BOTH (Google's) 3rd party data and (advertiser's) 1st party data can be used by Google Ad Exchange for targeting user

encrypted upload

match user data

Googles' 3rd-party data:
{

UID_1   preference,
         browsing history,
         ...;

UID_2   preference,
         account details,
         demographic,
         ...

}

advertiser's 1st-party data

{ UID_1:
  account detail,
  purchase history,
  ...}

user

1st--party cookies🍪   UID_1
3rd-party cookies🍪   UID_1

publisher

ads

personalize ads

Google Ad Exchange

personalize ads

publisher

ads

user

3rd-party cookies🍪   UID_2

match user data

advertiser

advertiser

advertiser

advertiser