

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Taishin Financial Holding Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of March 31, 2020 and 2019, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, 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 and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, 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 and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Ching-Cheng Yang and Kwan-Chung Lai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 21, 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 review such consolidated financial statements are those generally applied in the Republic of China.

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

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

	March 31, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
Cash and cash equivalents (Note 7)	\$ 24,102,285	1	\$ 24,168,532	1	\$ 20,693,000	1
Due from the Central Bank and call loans to banks (Note 8)	68,267,111	3	67,417,279	3	78,434,802	4
Financial assets at fair value through profit or loss (FVTPL) (Note 9)	137,208,221	7	144,041,593	7	125,219,099	7
Financial assets at fair value through other comprehensive income (FVTOCI) (Note 10)	271,271,478	13	273,426,137	14	374,844,476	20
Financial assets at amortized cost (Note 11)	158,507,756	7	131,888,616	7	7,900,346	-
Securities purchased under resale agreements	13,411,455	1	11,656,071	1	9,014,768	-
Receivables, net (Notes 12 and 13)	146,070,825	7	156,087,584	8	143,850,022	8
Current tax assets	354,973	-	348,699	-	354,086	-
Loans, net (Notes 6 and 13)	1,190,394,491	57	1,138,467,117	56	1,033,856,636	55
Investments accounted for using the equity method, net (Note 14)	41,392,774	2	41,406,600	2	41,063,306	2
Other financial assets, net (Notes 13 and 15)	8,461,225	-	5,545,296	-	9,303,800	1
Investment properties, net (Note 16)	998,272	-	1,001,062	-	639,821	-
Property and equipment, net (Note 17)	19,021,828	1	19,051,458	1	19,149,825	1
Right-of-use assets, net (Note 18)	2,767,694	-	2,761,324	-	2,591,735	-
Intangible assets, net (Note 19)	2,488,552	-	2,462,448	-	2,369,661	-
Deferred tax assets	2,864,787	-	2,695,099	-	3,299,204	-
Other assets, net (Note 20)	<u>14,860,876</u>	<u>1</u>	<u>8,516,416</u>	<u>-</u>	<u>10,421,829</u>	<u>1</u>
TOTAL	<u>\$ 2,102,444,603</u>	<u>100</u>	<u>\$ 2,030,941,331</u>	<u>100</u>	<u>\$ 1,883,006,416</u>	<u>100</u>
LIABILITIES AND EQUITY						
Due to the Central Bank and banks (Note 21)	\$ 73,956,702	4	\$ 53,393,057	3	\$ 52,513,183	3
Funds borrowed from the Central Bank and other banks	907,620	-	1,505,300	-	-	-
Financial liabilities at FVTPL (Note 9)	40,331,896	2	27,549,349	1	29,462,790	2
Securities sold under repurchase agreements	102,250,172	5	120,144,975	6	84,928,727	4
Commercial paper issued, net (Note 22)	21,614,009	1	22,856,765	1	13,151,259	1
Payables (Note 23)	34,960,761	2	39,382,641	2	35,013,221	2
Current tax liabilities	3,068,367	-	2,473,274	-	2,751,708	-
Deposits and remittances (Note 24)	1,490,827,483	71	1,434,084,934	71	1,335,787,683	71
Bonds payable (Note 25)	60,100,000	3	56,800,000	3	66,700,000	3
Other borrowings (Note 26)	10,222,039	-	11,194,084	-	11,076,883	1
Provisions (Note 27)	1,748,858	-	1,761,125	-	1,741,644	-
Other financial liabilities (Note 28)	74,733,819	4	72,393,063	4	67,420,871	4
Lease liabilities (Note 18)	2,846,867	-	2,822,108	-	2,627,282	-
Deferred tax liabilities	69,658	-	112,987	-	72,563	-
Other liabilities (Note 29)	<u>5,379,927</u>	<u>-</u>	<u>5,449,932</u>	<u>-</u>	<u>4,092,063</u>	<u>-</u>
Total liabilities	<u>1,923,018,178</u>	<u>92</u>	<u>1,851,923,594</u>	<u>91</u>	<u>1,707,339,877</u>	<u>91</u>
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Note 31)						
Capital stock						
Common stock	106,583,099	5	106,567,044	5	104,367,621	6
Preferred stock	8,000,000	-	8,000,000	-	8,000,000	-
Advance receipts for capital stock	10,633	-	11,077	-	9,727	-
Capital surplus	35,950,427	2	35,955,405	2	35,960,370	2
Retained earnings						
Legal reserve	10,357,137	-	10,357,137	1	9,115,012	-
Special reserve	572,115	-	572,115	-	572,115	-
Unappropriated earnings	18,853,149	1	16,373,487	1	16,643,476	1
Other equity	<u>(1,027,116)</u>	<u>-</u>	<u>1,053,117</u>	<u>-</u>	<u>864,873</u>	<u>-</u>
Equity attributable to owners of parent	<u>179,299,444</u>	<u>8</u>	<u>178,889,382</u>	<u>9</u>	<u>175,533,194</u>	<u>9</u>
NON-CONTROLLING INTERESTS	<u>126,981</u>	<u>-</u>	<u>128,355</u>	<u>-</u>	<u>133,345</u>	<u>-</u>
Total equity	<u>179,426,425</u>	<u>8</u>	<u>179,017,737</u>	<u>9</u>	<u>175,666,539</u>	<u>9</u>
TOTAL	<u>\$ 2,102,444,603</u>	<u>100</u>	<u>\$ 2,030,941,331</u>	<u>100</u>	<u>\$ 1,883,006,416</u>	<u>100</u>

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

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
INTEREST INCOME (Notes 5 and 32)	\$ 9,438,481	95	\$ 9,096,451	82
INTEREST EXPENSES (Note 32)	<u>(4,195,601)</u>	<u>(42)</u>	<u>(4,362,738)</u>	<u>(39)</u>
NET INTEREST INCOME (Note 32)	<u>5,242,880</u>	<u>53</u>	<u>4,733,713</u>	<u>43</u>
NET INCOME OTHER THAN NET INTEREST INCOME				
Net service fee and commission income (Note 33)	3,525,203	36	3,252,346	29
Gain on financial assets and liabilities at FVTPL (Note 34)	(456,594)	(5)	2,376,019	22
Realized gain on financial assets at FVTOCI (Note 35)	489,231	5	80,808	1
Foreign exchange gains (losses)	411,351	4	(208,731)	(2)
Impairment (loss) gain on assets (Notes 10, 11 and 20)	(2,417)	-	(3,446)	-
Share of profit (loss) of associates accounted for using the equity method (Note 14)	569,801	6	719,050	6
Net other non-interest income				
Net other miscellaneous income	<u>144,761</u>	<u>1</u>	<u>93,499</u>	<u>1</u>
Net income other than net interest income	<u>4,681,336</u>	<u>47</u>	<u>6,309,545</u>	<u>57</u>
NET REVENUE AND GAINS	<u>9,924,216</u>	<u>100</u>	<u>11,043,258</u>	<u>100</u>
PROVISIONS FOR ALLOWANCE FOR BAD DEBT EXPENSES, COMMITMENTS AND GUARANTEES LIABILITIES (Note 13)	<u>(703,534)</u>	<u>(7)</u>	<u>(241,101)</u>	<u>(2)</u>
OPERATING EXPENSES				
Employee benefits expenses (Note 36)	(3,451,677)	(35)	(3,396,593)	(31)
Depreciation and amortization expenses (Note 37)	(522,588)	(5)	(488,002)	(4)
Other general and administrative expenses	<u>(2,093,590)</u>	<u>(21)</u>	<u>(1,938,832)</u>	<u>(18)</u>
Total operating expenses	<u>(6,067,855)</u>	<u>(61)</u>	<u>(5,823,427)</u>	<u>(53)</u>
INCOME BEFORE INCOME TAX	3,152,827	32	4,978,730	45
INCOME TAX EXPENSE (Notes 5 and 38)	<u>(593,053)</u>	<u>(6)</u>	<u>(573,854)</u>	<u>(5)</u>
NET INCOME	<u>2,559,774</u>	<u>26</u>	<u>4,404,876</u>	<u>40</u>

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TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Share of other comprehensive income of associates accounted for using the equity method	\$ (404,735)	(4)	\$ 159,718	1
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	(9,286)	-	78,915	1
Unrealized gain on investments in equity instruments designated as at FVTOCI	(259,653)	(3)	107,789	1
Items that will be reclassified subsequently to profit or loss				
Exchange differences on translation of financial statements of foreign operations	(21,764)	-	52,479	-
Share of other comprehensive income (loss) of associates accounted for using the equity method	(178,892)	(2)	83,557	1
Unrealized gain (loss) on investments in debt instruments at FVTOCI	(1,407,773)	(14)	482,210	4
Reversal of impairment on investments in debt instruments at FVTOCI	2,227	-	384	-
Income tax relating to items that will be reclassified subsequently to profit or loss	<u>118,157</u>	<u>1</u>	<u>(31,068)</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of tax	<u>(2,161,719)</u>	<u>(22)</u>	<u>933,984</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 398,055</u>	<u>4</u>	<u>\$ 5,338,860</u>	<u>48</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of parent	\$ 2,561,148	26	\$ 4,404,958	40
Non-controlling interests	<u>(1,374)</u>	<u>-</u>	<u>(82)</u>	<u>-</u>
	<u>\$ 2,559,774</u>	<u>26</u>	<u>\$ 4,404,876</u>	<u>40</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of parent	\$ 399,429	4	\$ 5,338,942	48
Non-controlling interests	<u>(1,374)</u>	<u>-</u>	<u>(82)</u>	<u>-</u>
	<u>\$ 398,055</u>	<u>4</u>	<u>\$ 5,338,860</u>	<u>48</u>

(Continued)

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 39)				
Basic	<u>\$ 0.20</u>		<u>\$ 0.37</u>	
Diluted	<u>\$ 0.20</u>		<u>\$ 0.37</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
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of Parent										Other Equity			Non-controlling Interests	Total Equity
	Capital Stock		Capital Surplus					Retained Earnings			Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets FVTOCI	Changes in Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities at FVTPL		
	Common Stock	Preferred Stock	Advanced Receipts for Capital Stock	Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions	Stock-based Compensation	Other	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2019	\$ 104,362,071	\$ 10,175,410	\$ 3,996	\$ 35,602,662	\$ 2,075,475	\$ 127,576	\$ -	\$ 9,115,012	\$ 572,115	\$ 12,421,251	\$ (372,863)	\$ 301,090	\$ 731	\$ 133,427	\$ 174,517,953
Net profit (loss) for the three months ended March 31, 2019	-	-	-	-	-	-	-	-	-	4,404,958	-	-	-	(82)	4,404,876
Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	-	-	-	(7,084)	99,896	762,432	78,740	-	933,984
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	-	-	-	-	4,397,874	99,896	762,432	78,740	(82)	5,338,860
Redemption of preferred stock D	-	(2,175,410)	-	(1,843,788)	-	-	-	-	-	(180,802)	-	-	-	-	(4,200,000)
Share-based payments	5,550	-	5,731	6,195	-	(7,750)	-	-	-	-	-	-	-	-	9,726
Disposals of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-	-	-	5,153	-	(5,153)	-	-	-
BALANCE AT MARCH 31, 2019	<u>\$ 104,367,621</u>	<u>\$ 8,000,000</u>	<u>\$ 9,727</u>	<u>\$ 33,765,069</u>	<u>\$ 2,075,475</u>	<u>\$ 119,826</u>	<u>\$ -</u>	<u>\$ 9,115,012</u>	<u>\$ 572,115</u>	<u>\$ 16,643,476</u>	<u>\$ (272,967)</u>	<u>\$ 1,058,369</u>	<u>\$ 79,471</u>	<u>\$ 133,345</u>	<u>\$ 175,666,539</u>
BALANCE AT JANUARY 1, 2020	\$ 106,567,044	\$ 8,000,000	\$ 11,077	\$ 33,774,714	\$ 2,075,475	\$ 102,003	\$ 3,213	\$ 10,357,137	\$ 572,115	\$ 16,373,487	\$ (675,950)	\$ 1,689,500	\$ 39,567	\$ 128,355	\$ 179,017,737
Net profit (loss) for the three months ended March 31, 2020	-	-	-	-	-	-	-	-	-	2,561,148	-	-	-	(1,374)	2,559,774
Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	-	-	-	-	-	(86,987)	(2,065,446)	(9,286)	-	(2,161,719)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	-	-	-	-	2,561,148	(86,987)	(2,065,446)	(9,286)	(1,374)	398,055
Share-based payments	16,055	-	(444)	3,769	-	(8,747)	-	-	-	-	-	-	-	-	10,633
Disposals of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-	-	-	(81,486)	-	81,486	-	-	-
BALANCE AT MARCH 31, 2020	<u>\$ 106,583,099</u>	<u>\$ 8,000,000</u>	<u>\$ 10,633</u>	<u>\$ 33,778,483</u>	<u>\$ 2,075,475</u>	<u>\$ 93,256</u>	<u>\$ 3,213</u>	<u>\$ 10,357,137</u>	<u>\$ 572,115</u>	<u>\$ 18,853,149</u>	<u>\$ (762,937)</u>	<u>\$ (294,460)</u>	<u>\$ 30,281</u>	<u>\$ 126,981</u>	<u>\$ 179,426,425</u>

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

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 3,152,827	\$ 4,978,730
Adjustments:		
Adjustments for reconciliation of profit or loss		
Depreciation expenses	442,618	416,058
Amortization expenses	79,970	71,944
Provisions for allowance for bad debts expenses, commitments and guarantee liabilities	703,534	241,101
Net loss (gain) on financial assets and liabilities at FVTPL	456,594	(2,376,019)
Net loss (gain) on financial assets and liabilities at FVTOCI	(489,231)	(80,808)
Interest expenses	4,195,601	4,362,738
Interest income	(9,438,481)	(9,096,451)
Stock-based payments	(4,448)	7,337
Share of profit of associates accounted for using the equity method	(569,801)	(719,050)
Impairment loss on financial assets	2,417	3,446
Other adjustments	3,947,737	4,285,108
Total adjustments	<u>(673,490)</u>	<u>(2,884,596)</u>
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and call loans to banks	(1,113,419)	1,300,387
(Increase) decrease in financial assets at FVTPL	28,365,293	4,606,109
(Increase) decrease in financial assets at FVTOCI	(2,902,465)	(42,050,166)
(Increase) decrease in financial assets at amortized cost	(26,571,016)	(4,817,900)
(Increase) decrease in securities purchased under resale agreements	(131,529)	-
(Increase) decrease in receivables	9,497,388	1,400,084
(Increase) decrease in loans	(52,673,509)	(15,461,636)
(Increase) decrease in other financial assets	(2,917,454)	622,242
(Increase) decrease in other assets	(6,369,356)	1,259,976
Increase (decrease) in due to the Central Bank and banks	53,392	129,515
Increase (decrease) in financial liabilities at FVTPL	(9,476,179)	(11,881,921)
Increase (decrease) in securities sold under repurchase agreements	(17,894,803)	1,882,893
Increase (decrease) in payables	(4,803,253)	5,586,970
Increase (decrease) in deposits and remittances	56,742,549	76,112,259
Increase (decrease) in provisions	(2,411)	17,372
Increase (decrease) in other financial liabilities	2,340,756	8,345,339
Increase (decrease) in other liabilities	<u>(105,788)</u>	<u>388,212</u>
Cash generated from (used in) operations	(25,482,467)	29,533,869
Interest received	9,679,026	8,700,364
Dividends received	30,279	4,130

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TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
Interest paid	\$ (3,839,784)	\$ (3,750,434)
Income taxes paid	<u>(91,170)</u>	<u>(134,651)</u>
Net cash generated from (used in) operating activities	<u>(19,704,116)</u>	<u>34,353,278</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at FVTOCI	1,554	3,384
Acquisition of financial assets carried at cost	-	(3,070)
Proceeds from disposal of financial assets carried at cost	6,000	-
Acquisition of property and equipment	(229,806)	(239,809)
Proceeds from disposal of property and equipment	-	851
Acquisition of intangible assets	(105,409)	(168,306)
Acquisition of investment properties	<u>(461)</u>	<u>-</u>
Net cash generated from (used in) investing activities	<u>(328,122)</u>	<u>(406,950)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	19,912,573	-
Decrease in due to the Central Bank and banks	-	(6,594,320)
Increase in commercial paper payable	-	925,000
Decrease in commercial paper payable	(1,251,000)	-
Corporate bonds issued	3,300,000	-
Bank debentures issued	-	5,000,000
Decrease in other borrowings	(863,304)	(770,720)
Repayment of principal portion of lease liabilities	(171,042)	(109,790)
Redemption of preferred stock D	-	(4,200,000)
Exercise of employee stock options	<u>10,633</u>	<u>9,726</u>
Net cash generated from (used in) financing activities	<u>20,937,860</u>	<u>(5,740,104)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>388,399</u>	<u>353,430</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,294,021	28,559,654
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>55,000,230</u>	<u>26,655,928</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 56,294,251</u>	<u>\$ 55,215,582</u>

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TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

Reconciliation of cash and cash equivalents:

	<u>March 31</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents in the consolidated balance sheets	\$ 24,102,285	\$ 20,693,000
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7	19,232,787	25,507,814
Securities purchased under resale agreements qualifying as cash and cash equivalents under the definition of IAS 7	<u>12,959,179</u>	<u>9,014,768</u>
Cash and cash equivalents at the end of the period	<u>\$ 56,294,251</u>	<u>\$ 55,215,582</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 THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 investments in 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 agency services.

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 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 March 31, 2020.

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 Accounting Standard 34 “Interim Financial Reporting” 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 May 21, 2020.

4. APPLICATION OF NEW, AMENDED 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) Amendments to IFRS 3 “Definition of a Business”

The Group applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. The amendments require that for an entity to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To judge whether the acquired process is substantive, there will be different judgment requirements depending on whether there is output on the acquisition date. 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”

Upon retrospective application of the amendments, the Group complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) 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.

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

The Group adopted the amendments starting from January 1, 2020. The threshold for materiality has been changed to “could reasonably be expected to influence users’ decisions” and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

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

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note)</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

Note: Unless stated otherwise, the above New IFRSs would have no impact on the Group financial position and financial performance.

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. In addition, 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. Additionally, 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. 1080323028, No. 1090361183 and No. 10902706971 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 for 2020.

Except for the following, the accounting policies applied in the interim consolidated financial statements are the same as those in the consolidated financial statements as of December 31, 2019. Refer to Note 5 to the consolidated financial statements as of December 31, 2019 for related information.

Subsidiaries included in the consolidated financial statements as of March 31, 2020 and 2019 were as follows:

Investor	Subsidiary	Ownership Interest (%)		
		March 31, 2020	December 31, 2019	March 31, 2019
Taishin Financial Holding	Taishin Bank	100.00	100.00	100.00
Taishin Financial Holding	Taishin Securities B	100.00	100.00	100.00
Taishin Financial Holding	Taishin AMC	100.00	100.00	100.00
Taishin Financial Holding	Taishin Venture Capital	100.00	100.00	100.00
Taishin Financial Holding	Taishin Securities Investment Advisory	92.00	92.00	92.00
Taishin Financial Holding	Taishin Securities Investment Trust	100.00	100.00	100.00
Taishin Bank	Taishin Real-Estate	60.00	60.00	60.00
Taishin Bank	Xiang An Insurance Agency	87.40	87.40	87.40
Taishin Bank	Taishin D.A. Finance	100.00	100.00	100.00
Taishin AMC	Taishin Real-Estate	40.00	40.00	40.00
Taishin Venture Capital	Taishin Financial Leasing (China)	100.00	100.00	100.00
Taishin Venture Capital	Taishin Financial Leasing (Tianjin)	100.00	100.00	100.00
Taishin Securities B	Taishin Securities Venture Capital Co.	100.00	100.00	100.00
Taishin Securities B	Taishin Capital Co., Ltd (Note)	100.00	100.00	-

Note: Taishin Capital was established by Taishin Securities B on August 30, 2019, and has been included in the consolidated financial statements since this date.

Retirement Benefits

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

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).

Taxation

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

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical accounting judgments and key sources of estimation uncertainty are the same as the consolidated financial statements as of and for the year ended December 31, 2019. Refer to Note 6 to the consolidated financial statements as of and for the year December 31, 2019 for related information.

7. CASH AND CASH EQUIVALENTS

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand	\$ 10,558,690	\$ 12,162,721	\$ 10,549,449
Checks for clearing	701,012	1,483,820	1,838,564
Due from banks	9,952,220	8,437,391	6,796,713
Others	<u>2,890,363</u>	<u>2,084,600</u>	<u>1,508,274</u>
	<u>\$ 24,102,285</u>	<u>\$ 24,168,532</u>	<u>\$ 20,693,000</u>

- a. 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.
- b. The loss allowance was measured at an amount equal to 12-month ECLs based on historical experience and forward-looking information; there was no loss allowance on cash and cash equivalents as of March 31, 2020, December 31, 2019 and March 31, 2019.

8. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

	March 31, 2020	December 31, 2019	March 31, 2019
Deposits reserve for checking accounts	\$ 8,061,610	\$ 11,468,215	\$ 18,493,027
Deposits reserve for demand accounts	35,679,969	34,272,031	32,221,360
Deposits reserve for foreign deposits	220,987	129,568	163,308
Deposits transferred to the Central Bank	71,052	50,103	48,708
Call loans to other banks	19,232,787	19,496,374	25,507,814
Interbank clearing funds	<u>5,000,706</u>	<u>2,000,988</u>	<u>2,000,585</u>
	<u>\$ 68,267,111</u>	<u>\$ 67,417,279</u>	<u>\$ 78,434,802</u>

The loss allowance was measured at an amount equal to 12-month ECLs based on historical experience and forward-looking information; there was no loss allowance on due from the Central Bank and call loans to banks as of March 31, 2020, December 31, 2019 and March 31, 2019.

9. FINANCIAL INSTRUMENTS AT FVTPL

	March 31, 2020	December 31, 2019	March 31, 2019
Financial assets mandatorily classified as at FVTPL			
Derivative instruments			
Futures	\$ 1,394,021	\$ 491,260	\$ 482,488
Forward exchange contracts	8,325,074	1,363,404	2,223,566
Currency swaps	5,457,402	8,280,749	8,001,300
Interest rate swaps	14,844,588	9,408,122	11,953,981
Cross-currency swaps	198,141	268,371	98,534
Foreign-exchange options	1,687,166	540,859	474,154
Asset-swap options	23,732	42,478	40,656
Equity-linked options	-	-	1,996
Commodity and futures options	2,326	3,037	986
Equity-linked swaps	4,057	362,650	2,153
Convertible Bond Asset Swap	38,768	42,566	-
Commodity price exchange	-	46	-
Non-derivative financial assets			
Investment in bills	49,670,556	48,486,586	44,915,897
Domestic and overseas stocks and beneficiary certificates	5,296,711	5,082,983	4,587,413
Government bonds	17,194,068	26,487,055	13,707,169
Corporate bonds, bank debentures and other bonds	11,063,890	20,597,519	19,938,828
Trading securities			
Dealing	20,446,163	21,181,303	17,275,851
Underwriting	915,287	949,764	1,295,254
Hedging	645,151	450,841	217,469
Other	<u>1,120</u>	<u>2,000</u>	<u>1,404</u>
Financial assets at FVTPL	<u>\$ 137,208,221</u>	<u>\$ 144,041,593</u>	<u>\$ 125,219,099</u>
Financial liabilities designated as at FVTPL			
Bank debentures (d)	\$ 3,484,303	\$ 3,287,359	\$ 3,259,662
Structured products (e)	1,518,000	1,516,425	1,503,764
Financial liabilities held for trading			
Derivative instruments			
Futures	3,520	2,417	5,566
Forward exchange contracts	8,605,576	1,416,001	2,120,383
Currency swaps	8,254,169	9,252,528	8,049,097
Interest rate swaps	14,861,431	9,118,873	11,833,781
Cross-currency swaps	37,460	152,246	72,270
Foreign-exchange options	1,666,655	536,821	491,072
Interest rate options	103	183	1,078
Asset-swap options	325,455	614,562	467,179
Commodity and futures options	371	1,165	8,171
Equity-linked options	96,441	355,654	301,391
Equity-linked swaps	4,057	362,650	2,153
Credit default swaps	-	93,738	121,025
Convertible bond asset swaps	57,415	42,697	-

(Continued)

	March 31, 2020	December 31, 2019	March 31, 2019
Commodity price exchange	\$ 300	\$ 3	\$ -
Liabilities for issuance of call (put) warrants, net (c)	521,277	76,602	42,566
Non-derivative financial liabilities			
Borrowing stock	895,363	171,208	283,735
Short sales of bonds and borrowing bonds payable	<u>-</u>	<u>548,217</u>	<u>899,897</u>
Financial liabilities at FVTPL	<u>\$ 40,331,896</u>	<u>\$ 27,549,349</u>	<u>\$ 29,462,790</u> (Concluded)

a. Taishin Bank engaged in various derivative instrument transactions in the three months ended March 31, 2020 and 2019 to fulfill the needs of customers of Taishin Bank and Taishin Securities B as well as to manage Taishin Bank's asset and liability positions and risk.

b. The nominal principal amounts of outstanding derivative contracts were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Futures	\$ 3,054,543	\$ 9,887,476	\$ 4,969,404
Forward exchange contracts	174,685,696	174,000,040	252,705,069
Currency swaps	1,098,985,381	1,180,284,709	1,355,322,827
Interest rate swaps	1,274,713,541	1,259,100,780	1,409,608,855
Cross-currency swaps	24,746,056	18,195,828	9,148,076
Foreign-exchange options	157,987,676	161,569,946	120,680,669
Interest rate options	4,400,000	4,400,000	7,992,000
Asset-swap options	2,070,000	1,900,700	2,072,400
Equity-linked options	4,208,180	3,823,602	3,845,250
Commodity and futures options	125,994	214,394	198,942
Equity-linked swaps	92,882	6,368,963	211,209
Credit default swaps	-	674,977	2,076,434
Fund-linked products	-	3,000	3,000
Guarantee products	1,500,000	1,500,000	1,500,000
Credit-linked products	8,500	5,500	-
Equity-linked produces	9,142	9,152	-
Convertible bond asset swap	4,638,300	4,105,300	-
Commodity price exchange	30,233	30,094	-

c. Details of call (put) warrants and fair value of repurchased call (put) warrants were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Call (put) warrants issued	\$ 3,848,017	\$ 4,270,808	\$ 2,932,590
Less: Loss (gain) on change in fair value	<u>(288,447)</u>	<u>206,547</u>	<u>144,080</u>
	<u>3,559,570</u>	<u>4,477,355</u>	<u>3,076,670</u>
Repurchased call (put) warrants	3,183,141	4,097,274	2,708,733
Less: Gain (loss) on change in fair value	<u>(144,848)</u>	<u>303,479</u>	<u>325,371</u>
	<u>3,038,293</u>	<u>4,400,753</u>	<u>3,034,104</u>
Net call (put) warrants issued	<u>\$ 521,277</u>	<u>\$ 76,602</u>	<u>\$ 42,566</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 calculated using the closing price on the last transaction day of the balance sheet date.

