

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

**Consolidated Financial Statements for the
Six Months Ended June 30, 2020 and 2019 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Taishin Financial Holding Co., Ltd. (“Taishin Financial Holding”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of June 30, 2020, December 31, 2019 and June 30, 2019, the consolidated statements of comprehensive income for the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, the changes in equity and cash flows for the six months ended June 30, 2020 and 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2020, December 31, 2019 and June 30, 2019, its consolidated financial performance for the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, and its cash flows for the six months ended June 30, 2020 and 2019 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 of the Republic of China (“ROC”).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following were the key audit matters in the audit of the consolidated financial statements of the Group for the six months ended June 30, 2020:

Impairment of Loans

Commercial lending is the core business of the Group. Loans are mainly recorded in Taishin International Bank Co., Ltd. (“Taishin Bank”), a subsidiary of Taishin Financial Holdings, and represent the Group’s significant accounts, which reached around 58% of the Group’s total assets as of June 30, 2020. The Group assesses the impairment of loans of Taishin Bank in accordance with IFRS 9 “Financial Instruments”. See Notes 5 and 13 to the consolidated financial statements for the relevant and additional information. The Group management’s judgement and the assumptions used have significant impact on the impairment assessments. Therefore, we consider the impairment of loans as a key audit matter. Refer to Note 6 to the consolidated financial statements for the relevant and additional information.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the ROC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 20, 2020

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in Taiwan, 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' report and consolidated financial statements shall prevail.

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

ASSETS	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents (Note 7)	\$ 22,010,843	1	\$ 24,168,532	1	\$ 21,626,249	1
Due from the Central Bank and call loans to banks (Note 8)	66,464,319	3	67,417,279	3	59,767,899	3
Financial assets at fair value through profit or loss (FVTPL) (Note 9)	106,631,925	5	144,041,593	7	124,540,172	6
Financial assets at fair value through other comprehensive income (FVTOCI) (Note 10)	217,725,267	11	273,426,137	14	386,062,156	20
Financial assets at amortized cost (Note 11)	231,107,176	11	131,888,616	7	10,448,219	1
Securities purchased under resale agreements	5,753,177	-	11,656,071	1	14,042,714	1
Receivables, net (Notes 12 and 13)	146,198,023	7	156,087,584	8	154,423,120	8
Current tax assets	5,659	-	348,699	-	346,046	-
Loans, net (Notes 6 and 13)	1,196,316,496	58	1,138,467,117	56	1,077,215,521	56
Investments accounted for using the equity method, net (Note 14)	41,373,033	2	41,406,600	2	40,487,617	2
Other financial assets, net (Notes 12, 13 and 15)	9,514,449	1	5,545,296	-	7,880,638	-
Investment properties, net (Note 16)	1,072,029	-	1,001,062	-	637,928	-
Property and equipment, net (Note 17)	19,034,274	1	19,051,458	1	19,222,465	1
Right-of-use assets, net (Note 18)	2,801,858	-	2,761,324	-	2,580,633	-
Intangible assets, net (Note 19)	3,005,849	-	2,462,448	-	2,395,832	-
Deferred tax assets	2,587,735	-	2,695,099	-	2,348,629	-
Other assets, net (Note 20)	<u>8,304,633</u>	<u>-</u>	<u>8,516,416</u>	<u>-</u>	<u>8,680,669</u>	<u>1</u>
TOTAL	<u>\$ 2,079,906,745</u>	<u>100</u>	<u>\$ 2,030,941,331</u>	<u>100</u>	<u>\$ 1,932,706,507</u>	<u>100</u>
LIABILITIES AND EQUITY						
Due to the Central Bank and banks (Note 21)	\$ 50,556,879	3	\$ 53,393,057	3	\$ 52,857,454	3
Funds borrowed from the Central Bank and other banks	491,540	-	1,505,300	-	1,553,600	-
Financial liabilities at FVTPL (Note 9)	28,670,521	1	27,549,349	1	31,609,780	2
Securities sold under repurchase agreements	81,339,775	4	120,144,975	6	79,793,246	4
Commercial paper issued, net (Note 22)	15,620,085	1	22,856,765	1	13,824,763	1
Payables (Note 23)	46,534,547	2	39,382,641	2	41,211,295	2
Current tax liabilities	2,051,264	-	2,473,274	-	2,099,194	-
Deposits and remittances (Note 24)	1,519,347,216	73	1,434,084,934	71	1,384,944,822	72
Bonds payable (Note 25)	70,100,000	3	56,800,000	3	61,700,000	3
Other borrowings (Note 26)	10,490,497	1	11,194,084	-	11,255,283	-
Provisions (Note 27)	1,748,344	-	1,761,125	-	1,738,716	-
Other financial liabilities (Note 28)	65,120,170	3	72,393,063	4	69,367,102	4
Lease liabilities (Note 18)	2,891,869	-	2,822,108	-	2,617,386	-
Deferred tax liabilities	94,998	-	112,987	-	109,423	-
Other liabilities (Note 29)	<u>6,635,135</u>	<u>-</u>	<u>5,449,932</u>	<u>-</u>	<u>4,709,008</u>	<u>-</u>
Total liabilities	<u>1,901,692,840</u>	<u>91</u>	<u>1,851,923,594</u>	<u>91</u>	<u>1,759,391,072</u>	<u>91</u>
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Note 31)						
Capital stock						
Common stock	106,599,289	5	106,567,044	5	104,382,431	5
Preferred stock	8,000,000	-	8,000,000	-	8,000,000	1
Stock dividend declared and to be distributed	2,466,618	-	-	-	2,170,903	-
Advance receipts for capital stock	1,041	-	11,077	-	4,824	-
Capital surplus	35,945,409	2	35,955,405	2	35,956,224	2
Retained earnings						
Legal reserve	11,777,396	1	10,357,137	1	10,357,137	1
Special reserve	572,115	-	572,115	-	572,115	-
Unappropriated earnings	11,668,986	1	16,373,487	1	10,196,973	-
Other equity	<u>1,055,750</u>	<u>-</u>	<u>1,053,117</u>	<u>-</u>	<u>1,541,544</u>	<u>-</u>
Equity attributable to owners of parent	<u>178,086,604</u>	<u>9</u>	<u>178,889,382</u>	<u>9</u>	<u>173,182,151</u>	<u>9</u>
NON-CONTROLLING INTERESTS	<u>127,301</u>	<u>-</u>	<u>128,355</u>	<u>-</u>	<u>133,284</u>	<u>-</u>
Total equity	<u>178,213,905</u>	<u>9</u>	<u>179,017,737</u>	<u>9</u>	<u>173,315,435</u>	<u>9</u>
TOTAL	<u>\$ 2,079,906,745</u>	<u>100</u>	<u>\$ 2,030,941,331</u>	<u>100</u>	<u>\$ 1,932,706,507</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)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME (Note 32)	\$ 8,647,194	74	\$ 9,224,463	86	\$ 18,085,675	84	\$ 18,320,914	84
INTEREST EXPENSES (Note 32)	<u>(3,143,579)</u>	<u>(27)</u>	<u>(4,398,924)</u>	<u>(41)</u>	<u>(7,339,180)</u>	<u>(34)</u>	<u>(8,761,662)</u>	<u>(40)</u>
NET INTEREST INCOME (Note 32)	<u>5,503,615</u>	<u>47</u>	<u>4,825,539</u>	<u>45</u>	<u>10,746,495</u>	<u>50</u>	<u>9,559,252</u>	<u>44</u>
NET INCOME OTHER THAN NET INTEREST INCOME								
Net service fee and commission income (Note 33)	3,144,187	27	3,248,501	30	6,669,390	31	6,500,847	30
Gain on financial assets and liabilities at FVTPL (Note 34)	1,960,398	17	1,373,035	13	1,503,804	7	3,749,054	17
Realized gain on financial assets at FVTOCI (Note 35)	381,427	3	194,329	2	870,658	4	275,137	1
Foreign exchange gains (losses)	160,141	1	372,571	3	571,492	3	163,840	1
Impairment (loss) gain on assets (Notes 10, 11 and 20)	(6,654)	-	(2,842)	-	(9,071)	-	(6,288)	-
Share of profit (loss) of associates accounted for using the equity method (Note 14)	402,965	4	654,791	6	972,766	4	1,373,841	6
Net other miscellaneous income	<u>164,115</u>	<u>1</u>	<u>124,553</u>	<u>1</u>	<u>308,876</u>	<u>1</u>	<u>218,052</u>	<u>1</u>
Net income other than net interest income	<u>6,206,579</u>	<u>53</u>	<u>5,964,938</u>	<u>55</u>	<u>10,887,915</u>	<u>50</u>	<u>12,274,483</u>	<u>56</u>
NET REVENUE AND GAINS	<u>11,710,194</u>	<u>100</u>	<u>10,790,477</u>	<u>100</u>	<u>21,634,410</u>	<u>100</u>	<u>21,833,735</u>	<u>100</u>
PROVISIONS REVERSAL OF ALLOWANCE FOR BAD DEBT EXPENSES AND GUARANTEE LIABILITY (Note 12)	<u>(347,073)</u>	<u>(3)</u>	<u>(456,818)</u>	<u>(4)</u>	<u>(1,050,607)</u>	<u>(5)</u>	<u>(697,919)</u>	<u>(3)</u>
OPERATING EXPENSES								
Employee benefits expense (Notes 5 and 36)	(3,548,424)	(30)	(3,432,322)	(32)	(7,000,101)	(32)	(6,828,915)	(31)
Depreciation and amortization expenses (Note 37)	(550,693)	(5)	(497,335)	(4)	(1,073,281)	(5)	(985,337)	(5)
Other general and administrative expenses	<u>(2,040,043)</u>	<u>(17)</u>	<u>(2,009,393)</u>	<u>(19)</u>	<u>(4,133,633)</u>	<u>(19)</u>	<u>(3,948,225)</u>	<u>(18)</u>
Total operating expenses	<u>(6,139,160)</u>	<u>(52)</u>	<u>(5,939,050)</u>	<u>(55)</u>	<u>(12,207,015)</u>	<u>(56)</u>	<u>(11,762,477)</u>	<u>(54)</u>
INCOME BEFORE INCOME TAX	5,223,961	45	4,394,609	41	8,376,788	39	9,373,339	43
INCOME TAX EXPENSE (Note 38)	<u>(665,341)</u>	<u>(6)</u>	<u>(579,074)</u>	<u>(5)</u>	<u>(1,258,394)</u>	<u>(6)</u>	<u>(1,152,928)</u>	<u>(5)</u>
NET INCOME	<u>4,558,620</u>	<u>39</u>	<u>3,815,535</u>	<u>36</u>	<u>7,118,394</u>	<u>33</u>	<u>8,220,411</u>	<u>38</u>

(Continued)

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss								
Gain (losses) on remeasurements of defined benefit plans	\$ 961	-	\$ -	-	\$ 961	-	\$ -	-
Share of other comprehensive income of associates accounted for using the equity method	503,104	4	137,881	1	98,369	1	297,599	1
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	62,094	1	8,518	-	52,808	-	87,433	-
Unrealized gain on investments in equity instruments designated as at FVTOCI	251,964	2	205,257	2	(7,689)	-	313,046	2
Items that will be reclassified subsequently to profit or loss								
Exchange differences on translation of foreign financial statements	(31,230)	-	(26,184)	-	(52,994)	-	26,295	-
Share of other comprehensive loss of associates accounted for using the equity method	(12,964)	-	60,872	-	(191,856)	(1)	144,429	1
Unrealized loss on investment in debt instruments at FVTOCI	1,413,032	12	308,186	3	5,259	-	790,396	3
Reversal of impairment on debt instruments at FVTOCI	4,284	-	1,953	-	6,511	-	2,337	-
Income tax relating to items that will be reclassified subsequently to profit or loss	(114,876)	(1)	(31,370)	-	3,281	-	(62,438)	-
Other comprehensive income (loss) , net of tax	2,076,369	18	665,113	6	(85,350)	-	1,599,097	7
TOTAL COMPREHENSIVE INCOME	<u>\$ 6,634,989</u>	<u>57</u>	<u>\$ 4,480,648</u>	<u>42</u>	<u>\$ 7,033,044</u>	<u>33</u>	<u>\$ 9,819,508</u>	<u>45</u>
NET INCOME								
ATTRIBUTABLE TO:								
Owners of parent	\$ 4,558,421	39	\$ 3,815,402	36	\$ 7,119,569	33	\$ 8,220,360	38
Non-controlling interests	<u>199</u>	<u>-</u>	<u>133</u>	<u>-</u>	<u>(1,175)</u>	<u>-</u>	<u>51</u>	<u>-</u>
	<u>\$ 4,558,620</u>	<u>39</u>	<u>\$ 3,815,535</u>	<u>36</u>	<u>\$ 7,118,394</u>	<u>33</u>	<u>\$ 8,220,411</u>	<u>38</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)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owners of parent	\$ 6,634,669	57	\$ 4,480,515	42	\$ 7,034,098	33	\$ 9,819,457	45
Non-controlling interests	<u>320</u>	-	<u>133</u>	-	<u>(1,054)</u>	-	<u>51</u>	-
	<u>\$ 6,634,989</u>	<u>57</u>	<u>\$ 4,480,648</u>	<u>42</u>	<u>\$ 7,033,044</u>	<u>33</u>	<u>\$ 9,819,508</u>	<u>45</u>
EARNINGS PER SHARE (Note 39)								
Basic	<u>\$ 0.38</u>		<u>\$ 0.31</u>		<u>\$ 0.57</u>		<u>\$ 0.67</u>	
Diluted	<u>\$ 0.38</u>		<u>\$ 0.31</u>		<u>\$ 0.57</u>		<u>\$ 0.67</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)

	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	Stock Dividends Declared and to Be Distributed	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
Appropriation of 2018 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	1,242,125	-	(1,242,125)	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-	-	-	-	-	(5,306,652)	-	-	-	-	(5,306,652)
Cash dividends on preferred stock	-	-	-	-	-	-	-	-	-	-	(1,530,667)	-	-	-	-	(1,530,667)
Stock dividends	-	-	-	2,170,903	-	-	-	-	-	-	(2,170,903)	-	-	-	-	-
Net income for the six months ended June 30, 2019	-	-	-	-	-	-	-	-	-	-	8,220,360	-	-	-	51	8,220,411
Other comprehensive income for the six months ended June 30, 2019, net of tax	-	-	-	-	-	-	-	-	-	-	(7,084)	78,352	1,440,606	87,223	-	1,599,097
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	-	-	-	-	8,213,276	78,352	1,440,606	87,223	51	9,819,508
Redemption of Preferred Stock D	-	(2,175,410)	-	-	(1,843,788)	-	-	-	-	-	(180,802)	-	-	-	-	(4,200,000)
Share-based payments	20,360	-	828	-	6,568	-	(12,269)	-	-	-	-	-	-	-	-	15,487
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(194)	(194)
Disposals of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-	-	-	-	(6,405)	-	6,405	-	-	-
BALANCE AT JUNE 30, 2019	\$ 104,382,431	\$ 8,000,000	\$ 4,824	\$ 2,170,903	\$ 33,765,442	\$ 2,075,475	\$ 115,307	\$ -	\$ 10,357,137	\$ 572,115	\$ 10,196,973	\$ (294,511)	\$ 1,748,101	\$ 87,954	\$ 133,284	\$ 173,315,435
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
Appropriation of 2019 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	1,420,259	-	(1,420,259)	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-	-	-	-	-	(6,029,510)	-	-	-	-	(6,029,510)
Cash dividends on preferred stock	-	-	-	-	-	-	-	-	-	-	(1,819,579)	-	-	-	-	(1,819,579)
Stock dividends	-	-	-	2,466,618	-	-	-	-	-	-	(2,466,618)	-	-	-	-	-
Net income for the six months ended June 30, 2020	-	-	-	-	-	-	-	-	-	-	7,119,569	-	-	-	(1,175)	7,118,394
Other comprehensive income for the six months ended June 30, 2020, net of tax	-	-	-	-	-	-	-	-	-	-	840	(274,829)	135,710	52,808	121	(85,350)
Total comprehensive income for the six months ended June 30, 2020	-	-	-	-	-	-	-	-	-	-	7,120,409	(274,829)	135,710	52,808	(1,054)	7,033,044
Share-based payments	32,245	-	(10,036)	-	56	-	(10,052)	-	-	-	-	-	-	-	-	12,213
Disposals of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-	-	-	-	(88,944)	-	88,944	-	-	-
BALANCE AT JUNE 30, 2020	\$ 106,599,289	\$ 8,000,000	\$ 1,041	\$ 2,466,618	\$ 33,774,770	\$ 2,075,475	\$ 91,951	\$ 3,213	\$ 11,777,396	\$ 572,115	\$ 11,668,986	\$ (950,779)	\$ 1,914,154	\$ 92,375	\$ 127,301	\$ 178,213,905

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)

	For the Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 8,376,788	\$ 9,373,339
Adjustments:		
Adjustments for reconciliation of profit or loss		
Depreciation expenses	898,014	841,515
Amortization expenses	175,267	143,822
Provisions for allowance for bad debts expenses, commitments and guarantee liabilities	1,050,607	697,919
Net loss (gain) on financial assets and liabilities at FVTPL	(1,503,804)	(3,749,054)
Net loss (gain) on financial assets and liabilities at FVTOCI	(870,658)	(275,137)
Interest expenses	7,339,180	8,761,662
Interest income	(18,085,675)	(18,320,914)
Stock-based payments	(567)	16,537
Share of profit of associates accounted for using the equity method	(972,766)	(1,373,841)
Impairment loss on financial assets	7,882	5,038
Other adjustments	2,747,740	(598,902)
Total adjustments	<u>(9,214,780)</u>	<u>(13,851,355)</u>
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and call loans to banks	(14,191,877)	11,651,409
(Increase) decrease in financial assets at FVTPL	69,113,559	18,507,428
(Increase) decrease in financial assets at FVTOCI	53,905,759	(47,873,043)
(Increase) decrease in financial assets at amortized cost	(99,425,740)	(7,366,892)
(Increase) decrease in securities purchased under resale agreements	(26,284)	-
(Increase) decrease in receivables	9,755,856	(5,549,411)
(Increase) decrease in loans	(58,931,809)	(59,141,500)
(Increase) decrease in other financial assets	(3,886,064)	(580,497)
(Increase) decrease in other assets	203,896	2,992,492
Increase (decrease) in due to the Central Bank and banks	159,845	142,206
Increase (decrease) in financial liabilities at FVTPL	(29,439,839)	(22,428,242)
Increase (decrease) in securities sold under repurchase agreements	(38,805,200)	(3,252,588)
Increase (decrease) in payables	(460,183)	5,190,029
Increase (decrease) in deposits and remittances	85,262,282	125,269,398
Increase (decrease) in provisions	(5,719)	3,672
Increase (decrease) in other financial liabilities	(7,272,894)	10,291,570
Increase (decrease) in other liabilities	1,112,307	928,933
Cash generated from (used in) operations	<u>(33,770,097)</u>	<u>24,306,948</u>
Interest received	19,324,494	18,680,877
Dividends received	152,299	105,870
Interest paid	(7,637,728)	(8,437,853)

(Continued)

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2020	2019
Income taxes returned	\$ 129,875	\$ 9,957
Income taxes paid	<u>(1,367,591)</u>	<u>(412,091)</u>
Net cash generated from (used in) operating activities	<u>(23,168,748)</u>	<u>34,253,708</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at FVTOCI	1,929	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	(602,988)	(557,089)
Proceeds from disposal of property and equipment	15	1,040
Acquisition of intangible assets	(708,126)	(265,416)
Acquisition of investment properties	(931)	-
Proceeds from disposal of investment properties	<u>17,546</u>	<u>-</u>
Net cash generated from (used in) investing activities	<u>(1,286,555)</u>	<u>(821,151)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to the Central Bank and banks	(4,009,783)	(4,709,140)
Increase in commercial paper payable	-	1,595,000
Decrease in commercial paper payable	(7,250,000)	-
Corporate bonds issued	13,300,000	7,000,000
Corporate bonds repayment	-	(7,000,000)
Bank debentures issued	-	5,000,000
Bank debentures repayment	-	(5,000,000)
Decrease in other borrowings	(422,916)	(439,229)
Increase in financial liabilities designated as at FVTPL	-	616,960
Repayment of principal portion of lease liabilities	(357,036)	(281,344)
Redemption of preferred stock D	-	(4,200,000)
Exercise of employee stock options	12,213	15,487
Changes in non-controlling interest change	<u>-</u>	<u>(194)</u>
Net cash generated from (used in) financing activities	<u>1,272,478</u>	<u>(7,402,460)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(48,879)</u>	<u>174,871</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(23,231,704)	26,204,968
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>\$ 31,768,526</u>	<u>\$ 52,860,896</u>

(Continued)

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

Reconciliation of cash and cash equivalents:

	June 30	
	2020	2019
Cash and cash equivalents in the consolidated balance sheets	\$ 22,010,843	\$ 21,626,249
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7	4,351,537	17,191,933
Securities purchased under resale agreements qualifying as cash and cash equivalents under the definition of IAS 7	<u>5,406,146</u>	<u>14,042,714</u>
Cash and cash equivalents at the end of the period	<u>\$ 31,768,526</u>	<u>\$ 52,860,896</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 SIX MONTHS ENDED JUNE 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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. The record date of liquidating Xiang An Insurance Agency was July 17, 2020, and, as of August 20, 2020, the approval date of the consolidated financial statements, the liquidation procedures had not been completed yet.

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 June 30, 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 August 20, 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 1)</u>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 "Financial Instruments", were amended in the annual improvements. IFRS 9 requires to compare the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10 per cent. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

2) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

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

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

3) Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 "Inventories". Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Group will restate its comparative information when it initially applies the aforementioned amendments.

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 June 30, 2020 and 2019 were as follows:

Investor	Subsidiary	Ownership Interest (%)		
		June 30, 2020	December 31, 2019	June 30, 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.

Impairment of Financial Assets

The Group recognizes a loss allowance for expected credit losses on financial assets other than investments in equity instruments that are measured at FVTOCI and financial assets at FVTPL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

For purchased or originated credit-impaired financial assets, the Group takes into account the ECLs on initial recognition in the credit-adjusted effective interest rate. Subsequently, any changes in ECLs are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss even if lifetime ECLs are lower than the ECLs on initial recognition.

In addition, specific industries are mandatorily assessed such that the loss allowance for loans is measured at the higher of the amount calculated in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans.

The Group recognizes an impairment loss or a gain on the reversal of impairment in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the respective financial asset.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the inclusion of the impact arising from the COVID-19 epidemic when considering the Group's critical accounting estimates, the 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. Except for the following, refer to Note 6 to the consolidated financial statements as of and for the year December 31, 2019 for related information.

Impairment of Loans

The measurement of ECLs is based on the present value of the difference of all contractual cash flows receivable from a contract and all cash flows that are expected to be received, discounted at the original or credit-adjusted effective interest rate, and the calculated weighted average of the probability of default.

7. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	\$ 10,125,778	\$ 12,162,721	\$ 10,325,828
Checks for clearing	2,020,520	1,483,820	1,888,024
Due from banks	7,544,368	8,437,391	7,614,251
Others	<u>2,320,177</u>	<u>2,084,600</u>	<u>1,798,146</u>
	<u>\$ 22,010,843</u>	<u>\$ 24,168,532</u>	<u>\$ 21,626,249</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 June 30, 2020, December 31, 2019 and June 30, 2019.

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

	June 30, 2020	December 31, 2019	June 30, 2019
Deposits reserve for checking accounts	\$ 23,473,106	\$ 11,468,215	\$ 6,484,089
Deposits reserve for demand accounts	35,501,078	34,272,031	33,948,685
Deposits reserve for foreign deposits	53,577	129,568	87,208
Deposits transferred to the Central Bank	84,466	50,103	55,120
Call loans to other banks	4,351,537	19,496,374	17,191,933
Interbank clearing funds	<u>3,000,555</u>	<u>2,000,988</u>	<u>2,000,864</u>
	<u>\$ 66,464,319</u>	<u>\$ 67,417,279</u>	<u>\$ 59,767,899</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 June 30, 2020, December 31, 2019 and June 30, 2019.

