

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

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed 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 September 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2020 and 2019, its consolidated financial performance for the three months ended September 30, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Ching-Cheng Yang and Han-Ni Fang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 19, 2020

Notice to Readers

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

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

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

ASSETS	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents (Note 7)	\$ 22,453,070	1	\$ 24,168,532	1	\$ 27,181,494	1
Due from the Central Bank and call loans to banks (Note 8)	86,585,759	4	67,417,279	3	59,585,391	3
Financial assets at fair value through profit or loss (FVTPL) (Note 9)	122,570,152	6	144,041,593	7	130,922,301	7
Financial assets at fair value through other comprehensive income (FVTOCI) (Note 10)	195,479,577	9	273,426,137	14	297,731,867	15
Financial assets at amortized cost (Note 11)	250,281,369	12	131,888,616	7	125,100,183	6
Securities purchased under resale agreements	3,725,149	-	11,656,071	1	7,642,419	1
Receivables, net (Notes 12 and 13)	151,663,172	7	156,087,584	8	165,775,361	8
Current tax assets	29,405	-	348,699	-	349,743	-
Loans, net (Note 13)	1,219,615,359	57	1,138,467,117	56	1,106,479,562	55
Investments accounted for using the equity method, net (Note 14)	41,720,445	2	41,406,600	2	40,868,252	2
Other financial assets, net (Notes 12, 13 and 15)	9,569,138	1	5,545,296	-	6,636,222	-
Investment properties, net (Note 16)	1,068,670	-	1,001,062	-	908,591	-
Property and equipment, net (Note 17)	19,085,748	1	19,051,458	1	19,194,907	1
Right-of-use assets, net (Note 18)	2,881,873	-	2,761,324	-	2,523,951	-
Intangible assets, net (Note 19)	3,173,875	-	2,462,448	-	2,421,486	-
Deferred tax assets	2,852,645	-	2,695,099	-	2,546,976	-
Other assets, net (Note 20)	7,374,646	-	8,516,416	-	11,424,800	1
TOTAL	\$ 2,140,130,052	100	\$ 2,030,941,331	100	\$ 2,007,293,506	100
LIABILITIES AND EQUITY						
Due to the Central Bank and banks (Note 21)	\$ 50,495,510	2	\$ 53,393,057	3	\$ 78,171,117	4
Funds borrowed from the Central Bank and other banks	1,549,340	-	1,505,300	-	931,260	-
Financial liabilities at FVTPL (Note 9)	26,363,169	1	27,549,349	1	33,082,417	2
Securities sold under repurchase agreements	94,714,335	5	120,144,975	6	94,954,607	5
Commercial papers issued, net (Note 22)	16,841,125	1	22,856,765	1	20,580,183	1
Payables (Note 23)	36,477,958	2	39,382,641	2	46,403,701	2
Current tax liabilities	2,019,582	-	2,473,274	-	2,515,957	-
Deposits and remittances (Note 24)	1,560,629,866	73	1,434,084,934	71	1,405,376,243	70
Bonds payable (Note 25)	70,100,000	3	56,800,000	3	61,700,000	3
Other borrowings (Note 26)	10,525,895	-	11,194,084	-	11,167,311	1
Provisions (Note 27)	1,751,763	-	1,761,125	-	1,702,050	-
Other financial liabilities (Note 28)	71,603,155	3	72,393,063	4	66,901,072	3
Lease liabilities (Note 18)	2,975,268	-	2,822,108	-	2,579,902	-
Deferred tax liabilities	119,912	-	112,987	-	130,076	-
Other liabilities (Note 29)	11,192,564	1	5,449,932	-	4,854,097	-
Total liabilities	1,957,359,442	91	1,851,923,594	91	1,831,049,993	91
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Note 31)						
Capital stock						
Common stock	109,067,417	5	106,567,044	5	106,560,034	5
Preferred stock	8,000,000	-	8,000,000	-	8,000,000	1
Advance receipts for capital stock	32,099	-	11,077	-	4,854	-
Capital surplus	35,944,940	2	35,955,405	2	35,954,348	2
Retained earnings						
Legal reserve	11,777,396	1	10,357,137	1	10,357,137	-
Special reserve	572,115	-	572,115	-	572,115	-
Unappropriated earnings	16,303,563	1	16,373,487	1	13,886,836	1
Other equity	1,046,237	-	1,053,117	-	777,226	-
Equity attributable to owners of parent	182,743,767	9	178,889,382	9	176,112,550	9
NON-CONTROLLING INTERESTS	26,843	-	128,355	-	130,963	-
Total equity	182,770,610	9	179,017,737	9	176,243,513	9
TOTAL	\$ 2,140,130,052	100	\$ 2,030,941,331	100	\$ 2,007,293,506	100

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

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME (Note 32)	\$ 7,945,403	66	\$ 9,437,178	85	\$ 26,031,078	77	\$ 27,758,092	84
INTEREST EXPENSES (Note 32)	(2,545,592)	(21)	(4,531,186)	(41)	(9,884,772)	(29)	(13,292,848)	(40)
NET INTEREST INCOME (Note 32)	<u>5,399,811</u>	<u>45</u>	<u>4,905,992</u>	<u>44</u>	<u>16,146,306</u>	<u>48</u>	<u>14,465,244</u>	<u>44</u>
NET INCOME OTHER THAN NET INTEREST INCOME								
Net service fee and commission income (Note 33)	3,654,137	31	3,235,345	29	10,323,527	31	9,736,192	30
Gain on financial assets and liabilities at FVTPL (Note 34)	1,859,422	16	1,781,384	16	3,363,226	10	5,530,438	17
Realized gain on financial assets at FVTOCI (Note 35)	493,230	4	415,523	4	1,363,888	4	690,660	2
Gain on derecognition of financial assets at amortized cost	291	-	-	-	291	-	-	-
Foreign exchange gains (losses)	121,680	1	(26,483)	-	693,172	2	137,357	-
Impairment (loss) gain on assets (Notes 10, 11 and 20)	(611)	-	(8,779)	-	(9,682)	-	(15,067)	-
Share of profit (loss) of associates accounted for using the equity method (Note 14)	323,806	3	684,510	6	1,296,572	4	2,058,351	6
Net other miscellaneous income	<u>117,718</u>	<u>-</u>	<u>175,572</u>	<u>1</u>	<u>426,594</u>	<u>1</u>	<u>393,624</u>	<u>1</u>
Net income other than net interest income	<u>6,569,673</u>	<u>55</u>	<u>6,257,072</u>	<u>56</u>	<u>17,457,588</u>	<u>52</u>	<u>18,531,555</u>	<u>56</u>
NET REVENUE AND GAINS	<u>11,969,484</u>	<u>100</u>	<u>11,163,064</u>	<u>100</u>	<u>33,603,894</u>	<u>100</u>	<u>32,996,799</u>	<u>100</u>
PROVISION FOR BAD DEBT EXPENSES, COMMITMENT AND GUARANTEE LIABILITY (Note 12)	<u>(192,691)</u>	<u>(2)</u>	<u>(949,958)</u>	<u>(9)</u>	<u>(1,243,298)</u>	<u>(4)</u>	<u>(1,647,877)</u>	<u>(5)</u>
OPERATING EXPENSES								
Employee benefits expenses (Notes 5 and 36)	(3,745,608)	(31)	(3,482,717)	(31)	(10,745,709)	(32)	(10,311,632)	(31)
Depreciation and amortization expenses (Note 37)	(554,735)	(4)	(505,091)	(4)	(1,628,016)	(5)	(1,490,428)	(5)
Other general and administrative expenses	<u>(2,229,839)</u>	<u>(19)</u>	<u>(2,201,065)</u>	<u>(20)</u>	<u>(6,363,472)</u>	<u>(18)</u>	<u>(6,149,290)</u>	<u>(19)</u>
Total operating expenses	<u>(6,530,182)</u>	<u>(54)</u>	<u>(6,188,873)</u>	<u>(55)</u>	<u>(18,737,197)</u>	<u>(55)</u>	<u>(17,951,350)</u>	<u>(55)</u>

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TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 5,246,611	44	\$ 4,024,233	36	\$ 13,623,399	41	\$ 13,397,572	40
INCOME TAX EXPENSE (Notes 5 and 38)	(603,250)	(5)	(327,778)	(3)	(1,861,644)	(6)	(1,480,706)	(4)
NET INCOME	<u>4,643,361</u>	<u>39</u>	<u>3,696,455</u>	<u>33</u>	<u>11,761,755</u>	<u>35</u>	<u>11,916,866</u>	<u>36</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss								
Gain on remeasurements of defined benefit plans	67	-	-	-	1,028	-	-	-
Share of other comprehensive income of associates accounted for using the equity method	10,080	-	(62,500)	(1)	108,449	-	235,099	1
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	(39,562)	-	(33,422)	-	13,246	-	54,011	-
Unrealized gain (loss) on investments in equity instruments designated as at FVTOCI	(135,736)	(1)	(250,371)	(2)	(143,425)	-	62,675	-
Items that will be reclassified subsequently to profit or loss								
Exchange differences on translation of foreign financial statements	36,047	-	(76,731)	(1)	(16,947)	-	(50,436)	-
Share of other comprehensive income (loss) of associates accounted for using the equity method	13,526	-	(241,374)	(2)	(178,330)	-	(96,945)	-
Unrealized gain (loss) on investments in debt instruments at FVTOCI	122,741	1	(116,864)	(1)	128,000	-	673,532	2
(Impairment loss) reversal of impairment loss on debt instruments at FVTOCI	(861)	-	6,661	-	5,650	-	8,998	-
Income tax relating to items that will be reclassified subsequently to profit or loss	(24,914)	-	1,370	-	(21,633)	-	(61,068)	-
Other comprehensive income (loss), net of tax	<u>(18,612)</u>	<u>-</u>	<u>(773,231)</u>	<u>(7)</u>	<u>(103,962)</u>	<u>-</u>	<u>825,866</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 4,624,749</u>	<u>39</u>	<u>\$ 2,923,224</u>	<u>26</u>	<u>\$ 11,657,793</u>	<u>35</u>	<u>\$ 12,742,732</u>	<u>39</u>

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TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INCOME (LOSS)								
ATTRIBUTABLE TO:								
Owners of parent	\$ 4,643,685	39	\$ 3,698,776	33	\$ 11,763,254	35	\$ 11,919,136	36
Non-controlling interests	<u>(324)</u>	-	<u>(2,321)</u>	-	<u>(1,499)</u>	-	<u>(2,270)</u>	-
	<u>\$ 4,643,361</u>	<u>39</u>	<u>\$ 3,696,455</u>	<u>33</u>	<u>\$ 11,761,755</u>	<u>35</u>	<u>\$ 11,916,866</u>	<u>36</u>
TOTAL COMPREHENSIVE INCOME (LOSS)								
ATTRIBUTABLE TO:								
Owners of parent	\$ 4,625,064	39	\$ 2,925,545	26	\$ 11,659,162	35	\$ 12,745,002	39
Non-controlling interests	<u>(315)</u>	-	<u>(2,321)</u>	-	<u>(1,369)</u>	-	<u>(2,270)</u>	-
	<u>\$ 4,624,749</u>	<u>39</u>	<u>\$ 2,923,224</u>	<u>26</u>	<u>\$ 11,657,793</u>	<u>35</u>	<u>\$ 12,742,732</u>	<u>39</u>
EARNINGS PER SHARE								
(Note 39)								
Basic	<u>\$ 0.39</u>		<u>\$ 0.30</u>		<u>\$ 0.96</u>		<u>\$ 0.97</u>	
Diluted	<u>\$ 0.39</u>		<u>\$ 0.30</u>		<u>\$ 0.96</u>		<u>\$ 0.97</u>	

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

(Concluded)

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of Parent										Other Equity			Non-controlling Interests	Total Equity
	Capital Stock		Capital Surplus					Retained Earnings			Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at FVTOCI	Changes in Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities at FVTPL		
	Common Stock	Preferred Stock	Advanced Receipts for Capital Stock	Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions	Stock-based Compensation	Other	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2019	\$ 104,362,071	\$ 10,175,410	\$ 3,996	\$ 35,602,662	\$ 2,075,475	\$ 127,576	\$ -	\$ 9,115,012	\$ 572,115	\$ 12,421,251	\$ (372,863)	\$ 301,090	\$ 731	\$ 133,427	\$ 174,517,953
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 on common stock	2,170,903	-	-	-	-	-	-	-	-	(2,170,903)	-	-	-	-	-
Net income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	-	-	-	-	11,919,136	-	-	-	(2,270)	11,916,866
Other comprehensive income (loss) for the nine months ended September 30, 2019, net of tax	-	-	-	-	-	-	-	-	-	(7,084)	(132,885)	912,025	53,810	-	825,866
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	-	-	-	-	11,912,052	(132,885)	912,025	53,810	(2,270)	12,742,732
Redemption of preferred stock D	-	(2,175,410)	-	(1,843,788)	-	-	-	-	-	(180,802)	-	-	-	-	(4,200,000)
Share-based payments	27,060	-	858	8,723	-	(16,300)	-	-	-	-	-	-	-	-	20,341
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(194)	(194)
Disposal of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-	-	-	(15,318)	-	15,318	-	-	-
BALANCE AT SEPTEMBER 30, 2019	\$ 106,560,034	\$ 8,000,000	\$ 4,854	\$ 33,767,597	\$ 2,075,475	\$ 111,276	\$ -	\$ 10,357,137	\$ 572,115	\$ 13,886,836	\$ (505,748)	\$ 1,228,433	\$ 54,541	\$ 130,963	\$ 176,243,513
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 on common stock	2,466,618	-	-	-	-	-	-	-	-	(2,466,618)	-	-	-	-	-
Net income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	-	-	-	-	11,763,254	-	-	-	(1,499)	11,761,755
Other comprehensive income (loss) for the nine months ended September 30, 2020, net of tax	-	-	-	-	-	-	-	-	-	898	(229,093)	110,857	13,246	130	(103,962)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	-	-	-	-	11,764,152	(229,093)	110,857	13,246	(1,369)	11,657,793
Share-based payments	33,755	-	21,022	27,069	-	(37,534)	-	-	-	-	-	-	-	-	44,312
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(100,143)	(100,143)
Disposal of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-	-	-	(98,110)	-	98,110	-	-	-
BALANCE AT SEPTEMBER 30, 2020	\$ 109,067,417	\$ 8,000,000	\$ 32,099	\$ 33,801,783	\$ 2,075,475	\$ 64,469	\$ 3,213	\$ 11,777,396	\$ 572,115	\$ 16,303,563	\$ (905,043)	\$ 1,898,467	\$ 52,813	\$ 26,843	\$ 182,770,610

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

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 13,623,399	\$ 13,397,572
Adjustments:		
Adjustments for reconciliation of profit or loss		
Depreciation expenses	1,352,720	1,274,718
Amortization expenses	275,296	215,710
Provisions for bad debts expenses, commitments and guarantee liabilities	1,243,298	1,647,877
Net loss (gain) on financial assets and liabilities at FVTPL	(3,363,226)	(5,530,438)
Net loss (gain) on financial assets and liabilities at FVTOCI	(1,363,888)	(690,660)
Interest expenses	9,884,772	13,292,848
Loss (gain) on derecognition of financial assets at amortized cost	(291)	-
Interest income	(26,031,078)	(27,758,092)
Stock-based payments	9,135	25,439
Share of profit of associates accounted for using the equity method	(1,296,572)	(2,058,351)
Impairment loss on financial assets	9,573	13,817
Unrealized loss (gain) on foreign currency exchange	3,092,496	725,123
Other adjustments	(1,199)	4,628
Total adjustments	<u>(16,188,964)</u>	<u>(18,837,381)</u>
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and call loans to banks	(12,166,173)	7,863,159
(Increase) decrease in financial assets at FVTPL	59,750,846	26,806,149
(Increase) decrease in financial assets at FVTOCI	76,032,397	38,766,463
(Increase) decrease in financial assets at amortized cost	(118,832,129)	(122,019,332)
(Increase) decrease in securities purchased under resale agreements	32,253	-
(Increase) decrease in receivables	3,191,299	(17,583,451)
(Increase) decrease in loans	(82,329,892)	(89,314,844)
(Increase) decrease in other financial assets	(3,882,997)	687,357
(Increase) decrease in other assets	1,138,404	223,996
Increase (decrease) in due to the Central Bank and banks	111,677	143,212
Increase (decrease) in financial liabilities at FVTPL	(36,808,209)	(33,624,348)
Increase (decrease) in securities sold under repurchase agreements	(25,430,640)	11,908,773
Increase (decrease) in payables	(2,411,992)	17,143,861
Increase (decrease) in deposits and remittances	126,544,932	145,700,819
Increase (decrease) in provisions	(8,175)	(22,085)
Increase (decrease) in other financial liabilities	(789,908)	7,825,540
Increase (decrease) in other liabilities	5,636,429	1,071,254
Cash generated from (used in) operations	<u>(12,787,443)</u>	<u>(9,863,286)</u>

(Continued)

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
Interest received	\$ 27,931,320	\$ 27,752,264
Dividends received	1,489,317	1,879,137
Interest paid	(10,490,882)	(12,948,342)
Income taxes returned	130,650	9,957
Income taxes paid	<u>(2,288,651)</u>	<u>(503,127)</u>
Net cash generated from (used in) operating activities	<u>3,984,311</u>	<u>6,326,603</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	(914,280)	(806,848)
Proceeds from disposal of property and equipment	1,648	35,922
Acquisition of intangible assets	(972,729)	(362,512)
Acquisition of investment properties	(931)	(273,115)
Proceeds from disposal of investment properties	<u>17,546</u>	<u>-</u>
Net cash generated from (used in) investing activities	<u>(1,860,817)</u>	<u>(1,406,239)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	-	19,981,177
Decrease in due to the Central Bank and banks	(2,965,184)	-
Increase in commercial paper payable	-	8,356,000
Decrease in commercial paper payable	(6,025,000)	-
Proceeds from issuing corporate bonds	13,300,000	7,000,000
Repayment of corporate bonds	-	(7,000,000)
Issuance of bank debentures	-	5,000,000
Repayment of bank debentures	-	(5,000,000)
Decrease in other borrowings	(571,368)	(96,161)
Repayment of the principal portion of lease liabilities	(548,627)	(424,053)
Cash dividends distributed	(7,849,089)	(6,837,319)
Redemption of preferred stock D	-	(4,200,000)
Exercise of employee stock options	44,312	20,341
Changes in non-controlling interests	<u>(99,757)</u>	<u>(194)</u>
Net cash generated from (used in) financing activities	<u>(4,714,713)</u>	<u>16,799,791</u>

(Continued)

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	\$ (20,604)	\$ (330,995)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,611,823)	21,389,160
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>\$ 52,388,407</u>	<u>\$ 48,045,088</u>

Reconciliation of cash and cash equivalents:

	September 30	
	2020	2019
Cash and cash equivalents in the consolidated balance sheets	\$ 22,453,070	\$ 27,181,494
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7	26,498,681	13,221,175
Securities purchased under resale agreements qualifying as cash and cash equivalents under the definition of IAS 7	<u>3,436,656</u>	<u>7,642,419</u>
Cash and cash equivalents at the end of the period	<u>\$ 52,388,407</u>	<u>\$ 48,045,088</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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Taishin Financial Holding Co., Ltd. (“Taishin Financial Holding” or the “Company”) was established by Taishin International Bank Co., Ltd. (“Taishin Bank”) and Dah An Commercial Bank Co., Ltd. (“Dah An Bank”) pursuant to the Financial Holding Company Act in the Republic of China (“ROC”) 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 the whole 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 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 its company name to Taishin Holdings Insurance Brokers Co., Ltd. (“Taishin Holdings Insurance Brokers”). The business operations of Taishin Holdings Insurance Brokers include property insurance broker service and life insurance broker service. In order to integrate the group resources and effectively utilize capital to advance operational performance, the Company conducted an internal group restructuring. The Company intended to have Taishin Bank merged with Taishin Holdings Insurance Brokers. Therefore, on October 29, 2015, the board of directors 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 merger base date was on April 24, 2016. Taishin Holding Insurance Brokers took into consideration its audited net asset value on the merger base date. Taishin Bank paid in cash and assumed the overall assets, liabilities and operations 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 obtained an approval from the Securities and Futures Bureau and was established on May 31, 2004. Its operations include offering securities investment trust funds, issuing certificate of beneficial interest 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”) (formerly known as 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 acquisition and assumed the net assets and operations of Tachong Venture Capital Co., Ltd. (“Tachong Venture Capital”), which was originally the subsidiary of Tachong Securities on August 28, 2017. After completing the aforementioned cash acquisition, 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 verifications, 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 liquidation for Xiang An Insurance Agency was on July 17, 2020, and as of the approval date of these consolidated financial statements, the liquidation procedures have 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 name to Taishin Securities Venture Capital Co., Ltd. (“Taishin Securities Venture Capital”) on October 2, 2017. It mainly engages in investments in start-up entities and consultancy services.

Taishin Capital Co., Ltd. (“Taishin Capital”) was established in August 2019. It mainly engages in investments in start-up entities and 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 allowed Taishin Financial Holding to control 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 elected its board of directors on December 8, 2014, whereby Taishin Financial Holding obtained less 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 its subsidiaries was 22.81% as of September 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 November 19, 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), IFRIC Interpretations (IFRIC) and SIC Interpretations (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 the decisions of users” 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
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 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"

Several standards were amended in the amendments. The amendments to IFRS 9 and IFRS 16 provide specific practical expedient that the modification of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform shall be applied by revising the effective interest rate. Besides, the amendments to IFRS 9 introduce additional temporary exceptions for hedging relationships subject to interest rate benchmark reform.