- d. 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.

- e. Taishin Securities B issued structured notes, approved by the 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.

10. FINANCIAL ASSETS AT FVTOCI

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Debt instrument</u>			
Investment in bills	\$ 104,645,094	\$ 115,538,687	\$ 254,293,855
Bonds	50,405,640	50,088,694	45,190,001
Corporate bonds	20,985,485	17,139,552	15,868,965
Bank debentures	90,396,623	85,420,494	54,711,530
Beneficiary securities (a)	<u>579,888</u>	<u>610,937</u>	<u>-</u>
	267,012,730	268,798,364	370,064,351
<u>Equity instrument</u>			
Domestic and overseas stocks	<u>4,258,748</u>	<u>4,627,773</u>	<u>4,780,125</u>
	<u>\$ 271,271,478</u>	<u>\$ 273,426,137</u>	<u>\$ 374,844,476</u>

- a. Beneficiary certificates are the asset-securitized products recognized by the Group, which are related to the equity of non-subsiary structured entities. The Group and other third parties provided the funds of such entities. However, the Group neither offered nor committed any financial support when participating in transactions involving the asset-securitized products.
- 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
March 31, 2020	\$ 35,129	\$ -	\$ -	\$ 35,129
December 31, 2019	31,416	1,486	-	32,902
March 31, 2019	24,673	1,553	-	26,226

As the Group's debt instruments at FVTOCI were measured using the ECL model, the Group had recognized impairment loss on assets of \$2,350 thousand and \$340 thousand for the three months ended March 31, 2020 and 2019, respectively.

- d. The Group sold the domestic common stock for strategic purposes. The stock sold had a fair value of \$805,785 thousand, and the Group transferred the loss of \$83,151 thousand from other equity to retained earnings for the three months ended March 31, 2020. There were no disposal transactions for the three months ended March 31, 2019.
- e. Refer to Note 43 for information relating to the management of credit risk and the impairment assessment on investments in debt instruments at FVTOCI.
- f. Refer to Note 45 for information relating to debt instruments at FVTOCI pledged as collateral.

11. DEBT INSTRUMENTS AT AMORTIZED COST

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Current</u>			
Investment in bills	\$ 142,700,000	\$ 116,250,000	\$ -
Bank debentures	9,681,280	12,524,096	7,891,200
Corporate bonds	3,025,400	-	-
Government bonds	<u>3,105,959</u>	<u>3,119,322</u>	<u>12,203</u>
	158,512,639	131,893,418	7,903,403
Less: Allowance for impairment	<u>(4,883)</u>	<u>(4,802)</u>	<u>(3,057)</u>
	<u>\$ 158,507,756</u>	<u>\$ 131,888,616</u>	<u>\$ 7,900,346</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
March 31, 2020	\$ 4,883	\$ -	\$ -	\$ 4,883
December 31, 2019	4,802	-	-	4,802
March 31, 2019	3,057	-	-	3,057

As the Group's debt instruments at FVTOCI were measured using the ECL model, the Group had recognized impairment loss on assets of \$67 thousand and \$1,856 thousand for the three months ended March 31, 2020 and 2019, respectively.

- b. Refer to Note 43 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 45 for information relating to debt instruments at amortized cost pledged as collateral.

12. RECEIVABLES, NET

	March 31, 2020	December 31, 2019	March 31, 2019
Notes and accounts receivable	\$ 79,878,896	\$ 82,467,696	\$ 81,893,323
Credit cards receivable	54,569,953	61,035,549	54,915,037
Interest receivable	3,636,152	4,083,748	3,431,738
Securities margin loans receivable	3,923,257	5,892,601	4,776,663
Delivery accounts receivable	7,122,459	6,085,696	5,028,687
Other receivables	<u>1,160,249</u>	<u>1,036,129</u>	<u>1,199,014</u>
	150,290,966	160,601,419	151,244,462
Less: Adjustment for discounts	(2,710,311)	(2,945,398)	(3,111,510)
Less: Allowance for receivables	<u>(1,509,830)</u>	<u>(1,568,437)</u>	<u>(4,282,930)</u>
	<u>\$ 146,070,825</u>	<u>\$ 156,087,584</u>	<u>\$ 143,850,022</u>

- a. The movements in the allowance for receivables (including non-performing receivables transferred from other than loans, inward remittances and creditor rights) for three months ended March 31, 2020 and 2019 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, 2020	\$ 123,030	\$ 271,113	\$ 176,414	\$ 457,596	\$ 1,028,053	\$ 878,772	\$ 1,906,825
Changes in the loss allowance							
Transferred to stage 3	(117)	21,215	6	(134)	20,970		20,970
Transferred to stage 2	(160)	(69,686)	-	118,160	48,314		48,314
Transferred to stage 1	22	(4,618)	-	(759)	(5,355)		(5,355)
Financial assets derecognized	(25,790)	(14,658)	(5,494)	(143,859)	(189,801)		(189,801)
New financial assets originated or purchased	31,220	13,308	2,065	4,285	50,878		50,878
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	(19,808)	(145)	(107,421)	(127,374)	(98,299)	(98,299)
Write-offs	-	(19,808)	(145)	(107,421)	(127,374)		(127,374)
Recovery of loans written off	-	-	2,498	114,123	116,621		116,621
Foreign exchange and other movements	-	127,414	(3,139)	-	124,275	(510)	123,765
Loss allowance as of March 31, 2020	\$ 128,205	\$ 324,280	\$ 172,205	\$ 441,891	\$ 1,066,581	\$ 779,963	\$ 1,846,544

	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	\$ 289,479	\$ 2,496,256	\$ 777,419	\$ 3,707,081	\$ 761,453	\$ 4,468,534
Changes in the loss allowance							
Transferred to stage 3	(83)	15,651	127	(81)	15,614		15,614
Transferred to stage 2	(136)	(10,681)	(71)	47,694	36,806		36,806
Transferred to stage 1	82	(3,462)	(196)	(596)	(4,172)		(4,172)
Financial assets derecognized	(32,086)	(5,738)	(23,396)	(117,138)	(178,358)		(178,358)
New financial assets originated or purchased	13,272	38,209	6,942	21,537	79,960		79,960
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing/Non-accrual Loans	-	(61,365)	(80)	(44,804)	(106,249)	153,350	153,350
Write-offs	-	(61,365)	(80)	(44,804)	(106,249)		(106,249)
Recovery of loans written off	-	26,926	213	100,808	127,947		127,947
Foreign exchange and other movements	-	(834)	1,540	48	754	2,193	2,947
Loss allowance as of March 31, 2019	\$ 124,976	\$ 288,185	\$ 2,481,335	\$ 784,887	\$ 3,679,383	\$ 916,996	\$ 4,596,379

- 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 three months ended March 31, 2020 and 2019 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, 2020	\$ 110,831,858	\$ 37,053,647	\$ 10,940,163	\$ 2,123,479	\$ 160,949,147
Changes in the loss allowance					
Transferred to stage 3	(80,580)	85,071	1,501	(948)	5,044
Transferred to stage 2	(113,293)	(110,458)	(5,633)	230,432	1,048
Transferred to stage 1	16,662	(18,501)	-	(3,442)	(5,281)
Financial assets derecognized	(23,096,514)	(1,745,591)	(1,736,105)	(122,107)	(26,700,317)
New financial assets originated or purchased	14,796,668	(1,287,440)	3,154,742	20,894	16,684,864
Write-offs	-	(19,811)	(1,000)	(143,216)	(164,027)
Foreign exchange and other movements	-	(133,467)	-	-	(133,467)
Loss allowance as of March 31, 2020	\$ 102,354,801	\$ 33,823,450	\$ 12,353,668	\$ 2,105,092	\$ 150,637,011

	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					
Transferred to stage 3	(59,704)	61,466	424	(606)	1,580
Transferred to stage 2	(93,349)	(2,427,038)	2,388,315	136,144	4,072
Transferred to stage 1	24,922	(13,374)	(19,664)	(2,728)	(10,844)
Financial assets derecognized	(21,387,225)	(150,677)	(717,619)	(129,519)	(22,385,040)
New financial assets originated or purchased	14,774,816	3,381,531	3,178,385	36,088	21,370,820
Write-offs	-	(61,365)	(80)	(72,078)	(133,523)
Foreign exchange and other movements	-	267,990	-	91	268,081
Loss allowance as of March 31, 2019	\$ 101,353,641	\$ 32,430,670	\$ 15,498,430	\$ 2,299,230	\$ 151,581,971

13. LOANS, NET

a. The details of loans were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Negotiated	\$ 2,318,989	\$ 1,949,901	\$ 1,332,255
Overdrafts	1,305,229	233,152	2,480,191
Short-term loans	324,926,837	294,847,380	249,531,687
Medium-term loans	364,262,926	355,120,863	329,422,328
Long-term loans	513,084,311	501,368,989	463,562,173
Delinquent loans	<u>2,227,939</u>	<u>1,809,466</u>	<u>1,808,108</u>
	1,208,126,231	1,155,329,751	1,048,136,742
Less: Adjustment for discounts	(606,582)	(600,881)	(539,165)
Less: Allowance for loan losses	<u>(17,125,158)</u>	<u>(16,261,753)</u>	<u>(13,740,941)</u>
	<u>\$ 1,190,394,491</u>	<u>\$ 1,138,467,117</u>	<u>\$ 1,033,856,636</u>

b. The movements in the allowance for loans for the three months ended March 31, 2020 and 2019 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, 2020	\$ 2,164,288	\$ 800,401	\$ 2,309,802	\$ 3,601,049	\$ 8,875,540	\$ 7,386,213	\$ 16,261,753
Changes in the loss allowance							
Transferred to stage 3	(10,738)	247,889	26,297	(48)	263,400		263,400
Transferred to stage 2	(1,072)	(42,511)	(1,331,135)	1,823,556	448,838		448,838
Transferred to stage 1	1,937	(60,078)	-	(65,279)	(123,420)		(123,420)
Financial assets derecognized	(521,403)	(21,356)	(85,828)	(1,128,430)	(1,757,017)		(1,757,017)
New financial assets originated or purchased	283,220	384,092	71,024	22,064	760,400		760,400
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans						1,089,842	1,089,842
Write-offs	-	(77)	-	(70,310)	(70,387)		(70,387)
Recovery of loans written off	-	-	-	251,749	251,749		251,749
Loss allowance as of March 31, 2020	\$ 1,916,232	\$ 1,308,360	\$ 990,160	\$ 4,434,351	\$ 8,649,103	\$ 8,476,055	\$ 17,125,158

	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							
Transferred to stage 3	(5,440)	137,436	48,698	(9,350)	171,344		171,344
Transferred to stage 2	(1,685)	(102,758)	(72,329)	542,622	365,850		365,850
Transferred to stage 1	2,399	(38,426)	(19,036)	(14,047)	(69,110)		(69,110)
Financial assets derecognized	(401,599)	(17,414)	(210,942)	(912,971)	(1,542,926)		(1,542,926)
New financial assets originated or purchased	196,891	107,273	74,693	148,232	527,089		527,089
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing/Non-accrual Loans						619,520	619,520
Write-offs	-	-	(7,534)	(35,221)	(42,755)		(42,755)
Recovery of loans written off	-	-	-	310,590	310,590		310,590
Foreign exchange and other movements	-	(122)	-	-	(122)		(122)
Loss allowance as of March 31, 2019	\$ 1,923,994	\$ 718,253	\$ 1,936,327	\$ 3,503,711	\$ 8,082,285	\$ 5,658,656	\$ 13,740,941

- c. The movements in the gross carrying amount of the allowance for loans for the three months ended March 31, 2020 and 2019 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, 2020	\$ 1,126,080,523	\$ 16,264,932	\$ 3,744,039	\$ 9,240,257	\$ 1,155,329,751
Changes in the loss allowance					
Transferred to stage 3	(3,136,197)	2,887,842	173,969	(161)	(74,547)
Transferred to stage 2	(398,671)	(166,188)	(1,749,837)	2,314,422	(274)
Transferred to stage 1	1,503,822	(1,417,995)	-	(105,682)	(19,855)
Financial assets derecognized	(101,196,956)	(508,689)	(357,170)	(723,002)	(102,785,817)
New financial assets originated or purchased	155,493,927	60,133	195,342	57,967	155,807,369
Write-offs	-	(470)	-	(129,926)	(130,396)
Loss allowance as of March 31, 2020	\$ 1,178,346,448	\$ 17,119,565	\$ 2,006,343	\$ 10,653,875	\$ 1,208,126,231

	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					
Transferred to stage 3	(2,488,185)	2,381,261	95,590	(9,555)	(20,889)
Transferred to stage 2	(533,538)	(412,784)	(104,597)	1,023,213	(27,706)
Transferred to stage 1	1,382,266	(1,324,721)	(38,460)	(27,107)	(8,022)
Financial assets derecognized	(87,929,843)	(579,273)	(230,720)	(1,074,336)	(89,814,172)
New financial assets originated or purchased	105,116,320	96,063	136,575	252,898	105,601,856
Write-offs	-	-	-	(80,282)	(80,282)
Loss allowance as of March 31, 2019	\$ 1,021,460,965	\$ 14,805,259	\$ 2,837,987	\$ 9,032,531	\$ 1,048,136,742

- d. Details of the (provisions for) reversal of the allowance for loan losses, commitments and guarantees liabilities for the three months ended March 31, 2020 and 2019 were as follows:

	For the Three Months Ended March 31	
	2020	2019
(Provisions for) reversal of allowance for losses of receivables, loans and other miscellaneous financial assets	\$ (713,629)	\$ (238,164)
(Provisions for) reversal of losses on guarantees liabilities	10,062	27
(Provisions for) reversal of losses on loan commitments	23	(2,971)
(Provisions for) reversal of letters of credit	<u>10</u>	<u>7</u>
	<u>\$ (703,534)</u>	<u>\$ (241,101)</u>

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2020	December 31, 2019	March 31, 2019
Investments in associates	\$ <u>41,392,774</u>	\$ <u>41,406,600</u>	\$ <u>41,063,306</u>

a. Investments in associates

	March 31, 2020	December 31, 2019	March 31, 2019
Material associates			
Chang Hwa Bank	\$ 41,312,576	\$ 41,327,245	\$ 41,003,314
Associates that are not individually material	<u>80,198</u>	<u>79,355</u>	<u>59,992</u>
	\$ <u>41,392,774</u>	\$ <u>41,406,600</u>	\$ <u>41,063,306</u>

1) Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights		
			March 31, 2020	December 31, 2019	March 31, 2019
Chang Hwa Bank	Banking	Taiwan	22.81%	22.81%	22.81%

Fair values (Level 1) of investments in associates with available published price quotations are summarized as follows:

Name of Associate	March 31, 2020	December 31, 2019	March 31, 2019
Chang Hwa Bank	\$ <u>43,392,856</u>	\$ <u>51,706,973</u>	\$ <u>41,202,110</u>

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

	March 31, 2020	December 31, 2019	March 31, 2019
Total assets	\$ 2,185,567,667	\$ 2,126,429,286	\$ 2,075,215,282
Total liabilities	<u>(2,023,426,392)</u>	<u>(1,964,192,091)</u>	<u>(1,914,412,889)</u>
Equity	\$ <u>162,141,275</u>	\$ <u>162,237,195</u>	\$ <u>160,802,393</u>
Equity attributable to the Group	\$ 36,987,522	\$ 37,009,403	\$ 36,682,097
Goodwill and other adjustments	<u>4,325,054</u>	<u>4,317,842</u>	<u>4,321,217</u>
Carrying amount	\$ <u>41,312,576</u>	\$ <u>41,327,245</u>	\$ <u>41,003,314</u>

	For the Three Months Ended March 31	
	2020	2019
Net revenue and gains	<u>\$ 7,334,877</u>	<u>\$ 7,859,979</u>
Net profit for the period	\$ 2,492,784	\$ 3,136,281
Other comprehensive income	<u>(2,588,704)</u>	<u>1,104,481</u>
Total comprehensive income (loss) for the period	<u>\$ (95,920)</u>	<u>\$ 4,240,762</u>

2) Aggregate information of associates that are not individually material

	For the Three Months Ended March 31	
	2020	2019
The Group's share of:		
Net profit for the period	\$ 843	\$ 915
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>\$ 843</u>	<u>\$ 915</u>

- 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 judgment, and appealed to the Supreme Court. On May 23, 2019, the Supreme Court had reversed the original judgment regarding the existence of the contractual relationship and litigation expenses, and remanded this case to the Taiwan High Court.

- c. The Group's investments accounted for using the equity method were not pledged as collateral as of March 31, 2020, December 31, 2019 and March 31, 2019.

15. OTHER MISCELLANEOUS FINANCIAL ASSETS, NET

- a. The details of other miscellaneous financial assets items were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Non-performing receivables transferred from other than loans	\$ 349,300	\$ 351,875	\$ 337,860
Creditor rights	1	1	1
Inward remittances	15	-	-
Less: Allowance for bad debt	(336,714)	(338,388)	(313,449)
Due from banks	6,074,715	4,553,811	8,001,021
Deposits for borrowing securities	1,377,093	296,462	576,138
Gold account	411,994	359,998	317,111
Customer margin account	520,661	313,104	366,565
Guaranteed price deposits for securities borrowing	64,160	8,433	17,692
Others	<u>-</u>	<u>-</u>	<u>861</u>
	<u>\$ 8,461,225</u>	<u>\$ 5,545,296</u>	<u>\$ 9,303,800</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 45 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 three months ended March 31, 2020 and 2019.
- 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 March 31, 2020, December 31, 2019 and March 31, 2019.

16. INVESTMENT PROPERTIES, NET

	March 31, 2020	December 31, 2019	March 31, 2019
Investment properties			
Land	\$ <u>621,103</u>	\$ <u>621,103</u>	\$ <u>375,201</u>
Buildings			
Cost	462,060	461,599	313,499
Accumulated depreciation	<u>(84,891)</u>	<u>(81,640)</u>	<u>(48,879)</u>
	<u>377,169</u>	<u>379,959</u>	<u>264,620</u>
Lease improvements			
Cost	1,612	1,612	1,612
Accumulated depreciation	<u>(1,612)</u>	<u>(1,612)</u>	<u>(1,612)</u>
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 998,272</u>	<u>\$ 1,001,062</u>	<u>\$ 639,821</u>

Except for the depreciation recognized during the period and additions of \$461 thousand and \$0 thousand to the Group's investment properties account during the three months ended March 31, 2020 and 2019, respectively, the Group had no significant disposal or impairment of investment properties. The investment properties are depreciated over the following estimated useful lives using the straight-line method.

Buildings	9-55 years
Lease improvements	3 years

The Group's investment properties, which were leased out under operating leases, had lease terms between one and twenty years.

The maturity analysis of lease payments receivable under operating leases of investment properties as of March 31, 2020, December 31, 2019 and March 31, 2019 was as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Year 1	\$ 28,677	\$ 21,658	\$ 13,076
Year 2	24,824	14,432	5,024
Year 3	15,493	12,373	1,581
Year 4	12,934	12,556	-
Year 5	12,556	12,556	-
Over 5 years	<u>194,563</u>	<u>197,702</u>	<u>-</u>
	<u>\$ 289,047</u>	<u>\$ 271,277</u>	<u>\$ 19,681</u>

The rental income and direct operating expenses generated from investment properties for the three months ended March 31, 2020 and 2019 were as follows:

	For the Three Months Ended March 31	
	2020	2019
Rental income	\$ 7,155	\$ 3,696
Direct operating expenses from investment properties generating rental income	1,027	1,145
Direct operating expenses from investment properties not generating rental income	2,237	734

The fair values of the Group's investment properties as of March 31, 2020, December 31, 2019 and March 31, 2019 were \$1,207,549 thousand, \$1,207,549 thousand and \$816,353 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

	March 31, 2020	December 31, 2019	March 31, 2019
Land	\$ 11,210,839	\$ 11,210,839	\$ 11,247,962
Buildings	4,908,295	4,948,991	5,148,445
Machinery equipment	2,401,694	2,343,684	2,344,199
Transportation equipment	63,022	59,010	54,818
Miscellaneous equipment	120,537	93,160	86,268
Leasehold improvements	286,977	287,442	235,855
Prepayments for buildings and equipment	<u>30,464</u>	<u>108,332</u>	<u>32,278</u>
	<u>\$ 19,021,828</u>	<u>\$ 19,051,458</u>	<u>\$ 19,149,825</u>

	Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Prepayment for Buildings, Equipment and Property under Construction	Total
Cost									
Balance, January 1, 2020	\$ 11,210,839	\$ 7,432,071	\$ 4,516,335	\$ 129,310	\$ 170,693	\$ 640,580	\$ -	\$ 108,332	\$ 24,208,160
Additions	-	3,348	200,582	8,881	5,824	3,731	-	7,440	229,806
Disposals	-	(12,185)	(252,957)	(513)	(2,438)	(40,488)	-	-	(308,581)
Reclassification	-	-	23,681	1,500	34,042	17,475	-	(85,308)	(8,610)
Effect of foreign currency exchange differences	-	-	(1,050)	-	-	(1,038)	-	-	(2,088)
Balance, March 31, 2020	<u>\$ 11,210,839</u>	<u>\$ 7,423,234</u>	<u>\$ 4,486,591</u>	<u>\$ 139,178</u>	<u>\$ 208,121</u>	<u>\$ 620,260</u>	<u>\$ -</u>	<u>\$ 30,464</u>	<u>\$ 24,118,687</u>
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	-	7,364	178,671	5,260	14,480	17,241	-	16,793	239,809
Disposals	-	(3,983)	(56,958)	(8,475)	(2,495)	(27,826)	-	-	(99,737)
Reclassification	-	6,670	1,904	-	6,755	(1,595)	-	(15,850)	(2,116)
Effect of foreign currency exchange differences	-	-	2,667	-	-	(22,875)	-	-	(20,208)
Balance, March 31, 2019	<u>\$ 11,247,962</u>	<u>\$ 7,552,161</u>	<u>\$ 4,202,741</u>	<u>\$ 139,080</u>	<u>\$ 165,812</u>	<u>\$ 572,522</u>	<u>\$ -</u>	<u>\$ 32,278</u>	<u>\$ 23,912,556</u>
Accumulated depreciation									
Balance, January 1, 2020	\$ -	\$ 2,483,080	\$ 2,172,651	\$ 70,300	\$ 77,533	\$ 353,138	\$ -	\$ -	\$ 5,156,702
Depreciation	-	44,044	169,990	5,535	8,566	21,451	-	-	249,586
Disposals	-	(12,185)	(252,890)	(513)	(2,372)	(40,488)	-	-	(308,448)
Reclassification	-	-	(3,999)	834	3,857	-	-	-	692
Effect of foreign currency exchange differences	-	-	(855)	-	-	(818)	-	-	(1,673)
Balance, March 31, 2020	<u>\$ -</u>	<u>\$ 2,514,939</u>	<u>\$ 2,084,897</u>	<u>\$ 76,156</u>	<u>\$ 87,584</u>	<u>\$ 333,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,096,859</u>
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	-	45,459	159,924	6,017	6,231	22,281	-	-	239,912
Disposals	-	(3,983)	(56,917)	(8,349)	(2,476)	(27,826)	-	-	(99,551)
Reclassification	-	-	-	-	2,666	(2,666)	-	-	-
Effect of foreign currency exchange differences	-	-	2,119	-	-	(23,118)	-	-	(20,999)
Balance, March 31, 2019	<u>\$ -</u>	<u>\$ 2,403,716</u>	<u>\$ 1,858,542</u>	<u>\$ 84,262</u>	<u>\$ 79,544</u>	<u>\$ 336,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,762,731</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 three months ended March 31, 2020 and 2019.