9. FINANCIAL INSTRUMENTS AT FVTPL

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets mandatorily classified as at FVTPL			
Derivative instruments			
Futures	\$ 726,077	\$ 491,260	501,633
Forward exchange contracts	2,365,820	1,363,404	2,175,238
Currency swaps	4,783,824	8,280,749	8,558,220
Interest rate swaps	13,679,171	9,408,122	12,966,746
Cross-currency swaps	205,362	268,371	133,916
Foreign-exchange options	638,189	540,859	662,679
Asset-swap options	54,867	42,478	39,165
Commodity and futures options	13,687	3,037	5,860
Equity-linked swaps	339	362,650	1,411
Convertible Bond Asset Swap	35,353	42,566	48,158
Commodity price exchange	-	46	-
Non-derivative financial assets			
Investment in bills	35,942,141	48,486,586	41,738,108
Domestic and overseas stocks and beneficiary certificates	6,965,463	5,082,983	4,689,425
Government bonds	10,650,276	26,487,055	11,251,957
Corporate bonds, bank debentures and other bonds	6,599,120	20,597,519	21,516,065

(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019
Trading securities			
Dealing	\$ 15,702,366	\$ 21,181,303	\$ 18,527,663
Underwriting	915,761	949,764	1,435,153
Hedging	7,352,989	450,841	287,371
Other	<u>1,120</u>	<u>2,000</u>	<u>1,404</u>
Financial assets at FVTPL	<u>\$ 106,631,925</u>	<u>\$ 144,041,593</u>	<u>\$ 124,540,172</u>
Financial liabilities designated as at FVTPL			
Bank debentures (d)	\$ 3,357,211	\$ 3,287,359	\$ 3,964,277
Structured products (e)	1,500,300	1,516,425	1,506,625
Financial liabilities held for trading			
Derivative instruments			
Futures	8,319	2,417	6,768
Forward exchange contracts	2,079,463	1,416,001	2,168,903
Currency swaps	5,647,680	9,252,528	8,394,406
Interest rate swaps	13,357,812	9,118,873	12,631,507
Cross-currency swaps	93,069	152,246	55,758
Foreign-exchange options	698,408	536,821	706,697
Interest rate options	84	183	724
Asset-swap options	565,180	614,562	508,175
Commodity and futures options	601	1,165	5,852
Equity-linked options	194,321	355,654	335,505
Equity-linked swaps	339	362,650	1,411
Credit default swaps	-	93,738	40,539
Convertible bond asset swaps	62,112	42,697	34,578
Commodity price exchange	-	3	-
Liabilities for issuance of call (put) warrants, net (c)	316,352	76,602	62,736
Non-derivative financial liabilities			
Borrowing stock	789,270	171,208	335,050
Short sales of bonds and borrowing bonds payable	<u>-</u>	<u>548,217</u>	<u>850,269</u>
Financial liabilities at FVTPL	<u>\$ 28,670,521</u>	<u>\$ 27,549,349</u>	<u>\$ 31,609,780</u> (Concluded)

- a. Taishin Bank engaged in various derivative instrument transactions in the six months ended June 30, 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:

	June 30, 2020	December 31, 2019	June 30, 2019
Futures	\$ 4,729,686	\$ 9,887,476	\$ 9,804,367
Forward exchange contracts	144,853,786	174,000,040	234,131,266
Currency swaps	1,024,465,126	1,180,284,709	1,384,450,152
Interest rate swaps	1,237,981,014	1,259,100,780	1,393,498,743
Cross-currency swaps	19,402,547	18,195,828	8,105,122
Foreign-exchange options	107,349,955	161,569,946	143,472,049
Interest rate options	2,690,000	4,400,000	5,300,000
Asset-swap options	2,076,500	1,900,700	1,576,200
Equity-linked options	3,750,800	3,823,602	3,695,920
Commodity and futures options	938,882	214,394	514,054
Equity-linked swaps	48,157	6,368,963	204,777
Credit default swaps	-	674,977	353,786
Fund-linked products	-	3,000	3,000
Guarantee products	1,500,000	1,500,000	1,500,000
Credit-linked products	-	5,500	3,500
Equity-linked produces	-	9,152	-
Convertible bond asset swap	4,576,300	4,105,300	4,117,900
Commodity price exchange	-	30,094	-

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

	June 30, 2020	December 31, 2019	June 30, 2019
Call (put) warrants issued	\$ 3,051,072	\$ 4,270,808	\$ 2,713,880
Less: Loss (gain) on change in fair value	<u>(137,868)</u>	<u>206,547</u>	<u>(305,520)</u>
	<u>2,913,204</u>	<u>4,477,355</u>	<u>2,408,360</u>
Repurchased call (put) warrants	2,389,256	4,097,274	2,589,966
Less: Gain (loss) on change in fair value	<u>207,596</u>	<u>303,479</u>	<u>(244,342)</u>
	<u>2,596,852</u>	<u>4,400,753</u>	<u>2,345,624</u>
Net call (put) warrants issued	<u>\$ 316,352</u>	<u>\$ 76,602</u>	<u>\$ 62,736</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

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Debt instrument</u>			
Investment in bills	\$ 45,701,025	\$ 115,538,687	\$ 255,228,477
Bonds	43,781,735	50,088,694	45,617,478
Corporate bonds	24,415,269	17,139,552	16,064,671
Bank debentures	97,791,886	85,420,494	63,713,440
Beneficiary securities (a)	<u>481,163</u>	<u>610,937</u>	<u>-</u>
	212,171,078	268,798,364	380,624,066
<u>Equity instrument</u>			
Domestic and overseas stocks	<u>5,554,189</u>	<u>4,627,773</u>	<u>5,438,090</u>
	<u>\$ 217,725,267</u>	<u>\$ 273,426,137</u>	<u>\$ 386,062,156</u>

- a. Beneficiary certificates are the asset-securitized products recognized by the Group, which are related to the equity of non-subsidiary 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
June 30, 2020	\$ 39,413	\$ -	\$ -	\$ 39,413
December 31, 2019	31,416	1,486	-	32,902
June 30, 2019	26,626	1,553	-	28,179

As the Group's debt instruments at FVTOCI were measured using the ECL model, the Group had recognized impairment loss on assets. Such impairment loss amounted to \$4,520 thousand and \$1,790 thousand for the three months ended June 30, 2020 and 2019, respectively, and amounted to \$6,870 thousand and \$2,130 thousand for the six months ended June 30, 2020 and 2019, respectively.

- d. The Group sold the domestic common stock for strategic purposes. The stock sold had a fair value of \$879,801 thousand and \$200,598 thousand, and the Group transferred the loss of \$89,348 thousand and \$10,795 thousand from other equity to retained earnings for the six months ended June 30, 2020 and 2019, respectively.
- e. Refer to Note 44 for information relating to the management of credit risk and the impairment assessment on investments in debt instruments at FVTOCI.
- f. Refer to Note 46 for information relating to debt instruments at FVTOCI pledged as collateral.

11. DEBT INSTRUMENTS AT AMORTIZED COST

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Current</u>			
Investment in bills	\$ 210,070,000	\$ 116,250,000	\$ -
Bank debentures	14,978,300	12,524,096	10,440,192
Corporate bonds	2,966,000	-	-
Government bonds	<u>3,098,648</u>	<u>3,119,322</u>	<u>12,157</u>
	231,112,948	131,893,418	10,452,349
Less: Allowance for impairment	<u>(5,772)</u>	<u>(4,802)</u>	<u>(4,130)</u>
	<u>\$ 231,107,176</u>	<u>\$ 131,888,616</u>	<u>\$ 10,448,219</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
June 30, 2020	\$ 5,772	\$ -	\$ -	\$ 5,772
December 31, 2019	4,802	-	-	4,802
June 30, 2019	4,130	-	-	4,130

As the Group's debt instruments at FVTOCI were measured using the ECL model, the Group had recognized impairment loss on assets. Such loss amounted to \$945 thousand and \$1,052 thousand for the three months ended June 30, 2020 and 2019, respectively, and amounted to \$1,012 thousand and \$2,908 thousand for the six months ended June 30, 2020 and 2019, respectively.

- b. Refer to Note 44 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 46 for information relating to debt instruments at amortized cost pledged as collateral.

12. RECEIVABLES, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Notes and accounts receivable	\$ 74,609,377	\$ 82,467,696	\$ 81,180,613
Credit cards receivable	53,596,028	61,035,549	62,436,475
Interest receivable	3,343,455	4,083,748	3,705,975
Securities margin loans receivable	5,514,879	5,892,601	4,747,065
Delivery accounts receivable	10,336,479	6,085,696	4,647,537
Other receivables	<u>3,062,246</u>	<u>1,036,129</u>	<u>2,261,777</u>
	150,462,464	160,601,419	158,979,442
Less: Adjustment for discounts	(2,750,030)	(2,945,398)	(3,023,158)
Less: Allowance for receivables	<u>(1,514,411)</u>	<u>(1,568,437)</u>	<u>(1,533,164)</u>
	<u>\$ 146,198,023</u>	<u>\$ 156,087,584</u>	<u>\$ 154,423,120</u>

- a. The movements in the allowance for receivables (including non-performing receivables transferred from other than loans, inward remittances and creditor rights) for six months ended June 30, 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	\$ 457,496	\$ 1,028,053	\$ 878,772	\$ 1,906,825
Changes in the loss allowance							
Transferred to stage 3	(73)	11,913	7	(3)	11,844		11,844
Transferred to stage 2	(415)	(93,749)	-	212,779	118,615		118,615
Transferred to stage 1	11	(2,616)	-	(655)	(3,260)		(3,260)
Financial assets derecognized	(51,287)	(28,715)	(8,730)	(356,808)	(445,540)		(445,540)
New financial assets originated or purchased	38,892	40,763	32,206	130,184	242,045		242,045
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans						(174,271)	(174,271)
Write-offs	(1)	(37,625)	(1,469)	(151,756)	(190,851)		(190,851)
Recovery of loans written off	-	-	2,562	218,567	221,129		221,129
Foreign exchange and other movements	-	111,100	(5,051)	-	106,049	(2,904)	103,145
Loss allowance as of June 30, 2020	\$ 110,157	\$ 272,184	\$ 195,939	\$ 509,804	\$ 1,088,084	\$ 701,597	\$ 1,789,681

	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	(104)	17,076	-	(1)	16,971		16,971
Transferred to stage 2	(290)	(6,275)	(10,112)	365,583	348,906		348,906
Transferred to stage 1	48	(2,910)	(196)	(735)	(3,793)		(3,793)
Financial assets derecognized	(42,202)	(12,657)	(58,634)	(459,472)	(572,965)		(572,965)
New financial assets originated or purchased	35,524	62,886	303,239	13,876	415,525		415,525
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing/Non-accrual Loans						22,370	22,370
Write-offs	(1)	(72,044)	(2,628,985)	(337,135)	(3,038,165)		(3,038,165)
Recovery of loans written off	-	-	1,730	194,820	196,550		196,550
Foreign exchange and other movements	-	15,631	(1,526)	216	14,321	1,230	15,551
Loss allowance as of June 30, 2019	\$ 136,902	\$ 291,186	\$ 101,772	\$ 554,571	\$ 1,084,431	\$ 785,053	\$ 1,869,484

- 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 six months ended June 30, 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	(50,111)	48,687	280	(12)	(1,156)
Transferred to stage 2	(294,918)	(102,986)	(1,292)	436,050	36,854
Transferred to stage 1	9,018	(11,022)	-	(2,463)	(4,467)
Financial assets derecognized	(49,230,155)	(1,365,774)	(2,048,222)	(563,176)	(53,207,327)
New financial assets originated or purchased	36,335,745	4,263,755	2,471,587	535,305	43,606,392
Write-offs	(102)	(37,967)	(2,483)	(203,528)	(244,080)
Foreign exchange and other movements	-	(342,829)	-	-	(342,829)
Loss allowance as of June 30, 2020	\$ 97,601,335	\$ 39,505,511	\$ 11,360,033	\$ 2,325,655	\$ 150,792,534

	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	(73,843)	(1,778,458)	1,856,133	(3)	3,829
Transferred to stage 2	(205,952)	(295,223)	(111,107)	635,341	23,059
Transferred to stage 1	21,302	(12,010)	(19,728)	(3,058)	(13,494)
Financial assets derecognized	(29,693,728)	(343,473)	(621,472)	(464,349)	(31,123,022)
New financial assets originated or purchased	34,455,368	4,394,387	1,985,814	39,921	40,875,490
Write-offs	(113)	(71,137)	(2,628,985)	(381,082)	(3,081,317)
Foreign exchange and other movements	-	172,398	-	337	172,735
Loss allowance as of June 30, 2019	\$ 112,597,215	\$ 33,438,621	\$ 11,129,324	\$ 2,158,945	\$ 159,324,105

13. LOANS, NET

a. The details of loans were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Negotiated	\$ 1,987,936	\$ 1,949,901	\$ 1,589,713
Overdrafts	596,610	233,152	2,738,396
Short-term loans	285,238,166	294,847,380	274,101,362
Medium-term loans	392,089,229	355,120,863	339,603,539
Long-term loans	531,096,227	501,368,989	472,311,850
Delinquent loans	<u>1,781,380</u>	<u>1,809,466</u>	<u>1,707,741</u>
	1,212,789,548	1,155,329,751	1,092,052,601
Less: Adjustment for discounts	(602,027)	(600,881)	(565,324)
Less: Allowance for loan losses	<u>(15,871,025)</u>	<u>(16,261,753)</u>	<u>(14,271,756)</u>
	<u>\$ 1,196,316,496</u>	<u>\$ 1,138,467,117</u>	<u>\$ 1,077,215,521</u>

b. The movements in the allowance for loans for the six months ended June 30, 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	(17,465)	300,141	23,440	(154)	305,962		305,962
Transferred to stage 2	(16,374)	(59,703)	(1,343,823)	3,892,273	2,472,373		2,472,373
Transferred to stage 1	1,546	(66,242)	-	(108,066)	(172,762)		(172,762)
Financial assets derecognized	(811,116)	(55,942)	(763,794)	(2,162,097)	(3,792,949)		(3,792,949)
New financial assets originated or purchased	551,273	14,880	74,388	99,186	739,727		739,727
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans						1,385,510	1,385,510
Write-offs	(62)	(6,287)	-	(1,862,964)	(1,869,313)		(1,869,313)
Recovery of loans written off	-	-	-	540,724	540,724		540,724
Loss allowance as of June 30, 2020	\$ 1,872,090	\$ 927,248	\$ 300,013	\$ 3,999,951	\$ 7,099,302	\$ 8,771,723	\$ 15,871,025

	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	(10,699)	269,228	33,900	(9,220)	283,209		283,209
Transferred to stage 2	(3,916)	(101,009)	(67,925)	823,438	650,588		650,588
Transferred to stage 1	3,462	(53,178)	(44,523)	(68,248)	(162,487)		(162,487)
Financial assets derecognized	(519,670)	(41,888)	(254,557)	(1,541,656)	(2,357,771)		(2,357,771)
New financial assets originated or purchased	342,432	99,758	89,822	174,473	706,485		706,485
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing/Non-accrual Loans						1,224,495	1,224,495
Write-offs	(70)	(4,460)	-	(67,450)	(71,980)		(71,980)
Recovery of loans written off	-	-	-	598,155	598,155		598,155
Foreign exchange and other movements	-	(399)	-	-	(399)		(399)
Loss allowance as of June 30, 2019	\$ 1,944,967	\$ 800,316	\$ 1,879,494	\$ 3,383,348	\$ 8,008,125	\$ 6,263,631	\$ 14,271,756

- c. The movements in the gross carrying amount of the allowance for loans for the six months ended June 30, 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	(6,591,337)	6,396,515	54,687	(637)	(140,772)
Transferred to stage 2	(7,672,980)	(325,914)	(1,776,284)	9,648,264	(126,914)
Transferred to stage 1	1,776,634	(1,665,213)	-	(189,080)	(77,659)
Financial assets derecognized	(173,684,145)	(1,206,895)	(947,745)	(1,386,179)	(177,224,964)
New financial assets originated or purchased	235,995,597	239,916	362,918	429,008	237,027,439
Write-offs	(10,588)	(24,658)	-	(1,962,087)	(1,997,333)
Loss allowance as of June 30, 2020	\$ 1,175,893,704	\$ 19,678,683	\$ 1,437,615	\$ 15,779,546	\$ 1,212,789,548

	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	(4,812,258)	4,643,359	58,713	(9,220)	(119,406)
Transferred to stage 2	(1,291,930)	(407,285)	(77,611)	1,691,354	(85,472)
Transferred to stage 1	2,051,302	(1,961,013)	(65,081)	(114,249)	(89,041)
Financial assets derecognized	(150,257,678)	(1,303,976)	(357,678)	(1,702,327)	(153,621,659)
New financial assets originated or purchased	212,905,476	281,122	161,005	301,785	213,649,388
Write-offs	(10,396)	(15,205)	-	(141,565)	(167,166)
Loss allowance as of June 30, 2019	\$ 1,064,498,461	\$ 15,881,715	\$ 2,698,947	\$ 8,973,478	\$ 1,092,052,601

- d. Details of the (provisions for) reversal of the allowance for loan losses, commitments and guarantees liabilities for the six months ended June 30, 2020 and 2019 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
(Provisions for) reversal of allowance for losses of receivables, loans and other miscellaneous financial assets	\$ (343,442)	\$ (446,046)	\$ (1,057,071)	\$ (684,210)
(Provisions for) reversal of losses on guarantees liabilities	(730)	(9,898)	9,332	(9,871)
(Provisions for) reversal of losses on loan commitments	(2,863)	(886)	(2,840)	(3,857)
(Provisions for) reversal of letters of credit	(38)	12	(28)	19
	<u>\$ (347,073)</u>	<u>\$ (456,818)</u>	<u>\$ (1,050,607)</u>	<u>\$ (697,919)</u>

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2020	December 31, 2019	June 30, 2019
Investments in associates	<u>\$ 41,373,033</u>	<u>\$ 41,406,600</u>	<u>\$ 40,487,617</u>

a. Investments in associates

	June 30, 2020	December 31, 2019	June 30, 2019
Material associates			
Chang Hwa Bank	\$ 41,292,580	\$ 41,327,245	\$ 40,425,047
Associates that are not individually material	<u>80,453</u>	<u>79,355</u>	<u>62,570</u>
	<u>\$ 41,373,033</u>	<u>\$ 41,406,600</u>	<u>\$ 40,487,617</u>

1) Material associates

Name of Associate	Nature of Activities	Principal Place of Business	<u>Proportion of Ownership and Voting Rights</u>		
			June 30, 2020	December 31, 2019	June 30, 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	June 30, 2020	December 31, 2019	June 30, 2019
Chang Hwa Bank	<u>\$ 44,076,208</u>	<u>\$ 51,706,973</u>	<u>\$ 46,785,051</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

	June 30, 2020	December 31, 2019	June 30, 2019
Total assets	\$ 2,201,499,763	\$ 2,126,429,286	\$ 2,113,568,088
Total liabilities	<u>(2,039,418,734)</u>	<u>(1,964,192,091)</u>	<u>(1,955,296,945)</u>
Equity	<u>\$ 162,081,029</u>	<u>\$ 162,237,195</u>	<u>\$ 158,271,143</u>
Equity attributable to the Group	\$ 36,973,779	\$ 37,009,403	\$ 36,104,671
Goodwill and other adjustments	<u>4,318,801</u>	<u>4,317,842</u>	<u>4,320,376</u>
Carrying amount	<u>\$ 41,292,580</u>	<u>\$ 41,327,245</u>	<u>\$ 40,425,047</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Net revenue and gains	<u>\$ 6,941,648</u>	<u>\$ 7,851,525</u>	<u>\$ 14,276,525</u>	<u>\$ 15,711,503</u>
Net profit for the period	\$ 1,752,994	\$ 2,862,783	\$ 4,245,778	\$ 5,999,063
Other comprehensive income	<u>2,180,884</u>	<u>871,260</u>	<u>(407,820)</u>	<u>1,975,742</u>
Total comprehensive income (loss) for the period	<u>\$ 3,933,878</u>	<u>\$ 3,734,043</u>	<u>\$ 3,837,958</u>	<u>\$ 7,974,805</u>

The Group should receive Chang Hwa Bank's dividend, which were \$911,136 thousand and \$1,429,233 thousand during six months ended June 30, 2020 and 2019, respectively.

2) Aggregate information of associates that are not individually material

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
The Group's share of:				
Net profit (loss) for the period	\$ 1,965	\$ 2,577	\$ 2,808	\$ 3,492
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income (loss) for the period	<u>\$ 1,965</u>	<u>\$ 2,577</u>	<u>\$ 2,808</u>	<u>\$ 3,492</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 in order to have the majority of board seats of Chang Hwa Bank, excluding its independent directors, as long as the MOF holds the stocks of Chang Hwa Bank and the Company remains the largest stockholder of Chang Hwa Bank. The MOF had requested for a review of the aforementioned judgement, and appealed to the Supreme Court. On May 23, 2019, the Supreme Court had reversed the original judgment that contains the existence of the contractual relationship and litigation expenses, and remanded this case to the Taiwan High Court.

- c. The Group's equity-method investments were not pledged as collateral as of June 30, 2020, December 31, 2019 and June 30, 2019.

15. OTHER MISCELLANEOUS FINANCIAL ASSETS, NET

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

	June 30, 2020	December 31, 2019	June 30, 2019
Non-performing receivables transferred			
from other than loans	\$ 333,497	\$ 351,875	\$ 343,994
Creditor rights	1	1	1
Inward remittances	-	-	668
Less: Allowance for bad debt	(275,270)	(338,388)	(336,320)
Due from banks	7,221,495	4,553,811	6,540,646
Deposits for borrowing securities	1,174,888	296,462	542,753
Gold account	480,357	359,998	264,638
Customer margin account	568,266	313,104	471,242
Guaranteed price deposits for securities			
borrowing	11,215	8,433	2,155
Others	-	-	50,861
	<u>\$ 9,514,449</u>	<u>\$ 5,545,296</u>	<u>\$ 7,880,638</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 or pledged as collateral. Refer to Note 46 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 six months ended June 30, 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 June 30, 2020, December 31, 2019 and June 30, 2019.

16. INVESTMENT PROPERTIES, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Investment properties			
Land	\$ 679,808	\$ 621,103	\$ 375,201
Buildings			
Cost	488,162	461,599	313,500
Accumulated depreciation	(95,941)	(81,640)	(50,773)
	<u>392,221</u>	<u>379,959</u>	<u>262,727</u>
Lease improvements			
Cost	1,612	1,612	1,612
Accumulated depreciation	(1,612)	(1,612)	(1,612)
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,072,029</u>	<u>\$ 1,001,062</u>	<u>\$ 637,928</u>

Other than the recognized depreciation expenses, the Group had additions of \$931 thousand and \$0 thousand to and disposals of \$8,286 thousand and \$0 thousand of its investment properties for the six months ended June 30, 2020 and 2019, respectively; and there was no major impairment. 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 June 30, 2020, December 31, 2019 and June 30, 2019 was as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Year 1	\$ 17,877	\$ 21,658	\$ 9,577
Year 2	13,197	14,432	3,417
Year 3	12,556	12,373	-
Year 4	12,556	12,556	-
Year 5	12,556	12,556	-
Over 5 years	<u>191,424</u>	<u>197,702</u>	<u>-</u>
	<u>\$ 260,166</u>	<u>\$ 271,277</u>	<u>\$ 12,994</u>

The rental income and direct operating expenses generated from investment properties for the six months ended June 30, 2020 and 2019 were as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
Rental income	\$ 5,493	\$ 3,582	\$ 12,648	\$ 7,278
Direct operating expenses from investment properties generating rental income	2,994	2,428	4,021	3,573
Direct operating expenses from investment properties not generating rental income	1,996	1,244	4,233	1,978

The fair values of the Group's investment properties as of June 30, 2020, December 31, 2019 and June 30, 2019 were \$1,245,036 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

	June 30, 2020	December 31, 2019	June 30, 2019
Land	\$ 11,148,017	\$ 11,210,839	\$ 11,247,962
Buildings	4,858,012	4,948,991	5,109,383
Machinery equipment	2,476,571	2,343,684	2,399,729
Transportation equipment	74,096	59,010	59,730
Miscellaneous equipment	126,544	93,160	92,253
Lease Assets	-	-	-
Leasehold improvements	302,337	287,442	231,721
Prepayments for buildings and equipment	<u>48,697</u>	<u>108,332</u>	<u>81,687</u>
	<u>\$ 19,034,274</u>	<u>\$ 19,051,458</u>	<u>\$ 19,222,465</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	58	10,912	419,622	26,168	20,850	42,967	-	82,411	602,988
Disposals	-	(44,518)	(399,446)	(7,337)	(9,612)	(115,010)	-	-	(575,923)
Reclassification	(62,880)	(18,734)	58,566	1,500	34,042	17,525	-	(142,046)	(112,027)
Effect of foreign currency exchange differences	-	-	(2,087)	-	-	(2,484)	-	-	(4,571)
Balance, June 30, 2020	<u>\$ 11,148,017</u>	<u>\$ 7,379,731</u>	<u>\$ 4,592,990</u>	<u>\$ 149,641</u>	<u>\$ 215,973</u>	<u>\$ 583,578</u>	<u>\$ -</u>	<u>\$ 48,697</u>	<u>\$ 24,118,627</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	-	10,117	395,584	15,772	28,235	29,939	-	77,442	557,089
Disposals	-	(8,507)	(95,783)	(21,268)	(9,614)	(50,992)	-	-	(186,164)
Reclassification	-	10,070	5,903	-	2,688	6,162	-	(27,090)	(2,267)
Effect of foreign currency exchange differences	-	-	1,295	-	-	(23,626)	-	-	(22,331)
Balance, June 30, 2019	<u>\$ 11,247,962</u>	<u>\$ 7,553,790</u>	<u>\$ 4,383,456</u>	<u>\$ 136,799</u>	<u>\$ 168,381</u>	<u>\$ 569,060</u>	<u>\$ -</u>	<u>\$ 81,687</u>	<u>\$ 24,141,135</u>
Accumulated depreciation									
Balance, January 1, 2020	\$ -	\$ 2,483,080	\$ 2,172,651	\$ 70,300	\$ 77,533	\$ 353,138	\$ -	\$ -	\$ 5,156,702
Depreciation	-	87,052	345,677	11,707	17,542	45,109	-	-	507,087
Disposals	-	(39,330)	(396,246)	(7,295)	(9,503)	(115,010)	-	-	(567,384)
Reclassification	-	(9,083)	(3,999)	833	3,857	-	-	-	(8,392)
Effect of foreign currency exchange differences	-	-	(1,664)	-	-	(1,996)	-	-	(3,660)
Balance, June 30, 2020	<u>\$ -</u>	<u>\$ 2,521,719</u>	<u>\$ 2,116,419</u>	<u>\$ 75,545</u>	<u>\$ 89,429</u>	<u>\$ 281,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,084,353</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	-	90,674	324,649	11,619	12,593	44,102	-	-	483,637
Disposals	-	(8,507)	(95,335)	(21,144)	(9,588)	(50,991)	-	-	(185,565)
Reclassification	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	-	997	-	-	(23,768)	-	-	(22,771)
Balance, June 30, 2019	<u>\$ -</u>	<u>\$ 2,444,407</u>	<u>\$ 1,983,727</u>	<u>\$ 77,069</u>	<u>\$ 76,128</u>	<u>\$ 337,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,918,670</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 six months ended June 30, 2020 and 2019.

