



# Taishin Holdings

## 2019 Annual Report

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Taishin Holdings



## Taishin Holdings

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### Taishin Asset Management Co., Ltd.

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### Taishin Venture Capital Investment Co., Ltd.

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### Taishin Securities Investment Trust Co., Ltd.

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### Credit Rating Institutions

#### Fitch Ratings

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Dist., Taipei City 110, Taiwan (R.O.C.)  
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Website: <https://www.taiwanratings.com>

### Certified Public Accountants

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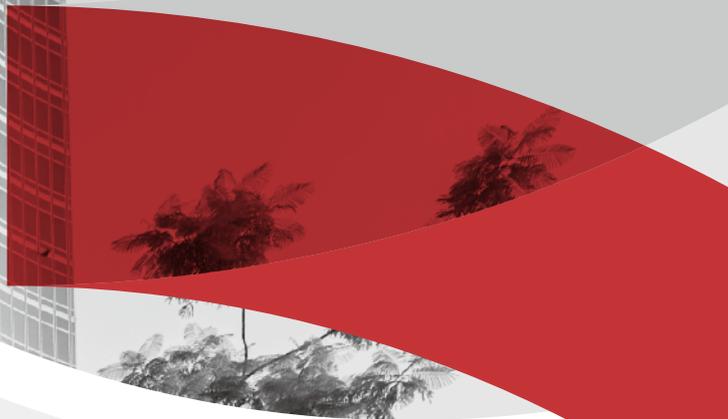
**Names of Exchanges Where Overseas Securities  
Are Listed and Methods of Inquiry: None.**

# Taishin Holdings

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**01**

**Letter to Shareholders**

# I. Letter to Shareholders

Dear Shareholders,

The ongoing US-China trade dispute created uncertainties in the global economy in 2019. The economic growth momentum was weaker than it was in 2018. Out of the major economies, the United States, while continuing to expand, showed clear signs of slowing down. China's economic growth fell to 6.0%, the lowest in 30 years. Slowing demand in both China and the U.S. caused export declines for major exporters of manufactured goods, including Germany, Japan, and South Korea, for the year.

Taiwan's economy went in two extremes. Traditional industries, led by plasticization, chemical, steel, and machine industries, saw exports fall with the global economy. Meanwhile, the electronics industry benefited from the trade diversion effects caused by the US-China dispute, and exports of related products were pushed up as a result. In response to the US-China dispute, suppliers on the electronics supply chain made more fixed investments in Taiwan. Meanwhile, a strong demand for advanced semiconductor production products drove capital expenditure higher. As a result, Taiwan's economy achieved a strong 2.71% growth in 2019. Driven by rising stock prices in the electronics sector, TWSE closed at 11,997 at the end of 2019, a 23.3% YOY increase compared to 9,727 in 2018.

The financial sector in Taiwan benefited from rising domestic investment and a strong financial market. Overall earnings before tax for the financial sector amounted to NT\$634.1 billion, a 21.7% increase from 2018. Earnings before tax for the banking industry totaled NT\$407.1 billion, a 7.8% increase from 2018 and another all-time high. Looking forward, the ongoing COVID-19 pandemic is having an increasingly severe impact on the global outlook and creating more challenges for the banking sector. Given the 92 SARS outbreak lasted for months and had short-term effects on the economy, it is expected that the COVID-19 pandemic will affect Taiwan's economic results in the first half of 2020. If the situation does not deteriorate, the economy may have a chance to regain momentum in the second half of the year.

We followed our operating budgets closely in 2019, and our core business delivered consistent profit growth on the whole. After-tax profit totaled NT\$14.5 billion for the year, 12% higher than the previous year. At the end of 2019, the EPS was NT\$1.19, an ROE of 9.54% for common shareholders at a net value of NT\$12.86 per share. In terms of capital structure, our capital adequacy ratio was 118.9% and double leverage ratio was 117.0% at the end of 2019. The capital structure remained sound.

Taishin FHC received international long- and short-term credit ratings of BBB and F3, respectively, in a report issued by international credit rating agency Fitch Ratings in November 2019. Our national long- and short-term credit ratings were A+(twn) and F1(twn), respectively. The outlook was upgraded from "Negative" to "Stable". Our global long-term credit rating was upgraded from BBB- to BBB and the global short-term credit rating from A-3 to A-2 in a report issued by S&P in December 2019. Meanwhile, our national long-term credit rating was upgraded from twA to twA+ and the national short-term credit rating held at twA-1 in a report issued by Taiwan Ratings Corp in December 2019. The outlook was "Stable" in both reports.

Regarding overseas business expansion, Taishin Bank actively forges its presence in the Chinese and Asia Pacific markets, and has to date established branches in Hong Kong, Singapore, Japan (Tokyo), and Australia (Brisbane) as well as local offices in Vietnam (Ho Chi Minh City) and Myanmar (Yangon). The application process to open the Labuan Branch and the Kuala Lumpur Marketing Office in Malaysia and one to open the Shanghai Office are both underway. The Shanghai Office in particular obtained approval from the Shanghai Office, China Banking and Insurance Regulatory Commission on April 20, 2020. In the future, we will continue to expand our overseas presence by offering more comprehensive and higher quality international financial services to customers.

**FinTech application:** To accelerate innovation in services, Taishin FHC has assembled professional teams that are dedicated to exploring innovative uses of digital banking solution and developing artificial intelligence and big data analytics on an ongoing basis. Taishin Bank's digital banking brand, Richart, is an established digital account leader by market share, and is well received by users. Meanwhile, Taishin Bank's "facial recognition app" won the highest award given by Gartner. Taishin Bank has implemented the facial recognition technology in Face ID login, Face-ID ATM, Facial Recognition VIP Guest Services, and Face ID enabled payment ahead of other banks. By effectively combining digital and banking innovations, Taishin Bank continues to build a better consumer experience.

Business performance of our banking, securities, and investment trust subsidiaries in the previous year is summarized as follows.

## A. Retail Banking Services

As of the end of 2019, the size of Taishin Bank's mortgage portfolio stood at NT\$518.9 billion, representing close to 7% in YOY growth; the auto loan balance amounted to NT\$47.9 billion, representing a 6% YOY growth, and again placing the bank at the top of the financial industry; the bank had 5.35 million credit cards in circulation, ranking 4th with a 11.3% market share; and lastly, Taishin Bank had 145,000 card accepting merchants nationwide, ranking first with a 22.8% market share.

**Mobile payment marketing campaigns:** Progress in FinTech is making consumers generally more open to mobile payment services. To give customers a better digital payment experience, Taishin Bank is the first bank in Taiwan to support all four contactless mobile payments (Apple Pay, Samsung Pay, Google Pay, and Taiwan Pay). It is also the first to concurrently support Alipay and WeChat Pay from China. Furthermore, Taishin Bank teams up with FamilyMart to install the new "facial recognition payment" service. The service effectively introduces facial recognition technology into the everyday life.

**Credit cards:** In 2019, in addition to maintaining the popularity of @GoGo and Flygo cards, Taishin Bank partnered with e-payment leader Jkos Pay to launch the Taishin Jkos Pay credit card. The card combines everyday services provided by Jkos and creates a one-stop service for everyday needs. By bringing digital banking and payment service together, Taishin Bank launches the CARDaily app exclusively for its cardholders. The app offers access to monthly statements, offers, and events and to barcode and contactless payments.

**Wealth management:** Taishin Bank was first to open a wealth management flagship branch in 92. Having followed a sophisticated customer segmentation process over the years, Taishin Bank is able to provide a wide range of exclusive financial services to meet the demand for "professional financial planning advice", "exclusive benefits and experiences" and other services. Meanwhile, following digital banking trends, Taishin Bank also combines real branches, mobile apps, internet banking and other online and offline services to provide personalized services. In 2019, the net fee income from wealth management services achieved a large 8.7% YOY growth. In particular, 69% and 14% of the fees came from bancassurance and fund investment, respectively.

## B. Wholesale Banking Services

Corporate lending: Loans to state-owned and private enterprises totaled NT\$305.6 billion, or a 26.8% YOY growth, at the end of 2019. The annual growth rate of syndications was 12.7%, 7th by total amount as a lead arranger in the industry. In support of the government's initiative, Taishin Bank provides guarantees in compliance with policy to help SMEs acquire operating capital. Lending to SMEs rose to NT\$161.9 billion by the end of 2019, a 17% YOY growth. Taishin Bank will continue to expand the scope of its cooperation with the SME Credit Guarantee Fund of Taiwan, help SMEs to upgrade their business, and provide relevant financing schemes in accordance with major governmental policies such as the 5+2 Industry Policy and the Welcoming the Return of Taiwanese Investment Initiative Action Plan.

Other wholesale banking services: Automated clearing house (ACH), developed in collaboration with Taiwan Clearing House for fulfilling the needs of corporate customers to allocate funds, was rated as the best payment service and second best debit collection service in the market. Taishin Bank remained the market leader in factoring services with a volume totaling NT\$231.3 billion in 2019. Taishin Bank provided share administration services to a total of 200 companies traded on the TWSE/TPEX and the Emerging Stock Market, ranking 3rd among peers.

System implementation: Taishin Bank teamed up with IBM again to launch the GB2B Global Digital Corporate Banking Network 2.0G in 2019. Integrated automatic delivery makes it possible to provide transactional funding and wholesale financing, and makes financial services significantly more efficient. Amid the waves of fintech, Taishin Bank continues to support fintech innovations. The bank was first to start working with the credit guarantee fund in January 2019 in the launch of the "Instant Credit Check" API program. The program connects the systems and automatically files financial and underwriting information on companies electronically into the system. The approval process is accelerated as a result. The real-time system helps not only the financial institutions in the country, but also the close to 120,000 small and medium sized businesses.

## C. Banking and Financial Market Business

The Financial Markets Division provides a wide range of financial products, including exchange rate, interest rate, equity, credit, commodities, derivatives, and structured products, to meet different hedging or investment needs. The division offers up-to-date market information and professional advice. It uses a transaction platform with a complete line of financial products to help customers monitor market changes and assess risks and meet the financial needs of onshore/offshore institutional and retail clients.

In 2019, Taishin Bank was one of the leading banks in the country in terms of derivatives and bond underwriting with trading volume of NT\$9,721.3 billion and NT\$51.4 billion, respectively. Sales also showed significant growth. Furthermore, in response to the growing demand of overseas customers for access to financial transactions, the Overseas Finance and Financial Market Division was created in October 2018. The division oversees trading offices in Hong Kong, Tokyo, Singapore, and Brisbane, combines trading room resources at the head office, explores business opportunities in overseas markets, improves business performance in overseas markets, and strengthens the line of products and platforms in order to provide excellent international banking services.

## D. Securities and Investment Trust Subsidiaries

Securities operations: The company will continue to work closely with various distributors to provide more a comprehensive range of services to individual and corporate clients. It is also committed to keep optimizing the functionality and

accessibility of its electronic platforms in order to satisfy customer demand for easier and quicker e-trades. Regarding underwriting services, Taishin continues to focus on offering underwriting services to well managed companies, and seek opportunities in funding projects applying for first time TWSE/TPEX listing in Taiwan. Taishin also provides offshore securities underwriting services through an offshore securities unit (OSU) in order to increase overall market share. The market share was 1.9% in brokerage services and 3.0% in margin trade balance at the end of 2019. Taishin Securities handled a total of 18 securities underwriting cases as lead underwriter for a total of NT\$14.72 billion throughout the entire year. It is the market leader in both total number of cases and total amount.

Investment trust operations: The size of public/private offering and discretionary assets under management by Taishin Securities Investment Trust (TSIT) reached NT\$129.6 billion at the end of 2019, a NT\$25.7 billion or 24.75% YOY growth and an all-time high. In particular, NT\$93.7 billion were in publicly offered funds, accounting for a 2.34% market share and enabling the company to rank 9th place among domestic investment trusts. The company has a 9.37% and the largest market share in money market funds. The assets under management will continue to advance toward the NT\$140 billion mark. TSIT develops customer services and strengthen product designs on an ongoing basis to achieve greater synergy. In terms of fund performance, Taishin North America Income Trust Fund ranks first in 1-year, 3-year, 5-year, and 10-year returns among similar funds. Taishin CSI Lead Cons and Serv Ind TWD ranks first in 1-year, 2-year, 3-year, and 5-year returns among Chinese index funds. Taishin Asia-Australia High Yield Bond Fund ranks first in 1-year and 2-year returns among Asian high yield bond funds. Taishin China Equity Fund ranks first in 5-year returns among domestic China concept equity funds.

In summary, we have received continuous acclaim for our excellence in various aspects of business, including banking, securities, and invest trust services. Taishin Bank won first prize at the 2019 Global Views Monthly FinTech Best Banking Service Award. The bank was first in five of the eight scoring criteria. Meanwhile, Taishin Bank's "facial recognition app" won the "Judges Choice Award" at the Business Next Future Commerce Awards. The app also brought home the Gartner Eye on Innovation Awards for Financial Services in Asia Pacific in 2019. By combining wealth management services and digital banking technologies, Taishin Bank won the Professional Wealth Management (PWM) Best Private Bank for Big Data analytics and Artificial Intelligence (AI) Award for a second time. The bank was named the Best Private Bank in Asia for Customer Service by PWM and an Outstanding Wealth Management Service for the Affluent by the Private Banker International (PBI). The Taishin Bank wholesale banking services support government policies, and Taishin Bank has been named an Excellent SME Credit Guarantee Partner Award winner by the Ministry of Economic Affairs for seven years in a row. Furthermore, Taishin Securities was named second place in "Underwriting Recommendations and Number of OTC and ESM Registration Companies" by Taipei Exchange, and was the recipient of Lipper Fund Award 2019 for Mixed Asset TWD Balanced - 10 year. Taishin FHC received a total of 153 awards from domestic and international professional institutions in 2019, the largest number of awards for the company since its establishment.

## Future Prospects

An overview of the overall financial environment shows that the government has been working hard in recent years to encourage Taiwanese businesses to return to invest in the country and invigorate the local financial market. The FSC has announced its priorities to be "openness and innovation, financial inclusion, and international standards" in 2020. The FSC continues to encourage innovation in the banking sector and related industries and strengthened corporate governance, risk management, and compliance. The FSC supports international collaboration, and tries to create a friendly environment for international investors in order to push the banking sector up to the next level.

Looking forward, we will commit to achieving the goals of our existing business activities in accordance with the principle of “rigorous risk management and aggressive expansion” while supporting government policies and complying with applicable regulations. Our business strategies and plans include: Continue to develop financial advantages, actively integrate financial holdings resources, expand the business scale of the subsidiaries provided that risk control and business growth are both accounted for, and create diverse profit engines. Continue to strengthen risk management capabilities, and lay the IT foundation for business growth. Invest in digital banking, increase the market share of Richart, continue to expand overseas, and develop international operations with a focus on Asian countries and Chinese communities around the world.

## Corporate Governance and Corporate Social Responsibility

With respect to corporate governance and corporate social responsibility, we have been achieving excellent results for consecutive years since TWSE announced the results of the first Corporate Governance Evaluation in 2015. In 2019, Taishin FHC was ranked in top 5% of TWSE listed companies and top 10% of banks and insurance companies in the 5th Corporate Governance Evaluation. The rankings reflected recognition for our hard work and results in corporate governance. The company continues to be one of the constituents of the TWSE Corporate Governance 100 Index. To increase information transparency, the Taishin FHC Corporate Social Responsibility (CSR) Report passes independent third party certification every year. Reports published in last three years also received AA1000 Type 2 Accountability Principles and Performance Information certification. Certification by a certification agency contributes to the credibility and transparency of sustainability information and has helped the company become one of the first financial institutions to incorporate sustainability into their business practices. We have moreover established the Corporate Sustainability Committee to oversee six functional teams responsible for corporate sustainability, liability products, customer relations, employee care, green operations, and social inclusion. We and our subsidiaries as well as various affiliated foundations work together toward the same goals. For two years in a row (2018-2019), Taishin FHC had great success at an assessment by the globally recognized Dow Jones Sustainability Index (DJSI) and became included in DJSI World and DJSI Emerging Markets. The Company will persist in its commitment to good corporate governance and corporate social responsibility practices in order to fulfill the promise of maintaining sustainable business development.

Taishin employees have long dedicated themselves to delivering the best banking services with “integrity, commitment, innovation and cooperation” in mind. Even in the pursuit of profitability and continuous growth, Taishin has been able to demonstrate the innovation and customer-centric values that have helped shape Taiwan’s banking industry as a whole and embodied the group’s fulfillment of its corporate social responsibility. Taishin will hereafter adhere to the same business philosophy while continuing to deliver comprehensive services and maximizing profits so as to benefit our shareholders, customers, employees and the greater community alike and to deliver on our promises to shareholders.

Chairman  
Taishin Financial Holding co., Ltd.  
April 2020





**02**

**Company Profile**

## II. Company Profile

### A. Date of establishment

February 18, 2002

### B. Company history

After the Financial Institutions Merger Act and the Financial Holding Company Act were passed, Taishin International Bank Co., Ltd. (“Taishin Bank”), Dah An Commercial Bank Co., Ltd., Taishin Bills Finance Corporation (“Taishin Bills Finance”), and Taiwan Securities Co., Ltd. (“Taiwan Securities”) united under the same business philosophy and formed “Taishin Financial Holding Co., Ltd.” (“the company”) by share swap. The company was established in stages. Taishin Bank and Dah An Commercial Bank merged and formed the company by share swap at the same time on February 18, 2002 in the first stage. Taiwan Securities and Taishin Bills Finance became subsidiaries of the company by share swap at 1:1.2 and 1:1.3, respectively, on December 31, 2002 in the second stage.

For the purpose of easing the pressure of high NPL ratios on domestic financial institutions while effectively revitalizing nonperforming assets, Taishin Asset Management Co., Ltd. was created as a wholly owned subsidiary in August 2002. Meanwhile, the company invested in establishing Taishin Venture Capital Investment Co., Ltd. (Chinese name changed by a board resolution on September 19, 2006) to create a stronger financial holding company that is able to provide a wider range of products for customers and deliver a more impressive performance. On October 3, 2005, the company invested NT\$36.5 billion to acquire a 22.55% controlling stake in Chang Hwa Bank. A new board of directors was subsequently formed to formally include Chang Hwa Bank as a subsidiary. The inclusion raised the company’s total consolidated assets to NT\$2,350 billion, making the company the second largest financial holding company in the country by assets and one of the domestic banks with the largest number of branches. The investment also made Taishin a more stronger brand in competing for the leading position in the country. On July 26, 2010, Taishin Securities Investment Trust and Taishin Securities Investment Advisory became subsidiaries of the company. On December 18 of the same year, Taishin Securities Investment Trust completed the merger with Taiwan Industrial Bank Securities Investment Trust, which made the company’s assets under management and market share even larger.

Furthermore, Taishin Financial Leasing (China) Co., Ltd., another subsidiary of Taishin FHC, opened in Nanjing on October 17, 2011. It is a licensed national leasing company and provides financial leasing services for corporate customers. On July 5, 2012, Taishin Financial Leasing (Tianjin) Co., Ltd. was founded in Tianjin. It holds a 3-in-1 license that allows it to provide leasing, insurance agency, and trade services. It is the first foreign company to receive this type of license.

#### ◆ Subsidiary - Taishin Bank

On June 25, 2003, Taishin Bank’s Hong Kong Branch opened for business. On October 18, 2004, Taishin Bank assumed all limited liabilities of the Tenth Credit Cooperative of Hsinchu, expanding further the bank’s network and size. In January 2005, the bank received approval to open a representative office in Vietnam, marking a significant step forward in its international economic and trade operations. On January 22, 2011, Taishin Bank merged with Taishin Bills Finance. On June 24, 2014, the Singapore Branch was established. The new branch represented an important step in Taishin Bank’s expansion in overseas markets as well as a key milestone in its regional and international development in the future. On January 21, 2016, Taishin Bank’s Yangon Representative Office in Myanmar officially opened for business. The Tokyo Branch in Japan was established on October 27, 2016. Working with branches in two other financial hubs, Hong Kong and Singapore, this branch is able to provide Taiwanese businesses and customers

from Greater China an operation and investment platform in Japan. The Brisbane Branch opened in Australia on July 31, 2017. It is Taishin Bank's fourth overseas branch after Hong Kong, Singapore, and Tokyo, Japan. The application process to open the Labuan Branch and the Kuala Lumpur Marketing Office in Malaysia and one to open the Shanghai Office are both underway. The Shanghai Office in particular obtained approval from the Shanghai Office, China Banking and Insurance Regulatory Commission on April 20, 2020. In the future, we will continue to expand our overseas presence by offering more comprehensive and higher quality international financial services to customers.

#### ◆ Subsidiary - Taishin Securities

On April 9, 2010, Taishin Securities acquired Tung Hsing Securities Co., Ltd. (renamed Taishin Securities Co., Ltd. since then) to provide a more complete and extensive range of financial services. The merger of Taishin Securities and Ta Chong Securities was completed on August 28, 2017. The underwriting and other trading services have also grown significantly in size as the company gained a larger capital base. Established in May, 2018, the Merchant Banking Division provides corporate restructuring and reorganization, mergers, financial planning and other consulting services for individuals, corporate entities, government institutions and financial institutions in and outside the Republic of China. Established in November 2018, the Offshore Securities Unit (OSU) develops foreign currency derivatives and offshore securities underwriting services. As of the end of 2019, Taishin Securities has 12 offices and a market share of 1.9% in the brokerage business, which make it a competitive medium-sized securities dealer with growth potential.

## C. Honors of the company

Date	Issuing Organization	Awards / Rankings
◆ 2019.12	Taipei City Government	Excellent Workplace Award - Taishin FHC
◆ 2019.12	Taipei Exchange	1st Place in Recommending to TPEX and Emerging Stock Performance Award - Taishin Securities
◆ 2019.12	Taiwan Stock Exchange	2nd Place in IPO Market Value Award - Taishin Securities
◆ 2019.12	Taiwan Stock Exchange	1st Place in IPO Fundraising Award - Taishin Securities
◆ 2019.12	Taiwan Stock Exchange	1st Place in Stock Float Award - Taishin Securities
◆ 2019.12	Excellence Magazine	Best Risk Management Award - Taishin Securities
◆ 2019.12	Excellence Magazine	Best Digital Innovation Award - Taishin Securities
◆ 2019.12	SME Administration, Ministry of Economic Affairs	The new product and service of social innovation Purchase Reward Program - The Second Prize - Taishin Bank
◆ 2019.12	RFPI and TRFP	Best Value Award - Wealth Management - Taishin Bank
◆ 2019.12	CAEFI (China Association of Enterprises with Foreign Investment)	The Achievement Award of 2019 China Financial Leasing Industry Best Performers - Taishin Financial Leasing (China)
◆ 2019.12	Jiangsu Financial Leasing Industry Association	Jiangsu Financial Leasing Company of the Year 2019 - Taishin Financial Leasing (China)
◆ 2019.11	Outstanding Enterprise Manager Association	Golden Torch Award_Innovative Design of the Year - Taishin Securities
◆ 2019.11	MANAGER today Magazine	Top 100 MVP Managers- Taishin Bank
◆ 2019.11	BSI (British Standard Institution)	BSI Sustainability Distinguished Award - Taishin FHC
◆ 2019.11	TAISE (Taiwan Institute for Sustainable Energy)	Social Inclusion Awards (Digital Bank Statement Promotion) - Taishin FHC
◆ 2019.11	TAISE (Taiwan Institute for Sustainable Energy)	Social Inclusion Awards (Taishin Arts Award) - Taishin FHC
◆ 2019.11	TAISE (Taiwan Institute for Sustainable Energy)	Creativity in Communication Awards - Taishin FHC
◆ 2019.11	TAISE (Taiwan Institute for Sustainable Energy)	Talent Development Awards - Taishin FHC

Date	Issuing Organization	Awards / Rankings
◆ 2019.11	TAISE (Taiwan Institute for Sustainable Energy)	Top 50 Corporate Sustainability Award - Taishin FHC
◆ 2019.11	TAISE (Taiwan Institute for Sustainable Energy)	Gold Award in English Corporate Sustainability Report Awards - Taishin FHC
◆ 2019.11	TAISE (Taiwan Institute for Sustainable Energy)	Platinum Award in Taiwan Top 50 Corporate Sustainability Report Awards - Taishin FHC
◆ 2019.11	Taiwan Futures Exchange	Futures Trading Growth in Securities Investment Trust Sector - Diamond Award (2) - Taishin Securities Investment Trust
◆ 2019.11	China Business Herald & Market Observer	Top 100 Financial Innovation Brands in China of the Year - Taishin Financial Leasing (China)
◆ 2019.11	China Business Herald & Market Observer	Best Risk Management in China Financial Investment of the Year - Taishin Financial Leasing (China)
◆ 2019.11	China Business Herald & Market Observer	Top 10 Financial Brands in Serving the Real Economy of the Year - Taishin Financial Leasing (China)
◆ 2019.11	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award - First Prize in the Most Popular Brand - Taishin Bank (Richart)
◆ 2019.11	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award - First Prize in the Best Product - Taishin Bank (Taishin Omni - Payment Platform)
◆ 2019.10	Global Finance	Global Winner _ Best in Social Media Marketing and Services - Taishin Bank
◆ 2019.10	The Banker and PWM	Best Private Bank for customer service in Asia - Taishin Bank
◆ 2019.10	Gartner	Regional Winner _ Gartner Eye on Innovation Awards for Financial Services in Asia Pacific - Taishin Bank
◆ 2019.10	Asian Banker	Best Data Analytics Initiative, Application or Programme in Taiwan - Taishin Bank
◆ 2019.10	Asian Banker	Digital Lending Product of the Year in Taiwan - Taishin Bank
◆ 2019.10	Wealth Magazine	Taiwan Financial Awards: Best Banking Product - Quality Award - Taishin Bank
◆ 2019.10	PBI (Private Banker International)	Outstanding Wealth Management Service for the Affluent - Taishin Bank
◆ 2019.10	IDC (International Data Corporation)	Operating Model Master in Taiwan - Taishin Bank
◆ 2019.10	Global Views	Best Bank in Digital Financial Services - First Prize - Taishin Bank
◆ 2019.09	Taiwan Next Magazine	Top Service Awards 2019 - Best Service Bank (3) - Taishin Bank
◆ 2019.09	The Digital Banker	Highly Acclaimed: Best Mobile Banking - Taishin Bank
◆ 2019.09	The Digital Banker	Highly Acclaimed: Excellence in Digital Wealth Management - Taishin Bank
◆ 2019.09	The Digital Banker	Highly Acclaimed: Credit Card of the Year - Taishin Bank
◆ 2019.09	The Digital Banker	Best Mobile Payments Service - Taishin Bank
◆ 2019.09	The Digital Banker	Best Digital Payments Initiative - Taishin Bank
◆ 2019.09	The Digital Banker	Best Open Banking Initiative - Taishin Bank
◆ 2019.09	The Digital Banker	Best Mass Affluent Bank Offering - Taishin Bank
◆ 2019.09	The Digital Banker	Best Retail Bank Taiwan - Taishin Bank
◆ 2019.09	The Asset	Best Nexgen Wealth Manager in Taiwan - Taishin Bank
◆ 2019.09	The Asset	Highly Commended: Best Wealth Manager in Taiwan - Taishin Bank
◆ 2019.08	CommonWealth	Ranked Top 50 in 2019 "Excellence in Corporate Social Responsibility"-Taishin Holdings

Date	Issuing Organization	Awards / Rankings
◆ 2019.08	TII (Taiwan Insurance Institute)	Talent Development Initiative _ Silver Quality Award - Taishin Bank
◆ 2019.08	HR Asia Magazine	Best Companies To Work For In Asia 2019 - Taishin Financial Leasing (China)
◆ 2019.08	TCCDA (Taiwan Contact Center Development Association)	Best Trainer In Customer Service - Taishin Bank
◆ 2019.08	TCCDA (Taiwan Contact Center Development Association)	Best Customer Service Onsite Supervisor (Team Level) - Taishin Bank
◆ 2019.08	TCCDA (Taiwan Contact Center Development Association)	Best Customer Service Onsite Supervisor (District Level) - Taishin Bank
◆ 2019.08	TCCDA (Taiwan Contact Center Development Association)	Best Customer Service Representative - Taishin Bank
◆ 2019.08	TCCDA (Taiwan Contact Center Development Association)	Best Customer Service Team - Taishin Bank
◆ 2019.08	TCCDA (Taiwan Contact Center Development Association)	Best Practice of Smart Robot - Taishin Bank
◆ 2019.08	TCCDA (Taiwan Contact Center Development Association)	Best Social Media Community Company - Taishin Bank
◆ 2019.08	TCCDA (Taiwan Contact Center Development Association)	Best Internet Customer Service Company - Taishin Bank
◆ 2019.08	TCCDA (Taiwan Contact Center Development Association)	Best Innovation Company In Customer Service - Taishin Bank
◆ 2019.08	TCCDA (Taiwan Contact Center Development Association)	Best Customer Experience Company - Taishin Bank
◆ 2019.08	TCCDA (Taiwan Contact Center Development Association)	Best Customer Service Company - Taishin Bank
◆ 2019.08	Global Finance	Best in Social Media Marketing and Services in Asia - Pacific - Taishin Bank
◆ 2019.08	The Banker	Tech Projects of the Year 2019 - Data Category - Taishin Bank
◆ 2019.07	Business Today	Best Wealth Management Award of Banks and Securities - Best Sustainable Development (3) - Taishin Bank
◆ 2019.07	Business Today	Best Wealth Management Award of Banks and Securities - Best Robo-Advisor (3) - Taishin Bank
◆ 2019.07	Business Today	Best Wealth Management Award of Banks and Securities - Best Digital Customer Experience (2) - Taishin Bank
◆ 2019.07	Business Today	Best Wealth Management Award of Banks and Securities - Best Risk Management (1) - Taishin Bank
◆ 2019.07	Asian Banking & Finance	Open Banking Initiative of the Year - Taiwan - Taishin Bank
◆ 2019.07	Asian Banking & Finance	Mobile Banking Initiative of the Year - Taiwan - Taishin Bank
◆ 2019.07	Asian Banking & Finance	Credit Card Initiative of the Year - Taiwan - Taishin Bank
◆ 2019.07	Asian Banking & Finance	Automobile Lending Initiative of the Year - Taiwan - Taishin Bank
◆ 2019.07	Asian Banking & Finance	Domestic Retail Bank of the Year - Taiwan - Taishin Bank
◆ 2019.07	Asian Banking & Finance	Taiwan Domestic Cash Management Bank of the Year - Taishin Bank
◆ 2019.07	Excellence Magazine	Best Wealth Management Team 2019 - Taishin Bank
◆ 2019.07	Excellence Magazine	Excellence in Wealth Management 2019 - Taishin Bank
◆ 2019.07	The Taiwan Banker	Best Diversified Services -Taishin Bank

Date	Issuing Organization	Awards / Rankings
◆ 2019.06	HR Asia Magazine	Best Companies To Work For In Asia 2019 - Taishin Holdings
◆ 2019.06	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award - The Most Popular Brands - Taishin Bank (Richart)
◆ 2019.06	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award - The Most Popular Brands - Taishin Bank (Mobile Banking)
◆ 2019.06	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award - The Most Popular Brands - Taishin Bank (Wealth Management)
◆ 2019.06	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award - The Best Products - Taishin Bank (Richart)
◆ 2019.06	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award - The Best Products - Taishin Bank (pay+)
◆ 2019.06	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award - The Best Products - Taishin Bank (Taishin Omni - Payment Platform)
◆ 2019.06	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award - The Best Products - Taishin Bank (Face Identification Cash Withdrawal)
◆ 2019.06	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award - The Best Products - Taishin Bank (Wealth Management)
◆ 2019.06	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award - The Best Products - Taishin Bank (FlyGo Card)
◆ 2019.06	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award - The Best Products - Taishin Bank (Cathay Pacific Card)
◆ 2019.06	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award - The Best Products - Taishin Bank (Smart Travel Partner Service)
◆ 2019.06	Commercial Times	The Best Service in Taiwan: Silver Award in Best Domestic Bank - Taishin Bank
◆ 2019.06	Commercial Times	The Best Service in Taiwan: Best Guest Service Professional - Taishin Bank
◆ 2019.06	Commercial Times	The Best Service in Taiwan: Best Call Center - Taishin Bank
◆ 2019.06	IFTDO (International Federation of Training and Development Organization)	Best Human Resource Development Practice - Category Winner - Taishin Holdings
◆ 2019.06	The Banker and PWM	Best Private Bank for Big Data Analytics and AI - Asia - Taishin Bank
◆ 2019.05	The Stevie® Awards	Asia - Pacific Stevie® Awards - Award for Innovation in Human Resources Management, Planning & Practice - Silver Stevie Winners - Taishin Bank
◆ 2019.05	Asian Banker	Excellence in Retail Financial Services International Awards - Best Digital Distribution Network - Taishin Bank
◆ 2019.05	Enterprise Asia	Asia Responsible Entrepreneurship Awards - Investment in People - Taishin Holdings
◆ 2019.05	Global Finance	The Innovators - Cash Management - Taishin Bank
◆ 2019.05	The Digital Banker	Highly Acclaimed: Best Next - Generation Offering - Taishin Bank
◆ 2019.05	The Digital Banker	Highly Acclaimed: Outstanding Wealth Management Service for the Affluent - Taishin Bank
◆ 2019.05	The Digital Banker	Best Wealth Manager - Customer Experience - Taishin Bank
◆ 2019.05	The Digital Banker	Best Private Bank - North Asia - Taishin Bank
◆ 2019.04	Business Next	Best Business Model - Gold Award - Taishin Bank (Richart)

Date	Issuing Organization	Awards / Rankings
◆ 2019.04	Business Next	Critics' Choice Award - Taishin Bank (Face Identification Cash Withdrawal)
◆ 2019.04	Business Next	Best Experience Innovation - Silver Award - Taishin Bank (Face Identification Cash Withdrawal)
◆ 2019.04	Business Next	Best Technology Innovation - Silver Award - Taishin Bank (Face Identification Cash Withdrawal)
◆ 2019.04	Business Next	Best Technology Innovation - Silver Award - Taishin Bank (Hybrid Data: The AI Applications of Audio Data from Customer Service)
◆ 2019.04	Business Next	Best Management Innovation - Bronze Award - Taishin Bank (Richart)
◆ 2019.04	Business Next	Best Management Innovation - Bronze Award - Taishin Bank (Process Optimization in Mobile App)
◆ 2019.04	Celent	Lending Model Bank - Taishin Bank
◆ 2019.04	Celent	Customer Insight Model Bank - Taishin Bank
◆ 2019.04	The Asset	Best Digital Wealth Management Experience in Taiwan - Taishin Bank
◆ 2019.04	The Asset	Best Retail ATM Experience in Taiwan - Taishin Bank
◆ 2019.04	The Asset	Most Innovative Gamification Project in Taiwan - Taishin Bank
◆ 2019.04	The Asset	Most Innovative Banking Analytics Project in Taiwan - Taishin Bank
◆ 2019.03	Taiwan Clearing House	ACH Direct Credit Outstanding Award in Specific Business Entry - Taishin Bank
◆ 2019.03	Taiwan Clearing House	ACH Direct Credit Transaction Volume Award in Growth Excellence - Taishin Bank
◆ 2019.03	Taiwan Clearing House	ACH Direct Credit Merit Award in Business Promotion - Taishin Bank
◆ 2019.03	Taiwan Clearing House	ACH Direct Debit Outstanding Award in Specific Business Entry - Taishin Bank
◆ 2019.03	Taiwan Clearing House	ACH Direct Debit Transaction Volume Award in Growth Excellence - Taishin Bank
◆ 2019.03	Taiwan Clearing House	ACH Direct Debit Merit Award in Business Promotion - Taishin Bank
◆ 2019.03	Tencent	Outstanding Performance Award in Taiwan - Taishin Bank
◆ 2019.03	Wealth Magazine	Wealth Management Award - Best Video Marketing - Taishin Bank
◆ 2019.03	Wealth Magazine	Wealth Management Award - Best Customer Recommendation - Taishin Bank
◆ 2019.03	Wealth Magazine	Wealth Management Award - Best Service - Taishin Bank
◆ 2019.03	Wealth Magazine	Wealth Management Award - Best Wealth Management - Taishin Bank
◆ 2019.03	Economic Affairs	Excellent Credit Managers - Taishin Bank
◆ 2019.03	Economic Affairs	Excellent Banks in Regional Development - Taishin Bank
◆ 2019.03	Economic Affairs	Excellent Banks in Package Credit Guarantee Financing - Taishin Bank
◆ 2019.03	Economic Affairs	Outstanding Banks in Credit Guarantee Financing - Taishin Bank

Date	Issuing Organization	Awards / Rankings
◆ 2019.03	Thomson Reuters Lipper	Taishin High Dividend Yield Balanced Fund - Thomson Reuters Lipper Taiwan Fund Awards 2019 for Refinitiv - 10 years Mixed Asset TWD Balanced - Taishin Securities Investment Trust
◆ 2019.03	Thomson Reuters Lipper	Jupiter European Growth Fund - Thomson Reuters Lipper Taiwan Fund Awards 2019 for European Stock, 10 - year - Taishin Securities Investment Advisory
◆ 2019.03	Retail Banker International	Highly Commended: Best Credit Card Initiative - Taishin Bank
◆ 2019.03	Retail Banker International	Highly Commended: Excellence in Mobile Banking - Taishin Bank
◆ 2019.03	Retail Banker International	Best Payment Innovation - Taishin Bank
◆ 2019.03	Retail Banker International	Excellence in OmniChannel Integration - Taishin Bank
◆ 2019.03	CSR Works International	Asia's Best SDG Reporting - Taishin FHC
◆ 2019.03	CSR Works International	Asia's Best Materiality Reporting - Taishin FHC
◆ 2019.03	RMiM (Risk Management, Insurance & Finance Foundation)	Most Admired Financial Holding Company by Graduating Finance/Insurance Students_ Excellence - Taishin FHC
◆ 2019.03	International Data Corporation (IDC)	Asia's Most Intelligent Bank - Taishin Bank
◆ 2019.02	Taiwan Stock Exchange	Warrant Issuer Growth Award - Second place (Headerquater) , Fifth Place (Kaohsiung Office) and Sixth Place (Taichung Office) - Taishin Securities
◆ 2019.02	The Digital Banker	Highly Acclaimed for Excellence in Omni - Channel - Taishin Bank
◆ 2019.02	The Digital Banker	Best Customer Experience - Social Media - Taishin Bank
◆ 2019.02	The Digital Banker	Highly Acclaimed for Best Use of AI for Customer Experience - Taishin Bank
◆ 2019.02	The Digital Banker	Highly Acclaimed for Best Customer Loyalty Program - Taishin Bank
◆ 2019.02	The Digital Banker	Highly Acclaimed for Excellence in Next - Gen Customer Satisfaction - Taishin Bank
◆ 2019.02	The Digital Banker	Winner for Best Customer Experience - Cards - Taishin Bank
◆ 2019.02	The Digital Banker	Winner for Best User Experience - Internet - Taishin Bank
◆ 2019.02	The Digital Banker	Winner for Excellence in API Banking - Taishin Bank
◆ 2019.01	Benchmark Magazine	BENCHMARK Fund of the Year Awards for Emerging Markets Equity, Best Performing Regular Savings Fund (Jupiter Emerging European Opportunities Fund ) - Taishin Securities Investment Advisory
◆ 2019.01	Benchmark Magazine	BENCHMARK Fund of the Year Awards for Europe Equity, Best Performing Fund (Jupiter JGF European Growth L EUR Acc Fund) - Taishin Securities Investment Advisory
◆ 2019.01	Benchmark Magazine	BENCHMARK Fund of the Year Awards for Financial Sector Equity, Best Performing Fund (Jupiter Financial Opportunities Fund) - Taishin Securities Investment Advisory
◆ 2019.01	Benchmark Magazine	BENCHMARK Fund of the Year Awards for Ecology Sector Equity, Best Performing Regular Savings Fund (Jupiter Ecology Fund) - Taishin Securities Investment Advisory
◆ 2019.01	Benchmark Magazine	BENCHMARK Fund of the Year Awards for Financial Sector Equity, Best Performing Regular Savings Fund (Jupiter Financial Opportunities Fund) - Taishin Securities Investment Advisory



**03**

**Corporate Governance  
Report**

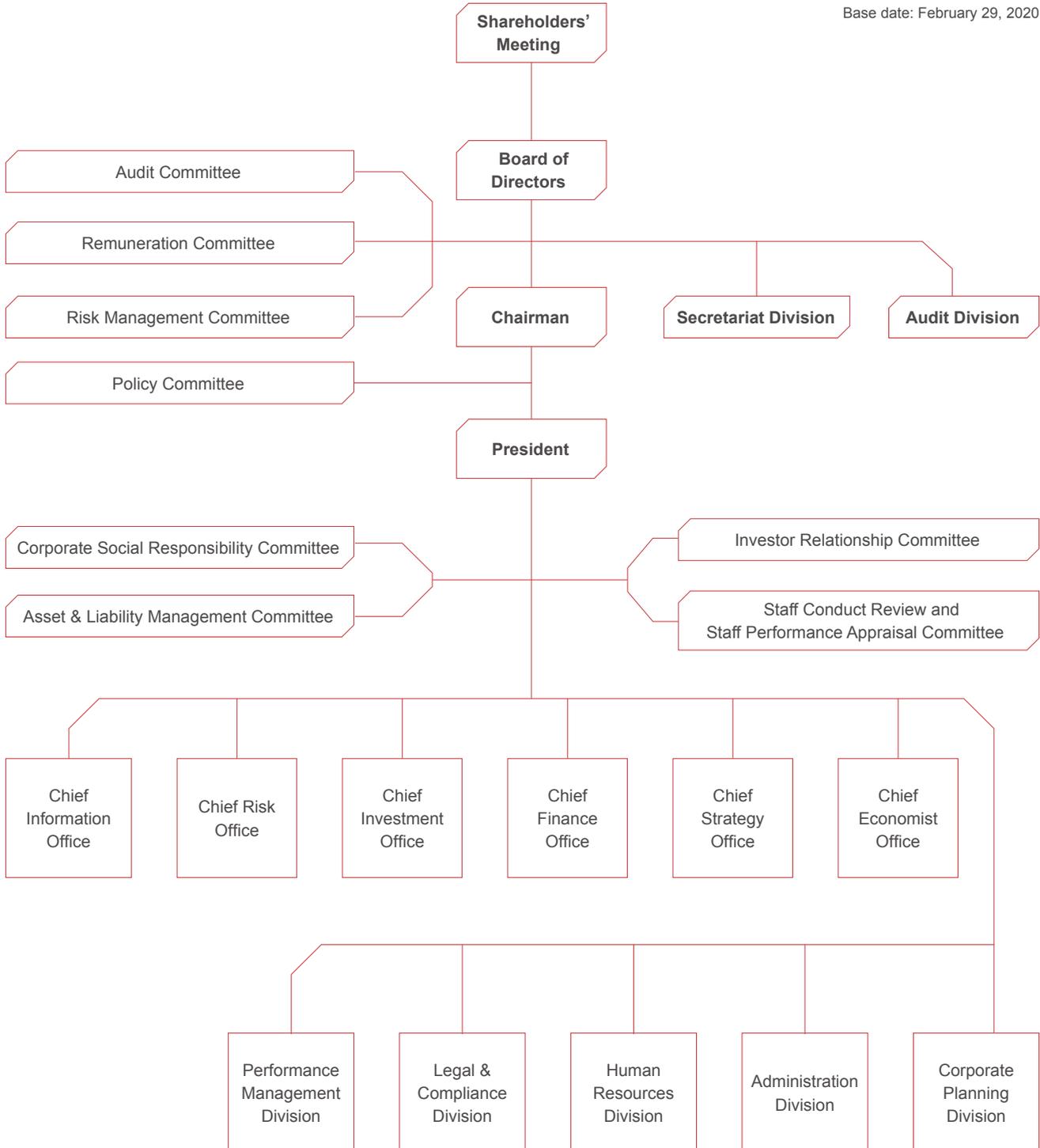


# Corporate Governance Report

## A. Organization system

### a. Organization chart

Base date: February 29, 2020



## 1. Responsibilities of major units

### (1) Chief Economist Office

- ◆ Provide analytical information on regional economies, industrial trend, as well as prospects of general global economy, exchange rate, interest rate, and the world's major stock markets and industries to Taishin Financial Holding Group, including the company and its subsidiaries.
- ◆ In response to the need of the board of directors and managerial units of the company and subsidiaries for decision making and business need, provide expert analysis, evaluation, and opinions, to assist with risk assessment and business promotion, in addition tracking the status and prospects of companies with public share offering in Taiwan and proposing industrial assessment and analytical report.

### (2) Chief Strategy Office

- ◆ In charge of formulating medium- and long-term development strategies for the financial holding company and subsidiaries.
- ◆ Track the execution of the existing strategies of the company and subsidiaries and analyze, assess, and evaluate its performance.

### (3) Chief Finance Office

- ◆ Managing the liquidity risk and the exchange rate and interest rate risks.
- ◆ Managing the asset and liability structure and fund utilization.
- ◆ Providing assistance for subsidiaries in evaluating, analyzing, and overseeing operations, performance, and risks of wealth management products, in formulating business decisions regarding wealth management products, and in studies of regulations.

### (4) Chief Risk Office

- ◆ Planning and management of the management mechanism for credit risk, market risk, and operating risk.
- ◆ Disclosure of the risk-management execution and risk-exposure position.
- ◆ Planning and establishment of integrated risk-management platform.
- ◆ Formulating and overseeing the anti-money laundering and counter terrorism financing program of the company and its subsidiaries as a whole.
- ◆ Overseeing planning of and managing and supervising execution of review, process management, and risk management for wealth management products by the Company and subsidiaries.

### (5) Chief Information Office

- ◆ Formulation of information policy.
- ◆ Application, integration, and proposal of new information technologies.
- ◆ Evaluation of major information investments.

(6) Chief Investment Office

- ◆ Planning, implementing, and managing the liquidity risk and the exchange rate and interest rate risks and overseeing and evaluating practices of the subsidiaries.
- ◆ Planning, implementing, and managing the asset and liability structure and fund utilization and overseeing and evaluating practices of the subsidiaries.
- ◆ Planning, implementing, and managing the asset securitization services and overseeing and evaluating practices of the subsidiaries.
- ◆ Providing assistance for subsidiaries in planning, implementing, and managing short term securities, bonds, bills, funds and other investments and overseeing and evaluating practices of the subsidiaries.

(7) Human Resources Division

- ◆ Formulation, revision, organizational planning, and publication of the financial holding company's human-resources regulations and policy.
- ◆ Management of personnel recruitment, appointment, and performance evaluation.
- ◆ Employee compensations and welfare; the design, execution, and management of the communications channel with employees.
- ◆ Research, planning, revision, compilation, and execution of staff-training courses and materials.
- ◆ Formulation, execution, and management of human resources-related contracts and documents of the company and subsidiaries.

(8) Administration Division

- ◆ Drafting, formulation, and execution of the regulations and system of the company's administrative and general affairs.
- ◆ Acceptance and sending of official documents.
- ◆ Evaluation and execution of the company's major general affairs, construction / improvement and procurement.
- ◆ Formulation, execution, and management of external contracts and documents of the company's administrative affairs.
- ◆ Assistance for subsidiaries in the planning and management of administrative services.

(9) Legal & Compliance Division

- ◆ Legal affairs :
  - Assist the company and its subsidiaries in devising, formulating and implementing policies in line with laws.
  - Offer consultation on legal affairs concerning the company and its subsidiaries.
  - Assist in reviewing and supervising various contracts and correspondences used by the company and its subsidiaries.

- ◆ Compliance affairs :
  - Drafting, formulation, and execution of regulations and policy for compliance for the company and subsidiaries.
  - Study, transmission, inquiry, coordination, and communications for compliance affairs for the company and subsidiaries.
  - Execution, supervision, and evaluation of compliance affairs for the company and subsidiaries.
- (10) Corporate Planning Division
  - ◆ Planning and execution of major strategic projects.
  - ◆ Analysis and management of capital planning and BIS (Bank of International Settlement) ratio.
  - ◆ Planning and management of long-term investments, and oversight and evaluation of subsidiaries.
  - ◆ Coordination and communications with the competent authority.
  - ◆ Business-related communications and coordination among various business groups and subsidiaries of the financial holding company.
  - ◆ Formulation, execution, and management of general planning-related external contracts and documents for the company and subsidiaries.
  - ◆ Planning, establishment, execution, and management of the organizations of the company and subsidiaries.
  - ◆ Coordinating and supervising corporate governance practices across the Company and subsidiaries.
  - ◆ Coordinating and supervising planning, execution, and management of corporate branding and public relations across the Company and subsidiaries.
  - ◆ Handling the credit rating procedures and providing assistance for subsidiaries in completing the credit rating procedures.
  - ◆ Handling investor relationship management and communications and building long term partnerships.
  - ◆ Establishment of policies and provisions for cross selling across the Company and subsidiaries and related process planning and management.
  - ◆ Planning and implementation of customer database for the Company and providing data analysis support and recommendations for subsidiaries.
  - ◆ Using balanced scorecards to track progress of strategy implementation at Taishin and its subsidiaries.

(11) Performance Management Division

◆ Performance management:

- Responsible for consolidating annual budgets for the Company and subsidiaries and setting and managing business goals every year.
- Analyzing progresses on budgets and goal completion by the Company and subsidiaries.
- Evaluating marketing proposals and reward programs for the Company and subsidiaries.
- Planning and managing the performance management information system (MIS) and the activity based costing/management system (ABC/M) for the Company and subsidiaries and report preparation.
- Designing and evaluating internal pricing rules based on the MIS system and the ABC/M system for the Company and subsidiaries.

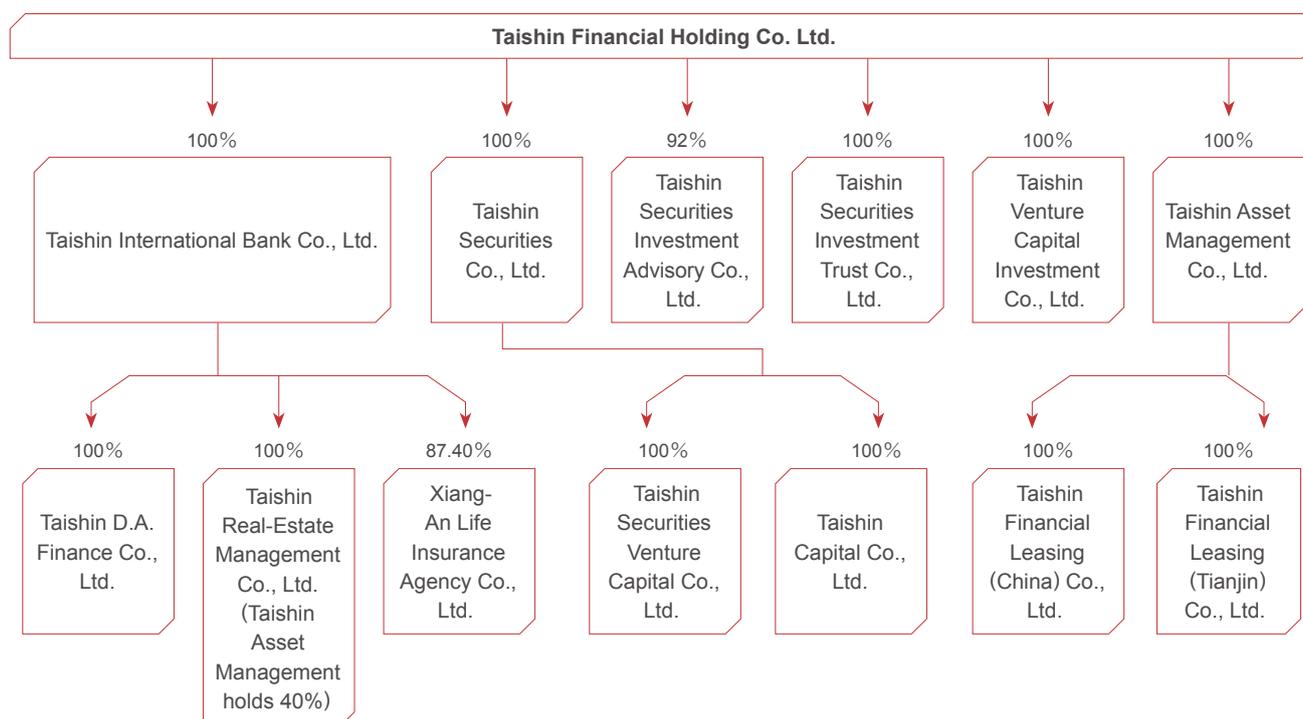
◆ Accounting management:

- Responsible for devising and managing accounting policies for the Company and subsidiaries.
- Studying and advising on accounting and fiscal issues.
- Compiling, analyzing and reporting financial information for the Company and subsidiaries.
- Handling accounting and tax related procedures and overseeing and evaluating practices of the subsidiaries.

**2. Affiliated Companies**

**Affiliated Companies of Taishin Financial Holding Co., Ltd.**

Base date: Dec. 31, 2019



## B. Profiles of directors, president, vice presidents, assistant vice presidents, heads of departments and branches, and advisors

### a. Information on board directors

Title	Nationality	Name	Gender	Date of getting elected	Term	Date of first getting elected	Shareholding upon election				Current shareholding			
							Common shares		Preferred shares		Common shares		Preferred shares	
							Number of shares	Share of stake	Number of shares	Share of stake	Number of shares	Share of stake	Number of shares	Share of stake
Chairman	R.O.C.	Chia Hao Co., Ltd. Representative: Wu, Tong-Liang	Male	2018.06.08 (2018.07.01)	Three years	2015.06.12	16,776,576	0.17	610,536	0.09	17,884,770	0.17	976,284	0.12
Director	R.O.C.	TASCO Chemical Co., Ltd. Representative: Wu, Cheng-Ching	Male	2018.06.08 (2018.07.01)	Three years	2018.06.08	232,066,381	2.32	21,179,032	2.95	409,883,262	3.85	9,371,667	1.17
Director	R.O.C.	Hsiang-Chao Co., Ltd. Representative: Kuo, Jui-Sung	Male	2018.06.08 (2018.07.01)	Three years	2007.06.15	8,572,555	0.09	311,973	0.04	9,138,824	0.09	498,864	0.06
Director	R.O.C.	Santo Arden Co., Ltd. Representative: Wang, Chu-Chan	Male	2018.06.08 (2018.07.01)	Three years	2013.06.21	5,020,876	0.05	182,720	0.03	5,992,169	0.06	304,820	0.04

Base date: Feb. 29, 2020 unit: %, share

	Stake of single, spouse and offspring before age of majority				Shareholding in the name of others				Education and working experience	Current jobs with the other companies	Spouse or with in seconddegree kinship who serve managerial posts or board directors/supervisors of the company			Note
	Common shares		Preferred shares		Common shares		Preferred shares				Title	Name	Relationship	
	Number of shares	Share of stake	Number of shares	Share of stake	Number of shares	Share of stake	Number of shares	Share of stake						
	17,624,718	0.17	724,567	0.09	0	0.00	0	0.00	Chairman of Taishin FHC and Taishin Bank; Chairman of Taishin Charity Foundation; Chairman and Director of Taishin Venture Capital; Chairman and President of Shinkong Synthetic Fibers Corporation; Vice Chairman of TECO Electric and Machinery; Director, Managing Director and Supervisor of First Commercial Bank, Taipei Business Bank, and Hua Nan Bank; Managing Director of Shinkong Insurance and Shin Kong Life Insurance; MBA, University of California, Los Angeles	Note 1	Director	Kuo, Jul-Sung	Brother in law	None
	6,673,773	0.06	227,823	0.03	0	0.00	0	0.00	Chairman and CEO of TASCOCHEMICAL Corporation; Managing Director and Director of Chang Hwa Bank; Director of Taishin FHC; Managing Director of Petrochemical Industry Association of Taiwan; Chairman of Taiwan Chemical Industry Association; Director of Pacific Cultural Foundation; Advisor of China Youth Corps, and Director of Teacher Chang Foundation; Ph.D. in Engineering, Tokyo University	Note 2	None	None	None	None
	2,070,895	0.02	0	0.00	0	0.00	0	0.00	Director of Taishin FHC and Taishin Bank; Professor of Computer Science and Information Management, School of Business, Soochow University; Professor, Department of Electrical Engineering, National Taiwan University; Chairman of TECO Technology Foundation; Director of TECO Image Systems; Supervisor of SerComm; Director of International Bank of Taipei; Ph.D. in Physics, University of New Hampshire	Note 3	Chairman	Wu, Tong-Liang	Brother in law	None
	16,260,746	0.15	0	0.00	0	0.00	0	0.00	Director of Taishin FHC, Director and Standing Supervisor of Taishin Bank; Director of Jubang Venture Capital, Shin Kong Investment Trust, Taiwan Shin Kong Security, and Taishin Bills Finance; Director of Sino-Europe Foundation for Culture and Education; Director and Supervisor of The Great Taipei Gas Corporation; Pharmaceutical Department, Kaohsiung Medical College	Note 4	None	None	None	None

Title	Nationality	Name	Gender	Date of getting elected	Term	Date of first getting elected	Shareholding upon election				Current shareholding			
							Common shares		Preferred shares		Common shares		Preferred shares	
							Number of shares	Share of stake	Number of shares	Share of stake	Number of shares	Share of stake	Number of shares	Share of stake
Independent Director	R.O.C.	Lin, Yi-Fu	Male	2018.06.08 (2018.07.01)	Three years	2015.06.12	0	0.00	0	0.00	0	0.00	0	0.00
Independent Director	R.O.C.	Chang, Min-Yu	Female	2018.06.08 (2018.07.01)	Three years	2018.06.08	0	0.00	0	0.00	0	0.00	0	0.00
Independent Director	R.O.C.	Kuan, Kuo-Lin	Male	2018.06.08 (2018.07.01)	Three years	2018.06.08	0	0.00	0	0.00	0	0.00	0	0.00

Note 1: Representative Wu, Tong-Liang is concurrently acting as Chairman of Taishin Bank, Chairman of Taishin Charity Foundation, Director of Taishin Real Estate Management, Director of Taishin Asset Management, Director of An-sin Real Estate Management, Director of Shin Kong Mitsukoshi Department Store, Director of Shin Kong Lohas, Director of Shin Kong Construction and Development, Director of Shin-Yun Enterprise, Director of Jui-Siang Investment, Director of Kuei-Yuan Investment, Supervisor of Shin Kong Agriculture & Animal husbandry, Supervisor of Shin Kong Ocean Enterprise, Supervisor of Chin-Shan Investment.

Note 2: Representative Wu, Cheng-Ching is concurrently acting as Chairman of TASCOCHEMICAL, Chairman of EXCEL Chemical, Chairman of Ming-Xing Chemical, Chairman of Tuntex Petrochemical Inc., Chairman of SAFEWAY GAS Co., Chairman of Ho-Shin Co., Chairman of Chang-Fong Transportation, Chairman of TNS Logistics International Corp, managing Director of Chang Hwa Commercial Bank, Director of China Investment & Development, Director of CIDC Consultants, Director of Shun-Li-Tong Transportation.

Note 3: Representative Kuo, Jui-Sung is concurrently acting as Chairman of Jui-Fang Co., Chairman of TECO Technology Foundation, Director of Taishin Bank, Director of An-Long Enterprise, Director of TECO Image Systems, Director of Century Development, Director of Shin-Hai Gas, and Director of Xing An Enterprise.

Stake of single, spouse and offspring before age of majority		Shareholding in the name of others				Education and working experience				Current jobs with the other companies	Spouse or with in seconddegree kinship who serve managerial posts or board directors/supervisors of the company			Note	
		Common shares		Preferred shares				Title	Name	Relationship			
Number of shares	Share of stake	Number of shares	Share of stake	Number of shares	Share of stake							Number of shares	Share of stake
0	0.00	0	0.00	0	0.00	0	0.00	Independent Director of Taishin FHC and Taishin Bank; Independent Director of Nanya Technology; Minister of Ministry of Economic Affairs; Minister Without Portfolio of Executive Yuan; Ambassador of Permanent Mission of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Mastu to the WTO; Advisor of Chinese National Association of Industry and Commerce, Taiwan; Department of Accounting and Statistics, National Chengchi University	Note 5	None	None	None	None
0	0.00	0	0.00	0	0.00	0	0.00	Executive CPA, Deloitte & Touche Independent Director of Taishin FHC and Taishin Bank; Supervisor, LEO Systems; Director of Chang Hwa Bank; Reorganizer, First International Telecom; Director of Chi-tun Consulting; BA in accounting, Tamkang University	Note 6	None	None	None	None
0	0.00	0	0.00	0	0.00	0	0.00	Chairman of Citibank Taiwan; Citi Country Officer for Taiwan; President of Citibank Taiwan; Retail Banking Head of Citibank Taipei Branch; Branch Banking Head and Investment Sales Head of Citibank Taipei Branch; Independent Director of Taishin FHC; MBA, University of Southern California	None	None	None	None	None

Note 4: Representative Wang, Chu-Chan is concurrently acting as Chairman of Pan City Co., Chairman of Hsien-Shun Enterprise, Chairman of Santo Arden Co., Chairman of Jasper Villa Xinyi, Chairman of Shin Kong Jasper Fitness Co., Director of Taishin Bank, Supervisor of Tai-Wa Co., and Supervisor of The Great Taipei Gas.

Note 5: Lin, Yi-Fu is concurrently acting as Independent Director of Taishin Bank, Independent Director of Swissray Global Healthcare Holding, Independent Director of Nan Ya Plastics, Independent Director of Pan German Universal Motors.

Note 6: Min-Yu Chang is concurrently acting as Independent Director of Taishin Bank, Director of Taiwan Shin Kong Security, Independent Director of Shin Shin Natural Gas, Director of TaipeiING, Supervisor of Creative Sensor, and Supervisor of Multilite International.

## Major shareholders of institutional shareholders

Base date: Feb. 29, 2020

Names of Institutional shareholders	Major shareholders of institutional shareholders
Chia Hao Co., Ltd.	Wu,Tong-Liang 98.97%, Peng,Hsueh-Fen 1.03%
Hsiang-Chao Co., Ltd.	Wu,Tong-Liang 81.00%, Bo-Rui Co.,Ltd.19.00%
TASCO Chemical Co., Ltd.	Tai-Ho Investment Co., Ltd. 58.20%, He-Cheng Invest Co.,Ltd. 19.55%, Fong-He Development Co.,Ltd. 9.32%, Da-Jan Development Invest Co.,Ltd. 1.72%, He-Fong Invest Co.,Ltd 1.16%, Fong-He Invest Co.,Ltd. 1.01%, Wu, Cheng-Ching 0.99%, Wu, Shang-Pin 0.99%, Wu ,Pei-Jyuan 0.95%, Wu ,Pei-Rong 0.93%
Santo Arden Co., Ltd.	Wang, Chu-Chan 31.93%, Chang,Li-Wan 23.43%, Wei-Ren Wang 22.32%, Wei-Hao Wang 22.32%

## Major shareholders of major institutional shareholders

Base date: Feb. 29, 2020

Names of major Institutional Shareholders	Major shareholders of major institutional shareholders
Bo-Rui Co.,Ltd.	Ching-Wei Co., Ltd.51.92%, Wu ,Hsi-Wei 24.04%, Wu, Hsi-Hao 24.04%
Tai-Ho Investment Co., Ltd.	Wu, Shang-Pin 26.09%, Fong-He Development Co.,Ltd. 19.96%, He-Cheng Investment Co.,Ltd. 18.15%, Da-Jan Development Invest Co.,Ltd. 18.00%, Yang ,Su-Yue 7.02%, Wu,Pei-Jyuan 5.07%, Fong-He Investment Co., Ltd. 2.50%, He-Fong Investment Co., Ltd. 2.50%, Wu ,Pei-Rong 0.72%
He-Cheng Investment Co., Ltd.	Yang ,Su-Yue 30.19%, Wu, Shang-Pin 30.19%, Wu,Pei-Jyuan 18.87%, Wu ,Pei-Rong 18.87%, Fong-He Development Co., Ltd.1.89%
Fong-He Development Co., Ltd.	Yang ,Su-Yue 21.15%, Tai-Ho Investment Co., Ltd. 19.86%, He-Cheng Investment Co., Ltd.19.72%, Wu, Shang-Pin 17.31%, Wu,Pei-Jyuan 17.31%, Wu ,Pei-Rong 4.65%
Da-Jan Development Invest Co.,Ltd.	He-Cheng Investment Co., Ltd. 32.85%, Fong-He Development Co., Ltd. 19.64%, Fong-He Investment Co., Ltd. 19.41%, He-Fong Investment Co., Ltd. 19.41%, Yang ,Su-Yue 7.72%, Wu, Shang-Pin 0.46%, Wu ,Pei-Rong 0.26%, Wu,Pei-Jyuan 0.25%
He-Fong Investment Co., Ltd.	(BVI) PRECISION MASTER CO LTD 99.01%, Wu ,Pei-Rong 0.99%
Fong-He Investment Co., Ltd.	(BVI) ALL BEST CO LTD 99.01%, Wu,Pei-Jyuan 0.99%

## Information on directors

Base date: Feb. 29, 2020

Qualifications	Possession of over five-year working experience and the following professional qualifications			Compliance with independence (Note)												Number of other companies of public offering where the board director or supervisor serves as independent director	
	Instructor or higher teaching positions at college departments of commerce, legal affairs, finance, accounting, or others related to the bank's operation	Judge, prosecutor, lawyers, public certified accountant, or other professionals or technicians with national licenses related to the bank's operation	Working experience in commerce, legal affairs, finance, accounting, or other fields related to the bank's operation	1	2	3	4	5	6	7	8	9	10	11	12		
Name																	
Wu, Tong-Liang			✓	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wu, Cheng-Ching			✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Kuo, Jui-Sung	✓		✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wang, Chu-Chan			✓	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lin, Yi-Fu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Chang, Min-Yu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Kuan, Kuo-Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Mark with a check (✓) under the code number for conformance to the following conditions:

- (1) Not an employee of another bank or its affiliates.
- (2) Not a director or supervisor of another bank or its affiliates.
- (3) Not owning, along with his/her spouse and offspring before the age of majority or in others' names, over 1% stake in another bank including stake in others' names, or one of the 10 largest individual shareholders in the bank.
- (4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship or closer to anyone listed in (2) or (3).
- (5) Not a director, supervisor or employee of an institutional shareholder who holds directly 5% or more of the company's shares, is one of the top five shareholders, or is a representative appointed as director or supervisor of the company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (6) Not a director, supervisor or employee of another company that has the same directors as the company or is controlled by the same person that has more than half of the voting power in the company (except where the person is concurrently an independent director of the company or its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (7) Not a director, supervisor or employee of another company or institution that has the same chairman, president, or person with the equivalent rank as the company, or a spouse in one of these roles (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (8) Not a director, supervisor, manager or shareholder holding 5% or more of the company's shares of certain company or institution that has a financial or business relationship with the company (except where the certain company or institution holds 20% or more but no more than 50% of the company's shares and is simultaneously an independent director of the company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (9) Not a professional who provides audit or receives more than NT\$500,000 in cumulative compensation in the last two years for commercial, legal, financial, or accounting services to the company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the company or its affiliates. However, exception applies to members of a remuneration committee, a take-over bid review committee, or a special committee for merger and acquisition exercising their authority pursuant to provisions of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not a spouse or a relative within second-degree kinship of one of other directors.
- (11) Not an offender of items stipulated in article 30 of the Company Law.
- (12) Not a representative of government or corporate body elected via method specified in article 27 of Company Law.

## b. Board membership diversification policy and results

Criteria of board member selection are not subject to gender, age, race or nationality. According to Article 22 of the Corporate Governance Code of Conduct, the organization of the Company's board of directors shall be commensurate with the size and shareholding structure and be based on business needs. The appropriate number of directors shall be as determined by the law and the Articles of Incorporation.

The 7th board of directors consists of 7 members, including 3 independent directors (1 being female and qualified accountant). The members were selected with an emphasis on diversity. The membership consists of elite talents from banking, industries and the academia, including 2 Ph.D. degree holders and 2 Masters degree holders. The members have an extensive range of expertise from business administration, physics, engineering, accounting, to pharmaceuticals. They possess the general knowledge, skills and competencies required to perform incumbent duties. In addition, the Company devotes attention to gender equality in the composition of the board of directors and remains committed to the goal of having at least one female director. This goal was achieved for the 7th board of directors in 2018. To achieve an ideal level of corporate governance, the board of directors is equipped with the following abilities:

1. Ability to make sound business judgments
2. Ability to conduct accounting and financial analysis
3. Ability to manage a business
4. Ability to respond to a crisis
5. Industry knowledge
6. An understanding of international markets
7. Leadership ability
8. Decision making abilities
9. Risk management knowledge and skills

Board diversity policy and results:

Title	Diversity Core item item Name	Composition									Industry experience				Professional training			
		Nationality	Gender	Taishin employee	Age			Year(s) as independent director			Banking	Securities	Insurance	Asset management	Accounting	Law	Information technology	Risk management
					51 to 60	61 to 70	More than 71	3 years or under	3 to 9 years	More than 9 years								
Chairman	Wu, Tong-Liang	R.O.C	Male		✓						✓		✓	✓				✓
Director	Wu, Cheng-Ching	R.O.C	Male			✓					✓							✓
Director	Kuo, Jui-Sung	R.O.C	Male			✓					✓					✓		✓
Director	Wang, Chu-Chan	R.O.C	Male		✓						✓	✓						✓
Independent Director	Lin, Yi-Fu	R.O.C	Male			✓			✓		✓			✓				✓
Independent Director	Chang, Min-Yu	R.O.C	Female	✓				✓			✓			✓		✓		✓
Independent Director	Kuan, Kuo-Lin	R.O.C	Male	✓				✓			✓							✓

### c. President, senior vice-presidents and department heads

Title	Nationality	Gender	Name	Date of getting elected	Current shareholding				Stake of single, spouse and offspring before age of majority			
					Common shares	Share of stake (%)	Preferred shares	Share of stake (%)	Common shares	Share of stake (%)	Preferred shares	Share of stake (%)
President	R.O.C	Male	Welch Lin	2018.01.01	4,116,484	0.04	0	0.00	0	0.00	0	0.00
Chief Auditor	R.O.C	Male	Daniel Tsai	2018.04.10	0	0.00	80,412	0.01	2,086	0.00	0	0.00
Chief Financial Officer	R.O.C	Female	Carol Lai	2018.01.01	1,471,176	0.01	0	0.00	0	0.00	0	0.00
Chief Investment Officer	R.O.C	Male	Eric Chien	2018.03.30	0	0.00	0	0.00	0	0.00	0	0.00
Chief Information Officer	R.O.C	Male	Steve Sun	2017.03.01	0	0.00	0	0.00	0	0.00	0	0.00
Chief Risk Officer	R.O.C	Male	Jey Chen	2012.03.23	0	0.00	0	0.00	0	0.00	0	0.00
Senior Vice President	R.O.C	Male	David Chang	2012.08.17	1,186,937	0.01	0	0.00	0	0.00	0	0.00
Senior Vice President	R.O.C	Male	Frank Lin	2011.02.03	634,310	0.01	141,567	0.02	34,100	0.00	47,541	0.00
Senior Vice President	R.O.C	Male	Andy Chang	2018.02.12	817,390	0.01	0	0.00	0	0.00	0	0.00
Senior Vice President	R.O.C	Male	Vincent Tsai	2018.10.01	487	0.00	36,000	0.00	0	0.00	0	0.00
Senior Vice President	R.O.C	Female	Tingning Yu	2019.09.01	422,808	0.00	25,000	0.00	0	0.00	20,000	0.00
Senior Vice President	R.O.C	Female	Janice Liang	2019.09.01	0	0.00	0	0.00	0	0.00	0	0.00

Base date: Feb. 29, 2020

	Shareholding in the name of others				Education and working experience	Current jobs with the bank and other companies	Spouse or relatives within second-degree kinship who serve managerial posts or seats of board directors/ supervisors of the bank			Note
	Common share	Share of stake (%)	Preferred shares	Share of stake (%)			Title	Name	Relationship	
	0	0.00	0	0.00	Chief Financial Officer of Taishin Financial Holding Co., Ltd.; President, ABN AMRO Asia Limited, Taipei Branch.; University of California, Los Angeles (UCLA), Master of Business Administration.; George Washington University Master of Science.	Director of Taishin Securities Co., Ltd.; Director of Taishin Venture Capital Investment Co., Ltd.; Supervisor of Taishin Asset Management Co., Ltd.; Supervisor of Taishin Real-Estate Management Co., Ltd.; Director of Taishin D. A. Finance Co., Ltd.; Director of Xiang-An Life Insurance Agency Co., Ltd.; Director of Taishin Financial Leasing (Tianjin) Co., Ltd.; Taishin Financial Leasing(Nanjing) Co., Ltd.; Director of San-Ding Biotech Co., Ltd.; Director of Diamond Bio Fund Co., Ltd.; Director of Diamond Capital Inc., Ltd. Director of Shin-yao Investment Co., Ltd.; Supervisor of Tehlin Co., Ltd.; Supervisor of Tehlin Investment Co., Ltd.; Supervisor of An-Chieh Investment Co., Ltd.				
	0	0.00	0	0.00	President of Taishin Bank.; EMBA, National Chiao Tung University.	-	None	None	None	None
	0	0.00	0	0.00	Chief Investment Officer of Taishin Financial Holding Co., Ltd.; Senior Vice president of Chang Hwa Commercial Bank.; Chief Financial Officer of Taishin Financial Holding Co., Ltd.; Department of Accounting National Taiwan University.	Senior Executive Vice President of Taishin Bank. Supervisor of Taishin Securities Co., Ltd.; Director of Cosmos Foreign Exchange Intl. Co., Ltd.	None	None	None	None
	0	0.00	0	0.00	Chief Executive Officer of Finance and Financial Market Group of Taishin Bank.; President of the Global Financial Markets Division, Crédit Agricole CIB.; University of Exeter, Master of Finance and Investments.	Chief Executive Officer of Finance and Financial Market Group of Taishin Bank.; Vice Chairman of Taishin Venture Capital Investment Co., Ltd.; Director of Taishin Securities Investment Advisory Co., Ltd.	None	None	None	None
	0	0.00	0	0.00	Senior Vice president of IBM china.; National Chengchi University, Executive Master Business Administration Advanced Management.	Senior Vice President of Taishin Bank.	None	None	None	None
	0	0.00	0	0.00	Vice President of the Asia Pacific Risk Management Division, KGI Securities.; The University of Texas At Austin, Doctor of Philosophy in Mathematics.	Senior Vice President of Taishin Bank.	None	None	None	None
	0	0.00	0	0.00	Senior Vice President of Taishin Bank.; National Chung Hsing University, Master of Business Management.	Senior Vice President of Taishin Bank.; Director of Xiang-An Life Insurance Agency Co., Ltd.; Supervisor of Hsiang Chao Investment Co., Ltd.; Supervisor of Weifeng Co., Ltd.; Supervisor of Chiahao Co., Ltd.; Supervisor of Yiheng Co., Ltd.; Supervisor of Chingwei Co., Ltd.; Supervisor of Protrade Co., Ltd.	None	None	None	None
	0	0.00	0	0.00	Senior Vice President of Taishin Financial Holding co., Ltd.; University of Southern California, USA, Master of Public Administration.	Senior Vice President of Taishin Bank.	None	None	None	None
	0	0.00	0	0.00	Assistant to the Chairman of the Guangdong Nanyue Bank (Bank Vice President Level); President of The Second Credit Cooperative of Keelung.; Senior Vice President of Taishin Bank.; Department of Accounting, Soochow University.	Senior Vice President of Taishin Bank.	None	None	None	None
	0	0.00	0	0.00	Senior Vice President of Taishin Bank.; Department of Accounting, National Taiwan University.	Senior Vice President of Taishin Bank.; Supervisor of Taishin Securities Investment Trust Co., Ltd.	None	None	None	None
	0	0.00	0	0.00	Senior Vice President of Taishin Financial Holding co., Ltd.; Fu Jen Catholic University, Department of Law.		None	None	None	None
	0	0.00	0	0.00	Senior Vice President of Taishin Financial Holding co., Ltd.; EMBA, Accounting, National Taiwan University.	Senior Vice President of Taishin Bank	None	None	None	None

#### d. Consultants who are retired chairmen and presidents of the company or affiliates

##### Consultants who are retired chairmen and presidents

Title	Nationality	Name	Gender	Previous position		Date of appointment	Purpose	Roles and responsibilities
				Company and title	Date of retirement			
None								

#### e. Compensation for directors, president, vice presidents, and consultants for last year

##### 1. Latest year compensations for directors (including independent directors)

Title	Name	Compensations for directors							
		Compensations (A)		Job-leaving and retirement payment (B)		Compensations from distribution of earnings (C)		Expense for business execution (D)	
		The company	All companies in the financial statement.	The company	All companies in the financial statement	The company	All companies in the financial statement	The company	All companies in the financial statement
Chairman	Chia Hao Co., Ltd.	41,527	60,012	-	-	87,596	87,596	584	2,942
	Representative: Wu, Tong-Liang								
Director	Hsiang-Chao Co., Ltd.								
	Representative: Kuo, Jui-Sung								
Director	TASCO Chemical Co., Ltd.								
	Representative: Wu, Cheng-Ching								
Director	Santo Arden Co., Ltd.								
	Representative: Wang, Chu-Chan								
Independent Director	Lin, Yi-Fu	13,800	15,180	-	-	22,525	22,525	720	1,745
Independent Director	Kuan, Kuo-Lin								
Independent Director	Chang, Min-Yu								

Note 1: Compensations of the driver is NT 1,830,000.

Note 2: All recipients of director remuneration, except for independent directors, are institutional directors. The actual amount of remuneration in 2019 was as decided by the board of directors.

Note 3: Please specify the policy, system, standard, and structure of independent director remuneration, and describe the factors, including responsibilities, risks, and time invested, and their links to amounts of remuneration: Taishin has a director (including independent director) remuneration policy and guidelines for director compensation in place. Payments of individual items will be based on a director's participation in and contribution to the company's business, industry average, and management remuneration. The scope of evaluation of director performance includes the company's overall performance, board performance, personal performance, and contribution. Director remuneration is reviewed by the Remuneration Committee and paid with board approval. In addition, in the interest of creating links with future business risks, Taishin will make separate plans for reservation and deferral mechanisms for director remuneration.

Note 4: Neither the Company or any of the companies reported in the financial statements paid any pension benefits or contributed to the pension plan.

Note 5: Except as disclosed above, remuneration received by directors in the latest year for on-balance sheet services (e.g. acting as a non-employee consultant in the latest year) rendered to the Company: None.

Base date: Dec. 31, 2019 Unit: NT\$1,000

Share of combination of A,B,C and D in after-tax net profit		Remuneration as an employee								Share of combination of A.B.C.D. E.F and G in after-tax net profit		Remuneration from ventures other than subsidiaries or the parent company
		Salary, bonus, and special allowance (E)		Job-leaving and retirement payment (F)		Employee dividend-sharing (G)						
The company	All companies in the financial statement	The company	All companies in the financial statement	The company	All companies in the financial statement	The company		All companies in the financial statement		The company	All companies in the financial statement	
						Cash dividend	Stock dividend	Cash dividend	Stock dividend			
0.90%	1.04%	-	-	-	-	-	-	-	-	0.90%	1.04%	None
0.26%	0.27%	-	-	-	-	-	-	-	-	0.26%	0.27%	None

### Compensation brackets of directors

Compensation brackets of board directors	Names of directors			
	The combined compensation of (A+B+C+D)		The combined compensation of (A+B+C+D+E+F+G)	
	The company	All companies in the consolidated financial statement	The company	All companies in the consolidated financial statement
Lower than NT\$1 M.	Wu, Cheng-Ching	Wu, Cheng-Ching	Wu, Cheng-Ching	Wu, Cheng-Ching
NT\$1 M. (inclusive) - NT\$2 M. (exclusive)	-	-	-	-
NT\$2 M. (inclusive) - NT\$3.5 M. (exclusive)	-	-	-	-
NT\$3.5 M. (inclusive) - NT\$5 M. (exclusive)	Wang, Chu-Chan/ Kuo, Jui-Sung	Wang, Chu-Chan/ Kuo, Jui-Sung	Wang, Chu-Chan/ Kuo, Jui-Sung	Wang, Chu-Chan/ Kuo, Jui-Sung
NT\$5 M. (inclusive) - NT\$10 M. (exclusive)				
NT\$10 M. (inclusive) - NT\$15 M. (exclusive)	Hsiang-Chao Co., Ltd. / Santo Arden Co., Ltd./ Lin, Yi-Fu/ Chang, Min-Yu/ Kuan, Kuo-Lin	Hsiang-Chao Co., Ltd. / Santo Arden Co., Ltd./ Lin, Yi-Fu/ Chang, Min-Yu/ Kuan, Kuo-Lin	Hsiang-Chao Co., Ltd. / Santo Arden Co., Ltd./ Lin, Yi-Fu/ Chang, Min-Yu/ Kuan, Kuo-Lin	Hsiang-Chao Co., Ltd. / Santo Arden Co., Ltd./ Lin, Yi-Fu/ Chang, Min-Yu/ Kuan, Kuo-Lin
NT\$15 M. (inclusive) - NT\$30 M. (exclusive)	TASCO Chemical Co., Ltd.			
NT\$30 M. (inclusive) - NT\$50 M. (exclusive)	Wu, Tong-Liang	Wu, Tong-Liang	Wu, Tong-Liang	Wu, Tong-Liang
NT\$50 M. (inclusive) - NT\$100 M. (exclusive)	Chia Hao Co., Ltd.	Chia Hao Co., Ltd.	Chia Hao Co., Ltd.	Chia Hao Co., Ltd.
Over NT\$100 M.				
Total	11	11	11	11

Note: Compensations in the table are different from incomes for income tax law. Therefore, figures in the table are mainly for information disclosure and cannot be used as the basis for taxation.

### 2. Compensations for president and vice presidents

Base date: Dec.31, 2019 Unit: NT\$1,000

Title	Name	Salary (A)		Job-leaving or retirement payment (B)		Bonus and special allowance (C)		Employee dividend-sharing (D)				Share of the combined value of A.B.C and D in after-tax net profit(%)		Remuneration from ventures other than subsidiaries or the parent company	
		The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company		All companies in the financial statement		The Company	All companies in the financial statement		
								Cash dividend	Stock dividend	Cash dividend	Stock dividend				
President	Welch Lin														
Chief Auditor	Daniel Tsai														
Chief Risk Officer	Jey Chen														
Chief Information Officer	Steve Sun														
Chief Financial Officer	Carol Lai														
Chief Investment Officer	Eric Chien														
Senior Vice President	David Chang														
Senior Vice President	Andy Chang	20,482	58,020	333	1,035	33,393	74,227	0	0	0	0	0.37%	0.92%	None	
Senior Vice President	Janice Liang (2019.2.1 on board; 2019.9.1 relief of duty)														
Senior Vice President	Tingning Yu (2019.9.1 on board)														
Senior Vice President	Adeline Jai (2019.9.1 relief of duty)														
Senior Vice President	Vincent Tsai														
Senior Vice President	Frank Lin														

Note 1: Compensations of the driver is NT 2,602,000.

Note 2: The company has paid NT\$0 in pension benefits and contributed NT\$333,000 to the defined benefit plan. All companies reported in the financial statements paid NT\$0 in pension benefits in total, and contributed a total of NT\$1,035,000 to the defined benefit plan.

### Compensation brackets for the company's president and senior vice presidents

Compensation brackets for the company's president and vice presidents	Names of president and vice presidents	
	The Company	All companies in the financial statement
Under NT\$1 M.	Jey Chen / Steve Sun / David Chang / Andy Chang / Janice Liang / Vincent Tsai / Frank Lin	
NT\$1 M. (inclusive)-NT\$2 M. (exclusive)	Tingning Yu / Adeline Jai	Tingning Yu
NT\$2 M. (inclusive)-NT\$3.5 M. (exclusive)		
NT\$3.5 M. (inclusive)-NT\$5 M. (exclusive)		Janice Liang / Adeline Jai
NT\$5 M. (inclusive)-NT\$10 M. (exclusive)	Daniel Tsai / Eric Chien	Daniel Tsai / Jey Chen / Steve Sun / David Chang / Andy Chang / Vincent Tsai / Frank Lin
NT\$10 M. (inclusive)-NT\$15 M. (exclusive)	Carol Lai	Carol Lai
NT\$15 M. (inclusive)-NT\$30 M. (exclusive)	Welch Lin	Welch Lin / Eric Chien
NT\$30 M. (inclusive)-NT\$50 M. (exclusive)		
NT\$50 M. (inclusive)-NT\$100 M. (exclusive)		
Over NT\$100 M.		
Total	13	13

Note: Compensations in the table are different from incomes for income tax law and the figures are mainly for information disclosure and cannot be used as the basis for taxation.

**3. Compensation for consultants who are retired chairmen and presidents: None.**

**4. Manager's name and the distribution of employee bonus payout: None.**

**f. Analytical comparisons of the shares of company's compensations for board directors, supervisors, president, and vice presidents in the after-tax net profits in the recent two years, as listed in the company's financial statement and the consolidated financial statement, and explanation of the compensation policy, standards, and makeup, the procedure for setting compensations, and their association with business performance and risk of future follow.**

**1. In 2019, total compensations for directors, president, and vice presidents accounted for 1.53% of the after-tax net profit and the percentage in the consolidated financial statements was 2.23%. In 2018, total compensations for directors, supervisors, president, and vice presidents accounted for 1.55% of the after-tax net profit and the percentage in the consolidated financial statements was 2.42%.**

**2. The company's remuneration policy and reasonableness of pay are reviewed by the remuneration committee and the board of directors. In addition, the remuneration system is reviewed with respect to the company's business performance and relevant laws and regulations in order to maintain a balance between sustainable development for the company and risk management.**

Position	Directors	The managers
Item		
Compensation policy	<p>To provide a basis for the director remuneration policy, the Company has, pursuant to the Articles of Incorporation, established the Guidelines for Director Compensation and the Guidelines for Director Remuneration after they have been reviewed by the Remuneration Committee and passed by the board of directors. The level of director remuneration shall be based on the Company's business performance, competition, experience of representative of institutional director, and involvement in management of the Company and contribution to business results as well as the Company's risk appetite and potential risks to be expected in the future in order to have directors and the Company share future business risks.</p> <p>The company has established the Board Performance Appraisal Guidelines to ensure effective corporate governance and improve performance of the board of directors. The scope of appraisal includes evaluation of the performance of directors and that of the board.</p>	<p>1. The company has established the Performance Evaluation and Bonus Guidelines to ensure a fair performance evaluation process. When setting performance targets, managers, in addition to financial and relative financial benchmarks, will include nonfinancial benchmarks, such as improvement of corporate image, maintenance of corporate reputation and other social benchmarks, for the purpose of creating an all-win situation for the company, its employees and shareholders.</p> <p>2. The remuneration of managers is mainly based on responsibilities, business performance of the company, and personal performance, and takes into account industry averages and links to future risks in order to offer competitive remuneration to attract and retain talent.</p>
Standard for actual allowances	<p>According to Article 25 and Article 40 of the Articles of Incorporation,</p> <p>1. Remuneration: to be received for performing the duties of a director or supervisor of the company.</p> <p>2. Business expenses: to be received to compensate for expenses incurred during business activities, including travel expenses for personally attending or be present at board meetings.</p> <p>3. Bonus: to be received when the company makes a profit in the current year and the board of directors decides to pay no more than 1% of the profit to the directors as a bonus, which will be allocated by the degree of involvement and responsibility of each director.</p>	<p>Remuneration for managers is described as follows:</p> <p>1. Remuneration: to be determined by roles and responsibilities and subject to market environment.</p> <p>2. Bonuses: to be divided into a Chinese New Year bonus and a yearend bonus. The size of a bonus depends mainly on the company's results, the corresponding division's results, and the individual's performance evaluation.</p> <p>3. Employee benefits: include the pension plan, the employee shareholding trust program, physical examinations and allowances.</p> <p>4. Long term incentive plan: To avoid putting too much emphasis on short term performance and to encourage employees to develop long term relationships with the company and enjoy long term growth together, the company has designed a long term incentive plan that offers "employee stock options" and the "Taishin Appreciation Rights Plan" as a means of employee retention.</p>

## C. Status of corporate governance

### a. Information on the operation of the board of directors

#### 1. In the recent fiscal year (2019), the board of directors convened 13 times and status of attendance by directors follows:

Title	Name	Attendance in Person	Attendance by proxy	Actual attendance rate (%)	Note
Chairman	Chia Hao Co., Ltd. Representative: Wu, Tong-Liang	12	1	92.31	
Director	TASCO Chemical Co., Ltd. Representative: Wu, Cheng-Ching	13	0	100.00	
Director	Hsiang-Chao Co., Ltd. Representative: Kuo, Jui-Sung	11	2	84.62	
Director	Santo Arden Co., Ltd. Representative: Wang, Chu-Chan	13	0	100.00	
Independent Director	Lin, Yi-Fu	13	0	100.00	
Independent Director	Chang, Min-Yu	13	0	100.00	
Independent Director	Kuan, Kuo-Lin	12	1	92.31	

Note 1: The attendance rate (%) of a director/supervisor is calculated by his/ her actual number of attendance and the number of meetings of the board of directors during his/her term.

Note 2: The company called 13 board meetings in 2019. Independent directors Lin, Yi-Fu, Chang, Min-Yu and Kuan, Kuo-Lin were present in person in all meetings.

#### Other items of mandatory registration:

(1) In the event of any of the circumstances occurring while the Board of Directors conducts its activities, details including the date, session, and agenda of the board meeting, all opinions of the independent directors, and the Company's responses to the independent directors' opinions should be provided.

A. Matters listed in Article 14-3 of the Securities and Exchange Act: Not applicable as the Company has established an audit committee.

B. In addition to matters above, other objections or qualified opinions from the independent directors to resolutions made by the Board of Directors on-record or in writing: None.

#### 2. Details, including names of directors, resolutions, reasons for conflict of interest, and voting results, of circumstances where directors absented themselves due to conflict of interest:

Details of directors absenting themselves due to conflict of interest in 2019				
Date	Agenda	Director names	Reason for conflict of interest	Voting results
2019.01.17	Approval of the number of months paid to Taishin directors and supervisors in 2018	Wu, Tong-Liang/ Wu, Cheng-Ching/ Kuo, Jui-Sung/ Wang, Chu-Chan/ Lin, Yi-Fu/ Chang, Min-Yu/ Kuan, Kuo-Lin	Where there exists a conflict of interest between the agenda and a director, Article 206 of the Company Act shall apply and the director shall excuse im/herself from the meeting in accordance with Article 178 of the same act.	Directors with conflict of interest excused themselves in accordance with the law, and the remaining attending directors approved the proposals with a unanimous vote.
2019.02.21	Evaluation of executive consultant performance in 2018	Kuo, Jui-Sung		Directors with conflict of interest excused themselves in accordance with the law, and the remaining attending directors approved the proposals with a unanimous vote.
2019.03.28	Adjustment of monthly remuneration for the chairman	Wu, Tong-Liang		Directors with conflict of interest excused themselves in accordance with the law, and the remaining attending directors approved the proposals with a unanimous vote.

### 3. Board evaluation status

Frequency	Period	Scope	Method	Description
Annually	2015.07.1~2016.06.30	Board of directors	Internal board self assessment, director self assessment	Covering understanding of company goals, participation in the business, director duties and continuing training, internal communication, and internal control.
Annually	2016.07.01~2017.06.30	Board of directors	Internal board self assessment, director self assessment	Covering understanding of company goals, participation in the business, director duties and continuing training, internal communication, and internal control.
Annually	2017.07.01~2018.06.30	Board of directors	Internal board self assessment, director self assessment	<p>Items on the director self assessment checklist include</p> <p>A. Understanding of company goals and missions;            B. Understanding of director duties and functions;            C. Involvement in the company's business activities;            D. Internal relations management and communication;            E. Director expertise and continuing education;            F. Internal control.</p> <p>Items in the board performance assessment include the following:</p> <p>A. Involvement in the company's business activities;            B. Improving quality of the board's decisions;            C. Composition and structure of the board of directors;            D. Director expertise and continuing education;            E. Internal control.</p>
Triennially	2017.07.01~2018.11.30	Board of directors	Hired external professional institutions (EY Advisory Services)	<p>The three aspects are "Structure", "People", and "Process and Information"; and the scope covers eight items, which are board structure and process, board composition, institutional and organizational structure, roles and responsibilities, culture and conduct, director training and development, risk management oversight, and filing, disclosure, and performance monitoring.</p> <p>Evaluation methods: document review, director self-assessment questionnaire, and onsite interview. Onsite interviews were conducted by 4 experts from EY Advisory Services.</p>
Annually	2018.07.01~2019.06.30	Board of directors and functional committees	Internal board self assessment, director self assessment, and functional committee member self assessment (including the Audit Committee, the Remuneration Committee, and the Risk Management Committee)	<p>Board of directors:</p> <p>Items on the director self assessment checklist include</p> <p>A. Understanding of company goals and missions;            B. Understanding of director duties and functions;            C. Involvement in the company's business activities;            D. Internal relations management and communication;            E. Director expertise and continuing education;            F. Internal control.</p> <p>Items in the performance assessment include the following:</p> <p>A. Involvement in the company's business activities;            B. Improving quality of the board's decisions;            C. Composition and structure of the board of directors;            D. Director expertise and continuing education;            E. Internal control.</p> <p>Functional committees:</p> <p>Items on the member self assessment checklist include</p> <p>A. Involvement in the company's business activities;            B. Understanding of a functional committee's role;            C. Improvement of decision quality for functional committees;            D. Functional committee composition and appointment of members;            E. Internal control.</p>

#### 4. Evaluation of targets to enhance the role of the board and performance in the current year and last year:

- (1) The Proceedings of Board Meetings have been established for the purpose of strengthening board governance. For better transparency on the board of directors, important resolutions of the board of directors will be published in the annual reports and on the corporate website. In addition, board meeting attendance will be disclosed on the Market Observation Post System.
- (2) In 2007, Taishin started appointing two independent directors; and in late 2007, the company started purchasing directors and key persons liability insurance policies to cover such persons in the process of performing their duties during the terms of their offices. The Remuneration Committee was established in 2011. Three independent directors were elected and the Audit Committee established by the 2015 annual general meeting to replace the supervisors. The Organizational Rules for the Audit Committee were established in the same year. For more effective risk management, the Risk Management Committee was created on December 28, 2017. More than 50% of the independent directors are members of the Risk Management Committee.
- (3) The Board Performance Appraisal Guidelines were established on December 22, 2016, and requires a board performance evaluation be completed internally at least once a year and by a team of external experts at least once every three years. The Board Performance Appraisal Guidelines and the results are disclosed on the corporate website. Furthermore, the board of directors approved the addendums to the performance appraisal mechanisms for functional committees (including the Audit Committee, the Remuneration Committee, and the Risk Management Committee) on November 28, 2019.

A. Internal assessments of the board of directors and functional committees are conducted by having respective members complete self-assessment forms. Then the responsible unit will collect and summarize the results and submit them to the chairman for approval. Those who receive an average score of 90% or higher will be rated “target exceeded”, those between 80% and 90% “target met”, and those below 80% “need improvement”.

B. External evaluation is performed by an outside expert team at least once every three years. The 2018 evaluation (for the period between July 1, 2017 and November 30, 2018) was completed by EY Advisory Services (hereinafter referred to as “external expert”, with Andrew Fuh as the chairman). The external expert is independent and not a related party to the company. The external expert’s conclusions are shown below, and have been submitted to the 9th meeting of the 7th board of directors on December 27, 2018. Result: the overall performance was rated “advanced” in “Structure” and “Process and Information” and “benchmark” in “People”. The external expert made recommendations regarding process and information, including strengthening the role of corporate governance personnel in response to future regulations and continuing training for such personnel. The company will follow the conclusions and strengthen the roles and responsibilities of the board of directors on an ongoing basis.

Note: The external evaluation rates results as “basic” (compliance with the regulator’s requirements and other regulations), “advanced” (compliance with the regulator’s requirements and other regulations and following a set of established and effective practices or making active effort to improve performance in the aspect), and “benchmark” (practices that rise above the basic standards required by regulators and other regulations and sets a benchmark for others).

C. The internal evaluation of the board of directors and functional committees has been completed for 2019 (for the period between July 1, 2018 and June 30, 2019). All results were rated “target exceeded”.

The results above were presented to the directors and disclosed in the annual report and on the corporate website under “Corporate Governance”. The objective assessment system is in place to improve director performance.

## b. Operation of the auditing committee or the participation of supervisors in the operation of board of directors

### 1. Information on the operation of audit committee:

(1) The authorities and responsibilities of the audit committee are as follows:

The Audit Committee consists of 3 independent directors. The mission of the Audit Committee is to assist the board of directors in performing its duty to oversee the accounting, audit, and financial reporting processes in Taishin FHC and the quality and integrity of financial management.

The Audit Committee met 10 times in 2018. Matters reviewed include:

- A. To establish or amend the company's internal control policies pursuant to Article 14-1 of the Securities and Exchange Act.
- B. To evaluate the effectiveness of internal control policies.
- C. To pursuant to Article 36-1 of the Securities and Exchange Act, establish or amend procedures relating to asset acquisition/disposal, derivative transactions, and major financial conducts.
- D. Matters concerning the personal interests of directors.
- E. Major asset transactions or derivatives.
- F. Offering, issuance, or private placement of securities with equity characteristics.
- G. Appointment, dismissal, or compensation of the certifying CPAs.
- H. Appointment and removal of the financial, accounting, or internal auditing officers.
- I. Annual and semi-annual financial reports.
- J. Other significant issues regulated by the Company or competent authorities.

### 2. In the recent fiscal year (2019) audit committee convened 10 times and status of attendance:

Title	Name	Actual number of attendance	Attendance by Proxy	Attendance rate (%)	Note
Independent Director	Chang, Min-Yu	10	0	100.00	
Independent Director	Lin, Yi-Fu	10	0	100.00	
Independent Director	Kuan, Kuo-Lin	10	0	100.00	

Note 1: The Audit Committee is made up of all independent directors.

Note 2: The attendance rate(%) of a director is calculated by his/her actual number of attendance and the number of meetings of the board of directors during his/her term.

#### • Financial statement review

The board of directors has prepared the 2019 business report, financial statements and earnings distribution proposal for Taishin FHC. The financial statements have been audited and certified by CPA Tza-Li Gung and CPA Kwan-Chung Lai of Deloitte Taiwan, who have also issued an opinion. The reports above have been reviewed by the Audit Committee as correctly portraying the company's business activities.

#### • Appointment of certifying CPA

To ensure independence of the CPA firm, the Audit Committee has followed Article 47 of the Certified Public Accountant Act and the rules regarding integrity, impartiality, and independence in No. 10 Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China and devised an independence evaluation form. The form is intended to assess the independence, professional training, and competence of CPAs and whether they are related parties to or share business or financial interest with Taishin FHC. On February 27, 2020, it was reviewed and passed in the 19th meeting of the 2nd Audit Committee and the 25th meeting of the 7th board of directors that CPA Qinzhen Yang and CPA Kwan-Chung Lai of Deloitte Taiwan met the independence criteria and were sufficiently qualified to perform financial and tax accounting certification for Taishin FHC.