18. LEASE ARRANGEMENTS

a. Right-of-use assets, net

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Carrying amounts</u>			
Buildings	\$ 2,751,611	\$ 2,742,011	\$ 2,564,898
Office equipment	959	896	-
Transportation equipment	<u>15,124</u>	<u>18,417</u>	<u>26,837</u>
	<u>\$ 2,767,694</u>	<u>\$ 2,761,324</u>	<u>\$ 2,591,735</u>
		For the Three Months Ended March 31	
		2020	2019
Additions to right-of-use assets		<u>\$ 215,076</u>	<u>\$ 447,184</u>
Depreciation charge for right-of-use assets			
Buildings		\$ 184,864	\$ 169,411
Office equipment		71	-
Transportation equipment		<u>4,846</u>	<u>4,862</u>
		<u>\$ 189,781</u>	<u>\$ 174,273</u>

b. Lease liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
Carrying amounts	<u>\$ 2,846,867</u>	<u>\$ 2,822,108</u>	<u>\$ 2,627,282</u>
		For the Three Months Ended March 31	
		2020	2019
Interest expenses (other interest expenses)		<u>\$ 8,011</u>	<u>\$ 8,937</u>

Ranges of discount rates for lease liabilities as of March 31, 2020, December 31, 2019 and March 31, 2019 were 0.75%-5.56%, 1.16%-5.31% and 1.16%-5.81%, respectively.

c. Material lease activities and terms

The Group leases buildings for the use of its bank branches and offices with lease terms of 1 to 10 years.

d. Other lease information

	For the Three Months Ended March 31	
	2020	2019
Expenses relating to short-term leases	\$ 16,519	\$ 15,246
Expenses relating to low-value asset leases	\$ 1,246	\$ 785
Lease payments not included in changes in lease liability measurement	\$ 587	\$ -
Total cash outflow for leases	<u>\$ 197,405</u>	<u>\$ 134,758</u>

Certain lease contracts of the Group 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 lease.

All lease commitments with lease terms commencing after the balance sheet date were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Lease commitments	<u>\$ 78,291</u>	<u>\$ 207,828</u>	<u>\$ -</u>

19. INTANGIBLE ASSETS, NET

	March 31, 2020	December 31, 2019	March 31, 2019
Goodwill	\$ 1,567,391	\$ 1,567,391	\$ 1,567,391
Computer software	<u>921,161</u>	<u>895,057</u>	<u>802,270</u>
	<u>\$ 2,488,552</u>	<u>\$ 2,462,448</u>	<u>\$ 2,369,661</u>
			Computer Software
Balance, January 1, 2020			\$ 895,057
Additions			105,409
Amortization			(79,199)
Reclassification			90
Effect of foreign currency exchange differences			<u>(196)</u>
Balance, March 31, 2020			<u>\$ 921,161</u>
Balance, January 1, 2019			\$ 707,858
Additions			168,306
Disposals			(9,302)
Amortization			(70,343)
Reclassification			5,268
Effect of foreign currency exchange differences			<u>483</u>
Balance, March 31, 2019			<u>\$ 802,270</u>

There was no material disposal and impairment for the three months ended March 31, 2020 and 2019. Refer to Note 19 to the consolidated financial statements as of December 31, 2019 for related information on intangible assets.

20. OTHER ASSETS, NET

	March 31, 2020	December 31, 2019	March 31, 2019
Prepayments	\$ 1,228,945	\$ 1,119,818	\$ 1,254,752
Refundable deposits	12,527,660	6,218,074	7,995,433
Operating guarantee deposits and settlement funds	146,070	199,857	184,155
Collateral, net	427,528	427,528	448,926
Input tax to be credited	326,837	395,730	481,808
Others	<u>203,836</u>	<u>155,409</u>	<u>56,755</u>
	<u>\$ 14,860,876</u>	<u>\$ 8,516,416</u>	<u>\$ 10,421,829</u>

- a. Refer to Note 20 to the consolidated financial statements as of December 31, 2019 for related information on other assets, net.
- b. Refer to Note 45 for information relating to refundable deposits, operating guarantee deposits and settlement funds pledged as collateral.
- c. 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 March 31, 2020, December 31, 2019 and March 31, 2019, respectively.
- d. Due to the decrease in the expected cash flow generated from other assets - others, the recoverable amount was less than the carrying amount; thus, the Group recognized an impairment loss of \$1,250 thousand for the three months ended March 31, 2019. No impairment loss was recognized for the three months ended March 31, 2020.
- e. 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
March 31, 2020	\$ -	\$ -	\$ 3,000	\$ 3,000
December 31, 2019	-	-	3,000	3,000
March 31, 2019	-	-	-	-

Based on the above-mentioned measurement results, the Group did not recognize any impairment loss for the three months ended March 31, 2020 and 2019.

21. DUE TO CENTRAL BANK AND BANKS

	March 31, 2020	December 31, 2019	March 31, 2019
Due to other banks	\$ 25,155,532	\$ 25,104,879	\$ 25,070,160
Call loans from other banks	48,467,789	27,899,674	26,514,394
Bank overdrafts	235,101	292,963	848,401
Due to the Central Bank	<u>98,280</u>	<u>95,541</u>	<u>80,228</u>
	<u>\$ 73,956,702</u>	<u>\$ 53,393,057</u>	<u>\$ 52,513,183</u>

22. COMMERCIAL PAPER ISSUED, NET

	March 31, 2020	December 31, 2019	March 31, 2019
Sunny Bills Finance	\$ 410,000	\$ 400,000	\$ 400,000
Union Bills Finance	800,000	950,000	1,150,000
Grand Bills Finance	4,793,000	4,270,000	3,190,000
China Bills Finance	450,000	1,230,000	1,700,000
Ta Ching Bills Finance	730,000	835,000	800,000
International Bills Finance	1,000	570,000	180,000
Taiwan Bills Finance	700,000	710,000	700,000
Mega Bills Finance	1,250,000	1,095,000	1,000,000
Bank SinoPac	4,520,000	6,010,000	850,000
Hua Nan Bank	655,000	800,000	500,000
KGI Bank	1,350,000	1,350,000	1,800,000
Taiwan Cooperative Bills Finance	445,000	400,000	200,000
Taipei Fubon Bank	2,230,000	965,000	700,000
Cathay Bank	3,000,000	2,000,000	-
Yuanta Commercial Bank	300,000	1,300,000	-
Less: Discounts on commercial paper issued	<u>(19,991)</u>	<u>(28,235)</u>	<u>(18,741)</u>
	<u>\$ 21,614,009</u>	<u>\$ 22,856,765</u>	<u>\$ 13,151,259</u>

As of March 31, 2020, December 31, 2019 and March 31, 2019, the interest rate ranges of commercial paper issued were 0.50%-1.34%, 0.54%-1.12% and 0.47%-1.12%, respectively.

23. PAYABLES

	March 31, 2020	December 31, 2019	March 31, 2019
Notes and accounts payable	\$ 17,225,964	\$ 18,297,645	\$ 17,709,823
Delivery accounts payable	6,311,841	5,520,437	5,109,095
Accrued expenses	3,711,741	6,152,639	3,562,931
Interest payable	3,337,029	2,957,518	3,388,705
Check for clearance payable	698,181	1,483,802	1,838,550
Collection payable	405,764	563,049	326,673
Other tax payable	183,230	352,485	232,385
Other payables	<u>3,087,011</u>	<u>4,055,066</u>	<u>2,845,059</u>
	<u>\$ 34,960,761</u>	<u>\$ 39,382,641</u>	<u>\$ 35,013,221</u>

24. DEPOSITS AND REMITTANCES

	March 31, 2020	December 31, 2019	March 31, 2019
Checking deposits	\$ 5,629,713	\$ 6,559,224	\$ 6,028,846
Demand deposits	348,344,256	329,759,105	264,754,924
Time deposits	371,896,730	350,220,390	366,581,438
Negotiable certificates of deposit	466,000	1,127,326	9,049,771
Savings deposits	756,573,819	737,394,123	681,254,289
Public treasury deposits	6,328,702	6,512,991	7,048,515
Remittances	<u>1,588,263</u>	<u>2,511,775</u>	<u>1,069,900</u>
	<u>\$ 1,490,827,483</u>	<u>\$ 1,434,084,934</u>	<u>\$ 1,335,787,683</u>

25. BONDS PAYABLE

	March 31, 2020	December 31, 2019	March 31, 2019
Corporate bonds	\$ 25,300,000	\$ 22,000,000	\$ 22,000,000
Bank debentures	<u>34,800,000</u>	<u>34,800,000</u>	<u>44,700,000</u>
	<u>\$ 60,100,000</u>	<u>\$ 56,800,000</u>	<u>\$ 66,700,000</u>

Subordinated Corporate Bonds Issued by Taishin Financial Holding

To raise working capital and strengthen its financial structure, Taishin Financial Holding issued unsecured subordinated corporate bonds under SFB approval. The bond issuance terms were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Unsecured Subordinated Corporate Bonds - 2012 (I)	\$ -	\$ -	\$ 7,000,000
Unsecured Subordinated Corporate Bonds - 2017 (I)	8,000,000	8,000,000	8,000,000
Unsecured Subordinated Corporate Bonds - 2018 (I)	7,000,000	7,000,000	7,000,000
Unsecured Subordinated Corporate Bonds - 2019 (I)	<u>7,000,000</u>	<u>7,000,000</u>	<u>-</u>
	<u>\$ 22,000,000</u>	<u>\$ 22,000,000</u>	<u>\$ 22,000,000</u>

Refer to Note 25 to the consolidated financial statements as of December 31, 2019 for related information on the unsecured subordinated corporate bonds under SFB approval.

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:

	March 31, 2020	December 31, 2019	March 31, 2019
Subordinated Bank Debentures - 2012 (I)	\$ 4,500,000	\$ 4,500,000	\$ 5,600,000
Subordinated Bank Debentures - 2012 (II)	2,300,000	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	3,000,000
Subordinated Bank Debentures - 2015 (I)	9,100,000	9,100,000	9,100,000
Subordinated Bank Debentures - 2015 (II)	6,000,000	6,000,000	6,000,000
Subordinated Bank Debentures - 2015 (III)	4,900,000	4,900,000	4,900,000
Subordinated Bank Debentures - 2019 (I)	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
	<u>\$ 34,800,000</u>	<u>\$ 34,800,000</u>	<u>\$ 44,700,000</u>

Refer to Note 25 to the consolidated financial statements as of December 31, 2019 for related information on bank debentures.

Subordinated Corporate Bonds Issued by Taishin Securities B

To raise medium to long-term operating funds and strengthen its capital structure, Taishin Securities B issued unsecured subordinated corporate bonds - 2020 (I) on January 10, 2020. The total issuance amount was \$3,300,000 thousand and the issuance period is 10 years. A one-time repayment of principal will be made in full upon maturity on January 10, 2030, and interest will be paid annually at a fixed coupon rate of 1.35%.

26. OTHER BORROWINGS

	March 31, 2020	December 31, 2019	March 31, 2019
Short-term unsecured borrowings	\$ 3,986,601	\$ 5,302,103	\$ 6,767,372
Long-term borrowings	<u>6,235,438</u>	<u>5,891,981</u>	<u>4,309,511</u>
	<u>\$ 10,222,039</u>	<u>\$ 11,194,084</u>	<u>\$ 11,076,883</u>

As of March 31, 2020, December 31, 2019 and March 31, 2019, the interest rates on short-term unsecured borrowings ranged from 1.00% to 5.22%, from 1.16% to 5.22% and from 1.15% to 5.67%, respectively.

As of March 31, 2020, December 31, 2019 and March 31, 2019, the interest rate of long-term borrowings ranged from 2.80% to 5.70%, from 3.44% to 5.70% and from 4.25% to 6.12%, respectively.

27. RESERVE FOR LIABILITIES

	March 31, 2020	December 31, 2019	March 31, 2019
Reserve for employee benefits (Note 30)	\$ 1,233,116	\$ 1,235,527	\$ 1,234,526
Reserve for guarantee liabilities	214,821	224,821	224,706
Reserve for loan commitments	176,675	176,675	175,675
Other reserves	<u>124,246</u>	<u>124,102</u>	<u>106,737</u>
	<u>\$ 1,748,858</u>	<u>\$ 1,761,125</u>	<u>\$ 1,741,644</u>
	Reserve for Guarantee Liabilities	Reserve for Loan Commitment	Other Reserves
Balance, January 1, 2020	\$ 224,821	\$ 176,675	\$ 124,102
Provision (reverse)	(10,062)	(23)	31
Exchange differences	<u>62</u>	<u>23</u>	<u>113</u>
Balance, March 31, 2020	<u>\$ 214,821</u>	<u>\$ 176,675</u>	<u>\$ 124,246</u>
Balance, January 1, 2019	\$ 224,706	\$ 172,675	\$ 74,614
Provision (reverse)	(27)	2,971	32,053
Exchange differences	<u>27</u>	<u>29</u>	<u>70</u>
Balance, March 31, 2019	<u>\$ 224,706</u>	<u>\$ 175,675</u>	<u>\$ 106,737</u>

Refer to Note 27 to consolidated financial statement as of December 31, 2019 for related information on reserve for liabilities.

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
March 31, 2020	\$ 154,223	\$ 17,153	\$ 3,270	\$ 174,646	\$ 221,876	\$ 396,522
December 31, 2019	155,447	35,933	4,042	195,422	211,100	406,522
March 31, 2019	157,991	34,211	4,011	196,213	207,706	403,919

28. OTHER FINANCIAL LIABILITIES

	March 31, 2020	December 31, 2019	March 31, 2019
Principal of structured products	\$ 73,625,841	\$ 71,455,099	\$ 66,627,357
Gold account	396,611	345,766	315,220
Futures traders' equity	711,367	592,198	473,378
Appropriations for loan fund	<u>-</u>	<u>-</u>	<u>4,916</u>
	<u>\$ 74,733,819</u>	<u>\$ 72,393,063</u>	<u>\$ 67,420,871</u>

29. OTHER LIABILITIES

	March 31, 2020	December 31, 2019	March 31, 2019
Unearned revenue	\$ 432,249	\$ 495,148	\$ 397,471
Unearned interest	461,453	419,039	312,948
Guarantee deposits	2,256,284	2,443,025	1,297,447
Deferred income	1,097,065	1,249,136	1,165,599
Temporary credits	1,088,177	785,960	836,629
Others	<u>44,699</u>	<u>57,624</u>	<u>81,969</u>
	<u>\$ 5,379,927</u>	<u>\$ 5,449,932</u>	<u>\$ 4,092,063</u>

30. POST-EMPLOYMENT BENEFIT PLANS

Except for the followings, refer to Note 30 to the consolidated financial statements as of December 31, 2019 for information on defined benefits.

Pension cost for the three months ended March 31, 2020 and 2019 was calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year. Refer to Note 36 for information on employee benefits expense.

31. EQUITY

a. Capital stock

	March 31, 2020	December 31, 2019	March 31, 2019
Number of shares authorized (in thousands)	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>
Shares authorized	<u>\$ 200,000,000</u>	<u>\$ 200,000,000</u>	<u>\$ 200,000,000</u>
Number of shares issued and fully paid (in thousands)			
Common stock	<u>10,658,310</u>	<u>10,656,704</u>	<u>10,436,762</u>
Preferred stock	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Capital shares issued and outstanding	<u>\$ 114,583,099</u>	<u>\$ 114,567,044</u>	<u>\$ 112,367,621</u>

For the three months ended March 31, 2020 and 2019, the number of shares increased by 1,606 thousand and 555 thousand, respectively, due to employees' exercise of their employee stock options.

- b. 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.
- c. 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.
- d. 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.
- e. Advance receipts for capital stock

As of March 31, 2020 and 2019, advance receipts for capital stock amounted to \$10,633 thousand and \$9,727 thousand, representing the proceeds of the exercise of employee stock options to convert into 1,541 thousand shares and 1,351 thousand shares of common stock, respectively, of which the registration of the conversion has not been completed.

f. Capital surplus

As of March 31, 2020, the Company recognized a capital surplus of \$35,950,427 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.

g. 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 2019 and 2018 have been resolved in the board of directors and stockholders' meetings on April 30, 2020 and June 14, 2019, 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 2019	For Year 2018	For Year 2019	For Year 2018
Legal reserve	\$ 1,420,258	\$ 1,242,125		
Special reserve	-	-		
Preferred stock - D cash dividends	62,079	293,194	\$ -	\$ -
Preferred stock - E cash dividends	1,757,500	1,237,473	-	-
Common stock cash dividends	6,029,509	5,306,652	0.57	0.51
Common stock dividends	2,466,618	2,170,903	0.23	0.21

The appropriations of earnings for 2019 are subject to the resolution of the stockholders' meeting to be held on June 12, 2020.

h. 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.

i. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

	For the Three Months Ended March 31	
	2020	2019
Beginning balance	\$ (675,950)	\$ (372,863)
Exchange differences on translating the net assets of foreign operations	(21,764)	52,479
Share of exchange differences of associates accounted for using the equity method	<u>(65,223)</u>	<u>47,417</u>
Ending balance	<u>\$ (762,937)</u>	<u>\$ (272,967)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Three Months Ended March 31	
	2020	2019
Beginning balance	\$ 1,689,500	\$ 301,090
Recognized during the period		
Unrealized loss - debt instruments	(922,870)	559,479
Unrealized gain - equity instruments	(259,653)	107,789
Income tax related to profit or loss of debt instruments	118,157	(31,068)
Share from associates accounted for using the equity method	(518,404)	203,117
Reclassification adjustments		
Disposal of investments in debt instruments	<u>(482,676)</u>	<u>(76,885)</u>
Other comprehensive loss recognized in the period	<u>(2,065,446)</u>	<u>762,432</u>
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>81,486</u>	<u>(5,153)</u>
Ending balance	<u>\$ (294,460)</u>	<u>\$ 1,058,369</u>

3) Changes in fair value attributable to changes in the credit risk of financial liabilities at FVTPL

	For the Three Months Ended March 31	
	2020	2019
Beginning balance	\$ 39,567	\$ 731
Changes in fair value attributable to changes in the credit risk	(9,286)	78,915
Share from associates accounted for using the equity method	<u>-</u>	<u>(175)</u>
Ending balance	<u>\$ 30,281</u>	<u>\$ 79,471</u>

j. Non-controlling interests

	For the Three Months Ended March 31	
	2020	2019
Beginning balance	\$ 128,355	\$ 133,427
Attributable to non-controlling interests		
Net loss for the year	<u>(1,374)</u>	<u>(82)</u>
Ending balance	<u>\$ 126,981</u>	<u>\$ 133,345</u>

32. NET INTEREST INCOME

	For the Three Months Ended March 31	
	2020	2019
Interest income		
Loans	\$ 6,611,626	\$ 6,424,448
Investment in marketable securities	1,223,171	1,006,504
Revolving interest of credit cards	360,007	335,122
Finance leases	493,309	522,516
Others	<u>750,368</u>	<u>807,861</u>
	<u>9,438,481</u>	<u>9,096,451</u>
Interest expense		
Deposits	(2,941,088)	(2,958,410)
Due to the Central Bank and call loans from banks	(188,114)	(241,239)
Securities sold under repurchase agreements	(252,990)	(254,798)
Issuance of bonds and securities	(297,606)	(331,808)
Structured products	(335,734)	(388,502)
Others	<u>(180,069)</u>	<u>(187,981)</u>
	<u>(4,195,601)</u>	<u>(4,362,738)</u>
Net interest income	<u>\$ 5,242,880</u>	<u>\$ 4,733,713</u>

33. NET SERVICE FEES AND COMMISSION INCOME

	For the Three Months Ended March 31	
	2020	2019
Service fees and commission income		
Interbank fees	\$ 228,177	\$ 245,768
Loan and guarantees fees	159,003	239,070
Fees from certification, underwriting and brokerage	361,874	227,758
Fees from trustee business	895,181	484,549
Insurance commission fees	1,566,716	1,682,419
Fees from credit card and cash card	1,075,060	1,073,560
Others	<u>291,833</u>	<u>390,204</u>
	<u>4,577,844</u>	<u>4,343,328</u>

(Continued)

	For the Three Months Ended March 31	
	2020	2019
Service fees and commission expenses		
Interbank fees	\$ (80,113)	\$ (102,634)
Marketing fees	(174,655)	(171,507)
Fees from credit cards	(530,144)	(608,920)
Others	<u>(267,729)</u>	<u>(207,921)</u>
	<u>(1,052,641)</u>	<u>(1,090,982)</u>
Net service fees and commission income	<u>\$ 3,525,203</u>	<u>\$ 3,252,346</u> (Concluded)

34. GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	For the Three Months Ended March 31	
	2020	2019
<u>Disposal gain (loss)</u>		
Taishin Bank		
Stocks and beneficiary certificates	\$ (146,894)	\$ 72,863
Bills	(1,082)	(3,485)
Bonds	266,519	142,322
Derivative financial instruments	<u>569,184</u>	<u>755,815</u>
	<u>687,727</u>	<u>967,515</u>
Taishin Securities B		
Call (put) warrants issued	(207,994)	118,754
Trading securities - dealing	37,441	70,805
Trading securities - underwriting	3,492	2,776
Trading securities - hedging	(41,111)	(2,347)
Borrowing securities	146,953	21,563
Open-end funds	(388)	-
Derivative financial instruments	53,732	(45,953)
Others	<u>(8,626)</u>	<u>-</u>
	<u>(16,501)</u>	<u>165,598</u>
Others		
Stocks and beneficiary certificates	(27,082)	(9,631)
Derivative financial instruments	<u>28,545</u>	<u>77,180</u>
	<u>1,463</u>	<u>67,549</u>
	<u>672,689</u>	<u>1,200,662</u>
<u>Valuation gain (loss)</u>		
Taishin Bank		
Stocks and beneficiary certificates	(64,836)	65,708
Bills	14,965	1,691
Bonds	(568,001)	13,493
Derivative financial instruments	<u>(368,452)</u>	<u>919,464</u>
	<u>(986,324)</u>	<u>1,000,356</u> (Continued)

	For the Three Months Ended March 31	
	2020	2019
Taishin Securities B		
Call (put) warrants issued	\$ 46,666	\$ (114,452)
Trading securities - dealing	(641,290)	286,610
Trading securities - underwriting	(37,941)	3,300
Trading securities - hedging	66,923	18,413
Borrowings securities	(36,689)	(32,903)
Open-end funds	(276)	(120)
Derivative financial instruments	323,690	(127,688)
Other	<u>541</u>	<u>(8)</u>
	<u>(278,376)</u>	<u>33,152</u>
Others		
Stocks and beneficiary certificates	(159,084)	63,203
Derivative financial instruments	<u>33,576</u>	<u>(175,712)</u>
	<u>(125,508)</u>	<u>(112,509)</u>
	<u>(1,390,208)</u>	<u>920,999</u>
Net interest income	275,045	290,789
Dividends	23,724	207
Interest expense	<u>(37,844)</u>	<u>(36,638)</u>
	<u>\$ (456,594)</u>	<u>\$ 2,376,019</u>
		(Concluded)

35. REALIZED GAINS (LOSSES) ON FINANCIAL ASSETS AT FVTOCI

	For the Three Months Ended March 31	
	2020	2019
Disposal gains (losses)		
Bills	\$ (1,218)	\$ (544)
Bonds	484,176	77,429
Beneficiary certificates	<u>(281)</u>	<u>-</u>
	482,677	76,885
Dividend income		
Related to investments held at the end of the period	4,854	3,923
Related to investments derecognized at the end of the period	<u>1,700</u>	<u>-</u>
	<u>\$ 489,231</u>	<u>\$ 80,808</u>

36. EMPLOYEE BENEFITS EXPENSE

	For the Three Months Ended March 31	
	2020	2019
Short-term benefits	\$ 3,192,622	\$ 3,141,364
Post-employment benefits (Note 30)		
Defined contribution plans	114,566	108,684
Defined benefit plans	7,495	8,413
Share-based payments (Note 40)		
Cash-settled share-based payments	(4,448)	7,337
Others	<u>141,442</u>	<u>130,795</u>
	<u>\$ 3,451,677</u>	<u>\$ 3,396,593</u>

Employees' Compensation and Remuneration of Directors

The Company accrued employees' compensation and the remuneration of directors at a 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 three months ended March 31, 2020 and 2019, the employees' compensation and remuneration of directors were as follows:

	For the Three Months Ended March 31	
	2020	2019
Employees' compensation	<u>\$ 223</u>	<u>\$ 451</u>
Remuneration of directors	<u>\$ 22,277</u>	<u>\$ 45,087</u>

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 26, 2020 and March 28, 2019 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 2019 and 2018 to differ from the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018, respectively. The differences were adjusted to profit and loss for the respective subsequent years ended December 31, 2020 and 2019.