18. LEASE ARRANGEMENTS

a. Right-of-use assets, net

	June 30, 2020		December 31, 2019		June 30, 2019
<u>Carrying amounts</u>					
Buildings	\$ 2,786,086		\$ 2,742,011		\$ 2,557,681
Office equipment	888		896		292
Transportation equipment	<u>14,884</u>		<u>18,417</u>		<u>22,660</u>
	<u>\$ 2,801,858</u>		<u>\$ 2,761,324</u>		<u>\$ 2,580,633</u>
	For the Three Months Ended June 30		For the Six Months Ended June 30		
	2020	2019	2020	2019	
Additions to right-of-use assets			<u>\$ 442,347</u>		<u>\$ 621,800</u>
Depreciation charge for right-of-use assets					
Buildings	\$ 190,283	\$ 175,166	\$ 375,147	\$ 344,577	
Office equipment	70	217	141	217	
Transportation equipment	<u>4,173</u>	<u>4,455</u>	<u>9,019</u>	<u>9,317</u>	
	<u>\$ 194,526</u>	<u>\$ 179,838</u>	<u>\$ 384,307</u>	<u>\$ 354,111</u>	

b. Lease liabilities

	June 30, 2020		December 31, 2019		June 30, 2019
Carrying amounts	<u>\$ 2,891,869</u>		<u>\$ 2,822,108</u>		<u>\$ 2,617,386</u>
	For the Three Months Ended June 30		For the Six Months Ended June 30		
	2020	2019	2020	2019	
Interest expenses (other interest expenses)	<u>\$ 11,329</u>	<u>\$ 9,488</u>	<u>\$ 19,340</u>	<u>\$ 18,425</u>	

Ranges of discount rates for lease liabilities as of June 30, 2020, December 31, 2019 and June 30, 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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	<u>\$ 20,370</u>	<u>\$ 23,211</u>	<u>\$ 36,889</u>	<u>\$ 38,457</u>
Expenses relating to low-value asset leases	<u>\$ 1,167</u>	<u>\$ 725</u>	<u>\$ 2,413</u>	<u>\$ 1,510</u>
Total cash outflow for leases			<u>\$ 218,355</u>	<u>\$ 339,736</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:

	June 30, 2020	December 31, 2019	June 30, 2019
Lease commitments	<u>\$ 17,652</u>	<u>\$ 207,828</u>	<u>\$ -</u>

19. INTANGIBLE ASSETS, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Goodwill	\$ 1,567,391	\$ 1,567,391	\$ 1,567,391
Computer software	<u>1,438,458</u>	<u>895,057</u>	<u>828,441</u>
	<u>\$ 3,005,849</u>	<u>\$ 2,462,448</u>	<u>\$ 2,395,832</u>
			Computer Software
Balance, January 1, 2020			\$ 895,057
Additions			708,126
Amortization			(173,725)
Reclassification			9,482
Effect of foreign currency exchange differences			<u>(482)</u>
Balance, June 30, 2020			<u>\$ 1,438,458</u>
Balance, January 1, 2019			\$ 707,858
Additions			265,416
Disposals			(9,302)
Amortization			(141,162)
Reclassification			5,418
Effect of foreign currency exchange differences			<u>213</u>
Balance, June 30, 2019			<u>\$ 828,441</u>

There was no material disposal and impairment for the six months ended June 30, 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

	June 30, 2020	December 31, 2019	June 30, 2019
Prepayments	\$ 1,099,368	\$ 1,119,818	\$ 1,281,438
Refundable deposits	6,181,365	6,218,074	6,135,323
Operating guarantee deposits and settlement funds	146,070	199,857	204,170
Collateral, net	426,339	427,528	448,926
Input tax to be credited	318,294	395,730	469,277
Others	<u>133,197</u>	<u>155,409</u>	<u>141,535</u>
	<u>\$ 8,304,633</u>	<u>\$ 8,516,416</u>	<u>\$ 8,680,669</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 46 for information relating to refundable deposits, operating guarantee deposits and settlement funds pledged as collateral.
- c. 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
June 30, 2020	\$ -	\$ -	\$ 3,000	\$ 3,000
December 31, 2019	-	-	3,000	3,000
June 30, 2019	-	-	-	-

Based on the above-mentioned measurement results, the Group did not recognize any impairment loss for the six months ended June 30, 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 refundable deposits, operating guarantee deposits and settlement funds as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.
- e. Due to the Group's other assets - others measured by ECLs, the Group had recognized impairment loss on assets of \$1,189 thousand, \$0 thousand, \$1,189 thousand and \$1,250 thousand for the three months ended June 30, 2020 and 2019, respectively; and for the six months ended June 30, 2020 and 2019, respectively.

21. DUE TO CENTRAL BANK AND BANKS

	June 30, 2020	December 31, 2019	June 30, 2019
Due to other banks	\$ 25,233,141	\$ 25,104,879	\$ 25,076,006
Call loans from other banks	24,936,549	27,899,674	27,055,190
Bank overdrafts	260,065	292,963	639,185
Due to the Central Bank	<u>127,124</u>	<u>95,541</u>	<u>87,073</u>
	<u>\$ 50,556,879</u>	<u>\$ 53,393,057</u>	<u>\$ 52,857,454</u>

22. COMMERCIAL PAPER ISSUED, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Sunny Bills Finance	\$ 550,000	\$ 400,000	\$ 200,000
Union Bills Finance	1,000,000	950,000	1,370,000
Grand Bills Finance	3,405,000	4,270,000	2,810,000
China Bills Finance	1,100,000	1,230,000	2,340,000
Ta Ching Bills Finance	755,000	835,000	800,000
International Bills Finance	60,000	570,000	230,000
Taiwan Bills Finance	1,035,000	710,000	795,000
Mega Bills Finance	450,000	1,095,000	-
Bank SinoPac	1,420,000	6,010,000	245,000
Hua Nan Bank	800,000	800,000	500,000
KGI Bank	1,590,000	1,350,000	1,900,000
Taiwan Cooperative Bills Finance	650,000	400,000	600,000
Taipei Fubon Bank	2,420,000	965,000	50,000
Cathay Bank	-	2,000,000	2,000,000
Yuanta Commercial Bank	300,000	1,300,000	-
Shanghai Commercial and Savings Bank	100,000	-	-
Less: Discounts on commercial paper issued	<u>(14,915)</u>	<u>(28,235)</u>	<u>(15,237)</u>
	<u>\$ 15,620,085</u>	<u>\$ 22,856,765</u>	<u>\$ 13,824,763</u>

As of June 30, 2020, December 31, 2019 and June 30, 2019, the interest rate ranges of commercial paper issued were 0.32%-1.12%, 0.54%-1.12% and 0.40%-1.16%, respectively.

23. PAYABLES

	June 30, 2020	December 31, 2019	June 30, 2019
Notes and accounts payable	\$ 12,441,067	\$ 18,297,645	\$ 17,161,344
Delivery accounts payable	9,845,089	5,520,437	4,476,741
Accrued expenses	4,339,471	6,152,639	4,155,825
Interest payable	2,714,775	2,957,518	3,137,200
Check for clearance payable	2,016,026	1,483,802	1,887,823
Dividend payable	7,849,089	-	6,838,099
Collection payable	3,763,976	563,049	410,805
Other tax payable	314,681	352,485	331,580
Other payables	<u>3,250,373</u>	<u>4,055,066</u>	<u>2,811,878</u>
	<u>\$ 46,534,547</u>	<u>\$ 39,382,641</u>	<u>\$ 41,211,295</u>

24. DEPOSITS AND REMITTANCES

	June 30, 2020	December 31, 2019	June 30, 2019
Checking deposits	\$ 6,283,764	\$ 6,559,224	\$ 6,232,427
Demand deposits	360,961,683	329,759,105	293,152,216
Time deposits	374,339,032	350,220,390	361,632,562
Negotiable certificates of deposit	433,600	1,127,326	7,397,297
Savings deposits	769,566,205	737,394,123	709,182,996
Public treasury deposits	5,774,696	6,512,991	5,719,687
Remittances	<u>1,988,236</u>	<u>2,511,775</u>	<u>1,627,637</u>
	<u>\$ 1,519,347,216</u>	<u>\$ 1,434,084,934</u>	<u>\$ 1,384,944,822</u>

25. BONDS PAYABLE

	June 30, 2020	December 31, 2019	June 30, 2019
Corporate bonds	\$ 35,300,000	\$ 22,000,000	\$ 22,000,000
Bank debentures	<u>34,800,000</u>	<u>34,800,000</u>	<u>39,700,000</u>
	<u>\$ 70,100,000</u>	<u>\$ 56,800,000</u>	<u>\$ 61,700,000</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:

	June 30, 2020	December 31, 2019	June 30, 2019
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)	7,000,000	7,000,000	7,000,000
Unsecured Subordinated Corporate Bonds - 2020 (I)	<u>10,000,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 32,000,000</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.

Domestic Unsecured Subordinated Corporate Bonds - 2020 (I)

- a. Issue amount: \$10,000,000 thousand. According to the terms and conditions of issuance, the bonds are divided into three types: A, B and C. The issuance amount was \$2,700,000 thousand for Bond A, \$4,900,000 thousand for Bond B and \$2,400,000 thousand for Bond C.
- b. Denomination: \$1,000 thousand
- c. Issue date: May 20, 2020
- d. Issue price: 100% of the principal amount of the bonds
- e. Maturity: 5 years for Bond A, 7 years for Bond B, 15 years for Bond C
- f. Coupon rate: 0.75% for Bond A, 0.80% for Bond B, 0.95% for Bond C
- g. Interest payment: Simple interest per annum from the issue date
- h. Repayment method: Principal of each bond repaid in full upon maturity
- i. Other matters: In line with the necessity of the corporate bonds to be circulated on the secondary market, the Company will submit an application to the Taipei Exchange for over-the-counter trading of the corporate bonds in accordance with the relevant laws and regulations.

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:

	June 30, 2020	December 31, 2019	June 30, 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 (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>\$ 39,700,000</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%.

	June 30, 2020	December 31, 2019	June 30, 2019
Unsecured Subordinated Corporate Bonds - 2020 (I)	<u>\$ 3,300,000</u>	<u>\$ -</u>	<u>\$ -</u>

26. OTHER BORROWINGS

	June 30, 2020	December 31, 2019	June 30, 2019
Short-term unsecured borrowings	\$ 5,746,753	\$ 5,302,103	\$ 6,817,064
Long-term borrowings	<u>4,743,744</u>	<u>5,891,981</u>	<u>4,438,219</u>
	<u>\$ 10,490,497</u>	<u>\$ 11,194,084</u>	<u>\$ 11,255,283</u>

As of June 30, 2020, December 31, 2019 and June 30, 2019, the interest rates on short-term unsecured borrowings ranged from 0.93% to 5.22%, from 1.16% to 5.22% and from 1.16% to 5.66%, respectively.

As of June 30, 2020, December 31, 2019 and June 30, 2019, the interest rate of long-term borrowings ranged from 2.21% to 5.50%, from 3.44% to 5.70% and from 4.02% to 5.70%, respectively.

27. RESERVE FOR LIABILITIES

	June 30, 2020	December 31, 2019	June 30, 2019
Reserve for employee benefits (Note 30)	\$ 1,230,652	\$ 1,235,527	\$ 1,220,643
Reserve for guarantee liabilities	215,310	224,821	234,706
Reserve for loan commitments	179,339	176,675	176,675
Other reserves	<u>123,043</u>	<u>124,102</u>	<u>106,692</u>
	<u>\$ 1,748,344</u>	<u>\$ 1,761,125</u>	<u>\$ 1,738,716</u>
	Reserve for Guarantee Liabilities	Reserve for Loan Commitment	Other Reserves
Balance, January 1, 2020	\$ 224,821	\$ 176,675	\$ 124,102
Provision (reverse)	(9,332)	2,840	123
Payment	-	-	(844)
Exchange differences	<u>(179)</u>	<u>(176)</u>	<u>(338)</u>
Balance, June 30, 2020	<u>\$ 215,310</u>	<u>\$ 179,339</u>	<u>\$ 123,043</u>
Balance, January 1, 2019	\$ 224,706	\$ 172,675	\$ 74,614
Provision (reverse)	9,871	3,857	32,093
Payment	-	-	(270)
Exchange differences	<u>129</u>	<u>143</u>	<u>255</u>
Balance, June 30, 2019	<u>\$ 234,706</u>	<u>\$ 176,675</u>	<u>\$ 106,692</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
June 30, 2020	\$ 150,841	\$ 19,203	\$ 19,963	\$ 190,007	\$ 209,668	\$ 399,675
December 31, 2019	155,447	35,933	4,042	195,422	211,100	406,522
June 30, 2019	153,274	39,168	3,866	196,308	218,611	414,919

28. OTHER FINANCIAL LIABILITIES

	June 30, 2020	December 31, 2019	June 30, 2019
Principal of structured products	\$ 63,799,331	\$ 71,455,099	\$ 68,547,063
Gold account	476,234	345,766	264,272
Futures traders' equity	844,605	592,198	551,671
Appropriations for loan fund	<u>-</u>	<u>-</u>	<u>4,096</u>
	<u>\$ 65,120,170</u>	<u>\$ 72,393,063</u>	<u>\$ 69,367,102</u>

29. OTHER LIABILITIES

	June 30, 2020	December 31, 2019	June 30, 2019
Unearned revenue	\$ 433,076	\$ 495,148	\$ 440,029
Unearned interest	508,262	419,039	389,172
Guarantee deposits	2,960,591	2,443,025	2,041,343
Deferred income	1,099,813	1,249,136	1,124,425
Temporary credits	1,579,429	785,960	635,723
Others	<u>53,964</u>	<u>57,624</u>	<u>78,316</u>
	<u>\$ 6,635,135</u>	<u>\$ 5,449,932</u>	<u>\$ 4,709,008</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 six months ended June 30, 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

	June 30, 2020	December 31, 2019	June 30, 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>10,659,929</u>	<u>10,656,704</u>	<u>10,438,243</u>
Preferred stock	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Capital shares issued and outstanding	<u>\$ 114,599,289</u>	<u>\$ 114,567,044</u>	<u>\$ 112,382,431</u>

For the six months ended June 30, 2020 and 2019, the number of shares increased by 3,225 thousand and 2,036 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 June 30, 2020 and 2019, advance receipts for capital stock amounted to \$1,041 thousand and \$4,824 thousand, representing the proceeds of the exercise of employee stock options to convert into 151 thousand shares and 670 thousand shares of common stock, respectively, of which the registration of the conversion has not been completed.

f. Capital surplus

As of June 30, 2020, the Company recognized a capital surplus of \$35,945,409 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 stockholders' meetings on June 12, 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	\$ 1,420,259	\$ 1,242,125		
Preferred stock - D cash dividends	62,079	293,194	\$ -	\$ -
Preferred stock - E cash dividends	1,757,500	1,237,473	-	-
Common stock cash dividends	6,029,510	5,306,652	0.57	0.51
Common stock dividends	2,466,618	2,170,903	0.23	0.21

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 Six Months Ended June 30	
	2020	2019
Beginning balance	\$ (675,950)	\$ (372,863)
Exchange differences on translating the net assets of foreign operations	(52,994)	26,295
Share of exchange differences of associates accounted for using the equity method	<u>(221,835)</u>	<u>52,057</u>
Ending balance	<u>\$ (950,779)</u>	<u>\$ (294,511)</u>

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

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	\$ 1,689,500	\$ 301,090
Recognized during the period		
Unrealized loss - debt instruments	809,378	984,526
Unrealized gain - equity instruments	(7,689)	313,046
Income tax related to profit or loss of debt instruments	3,281	(62,438)
Share from associates accounted for using the equity method	128,348	397,265
Reclassification adjustments		
Disposal of investments in debt instruments	(797,608)	(191,793)
Other comprehensive loss recognized in the period	135,710	1,440,606
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	88,944	6,405
Ending balance	<u>\$ 1,914,154</u>	<u>\$ 1,748,101</u>

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

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	\$ 39,567	\$ 731
Changes in fair value attributable to changes in the credit risk	52,808	87,433
Share from associates accounted for using the equity method	-	(210)
Ending balance	<u>\$ 92,375</u>	<u>\$ 87,954</u>

j. Non-controlling interests

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	\$ 128,355	\$ 133,427
Attributable to non-controlling interests		
Cash dividend	-	(194)
Net gain (loss) for the year	(1,175)	51
Other comprehensive income for the year	121	-
Ending balance	<u>\$ 127,301</u>	<u>\$ 133,284</u>

32. NET INTEREST INCOME

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Interest income				
Loans	\$ 6,162,040	\$ 6,468,015	\$ 12,773,666	\$ 12,892,463
Investment in marketable securities	1,106,895	1,124,798	2,330,066	2,131,302
Revolving interest of credit cards	346,055	335,460	706,062	670,582
Finance leases	479,905	496,469	973,214	1,018,985
Others	<u>552,299</u>	<u>799,721</u>	<u>1,302,667</u>	<u>1,607,582</u>
	<u>8,647,194</u>	<u>9,224,463</u>	<u>18,085,675</u>	<u>18,320,914</u>
Interest expense				
Deposits	(2,217,936)	(3,068,880)	(5,159,024)	(6,027,290)
Due to the Central Bank and call loans from banks	(140,907)	(191,437)	(329,021)	(432,676)
Securities sold under repurchase agreements	(118,279)	(221,230)	(371,269)	(476,028)
Issuance of bonds and securities	(307,482)	(328,106)	(605,088)	(659,914)
Structured products	(211,568)	(412,449)	(547,302)	(800,951)
Others	<u>(147,407)</u>	<u>(176,822)</u>	<u>(327,476)</u>	<u>(364,803)</u>
	<u>(3,143,579)</u>	<u>(4,398,924)</u>	<u>(7,339,180)</u>	<u>(8,761,662)</u>
Net interest income	<u>\$ 5,503,615</u>	<u>\$ 4,825,539</u>	<u>\$ 10,746,495</u>	<u>\$ 9,559,252</u>

33. NET SERVICE FEES AND COMMISSION INCOME

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Service fees and commission income				
Interbank fees	\$ 232,855	\$ 170,807	\$ 461,032	\$ 416,575
Loan and guarantees fees	155,759	364,697	314,762	603,767
Fees from certification, underwriting and brokerage	443,267	259,251	805,141	487,009
Fees from trustee business	756,234	628,684	1,651,415	1,113,233
Insurance commission fees	1,343,326	1,358,416	2,910,042	3,040,835
Fees from credit card and cash card	808,269	1,201,643	1,883,329	2,275,203
Others	<u>280,051</u>	<u>391,657</u>	<u>571,884</u>	<u>781,861</u>
	<u>4,019,761</u>	<u>4,375,155</u>	<u>8,597,605</u>	<u>8,718,483</u>
Service fees and commission expenses				
Interbank fees	(82,313)	(27,597)	(162,426)	(130,231)
Marketing fees	(117,531)	(208,225)	(292,186)	(379,732)
Fees from credit cards	(416,962)	(674,788)	(947,106)	(1,283,708)
Others	<u>(258,768)</u>	<u>(216,044)</u>	<u>(526,497)</u>	<u>(423,965)</u>
	<u>(875,574)</u>	<u>(1,126,654)</u>	<u>(1,928,215)</u>	<u>(2,217,636)</u>
Net service fees and commission income	<u>\$ 3,144,187</u>	<u>\$ 3,248,501</u>	<u>\$ 6,669,390</u>	<u>\$ 6,500,847</u>

34. GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
<u>Disposal gain (loss)</u>				
Taishin Bank				
Stocks and beneficiary certificates	\$ 107,668	\$ 18,940	\$ (39,226)	\$ 91,803
Bills	1,217	9,073	135	5,588
Bonds	33,235	203,950	299,754	346,272
Derivative financial instruments	<u>174,592</u>	<u>966,991</u>	<u>743,776</u>	<u>1,722,806</u>
	<u>316,712</u>	<u>1,198,954</u>	<u>1,004,439</u>	<u>2,166,469</u>
Taishin Securities B				
Call (put) warrants issued	68,710	165,231	(139,284)	283,985
Trading securities - dealing	476,020	132,386	513,461	198,301
Trading securities - underwriting	13,493	(1,383)	16,985	1,393
Trading securities - hedging	(94,111)	(4,317)	(135,222)	(6,664)
Borrowing securities	(125,537)	(104)	21,416	21,459
Open-end funds	(451)	-	(839)	-
Derivative financial instruments	(14,159)	(28,228)	39,573	(74,096)
Others	<u>291</u>	<u>-</u>	<u>(8,335)</u>	<u>-</u>
	<u>324,256</u>	<u>263,585</u>	<u>307,755</u>	<u>424,378</u>
Others				
Stocks and beneficiary certificates	8,497	4,862	(18,585)	121
Derivative financial instruments	<u>31,626</u>	<u>60,432</u>	<u>60,171</u>	<u>137,612</u>
	<u>40,123</u>	<u>65,294</u>	<u>41,586</u>	<u>137,733</u>
	<u>681,091</u>	<u>1,527,833</u>	<u>1,353,780</u>	<u>2,728,580</u>
<u>Valuation gain (loss)</u>				
Taishin Bank				
Stocks and beneficiary certificates	90,349	(38,408)	25,513	27,300
Bills	(11,019)	10,085	3,946	11,776
Bonds	283,890	41,854	(284,111)	55,347
Derivative financial instruments	<u>292,457</u>	<u>(289,216)</u>	<u>(75,995)</u>	<u>630,248</u>
	<u>655,677</u>	<u>(275,685)</u>	<u>(330,647)</u>	<u>724,671</u>
Taishin Securities B				
Call (put) warrants issued	201,865	(120,114)	248,531	(234,566)
Trading securities - dealing	429,758	42,239	(211,532)	372,821
Trading securities - underwriting	23,533	33,071	(14,408)	36,371
Trading securities - hedging	(42,043)	(29,426)	24,880	(11,013)
Borrowings securities	(74,924)	4,259	(111,613)	(28,644)
Open-end funds	575	230	299	110
Derivative financial instruments	(276,227)	(62,570)	47,463	(190,258)
Other	<u>417</u>	<u>(43)</u>	<u>958</u>	<u>(51)</u>
	<u>262,954</u>	<u>(132,354)</u>	<u>(15,422)</u>	<u>(55,230)</u>

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Others				
Stocks and beneficiary certificates	\$ 262,730	\$ (12,153)	\$ 103,646	\$ 7,078
Derivative financial instruments	(54,861)	29,798	(21,285)	(145,914)
	<u>207,869</u>	<u>17,645</u>	<u>82,361</u>	<u>(138,836)</u>
	<u>1,126,500</u>	<u>(390,394)</u>	<u>(263,708)</u>	<u>530,605</u>
Net interest income	146,791	253,686	421,836	544,390
Dividends	43,202	22,319	66,926	22,526
Interest expense	<u>(37,186)</u>	<u>(40,409)</u>	<u>(75,030)</u>	<u>(77,047)</u>
	<u>\$ 1,960,398</u>	<u>\$ 1,373,035</u>	<u>\$ 1,503,804</u>	<u>\$ 3,749,054</u>

(Concluded)

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Disposal gains (losses)				
Bills	\$ (4,628)	\$ (2,187)	\$ (5,846)	\$ (2,731)
Bonds	320,108	117,095	804,284	194,524
Beneficiary certificates	<u>(549)</u>	<u>-</u>	<u>(830)</u>	<u>-</u>
	314,931	114,908	797,608	191,793
Dividend income				
Related to investments held at the end of the period	66,946	67,269	71,800	71,192
Related to investments derecognized at the end of the period	<u>(450)</u>	<u>12,152</u>	<u>1,250</u>	<u>12,152</u>
	<u>\$ 381,427</u>	<u>\$ 194,329</u>	<u>\$ 870,658</u>	<u>\$ 275,137</u>

36. EMPLOYEE BENEFITS EXPENSE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Short-term benefits	\$ 3,382,971	\$ 3,278,653	\$ 6,687,587	\$ 6,523,499
Post-employment benefits (Note 30)				
Defined contribution plans	121,740	106,346	236,306	215,030
Defined benefit plans	7,584	8,257	15,079	16,670
Share-based payments (Note 40)				
Cash-settled share-based payments	3,881	9,200	(567)	16,537
Others	<u>32,248</u>	<u>29,866</u>	<u>61,696</u>	<u>57,179</u>
	<u>\$ 3,548,424</u>	<u>\$ 3,432,322</u>	<u>\$ 7,000,101</u>	<u>\$ 6,828,915</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 June 30, 2020 and 2019 and six months ended June 30, 2020 and 2019, the employees' compensation and remuneration of directors were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Employees' compensation	<u>\$ 487</u>	<u>\$ 400</u>	<u>\$ 710</u>	<u>\$ 851</u>
Remuneration of directors	<u>\$ 48,761</u>	<u>\$ 40,028</u>	<u>\$ 71,038</u>	<u>\$ 85,115</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 Six Months Ended June 30			
	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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Property and equipment	\$ 257,501	\$ 243,725	\$ 507,087	\$ 483,637
Investment properties	3,369	1,894	6,620	3,767
Right-of-use assets	194,526	179,838	384,307	354,111
Intangible assets and other assets	<u>95,297</u>	<u>71,878</u>	<u>175,267</u>	<u>143,822</u>
	<u>\$ 550,693</u>	<u>\$ 497,335</u>	<u>\$ 1,073,281</u>	<u>\$ 985,337</u>

38. INCOME TAX

In 2003, Taishin Financial Holding adopted the linked tax system for tax filing (similar to a consolidated tax filling) 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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Current tax				
In respect of the current period	\$ 258,209	\$ 443,045	\$ 898,040	\$ 1,019,503
Additional income tax on unappropriated earnings	123,331	108,545	123,331	108,545
Adjustments for prior years	89,386	(5,279)	120,515	(4,885)
Offshore income tax expense	8,727	2,576	17,491	5,440
Land value increment tax	6,523	-	6,523	-
Deferred tax				
In respect of the current period	321,911	29,912	234,827	25,312
Adjustments for prior years	<u>(142,746)</u>	<u>275</u>	<u>(142,333)</u>	<u>(987)</u>
Income tax expense recognized in profit or loss	<u>\$ 665,341</u>	<u>\$ 579,074</u>	<u>\$ 1,258,394</u>	<u>\$ 1,152,928</u>

Income Tax Recognized in Other Comprehensive Income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
<u>Deferred tax</u>				
In respect of the current period:				
Fair value changes of financial assets at FVTOCI	<u>\$ 114,876</u>	<u>\$ 31,370</u>	<u>\$ (3,281)</u>	<u>\$ 62,438</u>
Total income tax recognized in other comprehensive income	<u>\$ 114,876</u>	<u>\$ 31,370</u>	<u>\$ (3,281)</u>	<u>\$ 62,438</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 2018 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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Basic earnings per share	<u>\$ 0.38</u>	<u>\$ 0.31</u>	<u>\$ 0.57</u>	<u>\$ 0.67</u>
Diluted earnings per share	<u>\$ 0.38</u>	<u>\$ 0.31</u>	<u>\$ 0.57</u>	<u>\$ 0.67</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 17, 2020. The basic and diluted earnings per share adjusted retrospectively for the three months ended June 30, 2019 and six months ended June 30, 2019 were as follows:

	For the Three Months Ended June 30, 2020		For the Six Months Ended June 30, 2019	
	Before Retrospective Adjustment	After Retrospective Adjustment	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 0.32</u>	<u>\$ 0.68</u>	<u>\$ 0.31</u>	<u>\$ 0.67</u>
Diluted earnings per share	<u>\$ 0.32</u>	<u>\$ 0.68</u>	<u>\$ 0.31</u>	<u>\$ 0.67</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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Net income for the periods attributable to owner of the Company	\$ 4,558,421	\$ 3,815,402	\$ 7,119,569	\$ 8,220,360
Less: Dividends on preferred stocks	<u>(436,974)</u>	<u>(438,171)</u>	<u>(873,948)</u>	<u>(933,607)</u>
Earnings used in computation of basic earnings per share	4,121,447	3,377,231	6,245,621	7,286,753
Effect of potentially dilutive common stocks:				
Convertible preferred stocks	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,079</u>
Earnings used in computation of diluted earnings per share	<u>\$ 4,121,447</u>	<u>\$ 3,377,231</u>	<u>\$ 6,245,621</u>	<u>\$ 7,348,832</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Weighted average number of common stocks in computation of basic earnings per share	10,906,602	10,901,906	10,906,137	10,901,659
Effect of dilutive potential common stocks:				
Convertible preferred stocks	-	-	-	102,065
Employees compensation	3,717	6,119	3,888	6,025
Employees stock options	<u>38</u>	<u>61</u>	<u>116</u>	<u>103</u>
Weighted average number of common stocks outstanding in computation of dilutive earnings per share	<u>10,910,357</u>	<u>10,908,086</u>	<u>10,910,141</u>	<u>11,009,852</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 six months ended June 30, 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 Six Months Ended June 30			
	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 Six Months Ended June 30			
	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	(1,770)	6.90	(2,151)	7.20
Forfeited	<u>(158)</u>	6.90	<u>(28)</u>	7.20
Outstanding, ending balance	<u>7,690</u>		<u>11,925</u>	
Exercisable, ending balance	<u>7,690</u>		<u>11,925</u>	

The weighted-average of stock price exercised at the exercise dates of the share options during the six months ended June 30, 2020 was \$12.94.