### 3. Other items which should be recorded:

(1) In the event of any of the circumstances occurring while the Audit Committee conducts its activities, details including the date, session, and agenda of the board meeting, all resolutions of the Audit Committee, and the Company's responses to the Audit Committee's opinions should be provided:

#### A. Matters listed in Article 14-5 of the Securities and Exchange Act

Board of directors	Agenda	Resolutions of Audit Committee	The Company's response to Audit Committee's opinions
2019.01.17 10th Session of 7th Board of Directors	Passed subscription to all new ordinary shares issued by the subsidiary Taishin Securities Co., Ltd.	2019.01.17 Approved	The proposal was passed by a unanimous vote
2019.02.21 11th Session of 7th Board of Directors	Evaluation of executive consultant performance in 2018.	2019.02.21 Approved	The proposal was passed by a unanimous vote
	2018 consolidated financial statements.	2019.02.21 Approved	The proposal was passed by a unanimous vote
	Appointment and remuneration of auditors of 2019 financial statements.	2019.02.21 Approved	The proposal was passed by a unanimous vote
2019.03.21 12th Session of 7th Board of Directors	Submission of the company's 2018 audited financial statements.	2019.03.21 Approved	The proposal was passed by a unanimous vote
	Submission of the company's 2018 Statement on the Internal Control Statement.	2019.03.21 Amendment approved	The amendment was passed by a unanimous vote.
2019.04.25 14th Session of 7th Board of Directors	Submission of the company's 2018 business report.	2019.04.25 Amendment approved	The amendment was passed by a unanimous vote.
	The company's 2018 earnings distribution plan.	2019.04.25 Approved	The proposal was passed by a unanimous vote
	Proposal to issue shares against capitalized earnings.	2019.04.25 Amendment approved	The amendment was passed by a unanimous vote.
	Amendment of the Asset Acquisition or Disposal Procedures.	2019.04.25 Approved	The proposal was passed by a unanimous vote
	Submission of the company's 2019 audit plan.	2019.04.25 Approved	The proposal was passed by a unanimous vote
2019.07.25 17th Session of 7th Board of Directors	Authorization of the exright date, exdividend date, cash issue date, and payment date for distribution of the 2018 common stock dividend.	2019.07.25 Approved	The proposal was passed by a unanimous vote
2019.08.29 18th Session of 7th Board of Directors	Examination opinions from a general audit conducted by the Financial Examination Bureau of the FSC in March 2018 and followup on review results.	2019.08.29 Approved	The proposal was passed by a unanimous vote
	Submission of the company's 2019 H1 consolidated financial statements.	2019.08.29 Approved	The proposal was passed by a unanimous vote
	Change of organization and management (accounting officer) responsibilities.	2019.08.29 Approved	The proposal was passed by a unanimous vote
2019.10.31 20th Session of 7th Board of Directors	Examination opinions from a general audit conducted by the Financial Examination Bureau of the FSC in March 2018 and followup on review results.	2019.10.31 Amendment approved	The amendment was passed by a unanimous vote.
2019.12.19 22th Session of 7th Board of Directors	Submission of the company's 2020 audit plan.	2019.12.19 Approved	The proposal was passed by a unanimous vote
	Examination opinions from a general audit conducted by the Financial Examination Bureau of the FSC in March 2018 and followup on review results.	2019.12.19 Approved	The proposal was passed by a unanimous vote

B. In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors: None.

(2) With respect to execution of cases in which the Independent Directors abstain themselves on the ground of conflict of interest, the name of the independent Directors, contents of motion, reasons for abstention and participation in voting should be clearly stated: None.

(3) Between independent directors and internal auditors and CPAs

A. Between independent directors and internal auditors in 2019

- (a) The committee consists of all independent directors, who have regular meetings with the chief auditor. Instructions made in such meetings will be implemented by the audit office. Minutes of the meetings will be submitted to the board of directors for review.
- (b) The board of directors and chief auditor will attend the meetings. Independent directors and the chief auditor will exchange views on the agenda during board meetings or prior to their own meetings.
- (c) The audit report of the company and its subsidiaries will be presented to the independent directors.
- (d) The audit office will present regular audit reports to the board of directors and the audit committee every quarter. The reports will contain information such as a summary of audit practices at the subsidiaries and key items in internal and external audits.
- (e) Each independent director will discuss the aforementioned item with chief auditor if necessary.

Communications between the Independent Directors and the internal audit supervisors are as follows:

Date	Communication Mechanisms	Issues to communicate	Result
February 21, 2019	The Chief Auditor communication conference with Independent Directors.	Penalties imposed by the competent authorities on the company and its subsidiaries, major extraordinary events, primary examination findings of financial institutions disclosed by FSC, and material findings in internal audit reports during 2018 Q3 and Q4.	Without further recommendations.
	The Audit Division presents regular report to the Audit Committee.	Submission of the results of audit work for 2018 Q4.	Duly noted. Proceeded as recommended.
May 23, 2019	The Audit Division presents regular report to the Audit Committee.	Submission of the results of audit work for 2019 Q1.	Duly noted. Proceeded as recommended.
August 29, 2019	The Chief Auditor communication conference with Independent Directors.	Penalties imposed by the competent authorities on the company and its subsidiaries, major extraordinary events, primary examination findings of financial institutions disclosed by FSC, and material findings in internal audit reports during 2019 Q1 and Q2.	Without further recommendations.
	The Audit Division presents regular report to the Audit Committee.	Submission of the results of audit work for 2019 Q2.	Duly noted. Proceeded as recommended.
November 28, 2019	The Audit Division presents regular report to the Audit Committee.	Submission of the results of audit work for 2019 Q3.	Duly noted. Proceeded as recommended.

Note: Other proposals that should be submitted for review by the Audit Committee are handled in accordance with Article 14-5 of the Securities and Exchange Act.

B. Between independent directors and CPAs

The company's CPAs report audit plans, findings and results to the audit committee and discuss the company's financial and general business conditions by meetings.

Summarized discussion results between independent directors and internal auditors and CPAs as follows:

Date	Communication method	Audience	Content	Recommendations and actions
2019.02.21	Forum	Auditors	1. Presented results of the 2018 financial statement audit. 2. Reported on key audit items.	No objection
2019.06.14	Forum	Auditors	1. 2018 summary of key audit items adopted by other financial institutions. 2. Presented results of the H1 2019 financial statement audit.	No objection
2019.08.29	Forum	Auditors	1. Presented results of the H1 2019 financial statement audit. 2. Reported on key audit items.	No objection
2019.12.26	Forum	Auditors	1. Reported of the H1 2019 key audit items. 2. H1 2019 summary of key audit items adopted by other financial institutions.	No objection
2020.02.27	Forum	Auditors	1. Presented results of the 2019 financial statement audit. 2. Reported on key audit items.	No objection

**c. Disclosure information in accordance with the guidelines of the practical corporate governance of the holding industry Please refer to the company's website at: <https://www.taishinholdings.com.tw>.**

#### d. Status of the Holding's corporate governance and its deviation from the guidelines for the practical corporate governance of the holdings industry and reasons

Item	Yes	No	Operating Status	Deviation from the guidelines of the practical corporate governance
			Summary Descriptions	
1. Shareholding structure and shareholders' rights within the financial holding company				
(1) Has the financial holding company established and implemented a set of internal procedures to process shareholders' suggestions, queries, disputes and litigations?		✓	Taishin Holdings has provided an "IR Contact" and set a "Contact us" link on the official website, which shareholders may use to raise suggestions, queries, disputes and litigations.	Internal procedures have not been formulated, but a contact method has been provided in the Taishin Holdings website for shareholders to raise suggestions, queries, and disputes.
(2) Is the financial holding company constantly informed of the identities of its major shareholders and their ultimate controllers?	✓		The shareholder services department is responsible for gathering information on Taishin's major shareholders. This information is also disclosed in Taishin's annual reports.	No deviation
(3) Has the financial holding company established and implemented risk management and firewalls in affiliated companies?	✓		Risk management practices and firewalls that Taishin has established and implemented in affiliated companies: Taishin Holdings has established a Related Party Transaction Policy and rules of implementation to regulate transactions with stakeholders. Taishin Holdings and its main subsidiaries (including Taishin Bank and Taishin Securities) have implemented security policies to protect their information systems. Access to sensitive information is protected by firewalls and is permitted only for risk management purposes and when instructed by the competent authority.	No deviation
2. Composition and duties of the board of directors				
(1) Apart from the Remuneration Committee and Audit Committee, has the financial holding company assembled other functional committees at its own discretion?	✓		Taishin Holdings established the Remuneration Committee in accordance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange on September 22, 2011. The duration of the current term of committee members is from July 2, 2018 to June 30, 2021; as of December 31, 2019, and 10 committee meetings have been held. Taishin Holdings established the Audit Committee on July 1, 2015. The Audit Committee is made up of three Independent Directors. The duration of the current term of committee members is from July 2, 2018 to June 30, 2021; as of December 31, 2019, 17 committee meetings have been held. In addition to the Remuneration Committee and the Audit Committee, Taishin Holdings established the Risk Management Committee on December 28, 2017. The Risk Management Committee is made up of two Independent Directors and one Director. The duration of the current term of committee members is from July 2, 2018 to June 30, 2021; as of December 31, 2019, 8 committee meetings have been held. Furthermore, Taishin Holdings has established administrative committees, including the Policy Committee, Corporate Sustainability Committee, Asset and Liability Management Committee, Investor Relationship Committee, and Personnel Review Committee, to review and oversee our business operations and strengthen corporate governance.	No deviation
(2) Does the TWSE/TPEX-listed financial holding company have board of directors performance evaluation guidelines and evaluation methods in place, perform the evaluations periodically on a yearly basis, report the evaluation result to the board of directors, and use such result as a reference for the determination of remuneration for each director and the nomination and appointment of directors? (Note 2)			In order to implement corporate governance, the Board of Directors of Taishin Holdings approved the enactment of the Board of Directors Performance Evaluation Guidelines on December 22, 2016, and thereafter approved the amendment to the Board of Directors Performance Evaluation Guidelines on November 28, 2019, where performance evaluation mechanisms for functional committees (including the Audit Committee, Remuneration Committee, and Risk Management Committee) were added. Such performance evaluation methods are categorized into two types, i.e., internal evaluation and external evaluation. An internal evaluation shall be conducted at least annually, while an evaluation performed by external specialists shall be exercised at least every three years. The aforementioned performance evaluation result was reported to the Board of Directors on December 19, 2019, and shall serve as a reference basis at meetings to decide whether improvement measures should be taken, for the selection and nomination of Directors in the future, and for the determination of remuneration for each Director.	

Item	Yes	No	Operating Status			Deviation from the guidelines of the practical corporate governance																					
			Summary Descriptions																								
(3) Does the financial holding company conduct regular assessments on the independence of its CPAs?	✓		<p>Pursuant to Taishin Holdings's Corporate Governance Principles and Guidelines for Assessing Independence and Suitability of CPAs, Taishin Holdings conducts annual assessments of the independence of its CPAs. The results were submitted to the 9th meeting of the 2nd Audit Committee and the 11th meeting of the 7th Board of Directors for deliberation on February 21, 2019.</p> <p>Having completed an assessment and obtained declarations of impartiality and independence from the CPAs, Taishin Holdings deems that CPA Jerry Gung and CPA Casey Lai of Deloitte Taiwan meet Taishin Holdings' independence requirements (Note), and with the acquisition of declarations of impartiality and independence from such CPAs, they are sufficiently qualified to act as our CPAs.</p> <p>Note:</p> <table border="1"> <thead> <tr> <th>Assessment area</th> <th>Assessment result</th> <th>Compliance with independence</th> </tr> </thead> <tbody> <tr> <td>Not a stakeholder under Articles 44 or 45 of the Financial Holding Company Act.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Does not have significant financial interest in the Company or any family member with significant financial interest in the Company that may affect independence.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Has not served as a Director or Supervisor of the Company or held any other key positions at the Company that may have affected the audit services in the last two years.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Does not concurrently conduct routine work for the Company while receiving a regular salary.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Does not receive any business-related commissions.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Has not served a term of more than seven consecutive years as the Company's CPA and has not returned to same position in two years after rotation or resignation.</td> <td>Yes</td> <td>Yes</td> </tr> </tbody> </table>			Assessment area	Assessment result	Compliance with independence	Not a stakeholder under Articles 44 or 45 of the Financial Holding Company Act.	Yes	Yes	Does not have significant financial interest in the Company or any family member with significant financial interest in the Company that may affect independence.	Yes	Yes	Has not served as a Director or Supervisor of the Company or held any other key positions at the Company that may have affected the audit services in the last two years.	Yes	Yes	Does not concurrently conduct routine work for the Company while receiving a regular salary.	Yes	Yes	Does not receive any business-related commissions.	Yes	Yes	Has not served a term of more than seven consecutive years as the Company's CPA and has not returned to same position in two years after rotation or resignation.	Yes	Yes	No deviation
Assessment area	Assessment result	Compliance with independence																									
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Has not served a term of more than seven consecutive years as the Company's CPA and has not returned to same position in two years after rotation or resignation.	Yes	Yes																									
3. Does the financial holding company appoint competent corporate governance personnel in an adequate number, and appoint a Chief Corporate Governance Officer to be responsible for corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with the laws, organizing board meetings and annual general meetings as required by law, and compiling minutes of board meetings and annual general meetings)?	✓		<p>Taishin Holdings appoints competent corporate governance personnel in an adequate number. On March 28, 2019, the Board of Directors approved the appointment of Vice President Frank Lin, head of the Secretariat Division, as the Chief Corporate Governance Officer to be mainly responsible for corporate governance practices (including but not limited to providing information necessary for Directors to perform their duties, assisting Directors in taking office and pursuing continuing education, aiding Directors in complying with the laws, compiling minutes of Board meetings and annual general meetings, and organizing Board meetings and annual general meetings as required by law), so as to safeguard stockholders' rights and interests, and strengthen functions of the Board of Directors. Vice President Lin has work experience related to management of public companies' meeting procedures for over three years. Task implementation on 2019 includes (but is not limited to) the following.</p> <ol style="list-style-type: none"> <li>Assist Independent Directors and other Directors in performing their duties; provide the necessary information; and offer assistance for Directors in taking office and pursuing continuing education. <ol style="list-style-type: none"> <li>Work with relevant units to keep members of the Board of Directors informed regularly of the latest amendments and developments of laws and regulations regarding corporate governance and business management.</li> <li>Review confidentiality levels of relevant information; provide Directors with necessary company information; and keep an open, smooth communication channel between the Directors and all business managers.</li> <li>Arrange meetings accordingly when Independent Directors, following the Corporate Governance Best Practice Principles, find it necessary to meet individually with internal audit officers or CPAs to get a better understanding of the Company's financial needs.</li> <li>Assist Independent Directors and other Directors in creating annual study plans or enrolling in courses based on the characteristics of the Company's business activities and the education and experience of respective Directors.</li> </ol> </li> <li>Facilitate meeting procedures of Board meetings and annual general meetings, and assist in compliance-related matters for subsequent resolutions.</li> <li>Notify Directors about the drafted Board meeting agenda at least seven days prior to the meeting; convene meetings and provide meeting information; send reminders where conflict of interest may require recusal; and complete Board meeting minutes within twenty days after respective meetings.</li> <li>Register annual general meetings in advance as required by law; complete notices of meetings, agendas, and minutes by the statutory deadline; and complete changes of registration in the event of an amendment of the Articles of Incorporation or an election of Directors.</li> <li>Handle business registration and any change of registration.</li> <li>Other duties pursuant to the Articles of Incorporation or other contracts.</li> </ol> <p>2019 continuing education status is as follows:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Organizer</th> <th>Course name</th> <th>Training hours</th> </tr> </thead> <tbody> <tr> <td>03/29</td> <td>Governance Professionals Association of Taiwan</td> <td>Corporate Governance Best Practice Symposium 2019</td> <td>6</td> </tr> <tr> <td>04/18</td> <td rowspan="3">Taiwan Corporate Governance Association</td> <td>Corporate Governance - New Regulations in the Economic Substance Act of Tax Havens and Risk-Based Anti-Money Laundering by Enterprises</td> <td>3</td> </tr> <tr> <td>08/15</td> <td>Analysis and Case Study of the Financial Consumer Protection Act and Customer Fair Treatment Guidelines</td> <td>3</td> </tr> <tr> <td>12/24</td> <td>Legal Risks and Crisis Management in Corporate Business</td> <td>3</td> </tr> </tbody> </table>			Date	Organizer	Course name	Training hours	03/29	Governance Professionals Association of Taiwan	Corporate Governance Best Practice Symposium 2019	6	04/18	Taiwan Corporate Governance Association	Corporate Governance - New Regulations in the Economic Substance Act of Tax Havens and Risk-Based Anti-Money Laundering by Enterprises	3	08/15	Analysis and Case Study of the Financial Consumer Protection Act and Customer Fair Treatment Guidelines	3	12/24	Legal Risks and Crisis Management in Corporate Business	3	No deviation			
Date	Organizer	Course name	Training hours																								
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Item	Yes	No	Operating Status	Deviation from the guidelines of the practical corporate governance
			Summary Descriptions	
4. Has the financial holding company established a communication channel and set a designated section on its website for stakeholders (including but not limited to shareholders, employees, and customers), and does it properly respond to corporate social responsibility issues of concern to stakeholders?	✓		<p>1. Taishin Holdings has established a Stakeholder Information System in which Taishin Holdings and its subsidiaries create stakeholder profiles and make them available for inquiry. Stakeholders are also reminded on a regular basis to verify the correctness of their information.</p> <p>2. Taishin Holdings complies with laws in the disclosure of financial, business and material information in the Market Observation Post System. This information is made publicly available simultaneously on our website. Taishin Holdings also has a designated spokesperson and investor relations mailbox available to serve as communication channels with stakeholders.</p> <p>3. Taishin Holdings created a Stakeholders section on its website in 2015 as a means to communicate and compile queries and opinions from stakeholders (e.g., employees, suppliers, consumers, investors or customers), so that we can gain a better understanding of stakeholders' expectations, concerns, and needs. We have several teams responsible for communicating with stakeholders of different kinds and actively responding to topics that are of concern to them.</p>	No deviation
5. Disclosure of information				
(1) Has the financial holding company established a website that discloses financial, business, and corporate governance-related information?			Taishin Holdings discloses financial, business and other information relevant to corporate governance on its website. This information is also reported online according to related regulations on material disclosure and public information.	
(2) Has the financial holding company adopted other means to disclose information (e.g., English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website, etc.)?			Taishin Holdings has established an English website and assigned various departments to gather and disclose information on a regular basis. In addition, a public information reporting system has also been created with personnel assigned to gather and disclose information via the system. Taishin Holdings has a spokesperson mechanism in place to facilitate external communications. All material information relevant to investors' interests are announced using the Market Observation Post System and press releases. The spokesperson provides further elaboration where deemed necessary. Taishin Holdings prepares its corporate social responsibility report in both Chinese and English. This report is made accessible at our website and on the Market Observation Post System (MOPS). Taishin Holdings holds quarterly investor conferences; conference proceedings are recorded and uploaded onto our website and the MOPS on the same day.	
(3) Does the financial holding company make public and file the annual financial statements after the end of the fiscal year and before the deadline set out in the Financial Holding Company Act and Securities and Exchange Act, and make public and file its financial statements for Q1, Q2, and Q3, as well as monthly operating status before the deadline?	✓		<p>1. Taishin Holdings made public and filed its 2019 annual financial statements early, within two months after the end of the fiscal year.</p> <p>2. Taishin Holdings made public and filed its financial statements for Q1, Q2, and Q3 of 2019 before the deadline, and made public and filed monthly operating status before the deadline. In 2020, we intend to make public and file our financial statements for Q1, Q2, and Q3, as well as monthly operating status before the deadline.</p>	No deviation
6. Does the financial holding company have other material information that enables a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, stakeholders' rights, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, liability insurance coverage of company directors and supervisors, and donation to political parties, stakeholders, and charity organizations)?			<p>1. Employee rights and care for employees: Taishin Holdings places emphasis on the rights and interests of employees and on harmonious employer-employee relationships. For this reason, an employee relations unit has been created to instantly respond to employee queries. Taishin Holdings believes that satisfied employees are the key to satisfied customers. The Chairman and the management have long dedicated themselves to building a work environment characterized by respect, care, support and self-motivated growth. By organizing various events and providing communication channels and learning resources, employees are given the chance to work in a humane, respectful and progressive environment, and to grow simultaneously with Taishin Holdings free from any unnecessary worries.</p> <p>(1) Offering of competitive remuneration and welfare packages</p> <p>A. Remuneration: Taishin Holdings offers competitive salary levels in order to recruit and retain top talents.</p> <p>B. Employee assistance program: Taishin Holdings engages specialists from Teacher Chang Foundation to help employees resolve their problems outside of work.</p> <p>C. Employee Welfare Committee: The Committee organizes a variety of events such as birthday celebrations, trips, hiking events, and ball games and competitions to enrich employees' lifestyles and enhance teamwork.</p> <p>D. Taishin Stress Relief Workshop: Taishin Holdings hires blind masseurs and masseuses to help employees relieve work stress, creating a happy and healthy work environment while contributing towards charity.</p>	

Item	Yes	No	Operating Status	Deviation from the guidelines of the practical corporate governance
			Summary Descriptions	
6. Does the financial holding company have other material information that enables a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, stakeholders' rights, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, liability insurance coverage of company directors and supervisors, and donation to political parties, stakeholders, and charity organizations)?	✓		<p>(2) Taishin Holdings respects the opinions of its employees and has smooth communication channels in place.</p> <p>A. Group-wide surveys: All employees are invited to participate in online surveys as a means of formal employer-employee communication. The survey also helps to raise the level of employee engagement within Taishin Holdings.</p> <p>B. Regular morning meetings: These meetings are organized to discuss business process re-engineering, key projects, and to recognize employees who have displayed the values of Taishin in their work. Through the use of two-way communication, employees are able to align themselves with the corporate culture and values.</p> <p>2. Investor relations: In addition to organizing quarterly corporate investors' conferences and participating in domestic and overseas investor forums and road shows from time to time, through its Investor Relations Department, Taishin Holdings also communicates with investors regarding relevant issues via various channels including e-mail, telephone, or face-to-face meetings. Moreover, information disclosure is made through Taishin's website.</p> <p>3. Protection of consumers' interests/Customer policy: Taishin Holdings and all its subsidiaries adopt stringent measures to protect customer information. The group has adopted personal information management policies, information security policies, firewalls, and customer information confidentiality measures in accordance with the Financial Holding Company Act, Guidelines for Cross Marketing Among Subsidiaries of Financial Holding Companies, Personal Data Protection Act and other relevant regulations stipulated by the competent authority, so as to fulfill our duties of keeping customer information confidential and safeguarding customer information security.</p> <p>4. Risk management policy and risk assessment standards: Taishin Holdings and each of its subsidiaries have independent risk management units. We have also committed substantial resources to the development of risk management systems, and implement our risk management policy by controlling credit, market, and operational risks using both qualitative and quantitative means.</p> <p>5. Status of Directors' continuing education: Taishin Holdings' Directors have all completed the required training hours; the progress of their training has been updated onto the Market Observation Post System according to regulations.</p> <p>6. Taishin Holdings has purchased liability insurance for Directors. These insurance policies are reviewed on a yearly basis to ensure adequate coverage.</p> <p>7. The Board of Directors consists of members from diverse backgrounds. The 7th Board of Directors consists of 7 members, including 3 Independent Directors (one being a woman qualified as CPA). The Board attaches great importance to diversity, and is made up of top talents from finance, industries, and the academia, with 2 doctoral degree holders and 2 master's degree holders. The members have various professional degrees, work experience, and background in different fields including finance, business administration, physics, engineering, accounting, and pharmaceuticals. Overall, they possess the general knowledge, skills and competencies required to perform incumbent duties. Furthermore, Taishin Holdings also emphasizes gender equality in Board composition. Our goal is to have at least one female Director in the Board, and in 2018, we achieved this target in the election of the 7th Board of Directors. For the purpose of strengthening corporate governance practices, Taishin Holdings established the Board of Directors Diversity Policy in accordance with Article 22 of the Corporate Governance Principles, and disclosed the policy, related information and implementation on Taishin's website and this annual report under "Board of Directors Diversity Policy and Results".</p>	No deviation
7. Please describe improvements, priority for improvement, and measures based on the most recent Corporate Governance Evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange. (Optional for companies not included in the evaluation.)	✓		<p>1. In April 2019, Taishin Holdings was ranked among the top 5% listed companies and top 10% in the finance and insurance category (top four) in the 5th Corporate Governance Evaluation of Taiwan Stock Exchange. We have also been constantly chosen as a component of the TWSE CG100 Index since June 2015.</p> <p>2. Taishin Holdings maintained its commitment toward enhanced corporate governance in a number of aspects, including:</p> <p>(1) In order to facilitate Board operations, the Board of Directors of Taishin Holdings approved the enactment of the Board of Directors Performance Evaluation Guidelines on December 22, 2016, and thereafter approved the amendment to the Board of Directors Performance Evaluation Guidelines on November 28, 2019, where performance evaluation mechanisms for functional committees and regular implementation of performance evaluation on the Board of Directors and committees were added.</p> <p>(2) In response to the need for stakeholder awareness, Taishin Holdings has continued to strengthen transparency and disclosure of information since 2016 by means including revamping the official website, making simultaneous disclosures in both Chinese and English, and optimizing the compilation of financial statements. Starting in 2017, CPA-certified annual financial statements have been released within two months after the end of each fiscal year.</p>	No deviation

Note 1: Provide details in the comments regardless of the answer.

Note 2: Describe deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons.

## e. Status of structure, responsibilities and operations of the Remuneration Committee

### 1. Members of the Remuneration Committee

Position (Note 1)	Qualifications	More than 5 years work experience and the following qualifications			Compliance with independent status (Note 2)										Number of positions as Remuneration Committee member in other public listed companies	Note	
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects related to the company's operations in public or private tertiary institution	Nationally certified judge, prosecutor, attorney, accountant, or holder of professional qualifications related to the company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10			
Name																	
Independent director	Lin, Yi-Fu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	N/A
Independent director	Chang, Min-Yu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	N/A
Independent director	Kuan, Kuo-Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	N/A

Note 1: Please specify whether a director, independent director, or other.

Note 2: Place a "✓" if the member meets the following condition during the two years prior to election and at any time during service.

- (1) Not employed by the company or any of its affiliated companies.
- (2) Not a director or supervisor of the company or any of its affiliates (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (3) Not a natural-person shareholder who, together with his/her spouse and underage children or in the name of another person, holds 1% or more of the outstanding shares in the company, and not one of the company's top ten shareholders.
- (4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship or closer to anyone listed in (2) or (3).
- (5) Not a director, supervisor or employee of an institutional shareholder who holds directly 5% or more of the company's shares, is one of the top five shareholders, or is a representative appointed as director or supervisor of the company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (6) Not a director, supervisor or employee of another company that has the same directors as the company or is controlled by the same person that has more than half of the voting power in the company (except where the person is concurrently an independent director of the company or its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (7) Not a director, supervisor or employee of another company or institution that has the same chairman, president, or person with the equivalent rank as the company, or a spouse in one of these roles (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (8) Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specific company or institution that has a financial or business relationship with the company (except where that specific company or institution holds 20% or more but no more than 50% of the company's shares and is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (9) Not a professional who provides audit or received no more than NT\$500,000 in cumulative compensation in the last two years for commercial, legal, financial, or accounting services to the company or its affiliates, nor an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or organization that provides such services to the company or its affiliates; or the spouse of any of the above. However, exception applies to members of a remuneration committee, a take-over bid review committee, or a special committee for merger and acquisition exercising their authority pursuant to provisions of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Does not meet any of the descriptions stated in Article 30 of the Company Act.

## 2. Status of Operations of the Remuneration Committee

- (1) The company's remuneration committee consists of three members.
- (2) Term of service: From July 2, 2018 until June 30, 2021. The remuneration committee held 7 meeting (A) in the most recent year; details of members' attendance are as follows:

Title	Name	Actual Attendance (B)	Proxy Attendance	Actual attendance rate (%) (B/A)	Remarks
Convener	Lin, Yi-Fu	7	0	100	
Member	Chang, Min-Yu	6	1	86	
Member	Kuan, Kuo-Lin	6	0	86	

The duties of the Committee are as follows, and its recommendations will be presented to the board of directors for discussion.

- Stipulate and review regularly the compensation policies, systems, standards and structures, and performance of directors and managers.
- Regularly review and adjust director and manager remuneration.

Remuneration Committee	Agenda and follow-up	Resolutions	Company reaction base on the opinion of Remuneration Committee
4th meeting of 4th-term committee on January 8, 2019	1. Proposal for 2018 annual bonuses. 2. Proposal for implementation of the 2018 Taishin Stock Appreciation Rights Program. 3. Proposal for evaluation of the compensation levels for Taishin FHC directors and approval of number of months paid to Taishin FHC directors and Taishin Bank directors and supervisors for 2018. 4. Proposal for 2018 annual bonuses for Taishin Bank consultant.	Passed by a unanimous vote	Submitted to the board of directors and passed by a unanimous vote.
5th meeting of 4th-term committee on January 31, 2019	Proposal for distribution of Taishin FHC director and employee remuneration for 2018.	Passed by a unanimous vote	Submitted to the board of directors and passed by a unanimous vote.
6th meeting of 4th-term committee on March 8, 2019	2018 performance appraisal results for Taishin FHC employees assigned to subsidiaries.	Contact	
7th meeting of 4th-term committee on March 19, 2019	1. Examination opinions (Table A) from a general audit conducted by the Financial Examination Bureau of the FSC in March 2018 and the improvement plan filed subsequently by Taishin. 2. Proposal for reformulation of Taishin FHC's Remuneration Committee Charter and revocation of existing charter. 3. Proposal for review of Taishin FHC's director and supervisor remuneration policy and amendment of the Guidelines for Director Remuneration. 4. Proposal for review of Taishin FHC's manager remuneration policy. 5. Proposal for Taishin FHC 2019 manager salary adjustment. 6. Proposal for adjustment of monthly remuneration for the chairperson of Taishin FHC and Taishin Bank.	Passed by a unanimous vote	Submitted to the board of directors and passed by a unanimous vote.
8th meeting of 4th-term committee on July 16, 2019	1. Examination opinions (Table A) from a general audit conducted by the Financial Examination Bureau of the FSC in March 2018 and the improvement plan filed subsequently by Taishin. 2. Proposal for amendment of the Guidelines for Director Remuneration.	Passed by a unanimous vote	Submitted to the board of directors and passed by a unanimous vote.
9th meeting of 4th-term committee on November 15, 2019	Proposal for amendment of Taishin FHC's Performance Appraisal and Bonus Policy.	Passed by a unanimous vote	Submitted to the board of directors and passed by a unanimous vote.
10th meeting of 4th-term committee on December 26, 2019	1. Proposal for 2019 annual bonuses. 2. Proposal for implementation of the 2019 Taishin Stock Appreciation Rights Program. 3. Proposal for approval of number of months paid to Taishin FHC directors and Taishin Bank directors and supervisors for 2019.	Passed by a unanimous vote	Submitted to the board of directors and passed by a unanimous vote.

Other remarks:

1. In the event where a Remuneration Committee proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the agenda, the board's resolution, and the way the company processed the Remuneration Committee's proposals (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None.
2. Should any member object or express qualified opinions to a resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the agenda, the entire members' opinions, and how their opinions were addressed: None.

## f. Fulfillment of social responsibilities

Assessment area	Practices (Note 1)		Summary (Note 2)	Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons (Note 3)												
	Yes	No														
<p><b>1. Does the company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies accordingly? (Note 4)</b></p>	✓		<p>Taishin established the Corporate Sustainability Committee (CSR Committee), which is responsible for formulating and promoting corporate social responsibility strategies and overall goals. Taishin has formulated the Taishin FHC Risk Management Policy and the Green Finance Principles. Furthermore, we follow the materiality CSR principles to conduct annual emerging risk assessments for material issues. Taishin implements procedures specifically to identify and manage emerging risks, so as to strengthen emerging risk control and response, and prepares questionnaires based on documents published by local and foreign institutions. All subsidiaries are required to assess emerging risks associated with their business activities to determine the possible impacts, and establish response measures based on assessment results. The results are then consolidated and reported by Taishin to facilitate ongoing observation on the implementation of risk control and mitigation measures.</p> <table border="1"> <thead> <tr> <th>Material issues</th> <th>Risk assessment items</th> <th>Risk Policy / Strategies / Response methods / Opportunities</th> </tr> </thead> <tbody> <tr> <td>Environment</td> <td>New infectious diseases</td> <td> <ul style="list-style-type: none"> <li>◆ Implement self-health management by employees and avoid large-scale gatherings (meetings). 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Identify IoT equipment gaps of Taishin through information security inspections conducted by external consultants. 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<p><b>2. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and does it report its progress to the board of directors?</b></p>	✓		<p>Taishin established the Guidelines for Establishment of the Corporate Sustainability Committee, as well as the Corporate Sustainability Committee (CSR Committee) in 2014. Currently, the committee is convened and chaired by the President of Taishin FHC; the Chief Financial Officer of Taishin Holdings and the President of Taishin Bank serve as deputy chairpersons; and CEOs from all divisions, subsidiary representatives, and foundation representatives act as executive members. The committee is responsible for formulating corporate social responsibility policies and overall goals, reviewing annual CSR plans and reports, and evaluating the progress and results of CSR projects. In addition, Taishin established the Corporate Governance Best Practice Principles and Ethical Corporate Management Best Practice Principles in 2014 to guide its corporate governance practices. Moreover, in late 2016, approval was obtained to create six functional teams under the leadership of executive committee members. The six teams are the Corporate Sustainability Team, the Customer Relations Team, the Liability Products Team, the Employee Relations Team, the Green Operations Team, and the Social Inclusion Team. Taishin FHC and its subsidiaries and foundations are all participants in the teams, and follow the policies and goals resolved upon by the CSR Committee to report and implement CSR related projects. The CSR Committee had three meetings in 2019. It started making annual presentations of CSR results and plans to the board of directors in 2018. The chairperson presents business strategy reports to the board of directors every year. Executive members are also regular attendees of board meetings, where they may engage the board of directors in CSR related discussions as needed.</p>													

Assessment area	Practices (Note 1)		Summary (Note 2)	Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons (Note 3)
	Yes	No		
<b>3. Environmental issues</b>				
(1) Does the company have in place a suitable environmental management system based on the characteristics of the industry?	✓		<p>1. The company has a Workplace Safety and Health Group that follows the rule of “starting with intrinsic safety of environmental design and putting prevention first”, and guarantees a healthy and safe workplace. For example, its responsibilities include promoting measures related to the Tobacco Hazards Prevention Act, raising awareness of a smoke-free workplace during workplace health and safety training, and conducting semiannual workplace inspections to effectively maintain a quality environment and fulfill Taishin’s responsibility in environmental management. (Note: The company’s security measures include installing access control and security systems, as well as employing security guards in business premises. Workplace inspection measures carbon dioxide gas concentration and lighting in a workplace.)</p> <p>2. Strategy for climate change Since the launch of its campaign to practice “Environmental Protection through Energy Saving” in 2009, the company has been urging its employees to support environmental efforts and make a habit of caring for the environment and conserving energy in their everyday life. In addition to actively implementing international standards such as the ISO50001 Energy Management System and the ISO14064-1 GHG Inventory System, Taishin has been demonstrating its commitment to international standards by participating in the Carbon Disclosure Project.</p> <p>3. Introduction of environment-related systems The company took the initiative to implement the ISO50001 Energy Management System in 2015. Energy efficiency is increased by regular energy reviews, measuring, and monitoring. A five-year plan (with 2018 as the base year) was created to set a long-term energy saving goal of 1% or more energy saving per year on average. In addition to continuing energy and cost saving measures and practices to encourage useful habits in the workplace, the company tries to incorporate a healthy corporate culture of economy into the everyday life. The goal is to encourage employees to be serious about environmental conservation and to follow energy saving practices at all times for the mutual benefit of commerce and nature. Energy management plans proven to be effective in 2017 included the adoption of energy saving air conditioning systems, lighting, and office equipment; the replacement of regular light bulbs with LED light bulbs; modified air conditioning system settings; the replacement of air conditioning units and UPS in IT server rooms; and other measures that reduced energy consumption on an ongoing basis. Taishin continued to receive dual certification for its ISO50001 Energy Management System from Taiwan Accreditation Foundation (TAF) and British Standard Institute (BSI) in 2017. In 2016, the company implemented the ISO 14064-1 Greenhouse Gases inventory system in Taishin Tower and Neihu Office, two of the busiest office complexes. The company completed independent third-party verification in early 2017. Greenhouse gas inventories were completed to monitor greenhouse gas emission. A number of energy saving and carbon reducing measures, as well as related training courses were implemented to raise environmental awareness in the workplace. The goals were to reduce unnecessary emission and consumption, and to encourage all employees to join the conservation effort to save energy and reduce our carbon footprint. In 2018, the company took a step further and made plans to implement the ISO14001 Environmental Management System to identify potential impact of business activities on the environment, and then proceed with management and improvement plans. ISO14064-1 was implemented throughout all units under Taishin FHC in 2019 in order to facilitate complete greenhouse gas inventories and ongoing performance improvement in the conservation effort.</p>	No deviation
(2) Does the company work to improve resource utilization efficiency and use recycled materials that have a low impact on the environment?			<p>1. The company is committed to creating a paperless workplace with the use of electronic systems as well as environmentally friendly printer cartridges and other office supplies. Recycling bins for office supplies are placed in all departments for more efficient use of resources. The campaign “Powered by Love” urges participants to ride bikes and take public transport instead of driving to reduce carbon emissions while adopting a healthier and more environmentally-friendly lifestyle. The company calls on its employees and clients and their families to join the effort to “turn love into the energy source to save the planet”.</p> <p>2. Regarding green operations, in addition to the purchase of renewable energy in 2016, the company demonstrated its support for renewable energy by installing solar power panels on its own buildings in Neihu. Moreover, water, electricity, and gasoline needed to conduct business activities are measured regularly. Various action plans have been implemented to reduce consumption. Garbage and general waste are processed in compliance with regulations. Resources are sorted and recycled to reduce damage to the environment. Suppliers and other partners are united through green procurement in the pursuit of sustainability and the effort to save the earth. With waste management, waste is sorted, and bottles, paper, and equipment that can be recycled or reused are recycled and processed as appropriate by professional, qualified cleaning service providers.</p>	

Assessment area	Practices (Note 1)		Summary (Note 2)	Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons (Note 3)																																																																						
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(2) Does the company work to improve resource utilization efficiency and use recycled materials that have a low impact on the environment?			Resource utilization: Regarding internal activities, in order to reduce the impact on the environment and the amount of waste, Taishin organizes environmental/educational campaigns and promotes environmental conservation measures. All employees are encouraged to get involved, ensuring that waste is sorted and resources are recycled and reused. Thus, the entire workforce develops good habits at home and at work, and strives to ensure environmental sustainability. In terms of products and services, Taishin embraces the rise of green finance, and promotes multiple fintech products and services in order to reduce paper and energy consumption. Examples of its efforts include issuing virtual credit cards and encouraging customers to switch to mobile statements. Taishin also invites customers to use mobile banking services and online applications in order to make environmental conservation a part of business development, and to work with customers to achieve environmental friendliness.	No deviation																																																																						
(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?			The company responds to climate change issues and the fight against global warming by actively implementing various energy efficiency and carbon reduction measures. For example, the electricity contract capacity of each building is reviewed regularly. Temporary air conditioning shutdowns take place at key office buildings during the summer peak period as defined by Taiwan Power Company. Elevator control is effective during off-peak hours. Office lighting is partly replaced by T5 energy-efficient lamps, and regional circuits are installed. The Cool Biz dress code campaign is adopted in the workplace to encourage employees to remove jackets and keep the air conditioning setting at 26 degrees. Solar panels are installed on the Neihu Building to reduce power consumption and achieve environmental friendliness and energy saving through efficient energy use.																																																																							
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon reduction, greenhouse gas reduction, water reduction, or waste management?	✓		<p>The company has included its environmental protection measures and statistics, as well as its quantitative management targets for the coming years in the Taishin FHC CSR Report in accordance with Article 16 and Article 17 of the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies. The report is made available on the Taishin FHC website (Taishin Holdings/CSR). Please visit <a href="https://www.taishinholdings.com.tw/human/human_07.jsp">https://www.taishinholdings.com.tw/human/human_07.jsp</a>.</p> <p>Energy consumption at Taishin</p> <table border="1"> <thead> <tr> <th>Type of energy</th> <th>Unit of consumption</th> <th>2015</th> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Purchased electricity</td> <td>kWh</td> <td>43,860,252</td> <td>43,305,065</td> <td>42,336,996</td> <td>44,864,147</td> <td>35,495,288</td> </tr> <tr> <td>Energy intensity</td> <td>kWh/person</td> <td>5,065.86</td> <td>4,989.64</td> <td>4,521.25</td> <td>4,640.00</td> <td>3,839.82</td> </tr> <tr> <td>Gasoline</td> <td>Liter</td> <td>196,153</td> <td>190,535</td> <td>178,711</td> <td>181,164</td> <td>166,530</td> </tr> <tr> <td>Diesel fuel</td> <td>Liter</td> <td>1,778</td> <td>1,727</td> <td>1,620</td> <td>1,642</td> <td>4,856</td> </tr> <tr> <td>Natural gas</td> <td>Liter</td> <td colspan="5">No demand for natural gas</td> </tr> </tbody> </table> <p>Note 1: Heat content conversion is based on the table Heat Content of Energy Products published by the Bureau of Energy, Ministry of Economic Affairs. Electricity (consumption) is converted at 860 kcal/kWh, motor gasoline at 7,800 kcal/L, and diesel fuel at 8,400 kcal/L. Using the conversion factor from joule to calorie (4.186 kJ/kcal), power consumption in 2019, including 22,058 kWh from self-produced solar power.</p> <p>Note 2: The data above are based on existing statistics and extrapolated to Taishin FHC as a whole. Starting in 2018, apart from continuing the existing energy saving measures, Taishin installed energy-efficient air conditioning units and lighting, and implemented projects such as replacement of existing light bulbs with LED light bulbs, change of controllers in air conditioning systems, and installation of new air conditioning units and UPS systems in server rooms to reduce energy consumption. In 2019, the percentage of energy saving is 1.8% at Taishin Tower and 1.31% at Neihu Building. Both buildings meet the 1% reduction target set by the Bureau of Energy, Ministry of Economic Affairs.</p> <p>Greenhouse gas emission at Taishin</p> <table border="1"> <thead> <tr> <th rowspan="2">Emission (tCO<sub>2</sub>e)</th> <th colspan="5">Year</th> </tr> <tr> <th>2015</th> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Scope1 emission</td> <td>580</td> <td>1,660</td> <td>1,559</td> <td>1,271</td> <td>1,052</td> </tr> <tr> <td>Scope2 emission</td> <td>21,719</td> <td>21,822</td> <td>21,366</td> <td>23,759</td> <td>19,186</td> </tr> <tr> <td>Scope1 and Scope2 emissions</td> <td>22,299</td> <td>23,483</td> <td>22,925</td> <td>25,030</td> <td>20,238</td> </tr> </tbody> </table> <p>Note 1: The ISO 14064-1 standard for inventory quantification is used to establish operational boundaries by the concept of operational control. Greenhouse gas emissions include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), and nitrous oxide (N<sub>2</sub>O). There is no biocarbon dioxide emission. Greenhouse gas emissions are calculated by IPCC 2007 global warming potentials (GWPs).</p> <p>Note 2: The disclosure of Scope 2 greenhouse gas emissions is location-based. The emission factor for electricity generation is based on the latest factor released by the Bureau of Energy of the Ministry of Economic Affairs prior to publication of the report.</p> <p>Note 3: Taishin's greenhouse gas emissions in 2016 and 2017 have been verified by a third party for only Taishin Tower and Neihu Building. The results in 2018, except for those for the subsidiaries and overseas bank branches, have all been verified by a third party. The results in 2019 have been verified by a third party for all units under Taishin FHC.</p>		Type of energy	Unit of consumption	2015	2016	2017	2018	2019	Purchased electricity	kWh	43,860,252	43,305,065	42,336,996	44,864,147	35,495,288	Energy intensity	kWh/person	5,065.86	4,989.64	4,521.25	4,640.00	3,839.82	Gasoline	Liter	196,153	190,535	178,711	181,164	166,530	Diesel fuel	Liter	1,778	1,727	1,620	1,642	4,856	Natural gas	Liter	No demand for natural gas					Emission (tCO <sub>2</sub> e)	Year					2015	2016	2017	2018	2019	Scope1 emission	580	1,660	1,559	1,271	1,052	Scope2 emission	21,719	21,822	21,366	23,759	19,186	Scope1 and Scope2 emissions	22,299	23,483	22,925	25,030
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Assessment area	Practices (Note 1)		Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons (Note 3)
	Yes	No	
<b>4. Social issues</b>			
(1) Does the company have adequate management policies and procedures in place pursuant to the applicable regulations and the International Bill of Human Rights?			No deviation
(2) Does the company establish and implement reasonable employee benefits (including remuneration, leave, and other benefits), and ensure business performance or results are reflected adequately in employee remuneration?	✓		
(3) Does the company provide a safe and healthy work environment and organize regular health and safety training for employees?			
(4) Does the company have in place effective tools to help employees with career planning and development?			
		<p>Taishin is committed to protection of human rights and values; compliance with the Universal Declaration of Human Rights, the International Labor Organization, the UN Guiding Principles on Business &amp; Human Rights, and the Equator Principles; and adherence to the laws of the Republic of China as well as local laws and regulations applicable to different offices.</p> <p>In addition to complying with the conventions and recommendations of the International Labor Organization (ILO) on prohibition of forced or compulsory labor, minimum age of admission to employment, regulation of working time, and weekly rest periods, Taishin devises reasonable work rules and employment guidelines in accordance with the Labor Standards Act, the Act of Gender Equality in Employment, the Employment Service Act, and other labor laws promulgated by the competent authorities, and discloses the above rules after they are filed with the competent authorities in order to protect the rights of its employees. Taishin also takes steps to ensure that all overseas locations (including branches, offices and preparatory offices) are able to comply with local labor regulations and set reasonable work terms to protect the interests of local employees. Furthermore, Taishin not only ensures equality in pay, employment policy, training, and promotion opportunities, but also implements measures to protect female employees and creates a friendly workplace of equality. In addition, Taishin takes action to support international human rights regulations by releasing employment and human right protection statements on its private and public websites, and providing real or virtual training courses. We aim to raise awareness of human rights and gender equality in the workplace.</p> <p>Taishin participates in market-wide salary surveys annually, and designs a fair and incentive compensation system. Each year, Taishin plans year-end bonuses based on company performance and individual performance to reward employees for their effort and contributions. In addition, to avoid putting too much emphasis on short-term performance, and to encourage employees to develop long-term collaboration and enjoy long-term growth together, Taishin utilizes long-term incentive plans - Employee Share Ownership Program and Taishin Stock Appreciation Rights Program - as a means of employee retention. Meanwhile, Taishin provides benefits above the requirements of the Labor Standards Act. These benefits include an employee stock ownership trust, physical examinations, and rank-based holidays superior to statutory requirements. The company has rewarded its employees with competitive compensation and welfare packages since 2014.</p> <p>Taishin has a safety and health policy in place that complies with relevant laws. In terms of environmental safety, safety of the work place is inspected twice a year, fire equipment and exits are serviced yearly, and public safety is inspected once every two years. Qualified standard first aiders and health and safety supervisors are assigned, and first-aid kits and AEDs are deployed throughout the business premises. Taishin has also certified with AED Safty Location. With regards to regular health checks, the company offers benefits that exceed legal requirement standards, and subsidizes health checkups once every two years for general staff and once per year for managerial staff. In terms of training, all new recruits are required to undergo workplace safety and health orientation upon arrival, and existing employees need to be re-trained once every year to ensure a well-designed, safe, and healthy work environment. For effective workplace inspection, indoor carbon dioxide concentration and illumination are checked every six months to ensure those working on the premises are not exposed to hazards over the limits. The company also continues to campaign for a smoke-free workplace by prohibiting all employees and business partners from smoking on all premises across Taiwan. The occupational health and safety courses also serve to raise awareness of the Tobacco Hazards Prevention Act and the company's no-smoking policy.</p> <p>New recruits are given a complete orientation upon arrival. Subsequently, each division arranges respective courses and training that employees are expected to attend. For career development, the company has an individual development program (IDP) and a training credit system that employees may utilize to improve the skills required.</p>	

Assessment area	Practices (Note 1)		Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons (Note 3)
	Yes	No	
(5) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and does it establish relevant consumer protection policies and grievance procedures?	✓		No deviation
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.			

Assessment area	Practices (Note 1)			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons (Note 3)
	Yes	No	Summary (Note 2)	
5. Does the company prepare corporate social responsibility reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Does the company obtain third-party assurance or qualified opinion for the reports above?	✓		The most recent Corporate Social Responsibility (CSR) Report of Taishin FHC was prepared in accordance with the latest GRI Standards published by the Global Reporting Initiative (GRI), and received AA1000 Type 2 Accountability Principles and Performance Information certification in May 2020, issued by a professional certification agency, BSI. Certification by a certification agency contributes to the credibility and transparency of sustainability information, and has helped the company become one of the first financial institutions to incorporate sustainability into their business practices. The independent assurance statement is disclosed in the Taishin FHC CSR Report 2019.	No deviation
6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: None.				
7. Other useful information for explaining the status of corporate social responsibility practices: Taishin FHC has made a long-term commitment to corporate social responsibility. The company works through the CSR Committee and combines resources from its subsidiaries. For years, we have been offering support in areas including charity, arts and culture development, sports campaigns, and financial education. As a responsible corporate citizen, Taishin tries to give back to the community and to support the disadvantaged.				
<p>(1) Charity</p> <p>A. Care for Taiwan Under the My One Acre of Farm project, Taishin FHC purchased more than 160 units and funded close to 80 hectares of paddy field in total. The company gave away more than 70,000 rice gift boxes. As a result, more than 10,000 clients and employees consumed close to 280,000 kg of premium Taiwanese rice. Total investment was NT\$29.03 million.</p> <p>B. Your Ballot Decides the Strength of Love Taishin connects opportunities and community resources in an effort to help small and medium-sized social welfare groups achieve self sustainability. A total of 971 organizations have benefited from the donations over the last ten years. The charity fund has reached a cumulative total of NT\$202.91 million.</p> <p>(2) Arts and culture development</p> <p>A. Support for contemporary art The Taishin Bank Foundation for Arts and Culture organizes the Taishin Arts Award for the purpose of following development of contemporary art in Taiwan. It supports and rewards creativity and development in visual arts, performing arts, and interdisciplinary arts. 58 winners have received the award and more than NT\$46 million in prize money over the last 18 years. Furthermore, the first floor lobby of Taishin Tower has served as venue for a total of 68 arts exhibits up to and including 2019. The number of visitors to the professionally-designed website, dedicated to promote modern art, reached 2.1 million by the end of 2019. Its contents guide the audience to ponder over modern cultural phenomena.</p> <p>B. Arts and cultural events The Lunchtime Concerts, which started in 2006, take place 23 to 25 times a year. The concerts have welcomed 6,500 to 7,000 people annually over the last three years. A total of 333 concerts have taken place so far. Taishin has invested close to NT\$231 million in arts and cultural sponsorships in Taiwan since 2006. Together, the events have attracted as many as 5.72 million participants.</p> <p>C. Employee arts courses Employee arts courses have been introduced with themes ranging from art appreciation, theatrical performance, and parental activities, to human culture. In 2019, a total of 16 arts courses were organized, and had a total participant count of 885. These arts courses help Taishin employees develop cultural literacy and character, whereas exposure to contemporary arts and aesthetics also inspires creative thinking.</p> <p>(3) Sports sponsorship Taishin started supporting the Nantou County Youth Karate Team in 2008, and has helped raise more than NT\$93 million in total. Its sponsorship for female professional golfers reached NT\$100 million in 2011. In addition, Taishin started hosting charity golf tournaments in 2011. The tournaments have welcomed 446 participants and raised more than NT\$16.5 million in total. Furthermore, Taishin started sponsoring a wider range of projects, including basketball, baseball, marathons, and e-sports, in 2017.</p> <p>(4) Academic exchange Having created the Peking University Cross-strait Academic Fund, Taishin has invited 65 professors and students from Peking University to visit and share their ideas with their counterparts in Taiwan. In 2019, a total of 443 students were sponsored, and gained internship experience and professional knowledge through this model, while 300 positions were filled through industry-academia collaboration and internship programs. Taishin offers scholarships and summer internships for National Taiwan University students from financially disadvantaged backgrounds. Furthermore, Taishin teamed up with National Sun Yat-sen University and launched the Financial Innovation Masters Program in 2017. Please refer to "V. Corporate responsibility and ethics", Chapter Five - Business Overview (P.124-126) and the company website for more CSR projects and results.</p>				

Note 1: If "Yes" is checked under implementation, please describe the key policies, strategies, and measures and results adopted. If "No" is checked under implementation, please give reasons and describe relevant strategies and measures to be adopted in the future.

Note 2: Where the company has prepared a corporate social responsibility (CSR) report, implementation may be replaced by referral to the CSR report and the respective page numbers.

Note 3: Non-TWSE/TPEX-listed financial holding companies are not required to complete the column "Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation".

Note 4: The materiality principle refers to environmental, social, or corporate governance issues that have a material impact on the investors or other stakeholders of the company.

## g. Status of the company in fulfilling management of integrity and measures

Item	Operating status (Note 1)		Summary description	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason (Note 2)
	Yes	No		
<b>1. Establishment of ethical corporate management policy and plans</b>				
(1) Has the company implemented a board-approved business integrity policy and stated in its regulations and external correspondence the business integrity policy and practices, as well as the active commitment of the board of directors and management towards enforcement of such policy?			For the purpose of developing a culture of integrity and sound business practices, Taishin FHC has established the Integrity Code of Conduct with board approval as part of the implementation of its core values, "Integrity, Commitment, Innovation and Cooperation". The code demonstrates Taishin FHC's business integrity policy and practices, as well as the active commitment of Taishin's board of directors and management towards enforcement of such policy.	No deviation
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	✓		To ensure full implementation of business integrity, Taishin has implemented an unethical conduct risk assessment mechanism and established the Integrity Code of Conduct, as well as relevant codes of conduct and prevention measures for business activities that are more likely to involve unethical conduct, such as those listed under Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies involving offering or taking of bribes; making illegal political donations, inadequate sponsorship or charity donations; and providing or receiving improper gifts, treatments, or other unjustified benefits.	
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?			To ensure full implementation of its business integrity policy, Taishin has established the Integrity Code of Conduct based on its core values of "Integrity, Commitment, Innovation and Cooperation". The company has provided therein clear guidelines on the procedures for preventing unethical conduct, as well as the obligations and responsibilities of reporting. The Personnel Review Committee is responsible for executing disciplinary actions and handling appeals. Taishin has the Employee Code of Conduct in place to regulate grievance procedures on illegal and unethical conduct. The code of conduct can be found on the company website under: Homepage/Investor Relations/Corporate Governance/Internal Policies and Procedures. <a href="https://www.taishinholdings.com.tw/Investors/Investors_11_2.jsp">https://www.taishinholdings.com.tw/Investors/Investors_11_2.jsp</a> The URL is as follows: <a href="https://www.taishinholdings.com.tw/Investors/Investors_11_2.jsp">https://www.taishinholdings.com.tw/Investors/Investors_11_2.jsp</a>	
<b>2. Enforcement of ethical corporate management</b>				
(1) Does the company assess business partners' records of integrity, and include a moral clause in the contracts with its business partners?	✓		Supplier selection and the tender process of Taishin are governed by the Supplier Maintenance and Management Guidelines to ensure products and quality consistently meet requirements. Only suppliers that conform with the requirements can be certified and registered to provide services or products to the company.	No deviation

Item	Operating status (Note 1)		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason (Note 2)
	Yes	No	
(2) Does the company have a unit responsible for business integrity on a full-time basis under the board of directors which reports the business integrity policy and programs against unethical conduct regularly (at least once a year) to the board of directors while overseeing such operations?	✓	<p>1. Pursuant to Article 6 of the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries, Taishin has established legal compliance systems and designated the Legal Compliance Division to handle the planning, management, and execution of all issues related to legal compliance and other matters pertaining to business integrity. The Legal Compliance Division reports to the Audit Committee and the board of directors at least once every six months on matters pertaining to legal compliance and business integrity.</p> <p>In addition to empowering the Legal Compliance Division for overseeing the establishment, implementation, and execution of the legal compliance matters, regulations, and policies, a Chief Compliance Officer has been assigned to every unit within the company to promote employee awareness of financial regulations and business integrity principles. The presence of compliance officers helps improve the fairness and transparency of the company's financial activities, while ensuring that business practices are carried out in a lawful manner by personnel of all ranks from each business and executive unit.</p> <p>2. Taishin ensures effective implementation of the business integrity policy. Details of implementation in 2019 are as follows:</p> <p>(1) Training and education Product documents and promotional literature for financial products involving subsidiaries have to be checked by the compliance units of subsidiaries to ensure compliance with disclosure requirements under the applicable laws and regulations. Training on fair treatment of customers, business integrity principles, and whistleblowing policies are provided regularly to reinforce our employees' awareness and knowledge of compliance and fair treatment of financial consumers. Online courses on fair treatment of customers, business integrity principles, and whistleblowing policies were provided to 8,005 participants between September to October 2019.</p> <p>The compliance unit includes important information to prevent unethical business practices in classroom courses, such as "forbidden concurrent employment and avoidance of conflicting interests", "gifts and entertainment policy", and "protection of intellectual property rights" during orientation for new employees.</p> <p>(2) Compliance campaign Dedicated units raise awareness from time to time through compliance case studies of penalties imposed by the competent authorities. The contents include violations of the law due to unethical conduct by financial institution employees, and recommendations for future internal audit and control practices. Details of the campaigns are mailed to all units of the company to reiterate important rules to observe in business activities.</p> <p>(3) Communication channels Employees are able to give feedback to management and other departments through a wide range of open channels. Taishin actively discloses its business integrity policy and implementation on the company website, and in the annual reports and other public documents.</p> <p>(4) Regular review The business management units conduct semiannual self assessments in order to ensure effective management. The audit unit performs independent audits to ensure uninterrupted operation of the organization as a whole. The units work together to manage and prevent unethical conduct.</p> <p>(5) Reporting procedures and whistleblower protection Taishin has established the Taishin FHC Whistleblowing Policy to make clear the whistleblowing channels and procedures. All reports are handled and investigated by dedicated units. Any person from within or outside the company who discovers crime, fraud, or violation is entitled to report misconduct according to the policy. Taishin's whistleblowing policy states explicitly that the following measures should be taken to protect whistleblowers:</p> <p>A. The identity of the whistleblower shall be kept confidential. Information sufficient to identify a person shall not be disclosed.</p> <p>B. Taishin shall not take any report made by a whistleblower and use it against the said whistleblower as cause for dismissal, discharge, demotion, pay reduction, damage to the rights to which said whistleblower is entitled by law, contract, or convention, or any other detrimental treatment.</p> <p>Taishin received no report in 2019. Taishin Bank received a total of 2 reports in 2019. They did not involve criminal, corrupt, or illegal banking activities. Therefore, the cases were dismissed.</p>	No deviation

Item	Operating status (Note 1)		Summary description	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason (Note 2)
	Yes	No		
(3) Does the company have a conflict of interest management policy in place, provide adequate reporting channels, and enforce the rules accordingly?			The company has established guidelines for avoiding conflict of interest under the Employee Code of Conduct, and has reporting channels in place to accept verbal, written or electronic reports of violations.	
(4) Does the company have effective accounting and internal control systems in place to implement business integrity? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	✓		<p>Accounting and internal control systems</p> <p>1. Accounting system: The company's accounting policies are formulated in accordance with the Securities and Exchange Act, the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Business Entity Accounting Act, and the Generally Accepted Accounting Principles (GAAP). These accounting policies have been designed to faithfully and thoroughly record the company's business activities, and to present the company's financial and business performance in ways that are consistent with laws and the GAAP, thereby achieving effective internal supervision and reflecting financial status and operational results so as to serve as reference in strategic decision-making.</p> <p>2. Internal control system The company's internal control system has been created in accordance with Article 51 of the Financial Holding Company Act and Article 6 of the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries. The system embodies five major principles: (1) To enable a corporate culture of management supervision and control. (2) To facilitate risk identification and assessment. (3) To control activities and segregate duties. (4) To facilitate information sharing and communication. (5) To monitor and correct business activities. The company has appropriate policies and operating procedures in place to guide its operations. Its rules of organization, management principles, business guidelines, and manuals are amended whenever deemed necessary. The company's Audit Division has formulated a set of self-audit and assessment guidelines. It also supervises self-audit practices regularly within the company. The internal control system of Taishin Securities is based on regulations including Article 2 of the Regulations Governing Securities Firms, Article 2 of the Regulations Governing Futures Commission Merchants, and the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets. The system consists of management processes designed by the managers, approved by the board of directors, and implemented by the board of directors, managers, and other employees for purpose of promoting sound operations of the company, so as to reasonably ensure that the following objectives are achieved: (1) Effectiveness and efficiency of operations. (2) Reliability, timeliness, transparency and compliance of reporting. (3) Compliance with applicable rules and regulations. The system comprises the following constituent elements: (1) Control environment. (2) Risk Assessment. (3) Control activities. (4) Monitoring activities. Individual units implement regulations and guidelines accordingly and conduct regular self assessments. The units also cooperate with the internal audit unit in completing regular audits.</p> <p>3. The internal audit unit has included compliance with the Ethical Corporate Management Best Practice Principles (excluding the assessment results for risks of unethical conduct) in the 2020 annual audit plan. The unit will audit compliance with prevention programs based on the 2019. assessment results for risks of unethical conduct.</p>	No deviation
(5) Does the company organize internal or external training on a regular basis to maintain business integrity?			The company arranges for its directors, supervisors, and accounting, finance and audit personnel to attend corporate governance and ethical corporate management courses both on a regular and ad hoc basis. Courses on corporate ethics, financial regulations, and code of conduct are mandatory for attendance by all new recruits. In 2019, 100% of the workforce attended courses on ethical corporate management or related topics. In total, 13,764 people finished their training in 31,060.22 hours.	

Item	Operating status (Note 1)		Summary description	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason (Note 2)
	Yes	No		
<b>3. Whistleblowing system</b>				
(1) Does the company have a well established whistleblowing and reward system and an accessible reporting channel in place, and appoint suitable representatives for approaching accused individuals?	✓		Taishin has established the Taishin FHC Whistleblowing Policy to make clear the whistleblowing channels and procedures. All reports are handled and investigated by dedicated units. Any individual inside or outside the company who discovers any potentially criminal, corrupt, or illegal conduct may report the case by following the whistleblowing procedures. A report may be filed by any of the following means: 1. By Mail: Whistleblowing Mailbox, No. 118, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.) 2. By E-mail: <a href="mailto:whistling@taishinholdings.com.tw">whistling@taishinholdings.com.tw</a> 3. By Telephone: (02) 2325-6076	No deviation
(2) Does the company have in place standard operating procedures for investigating and processing reports, as well as follow-up actions and relevant post-investigation confidentiality measures?			All reports that Taishin receives should be investigated by the appropriate units as stated in the investigation procedures. The identity of the whistleblower should be kept strictly confidential. No information sufficient to identify the whistleblower may be released.	
(3) Has the company provided proper whistleblower protection?			Taishin's whistleblowing policy states explicitly that the following measures should be taken to protect whistleblowers: 1. The identity of the whistleblower shall be kept confidential. Information sufficient to identify a person shall not be disclosed. 2. Taishin shall not take any report made by a whistleblower and use it against the said whistleblower as cause for dismissal, discharge, demotion, pay reduction, damage to the rights to which said whistleblower is entitled by law, contract, or convention, or any other detrimental treatment.	
<b>4. Enhancing information disclosure</b>				
Does the company disclose the ethical corporate management best practice principles and its results on the company website and the Market Observation Post System?	✓		Taishin is a publicly listed company (TWSE stock code: 2887), and discloses its Integrity Code of Conduct on the TWSE's Market Observation Post System. The company has the Taishin FHC Integrity Code of Conduct in place, and discloses its measures and implementation of business integrity on the company website: Homepage/ Investor Relations/Corporate Governance/Corporate Governance Practices. The URL is as follows: <a href="https://www.taishinholdings.com.tw/Investors/Investors_11_1.jsp">https://www.taishinholdings.com.tw/Investors/Investors_11_1.jsp</a>	No deviation
<b>5. Describe the deviations, if any, between actual practice and the ethical corporate management principles, if the company has implemented such principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies: No deviation.</b>				
<b>6. Other useful information for explaining the status of ethical corporate management practices: Useful information (e.g., the company's review or revision of its ethical corporate management guidelines): The revised Integrity Code of Conduct was approved by the board of directors of the company on December 19, 2019.</b>				

Note 1: Provide details in the comments regardless of the answer.

Note 2: Non-TWSE/TPEX-listed financial holding companies are not required to complete the column "Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation".

#### **h. The company with corporate-governance guidelines and related regulations must disclose their methods for inquiry**

Please refer to the company's website at <https://www.taishinholdings.com.tw> or Taiwan Stock Exchange at <https://mops.twse.com.tw>.

#### **i. Other important information conducive to the understanding of the corporate governance of the company**

Please refer to the explanation of item d "Status of the Holding's corporate governance and its deviation from the guidelines for the practical corporate governance of the holdings industry and reasons."

## j. Items concerning the implementation of Internal Control System which should be disclosed

## 1. Internal Control Statement

**Taishin Financial Holding Co., Ltd.**  
**Statement of Internal Control System**

March 26, 2020

Financial Supervisory Commission,

On behalf of Taishin Financial Holding Co., Ltd.(the Company), we hereby declare that, for the fiscal year of 2019, the Company has established internal control policies and implemented risk management system in accordance with the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries”. These policies and practices were also inspected by the independent Audit Division which reported regularly to the Company’s Board of Directors and Audit Committee.

Following our diligent assessment, we concluded that the Company’s internal control, legal and compliance practices for the fiscal year of 2019 were implemented effectively, the improvement items listed on the attachment are also being executed properly. This statement will constitute part of the company’s annual report and prospectus and will be publicly disclosed.

We understand that we are legally bound to the “Securities and Exchange Act” Articles 20, 32, 171, and 174.

Sincerely yours,

Chairman:

吳東昇 

President:

林維俊 

Chief Auditor:

蔡孟華 

Compliance Officer:

游婷甯 

Taishin Financial Holding Co., Ltd.  
Improvement Plan of Internal Control System

Base Date: 2019.12.31

Items for Improvement	Improvement Measures	Scheduled Date of Completion
Taishin International Bank(TSIB)		
<b>1. The Management incompetence and violations of related regulations of insurance agency business</b>	<p>(1) We had reinforced the ability of solicitor regarding the training of investment-linked insurance products and the disclosure of related risk.</p> <p>(2) We had strengthened the training and education of signatories and examined the reasons of customers who engaged in purchasing several insurance policies through different insurance company, and verified the motivation of third party payment and even the source of insurance premiums. We also conducted a random inspection on cases signed by signatories and recorded the result every day.</p> <p>(3) A checking system for the source of insurance premium has been established. Cases where the source of premium is from loans will not be accepted.</p>	Completed.
<b>2. The case of branch personal banker misappropriated client funds</b>	<p>(1) Had strengthened the operation monitoring of non- over-the-counter service, bank statement and employee behavior.</p> <p>(2) Had added the function of branch foreign currency withdrawal control.</p> <p>(3) A monitoring mechanism for abnormal transactions of employees' personal funds has been established.</p> <p>(4) The general cases reviewing policy has been completed.</p>	Completed.
<b>3. The process for "OBU Account Opening" and "Short-Term Trade Finance" is not comprehensive enough, and requires further modification.</b>	<p>(1) The customer review has been fully processed and the "OBU Account Opening &amp; KYC Evaluation Form" is also completed. Furthermore, the frequency of relevant "Self-Assessment" has been adjusted from semi-annually to quarterly.</p> <p>(2) For "Short-Term Trade Finance", other than acquiring international trade documents to ensure the authenticity of the transaction, the Company will also request for other transaction- related documents deemed necessary according to the client/ geographic risk and examine document data based on red flags for suspicious transaction.</p> <p>(3) The relevant training courses have been completed at first quarter of 2020.</p>	<p>(1) Completed.</p> <p>(2) Completed.</p> <p>(3) March 26, 2020.</p>
<b>4. The Company was fined with one million NTD in 2019 due to partial misinterpretation of the regulation's definition on the cash transaction exceeding certain amount in 2017.</b>	Those transactions were filed immediately after the finding.	Completed.
<p><b>5. Partial items relating to AML/CFT should be enhanced:</b></p> <p>(1) Some of business units accepted customers without inquiring their AML/CFT risk and a high risk product unit accepted customers without acquiring wealth or source of fund.</p> <p>(2) Some transaction monitor scenarios such as duplicate addresses are only monitored for high risk OBU customers and suspicious transactions of customers.</p>	<p>(1) It has been reiterated that business units should conduct timely inquiries customer AML/CFT risk in accordance with regulations, and plan to optimize system in order to collecting customer's wealth or source of fund to enhance management.</p> <p>(2) The Company conducts transaction monitor management on duplicate addresses by risk-based approach as following:</p> <ul style="list-style-type: none"> <li>• OBU's high-risk customers are comprehensively checked and regularly inspected;</li> <li>• When suspicious transactions occur, the addresses of customer's related parties shall be checked synchronously;</li> <li>• Plan to build system verification to avoid omissions.</li> </ul>	<p>(1) The reiteration is expected to be completed by the end of March, 2020. The system optimization is expected to be completed by the end of April, 2020.</p> <p>(2) System verification is expected to be completed by the end of September, 2020.</p>

**2. Report of independent auditor appointed to conduct special audit on the company's internal control system: Nil.**

**k. Irregularities bringing penalties to the financial holding firm and its subsidiaries in the recent years and rectifications in recent two years and as of the date of the publication of the annual report.**

	Cases and values	Status of improvement
1. Indictment of executives or staffers by prosecutors for job-related crimes.	None	None
2. Violations of the law for which the FSC has imposed fines, errors for which the FSC has issued warnings or issued penalties according to Article 54, Paragraph 1 of the Act, or disciplinary actions taken by the company against internal personnel for violations of internal control regulations where the results may have a material impact on shareholders equity or securities prices should be listed with the punishment, error, and improvement described in detail.	1. Taishin Bank (1) The case involved misconduct in insurance brokerage services, for which Taishin was given a 1-month notice for improvement and fined NT\$200,000 by the Financial Supervisory Commission under Letter No. Financial-Supervisory-Insurance-Comprehensive-1080456062 dated January 7, 2019.	1. Taishin has reinforced training on investment-linked insurance products, and implemented a new risk disclosure statement for more effective disclosure on risks involved in investment-linked insurance products. 2. Taishin has strengthened signatory training. Random checks are performed on statements on the day and the results recorded. 3. Regarding multiple smaller insurance policies to disguise large purchases, policies paid by third parties, and motives behind such policies, a system has been implemented to check sources of premium payments. Applications where premiums are funded by loans will not be accepted.
	(2) The case involved failure to report large commodity transactions, for which Taishin was fined NT\$1 million by the FSC under Letter No. Financial-Supervisory-Banking-Control-10702232741 dated February 26, 2019.	1. The transactions have been filed and all other records of the bank checked by February 2018. 2. An auto check feature was added to the Large Transaction Approval System on January 11, 2018. 3. Taishin continues to provide training and raise awareness on an ongoing basis, and has included the requirement in the self-assessment and checklist.
	(3) The case involved a former financial advisor at Xinzhuang Branch who was found to have embezzled funds from customers, for which Taishin was given a warning and fined NT\$8 million by the FSC under Letter No. Financial-Supervisory-Banking-Control-10802721965 dated August 7, 2019. In addition, the branch was suspended from handling money trust services for new customers for three months starting from the effective date of the fine.	1. Taishin strengthened control measures on counter transactions in which customers are not present, monthly statements, and employee conduct supervision. 2. A control mechanism was added to the in-branch foreign currency withdrawal process. 3. Measures were implemented to check for irregular cash flows in the personal accounts of Taishin employees. 4. Taishin completed an overall review of the system.
	(4) The case involved errors in new OBU deposit accounts and short-term trade financing and foreign currency loans, for which Taishin was given a warning by FSC under Letter No. Financial-Supervisory-Banking-Control-10801064170 dated December 9, 2019.	1. A customer review and the New OBU Account and KYC Checklist were completed. The frequency of self assessments was changed from once every six months to once every quarter. 2. For short-term trade financing loans, in addition to authentication of foreign transaction documents, additional transaction receipts will be required based on the customer and related geopolitical risks, and the receipts will be checked for signs of suspicious transactions. 3. Training courses have been completed for 2020 Q1.
	2. Taishin Securities Regarding errors identified in a general audit by the Financial Examination Bureau of FSC, Taishin was given a notice for improvement by the FSC under the Letter No. Financial-Supervisory-Securities-1070320292 dated July 4, 2018.	The business units have corrected the errors.

	Cases and values	Status of improvement
	<p>3. Taishin Securities Investment Trust</p> <p>The company was given a warning for failure to take reasonable measures to verify ultimate beneficial owners of corporate clients and find out if they issued bearer stocks and for failure to implement review and monitoring procedures for persons involved in negative media coverage by the FSC under the Letter No. Financial-Supervisory-Banking-Control-1070303707 dated February 8, 2018.</p>	<p>1. Reasonable measures were taken to verify ultimate beneficial owners of institutional clients and find out if they issued bearer stocks.</p> <p>2. Procedures were implemented to check media coverage on extraordinary events and monitor such events to determine if they needed to be reported.</p>
<p>3. For individual or combined loss exceeding NT\$50 million in value which results of personnel corruption, major incidents (fraud, burglary, embezzlement and stealth of assets, fraudulent transaction, forged certificates and securities, collection of feedback, damage of natural disaster, damage of external force, hacker attack and stealth of information, and leakage of confidential business and customer information) or security incidents resulting from failing to abide by guidelines for security maintenance of financial institutions, disclose its nature and loss amount.</p>	<p>A material contingency was reported on November 1, 2018. A financial advisor at Xinzhuang Branch was found to have embezzled funds from customers.</p> <p>(Note: Taishin Bank has settled the case with some of the customers for a total of NT\$9.67 million. One customer is still in the litigation process, and the amount of loss remains unknown.)</p>	<p>1. Taishin has strengthened control measures on counter transactions in which customers are not present, monthly statements, and employee conduct supervision.</p> <p>2. A control mechanism has been added to the in-branch foreign currency withdrawal process.</p> <p>3. Measures are being considered to check for irregular cash flows in the personal accounts of Taishin employees.</p> <p>4. Taishin completed an overall review of the system.</p>
<p>4. Other items mandated by the FSC for disclosure</p>	None	None

## I. Major resolutions of the shareholder's meeting and the board of directors in the recent year and as of the date of the publication of the annual report.

### 1. Key resolutions of the 2019 annual general meeting (2019.06.14) and execution progress:

Agenda	Result	Implementation status
1. Acknowledged the company's 2018 business report and financial statements.	Acknowledged as proposed by voting	The documents and reports have been disclosed and filed with the competent authority in accordance with the Company Act and the Securities and Exchange Act.
2. Acknowledged the company's 2018 earnings distribution.	Voted and acknowledged as proposed.	The record date was set on August 18, 2019 and the payment date (NT\$0.508 per share in cash) on September 9, 2019.
3. Discussion new issuance of common shares from earnings.	Voted and acknowledged as proposed.	The record date was set at August 18, 2018 and the payment date (NT\$0.207 per share in cash) at September 9, 2018.
4. Discuss changes to the Company's "Articles of Incorporation"	Voted and acknowledged as proposed.	The changes have been approved by the Minister of Economic Affairs on July 12, 2019 and published on the company's website.
5. Discussed changes to Taishin's "Asset Acquisition or Disposal Procedures"	Acknowledged as proposed by voting	Currently operating under the amended "Asset Acquisition or Disposal Procedures"

## 2. Major resolutions of the board of directors in 2019

- 2019.01.17 Passed to subscribe to all new ordinary shares issued by subsidiary - Taishin Securities.
- 2019.02.21 Passed the 2018 consolidated financial statements.
- 2019.03.21 Passed the application to issue the first unsecured subordinated corporate bond up to a total of NT\$7 billion in Taiwan in 2019.
- 2019.03.21 Passed the replacement of Yu-Qun Lin by Shang-Ming Cai as an institutional representative shareholder of Taishin Securities Investment Trust.
- 2019.03.21 Passed the convening of the 2019 annual general meeting on June 14, 2019 (including Class E preferred shareholders).
- 2019.03.28 Passed the appointment of Frank Lin as the corporate governance officer.
- 2019.04.25 Passed the 2018 business report, earnings distribution proposal, and share issue against capitalized earnings.
- 2019.04.25 Passed the amendments of the "Articles of Incorporation" and the "Asset Acquisition or Disposal Procedures" and review of the 1% shareholder proposal.
- 2019.04.25 Passed replacements of institutional representative directors to subsidiaries (Eric Chien to replace Zhi-Xing Qiu as institutional representative director of Taishin Securities Investment Advisory; Zhi-Xing Qiu to replace Shu-Chen Lin as institutional representative director and supervisor on the 12th board of directors of Taishin Securities).
- 2019.05.23 Passed the establishment of the Standard Operational Procedures for Handling Requests from Directors.
- 2019.06.27 Passed the replacement of Joseph Jao by Thomas K.H. Wu as the institutional representative director of Taishin Securities Investment Trust and the appointment of Neng-Pai Lin, Spike Wu, and Eric Chien as institutional representative directors on the 11th board of directors of Taishin Securities.
- 2019.08.29 Passed the appointment of Yun-Nien Chen as the head of accounting.
- 2019.09.26 Passed the amendment to the "Organizational Charter".
- 2019.11.28 Passed the amendment of the Board Performance Appraisal Guidelines.
- 2019.12.19 Passed the amendment of the "Ethical Corporate Management Best Practice Principles".
- 2019.12.19 Passed the appointment of Thomas K.H. Wu and others as institutional representative directors and supervisors on the 8th board of directors of Taishin Securities Investment Trust.

## 3. Major resolutions of the board of directors in 2020

- 2020.01.16 Passed the application to issue a domestic unsecured corporate bond up to a total of NT\$10 billion.
- 2020.01.16 Passed the additional appointment of Xin-Hao Wu as an institutional representative director of Taishin Bank and Taishin Securities.
- 2020.02.27 Passed the 2019 consolidated financial statements.
- 2020.02.27 Passed the convening of the 2020 annual general meeting on June 12, 2020 (including Class E preferred shareholders).

**m. Different opinions of directors or supervisors on record or in written statement on major resolutions passed by the board of directors in the recent year and as of the date of the publication of the annual report: None.**

**n. Resignation and dismissal of managerial officers related to the financial report including chairman, president, chief accounting officer, chief internal auditor, and chief governance officer, in the past year and up to the date of report:**

Title	Name	Employment Start Date	Employment End Date	Reason for Resignation or Dismissal
Chief Accounting Officer	Vincent Tsai	2018.10.01	2019.09.01	Job adjustment

## D. Information on CPA's fee

Name of accounting firm	Name of CPA		Audit period	Note
Deloitte & Touche	Tza-Li Gung	Kwan-Chung Lai	2019.01.01~ 2019.12.31	None

Note: If there is any change of CPA or CPA firm during the year, please specify the duration of their services separately and state the reason for making the change in the remarks field.

Amount bracket		Items of fee	Auditing fee	Non-auditing fee	Total
1	Under NT\$2M			✓	
2	NT\$2M(inclusive)~NT\$4M				
3	NT\$4M(inclusive)~NT\$6M		✓		
4	NT\$6M(inclusive)~NT\$8M				✓
5	NT\$8M(inclusive)~NT\$10M				
6	Over NT\$10M				

Base Date: Dec. 31, 2019 Unit: NT1,000

Name of accounting firm	Name of CPA	Auditing fee	Non-auditing fee					Whether the auditing covers the entire fiscal year or not (Note1)	Note
			System design	Business registration	Human resources	Others (Note2)	Sub-total		
Deloitte & Touche	Tza-Li Gung	5,960	-	360	-	1,018	1,378	2019.01.01 ~ 2019.12.31	"Non-audit remuneration -Others" consists mainly of the BEPS action plan, capitalized earnings, review of Taishin FHC annual report, buyback of Class D preferred shares, and review of matters including issuance of unsecured subordinate bonds
	Kwan-Chung Lai								

Note 1: If the bank makes any change of CPA or CPA firm during the year, please specify the duration of their services separately and state the reason for making the change in the remarks field. Any audit and non-audit remuneration paid to CPAs should also be disclosed separately.

Note 2: Non-audit remuneration should be listed separately by service category. If the "Other" category amounts to 25% of total non-audit remuneration, the details of services rendered must be specified in the remarks column.

- a. Replacement of accounting firm and the auditing fee for the replacement year decreases from the previous year which requires mandatory disclosure of the auditing fees of the two years and pro-vision of reasons: Not applicable.
- b. Auditing fee decrease over 10% from the previous year which requires mandatory disclosure of the reduction amount, percentage, and reason: Not applicable.

## E. Replacement of CPA:

### a. Concerning former CPA

Replacement date	Not applicable		
Reason for replacement and explanation	Not applicable		
Explain consigner or termination or refusal of consignment by CPA	Status of related parties	CPA	Consigner
	Active terminate consignment	Not applicable	Not applicable
	Refusal to accept (continue) consignment	Not applicable	Not applicable
Certification auditing report other than report without reserved opinions in the recent two years and reason	Not applicable		
Existence of different opinions with the bank	Yes	Not applicable	Accounting principle or practical affairs
		Not applicable	Disclosure of financial report
		Not applicable	Auditing scope or procedure
		Not applicable	Others
	No	Not applicable	
	Explanation: Not applicable		
Other disclosed items (Items which should be disclosed according to item 5-1-4, article 10 of the criteria)	Not applicable		

### b. Concerning succeeding CPA: Not applicable.

### c. Reply of former CPA to item 5-1 and item 5-2-3, article 10 of the criteria: Not applicable

**F. Chairman, presidents, and financial or accountant managers who served at the accounting firm of the CPAs or its affiliates within the recent year: None**

**G.Changes in shareholding transfer or shareholding pledge by directors, supervisors, or managers, and all parties that are subject to reporting under article 11 of regulations governing the ownership of the holding by single individuals or stakeholders, in the recent year and as of the date of the publication of the annual report**

**a. Changes in shareholdings**

Unit: share

Title	Name	2019				As of Feb. 29, 2020			
		Common Shares		Preferred Shares		Common Shares		Preferred Shares	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Director	Chia Hao Co., Ltd	364,356	0	0	0	0	0	0	0
Representative (Chairman)	Wu, Tong-Liang	220,114	0	0	0	0	0	0	0
Director (Major shareholder) (Note1)	TASCO Chemical Co., Ltd.	45,877,808	0	0	0	1,611,000	0	0	0
Representative	Wu, Cheng-Ching	0	0	0	0	0	0	0	0
Director	Hsiang-Chao Co., Ltd.	186,180	0	0	0	0	0	0	0
Representative	Kuo, Jui-Sung	12,646	0	0	0	0	0	0	0
Director	Santo Arden Co., Ltd.	122,075	0	0	0	0	0	0	0
Representative	Wang, Chu-Chan	228,311	0	0	0	0	0	0	0
Independent Director	Lin, Yi-Fu	0	0	0	0	0	0	0	0
Independent Director	Chang, Min-Yu	0	0	0	0	0	0	0	0
Independent Director	Kuan, Kuo-Lin	0	0	0	0	0	0	0	0
President	Welch Lin	134,793	0	0	0	0	0	0	0
Chief Auditor	Daniel Tsai	0	0	0	0	0	0	0	0
Chief Financial Officer	Carol Lai	29,971	0	0	0	0	0	0	0
Chief Investment Officer	Eric Chien	0	0	0	0	0	0	0	0
Chief Information Officer	Steve Sun	0	0	0	0	0	0	0	0
Chief Risk Officer	Jey Chen	0	0	0	0	0	0	0	0
Senior Vice President	David Chang	(352,069)	0	0	0	(40,000)	0	0	0
Senior Vice President	Frank Lin	12,922	0	5,000	0	0	0	0	0
Senior Vice President	Andy Chang	16,652	0	(4,000)	0	0	0	0	0

Title	Name	2019				As of Feb. 29, 2020			
		Common Shares		Preferred Shares		Common Shares		Preferred Shares	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Senior Vice President	Adeline Jai	5,500	0	0	0	0	0	0	0
Senior Vice President	Vincent Tsai	9	0	0	0	0	0	0	0
Senior Vice President	Tingning Yu	80,000	0	0	0	0	0	0	0
Senior Vice President	Vanessa Chen	0	0	0	0	0	0	0	0
Vice President	David Lee	3,553	0	0	0	0	0	0	0
Vice President	Linda Chen	945	0	0	0	0	0	0	0
Same person or same related person	Yunteh Company Limited	1,499,157	0			0	0		
Same person or same related person	Wangtien Woolen Textile Co., Ltd.	942,390	0			0	0		
Same person or same related person	Shi Hong Investment Co., Ltd.	79,152	0			0	0		
Same person or same related person Large shareholder (Note 1)	Taishin Financial Leasing Co., Ltd.	6,622,454	0			0	0		
Same person or same related person	Taishin International Investment and Development Co., Ltd.	974,232	0			0	0		
Same person or same related person	Zhao Heng Company Limited	1,126,298	0			0	0		
Same person or same related person	An-Long Enterprise Co., Ltd.	183,306	0		Not applicable (Note 4)	0	0		Not applicable (Note 4)
Same person or same related person	Ju-Yueh Wu	29,542	0			0	0		
Same person or same related person	Ju-Ying Wu	63,541	0			0	0		
Same person or same related person	Wu, Hsi-Wei	2,360	0			0	0		
Same person or same related person	Wu, Hsi-Hao	7,166	0			0	0		
Same person or same related person	Eric Wu	6,323	0			0	0		
Same person or same related person	Wu, Tong-Liang	220,114	0			0	0		
Same person or same related person	Hong Tai Investment Co., Ltd.	1,260	0			0	0		
Same person or same related person Large shareholder (Note 1)	Tong Shan Investment Co., Ltd.	2,718,773	0			0	0		

Title	Name	2019				As of Feb. 29, 2020			
		Common Shares		Preferred Shares		Common Shares		Preferred Shares	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Same person or same related person	Yi Huan Co., Ltd.	41,461	0			0	0		
Same person or same related person	Shin Kong Wu Ho-Su Rescue Foundation	660	0			0	0		
Same person or same related person	Taishin Charity Foundation	12,931	0			0	0		
Same person or same related person	Shin Kong Wu Ho-Su Culture and Education Foundation	2,932	0			0	0		
Same person or same related person	Bo Si Company Limited	237,297	0			0	0		
Same person or same related person	Bo-Rui Co., Ltd.	1,590,651	0			0	0		
Same person or same related person	Peng, Hsueh-Fen	138,944	0			0	0		
Same person or same related person	Hsiang-Chao Co., Ltd.	186,180	0			0	0		
Same person or same related person	Shin Kong Life Insurance Co., Ltd.	783,599	0	Not applicable (Note 4)		0	0	Not applicable (Note 4)	
Same person or same related person Large shareholder (Note 1)	Shin Kong Synthetic Fiberscorp.	2,758,593	0			0	0		
Same person or same related person	Shinkong Entertainment Co. Ltd.	1,507,544	0			0	0		
Same person or same related person	Ruey-Shin Enterprise Co., Ltd.	73,574	0			0	0		
Same person or same related person	Hsiang-Chao Co., Ltd.	364,356	0			0	0		
Same person or same related person	Xing An Enterprise,.	46,765	0			0	0		
Same person or same related person	Ching-Wei Co., Ltd.	226,721	0			0	0		
Same person or same related person	Chang He Company Limited	1,580,005	0			0	0		

Note 1: An entity that holds more than one percent of the shares in the Company.

Note 2: The changes in shareholding of people listed above is based on the information submitted during their term of service.

Note 3: The change in the number of shares held in 2018 was mainly caused by stock dividends or subscriptions to cash issues.

Note 4: Preferred shares issued by Taishin do not come with voting rights, and therefore Article 16 of the Financial Holding Company Act does not apply.

#### b. Information of shareholding transfer: None.

#### c. Information of shareholding pledge: None.

## H. Information regarding top ten shareholders who are related parties, spouses or blood relatives of second degree or closer

### Information on the Relationship between the 10 largest Shareholders

Base date: April 14, 2020 unit: share; %

Number	Name	Current shareholding		Stake of single, spouse and offspring before age of majority		Shareholding in the name of others		Titles, names and relationships between top 10 shareholders who are related parties, spouses, or second-degree relatives to each other		Note
		Number of shares	Share of stake	Number of shares	Share of stake	Number of shares	Share of stake	Name	Relationship	
1	TASCO Chemical Co., Ltd. Representative: Wu, Cheng-Ching	424,813,929	3.71	0	0.00	0	0.00	None	None	
2	Taishin Leasing & Financing Co., Ltd. Representative: Zhong, Yong-Hong	338,568,782	2.95	0	0.00	0	0.00	None	None	
3	China Life Insurance Company, Ltd. Representative: Alan Wang	242,851,544	2.12	0	0.00	0	0.00	None	None	
4	Fubon Life Insurance Co., Ltd. Representative: Richard M. Tsai	215,120,000	1.88	0	0.00	0	0.00	None	None	
5	Farglory Life Insurance Co., Ltd. Representative: Roy Meng	184,174,045	1.61	0	0.00	0	0.00	None	None	
6	JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund , a series of Vanguard Star Funds	182,865,322	1.60	0	0.00	0	0.00	None	None	
7	JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	150,975,999	1.32	0	0.00	0	0.00	None	None	
8	Norges Bank	142,563,021	1.24	0	0.00	0	0.00	None	None	
9	Shinkong Synthetic Fibers Corporation Representative: Wu ,Tung-Sheng	135,407,910	1.18	0	0.00	0	0.00	No.10	Representative's relative within 2 tiers	
10	Tong Shan Investment Co., Ltd. Representative: Wu, Guei-Lan (Note)	135,053,299	1.18	0	0.00	0	0.00	No.9	Representative's relative within 2 tiers	

Note: Wu ,Guei-Lan passed away on March 30, 2016

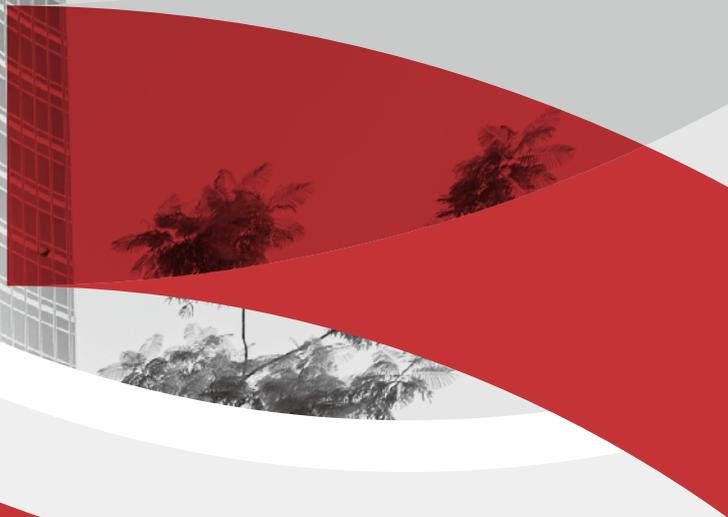
## I. The Number of shares and total share of stake in the same invested company owned by the company directly or indirectly controlled by the company and the company's directors, supervisors, president, vice presidents and branch chiefs

Base date: Dec. 31, 2019 unit:share; %

Equity investment (No te1)	Investment by the holding company (Note2)		Investment by the company directly or indirectly controlled by the holding company and the holding's directors, supervisors, president, vice presidents and branch chiefs		General investment	
	Number of shares	Share of stake	Number of shares	Share of stake	Number of shares	Share of stake
Taishin International Bank Co., Ltd.	8,255,711,853	100.00	0	0.00	8,255,711,853	100.00
Taishin Securities Co., Ltd.	692,412,444	100.00	0	0.00	692,412,444	100.00
Taishin Securities Investment Trust Co., Ltd.	75,454,545	100.00	0	0.00	75,454,545	100.00
Taishin Securities Investment Advisory Co., Ltd.	27,599,513	92.00	0	0.00	27,599,513	92.00
Taishin Asset Management Co., Ltd.	67,100,000	100.00	0	0.00	67,100,000	100.00
Taishin Venture Capital Investment Co., Ltd.	420,874,904	100.00	0	0.00	420,874,904	100.00
Chang Hwa Commercial Bank, Co., Ltd.	2,251,306,956	22.55	26,673,995	0.27	2,277,980,951	22.81
Chieh-Bon Co., Ltd.	220,000	4.40	300,000	6.00	520,000	10.40

Note 1: Subsidiaries of Taishin Holdings.

Note 2: Investments under Articles 36 and 37



**04**

**Capital Overview**

# IV. Capital Overview

## A. Capital and shares

### Sources of capital

Reference date: February 29, 2020 Unit: thousand shares.  
Except for the issue price that is shown in NT\$1, the remaining is shown in NT\$1,000.

Times	Issuing Prices	Authorized Capital		Paid-in Capital		Remarks	
		Number of Shares	Value	Number of Shares	Value	Sources of Capital	Others
Jan. 2019	10	20,000,000	200,000,000	Common share 10,436,762 Preferred share D 217,541 Preferred share E 800,000	Common share 104,367,620 Preferred share D 2,175,410 Preferred share E 8,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10801009480 Jan. 24, 2019 (Note 1)
Apr. 2019	-	20,000,000	200,000,000	Common share 10,436,762 Preferred share E 800,000	Common share 104,367,620 Preferred share E 8,000,000	Redemption of Preferred share D	MOEA, No. 10801035990 Apr. 03, 2019 (Note 2)
May 2019	10	20,000,000	200,000,000	Common share 10,438,243 Preferred share E 800,000	Common share 104,382,430 Preferred share E 8,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10801050530 May. 6, 2019 (Note 3)
Aug. 2019	10	20,000,000	200,000,000	Common share 10,438,913 Preferred share E 800,000	Common share 104,389,130 Preferred share E 8,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10801106400 Aug. 5, 2019 (Note 4)
Aug. 2019	10	20,000,000	200,000,000	Common share 10,656,003 Preferred share E 800,000	Common share 106,560,033 Preferred share E 8,000,000	Proposal to issue shares against capitalized earnings	MOEA, No. 10801116730 Aug. 28, 2019 (Note 5)
Nov. 2019	10	20,000,000	200,000,000	Common share 10,656,704 Preferred share E 800,000	Common share 106,567,043 Preferred share E 8,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10801156290 Nov. 11, 2019 (Note 6)
Jan. 2020	10	20,000,000	200,000,000	Common share 10,658,309 Preferred share E 800,000	Common share 106,583,098 Preferred share E 8,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10901009150 Jan. 22, 2020 (Note 7)

Note 1: Exercise of options by employees for issuance of 555,000 common shares.

Note 2: The company redeemed Preferred shares D at 217,541,046 shares.

Note 3: Exercise of options by employees for issuance of 1,481,000 common shares.

Note 4: Exercise of options by employees for issuance of 670,000 common shares.

Note 5: The Company issued 217,090,300 ordinary shares from earnings.

Note 6: Exercise of options by employees for issuance of 701,000 common shares.

Note 7: Exercise of options by employees for issuance of 1,605,500 common shares.

Base date: Feb. 29, 2020 Unit: share

Share Categories	Authorized Capital			Note
	Shares in circulation	Shares without issuance	Total shares	
Common Shares	10,658,309,870 (Note)	8,541,690,130	20,000,000,000	Listed shares
Preferred Shares E	800,000,000			Listed shares

Note: The number of outstanding common shares does not include, between January 1, 2020 and February 29, 2020, the number of new shares against the exercise of options by employees.

## B. Structure of shareholders

### Structure of Shareholders (Common shares)

Base date: April 14, 2020 Unit: share; %

Structure of Shareholders Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	14	118	741	320,502	1,066	322,441
Number of shares	92,699,649	1,158,917,112	2,266,846,720	4,268,168,139	2,873,297,250	10,659,928,870
Share of stake	0.87	10.87	21.27	40.04	26.95	100.00

### Structure of Shareholders (Preferred shares E)

Base date: April 14, 2020 Unit: share, %

Structure of Shareholders Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	1	41	196	27,859	42	28,139
Number of shares	2,485,000	532,397,379	182,106,244	80,044,175	2,967,202	800,000,000
Share of stake	0.31	66.55	22.76	10.01	0.37	100.00

## C. Distribution of shareholding

### Distribution of Shareholding (Common shares)

(Par Value of NT\$10 per share)

Base date: April 14, 2020 unit: share; %

Classification of Shareholding	Number of Shareholders	Number of shares	Share of stake
1 ~ 999	90,760	23,605,088	0.22
1,000 ~ 5,000	121,395	272,303,826	2.55
5,001 ~ 10,000	39,137	276,742,474	2.60
10,001 ~ 15,000	21,177	253,118,371	2.37
15,001 ~ 20,000	11,602	201,139,306	1.89
20,001 ~ 30,000	12,711	308,479,396	2.89
30,001 ~ 50,000	10,559	397,735,259	3.73
50,001 ~ 100,000	7,700	526,814,378	4.94
100,001 ~ 200,000	3,984	538,950,578	5.06
200,001 ~ 400,000	1,721	470,867,654	4.42
400,001 ~ 600,000	545	265,675,699	2.49
600,001 ~ 800,000	256	175,349,041	1.64
800,001 ~ 1,000,000	152	136,603,687	1.28
1,000,001 ~	742	6,812,544,113	63.91
Total	322,441	10,659,928,870	100.00

**Distribution of Shareholding (Preferred shares E)**  
**(Par Value of NT\$10 per share)**

Base date: April 14, 2020 unit: share; %

Classification of Shareholding	Number of Shareholders	Number of shares	Share of stake
1 ~ 999	18,702	3,300,126	0.41
1,000 ~ 5,000	6,876	15,239,941	1.90
5,001 ~ 10,000	1,142	8,558,250	1.07
10,001 ~ 15,000	342	4,292,340	0.54
15,001 ~ 20,000	281	5,186,613	0.65
20,001 ~ 30,000	211	5,120,480	0.64
30,001 ~ 50,000	213	8,480,102	1.06
50,001 ~ 100,000	162	11,413,201	1.43
100,001 ~ 200,000	73	10,768,968	1.35
200,001 ~ 400,000	46	13,339,110	1.67
400,001 ~ 600,000	13	6,228,228	0.78
600,001 ~ 800,000	7	4,728,616	0.59
800,001 ~ 1,000,000	7	6,976,284	0.87
1,000,001 ~	64	696,367,741	87.05
Total	28,139	800,000,000	100.00

## D. Major shareholders

Base date: April 14, 2020 unit: share; %

Major Shareholders	Shares	Number of Shares	Share of Stake
TASCO Chemical Co., Ltd.		424,813,929	3.71
Taishin Leasing & Financing Co., Ltd.		338,568,782	2.95
China Life Insurance Company, Ltd.		242,851,544	2.12
Fubon Life Insurance Co., Ltd.		215,120,000	1.88
Farglory Life Insurance Co., Ltd.		184,174,045	1.61
JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund , a series of Vanguard Star Funds		182,865,322	1.60
JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds		150,975,999	1.32
Norges Bank		142,563,021	1.24
Shinkong Synthetic Fibers Corporation Representative: Wu ,Tung-Sheng		135,407,910	1.18
Tong Shan Investment Co., Ltd.		135,053,299	1.18

Note: The list above discloses the top 10 shareholders, preferred shares included.

## E. Market price, net worth, earnings and dividends per share

Unit: NT\$1

Items		Year		As of Feb. 29, 2020 (Note 6)	
		2018	2019		
Market Price Per Share	Highest		15.35	14.80	14.80
	Lowest		12.95	12.95	13.85
	Average		14.28	14.00	14.40
Net Worth Per Share	Before distribution (coverage of loss)		12.33	12.86	13.14
	After distribution (coverage of loss)		11.58	(Note 1)	NA
Earnings Per Share	Weighted Average Outstanding shares (thousand share)	Before Adjustment	10,433,494	10,655,976	10,658,796
		After Adjustment	10,650,470	10,655,976	NA
	Earnings per share	Before Adjustment	1.09	1.19	0.23
		After Adjustment	1.07	1.19	NA
Dividends Per Share	Cash Dividend		0.5084	(Note 1)	NA
	Stock Dividend	Dividends from Retained Earnings	0.2080	(Note 1)	NA
		Dividends from Capital Surplus	0	(Note 1)	NA
	Accumulated Undistributed Dividends (NT\$ thousand) (Note 2)		0	0	NA
Analysis for Return on Investment	Price to Earnings Ratio (Note 3)		13.10	11.79	NA
	Price to Dividends Ratio (Note 4)		28.09	(Note 1)	NA
	Cash Dividends Yield (Note 5)		3.56%	(Note 1)	NA

Note 1: The Earning distribution for year 2019 hasn't been approved by the General Shareholders' Meeting.

