	\$ 2,696	0.995-1.530
Others	<u>293,578</u>	<u>206,294</u>	<u>1,316</u>	0.100-1.990
	<u>\$ 694,266</u>	<u>\$ 543,865</u>	<u>\$ 4,012</u>	
For the nine months ended September 30, 2020				
Main management	\$ 344,047	\$ 254,102	\$ 2,233	0.995-1.560
Others	<u>1,121,153</u>	<u>149,022</u>	<u>1,335</u>	0.100-2.240
	<u>\$ 1,465,200</u>	<u>\$ 403,124</u>	<u>\$ 3,568</u>	

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



5) Deposits

	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
For the nine months ended <u>September 30, 2021</u>			
Associates	\$ 71,828	\$ 17	0-0.040
Main management	765,799	6,526	0-13.000
Others	<u>16,110,166</u>	<u>13,333</u>	0-13.000
	<u>\$ 16,947,793</u>	<u>\$ 19,876</u>	
For the nine months ended <u>September 30, 2020</u>			
Associates	\$ 98,433	\$ 89	0-0.640
Main management	681,734	7,851	0-13.000
Others	<u>15,406,194</u>	<u>25,700</u>	0-13.000
	<u>\$ 16,186,361</u>	<u>\$ 33,640</u>	
	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
6) Accrued income (part of receivables)			
Others	<u>\$ 33,900</u>	<u>\$ 32,487</u>	<u>\$ 30,048</u>
7) Accrued interests (part of receivables)			
Others	<u>\$ 64</u>	<u>\$ 4</u>	<u>\$ -</u>
8) Accrued dividend (part of receivables)			
Others	<u>\$ 7,587</u>	<u>\$ -</u>	<u>\$ -</u>
9) Receivable on securities (part of receivables)			
Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,683</u>
10) Payable on securities (part of payables)			
Others	<u>\$ 5,564</u>	<u>\$ 9,286</u>	<u>\$ -</u>

		<b>For the Nine Months Ended September 30</b>	
		<b>2021</b>	<b>2020</b>
11) Service fee income (part of service fee and commission income, net)			
Main management		\$ 504	\$ 302
Others		<u>270,445</u>	<u>321,796</u>
		<u>\$ 270,949</u>	<u>\$ 322,098</u>
12) Service charge (part of service fee and commission income, net)			
Main management		\$ 102	\$ 69
Others		<u>-</u>	<u>1</u>
		<u>\$ 102</u>	<u>\$ 70</u>
13) Other income (part of other noninterest gain, net)			
Others		<u>\$ 1,451</u>	<u>\$ 1,600</u>
14) Donation (part of other noninterest gain, net)			
Main management		\$ 2,000	\$ 2,000
Others		<u>900</u>	<u>-</u>
		<u>\$ 2,900</u>	<u>\$ 2,000</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.

15) Derivatives

<b>For the Nine Months Ended September 30, 2021</b>						
<b>Related Party</b>	<b>Type of Derivatives</b>	<b>Contract Period</b>	<b>Nominal Amounts</b>	<b>Valuation Gain (Loss)</b>	<b>Amounts on the Consolidated Balance Sheet</b>	
					<b>Account</b>	<b>Amounts</b>
Other - TCB ESG Retirement Aggressive Bond of Fund	Currency swap	2021.08.25-2021.11.26	US\$ 5,500	\$ (715)	Financial liabilities at fair value through profit or loss	\$ (715)
Other - TCB Global Healthcare Multi-Asset Income Fund	Currency swap	2021.08.11-2021.12.17	US\$ 21,000	4,949	Financial assets at fair value through profit or loss	4,949
	Currency swap	2021.08.05-2021.11.05	US\$ 12,000	(723)	Financial liabilities at fair value through profit or loss	(723)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2021.07.12-2021.10.18	US\$ 22,450	(2,968)	Financial liabilities at fair value through profit or loss	(2,968)
Other - TCB 2026 Maturity Senior Emerging Market Corporate Bond Fund	Currency swap	2021.06.08-2022.06.08	US\$ 1,150	331	Financial assets at fair value through profit or loss	331
Other - TCB 6 Year ESG Emerging Market Bond Fund	Currency swap	2021.09.30-2021.10.28	US\$ 28,500	2,169	Financial assets at fair value through profit or loss	2,169
	Currency swap	2021.07.28-2021.11.30	US\$ 30,050	(3,685)	Financial liabilities at fair value through profit or loss	(3,685)

(Continued)

For the Nine Months Ended September 30, 2021							
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet		
					Account	Amounts	
Other - TCB Fund of Emerging Markets Bond Fund	Currency swap	2021.08.31-2021.11.30	US\$ 2,200	\$ (260)	Financial liabilities at fair value through profit or loss	\$ (260)	
Other - TCB Global High Yield Bond Fund	Currency swap	2021.06.21-2021.11.29	US\$ 13,550	1,127	Financial assets at fair value through profit or loss	1,127	
	Currency swap	2020.12.31-2022.01.24	US\$ 7,230	(916)	Financial liabilities at fair value through profit or loss	(892)	
Other - TCB US Short Duration High Yield Bond Fund	Currency swap	2021.08.16-2021.12.13	US\$ 19,000	1,481	Financial assets at fair value through profit or loss	1,481	
	Currency swap	2021.07.19-2021.10.19	US\$ 5,300	(971)	Financial liabilities at fair value through profit or loss	(971)	
Other - TCB 2023 MAT Selective EM Bond Fund	Currency swap	2020.11.27-2021.11.29	US\$ 7,200	(4,369)	Financial liabilities at fair value through profit or loss	(7,559)	
							(Concluded)

(Concluded)

For the Nine Months Ended September 30, 2020						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet	
					Account	Amounts
Other - TCB Fund of Emerging Markets Bond Fund	Currency swap	2020.09.08-2020.11.30	US\$ 17,800	\$ (5,732)	Financial liabilities at fair value through profit or loss	\$ (5,732)
Other - TCB Global High Yield Bond Fund	Currency swap	2020.08.17-2020.11.30	US\$ 31,820	(9,778)	Financial liabilities at fair value through profit or loss	(9,778)
	Currency swap	2020.09.17-2020.10.21	US\$ 2,700	491	Financial assets at fair value through profit or loss	491
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2020.09.16-2020.11.30	US\$ 7,500	(1,956)	Financial liabilities at fair value through profit or loss	(1,956)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2020.09.11-2020.10.30	US\$ 36,500	(1,817)	Financial liabilities at fair value through profit or loss	(1,817)
	Currency swap	2020.09.21-2020.10.27	US\$ 10,300	1,902	Financial assets at fair value through profit or loss	1,902
Other - TCB 6 Year ESG Emerging Market Bond Fund	Currency swap	2020.09.17-2020.10.19	US\$ 14,000	1,768	Financial assets at fair value through profit or loss	1,768
Other - TCB 6 Year ESG Senior Emerging Market Bond Fund	Currency swap	2020.08.20-2020.10.20	US\$ 7,100	(3,874)	Financial liabilities at fair value through profit or loss	(3,874)
	Currency swap	2020.09.17-2020.10.29	US\$ 5,900	583	Financial assets at fair value through profit or loss	583
Other - TCB 2026 Maturity Senior Emerging Market Corporate Bond Fund	Currency swap	2020.09.14-2020.12.08	US\$ 4,550	(325)	Financial liabilities at fair value through profit or loss	(325)

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

For the Nine Months Ended September 30		
	2021	2020
Financial assets and liabilities at fair value through profit or loss		
Others	<u>\$ (116,460)</u>	<u>\$ 128,372</u>

## 16) Loans

### September 30, 2021

Type	Account Volume or Name	Highest Balance in the Nine Months Ended September 30, 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	98	\$ 264,849	\$ 211,512	\$ 211,512	\$ -	Note 2	None
Self-used housing mortgage loans	60	336,667	239,603	239,603	-	Land and buildings	None
Other loans	Tamshui First Credit Bank	92,750	92,750	92,750	-	Certificates of deposit	None

### September 30, 2020

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

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

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

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

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

##### a) Due from banks

	September 30, 2021	December 31, 2020	September 30, 2020
Subsidiary	<u>\$ 629,607</u>	<u>\$ 628,687</u>	<u>\$ 561,086</u>

##### b) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
<u>For the nine months ended September 30, 2021</u>				
Subsidiary	\$ 6,962,609	\$ 1,401,275	\$ 2,025	0.010-0.500
Sister companies	5,388,190	5,349,250	7,553	0.190-0.400
Others	<u>2,430,700</u>	<u>1,535,500</u>	<u>1,565</u>	0.160-0.290
	<u>\$ 14,781,499</u>	<u>\$ 8,286,025</u>	<u>\$ 11,143</u>	
<u>For the nine months ended September 30, 2020</u>				
Subsidiary	\$ 9,806,641	\$ 7,461,974	\$ 15,348	0.020-2.360
Sister companies	6,200,000	4,900,000	13,871	0.260-0.570
Others	<u>1,300,000</u>	<u>1,300,000</u>	<u>160</u>	0.260-0.500
	<u>\$ 17,306,641</u>	<u>\$ 13,661,974</u>	<u>\$ 29,379</u>	

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

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
<u>For the nine months ended September 30, 2021</u>				
Sister company TCS	\$ <u>286,140</u>	\$ <u>111,400</u>	\$ <u>401</u>	0.240-0.370
<u>For the nine months ended September 30, 2020</u>				
Sister company TCS	\$ <u>304,630</u>	\$ <u>289,900</u>	\$ <u>2,142</u>	0.340-2.480

d) Deposits from banks

	<b>For the Nine Months Ended September 30</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Ending Balance</b>	<b>Interest Expense</b>
Subsidiary	\$ 23	\$ -	\$ 24	\$ -
Main management	291,604	905	316,434	1,790
Others				
Tamshui First Credit Bank	25,610,509	138,374	24,603,006	153,486
The Fifth Credit Cooperation of Taipei	6,895,749	33,218	6,701,976	7,305
Others	<u>14,782</u>	<u>-</u>	<u>34,765</u>	<u>14</u>
	<u>\$ 32,812,667</u>	<u>\$ 172,497</u>	<u>\$ 31,656,205</u>	<u>\$ 162,595</u>

e) Call loans from banks

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
<u>For the nine months ended September 30, 2021</u>				
Subsidiary	\$ 523,963	\$ -	\$ 7	0.020-0.050
Others	<u>559,880</u>	<u>-</u>	<u>3</u>	0.100-0.110
	<u>\$ 1,083,843</u>	<u>\$ -</u>	<u>\$ 10</u>	

f) Loans

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
<u>For the nine months ended September 30, 2021</u>				
Subsidiary	\$ 6,090,935	\$ 4,172,512	\$ 20,872	0.900
Sister companies	1,000,000	-	-	-
Main management	400,688	337,571	2,696	0.995-1.530
Others	<u>293,578</u>	<u>206,294</u>	<u>1,316</u>	0.100-1.990
	<u>\$ 7,785,201</u>	<u>\$ 4,716,377</u>	<u>\$ 24,884</u>	
<u>For the nine months ended September 30, 2020</u>				
Sister companies	\$ 1,000,000	\$ -	\$ -	2.265
Main management	344,047	254,102	2,233	0.995-1.560
Others	<u>1,121,153</u>	<u>149,022</u>	<u>1,335</u>	0.100-2.240
	<u>\$ 2,465,200</u>	<u>\$ 403,124</u>	<u>\$ 3,568</u>	

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

	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
<u>For the nine months ended September 30, 2021</u>			
Parent company	\$ 138,413	\$ 14	0-0.040
Sister companies	3,149,430	2,522	0-1.035
Associates	71,828	17	0-0.040
Main management	765,799	6,526	0-13.000
Others	<u>16,110,166</u>	<u>13,333</u>	0-13.000
	<u>\$ 20,235,636</u>	<u>\$ 22,412</u>	
<u>For the nine months ended September 30, 2020</u>			
Parent company	\$ 87,951	\$ 65	0-0.040
Sister companies	6,486,569	4,298	0-1.065
Associates	98,433	89	0-0.640
Main management	681,734	7,851	0-13.000
Others	<u>15,406,194</u>	<u>25,700</u>	0-13.000
	<u>\$ 22,760,881</u>	<u>\$ 38,003</u>	

h) Receivable on securities (part of receivables)

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Sister company TCS	<u>\$ 262,456</u>	<u>\$ 16,849</u>	<u>\$ 884,721</u>

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Parent company	<u>\$ 2,097,250</u>	<u>\$ 2,100,191</u>	<u>\$ 2,211,764</u>

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Parent company	<u>\$ 565,158</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ 90	\$ 90
Sister companies		
BPCTLI	468,289	476,535
Others	34,208	32,170
Main management	504	302
Others	<u>17,806</u>	<u>17,134</u>
	<u>\$ 520,897</u>	<u>\$ 526,231</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:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Parent company	\$ 20,908	\$ 42,101	\$ 44,956
Sister companies			
TCS	137,852	179,478	125,351
TCBFC	13,205	28,610	22,008
Others	<u>20,941</u>	<u>41,424</u>	<u>42,964</u>
	<u>\$ 192,906</u>	<u>\$ 291,613</u>	<u>\$ 235,279</u>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ 18,036	\$ 18,036
Sister companies		
TCS	32,277	32,692
BPCTLI	9,637	10,367
Others	<u>15,291</u>	<u>16,300</u>
	<u><b>\$ 75,241</b></u>	<u><b>\$ 77,395</b></u>

m) Derivatives

Related Party	Type of Derivatives	Contract Period	<b>For the Nine Months Ended September 30, 2021</b>			
			Nominal Amounts	Valuation Gain (Loss)	<b>Amounts on the Balance Sheet</b>	
					Account	Amounts
Sister company - BPCTLI	Currency swap	2021.01.19- 2022.09.30	EUR 7,856	\$ (5,564)	Financial liabilities at fair value through profit or loss	\$ (5,564)
	Currency swap	2021.09.13- 2022.09.13	US\$ 61,712	8,443	Financial assets at fair value through profit or loss	8,443
	Currency swap	2021.01.11- 2022.03.31	US\$ 63,792	(8,994)	Financial liabilities at fair value through profit or loss	(8,994)
Other - TCB ESG Retirement Aggressive Bond of Fund	Currency swap	2021.08.25- 2021.11.26	US\$ 5,500	(715)	Financial liabilities at fair value through profit or loss	(715)
Other - TCB Global Healthcare Multi-Asset Income Fund	Currency swap	2021.08.11- 2021.12.17	US\$ 21,000	4,949	Financial assets at fair value through profit or loss	4,949
	Currency swap	2021.08.05- 2021.11.05	US\$ 12,000	(723)	Financial liabilities at fair value through profit or loss	(723)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2021.07.12- 2021.10.18	US\$ 22,450	(2,968)	Financial liabilities at fair value through profit or loss	(2,968)
Other - TCB 2026 Maturity Senior Emerging Market Corporate Bond Fund	Currency swap	2021.06.08- 2022.06.08	US\$ 1,150	331	Financial assets at fair value through profit or loss	331
Other - TCB 6 Year ESG Emerging Market Bond Fund	Currency swap	2021.09.30- 2021.10.28	US\$ 28,500	2,169	Financial assets at fair value through profit or loss	2,169
	Currency swap	2021.07.28- 2021.11.30	US\$ 30,050	(3,685)	Financial liabilities at fair value through profit or loss	(3,685)
Other - TCB Fund of Emerging Markets Bond Fund	Currency swap	2021.08.31- 2021.11.30	US\$ 2,200	(260)	Financial liabilities at fair value through profit or loss	(260)
Other - TCB Global High Yield Bond Fund	Currency swap	2021.06.21- 2021.11.29	US\$ 13,550	1,127	Financial assets at fair value through profit or loss	1,127
	Currency swap	2020.12.31- 2022.01.24	US\$ 7,230	(916)	Financial liabilities at fair value through profit or loss	(892)
Other - TCB U.S. Short Duration High Yield Bond Fund	Currency swap	2021.08.16- 2021.12.13	US\$ 19,000	1,481	Financial assets at fair value through profit or loss	1,481
	Currency swap	2021.07.19- 2021.10.19	US\$ 5,300	(971)	Financial liabilities at fair value through profit or loss	(971)
Other - TCB 2023 MAT Selective EM Bond Fund	Currency swap	2020.11.27- 2021.11.29	US\$ 7,200	(4,369)	Financial liabilities at fair value through profit or loss	(7,559)