The exercise price and expected weighted-average outstanding period of the share option warrants for the six months ended June 30, 2020 were as follows:

	For the Six Months Ended June 30			
	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	1.17	\$ 7.30	2.17
Plan of 2010 (I)	6.90	0.28	7.20	1.29

The valuation model and the assumptions used in the employee stock option plan for the six months ended June 30, 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 six months ended June 30, 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)	\$13.16	\$13.16	\$13.16	\$13.16	\$13.16
Exercise price	\$14.43	\$12.6	\$12.5	\$9.6	\$8.3
Outstanding period	1.6 years, 2.6 years	0.6 years, 1.6 years	0.6 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 Six Months Ended June 30, 2020	
	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	-	\$ -
Granted	21,821	14.43
Ceased	<u>(300)</u>	14.43
Outstanding, ending	<u>21,521</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 1.47</u>	

	For the Six Months Ended June 30			
	2020		2019	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Appreciation Rights Plan of 2018				
Outstanding, beginning	14,486	\$ 12.60	-	\$ -
Granted	-	-	14,846	13.28
Ceased	<u>(600)</u>	12.60	<u>(270)</u>	13.28
Outstanding, ending	<u>13,886</u>		<u>14,576</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 1.65</u>		<u>\$ 2.52</u>	

	For the Six Months Ended June 30			
	2020		2019	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Appreciation Rights Plan of 2017				
Outstanding, beginning	15,191	\$ 12.50	16,271	\$ 13.20
Exercised	(7,376)	12.50	-	-
Ceased	<u>(440)</u>	12.50	<u>(660)</u>	13.20
Outstanding, ending	<u>7,375</u>		<u>15,611</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 1.40</u>		<u>\$ 1.98</u>	

	For the Six Months Ended June 30			
	2020		2019	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Appreciation Rights Plan of 2016				
Outstanding, beginning	7,870	\$ 9.60	17,066	\$ 10.10
Exercised	(7,653)	9.60	(8,066)	10.10
Ceased	<u>(217)</u>	9.60	<u>(935)</u>	10.10
Outstanding, ending	<u>-</u>		<u>8,065</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 4.88</u>		<u>\$ 4.10</u>	

Appreciation Rights Plan of 2015	For the Six Months Ended June 30, 2019	
	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	12,305	\$ 8.30
Exercised	(11,475)	8.30
Ceased	(830)	8.30
Outstanding, ending	-	
Weighted-average fair value of appropriation rights (NT\$)	\$ 4.97	

As of June 30, 2020 and 2019, the related liabilities recognized amounted to \$78,653 thousand and \$80,293 thousand and \$136,095 thousand, respectively.

41. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities:

For the six months ended June 30, 2020

	Opening Balance	Cash Flows	Non-cash Changes				Closing Balance
			Effect of Exchange Rate Changes	New Leases	Termination of Lease Contract	Amortization for Discount	
Due to the Central Bank and banks (including call loans from other banks and bank overdrafts)	\$ 29,697,937	\$ (4,009,783)	\$ -	\$ -	\$ -	\$ -	\$ 25,688,154
Commercial paper payable	22,856,765	(7,250,000)	-	-	-	13,320	15,620,085
Lease liabilities	2,822,108	(357,036)	(17,562)	476,477	(32,118)	-	2,891,869
Other borrowings	11,194,084	(422,916)	(280,671)	-	-	-	10,490,497
Financial liabilities designated as at FVTPL	3,287,359	-	-	-	-	-	69,852
Bonds payable	56,800,000	13,300,000	-	-	-	-	70,100,000
	<u>\$ 126,658,253</u>	<u>\$ 1,260,265</u>	<u>\$ (298,233)</u>	<u>\$ 476,477</u>	<u>\$ (32,118)</u>	<u>\$ 13,320</u>	<u>\$ 128,147,816</u>

For the six months ended June 30, 2019

	Opening Balance	Cash Flows	Non-cash Changes				Closing Balance
			Effect of Exchange Rate Changes	New Leases	Termination of Lease Contract	Amortization for Discount	
Due to the Central Bank and banks (including call loans from other banks and bank overdrafts)	\$ 33,957,115	\$ (4,709,140)	\$ -	\$ -	\$ -	\$ -	\$ 29,247,975
Commercial paper payable	12,215,597	1,595,000	-	-	-	14,166	13,824,763
Lease liabilities	2,288,025	(281,344)	694	614,214	(4,203)	-	2,617,386
Other borrowings	11,545,384	(439,229)	149,128	-	-	-	11,255,283
Financial liabilities designated as at FVTPL	3,085,588	616,960	-	-	-	-	3,964,277
Bonds payable	61,700,000	-	-	-	-	-	61,700,000
	<u>\$ 124,791,709</u>	<u>\$ (3,217,753)</u>	<u>\$ 149,822</u>	<u>\$ 614,214</u>	<u>\$ (4,203)</u>	<u>\$ 14,166</u>	<u>\$ 122,609,684</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.

c. Group's capital adequacy ratio

Company	Item	June 30, 2020		
		Ownership Interest (%)	Group Eligible Capital	Group's Statutory Capital Requirement
Taishin Financial Holding			\$ 200,086,604	\$ 212,411,276
Taishin Bank		100.00	189,175,988	137,317,050
Taishin Securities B		100.00	9,696,023	4,468,443
Taishin Venture Capital		100.00	4,133,291	2,068,108
Taishin AMC		100.00	998,679	924,422
Taishin Securities Investment Trust		100.00	845,457	485,550
Taishin Securities Investment Advisory		92.00	312,948	165,257
Exclusive items amounts subtracted			(184,418,154)	(170,603,270)
Total			220,830,836	187,236,836
Group's capital adequacy ratio (Note)				117.94%

Company \ Item	June 30, 2019		
	Ownership Interest (%)	Group Eligible Capital	Group's Statutory Capital Requirement
Taishin Financial Holding		\$ 195,182,151	\$ 204,738,896
Taishin Bank	100.00	184,308,279	135,098,800
Taishin Securities B	100.00	7,653,913	3,236,614
Taishin Venture Capital	100.00	4,023,296	2,014,171
Taishin AMC	100.00	995,268	691,629
Taishin Securities Investment Trust	100.00	841,133	484,200
Taishin Securities Investment Advisory	92.00	326,176	176,373
Exclusive items amounts subtracted		(178,363,951)	(163,324,451)
Total		214,966,265	183,116,232
Group's capital adequacy ratio (Note)			117.39%

d. Financial holding company eligible capital

Item	June 30, 2020
Common stock	\$ 106,599,289
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates which comply with eligible Tier 1 capital	8,000,000
Other preferred stock and subordinated corporate bonds	22,000,000
Advance receipts for capital stock	2,467,659
Capital surplus	35,945,409
Legal reserve	11,777,396
Special reserve	572,115
Retained earnings	11,668,986
Equity adjustment	1,055,750
Subtracted:	
Goodwill	-
Deferred assets	-
Treasury stock	-
Total	200,086,604

Item	June 30, 2019
Common stock	\$ 104,382,431
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates which comply with eligible Tier 1 capital	8,000,000
Other preferred stock and subordinated corporate bonds	22,000,000
Advance receipts for capital stock	2,175,727
Capital surplus	35,956,224
Legal reserve	10,357,137
Special reserve	572,115
Retained earnings	10,196,973
Equity adjustment	1,541,544
Subtracted:	
Goodwill	-
Deferred assets	-
Treasury stock	-
Total	195,182,151

Note a: The above list was prepared according to "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Company."

Note b: Group's capital adequacy ratio = Group's eligible capital ÷ Group's statutory capital requirement.

43. DISCLOSURES ACCORDING TO ARTICLE 46 OF FINANCIAL HOLDING ACT

According to Article 46 of Financial Holding Company Act, all subsidiaries of financial holding company should disclose the balance of credit, endorsements and other transactions to the same person, the same related person or the same related enterprise.

Details for the balance of credit, endorsements and other transactions to the same person as of June 30, 2020 were as follows:

(In Thousands of New Taiwan Dollars; %)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
a. To the same person or the same enterprise		
Central Bank	\$ 304,461,790	170.84%
Hon Hai Precision IND, Co., Ltd.	11,344,945	6.37%
Taiwan Power Co., Ltd.	6,239,393	3.50%
National Bank Of Abu Dhabi	4,950,162	2.78%
Malayan Banking Berhad (Maybank)	4,912,003	2.76%
Sprinta Inc. Taiwan Branch	4,855,000	2.72%
China Airlines, Limited	4,825,420	2.71%
China Government Bond	4,583,274	2.57%
JPMorgan Chase Bank	4,574,809	2.57%
China Development Bank Corporation	4,506,382	2.53%
The Export-Import Bank Of Korea	4,436,514	2.49%
Korea Development Bank	4,305,290	2.42%
Bank Of China	4,215,406	2.37%
HonHan Investment Co., Ltd.	4,064,255	2.28%
Ruentex Industries Limited	3,950,000	2.22%
Arab Petroleum Investments Corporation	3,944,634	2.21%
Qisda Corporation	3,926,693	2.20%
Westpac Banking Corporation	3,911,121	2.19%
Formosa Ha Tinh (Cayman) Limited	3,885,460	2.18%
Grand Galactica Enterprises Limited	3,855,800	2.16%
Macquarie Bank	3,824,301	2.15%
The Export-Import Bank of China	3,776,586	2.12%
Formosa Chemicals and Fibre Corporation	3,747,011	2.10%
Agricultural Development Bank of China	3,613,178	2.03%
Wistron Corporation	3,581,445	2.01%
Kingston Technology Int'L Ltd	3,559,200	2.00%
KEB Hana Bank	3,550,763	1.99%
Delta Electronics Inc.	3,550,258	1.99%
Barclays Bank	3,520,009	1.98%
Industrial and Commercial Bank of China	3,410,654	1.91%
CPC Corporation, Taiwan	3,312,721	1.86%
Synnex Technology International Corporation	3,207,795	1.80%
US GOVT	3,150,806	1.77%
Wells Fargo Bank, N.A.	3,084,050	1.73%

(Continued)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
CIMB Bank Berhad	\$ 3,060,616	1.72%
Sun Ray Company Limited	3,025,320	1.70%
Total	\$ 450,723,064	
b. To the same person and spouse, the relative within the second degree and the person or the spouse's enterprise		
Individual A	\$ 11,344,945	6.37%
Individual B	10,680,508	5.99%
Individual C	6,034,255	3.39%
Individual D	5,800,000	3.25%
Individual E	4,855,000	2.72%
Individual F	4,825,420	2.71%
Individual G	4,763,225	2.67%
Individual H	4,200,000	2.36%
Individual I	3,907,957	2.19%
Individual J	3,586,220	2.01%
Individual K	3,508,591	1.97%
Individual L	3,341,048	1.87%
Individual M	3,082,790	1.73%
Individual N	3,082,790	1.73%
Total	\$ 73,012,749	
c. To the same related party enterprise		
Hon Hai Group	\$ 24,512,744	13.75%
Far Eastern Group	18,961,148	10.64%
CITIC Group	12,621,509	7.08%
AU Optronics (L) Corp.	11,908,579	6.68%
Ruentex Group	11,557,943	6.49%
Ting Hsin Group	8,005,908	4.49%
Evergreen Group	7,579,305	4.25%
Formosa Chemicals & Fibre Corporation	7,216,753	4.05%
YFY Inc.	7,208,096	4.04%
Formosa Plastics Group	6,912,780	3.88%
Taiwan Power Co., Ltd.	6,739,393	3.78%
Kingston Technology	6,525,200	3.66%
Fubon Group	6,474,685	3.63%
Wistron Group	6,161,399	3.46%
Union Group	6,156,738	3.45%
Wells Fargo Company	5,938,626	3.33%
MS Group	5,796,921	3.25%
Chailease Group	5,736,491	3.22%
Goldeastpaper Group	5,662,121	3.18%
Charoen Pokphand Group	5,335,486	2.99%
China Airlines Group	5,054,233	2.84%
CPC Group	4,930,321	2.77%
Sports City International Inc.	4,855,000	2.72%
Hontai Group	4,831,374	2.71%
Uni-President Group	4,765,677	2.67%
Yulon Group	4,687,706	2.63%

(Continued)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
Pou Chen Group	\$ 4,675,187	2.62%
King's Town Group	4,521,489	2.54%
CDB Group	4,516,280	2.53%
China Steel Group	4,471,558	2.51%
Korea Finance Group	4,305,290	2.42%
China Development Financial Group	4,256,377	2.39%
BOC Group	4,215,406	2.37%
CMP Group	4,055,023	2.28%
Royal Golden Eagle	3,751,396	2.10%
Shanyuan Group	3,579,782	2.01%
Hana Financial Group	3,550,763	1.99%
Delta Electronics Group	3,550,258	1.99%
Quanta Computer Group	3,461,505	1.94%
ICBC Group	3,410,654	1.91%
ASE Group	3,399,773	1.91%
Continental Engineering Group	3,364,972	1.89%
WT Group	3,350,689	1.88%
CPC Group	3,312,721	1.86%
ANZ Banking Group	3,138,923	1.76%
Walsin Technology Group	3,111,716	1.75%
MediaTek Group	3,073,325	1.72%
Total	\$ 285,209,223	

(Concluded)

44. 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	June 30, 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	\$ 13,652,646	\$ 11,144,138	\$ 528,981	\$ 1,979,527
Bond investments	34,464,005	17,064,000	16,369,102	1,030,903
Investment in bills	35,942,141	-	35,942,141	-
Others	70,444	69,324	-	1,120
Financial assets at FVTOCI				
Equity investments	5,554,189	3,359,114	-	2,195,075
Bond investments	165,988,890	85,583,677	80,405,213	-
Investment in bills	45,701,025	732,840	44,968,185	-
Beneficiary securities	481,163	481,163	-	-
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	3,357,211	-	3,357,211	-
Financial liabilities held for trading	789,270	789,270	-	-
<u>Derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL	22,502,689	739,033	17,151,185	4,612,471
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	1,500,300	-	1,500,300	-
Financial liabilities held for trading	23,023,740	324,671	18,615,685	4,083,384

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	June 30, 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	\$ 8,392,949	\$ 6,229,121	\$ 506,458	\$ 1,657,370
Bond investments	49,261,815	25,710,294	22,155,059	1,396,462
Others	41,792,382	502,893	41,288,085	1,404
Financial assets at FVTOCI				
Equity investments	5,438,090	3,265,586	-	2,172,504
Bond investments	125,395,589	64,361,567	61,034,022	-
Others	255,228,477	619,342	254,609,135	-
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	3,964,277	-	3,964,277	-
Financial liabilities held for trading	1,185,319	1,185,319	-	-
<u>Derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL	25,093,026	589,785	19,377,364	5,125,877
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	1,506,625	-	1,506,625	-
Financial liabilities held for trading	24,953,559	613,024	19,625,225	4,715,310

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 \$3,857,953 thousand and \$1,509,928 thousand for the six months ended June 30, 2020 and 2019, respectively, were transferred from Level 1 to Level 2.

5) Reconciliation of Level 3 financial assets

For the Six Months Ended June 30, 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	\$ (343,027)	\$ -	\$ 464,153	\$ -	\$ (212,466)	\$ -	\$ 7,624,021
Financial assets at FVTOCI	2,138,618	-	58,012	-	-	(1,555)	-	2,195,075
Total	\$ 9,853,979	\$ (343,027)	\$ 58,012	\$ 464,153	\$ -	\$ (214,021)	\$ -	\$ 9,819,096

Note: No transfer from Level 3.

For the Six Months Ended June 30, 2019								
Item	Beginning Balance	Valuation Gains (Losses)		Increase		Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial assets at FVTPL	\$ 9,240,943	\$ (1,029,313)	\$ -	\$ 316,238	\$ -	\$ (318,688)	\$ (28,067)	\$ 8,181,113
Financial assets at FVTOCI	2,084,067	-	91,821	-	-	(3,384)	-	2,172,504
Total	\$ 11,325,010	\$ (1,029,313)	\$ 91,821	\$ 316,238	\$ -	\$ (322,072)	\$ (28,067)	\$ 10,353,617

Valuation gains (losses) above recognized in current profits or losses in the amounts of \$(193,261) thousand and \$(322,769) thousand were attributed to losses on assets owned for the six months ended June 30, 2020 and 2019, respectively.

Valuation gains (losses) above recognized in other comprehensive income in the amounts of \$58,012 thousand and \$99,369 thousand were attributed to gains (losses) on assets owned during six months ended June 30, 2020 and 2019, respectively.

Reconciliation of Level 3 financial liabilities:

For the Six Months Ended June 30, 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	(\$ 543,127)	\$ 251,985	\$ -	\$ (246,540)	\$ -	\$ 4,083,384

Note: No transfer from Level 3.

For the Six Months Ended June 30, 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	(\$ 1,423,323)	\$ 169,921	\$ -	\$ (242,456)	\$ -	\$ 4,715,310

Note: No transfer from Level 3.

Valuation gains (losses) above recognized in current profits or losses in the amounts of \$401,123 thousand and \$1,352,891 thousand were attributed to gains (losses) on liabilities owned during six months ended June 30, 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 June 30, 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	\$ 1,030,903	Credit spread default model/cash flow discount method	Credit spread	0% - 2%	The higher the credit spread, the lower the fair value.
Equity investments	1,559,723	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.
	343,649	Market method	Discount for lack of marketability	30% - 50%	The higher the discount for lack of marketability, the lower the fair value.
	76,155	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.
			Discount rate	19% - 25%	The higher the credit spread, 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.
			Discount rate	1%	The higher the credit spread, the lower the fair value.
Financial assets at FVTOCI Equity investments	1,999,069	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.
	196,006	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	1,047,915	Cash flow discount method	Discount for lack of marketability	0% - 20%	The higher the discount for lack of marketability, the lower the fair value.
Structured foreign exchange options	77	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	465,439	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 June 30, 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	\$ 1,396,462	Credit spread default model/cash flow discount method	Credit spread	0%-2%	The higher the credit spread, the lower the fair value.
Equity investments	1,298,925	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.
	278,945	Market method	Discount for lack of marketability	10%-50%	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.
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	1,968,910	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.
	203,594	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	1,122,620	Cash flow discount method	Discount for lack of marketability	0%-20%	The higher the discount for lack of marketability, the lower the fair value.
Structured foreign-exchange options	426	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	593,000	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	40,539	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.

	June 30, 2020		December 31, 2019		June 30, 2019	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Financial assets						
Debt instruments at amortized cost	\$ 231,107,176	\$ 231,589,117	\$ 131,888,616	\$ 132,032,460	\$ 10,448,219	\$ 10,570,495

2) Information on fair value hierarchy

Assets and Liabilities	June 30, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets Debt instruments at amortized cost	\$ 231,589,117	\$ -	\$ 231,589,117	\$ -

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	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets Debt instruments at amortized cost	\$ 10,570,495	\$ -	\$ 10,570,495	\$ -

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 44 (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.

June 30, 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	\$ 10,072,521	\$ -	\$ 10,072,521	\$ 6,779,821	\$ 1,475,125	\$ 1,817,575

Note: Including net settlement and non-cash collateral.

June 30, 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	\$ 14,578,069	\$ -	\$ 14,578,069	\$ 6,779,821	\$ 4,351,098	\$ 3,447,150

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.

June 30, 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	\$ 13,060,705	\$ -	\$ 13,060,705	\$ 9,846,103	\$ 898,150	\$ 2,316,452

Note: Including net settlement and non-cash collateral.

June 30, 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	\$ 16,342,515	\$ -	\$ 16,342,515	\$ 9,846,103	\$ 4,516,818	\$ 1,979,594

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.

June 30, 2020		
Financial Assets	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Financial assets at FVTPL repurchase agreement	\$ 41,415,288	\$ 40,904,790
Financial assets at FVTOCI repurchase agreement	42,556,890	40,434,985

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

June 30, 2019		
Financial Assets	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Financial assets at FVTPL repurchase agreement	\$ 47,842,193	\$ 48,841,073
Financial assets at FVTOCI repurchase agreement	32,271,769	30,952,173

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 Six Months Ended June 30, 2020			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 4,625	\$ 75,675	\$ 1,226	\$ 1,695
Interest rate VaR	58,468	128,188	30,164	30,434
Equity securities VaR	45,130	75,372	18,065	75,372
Credit spread VaR	5,374	8,983	1,289	4,235
Value at risk	84,635	152,968	34,843	96,003

	For the Six Months Ended June 30, 2019			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 3,309	\$ 9,190	\$ 1,352	\$ 4,893
Interest rate VaR	33,637	48,247	26,768	28,085
Equity securities VaR	36,526	47,611	24,839	30,716
Credit spread VaR	6,270	11,630	3,452	3,695
Value at risk	51,369	61,000	38,394	43,168

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 52.

Taishin Securities B

VaR is the potential highest loss for a period within certain confidence interval. For the six months ended June 30, 2020 and 2019, Taishin Securities B's VaR factors were as follows:

	For the Six Months Ended June 30, 2020			
	Average	Highest	Lowest	Ending Balance
Value at risk (VaR)	\$ 85,016	\$ 198,361	\$ 24,346	\$ 131,176

	For the Six Months Ended June 30, 2019			
	Average	Highest	Lowest	Ending Balance
Value at risk (VaR)	\$ 51,757	\$ 73,141	\$ 33,956	\$ 73,141

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.