	For the Three Months Ended March 31			
	2019		2018	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amounts approved at the board of directors' meeting	<u>\$ 1,468</u>	<u>\$ 110,120</u>	<u>\$ 1,240</u>	<u>\$ 99,168</u>
Amounts recognized in the annual financial statements	<u>\$ 1,454</u>	<u>\$ 145,378</u>	<u>\$ 1,230</u>	<u>\$ 123,038</u>

Information on the employees' compensation and the remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

37. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended March 31	
	2020	2019
Property and equipment	\$ 249,586	\$ 239,912
Investment properties	3,251	1,873
Right-of-use assets	189,781	174,273
Intangible assets and other assets	<u>79,970</u>	<u>71,944</u>
	<u>\$ 522,588</u>	<u>\$ 488,002</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 Taishin Bank and Taishin AMC. Taishin Venture Capital was included in this tax system since 2004, and Taishin Securities B, Taishin Securities Investment Trust and Taishin Securities Investment Advisory were included in this tax system since 2011.

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 Three Months Ended March 31	
	2020	2019
Current tax		
In respect of the current period	\$ 639,831	\$ 576,458
Adjustments for prior years	31,129	394
Offshore income tax expense	8,764	2,864
Deferred tax		
In respect of the current period	(87,084)	(4,600)
Adjustments for prior years	<u>413</u>	<u>(1,262)</u>
Income tax expense recognized in profit or loss	<u>\$ 593,053</u>	<u>\$ 573,854</u>

Income Tax Recognized in Other Comprehensive Income

	For the Three Months Ended March 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current period:		
Fair value changes of financial assets at FVTOCI	\$ (118,157)	\$ 31,068
Total income tax recognized in other comprehensive income	<u>\$ (118,157)</u>	<u>\$ 31,068</u>

Assessments of the Group's Income Tax

Except for the following, refer to Note 38 to the consolidated financial statements as December 31, 2019 for the other related information on the Group's income tax assessments.

- a. Taishin Financial Holding's income tax returns through 2015 had been assessed by the tax authorities.
- b. Taishin Bank's income tax returns through 2015 had been assessed by the tax authorities. The income tax returns of Taishin Real-Estate through 2018 had been assessed by the tax authorities. The income tax returns of Taishin D.A. Finance through 2018 had been assessed by the tax authorities. The income tax returns of Xiang An Insurance Agency through 2018 had been assessed by the tax authorities.
- c. Taishin AMC's income tax returns through 2015 had been assessed by the tax authorities.
- d. Taishin Venture Capital's income tax returns through 2015 had been assessed by the tax authorities.
- e. Taishin Securities Investment Trust's returns through 2015 had been assessed by the tax authorities.
- f. Taishin Securities B's returns through 2015 had been assessed by the tax authorities. Taishin Securities Venture Capital's returns through 2017 had been assessed by the tax authorities.
- g. Taishin Securities Investment Advisory's returns through 2015 had been assessed by the tax authorities.

39. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2020	2019
Basic earnings per share	<u>\$ 0.20</u>	<u>\$ 0.37</u>
Diluted earnings per share	<u>\$ 0.20</u>	<u>\$ 0.37</u>

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 three months ended March 31, 2019 were as follows:

	For the Three Months Ended March 31, 2019	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 0.37</u>	<u>\$ 0.37</u>
Diluted earnings per share	<u>\$ 0.37</u>	<u>\$ 0.37</u>

The earnings and weighted average number of common stocks outstanding used in the computation of earnings per share were as follows:

Net Income for the Period (Dollars in Thousands)

	For the Three Months Ended March 31	
	2020	2019
Net income for the period attributable to owners of the Company	\$ 2,561,148	\$ 4,404,958
Less: Dividends on preferred stocks	<u>(436,974)</u>	<u>(495,436)</u>
Earnings used in computation of basic earnings per share	2,124,174	3,909,522
Effect of potentially dilutive common stocks:		
Convertible preferred stocks	<u>-</u>	<u>62,079</u>
Earnings used in computation of diluted earnings per share	<u>\$ 2,124,174</u>	<u>\$ 3,971,601</u>

Weighted Average Number of Common Stocks Outstanding (Number of Shares in Thousands)

	For the Three Months Ended March 31	
	2020	2019
Weighted average number of common stocks in computation of basic earnings per share	10,659,035	10,654,832
Effect of dilutive potential common stocks:		
Convertible preferred stocks	-	204,793
Employees stock options	4,158	6,315
Employees compensation	<u>136</u>	<u>118</u>
Weighted average number of common stocks outstanding in computation of dilutive earnings per share	<u>10,663,329</u>	<u>10,866,058</u>

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. SHARE-BASED PAYMENT ARRANGEMENTS

a. Equity-settled share-based payments of employee stock option plan

No stock options were granted during the three months ended March 31, 2020 and 2019. Refer to Note 40 to the consolidated financial statements as of December 31, 2019 for the information on the employee stock option plan.

The quantity and weighted-average exercise price of the stock options were as follows:

	For the Three Months Ended March 31			
	2020		2019	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
<u>Plan of 2010 (II)</u>				
Outstanding, beginning balance	307	\$ 7.00	307	\$ 7.30
Outstanding, ending balance	<u>307</u>		<u>307</u>	
Exercisable, ending balance	<u>307</u>		<u>307</u>	

	For the Three Months Ended March 31			
	2020		2019	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
<u>Plan of 2010 (I)</u>				
Outstanding, beginning balance	9,618	\$ 6.90	14,104	\$ 7.20
Exercise	<u>(1,541)</u>	\$ 6.90	<u>(1,351)</u>	\$ 7.20
Outstanding, ending balance	<u>8,077</u>		<u>12,753</u>	
Exercisable, ending balance	<u>8,077</u>		<u>12,753</u>	

The weighted-average of stock price exercised at the exercise dates of the share options during the three months ended March 31, 2020 was \$12.93.

The exercise price and expected weighted-average outstanding period of the share option warrants for the three months ended March 31, 2020 were as follows:

	For the Three Months Ended March 31			
	2020		2019	
	Exercise Price (Dollars)	Expected Weighted Average Outstanding Period (Years)	Exercise Price (Dollars)	Expected Weighted Average Outstanding Period (Years)
Plan of 2010 (II)	\$ 7.00	1.42	\$ 7.30	2.42
Plan of 2010 (I)	6.90	0.53	7.20	1.54

The valuation model and the assumptions used in the employee stock option plan for the three months ended March 31, 2020 were as follows:

Valuation Model	Black-Scholes Options Valuation Model	Plan of 2011	
		(II)	Plan of 2011 (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 compensation costs were recognized for the three months ended March 31, 2020 and 2019.

b. Cash-settled share-based payments 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 2019	Plan of 2018	Plan of 2017	Plan of 2016	Plan of 2015
Grant-date share price (Note)	\$13.07	\$13.07	\$13.07	\$13.07	\$13.07
Exercise price	\$14.43	\$12.6	\$12.5	\$9.6	\$8.3
Outstanding period	1.8 years, 2.8 years	0.8 years, 1.8 years	0.9 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 2019	For the Three Months Ended March 31, 2020	
	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	-	\$ -
Granted	21,821	14.43
Ceased	<u>(80)</u>	14.43
Outstanding, ending	<u>21,741</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 1.55</u>	

Appreciation Rights Plan of 2018	For the Three Months Ended March 31			
	2020		2019	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	14,486	\$ 12.60	-	\$ -
Granted	-	-	14,846	13.28
Ceased	<u>(390)</u>	12.60	<u>(100)</u>	13.28
Outstanding, ending	<u>14,096</u>		<u>14,746</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 1.76</u>		<u>\$ 2.50</u>	

Appreciation Rights Plan of 2017	For the Three Months Ended March 31			
	2020		2019	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	15,191	\$ 12.50	16,271	\$ 13.20
Ceased	<u>(340)</u>	12.50	<u>(500)</u>	13.20
Outstanding, ending	<u>14,851</u>		<u>15,771</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 1.54</u>		<u>\$ 2.00</u>	

Appreciation Rights Plan of 2016	For the Three Months Ended March 31			
	2020		2019	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	7,870	\$ 9.60	17,066	\$ 10.10
Exercised	(140)	9.60	-	-
Ceased	<u>(65)</u>	9.60	<u>(510)</u>	10.10
Outstanding, ending	<u>7,665</u>		<u>16,556</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 4.88</u>		<u>\$ 3.95</u>	

**For the Three Months Ended
March 31, 2019**

Appreciation Rights Plan of 2015	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	12,305	\$ 8.30
Ceased	<u>(317)</u>	8.30
Outstanding, ending	<u>11,988</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 4.97</u>	

As of March 31, 2020 and 2019, the related liabilities recognized amounted to \$75,162 thousand and \$126,930 thousand, respectively.

41. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities:

For the three months ended March 31, 2020

	Opening Balance	Cash Flows	Effect of Exchange Rate Changes	New Leases	Non-cash Changes Termination of Lease Contract	Amortization for Discount	Fair Value Adjustments	Closing Balance
Due to the Central Bank and banks (including call loans from other banks and bank overdrafts)	\$ 29,697,937	\$ 19,912,573	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,610,510
Commercial paper payable	22,856,765	(1,251,000)	-	-	-	8,244	-	21,614,009
Lease liabilities	2,822,108	(171,042)	(19,274)	242,584	(27,509)	-	-	2,846,867
Other borrowings	11,194,084	(863,304)	(108,741)	-	-	-	-	10,222,039
Financial liabilities designated as at FVTPL	3,287,359	-	-	-	-	-	196,944	3,484,303
Bonds payable	<u>56,800,000</u>	<u>3,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,100,000</u>
	<u>\$ 126,658,253</u>	<u>\$ 20,927,227</u>	<u>\$ (128,015)</u>	<u>\$ 242,584</u>	<u>\$ (27,509)</u>	<u>\$ 8,244</u>	<u>\$ 196,944</u>	<u>\$ 147,877,728</u>

For the three months ended March 31, 2019

	Opening Balance	Cash Flows	Effect of Exchange Rate Changes	New Leases	Non-cash Changes Termination of Lease Contract	Amortization for Discount	Fair Value Adjustments	Closing Balance
Due to the Central Bank and banks (including call loans from other banks and bank overdrafts)	\$ 33,957,115	\$ (6,594,320)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,362,795
Commercial paper payable	12,215,597	925,000	-	-	-	10,662	-	13,151,259
Lease liabilities	2,288,025	(109,790)	1,863	447,184	-	-	-	2,627,282
Other borrowings	11,545,384	(770,720)	302,219	-	-	-	-	11,076,883
Financial liabilities designated as at FVTPL	3,085,588	-	-	-	-	-	174,074	3,259,662
Bonds payable	<u>61,700,000</u>	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,700,000</u>
	<u>\$ 124,791,709</u>	<u>\$ (1,549,830)</u>	<u>\$ 304,082</u>	<u>\$ 447,184</u>	<u>\$ -</u>	<u>\$ 10,662</u>	<u>\$ 174,074</u>	<u>\$ 124,177,881</u>

42. 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.

43. 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) Information on fair value hierarchy

The financial instruments measured at fair value of the Group are 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	March 31, 2020			
	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	\$ 9,695,466	\$ 7,481,352	\$ 554,657	\$ 1,659,457
Bond investments	45,341,784	20,447,167	23,844,918	1,049,699
Investment in bills	49,670,556	635,005	49,035,551	-
Others	525,140	524,020	-	1,120
Financial assets at FVTOCI				
Equity investments	4,258,748	2,087,290	-	2,171,458
Bond investments	161,787,748	78,115,731	83,672,017	-
Investment in bills	104,645,094	1,177,639	103,467,455	-
Beneficiary securities	579,888	579,888	-	-
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	3,484,303	-	3,484,303	-
Financial liabilities held for trading	895,363	895,363	-	-
<u>Derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL	31,975,275	1,395,015	24,552,553	6,027,707
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	1,518,000	-	1,518,000	-
Financial liabilities held for trading	34,434,230	524,796	28,408,462	5,500,972

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	March 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	\$ 8,332,393	\$ 6,292,167	\$ 485,532	\$ 1,554,694
Bond investments	48,664,568	24,830,090	22,450,476	1,384,002
Others	44,942,324	919,236	44,021,684	1,404
Financial assets at FVTOCI				
Equity investments	4,780,125	2,667,249	-	2,112,876
Bond investments	115,770,496	51,377,957	64,392,539	-
Others	254,293,855	618,578	253,675,277	-
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	3,259,662	-	3,259,662	-
Financial liabilities held for trading	1,183,632	1,183,632	-	-
<u>Derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL	23,279,814	577,085	16,675,573	6,027,156
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	1,503,764	-	1,503,764	-
Financial liabilities held for trading	23,515,732	557,951	17,144,690	5,813,091

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 \$4,423,386 thousand and \$1,507,548 thousand for the three months ended March 31, 2020 and 2019, respectively, were transferred from Level 1 to Level 2.

5) Reconciliation of Level 3 financial assets

For the Three Months Ended March 31, 2020								
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	\$ 7,715,361	\$ 900,852	\$ -	\$ 175,314	\$ -	\$ (53,544)	\$ -	\$ 8,737,983
Financial assets at FVTOCI	2,138,618	-	34,394	-	-	(1,554)	-	2,171,458
Total	\$ 9,853,979	\$ 900,852	\$ 34,394	\$ 175,314	\$ -	\$ (55,098)	\$ -	\$ 10,909,441

Note: No transfer from Level 3.

For the Three Months Ended March 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	\$ (262,968)	\$ -	\$ 155,281	\$ -	\$ (137,933)	\$ (28,067)	\$ 8,967,256
Financial assets at FVTOCI	2,084,067	-	32,193	-	-	(3,384)	-	2,112,876
Total	\$ 11,325,010	\$ (262,968)	\$ 32,193	\$ 155,281	\$ -	\$ (141,317)	\$ (28,067)	\$ 11,080,132

Valuation gains (losses) above recognized in current profits or losses in the amounts of \$923,767 thousand and \$(355,947) thousand were attributed to losses on assets owned for the three months ended March 31, 2020 and 2019, respectively.

Valuation gains (losses) above recognized in other comprehensive income in the amounts of \$34,394 thousand and \$123,435 thousand were attributed to gains (losses) on assets owned during three months ended March 31, 2020 and 2019, respectively.

Reconciliation of Level 3 financial liabilities:

For the Three Months Ended March 31, 2020							
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	\$ 4,621,066	\$ 853,121	\$ 155,690	\$ -	\$ (128,905)	\$ -	\$ 5,500,972

Note: No transfer from Level 3.

For the Three Months Ended March 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	\$ (534,248)	\$ 206,205	\$ -	\$ (70,034)	\$ -	\$ 5,813,091

Note: No transfer from Level 3.

Valuation gains (losses) above recognized in current profits or losses in the amounts of \$(881,215) thousand and \$501,657 thousand were attributed to gains (losses) on liabilities owned during three months ended March 31, 2020 and 2019, respectively.

6) Quantitative information of the fair value measurement of significant unobservable inputs (Level 3)

The fair value attributed to Level 3 in the Group only has single significant unobservable input.

The quantitative information of significant unobservable inputs was as follows:

	Fair Value on March 31, 2020	Valuation Technique	Significant Unobservable Inputs	Range of Estimate	Relationship Between Inputs and Fair Value
<u>Non-derivative financial instrument</u>					
Financial assets at FVTPL					
Financial assets mandatorily classified as at FVTPL					
Credit-linked securities	\$ 1,049,699	Credit spread default model/cash flow discount method	Credit spread	0%-2%	The higher the credit spread, the lower the fair value.
Equity investments	1,325,555	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.
	254,402	Market method	Discount for lack of marketability	30%-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.
			Non-controlling interest discount	10%-30%	The higher the non-controlling interest discount, the lower the fair value.
Investment agreements	1,120	Revenue method	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value.
			Non-controlling interest discount	10%	The higher the non-controlling interest discount, the lower the fair value.
Financial assets at FVTOCI					
Equity investments	1,970,949	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.
	200,509	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 instrument</u>					
Financial assets at FVTPL					
Interest rate swaps	1,255,171	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					
Interest rate swaps	643,894	Cash flow discount method	Discount for lack of marketability	0%-20%	The higher the discount for lack of marketability, the lower the fair value.

	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 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.

	Fair Value on March 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	\$ 1,384,002	Credit spread default model/cash flow discount method	Credit spread	0%-2%	The higher the credit spread, the lower the fair value.
Equity investments	1,191,143	Assets method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability, the lower the fair value.
	282,944	Market method	Discount for lack of marketability	10%-50%	The higher the discount for lack of marketability, the lower the fair value.
	80,607	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	1,924,962	Assets method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability, the lower the fair value.
	187,914	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	1,136,555	Cash flow discount method	Discount for lack of marketability	0%-20%	The higher the discount for lack of marketability, the lower the fair value.
Equity-linked options	1,997	Option pricing model	Volatility rate	5%-40%	The higher the volatility rate, the higher the fair value.
Structured foreign-exchange options	336	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	715,195	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	121,025	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.

	March 31, 2020		December 31, 2019		March 31, 2019	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
<u>Financial assets</u>						
Debt instruments at amortized cost	\$ 158,507,756	\$ 158,503,308	\$ 131,888,616	\$ 132,032,460	\$ 7,900,346	\$ 8,009,295

2) Information on fair value hierarchy

Assets and Liabilities	March 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets				
Debt instruments at amortized cost	\$ 158,503,308	\$ -	\$ 158,503,308	\$ -

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	March 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets				
Debt instruments at amortized cost	\$ 8,009,295	\$ -	\$ 8,009,295	\$ -

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 43 (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.

March 31, 2020						
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	\$ 16,746,188	\$ -	\$ 16,746,188	\$ 13,262,180	\$ 1,232,215	\$ 2,251,793

Note: Including net settlement and non-cash collateral.

March 31, 2020						
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	\$ 25,458,991	\$ -	\$ 25,458,991	\$ 13,262,180	\$ 10,146,944	\$ 2,049,867

Note: Including net settlement and non-cash collateral.

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.

March 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	\$ 12,643,359	\$ -	\$ 12,643,359	\$ 9,236,988	\$ 671,669	\$ 2,734,702

Note: Including net settlement and non-cash collateral.

March 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	\$ 17,835,192	\$ -	\$ 17,835,192	\$ 9,236,988	\$ 6,316,143	\$ 2,282,061

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.

March 31, 2020		
Financial Assets	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Financial assets at FVTPL repurchase agreement	\$ 63,965,497	\$ 63,695,447
Financial assets at FVTOCI repurchase agreement	40,080,433	38,554,725

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

March 31, 2019		
Financial Assets	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Financial assets at FVTPL repurchase agreement	\$ 55,580,946	\$ 55,023,902
Financial assets at FVTOCI repurchase agreement	32,464,124	29,904,825

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 the 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) Measurement 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 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) Measurement 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. Moreover, 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 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) Measurement 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 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) Measurement 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 to control losses.

9) Banking book interest rate risk management

Taishin Bank

Banking book interest rate risk involves bonds, 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) Measurement 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 a 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 Three Months Ended March 31, 2020			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	4,268	10,798	1,993	2,539
Interest rate VaR	71,619	128,188	34,385	118,135
Equity securities VaR	33,611	42,078	18,065	31,095
Credit spread VaR	5,641	8,983	1,289	7,184
Value at risk	80,275	152,968	34,843	137,988

	For the Three Months Ended March 31, 2019			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	3,612	9,190	1,352	2,358
Interest rate VaR	33,629	41,613	26,768	40,890
Equity securities VaR	42,037	47,611	34,215	34,215
Credit spread VaR	5,570	11,152	3,917	11,152
Value at risk	55,629	61,000	46,271	56,844

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 51.

Taishin Securities B

VaR is the potential highest loss for a period within certain confidence interval. For the three months ended March 31, 2020 and 2019, Taishin Securities B's VaR factors were as follows:

	For the Three Months Ended March 31, 2020			
	Average	Highest	Lowest	Ending Balance
Value at risk (VaR)	\$ 47,934	\$ 128,753	\$ 24,347	\$ 118,938

	For the Three Months Ended March 31, 2019			
	Average	Highest	Lowest	Ending Balance
Value at risk (VaR)	\$ 53,600	\$ 66,495	\$ 43,899	\$ 48,241

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 local authorities regulate the assessment of asset qualities and provision for potential losses of the overseas business department, 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 2020 and 2019.

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, 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 2020 and 2019.

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 2020 and 2019.

The following table details lease receivables based on the Group's provision matrix using the simplified approach.

March 31, 2020

	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	0.46%	21.30%	45.44%	66.67%
Amount of exposure	\$ 19,423,664	\$ 418,026	\$ 130,044	\$ 86,212
Loss allowance	89,275	89,053	59,098	57,479

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

March 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	0.97%	11.40%	74.22%	80.60%
Amount of exposure	\$ 20,183,278	\$ 239,823	\$ 190,876	\$ 119,252
Loss allowance	195,135	27,349	141,662	96,119

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 information on the collateral of credit-impaired financial assets:

March 31, 2020

	Gross Carrying Amount	Impairment under IFRS 9	Proportion of Loans/ Collateral (Note)
Personal housing loans	\$ 4,178,465	\$ 1,638,087	39.86%
Business guaranteed loans	1,808,722	1,223,524	101.98%
Others	6,771,780	2,014,633	
Total	\$ 12,758,967	\$ 4,876,244	

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	

March 31, 2019

	Gross Carrying Amount	Impairment under IFRS 9	Proportion of Loans/ Collateral (Note)
Personal housing loans	\$ 3,998,987	\$ 2,100,401	39.95%
Business guaranteed loans	427,853	314,606	112.16%
Others	6,904,921	1,769,101	
Total	\$ 11,331,761	\$ 4,184,108	

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 each category of financial assets, Taishin Bank set credit limits based on type of industry, conglomerate, country and transactions collateralized by stock, 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 group, industry, or nation.