The Group may not restate prior reporting periods when applying the aforementioned amendments, and recognize the cumulative effect in the retained earnings or other component of equity at the date of the initial application instead.

3) 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.

4) 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 these interim consolidated financial statements are the same as those in the annual consolidated financial statements for the year ended December 31, 2019. Refer to Note 5 to the consolidated financial statements for the year ended December 31, 2019 for related information.

Subsidiaries included in the consolidated financial statements for the nine months ended September 30, 2020 and 2019 are as follows:

Investor	Subsidiary	Ownership Interest (%)		
		September 30, 2020	December 31, 2019	September 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
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., Ltd	100.00	100.00	100.00
Taishin Securities B	Taishin Capital Co., Ltd (Note)	100.00	100.00	100.00

Note: Xiang An Insurance Agency had started the liquidation procedures on July 17, 2020.

Retirement Benefits

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

If a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets).

Taxation

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

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 those previously applied in the annual consolidated financial statements for the year ended December 31, 2019. Refer to Note 6 to the consolidated financial statements for the year ended December 31, 2019 for related information.

7. CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand	\$ 10,819,446	\$ 12,162,721	\$ 12,192,479
Checks for clearing	1,630,172	1,483,820	1,151,640
Due from banks	7,807,098	8,437,391	12,251,445
Others	<u>2,196,354</u>	<u>2,084,600</u>	<u>1,585,930</u>
	<u>\$ 22,453,070</u>	<u>\$ 24,168,532</u>	<u>\$ 27,181,494</u>

- a. Due from banks included 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 allowance for loss on cash and cash equivalents as of September 30, 2020, December 31, 2019 and September 30, 2019.

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

	September 30, 2020	December 31, 2019	September 30, 2019
Deposits reserve for checking accounts	\$ 19,662,753	\$ 11,468,215	\$ 10,145,900
Deposits reserve for demand accounts	37,180,184	34,272,031	33,954,308
Deposits reserve for foreign deposits	148,909	129,568	195,751
Deposits transferred to the Central Bank	95,207	50,103	67,915
Call loans to other banks	26,498,681	19,496,374	13,221,175
Interbank clearing funds	<u>3,000,025</u>	<u>2,000,988</u>	<u>2,000,342</u>
	<u>\$ 86,585,759</u>	<u>\$ 67,417,279</u>	<u>\$ 59,585,391</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 allowance for loss on due from the Central Bank and call loans to banks as of September 30, 2020, December 31, 2019 and September 30, 2019.

9. FINANCIAL INSTRUMENTS AT FVTPL

	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets mandatorily classified as at FVTPL			
Derivative instruments			
Futures	\$ 748,458	\$ 491,260	603,566
Forward exchange contracts	777,221	1,363,404	2,641,262
Currency swaps	6,269,987	8,280,749	8,063,021
Interest rate swaps	11,308,914	9,450,688	14,695,712
Cross-currency swaps	101,106	268,371	93,548
Foreign-exchange options	908,614	540,859	726,570
Equity-linked options	52,996	42,478	31,458
Commodity and futures options	9,731	3,037	430
Equity-linked swaps	958	362,650	81,231
Commodity price exchange	66	46	-
Non-derivative financial assets			
Investment in bills	56,915,789	48,486,586	44,427,245
Domestic and overseas stocks and beneficiary certificates	6,732,760	5,082,983	5,355,233
Government bonds	11,686,941	26,487,055	10,169,647
Corporate bonds, bank debentures and other bonds	6,603,886	20,597,519	23,439,260
Trading securities			
Dealing	13,206,995	21,181,303	19,032,987
Underwriting	597,787	949,764	1,332,167
Hedging	6,646,823	450,841	228,398
Others	<u>1,120</u>	<u>2,000</u>	<u>566</u>
Financial assets at FVTPL	<u>\$ 122,570,152</u>	<u>\$ 144,041,593</u>	<u>\$ 130,922,301</u>
Financial liabilities designated as at FVTPL			
Bank debentures (d)	\$ 3,303,209	\$ 3,287,359	\$ 3,430,022
Structured products (e)	1,500,404	1,516,425	1,518,567
Financial liabilities held for trading			
Derivative instruments			
Futures	3,890	2,417	7,058
Forward exchange contracts	806,858	1,416,001	2,812,394
Currency swaps	7,101,786	9,252,528	8,335,387
Interest rate swaps	10,946,001	9,161,570	14,344,906
Cross-currency swaps	141,584	152,246	67,912
Foreign-exchange options	1,018,919	536,821	741,910
Interest rate options	25	183	422
Commodity and futures options	1,497	1,165	499
Equity-linked options	955,894	970,216	791,426
Equity-linked swaps	959	362,650	81,230
Credit default swaps	-	93,738	-
Commodity price exchange	-	3	-
Liabilities for issuance of call (put) warrants, net (c)	135,271	76,602	37,901

(Continued)

	September 30, 2020	December 31, 2019	September 30, 2019
Non-derivative financial liabilities			
Stock borrowing	\$ 446,872	\$ 171,208	\$ 416,420
Short sales of bonds and bonds payable borrowing	<u>-</u>	<u>548,217</u>	<u>496,363</u>
Financial liabilities at FVTPL	<u>\$ 26,363,169</u>	<u>\$ 27,549,349</u>	<u>\$ 33,082,417</u> (Concluded)

- a. Taishin Bank engaged in various derivative instrument transactions in the nine months ended September 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 positions and risks of assets and liabilities.
- b. The nominal principal amounts of outstanding derivative contracts were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Futures	\$ 5,536,595	\$ 9,887,476	\$ 12,275,722
Forward exchange contracts	77,297,556	174,000,040	175,941,740
Currency swaps	1,073,513,748	1,180,284,709	1,296,642,116
Interest rate swaps	1,173,568,436	1,263,206,080	1,371,827,163
Cross-currency swaps	20,046,700	18,195,828	10,153,409
Foreign-exchange options	195,486,316	161,569,946	178,061,037
Interest rate options	2,690,000	4,400,000	5,300,000
Equity-linked options	6,166,042	5,724,302	5,691,240
Commodity and futures options	556,614	214,394	243,870
Equity-linked swaps	112,680	6,368,963	3,195,072
Credit default swaps	-	674,977	-
Fund-linked products	-	3,000	3,000
Guarantee products	1,500,000	1,500,000	1,500,000
Credit-linked products	-	5,500	5,500
Equity-linked produces	-	9,152	9,425
Commodity price exchange	23,301	30,094	-

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

	September 30, 2020	December 31, 2019	September 30, 2019
Call (put) warrants issued	\$ 2,006,606	\$ 4,270,808	\$ 3,560,150
Less: Loss (gain) on change in fair value	<u>93,031</u>	<u>206,547</u>	<u>(340,016)</u>
	<u>2,099,637</u>	<u>4,477,355</u>	<u>3,220,134</u>
Repurchased call (put) warrants	1,630,755	4,097,274	3,435,385
Less: Gain (loss) on change in fair value	<u>333,611</u>	<u>303,479</u>	<u>(253,152)</u>
	<u>1,964,366</u>	<u>4,400,753</u>	<u>3,182,233</u>
Net call (put) warrants issued	<u>\$ 135,271</u>	<u>\$ 76,602</u>	<u>\$ 37,901</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 of the last transaction day on 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, term of 30 years, US\$80,000 thousand, 100% of the principal amount of the bonds, put redemption on the fifth anniversaries of the debentures issued, and repayment of the holders at principal value plus accrued interests, maturity: July 5, 2048.

Second unsecured USD senior bank debentures of Taishin Bank of year 2018, term of 30 years, US\$20,000 thousand, 100% of the principal amount of the bonds, put redemption on the fifth anniversaries of the debentures issued, and repayment of the holders at principal value plus accrued interests, maturity: July 5, 2048.

The first unsecured USD denominated 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 had redeemed the debentures on July 30, 2019.

Taishin bank considered unsecured USD senior bank debentures as financial instruments designated at FVTPL to eliminate the recognition inconsistency.

- e. Taishin Securities B issued structured notes, which were 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 protected notes, equity-linked notes and fund-linked notes, Taishin Securities B receives the principal amount of contracts or the 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 Securities B will earn profit arising from credit spread or market spread. The credit-linked products contain credit spread of convertible corporate bonds, which are derived from entering into asset swaps combined with fixed-income products sold to investors; Taishin Securities B receives the principal amount of contracts from investors and pays dividends in a 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 alternative hedge positions in assets and improve the income stability as well as decrease the credit risk from holding assets.

10. FINANCIAL ASSETS AT FVTOCI

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Debt instrument</u>			
Investment in bills	\$ 40,677,123	\$ 115,538,687	\$ 132,546,700
Bonds	37,742,269	50,088,694	52,655,510
Corporate bonds	33,890,422	17,139,552	17,983,638
Bank debentures	78,965,314	85,420,494	89,713,822
Beneficiary securities (a)	<u>681,748</u>	<u>610,937</u>	<u>-</u>
	191,956,876	268,798,364	292,899,670
<u>Equity instrument</u>			
Domestic and overseas stocks	<u>3,522,701</u>	<u>4,627,773</u>	<u>4,832,197</u>
	<u>\$ 195,479,577</u>	<u>\$ 273,426,137</u>	<u>\$ 297,731,867</u>

- a. Beneficiary certificates are the asset-securitized products recognized by the Group, which are related to the equity of non-subsubsidiary's structured entities. The Group and other third parties provided the funds to 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
September 30, 2020	\$ 37,881	\$ 671	\$ -	\$ 38,552
December 31, 2019	31,416	1,486	-	32,902
September 30, 2019	33,354	1,486	-	34,840

As the Group's debt instruments at FVTOCI were measured using the ECL model, the Group had recognized (impairment loss) reversal of impairment loss on assets. Such (impairment loss) reversal of impairment loss amounted to \$550 thousand and \$(6,800) thousand for the three months ended September 30, 2020 and 2019, respectively, and amounted to \$(6,320) thousand and \$(8,930) thousand for the nine months ended September 30, 2020 and 2019, respectively.

- d. The Group sold the domestic common stock for strategic purposes. The stock sold had a fair value of \$2,877,354 thousand and \$1,237,040 thousand, and the Group transferred \$116,648 thousand and \$18,905 thousand of losses from other equity to retained earnings for the nine months ended September 30, 2020 and 2019, respectively.
- e. Refer to Note 43 for information relating to the management of credit risk and the impairment assessment on investments in debt instruments at FVTOCI.
- f. Refer to Note 45 for information relating to debt instruments at FVTOCI pledged as collateral.

11. DEBT INSTRUMENTS AT AMORTIZED COST

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Investment in bills	\$ 222,699,859	\$ 116,250,000	\$ 112,800,000
Bank debentures	21,293,341	12,524,096	12,292,632
Corporate bonds	3,204,876	-	-
Government bonds	<u>3,091,255</u>	<u>3,119,322</u>	<u>12,158</u>
	250,289,331	131,893,418	125,104,790
Less: Allowance for impairment	<u>(7,962)</u>	<u>(4,802)</u>	<u>(4,607)</u>
	<u>\$ 250,281,369</u>	<u>\$ 131,888,616</u>	<u>\$ 125,100,183</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
September 30, 2020	\$ 7,962	\$ -	\$ -	\$ 7,962
December 31, 2019	4,802	-	-	4,802
September 30, 2019	4,607	-	-	4,607

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 \$2,241 thousand and \$479 thousand for the three months ended September 30, 2020 and 2019, respectively, and amounted to \$3,253 thousand and \$3,387 thousand for the nine months ended September 30, 2020 and 2019, respectively.

- b. Refer to Note 43 for information relating to the management of credit risk and the impairment assessment on investments in debt instruments at amortized cost.
- c. Refer to Note 45 for information relating to debt instruments at amortized cost pledged as collateral.

12. RECEIVABLES, NET

	September 30, 2020	December 31, 2019	September 30, 2019
Notes and accounts receivable	\$ 76,724,838	\$ 82,467,696	\$ 85,925,435
Credit cards receivable	59,113,438	61,035,549	62,288,463
Interest receivable	3,152,630	4,083,748	3,945,195
Securities margin loans receivable	8,276,423	5,892,601	5,406,085
Delivery accounts receivable	7,502,933	6,085,696	5,432,612
Other receivables	<u>1,369,129</u>	<u>1,036,129</u>	<u>7,249,376</u>
	156,139,391	160,601,419	170,247,166
Less: Adjustment for discounts	(2,900,461)	(2,945,398)	(2,913,870)
Less: Allowance for receivables	<u>(1,575,758)</u>	<u>(1,568,437)</u>	<u>(1,557,935)</u>
	<u>\$ 151,663,172</u>	<u>\$ 156,087,584</u>	<u>\$ 165,775,361</u>

- a. The movements in the allowance for receivables (including non-performing receivables transferred from other than loans and creditor rights) for the nine months ended September 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	(85)	11,254	-	(17)	11,152		11,152
Transferred to stage 2	(529)	(141,717)	(6)	289,012	146,760		146,760
Transferred to stage 1	11	(2,378)	-	(957)	(3,324)		(3,324)
Financial assets derecognized	(70,675)	(41,834)	(11,078)	(467,323)	(590,910)		(590,910)
New financial assets originated or purchased	30,707	66,000	35,984	154,820	287,511		287,511
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans						(162,796)	(162,796)
Write-offs	(2)	(50,853)	(2,497)	(206,549)	(259,901)		(259,901)
Recovery of written-off loans	-	-	10,801	314,951	325,752		325,752
Foreign exchange and other movements	-	168,146	(13,898)	-	154,248	(901)	153,347
Loss allowance as of September 30, 2020	\$ 82,457	\$ 279,731	\$ 195,720	\$ 541,433	\$ 1,099,341	\$ 715,075	\$ 1,814,416

	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	(122)	19,332	-	(26)	19,184		19,184
Transferred to stage 2	(392)	(5,860)	(10,111)	103,972	87,609		87,609
Transferred to stage 1	21	(3,058)	(196)	(2,391)	(5,624)		(5,624)
Financial assets derecognized	(46,227)	(14,009)	(89,022)	(587,819)	(737,077)		(737,077)
New financial assets originated or purchased	46,342	89,162	334,118	20,374	489,996		489,996
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing/Non-accrual Loans						69,470	69,470
Write-offs	(2)	(99,188)	(2,629,134)	(61,132)	(2,789,456)		(2,789,456)
Recovery of written-off loans	-	(1,728)	3,047	290,245	291,564		291,564
Foreign exchange and other movements	-	5,686	(2,922)	258	3,022	(2,695)	327
Loss allowance as of September 30, 2019	\$ 143,547	\$ 279,816	\$ 102,036	\$ 540,900	\$ 1,066,299	\$ 828,228	\$ 1,894,527

- b. The movements in the gross carrying amount of the allowance for receivables (including non-performing receivables transferred from other than loans and creditor rights) for the nine months ended September 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	(51,515)	48,750	4,813	(43)	2,005
Transferred to stage 2	(372,160)	(148,741)	(1,346)	593,723	71,476
Transferred to stage 1	10,632	(10,250)	-	(3,387)	(3,005)
Financial assets derecognized	(47,816,318)	(85,288)	(4,445,058)	(740,626)	(53,087,290)
New financial assets originated or purchased	42,076,934	3,117,935	3,029,359	685,520	48,909,748
Write-offs	(319)	(51,226)	(2,497)	(271,184)	(325,226)
Foreign exchange and other movements	-	(113,818)	-	-	(113,818)
Loss allowance as of September 30, 2020	\$ 104,679,112	\$ 39,811,009	\$ 9,525,434	\$ 2,387,482	\$ 156,403,037

	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	(84,043)	77,653	11,550	(115)	5,045
Transferred to stage 2	(281,646)	(1,476,849)	1,361,131	436,756	39,392
Transferred to stage 1	18,594	(13,146)	(19,728)	(6,900)	(21,180)
Financial assets derecognized	(31,592,535)	(382,948)	(742,034)	(577,116)	(33,294,633)
New financial assets originated or purchased	37,338,990	4,989,175	12,197,457	64,751	54,590,373
Write-offs	(313)	(99,450)	(2,629,134)	(121,234)	(2,850,131)
Foreign exchange and other movements	-	(344,615)	-	403	(344,212)
Loss allowance as of September 30, 2019	\$ 113,493,228	\$ 34,121,957	\$ 20,847,911	\$ 2,128,383	\$ 170,591,479

13. LOANS, NET

a. The details of loans were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Negotiated	\$ 3,425,200	\$ 1,949,901	\$ 1,892,738
Overdrafts	211,527	233,152	2,816,589
Short-term loans	296,692,462	294,847,380	287,114,273
Medium-term loans	390,338,743	355,120,863	344,111,856
Long-term loans	544,017,472	501,368,989	484,659,470
Delinquent loans	<u>1,736,998</u>	<u>1,809,466</u>	<u>1,768,087</u>
	1,236,422,402	1,155,329,751	1,122,363,013
Less: Adjustment for discounts	(610,346)	(600,881)	(575,720)
Less: Allowance for loan losses	<u>(16,196,697)</u>	<u>(16,261,753)</u>	<u>(15,307,731)</u>
	<u>\$ 1,219,615,359</u>	<u>\$ 1,138,467,117</u>	<u>\$ 1,106,479,562</u>

b. The movements in the allowance for loans for the nine months ended September 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	(21,337)	387,738	53,488	(17,636)	402,253		402,253
Transferred to stage 2	(20,381)	(69,997)	(911,570)	4,345,455	3,343,507		3,343,507
Transferred to stage 1	1,603	(65,043)	-	(170,078)	(233,518)		(233,518)
Financial assets derecognized	(905,772)	(101,149)	(1,228,513)	(2,529,829)	(4,765,263)		(4,765,263)
New financial assets originated or purchased	686,353	31,249	75,738	148,289	941,629		941,629
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing/Non-accrual Loans						1,280,567	1,280,567
Write-offs	(280)	(6,893)	-	(1,876,499)	(1,883,672)		(1,883,672)
Recovery of written-off loans	-	-	-	849,441	849,441		849,441
Loss allowance as of September 30, 2020	\$ 1,904,474	\$ 976,306	\$ 298,945	\$ 4,350,192	\$ 7,529,917	\$ 8,666,780	\$ 16,196,697

	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	(21,704)	349,510	672,753	(12,560)	987,999		987,999
Transferred to stage 2	(5,903)	(99,292)	(131,656)	1,145,036	908,185		908,185
Transferred to stage 1	4,651	(70,348)	(44,523)	(131,667)	(241,887)		(241,887)
Financial assets derecognized	(626,599)	(68,188)	(882,126)	(2,045,756)	(3,622,669)		(3,622,669)
New financial assets originated or purchased	530,671	84,519	80,253	194,837	890,280		890,280
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing/Non-accrual Loans						2,264,446	2,264,446
Write-offs	(269)	(4,898)	-	(109,776)	(114,943)		(114,943)
Recovery of written-off loans	-	-	-	835,527	835,527		835,527
Foreign exchange and other movements	-	(668)	-	-	(668)		(668)
Loss allowance as of September 30, 2019	\$ 2,014,275	\$ 822,899	\$ 1,817,478	\$ 3,349,497	\$ 8,004,149	\$ 7,303,582	\$ 15,307,731

- c. The movements in the gross carrying amount of the allowance for loans for the nine months ended September 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	(8,688,383)	8,409,399	77,265	(27,017)	(228,736)
Transferred to stage 2	(9,050,291)	(490,515)	(1,406,458)	11,002,625	55,361
Transferred to stage 1	1,841,628	(1,672,014)	-	(290,361)	(120,747)
Financial assets derecognized	(233,113,257)	(2,132,498)	(1,685,586)	(2,004,362)	(238,935,703)
New financial assets originated or purchased	320,884,043	470,088	402,017	639,441	322,395,589
Write-offs	(46,173)	(26,506)	-	(2,000,434)	(2,073,113)
Loss allowance as of September 30, 2020	\$ 1,197,908,090	\$ 20,822,886	\$ 1,131,277	\$ 16,560,149	\$ 1,236,422,402

	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	(8,658,993)	6,450,175	1,866,303	(14,624)	(357,139)
Transferred to stage 2	(1,955,870)	(414,039)	(157,580)	2,355,349	(172,140)
Transferred to stage 1	2,775,329	(2,681,405)	(65,081)	(202,209)	(173,366)
Financial assets derecognized	(206,746,664)	(1,993,500)	(345,192)	(2,285,579)	(211,370,935)
New financial assets originated or purchased	301,408,040	351,575	153,732	377,129	302,290,476
Write-offs	(41,887)	(16,730)	-	(281,223)	(339,840)
Loss allowance as of September 30, 2019	\$ 1,092,693,900	\$ 16,340,789	\$ 4,431,781	\$ 8,896,543	\$ 1,122,363,013

- d. Details of the (provision for) reversal of the allowance for loan losses, commitments and guarantee liabilities for the nine months ended September 30, 2020 and 2019 are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Provision for losses on receivables, loans and other miscellaneous financial assets	\$ (185,975)	\$ (960,867)	\$ (1,243,046)	\$ (1,645,077)
(Provision for) reversal of the allowance for losses on guarantee liabilities	(3,411)	15,490	5,921	5,619
Provision for losses on loan commitments	(3,272)	(79)	(6,112)	(3,936)
Provision for losses on letters of credit	<u>(33)</u>	<u>(4,502)</u>	<u>(61)</u>	<u>(4,483)</u>
	<u>\$ (192,691)</u>	<u>\$ (949,958)</u>	<u>\$ (1,243,298)</u>	<u>\$ (1,647,877)</u>

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2020	December 31, 2019	September 30, 2019
Investments in associates	<u>\$ 41,720,445</u>	<u>\$ 41,406,600</u>	<u>\$ 40,868,252</u>

a. Investments in associates

	September 30, 2020	December 31, 2019	September 30, 2019
Material associates			
Chang Hwa Bank	\$ 41,637,201	\$ 41,327,245	\$ 40,801,569
Associates that are not individually material	<u>83,244</u>	<u>79,355</u>	<u>66,683</u>
	<u>\$ 41,720,445</u>	<u>\$ 41,406,600</u>	<u>\$ 40,868,252</u>

1) Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights		
			September 30, 2020	December 31, 2019	September 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	September 30, 2020	December 31, 2019	September 30, 2019
Chang Hwa Bank	<u>\$ 41,101,349</u>	<u>\$ 51,706,973</u>	<u>\$ 49,315,241</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

	September 30, 2020	December 31, 2019	September 30, 2019
Total assets	\$ 2,215,243,823	\$ 2,126,429,286	\$ 2,119,888,725
Total liabilities	<u>(2,051,660,593)</u>	<u>(1,964,192,091)</u>	<u>(1,959,976,219)</u>
Equity	<u>\$ 163,583,230</u>	<u>\$ 162,237,195</u>	<u>\$ 159,912,506</u>
Equity attributable to the Group	\$ 37,316,460	\$ 37,009,403	\$ 36,479,097
Goodwill and other adjustments	<u>4,320,741</u>	<u>4,317,842</u>	<u>4,322,472</u>
Carrying amount	<u>\$ 41,637,201</u>	<u>\$ 41,327,245</u>	<u>\$ 40,801,569</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Net revenue and gains	<u>\$ 6,434,497</u>	<u>\$ 8,315,330</u>	<u>\$ 20,711,022</u>	<u>\$ 24,026,833</u>
Net profit for the period	\$ 1,408,704	\$ 2,983,357	\$ 5,654,482	\$ 8,982,420
Other comprehensive income (loss)	<u>93,497</u>	<u>(1,341,994)</u>	<u>(314,323)</u>	<u>633,748</u>
Total comprehensive income for the period	<u>\$ 1,502,201</u>	<u>\$ 1,641,363</u>	<u>\$ 5,340,159</u>	<u>\$ 9,616,168</u>

The Group received dividends from Chang Hwa Bank, which amounted to \$911,136 thousand and \$1,429,233 thousand during nine months ended September 30, 2020 and 2019, respectively.