June 30, 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	0.41%	15.23%	46.95%	66.02%
Amount of exposure	\$ 19,985,714	\$ 311,746	\$ 118,725	\$ 91,925
Loss allowance	82,867	47,483	55,741	60,687

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	0.42%	24.55%	44.19%	67.20%
Amount of exposure	\$ 20,701,331	\$ 143,475	\$ 121,001	\$ 98,112
Loss allowance	87,847	35,225	53,471	65,929

June 30, 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	0.49%	32.47%	54.84%	68.29%
Amount of exposure	\$ 20,217,803	\$ 129,161	\$ 112,295	\$ 88,569
Loss allowance	99,663	41,937	61,587	60,480

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:

June 30, 2020

	Gross Carrying Amount	Impairment under IFRS 9	Proportion of Loans/ Collateral (Note)
Personal housing loans	\$ 10,222,479	\$ 2,587,536	47.31%
Business guaranteed loans	539,788	86,678	106.83%
Others	7,342,934	1,835,541	
Total	\$ 18,105,201	\$ 4,509,755	

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	

June 30, 2019

	Gross Carrying Amount	Impairment under IFRS 9	Proportion of Loans/ Collateral (Note)
Personal housing loans	\$ 4,074,620	\$ 2,148,187	40.48%
Business guaranteed loans	506,931	156,011	109.41%
Others	6,550,872	1,555,676	
Total	\$ 11,132,423	\$ 3,859,874	

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 June 30, 2020, December 31, 2019 and June 30, 2019 are as follows:

Taishin Bank

	June 30, 2020			
	12-month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Loans				
Consumer finance				
Excellent	\$ 627,611,791	\$ 19,203,476	\$ -	\$ 646,815,267
Good	8,889,908	307,334	-	9,197,242
Acceptable	-	167,873	-	167,873
Default	-	-	14,962,365	14,962,365
Corporate finance				
Excellent	296,001,424	-	-	296,001,424
Good	241,153,462	-	-	241,153,462
Acceptable	2,237,119	1,437,615	-	3,674,734
Default	-	-	817,181	817,181
Total	\$ 1,175,893,704	\$ 21,116,298	\$ 15,779,546	\$ 1,212,789,548
Receivables (including non-performing receivables transferred, other than those from loans)				
Consumer finance				
Excellent	\$ 52,035,197	\$ 44,597	\$ -	\$ 52,079,794
Good	180,630	1,027	-	181,657
Acceptable	-	63,768	-	63,768
Default	-	-	2,200,466	2,200,466
Corporate finance				
Excellent	39,511,591	-	-	39,511,591
Good	4,595,191	-	-	4,595,191
Acceptable	367,653	8,093	-	375,746
Default	-	-	125,189	125,189
Others	-	20,574,936	-	20,574,936
Total	\$ 96,690,262	\$ 20,692,421	\$ 2,325,655	\$ 119,708,338
Debt instruments at FVTOCI				
Excellent	\$ 211,908,706	\$ 201,016	\$ -	\$ 212,109,722
Debt investments at amortized cost				
Excellent	\$ 231,112,948	\$ -	\$ -	\$ 231,112,948
Financial guarantees				
Excellent	\$ 18,489,706	\$ -	\$ -	\$ 18,489,706
Good	4,611,509	-	-	4,611,509
Acceptable	-	-	-	-
Default	-	-	44,199	44,199
Total	\$ 23,101,215	\$ -	\$ 44,199	\$ 23,145,414
Loan commitments				
Excellent	\$ 973,508,710	\$ 244,610	\$ -	\$ 973,753,320
Good	137,727,071	434	-	137,727,505
Acceptable	1,986,785	189,480	-	2,176,265
Default	-	-	430,086	430,086
Total	\$ 1,113,222,566	\$ 434,524	\$ 430,086	\$ 1,114,087,176

	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

	June 30, 2019			
	12-month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Loans				
Consumer finance				
Excellent	\$ 578,969,369	\$ 15,380,005	\$ -	\$ 594,349,374
Good	7,648,534	231,433	-	7,879,967
Acceptable	-	270,277	-	270,277
Default	-	-	8,399,045	8,399,045
Corporation finance				
Excellent	273,288,207	-	-	273,288,207
Good	204,516,482	-	-	204,516,482
Acceptable	75,869	2,698,947	-	2,774,816
Default	-	-	574,433	574,433
Total	\$ 1,064,498,461	\$ 18,580,662	\$ 8,973,478	\$ 1,092,052,601
Receivables (including non-performing receivables transferred, other than those from loans)				
Consumer finance				
Excellent	\$ 61,132,205	\$ 49,930	\$ -	\$ 61,182,135
Good	232,305	838	-	233,143
Acceptable	-	63,578	-	63,578
Default	-	-	2,005,577	2,005,577
Corporation finance				
Excellent	42,925,706	-	-	42,925,706
Good	7,824,083	-	-	7,824,083
Acceptable	482,916	4,093	-	487,009
Default	-	-	153,368	153,368
Others	-	18,333,730	-	18,333,730
Total	\$ 112,597,215	\$ 18,452,169	\$ 2,158,945	\$ 133,208,329
Debt instruments at FVTOCI				
Excellent	\$ 380,423,403	\$ 200,663	\$ -	\$ 380,624,066
Debt investments at amortized cost				
Excellent	\$ 10,452,349	\$ -	\$ -	\$ 10,452,349
Financial guarantees				
Excellent	\$ 16,275,912	\$ -	\$ -	\$ 16,275,912
Good	4,439,034	-	-	4,439,034
Acceptable	50,501	84,956	-	135,457
Default	-	-	15,160	15,160
Total	\$ 20,765,447	\$ 84,956	\$ 15,160	\$ 20,865,563
Loan commitments				
Excellent	\$ 882,833,885	\$ 173,205	\$ -	\$ 883,007,090
Good	125,315,851	169	-	125,316,020
Acceptable	1,226,320	629,376	-	1,855,696
Default	-	-	268,751	268,751
Total	\$ 1,009,376,056	\$ 802,750	\$ 268,751	\$ 1,010,447,557

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	June 30, 2020		December 31, 2019		June 30, 2019	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Manufacturing	\$ 182,495,233	15	\$ 179,706,128	16	\$ 160,810,575	15
Wholesale and retail	62,017,067	5	57,296,126	5	55,617,951	5
Finance and insurance	110,200,234	9	104,737,965	9	101,680,215	9
Real estate and leasing	89,323,887	7	86,812,057	7	81,041,019	7
Service	23,212,908	2	21,702,886	2	20,734,232	2
Individuals	692,496,084	57	661,648,363	57	629,948,188	58
Others	53,044,135	5	43,426,226	4	42,220,421	4
	<u>\$ 1,212,789,548</u>		<u>\$ 1,155,329,751</u>		<u>\$ 1,092,052,601</u>	

Industry Type	June 30, 2020		December 31, 2019		June 30, 2019	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,104,813,186	91	\$ 1,067,344,993	92	\$ 999,628,075	92
Europe	9,650,558	1	5,719,619	1	5,446,179	-
America	3,947,491	-	2,650,727	-	2,582,341	-
Others	94,378,313	8	79,614,412	7	84,396,006	8
	<u>\$ 1,212,789,548</u>		<u>\$ 1,155,329,751</u>		<u>\$ 1,092,052,601</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) - June 30, 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	(50,111)	48,687	280	(12)	(1,156)
Transferred to stage 2	(294,918)	(12,531)	(1,292)	345,594	36,853
Transferred to stage 1	9,018	(11,022)	-	(2,463)	(4,467)
Financial assets derecognized	(49,212,348)	(81,854)	(983,167)	(563,176)	(50,840,545)
New financial assets originated or purchased	35,082,960	490,335	1,488,665	535,304	37,597,264
Write-offs	(102)	(37,967)	(1,469)	(113,073)	(152,611)
Loss allowance as of June 30, 2020	\$ 96,690,262	\$ 10,701,966	\$ 9,990,455	\$ 2,325,655	\$ 119,708,338

	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	(73,843)	68,788	8,887	(3)	3,829
Transferred to stage 2	(205,952)	(12,678)	(111,107)	352,796	23,059
Transferred to stage 1	21,302	(12,010)	(19,728)	(3,058)	(13,494)
Financial assets derecognized	(29,693,728)	(328,506)	(621,472)	(464,349)	(31,108,055)
New financial assets originated or purchased	34,455,368	18,100	1,985,814	39,921	36,499,203
Write-offs	(113)	(71,137)	(2,628,985)	(98,537)	(2,798,772)
Other movements	-	-	-	337	337
Loss allowance as of June 30, 2019	\$ 112,597,215	\$ 10,008,827	\$ 8,443,342	\$ 2,158,945	\$ 133,208,329

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	(73)	11,913	7	(3)	11,844		11,844
Transferred to stage 2	(415)	(3,294)	-	122,323	118,614		118,614
Transferred to stage 1	11	(2,616)	-	(655)	(3,260)		(3,260)
Financial assets derecognized	(51,287)	(20,458)	(8,730)	(356,808)	(437,283)		(437,283)
New financial assets originated or purchased	38,892	34,938	32,205	130,184	236,219		236,219
Recognizes based on the regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						(176,777)	(176,777)
Write offs	(1)	(37,625)	(1,469)	(61,301)	(100,396)		(100,396)
Recovery of loans written off	-	-	3,576	218,567	222,143		222,143
Other movements	-	-	(5,051)	-	(5,051)		(5,051)
Loss allowance as of June 30, 2020	\$ 110,157	\$ 171,910	\$ 118,997	\$ 509,804	\$ 910,868	\$ 594,403	\$ 1,505,271

	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	(104)	17,079	-	(1)	16,974		16,974
Transferred to stage 2	(290)	(3,525)	(10,112)	82,939	69,012		69,012
Transferred to stage 1 Financial assets	48	(2,910)	(196)	(735)	(3,793)		(3,793)
derecognized	(42,202)	(12,657)	(58,634)	(459,472)	(572,965)		(572,965)
New financial assets originated or purchased	35,524	62,497	303,239	13,877	415,137		415,137
Recognizes based on the regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						31,581	31,581
Write offs	(1)	(70,892)	(2,628,985)	(54,590)	(2,754,468)		(2,754,468)
Recovery of loans written off	-	-	1,730	194,820	196,550		196,550
Other movements	-	399	(1,526)	216	(911)		(911)
Loss allowance as of June 30, 2019	\$ 136,902	\$ 199,233	\$ 101,772	\$ 476,526	\$ 914,433	\$ 706,215	\$ 1,620,648

b) Loans - June 30, 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	(6,591,337)	6,396,515	54,687	(637)	(140,772)
Transferred to stage 2	(7,672,980)	(325,914)	(1,776,284)	9,648,264	(126,914)
Transferred to stage 1 Financial assets	1,776,634	(1,665,213)	-	(189,080)	(77,659)
derecognized	(173,684,145)	(1,206,895)	(947,745)	(1,386,179)	(177,224,964)
New financial assets originated or purchased	235,995,597	239,916	362,918	429,008	237,027,439
Write-offs	(10,588)	(24,658)	-	(1,962,087)	(1,997,333)
Loss allowance as of June 30, 2020	\$ 1,175,893,704	\$ 19,678,683	\$ 1,437,615	\$ 15,779,546	\$ 1,212,789,548

	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	(4,812,258)	4,643,359	58,713	(9,220)	(119,406)
Transferred to stage 2	(1,291,930)	(407,285)	(77,611)	1,691,354	(85,472)
Transferred to stage 1 Financial assets	2,051,302	(1,961,013)	(65,081)	(114,249)	(89,041)
derecognized	(150,257,678)	(1,303,976)	(357,678)	(1,702,327)	(153,621,659)
New financial assets originated or purchased	212,905,476	281,122	161,005	301,785	213,649,388
Write-offs	(10,396)	(15,205)	-	(141,565)	(167,166)
Loss allowance as of June 30, 2019	\$ 1,064,498,461	\$ 15,881,715	\$ 2,698,947	\$ 8,973,478	\$ 1,092,052,601

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	(17,465)	300,141	23,440	(154)	305,962		305,962
Transferred to stage 2	(16,374)	(59,703)	(1,343,823)	3,892,273	2,472,373		2,472,373
Transferred to stage 1 Financial assets	1,546	(66,242)	-	(108,066)	(172,762)		(172,762)
derecognized	(811,116)	(55,942)	(763,794)	(2,162,097)	(3,792,949)		(3,792,949)
New financial assets originated or purchased	551,273	14,880	74,388	99,186	739,727		739,727
Recognizes based on the regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						1,385,510	1,385,510
Write offs	(62)	(6,287)	-	(1,862,964)	(1,869,313)		(1,869,313)
Recovery of loans written off	-	-	-	540,724	540,724		540,724
Loss allowance as of June 30, 2020	\$ 1,872,090	\$ 927,248	\$ 300,013	\$ 3,999,951	\$ 7,099,302	\$ 8,771,723	\$ 15,871,025

	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	(10,699)	269,228	33,900	(9,220)	283,209		283,209
Transferred to stage 2	(3,916)	(101,009)	(67,925)	823,438	650,588		650,588
Transferred to stage 1 Financial assets	3,462	(53,178)	(44,523)	(68,248)	(162,487)		(162,487)
derecognized	(519,670)	(41,888)	(254,557)	(1,541,656)	(2,357,771)		(2,357,771)
New financial assets originated or purchased	342,432	99,758	89,822	174,473	706,485		706,485
Recognizes based on the regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						1,224,495	1,224,495
Write offs	(70)	(4,460)	-	(67,450)	(71,980)		(71,980)
Recovery of loans written off	-	-	-	598,155	598,155		598,155
Other movements	-	(399)	-	-	(399)		(399)
Loss allowance as of June 30, 2019	\$ 1,944,967	\$ 800,316	\$ 1,879,494	\$ 3,383,348	\$ 8,008,125	\$ 6,263,631	\$ 14,271,756

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	June 30, 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	\$ 16,974,608	\$ 13,484,050	\$ 13,358,524	\$ 6,708,697	\$ 13,000	\$ 18,000	\$ -	\$ -	\$ -	\$ 50,556,879
Funds borrowed from the Central Bank and other banks	-	-	-	491,540	-	-	-	-	-	491,540
Non-derivative financial liabilities at FVTPL	-	-	-	-	-	-	-	-	11,934,167	11,934,167
Securities sold under repurchase agreements	53,836,592	11,995,551	3,189,736	100,000	-	291,319	-	-	-	69,413,198
Payables	22,172,758	248,712	185,124	2,776,555	14,456	3,139	-	-	-	25,400,744
Deposits and remittances	156,128,549	163,044,582	198,125,538	308,683,714	698,768,392	4,045,471	2,910	355	-	1,528,799,511
Bank debentures	-	-	-	-	-	6,800,000	8,000,000	4,250,000	15,750,000	34,800,000
Lease liabilities	137,734	113,218	163,931	370,114	583,361	496,018	351,891	255,345	372,462	2,844,074
Other financial liabilities	5,173,221	4,994,612	1,900,202	1,224,304	658,501	1,958,231	6,569,281	4,880,399	45,532,500	72,891,251
	\$ 254,423,462	\$ 193,880,725	\$ 216,923,055	\$ 320,354,924	\$ 700,037,710	\$ 13,612,178	\$ 14,924,082	\$ 9,386,099	\$ 73,589,129	\$1,797,131,364

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	June 30, 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	\$ 15,689,248	\$ 11,635,135	\$ 17,487,069	\$ 8,022,002	\$ 11,000	\$ 13,000	\$ -	\$ -	\$ -	\$ 52,857,454
Funds borrowed from the Central Bank and other banks	1,553,600	-	-	-	-	-	-	-	-	1,553,600
Non-derivative financial liabilities at FVTPL	-	-	-	-	-	-	-	728,638	12,502,307	13,230,945
Securities sold under repurchase agreements	50,957,028	15,050,474	88,000	1,882,480	9,369	2,648	-	-	-	66,095,502
Payables	24,170,168	198,851	162,413	1,882,480	9,369	2,648	-	-	-	26,425,929
Deposits and remittances	140,855,789	173,975,741	185,280,515	289,465,826	594,533,139	4,025,022	6,347	-	-	1,388,142,379
Bank debentures	-	-	4,900,000	-	-	-	6,800,000	8,000,000	20,000,000	39,700,000
Lease liabilities	132,126	108,914	156,298	322,113	484,815	406,392	338,962	223,999	393,213	2,566,832
Other financial liabilities	3,737,815	6,338,983	2,732,052	1,612,817	241,507	717,695	2,644,991	13,740,253	44,816,654	76,582,767
	\$ 237,095,774	\$ 207,308,098	\$ 210,806,347	\$ 301,305,238	\$ 595,279,830	\$ 5,164,757	\$ 9,790,300	\$ 22,692,890	\$ 77,712,174	\$1,667,155,408

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 \$860,495,307 thousand, \$785,972,474 thousand and \$727,682,550 thousand as of June 30, 2020, December 31, 2019 and June 30, 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	June 30, 2020					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL	\$ 22,066,181	\$ -	\$ -	\$ -	\$ -	\$ 22,066,180

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	June 30, 2019					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL	\$ 24,347,252	\$ -	\$ -	\$ -	\$ -	\$ 24,347,252

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 June 30, 2020, December 31, 2019 and June 30, 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 \$20,252,377 thousand, \$18,727,917 thousand and \$17,591,464 thousand, respectively, for guarantees; \$2,893,037 thousand, \$3,582,242 thousand and \$3,274,099 thousand, respectively, for letters of credit; \$578,716,610 thousand, \$571,666,876 thousand and \$514,203,977 thousand, respectively, for loans commitments (excluding credit card); and \$12,436,249 thousand, \$15,435,059 thousand and \$14,823,948 thousand, respectively, for credit cards commitments.

Item	June 30, 2020					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 5,948,921	\$ 5,076,119	\$ 2,209,817	\$ 1,912,848	\$ 5,104,672	\$ 20,252,377
Letters of credit	610,961	1,799,609	482,467	-	-	2,893,037
Loans commitments (excluding credit cards)	10,525,339	129,428,600	128,661,694	269,252,212	40,848,765	578,716,610
Credit cards commitments	1,229	87,498	148,079	480,176	11,719,267	12,436,249

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	June 30, 2019					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 4,374,733	\$ 5,737,789	\$ 1,664,632	\$ 1,245,655	\$ 4,568,655	\$ 17,591,464
Letters of credit	729,307	2,009,517	477,506	57,769	-	3,274,099
Loans commitments (excluding credit cards)	12,354,485	139,590,053	125,061,655	224,189,646	13,008,138	514,203,977
Credit cards commitments	2,101	168,022	319,572	543,005	13,791,248	14,823,948

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	June 30, 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	\$ 789,270	\$ -	\$ -	\$ -	\$ -	\$ 789,270
Commercial paper issued	7,009,399	-	-	-	-	7,009,399
Bonds sold under repurchase agreements	11,926,578	-	-	-	-	11,926,578
Deposits on short sales	598,404	-	-	-	-	598,404
Financing guarantees payable	635,674	-	-	-	-	635,674
Futures traders' equity	844,605	-	-	-	-	844,605
Accounts payable	10,939,947	200	-	-	-	10,940,147
Other payable	164,950	134,057	2,221	277	-	301,505
Other current liabilities	35,296	-	-	-	-	35,296
Lease liabilities	32,612	32,886	106,126	29,940	-	201,564
Bonds payable	-	-	-	-	3,300,000	3,300,000
Guarantee deposits	75	-	163	-	-	238
	\$ 32,976,810	\$ 167,143	\$ 108,510	\$ 30,217	\$ 3,300,000	\$ 36,582,680

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	June 30, 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	\$ 1,185,319	\$ -	\$ -	\$ -	\$ -	\$ 1,185,319
Commercial paper issued	2,234,502	-	-	-	-	2,234,502
Bonds sold under repurchase agreements	13,697,743	-	-	-	-	13,697,743
Deposits on short sales	287,017	-	-	-	-	287,017
Financing guarantees payable	313,102	-	-	-	-	313,102
Futures traders' equity	551,671	-	-	-	-	551,671
Accounts payable	6,330,567	-	-	-	-	6,330,567
Other payable	105,042	93,277	2,960	243	-	201,522
Other current liabilities	21,501	-	-	-	-	21,501
Lease liabilities	30,681	28,648	96,872	43,280	-	199,481
Long-term borrowings	6,238	2,014	1,004,926	-	-	1,013,178
Guarantee deposits	168	75	-	-	-	243
	\$ 24,763,551	\$ 124,014	\$ 1,104,758	\$ 43,523	\$ -	\$ 26,035,846

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	June 30, 2020					Total
	6 Months	6 Months - 1 Year	1 Year - 3 Years	3 Years - 5 Years	Over 5 Years	
Derivative financial liabilities at FVTPL	\$ 2,457,860	\$ -	\$ -	\$ -	\$ -	\$ 2,457,860

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	June 30, 2019					Total
	6 Months	6 Months - 1 Year	1 Year - 3 Years	3 Years - 5 Years	Over 5 Years	
Derivative financial liabilities at FVTPL	\$ 2,112,932	\$ -	\$ -	\$ -	\$ -	\$ 2,112,932

45. 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
An Hsin Real-Estate	Associate
Shin Kong Financial Holding Co., Ltd. (“Shin Kong Financial Holding”)	Others
Shin Kong Life Insurance Co., Ltd. (“Shin Kong Life Insurance”)	Others
Shin Kong Insurance Co., Ltd. (“Shin Kong Insurance”)	Others
MasterLink Securities Corp. (“MasterLink Securities”)	Others
Shin Kong Commercial Bank Co., Ltd. (“Shin Kong Bank”)	Others
Shinkong Synthetic Fibers Co., Ltd. (“Shin Kong Synthetic Fibers”)	Others
Dah Chung Bills Finance Corp. (“Dah Chung Bills”)	Others

(Continued)

Name	Relationship
CyberSoft Digital Service Corp. (“CyberSoft Digital Service”)	Others
Shin Kong Mitsukoshi Department Store Co., Ltd. (“Shin Kong Mitsukoshi”)	Others
An Shin Construction Manager Corp. (“An Shin Construction Manager”)	Others
Peng Cheng Corp. (“Peng Cheng”)	Others
Yuanta Financial Holding Co., Ltd. (“Yuanta Financial Holding”)	Others
Yuanta Commercial Bank Co., Ltd. (“Yuanta Bank”)	Others
Creative Sensor Inc. (“Creative Sensor”)	Others
CyberLink Corp. (“CyberLink”)	Others
Ubright Optronics Corporation “Ubright Optronics “	Others
Small & Medium Enterprise Credit Guarantee Fund of Taiwan (“Taiwan SMEG”)	Others
Tasco Chemical Corp. (“Tasco Chemical”)	Others
Taiwan Fieldrich Corp. (“Taiwan Fieldrich”)	Others
Shin Yao Biomedical Venture Capital Investment Co., Ltd. (“Shin Yao”)	Others
Global Brands Manufacture Ltd. (“GBM”)	Others (became non-related party after the second quarter of 2020)
Darfon Electronics Corp. (“Darfon”)	Others
AcBel Polytech Inc. (“AcBel Polytech”)	Others
Diamond Biotech Investment Co., Ltd. (“Diamond Biotech”)	Others
Chin We Co., Ltd. (“Chin We”)	Others
Yi Huan Co., Ltd. (“Yi Huan”)	Others
Xiang Yu Investment Co., Ltd. (“Xiang Yu”)	Others
EXCEL Chemical Corp. (“EXCEL Chemical”)	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
June 30, 2020	\$ 1,692,083
December 31, 2019	2,308,436
June 30, 2019	1,839,388

For the three months ended June 30, 2020 and 2019, interest income were \$5,813 thousand and \$6,501 thousand, respectively. For the six months ended June 30, 2020 and 2019, interest income \$14,310 thousand and \$14,038 thousand, respectively. Interest rates ranged from 0.65% to 15.00% and from 0.67% to 12.50%, respectively.

June 30, 2020						
	Ending Balance	Highest Amount	Normal Loans	Non- performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Consumer loans</u>						
134 accounts	\$ 612,748	\$ 626,878	\$ 612,748	\$ -	Land, buildings, and chattels	None
<u>Self-used residence mortgage loans</u>						
119 accounts	782,843	826,995	782,843	-	Land and buildings	None
<u>Other loans</u>						
Peng Cheng	132,000	132,000	132,000	-	Land and buildings	None
Others	<u>164,492</u>	166,476	<u>164,492</u>	-	Land, buildings and others	None
	<u>\$ 1,692,083</u>		<u>1,692,083</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>		

June 30, 2019

	Ending Balance	Highest Amount	Normal Loans	Non- performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Consumer loans</u>						
112 accounts	\$ 503,085	\$ 516,794	\$ 503,085	\$ -	Land, buildings, and chattels	None
<u>Self-used residence mortgage loans</u>						
105 accounts	667,087	689,933	667,087	-	Land and buildings	None
<u>Other loans</u>						
GBM	430,158	457,500	430,158	-	-	None
Peng Cheng	100,000	150,000	100,000	-	Land and buildings	None
Others	<u>139,058</u>	154,333	<u>139,058</u>	-	Land, buildings and chattels	None
	<u>\$ 1,839,388</u>		<u>\$ 1,839,388</u>	<u>\$ -</u>		

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

Deposits

	Ending Balance
June 30, 2020	\$ 10,871,007
December 31, 2019	10,533,871
June 30, 2019	8,162,405

For the three months ended June 30, 2020 and 2019, interest expenses were \$12,512 thousand and \$13,686 thousand, respectively. For the six months ended June 30, 2020 and 2019, interest expense were \$26,221 thousand and \$22,950 thousand, respectively, interest rates ranged from 0.00% to 5.00% and 0.00% to 5.00%, respectively.