For the Nine Months Ended September 30, 2020						
Related Party	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Sister company - BPCTLI	Currency swap	2020.09.08-2020.11.09	US\$123,367	\$ (22,765)	Financial liabilities at fair value through profit or loss	\$ (22,765)
	Currency swap	2020.09.10-2020.10.14	EUR 3,012	(1,603)	Financial liabilities at fair value through profit or loss	(1,603)
	Currency swap	2020.09.30-2020.10.30	EUR 4,844	979	Financial assets at fair value through profit or loss	979
Other - TCB Fund of Emerging Markets Bond Fund	Currency swap	2020.09.08-2020.11.30	US\$ 17,800	(5,732)	Financial liabilities at fair value through profit or loss	(5,732)
Other - TCB Global High Yield Bond Fund	Currency swap	2020.08.17-2020.11.30	US\$ 31,820	(9,778)	Financial liabilities at fair value through profit or loss	(9,778)
	Currency swap	2020.09.17-2020.10.21	US\$ 2,700	491	Financial assets at fair value through profit or loss	491
Other - TCB S&P U.S. Variable Rate Preferred Stock Index Fund	Currency swap	2020.09.16-2020.11.30	US\$ 7,500	(1,956)	Financial liabilities at fair value through profit or loss	(1,956)
Other - TCB 6 Year Emerging Market Bond Fund	Currency swap	2020.09.11-2020.10.30	US\$ 36,500	(1,817)	Financial liabilities at fair value through profit or loss	(1,817)
	Currency swap	2020.09.21-2020.10.27	US\$ 10,300	1,902	Financial assets at fair value through profit or loss	1,902
Other - TCB 6 Year ESG Emerging Market Bond Fund	Currency swap	2020.09.17-2020.10.19	US\$ 14,000	1,768	Financial assets at fair value through profit or loss	1,768
Other - TCB 6 Year ESG Senior Emerging Market Bond Fund	Currency swap	2020.08.20-2020.10.20	US\$ 7,100	(3,874)	Financial liabilities at fair value through profit or loss	(3,874)
	Currency swap	2020.09.17-2020.10.29	US\$ 5,900	583	Financial assets at fair value through profit or loss	583
Other - TCB 2026 Maturity Senior Emerging Market Corporate Bond Fund	Currency swap	2020.09.14-2020.12.08	US\$ 4,550	(325)	Financial liabilities at fair value through profit or loss	(325)

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

For the Nine Months Ended September 30		
	2021	2020
Financial assets and liabilities at fair value through profit or loss		
Sister companies		
BPCTLI	\$ (32,598)	\$ (169,482)
Others	<u>(116,460)</u>	<u>128,372</u>
	<u>\$ (149,058)</u>	<u>\$ (41,110)</u>

n) Loans

September 30, 2021

Type	Account Volume or Name	Highest Balance in the Period Ended September 30, 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	98	\$ 264,849	\$ 211,512	\$ 211,512	\$ -	Note 2	None
Self-used housing mortgage loans	60	336,667	239,603	239,603	-	Land and buildings	None
Other	TCS	1,000,000	-	-	-	Bonds	None
	UTB	6,090,935	4,172,512	4,172,512	-	None	None
	Tamshui First Credit Bank	92,750	92,750	92,750	-	Certificates of deposit	None

September 30, 2020

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

	September 30, 2021	December 31, 2020	September 30, 2020
Sister companies	<u>\$ 103,089</u>	<u>\$ 92,533</u>	<u>\$ 109,722</u>

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

	September 30, 2021	December 31, 2020	September 30, 2020
Sister companies	<u>\$ 444,197</u>	<u>\$ 473,856</u>	<u>\$ 2,386,070</u>

c) Settlement receivable (part of other current assets)

	September 30, 2021	December 31, 2020	September 30, 2020
Sister companies	<u>\$ 110,364</u>	<u>\$ 80,228</u>	<u>\$ 65,613</u>

d) Settlement payable (part of payables)

	September 30, 2021	December 31, 2020	September 30, 2020
Sister companies	\$ 261,234	\$ 16,849	\$ 892,242
Others	<u>5,564</u>	<u>15,187</u>	<u>-</u>
	<u>\$ 266,798</u>	<u>\$ 32,036</u>	<u>\$ 892,242</u>

e) TCS applied to TCB for call loans

For the Nine Months Ended September 30, 2021				
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies				
TCB	<u>\$ 285,050</u>	<u>\$ 111,400</u>	<u>\$ 402</u>	0.240-0.370
For the Nine Months Ended September 30, 2020				
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies				
TCB	<u>\$ 302,500</u>	<u>\$ 291,000</u>	<u>\$ 2,152</u>	0.340-2.480

f) Purchases and sales of securities

For the Nine Months Ended September 30, 2021				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Parent company	\$ 6,200,000	\$ -	\$ -	\$ -
For the Nine Months Ended September 30, 2020				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Parent company	\$ 4,400,000	\$ -	\$ -	\$ -

g) To settle security transactions, TCS applied to TCB for a guarantee of \$1,500,000 thousand for short-term loan and overdraft. As of September 30, 2021, December 31, 2020 and September 30, 2020, TCS had no borrowing and overdraft. The overdraft for the nine months ended September 30, 2021 and 2020 were as follows:

	For the Nine Months Ended September 30, 2021			
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
Sister companies	\$ 1,000,000	\$ -	\$ -	-

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

h) Lease agreements - TCS is lessee

i. Right-of-use assets, net

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Sister companies			
TCB	<u>\$ 132,292</u>	<u>\$ 163,190</u>	<u>\$ 119,933</u>

ii. Lease liabilities

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Sister companies	<u>\$ 134,490</u>	<u>\$ 164,752</u>	<u>\$ 121,347</u>

iii. Interest expense

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Sister companies	<u>\$ 2,016</u>	<u>\$ 1,448</u>

iv. Depreciation expense

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Sister companies	<u>\$ 30,905</u>	<u>\$ 30,827</u>

3) Taiwan Cooperative Bills Finance Corporation Ltd.

a) Cash in bank

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
<u>For the nine months ended September 30, 2021</u>				
Sister companies	<u>\$ 205,764</u>	<u>\$ 49,248</u>	<u>\$ 8</u>	0.010-0.815
<u>For the nine months ended September 30, 2020</u>				
Sister companies	<u>\$ 421,348</u>	<u>\$ 90,696</u>	<u>\$ 7</u>	0.010-0.815

b) Call loans from banks

	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
For the nine months ended <u>September 30, 2021</u>				
Sister companies	<u>\$ 5,388,190</u>	<u>\$ 5,349,250</u>	<u>\$ 7,553</u>	0.190-0.400
For the nine months ended <u>September 30, 2020</u>				
Sister companies	<u>\$ 6,200,000</u>	<u>\$ 4,900,000</u>	<u>\$ 13,871</u>	0.260-0.570

c) Securities sold under repurchase agreement

	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
For the nine months ended <u>September 30, 2021</u>			
Sister companies	<u>\$ 559,280</u>	<u>\$ 1,152</u>	0.190-0.230
For the nine months ended <u>September 30, 2020</u>			
Sister companies	<u>\$ 1,459,648</u>	<u>\$ 4,813</u>	0.270-0.570

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)

	<b>September 30, 2021</b>		<b>December 31, 2020</b>		<b>September 30, 2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Sister company TCB	<u>\$ 2,469,431</u>	<u>55</u>	<u>\$ 4,031,405</u>	<u>64</u>	<u>\$ 2,880,801</u>	<u>49</u>

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

	<b>For the Nine Months Ended September 30, 2021</b>		
	<b>Purchased Securities (Note)</b>	<b>Securities Purchased Under Resell Agreements</b>	
		<b>Amount</b>	<b>Rate (%)</b>
Sister company TCBF	\$ 5,947,256	\$ 559,280	0.190-0.230

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

Note: The amount includes securities purchased under resell agreements.

c) Payables

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Sister company	\$ 107,616	\$ 112,738	\$ 77,741
Associates	<u>-</u>	<u>-</u>	<u>1,899</u>
	<u><b>\$ 107,616</b></u>	<u><b>\$ 112,738</b></u>	<u><b>\$ 79,640</b></u>

d) Derivatives

For the nine months ended September 30, 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	2021.01.11-2022.03.31	US\$ 63,792	\$ 9,123	Financial assets at fair value through profit or loss	\$ 9,123
		2021.09.13-2022.09.13	US\$ 61,712	(8,655)	Financial liabilities at fair value through profit or loss	(8,655)
		2021.01.19-2022.09.30	EUR 7,856	5,709	Financial assets at fair value through profit or loss	5,709
	Associates - Banque Nationale De Paris, Taipei Branch (Note)	2019.06.28-2022.08.24	US\$ 40,230	5,923	Financial assets at fair value through profit or loss	61,309
		2021.06.11-2024.08.19	US\$ 63,030	(6,096)	Financial liabilities at fair value through profit or loss	(6,096)
		2021.02.19-2022.02.22	EUR 4,827	7,586	Financial assets at fair value through profit or loss	7,586

For the nine months ended September 30, 2020

Type of Derivatives	Related Party	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
Currency swap	Sister company TCB	2020.09.04-2020.11.09	US\$ 120,355	\$ 27,881	Financial assets at fair value through profit or loss	\$ 27,881
		2020.09.08-2020.10.14	EUR 3,012	1,815	Financial assets at fair value through profit or loss	1,815
		2020.09.28-2020.10.30	EUR 4,844	(616)	Financial liabilities at fair value through profit or loss	(616)
	Associates - Banque Nationale De Paris, Taipei Branch (Note)	2019.06.06-2022.08.24	US\$ 103,261	39,112	Financial assets at fair value through profit or loss	77,642
		2019.02.15-2021.02.19	EUR 4,827	(1,272)	Financial assets at fair value through profit or loss	4,908

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

For the nine months ended September 30, 2021 and 2020, the realized gains or losses on currency swaps with sister companies were \$32,598 thousand gains and \$170,665 thousand gains, respectively. Besides, the realized gains or losses on currency swaps with affiliates were \$125,715 thousand gains and \$99,979 thousand gains, respectively.

BPCTLI engaged in foreign exchange swaps with associates. Under these contracts, both parties should receive deposits (reported as other assets - refundable deposits other liabilities) depending on the value of the swaps. As of September 30, 2021, December 31, 2020 and September 30, 2020, BPCTLI had received deposits of \$62,959 thousand, \$119,693 thousand and \$44,298 thousand, respectively.

e) Operating expenses - insurance contract expenses

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Sister company		
TCB	<u>\$ 462,627</u>	<u>\$ 475,198</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.

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Management fee income		
Sister company	\$ -	\$ 598
Others	<u>251,600</u>	<u>304,039</u>
	<u>\$ 251,600</u>	<u>\$ 304,637</u>

d. Salaries, bonuses and remunerations to main management

The salaries, bonuses and remuneration of the directors and main management for the nine months ended September 30, 2021 and 2020, are summarized as follows:

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Salaries and other short-term employment benefits	\$ 150,161	\$ 129,314
Post-employment benefits	3,085	3,664
Interest arising from the employees' preferential rate in excess of normal rates	<u>1,289</u>	<u>1,416</u>
	<u>\$ 154,535</u>	<u>\$ 134,394</u>

## 42. PLEDGED ASSETS

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

	September 30, 2021	December 31, 2020	September 30, 2020
Collaterals for call loans of foreign currency	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000
Collaterals for domestic overdraft	31,490,000	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	1,290,300	1,297,500	1,276,200
Guarantee deposits for provisional collateral seizure for loan defaults and others	1,392,500	1,069,700	1,078,200
Guarantee deposits for the insurance operation	1,035,000	1,035,000	1,035,000
Collaterals for overdraft of domestic JPY settlement	500,000	500,000	500,000
Overseas branches' capital adequate reserve	363,482	366,740	378,353
Guarantee deposits for securities operation	355,000	355,000	355,000
Guarantee deposits for the bills finance business	293,900	293,900	293,900
Guarantee deposits for the trust business compensation reserve	290,000	280,000	280,000
Collaterals for overseas branch U.S. dollar settlement	46,045	42,628	45,717
Collateral for overseas branch KHR settlement	2,553	8,901	42,486
Overseas branches' guarantee deposits for operation	5,570	5,620	5,798
Guarantee deposits for the reaccommodations by CBC	30,000,000	-	-
Others	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>
	<u>\$ 118,154,350</u>	<u>\$ 87,744,989</u>	<u>\$ 87,780,654</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 September 30, 2021, December 31, 2020 and September 30, 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
September 30, 2021	<u>\$ 287,039</u>	<u>\$ 207,304</u>
December 31, 2020	<u>\$ 283,691</u>	<u>\$ 203,103</u>
September 30, 2020	<u>\$ 298,230</u>	<u>\$ 198,688</u>



- c. As of September 30, 2020, TCB had pledged \$75,000,000 thousand to deposit reserve account B in accordance with the Central Bank's project financing regulations in response to the epidemic.
- d. As of September 30, 2021, due to the KHR loans borrowed from the National Bank of Cambodia, up to US\$79,115 thousand in TCB's Phnom Penh Branch's due from the Central Bank were provided as collateral to the National Bank of Cambodia in accordance with the relevant regulations.

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

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

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

As of September 30, 2021, TCFHC's outstanding major construction and procurement contracts amounted to \$159,675 thousand, of which \$41,831 thousand was still unpaid.

- b. Taiwan Cooperative Bank, Ltd.

- 1) As of September 30, 2021, TCB's outstanding major construction and procurement contracts amounted to \$205,547 thousand, of which \$159,009 thousand was still unpaid.

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

- c. Taiwan Cooperative Bills Finance Cooperation Ltd.

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

	<b>September 30, 2021</b>
Guarantees of commercial paper	<u>\$ 34,370,700</u>
Purchase of reference-rate commercial paper	<u>\$ 6,731,000</u>

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

- 1) As of September 30, 2021, TCS's agreements on the acquisition of equipment and procurement contracts amounted to \$24,847 thousand, of which \$12,316 thousand was still unpaid.

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

TCS filed an appeal on April 13, 2016. On March 11, 2020, the court of second instance of the Taiwan High Court ruled in favor of TCS for all the litigation cases; and correspondingly the plaintiff has already filed an appeal to the court of third instance. On June 10, 2021, Supreme Court dismissed the appeal and thus the case was confirmed. TCS has already recognized a loss of \$2,435 thousand on the case.