Note 2: Refer to accumulated dividend payable for preferred shares.

Note 3: Price to earnings ratio=Average closing price of the said year/Earning per share.

Note 4: Price to dividends ratio=Average closing price of the said year/Cash dividends per share.

Note 5: Cash dividends yield=Cash dividends per share/Average closing price of the said year.

Note 6: Data exposed as of the date for the publication of the 2019 annual report.

## F. Dividends policy and execution

### a. Dividend Policy

Any earnings concluded in a financial year shall first make up for loss of previous years, right after statutory taxation and accounting adjustments. Any surplus is subject to provision of a 10% legal reserve and special reserve according to law. The remainder shall be available for distribution of Class D preferred share dividends for the current year according to Article 8-2 of the Article of Incorporation. The remaining balance, if any, will be combined with special reserve reversal and initial cumulative undistributed earnings available for dividend distribution into the amount available for distribution on ordinary shares and preferred shares. In particular, cash dividends may not be lower than 10% of the total amount of dividend distribution in the same year. Earnings distribution proposals will be devised by the board of directors and submitted to the annual general meeting for acknowledgement. The rights and obligations and the priority, amount and method of distribution associated with preferred shares shall be governed by the preferred shares provisions in the Articles of Incorporation.

Shareholders shall be entitled to profit distributions. To protect stockholders' investment interests, Taishin Holdings allocates 50% or more of the period profits available for distribution to shareholder dividends(after deducting the beginning undistributed earning adjustments). 80% or more of the period profits available for distribution were distributed as shareholder dividends in the latest three years.

For the purposes of continuing expansion and increasing profitability while considering overall cash flow requirements and keeping the capital adequacy ratio at level that meets the regulatory requirements and is internationally accepted, the company adopts a residual dividend policy to accommodate the dilution by share dividends for common shares while the number of outstanding preferred share D is 200,000,000 or above.

With respect to dividend distribution, the company focuses on the requirements of business operations, capital planning, cash flow requirements for subsidiary investments and mergers and acquisitions, and material regulatory changes, and chooses to distribute stock dividends to retain the needed cash as a principle and any balance can be distributed as cash dividends.

#### **b. Items on the agenda of the shareholders' meeting**

1. Distribution of earnings in accordance with Article 40-1 of the Company's Articles of Incorporation.
2. Taishin Holdings' 2019 audited after-tax profit amounted to NT\$14,488,021,398. After considering the initial undistributed earnings, deducting undistributed earning adjustments, and allocating NT\$1,420,258,263 for the 10% legal reserve stipulated by Article 237 of the Company Act and Article 40-1 of the Company's Articles of Incorporation, the distributable earnings were NT\$14,953,228,362. The following surplus allocation and dividend distribution have been proposed according to the Articles of Incorporation:
  - (1) First, NT\$62,079,452 and NT\$1,757,500,000 of cash dividends will be allocated to Class D and Class E preferred shareholders, respectively;
  - (2) Next, NT\$8,496,127,700 of dividends will be allocated to common shareholders (approximately NT\$0.79 per share). This amount consists of NT\$6,029,509,700 of cash dividends (approximately NT\$0.56 per share) and NT\$2,466,618,000 of stock dividends (approximately NT\$0.23 per share). The NT\$2,466,618,000 of stock dividends shall be paid with a new offering of 246,661,800 common shares with a par value of NT\$10 per share. The rights and obligations of the new shares to be issued will be the same as the existing common shares. The aforementioned issuance of new common shares as stock dividends shall be discussed in a separate agenda item.
3. The amount of dividends distributed to each common share is based on 10,659,928,870 shares outstanding as at April 14, 2020. The amount per share actually distributed will vary due to any treasury stock transactions and exercise of employee stock options that occur before the ex-dividend/ex-right date; however, the total amount distributed will remain unchanged.
4. The Board of Directors has authorized the Chairman to set the ex-dividend date and the payment date of cash dividends for Class D and Class E preferred shares. Otherwise, the ex-dividend/ex-right date and the payment date of the dividends for common shares will be determined by the Board of Directors.

### **G. Effect of resolution of the shareholders' meeting to issue stock dividend on business performance and earnings per share**

Pursuant to Letter No. Taiwan-Finance-Securities-I-00371 dated February 1, 2000; the company is not required to disclose this information because it does not publish financial forecasts.

### **H. Employee bonus and compensations for directors and supervisors**

#### **a. Percentages and scope of employee bonus and compensations for directors and supervisors in accordance with articles of incorporation**

0.01% of any profit made by the company in the current year shall be allocated as employee bonus, and the board of directors shall decide to distribute the bonus as shares or cash, which can also be distributed to employees of affiliated companies that meet the criteria specified in the Company Act. The company may have the board of directors allocated no more than 1% of the aforesaid profit to director remuneration.

A sum shall be set aside in advance to pay down any outstanding cumulative losses before employee bonus and director remuneration can be allocated according to the above percentage.

Employee bonus and director remuneration proposals shall be presented to the shareholders meeting.

**b. Accounting treatment for the difference between accrual and actual payment for employee bonus and compensation for directors and supervisors**

Employees' bonuses for the current period have been estimated based on the criteria laid out in the Articles of Incorporation. Should the actual amount differ from the amount estimated, the difference will be treated as changes in accounting estimates.

**c. Information on proposal of the board of directors to issue employee bonus**

**1. Payout of cash bonus for employees, stock dividend, and compensations for board directors and supervisors. If there is a difference between accrual and actual payment, please disclose the difference amount, the reason and the treatment.**

(1) Payment of NT\$1,468,273 in cash bonus to employee and NT\$110,120,472 in compensation to directors.

(2) The estimated amount of remuneration of employees and directors for the current period deviated from the actual amount decided by the Board of Directors by NT\$35,243,286. The deviation was caused by changes in accounting estimates, and will be recognized in the 2020 profit and loss.

**2. Amount of employees' bonus to be paid in stock, and as a percentage to net profit after tax plus employees' total bonus for the current period: Nil.**

**d. Remuneration report and results at the general shareholders meeting: Expected to be reported to the general shareholders meeting on June 12, 2020.**

**e. Any discrepancy between actual distribution of remuneration of employees, directors and supervisors in previous year (including the number of shares, amount and stock price) and the recognized actual dividends for employee bonus and compensations for board directors and supervisors of previous year.**

The actual amount of employee remuneration paid in the previous year was NT\$1,239,600 and the director remuneration NT\$99,167,966. The actual amounts deviated from the recognized employee remuneration and director remuneration by NT\$23,860,849, which was attributed to changes in accounting estimates, and recognized in the 2019 profit and loss.

**I. Buyback of the company's treasury stock: Nil.**

## J. Issuance of corporate bonds

### a. Issuance of Corporate Bonds

#### Issuance of Corporate Bonds -1

Base date: Feb. 29, 2020

Type of Corporate Bonds	2017 Domestic 1st Unsecured Subordinated Corporate Bond	
Date of issuance	Oct. 26, 2017	
Par value	NT\$1,000,000	
Issue & trade place	Republic of China	
Issue price	According to the denomination of bonds full issue	
Issue amount	NT\$8.0 Billion	
Coupon rate	1.9% per annum	
Tenor	10 years (Oct. 26, 2027)	
Subordinate / Senior Ranking	Subordinated	
Guarantor	None	
Trustee	Taipei Fubon Bank	
Underwriting institution	Taishin Securities	
Certified lawyer	True Honesty International Law office's lawyer: Hueiji Guo	
CPA-auditor of the financial report	Deloitte & Touche's CPAs: Peter Tsai & Qinzhen Yang	
Repayment method	Repayment at maturity	
Outstanding principle	NT\$8.0 Billion	
The terms and conditions for redemption or early repayment	None	
Restrictive clause	Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement.	
Whether included as eligible capital	Yes	
Credit rating agency, rating date and rating	None	
Other rights	As of the printing date of this annual report, converted amount of (exchange or subscribed) ordinary shares, GDRs or other securities	None
	Issuance and conversion (exchange or subscription) method	None
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion of corporate bonds, or due to exchange, subscription or issuance terms	None	
Custodian	None	

## Issuance of Corporate Bonds -2

Base date: Feb. 29, 2020

Type of Corporate Bonds	2018 Domestic 1st Unsecured Subordinated Corporate Bond	
Date of issuance	Jul. 10, 2018	
Par value	NT\$1,000,000	
Issue & trade place	Republic of China	
Issue price	According to the denomination of bonds full issue	
Issue amount	NT\$7.0 Billion	
Coupon rate	1.92% per annum	
Tenor	15 years (Jul. 10, 2033)	
Subordinate / Senior Ranking	Subordinated	
Guarantor	None	
Trustee	Taipei Fubon Bank	
Underwriting institution	Taishin Securities	
Certified lawyer	True Honesty International Law office's lawyer: Hueiji Guo	
CPA-auditor of the financial report	Deloitte & Touche's CPAs: Tza-Li Gung & Kwan-Chung Lai	
Repayment method	Repayment at maturity	
Outstanding principle	NT\$7.0 Billion	
The terms and conditions for redemption or early repayment	None	
Restrictive clause	Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement.	
Wether included as eligible capital	Yes	
Credit rating agency, rating date and rating	None	
Other rights	As of the printing date of this annual report, converted amount of (exchange or subscribed) ordinary shares, GDRs or other securities	None
	Issuance and conversion (exchange or subscription) method	None
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion of Corporate bonds, or due to exchange , subscription or issuance terms	None	
Custodian	None	

### Issuance of Corporate Bonds -3

Base date: Feb. 29, 2020

Type of Corporate Bonds		2019 Domestic 1st Unsecured Subordinated Corporate Bond
Date of issuance		Apr. 30, 2019
Par value		NT\$1,000,000
Issue & trade place		Republic of China
Issue price		According to the denomination of bonds full issue
Issue amount		NT\$7.0 Billion
Coupon rate		1.60% per annum
Tenor		15 years (Apr. 30, 2034)
Subordinate / Senior Ranking		Subordinated
Guarantor		None
Trustee		Taipei Fubon Bank
Underwriting institution		Taishin Securities
Certified lawyer		True Honesty International Law office's lawyer: Hueiji Guo
CPA-auditor of the financial report		Deloitte & Touche's CPAs: Tza-Li Gung & Kwan-Chung Lai
Repayment method		Repayment at maturity
Outstanding principle		NT\$7.0 Billion
The terms and conditions for redemption or early repayment		None
Restrictive clause		Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement.
Wether included as eligible capital		Yes
Credit rating agency, rating date and rating		None
Other rights	As of the printing date of this annual report, converted amount of (exchange or subscribed) ordinary shares, GDRs or other securities	None
	Issuance and conversion (exchange or subscription) method	None
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion of Corporate bonds, or due to exchange, subscription or issuance terms		None
Custodian		None

**b. Convertible bonds: Nil.**

**c. Exchangeable corporate bonds: Nil.**

**d. A shelf registration to issue corporate bonds: Nil.**

**e. Bonds with warrant: Nil.**

## K. Issuance of preferred shares

### a. Issuance of Preferred Shares

#### Issuance of Preferred Shares-1

Base date: Feb. 29, 2020

Item	Issuing Date	Dec. 28, 2016 Class E preferred shares	
Face value		NT\$10	
Issue Price		NT\$50 per share	
Number of shares issued		500,000,000 shares	
Total monetary amount of the issue		NT\$25,000,000,000	
Obligation & rights	Dividend Yield and Payment	<p>Dividend Yield: An annual dividend yield is set at 4.75% [1.2175% + 3.5325%] "7-year IRS+ The fixed rate" per annum of the issue price at the pricing day. "The fixed rate" will be determined by the chairman, who was authorized by the board, of 7-year IRS will be reset on the next business day after each seventh anniversary day after issuance thereafter. The pricing date for reset is the second business day of financial industry in Taipei immediately preceding each reset date. The 7-year IRS rate is the arithmetic mean of 7-year IRS rates appearing on Reuters pages "PYTWDFIX" and "COSMOS3" at 11:00 A.M. (Taipei time) on the relevant pricing date for reset. If such rate cannot be obtained, the company will determine the rate based on reasonable market price with good faith.</p> <p>Dividend Payment: The company has sole discretion on the distribution of Class E preferred share dividends. Earnings distribution proposals will be devised by the board of directors in accordance with Article 40-1 of the Articles of Incorporation and then submitted to the annual general meeting of shareholders for acknowledgment. Earnings available for distribution to preferred shares and ordinary shares under an acknowledged earnings distribution proposal will be distributed firstly to Class D preferred shares and then to Class E preferred shares, if any. Any remaining balance shall be distributed according to the Articles of Incorporation. In years when the company concludes insufficient or no surplus to fully pay off dividends for Class E preferred shareholders, the unpaid dividend will not be carried forward to years with earnings.</p> <p>Dividends on Class E preferred shares will be paid in cash. Once the company's financial statements have been acknowledged and earnings distribution approved during the annual general meeting, the board of directors shall be authorized to set the baseline date for the distribution of the Class E preferred share dividend. Distribution of dividends in the issuance year shall be calculated from the corresponding issuance date (record date) proportionally at the ratio of actual number of days after issuance to the total number of days in the year. Recovery of annual dividends shall be calculated proportionally at the ratio of actual number of days until the recovery and cancellation deadline to the total number of days in the year.</p>	
	Allotment of remaining properties	Class E preferred shareholders shall be given priority to claim on the company's remaining properties over ordinary shareholders, but subordinate to Class D preferred shareholders, and no more than issuance amount of outstanding Class E preferred shares.	
	Voting or election rights	Class E preferred shareholders are not entitled to any voting rights or election rights in shareholders' meeting. However, they may vote in Class E preferred shareholder meetings and in general shareholder meetings with regard to agenda items concerning rights and obligations of Class E preferred shareholders.	
	Other rights	When the Company issues new shares for capital raising, Class E preferred shareholders shall be entitled equivalent preemptive rights on the new shares to ordinary shareholders and Class D preferred shareholders.	
Preferred shares outstanding	Total amount of redemption or conversion	None	
	Total amount to be redeemed or converted	NT\$25,000,000,000	
Market Price (Note)	2017	Highest	53.3
		Lowest	51.4
		Average	52.2
	2018	Highest	54.9
		Lowest	51.8
		Average	53.5
	2019	Highest	56.3
		Lowest	53.3
		Average	55.3
	As of 2020.02.29	Highest	56.4
		Lowest	55.6
		Average	56.0
Other rights	Total amount of conversion or subscription up to the published day	0	
	Issuance and conversion (exchange or subscription) method	Refer to the Articles of Incorporation	
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion of Corporate bonds, or due to exchange, subscription or issuance terms		None	

Note: Class E preferred shares were traded listed in Taiwan Stock Exchange since February 10, 2017. The prices in 2016 are unavailable. The highest, lowest, and average market prices per share are based on daily closing prices between the listing date and December 31. (source: TWSE website).

## Issuance of Preferred Shares-2

Base date: Feb. 29, 2020

Item	Issuing Date	Nov. 30, 2018	
		Class E preferred shares	
Face value		NT\$10	
Issue Price		NT\$50 per share	
Number of shares issued		300,000,000 shares	
Total monetary amount of the issue		NT\$15,000,000,000	
Obligation & rights	Dividend Yield and Payment	<p>Dividend Yield: An annual dividend yield is set at 3.8% [1.1% + 2.7%] "7-year IRS + The fixed rate" per annum of the issue price at the pricing day. "The fixed rate" will be determined by the chairman, who was authorized by the board, of 7-year IRS will be reset on the next business day after each seventh anniversary day after issuance thereafter. The pricing date for reset is the second business day of financial industry in Taipei immediately preceding each reset date. The 7-year IRS rate is the arithmetic mean of 7-year IRS rates appearing on Reuters pages "PYTWDFIX" and "COSMOS3" at 11:00 A.M. (Taipei time) on the relevant pricing date for reset. If such rate cannot be obtained, the company will determine the rate based on reasonable market price with good faith.</p> <p>Dividend Payment: The company has sole discretion on the distribution of Class E preferred share dividends. Earnings distribution proposals will be devised by the board of directors in accordance with Article 40-1 of the Articles of Incorporation and then submitted to the annual general meeting of shareholders for acknowledgment. Earnings available for distribution to preferred shares and ordinary shares under an acknowledged earnings distribution proposal will be distributed firstly to Class D preferred shares and then to Class E preferred shares, if any. Any remaining balance shall be distributed according to the Articles of Incorporation. In years when the company concludes insufficient or no surplus to fully pay off dividends for Class E preferred shareholders, the unpaid dividend will not be carried forward to years with earnings.</p> <p>Dividends on Class E preferred shares will be paid in cash. Once the company's financial statements have been acknowledged and earnings distribution approved during the annual general meeting, the board of directors shall be authorized to set the baseline date for the distribution of the Class E preferred share dividend. Distribution of dividends in the issuance year shall be calculated from the corresponding issuance date (record date) proportionally at the ratio of actual number of days after issuance to the total number of days in the year. Recovery of annual dividends shall be calculated proportionally at the ratio of actual number of days until the recovery and cancellation deadline to the total number of days in the year.</p>	
	Allotment of remaining properties	Class E preferred shareholders shall be given priority to claim on the company's remaining properties over ordinary shareholders, but subordinate to Class D preferred shareholders, and no more than issuance amount of outstanding Class E preferred shares.	
	Voting or election rights	Class E preferred shareholders are not entitled to any voting rights or election rights in shareholders' meeting. However, they may vote in Class E preferred shareholder meetings and in general shareholder meetings with regard to agenda items concerning rights and obligations of Class E preferred shareholders.	
	Other rights	When the Company issues new shares for capital raising, Class E preferred shareholders shall be entitled equivalent preemptive rights on the new shares to ordinary shareholders and Class D preferred shareholders.	
Preferred shares outstanding	Total amount of redemption or conversion	None	
	Total amount to be redeemed or converted	NT\$15,000,000,000	
Market Price (Note)	2019	Highest	55.1
		Lowest	50.3
		Average	52.6
	As of 2020.02.29	Highest	55.0
		Lowest	54.3
		Average	54.6
Other rights	Total amount of conversion or subscription up to the published day	0	
	Issuance and conversion (exchange or subscription) method	Refer to the Articles of Incorporation	
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion of Corporate bonds, or due to exchange, subscription or issuance terms		None	

Note: Class E preferred shares were listed on Jan. 8, 2019. The prices in 2016 are unavailable. The highest, lowest, and average market prices per share in 2017 are based on daily closing prices between the listing date and December 31. (source: TWSE website).

### b. Data on preferred shares with stock right: Nil.

## L. The issuance of global depositary receipts: Nil.

## M. The issuance of employees' stock option

### a. The status of utilization of outstanding employees' stock option

Base date: Feb. 29, 2020

Type of Employees' Stock option	99-1 <sup>st</sup> Employees' Stock option	99-2 <sup>nd</sup> Employees' Stock option
Date approved by authority	Sep. 1, 2010	Sep. 1, 2010
Issue date	Oct. 13, 2010	Aug. 31, 2011
Number of shares issued	75,390,000 shares	1,610,000 shares
The Number of shares for warrants as a percentage of total amount of issued shares (%)	0.66%	0.01%
Duration for stock options	Oct.13, 2010 ~ Oct.12, 2020	Aug. 31, 2011 ~ Aug. 30, 2021
Converted from	New Common shares	New Common shares
Duration and percentage (%) for stock options	Oct.13, 2012 ~ Oct.12, 2020 First to fifth issuance: 15-40% each	Aug. 31, 2013 ~ Aug. 30, 2021 First to fifth issuance: 15-40% each
Number of shares obtained via execution of warrants	47,897,000	1,200,000
Value of shares obtained via execution of warrants (NT\$)	434,401,253	9,710,000
Number of shares for warrants yet to be executed	8,802,500	307,000
Share price for warrants yet to be executed (NT\$/ per share)	6.9	7.0
Percentage of the Number of shares for warrants yet to be executed in the total amount of issued shares (%)	0.08%	0.003%
Impact on shareholders'equities	The diluting effect on the interest of original shareholders is limited since stock options can be executed only two years after their issuance and within set period, thereby spreading the diluting effect.	The diluting effect on the interest of original shareholders is limited since stock options can be executed only two years after their issuance and within set period, thereby spreading the diluting effect.

### b. Managers who have acquired employee stock options and the top ten employees with the highest number of convertible rights

Base date: Feb. 29, 2020

Item	Position	Name	Convertible rights acquired (1,000 Shares)	Convertible rights as a percentage of total outstanding shares	Exercised				Not exercised			
					Number of rights (1,000 Shares)	Price of rights (NT\$/ Per Share)	Value of rights (NT\$ 1,000)	Rights as a percentage of total outstanding shares	Number of rights (1,000 Shares)	Price of rights (NT\$/ Per Share)	Value of rights (NT\$ 1,000)	Rights as a percentage of total outstanding shares
Managers	President	Welch Lin										
	Chief Auditor	Daniel Tsai										
	Chief Financial Officer	Carol Lai										
	Chief Investment Officer	Eric Chien										
	Chief Information Officer	Steve Sun										
	Chief Risk Officer	Jey Chen	99 option	99 option	99 option	99 option	99 option	99 option	99 option	99 option	99 option	99 option
	Senior Vice President	David Chang	1st	1st	1st	1st	1st	1st	1st	1st	1st	1st
	Senior Vice President	Frank Lin	6,140	0.05%	4,872.5	8.8	42,673.7	0.04%	1,267.5	6.9	8,745.8	0.01%
	Senior Vice President	Andy Chang										
	Senior Vice President	Vincent Tsai										
	Senior Vice President	Tingning Yu	99 option	99 option	99 option	99 option	99 option	99 option	99 option	99 option	99 option	99 option
	Senior Vice President	Vanessa Chen	2nd	2nd	2nd	2nd	2nd	2nd	2nd	2nd	2nd	2nd
	Senior Vice President	Adeline Jai (2019.9.1 relief of duty)	104	0.00%	0.0	0.0	0.0	0.00%	104	7.0	728	0.00%
	Senior Vice President	Janice Liang (2019.9.1 relief of duty)										
Employees	Chief Consultant	Tong-Shung Wu										
	Executive Consultant	Steve S.F. Shieh										
	AML/CFT	Yi-Ta Lin										

## N. Mergers and acquisitions or transfer of other financial institutions

### Taishin Financial Holding Co., Ltd.

1. Any opinions by accountants that should be disclosed regarding the reasonable share swap ratio for mergers acquisitions or sale of financial institutions over the past year: Nil.
2. State of mergers & acquisitions or sale of financial institutions over the past five years.

Taishin Insurance Brokers Co., Ltd., a subsidiary of Taishin Holdings, was merged into Taishin Bank on April 24, 2016.

Taishin Securities Co., Ltd., a subsidiary of Taishin Holdings, acquired Ta Chong Securities Co., Ltd. through a cash transaction on August 28, 2017.

Taishin FHC's subsidiary, Taishin International Bank, assumed the existing insurance brokerage business of its subsidiary, Xiang-An Life Insurance Agency Co., Ltd., by transfer of business on November 2, 2019.

Methods of issuing new shares in such M&A or sale, and opinions issued by the leading underwriter: Not applicable.

3. In the most recent financial year and up to the printing of this annual report, disclosure of the basic data of mergers & acquisitions or sale of other financial institutions in which the Board of Directors has approved such M&A or sale that involves the issuance of new shares: The Board of Directors passed no resolution to issue new shares for merging or share transfer from other financial institutions in the past year and up to the publication date of this report.

## O. The execution of fund utilization plan

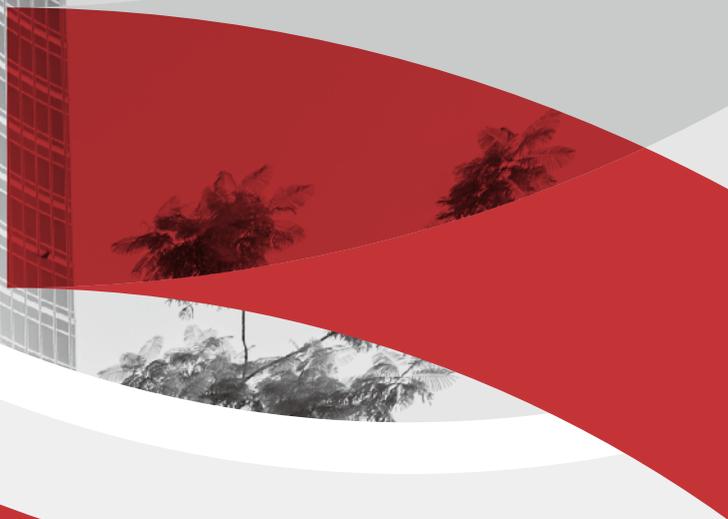
As of the quarter preceding the publication date of the annual report, all fund utilization plans of previous offerings or private placements of securities and corporate bonds have been completed, and there is not a fund utilization plan in the last three years that has been completed without realizing the expected benefits.

### a. Plan

Analysis of previous offerings or private placements of securities and corporate bonds that have not been completed, and the not-yet-realized expected benefits of fund utilization plans completed in the last three years: None.

### b. Current progress

As of the quarter preceding the publication date of the annual report, reasons for the fund utilization plans of previous offerings or private placements of securities and corporate bonds not having been completed, one or more fund utilization plans in the last three years having been completed without realizing the expected benefits, or the progress or benefits falling short of expectations: None.



**05**

**Operating Status**

# V. Operating Status

## A. Business contents

### Taishin Financial Holding Co., Ltd.

#### a. Business scope

##### 1. Scope of business

According to Article 36 of the Financial Holding Company Act, the business of the Company is limited to investment in, and management of, its invested enterprises.

The Company may apply to the competent authority for approval to invest in the following.

- (1) Financial holding companies.
- (2) Banking enterprises.
- (3) Bills finance enterprises.
- (4) Credit card businesses.
- (5) Trust enterprises.
- (6) Insurance enterprises.
- (7) Securities enterprises.
- (8) Futures enterprises.
- (9) Venture capital enterprises.
- (10) Foreign financial institutions which have been approved for investment by the competent authority.
- (11) Other enterprises for which the competent authority determines to be finance-related.

##### 2. Revenue breakdown

Unit: NT\$1,000

Item	Amount	%
Investment income under equity method	15,302,418	99.82
Other net income	27,180	0.18
Total	15,329,598	100.00

#### b. Current business plan

1. Create a complete cross industry network under Taishin FHC and increase the scale of subsidiary operations to enhance profitability.
2. Develop digital banking services, and provide innovative products and services to meet the demand.
3. Implement customer centric integrated marketing to create synergy in Taishin FHC.
4. Ensure regulatory compliance and stress the importance of corporate governance.
5. Strengthen risk management capabilities, and lay the IT foundation for business growth.

## c. Industry status

### 1. Market status

The ongoing US-China trade dispute created uncertainties in the global economy in 2019. The economic growth momentum was weaker than it was in 2018. Out of the major economies, the United States, while continuing to expand, showed clear signs of slowing down. China's economic growth fell to 6.0%, the lowest in 30 years. Slowing demand in both China and the U.S. caused export declines for major exporters of manufactured goods, including Germany, Japan, and South Korea, for the year.

Taiwan's economy went in two extremes. Traditional industries, led by plasticization, chemical, steel, and machine industries, saw exports fall with the global economy. Meanwhile, the electronics industry benefited from the trade diversion effects caused by the US-China dispute, and exports of related products were pushed up as a result. In response to the US-China dispute, suppliers on the electronics supply chain made more fixed investments in Taiwan. Meanwhile, a strong demand for advanced semiconductor production products drove capital expenditure higher. As a result, Taiwan's economy achieved a strong 2.71% growth in 2019. Driven by rising stock prices in the electronics sector, TWSE closed at 11,997 at the end of 2019, a 23.3% YOY increase compared to 9,727 in 2018.

The financial sector in Taiwan benefited from rising domestic investment and a strong financial market. Overall earnings before tax for the financial sector amounted to NT\$634.1 billion, a 21.7% increase from 2018. Earnings before tax for the banking industry totaled NT\$407.1 billion, a 7.8% increase from 2018 and another all-time high. Looking forward, the ongoing COVID-19 pandemic is having an increasingly severe impact on the global outlook and creating more challenges for the banking sector. Given the 92 SARS outbreak lasted for months and had short-term effects on the economy, it is expected that the COVID-19 pandemic will affect Taiwan's economic results in the first half of 2020. If the situation does not deteriorate, the economy may have a chance to regain momentum in the second half of the year.

### 2. Trends in financial products

An overview of the overall financial environment shows that the government has been working hard in recent years to encourage Taiwanese businesses to return to invest in the country and invigorate the local financial market. The FSC has announced its priorities to be "openness and innovation, financial inclusion, and international standards" in 2020. The FSC continues to encourage innovation in the banking sector and related industries and strengthened corporate governance, risk management, and compliance. The FSC supports international collaboration, and tries to create a friendly environment for international investors in order to push the banking sector up to the next level.

## d. Research and development

### 1. R&D results in last two years

According to Article 36 of the Financial Holding Company Act, the business of a financial holding company shall be limited to investment in, and management of, its invested enterprises. Related R&D expenses shall be as specified in the R&D projects by Taishin Bank's subsidiaries.

Taishin Bank's R&D expenses in the last two years are NT\$31,309,000 in 2018 and NT\$4,440,000 in 2019. (Related information please refer to P.91)

## 2. Future R&D plan

- (1) Taishin created a digital strategy team under Taishin FHC. It optimizes O2O integration through continuing use of advanced FinTech applications so to enable digital services to offer easier-to-use and more friendly and wide-ranging features and products.
- (2) Taishin provides financing in support of major government policies, such as the “five plus two” innovative industries plan and the Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan.
- (3) Taishin Holdings provides a variety of investment vehicles for corporations and individuals, and endeavors to satisfy the investment needs of local and international customers as deregulation continues.
- (4) Taishin Holdings will continue working closely with various distributors to provide more comprehensive services to individual and corporate customers. Taishin Holdings is also committed to keep refining the ease and convenience of its electronic platforms, in order to satisfy customer demand for easier and quicker e-trades.

## e. Long- and short-term business development plans

We followed our operating budgets closely in 2019, and our core business delivered consistent profit growth on the whole. After-tax profit totaled NT\$14.5 billion for the year, 12% higher than the previous year. At the end of 2019, the EPS was NT\$1.19, an ROE of 9.54% for common shareholders at a net value of NT\$12.86 per share. In terms of capital structure, our capital adequacy ratio was 118.9% and double leverage ratio was 117.0% at the end of 2019. The capital structure remained sound.

### 1. Short-term business development plan

- (1) Increase the scale of subsidiary operations and the number of overseas offices to enhance profitability.
- (2) Develop digital banking services and support digital transformation and innovation.
- (3) Implement customer centric integrated marketing to meet the demand for banking services.
- (4) Ensure regulatory compliance and stress the importance of corporate governance.
- (5) Strengthen risk management capabilities, and lay the IT foundation for business growth.

### 2. Long-term business development plan

- (1) Complete the cross industry network under Taishin FHC and increase the scale of subsidiary operations to become more competitive worldwide.
- (2) Expand the banking network overseas by offering more comprehensive and higher quality financial services for the global Chinese community.
- (3) Continue to promote digital transformation and become customer’s first choice by providing innovative products and services.
- (4) Strengthen the brand as an employer to attract top talent in all fields.
- (5) Support corporate social responsibility and sustainable development on an ongoing basis.

## Taishin International Bank Co.,Ltd.

### a. Business contents

#### 1. Growth by business area and changes

##### (1) Wealth Management

Taishin Bank's wealth management operation offers a variety of services for different customer segments such as individuals, households, and business owners. Tailored financial planning and consulting services are available as a combination of TWD and foreign currency deposits, investment products, short-and medium-term insurance policies, and consumer loans and one-stop tax and asset allocation advisory services, all of which are aimed at building stronger customer relationships. Given its three advantages, "a team of professional specialists, a diverse range of products, and excellent benefits for top customers", Taishin Bank is a leader of wealth management services with a steadily growing number of customers. Awards include PBI Global Private Wealth Awards 2020 - Outstanding Wealth Management Service for the Affluent, PWM/The Banker - Best Private Bank in Asia for Customer Service, and Wealth Magazine's and Excellence magazine's Best Wealth Management Awards.

##### (2) Retail Banking

Taishin Bank's retail banking operations cover consumer loans (mortgage, auto loan, unsecured loan, and subordinated mortgage), micro corporate loans, and credit card for individual customers and payment processing services for merchants. The development of financial products follows market differentiation and the needs of various customer groups. The outstanding balance of retail loans increased by 7% in 2019; the number of credit cards in circulation increased by 15.%; and the credit card spending increased by 22.7%.

##### (3) Digital Banking

As part of its commitment to develop digital banking services, Taishin Bank was first to launch a digital banking brand, Richart. This is a product that is 100% built to improve the user experience. It has inspired more new ideas in banking and won more than 60 domestic and international awards. As a leader in digital banking, Taishin Bank is constantly striving for innovation. It was first to enable customers to use facial recognition service and implement such technology on ATMs, payment, branches and apps. This creates an innovative technology experience for customers. The facial recognition technology also obtained utility model patents and was awarded the 2019 Gartner Eye on Innovation Award for financial services in Asia Pacific.

Mobile payment services: Taishin Bank is the first bank in Taiwan to support all four contactless mobile payments (Apple Pay, Samsung Pay, Google Pay, and Taiwan Pay). It is also the first to concurrently support Alipay, WeChat Pay from China and payment tools used by the KEB Hana Bank. The Bank has close to 30,000 points of service in duty-free stores, department stores, major shopping districts, and night markets. Furthermore, the bank continues to promote this service to other stores. This year, through our comprehensive and mature payment system, we build CARDaily with credit card as basis and a collection app for the convenience of the stores (Taishin payment), which allows intuitive payment and convenient collection and payment.

##### (4) Wholesale Banking Services

The Wholesale Banking Division provides a diverse range of banking products and professional services for institutional clients that include multinationals, corporations, small and medium sized enterprises, government agencies and financial institutions. The scope of business includes commercial banking and investment banking services such as deposit, short/long-term loan, guarantee, trade financing, syndicated lending, bond trading, bill financing, factoring, cash management, corporate Internet banking, foreign currency and interest rate derivative trading, underwriting, shareholder services, financial advisory services, merger and acquisition consultancy, asset securitization, and discretionary asset management.

#### (5) Financial Market Services

The integrated banking platform offers a diverse range of professionally delivered banking products that are tailored to suit the needs of individual customers and meet different onshore and offshore demands. Financial market services offer primarily exchange rate, interest rate, equity, commodity derivatives and structured products. For wholesale banking and retail banking customers looking for investment options, Taishin Bank offers a wide range of banking products, including exchange rate, interest rate, stock, bond, commodity, and gold account. The Bank also provides funding, underwriting, and bond management services for onshore/offshore bond issuers. Furthermore, market updates and advisory services are provided as needed to increase variety in the available banking products and help investors achieve optimal portfolio allocation. Regarding position management, Taishin Bank follows the risk management policy for financial markets. It aims for financial security, sound business practices, and steady profit growth that create a win-win situation for customers and the Bank.

#### (6) Trust Services

- A. Regarding fund services, Taishin Bank continues to build a comprehensive product line. In response to greater volatility and increasingly fast paced financial markets, the Bank has been first to introduce new and innovative funds with specific focuses for product diversification. Customers will have more options when markets are volatile. For high net worth customers, Taishin takes an active approach to making products more unique. It works with domestic and international securities investment trust enterprises and asset management firms to launch private equity funds available exclusively through Taishin Bank as a new investment vehicle for high net worth customers. Taishin Bank sets itself to utilize a line of funds with both depth and width and help customers construct core and opportunity assets in order to achieve optimal portfolios and create more flexibility and better protection in asset allocation.
- B. Regarding fixed income products, international premium bank debentures, corporate bonds, and government bonds in various currencies (including RMB) and various terms and credit ratings will be offered on an ongoing basis to provide more investment services and asset allocation choices for customers who prefer to hold fixed income in their portfolios. In addition, Taishin continues to provide offshore structured products available only to professional investors. Besides short-, medium-, and long-term principal protected products, Taishin is first among its peers to introduce products with innovative structures. Risk diversification is achieved through a wide range of underlying securities. Equity linked products without principal protection are offered alongside market opinions and underlying securities selected to track opportunities in market volatility. The real-time trading system for foreign ETFs, foreign stocks, and other foreign securities gives customers an easier-to-use trading platform that is more instant and responsive. The foreign securities investment advisory service also helps customers stay updated on their investments.
- C. Regarding collective investment accounts, the Taishin Global Premium Portfolio Collective Trust Account has shifted its portfolio from focusing on bonds to adopting a portfolio allocation approach so that it is better equipped to make sound investment decisions in an increasingly volatile and fast changing market. Meanwhile, Taishin Bank works hard to expand foreign currency denominated collective investment services in order to provide more channels through which customers are able to make foreign currency denominated investments. The Bank also works with international investment firms to try to achieve better returns. The effort not only brings quality services for customers, but also strengthens the investment teams.

D. With respect to structured trust services, Taishin Bank offers a complete line of trust planning services for personal banking customers. Meanwhile, money trusts remain the star product for high net worth customers, and securities trust will serve to satisfy clients in need of tax planning or income generated by lending shares. Taishin Bank also offers retirement trusts that can be used to accumulate or preserve assets or provide retirement care for seniors and the physically challenged. Moreover, to attract offshore funds, the government has implemented a law for inward remittances of overseas funds to provide a complete range of trust services for returning investors. To satisfy wholesale banking customers' diverse needs for trust services, Taishin Bank has also been active in promoting trust services as solutions to employee remuneration, such as trusts for shares, employee stocks, and restricted new shares, to help companies provide incentives and retain top talents.

E. Regarding custody services, the custody services for foreign investors enable foreign individuals and institutions to gain access to growth opportunities in Taiwan's stock market. In addition, the custody services for foreign/Chinese employee investment accounts for domestic TWSE/TPEX listed companies and primary listed companies in Taiwan provide corporate customers a complete range of employee reward planning services.

F. Insurance broker services

Taishin Bank is committed to operating its insurance brokerage business as an open platform dedicated to provide the best insurance brokerage services for its customers. As of the end of 2019, Taishin Bank has agreements with 27 insurance companies, including 17 life insurers and 10 property insurers, to provide service and satisfy different insurance needs of its customers.

Taishin Bank works with life insurance companies including Nan Shan Life Insurance, Shin Kong Life Insurance, Cathay Life Insurance, China Life Insurance, Cardif Assurance Vie (Taiwan Branch), Chubb Tempest Life Reinsurance, Taiwan Life Insurance, Fubon Life Insurance, Yuanta Life Insurance, AIA Taiwan Group Insurance, TransGlobe Life Insurance, Mercuries Life Insurance, Prudential Life Insurance, Farglory Life Insurance, Cigna Taiwan Life Insurance, Allianz Taiwan Life Insurance, and First Life Insurance.

Taishin Bank works with property insurance companies including Shinkong Insurance, Nan Shan General Insurance, Insurance Company of North America, Taiwan Branch, Union Insurance, Hotai Insurance, Taian Insurance, Tokio Marine Nawa Insurance, Fubon Insurance, Chung Kuo Insurance, and First Insurance.

Taishin Bank's insurance brokerage service is widely praised by the customers. The bank invests a lot of resources in training to help employees enhance their professional knowledge and skills. The mission is to give customers the most up-to-date and market leading insurance services. Taishin Bank won the Taiwan Insurance Institute Taiwan Insurance Excellent Performance Award - Talent Development Silver Award in August 2019.

**2. The net profit percentages for key activities of the Bank and the growths and changes are listed as follows:**

Net profit percentage	2019	2018
Retail Banking	68%	68%
Wealth Management	36%	36%
Consumer Finance	22%	24%
Credit Card	8%	8%
Wholesale Banking	34%	32%
Total	100%	100%

Note: The cash card business is merged into retail banking services.

## b. Business plan for the current year

### 1. Wealth Management

- (1) The Taishin Bank brand is built on “Expert-driven Decisions” and “Dedication”. The Bank offers a diverse range of localized and personalized customer services. Taishin Bank is constantly in pursuit of innovation and stronger customer relationships, aided by its outstanding digital services that establish the Bank as an Intelligent Partner of its customers.
- (2) As part of its commitment to sustainable development and customer-centric values, Taishin Bank offers appropriate asset allocation, regular investment checkups, and after-sales services in risk management and market analysis reports, all of which are designed to help customers achieve consistent returns and asset growth in the markets.
- (3) To meet the need for integrated services for personal accounts and household accounts, Taishin Bank has introduced the family-based wealth management service. The feature extends the scope of personal wealth management to include a family, and offers financial advice for members of the family at different stages and benefits for the entire family. It is an excellent choice for customers with inheritance concerns.

### 2. Retail Banking

- (1) Actively explore new retail banking customer bases to achieve steady loan balance growth, and combine sales teams to create collaborative synergy and increase the percentage of cross selling and penetration.
- (2) Continue to make more extensive use of fintech, and strengthen online features available for retail banking products. Online auto loan application was launched in 2019. It shortens the application process and acquires more customers over the internet.
- (3) Combine digital footprints and make the loan application process more efficient, improve digital processes, and optimize the user experience for greater customer satisfaction.
- (4) Secure existing cobranded cards, combine digital banking products, and continue to seek opportunities for new cobranded cards that would bring new customers for Taishin FHC.
- (5) Continue to expand the range of diverse, easy-to-use digital channels for credit card application for a better user experience.

### 3. Digital Banking

- (1) Richart digital banking
  - A. The first financial institution to adopt agile development, the first digital banking brand that is 100% customer experience oriented and mobile app oriented.
  - B. The only digital bank in the market to offer integrated products and services that combine “savings, payment, financial planning, foreign currency, insurance, loan, and time deposit” to deliver simple, convenient, transparent and intuitive service, to help younger generations easily access financial services.
  - C. Through interviews combined with big data analysis, Richart will continue to create better, smoother service and user experience.
  - D. In 2019, Richart received multiple prestigious international awards including “The Asian Banker International Excellence in Retail Financial Services Awards 2019” and “Global Finance 2019 World’s Best Digital Bank Awards”.

**(2) New payment tools**

- A. Supporting government policies to increase the percentage of electronic payment as a payment mode; and implementing a multi-payment service model to help traditional markets or merchants adopt digital services.
- B. Expanding acquiring services for affiliated merchants to create an all-in-one platform that supports various electronic wallets and makes it easier for merchants to handle different payment modes.
- C. Continuing to work with offshore third party payment service providers and seeking potential partnerships in Hong Kong, Japan, South Korea, and Southeast Asia.
- D. Provide the CARDaily app to credit card users, allowing them to enjoy the convenience of digital payment; Provide Taishin Payment App (for collection of payment by stores) to stores in collaboration with Taishin, allowing stores to more conveniently collect payments from barcode payments.

**(3) Electronic banking services**

- A. Making extensive use of biometrics, artificial intelligence and other innovative technologies to enable customers to access financial services such as logging into their accounts, making withdrawals, deposits and transfers at Face-ID ATMs, or making payments in convenient stores by face scans, with the greatest ease in the shortest time possible.
- B. In October 2019, Richart rose above 200 financial institutions from around the world with its unique face recognition technology and become the winner of the Gartner Eye on Innovation Award in Asia Pacific.
- C. Collaborate with other banks to launch short-term beta services for inter-bank transfers by mobile phone number free of handling fee to promote mobile phone number linkage with account function. To create a new ecosystem for the financial industry.
- D. For customers with Discover and Diners Club International (“Diners Club”), the a globally exclusive service is launched for ATMs, allowing customers to withdraw cash and make account balance inquiries at any time, thus providing a friendly and convenient environment for foreign tourists visiting Taiwan.
- E. Apart from continuing collaboration with three major chains of convenience stores to maintain ATM points of service, this bank is also expanding collaborations with different industries to develop new types of points of service (such as hospitals, traditional markets, pharmaceutical chains and pet store chains).
- F. In order to become part of the customers’ everyday lives and satisfy the cash requirements of different groups of customers.

**4. Wholesale Banking Services**

- (1) Building on strengths in product innovation and service development to provide one-stop financial services and increase customer loyalty.
- (2) Introducing integrated NTD and foreign currency cash management; promoting cash services (collection and payment) as means of soliciting current deposits; anchoring customer relationship and minimizing credit risks.
- (3) Taking advantage of local branches to develop close ties with local customers; trying to expand the customer based in small and medium-sized enterprises; and targeting high net worth customers in Asia Pacific.
- (4) Focusing more on niche export businesses and high net worth enterprises with an emphasis on asset products and financial planning services in order to build an image of a regional bank.
- (5) Expand actively in the Chinese and Asia Pacific markets. Taishin FHC has to date established branches in Hong Kong, Singapore, Japan (Tokyo), and Australia (Brisbane) as well as local offices in Vietnam (Ho Chi Minh City) and Myanmar (Yangon). Taishin FHC has started the application process to open the Labuan Branch and the Kuala Lumpur Marketing Office in Malaysia and one to open the Shanghai Office.

- (6) Improving the lending process and strengthening risk management in order to maintain sound asset quality.
- (7) Investing more in training and job rotation mechanisms in response to the growing momentum in overseas operations, and building an overseas talent database.

#### 5. Financial Market Services

- (1) The Bond Market Department was created in July 2018. It provides planning and management of underlying onshore and offshore bonds in underwriting cases. The department is an active participant in bond issuance and financing planning for onshore and offshore companies, and brings in diverse cases with overseas issuers and provide Taiwanese investors with diverse options.
- (2) Develop new products and platforms to increase product range, to provide customers with diverse financial products and increase adhesion of customers.

#### 6. Trust Services

- (1) Taishin continues to utilize a wide range of products to adapt quickly to changes in the market. The key strategies for individual products are as follows:
  - A. Extending the line of onshore/offshore funds to better reflect changes in market dynamics; and introducing new type products to meet customer needs for asset allocation.
  - B. Continuing to incorporate market and product information services into the online trading platform to create more friendly financial planning services.
  - C. Continuing to develop more fund functions in the digital banking app, which lowers the investment threshold for certain funds and attracts more customers with more user friendly functions.
  - D. Introducing multi-themed funds and building personalized services in response to market trends for different customer segments and characteristics.
  - E. Introducing by private placement funds not yet filed with the competent authority in the country or flagship products offered by foreign private banks in order to use products to develop stronger relationships with high net worth customers.
  - F. Offering special discounts for certain funds from time to time to attract more investors.
  - G. Attracting more customers of custody services and securing assets under management (AUM) for funds while generating more stable income from the AUM base.
  - H. Introducing multi-themed foreign ETFs, thereby offering customers suitable instruments to invest in under any market condition.
  - I. The real-time trading system for foreign ETFs, foreign stocks, and other foreign securities gives customers an easier-to-use trading platform that is more instant and responsive. The foreign securities investment advisory service also helps customers stay updated on their investments.
  - J. Offering various types of bonds, including premium overseas bank debentures, corporate bonds, and government bonds in different currencies and different maturities; and hosting a number of information sessions.
  - K. Continuing to accept trade orders from professional investors for offshore structured products available only to professional investors; offering short-, medium, and long-term principal protected products; achieving risk diversification through a wide range of underlying securities; and being first in the industry to launch products with innovative structures. Equity linked products without principal protection are offered alongside market opinions and underlying securities selected to track opportunities in market volatility.
  - L. Optimizing post-investment management mechanisms on an ongoing basis to support a complete range of financial planning services.

- M. Focusing on “securities trusts” and being an active participants in securities lending, while targeting potential customers among securities settlement account holders and creating income for customers from securities lending. Helping customers keep their assets in the family through succession planning and family trusts and satisfying the need for explicitly stated distribution of family assets.
  - N. Expanding the “money trust” services that offer trust agreements tailored to satisfy a broad variety of needs such as children’s education, business ventures, retirement planning, and care of family members with physical or mental disabilities. Working with the government’s policy for tax haven jurisdictions, and providing a complete range of trust services for returning investors.
  - O. Establishing Taishin Bank as a leading brand for employee welfare trust by developing the employee welfare trust for businesses looking to retain or reward their employees; developing stronger relationships with wholesale banking customers through a diverse range of trust products; and exploring employees’ needs for personal wealth management services.
  - P. Offering custody services for foreign/ Chinese employee investment accounts. Given the success of Taiwanese businesses and their extensive global networks and considering the trend of adopting international standards among local businesses, Taishin Bank supports the government’s policy to encourage overseas Taiwanese businesses to obtain primary listing in Taiwan, and works with the wholesale banking sales team to target these international companies and explore potential customers for the custody services for foreign/Chinese employee investment accounts.
- (2) Insurance broker services
- A. Support the competent authority’s policies, and continue to promote transformation of insurance products and advertise protection oriented products that meet the customers’ needs. Introduce new and suitable life insurance products into the market, and maintain a diversified product portfolio by including death, health, and accident benefits to cover medical, long term care, and disability needs. The bank builds on the channel strengths of the existing branches, and try to increase the percentage of customers holding insurance in their portfolios.
  - B. Meanwhile, to satisfy the demand for financial planning and protection focused products, investment-linked insurance policies that combine investment returns and protection are offered to provide protection with the life insurance element while allowing more flexible asset allocation with international standard compliant and innovative structures or guarantees introduced on an ongoing basis.
  - C. Develop digital channels for insurance distribution. To be closer to digital natives, the Taishin Bank online policy application service offers simple auto insurance and travel insurance, and has made plans to launch interest sensitive annuities this year. The bank will combine the resources of its own and those from partner insurers to explore new customer bases, develop new products with hooks, and create a sharper competitive edge by differentiation.

### c. Industry status

Same as described under “c. Industry status” of Taishin Financial Holding Co., Ltd.

## d. R&D and business development

### 1. Major financial products and scale of retail banking in recent two years

#### (1) Loan:

- A. Home purchase and renovation loans have an outstanding balance of NTD 518.9 billion, representing a 7% YoY growth.
- B. Car loans have an outstanding balance of NTD 47.9 billion, representing a 5.7% YoY growth, placing it again on top of the financial industry.
- C. Other consumer loans have an outstanding balance of NTD 65.7 billion and is growing at 11% per year.
- D. The outstanding balance of micro corporate loans reaches NT\$5.6 billion and is growing at 3.7% per year.

#### (2) Credit cards:

- A. 5.35 million credit cards outstanding, ranking fourth with a 11.3% market share.
- B. 3.79 million active credit cards, ranking fourth with a 11.9% market share.
- C. 354.7 billion in annual card purchases, ranking fourth with a 11% market share.
- D. 145,000 card accepting merchants in total, ranking first with a market share of 22.8%.

### 2. Major financial products and scale of digital finance in recent two years

#### (1) Richart digital banking

The main customer base is those aged 20 to 40. Products such as foreign exchange, AI investing, and NTD and foreign currency time deposits are also included in 2018. To encourage more students and those with limited assets to start using Richart for financial planning, the bank introduced the Richart debit card with auto top-up enabled EasyCard in May 2018.

Launched the “account analysis” function in May 2019, to help users understand and effectively manage their monthly accounts and provide wealth management suggestions to facilitate efficient use of funds.

#### (2) Electronic banking

In 2019, Taishin Bank was the first in the industry to introduce facial recognition payment that uses biometrics and artificial intelligence to create an innovative facial recognition payment technology experience for customers.

Updated and upgraded the official website, mobile banking services and Internet banking services in 2019. Adopting a “user-centric” approach in the design and explore in depth users’ experiences with digital banking services, in order to create a friendly interface design and service functions, and providing customers with a brand new user experience.

Date	R&D Project	R&D Project Results
2019.03	CARDaily App Updated and launched	2019.03 Added functions “LETSPAY”, “login preview” and “coupons on the front page” under the existing credit card inquiry functions.
2019.08	Pay+ payment module optimized and upgraded	2019.01–2019.11 Continued to develop new markets, collaborate with wholesale outlets, department stores, transport and medical industries to expand the scenarios for the use of payment tools.
2019.10	Launch of Taishin’s electronic gift voucher platform	2019.10 Collaborated with FamilyMart on digitalization. Created gift voucher accounts for FamilyMart members through Taishin services.
2019.11	Innovative experiments on transfers via AMIS and the application of payment tools	2019.11 Collaborate with Taipei Fubon Bank on projects of “inter-bank transfers via AMIS and financial innovative technology experiments of the application of payment tools” and launched the experiment online.

### 3. Major financial products and scale of wholesale banking in recent two years

- (1) Outstanding balance of loans extended by domestic branches to state and private enterprises.

With equal emphasis on risk management and business development, the bank's outstanding of loans for state and private enterprises reached NT\$305.6 billion at the end of 2019, ranking 12th place among 36 domestic financial institutions. This represented an increase of 26.8% over the previous year, compared to an average growth of 2.8% among peers.

- (2) Outstanding balance of loans for small and medium enterprises

In line with the government's policy of providing the assistance of loaning to small and medium businesses and the purpose of expanding the bank's customer group, the bank extended NT\$161.9 billion of outstanding loans to small and medium businesses as of the end of 2019, up 17% over a year earlier.

- (3) L/C and export negotiation

Faced with the US-China trade dispute and export decline, the company handled a total of US\$958 million in export bill negotiation in 2019, which was a 14% YOY decrease compared to 2018 but still outperformed domestic competitors (market decline at 16%).

- (4) Factoring business

For factoring, Taishin Bank maintains a balance between credit risk and customer relationship management while considering credit risk concentration and geographical diversification. In 2019, the bank undertook NT\$231.3 billion in new business, which was a 0.9% YOY decrease.

### 4. Major financial products and scale of financial market services in recent two years

- (1) January 2018 - Taipei Exchange NTD-denominated IRS Competition, 2017 H2 group champion.
- (2) June 2018 - 2017 CBC Government Bond Dealer Evaluation, 2nd place.
- (3) September 2018 - 4th TAIEX Futures Diamond Awards - Trading Volume Diamond Award for Banks, 1st place.
- (4) September 2018 - 4th TAIEX Futures Diamond Awards - Trading Volume Diamond Award for Banks, 1st place.
- (5) January 2019 - Taipei Exchange NTD-denominated IRS Competition, 2019 H2 group champion.

### 5. Major financial products and scale of trust financial business in recent two years

Unit:NT\$million

Year	2018	2019
Special-purpose money trusts investing in domestic/foreign securities	167,309	170,679
Custody services of Securities investment trust funds	84,334	104,894
Other money trusts	26,410	41,967
Employee welfare trust	751	1,098
Securities trust	19,750	31,202
Collective investment trust account	367	631
Discretionary investment services - specify separate accounts	11	0
Real estate trust	32,349	36,235
money and securities trusts	-	774

### 6. Future R&D plan

- (1) Wealth Management

A. The Bank combines resources under Taishin Holdings and focuses on serving individuals, households, and business owners by providing a complete line of financial planning services and increasing customer satisfaction toward wealth management services.

B. The bank invests in FinTech and applies big data analytics and CRM techniques to provide customised services in order to manage customer relationships more effectively.

(2) Retail Banking business

- A. Collaboration between financial and non-financial service providers, sharing data, partnering with different industries to develop APIs and new customers, integrate the resources of Taishin FHC and inter-department collaboration for developing new projects to provide customers with diverse services.
- B. Continue to optimize the lending process, enhance the functionality of online application for loan products, make the entire lending process less time consuming, reduce costs, and improve customer satisfaction. For younger audiences, design small loans to expand the line of loan products and meet the demand for funding.
- C. Continue to launch new loan products, such as beneficiary right of money trust, as the competent authority moves toward deregulation.
- D. Combine traditional payment services and digital banking resources to better reflect developments in the industry and trends in technological advancements; and continue to develop new payment tools that achieve both speed and security in order to provide more friendly services for merchants and cardholders that push for a cashless society.

(3) Digital Finance business

- A. Invest in expanding the line of digital banking services and continue to optimize platforms and implement innovations to facilitate more effective O2O integration.
- B. Work with various industry/government/academia partners and apply AI technologies, new payment tools, and big data to revolutionize banking and payment services and start a brand new digital age.

(4) Wholesale Banking

- A. Assemble interest rate, exchange rate, bond, commodity, and equity products to increase product variety.
- B. Implement well-organized or electronic trading systems that respond to market trends and improve trading processes and capabilities.
- C. Expand offshore financing and the number of overseas branches, strengthen the function of e-network trading platform, so as to satisfy customers' need for cross-border fund maneuvering.

(5) Financial Market

- A. Assemble interest rate, exchange rate, bond, commodity, and equity products to increase product variety.
- B. Implement well-organized or electronic trading systems that respond to market trends and improve trading processes and capabilities.

(6) Trust Services

- A. Continue to introduce or develop new types of products to expand the product lines.
- B. Engage business partners and counterparties on a deeper level to develop stronger business relationships.
- C. Follow the trends in digital and smart technologies and enhance trading platforms and processes to create a better user experience.

(7) Insurance broker services

- A. Continue to introduce first-of-its-kind or exclusive new-type products and expand product lines to satisfy different needs of customers in different life stages.
- B. Strengthen relationships with existing wealth management customers, identify and provide insurance products that meet customer needs, and increase the percentage of customers holding insurance products and raise awareness of sufficient coverage among customers.
- C. Following the rise of fintech, Taishin invests in development and management of digital channels, and provides a wide range of insurance products and enrollment channels for customers.

## e. Short-and long-term business development plans

### 1. Wealth Management

#### (1) Short-term business development plan

- A. Apply precise data analysis and integrate resources throughout Taishin Holdings to enable customized marketing and maximize cost effectiveness. Provide customers with tailor-made finance and debt solutions which in turn result in greater satisfaction and higher AUM.
- B. Serve the needs of individuals, households, and business owners with consistent financial planning across physical and digital channels; and provide a complete line of wealth management services.
- C. Build customer relationships as a local business and assign customers to nearby branches by work address. Observe customers' transactions on a regular basis and change the corresponding branches accordingly.
- D. The rise of a new generation makes it necessary to follow changes in younger customers' behaviors, revamp financial services and create a new customer service experience in order to effectively attract younger generations.
- E. Combine big data analytics and digital footprint to track the needs of wealth management clients and provide integrated financial planning services.

#### (2) Long-term business development plan

- A. A well established digital banking system is constructed by collecting external data from various sources, improving CRM modeling techniques, and achieving more precise segmentation with an integrated real and virtual platform.
- B. Integrate real and virtual channels, including internet banking services, mobile banking services, official websites, customer service centers, ATMs, and branches, to provide a premium financial service experience.
- C. Continue to build a stronger team and a wider range of products and instant services; and incorporate premium wealth management membership benefits to create one-stop wealth management services for customers.

### 2. Retail Banking

#### (1) Short-term business development plan

- A. Design a one-stop online pre-approval process for personal loans, and implement segmentation and process optimization to improve the borrower experience and success rate.
- B. Secure existing co-branded cards while actively seeking potential partners in new co-branded cards, and provide the latest digital banking services to meet the partners' demand for payment processing.
- C. Differentiate benefits and offer premium services to expand the customer base for premium cards with annual fees.
- D. Work with electronic payment service providers, third-party payment operators, and acquiring service providers to increase market share in acquiring services, gain access to merchant lists, and maintain cash flow.

#### (2) Long-term business development plan

- A. Follow Taishin FHC's plans for overseas markets and actively explore consumer banking markets and new opportunities.

- B. Use electronic systems for ongoing process redesign; build a complete case submission/review system; and improve data storage, analysis and application to achieve the two-way benchmark for sales growth and risk management.
- C. The Bank is a leader of micro corporate loans by keeping investing in product development, customer analysis, and distributor relationship management.
- D. Monitor closely trends in traditional and electronic payment services as well as technology development; and offer safer and more friendly solutions for merchants and cardholders on an ongoing basis to increase the percentage of electronic payments.

### 3. Digital Banking

#### (1) Short-term business development plan

- A. Introduce new payment modules as ease, fast, and integrated payment solutions for the retail market.
- B. Pay+ payment module: provide apps/web pages to perform encryption for linking payment information and tokenization so to enable merchants to turn their own apps into electronic wallets for their members and consumers to make payments by having barcodes on their mobile phones scanned.
- C. ONE Code Platform and payment app: help merchants receive and complete payments regardless of the size of business and needs. The technology behind the ONE Code platform offers flexibility and supports merchants' payment apps. The platform is a welcome addition to Taishin's barcode payment services. It is able to optimize the quality of payment systems for large merchants on an ongoing basis while remaining accessible to more small and medium merchants.
- D. Conceive, design and collaborate with channels and merchants to develop various digital payment tools - electronic gift voucher platform, digitalize the bank's existing services and proceed to develop brand new payment solutions.

#### (2) Long-term business development plan

The bank works with startups to branch out into different industries.

### 4. Wholesale Banking

#### (1) Short-term business development plan

- A. Implement customer relationship management by segmentation, improve product dimensions, and strengthen relationships with customers.
- B. Enforce group-wide exposure limit control to ensure optimal allocation of credit risk among subsidiaries.
- C. Expand relationships with securities customers through cash flow services and demand deposit privileges; increase the percentage of customers' demand deposits for lower funding costs.
- D. Combine channel resources within the bank; cater to local customers and expand the SME customer base; and focus equally on profitability and quality.
- E. Increase the number of branches in China and Asia and build an integrated cross border platform that embodies the policy to serve Taiwanese businesses worldwide and position the bank as a global business.
- F. Build the bank's overseas talent pool through regular job rotation, in order to accommodate growing businesses.

- G. Support the government's lending policy for SMEs and startups which includes the Asian Silicon Valley project, intelligent machinery, biomedicine, green energy technology, national defense and aerospace, a circular economy, and a new agricultural paradigm, and provide financing for potential businesses, while in the meantime paying close attention to risk control.
  - H. While the Southeast Asian economies continue to grow, the need for financing infrastructure in the region grows. The government's New Southbound Policy offers benefits for investment and therefore benefits for the bank's operations in Southeast Asia.
  - I. Offer "Loan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" in line with the government's policy to assist returning businesses to obtain funds for construction of plants and relevant facilities, purchase of equipment and provide working capital via loans.
  - J. In support of the government's policy to encourage the return of overseas Taiwanese businesses and stimulate economic growth in Taiwan, Taishin Bank offers "Loan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan".
- (2) Long-term business development plan
- A. Enhance service capabilities and product innovation; anchor customer relationship and aim to raise customers' satisfaction and contribution.
  - B. Allocate group resources with greater efficiency; deliver all-round financial services through synergistic use of existing product lines.
  - C. Actively explore overseas markets; increase profit contributions from overseas and broaden the bank's presence in China and the Asia Pacific region.
  - D. Continue recruitment and cultivation of overseas talents to support the medium and long-term development of overseas business.

## 5. Financial Market

- (1) Short-term business development plan
- A. Continue to improve the financial structure, reduce the cost of funds, increase investment returns and transaction margin, and create more sources of regular income.
  - B. Continue to explore new customer bases while strengthening existing customer relationships; and seek opportunities for wholesale banking, institutional investment, wealth management, and private banking services in domestic and international markets in order to generate more domestic and foreign income.
  - C. Enforce self audit, develop better internal control systems, and adhere strictly to the high standards and code of conduct in the financial markets.
  - D. Recruit and retain talent, build up human capital, provide training, choose suitable positions and create a stronger talent pool.
- (2) Long-term business development plan
- A. Continue to develop innovative financial products and services in order to optimize sale process and platforms and satisfy customers' needs for investment and wealth management to create mutual benefit for the bank and the customer.
  - B. Implement and promote the use of electronic platforms, and improve the quality and efficiency of products and services.
  - C. Strengthen market and operational risk management to monitor risks with more precision.

## 6. Trust Services

### (1) Short-term business development plan

- A. Retirement trusts designed to help seniors and persons with physical or mental disabilities make plans and achieve wealth accumulation, asset preservation, and retirement security.
- B. Continue to find new corporate customers, and seek out customers looking for wholesale money services and employee stock ownership trusts. As the laws are changed and restrictions lifted, eligibility for employee stocks and restricted new shares has been extended. In addition, foreign/Chinese employee investment accounts for domestic TWSE/TPEX listed companies and primary listed companies in Taiwan provide corporate customers a complete range of employee reward planning services.
- C. Easy-to-use transactions and electronic services are provided for customers of structured trust services for better customer service.
- D. The employee welfare trust is developed as another trust option for wholesale banking customers and to explore employees' needs for wealth management services.
- E. A digital and smart banking environment with more convenient services such as electronic account opening and smart transactions has been developed.
- F. The Bank advertises heavily the idea of asset allocation to increase product sales and total AUM.
- G. Limited order platforms for foreign ETF, foreign stock, and other foreign securities are optimized on an ongoing basis. A foreign securities investment advisory service is available, and ETFs following specific sectors are introduced regularly to help customers respond more quickly to market development.
- H. International premium bank debentures, corporate bonds, and government bonds in various currencies will be offered with information sessions on an ongoing basis to provide more investment services and asset allocation choices for customers who prefer to hold fixed income in their portfolios.
- I. Short, medium, and long-term offshore structured products suited for professional investors are launched and customer service is improved on an ongoing basis. Underlying investments are examined and innovative structures are studied as part of the effort to provide investments more responsive to the market.
- J. Potential customer bases are explored and offered financial publication and information. Investment seminars and promotional events are organized to increase AUM.
- K. The Bank, by careful screening, is the first to introduce new funds with specific focuses, and expands the range of private equity funds to suit different financial planning and asset allocation needs.
- L. A rich variety of online financial information is available for one-stop online financial planning services.
- M. The idea of regular fixed-amount fund investment is matched to investment objectives of customers at various stages of their lives to encourage customers to accumulate wealth, thereby increasing AUM for Taishin Bank.

## (2) Long-term business development plan:

- A. Taishin Bank develops various types of trust services, such as trust planning for retirement care, succession and other specific purposes, in order to increase Taishin Bank's market share and secure a leading position.
- B. Taishin Bank continues to work with the wholesale banking division, the payroll division, and Taishin Securities to design employee welfare trusts and construct a comprehensive planning platform.
- C. Monitor developments in the laws and regulations on an ongoing basis, and develop new trust services.
- D. Check regularly regulatory amendments made by the competent authority, and respond promptly to the latest guidelines while promoting financial products and services.
- E. Continue introducing a diverse range of new products and services intended to deliver consistent returns for investors in bearish markets.
- F. Promote asset allocation and regular fixed investment, and aim to increase product sales and total AUM.
- G. Track product performance regularly and continue to improve risk indicators to monitor product performance and risks for customers.
- H. Continue introducing a variety of new funds or flagship products offered in other countries for high net worth customers; and innovative means of investment to meet the demand for financial planning and investment efficiency.

**7. Insurance broker services**

## (1) Short-term business development plan

- A. Provide suitable protection oriented products for customers on an ongoing basis, and introduce a wide range of life insurance products to increase the percentage of customers holding insurance policies in their portfolios.
- B. Introduce investment-linked insurance products with innovative structures or guarantees on an ongoing basis to meet different needs for financial planning and protection.
- C. Expand the range of insurance products available over the internet, and introduce products with hooks for more effective differentiation marketing.
- D. Continue to work with partner insurers in developing a mobile enrollment service that will give customers a digital experience and create a paperless process.

## (2) Long-term business development plan

- A. Check regularly changes in the competent authority's policies and regulations, and respond promptly to the latest guidelines while promoting new type insurance products and services.
- B. Introduce different insurance products and services on an ongoing basis to enable one-stop insurance shopping.

## Taishin Securities Co., Ltd.

### a. Business scope and business mix

#### 1. Business scope

- (1) Securities Brokers
- (2) Securities Dealer
- (3) Securities Underwriter
- (4) Futures Commission Merchant
- (5) Other financial businesses acknowledged by the competent authority

#### 2. Business mix in terms of revenues

Unit: NT\$1,000

Item	Year	2018		2019	
		Amount	%	Amount	%
Brokerage		1,021,041	61	1,079,360	44
Dealing		430,042	26	863,230	36
Underwriting		223,870	13	475,860	20
Total		1,674,953	100	2,418,450	100

#### 3. Various existing products and services

Items	Major contents
Brokerage	<ol style="list-style-type: none"> <li>1. Provide entrusted transaction service for shares listed on the centralized market, over-the-counter market, and emerging market, including e-trading, and undertake securities delivery for investors.</li> <li>2. Provide investors the service of margin trading and short sales for securities transaction.</li> <li>3. Operate concurrently futures brokerage and sub-brokerage services.</li> <li>4. Non-restricted purpose loans will be made available.</li> </ol>
Dealing	<ol style="list-style-type: none"> <li>1. Buy/Sell stocks, bonds and other securities and perform hedging in the secondary and OTC markets in Taiwan.</li> <li>2. Subscribe to onshore and offshore call (put) options.</li> <li>3. Make outright purchases/sales and those with repurchase/resale agreements of domestic and foreign bonds, bills, beneficiary securities and other fixed income products; and perform trading and hedging of interest rate derivative products.</li> <li>4. Conduct trading of domestic and foreign futures and options approved by the competent authority.</li> <li>5. Design, issue, trade, and perform hedging of structured products, equity derivatives and other derivatives approved by the competent authority.</li> </ol>
Underwriting	<ol style="list-style-type: none"> <li>1. Assist companies in applying for TWSE/TPEX listing, and help customers complete business diagnosis and improve management processes.</li> <li>2. Help companies raise funds in capital markets around the world.</li> <li>3. Provide financial consulting services for companies making private placements, international investments, or strategic equity trading and other consulting services in merger or restructuring projects.</li> </ol>
Merchant services	Provide corporate and asset restructuring and reorganization, mergers, financial planning, private placement investment and other consulting services for individuals, corporate entities, government agencies and financial institutions in and outside the Republic of China.

#### 4. New products and services under plan

- (1) Continue to optimize functions of existing e-platforms, and work with Taishin Holdings in developing FinTech enabled services to provide easy access for customers.
- (2) Provide foreign securities brokerage services via OSU.
- (3) Provide securities lending services.
- (4) Create OSU to provide underwriting of foreign securities. In addition, the company will closely track liberalization of new products or related laws/regulations, in the hope of maintaining high vigilance along with the rollout of new products and provide investing public the fastest and convenience service.
- (5) Arbitrage and trading of foreign futures and securities, international preferred shares, trading of foreign bonds and interest rate products, and conversion to electronic trading for derivatives on TAIFEX.

- (6) Arbitrage and trading of foreign futures and securities, international preferred shares, trading of foreign bonds and interest rate products, and conversion to electronic trading for derivatives on TAIFEX.
- (7) Launch new services as the competent authority removes restrictions, and continue to develop new types of financial planning products.

## b. Business plan of the current year

### 1. Brokerage

Work closely with banking distribution channels and raise employees' service standards. Enhance customer loyalty and adhesiveness via the upgrading of e-platform.

In addition, invest in expanding sub-brokerage services while providing futures services concurrently.

### 2. Dealing

Help new investors grow their portfolios; strengthen existing relationships; and provide suitable products that cater to customers' investment needs and risk tolerance. Extend the existing line of government and corporate bonds and other stable income in the form of bonds to overseas markets in order to increase overseas income and diversify sources of income. Manage derivatives, structured products, and domestic and foreign secondary market index arbitrage products to create a more diverse line of investment products and build on trade products.

### 3. Underwriting

Continue to focus on offering underwriting services to well managed companies, and seek opportunities and increase market share in funding projects applying for first time TWSE/TPEX listing in Taiwan. Offer customers personalized financial planning services and equity trading strategies, and explore opportunities in inviting foreign companies to apply for TWSE/TPEX listing in order to increase fee income.

### 4. Merchant banking

Provide corporate restructuring and reorganization, mergers, financial planning and other consulting services for individuals, corporate entities, government institutions and financial institutions in and outside the Republic of China.

## c. Industrial status

### 1. Market status

Unit: NT\$ billion

Total transactions of the securities market in the recent three years			
	2017	2018	2019
TSE Market	25,799	32,162	29,056
OTC Market	53,725	56,891	53,284
Total	79,524	89,053	82,340
Weighted stock price index (year end)	10,643	9,727	11,997

Source: Website of Securities and Futures Bureau.

Operating Status of Domestic securities			
Year	2017	2018	2019
EPS (NT\$)	1.32	0.93	1.22
ROA	2.31%	1.70%	2.20%
ROE	7.56%	5.66%	7.84%

Source: Key indicators of securities and futures markets for January 2020, 2020 Q1 issue of Taiwan Securities Association Quarterly Journal, and Securities Firms Monthly Statistics by TWSE; and domestic securities dealers, including general and specialized securities dealers.

## 2. Taiwan's stock market

Stagnation in the global economy and uncertainties created by the US-China trade dispute drove the Taiwanese stock market down twice in 2019. However, with the U.S. and China resuming negotiations, central banks taking turns to loosen their monetary policies, and economic factors remaining strong, the Taiwanese stock market rebounds along with major stock exchanges, and has reached a 29-year high at 12,125 points.

On the whole, TWSE, responding to trends in major stock exchanges, delivers a satisfactory performance in both index and volume. The daily average volume for domestic stocks was NT\$151.7 billion, and the average margin trading was NT\$179 million. TWSE rose by 2,270 points, or 23.33%, compared to the end of 2018. The TPEX rose by 25.82 points, or 20.90% from the end of 2018.

### d. Research and development

Securities is a licensed business. All securities firms require the approval of the competent authority for services and products offered before commencing business. As a result, the company will follow the direction of future deregulation to design products and services that best accommodate customers' needs.

### e. Short- and long-term business development plan

#### 1. Short-term business development plan

- (1) Actively capitalize on the financial holding's resources via cooperation with other units (such as wholesale banking unit or branches.)
- (2) Continue to strengthen electronic trading platforms and online services, make online interface more friendly and function more effectively, and set a target to achieve consistent growth in the percentage of electronic transactions.
- (3) Invest in expanding sub-brokerage services while providing futures services and non-restricted purpose loans.
- (4) Investment risks were placed under strict control to avoid losses.
- (5) Take an active approach toward playing a lead role in SPO projects, including customer relationship management plans for sales departments. Take the initiative to analyze customer reports and provide preliminary plans to create more business opportunities.
- (6) Work closely with the wholesale banking team to discuss potential partners; and hold monthly meetings on a regular basis and management meetings as needed to follow up on the progress.
- (7) Implement more risk management mechanisms and enhance case quality control to reduce application risk.
- (8) Improve accessibility to quantitative services and develop trading strategies based on easier, faster access to data.
- (9) Optimize quantification capability and trading and operating systems; and continue to improve overall performance and quality.
- (10) Select promising long term investments out of a constant stream of new and innovative warrant products and make them available to investors in order to stimulate growth in the warrant market.
- (11) Continue to develop and establish quantitative trading strategies to yield consistent profits.
- (12) Respond to drastic changes in the market by reinforcing the risk management policy and by developing an early warning system to optimize asset allocation.
- (13) Seek opportunities in ETFs in order to stay a leading market maker.
- (14) Implement AML/CFT policies, regulations, and guidelines in the company, and oversee and assist all units in following the AML/CFT practices.

## 2. Long-term investment plan

- (1) In view of the growing important of institutional investors in the market, especially qualified domestic institutional investors, the company will combine the R&D resources and e-trading system of investment consulting, to develop institutional client business with integrated services.
- (2) Arrange various training courses for employees according to their nature and types, to enhance their capability and upgrade the company's overall competitiveness.
- (3) Continue cultivating enterprises with growth potential and execute customer deep-cultivation plan, to facilitate long-term development of underwriting business.
- (4) Create more sales channels and improve caseload capacity.
- (5) Continue to expand the team of statistics and data analysis professionals, and try to achieve more consistent profits from a wider range of sources.
- (6) Expand the lines of financial products and develop a full range of securities trading services.
- (7) Continue to expand and optimize channel services, and build stronger customer relationships in order to maintain growth momentum in the business.
- (8) Have the units streamline more activities and install more electronic systems to improve efficiency and be more competitive in the market.
- (9) Improve the company's AML/CFT performance, and ensure the company keeps the residual money laundering risk after taking environmental control and risk mitigation measures under the board approved risk appetite.

## Taishin Securities Investment Trust Co., Ltd.

### a. Business scope

#### 1. Major business contents

The company's client base consists mainly of domestic and foreign institutions and retail investors. The Company has three offices in Taiwan, and has specified money trust and sales agreements in place with banks, including Taishin Bank, Hua Nan Bank, Taiwan Cooperative Bank, Bank of Taiwan, Mega International Commercial Bank, E.SUN Bank, Taiwan Business Bank, Shanghai Commercial & Savings Bank, and Taichung Commercial Bank, and securities dealers, including KGI Securities, Yuanta Securities, and Mega Securities. Combined with agreements to be entered into with many more strong fund distributors in the future, the Company's network will have more than a thousand points of sale across the island.

#### 2. Business shares

At the end of December 2019, Taishin Securities Investment Trust managed NT\$93.736 billion of public funds; 20.6% of which were non-money market funds while money market funds accounted for approximately 79.4%. Recently operating income for three years listed as shown in the table below.

Unit:NT\$ thousand

Items \ Year	2017		2018		2019	
	Amount	%	Amount	%	Amount	%
Management fee income	305,975	96.66%	380,702	97.39%	385,360	96.53%
Sales fee income	4,741	1.50%	3,694	0.95%	3,815	0.96%
Service fee income	5,826	1.84%	6,496	1.66%	10,030	2.51%
Total	316,542	100%	390,892	100%	399,205	100.00%

### 3. Various existing products (services)

Service items	Major contents
Public-placement funds	Offering and issuance of mutual funds and ETF beneficiary certificates collect pools of money through investor subscriptions. Such funds are managed by the professional investment research and management team of Taishin Securities Investment Trust. Investors share the returns on investment as well as the risks. All gains and losses are borne by investors. Provide the investment method of Regular Saving Plan, allowing automated deduction of specific amount of deposits from investors' accounts at specific time every month for regularly subscribe to the mutual funds.
Discretionary account investment	For investment assets entrusted by customers or transferred from trust accounts, invest or transact on behalf of customers in securities, related products or other regulator-approved items according to the analysis and judgment by the company.
Private-equity fund	Raise mutual funds from specific parties in private, which are then utilized Taishin Investment Trust's professional team for investment in securities and related products.
Offshore fund sales	Distributing offshore funds that have been approved by the authority to offer in Taiwan.

### 4. New products (service) under plan

Taishin SITC will continue to broaden its overseas product line, introduce quality offshore funds, and enhance electronic trading services particularly with regards to efficiency and security. Based on the blueprint of "take root on new China and deep-cultivate new economy," the company will dedicate to "the discovery of new value and creation of new fortune" for clients, with the goal of tapping the markets of greater China, asset allocation, and pension funds, so as to create a quality brand, worthy of the trust of investors and the support of business partners.

#### b. Business plan of the current year

##### 1. Offer premium fund selections and increase AUM

Enrich the existing portfolio of Taiwan equity funds and Greater China series, while in the meantime develop product lines in other overseas markets. Combine research resources to deliver consistent long-term returns. Focus on increasing the AUM of non-monetary funds and improving the company's business performance.

##### 2. Enhance customer management and reinforce business partnerships

Promote product awareness through the use of marketing and advertising campaigns. Apply effective relationship management and provide customers with better financial services, and in the meantime strengthen collaborative relationships with banks, securities firms and other business partners.

#### c. Industrial status

There are 39 securities investment trust firms in Taiwan. As of the end of December 2019, there were 978 mutual funds, and the total investment was NT\$ 4,004.5 billion. There were 518 discretionary investment services contracts investing a total of NT\$1,609.3 billion. There were 65 private equity funds investing a total of NT\$39.5 billion.

#### d. Research and development

Taishin Securities Investment Trust launched the Taishin MSCI China 2X ETF in January 2019, the Taishin Senior Secured High Yield Bond Investment Trust Fund in April, the Taishin Bloomberg US Banking Index 15+ Year Exchange Traded Fund and the Taishin Bloomberg China Policy Bank 5+ Year Exchange Traded Fund in June, and the Taishin SG Global AI and Robotics Select ETF in July.

The existing research management team oversees the domestic equity division, the Asia Pacific equity investment division, the financial product division, the fixed income division, and the discretionary management division. The research management team and the fund managers have extensive experience in research, including global economic conditions, investment strategies, and domestic/foreign equity and bond markets.

#### **e. Short and long-term development plan**

Taishin SITC focuses on customers, talents, products, performance, and brand in its management, with the goal of becoming a quality brand with the trust of investors, the support of business partners, loyalty of employees and shareholders, and the compliment of social public.

##### **1. Short-term development plan**

Maintain the stable performance of mutual funds, continue to expand the scale of mutual funds, so as to obtain the qualification for undertaking the outsourced operation for government funds and increase the number of customers.

##### **2. Long-term development plan**

Work actively to increase market share and assets under management; issue new funds with growth potential to strengthen asset allocation capability and continue to extend brand reach and increase recognition.

## **Taishin Securities Investment Advisory Co., Ltd.**

### **a. Business Scope**

Taishin Securities Investment Advisory Co., Ltd. undertakes two major businesses, research and analysis and master agency for Jupiter Fund.

#### **1. Research and Analysis Division**

##### **(1) Business contents**

Provide R&D resources to the financial holding company and subsidiaries.

##### **(2) Business shares**

In 2019, consulting fee of the Research and Analysis Division accounts for 92.5% of the company's total revenue, while master agency of the Jupiter Fund generates the remaining 7.5%.

#### **2. Master agency of the Jupiter Fund**

##### **(1) Business contents**

Introduce offshore funds and serve as its master agency in Taiwan.

##### **(2) Sales channel shares**

Various sales channels of Taishin group account for 35% of the total sales of the fund, while other channels account for 65%.

### **b. Business plan of the current year**

1. Given Taishin Holdings and its subsidiaries have come to depend more and more on research information when formulating sales and strategy related policies, the research department will follow the long term objectives of Taishin Holdings as a whole and start expanding its organization as well as its scope of business.
2. Jupiter Group (U.K.) exited the Taiwan market as part of its Asian market restructuring. The master agent business was terminated at the end of 2019.

### c. Industrial status

1. Securities investment consulting companies are usually subsidiaries of securities dealers and offer a line of services limited to securities research. These companies are starting to see falling sales. Taishin Securities Investment Advisory has transformed itself into a think tank for Taishin Holdings. Its clients now include the entire financial holding company and its subsidiaries. It provides a wider range of services and has a greater potential for business growth.
2. Taiwan “offshore-fund master agency system” system hit the road in August 2006, the largest systematic change since the introduction of offshore mutual funds to Taiwan, which produces major impact on investors, agents, and domestic managers of offshore funds. The implementation of the master agency system makes the information on offshore funds more transparent and gives investors more protection. The master agent must disclose related fund information, such as the daily book value of funds, net value of subscription and redemption, and investment portfolio and scale. The master agent can also promote offshore fund via advertisement and must solve any problem related to the fund wherever the place for subscription. In other words, after the implementation of the master agency system, investors have more channels to buy offshore funds and are entitled to more protection, due to the existence of transparent information.

### d. Research and development

In accordance with the overall business expansion of Taishin Financial. Holdings and its subsidiaries, the company actively research and develop related services to fulfill the various business solutions and requirements.

### e. Short- and long-term business development plans

#### 1. Short-term development plan

- (1) Support short term business needs of Taishin Holdings and its subsidiaries, supply relevant research reports and information in a timely manner, and increase or adjust the size of research teams as needed.
- (2) Develop and strengthen relationships with sales channels on an ongoing basis in order to increase total assets; and introduce new funds suitable in current market conditions as they develop.

#### 2. Long-term development plan

- (1) Given Taishin Holdings and its subsidiaries have come to depend more and more on research information when formulating sales and strategy related policies, the research department will follow the long term objectives of Taishin Holdings as a whole and start expanding its organization as well as its scope of business.
- (2) Jupiter Group (U.K.) exited the Taiwan market as part of its Asian market restructuring. The master agent business was terminated at the end of 2019.

## Taishin Asset Management Co., Ltd.

### a. Business scope

#### 1. Business contents

The company’s major business items include the purchase of money-debt claims from financial institutions, the appraisal and auctioning of money-debt claims of financial institutions, and the management of money-debt claims and overdue accounts receivables for financial institutions.

#### 2. Business mix

The company focuses on the purchase and disposal of money-debt claims from financial institutions.

## b. Business plan of the current year

1. Bid for whole-package bad-debt claims of financial institutions.
2. Negotiate with peers on a case-by-case basis for the purchase of bad-debt claims.
3. The company will be eyeing to buy foreclosed properties in Taipei City and New Taipei City at discounted prices, and invest small sums to improve property conditions before selling at a profit.
4. Following the amendment of the Regulations Governing Sales of Non-performing Loans by Financial Institutions by the FSC in August 2015, the Company lifted the 3% limit on the average nonperforming loan ratio for sales of debts from default of construction work-in-process, and started assessing appropriate investment options.
5. Following the correction of business principles under the FSC letter issued in December 2017, the Company made better use of existing real estate and sold a portion of the holding to realize profits.
6. Following the correction of business principles under the FSC letter issued in December 2017, the Company complied with the government's urban renewal policy, and injected cash into entities carrying out urban renewal projects and handled debt consolidation and advances in urban renewal projects or rebuilding of dangerous old buildings or so-called sea sand buildings.
7. Following the second amendment of the Operations Principles dated May 24, 2019 by the FSC, the interpretation of "government agencies" is loosened to include all government agencies, state owned enterprises, public enterprises, and state funded foundations. For AMC, besides the Urban Renewal Act, it is added that acceptable implementers or builders under the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings would be permitted to make capital injections and real estate purchases. Rules are loosened to allow purchases of land involving the need for property right consolidation and buildings and other rights on land if there are clear difficulties to make value added use of real property held by AMC.

## c. Industry status

Asset quality improves in the domestic market for nonperforming loans as profits rise for banks. The NPL ratio remains low (at an average of 0.23% in November 2019) for domestic banks. Sales peaked at NT\$236.8 billion in the domestic market for nonperforming loans in 2007. Sales dropped further to NT\$9.3 billion in 2013. Market conditions became even more challenging when in May 2013, the Financial Supervisory Commission issued a restriction that only financial institutions with an over 3% NPL ratio would be allowed to sell nonperforming loans. In August 2013, the FSC made another announcement that corporate debt were to be treated in the same manner as non-corporate debt and would not be allowed to be sold to third parties. The FSC also required asset management companies to renegotiate borrowing terms with debtors according to the Statute for Consumer Debt Reform. As a result, sales dropped sharply from NT\$900 million to NT\$600 million between 2014 and 2017. It is clear the domestic market for nonperforming loans has shrunk. Limited access to viable investments and lower returns on investment threatened the survival of the asset management companies (AMCs).

With adverse conditions such as a sharp decrease in nonperforming loans released by financial institutions and regulatory restrictions in recent years, competition among AMCs will grow ever more fierce and the business will be more difficult to manage. Nevertheless, since it introduced the Luxury Tax in July 2011, the Central Bank's limit on construction loans and interest rates, the Mansion Tax, the House Tax and the consolidated housing and land tax in 2015, the government has been able to deter speculation in the real estate market. Trade volume reaches historic lows while it is apparent that the interval between new projects lengthens, sales of existing property remain stagnant, and construction companies start lowering profits. Property investors have left the real estate market, leaving more opportunities in court-auctioned properties. Meanwhile, anticipation

of effects of interest rate hikes in the United States and deteriorating cross-strait relations will start rippling through Taiwan's economy. Housing prices going gradually but steadily down in the housing market may result in projects of small developers becoming nonperforming debts. Taishin Asset Management will follow up closely on market changes.

Given the Operations Principles in August 2015 still imposed quite a number of restrictions, AMC's under financial holding companies kept lobbying the FSC, and the FSC, as a result, amended said Operations Principles again in December 2017. The new Operations Principles allow investment in government property for sale in addition to real estate made available through court auctions. In addition, to facilitate completion of urban renewal projects in Taiwan, the government now allows AMC's to inject cash into entities carrying out urban renewal projects involving general real estate, instead of only into those involving real estate owned by the same group. Furthermore, AMC's are allowed to handle debt consolidation and advances in urban renewal projects or rebuilding of dangerous old buildings or so-called sea sand buildings.

The FSC amended the Operations Principles above again on May 24, 2019. The interpretation of "government agencies" in the original rule, which allows AMC's to invest in assets sourced from court auctions and public offerings by government agencies, is loosened to include all government agencies, state owned enterprises, public enterprises, and state funded foundations. For AMC, besides the Urban Renewal Act, it is added that acceptable implementers or builders under the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings would be permitted to make capital injections and real estate purchases. Rules are loosened to allow purchases of land involving the need for property right consolidation and buildings and other rights on land if there are clear difficulties to make value added use of real property held by AMC.

Looking forward to 2020, the combination of the government's campaign to fully implement the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings, the prevailing presence of old apartments with no elevators, and a general desire for safe dwelling will fuel the reconstruction momentum. AMC's can expect profit growth in unsafe and old building reconstruction projects in the near future.

#### **d. Short- and long-term business development plans**

##### **1. Short-term development plan**

###### **(1) Bidding for bad-debt claims**

- A. Continue handling bad-debt claims purchased from Taishin Bank (for both wholesale banking and retail banking bad-debt claims).
- B. Continue handling bad-debt claims purchased from Kuo Hua insurance (mainly for consumer banking and insurance debt claims)
- C. Continue handling of bad-debt claims purchased from Standard Chartered Bank (for both wholesale banking and retail banking bad-debt claims)
- D. Continue bidding for bad-debt claims with peers in public bidding (for both wholesale banking and retail banking bad-debt claims)
- E. Purchase bad-debt claims via negotiation and cooperate with private AMC firms for individual cases, an arrangement enabling the company to have easier grasp of the capital planning, risk assessment, and investment cases via participation in the selection of cases.
- F. Purchase claims to non-performing loans secured by plots of land in greater Taipei and expand land development business via arrangement of debt claims.
- G. Consulting services in debt consolidation and nonperforming loans for nonperforming syndicated loans or companies in financial distress.

## (2) Bidding at foreclosure auctions

Bid at low prices for items at foreclosure auctions that are the result of bad debt from financial institutions in the Greater Taipei area and resell for profit after processing the ownership and the property.

## (3) The Others

Regulations Governing Sales of Non-performing Loans by Financial Institutions by the FSC in August 2015, the Company lifted the 3% limit on the average nonperforming loan ratio for sales of debts from default of construction work-in-process, and started assessing appropriate investment options.

**2. Long-term development plan**

## (1) Urban renewal and advance services:

Following the correction of business principles under the FSC letter issued in May 2019, the Company complied with the government's urban renewal policy, and injected cash into entities carrying out urban renewal projects and handled debt consolidation and advances in urban renewal projects or rebuilding of dangerous old buildings or so-called sea sand buildings.

## (2) Corporate restructuring and consulting services:

Consulting services in restructuring, debt consolidation, and nonperforming loans for nonperforming syndicated loans or companies in financial distress.

**Taishin Venture Capital Investment Co., Ltd.****a. Business scope****1. Business contents**

Taishin Venture Capital Investment creates a diverse range of suitable investment portfolios that are consistent with the purpose of venture capital while keeping risks under control. It looks to provide venture capital for unlisted startups with potential for long term development and profit.. When looking for investments, Taishin Venture Capital Investment focuses on promising industries and technologies as follows:

(1) Biotech and new pharmaceuticals and medical equipment industry.

(2) Electronics and information industry.

(3) Other niche investments, such as smart machinery, green energy, and cultural and creative industries.

**2. New financial products and services to be developed in the future**

Taishin Venture Capital will be seeking promising but undervalued companies with listed emerging or GISA stock, investing therein to create profits and integrated financial services. Venture capital plays a pioneering role in wholesale banking services. The benefits of integrated financial services become clear when venture capital firms identify promising startups, commercial banks provide funding, and securities underwriters provide TWSE/TPEX listing services.

**b. Business development plan of the current year**

The company was incorporated in late September 2003 with a capital of NT\$1 billion. To create a sound financial structure, the company underwent capital reduction in 2010 to make up for NT\$180 million in accumulated losses. It subsequently made cash issues for NT\$800 million, NT\$600 million, and NT\$1.11 billion in 2011, 2012, and 2014, respectively. To improve its financial structure, the company made cash issues for NT\$12.719 billion and NT\$3.529 billion, and underwent capital reduction to make up for NT\$592 million in accumulated losses in 2018. The capital reduction recovered NT\$3.329 billion in share capital. The paid-in capital at the end of 2019 was NT\$4.209 billion.

The company reported an income of NT\$98,627,000 and after-tax profit of NT\$79,612,000 in 2019. The revenue is attributed to investment profits recognized using the equity method from subsidiaries.

The company continued investing in Tanvex BioPharma, Delos Capital Fund LP, Delos Capital Fund II LP, and CDIB Capital Global Opportunities Fund LP in 2019. In addition, the company started investing in LeadSun, Arm IoT Fund L.P., IIH Biomedical Venture Fund I, Taiwan Public Television Service Foundation (Lady the Butterfly), Ambi Investment and Consulting, and others for a total of NT\$223,281,000. The investment projects generated a total cash inflow of NT\$42,018,000, which included NT\$630,000 for disposal or liquidation, NT\$13,575,000 in cash dividends and NT\$27,813,000 in refunds from capital reduction.

As of the end of 2019, there are 32 companies in the investment portfolio on the books.

Many international economic forecasting institutions, including the Organization for Economic Cooperation and Development (OECD) and International Monetary Fund (IMF), have stated that 2020 may be one of the weakest years for the global economy since the financial crisis mainly due to the ongoing U.S.-China trade dispute, Brexit, and a number of geopolitical conflicts. While the global economy is likely to be in stagnation, major central banks are turning to loose monetary policies, and some countries have introduced fiscal incentives. The global growth is expected to be between 2.9% and 3.4% in 2020, therefore avoiding decline. However, uncertainty remains, and the global banking market is still exposed to volatility.

Regarding the domestic economy, despite the disruptions caused by international trade disputes, the outlook shows signs of increasing stability buoyed by trade diversion effects, returning Taiwanese business investments, and stronger domestic demand. Looking forward, the stock market can be expected to rebound as it benefits from positive factors such as the government's robust efforts to optimize the investment environment in Taiwan, the semiconductor industry's continuing investment in advanced manufacturing processes, overseas Taiwanese businesses shifting more production capacity to Taiwan, and strong consumer spending. Looking ahead to 2020, the Directorate General of Budget, Accounting and Statistics sets the estimated domestic growth at 2.72%.

Given increased instability in the global economy in the coming year, Taishin Venture Capital's investment strategy in 2020 will focus on value-based startups and try to take the best negotiation position while players in capital markets remain relatively cautious. TWSE/TPEX listed equities are to be disposed in response to market conditions in order to realize profits. Furthermore, the Chinese financial leasing companies in which Taishin invests will speed up development of new products and channels, manage credit risks, and step up collection of nonperforming loans. Positive returns are expected to continue as the business grows at a steady pace. However, the pursuit of profit does not eliminate the need to balance risk and return. The goal is to achieve stable returns over the long term.

### c. Industry Status

An analysis by the international go-to report for venture capital firms - MoneyTree - shows that the global venture capital industry of North America as a whole invested a total of US\$113 billion in 6,366 projects in 2019. Compared to US\$121 billion in 6,927 projects in 2018, the amount fell by 6.6% and the number of projects by 8.1%. The total investment in Asia was US\$63 billion in 5,295 projects in 2019. Compared to US\$89 billion in 6,013 projects in 2018, the amount fell by 29.2% and the number of projects by 11.9%. The total investment in Europe was US\$32 billion in 3,345 projects in 2019. Compared to US\$22 billion in 3,195 projects in 2018, the amount fell by 45.5% and the number of projects by 4.7%. However, in terms of venture capital financing in the start-up (seed) stage, the total amount raised in the start-up stage in the United States was US\$983 billion in 2019. The amount showed an 80.7% increase compared to US\$544 billion in 2018.

Meanwhile, regarding the venture capital market in Taiwan, there were 256 venture capital firms as of the end of 2018. The total paid-in capital was NT\$152.7 billion in that year. The total annual investment was NT\$12.7 billion in 367 projects. Taiwan Venture Capital Association's statistics also show that 49% of startups supported by venture capital firms entered capital markets afterwards. In other words, investments of venture capital firms are equipped with a highly effective exit mechanism in the primary markets. Therefore, it would be more likely for startups with venture capital support to complete TWSE/TPEX listing.

#### **d. Research and development**

Venture capital financing refers to an equity investment made by a venture capitalist in an unlisted startup in anticipation of selling the shares and receiving capital gains at exit when the startup becomes mature or relatively mature. When a startup is building up sound financial operations, it may look to a venture capitalist for investment before approaching a commercial bank for financing and then finding a securities underwriter to provide assistance with TWSE/TPEX listing. Fully integrated financial services not only provide a wide range of solutions for startups, but also creates stronger synergy for the financial holding company as a whole.

In 2019, a total of 14 companies obtained domestic TWSE-listing, raising NT\$22.919 billion; and a total of 18 companies obtained domestic TPEX-listing, raising NT\$4.426 billion. In addition, 3 Cayman Islands (KY) companies raised NT\$1.508 billion in total. 42 companies completed emerging stock registration, and 17 completed GISA stock registration. In terms of sectors, the technology sector produced the largest number of companies, followed by the biomedical sector.

While funding in the market stays sufficient given the domestic economic benefits from trade diversion effects of the U.S.-China trade dispute and the policy to attract returning Taiwanese business investment, startups remains cautious about choosing the timing of their initial public offerings (IPOs) in a constantly changing global market, and the situation may have an impact on the exit speed for venture capital funds.

#### **e. Short- and long-term business development plan**

Short-term strategies will focus on startups with liquidity in 2 to 3 years and high growth potential, including competitive FinTech, information security, data analysis, environmental protection and green energy, and cultural and creative industries in Taiwan or in other countries, as well as niche F-listing companies returning to be listed in Taiwan. The plan involves starting investing in one to three companies, or participating in capital increases under existing investments.

In terms of medium-term strategies, Taishin Venture Capital has established financial leasing subsidiaries in China that operate mainly in equipment financing, and leasing and vehicle leasing. As the market expands, more products are developed, and operational efficiency improves, the scale of operation is expected to start rising.

In terms of long-term strategies, the resources and networks of Taishin FHC in Taiwan and in Greater China as well as its expert knowledge and experience in financial investments and capital markets will be properly utilized to seek and explore sound investment opportunities. Synergy within Taishin FHC facilitates business relationships among investee companies, satisfying their needs for financing, underwriting, stock administration, leasing, and financial consulting. Assistance is provided to help investee companies to set out on a path to success and profits.

## B. Cross-line and joint marketing efficacy

The list of Taishin Holdings subsidiaries contains Taishin Bank, Taishin Securities, Taishin Securities Investment Trust, and Taishin Securities Investment Advisory. Taishin Securities had set up and shared points of sale across 101 Taishin Bank branches since May 2010. These shared points of sale conduct cross selling in the branches and are permitted to conduct the following business activities

### a. Securities services:

1. Account opening for securities brokerage business.
2. Agency for sales and redemption of domestic funds.
3. Installation of terminals for online order placement, allowing investors to place orders with securities firms.
4. Acceptance of securities related applications on behalf of third parties.

### b. Futures services:

1. Account opening for futures brokerage services or futures trading introduction.
2. Implementation of an online trading terminal for futures traders to place orders with futures dealers or futures trading introducing brokers.
3. Acceptance of futures related applications on behalf of third parties.

A business referral system is in place to provide one-stop financial services. The number of active securities accounts opened through the referral system continued to grow in 2019.

The business strategy will continue to be customer oriented. Products and distribution channels will be made more aligned with each other in order to satisfy the need for personalization and improve the quality of financial services. The aim is to provide the most suitable products and services when they are needed and achieve optimal synergy in the financial holding group.

## C. Market and business status

### Taishin Financial Holding Co., Ltd.

#### a. Market analysis

Built as a cross industry operation, Taishin FHC expects to utilize the resources and integrated services in the group to achieve synergy. There are currently 16 financial holding companies in Taiwan. The market remains highly competitive in relation to its size. The rise of fintech creates challenges for traditional banks in their own business as well as in other industries. As a result, more and more banks are investing resources in the development and application of new technologies. The banks support digital transformation in order to provide financial services that can better meet market demand.