June 30, 2020

	Ending Balance	Interest Rate (Per Annum %)	Interest Expense	
			For the Three Months Ended June 30	For the Six Months Ended June 30
Taiwan SMEG	\$ 1,480,230	0.00-1.05	\$ (2,450)	\$ (4,914)
An Shin Construction Manager	1,410,965	0.01-0.63	(569)	(1,202)
Shin Kong Mitsukoshi	1,185,533	0.00-0.06	(18)	(154)
Shin Kong Insurance	459,804	0.00-1.03	(687)	(1,342)
Tasco Chemical	441,888	0.00-0.65	(1,249)	(1,444)
Dah Chung Bills	429,915	0.00-0.70	(699)	(1,398)
CyberLink	421,126	0.01-2.35	(3,187)	(7,615)
Shin Kong Synthetic Fibers	410,552	0.00-0.32	(64)	(188)
Shin Kong Life Insurance	217,873	0.01-0.32	(35)	(133)

(Continued)

June 30, 2020

	Ending Balance	Interest Rate (Per Annum %)	Interest Expense	
			For the Three Months Ended June 30	For the Six Months Ended June 30
Ubright Optronics	\$ 210,283	0.00-0.32	\$ (13)	\$ (49)
Taiwan Fieldrich	140,602	0.01-2.50	(421)	(1,010)
Shin Yao	110,735	0.01-2.00	(532)	(621)
Others	<u>3,951,501</u>		<u>(2,588)</u>	<u>(6,151)</u>
	<u>\$ 10,871,007</u>		<u>\$ (12,512)</u>	<u>\$ (26,221)</u> (Concluded)

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>	

June 30, 2019

	Ending Balance	Interest Rate (Per Annum %)	Interest Expense	
			Forth Three Months Ended June 30	For the Six Months Ended June 30
An Shin Construction Manager	\$ 1,311,236	0.06-0.63	\$ (1,600)	\$ (2,484)
CyberLink	689,360	0.06-3.17	(4,912)	(6,488)
Shin Kong Mitsukoshi	591,732	0.00-0.06	(140)	(289)
Shin Kong Insurance	489,285	0.00-1.03	(653)	(1,248)
Dah Chung Bills	419,619	0.00-0.70	(699)	(1,391)
Shin Kong Synthetic Fibers	418,399	0.00-0.50	(354)	(564)
EXCEL Chemical	237,687	0.01-0.06	(1)	(2)
Diamond Biotech	197,350	0.01-2.40	(31)	(271)
				(Continued)

June 30, 2019					
		Interest Expense			
		Ending Balance	Interest Rate (Per Annum %)	Forth Three Months Ended June 30	For the Six Months Ended June 30
Ubright		\$ 147,372	0.00-0.50	\$ (143)	\$ (330)
Shin Kong Life					
Insurance		131,609	0.06-0.50	(226)	(534)
Others		<u>3,528,756</u>		<u>(4,927)</u>	<u>(9,349)</u>
		<u>\$ 8,162,405</u>		<u>\$ (13,686)</u>	<u>\$ (22,950)</u>
					(Concluded)

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

June 30, 2020					
		Interest Income			
		Ending Balance	Interest Rate (Per Annum %)	For the Three Months Ended June 30	For the Six Months Ended June 30
Dah Chung Bills	Call loan to banks	\$ -	0.26-0.52	\$ 123	\$ 940
Yuanta Bank	Call loan to banks	1,334,700	0.12-1.90	7	589
Yuanta Bank	Call loan from banks	-	2.05-2.05	-	(12)

December 31, 2019					
		Interest Rate Range			
		Ending Balance	Interest Rate (Per Annum %)	Interest Income	
Dah Chung Bills	Call loan to banks	\$ -	0.41-0.70	\$ 3,124	
Yuanta Bank	Call loan to banks	-	1.56-2.76	2,598	
Yuanta Bank	Call loan from banks	-	0.19-4.30	(586)	

June 30, 2019					
		Interest Income			
		Ending Balance	Interest Rate (Per Annum %)	For the Three Months Ended June 30	For the Six Months Ended June 30
Dah Chung Bills	Call loan to banks	\$ -	0.41-0.70	\$ 1,731	\$ 3,124
Yuanta Bank	Call loan to banks	248,576	2.35-2.76	488	2,162
Yuanta Bank	Call loan from banks	-	0.19-2.45	(8)	(68)

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

		<u>June 30, 2020</u>			
		Ending Balance	Interest Rate (Per Annum %)	Interest Income	
Item	For the Three Months Ended June 30			For the Six Months Ended June 30	
Chang Hwa Bank	Due from banks	\$ 2,041	-	\$ -	\$ -

		<u>December 31, 2019</u>		
		Ending Balance	Interest Rate (Per Annum %)	Interest Income
Item	For the Six Months Ended June 30			
Chang Hwa Bank	Due from banks	\$ 2,022	-	\$ -

		<u>June 30, 2019</u>			
		Ending Balance	Interest Rate (Per Annum %)	Interest Income	
Item	For the Three Months Ended June 30			For the Six Months Ended June 30	
Chang Hwa Bank	Due from banks	\$ 1,998	-	\$ -	\$ -

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

4) Trading securities

		<u>June 30, 2020</u>			
Purchase		Repurchase Agreements		Resale Agreements	
		Ending Balance	Interest Rate Range (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Price (Accumulated Amount)	Sales Price (Accumulated Amount)				
MasterLink Securities	\$ 2,680,751	\$ 19,996	-	\$ -	-
Dah Chung Bills	-	-	-	-	-
Chang Hwa Bank	300,000	-	-	-	-
Shin Kong Bank	50,432	-	-	-	-
Yuanta Bank	100,130	-	-	-	-
Yuanta Bank	699,701	-	-	-	-
Individual A	-	20,025	0.22-0.45	-	-
	<u>\$ 2,680,751</u>	<u>\$ 40,021</u>		<u>\$ -</u>	

		<u>December 31, 2019</u>			
Purchase		Repurchase Agreements		Resale Agreements	
		Ending Balance	Interest Rate Range (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Price (Accumulated Amount)	Sales Price (Accumulated Amount)				
MasterLink Securities	\$ 5,341,078	\$ -	-	\$ -	-
Dah Chung Bills	149,999	-	-	-	-
Shin Kong Bank	49,601	-	-	-	-
Yuanta 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>\$ 1,083,916</u>		<u>\$ -</u>	

	June 30, 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 %)
Peng Cheng	\$ -	\$ 305,871	\$ -	-	\$ -	-
Yuanta Bank	-	499,971	-	-	-	-
Shin Kong Bank	-	49,860	-	-	-	-
Dah Chung Bills	149,999	49,601	-	-	-	-
MasterLink Securities	867,017	873,077	-	0.43-0.48	-	-
	<u>\$ 1,017,016</u>	<u>\$ 1,778,380</u>	<u>\$ -</u>		<u>\$ -</u>	

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

5) Derivatives

June 30, 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	\$ 275	Financial assets at FVTPL	\$ 1,803
Creative Sensor	Forward exchange contracts	2020/01/17-2020/10/23	118,640	1,893	Financial assets at FVTPL	1,893

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)

June 30, 2019							
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)		Account	Balance
				For the Three Months Ended June 30	For the Six Months Ended June 30		
Dah Chung Bills	Interest rate swaps	2016/6/29-2022/6/20	\$ 600,000	\$ (69)	\$ 83	Financial assets at FVTPL	\$ 1,754
Creative Sensor	Forward exchange contracts	2019/1/22-2019/8/26	217,504	3,144	2,011	Financial assets at FVTPL	2,011
Yuanta Bank	Currency swaps	2018/12/10-2019/12/13	1,242,880	9,005	23,035	Financial assets at FVTPL	34,013

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 June 30					
2020			2019		
Item	Amount		Item	Amount	
Shin Kong Life Insurance	Commission income	\$ 252,152	Commission income	\$ 165,606	
Cyber Soft Digital Service	Operating expenses	188,391	Operating expenses	177,313	
Shin Kong Mitsukoshi	Fee income	62,359	Fee income	69,282	
Shin Kong Mitsukoshi	Service charge and operating expenses	85,876	Service charge and operating expenses	81,227	

For the Six Months Ended June 30				
2020		2019		
Item	Amount	Item	Amount	
Shin Kong Mitsukoshi	Fee income	\$ 130,410	Fee income	\$ 136,019
Shin Kong Mitsukoshi	Service charge and operating expenses	132,244	Service charge and operating expenses	125,820
CyberSoft Digital Service	Operating expenses	349,275	Operating expenses	328,206
Shin Kong Life Insurance	Commission income	253,282	Commission income	443,714

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

- 7) On May 30, 2019, Taishin Bank's board of directors resolved to sell credit assets of \$600,000 thousand in syndicated loans to Shin Kong Bank. The transaction with the related party is made under arm's length terms, which are consistent with the normal policies adopted by Taishin Bank.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the three months and for the six months ended June 30, 2020 and 2019 included the following:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Short-term benefits	\$ 46,258	\$ 55,824	\$ 102,233	\$ 126,119
Post-employment benefits	235	315	504	576
Share-based payments	<u>727</u>	<u>1,787</u>	<u>221</u>	<u>3,617</u>
	<u>\$ 47,220</u>	<u>\$ 57,926</u>	<u>\$ 102,958</u>	<u>\$ 130,312</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

Related Parties	June 30, 2020					Any differences in transaction terms compared to non-related parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	
<u>Other loans</u>						
Peng Cheng	\$ 132,000	\$ 132,000	\$ 132,000	\$ -	Land and buildings	None
Related Parties	June 30, 2019					Any differences in transaction terms compared to non-related parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	
<u>Other loans</u>						
GBM	\$ 430,158	\$ 457,500	\$ 430,158	\$ -	-	None
Peng Cheng	100,000	150,000	100,000	-	Land and buildings	None

b) Call loan to banks and call loan from banks

		June 30, 2020		
			Interest Rate Range (Per Annum %)	Interest Income
	Item	Ending Balance		
Yuanta Bank	Call loan to banks	\$ 1,334,700	0.12-1.90	\$ 589

		June 30, 2019		
			Interest Rate Range (Per Annum %)	Interest Income
	Item	Ending Balance		
Yuanta Bank	Call loan to banks	\$ 248,576	0.25-2.76	\$ 2,162

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

c) Trading securities

		June 30, 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	\$ 2,680,751	\$ 5,543,533	\$ 19,996	-	\$ -	-
Taishin Holdings	7,000,000	-	-	0.25-0.45	-	-
Taishin Securities B	3,649,508	200,825	-	-	-	-
Dah Chung Bills	-	300,000	-	-	-	-
Shin Kong Bank	-	100,130	-	-	-	-
Yuanta Bank	-	699,701	-	-	-	-

		June 30, 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 %)
Peng Cheng	\$ -	\$ 305,871	\$ -	-	\$ -	-
Yuanta Bank	-	499,971	-	-	-	-
Taishin Holdings	3,000,000	-	-	0.32-0.37	-	-
Dah Chung Bills	149,999	49,601	-	-	-	-
Taishin Securities B	348,998	199,897	-	-	-	-
MasterLink Securities	867,017	873,077	-	0.43-0.48	-	-

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

d) Derivatives

June 30, 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	\$ 275	Financial assets at FVTPL	\$ 1,803
Creative Sensor	Forward exchange contracts	2020/01/17-2020/10/23	118,640	1,893	Financial assets at FVTPL	1,803
June 30, 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	\$ 83	Financial assets at FVTPL	\$ 1,745
Creative Sensor	Forward exchange contracts	2019/1/22-2019/8/26	217,504	2,011	Financial assets at FVTPL	2,011
Yuanta Bank	Currency swaps	2018/12/10-2019/12/13	1,242,880	23,035	Financial assets at FVTPL	34,013

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

e) Other material transactions

For the Six Months Ended June 30					
		2020		2019	
	Item	Amount		Item	Amount
	Shin Kong Life Insurance	Commission income	\$ 253,282	Commission income	\$ 442,318
	CyberSoft Digital Service	Operating expenses	346,440	Operating expenses	325,534
	Shin Kong Mitsukoshi	Fee income	130,380	Fee income	136,019
	Shin Kong Mitsukoshi	Service charge and operating expenses	131,837	Service charge and operating expenses	125,365

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 May 6, 2020, 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

		June 30	
Item	Name	2020	2019
Cash and cash equivalents	Taishin Bank	\$ 750,047	\$ 405,101
Operating guarantee deposits	Taishin Bank	315,000	315,000
Customer margin account	Taishin Bank	277,359	81,682
Other financial assets - current - other	Taishin Bank	100,000	3,696
Other current assets - settlements and receipts under custody	Taishin Bank	209,227	18,843

b) Lease arrangements

Item	Name	June 30	
		2020	2019
Lease liabilities	Taishin Bank	\$ 139,272	\$ 176,328

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

Item	Name	June 30			
		2020		2019	
		Ending Stocks (In Thousands)	Ending Balance	Ending Stocks (In Thousands)	Ending Balance
Trading Securities - dealing	Taishin Securities Investment Trust	19,029	\$ 382,639	6,889	\$ 151,015
Trading Securities - dealing	Shin Kong Financial Holding	2,730	273,125	3,025	313,045

d) Trading securities

	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	June 30, 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	200,825	349,508	-	-	-	-

	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	June 30, 2019			
			Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Taishin Holdings	\$4,000,000	\$ -	\$ -	-	\$ -	-
Taishin Bank	199,897	348,998	-	-	-	-
MasterLink Securities	650,912	1,249,375	-	-	-	-
Dah Chung Bills	100,116	-	-	-	-	-

3) Taishin AMC

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 Six Months Ended June 30, 2020			
	Beginning Balance	Purchased	Collected	Ending Balance
Loans with transferred ownership	<u>\$ 14,941,299</u>	<u>\$ -</u>	<u>\$ (62,886)</u>	<u>\$ 14,878,413</u>
	For the Six Months Ended June 30, 2019			
	Beginning Balance	Purchased	Collected	Ending Balance
Loans with transferred ownership	<u>\$ 15,086,600</u>	<u>\$ -</u>	<u>\$ (71,427)</u>	<u>\$ 15,015,173</u>

4) Taishin Venture Capital

There were no related party transactions with amounts more than \$100,000 thousand for the six months ended June 30, 2020.

5) Taishin Securities Investment Trust

There were no related party transactions with amounts more than \$100,000 thousand for the six months ended June 30, 2020.

6) Taishin Securities Investment Advisory

Liability contracts with related parties:

Item	Related Party	June 30	
		2020	2019
Other financial assets	Taishin Bank	\$ 216,929	\$ 229,027

46. PLEDGED ASSETS

Pledged Assets	Description	June 30, 2020	December 31, 2019	June 30, 2019
Refundable deposits	Cash and certificates of time deposits	\$ 6,181,365	\$ 6,218,074	\$ 6,135,323
Operating deposits and settlement funds	Cash and cash paid to stock exchange	146,070	199,857	204,170
Investments in debt instrument at FVTOCI	Securities and bonds	15,617,250	15,374,807	15,364,353
Investments in debt instrument at amortized cost	Bonds	3,100	8,400	9,700
Other assets due from banks	Bank deposits and certificate of time deposits	1,298,619	3,551,231	3,741,030

47. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to those mentioned in Note 9 and Note 45, Taishin Financial Holding and subsidiaries have contingent liabilities and commitments as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Trust liabilities	\$ 414,860,605	\$ 387,479,029	\$ 342,287,469
Payable custody securities	24,271,901	15,993,710	16,083,344
Unpaid equipment purchase contracts	1,369,053	1,158,816	1,269,680

48. FINANCIAL INFORMATION BY BUSINESS

The financial information by business for the six months ended June 30, 2020 and 2019 was as follows:

Item	For the Six Months Ended June 30, 2020			
	Bank Business	Securities Business	Other Business	Total
Net interest income	\$ 10,432,945	\$ 60,979	\$ 252,571	\$ 10,746,495
Net income other than net interest income	8,874,126	1,013,074	1,000,715	10,887,915
Net revenue and gains	19,307,071	1,074,053	1,253,286	21,634,410
(Provisions for) reversal of allowance for bad debts expenses and guarantee liability	(959,639)	10	(90,978)	(1,050,607)
Total operating expenses	(10,864,856)	(857,658)	(484,501)	(12,207,015)
Income before income tax of continued operations	7,482,576	216,405	677,807	8,376,788
Income tax (expense) benefit	(1,165,623)	(74,709)	(18,062)	(1,258,394)
Income after income tax of continued operations	6,316,953	141,696	659,745	7,118,394

Item	For the Six Months Ended June 30, 2019			
	Bank Business	Securities Business	Other Business	Total
Net interest income	\$ 9,260,295	\$ 68,183	\$ 230,774	\$ 9,559,252
Net income other than net interest income	9,799,020	788,780	1,686,683	12,274,483
Net revenue and gains	19,059,315	856,963	1,917,457	21,833,735
(Provisions for) reversals of allowance for bad debts expenses and guarantee liability	(471,426)	(96)	(226,397)	(697,919)
Total operating expenses	(10,486,645)	(632,999)	(642,833)	(11,762,477)
Income before income tax of continued operations	8,101,244	223,868	1,048,227	9,373,339
Income tax (expense) benefit	(1,030,065)	(5,696)	(117,167)	(1,152,928)
Income after income tax of continued operations	7,071,179	218,172	931,060	8,220,411

49. FINANCIAL STATEMENTS OF TAISHIN FINANCIAL HOLDING

TAISHIN FINANCIAL HOLDING CO., LTD.

BALANCE SHEETS

JUNE 30, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020	2019	LIABILITIES AND EQUITY	2020	2019
CASH AND CASH EQUIVALENTS	\$ 7,356,344	\$ 1,828,051	LIABILITIES		
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	2,010	2,007	Commercial papers issued, net	\$ -	\$ 2,998,717
RECEIVABLES	1,740,120	2,252,565	Payables	8,685,128	7,812,609
CURRENT TAX ASSETS	-	229,092	Current tax liabilities	1,766,232	1,618,719
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	211,415,212	203,278,880	Bonds payable	32,000,000	22,000,000
PROPERTY AND EQUIPMENT, NET	3,219	4,741	Lease liabilities	4,530	10,010
RIGHT-OF-USE ASSETS	2,992	8,976	Other liabilities	49	-
OTHER ASSETS	<u>22,646</u>	<u>17,894</u>	Total liabilities	<u>42,455,939</u>	<u>34,440,055</u>
			EQUITY		
			Capital stock		
			Common stock	106,599,289	104,382,431
			Preferred stock	8,000,000	8,000,000
			Advance receipts for capital stock	1,041	4,824
			Stock dividends to distributed	2,466,618	2,170,903
			Capital surplus	35,945,409	35,956,224
			Retained earnings		
			Legal reserve	11,777,396	10,357,137
			Special reserve	572,115	572,115
			Unappropriated earnings	11,668,986	10,196,973
			Other equity	<u>1,055,750</u>	<u>1,541,544</u>
			Total equity	<u>178,086,604</u>	<u>173,182,151</u>
TOTAL	<u>\$ 220,542,543</u>	<u>\$ 207,622,206</u>	TOTAL	<u>\$ 220,542,543</u>	<u>\$ 207,622,206</u>

TAISHIN FINANCIAL HOLDING CO., LTD.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2020	2019
INCOME		
Share of profit of subsidiaries and associates accounted for using the equity method	\$ 7,512,640	\$ 8,685,654
Interest income	2,308	4,739
Other income	<u>-</u>	<u>551</u>
Total income	<u>7,514,948</u>	<u>8,690,944</u>
EXPENSES AND LOSSES		
Operating expenses	(177,819)	(148,124)
Interest expenses	<u>(232,493)</u>	<u>(222,074)</u>
Total expenses and losses	<u>(410,312)</u>	<u>(370,198)</u>
INCOME BEFORE INCOME TAX	7,104,636	8,320,746
INCOME TAX (EXPENSE) BENEFIT	<u>14,933</u>	<u>(100,386)</u>
NET INCOME	<u>7,119,569</u>	<u>8,220,360</u>
OTHER COMPREHENSIVE INCOME (LOSS)	<u>(85,471)</u>	<u>1,599,097</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 7,034,098</u>	<u>\$ 9,819,457</u>
EARNINGS PER SHARE		
Basic	<u>\$0.57</u>	<u>\$0.67</u>
Diluted	<u>\$0.57</u>	<u>\$0.67</u>

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Capital Stock				Capital Surplus				Retained Earnings			Other Equity			Total Equity
	Common Stock	Preferred Stock	Advance Receipts for Capital Stock	Stock Dividends to be Distributed	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 Fair Value 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
Appropriation of 2018 earnings															
Legal reserve	-	-	-	-	-	-	-	-	1,242,125	-	(1,242,125)	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-	-	-	-	-	(5,306,652)	-	-	-	(5,306,652)
Cash dividends on preferred stock	-	-	-	-	-	-	-	-	-	-	(1,530,667)	-	-	-	(1,530,667)
Share dividends on common stock	-	-	-	2,170,903	-	-	-	-	-	-	(2,170,903)	-	-	-	-
Net income for the six months ended June 30, 2019	-	-	-	-	-	-	-	-	-	-	8,220,360	-	-	-	8,220,360
Other comprehensive income for the six months ended June 30, 2019, net of tax	-	-	-	-	-	-	-	-	-	-	(7,084)	78,352	1,440,606	87,223	1,599,097
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	-	-	-	-	8,213,276	78,352	1,440,606	87,223	9,819,457
Redemption of Preferred Stock D	-	(2,175,410)	-	-	(1,843,788)	-	-	-	-	-	(180,802)	-	-	-	(4,200,000)
Share-based payments	20,360	-	828	-	6,568	-	(12,269)	-	-	-	-	-	-	-	15,487
Disposals of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-	-	-	-	(6,405)	-	6,405	-	-
BALANCE AT JUNE 30, 2019	\$ 104,382,431	\$ 8,000,000	\$ 4,824	\$ 2,170,903	\$ 33,765,442	\$ 2,075,475	\$ 115,307	\$ -	\$ 10,357,137	\$ 572,115	\$ 10,196,973	\$ (294,511)	\$ 1,748,101	\$ 87,954	\$ 173,182,151
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
Appropriation of 2019 earnings															
Legal reserve	-	-	-	-	-	-	-	-	1,420,259	-	(1,420,259)	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-	-	-	-	-	(6,029,510)	-	-	-	(6,029,510)
Cash dividends on preferred stock	-	-	-	-	-	-	-	-	-	-	(1,819,579)	-	-	-	(1,819,579)
Stock dividends	-	-	-	2,466,618	-	-	-	-	-	-	(2,466,618)	-	-	-	-
Net income for the six months ended June 30, 2020	-	-	-	-	-	-	-	-	-	-	7,119,569	-	-	-	7,119,569
Other comprehensive income for the six months ended June 30, 2020, net of tax	-	-	-	-	-	-	-	-	-	-	840	(274,829)	135,710	52,808	(85,471)
Total comprehensive income for the six months ended June 30, 2020	-	-	-	-	-	-	-	-	-	-	7,120,409	(274,829)	135,710	52,808	7,034,098
Share-based payments	32,245	-	(10,036)	-	56	-	(10,052)	-	-	-	-	-	-	-	12,213
Disposals of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-	-	-	-	(88,944)	-	88,944	-	-
BALANCE AT JUNE 30, 2020	\$ 106,599,289	\$ 8,000,000	\$ 1,041	\$ 2,466,618	\$ 33,774,770	\$ 2,075,475	\$ 91,951	\$ 3,213	\$ 11,777,396	\$ 572,115	\$ 11,668,986	\$ (950,779)	\$ 1,914,154	\$ 92,375	\$ 178,086,604

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 7,104,636	\$ 8,320,746
Depreciation expenses	3,763	3,893
Amortization expense	250	250
Interest expense	232,493	222,074
Interest revenue	(2,308)	(4,739)
Share-based payments	757	1,944
Share of profit of subsidiaries and associates accounted for using the equity method	(7,512,640)	(8,685,654)
(Gain) loss on disposal of property and equipment	-	(550)
Changes in operating assets and liabilities		
Net changes in operating assets		
(Increase) decrease in receivables	1,304,285	584,318
(Increase) decrease in other assets	(5,357)	4,040
Net changes in operating liabilities		
Increase (decrease) in payables	(100,986)	(87,545)
Increase (decrease) in other liabilities	49	-
Interest received	2,083	5,037
Dividend received	4,430,798	285,932
Interest paid	(131,243)	(146,709)
Income taxes returned	129,875	-
Income taxes paid	(1,141,304)	(255,267)
Net cash used in operating activities	<u>4,315,151</u>	<u>247,770</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	-	(800,000)
Acquisition of property and equipment	-	(38)
Proceeds from disposal of property and equipment	-	550
Net cash generated from (used in) investing activities	<u>-</u>	<u>(799,488)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial papers issued	(10,000,000)	500,000
Corporate bond issued	10,000,000	7,000,000
Corporate bond repayment	-	(7,000,000)
Repayment of the principal portion of lease liabilities	(2,497)	(1,958)
Exercise of employee share options	12,213	15,487
Redemption of preferred stock D	-	(4,200,000)
Net cash generated from (used in) financing activities	<u>9,716</u>	<u>(3,686,471)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,324,867	(4,238,189)
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>\$ 7,356,344</u>	<u>\$ 1,828,051</u>

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

Standalone

Item		For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Return on total assets	Pretax	3.27%	4.06%
	After tax	3.28%	4.02%
Return on net equity	Pretax	3.98%	4.79%
	After tax	3.99%	4.73%
Profit margin		94.74%	94.59%

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 June 30 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 Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Return on net equity - common stock	Pretax	4.54%	5.66%
	After tax	4.55%	5.59%

Consolidated

Item		For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Return on total assets	Pretax	0.41%	0.50%
	After tax	0.35%	0.44%
Return on net equity	Pretax	4.69%	5.39%
	After tax	3.99%	4.73%
Profit margin		32.90%	37.65%

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 June 30 of 2020 and 2019.

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 Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Return on net equity - common stock	Pretax	5.47%	6.47%
	After tax	4.55%	5.59%

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

Taishin Bank

a. Balance sheets (Standalone)

	June 30	
	2020	2019
Assets		
Cash and cash equivalents	\$ 19,841,134	\$ 19,075,200
Due from Central Bank and call loans to banks	66,464,319	59,767,899
Financial assets at FVTPL	79,237,469	101,404,913
Financial assets at FVTOCI	217,441,089	385,840,512
Debt instruments at amortized cost	231,101,081	10,436,062
Securities purchased under resale agreements	5,281,343	12,980,767
Receivables, net	107,672,068	121,837,754
Current tax assets	435,801	674,257
Loans, net	1,196,323,543	1,077,224,955
Investments accounted for using the equity method	2,911,241	2,895,733
Other financial assets, net	7,637,618	6,528,055
Property and equipment, net	17,966,403	18,323,187
Right-of-use assets, net	2,634,693	2,480,760
Intangible assets, net	2,481,762	1,895,365
Deferred tax assets	2,328,196	2,090,761
Other assets, net	<u>7,031,527</u>	<u>7,139,263</u>
	<u>\$ 1,966,789,287</u>	<u>\$ 1,830,595,443</u>
Liabilities		
Due to the Central Bank and banks	\$ 50,556,879	\$ 52,857,454
Funds borrowed from the Central Bank and other banks	491,540	1,553,600
Financial liabilities at FVTPL	25,423,392	28,311,529
Securities sold under repurchase agreements	69,413,198	66,095,502
Payables	25,327,236	26,363,774
Current tax liabilities	894,883	1,131,373
Deposits and remittances	1,529,732,764	1,389,180,606
Bank debentures	34,800,000	39,700,000
Other financial liabilities	64,275,565	68,815,431
Provisions	1,626,017	1,568,143
Lease liabilities	2,727,360	2,524,129
Deferred tax liabilities	78,894	82,998
Other liabilities	<u>5,580,310</u>	<u>3,671,477</u>
	<u>1,810,928,038</u>	<u>1,681,856,016</u>
Equity		
Capital stock	86,957,118	82,557,118
Capital surplus	30,249,980	30,246,767
Retained earnings	37,013,971	34,375,925
Other equity	<u>1,640,180</u>	<u>1,559,617</u>
	<u>155,861,249</u>	<u>148,739,427</u>
	<u>\$ 1,966,789,287</u>	<u>\$ 1,830,595,443</u>

b. Statements of comprehensive income (Standalone)

	For the Six Months Ended June 30	
	2020	2019
Interest income	\$ 16,936,181	\$ 17,135,816
Interest expense	<u>(6,768,525)</u>	<u>(8,171,575)</u>
Net interest income	10,167,656	8,964,241
Net income other than net interest income	<u>8,818,468</u>	<u>9,900,530</u>
Net revenue and gains	18,986,124	18,864,771
Provisions for allowance for bad debts expenses commitment and guarantee liability	(938,313)	(413,092)
Operating expenses	<u>(10,635,994)</u>	<u>(10,375,761)</u>
Income before income tax	7,411,817	8,075,918
Income tax expense	<u>(1,137,360)</u>	<u>(1,011,959)</u>
Net income	6,274,457	7,063,959
Other comprehensive income	<u>48,079</u>	<u>1,128,574</u>
Total comprehensive income	<u>\$ 6,322,536</u>	<u>\$ 8,192,533</u>
Basic earnings per share (in dollars)	<u>\$0.72</u>	<u>\$0.81</u>
Diluted earnings per share (in dollars)	<u>\$0.72</u>	<u>\$0.81</u>

c. Key financial and business highlights

1) Profitability

Item		For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Return on total assets	Pretax	0.38%	0.46%
	After tax	0.32%	0.40%
Return on net equity	Pretax	4.79%	5.58%
	After tax	4.06%	4.88%
Profit margin		33.05%	37.45%

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 June 30 of 2020 and 2019.