#### 44. FINANCIAL INSTRUMENTS

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

	<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 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	\$ 725,631,717	\$ 730,862,146	\$ 728,266,474	\$ 735,468,885	\$ 579,697,490	\$ 584,734,648
<u>Financial liabilities</u>						
Bonds payable	81,100,000	82,349,077	71,600,000	73,279,402	68,200,000	69,990,389

Fair value hierarchy as at September 30, 2021, December 31, 2020 and September 30, 2020:

##### September 30, 2021

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 730,862,146	\$ 6,846,371	\$ 724,015,775	\$ -
<u>Financial liabilities</u>				
Bonds payable	82,349,077	-	82,349,077	-

##### December 31, 2020

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

September 30, 2020

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 584,734,648	\$ 10,166,846	\$ 574,567,802	\$ -
<u>Financial liabilities</u>				
Bonds payable	69,990,389	-	69,990,389	-

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 0.4563% and 0.6707%, between 0.4977% and 0.6913%, between 0.5288% and 0.7317% as of September 30, 2021, December 31, 2020 and September 30, 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 September 30, 2021, December 31, 2020 and September 30, 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:

	September 30, 2021	December 31, 2020	September 30, 2020
Discount for lack of marketability			
Increase 10%	\$ (1,246,897)	\$ (1,007,807)	\$ (893,817)
Decrease 10%	\$ 1,246,897	\$ 1,007,807	\$ 893,817
Discount for minority interest			
Increase 10%	\$ (26,588)	\$ (20,012)	\$ (235)
Decrease 10%	\$ 26,588	\$ 20,012	\$ 235

- c. The fair value hierarchy of the Company's financial instruments measured at fair value on a recurring basis as of September 30, 2021, December 31, 2020 and September 30, 2020 were as follows:

1) Fair value hierarchy

Financial Instruments Measured at Fair Value	September 30, 2021			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Equity instruments	\$ 3,525,295	\$ 2,263,836	\$ 1,053	\$ 1,260,406
Debt instruments	3,401,196	1,887,325	1,503,871	10,000
Others	97,490,148	5,099,253	92,298,491	92,404
Financial assets at FVTOCI				
Equity instruments	47,659,962	39,912,861	-	7,747,101
Debt instruments	409,331,063	35,497,667	373,833,396	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(624,053)	(623,986)	(67)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	1,348,462	503,653	844,809	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(1,030,637)	-	(1,030,637)	-

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	September 30, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Equity instruments	\$ 2,265,824	\$ 1,163,931	\$ 3,524	\$ 1,098,369
Debt instruments	4,967,427	2,265,509	2,691,918	10,000
Others	78,593,300	5,285,308	73,085,925	222,067
Financial assets at FVTOCI				
Equity instruments	20,137,494	14,221,040	-	5,916,454
Debt instruments	416,476,167	32,474,656	384,001,511	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(367,956)	(367,691)	(265)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	1,360,454	328,065	1,032,389	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(3,201,281)	-	(3,201,281)	-

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

<b>Financial Assets</b>	<b>Financial assets at FVTPL</b>	<b>Investment in Equity Instruments at FVTOCI</b>	<b>Total</b>
Balance at January 1, 2021	\$ 1,401,070	\$ 6,123,249	\$ 7,524,319
Recognized in profit	314,009	-	314,009
Recognized in OCI (investment in equity instruments at FVTOCI)	-	1,623,852	1,623,852
Purchases	163,643	-	163,643
Disposals	(474,283)	-	(474,283)
Transferred into Level 3	-	-	-
Transferred out of Level 3	<u>(41,629)</u>	<u>-</u>	<u>(41,629)</u>
Balance at September 30, 2021	<u>\$ 1,362,810</u>	<u>\$ 7,747,101</u>	<u>\$ 9,109,911</u>
Balance at January 1, 2020	\$ 976,177	\$ 5,416,359	\$ 6,392,536
Recognized in profit	239,978	-	239,978
Recognized in OCI (investment in equity instruments at FVTOCI)	-	500,095	500,095
Purchases	357,131	-	357,131
Disposals	(241,129)	-	(241,129)
Transferred into Level 3	34,279	-	34,279
Transferred out of Level 3	<u>(36,000)</u>	<u>-</u>	<u>(36,000)</u>
Balance at September 30, 2020	<u>\$ 1,330,436</u>	<u>\$ 5,916,454</u>	<u>\$ 7,246,890</u>

The change in unrealized gains for the nine months ended September 30, 2021 and 2020 included in profit or loss for assets held at the September 30, 2021 and 2020, respectively, was \$222,794 thousand and \$116,485 thousand.

For the nine months ended September 30, 2021 and 2020, the Company's emerging market stock whose original trading volume met the active standard were transferred into Level 3 because their subsequent transactions were not active or the stock ceased trading on the emerging market stock board; and the emerging market stock which originally did not meet the active standard were transferred out of Level 3 because their subsequent transactions were active or their non-publicly traded stock were transferred for listing on the emerging market stock board.

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

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

## 3) Market risk

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

TCFHC and its subsidiaries' risk management staff analyze and assess market risk position data, monitor market risks position and gains or losses, and periodically 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.

### 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 September 30, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	<b>Carrying Amount</b>
Financial assets that reference USD LIBOR	
Financial assets at FVTOCI	\$ 12,390,425
Discounts and loans	<u>106,694,236</u>
	<u>\$ 119,084,661</u>
Financial assets that reference JPY LIBOR	
Discounts and loans	<u>\$ 1,184,937</u>
Financial assets that reference EUR LIBOR	
Discounts and loans	<u>\$ 686,022</u>
Financial assets that reference GBP LIBOR	
Discounts and loans	<u>\$ 1,132,863</u>

#### 4) Liquidity risk

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

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



## Taiwan Cooperative Bank Ltd. and subsidiary

### 1) Risk management

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

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

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

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

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

### 2) Credit risk

#### a) Credit risk management policy

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

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

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

i. Loans business (including loan commitments and guarantees)

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

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

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

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

ii. Due from and call loans to other banks

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

iii. Investments in debt instruments and derivatives

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

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

b) Measurement of expected credit losses

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

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

Loans business

i) Quantitative benchmark

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

ii) Qualitative benchmark

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

Bonds and bills business

i) Quantitative benchmark

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

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

ii) Qualitative benchmark

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

ii. Definition of default and credit loss on financial assets

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

Loans business

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

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

#### Bonds and bills business

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

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

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

#### iii. Reversal policy

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

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

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

#### iv. Measurement of expected credit losses

##### Loans business

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

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

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

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

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

There is no significant change in the estimation method and assumptions used to calculate expected credit loss as of September 30, 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 September 30, 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:

<b>Probability of Default</b>	
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:

September 30, 2021

	<b>Gross Carrying Amount</b>	<b>Allowance for Possible Losses</b>	<b>Total Exposure Amount (Amortized Cost)</b>	<b>Fair Value of Collateral</b>
<u>Impaired financial assets</u>				
Receivables	\$ 375,210	\$ 189,520	\$ 185,690	\$ -
Discount and loans	37,733,174	4,060,328	33,672,846	93,054,379

December 31, 2020

	<b>Gross Carrying Amount</b>	<b>Allowance for Possible Losses</b>	<b>Total Exposure Amount (Amortized Cost)</b>	<b>Fair Value of Collateral</b>
<u>Impaired financial assets</u>				
Receivables	\$ 169,402	\$ 70,631	\$ 98,771	\$ -
Discount and loans	41,068,145	5,304,254	35,763,891	108,780,377

September 30, 2020

	<b>Gross Carrying Amount</b>	<b>Allowance for Possible Losses</b>	<b>Total Exposure Amount (Amortized Cost)</b>	<b>Fair Value of Collateral</b>
<u>Impaired financial assets</u>				
Receivables	\$ 174,457	\$ 72,493	\$ 101,964	\$ -
Discount and loans	42,245,669	6,190,071	36,055,598	105,538,512

The total amount of financial assets that have been written off but have recourse action by TCB and its subsidiary in September 30, 2021, December 31, 2020 and September 30, 2020 were \$8,309,425 thousand, \$7,793,168 thousand and \$7,628,648 thousand, respectively.

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

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

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

<b>Credit Risk Profile by Group or Industry</b>	<b>September 30, 2021</b>		<b>December 31, 2020</b>		<b>September 30, 2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Natural person	\$ 947,966,693	38	\$ 912,721,994	40	\$ 902,259,570	39
Manufacturing	433,994,090	18	415,971,331	18	417,987,511	18
Government agencies	254,520,806	10	154,683,988	7	172,784,482	7

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:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Financial assets at fair value through profit or loss - debt instrument	\$ 1,426,267	\$ 1,987,618	\$ 2,455,334



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

September 30, 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	\$ 277,388,019	\$ 39,670	\$ 1,249,139	\$ -	\$ 278,676,828
Allowance for possible losses	(723,114)	(57)	(176,077)	-	(899,248)
Difference of impairment loss under “Regulations Governing the Procedure for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	(430,742)	(430,742)
	<u>\$ 276,664,905</u>	<u>\$ 39,613</u>	<u>\$ 1,073,062</u>	<u>\$ (430,742)</u>	<u>\$ 277,346,838</u>

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

December 31, 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>

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

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

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

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

a) Credit quality analysis of discounts and loans

September 30, 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	\$ 2,446,928,634	\$ 6,007,900	\$ 37,733,174	\$ -	\$ 2,490,669,708
Allowance for possible losses	(3,926,342)	(92,219)	(4,060,328)	-	(8,078,889)
Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	(21,822,130)	(21,822,130)
	<u>\$ 2,443,002,292</u>	<u>\$ 5,915,681</u>	<u>\$ 33,672,846</u>	<u>\$ (21,822,130)</u>	<u>\$ 2,460,768,689</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>
September 30, 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	\$ 2,301,897,448	\$ 2,710,586	\$ 42,245,669	\$ -	\$ 2,346,853,703
Allowance for possible losses	(4,015,238)	(23,233)	(6,190,071)	-	(10,228,542)
Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	(18,222,278)	(18,222,278)
	<u>\$ 2,297,882,210</u>	<u>\$ 2,687,353</u>	<u>\$ 36,055,598</u>	<u>\$ (18,222,278)</u>	<u>\$ 2,318,402,883</u>

b) Credit quality analysis of receivables

September 30, 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	\$ 14,164,821	\$ 37,165	\$ 375,210	\$ 2,227,746	\$ -	\$ 16,804,942
Allowance for possible losses	(37,661)	(8,987)	(189,520)	(187,759)	-	(423,927)
Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	-	(168,137)	(168,137)
	<u>\$ 14,127,160</u>	<u>\$ 28,178</u>	<u>\$ 185,690</u>	<u>\$ 2,039,987</u>	<u>\$ (168,137)</u>	<u>\$ 16,212,878</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>

	September 30, 2020					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Credit Impairment by Using Simplified Method	Impairment Recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Receivables	\$ 15,422,302	\$ 42,266	\$ 174,457	\$ 3,759,638	\$ -	\$ 19,398,663
Allowance for possible losses	(49,598)	(11,250)	(72,493)	(493,156)	-	(626,497)
Impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	-	(136,819)	(136,819)
	<u>\$ 15,372,704</u>	<u>\$ 31,016</u>	<u>\$ 101,964</u>	<u>\$ 3,266,482</u>	<u>\$ (136,819)</u>	<u>\$ 18,635,347</u>

c) Credit quality analysis of securities

	September 30, 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI				
Gross carrying amount	\$ 352,824,408	\$ -	\$ -	\$ 352,824,408
Allowance for possible losses	(106,035)	-	-	(106,035)
Amortized cost	352,718,373	-	-	352,718,373
Fair value adjustments	5,407,229	-	-	5,407,229
	<u>\$ 358,125,602</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,125,602</u>
Investments in debt instruments at amortized cost	\$ 721,993,721	\$ -	\$ -	\$ 721,993,721
Allowance for possible losses	(46,253)	-	-	(46,253)
	<u>\$ 721,947,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 721,947,468</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>

	September 30, 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI				
Gross carrying amount	\$ 350,524,550	\$ -	\$ -	\$ 350,524,550
Allowance for possible losses	<u>(107,656)</u>	<u>-</u>	<u>-</u>	<u>(107,656)</u>
Amortized cost	350,416,894	-	-	350,416,894
Fair value adjustments	<u>9,778,893</u>	<u>-</u>	<u>-</u>	<u>9,778,893</u>
	<u>\$ 360,195,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,195,787</u>
Investments in debt instruments at amortized cost	\$ 575,724,540	\$ -	\$ -	\$ 575,724,540
Allowance for possible losses	<u>(47,579)</u>	<u>-</u>	<u>-</u>	<u>(47,579)</u>
	<u>\$ 575,676,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 575,676,961</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	24,541	-	-	24,541
Derecognition of financial assets in the current reporting period	(8,579)	-	-	(8,579)
Change in model or risk parameters	490	-	-	490
Changes in exchange rates and other changes	<u>(21,101)</u>	<u>-</u>	<u>-</u>	<u>(21,101)</u>
Balance at September 30, 2021	<u>\$ 106,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,035</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	37,552	-	-	37,552
Derecognition of financial assets in the current reporting period	(7,544)	-	-	(7,544)
Change in model or risk parameters	2,899	-	-	2,899
Changes in exchange rates and other changes	<u>(9,022)</u>	<u>-</u>	<u>-</u>	<u>(9,022)</u>
Balance at September 30, 2020	<u>\$ 107,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,656</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	4,545	-	-	4,545
Derecognition of financial assets in the current reporting period	(2,681)	-	-	(2,681)
Change in model or risk parameters	(179)	-	-	(179)
Changes in exchange rates and other changes	<u>(1,144)</u>	<u>-</u>	<u>-</u>	<u>(1,144)</u>
Balance at September 30, 2021	<u>\$ 46,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,253</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	5,433	-	-	5,433
Derecognition of financial assets in the current reporting period	(3,853)	-	-	(3,853)
Change in model or risk parameters	515	-	-	515
Changes in exchange rates and other changes	<u>(2,413)</u>	<u>-</u>	<u>-</u>	<u>(2,413)</u>
Balance at September 30, 2020	<u>\$ 47,579</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,579</u>

### 3) Market risks

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

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

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

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

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

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

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

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

Main Risk	Change Scenario	September 30, 2021	December 31, 2020	September 30, 2020
Interest rate risk	Interest rate curve increased 100 basis points	\$ (197,787)	\$ (132,255)	\$ (177,145)
	Interest rate curve fell 100 basis points	204,612	139,368	188,021
Exchange rate risk	USD/NT\$, EUR/NT\$ increased 3%	(299,514)	(153,007)	(159,178)
	USD/NT\$, EUR/NT\$ fell 3%	299,514	153,007	159,178
	Others (RMB, AUD etc.)/ NT\$ increased 5%	293,044	59,168	56,712
	Others (RMB, AUD etc.)/ NT\$ fell 5%	(293,044)	(59,168)	(56,712)
Equity security price risk	Equity security price increased by 15%	190,067	114,003	75,253
	Equity security price fell by 15%	(190,067)	(114,003)	(75,253)

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

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

Taiwan Cooperative Bank, Ltd.

	For the Nine Months Ended September 30			
	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	\$ 37,302,437	0.77	\$ 29,517,889	1.55
Due from the Central Bank	194,708,803	0.23	178,890,910	0.27
Call loans to banks and other financial assets - call loans to security firms	62,742,800	0.49	59,991,490	1.16
Financial assets mandatorily classified as at fair value through profit or loss	40,448,558	0.29	24,503,629	0.53
Financial assets at fair value through other comprehensive income	354,086,648	1.32	340,985,837	1.53
Investments in debt instruments at amortized cost	729,219,491	0.52	562,187,157	0.69
Discounts and loans	2,376,110,115	1.58	2,255,441,000	1.80
<u>Interest-bearing liabilities</u>				
Deposits from the Central Bank and other banks	251,764,485	0.25	238,233,567	0.62
Due to the Central Bank and other banks	62,733,398	0.10	5,051,040	0.10
Financial liabilities designated as at fair value through profit or loss	-	-	3,929,993	4.94
Securities sold under repurchase agreements	6,796,803	0.17	8,495,710	0.30
Demand deposits	740,400,217	0.06	590,702,425	0.09
Savings - demand deposits	1,056,757,724	0.18	940,646,344	0.21
Time deposits	698,548,400	0.52	672,250,806	1.05
Time savings deposits	605,792,000	0.80	621,327,235	0.92
Treasury deposits	120,536,818	0.44	117,735,066	0.54
Negotiable certificates of deposits	46,999,833	0.28	44,114,162	0.55
Structured products	2,839,532	0.55	1,334,425	0.52
Bank debentures	61,347,253	1.51	61,651,460	1.53
Lease liabilities	1,524,862	2.62	1,588,677	2.88



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

(In Thousands)

September 30, 2021			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
USD	\$ 13,913,467	27.8500	\$ 387,490,067
RMB	11,462,389	4.3010	49,299,736
AUD	1,728,614	20.0300	34,624,130
JPY	64,611,568	0.2491	16,094,741
EUR	469,810	32.3200	15,184,246
<u>Financial liabilities</u>			
USD	18,297,779	27.8500	509,593,155
RMB	9,856,313	4.3010	42,392,001
AUD	1,366,778	20.0300	27,376,561
JPY	53,439,415	0.2491	13,311,758
ZAR	3,841,615	1.8360	7,053,205
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
JPY	37,286,079	0.2725	10,160,457
EUR	509,433	34.5900	17,621,286
<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

	September 30, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
USD	\$ 14,067,206	28.9900	\$ 407,808,304
RMB	13,304,690	4.2540	56,598,152
AUD	1,581,390	20.6950	32,726,873
JPY	65,231,617	0.2744	17,899,556
EUR	490,513	34.0600	16,706,874
<u>Financial liabilities</u>			
USD	18,079,097	28.9900	524,113,017
RMB	10,717,007	4.2540	45,590,149
AUD	1,136,137	20.6950	23,512,360
JPY	41,254,261	0.2744	11,320,169
EUR	243,544	34.0600	8,295,102

#### 4) Liquidity risk

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

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

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

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

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

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

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

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

TCB's liquidity reserve ratios were 29.33% in September 2021, 32.20% in December 2020 and 28.39% in September 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.