2) Aggregate information of associates that are not individually material

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
The Group's share of:				
Net profit for the period	\$ 2,791	\$ 4,114	\$ 5,599	\$ 7,606
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>\$ 2,791</u>	<u>\$ 4,114</u>	<u>\$ 5,599</u>	<u>\$ 7,606</u>

- b. On December 8, 2014, the Company filed a civil action against the Ministry of Finance (“MOF”) of the ROC for its default in assisting the Company to secure a majority of seats in the board of directors of Chang Hwa Bank based on the contract, the previous orders from the Court are as follows:
- 1) On April 27, 2016, the Taipei District Court ruled that there was a contractual relationship existing between the MOF and the Company.
 - 2) On May 17, 2017, the Taiwan High Court ruled that, as long as the MOF possesses the stocks of Chang Hwa Bank and the Company remains the largest stockholder of Chang Hwa Bank, the MOF should support the representatives appointed by the Company as they are elected to be the board members of Chang Hwa Bank by majority vote.
 - 3) On May 23, 2019, the Supreme Court reversed the original judgment that contained the existence of the contractual relationship and litigation expenses, and remanded this case to the Taiwan High Court.
 - 4) On August 21, 2020, the Taiwan High Court (first instance of remand) ruled that, as long as the MOF possesses the stocks of Chang Hwa Bank and the Company remains the largest stockholder of Chang Hwa Bank, the MOF should support (including but not limited to non-obstructive) the representatives appointed by the Company as four of them are elected to be the board members of Chang Hwa Bank. Both parties had filed appeals as they were not satisfied with the aforementioned judgement.
- c. The Group held less than 50% of the shares of Chang Hwa Bank and was the single largest shareholder. However, there are no other contractual arrangements to enable the Group to direct the relevant activities of Chang Hwa Bank. Furthermore, the distribution of voting rights and voting patterns at the previous shareholders’ meetings showed that the Group was unable to obtain the right to appoint majority of the governing body of Chang Hwa Bank. Therefore, the Group determined that it did not have power and control over Chang Hwa Bank, and accounted for the investment as an associate.
- d. The Group’s equity-method investments were not pledged as collateral as of September 30, 2020, December 31, 2019 and September 30, 2019.

15. OTHER MISCELLANEOUS FINANCIAL ASSETS, NET

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

	September 30, 2020	December 31, 2019	September 30, 2019
Non-performing receivables transferred from other than loans	\$ 267,819	\$ 351,875	\$ 345,930
Creditor rights	1	1	1
Less: Allowance for bad debt	(238,658)	(338,388)	(336,592)
Due from banks	7,259,944	4,553,811	5,295,035
Deposits for borrowing securities	809,676	296,462	635,353
Gold deposit account	686,070	359,998	305,693
Customer margin account	665,927	313,104	389,941
Guaranteed price deposits for securities borrowing	73,359	8,433	-
Others	<u>45,000</u>	<u>-</u>	<u>861</u>
	<u>\$ 9,569,138</u>	<u>\$ 5,545,296</u>	<u>\$ 6,636,222</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 45 for the information relating to the due from banks and time deposits pledged as collateral.
- c. Refer to Note 12 for the movements of the allowance for non-performing receivables transferred from other than loans and creditor rights for the nine months ended September 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 allowance for loss on other miscellaneous financial assets excluding non-performing receivables transferred from other than loans and creditor rights as of September 30, 2020, December 31, 2019 and September 30, 2019.

16. INVESTMENT PROPERTIES, NET

	September 30, 2020	December 31, 2019	September 30, 2019
Investment properties			
Land	\$ 679,808	\$ 621,103	\$ 602,979
Buildings			
Cost	488,162	461,599	358,837
Accumulated depreciation	<u>(99,300)</u>	<u>(81,640)</u>	<u>(53,225)</u>
	<u>388,862</u>	<u>379,959</u>	<u>305,612</u>
Lease improvements			
Cost	1,612	1,612	1,612
Accumulated depreciation	<u>(1,612)</u>	<u>(1,612)</u>	<u>(1,612)</u>
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,068,670</u>	<u>\$ 1,001,062</u>	<u>\$ 908,591</u>

Other than the recognized depreciation expenses, the value of investment properties held by the Group increased by \$931 thousand and \$273,115 thousand, and the proceeds from disposal of investment properties amounted to \$8,286 thousand and \$0 for the nine months ended September 30, 2020 and 2019, respectively, and there was no significant 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 September 30, 2020, December 31, 2019 and September 30, 2019 is as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Year 1	\$ 16,922	\$ 21,658	\$ 19,507
Year 2	12,713	14,432	13,947
Year 3	12,556	12,373	12,544
Year 4	12,556	12,556	12,556
Year 5	12,650	12,556	12,556
Over 5 years	<u>188,191</u>	<u>197,702</u>	<u>200,840</u>
	<u>\$ 255,588</u>	<u>\$ 271,277</u>	<u>\$ 271,950</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Rental income	\$ 6,670	\$ 6,404	\$ 19,318	\$ 13,682
Direct operating expenses from investment properties generating rental income	1,229	1,321	5,250	4,546
Direct operating expenses from investment properties not generating rental income	2,336	1,209	6,569	3,187

The fair values of the Group's investment properties as of September 30, 2020, December 31, 2019 and September 30, 2019 were \$1,316,208 thousand, \$1,207,549 thousand and \$1,120,318 thousand, respectively. The fair values were determined by the Group's management based on the valuation models measured by the third level inputs generally used by the market participants, the foregoing valuation was from the transaction value of property and equipment.

17. PROPERTY AND EQUIPMENT, NET

	September 30, 2020	December 31, 2019	September 30, 2019
Land	\$ 11,148,017	\$ 11,210,839	\$ 11,228,962
Buildings	4,834,470	4,948,991	5,062,838
Machinery equipment	2,536,000	2,343,684	2,354,450
Transportation equipment	76,785	59,010	60,196
Miscellaneous equipment	132,151	93,160	92,924
Leasehold improvements	293,603	287,442	256,231
Prepayments for buildings and equipment	<u>64,722</u>	<u>108,332</u>	<u>139,306</u>
	<u>\$ 19,085,748</u>	<u>\$ 19,051,458</u>	<u>\$ 19,194,907</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	17,092	649,870	35,098	35,537	49,126	-	127,499	914,280
Disposals	-	(55,961)	(486,247)	(9,307)	(21,181)	(122,697)	-	-	(695,393)
Reclassification	(62,880)	(4,604)	65,865	1,500	34,042	22,115	-	(171,109)	(115,071)
Effect of foreign currency exchange differences	-	-	(850)	-	-	(756)	-	-	(1,606)
Balance, September 30, 2020	<u>\$ 11,148,017</u>	<u>\$ 7,388,598</u>	<u>\$ 4,744,973</u>	<u>\$ 156,601</u>	<u>\$ 219,091</u>	<u>\$ 588,368</u>	<u>\$ -</u>	<u>\$ 64,722</u>	<u>\$ 24,310,370</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	-	8,797	521,731	21,946	35,894	56,481	-	161,999	806,848
Disposals	(19,000)	(32,122)	(166,673)	(30,216)	(15,079)	(75,861)	-	-	(338,951)
Reclassification	-	19,980	3,383	-	2,688	26,272	-	(54,028)	(1,705)
Effect of foreign currency exchange differences	-	-	(2,549)	-	-	(29,264)	-	-	(31,813)
Balance, September 30, 2019	<u>\$ 11,228,962</u>	<u>\$ 7,538,765</u>	<u>\$ 4,432,349</u>	<u>\$ 134,025</u>	<u>\$ 170,525</u>	<u>\$ 585,205</u>	<u>\$ -</u>	<u>\$ 139,306</u>	<u>\$ 24,229,187</u>

(Continued)

	Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Prepayment for Buildings, Equipment and Property under Construction	Total
<u>Accumulated depreciation</u>									
Balance, January 1, 2020	\$ -	\$ 2,483,080	\$ 2,172,651	\$ 70,300	\$ 77,533	\$ 353,138	\$ -	\$ -	\$ 5,156,702
Depreciation	-	130,905	524,008	17,949	26,615	64,895	-	-	764,372
Disposals	-	(50,774)	(482,997)	(9,266)	(21,066)	(122,697)	-	-	(686,800)
Reclassification	-	(9,083)	(3,999)	833	3,858	-	-	-	(8,391)
Effect of foreign currency exchange differences	-	-	(690)	-	-	(571)	-	-	(1,261)
Balance, September 30, 2020	<u>\$ -</u>	<u>\$ 2,554,128</u>	<u>\$ 2,208,973</u>	<u>\$ 79,816</u>	<u>\$ 86,940</u>	<u>\$ 294,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,224,622</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	-	135,838	492,348	17,327	19,569	65,500	-	-	730,582
Disposals	-	(22,151)	(165,733)	(30,092)	(15,041)	(75,860)	-	-	(308,877)
Reclassification	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	-	(2,132)	-	-	(28,662)	-	-	(30,794)
Balance, September 30, 2019	<u>\$ -</u>	<u>\$ 2,475,927</u>	<u>\$ 2,077,899</u>	<u>\$ 73,829</u>	<u>\$ 77,651</u>	<u>\$ 378,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,034,280</u>

(Concluded)

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 nine months ended September 30, 2020 and 2019.

18. LEASE ARRANGEMENTS

a. Right-of-use assets, net

	September 30, 2020	December 31, 2019	September 30, 2019	
<u>Carrying amount</u>				
Buildings	\$ 2,862,423	\$ 2,742,011	\$ 2,502,828	
Office equipment	819	896	184	
Transportation equipment	<u>18,631</u>	<u>18,417</u>	<u>20,939</u>	
	<u>\$ 2,881,873</u>	<u>\$ 2,761,324</u>	<u>\$ 2,523,951</u>	
	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets			<u>\$ 719,369</u>	<u>\$ 754,238</u>
Depreciation charge for right-of-use assets				
Buildings	\$ 190,472	\$ 178,954	\$ 565,619	\$ 523,531
Office equipment	70	108	211	325
Transportation equipment	<u>3,520</u>	<u>4,744</u>	<u>12,539</u>	<u>14,061</u>
	<u>\$ 194,062</u>	<u>\$ 183,806</u>	<u>\$ 578,369</u>	<u>\$ 537,917</u>

b. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019	
Carrying amount	<u>\$ 2,975,268</u>	<u>\$ 2,822,108</u>	<u>\$ 2,579,902</u>	
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Interest expenses (other interest expenses)	<u>\$ 8,901</u>	<u>\$ 9,106</u>	<u>\$ 28,241</u>	<u>\$ 27,531</u>

Ranges of discount rates for lease liabilities as of September 30, 2020, December 31, 2019 and September 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 September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	<u>\$ 13,309</u>	<u>\$ 8,418</u>	<u>\$ 50,198</u>	<u>\$ 46,875</u>
Expenses relating to low-value asset leases	<u>\$ 1,354</u>	<u>\$ 516</u>	<u>\$ 3,767</u>	<u>\$ 2,026</u>
Total cash outflow for leases			<u>\$ 630,833</u>	<u>\$ 500,485</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 are as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Lease commitments	<u>\$ 168</u>	<u>\$ 207,828</u>	<u>\$ -</u>

19. INTANGIBLE ASSETS, NET

	September 30, 2020	December 31, 2019	September 30, 2019
Goodwill	\$ 1,567,391	\$ 1,567,391	\$ 1,567,391
Computer software	<u>1,606,484</u>	<u>895,057</u>	<u>854,095</u>
	<u>\$ 3,173,875</u>	<u>\$ 2,462,448</u>	<u>\$ 2,421,486</u>

	Computer Software
Balance, January 1, 2020	\$ 895,057
Additions	972,729
Disposals	(654)
Amortization	(273,031)
Reclassification	12,527
Effect of foreign currency exchange differences	<u>(144)</u>
Balance, September 30, 2020	<u>\$ 1,606,484</u>
Balance, January 1, 2019	\$ 707,858
Additions	362,512
Disposals	(9,302)
Amortization	(211,996)
Reclassification	5,537
Effect of foreign currency exchange differences	<u>(514)</u>
Balance, September 30, 2019	<u>\$ 854,095</u>

There was no significant disposal and impairment for the nine months ended September 30, 2020 and 2019. Refer to Note 19 to the consolidated financial statements for the year ended December 31, 2019 for related information on intangible assets.

20. OTHER ASSETS, NET

	September 30, 2020	December 31, 2019	September 30, 2019
Prepayments	\$ 1,207,673	\$ 1,119,818	\$ 1,336,387
Refundable deposits	5,240,760	6,218,074	8,907,959
Operating guarantee deposits and settlement funds	128,624	199,857	204,320
Collateral, net	420,019	427,528	427,528
Input tax credit	288,935	395,730	432,663
Others	<u>88,635</u>	<u>155,409</u>	<u>115,943</u>
	<u>\$ 7,374,646</u>	<u>\$ 8,516,416</u>	<u>\$ 11,424,800</u>

- a. Refer to Note 22 to the consolidated financial statements for the year ended December 31, 2019 for related information on other assets, net.
- b. Refer to Note 45 for information relating to refundable deposits, operating guarantee deposits and settlement funds pledged as collateral.

c. The 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
September 30, 2020	\$ -	\$ -	\$ 3,000	\$ 3,000
December 31, 2019	-	-	3,000	3,000
September 30, 2019	-	-	1,500	1,500

Based on the abovementioned measurement results, the Group had recognized impairment losses of \$0, \$1,500 thousand, \$0 and \$1,500 thousand for the three months ended September 30, 2020 and 2019, and for the nine months ended September 30, 2020 and 2019, respectively.

- d. The loss allowance is measured at an amount equal to lifetime ECLs per historical experience and forward-looking information; there was no allowance for loss on refundable deposits, operating guarantee deposits and settlement funds as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.
- e. Due to the Group's other assets - others measured by ECLs, the Group had recognized (impairment loss) reversal of impairment loss on assets of \$1,080 thousand, \$0, \$(109) thousand and \$(1,250) thousand for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, respectively.

21. DUE TO CENTRAL BANK AND BANKS

	September 30, 2020	December 31, 2019	September 30, 2019
Due to other banks	\$ 25,224,404	\$ 25,104,879	\$ 25,036,844
Call loans from other banks	24,855,378	27,899,674	52,387,253
Bank overdrafts	328,035	292,963	619,779
Due to the Central Bank	<u>87,693</u>	<u>95,541</u>	<u>127,241</u>
	<u>\$ 50,495,510</u>	<u>\$ 53,393,057</u>	<u>\$ 78,171,117</u>

22. COMMERCIAL PAPERS ISSUED, NET

	September 30, 2020	December 31, 2019	September 30, 2019
Sunny Bills Finance	\$ 650,000	\$ 400,000	\$ 800,000
Union Bills Finance	1,215,000	950,000	1,155,000
Grand Bills Finance	3,140,000	4,270,000	5,805,000
China Bills Finance	2,900,000	1,230,000	1,500,000
Ta Ching Bills Finance	795,000	835,000	500,000
International Bills Finance	200,000	570,000	631,000
Taiwan Bills Finance	1,045,000	710,000	1,070,000
Mega Bills Finance	525,000	1,095,000	1,565,000
Bank SinoPac	2,270,000	6,010,000	1,590,000
Hua Nan Bank	640,000	800,000	500,000

(Continued)

	September 30, 2020	December 31, 2019	September 30, 2019
KGI Bank	\$ 1,930,000	\$ 1,350,000	\$ 1,650,000
Taiwan Cooperative Bills Finance	580,000	400,000	100,000
Taipei Fubon Bank	470,000	965,000	1,235,000
Cathay Bank	-	2,000,000	2,000,000
Yuanta Commercial Bank	300,000	1,300,000	200,000
Shanghai Commercial and Savings Bank	200,000	-	300,000
Less: Discounts on commercial papers issued	<u>(18,875)</u>	<u>(28,235)</u>	<u>(20,817)</u>
	<u>\$ 16,841,125</u>	<u>\$ 22,856,765</u>	<u>\$ 20,580,183</u> (Concluded)

As of September 30, 2020, December 31, 2019 and September 30, 2019, the interest rate ranges of commercial papers issued were 0.25%-1.12%, 0.54%-1.12% and 0.38%-1.12%, respectively.

23. PAYABLES

	September 30, 2020	December 31, 2019	September 30, 2019
Notes and accounts payable	\$ 14,247,271	\$ 18,297,645	\$ 24,324,581
Delivery accounts payable	7,201,178	5,520,437	5,263,197
Accrued expenses	5,384,811	6,152,639	4,950,960
Interest payable	2,452,437	2,957,518	3,204,191
Checks for clearing payable	1,630,172	1,483,802	1,120,598
Collection payable	2,017,434	563,049	1,855,404
Other tax payable	159,322	352,485	163,918
Other payables	<u>3,385,333</u>	<u>4,055,066</u>	<u>5,520,852</u>
	<u>\$ 36,477,958</u>	<u>\$ 39,382,641</u>	<u>\$ 46,403,701</u>

24. DEPOSITS AND REMITTANCES

	September 30, 2020	December 31, 2019	September 30, 2019
Checking deposits	\$ 8,293,721	\$ 6,559,224	\$ 6,172,940
Demand deposits	367,597,864	329,759,105	300,374,486
Time deposits	399,788,194	350,220,390	358,547,883
Negotiable certificates of deposit	2,302,672	1,127,326	4,390,108
Savings deposits	774,900,441	737,394,123	725,039,278
Public treasury deposits	6,078,299	6,512,991	5,611,869
Remittances	<u>1,668,675</u>	<u>2,511,775</u>	<u>5,239,679</u>
	<u>\$ 1,560,629,866</u>	<u>\$ 1,434,084,934</u>	<u>\$ 1,405,376,243</u>

25. BONDS PAYABLE

	September 30, 2020	December 31, 2019	September 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 terms of bond issuance were as follows:

	September 30, 2020	December 31, 2019	September 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 for the year ended 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:

	September 30, 2020	December 31, 2019	September 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 for the year ended 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 repaid annually at a fixed coupon rate of 1.35%.

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

26. OTHER BORROWINGS

	September 30, 2020	December 31, 2019	September 30, 2019
Short-term unsecured borrowings	\$ 6,396,202	\$ 5,302,103	\$ 5,408,070
Long-term borrowings	<u>4,129,693</u>	<u>5,891,981</u>	<u>5,759,241</u>
	<u>\$ 10,525,895</u>	<u>\$ 11,194,084</u>	<u>\$ 11,167,311</u>

As of September 30, 2020, December 31, 2019 and September 30, 2019, the interest rates on short-term unsecured borrowings ranged from 1.05% to 5.00%, from 1.16% to 5.22% and from 0.95% to 5.44%, respectively.

As of September 30, 2020, December 31, 2019 and September 30, 2019, the interest rate of long-term borrowings ranged from 2.15% to 5.50%, from 3.44% to 5.70% and from 4.03% to 5.70%, respectively.