#### b. Competitive strategy

Taishin sets out to build a good financial service brand and encourage innovation on an ongoing basis. The aim is to become a reliable financial institution that provides a full line of financial services for the global Chinese community. The strategy is executed by implementing the following measures:

1. While paying equal attention to risk management, increase profitability by maintaining strengths of Taishin FHC, actively combining resources within Taishin FHC, and, giving equal attention to risk management and business growth, expanding the subsidiaries to create a complete cross industry network with multiple profit drivers.
2. Build on the existing market leading areas of business, such as the number of digital accounts, auto loan, credit card, syndicated loan, and securities underwriting, and maintain a leading position while trying to increase the gap. Create new strengths in the emerging area of fintech.
3. Implement IT infrastructures, construct an IT system that supports business growth, and make full use of new technologies to create new business models and opportunities to secure leading positions in the market.
4. Develop a full range of risk management capabilities, and ensure the three lines of defense and employee training are effective. Improve risk management capabilities on an ongoing basis. Develop optimal infrastructures and human capital for different business areas through system upgrades, talent recruitment and retention, and process improvement.

### **c. Competitive niches**

#### **1. Integrated channel**

Taishin Financial Holding co., Ltd. puts under its auspices various subsidiaries, including Taishin International Bank, Taishin Securities and Taishin Investment Trust / Investment Advisory boasting different kinds of sales channels, whose integration can cover different client groups and offer more service points for the provision of related financial consulting.

#### **2. Provision of plural products**

Customers have needs for different products in different life stages. It makes product differentiation one of the essential elements of competition. Customer centric has always been one of Taishin's requirements. The use of big data to identify customer needs, product diversification, and one-stop shopping save time for customers while satisfying the demand for service quality.

### **d. Favorable and unfavorable factors for development outlook**

#### **1. Favorable factors**

- (1) The Taishin Bank wealth management brand delivers excellent performance that has received many local and international awards.
- (2) The government's New Southbound Policy is in line with Taishin's strategy for international expansion.
- (3) Taishin FHC supports innovation and takes a flexible approach to business development. The group stays constantly alert to market developments, and its business strengths are widely recognized.
- (4) The full line of banking and securities products is offered with service quality and efficiency.
- (5) Richart continues to lead the market in the number of customers. It is also able to provide a series of much needed digital banking services and innovations.

#### **2. Unfavorable factors**

- (1) There are 16 domestic financial holding companies, leading to acute competition, especially in view of their homogeneity in product development and packaging.
- (2) Increasing stringent financial regulations are driving up the costs of compliance with AML/CFT regulation.
- (3) The number of offices overseas is relatively small and in need of new additions as well as pioneering and leadership talent for overseas businesses.

## Taishin International Bank Co.,Ltd.

### a. Major products and services and location

The bank's major business items include deposit reception, loan extension, export/import foreign exchange, foreign- currency deposits, discount of negotiable instruments, currency conversion, guarantee, surrogate collection/payment, custody, trust, credit card, trading in derivatives, brokerage of short-term commercial paper, brokerage of short-term bills, securities trading, certification and underwriting, factoring, securities investment and underwriting, offshore banking, the issuance of financial bonds, wealth management and buy(or sell) gold or silver business.

Since its establishment, the bank has been constantly expanding business items and operating network, actively exercising the intermediary role for the supply and demand of funds in the society, so as to support economic prosperity. Regarding business network, the bank has set up branches in major cities in Taiwan, the bank boasts 101 domestic branches and has been actively establishing overseas units, in compliance with the trend of financial internationalization, including offshore banking unit, Hong-Kong branch, Singapore branch, Tokyo branch and Brisbane Branch, testifying to extensiveness of its service network.

### b. Future supply and demand

The financial sector in Taiwan benefited from rising domestic investment and a strong financial market. Overall earnings before tax for the financial sector amounted to NT\$634.1 billion, a 21.7% increase from 2018. Earnings before tax for the banking industry totaled NT\$407.1 billion, a 7.8% increase from 2018 and another all-time high. Looking forward, the ongoing COVID-19 pandemic is having an increasingly severe impact on the global outlook and creating more challenges for the banking sector. Given the 92 SARS outbreak lasted for months and had short-term effects on the economy, it is expected that the COVID-19 pandemic will affect Taiwan's economic results in the first half of 2020. If the situation does not deteriorate, the economy may have a chance to regain momentum in the second half of the year.

### c. Business goals

Looking forward, we will commit to achieving the goals of our existing business activities in accordance with the principle of "rigorous risk management and aggressive expansion" while supporting government policies and complying with applicable regulations. Our business strategies and plans include: taking advantage of the resources of Taishin FHC, creating multiple profit engines while balancing risk management and business growth, building up risk management capabilities on an ongoing basis, constructing IT infrastructures that facilitate business development, investing in digital banking, increasing the market share of Richart, and continuing to expand overseas, and developing international operations with a focus on Asian countries and Chinese communities around the world.

### d. Favorable and unfavorable factors for development outlook

#### 1. Favorable factors

##### (1) Wealth Management

- A. A growing range of big data applications helps with monitoring market trends and understanding customers' needs.
- B. Technology is utilized to combine virtual channels and real branches, thereby enhancing the advantage in customer relationship management and make the processes more efficient.

## (2) Retail Banking

- A. Through continuous and timely communication channels both online and offline, with the assistance of big data customer analysis, which is helpful for increasing marketing precision and penetration of consumer banking products, the existing customer base of this bank will continue its steady growth, as well as new group of digital customers will be developed.
- B. The government continues to promote finance digitalization (such as the Open Banking API, My Data, digital platforms connecting to the government's data, etc.), which enhances the efficiency of online loan applications and also facilitates public acceptance for online loan applications, online trial calculations, online verification, and other similar tools.
- C. In response to the development of digital banking, the bank actively utilizes new technology (such as block chain and big data), develops platforms of automated systems, and enhances information security measures in order to increase efficiency of service.
- D. Government agencies make active efforts to support development of the electronic payment market. More and more traditional cash businesses (e.g. medical institutions and night markets) have started accepting electronic payment tools.
- E. Fintech has been growing rapidly. To build member loyalty, merchants promote membership apps with embedded payment features. In addition to accelerating transactions, these apps help shift consumer preference to electronic payment tools.

## (3) Digital Banking

- A. Implement effective agile development to enable the bank to launch new financial services ahead of competitors.
- B. Build on "customer experience" and have open platforms and cross industry partners bring in new products and services in a way that reduces costs and responds more quickly to market demand.
- C. Awarded multiple invention and utility model patents: money saving credit card, login preview, cardless withdrawal, Proximity Transfer, Easy Transfer, One-stop Fund Transfer, and facial recognition. Patented technologies are applied in the daily lives of customers to establish everyday financial scenarios.
- D. Combine AI and biometric identification technologies to develop facial recognition for services such as opening an account, making a payment, withdrawal or transfer, identifying VIP in branch and making payments by facial recognition. Achieve the vision of complete digital banking.

## (4) Wholesale Banking

- A. Given the ongoing liberalization and rapid economic growth of Asian emerging markets, there is going to be substantial growth in demand for overseas banking services.
- B. Possess plural product resources and development capability of the financial holding firm to provide one-stop shopping financial services to customers.
- C. The government encourages financial institutions to adopt new technologies and expand overseas, both of which contribute to the scope of business.

## (5) Financial Market Services

- A. Proprietary trading of foreign currency bonds can be expanded to enlarge the customer base and generate more revenue.
- B. Life insurance companies are subject to foreign currency investment limits. The excess turns into a demand for NTD denominated products and creates business opportunities in life insurance companies.

C. As the monetary policies in Taiwan and major players in the world economy are relaxed, interest rates and credit spread remain relatively low, which will encourage the issuance of bonds by both onshore/offshore companies, thus benefiting the development of bond underwriting services.

(6) Trust service

A. The competent authority is actively supporting the digital finance policy. The younger generations are having more influence and depending more on social media and digital devices, leading to the growth of automated channels and a higher frequency of self directed investing.

B. In an increasingly diverse and aged society, the development of retirement trust is aided by the Trust Association's "Elderly and Handicapped Persons Property Trust Evaluation and Incentive Measures" campaign in support of government policies.

C. To help companies retain talent, the government has amended the Company Act and related regulations to expand eligibility for employee benefits and encourage the demand for employee welfare trust.

## 2. Unfavorable factors

(1) Wealth Management

A. Customers at the top of the pyramid are the targeted base for wealth management services. Their needs are complex and unpredictable, making it more challenging to manage the business.

B. Competitors are investing more and more resources, such as technology, big data platform, and data mining experts, into the area, creating an increasingly competitive market.

(2) Retail Banking

A. The financial markets are gradually becoming saturated. Price competition and copying successful business models in the financial industry have made raising profits difficult.

B. The continuous updates in FinTech and supervision-related regulations make it necessary to find a balance between convenience in the user experience and following regulations regarding information security.

C. Markets of the credit card business are saturated and the product life cycles are becoming shorter. Certain competitive products continue to offer better benefits and offers.

D. Following the progress in fintech, large chain stores and card issuing banks are creating links between money service systems to enable negotiations for lower fees. The approach will affect the income from payment services in the long term.

(3) Digital Banking

A. The entry barrier to copying financial services is low and the sandbox policy for the banking sector is still in the early stage. There has not been much major development in the area.

B. There are currently a large number of payment programs (e.g. NFC, barcode, bluetooth, voice recognition, and biometrics) and the product life cycle is getting shorter. It is not yet clear which will become mainstream in the future, and so more resources have to be invested in IT development and marketing.

(4) Wholesale Banking

A. Over-banking status, homogeneous traditional financial products are difficult to create high profits.

B. The bank still has only a few branches overseas; its global network remains sub-optimal.

C. Financial supervision has become more stringent than ever. The implementation of Basel III accord will put further strains on the bank's capital and liquidity. All of which present added costs and risks.

**(5) Financial Market**

- A. Both stock and bond markets are peaking, which makes investing tricky and creates challenges in making profits on financial products.
- B. Financial supervision has become more stringent than ever. The amended regulations on derivative products and tightened rules on KYC and product suitability impose restrictions on product sales.

**(6) Trust service**

- A. Products are highly similar with little differentiation. Competitors continue to open more overseas branches to gain larger market shares.
- B. The demand for financial professionals will continue to grow while the cost of training and employee turnover will be higher.
- C. The global economy is near the end of its growth and has started to slow down. Constant changes in the U.S.-China trade relationship and the geopolitical outlook for Europe and uncertainties over the monetary policies of major central banks both contribute to greater volatility in the international financial markets and challenges in investing.
- D. Structured trust and employee welfare trust services cannot be offered without an investment of trained professionals and systems, but generate limited fee income in the face of fierce competition.

**Taishin Securities Co., Ltd.****a. Major products and services and location**

The company's services target domestic and overseas institutional investors and general investing public. As of the end of 2019, the company has a total of 12 offices. Furthermore, the company has set up cross-selling in 101 Taishin Bank branches in Taiwan. In particular, there are cross-selling offices in 14 branches. These offices make it easier for customers to open or close securities accounts or change personal information.

**b. Future supply and demand****1. Market overview**

As of the end of 2019 there are 71 headquarters of securities dealers, 814 branches, and 35 securities dealers that have been approved for margin trading and short selling of securities by the Securities and Futures Bureau of the Financial Supervisory Commission of the Executive Yuan.

**2. Market supply**

The government's deregulation on the listing of foreign companies in Taiwan will present great potential in the securities underwriting service sector. As the securities trading services become more deregulated overseas, the government continues to promote expansion in the capital market and new financial products are being constantly introduced, all of which contribute to more activities in the issuing market. The fast growth of electronic commerce has driven the securities services and fundraising financial planning products to become more diversified. Securities dealers will be able to provide one-stop services for investors, the securities market will become more efficient, and the market will grow significantly in size.

**3. Market demand**

As the capital market becomes more complete in terms of efficiency and functions, companies will have a significantly greater need for direct means to raise capital. Meanwhile, the combination of a faster information spreading process, a better educated population, and more diversified investment activities has made people in Taiwan pay more attention to investment and financial planning. Accompanied by

a recovering economy and increasingly loosened capital control, investors' needs both for securities related information and for services provided by securities dealers will continue to grow.

### c. Business goals

As an integrated securities firm, Taishin Securities engages in such businesses as brokerage, dealership, and underwriting, and provides a complete electronic trading platform with complete functions. It combines the resources of the financial holding company and utilizes near 100 banking channels, to provide investors allround and pluralized financial wealth-management service. It offers pluralized tailor-made financial products to meet the different needs of customers.

Regarding brokerage services, the offices will continue to provide better offline services, and strengthen the existing securities, futures, sub-brokerage, and non-restricted purpose loan services. Meanwhile, the range of services available at the cross-selling offices in Taishin Bank will continue to be expanded in order to create the best offline service. In addition, the in-house electronic trading platforms and online services will be optimized on an ongoing basis to make better omnichannel services.

With respect to the underwriting business, the operation brings together the resources under the financial holding company in an active effort to secure as many domestic underwriting cases as possible while exploring opportunities overseas by attracting more foreign companies to participate in the capital market in Taiwan. The aim is to develop Taishin Securities into a financial service platform that offers premium services, a diversified range of businesses, and high added value.

In terms of derivative trading, Taishin will focus on risk management and build on the combination of an established financial holding company brand and professional financial engineering capabilities to create low-risk income from arbitrage, product launches, and market-making services. The company will follow a set of clearly stated and strictly-enforced market strategies and the quality of market making while adhering to the principles of good faith in offering consistent issue prices and reasonable spreads and quotes. Hedging strategies will include the use of big data analytics, financial engineering theories, and statistical tools to identify reliable market information and hedging benchmarks.

### d. Favorable and unfavorable factors for development outlook

#### 1. Favorable factors

- (1) Integrate the resources of the financial holding company to manifest brand value and upgrade overall competitiveness.
- (2) The growing electronic payment market makes the influence of mobile securities dealers more extensive.
- (3) The financial holding group now offers a vastly diverse range of products that can be cross-sold to provide customers the ultimate one-stop shopping experience.
- (4) The Taishin brand as an underwriter is well known in the market and sufficiently strong to turn negotiations in the brand's favor.
- (5) Government policies tend to adopt an open stance, and the regulators are leading the way to drive business growth.
- (6) With equal emphasis on all sectors, electronic, traditional manufacturing, and startup industries have come to grow at similar rates, which contribute to development of underwriting services in Taiwan.
- (7) As the market becomes increasingly competitive, companies are under extremely high pressure, and the number of mergers is on the rise.
- (8) Financial engineers more skilled than those employed by competitors can achieve greater speed and accuracy in backtesting and simulation of trading strategies.
- (9) Taishin Holdings's large capital base works in favor of expanding the existing niche customer base.

## 2. Unfavorable factors

- (1) The existence of cutting the price aggravates the competition and affect the space of securities firms for survival.
- (2) Horizontal mergers make big companies even bigger and thereby widen the gap between competitors.
- (3) China has been investing heavily to establish capital markets in the country. These markets also offer higher P/ E ratios, which make Taiwanese companies operating in China less willing to seek listing in Taiwan.
- (4) It is difficult to deploy in China, one step ahead of competitors.
- (5) The total number of cases and total amount of fund-raising have not shown any apparent growth.

## 3. Response measures

- (1) Utilize the bank's extensive channel to transfer quality and high-net-worth clients, to extend the reach of business scope.
- (2) Creating a differentiated e-trading platform to provide more accurate, real time mobile transactions.
- (3) To expand brokerage operations, the company will continue to extend the cross-selling partnership with Taishin Bank from offices to points of sale, and explore opportunities in middle class investors.
- (4) With regards to underwriting services, the company will be working closely with wholesale banking, investing more in overseas wholesale banking offices and establishing OSUs, and collaborating with venture capital firms to expand the underwriting services in Taiwan and in other countries.
- (5) In response to market demand, special projects will require participation of all hands on board in order to increase fee income.
- (6) Broaden distribution channels local and abroad; increase the company's capacity to undertake cases.
- (7) The Capital Market Department will engage the Research Department and Corporate Department in organizing forums and seminars for greater exposure.
- (8) The company will continue to keep updated on the competent authority's policies regarding deregulation, provide a complete line of products and develop new types of services in order to create a balanced portfolio of stable income sources.
- (9) The company will continue to expand favorable operations and exercise its advantage as a medium sized dealer in responding to market changes.

## Taishin Securities Investment Trust Co.,Ltd.

### a. Major product and services and location

The company's client base consists mainly of domestic and foreign institutions and investors. The Company has three offices in Taiwan, and has specified money trust and sales agreements in place with banks, including Taishin Bank, Hua Nan Bank, Taiwan Cooperative Bank, Bank of Taiwan, Mega International Commercial Bank, E.SUN Bank, Taiwan Business Bank, Shanghai Commercial & Savings Bank, and Taichung Commercial Bank, and securities dealers, including KGI Securities, Yuanta Securities, and Mega Securities. Combined with agreements to be entered into with many more strong fund distributors in the future, the Company's network will have more than a thousand points of sale across the island.

### b. Future supply and demand

Looking forward, Taishin sees plenty of growth opportunities for the asset management business under Taishin Securities Investment Trust thanks to the potential of bond funds and the pension market, and the demand for asset allocation and risk management.

### c. Business goals

Taishin SITC's short-term goal includes maintenance of a stable performance, expand the size of non-money market funds to raise, new funds with market potential, and obtain the qualification for the outsourcing operation of government funds. In the medium and long-term, it will actively enhance market share and management scale, increase fund clients, strengthen capability for assets allocation, and continue expanding the reach and good image of the brand. Taishin Securities Investment Trust takes a cautious, responsible approach to managing assets of its customers.

### d. Favorable and unfavorable factors for development outlook

#### 1. Favorable factors

The competent authority keeps introducing policies to facilitate progress in the financial markets and loosen gradually regulations on product design and investment. The trend is beneficial to further development for domestic securities investment trust enterprises and fund products, and, when combined with expected deregulation of the pension market in the future, creates medium- and long-term opportunities.

#### 2. Unfavorable factors

Intensive competition among local securities investment trust enterprises, causing larger firms to dominate the market. To compete with dominant channels and offshore fund issuers, Taishin SITC will respond by building a complete product line supported with disciplined practices and well-trained talents, and aim to increase the size of assets under management in order to achieve sustainability.

## Taishin Securities Investment Advisory Co.,Ltd.

### a. Major products and services and location

#### 1. Investment and analytical division

Provide research services to Taishin Financial Holding co., Ltd., Taishin Bank, Taishin Securities, and Taishin Investment Trust.

#### 2. Master agency for offshore funds

The company introduces offshore funds as the master agent of these offshore funds into Taiwan. Presently, the company has introduced a total of 12 funds, including Jupiter Unit Trust funds (registered in England) and Jupiter Global Fund (registered in Luxembourg) of Jupiter Assets Management of the U.K. In addition to Taishin Bank, these funds are also sold through other banking channels, insurance firms, securities firms, and investment trust firms. Jupiter Group (U.K.) exited the Taiwan market as part of its Asian market restructuring. The master agent business was terminated at the end of 2019.

### b. Future supply and demand

#### 1. Investment and analytical division

Given Taishin Holdings and its subsidiaries have come to depend more and more on research information when formulating sales and strategy related policies, the research department will follow the long term objectives of Taishin Holdings as a whole and start expanding its organization as well as its scope of business.

#### 2. Master agency for offshore funds

Jupiter Group (U.K.) exited the Taiwan market as part of its Asian market restructuring. The master agent business was terminated at the end of 2019.

### c. Business goals

#### 1. Investment and analytical division

Provide correct research information to assist the financial holding company and its subsidiaries in formulating strategic direction and planning products with good investment prospects and assist Taishin Financial Holding co., Ltd. and affiliates expand business with excellent research result.

#### 2. Master agency for offshore funds:

Taishin is the master agent of Jupiter Asset Management of the United Kingdom in Taiwan. Jupiter Asset Management offers a comprehensive range of funds with many winning awards in their respective areas of investment. Jupiter Group (U.K.) exited the Taiwan market as part of its Asian market restructuring. The master agent business was terminated at the end of 2019.

### d. Favorable and unfavorable factors for development outlook

#### 1. Favorable factors

With the government's ongoing efforts in financial liberalization, innovation, education and wealth/asset management, we expect more favorable prospects in the financial sector as deregulation continues, innovation skills and products introduced.

#### 2. Unfavorable factors

Given changing regulations, new business entrants need to continuously improve their competitive advantages and innovative abilities in order to overcome new challenges and opportunities.

## Taishin Asset Management Co., Ltd.

### a. Major products and services and location

The company's major business items include bidding for the bad-debt claims of financial institutions in Taiwan, subjecting them to management and restructuring, and disposing of them within reasonable time, so as to attain maximum returns.

### b. Future supply and demand

With realty-mortgaged bad-debt claims having been mostly released, assets management companies have gradually switched their bidding targets from corporate-debt claims to consumer-debt claims. Due to the gradual shrinkage of the domestic market scale, quite a number of foreign peers have transformed their operations or exit the domestic market, with some peers having begun to sell the bad-debt claims they purchased. The trend has led to the emergence of secondary-market trading, facilitating the division or combination of single or small bad-debt claims, conducive to the disposal of bad-debt claims and enhancement of investment returns.

### c. Short-/Long-term business

In addition to continuing purchase and disposal of nonperforming loans, Taishin will target NPLs secured by building sites in Greater Taipei, and expand the land development business through debt restructuring. Meanwhile, in response to market changes, Taishin will actively bid for consumer bad-debt claims and at courthouse foreclosure auctions in order to create sources of profit. Furthermore, Taishin tries to make progress in various areas by combining the banking and the securities platforms. The use of abundant funding and a large talent pool to play a role in corporate restructuring will be beneficial to banking and business reform in the country.

### d. Favorable and unfavorable factors for development outlook

#### 1. Favorable factors

The company's edge lies in the complete peripheral platforms and abundant resources of the financial holding company, enabling it to help affiliates dispose of their bad-debt claims and gradually develop other assets management businesses along with the business development of the financial holding company and other subsidiaries.

#### 2. Unfavorable factors

Asset management companies in Taiwan compete against each other in a market with a limited supply of bad-debt claims. Apart from fiercely competitive bids, the regulators have been amending the regulatory restrictions in recent years, creating higher thresholds for financial institutions wanting to sell their claims and greater difficulty for investors wishing to acquire suitable targets. Moreover, relatively high market prices mean higher costs for buyers and an adverse impact on profits.

## Taishin Venture Capital Investment Co., Ltd.

### a. Major products and services and location

The venture capital fund is used for strategic investment, and, in terms of regions, focuses mainly on Taiwan and regions where Taiwanese businesses may find strategic partners.

**b. Future supply and demand**

Looking forward to 2020, with cautious optimism being the prevailing mood in the capital markets, investors hold a stronger hand in negotiation, and more investment opportunities are expected to appear soon. There may be higher returns awaiting venture capitalists focusing on medium and long-term investments if exit mechanisms are streamlined.

**c. Business goals**

In terms of the business life cycle, it is expected that no more than 40% of the capital will be invested in companies in the startup stage, and no more than 60% in companies in the growing stage. The focus in terms of industries will be on electronics, information, and niche startups. In terms of region, investment will focus primarily on companies in Taiwan, but remain open to helping Taiwanese businesses return to Taiwan or introducing European or U.S. startups or teams to growth and listing opportunities in Taiwan.

**d. Favorable and unfavorable factors for development outlook****1. Favorable factors**

The government has created a national venture capital firm, Taiwan Capital, and raised a total of NT\$10.55 billion in the first and second stages. The firm invests primarily in Internet of things and biotechnology. The third stage of fundraising is likely to begin soon. The areas of focus will be new energy sources and agricultural technology. Guided by government directives and loose regulations, the venture capital industry can be expected to grow at an accelerated rate.

**2. Unfavorable factors**

Given the persistent presence of economic uncertainties, if companies choose to be cautious and expand at a slower pace due to this outlook, this will create adverse conditions for technological innovation, and consequently have an impact on the development of startups.

## D. Employees of Taishin Financial Holding co., Ltd.

### a. Employee information

Base date: Feb. 29, 2020

Year		2018	2019	As of Feb 29, 2020
Number of employees	Male	3,645	3,749	3,709
	Female	5,396	5,446	5,403
	Total	9,041	9,195	9,112
Average age		38.2	38.2	38.4
Average years of service		8.1	8.1	8.3
Academic qualification	Doctoral Degree	0.10%	0.10%	0.10%
	Masters Degree	19.09%	19.87%	20.23%
	Bachelors Degree	73.47%	74.00%	73.84%
	High school	7.24%	5.95%	5.75%
	Below high school	0.10%	0.09%	0.09%
Professional certificates held by employees	Trust-related certificates (including supervisors, managers, and sales)	4,167	4,209	4,196
	Basic internal control certification	4,099	4,146	4,139
	Certificate for property insurance representative	3,642	3,604	3,589
	Investment-linked policy representative	1,810	1,797	1,779
	Life insurance representative	3,831	3,814	3,786
	Futures specialist	889	873	881
	Securities investment analyst	34	37	37
	Senior securities specialist	943	945	948
	Securities investment trust and consulting professional	689	704	711
Securities investment trust and consulting laws (including professional ethics)	2,014	2,037	2,018	

### b. Employee training and development

Taishin Financial Holding co., Ltd. has committed resources into talent training to ensure sustainability and growth. In 2019, the company had completed more than 420,000 training sessions across the entire organization, averaging 71 training hours per person per year. The following talent training measures have been adopted to maintain the organization's competitiveness:

#### 1. Taishin University

By integrating Taishin University with the CTMS, the company is able to incorporate managerial skill training with general education and other relevant courses, so that each employee may study on their own in a systematically structured course design. This combination achieves a number of advantages such as "learning transparency," "learning variety," and "integrated learning resources."

Furthermore, a number of digital banking and language courses were provided in 2019 in support of the trends in FinTech and the company's overseas expansion strategies.

#### 2. Talent Inventory Program

Choosing and recruiting different levels of colleagues by the 360 evaluation mechanism and the talent committee, and thereby identify prospective managers for various levels such as MA, AMA and TSP. The identified candidates are then assigned with job duties and goals that help build up skills to their intended positions.

### 3. Individual Development Program

By analyzing MBO and career goals, the company is able to identify skills that employees' lack. These gaps are then addressed through training, job rotation, mentoring, meeting participation, and project involvement with close guidance from managers. The company has implemented a training account system where each employee is given 10,000 training points to spend each year; furthermore, employees are subsidized for their efforts in gaining professional qualifications, secondary skills, language and computer skills etc, so that their personal goals are congruent with those of the company.

## E. Corporate responsibility and ethical behaviors

Taishin Holdings, as a financial institution, is devoted to fulfilling its corporate social responsibility. It coordinates and combines resources from its subsidiaries, and has for years been offering support in four areas, which are charities, arts and culture, sport sponsorship, and financial education. As a responsible corporate citizen, Taishin Holdings tries to give back to the community and to support the disadvantaged.

### a. Charity and Welfare

#### 1. "Caring Taiwan" series

Taishin Bank teamed up with the well known shopping website, PayEasy.com by Systems & Technology Corp., and launched the "Caring Taiwan" Project in 2002. The project has reached into Xinyi Township, Zhongliao Township, Yuchi Township, and Guoxing Township and utilized corporate resources to help disaster victims develop local economies. The idea is to teach them to fish instead of giving them fish. Online campaigns advertise local specialties of disadvantaged regions and tourist attractions and call on the general public to purchase local produce and make credit card donations. The project has succeeded in helping to rebuild the disaster areas and establishing a model of corporate citizenship.

In 2008, the "Caring Taiwan" Project extended its reach into rice production in Taiwan. To ensure the continuity of Taiwan's agriculture and the population's access to 100% locally grown rice, Taishin Holdings and PayEasy.com created an innovative platform for the production and marketing of Taiwanese rice. The programs "My One Acre of Farm" for corporations and "My Family's One Acre of Farm" for households helped bring Taiwanese rice into households. They not only provided healthy choices for consumers, but generated income for rice farmers, which in turn created more jobs on rice farms in Taiwan. In total, Taishin Holdings purchased more than 160 units and funded close to 80 hectares of paddy field. More than 10,000 clients and employees consumed close to 280,000kg of premium Taiwanese rice. The total investment reached NT\$29.03 million, which benefited rice farmers and provided excellent advertising for Taiwanese rice.

#### 2. Power of love

In 2010, Taishin Bank set up "Taishin Charity Foundation," mainly for engagement in public-service and charity events, including assistance for underprivileged groups to enhance their skills for livelihood and improve life, and sponsorship for the events of other public-service groups and seminars for society-related issues, and other social welfare-related charity events, with the goal of helping underprivileged groups achieve "independence in economy and daily life." After its establishment, the foundation rolled out "Power of Love" event, the first online public-service event in Taiwan. Under the event, small and medium social-welfare institutions were invited to put forth proposals online for voting by online social groups, in deciding the recipients of donations.

Taishin has been reaching into more areas and segments of society every year. The rise of social enterprises has also prompted it to invite a number of strategic partners to join the effort. In 2019, social enterprise awards were expanded to include three new areas, regional revitalization (formerly agriculture and social enterprises), social welfare, and reablement service design. This addition has brought greater support for social enterprises. The 10th “Your Ballot Decides the Strength of Love” event received overwhelming response. In addition to charity partners, the event also received donations from Taishin managers, employees, clients, and the general public. The fund contributed more than NT\$34.55 million. A total of 971 organizations benefited from the donations over the ten years. The charity fund has reached a cumulative total of NT\$202.91 million.

In addition to “Your Ballot Decides the Strength of Love”, the Taishin Charity Foundation uses its platform to combine and connect Taishin FHC’s resources and partners interested in offering resources to organize a string of similarly themed events. Such events have included Financial Education Camp, holiday gift boxes in support of charitable causes, Arts for Charity Programs, Power of Love Workshop, Glimmering Project, Charity on Campus Program, and resources matching. Taishin tries to connect opportunities and community resources and match small and medium sized social welfare groups with resources available in the society to become self-dependent.

## **b. Arts and Culture Development**

### **1. Contemporary art**

Taishin Bank donated to establish “Taishin Bank Culture and Art Foundation” in 2001, with the theme of “promoting cultural life quality and strengthening artistic-development environment”. It supports arts as a nonprofit institution, intensifies exchanges between artistic innovation and private industry, and realizes the corporate social responsibility of payback to the society. The Taishin Arts Award was created by the foundation and rewards modern artistic creativity in various fields in Taiwan that demonstrates growth potential and reflects the society and local cultures. 58 winners have received the award and more than NT\$46 million in prize money over 18 years. The award not only commends Taiwanese artists for the professional creations, but also serves as a platform for connecting local creators with the rest of the world.

In addition, Taishin has been using the first floor lobby of Taishin Tower regularly as an exhibition space for contemporary art since 2006. By the end of 2019, a total of 68 arts exhibits have occupied the space. The special website, set up to promote modern art, has received a total of 5.72 million visitors by the end of 2019. The content guides the audience to ponder the phenomenons of modern culture.

### **2. Public art**

The Lunchtime Concerts, which started in 2006, take place 23 to 25 times a year. The concerts welcomed close to 6,500~7,000 people a year in the last three years. A total of 333 concerts have taken place so far. Taishin has invested close to NT\$231 million in arts and cultural sponsorships in Taiwan since 2006. The events together attracted 5.72 million participants.

### **3. Employee arts courses**

Employee arts courses have been introduced with themes ranging from art appreciation, theatrical performance, and parental activities, to human culture. In 2019, a total of 16 arts courses were organized, and had a total participant count of 885. These arts courses help Taishin employees develop cultural literacy and character, whereas exposure to contemporary arts and aesthetics also inspires creative thinking.

### c. Sports sponsorship

Taishin is a long term supporter of sports. Taishin started supporting the Nantou County Youth Karate Team in 2008 (calling upon its customers through PayEasy to join the campaign and raising more than NT\$93 million in small donations and receipts). Its sponsorship for female professional golfers reached NT\$100 million in 2011. In addition, Taishin started hosting charity golf tournaments in 2011. The tournaments have welcomed 446 participants and raised more than NT\$16.5 million in total. Furthermore, Taishin started sponsoring a wider range of projects, including basketball, baseball, marathons, and e-sports, in 2017.

### d. Academic exchange

Taishin is always keen to get involved in major academic communities with the hope that through communications and exchanges between industry professionals, government officials, and academics sound development of Taiwan's financial sector and the financial market as a whole can be facilitated. To encourage cross strait exchange between top performing students, we have signed a memorandum of understanding (MOU) with Guanghai School of Management, Peking University and created the "Peking University Cross- strait Academic Fund" in 2012. The two institutions have been arranging academic and practical exchanges on a yearly basis. Taishin works also with National Taiwan University, National Chengchi University and other top universities in Taiwan. The project has successfully invited 65 professors and students from Peking University to engage and share their ideas with their counterparts in Taiwan. In 2019, the discussion focused on "AI Applications in the Banking Sector". Under the intensive brainstorming and exchange between young students, guidance from teachers of Peking University and National Chengchi University, and contribution of practical experience from Taishin managers, a final survey report was produced, making this program a constructive way of facilitating cross-strait interactions.

Regarding industry-academia cooperation, since 2012, Taishin has been cooperating with universities, technology institutions and vocational schools to design industry-academia cooperation programs that offer students internships and the opportunity to learn and gain practical experience outside school. In 2019, a total of 443 students were recruited into an internship program, and 300 openings were offered. Given the uprise of financial technologies, Taishin has even launched a number of postgraduate internship programs that aimed to explore potential talents in relevant fields such as digital banking, data mining, data analysis and FinTech development.

As part of its commitment to the community and talent development, Taishin offers scholarships and summer internships for National Taiwan University students from financially disadvantaged backgrounds. Furthermore, Taishin teamed up with National Sun Yat-sen University and launched the Financial Innovation Masters Program in 2017.

### e. Environmental protection

Taishin is a long term supporter of environmental protection and energy conservation. It supports the green campaign through policies for energy conservation, carpooling, and casual summer dress code. Since the launch of its campaign to practice "Environmental Protection through Energy Saving" in 2009, Taishin has been urging its employees to support environmental efforts. In addition to the purchase of renewable energy, Taishin also demonstrated its support for renewable energy by installing solar power panels on its own buildings in Neihu. Meanwhile, Taishin is investing in green services, and has incorporated processes, such as teller transactions, online loan application, and card terminal application for merchants, into the Image Process Management System. Taishin is also devoted to the development of digital finance with the aim of reducing paper use and carbon footprint at the same time. In 2019, Taishin introduced ISO14064-1 to all of its offices under Taishin FHC, and continued to follow standards from ISO14001 Environmental Management System as the policy in ongoing environmental management and sustainable corporate governance.

## F. The number of full-time, non-managerial staff, the average and median of salaries for full-time, non-managerial staff, and differences of the aforementioned figures from the previous year

Unit:NT\$1,000; people

Number of People/Amount	Year	2019	2018
	Number of Employees		7,158	7,033
Mean Salary		1,217	1,147
Median Salary		972	929

Note: As the number of people disclosed in 2019 was adjusted according to a new definition, so was the 2018's tally.

## G.IT equipment

### a. Key information technology systems

Item number	System name	Hardware	Software	Name of service
1	NT\$ core system (B@NCS)	◆ HP Superdome 2	◆ HP-UX ◆ Oracle	◆ B@NCS NT\$ application system ◆ B@NCS NT\$ reports system ◆ General ledger
2	ATM front end processor (FEP)	◆ IBM P750	◆ IBM AIX ◆ IBM MQ ◆ Oracle	◆ ATM front end processor system ◆ Clearing system
3	Integrated database system (ODS)	◆ HP BL870C ◆ HP BL890C	◆ HP-UX ◆ Oracle	◆ Operational database system(ODS) ◆ Data warehouse(DW/DM)
4	Sales force automation system (SFA)	◆ HP Superdome ◆ Oracle SUNT4-4 ◆ MS Windows	◆ HP-UX ◆ Solaris ◆ Weblogic ◆ Oracle ◆ MS Windows ◆ MS SQL	◆ Sales force automation system(SFA) ◆ Financial planning system
5	Personal finance (Internet banking)	◆ OracI SUN T5-2 ◆ X86 Server ◆ IBM S822	◆ Solaris ◆ Weblogic ◆ Oracle ◆ IBM AIX	◆ NT\$/foreign currency transaction inquiries, funds, trust services, credit cards, insurance, shares
6	Digital banking system	◆ IBM S822 ◆ IBM S814 ◆ X86 Server	◆ IBM AIX ◆ Weblogic ◆ Oracle	◆ Richart digital banking ◆ NTD/FCY transaction inquiry, funds, trust services, and credit cards
7	Corporate banking network (B2B)	◆ HP BL680C ◆ IBM P570	◆ MS Windows ◆ IBM AIX ◆ Websphere ◆ Oracle	◆ NTD/FCY deposit and remittance, collection and payment transfer, wholesale financing, corporate financial planning, broker service, Hong Kong deposit and remittance, and Hong Kong wholesale financing
8	Trust Investment Platform system (TIPS)	◆ HP BL620C	◆ MS Windows ◆ MS SQL	◆ A trading system for funds, ETF, offshore structured instruments, offshore bonds, ADR, and preferred shares
9	Credit card merchant acquiring system (NCPS)	◆ IBM S822	◆ IBM AIX ◆ Oracle	◆ Merchant acquisition of credit card transactions
10	Foreign currency system (WBS)	◆ IBM S922 ◆ IBM S814 ◆ IBM S822 ◆ IBM P5-550	◆ IBM AIX ◆ Weblogic ◆ Oracle	◆ Limit control, guarantor and collateral management ◆ Import/export/loans/Deposits/ Remittance ◆ Price negotiation/Media reporting

Item number	System name	Hardware	Software	Name of service
11	Image process management system (IPMS)	<ul style="list-style-type: none"> <li>◆ HP RX2800</li> <li>◆ HP RP4440</li> <li>◆ Oracle T4-1</li> <li>◆ Oracle S7-2</li> <li>◆ Dell R740</li> <li>◆ HP BL620C</li> </ul>	<ul style="list-style-type: none"> <li>◆ Solaris</li> <li>◆ HP/Unix</li> <li>◆ Weblogic</li> <li>◆ SOA</li> <li>◆ UCM</li> <li>◆ Linux</li> <li>◆ Docker</li> </ul>	<ul style="list-style-type: none"> <li>◆ Management of imaged processes such as NTD services (account/remittance/applications/ account opening/negotiable instruments/ KYC/ CIF update/ official correspondence), merchant acquiring application, debt collection (attestation letters/ property ownership/ household transcript/ overdue documents), retail mortgage/unsecured credit/ auto loans, case submission app, corporate banking (debt entitlement certificates/ scorecards ) etc/ Management of credit card application review and other imaging processes</li> </ul>
12	Factoring management system (OAEFB)	<ul style="list-style-type: none"> <li>◆ IBM P710</li> </ul>	<ul style="list-style-type: none"> <li>◆ IBM AIX</li> <li>◆ Oracle</li> <li>◆ IBM Websphere</li> </ul>	<ul style="list-style-type: none"> <li>◆ Accounts receivable system</li> </ul>
13	Trade finance system (Murex)	<ul style="list-style-type: none"> <li>◆ Oracle SUN X3-2</li> <li>◆ Oracle SUN X5-2</li> </ul>	<ul style="list-style-type: none"> <li>◆ Solaris</li> <li>◆ Murex</li> <li>◆ TAS</li> <li>◆ Oracle</li> <li>◆ MS SQL</li> </ul>	<ul style="list-style-type: none"> <li>◆ Financial trading (FX and MM) system</li> <li>◆ Trading risk control system</li> </ul>
14	Structured product sales system (SDS)	<ul style="list-style-type: none"> <li>◆ Dell 2950Server</li> <li>◆ X86 Server</li> </ul>	<ul style="list-style-type: none"> <li>◆ MS Windows</li> <li>◆ Oracle Forms and Reports</li> </ul>	<ul style="list-style-type: none"> <li>◆ DCI/ELI transactions</li> <li>◆ SI transactions</li> <li>◆ Spot orders</li> </ul>
15	Singapore trade finance system (SGFITAS)	<ul style="list-style-type: none"> <li>◆ IBM AS/400</li> </ul>	<ul style="list-style-type: none"> <li>◆ IBM OS400</li> <li>◆ FITAS</li> </ul>	<ul style="list-style-type: none"> <li>◆ Import/Export/Currency exchange/Deposits/ Loans</li> </ul>
16	Singapore wholesale banking system (SGWBS)	<ul style="list-style-type: none"> <li>◆ IBM P710</li> </ul>	<ul style="list-style-type: none"> <li>◆ IBM AIX</li> <li>◆ Weblogic</li> <li>◆ Oracle</li> </ul>	<ul style="list-style-type: none"> <li>◆ CIF, limit control, guarantor and collateral management</li> </ul>
17	Mobile office	<ul style="list-style-type: none"> <li>◆ HP BladeServer</li> <li>◆ HP X86Server</li> </ul>	<ul style="list-style-type: none"> <li>◆ MS Windows</li> <li>◆ VMware</li> </ul>	<ul style="list-style-type: none"> <li>◆ A mobile office based on cloud technology</li> <li>◆ Software development tools based on cloud technology</li> </ul>
18	Japan wholesale banking system (JPWBS)	<ul style="list-style-type: none"> <li>◆ IBM P720</li> </ul>	<ul style="list-style-type: none"> <li>◆ IBM AIX</li> <li>◆ Weblogic</li> <li>◆ Oracle</li> </ul>	<ul style="list-style-type: none"> <li>◆ CIF \ Limit control, guarantor and collateral management</li> <li>◆ Import/Export/Loans/Deposits/Remittance</li> <li>◆ Funding/Spot/Forward/Swap</li> </ul>
19	Bankwide anti-money laundering control system (AML)	<ul style="list-style-type: none"> <li>◆ HP DL380Server</li> </ul>	<ul style="list-style-type: none"> <li>◆ MS Windows</li> <li>◆ MS SQL</li> <li>◆ PATRIOT OFFICER</li> </ul>	<ul style="list-style-type: none"> <li>◆ Anti-money laundering control systems for head office and overseas branches</li> </ul>
20	Brisbane wholesale banking system (AUWBS)	<ul style="list-style-type: none"> <li>◆ IBMP720</li> </ul>	<ul style="list-style-type: none"> <li>◆ IBM AIX</li> <li>◆ Weblogic</li> <li>◆ Oracle</li> </ul>	<ul style="list-style-type: none"> <li>◆ CIF \ Limit control, guarantor and collateral management</li> <li>◆ Import/Export/Loans/Deposits/Remittance</li> <li>◆ Funding/Spot/Forward/Swap</li> </ul>
21	Hong Kong wholesale banking system (HKWBS)	<ul style="list-style-type: none"> <li>◆ IBM S814</li> </ul>	<ul style="list-style-type: none"> <li>◆ IBM AIX</li> <li>◆ Weblogic</li> <li>◆ Oracle</li> </ul>	<ul style="list-style-type: none"> <li>◆ CIF, limit control, guarantor and collateral management</li> <li>◆ Import/Export/Loans/Deposits/ Remittance</li> </ul>
22	Global Digital Corporate Banking Network (gB2B)	<ul style="list-style-type: none"> <li>◆ LENOVO x3650</li> <li>◆ LENOVO x86</li> </ul>	<ul style="list-style-type: none"> <li>◆ IBM AIX</li> <li>◆ Weblogic</li> <li>◆ Oracle</li> <li>◆ MS WindowsORACLE</li> </ul>	<ul style="list-style-type: none"> <li>◆ NTD/FCY deposit and remittance, collection and payment transfer, wholesale financing, corporate financial planning, broker service, Hong Kong deposit and remittance, and Hong Kong wholesale financing</li> </ul>

## b. Future development or procurement plans

1. Apply cloud technology to achieve resource integration; maximum use of IT resources to improve service quality.
2. Upgrade the mail system Exchange and replace old servers.
3. Assist with construction of IT systems for overseas branches - Singapore, Labuan, and Vietnam.
4. Proceed with the mobile banking app revamp, and continue to expand the application services for mobile devices.
5. Construct a new generation of wholesale banking website - The global digital banking network improves on the quality of online wholesale banking services, responds to market trends, and complies with internal and external IT regulations.
6. Explore mobile banking applications for iPhone, iPad, Android and other mobile devices.
7. Improve stability of the personal banking online systems and develop Internet banking microservice frameworks.
8. WBS bank-wide FCY system A++ upgrade - dual network framework and shared folders A-A.
9. Expand introduction of tapeless backup technology to reduce the total cost of backup systems and enhance service capability of systems.
10. Develop the latest generation of the IT environment monitoring system to enable instant alerts, shorten processing of anomalies, and improve system stability.
11. Install automatic application monitoring mechanisms to supervise system performance effectively.
12. Continuous replacement and upgrade of customer service system; implement local and off-site support; improve efficiency and service capability of customer service personnel.
13. Develop the engine for LBPS loan product specifications, optimize integration of IPMS lending processes, and replace the process engine with Activiti. Provide a stable system that ensures business as usual.
14. Replace the WBS bank-wide foreign currency system and improve system performance.
15. Implement new tapeless backup technology to reduce the total cost of backup systems and enhance service capability.
16. The wholesale banking network is extended to include connection by mobile device.
17. Build a new credit card information system with an open structure in anticipation of new types of businesses and technological advancement in the future.
18. Expand use of the personalized real-time computing platform and continue to introduce credit card and NTD transactions, ATM, mobile banking app, Internet banking, and other channels to give customers the best personalized experience across channels.
19. Develop the wholesale e-Banking transaction system and offline smart forms to give customers access to fax transaction services and make Taishin more competitive.
20. Construct an overseas wholesale banking website to improve the quality of services provided by the overseas branches, responding to market trends while complying with internal and external IT regulations.
21. Proceed with the revamp of the credit card and CARDaily apps, and study and develop payment scenarios in everyday environments.
22. Proceed to expand the EAI platform for financial information, and expand the capacity and efficiency for processing electronic messages.
23. Proceed with the Taishin FHC website revamp to make it mobile-ready and reader-friendly.

24. Proceed with the digital banking (Richart) capacity expansion project, and maintain the growth momentum in the business and customer appeal.
25. Develop a new assets and liabilities system and complete Basel III integration.
26. Build a big data platform to provide data storage frameworks suitable for new structured and unstructured data, and improve the company's ability to stay competitive and provide services in the age of big data.

### **c. Emergency backup and security**

1. Implement standardized data management practices and systems in accordance with the Personal Information Protection Act for added protection.
2. Comply with ISO27001 ISMS standards. Ensure proper protection to data operations and information systems. Prevent incidents such as data corruption, theft, leakage, alteration, abuse, and infringement. Enhance the confidentiality, completeness and usability of stored information.
3. Introduce the use of infiltration tools to scan for network weaknesses.
4. Improve off-site support to accommodate business requirements.
5. Develop an information security action plan, promote each implement plan.
6. Implement Mobile Device Management for enhanced security in accessing business-related information.
7. Build network access control (NAC) for better network access security.
8. Create an ATM white list management system for better ATM security.
9. Taishin Bank assesses computer system security by following the security guidelines on computer systems for financial Institutions in order to improve security of its computer system and website.
10. Install distributed denial-of-service (DDoS) attack prevention mechanisms so that all network traffic will be filtered through DDoS protection to ensure proper functioning of Taishin Bank's network.
11. Install double advanced persistent threat (APT) detection mechanisms that are capable of detecting unknown attacks and preventing hacker attacks on internal trading systems.
12. EDR(Endpoint Detection Response) Install endpoint protection to enable detection of and defense against irregularities as a result of hacker attacks on endpoints.
13. SOC (Security Operation Center) Create an information security management platform and integrate infosec data from across the bank to be analyzed by AI and big data analytics so to detect early potential hacker activities and take countermeasures.
14. Revise the information security disaster recovery plan to provide guidelines for the bank in the event of information security disasters in order to reduce the length and scope of impact. Information security disaster recovery exercises are conducted to test feasibility of the procedures.
15. Purchase information security insurance policies to reduce losses caused by information security incidents. (management by risk transfer)
16. Establish the environment and standards for digital forensics and teach the basics to provide an understanding of how to collect and preserve digital evidence, to improve integrity and admissibility of evidence, and to increase the capabilities of analyzing, processing, and providing evidence in incidents.
17. Implement two-factor authentication and connect with the production environment to improve information security by simultaneously deploying two authentication methods.
18. Take regular inventory of IoT equipment according to the "Regulations Governing Use of IoT Equipment by Financial Institutions", and implement adequate control measures and access control to better manage the use of IoT equipment.

## H. Labor relations

### a. Availability and execution of employee welfare and retirement policies. Elaborate on employer/ employee agreements and protection of employee rights.

#### 1. Employee insurance

- (1) Labor insurance: 70% of premium covered by the company while 20% is borne by the employee.
- (2) Health insurance: 60% of premium covered by the company while 30% is borne by the employee.
- (3) Group insurance: employees are covered by group life, accidental, healthcare, surgery, injury, cancer, and work hazard insurance; premiums are borne by the company.
- (4) Travel insurance: employees are covered by travel insurance when going on overseas business trips; premiums are borne by the company.

#### 2. Employee welfare

The company has an "Employee Welfare Committee" in place to supervise the execution of welfare-related activities. The company also implements an "Employee Welfare Committee Subsidy Policy" that provides employees with subsidies for various occasions such as wedding, child birth, funeral, hospitalization, festivity, birthday, travel, private associations, and children's education.

In addition to the various subsidies offered by the Employee Welfare Committee, the company also subsidizes employees for employee stock ownership trust, health checkups, weddings, funerals, self-development (such as learning of foreign languages, computer classes, professional qualifications etc), and rewards them for long service.

With regards to employee assistance, the company is working with the Teacher Chang Foundation to provide "Employee Living Assistance," and has an "Employee Mailbox" and "Employee Hotline" in place as a means of communication.

#### 3. Retirement policy

Pursuant to the laws and regulations, the company, on July 1, 2005, started making monthly contributions at 6% of basic monthly salary into personal pension accounts for new employees and existing employees who have opted for the new pension plan under the Labor Pension Act. Meanwhile, the company also allocates an adequate reserve for benefits under the old pension plan to the pension plan account at the Bank of Taiwan for existing employees who are covered by the old pension plan under the Labor Standards Act and for the years of service that existing employees, who have opted for the new pension plan, choose to keep under the old pension plan. The company will allow employees who are reassigned to affiliated enterprises to continue to accumulate their years of service in order to provide better protection and ensure the success of talent rotation. Overseas subsidiaries are covered by defined contribution plans. Monthly contributions to social security programs, such as old age pension and health care, are made in accordance with local regulations.

#### 4. Leave of absence

The company offers employees leave days in accordance with the Labor Standards Act. The number of leave days are adjusted according to job grades, and exceed stipulated standards under the law.

**5. Disciplinary actions taken by the authority against the company and its subsidiaries for results of labor inspections in last year up to the publication date of this annual report:**

Company	Date	Case No.	Article number	Article content	Description
Taishin Bank	2019.03.15	Fu-Shou-Lao-Dong-Zi No. 1080053789	Paragraph 6, Article 30 of the Labor Standards Act	The attendance records kept by some employees showed deviations from the communication records kept by the operating system. Therefore, the Labor Affairs Bureau of Taichung City Government deemed that the company failed to record daily employee attendance down to the minute in accordance with regulations.	A fine of NT\$20,000.
Taishin Securities Investment Trust	2019.07.08	Fu-Shou-Lao-Dong-Zi No. 108060160732	Paragraph 1, Article 32 of the Labor Standards Act	Taishin Securities Investment Trust did not hold a labor-management meeting to approve implementation of the overtime system. However, the Labor Inspection Office found that the attendance records showed some employees working after hours. Therefore, the Department of Labor of Taipei City Government deemed that the extended work hours were not approved by a labor-management meeting.	A fine of NT\$20,000 and release of name.
Taishin Bank	2019.12.02	Fu-Shou-Lao-Dong-Zi No. 1080288664	Paragraph 6, Article 30 of the Labor Standards Act	The attendance records kept by employees showed deviations from the logout time of their computers and the time settings at the office security system. Therefore, the Labor Affairs Bureau of Taichung City Government deemed that the company failed to record daily employee attendance down to the minute in accordance with regulations.	A fine of NT\$30,000 and release of name.

**b. Losses arising as a result of employment disputes in the recent year up until the publishing date of this annual report; please quantify the estimated losses and state any response actions, or state any reasons why losses cannot be reasonably estimated:**

The company has maintained harmonious employer-employee relationships; therefore there have been no losses due to employment disputes in the most recent year.

## I. Important contract

**Taishin Financial Holding Co., Ltd.: None.**

**Taishin International Bank Co., Ltd.:**

Contract title	Parties involved	Contract beginning and ending date	Main contents	Restrictive terms
Procurement contract	CyberSoft Digital Services Corp.	2015.06.25~2019.12.31	Build up credit card information system	None
Procurement contract	Mercuries Data Systems Ltd	2015.07.01~2021.06.30	Automated service equipment	None
Procurement contract	Lian An Services Ltd. Anfeng Enterprise Ltd.	2017.01.16~2019.12.31	ATM cash security services	None
Procurement contract	Taishin International Bank Co., Ltd.	2017.05.01~2020.04.30	Implementation of Global Digital Corporate Banking Network	None
Procurement contract	MiTAC Information Technology Corp	2017.08.01~2019.12.31	Implementation of universal systems in Hong Kong Branch and other overseas branches	None
Procurement contract	Acer Inc	2018.01.01~2020.12.31	Microsoft EA large account procurement	None
Procurement contract	CyberSoft Digital Services Corp.	2016.04.01~2020.05.31	Credit card information system and outsourced data processing	None
Procurement contract	Mercuries Data Systems Ltd	2018.07.01~2022.06.30	Automated service equipment	None

**Taishin Securities Co., Ltd.:**

Contract title	Parties involved	Contract beginning and ending date	Main contents	Restrictive terms
Refinancing agreement	Entered an agreement in the name company with Yuanta Securities Finance Co., Ltd.	Effective from the date signed	Enables the company to approach the counterparty for securities financing/ lending assistance if a need arises	Subject to compliance with Rules Governing Securities Financing and Lending by Securities Firms
Securities investment consulting service agreement	Entered an agreement in the name company with Taishin Securities Investment Advisory Co., Ltd.	2020.01.01~2020.12.31	Provide securities investment research and analysis or recommendations	None

**Taishin Securities Investment Trust Co., Ltd.: None.**

**Taishin Securities Investment Advisory Co., Ltd.: None.**

**Taishin Asset Management Co., Ltd.: None.**

**Taishin Venture Capital Investment Co., Ltd.: None.**



**06**

**Financial Information**

# VI. Financial Information

## A. Brief balance sheet and income statement in the recent five years and the name and opinions of the certified public accountant

### Brief Consolidated Balance Sheet of the Financial Holding Company and its Subsidiaries: IFRS

Unit: NT\$,1,000

Item	Year	Financial data in the recent five years				
		2015	2016	2017	2018	2019
Cash and cash equivalents due from the Central Bank and call loans to banks		69,091,364	97,172,542	78,867,310	78,466,662	91,585,811
Financial assets at fair value through profit and or loss		119,742,250	89,814,395	106,153,738	115,782,595	144,041,593
Financial assets at fair value through other comprehensive income		0	0	0	336,400,248	273,426,137
Available-for-sale financial assets		290,124,810	302,421,489	307,885,507	0	0
Financial assets at amortized cost		0	0	0	3,081,240	131,888,616
Derivative financial assets for hedging		0	0	0	0	0
Securities purchased under resell agreements		2,978,852	5,340,360	7,615,565	2,416,641	11,656,071
Receivables, net		104,718,618	113,258,142	135,089,033	144,763,489	156,087,584
Current tax assets		389,782	534,816	357,417	354,251	348,699
Assets held for sale, net		0	0	0	0	0
Loans, net		834,605,345	877,317,379	959,618,741	1,018,505,146	1,138,467,117
Reinsurance contract assets		0	0	0	0	0
Held-to-maturity financial assets		5,110	6,126	6,095	0	0
Investments accounted for using the equity method, net		34,986,174	36,822,426	38,521,283	40,100,981	41,406,600
Restricted assets		0	0	0	0	0
Other financial assets, net		11,074,488	14,051,576	11,718,711	9,866,430	5,545,296
Property and equipment, net		18,234,698	18,514,420	19,143,108	19,158,975	19,051,458
Investment property, net		891,781	866,065	769,694	644,159	1,001,062
Right-of-use assets - net		0	0	0	0	2,761,324
Intangible assets, net		2,022,001	2,200,915	2,283,808	2,275,459	2,462,448
Deferred tax assets, net		3,517,778	2,950,676	2,480,967	3,360,316	2,695,099
Other assets		27,847,591	15,714,400	7,009,339	11,716,925	8,516,416
<b>Total assets</b>		<b>1,520,230,642</b>	<b>1,576,985,727</b>	<b>1,677,520,316</b>	<b>1,786,893,517</b>	<b>2,030,941,331</b>
Due to the Central Bank and banks		64,689,878	46,966,461	64,252,429	57,441,338	53,393,057
Funds borrowed from the Central Bank and banks		0	0	0	1,536,650	1,505,300
Financial liabilities at fair value through profit or loss		49,915,794	35,815,311	18,467,718	29,502,674	27,549,349
Derivative financial liabilities for hedging		0	0	0	0	0
Securities sold under repurchase agreements		80,211,187	70,108,624	76,695,065	83,045,834	120,144,975
Commercial paper issued		2,672,740	8,537,889	15,298,649	12,215,597	22,856,765
Payables		21,115,147	30,162,981	29,096,110	28,783,190	39,382,641
Current tax liabilities		625,188	1,123,810	1,464,131	2,306,439	2,473,274
Liabilities directly associated with assets held for sale		0	0	0	0	0
Deposits and remittances		1,040,466,391	1,104,139,089	1,194,493,789	1,259,675,424	1,434,084,934
Bonds payable		75,000,000	75,000,000	64,400,000	61,700,000	56,800,000
Preferred stock liabilities		0	0	0	0	0
Other financial liabilities		56,635,336	51,606,593	51,703,941	70,628,831	83,587,147
Reserve for liabilities		1,020,107	1,165,486	1,485,384	1,721,335	1,761,125
Lease liabilities		0	0	0	0	2,822,108
Deferred tax liabilities		57,347	127,762	96,839	108,838	112,987
Other financial liabilities		2,861,598	3,356,087	4,744,152	3,709,414	5,449,932
Total liabilities						
	Pre-payout	1,395,270,713	1,428,110,093	1,522,198,207	1,612,375,564	1,851,923,594
	Post-payout	1,400,458,320	1,433,706,885	1,529,184,591	1,619,212,883	(Note 1)
Equity attributable to owners of parent		124,829,618	148,751,140	155,188,265	174,384,526	178,889,382
Capital stock						
	Pre-payout	95,855,246	103,825,072	107,757,589	114,541,477	114,578,121
	Post-payout	102,271,657	107,937,968	112,187,790	116,712,380	(Note 1)
Capital surplus						
	Pre-payout	10,220,503	27,132,585	26,453,556	37,805,713	35,955,405
	Post-payout	10,220,503	27,132,585	26,453,556	37,805,713	(Note 1)
Retained earnings						
	Pre-payout	18,825,174	18,051,306	21,103,712	22,108,378	27,302,739
	Post-payout	7,221,156	8,341,618	9,687,127	13,100,156	(Note 1)
Other equity		-71,305	-257,823	-126,592	-71,042	1,053,117
Treasury shares		0	0	0	0	0
Non-controlling interest		130,311	124,494	133,844	133,427	128,355
Total equity						
	Pre-payout	124,959,929	148,875,634	155,322,109	174,517,953	179,017,737
	Post-payout	119,772,322	143,278,842	148,335,725	167,680,634	(Note 1)

Note 1: Proposal for the coverage of 2019 profit has yet to be passed by shareholders' meeting.

Note 2: Financial statements are in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidance translated by the ARDF and issued by the FSC. The 2015 financial statements are certified by CPAs QinZhen Yang and Tza Li Gung, who issued auditing report for their authenticity without reservation. The 2016-2019 financial statement is certified by CPAs Tza Li Gung and Kwan-Chung Lai, who issued auditing report for their authenticity without reservation.

**Brief Consolidated Comprehensive Income Statement of  
the Financial Holding Company and subsidiaries: IFRS**

Unit: NT\$1,000

Item	Year	Financial data in the recent five years				
		2015	2016	2017	2018	2019
Interest income		29,509,687	29,082,391	30,621,256	34,485,001	37,209,805
Interest expenses		( 11,712,867)	( 11,078,256)	( 11,886,687)	( 14,893,700)	( 17,620,508)
Net interest income		17,796,820	18,004,135	18,734,569	19,591,301	19,589,297
Net income other than net interest income		19,711,007	18,147,270	19,067,332	20,157,022	24,052,114
Net revenue and gains		37,507,827	36,151,405	37,801,901	39,748,323	43,641,411
Reversed allowance for bad debts expenses and guarantee liability provisions		( 2,818,084)	( 3,350,119)	( 1,851,058)	( 3,340,539)	( 2,615,115)
Net change in provisions for insurance liabilities		0	0	0	0	0
Operating expenses		( 19,793,219)	( 19,831,493)	( 21,141,214)	( 22,171,401)	( 24,752,722)
Income before income tax from continuing operations		14,896,524	12,969,793	14,809,629	14,236,383	16,273,574
Income tax (expense) benefit		( 1,670,433)	( 1,577,360)	( 1,739,463)	( 1,306,250)	( 1,787,643)
Net income from continuing operations		13,226,091	11,392,433	13,070,166	12,930,133	14,485,931
Net income from discontinued operations		0	0	0	0	0
Consolidated net income		13,226,091	11,392,433	13,070,166	12,930,133	14,485,931
Other comprehensive income, net of tax		( 744,461)	( 453,287)	( 107,224)	( 320,668)	1,019,947
Total comprehensive income		12,481,630	10,939,146	12,962,942	12,609,465	15,505,878
Net income attributable to owners of parent		13,222,544	11,399,434	13,060,662	12,930,583	14,488,021
Net income attributable to non-controlling interests		3,547	( 7,001)	9,504	( 450)	( 2,090)
Total comprehensive income attributable to owners of parent		12,477,225	10,944,967	12,953,592	12,609,882	15,507,543
Total comprehensive income attributable to non- controlling interests		4,405	( 5,821)	9,350	( 417)	( 1,665)
Earnings per common share		1.17	1.02	1.08	1.07	1.19

Note 1: Earnings per share for common shares is based on the unit of NT\$1 and the effect of capital increase by earning has been taken into account retroactively in the calculation of the figure.

Note 2: Financial statements are in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidance translated by the ARDF and issued by the FSC. The 2015 financial statements are certified by CPAs QinZhen Yang and Tza Li Gung, who issued auditing report for their authenticity without reservation. The 2016-2019 financial statement is certified by CPAs Tza Li Gung and Kwan-Chung Lai, who issued auditing report for their authenticity without reservation.

## B. Financial analysis for the recent five years financial analysis

### Financial Analysis: IFRS

Unit: NT\$1,000

Item	Year	Financial Analysis in the recent five years					Financial data for current year as of Feb. 29, 2020
		2015	2016	2017	2018	2019	
Management capability	Turnover rate of total assets (times)	0.03	0.02	0.02	0.03	0.02	(Note 3)
	Deposit/loan ratio of Taishin Bank (%)	81.30	80.07	81.32	81.59	80.35	
	NPL ratio of Taishin Bank (%)	0.13	0.26	0.22	0.18	0.17	
	Revenue per employee	4,601	4,423	4,469	4,267	4,555	
	Profit per employee	1,622	1,394	1,545	1,388	1,512	
Profit-making capability	Return on assets (%)	0.91	0.74	0.80	0.75	0.76	
	Return on common shareholders' equity (%)	11.78	9.58	9.61	9.06	9.54	
	Net profit rate (%)	35.26	31.51	34.58	32.53	33.19	
	Earning per share (NT\$)	1.17	1.02	1.08	1.07	1.19	
Financial Structure	Liabilities/assets ratio (%)	91.78	90.56	90.74	90.23	91.19	
	Liabilities/book value ratio (%)	1,116.57	959.26	980.03	923.90	1,034.49	
	Double leverage ratio of the financial holding company (%)	108	111	113	111	117	
	Financial ratio of the financial holding company according to article 41 of the law	None	None	None	None	None	
Leverage extent	Business leverage extent	2.52	2.79	2.55	2.79	2.68	
	Financial leverage extent of financial holding company	1.04	1.04	1.04	1.04	1.03	
Growth rate	Assets growth (%)	9.93	3.73	6.38	6.52	13.66	
	Profit growth (%)	13.12	( 12.93)	14.19	( 3.87)	14.31	
Cash flow	Cash flow ratio (%)	( 9.35)	8.45	( 8.27)	( 8.82)	16.91	(Note 3)
	Propriety ratio of cash flow (%)	( 33.81)	21.33	( 141.42)	( 107.39)	14.43	
	Cash-flow satisfaction ratio (%)	1,959.74	( 904.19)	306.50	1,559.94	( 2,314.49)	
Business scale	Market share of assets (%)	3.76	3.67	3.55	3.55	3.72	
	Market share of book value (%)	4.34	4.82	4.53	5.16	4.40	
	Market share of Taishin Bank's deposit (%)	3.03	3.13	3.22	3.29	3.55	
	Market share of Taishin Bank's loan extension (%)	3.32	3.40	3.59	3.62	3.89	
Capital Adequacy	Capital adequacy ratio	Taishin Bank	12.49	14.21	14.23	14.72	14.40
		Taishin Security	452	404	418	341	326
		Taishin AMC	87.61	86.33	86.94	77.76	74.70
		Taishin Securities Investment Trust	90.28	89.22	90.04	89.55	83.99
		Taishin Securities Investment Advisory	93.95	94.02	93.58	92.88	90.66
		Taishin Venture Capital	96.82	91.45	89.21	99.94	99.88
		Taishin Holdings Insurance Brokers	70.29	-	-	-	-
	Eligible self-owned capital	143,458,486	169,318,748	174,779,716	189,189,087	202,934,686	
	Group's eligible capital	158,536,344	177,446,837	186,506,222	208,792,612	220,591,614	
	Subsidiary's statutory capital requirement	90,472,582	101,764,953	111,343,687	124,682,579	144,639,521	

Item		Financial Analysis in the recent five years					Financial data for current year as of Feb. 29, 2020
		2015	2016	2017	2018	2019	
Capital Adequacy	Group's statutory capital requirement	125,097,968	138,109,590	149,361,020	164,287,267	185,514,699	(Note 3)
	Group's capital adequacy ratio (%)	126.73	128.48	124.87	127.09	118.91	
Mandatory disclosure by the financial holding company of the total value of credit extension, endorsement, or other trading extended by its subsidiaries to the same person, related party, or affiliate according to article 46 of the law (NT\$1Million)		454,108 (Note 2)	476,347 (Note 2)	532,089 (Note 2)	612,989 (Note 2)	835,611 (Note 2)	
Describe reasons for changes in various financial ratios in the recent two years (No need of analysis for change under 20%):							
1. Decrease in the profit growth ratio as at December 31, 2019 over December 31, 2018 was mainly due to a lower pre-tax net profit.							
2. Increase in the cash flow adequacy ratio as at December 31, 2019 over December 31, 2018 was mainly due to decreased net cash inflows from operating activities.							
3. Increase in the cash flow satisfaction ratio as at December 31, 2019 over December 31, 2018 was mainly due to decreased net cash outflows from investment activities.							

Note 1: All ratios have been prepared in accordance with FSC-approved International Financial Reporting Standards, International Accounting Standards, and any relevant interpretations and announcements thereof. All ratios have been based on consolidated figures, except as otherwise specified to be attributable to certain subsidiaries of the financial holding company.

Note 2: Please see financial reports of the respective years for more details.

Note 3: At the time this annual report was published, no audited financial data for 2020 were available.

Note 4: Calculation formulas as follow:

1. Management capability
  - (1) Turnover rate of total assets=Net revenue/average total assets.
  - (2) Deposit/loan ratio of subsidiary bank=Total loans of subsidiary bank/total deposit.
  - (3) NPL ratio of subsidiary bank=Total NPL of subsidiary bank/total loan.
  - (4) Revenue per employee=Net revenue/total number of employees.
  - (5) Profit per employee=After-tax profit/total number of employees.
2. Profit-making capability
  - (1) Return on assets=After-tax income/average value of total assets.
  - (2) Return on common shareholders' equity= (After-tax income—Preferred stock dividends) /Average net value of common shareholders' equity.
  - (3) Net profit rate=After-tax income/net revenue.
  - (4) Earning per share= (After-tax net profit-dividend for preferred shares)/weighted average amount of issued shares (Retroactive adjustment for earning per share has been made for those years with capital increment from retained earnings or capital increase by capital surplus).
3. Financial structure
  - (1) Liabilities/assets ratio=Total liabilities/total assets.
  - (2) Liabilities/book value ratio=Total liabilities/net shareholders' equity.
  - (3) Double leverage ratio of the financial holding company=Equity investment according to item 2, article 36 and 37 of the law/book value.
4. Leverage extent
  - (1) Business leverage extent= (Net revenue-variation in expense or loss)/pre-tax income).
  - (2) Financial leverage extent of financial holding company=(pre-tax income+interest outlay)/pre-tax income).
5. Growth rate
  - (1) Assets growth rate= (Total assets in current year-total assets in previous year)/total assets in previous year.
  - (2) Profit growth= (Pre-tax income in current year-pre-tax income in previous year)/pre-tax income in previous year).
6. Cash flow
  - (1) Cash flow ratio=Business-related net cash flow/(call loans and overdraft of bank and peers+commercial paper payable+financial liabilities deriving from variation in fair value included in the calculation of income+liabilities of repo bills and bonds+account payable due in one year).
  - (2) Propriety ratio of net cash flow=Business-related net cash flow in recent years/ (capital outlay+cash dividend) in recent five years.
  - (3) Cash flow coverage ratio=net cash flow from operating activities/net cash flow from investment activities.
7. Business scale
  - (1) Market share of assets=Total assets/total assets of financial holding companies(Calculation for 2019 is based on unaudited data.)
  - (2) Market share of book value=Book value/total book values of financial holding companies(Calculation for 2019 is based on unaudited data.)
  - (3) Market share of banking subsidiary's deposit=Total deposits/total deposits of financial institutions capable of undertaking deposit/ loan business.
  - (4) Market share of banking subsidiary's loan extension=Total loans /total deposits of financial institutions capable of undertaking deposit/ loan business.
8. BIS ratio (capital adequacy ratio)
  - (1) Qualified net capital of the group=financial holding company's qualified capital+ (shareholding ration of financial holding company x qualified capital of subsidiaries)-designated deductible items.
  - (2) Total required legal capital of the group=required legal capital of financial holding company+shareholding ratio of financial holding company x required legal capital of subsidiaries.
  - (3) BIS ratio of the group=Net qualified capital of the group/legal capital requirement of the group.

**Taishin Financial Holding Co., Ltd.**

**Audit Committee Report**

April 30, 2020

The Board of Directors has prepared the 2019 business report, financial statements, and earnings distribution proposal for the Company. The financial statements have been audited and certified by CPA Tza Li Gung and CPA Kwan-Chung Lai of Deloitte Taiwan, who have also expressed an opinion. The above reports and statements compiled by the Board of Directors have been audited by the Audit Committee and have been produced in compliance with the relevant rules and regulations. Please note that the report here presented has been prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

Taishin Financial Holding Co., Ltd. 2020 Annual General Meeting

The Convener of the Audit Committee

Chang, Min-Yu



## D. The latest consolidated financial statements of the company and its subsidiaries audited and certified by CPAs

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders

Taishin Financial Holding Co., Ltd.

#### Opinion

We have audited the accompanying consolidated financial statements of Taishin Financial Holding Co., Ltd. ("Taishin Financial Holding") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Statements 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 Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following were the key audit matters in the audit of the consolidated financial statements of the Group for the year ended December 31, 2019:

#### Impairment of Loans

Commercial lending is the core business of the Group. Loans are mainly recorded in Taishin International Bank Co., Ltd. (“Taishin Bank”), a subsidiary of Taishin Financial Holdings, and represent the Group’s significant accounts, which reached around 56% of the Group’s total assets as of December 31, 2019. The Group assesses the impairment of loans of Taishin Bank in accordance with IFRS 9 “Financial Instruments”. See Notes 5 and 13 to the consolidated financial statements for the relevant and additional information. The Group management’s judgement and the assumptions used have significant impact on the impairment assessments. Therefore, we consider the impairment of loans as a key audit matter. Refer to Note 6 to the consolidated financial statements for the relevant and additional information.

Our audit procedures on the impairment of loans included testing of the design and operating effectiveness of controls and procedures for identifying loans and advances exposed to impairment and for ensuring that provisions against those assets were made. We identified loans and receivables and checked from public information to see whether the borrowers were possibly problematic companies, or have already been included in the companies under evaluation for lifetime expected credit losses (ECLs). We evaluated the assumptions used in the Group’s impairment assessment model of ECLs to assess whether the ECLs of loans would be assessed in groups based on the nature of the products, borrowers’ credit ratings and collateral, and we also checked the Group’s compliance with regulations on assessment of impairment and its compliance with IFRS 9.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated**

##### **Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Statements 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 Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the Group's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tza-Li Gung and Kwan-Chung Lai.

Deloitte & Touche

Taipei, Taiwan

Republic of China

February 27, 2020

#### Notice to Readers

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

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

## TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 5 and 7)	\$ 24,168,532	1	\$ 22,590,750	1
Due from the Central Bank and call loans to banks (Note 8)	67,417,279	3	55,875,912	3
Financial assets at fair value through profit or loss (FVTPL) (Notes 5 and 9)	144,041,593	7	115,782,595	7
Financial assets at fair value through other comprehensive income (FVTOCI) (Notes 5 and 10)	273,426,137	14	336,400,248	19
Financial assets at amortized cost (Notes 5 and 11)	131,888,616	7	3,081,240	-
Securities purchased under resale agreements (Note 5)	11,656,071	1	2,416,641	-
Receivables, net (Notes 5, 12 and 13)	156,087,584	8	144,763,489	8
Current tax assets (Notes 5 and 38)	348,699	-	354,251	-
Loans, net (Notes 5, 6 and 13)	1,138,467,117	56	1,018,505,146	57
Investments accounted for using the equity method, net (Notes 5 and 14)	41,406,600	2	40,100,981	2
Other financial assets, net (Notes 5, 12 and 15)	5,545,296	-	9,866,430	1
Investment property, net (Notes 5 and 16)	1,001,062	-	644,159	-
Property and equipment, net (Notes 5 and 17)	19,051,458	1	19,158,975	1
Right-of-use assets, net (Notes 4, 5 and 18)	2,761,324	-	-	-
Intangible assets, net (Notes 5 and 19)	2,462,448	-	2,275,459	-
Deferred tax assets (Notes 5 and 38)	2,695,099	-	3,360,316	-
Other assets, net (Note 20)	8,516,416	-	11,716,925	1
<b>TOTAL</b>	<b>\$ 2,030,941,331</b>	<b>100</b>	<b>\$ 1,786,893,517</b>	<b>100</b>

(Continued)

	2019		2018	
	Amount	%	Amount	%
<b>LIABILITIES AND EQUITY</b>				
Due to the Central Bank and banks (Note 21)	\$ 53,393,057	3	\$ 57,441,338	3
Funds borrowed from the Central Bank and other banks	1,505,300	-	1,536,650	-
Financial liabilities at FVTPL (Notes 5 and 9)	27,549,349	1	29,502,674	2
Securities sold under repurchase agreements (Note 5)	120,144,975	6	83,045,834	5
Commercial paper issued, net (Note 22)	22,856,765	1	12,215,597	1
Payables (Note 23)	39,382,641	2	28,783,190	2
Current tax liabilities (Notes 5 and 38)	2,473,274	-	2,306,439	-
Deposits and remittances (Note 24)	1,434,084,934	71	1,259,675,424	70
Bonds payable (Note 25)	56,800,000	3	61,700,000	3
Other borrowings (Note 26)	11,194,084	-	11,545,384	1
Provisions (Notes 5, 27 and 30)	1,761,125	-	1,721,335	-
Other financial liabilities (Note 28)	72,393,063	4	59,083,447	3
Lease liabilities (Notes 4, 5 and 18)	2,822,108	-	-	-
Deferred tax liabilities (Notes 5 and 38)	112,987	-	108,838	-
Other liabilities (Note 29)	5,449,932	-	3,709,414	-
<b>Total liabilities</b>	<u>1,851,923,594</u>	<u>91</u>	<u>1,612,375,564</u>	<u>90</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Note 31)</b>				
Capital stock				
Common stock	106,567,044	5	104,362,071	6
Preferred stock	8,000,000	-	10,175,410	1
Advance receipts for capital stock	11,077	-	3,996	-
Capital surplus	35,955,405	2	37,805,713	2
Retained earnings				
Legal reserve	10,357,137	1	9,115,012	-
Special reserve	572,115	-	572,115	-
Unappropriated earnings	16,373,487	1	12,421,251	1
Other equity	1,053,117	-	(71,042)	-
Equity attributable to owners of parent	<u>178,889,382</u>	<u>9</u>	<u>174,384,526</u>	<u>10</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>128,355</u>	<u>-</u>	<u>133,427</u>	<u>-</u>
<b>Total equity</b>	<u>179,017,737</u>	<u>9</u>	<u>174,517,953</u>	<u>10</u>
<b>TOTAL</b>	<u>\$ 2,030,941,331</u>	<u>100</u>	<u>\$ 1,786,893,517</u>	<u>100</u>

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

(Concluded)

## TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019		2018	
	Amount	%	Amount	%
INTEREST INCOME (Notes 5 and 32)	\$ 37,209,805	85	\$ 34,485,001	87
INTEREST EXPENSES (Note 32)	( 17,620,508)	( 40)	( 14,893,700)	( 38)
NET INTEREST INCOME (Note 32)	19,589,297	45	19,591,301	49
NET INCOME OTHER THAN NET INTEREST INCOME				
Net service fee and commission income (Notes 5 and 33)	12,935,623	30	12,012,226	30
Gain on financial assets and liabilities at FVTPL (Notes 5 and 34)	7,014,668	16	3,125,283	8
Realized gain on financial assets at FVTOCI (Notes 5 and 35)	749,311	2	388,455	1
Foreign exchange gains (losses)	227,316	-	1,074,385	3
Impairment (loss) gain on assets (Notes 10, 11 and 20)	( 18,965)	-	( 900)	-
Share of profit (loss) of associates accounted for using equity method (Notes 5 and 14)	2,650,357	6	2,875,227	7
Net other non-interest income				
Net other miscellaneous income	493,804	1	682,346	2
Net income other than net interest income	24,052,114	55	20,157,022	51
NET REVENUE AND GAINS	43,641,411	100	39,748,323	100
PROVISIONS FOR ALLOWANCE FOR BAD DEBT EXPENSES, COMMITMENTS AND GUARANTEES LIABILITIES (Notes 5 and 13)	( 2,615,115)	( 6)	( 3,340,539)	( 8)
OPERATING EXPENSES				
Employee benefits expenses (Notes 5 and 36)	( 13,987,394)	( 32)	( 12,374,008)	( 31)
Depreciation and amortization expenses (Note 37)	( 2,004,400)	( 5)	( 1,194,980)	( 3)
Other general and administrative expenses	( 8,760,928)	( 20)	( 8,602,413)	( 22)
Total operating expenses	( 24,752,722)	( 57)	( 22,171,401)	( 56)
INCOME BEFORE INCOME TAX	16,273,574	37	14,236,383	36
INCOME TAX EXPENSE (Notes 5 and 38)	( 1,787,643)	( 4)	( 1,306,250)	( 3)
NET INCOME	14,485,931	33	12,930,133	33
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Gain (losses) on remeasurements of defined benefit plans	( 34,402)	-	( 80,908)	-
Share of other comprehensive income of associates accounted for using the equity method	334,148	1	( 103,813)	-

(Continued)

	2019		2018	
	Amount	%	Amount	%
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	\$ 39,023	-	\$ 544	-
Unrealized gain on investments in equity instruments designated as at FVTOCI	195,931	1	115,368	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	8,340	-	42,920	-
Items that will be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	( 68,694)	-	( 55,051)	-
Share of other comprehensive income (loss) of associate accounted for using the equity method	( 259,652)	( 1)	136,550	-
Unrealized gain (loss) on investment in debt instruments at FVTOCI	859,009	2	( 401,998)	( 1)
Reversal of impairment on investment in debt instruments at FVTOCI	7,060	-	146	-
Income tax relating to items that will be reclassified subsequently to profit or loss	( 60,816)	-	25,574	-
Other comprehensive income (loss), net of tax	<u>1,019,947</u>	<u>3</u>	<u>( 320,668)</u>	<u>( 1)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ <u>15,505,878</u></b>	<b><u>36</u></b>	<b>\$ <u>12,609,465</u></b>	<b><u>32</u></b>
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Owners of parent	\$ 14,488,021	33	\$ 12,930,583	33
Non-controlling interests	( 2,090)	-	( 450)	-
	<u>\$ 14,485,931</u>	<u>33</u>	<u>\$ 12,930,133</u>	<u>33</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of parent	\$ 15,507,543	36	\$ 12,609,882	32
Non-controlling interests	( 1,665)	-	( 417)	-
	<u>\$ 15,505,878</u>	<u>36</u>	<u>\$ 12,609,465</u>	<u>32</u>
<b>EARNINGS PER SHARE (Note 39)</b>				
Basic	<u>\$ 1.19</u>		<u>\$ 1.07</u>	
Diluted	<u>\$ 1.19</u>		<u>\$ 1.07</u>	

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

(Concluded)

# TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent						
	Capital Stock			Capital Surplus			
	Common Stock	Preferred Stock	Advanced Receipts for Capital Stock	Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions	Stock-based Compensation	Other
BALANCE AT JANUARY 1, 2018	\$ 99,842,620	\$ 7,900,547	\$ 14,422	\$ 24,206,873	\$ 2,075,475	\$ 171,208	\$ -
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	99,842,620	7,900,547	14,422	24,206,873	2,075,475	171,208	-
Appropriation of 2017 earnings							
Legal reserve	-	-	-	-	-	-	-
Special reserve under order No. 10310006310 issued by FSC	-	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-	-
Stock dividends	4,430,201	-	-	-	-	-	-
Special reserve reversed under order No. 1010012865 issued by the FSC	-	-	-	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2018, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-	-
Issuance of preferred stock E	-	3,000,000	-	11,987,061	-	-	-
Redemption of preferred stock D	-	( 725,137)	-	( 614,596)	-	-	-
Share-based payments	89,250	-	( 10,426)	23,324	-	( 43,632)	-
Disposals of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2018	104,362,071	10,175,410	3,996	35,602,662	2,075,475	127,576	-
Appropriation of 2018 earnings							
Legal reserve	-	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-	-
Stock dividends	2,170,903	-	-	-	-	-	-
Net income for the year ended December 31, 2019	-	-	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2019, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	-	-
Redemption of preferred stock D	-	( 2,175,410)	-	( 1,843,789)	-	-	-
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	3,213
Share-based payments	34,070	-	7,081	15,841	-	( 25,573)	-
Non-controlling interests	-	-	-	-	-	-	-
Disposals of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2019	\$ 106,567,044	\$ 8,000,000	\$ 11,077	\$ 33,774,714	\$ 2,075,475	\$ 102,003	\$ 3,213

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

Equity Attributable to Owners of Parent								
Retained Earnings			Other Equity					Total Equity
Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets FVTOCI	Unrealized Gains on Available-for-sale Financial Assets	Changes in Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities at FVTPL	Non-controlling Interests	Total Equity
\$ 7,838,803	\$ 502,815	\$ 12,762,094	\$ ( 463,546)	\$ -	\$ 336,973	\$ ( 19)	\$ 133,844	\$ 155,322,109
-	-	( 249,170)	-	513,329	( 336,973)	-	-	( 72,814)
7,838,803	502,815	12,512,924	( 463,546)	513,329	-	( 19)	133,844	155,249,295
1,276,209	-	( 1,276,209)	-	-	-	-	-	-
-	106,747	( 106,747)	-	-	-	-	-	-
-	-	( 5,414,689)	-	-	-	-	-	( 5,414,689)
-	-	( 1,571,695)	-	-	-	-	-	( 1,571,695)
-	-	( 4,430,201)	-	-	-	-	-	-
-	( 37,447)	37,447	-	-	-	-	-	-
-	-	12,930,583	-	-	-	-	( 450)	12,930,133
-	-	( 88,357)	90,683	( 323,777)	-	750	33	( 320,668)
-	-	12,842,226	90,683	( 323,777)	-	750	( 417)	12,609,465
-	-	-	-	-	-	-	-	14,987,061
-	-	( 60,267)	-	-	-	-	-	( 1,400,000)
-	-	-	-	-	-	-	-	58,516
-	-	( 111,538)	-	111,538	-	-	-	-
9,115,012	572,115	12,421,251	( 372,863)	301,090	-	731	133,427	174,517,953
1,242,125	-	( 1,242,125)	-	-	-	-	-	-
-	-	( 5,306,652)	-	-	-	-	-	( 5,306,652)
-	-	( 1,530,667)	-	-	-	-	-	( 1,530,667)
-	-	( 2,170,903)	-	-	-	-	-	-
-	-	14,488,021	-	-	-	-	( 2,090)	14,485,931
-	-	( 62,000)	( 303,087)	1,345,773	-	38,836	425	1,019,947
-	-	14,426,021	( 303,087)	1,345,773	-	38,836	( 1,665)	15,505,878
-	-	( 180,801)	-	-	-	-	-	( 4,200,000)
-	-	-	-	-	-	-	( 3,213)	-
-	-	-	-	-	-	-	-	31,419
-	-	-	-	-	-	-	( 194)	( 194)
-	-	( 42,637)	-	42,637	-	-	-	-
\$ 10,357,137	\$ 572,115	\$ 16,373,487	\$ ( 675,950)	\$ 1,689,500	\$ -	\$ 39,567	\$ 128,355	\$ 179,017,737

# TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 16,273,574	\$ 14,236,383
Adjustments:		
Adjustments to reconcile profit or loss		
Depreciation expenses	1,711,251	932,139
Amortization expenses	293,149	262,841
Provisions for allowance for bad debts expenses, commitments and guarantee liabilities	2,615,115	3,340,539
Net loss (gain) on financial assets and liabilities at FVTPL	( 7,014,668)	( 3,125,283)
Net loss (gain) on financial assets and liabilities at FVTOCI	( 749,311)	( 388,455)
Interest expenses	17,620,508	14,893,700
Interest income	( 37,209,805)	( 34,485,001)
Stock-based payments	45,458	73,709
Share of profit of associates accounted for using the equity method	( 2,650,357)	( 2,875,227)
Impairment loss on financial assets	14,326	900
Impairment loss on non-financial assets	4,639	-
Other adjustments	1,403,881	1,104,056
Total adjustments	<u>( 23,915,814)</u>	<u>( 20,266,082)</u>
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and call loans to banks	6,306,470	( 11,361,498)
(Increase) decrease in financial assets at FVTPL	23,114,372	24,370,144
(Increase) decrease in financial assets at FVTOCI	62,712,015	( 38,161,569)
(Increase) decrease in financial assets at amortized cost	( 128,812,066)	( 3,073,300)
(Increase) decrease in securities purchased under resale agreements	( 320,746)	-
(Increase) decrease in receivables	( 11,570,005)	( 11,548,087)
(Increase) decrease in loans	( 122,165,321)	( 59,476,488)
(Increase) decrease in other financial assets	4,331,074	( 1,514,552)
(Increase) decrease in other assets	3,140,410	( 4,715,843)
Increase (decrease) in due to the Central Bank and banks	179,547	( 673,790)
Increase (decrease) in financial liabilities at FVTPL	( 47,346,317)	( 12,377,805)
Increase (decrease) in securities sold under repurchase agreements	37,099,141	6,350,769
Increase (decrease) in payables	10,373,846	( 807,148)
Increase (decrease) in deposits and remittances	174,409,509	65,181,635
Increase (decrease) in provisions	( 23,577)	( 33,942)
Increase (decrease) in other financial liabilities	13,317,532	17,694,582
Increase (decrease) in other liabilities	1,662,845	( 1,083,577)
Cash generated from (used in) operations	18,766,489	( 37,260,168)
Interest received	38,191,404	35,245,326
Dividends received	1,893,732	1,407,516
Interest paid	( 17,573,988)	( 14,543,034)
Income taxes returned	9,957	19
Income taxes paid	( 1,012,581)	( 1,258,861)
Net cash generated from (used in) operating activities	<u>40,275,013</u>	<u>( 16,409,202)</u>

(Continued)

	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from capital reduction of financial assets at FVTOCI	\$ 3,384	\$ 23,091
Acquisition of financial assets carried at cost	( 3,070)	( 3,070)
Acquisition of investments accounted for using equity method	( 10,000)	-
Acquisition of property and equipment	( 1,009,039)	( 695,201)
Proceeds from disposal of property and equipment	38,099	134
Acquisition of intangible assets	( 486,382)	( 237,751)
Acquisition of investment properties	( 273,117)	( 139,113)
Net cash generated from (used in) investing activities	<u>( 1,740,125)</u>	<u>( 1,051,910)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in due to the Central Bank and banks	( 4,259,178)	( 4,600,651)
Increase (decrease) in commercial paper payable	10,640,000	( 3,085,000)
Corporate bond issued	7,000,000	7,000,000
Corporate bond repayment	( 7,000,000)	( 9,700,000)
Bank debenture issued	5,000,000	-
Bank debenture repayments	( 9,900,000)	-
Increase (decrease) in other borrowings	5,895	1,504,427
Increase (decrease) in financial liabilities designated as at FVTPL	-	3,050,000
Repayment of principal portion of lease liabilities	( 617,100)	-
Cash dividends distributed	( 6,837,319)	( 6,986,384)
Preferred stock E issued	-	14,987,061
Redemption of preferred stock D	( 4,200,000)	( 1,400,000)
Exercise of employee stock options	31,419	58,516
Changes in non-controlling interest change	( 194)	-
Net cash generated from (used in) financing activities	<u>( 10,136,477)</u>	<u>827,969</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>( 54,108)</u>	<u>( 327,927)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,344,303	( 16,961,070)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>26,655,928</u>	<u>43,616,998</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 55,000,231</u>	<u>\$ 26,655,928</u>

## Reconciliation of cash and cash equivalents:

	2019	2018
Cash and cash equivalents in consolidated balance sheets	\$ 24,168,532	\$ 22,590,750
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7	19,496,374	1,648,537
Securities purchased under resell agreements qualifying as cash and cash equivalents under the definition of IAS 7	<u>11,335,325</u>	<u>2,416,641</u>
Cash and cash equivalents at the end of the year	<u>\$ 55,000,231</u>	<u>\$ 26,655,928</u>

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

(Concluded)

# TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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#### 1. GENERAL INFORMATION

Taishin Financial Holding Co., Ltd. (“Taishin Financial Holding” or the “Company”) was established by Taishin International Bank Co., Ltd. (“Taishin Bank”) and Dah An Commercial Bank Co., Ltd. (“Dah An Bank”) pursuant to the Republic of China (“ROC”) Financial Holding Company Act and related regulations through a stock swap on February 18, 2002. Taishin Financial Holding’s main business activities are investing and managing its invested financial institutions.

Taishin Bank and Dah An Bank established Taishin Financial Holding through a stock swap. In forming the holding company, Taishin Bank merged with Dah An Bank, with Taishin Bank as the surviving company. In addition, Taishin Securities Co., Ltd. (“Taishin Securities A”) and Taishin Bills Finance Co., Ltd. (“Taishin Bills Finance”) became wholly-owned subsidiaries of Taishin Financial Holding through a stock swap effective on December 31, 2002.

In order to better integrate the resources of the Company and its controlled affiliates, on December 19, 2009, the Company disposed of its wholly-owned subsidiary Taishin Securities A via a merger transaction of Taishin Securities A, as the dissolved company, and KGI Securities Co., Ltd. In addition, on January 22, 2011, Taishin Bank merged with Taishin Bills Finance. Hence, Taishin Bank acquired total assets and assumed all liabilities and operations of Taishin Bills Finance.

Taishin Bank started its business operations on March 23, 1992. Taishin Bank provides customers with (a) general commercial banking services according to the Banking Act of the Republic of China.

Taishin Asset Management Co., Ltd. (“Taishin AMC”) was established on August 14, 2002 in accordance with the Company Law and other related laws. Taishin AMC’s operations include the acquisition, evaluation, auction, and management of delinquent loans.

Taishin Financial Holding acquired 100% equity interest of Franklin Insurance Brokers Co., Ltd. (“Franklin Insurance Brokers”) by cash investments on April 27, 2011. Franklin Insurance Brokers became a subsidiary of Taishin Financial Holding and changed the company name to Taishin Holdings Insurance Brokers Co., Ltd. (“Taishin Holdings Insurance Brokers”). Taishin Holdings Insurance Brokers operations include property insurance broker service and life insurance broker service. In order to integrate the group resources and effectively utilize operational capital to advance operational performance, the Company conducted internal group restructure. The Company intended to have Taishin Bank merge with Taishin Holdings Insurance Brokers. Therefore, on October 29, 2015, the board of Taishin Bank (acting as stockholders of Taishin Bank) resolved that the surviving company was Taishin Bank and the dissolved company was Taishin Holdings Insurance Brokers. On December 30, 2015, the merger was endorsed by the Financial Supervisory Commission (“FSC”). The merging base date was on April 24, 2016. The consideration of Taishin Holding Insurance Brokers is its audited net value on the merging base date. Taishin Bank pays in cash and bears the overall assets, liabilities and operation of Taishin Holding Insurance Brokers.

Taishin Venture Capital Co., Ltd. (“Taishin Venture Capital”) was approved for establishment on December 25, 2002. Its operations include engagement in investment start-ups.

Taishin Financial Holding acquired 100% equity interest of Taishin Securities Investment Trust Co., Ltd. (“Taishin Securities Investment Trust”) and 92% equity interest of Taishin Securities Investment Advisory Co., Ltd. (“Taishin Securities Investment Advisory”) by cash investments on July 26, 2010. Taishin Securities Investment Trust and Taishin Securities Investment Advisory became subsidiaries of Taishin Financial Holding.

Taishin Securities Investment Advisory was established in March 1989, and its operations include accepting mandates from customers, providing analytical opinions or recommendations on securities investment, acting as an agent for investment consultancy of offshore funds, issuing publications or holding lectures about securities investment and other relevant business permitted by the competent authority.

Taishin Securities Investment Trust approved by the Securities and Futures Bureau, was established on May 31, 2004. Its operations include offering securities investment trust funds, issuing beneficial interest certificates and investing in or trading securities, securities-related products or other items approved by the FSC. In addition, Taishin Securities Investment Trust was approved to operate a full fiduciary discretionary investment business in 2005.

Taishin Securities Co., Ltd. (“Taishin Securities B”) (originally named Donshin Securities Co., Ltd.) was incorporated on January 15, 1990, and its operations include services dealing with futures, securities underwriting, brokerage, margin lending and security transfer services. Taishin Financial Holding acquired 100% equity interest of Taishin Securities B by cash investments on April 9, 2010. Taishin Securities B became a subsidiary of Taishin Financial Holding.

Taishin Securities B acquired 100% equity interest in Tachong Securities Co., Ltd. (“Tachong Securities”) via cash merger and assumed the net assets and operation of Tachong Venture Capital Co., Ltd. (“Tachong Venture Capital”), originally the subsidiary of Tachong Securities, on August 28, 2017. After completing the aforementioned cash merger, the surviving company was Taishin Securities B, and Tachong Securities was dissolved accordingly.

Taishin Real-Estate Management Co., Ltd. (“Taishin Real-Estate”) was established in August 1995, and its operations include audit and consultation of construction plans, contract witness, assessments and trades of real estate, etc.

Xiang An Life Insurance Agency Co., Ltd. (“Xiang An Insurance Agency”) was established in September 1996. It provides life insurance agent service.

Taishin D.A. Finance was established in October 1997. Its operations include the lease, wholesale and retail sale of machinery, precision machinery, motor vehicles, aircrafts and vessels and their components.

Tachong Venture Capital was established in February 2013 and changed its company name to Taishin Securities Venture Capital Co., Ltd. (“Taishin Securities Venture Capital”) on October 2, 2017. It mainly engages in making investments in start-up entities and in providing consultancy services.

Taishin Capital Management Consulting Co., Ltd. (“Taishin Capital”) was established in August 2019. It mainly engages in investing in start-up entities and in providing consultancy services.

Taishin Financial Leasing (China) Co., Ltd. (“Taishin Financial Leasing (China)”) was approved for establishment on July 12, 2011 to provide financial leasing services.

Taishin Financial Leasing (Tianjin) Co., Ltd. (“Taishin Financial Leasing (Tianjin)”) was approved for establishment on March 1, 2012 to provide financial leasing services.

Within these consolidated financial statements, Taishin Financial Holding and its subsidiaries mentioned above are collectively referred to as the “Group”.

In the year ended December 31, 2005, Taishin Financial Holding acquired 1,400,000 thousand shares of preferred stock - B issued by Chang Hwa Commercial Bank, Ltd. (“Chang Hwa Bank”) through private placements. The 22.55% ownership interest with voting rights allows Taishin Financial Holding to take over half of the seats in the board of directors of Chang Hwa Bank. Accordingly, Taishin Financial Holding had controlling power over Chang Hwa Bank. On October 3, 2008, this preferred stock - B was converted into 1,400,000 thousand shares of common stock. Chang Hwa Bank held the election of its board of directors on December 8, 2014, whereby Taishin Financial Holding did not obtain more than half of the seats of Chang Hwa Bank’s board of directors. Therefore, Taishin Financial Holding lost its control over Chang Hwa Bank and afterwards did not account for Chang Hwa Bank as its subsidiary in accordance with the Financial Holding Company Act. The ownership interest with voting rights in Chang Hwa Bank held by Taishin Financial Holding and subsidiaries was 22.81% as of December 31, 2019.

## 2. STATEMENT OF COMPLIANCE

The consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Statements 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 Securities Issuers, and 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”).

## 3. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of Taishin Financial Holding and its subsidiaries were approved by the Company’s board of directors and authorized for issue on February 27, 2020.

## 4. APPLICATION OF NEW, AMENDMENTS AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 FSC

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies:

### 1) IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatments in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 5 for information relating to the relevant accounting policies.

#### Definition of a lease

The Group reassesses whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Several contracts, which were previously identified as containing a lease under IAS 17 and IFRIC 4, do not meet the definition of a lease under IFRS 16 and are accounted for in accordance with other standards because the Group does not have the right to direct the use of identified assets. Contracts that are reassessed as containing leases are accounted for in accordance with the transitional provisions under IFRS 16. Refer to Note 5 for information relating to the relevant accounting policies.

#### The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows,

cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- a) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- b) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 1.34%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$	2,551,059
Less: Several contracts that do not meet the definition of a lease under IFRS 16	(	6,314)
Less: Recognition exemption for short-term leases	(	27,658)
Less: Recognition exemption for leases of low-value assets	(	213)
Less: The lease term of the contract starting from January 1, 2019	(	210,113)
Add: The exercise of the option is reasonably certain		78,316
Undiscounted amounts on January 1, 2019	\$	<u>2,385,077</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$	2,280,110
Add: Finance lease liabilities on December 31, 2018		7,915
Lease liabilities recognized on January 1, 2019	\$	<u>2,288,025</u>

#### The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Property and equipment, net	\$ 19,158,975	\$( 7,536)	\$ 19,151,439
Right-of-use assets, net	-	2,316,967	2,316,967
Other assets, net	11,716,925	( 29,327)	11,687,598
Total effect on assets		<u>\$ 2,280,104</u>	
Payables	28,783,190	\$( 6)	28,783,184
Other financial liabilities	59,083,447	( 7,915)	59,075,532
Lease liabilities	-	2,288,025	2,288,025
Total effect on liabilities		<u>\$ 2,280,104</u>	

2) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group applied the above amendments prospectively.

3) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority has full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Group recognized the cumulative effect of retrospective application in retained earnings on January 1, 2019. It had no impact in assets, liabilities and equity on January 1, 2019.

Except for the above impact, the Group assessed the application of other standards and interpretations would have no impact on the Group’s financial position and financial performance.

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

1) Amendments to IFRS 3 “Definition of a Business”

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Group would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity’s hedging relationships are affected by the amendments.

### 3) Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

As of the date the consolidated financial statements were authorized for issue, the Group assessed the application of New IFRSs and interpretations would have no impact on the Group’s financial position and financial performance.