September 30, 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	\$ 165,547,140	\$ 65,465,753	\$ 9,469,388	\$ 2,567,023	\$ -	\$ 243,049,304
Due to the Central Bank and other banks	-	-	62,328,860	18,278,430	-	80,607,290
Securities sold under repurchase agreements	2,855,350	2,202,719	1,000,671	40,000	736,207	6,834,947
Payables	30,773,148	1,690,940	4,523,103	4,325,060	3,131,807	44,444,058
Deposits and remittances	311,168,050	431,877,624	517,240,990	741,726,874	1,360,095,592	3,362,109,130
Bank debentures	-	-	-	11,650,000	49,450,000	61,100,000
Lease liabilities	65,626	168,893	147,828	263,010	1,417,187	2,062,544
Other items of cash outflow on maturity	2,838,132	175	210	972,876	38,492	3,849,885

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
Financial liabilities at fair value through profit or loss	-	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

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

In the above table, the maturity analysis of deposits and remittances by residual-maturity period was based on TCB and its subsidiary's historical experience. Assuming that all demand deposits as of September 30, 2021, December 31, 2020 and September 30, 2020 must be repaid soon, the capital expenditure will be increased by \$1,867,381,243 thousand, \$1,796,222,648 thousand and \$1,659,769,457 thousand, respectively, within 30 days of these balance sheet dates.

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

a) Derivative financial liabilities to be settled at net amounts

September 30, 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	\$ -	\$ 6	\$ -	\$ 20	\$ -	\$ 26
Interest	(1,488)	(519)	(1,392)	(2,577)	-	(5,976)

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)

September 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ 630	\$ 1,194	\$ 459	\$ 370	\$ -	\$ 2,653
Interest	(1,497)	(526)	(1,291)	(3,686)	(8,353)	(15,353)

b) Derivative financial liabilities to be settled at gross amounts

September 30, 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	\$ 43,786,724	\$ 36,570,517	\$ 51,798,524	\$ 15,414,494	\$ 300,928	\$ 147,871,187
Cash inflow	44,034,467	36,865,942	52,110,826	15,480,998	301,484	148,793,717
Interest derivatives						
Cash outflow	-	41,787	182,783	167,303	-	391,873
Cash inflow	-	41,525	27,834	166,080	-	235,439
Total cash outflow	43,786,724	36,612,304	51,981,307	15,581,797	300,928	148,263,060
Total cash inflow	44,034,467	36,907,467	52,138,660	15,647,078	301,484	149,029,156
Net cash flow	247,743	295,163	157,353	65,281	556	766,096

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

September 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 63,916,410	\$ 70,057,781	\$ 33,943,756	\$ 18,708,250	\$ -	\$ 186,626,197
Cash inflow	64,594,202	71,247,169	34,741,722	19,065,657	-	189,648,750
Interest derivatives						
Cash outflow	294,050	-	-	-	-	294,050
Cash inflow	290,070	-	-	-	-	290,070
Total cash outflow	64,210,460	70,057,781	33,943,756	18,708,250	-	186,920,247
Total cash inflow	64,884,272	71,247,169	34,741,722	19,065,657	-	189,938,820
Net cash flow	673,812	1,189,388	797,966	357,407	-	3,018,573

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

September 30, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 1,128,689	\$ 3,933,735	\$ 2,617,290	\$ 14,392,086	\$ 71,020,224	\$ 93,092,024
Irrevocable credit card commitments	505,568	623,486	999,144	2,391,765	55,369,922	59,889,885
Letters of credit issued yet unused	4,830,449	14,668,155	3,892,906	1,060,275	6,083,845	30,535,630
Other guarantees	7,414,960	12,714,000	4,786,104	12,921,741	57,322,484	95,159,289

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

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

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

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

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

1) Market risk

a) Market risk source and market risk factors

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

b) Market risk strategy and procedures

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

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

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

c) Market risk management framework

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

d) Market risk information

i. VaR (value at risk)

VaR measures "the worst expected loss over a target horizon with a given level of confidence and normal market environment." BPCTLI's worst expected losses for two weeks with a 99% confidence level were \$747,592 thousand, \$788,722 thousand and \$814,736 thousand as of September 30, 2021, December 31, 2020 and September 30, 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 September 30, 2021, December 31, 2020 and September 30, 2020 the fair values of financial assets would have decreased by \$20,320 thousand, \$22,259 thousand and \$22,236 thousand, respectively.

ii) Equity risk

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

Assuming all other indicators had been held constant and based on the asset condition of BPCTLI on September 30, 2021, December 31, 2020 and September 30, 2020, had the TAIEX fallen 1%, the fair value of the equity assets would have decreased by \$19,126 thousand, \$19,555 thousand and \$19,662 thousand, respectively.

iii) Foreign currency risk

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

BPCTLI's overseas financial instruments were primarily exposed to the U.S. dollar. Assuming all other factors had been held constant, no hedging had been involved, and had the U.S. dollar decreased by 1% for the nine months ended September 30, 2021, for the whole year ended December 31, 2020, and for the nine months ended September 30, 2020, the income before income tax would have decreased by \$135,545 thousand, \$148,870 thousand and \$182,087 thousand, respectively.

The table below shows the carrying value of financial assets and liabilities denominated in foreign currency as of September 30, 2021, December 31, 2020 and September 30, 2020.

September 30, 2021

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Savings accounts			
USD	\$ 18,350	27.858	\$ 511,199
EUR	1,461	32.320	47,226
AUD	1,671	20.065	33,530
Receivables			
USD	4,699	27.858	130,894
EUR	969	32.320	31,324
RMB	1,484	4.303	6,384
Financial assets at FVTPL			
USD	3,571	27.858	99,482
Financial assets at FVTOCI			
USD	461,967	27.858	12,869,475
EUR	50,881	32.320	1,644,472
RMB	132,092	4.303	568,394
			(Continued)

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
Financial assets at amortized cost			
EUR	\$ 9,687	32.320	\$ 313,085
USD	5,419	27.858	150,976

Financial liabilities

Guarantee deposits received			
USD	7,450	27.858	207,542 (Concluded)

December 31, 2020

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

Financial liabilities

Guarantee deposits received			
USD	5,460	28.097	153,410



September 30, 2020

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

### iii. Stress testing

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

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

Assuming the U.S. 10 year Treasury yield increased by 1% as of September 30, 2021, December 31, 2020 and September 30, 2020, the losses on financial assets of the BPCTLI would have been \$758,059 thousand, \$855,407 thousand and \$948,913 thousand, respectively.

## 2) Credit risk

### a) Credit risk definition and classifications

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

b) Credit risk strategy and procedures

BPCTLI controls credit risk as follows:

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

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

ii. Stress testing

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

iii. Credit risk reduction policy

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

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

iv. Credit analysis for bonds

	<b>September 30, 2021</b>		
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>%</b>
Domestic investment - government bonds (Note 1)	\$ 12,045,875	\$ 12,109,464	39
Domestic investment - corporate bonds and bank debentures (twAAA - twAA)	3,495,280	3,495,280	11
Overseas investment - government bonds	2,337,539	2,403,688	8
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	11,361,877	11,362,767	36
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	<u>1,846,987</u>	<u>1,846,987</u>	<u>6</u>
	<u>\$ 31,087,558</u>	<u>\$ 31,218,186</u>	<u>100</u>

	<b>December 31, 2020</b>		
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>%</b>
Domestic investment - government bonds (Note 1)	\$ 11,970,434	\$ 12,057,277	38
Domestic investment - corporate bonds and bank debentures (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>
	<b>September 30, 2020</b>		
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>%</b>
Domestic investment - government bonds (Note 1)	\$ 11,702,020	\$ 11,782,704	37
Domestic investment - corporate bonds and bank debentures (twAAA - twAA)	3,226,240	3,226,240	10
Overseas investment - government bonds	2,043,812	2,104,294	7
Overseas investment - corporate bonds and bank debentures (Aa2 - A3)	12,462,621	12,463,691	39
Overseas investment - corporate bonds and bank debentures (Baa1 - Ba1)	<u>2,150,202</u>	<u>2,150,202</u>	<u>7</u>
	<u>\$ 31,584,895</u>	<u>\$ 31,727,131</u>	<u>100</u>

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

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

### 3) Liquidity risk

#### a) Source and definition of liquidity risk

Liquidity risk refers to the BPCTLI's inability to realize assets or provide sufficient funds to pay matured liabilities.

#### b) Liquidity risk management strategy and principles

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

c) Maturity analysis

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

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

- ii. Maturity analysis of derivatives

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

<b>September 30, 2021</b>				
	<b>Within One Year</b>	<b>1 Year to 3 Years</b>	<b>3 Years to 5 Years</b>	<b>Over Five Years</b>
<u>Net settled</u>				
Currency swap contracts	\$ 218,912	\$ 9,513	\$ -	\$ -
Cross-currency swap contracts	-	-	15,133	-
	<u>\$ 218,912</u>	<u>\$ 9,513</u>	<u>\$ 15,133</u>	<u>\$ -</u>
<b>December 31, 2020</b>				
	<b>Within One Year</b>	<b>1 Year to 3 Years</b>	<b>3 Years to 5 Years</b>	<b>Over Five Years</b>
<u>Net settled</u>				
Currency swap contracts	\$ 190,829	\$ 146,945	\$ -	\$ -
Cross-currency swap contracts	-	-	6,210	-
	<u>\$ 190,829</u>	<u>\$ 146,945</u>	<u>\$ 6,210</u>	<u>\$ -</u>
<b>September 30, 2020</b>				
	<b>Within One Year</b>	<b>1 Year to 3 Years</b>	<b>3 Years to 5 Years</b>	<b>Over Five Years</b>
<u>Net settled</u>				
Currency swap contracts	\$ 112,397	\$ 44,798	\$ -	\$ -
Cross-currency swap contracts	-	-	(1,759)	-
	<u>\$ 112,397</u>	<u>\$ 44,798</u>	<u>\$ (1,759)</u>	<u>\$ -</u>

e. 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	\$ -
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	8,034	7,854	7,854	7,854	7,854	-
2012	12,366	20,155	21,177	21,070	21,111	21,112	21,112	21,112	21,113	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	-
2014	25,862	28,357	28,976	31,011	31,016	31,018	31,018	31,018	31,018	31,018	31,018	31,018	-
2015	35,899	42,080	42,346	42,353	42,361	42,381	42,383	42,383	42,383	42,383	42,383	42,383	-
2016	26,485	31,219	31,407	31,432	31,444	31,446	31,446	31,446	31,447	31,447	31,447	31,447	1
2017	53,250	63,055	58,484	58,652	58,556	58,563	58,565	58,565	58,566	58,566	58,566	58,566	10
2018	36,190	45,800	46,223	46,229	46,239	46,245	46,247	46,247	46,248	46,248	46,248	46,248	19
2019	52,386	68,948	69,286	71,004	71,014	71,022	71,023	71,023	71,024	71,024	71,024	71,024	1,738
2020	45,488	48,086	48,564	48,878	48,888	48,895	48,896	48,896	48,897	48,897	48,897	48,897	811
2021	61,204	76,624	77,238	79,028	79,041	79,050	79,052	79,052	79,053	79,053	79,053	79,053	17,849
Incurred but not reported													20,428
Reported but not paid													85,022
Balance of claim reserve													<u>\$ 105,450</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	\$ -
2011	4,170	7,263	7,786	7,854	7,854	8,034	8,034	8,034	7,854	7,854	7,854	7,854	-
2012	10,307	18,108	19,129	19,023	19,063	19,065	19,065	19,065	19,066	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	-
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	1
2015	31,538	37,711	37,977	37,985	37,992	38,012	38,013	38,014	38,014	38,014	38,014	38,014	1
2016	25,930	30,590	30,778	30,802	30,815	30,816	30,817	30,817	30,817	30,817	30,817	30,817	1
2017	51,121	58,887	56,315	56,484	56,387	56,395	56,396	56,396	56,397	56,397	56,397	56,397	10
2018	35,432	44,832	45,226	45,232	45,241	45,248	45,249	45,249	45,250	45,250	45,250	45,250	18
2019	47,585	62,159	62,501	63,597	63,607	63,615	63,616	63,617	63,617	63,617	63,617	63,617	1,116
2020	45,298	47,887	48,363	48,675	48,685	48,692	48,693	48,693	48,694	48,694	48,694	48,694	807
2021	57,033	69,567	70,171	71,391	71,404	71,413	71,415	71,415	71,416	71,416	71,416	71,416	14,383
Incurred but not reported													16,337
Reported but not paid													43,990
Balance of claim reserve													<u>\$ 60,327</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, and withdrawal rate. The results are as follows:

Insurance contracts and investment contracts with a discretionary participation feature.

September 30, 2021			
	Changes in the Assumptions	Impact on Income Before Income Tax	Impact on Equity
Discount rate	0.25%	\$ 48,534	\$ 38,827
Discount rate	(0.25%)	(48,643)	(38,914)
Mortality rate	10.00%	(21,959)	(17,567)
Mortality rate	(10.00%)	21,954	17,563
Withdrawal rate	30.00%	14,236	11,389
Withdrawal rate	(30.00%)	(14,122)	(11,297)
Illness rate/loss rate	15.00%	(16,683)	(13,346)
Expense rate	10.00%	(51,859)	(41,487)

<b>December 31, 2020</b>			
	<b>Changes in the Assumptions</b>	<b>Impact on Income Before Income Tax</b>	<b>Impact on Equity</b>
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)

  

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

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.

f. Transfers of financial assets

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

September 30, 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	\$ 34,848,657	\$ 35,138,757	\$ 34,848,657	\$ 35,138,757	\$ (290,100)
Financial assets at FVTOCI - securities sold under repurchase agreements	17,841,809	18,007,869	17,841,809	18,007,869	(166,060)



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)

September 30, 2020					
Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL - securities sold under repurchase agreements	\$ 32,681,415	\$ 32,662,850	\$ 32,681,415	\$ 32,662,850	\$ 18,565
Financial assets at FVTOCI - securities sold under repurchase agreements	21,645,322	22,192,413	21,645,322	22,192,413	(547,091)

g. Offsetting financial assets and financial liabilities

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

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

September 30, 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	\$ 761,811	\$ -	\$ 761,811	\$ (761,811)	\$ -	\$ -

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	\$ 53,146,626	\$ -	\$ 53,146,626	\$ (52,363,902)	\$ -	\$ 782,724

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

September 30, 2020

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Resell agreements	\$ 863,153	\$ -	\$ 863,153	\$ (863,153)	\$ -	\$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Repurchase agreements	\$ 54,855,263	\$ -	\$ 54,855,263	\$ (53,923,901)	\$ -	\$ 931,362

#### **45. CAPITAL MANAGEMENT**

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

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

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

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

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

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

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

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

b. Concentration of credit extensions

1) Taiwan Cooperative Bank, Ltd. (TCB)

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	September 30, 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	15.25
2	Group B Real estate development	33,393,799	13.48
3	Group C Computers and computing peripheral equipment manufacturing	13,764,000	5.56
4	Group D Financial lease	13,355,168	5.39
5	Group E Computers manufacturing	12,804,919	5.17
6	Group F Iron and steel smelting	12,180,133	4.92
7	Group G Petroleum and coal products manufacturing	11,386,959	4.60
8	Group H Wholesale of electronic equipment and parts	11,227,742	4.53
9	Group I Yarn spinning mills	10,047,350	4.06
10	Group J Shipping agency	9,301,790	3.76

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	September 30, 2020		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCB's Equity
1	Group A Railway transportation	\$ 37,773,193	15.91
2	Group B Real estate development	20,253,868	8.53
3	Group C Computers and computing peripheral equipment manufacturing	14,485,772	6.10
4	Group K Harbor services	12,596,357	5.31
5	Group G Petroleum and coal products manufacturing	11,921,577	5.02
6	Group L Harbor services	11,812,115	4.98
7	Group F Iron and steel smelting	10,903,510	4.59
8	Group M Real estate development	10,692,144	4.50
9	Group D Financial lease	10,610,411	4.47
10	Group J Shipping agency	9,744,762	4.10

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

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	September 30, 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	\$ 1,318,000	18.29
2	Group B Iron and steel rolls over extends and crowding	1,250,000	17.35
3	Group C Real estate development	1,170,000	16.24
4	Group D Wholesale of electronic equipment and parts	950,000	13.19
5	Group E Real estate development	950,000	13.19
6	Group F Real estate development	873,700	12.13
7	Group G Real estate development	798,200	11.08
8	Group H Real estate development	737,200	10.23
9	Group I Metropolitan automobile transportation enterprise	735,000	10.20
10	Group J Non-alcoholic beverages manufacturing	720,000	9.99

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	September 30, 2020		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of TCBF's Equity
1	Group A Iron and steel rolls over extends and crowding	\$ 1,299,000	17.94
2	Group K Other retail sale in nonspecialized stores	1,060,000	14.64
3	Group L Motor bus transportation	948,000	13.09
4	Group C Real estate development	940,000	12.98
5	Group E Real estate development	920,000	12.70
6	Group H Real estate development	858,400	11.85
7	Group F Real estate development	798,200	11.02
8	Group G Real estate development	798,200	11.02
9	Group M Sheet glass and glass products	784,000	10.83
10	Group N Shipping agency	700,000	9.67