27. RESERVE FOR LIABILITIES

	September 30, 2020	December 31, 2019	September 30, 2019
Reserve for employee benefits (Note 30)	\$ 1,228,197	\$ 1,235,527	\$ 1,194,946
Reserve for guarantee liabilities	218,494	224,821	219,206
Reserve for loan commitments	182,339	176,675	176,675
Other reserves	<u>122,733</u>	<u>124,102</u>	<u>111,223</u>
	<u>\$ 1,751,763</u>	<u>\$ 1,761,125</u>	<u>\$ 1,702,050</u>
	Reserve for Guarantee Liabilities	Reserve for Loan Commitment	Other Reserves
Balance, January 1, 2020	\$ 224,821	\$ 176,675	\$ 124,102
Provision (reverse)	(5,921)	6,112	218
Payment	-	-	(845)
Exchange differences	<u>(406)</u>	<u>(448)</u>	<u>(742)</u>
Balance, September 30, 2020	<u>\$ 218,494</u>	<u>\$ 182,339</u>	<u>\$ 122,733</u>
Balance, January 1, 2019	\$ 224,706	\$ 172,675	\$ 74,614
Provision (reverse)	(5,619)	3,936	63,641
Payment	-	-	(27,270)
Exchange differences	<u>119</u>	<u>64</u>	<u>238</u>
Balance, September 30, 2019	<u>\$ 219,206</u>	<u>\$ 176,675</u>	<u>\$ 111,223</u>

Refer to Note 27 to consolidated financial statement for the year ended 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
September 30, 2020	\$ 152,109	\$ 15,730	\$ 19,752	\$ 187,591	\$ 218,268	\$ 405,859
December 31, 2019	155,447	35,933	4,042	195,422	211,100	406,522
September 30, 2019	153,934	40,795	3,209	197,938	205,981	403,919

28. OTHER FINANCIAL LIABILITIES

	September 30, 2020	December 31, 2019	September 30, 2019
Principal of structured products	\$ 69,997,500	\$ 71,455,099	\$ 66,032,442
Gold deposit account	650,999	345,766	304,907
Futures traders' equity	<u>954,656</u>	<u>592,198</u>	<u>563,723</u>
	<u>\$ 71,603,155</u>	<u>\$ 72,393,063</u>	<u>\$ 66,901,072</u>

29. OTHER LIABILITIES

	September 30, 2020	December 31, 2019	September 30, 2019
Unearned revenue	\$ 402,369	\$ 495,148	\$ 465,574
Unearned interest	530,460	419,039	391,940
Guarantee deposits	2,744,544	2,443,025	1,850,109
Deferred income	1,095,445	1,249,136	1,263,910
Temporary credits	958,496	785,960	816,341
Receivables from underwriting of shares	5,388,973	10,906	-
Others	<u>72,277</u>	<u>46,718</u>	<u>66,223</u>
	<u>\$ 11,192,564</u>	<u>\$ 5,449,932</u>	<u>\$ 4,854,097</u>

30. POST-EMPLOYMENT BENEFIT PLANS

Except for the followings, refer to Note 30 to the consolidated financial statements for the year ended December 31, 2019 for information on defined benefit plans.

Pension cost for the nine months ended September 30, 2020 and 2019 was calculated on a year-to-date basis by using the actuarially determined pension cost rates at the end of the prior financial year. Refer to Note 36 for information on employee benefits expense.

31. EQUITY

a. Capital stock

	September 30, 2020	December 31, 2019	September 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>10,906,742</u>	<u>10,656,704</u>	<u>10,656,003</u>
Preferred stock	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Capital shares issued and outstanding	<u>\$ 117,067,417</u>	<u>\$ 114,567,044</u>	<u>\$ 114,560,034</u>

For the nine months ended September 30, 2020, the number of stocks increased by 3,376 thousand shares due to employee's exercise of their employee stock options. In the shareholders' meeting on June 12, 2020, Taishin Financial Holding's shareholders had resolved the transfer of \$2,466,618 thousand of earnings to common stock and the ex-dividend date was set on August 17, 2020. The registration of the conversion had been completed.

- 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 during the fiscal year, the earnings should be appropriated in the following order:
 - a) Payment of income taxes;
 - b) Make-up for 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-off 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 cash dividends from the earnings, 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 there are 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 shareholders of the preferred stock D shall, subject to the resolution of the board of directors, be entitled to additional dividends. If dividends to common stocks are distributed in the same way as the preferred stock D and there are surplus earnings, for the purpose of dividend distribution, the preferred stock D will be converted to common stocks at the ratio of 2:1 with the right to participate in the distribution of dividends to common stocks, but not the distribution of capital surplus.
- 5) In the event of liquidation, the stockholders of preferred stock D shall be given priority to claim 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 preferred stock D issued, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year up to the redemption date in proportion 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 had been approved by the FSC under its Order No. 1050041849 issued on October 26, 2016, and the change in registration had been approved by the Ministry of Economic Affairs of the ROC 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 the 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 stock 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 stock D and then to preferred stock 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-off 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 up to the redemption date in proportion 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, 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 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 stock E.
 - 9) When the Company issues new stocks in cash, the stockholders of preferred stock D and the common stocks 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 had been approved by the FSC under its Order No. 1070329855 issued on September 6, 2018, and the change in registration had 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 the 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-off 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 cash dividends from the earnings, 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 up to the redemption date in proportion 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 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 stocks shall be entitled to equivalent preemptive rights on the new stocks.
- e. Advance receipts for capital stock

As of September 30, 2020 and 2019, advance receipts for capital stock amounted to \$32,099 thousand and \$4,854 thousand, representing the proceeds from the exercise of employee stock options which were converted into 4,825 thousand shares and 701 thousand shares of common stock, respectively, of which the registration of the conversion has not been completed.

f. Capital surplus

As of September 30, 2020, the Company recognized a capital surplus of \$35,944,940 thousand, of which a part of investees' unappropriated retained earnings amounted to \$414,706 thousand. In addition to 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 paid-in 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 stockholders of preferred stock D 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 the Company's board of directors in their meeting before its being resolved in the stockholders' meeting, and then any remaining profit together with the amount of reversed dividend or special reserve available for distribution and any undistributed earnings at the beginning of the fiscal year shall be resolved by the Company's board of directors in their 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 the 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.

Refer to h. for the information relating to special reserves.

The appropriations of earnings for 2019 and 2018 were approved in the stockholders' meetings on June 12, 2020 and June 14, 2019, respectively. The number of common stocks outstanding has changed because of the exercise of employee stock options; the actual appropriations are as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share (NT\$)</u>	
	<u>For Year 2019</u>	<u>For Year 2018</u>	<u>For Year 2019</u>	<u>For Year 2018</u>
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 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 appropriated special reserves in accordance with Order No. 1010012865 issued by the FSC and the Q&As on Special Reserves Appropriated Following Adoption of IFRSs.

In accordance with Order No. 1010045494 issued by the FSC, Taishin Financial Holding reclassified from the balance of reserve for business loss as special reserves under Article 11 of Value-added and Non-value-added Business Tax Act.

Taishin Financial Holding appropriated to special reserves an amount equal to the increase in retained earnings that resulted from recognizing gain on bargain purchase through acquisition in accordance with Order No. 10310006310 issued by the FSC.

i. Other equity items

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

	For the Nine Months Ended September 30	
	2020	2019
Beginning balance	\$ (675,950)	\$ (372,863)
Exchange differences on translating the net assets of foreign operations	(16,947)	(50,436)
Share of exchange differences of associates accounted for using the equity method	<u>(212,146)</u>	<u>(82,449)</u>
Ending balance	<u>\$ (905,043)</u>	<u>\$ (505,748)</u>

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

	For the Nine Months Ended September 30	
	2020	2019
Beginning balance	\$ 1,689,500	\$ 301,090
Recognized during the period		
Unrealized loss - debt instruments	1,219,953	1,069,478
Unrealized gain - equity instruments	(143,425)	62,675
Income tax related to profit or loss of debt instruments	(21,633)	(61,068)
Share of associates accounted for using the equity method	142,265	227,888
Reclassification adjustments		
Disposal of investments in debt instruments	<u>(1,086,303)</u>	<u>(386,948)</u>
Other comprehensive loss recognized in the period	<u>110,857</u>	<u>912,025</u>
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>98,110</u>	<u>15,318</u>
Ending balance	<u>\$ 1,898,467</u>	<u>\$ 1,228,433</u>

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

	For the Nine Months Ended September 30	
	2020	2019
Beginning balance	\$ 39,567	\$ 731
Changes in fair value attributable to changes in the credit risk	13,246	54,011
Share of associates accounted for using the equity method	<u>-</u>	<u>(201)</u>
Ending balance	<u>\$ 52,813</u>	<u>\$ 54,541</u>

j. Non-controlling interests

	For the Nine Months Ended September 30	
	2020	2019
Beginning balance	\$ 128,355	\$ 133,427
Changes in subsidiaries' equity - liquidation	(100,143)	-
Changes in subsidiaries' equity - cash dividend	-	(194)
Attributable to non-controlling interests		
Net loss for the year	(1,499)	(2,270)
Other comprehensive income for the year	<u>130</u>	<u>-</u>
Ending balance	<u>\$ 26,843</u>	<u>\$ 130,963</u>

32. NET INTEREST INCOME

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Interest income				
Loans	\$ 5,628,898	\$ 6,557,479	\$ 18,402,564	\$ 19,449,942
Investment in marketable securities	1,001,519	1,229,542	3,331,585	3,360,844
Revolving interest of credit cards	334,742	352,506	1,040,804	1,023,088
Finance leases	515,246	512,106	1,488,460	1,531,091
Securities purchased under resale agreements	8,557	39,810	92,173	82,472
Others	<u>456,441</u>	<u>745,735</u>	<u>1,675,492</u>	<u>2,310,655</u>
	<u>7,945,403</u>	<u>9,437,178</u>	<u>26,031,078</u>	<u>27,758,092</u>
Interest expense				
Deposits	(1,784,585)	(3,161,194)	(6,943,609)	(9,188,484)
Due to the Central Bank and call loans from banks	(93,870)	(268,648)	(422,891)	(701,324)
Securities sold under repurchase agreements	(75,064)	(207,459)	(446,333)	(683,487)
Issuance of bonds and securities	(321,847)	(307,520)	(926,935)	(967,434)
Structured products	(131,571)	(395,029)	(678,873)	(1,195,980)
Others	<u>(138,655)</u>	<u>(191,336)</u>	<u>(466,131)</u>	<u>(556,139)</u>
	<u>(2,545,592)</u>	<u>(4,531,186)</u>	<u>(9,884,772)</u>	<u>(13,292,848)</u>
Net interest income	<u>\$ 5,399,811</u>	<u>\$ 4,905,992</u>	<u>\$ 16,146,306</u>	<u>\$ 14,465,244</u>

33. NET SERVICE FEES AND COMMISSION INCOME

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Service fees and commission income				
Interbank fees	\$ 246,191	\$ 226,487	\$ 707,223	\$ 643,062
Loan and guarantee fees	253,100	107,276	567,862	711,043
Fees from certification, underwriting and brokerage	578,178	350,803	1,383,319	837,812
Fees from trustee business	949,914	901,270	2,601,329	2,014,503
Insurance commission fees	1,358,638	1,304,468	4,268,680	4,345,303
Fees from credit card and cash card	943,553	1,101,850	2,826,882	3,377,053
Others	<u>315,800</u>	<u>424,555</u>	<u>887,684</u>	<u>1,206,416</u>
	<u>4,645,374</u>	<u>4,416,709</u>	<u>13,242,979</u>	<u>13,135,192</u>
Service fees and commission expenses				
Interbank fees	(88,411)	(70,703)	(250,837)	(200,934)
Marketing fees	(155,865)	(179,593)	(448,051)	(559,325)
Fees from credit cards	(478,193)	(706,390)	(1,425,299)	(1,990,098)
Others	<u>(268,768)</u>	<u>(224,678)</u>	<u>(795,265)</u>	<u>(648,643)</u>
	<u>(991,237)</u>	<u>(1,181,364)</u>	<u>(2,919,452)</u>	<u>(3,399,000)</u>
Net service fees and commission income	<u>\$ 3,654,137</u>	<u>\$ 3,235,345</u>	<u>\$ 10,323,527</u>	<u>\$ 9,736,192</u>

34. GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
<u>Disposal gain (loss)</u>				
Taishin Bank				
Stocks and beneficiary certificates	\$ 157,657	\$ 29,716	\$ 118,431	\$ 121,519
Bills	8,030	(8,456)	8,165	(2,868)
Bonds	169,243	411,013	468,997	757,285
Derivative financial instruments	<u>1,237,655</u>	<u>855,128</u>	<u>1,981,431</u>	<u>2,577,934</u>
	<u>1,572,585</u>	<u>1,287,401</u>	<u>2,577,024</u>	<u>3,453,870</u>
Taishin Securities B				
Call (put) warrants issued	146,267	13,501	6,983	297,486
Trading securities - dealing	202,377	161,043	715,838	359,344
Trading securities - underwriting	36,771	20,714	53,756	22,107
Trading securities - hedging	82,279	(24,806)	(52,943)	(31,470)
Borrowing securities	(57,528)	(25,853)	(44,447)	(4,394)
Open-end funds	2,520	-	1,681	-
Derivative financial instruments	<u>(196,723)</u>	<u>(32,674)</u>	<u>(157,150)</u>	<u>(106,770)</u>
	<u>215,963</u>	<u>111,925</u>	<u>523,718</u>	<u>536,303</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Others				
Stocks and beneficiary certificates	\$ 40,776	\$ (49)	\$ 22,191	\$ 72
Derivative financial instruments	<u>(22,732)</u>	<u>24,473</u>	<u>37,439</u>	<u>162,085</u>
	<u>18,044</u>	<u>24,424</u>	<u>59,630</u>	<u>162,157</u>
	<u>1,806,592</u>	<u>1,423,750</u>	<u>3,160,372</u>	<u>4,152,330</u>
<u>Valuation gain (loss)</u>				
Taishin Bank				
Stocks and beneficiary certificates	(113,571)	14,666	(88,058)	41,966
Bills	(518)	(270)	3,428	11,506
Bonds	17,623	(313,295)	(266,488)	(257,948)
Derivative financial instruments	<u>(479,874)</u>	<u>156,072</u>	<u>(555,869)</u>	<u>786,320</u>
	<u>(576,340)</u>	<u>(142,827)</u>	<u>(906,987)</u>	<u>581,844</u>
Taishin Securities B				
Call (put) warrants issued	(104,884)	25,688	143,647	(208,878)
Trading securities - dealing	(97,516)	(19,884)	(309,048)	352,937
Trading securities - underwriting	(9,533)	(4,468)	(23,941)	31,903
Trading securities - hedging	154,621	4,552	179,501	(6,461)
Borrowings securities and securities sold under repurchase agreements	99,486	(7,888)	(11,169)	(36,532)
Open-end funds	(1,800)	(76)	(1,501)	34
Derivative financial instruments	(152,473)	39,995	(105,010)	(150,263)
Other	-	51	-	-
	<u>(112,099)</u>	<u>37,970</u>	<u>(127,521)</u>	<u>(17,260)</u>
Others				
Stocks and beneficiary certificates	552,460	(8,730)	656,106	(1,652)
Derivative financial instruments	<u>(116,555)</u>	<u>118,404</u>	<u>(137,840)</u>	<u>(27,510)</u>
	<u>435,905</u>	<u>109,674</u>	<u>518,266</u>	<u>(29,162)</u>
	<u>(252,534)</u>	<u>4,817</u>	<u>(516,242)</u>	<u>535,422</u>
Net interest income	111,430	269,864	533,266	814,254
Dividends	232,145	123,667	299,071	146,193
Interest expense	<u>(38,211)</u>	<u>(40,714)</u>	<u>(113,241)</u>	<u>(117,761)</u>
	<u>\$ 1,859,422</u>	<u>\$ 1,781,384</u>	<u>\$ 3,363,226</u>	<u>\$ 5,530,438</u>
				(Concluded)

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Disposal gain (loss)				
Bills	\$ (3,295)	\$ (509)	\$ (9,141)	\$ (3,240)
Bonds	292,860	195,664	1,097,144	390,188
Beneficiary certificates	(685)	-	(1,515)	-
	<u>288,880</u>	<u>195,155</u>	<u>1,086,488</u>	<u>386,948</u>
Dividend income				
Related to investments held at the end of the period	114,487	166,246	186,287	237,438
Related to investments derecognized at the end of the period	<u>89,863</u>	<u>54,122</u>	<u>91,113</u>	<u>66,274</u>
	<u>\$ 493,230</u>	<u>\$ 415,523</u>	<u>\$ 1,363,888</u>	<u>\$ 690,660</u>

36. EMPLOYEE BENEFITS EXPENSE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term benefits	\$ 3,589,352	\$ 3,326,583	\$ 10,276,939	\$ 9,850,082
Post-employment benefits (Note 30)				
Defined contribution plans	106,919	107,967	343,225	322,997
Defined benefit plans	7,440	8,798	22,519	25,468
Share-based payments (Note 40)				
Cash-settled share-based payments	9,702	8,902	9,135	25,439
Others	<u>32,195</u>	<u>30,467</u>	<u>93,891</u>	<u>87,646</u>
	<u>\$ 3,745,608</u>	<u>\$ 3,482,717</u>	<u>\$ 10,745,709</u>	<u>\$ 10,311,632</u>

Employees' Compensation and Remuneration of Directors

The Company accrues 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 September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, the amounts of employees' compensation and remuneration of directors were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Employees' compensation	<u>\$ 475</u>	<u>\$ 364</u>	<u>\$ 1,185</u>	<u>\$ 1,215</u>
Remuneration of directors	<u>\$ 47,429</u>	<u>\$ 36,449</u>	<u>\$ 118,467</u>	<u>\$ 121,564</u>

If there will be a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences will be recorded as a change in the accounting estimate and will be adjusted in the 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 adjustment for differences will be and was recognized in profit and loss for the years ended December 31, 2020 and 2019.

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

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

37. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Property and equipment	\$ 257,285	\$ 246,945	\$ 764,372	\$ 730,582
Investment properties	3,359	2,452	9,979	6,219
Right-of-use assets	194,062	183,806	578,369	537,917
Intangible assets and other assets	<u>100,029</u>	<u>71,888</u>	<u>275,296</u>	<u>215,710</u>
	<u>\$ 554,735</u>	<u>\$ 505,091</u>	<u>\$ 1,628,016</u>	<u>\$ 1,490,428</u>

38. INCOME TAX

In 2003, Taishin Financial Holding adopted the linked tax system for tax filing (similar to a consolidated tax filing) along 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 September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Current tax				
In respect of the current period	\$ 787,328	\$ 503,641	\$ 1,685,368	\$ 1,522,751
Additional income tax on unappropriated earnings	-	-	123,331	108,545
Adjustments for prior years	70,434	(284)	190,949	(929,320)
Offshore income tax expense	13,389	3,897	30,880	9,337
Land value increment tax	-	81	6,523	81
Others	(5,759)	-	(5,759)	-
Deferred tax				
In respect of the current period	(262,179)	(179,404)	(27,352)	769,180
Adjustments for prior years	<u>37</u>	<u>(153)</u>	<u>(142,296)</u>	<u>132</u>
Income tax expense recognized in profit or loss	<u>\$ 603,250</u>	<u>\$ 327,778</u>	<u>\$ 1,861,644</u>	<u>\$ 1,480,706</u>

Income Tax Recognized in Other Comprehensive Income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
<u>Deferred tax</u>				
In respect of the current period:				
Fair value changes of financial assets at FVTOCI	<u>\$ 24,914</u>	<u>\$ (1,370)</u>	<u>\$ 21,633</u>	<u>\$ 61,068</u>
Total income tax recognized in other comprehensive income	<u>\$ 24,914</u>	<u>\$ (1,370)</u>	<u>\$ 21,633</u>	<u>\$ 61,068</u>

Assessments of the Group's Income Tax

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

- Taishin Financial Holding's income tax returns through 2015 had been assessed by the tax authorities.
- 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.
- Taishin AMC's income tax returns through 2015 had been assessed by the tax authorities.
- Taishin Venture Capital's income tax returns through 2015 had been assessed by the tax authorities.
- Taishin Securities Investment Trust's income tax returns through 2015 had been assessed by the tax authorities.

- f. Taishin Securities B's income tax returns through 2015 had been assessed by the tax authorities. Taishin Securities Venture Capital's income tax returns through 2018 had been assessed by the tax authorities.
- g. Taishin Securities Investment Advisory's income tax returns through 2015 had been assessed by the tax authorities.

39. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Basic earnings per share	<u>\$ 0.39</u>	<u>\$ 0.30</u>	<u>\$ 0.96</u>	<u>\$ 0.97</u>
Diluted earnings per share	<u>\$ 0.39</u>	<u>\$ 0.30</u>	<u>\$ 0.96</u>	<u>\$ 0.97</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 September 30, 2019 and the nine months ended September 30, 2019 were as follows:

	For the Three Months Ended September 30, 2019		For the Nine Months Ended September 30, 2019	
	Before Retrospective Adjustment	After Retrospective Adjustment	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 0.31</u>	<u>\$ 0.99</u>	<u>\$ 0.30</u>	<u>\$ 0.97</u>
Diluted earnings per share	<u>\$ 0.31</u>	<u>\$ 0.99</u>	<u>\$ 0.30</u>	<u>\$ 0.97</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 (In Thousands of New Taiwan Dollars)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Net income for the periods attributable to owner of the Company	\$ 4,643,685	\$ 3,698,776	\$ 11,763,254	\$ 11,919,136
Less: Dividends on preferred stocks	<u>(441,776)</u>	<u>(442,986)</u>	<u>(1,315,724)</u>	<u>(1,376,593)</u>
Earnings used in computation of basic earnings per share	4,201,909	3,255,790	10,447,530	10,542,543
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>\$ 4,201,909</u>	<u>\$ 3,255,790</u>	<u>\$ 10,447,530</u>	<u>\$ 10,604,622</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Weighted average number of common stocks in computation of basic earnings per share	10,909,072	10,902,780	10,907,085	10,902,008
Effect of dilutive potential common stocks:				
Convertible preferred stocks	-	-	-	67,669
Employees stock options	1,548	5,752	1,526	5,704
Employees compensation	<u>37</u>	<u>90</u>	<u>132</u>	<u>119</u>
Weighted average number of common stocks outstanding in computation of dilutive earnings per share	<u>10,910,657</u>	<u>10,908,622</u>	<u>10,908,743</u>	<u>10,975,500</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 nine months ended September 30, 2020 and 2019. Refer to Note 40 to the consolidated financial statements for the year ended 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 Nine Months Ended September 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 Nine Months Ended September 30			
	2020		2019	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
<u>Plan of 2010 (I)</u>				
Outstanding, beginning balance	9,619	\$ 6.90	14,104	\$ 7.20
Exercised	(6,595)	6.72	(2,852)	6.92
Forfeited	<u>(208)</u>	6.80	<u>(28)</u>	7.20
Outstanding, ending balance	<u>2,816</u>		<u>11,224</u>	
Exercisable, ending balance	<u>2,816</u>		<u>11,224</u>	

The weighted-average exercise price of stocks at the exercise dates of the stock options during the nine months ended September 30, 2020 was \$13.10.

The exercise price and expected weighted-average outstanding period of the stock option for the nine months ended September 30, 2020 were as follows:

	For the Nine Months Ended September 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)	\$ 6.60	0.92	\$ 7.00	1.92
Plan of 2010 (I)	6.50	0.03	6.90	1.04

The valuation model and the assumptions used in the employee stock option plan for the nine months ended September 30, 2020 were as follows:

Valuation Model	Black-Scholes Options Pricing Model	Plan of 2010 (II)	Plan of 2010 (I)
Assumption	Dividend yield	-	-
	Expected price volatility	37.71%-39.71%	38.02%-38.73%
	Risk-free interest rate	1.22%-1.52%	1.06%-1.23%
	Expected outstanding period	10 years	10 years

No compensation costs were recognized for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019.

b. Cash-settled share-based payments of Taishin stock appreciation rights plan

The Group issued stock appreciation rights (SAR) to employees that required 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)	\$13.02	\$13.02	\$13.02	\$13.02	\$13.02
Exercise price	\$13.51	\$11.8	\$11.71	\$9.6	\$8.3
Outstanding period	1.3 years, 2.3 years	0.3 years, 1.3 years	0.4 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 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 Nine Months Ended September 30, 2020	
	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	-	\$ -
Granted	21,821	14.43
Ceased	<u>(450)</u>	14.37
Outstanding, ending	<u>21,371</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 1.60</u>	

Appreciation Rights Plan of 2018	For the Nine Months Ended September 30			
	2020		2019	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	14,486	\$ 12.60	-	\$ -
Granted	-	-	14,846	13.28
Ceased	<u>(710)</u>	12.57	<u>(300)</u>	13.28
Outstanding, ending	<u>13,776</u>		<u>14,546</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 1.84</u>		<u>\$ 2.49</u>	

	For the Nine Months Ended September 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>(465)</u>	12.50	<u>(870)</u>	13.20
Outstanding, ending	<u>7,350</u>		<u>15,401</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 1.60</u>		<u>\$ 1.95</u>	

	For the Nine Months Ended September 30			
	2020		2019	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Appreciation Rights Plan of 2016				
Outstanding, beginning	7,871	\$ 9.6	17,066	\$ 10.1
Exercised	(7,653)	9.6	(8,016)	10.1
Ceased	<u>(218)</u>	9.6	<u>(1,006)</u>	10.1
Outstanding, ending	<u>-</u>		<u>8,044</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 4.88</u>		<u>\$ 4.17</u>	

	For the Nine Months Ended September 30, 2019	
	Unit	Weighted Average Exercise Price (Dollars)
	Appreciation Rights Plan of 2015	
Outstanding, beginning	12,305	\$ 8.30
Exercised	(11,390)	8.30
Ceased	<u>(830)</u>	8.30
Outstanding, ending	<u>85</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 4.97</u>	

As of September 30, 2020, December 31, 2019 and September 30, 2019, the related amounts recognized as liabilities were \$37,978 thousand, \$80,293 thousand and \$60,361 thousand, respectively.

41. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities:

For the nine months ended September 30, 2020

	Opening Balance	Cash Flows	Non-cash Changes				Fair Value Adjustments	Closing Balance
			Effect of Exchange Rate Changes	New Leases	Termination of Lease Contract	Amortization of Discount		
Due to the Central Bank and banks (including call loans from other banks and bank overdrafts)	\$ 29,697,937	\$ (2,965,184)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,732,753
Commercial paper payable	22,856,765	(6,025,000)	-	-	-	9,360	-	16,841,125
Lease liabilities	2,822,108	(548,627)	(18,728)	753,909	(33,394)	-	-	2,975,268
Other borrowings	11,194,084	(571,368)	(96,821)	-	-	-	-	10,525,895
Financial liabilities designated as at FVTPL	3,287,359	-	-	-	-	-	15,850	3,303,209
Bonds payable	56,800,000	13,300,000	-	-	-	-	-	70,100,000
	<u>\$ 126,658,253</u>	<u>\$ 3,189,821</u>	<u>\$ (115,549)</u>	<u>\$ 753,909</u>	<u>\$ (33,394)</u>	<u>\$ 9,360</u>	<u>\$ 15,850</u>	<u>\$ 130,478,250</u>

For the nine months ended September 30, 2019

	Opening Balance	Cash Flows	Non-cash Changes				Fair Value Adjustments	Closing Balance
			Effect of Exchange Rate Changes	New Leases	Termination of Lease Contract	Amortization of Discount		
Due to the Central Bank and banks (including call loans from other banks and bank overdrafts)	\$ 33,957,115	\$ 19,981,177	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,938,292
Commercial paper payable	12,215,597	8,356,000	-	-	-	8,586	-	20,580,183
Lease liabilities	2,288,025	(424,053)	(3,268)	725,522	(6,324)	-	-	2,579,902
Other borrowings	11,545,384	(96,161)	(281,912)	-	-	-	-	11,167,311
Financial liabilities designated as at FVTPL	3,085,588	-	-	-	-	-	344,434	3,430,022
Bonds payable	61,700,000	-	-	-	-	-	-	61,700,000
	<u>\$ 124,791,709</u>	<u>\$ 27,816,963</u>	<u>\$ (285,180)</u>	<u>\$ 725,522</u>	<u>\$ (6,324)</u>	<u>\$ 8,586</u>	<u>\$ 344,434</u>	<u>\$ 153,395,710</u>

42. CAPITAL RISK MANAGEMENT

a. Summary

To efficiently control the capital adequacy of the Group 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 compile 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 conforms to related capital adequacy regulations and minimum basic criteria set by each industry's 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 arrangements of capital structure and application of capital instruments and adjustments of asset portfolio.

b. Capital management procedures

In order to meet the Group's capital adequacy goals, Taishin Financial Holding established the Asset and Liability Committee (the "Committee") to review capital performance of Taishin Financial Holding and its significant subsidiaries' every month. If there is any concern that the Group's capital adequacy may be below the legal standard, the Committee would immediately find measures to increase the Group's net qualified capital or to reduce the Group's legal capital requirement so as to improve the Group's performance and meet capital adequacy ratio.

The Group's capital adequacy ratio is calculated based on the accounting reports and related data of capital adequacy provided by Taishin Financial Holding and its subsidiaries. Taishin Financial Holding and each of its subsidiaries should respectively report to the relevant regulatory agencies using the calculation formulas and forms according to the regulations before deadline.

43. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

a. Summary

Fair value is the exchange price in an 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	September 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	\$ 11,318,406	\$ 8,197,943	\$ 488,239	\$ 2,632,224
Bond investments	34,091,383	15,812,439	18,278,944	-
Investment in bills	56,915,789	-	56,915,789	-
Others	66,523	65,403	-	1,120
Financial assets at FVTOCI				
Equity investments	3,522,701	1,272,682	-	2,250,019
Bond investments	150,598,005	61,038,850	89,559,155	-
Investment in bills	40,677,123	722,884	39,954,239	-
Beneficiary securities	681,748	681,748	-	-
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	3,303,209	-	3,303,209	-
Financial liabilities held for trading	446,872	446,872	-	-
<u>Derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL	20,178,051	756,187	15,117,716	4,304,148
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	1,500,404	-	1,500,404	-
Financial liabilities held for trading	2,684	139,162	17,073,443	3,900,079

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	September 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	\$ 9,594,250	\$ 7,414,879	\$ 453,154	\$ 1,726,217
Bond investments	49,946,694	16,701,185	32,152,890	1,092,619
Investment in bills	44,427,245	-	44,427,245	-
Others	17,314	16,748	-	566
Financial assets at FVTOCI				
Equity investments	4,832,197	2,737,655	-	2,094,542
Bond investments	160,352,970	77,575,965	82,777,005	-
Investment in bills	132,546,700	1,105,984	131,440,716	-
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	3,430,022	-	3,430,022	-
Financial liabilities held for trading	912,783	912,783	-	-
<u>Derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL	26,936,798	716,896	20,455,885	5,764,017
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	1,518,567	-	1,518,567	-
Financial liabilities held for trading	27,221,045	580,696	21,241,279	5,399,070

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 of 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 of interest rates for commercial papers from Reuters.

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 input parameters for the valuation models of 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 (which is comparable to the market approach) and 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, the 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) 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 values of \$3,898,947 thousand and \$1,509,611 thousand were transferred from Level 1 to Level 2 in the nine months ended September 30, 2020 and 2019, respectively.

5) Reconciliation of Level 3 financial assets

For the Nine Months Ended September 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	\$ 16,087	\$ -	\$ 841,803	\$ -	\$ (1,635,759)	\$ -	\$ 6,937,492
Financial assets at FVTOCI	2,138,618	-	112,955	-	-	(1,554)	-	2,250,019
Total	\$ 9,853,979	\$ 16,087	\$ 112,955	\$ 841,803	\$ -	\$ (1,637,313)	\$ -	\$ 9,187,511

Note: No transfer from Level 3.

For the Nine Months Ended September 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	\$ (625,886)	\$ -	\$ 727,048	\$ -	\$ (730,619)	\$ (28,067)	\$ 8,583,419
Financial assets at FVTOCI	2,084,067	-	13,859	-	-	(3,384)	-	2,094,542
Total	\$ 11,325,010	\$ (625,886)	\$ 13,859	\$ 727,048	\$ -	\$ (734,003)	\$ (28,067)	\$ 10,677,961

Abovementioned valuation gains (losses) recognized in current profits or losses in the amounts of \$257,958 thousand and \$(678,459) thousand were attributed to gains (losses) on assets owned during the nine months ended September 30, 2020 and 2019, respectively.

Abovementioned valuation gains (losses) recognized in other comprehensive income in the amounts of \$112,955 thousand and \$13,859 thousand were attributed to gains on assets owned during the nine months ended September 30, 2020 and 2019, respectively.

Reconciliation of Level 3 financial liabilities:

For the Nine Months Ended September 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	\$ (685,400)	\$ 553,310	\$ -	\$ (588,897)	\$ -	\$ 3,900,079

Note: No transfer from Level 3.

For the Nine Months Ended September 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	\$ (929,816)	\$ 449,251	\$ -	\$ (331,533)	\$ -	\$ 5,399,070

Note: No transfer from Level 3.

Abovementioned valuation gains (losses) recognized in current profits or losses in the amounts of \$501,516 thousand and \$900,699 thousand were attributed to gains on liabilities owned during the nine months ended September 30, 2020 and 2019, respectively.

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

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

The quantitative information of significant unobservable inputs is as follows:

	Fair Value on September 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	\$ 2,254,983	Assets method	Discount for lack of marketability	1%-30%	The higher the discount for lack of marketability, the lower the fair value.
Equity investments			Non-controlling interest discount	2%-30%	The higher the non-controlling interest discount, the lower the fair value.
	301,086	Market method	Discount for lack of marketability	10%-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 discount rate, the lower the fair value.
Financial assets at FVTOCI					
Equity investments	2,066,218	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.
	183,801	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	949,553	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	117	Option pricing model	Volatility rate	5%-25%	The higher the volatility rate, the higher the fair value.
Equity-linked swaps	252	Option pricing model	Volatility rate	5%-40%	The higher the volatility rate, the higher the fair value.
Commodity price exchange	66	Option pricing model	Volatility rate	5%-25%	The higher the volatility rate, the higher the fair value.
Commodity price options	47	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	497,999	Cash flow discount method	Discount for lack of marketability	0%-20%	The higher the discount for lack of marketability, the lower the fair value.
Equity-linked swaps	252	Option pricing model	Volatility rate	5%-40%	The higher the volatility rate, the higher the fair value.
Commodity price options	28	Option pricing model	Volatility rate	5%-25%	The higher the volatility rate, the higher 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>					
<u>Financial assets at FVTPL</u>					
Financial assets mandatorily classified as at FVTPL	\$ 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.
Credit-linked securities					
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.
<u>Financial assets at FVTOCI</u>					
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>					
<u>Financial assets at FVTPL</u>					
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>					
<u>Financial liabilities at FVTPL</u>					
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 September 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	\$ 1,092,619	Credit spread default model/ cash flow discount method	Credit spread	0%-2%	The higher the credit spread, the lower the fair value.
Credit-linked securities					
Equity investments	1,263,120	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.
	383,598	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	566	Revenue method	Discount for lack of marketability	10%-20%	The higher the discount for lack of marketability, the lower the fair value.
<u>Financial assets at FVTOCI</u>					
Equity investments	2,033,461	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.
	185,794	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>					
<u>Financial assets at FVTPL</u>					
Interest rate swaps	1,124,221	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	1,112	Option pricing model	Volatility rate	5%-25%	The higher the volatility rate, the higher the fair value.
<u>Derivative financial liabilities</u>					
<u>Financial liabilities at FVTPL</u>					
Interest rate swaps	679,928	Cash flow discount method	Discount for lack of marketability	0%-20%	The higher the discount for lack of marketability, 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.

	September 30, 2020		December 31, 2019		September 30, 2019	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
<u>Financial assets</u>						
Debt instruments at amortized cost	\$ 250,281,369	\$ 250,562,362	\$ 131,888,616	\$ 132,032,460	\$ 125,100,183	\$ 125,100,164

2) Information on fair value hierarchy

Assets and Liabilities	September 30, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets				
Debt instruments at amortized cost	\$ 250,562,362	\$ 1,518,043	\$ 249,044,319	\$ -

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	September 30, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets				
Debt instruments at amortized cost	\$ 125,100,164	\$ -	\$ 125,100,164	\$ -

3) Valuation techniques

- a) Financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resale agreements, receivables, other miscellaneous financial assets, due to the Central Bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, other borrowings and other miscellaneous financial liabilities, are disclosed at their carrying amounts as shown in the consolidated balance sheets since their maturities are very short or their future payments/receipts approximate their carrying amounts.
- b) Investments in debt instruments at amortized cost: Refer to Note 43 (c) for related information.
- c) Loans (including delinquent loans)

The Group's loan interest rate is usually determined based on the prime rate plus or minus basis 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.

September 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	\$ 9,208,525	\$ -	\$ 9,208,525	\$ 6,065,115	\$ 1,184,189	\$ 1,959,221

Note: Including net settlement and non-cash collateral.

September 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	\$ 14,035,808	\$ -	\$ 14,035,808	\$ 6,065,115	\$ 3,818,977	\$ 4,151,716

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.

September 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	\$ 12,589,756	\$ -	\$ 12,589,756	\$ 8,730,090	\$ 1,531,069	\$ 2,328,597

Note: Including net settlement and non-cash collateral.

September 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	\$ 18,816,467	\$ -	\$ 18,816,467	\$ 8,730,090	\$ 7,519,932	\$ 2,566,445

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 derecognition; 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 derecognition and information on the related financial liabilities:

September 30, 2020		
Financial Assets	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Financial assets at FVTPL sold under repurchase agreement	\$ 62,692,476	\$ 61,954,774
Financial assets at FVTOCI sold under repurchase agreement	41,747,883	32,759,561

December 31, 2019		
Financial Assets	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Financial assets at FVTPL sold under repurchase agreement	\$ 65,443,371	\$ 68,251,143
Financial assets at FVTOCI sold under repurchase agreement	53,890,088	51,893,832

September 30, 2019		
Financial Assets	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Financial assets at FVTPL sold under repurchase agreement	\$ 57,624,578	\$ 58,755,059
Financial assets at FVTOCI sold under repurchase agreement	37,529,084	36,199,548

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 of the Group include 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 arises from 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 main types of market risks of the Group are equity securities price risks, credit spread risks, interest rate risks, and exchange rate risks. The main types of equity securities risk include domestic public, OTC, and emerging market stocks, domestic stock index options and stock index futures. The main types of credit spread risk include the credit derivatives, such as credit default swaps, convertible bond asset swap (CBAS). The main types of interest rate risk include bonds and interest derivative instruments, such as interest rate swap. The main types of exchange rate risk include 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 independently 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 which are recorded in trading books daily; and calculates the maximum potential losses recorded in each trading book monthly. The Group takes measures 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 financial instruments for trading purpose 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 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' equity.

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 arises 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, such as VaR. 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 Nine Months Ended September 30, 2020			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 4,749	\$ 75,675	\$ 1,113	\$ 3,074
Interest rate VaR	51,957	128,188	30,164	40,375
Equity securities VaR	57,969	94,502	18,065	75,828
Credit spread VaR	4,352	8,983	1,289	1,628
Value at risk	91,740	152,968	34,843	98,441

For the Nine Months Ended September 30, 2019

	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 3,208	\$ 9,190	\$ 1,026	\$ 2,097
Interest rate VaR	31,465	48,247	21,036	23,806
Equity securities VaR	38,280	48,460	24,839	45,333
Credit spread VaR	5,297	11,630	2,878	2,895
Value at risk	50,859	62,226	38,394	50,533

c) Information of exchange rate risk concentration

For information regarding Taishin Bank's non-functional currency financial assets and liabilities on the balance sheet date, refer to Note 51.

Taishin Securities B

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

For the Nine Months Ended September 30, 2020

	Average	Highest	Lowest	Ending Balance
Value at risk (VaR)	\$ 132,069	\$ 156,631	\$ 79,566	\$ 79,566

For the Nine Months Ended September 30, 2019

	Average	Highest	Lowest	Ending Balance
Value at risk (VaR)	\$ 53,707	\$ 73,140	\$ 33,953	\$ 49,974

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 matured.

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 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 is 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 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 for 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 time value of money 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's backgrounds, 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 remainders 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 no longer possible. The highest values of the aforementioned evaluation results are taken to measure the allowance for 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 be monitored by the relevant business department. If there is any property available for enforcement, the Group shall prosecute 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 agencies.

c) Security investment and financial derivatives transaction

Regarding the credit risk of security investments and financial derivatives, Taishin Bank manages the risk by assessing the internal credit rating of issuers, issued underlying assets, 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 as 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 for 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 prepared using the simplified approach.

September 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	0.40%	15.77%	48.19%	67.40%
Amount of exposure	\$ 21,286,984	\$ 275,545	\$ 141,677	\$ 82,093
Loss allowance	85,769	43,448	68,273	55,330

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

September 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	0.46%	27.49%	51.76%	68.75%
Amount of exposure	\$ 20,093,749	\$ 128,321	\$ 114,648	\$ 92,550
Loss allowance	91,800	35,281	59,344	63,632

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 debts because they cannot be recovered or 360 days or more past due, the relevant regulations will be followed for recourse actions

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:

September 30, 2020

	Gross Carrying Amount	Impairment under IFRS 9	Proportion of Loans/ Collateral (Note)
Personal housing loans	\$ 10,725,627	\$ 2,711,097	47.21%
Business guaranteed loans	513,524	83,949	107.25%
Others	7,708,480	2,096,579	
Total	\$ 18,947,631	\$ 4,891,625	

Note: The value of the collateral is calculated based on the latest accessible internal and external data.

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	

Note: The value of the collateral is calculated based on the latest accessible internal and external data.