### c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
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

Except for the following explanations, the application of New IFRSs and interpretations would have no impact on the Group’s accounting policies:

Amendments to IFRS 10 and IAS 28 “Sale or Contribution of

Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e. the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e. the Group’s share of the gain or loss is eliminated.

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

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

According to Order No. 1070324857 and No. 10702734370 issued by the FSC, the Group applied IFRSs and the related amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, which were approved by the FSC in 2019.

### 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, payable incurred by cash-settled share-based payment, and defined benefit plans which is recognized by present value of the defined benefit obligations subtracted fair value of plan assets (refer to the summary of accounting policies below). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The functional currency of Taishin Financial Holding is New Taiwan dollar. Thus, the consolidated financial statements are presented in New Taiwan dollars.

The Group categorized economic activities into operating, investing, and financing activities. The consolidated statements of cash flows reported the change of cash and cash equivalents in the current period based on operating, investing, and financing activities. Refer to Note 7 for the components of cash and cash equivalents.

The cash flow of operating activities was reported by using indirect method. Under the indirect method, profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Interest paid and interest and dividends received are classified as operating cash flows. Dividends paid are classified as financing cash flow because they are cost of obtaining financial resources.

When preparing the financial statements in accordance with the FSC-endorsed IFRSs, the Group has to make certain significant accounting assumptions and estimates based on professional judgments to determine its accounting policies. Change in assumptions may result in significant effects on financial report. The Group believes that the consolidated financial report was prepared based on appropriate assumptions. For items that required management's most difficult or complex judgments, or assumptions and estimates that significantly affect the financial statements, please refer to Note 6.

### **Classification of Current/Noncurrent Assets and Liabilities**

Since the banking companies account for a substantial portion of the consolidated statements and because of banking business characteristics, classification of consolidated assets and liabilities according to the nature and the sequence of liquidity can provide more reliable and relevant information. Therefore, those assets and liabilities are not classified as current or noncurrent, but classified according to the nature and sequence of liquidity. In addition, maturity analysis of liabilities was disclosed in Note 45.

### **Basis of Consolidation**

#### **a. Principle of consolidation of financial statements**

This consolidated financial report has included financial reports prepared by the Company and entities controlled by the Company.

The Company has control over its investees if it has all the following elements:

- 1) Power over the investee, voting or other rights.
- 2) Exposure, or rights, to variable returns from involvement with the investee;
- 3) The ability to use power over the investee to affect the amount of the investor's returns.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Non-controlling interests are presented in the consolidated balance sheets within equity, separate from the equity of the owners of the Company.

### Attribution of total comprehensive income to non-controlling interests

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

### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests should be adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities (i.e. reclassifies to profit or loss, or transfers directly to retained earnings if required in accordance with other IFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments".

- b. Subsidiaries included in the consolidated financial statements as of December 31, 2019 and 2018 were as follows:

Investor	Subsidiary	Ownership Interest (%)	
		December 31	
		2019	2018
Taishin Financial Holding	Taishin Bank	100.00%	100.00%
Taishin Financial Holding	Taishin Securities B	100.00%	100.00%
Taishin Financial Holding	Taishin AMC	100.00%	100.00%
Taishin Financial Holding	Taishin Venture Capital	100.00%	100.00%
Taishin Financial Holding	Taishin Securities Investment Advisory	92.00%	92.00%
Taishin Financial Holding	Taishin Securities Investment Trust	100.00%	100.00%
Taishin Bank	Taishin Real-Estate	60.00%	60.00%
Taishin Bank	Xiang An Insurance Agency	87.40%	87.40%
Taishin Bank	Taishin D.A. Finance	100.00%	100.00%
Taishin AMC	Taishin Real-Estate	40.00%	40.00%
Taishin Venture Capital	Taishin Financial Leasing (China)	100.00%	100.00%
Taishin Venture Capital	Taishin Financial Leasing (Tianjin)	100.00%	100.00%
Taishin Securities B	Taishin Securities Venture Capital Co.	100.00%	100.00%
Taishin Securities B	Taishin Capital Management Consulting Co. (Note)	100.00%	-

Note: Taishin Capital was established by Taishin Securities B on August 30, 2019, and has been included in the consolidated financial statements.

### **Foreign Currencies**

In preparing the financial statements of each individual Group entity, the currency of the primary economic environment in which the entity operates (the "functional currency") is used. Transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. When several exchange rates are available, the rate used is that at which the future cash flows, represented by the transaction amount or balance, could have been settled if those cash flows had occurred at the measurement date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates

prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising from settlement are recognized in profit or loss in the period in which they arise. Exchange differences on monetary items arising from translation are recognized in profit or loss in the period in which they arise except items that qualify as hedging instruments in a cash flow hedge are recognized initially in other comprehensive income to the extent that the hedge is effective.

Exchange differences arising on the retranslation of non-monetary assets (such as equity investment) or liabilities measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy but different from the presentation currency are translated into the presentation currency using the following procedures:

- a. Assets and liabilities are translated at the closing rate at the date of the consolidated balance sheets;
- b. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used; and
- c. All resulting exchange differences are recognized in other comprehensive income.

Exchange differences arising from the above procedures are recognized as "Exchange differences from translation of foreign operation" in equity. Exchange differences arising from net investments in foreign operation and hedge of a monetary item regarded as part of the net investments are recognized as other comprehensive income. When the foreign operation or part of the foreign operation is disposed of, exchange differences are recognized initially in other comprehensive income and reclassified from equity to profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Thus, they are expressed in the functional currency of the foreign operation and translated at the closing rate.

### **Cash and Cash Equivalents**

Cash and cash equivalents are cash in vault, cash in banks, short-term time deposits and short-term financial instruments that must be readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the consolidated statement of cash flows, cash and cash equivalents are cash and cash equivalents on the consolidated balance sheet, due from the Central Bank and call loans to banks and securities purchased under resell agreements that are in conformity with the definition of cash and cash equivalents in the IAS 7 endorsed by the FSC.

### **Investment in Associates**

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

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

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

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

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

The requirements of IAS 36 "Impairment of Assets" endorsed by the FSC are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with FSC-endorsed IAS 36 "Impairment of Assets" endorsed by the FSC to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date it ceases to have significant influence over the associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

## Property and Equipment

Property and equipment are stated at cost, less recognized accumulated depreciation and accumulated impairment loss. Cost is capitalized when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Before January 1, 2019, property, plant and equipment also included assets held under finance leases.

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis in accordance with FSC-endorsed IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Assets held under finance leases before January 1, 2019 are depreciated over the shorter of the lease term or the useful life of the asset using the straight-line method.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### **Investment Properties**

Investment properties are properties held to earn rentals and/or for capital appreciation and are not owned by other corporations in the Group. Investment properties include office buildings or land held for operating lease.

The investment properties comprise a portion that is self-used by the Group and another portion that is held to earn rentals or for capital appreciation. If a portion of a property owned by the Group can be sold separately, the Group accounts for that portion separately. For self-used properties, the FSC-endorsed IAS 16 is adopted. Investment properties held to earn rentals or/and for capital appreciation are under the regulation of the FSC-endorsed IAS 40. If portions of a property can not be sold separately, the property is investment property only if an insignificant portion is held as self-used asset.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the asset. Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

### **Intangible Assets (Except Goodwill)**

#### **a. Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis which is in accordance with FSC-endorsed IAS 8 "Accounting Policies, Changes in

Accounting Estimates and Errors". The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

b. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment loss.

c. Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gain or loss on derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

### Impairment of Non-financial Assets (Except Goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### Bonds and Securities Purchased/Sold under Specific Agreements

Bonds and securities purchased under resell agreements are recorded at purchase price and are accounted for as financing transactions. Bonds and securities sold under repurchase agreements are recorded at sale price. Interest revenue and expenses recognized from the transactions mentioned above are recorded on accrual basis.

### Financial Instruments

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

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

## Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

### a. Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL and at amortized cost and investments in debt instruments and equity instruments at FVTOCI. The categories are based on the contractual cash flows on the initial recognition of the financial assets and the Group's business model.

For the Group's debt instruments that have contractual cash flows that are solely for repayments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- 1) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets (including cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resale agreements, receivables, debt instruments at amortized cost, other financial assets, other assets - refundable deposits, other assets - operating guarantee deposits and settlement funds) are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest income is recognized in profit or loss by using the effective interest method; and
- 2) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at FVTOCI and are assessed for impairment. Interest income is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Fair value is determined in the manner described in Note 45.

Except for the above, all other financial assets are measured at FVTPL. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss. Fair value is determined in the manner described in Note 45.

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

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

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings. Fair value is determined in the manner described in Note 45.

### b. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets other than investments in equity instruments that are measured at FVTOCI and financial assets at FVTPL.

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

The Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

For purchased or originated credit-impaired financial assets, the Group takes into account the ECLs on initial recognition in the credit-adjusted effective interest rate. Subsequently, any changes in ECLs are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss even if lifetime ECLs are lower than the ECLs on initial recognition.

In addition, specific industries are mandatorily assessed such that the loss allowance for loans is measured at the higher of the amount calculated in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans.

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

#### c. Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

#### Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

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

#### Financial liabilities

##### a. Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method.

###### 1) Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- a) It has been acquired principally for the purpose of repurchasing it in the near term; or
- b) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- c) It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

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

In addition, if a contract contains one or more embedded derivatives, the entire combined contract (asset or liability) can be designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liabilities.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income. However, in the case of avoiding an accounting mismatch or the amount of changes in fair value is due to loan commitment and financial guarantee contracts, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 45.

## 2) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of the following and should be dealt with based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans:

- a) The amount of the loss allowance reflecting the ECLs; and
- b) The amount initially recognized less, where appropriate, the cumulative amount of revenue recognized in accordance with IFRS 15 as endorsed by FSC.

## 3) Commitments to provide a loan at a below-market interest rate

Commitments to provide a loan at a below-market interest rate issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- a) The amount of the loss allowance reflecting the ECLs; and
- b) The amount initially recognized less, where appropriate, the cumulative amount of revenue recognized in accordance with IFRS 15 as endorsed by FSC.

## b. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

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

### Financial assets and financial liabilities offsetting

Financial assets and financial liabilities are allowed to be offset and expressed in net amount in consolidated balance sheets when amounts to be offset are 1) objects of legally enforceable right to offset, and 2) objects of intended net settlement, i.e. liquidation of assets for discharge of liabilities.

## **Securities Trading Margin Purchase and Short Sale**

Margin loans extended to customer by the Group conducting securities trading margin purchase and short sale business are recognized as securities margin loans receivable. Customers provide all the stocks purchased in trading margin operations as collaterals, which the Group records by using memorandum entries. Stocks are returned when customers pay back money.

Margins received from short selling customers by the Group conducting securities trading margin purchase and short sale business are recognized as short sale margins. In addition, short sale proceeds (less securities transaction taxes, handling fees for execution of customer orders and short sale handling fees) received as collateral from short selling customers by the Group conducting securities trading margin purchase and short sale business are recognized as payable for short sale collateral received.

The interest on the payable for short sale collateral received and short sale margins under the preceding paragraph is accrued and paid to customers. The stocks lent to customers are recorded by using memorandum entries. Short sale margins and payable for short sale collateral received are reimbursed when customers return stocks.

## **Provisions, Contingent Liabilities and Contingent Assets**

A provision shall be recognized when:

- a. An entity has a present obligation (legal or constructive) as a result of a past event;
- b. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- c. A reliable estimate can be made of the amount of the obligation.

Provisions are subsequently measured by the present value of the expected expenditures to settle the obligations. Discount rate is the pre-tax discount rate and is adjusted in time to reflect current market assessments of the time value of money and the risks specific to the liability.

A contingent liability is:

- a. A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b. A present obligation that arises from past events but is not recognized because:
  - 1) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - 2) The amount of the obligation cannot be measured with sufficient reliability.

The Group does not recognize a contingent liability but disclose it appropriately in accordance with related guidelines.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Group does not recognize a contingent asset. A contingent asset is disclosed appropriately in accordance with related guidelines, where an inflow of economic benefits is probable.

If contingent liabilities from business combination belongs to present obligation of past event and its fair value can be measured, fair value will be recognized as original cost on acquisition-date. After balance sheet date, contingent liabilities is measured by amortized amount. If it may pay present obligation amount after evaluation, it will be measured at higher of present obligation amount and amortized amount.

## Income Recognition

### a. Interest income

Except for financial assets at FVTPL, interest income of all financial instruments is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, and recognized in the consolidated statements of comprehensive income. When the loans become past due and are considered uncollectible, the principal and interest receivable are transferred to delinquent loan accounts and the accrual of interest income is stopped. Interest income will be recognized when the delinquent interest is collected. If the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue and recognized as income when collected. Interest income from securities trading margin purchase and short sale is accrued according to the terms stated in the financing and trading contract.

### b. Service fees and commission income

Service fee revenue is recognized from providing loans and other services, such as real estate management service, etc. The Group identifies contracts with the customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. If the service fee revenue is for further loan service and of significant amount, it is recognized over the period of the service or included in the base of calculation of the effective interest rate of loans and receivables.

The Group's customer loyalty program provides customers with award credits, which gives customers material rights by providing discount to future consumption. The transaction price allocated to award credit is recognized as a liability, and the Group recognizes revenue when award credits are redeemed or forfeited.

Brokerage commission is recognized on the trading day. Purchasing commission is recognized when the commission is received; underwriting commission is recognized at the completion of the underwriting contracts.

## Leasing

### 2019

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

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately. However, for the lease of cars in which the Group is a lessee and driving service is provided by a lessor, the Group elects to account for the lease and non-lease components as a single lease component.

#### a. The Group as lessor

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

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

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

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

#### b. The Group as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

#### 2018

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

#### a. The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rentals are recognized as income in the period in which they are incurred.

Lease incentives included in an operating lease are recognized as an asset. The aggregate cost of incentives is recognized as a reduction of rental income on a straight-line basis.

#### b. The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Minimum lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rents are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

#### c. Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

## Retirement Benefits

### a. Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.

Defined benefit costs under defined benefit retirement benefit plans are determined using the projected unit credit method.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Net defined benefit liability (asset) remeasurement comprises 1) actuarial gains and losses on the defined benefit obligation; 2) return on plan assets, excluding the net interest on the net defined benefit liability (asset); and 3) any changes in the effect of the limit involving surplus in a defined benefit plan, excluding the net interest on the net defined benefit liability (asset). Moreover, the net defined benefit liability (asset) remeasurements are recognized in other comprehensive income; these remeasurements should be transferred immediately to retained earnings, and will not be reclassified to profit or loss. Significant unrecognized past service cost is immediately recognized retrospectively in profit or loss. If the defined benefit retirement plan is curtailed or settled, the gain or loss on curtailment or settlement is recognized.

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. High-yield savings account for employee

The Group provides employees with high-yield savings account. The premium interest rate applies to a fixed amount of principal and the interest is paid to present employees (within employment and retirement) and retired employees. The difference between the premium rate and the market rate is classified as employee benefits.

According to the "Regulations Governing the Preparation of Financial Reports by Public Banks" Rule No. 30, the premium interest resulting from the yield between the premium rate and the general market rate shall immediately be actuarially calculated based on the FSC-endorsed IAS 19 when employees retire. However, if there are authorized regulations from the government regarding the actuarial assumption parameters, the regulations shall prevail.

## Share-based Payment Arrangements

### Equity-settled share-based payment

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the employee share options is recognized as an expense in full at the grant date when the share options granted vest immediately.

The grant date of employee share options, which are reserved when the Company issues new shares, is the date when the number of employee subscription is confirmed. The Company recognized an expense and capital surplus at the fair value of the share options determined at the grant date.

### Cash-settled share-based payment

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability incurred. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss.

### **Taxation**

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

#### a. Current tax

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

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

#### b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Land revaluation increment tax accrued from the Group's land revaluation increment in accordance with related regulations is a taxable temporary difference and shall be recognized as a deferred tax liability. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforward, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

A deferred tax asset shall be recognized for the unused loss carry forward and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realized.

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

The Group does not offset deferred tax assets and deferred tax liabilities from different taxation authorities.

#### c. Current and deferred tax for the period

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

#### d. Taishin Financial Holding and its more than 90% owned subsidiaries adopt the linked-tax system for tax filings. Differences between current and deferred income tax expenses on consolidated entity basis and those on nonconsolidated entity basis are adjusted in Taishin Financial Holding's income tax expenses. Related reimbursement and appropriation are recognized as receivables or payables.

## 6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group's accounting policies, accounting assumptions and estimates have significant impact on the consolidated financial statements. Accordingly, the management exercised appropriate professional judgment in the preparation of the consolidated financial statements.

The assumptions and estimates involve significant risks that significant adjustments might result in changes in the carrying amounts of assets and liabilities in the next fiscal year. The assumptions and estimates made were the best estimates based on the FSC-endorsed IFRSs. The estimates and assumptions are based on historical experience and other factors, including future expectations and are continuously assessed. The accounting policies and management's judgment that could have significant impact on the consolidated financial statements were as follows:

### Impairment of Loans

The measurement of ECLs is based on the present value of the difference of all contractual cash flows receivable from a contract and all cash flows that are expected to be received, discounted at the original or credit-adjusted effective interest rate, and the calculated weighted average of the probability of default.

Refer to Note 13 for the carrying amounts of loans and allowance for loans as of December 31, 2019 and 2018.

## 7. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	\$ 12,162,721	\$ 9,574,452
Checks for clearing	1,483,820	2,016,339
Due from banks	8,437,391	8,045,007
Others	2,084,600	2,954,952
	<u>\$ 24,168,532</u>	<u>\$ 22,590,750</u>

- Due from banks include time deposits that have a maturity of three months or less from the date of acquisition, are readily convertible to a known amount of cash, and are subject to an insignificant risk of change in value; these were held for the purpose of meeting short-term cash commitments.
- Loss allowance is measured at an amount equal to 12-month ECLs per historical experience and forward-looking information; however, there was no loss allowance on cash and cash equivalents as of December 31, 2019 and 2018.

## 8. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

	December 31	
	2019	2018
Deposits reserve for checking accounts	\$ 11,468,215	\$ 21,030,671
Deposits reserve for demand accounts	34,272,031	31,137,609
Deposits reserve for foreign deposits	129,568	39,922
Deposits transferred to the Central Bank	50,103	18,858
Call loans to other banks	19,496,374	1,648,537
Interbank clearing funds	2,000,988	2,000,315
	<u>\$ 67,417,279</u>	<u>\$ 55,875,912</u>

Loss allowance is measured at an amount equal to 12-month ECLs per historical experience and forward-looking information; however, there was no loss allowance on due from the Central Bank and call loans to banks as of December 31, 2019 and 2018.

## 9. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2019	2018
Financial assets mandatorily classified as at FVTPL		
Derivative instruments		
Futures	\$ 491,260	\$ 333,182
Forward exchange contracts	1,363,404	2,752,764
Currency swaps	8,280,749	9,084,266
Interest rate swaps	9,408,122	10,293,631
Cross-currency swaps	268,371	196,126
Foreign-exchange options	540,859	1,261,572
Asset-swap options	42,478	25,360
Equity-linked options	-	2,324
Commodity and futures options	3,037	894
Equity-linked swaps	362,650	18,914
Convertible Bond Asset Swap	42,566	60,693
Commodity price exchange	46	-
Non-derivative financial assets		
Investment in bills	48,486,586	33,289,152
Domestic and overseas stocks and beneficiary certificates	5,082,983	3,477,513
Government bonds	26,487,055	12,990,903
Corporate bonds, bank debentures and other bonds	20,597,519	25,246,697
Trading securities		
Dealing	21,181,303	15,217,804
Underwriting	949,764	1,271,882
Hedging	450,841	257,514
Other	2,000	1,404
Financial assets at FVTPL	<u>\$ 144,041,593</u>	<u>\$ 115,782,595</u>
Financial liabilities designated as at FVTPL		
Bank debentures (c)	\$ 3,287,359	\$ 3,085,588
Structured products (d)	1,516,425	1,502,120
Financial liabilities held for trading		
Derivative instruments		
Futures	2,417	5,996
Forward exchange contracts	1,416,001	2,717,003
Currency swaps	9,252,528	9,229,350
Interest rate swaps	9,118,873	10,404,409
Cross-currency swaps	152,246	59,621
Foreign-exchange options	536,821	1,299,274
Interest rate options	183	1,845
Asset-swap options	614,562	337,801
Commodity and futures options	1,165	1,290
Equity-linked options	355,654	270,125
Equity-linked swaps	362,650	18,914
Credit default swaps	93,738	7,035
Convertible Bond Asset Swap	42,697	26,666
Commodity price exchange	3	-
Liabilities for issuance of call (put) warrants, net (e)	76,602	46,272
Non-derivative financial liabilities		
Borrowing security payable-hedging	171,208	489,365
Securities purchased under resell agreements-short sales bonds	548,217	-
Financial liabilities at FVTPL	<u>\$ 27,549,349</u>	<u>\$ 29,502,674</u>

- a. Taishin Bank engaged in various derivative instruments in the years ended December 31, 2019 and 2018 to fulfill customers' needs of Taishin Bank and Taishin Securities B as well as to manage Taishin Bank's asset and liability positions and risk of Taishin Bank.
- b. The nominal principal amounts of outstanding derivative contracts were as follows:

	December 31	
	2019	2018
Futures	\$ 9,887,476	\$ 6,158,032
Forward exchange contracts	174,000,040	276,284,829
Currency swaps	1,180,284,709	1,511,444,229
Interest rate swaps	1,259,100,780	1,360,595,248
Cross-currency swaps	18,195,828	10,945,835
Foreign-exchange options	161,569,946	185,609,647
Interest rate options	4,400,000	8,292,000
Asset-swap options	1,900,700	2,304,900
Equity-linked options	3,823,602	3,757,830
Commodity and futures options	214,394	100,510
Equity-linked swaps	6,368,963	296,633
Credit default swaps	674,977	1,056,923
Fund-linked products	3,000	3,000
Guarantee products	1,500,000	1,500,000
Credit-linked products	5,500	-
Equity-linked products	9,152	-
Convertible Bond Asset Swap	4,105,300	3,685,700
Commodity price exchange	30,094	-

- c. Taishin Bank's unsecured USD senior bank debentures were as follows:

First unsecured USD senior bank debentures of Taishin Bank of year 2018, 30 years, US\$80,000 thousand, 100% of the principal amount of the bonds, put redemption on the fifth anniversaries of the debentures issue, and repay the holders at principal value plus accrued interests, maturity: July 5, 2048.

Second unsecured USD senior bank debentures of Taishin Bank of year 2018, 30 years, US\$20,000 thousand, 100% of the principal amount of the bonds, put redemption on the fifth anniversaries of the debentures issue, and repay the holders at principal value plus accrued interests, maturity: July 5, 2048.

The first unsecured USD based, senior bank debentures issued by Taishin Bank in 2019, has a term of 5 years, a principal amount of US\$20,000 thousand, and no interest will be paid during the outstanding period. The debentures' maturity date is set at April 30, 2024, whereas the holders can exercise the put option asking Taishin Bank to redeem the full principal amount, plus the accrued interests, three months after the issuance date. Taishin Bank has redeemed the debentures on July 30, 2019.

Taishin bank considered unsecured USD senior bank debentures as financial instruments designated as FVTPL, to eliminate the recognition inconsistency.

- d. Taishin Securities B issued structured notes, approved by Taipei Exchange, including principal guaranteed notes, equity-linked notes, fund-linked notes and credit-linked products. According to the contracts of principal guaranteed notes, equity-linked notes and fund-linked notes, Taishin Securities B receives contract principal or agreed amount of proceeds from investors and will pay the settlement amount based on the contractual terms at maturity. The structured notes contain debt obligation and embedded options components and Taishin will earn profit arising from credit spread or market spread. The credit-linked products contain credit spread of convertible corporate bonds which are from dealing or asset-swap and combined with fixed-income products sold to investors; Taishin Securities B receives

contract principal from investors and pays dividends in fixed cycle. The credit-linked products provide more options for convertible assets and decrease the risks of holding convertible bonds of investors.

Taishin Securities B engages in the structured note transactions in order to diversify its financial instruments, to increase the source of profits and to provide other hedge positions in assets and advance the income stability and to decrease the credit risk on asset holdings.

e. Details of call (put) warrants and fair value of repurchased call (put) warrants were as follows:

	December 31	
	2019	2018
Call (put) warrants issued	\$ 4,270,808	\$ 3,559,250
Less: Loss (gain) on change in fair value	206,547	( 1,498,030)
	<u>4,477,355</u>	<u>2,061,220</u>
Repurchased call (put) warrants	4,097,274	3,217,235
Less: Gain (loss) on change in fair value	303,479	( 1,202,287)
	<u>4,400,753</u>	<u>2,014,948</u>
Net call (put) warrants issued	<u>\$ 76,602</u>	<u>\$ 46,272</u>

The call (put) warrants which were issued by Taishin Securities B, are exercisable within six to eight months from the date listed on market and will be settled in cash or in securities at Taishin Securities' discretions.

The fair value of call (put) warrants was accounted by the closing price on the last transaction day of the balance sheet date.

## 10. FINANCIAL ASSETS AT FVTOCI

	December 31	
	2019	2018
<u>Debt instrument</u>		
Investment in bills	\$ 115,538,687	\$ 218,310,346
Bonds	50,088,694	44,380,051
Corporate bonds	17,139,552	15,337,118
Bank debentures	85,420,494	54,025,990
Beneficiary securities (a)	610,937	-
	<u>268,798,364</u>	<u>332,053,505</u>
<u>Equity instrument</u>		
Domestic and overseas stocks	4,627,773	4,346,743
	<u>\$ 273,426,137</u>	<u>\$ 336,400,248</u>

a. The Group recognized the asset securitization commodity issued by non-subsidary structured entities as beneficiary securities. The funds of the entities were provided by the Group and other third parties. The Group did not offer any financial support related to the asset securitization commodity.

b. Because some equity instruments are held by the Group for long-term purposes and not for trading, which is reasonably reflected in the operating performance, equity instruments are classified as at fair value through other comprehensive income.

c. The amount of the loss allowance for debt instruments was as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs - Not Credit-impaired	Stage 3 Lifetime ECLs - Credit-impaired	Total
December 31, 2019	\$ 31,416	\$ 1,486	\$ -	\$ 32,902
December 31, 2018	25,842	-	-	25,842

Due to the Group's debt instruments at FVTOCI measured by ECL model, the Group had recognized (impairment loss) reversals of impairment on assets of \$(7,634) thousand and \$300 thousand for the years ended December 31, 2019 and 2018, respectively.

- d. The Group sold the domestic common stock for strategic purposes. The stock sold had a fair value of \$1,916,021 thousand and \$1,856,485 thousand, and the Group transferred the loss of \$41,149 thousand and \$101,045 thousand from other equity to retained earnings for the years ended December 31, 2019 and 2018, respectively.
- e. Refer to Note 45 for information relating to the management of credit risk and the impairment assessment on investments in debt instruments at FVTOCI.
- f. Refer to Note 47 for information relating to debt instrument at FVTOCI pledged as collateral.

## 11. DEBT INSTRUMENT AT AMORTIZED COST

	December 31	
	2019	2018
<u>Current</u>		
Investment in bills	\$ 116,250,000	\$ -
Bank debentures	12,524,096	3,073,300
Government bonds	3,119,322	9,133
	<u>131,893,418</u>	<u>3,082,433</u>
Less: Allowance for impairment	( 4,802)	( 1,193)
	<u>\$ 131,888,616</u>	<u>\$ 3,081,240</u>

- a. The amount of the loss allowance for debt instruments was as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs - Not Credit-impaired	Stage 3 Lifetime ECLs - Credit-impaired	Total
December 31, 2019	\$ 4,802	\$ -	\$ -	\$ 4,802
December 31, 2018	1,193	-	-	1,193

Due to the Group's debt instruments at FVTOCI measured by ECLs, the Group had recognized impairment loss on assets of \$3,692 thousand and \$1,200 thousand for the years ended December 31, 2019 and 2018.

- b. Refer to Note 45 for information relating to the management of credit risk and the impairment assessment on investments in debt instruments at amortized cost.
- c. Refer to Note 47 for information relating to debt instruments at amortized cost pledged as collateral.

## 12. RECEIVABLES, NET

	December 31	
	2019	2018
Notes and accounts receivable	\$ 82,467,696	\$ 85,851,269
Credit cards receivable	61,035,549	53,803,259
Interests receivable	4,083,748	3,544,187
Securities margin loans receivable	5,892,601	4,366,147
Delivery accounts receivable	6,085,696	3,319,482
Other receivables	1,036,129	1,233,932
	<u>160,601,419</u>	<u>152,118,276</u>
Less: Adjustment for discount	( 2,945,398)	( 3,232,878)
Less: Allowance for receivables	( 1,568,437)	( 4,121,909)
	<u>\$ 156,087,584</u>	<u>\$ 144,763,489</u>

- a. The movements in the allowance for receivables (including non-performing receivables transferred from other than loans, inward remittances and creditor rights) for years ended December 31, 2019 and 2018 were as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non- purchased or Originated Credit- impaired (POCI) Financial Assets)	Loss Allowance under IFRS 9	Recognized Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/Non- accrual Loans	Total
Loss allowance as of January 1, 2019	\$ 143,927	\$ 290,883	\$ 2,496,256	\$ 777,419	\$ 3,708,485	\$ 760,049	\$ 4,468,534
Changes in the loss allowance							
Transfer to stage 3	( 124)	18,820	-	( 38)	18,658		18,658
Transfer to stage 2	( 481)	( 5,726)	( 10,112)	463,638	447,319		447,319
Transfer to stage 1	93	( 3,512)	( 196)	( 2,713)	( 6,328)		( 6,328)
Financial assets derecognized	( 55,587)	( 17,764)	( 92,369)	( 789,032)	( 954,752)		( 954,752)
New financial assets originated or purchased	35,206	104,456	415,919	31,117	586,698		586,698
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans						122,838	122,838
Write-offs	( 4)	( 127,621)	( 2,630,032)	( 406,278)	( 3,163,935)		( 3,163,935)
Recovery of loans written off	-	-	3,246	382,516	385,762		385,762
Foreign exchange and other movements	-	11,577	( 6,298)	867	6,146	( 4,115)	2,031
Loss allowance as of December 31, 2019	\$ 123,030	\$ 271,113	\$ 176,414	\$ 457,496	\$ 1,028,053	\$ 878,772	\$ 1,906,825

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non- purchased or Originated Credit- impaired (POCI) Financial Assets)	Loss Allowance under IFRS 9	Recognized Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/Non- accrual Loans	Total
Loss allowance as of January 1, 2018	\$ 152,380	\$ 271,220	\$ 1,225,872	\$ 447,324	\$ 2,096,796	\$ 367,304	\$ 2,464,100
Changes in the loss allowance							
Transfer to stage 3	( 525)	14,145	5,104	( 63)	18,661		18,661
Transfer to stage 2	( 442)	( 2,956)	( 190,649)	381,247	187,200		187,200
Transfer to stage 1	22	( 3,471)	-	( 1,865)	( 5,314)		( 5,314)
Financial assets derecognized	( 71,250)	( 18,609)	( 580,801)	( 462,585)	( 1,133,245)		( 1,133,245)
New financial assets originated or purchased	63,748	367,271	2,401,192	59,924	2,892,135		2,892,135
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans						394,757	394,757
Write-offs	( 3)	( 378,571)	( 368,304)	( 67,045)	( 813,923)		( 813,923)
Recovery of loans written off	-	60,241	-	420,202	480,443		480,443
Foreign exchange and other movements	( 3)	( 18,387)	3,842	280	( 14,268)	( 2,012)	( 16,280)
Loss allowance as of December 31, 2018	\$ 143,927	\$ 290,883	\$ 2,496,256	\$ 777,419	\$ 3,708,485	\$ 760,049	\$ 4,468,534

- b. The movements in the gross carrying amount of the allowance for receivables (including non-performing receivables transferred from other than loans, inward remittances and creditor rights) for years ended December 31, 2019 and 2018 were as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Total
Loss allowance as of January 1, 2019	\$ 108,094,181	\$ 31,372,137	\$ 10,668,669	\$ 2,331,838	\$ 152,466,825
Changes in the loss allowance					
Transfer to stage 3	( 84,372)	76,639	16,086	( 127)	8,226
Transfer to stage 2	( 348,122)	( 353,891)	( 104,604)	860,717	54,100
Transfer to stage 1	33,701	( 15,177)	( 19,908)	( 7,652)	( 9,036)
Financial assets derecognized	( 35,645,774)	( 3,364,970)	( 1,573,876)	( 678,912)	( 41,263,532)
New financial assets originated or purchased	38,782,815	9,356,173	4,584,022	101,137	52,824,147
Write-offs	( 571)	( 128,019)	( 2,630,032)	( 484,887)	( 3,243,509)
Foreign exchange and other movements	-	110,755	( 194)	1,365	111,926
Loss allowance as of December 31, 2019	\$ 110,831,858	\$ 37,053,647	\$ 10,940,163	\$ 2,123,479	\$ 160,949,147

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Total
Loss allowance as of January 1, 2018	\$ 97,352,327	\$ 33,122,383	\$ 8,636,361	\$ 2,215,217	\$ 141,326,288
Changes in the loss allowance					
Transfer to stage 3	( 59,059)	55,531	18,262	( 121)	14,613
Transfer to stage 2	( 328,594)	( 9,800)	( 252,125)	1,477,471	886,952
Transfer to stage 1	19,131	( 13,178)	-	( 9,259)	( 3,306)
Financial assets derecognized	( 21,397,767)	( 4,724,927)	( 1,673,214)	( 1,313,629)	( 29,109,537)
New financial assets originated or purchased	32,508,662	3,470,872	4,307,689	110,464	40,397,687
Write-offs	( 519)	( 295,439)	( 368,304)	( 149,069)	( 813,331)
Foreign exchange and other movements	-	( 233,305)	-	764	( 232,541)
Loss allowance as of December 31, 2018	\$ 108,094,181	\$ 31,372,137	\$ 10,668,669	\$ 2,331,838	\$ 152,466,825

### 13. LOANS, NET

- a. The details of loans were as follows:

	December 31	
	2019	2018
Negotiated	\$ 1,949,901	\$ 2,990,987
Overdrafts	233,152	1,061,263
Short-term loans	294,847,380	236,941,020
Medium-term loans	355,120,863	331,720,075
Long-term loans	501,368,989	457,839,413
Delinquent loans	1,809,466	1,933,199
	<u>1,155,329,751</u>	<u>1,032,485,957</u>
Less: Adjustment for discount	( 600,881)	( 579,350)
Less: Allowance for loan losses	( 16,261,753)	( 13,401,461)
	<u>\$ 1,138,467,117</u>	<u>\$ 1,018,505,146</u>

b. The movements in the allowance for loans for the years ended December 31, 2019 and 2018 were as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Loss Allowance under IFRS 9	Recognized Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Loss allowance as of January 1, 2019	\$ 2,133,428	\$ 632,264	\$ 2,122,777	\$ 3,473,856	\$ 8,362,325	\$ 5,039,136	\$ 13,401,461
Changes in the loss allowance							
Transfer to stage 3	( 25,530)	358,196	1,388,905	( 14,279)	1,707,292		1,707,292
Transfer to stage 2	( 8,429)	( 89,104)	( 210,028)	1,508,190	1,200,629		1,200,629
Transfer to stage 1	4,764	( 65,430)	( 111,982)	( 210,798)	( 383,446)		( 383,446)
Financial assets derecognized	( 719,280)	( 99,958)	( 952,964)	( 2,370,371)	( 4,142,573)		( 4,142,573)
New financial assets originated or purchased	779,856	85,223	73,094	284,646	1,222,819		1,222,819
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						2,347,077	2,347,077
Write-offs	( 521)	( 19,870)	-	( 140,024)	( 160,415)		( 160,415)
Recovery of loans written off	-	-	-	1,069,829	1,069,829		1,069,829
Foreign exchange and other movements	-	( 920)	-	-	( 920)		( 920)
Loss allowance as of December 31, 2019	\$ 2,164,288	\$ 800,401	\$ 2,309,802	\$ 3,601,049	\$ 8,875,540	\$ 7,386,213	\$ 16,261,753

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Loss Allowance under IFRS 9	Recognized Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Loss allowance as of January 1, 2019	\$ 1,841,657	\$ 1,598,610	\$ 2,449,415	\$ 3,951,894	\$ 9,841,576	\$ 2,660,022	\$ 12,501,598
Changes in the loss allowance							
Transfer to stage 3	( 10,865)	245,899	154,330	( 36,600)	352,764		352,764
Transfer to stage 2	( 10,262)	( 82,282)	( 191,086)	1,182,199	898,569		898,569
Transfer to stage 1	4,273	( 176,027)	-	( 256,607)	( 428,361)		( 428,361)
Financial assets derecognized	( 423,766)	( 983,247)	( 391,429)	( 1,887,814)	( 3,686,256)		( 3,686,256)
New financial assets originated or purchased	732,261	35,895	101,404	178,008	1,047,568		1,047,568
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						2,379,114	2,379,114
Write-offs	( 472)	( 7,936)	-	( 760,391)	( 768,799)		( 768,799)
Recovery of loans written off	-	-	-	1,102,024	1,102,024		1,102,024
Others	602	1,352	143	1,143	3,240		3,240
Loss allowance as of December 31, 2018	\$ 2,133,428	\$ 632,264	\$ 2,122,777	\$ 3,473,856	\$ 8,362,325	\$ 5,039,136	\$ 13,401,461

- c. The movements in the gross carrying amount of the allowance for loans for the years ended December 31, 2019 and 2018 were as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs	Total
Loss allowance as of January 1, 2019	\$ 1,005,913,945	\$ 14,644,713	\$ 2,979,599	\$ 8,947,700	\$ 1,032,485,957
Changes in the loss allowance					
Transfer to stage 3	( 9,878,954)	7,126,594	2,239,222	( 17,071)	( 530,209)
Transfer to stage 2	( 2,824,276)	( 407,622)	( 235,951)	3,123,618	( 344,231)
Transfer to stage 1	2,764,586	( 2,577,493)	( 132,541)	( 331,036)	( 276,484)
Financial assets derecognized	( 254,154,244)	( 2,919,517)	( 1,182,542)	( 2,699,594)	( 260,955,897)
New financial assets originated or purchased	384,345,921	439,166	76,252	562,366	385,423,705
Write-offs	( 86,455)	( 40,909)	-	( 345,726)	( 473,090)
Loss allowance as of December 31, 2019	\$ 1,126,080,523	\$ 16,264,932	\$ 3,744,039	\$ 9,240,257	\$ 1,155,329,751

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs	Total
Loss allowance as of January 1, 2019	\$ 945,818,159	\$ 13,306,303	\$ 3,555,652	\$ 10,129,971	\$ 972,810,085
Changes in the loss allowance					
Transfer to stage 3	( 6,588,827)	6,152,506	295,357	( 64,049)	( 205,013)
Transfer to stage 2	( 2,554,809)	( 205,385)	( 328,124)	2,812,269	( 276,049)
Transfer to stage 1	2,318,305	( 1,989,943)	-	( 472,629)	( 144,267)
Financial assets derecognized	( 255,431,100)	( 3,076,708)	( 894,125)	( 2,935,213)	( 262,337,146)
New financial assets originated or purchased	322,434,413	490,051	350,839	466,092	323,741,395
Write-offs	( 82,196)	( 32,111)	-	( 988,741)	( 1,103,048)
Loss allowance as of December 31, 2018	\$ 1,005,913,945	\$ 14,644,713	\$ 2,979,599	\$ 8,947,700	\$ 1,032,485,957

- d. Details of the (provisions for) reversal of the allowance for loan losses, commitments and guarantees liabilities for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
(Provisions for) reversal of allowance for losses of receivables, loans and other miscellaneous financial assets	\$( 2,608,836)	\$( 3,356,191)
(Provisions for) reversal of losses on guarantees liabilities	( 302)	( 13,308)
(Provisions for) reversal of losses on loan commitments	( 4,385)	32,495
(Provisions for) reversal of letters of credit	( 1,592)	( 3,535)
	<u>\$( 2,615,115)</u>	<u>\$( 3,340,539)</u>

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

	December 31	
	2019	2018
Investments in associates	\$ 41,406,600	\$ 40,100,981

- a. Investments in associates

	For the Year Ended December 31	
	2019	2018
Material associates		
Chang Hwa Bank	\$ 41,327,245	\$ 40,041,904
Associates that are not individually material	79,355	59,077
	<u>\$ 41,406,600</u>	<u>\$ 40,100,981</u>

## 1) Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights	
			December 31	
			2019	2018
Chang Hwa Bank	Banking	Taiwan	22.81%	22.81%

Fair values (Level 1) of investments in associates with available published price quotations are summarized as follows:

Name of Associate	December 31	
	2019	2018
Chang Hwa Bank	\$ 51,706,973	\$ 38,410,639

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Chang Hwa Bank

	December 31	
	2019	2018
Total assets	\$ 2,126,429,286	\$ 2,069,080,020
Total liabilities	( 1,964,192,091)	( 1,912,518,389)
Equity	\$ 162,237,195	\$ 156,561,631
Equity attributable to the Group	\$ 37,009,403	\$ 35,714,699
Goodwill and other adjustments	4,317,842	4,327,205
Carrying amount	\$ 41,327,245	\$ 40,041,904

	For the Year Ended December 31	
	2019	2018
Net revenue and gains	\$ 31,712,024	\$ 32,996,096
Net profit for the period	\$ 11,571,782	\$ 12,646,535
Other comprehensive income	369,075	109,534
Total comprehensive income for the period	\$ 11,940,857	\$ 12,756,069

The Group should receive Chang Hwa Bank's dividend, which were \$1,429,234 thousand and \$966,278 thousand during years ended December 31, 2019 and 2018, respectively.

## 2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2019	2018
The Group's share of:		
Net profit (loss) for the period	\$ 10,379	\$ ( 6,503)
Other comprehensive income	( 101)	( 196)
Total comprehensive income (loss) for the period	\$ 10,278	\$ ( 6,699)

b. On December 8, 2014, the Company filed a civil action against the ROC Ministry of Finance (the "MOF") for its default in assisting the Company to obtain more seats in the board of Chang Hwa Bank than what the MOF committed in the contract. On April 27, 2016, the Taipei District Court ruled that there was a contractual relationship existing between the MOF and the Company. However, the Taipei District Court is not in favor of the Company's reassignment of the representative directors in the 24th session of the Chang Hwa Bank board.

On May 19, 2016, the Company appealed to the Taiwan High Court to claim its interests in the directorship of Chang Hwa Bank. On May 17, 2017, the Taiwan High Court ruled that the MOF should

support the representatives appointed by the Company to be elected to have the majority of board seats of Chang Hwa Bank, excluding its independent directors, as long as the MOF holds the stocks of Chang Hwa Bank and the Company remains the largest stockholder of Chang Hwa Bank. The MOF had requested for a review of the aforementioned judgement, and appealed to the Supreme Court. On May 23, 2019, the Supreme Court had reversed the original judgment which contains the existence of the contractual relationship and litigation expenses, and remanded this case to the Taiwan High Court.

- c. The Group's equity-method investments were not pledged as collateral as of December 31, 2019 and 2018, respectively.

## 15. OTHER MISCELLANEOUS FINANCIAL ASSETS, NET

- a. The details of other miscellaneous financial assets items were as follows:

	2019	2018
Non-performing receivables transferred from other than loans	\$ 351,875	\$ 348,548
Creditor rights	1	1
Less: Allowance for bad debt	( 338,388)	( 346,625)
Due from banks	4,553,811	8,306,311
Deposits for borrowing securities	296,462	793,728
Gold account	359,998	367,522
Customer margin account	313,104	351,681
Guaranteed price deposits for securities borrowing	8,433	44,403
Others	-	861
	<u>\$ 5,545,296</u>	<u>\$ 9,866,430</u>

- b. The due from banks recognized under other miscellaneous financial assets held by the Group are time deposits with original maturities of more than 3 months pledged as collateral. Refer to Note 47 for the information relating to the due from banks and time deposits pledged as collateral.
- c. Refer to Note 12 for the movements of the allowance for non-performing receivables transferred from other than loans, inward remittances and creditor rights for the years ended December 31, 2019 and 2018.
- d. The loss allowance is measured at an amount equal to lifetime ECLs per historical experience and forward-looking information; there was no loss allowance on other miscellaneous financial assets excluding non-performing receivables transferred from other than loans and creditor rights as of December 31, 2019 and 2018.

## 16. INVESTMENT PROPERTY, NET

	December 31	
	2019	2018
Investment property		
Land	\$ 621,103	\$ 375,201
Buildings		
Cost	463,211	317,576
Accumulated depreciation	( 83,252)	( 48,618)
	<u>379,959</u>	<u>268,958</u>
	<u>\$ 1,001,062</u>	<u>\$ 644,159</u>

	Land	Buildings	Total
<u>Cost</u>			
Balance, January 1, 2019	\$ 375,201	\$ 317,576	\$ 692,777
Additions	227,779	45,338	273,117
Reclassification	18,123	100,297	118,420
Balance, December 31, 2019	<u>\$ 621,103</u>	<u>\$ 463,211</u>	<u>\$ 1,084,314</u>
Balance, January 1, 2018	\$ 288,369	\$ 265,295	\$ 553,664
Additions	86,832	52,281	139,113
Balance, December 31, 2018	<u>\$ 375,201</u>	<u>\$ 317,576</u>	<u>\$ 692,777</u>
<u>Accumulated depreciation</u>			
Balance, January 1, 2019	\$ -	\$ 48,618	\$ 48,618
Depreciation	-	8,852	8,852
Reclassification	-	25,782	25,782
Balance, December 31, 2019	<u>\$ -</u>	<u>\$ 83,252</u>	<u>\$ 83,252</u>
Balance, January 1, 2018	\$ -	\$ 41,854	\$ 41,854
Depreciation	-	6,764	6,764
Balance, December 31, 2018	<u>\$ -</u>	<u>\$ 48,618</u>	<u>\$ 48,618</u>

Investment properties are depreciated over the following estimated useful lives using the straight-line method.

Buildings

9-55 years

Operating leases related to leases of investment properties with lease terms between one year and twenty years.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2019 was as follows:

	December 31, 2019
Year 1	\$ 21,658
Year 2	14,432
Year 3	12,373
Year 4	12,556
Year 5	12,556
Over 5 years	197,702
	<u>\$ 271,277</u>

The future minimum lease payments of non-cancellable operating lease commitments as of December 31, 2018 were as follows:

	December 31, 2018
Not later than 1 year	\$ 14,831
Later than 1 year and not later than 5 years	5,052
Later than 5 years	1,190
	<u>\$ 21,073</u>

The rental income and direct operating expenses generated from investment properties for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
Rental income	\$ 20,325	\$ 15,468
Direct operating expenses from investment properties generating rental income	6,929	5,774
Direct operating expenses from investment properties generating rental income	4,009	2,906

The fair values of the Group's investment properties as of December 31, 2019 and 2018 were \$1,207,549 thousand and 742,748 thousand, respectively. The fair values were determined by the Group's management based on the valuation models measured by the third level input value generally used by the market participants, the foregoing valuation was from the transaction value of property and equipment.

## 17. PROPERTY AND EQUIPMENT, NET

	December 31	
	2019	2018
Land	\$ 11,210,839	\$ 11,247,962
Buildings	4,948,991	5,179,870
Machinery equipment	2,343,684	2,323,041
Transportation equipment	59,010	55,701
Miscellaneous equipment	93,160	73,949
Leasehold improvement	287,442	239,581
Leased assets	-	7,536
Prepayments for buildings and equipment	108,332	31,335
	<u>\$ 19,051,458</u>	<u>\$ 19,158,975</u>

	Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Prepayment for Buildings, Equipment and Property under Construction	Total
<b>Cost</b>									
Balance, January 1, 2019	\$ 11,247,962	\$ 7,542,110	\$ 4,076,457	\$ 142,295	\$ 147,072	\$ 607,577	\$ 12,762	\$ 31,335	\$ 23,807,570
Adjustments on initial application of IFRS 16	-	-	-	-	-	-	( 12,762)	-	( 12,762)
Additions	-	37,000	684,823	26,023	45,551	138,645	-	76,997	1,009,039
Disposals	( 19,000)	( 44,278)	( 241,629)	( 39,008)	( 22,213)	( 102,125)	-	-	( 468,253)
Reclassification	( 18,123)	( 102,761)	-	-	283	-	-	-	( 120,601)
Effect of foreign currency exchange differences	-	-	( 3,316)	-	-	( 3,517)	-	-	( 6,833)
Balance, December 31, 2019	<u>\$ 11,210,839</u>	<u>\$ 7,432,071</u>	<u>\$ 4,516,335</u>	<u>\$ 129,310</u>	<u>\$ 170,693</u>	<u>\$ 640,580</u>	<u>\$ -</u>	<u>\$ 108,332</u>	<u>\$ 24,208,160</u>
Balance, January 1, 2018	\$ 11,247,962	\$ 7,501,436	\$ 3,827,698	\$ 139,865	\$ 134,513	\$ 632,835	\$ 16,443	\$ 72,683	\$ 23,573,435
Additions	-	10,776	502,010	22,157	22,854	50,051	1,760	85,593	695,201
Disposals	-	( 42,973)	( 253,024)	( 19,727)	( 13,803)	( 112,587)	( 5,441)	-	( 447,555)
Reclassification	-	72,871	2,330	-	3,508	39,288	-	( 126,941)	( 8,944)
Effect of foreign currency exchange differences	-	-	( 2,557)	-	-	( 2,010)	-	-	( 4,567)
Balance, December 31, 2018	<u>\$ 11,247,962</u>	<u>\$ 7,542,110</u>	<u>\$ 4,076,457</u>	<u>\$ 142,295</u>	<u>\$ 147,072</u>	<u>\$ 607,577</u>	<u>\$ 12,762</u>	<u>\$ 31,335</u>	<u>\$ 23,807,570</u>
<b>Accumulated depreciation</b>									
Balance, January 1, 2019	\$ -	\$ 2,362,240	\$ 1,753,416	\$ 86,594	\$ 73,123	\$ 367,996	\$ 5,226	\$ -	\$ 4,648,595
Adjustments on initial application of IFRS 16	-	-	-	-	-	-	( 5,226)	-	( 5,226)
Depreciation	-	180,928	662,306	22,591	26,378	89,968	-	-	982,171
Disposals	-	( 34,306)	( 240,348)	( 38,885)	( 22,168)	( 102,125)	-	-	( 437,832)
Reclassification	-	( 25,782)	-	-	200	-	-	-	( 25,582)
Effect of foreign currency exchange differences	-	-	( 2,723)	-	-	( 2,701)	-	-	( 5,424)
Balance, December 31, 2019	<u>\$ -</u>	<u>\$ 2,483,080</u>	<u>\$ 2,172,651</u>	<u>\$ 70,300</u>	<u>\$ 77,533</u>	<u>\$ 353,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,156,702</u>
Balance, January 1, 2018	\$ -	\$ 2,222,288	\$ 1,414,630	\$ 80,023	\$ 63,914	\$ 384,150	\$ 7,439	\$ -	\$ 4,172,444
Depreciation	-	182,925	592,984	26,268	22,918	97,052	3,228	-	925,375
Disposals	-	( 42,973)	( 252,198)	( 19,697)	( 13,709)	( 111,421)	( 5,441)	-	( 445,439)
Effect of foreign currency exchange differences	-	-	( 2,000)	-	-	( 1,785)	-	-	( 3,785)
Balance, December 31, 2018	<u>\$ -</u>	<u>\$ 2,362,240</u>	<u>\$ 1,753,416</u>	<u>\$ 86,594</u>	<u>\$ 73,123</u>	<u>\$ 367,996</u>	<u>\$ 5,226</u>	<u>\$ -</u>	<u>\$ 4,648,595</u>

The above items of property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	35-56 years
Machinery equipment	1-15 years
Transportation equipment	2-6 years
Miscellaneous equipment	3-20 years
Leasehold improvements	1-50 years

No impairment assessment was performed because there was no indication of impairment for the years ended December 31, 2019 and 2018.

## 18. LEASE ARRANGEMENTS

### a. Right-of-use assets

	December 31, 2019	
<u>Carrying amounts</u>		
Buildings	\$	2,742,011
Office equipment		896
Transportation equipment		18,417
	<u>\$</u>	<u>2,761,324</u>
	For the Year Ended December 31, 2019	
Additions to right-of-use assets	\$	1,207,012
Depreciation charge for right-of-use assets		
Buildings	\$	700,699
Office equipment		422
Transportation equipment		19,107
	<u>\$</u>	<u>720,228</u>

### b. Lease liabilities

	December 31, 2019	
<u>Carrying amounts</u>		
Buildings	\$	2,804,006
Office equipment		903
Transportation equipment		17,199
	<u>\$</u>	<u>2,822,108</u>
	For the Year Ended December 31, 2019	
Interest expenses (other interest expenses)	\$	35,009

Lease terms and range of discount rate for lease liabilities for the year ended December 31, 2019 were as follows:

	Lease Terms	Range of Discount Rate
Buildings	1-10 years	1.16%-5.31%
Office equipment	4-5 years	1.16%-1.19%
Transportation equipment	2 years	5.31%

### c. Other lease information

	For the Year Ended December 31, 2019	
Expenses relating to short-term leases	\$	66,728
Expenses relating to low-value asset leases	\$	3,527
Lease payments not included in changes in lease liability measurement	\$	9
Total cash outflow for leases	<u>\$</u>	<u>722,373</u>

The Group leases certain lease contracts which qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

All lease commitments with lease terms commencing after the balance sheet date were as follows:

	December 31, 2019
Lease commitments	\$ 207,828

## 19. INTANGIBLE ASSETS, NET

	December 31			
	2019		2018	
Goodwill	\$	1,567,391	\$	1,567,391
Intangible assets - customer value		-		210
Intangible assets - computer software		895,057		707,858
	\$	<u>2,462,448</u>	\$	<u>2,275,459</u>
		<b>Goodwill</b>	<b>Customer Value</b>	<b>Computer Software</b>
Balance, January 1, 2019	\$	1,567,391	\$	210
Additions		-		-
Disposals		-	-	( 9,302)
Amortization		-	( 210)	( 292,439)
Reclassification		-		3,285
Effect of foreign currency exchange differences		-		( 727)
Balance, December 31, 2019	\$	<u>1,567,391</u>	\$	<u>-</u>
			\$	<u>895,057</u>
			\$	<u>2,462,448</u>
Balance, January 1, 2018	\$	1,567,391	\$	2,308
Additions		-		-
Disposals		-		-
Amortization		-	( 2,098)	( 252,524)
Reclassification		-		8,983
Effect of foreign currency exchange differences		-		( 461)
Balance, December 31, 2018	\$	<u>1,567,391</u>	\$	<u>210</u>
			\$	<u>707,858</u>
			\$	<u>2,275,459</u>

### Goodwill

Taishin Bank merged with Dah An Bank through a share swap in February 2002, in which Taishin Bank issued new shares to acquire the total assets and liabilities of Dah An Bank. The difference between the fair value of the new shares issued by Taishin Bank and the fair value of net assets acquired was recognized as goodwill. The unamortized amount as of December 31, 2019 and 2018 was all \$884,937 thousand with no material impairment loss noted.

Taishin AMC acquired 40% ownership of Taishin Real-Estate in April 2003. The difference between the purchase price and the net assets acquired was recognized as goodwill. The unamortized amount as of December 31, 2019 and 2018 was all \$4,187 thousand with no material impairment loss noted.

Taishin Bank acquired the net assets of the 10th Credit Cooperative of Hsin-Chu in October 2004. The acquisition price in excess of the net assets of 10th Credit Cooperative of Hsin-Chu was recognized as goodwill. The unamortized amount as of December 31, 2019 and 2018 was all \$267,337 thousand with no material impairment loss noted.

Taishin Securities Investment Trust merged with IBT Securities Investment Trust Co., Ltd. on December 18, 2010, in which Taishin Securities Investment Trust acquired the total assets and liabilities of IBT Securities Investment Trust Co., Ltd. The difference between the purchase price and the net assets acquired was recognized as goodwill valued at \$425,300 thousand. Taishin Securities Investment Trust valued the recoverable amount of goodwill and recognized impairment loss for goodwill in the amount of \$14,370 thousand for the year ended December 31, 2016. The recoverable amount was valued on the basis of use value. The main reason of impairment is profitability of Taishin Securities Investment Trust. The unamortized amount as of December 31, 2019 and 2018 was all \$410,930 thousand.

## Intangible Assets - Customer Value

Taishin Securities Investment Trust acquired all the net assets of IBT Securities Investment Trust Co., Ltd., and the related customer value that amounted to \$16,994 thousand as of the base date, December 18, 2010. The amount of monthly amortization was \$175 thousand and the unamortized amount was \$0 thousand and \$210 thousand as of December 31, 2019 and 2018, respectively.

## 20. OTHER ASSETS, NET

	December 31	
	2019	2018
Prepayments	\$ 1,119,818	\$ 1,119,074
Refundable deposits	6,218,074	9,318,839
Operating guarantee deposits and settlement funds	199,857	188,416
Collateral, net	427,528	448,926
Input tax to be credited	395,730	518,642
Others	155,409	123,028
	<u>\$ 8,516,416</u>	<u>\$ 11,716,925</u>

### a. Operating guarantee deposits

As stipulated in the Regulations Governing Securities Firms, the Regulation Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises (SITE) and Securities Investment Consulting Enterprises (SICE), the Group should make operating deposits in designated one financial institution, as of December 31, 2019 and 2018, the operating deposits were all \$90,017 thousand and \$115,450 thousand.

### b. Settlement funds

As stipulated in the Regulations Governing Securities Firms, the Taipei Exchange Rules for Administration of the Joint Responsibility System Clearing and Settlement Fund, the Group should deposit reserve legal fund in Taiwan Stock Exchange and GTSM, as of December 31, 2019 and 2018, the settlement funds were \$109,840 thousand and \$72,966 thousand, respectively.

c. Refer to Note 47 for information relating to refundable deposits, operating guarantee deposits and settlement funds pledged as collateral.

d. The loss allowance is measured at an amount equal to lifetime ECLs per historical experience and forward-looking information; there was no loss allowance on refundable deposits, operating guarantee deposits and settlement funds as of December 31, 2019 and 2018.

e. The Group had recognized impairment loss \$4,639 thousand in other assets - others for the year ended December 31, 2019.

f. The amount of the loss allowance for refundable deposits was as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs - Not Credit- impaired	Stage 2 Lifetime ECLs - Credit- impaired	Total
December 31, 2019	\$ -	\$ -	\$ 3,000	\$ 3,000
December 31, 2018	\$ -	\$ -	\$ -	\$ -

The Group had recognized impairment loss of \$3,000 thousand for the year ended December 31, 2019.

**21. DUE TO CENTRAL BANK AND BANKS**

	December 31	
	2019	2018
Due to other banks	\$ 25,104,879	\$ 24,933,478
Call loans from other banks	27,899,674	32,022,907
Bank overdrafts	292,963	397,558
Due to the Central Banks	95,541	87,395
	<u>\$ 53,393,057</u>	<u>\$ 57,441,338</u>

**22. COMMERCIAL PAPER ISSUED, NET**

	December 31	
	2019	2018
Sunny Bills Finance	\$ 400,000	\$ 200,000
Union Bills Finance	950,000	1,350,000
Grand Bills Finance	4,270,000	2,850,000
China Bills Finance	1,230,000	2,115,000
Ta Ching Bills Finance	835,000	800,000
International Bills Finance	570,000	250,000
Taiwan Bills Finance	710,000	700,000
Mega Bills Finance	1,095,000	1,000,000
Bank SinoPac	6,010,000	-
Hua Nan Bank	800,000	500,000
KGI Bank	1,350,000	1,800,000
Taiwan Cooperative Bills Finance	400,000	100,000
Taipei Fubon Bank	965,000	580,000
Cathay Bank	2,000,000	-
Yuanta Commercial Bank	1,300,000	-
Less: Discounts on commercial paper issued	( 28,235)	( 29,403)
	<u>\$ 22,856,765</u>	<u>\$ 12,215,597</u>

As of December 31, 2019 and 2018, the interest rates of commercial paper issued were 0.54%-1.12% and 0.50%-1.12%, respectively.

**23. PAYABLES**

	December 31	
	2019	2018
Notes and accounts payable	\$ 18,303,551	\$ 11,268,867
Delivery accounts payable	5,520,437	3,528,575
Accrued expenses	6,152,639	5,086,331
Interest payable	2,951,612	2,750,510
Check for clearance payable	1,483,802	2,015,668
Collection payable	563,049	481,780
Other tax payable	352,485	321,083
Other payable	4,055,066	3,330,376
	<u>\$ 39,382,641</u>	<u>\$ 28,783,190</u>

## 24. DEPOSITS AND REMITTANCES

	December 31	
	2019	2018
Checking deposits	\$ 6,559,224	\$ 6,162,131
Demand deposits	329,759,105	255,324,353
Time deposits	350,220,390	345,690,436
Negotiable certificates of deposit	1,127,326	8,412,461
Savings deposits	737,394,123	635,510,525
Public treasury deposits	6,512,990	6,730,170
Remittances	2,511,775	1,845,348
	<u>\$ 1,434,084,934</u>	<u>\$ 1,259,675,424</u>

## 25. BONDS PAYABLE

	December 31	
	2019	2018
Corporate bonds	\$ 22,000,000	\$ 22,000,000
Bank debentures	34,800,000	39,700,000
	<u>\$ 56,800,000</u>	<u>\$ 61,700,000</u>

### Subordinated Corporate Bonds Issued by Taishin Financial Holding

To raise working capital and enhance financial structure, Taishin Financial Holding issued unsecured subordinated corporate bonds under SFB approval. Bond issue terms were as follows:

	December 31	
	2019	2018
Unsecured Subordinated Corporate Bonds - 2012 (I)	\$ -	\$ 7,000,000
Unsecured Subordinated Corporate Bonds - 2017 (I)	8,000,000	8,000,000
Unsecured Subordinated Corporate Bonds - 2018 (I)	7,000,000	7,000,000
Unsecured Subordinated Corporate Bonds - 2019 (I)	7,000,000	-
	<u>\$ 22,000,000</u>	<u>\$ 22,000,000</u>

#### a. Domestic Unsecured Subordinated Corporate Bonds - 2012 (I)

- 1) Issue amount: \$7,000,000 thousand
- 2) Denomination: \$50,000 thousand
- 3) Issue date: May 15, 2012
- 4) Issue price: 100% of the principal amount of the bonds
- 5) Maturity: 7 years from the issue date
- 6) Coupon rate: 2.0% per annum
- 7) Interest payment: Simple interest per annum from the issue date
- 8) Redemption on maturity: In cash
- 9) Other: Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (interests could be cumulative and interest on principal occurred during the extension period, when applicable, could be calculated at the coupon rate).

b. Domestic Unsecured Subordinated Corporate Bonds - 2017 (I)

- 1) Issue amount: \$8,000,000 thousand
- 2) Denomination: \$1,000 thousand
- 3) Issue date: October 26, 2017
- 4) Issue price: 100% of the principal amount of the bonds
- 5) Maturity: 10 years from the issue date
- 6) Coupon rate: 1.9% per annum
- 7) Interest payment: Simple interest per annum from the issue date
- 8) Redemption on maturity: In cash
- 9) Other: Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (interests could be cumulative and interest on principal occurred during the extension period, when applicable, could be calculated at the coupon rate).

c. Domestic Unsecured Subordinated Corporate Bonds - 2018 (I)

- 1) Issue amount: \$7,000,000 thousand
- 2) Denomination: \$1,000 thousand
- 3) Issue date: July 10, 2018
- 4) Issue price: 100% of the principal amount of the bonds
- 5) Maturity: 15 years from the issue date
- 6) Coupon rate: 1.92% per annum
- 7) Interest payment: Simple interest per annum from the issue date
- 8) Redemption on maturity: In cash
- 9) Other: Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (interests could be cumulative and interest on principal occurred during the extension period, when applicable, could be calculated at the coupon rate).

d. Domestic Unsecured Subordinated Corporate Bonds-2019 (I)

- 1) Issue amount: \$7,000,000 thousand.
- 2) Denomination: \$1,000 thousand.
- 3) Issue date: April 30, 2019.
- 4) Issue price: 100% of the principal amount of the bonds.
- 5) Maturity: 15 years from the issue date.
- 6) Coupon rate: 1.60%.
- 7) Interest payment: Simple interest per annum from the issue date.
- 8) Redemption on maturity: In cash.
- 9) Other: Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (interests could be cumulative and interest on principal for the extension period could be calculated at coupon rate).

## Bank Debentures Issued by Taishin Bank

Taishin Bank has issued bank debentures to enhance its capital ratio and raise medium to long-term operating funds. Details of the bank debentures were as follows:

	December 31	
	2019	2018
Subordinated Bank Debentures - 2012 (I)	\$ 4,500,000	\$ 5,600,000
Subordinated Bank Debentures - 2012 (II)	2,300,000	6,100,000
Subordinated Bank Debentures - 2014 (I)	-	3,000,000
Subordinated Bank Debentures - 2014 (II)	-	2,000,000
Subordinated Bank Debentures - 2014 (III)	3,000,000	3,000,000
Subordinated Bank Debentures - 2015 (I)	9,100,000	9,100,000
Subordinated Bank Debentures - 2015 (II)	6,000,000	6,000,000
Subordinated Bank Debentures - 2015 (III)	4,900,000	4,900,000
Subordinated Bank Debentures - 2019 (I)	5,000,000	-
	<u>\$ 34,800,000</u>	<u>\$ 39,700,000</u>

- a. Taishin Bank made first issue of \$5,600 million in subordinated bank debentures on October 19, 2012, as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2012.10.19	2012.10.19	7 years	\$1,100 million	1.53% fixed rate	\$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date.
B	2012.10.19	2022.10.19	10 years	\$4,500 million	1.65% fixed rate		

- b. Taishin Bank made second issue of \$6,100 million in subordinated bank debentures on December 14, 2012, as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2012.12.14	2019.12.14	7 years	\$3,800 million	1.53% fixed rate	\$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date.
B	2012.12.14	2022.12.14	10 years	\$2,300 million	1.65% fixed rate		

- c. Taishin Bank made first issue of \$3,000 million in unsecured, no-maturity, non-cumulative subordinated bank debentures in 2014 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2014, first issue	2014.04.16	No maturity. (Issuer has redemption right.)	No maturity. (Issuer has redemption right.)	\$3,000 million	4.10% fixed interest rate	\$50 million	Interest is accrued according to nominal interest rate and actual days, and calculated at a simple rate and paid annually on July 1 from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. The debentures have no maturity.

### 1) Interest payment

Taishin Bank may not pay the interest if it had no earnings during the previous fiscal year and did not distribute common stock dividends. Where the balance of accumulated undistributed earnings after deducting the unamortized loss on the disposal of non-performing loans exceeds the interest payment and such payment does not alter the originally agreed conditions for interest payment, payment is allowed. The interest not paid should not be accumulated or deferred.

Taishin Bank shall defer the payment of principal and interest if the ratio of regulatory capital to risk-weighted assets does not meet the minimum requirements in Regulations Governing the Capital Adequacy and Capital Category of Banks Paragraph 1 of Article 5; the deferred payment of principal or interest shall not be imposed further with interest.

2) Redemption policy

After five years of issuance, if the ratio of regulatory capital to risk-weighted assets after redemption will meet the minimum rate and the redemption has an approval from the competent authority, the debentures may be redeemed earlier by Taishin Bank. Taishin Bank has redeemed the debentures in advance in April 2019.

d. Taishin Bank made second issue of \$2,000 million in unsecured, no-maturity, non-cumulative subordinated bank debentures in 2014 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2014, second issue	2014.05.09	No maturity. (Issuer has redemption right.)	No maturity. (Issuer has redemption right.)	\$2,000 million	4.10% fixed interest rate	\$50 million	Interest is accrued according to nominal interest rate and actual days, and calculated at a simple rate and paid annually on July 1 from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. The debentures have no maturity.

1) Interest payment

Taishin Bank may not pay the interest if it had no earnings during the previous fiscal year and did not distribute common stock dividends. Where the balance of accumulated undistributed earnings after deducting the unamortized loss on the disposal of non-performing loans exceeds the interest payment and such payment does not alter the originally agreed conditions for interest payment, payment is allowed. The interest not paid should not be accumulated or deferred.

Taishin Bank shall defer the payment of principal and interest if the ratio of regulatory capital to risk-weighted assets does not meet the minimum requirements in Regulations Governing the Capital Adequacy and Capital Category of Banks Paragraph 1 of Article 5; the deferred payment of principal or interest shall not be imposed further with interest.

2) Redemption policy

After five years of issuance, if the ratio of regulatory capital to risk-weighted assets after redemption will meet the minimum rate and the redemption has an approval from the competent authority, the debentures may be redeemed earlier by Taishin Bank. Taishin Bank has redeemed the debentures in advance in May 2019.

e. Taishin Bank made third issue of \$3,000 million in unsecured subordinated bank debentures in 2014 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2014, third issue	2014.05.16	2024.05.16	10 years	\$3,000 million	1.95% fixed interest rate	\$50 million	Interest is accrued according to nominal interest rate and actual days, and calculated at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Principal will be repaid on maturity date.

f. Taishin Bank made first issue of \$9,100 million in subordinated bank debentures in 2015 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2015.6.10	2025.6.10	10 years	\$4,250 million	2.15% fixed rate	\$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date.
B	2015.6.10	2030.6.10	15 years	\$4,850 million	2.45% fixed rate		

g. Taishin Bank made second issue of \$6,000 million in subordinated bank debentures in 2015 follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2015, second issue	2015.09.18	2027.9.18	12 years	\$6,000 million	2.25% fixed interest rate	\$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date.

h. Taishin Bank made third issue of \$4,900 million in subordinated bank debentures in 2015 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2015.09.22	2025.09.22	10 years	\$700 million	2.15% fixed interest rate	\$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date.
B	2015.09.22	2030.09.22	15 years	\$4,200 million	2.45% fixed interest rate		

i. Taishin Bank's initial issue of \$5,000 million in unsecured, no maturity, and non-cumulative subordinated bank debentures in 2019 was as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2019, initial issue	2019.03.28	No maturity. (Issuer has redemption right.)	No maturity. (Issuer has redemption right.)	\$5,000 million	2.45% fixed interest rate	\$50 million	Interest is accrued according to nominal interest rate and actual days, and calculated at a simple rate and paid annually on July 1 from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date.

#### 1) Interest payment

Taishin Bank may not pay the interest if it had no earnings during the previous fiscal year and did not declare dividends to its common stockholders. Where the balance of accumulated undistributed earnings after deducting the unamortized loss on the disposal of non-performing loans exceeds the interest payment and such payment does not alter the originally agreed conditions for interest payment, payment is allowed. The unpaid interest should not be accumulated or deferred.

Taishin Bank shall defer the payment of principal and interest if the ratio of regulatory capital to risk-weighted assets does not meet the minimum requirements in Regulations Governing the Capital Adequacy and Capital Category of Banks Paragraph 1 of Article 5; the deferred payment of principal or interest shall not be imposed further with interest.

#### 2) Redemption policy

After five years and one month of issuance, if the ratio of regulatory capital to risk-weighted assets after redemption will meet the minimum rate and the redemption has an approval from the competent authority, the debts may be redeemed earlier by Taishin Bank at 100% plus interest payable. And the redemption would be announced on the 30th day prior to the scheduled redemption date.

## 26. OTHER BORROWINGS

	December 31	
	2019	2018
Short-term unsecured borrowings	\$ 5,302,103	\$ 6,929,045
Long-term borrowings	5,891,981	4,616,339
	<u>\$ 11,194,084</u>	<u>\$ 11,545,384</u>

As of December 31, 2019 and 2018, the interest rates on short-term unsecured borrowings ranged from 1.16% to 5.22% and from 0.99% to 6.43%, respectively.

As of December 31, 2019 and 2018, the interest rate of long-term borrowings ranged from 3.44% to 5.70% and from 4.22% to 6.12%, respectively.

## 27. RESERVE FOR LIABILITIES

	December 31	
	2019	2018
Reserve for employee benefits (Note 30)	\$ 1,235,527	\$ 1,249,340
Reserve for guarantee liabilities	224,821	224,706
Reserve for loan commitments	176,675	172,675
Other reserves	124,102	74,614
	<u>\$ 1,761,125</u>	<u>\$ 1,721,335</u>

	Reserve for Guarantee Liabilities	Reserve for Loan Commitment	Other Reserves
Balance, January 1, 2019	\$ 224,706	\$ 172,675	\$ 74,614
Provision (reverse)	302	4,385	77,298
Payment	-	-	( 27,270)
Exchange differences	( 187)	( 385)	( 540)
Balance, December 31, 2019	<u>\$ 224,821</u>	<u>\$ 176,675</u>	<u>\$ 124,102</u>
Balance, January 1, 2018	\$ 210,775	\$ -	\$ 70,906
Effects of retrospective application	-	204,636	-
Provision (reverse)	13,308	( 32,495)	3,756
Payment	-	-	( 666)
Exchange differences	623	534	618
Balance, December 31, 2018	<u>\$ 224,706</u>	<u>\$ 172,675</u>	<u>\$ 74,614</u>

a. Other reserves are Taishin Bank's loss allowance for letters of credit, and the reserves for compensation of dispute cases.

b. The amount of the loss allowance for financial guarantees (including reserve for guarantee liabilities and letters of credit) and loan commitments was as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs- Not Credit- impaired	Stage 3 Lifetime ECLs - Credit- impaired	Loss Allowance under IFRS 9	Recognized Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non- accrual Loans	Total
December 31, 2019	\$ 155,447	\$ 35,933	\$ 4,042	\$ 195,422	\$ 211,100	\$ 406,522
December 31, 2018	\$ 155,265	\$ 37,837	\$ 4,128	\$ 197,230	\$ 203,689	\$ 400,919

## 28. OTHER FINANCIAL LIABILITIES

	December 31	
	2019	2018
Principal of structured products	\$ 71,455,099	\$ 58,234,643
Gold account	345,766	362,525
Futures traders' equity	592,198	472,629
Appropriations for loan fund	-	5,735
Lease payable	-	7,915
	<u>\$ 72,393,063</u>	<u>\$ 59,083,447</u>

## 29. OTHER LIABILITIES

	December 31	
	2019	2018
Unearned revenue	\$ 495,148	\$ 380,059
Unearned interest	419,039	318,511
Guarantee deposits	2,443,025	1,212,572
Deferred income	1,249,136	1,151,191
Temporary credits	785,960	577,191
Others	57,624	69,890
	<u>\$ 5,449,932</u>	<u>\$ 3,709,414</u>

## 30. POST-EMPLOYMENT BENEFIT PLANS

### Defined Contribution Plans

The Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Based on the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### Defined Benefit Plans

The Group also have defined benefit plan under the Labor Standards Law (the "LSL"). Under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of six months before retirement. The Group contributes amounts equal to 2% to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

Before the end of each year, the Group 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, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year.

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Enforcement Rules of the Labor Pension Act, the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

a. The Group's plan assets and present values of defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of actuarial valuations were as follows:

	Valuation Date	
	December 31	
	2019	2018
Discount rate used in determining present values	0.625%~0.875%	0.875%~1.375%
Expected rate of salary increase	2.50%~3.25%	2.50%~3.25%

Amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

	For the Year Ended December 31	
	2019	2018
Current service cost	\$ 20,157	\$ 21,882
Interest cost, net	13,481	12,578
	<u>\$ 33,638</u>	<u>\$ 34,460</u>

The amount included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit plans was as follows:

	December 31	
	2019	2018
Present value of funded defined benefit obligation	\$( 2,881,705)	\$( 2,849,886)
Fair value of plan assets	1,686,044	1,633,009
Deficit	( 1,195,661)	( 1,216,877)
Included prepaid pension cost	( 39,866)	( 32,463)
Net liability arising from defined benefit obligation	<u>\$( 1,235,527)</u>	<u>\$( 1,249,340)</u>

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2019	2018
Opening defined benefit obligation	\$ 2,849,886	\$ 2,782,777
Current service cost	20,157	21,882
Interest cost	33,943	33,007
Remeasurement		
Actuarial (gain) loss - changes in demographic assumptions	32,649	90,580
Actuarial (gain) loss - changes in financial assumptions	126,699	3,399
Actuarial (gain) loss - experience adjustments	( 70,733)	30,886
Liabilities extinguished on settlement	( 49,227)	( 32,900)
Benefits paid	( 61,669)	( 79,745)
Closing defined benefit obligation	<u>\$ 2,881,705</u>	<u>\$ 2,849,886</u>

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2019	2018
Opening fair value of plan assets	\$ 1,633,009	\$ 1,607,290
Interest revenue	20,462	20,429
Remeasurement		
Expected return on plan assets	54,213	43,957
Contributions from the employer	40,029	41,078
Benefits paid	( 61,669)	( 79,745)
Closing fair value of plan assets	<u>\$ 1,686,044</u>	<u>\$ 1,633,009</u>

For information about the categories and percentages, etc. of the composition of the fair value of plan assets as of December 31, 2019 and 2018, please refer to the authorities' public information about Labor Pension Funds.

If each of the major actuarial assumptions is reasonably possible, and all other assumptions remain, the significant actuarial assumptions used in the sensitivity analysis of the present value of the defined benefit obligation were as follows:

	Change in Actuarial Assumptions %	Increase (Decrease) of the Present Value of the Defined Obligation (%)	
		December 31, 2019	December 31, 2018
Discount rate used in determining present value	Increase 0.25%	(1.61)%~(3.54)%	(2.04)%~(4.04)%
	Decrease 0.25%	1.65%~3.69%	2.11%~4.24%
Expected rate of salary increase	Increase 0.25%	1.59%~3.58%	2.03%~4.11%
	Decrease 0.25%	(1.56)%~(3.44)%	(1.98)%~(3.94)%

The sensitivity analysis presented above assumes that only a single actuarial assumption changes and other actuarial assumptions remain unchanged. Practically, the assumptions may not occur in isolation as the assumptions may be correlated. The calculation of the present value of defined benefit obligation adopted the projected unit credit method.

The Group expects to make a contribution of \$39,549 thousand to the defined benefit plans within one year beginning from 2019 and contributed \$40,632 thousand in 2018. The weighted average duration of the defined benefit plans is from 6.3 to 14.4 years.

## 31. EQUITY

### Capital Stock

	December 31	
	2019	2018
Number of shares authorized (in thousands)	20,000,000	20,000,000
Shares authorized	\$ 200,000,000	\$ 200,000,000
Number of shares issued and fully paid (in thousands)		
Common stock	10,656,704	10,436,207
Preferred stock	800,000	1,017,541
Capital shares issued and outstanding	\$ 114,567,044	\$ 114,537,481

a. As of December 31, 2019 and 2018, Taishin Financial Holding's authorized capital were both \$200,000,000 thousand (20,000,000 thousand shares); as of December 31, 2019, share issued was 11,456,704 thousand shares, divided into 10,656,704 thousand common shares and 800,000 thousand preferred shares at NT\$10.00 par value.

b. Details of outstanding capital stock as of December 31, 2019 were as follows:

	Common Stock	Preferred Stock	Total
First share swap	\$ 23,000,000	\$ -	\$ 23,000,000
Second share swap	13,316,236	-	13,316,236
Capital infusion with cash	13,222,223	-	13,222,223
Convertible bonds converted to common stock	5,989,867	-	5,989,867
Issue of preferred stock - E	-	8,000,000	8,000,000
Stock dividends and employees' bonus in share distributed	56,223,449	-	56,223,449
Less: Cancellation of treasury stock	( 2,733,505)	-	( 2,733,505)
Less: Capital reduction to recover loss	( 3,864,802)	-	( 3,864,802)
Employee stock options converted to new shares	1,413,576	-	1,413,576
Shares issued	\$ 106,567,044	\$ 8,000,000	\$ 114,567,044

On February 18, 2002, Taishin Financial Holding issued 2,300,000 thousand shares of common stock of Taishin Bank through a share swap at a 1:1 ratio to exchange for the whole common stock owned by Taishin Bank's stockholders after consolidation.

As of December 31, 2002, Taishin Financial Holding issued 1,331,624 thousand common shares to acquire all the issued common stocks of Taishin Securities A and Taishin Bills Finance through share swaps at ratios of 1:1.2 and 1:1.3, respectively, with "1" representing Taishin Financial Holding.

On March 22, 2006, Taishin Financial Holding issued through private placement common stock totaling \$10,000,000 thousand for 555,556 thousand shares at NT\$18.00 per share. The rights and obligations are the same as those of the common stock outstanding. The mentioned common stock has been published in open market by the approval of FSC on May 17, 2011.

On December 27, 2006, Taishin Financial Holding issued through private placement common stock totaling \$4,000,000 thousand for 266,667 thousand shares at NT\$15.00 per share. The rights and obligations are the same as those of the common stock outstanding. The mentioned common stock has been published in open market by the approval of FSC on May 17, 2011.

Taishin Financial Holding has proposed to effect capital reduction by cancelling 386,480 thousand outstanding common shares (capital reduction ratio 6.7681%) on December 4, 2009.

On December 31, 2013, Taishin Financial Holding's board of directors resolved to issue 500,000 thousand ordinary shares, with a par value of NT\$10, for consideration of NT\$12 per share. On January 17, 2014, the above transaction was approved by the FSC, and the subscription base date was set by board of directors at April 14, 2014.

Taishin Financial Holding's stockholders had resolved the transfer of \$4,430,201 thousand of earnings to common stock in the stockholders' meeting on June 8, 2018. The ex-dividend date was August 28, 2018.

Taishin Financial Holding's employees have executed stock options and had acquired Taishin Financial Holding's common stock which aggregated 3,407 thousand shares and 8,925 thousand shares in 2019 and 2018.

Taishin Financial Holding's group capital adequacy ratio was 118.91% and 127.09% as of December 31, 2019 and 2018.

- c. In accordance with Article 8-2 of its Articles of Incorporation, the Company issued, via private placements, preferred stock - D totaling 777,778 thousand shares, with a par value of NT\$10, at NT\$18 per share in the total amount of \$14,000,000 thousand on March 22, 2006. The Company proposed to reduce its issued and outstanding capital to make-up for its accumulated deficit on December 4, 2009. In addition, the Company's board of directors resolved to redeem outstanding preferred stock - D from 2016 to 2019. The shares of outstanding preferred stock - D were all redeemed on March 25, 2019.

The rights and other important terms of issuance of the preferred stock - D are as follows:

- 1) In accordance with the Company Act and Article 40 of the Articles of Incorporation of the Company, if there are earnings for the fiscal year, earnings should be appropriated in the following order:
  - a) Payment of income taxes;
  - b) Make-up of prior year's losses, if any;
  - c) Legal reserve and if needed, special reserve;
  - d) Dividends to holders of preferred stock - D.
- 2) The stock dividends are fixed at 6.5% per annum based on issue price and are distributed by cash in one payment. After the stockholders, in their meeting, approve the appropriation of the earnings of the fiscal year as proposed by the board of directors and resolve to distribute from the earnings cash dividends, the board of directors set the record date of preferred stock - D for payment of dividends. Dividend is calculated based on the proportion of the number of days that the stocks are issued in a fiscal year, starting from the date of issuance to the record date of dividend.
- 3) If surplus or insufficient earnings in the fiscal year to fully pay off dividends for the stockholders of the preferred stocks, the unpaid dividend will not be carried forward to years with earnings.

- 4) In addition to receiving dividends at the fixed rate of dividend, the shares of the preferred stock - D shall, subject to the resolution of the board of directors, and be entitled to additional dividend. If dividends to common stocks are distributed in the same way as the preferred stock - D and there are remaining earnings, for the purpose of dividend distribution, the preferred stock - D will be converted to common stocks at the ratio 2:1 and participate in the distribution of dividends to common stocks, but not for the distribution of capital surplus.
  - 5) In the event of liquidation, the stockholders of preferred stock - D shall be given priority to claim on the Company's remaining assets over the stockholders of common stocks, but not more than the issuance amount of outstanding shares of preferred stock - D.
  - 6) The capital surplus from preferred stock - D issued in excess of par cannot be used to increase its capital during the issuance of preferred stock - D.
  - 7) The stockholders of the preferred stock - D are not entitled to any voting rights or election rights in stockholders' meeting. However, they can be elected as directors and have the right to vote in the stockholders' meeting and other agenda items concerning the preferred stock - D.
  - 8) When the Company issues new stocks in cash, the stockholders of preferred stock - D and the common stock shall be entitled to equivalent preemptive rights on the new stocks.
  - 9) Stockholders of the preferred stock - D will be entitled to convert a share of preferred stock - D into a share of common stock after three years from the issue date. After ten years from the issue date, the Company may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock - S at any time at the issue price. When the Company redeems the issued preferred stock - D, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year to the redemption date to total days in a fiscal year.
  - 10) The existing stockholders' equity of the preferred stock - D is based on the original terms of issuance. When the Company reduced capital to cover accumulated deficit, the issued shares of common stocks and all preferred stocks are cancelled in the same proportion. The stockholders' equity shall be adjusted according to the same proportion of the cancelled stocks in order to maintain the existing stockholders' equity of the preferred stock - D.
- d. In accordance with Article 8-4 of its Articles of Incorporation, the Company issued preferred stock - E, totaling 500,000 thousand shares, with a par value of NT\$10, at NT\$50 per share in the total amount of \$25,000,000 thousand on December 28, 2016. The issuance of stocks has been approved by the FSC under its Order No. 1050041849 issued on October 26, 2016, and the change in registration has been approved by the ROC Ministry of Economic Affairs under its Order No. 10501302230. The preferred stock - E was listed on Taiwan Stock Exchange on February 10, 2017.

The rights and other important conditions of issuance of the preferred stock - E are as follows:

- 1) Tenor: Perpetual.
- 2) Dividend yield: An annual dividend yield is set at 4.75% (7-year IRS 1.2175% + 3.5325%) per annum of the issue price at the pricing day. The 7-year IRS will be reset on the next business day after each seventh anniversary day after issuance and thereafter. The pricing date for reset is the second business day of financial industry in Taipei immediately preceding each reset date. The 7-year IRS rate is the arithmetic mean of 7-year IRS rates appearing on Reuters pages "PYTWDFIX" and "COSMOS3" at 11:00 a.m. (Taipei time) on the relevant pricing date for reset. If such rate cannot be obtained, the Company will determine the rate based on reasonable market price with good faith.

- 3) Dividend payment: If there is no surplus or earnings in the fiscal year are insufficient to fully pay off dividends to the stockholders of the preferred stocks, the unpaid dividend will not be carried forward to years with earnings. The Company has sole discretion on the distribution of the dividends of preferred stocks - E. Earnings distribution proposals will be devised by the board of directors in accordance with Article 40-1 of the Articles of Incorporation of the Company and then submitted to the annual general meeting of stockholders for acknowledgment. Earnings available for distribution to preferred stocks and common stocks under an acknowledged earnings distribution proposal will be distributed first to preferred stocks - D and then to preferred stocks - E, if any. Any remaining balance shall be distributed according to the Articles of Incorporation of the Company. The stock dividends are distributed by cash in one payment and are calculated based on the proportion of the number of days that the stocks are issued in a fiscal year. After the stockholders, in their meeting, approve the appropriation of the earnings of the fiscal year as proposed by the board of directors and resolve to distribute from the earnings cash dividends, the board of directors sets the record date of preferred stock - E for payment of dividends. When the Company redeems the issued preferred stock - E, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year to the redemption date to total days in a fiscal year.
  - 4) Restrictions on payment of dividends to common stocks: Except for the dividends prescribed in the preceding subparagraphs herein, the stockholders of preferred stock - E are not entitled to participate in the distribution of cash or stock dividends with regard to the common stocks and other preferred stocks derived from earnings or capital reserves.
  - 5) Redemption: After seven years from the issue date, the Company may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock - E at any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock - E shall continue as specified herein.
  - 6) Liquidation preference: In the event of liquidation, the stockholders of preferred stock - E shall be given priority to claim on the Company's remaining assets over the stockholders of common stocks, but subordinate to the stockholders of preferred stock - D, and not more than the issuance amount of outstanding shares of preferred stock - E.
  - 7) Voting rights or election rights: The stockholders of preferred stock - E are not entitled to any voting rights or election rights in stockholders' meeting. However, they may vote in preferred stock - E stockholders' meetings and in general stockholders' meetings with regard to agenda items concerning rights and obligations of the stockholders of preferred stock - E.
  - 8) Preferred stock - E shall not be converted into common stocks. The stockholders of the preferred stocks shall not require the Company to redeem the rights of the preferred stocks - E.
  - 9) When the Company issues new stocks in cash, the stockholders of preferred stock - D and of the common stock shall be entitled to equivalent preemptive rights on the new stocks.
- e. In accordance with Article 8-4 of its Articles of Incorporation, the Company issued preferred stock - E, totaling 300,000 thousand shares, with a par value of NT\$10, at NT\$50 per share in the total amount of \$15,000,000 thousand on November 30, 2018. The issuance of stocks has been approved by the FSC under its Order No. 1070329855 issued on September 6, 2018, and the change in registration has been approved by the ROC Ministry of Economic Affairs under its Order No. 10701153080. The preferred stock - E was listed on Taiwan Stock Exchange on January 8, 2019.

The rights and other important conditions of issuance of the preferred stock - E are as follows:

- 1) Tenor: Perpetual.
- 2) Dividend yield: An annual dividend yield is set at 3.80% (7-year IRS 1.1% + 2.7%) per annum of the issue price at the pricing day. The 7-year IRS will be reset on the next business day after each seventh anniversary day after issuance and thereafter. The pricing date for reset is the second business day of financial industry in Taipei immediately preceding each reset date. The 7-year IRS rate is the arithmetic mean of 7-year IRS rates appearing on Reuters pages "PYTWDFIX" and "COSMOS3" at 11:00 a.m. (Taipei time) on the relevant pricing date for reset. If such rate cannot be obtained, the Company will determine the rate based on reasonable market price with good faith.
- 3) Dividend payment: If there is no surplus or earnings in the fiscal year are insufficient to fully pay off dividends to the stockholders of the preferred stocks, the unpaid dividend will not be carried forward to years with earnings. The Company has sole discretion on the distribution of the dividends of preferred stocks - E. Earnings distribution proposals will be devised by the board of directors in accordance with Article 40-1 of the Articles of Incorporation of the Company and then submitted to the annual general meeting of stockholders for acknowledgment. Earnings available for distribution to preferred stocks and common stocks under an acknowledged earnings distribution proposal will be distributed first to preferred stocks - D and then to preferred stocks - E, if any. Any remaining balance shall be distributed according to the Articles of Incorporation of the Company. The stock dividends are distributed by cash in one payment and are calculated based on the proportion of the number of days that the stocks are issued in a fiscal year. After the stockholders, in their meeting, approve the appropriation of the earnings of the fiscal year as proposed by the board of directors and resolve to distribute from the earnings cash dividends, the board of directors set the record date of preferred stock - E for payment of dividends. When the Company redeems the issued preferred stock - E, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year to the redemption date to total days in a fiscal year.
- 4) Restrictions on payment of dividends to common stocks: Except for the dividends prescribed in the preceding subparagraphs herein, the stockholders of preferred stock - E are not entitled to participate in the distribution of cash or stock dividends with regard to the common stocks and other preferred stocks derived from earnings or capital reserves.
- 5) Redemption: After seven years from the issue date, the Company may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock - E at any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock - E shall continue as specified herein.
- 6) Liquidation preference: In the event of liquidation, the stockholders of preferred stock - E shall be given priority to claim on the Company's remaining assets over the stockholders of common stocks, but subordinate to the stockholders of preferred stock - D, and not more than the issuance amount of outstanding shares of preferred stock - E.
- 7) Voting rights or election rights: The stockholders of preferred stock - E are not entitled to any voting rights or election rights in stockholders' meeting. However, they may vote in preferred stock - E stockholders' meetings and in general stockholders' meetings with regard to agenda items concerning rights and obligations of the stockholders of preferred stock - E.
- 8) When the Company issues new stocks in cash, the stockholders of preferred stock - D and of the common stock shall be entitled to equivalent preemptive rights on the new stocks.

## Advance Receipts for Capital Stock

As of December 31, 2019 and 2018, advance receipts for capital stock amounted to \$11,077 thousand and \$3,996 thousand, representing the proceeds of the exercise of employee stock options to convert into 1,606 thousand shares and 555 thousand shares of common stock, respectively, of which the registration of the conversion has not been completed.

## Capital Surplus

As of December 31, 2019, the Company recognized a capital surplus of \$35,955,405 thousand, in which there's a part of investees' unappropriated retained earnings totaling \$414,706 thousand. In addition to the other regulations, Article 47 (d) of Financial Holding Company Act stipulates that the appropriation is not restricted by Article 241 (a) of the Company Act. Furthermore, the capital surplus from preferred stock - E issued in excess of par cannot be transferred to its capital during the outstanding issuance periods of preferred stock - E.

## Retained Earnings and Dividend Policy

In accordance with dividend policy of the Articles of Incorporation of the Company, whereas the Company makes profit in a fiscal year, the profit shall be first utilized for paying taxes, adjusted in accordance with accounting standards, offset losses of previous years, set aside 10% of the remaining profit as legal reserve, and set aside special reserve in accordance with the laws and regulations, distributed dividends to the preferred stock - D stockholders based on the Company's Articles of Incorporation clause 8-2; the dividend rate of the preferred stock - E should not be more than 8% and the distribution plan based on the Company's Articles of Incorporation clause 8-4 should be proposed by Company's board of directors in its meeting before its being resolved in the stockholders' meeting, and then any remaining profit together with the amount of reversed dividend or distributed-available special reserve and any undistributed earnings at the beginning of the fiscal year shall be resolved by the Company's board of directors in its meeting as the basis for proposing a distribution plan, of which cash dividends should not be less than 10% of total dividends distributed, to common stockholders and each class of preferred stockholders. The distribution plan should be resolved in the stockholders' meeting. However, under the requirements of the MOF, if the Group's capital adequacy ratio is less than 100%, dividends cannot be distributed in cash or other assets. For the policies on distribution of employees' compensation and remuneration to directors before and after amendment, refer to employee benefits expense in Note 36.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no accumulated deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital stock or distributed in cash.

Under Order No. 1010012865 and Order No. 10310006310 issued by the FSC in 2013 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse amounts to a special reserve account accordingly.

The appropriations of earnings for 2018 and 2017 have been resolved in the stockholders' meetings on June 14, 2019 and June 8, 2018, respectively. The number of common stocks outstanding has changed because of exercise of employee stock options; the actual appropriations were as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	For Year 2018	For Year 2017	For Year 2018	For Year 2017
Legal reserve	\$ 1,242,125	\$ 1,276,209		
Special reserve	-	69,300		
Preferred stock - D cash dividends	293,194	384,195	\$ -	\$ -
Preferred stock - E cash dividends	1,237,473	1,187,500	-	-
Common stock cash dividends	5,306,652	5,414,689	0.51	0.54
Common stock dividends	2,170,903	4,430,201	0.21	0.44

## Special Reserves

Taishin Financial Holding reclassified reserve for trading loss and default losses as of December 31, 2010 to a special reserve account, which is part of equity, in accordance with Order No. 10010000440 issued by the FSC.

Taishin Financial Holding made special reserves in accordance with Order No. 1010012865 issued by the FSC and the Q&As on Appropriation to Special Reserves after adoption of IFRS.

In accordance with Order No. 1010045494 issued by the FSC, Taishin Financial Holding reclassified from the balance of reserve for business loss to special reserves for Article 11 of Value-added and Non-value-added Business Tax an Act.

Taishin Financial Holding made special reserves equal to the increase in retained earnings that resulted from recognizing gain on bargain purchase in the acquisition in accordance with Order No. 10310006310 issued by the FSC.

## Other Equity Items

### a. Exchange differences on translation of foreign financial statements

	For the Year Ended December 31	
	2019	2018
Beginning balance	\$( 372,863)	\$( 463,546)
Exchange differences on translating the net assets of foreign operations	( 68,694)	( 55,051)
Share of exchange differences of associates accounted for using the equity method	( 234,393)	145,734
Ending balance	<u>\$( 675,950)</u>	<u>\$( 372,863)</u>

### b. Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Beginning balance	\$ 301,090	\$ 513,329
Effect of change in tax rate	-	1,168
Recognized during the period		
Unrealized loss - debt instruments	1,311,459	( 257,730)
Unrealized gain - equity instruments	195,931	115,368
Income tax related to profit or loss of debt instruments	( 60,816)	24,406
Share from associates accounted for using the equity method	344,589	( 62,867)
Reclassification adjustments		
Disposal of investments in debt instruments	( 445,390)	( 144,122)
Other comprehensive loss recognized in the period	1,345,773	( 323,777)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	42,637	111,538
Ending balance	<u>\$ 1,689,500</u>	<u>\$ 301,090</u>

### c. Changes in fair value attributable to changes in the credit risk of financial liabilities at FVTPL

	For the Year Ended December 31	
	2019	2018
Beginning balance	\$ 731	\$( 19)
Changes in fair value attributable to changes in the credit risk	39,023	544
Share from associates accounted for using the equity method	( 187)	206
Ending balance	<u>\$ 39,567</u>	<u>\$ 731</u>

## Non-controlling Interests

	For the Year Ended December 31	
	2019	2018
Beginning balance	\$ 133,427	\$ 133,844
Changes in subsidiaries' equity	( 3,213)	-
Attributable to non-controlling interests		
Cash dividend	( 194)	-
Net gain (loss) for the year	( 2,090)	( 450)
Other comprehensive income for the year	425	33
Ending balance	<u>\$ 128,355</u>	<u>\$ 133,427</u>

## 32. NET INTEREST INCOME

	For the Year Ended December 31	
	2019	2018
Interest income		
Loans	\$ 26,002,084	\$ 24,822,651
Investment in marketable securities	4,633,495	3,479,670
Revolving interest of credit card	1,385,515	1,292,301
Finance leases	2,012,909	2,082,481
Others	3,175,802	2,807,898
	<u>37,209,805</u>	<u>34,485,001</u>
Interest expense		
Deposits	( 12,162,100)	( 9,786,933)
Due to the Central Bank and call loans from banks	( 951,168)	( 763,971)
Securities sold under repurchase agreements	( 923,653)	( 976,598)
Issuance of bonds and securities	( 1,273,143)	( 1,371,396)
Structured products	( 1,548,102)	( 1,280,102)
Others	( 762,342)	( 714,700)
	<u>( 17,620,508)</u>	<u>( 14,893,700)</u>
Net interest income	<u>\$ 19,589,297</u>	<u>\$ 19,591,301</u>

## 33. NET SERVICE FEES AND COMMISSION INCOME

	For the Year Ended December 31	
	2019	2018
Service fees and commission income		
Interbank fees	\$ 881,393	\$ 920,253
Loan and guarantees fees	820,899	707,963
Fees from certification, underwriting and brokerage	1,380,080	1,082,677
Fees from trustee business	3,053,729	2,029,531
Insurance commission fees	5,566,067	5,552,523
Fees from credit card and cash card	4,644,425	4,018,256
Others	1,235,887	1,557,948
	<u>17,582,480</u>	<u>15,869,151</u>
Service fees and commission expenses		
Interbank fees	( 278,910)	( 338,473)
Marketing fees	( 756,971)	( 614,846)
Fees from credit card	( 2,734,114)	( 2,119,235)
Others	( 876,862)	( 784,371)
	<u>( 4,646,857)</u>	<u>( 3,856,925)</u>
Net service fees and commission income	<u>\$ 12,935,623</u>	<u>\$ 12,012,226</u>

### 34. GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	For the Year Ended December 31

	2019		2018
<u>Disposal gain (loss)</u>			
Securities			
Call (put) warrants issued	\$ 277,894	\$	219,428
Trading securities - dealing	547,955		261,689
Trading securities - underwriting	57,773	(	9,717)
Trading securities - hedging	( 25,467)	(	173,819)
Borrowing securities	59,778		38,347
Open-end funds	-	(	352)
Derivative financial instruments	( 321,613)	(	5,371)
Others	-	(	1,332)
	<u>596,320</u>		<u>328,873</u>
Bank			
Stocks and beneficiary certificates	170,386	(	360,213)
Bills	( 8,029)		4,989
Bonds	845,278	(	192,615)
Derivative financial instruments	3,705,745		2,796,791
	<u>4,713,380</u>		<u>2,248,952</u>
Others			
Stocks and beneficiary certificates	6,862	(	229)
Derivative financial instruments	159,212	(	46,846)
	<u>166,074</u>	(	<u>47,075</u> )
	<u>5,475,774</u>		<u>2,530,750</u>
<u>Valuation gain (loss)</u>			
Securities			
Call (put) warrants issued	\$( 198,810)	\$	16,926
Trading securities - dealing	460,526	(	277,501)
Trading securities - underwriting	20,905		64,587
Trading securities - hedging	38,847	(	1,218)
Borrowings securities	( 10,779)		33,266
Open-end funds	( 1,014)		280
Derivative financial instruments	( 221,464)		176,786
	<u>88,211</u>		<u>13,126</u>
Bank			
Stocks and beneficiary certificates	41,742	(	30,131)
Bills	10,260	(	7,816)
Bonds	( 173,293)	(	72,330)
Derivative financial instruments	624,180	(	638,235)
	<u>502,889</u>	(	<u>748,512</u> )
Others			
Stocks and beneficiary certificates	( 14,823)	(	189,059)
Derivative financial instruments	( 110,697)		276,163
	<u>( 125,520)</u>		<u>87,104</u>
	<u>465,580</u>	(	<u>648,282</u> )
Net interest income	1,068,487		1,131,482
Dividends	160,578		183,134
Interest expense	( 155,751)	(	71,801)
	<u>\$ 7,014,668</u>	\$	<u>3,125,283</u>

### 35. REALIZED GAINS (LOSSES) ON FINANCIAL ASSETS AT FVTOCI

	For the Year Ended December 31	
	2019	2018
Disposal gains (losses)		
Bills	\$( 4,050)	\$( 3,019)
Bonds	449,326	147,140
Beneficiary certificates	114	-
	<u>445,390</u>	<u>144,121</u>
Dividend income		
Investment holdings	237,647	244,334
Investment derecognition	66,274	-
	<u>\$ 749,311</u>	<u>\$ 388,455</u>

### 36. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2019	2018
Short-term benefits	\$ 12,915,069	\$ 11,227,922
Post-employment benefits (Note 30)		
Defined contribution plans	436,009	418,972
Defined benefit plans	33,638	34,483
Share-based payment (Note 40)		
Cash-settled share-based payment	45,458	73,709
Others	557,220	618,922
	<u>\$ 13,987,394</u>	<u>\$ 12,374,008</u>

#### Employees' Compensation and Directors' Remuneration

The Company accrued employees' compensation and the remuneration of directors at the rate of no less than 0.01% and no higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. For the years ended December 31, 2019 and 2018, the employees' compensation and remuneration of directors were as follows:

	For the Year Ended December 31	
	2019	2018
Employees' compensation	\$ 1,454	\$ 1,230
Remuneration of directors	\$ 145,378	\$ 123,038

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate and will make adjustments next year.