2) Asset quality

Non-performing loans and receivables

Item		June 30, 2020					June 30, 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	\$ 467,100	\$ 237,377,717	0.20%	\$ 2,406,389	515.18%	\$ 424,489	\$ 211,095,223	0.20%	\$ 2,288,246	539.06%	
	Unsecured	446,277	310,952,904	0.14%	4,666,263	1,045.60%	238,362	275,669,723	0.09%	3,892,264	1,632.92%	
Consumer finance	Mortgage loans (Note d)	372,311	305,683,297	0.12%	4,604,395	1,236.71%	348,340	272,324,361	0.13%	4,228,391	1,213.87%	
	Cash cards	10,937	830,906	1.32%	79,536	727.22%	8,319	1,177,275	0.71%	34,790	418.20%	
	Credit loans (Note e)	244,348	72,888,499	0.34%	928,838	380.13%	83,267	61,917,342	0.13%	774,210	929.79%	
	Others (Note f)	Secured	590,354	284,642,163	0.21%	3,170,073	536.98%	494,545	269,735,368	0.18%	2,964,874	599.52%
		Unsecured	4,990	414,062	1.21%	8,484	170.02%	5,955	133,309	4.47%	79,547	1,335.80%
Subtotal		2,136,317	1,212,789,548	0.18%	15,863,978	742.59%	1,603,277	1,092,052,601	0.15%	14,262,322	889.57%	
Credit card		196,679	53,736,827	0.37%	628,499	319.56%	89,598	62,579,154	0.14%	633,986	707.59%	
Accounts receivable factoring with no recourse (Note g)		-	42,827,612	-	564,524	-	-	49,783,079	-	660,153	-	

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

Item	June 30, 2020		June 30, 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
Business Type				
Amounts negotiated in accordance with the agreement (Note a)	\$ 352,290	\$ 117,174	\$ 508,595	\$ 161,532
Loans executed in accordance with debt clearing and renewal regulations (Note b)	1,768,302	1,227,802	1,705,482	1,200,851
Total	2,120,592	1,344,976	2,214,077	1,362,383

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	June 30, 2020			June 30, 2019		
	Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity	Transaction Party (Note b)	Loans (Note c)
1	A Group (manufacture of computers)	\$ 19,971,617	12.81%	A Group (manufacture of computers)	\$ 24,419,888	16.42%
2	B Group (manufacture of cement)	14,680,547	9.42%	B Group (manufacture of cement)	13,522,883	9.09%
3	C Group (liquid crystal panel and components manufacturing industry)	12,981,305	8.33%	C Group (activities of other holding companies)	12,668,132	8.52%
4	D Group (activities of other holding companies)	10,899,036	6.99%	D Group (manufacture of computers)	10,860,823	7.30%
5	E Group (manufacture of woven cotton-type on woolen-type fabrics)	9,954,030	6.39%	E Group (liquid crystal panel and components manufacturing industry)	10,646,295	7.16%
6	F Group (manufacture of computers)	6,586,048	4.23%	F Group (manufacture of woven cotton-type on woolen-type fabrics)	7,470,030	5.02%
7	G Group (manufacture of monitors and terminals)	6,542,085	4.20%	G Group (manufacture of computers)	6,524,527	4.39%
8	H Group (electronic parts and components)	6,525,200	4.19%	H Group (real estate activities for sale and rental with own or leased property)	5,978,096	4.02%
9	I Group (wireless telecommunications)	6,521,908	4.18%	I Group (manufacture of paper)	5,836,280	3.92%
10	J Group (ocean freight transportation forwarding services)	6,214,344	3.99%	J Group (other financial service activities not elsewhere classified)	5,510,170	3.70%

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	June 30, 2020				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,105,739,233	\$ 29,445,964	\$ 91,895,120	\$ 150,818,409	\$ 1,377,898,726
Interest-sensitive liabilities	404,414,821	129,140,257	172,666,525	577,722,608	1,283,944,211
Interest sensitivity gap	701,324,412	(99,694,293)	(80,771,405)	(426,904,199)	93,954,515
Net equity					152,486,895
Ratio of interest-sensitive assets to liabilities					107.32%
Ratio of interest sensitivity gap to net equity					61.61%

Item	June 30, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,043,884,596	\$ 37,319,160	\$ 68,585,975	\$ 163,816,389	\$ 1,313,606,120
Interest-sensitive liabilities	415,295,391	134,839,166	160,535,196	512,474,909	1,223,144,662
Interest sensitivity gap	628,589,205	(97,520,006)	(91,949,221)	(348,658,520)	90,461,458
Net equity					145,159,024
Ratio of interest-sensitive assets to liabilities					107.40%
Ratio of interest sensitivity gap to net equity					62.32%

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	June 30, 2020				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 9,753,326	\$ 1,785,041	\$ 2,172,048	\$ 1,491,678	\$ 15,202,093
Interest-sensitive liabilities	6,149,508	1,800,608	1,703,724	4,812,244	14,466,084
Interest sensitivity gap	3,603,818	(15,567)	468,324	(3,320,566)	736,009
Net equity					19,760
Ratio of interest-sensitive assets to liabilities					105.09%
Ratio of interest sensitivity gap to net equity					3,724.74%

(In Thousands of U.S. Dollars)

Item	June 30, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 8,322,730	\$ 1,954,887	\$ 1,031,161	\$ 980,335	\$ 12,289,113
Interest-sensitive liabilities	5,848,874	1,254,524	1,367,480	3,081,175	11,552,053
Interest sensitivity gap	2,473,856	700,363	(336,319)	(2,100,840)	737,060
Net equity					27,888
Ratio of interest-sensitive assets to liabilities					106.38%
Ratio of interest sensitivity gap to net equity					2,642.93%

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	June 30, 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	\$ 1,904,009,927	\$ 588,088,706	\$ 238,023,647	\$ 156,045,434	\$ 176,112,652	\$ 745,739,488
Major maturity cash outflow	2,293,509,243	300,530,802	317,798,520	295,427,490	411,312,175	968,440,256
Gap	(389,499,316)	287,557,904	(79,774,873)	(139,382,056)	(235,199,523)	(222,700,768)

	Total	June 30, 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	\$ 1,866,964,296	\$ 565,254,323	\$ 255,162,405	\$ 164,207,143	\$ 117,288,599	\$ 765,051,826
Major maturity cash outflow	2,225,737,502	299,037,251	323,931,380	329,883,974	388,631,829	884,253,068
Gap	(358,773,206)	266,217,072	(68,768,975)	(165,676,831)	(271,343,230)	(119,201,242)

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	June 30, 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	\$ 32,854,170	\$ 11,837,586	\$ 9,563,081	\$ 4,478,477	\$ 2,266,466	\$ 4,708,560
Major maturity cash outflow	32,884,908	9,515,061	9,127,444	5,029,161	3,368,819	5,844,423
Gap	(30,738)	2,322,525	435,637	(550,684)	(1,102,353)	(1,135,863)

(In Thousands of U.S. Dollars)

	Total	June 30, 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	\$ 35,010,359	\$ 12,590,071	\$ 9,699,207	\$ 5,955,664	\$ 3,178,044	\$ 3,587,373
Major maturity cash outflow	35,342,522	11,335,049	9,598,150	5,998,751	4,013,251	4,397,321
Gap	(332,163)	1,255,022	101,057	(43,087)	(835,207)	(809,948)

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

6) Capital adequacy

Item		Period	June 30, 2020	December 31, 2019	June 30, 2019
Self-owned capital	Common equity Tier I		\$ 130,383,190	\$ 128,251,549	\$ 123,573,472
	Other Tier I capital		24,170,523	23,676,331	23,589,130
	Tier II capital		34,622,275	36,712,449	37,145,677
	Self-owned capital		189,175,988	188,640,329	184,308,279
Risk-weighted assets	Credit risk	Standardized approach	1,206,366,991	1,192,564,956	1,166,363,239
		IRB	-	-	-
		Securitization	96,446	122,465	-
	Operation risk	Basic indicator approach	-	-	-
		Standardized approach/optional standard	58,514,388	58,514,388	54,509,138
		Advanced internal-rating based approach	-	-	-
	Market price risk	Standardized approach	42,803,600	58,646,600	65,782,863
		Internal model approach	-	-	-
	Total		1,307,781,425	1,309,848,409	1,286,655,240
	Capital adequacy ratio		14.47%	14.40%	14.32%
Common equity Tier I to risk-weighted assets ratio		9.97%	9.79%	9.60%	
Tier I capital to risk-weighted assets ratio		11.82%	11.60%	11.44%	
Leverage ratio		7.38%	7.38%	7.46%	

Note 1: The ratios are calculated in accordance with the Letters issued by the MOF on both January 9, 2014 (Ref. No. FSC 10200362920 and 10200362921).

Note 2: Formula:

- a. Self-owned capital = Common equity Tier I + Other Tier I capital + Tier II capital
- b. Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) x 12.5
- c. Capital adequacy = Self-owned capital ÷ Risk-weighted assets
- d. Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital ÷ Risk-weighted assets
- e. Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital) ÷ Risk-weighted assets
- f. Leverage ratio = Tier I capital ÷ Adjusted average assets

7) Securities department balance sheet: Table 4

Securities department statements of income: Table 5

Taishin Securities B

a. Balance sheets (Standalone)

	June 30	
	2020	2019
Assets		
Current assets	\$ 46,247,279	\$ 35,183,426
Financial assets at FVTPL - non-current	27,270	29,280
Financial assets at FVTOCI - non-current	163,464	99,435
Investments accounted for using the equity method	212,922	73,631
Property and equipment	239,808	300,224
Right-of-use assets	190,421	192,139
Investment properties	125,058	32,004
Intangible assets	85,082	60,534
Deferred tax assets	10,621	15,457
Other non-current assets	<u>500,277</u>	<u>571,089</u>
	<u>\$ 47,802,202</u>	<u>\$ 36,557,219</u>
Liabilities		
Current liabilities	\$ 35,671,839	\$ 26,847,111
Other non-current liabilities	<u>3,559,107</u>	<u>1,310,958</u>
	<u>39,230,946</u>	<u>28,158,069</u>
Equity		
Capital stock	6,924,125	6,924,125
Capital surplus	965,825	965,825
Retained earnings	645,762	475,236
Other equity	<u>35,544</u>	<u>33,964</u>
	<u>8,571,256</u>	<u>8,399,150</u>
	<u>\$ 47,808,202</u>	<u>\$ 36,557,219</u>

b. Statements of comprehensive income (Standalone)

	For the Six Months Ended	
	June 30	
	2020	2019
Revenue	\$ 1,247,712	\$ 973,430
Expense	(1,002,209)	(773,877)
Non-operating income and expense	<u>7,669</u>	<u>8,261</u>
Profit before income tax	253,172	207,814
Income tax expense	<u>(74,709)</u>	<u>(5,697)</u>
Net income	178,463	202,117
Other comprehensive income	<u>4,422</u>	<u>5,491</u>
Total comprehensive income	<u>\$ 182,885</u>	<u>\$ 207,608</u>
Basic earnings per share (in dollars)	<u>\$0.26</u>	<u>\$0.31</u>

c. Key financial and business highlights

- Profitability

Item		For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Return on total assets	Pretax	0.57%	0.63%
	After tax	0.40%	0.61%
Return on net equity	Pretax	2.91%	2.61%
	After tax	2.05%	2.54%
Profit margin		14.30%	20.76%

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 = $\frac{\text{Income after tax}}{\text{Revenue}}$

Note d: Profitability presented above is cumulative from January 1 to June 30 of 2020 and 2019.

d. Capital adequacy

Item	June 30	
	2020	2019
Eligible capital		
Tier I capital	\$ 8,533,409	\$ 8,365,693
Tier I capital - minus assets	1,119,749	393,685
Tier II capital - minus assets in excess of Tier II capital	-	318,095
Tier I capital, net	<u>7,413,660</u>	<u>7,653,913</u>
Tier II capital	3,317,030	15,056
Tier II capital - minus assets	<u>1,034,667</u>	<u>15,056</u>
Tier II capital, net	<u>2,282,363</u>	-
Tier III capital	-	-
Total net of eligible capital	<u>\$ 9,696,023</u>	<u>\$ 7,653,913</u>
Equivalent amount of operating risk		
Equivalent amount of credit risk	\$ 586,926	\$ 325,065
Equivalent amount of operation risk	284,326	217,559
Equivalent amount of market risk	<u>2,107,710</u>	<u>1,615,119</u>
	<u>\$ 2,978,962</u>	<u>\$ 2,157,743</u>
Capital adequacy ratio	325%	355%

- Capital adequacy ratio = Net of eligible capital ÷ Equivalent amount of operating risk
- Net of eligible capital = Tier I capital + Tier II capital + Tier III capital - Minus assets
- Equivalent amount of operating risk = Equivalent amount of market risk + Equivalent amount of credit risk + Equivalent amount of operation risk

- e. Future department balance sheet: Table 6
 f. Future department statements of comprehensive income: Table 7

Taishin AMC

- a. Balance sheets

	June 30	
	2020	2019
Assets		
Current assets	\$ 23,110	\$ 47,793
Financial assets at FVTOCI - non-current	104,770	106,009
Investments accounted for using the equity method	136,914	134,432
Property and equipment	175,425	178,323
Investment property	1,176,631	691,345
Deferred tax assets	34,416	34,570
Right-of-use assets	113	225
Other non-current assets	<u>197,465</u>	<u>190,561</u>
	<u>\$ 1,848,844</u>	<u>\$ 1,383,258</u>
Liabilities		
Current liabilities	\$ 843,604	\$ 383,438
Other non-current liabilities	<u>6,561</u>	<u>4,552</u>
	<u>850,165</u>	<u>387,990</u>
Equity		
Capital stock	671,000	671,000
Capital surplus	4,141	4,141
Retained earnings	366,058	361,409
Other equity	<u>(42,520)</u>	<u>(41,282)</u>
	<u>998,679</u>	<u>995,268</u>
	<u>\$ 1,848,844</u>	<u>\$ 1,383,258</u>

- b. Statements of comprehensive income

	For the Six Months Ended	
	June 30	
	2020	2019
Operating revenue	\$ 113,602	\$ 127,375
Operating cost and expenses	<u>(59,185)</u>	<u>(63,606)</u>
Operating income	54,417	63,769
Non-operating income	9,227	8,759
Non-operating expenses	<u>(1,178)</u>	<u>(431)</u>
Income before income tax	62,466	72,097
Income tax expense	<u>(10,818)</u>	<u>(13,008)</u>
Net income	51,648	59,089
Other comprehensive income	<u>5,639</u>	<u>1,042</u>
Total comprehensive income	<u>\$ 57,287</u>	<u>\$ 60,131</u>
Earnings per share (in dollars)	<u>\$0.77</u>	<u>\$0.88</u>

c. Profitability

Item		For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Return on total assets	Pretax	3.83%	5.21%
	After tax	3.17%	4.27%
Return on net equity	Pretax	6.09%	6.96%
	After tax	5.03%	5.70%
Profit margin		42.05%	43.41%

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 June 30 of 2020 and 2019.

Taishin Venture Capital

a. Balance sheets

	June 30	
	2020	2019
Assets		
Current assets	\$ 707,311	\$ 662,296
Financial assets at FVTPL - non-current	1,437,398	1,414,848
Investments accounted for using the equity method	1,989,670	1,947,602
Property and equipment	200	164
Right-of-use assets	1,197	2,994
Other non-current assets	<u>439</u>	<u>440</u>
	<u>\$ 4,136,215</u>	<u>\$ 4,028,344</u>
Liabilities		
Current liabilities	\$ 2,924	\$ 3,840
Other non-current liabilities	<u>-</u>	<u>1,208</u>
	<u>2,924</u>	<u>5,048</u>
Equity		
Capital stock	4,219,113	4,208,749
Capital surplus	871	871
Retained earnings	163,648	(81,157)
Other equity	<u>(250,341)</u>	<u>(105,167)</u>
	<u>4,133,291</u>	<u>4,023,296</u>
	<u>\$ 4,136,215</u>	<u>\$ 4,028,344</u>

b. Statements of comprehensive income

	For the Six Months Ended June 30	
	2020	2019
Revenue	\$ 169,583	\$ 156,317
Expense	<u>(7,719)</u>	<u>(170,053)</u>
Income before income tax	<u>161,864</u>	<u>(13,736)</u>
Net income	161,821	(13,736)
Other comprehensive income	<u>(52,107)</u>	<u>25,619</u>
 Total comprehensive income	 <u>\$ 109,714</u>	 <u>\$ 11,883</u>
 Earnings per share (in dollars)	 <u>\$ 0.38</u>	 <u>\$ (0.03)</u>

c. Profitability

Item		For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Return on total assets	Pretax	3.97%	(0.34%)
	After tax	3.96%	(0.34%)
Return on net equity	Pretax	3.97%	(0.34%)
	After tax	3.97%	(0.34%)
Profit margin		95.42%	(8.79%)

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 June 30 of 2020 and 2019.

Taishin Securities Investment Trust

a. Balance sheets

	June 30	
	2020	2019
Assets		
Current assets	\$ 304,572	\$ 342,110
Financial assets at FVTPL - non-current	1,940	1,928
Property and equipment	14,863	18,061
Goodwill	410,930	410,930
Right-of-use assets	34,863	44,391
Intangible assets	4,348	3,800
Deferred tax assets	6	5
Other non-current assets	<u>199,583</u>	<u>147,185</u>
	<u>\$ 971,105</u>	<u>\$ 968,410</u>
Liabilities		
Current liabilities	\$ 101,501	\$ 93,747
Other non-current liabilities	<u>24,147</u>	<u>33,530</u>
	<u>125,648</u>	<u>127,277</u>
Equity		
Capital stock	754,545	754,545
Capital surplus	47,856	47,856
Retained earnings	44,116	39,803
Other equity	<u>(1,060)</u>	<u>(1,071)</u>
	<u>845,457</u>	<u>841,133</u>
	<u>\$ 971,105</u>	<u>\$ 968,410</u>

b. Statements of comprehensive income

	For the Six Months Ended	
	June 30	
	2020	2019
Operating revenue	\$ 191,612	\$ 187,929
Operating expenses	<u>(167,360)</u>	<u>(163,727)</u>
Operating income	24,252	24,202
Non-operating income	2,228	1,988
Non-operating expenses	<u>(549)</u>	<u>(276)</u>
Income before income tax	25,931	25,914
Income tax expenses	<u>(4,982)</u>	<u>(5,021)</u>
Net income	20,949	20,893
Other comprehensive income	<u>40</u>	<u>(10)</u>
Total comprehensive income	<u>\$ 20,989</u>	<u>\$ 20,883</u>
Earnings per share (in dollars)	<u>\$ 0.28</u>	<u>\$ 0.28</u>

c. Profitability

Item		For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Return on total assets	Pretax	2.59%	2.70%
	After tax	2.09%	2.18%
Return on net equity	Pretax	3.04%	3.06%
	After tax	2.45%	2.47%
Profit margin		10.81%	11.00%

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 June 30 of 2020 and 2019.

Taishin Securities Investment Advisory

a. Balance sheets

	<u>June 30</u>	
	2020	2019
Assets		
Current assets	\$ 345,315	\$ 336,826
Property and equipment	932	1,012
Right-of-use assets	2,531	10,122
Deferred tax assets	3,674	3,632
Other non-current assets	<u>6,832</u>	<u>31,833</u>
	<u>\$ 359,284</u>	<u>\$ 383,425</u>
Liabilities		
Current liabilities	\$ 13,649	\$ 20,950
Deferred tax liabilities	-	241
Other non-current liabilities	<u>5,468</u>	<u>7,689</u>
	<u>19,117</u>	<u>28,880</u>
Equity		
Capital stock	300,000	300,000
Capital surplus	52,325	52,325
Retained earnings	<u>(12,158)</u>	<u>2,220</u>
	<u>340,167</u>	<u>354,545</u>
	<u>\$ 359,284</u>	<u>\$ 383,425</u>

b. Statements of comprehensive income

	For the Six Months Ended June 30	
	2020	2019
Operating revenue	\$ 53,354	\$ 49,610
Operating expenses	<u>(50,500)</u>	<u>(53,605)</u>
Operating (loss) income	2,854	(3,995)
Non-operating income	1,397	8,340
Non-operating expenses	<u>(15,181)</u>	<u>(43)</u>
Profit (loss) before income tax	(10,930)	4,302
Income tax (expenses) profit	<u>(1,371)</u>	<u>(2,351)</u>
Net income	(12,301)	1,951
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income (loss)	<u>\$ (12,301)</u>	<u>\$ 1,951</u>
Earnings per share (in dollars)	<u>\$ (0.41)</u>	<u>\$ 0.07</u>

c. Profitability

Item		For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Return on total assets	Pretax	(2.92%)	1.12%
	After tax	(3.29%)	0.51%
Return on net equity	Pretax	(3.16%)	1.21%
	After tax	(3.55%)	0.55%
Profit margin		(22.47%)	3.37%

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 June 30 of 2020 and 2019.

52. 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)

	June 30, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
AUD	\$ 2,323,979	20.34	\$ 47,264,772
RMB	8,395,609	4.20	35,221,183
EUR	314,571	33.30	10,474,509
GBP	51,208	36.46	1,867,092
HKD	5,257,016	3.83	20,118,201
JPY	62,291,075	0.28	17,152,221
SGD	86,981	21.25	1,848,641
USD	10,385,148	29.66	308,023,475
Non-monetary items			
USD	167,301	29.66	4,962,147
<u>Financial liabilities</u>			
Monetary items			
AUD	738,814	20.34	15,025,903
CAD	79,401	21.70	1,722,899
RMB	8,363,996	4.20	35,088,560
EUR	194,561	33.30	6,478,451
GBP	30,827	36.46	1,123,968
HKD	2,998,963	3.83	11,476,802
JPY	28,267,861	0.28	7,783,725
USD	13,504,785	29.66	400,551,936
ZAR	4,564,797	1.71	7,808,181
Non-monetary items			
AUD	732,198	20.34	14,891,333
USD	271,909	29.66	8,064,821
<u>Derivative instruments</u>			
Financial assets			
AUD	226,336	20.34	4,603,190
CAD	483,843	21.70	10,498,791
RMB	918,849	4.20	3,854,747
EUR	112,771	33.30	3,755,032
GBP	24,984	36.46	910,960
HKD	1,876,564	3.83	7,181,466
JPY	11,634,936	0.28	3,203,749

(Continued)

	June 30, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
USD	\$ 12,032,247	29.66	\$ 356,876,445
ZAR	4,869,107	1.71	8,328,709
Financial liabilities			
AUD	1,092,147	20.34	22,211,939
CAD	408,124	21.70	8,855,773
RMB	954,386	4.20	4,003,831
EUR	204,065	33.30	6,794,909
GBP	40,309	36.46	1,469,713
HKD	4,189,545	3.83	16,033,072
JPY	50,099,771	0.28	13,795,273
SGD	65,480	21.25	1,391,658
USD	8,866,160	29.66	262,970,317
ZAR	359,135	1.71	614,308
			(Concluded)
	December 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
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
Financial liabilities			
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
			(Continued)

	December 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<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
USD	15,643,528	30.11	470,964,057
ZAR	4,995,332	2.14	10,695,276
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)

	June 30, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
AUD	\$ 1,771,417	21.80	\$ 38,617,098
RMB	7,471,676	4.52	33,788,871
EUR	353,661	35.38	12,512,030
GBP	53,216	39.37	2,095,087
HKD	4,497,455	3.98	17,897,316
JPY	52,238,352	0.29	15,082,257
SGD	66,017	22.98	1,516,780
USD	8,246,745	31.07	256,242,876
Non-monetary items			
USD	139,416	31.07	4,331,936
<u>Financial liabilities</u>			
Monetary items			
AUD	945,950	21.80	20,621,825
CAD	49,049	23.73	1,164,102
RMB	5,793,060	4.52	26,197,727
			(Continued)

	June 30, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
EUR	\$ 156,749	35.38	\$ 5,545,567
GBP	25,008	39.37	984,549
HKD	3,023,778	3.98	12,032,917
JPY	21,173,444	0.29	6,113,197
USD	10,982,238	31.07	341,240,098
ZAR	5,106,097	2.20	11,214,863
Non-monetary items			
AUD	349,900	21.80	7,627,858
USD	365,612	31.07	11,360,299
<u>Derivative instruments</u>			
Financial assets			
AUD	587,674	21.80	12,811,350
CAD	738,990	23.73	17,538,873
RMB	498,294	4.52	2,253,416
EUR	158,373	35.38	5,603,002
GBP	26,414	39.37	1,039,917
HKD	238,261	3.98	948,142
JPY	3,083,164	0.29	890,171
USD	3,515,046	31.07	109,219,501
ZAR	5,630,490	2.20	12,366,622
Financial liabilities			
AUD	1,093,085	21.80	23,829,387
CAD	710,832	23.73	16,870,590
RMB	1,786,168	4.52	8,077,519
EUR	326,677	35.38	11,557,357
GBP	53,757	39.37	2,116,414
HKD	1,719,751	3.98	6,843,631
JPY	32,020,225	0.29	9,244,879
SGD	58,591	22.98	1,346,155
USD	714,651	31.07	22,205,638
ZAR	621,818	2.20	1,365,740
			(Concluded)

53. 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 9
5	Sales of NPL from subsidiaries	None
6	Authorities securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
7	Other transactions that may have significant impact on the decision made by the financial statement users	None

- 2) Information on Taishin Financial Holding's subsidiaries:

No.	Item	Explanation
1	Financings provided	Note
2	Endorsements/guarantees provided	Note
3	Marketable securities held	Table 3 (Note)
4	Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital	Note
5	Derivative transactions of investees	Notes 9 and 44

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: Table 2.
- 4) Information of investment in mainland China, significant commitments and contingencies, significant losses and subsequent events is summarized as follows:

No.	Item	Explanation
1	Information of investment in mainland China	Table 8
2	Significant commitments and contingencies	Note 47
3	Significant losses	None
4	Subsequent events	Note 56

- 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 9.