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 March 31, 2020, December 31, 2019 and March 31, 2019 are as follows:

Taishin Bank

	March 31, 2020			
	12-month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Loans				
Consumer finance				
Excellent	\$ 619,822,247	\$ 16,582,558	\$ -	\$ 636,404,805
Good	9,534,584	302,887	-	9,837,471
Acceptable	-	234,120	-	234,120
Default	-	-	8,175,465	8,175,465
Corporate finance				
Excellent	316,726,665	-	-	316,726,665
Good	230,759,721	-	-	230,759,721
Acceptable	1,503,231	2,006,343	-	3,509,574
Default	-	-	2,478,410	2,478,410
Total	\$ 1,178,346,448	\$ 19,125,908	\$ 10,653,875	\$ 1,208,126,231
Receivables (including non-performing receivables transferred, other than those from loans)				
Consumer finance				
Excellent	\$ 53,199,169	\$ 42,741	\$ -	\$ 53,241,910
Good	272,929	1,398	-	274,327
Acceptable	-	79,040	-	79,040
Default	-	-	1,973,552	1,973,552
Corporate finance				
Excellent	40,751,361	-	-	40,751,361
Good	7,712,202	-	-	7,712,202
Acceptable	393,823	6,418	-	400,241
Default	-	-	131,540	131,540
Others	-	21,310,708	-	21,310,708
Total	\$ 102,329,484	\$ 21,440,305	\$ 2,105,092	\$ 125,874,881
Debt instruments at FVTOCI				
Excellent	\$ 266,802,807	\$ -	\$ -	\$ 266,802,807
Good	209,923	-	-	209,923
Total	\$ 267,012,730	\$ -	\$ -	\$ 267,012,730
Debt investments at amortized cost				
Excellent	\$ 158,512,639	\$ -	\$ -	\$ 158,512,639
Financial guarantees				
Excellent	\$ 17,557,328	\$ -	\$ -	\$ 17,557,328
Good	4,783,489	-	-	4,783,489
Acceptable	44,320	44,750	-	89,070
Default	-	-	-	-
Total	\$ 22,385,137	\$ 44,750	\$ -	\$ 22,429,887
Loan commitments				
Excellent	\$ 950,120,638	\$ 204,347	\$ -	\$ 950,324,985
Good	143,794,650	84	-	143,794,734
Acceptable	1,385,860	402,884	-	1,788,744
Default	-	-	260,307	260,307
Total	\$ 1,095,301,148	\$ 607,315	\$ 260,307	\$ 1,096,168,770

	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
Corporate 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
Corporate 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

	March 31, 2019			
	12-month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Loans				
Consumer finance				
Excellent	\$ 569,734,898	\$ 14,472,075	\$ -	\$ 584,206,973
Good	7,630,262	172,833	-	7,803,095
Acceptable	-	160,351	-	160,351
Default	-	-	8,438,823	8,438,823
Corporate finance				
Excellent	243,297,196	-	-	243,297,196
Good	199,994,670	-	-	199,994,670
Acceptable	803,939	2,837,987	-	3,641,926
Default	-	-	593,708	593,708
Total	\$ 1,021,460,965	\$ 17,643,246	\$ 9,032,531	\$ 1,048,136,742
Receivables (including non-performing receivables transferred, other than those from loans)				
Consumer finance				
Excellent	\$ 53,568,833	\$ 40,918	\$ -	\$ 53,609,751
Good	270,398	737	-	271,135
Acceptable	-	59,291	-	59,291
Default	-	-	2,018,621	2,018,621
Corporate finance				
Excellent	41,686,464	-	-	41,686,464
Good	5,351,412	-	-	5,351,412
Acceptable	476,534	2,756,906	-	3,233,440
Default	-	-	280,609	280,609
Others	-	19,584,192	-	19,584,192
Total	\$ 101,353,641	\$ 22,442,044	\$ 2,299,230	\$ 126,094,915
Debt instruments at FVTOCI				
Excellent	\$ 369,864,226	\$ 200,125	\$ -	\$ 370,064,351
Debt investments at amortized cost				
Excellent	\$ 7,903,403	\$ -	\$ -	\$ 7,903,403
Financial guarantees				
Excellent	\$ 17,670,480	\$ -	\$ -	\$ 17,670,480
Good	6,259,737	-	-	6,259,737
Acceptable	132,477	47,725	-	180,202
Default	-	-	15,160	15,160
Total	\$ 24,062,694	\$ 47,725	\$ 15,160	\$ 24,125,579
Loan commitments				
Excellent	\$ 940,247,719	\$ 165,753	\$ -	\$ 940,413,472
Good	128,582,591	700	-	128,583,291
Acceptable	2,956,163	981,703	-	3,937,866
Default	-	-	69,837	69,837
Total	\$ 1,071,786,473	\$ 1,148,156	\$ 69,837	\$ 1,073,004,466

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.

Information on loans with a significant concentration of credit risk is as follows:

Taishin Bank

Industry Type	March 31, 2020		December 31, 2019		March 31, 2019	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Manufacturing	\$ 193,352,361	16	\$ 179,706,128	16	\$ 139,467,299	14
Wholesale and retail	62,803,876	5	57,296,126	5	53,618,072	5
Finance and insurance	112,196,619	9	104,737,965	9	97,303,265	9
Real estate and leasing	87,059,390	7	86,812,057	7	81,674,810	8
Service	20,583,289	2	21,702,886	2	15,641,288	1
Individuals	676,463,565	56	661,648,363	57	619,105,425	59
Others	55,667,131	5	43,426,226	4	41,326,583	4
	<u>\$ 1,208,126,231</u>		<u>\$ 1,155,329,751</u>		<u>\$ 1,048,136,742</u>	

Industry Type	March 31, 2020		December 31, 2019		March 31, 2019	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,107,667,643	92	\$ 1,067,344,993	92	\$ 957,990,473	91
Europe	10,129,066	1	5,719,619	1	6,174,115	1
America	2,639,897	-	2,650,727	-	3,774,072	-
Others	87,689,625	7	79,614,412	7	80,198,082	8
	<u>\$ 1,208,126,231</u>		<u>\$ 1,155,329,751</u>		<u>\$ 1,048,136,742</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) - March 31, 2020 and 2019

The movements in the gross carrying amounts 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, 2020	\$ 111,155,763	\$ 10,306,318	\$ 9,487,438	\$ 2,123,481	\$ 133,073,000
Changes in loss allowance					
Transferred to stage 3	(80,580)	85,071	1,501	(949)	5,043
Transferred to stage 2	(113,292)	(55,335)	(5,633)	175,309	1,049
Transferred to stage 1	16,662	(18,501)	-	(3,442)	(5,281)
Financial assets derecognized	(23,096,501)	(11,783)	(1,685,049)	(122,107)	(24,915,440)
New financial assets originated or purchased	14,447,432	215,221	3,141,014	20,894	17,824,561
Write-offs	-	(19,811)	(146)	(88,094)	(108,051)
Other movements	-	-	-	-	-
Loss allowance as of March 31, 2020	\$ 102,329,484	\$ 10,501,180	\$ 10,939,125	\$ 2,105,092	\$ 125,874,881

	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					
Transferred to stage 3	(59,704)	61,466	424	(606)	1,580
Transferred to stage 2	(93,349)	(38,524)	(199)	136,144	4,072
Transferred to stage 1	24,922	(13,374)	(19,664)	(2,728)	(10,844)
Financial assets derecognized	(21,387,225)	(150,677)	(717,619)	(129,519)	(22,385,040)
New financial assets originated or purchased	14,774,816	7,020	3,178,385	36,088	17,996,309
Write-offs	-	(41,317)	(80)	(72,078)	(113,475)
Other movements	-	-	-	91	91
Loss allowance as of March 31, 2019	101,353,641	10,170,864	12,271,180	2,299,230	126,094,915

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, 2020	\$ 123,030	\$ 189,052	\$ 98,459	\$ 457,497	\$ 868,038	\$ 771,180	\$ 1,639,218
Changes in loss allowance							
Transferred to stage 3	(117)	21,215	6	(134)	20,970		20,970
Transferred to stage 2	(160)	(14,564)	-	63,038	48,314		48,314
Transferred to stage 1	22	(4,618)	-	(759)	(5,355)		(5,355)
Financial assets derecognized	(25,790)	(2,968)	(5,495)	(143,859)	(178,112)		(178,112)
New financial assets originated or purchased	31,220	13,308	2,065	4,285	50,878		50,878
Recognizes based on the regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						(28,221)	(28,221)
Write offs	-	(19,808)	(146)	(52,299)	(72,253)		(72,253)
Recovery of loans written off	-	-	3,384	114,123	117,507		117,507
Other movements	-	-	(3,139)	-	(3,139)		(3,139)
Loss allowance as of March 31, 2020	\$ 128,205	\$ 181,617	\$ 95,134	\$ 441,892	\$ 846,848	\$ 742,959	\$ 1,589,807

	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							
Transferred to stage 3	(83)	15,666	127	(81)	15,629		15,629
Transferred to stage 2	(136)	(10,681)	(71)	47,597	36,709		36,709
Transferred to stage 1 Financial assets	82	(3,462)	(196)	(596)	(4,172)		(4,172)
derecognized	(32,064)	(3,941)	(23,396)	(117,041)	(176,442)		(176,442)
New financial assets originated or purchased	13,272	37,139	6,942	21,537	78,890		78,890
Recognizes based on the regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						45,136	45,136
Write offs	-	(41,317)	(80)	(44,804)	(86,201)		(86,201)
Recovery of loans written off	-	-	213	100,808	101,021		101,021
Other movements	-	122	1,540	48	1,710		1,710
Loss allowance as of March 31, 2019	124,998	202,768	2,481,335	706,940	3,516,041	719,770	4,235,811

b) Loans - March 31, 2020 and 2019

The movements in the gross carrying 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, 2020	\$ 1,126,080,523	\$ 16,264,932	\$ 3,744,039	\$ 9,240,257	\$ 1,155,329,751
Changes in loss allowance					
Transferred to stage 3	(3,136,197)	2,887,842	173,969	(161)	(74,547)
Transferred to stage 2	(398,671)	(166,188)	(1,749,837)	2,314,422	(274)
Transferred to stage 1 Financial assets	1,503,822	(1,417,995)	-	(105,682)	(19,855)
derecognized	(101,196,956)	(508,689)	(357,170)	(723,002)	(102,785,817)
New financial assets originated or purchased	155,493,927	60,133	195,342	57,967	155,807,369
Write-offs	-	(470)	-	(129,926)	(130,396)
Loss allowance as of March 31, 2020	\$ 1,178,346,448	\$ 17,119,565	\$ 2,006,343	\$ 10,653,875	\$ 1,208,126,231

	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					
Transferred to stage 3	(2,488,185)	2,381,261	95,590	(9,555)	(20,889)
Transferred to stage 2	(533,538)	(412,784)	(104,597)	1,023,213	(27,706)
Transferred to stage 1 Financial assets	1,382,266	(1,324,721)	(38,460)	(27,107)	(8,022)
derecognized	(87,929,843)	(579,273)	(230,720)	(1,074,336)	(89,814,172)
New financial assets originated or purchased	105,116,320	96,063	136,575	252,898	105,601,856
Write-offs	-	-	-	(80,282)	(80,282)
Loss allowance as of March 31, 2019	1,021,460,965	14,805,259	2,837,987	9,032,531	1,048,136,742

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, 2020	\$ 2,164,288	\$ 800,401	\$ 2,309,802	\$ 3,601,049	\$ 8,875,540	\$ 7,386,213	\$ 16,261,753
Changes in loss allowance							
Transferred to stage 3	(10,738)	247,889	26,297	(48)	263,400		263,400
Transferred to stage 2	(1,072)	(42,511)	(1,331,135)	1,823,556	448,838		448,838
Transferred to stage 1 Financial assets	1,937	(60,078)	-	(65,279)	(123,420)		(123,420)
derecognized	(521,403)	(21,356)	(85,828)	(1,128,430)	(1,757,017)		(1,757,017)
New financial assets originated or purchased	283,220	384,092	71,024	22,064	760,401		760,400
Recognizes based on the regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						1,089,842	1,089,842
Write offs	-	77	-	(70,310)	(70,387)		(70,387)
Recovery of loans written off	-	-	-	251,749	251,749		251,749
Other movements	-	-	-	-	-		-
Loss allowance as of March 31, 2020	\$ 1,916,232	\$ 1,308,360	\$ 990,160	\$ 4,434,351	\$ 8,649,104	\$ 8,476,055	\$ 17,125,158

	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							
Transferred to stage 3	(5,440)	137,436	48,698	(9,350)	171,344		171,344
Transferred to stage 2	(1,685)	(102,758)	(72,329)	542,622	365,850		365,850
Transferred to stage 1 Financial assets	2,399	(38,426)	(19,036)	(14,047)	(69,110)		(69,110)
derecognized	(401,599)	(17,414)	(210,942)	(912,971)	(1,542,926)		(1,542,926)
New financial assets originated or purchased	196,891	107,273	74,693	148,232	527,089		527,089
Recognizes based on the regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						619,520	619,520
Write offs	-	-	(7,534)	(35,221)	(42,755)		(42,755)
Recovery of loans written off	-	-	-	310,590	310,590		310,590
Other movements	-	(122)	-	-	(122)		(122)
Loss allowance as of March 31, 2019	\$ 1,923,994	\$ 718,253	\$ 1,936,327	\$ 3,503,711	\$ 8,082,285	\$ 5,658,656	\$ 13,740,941

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 a 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 could 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 measurement 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:

Type of Financial Instrument	March 31, 2020									
	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	\$ 24,164,727	\$ 29,465,563	\$ 15,284,158	\$ 5,011,254	\$ 13,000	\$ 18,000	\$ -	\$ -	\$ -	\$ 73,956,702
Funds borrowed from the Central Bank and other banks	907,620	-	-	-	-	-	-	-	-	907,620
Non-derivative financial liabilities at FVTPL	-	-	-	-	-	-	-	-	12,173,172	12,173,172
Securities sold under repurchase agreements	71,216,056	14,891,640	2,663,736	552,320	-	-	-	-	-	89,323,752
Payables	24,314,941	141,111	106,127	1,218,611	6,228	1,291	-	-	-	25,788,309
Deposits and remittances	183,360,051	149,465,504	174,020,708	309,538,656	675,044,542	4,174,851	4,314	361	-	1,495,608,987
Bank debentures	-	-	-	-	-	6,800,000	-	8,000,000	20,000,000	34,800,000
Lease liabilities	142,133	110,533	169,527	371,872	581,298	511,850	350,400	258,837	374,137	2,870,587
Other financial liabilities	5,077,860	4,440,380	3,186,713	1,708,631	653,677	1,544,052	4,342,615	14,215,009	47,109,408	82,278,345
	\$ 309,183,388	\$ 198,514,731	\$ 195,430,969	\$ 318,401,344	\$ 676,298,745	\$ 13,050,044	\$ 4,697,329	\$ 22,474,207	\$ 79,656,717	\$1,817,707,474

Type of Financial Instrument	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

Type of Financial Instrument	March 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	\$ 28,630,856	\$ 3,138,673	\$ 13,915,428	\$ 6,804,226	\$ 11,000	\$ 13,000	\$ -	\$ -	\$ -	\$ 52,513,183
Non-derivative financial liabilities at FVTPL	200,102	-	-	-	-	-	-	-	12,402,923	12,603,025
Securities sold under repurchase agreements	58,033,057	14,391,191	319,000	-	-	-	-	-	-	72,743,248
Payables	23,712,048	930,804	196,582	1,575,630	7,850	2,092	-	-	-	26,425,006
Deposits and remittances	127,197,985	138,739,598	207,486,540	309,939,177	550,105,000	3,968,524	4,564	-	-	1,337,441,388
Bank debentures	-	-	-	4,900,000	-	-	6,800,000	-	33,000,000	44,700,000
Lease liabilities	126,478	108,590	151,596	289,158	469,522	389,373	348,518	234,005	446,697	2,563,937
Other financial liabilities	5,530,160	5,147,950	3,927,098	1,763,884	397,192	744,573	1,970,542	8,127,095	47,254,955	74,863,449
	\$ 243,430,686	\$ 162,456,806	\$ 225,996,244	\$ 325,272,075	\$ 550,990,564	\$ 5,117,562	\$ 9,123,624	\$ 8,361,100	\$ 93,104,575	\$1,623,853,236

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 \$829,465,166 thousand, \$785,972,474 thousand and \$673,909,573 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, 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:

Type of Financial Instrument	March 31, 2020					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL	\$ 33,515,793	\$ -	\$ -	\$ -	\$ -	\$ 33,515,793

Type of Financial Instrument	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

Type of Financial Instrument	March 31, 2019					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL	\$ 22,929,428	\$ -	\$ -	\$ -	\$ -	\$ 22,929,428

c) Maturity analysis of off-balance sheet items

Below are the amounts of the Group'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 March 31, 2020, December 31, 2019 and March 31, 2019, 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 \$19,127,001 thousand, \$18,727,917 thousand and \$20,929,086 thousand, respectively, for guarantees; \$3,302,886 thousand, \$3,582,242 thousand and \$3,196,493 thousand, respectively, for letters of credit; \$568,290,090 thousand, \$571,666,876 thousand and \$585,820,758 thousand, respectively, for loans commitments (excluding credit card); and \$14,985,502 thousand, \$15,435,059 thousand and \$15,059,858 thousand, respectively, for credit cards commitments.

Item	March 31, 2020					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 5,631,051	\$ 5,607,901	\$ 1,410,604	\$ 1,502,219	\$ 4,975,226	\$ 19,127,001
Letters of credit	1,070,107	1,390,727	663,211	178,841	-	3,302,886
Loans commitments (excluding credit cards)	59,918,665	93,918,938	195,706,398	207,288,170	11,457,919	568,290,090
Credit cards commitments	2,387	117,463	166,396	395,210	14,304,046	14,985,502

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	March 31, 2019					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 6,138,497	\$ 6,022,649	\$ 3,253,782	\$ 1,136,542	\$ 4,377,616	\$ 20,929,086
Letters of credit	718,984	2,153,941	180,956	142,612	-	3,196,493
Loans commitments (excluding credit cards)	71,226,136	103,282,205	192,499,326	202,818,659	15,994,432	585,820,758
Credit cards commitments	1,974	370,422	324,141	696,191	13,667,130	15,059,858

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:

Type of Financial Instrument	March 31, 2020					
	6 Months	6 Months - 1 Year	1 Year - 3 Years	3 Years - 5 Years	Over 5 Years	Total
Non-derivative financial liabilities at FVTPL	\$ 895,363	\$ -	\$ -	\$ -	\$ -	\$ 895,363
Commercial paper issued	3,660,509	-	-	-	-	3,660,509
Bonds sold under repurchase agreements	13,877,117	-	-	-	-	13,877,117
Deposits on short sales	341,265	-	-	-	-	341,265
Financing guarantees payable	375,328	-	-	-	-	375,328
Futures traders' equity	711,367	-	-	-	-	711,367
Accounts payable	7,439,967	-	-	-	-	7,439,967
Other payable	201,646	3,886	2,129	-	9,981	217,642
Other current liabilities	26,616	-	-	-	-	26,616
Lease liabilities	29,288	29,603	100,167	29,831	60	187,510
Bonds payable	-	-	-	-	3,300,000	3,300,000
Guarantee deposits	-	75	163	-	-	238
	\$ 27,558,466	\$ 33,564	\$ 102,459	\$ 29,831	\$ 3,310,041	\$ 31,034,361

Type of Financial Instrument	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

Type of Financial Instrument	March 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	\$ 983,530	\$ -	\$ -	\$ -	\$ -	\$ 983,530
Commercial paper issued	2,349,601	-	-	-	-	2,349,601
Bonds sold under repurchase agreements	13,461,421	-	-	-	-	13,461,421
Deposits on short sales	357,199	-	-	-	-	357,199
Financing guarantees payable	388,874	-	-	-	-	388,874
Futures traders' equity	473,378	-	-	-	-	473,378
Accounts payable	6,830,901	-	-	-	-	6,830,901
Other payable	87,484	54,563	2,525	100	-	144,672
Other current liabilities	30,657	27,962	90,330	46,619	-	195,568
Long-term borrowings	95,861	-	-	-	-	95,861
Guarantee deposits	6,227	2,026	1,005,888	-	-	1,014,141
	168	-	75	-	-	243
	\$ 25,065,301	\$ 84,551	\$ 1,098,818	\$ 46,719	\$ -	\$ 26,295,389

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:

Type of Financial Instrument	March 31, 2020					Total
	6 Months	6 Months - 1 Year	1 Year - 3 Years	3 Years - 5 Years	Over 5 Years	
Derivative financial liabilities at FVTPL	\$ 2,436,436	\$ -	\$ -	\$ -	\$ -	\$ 2,436,436

Type of Financial Instrument	December 31, 2019					Total
	6 Months	6 Months - 1 Year	1 Year - 3 Years	3 Years - 5 Years	Over 5 Years	
Derivative financial liabilities at FVTPL	\$ 2,250,992	\$ -	\$ -	\$ -	\$ -	\$ 2,250,992

Type of Financial Instrument	March 31, 2019					Total
	6 Months	6 Months - 1 Year	1 Year - 3 Years	3 Years - 5 Years	Over 5 Years	
Derivative financial liabilities at FVTPL	\$ 2,055,964	\$ -	\$ -	\$ -	\$ -	\$ 2,055,964

44. RELATED-PARTY TRANSACTIONS

a. Names and relationships of related parties were as follows:

Name	Relationship
Taishin Bank	Subsidiary
Taishin AMC	Subsidiary
Taishin Venture Capital	Subsidiary
Taishin Securities B	Subsidiary
Taishin Securities Investment Trust	Subsidiary
Taishin Securities Investment Advisory	Subsidiary
Taishin D.A. Finance	Second-tier subsidiary
Xiang An Insurance Agency	Second-tier subsidiary
Taishin Real-Estate	Second-tier subsidiary
Taishin Financial Leases (China)	Second-tier subsidiary
Taishin Financial Leases (Tianjin)	Second-tier subsidiary
Taishin Securities Venture Capital	Second-tier subsidiary
Taishin Capital	Second-tier subsidiary
Chang Hwa Bank	Associate
CyberSoft Digital Service Corp. (“CyberSoft Digital Service”)	Others
Shin Kong Financial Holding Co., Ltd. (“Shin Kong Financial Holding”)	Others
Shin Kong Insurance Co., Ltd. (“Shin Kong Insurance”)	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

(Continued)

Name	Relationship
Shin Kong Mitsukoshi Department Store Co., Ltd. ("Shin Kong Mitsukoshi")	Others
MasterLink Securities Corp. ("MasterLink Securities")	Others
An Shin Construction Manager Corp. ("An Shin Construction Manager")	Others
Dah Chung Bills Finance Corp. ("Dah Chung Bills")	Others
Diamond Biotech Investment Co., Ltd. ("Diamond Biotech")	Others
Yuanta Financial Holding Co., Ltd. ("Yuanta Financial Holding")	Others
Yuanta Commercial Bank Co., Ltd. ("Yuanta Bank")	Others
Peng Cheng Corp. ("Peng Cheng")	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
Individual A	Key management personnel
Others	Including key management personnel and others

(Concluded)

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

	Ending Balance
March 31, 2020	\$ 2,000,462
December 31, 2019	2,308,436
March 31, 2019	1,882,919

For the three months ended March 31, 2020 and 2019, interest income were \$8,497 thousand and \$7,537 thousand, respectively. Interest rates ranged from 0.65% to 15.00% and from 1.09% to 12.50%, respectively.

March 31, 2020						
	Ending Balance	Highest Amount	Normal Loans	Non- performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Consumer loans</u>						
125 accounts	\$ 586,380	\$ 599,456	\$ 586,380	\$ -	Land, buildings, and chattels	None
<u>Self-used residence mortgage loans</u>						
117 accounts	745,186	778,346	745,186	-	Land and buildings	None
<u>Other loans</u>						
Darfon	40,000	400,000	40,000	-	-	None
GBM	399,570	399,570	399,570	-	-	None
Peng Cheng	132,000	132,000	132,000	-	Land and buildings	None
Others	<u>97,326</u>	97,950	<u>97,326</u>	-	Land and buildings	None
	<u>\$ 2,000,462</u>		<u>\$ 2,000,462</u>	<u>\$ -</u>		
December 31, 2019						
	Ending Balance	Highest Amount	Normal Loans	Non- performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Consumer loans</u>						
127 accounts	\$ 572,519	622,908	\$ 572,519	-	Land, buildings, and chattels	None
<u>Self-used residence mortgage loans</u>						
116 accounts	737,822	826,621	737,822	-	Land and buildings	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 and buildings	None
Others	<u>99,272</u>	114,763	<u>99,272</u>	-	Land, buildings, chattels, and securities - deposits	None
	<u>\$ 2,308,436</u>		<u>\$ 2,308,436</u>	<u>\$ -</u>		

March 31, 2019

	Ending Balance	Highest Amount	Normal Loans	Non- performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Consumer loans</u>						
112 accounts	\$ 533,036	\$ 538,230	\$ 533,036	\$ -	Land, buildings, and chattels	None
<u>Self-used residence mortgage loans</u>						
104 accounts	678,830	692,755	678,830	-	Land and buildings	None
<u>Other loans</u>						
GBM	370,000	457,500	370,000	-	-	None
Peng Cheng	150,000	150,000	150,000	-	Land and buildings	None
Others	<u>151,053</u>	164,076	<u>151,053</u>	-	Land, buildings, chattels, and securities - deposits	None
	<u>\$ 1,882,919</u>		<u>\$ 1,882,919</u>	<u>\$ -</u>		

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

Deposits

	Ending Balance
March 31, 2020	\$ 9,162,848
December 31, 2019	10,533,871
March 31, 2019	7,776,346

For the three months ended March 31, 2020 and 2019, interest expenses were \$13,709 thousand and \$9,264 thousand, respectively, interest rates ranged from 0.00% to 5.00% and 0.00% to 5.00%, respectively.