The Company held board of directors' meetings on March 28, 2019 and February 22, 2018 in which it resolved the appropriations of employees' compensation and remuneration of directors and which resulted in the actual amounts of the employees' compensation and remuneration of directors paid for 2018 and 2017 to differ from the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017, respectively. The differences were adjusted to profit and loss for the respective subsequent years ended December 31, 2019 and 2018.

	For the Year Ended December 31			
	2018		2017	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amounts approved at the board of directors' meeting	\$ 1,240	\$ 99,168	\$ 1,307	\$ 117,651
Amounts recognized in the annual financial statements	\$ 1,230	\$ 123,038	\$ 1,311	\$ 135,503

Information on the employees' compensation and the remuneration to directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

### 37. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2019	2018
Property and equipment	\$ 982,171	\$ 925,375
Investment property	8,852	6,764
Right-of-use assets	720,228	-
Intangible assets and other deferred assets	293,149	262,841
	<u>\$ 2,004,400</u>	<u>\$ 1,194,980</u>

### 38. INCOME TAX

In 2003, Taishin Financial Holding adopted the linked tax system for tax filing (similar to a consolidated tax filing) with its subsidiaries including Taishin Bank, Taishin Securities A, Taishin Bills Finance, Taishin AMC and Taishin Marketing. Taishin Venture Capital was included in this tax system in 2004. Taishin Securities A, Taishin Bills Finance and Taishin Marketing were excluded from the linked tax system in 2009, in 2011 and in 2013, respectively. Taishin Securities B, Taishin Securities Investment Trust and Taishin Securities Investment Advisory were included in this tax system in 2011. Taishin Holdings Insurance Brokers was included in this tax system in 2012 and was excluded from the linked tax system due to its dissolution under a merger in 2016.

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax income to be recognized in profit or loss. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings has been reduced from 10% to 5%.

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

#### Income Tax Recognized in Profit or Loss

The major components of tax expense (profit) were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current period	\$ 1,980,181	\$ 2,212,943
Additional income tax on unappropriated earnings	108,545	1,536
Adjustments for prior years	( 910,257)	( 109,539)
Deferred tax		
In respect of the current period	\$( 317,305)	\$( 411,873)
Adjustments for prior years	926,479	1,454
Adjustments to deferred tax attributable to changes in tax rates and laws	-	( 388,271)
Income tax expense recognized in profit or loss	<u>\$ 1,787,643</u>	<u>\$ 1,306,250</u>

Reconciliation of profit before income tax and income tax was as follows:

	For the Year Ended December 31	
	2019	2018
Income from continuing operation before income tax	\$ 16,273,574	\$ 14,236,383
Income tax expense calculated at the statutory rate (20%)	\$ 3,254,715	\$ 2,847,277
Nondeductible expenses in determining taxable income	153,504	289,046
Tax-exempt income	( 1,623,398)	( 1,457,810)
Temporary differences	( 33,441)	259,710
Loss carryforwards	( 123,847)	( 149,749)
Additionally levied on unappropriated earnings	108,545	1,536
Offshore income tax expense	28,539	10,378
Adjustments to prior years' tax	16,222	( 108,085)
Adjustments to deferred tax attributable to changes in tax rates and laws	-	( 388,271)
Others	6,804	2,218
Income tax expense recognized in profit or loss	\$ 1,787,643	\$ 1,306,250

### Income Tax Recognized in Other Comprehensive Income

	For the Year Ended December 31	
	2019	2018
<u>Deferred tax</u>		
Effect of change in tax rate	\$ -	\$ ( 27,092)
In respect of the current period:		
Fair value changes of financial assets at FVTOCI	60,816	( 24,406)
Remeasurement of defined benefit plans	( 8,340)	( 16,996)
Total income tax recognized in other comprehensive income	\$ 52,476	\$ ( 68,494)

### Current Tax Assets and Liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	\$ 348,699	\$ 354,251
Current tax liabilities		
Income tax payable	\$ 2,473,274	\$ 2,306,439

### Deferred Tax

Movements in deferred tax assets and liabilities were as follows:

	For the Year Ended December 31, 2019				
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Ending Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for loans losses	\$ 2,615,521	\$ ( 763,411)	\$ -	\$ ( 8,045)	\$ 1,844,065
Others	740,268	130,248	( 52,476)	28,624	846,664
	3,355,789	( 633,163)	( 52,476)	20,579	2,690,729
Loss carryforwards	4,527	( 157)	-	-	4,370
	\$ 3,360,316	\$ ( 633,320)	\$ ( 52,476)	\$ 20,579	\$ 2,695,099
<u>Deferred tax liabilities</u>					
Land value increment tax	\$ ( 53,552)	\$ -	\$ -	\$ -	\$ ( 53,552)
Temporary differences	( 55,286)	24,146	-	( 28,295)	( 59,435)
	\$ ( 108,838)	\$ 24,146	\$ -	\$ ( 28,295)	\$ ( 112,987)

## For the Year Ended December 31, 2018

	Beginning Balance	Adjustments on Initial Application of IFRS 9	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Ending Balance
<u>Deferred tax assets</u>						
Temporary differences						
Allowance for loans losses	\$ 2,049,349	\$ 790	\$ 566,943	\$ -	\$ ( 1,561)	\$ 2,615,521
Others	387,032	-	284,742	68,494	-	740,268
	2,436,381	790	851,685	68,494	( 1,561)	3,355,789
Loss carryforwards	44,586	-	( 40,024)	-	( 35)	4,527
	<u>\$ 2,480,967</u>	<u>\$ 790</u>	<u>\$ 811,661</u>	<u>\$ 68,494</u>	<u>\$ ( 1,596)</u>	<u>\$ 3,360,316</u>
<u>Deferred tax liabilities</u>						
Land value increment tax	\$ ( 53,552)	\$ -	\$ -	\$ -	\$ -	\$ ( 53,552)
Temporary differences	( 43,287)	-	( 12,971)	-	972	( 55,286)
	<u>\$ ( 96,839)</u>	<u>\$ -</u>	<u>\$ ( 12,971)</u>	<u>\$ -</u>	<u>\$ 972</u>	<u>\$ ( 108,838)</u>

## The Group's Loss Carryforwards as of December 31, 2019

Expiry Year	Unused Amount
2020	\$ 22,637
2024	5,463
2025	10,141
2026	9,179
2027	9,635
2028	5,164
2029	9,857
	<u>\$ 72,076</u>

## Assessments of the Group's Income Tax

- Taishin Financial Holding's income tax returns through 2014 had been assessed by the tax authorities.
- Taishin Bank's income tax returns through 2014 had been assessed by the tax authorities. The income tax returns of Taishin Real-Estate through 2017 had been assessed by the tax authorities. The income tax returns of Taishin D.A. Finance through 2017 had been assessed by the tax authorities. The income tax returns of Xiang An Insurance Agency through 2017 had been assessed by the tax authorities.
- Taishin AMC's income tax returns through 2014 had been assessed by the tax authorities.
- Taishin Venture Capital's income tax returns through 2014 had been assessed by the tax authorities.
- Taishin Securities Investment Trust's returns through 2014 had been assessed by the tax authorities.
- Taishin Securities B's returns through 2014 had been assessed by the tax authorities. Taishin Securities Venture Capital's returns through 2017 had been assessed by the tax authorities.
- Taishin Securities Investment Advisory's returns through 2014 had been assessed by the tax authorities.

### 39. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	\$ 1.19	\$ 1.07
Diluted earnings per share	\$ 1.19	\$ 1.07

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 18, 2019. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2018 were as follows:

	For the Year Ended December 31, 2018	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	\$ 1.09	\$ 1.07
Diluted earnings per share	\$ 1.09	\$ 1.07

The earnings and weighted average number of common stocks outstanding in the computation of earnings per share were as follows:

#### Net Income for the Period (Dollars in Thousands)

	For the Year Ended December 31	
	2019	2018
Net income for the periods attributable to owner of the Company	\$ 14,488,021	\$ 12,930,583
Less: Dividends on preferred stocks	( 1,819,579)	( 1,530,667)
Earnings used in computation of basic earnings per share	12,668,442	11,399,916
Earnings used in computation of diluted earnings per share	\$ 12,668,442	\$ 11,399,916

#### Weighted Average Number of Common Stocks Outstanding (Shares in Thousands)

	For the Year Ended December 31	
	2019	2018
Weighted average number of common stocks in computation of basic earnings per share	10,655,976	10,650,470
Effect of dilutive potential common stocks:		
Employees stock options	4,837	7,137
Employees compensation	122	107
Weighted average number of common stocks outstanding in computation of dilutive earnings per share	10,660,935	10,657,714

Since the Group offered to settle compensation or bonuses paid to employees in cash or stocks, the Group assumed the entire amount of the compensation or bonuses would be settled in stocks and the resulting potential stocks were included in the weighted average number of stocks outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential stocks is included in the computation of diluted earnings per share until the number of stocks to be distributed to employees is resolved in the following year.

### 40. STOCK-BASED PAYMENT ARRANGEMENTS

#### a. Equity-settled stock-based payments of employee stock option plan

Taishin Financial Holding adopted the Employee Share Option Plan on August 31, 2011 and October 13, 2010 (Plan of 2010 (II) and 2010 (I)).

For vested share-based payment exercised before the transition date, the Group chose the exemption from the adoption of FSC-endorsed IFRS 2 "Share-Based Payment". Thus, only the employee share options unvested on

the transition date adopted the regulation of FSC-endorsed IFRS 2 “Share-Based Payment”. All the employee share options were measured at fair value at grant date. Options were priced using the appropriate pricing model.

Under the Plan of 2010 Taishin Financial Holding has to grant 77,000 units (first grant 75,390 units, second grant 1,610 units) of stock warrant to its qualified employees. Each unit represents the right to obtain 1,000 shares of Taishin Financial Holding’s common stock, and the exercise price is equal to the stock closing price on the Taiwan Stock Exchange on the grant date.

The exercise price of the employee share options is subject to adjustments based on certain situations specified in the compensation plan.

Share options under the Plan of 2010 can be exercised in two years from the grant date and will expire in ten years from the grant date. The exercisable percentages were as follows:

Share Options Grant Period	Percentage Exercisable	Cumulative Percentage Exercisable
Over 2 years	15%~40%	15%~40%
Over 3 years	15%~40%	30%~80%
Over 4 years	15%~40%	45%~100%
Over 5 years	15%~40%	60%~100%
Over 6 years	15%~40%	100%

The quantity and weighted-average exercise price of the stock options were as follows:

	For the Year Ended December 31			
	2019		2018	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
<u>Plan of 2010 (II)</u>				
Outstanding, beginning balance	307	\$ 7.30	1,307	\$ 7.90
Exercise	-		( 1,000)	7.30
Outstanding, ending balance	<u>307</u>		<u>307</u>	
Exercisable, ending balance	<u>307</u>		<u>307</u>	

	For the Year Ended December 31			
	2019		2018	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
<u>Plan of 2010 (I)</u>				
Outstanding, beginning balance	14,104	\$ 7.20	20,936	\$ 7.80
Exercise	( 4,458)	6.90	( 6,631)	7.20
Forfeited	( 28)	7.20	( 201)	7.41
Outstanding, ending balance	<u>9,618</u>		<u>14,104</u>	
Exercisable, ending balance	<u>9,618</u>		<u>14,10</u>	

The weighted-average of stock price exercised at the exercise dates of share options during the years ended December 31, 2019 and 2018, were \$14.36 and \$14.37, respectively.

The exercise price and expected weighted-average outstanding period of the share option warrants for the year ended December 31, 2019 were as follows:

	For the Year Ended December 31			
	2019		2018	
	Exercise Price (Dollars)	Expected Weighted Average Outstanding Period (Years)	Exercise Price (Dollars)	Expected Weighted Average Outstanding Period (Years)
Plan of 2010 (II)	\$ 7.00	1.67	\$ 7.30	2.67
Plan of 2010 (I)	6.90	0.78	7.20	1.78

The valuation models of the stock options for the year ended December 31, 2019 were as follows:

Valuation Model	Black-Scholes Options Valuation Model	Plan of 2010 (II)	Plan of 2010 (I)
Assumption	Dividend yield	-	-
	Expected price volatility	37.71%~39.71%	38.02%~38.73%
	Risk-free interest rate	1.22%~1.52%	1.06%~1.23%
	Expected outstanding period	10 years	10 years

No recognition of the compensation costs for the years ended December 31, 2019 and 2018.

b. Cash-settled stock-based payment of Taishin appreciation rights plan

The Group issued stock appreciation rights (SAR) to employees that require the Group to pay the intrinsic value of SAR to the qualified people at the date of exercise since 2013. The fair value of SAR was determined using the Black-Scholes pricing model based on the following assumptions.

	Plan of 2018	Plan of 2017	Plan of 2016	Plan of 2015	Plan of 2014
Grant-date share price (Note)	\$14.42	\$14.42	\$14.42	\$14.42	\$14.42
Exercise price	\$12.6	\$12.5	\$9.6	\$8.30	\$10.70
Outstanding period	1.1 years, 2.1 years	0.1 years, 1.1 years	0.1 years	-	-
Expected volatility	31.15%, 31.15%	31.15%, 31.15%	31.15%, 31.15%	31.15%, 31.15%	31.15%, 31.15%
Risk-free interest rate	0.97%, 0.97%	0.97%, 0.97%	0.97%, 0.97%	0.97%, 0.97%	0.97%, 0.97%

Note: The grant-date share price is calculated based on the average closing price of common stocks of the Company for the 30 business days before the balance sheet date.

The movements in the appreciation rights plan were as follows:

Appreciation Rights Plan of 2018	For the Year Ended December 31, 2019	
	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	-	\$ -
Granted	14,846	13.28
Ceased	(360)	12.60
Outstanding, ending	14,486	
Weighted-average fair value of appropriation rights (NT\$)	\$ 2.84	

Appreciation Rights Plan of 2017	For the Year Ended December 31			
	2019		2018	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	16,271	\$ 13.20	-	\$ -
Granted	-	-	16,981	14.34
Ceased	(1,080)	12.50	(710)	13.20
Outstanding, ending	15,191		16,271	
Weighted-average fair value of appropriation rights (NT\$)	\$ 2.30		\$ 1.85	

Appreciation Rights Plan of 2016	For the Year Ended December 31			
	2019		2018	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	17,066	\$ 10.10	18,331	\$ 10.90
Exercised	(8,016)	10.10	-	-
Ceased	(1,180)	9.60	(1,265)	10.10
Outstanding, ending	7,870		17,066	
Weighted-average fair value of appropriation rights (NT\$)	\$ 4.82		\$ 3.45	

## For the Year Ended December 31

Appreciation Rights Plan of 2015	2019		2018	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	12,305	\$ 8.30	26,310	\$ 9.00
Exercised	( 11,390)	8.30	( 12,852)	9.00
Ceased	( 830)	8.30	( 1,153)	8.30
Outstanding, ending	<u>85</u>		<u>12,305</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 4.97</u>		<u>\$ 5.11</u>	

## For the Year Ended December 31, 2018

Appreciation Rights Plan of 2014	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	13,957	\$ 10.70
Exercised	( 13,690)	10.70
Ceased	( 267)	10.70
Outstanding, ending	<u>-</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 3.69</u>	

As of December 31, 2019 and 2018, the related liabilities recognized amounted to \$80,293 thousand and \$119,558 thousand, respectively.

## 41. CASH FLOWS INFORMATION

Changes in liabilities arising from financing activities:

## For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes					Closing Balance
			Effect of Exchange Rate Changes	New Leases	Termination of Lease Contract	Amortization for Discount	Fair Value Adjustments	
Due to the Central Bank and banks (including call loans from other banks and bank overdrafts)	\$ 33,957,115	\$( 4,259,178)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,697,937
Commercial paper payable	12,215,597	10,640,000	-	-	-	1,168	-	22,856,765
Lease liabilities	2,288,025	( 617,100)	( 8,295)	1,195,850	( 36,372)	-	-	2,822,108
Other borrowings	11,545,384	5,895	-	-	-	-	-	11,551,279
Financial liabilities designated as at FVTPL	3,085,588	-	-	-	-	-	201,771	3,287,359
Bonds payable	61,700,000	( 4,900,000)	-	-	-	-	-	56,800,000
	<u>\$ 124,791,709</u>	<u>\$ 869,617</u>	<u>\$( 8,295)</u>	<u>\$ 1,195,850</u>	<u>\$( 36,372)</u>	<u>\$ 1,168</u>	<u>\$ 201,771</u>	<u>\$ 127,015,448</u>

## For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes					Closing Balance
			Effect of Exchange Rate Changes	New Leases	Termination of Lease Contract	Amortization for Discount	Fair Value Adjustments	
Due to the Central Bank and banks (including call loans from other banks and bank overdrafts)	\$ 38,557,766	\$( 4,600,651)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,957,115
Commercial paper payable	15,298,649	( 3,085,000)	-	-	-	1,948	-	12,215,597
Other borrowings	10,315,076	1,504,427	( 274,119)	-	-	-	-	11,545,384
Financial liabilities designated as at FVTPL	-	3,050,000	-	-	-	-	35,588	3,085,588
Bonds payable	64,400,000	( 2,700,000)	-	-	-	-	-	61,700,000
	<u>\$ 128,571,491</u>	<u>\$( 5,831,224)</u>	<u>\$( 274,119)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,948</u>	<u>\$ 35,588</u>	<u>\$ 122,503,684</u>

## 42. OPERATING LEASE ARRANGEMENTS - 2018

### a. The Group as lessee

Operating leases mainly relate to leases of operating place which were tenanted by Taishin Bank with lease terms between 1 and 10 years.

As of December 31, 2018, refundable deposits paid by Taishin Bank under operating leases amounted to \$233,380 thousand.

The future minimum lease payments of non-cancellable operating lease commitments by Taishin Bank are as follows:

	December 31, 2018	
Not later than 1 year	\$	581,355
Later than 1 year and not later than 5 years		1,385,338
Later than 5 years		475,370
	\$	<u>2,442,063</u>

### b. The Group as lessor

For the agreement of the Group to lease investment properties by operating leases, refer to Note 16.

## 43. CAPITAL RISK MANAGEMENT

### a. Summary

To efficiently control the capital adequacy of the Group and its subsidiaries on the premise of balancing the Group's business development and risk control, Taishin Financial Holding had codified its "principles of capital adequacy management" and compiles related information to be reported to the Asset and Liability Management Committee periodically.

The Group's goals in capital management are as follows:

- 1) To ensure the Group and its subsidiaries conform to related capital adequacy regulations and minimum basic criteria set by each industry regulatory agencies.
- 2) To ensure every subsidiary is able to meet the capital needs of operating plan and the capital requirement, as well as to reach the optimization of capital allocation within the Group.
- 3) To implement capital management, Taishin Financial Holding and its significant subsidiaries should assess capital adequacy periodically and make proper arrangement of capital structure and application of capital instruments and adjustments of asset portfolio.

### b. Capital management procedures

In order to meet the Group's capital adequacy goals, Taishin Financial Holding established the Asset and Liability Committee (the "Committee") to review capital performance of Taishin Financial Holding and its significant subsidiaries' every month. If there is any concern that the Group's capital adequacy may be below the legal standard, the Committee would immediately find measures to increase the Group's net qualified capital or to reduce the Group's legal capital requirement so as to improve the Group's performance and meet capital adequacy ratio.

The Group's capital adequacy ratio is calculated based on the accounting reports and related data of capital adequacy provided by Taishin Financial Holding and its subsidiaries. Taishin Financial Holding and each of its subsidiaries should respectively report to the relevant regulatory agencies using the calculation formulas and forms according to the regulations before deadline.

C.

Company \ Item	December 31, 2019		
	Ownership Interest (%)	Group Eligible Capital	Group's Statutory Capital Requirement
Taishin Financial Holding		200,889,382	209,362,700
Taishin Bank	100%	188,640,329	137,534,083
Taishin Securities B	100%	8,002,286	3,678,299
Taishin Venture Capital	100%	4,023,577	2,014,121
Taishin AMC	100%	1,053,617	705,224
Taishin Securities Investment Trust	100%	862,410	513,403
Taishin Securities Investment Advisory	92%	324,264	178,837
Exclusive items amounts subtracted		( 183,204,251)	( 168,471,968)
Total		220,591,614	185,514,699
Group's capital adequacy ratio (Note)			118.91%

Company \ Item	December 31, 2018		
	Ownership Interest (%)	Group Eligible Capital	Group's Statutory Capital Requirement
Taishin Financial Holding		\$ 189,384,526	\$ 193,936,554
Taishin Bank	100%	176,981,670	118,714,031
Taishin Securities B	100%	5,912,227	2,602,493
Taishin Venture Capital	100%	4,011,414	2,006,885
Taishin AMC	100%	1,076,824	692,360
Taishin Securities Investment Trust	100%	851,933	475,699
Taishin Securities Investment Advisory	92%	326,612	175,819
Exclusive items amounts subtracted		( 169,752,594)	( 154,316,574)
Total		208,792,612	164,287,267
Group's capital adequacy ratio (Note)			127.09%

d. Financial holding company eligible capital

Item	December 31, 2019
Common stock	\$ 106,567,044
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates which comply with eligible Tier 1 capital	8,000,000
Other preferred stock and subordinated corporate bonds	22,000,000
Advance receipts for capital stock	11,077
Capital surplus	35,955,405
Legal reserve	10,357,137
Special reserve	572,115
Retained earnings	16,373,487
Equity adjustment	1,053,117
Subtracted:	
Goodwill	-
Deferred assets	-
Treasury stock	-
Total	200,889,382

Item	December 31, 2019
Common stock	\$ 104,362,071
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates which comply with eligible Tier 1 capital	10,175,410
Other preferred stock and subordinated corporate bonds	15,000,000
Advance receipts for capital stock	3,996
Capital surplus	37,805,713
Legal reserve	9,115,012
Special reserve	572,115
Retained earnings	12,421,251
Equity adjustment	( 71,042)
Subtracted:	
Goodwill	-
Deferred assets	-
Treasury stock	-
Total	\$ 189,384,526

Note a: The above list was prepared according to "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Company."

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

#### 44. DISCLOSURES ACCORDING TO ARTICLE 46 OF FINANCIAL HOLDING ACT

According to Article 46 of Financial Holding Company Act, all subsidiaries of financial holding company should disclose the balance of credit, endorsements and other transactions to the same person, the same related person or the same related enterprise.

Details for the balance of credit, endorsements and other transactions to the same person as of December 31, 2019 were as follows:

(In Thousands of New Taiwan Dollars; %)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
a. To the same person or the same enterprise		
Central Bank	\$ 292,171,527	163.21%
Hon Hai Precision IND, Co., Ltd.	12,058,805	6.74%
Taiwan Power Co., Ltd.	8,579,852	4.79%
US GOVT	7,468,941	4.17%
Quanta Computer Inc.	5,249,386	2.93%
CPC Corporation, Taiwan	5,109,417	2.85%
National Bank Of Abu Dhabi	5,030,176	2.81%
Malayan Banking Berhad (Maybank)	5,000,785	2.79%
Sprinta Inc. Taiwan Branch	4,855,000	2.71%
China Development Bank Corporation	4,544,627	2.54%
JPMorgan Chase Bank	4,418,988	2.47%
Korea Development Bank	4,409,836	2.46%
Formosa Ha Tinh (Cayman) Limited	4,094,416	2.29%
HonHan Investment Co., Ltd.	4,089,686	2.28%
Arab Petroleum Investments Corporation	4,089,079	2.28%
AU Optronics (L) Corp.	3,912,834	2.19%
Agricultural Development Bank of China	3,896,268	2.18%
ANZ Banking Group	3,831,489	2.14%
Wistron Corporation	3,796,029	2.12%
KEB Hana Bank	3,783,502	2.11%

(Continued)

(In Thousands of New Taiwan Dollars; %)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
Formosa Chemicals and Fibre Corporation	3,738,127	2.09%
The Export-Import Bank Of Korea	3,685,768	2.06%
Ruentex Industries Limited	3,650,000	2.04%
ASE Technology Holding Co., Ltd.	3,624,392	2.02%
Woori Bank, Seoul	3,577,695	2.00%
Walsin Lihwa Corporation	3,500,416	1.96%
National Australia Bank	3,401,571	1.90%
Industrial and Commercial Bank of China	3,241,959	1.81%
Bank of China	3,220,181	1.80%
Qisda Corporation	3,128,202	1.75%
Sun Ray Company Limited	3,070,812	1.72%
CIMB Bank Berhad	3,063,094	1.71%
Goldman Berhad	3,058,063	1.71%
Mufg Bank, Ltd.	3,052,145	1.70%
Far East Horizon Ltd.	3,010,600	1.68%
Realtek Semiconductor Corporation	3,000,470	1.68%
Total	\$ 443,414,138	
b. To the same person and spouse, the relative within the second degree and the person or the spouse's enterprise		
Individual A	\$ 12,058,805	6.74%
Individual B	7,264,135	4.06%
Individual C	6,264,686	3.50%
Individual D	6,076,220	3.39%
Individual E	5,260,000	2.94%
Individual F	5,243,657	2.93%
Individual G	4,855,000	2.71%
Individual H	4,106,798	2.29%
Individual I	3,935,000	2.20%
Individual J	3,870,956	2.16%
Individual K	3,764,010	2.10%
Individual L	3,605,420	2.01%
Individual M	3,537,101	1.98%
Individual N	3,394,803	1.90%
Individual O	3,145,140	1.76%
Individual P	3,145,140	1.76%
Individual Q	3,041,853	1.70%
Individual R	3,028,194	1.69%
Total	\$ 85,596,917	
c. To the same related party enterprise		
Hon Hai Group	\$ 24,072,420	13.45%
Far Eastern Group	17,442,522	9.74%
CITIC Group	16,805,978	9.39%
AU Optronics (L) Corp.	11,136,205	6.22%
Ruentex Group	11,093,194	6.20%
YFY Inc.	9,101,258	5.08%
Taiwan Power Co., Ltd.	8,579,852	4.79%

(Continued)

(In Thousands of New Taiwan Dollars; %)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
Wintron Group	8,142,572	4.55%
Ting Hsin Group	7,545,939	4.22%
ASE Group	7,360,241	4.11%
Fubon Group	6,939,198	3.88%
Evergreen Group	6,897,792	3.85%
Formosa Chemicals & Fibre Corporation	6,563,127	3.67%
Quanta Computer Group	6,316,808	3.53%
Yulon Group	6,194,071	3.46%
Yuanta group	5,716,318	3.19%
Charoen Pokphand Group	5,520,428	3.08%
Chailease Group	5,321,172	2.97%
Gold East Trading Co., Ltd.	5,290,399	2.96%
CPC Group	5,109,417	2.85%
Walsin Lihwa Group	5,069,056	2.83%
Cathay Group	5,041,707	2.82%
King's town Group	4,878,815	2.73%
Sports City International Inc.	4,855,000	2.71%
China Development Financial Group	4,828,696	2.70%
APL Group	4,803,181	2.68%
Union Group	4,730,960	2.64%
Formosa Plastics Group	4,659,309	2.60%
Hong Tai Group	4,649,520	2.60%
CDB Group	4,557,255	2.55%
Korea Finance Group	4,409,836	2.46%
Uni-President Group	4,297,889	2.40%
ANZ Banking Group	4,262,595	2.38%
IBF Group	4,199,737	2.35%
MS Group	4,091,574	2.29%
Pou Chen Group	4,003,229	2.24%
CMP Group	3,953,608	2.21%
Hana Financial Group	3,783,502	2.11%
Citi Group	3,730,330	2.08%
WT Group	3,716,365	2.08%
Shanyuan Group	3,642,132	2.03%
Hotai Motor Group	3,637,084	2.03%
ICBC Group	3,615,273	2.02%
Walsin Technology Group	3,525,466	1.97%
National Australia Bank Ltd. Group	3,401,571	1.90%
BOC Limited	3,314,967	1.85%
WPG Group	3,313,157	1.85%
The Goldman Sachs Group	3,207,036	1.79%
O-Bank Group	3,202,909	1.79%
Kinpo Group	3,069,219	1.71%
Realtek Group	3,000,470	1.68%
	\$ 306,600,360	

(Concluded)

## 45. FINANCIAL INSTRUMENTS

### Fair Value of Financial Instruments

#### a. Summary

Fair value is the exchange price in the orderly transaction between market participants and is the amount to be received on the sale of an assets or the amount to be paid on the transfer of a liability.

Financial instruments are initially measured at fair value. In many cases, the transaction price will equal the fair value. Subsequently, the financial instruments are measured at fair value, unless the financial assets meet the criteria for being measured at amortized cost. A quoted price in an active market provides the most reliable evidence of fair value. If financial instruments have no quoted prices in an active market, the Group will use valuation techniques or refer to Bloomberg or Reuters' quotes or the fair value quoted by the counterparty.

#### b. The definition of three levels of fair value

- 1) Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Active markets must have the following attributes: (A) assets or liabilities traded in the market are identical, (B) the market is principal (or most advantageous), providing ease in finding buyers and sellers that are both able and willing to transact an asset sale or liability transfer; and (C) pricing information is readily available on an ongoing basis to the public.
- 2) 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 price) or indirectly (i.e., value derived from price), in the active markets.
  - a) Quoted prices of similar financial instruments in active market are the Company's fair value of financial instruments if based on recent quoted price for similar financial instruments. Similar financial instruments should be decided in accordance with characteristics and transaction conditions of these instruments. Fair value of financial instruments will vary depending on factors specific to the similar asset or liability. The factors include: Prices are not current, price quotations vary substantially, transaction price between related parties, relevance of quoted price of similar instruments and the quoted price of financial instruments.
  - b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
  - c) Valuation models are used to measure fair value, and the inputs (e.g. interest rate, yield curve, and volatilities) are based on accessible data from the markets (the observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data).
  - d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).
- 3) Level 3 inputs are inputs that are not available in the market. Unobservable inputs are inputs such as historical volatilities used in option pricing model. Historical volatility typically does not represent current market participants' expectations about future volatility.

## c. Financial instruments measured at fair value

## 1) The level information of fair value

The financial instruments of the Group measured at fair value on a recurring basis.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Financial Assets and Liabilities	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Recurring fair value measurement</u>				
<u>Non-derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stocks and beneficiary certificates	\$ 10,719,832	\$ 8,270,303	\$ 676,745	\$ 1,772,784
Bond investments	64,015,203	19,817,627	43,134,863	1,062,713
Investment in bills	48,486,587	-	48,486,587	-
Others	16,429	14,429	-	2,000
Financial assets at FVTOCI				
Equity investments	4,627,773	2,489,155	-	2,138,618
Bond investments	152,648,740	58,875,178	93,773,562	-
Investment in bills	115,538,687	1,650,646	113,888,041	-
Beneficiary securities	610,937	610,937	-	-
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	3,287,359	-	3,287,359	-
Financial liabilities held for trading	719,425	719,425	-	-
<u>Derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL	20,803,542	609,232	15,316,446	4,877,864
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	1,516,425	-	1,516,425	-
Financial liabilities held for trading	22,026,140	736,984	16,668,090	4,621,066

Financial Assets and Liabilities	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<u>Recurring fair value measurement</u>				
<u>Non-derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stocks and beneficiary certificates	\$ 6,389,943	\$ 4,306,258	\$ 539,667	\$ 1,544,018
Bond investments	52,012,181	29,604,323	21,035,514	1,372,344
Investment in bills	33,289,152	1,312,935	31,976,217	-
Others	61,593	60,189	-	1,404
Financial assets at FVTOCI				
Equity investments	4,346,743	2,262,676	-	2,084,067
Bond investments	113,743,159	48,732,856	65,010,303	-
Investment in bills	218,310,346	612,287	217,698,059	-

(Continued)

Financial Assets and Liabilities	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	3,085,588	-	3,085,588	-
Financial liabilities held for trading	489,365	489,365	-	-
<u>Derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL	24,029,726	419,729	17,286,820	6,323,177
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	1,502,120	-	1,502,120	-
Financial liabilities held for trading	24,425,601	417,626	17,796,807	6,211,168

(Concluded)

## 2) The valuation techniques based on fair value

Financial instruments are initially measured at fair value. In many cases the transaction price will equal the fair value. Subsequently, the financial instruments are measured at fair value, unless the financial assets meet the criteria for being measured at amortized cost. A quoted price in an active market provides the most reliable evidence of fair value. If financial instruments have no quoted prices in an active market, the Group will use valuation techniques or refer to Bloomberg or Reuters' quotes or the fair value quoted by the counterparty.

If there is an active market and a price for a financial instrument quoted in that market, the quoted price will be the fair value of the financial instrument. Market prices provided by major stock exchanges and market prices of popular central government bonds announced by the Taipei Exchange (formerly the GreTai Securities Market) are considered to be the basis of fair values for equity instruments and debt instruments with active market.

If a quoted price, which represents the price being practically and frequently transacted in orderly transactions, can be acquired from stock exchanges, brokers, underwriters, pricing service institutions or the administration in time then there is an active market for the financial instrument. If the conditions mentioned above are not met, then the market is regarded as inactive. Generally speaking, extremely high bid-ask spread, significant increase of bid-ask spread or extremely low transaction amounts are all indications for an inactive market.

The Group's financial instruments with active markets and the basis of their fair values are described as follows:

## a) Foreign currency products

Since the foreign exchange market is very active, the Group adopts the market prices of each respective currency or the last trading prices as fair values.

## b) Government bonds and part of interest rate derivatives

i. New Taiwan Dollar Central Government Bonds: If there is a trading price on the measurement date, then the last trading price is the fair value. If there is no trading price for reference and the subordinated bond fair price provided by the Taipei Exchange is not in the market quoted price interval, then the median price of the market quoted prices is the fair value. If the subordinated bond fair price is in the market quoted price interval, then the fair price is the fair value.

ii. Interest rate derivatives: The quoted price from Reuters is the fair value.

### c) Stock-related products

The Group adopts stock market quoted prices or the last trading prices as fair values.

Except for the financial instruments with active market, fair values of other financial instruments are acquired based on valuation techniques or the quoted prices from counterparties. Fair values acquired through valuation techniques can be calculated using models based on fair values from financial instruments with similar conditions and characteristics, cash flow discount method and other valuation techniques, including accessible information on the balance sheet date such as the yield curve from the Taipei Exchange or the average quoted price from Reuters commercial papers interest rate.

When measuring financial instruments that are not standardized and with low complexity such as options without active market, the Group will adopt valuation techniques consistent with those generally used by other market participants to price financial instruments. Parameters applied for the valuation models for this type of financial instruments are observable in the market.

With regard to financial instruments with high complexity, the Group will adopt self-developed valuation techniques and methods consistent with those generally used by other market participants and valuation models to measure fair values. These types of valuation models are often applied to derivatives, embedded bond instrument or securitized products, etc. Part of parameters applied for the valuation models for this type of financial instruments are not observable in the market. Therefore, the Group makes appropriate estimates based on assumptions.

Valuation of derivatives is based on valuation models consistent with those generally used by other market participants, such as the discount rate method or the option pricing models.

Valuation of investments in equity instruments is based on generally used valuation methods, which are consistent with those described in the Statements of Valuation Standards (SVS) No. 11 - "Business Valuation", such as the asset based approach and the market approach (which is comparable to the market approach).

### 3) Adjustments of fair values

#### a) Limits of valuation models and indeterminate input value

Valuation models generate estimated approximate values. That is, valuation techniques may not be able to reflect all the factors relevant to the performance of the Group's financial instruments. Thus, results generated by valuation models are adjusted appropriately by using additional parameters, such as determinants of fair value (prevailing economic conditions, financial condition of counterparties to financial instruments, etc.) or assumptions and forecasts (future economic conditions, amount and pricing of future cash flows, etc.). Based on Taishin Financial Holding's valuation basis manual and model management policies, the price information and parameters used in the valuation process are carefully assessed and appropriately adjusted in accordance with actual market conditions.

#### b) Credit risk value adjustments

Credit risk value adjustments are mainly classified into credit value adjustments (CVA) and debit value adjustments (DVA), described as follows:

The CVA is an adjustment to the valuation of derivative contracts made in decentralized market, which is the Over the counter (OTC) market, to reflect within fair value the possibility that the counterparty may default and that the Group may not receive the full market value of the transactions.

The DVA is an adjustment to the valuation of derivative contracts made in decentralized market, which is the Over the counter (OTC) market, to reflect within fair value the possibility that the Group may default, and that the Group may not pay the full market value of the transactions.

The Group would calculate CVA by assessing probability of default (PD) and loss given default (LGD) of the counterparty before multiplying by exposure at default (EAD) of the counterparty. On the contrary, DVA is computed by applying probability of default of the Group and considering loss given default of the Group before being multiplied by exposure at default of the Group.

The Group manages PD through its regular internal rating review. After examining the experiences of foreign financial institutions, the Group adopted 60% as its LGD and chose the marking to market of OTC derivative instruments to determine EAD. In addition, in calculating the fair values of financial instruments, the Group took credit risk rating adjustments into consideration to reflect competitors' credit risk and the Group's credit quality, respectively.

#### 4) The transfer between Level 1 and Level 2

Based on an internal risk control management policy, some of the New Taiwan dollar Central Government Bonds were determined as bond instrument investments with no active market. Thus, the bond amounts of \$2,441,732 thousand and \$809,642 thousand for the years ended December 31, 2019 and 2018, respectively, were transferred from Level 1 to Level 2.

#### 5) Reconciliation of Level 3 financial assets

For the Year Ended December 31, 2019								
Item	Beginning Balance	Valuation Gains (Losses)		Increase		Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial assets at FVTPL	\$ 9,240,943	\$( 1,880,289)	\$ -	\$ 1,221,716	\$ -	\$( 838,942)	\$( 28,067)	\$ 7,715,361
Financial assets at FVTOCI	2,084,067	-	57,935	-	-	( 3,384)	-	2,138,618
Total	\$ 11,325,010	\$( 1,880,289)	\$ 57,935	\$ 1,221,716	\$ -	\$( 842,326)	\$( 28,067)	\$ 9,853,979

For the Year Ended December 31, 2018								
Item	Beginning Balance	Valuation Gains (Losses)		Increase		Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial assets at FVTPL	\$ 5,291,410	\$ 1,964,626	\$ -	\$ 2,097,272	\$ -	\$( 112,365)	\$ -	\$ 9,240,943
Financial assets at FVTOCI	1,997,846	-	100,115	9,197	-	( 23,091)	-	2,084,067
Total	\$ 7,289,256	\$ 1,964,626	\$ 100,115	\$ 2,106,469	\$ -	\$( 135,456)	\$ -	\$ 11,325,010

Note: No transfer from Level 3.

Valuation gains (losses) above recognized in current profits or losses in the amounts of \$(1,906,280) thousand and \$1,971,879 thousand were attributed to losses on assets owned for the years ended December 31, 2019 and 2018, respectively.

Valuation gains (losses) above recognized in other comprehensive income in the amounts of \$57,935 thousand and \$89,414 thousand were attributed to gains (losses) on assets owned during years ended December 31, 2019 and 2018, respectively.

## Reconciliation of Level 3 financial liabilities:

For the Year Ended December 31, 2019							
Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial liabilities at FVTPL	\$ 6,211,168	\$ ( 2,127,874)	\$ 882,285	\$ -	\$ ( 344,513)	\$ -	\$ 4,621,066

Note: No transfer from Level 3.

For the Year Ended December 31, 2019							
Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial liabilities at FVTPL	\$ 3,867,181	\$ 2,008,522	\$ 438,512	\$ -	\$ ( 103,047)	\$ -	\$ 6,211,168

Note: No transfer from Level 3.

Valuation gains (losses) above recognized in current profits or losses in the amounts of \$(2,109,662) thousand and \$(2,017,247) thousand were attributed to gains (losses) on liabilities owned during years ended December 31, 2019 and 2018, respectively.

## 6) The quantification information measured by fair value of significant unobservable inputs (Level 3)

The fair value attributed to Level 3 in the Group only has single significant unobservable input.

The quantification information of significant unobservable inputs was as follows:

	Fair Value on December 31, 2019	Valuation Technique	Significant Unobservable Inputs	Range of Estimate	Relationship Between Inputs and Fair Value
<u>Non-derivative financial instruments</u>					
Financial assets at FVTPL					
Financial assets mandatorily classified as at FVTPL					
Credit-linked securities	\$ 1,062,713	Credit spread default model/ cash flow discount method	Credit spread	0%-2%	The higher the credit spread, the lower the fair value.
Equity investments	1,375,853	Assets method	Discount for lack of marketability	2%-30%	The higher the discount for lack of marketability, the lower the fair value
			Non-controlling interest discount	2%-30%	The higher the non-controlling interest discount, the lower the fair value.
	317,431	Market method	Discount for lack of marketability	10%-85%	The higher the discount for lack of marketability, the lower the fair value
	79,500	Revenue method	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value
Financial assets at FVTOCI					
Equity investments	1,944,008	Assets method	Discount for lack of marketability	7%-30%	The higher the discount for lack of marketability, the lower the fair value
			Non-controlling interest discount	3%-30%	The higher the non-controlling interest discount, the lower the fair value.
	194,610	Market method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability, the lower the fair value
<u>Derivative financial instruments</u>					
Financial assets at FVTPL					
Interest rate swaps	1,024,727	Cash flow discount method	Discount for lack of marketability	0%-20%	The higher the discount for lack of marketability, the lower the fair value
<u>Derivative financial liabilities</u>					
Financial liabilities at FVTPL					

(Continued)

	Fair Value on December 31, 2019	Valuation Technique	Significant Unobservable Inputs	Range of Estimate	Relationship Between Inputs and Fair Value
Interest rate swaps	617,503	Cash flow discount method	Discount for lack of marketability	0%-20%	The higher the discount for lack of marketability, the lower the fair value
Credit default swaps	93,738	Credit spread default model/ cash flow discount method	Credit spread	0%-2%	The higher the credit spread, the lower the fair value.

(Concluded)

	Fair Value on December 31, 2018	Valuation Technique	Significant Unobservable Inputs	Range of Estimate	Relationship Between Inputs and Fair Value
<u>Non-derivative financial instruments</u>					
Financial assets at FVTPL					
Financial assets mandatorily classified as at FVTPL					
Credit-linked securities	\$ 1,372,344	Credit spread default model/cash flow discount method	Credit spread	0%-2%	The higher the credit spread, the lower the fair value.
Equity investments	1,176,733	Assets method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability, the lower the fair value.
			Non-controlling interest discount	10%-30%	The higher the non-controlling interest discount, the lower the fair value.
	329,903	Market method	Discount for lack of marketability	10%-50%	The higher the discount for lack of marketability, the lower the fair value.
	37,382	Revenue method	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.
Investment agreements	1,404	Revenue method	Discount for lack of marketability	10%-20%	The higher the discount for lack of marketability, the lower the fair value.
Financial assets at FVTOCI					
Equity investments	\$ 1,894,337	Assets method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability, the lower the fair value.
			Non-controlling interest discount	10%-30%	The higher the non-controlling interest discount, the lower the fair value.
	189,371	Market method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability, the lower the fair value.
Interest rate swaps	895,115	Cash flow discount method	Discount for lack of marketability	0%-20%	The higher the discount for lack of marketability, the lower the fair value.
Financial assets at FVTPL					
Equity-linked options	2,324	Option pricing model	Volatility rate	5%-40%	The higher the volatility rate, the higher the fair value.
Structured foreign-exchange options	490	Option pricing model	Volatility rate	5%-25%	The higher the volatility rate, the higher the fair value.
<u>Derivative financial liabilities</u>					
Financial liabilities at FVTPL					
Interest rate swaps	680,109	Cash flow discount method	Discount for lack of marketability	0%-20%	The higher the discount for lack of marketability, the lower the fair value.
Credit default swaps	7,035	Credit spread default model/cash flow discount method	Credit spread	0%-2%	The higher the credit spread, the lower the fair value.

## 7) The assessment of fair value based on Level 3 inputs

The financial instruments assessment group of the Group's department of risk management is responsible for independently verifying fair value, using an impartial, reliable source of information, so that the evaluation results reflect market status closely, same with other resource and representing executable price calibrating the assessment model regularly, and updating input values, information and any other information needed to ensure that the assessment model results are reasonable.

The department of finance and the department of risk management set assessment policies and procedures for determining the fair values of financial instruments and ensure that these policies and procedures are in compliance with IFRS.

**d. Not measured at fair value**

## 1) Fair value information

In addition to the items listed below, the Group's assets that are not measured at fair value, such as cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resale agreements, receivables, other financial assets, loans, due to the Central Bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, deposits and remittances, bonds payable, other borrowing and other financial liabilities have carrying amounts that are equal to, or reasonably approximate, their fair values.

	December 31			
	2019		2018	
	Book Value	Fair Value	Book Value	Fair Value
<u>Financial assets</u>				
Debt instruments at amortized cost	\$ 131,888,616	\$ 132,032,460	\$ 3,081,240	\$ 3,082,027

## 2) The information on fair value level

Assets and Liabilities	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets				
Debt instruments at amortized cost	\$ 132,032,460	\$ -	\$ 132,032,460	\$ -

Assets and Liabilities	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets				
Debt instruments at amortized cost	\$ 3,082,027	\$ -	\$ 3,082,027	\$ -

## 3) Valuation techniques

a) Financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resale agreements, receivables, other miscellaneous financial assets, due to the Central Bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, other borrowings and other miscellaneous financial liabilities, are disclosed at their carrying amounts as shown in the consolidated balance sheets since their maturities are very short or their future payments/receipts approximate their carrying amounts.

b) Investments in debt instruments at amortized cost: Refer to Note 45 (c) for related information.

## c) Loans (including delinquent loans)

The Group's loan interest rate is usually determined based on the prime rate plus or minus basic points (i.e. the floating rate), which reflects the market interest rate. The expected recovery of loans is taken into consideration. Therefore, loans are disclosed at their carrying amounts.

Medium and long-term loans, which are determined at fixed rates and account for a minor proportion of loans, are disclosed at their carrying amounts.

## d) Deposits

Considering that most of the banking transactions are within one year of maturity, deposits are disclosed at their carrying amounts.

## e) Bonds payable

The bonds issued by the Group are intended to enhance liquidity or for capital management purpose instead of earning short-term profits; therefore, the bonds are disclosed at carrying amounts.

### Financial Assets and Financial Liabilities Offsetting

Taishin Financial Holding signs net settlement contracts or similar agreements with counterparties. When both transaction parties choose to do netting, the Group can offset financial assets and financial liabilities after the signing of the net settlement agreement. If not, the Group would execute total settlement. However, if one of the transaction parties breaks a contract, the other party can choose to execute net settlement. The table below shows more information on the offset of financial assets and financial liabilities.

December 31, 2019						
Offset and Execution of Net Settlement or Similar Agreement on Financial Assets						
Interpretation	Realized Financial Assets (a)	Offset of Realized Financial Liabilities in Balance Sheet (b)	Net Financial Assets in Balance Sheet (c)=(a)-(b)	Amount of Offset Not Shown in Balance Sheet (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Received Cash Collateral	
Derivative	\$ 9,517,863	\$ -	\$ 9,517,863	\$ 6,521,802	\$ 1,156,999	\$ 1,839,062

Note: Including net settlement and non-cash collateral.

December 31, 2019						
Offset and Execution of Net Settlement or Similar Agreement on Financial Liabilities						
Interpretation	Realized Financial Liabilities (a)	Offset of Realized Financial Assets in Balance Sheet (b)	Net Financial Liabilities in Balance Sheet (c)=(a)-(b)	Amount of Offset Not Shown in Balance Sheet (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Pledged Cash Collateral	
Derivative	\$ 16,118,189	\$ -	\$ 16,118,189	\$ 8,730	\$ 4,465,729	\$ 11,643,730

Note: Including net settlement and non-cash collateral.

December 31, 2018						
Offset and Execution of Net Settlement or Similar Agreement on Financial Assets						
Interpretation	Realized Financial Assets (a)	Offset of Realized Financial Liabilities in Balance Sheet (b)	Net Financial Assets in Balance Sheet (c)=(a)-(b)	Amount of Offset Not Shown in Balance Sheet (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Received Cash Collateral	
Derivative	\$ 14,673,387	\$ -	\$ 14,673,387	\$ 11,553,238	\$ 804,503	\$ 2,315,646

Note: Including net settlement and non-cash collateral.

December 31, 2018						
Offset and Execution of Net Settlement or Similar Agreement on Financial Liabilities						
Interpretation	Realized Financial Liabilities (a)	Offset of Realized Financial Assets in Balance Sheet (b)	Net Financial Liabilities in Balance Sheet (c)=(a)-(b)	Amount of Offset Not Shown in Balance Sheet (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Received Cash Collateral	
Derivative	\$ 20,915,361	\$ -	\$ 20,915,361	\$ 11,553,238	\$ 7,715,418	\$ 1,646,705

Note: Including net settlement and non-cash collateral.

## Transfer of Financial Assets

Taishin Financial Holding treats debt securities under repurchase agreements as transferred financial assets that do not qualify for full de-recognition; thus, the Group will recognize debts on the transferred financial assets to be bought back at a confirmed price because of the transfer of cash on the debt security contracts. In addition, the Group should not use, sell or pledge the transferred financial assets during the transaction validity period. However, the Group still bears interest and credit risks although the financial assets will not be fully derecognized. The following table shows the amounts of the financial assets that did not qualify for full de-recognition and information on the related financial liabilities.

December 31, 2019		
Financial Assets	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Financial assets at FVTPL repurchase agreement	\$ 65,443,371	\$ 68,251,143
Financial assets at FVTOCI repurchase agreement	53,890,088	51,893,832

December 31, 2018		
Financial Assets	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Financial assets at FVTPL repurchase agreement	\$ 45,695,690	\$ 44,876,374
Financial assets at FVTOCI repurchase agreement	41,549,227	38,169,460

## Financial Risk Management Objectives and Policies

### a. Summary

The Group's goal in risk management is to balance the risks and returns by giving consideration to business operation, overall risk taken, and external legal restrictions. The major risks the Group sustains includes in and off-balance-sheet credit risks, market risks (including interest rate, exchange rate, equity security prices, credit spread and commodity price risks) and liquidity risks.

Taishin Financial Holding has rules for risk management policies and risk control procedures, which had been approved by the board of directors, Risk Management Committee or monthly risk management meeting, in order to effectively identify, measure, supervise and control credit risks, market risks and liquidity risks.

### b. Organizational structure of risk management function

The board of directors is the highest level in the risk management function in the Company and takes the full responsibility for risk management issues and to examine policies and standards and establish risk management system. The chairman of Risk Management Committee takes charge of risk management and reports to the board of directors periodically.

Risk management department is independent of business department and identifies, assesses, and controls various risks according to risk management standards. In addition, internal auditing department is responsible for the independent review of risk management and internal control environment.

### c. Market risk

#### 1) The source and definition of market risk

Market risk is the uncertainty of changes in fair value of in and off-balance sheet financial instruments due to changes in market risk factors. Market risk factors include interest rates, exchange rates, equity security prices, credit spreads and commodity prices.

The major market risks of the Group are equity securities price risks, credit spread risks, interest rate risks, and exchange rate risks. The main position of equity securities risk includes domestic public, OTC, and emerging market stocks, domestic stock index options and stock index futures. The main position of credit spread risk includes the credit derivatives, such as credit default swaps, convertible bond asset swap (CBAS). The main position of interest

rate risk includes bonds and interest derivative instruments, such as interest rate swap. The main position of exchange rate risk includes the Group's investments denominated in foreign currencies, such as foreign currency spots and foreign currency options.

## 2) Market risk management policy

The Group's risk management policy clearly defines the risk management procedures for risk identifying, risk measuring, risk controlling and risk reporting, which are executed by risk management department independent of trading and other departments. The risk management department develops management principles for different businesses and for various aspects of market risk management based on the risk management policy. It establishes market risk management system and regulates market risks, risk limits, stop loss limit and stress tests of various financial assets.

## 3) Market risk management procedures

### a) Identifying risks and measuring possible effects

The Group's risk management department identifies the exposures of positions or new financial instruments to market risks and measures the gains and losses on positions held due to changes in market risk factors based on standards; the risk management department calculates price sensitivity and gains and losses on positions are recorded in trading books daily; and calculates the maximum potential losses recorded in each trading book monthly. The Group wants to avoid tremendous losses that will harm the Group's operations due to overwhelming changes in market risk factors.

### b) Controlling of risk and reporting of issues

The Group controls market risk by managing risk limits. The risk management department sets various trading limits, such as position limits, stop-loss limits, and maximum potential loss. The trading limits are implemented only after they are reported to and approved by the board of directors.

The risk management department calculates exposures and estimated gains and losses on positions daily to make sure that the positions held and losses do not exceed the limits approved by the board of directors and prepares reports to the high-level management and the board of directors periodically for their sufficient understanding of the implementation of the market risk management work and, if necessary, issuance of additional guidance.

## 4) Trading book market risk management

Based on the related risk management standards, the Group classifies financial instruments into trading books and banking books according to the purpose of holding the instruments and manages them with different methods.

Trading book position consists of trading purpose financial instruments or commodities held to hedge positions in trading books. A position, such as self-run position or position produced by matched principal brokering or market making, is for trading purpose if it is intended to be sold within a short period, to earn or to lock in profit from actual or expected short-term price fluctuations.

Banking books are positions other than aforementioned trading book positions, consisting of medium to long-term equity investments and hedging positions to earn from the appreciation of values and dividends, bonds and notes investments and hedging positions to earn from interests, positions held for fund dispatching, liquidity risk management, and banking book interest rate risk management purposes, and positions held for other management purposes.

Principles of trading book market risk management are as follows:

a) Management strategy

The goal of trading book market risk management is to pursue maximum return on capital, meaning maximizing the capital usage efficiency to improve stockholders' interest.

In order to control market risks, the risk management department sets risk limits for various investment portfolio based on trading strategies, category of trading products and annual profit goals in order to control exposure to risks on positions and losses.

b) Management principles

The Group stipulated "Principles of Market Risk Limit Management" to manage trading book limits.

c) Valuation gains and losses

If objective prices of financial instruments in various trading books exist in open market, such as trading prices, gains and losses on positions are valued in accordance with the market prices by the risk management department. If fair value data is inaccessible, the risk management department will cautiously adopt verified mathematical models to value gains and losses and review the assumptions and parameters of the valuation models periodically.

d) Risk measuring methods

The methods applied by the risk management department in measuring market risks are as follows:

- i. Measure the price sensitivity of various risk factors (i.e. Greeks), such as the effect on the valuations of foreign currency position of a 1% change in exchange rate or the effect on option position valuation due to changes in Greeks.
- ii. Refer to item 10 for the risk assumptions and calculation methods.
- iii. Measure potential losses resulting from extreme market volatility in order to assess capital adequacy and essential position adjustments.

5) Trading book interest rate risk management

a) Definition of interest rate risk

Interest rate risk is fair value changes in interest rate risk position held by the Group due to interest rate changes. The risks are mainly in debt securities and interest rate derivatives.

b) Measuring methods

The risk management department applies DV01 to measure interest risk. DV01 is the change in the value of interest rate risk positions when the yield curve moves upward by one basis point (1bp). Refer to item 10 for the risk assumptions and calculation methods.

c) Management procedures

The risk management department defines the interest rate related products that can be undertaken among trading book investment portfolio and set the total limit of DV01, the limit of DV01 in each time band and the stop-loss limits in order to control exposure risks on position losses. If the losses reach the stop-loss limit, then the trading department should decrease risk exposure positions so as to control losses.

## 6) Exchange rate risk management

### a) Definition of exchange rate risk

Exchange rate risk is the gain or loss resulting from exchange or translation of two different foreign currencies at different times. The Group's exchange rate risk mainly comes from spot and forward exchange positions and forward exchange options.

### b) Measuring methods

The risk management department applies Delta to measure the exchange rate risk of the first order change and applies Gamma to measure the exchange rate risk of the second order change. In addition, Vega is used to measure the first order risk of implied volatility rate. And the department calculates stress loss of risk position held. Refer to item 10 for the risk assumptions and calculation methods.

### c) Management procedures

The risk management department sets the position limit and stop-loss limit of trading book investment combinations in order to control exchange rate risk. If the losses reach the stop-loss limit, the trading department should decrease risk exposure positions so as to control losses.

## 7) Equity security price risk management

### a) Definition of equity security price risk

Equity security price risk is the valuation effect on the position held by the Group when the equity security price changes. The Group's equity security price risk mainly comes from public and OTC stocks, index futures and options.

### b) Measuring methods

The risk management department calculates stress loss of risk position held, applies Delta to measure the independent equity security price risk of the first order change, or market value is applied to indicate the exposure risks on positions of stocks. Refer to item 10 for the risk assumptions and calculation methods.

### c) Management procedures

The risk management department sets the position limit and stop-loss limit of trading book investment portfolio in order to control equity security price risk. If the losses reach the stop-loss limit, then the trading department should decrease risk exposure position so as to control losses.

## 8) Credit spread risk management

### a) Definition of credit spread risk

Credit spread risk is the risk of the effect of changes in credit spreads on positions held by the Group. The major risk comes from derivatives such as credit default swaps.

### b) Measuring methods

The risk management department applies CS 01, which is the impact of the changes in fair value of a position in response to a one basis point (1bp) credit spread change, and calculates the pressure loss of risk positions held by the Group. Refer to item 10 for the risk assumptions and calculation methods.

### c) Management procedures

The risk management department sets the position limit and stop-loss limit of trading book investment portfolios in order to control credit spread risks. If the losses reach the stop-loss limit, then the trading department should decrease the risk exposure position so as to control losses.

## 9) Banking book interest rate risk management

### Taishin Bank

Banking book interest rate risk involves bonds and bills and their hedge positions, which are held to manage the Bank's liquidity risk and the interest rate risk of deposits and loans undertaken by business departments. The interest rate risk is transferred to banking book management department for centralized management through internal fund transfer pricing (FTP) system. Banking book interest rate risk is the effect on net interest income of risk exposure positions held due to changes in interest rate. There is no secondary market for loan transactions and the purpose of holding banking book investment position is to establish deposit reserve. This is different from short-term holding for pursuing profit in trading book. Banking book interest rate risks are regulated separately by the risk management department.

#### a) Management strategy

The goal of banking book interest rate risk management is to control interest rate risk position and pursue stability and growth of banking book net interest income under the circumstances that liquidity is appropriate.

#### b) Management principles

Taishin Bank stipulated "The Principles of Banking Book Interest Rate Risk Management" as the important control regulations for banking book interest rate risk management.

#### c) Measuring methods

The banking book interest rate risk is the risk of quantitative or repricing term differences due to the differences in amounts and maturity or repricing dates of banking book assets, liabilities and off-balance-sheet items. Taishin Bank measures the effect on net interest income when the yield curve moves upward by 1bp. Refer to Item 10 for the risk assumptions and calculation methods.

#### d) Management procedures

Taishin Bank defines the instruments of banking book interest rate management and sets the limit of interest rate risk in order to avoid severe recession of net interest income when the interest rate changes unfavorably. The banking book management unit sets limits and keeps the interest rate risk within the limits.

## 10) Methods for measuring market risk

### Taishin Bank

#### a) Stress test

A stress test is applied to measure loss under extremely unfavorable market circumstances in order to assess financial institutions' tolerance to extreme market volatility.

The risk management unit is required to execute the stress test at least once a month to calculate trading book stress loss. The risk management unit observes historical information of market price and sets the biggest possible volatility range for various market risk factors as the stress circumstance, which should be approved by the Risk Management Committee. Since there are so many market risk factors that affect trading book position, there might be plenty of permutation and combination of stress circumstances when the unit calculates stress loss. For instance, change in a market risk factor might result in the biggest loss of one investment portfolio but create profits for another investment portfolio. Based on the conservative principles, the risk management unit will take into account correlation between various risk factors to calculate the biggest loss as the stress loss.

The risk management unit should confirm that overall trading book loss does not exceed the stress loss limit and report to the high-level management as references for adjusting positions or resource distributions.

## b) Value at risk, "VaR"

Taishin Bank uses variety of methods to control market risk; the VaR is one of them. Taishin Bank is using risk model to assess the value of trading portfolios and potential loss amount of holding positions. VaR is Taishin Bank's important internal risk control system, and the board of directors reviews and establishes trading portfolio's limits annually. Actual exposures of Taishin Bank are monitored daily by risk management.

VaR is used to estimate adverse market potential loss of existing positions. The VaR model uses historical simulation method, a one-year historical observation period, the estimate of 99% confidence interval, the maximum possible amount of loss holding positions for one day, and the probability that actual losses may exceed the estimate.

	For the Year Ended December 31, 2019			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	3,231	9,190	1,026	2,657
Interest rate VaR	29,485	48,247	18,839	22,327
Equity securities VaR	38,412	48,619	24,839	40,430
Credit spread VaR	5,297	11,630	2,797	6,228
Value at risk	47,638	62,226	32,182	35,316

	For the Year Ended December 31, 2018			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	6,578	21,825	2,685	4,529
Interest rate VaR	76,186	122,889	26,572	29,170
Equity securities VaR	20,592	35,078	9,752	13,781
Credit spread VaR	3,541	9,998	73	9,947
Value at risk	74,143	117,657	28,241	33,807

## c) Information of exchange rate risk concentration

For information regarding Taishin Bank's non-functional currency financial assets and liabilities on the balance sheet date, refer to Note 53.

Taishin Securities B

VaR is the potential highest loss for a period within certain confidence interval. For the years ended December 31, 2019 and 2018, Taishin Securities B's VaR factors were as follows:

	For the Year Ended December 31, 2019			
	Average	Highest	Lowest	Ending Balance
Value at risk (VaR)	\$ 49,425	\$ 73,573	\$ 25,142	\$ 30,823

	For the Year Ended December 31, 2018			
	Average	Highest	Lowest	Ending Balance
Value at risk (VaR)	\$ 43,455	\$ 58,580	\$ 26,642	\$ 55,019

## d. Credit risk

## 1) Source and definition

Credit risk means the possible loss due to failure of debtors or counterparties to fulfill their contractual obligations or their ability of fulfill contractual obligations is impaired. Credit risk arises from the operation, on- and off-balance-sheet items, including credit loans, derivatives transactions and securities investment, etc. Because the business becomes more complex, the credit risk is often generated with other risks that affect one another. For example, exchange rate risk also exists in foreign currency debt investment. Secured loans will be affected by the price volatility on the collateral and market liquidity risk of the collateral.

Credit risk can be divided into the following categories based on the object and nature of business:

a) Credit risk

Credit risk is the risk that a borrower is unable to pay its debt or fulfill its debt commitments in credit loans operation.

b) Issuer (guarantor) risk of the underlying issue

It is the credit risk that stock issuers go into liquidation or are unable to pay back money when debt, bills and other securities mature.

c) Counterparty risk

It is the credit risk that the counterparty undertaking OTC derivatives or RP/RS transactions are unable to fulfill settlement obligations.

Counterparty risk is also divided into settlement risk and pre-settlement risk.

i. Settlement risk

It is the loss resulting from the counterparty failing to deliver goods or other money on the settlement date when the Group had fulfilled settlement obligations.

ii. Pre-settlement risk

It is the loss resulting from the counterparty failing to fulfill settlement or pay the obligations and from changes in market prices before the settlement date.

d) Other credit risks

Country risk, custodian risk and brokers risk, etc.

2) Credit risk management policies

Taishin Bank

To ensure its credit risk under control within the tolerable range, Taishin Bank has stipulated in the guidelines for risk management that for all the products provided and businesses conducted, including all on and off-balance sheet transactions in the banking and trading books, Taishin Bank should make detailed analyses to identify existing and potential credit risks. Before launching new products or businesses, Taishin Bank ensures compliance with all applicable rules and regulations and identifies relevant credit risks. For sophisticated credit extensions, such as accounts receivable factoring and credit derivative instruments, Taishin Bank also establishes risk management system described in the related rules and guidelines.

Unless the assessment of asset qualities and provision for potential losses of the overseas business department is regulated by the local authorities, it is in accordance with Taishin Bank's risk management policies and guidelines.

The measurement and management procedures of credit risks in Taishin Bank's main businesses are as follows:

a) Credit granting business (including loans and guarantees)

Classification of credit assets and level of credit quality are summarized as follows:

i. Credit risk rating

For risk management purposes, Taishin Bank rates credit qualities (by using internal rating models for credit risk or credit score tables) in accordance with the nature and scale of a business.

The credit risk rating system is internal rating based on the definition of Basel II of internal rating method (IRB). It covers operation procedures, methodology, control mechanism, information system and data collection, which is used to assist risk assessment, rating approval and loss assessment.

The corporate finance department's internal rating adopts two aspects. One is obligor risk rating (ORR) and the other is Facility Risk Rating (FRR). ORR is used to assess the possibility of the debtor performing financial commitments, which is a quantitative value based on the probability of default (PD) within one year. FRR is used to assess the effect of rating structures and collateral conditions on credit rating, which is a quantitative value based on loss given default (LGD). At the same time, experts also engage in judging and adjusting the rating overrides of statistic models to make up the shortage of the model.

The consumer finance department's internal rating system adopts product characteristic and debtor condition (such as new case or behavior grading) as the basis of segmentation. It is to ensure that the same pools of debtors and risk exposure are homogeneous. At the same time, review of loans based on experts' override is complemented to make up for the limitation of the model.

#### ii. The measurement of ECLs

At the end of the reporting period, Taishin Bank evaluates the risk of default occurring over the expected life of loans, to determine if the credit risk has increased significantly since original recognition. In order to perform this evaluation, Taishin Bank considers the information regarding whose credit risk has significantly increased since the respective loan's initial recognition as well as corroborative information (including forward-looking information). The key indicators include quantitative indicators such as changes in internal and external credit ratings, overdue conditions (such as being more than one month overdue), etc., as well as qualitative indicators such as a worsening of debt paying ability, unfavorable changes in operating financial and economic conditions and significant increases in credit risk of borrowers' other financial instruments. At the end of the reporting period, Taishin Bank assumes that the credit risk has not increase significantly for those whose credit risk is determined to be low.

Taishin Bank has the same definition of default on credit assets and credit impairment. The evidence of credit losses on financial assets includes overdue conditions (e.g. past due for more than three months) and significant financial distress of the borrower. The definitions of default and credit impairment are consistent with the definitions of the financial assets for the purpose of internal credit risk management, which are also used in the relevant impairment assessment model.

In order to assess the ECLs, the loans will be assessed in groups based on the nature of the products, borrowers' credit ratings and collateral, and the Group takes into consideration each borrower's probability of default (PD), loss given default (LGD) and exposure at default (EAD) for the next 12 months and for the lifetime of the loan and considers the impact of the monetary time value in order to calculate the ECLs for 12 months and for the lifetime of the loan, respectively.

The PD and LGD used in the impairment assessment are based on internal historical information (such as credit loss experience) of each combination and are calculated based on current observable data and forward-looking general economic information.

Taishin Bank assesses the EAD, PD and LGD using the current exposure method, the group estimating method and the recovery rate adjustment method, respectively. When assessing internal credit ratings, the Group takes factors into account to adjust PD as follows: It considers the respective borrower's future financial and business prospect, guarantors, stockholders and group background, as well as the forward-looking effects of environmental changes in the economy, markets and regulations in corporate finance; and it considers overall economic indicators (e.g. gross domestic product (GDP)) that are adjusted according to the asymptotic single risk factor (ASRF) model.

There was no significant change in valuation techniques and major assumptions used to assess the ECLs of the loans by Taishin Bank in 2019 and 2018.

In addition to the aforementioned assessment procedures, which classify loans in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, the loans are classified into five categories for evaluation. Except for normal loans, the remainder are classified into the first category. After the assets are assessed on the basis of the guarantee status of the claims and the length of the time overdue, they are respectively classified within the remaining categories according to the probability of recovery as follows: The second category is for notable assets; the third category is for assets which are expected to be recovered; the fourth category is for assets which will be difficult to recover; and the fifth category is for assets for which recovery is considered hopeless. The highest values of the aforementioned evaluation results are taken to measure the allowance loss.

In order to manage problematic loans, procedures are adopted for the reorganization of loan loss provisions, the allowance for bad debt or guarantee liability provisions, the measurement of overdue loans and the collection of default loans. In the management of loans, Taishin Bank is also guided by the Regulations Governing the Procedures for Corporation Credit Businesses to Evaluate Assets and Deal with Non-performing Assets, Measures for Corporation Credit Businesses to Be Taken When Credit Extensions Become Past Due and Regulations Governing Collection Procedures, Regulations Governing the Procedures for Consumer Finance to Evaluate Assets and Deal with Non-performing Assets, Regulations Governing the Procedures for Overdue Loans, Non-accrual Loans and Doubtful Loans.

### iii. Write-off policy

Overdue loans and non-accrual loans for which one of the following events have occurred should have the estimated recoverable amount deducted and should then be written off as bad debts.

- The debtor may not recover all or part of the obligatory claim due to dissolution, disappearance, settlement, bankruptcy or other reasons.
- The appraisal of the collateral, the property of the principal debtor and the surety is low, or the amount of the loan's priority is deducted, or the collection implementation costs may approach or exceed the amount that Taishin Bank can repay, or the loan is not able to be collected.
- The property of the principal debtor and the surety were auctioned off at multiple auctions, no one was required to buy it and Taishin Bank did not bear the benefit.
- Overdue loans and non-accrual loans which have been overdue for more than two years have been collected but have not been received.

However, for overdue loans and non-accrual loans which have been overdue for more than three months but less than two years, after the collection has not been recovered and after deducting the recoverable portion, the remainder will be written off as bad debts.

Loans are written off in accordance with relevant regulations and procedures; the activities of the principal debtor and the surety from obligatory claims shall still be monitored by the relevant business department. If there is property that is available for execution, the Group shall sue according to the relevant laws.

If an evaluation determines that there is no benefit to be gained from the collection activities described in the preceding paragraph, such shall be reported to and approved by the board of directors, and the debt shall no longer be posted in the accounts and subject to control; however, such debt shall continue to be recorded in registry books for acknowledgement.

b) Due from and call loans to banks

Taishin Bank evaluates the credit status of counterparties before deals are closed. Taishin Bank grants different limits to the counterparties based on their respective credit ratings as suggested by external qualified credit rating institutes.

c) Security investment and financial derivatives transaction

Regarding the credit risk of security investments and financial derivatives, Taishin Bank manages the risk by internal credit rating of issuers, issued underlying, counterparties, and by external credit rating of debt instruments and counterparties or status of regions/countries.

The other banks with which Taishin Bank conducts derivative transactions are mostly considered investment grade. The credits extended to counterparties that are not rated as investment grade are assessed on a case-by-case basis. The credits extended to counterparties are monitored in accordance with the related contract terms and conditions, and the credit limits for derivatives established in normal credit granting processes. Meanwhile, Taishin Bank has set the total position limit on trading and banking book securities and each issuer's limit based on credit ratings.

The Group assesses the change in risk of default over the expected lifetime of investments in debt instruments as of the end of the reporting period, so as to determine whether there has been a significant increase in credit risk since initial recognition. In order to make this assessment, the Group considers reasonable indicators of a significant increase in credit risk since initial recognition and corroborative information (including forward-looking information). The main indicators include quantitative indicators, such as external credit ratings, qualitative indicators, such as weakening solvency from adverse changes in operating, financial and economic conditions, and a significant increase in credit risk of the issuer's other financial instruments. Where the Group determines that the credit risk is low as of the reporting date, it will assume that the credit risk will not have a significant increase.

The Group defines default of investments in debt instruments and credit impairment the same. Evidence of financial asset credit impairment includes external credit ratings and the issuers experiencing severe financial difficulties. The definitions of default and credit impairment apply to the relevant impairment assessment model.

Based on credit assessment charts, the Group manages the internal and external credit assessment of debt instruments according to Moody's long-term credit ratings. Credit risk is significantly increased if:

- i. The rating is over Baa3 on the initial recognition date, and the rating is lower than Ba1, not including ratings of Ca-D on the measurement date.
- ii. The rating is Ba1-Ba3 on the initial recognition date, and the rating is downgraded to B1-Caa3 on the measurement date.
- iii. The rating is B1-Caa3 on the initial recognition date.

A loan is considered to have been defaulted on if the rating is Ca-D on the measurement date.

The trading department should monitor the credit position of investments in debt instruments. Once it knows that the issuer, guarantor or issued underlying has a credit event (such as a downgrade of credit ratings to non-investment grade, a discharge or a default), it should notify the relevant department immediately and dispose of the investments in debt instruments.

In order to assess the purpose of the ECLs, debt instruments are assessed by grade based on their credit rating. In order to measure the ECLs, the default probability of the issuers is considered, the PD, LGD, EAD for the next 12 months and over the full lifetime of the debt instruments shall be considered, and the impact of the time value of money shall be considered. From this, the 12-month and full-lifetime ECLs shall be calculated separately.

The Group assesses the EAD of investments in debt instruments using the current exposure method (CEM) and adopts external rating information, PD and LGD which are announced periodically by international credit rating agencies (S&P and Moody's), to calculate the ECLs.

Due to international credit rating agencies already considering the prospective information, it is appropriate to assess such information and then include it in the assessment of the related ECLs of the Group.

The Group evaluated that the assessment techniques or material assumptions of the ECLs of investments in debt instruments had no material change in 2019 and 2018.

#### Leasing subsidiaries

The Group adopts the simplified approach to assess the allowance for lease receivables based on their lifetime ECLs. In order to measure the loss allowance, the combination by past due positions is classified, the rating of losses are evaluated using the provision matrix approach, and the EAD of applicants is considered. With this and the impact of time value of money, the lifetime ECLs are calculated.

To loss ratings used in the impairment assessments are calculated based on internal historical data (such as credit loss experience) for each group and on currently observable data which is adjusted according to prospective general economic data.

The Group evaluates EAD using the book amount of lease receivables and assess the loss ratings using the recovery rate adjusted method. The Group uses economic indicators such as prospective data to adjust loss ratings using the standard deviation method. The Group uses Taiwan's composite leading index and the OECD/China's composite leading indicators as the basis for the adjustments of prospective data.

The Group evaluated that the assessment techniques or material assumptions of ECLs of lease receivables had no material change in 2019 and 2018.

The following table details lease receivables based on the Group's provision matrix using the simplified approach.

#### December 31, 2019

	Normal or Less than 29 Days Past Due	30-89 Days Past Due	90-179 Days Past Due	180-359 Days Past Due
Loss rate	0.95%	24.55%	44.19%	67.20%
Amount of exposure	20,701,331	143,475	121,001	98,112
Loss allowance	195,958	35,225	53,471	65,929

#### December 31, 2018

	Normal or Less than 29 Days Past Due	30-89 Days Past Due	90-179 Days Past Due	180-359 Days Past Due
Loss rate	0.98%	13.79%	43.00%	74.87%
Amount of exposure	20,199,727	199,025	107,313	105,298
Loss allowance	197,242	27,438	46,141	78,841

Under Taishin Financial Holding and Taishin Bank's approval of asset quality, the minimum loss allowance of lease receivables shall be assessed in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by the MOF.

When lease receivables are recognized as bad debt because it cannot be recovered or it is 360 days or more past due, the relevant regulations will be followed for recourse.

## 3) Credit risk hedging or mitigation policies

Taishin Bank

## a) Collateral

Taishin Bank has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collateral from the borrowers. To secure the loans, Taishin Bank manages and assesses the collateral following the procedures that suggest the scope of collateralization and valuation of collateral and the process of disposition. In credit contracts, Taishin Bank stipulates the security mechanism for loans and the conditions and terms for collateral and offsetting to state clearly that Taishin Bank reserves the right to reduce granted limit, to reduce repayment period, to demand immediate settlement or to offset the debt of the borrowers with their deposits in Taishin Bank in order to reduce the credit risks.

The requirements for collateral for other non-credit businesses depend on the nature of the financial instruments. Asset-backed securities and similar financial instruments are required to provide a pool of underlying financial assets as collateral.

The following table details the collateral of credit-impaired financial assets.

December 31, 2019

	Gross Carrying Amount	Impairment under IFRS 9	Proportion of Loans/ Collateral (Note)
Personal housing loans	\$ 4,341,485	\$ 2,357,832	40.45%
Business guaranteed loans	548,126	92,733	108.26%
Others	6,474,127	1,607,981	
Total	\$ 11,363,738	\$ 4,058,546	

December 31, 2018

	Gross Carrying Amount	Impairment under IFRS 9	Proportion of Loans/ Collateral (Note)
Personal housing loans	\$ 3,919,181	\$ 2,095,385	41.92%
Business guaranteed loans	412,140	312,709	105.21%
Others	6,948,217	1,765,234	
Total	\$ 11,279,538	\$ 4,173,328	

Note: The value of the collateral is calculated based on the latest accessible internal and external data.

## b) Credit risk concentration limits and control

To avoid the concentration of credit risks, Taishin Bank has included credit limits for the same person (entity) and for the same related-party corporation (group) based on the credit risk arising from loans, securities investment and derivatives transactions.

Meanwhile, for trading and banking book investments, Taishin Bank has set a ratio, which is the credit limit of a single issuer in relation to the total security position. Taishin Bank has also included credit limits for a single counterparty and a single group.

In addition, to manage the concentration risk on the financial assets, Taishin Bank has set credit limits by industry, conglomerate, country and transactions collateralized by stocks, and integrated within one system to supervise concentration of credit risk in these categories. Taishin Bank monitors concentration of each asset and controls various types of credit risk concentration in a single transaction counterparty, group, related-party corporation, industries, nations.

## c) Net settlement

Taishin Bank settles most of its transactions at gross amounts. For further reduction of credit risks, settlement netting is used for some counterparties or some circumstances where the transactions with counterparties are terminated due to defaults.

## d) Other credit enhancements

To reduce its credit risks, Taishin Bank stipulates in its credit contracts the terms for offsetting to state clearly that Taishin Bank reserves the right to offset the borrowers' debt against their deposits in Taishin Bank.

## 4) Maximum exposure to credit risk and credit quality analysis

The maximum credit risk exposures of various financial instruments held by the Group are the same as per book amounts. Refer to the notes to the consolidated financial statements.

Part of financial assets held by the Group, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, securities purchased under resale agreement, deposit refunds, operating deposits, and settlement deposits are exposed to low credit risks because the counterparties have rather high credit ratings.

Based on risk ratings, the amounts of maximum credit risk exposure (excluding the guarantees or other credit enhancements) at each stage of ECLs on December 31, 2019 and 2018 are as follows:

## Taishin Bank

	December 31, 2019			
	12-month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Loans				
Consumer finance				
Excellent	\$ 606,449,108	\$ 15,810,829	\$ -	\$ 622,259,937
Good	10,051,411	249,989	-	10,301,400
Acceptable	-	204,114	-	204,114
Default	-	-	8,498,994	8,498,994
Corporation finance				
Excellent	292,547,604	-	-	292,547,604
Good	215,483,782	-	-	215,483,782
Acceptable	1,548,618	3,744,039	-	5,292,657
Default	-	-	741,263	741,263
Total	\$ 1,126,080,523	\$ 20,008,971	\$ 9,240,257	\$ 1,155,329,751
Receivables (including non-performing receivables transferred, other than those from loans)				
Consumer finance				
Excellent	\$ 59,669,140	\$ 37,282	\$ -	\$ 59,706,422
Good	245,604	858	-	246,462
Acceptable	-	79,646	-	79,646
Default	-	-	2,003,899	2,003,899
Corporation finance				
Excellent	44,668,572	-	-	44,668,572
Good	6,138,540	-	-	6,138,540
Acceptable	433,907	13,632	-	447,539
Default	-	-	119,582	119,582
Others	-	19,662,338	-	19,662,338
Total	\$ 111,155,763	\$ 19,793,756	\$ 2,123,481	\$ 133,073,000
Debt instruments at FVTOCI				
Excellent	\$ 268,596,695	\$ 201,670	\$ -	\$ 268,798,365
Debt investments at amortized cost				
Excellent	\$ 131,893,418	\$ -	\$ -	\$ 131,893,418
Financial guarantees				
Excellent	\$ 17,557,692	\$ -	\$ -	\$ 17,557,692
Good	4,646,284	-	-	4,646,284
Acceptable	46,410	44,613	-	91,023
Default	-	-	15,160	15,160
Total	\$ 22,250,386	\$ 44,613	\$ 15,160	\$ 22,310,159
Loan commitments				
Excellent	\$ 954,731,927	\$ 190,584	\$ -	\$ 954,922,511
Good	128,758,296	294	-	128,758,590
Acceptable	976,895	641,061	-	1,617,956
Default	-	-	259,164	259,164
Total	\$ 1,084,467,118	\$ 831,939	\$ 259,164	\$ 1,085,558,221

	December 31, 2018			
	12-month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Loans				
Consumer finance				
Excellent	\$ 568,339,583	\$ 14,211,558	\$ -	\$ 582,551,141
Good	7,733,224	312,823	-	8,046,047
Acceptable	-	120,333	-	120,333
Default	-	-	8,431,383	8,431,383
Corporation finance				
Excellent	227,727,826	-	-	227,727,826
Good	201,662,540	-	-	201,662,540
Acceptable	450,772	2,979,598	-	3,430,370
Default	-	-	516,317	516,317
Total	\$ 1,005,913,945	\$ 17,624,312	\$ 8,947,700	\$ 1,032,485,957
Receivables (including non-performing receivables transferred, other than those from loans)				
Consumer finance				
Excellent	\$ 52,529,146	\$ 38,890	\$ -	\$ 52,568,036
Good	209,520	1,135	-	210,655
Acceptable	-	60,530	-	60,530
Default	-	-	2,066,502	2,066,502
Corporation finance				
Excellent	48,381,583	-	-	48,381,583
Good	6,469,046	-	-	6,469,046
Acceptable	504,886	2,781,596	-	3,286,482
Default	-	-	265,336	265,336
Others	-	7,027,905	-	7,027,905
Total	\$ 108,094,181	\$ 9,910,056	\$ 2,331,838	\$ 120,336,075
Debt instruments at FVTOCI				
Excellent	\$ 332,053,505	\$ -	\$ -	\$ 332,053,505
Debt investments at amortized cost				
Excellent	\$ 3,073,300	\$ -	\$ -	\$ 3,073,300
Financial guarantees				
Excellent	\$ 16,385,985	\$ -	\$ -	\$ 16,385,985
Good	4,316,805	-	-	4,316,805
Acceptable	-	72,601	-	72,601
Default	-	-	15,160	15,160
Total	\$ 20,702,790	\$ 72,601	\$ 15,160	\$ 20,790,551
Loan commitments				
Excellent	\$ 940,560,110	\$ 150,574	\$ -	\$ 940,710,684
Good	124,953,112	-	-	124,953,112
Acceptable	2,503,502	985,724	-	3,489,226
Default	-	-	69,963	69,963
Total	\$ 1,068,016,724	\$ 1,136,298	\$ 69,963	\$ 1,069,222,985

## 5) Situation of credit risk concentration

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics of concentration of credit risks include the nature of business activities engaged by debtors. The Group has not engaged in transactions that involved a prominent concentration to one client or one transaction party, but has engaged in transaction parties of similar industry type or from similar region.

The Group's information on prominent concentration of credit risk was as follows:

Taishin Bank

Industry Type	December 31			
	2019		2018	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Manufacturing	\$ 179,706,128	16	\$ 134,464,351	13
Wholesale and retailing	57,296,126	5	51,093,346	5
Finance and insurance	104,737,965	9	94,698,417	9
Real estate and leasing	86,812,057	7	81,366,065	8
Service	21,702,886	2	13,905,682	1
Individuals	661,648,363	57	616,857,683	60
Others	43,426,226	4	40,100,413	4
	<u>\$ 1,155,329,751</u>		<u>\$ 1,032,485,957</u>	

Geographic Location	December 31			
	2019		2018	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,067,344,993	92	\$ 944,529,326	91
Europe	5,719,619	1	5,951,181	1
America	2,650,727	-	3,656,626	-
Others	79,614,412	7	78,348,824	8
	<u>\$ 1,155,329,751</u>		<u>\$ 1,032,485,957</u>	

## 6) Impairment analysis of loans and receivables of Taishin Bank

a) Receivables (including non-performing receivables transferred from other than loans and inward remittances) - December 31, 2019 and 2018

The movements in the gross carry amount of the allowance for receivables

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Total
Loss allowance as of January 1, 2019	\$ 108,094,181	\$ 10,346,270	\$ 9,829,933	\$ 2,331,838	\$ 130,602,222
Changes in loss allowance					
Transfer to stage 3	( 84,372)	76,638	16,086	( 127)	8,225
Transfer to stage 2	( 348,122)	( 10,077)	( 104,604)	516,903	54,100
Transfer to stage 1	33,701	( 15,178)	( 19,908)	( 7,652)	( 9,037)
Financial assets derecognized	( 35,293,728)	( 57,736)	( 996,850)	( 678,912)	( 37,027,226)
New financial assets originated or purchased	38,754,674	94,420	3,392,813	101,137	42,343,044
Write-offs	( 571)	( 128,019)	( 2,630,032)	( 141,072)	( 2,899,694)
Other movements	-	-	-	1,366	1,366
Loss allowance as of December 31, 2019	\$ 111,155,763	\$ 10,306,318	\$ 9,487,438	\$ 2,123,481	\$ 133,073,000

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Total
Loss allowance as of January 1, 2018	\$ 97,352,327	\$ 12,101,808	\$ 8,622,013	\$ 2,215,217	\$ 120,291,365
Changes in loss allowance					
Transfer to stage 3	( 59,059)	55,531	18,262	( 121)	14,613
Transfer to stage 2	( 328,594)	( 9,800)	( 1,076,513)	1,477,471	62,564
Transfer to stage 1	19,131	( 13,178)	-	( 9,259)	( 3,306)
Financial assets derecognized	( 21,397,767)	( 1,476,102)	( 1,673,214)	( 1,313,629)	( 25,860,712)
New financial assets originated or purchased	32,508,662	25,222	4,307,689	110,464	36,952,037
Write-offs	( 519)	( 337,211)	( 368,304)	( 149,069)	( 855,103)
Other movements	-	-	-	764	764
Loss allowance as of December 31, 2018	\$ 108,094,181	\$ 10,346,270	\$ 9,829,933	\$ 2,331,838	\$ 130,602,222

#### The movements in the allowance for receivables

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Loss Allowance under IFRS 9	Recognized Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Loss allowance as of January 1, 2019	\$ 143,927	\$ 209,242	\$ 2,496,256	\$ 699,472	\$ 3,548,897	\$ 674,634	\$ 4,223,531
Changes in loss allowance							
Transfer to stage 3	( 124)	18,820	-	( 38)	18,658		18,658
Transfer to stage 2	( 481)	( 2,765)	( 10,112)	124,333	110,975		110,975
Transfer to stage 1	93	( 3,512)	( 196)	( 2,713)	( 6,328)		( 6,328)
Financial assets derecognized	( 55,587)	( 14,437)	( 92,276)	( 711,085)	( 873,385)		( 873,385)
New financial assets originated or purchased	\$ 35,206	\$ 108,405	\$ 337,871	\$ 31,118	\$ 512,600	\$	\$ 512,600
Recognizes based on the regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						96,546	96,546
Write offs	( 4)	( 127,621)	( 2,630,032)	( 66,973)	( 2,824,630)		( 2,824,630)
Recovery of loans written off	-	-	3,246	382,516	385,762		385,762
Other movements	-	920	( 6,298)	867	( 4,511)		( 4,511)
Loss allowance as of December 31, 2019	\$ 123,030	\$ 189,052	\$ 98,459	\$ 457,497	\$ 868,038	\$ 771,180	\$ 1,639,218

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Loss Allowance under IFRS 9	Recognized Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Loss allowance as of January 1, 2018	\$ 152,380	\$ 210,254	\$ 1,225,872	\$ 439,088	\$ 2,027,594	\$ 292,375	\$ 2,319,969
Changes in loss allowance							
Transfer to stage 3	( 525)	14,129	5,104	( 63)	18,645		18,645
Transfer to stage 2	( 442)	( 2,956)	( 190,649)	311,536	117,489		117,489
Transfer to stage 1	22	( 3,471)	-	( 1,865)	( 5,314)		( 5,314)
Financial assets derecognized	( 71,250)	( 15,985)	( 580,801)	( 462,585)	( 1,130,621)		( 1,130,621)
New financial assets originated or purchased	63,748	345,422	2,401,192	59,924	2,870,286		2,870,286
Recognizes based on the regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						382,259	382,259
Write offs	( 3)	( 336,799)	( 368,304)	( 67,045)	( 772,151)		( 772,151)
Recovery of loans written off	-	-	-	420,202	420,202		420,202
Other movements	( 3)	( 1,352)	3,842	280	2,767		2,767
Loss allowance as of December 31, 2018	\$ 143,927	\$ 209,242	\$ 2,496,256	\$ 699,472	\$ 3,548,897	\$ 674,634	\$ 4,223,531

## b) Loans - December 31, 2019 and 2018

## The movements in the gross carry amount of the allowance for loans

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Total
Loss allowance as of January 1, 2019	\$ 1,005,913,945	\$ 14,644,713	\$ 2,979,599	\$ 8,947,700	\$ 1,032,485,957
Changes in loss allowance					
Transfer to stage 3	( 9,878,954)	7,126,594	2,239,222	( 17,071)	( 530,209)
Transfer to stage 2	( 2,824,276)	( 407,622)	( 235,951)	3,123,618	( 344,231)
Transfer to stage 1	2,764,586	( 2,577,493)	( 132,541)	( 331,036)	( 276,484)
Financial assets derecognized	( 254,154,244)	( 2,919,517)	( 1,182,542)	( 2,699,594)	( 260,955,897)
New financial assets originated or purchased	384,345,921	439,166	76,252	562,366	385,423,705
Write-offs	( 86,455)	( 40,909)	-	( 345,726)	( 473,090)
Loss allowance as of December 31, 2019	\$ 1,126,080,523	\$ 16,264,932	\$ 3,744,039	\$ 9,240,257	\$ 1,155,329,751

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Total
Loss allowance as of January 1, 2018	\$ 945,878,159	\$ 13,306,303	\$ 3,555,652	\$ 10,129,971	\$ 972,870,085
Changes in loss allowance					
Transfer to stage 3	( 6,588,827)	6,152,506	295,357	( 64,049)	( 205,013)
Transfer to stage 2	( 2,554,809)	( 205,385)	( 328,124)	2,812,269	( 276,049)
Transfer to stage 1	2,318,305	( 1,989,943)	-	( 472,629)	( 144,267)
Financial assets derecognized	( 255,491,100)	( 3,076,708)	( 894,125)	( 2,935,213)	( 262,397,146)
New financial assets originated or purchased	322,434,413	490,051	350,839	466,092	323,741,395
Write-offs	( 82,196)	( 32,111)	-	( 988,741)	( 1,103,048)
Loss allowance as of December 31, 2018	\$ 1,005,913,945	\$ 14,644,713	\$ 2,979,599	\$ 8,947,700	\$ 1,032,485,957

## The movements in the allowance for loans

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Loss Allowance under IFRS 9	Recognized Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non-accrual Loans	Total
Loss allowance as of January 1, 2019	\$ 2,133,428	\$ 632,264	\$ 2,122,777	\$ 3,473,856	\$ 8,362,325	\$ 5,039,136	\$ 13,401,461
Changes in loss allowance							
Transfer to stage 3	( 25,530)	358,196	1,388,905	( 14,279)	1,707,292		1,707,292
Transfer to stage 2	( 8,429)	( 89,104)	( 210,028)	1,508,190	1,200,629		1,200,629
Transfer to stage 1	4,764	( 65,430)	( 111,982)	( 210,798)	( 383,446)		( 383,446)
Financial assets derecognized	( 719,280)	( 99,958)	( 952,964)	( 2,370,371)	( 4,142,573)		( 4,142,573)
New financial assets originated or purchased	779,856	85,223	73,094	284,646	1,222,819		1,222,819
Recognizes based on the regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						2,347,077	2,347,077
Write offs	( 521)	( 19,870)	-	( 140,024)	( 160,415)		( 160,415)
Recovery of loans written off	-	-	-	1,069,829	1,069,829		1,069,829
Other movements	-	( 920)	-	-	( 920)		( 920)
Loss allowance as of December 31, 2019	\$ 2,164,288	\$ 800,401	\$ 2,309,802	\$ 3,601,049	\$ 8,875,540	\$ 7,386,213	\$ 16,261,753

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Loss Allowance under IFRS 9	Recognized Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non-accrual Loans	Total
Loss allowance as of January 1, 2018	\$ 1,841,657	\$ 1,598,610	\$ 2,449,415	\$ 3,951,894	\$ 9,841,576	\$ 2,660,022	\$ 12,501,598
Changes in loss allowance							
Transfer to stage 3	( 10,865)	245,899	154,330	( 36,600)	352,764		352,764
Transfer to stage 2	( 10,262)	( 82,282)	( 191,086)	1,182,199	898,569		898,569
Transfer to stage 1	4,273	( 176,027)	-	( 256,607)	( 428,361)		( 428,361)
Financial assets derecognized	( 423,766)	( 983,247)	( 391,429)	( 1,887,814)	( 3,686,256)		( 3,686,256)
New financial assets originated or purchased	732,261	35,895	101,404	178,008	1,047,568		1,047,568
Recognizes based on the regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						2,379,114	2,379,114
Write offs	( 472)	( 7,936)	-	( 760,391)	( 768,799)		( 768,799)
Recovery of loans written off	-	-	-	1,102,024	1,102,024		1,102,024
Other movements	602	1,352	143	1,143	3,240		3,240
Loss allowance as of December 31, 2018	\$ 2,133,428	\$ 632,264	\$ 2,122,777	\$ 3,473,856	\$ 8,362,325	\$ 5,039,136	\$ 13,401,461

## e. Liquidity risk

### 1) The source and definition of liquidity risk

Liquidity risk is the potential loss that the Group may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth. Sources of liquidity risk are as follows:

- a) Inability to fulfill funding gap due to asymmetric time and amount in cash inflows and outflows.
- b) Liabilities paid off in advance before maturity, inability to maintain liabilities at maturity or inability to acquire funds from the market.
- c) Inability to liquidate current assets at reasonable price or raising funds to fulfill funding gap with price higher than the reasonable one.

Except for the liquidity risks arising from normal operation, the Group's liquidity might be affected by events such as credit ratings being downgraded, credibility seriously damaged, financial system's system risk, causing customers to lack confidence and canceling deposits before maturity, call loans from banks being suspended, RS or RP transactions being deterred and liquidity of financial assets decreasing.

### 2) Liquidity risk management policy

#### Taishin Bank

The objective of liquidity risk management is to ensure that Taishin Bank can acquire funds at reasonable price to pay off debt, perform obligations and contingent liabilities and satisfy demands required by business growth either in normal operation or under sudden, serious and unusual circumstances.

Taishin Bank has established policies on assets and liabilities management that stipulate related liquidity risk management rules and principles, stipulate clear distinction between accountability and responsibility of Asset and Liability Committee and management departments and regulate the limits of liquidity risk, risk measuring, risk monitoring and the scope and procedures of reporting to ensure that overall liquidity risk is within the limits of liquidity risk approved by the board of directors.

Basic principles of liquidity risk management policy are as follows:

- a) Principle of risk diversification: Taishin Bank should avoid excessively concentrating funds on the same maturity, instruments, currencies, regions, funding sources or counterparties.
- b) Principle of stability: Taishin Bank should follow stable strategies and pay attention to market and internal funding liquidity. For example, Taishin Bank should absorb the core deposits at appropriate time in order to prevent market volatility from affecting funding sources and thus lower dependence on unstable fund sources.
- c) Principle of maintaining appropriate asset liquidity: Market liquidity will indirectly affect funding liquidity. Therefore, Taishin Bank should make sure total assets can pay off total liabilities and maintain certain proportion of assets with high liquidity or collateral in order to finance funds and pay off current liabilities in critical and urgent time.
- d) Principle of matching asset and liability maturity: Taishin Bank should pay attention to the spread of maturity and liquidity of liquid assets and current assets should be sufficient to pay off current liabilities.

For urgent or sudden liquidity events, Taishin Bank has stipulated urgent fund dispatching handling plan as the highest principle for urgent events in order to integrate the Bank's resources quickly to resolve emergencies efficiently.

#### Taishin Securities B

Taishin Securities B's funding liquidity risk management incorporates funding sources, funding application and gap management. Key control points are as follows:

- a) Funding sources: Other than ensuring stability and risk diversification of funding sources, Taishin Securities B maintains sufficient credit limits in order to cope with volatility risk from unexpected funding supply.
- b) Funding application: When assessing investment income, Taishin Securities B ensures its liquidity and safety in order to cope with liquidity risk from unexpected funding needs.
- c) Gap management: Taishin Securities B implements funding gap management of various term structures in order to efficiently control unexpected fund dispatching.

Market liquidity risk includes on and off-balance sheet transactions. To make sure that market liquidity of positions with low liquidity is within tolerable range, Taishin Securities B stipulated in its risk management rules that it should carefully analyze and efficiently identify existing and potential market liquidity risk in order to operate in coordination with Taishin Securities B's business development and Taishin Financial Holding's overall risk appetite. Before promoting new products and business, Taishin Securities B should also scrutinize related operation rules and confirm related market liquidity risk.

The market liquidity management procedures and measuring methods of Taishin Securities B's major business are as follows:

- a) When closeout of a position with low amount of market transactions and low liquidity occurs, impairment is generated due to increase of bid-ask premium and extension of covered time. Therefore, liquidity reserve is drawn based on product categories in internal assessment to avoid biased assessment.

- b) The proportion limit is calculated as the sum of position, which is the amount of quoted and OTC stocks over one-day average volume, of the investment portfolio. The ratio is set to implement control.
- c) The volume of holding a single stock and the volume of accounting for investment portfolio is limited to a certain amount in order to implement control.
- d) The proportion of the volume of a single convertible bond issued to the volume of outstanding portfolio is limited to a certain amount in order to implement control.
- 3) Financial assets held to manage liquidity risk and maturity analysis

Financial assets held to manage liquidity risk:

The Group holds cash and cash equivalents, due from the Central Bank and banks and financial assets at FVTOCI and debt instruments at amortized cost held for the purpose of managing liquidity risk, in order to perform contracted obligations when due and meet the needs of urgent fund dispatching.