September 30, 2019

	Gross Carrying Amount	Impairment under IFRS 9	Proportion of Loans/ Collateral (Note)
Personal housing loans	\$ 4,037,919	\$ 2,118,564	39.29%
Business guaranteed loans	511,690	93,762	109.00%
Others	6,475,317	1,600,097	
Total	\$ 11,024,926	\$ 3,812,423	

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 derivative 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 September 30, 2020, December 31, 2019 and September 30, 2019 are as follows:

Taishin Bank

	September 30, 2020			
	12-month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Loans				
Consumer finance				
Excellent	\$ 642,168,256	\$ 20,436,502	\$ -	\$ 662,604,758
Good	6,598,526	229,628	-	6,828,154
Acceptable	-	156,756	-	156,756
Default	-	-	15,604,354	15,604,354
Corporate finance				
Excellent	298,185,538	-	-	298,185,538
Good	248,928,903	-	-	248,928,903
Acceptable	2,026,867	1,131,277	-	3,158,144
Default	-	-	955,795	955,795
Total	\$ 1,197,908,090	\$ 21,954,163	\$ 16,560,149	\$ 1,236,422,402
Receivables (including non-performing receivables transferred, other than those from loans)				
Consumer finance				
Excellent	\$ 57,443,188	\$ 63,893	\$ -	\$ 57,507,081
Good	179,046	2,199	-	181,245
Acceptable	-	54,694	-	54,694
Default	-	-	2,251,067	2,251,067
Corporate finance				
Excellent	42,213,903	-	-	42,213,903
Good	4,833,931	-	-	4,833,931
Acceptable	1,820	989	-	2,809
Default	-	-	136,415	136,415
Others	-	18,604,931	-	18,604,931
Total	\$ 104,671,888	\$ 18,726,706	\$ 2,387,482	\$ 125,786,076
Debt instruments at FVTOCI				
Excellent	\$ 191,024,603	\$ 201,415	\$ -	\$ 191,226,018
Debt investments at amortized cost				
Excellent	\$ 250,289,331	\$ -	\$ -	\$ 250,289,331
Financial guarantees				
Excellent	\$ 19,010,303	\$ -	\$ -	\$ 19,010,303
Good	4,335,002	-	-	4,335,002
Acceptable	-	46,742	-	46,742
Total	\$ 23,345,305	\$ 46,742	\$ -	\$ 23,392,047
Loan commitments				
Excellent	\$ 1,002,870,649	\$ 247,481	\$ -	\$ 1,003,118,130
Good	142,256,693	688	-	142,257,381
Acceptable	287,166	140,891	-	428,057
Default	-	-	452,056	452,056
Total	\$ 1,145,414,508	\$ 389,060	\$ 452,056	\$ 1,146,255,624

	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

	September 30, 2019			
	12-month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Loans				
Consumer finance				
Excellent	\$ 585,021,700	\$ 15,721,560	\$ -	\$ 600,743,260
Good	12,131,787	329,866	-	12,461,653
Acceptable	-	289,363	-	289,363
Default	-	-	8,234,733	8,234,733
Corporation finance				
Excellent	285,044,113	-	-	285,044,113
Good	209,573,871	-	-	209,573,871
Acceptable	922,429	4,431,781	-	5,354,210
Default	-	-	661,810	661,810
Total	\$ 1,092,693,900	\$ 20,772,570	\$ 8,896,543	\$ 1,122,363,013
Receivables (including non-performing receivables transferred, other than those from loans)				
Consumer finance				
Excellent	\$ 60,843,662	\$ 44,646	\$ -	\$ 60,888,308
Good	300,628	1,840	-	302,468
Acceptable	-	76,453	-	76,453
Default	-	-	1,990,703	1,990,703
Corporation finance				
Excellent	44,836,098	-	-	44,836,098
Good	6,990,375	-	-	6,990,375
Acceptable	522,465	8,559	-	531,024
Default	-	-	137,680	137,680
Others	-	28,352,720	-	28,352,720
Total	\$ 113,493,228	\$ 28,484,218	\$ 2,128,383	\$ 144,105,829
Debt instruments at FVTOCI				
Excellent	\$ 292,698,461	\$ 201,209	\$ -	\$ 292,899,670
Debt investments at amortized cost				
Excellent	\$ 125,104,790	\$ -	\$ -	\$ 125,104,790
Financial guarantees				
Excellent	\$ 16,076,255	\$ -	\$ -	\$ 16,076,255
Good	4,201,628	-	-	4,201,628
Acceptable	50,501	48,613	-	99,114
Default	-	-	15,160	15,160
Total	\$ 20,328,384	\$ 48,613	\$ 15,160	\$ 20,392,157
Loan commitments				
Excellent	\$ 934,235,572	\$ 187,136	\$ -	\$ 934,422,708
Good	129,418,035	162	-	129,418,197
Acceptable	1,341,372	535,468	-	1,876,840
Default	-	-	263,892	263,892
Total	\$ 1,064,994,979	\$ 722,766	\$ 263,892	\$ 1,065,981,637

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	September 30, 2020		December 31, 2019		September 30, 2019	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Manufacturing	\$ 194,841,644	16	\$ 179,706,128	16	\$ 174,083,235	16
Wholesale and retail	60,313,251	5	57,296,126	5	55,692,208	5
Finance and insurance	108,088,751	9	104,737,965	9	102,146,677	9
Real estate and leasing	93,847,342	8	86,812,057	7	80,432,322	7
Service	19,045,416	1	21,702,886	2	20,614,124	2
Individuals	707,037,784	57	661,648,363	57	641,284,135	57
Others	53,248,214	4	43,426,226	4	48,110,312	4
	<u>\$ 1,236,422,402</u>		<u>\$ 1,155,329,751</u>		<u>\$ 1,122,363,013</u>	

Industry Type	September 30, 2020		December 31, 2019		September 30, 2019	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,139,727,498	92	\$ 1,067,344,993	92	\$ 1,036,814,879	92
Europe	6,476,203	1	5,719,619	1	6,090,327	1
America	4,984,442	-	2,650,727	-	2,514,721	-
Others	85,234,259	7	79,614,412	7	76,943,086	7
	<u>\$ 1,236,422,402</u>		<u>\$ 1,155,329,751</u>		<u>\$ 1,122,363,013</u>	

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:

- Inability to fulfill funding gap due to asymmetric time and amount in cash inflows and outflows.
- Liabilities paid off in advance before maturity, inability to maintain liabilities at maturity or inability to acquire funds from the market.
- 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 contractual 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	September 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	\$ 20,536,994	\$ 14,083,242	\$ 11,144,274	\$ 4,700,000	\$ 13,000	\$ 18,000	\$ -	\$ -	\$ -	\$ 50,495,510
Funds borrowed from the Central Bank and other banks	-	-	-	1,549,340	-	-	-	-	-	1,549,340
Non-derivative financial liabilities at FVTPL	-	-	-	-	-	-	-	-	11,719,303	11,719,303
Securities sold under repurchase agreements	69,455,184	13,143,828	276,064	-	-	297,026	-	-	-	83,172,102
Payables	23,688,034	109,063	82,441	2,071,779	8,677	1,781	-	-	-	25,961,775
Deposits and remittances	163,439,564	179,782,479	221,318,909	284,596,971	715,847,686	3,763,087	35,303	715	-	1,568,784,714
Bank debentures	-	-	-	-	-	6,800,000	8,000,000	4,950,000	15,050,000	34,800,000
Lease liabilities	135,862	117,558	170,164	374,040	605,865	494,059	366,591	260,128	418,285	2,942,552
Other financial liabilities	6,426,504	3,259,119	388,154	3,236,103	629,865	2,502,242	6,709,441	3,132,257	53,137,370	79,421,055
	\$ 283,682,142	\$ 210,495,289	\$ 233,380,006	\$ 296,528,233	\$ 717,105,093	\$ 13,876,195	\$ 15,111,335	\$ 8,343,100	\$ 80,324,958	\$1,858,846,351

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	September 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	\$ 24,017,451	\$ 34,570,525	\$ 14,859,141	\$ 4,700,000	\$ 11,000	\$ 13,000	\$ -	\$ -	\$ -	\$ 78,171,117
Funds borrowed from the Central Bank and other banks	931,260	-	-	-	-	-	-	-	-	931,260
Non-derivative financial liabilities at FVTPL	-	-	-	-	-	-	-	-	12,490,236	12,490,236
Securities sold under repurchase agreements	67,704,496	11,562,816	2,036,701	-	-	-	-	-	-	81,304,013
Payables	30,626,085	345,872	172,420	5,932,995	14,039	4,397	-	-	-	37,095,809
Deposits and remittances	159,073,101	170,092,827	201,708,544	267,308,621	606,957,474	4,134,692	5,900	-	-	1,409,281,159
Bank debentures	1,100,000	3,800,000	-	-	-	-	6,800,000	-	-	39,700,000
Lease liabilities	137,686	110,107	157,640	314,500	494,082	422,120	333,325	219,545	385,051	2,574,056
Other financial liabilities	6,204,778	6,844,915	1,455,421	2,969,928	126,857	780,710	3,329,609	15,694,362	36,696,152	74,102,732
	\$ 289,794,857	\$ 227,327,062	\$ 220,389,867	\$ 281,226,044	\$ 607,603,452	\$ 5,354,919	\$ 10,468,835	\$ 23,913,907	\$ 69,571,439	\$1,735,650,382

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 \$879,146,883 thousand, \$785,972,474 thousand and \$744,843,851 thousand as of September 30, 2020, December 31, 2019 and September 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	September 30, 2020					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL	\$ 20,172,818	\$ -	\$ -	\$ -	\$ -	\$ 20,172,818

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	September 30, 2019					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL	\$ 26,647,180	\$ -	\$ -	\$ -	\$ -	\$ 26,647,180

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 September 30, 2020, December 31, 2019 and September 30, 2019, assuming that all amounts, including the amounts in the longest time band, were due in less than one-month time band, the amounts would have been \$19,954,415 thousand, \$18,727,917 thousand and \$16,916,090 thousand, respectively, for guarantees; \$3,437,632 thousand, \$3,582,242 thousand and \$3,476,067 thousand, respectively, for letters of credit; \$609,628,707 thousand, \$571,666,876 thousand and \$561,866,081 thousand, respectively, for loan commitments (excluding credit card); and \$12,540,866 thousand, \$15,435,059 thousand and \$15,327,203 thousand, respectively, for credit card commitments.

Item	September 30, 2020					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 5,726,863	\$ 5,912,984	\$ 1,382,626	\$ 1,948,334	\$ 4,983,608	\$ 19,954,415
Letters of credit	499,052	2,334,428	420,968	183,184	-	3,437,632
Loan commitments (excluding credit cards)	6,452,476	109,586,122	130,251,107	321,459,554	41,879,448	609,628,707
Credit card commitments	848	101,741	169,876	649,654	11,618,747	12,540,866

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
Loan commitments (excluding credit cards)	11,981,284	98,995,412	160,946,626	267,396,554	32,347,000	571,666,876
Credit card commitments	1,445	178,956	205,323	369,889	14,679,446	15,435,059

Item	September 30, 2019					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 5,152,574	\$ 5,137,148	\$ 444,044	\$ 1,528,777	\$ 4,653,547	\$ 16,916,090
Letters of credit	929,502	1,564,968	525,794	415,868	39,935	3,476,067
Loan commitments (excluding credit cards)	9,282,962	122,404,258	126,703,720	293,202,734	10,272,407	561,866,081
Credit card commitments	1,531	215,013	303,402	400,392	14,406,865	15,327,203

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	September 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	\$ 446,872	\$ -	\$ -	\$ -	\$ -	\$ 446,872
Commercial papers issued	6,604,164	-	-	-	-	6,604,164
Bonds sold under repurchase agreements	12,442,238	-	-	-	-	12,442,238
Deposits on short sales	640,003	-	-	-	-	640,003
Financing guarantees payable	706,025	-	-	-	-	706,025
Futures traders' equity	954,656	-	-	-	-	954,656
Notes payable and accounts payable	7,925,841	-	-	-	-	7,925,841
Other payables	365,809	1,531	90,668	89,100	222,750	769,858
Other current liabilities	5,428,086	-	-	-	-	5,428,086
Lease liabilities	31,431	30,334	95,361	22,309	-	179,435
Bonds payable	-	-	-	-	3,300,000	3,300,000
Guarantee deposits	75	163	-	-	-	238
	\$ 35,545,200	\$ 32,028	\$ 186,029	\$ 111,409	\$ 3,522,750	\$ 39,397,416

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 papers 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 payables	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	September 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	\$ 912,783	\$ -	\$ -	\$ -	\$ -	\$ 912,783
Short-term borrowings	5,000	-	-	-	-	5,000
Commercial papers issued	4,075,213	-	-	-	-	4,075,213
Bonds sold under repurchase agreements	13,650,594	-	-	-	-	13,650,594
Deposits on short sales	485,932	-	-	-	-	485,932
Financing guarantees payable	524,397	-	-	-	-	524,397
Futures traders' equity	563,723	-	-	-	-	563,723
Accounts payable	7,187,479	-	-	-	-	7,187,479
Other payables	267,314	2,312	1,576	-	-	271,202
Other current liabilities	23,282	-	-	-	-	23,282
Lease liabilities	30,026	27,215	96,832	31,931	-	186,004
Long-term borrowings	2,525	2,037	504,228	-	-	508,790
Guarantee deposits	168	75	-	-	-	243
	\$ 27,728,436	\$ 31,639	\$ 602,636	\$ 31,931	\$ -	\$ 28,394,642

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	September 30, 2020					
	6 Months	6 Months - 1 Year	1 Year - 3 Years	3 Years - 5 Years	Over 5 Years	Total
Derivative financial liabilities at FVTPL	\$ 2,440,270	\$ -	\$ -	\$ -	\$ -	\$ 2,440,270

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
Derivative financial liabilities at FVTPL	\$ 2,250,992	\$ -	\$ -	\$ -	\$ -	\$ 2,250,992

Type of Financial Instrument	September 30, 2019					
	6 Months	6 Months - 1 Year	1 Year - 3 Years	3 Years - 5 Years	Over 5 Years	Total
Derivative financial liabilities at FVTPL	\$ 2,092,432	\$ -	\$ -	\$ -	\$ -	\$ 2,092,432

44. RELATED-PARTY TRANSACTIONS

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

Name	Relationship
Taishin Bank	Subsidiary
Taishin AMC	Subsidiary
Taishin Venture Capital	Subsidiary
Taishin Securities B	Subsidiary
Taishin Securities Investment Trust	Subsidiary
Taishin Securities Investment Advisory	Subsidiary
Taishin D.A. Finance	Second-tier subsidiary
Xiang An Insurance Agency	Second-tier subsidiary
Taishin Real-Estate	Second-tier subsidiary
Taishin Financial Leases (China)	Second-tier subsidiary
Taishin Financial Leases (Tianjin)	Second-tier subsidiary

(Continued)

Name	Relationship
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
Shin Kong Security Co., Ltd. (“Shin Kong Security”)	Others
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 since 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
Bo Rui Co., Ltd. (“Bo Rui”)	Others
Individual A	Key management personnel
Others	Including key management personnel and others

(Concluded)

b. Material transactions with related parties:

All intragroup transactions and balances 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
September 30, 2020	\$ 2,557,054
December 31, 2019	2,308,436
September 30, 2019	1,832,301

For the three months ended September 30, 2020 and 2019, the amounts of interest income were \$6,493 thousand and \$6,942 thousand, respectively. For the nine months ended September 30, 2020 and 2019, the amounts of interest income were \$20,803 thousand and \$20,980 thousand, respectively. For the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, interest rates ranged from 0.65% to 15.00% and from 0.67% to 15.00%, respectively.

	<u>September 30, 2020</u>					The Different Terms with Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non- performing Loans	Collateral	
<u>Consumer loans</u>						
133 accounts	\$ 580,505	\$ 610,392	\$ 580,505	\$ -	Land, buildings, and chattels	None
<u>Self-used residence mortgage loans</u>						
128 accounts	841,977	893,352	841,977	-	Land and buildings	None
<u>Other loans</u>						
Darfon	400,000	400,000	400,000	-	-	None
Shin Kong Security	390,000	390,000	390,000	-	Land and building	None
Peng Cheng	132,000	132,000	132,000	-	Land and buildings	None
Others	<u>212,572</u>	212,572	<u>212,572</u>	<u>-</u>	Land, buildings, chattels and securities deposits	None
	<u>\$ 2,557,054</u>		<u>\$ 2,557,054</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>		

September 30, 2019						
	Ending Balance	Highest Amount	Normal Loans	Non- performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Consumer loans</u>						
110 accounts	\$ 516,527	\$ 538,030	\$ 516,527	\$ -	Land, buildings, and chattels	None
<u>Self-used residence mortgage loans</u>						
108 accounts	731,730	777,562	731,730	-	Land and buildings	None
<u>Other loans</u>						
GBM	100,000	150,000	100,000	-	Land and buildings	None
Peng Cheng	370,122	457,500	370,122	-	-	None
Others	<u>113,922</u>	127,340	<u>113,922</u>	-	Land, buildings, chattels, and securities - deposits	None
	<u>\$ 1,832,301</u>		<u>\$ 1,832,301</u>	<u>\$ -</u>		

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

Deposits

	Ending Balance
September 30, 2020	\$ 10,670,884
December 31, 2019	10,533,871
September 30, 2019	9,402,288

For the three months ended September 30, 2020 and 2019, the amounts of interest expenses were \$9,969 thousand and \$15,255 thousand, respectively. For the nine months ended September 30, 2020 and 2019, the amounts of interest expense were \$36,190 thousand and \$38,205 thousand, respectively. For the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, interest rates ranged from 0.00% to 5.00% and from 0.00% to 5.00%, respectively.

	September 30, 2020			
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense	
For the Three Months Ended September 30			For the Nine Months Ended September 30	
An Shin Construction				
Manager	\$ 1,589,096	0.01-0.63	\$ (1,654)	\$ (2,856)
Taiwan SMEG	1,480,727	0.00-1.05	(2,463)	(7,377)
Tasco Chemical	701,519	0.00-0.65	(632)	(2,076)
Shin Kong Mitsukoshi	487,974	0.00-0.06	(24)	(178)
Shin Kong Insurance	484,993	0.00-1.03	(621)	(1,963)
EXCEL Chemical	438,921	0.01-0.06	(4)	(12)
Dah Chung Bills	431,585	0.00-0.70	(706)	(2,104)
CyberLink	415,259	0.01-2.35	(1,507)	(9,122)
Shin Kong Synthetic				
Fibers	174,012	0.00-0.32	(38)	(226)
Taiwan Fieldrich	138,081	0.01-2.50	(14)	(1,024)
Bo Rui	111,007	0.01-0.06	(1)	(5)
Ubright Optronics	101,716	0.00-0.32	(14)	(63)
Others	<u>4,115,994</u>		<u>(2,291)</u>	<u>(9,184)</u>
	<u>\$ 10,670,884</u>		<u>\$ (9,969)</u>	<u>\$ (36,190)</u>

	December 31, 2019		
	Ending Balance	Interest Rate Range (Per Annum %)	Interest Expense
Taiwan SMEG		\$ 1,480,875	0.00-1.05
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>

September 30, 2019

	Ending Balance	Interest Rate (Per Annum %)	Interest Expense	
			Forth Three Months Ended September 30	For the Nine Months Ended September 30
An Shin Construction Manager	\$ 659,080	0.06-0.63	\$ (957)	\$ (3,441)
CyberLink	693,351	0.06-3.00	(5,044)	(11,532)
Shin Kong Mitsukoshi	1,503,995	0.00-0.06	(139)	(428)
Shin Kong Insurance	570,289	0.00-1.03	(694)	(1,942)
Dah Chung Bills	422,694	0.00-0.70	(707)	(2,098)
Shin Kong Synthetic Fibers	541,008	0.00-0.50	(256)	(820)
EXCEL Chemical	447,318	0.01-0.06	(4)	(6)
Diamond Biotech	192,629	0.01-0.05	(30)	(301)
Ubright	114,737	0.00-0.50	(92)	(422)
Shin Kong Life Insurance	197,785	0.06-0.50	(102)	(636)
Tasco Chemical	276,960	0.00-0.50	(2)	(5)
Taiwan SMEG	138,048	0.00-1.05	(849)	(849)
CyberSoft Digital Service	104,938	0.00-1.09	(27)	(79)
Others	<u>3,539,456</u>		<u>(6,352)</u>	<u>(15,646)</u>
	<u>\$ 9,402,288</u>		<u>\$ (15,255)</u>	<u>\$ (38,205)</u>

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

2) Call loan to banks and call loan from banks

		September 30, 2020			
		Ending Balance	Interest Rate (Per Annum %)	Interest Income	
Item				For the Three Months Ended September 30	For the Nine Months Ended September 30
Dah Chung Bills	Call loan to banks	\$ 1,000,000	0.26-0.52	\$ 933	\$ 1,873
Yuanta Bank	Call loan to banks	436,890	0.12-1.90	95	684
Yuanta Bank	Call loan from banks	-	2.05-2.05	-	(12)

		December 31, 2019			
		Ending Balance	Interest Rate Range (Per Annum %)	Interest Income	
Item				For the Three Months Ended September 30	For the Nine Months Ended September 30
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)	

September 30, 2019					
		Interest Income			
				For the Three Months Ended September 30	For the Nine Months Ended September 30
Item	Ending Balance	Interest Rate (Per Annum %)			
Dah Chung Bills	Call loan to banks	\$ -	0.41-0.70	\$ -	\$ 3,124
Yuanta Bank	Call loan to banks	-	2.35-2.76	17	2,179
Yuanta Bank	Call loan from banks	-	0.19-4.30	(332)	(400)

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 its subsidiaries

September 30, 2020					
		Interest Income			
				For the Three Months Ended September 30	For the Nine Months Ended September 30
Item	Ending Balance	Interest Rate (Per Annum %)			
Chang Hwa Bank	Due from banks	\$ 2,005	-	\$ -	\$ -

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

September 30, 2019					
		Interest Income			
				For the Three Months Ended September 30	For the Nine Months Ended September 30
Item	Ending Balance	Interest Rate (Per Annum %)			
Chang Hwa Bank	Due from banks	\$ 2,046	-	\$ -	\$ -

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

4) Trading securities

September 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	\$ 3,813,005	\$ 7,035,181	\$ -	-	\$ -	-
Dah Chung Bills	-	300,000	-	-	-	-
Chang Hwa Bank	-	50,432	-	-	-	-
Shin Kong Bank	-	100,130	-	-	-	-
Yuanta Bank	-	2,948,293	-	-	-	-
Chin We	-	345,020	0.22-0.45	-	-	-
Yuanta Financial Holding	-	-	369,739	0.29-0.52	-	-
Peng Cheng	-	149,970	-	-	-	-
Individual A	-	35,020	0.22-0.45	-	-	-
	<u>\$ 3,813,005</u>	<u>\$ 10,584,006</u>	<u>\$ 749,779</u>		<u>\$ -</u>	