	March 31, 2020		
	Ending Balance	Interest Rate Range (Per Annum %)	Interest Expense
Taiwan SMEG	\$ 1,482,061	0.00-1.05	\$ (2,464)
CyberLink	1,091,367	0.01-2.35	(4,428)
Shin Kong Insurance	465,699	0.00-1.03	(655)
Tasco Chemical	448,457	0.00-0.65	(195)
Shin Kong Mitsukoshi	429,362	0.00-0.06	(136)
Dah Chung Bills	423,812	0.00-0.70	(699)
An Shin Construction Manager	390,643	0.01-0.63	(633)
Shin Kong Synthetic Fibers	196,307	0.00-0.32	(124)
Shin Kong Life Insurance	185,982	0.01-0.32	(98)
Peng Cheng	141,476	0.01-0.22	(6)
Taiwan Fieldrich	138,493	0.01-2.50	(589)
Shin Yao	112,377	0.01-2.00	(89)
EXCEL Chemical	100,683	0.01-0.06	(7)
Others	<u>3,556,129</u>		<u>(3,586)</u>
	<u>\$ 9,162,848</u>		<u>\$ (13,709)</u>

	December 31, 2019		
	Ending Balance	Interest Rate Range (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	<u>3,067,439</u>		<u>(9,296)</u>
	<u>\$ 10,533,871</u>		<u>\$ (39,364)</u>

	March 31, 2019		
	Ending Balance	Interest Rate Range (Per Annum %)	Interest Expense
An Shin Construction Manager	\$ 978,750	0.06-0.63	\$ (884)
Shin Kong Mitsukoshi	864,446	0.00-0.06	(149)
Shin Kong Insurance	486,416	0.00-1.03	(595)
Dah Chung Bills	415,045	0.00-0.70	(692)
Peng Cheng	349,303	0.00-1.03	(25)
CyberLink	340,952	0.06-3.17	(1,576)
Shin Kong Synthetic Fibers	325,107	0.00-0.50	(210)
Shin Kong Life Insurance	232,043	0.06-0.50	(308)
Diamond Biotech	208,108	0.01-2.40	(240)
Others	<u>3,576,176</u>		<u>(4,585)</u>
	<u>\$ 7,776,346</u>		<u>\$ (9,264)</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

		March 31, 2020		
		Ending Balance	Interest Rate Range (Per Annum %)	Interest Income
Item				
Dah Chung Bills	Call loan to banks	\$ 500,000	0.37-0.52	\$ 817
Yuanta Bank	Call loan to banks	-	0.48-1.90	582
Yuanta Bank	Call loan from banks	-	2.05-2.05	(12)

		December 31, 2019		
		Interest Rate Range		
	Item	Ending Balance	(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)

		March 31, 2019		
		Interest Rate Range		
	Item	Ending Balance	(Per Annum %)	Interest Income
Dah Chung Bills	Call loan to banks	\$ 1,500,000	0.47-0.60	\$ 1,393
Yuanta Bank	Call loan to banks	1,109,700	2.35-2.76	1,674
Yuanta Bank	Call loan from banks	-	2.41-2.45	(60)

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

		March 31, 2020		
		Interest Rate Range		
	Item	Ending Balance	(Per Annum %)	Interest Income
Chang Hwa Bank	Due from banks	\$ 2,032	-	\$ -

		December 31, 2019		
		Interest Rate Range		
	Item	Ending Balance	(Per Annum %)	Interest Income
Chang Hwa Bank	Due from banks	\$ 2,022	-	\$ -

		March 31, 2019		
		Interest Rate Range		
	Item	Ending Balance	(Per Annum %)	Interest Income
Chang Hwa Bank	Due from banks	\$ 1,971	-	\$ -

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

4) Trading securities

March 31, 2020						
	Purchase	Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements
				Ending Balance	Interest Rate Range (Per Annum %)	Ending Balance
MasterLink Securities	\$ 2,617,077	\$ 3,582,994	\$ -	-	\$ -	-
Dah Chung Bills	-	300,000	-	-	-	-
Chang Hwa Bank	-	50,432	-	-	-	-
Chin We	-	-	30,103	0.37-0.45	-	-
Yi Huan	-	-	9,017	0.37-0.45	-	-
Xiang Yu	-	-	2,506	0.37-0.45	-	-
Individual A	-	-	10,011	0.35-0.45	-	-
	<u>\$ 2,617,077</u>	<u>\$ 3,933,426</u>	<u>\$ 51,637</u>		<u>\$ -</u>	
December 31, 2019						
	Purchase	Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements
				Ending Balance	Interest Rate Range (Per Annum %)	Ending Balance
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>	
March 31, 2019						
	Purchase	Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements
				Ending Balance	Interest Rate Range (Per Annum %)	Ending Balance
Chin We	\$ -	\$ -	\$ 115,122	0.35-0.36	\$ -	-
Yi Huan	-	-	13,000	0.35	-	-
Xiang Yu	-	-	23,040	0.36	-	-
Yuanta Bank	-	499,972	-	-	-	-
Shin Kong Bank	-	49,860	-	-	-	-
Dah Chung Bills	49,594	-	-	-	-	-
MasterLink Securities	1,769,550	906,402	149,936	0.45-0.55	-	-
	<u>\$ 1,819,144</u>	<u>\$ 1,456,234</u>	<u>\$ 301,098</u>		<u>\$ -</u>	

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

5) Derivatives

March 31, 2020						
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	\$ 446	Financial assets at FVTPL	\$ 1,975
Creative Sensor	Forward exchange contracts	2019/12/25-2020/7/21	151,270	2,446	Financial assets at FVTPL	3,246

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)

March 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	\$ 152	Financial assets at FVTPL	\$ 1,814
Creative Sensor	Forward exchange contracts	2019/1/22-2019/8/26	215,755	(1,133)	Financial liabilities at FVTPL	(1,133)
Yuanta Bank	Currency swaps	2018/12/10-2019/12/13	2,157,750	14,030	Financial assets at FVTPL	15,859

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

6) Other material transactions

For the Three Months Ended March 31					
2020			2019		
Item	Amount	Item	Amount	Item	Amount
Shin Kong Life Insurance	Commission income	\$ 1,130	Commission income	\$ 278,108	
Cyber Soft Digital Service	Operating expenses	160,884	Operating expenses	150,893	
Shin Kong Mitsukoshi	Fee income	68,051	Fee income	66,737	
Shin Kong Mitsukoshi	Service charge and operating expenses	46,368	Service charge and operating expenses	44,593	

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the three months ended March 31, 2020 and 2019 included the following:

	For the Three Months Ended March 31	
	2020	2019
Short-term benefits	\$ 55,975	\$ 70,295
Post-employment benefits	269	261
Share-based payments	<u>(506)</u>	<u>1,830</u>
	<u>\$ 55,738</u>	<u>\$ 72,386</u>

d. Related-party transactions of subsidiaries amounting to more than \$100,000 thousand.

1) Taishin Bank

Material transactions with related parties were as follows:

a) Loans, deposits and guaranteed loans

Loans

March 31, 2020						
Related Parties	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Any differences in transaction terms compared to non-related parties
<u>Other loans</u>						
GBM	\$ 399,570	\$ 399,570	\$ 399,570	\$ -	-	None
Peng Cheng	132,000	132,000	132,000	-	Land and buildings	None
March 31, 2019						
Related Parties	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Any differences in transaction terms compared to non-related parties
<u>Other loans</u>						
GBM	\$ 370,000	\$ 457,500	\$ 370,000	\$ -	-	None
Peng Cheng	150,000	150,000	150,000	-	Land and buildings	None

Deposits

March 31, 2020			
	Ending Balance	Interest Rate Range (Per Annum %)	Interest Expense
Taishin Securities B	\$ 2,369,980	0.00-1.30	\$ (505)
Taishin Financial Holding	1,967,272	0.00-0.06	-
Taiwan SMEG	1,482,061	0.00-1.05	(2,464)
CyberLink	1,091,367	0.01-2.35	(4,428)
Xiang An Insurance Agency	768,059	0.00-0.06	-
Shin Kong Insurance	465,699	0.00-1.03	(655)
Tasco Chemical	448,457	0.00-0.65	(195)
Shin Kong Mitsukoshi	429,362	0.00-0.06	(136)
Dah Chung Bills	423,812	0.00-0.70	(699)
An Shin Construction Manager	390,643	0.01-0.63	(633)
Taishin Securities Investment Advisory	218,404	0.01-2.13	(717)
Shin Kong Synthetic Fibers	196,307	0.00-0.32	(124)
Shin Kong Life Insurance	185,982	0.01-0.32	(98)
Taishin D.A. Finance	143,834	0.00-1.03	(1)
Peng Cheng	141,476	0.00-0.22	(6)
Taiwan Fieldrich	138,493	0.01-2.50	(589)
Shin Yao	112,377	0.01-2.00	(89)
EXCEL Chemical	100,683	0.01-0.06	(7)

	March 31, 2019		
	Ending Balance	Interest Rate Range (Per Annum %)	Interest Expense
Taishin Securities B	\$ 1,261,874	0.00-1.30	\$ (456)
An Shin Construction Manager	978,750	0.06-0.63	(884)
Shin Kong Mitsukoshi	864,446	0.00-0.06	(149)
Xian An Insurance Agency	815,683	0.00-0.06	(120)
Shin Kong Insurance	486,416	0.00-1.03	(595)
Dah Chung Bills	415,045	0.00-0.70	(692)
Peng Cheng	349,303	0.00-1.03	(25)
CyberLink	340,952	0.06-3.17	(1,576)
Shin Kong Synthetic Fibers	325,107	0.00-0.50	(210)
Taishin Securities Investment Advisory	258,817	0.06-3.01	(1,077)
Taishin D.A. Finance	233,987	0.00-1.03	(1)
Shin Kong Life Insurance	232,043	0.06-0.50	(308)
Diamond Biotech	208,108	0.01-2.40	(240)

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

b) Call loan to banks and call loan from banks

		March 31, 2020		
		Ending Balance	Interest Rate Range (Per Annum %)	Interest Income
Dah Chung Bills	Call loan to banks	\$ 500,000	0.37-0.52	\$ 817

		March 31, 2019		
		Ending Balance	Interest Rate Range (Per Annum %)	Interest Income
Dah Chung Bills	Call loan to banks	\$ 1,500,000	0.47-0.60	\$ 1,393
Yuanta Bank	Call loan to banks	1,109,700	2.35-2.76	1,674

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

c) Trading securities

	March 31, 2020					
	Purchase		Repurchase Agreements		Resale Agreements	
	Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate Range (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
MasterLink Securities	\$ 2,617,077	\$ 3,582,994	\$ -	-	\$ -	-
Dah Chung Bills	-	-	950,697	0.35-0.45	-	-
Taishin Holdings	3,649,508	99,968	-	-	-	-
Taishin Securities B	-	300,000	-	-	-	-

	March 31, 2019					
	Purchase		Repurchase Agreements		Resale Agreements	
	Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate Range (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Chin Wei	\$ -	\$ -	\$ 115,122	0.35-0.36	\$ -	-
Yuanta Bank	-	499,972	-	-	-	-
Taishin Holdings	-	-	1,275,942	0.32-0.37	-	-
Taishin Securities B	198,759	49,620	-	-	-	-
MasterLink Securities	1,769,550	906,402	149,936	0.45-0.55	-	-

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

d) Derivatives

March 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	\$ 446	Financial assets at FVTPL	\$ 1,975
Creative Sensor	Forward exchange contracts	2019/12/25-2020/7/21	151,270	2,446	Financial assets at FVTPL	3,246

March 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	\$ 152	Financial assets at FVTPL	\$ 1,814
Creative Sensor	Forward exchange contracts	2019/1/22-2019/8/26	215,755	(1,133)	Financial liabilities at FVTPL	(1,133)
Yuanta Bank	Currency swaps	2018/12/10-2019/12/13	2,157,750	14,030	Financial assets at FVTPL	15,859

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

e) Other material transactions

For the Three Months Ended March 31					
		2020		2019	
	Item	Amount		Item	Amount
Shin Kong Life Insurance	Commission income	\$ 1,130	Commission income		\$ 277,430
CyberSoft Digital Service	Operating expenses	160,366	Operating expenses		150,252
Shin Kong Mitsukoshi	Fee income	68,051	Fee income		66,737
Shin Kong Mitsukoshi	Service charge and operating expenses	46,368	Service charge and operating expenses		44,587

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

- f) 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.

- g) On March 12, 2020, Taishin Bank's board of directors resolved to sell property and equipment of \$429,650 to Taishin AMC. The transaction was completed on 2020/5/6, and the disposal gain or loss was recognized when the transaction was completed. The transaction with the related party is made under arm's length terms, which are consistent with the normal policies.

2) Taishin Securities B

- a) Liability contracts with related parties

Item	Name	March 31	
		2020	2019
Cash and cash equivalents	Taishin Bank	\$ 1,755,362	\$ 734,871
Operating guarantee deposits	Taishin Bank	315,000	315,000
Customer margin account	Taishin Bank	193,052	107,918

- b) Lease arrangements

Item	Name	March 31	
		2020	2019
Lease liabilities	Taishin Bank	\$ 142,574	\$ 168,349

- c) Financial assets at fair value through profit or loss - current

Item	Name	March 31			
		2020		2019	
		Ending Stocks (In Thousands)	Ending Balance	Ending Stocks (In Thousands)	Ending Balance
Trading Securities - dealing	Taishin Securities Investment Trust	17,572	\$ 338,750	13,411	\$ 289,272
Trading Securities - dealing	Shin Kong Financial Holding	2,308	236,698	1,403	112,079

- d) Trading securities

	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	March 31, 2020			
			Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
MasterLink Securities	\$ 350,085	\$ 398,665	\$ -	-	\$ -	-
Taishin Bank	<u>99,968</u>	<u>349,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 450,053</u>	<u>\$ 748,173</u>	<u>\$ -</u>		<u>\$ -</u>	
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	March 31, 2019			
			Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Taishin Bank	\$ 49,620	\$ 198,759	\$ -	-	\$ -	-
MasterLink Securities	<u>99,254</u>	<u>249,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 148,874</u>	<u>\$ 448,094</u>	<u>\$ -</u>		<u>\$ -</u>	

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 June 30, 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.

	For the Three Months Ended March 31, 2020			
	Beginning Balance	Purchased	Collected	Ending Balance
Loans with transferred ownership	\$ 14,941,299	\$ _____ -	\$ ____ (30,182)	\$ 14,911,117

	For the Three Months Ended March 31, 2019			
	Beginning Balance	Purchased	Collected	Ending Balance
Loans with transferred ownership	\$ 15,086,600	\$ _____ -	\$ ____ (32,604)	\$ 15,053,996

b) Liability contracts with related parties

Item	Related Party	March 31	
		2020	2019
Other payable	Taishin Holdings	\$ -	\$ 141,686

4) Taishin Venture Capital

There were no related party transactions with amounts more than \$100,000 thousand for the three months ended March 31, 2020.

5) Taishin Securities Investment Trust

There were no related party transactions with amounts more than \$100,000 thousand for the three months ended March 31, 2020.

6) Taishin Securities Investment Advisory

Liability contracts with related parties:

Item	Related Party	March 31	
		2020	2019
Other financial assets	Taishin Bank	\$ 207,065	\$ 228,067

45. PLEDGED ASSETS

Pledged Assets	Description	March 31, 2020	December 31, 2019	March 31, 2019
Refundable deposits	Cash and certificates of time deposits	\$ 12,527,660	\$ 6,218,074	\$ 7,995,433
Operating deposits and settlement funds	Cash and cash paid to stock exchange	146,070	199,857	184,155
Investments in debt instrument at FVTOCI	Securities and bonds	15,584,816	15,374,807	15,345,299
Investments in debt instrument at amortized cost	Bonds	3,800	8,400	10,000
Other assets due from banks	Bank deposits and certificate of time deposits	4,761,978	3,551,231	3,820,193

46. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to those mentioned in Note 9 and Note 43, Taishin Financial Holding and subsidiaries have contingent liabilities and commitments as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Trust liabilities	\$ 388,816,509	\$ 387,479,029	\$ 345,036,901
Payable custody securities	22,717,406	15,993,710	-
Unpaid equipment purchase contracts	1,353,044	1,158,816	1,389,499

47. FINANCIAL INFORMATION BY BUSINESS

The financial information by business for the three months ended March 31, 2020 and 2019 was as follows:

Item	Bank Business	For the Three Months Ended March 31, 2020		
	Bank Business	Securities Business	Other Business	Total
Net interest income	\$ 5,084,152	\$ 31,307	\$ 127,421	\$ 5,242,880
Net income other than net interest income	4,247,411	(11,238)	445,163	4,681,336
Net revenue and gains	9,331,563	20,069	572,584	9,924,216
(Provisions for) reversal of allowance for bad debts expenses and guarantee liability	(668,647)	40	(34,927)	(703,534)
Total operating expenses	(5,428,247)	(397,172)	(242,436)	(6,067,855)
Income before income tax of continued operations	3,234,669	(377,063)	295,221	3,152,827
Income tax (expense) benefit	(543,283)	(28,841)	(20,929)	(593,053)
Income after income tax of continued operations	2,691,386	(405,904)	274,292	2,559,774

Item	Bank Business	For the Three Months Ended March 31, 2019		
	Bank Business	Securities Business	Other Business	Total
Net interest income	\$ 4,577,801	\$ 33,950	\$ 121,962	\$ 4,733,713
Net income other than net interest income	5,023,095	411,005	875,445	6,309,545
Net revenue and gains	9,600,896	444,955	997,407	11,043,258
(Provisions for) reversals of allowance for bad debts expenses and guarantee liability	(136,714)	(98)	(104,289)	(241,101)
Total operating expenses	(5,201,355)	(307,142)	(314,930)	(5,823,427)
Income before income tax of continued operations	4,262,827	137,715	578,188	4,978,730
Income tax (expense) benefit	(564,476)	474	(9,852)	(573,854)
Income after income tax of continued operations	3,698,351	138,189	568,336	4,404,876

48. FINANCIAL STATEMENTS OF TAISHIN FINANCIAL HOLDING

TAISHIN FINANCIAL HOLDING CO., LTD.

BALANCE SHEETS

MARCH 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

ASSETS	2020	2019	LIABILITIES AND EQUITY	2020	2019
CASH AND CASH EQUIVALENTS	\$ 1,967,272	\$ 17,439	LIABILITIES		
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	1,998	1,999	Commercial papers issued, net	\$ 9,994,608	\$ 1,997,452
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	950,697	1,275,942	Payables	1,040,538	1,080,108
RECEIVABLES	1,789,405	2,137,806	Current tax liabilities	2,539,157	2,344,020
CURRENT TAX ASSETS	229,092	229,092	Bonds payable	22,000,000	22,000,000
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	209,916,171	199,265,192	Lease liabilities	5,529	11,495
PROPERTY AND EQUIPMENT, NET	3,605	5,164	Other liabilities	-	1
RIGHT-OF-USE ASSETS	4,488	10,472	Total liabilities	<u>35,579,832</u>	<u>27,433,076</u>
OTHER ASSETS	<u>16,548</u>	<u>23,164</u>	EQUITY		
TOTAL	<u>\$ 214,879,276</u>	<u>\$ 202,966,270</u>	Capital stock		
			Common stock	106,583,099	104,367,621
			Preferred stock	8,000,000	8,000,000
			Advance receipts for capital stock	10,633	9,727
			Capital surplus	35,950,427	35,960,370
			Retained earnings		
			Legal reserve	10,357,137	9,115,012
			Special reserve	572,115	572,115
			Unappropriated earnings	18,853,149	16,643,476
			Other equity	<u>(1,027,116)</u>	<u>864,873</u>
			Total equity	<u>179,299,444</u>	<u>175,533,194</u>
			TOTAL	<u>\$ 214,879,276</u>	<u>\$ 202,966,270</u>

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2020	2019
INCOME		
Share of profit of subsidiaries and associates accounted for using the equity method	\$ 2,758,514	\$ 4,580,240
Interest income	935	4,028
Other income	<u>-</u>	<u>550</u>
Total income	<u>2,759,449</u>	<u>4,584,818</u>
EXPENSES AND LOSSES		
Operating expenses	(84,097)	(69,644)
Interest expenses	<u>(114,204)</u>	<u>(110,024)</u>
Total expenses and losses	<u>(198,301)</u>	<u>(179,668)</u>
INCOME BEFORE INCOME TAX	2,561,148	4,405,150
INCOME TAX (EXPENSE) BENEFIT	<u>-</u>	<u>(192)</u>
NET INCOME	<u>2,561,148</u>	<u>4,404,958</u>
OTHER COMPREHENSIVE INCOME (LOSS)	<u>(2,161,719)</u>	<u>933,984</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 399,429</u>	<u>\$ 5,338,942</u>
EARNINGS PER SHARE		
Basic	<u>\$0.20</u>	<u>\$0.37</u>
Diluted	<u>\$0.20</u>	<u>\$0.37</u>

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Capital Stock		Capital Surplus					Retained Earnings			Other Equity			Total Equity
	Common Stock	Preferred Stock	Advance Receipts for Capital Stock	Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions	Stock-Based Compensation	Others	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Changes in Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities at FVTPL	
BALANCE AT JANUARY 1, 2019	\$ 104,362,071	\$ 10,175,410	\$ 3,996	\$ 35,602,662	\$ 2,075,475	\$ 127,576	\$ -	\$ 9,115,012	\$ 572,115	\$ 12,421,251	\$ (372,863)	\$ 301,090	\$ 731	\$ 174,384,526
Net profit for the three months ended March 31, 2019	-	-	-	-	-	-	-	-	-	4,404,958	-	-	-	4,404,958
Other comprehensive income (loss) for the three months ended March 31, 2019, net of tax	-	-	-	-	-	-	-	-	-	(7,084)	99,896	762,432	78,740	933,984
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	-	-	-	-	4,397,874	99,896	762,432	78,740	5,338,942
Share-based payments	-	(2,175,410)	-	(1,843,788)	-	-	-	-	-	(180,802)	-	-	-	(4,200,000)
Redemption of preferred stock D	5,550	-	5,731	6,195	-	(7,750)	-	-	-	-	-	-	-	9,726
Disposals of investments designated as at FVTOCI	-	-	-	-	-	-	-	-	-	5,153	-	(5,153)	-	-
BALANCE AT MARCH 31, 2019	<u>\$ 104,367,621</u>	<u>\$ 8,000,000</u>	<u>\$ 9,727</u>	<u>\$ 33,765,069</u>	<u>\$ 2,075,475</u>	<u>\$ 119,826</u>	<u>\$ -</u>	<u>\$ 9,115,012</u>	<u>\$ 572,115</u>	<u>\$ 16,643,476</u>	<u>\$ (272,967)</u>	<u>\$ 1,058,369</u>	<u>\$ 79,471</u>	<u>\$ 175,533,194</u>
BALANCE AT JANUARY 1, 2020	\$ 106,567,044	\$ 8,000,000	\$ 11,077	\$ 33,774,714	\$ 2,075,475	\$ 102,003	\$ 3,213	\$ 10,357,137	\$ 572,115	\$ 16,373,487	\$ (675,950)	\$ 1,689,500	\$ 39,567	\$ 178,889,382
Net profit for the three months ended March 31, 2020	-	-	-	-	-	-	-	-	-	2,561,148	-	-	-	2,561,148
Other comprehensive income (loss) for the three months ended March 31, 2020, net of tax	-	-	-	-	-	-	-	-	-	-	(86,987)	(2,065,446)	(9,286)	(2,161,719)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	-	-	-	-	2,561,148	(86,987)	(2,065,446)	(9,286)	399,429
Disposals of investments designated as at FVTOCI	16,055	-	(444)	3,769	-	(8,747)	-	-	-	-	-	-	-	10,633
Share-based payments	-	-	-	-	-	-	-	-	-	(81,486)	-	81,486	-	-
BALANCE AT MARCH 31, 2020	<u>\$ 106,583,099</u>	<u>\$ 8,000,000</u>	<u>\$ 10,633</u>	<u>\$ 33,778,483</u>	<u>\$ 2,075,475</u>	<u>\$ 93,256</u>	<u>\$ 3,213</u>	<u>\$ 10,357,137</u>	<u>\$ 572,115</u>	<u>\$ 18,853,149</u>	<u>\$ (762,937)</u>	<u>\$ (294,460)</u>	<u>\$ 30,281</u>	<u>\$ 179,299,444</u>

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 2,561,148	\$ 4,405,150
Depreciation expenses	1,881	1,954
Amortization expense	125	125
Interest expense	114,204	110,024
Interest revenue	(935)	(4,028)
Share-based payments	328	969
Share of profit of subsidiaries and associates accounted for using the equity method	(2,758,514)	(4,580,240)
(Gain) loss on disposal of property and equipment	-	(550)
Changes in operating assets and liabilities		
Net changes in operating assets		
(Increase) decrease in receivables	-	2
(Increase) decrease in other assets	866	(1,105)
Net changes in operating liabilities		
Increase (decrease) in payables	(27,655)	(15,616)
Increase (decrease) in other liabilities	-	1
Interest received	916	4,274
Interest paid	(14,917)	(3,177)
Income taxes paid	(90)	(427)
Net cash used in operating activities	<u>(122,643)</u>	<u>(82,644)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	-	(18)
Proceeds from disposal of property and equipment	-	550
Net cash generated from (used in) investing activities	<u>-</u>	<u>532</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial papers issued	-	(500,000)
Repayment of the principal portion of lease liabilities	(1,498)	(473)
Exercise of employee share options	10,633	9,726
Redemption of preferred stock D	-	(4,200,000)
Net cash generated from (used in) financing activities	<u>9,135</u>	<u>(4,690,747)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(113,508)	(4,772,859)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>3,031,477</u>	<u>6,066,240</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 2,917,969</u>	<u>\$ 1,293,381</u>
CASH AND CASH EQUIVALENTS RECOGNIZED IN THE BALANCE SHEETS	\$ 1,967,272	\$ 17,439
SECURITIES PURCHASED UNDER RESALE AGREEMENTS QUALIFYING AS CASH AND CASH EQUIVALENTS UNDER THE DEFINITION OF IAS 7 PERMITTED BY THE FINANCIAL SUPERVISORY COMMISSION	<u>950,697</u> <u>\$ 2,917,969</u>	<u>1,275,942</u> <u>\$ 1,293,381</u>

49. PROFITABILITY OF TAISHIN FINANCIAL HOLDING (STANDALONE AND CONSOLIDATED)

Standalone

Item		For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Return on total assets	Pretax	1.19%	2.18%
	After tax	1.19%	2.18%
Return on net equity	Pretax	1.43%	2.52%
	After tax	1.43%	2.52%
Profit margin		92.81%	96.08%

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 = $\frac{\text{Income after tax}}{\text{Total income}}$

Note d: Profitability presented above is cumulative from January 1 to March 31 of 2020 and 2019.