Maturity analysis:

#### Taishin Bank

- a) Maturity analysis of non-derivative financial liabilities

Taishin Bank's non-derivative financial liabilities presented based on the residual maturities from the balance sheet date to the contract maturity date are as follows:

Financial Instruments Item	December 31, 2019									
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	Total
Due to the Central Bank and banks	\$ 3,271,647	\$ 31,146,898	\$ 13,472,512	\$ 5,481,000	\$ 13,000	\$ 8,000	\$ -	\$ -	\$ -	\$ 53,393,057
Funds borrowed from the Central Bank and other banks	1,505,300	-	-	-	-	-	-	-	-	1,505,300
Non-derivative financial liabilities at FVTPL	-	-	-	-	-	-	-	-	12,113,622	12,113,622
Securities sold under repurchase agreements	80,829,919	24,415,775	154,076	188,000	-	-	-	-	-	105,587,770
Payables	24,297,160	969,239	207,229	3,676,138	13,837	3,842	-	-	-	29,167,445
Deposits and remittances	170,513,571	181,830,315	156,468,376	286,696,352	639,264,132	3,981,245	3,295	361	-	1,438,757,647
Bank debentures	-	-	-	-	-	6,800,000	-	8,000,000	20,000,000	34,800,000
Lease liabilities	111,151	106,777	160,150	319,789	527,977	462,755	362,003	261,965	482,470	2,795,037
Other financial liabilities	3,804,110	7,150,755	2,121,643	3,398,751	583,052	355,123	4,854,720	17,067,415	40,604,752	79,940,321
	\$ 284,332,858	\$ 245,619,759	\$ 172,583,986	\$ 299,760,030	\$ 640,401,998	\$ 11,610,965	\$ 5,220,018	\$ 25,329,741	\$ 73,200,844	\$ 1,758,060,199

Financial Instruments Item	December 31, 2018									
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	Total
Due to the Central Bank and banks	\$ 7,544,756	\$ 29,346,187	\$ 15,400,999	\$ 5,115,396	\$ 21,000	\$ 13,000	\$ -	\$ -	\$ -	\$ 57,441,338
Funds borrowed from the Central Bank and other banks	-	1,536,650	-	-	-	-	-	-	-	1,536,650
Non-derivative financial liabilities at FVTPL	-	-	-	-	-	-	-	-	12,358,662	12,358,662
Securities sold under repurchase agreements	55,315,452	18,338,974	-	-	-	-	-	-	-	73,654,426
Payables	19,638,255	914,717	141,687	2,072,851	8,625	2,013	-	-	-	22,778,148
Deposits and remittances	138,494,804	169,730,510	148,180,750	289,869,081	515,785,863	3,445,302	44,052	23	-	1,265,550,385
Bank debentures	-	-	-	4,900,000	-	-	6,800,000	-	28,000,000	39,700,000
Other financial liabilities	3,223,222	4,399,362	3,477,322	4,311,003	473,182	2,183,200	169,717	5,513,215	42,749,469	66,499,692
	\$ 224,216,489	\$ 224,266,400	\$ 167,200,758	\$ 306,268,331	\$ 516,288,670	\$ 5,643,515	\$ 7,013,769	\$ 5,513,238	\$ 83,108,131	\$ 1,539,519,301

The maturity analysis of time deposits in “deposits and remittances” is allocated to each time band based on Taishin Bank’s historical experience. If all the time deposits were required to be paid off in recent period, the funds outflows in less than one-month time band would have been \$785,972,474 thousand and \$625,858,368 thousand and as of December 31, 2019 and 2018, respectively.

b) Maturity analysis of derivative financial liabilities

Taishin Bank disclosed amounts of derivative financial liabilities at FVTPL using fair values recognized in the earliest time band as follows:

Financial Instruments Item	December 31, 2019					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL	\$ 21,291,573	\$ -	\$ -	\$ -	\$ -	\$ 21,291,573

Financial Instruments Item	December 31, 2018					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL	\$ 24,013,943	\$ -	\$ -	\$ -	\$ -	\$ 24,013,943

c) Maturity analysis of off-balance sheet items

Below are the amounts of Taishin Bank’s off-balance-sheet items presented based on the residual maturities from the balance sheet date to the maturity date of irrevocable loan commitments, guarantees or letters of credit. As of December 31, 2019 and 2018, assuming that all amounts, including the amounts in the longest time band, were due in the less than one-month time band, the amounts would have been \$18,727,917 thousand and \$17,625,098 thousand, respectively, for guarantees; \$3,582,242 thousand and \$3,165,453 thousand, respectively, for letters of credit; \$571,666,876 thousand and \$596,539,048 thousand, respectively, for loans commitments (excluding credit card); and \$15,435,059 thousand and \$15,528,520 thousand, respectively, for credit cards commitments.

Item	December 31, 2019					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 3,970,934	\$ 6,407,394	\$ 1,893,235	\$ 2,044,798	\$ 4,411,556	\$ 18,727,917
Letters of credit	940,315	1,897,701	458,124	286,102	-	3,582,242
Loans commitments (excluding credit cards)	11,981,284	98,995,412	160,946,626	267,396,554	32,347,000	571,666,876
Credit cards commitments	1,445	178,956	205,323	369,889	14,679,446	15,435,059

Item	December 31, 2018					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 3,835,513	\$ 6,882,821	\$ 1,272,518	\$ 1,507,937	\$ 4,126,309	\$ 17,625,098
Letters of credit	1,026,310	1,377,571	531,733	218,811	11,028	3,165,453
Loans commitments (excluding credit cards)	17,609,789	140,058,511	145,538,137	288,095,414	5,237,197	596,539,048
Credit cards commitments	1,359	165,198	516,753	739,986	14,105,224	15,528,520

## Taishin Securities B

### a) Maturity analysis of non-derivative financial liabilities

Taishin Securities B non-derivative financial liabilities presented based on the residual maturities from the balance sheet date to the contract maturity date are as follows:

Financial Instruments Item	December 31, 2019					
	6 Months	6 Months -1 Year	1 Year -3 Years	3 Years -5 Years	Over 5 Years	Total
Non-derivative financial liabilities at FVTPL	\$ 719,425	\$ -	\$ -	\$ -	\$ -	\$ 719,425
Commercial paper issued	4,963,932	-	-	-	-	4,963,932
Bonds sold under repurchase agreements	14,557,205	-	-	-	-	14,557,205
Deposits on short sales	760,200	-	-	-	-	760,200
Financing guarantees payable	847,328	-	-	-	-	847,328
Futures traders' equity	592,198	-	-	-	-	592,198
Accounts payable	7,378,441	-	-	-	-	7,378,441
Other payable	365,720	3,012	2,306	-	-	371,038
Other current liabilities	35,113	-	-	-	-	35,113
Lease liabilities	28,901	26,411	95,783	22,998	-	174,093
Guarantee deposits	5	75	163	-	-	243
	\$ 30,248,468	\$ 29,498	\$ 98,252	\$ 22,998	\$ -	\$ 30,399,216

Financial Instruments Item	December 31, 2018					
	6 Months	6 Months -1 Year	1 Year -3 Years	3 Years -5 Years	Over 5 Years	Total
Non-derivative financial liabilities at FVTPL	\$ 489,365	\$ -	\$ -	\$ -	\$ -	\$ 489,365
Commercial paper issued	1,094,699	-	-	-	-	1,094,699
Bonds sold under repurchase agreements	11,491,458	-	-	-	-	11,491,458
Deposits on short sales	534,014	-	-	-	-	534,014
Financing guarantees payable	582,593	-	-	-	-	582,593
Futures traders' equity	472,629	-	-	-	-	472,629
Accounts payable	3,874,731	-	-	-	-	3,874,731
Other payable	222,285	2,952	1,914	-	-	227,151
Other current liabilities	24,266	-	-	-	-	24,266
Long-term borrowings	2,004	6,238	1,006,863	-	-	1,015,105
Guarantee deposits	5	163	75	-	-	243
	\$ 18,788,049	\$ 9,353	\$ 1,008,852	\$ -	\$ -	\$ 19,806,254

### b) Maturity analysis of derivative financial liabilities

Taishin Securities B disclosed amounts of derivative financial liabilities at FVTPL using fair values recognized in the earliest time band as follows:

Financial Instruments Item	December 31, 2019					
	6 Months	6 Months - 1 Year	1 Year - 3 Years	3 Years - 5 Years	Over 5 Years	Total
Derivative financial liabilities at FVTPL	\$ 2,250,992	\$ -	\$ -	\$ -	\$ -	\$ 2,250,992

Financial Instruments Item	December 31, 2018					
	6 Months	6 Months - 1 Year	1 Year - 3 Years	3 Years - 5 Years	Over 5 Years	Total
Derivative financial liabilities at FVTPL	\$ 1,913,778	\$ -	\$ -	\$ -	\$ -	\$ 1,913,778

## 46. RELATED-PARTY TRANSACTIONS

a. Names and relationships of related parties were as follows:

Name	Relationship
Taishin Bank	Fellow subsidiaries
Taishin AMC	Fellow subsidiaries
Taishin Venture Capital	Fellow subsidiaries
Taishin Securities B	Fellow subsidiaries
Taishin Securities Investment Trust	Fellow subsidiaries
Taishin Securities Investment Advisory	Fellow subsidiaries
Taishin D.A. Finance	Fellow subsidiaries
Xiang An Insurance Agency	Fellow subsidiaries
Taishin Real-Estate	Fellow subsidiaries
Taishin Financial Leases (China)	Fellow subsidiaries
Taishin Financial Leases (Tianjin)	Fellow subsidiaries
Taishin Securities Venture Capital	Fellow subsidiaries
Taishin Capital	Fellow subsidiaries
Chang Hwa Bank	Associates
Shin Kong Financial Holding Co., Ltd. ("Shin Kong Financial Holding")	Others
MasterLink Securities Corp. ("MasterLink Securities")	Others
An Shin Construction Manager Corp. ("An Shin Construction Manager")	Others
Shin Kong Life Insurance Co., Ltd. ("Shin Kong Life Insurance")	Others
Shinkong Synthetic Fibers Co., Ltd. ("Shin Kong Synthetic Fibers")	Others
Shin Kong Commercial Bank Co., Ltd. ("Shin Kong Bank")	Others
Dah Chung Bills Finance Corp. ("Dah Chung Bills")	Others
CyberSoft Digital Service Corp. ("CyberSoft Digital Service")	Others
Shin Kong Mitsukoshi Department Store Co., Ltd. ("Shin Kong Mitsukoshi")	Others
Shin Kong Insurance Co., Ltd. ("Shin Kong Insurance")	Others
Diamond Biotech Investment Co., Ltd. ("Diamond Biotech")	Others
Peng Cheng Corp. ("Peng Cheng")	Others
Yuanta Commercial Bank Co., Ltd. ("Yuanta Bank")	Others
Yi Huan Co., Ltd. ("Yi Huan")	Others
Chin We Co., Ltd. ("Chin We")	Others
Global Brands Manufacture Ltd. ("GBM")	Others
Creative Sensor Inc. ("Creative Sensor")	Others
CyberLink Corp. ("CyberLink")	Others
Xiang Yu Investment Co., Ltd. ("Xiang Yu")	Others
Darfon Electronics Corp. ("Darfon")	Others
AcBel Polytech Inc. ("AcBel Polytech")	Others
Small & Medium Enterprise Credit Guarantee Fund of Taiwan ("Taiwan SMEG")	Others
Tasco Chemical Corp. ("Tasco Chemical")	Others
EXCEL Chemical Corp. ("EXCEL Chemical")	Others
Taiwan Fieldrich Corp. ("Taiwan Fieldrich")	Others
Shin Yao Biomedical Venture Capital Investment Co., Ltd. ("Shin Yao")	Others
Yuanta Financial Holding Co., Ltd. ("Yuanta Financial Holding")	Others
Ubright Optronics Corporation ("Ubright")	Others
First Securities Inc. ("First Securities")	Others
Individual A	Key management personnel
Individual B	Key management personnel
Others	Including key management personnel and others

b. Material transactions with related parties:

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows:

1) Loans, deposits and guaranteed loans

Loans to related parties of Taishin Bank and subsidiaries were as follows:

Loans

	<b>Ending Balance</b>
December 31, 2019	\$ 2,308,436
December 31, 2018	2,009,549

For the years ended December 31, 2019 and 2018, interest income were \$29,317 thousand and \$33,397 thousand, respectively. Interest rates ranged from 0.65% to 15.00% and from 0.85% to 12.50%, respectively.

<b>December 31, 2019</b>						
	<b>Ending Balance</b>	<b>Highest Amount</b>	<b>Normal Loans</b>	<b>Non-performing Loans</b>	<b>Collateral</b>	<b>The Different Terms with Non-related Parties</b>
<u>Consumer loans</u>						
127 accounts	\$ 572,519	622,908	\$ 572,519	-	Land, building, chattels	None
<u>Self-used residence mortgage loans</u>						
116 accounts	737,822	826,621	737,822	-	Land, building	None
<u>Other loans</u>						
GBM	218,187	457,500	218,187	-	-	None
Darfon	400,000	400,000	400,000	-	-	None
AcBel Polytech	180,636	181,902	180,636	-	-	None
Peng Cheng	100,000	150,000	100,000	-	Land, building	None
Others	99,272	114,763	99,272	-	Land, building, chattels, securities - deposits	None
	<u>\$ 2,308,436</u>		<u>\$ 2,308,436</u>	<u>\$ -</u>		

<b>December 31, 2018</b>						
	<b>Ending Balance</b>	<b>Highest Amount</b>	<b>Normal Loans</b>	<b>Non-performing Loans</b>	<b>Collateral</b>	<b>The Different Terms with Non-related Parties</b>
<u>Consumer loans</u>						
120 accounts	\$ 574,904	\$ 615,974	\$ 574,904	\$ -	Land, building, chattels	None
<u>Self-used residence mortgage loans</u>						
102 accounts	662,234	705,417	662,234	-	Land, building	None
<u>Other loans</u>						
GBM	457,500	457,500	457,500	-	-	None
Peng Cheng	150,000	154,000	150,000	-	Land, building	None
Others	164,911	186,540	164,911	-	Land, building, chattels, securities - deposits	None
	<u>\$ 2,009,549</u>		<u>\$ 2,009,549</u>	<u>\$ -</u>		

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

### Deposits

		Ending Balance
December 31, 2019	\$	10,533,871
December 31, 2018		6,126,256

For the years ended December 31, 2019 and 2018, interest expenses were \$39,364 thousand and \$42,919 thousand, respectively, interest rates ranged from 0.00% to 5.00% and 0.00% to 4.90%, respectively.

	December 31, 2019		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Taiwan SMEG	\$ 1,480,875	0.00~1.05	\$( 1,167)
Tasco Chemical	1,040,529	0.00~0.50	( 446)
Shin Kong Mitsukoshi	964,007	0.00~0.06	( 603)
EXCEL Chemical	800,683	0.01~0.06	( 14)
CyberLink	676,159	0.06~3.17	( 15,575)
An Shin Construction Manager	508,494	0.06~0.63	( 4,335)
Shin Kong Insurance	456,198	0.00~1.03	( 2,624)
Dah Chung Bills	428,115	0.00~0.70	( 2,805)
Shin Kong Synthetic Fibers	410,272	0.00~0.50	( 1,077)
Shin Kong Life Insurance	237,413	0.06~0.50	( 800)
Diamond Biotech	208,544	0.01~2.40	( 343)
Taiwan Fieldrich	137,445	0.01~2.50	( 254)
Shin Yao	117,698	0.01~0.50	( 25)
Others	3,067,439		( 9,296)
	<u>\$ 10,533,871</u>		<u>\$( 39,364)</u>

	December 31, 2018		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Shin Kong Mitsukoshi	\$ 575,029	0.00~0.06	\$( 658)
Shin Kong Insurance	485,080	0.00~1.03	( 1,173)
Shin Kong Life Insurance	447,493	0.06~0.55	( 10,901)
Dah Chung Bills	421,793	0.00~0.70	( 2,806)
Diamond Biotech	290,853	0.01~2.40	( 302)
UBright	176,647	0.00~0.32	( 332)
CyberLink	154,440	0.06~3.17	( 1,202)
Shin Kong Synthetic Fibers	150,035	0.00~0.32	( 974)
Individual B	142,161	0.01~3.15	( 453)
An Shin Construction Manager	100,826	0.06~0.63	( 4,577)
Others	3,181,899		( 19,541)
	<u>\$ 6,126,256</u>		<u>\$( 42,919)</u>

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

### 2) Call loan to banks and call loan from banks

December 31, 2019				
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Dah Chung Bills	Call loan to banks	\$ -	0.41~0.70	\$ 3,124
Yuanta Bank	Call loan to banks	-	1.56~2.76	2,598
Yuanta Bank	Call loan from banks	-	0.19~4.30	( 586)

December 31, 2018				
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Dah Chung Bills	Call loan to banks	\$ -	0.37~0.55	\$ 6,262
Yuanta Bank	Call loan to banks	-	0.27	5,032
Yuanta Bank	Call loan from banks	-	0.19	( 61)

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

## 3) Due from banks and due to banks

Taishin Bank and subsidiaries

December 31, 2019				
Item	Ending Balance	Interest Rate (Per Annum %)	Interest Income	
Chang Hwa Bank	Due from banks	\$ 2,022	-	\$ -

December 31, 2018				
Item	Ending Balance	Interest Rate (Per Annum %)	Interest Income	
Chang Hwa Bank	Due from banks	\$ 1,918	-	\$ -

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

## 4) Trading securities

December 31, 2019						
Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements		Interest Rate (Per Annum %)
		Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)	
MasterLink Securities	\$ 5,341,078	\$ 2,025,029	\$ -	-	\$ -	-
Dah Chung Bills	149,999	49,601	-	-	-	-
Shin Kong Bank	-	249,453	-	-	-	-
Yuanta Bank	-	2,288,822	-	-	-	-
Chin We	-	-	36,071	0.33~0.44	-	-
Yi Huan	-	-	6,009	0.33~0.44	-	-
Xiang Yu	-	-	2,503	0.33~0.44	-	-
Yuanta Financial Holding	-	-	999,290	0.45~0.58	-	-
Peng Cheng	-	839,580	-	-	-	-
Individual A	-	-	40,043	0.33~0.44	-	-
	<u>\$ 5,491,077</u>	<u>\$ 5,452,485</u>	<u>\$ 1,083,916</u>		<u>\$ -</u>	

December 31, 2018						
Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements		Interest Rate (Per Annum %)
		Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)	
Chin Wei	\$ -	\$ -	\$ 70,068	0.31~0.36	\$ -	-
Xiang Yu	-	-	23,022	0.31~0.36	-	-
Individual A	-	-	20,021	0.31~0.36	-	-
Yuanta Bank	2,179,213	799,713	-	-	-	-
First Securities	149,918	50,021	-	-	-	-
Shin Kong Bank	-	99,370	-	-	-	-
Dah Chung Bills	1,794,885	149,447	-	-	-	-
Chang Hwa Bank	299,758	100,118	-	-	-	-
	<u>\$ 4,423,774</u>	<u>\$ 1,198,669</u>	<u>\$ 113,111</u>		<u>\$ -</u>	

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

## 5) Derivatives

December 31, 2019						
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Dah Chung Bills	Interest rate swaps	2016/6/29-2022/6/20	\$ 600,000	\$ ( 134)	Financial assets at FVTPL	\$ 1,529
Creative Sensor	Forward exchange contracts	2019/7/22-2020/4/29	210,742	( 566)	Financial assets at FVTPL	( 566)

December 31, 2018						
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Dah Chung Bills	Interest rate swaps	2016/6/29-2022/6/20	\$ 600,000	\$ 192	Financial assets at FVTPL	\$ 1,662
Creative Sensor	Forward exchange contracts	2018/7/19-2019/1/23	92,199	806	Financial assets at FVTPL	806
Yuanta Bank	Currency swaps	2018/12/10-2019/12/13	2,765,970	3,297	Financial liabilities at FVTPL	( 3,443)

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

## 6) Other material transactions

For the Year Ended December 31					
2019			2018		
	Item	Amount		Item	Amount
Shin Kong Mitsukoshi	Fee income	\$ 315,389		Fee income	\$ 339,553
Shin Kong Mitsukoshi	Service charge and operating expenses	426,137		Service charge and operating expenses	350,527
CyberSoft Digital Service	Operating expenses	649,072		Operating expenses	594,075
Shin Kong Life Insurance	Commission income	694,971		Commission income	569,764

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

- 7) On May 30, 2019, Taishin Bank's board of directors resolved to sell credit assets of \$600,000 thousand in syndicated loans to Shin Kong Bank, a related party. The transaction with the related party is made under arm's length terms, which are consistent with the normal policies.

## c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the three months and for the years ended December 31, 2019 and 2018 included the following:

For the Year Ended December 31				
	2019		2018	
Short-term benefits	\$	324,858	\$	309,723
Post-employment benefits		1,035		984
Stock-based payments		8,777		14,149
	\$	<u>334,670</u>	\$	<u>324,856</u>

## d. Related-party transactions of subsidiaries with amounts more than \$100,000 thousand.

## 1) Taishin Bank

## a) Material transactions with related parties were as follows:

## i. Loans, deposits and guaranteed loans

Loans

Related Parties	December 31, 2019						The Different Terms with Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral		
<u>Other loans</u>							
GBM	\$ 218,187	\$ 457,500	\$ 218,187	\$ -	-		None
Darfon	400,000	400,000	400,000	-	-		None
AcBel Polytech	180,636	181,902	180,636	-	-		None
Peng Cheng	100,000	150,000	100,000	-	Land, building		None

Related Parties	December 31, 2019						The Different Terms with Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral		
<u>Other loans</u>							
GBM	\$ 457,500	\$ 457,500	\$ 457,500	\$ -	-		None
Peng Cheng	150,000	154,000	150,000	-	Land, building		None

Deposits

	December 31, 2019		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Taishin Financial Holding	\$ 3,031,477	0.00~0.38	\$ ( 2,487)
Taiwan SMEG	1,480,875	0.00~1.05	( 1,167)
Taishin Securities B	1,227,234	0.00~1.30	( 2,877)
Tasco Chemical	1,040,529	0.00~0.50	( 446)
Shin Kong Mitsukoshi	964,007	0.00~0.06	( 603)
EXCEL Chemical	800,683	0.01~0.06	( 14)
Xiang An Insurance Agency	768,856	0.00~0.06	( 491)
CyberLink	676,159	0.06~3.17	( 15,575)
An Shin Construction Manager	508,494	0.06~0.63	( 4,335)
Shin Kong Insurance	456,198	0.00~1.03	( 2,624)
Dah Chung Bills	428,115	0.00~0.70	( 2,805)
Shin Kong Synthetic Fibers	410,272	0.00~0.50	( 1,077)
Shin Kong Life Insurance	237,413	0.06~0.50	( 800)
Taishin Securities Investment Advisory	233,568	0.06~3.01	( 4,111)
Diamond Biotech	208,544	0.01~2.40	( 343)
Taiwan Fieldrich	137,445	0.01~2.50	( 254)
Taishin D.A. Finance	120,185	0.00~1.03	( 83)
Shin Yao	117,698	0.01~0.50	( 25)

	December 31, 2018		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Taishin Financial Holding	\$ 3,966,191	0.01~0.38	\$ ( 2,221)
Taishin Securities B	859,119	0.00~1.20	( 2,639)
Xiang An Insurance Agency	817,952	0.00~0.06	( 494)

(Continued)

December 31, 2018			
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Taishin Venture Capital	733,447	0.01~0.32	( 152)
Shin Kong Mitsukoshi	575,029	0.00~0.06	( 658)
Shin Kong Insurance	485,080	0.00~1.03	( 1,173)
Shin Kong Life Insurance	447,493	0.06~0.55	( 10,901)
Dah Chung Bills	421,793	0.00~0.70	( 2,806)
Diamond Biotech	290,853	0.01~2.40	( 302)
Taishin Securities Investment Advisory	258,934	0.06~3.01	( 3,396)
Ubright	176,647	0.00~0.32	( 332)
Taishin D.A. Finance	155,504	0.00~1.03	( 76)
CyberLink	154,440	0.06~3.17	( 1,202)
Shin Kong Synthetic Fibers	150,035	0.00~0.32	( 974)
Individual B	142,161	0.01~3.15	( 453)
An Shin Construction Manager	100,826	0.06~0.63	( 4,577)

(Concluded)

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

ii. Call loans to banks

None.

iii. Trading securities

December 31, 2019						
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
MasterLink Securities	\$ 5,341,078	\$ 2,025,029	\$ -	-	\$ -	-
Taishin Financial Holding	3,000,000	-	-	0.32~0.37	-	-
Taishin Securities B	399,030	249,706	-	-	-	-
Dah Chung Bills	149,999	49,601	-	-	-	-
Shin Kong Bank	-	249,453	-	-	-	-
Yuanta Bank	-	2,288,822	-	-	-	-
Yuanta Financial Holding	-	-	999,290	0.45~0.58	-	-
Peng Cheng	-	839,580	-	-	-	-

December 31, 2019						
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Yuanta Bank	\$ 2,179,213	\$ 799,713	\$ -	-	\$ -	-
First Securities	149,918	50,021	-	-	-	-
Taishin Financial Holding	2,900,000	-	2,100,049	0.31~0.38	-	-
Dah Chung Bills	1,794,885	149,447	-	-	-	-
Taishin Securities B	551,375	250,783	-	-	-	-
Chang Hwa Bank	299,758	100,118	-	-	-	-

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

## iv. Derivatives

December 31, 2018						
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Dah Chung Bills	Interest rate swaps	2016/6/29-2022/6/20	\$ 600,000	\$( 134)	Financial assets at FVTPL	\$ 1,529
Creative Sensor	Forward exchange contracts	2019/7/22-2020/4/29	210,742	( 566)	Financial liabilities at FVTPL	( 566)

December 31, 2018						
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Dah Chung Bills	Interest rate swaps	2016/6/29-2022/6/20	\$ 600,000	\$ 192	Financial assets at FVTPL	\$ 1,662
Yuanta Bank	Forward exchange contracts	2018/12/10-2019/12/13	2,765,970	3,297	Financial liabilities at FVTPL	( 3,443)

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

## v. Other material transactions

For the Year Ended December 31				
2019		2018		
Item	Amount	Item	Amount	
Shin Kong Mitsukoshi	Service charge and operating expenses	\$ 425,152	Service charge and operating expenses	\$ 349,605
Shin Kong Mitsukoshi	Fee income	315,389	Fee income	339,553
CyberSoft Digital Service	Operating expenses	639,655	Operating expenses	590,074
Shin Kong Life Insurance	Commission income	692,279	Commission income	593,268

vi. On May 30, 2019, Taishin Bank's board of directors resolved to sell credit assets of \$600,000 thousand in syndicated loans to Shin Kong Bank, a related party. The transaction with the related party is made under arm's length terms, which are consistent with the normal policies.

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

## b) Compensation of key management personnel:

The remuneration of directors and other members of key management personnel for the years ended December 31, 2019 and 2018 included the following:

For the Year Ended December 31			
2019		2018	
Short-term benefits	\$ 405,218	\$ 361,041	
Post-employment benefits	7,862	41,146	
Termination benefits	578	3,119	
Stock-based payments	10,952	15,202	
	<u>\$ 424,610</u>	<u>\$ 420,508</u>	

## 2) Taishin Securities B

## a) Liability contracts with related parties

		December 31	
Item	Name	2019	2018
Cash and cash equivalents	Taishin Bank	\$ 532,801	\$ 385,831
Operating guarantee deposits	Taishin Bank	315,000	325,000
Customer margin account	Taishin Bank	279,523	122,597

## b) Acquisition right-of-use assets

Name	For the Year Ended December 31	
	2019	2018
Building		
Taishin Bank	\$ 97,595	\$ -

## c) Lease arrangements

Item	Name	December 31	
		2019	2018
Lease liabilities	Taishin Bank	\$ 153,872	\$ -

## d) Financial assets at fair value through profit or loss - current

Item	Name	December 31			
		2019		2018	
		Ending Stocks (In Thousands)	Ending Balance	Ending Stocks (In Thousands)	Ending Balance
Trading Securities - dealing	Taishin Securities Investment Trust	26,926	\$ 615,160	10,767	215,688
Trading Securities - dealing	Shin Kong Financial Holding	1,996	221,790	992	95,634

## e) Trading securities

	December 31, 2019					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Shin Kong Bank	\$ -	\$ 149,452	\$ -	-	\$ -	-
Taishin Financial Holding	4,000,000	-	-	-	-	-
Dah Chung Bills	149,979	-	-	-	-	-
MasterLink Securities	1,150,003	1,899,130	-	-	-	-
Taishin Bank	249,706	399,030	-	-	-	-
Yuanta Bank	50,375	101,336	-	-	-	-

	December 31, 2018					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Taishin Financial Holding	\$ 4,100,000	\$ -	\$ -	-	\$ -	-
Taishin Bank	250,783	551,375	-	-	-	-
MasterLink Securities	1,052,016	850,440	-	-	-	-
Chang Hwa Bank	150,399	150,215	-	-	-	-
Shin Kong Insurance	-	250,000	-	-	-	-

## 3) Taishin AMC

## a) Credit receivable

In June 2005, Taishin AMC bought 12 accounts of credit loans from Taishin Bank for \$986,000 thousand with book value of \$2,951,353 thousand. According to the contract, the receivables of \$986,000 thousand will be paid off in seven installments by October 31, 2006. In July 2006, Taishin AMC bought non-performing loans that resulted from cash card, credit card and small consumer loans from Taishin Bank for \$546,697 thousand with book value of \$9,494,153 thousand. According to the contract, June 30, 2006 was determined as the basic measurement date of this transaction, and the receivables of \$546,697 thousand will be paid off in two installments by September 15, 2006. In September 2006, Taishin AMC bought non-performing loans that resulted from cash card, credit card and small consumer loans from Taishin Bank for \$158,000 thousand with book value of \$5,490,584 thousand.

According to the contract, August 31, 2006 was determined as the basic measurement date of this transaction, and the receivables of \$158,000 thousand will be paid off in two installments by October 31, 2006. Also defined in the contract, 5 years from measurement date, Taishin AMC authorized Taishin Bank the rights to collect payments from debtors and will pay the 30% of loans collected as service fees and 40% of remaining 70% of loan collected paid as commission. The service contracts mentioned were terminated on December 31, 2011 and August 31, 2011, respectively. From July 1, 2011 and September 1, 2011, Taishin AMC authorized Taishin Bank the rights to collect payments from debtors and will pay 32.5% of loans collected as service fees.

b) Loans with transferred ownership

	For the Year Ended December 31, 2019			
	Beginning Balance	Purchased	Collected	Ending Balance
Loans with transferred ownership	\$ 15,086,600	\$ -	\$ (145,301)	\$ 14,941,299

	For the Year Ended December 31, 2018			
	Beginning Balance	Purchased	Collected	Ending Balance
Loans with transferred ownership	\$ 15,226,276	\$ -	\$ (139,676)	\$ 15,086,600

4) Taishin Venture Capital

Item	Related Party	December 31	
		2019	2018
Cash	Taishin Bank	\$ 22,586	\$ 733,447

5) Taishin Securities Investment Trust

There were no related party transactions with amounts more than \$100,000 thousand for the year ended December 31, 2019.

6) Taishin Securities Investment Advisory

Liability contracts with related parties:

Item	Related Party	December 31	
		2019	2018
Other financial assets	Taishin Bank	\$ 201,269	\$ 228,161

## 47. PLEDGED ASSETS

Pledged Assets	Description	December 31	
		2019	2018
Refundable deposits	Cash and certificates of time deposits	\$ 6,218,074	\$ 9,318,839
Operating deposits and settlement funds	Cash and cash paid to stock exchange	199,857	188,416
Investments in debt instrument at FVTOCI	Securities and bonds	15,374,807	15,631,508
Investments in debt instrument at amortized cost	Bonds	8,400	8,200
Time deposit with original maturity more than 3 months	Bank deposits and certificate of time deposits	815,000	156,559

#### 48. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to those mentioned in Note 9 and Note 45, Taishin Financial Holding and subsidiaries have contingent liabilities and commitments as follows:

	December 31	
	2019	2018
Trust liabilities	\$ 387,479,029	\$ 331,269,421
Unpaid equipment purchase contracts	1,882,316	2,212,401

#### 49. FINANCIAL INFORMATION BY BUSINESS

The financial information by business for the years ended December 31, 2019 and 2018 was as follows:

Bank Business Item	For the Year Ended December 31, 2019			
	Bank Business	Securities Business	Other Business	Total
Net interest income	\$ 18,942,931	\$ 151,020	\$ 495,346	\$ 19,589,297
Net income other than net interest income	18,721,502	2,024,973	3,305,639	24,052,114
Net revenue and gains	37,664,433	2,175,993	3,800,985	43,641,411
(Provisions for) reversal of allowance for bad debts expenses and guarantee liability	( 2,330,111)	( 10)	( 284,994)	( 2,615,115)
Total operating expenses	( 21,956,656)	( 1,442,420)	( 1,353,646)	( 24,752,722)
Income before income tax of continued operations	13,377,666	733,563	2,162,345	16,273,574
Income tax (expense) benefit	( 1,604,733)	( 40,562)	( 142,348)	( 1,787,643)
Income after income tax of continued operations	11,772,933	693,001	2,019,997	14,485,931

Bank Business Item	For the Year Ended December 31, 2018			
	Bank Business	Securities Business	Other Business	Total
Net interest income	\$ 19,001,063	\$ 217,342	\$ 372,896	\$ 19,591,301
Net income other than net interest income	15,516,208	1,367,937	3,272,877	20,157,022
Net revenue and gains	34,517,271	1,585,279	3,645,773	39,748,323
(Provisions for) reversals of allowance for bad debts expenses and guarantee liability	( 3,254,153)	( 69,727)	( 16,659)	( 3,340,539)
Total operating expenses	( 19,602,245)	( 1,274,839)	( 1,294,317)	( 22,171,401)
Income before income tax of continued operations	11,660,873	240,713	2,334,797	14,236,383
Income tax (expense) benefit	( 1,274,501)	( 39,933)	8,184	( 1,306,250)
Income after income tax of continued operations	10,386,372	200,780	2,342,981	12,930,133

## 50. FINANCIAL STATEMENTS OF TAISHIN FINANCIAL HOLDING

## TAISHIN FINANCIAL HOLDING CO., LTD.

## BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

ASSETS	2019	2018
CASH AND CASH EQUIVALENTS	\$ 3,031,477	\$ 3,966,191
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER		
COMPREHENSIVE INCOME	1,980	1,995
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	-	2,100,049
RECEIVABLES	1,232,846	1,581,663
CURRENT TAX ASSETS	229,092	229,092
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	209,319,394	193,892,658
PROPERTY AND EQUIPMENT, NET	3,990	5,604
RIGHT-OF-USE ASSETS, NET	5,984	-
OTHER ASSETS	17,538	22,184
<b>TOTAL</b>	<b>\$ 213,842,301</b>	<b>\$ 201,799,436</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Commercial papers issued, net	\$ 9,994,377	\$ 2,495,745
Payables	968,791	988,595
Current tax liabilities	1,982,724	1,930,570
Bonds payable	22,000,000	22,000,000
Lease liabilities	7,027	-
Total liabilities	<u>34,952,919</u>	<u>27,414,910</u>
<b>EQUITY</b>		
Capital stock		
Common stock	106,567,044	104,362,071
Preferred stock	8,000,000	10,175,410
Advance receipts for capital stock	11,077	3,996
Capital surplus	35,955,405	37,805,713
Retained earnings		
Legal reserve	10,357,137	9,115,012
Special reserve	572,115	572,115
Unappropriated earnings	16,373,487	12,421,251
Other equity	1,053,117	( 71,042)
Total equity	<u>178,889,382</u>	<u>174,384,526</u>
<b>TOTAL</b>	<b>\$ 213,842,301</b>	<b>\$ 201,799,436</b>

## TAISHIN FINANCIAL HOLDING CO., LTD.

### STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019	2018
<b>INCOME</b>		
Share of profit of subsidiaries and associates accounted for using equity method	\$ 15,302,418	\$ 13,602,396
Interest income	4,752	9,118
Other income	22,428	20,628
Total income	<u>15,329,598</u>	<u>13,632,142</u>
<b>EXPENSES AND LOSSES</b>		
Operating expenses	( 319,125)	( 360,657)
Interest expenses	( 450,715)	( 476,975)
Total expenses and losses	<u>( 769,840)</u>	<u>( 837,632)</u>
INCOME BEFORE INCOME TAX	14,559,758	12,794,510
INCOME TAX (EXPENSE) BENEFIT	( 71,737)	136,073
NET INCOME	<u>14,488,021</u>	<u>12,930,583</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Components of other comprehensive income that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	( 86)	672
Unrealized gain on investments in equity instruments designated as at FVTOCI	( 15)	54
Share of the other comprehensive income of associates accounted for using equity method	542,715	( 26,649)
Components of other comprehensive income that will be reclassified to profit or loss		
Share of the other comprehensive income of associates accounted for using equity method	476,908	( 294,778)
Other comprehensive income, net of tax	<u>1,019,522</u>	<u>( 320,701)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 15,507,543</u>	<u>\$ 12,609,882</u>
<b>EARNINGS PER SHARE</b>		
Basic	<u>\$ 1.19</u>	<u>\$ 1.07</u>
Diluted	<u>\$ 1.19</u>	<u>\$ 1.07</u>

## TAISHIN FINANCIAL HOLDING CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent						
	Capital Stock			Capital Surplus			
	Common Stock	Preferred Stock	Advanced Receipts for Capital Stock	Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions	Stock-based Compensation	Other
BALANCE AT JANUARY 1, 2018	\$ 99,842,620	\$ 7,900,547	\$ 14,422	\$ 24,206,873	\$ 2,075,475	\$ 171,208	\$ -
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	99,842,620	7,900,547	14,422	24,206,873	2,075,475	171,208	-
Appropriation of 2017 earnings							
Legal reserve	-	-	-	-	-	-	-
Special reserve under Rule No. 10310006310 issued by FSC	-	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-	-
Share dividends	4,430,201	-	-	-	-	-	-
Special reserve reversed under Rule No. 1010012865 issued by FSC	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2018, net of tax	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-
Issuance of preferred stock E	-	3,000,000	-	11,987,061	-	-	-
Redemption of preferred stock D	-	( 725,137)	-	( 614,596)	-	-	-
Stock-based payments	89,250	-	( 10,426)	23,324	-	( 43,632)	-
Disposals of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2018	104,362,071	10,175,410	3,996	35,602,662	2,075,475	127,576	-
Appropriation of 2018 earnings							
Legal reserve	-	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-	-
Share dividends	2,170,903	-	-	-	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2019, net of tax	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	-
Redemption of preferred stock D	-	( 2,175,410)	-	( 1,843,789)	-	-	-
Changes in the Group's ownership interests in subsidiaries	-	-	-	-	-	-	3,213
Stock-based payments	34,070	-	7,081	15,841	-	( 25,573)	-
Disposals of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2019	\$ 106,567,044	\$ 8,000,000	\$ 11,077	\$ 33,774,714	\$ 2,075,475	\$ 102,003	\$ 3,213

Equity Attributable to Owners of Parent							
Retained Earnings			Other Equity				Total Equity
Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets FVTOCI	Unrealized Gains on Available-for-sale Financial Assets	Changes in Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities at FVTPL	
\$ 7,838,803	\$ 502,815	\$ 12,762,094	\$ ( 463,546)	\$ -	\$ 336,973	\$ ( 19)	\$ 155,188,265
-	-	( 249,170)	-	513,329	( 336,973)	-	( 72,814)
7,838,803	502,815	12,512,924	( 463,546)	513,329	-	( 19)	155,115,451
1,276,209	-	( 1,276,209)	-	-	-	-	-
-	106,747	( 106,747)	-	-	-	-	-
-	-	( 5,414,689)	-	-	-	-	( 5,414,689)
-	-	( 1,571,695)	-	-	-	-	( 1,571,695)
-	-	( 4,430,201)	-	-	-	-	-
-	( 37,447)	37,447	-	-	-	-	-
-	-	12,930,583	-	-	-	-	12,930,583
-	-	( 88,357)	90,683	( 323,777)	-	750	( 320,701)
-	-	12,842,226	90,683	( 323,777)	-	750	12,609,882
-	-	-	-	-	-	-	14,987,061
-	-	( 60,267)	-	-	-	-	( 1,400,000)
-	-	-	-	-	-	-	58,516
-	-	( 111,538)	-	111,538	-	-	-
9,115,012	572,115	12,421,251	( 372,863)	301,090	-	731	174,384,526
1,242,125	-	( 1,242,125)	-	-	-	-	-
-	-	( 5,306,652)	-	-	-	-	( 5,306,652)
-	-	( 1,530,667)	-	-	-	-	( 1,530,667)
-	-	( 2,170,903)	-	-	-	-	-
-	-	14,488,021	-	-	-	-	14,488,021
-	-	( 62,000)	( 303,087)	1,345,773	-	38,836	1,019,522
-	-	14,426,021	( 303,087)	1,345,773	-	38,836	15,507,543
-	-	( 180,801)	-	-	-	-	( 4,200,000)
-	-	-	-	-	-	-	3,213
-	-	-	-	-	-	-	31,419
-	-	( 42,637)	-	42,637	-	-	-
\$ 10,357,137	\$ 572,115	\$ 16,373,487	\$ ( 675,950)	\$ 1,689,500	\$ -	\$ 39,567	\$ 178,889,382

# TAISHIN FINANCIAL HOLDING CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before income tax	\$ 14,559,758	\$ 12,794,510
Depreciation expense	7,658	2,113
Amortization expense	500	500
Interest expense	450,715	476,975
Interest revenue	( 4,752)	( 9,118)
Share-based payments	( 101)	( 66)
Share of profit of subsidiaries and associates accounted for using the equity method	4,775	6,044
Gain on disposal of property and equipment	( 15,302,418)	( 13,602,396)
Changes in operating assets and liabilities	( 550)	-
Net changes in operating assets		
(Increase) decrease in receivables		
(Increase) decrease in other assets	981,738	1,181,415
Net changes in operating liabilities	5,069	( 3,508)
Increase (decrease) in payables	( 11,118)	17,970
Interest received	5,050	9,323
Dividend received	1,698,617	8,630,348
Interest paid	( 465,659)	( 581,613)
Income taxes paid	( 652,687)	( 949,513)
Net cash generated from (used in) operating activities	<u>1,276,595</u>	<u>7,972,984</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using equity method	( 800,000)	( 14,071,900)
Acquisition of property and equipment	( 60)	( 2,437)
Proceeds from disposal of property and equipment	<u>550</u>	<u>-</u>
Net cash generated from (used in) investing activities	<u>( 799,510)</u>	<u>( 14,074,337)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in commercial papers issued	7,500,000	2,500,000
Corporate bond issued	7,000,000	7,000,000
Corporate bond repayment	( 7,000,000)	( 9,700,000)
Issuance of preferred stock	-	14,987,061
Repayment of the principal portion of lease liabilities	( 5,948)	-
Cash dividends distributed	( 6,837,319)	( 6,986,384)
Exercise of employee share options	31,419	58,516
Redemption of preferred stock D	( 4,200,000)	( 1,400,000)
Net cash generated from (used in) financing activities	<u>( 3,511,848)</u>	<u>6,459,193</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	( 3,034,763)	357,840
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>6,066,240</u>	<u>5,708,400</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 3,031,477</u>	<u>\$ 6,066,240</u>
CASH AND CASH EQUIVALENTS IN BALANCE SHEET	\$ 3,031,477	\$ 3,966,191
SECURITIES PURCHASED UNDER RESALE AGREEMENTS QUALIFYING AS CASH AND CASH EQUIVALENTS UNDER THE DEFINITION OF IAS 7 PERMITTED BY THE FINANCIAL SUPERVISORY COMMISSION	<u>-</u>	<u>2,100,049</u>
	<u>\$ 3,031,477</u>	<u>\$ 6,066,240</u>

## 51. PROFITABILITY OF TAISHIN FINANCIAL HOLDING (STAND-ALONE AND CONSOLIDATED)

### Stand-alone

Item		For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Return on total assets	Pretax	7.01%	6.66%
	After tax	6.97%	6.74%
Return on net equity	Pretax	8.24%	7.76%
	After tax	8.20%	7.85%
Profit margin		94.51%	94.85%

$$\text{Note a: Return on total assets} = \frac{\text{Income before (after) tax}}{\text{Average assets}}$$

$$\text{Note b: Return on net equity} = \frac{\text{Income before (after) tax}}{\text{Average net equity}}$$

$$\text{Note c: Profit margin} = \frac{\text{Income after tax}}{\text{Total income}}$$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2019 and 2018.

$$\text{Note e: Return on net equity- common stock} = \frac{\text{Income before (after) tax}}{\text{Average net equity - common stock}}$$

Item		For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Return on net equity - common stock	Pretax	9.59%	8.95%
	After tax	9.54%	9.06%

### Consolidated

Item		For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Return on total assets	Pretax	0.85%	0.82%
	After tax	0.76%	0.75%
Return on net equity	Pretax	9.21%	8.64%
	After tax	8.20%	7.85%
Profit margin		33.19%	32.53%

$$\text{Note a: Return on total assets} = \frac{\text{Income before (after) tax}}{\text{Average assets}}$$

$$\text{Note b: Return on net equity} = \frac{\text{Income before (after) tax (of the parent company's stockholders)}}{\text{Average net equity}}$$

$$\text{Note c: Profit margin} = \frac{\text{Income after tax}}{\text{Total income}}$$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2019 and 2018.

$$\text{Note e: Return on net equity- common stock} = \frac{\text{Income before (after) tax (of the parent company's stockholders)}}{\text{Average net equity - common stock}}$$

Item		For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Return on net equity - common stock	Pretax	10.88%	10.10%
	After tax	9.54%	9.06%

## 52. CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME AND IMPORTANT FINANCIAL NOTES OF SUBSIDIARIES

### Taishin Bank

#### a. Balance sheet

	December 31	
	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 21,867,672	\$ 19,433,678
Due from Central Bank and call loans to banks	67,417,279	55,875,912
Financial assets at FVTPL	118,491,900	96,874,012
Financial assets at FVTOCI	273,212,640	336,184,472
Debt instruments at amortized cost	131,876,458	3,072,107
Securities purchased under resale agreements	10,582,727	2,358,754
Receivables, net	121,366,132	116,296,508
Current tax assets	674,257	674,257
Loans, net	1,138,476,030	1,018,514,979
Investments accounted for using the equity method	2,967,477	2,882,607
Other financial assets, net	4,744,939	8,347,560
Property and equipment, net	18,191,920	18,291,218
Right-of-use assets, net	2,671,366	-
Intangible assets, net	1,954,650	1,780,895
Deferred tax assets	\$ 2,430,459	\$ 3,164,958
Other assets, net	7,193,358	10,176,554
	<u>1,924,119,264</u>	<u>1,693,928,471</u>
<b>Liabilities</b>		
Due to the Central Bank and banks	\$ 53,393,057	\$ 57,441,338
Funds borrowed from the Central Bank and other banks	1,505,300	1,536,650
Financial liabilities at FVTPL	24,578,932	27,099,531
Securities sold under repurchase agreements	105,587,770	73,654,426
Payables	29,086,994	22,690,446
Current tax liabilities	1,499,397	1,816,812
Deposits and remittances	1,439,689,958	1,266,563,291
Bank debentures	34,800,000	39,700,000
Other financial liabilities	71,800,865	58,610,818
Provisions	1,638,442	1,525,383
Lease liabilities	2,739,424	-
Deferred tax liabilities	82,175	53,552
Other liabilities	4,363,552	2,689,330
	<u>1,770,765,866</u>	<u>1,553,381,577</u>
<b>Equity</b>		
Capital stock	82,557,118	75,497,712
Capital surplus	30,249,980	30,246,767
Retained earnings	39,042,711	34,382,105
Other equity	1,503,589	420,310
	<u>153,353,398</u>	<u>140,546,894</u>
	<u>\$ 1,924,119,264</u>	<u>\$ 1,693,928,471</u>

## b. Statements of comprehensive income

	For the Year Ended December 31	
	2019	2018
Interest income	\$ 34,801,465	\$ 32,022,638
Interest expense	( 16,426,849)	( 13,721,906)
Net interest income	18,374,616	18,300,732
Net income other than net interest income	18,955,848	15,650,295
Net revenue and gains	37,330,464	33,951,027
Provisions for allowance for bad debts expenses commitment and guarantee liability	( 2,227,183)	( 2,915,365)
Operating expenses	( 21,722,373)	( 19,384,163)
Income before income tax	13,380,908	11,651,499
Income tax expense	( 1,570,766)	( 1,249,681)
Net income	11,810,142	10,401,818
Other comprehensive income	993,149	( 284,226)
Total comprehensive income	\$ 12,803,291	\$ 10,117,592
Basic earnings per share (dollar)	\$ 1.43	\$ 1.34
Diluted earnings per share (dollar)	\$ 1.43	\$ 1.34

## c. Key financial and business highlights

## 1) Profitability

Item		For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Return on total assets	Pretax	0.74%	0.71%
	After tax	0.65%	0.63%
Return on net equity	Pretax	9.11%	8.79%
	After tax	8.04%	7.85%
Profit margin		31.64%	30.64%

$$\text{Note a: Return on total assets} = \frac{\text{Income before (after) tax}}{\text{Average assets}}$$

$$\text{Note b: Return on net equity} = \frac{\text{Income before (after) tax}}{\text{Average net equity}}$$

$$\text{Note c: Profit margin} = \frac{\text{Income after tax}}{\text{Net revenue and gains}}$$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2019 and 2018.

## 2) Asset quality

## Non-performing loans and receivables

Business Type		Item	December 31, 2019					December 31, 2018				
			Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)
Corporate finance	Secured		\$ 456,810	\$ 220,878,377	0.21%	\$ 2,850,695	624.04%	\$ 450,456	\$ 209,402,721	0.22%	\$ 2,336,906	518.79%
	Unsecured		364,667	299,028,536	0.12%	5,060,558	1387.72%	72,733	229,611,535	0.03%	3,306,446	4,546.01%
Consumer finance	Mortgage loans (Note d)		356,611	291,539,418	0.12%	4,334,746	1215.54%	453,906	268,766,298	0.17%	4,052,090	892.72%
	Cash cards		62,151	1,032,996	6.02%	66,675	107.28%	9,921	1,339,119	0.74%	40,707	410.31%
	Credit loans (Note e)		256,292	66,153,123	0.39%	820,577	320.17%	85,753	59,796,337	0.14%	741,081	864.20%
	Others	Secured	493,417	276,588,588	0.18%	3,014,782	611.00%	731,761	263,270,291	0.28%	2,878,959	393.43%
	(Note f) Unsecured		5,335	108,713	4.91%	104,807	1964.52%	4,525	299,656	1.51%	35,439	783.18%
Subtotal			1,995,283	1,155,329,751	0.17%	16,252,840	814.56%	1,809,055	1,032,485,957	0.18%	13,391,628	740.26%
Credit card			218,091	61,176,046	0.36%	649,953	298.02%	93,371	53,916,761	0.17%	536,317	574.39%
Accounts receivable factoring with no recourse (Note g)			-	49,581,708	-	666,928	-	229,700	56,504,111	0.41%	3,237,724	1,409.54%

Note a: Non-performing loans are in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by MOF. Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005 (Ref. No. Jin-Guan-Yin (4) 0944000378).

Note b: Non-performing loans ratio = Non-performing loans ÷ Loans  
Non-performing loans of credit card ratio = Non-performing loans of credit cards ÷ Accounts receivable

Note c: Coverage ratio of allowances for loan losses = Allowances for loan losses ÷ Non-performing loans  
Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Non-performing loans of credit cards

Note d: Mortgage loans are for applicants to build or repair the buildings owned by the applicants, their spouses or their minor children. These applicants provide their buildings as collaterals and assign the right on mortgage to financial institutions.

Note e: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

Note f: The others of consumer financial business are defined as secured or unsecured consumer financial business excluding mortgage loans, cash cards, credit loans and credit cards.

Note g: In accordance with the Letter issued by the Banking Bureau on August 24, 2009 (Ref. No. Jin-Guan-Yin 09850003180), accounts receivable without recourse are classified as non-performing loans if not compensated by the factor or insurance company within three months.

## Exempted from report as non-performing loans and receivables

Business Type		Item	December 31, 2019		December 31, 2018	
			Exempted from Report as Non-performing Loans	Exempted from Report as Non-performing Receivables	Exempted from Report as Non-performing Loans	Exempted from Report as Non-performing Receivables
		Amounts negotiated in accordance with the agreement (Note a)	\$ 425,482	\$ 137,367	\$ 604,228	\$ 188,165
		Loans executed in accordance with debt clearing and renewal regulations (Note b)	1,731,066	1,214,459	1,688,496	1,203,787
		Total	2,156,548	1,351,826	2,292,724	1,391,952

Note a: Disclosed in accordance with the Letter issued by the Banking Bureau on April 25, 2006 (Ref. No. FSC (1) 09510001270).

Note b: Disclosed in accordance with the letter issued by the Banking Bureau on September 15, 2008 (Ref. No. FSC (1) 09700318940) and September 20, 2016 (Ref. No. FSC 10500134790).

## 3) Concentration of credit risk

Year	December 31, 2019			December 31, 2018			
	Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity
1		A Group (manufacture of computers)	\$ 19,732,959	12.87%	A Group (activities of other holding companies)	\$ 18,719,383	13.32%
2		B Group (manufacture of cement)	14,125,655	9.21%	B Group (activities of other holding companies)	12,274,164	8.73%
3		C Group (liquid crystal panel and components manufacturing industry)	12,524,859	8.17%	C Group (ocean freight transportation forwarding services)	12,040,180	8.57%

(Continued)

Year	December 31, 2019			December 31, 2018		
	Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity
4	D Group (activities of other holding companies)	11,152,520	7.27%	D Group (liquid crystal panel and components manufacturing industry)	8,336,830	5.93%
5	E Group (manufacture of woven cotton-type on woolen-type fabrics)	9,490,030	6.19%	E Group (manufacture of computers)	6,146,847	4.37%
6	F Group (manufacture of computers)	8,696,611	5.67%	F Group (manufacture of monitors and terminals)	6,053,884	4.31%
7	G Group (manufacture of monitors and terminals)	6,812,025	4.44%	G Group (manufacture of woven cotton-type on woolen-type fabrics)	5,917,030	4.21%
8	H Group (manufacture of computers)	6,382,762	4.16%	H Group (real estate activities for sale and rental with own or leased property)	5,725,266	4.07%
9	I Group (wireless telecommunications)	6,141,939	4.01%	I Group (manufacture of audio and video equipment)	5,710,636	4.06%
10	J Group (manufacture of computers)	6,117,397	3.99%	J Group (other financial service activities not elsewhere classified)	5,600,203	3.98%

Note a: Sorted by the balance of loans, excluding government or state-owned business. If borrowers belong to the same business group, the aggregated credit amount of the business group is disclosed, and code and industry additionally disclosed. If the borrower is a business group, the industry with the largest risk exposures in the business group is disclosed. The industry disclosure should follow the guidelines of Directorate-General of Budget, Accounting and Statistics.

Note b: Transaction party is in accordance with Article 6 of the Supplementary Provisions of the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, factoring without recourse, acceptance, and guarantee.

(Concluded)

#### 4) Interest rate sensitivity

Item	December 31, 2019				
	1-90 Days	91-180 Days	181 Days- 1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,005,512,335	\$ 49,012,795	\$ 24,543,867	\$ 158,090,591	\$ 1,237,159,588
Interest-sensitive liabilities	439,705,690	90,416,273	192,703,884	535,466,365	1,258,292,212
Interest sensitivity gap	565,806,645	( 41,403,478)	( 168,160,017)	( 377,375,774)	( 21,132,624)
Net equity					147,536,352
Ratio of interest-sensitive assets to liabilities					98.32%
Ratio of interest sensitivity gap to net equity					( 14.32%)

Item	December 31, 2018				
	1-90 Days	91-180 Days	181 Days- 1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 988,256,258	\$ 32,994,438	\$ 38,033,658	\$ 153,182,596	\$ 1,212,466,950
Interest-sensitive liabilities	400,556,194	96,799,066	192,809,621	450,047,661	1,140,212,542
Interest sensitivity gap	587,700,064	( 63,804,628)	( 154,775,963)	( 296,865,065)	72,254,408
Net equity					137,236,361
Ratio of interest-sensitive assets to liabilities					106.34%
Ratio of interest sensitivity gap to net equity					52.65%

Note a: The amounts listed above include amounts in N.T. dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

Note b: Interest-sensitive assets and liabilities are interest-bearing assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities (N.T. dollars only) =  $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

(In Thousands of U.S. Dollars)

Item	December 31, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 9,380,054	\$ 2,417,867	\$ 733,186	\$ 772,783	\$ 13,303,890
Interest-sensitive liabilities	6,850,887	1,150,607	1,162,616	3,631,193	12,795,303
Interest sensitivity gap	2,529,167	1,267,260	( 429,430)	( 2,858,410)	508,587
Net equity					6,119
Ratio of interest-sensitive assets to liabilities					103.97%
Ratio of interest sensitivity gap to net equity					8,311.60%

(In Thousands of U.S. Dollars)

Item	December 31, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 8,375,740	\$ 1,311,517	\$ 1,359,080	\$ 637,793	\$ 11,684,130
Interest-sensitive liabilities	6,582,579	1,024,721	808,085	2,619,725	11,035,110
Interest sensitivity gap	1,793,161	286,796	550,995	( 1,981,932)	649,020
Net equity					6,542
Ratio of interest-sensitive assets to liabilities					105.88%
Ratio of interest sensitivity gap to net equity					9,920.82%

Note a: The amounts listed above include amounts in U.S. dollars only for domestic branches, OBU, and overseas branches, excluding contingent assets and contingent liabilities.

Note b: Interest-sensitive assets and liabilities are interest-bearing assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities (N.T. dollars only) =  $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

##### 5) Maturity analysis of assets and liabilities

	Total	December 31, 2019				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	\$ 1,913,803,190	\$ 591,890,158	\$ 317,341,472	\$ 185,664,253	\$ 108,461,965	\$ 710,445,342
Major maturity cash outflow	2,283,273,991	313,498,536	377,534,396	273,496,342	396,052,464	922,692,253
Gap	( 369,470,801)	278,391,622	( 60,192,924)	( 87,832,089)	( 287,590,499)	( 212,246,911)

	Total	December 31, 2018				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	\$ 1,797,057,551	\$ 543,055,577	\$ 295,404,953	\$ 153,257,125	\$ 135,013,401	\$ 670,326,495
Major maturity cash outflow	2,188,185,279	313,523,755	342,312,567	305,971,569	462,524,454	763,852,934
Gap	( 391,127,728)	229,531,822	( 46,907,614)	( 152,714,444)	( 327,511,053)	( 93,526,439)

Note: The amounts listed above include amounts in N.T. dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

(In Thousands of U.S. Dollars)

	Total	December 31, 2019				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	33,770,352	11,728,456	10,839,848	4,740,565	2,396,139	4,065,344
Major maturity cash outflow	33,678,745	9,935,258	10,593,720	5,490,516	2,872,757	4,786,494
Gap	91,607	1,793,198	246,128	( 749,951)	( 476,618)	( 721,150)

(In Thousands of U.S. Dollars)

	Total	December 31, 2018				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	37,426,831	12,915,337	10,573,474	6,502,675	4,335,922	3,099,423
Major maturity cash outflow	37,956,877	12,175,115	11,597,274	5,902,102	4,496,328	3,786,058
Gap	( 530,046)	740,222	( 1,023,800)	600,573	( 160,406)	( 686,635)

Note: The amounts listed above include amounts in U.S. dollars for head office, domestic branches, and OBU.

## 6) Capital adequacy

Item		Period	December 31, 2019	December 31, 2018
Self-owned capital	Common equity Tier I		\$ 128,251,549	\$ 115,932,653
	Other Tier I capital		23,676,331	24,329,908
	Tier II capital		36,712,449	36,719,109
	Self-owned capital		188,640,329	176,981,670
Risk-weighted assets	Credit risk	Standardized approach	1,192,564,956	1,085,372,053
		IRB	-	-
		Securitization	122,465	-
	Operation risk	Basic indicator approach	-	-
		Standardized approach/optional standard	58,514,388	54,509,138
		Advanced internal-rating based approach	-	-
	Market price risk	Standardized approach	58,646,600	62,286,213
		Internal model approach	-	-
Total		1,309,848,409	1,202,167,404	
Capital adequacy ratio			14.40%	14.72%
Common equity Tier I to risk-weighted assets ratio			9.79%	9.64%
Tier I capital to risk-weighted assets ratio			11.60%	11.67%
Leverage ratio			7.38%	7.59%

Note 1: The ratios are calculated in accordance with the Letters issued by the MOF on both January 9, 2014 (Ref. No. FSC 10200362920 and 10200362921).

Note 2: Formula:

- Self-owned capital = Common equity Tier I + Other Tier I capital + Tier II capital
- Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) x 12.5
- Capital adequacy = Self-owned capital/Risk-weighted assets
- Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital/Risk-weighted assets
- Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital)/Risk-weighted assets
- Leverage ratio = Tier I capital ÷ Adjusted average assets

## 7) Securities department balance sheet: Table 4

Securities department statements of income: Table 5

## Taishin Securities B

### a. Balance sheet

	December 31	
	2019	2018
<b>Assets</b>		
Current assets	\$ 40,178,686	\$ 28,348,373
Financial assets at FVTPL - non-current	28,050	29,310
Financial assets at FVTOCI - non-current	98,516	94,621
Investments accounted for using the equity method	231,723	73,950
Property and equipment	235,800	280,765
Right-of-use assets	164,395	-
Investment property	126,690	32,421
Intangible assets	67,558	54,682
Deferred tax assets	10,621	15,497
Other non-current assets	<u>512,902</u>	<u>495,456</u>
	<u>\$ 41,654,941</u>	<u>\$ 29,425,075</u>
<b>Liabilities</b>		
Current liabilities	\$ 32,558,945	\$ 20,724,652
Other non-current liabilities	<u>241,676</u>	<u>1,198,548</u>
	<u>32,800,621</u>	<u>21,923,200</u>
<b>Equity</b>		
Capital stock	6,924,125	6,284,125
Capital surplus	965,825	805,825
Retained earnings	933,248	383,452
Other equity	<u>31,122</u>	<u>28,473</u>
	<u>8,854,320</u>	<u>7,501,875</u>
	<u>\$ 41,654,941</u>	<u>\$ 29,425,075</u>

### b. Statements of comprehensive income

	For the Year Ended December 31	
	2019	2018
Revenue	\$ 2,418,450	\$ 1,674,953
Expense	( 1,770,598)	( 1,548,083)
Non-operating income and expense	<u>33,543</u>	<u>76,612</u>
Profit before income tax	681,395	203,482
Income tax expense	( 40,562)	( 39,934)
Net income	640,833	163,548
Other comprehensive income	<u>21,945</u>	<u>( 250)</u>
Total comprehensive income	<u>\$ 662,778</u>	<u>\$ 163,298</u>
Basic earnings per share (dollar)	<u>\$ 0.95</u>	<u>\$ 0.26</u>
Diluted earnings per share (dollar)	<u>\$ 0.95</u>	<u>\$ 0.26</u>

## c. Key financial and business highlights

## 1) Profitability

Item		For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Return on total assets	Pretax	1.92%	0.74%
	After tax	1.80%	0.59%
Return on net equity	Pretax	8.33%	2.72%
	After tax	7.84%	2.19%
Profit margin		26.50%	9.76%

$$\text{Note a: Return on total assets} = \frac{\text{Income before (after) tax}}{\text{Average assets}}$$

$$\text{Note b: Return on net equity} = \frac{\text{Income before (after) tax}}{\text{Average net equity}}$$

$$\text{Note c: Profit margin} = \frac{\text{Income after tax}}{\text{Revenue}}$$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2019 and 2018.

## d. Capital adequacy

Item	December 31	
	2019	2018
Eligible capital		
Tier I capital	\$ 8,802,486	\$ 7,472,127
Tier I capital - minus assets	446,627	813,922
Tier II capital - minus assets in excess of Tier II capital	353,573	745,978
Tier I capital, net	8,002,286	5,912,227
Tier II capital	25,496	13,262
Tier II capital - minus assets	25,496	13,262
Tier II capital, net	-	-
Tier III capital	-	-
Total net of eligible capital	\$ 8,002,286	\$ 5,912,227
Equivalent amount of operating risk		
Equivalent amount of credit risk	\$ 462,369	\$ 364,171
Equivalent amount of operation risk	217,559	212,611
Equivalent amount of market risk	1,772,272	1,158,213
	\$ 2,452,200	\$ 1,734,995
Capital adequacy ratio	326%	341%

◆ Capital adequacy ratio = Net of eligible capital ÷ Equivalent amount of operating risk

◆ Net of eligible capital = Tier I capital + Tier II capital + Tier III capital - Minus assets

◆ Equivalent amount of operating risk = Equivalent amount of market risk + Equivalent amount of credit risk + Equivalent amount of operation risk

## e. Futures department balance sheet: Table 6

## f. Futures department statements of comprehensive income: Table 7

## Taishin AMC

### a. Balance sheet

	December 31	
	2019	2018
<b>Assets</b>		
Current assets	\$ 19,904	\$ 31,189
Financial assets at FVTOCI - non-current	99,147	104,975
Investments accounted for using the equity method	139,443	145,795
Property and equipment	177,132	180,154
Investment property	749,674	697,246
Deferred tax assets	34,416	34,800
Right-of-use assets	169	-
Other non-current assets	190,562	190,561
	<u>\$ 1,410,447</u>	<u>\$ 1,384,720</u>
<b>Liabilities</b>		
Current liabilities	\$ 352,375	\$ 302,793
Other non-current liabilities	4,455	5,103
	<u>356,830</u>	<u>307,896</u>
<b>Equity</b>		
Capital stock	671,000	671,000
Capital surplus	4,141	4,141
Retained earnings	426,635	444,006
Other equity	( 48,159)	( 42,323)
	<u>1,053,617</u>	<u>1,076,824</u>
	<u>\$ 1,410,447</u>	<u>\$ 1,384,720</u>

### b. Statements of comprehensive income

	For the Year Ended December 31	
	2019	2018
Operating revenue	\$ 259,818	\$ 260,915
Operating cost and expenses	( 125,241)	( 126,548)
Operating income	134,577	134,367
Non-operating income	14,796	24,589
Non-operating expenses	( 1,038)	( 83)
Income before income tax	148,335	158,873
Income tax expense	( 27,426)	( 23,071)
Net income	120,909	135,802
Other comprehensive income	( 2,430)	( 13,572)
Total comprehensive income	<u>\$ 118,479</u>	<u>\$ 122,230</u>
Earnings per share (dollar)	<u>\$ 1.80</u>	<u>\$ 1.34</u>

## c. Profitability

Item		For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Return on total assets	Pretax	10.59%	10.52%
	After tax	8.64%	8.99%
Return on net equity	Pretax	13.93%	12.71%
	After tax	11.35%	10.86%
Profit margin		44.03%	47.57%

$$\text{Note a: Return on total assets} = \frac{\text{Income before (after) tax}}{\text{Average assets}}$$

$$\text{Note b: Return on net equity} = \frac{\text{Income before (after) tax}}{\text{Average net equity}}$$

$$\text{Note c: Profit margin} = \frac{\text{Income after tax}}{\text{Operating income + Non-operating income}}$$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2019 and 2018.

## Taishin Venture Capital

## a. Balance sheet

	December 31	
	2019	2018
<b>Assets</b>		
Current assets	\$ 633,929	\$ 820,087
Financial assets at FVTPL - non-current	1,410,803	1,252,987
Investments accounted for using the equity method	1,980,905	1,940,055
Property and equipment	115	213
Right-of-use assets	2,096	-
Other non-current assets	438	439
	<u>\$ 4,028,286</u>	<u>\$ 4,013,781</u>
<b>Liabilities</b>		
Current liabilities	\$ 4,406	\$ 2,367
Other non-current liabilities	303	-
	<u>4,709</u>	<u>2,367</u>
<b>Equity</b>		
Capital stock	4,208,749	4,208,749
Capital surplus	871	871
Retained earnings	12,191	( 67,421)
Other equity	( 198,234)	( 130,785)
	<u>4,023,577</u>	<u>4,011,414</u>
	<u>\$ 4,028,286</u>	<u>\$ 4,013,781</u>

## b. Statements of comprehensive income

	For the Year Ended December 31	
	2019	2018
Revenue	\$ 98,627	\$ 223,213
Expense	( 19,058)	( 210,891)
Income before income tax	<u>79,569</u>	<u>12,322</u>
Net income	79,612	12,322
Other comprehensive income	( 67,448)	( 54,881)
Total comprehensive income	<u>\$ 12,164</u>	<u>\$ ( 42,559)</u>
Earnings per share (dollar)	<u>\$ 0.19</u>	<u>\$ 0.03</u>

## c. Profitability

Item		For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Return on total assets	Pretax	1.98%	0.35%
	After tax	1.98%	0.35%
Return on net equity	Pretax	1.98%	0.36%
	After tax	1.98%	0.36%
Profit margin		80.72%	5.34%

$$\text{Note a: Return on total assets} = \frac{\text{Income before (after) tax}}{\text{Average assets}}$$

$$\text{Note b: Return on net equity} = \frac{\text{Income before (after) tax}}{\text{Average net equity}}$$

$$\text{Note c: Profit margin} = \frac{\text{Income after tax}}{\text{Operating income + Non-operating income}}$$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2019 and 2018.

## Taishin Securities Investment Trust

## a. Balance sheet

	December 31	
	2019	2018
<b>Assets</b>		
Current assets	\$ 405,189	\$ 366,670
Financial assets at FVTPL - noncurrent	1,901	1,938
Property and equipment	17,286	20,638
Goodwill	410,930	410,930
Right-of-use assets	40,256	-
Intangible assets	5,027	4,694
Deferred tax assets	11	4
Other non-current assets	149,958	147,175
	<u>\$ 1,030,558</u>	<u>\$ 952,049</u>
<b>Liabilities</b>		
Current liabilities	\$ 138,890	\$ 100,116
Other non-current liabilities	29,258	-
	<u>168,148</u>	<u>100,116</u>
<b>Equity</b>		
Capital stock	754,545	754,545
Capital surplus	47,856	47,856
Retained earnings	61,108	50,594
Other equity	( 1,099)	( 1,062)
	<u>862,410</u>	<u>851,933</u>
	<u>\$ 1,030,558</u>	<u>\$ 952,049</u>

## b. Statements of comprehensive income

	For the Year Ended December 31	
	2019	2018
Operating revenue	\$ 399,205	\$ 390,892
Operating expenses	( 349,400)	( 343,440)
Operating income	49,805	47,452
Non-operating income	3,385	1,828
Non-operating expenses	( 523)	( 3,542)
Income before income tax	52,667	45,738
Income tax expenses	( 10,454)	( 10,008)
Net income	42,213	35,730
Other comprehensive income	( 53)	( 154)
Total comprehensive income	<u>\$ 42,160</u>	<u>\$ 35,576</u>
Earnings per share (dollar)	<u>\$ 0.56</u>	<u>\$ 0.47</u>

## c. Profitability

Item		For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Return on total assets	Pretax	5.31%	4.90%
	After tax	4.26%	3.82%
Return on net equity	Pretax	6.14%	5.46%
	After tax	4.92%	4.26%
Profit margin		10.50%	9.10%

$$\text{Note a: Return on total assets} = \frac{\text{Income before (after) tax}}{\text{Average assets}}$$

$$\text{Note b: Return on net equity} = \frac{\text{Income before (after) tax}}{\text{Average net equity}}$$

$$\text{Note c: Profit margin} = \frac{\text{Income after tax}}{\text{Operating income + Non-operating income}}$$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2019 and 2018.

## Taishin Securities Investment Advisory

## a. Balance sheet

	December 31	
	2019	2018
<b>Assets</b>		
Current assets	\$ 344,569	\$ 344,010
Property and equipment	1,177	1,148
Right-of-use assets	6,327	-
Deferred tax assets	5,045	5,547
Other non-current assets	31,832	31,832
	<u>\$ 388,950</u>	<u>\$ 382,537</u>
<b>Liabilities</b>		
Current liabilities	\$ 31,044	\$ 22,405
Other non-current liabilities	5,439	5,113
	<u>36,483</u>	<u>27,518</u>
<b>Equity</b>		
Capital stock	300,000	300,000
Capital surplus	52,325	52,325
Retained earnings	142	2,694
	<u>352,467</u>	<u>355,019</u>
	<u>\$ 388,950</u>	<u>\$ 382,537</u>

## b. Statements of comprehensive income

	For the Year Ended December 31	
	2019	2018
Operating revenue	\$ 100,851	\$ 99,257
Operating expenses	( 110,348)	( 102,970)
Operating (loss) income	( 9,497)	( 3,713)
Non-operating income	12,599	7,200
Non-operating expenses	( 2,438)	( 978)
Profit (loss) before income tax	664	2,509
Income tax (expenses) profit	( 577)	319
Net income	87	2,828
	<u>( 214)</u>	<u>( 134)</u>
Total comprehensive income	<u>\$ ( 127)</u>	<u>\$ 2,694</u>
Earnings per share (dollar)	<u>\$ 0.00</u>	<u>\$ 0.09</u>

## c. Profitability

Item		For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Return on total assets	Pretax	0.17%	0.66%
	After tax	0.02%	0.74%
Return on net equity	Pretax	0.19%	0.71%
	After tax	0.02%	0.80%
Profit margin		0.08%	2.66%

Note a: Return on total assets =  $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity =  $\frac{\text{Income before (after) tax}}{\text{Average net equity}}$

Note c: Profit margin =  $\frac{\text{Income after tax}}{\text{Operating income + Non-operating income}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2019 and 2018.

## 53. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

Significant financial assets and liabilities denominated in foreign currencies were as follows:

## Taishin Bank

(Foreign Currencies/New Taiwan Dollars in Thousands)

	December 31					
	2019			2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
AUD	\$ 2,303,488	21.10	\$ 48,606,586	\$1,639,725	21.68	\$ 35,550,218
RMB	8,388,124	4.32	36,260,534	5,073,668	4.48	22,707,177
EUR	318,522	33.75	10,749,760	268,750	35.23	9,468,260
GBP	80,252	39.55	3,173,877	36,751	38.90	1,429,504
HKD	4,871,051	3.87	18,831,548	4,385,021	3.92	17,206,844
JPY	56,854,413	0.28	15,753,164	53,114,185	0.28	14,790,548
SGD	119,596	22.37	2,674,916	64,322	22.49	1,446,729
USD	9,410,363	30.10	283,229,007	7,701,609	30.73	236,693,541
ZAR	2,663	2.14	5,701	1,136,833	2.13	2,419,264
Non-monetary items						
USD	295,335	30.11	8,891,360	-	-	-
<u>Financial liabilities</u>						
Monetary items						
AUD	872,598	21.10	18,412,938	609,884	21.68	13,222,643
CAD	48,533	23.08	1,120,255	48,066	22.59	1,085,630
RMB	7,388,664	4.32	31,940,028	5,439,127	4.48	24,342,785

(Continued)

(Foreign Currencies/New Taiwan Dollars in Thousands)

December 31

	2019			2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
EUR	\$ 194,530	33.75	\$ 6,565,148	\$ 157,793	35.23	\$ 5,559,171
GBP	18,087	39.55	715,332	29,051	38.90	1,129,996
HKD	3,447,819	3.87	13,329,315	2,406,469	3.92	9,442,996
JPY	29,389,041	0.28	8,143,086	21,466,797	0.28	5,977,795
USD	12,460,205	30.11	375,126,933	9,861,895	30.73	303,093,961
ZAR	4,342,522	2.14	9,297,574	5,429,639	2.13	11,554,673
<b>Non-monetary items</b>						
AUD	\$ 760,446	21.10	\$ 16,046,385	144,416	21.68	\$ 3,131,016
USD	488,660	30.11	14,711,611	812,247	30.73	24,962,773
<b>Derivative instruments</b>						
<b>Financial assets</b>						
AUD	773,621	21.10	16,324,407	\$67,553	21.68	1,464,600
CAD	119,473	23.08	2,757,691	340,736	22.59	7,695,920
RMB	973,204	4.32	4,207,006	13,345,315	4.48	59,726,890
EUR	163,581	33.75	5,520,655	151,350	35.23	5,332,170
GBP	6,099	39.55	241,207	51,987	38.90	2,022,164
JPY	670,390	0.28	185,751	8,011,738	0.28	2,231,005
USD	15,643,528	30.11	470,964,057	4,239,270	30.73	130,285,496
ZAR	4,995,332	2.14	10,695,276	5,142,473	2.13	10,943,564
<b>Financial liabilities</b>						
AUD	1,460,035	21.10	30,808,629	953,918	21.68	20,681,500
CAD	94,450	23.08	2,180,106	315,047	22.59	7,115,694
RMB	1,805,299	4.32	7,804,022	12,431,403	4.48	55,636,680
EUR	297,529	33.75	10,041,247	256,297	35.23	9,029,530
GBP	67,203	39.55	2,657,775	55,366	38.90	2,153,596
HKD	1,661,417	3.87	6,423,061	1,933,345	3.92	7,586,456
JPY	28,114,285	0.28	7,789,878	40,032,622	0.28	11,147,764
SGD	127,110	22.37	2,842,975	85,021	22.49	1,912,280
USD	12,540,626	30.11	377,548,073	1,623,349	30.73	49,890,387
ZAR	574,547	2.14	1,230,135	797,354	2.13	1,696,828

(Concluded)

## 54. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. Information to be disclosed according to Article 22 of the Rules Governing the Audit of Financial Statements by Certified Public Accountants:

1) Material transactions are summarized as follows:

No.	Item	Explanation
1	Securities of Taishin Financial Holding's investees acquired or disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital	Table 1
2	Acquisition or disposal of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital	None
3	Discounts of service charges for related parties amounting to at least \$5 million	None
4	Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital	Table 9
5	Sales of NPL from subsidiaries	None
6	Authorities securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
7	Other transactions that may have significant impact on the decision made by the financial statement users	None

2) Information on Taishin Financial Holding's subsidiaries:

No.	Item	Explanation
1	Financings provided	Note
2	Endorsements/ guarantees provided	Note
3	Marketable securities held	Table 3 (Note)
4	Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital	Note
5	Derivative transactions of investees	Notes 9 and 45

Note: None, or not required to disclose No. 1 to 4 if the investee is a bank, insurance or security company.

3) Names, locations, and related information of investees: Refer to Table 2.

4) Information of investment in mainland China, significant commitments and contingencies, significant losses and subsequent events is summarized as follows:

No.	Item	Explanation
1	Information of investment in mainland China	Table 8
2	Significant commitments and contingencies	Note 48
3	Significant losses	None
4	Subsequent events	None

b. According to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, a company should disclose business relationships and material transactions in consolidation. Refer to Table 9.

## 55. SEGMENT INFORMATION

### a. General information

The report of Taishin Financial Holding and subsidiaries is the same as the report for internal use of policy makers. Main policy makers distribute the resources to the operation department and evaluate its efficiency. Taishin Financial Holding's main policy makers are the board of directors.

Interdepartmental transactions are normal transactions. Taishin Financial Holding consolidates all its subsidiaries, and writes off interdepartmental transaction gains and losses. The subsidiaries evaluate their own operation efficiency.

The operation departments of Taishin Financial Holding are subsidiaries of bank business, securities business and other business, respectively. The board of directors, the main policy maker, reviews company operation result, distributes resources, and evaluates operation efficiency.

For the Year Ended December 31, 2019							
	Taishin Bank (Consumer Business)	Taishin Bank (Corporation Credit Business)	Taishin Bank (Financial Market Business)	Taishin Financial Holding	Others	Adjustments and Eliminations	Total
Net interest income (expense)	\$ 12,773,552	\$ 7,931,096	\$( 166,645)	\$( 445,963)	\$( 505,401)	\$ 2,658	\$ 19,589,297
Net income other than net interest income	11,037,928	1,962,605	4,065,608	15,324,846	4,603,269	( 12,942,142)	24,052,114
Net revenue and gains	23,811,480	9,893,701	3,898,963	14,878,883	4,097,868	( 12,939,484)	43,641,411
(Provisions for) reversals of allowance for bad debts expenses, commitments and guarantees liabilities	( 88,048)	( 2,078,405)	( 6,669)	-	( 441,993)	-	( 2,615,115)
Operating expenses	( 15,269,533)	( 3,498,941)	( 809,792)	( 319,125)	( 5,090,155)	234,824	( 24,752,722)
Profit (loss) before income tax	\$ 8,453,899	\$ 4,316,355	\$ 3,082,502	\$ 14,559,758	\$( 1,434,280)	\$( 12,704,660)	\$ 16,273,574
Total assets	\$ 651,315,162	\$ 545,785,908	\$ 538,932,775	\$ 213,842,301	\$ 256,364,882	\$( 175,299,697)	\$ 2,030,941,331

For the Year Ended December 31, 2018							
	Taishin Bank (Consumer Business)	Taishin Bank (Corporation Credit Business)	Taishin Bank (Financial Market Business)	Taishin Financial Holding	Others	Adjustments and Eliminations	Total
Net interest income (expense)	\$ 12,408,476	\$ 7,798,902	\$ 285,965	\$( 467,857)	\$( 434,185)	\$ -	\$ 19,591,301
Net income other than net interest income	10,018,060	2,035,116	2,226,281	2,871,939	3,274,874	( 269,248)	20,157,022
Net revenue and gains	22,426,536	9,834,018	2,512,246	2,404,082	2,840,689	( 269,248)	39,748,323
(Provisions for) reversals of allowance for bad debts expenses and guarantee liabilities	( 15,186)	( 2,815,337)	( 80,528)	-	( 429,488)	-	( 3,340,539)
Operating expenses	( 13,937,498)	( 3,313,378)	( 665,748)	( 360,657)	( 4,143,712)	249,592	( 22,171,401)
Profit (loss) before income tax	\$ 8,473,852	\$ 3,705,303	\$ 1,765,970	\$ 2,043,425	\$( 1,732,511)	\$( 19,656)	\$ 14,236,383
Total assets	\$ 608,371,349	\$ 476,857,177	\$ 446,861,286	\$ 201,799,436	\$ 217,592,971	\$( 164,588,702)	\$ 1,786,893,517

### b. Financial information by region

The operating income of Taishin Financial Holding and subsidiaries' overseas departments is not over 10% of the Group's consolidated operating income. In addition, their assets are not over 10% of the Group's consolidated total assets either. Thus, no financial information by region is required.

### c. Information of foreign sales

The revenue from foreign sales made by the domestic departments of Taishin Financial Holding and subsidiaries to individuals is not over 10% of the Group's consolidated total operating income.

### d. Information of important customers

Taishin Financial Holding and subsidiaries do not have important customers contributing more than 10% of revenue to the Group's consolidated operating income.

## TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

### ACCUMULATED PURCHASES AND SALES OF SPECIFIC MARKETABLE SECURITIES OVER NT\$300 MILLION OR 10% OF OUTSTANDING CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2019

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

Buyer or Seller	Type and Name of Marketable Security	Account Recorded	Transaction Party	Issuer's Relationship to the Buyer or Seller	Beginning of the Period		Purchases	
					Shares (Units)	Amount	Shares (Units)	Amount
Taishin Financial Holding	Stock Taishin Securities B	Investments accounted for using the equity method	Taishin Securities B	Parent and subsidiary	628,412	\$ 7,501,875	64,000	\$ 800,000

Note: Others means investment income, cash dividends, recognition of employee stock options and others.

## TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

### INFORMATION ON INVESTEEES' NAMES, LOCATIONS, ETC.

DECEMBER 31, 2019

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

Investees' Names	Unified Business No.	Investees' Location	Principal Business Activities
<u>Financial business</u>			
Taishin Bank	86519539	B1, 1F, No. 44, Jungshan N. Rd., Sec. 2, Zhongshan District, Taipei, Taiwan	Commercial bank business, trust, and bills discounting
Chang Hwa Bank	51811609	No. 38, Tsu Yu Rd., Sec. 2, Central District, Taichung, Taiwan	Commercial bank business, trust, and offshore banking unit
Taishin Securities B	23534956	2F, No. 44, Jungshan N. Rd., Sec. 2, Zhongshan District, Taipei, Taiwan	Multiple securities and future transaction assistant
Taishin AMC	80341022	2F-3, No. 9, Dehuei St., Zhongshan District, Taipei, Taiwan	Acquisition of delinquent loans, evaluation, auction, and management
Taishin Securities Investment Trust	27326178	1F., No. 9-1, Dehuei St., Zhongshan District, Taipei, Taiwan	Investment trust
Taishin Securities Investment Advisory	23285289	16F, No. 118, Ren-Ai Rd., Sec. 4, Da'an District, Taipei, Taiwan	Investment trust, advisory, and publication
Taishin Venture Capital	80031342	18F, No. 118, Ren-Ai Rd., Sec. 4, Da'an District, Taipei, Taiwan	Investment start-up
<u>Nonfinancial business</u>			
Metro Consulting Service Ltd.	27974096	B1F, No. 7, Lane 48, Zhongshan N. Rd., Sec. 2, Zhongshan District, Taipei, Taiwan	Consultancy, information service and human resource dispatch

Note 1: Shares or pro forma shares held by the Bank, directors, supervisors, president, vice president and affiliates in accordance with the Company Law have been included.

Note 2: a. Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts.

b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of the "Securities and Exchange Law Enforcement Rules."

c. Derivative contracts, such as those on stock options, are those conforming to the definition of derivatives in International Accounting Standards No. 39 - "Financial Instruments."

TABLE 1

	Sales				Others		End of the Period	
	Shares (Units)	Selling Price	Carrying Value	Disposal Gain (Loss)	Shares (Units)	Amount (Note)	Shares (Units)	Amount
	-	\$ -	\$ -	\$ -	-	\$ 552,445	692,412	\$ 8,854,320

TABLE 2

	Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Percentage Share of the Company and Its Affiliates in Investees (Note 1)				Note
				Current Shares	Pro Forma Shares (Note 2)	Total Shares	Ownership Interest (%)	
	100.00	\$ 153,353,398	\$ 11,810,142	8,255,711,853	-	8,255,711,853	100.00	Investments accounted for using equity method
	22.55	40,847,426	2,609,271	2,277,980,951	-	2,277,980,951	22.81	"
	100.00	8,854,320	640,833	692,412,444	-	692,412,444	100.00	"
	100.00	1,053,617	120,910	67,100,000	-	67,100,000	100.00	"
	100.00	862,410	41,190	75,454,545	-	75,454,545	100.00	"
	92.00	324,645	461	27,599,513	-	27,599,513	92.00	"
	100.00	4,023,578	79,612	420,874,904	-	420,874,904	100.00	"
	4.40	1,980	-	520,000	-	520,000	10.40	Financial assets at FVTOCI



TABLE 3

	December 31, 2019				Note
	Shares/Units/ Nominal	Carrying Amount	Percentage of Ownership (%)	Market Value	
300	\$ 2,700	6.00	\$ 2,700		
600,000	9,253	5.00	-	Non-listed	
125,000	-	1.50	-	Go out of business	
6,000	6,032	-	6,009		
6,000	6,126	-	6,108		
40,000	1,307,091	100.00	1,307,091		
30,000	663,814	100.00	663,814		
8,889	267,614	7.67	267,614		
5,399	133,277	7.47	133,277		
824	25,640	2.22	25,640		
30,000	28,800	12.47	28,800		
1,607	44,878	14.48	44,878		
276	1,504	5.56	1,504		
430	3,129	1.30	3,129		
42	3,915	1.54	3,915		
10,633	120,158	3.03	120,158		
1,709	24,270	0.40	24,270		
69	-	0.81	-		
1,000	860	12.69	860	Liquidated	
709	1,333	1.69	1,333		
45,000	290,250	10.00	290,250		
500	8,945	0.55	8,945		
11	32	0.06	32		
95	7,055	Preferred stock	7,055		
400	5,980	Preferred stock	5,980		
2,105	74,526	1.00	74,526		
1,457	21,362	2.30	21,362		
35,000	238,700	10.00	238,700		
291	13,020	0.11	13,020		
578	3,107	3.33	3,107		
1,300	8,216	7.22	8,216		
1,942	6,700	3.41	6,700		
220	3,850	0.39	3,850		
17,500	72,800	8.06	72,800		
2,500	23,150	8.08	23,150		
119	-	0.48	-	Liquidated	
350	-	Preferred stock	-		
1,665	-	1.09	-		
79	-	3.03	-	Liquidated	
400	-	0.48	-		
1,000	10,000	25.00	10,000		
8,702	140,949	-	140,949		
10,797	146,671	-	146,671		
4,522	59,939	-	59,939		
6,620	90,853	-	90,853		
1,363	20,273	-	20,273		
391	70,085	-	70,085		
930	13,000	-	13,000		
2,000	2,000	1.03	2,000		
-	1,696	-	1,696		
2,290	31,332	0.51	31,332		
5,625	36,281	1.25	36,281		
4,375	29,838	1.25	29,838		
8,000	139,443	40.00	139,443		
1,400	32,182	3.05	32,182		
288	12,133	1.64	12,133		
210	11,960	0.54	11,960		
165	2,888	0.29	2,888		
620	4,820	4.13	4,820		
459	1,679	3.83	1,679		
263	358	0.73	358		
29	3,000	7.50	3,000		
320	9,541	1.11	9,541		

## SECURITIES DEPARTMENT

## BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - current	\$ 29,104,767	36	\$ 15,607,056	23
Financial assets at FVTOCI - current	7,670,740	10	7,890,964	12
Other current assets	1,081,510	1	1,350,644	2
Total current assets	37,857,017	47	24,848,664	37
<b>NONCURRENT ASSETS</b>				
Financial assets at FVTOCI - noncurrent	38,758,552	49	41,619,040	63
Available-for-sale financial assets - noncurrent	3,107,164	4	-	-
Refundable deposits	29,032	-	29,994	-
Total noncurrent assets	41,894,748	53	41,649,034	63
<b>TOTAL</b>	<b>\$ 79,751,765</b>	<b>100</b>	<b>\$ 66,497,698</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Bond loans under repurchase agreements	\$ 34,832,834	44	\$ 22,111,468	33
Other current liabilities	489,343	-	909,271	2
Total current liabilities	35,322,177	44	23,020,739	35
<b>NONCURRENT LIABILITIES</b>				
Transactions between home office and branches	42,556,383	54	41,840,466	63
Total liabilities	77,878,560	98	64,861,205	98
<b>EQUITY</b>				
Appropriated working capital	800,000	1	800,000	1
Retained earnings				
Special reserve	189,981	-	189,981	-
Unappropriated earnings	749,686	1	524,242	1
Other equity				
Unrealized gains (losses) on financial assets at FVTOCI	133,538	-	122,270	-
Total equity	1,873,205	2	1,636,493	2
<b>TOTAL</b>	<b>\$ 79,751,765</b>	<b>100</b>	<b>\$ 66,497,698</b>	<b>100</b>

## SECURITIES DEPARTMENT

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(In Thousands of New Taiwan Dollars)

	2019		2018	
	Amount	%	Amount	%
<b>REVENUES AND GAINS</b>				
Securities underwriting services income	\$ 53,953	5	\$ 14,477	2
Gain on sale of securities held for operations - dealing	377,957	39	142,955	18
Interest income	549,673	56	697,089	89
(Loss) gain on valuation of securities held for operations - dealing	( 3,633)	-	( 77,948)	( 10)
Reversals of impairment on securities	3,083	-	8,209	1
Total revenues and gains	<u>981,033</u>	<u>100</u>	<u>784,782</u>	<u>100</u>
<b>EXPENSES AND LOSSES</b>				
Financial costs	( 80,739)	( 8)	( 121,597)	( 16)
Employee benefit expense	( 31,262)	( 3)	( 8,865)	( 1)
Depreciation and amortization expenses	( 206)	-	( 116)	-
Other operating expenses	( 26,070)	( 3)	( 17,206)	( 2)
Total expenses and losses	<u>( 138,277)</u>	<u>( 14)</u>	<u>( 147,784)</u>	<u>( 19)</u>
INCOME BEFORE INCOME TAX	842,756	86	636,998	81
INCOME TAX EXPENSE	( 93,070)	( 9)	( 112,756)	( 14)
NET INCOME	<u>749,686</u>	<u>77</u>	<u>524,242</u>	<u>67</u>
<b>OTHER COMPREHENSIVE INCOME</b>				
Components of other comprehensive income that will be reclassified to profit or loss, net of tax				
Unrealized loss on investment in debt instruments at FVTOCI	11,268	1	( 90,494)	( 12)
Other comprehensive income (loss), net of tax	<u>11,268</u>	<u>1</u>	<u>( 90,494)</u>	<u>( 12)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 760,954</u>	<u>78</u>	<u>\$ 433,748</u>	<u>55</u>

## FUTURES DEPARTMENT

## BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 613,596	45	\$ 768,276	54
Customer margin account	592,626	43	474,278	34
Other receivables	91	-	399	-
Other current assets	342	-	50,577	4
Total current assets	<u>1,206,655</u>	<u>88</u>	<u>1,293,530</u>	<u>92</u>
<b>NONCURRENT ASSETS</b>				
Property and equipment	8,906	1	1,077	-
Right-of-use assets	2,081	-	-	-
Intangible assets	8,100	-	3,839	-
Other non-current assets	148,297	11	112,106	8
Total noncurrent assets	<u>167,384</u>	<u>12</u>	<u>117,022</u>	<u>8</u>
<b>TOTAL</b>	<u>\$ 1,374,039</u>	<u>100</u>	<u>\$ 1,410,552</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Futures traders' equity	\$ 592,198	43	\$ 472,629	34
Payables	2,648	-	2,330	-
Lease liabilities - current - related parties	700	-	-	-
Other payables	3,013	1	2,848	-
Other current liabilities	188	-	1,426	-
Total current liabilities	<u>598,747</u>	<u>44</u>	<u>479,233</u>	<u>34</u>
<b>NONCURRENT LIABILITIES</b>				
Lease liabilities - noncurrent - related parties	1,404	-	-	-
Transaction between home office and branches	10	-	6	-
Total noncurrent liabilities	<u>1,414</u>	<u>-</u>	<u>6</u>	<u>-</u>
Total liabilities	<u>600,161</u>	<u>44</u>	<u>479,239</u>	<u>34</u>
<b>EQUITY</b>				
Appropriated working capital	745,000	54	910,000	65
Retained earnings				
Legal reserve	2,336	-	293	-
Special reserve	4,672	-	585	-
Unappropriated earnings	21,870	2	20,435	1
Total retained earnings	<u>28,878</u>	<u>2</u>	<u>21,313</u>	<u>1</u>
Total equity	<u>773,878</u>	<u>56</u>	<u>931,313</u>	<u>66</u>
<b>TOTAL</b>	<u>\$ 1,374,039</u>	<u>100</u>	<u>\$ 1,410,552</u>	<u>100</u>

## FUTURES DEPARTMENT

STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
 (In Thousands of New Taiwan Dollars)

	2019		2018	
	Amount	%	Amount	%
<b>REVENUES</b>				
Service fee - brokering	\$ 67,759	100	\$ 57,393	106
Impairment loss on ECLs	( 102)	-	( 3,000)	( 6)
Other operating losses	3	-	( 15)	-
Total revenues	67,660	100	54,378	100
<b>EXPENSES</b>				
Service charge - brokerage	13,634	20	10,291	19
Interest expense	29	-	-	-
Other operating expenses	10,614	16	9,381	17
Employee benefit expense	17,473	26	15,267	28
Depreciation and amortization expenses	2,791	4	1,470	2
Other operating expenses	6,379	9	5,839	11
Total expenses	50,920	75	42,248	77
OPERATING INCOME	16,740	25	12,130	23
OTHER INCOME AND LOSSES	5,130	7	8,305	15
INCOME BEFORE INCOME TAX	21,870	32	20,435	38
INCOME TAX	-	-	-	-
NET INCOME	21,870	32	20,435	38
TOTAL COMPREHENSIVE INCOME	\$ 21,870	32	\$ 20,435	38

## INVESTMENTS IN MAINLAND CHINA

DECEMBER 31, 2019

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

Investor	Investee	Main Businesses and Products of Investee	Total Amount of Paid-in Capital of Investee (US\$ in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (US\$ in Thousand)	Investment Flows (US\$ in Thousand)		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (US\$ in Thousand)	Investee's Net Income	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
						Outflow	Inflow						
Taishin Venture Capital	Taishin Financial Leasing (China)	Financial leasing	\$ 1,192,729 (US\$ 40,000)	Note 1.a.	\$ 1,197,019 (US\$ 40,000)	\$ -	\$ -	\$ 1,197,019 (US\$ 40,000)	\$ 222,756	100%	\$ 222,756 (Note 2.b.1)	\$1,307,091	\$ -
	Taishin Financial Leasing (Tianjin)	Financial leasing	920,748 (US\$ 30,000)	Note 1.a.	920,748 (US\$ 30,000)	-	-	920,748 (US\$ 30,000)	(124,458)	100%	(124,458) (Note 2.b.1)	663,814	-

Investor	Accumulated Investment in Mainland China as of December 31, 2019 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
Taishin Venture Capital	\$ 2,117,767 (US\$ 70,000)	\$ 2,117,767 (US\$ 70,000)	\$ 17,888,938

Note 1: The three methods of investment are as follows:

- Direct investment in mainland China.
- Investment in mainland China through reinvestment in existing enterprise in a third area.
- Others.

Note 2: Equity in the profits (losses):

- If the entity is still in preparation stage and there is no equity in profits (losses), the condition should be noted.
- The basis of recognizing equity in profits (losses) is categorized in the following three types and each entity should be noted according to its condition.
  - Financial statement audited (reviewed) by international accounting firms that cooperate with accounting firms in the ROC.
  - Financial statements audited (reviewed) by Taiwan parent company's CPA.
  - Others.

**BUSINESS RELATIONSHIPS AND MATERIAL TRANSACTIONS IN CONSOLIDATION  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Number (Note a)	Main Party	Counterparty	Relationship (Note b)	Transactions			% of Consolidated Operating Revenues or Consolidated Total Assets (Note c)
				Account	Amount	Terms	
1	Taishin Bank	Taishin Securities Investment Advisory	3	Deposits and remittances	\$ 137,850	Under arm's length terms	0.01
1	Taishin Bank	Taishin Securities B Xiang An Insurance Agency	3	Deposits and remittances	1,227,234	Under arm's length terms	0.06
1	Taishin Bank	D.A. Finance	4	Deposits and remittances	768,788	Under arm's length terms	0.04
1	Taishin Bank	D.A. Finance	4	Deposits and remittances	108,940	Under arm's length terms	0.01
1	Taishin Securities B	Taishin Bank	3	Lease liabilities	153,872	Under arm's length terms	0.01
1	Taishin Securities B	Taishin Bank	3	Right-of-use assets	190,619	Under arm's length terms	0.01
0	Taishin Financial Holding	Taishin Bank	1	Cash and cash equivalents	3,011,721	Under arm's length terms	0.15
0	Taishin Financial Holding	Taishin Bank	1	Accounts receivable, net	1,147,890	Under arm's length terms	0.06
0	Taishin Financial Holding	Taishin Bank	1	Accounts payable	558,456	Under arm's length terms	0.03

Note a: Business between the parent and subsidiaries is numbered as follows:

1. Parent: 0
2. Subsidiaries are numbered from 1 in order.

Note b: Relationship between the main party and the counterparty is numbered as follows:

1. Parent to subsidiary.
2. Subsidiary to parent.
3. One subsidiary to another subsidiary.
4. Subsidiary to sub-subsidiary.

Note c: Percentage of consolidated operating revenues or consolidated total assets: If the account is a balance sheet account, it was calculated by dividing the ending balance into consolidated total assets; if the account is an income statement account, it was calculated by dividing the interim cumulative balance into consolidated operating revenues.

## TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

### SCHEDULES OF MAJOR ACCOUNTING ITEMS FOR THE YEAR ENDED DECEMBER 31, 2019

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## TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

### SCHEDULE 1

#### FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Financial Instrument Items	Summary	Face Value/Unit	Cost	Fair Value
Corporate bonds	P07 Taipower 3A	500,000	\$ 501,717	\$ 501,982
	Others (Note)	5,363,780	5,455,520	5,449,057
Convertible corporate bonds	Eva airways 3	1,033,800	1,038,791	1,088,591
	China Airlines 6	402,600	402,500	400,386
	UNIMIC 0 05/18/20	301,060	301,060	356,594
	Others (Note)	2,916,042	2,984,435	3,191,260
	Public Television Foundation (Lady the Butterfly)	2,000	2,000	2,000
Investment agreement		1,132,092	1,864,093	1,888,459
Beneficiary certificates - fund		400,000	400,000	307,982
Bank debentures	091900003 (19 UOB Bond 01)	864,568	866,656	865,934
	ADBCH 3.4 11/06/24	821,340	821,340	824,211
	P07 HSBC 2	500,000	501,612	502,189
	CND10002HXF1	432,284	432,284	431,497
	AGRBK 2.5 09/19/20	421,484	421,248	421,876
	CITNAT 2.875 03/25/23	391,378	399,871	397,157
	KDB 2.75 03/19/23	361,272	371,279	367,984
	P08 Export-Import Bank 1	300,000	300,617	300,731

(Continued)

Financial Instrument Items	Summary	Face Value/Unit	Cost	Fair Value
	P07 TaipeiFubonBank1	300,000	\$ 300,017	\$ 300,077
	Others (Note)	4,061,240	4,114,674	4,135,278
Credit-linked securities	SOCGEN Float 01/10/23	602,120	602,120	607,179
	GS Float 12/22/22	301,060	301,060	303,579
	Others (Note)	150,530	150,530	151,956
Government bonds	Treasury Bond 108 I-1	3,800,000	3,800,367	3,801,321
	Treasury Bond 105 I-8	2,200,000	2,199,541	2,199,731
	Treasury Bond 101 I-5	2,150,000	2,184,614	2,184,236
	Treasury Bond 105 I-5	1,800,000	1,800,085	1,800,052
	Treasury Bond 101 I-9	1,400,000	1,424,556	1,422,253
	Treasury Bond 106 I-1	1,250,000	1,253,476	1,252,959
	Treasury Bond 102 I-6	1,200,000	1,222,379	1,221,654
	Treasury Bond 100 I-9	1,150,000	1,166,297	1,164,965
	Treasury Bond 107 I-7	1,050,000	1,052,778	1,052,438
	Treasury Bond 106 I-5	900,000	905,313	905,120
	Treasury Bond 93-3	800,000	883,520	878,741
	Treasury Bond 101 II-2	800,000	813,913	813,796
	Treasury Bond 108 I-9	750,000	746,227	746,839
	Treasury Bond 106 I-2	700,000	703,842	703,452
	Treasury Bond 107 I-11	650,000	654,661	654,597
	Treasury Bond 102 I-10	600,000	626,562	626,129
	Treasury Bond 94-3	500,000	546,329	545,294
	Treasury Bond 104 I-13	500,000	504,595	503,290
	Treasury Bond 108 I-7	450,000	448,161	448,604
	PORTUG 4.09 06/03/22	345,827	346,858	347,952
	Treasury Bond 90 I-4	300,000	316,885	316,611
	Treasury Bond 104 I-12	300,000	309,761	307,356
	Others (Note)	2,519,886	2,598,373	2,589,666
Derivative financial instrument	Interest rate swaps	-	586	9,408,122
	Currency exchange	-	-	8,267,295
	Forward exchange	-	-	1,363,404
	Foreign-exchange options	-	690,713	540,859
	Futures	-	464,053	491,260
	Equity-linked swaps	-	-	362,650
	Others (Note)	-	123,187	369,953
Domestic listed stocks		185,399	1,201,942	1,217,203
Domestic OTC stocks		19,664	188,189	194,995
Domestic and foreign unlisted stocks		171,099	1,766,413	1,395,783
Domestic unlisted stocks		3,433	103,625	69,019
Domestic emerging stocks	Julien's Group	320	28,067	9,541
Investment in bills	Commercial paper - other banks guarantees	44,893,500	44,813,340	44,810,489
	Commercial paper - banks guarantee	3,681,700	3,675,850	3,676,097
Trading securities - dealing				
Corporate bonds	P07 Hsin Ba 1	400,000	400,000	402,542
	P04 Fubon 4	300,000	308,486	306,771
	P06 ShinRuenn 1	300,000	301,550	302,298
	P06 Hon Hai 3B	300,000	300,528	302,283
	P06 Dali 1	300,000	300,495	301,434
	P07 Xinyi 2	300,000	301,233	301,180
	Others (Note)	6,249,953	6,289,187	6,262,129
Convertible bonds	Highwealth 5	1,066,700	1,153,062	1,184,037
	YangMing 5	629,400	646,677	640,729

(Continued)

Financial Instrument Items	Summary	Face Value/Unit	Cost	Fair Value
	Ming xuan 3	216,000	\$ 290,717	\$ 356,400
	Eva airways 3	304,300	321,506	320,428
	Others (Note)	3,646,400	3,926,571	3,994,432
Government bonds		150,000	149,318	149,449
Domestic listed stocks		34,202	1,859,989	1,929,389
Domestic listed funds		58,868	749,994	777,521
Domestic OTC stocks		3,684	219,602	229,388
Domestic OTC funds		28,275	1,027,130	1,016,981
Domestic emerging stocks		9,343	644,210	658,493
Overseas stocks		56	55,531	55,425
Offshore funds		310	526,689	528,386
Offshore bonds		11,404	1,193,919	1,161,608
Trading securities - underwriting				
Convertible bonds		9,121,000	914,304	944,909
Domestic OTC stocks	LuxNet	190	3,874	4,855
Trading securities - hedging				
Domestic listed funds		2,107	24,972	21,985
Domestic listed stocks		3,410	379,528	405,716
Domestic listed warrants		5,021	8,140	8,332
Domestic OTC funds	Taishin Global Multi-asset Fund of Funds TWD A	905	9,000	8,711
Domestic OTC funds		3,512	5,390	6,097
			<u>\$ 124,410,084</u>	<u>\$ 144,041,593</u>

Note: "Others" means the aggregated disclosure of items under \$300,000 thousand.

(Concluded)

## TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## SCHEDULE 2

### SECURITIES PURCHASED UNDER RESELL AGREEMENTS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Items	Face Value	Amount
Government bonds	\$ 618,000	\$ 623,328
Commercial paper		
Mega Bills	1,800,339	1,780,341
IBFC	2,572,593	2,624,879
China Bills	2,295,293	2,235,354
Jih Sun Securities	60,212	60,090
Taiwan Bills	240,848	245,508
Grand Bills	150,530	142,861
Capital Securities	752,650	747,241
President Securities	1,716,042	1,558,464
EnTrust Securities	735,956	706,511
Taiwan Cooperative Bank	169,340	160,731
Yuanta Bank Hong Kong Branch	338,105	320,746
Time deposits		
Taiwan Cooperative Bills	-	149,724
IBFC	-	150,488
China Bills	-	99,870
Mega Bills	-	49,935
	<u>\$ 11,449,908</u>	<u>\$ 11,656,071</u>

## FINANCIAL ASSETS AT FVTOCI

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Items	Summary	Face Value	Cost	Accumulated Impairment	Fair Value	Note
Corporate bonds	APICOR Float 04/01/24	1,806,360	\$ 1,806,360	\$( 32)	\$ 1,834,395	
	Arab Petroleum Investments Corporation	993,498	993,498	( 18)	1,008,276	
	KOROIL Float 07/16/23 Corp	812,862	816,633	( 209)	820,666	
	P04 FUBON 4	600,000	613,852	( 514)	612,938	
	APICOR Float 12/04/24	602,120	602,120	( 11)	608,900	
	P06 TAIPOWER 2A	500,000	500,000	( 196)	503,268	
	P05 FENC 3	500,000	497,575	( 486)	499,549	
	CKHH 3.25 04/11/24	466,643	466,262	( 185)	479,156	
	CKHH 2.75 09/06/29	481,696	479,091	( 190)	473,341	
	P06 UMC 1A	450,000	450,000	( 377)	453,785	
	CNOOC 4.25 01/26/21	436,537	442,796	( 174)	445,344	
	BOC AVIATION LTD	403,001	401,926	( 159)	406,954	
	APICOR FLOAT 04/01/24 COR	361,272	361,272	( 6)	367,464	
	PSASP 2.125 09/05/29	361,272	358,042	-	351,442	
	01 TSMC 4	300,000	305,291	( 120)	306,893	
	01 CPC 1C	300,000	303,529	( 119)	304,853	
	KORWAT Float 08/02/22	301,060	301,060	( 5)	301,680	
	P06 CPC 1A	300,000	300,000	( 117)	301,633	
	P07 Hon Hai 2C	300,000	300,000	( 119)	300,741	
	P07 FPG 1A	300,000	301,028	( 119)	300,402	
	Others (Note)	6,389,916	6,400,288	( 4,382)	6,457,873	
Beneficiary securities	GNR 2016-118 AP	903,180	610,368	-	610,937	
Bank debentures	MAYMK Float 08/16/24	3,010,600	3,010,600	( 1,196)	3,023,290	
	19 CDB 04 (190204)	2,204,649	2,216,045	( 867)	2,230,916	
	FABUH Float 08/08/23	2,197,738	2,197,738	( 562)	2,199,683	
	EXIMCH 3.33 02/22/26	1,988,507	1,941,445	( 760)	1,974,349	
	GS Float 08/14/25	1,806,360	1,806,360	( 479)	1,809,250	
	CIMBMK Float 10/09/24	1,505,300	1,505,300	( 598)	1,508,853	
	TD Float 07/10/24	1,434,888	1,436,029	( 376)	1,437,693	
	ADBCH 3.33 01/06/26	1,426,538	1,389,461	( 544)	1,418,121	
	KDB Float 08/29/24	1,329,382	1,329,382	( 23)	1,329,176	
	FABUH Float 07/08/24	1,324,664	1,324,664	( 339)	1,326,009	
	ICBCAS Float 09/16/24	1,174,134	1,174,134	( 461)	1,175,291	
	KDB 1.5 08/29/24	1,055,065	1,051,650	( 18)	1,037,097	
	BACR 3.95 05/30/25	994,254	994,254	( 263)	1,001,895	
	NAB Float 05/16/23	970,660	971,161	( 245)	978,954	
	QNBK Float 03/12/24	903,180	910,410	( 167)	911,589	
	NAB Float 06/19/24	886,254	887,429	( 224)	894,452	
	ANZ Float 08/29/24	886,254	886,254	( 224)	888,040	
	EXPORT-IMPORT BANK OF KOREA	867,289	867,442	( 26)	871,235	
	FIRST ABU DHABI BANK PJSC	842,968	842,968	( 215)	843,824	
	AGRICULTURAL DEVELOPMENT BANK OF CHINA CO LTD	812,389	813,147	( 317)	823,151	
	BCHINA Float 04/20/22	791,299	795,670	( 208)	797,748	
	KNFP 3.55 09/26/23	752,650	756,074	( 297)	786,835	
	BANK OF TOKYO-MIT UFJ SYDNEY	759,647	759,647	( 198)	763,407	
	Woori Bank	754,288	754,101	( 199)	756,708	
	KEBHNB Float 03/13/23	752,650	753,222	( 299)	756,669	

(Continued)

Items	Summary	Face Value	Cost	Accumulated Impairment	Fair Value	Note
	WSTP 2.25 08/16/24	738,545	\$ 733,021	\$ ( 185)	\$ 753,002	
	CHINA DEVELOPMENT BANK CORP	704,284	703,387	( 274)	712,090	
	EIBKOR Float 10/30/23	706,893	706,893	( 12)	712,008	
	MALAYAN BANKING BHD	692,438	692,438	( 274)	695,357	
	091900003 (19 UOB Bond 01)	648,426	648,426	( 165)	649,451	
	KOREA DEVELOPMENT BANK	647,995	647,994	( 40)	648,114	
	AUST & NZ BANKING GROUP	633,039	633,039	( 159)	643,183	
	BANK OF AMERICA CORP.	631,595	631,644	( 167)	635,009	
	EIBKOR Float 10/08/24	633,039	633,039	( 11)	633,925	
	MIZUHO BANK LTD SYDNEY	611,561	611,613	( 160)	607,606	
	WOORIB Float 02/01/23	602,120	603,616	( 160)	606,251	
	180214 (18 CDB 14)	540,355	551,975	( 216)	560,651	
	FABUH Float 07/08/24	541,908	541,908	( 139)	542,485	
	CBAAU FLOAT 08/16/23	527,532	527,767	( 133)	532,156	
	MAYMK Float 08/16/24	511,802	512,193	( 203)	514,061	
	CIMBMK FLOAT 10/09/24	511,802	512,012	( 203)	513,200	
	WOORIB Float 05/21/24	481,696	482,153	( 128)	484,013	
	ANZ 1.55 08/29/24	474,779	474,621	( 120)	469,523	
	KEB HANA BANK	467,224	467,145	( 184)	469,339	
	SUNAU 3.3 04/15/24	451,590	451,439	( 177)	464,187	
	KEBHNB Float 03/13/23	451,590	452,219	( 179)	453,992	
	MACQUARIE BANK LIMITED	453,215	453,226	( 118)	452,684	
	AGRICULTURAL BANK OF CHINA HONG KONG	451,946	451,896	( 177)	452,394	
	BACR Float 01/11/21	451,590	450,136	( 119)	451,671	
	BANK OF COMMUNICATIONS	437,227	436,975	( 141)	437,353	
	BANK OF MONTREAL	432,640	432,635	( 109)	435,417	
	19 CDB 09 (190209)	432,284	427,433	( 167)	431,964	
	160408 (16 ADBC 08)	432,284	426,947	( 167)	430,430	
	KEBHNB Float 09/14/22	421,484	421,436	( 167)	425,039	
	BNS Float 09/08/22	422,026	423,420	( 164)	424,841	
	WOORIB FLOAT 05/21/24	421,484	421,984	( 112)	423,278	
	ANZ BANKING GROUP **	422,220	422,209	( 106)	422,876	
	CIMB BANK BHD	421,484	421,484	( 167)	422,466	
	AGR BK Float 09/26/22	422,026	422,026	( 111)	421,982	
	MIZUHO 1.7 08/07/24	422,026	421,564	( 110)	417,702	
	EXPORT-IMPORT BANK CHINA	406,333	406,755	( 158)	410,630	
	WESTPAC BANKING CORPORATION	396,508	396,000	( 100)	399,254	
	ANZ 1.55 08/29/24 CORP	398,589	399,877	( 101)	396,486	
	NATIONAL AUSTRALIA BANK	379,823	379,823	( 96)	384,895	
	MUFG Float 04/04/22	375,058	375,058	( 98)	376,256	
	BANK OF CHINA HONG KONG	365,170	364,733	( 96)	368,258	
	BMO Float 09/07/23	358,722	358,722	( 91)	361,768	
	SHBASS Float 09/27/23	358,722	358,600	( 91)	361,113	
	BMO Float 07/17/24	358,722	358,804	( 94)	358,587	
	CBAAU Float 04/25/23	337,621	337,049	( 85)	339,621	
	KEBHNB Float 06/13/24	331,166	331,611	( 132)	332,718	
	INDUSTRIAL AND COMMERCIAL BANK OF CHINA SINGAPORE	331,161	331,194	( 122)	331,830	
	MUFG Float 03/20/23	316,519	316,818	( 83)	318,322	
	EIBKOR FLOAT 10/08/24	316,519	316,519	( 6)	316,984	
	RABOBK Float 01/10/23	310,875	309,526	( 122)	311,024	
	BARCLAYS BANK PLC	302,599	302,599	( 80)	304,924	
	KEBHNB Float 07/26/23	301,060	301,060	( 118)	302,805	
	ABNANV Float 07/19/22	301,060	301,060	( 118)	302,747	

(Continued)

Items	Summary	Face Value	Cost	Accumulated Impairment	Fair Value	Note
	F12702 (P18KB1)	301,060	\$ 301,268	\$( 80)	\$ 302,508	
	AGRBK Float 07/30/22	301,060	301,232	( 118)	301,602	
	GOLDMAN SACHS GROUP	301,060	301,060	( 80)	301,542	
	AGRBK Float 09/23/22	301,060	301,060	( 118)	301,430	
	BANK OF CHINA DUBAI	301,180	301,100	( 80)	301,265	
	Others (Note)	27,572,055	27,604,316	( 8,763)	27,739,990	
Government bonds	Treasury Bond 108 I-1	9,900,000	9,915,553	-	9,917,412	
	Treasury Bond 102 I-6	9,100,000	9,451,897	-	9,456,067	
	Treasury Bond 108 I-7	2,850,000	2,838,931	-	2,842,003	
	Treasury Bond 93-9	2,250,000	2,493,497	-	2,499,487	
	Treasury Bond 94-3	2,100,000	2,278,195	-	2,288,398	
	T 2.25 01/31/24	2,107,420	2,155,113	-	2,156,813	
	T1.375 09/15/20	1,685,936	1,676,339	-	1,683,170	
	Treasury Bond 105 I-4	1,350,000	1,354,549	-	1,384,944	
	Treasury Bond 101 I-9	1,250,000	1,267,720	-	1,271,050	
	Treasury Bond 93-3	1,150,000	1,258,121	-	1,258,614	
	Hong Kong Exchange Fund Note	1,241,385	1,239,052	-	1,237,663	
	Treasury Bond 103 I-13	1,100,000	1,146,255	-	1,154,044	
	180028 (18 Coupon Bond 28)	1,080,711	1,074,358	-	1,095,840	
	Treasury Bond 106 I-4	1,000,000	1,034,266	-	1,040,657	
	Treasury Bond 104 I-12	1,000,000	1,027,439	-	1,027,977	
	US TREASURY N/B	793,414	793,347	-	792,545	
	Treasury Bond 107 I-7	750,000	749,650	-	755,239	
	Treasury Bond 92-3	700,000	739,326	-	739,728	
	Treasury Bond 107 I-9	650,000	662,073	-	665,848	
	T 2.25 02/15/21	602,120	600,207	-	606,330	
	T 2.25 11/15/27	541,908	552,378	-	558,208	
	Treasury Bond 104 I-5	500,000	525,675	-	537,104	
	Treasury Bond 108 I-3	500,000	504,202	-	506,644	
	T 2.75 02/28/25	451,590	454,836	-	475,193	
	T 2.125 03/31/24	451,590	449,291	-	460,163	
	Treasury Bond 102 I-6	350,000	354,554	-	355,093	
	Treasury Bond 107 I-11	350,000	350,271	-	352,327	
	Treasury Bond 105 I-11	350,000	349,870	-	352,300	
	CGB 3.19 04/11/24	345,827	348,685	-	351,004	
	China Government Bond	304,717	304,364	-	305,144	
	T 2.25 02/15/21	301,060	302,985	-	303,165	
	Treasury Bond 106 I-1	300,000	300,744	-	301,122	
	Treasury Bond 106 I-2	300,000	299,514	-	301,051	
	Others (Note)	1,037,488	1,053,161	-	1,056,345	
Domestic and overseas stocks	Dah Chung Bills Finance Corp.	826,577	942,527	2,446	1,159,032	
	Taiwan Mobile Co., Ltd.	61,380	671,450	-	687,456	
	Chunghwa Telecom Co., Ltd.	44,940	496,690	-	494,340	
	TCC	88,708	299,977	-	387,653	
	Others (Note)	1,223,173	1,475,280	( 50,485)	1,899,292	
Investment in bills	Negotiable certificates of deposit - Central Bank	104,455,000	104,455,000	-	104,397,403	
	Commercial paper - other banks guarantees	9,495,000	9,489,599	-	9,490,638	
	Treasury bill	1,655,098	1,650,783	-	1,650,647	
		<u>269,473,917</u>	<u>\$ 271,981,059</u>	<u>\$( 80,936)</u>	<u>\$ 273,426,137</u>	

Note: "Others" means the aggregated disclosure of items under \$300,000 thousand.

(Concluded)

## DEBT INSTRUMENTS AT AMORTIZED COST

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Items	Summary	Amount	Interest Rate (%)	Unamortized Premium (Discount)	Allowance for impairment	Book Value	Note
Bank debentures	C 3.82 05/16/29	\$ 602,120		\$ -	\$ ( 239)	\$ 601,881	
Bank debentures	MS 3.7 05/28/29	1,204,240		-	( 478)	1,203,762	
Bank debentures	MS 3 09/30/29	602,120		-	( 239)	601,881	
Bank debentures	JPM 3 11/06/29	1,204,240		-	( 473)	1,203,767	
Bank debentures	JPM 4.2 10/15/28	903,180		-	( 355)	902,825	
Bank debentures	JPM 4.31 10/26/28	602,120		-	( 237)	601,883	
Bank debentures	JPM 4.4 11/27/28	903,180		-	( 355)	902,825	
Bank debentures	C 4.35 01/16/29	1,204,240		-	( 478)	1,203,762	
Bank debentures	ACAAP 4.25 01/25/29	1,204,240		-	( 473)	1,203,767	
Bank debentures	INTNED 4 03/15/29	1,204,240		-	( 473)	1,203,767	
Bank debentures	SOCGEN 4.2 01/31/29	1,083,816		-	( 287)	1,083,529	
Bank debentures	C 3.82 05/16/29	602,120		-	( 239)	601,881	
Bank debentures	MS 3 09/30/29	602,120		-	( 239)	601,881	
Bank debentures	ACAAP 3.27 08/09/29	602,120		-	( 237)	601,883	
Government bonds	Treasury Bond 101 I-5	1,150,000		17,406	-	1,167,406	
Government bonds	Treasury Bond 101 I-9	300,000		4,568	-	304,568	
Government bonds	Treasury Bond 101 II-2	300,000		4,937	-	304,937	
Government bonds	Treasury Bond 105 I-8	500,000		( 177)	-	499,823	
Government bonds	Treasury Bond 106 I-5	300,000		1,369	-	301,369	
Government bonds	Treasury Bond 90 II-1	500,000		29,061	-	529,061	
Government bonds	Treasury Bond 99-5	6,000		32	-	6,032	
Government bonds	Treasury Bond 102-6	6,000		126	-	6,126	
Investment in bills	NCD	116,250,000		-	-	116,250,000	
		<u>\$ 131,836,096</u>		<u>\$ 57,322</u>	<u>\$ ( 4,802)</u>	<u>\$ 131,888,616</u>	

**TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**
**SCHEDULE 5**
**CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars and shares, Except Unit Price)**

Name	Beginning Balance		Increase		Decrease		Ending Balance			Market Price or Equity	
	Shares	Amounts	Shares	Amounts	Shares	Amounts	Shares	Ownership Interest (%)	Amounts	Unit Price	Total
Unlisted shares											
An-Hsin Real-Estate	4,500	\$ 59,077	-	\$ 10,278	-	\$ -	4,500	30.00	\$ 69,355	15.43	\$ 69,355
Ambi Investment and Inc.	-	-	1,000	10,000	-	-	1,000	25.00	10,000	10.00	10,000
Listed company											
Chang Hwa Bank	2,233,177	40,041,904	44,664	2,714,575	-	( 1,429,234)	2,277,841	22.81	41,327,245	22.70	51,706,973
		<u>\$ 40,100,981</u>		<u>\$ 2,734,853</u>		<u>\$( 1,429,234)</u>			<u>\$ 41,406,600</u>		<u>\$ 51,786,328</u>

**TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**
**SCHEDULE 6**
**CHANGES IN RIGHT-OF-USE ASSETS**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars)**

	Beginning Balance	Increase	Decrease	Ending Balance	Note
Buildings	\$ 2,294,085	\$ 1,192,394	\$( 86,278)	\$ 3,400,201	
Office equipment	509	837	( 355)	991	
Transportation equipment	27,599	13,781	( 5,919)	35,461	
	<u>\$ 2,322,193</u>	<u>\$ 1,207,012</u>	<u>\$( 92,552)</u>	<u>\$ 3,436,653</u>	

Note: The amounts of beginning balance have included the IFRS 16 adjustments.

**TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**
**SCHEDULE 7**
**CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars)**

	Beginning Balance	Increase	Decrease	Ending Balance	Note
Buildings	\$ 5,226	\$ 700,699	\$( 47,735)	\$ 658,190	
Office equipment	-	422	( 326)	96	
Transportation equipment	-	19,107	( 2,064)	17,043	
	<u>\$ 5,226</u>	<u>\$ 720,228</u>	<u>\$( 50,125)</u>	<u>\$ 675,329</u>	

Note: Right-of-use assets are depreciated over the lease term of 1-12 years under the straight-line method.

## SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Items	Face Value	Amount
Corporate bonds		
CHCONS3.507/05/27	\$ 481,696	\$ 479,567
ARAMCO3.504/16/29	361,272	356,615
P06 TAIPOWER 2A	500,000	500,000
P04 FUBON	600,000	600,000
P05 FENC 3	500,000	500,000
P06 UMC 1A	450,000	450,000
P07 Hsin Ba 1-B87301	400,000	403,355
P06 ShinRuenn 1-B86502	300,000	313,628
P06 Hon Hai 3B-B644AZ	300,000	312,971
P07 Xinyi 2-B99104	300,000	307,783
P06 Da Li 1-B85304	300,000	305,197
P04 FUBON-B97841	300,000	300,193
APICORFloat12/04/24	440,652	430,556
APICORFloat04/01/24	451,590	401,572
Others (Note)	15,792,230	15,773,711
Convertible bonds		
Highwealth 5-25425	1,059,300	1,060,208
YangMing 5-26095	622,400	622,571
Others (Note)	3,356,800	3,361,259
Government bonds		
Treasury Bond 102 I-6	7,873,600	7,889,288
Treasury Bond 108 I-1	6,360,000	6,269,516
Treasury Bond 108 I-7	2,642,000	2,623,360
Treasury Bond 93-9	2,068,000	2,068,000
Treasury Bond 94-3	1,749,000	1,749,043
Treasury Bond 93-3	1,050,000	1,050,000
Treasury Bond 101 I-9	1,000,000	1,000,000
Treasury Bond 106 I-4	900,000	900,264
Treasury Bond 104 I-12	870,000	871,249
Treasury Bond 103 I-13	800,000	800,000
Treasury Bond 107 I-9	620,000	620,077
Treasury Bond 105 I-4	550,000	550,000
Treasury Bond 104 I-5	490,000	490,043
Others (Note)	2,204,756	2,203,771
Bank debentures		
TDFloat07/10/24	1,434,888	1,364,066
NABFloat05/16/23	970,660	929,319
WSTP2.2508/16/24	738,545	726,336
ANZFLOAT02/08/24CORP	623,872	623,872
ANZFloat08/29/24	633,039	604,406
BACFLOAT03/05/24	584,489	584,489
BBLTB4.4509/19/28	541,908	582,659
MUFGFLOAT03/20/23CORP	554,853	554,853
ADCBUHFfloat10/24/24	541,908	520,028
WFC3.5509/29/25	481,696	489,249
SCBTB4.402/11/29	427,505	460,885

(Continued)

Items	Face Value	Amount
FABUFloat08/08/23	\$ 451,590	\$ 416,335
MIZUHOFLOAT08/07/24	426,880	405,094
MIZUHO1.708/07/24	422,026	401,915
EIBKORFLOAT10/08/24CORP	400,423	400,423
CITNAT2.87503/25/23	391,378	377,834
KDB2.7503/19/23	361,272	351,205
BMOFloat07/17/24	358,722	340,492
EXIMCH2.87504/26/26	346,821	338,941
NABFLOAT02/26/24CORP	328,515	328,515
EIBKORFLOAT10/08/24	316,984	300,393
Others (Note)	13,908,669	13,257,269
<b>Commercial paper</b>		
Issued by - Taiwan Business Bank	4,250,000	4,243,236
Issued by - Land bank short-term ticket account	3,270,000	3,265,200
Issued by - Formosa Petrochemical Corporation	3,206,100	3,202,393
Issued by - Chunghwa Telecom	2,700,000	2,697,989
Issued by - SinoPac Bank	2,250,000	2,247,341
Issued by - National Health Insurance Administration	1,770,000	1,767,258
Issued by - Chang Gung Memorial Hospital	1,723,900	1,722,300
Issued by - Taichung Commercial Bank	1,700,000	1,698,592
Issued by - TCB Money Market Fund	1,440,000	1,437,750
Issued by - MAI-LIAO Power	1,347,000	1,345,800
Issued by - ING Bank	1,100,000	1,098,471
Issued by - Yuanta Financial Holding	1,000,000	999,290
Issued by - Yuanta Securities	888,000	887,634
Issued by - TWSE	840,000	839,269
Issued by - TAIRILITE	807,400	806,366
Issued by - SinoPac Securities	800,000	799,556
Issued by - Formosa Taffeta	760,000	759,072
Issued by - Hontai Life Insurance	700,000	699,121
Issued by - KGI Securities	528,000	527,721
Issued by - Fubon Life Insurance	500,000	499,559
Issued by - FEIB	450,000	449,374
Issued by - Taishin 1699	400,000	399,592
Issued by - Capital Money Market Fund	400,000	398,795
Issued by - NanYa Printed Circuit Board	362,600	362,201
Issued by - Nomura Taiwan Money Market Fund	360,000	359,683
Issued by - Nanya Technology Corporation	354,700	354,300
Issued by - SinoPac TWD Money Market Fund	350,000	349,838
Issued by - Hotai Insurance	350,000	349,588
Issued by - Hotai Motor	350,000	349,363
Issued by - Fubon Chi-Hsiang Money Market Fund	320,000	319,623
Others (Note)	4,931,800	4,926,253
<b>Bonds ETF</b>		
Others (Note)	60,025	60,072
	<u>\$ 121,209,464</u>	<u>\$ 120,144,975</u>

Note: "Others" means the aggregated disclosure of items under \$300,000 thousand.

(Concluded)

**TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

SCHEDULE 9

**DETAILED SCHEDULE OF FOREIGN EXCHANGE GAIN (LOSS)  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Items	Amount
Spot	\$ 4,931,710
Forward	( 4,726,652)
Self-owned capital	( 23,987)
Others	46,245
	<u>\$ 227,316</u>

**TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

SCHEDULE 10

**DETAILED SCHEDULE OF NET OTHER NON-INTEREST INCOME (LOSS)  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Items	Amount
Revenue excluding interest	
Loans management revenue	\$ 235,829
Leasing revenue	95,101
Business tax refund revenue	71,680
Other revenue (Note)	317,615
	<u>720,225</u>
Expense excluding interest	
Loans manage cost	( 25,193)
Expenses arising from issuance of call (put) warrants	( 24,805)
Reparation loss	( 86,865)
Other expenses	( 89,558)
	<u>( 226,421)</u>
	<u>\$ 493,804</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

**DETAILED SCHEDULE OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Items	Amount
Employee benefits expenses	\$ 13,987,394
Depreciation	1,711,251
Amortization	293,149
Leases	185,489
Stationeries	133,556
Postage and remittance fee	830,277
Advertisement fee	1,813,624
Insurance (group insurance, labor and national health insurance were excluded)	355,045
Tax and levies	1,934,702
Allowance for entertainment	97,353
Donation	10,887
Labor service fee	1,361,372
Freight	55,005
Others (Note)	1,983,618
	<u>\$ 24,752,722</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

**TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

## SCHEDULE 12

**EMPLOYEE BENEFITS EXPENSE  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

	Employee Benefits Expense	Other General and Administrative Expenses	Total
Salaries and wages	\$ 11,824,710	\$ -	\$ 11,824,710
Labor and national health insurance	828,088	-	828,088
Post-employment benefits	469,647	-	469,647
Stock-based payments	40,237	-	40,237
Remuneration of directors	267,858	604	268,462
Others	556,854	-	556,854
	<u>\$ 13,987,394</u>	<u>\$ 604</u>	<u>\$ 13,987,998</u>

Note 1: As of December 31, 2019 and 2018, the numbers of employees of the Group were 9,582 and 9,315, respectively, including 17 and 14 non-employee directors, respectively.

Note 2: The average employee benefits expenses for the years ended December 31, 2019 and 2018 were \$1,434 thousand and \$1,310 thousand per employee, respectively.

Note 3: The average salaries and wages for the years ended December 31, 2019 and 2018 were \$1,236 thousand and \$1,103 thousand per employee, respectively. The average employee salaries and wages were increased by 12.06%.



# 07

**Review and Analysis of Financial  
Conditions, Financial Performance,  
and Risk Management**

# VII. Review and Analysis of Financial Conditions, Financial Performance, and Risk Management

## A. Financial status

Unit: NT\$1,000

Item	2018	2019	Variation	
			Amount	(%)
Cash and cash equivalent	3,966,191	3,031,477	( 934,714)	( 23.57)
Financial assets at fair value through other comprehensive income	1,995	1,980	( 15)	( 0.75)
Financial assets at fair value through profit or loss	2,100,049	0	( 2,100,049)	( 100.00)
Receivables - net	1,581,663	1,232,846	( 348,817)	( 22.05)
Current tax assets	229,092	229,092	0	-
Investments accounted for using the equity method, net	193,892,658	209,319,394	15,426,736	7.96
Other financial assets	0	0	0	-
Property and equipment - net	5,604	3,990	( 1,614)	( 28.80)
Right-of-use assets - net	0	5,984	5,984	-
Deferred tax assets - net	0	0	0	-
Other assets	22,184	17,538	( 4,646)	( 20.94)
Total assets	201,799,436	213,842,301	12,042,865	5.97
Commercial paper issued	2,495,745	9,994,377	7,498,632	300.46
Payables	988,595	968,791	( 19,804)	( 2.00)
Current tax liabilities	1,930,570	1,982,724	52,154	2.70
Bonds payable	22,000,000	22,000,000	0	-
Lease liabilities	0	7,027	7,027	-
Reserve for liabilities	0	0	0	-
Other liabilities	0	0	0	-
Total liabilities	27,414,910	34,952,919	7,538,009	27.50
Capital stock	114,541,477	114,578,121	36,644	0.03
Capital surplus	37,805,713	35,955,405	( 1,850,308)	( 4.89)
Retained earnings	22,108,378	27,302,739	5,194,361	23.49
Other equity	( 71,042)	1,053,117	1,124,159	1,582.39
Total equity	174,384,526	178,889,382	4,504,856	2.58

Figures exceeding NT\$100 million and changed by 20% or higher are analyzed as follows:

- (1) Decrease in cash, cash equivalents and repurchase bills and bonds as at December 31, 2019 over December 31, 2018 is the balance after the issue of commercial paper in 2019 was used to buy back Class D preferred shares and distribute cash dividends.
- (2) Decrease in receivables as at December 31, 2019 over December 31, 2018 is mainly attributed to decrease in consolidated taxes receivable from subsidiaries.
- (3) Increase in commercial paper payables as at December 31, 2019 over December 31, 2018 was mainly attributed to buyback of Class D preferred shares and distribution of cash dividends.
- (4) Increase in other equities as at December 31, 2019 over December 31, 2018 was mainly attributed to increase in unrealized gains for subsidiaries on available-for-sale financial assets.

## B. Business performance

Unit: NT\$1,000

Item	2018	2019	Variation	
			Amount	Amount
Realized gain on available-for-sale financial assets	13,602,396	15,302,418	1,700,022	12.50
Other income	29,746	27,180	( 2,566)	( 8.63)
Operating expenses	( 360,657)	( 319,125)	41,532	( 11.52)
Other expenses and losses	( 476,975)	( 450,715)	26,260	( 5.51)
Pre-tax income (loss)	12,794,510	14,559,758	1,765,248	13.80
Income tax (expense) benefit	136,073	( 71,737)	( 207,810)	( 152.72)
Net Income	12,930,583	14,488,021	1,557,438	12.04
Other comprehensive income (loss), net of tax	( 320,701)	1,019,522	1,340,223	417.90
Total comprehensive income	12,609,882	15,507,543	2,897,661	22.98

Figures exceeding NT\$100 million and changed by 20% or higher are analyzed as follows:

- ( 1 ) Increase in income tax expense as at December 31, 2019 over December 31, 2018 was mainly attributed to the retained earnings estimate in 2019 and reversal of the cumulative income tax payable estimate in 2018.
- ( 2 ) Increase in other comprehensive income as at December 31, 2019 over December 31, 2018 was mainly attributed to increase in unrealized gains for subsidiaries on available-for-sale financial assets.

## C. Cash flow

Analysis of cash flow in the coming year

Unit: NT\$1,000

Initial cash balance 1	Expected cash flow from business activities for the whole year 2	Expected cash outflow (inflow) for the whole year 3	Expected cash surplus (shortage) 1+2-3	Remedies for expected cash shortage	
				Investment plan	Financing plan
3,031,477	4,935,669	(6,518,813)	1,448,333	Nil	Nil

## D. Influence on finance of major capital outlays in the recent one year

The company did not incur any major capital outlay in 2019.

## E. Investment policy in the recent year

The company carries out investments in compliance with the articles 36 and 37 of Taiwan's Financial Holding Company Law, with considering returns on investment and cross-selling synergy among subsidiaries. In order to meet the demand of clients for assets accumulation and wealth management planning, the company has been expanding its business scope and providing comprehensive professional financial services. Going forward and facing intensive competition and a fast-changing financial environment, the company will continue, via organic or external growth, expanding its scale and market shares in broad range of financial sectors, such as banking, securities, insurance, investment finance, commercial paper/bond, and overseas markets, so as to tap the businesses of clients in various sections, sharpen competitive edge, and expand profit sources.

## F. Assessment of risk management

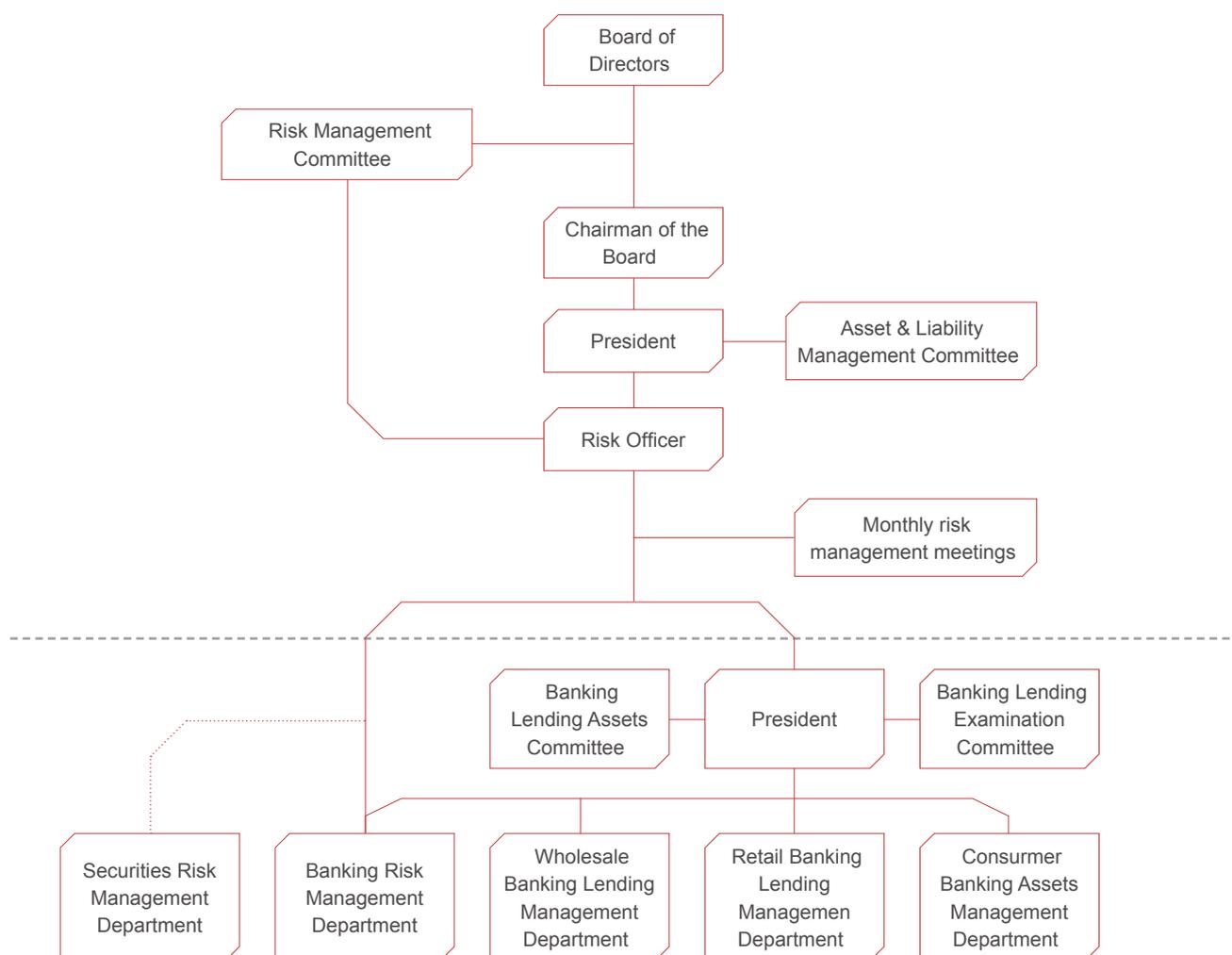
### a. Risk management framework and policy of the financial holding company and subsidiaries

To cope with its comprehensive business scope, the company needs to identify, assess, consolidate, and manage the risks, in addition to properly allocate capital to various business units. The company manages risks via a procedure closely associated with its risk management policy, organizational framework, risk assessment, and business activities. According to overall risk management planning, the financial holding company has instituted an independent risk management organization, with its frameworks listed below:

Organization	Contents
Board	<ol style="list-style-type: none"> <li>1. Approval of risk management policy and procedure.</li> <li>2. Approval of market risk, credit risk, and operational risk of the financial holding company.</li> </ol>
Risk Management Committee	<ol style="list-style-type: none"> <li>1. Members of the committee authorizes the chairman of the board to select three or more members of the board, more than half of whom shall be independent directors. Members of the committee will then elect one person among them to be the convener and chair the meetings. Committee members shall serve the same term as those of them do concurrently on the board of directors.</li> <li>2. Review of the risk management policy and procedure of the financial holding company.</li> <li>3. Review of the financial holding company's risk appetite and limits.</li> <li>4. Inspec of the financial holding company's regular integrated risk management reports.</li> <li>5. Review of other material risk management matters as defined by the company or by the competent authority.</li> </ol>
Monthly risk management meetings.	<ol style="list-style-type: none"> <li>1. The chief risk officer will serve as the convener.</li> <li>2. Review of the risk management policy and procedure of the financial holding company.</li> <li>3. Review or filing with the authorities of policies and regulations regarding market risks, credit risks, and operational risks in subsidiaries.</li> <li>4. Supervise and establish market risk, credit risk, and operating risk control mechanism.</li> <li>5. Review performance report of the risk management units of subsidiaries and the overall risk analytical report of the financial holding company.</li> <li>6. Reviewing and finaliz risk model, risk parameters and indicators, and pressure test plan.</li> <li>7. Establish of committees as needed or specifically for certain key issues.</li> <li>8. Monitor various risks undertaken by the company, adopting necessary measures for controlling large risk exposure.</li> <li>9. Report of other risk related projects.</li> </ol>
Chief Risk Officer	<ol style="list-style-type: none"> <li>1. Convener of monthly risk management meetings.</li> <li>2. Implement risk management strategy and instituting risk management framework approved by the board.</li> <li>3. Supervis Risk Management Department and risk management units of subsidiaries in executing related policy.</li> <li>4. Assur effective cross department communication and coordinate risk management functions.</li> </ol>
Chief Risk Office	<ol style="list-style-type: none"> <li>1. Formulate and institute of risk management mechanism.</li> <li>2. Disclose of risk management implementation.</li> <li>3. Produce overall risk analytical report for the financial holding company.</li> <li>4. Coordinate and contact for risk management affairs with subsidiaries.</li> <li>5. Institute integrated risk management information system.</li> <li>6. Introduce the risk management norm of Basel Capital Accord, so as to institute a risk management mechanism complying with international standards.</li> </ol>
Risk management units of subsidiaries	<ol style="list-style-type: none"> <li>1. Provide of risk management related information.</li> <li>2. Implement the financial holding company's risk management policy.</li> </ol>

## Risk Management Organizational of Taishin Financial Holding co., Ltd.

Base date: Dec. 31 2019



### b. Risk assessment method and quantified information on the risk exposure of the financial holding company and subsidiaries

#### 1. Holdings common regular disclosure

The subsidiaries all operate in financial business, facing credit risk, market risk, and operating risk in operation and legal aspects. Therefore, the financial holding company's risk management covers an extensive scope, including systems and measures suited to the respective operations of subsidiaries and the institution of the integrated risk management policy and organizational framework of the financial holding company, meant to achieve comprehensive and efficient grasp various risks.

##### (1) Credit risk management

###### A. Wholesale banking

- (a) Pinpoint target loan clients, enhance profit margin, and expand low risk business, so as to strengthen risk enduring capability and reduce overall risks.

- (b) Ascertain credit analytical report and strengthen the training of credit officers.
- (c) Further strengthen internal credit rating mechanism.
- (d) Further strengthen post lending management and review system.
- (e) Institute the evaluation system for individual risks and overall credit risk involving securities underwriting and investment position.
- (f) Strengthen the management of credit risk concentration associated with loaning, investment, and trading of various financial products such as derivatives.
- (g) Institute individual management measures for businesses involving specific risk (such as ceiling for loans mortgaged with specific stocks, tracking the price threshold for margin calls, and the undertaking and post management of realty financing).
- (h) Institute the system for the alert, notification, and control of abnormal accounts.
- (i) Centralized NPL management.

#### B. Retail banking

- (a) In order to analyzing and monitoring risks, the company has formulated various qualitative indicators by product, as well as the NPL ratio, aging analysis, NPL status, loan losses, recovery of loans, write off and return rates.
- (b) Further enhancement of risk management technique: introduction and deep cultivation of rating model and policy making model; monitor, adjust, and upgrade of the models' efficiency.
- (c) Core risk analytical team: Core professional talents with analytical capability, product design capability, risk management capability, and execution capability.
- (d) Lending policy based on client group analysis: Analyze client risks according clients' external and internal behaviors, and flexibly adjust lending policy according to the risk levels of various client groups, as to maintain proper client group ratio.
- (e) Prevention of NPL and fraud: Further track the behavioral modes of NPL and fraud cases and repayment status, thereby forging policy and credit examination/ lending flow, as to institute a proactive preventive mechanism.
- (f) Client management based on risk analysis, rating model, and policy model, debt collection, and case review system.
- (g) Single client credit management.

#### (2) Market risk management

To consolidate the management of risks deriving from volatility in interest rate, exchange rate, credit spread and equity securities, Taishin calculates marked to market profits and losses on derivatives positions held by its subsidiaries, and sets limits on VaR, position, and stop loss and MAT alerts for investment portfolios according to purpose of the portfolio, trading strategies, derivative characteristics, and market practices in order to keep maximum losses under control.

#### (3) Operating risk management

To achieve a consistent and complete operating risk management system for the company's daily operation and decision making, the company has formulated operating risk management policy and operating risk endurable extent. It has also established "operating risk reporting procedure," "self-evaluation and auditing operation procedure," "key risk indicator procedure," and risk offsetting procedure, featuring mutually linked analysis to uphold operating risk forecast capability.

## 2. Risk management methods and quantified risk exposure information of subsidiaries

### (1) Taishin Bank

#### A. Credit risk

The main goal of risk management is to pursue maximum profits under reasonable risk, so as to uphold shareholders' interest. Effectively grasp the trend of assets quality via regular monitoring of numerical changes in net flow and adjust lending policy and debt collection strategy accordingly.

Utilize internal credit rating system, midterm management and review, diversification and ceiling of credit extension/ investment positions (customer groups), and other methods to monitor constantly risk level and changes in overall economic and financial climate, on top of irregular review or adjustment of risk aversion (diversification) and abatement strategy via internal procedure. Risk abatement is carried out mainly via the collection of collateral, which calls for different appraisal method and evaluation period according to their different nature, i.e., realty, or chattel, or securities.

#### (a) Wholesale banking

- I. Wholesale Credit Administration Division is the credit risk management unit for Wholesale Banking Group. It consists of credit management, screening, global trade, and asset management departments. Credit extension management department is in charge of the planning of internal credit evaluation system, the monitoring of credit extension position, the diversification of credit extension risk, the planning and formulation of management measures, the appraisal of the value of mortgaged properties, and the review and credit examination after the extension of loans. Various credit risk departments are in charge of the review of credit extension cases, the special asset management department is in charge of the statistics of credit extension assets for wholesale banking, the evaluation of the provisions for bad debts, and collection of overdue loans, non-performing loans, and bad debts.
- II. The evaluation and management of credit risk is undertaken by using internal credit rating system. In addition to credit rating undertaken upon application, all credit extension cases are subject to follow up tracking and management. The internal credit rating system consists of two aspects; one is the credit rating of borrowers, mainly for the evaluation of their capability to fulfill financial commitment, which is undertaken via the use of statistical model and an evaluation table as assistant tools. The second aspect is credit line rating, which is undertaken according to the factors of the existence of collateral, the order of lien, and type of products.
- III. Regular analysis of rating migration is carried out every year, to ascertain the stability of the existing rating system. Migration risk analysis and stress/scenario testing is also undertaken, in order to delineate risk exposure with more sensitive risk analysis and ascertain capital adequacy.

#### (b) Retail banking

- I. Retail business units evaluate and review cases based on the credit policy. Retail Banking Non Performing Asset Recovery Division is responsible for collection and management of delinquent cases.
- II. Formulate proper lending risk management policy by using Application Scoring System, Behavior Scoring System, Collection Scoring System and Credit Bureau Scoring System, along with the product profit model, to pinpoint optimal lending terms to provide profit model for different client groups with different loaning conditions.
- III. Flexibly adjust various risk management indicators and segmentation management via periodical assets analysis and default analysis, so as to achieve operating objectives.

## (c) Quantified information on risk exposure

## Credit Risk Exposure and Capital Requirement after Mitigation on Standardized Approach.

Dec. 31, 2019 Unit: NT\$1,000

Type of Risk Exposure	Risk Exposure after Mitigation	Capital Requirement
Sovereigns	0	0
Non-central government public sector entities	167,516,765	5,914,623
Banks (including multilateral development bank)	559,782,650	42,606,782
Corporates	455,008,415	29,646,148
Retails	289,059,582	13,837,241
Residential properties	3,151,070	252,086
Equities	46,958,027	2,776,110
Other Assets	1,850,332,135	95,064,691
Total	0	0

## B. Liquidity risk

## (a) Management principle

Risk management for fund liquidity is to assure that under any circumstance at present or in the future, the bank's liquid fund can meet the fund need resulting from assets growth or fulfilling mature obligations.

I. should monitor and manage the following items:

- ◆ Under normal market change or emergent situation, possess sufficient fund to meet due obligations and fulfill guarantee and commitment for credit extension.
- ◆ Carry out fund maneuvering at reasonable market prices.
- ◆ Meet liquidity need for business growth.

II. Basic principles for funding liquidity-risk management include:

- ◆ Principle of diversification: avoid over-concentration in fund maneuvering, in terms of maturity date, maneuvering tools, currency, place, funding source, and trading partners.
- ◆ Principle of stability: follow the strategy of fund stability to reduce the reliance on unstable funding sources and avoid the effect of market swing on funding sources.
- ◆ Principle of maintaining adequate assets liquidity: As the status of market liquidity will indirectly affect funding liquidity, the bank must assure that total assets are sufficient to cover total liabilities and keep a certain share of assets with good liquidity or good for use as collaterals, capable of meeting need of working capital in emergency and short-term liabilities.
- ◆ Principle of matching assets and liabilities on maturity.
- ◆ Pay attention to payment commitment resulting from credit-extension business.

(b) Quantified information

Value for balance period before due dates

Dec. 31, 2019 Unit: NT\$1,000

	Total	Value for Balance Period Before Due Dates					
		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 fund Inflow Due	1,913,803,190	286,577,019	305,313,139	317,341,472	185,664,253	108,461,965	710,445,342
Main fund Inflow Due	2,283,273,991	162,959,164	150,539,372	377,534,396	273,496,342	396,052,464	922,692,253
Expected Gap	( 369,470,801)	123,617,855	154,773,767	( 60,192,924)	( 87,832,089)	( 287,590,499)	( 212,246,911)

Analysis for the structure of USD due dates

I. The Bank

Dec. 31, 2019 Unit: US\$1,000

	Total	Value for Balance Period Before Due Dates				
		0 to 30 days	31 to 90 days	91 to 180 days	181 days to one year	Over one year
Main fund Inflow Due	33,770,352	11,728,456	10,839,848	4,740,565	2,396,139	4,065,344
Main fund Inflow Due	33,678,745	9,935,258	10,593,720	5,490,516	2,872,757	4,786,494
Expected Gap	91,607	1,793,198	246,128	( 749,951)	( 476,618)	( 721,150)

II. Overseas branch

Dec. 31, 2019 Unit: US\$1,000

	Total	Value for Balance Period Before Due Dates				
		0 to 30 days	31 to 90 days	91 to 180 days	181 days to one year	Over one year
Main fund Inflow Due	4,656,050	1,138,897	897,436	734,384	753,456	1,131,877
Main fund Inflow Due	4,670,465	1,314,912	1,525,764	871,178	582,465	376,146
Expected Gap	( 14,415)	( 176,015)	( 628,328)	( 136,794)	170,991	755,731

C. Market risk

(a) Strategy and process

I. The bank's risk management strategy calls for setting limits on risk exposure according to risk tolerance and risk adjusted returns rate, whereby increasing return and maximizing value for shareholders under capital restrictions. Accordingly, various business units have to seek approved quota before trading and independent risk management units assess gain or loss for trading positions daily, in addition to reporting gain/loss and risk exposure of trading position to executives regularly.

II. The scope and features of risk report and assessment system

Risk report is meant to disclose risk as an important reference for executives in formulating countermeasure and adjusting investment portfolio for achieving business objectives. The bank dedicates to integrating trading management systems for various products, in order to reporting gain/loss and risk exposure of trading position immediately.

## (b) Trading and risk management system

## I. Quality

The bank stresses the formulation and implementation of risk management policy and norms, as well as the establishment of risk management culture. Risk management units are independent from risk undertaking units and responsible for assessing and analyzing risk exposure and reporting the results to executives for use in policy making, in addition to instituting assessment process, the process for new product launch, and certification procedure model, in the hope of complying with the regulations of the competent authority, precisely assess risk, and standardized operating and risk management flows.

## II. Quantity

The company sets price sensitivity limits for various products with different risk factors as criteria for risk assessment. It calculate integrated VaR (Value at Risk) for its investment portfolio with IMA (Internal Model Approach) and set up VaR limits accordingly, in order to control the impact of market swings.

## (c) Quantitative information on risk exposure

Capital Requirement for Market Risk

Dec. 31, 2019 Unit: NT\$1,000

Kinds of risks	Capital requirement
Interest Rate Risk	4,162,442
Equity Securities Risk	409,430
Currency Risk	119,856
Commodity Risk	0
Total	4,691,728

## D. Operational risk

## (a) Operational risk management policy and framework

To attain effective operational risk management, the bank has formulated its operational risk management policy, according to the norms set by the Basel Committee on Banking Supervision, the Bank for International Settlements, and the Financial Supervisory Commission (FSC). The policy covers operational risk management framework, operational risk management principles, risk identification and assessment technique, and risk reporting/supervision, in order to foster consistent operational risk awareness inside the bank, establish operational risk management culture, and implement risk management system, in addition to specifying the operational risk tolerability of the bank. To assure consistency between the bank's operational risk management mechanism and corporate strategy, the company has established independent risk management units, further consolidating the bank's operational risk management.

## (b) Identification of operational risk

The company defines operational risk as "Risk of loss triggered by the impropriety or mistake involving internal process, staffers, system, or external incidents, including legal risk but excluding strategic or credit standing risks." In order to identify existing and potential risks, the bank has formulated various operational risk management process, as well as company wide risk glossary, loss incidence reporting system, risk self-evaluation system, key risk indicators, and risk reporting/disclosure procedure, so as to establish operational risk identification, assessment, and supervision method. Meanwhile, for the purpose of controlling various operational risks within endurable range, existing and potential risks should be analyzed and action plans be proposed in order to keep operational risks within acceptable ranges to the bank.

## (c) Operational risk assessment and supervision

To strengthen the control of loss amounts associated with operational risks in Taishin Bank and other subsidiaries, operational risk limits are established every year for individual units, and included in the annual balanced scorecards for better management and as part of the effort to incorporate operational risk management into routine business management.

## (d) Quantitative information on risk exposure

Operational Risk Accrued Capital

Dec. 31, 2019 Unit: NT\$1,000

Year	Gross Profit	Capital Requirement
2017	32,667,721	-
2018	34,026,537	
2019	37,646,970	
Total	104,341,228	4,681,151

## (2) Taishin Securities Co., Ltd. (Market risk, counterparty risk, fundamental risks, and business risks.)

## A. Risk management method

As of 2019, Taishin Securities have effectively evaluated and rigorously control process in the hope of effectively control risk. The strategy, organization, and evaluation of the company's risk management as follows.

## B. Risk management strategy and flow

## (a) Purpose for risk management

The company's risk management policy is formulated according to the risk management policy of Taishin Financial Holding co., Ltd., in order to achieve the following goals:

- I. The establishment and operation of the integrated risk management mechanism for market risk, credit risk, operating risk, liquidity risk, and legal risk, to attain effective risk management via centralized management and risk diversification.
- II. Upgrade assets quality.
- III. Upgrade the efficacy of capital allocation, so as to maximize returns after risk adjustment.

## (b) Process for formulation and approval of risk policy

## I. Formulation principle

The company's risk management policy is formulated according to the following three principles:

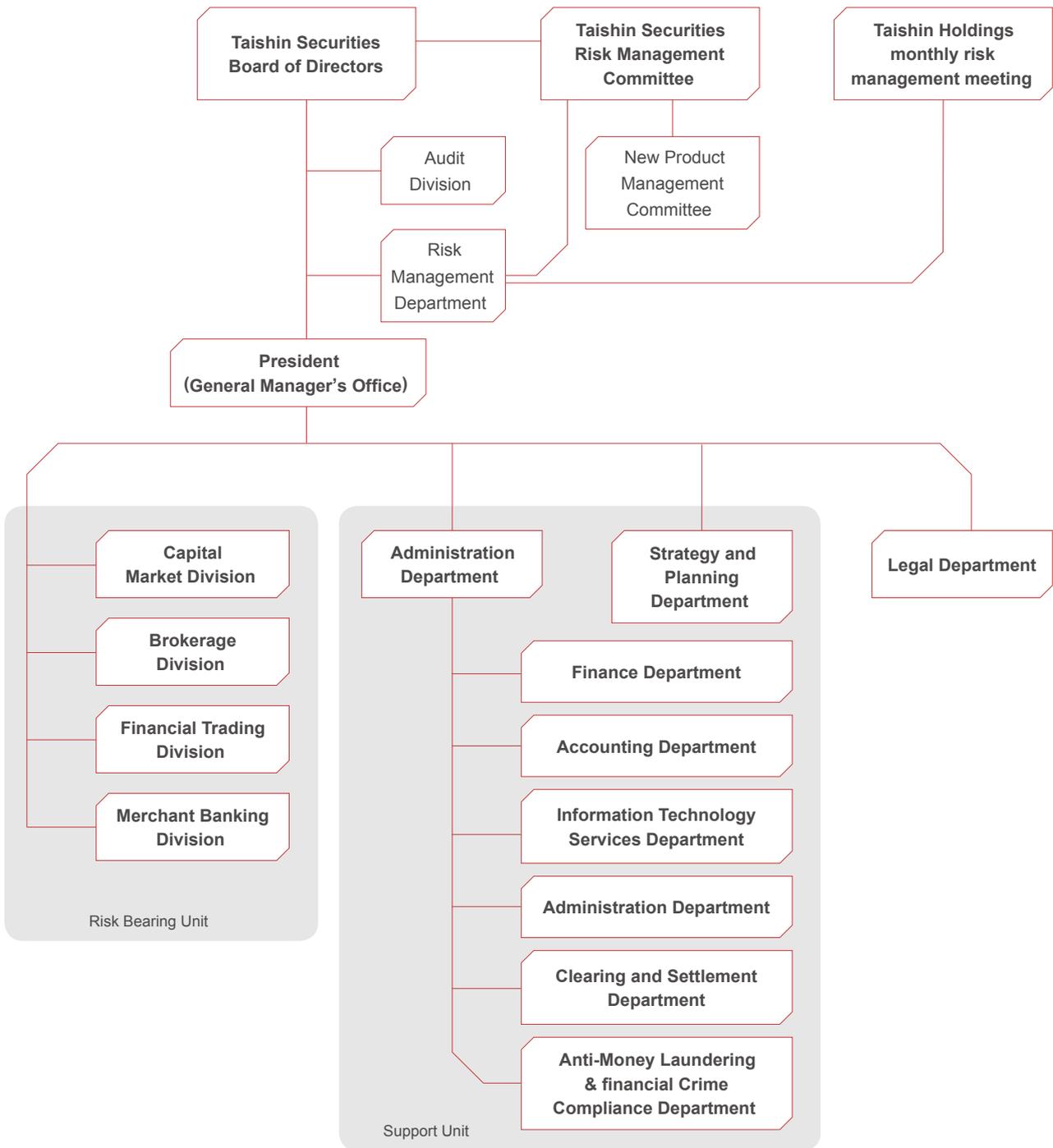
- ◆ Establish a risk evaluation mechanism to grasp the company's diversified risks and form the basis of the company's sustainable development.
- ◆ Emphasize the efficacy of the company's risk based assets.
- ◆ Emphasize related risks in the pursuit of maximum returns, thereby incorporating risk factors into performance evaluation.

## II. Approval process

The company's risk management policy is formulated by risk management unit and approved by the board of directors before its implementation.

C. Organization and framework of risk management system

(a) Chart for overall risk management system framework



## (b) Powers and duties of various risk management units

## I. Board of directors:

- ◆ Ensure validity of the risk management practice and be ultimately responsible for risk management.
- ◆ Approve the company's risk management policy and procedure.
- ◆ Approve yearly quota for market risk, credit risk, operating risk, and liquidity risk.

## II. Risk management committee

Set up the "Risk Management Committee" to effectively integrate the Company's various risk functions, including market risk, credit risk, operational risk, liquidity risk and legal risk, with the board of directors dispatching at least one director to take part and dispatch persons to be the convener and chairperson of its meetings.

- ◆ Review the company's risk management policy and procedure.
- ◆ Review various risk related measures and guidelines.
- ◆ Establish various risk management mechanism.
- ◆ Review analytical reports on overall risk in order to report timely the execution of risk management to the board of directors and propose necessary improvement suggestions.
- ◆ A new Product Management Committee was created directly under this committee to review the risks involved in new products undertaken by the sales units.

## III. Risk bearing units:

The risk bearing units conduct business and undertake risk within the limits allocated by the board of directors and the appropriate levels of authority for the purpose of generating profits and achieving business targets. According to the risk management structure, these units are the first line of defense in risk management and should ensure compliance of their business activities with the law and internal guidelines.

## IV. Risk Management Department

Risk management Department is in charge of monitoring the company's overall risk and the risk of various divisions and regularly reports the status of loss/benefits and financial risk exposure to the risk management division. It is independent from various profits centers and is directly responsible to the board of directors, in charge of the company's various risks.

- ◆ The second line of defense in risk management.
- ◆ To help devise risk management policies, measures, and limits.
- ◆ To ensure implementation of risk management policies approved by the board of directors.
- ◆ To build a risk management information system.
- ◆ To inspect derivative valuation models used by the risk bearing units.
- ◆ Appointment and dismissal of the head of the risk management unit shall be passed by the board of directors. The head shall be responsible for heading operations in risk measurement, monitoring, evaluation, reporting, and disclosure.

## V. Audit Division

The audit unit is the third line of defense in the risk management structure. It is responsible for regularly inspecting compliance of the risk management policy and related guidelines and making recommendations for improvement as needed in order to facilitate the board of directors and the management in performing their management duties.

## VI. Legal Department

- ◆ Planning, management, and execution of the compliance system.
- ◆ Review and refinement of legal documents.
- ◆ Conducting litigation and non-litigation matters.
- ◆ Providing legal advice, collecting and studying laws and regulations relevant to the business.
- ◆ Managing debt collection.

#### VII. Finance Department

In charge of the management of the company's fund liquidity risk, establish emergent response mechanism for liquidity crisis, formulate fund risk limit, in consideration of market environment, the company's financial structure, risk tolerance, and fund maneuvering capability.

#### VIII. Information Technology Department

In charge of the planning, promotion, and management of the company's information security, assures the continuity and correctness of various systems.

#### D. Risk management method

Kinds of Risk	Management Method
Market risk	<ol style="list-style-type: none"> <li>The company has imposed VaR (Value at Risk) limits based on its risk tolerance. Portfolio risks are monitored in terms of VaR, market value and losses. In addition, the company has measures in place to control losses, holding periods, liquidity and concentration of individual investments.</li> <li>Set up stress scenarios for various financial products, conduct stress testing to calculate stress loss, so as to evaluate possible loss to be endured by the company under extreme market status and manifest the risk status of existing position, as reference for the company in capital allocation.</li> </ol>
Credit risk	<ol style="list-style-type: none"> <li>In charge of the credit risk of issuer risk and counterparty credit risk, distinguish liquid and illiquid positions, and set up quotas according to the nature of financial trading and credit rating. Credit rating is based on the internal credit rating granted by Taishin Financial Holding co., Ltd., which regularly examine the period for credit rating granting, to assure the effectiveness of credit rating.</li> <li>To manage concentration risk in stocks in the spot market, a percentage limit is set to restrict total shareholding out of all outstanding shares (including preferred shares) issued by one issuer and to avoid holding a large position on one particular issuer.</li> <li>Organize credit risk position for the same person and the same related party in a group, and submit the position to risk management unit of the financial holding firm for unified management.</li> <li>Regarding margin trading and Non-restricted purpose loans in the brokerage business, the account opening procedures follow Taishin's internal control system and related regulations. KYC procedures are enforced, and margin trading limits are established according to internal/external regulations. In addition, margin trading percentages for individual stocks are adjusted in response to changes in financial markets, and account maintenance ratios are monitored daily.</li> <li>Regarding management of transaction risks in futures and options offered by the brokerage service, classification guidelines for trading accounts subject to different "additional collateral benchmarks", application for higher limits and assessment methods, and re-assessment mechanisms have been established so that the company may require additional collaterals based on a trading account's credit standing and other risks involved in the transaction when collaterals are collected in advance of futures trading. If the trading account's equity amount is below the required maintenance collateral, the company will promptly issue a notice of payment to the account holder. If the account holder fails to provide the shortfall, the company may offset the positions on behalf of the account holder in accordance with the applicable internal control procedures.</li> </ol>
Liquidity risk	<ol style="list-style-type: none"> <li>Market liquidity management: Due to limited trading volume and insufficient liquidity position, there may result in value reduction when clearing position, due to expanded gap between buying and selling prices and prolonged time for offsetting position, leading to reserves for liquidity risk, to avoid deviation of price evaluation.</li> <li>Liquidity management is handled by financial units according to the Liquidity Risk and Fund Management Guidelines. The units sets fund transfer mechanisms, perform liquidity risk stress testing, monitor the overall supply of funds and changes in gaps, and manage liquidity risks.</li> </ol>
Operational risk	According to the definition of Basel II Capital Accord, operational risk is classified into seven types of loss and eight kinds of businesses, which are identified by various units of the company and reported to risk management unit for arrangement and establishment of operating risk loss database by the financial holding company.

#### E. Quantitative information for risk exposure

##### Equivalent Value for Management Risk

Dec. 31, 2019 Unit: NT\$1,000

Kinds of Risk	Equivalent Value of Risks
Market risk	1,803,902
Credit risk	582,973
Operational risk	217,559
Total	2,604,434

### c. Influence of important domestic and foreign policy and legal changes on the finance of the financial holding company and countermeasures

Law	Impact	Response measures
Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions	For the purposes of complying with increased information transparency internationally, maintaining fair taxation, and protecting adequacy in taxation, the Ministry of Finance followed the common reporting standards and due diligence procedures in the Standard for Automatic Exchange of Financial Account Information in Tax Matters of the Organisation for Economic Co-operation and Development (OECD) and promulgated the Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions on November 16, 2017. Starting in 2019, relevant financial institutions are required to perform exchange of information and due diligence of financial account information for tax purposes, as well as report reportable persons' financial account information for tax purposes to the tax authorities by the end of June in the following year. As of the end of 2019, the Ministry of Finance has announced that Japan and Australia are countries with which Taiwan has started automatic exchange of financial account information, and expects the first automatic exchange of financial account information to be made in September 2020.	A team of expert consultants has been hired to assist the subsidiaries of Taishin FHC governed by these regulations in order to begin gradual implementation and integration of respective methods; establish measures in response to regulatory changes; and raise employee awareness of relevant legal compliance.
Standard Directions for the Content and Procedures of Assessment of Legal Compliance of Securities Firms	According to the amendments of the Standard Directions for the Content and Procedures of Assessment of Legal Compliance of Securities Firms announced in Letter Tai-Zheng-Fu-Zi No. 1070014205 dated July 24, 2018 and TWSE's Letter Tai-Zheng-Fu-Zi No. 1070023458 dated December 3, 2018, integrated securities firms are required to follow rules regarding "establishment of a compliance risk management framework", "roles and responsibilities of independent compliance", and "compliance effectiveness reports and supervision". The effective date is July 1, 2019.	Taishin Securities has established a series of compliance risk management and supervisory mechanisms as required by law. These encompass identification, assessment, control, measurement, monitoring, and independent reporting of compliance risks. The Legal Department of Taishin Securities is responsible for overseeing all units, leading them to understand compliance risks in their areas of business and formulate appropriate risk control measures to reduce such risks, while monitoring and reporting residual risks.
Fair Customer Treatment Principles in the Financial Service Industry	According to the FSC's announcement on November 22, 2018, the evaluation mechanism for the Fair Customer Treatment Principles in the Financial Service Industry was to come into effect in 2019. Banks, integrated securities firms, and life, property and casualty insurers should use checklists to perform self-assessments and file the results with the FSC by the end of April 2019.	Taishin Bank and Taishin Securities have made sure that all employees are aware of the fair customer treatment principles. Furthermore, all relevant units have been asked to compile internal compliance regulations and practices to promote these principles. Evaluations on the fair treatment of customers were completed in time, and the results were submitted to the FSC as required.

### d. Effects of technological and industrial changes on the finance of the financial holding company and countermeasures.

Fast technological advances are fueling accelerated transformation in the financial sector. Innovation of banking services has become one of the keys to the future of banking. It is inevitable for more banks to start forming cross industry alliances but also a potential source for more opportunities. Taishin Bank will continue to work with partners in other industries in order to provide a wider range of innovative services for customers.

### e. Effect of change in the corporate images of the financial holding company and its subsidiaries on the company and countermeasures

Apart from its financial businesses, Taishin Financial Holding co., Ltd. has long dedicated itself to caring for society and has devoted itself to charitable work and environmental protection. Taishin is well-aware of the responsibilities a company owes to the society, and therefore actively supports environmental protection, charitable, cultural and artistic activities, in the hope of bringing about social change and real benefits for the socially disadvantaged, and fulfilling its role as a member of the society.

## **f. Anticipated benefits and possible risks from acquisition and countermeasures**

### **1. Anticipated benefits**

- (1) Expand financial scope, enhance the scale of assets and market share ranking, and boost business competitiveness.
- (2) Expand marketing channel network and provide clients more convenient and pluralized service channels.
- (3) Create the business synergy of acquisition and maximize the profits for shareholders.
- (4) Provide all round services and deep cultivate the relationship with clients.
- (5) Diversify business risks and expand the scope of business development.

### **2. Possible risks**

- (1) Inadequate business integration can lead to business loss, affecting the company's business and profit performance.
- (2) Inadequate integration of information systems may affect business operation, deferring the appearance of merger synergy.
- (3) Inadequate integration of human resources may lead to loss of talents, indirectly affecting business and management performance.

## **g. Possible risks from business concentration and countermeasures**

### **1. Back up mechanism**

The concentration of operation has led to sharing of resources and manpower, a status which could magnify the effect of emergent incidents on the bank.

To cope with possible risk, the plan for integrated business management practices will continue to be followed, which covers emergency response mode for venue, system, and personnel, as well as disaster recovery plan.

Processing and service departments of the subsidiaries have also implemented their own business continuity plans. The plans are tested on a yearly basis while data is backed up regularly to the off-site.

### **2. Document delivery**

In the wake of operating concentration, internal transmission or delivery of original copies of document may result in information leakage or loss of documents, thereby causing serious consequence on the customers and the bank. To prevent the problems, the bank keeps the track for signed reception and formulates complete delivery rules for the delivery of key documents.

## **h. Influence of massive share transfer or exchange by board directors, supervisors, or major shareholders with over 1% stake, risk, and countermeasures**

The company's paid-in capital is large and its share ownership widely is dispersed. Transfer or change of share ownership is not likely to have a material impact on the company's shareholding structure or cause any major impact or risk to the company.

## **i. Influence of management right on the financial holding company, risk, and countermeasures**

Director share ownership at Taishin complies with the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies. There is no risk of change in management. There has not been any material change in the ownership of the company by the end of 2019.

## j. Litigation and non-litigation incidents

### 1. Taishin Financial Holding co., Ltd.

Unappealable judgment, or under litigation	The facts of the dispute	Value of Claim (NT\$1,000)	The initiation of Litigation	The involved parties	The current status
Litigation involving dispute over contractual relationship	The Ministry of finance and its person in charge had reneged on their commitments previously made in a number of official correspondences issued in 2005, causing the company to secure only 2 directorships and 1 independent director in Chang Hwa Bank, during the shareholder meeting held on December 8, 2014. Since the company represents less than half of the 9 directors on board, Chang Hwa Bank is no longer treated as a subsidiary according to the Financial Holding Company Act. Furthermore, the FSC-approved IFRS requires the company and its subsidiary - Taishin International Bank Co., Ltd. to recognize a loss on their investment in Chang Hwa Bank. In response to the actions taken by the Ministry of Finance that cost the company its control over Chang Hwa Bank and significant losses suffered in the process, the company has engaged legal attorneys to pursue civil actions against the Ministry of Finance at Taipei District Court, and has resolved to undertake provisional measures as a temporary remedy.	confirmed continuation of contractual relationship	2014.12.09	Ministry of Finance	<p>The case was heard by the Taiwan Taipei District Court, the Taiwan High Court and the Supreme Court, all of which were of the opinion that the contract between Taishin and the Ministry of Finance was valid and remained in effect.</p> <p>1. The case was ruled by the Taiwan Taipei District Court on April 27, 2016. The Taipei District Court verdict on April 27, 2016, confirmed that the Ministry of Finance and Taishin Financial Holdings had a contractual relationship, but did not grant Taishin's request for a replacement of the institutional board members on CHB's 24th board of directors. The company filed an appeal to raise certain objections on May 19, 2016, and limited the scope of damages claim to the loss of control interest in the 24th shareholders meeting. In other words, the claim was reduced from NT\$16.558 billion in the original case to NT\$500 million. To focus on the claim of confirmed continuation of contractual relationship, on January 16, 2017, the company withdrew the claims regarding "the claim for 3 board seats instead" and "the claim for the loss of control interest in Chang Hwa Commercial Bank's 24th shareholders meeting." The Taiwan High Court confirmed on May 17, 2017 that a contractual relationship existed between the Ministry of Finance and Taishin in the matter where "while the shares in Chang Hwa Bank held by the Ministry of Finance are not sold and Taishin Holdings remains the largest shareholder of Chang Hwa Bank, the Ministry of Finance shall support Taishin Holdings's representative in securing a majority vote for a seat on Chang Hwa Bank's board of directors." The Ministry of Finance, however, objected to the ruling and filed an appeal with the Supreme Court on June 12, 2017. The case is currently being heard by the Supreme Court.</p> <p>2. Regarding the application for provisional disposition, it was rejected by the Taiwan Taipei District Court and the Taiwan High Court. The company objected to the rulings and filed an appeal, and the case was remanded by the Taiwan High Court. However, the Taiwan High Court continued to reject the company's application. The company filed another appeal on April 28, 2016. The ruling of the Taiwan Taipei District Court had recognized that a contractual relationship existed between the Ministry of Finance and the company. It should provide a basis for the company to continue to try to engage the ministry. Therefore, the company withdrew the appeal to the provisional disposition on June 13, 2016.</p> <p>3. The Supreme Court ruled it necessary to clarify issues including whether the contract between the parties was a voting agreement and whether the contract violated the order and customs by having been in existence for 13 years. As a result, the Supreme Court remanded the case to Taiwan High Court. The case is currently being heard by the Taiwan High Court.</p>

**2. Taishin International Bank: Nil.**

**3. Taishin Securities: Nil.**

**4. Taishin Asset Management: Nil.**

**5. Taishin Venture Capital: Nil.**

**6. Taishin Securities Investment Trust: Nil.**

**7. Taishin Securities Investment Advisory: Nil.**

**k. Other key risks and countermeasures:**

As part of the effort to combat crime, freeze terrorism financing, and maintain order in the financial markets, Taishin has in place the Taishin FHC Anti-Money Laundering and Counter Terrorism Financing Policy to strengthen AML/CTF mechanisms and raise AML awareness in the workforce. Taishin upholds its core values and commitment to sustainability as a corporate citizen.

Regarding AML/CTF management, the board of directors of Taishin FHC is the ultimate authority responsible for shaping the compliance and risk management culture and conducting regular reviews to examine AML/CTF results.

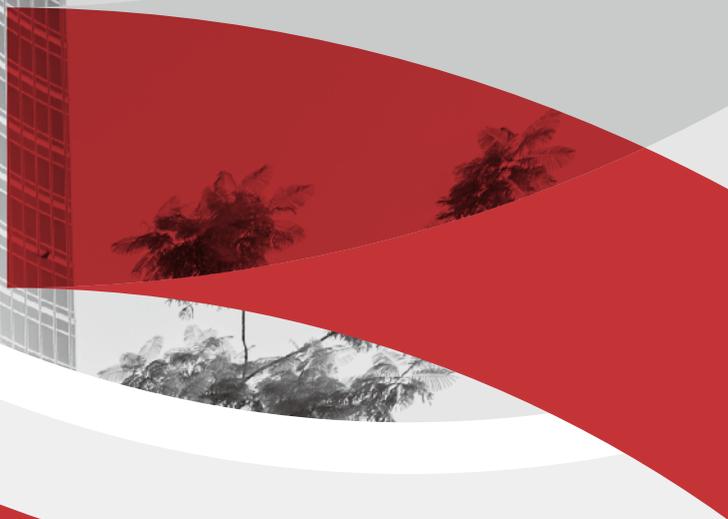
Taishin FHC's relevant subsidiaries are responsible for verifying, evaluating, and understanding their exposure to money laundering and terrorism financing and adopting risk based AML/CTF risk prevention plans and standard operating procedures for compliance. These plans and SOPs are to be included in self-audits and internal audits in order to manage, reduce, and prevent money laundering and terrorism financing risks more effectively.

To give managers and employees a better understanding of AML/CTF practices, in addition to making in-house director/supervisor training part of the AML/CTF training, Taishin provided a total of 9,996 hours of education and training for employees of the banking, securities, investment trust, investment consulting, insurance brokerage, and leasing subsidiaries in physical and virtual (e-learning) forms and external courses. The courses were attended by 15,509 employees. The subjects of close to 60 courses included compliance and audit, anti-proliferation, trends in money laundering and terrorism financing control, customer risk review, system operation, due diligence in business activities, suspicious transaction patterns, case studies and reporting procedures, and common errors.

**G. Crisis management and response mechanism**

To assure the uninterrupted operation of the company's major business activities, strengthen the company's responsive capability for emergent incidents, and minimize the influence of disaster and resume normal operation within the shortest time possible, the company has formulated the BCM (Business Contingency Management), specifying the definition of emergent incidents, grading risks, and pinpointing responsibilities, and related handling procedure. Regarding emergency response measures against threats to the business activities of financial institutions, the subsidiaries of the bank have implemented Contingency Funding Plan that establish appropriate response procedures and responsibility assignments to effectively reduce the impact of such incidents.

**H. Other Important items: Nil.**



**08**

**Special Disclosure**

# VIII. Special Disclosure

## A. Information regarding the company's subsidiaries

### a. Basic information

Date: Dec. 31, 2019 Unit: NT\$1,000

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Taishin International Bank Co., Ltd.	1992.02.25	1st.fl. and 1st basement, No. 44, Sec. 2, Jhongshan N. Rd., Taipei City	82,557,118	<ol style="list-style-type: none"> <li>1. Deposit reception (reception of check deposit, demand deposit, time deposit, and savings deposit originally listed in its business license are included in the item)</li> <li>2. Issuance of financial bonds</li> <li>3. Loan extension (short-, medium- and long-term loan extension, loan mortgaged by certificates of time deposit, consumption loan originally listed in its business license are included in the item)</li> <li>4. Discounting negotiable instruments</li> <li>5. Securities investment (investments in government bonds, short-term bills, corporate bonds, financial bond, and company stocks originally listed in its business license are included in this item)</li> <li>6. Currency conversion</li> <li>7. Cashing of banker's acceptance</li> <li>8. Issuance of domestic L/C</li> <li>9. Guarantee for corporate-bond issuance</li> <li>10. Provision of domestic guarantee. (Guarantee business originally listed in the business license is included in the item)</li> <li>11. Surrogate collection/payment</li> <li>12. Securities Underwriting (The undertaking of government bonds, treasury notes, corporate bonds, and corporate stocks originally listed in the business license is included in the item)</li> <li>13. Custody and warehouse business</li> <li>14. Lease of safe</li> <li>15. Agency services related to the various businesses listed in the business license and approved by the regulator</li> <li>16. Credit card (credit card and cash advance businesses originally listed in the businesses license is included in the item)</li> <li>17. Sale of gold bullions and gold and silver coins</li> <li>18. Trading in gold ingots, gold coins, and silver coins</li> <li>19. Export/import forex, common outward and inward remittance, foreign-currency deposit, foreign-currency loan, and guarantee for secured foreign-currency payment</li> <li>20. Derivatives approved by the regulator</li> <li>21. Businesses permitted by Trust Industry</li> <li>22. Dealer business in government bonds</li> <li>23. Brokerage, dealing, certification, and underwriting of short- term bills</li> <li>24. Wealth Management</li> <li>25. Financing advisory services</li> <li>26. Discretionary trust investment services</li> <li>27. Non-financing related advisory services</li> <li>28. Prepaid cash cards issued</li> <li>29. Proprietary bond trading</li> <li>30. Concurrently securities investment consulting business</li> <li>31. Special-purpose money trusts investing in foreign securities and domestic securities investment trust funds</li> <li>32. Third party payment services</li> <li>33. Agency for personal insurance</li> <li>34. Agency for property insurance</li> <li>35. Provide third party payment services on inward wire of offline payments for cross border online transactions for recipient clients</li> <li>36. Provide third party payment services on inward wire of offline payments for offline transactions by use of offshore payment accounts in the Republic of China for recipient clients who are natural persons in other countries and do not have residence in Taiwan</li> <li>37. Provide foreign exchange and foreign currency transfer services for inward wire arising from the services under the two subparagraphs above for customers or upon customer request.</li> <li>38. Electronic payment (O2O third party payment services, reload processing, and fund transfer between electronic payment accounts)</li> <li>39. Provide third party payment services on outward wire of offline payments for cross border online transactions for clients (cross border outward transfer)</li> </ol>

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Taishin Asset Management Co., Ltd.	2002.08.19	2nd-3rd fl., No. 9, Dehui Street, Taipei City	671,000	<ol style="list-style-type: none"> <li>1. International Trade</li> <li>2. Residence and Buildings Lease Construction and Development</li> <li>3. Industrial Factory Buildings Lease Construction and Development</li> <li>4. Funeral Places Lease Construction and Development</li> <li>5. Specialized Field Construction and Development</li> <li>6. Public Works Construction and Investment</li> <li>7. New County and Community Construction and Investment</li> <li>8. Land Levy and Delimit</li> <li>9. Urban Renovation</li> <li>10. Realty transaction</li> <li>11. Realty lease</li> <li>12. Financial institution creditor's right purchase</li> <li>13. Financial Institution Creditor's Right (Money) Appraisal and Auction</li> <li>14. Financial Institution Creditor's Right (Money) Management and Services</li> <li>15. Account Receivable Purchase Business</li> <li>16. Other Financing, Insurance and Just Third Party Property Auction Real Estate Not Elsewhere Classified</li> <li>17. Investment consulting services</li> <li>18. Management consulting services</li> <li>19. Software design services</li> <li>20. Data processing services</li> <li>21. Digital Information Supply Services</li> <li>22. General Advertising Services</li> <li>23. Overdue Receivables Management Services</li> <li>24. Industry and Commerce Credit Bureau Services</li> <li>25. Leasing</li> <li>26. Agency Services</li> <li>27. In addition to the licensed activities, Taishin Holdings may also engage in other business activities that are not prohibited or restricted by law.</li> </ol>
Taishin Venture Capital Investment Co., Ltd.	2003.09.25	18th fl., No. 118, Jenai Rd. Sec. 4, Taipei City	4,208,749	Ventral capital
Taishin Securities Co., Ltd.	1990.01.15	2nd fl., No. 44, Sec. 2, Zhongshan N. Rd., Taipei City	6,284,125	<ol style="list-style-type: none"> <li>1. Securities Brokers</li> <li>2. Securities Dealer</li> <li>3. Securities Underwriter</li> <li>4. Futures Commission Merchant</li> <li>5. Other financial businesses acknowledged by the regulator</li> </ol>
Taishin Securities Investment Trust Co., Ltd.	2004.06.03	1F, No. 9-1, Dehui St., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	754,545	<ol style="list-style-type: none"> <li>1. Raise mutual funds via issuance of certificates of benefits</li> <li>2. Invest in securities and other related products with mutual funds raised from issuance of certificates of benefits</li> <li>3. Undertake other related businesses approved by the regulator</li> <li>4. Undertake discretionary-account operation for clients</li> </ol>

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Taishin Securities Investment Advisory Co., Ltd.	1989.03.21	16th fl., No. 118, Sec. 4, Jenai Rd. Taipei City	300,000	Securities-investment consulting business
Xiang-An Life Insurance Agency Co., Ltd. ( Note1 )	1996.09.19	3rd fl., No. 44, Sec. 2, Jhongshan N. Rd. Taipei	30,000	Agency for personal insurance
Taishin D.A. Finance Co., Ltd.	1997.10.13	1st fl., No.211, Sec. 2, Jiuzong Rd., Taipei City	1,288,784	<ol style="list-style-type: none"> <li>1. Leasing</li> <li>2. Wholesale of Drugs, Medical Goods</li> <li>3. Wholesale for machinery equipment</li> <li>4. Retail Sale of Medical Equipments</li> <li>5. Retail for machinery and apparatuses</li> <li>6. Wholesale for precision equipment</li> <li>7. Retail for precision equipment</li> <li>8. Auto retail</li> <li>9. Retail Sale of Motorcycles</li> <li>10. Retail for ships and parts</li> <li>11. Retail for aircrafts and parts</li> <li>12. Financial institution creditor's right purchase</li> <li>13. Management consulting services</li> <li>14. Software design services</li> <li>15. Data processing services</li> <li>16. Energy Technical Services</li> <li>17. Other industry and commerce services not elsewhere classified.</li> <li>18. In addition to the licensed activities, Taishin Holdings may also engage in other business activities that are not prohibited or restricted by law.</li> </ol>
Taishin Real-Estate Management Co., Ltd.	1995.08.17	2nd-4th fl., No. 9, Dehui Street, Taipei City	200,000	<ol style="list-style-type: none"> <li>1. Construction management</li> <li>2. Residence and building development and lease</li> <li>3. Factory construction and lease</li> <li>4. Specific professional area development</li> <li>5. Investment and construction of public construction</li> <li>6. New town and new community development</li> <li>7. Area expropriation and urban land rezoning</li> <li>8. Urban renewal</li> <li>9. Realty transaction</li> <li>10. Realty lease</li> <li>11. Business investigation</li> <li>12. In addition to the licensed activities, Taishin Holdings may also engage in other business activities that are not prohibited or restricted by law.</li> </ol>

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Taishin Financial Leasing (China) Co.,Ltd.	2011.07.12	30F,Building4, Financial City, No.248, Lushan Road, Jianye District, Nanjing,China	1,192,729	Leasing
Taishin Financial Leasing (Tianjin) Co.,Ltd.	2012.03.01	2204 Room, TEDA MSD-C1 Tower, No.79, First Avenue, TEDA,Tianjin, China	920,748	Leasing, Factoring, Installment Sales
Taishin Securities Venture Capital Co., Ltd. (Note 2)	2013.12.31	12th fl, No. 96, Section 1, Jianguo North Road, Zhongshan District, Taipei	165,407	<ol style="list-style-type: none"> <li>1. Venture capital business</li> <li>2. Investment consulting services</li> <li>3. Management consulting services</li> <li>4. In addition to the licensed activities, Taishin Holdings may also engage in other business activities that are not prohibited or restricted by law.</li> </ol>
Taishin Capital Co., Ltd.	2019.08.30	12th fl, No. 96, Section 1, Jianguo North Road, Zhongshan District, Taipei	50,000	<ol style="list-style-type: none"> <li>1. General investment</li> <li>2. Venture capital business</li> <li>3. Investment consulting services</li> <li>4. Management consulting services</li> <li>5. In addition to the licensed activities, Taishin Holdings may also engage in other business activities that are not prohibited or restricted by law.</li> </ol>

Note 1: Taishin Insurance Agency Co., Ltd. change the name into Xiang-An Life Insurance Agency Co., Ltd. on August 18, 2016.

Note 2: Taishin Securities Co., Ltd. acquired Ta Chong Securities Co., Ltd. on August 28, 2017. Taishin Securities Venture Capital Co., Ltd. was a wholly owned subsidiary of Ta Chong Securities Co., Ltd. It was formerly known as Ta Chong Venture Capital Co., Ltd. and renamed Taishin Securities Venture Capital Co., Ltd. on October 2, 2017.

Note 3: Incorporated and registered on August 30, 2019, Taishin Asset Management Consulting Co., Ltd. is a wholly-owned subsidiary of Taishin Securities Co., Ltd.

## b. Directors, supervisors and major managers of the company's subsidiaries

Date: Dec.31, 2019

Name of enterprise	Position	Representative	Shareholding	
			Share	(%)
Taishin International Bank Co., Ltd.	Chairman	Wu, Tong-Liang	Taishin holding company owns 8,255,711,853 shares (100%).	
	Director	Wu, Tong-Shung		
	Director	Hsu, Teh-Nan		
	Director	Kuo, Jui-Sung		
	Director	Wu, Shang-Pin		
	Director	Wang, Chu-Chan		
	Director	Lin, Long-Su		
	Independent Director	Chang, Min-Yu		
	Independent Director	Lin, Yi-Fu		
	Standing Supervisor	Tsay, Yang-Tzong		
	Supervisor	Kao, Chih-Shang		
Supervisor	Cheng, Chia-Chung			
President	Oliver Shang	-	-	
Taishin Asset Management Co., Ltd.	Chairman	Wu, Tong-Shung	Taishin holding company owns 67,100,000 shares (100%).	
	Director	Wu, Tong-Liang		
	Director	Frank Liaw		
	Supervisor	Welch Lin		
	President	Frank Liaw		
Taishin Venture Capital Investment Co., Ltd.	Chairman	Steve Hsieh	Taishin holding company owns 420,874,904 shares (100%).	
	Vice chairman	Eric Chien		
	Director	Welch Lin		
	Supervisor	Wu, Tong-Shung		
	President	Lin, Yu-Sheng		

Name of enterprise	Position	Representative	Shareholding	
			Share	(%)
Taishin Securities Co., Ltd.	Chairman	Jerry Guo	Taishin holding company owns 692,412,444 shares (100%).	
	Director	Lu, Po- Yung		
	Director	Welch Lin		
	Director	Perry Huang		
	Director	Sharon Lin		
	Independent Director	Janathan Lin		
	Independent Director	Charles Wang		
	Supervisor	Wu, Tong-Shung		
	Supervisor	Carol Lai		
	President	Lin ,Hsien-Chun	-	-
Taishin Securities Investment Trust Co., Ltd.	Chairman	Wu, Thomas K.H.	Taishin holding company owns 75,454,545 shares (100%).	
	Vice chairman	Sam Lin		
	Director	Shang-Ming Tsai		
	Director	Sheng, Chi-Ying		
	Director	John Chiou		
	Supervisor	Vincent Tsai		
	President	Jackie Yeh	-	-
Taishin Securities Investment Advisory Co., Ltd.	Chairman	Lin,Neng-Pai	Taishin holding company owns 27,599,513 shares (92%).	
	Director	Eric Chien		
	Director	Spike		
	Supervisor	Steve Chiu	-	-
		President	Li, Chen-Yu	-

## c. Directors, supervisors and major managers on affiliates

Name of enterprise	Position	Company's Name	Shareholding (Share)	(%)
		Representative		
Xiang-An Life Insurance Agency	Chairman	Taishin International Bank	2,622,040	87.4
		Steve Hsieh	0	0
	Director	Taishin International Bank	2,622,040	87.4
		Welch Lin	0	0
	Director	Taishin International Bank	2,622,040	87.4
		David Chang	0	0
	Director	Taishin International Bank	2,622,040	87.4
Wu, Tong-Shung		0	0	
Supervisor	Spike Wu	0	0	
President	Tai, Kuo-Ming	0	0	
Taishin Real Estate Management Co.,Ltd.	Chairman	Taishin International Bank	12,000,000	60
		Tiao, Chieh-Sheng	0	0
	Director	Taishin International Bank	12,000,000	60
		Wu, Tong-Liang	0	0
	Director	Taishin International Bank	12,000,000	60
		Frank Liaw	0	0
	Director	Taishin International Bank	12,000,000	60
Wu, Tong-Shung		0	0	
Supervisor	Taishin Asset Management	8,000,000	40	
	Welch Lin	0	0	
President	Frank Liaw	0	0	
Taishin D.A. Finance Co., Ltd.	Chairman	Taishin International Bank	128,878,395	100
		Eric Chen	0	0
	Vice chairman	Taishin International Bank	128,878,395	100
		Spike Wu	0	0
	Director	Taishin International Bank	128,878,395	100
		Welch Lin	0	0
Supervisor	Taishin International Bank	128,878,395	100	
	Peter Tsai	0	0	
President	Emily Tsai	0	0	
Taishin Financial Leasing (China) Co.,Ltd.	Chairman	Taishin Venture Capital Investment		100
		Eric Chen		0
	Director	Taishin Venture Capital Investment		100
		Frank Liaw		0
	Director	Taishin Venture Capital Investment		100
		Goldin Wang		0
	Director	Taishin Venture Capital Investment		100
		Spike Wu		0
Director	Taishin Venture Capital Investment		100	
	Welch Lin		0	
Supervisor	Taishin Venture Capital Investment		100	
	Shawn C.L.Teng		0	
President	Goldin Wang		0	

Name of enterprise	Position	Company's Name	Shareholding (Share)	(%)
		Representative		
Taishin Financial Leasing (Tianjin) Co.,Ltd.	Chairman	Taishin Venture Capital Investment		100
		Eric Chen		0
	Director	Taishin Venture Capital Investment		100
		Goldin Wang		0
	Director	Taishin Venture Capital Investment		100
		Welch Lin		0
	Director	Taishin Venture Capital Investment		100
		Frank Liaw		0
	Director	Taishin Venture Capital Investment		100
		Spike Wu		0
Supervisor	Taishin Venture Capital Investment		100	
	Shawn C.L.Teng		0	
President	Goldin Wang		0	
Taishin Securities Venture Capital Investment Co.,Ltd.	Chairman	Taishin Securities	16,540,685	100
		Wei, Zhi-Da	0	0
	Director	Taishin Securities	16,540,685	100
		Shi ,Qi-Bin	0	0
	Director	Taishin Securities	16,540,685	100
		Chen ,Li-Guo	0	0
	Supervisor	Taishin Securities	16,540,685	100
		Yen Chen	0	0
	President	Lin,Chung-Hsin	0	0
	Taishin Capital Co., Ltd.	Chairman	Taishin Securities	5,000,000	100
Chen ,Li-Guo			0	0
Director		Taishin Securities	5,000,000	100
		Shi ,Qi-Bin	0	0
Director		Taishin Securities	5,000,000	100
		Max Wu	0	0
Supervisor		Taishin Securities	5,000,000	100
		Ming Ming Lin	0	0
President		Chien Chih Chen	0	0

#### d. Operation overview on affiliates

Date: Dec. 31, 2019 Unit: NT\$1,000

Name of enterprise	Capital	Total Assets	Total Liability	Equity	Operating Revenue	Operating Profit	Income (After Tax)	EPS (After Tax;NT\$)
Taishin International Bank Co., Ltd.	82,557,118	1,924,119,264	1,770,765,866	153,353,398	37,330,464	37,330,464	11,810,142	1.43
Taishin Asset Management Co., Ltd.	671,000	1,410,447	356,830	1,053,617	259,818	193,277	120,910	1.80
Taishin Venture Capital Investment Co., Ltd.	4,208,749	4,028,286	4,709	4,023,578	98,298	79,995	79,612	0.19
Taishin Securities Co., Ltd.	6,924,125	41,654,941	32,800,621	8,854,320	2,418,450	647,852	640,833	0.95
Taishin Securities Investment Trust Co., Ltd.	754,545	1,030,558	168,148	862,410	399,205	49,805	42,213	0.56
Taishin Securities Investment Advisory Co., Ltd.	300,000	388,950	36,483	352,468	100,851	( 9,498)	87	0
Xiang-An Life Insurance Agency Co., Ltd. (Note 1)	30,000	795,099	420	794,678	20,348	( 1,243)	( 16,908)	( 5.64)
Taishin Real – Estate Management Co., Ltd.	200,000	578,601	236,063	342,538	46,273	22,674	26,226	1.31
Taishin D.A. Finance Co., Ltd.	1,288,784	9,839,530	8,325,244	1,514,286	797,836	177,109	161,866	1.26
Taishin Financial Leasing (China) Co.,Ltd.	1,192,729	10,137,986	8,830,895	1,307,091	709,715	281,198	222,756	N/A
Taishin Financial Leasing (Tianjin) Co.,Ltd.	920,748	3,674,929	3,011,115	663,814	263,910	( 169,027)	( 124,458)	N/A
Taishin Securities Venture Capital Co., Ltd. (Note 2)	165,407	187,001	4,698	182,303	18,624	7,912	7,640	0.65
Taishin Capital Co., Ltd. (Note 3)	50,000	51,583	2,163	49,420	0	( 583)	( 580)	( 0.12)

Note 1: Taishin Insurance Agency Co., Ltd. change the name into Xiang-An Life Insurance Agency Co., Ltd. on August 18, 2016.

Note 2: Taishin Securities Co., Ltd. acquired Ta Chong Securities Co., Ltd. on August 28, 2017. Taishin Securities Venture Capital Co., Ltd. was a wholly owned subsidiary of Ta Chong Securities Co., Ltd. It was formerly known as Ta Chong Venture Capital Co., Ltd. and renamed Taishin Securities Venture Capital Co., Ltd. on October 2, 2017.

Note 3: Incorporated and registered on August 30, 2019, Taishin Asset Management Consulting Co., Ltd. is a wholly-owned subsidiary of Taishin Securities Co., Ltd.

#### e. Organizational of Taishin Financial Holdings and Its Affiliates: Please refer to P.21 “2. Affiliated Companies”.

**B. Progress of private placement of securities during the latest year and up to the date of annual report publication: Nil.**

**C. The Company’s subsidiaries’ shareholding or disposal of the Company’s share during the latest year and up to the date of annual report publication: Nil.**

**D. Additional disclosure: Nil.**



# 09

**Items with Major Effect on  
Shareholders' Benefits or Securities  
Prices in 2019 and As of the Date  
for the Publication of the Annual Report**

**IX. Items with Major Effect on Shareholders' Benefits or Securities Prices in 2019 and As of the Date for the Publication of the Annual Report: Nil.**



# Taishin Financial Holding Co., Ltd.



Chairman

A handwritten signature in black ink, appearing to read "Thomas Liu". The signature is fluid and cursive, written over a light grey horizontal line.



**Taishin Holdings**



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