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

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

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

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

**Interest Rate Sensitivity  
September 30, 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	\$ 2,796,858,891	\$ 117,849,567	\$ 78,308,736	\$ 353,211,486	\$ 3,346,228,680
Interest rate-sensitive liabilities	1,090,711,113	1,754,915,414	112,215,340	53,843,380	3,011,685,247
Interest rate sensitivity gap	1,706,147,778	(1,637,065,847)	(33,906,604)	299,368,106	334,543,433
Net worth					207,039,729
Ratio of interest rate-sensitive assets to liabilities					111.11
Ratio of interest rate sensitivity gap to net worth					161.58

**Interest Rate Sensitivity  
September 30, 2020**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,457,231,163	\$ 107,957,809	\$ 68,824,587	\$ 369,285,884	\$ 3,003,299,443
Interest rate-sensitive liabilities	990,910,077	1,564,610,409	97,818,801	60,746,902	2,714,086,189
Interest rate sensitivity gap	1,466,321,086	(1,456,652,600)	(28,994,214)	308,538,982	289,213,254
Net worth					201,433,562
Ratio of interest rate-sensitive assets to liabilities					110.66
Ratio of interest rate sensitivity gap to net worth					143.58

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

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

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

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

**Interest Rate Sensitivity  
September 30, 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	\$ 12,711,940	\$ 907,102	\$ 314,860	\$ 2,529,943	\$ 16,463,845
Interest rate-sensitive liabilities	15,809,203	2,322,044	2,757,799	-	20,889,046
Interest rate sensitivity gap	(3,097,263)	(1,414,942)	(2,442,939)	2,529,943	(4,425,201)
Net worth					1,457,848
Ratio of interest rate-sensitive assets to liabilities					78.82
Ratio of interest rate sensitivity gap to net worth					(303.54)



**Interest Rate Sensitivity**  
**September 30, 2020**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 15,415,780	\$ 1,028,273	\$ 335,795	\$ 2,186,025	\$ 18,965,873
Interest rate-sensitive liabilities	18,618,500	2,101,394	2,334,525	-	23,054,419
Interest rate sensitivity gap	(3,202,720)	(1,073,121)	(1,998,730)	2,186,025	(4,088,546)
Net worth					1,240,955
Ratio of interest rate-sensitive assets to liabilities					82.27
Ratio of interest rate sensitivity gap to net worth					(329.47)

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

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

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

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

d. Profitability

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

(%)

Items		September 30, 2021	September 30, 2020
Return on total assets	Before income tax	0.61	0.50
	After income tax	0.52	0.43
Return on equity	Before income tax	10.87	8.48
	After income tax	9.18	7.20
Net income ratio		39.62	32.49

2) Taiwan Cooperative Financial Holding Co., Ltd.

(%)

Items		September 30, 2021	September 30, 2020
Return on total assets	Before income tax	7.80	6.19
	After income tax	7.80	6.20
Return on equity	Before income tax	9.11	7.12
	After income tax	9.11	7.13
Net income ratio		98.77	98.52

3) Taiwan Cooperative Bank, Ltd.

(%)

Items		September 30, 2021	September 30, 2020
Return on total assets	Before income tax	0.56	0.46
	After income tax	0.48	0.39
Return on equity	Before income tax	9.17	7.22
	After income tax	7.77	6.14
Net income ratio		38.77	30.30

4) Taiwan Cooperative Bills Finance Corporation Ltd.

(%)

Items		September 30, 2021	September 30, 2020
Return on total assets	Before income tax	0.94	0.95
	After income tax	0.78	0.81
Return on equity	Before income tax	8.37	7.94
	After income tax	6.97	6.81
Net income ratio		64.73	63.24

5) Taiwan Cooperative Securities Co., Ltd.

(%)

Items		September 30, 2021	September 30, 2020
Return on total assets	Before income tax	2.86	2.70
	After income tax	2.50	2.48
Return on equity	Before income tax	15.31	13.19
	After income tax	13.38	12.16
Net income ratio		39.33	41.35

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

(%)

Items		September 30, 2021	September 30, 2020
Return on total assets	Before income tax	1.25	0.90
	After income tax	1.05	0.75
Return on equity	Before income tax	14.14	11.97
	After income tax	11.86	9.95
Net income ratio		61.15	55.99

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

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

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

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

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

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

**Maturity Analysis of Assets and Liabilities**  
**September 30, 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	\$ 3,664,978,089	\$ 428,164,953	\$ 420,822,510	\$ 177,897,101	\$ 239,929,971	\$ 430,458,327	\$ 1,967,705,227
Main capital outflow on maturity	4,289,808,013	242,010,356	208,146,288	502,430,128	627,474,604	797,288,570	1,912,458,067
Gap	(624,829,924)	186,154,597	212,676,222	(324,533,027)	(387,544,633)	(366,830,243)	55,247,160

**Maturity Analysis of Assets and Liabilities**  
**September 30, 2020**

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 3,311,989,383	\$ 351,890,200	\$ 352,840,117	\$ 198,703,837	\$ 207,473,401	\$ 359,421,500	\$ 1,841,660,328
Main capital outflow on maturity	3,879,918,261	215,981,717	200,194,163	474,698,930	489,114,169	671,414,749	1,828,514,533
Gap	(567,928,878)	135,908,483	152,645,954	(275,995,093)	(281,640,768)	(311,993,249)	13,145,795

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

**Maturity Analysis of Assets and Liabilities**  
**September 30, 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	\$ 25,178,434	\$ 7,310,440	\$ 5,124,709	\$ 3,412,634	\$ 1,856,760	\$ 7,473,891
Main capital outflow on maturity	29,562,351	7,717,215	5,200,548	5,007,559	7,327,191	4,309,838
Gap	(4,383,917)	(406,775)	(75,839)	(1,594,925)	(5,470,431)	3,164,053

**Maturity Analysis of Assets and Liabilities**  
**September 30, 2020**

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 26,632,315	\$ 9,983,554	\$ 4,497,599	\$ 2,245,383	\$ 1,448,136	\$ 8,457,643
Main capital outflow on maturity	31,436,540	11,753,932	5,005,753	4,265,681	6,099,262	4,311,912
Gap	(4,804,225)	(1,770,378)	(508,154)	(2,020,298)	(4,651,126)	4,145,731

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

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

September 30, 2021

Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Items						
Use of funds	Bills	\$ 24,830,738	\$ 20,612,762	\$ 1,305,388	\$ -	\$ -
	Bonds	-	-	400,000	1,100,000	16,056,210
	Cash in bank	326,665	-	-	-	200
	Total	25,157,403	20,612,762	1,705,388	1,100,000	16,056,410
Source of funds	Borrowings	16,995,470	-	-	-	-
	Securities sold under repurchase agreements	37,873,451	2,996,316	63,044	-	-
	Total	54,868,921	2,996,316	63,044	-	-
Net flows		(29,711,518)	17,616,446	1,642,344	1,100,000	16,056,410
Accumulated capital net flows		(29,711,518)	(12,095,072)	(10,452,728)	(9,352,728)	6,703,682

September 30, 2020

Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Items						
Use of funds	Bills	\$ 25,396,549	\$ 17,969,580	\$ 1,252,144	\$ -	\$ -
	Bonds	-	500,000	500,000	1,992,705	14,649,105
	Cash in bank	218,448	-	-	200	-
	Total	25,614,997	18,469,580	1,752,144	1,992,905	14,649,105
Source of funds	Borrowings	16,248,200	-	-	-	-
	Securities sold under repurchase agreements	37,567,003	2,241,645	13,025	-	-
	Total	53,815,203	2,241,645	13,025	-	-
Net flows		(28,200,206)	16,227,935	1,739,119	1,992,905	14,649,105
Accumulated capital net flows		(28,200,206)	(11,972,271)	(10,233,152)	(8,240,247)	6,408,858

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

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

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

##### Balance Sheets of Trust Accounts

Trust Assets	September 30, 2021	December 31, 2020	September 30, 2020	Trust Liabilities	September 30, 2021	December 31, 2020	September 30, 2020
Cash in banks	\$ 12,574,350	\$ 9,375,320	\$ 11,270,274	Payables			
Short-term investments				Accrued expense	\$ 896	\$ 885	\$ 691
Mutual funds	188,488,040	167,528,197	167,816,903	Others	9	15	19
Stocks	1,966,875	2,283,474	1,019,691	Payables on the purchase of securities			
Debt instruments	388	6,210,456	5,827,496		-	80,113	-
Structured products	-	-	66,967		905	81,013	710
	190,455,303	176,022,127	174,731,057	Accounts payable on securities under custody	196,753,381	166,841,784	176,773,247
Securities lending	267,328	225,168	169,571	Trust capital	303,276,452	274,507,930	273,311,955
Receivables	6,514	22,713	6,456	Reserves and retained earnings			
Real estate				Net income	824,772	439,554	143,075
Land	71,792,324	65,545,184	65,643,853	Retained earnings	23,188	(4,052)	1,478
Buildings	4,853	4,453	3,020		847,960	435,502	144,553
Construction in process	28,885,983	23,673,868	21,494,265				
	100,683,160	89,223,505	87,141,138				
Intangible assets							
Superficies	138,662	138,662	138,662				
Other assets	-	16,950	60				
Securities under custody	196,753,381	166,841,784	176,773,247				
Total	\$ 500,878,698	\$ 441,866,229	\$ 450,230,465	Total	\$ 500,878,698	\$ 441,866,229	\$ 450,230,465

Note: As of September 30, 2021, December 31, 2020 and September 30, 2020, total trust-related assets included OBU funds and bonds in the amount of \$1,472,287 thousand, \$1,471,276 thousand and \$1,485,816 thousand, respectively.

### Trust Property List

<b>Investment Items</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Cash in banks	\$ 12,574,350	\$ 9,375,320	\$ 11,270,274
Short-term investments			
Mutual funds	188,488,040	167,528,197	167,816,903
Stocks	1,966,875	2,283,474	1,019,691
Debt instruments	388	6,210,456	5,827,496
Structured products	-	-	66,967
Securities lending	267,328	225,168	169,571
Receivables			
Accrued interest	1,341	1,498	1,757
Cash dividends	4,347	703	2,819
Receivables on the sale of securities	-	17,276	-
Mutual funds	298	2,430	1,440
Others	528	806	440
Real estate			
Land	71,792,324	65,545,184	65,643,853
Buildings	4,853	4,453	3,020
Construction in process	28,885,983	23,673,868	21,494,265
Intangible assets			
Superficies	138,662	138,662	138,662
Other assets	-	16,950	60
Securities under custody	<u>196,753,381</u>	<u>166,841,784</u>	<u>176,773,247</u>
<b>Total</b>	<b><u>\$ 500,878,698</u></b>	<b><u>\$ 441,866,229</u></b>	<b><u>\$ 450,230,465</u></b>

**Statements of Income on Trust Accounts**  
**For the Nine Months Ended September 30, 2021 and 2020**

	2021	2020
Revenues		
Interest revenue	\$ 4,441	\$ 4,899
Lending stock	3,111	10,866
Cash dividends	57,262	37,115
Realized gain on investment - stocks	183,833	24,763
Unrealized gain on investment - stocks	529,979	170,709
Unrealized gain on investment - lending stock	82,584	27,906
Realized gain on investment - mutual funds	7,915	236
Unrealized gain on investment - mutual funds	63,803	22,345
Beneficial certificate appropriation	13,724	3,304
Others	<u>635</u>	<u>2,521</u>
Total revenues	<u>947,287</u>	<u>304,664</u>
Expenses		
Management fees	6,753	3,899
Monitoring fees	3	4
Taxes	8	21
Service charge	17	558
Postage	4	-
Realized loss on investment - stocks	11,676	3,290
Unrealized loss on investment - stocks	64,860	124,070
Unrealized loss on investment - lending stock	17,300	17,430
Realized loss on investment - mutual funds	2,973	2,617
Unrealized loss on investment - mutual funds	18,821	9,569
Others	<u>100</u>	<u>131</u>
Total expenses	<u>122,515</u>	<u>161,589</u>
Income before income tax	824,772	143,075
Income tax expense	<u>-</u>	<u>-</u>
Net income	<u><u>\$ 824,772</u></u>	<u><u>\$ 143,075</u></u>

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

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

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

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

As of September 30, 2021, December 31, 2020 and September 30, 2020, TCB's accrued receivables were \$21,089 thousand, \$13,179 thousand and \$6,794 thousand, respectively. TCB's revenues from cross-selling transactions were \$23,721 thousand and \$16,459 thousand for the nine months ended September 30, 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 September 30, 2021, December 31, 2020 and September 30, 2020, TCB's accrued receivables were \$2,074 thousand, \$2,369 thousand and \$2,379 thousand, respectively. TCB's revenues from cross-selling transactions were \$21,848 thousand and \$23,414 thousand for the nine months ended September 30, 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 \$415,962 thousand, \$377,104 thousand and \$377,140 thousand as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

##### b. Changes in liabilities arising from financing activities

For the nine months ended September 30, 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	\$ 43,488,680	\$ -	\$ -	\$ -	\$ 80,607,290
Commercial paper issued	31,801,343	(3,020,000)	-	-	1,161	28,782,504
Bonds payable	71,600,000	9,500,000	-	-	-	81,100,000
Other borrowings	815,302	(251,029)	-	-	(2,530)	561,743
Guarantee deposits received	2,908,532	(1,122,928)	-	-	11,956	1,797,560
Lease liabilities	1,649,746	(450,997)	354,545	-	(15,559)	1,537,735
Other liabilities - other	103,200	(21,405)	-	-	566	82,361
	<u>\$ 145,996,733</u>	<u>\$ 48,122,321</u>	<u>\$ 354,545</u>	<u>\$ -</u>	<u>\$ (4,406)</u>	<u>\$ 194,469,193</u>

For the nine months ended September 30, 2020

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

## 52. OTHER IMPORTANT MATTERS

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

## 53. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: TCFHC - none; TCB, UTB, TCBF, and BPCTLI - not applicable; investee company: Table 5 (attached).
- 2) Endorsements/guarantees provided: TCFHC - none; TCB, UTB, TCBF, and BPCTLI - not applicable; investee company: None.
- 3) Marketable securities held: TCFHC, TCB, UTB, TCBF, TCS and BPCTLI - not applicable; investee company: Table 6 (attached).
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (TCFHC, TCB and UTB disclosed its investments acquired or disposed of): TCS and BPCTLI - not applicable; TCFHC and investee company: None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: Table 7 (attached).
- 6) Disposal of individual real estates at costs of at least NT\$300 million or 10% of the paid-in capital: Table 8 (attached).



- 7) Financial asset securitization by subsidiaries: None.
  - 8) Allowance of service fees to related parties amounting to at least NT\$5 million: Table 9 (attached).
  - 9) Sale of nonperforming loans by subsidiaries: Table 10 (attached).
  - 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 11 (attached).
  - 11) Percentage share in investees and related information: Not applicable.
  - 12) Derivative transactions: Notes 8, 41 and 44 to the consolidated financial statements.
  - 13) Other significant transactions which may affect the decisions of users of financial reports: None.
- c. Investments in Mainland China:
- Based on “Regulations Governing Approvals of Banks to Engage, Ltd. in Financial Activities between the Taiwan Area and the Mainland Area,” Taiwan Cooperative Bank, Ltd. set up the Suzhou Branch, Tianjin Branch, Fuzhou Branch and Changsha Branch; Co-operative Assets Management Co., Ltd. set up Taiwan Cooperative International Leasing Co., Ltd. in Mainland China. This investment had been approved by the Financial Supervisory Commission. The information - major operating items, capital stock, the way of investment, investment inflows and outflows, the holding percentage, the investment income or loss, the carrying amount at period-end, the remitted investment profits and the limit on the amount of investment in Mainland China: Table 12 (attached)
- d. Business relationships and significant transactions among the parent company and subsidiaries: Table 13 (attached).
- e. Information on major shareholders: Table 14 (attached).