Note e: Return on net equity - common stock = $\frac{\text{Income before (after) tax}}{\text{Average net equity - common stock}}$

Item		For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Return on net equity - common stock	Pretax	1.55%	2.98%
	After tax	1.55%	2.98%

Consolidated

Item		For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Return on total assets	Pretax	0.15%	0.27%
	After tax	0.12%	0.24%
Return on net equity	Pretax	1.76%	2.85%
	After tax	1.43%	2.52%
Profit margin		25.79%	39.89%

Note a: Return on total assets = $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity = $\frac{\text{Income before (after) tax (of the parent company's stockholders)}}{\text{Average net equity}}$

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Total income}}$

Note d: Profitability presented above is cumulative from January 1 to March 31 of 2020 and 2019.

$$\text{Note e: Return on net equity - common stock} = \frac{\text{Income before (after) tax (of the parent company's stockholders)}}{\text{Average net equity - common stock}}$$

Item		For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
		Return on net equity - common stock	Pretax
	After tax	1.55%	2.98%

50. CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME AND IMPORTANT FINANCIAL NOTES OF SUBSIDIARIES

Taishin Bank

a. Balance sheets (Standalone)

	March 31	
	2020	2019
Assets		
Cash and cash equivalents	\$ 21,946,073	\$ 17,956,770
Due from Central Bank and call loans to banks	68,267,111	78,434,802
Financial assets at FVTPL	111,447,855	103,593,062
Financial assets at FVTOCI	271,061,577	374,626,607
Debt instruments at amortized cost	158,501,661	7,888,143
Securities purchased under resale agreements	12,941,445	7,896,215
Receivables, net	114,022,587	111,924,786
Current tax assets	674,257	674,280
Assets held for sale	309,812	-
Loans, net	1,190,402,646	1,033,866,348
Investments accounted for using the equity method	3,021,952	2,933,309
Other financial assets, net	6,330,476	8,007,600
Property and equipment, net	17,872,203	18,265,766
Right-of-use assets, net	2,608,050	2,481,008
Intangible assets, net	1,972,521	1,870,361
Deferred tax assets	2,612,627	3,067,749
Other assets, net	<u>13,585,040</u>	<u>8,947,717</u>
	<u>\$ 1,997,577,893</u>	<u>\$ 1,782,434,523</u>
Liabilities		
Due to the Central Bank and banks	\$ 73,956,702	\$ 52,513,183
Funds borrowed from the Central Bank and other banks	907,620	-
Financial liabilities at FVTPL	37,000,097	26,389,192
Securities sold under repurchase agreements	89,323,752	72,743,248
Payables	25,749,249	26,367,322
Current tax liabilities	2,037,185	2,241,725
Deposits and remittances	1,496,569,656	1,338,539,793
Bank debentures	34,800,000	44,700,000

(Continued)

	March 31	
	2020	2019
Other financial liabilities	\$ 74,022,452	\$ 66,947,493
Provisions	1,626,346	1,558,855
Lease liabilities	2,690,872	2,522,883
Deferred tax liabilities	53,552	57,652
Other liabilities	<u>4,366,409</u>	<u>2,979,296</u>
	<u>1,843,103,892</u>	<u>1,637,560,642</u>
Equity		
Capital stock	82,557,119	75,497,712
Capital surplus	30,249,980	30,246,767
Retained earnings	41,634,411	38,071,657
Other equity	<u>32,491</u>	<u>1,057,745</u>
	<u>154,474,001</u>	<u>144,873,881</u>
	<u>\$ 1,997,577,893</u>	<u>\$ 1,782,434,523</u>

(Concluded)

b. Statements of comprehensive income (Standalone)

	For the Three Months Ended March 31	
	2020	2019
Interest income	\$ 8,849,549	\$ 8,494,037
Interest expense	<u>(3,895,964)</u>	<u>(4,065,568)</u>
Net interest income	4,953,585	4,428,469
Net income other than net interest income	<u>4,223,868</u>	<u>5,062,652</u>
Net revenue and gains	9,177,453	9,491,121
Provisions for allowance for bad debts expenses commitment and guarantee liability	(657,782)	(100,958)
Operating expenses	<u>(5,316,595)</u>	<u>(5,146,366)</u>
Income before income tax	3,203,076	4,243,797
Income tax expense	<u>(528,229)</u>	<u>(554,292)</u>
Net income	2,674,847	3,689,505
Other comprehensive income	<u>(1,554,245)</u>	<u>637,482</u>
Total comprehensive income	<u>\$ 1,120,602</u>	<u>\$ 4,326,987</u>
Basic earnings per share (in dollars)	<u>\$0.32</u>	<u>\$0.49</u>
Diluted earnings per share (in dollars)	<u>\$0.32</u>	<u>\$0.49</u>

c. Key financial and business highlights

1) Profitability

Item		For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Return on total assets	Pretax	0.16%	0.24%
	After tax	0.14%	0.21%
Return on net equity	Pretax	2.08%	2.97%
	After tax	1.74%	2.59%
Profit margin		29.15%	38.87%

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 = $\frac{\text{Income after tax}}{\text{Net revenue and gains}}$

Note d: Profitability presented above is cumulative from January 1 to March 31 of 2020 and 2019.

2) Asset quality

Non-performing loans and receivables

Item		March 31, 2020					March 31, 2019					
		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	\$ 482,840	\$ 231,526,369	0.21%	\$ 3,235,990	670.20%	\$ 463,373	\$ 210,331,907	0.22%	\$ 2,328,869	502.59%	
	Unsecured	848,990	327,889,509	0.26%	5,394,320	635.38%	228,247	242,781,251	0.09%	3,488,736	1,528.49%	
Consumer finance	Mortgage loans (Note d)	367,279	298,905,878	0.12%	4,468,712	1,216.71%	414,526	268,079,712	0.15%	4,140,676	998.89%	
	Cash cards	24,681	923,381	2.67%	92,086	373.10%	8,258	1,248,201	0.66%	37,177	450.19%	
	Credit loans (Note e)	253,701	68,357,021	0.37%	886,386	349.38%	75,643	60,055,975	0.13%	758,943	1,003.32%	
	Others (Note f)	Secured	460,306	280,297,553	0.16%	3,019,905	656.06%	475,212	265,411,390	0.18%	2,915,378	613.49%
		Unsecured	5,382	226,520	2.38%	19,605	364.27%	6,245	228,306	2.74%	61,451	984.00%
Subtotal		2,443,179	1,208,126,231	0.20%	17,117,004	700.60%	1,671,504	1,048,136,742	0.16%	13,731,230	821.49%	
Credit card		217,797	54,726,959	0.40%	660,189	303.12%	83,686	55,071,427	0.15%	583,039	696.70%	
Accounts receivable factoring with no recourse (Note g)		-	46,621,735	-	617,928	-	2,406,471	48,900,974	4.92%	3,234,343	134.40%	

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	March 31, 2020		March 31, 2019	
		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)	\$ 387,291	\$ 127,192	\$ 556,833	\$ 174,609
	Loans executed in accordance with debt clearing and renewal regulations (Note b)	1,750,281	1,225,182	1,700,583	1,201,844
	Total	2,137,572	1,352,374	2,257,416	1,376,453

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	March 31, 2020			March 31, 2019			
	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)	\$ 21,012,371	13.60%	A Group (activities of other holding companies)	\$ 16,073,522	11.09%
	2	B Group (manufacture of cement)	17,342,177	11.23%	B Group (ocean freight transportation forwarding services)	12,922,159	8.92%
	3	C Group (liquid crystal panel and components manufacturing industry)	12,054,973	7.80%	D Group (activities of other holding companies)	11,877,256	8.20%
	4	D Group (activities of other holding companies)	10,973,292	7.10%	C Group (liquid crystal panel and components manufacturing industry)	9,835,932	6.79%
	5	E Group (manufacture of woven cotton-type on woolen-type fabrics)	10,355,030	6.70%	E Group (manufacture of woven cotton-type or woolen-type fabrics)	6,703,530	4.63%
	6	F Group (wireless telecommunications)	9,820,607	6.36%	K Group (manufacture of computers)	5,789,801	4.00%
	7	G Group (manufacture of paper)	6,030,237	3.90%	L Group (real estate activities for sale and rental with own or leased property)	5,725,266	3.95%
	8	H Group (ocean freight transportation forwarding services)	5,993,027	3.88%	M Group (manufacture of monitors and terminals)	5,694,977	3.93%
	9	I Group (manufacture of rayon)	5,603,157	3.63%	N Group (manufacture of audio and video equipment)	5,502,523	3.80%
	10	J Group (other financial services)	5,559,169	3.60%	G Group (manufacture of paper)	5,500,066	3.80%

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.

4) Interest rate sensitivity

Item	March 31, 2020				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,150,654,363	\$ 25,283,906	\$ 69,061,236	\$ 157,435,835	\$ 1,402,435,340
Interest-sensitive liabilities	432,290,746	100,861,284	192,363,137	567,800,434	1,293,315,601
Interest sensitivity gap	718,363,617	(75,577,378)	(123,301,901)	(410,364,599)	109,119,739
Net equity					153,829,410
Ratio of interest-sensitive assets to liabilities					108.44%
Ratio of interest sensitivity gap to net equity					70.94%

Item	March 31, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,052,274,740	\$ 24,283,476	\$ 52,468,083	\$ 157,305,376	\$ 1,286,331,675
Interest-sensitive liabilities	397,523,542	104,873,021	214,121,748	488,667,757	1,205,186,068
Interest sensitivity gap	654,751,198	(80,589,545)	(161,653,665)	(331,362,381)	81,145,607
Net equity					143,098,068
Ratio of interest-sensitive assets to liabilities					106.73%
Ratio of interest sensitivity gap to net equity					56.71%

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	March 31, 2020				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 10,578,740	\$ 2,282,889	\$ 939,820	\$ 1,182,154	\$ 14,983,603
Interest-sensitive liabilities	7,943,577	1,591,367	1,141,435	4,148,111	14,824,490
Interest sensitivity gap	2,635,163	691,522	(201,615)	(2,965,957)	159,113
Net equity					(14,261)
Ratio of interest-sensitive assets to liabilities					101.07%
Ratio of interest sensitivity gap to net equity					(1,115.72%)

(In Thousands of U.S. Dollars)

Item	March 31, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 8,415,007	\$ 1,739,162	\$ 744,273	\$ 788,098	\$ 11,686,540
Interest-sensitive liabilities	5,758,054	1,551,428	980,273	2,578,252	10,868,007
Interest sensitivity gap	2,656,953	187,734	(236,000)	(1,790,154)	818,533
Net equity					25,014
Ratio of interest-sensitive assets to liabilities					107.53%
Ratio of interest sensitivity gap to net equity					3,772.30%

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 (U.S. dollars only) = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

5) Maturity analysis of assets and liabilities

	Total	March 31, 2020				
		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	\$ 1,925,032,032	\$ 644,581,763	\$ 253,037,610	\$ 150,402,940	\$ 156,922,108	\$ 720,087,611
Major maturity cash outflow	2,299,760,938	355,431,016	269,758,143	290,007,275	419,601,864	964,962,640
Gap	(374,728,906)	289,150,747	(16,720,533)	(139,604,335)	(262,679,756)	(244,875,029)

	Total	March 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	\$ 1,828,330,400	\$ 574,724,783	\$ 301,305,656	\$ 127,757,289	\$ 147,504,676	\$ 677,037,996
Major maturity cash outflow	2,205,062,951	276,736,837	329,807,129	297,597,536	438,290,283	862,631,166
Gap	(376,732,551)	297,987,946	(28,501,473)	(169,840,247)	(290,785,607)	(185,593,170)

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	March 31, 2020				
		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	\$ 35,631,324	\$ 16,165,144	\$ 7,967,700	\$ 4,809,773	\$ 2,400,586	\$ 4,288,121
Major maturity cash outflow	35,580,847	13,767,814	8,661,166	4,977,631	2,825,522	5,348,714
Gap	50,477	2,397,330	(693,466)	(167,858)	(424,936)	(1,060,593)

(In Thousands of U.S. Dollars)

	Total	March 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	\$ 35,174,927	\$ 12,802,568	\$ 9,970,115	\$ 5,691,493	\$ 3,474,731	\$ 3,236,020
Major maturity cash outflow	35,466,266	11,488,266	10,173,657	6,254,275	3,821,494	3,728,574
Gap	(291,339)	1,314,302	(203,542)	(562,782)	(346,763)	(492,554)

Note: The amounts listed above include amounts in U.S. dollars for head office, domestic branches, and OBU.

Taishin Securities B

a. Balance sheets (Standalone)

	March 31	
	2020	2019
Assets		
Current assets	\$ 40,610,005	\$ 34,918,037
Financial assets at FVTPL - non-current	28,020	29,190
Financial assets at FVTOCI - non-current	98,872	97,544
Investments accounted for using the equity method	205,313	86,601
Property and equipment	233,620	296,949
Right-of-use assets	178,347	188,287
Investment properties	125,874	32,213
Intangible assets	77,313	60,887
Deferred tax assets	16,550	15,497
Other non-current assets	<u>504,070</u>	<u>470,471</u>
	<u>\$ 42,077,984</u>	<u>\$ 36,195,676</u>
Liabilities		
Current liabilities	\$ 30,047,208	\$ 27,231,514
Other non-current liabilities	<u>3,558,836</u>	<u>1,319,188</u>
	<u>33,606,044</u>	<u>28,550,702</u>
Equity		
Capital stock	6,924,124	6,284,125
Capital surplus	965,826	805,825
Retained earnings	548,664	523,445
Other equity	<u>33,326</u>	<u>31,579</u>
	<u>8,471,940</u>	<u>7,644,974</u>
	<u>\$ 42,077,984</u>	<u>\$ 36,195,676</u>

b. Statements of comprehensive income (Standalone)

	For the Three Months Ended March 31	
	2020	2019
Revenue	\$ 135,005	\$ 494,712
Expense	(474,102)	(371,532)
Non-operating income and expense	<u>(16,646)</u>	<u>16,338</u>
Profit before income tax	(355,743)	139,518
Income tax expense	<u>(28,841)</u>	<u>475</u>
Net income	(384,584)	139,993
Other comprehensive income	<u>2,204</u>	<u>3,106</u>
Total comprehensive income	<u>\$ (382,380)</u>	<u>\$ 143,099</u>
Basic earnings per share (in dollars)	<u>\$ (0.56)</u>	<u>\$ 0.22</u>

c. Key financial and business highlights

- Profitability

Item		For the Three Months	For the Three Months
		Ended March 31, 2020	Ended March 31, 2019
Return on total assets	Pretax	(0.85%)	0.43%
	After tax	(0.92%)	0.43%
Return on net equity	Pretax	(4.11%)	1.84%
	After tax	(4.44%)	1.85%
Profit margin		(284.87%)	28.30%

$$\text{Note a: Return on total assets} = \frac{\text{Income before (after) tax}}{\text{Average assets}}$$

$$\text{Note b: Return on net equity} = \frac{\text{Income before (after) tax}}{\text{Average net equity}}$$

$$\text{Note c: Profit margin} = \frac{\text{Income after tax}}{\text{Revenue}}$$

Note d: Profitability presented above is cumulative from January 1 to March 31 of 2020 and 2019.

Taishin AMC

a. Balance sheets

	March 31	
	2020	2019
Assets		
Current assets	\$ 19,766	\$ 36,071
Financial assets at FVTOCI - non-current	95,120	104,132
Investments accounted for using the equity method	141,594	148,508
Property and equipment	219,244	179,136
Investment property	748,216	693,073
Deferred tax assets	34,416	34,685
Right-of-use assets	141	254
Other non-current assets	<u>197,525</u>	<u>190,562</u>
	<u>\$ 1,456,022</u>	<u>\$ 1,386,421</u>
Liabilities		
Current liabilities	\$ 378,511	\$ 417,587
Other non-current liabilities	<u>4,425</u>	<u>4,581</u>
	<u>382,936</u>	<u>422,168</u>
Equity		
Capital stock	671,000	671,000
Capital surplus	4,141	4,141
Retained earnings	450,120	332,275
Other equity	<u>(52,175)</u>	<u>(43,163)</u>
	<u>1,073,086</u>	<u>964,253</u>
	<u>\$ 1,456,022</u>	<u>\$ 1,386,421</u>

b. Statements of comprehensive income

	For the Three Months Ended March 31	
	2020	2019
Operating revenue	\$ 53,620	\$ 64,290
Operating cost and expenses	<u>(26,994)</u>	<u>(30,646)</u>
Operating income	26,626	33,644
Non-operating income	2,535	3,441
Non-operating expenses	<u>(306)</u>	<u>(270)</u>
Income before income tax	28,855	36,815
Income tax expense	<u>(5,371)</u>	<u>(6,859)</u>
Net income	23,484	29,956
Other comprehensive income	<u>(4,016)</u>	<u>(840)</u>
 Total comprehensive income	 <u>\$ 19,468</u>	 <u>\$ 29,116</u>
 Earnings per share (in dollars)	 <u>\$0.35</u>	 <u>\$0.45</u>

c. Profitability

Item		For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Return on total assets	Pretax	2.01%	2.66%
	After tax	1.64%	2.16%
Return on net equity	Pretax	2.71%	3.61%
	After tax	2.21%	2.94%
Profit margin		41.82%	44.23%

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 =
$$\frac{\text{Income after tax}}{\text{Operating income} + \text{Non-operating income}}$$

Note d: Profitability presented above is cumulative from January 1 to March 31 of 2020 and 2019.

Taishin Venture Capital

a. Balance sheets

	March 31	
	2020	2019
Assets		
Current assets	\$ 605,479	\$ 767,081
Financial assets at FVTPL - non-current	1,290,979	1,311,071
Investments accounted for using the equity method	1,991,989	1,988,546
Property and equipment	91	188
Right-of-use assets	1,646	3,443
Other non-current assets	<u>439</u>	<u>439</u>
	<u>\$ 3,890,623</u>	<u>\$ 4,070,768</u>
Liabilities		
Current liabilities	\$ 2,810	\$ 3,286
Other non-current liabilities	<u>-</u>	<u>1,658</u>
	<u>2,810</u>	<u>4,944</u>
Equity		
Capital stock	4,208,749	4,208,749
Capital surplus	871	871
Retained earnings	(101,515)	(65,306)
Other equity	<u>(220,292)</u>	<u>(78,490)</u>
	<u>3,887,813</u>	<u>4,065,824</u>
	<u>\$ 3,890,623</u>	<u>\$ 4,070,768</u>

b. Statements of comprehensive income

	For the Three Months Ended March 31	
	2020	2019
Revenue	\$ 33,160	\$ 17,269
Expense	<u>(146,866)</u>	<u>(15,154)</u>
Income before income tax	<u>(113,706)</u>	<u>2,115</u>
Net income	(113,706)	2,115
Other comprehensive income	<u>(22,058)</u>	<u>52,295</u>
Total comprehensive income	<u>\$ (135,764)</u>	<u>\$ 54,410</u>
Earnings per share (in dollars)	<u>\$(0.27)</u>	<u>\$0.01</u>

c. Profitability

Item		For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Return on total assets	Pretax	(2.87%)	0.05%
	After tax	(2.87%)	0.05%
Return on net equity	Pretax	(2.87%)	0.05%
	After tax	(2.87%)	0.05%
Profit margin		(342.90%)	12.25%

$$\text{Note a: Return on total assets} = \frac{\text{Income before (after) tax}}{\text{Average assets}}$$

$$\text{Note b: Return on net equity} = \frac{\text{Income before (after) tax}}{\text{Average net equity}}$$

$$\text{Note c: Profit margin} = \frac{\text{Income after tax}}{\text{Operating income} + \text{Non-operating income}}$$

Note d: Profitability presented above is cumulative from January 1 to March 31 of 2020 and 2019.

Taishin Securities Investment Trust

a. Balance sheets

	March 31	
	2020	2019
Assets		
Current assets	\$ 362,751	\$ 350,222
Financial assets at FVTPL - noncurrent	1,933	1,940
Property and equipment	16,057	19,331
Goodwill	410,930	410,930
Right-of-use assets	37,627	47,193
Intangible assets	4,592	4,142
Deferred tax assets	-	1
Other non-current assets	<u>160,281</u>	<u>147,180</u>
	<u>\$ 994,171</u>	<u>\$ 980,939</u>
Liabilities		
Current liabilities	\$ 94,314	\$ 117,891
Other non-current liabilities	<u>26,755</u>	<u>36,089</u>
	<u>121,069</u>	<u>117,891</u>
Equity		
Capital stock	754,545	754,545
Capital surplus	47,856	47,856
Retained earnings	71,768	61,707
Other equity	<u>(1,067)</u>	<u>(1,060)</u>
	<u>873,102</u>	<u>863,048</u>
	<u>\$ 994,171</u>	<u>\$ 980,939</u>

b. Statements of comprehensive income

	For the Three Months Ended March 31	
	2020	2019
Operating revenue	\$ 97,264	\$ 87,515
Operating expenses	<u>(81,006)</u>	<u>(74,952)</u>
Operating income	16,258	12,563
Non-operating income	503	1,317
Non-operating expenses	<u>(2,761)</u>	<u>(142)</u>
Income before income tax	14,000	13,738
Income tax expenses	<u>(3,340)</u>	<u>(2,625)</u>
Net income	10,660	11,113
Other comprehensive income	<u>33</u>	<u>2</u>
Total comprehensive income	<u>\$ 10,693</u>	<u>\$ 11,115</u>
Earnings per share (in dollars)	<u>\$0.14</u>	<u>\$0.15</u>

c. Profitability

Item		For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Return on total assets	Pretax	1.38%	1.42%
	After tax	1.05%	1.15%
Return on net equity	Pretax	1.61%	1.60%
	After tax	1.23%	1.30%
Profit margin		10.90%	12.51%

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 =
$$\frac{\text{Income after tax}}{\text{Operating income} + \text{Non-operating income}}$$

Note d: Profitability presented above is cumulative from January 1 to March 31 of 2020 and 2019.