54. 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 Six Months Ended June 30, 2020							
	Taishin Bank (Consumer Business)	Taishin Bank (Corporation Credit Business)	Taishin Bank (Financial Market Business)	Taishin Financial Holding	Others	Adjustments and Eliminations	Total
Net interest income (expense)	\$ 6,513,458	\$ 4,151,403	\$ 1,007,071	\$ (230,185)	\$ (696,453)	\$ 1,201	\$ 10,746,495
Net income other than net interest income	<u>5,638,056</u>	<u>834,839</u>	<u>1,238,365</u>	<u>956,986</u>	<u>2,488,225</u>	<u>(268,556)</u>	<u>10,887,915</u>
Net revenue and gains	12,151,514	4,986,242	2,245,436	726,801	1,791,772	(267,355)	21,634,410
(Provisions for) reversals of allowance for bad debts expenses, commitments and guarantees liabilities	(199,100)	(779,636)	1,682	-	(73,553)	-	(1,050,607)
Operating expenses	<u>(7,528,040)</u>	<u>(1,753,717)</u>	<u>(426,786)</u>	<u>(177,819)</u>	<u>(2,460,798)</u>	<u>140,145</u>	<u>(12,207,015)</u>
Profit (loss) before income tax	<u>\$ 4,424,374</u>	<u>\$ 2,452,889</u>	<u>\$ 1,820,332</u>	<u>\$ 548,982</u>	<u>\$ (742,579)</u>	<u>\$ (127,210)</u>	<u>\$ 8,376,788</u>
Total assets	<u>\$ 680,300,708</u>	<u>\$ 574,707,723</u>	<u>\$ 540,727,679</u>	<u>\$ 49,888,636</u>	<u>\$ 245,422,484</u>	<u>\$ (11,140,485)</u>	<u>\$ 2,079,906,745</u>

For the Six Months Ended June 30, 2019							
	Taishin Bank (Consumer Business)	Taishin Bank (Corporation Credit Business)	Taishin Bank (Financial Market Business)	Taishin Financial Holding	Others	Adjustments and Eliminations	Total
Net interest income (expense)	\$ 6,358,192	\$ 3,911,117	\$ (264,547)	\$ (217,335)	\$ (228,728)	\$ 553	\$ 9,559,252
Net income other than net interest income	<u>5,875,195</u>	<u>1,197,620</u>	<u>2,191,721</u>	<u>1,353,110</u>	<u>2,076,333</u>	<u>(119,496)</u>	<u>12,274,483</u>
Net revenue and gains	11,933,387	5,108,737	1,927,174	1,135,775	1,847,605	(118,943)	21,833,735
(Provisions for) reversals of allowance for bad debts expenses and guarantee liabilities	(62,478)	(299,510)	1,810	-	(337,741)	-	(697,919)
Operating expenses	<u>(7,176,389)</u>	<u>(1,711,753)</u>	<u>(398,782)</u>	<u>(148,124)</u>	<u>(2,439,496)</u>	<u>112,067</u>	<u>(11,762,477)</u>
Profit (loss) before income tax	<u>\$ 4,694,520</u>	<u>\$ 3,097,474</u>	<u>\$ 1,530,202</u>	<u>\$ 987,651</u>	<u>\$ (929,632)</u>	<u>\$ (6,876)</u>	<u>\$ 9,373,339</u>
Total assets	<u>\$ 620,360,080</u>	<u>\$ 518,394,635</u>	<u>\$ 517,224,858</u>	<u>\$ 44,297,755</u>	<u>\$ 237,440,038</u>	<u>\$ (5,010,859)</u>	<u>\$ 1,932,706,507</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.

55. OTHER ITEMS

Except for the impact from the volatility of the stock and bond markets, resulting in larger-than-normal temporary fluctuations in the comprehensive income from the Group's investment position for the six months ended June 30, 2020, and for following the government's relief measures, there was no significant impact, arising from the COVID-19 pandemic, on the Group's overall operations. In addition, for some of those customers affected by the pandemic, the Group offered loan repayment extensions or adjustments to installment repayment amounts, and these were included in the consideration of significant accounting estimates used in the analysis of asset impairment.

56. EVENTS AFTER THE REPORTING PERIOD

To strengthen the business competitiveness of the Group, the Company planned to acquire 100% of Prudential Life Insurance Company of Taiwan Inc. ("Prudential Life Insurance") and signed the share purchase agreement with Prudential International Insurance Holdings, Ltd, the parent company of Prudential Life Insurance, on August 11, 2020. After regulatory approvals are obtained and closing conditions set forth in the agreement are satisfied, the Company will complete settlement and pay the base consideration of \$5,500,000 thousand on the settlement day determined by both parties. According to the share purchase agreement, there is a price adjustment mechanism, and, under which the Company will pay additional consideration of up to \$3,000,000 thousand in the second anniversary of the signing date if price adjustment conditions are met.

If the Company successfully acquires Prudential Life Insurance, the Group will officially engage in the life insurance sector and complete the third business engine as a financial holding company. However, the transaction is subject to approvals from relevant regulatory authorities, and, therefore the estimate of the financial effect cannot be made at this point in time.

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 SIX MONTHS ENDED JUNE 30, 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
							Property Owner	Relationship	Transaction Date	Amount		
Taishin AMC	Building in Dehui St.	March 12, 2020	\$ 429,650	Fully paid	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.

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection Status	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference
Taishin Bank	Building in Dehui St.	March 12, 2020	December 25, 2003	\$ 309,812	\$ 429,650	Fully collected	\$ 119,838 (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.

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

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEE'S NAMES, LOCATIONS, ETC.
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investees' Names	Unified Business No.	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Percentage Share of the Company and Its Affiliates in Investees (Note 1)				Note
							Current Shares	Pro Forma Shares (Note 2)	Total Shares	Ownership Interest (%)	
<u>Financial business</u>											
Taishin Bank	86519539	B1, 1F, No. 44, Jungshan N. Rd., Sec. 2, Zhongshan District, Taipei, Taiwan	Commercial bank business, trust, and bills discounting	100.00	\$ 155,741,412	\$ 6,154,620	8,255,711,853	-	8,255,711,853	100.00	Investments accounted for using equity method
Chang Hwa Bank	51811609	No. 38, Tsu Yu Rd., Sec. 2, Central District, Taichung, Taiwan	Commercial bank business, trust, and offshore banking unit	22.55	40,811,942	956,986	2,277,980,951	-	2,277,980,951	22.81	"
Taishin Securities B	23534956	2F, No. 44, Jungshan N. Rd., Sec. 2, Zhongshan District, Taipei, Taiwan	Multiple securities and future transaction assistant	100.00	8,571,256	178,088	692,412,444	-	692,412,444	100.00	"
Taishin AMC	80341022	2F-3, No. 9, Dehuei St., Zhongshan District, Taipei, Taiwan	Acquisition of delinquent loans, evaluation, auction, and management	100.00	998,905	51,873	67,100,000	-	67,100,000	100.00	"
Taishin Securities Investment Trust	27326178	1F., No. 9-1, Dehuei St., Zhongshan District, Taipei, Taiwan	Investment trust	100.00	845,458	20,949	75,454,545	-	75,454,545	100.00	"
Taishin Securities Investment Advisory	23285289	16F, No. 118, Ren-Ai Rd., Sec. 4, Da'an District, Taipei, Taiwan	Investment trust, advisory, and publication	92.00	312,948	(11,697)	27,599,513	-	27,599,513	92.00	"
Taishin Venture Capital	80031342	18F, No. 118, Ren-Ai Rd., Sec. 4, Da'an District, Taipei, Taiwan	Investment start-up	100.00	4,133,291	161,821	421,911,304	-	421,911,304	100.00	"
<u>Nonfinancial business</u>											
Metro Consulting Service Ltd.	27974096	B1F, No. 7, Lane 48, Zhongshan N. Rd., Sec. 2, Zhongshan District, Taipei, Taiwan	Consultancy, information service and human resource dispatch	4.40	2,010	-	520,000	-	520,000	10.40	Financial assets at FVTOCI

Note 1: Shares or pro forma shares held by the Bank, directors, supervisors, president, vice president and affiliates in accordance with the Company Law have been included.

Note 2: a. Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts.
b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of the "Securities and Exchange Law Enforcement Rules."
c. Derivative contracts, such as those on stock options, are those conforming to the definition of derivatives in International Financial Reporting Standards No. 9 - "Financial Instruments."

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 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	June 30, 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	
	<u>Beneficiary certificates</u> Taishin Short Duration Emerging High Yield Bond Fund	Issued by Taishin Securities investment trust	Financial assets at FVTPL Financial assets at FVTPL	1,100	10,991	-	10,991	
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	- -	Ceased operations
	<u>Bonds</u> Government Bonds 102-6	-	Financial assets at amortized cost	6,000	6,095	-	6,134	
	<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	1,309,368 670,355	100.00 100.00	1,309,368 670,355	
Taishin Venture Capital	Delos Capital Fund, LP	-	Financial assets at FVTPL	8,622	222,488	7.63	222,488	
	Delos Capital Fund II, LP	-	Financial assets at FVTPL	5,815	137,524	7.46	137,524	
	CDIB Capital Global Opportunities Fund L.P.	-	Financial assets at FVTPL	824	23,928	2.21	23,928	
	Li Shen Zhi-Lian L.P.	-	Financial assets at FVTPL	30,000	24,900	12.47	24,900	
	Arm IoT Fund, L.P.	-	Financial assets at FVTPL	1,957	57,952	14.66	57,952	
	<u>Stock</u> Kwan-Hwa Venture Capital Corp.	Its corporate director is Taishin venture capital	Financial assets at FVTPL	276	1,576	5.56	1,576	
	Chi-Ting Venture Capital Investment Co., Ltd.	-	Financial assets at FVTPL	331	2,134	1.30	2,134	
	Hwei-Yang Venture Capital Investment Co., Ltd.	-	Financial assets at FVTPL	42	1,954	1.54	1,954	
	Century Development Corp.	Its corporate supervisor is Taishin venture capital	Financial assets at FVTPL	10,633	140,468	3.03	140,468	
	Microbio Co., Ltd.	-	Financial assets at FVTPL	1,674	125,561	0.39	125,561	
Innostor Technology Corporation	-	Financial assets at FVTPL	69	-	0.81	-		
Youn Shin Artistic Co., Ltd.	-	Financial assets at FVTPL	1,000	850	12.69	850	Liquidated	

(Continued)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	JUNE 30, 2020				Note	
				Number of Shares/Units/ Face Value	Carrying Amount	Percentage of Ownership (%)	Market Value		
Taishin AMC	Winking Entertainment Ltd.	-	Financial assets at FVTPL	709	\$ 1,262	1.69	\$ 1,262		
	Diamond Biotech Investment Corp.	Its corporate director is Taishin Venture Capital	Financial assets at FVTPL	45,000	324,000	10.00	324,000		
	Stem Cyte International Ltd.	-	Financial assets at FVTPL	500	9,430	0.55	9,430		
	American BriVision (Holding) Corp.	-	Financial assets at FVTPL	11	-	0.06	-		
	VM Discovery, Inc.	-	Financial assets at FVTPL	95	8,307	Preferred stock	8,307		
	RevMab Biosciences, Inc.	-	Financial assets at FVTPL	400	6,688	Preferred stock	6,688		
	JHL Biotech, Inc.	-	Financial assets at FVTPL	2,105	52,316	0.89	52,316		
	Chime Biologics Limited	-	Financial assets at FVTPL	2,105	27,516	0.48	27,516		
	Celestial Talent Limited	-	Financial assets at FVTPL	1,457	20,575	2.30	20,575		
	Shin Yao Biomedical Venture Capital Investment Co., Ltd.	Its corporate director is Taishin Venture Capital	Financial assets at FVTPL	35,000	245,700	10.00	245,700		
	Taxven BioPharma, Inc.	-	Financial assets at FVTPL	291	13,936	0.11	13,936		
	Great Agricultural Technology Co., Ltd.	-	Financial assets at FVTPL	578	3,459	3.33	3,459		
	Contact Digital Integration Co., Ltd.	Other	Financial assets at FVTPL	1,300	7,995	7.22	7,995		
	I.X	-	Financial assets at FVTPL	1,942	6,680	3.41	6,680		
	Power Master Co., Ltd.	-	Financial assets at FVTPL	220	2,389	0.39	2,389		
	FinTech Base	-	Financial assets at FVTPL	17,500	69,475	8.06	69,475		
	IIH Biomedical Venture Fund I Co., Ltd.	Its corporate director is Taishin D.A. Finance	Financial assets at FVTPL	2,500	22,775	8.08	22,775		
	Sim2 Travel Inc.	-	Financial assets at FVTPL	350	-	Preferred stock	-		
	PC Home Online Investment Inc.	-	Financial assets at FVTPL	79	-	3.03	-		
	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	9,947	25.00	9,947		
	<u>Beneficiary certificates</u>								
	Capital Money Market Fund	-	Financial assets at FVTPL	8,411	136,562	-	136,562		
	Taishin 1699 Money Market Fund	Issued by Taishin Securities Investment Trust	Financial assets at FVTPL	9,032	123,015	-	123,015		
	Taishin Short Duration Emerging High Yield Bond Fund	Issued by Taishin Securities Investment Trust	Financial assets at FVTPL	1,000	9,978	-	9,978		
	Union Money Market Fund	-	Financial assets at FVTPL	4,470	59,392	-	59,392		
	Pine Bridge Taiwan Money Market Securities Investment Trust Fund	-	Financial assets at FVTPL	5,163	70,985	-	70,985		
	Pine Bridge Global ESG Quantitative Bond Fund	-	Financial assets at FVTPL	1,000	10,026	-	10,026		
	Jih Sun Asian High Yield Bond Fund	-	Financial assets at FVTPL	1,855	27,672	-	27,672		
	FSITC Money Market Fund	-	Financial assets at FVTPL	387	69,520	-	69,520		
	Hua Nan Phoenix Money Market Fund	-	Financial assets at FVTPL	306	5,007	-	5,007		
	<u>Investment agreement</u>								
	Public Television Foundation (Formosa 1867)	-	Financial assets at FVTPL	2,000	1,120	1.03	1,120		
<u>Stock</u>									
Linkou Golf Country Club	-	Financial assets at FVTOCI	-	1,734	-	1,714			
Dah Chung Bills	-	Financial assets at FVTOCI	2,290	31,823	0.51	31,713			
Diamond Biotech Investment Corp.	Its corporate director is Taishin Venture Capital	Financial assets at FVTOCI	5,625	40,500	1.25	32,513			

(Continued)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	JUNE 30, 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	\$ 30,713	1.25	\$ 29,181	
	Taishin Real Estate	Equity-method investee	Investment accounted for using the equity method	8,000	136,915	40.00	141,594	
	<u>Stock</u>							
	Tangeng Advanced Vehicle Co., Ltd.	-	Financial assets at FVTPL	1,400	30,366	3.05	30,366	
	Rich Healthy Fruits & Vegetable Corp.	-	Financial assets at FVTPL	288	15,077	1.64	15,077	
	Msscrops Co., Ltd.	-	Financial assets at FVTPL	210	12,235	0.54	12,235	
	Power Master International Investment Holdings Co., Ltd.	-	Financial assets at FVTPL	165	1,792	0.29	1,792	
	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	3,422	1.11	3,442		

(Concluded)

TABLE 4

TAISHIN INTERNATIONAL BANK CO., LTD.
SECURITIES DEPARTMENT

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Financial assets at FVTPL - current	\$ 11,077,807	19	\$ 29,104,767	36	\$ 13,746,791	23
Financial assets at FVTOCI - current	8,934,128	15	7,670,740	10	6,107,826	10
Financial assets carried at cost - current	499,882	1	-	-	-	-
Other current assets	<u>526,299</u>	<u>1</u>	<u>1,081,510</u>	<u>1</u>	<u>1,320,221</u>	<u>2</u>
Total current assets	<u>21,038,116</u>	<u>36</u>	<u>37,857,017</u>	<u>47</u>	<u>21,174,838</u>	<u>35</u>
NONCURRENT ASSETS						
Financial assets at FVTOCI - noncurrent	35,607,306	60	38,758,552	49	39,181,181	65
Financial assets carried at cost - noncurrent	2,592,672	4	3,107,164	4	-	-
Refundable deposits	<u>28,395</u>	<u>-</u>	<u>29,032</u>	<u>-</u>	<u>29,032</u>	<u>-</u>
Total noncurrent assets	<u>38,228,373</u>	<u>64</u>	<u>41,894,748</u>	<u>53</u>	<u>39,210,213</u>	<u>65</u>
Total noncurrent assets	<u>\$ 59,266,489</u>	<u>100</u>	<u>\$ 79,751,765</u>	<u>100</u>	<u>\$ 60,385,051</u>	<u>100</u>
TOTAL						
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Bond loans under repurchase agreements	\$ 20,171,878	34	\$ 34,832,834	44	\$ 19,707,589	33
Other current liabilities	<u>659,380</u>	<u>1</u>	<u>489,343</u>	<u>-</u>	<u>774,331</u>	<u>1</u>
Total current liabilities	<u>20,831,258</u>	<u>35</u>	<u>35,322,177</u>	<u>44</u>	<u>20,481,920</u>	<u>34</u>
NONCURRENT LIABILITIES						
Transactions between home office and branches	<u>36,549,285</u>	<u>62</u>	<u>42,556,383</u>	<u>54</u>	<u>38,263,835</u>	<u>63</u>
Total liabilities	<u>57,380,543</u>	<u>97</u>	<u>77,878,560</u>	<u>98</u>	<u>58,745,755</u>	<u>97</u>
EQUITY						
Appropriated working capital	800,000	1	800,000	1	800,000	1
Retained earnings						
Special reserve	189,981	-	189,981	-	189,981	-
Unappropriated earnings	468,918	1	749,686	1	450,982	1
Other equity						
Unrealized gains (losses) on financial assets at FVTOCI	<u>427,047</u>	<u>1</u>	<u>133,538</u>	<u>-</u>	<u>198,333</u>	<u>1</u>
Total equity	<u>1,885,946</u>	<u>3</u>	<u>1,873,205</u>	<u>2</u>	<u>1,639,296</u>	<u>3</u>
TOTAL	<u>\$ 59,266,489</u>	<u>100</u>	<u>\$ 79,751,765</u>	<u>100</u>	<u>\$ 60,385,051</u>	<u>100</u>

TABLE 5

**TAISHIN INTERNATIONAL BANK CO., LTD.
SECURITIES DEPARTMENT**

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	2019		2018	
	Amount	%	Amount	%
REVENUES AND GAINS				
Securities underwriting services income	\$ 48,814	8	\$ 14,716	3
Gains on sale of securities held for operations - dealing	256,801	42	203,884	37
Interest income	267,500	43	292,629	52
Gains (losses) on valuation of securities held for operations - dealing	43,182	7	44,078	8
Reversals (losses) of impairment loss on expected credit losses	<u>(1,427)</u>	<u>-</u>	<u>2,073</u>	<u>-</u>
Total revenues and gains	<u>614,870</u>	<u>100</u>	<u>557,380</u>	<u>100</u>
EXPENSES AND LOSSES				
Financial costs	(56,917)	(9)	(28,989)	(5)
Employee benefit expense	(25,105)	(4)	(16,250)	(3)
Depreciation and amortization expenses	(124)	-	(85)	-
Other operating expenses	<u>(21,300)</u>	<u>(4)</u>	<u>(10,838)</u>	<u>(2)</u>
Total expenses and losses	<u>(103,446)</u>	<u>(17)</u>	<u>(56,162)</u>	<u>(10)</u>
INCOME BEFORE INCOME TAX	511,424	83	501,218	90
INCOME TAX EXPENSE	<u>(42,506)</u>	<u>(7)</u>	<u>(50,236)</u>	<u>(9)</u>
NET INCOME	<u>468,918</u>	<u>76</u>	<u>450,982</u>	<u>81</u>
OTHER COMPREHENSIVE INCOME				
Components of other comprehensive income that will be reclassified to profit or loss, net of tax				
Unrealized loss on investment in debt instruments at FVTOCI	<u>293,509</u>	<u>48</u>	<u>76,063</u>	<u>14</u>
Other comprehensive income (loss), net of tax	<u>293,509</u>	<u>48</u>	<u>76,063</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 762,427</u>	<u>124</u>	<u>\$ 527,045</u>	<u>95</u>

TABLE 6

TAISHIN SECURITIES CO., LTD.
FUTURES DEPARTMENT

BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents	\$ 540,470	33	\$ 613,596	45	\$ 557,378	42
Customer margin account	845,625	51	592,626	43	552,924	42
Other receivables	403	-	91	-	845	-
Other financial assets - current	100,000	6	-	-	50,000	4
Other current assets	<u>151</u>	<u>-</u>	<u>342</u>	<u>-</u>	<u>575</u>	<u>-</u>
Total current assets	<u>1,486,649</u>	<u>90</u>	<u>1,206,655</u>	<u>88</u>	<u>1,161,722</u>	<u>88</u>
NONCURRENT ASSETS						
Property and equipment	8,279	-	8,906	1	905	-
Right-of-use assets	1,724	-	2,081	-	2,437	-
Intangible assets	20,557	1	8,100	-	4,775	-
Other non-current assets	<u>142,470</u>	<u>9</u>	<u>148,297</u>	<u>11</u>	<u>151,762</u>	<u>12</u>
Total noncurrent assets	<u>173,030</u>	<u>10</u>	<u>167,384</u>	<u>12</u>	<u>159,879</u>	<u>12</u>
TOTAL	<u>\$ 1,659,679</u>	<u>100</u>	<u>\$ 1,374,039</u>	<u>100</u>	<u>\$ 1,321,601</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Future traders' equity	\$ 844,605	51	\$ 592,198	43	\$ 551,671	42
Payables	12,745	1	2,648	-	2,360	-
Other payables	3,403	-	3,013	1	1,726	-
Lease liabilities - current	715	-	700	-	694	-
Other current liabilities	<u>646</u>	<u>-</u>	<u>188</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Total current liabilities	<u>862,114</u>	<u>52</u>	<u>598,747</u>	<u>44</u>	<u>557,451</u>	<u>42</u>
NONCURRENT LIABILITIES						
Lease liabilities - non-current	1,041	-	1,404	-	1,756	-
Transactions between home office and branches	<u>23,516</u>	<u>1</u>	<u>10</u>	<u>-</u>	<u>69</u>	<u>-</u>
	<u>24,557</u>	<u>1</u>	<u>1,414</u>	<u>-</u>	<u>1,825</u>	<u>-</u>
Total liabilities	<u>886,671</u>	<u>53</u>	<u>600,161</u>	<u>44</u>	<u>559,276</u>	<u>42</u>
EQUITY						
Appropriated working capital	<u>745,000</u>	<u>45</u>	<u>745,000</u>	<u>54</u>	<u>745,000</u>	<u>57</u>
Retained earnings						
Legal reserve	2,336	-	2,336	-	2,336	-
Special reserve	4,672	1	4,672	-	4,673	-
Unappropriated earnings	<u>21,000</u>	<u>1</u>	<u>21,870</u>	<u>2</u>	<u>10,316</u>	<u>1</u>
Total retained earnings	<u>28,008</u>	<u>2</u>	<u>28,878</u>	<u>2</u>	<u>17,325</u>	<u>1</u>
Total equity	<u>773,008</u>	<u>47</u>	<u>773,878</u>	<u>56</u>	<u>762,325</u>	<u>58</u>
TOTAL	<u>\$ 1,659,679</u>	<u>100</u>	<u>\$ 1,374,039</u>	<u>100</u>	<u>\$ 1,321,601</u>	<u>100</u>

TABLE 7

TAISHIN SECURITIES CO., LTD.
FUTURES DEPARTMENT

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2019
(In Thousands of New Taiwan Dollars)

	2019		2018	
	Amount	%	Amount	%
REVENUES				
Service fee - brokering	\$ 59,061	100	\$ 31,605	100
Impairment loss on expected credit losses	-	-	(102)	-
Other operating gains	(8)	-	3	-
Total expenses	<u>59,053</u>	<u>100</u>	<u>31,506</u>	<u>100</u>
EXPENSES				
Service charge - brokerage	12,540	21	6,193	20
Interest expenses	11	-	15	-
Other operating expenses	8,402	14	5,613	18
Employee benefit expenses	12,205	21	8,309	26
Depreciation and amortization expenses	3,148	5	1,374	4
Other operating expenses	<u>4,069</u>	<u>7</u>	<u>2,384</u>	<u>8</u>
Total expenses	<u>40,375</u>	<u>68</u>	<u>23,888</u>	<u>76</u>
OPERATING INCOME	18,678	32	7,618	24
OTHER INCOME AND LOSSES	<u>2,322</u>	<u>4</u>	<u>2,698</u>	<u>9</u>
INCOME BEFORE INCOME TAX	21,000	36	10,316	33
INCOME TAX	-	-	-	-
NET INCOME	<u>21,000</u>	<u>36</u>	<u>10,316</u>	<u>33</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 21,000</u>	<u>36</u>	<u>\$ 10,316</u>	<u>33</u>

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
JUNE 30, 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 JUNE 30, 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 JUNE 30, 2020	Accumulated Inward Remittance of Earnings as of JUNE 30, 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)	\$ 36,884	100	\$ 36,884 (Note 2.b.1)	\$ 1,309,368	\$ -
	Taishin Financial Leasing (Tianjin)	Financial leasing	920,748 (US\$ 30,000)	Note 1.a.	920,748 (US\$ 30,000)	-	-	920,748 (US\$ 30,000)	24,041	100	24,041 (Note 2.b.1)	670,355	-

Investor	Accumulated Investment in Mainland China as of JUNE 30, 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)	\$ 17,808,660

Note 1: The Six 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 SIX 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 SIX MONTHS ENDED JUNE 30, 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	\$ 224,040	Under arm's length terms	0.01
1	Taishin Bank	Taishin Securities Investment Trust	3	Deposits and remittances	117,076	Under arm's length terms	0.01
1	Taishin Bank	Taishin Securities B	3	Deposits and remittances	1,663,289	Under arm's length terms	0.08
1	Taishin Bank	Xiang An Insurance Agency	4	Deposits and remittances	767,621	Under arm's length terms	0.04
1	Taishin Bank	D.A. Finance	4	Deposits and remittances	129,244	Under arm's length terms	0.01
1	Taishin Bank	Taishin AMC	3	Net other miscellaneous income	119,838	Under arm's length terms	0.55
1	Taishin Securities B	Taishin Bank	3	Lease liabilities	139,272	Under arm's length terms	0.01
1	Taishin Securities B	Taishin Bank	3	Right-of-use assets	198,644	Under arm's length terms	0.01
0	Taishin Financial Holding	Taishin Bank	1	Cash and cash equivalents	7,356,344	Under arm's length terms	0.35
0	Taishin Financial Holding	Taishin Bank	1	Accounts receivable, net	662,240	Under arm's length terms	0.03
0	Taishin Financial Holding	Taishin Bank	1	Accounts payable	430,495	Under arm's length terms	0.02

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.