## 54. OPERATING SEGMENTS

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

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

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

The revenue, expenses and related information of the Company's reportable segments for the nine months ended September 30, 2021 and 2020 are as follows:

	<b>For the Nine Months Ended September 30, 2021</b>				
	<b>TCB Business</b>	<b>Others</b>	<b>Total</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
Net interest	\$ 26,069,542	\$ 887,176	\$ 26,956,718	\$ 3,462	\$ 26,960,180
Net revenues and gains other than interest	<u>10,699,128</u>	<u>20,371,438</u>	<u>31,070,566</u>	<u>(16,474,581)</u>	<u>14,595,985</u>
Net revenues	36,768,670	21,258,614	58,027,284	(16,471,119)	41,556,165
Bad-debt expenses and provision for losses on commitment and guarantees	(2,219,350)	(40,285)	(2,259,635)	-	(2,259,635)
Net change in reserves for insurance liabilities	-	(61,766)	(61,766)	-	(61,766)
Operating expenses	<u>(17,722,992)</u>	<u>(2,188,072)</u>	<u>(19,911,064)</u>	<u>185,094</u>	<u>(19,725,970)</u>
Income before income tax	<u>\$ 16,826,328</u>	<u>\$ 18,968,491</u>	<u>\$ 35,794,819</u>	<u>\$ (16,286,025)</u>	<u>\$ 19,508,794</u>
	<b>For the Nine Months Ended September 30, 2020</b>				
	<b>TCB Business</b>	<b>Others</b>	<b>Total</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
Net interest	\$ 25,087,325	\$ 849,021	\$ 25,936,346	\$ 3,600	\$ 25,939,946
Net revenues and gains other than interest	<u>10,213,764</u>	<u>14,544,357</u>	<u>24,758,121</u>	<u>(12,573,985)</u>	<u>12,184,136</u>
Net revenues	35,301,089	15,393,378	50,694,467	(12,570,385)	38,124,082
Bad-debt expenses and provision for losses on commitment and guarantees	(5,599,670)	(53,761)	(5,653,431)	-	(5,653,431)
Net change in reserves for insurance liabilities	-	1,088,654	1,088,654	-	1,088,654
Operating expenses	<u>(17,123,862)</u>	<u>(2,064,316)</u>	<u>(19,188,178)</u>	<u>214,374</u>	<u>(18,973,804)</u>
Income before income tax	<u>\$ 12,577,557</u>	<u>\$ 14,363,955</u>	<u>\$ 26,941,512</u>	<u>\$ (12,356,011)</u>	<u>\$ 14,585,501</u>

**TABLE 1**

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

**CONSOLIDATED ENTITIES**  
**SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020**

Subsidiaries included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				September 30, 2021	December 31, 2020	September 30, 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	Note
	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	Note
	Taiwan Cooperative Venture Capital Co., Ltd.	Taipei City	Venture capital	100.00	100.00	100.00	
Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	Belgium	Banking	90.02	90.02	90.02	
Co-operative Assets Management Co., Ltd.	Taiwan Cooperative International Leasing Co., Ltd.	Suzhou, China	Leasing	100.00	100.00	100.00	Note

Subsidiaries not included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership			Note
				September 30, 2021	December 31, 2020	September 30, 2020	
None	-	-	-	-	-	-	

Note: Non-major subsidiary, which financial reports for the nine months ended September 30, 2021 and 2020 are not reviewed.

**TABLE 2**

**TAIWAN COOPERATIVE BANK, LTD.**

**ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES**  
**SEPTEMBER 30, 2021 AND 2020**  
(In Thousands of New Taiwan Dollars, %)

Period			September 30, 2021					September 30, 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		\$ 3,343,539	\$ 834,449,070	0.40	\$ 9,600,474	287.14	\$ 5,918,363	\$ 780,621,540	0.76	\$ 9,077,684	153.38
	Unsecured		347,368	739,998,148	0.05	7,331,163	2,110.49	442,668	686,247,891	0.06	7,293,165	1,647.55
Consumer banking	Housing mortgage (Note 4)		652,179	581,848,275	0.11	8,768,639	1,344.51	803,614	546,152,572	0.15	8,259,309	1,027.77
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		49,194	12,847,973	0.38	240,889	489.67	11,201	12,734,084	0.09	213,555	1,906.57
	Other (Note 6)	Secured	735,916	304,729,444	0.24	3,603,242	489.63	812,115	300,792,291	0.27	3,276,740	403.48
		Unsecured	20,461	12,120,848	0.17	207,475	1,014.00	10,450	10,238,984	0.10	164,990	1,578.85
Loan			5,148,657	2,485,993,758	0.21	29,751,882	577.86	7,998,411	2,336,787,362	0.34	28,285,443	353.64
			Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Credit cards			5,736	4,332,591	0.13	56,998	993.69	5,996	4,299,874	0.14	59,625	994.41
Accounts receivable factored without recourse (Note 7)			-	165,638	-	8,345	-	-	198,652	-	8,529	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			225					442				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			2,877					4,010				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			9,523					8,745				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			49,546					45,797				

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

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

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

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

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

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

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

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

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

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

TCFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

## 1. TCFHC's financial statements

## Taiwan Cooperative Financial Holding Co., Ltd.

Balance Sheets  
(In Thousands of New Taiwan Dollars)

Assets	September 30, 2021	December 31, 2020	September 30, 2020	Liabilities and Equity	September 30, 2021	December 31, 2020	September 30, 2020
Cash and cash equivalents	\$ 138,413	\$ 48,444	\$ 87,750	<u>Liabilities</u>			
Financial assets at fair value through other comprehensive income	16,150	20,075	22,150	Commercial paper issued, net	\$ 17,794,975	\$ 24,622,924	\$ 28,900,625
Receivables	136	136	141	Payables	399,340	347,777	299,964
Current tax assets	2,704,296	2,064,770	2,132,233	Current tax liabilities	2,803,759	2,110,323	2,211,764
Investments accounted for using equity method	272,151,810	265,989,373	260,665,871	Bonds payable	20,000,000	10,000,000	5,700,000
Properties and equipment, net	14,519	11,841	12,211	Other financial liabilities	4,685	3,904	3,934
Right-of-use assets, net	21,665	39,685	45,691	Lease liabilities	22,452	40,730	46,742
Intangible assets	3,660	3,274	217	Other liabilities	<u>12,241</u>	<u>10,845</u>	<u>11,997</u>
Deferred tax assets	288	369	324	Total liabilities	<u>41,037,452</u>	<u>37,136,503</u>	<u>37,175,026</u>
Other assets	<u>8,055</u>	<u>8,305</u>	<u>8,357</u>	<u>Equity</u>			
				Capital stock	136,009,082	133,342,237	133,342,237
				Capital surplus	57,976,124	57,974,241	57,974,241
				Retained earnings	31,450,341	27,367,215	23,181,349
				Other equity	<u>8,585,993</u>	<u>12,366,076</u>	<u>11,302,092</u>
				Total equity	<u>234,021,540</u>	<u>231,049,769</u>	<u>225,799,919</u>
Total	<u>\$ 275,058,992</u>	<u>\$ 268,186,272</u>	<u>\$ 262,974,945</u>	Total	<u>\$ 275,058,992</u>	<u>\$ 268,186,272</u>	<u>\$ 262,974,945</u>

(Continued)

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

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Revenues and gains				
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	\$ 6,253,709	\$ 4,305,489	\$ 16,175,567	\$ 12,238,868
Other revenues and gains	<u>216</u>	<u>1,340</u>	<u>1,914</u>	<u>4,978</u>
Total revenues and gains	<u>6,253,925</u>	<u>4,306,829</u>	<u>16,177,481</u>	<u>12,243,846</u>
Expenses and losses				
Operating expenses	81,217	71,917	194,483	199,908
Other expenses and losses	<u>35,721</u>	<u>28,082</u>	<u>97,007</u>	<u>104,299</u>
Total expenses and losses	<u>116,938</u>	<u>99,999</u>	<u>291,490</u>	<u>304,207</u>
Income before income tax	6,136,987	4,206,830	15,885,991	11,939,639
Income tax benefit (expense)	<u>-</u>	<u>268</u>	<u>(3,039)</u>	<u>19,988</u>
Net income	6,136,987	4,207,098	15,882,952	11,959,627
Other comprehensive income (loss)	<u>(2,397,136)</u>	<u>136,937</u>	<u>(1,578,974)</u>	<u>3,423,239</u>
Total comprehensive income	<u>\$ 3,739,851</u>	<u>\$ 4,344,035</u>	<u>\$ 14,303,978</u>	<u>\$ 15,382,866</u>
Earnings per share (New Taiwan dollars)				
Basic	<u>\$0.45</u>	<u>\$0.31</u>	<u>\$1.17</u>	<u>\$0.88</u>
Diluted	<u>\$0.45</u>	<u>\$0.31</u>	<u>\$1.17</u>	<u>\$0.88</u>

(Continued)

Taiwan Cooperative Financial Holding Co., Ltd.

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

	Other Equity										
							Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Other Comprehensive Income on Reclassification of Overlay Approach	Total Equity
	Capital Stock			Retained Earnings							
	Shares (In Thousands)	Common Stock	Capital Surplus	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	\$ 231,049,769
Reversal of special reserve	-	-	-	-	(8)	8	-	-	-	-	-
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	714	-	-	-	-	-	-	-	714
Appropriation of the 2020 earnings	-	-	1,169	-	-	-	-	-	-	-	1,169
Legal reserve	-	-	-	1,637,932	-	(1,637,932)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(11,334,090)	-	-	-	-	(11,334,090)
Stock dividends	-	-	-	-	-	-	-	-	-	-	-
Transfer of changes in the fair value attributable to changes in the credit risk of financial liabilities designed as at fair value through profit or loss upon derecognition	266,684	2,666,845	-	-	-	(2,666,845)	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	2,201,109	-	(2,201,109)	-	-	-
Total comprehensive income											
Net income for the nine months ended September 30, 2021	-	-	-	-	-	15,882,952	-	-	-	-	15,882,952
Other comprehensive income for the nine months ended September 30, 2021	-	-	-	-	-	-	(566,333)	(985,057)	-	(27,584)	(1,578,974)
Total comprehensive income for the nine months ended September 30, 2021	-	-	-	-	-	15,882,952	(566,333)	(985,057)	-	(27,584)	14,303,978
BALANCE AT SEPTEMBER 30, 2021	13,600,908	\$ 136,009,082	\$ 57,976,124	\$ 11,260,796	\$ 995,661	\$ 19,193,884	\$ (3,923,536)	\$ 11,857,481	\$ -	\$ 652,048	\$ 234,021,540
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
Unclaimed dividends	-	-	1,100	-	-	-	-	-	-	-	1,100
Appropriation of the 2019 earnings											
Legal reserve	-	-	-	1,695,232	-	(1,695,232)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(11,003,971)	-	-	-	-	(11,003,971)
Stock dividends	388,376	3,883,754	-	-	-	(3,883,754)	-	-	-	-	-
Transfer of changes in the fair value attributable to changes in the credit risk of financial liabilities designed as at fair value through profit or loss upon derecognition	-	-	-	-	-	301	-	-	(301)	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	233,170	-	(233,170)	-	-	-
Total comprehensive income											
Net income for the nine months ended September 30, 2020	-	-	-	-	-	11,959,627	-	-	-	-	11,959,627
Other comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	-	(1,117,631)	4,449,432	(669)	92,107	3,423,239
Total comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	11,959,627	(1,117,631)	4,449,432	(669)	92,107	15,382,866
BALANCE AT SEPTEMBER 30, 2020	13,334,224	\$ 133,342,237	\$ 57,974,241	\$ 9,622,864	\$ 996,026	\$ 12,562,459	\$ (2,360,449)	\$ 13,216,533	\$ -	\$ 446,008	\$ 225,799,919

(Continued)

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

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Cash flows from operating activities		
Income before income tax	\$ 15,885,991	\$ 11,939,639
Adjustments for:		
Share of gains of subsidiaries, associates and joint ventures accounted for using equity method	(16,175,567)	(12,238,868)
Depreciation and amortization expenses	21,431	19,825
Interest expense	97,007	104,299
Interest revenue	(509)	(2,489)
Net changes in operating assets and liabilities		
Decrease in receivables	-	7
Decrease (increase) in other assets	250	(218)
Increase (decrease) in payables	30,321	(88)
Increase in other liabilities	<u>1,396</u>	<u>1,901</u>
Cash used in operations	(139,680)	(175,992)
Interest received	509	2,489
Dividends received	8,438,795	3,837,418
Interest paid	(71,938)	(79,483)
Income tax refunded	<u>50,952</u>	<u>85,258</u>
Net cash generated from operating activities	<u>8,278,638</u>	<u>3,669,690</u>
Cash flows from investing activities		
Acquisition of properties and equipment	(5,538)	(7,588)
Acquisition of intangible assets	<u>(937)</u>	<u>-</u>
Net cash used in investing activities	<u>(6,475)</u>	<u>(7,588)</u>
Cash flows from financing activities		
Increase in commercial paper issued	-	1,700,000
Decrease in commercial paper issued	(6,830,000)	-
Proceeds from the issuance of corporate bonds	10,000,000	5,700,000
Increase in guarantee deposits received	781	1,069
Repayments of the principal portion of lease liabilities	(18,885)	(18,885)
Dividends paid	<u>(11,334,090)</u>	<u>(11,003,971)</u>
Net cash used in financing activities	<u>(8,182,194)</u>	<u>(3,621,787)</u>
Net increase in cash and cash equivalents	89,969	40,315
Cash and cash equivalents, beginning of the period	<u>48,444</u>	<u>47,435</u>
Cash and cash equivalents, end of the period	<u>\$ 138,413</u>	<u>\$ 87,750</u>

(Continued)



2. Subsidiaries' condensed balance sheets

**Taiwan Cooperative Bank, Ltd.**

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

<b>Assets</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>	<b>Liabilities and Equity</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Cash and cash equivalents	\$ 63,734,532	\$ 48,772,704	\$ 53,324,631	<u>Liabilities</u>			
Due from the Central Bank and call loans to other banks	288,401,131	384,321,287	327,533,898	Deposits from the Central Bank and other banks	\$ 241,544,295	\$ 223,658,360	\$ 241,090,545
Financial assets at fair value through profit or loss	49,278,073	22,292,683	32,440,417	Due to the Central Bank and other banks	80,607,290	37,118,610	18,529,930
Financial assets at fair value through other comprehensive income	404,288,790	375,773,466	379,499,255	Financial liabilities at fair value through profit or loss	1,024,895	4,347,280	3,178,300
Investments in debt instruments at amortized cost	721,389,079	723,209,819	574,891,137	Securities sold under repurchase agreements	6,834,947	6,332,308	7,179,436
Receivables, net	16,180,709	16,182,383	18,598,398	Payables	44,905,265	30,558,247	47,240,082
Current tax assets	2,198,226	2,190,949	2,325,735	Current tax liabilities	1,175,438	769,403	653,796
Discounts and loans, net	2,455,771,762	2,264,446,500	2,308,082,813	Deposits and remittances	3,361,378,767	3,271,783,532	3,126,418,272
Investments accounted for using equity method	2,204,682	2,278,968	2,221,304	Bank debentures	61,100,000	61,600,000	62,500,000
Other financial assets, net	11,495,291	8,376,494	13,144,935	Other financial liabilities	3,849,885	5,031,105	3,845,532
Properties and equipment, net	32,924,860	33,178,687	33,409,742	Provisions	7,578,613	8,165,092	7,913,135
Right-of-use assets, net	1,537,886	1,668,222	1,546,566	Lease liabilities	1,509,154	1,612,664	1,510,080
Investment properties, net	7,539,327	7,570,720	7,423,619	Deferred tax liabilities	3,417,759	3,430,126	3,368,650
Intangible assets	3,770,058	3,799,294	3,785,266	Other liabilities	<u>1,030,989</u>	<u>1,066,211</u>	<u>1,118,905</u>
Deferred tax assets	2,002,948	2,376,561	1,993,524	Total liabilities	<u>3,815,957,297</u>	<u>3,655,472,938</u>	<u>3,524,546,663</u>
Other assets, net	<u>880,739</u>	<u>825,352</u>	<u>1,734,270</u>	<u>Equity</u>			
				Capital stock	107,339,300	104,507,300	104,507,300
				Capital surplus	58,767,245	58,767,245	58,767,245
				Retained earnings	74,344,543	68,151,447	64,383,129
				Other equity	<u>7,189,708</u>	<u>10,365,159</u>	<u>9,751,173</u>
				Total equity	<u>247,640,796</u>	<u>241,791,151</u>	<u>237,408,847</u>
Total	<u>\$ 4,063,598,093</u>	<u>\$ 3,897,264,089</u>	<u>\$ 3,761,955,510</u>	Total	<u>\$ 4,063,598,093</u>	<u>\$ 3,897,264,089</u>	<u>\$ 3,761,955,510</u>