Taishin Securities Investment Advisory

a. Balance sheets

	March 31	
	2020	2019
Assets		
Current assets	\$ 337,563	\$ 332,179
Property and equipment	1,054	1,079
Right-of-use assets	4,429	12,020
Deferred tax assets	4,319	5,042
Other non-current assets	<u>6,832</u>	<u>31,832</u>
	<u>\$ 354,197</u>	<u>\$ 382,152</u>
Liabilities		
Current liabilities	\$ 11,017	\$ 15,869
Deferred tax liabilities	-	87
Other non-current liabilities	<u>5,453</u>	<u>9,580</u>
	<u>16,470</u>	<u>25,536</u>
Equity		
Capital stock	300,000	300,000
Capital surplus	52,325	52,325
Capital surplus	<u>(14,598)</u>	<u>4,291</u>
Retained earnings	<u>337,727</u>	<u>356,616</u>
	<u>\$ 354,197</u>	<u>\$ 382,152</u>

b. Statements of comprehensive income

	For the Three Months Ended March 31	
	2020	2019
Operating revenue	\$ 26,779	\$ 24,840
Operating expenses	<u>(24,884)</u>	<u>(26,989)</u>
Operating (loss) income	1,895	(2,149)
Non-operating income	1,714	4,347
Non-operating expenses	<u>(17,624)</u>	<u>(21)</u>
Profit (loss) before income tax	(14,015)	2,177
Income tax (expenses) profit	<u>(726)</u>	<u>(579)</u>
Net income	(14,741)	1,598
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income (loss)	<u>\$ (14,741)</u>	<u>\$ 1,598</u>
Earnings per share (in dollars)	<u>\$(0.49)</u>	<u>\$0.05</u>

c. Profitability

Item		For the Three Months	For the Three Months
		Ended March 31, 2020	Ended March 31, 2019
Return on total assets	Pretax	(3.77%)	0.57%
	After tax	(3.97%)	0.42%
Return on net equity	Pretax	(4.06%)	0.61%
	After tax	(4.27%)	0.45%
Profit margin		(51.74%)	5.48%

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 = $\frac{\text{Income after tax}}{\text{Operating income} + \text{Non-operating income}}$

Note d: Profitability presented above is cumulative from January 1 to March 31 of 2020 and 2019.

51. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Significant financial assets and liabilities denominated in foreign currencies were as follows:

Taishin Bank

(Foreign Currencies/New Taiwan Dollars in Thousands)

	March 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
AUD	\$ 2,446,370	18.63	\$ 45,565,773
RMB	8,363,578	4.26	35,626,727
EUR	353,536	33.27	11,761,719
GBP	89,316	37.29	3,330,142
HKD	4,608,267	3.90	17,980,902
JPY	66,152,621	0.28	18,460,352
SGD	111,430	21.24	2,366,676
USD	10,089,851	30.25	305,258,358
Non-monetary items			
USD	305,897	30.25	9,254,594

(Continued)

	March 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
AUD	\$ 909,785	18.63	\$ 16,945,539
CAD	82,156	21.32	1,751,613
RMB	8,017,612	4.26	34,152,998
EUR	182,225	33.27	6,062,417
GBP	31,155	37.29	1,161,632
HKD	2,961,196	3.90	11,554,229
JPY	33,260,548	0.28	9,281,589
USD	13,419,951	30.25	406,007,202
ZAR	4,902,747	1.69	8,265,042
Non-monetary items			
AUD	546,550	18.63	10,179,970
USD	413,799	30.25	12,519,065
<u>Derivative instruments</u>			
Financial assets			
AUD	262,203	18.63	4,883,764
CAD	382,723	21.32	8,159,913
RMB	10,943,965	4.26	46,618,520
EUR	119,749	33.27	3,983,892
GBP	16,671	37.29	621,562
HKD	2,178,810	3.90	8,501,452
JPY	12,210,527	0.28	3,407,433
NZD	83,255	18.11	1,507,506
USD	8,117,202	30.25	245,577,832
ZAR	5,875,286	1.69	9,904,545
Financial liabilities			
AUD	1,285,353	18.63	23,940,819
CAD	303,847	21.32	6,478,204
RMB	11,258,835	4.26	47,959,788
EUR	289,973	33.27	9,647,045
GBP	66,119	37.29	2,465,248
HKD	3,924,247	3.90	15,311,938
JPY	46,771,026	0.28	13,051,782
SGD	76,345	21.24	1,621,500
USD	5,013,838	30.25	151,679,773
ZAR	831,959	1.69	1,402,514
			(Concluded)

December 31, 2019

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
AUD	\$ 2,303,488	21.10	\$ 48,606,586
RMB	8,388,124	4.32	36,260,534
EUR	318,522	33.75	10,749,760
GBP	80,252	39.55	3,173,877
HKD	4,871,051	3.87	18,831,548
JPY	56,854,413	0.28	15,753,164
SGD	119,596	22.37	2,674,916
USD	9,410,363	30.11	283,229,007
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
CAD	48,533	23.08	1,120,255
RMB	7,388,664	4.32	31,940,028
EUR	194,530	33.75	6,565,148
GBP	18,087	39.55	715,332
HKD	3,447,819	3.87	13,329,315
JPY	29,389,041	0.28	8,143,086
USD	12,460,205	30.11	375,126,933
ZAR	4,342,522	2.14	9,297,574
Non-monetary items			
AUD	760,446	21.10	16,046,385
USD	488,660	30.11	14,711,611
<u>Derivative instruments</u>			
Financial assets			
AUD	773,621	21.10	16,324,407
CAD	119,473	23.08	2,757,691
RMB	973,204	4.32	4,207,006
EUR	163,581	33.75	5,520,655
GBP	6,099	39.55	241,207
HKD	174,669	3.87	675,272
JPY	670,390	0.28	185,751
NZD	48,190	20.27	976,969
USD	15,643,528	30.11	470,964,057
ZAR	4,995,332	2.14	10,695,276

(Continued)

	December 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial liabilities			
AUD	\$ 1,460,035	21.10	\$ 30,808,629
CAD	94,450	23.08	2,180,106
RMB	1,805,299	4.32	7,804,022
EUR	297,529	33.75	10,041,247
GBP	67,203	39.55	2,657,775
HKD	1,661,417	3.87	6,423,061
JPY	28,114,285	0.28	7,789,878
SGD	127,110	22.37	2,842,975
USD	12,540,626	30.11	377,548,073
ZAR	574,547	2.14	1,230,135
			(Concluded)

	March 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
AUD	\$ 1,638,802	21.85	\$ 35,813,380
RMB	6,201,056	4.58	28,412,865
EUR	313,337	34.61	10,843,732
GBP	39,645	40.13	1,590,757
HKD	4,555,878	3.93	17,890,145
JPY	54,636,385	0.28	15,204,159
SGD	64,927	22.75	1,476,928
USD	7,969,310	30.83	245,653,966
Non-monetary items			
USD	76,941	30.83	2,371,720

	March 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial liabilities			
Monetary items			
AUD	700,200	21.85	15,301,747
CAD	54,428	22.95	1,249,247
RMB	5,591,766	4.58	25,621,138
EUR	196,365	34.61	6,795,649
GBP	18,219	40.13	731,036
HKD	3,195,861	3.93	12,549,594
JPY	23,636,820	0.28	6,577,631
USD	10,402,684	30.83	320,662,742
ZAR	5,238,170	2.11	11,055,571
Non-monetary items			
AUD	756,360	21.85	16,529,032
USD	294,809	30.83	9,087,498
			(Continued)

March 31, 2019

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Derivative instruments</u>			
Financial assets			
AUD	\$ 31,429	21.85	\$ 686,833
CAD	980,800	22.95	22,511,657
RMB	20,316,334	4.58	93,088,225
EUR	183,375	34.61	6,346,114
GBP	25,485	40.13	1,022,602
HKD	427,074	3.93	1,677,047
JPY	849,234	0.28	236,324
NZD	28,586	20.95	598,843
USD	12,362,385	30.83	381,070,523
ZAR	6,447,495	2.11	13,607,948
Financial liabilities			
AUD	220,015	21.85	4,808,072
CAD	948,013	22.95	21,759,121
RMB	20,368,137	4.58	93,325,580
EUR	285,240	34.61	9,871,357
GBP	52,848	40.13	2,120,503
HKD	1,701,126	3.93	6,680,027
JPY	38,520,115	0.28	10,719,339
SGD	145,248	22.75	3,304,018
USD	9,838,962	30.82	303,285,992
ZAR	1,459,956	2.11	3,081,352
			(Concluded)

52. 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	None
2	Acquisition or disposal of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital	Table 1
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 4
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 2 (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 43

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: Not applicable for review.

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 3
2	Significant commitments and contingencies	Note 46
3	Significant losses	None
4	Subsequent events	None

5) Information on major shareholders: the names, numbers of shares held, and shareholding percentages of shareholders who hold 5% or more of the Company's equity: 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 4.

53. 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 Three Months Ended March 31, 2020							
	Taishin Bank (Consumer Business)	Taishin Bank (Corporation Credit Business)	Taishin Bank (Financial Market Business)	Taishin Financial Holding	Taishin Securities B	Others	Adjustments and Eliminations	Total
Net interest income (expense)	\$ 3,256,227	\$ 2,055,196	\$ 347,831	\$ (113,269)	\$ 31,236	\$ (334,954)	\$ 613	\$ 5,242,880
Net income other than net interest income	3,061,270	429,448	442,556	561,753	(12,410)	266,496	(67,777)	4,681,336
Net revenue and gains	6,317,497	2,484,644	790,387	448,484	18,826	(68,458)	(67,164)	9,924,216
(Provisions for) reversals of allowance for bad debts expenses, commitments and guarantees liabilities	(51,141)	(661,462)	2,042	-	40	6,987	-	(703,534)
Operating expenses	(3,818,602)	(870,625)	(206,890)	(84,097)	(374,610)	(778,056)	65,025	(6,067,855)
Profit (loss) before income tax	\$ 2,447,754	\$ 952,557	\$ 585,539	\$ 364,387	\$ (355,744)	\$ (839,527)	\$ (2,139)	\$ 3,152,827
Total assets	\$ 664,543,358	\$ 587,365,335	\$ 560,301,087	\$ 45,788,630	\$ 42,133,170	\$ 210,800,450	\$ (8,487,427)	\$2,102,444,603

	For the Three Months Ended March 31, 2019							
	Taishin Bank (Consumer Business)	Taishin Bank (Corporation Credit Business)	Taishin Bank (Financial Market Business)	Taishin Financial Holding	Taishin Securities B	Others	Adjustments and Eliminations	Total
Net interest income (expense)	\$ 3,136,228	\$ 1,960,988	\$ (159,440)	\$ (105,996)	\$ 33,879	\$ (132,755)	\$ 809	\$ 4,733,713
Net income other than net interest income	<u>2,829,408</u>	<u>551,208</u>	<u>1,305,255</u>	<u>707,662</u>	<u>427,929</u>	<u>543,665</u>	<u>(55,582)</u>	<u>6,309,545</u>
Net revenue and gains	5,965,636	2,512,196	1,145,815	601,666	461,808	410,910	(54,773)	11,043,258
(Provisions for) reversals of allowance for bad debts expenses and guarantee liabilities	(23,752)	(25,618)	1,062	-	(98)	(192,695)	-	(241,101)
Operating expenses	<u>(3,549,625)</u>	<u>(847,028)</u>	<u>(198,491)</u>	<u>(69,644)</u>	<u>(322,192)</u>	<u>(887,493)</u>	<u>51,046</u>	<u>(5,823,427)</u>
Profit (loss) before income tax	<u>\$ 2,392,259</u>	<u>\$ 1,639,550</u>	<u>\$ 948,386</u>	<u>\$ 532,022</u>	<u>\$ 139,518</u>	<u>\$ (669,278)</u>	<u>\$ (3,727)</u>	<u>\$ 4,978,730</u>
Total assets	<u>\$ 609,726,019</u>	<u>\$ 489,262,582</u>	<u>\$ 502,049,085</u>	<u>\$ 44,226,209</u>	<u>\$ 36,199,580</u>	<u>\$ 207,598,620</u>	<u>\$ (6,055,679)</u>	<u>\$1,883,006,416</u>

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 on export sales

The revenue from export 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 on major customers

Taishin Financial Holding and its subsidiaries do not have major customers that each account for 10% or more of the Group's consolidated operating income.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ACQUISITION OR DISPOSAL OF INDIVIDUAL REAL ESTATE REACHING NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL OR MORE
 FOR THE THREE MONTHS ENDED MARCH 31, 2020
 (In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Taishin AMC	Building in Dehui St.	March 12, 2020	\$429,650	The first installment of \$42,965	Taishin Bank	Wholly-owned subsidiary of Taishin Financial Holding	Acquired collateral, not applicable				Negotiated price based on third party appraisal reports and resolved by the board of directors.	In order to effectively utilize assets of the Group, and reduce the management and maintenance fees of idle premises.	According to contract for the sale of real estate, the buyer shall pay for the property in four installments

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection Status	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Taishin Bank	Building in Dehui St.	March 12, 2020	December 25, 2003	\$309,812	\$429,650	The first installment of \$42,965	Note	Taishin AMC	Wholly-owned subsidiary of Taishin Financial Holding	In order to effectively utilize assets of the Group, and reduce the management and maintenance fees of idle premises.	Negotiated price based on third party appraisal reports and resolved by the board of directors.	According to contract for the sale of real estate, the buyer shall pay for the property in four installments

Note: Gains (losses) resulting from intragroup transactions that are recognized in assets are eliminated in full.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2020

(In Thousands of New Taiwan Dollars; in Thousands Units)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Note
				Number of Shares/Units/Face Value	Carrying Amount	Percentage of Ownership (%)	Market Value	
Taishin Real Estate	<u>Stock</u> Metro Consulting Service Ltd.	Its corporate director is Taishin Real Estate	Financial assets at FVTOCI	300	\$ 2,725	6.00	\$ 2,725	
Taishin D.A. Finance	<u>Stock</u> Yuan Tai Forex Brokerage Co., Ltd. Bon-Li International Technology Co., Ltd.	Its corporate director is Taishin D.A. Finance -	Financial assets at FVTOCI Financial assets at FVTOCI	600,000 125,000	9,253 -	5.00 1.50	9,253 -	Ceased operations
	<u>Bonds</u> Government Bonds 102-6	-	Financial assets at amortized cost	6,000	6,095	-	6,127	
Taishin Venture Capital	<u>Stock</u> Taishin Financial Leasing (China) Taishin Financial Leasing (Tianjin)	Subsidiary of Taishin Venture Capital Subsidiary of Taishin Venture Capital	Investment accounted for using the equity method Investment accounted for using the equity method	40,000 30,000	1,316,949 665,048	100.00 100.00	1,316,949 665,048	
	Delos Capital Fund, LP	-	Financial assets at FVTPL	8,622	215,393	7.64	215,393	
	Delos Capital Fund II, LP	-	Financial assets at FVTPL	5,546	137,701	7.47	137,701	
	CDIB Capital Global Opportunities Fund L.P.	-	Financial assets at FVTPL	824	25,640	2.22	25,640	
	Li Shen Zhi-Lian L.P.	-	Financial assets at FVTPL	30,000	27,900	12.47	27,900	
	Arm IoT Fund, L.P.	-	Financial assets at FVTPL	1,957	58,407	14.66	58,407	
	<u>Stock</u> Kwan-Hwa Venture Capital Corp. Chi-Ting Venture Capital Investment Co., Ltd.	Its corporate director is Taishin Venture Capital -	Financial assets at FVTPL Financial assets at FVTPL	276 430	1,562 3,383	5.56 1.30	1,562 3,383	
	Hwei-Yang Venture Capital Investment Co., Ltd.	-	Financial assets at FVTPL	42	4,569	1.54	4,569	
	Century Development Corp.	Its corporate supervisor is Taishin Venture Capital	Financial assets at FVTPL	10,633	99,317	3.03	99,317	
	Microbio Co., Ltd.	-	Financial assets at FVTPL	1,709	21,364	0.40	24,270	
	Innostor Technology Corporation	-	Financial assets at FVTPL	69	-	0.81	-	
	Youn Shin Artistic Co., Ltd.	-	Financial assets at FVTPL	1,000	860	12.69	860	Liquidated
	Winking Entertainment Ltd.	-	Financial assets at FVTPL	709	1,425	1.69	1,425	

(Continued)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Note
				Number of Shares/Units/ Face Value	Carrying Amount	Percentage of Ownership (%)	Market Value	
Taishin AMC	Diamond Biotech Investment Corp.	Its corporate director is Taishin Venture Capital	Financial assets at FVTPL	45,000	\$ 260,100	10.00	\$ 260,100	
	Stem Cyte International Ltd.	-	Financial assets at FVTPL	500	7,645	0.55	7,645	
	American BriVision (Holding) Corp.	-	Financial assets at FVTPL	11	26	0.06	26	
	VM Discovery, Inc.	-	Financial assets at FVTPL	95	5,633	Preferred stock	5,633	
	RevMAB Biosciences, Inc.	-	Financial assets at FVTPL	400	3,272	Preferred stock	3,272	
	JHL Biotech, Inc.	-	Financial assets at FVTPL	2,105	64,463	0.89	64,463	
	Celestial Talent Limited	-	Financial assets at FVTPL	1,457	16,466	2.30	16,466	
	Shin Yao Biomedical Venture Capital Investment Co., Ltd.	Its corporate director is Taishin Venture Capital	Financial assets at FVTPL	35,000	233,450	10.00	233,450	
	Taxven BioPharma, Inc.	-	Financial assets at FVTPL	291	8,845	0.11	8,845	
	Great Agricultural Technology Co., Ltd.	-	Financial assets at FVTPL	578	2,853	3.33	2,853	
	Contact Digital Integration Co., Ltd.	Other	Financial assets at FVTPL	1,300	6,279	7.22	6,279	
	I.X	-	Financial assets at FVTPL	1,942	6,700	3.41	6,700	
	Power Master Co., Ltd.	-	Financial assets at FVTPL	220	2,145	0.39	2,145	
	FinTech Base	-	Financial assets at FVTPL	17,500	72,800	8.06	72,800	
	IIH Biomedical Venture Fund I Co., Ltd.	Its corporate director is Taishin D.A. Finance	Financial assets at FVTPL	2,500	23,025	8.08	23,025	
	TECO Nanotech Inc.	-	Financial assets at FVTPL	119	-	0.48	-	Liquidated
	Sim2 Travel Inc.	-	Financial assets at FVTPL	350	-	Preferred stock	-	
	Solar PV Corporation	-	Financial assets at FVTPL	1,665	-	1.09	-	
	PC Home Online Investment Inc.	-	Financial assets at FVTPL	79	-	3.03	-	Liquidated
	CC Media Co., Ltd	-	Financial assets at FVTPL	400	-	0.48	-	
	Ambi Investment and Consulting Inc.	Subsidiary of Taishin Venture Capital	Investment accounted for using the equity method	1,000	9,992	25.00	9,992	
	<u>Beneficiary certificates</u>							
	Capital Money Market Fund	-	Financial assets at FVTPL	8,411	136,406	-	136,406	
	Taishin 1699 Money Market Fund	Issued by Taishin Securities Investment Trust	Financial assets at FVTPL	9,694	131,861	-	131,861	
	Union Money Market Fund	-	Financial assets at FVTPL	4,470	59,325	-	59,325	
	Pine Bridge Taiwan Money Market Securities Investment Trust Fund	-	Financial assets at FVTPL	5,163	70,924	-	70,924	
	Pine Bridge Global ESG Quantitative Bond Fund	-	Financial assets at FVTPL	1,000	9,472	-	9,472	
	Jih Sun Asian High Yield Bond Fund	-	Financial assets at FVTPL	1,855	27,636	-	27,636	
	FSITC Money Market Fund	-	Financial assets at FVTPL	387	69,441	-	69,441	
	SinoPac TWD Money Market Fund	-	Financial assets at FVTPL	930	13,015	-	13,015	
	Hua Nan Phoenix Money Market Fund	-	Financial assets at FVTPL	306	5,001	-	5,001	
	<u>Investment agreement</u>							
Public Television Foundation (Lady the Butterfly)	-	Financial assets at FVTPL	2,000	1,120	1.03	1,120		
<u>Stock</u>								
Linkou Golf Country Club	-	Financial assets at FVTOCI	-	1,714	-	1,714		
Dah Chung Bills	-	Financial assets at FVTOCI	2,290	31,713	0.51	31,713		
Diamond Biotech Investment Corp.	Its corporate director is Taishin Venture Capital	Financial assets at FVTOCI	5,625	32,513	1.25	32,513		

(Continued)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Note
				Number of Shares/Units/Face Value	Carrying Amount	Percentage of Ownership (%)	Market Value	
Taishin Securities Venture Capital	Shin Yao Biomedical Venture Capital Investment Co., Ltd.	Its corporate director is Taishin Venture Capital	Financial assets at FVTOCI	4,375	\$ 29,181	1.25	\$ 29,181	
	Taishin Real Estate	Equity-method investee	Investment accounted for using the equity method	8,000	141,594	40.00	141,594	
	<u>Stock</u>							
	Tangeng Advanced Vehicle Co., Ltd.	-	Financial assets at FVTPL	1,400	21,280	3.05	21,280	
	Rich Healthy Fruits & Vegetable Corp.	-	Financial assets at FVTPL	288	9,994	1.64	9,994	
	Msscrops Co., Ltd.	-	Financial assets at FVTPL	210	8,384	0.54	8,384	
	Power Master International Investment Holdings Co., Ltd.	-	Financial assets at FVTPL	165	1,609	0.29	1,609	
	Geniron.com.inc	-	Financial assets at FVTPL	620	4,067	4.13	4,067	
	Le Day Multimedia Co., Ltd.	-	Financial assets at FVTPL	459	1,679	3.83	1,679	
	Excelsior Bio-system Inc.	-	Financial assets at FVTPL	263	358	0.71	358	
Finatext, Ltd.	-	Financial assets at FVTPL	29	3,000	7.50	3,000		
Julien's Group	-	Financial assets at FVTPL	320	4,545	1.11	4,545		

(Concluded)

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
MARCH 31, 2020

(In Thousands of New Taiwan Dollars, In Thousands of Specified Foreign Currency)

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, 2020 (US\$ in Thousand)	Investment Flows (US\$ in Thousand)		Accumulated Outflow of Investment from Taiwan as of March 31, 2020 (US\$ in Thousand)	Investee's Net Income	Percentage of Ownership	Investment Profit (Loss) Recognized in the Current Period (Note 2)	Carrying Value as of March 31, 2020	Accumulated Inward Remittance of Earnings as of March 31, 2020
						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)	\$ 24,493	100	\$ 24,493 (Note 2.b.1)	\$ 1,316,949	\$ -
	Taishin Financial Leasing (Tianjin)	Financial leasing	920,748 (US\$ 30,000)	Note 1.a.	920,748 (US\$ 30,000)	-	-	920,748 (US\$ 30,000)	8,657	100	8,657 (Note 2.b.1)	665,048	-

Investor	Accumulated Investment in Mainland China as of March 31, 2020 (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)	\$ 17,929,944

Note 1: The three methods of investment are as follows:

- Direct investment in mainland China.
- Investment in mainland China through reinvestment in an existing enterprise in a third area.
- Others.

Note 2: Recognized in profit (loss) in the current period:

- If the entity is still in the preparation stage and there is no profit (loss) yet, it should be disclosed.
- The basis of recognition of profit (loss), one of the following three categories, should be disclosed:
 - Financial statements have been audited (reviewed) by an international accounting firm that has a working relationship with an accounting firm in the ROC.
 - Financial statements have been audited (reviewed) by the Taiwan parent company's CPA.
 - Others.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND MATERIAL TRANSACTIONS IN CONSOLIDATION
FOR THE THREE MONTHS ENDED MARCH 31, 2020

(In Thousands of New Taiwan Dollars)

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	\$ 218,404	Under arm's length terms	0.01
1	Taishin Bank	Taishin Securities B	3	Deposits and remittances	2,369,980	Under arm's length terms	0.11
1	Taishin Bank	Xiang An Insurance Agency	4	Deposits and remittances	768,059	Under arm's length terms	0.04
1	Taishin Bank	D.A. Finance	4	Deposits and remittances	143,834	Under arm's length terms	0.01
1	Taishin Securities B	Taishin Bank	3	Lease liabilities	142,574	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	1,967,272	Under arm's length terms	0.09
0	Taishin Financial Holding	Taishin Bank	1	Securities purchased under resale agreements	950,697	Under arm's length terms	0.05
0	Taishin Financial Holding	Taishin Bank	1	Accounts receivable, net	1,667,966	Under arm's length terms	0.08
0	Taishin Financial Holding	Taishin Bank	1	Accounts payable	558,456	Under arm's length terms	0.03

Note a: Business relationships between the parent and subsidiaries are numbered as follows:

1. Parent: 0
2. Subsidiaries are numbered starting from 1.

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.