	December 31, 2019					
	Purchase	Repurchase Agreements			Resale Agreements	
	Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate Range (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
MasterLink Securities	\$ 5,341,078	\$ 2,025,029	\$ -	-	\$ -	-
Dah Chung Bills	149,999	49,601	-	-	-	-
Shin Kong Bank	-	249,453	-	-	-	-
Yuanta Bank	-	2,288,822	-	-	-	-
Chin We	-	-	36,071	0.33-0.44	-	-
Yi Huan	-	-	6,009	0.33-0.44	-	-
Xiang Yu	-	-	2,503	0.33-0.44	-	-
Yuanta Financial Holding	-	-	999,290	0.45-0.58	-	-
Peng Cheng	-	839,580	-	-	-	-
Individual A	-	-	<u>40,043</u>	0.33-0.44	-	-
	<u>\$ 5,491,077</u>	<u>\$ 5,452,485</u>	<u>\$ 1,083,916</u>		<u>\$ -</u>	

	September 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 %)
Chin We	\$ -	\$ -	\$ 76,031	0.33-0.42	\$ -	-
Yi Huan	-	-	6,003	0.33-0.42	-	-
Xiang Yu	-	-	2,501	0.33-0.42	-	-
Peng Cheng	-	639,716	-	-	-	-
Individual A	-	-	120,018	0.33-0.42	-	-
Yuanta Bank	-	889,686	-	-	-	-
Shin Kong Bank	-	249,453	-	-	-	-
Dah Chung Bills	149,998	49,601	-	-	-	-
MasterLink Securities	<u>4,125,102</u>	<u>1,975,225</u>	-	0.43-0.54	-	-
	<u>\$ 4,275,100</u>	<u>\$ 3,803,681</u>	<u>\$ 204,553</u>		<u>\$ -</u>	

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

5) Derivatives

	September 30, 2020						
				Valuation Gain (Loss)			
				Nominal Principal Amount	For the Three Months Ended September 30		
Related Parties	Derivative Contracts	Period				Account	Balance
Dah Chung Bills	Interest rate swaps	2016/6/29-2022/6/20	\$ 600,000	\$ (264)	\$ 11	Financial assets at FVTPL	\$ 1,539
Creative Sensor	Forward exchange contracts	2020/5/26-2021/3/25	145,630	(5,662)	(3,769)	Financial liabilities at FVTPL	(3,769)

	December 31, 2019						
				Valuation Gain (Loss)			
				Nominal Principal Amount	For the Three Months Ended September 30		
Related Parties	Derivative Contracts	Period				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)

Related Parties	Derivative Contracts	Period	September 30, 2019			Account	Balance
			Nominal Principal Amount	Valuation Gain (Loss)			
				For the Three Months Ended September 30	For the Nine Months Ended September 30		
Dah Chung Bills	Interest rate swaps	2016/6/29-2022/6/20	\$ 600,000	\$ (59)	\$ 24	Financial assets at FVTPL	\$ 1,687
Creative Sensor	Forward exchange contracts	2019/6/26-2020/2/26	217,294	3,391	5,402	Financial assets at FVTPL	5,402
Yuanta Bank	Currency swaps	2018/12/10-2019/12/13	620,840	(7,665)	15,370	Financial assets at FVTPL	20,434

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 September 30					
		2020		2019	
	Item	Amount		Item	Amount
Shin Kong Life Insurance	Commission income	\$ 57,382		Commission income	\$ 125,556
Cyber Soft Digital Service	Operating expenses	101,561		Operating expenses	143,594
Shin Kong Mitsukoshi	Fee income	76,444		Fee income	70,771
Shin Kong Mitsukoshi	Service charge and operating expenses	25,851		Service charge and operating expenses	75,792
For the Nine Months Ended September 30					
		2020		2019	
	Item	Amount		Item	Amount
Shin Kong Mitsukoshi	Fee income	\$ 206,824		Fee income	\$ 206,790
Shin Kong Mitsukoshi	Service charge and operating expenses	157,688		Service charge and operating expenses	201,612
CyberSoft Digital Service	Operating expenses	448,001		Operating expenses	471,800
Shin Kong Life Insurance	Commission income	310,664		Commission income	569,270

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

- 7) On September 24, 2020 and May 30, 2019, Taishin Bank's board of directors resolved to sell credit assets amounted to \$501,500 thousand and \$600,000 thousand under syndicated loans arrangement 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 ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019 included the following:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term benefits	\$ 80,636	\$ 69,023	\$ 182,869	\$ 195,142
Post-employment benefits	243	225	747	801
Share-based payments	<u>1,638</u>	<u>1,652</u>	<u>1,859</u>	<u>5,269</u>
	<u>\$ 82,517</u>	<u>\$ 70,900</u>	<u>\$ 185,475</u>	<u>\$ 201,212</u>

- d. The amount of related-party transactions among the Group's subsidiaries was 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	September 30, 2020					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Any Differences in Transaction Terms Compared to Non-related Parties
<u>Other loans</u>						
Darfon	\$ 400,000	\$ 400,000	\$ 400,000	\$ -	-	None
Shin Kong Security	390,000	390,000	390,000	-	Land and buildings	None
Peng Cheng	132,000	132,000	132,000	-	Land and buildings	None

Related Parties	September 30, 2019					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Any Differences in Transaction Terms Compared to Non-related Parties
<u>Other loans</u>						
GBM	\$ 370,122	\$ 457,500	\$ 370,122	\$ -	-	None
Peng Cheng	100,000	150,000	100,000	-	Land and buildings	None

Deposits

	September 30, 2020		
	Ending Balance	Interest Rate Range (Per Annum %)	Interest Expense
Taishin Securities B	\$ 7,603,741	0.00-1.30	\$ (2,187)
An Shin Construction Manager	1,589,096	0.01-0.63	(2,856)
Taiwan SMEG	1,480,727	0.00-1.05	(7,377)
Tasco Chemical	701,519	0.00-0.65	(2,076)
Shin Kong Mitsukoshi	487,974	0.00-0.06	(178)
Shin Kong Insurance	484,993	0.00-1.03	(1,963)
EXCEL Chemical	438,921	0.01-0.06	(12)
Dah Chung Bills	431,585	0.00-0.70	(2,104)
CyberLink	415,259	0.01-2.35	(9,122)
Taishin Securities Investment Advisory	217,017	0.01-2.20	(1,785)
Shin Kong Synthetic Fibers	174,012	0.00-0.32	(226)
Taiwan Fieldrich	138,081	0.01-2.50	(1,024)
Taishin D.A. Finance	132,002	0.00-1.03	(26)
Taishin Financial Holding	130,799	0.00-0.20	(2,026)
Taishin Securities Investment Trust	117,435	0.01-1.03	(136)
Bo Rui	111,007	0.01-0.06	(5)
Ubright Optronics	101,716	0.00-0.32	(63)

September 30, 2019			
	Ending Balance	Interest Rate Range (Per Annum %)	Interest Expense
Taishin Financial Holding	\$ 2,126,938	0.00-0.06	\$ (2,468)
Shin Kong Mitsukoshi	1,503,995	0.00-0.06	(428)
Taishin Securities B	1,339,040	0.00-1.30	(1,864)
CyberLink	693,351	0.06-3.00	(11,532)
An Shin Construction Manager	659,080	0.06-0.63	(3,441)
Shin Kong Insurance	570,289	0.00-1.03	(1,942)
Shin Kong Synthetic Fibers	541,008	0.00-0.50	(820)
EXCEL Chemical	447,318	0.01-0.06	(6)
Dah Chung Bills	422,694	0.00-0.70	(2,098)
Tasco Chemical	276,960	0.00-0.50	(5)
Taishin Securities Investment Advisory	260,650	0.06-2.70	(3,211)
Shin Kong Life Insurance	197,785	0.06-0.50	(636)
Diamond Biotech	192,629	0.01-0.50	(301)
Taishin SMEG	138,048	0.00-1.05	(849)
Ubright Optronics	114,737	0.00-0.50	(422)
Cybersoft Digital Service	104,938	0.00-1.09	(79)

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

b) Call loan to banks and call loan from banks

September 30, 2020				
	Item	Ending Balance	Interest Rate Range (Per Annum %)	Interest Income
Dah Chung Bills	Call loan to banks	\$ 1,000,000	0.26-0.52	\$ 1,873
Yuanta Bank	Call loan to banks	436,890	0.12-1.90	684

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

c) Trading securities

	September 30, 2020					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate Range (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
MasterLink Securities	\$ 3,813,005	\$ 7,035,181	\$ -	-	\$ -	-
Taishin Holdings	7,000,000	-	900,006	0.22-0.45	-	-
Taishin Securities B	3,649,508	251,268	-	-	-	-
Dah Chung Bills	-	300,000	-	-	-	-
Shin Kong Bank	-	100,130	-	-	-	-
Yuanta Bank	-	2,948,293	-	-	-	-
Chin We	-	-	345,020	0.22-0.45	-	-
Yuanta Financial Holding	-	-	369,739	0.29-0.52	-	-
Peng Cheng	-	149,970	-	-	-	-

	September 30, 2019					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate Range (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Peng Cheng Individual A	\$ -	\$ 639,716	\$ -	-	\$ -	-
Yuanta Bank	-	889,686	120,018	0.33-0.42	-	-
Shin Kong Bank	-	249,453	-	-	-	-
Taishin Holdings	3,000,000	-	-	-	-	-
Dah Chung Bills	149,998	49,601	-	-	-	-
Taishin Securities B	399,030	199,897	-	-	-	-
MasterLink Securities	4,125,102	1,975,225	-	-	-	-

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

d) Derivatives

September 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	\$ 11	Financial assets at FVTPL	\$ 1,539
Creative Sensor	Forward exchange contracts	2020/5/26-2021/3/25	145,630	(3,769)	Financial liabilities at FVTPL	(3,769)

September 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	\$ 24	Financial assets at FVTPL	\$ 1,687
Creative Sensor	Forward exchange contracts	2019/6/26-2020/2/26	217,294	5,402	Financial assets at FVTPL	5,402
Yuanta Bank	Currency swaps	2018/12/10-2019/12/13	620,840	15,370	Financial assets at FVTPL	20,434

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

e) Other material transactions

For the Nine Months Ended September 30					
2020			2019		
Item	Amount	Item	Amount	Item	Amount
Shin Kong Life Insurance	Commission income	\$ 310,664	Commission income	\$ 569,270	
CyberSoft Digital Service	Operating expenses	445,965	Operating expenses	467,547	
Shin Kong Mitsukoshi	Fee income	206,824	Fee income	206,790	
Shin Kong Mitsukoshi	Service charge and operating expenses	157,688	Service charge and operating expenses	201,157	

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

- f) On September 24, 2020 and May 30, 2019, Taishin Bank's board of directors resolved to sell credit assets amounted to \$501,500 thousand and \$600,000 thousand under syndicated loan arrangement 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 in the amount of \$429,650 to Taishin AMC. The transaction was completed on May 6, 2020, and the disposal gain or loss was recognized. The transaction with the related party is made under arm's length terms, which are consistent with the normal policies.

2) Taishin Securities B

- a) Liability contracts with related parties

Item	Name	September 30	
		2020	2019
Cash and cash equivalents	Taishin Bank	\$ 1,341,696	\$ 849,122
Operating guarantee deposits	Taishin Bank	315,000	315,000
Customer margin account	Taishin Bank	289,960	174,949
Other financial assets - current	Taishin Bank	100,000	-
Other current assets - settlements and receipts under custody	Taishin Bank	5,545,428	38,326

- b) Acquisitions of right-of-use assets

Name	For the Nine Months Ended September 30	
	2020	2019
<u>Buildings</u>		
Taishin Bank	\$ 8,025	\$ 102,385

- c) Lease arrangements

Item	Name	September 30	
		2020	2019
Lease liabilities	Taishin Bank	\$ 127,923	\$ 169,404

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

Item	Name	September 30			
		2020		2019	
		Ending Stocks (In Thousands)	Ending Balance	Ending Stocks (In Thousands)	Ending Balance
Trading securities - dealing	Taishin Securities Investment Trust	4,048	\$ 88,653	13,800	\$ 298,758
Trading securities - dealing	Shin Kong Financial Holding	84	5,917	2,954	313,011
Trading securities - hedging	Shin Kong Financial Holding	2,919	302,280	-	4

d) Trading securities

	September 30, 2020					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Taishin Holdings	\$ 3,000,000	\$ -	\$ -	-	\$ -	-
Taishin Bank	251,268	349,508	-	-	-	-
MasterLink Securities	950,394	1,297,168	-	-	-	-
Shin Kong Bank	100,189	150,010	-	-	-	-

	September 30, 2019					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Taishin Holdings	\$ 4,000,000	\$ -	\$ -	-	\$ -	-
Taishin Bank	199,897	399,030	-	-	-	-
MasterLink Securities	1,050,560	1,849,252	-	-	-	-
Dah Chung Bills	149,979	-	-	-	-	-
Shin Kong Bank	-	149,252	-	-	-	-

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 consisted of 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 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 consisted of 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 measurement date of this transaction, and the receivables of \$158,000 thousand will be paid off in two installments by October 31, 2006. The contract also stated that after 5 years from the measurement date, Taishin AMC authorized Taishin Bank with the rights to collect payments from debtors and paid 30% of loans collected as service fees and 40% of the remaining 70% of loan collected as commission. The abovementioned service contracts were terminated on September 30, 2011 and August 31, 2011, respectively. From July 1, 2011 and September 1, 2011, Taishin AMC authorized Taishin Bank with the rights to collect payments from debtors and paid 32.5% of loans collected as service fees.

	For the Nine Months Ended September 30, 2020			
	Beginning Balance	Purchased	Collected	Ending Balance
Loans with transferred ownership	\$ 14,941,299	\$ -	\$ (93,166)	\$ 14,848,133

For the Nine Months Ended September 30, 2019

	Beginning Balance	Purchased	Collected	Ending Balance
Loans with transferred ownership	<u>\$ 15,086,600</u>	<u>\$ -</u>	<u>\$ (115,979)</u>	<u>\$ 14,970,621</u>

4) Taishin Venture Capital

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

5) Taishin Securities Investment Trust

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

6) Taishin Securities Investment Advisory

Liability contracts with related parties:

		September 30	
Item	Related Party	2020	2019
Other financial assets	Taishin Bank	\$ 211,252	\$ 228,068

45. PLEDGED ASSETS

		September 30, 2020	December 31, 2019	September 30, 2019
Pledged Assets	Description			
Refundable deposits	Cash and certificates of time deposits	\$ 5,240,760	\$ 6,218,074	\$ 8,907,959
Operating deposits and settlement funds	Cash and cash paid to stock exchange	128,624	199,857	204,320
Investments in debt instruments at FVTOCI	Securities and bonds	15,611,609	15,374,807	15,372,517
Investments in debt instruments at amortized cost	Bonds	1,900	8,400	9,400
Other assets due from banks	Bank deposits and certificate of time deposits	1,310,031	3,551,231	3,613,585

46. CONTINGENT LIABILITIES AND COMMITMENTS

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

	September 30, 2020	December 31, 2019	September 30, 2019
Trust liabilities	\$ 467,981,973	\$ 387,479,029	\$ 365,932,967
Securities custody payable	24,687,361	15,993,710	16,026,146
Unpaid equipment purchase contracts	1,346,300	1,158,816	1,320,328

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.

47. FINANCIAL INFORMATION OF BUSINESS SEGMENTS

The financial information by business segments for the nine months ended September 30, 2020 and 2019 is as follows:

Item	Bank Business	For the Nine Months Ended September 30, 2020		
	Bank Business	Securities Business	Other Business	Total
Net interest income	\$ 15,620,197	\$ 118,786	\$ 407,323	\$ 16,146,306
Net income other than net interest income	13,636,109	1,816,123	2,005,356	17,457,588
Net revenue and gains	29,256,306	1,934,909	2,412,679	33,603,894
(Provision for) reversal of allowance for bad debts expenses, commitment and guarantee liabilities	(1,116,539)	(2,507)	(124,252)	(1,243,298)
Total operating expenses	(16,522,676)	(1,383,174)	(831,347)	(18,737,197)
Income before income tax of continued operations	11,617,091	549,228	1,457,080	13,623,399
Income tax (expense) benefit	(1,751,786)	(80,432)	(29,426)	(1,861,644)
Income after income tax of continued operations	9,865,305	468,796	1,427,654	11,761,755

Bank Business	For the Nine Months Ended September 30, 2019			
	Bank Business	Securities Business	Other Business	Total
Item				
Net interest income	\$ 14,010,660	\$ 101,040	\$ 353,544	\$ 14,465,244
Net income other than net interest income	14,679,505	1,299,430	2,552,620	18,531,555
Net revenue and gains	28,690,165	1,400,470	2,906,164	32,996,799
(Provision for) reversals of allowance for bad debts expenses, commitment and guarantee liabilities	(1,399,475)	(18)	(248,384)	(1,647,877)
Total operating expenses	(15,962,989)	(989,171)	(999,190)	(17,951,350)
Income before income tax of continued operations	11,327,701	411,281	1,658,590	13,397,572
Income tax (expense) benefit	(1,307,929)	(22,128)	(150,649)	(1,480,706)
Income after income tax of continued operations	10,019,772	389,153	1,507,941	11,916,866

48. FINANCIAL STATEMENTS OF TAISHIN FINANCIAL HOLDING

TAISHIN FINANCIAL HOLDING CO., LTD.

BALANCE SHEETS
 SEPTEMBER 30, 2020 AND 2019
 (In Thousands of New Taiwan Dollars)
 (Reviewed, Not Audited)

ASSETS	2020	2019	LIABILITIES AND EQUITY	2020	2019
CASH AND CASH EQUIVALENTS	\$ 130,799	\$ 2,126,938	LIABILITIES		
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	2,035	2,021	Commercial papers issued, net	\$ 999,404	\$ 8,494,652
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	900,005	-	Payables	698,926	980,264
RECEIVABLES, NET	690,968	879,511	Current tax liabilities	1,610,500	2,055,530
CURRENT TAX ASSETS	-	229,092	Bonds payable	32,000,000	22,000,000
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	216,303,525	206,386,816	Lease liabilities	2,520	9,529
PROPERTY AND EQUIPMENT, NET	2,924	4,353	Other liabilities	1,423	1,484
RIGHT-OF-USE ASSETS, NET	1,496	7,480	Total liabilities	<u>35,312,773</u>	<u>33,541,459</u>
OTHER ASSETS	<u>24,788</u>	<u>17,798</u>	EQUITY		
TOTAL	<u>\$ 218,056,540</u>	<u>\$ 209,654,009</u>	Capital stock		
			Common stock	109,067,417	106,560,034
			Preferred stock	8,000,000	8,000,000
			Advance receipts for capital stock	32,099	4,854
			Capital surplus	35,944,940	35,954,348
			Retained earnings		
			Legal reserve	11,777,396	10,357,137
			Special reserve	572,115	572,115
			Unappropriated earnings	16,303,563	13,886,836
			Other equity	1,046,237	777,226
			Total equity	<u>182,743,767</u>	<u>176,112,550</u>
			TOTAL	<u>\$ 218,056,540</u>	<u>\$ 209,654,009</u>

TAISHIN FINANCIAL HOLDING CO., LTD.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)**

	2020	2019
INCOME		
Share of profit of subsidiaries and associates accounted for using the equity method	\$ 12,419,599	\$ 12,566,835
Interest income	4,064	4,739
Other income	<u>19,426</u>	<u>21,933</u>
Total income	<u>12,443,089</u>	<u>12,593,507</u>
EXPENSES AND LOSSES		
Operating expenses	(351,200)	(240,594)
Interest expenses	<u>(353,921)</u>	<u>(333,534)</u>
Total expenses and losses	<u>(705,121)</u>	<u>(574,128)</u>
INCOME BEFORE INCOME TAX	11,737,968	12,019,379
INCOME TAX (EXPENSE) BENEFIT	<u>25,286</u>	<u>(100,243)</u>
NET INCOME	<u>11,763,254</u>	<u>11,919,136</u>
OTHER COMPREHENSIVE INCOME (LOSS)	<u>(104,092)</u>	<u>825,866</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 11,659,162</u>	<u>\$ 12,745,002</u>
EARNINGS PER SHARE		
Basic	<u>\$0.96</u>	<u>\$0.97</u>
Diluted	<u>\$0.96</u>	<u>\$0.97</u>