(Continued)

**Taiwan Cooperative Bills Finance Co., Ltd.**

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

<b>Assets</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>	<b>Liabilities and Equity</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Cash and cash equivalents	\$ 86,665	\$ 105,641	\$ 98,448	<u>Liabilities</u>			
Financial assets at fair value through profit or loss	46,778,518	46,778,311	45,090,855				
Financial assets at fair value through other comprehensive income	16,837,668	15,307,417	16,770,513	Call loans from banks	\$ 16,995,470	\$ 11,769,040	\$ 16,248,200
Investments in debt instruments at amortized cost	1,340,515	1,258,693	1,259,516	Financial liabilities at fair value through profit or loss	72	52	419
Receivables, net	393,742	159,628	410,728	Securities sold under repurchase agreements	40,925,779	44,333,802	39,813,513
Other financial assets	240,200	120,200	120,200	Payables	373,399	67,857	111,427
Properties and equipment, net	11,147	11,931	11,676	Current tax liabilities	20,501	2,696	7,351
Right-of-use assets, net	13,058	19,660	22,025	Provisions	425,190	402,541	387,316
Intangible assets	11,913	15,495	16,749	Lease liabilities	13,537	20,163	22,513
Other assets, net	<u>293,349</u>	<u>294,633</u>	<u>297,051</u>	Other liabilities	<u>47,784</u>	<u>69,204</u>	<u>265,702</u>
				Total liabilities	<u>58,801,732</u>	<u>56,665,355</u>	<u>56,856,441</u>
				<u>Equity</u>			
				Capital stock	4,877,740	4,877,740	4,877,740
				Capital surplus	312,633	312,633	312,633
				Retained earnings	1,970,122	1,963,211	1,838,705
				Other equity	<u>44,548</u>	<u>252,670</u>	<u>212,242</u>
				Total equity	<u>7,205,043</u>	<u>7,406,254</u>	<u>7,241,320</u>
Total	<u>\$ 66,006,775</u>	<u>\$ 64,071,609</u>	<u>\$ 64,097,761</u>	Total	<u>\$ 66,006,775</u>	<u>\$ 64,071,609</u>	<u>\$ 64,097,761</u>

**Taiwan Cooperative Securities Co., Ltd.**

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

<b>Assets</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>	<b>Liabilities and Equity</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Current assets	\$ 32,199,057	\$ 30,684,735	\$ 30,676,208	<u>Liabilities</u>			
Financial assets at fair value through other comprehensive income - noncurrent	96,621	48,952	46,467	Current liabilities	\$ 26,682,651	\$ 25,374,339	\$ 25,568,319
Properties and equipment, net	49,118	51,371	53,522	Lease liabilities	135,550	166,429	122,325
Right-of-use assets, net	133,341	164,859	120,905	Deferred tax liabilities	1,513	184	135
Intangible assets	45,867	51,716	45,332	Other liabilities	<u>5,171</u>	<u>4,856</u>	<u>3,787</u>
Deferred tax assets	8,073	14,837	5,500	Total liabilities	<u>26,824,885</u>	<u>25,545,808</u>	<u>25,694,566</u>
Other noncurrent assets	<u>431,980</u>	<u>414,367</u>	<u>414,408</u>	<u>Equity</u>			
				Capital stock	5,000,000	4,724,200	4,724,200
				Capital surplus	294,440	294,440	294,440
				Retained earnings	962,920	847,320	690,152
				Other equity	<u>(118,188)</u>	<u>19,069</u>	<u>(41,016)</u>
				Total equity	<u>6,139,172</u>	<u>5,885,029</u>	<u>5,667,776</u>
Total	<u>\$ 32,964,057</u>	<u>\$ 31,430,837</u>	<u>\$ 31,362,342</u>	Total	<u>\$ 32,964,057</u>	<u>\$ 31,430,837</u>	<u>\$ 31,362,342</u>

(Continued)

**Co-operative Assets Management Co., Ltd.**

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

<b>Assets</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>	<b>Liabilities and Equity</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Current assets	\$ 327,483	\$ 301,500	\$ 97,354	<u>Liabilities</u>			
Financial assets at fair value through profit or loss	92,404	166,140	222,068				
Financial assets at fair value through other comprehensive income	16,150	20,075	22,150	Current liabilities	\$ 5,560,050	\$ 4,245,750	\$ 4,438,260
Accounts receivable, net	2,997,975	1,319,036	1,140,101	Lease liabilities	2,325	9,307	11,634
Investments accounted for using the equity method	1,056,470	1,017,595	993,056	Deferred tax liabilities	47,934	46,451	36,001
Properties and equipment, net	46,910	54,029	41,518	Other liabilities	<u>72,079</u>	<u>73,442</u>	<u>78,862</u>
Investment properties, net	4,129,186	4,428,376	4,645,109	Total liabilities	<u>5,682,388</u>	<u>4,374,950</u>	<u>4,564,757</u>
Right-of-use assets, net	2,249	9,086	11,393	<u>Equity</u>			
Intangible assets	2,745	4,486	5,178				
Deferred tax assets	231,937	204,643	223,380	Capital stock	2,825,280	2,825,280	2,825,280
Long-term lease payments receivable	147,517	177,586	151,796	Capital surplus	2,553	2,553	2,553
Other assets	<u>(2,716)</u>	<u>14,375</u>	<u>257,369</u>	Retained earnings	645,688	613,139	528,045
				Other equity	<u>(107,599)</u>	<u>(98,995)</u>	<u>(110,163)</u>
				Total equity	<u>3,365,922</u>	<u>3,341,977</u>	<u>3,245,715</u>
Total	<u>\$ 9,048,310</u>	<u>\$ 7,716,927</u>	<u>\$ 7,810,472</u>	Total	<u>\$ 9,048,310</u>	<u>\$ 7,716,927</u>	<u>\$ 7,810,472</u>

(Continued)

**BNP Paribas Cardif TCB Life Insurance Co., Ltd.**

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

<b>Assets</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>	<b>Liabilities and Equity</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Cash and cash equivalents	\$ 3,382,261	\$ 4,908,426	\$ 4,931,319	<u>Liabilities</u>			
Receivables	488,792	438,606	450,520				
Current tax assets	-	99,428	99,428	Payables	\$ 603,446	\$ 1,612,042	\$ 1,284,484
Investments	36,728,724	38,490,375	37,746,272	Current tax liabilities	61,941	314,364	253,266
Reinsurance assets	139,485	151,280	106,854	Financial liabilities at fair value through profit or loss	18,383	60,162	42,769
Equipment, net	114,350	120,605	112,013	Lease liabilities	4,680	14,855	18,569
Right-of-use assets, net	4,566	14,548	18,238	Insurance liabilities	27,040,583	26,962,977	26,928,422
Deferred tax assets	302,211	196,138	172,186	Reserve for insurance contracts with financial			
Other assets	1,182,577	1,205,714	1,185,923	instruments features	383,597	2,535,145	3,244,177
Separate-account assets	<u>104,729,925</u>	<u>105,803,112</u>	<u>97,742,900</u>	Reserve for foreign exchange valuation	202,977	196,640	179,514
				Deferred tax liabilities	268,556	312,239	277,335
				Other liabilities	476,525	567,418	426,867
				Separate-account liabilities	<u>104,729,925</u>	<u>105,803,112</u>	<u>97,742,900</u>
				Total liabilities	<u>133,790,613</u>	<u>138,378,954</u>	<u>130,398,303</u>
				<u>Equity</u>			
				Capital stock	6,881,166	6,881,166	6,881,166
				Capital surplus	9,310	9,310	9,310
				Retained earnings	3,340,398	2,555,013	2,309,194
				Other equity	<u>3,051,404</u>	<u>3,603,789</u>	<u>2,967,680</u>
				Total equity	<u>13,282,278</u>	<u>13,049,278</u>	<u>12,167,350</u>
Total	<u>\$ 147,072,891</u>	<u>\$ 151,428,232</u>	<u>\$ 142,565,653</u>	Total	<u>\$ 147,072,891</u>	<u>\$ 151,428,232</u>	<u>\$ 142,565,653</u>

(Continued)

**Taiwan Cooperative Securities Investment Trust Co., Ltd.**

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

<b>Assets</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>	<b>Liabilities and Equity</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Current assets	\$ 418,250	\$ 422,477	\$ 410,958	<u>Liabilities</u>			
Financial assets at fair value through profit or loss - noncurrent	2,344	2,034	1,989	Current liabilities	\$ 79,493	\$ 79,252	\$ 70,174
Properties and equipment, net	7,342	8,796	3,856	Lease liabilities	18,083	21,783	3,053
Right-of-use assets, net	17,826	21,640	3,006	Other liabilities	<u>1,528</u>	<u>1,591</u>	<u>1,537</u>
Intangible assets	12,130	9,914	7,117	Total liabilities	<u>99,104</u>	<u>102,626</u>	<u>74,764</u>
Prepaid equipment	49	560	1,777				
Other assets	<u>56,215</u>	<u>56,215</u>	<u>56,215</u>	<u>Equity</u>			
				Capital stock	303,000	303,000	303,000
				Capital surplus	72,860	72,860	72,860
				Retained earnings	39,122	43,390	34,579
				Other equity	<u>70</u>	<u>(240)</u>	<u>(285)</u>
				Total equity	<u>415,052</u>	<u>419,010</u>	<u>410,154</u>
Total	<u>\$ 514,156</u>	<u>\$ 521,636</u>	<u>\$ 484,918</u>	Total	<u>\$ 514,156</u>	<u>\$ 521,636</u>	<u>\$ 484,918</u>

**Taiwan Cooperative Venture Capital Co., Ltd.**

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

<b>Assets</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>	<b>Liabilities and Equity</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Current assets	\$ 1,193,062	\$ 637,117	\$ 1,068,354	<u>Liabilities</u>			
Financial assets at fair value through profit or loss - noncurrent	-	434,788	-	Current liabilities	\$ 9,197	\$ 10,256	\$ 8,182
Investments accounted for using equity method	3,564	4,793	2,307	Lease liabilities	5,434	7,917	8,738
Properties and equipment, net	669	770	845	Other liabilities	<u>89</u>	<u>121</u>	<u>121</u>
Right-of-use assets, net	5,333	7,812	8,638	Total liabilities	<u>14,720</u>	<u>18,294</u>	<u>17,041</u>
Intangible assets	182	125	138				
Other assets	<u>474</u>	<u>474</u>	<u>474</u>	<u>Equity</u>			
				Capital stock	1,060,099	1,024,642	1,024,642
				Capital surplus	714	-	-
				Retained earnings	97,662	47,537	59,600
				Other equity	<u>30,089</u>	<u>(4,594)</u>	<u>(20,527)</u>
				Total equity	<u>1,188,564</u>	<u>1,067,585</u>	<u>1,063,715</u>
Total	<u>\$ 1,203,284</u>	<u>\$ 1,085,879</u>	<u>\$ 1,080,756</u>	Total	<u>\$ 1,203,284</u>	<u>\$ 1,085,879</u>	<u>\$ 1,080,756</u>

(Continued)

3. Subsidiaries' condensed statements of comprehensive income

**Taiwan Cooperative Bank, Ltd.**

**Condensed Statements of Comprehensive Income**  
**For the Nine Months Ended September 30, 2021 and 2020**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2021</b>	<b>2020</b>
Interest revenues	\$ 35,889,382	\$ 39,065,888
Less: Interest expenses	<u>(9,819,840)</u>	<u>(13,978,563)</u>
Net interest	26,069,542	25,087,325
Net revenues and gains other than interest	<u>10,699,128</u>	<u>10,213,764</u>
Total net revenues	36,768,670	35,301,089
Bad-debt expenses and provision for losses on commitment and guarantees	(2,219,350)	(5,599,670)
Operating expenses	<u>(17,722,992)</u>	<u>(17,123,862)</u>
Income before income tax	16,826,328	12,577,557
Income tax expense	<u>(2,572,447)</u>	<u>(1,880,369)</u>
Net income	14,253,881	10,697,188
Other comprehensive income (loss)	<u>(958,236)</u>	<u>2,881,872</u>
Total comprehensive income	<u>\$ 13,295,645</u>	<u>\$ 13,579,060</u>
Earnings per share (NT\$)		
Basic	<u>\$1.33</u>	<u>\$1.00</u>

**Taiwan Cooperative Bills Finance Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
**For the Nine Months Ended September 30, 2021 and 2020**  
**(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	<b>2021</b>	<b>2020</b>
Net interest	\$ 300,703	\$ 247,144
Net revenues and gains other than interest	<u>289,500</u>	<u>318,097</u>
Total net revenues	590,203	565,241
Impairment losses for credit losses and provision	(17,443)	(34,631)
Operating expenses	<u>(114,377)</u>	<u>(113,541)</u>
Income before income tax	458,383	417,069
Income tax expense	<u>(76,350)</u>	<u>(59,600)</u>
Net income	382,033	357,469
Other comprehensive income (loss)	<u>(240,287)</u>	<u>123,974</u>
Total comprehensive income	<u>\$ 141,746</u>	<u>\$ 481,443</u>
Earnings per share (NT\$)		
Basic	<u>\$0.78</u>	<u>\$0.73</u>

(Continued)

**Taiwan Cooperative Securities Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
**For the Nine Months Ended September 30, 2021 and 2020**  
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2021	2020
Revenues	\$ 1,779,434	\$ 1,365,492
Service charge	(95,347)	(49,646)
Other operating costs	(158,522)	(99,501)
Employee benefits	(493,832)	(393,763)
Other operating expenses	(350,564)	(278,062)
Other gains and losses	<u>8,990</u>	<u>2,064</u>
Income before income tax	690,159	546,584
Income tax expense	<u>(86,652)</u>	<u>(42,748)</u>
Net income	603,507	503,836
Other comprehensive loss	<u>(143,060)</u>	<u>(21,004)</u>
Total comprehensive income	<u>\$ 460,447</u>	<u>\$ 482,832</u>
Earnings per share (NT\$)		
Basic	<u>\$1.21</u>	<u>\$1.01</u>

**Co-operative Assets Management Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
**For the Nine Months Ended September 30, 2021 and 2020**  
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2021	2020
Operating revenues	\$ 478,660	\$ 356,630
Operating expenses	<u>(204,306)</u>	<u>(185,562)</u>
Operating benefits	274,354	171,068
Non-operating gains and losses	<u>34,811</u>	<u>22,363</u>
Income before income tax	309,165	193,431
Income tax expense	<u>(63,693)</u>	<u>(41,945)</u>
Net income	245,472	151,486
Other comprehensive loss	<u>(8,604)</u>	<u>(6,459)</u>
Total comprehensive income	<u>\$ 236,868</u>	<u>\$ 145,027</u>
Earnings per share (NT\$)		
Basic	<u>\$0.87</u>	<u>\$0.54</u>

(Continued)

**BNP Paribas Cardif TCB Life Insurance Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
**For the Nine Months Ended September 30, 2021 and 2020**  
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	<b>2021</b>	<b>2020</b>
Operating revenues	\$ 5,538,098	\$ (2,486,083)
Operating costs	(3,623,785)	4,013,753
Operating expenses	(518,592)	(498,842)
Non-operating gains and losses	<u>60</u>	<u>-</u>
Income before income tax	1,395,781	1,028,828
Income tax expense	<u>(225,051)</u>	<u>(173,499)</u>
Net income	1,170,730	855,329
Other comprehensive income (loss)	<u>(552,385)</u>	<u>877,695</u>
Total comprehensive income	<u>\$ 618,345</u>	<u>\$ 1,733,024</u>
Earnings per share (NT\$)		
Basic	<u>\$1.70</u>	<u>\$1.24</u>

**Taiwan Cooperative Securities Investment Trust Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
**For the Nine Months Ended September 30, 2021 and 2020**  
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	<b>2021</b>	<b>2020</b>
Operating revenues	\$ 252,032	\$ 305,129
Operating expenses	<u>(223,895)</u>	<u>(278,600)</u>
Operating gain	28,137	26,529
Non-operating gains and losses	<u>1,680</u>	<u>2,383</u>
Gain before income tax	29,817	28,912
Income tax expense	<u>-</u>	<u>-</u>
Net income	29,817	28,912
Other comprehensive income (loss)	<u>310</u>	<u>90</u>
Total comprehensive income	<u>\$ 30,127</u>	<u>\$ 29,002</u>
Earnings per share (NT\$)		
Basic	<u>\$0.98</u>	<u>\$0.95</u>

(Continued)



**Taiwan Cooperative Venture Capital Co., Ltd.**

**Condensed Statements of Comprehensive Income**  
**For the Nine Months Ended September 30, 2021 and 2020**  
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2021	2020
Operating revenues	\$ 93,895	\$ 90,374
Operating expenses	<u>(30,105)</u>	<u>(27,634)</u>
Operating income	63,790	62,740
Non-operating gains and losses	<u>45</u>	<u>393</u>
Income before income tax	63,835	63,133
Income tax expense	<u>(115)</u>	<u>(4)</u>
Net income	63,720	63,129
Other comprehensive income (loss)	<u>56,545</u>	<u>(3,735)</u>
Total comprehensive income	<u>\$ 120,265</u>	<u>\$ 59,394</u>
Earnings per share (NT\$)		
Basic	<u>\$0.60</u>	<u>\$0.60</u>

(Concluded)

**TABLE 4**

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

## BUSINESS SEGMENT FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

Business Segment Items	For the Nine Months Ended September 30, 2021					
	Banking	Bill Finance	Securities	Insurance	Others	Consolidated
Net interest	\$ 26,166,223	\$ 27,515	\$ 198,202	\$ 543,818	\$ 24,422	\$ 26,960,180
Net revenues and gains other than interest	10,022,691	572,505	1,157,777	1,871,877	971,135	14,595,985
Total net revenues	36,188,914	600,020	1,355,979	2,415,695	995,557	41,556,165
Bad-debt expenses and provision for losses on commitment and guarantees	(2,206,714)	(17,443)	(6,083)	-	(29,395)	(2,259,635)
Net change in reserves for insurance liabilities	-	-	-	(61,766)	-	(61,766)
Operating expenses	(17,766,116)	(107,731)	(773,137)	(505,067)	(573,919)	(19,725,970)
Income before income tax	16,216,084	474,846	576,759	1,848,862	392,243	19,508,794
Income tax expenses	(2,575,085)	(76,350)	(86,652)	(225,051)	(81,755)	(3,044,893)
Net income	13,640,999	398,496	490,107	1,623,811	310,488	16,463,901

Business Segment Items	For the Nine Months Ended September 30, 2020					
	Banking	Bill Finance	Securities	Insurance	Others	Consolidated
Net interest	\$ 25,193,845	\$ (17,551)	\$ 134,204	\$ 597,900	\$ 31,548	\$ 25,939,946
Net revenues and gains other than interest	9,704,517	602,616	1,079,672	89,047	708,284	12,184,136
Total net revenues	34,898,362	585,065	1,213,876	686,947	739,832	38,124,082
Bad-debt expenses and provision for losses on commitment and guarantees	(5,588,908)	(34,631)	(1,946)	-	(27,946)	(5,653,431)
Net change in reserves for insurance liabilities	-	-	-	1,088,654	-	1,088,654
Operating expenses	(17,166,137)	(106,777)	(617,157)	(498,733)	(585,000)	(18,973,804)
Income before income tax	12,143,317	443,657	594,773	1,276,868	126,886	14,585,501
Income tax expenses	(1,887,066)	(59,600)	(42,748)	(173,499)	(35,199)	(2,198,112)
Net income	10,256,251	384,057	552,025	1,103,369	91,687	12,387,389

TABLE 5

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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.	VESP Technology Corp.	Receivables on lending funds	No	\$ 70,000	\$ 67,667	\$ 67,667	3-8	Short-term financing	\$ -	Operating use	\$ 677	-	\$ -	\$ 334,198 (Note 3)	\$ 1,336,791 (Note 3)
		Tai-Hwei Trade Co., Ltd.	Receivables on lending funds	No	190,000	156,660	156,660	3-8	Short-term financing	-	Operating use	1,567	Real estate	390,634	334,198 (Note 3)	1,336,791 (Note 3)
		Hanky&Partners (Taiwan) Ltd.	Receivables on lending funds	No	216,046	120,000	120,000	3-8	Short-term financing	-	Operating use	1,200	Real estate	132,117	334,198 (Note 3)	1,336,791 (Note 3)
		Tsuru Chikusan Co., Ltd.	Receivables on lending funds	No	100,000	100,000	48,333	3-8	Short-term financing	-	Operating use	483	Real estate	52,390	334,198 (Note 3)	1,336,791 (Note 3)
		Grandsun Engineering Co., Ltd.	Receivables on lending funds	No	70,000	70,000	35,000	3-8	Short-term financing	-	Operating use	350	Guarantee	5,250	334,198 (Note 3)	1,336,791 (Note 3)
		Yieh Hong Enterprise Co., Ltd.	Receivables on lending funds	No	200,000	158,659	158,659	3-8	Short-term financing	-	Operating use	1,587	Stocks	112,800	334,198 (Note 3)	1,336,791 (Note 3)
		Suction Food Co., Ltd.	Receivables on lending funds	No	35,679	15,959	15,959	3-8	Short-term financing	-	Operating use	160	Real estate	56,373	334,198 (Note 3)	1,336,791 (Note 3)
		Anli Lines Corp.	Receivables on lending funds	No	50,000	49,099	49,099	3-8	Short-term financing	-	Operating use	491	Stocks	123,750	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.

TABLE 6

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

## MARKETABLE SECURITIES HELD

SEPTEMBER 30, 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	September 30, 2021				Note
				Shares (In 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	\$ 49,580	-	\$ 49,580	
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	-	1,056,470	100.00	1,056,470	Note
	Taiwan Urban Regeneration & Financial Services Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,500	16,150	5.00	16,150	
Taiwan Cooperative Securities Investment Trust Co., Ltd.	Fund Rich Securities Co., Ltd.	-	Financial assets at fair value through other comprehensive income	227	2,344	0.38	2,344	
Taiwan Cooperative Venture Capital Co., Ltd.	Chen Nan Iron Wire Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000	21,180	2.38	21,180	
	Acmept Energy Services Co., Ltd.	-	Financial assets at fair value through profit or loss	863	46,600	2.30	46,600	
	SR Suntour Inc.	-	Financial assets at fair value through profit or loss	1,700	154,649	2.82	154,649	
	Lung Teh Shipbuilding Co., Ltd.	-	Financial assets at fair value through profit or loss	2,257	75,863	2.82	75,863	
	Tigerair Taiwan Co., Ltd.	-	Financial assets at fair value through profit or loss	1,980	56,034	0.50	56,034	
	Eland Information Co., Ltd.	-	Financial assets at fair value through profit or loss	578	27,287	3.27	27,287	
	Prince Pharmaceutical Co., Ltd.	-	Financial assets at fair value through profit or loss	800	16,616	2.41	16,616	
	Tachyon Intelligence Robot Company	-	Financial assets at fair value through profit or loss	95	826	2.95	826	
	ULSee Cayman Co., Ltd.	-	Financial assets at fair value through profit or loss	651	23,777	6.51	23,777	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2021				Note
				Shares (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	Enrestec Inc.	-	Financial assets at fair value through profit or loss	2,000	\$ 25,300	1.96	\$ 25,300	
	Cloud Mile Inc.	-	Financial assets at fair value through profit or loss	838	54,325	8.38	54,325	
	Hoytek Precision Company	-	Financial assets at fair value through profit or loss	495	9,900	12.38	9,900	
	Phu Vinh Industrial Construction, Llc	-	Financial assets at fair value through profit or loss	2,000	121,420	20.00	121,420	
	Cheng Mei Instrument Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,250	51,795	7.66	51,795	
	APMTD Global Limited	-	Financial assets at fair value through profit or loss	331	20,248	0.85	20,248	
	Winking Entertainment Ltd.	-	Financial assets at fair value through profit or loss	5,112	75,141	8.74	75,141	
	Locus Cell Co., Ltd.	-	Financial assets at fair value through profit or loss	5,000	50,000	2.50	50,000	
	Revlis Biotech Co., Ltd.	-	Financial assets at fair value through profit or loss	2,813	28,125	5.13	28,125	
	Free Bionics Taiwan Inc.	-	Financial assets at fair value through profit or loss	2,068	52,776	13.70	52,776	
	CDIB Capital Healthcare Ventures II Limited Partnership	-	Financial assets at fair value through profit or loss	-	21,475	1.61	21,475	
	Pharma Essentia Corporation	-	Financial assets at fair value through other comprehensive income	237	21,033	0.09	21,033	
	Evergreen Marine Co. (Taiwan) Ltd.	-	Financial assets at fair value through other comprehensive income	660	83,160	0.01	83,160	
	Adimmune Corporation	-	Financial assets at fair value through other comprehensive income	316	16,369	0.07	16,369	
	Mesh Cooperative Ventures, Inc.	Associate	Investments accounted for using equity method	330	1,803	22.00	1,803	
	JC Capital Taiwan Co., Ltd.	Associate	Investments accounted for using equity method	350	1,761	35.00	1,761	

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

(Concluded)

TABLE 7

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Co-operative Assets Management Co., Ltd.	Land Serial No. 1045, 1045-2, Youshi Sec., Yangmei Dist., Taoyuan City.	2021.05.11 (Note)	\$ 472,010	Paid \$94,402 by contract (20% of the total amount of the transaction)	Taiwan Cooperative Bank, Ltd.	Same parent company	Bureau of Industry Ministry of Economic Affairs	-	1977.05.10	\$ 4,232	Real estate appraiser report	Activating asset utilization efficiency in order to comply with regulatory requirements	None

Note: The actual date of occurrence is the date of board of directors’ resolution.

**TABLE 8**

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

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

<b>Seller</b>	<b>Property</b>	<b>Event Date</b>	<b>Original Acquisition Date</b>	<b>Carrying Amount</b>	<b>Transaction Amount</b>	<b>Collection</b>	<b>Gain (Loss) on Disposal</b>	<b>Counterparty</b>	<b>Relationship</b>	<b>Purpose of Disposal</b>	<b>Price Reference</b>	<b>Other Terms</b>
Taiwan Cooperative Bank, Ltd.	Land Serial No. 1045, 1045-2, Youshi Sec., Yangmei Dist., Taoyuan City.	2021.04.26 (Note 1)	1977.05.10	\$ 98,511	\$ 472,010	Paid \$94,402 by contract (20% of the total amount of the transaction)	\$ 373,499 (Note 2)	Co-operative Assets Management Co., Ltd.	Same parent company	Activating asset utilization efficiency in order to comply with regulatory requirements	Real estate appraiser report	None

Note 1: The actual date of occurrence is the date of board of directors’ resolution.

Note 2: The transaction was signed on June 30, 2021, but the settlement has not been paid yet, so the disposal gain has not been recorded.

**TABLE 9**

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

**ALLOWANCE OF SERVICE FEES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$5 MILLION  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021  
(In Thousands of New Taiwan Dollars)**

Securities Firms	Counter-party	Nature of Relationship	Total Amounts of Brokerage Service Revenue	Total Allowance of Brokerage Service Revenue	Service Revenue from Related Party	Allowance of Service Revenue for Related Party	Percentage of Service Revenue from Related Party to Total Amounts	Percentage of Allowance of Service Revenue for Related Party to Total Allowance
Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	Same parent company	\$ 2,248,862	\$ 1,200,610	\$ 139,077	\$ 99,352	6.18	8.28



**TABLE 10****TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****SALE OF NONPERFORMING LOANS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021  
(In Thousands of New Taiwan Dollars)**

## 1. Sale of nonperforming loans

Taiwan Cooperative Bank, Ltd.

Date of Transaction	Counterparty	Form of Nonperforming Loan	Book Value (Note)	Selling Price	Gain (Loss) on Disposal	Terms	Relationship Between the Counterparty and the Company
2021.06.25	The Hong Kong and Shanghai Banking Corporation Limited	Midterm unsecured loan for enterprise (International syndicated loans)	\$ - (Note 1)	\$ 425,918 (US\$ 15,400)	\$ 425,918 (US\$ 15,400)	None	None
2021.08.27	Deutsche Bank AG, London Branch	Midterm unsecured loan for enterprise (International syndicated loans)	- (Note 2)	29,428 (US\$ 1,053)	29,428 (US\$ 1,053)	None	None

Note 1: Book value equals the amount of the original loan of US\$28,187 thousand minus the allowance for bad debts of US\$28,187 thousand.

Note 2: Book value equals the amount of the original loan of US\$3,396 thousand minus the allowance for bad debts of US\$3,396 thousand.

Co-operative Assets Management Co., Ltd.

Date of Transaction	Counterparty	Form of Nonperforming Loan	Book Value (Note 4)	Selling Price	Gain (Loss) on Disposal	Terms	Relationship Between the Counterparty and the Company
2021.04.06	Client	Residential mortgage loan	\$ 7,965 (Note 3)	\$ 30,010	\$ 22,045	None	None

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

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

**TABLE 11**

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

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL  
SEPTEMBER 30, 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	\$ 2,097,250	-	\$ -	-	\$ -	\$ -
Taiwan Cooperative Financial Holding Company, Ltd.	Taiwan Cooperative Bank, Ltd.	Subsidiary	565,158	-	-	-	-	-

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

TABLE 12

TAIWAN COOPERATIVE FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2021	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of September 30, 2021	Accumulated Inward Remittance of Earnings as of September 30, 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)	\$ 173,130	100	\$ 173,130	\$ 5,983,141	\$ -
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)	122,065	100	122,065	2,582,703	-
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)	25,659	100	25,659	3,199,079	-
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)	31,853	100	31,853	2,281,148	-

Accumulated Investment in Mainland China as of September 30, 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)	\$ 148,721,935

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 September 30, 2021	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of September 30, 2021	Accumulated Inward Remittance of Earnings as of September 30, 2021
					Outflow	Inflow						
Taiwan Cooperative International Leasing Co., Ltd.	Financial leasing	\$ 910,980 (RMB 185,460) (Note 1)	Direct	\$ 910,980 (RMB 185,460) (Note 1)	\$ -	\$ -	\$ 910,980 (RMB 185,460) (Note 1)	\$ 44,724	100	\$ 44,724	\$ 1,056,470	\$ -

Accumulated Investment in Mainland China as of September 30, 2021	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 3)
\$ 910,980 (RMB 185,460) (Note 1)	\$ 910,980 (RMB 185,460) (Note 1)	\$ 2,019,553

(Continued)

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

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

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

(Concluded)

TABLE 13

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

## BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE PARENT COMPANY AND SUBSIDIARIES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Due from banks	\$ 138,413	Note 4	-
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Deposits and remittances	138,413	Note 4	-
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Tax payables - consolidated tax return	2,097,250	Note 4	0.05
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax receivables - consolidated tax return	2,097,250	Note 4	0.05
0	Taiwan Cooperative Financial Holding Co., Ltd.	Taiwan Cooperative Bank, Ltd.	a	Tax receivables - consolidated tax return	565,158	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd.	b	Tax payables - consolidated tax return	565,158	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Due from banks	629,607	Note 4	0.01
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Deposits from banks	629,607	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Call loans to banks	1,401,275	Note 4	0.03
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	1,401,275	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Medium-term unsecured loans	4,172,512	Note 4	0.10
2	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Long-term borrowings	4,172,512	Note 4	0.10
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Deposits and remittances	1,328,695	Note 4	0.03
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Cash and cash equivalents, refundable deposits	1,328,695	Note 4	0.03
1	Taiwan Cooperative Bank, Ltd.	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	c	Service fee and commission income	440,150	Note 4	1.06
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Service charge and commission expense	440,150	Note 4	1.06

(Continued)

No. (Note 1)	Transacting Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
3	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	c	Securities purchased under resell agreements	\$ 559,280	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	559,280	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Bills Finance Co., Ltd.	a	Call loans to banks	5,349,250	Note 4	0.12
4	Taiwan Cooperative Bills Finance Co., Ltd.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	5,349,250	Note 4	0.12
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Due from banks	103,089	Note 4	-
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Deposits and remittances	103,089	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Other debt	111,400	Note 4	-
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Call loans from Securities	111,400	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Settlement payable	262,456	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Receivable on securities	262,456	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd	Co-operative Assets Management Co., Ltd.	c	Properties and equipment, net and deferred revenue	383,282	Note 4	0.01
1	Taiwan Cooperative Bank, Ltd	Co-operative Assets Management Co., Ltd.	c	Gains on disposal of properties and equipment, accumulated earnings	580,423	Note 4	1.40
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	132,292	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Lease liabilities	134,490	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Interest expense	2,016	Note 4	-
6	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Bank, Ltd.	c	Depreciation expense	30,898	Note 4	0.07
1	Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Securities Co., Ltd.	c	Lease income	32,277	Note 4	0.08

(Continued)

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