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Capital Stock		Capital Surplus					Retained Earnings			Other Equity			Total Equity
	Common Stock	Preferred Stock	Advance Receipts for Capital Stock	Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions	Stock-Based Compensation	Others	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Changes in Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities at FVTPL	
BALANCE AT JANUARY 1, 2019	\$ 104,362,071	\$ 10,175,410	\$ 3,996	\$ 35,602,662	\$ 2,075,475	\$ 127,576	\$ -	\$ 9,115,012	\$ 572,115	\$ 12,421,251	\$ (372,863)	\$ 301,090	\$ 731	\$ 174,384,526
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 on common stock	2,170,903	-	-	-	-	-	-	-	-	(2,170,903)	-	-	-	-
Net income for the nine months ended September 30, 2019	-	-	-	-	-	-	-	-	-	11,919,136	-	-	-	11,919,136
Other comprehensive income (loss) for the nine months ended September 30, 2019, net of tax	-	-	-	-	-	-	-	-	-	(7,084)	(132,885)	912,025	53,810	825,866
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	-	-	-	-	11,912,052	(132,885)	912,025	53,810	12,745,002
Disposal of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-	-	-	(15,318)	-	15,318	-	-
Redemption of preferred stock D	-	(2,175,410)	-	(1,843,788)	-	-	-	-	-	(180,802)	-	-	-	(4,200,000)
Share-based payments	27,060	-	858	8,723	-	(16,300)	-	-	-	-	-	-	-	20,341
BALANCE AT SEPTEMBER 30, 2019	\$ 106,560,034	\$ 8,000,000	\$ 4,854	\$ 33,767,597	\$ 2,075,475	\$ 111,276	\$ -	\$ 10,357,137	\$ 572,115	\$ 13,886,836	\$ (505,748)	\$ 1,228,433	\$ 54,541	\$ 176,112,550
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 on common stock	2,466,618	-	-	-	-	-	-	-	-	(2,466,618)	-	-	-	-
Net income for the nine months ended September 30, 2020	-	-	-	-	-	-	-	-	-	11,763,254	-	-	-	11,763,254
Other comprehensive income (loss) for the nine months ended September 30, 2020, net of tax	-	-	-	-	-	-	-	-	-	898	(229,093)	110,857	13,246	(104,092)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	-	-	-	-	11,764,152	(229,093)	110,857	13,246	11,659,162
Share-based payments	33,755	-	21,022	27,069	-	(37,534)	-	-	-	-	-	-	-	44,312
Disposal of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-	-	-	(98,110)	-	98,110	-	-
BALANCE AT SEPTEMBER 30, 2020	\$ 109,067,417	\$ 8,000,000	\$ 32,099	\$ 33,801,783	\$ 2,075,475	\$ 64,469	\$ 3,213	\$ 11,777,396	\$ 572,115	\$ 16,303,563	\$ (905,043)	\$ 1,898,467	\$ 52,813	\$ 182,743,767

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 11,737,968	\$ 12,019,379
Depreciation expenses	5,647	5,777
Amortization expense	375	375
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(82)	(101)
Interest expense	353,921	333,534
Interest revenue	(4,064)	(4,739)
Share-based payments	1,750	2,820
Share of profit of subsidiaries and associates accounted for using the equity method	(12,419,599)	(12,566,835)
Gain on disposal of property and equipment	(130)	(550)
Changes in operating assets and liabilities		
Net changes in operating assets		
(Increase) decrease in receivables	2,121,229	981,741
(Increase) decrease in other assets	(7,625)	5,019
Net changes in operating liabilities		
Increase (decrease) in payables	(223,171)	(49,305)
Increase (decrease) in other liabilities	1,423	1,484
Interest received	4,004	5,037
Dividend received	5,331,402	1,698,618
Interest paid	(266,630)	(296,376)
Income taxes returned	130,650	-
Income taxes paid	<u>(1,958,494)</u>	<u>(255,267)</u>
Net cash generated from operating activities	<u>4,808,574</u>	<u>1,880,611</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investments accounted for using the equity method	-	(800,000)
Payments for property and equipment	(93)	(38)
Proceeds from disposal of property and equipment	<u>130</u>	<u>550</u>
Net cash generated from (used in) investing activities	<u>37</u>	<u>(799,488)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial papers issued	(9,000,000)	6,000,000
Corporate bond issued	10,000,000	7,000,000
Corporate bond repayment	-	(7,000,000)
Repayment of the principal portion of lease liabilities	(4,507)	(3,447)
Cash dividends distributed	(7,849,089)	(6,837,319)
Exercise of employee share options	44,312	20,341
Redemption of preferred stock D	<u>-</u>	<u>(4,200,000)</u>
Net cash used in financing activities	<u>(6,809,284)</u>	<u>(5,020,425)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,000,673)	(3,939,302)
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>\$ 1,030,804</u>	<u>\$ 2,126,938</u>
Cash and cash equivalents in the consolidated balance sheets	\$ 130,799	\$ 2,126,938
Securities purchased under resale agreements qualifying as cash and cash equivalents under the definition of IAS 7	900,005	-
Cash and cash equivalents at the end of the period	<u>\$ 1,030,804</u>	<u>\$ 2,126,938</u>

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

Standalone

Item		For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Return on total assets	Pretax	5.44%	5.84%
	After tax	5.45%	5.79%
Return on net equity	Pretax	6.49%	6.86%
	After tax	6.51%	6.80%
Profit margin		94.54%	94.65%

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

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

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

Note d: Profitability presented above is cumulative from January 1 to September 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 Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Return on net equity - common stock	Pretax	7.48%	8.08%
	After tax	7.50%	8.01%

Consolidated

Item		For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Return on total assets	Pretax	0.65%	0.71%
	After tax	0.56%	0.63%
Return on net equity	Pretax	7.53%	7.65%
	After tax	6.50%	6.80%
Profit margin		35.00%	36.12%

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 September 30 of 2020 and 2019.

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

Item		For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Return on net equity - common stock	Pretax	8.84%	9.13%
	After tax	7.50%	8.01%

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

Taishin Bank

a. Balance sheets (standalone)

	September 30	
	2020	2019
Assets		
Cash and cash equivalents	\$ 20,272,921	\$ 24,916,350
Due from Central Bank and call loans to banks	86,585,759	59,585,391
Financial assets at FVTPL	98,276,049	107,173,876
Financial assets at FVTOCI	194,443,702	297,518,022
Debt instruments at amortized cost	250,275,275	125,088,025
Securities purchased under resale agreements	2,905,518	6,789,695
Receivables, net	113,483,837	132,787,770
Current tax assets	263,269	674,257
Loans, net	1,219,622,476	1,106,488,728
Investments accounted for using the equity method	2,277,288	2,936,698
Other financial assets, net	7,794,449	5,366,418
Property and equipment, net	18,022,042	18,212,781
Right-of-use assets, net	2,723,746	2,426,263
Intangible assets, net	2,647,230	1,923,172
Deferred tax assets	2,553,368	2,292,673
Other assets, net	6,089,904	10,008,795
	<u>\$ 2,028,236,833</u>	<u>\$ 1,904,188,914</u>
Liabilities		
Due to the Central Bank and banks	\$ 50,495,510	\$ 78,171,117
Funds borrowed from the Central Bank and other banks	1,549,340	931,260
Financial liabilities at FVTPL	23,476,027	30,077,202
Securities sold under repurchase agreements	83,172,102	81,304,013
Payables	25,844,602	37,005,776
Current tax liabilities	829,242	1,150,456
Deposits and remittances	1,568,984,877	1,410,272,834
Bank debentures	34,800,000	39,700,000
Other financial liabilities	70,648,499	66,337,349

(Continued)

	September 30	
	2020	2019
Provisions	\$ 1,629,622	\$ 1,555,526
Lease liabilities	2,820,677	2,485,923
Deferred tax liabilities	103,808	82,427
Other liabilities	<u>4,646,021</u>	<u>3,820,704</u>
	<u>1,869,000,327</u>	<u>1,752,894,587</u>
Equity		
Capital stock	86,957,119	82,557,118
Capital surplus	30,249,980	30,246,767
Retained earnings	40,521,022	37,308,775
Other equity	<u>1,508,385</u>	<u>1,181,667</u>
	<u>159,236,506</u>	<u>151,294,327</u>
	<u>\$ 2,028,236,833</u>	<u>\$ 1,904,188,914</u>

(Concluded)

b. Statements of comprehensive income (standalone)

	For the Nine Months Ended September 30	
	2020	2019
Interest income	\$ 24,257,283	\$ 25,972,503
Interest expense	<u>(9,040,808)</u>	<u>(12,397,709)</u>
Net interest income	15,216,475	13,574,794
Net income other than net interest income	<u>13,565,299</u>	<u>14,823,438</u>
Net revenue and gains	28,781,774	28,398,232
Provisions for bad debts expenses commitment and guarantee liabilities	(1,083,019)	(1,319,371)
Operating expenses	<u>(16,175,739)</u>	<u>(15,792,072)</u>
Income before income tax	11,523,016	11,286,789
Income tax expense	<u>(1,714,467)</u>	<u>(1,281,809)</u>
Net income	9,808,549	10,004,980
Other comprehensive income (loss)	<u>(110,756)</u>	<u>742,453</u>
Total comprehensive income	<u>\$ 9,697,793</u>	<u>\$ 10,747,433</u>
Basic earnings per share (in dollars)	<u>\$1.13</u>	<u>\$1.15</u>
Diluted earnings per share (in dollars)	<u>\$1.13</u>	<u>\$1.15</u>

c. Key financial and business highlights

1) Profitability

Item		For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Return on total assets	Pretax	0.58%	0.63%
	After tax	0.50%	0.56%
Return on net equity	Pretax	7.37%	7.73%
	After tax	6.28%	6.86%
Profit margin		34.08%	35.23%

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

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

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Net revenue and gains}}$

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

2) Asset quality

Non-performing loans and receivables

Item		September 30, 2020					September 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	\$ 440,269	\$ 243,448,850	0.18%	\$ 2,427,022	\$ 551.26%	\$ 414,579	\$ 217,408,318	0.19%	\$ 2,550,380	615.17%	
	Unsecured	430,472	314,974,210	0.14%	4,778,056	1,109.96%	323,772	288,880,976	0.11%	4,530,957	1,399.43%	
Consumer finance	Mortgage loans (Note d)	327,611	314,745,253	0.10%	4,723,889	1,441.92%	311,430	279,261,360	0.11%	4,246,453	1,363.53%	
	Cash cards	12,913	762,146	1.69%	76,207	590.16%	69,844	1,108,499	6.30%	73,063	104.61%	
	Credit loans (Note e)	224,303	74,176,700	0.30%	967,025	431.12%	249,962	63,717,761	0.39%	787,693	315.13%	
	Others (Note f)	Secured	491,706	287,691,520	0.17%	3,209,259	652.68%	533,238	271,866,064	0.20%	3,008,324	564.16%
		Unsecured	2,340	623,723	0.38%	8,121	347.05%	5,812	120,035	4.84%	101,695	1,749.74%
Subtotal		1,929,614	1,236,422,402	0.16%	16,189,579	839.01%	1,908,637	1,122,363,013	0.17%	15,298,565	801.54%	
Credit card		160,811	59,218,533	0.27%	612,509	380.89%	211,693	62,422,976	0.34%	645,195	304.78%	
Accounts receivable factoring with no recourse (Note g)		-	45,415,943	-	594,524	-	-	50,825,124	-	672,428	-	

Note a: Non-performing loans are in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by MOF. Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005 (Ref. No. Jin-Guan-Yin (4) 0944000378).

Note b: Non-performing loans ratio = Non-performing loans ÷ Loans
Non-performing loans of credit card ratio = Non-performing loans of credit cards ÷ Accounts receivable

Note c: Coverage ratio of allowances for loan losses = Allowances for loan losses ÷ Non-performing loans
Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Non-performing loans of credit cards

Note d: Mortgage loans are for applicants to build or repair the buildings owned by the applicants, their spouses or their minor children. These applicants provide their buildings as collaterals and assign the right on mortgage to financial institutions.

Note e: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

Note f: The others of consumer financial business are defined as secured or unsecured consumer financial business excluding mortgage loans, cash cards, credit loans and credit cards.

Note g: In accordance with the Letter issued by the Banking Bureau on August 24, 2009 (Ref. No. Jin-Guan-Yin 09850003180), accounts receivable without recourse are classified as non-performing loans if not compensated by the factor or insurance company within three months.

Exempted from report as non-performing loans and receivables

Business Type	Item	September 30, 2020		September 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
	Amounts negotiated in accordance with the agreement (Note a)	\$ 321,566	\$ 107,668	\$ 465,523	\$ 148,972
	Loans executed in accordance with debt clearing and renewal regulations (Note b)	1,787,747	1,233,557	1,716,125	1,202,281
	Total	2,106,313	1,341,225	2,181,648	1,351,253

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	September 30, 2020			September 30, 2019		
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity
1	A Group (manufacture of computers)	\$ 20,171,926	12.67%	A Group (manufacture of computers)	\$ 25,937,528	17.14%
2	B Group (ocean freight transportation forwarding services)	16,143,122	10.14%	E Group (activities of other holding companies)	11,966,228	7.91%
3	C Group (manufacture of woven cotton-type on woolen-type fabrics)	13,261,530	8.33%	G Group (manufacture of computers)	10,689,101	7.07%
4	D Group (liquid crystal panel and components manufacturing industry)	12,855,994	8.07%	D Group (liquid crystal panel and components manufacturing industry)	10,428,349	6.89%
5	E Group (activities of other holding companies)	10,610,290	6.66%	B Group (manufacture of cement)	9,859,621	6.52%
6	F Group (manufacture of computers)	7,240,692	4.55%	C Group (manufacture of woven cotton-type on woolen-type fabrics)	9,130,030	6.03%
7	G Group (manufacture of monitors and terminals)	6,663,436	4.18%	K Group (wireless telecommunications)	6,537,536	4.32%
8	H Group (smelting and refining of iron and steel)	6,543,353	4.11%	F Group (manufacture of computers)	6,487,070	4.29%
9	I Group (manufacture of computers)	6,368,747	4.00%	L Group (ocean freight transportation forwarding services)	5,545,149	3.67%
10	J Group (manufacture of computers)	6,109,947	3.84%	M Group (manufacture of paper)	5,535,895	3.66%

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, overdrafts, short-term loans, short-term secured loans, financing receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, delinquent loans, factoring without recourse, acceptances, and guarantees.

4) Interest rate sensitivity

Item	September 30, 2020				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,134,885,376	\$ 65,385,498	\$ 66,145,890	\$ 181,692,043	\$ 1,448,108,807
Interest-sensitive liabilities	466,212,393	127,878,925	150,063,523	596,422,098	1,340,576,939
Interest sensitivity gap	668,672,983	(62,493,427)	(83,917,633)	(414,730,055)	107,531,868
Net equity					153,885,379
Ratio of interest-sensitive assets to liabilities					108.02%
Ratio of interest sensitivity gap to net equity					69.88%

Item	September 30, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 966,012,232	\$ 39,224,677	\$ 47,705,956	\$ 167,707,390	\$ 1,220,650,255
Interest-sensitive liabilities	428,258,492	116,959,586	181,503,822	523,589,635	1,250,311,535
Interest sensitivity gap	537,753,740	(77,734,909)	(133,797,866)	(355,882,245)	(29,661,280)
Net equity					146,242,651
Ratio of interest-sensitive assets to liabilities					97.63%
Ratio of interest sensitivity gap to net equity					(20.28%)

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	September 30, 2020				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 9,319,704	\$ 1,924,647	\$ 2,427,540	\$ 2,025,813	\$ 15,697,704
Interest-sensitive liabilities	6,564,632	1,927,541	2,120,641	4,471,661	15,084,475
Interest sensitivity gap	2,755,072	(2,894)	306,899	(2,445,848)	613,229
Net equity					29,931
Ratio of interest-sensitive assets to liabilities					104.07%
Ratio of interest sensitivity gap to net equity					2,048.81%

(In Thousands of U.S. Dollars)

Item	September 30, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 9,332,192	\$ 1,658,703	\$ 1,186,106	\$ 859,971	\$ 13,036,972
Interest-sensitive liabilities	6,647,777	1,533,434	1,103,773	3,208,650	12,493,634
Interest sensitivity gap	2,684,415	125,269	82,333	(2,348,679)	543,338
Net equity					20,385
Ratio of interest-sensitive assets to liabilities					104.35%
Ratio of interest sensitivity gap to net equity					2,665.38%

Note a: The amounts listed above include amounts in U.S. dollars 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	September 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	\$ 1,995,801,782	\$ 609,720,450	\$ 205,026,053	\$ 210,362,556	\$ 182,006,185	\$ 788,686,538
Major maturity cash outflow	2,405,967,231	328,419,333	323,261,719	323,128,230	412,236,451	1,018,921,498
Gap	(410,165,449)	281,301,117	(118,235,666)	(112,765,674)	(230,230,266)	(230,234,960)

	Total	September 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	\$ 1,886,691,889	\$ 553,981,472	\$ 272,727,376	\$ 173,974,269	\$ 109,079,725	\$ 776,929,047
Major maturity cash outflow	2,248,088,476	318,147,955	344,184,964	308,829,087	386,537,258	890,389,212
Gap	(361,396,587)	235,833,517	(71,457,588)	(134,854,818)	(277,457,533)	(113,460,165)

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	September 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	\$ 34,763,389	\$ 12,931,354	\$ 9,336,306	\$ 4,711,723	\$ 3,060,221	\$ 4,723,785
Major maturity cash outflow	34,798,430	10,387,516	8,233,705	5,623,441	4,939,868	5,613,900
Gap	(35,041)	2,543,838	1,102,601	(911,718)	(1,879,647)	(890,115)

(In Thousands of U.S. Dollars)

	Total	September 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	\$ 33,986,950	\$ 11,313,889	\$ 9,780,434	\$ 5,125,487	\$ 3,519,326	\$ 4,247,814
Major maturity cash outflow	34,470,077	9,579,202	10,141,193	5,910,262	4,468,185	4,371,235
Gap	(483,127)	1,734,687	(360,759)	(784,775)	(948,859)	(123,421)

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

Taishin Securities B

a. Balance sheets (standalone)

	September 30	
	2020	2019
Assets		
Current assets	\$ 48,339,578	\$ 37,735,040
Financial assets at FVTPL - non-current	26,700	29,070
Financial assets at FVTOCI - non-current	835,969	96,492
Investments accounted for using the equity method	211,358	230,744
Property and equipment	243,654	297,994
Right-of-use assets	174,668	175,609
Investment properties	124,242	31,796
Intangible assets	88,379	59,498
Deferred tax assets	10,621	15,457
Other non-current assets	<u>486,499</u>	<u>526,576</u>
	<u>\$ 50,541,668</u>	<u>\$ 39,198,276</u>
Liabilities		
Current liabilities	\$ 38,101,160	\$ 29,862,121
Other non-current liabilities	<u>3,521,648</u>	<u>775,132</u>
	<u>41,622,808</u>	<u>30,637,253</u>
Equity		
Capital stock	6,924,124	6,924,125
Capital surplus	965,826	965,825
Retained earnings	990,517	640,111
Other equity	<u>38,393</u>	<u>30,962</u>
	<u>8,918,860</u>	<u>8,561,023</u>
	<u>\$ 50,541,668</u>	<u>\$ 39,198,276</u>

b. Statements of comprehensive income (standalone)

	For the Nine Months Ended September 30	
	2020	2019
Revenue	\$ 2,219,453	\$ 1,585,638
Expense	(1,632,776)	(1,222,166)
Non-operating income and expense	<u>16,973</u>	<u>25,648</u>
Profit before income tax	603,650	389,120
Income tax expense	<u>(80,432)</u>	<u>(22,128)</u>
Net income	523,218	366,992
Other comprehensive income	<u>7,271</u>	<u>2,489</u>
Total comprehensive income	<u>\$ 530,489</u>	<u>\$ 369,481</u>
Basic earnings per share (in dollars)	<u>\$0.76</u>	<u>\$0.55</u>

c. Key financial and business highlights

- Profitability

Item		For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Return on total assets	Pretax	1.31%	1.13%
	After tax	1.14%	1.07%
Return on net equity	Pretax	6.79%	4.84%
	After tax	5.89%	4.57%
Profit margin		23.57%	23.14%

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 September 30 of 2020 and 2019.

Taishin AMC

a. Balance sheets

	<u>September 30</u>	
	2020	2019
Assets		
Current assets	\$ 18,623	\$ 21,357
Financial assets at FVTOCI - non-current	183,855	101,143
Investments accounted for using the equity method	138,858	136,699
Property and equipment	174,571	177,784
Investment property	1,173,603	751,582
Deferred tax assets	34,416	34,455
Right-of-use assets	85	197
Other non-current assets	<u>317,554</u>	<u>190,561</u>
	<u>\$ 2,041,205</u>	<u>\$ 1,413,778</u>
Liabilities		
Current liabilities	\$ 915,048	\$ 382,649
Other non-current liabilities	<u>21,447</u>	<u>4,232</u>
	<u>936,495</u>	<u>386,881</u>
Equity		
Capital stock	671,000	671,000
Capital surplus	4,141	4,141
Retained earnings	392,990	397,897
Other equity	<u>36,579</u>	<u>(46,141)</u>
	<u>1,104,710</u>	<u>1,026,897</u>
	<u>\$ 2,041,205</u>	<u>\$ 1,413,778</u>

b. Statements of comprehensive income

	For the Nine Months Ended September 30	
	2020	2019
Operating revenue	\$ 176,128	\$ 203,177
Operating cost and expenses	<u>(89,788)</u>	<u>(97,011)</u>
Operating income	86,340	106,166
Non-operating income	11,163	11,767
Non-operating expenses	<u>(2,037)</u>	<u>(734)</u>
Income before income tax	95,466	117,199
Income tax expense	<u>(16,885)</u>	<u>(21,622)</u>
Net income	78,581	95,577
Other comprehensive income (loss)	<u>84,739</u>	<u>(3,817)</u>
 Total comprehensive income	 <u>\$ 163,320</u>	 <u>\$ 91,760</u>
 Earnings per share (in dollars)	 <u>\$1.17</u>	 <u>\$1.42</u>

c. Profitability

Item		For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Return on total assets	Pretax	5.53%	8.38%
	After tax	4.55%	6.83%
Return on net equity	Pretax	8.85%	11.14%
	After tax	7.28%	9.09%
Profit margin		41.96%	44.47%

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 September 30 of 2020 and 2019.

Taishin Venture Capital

a. Balance sheets

	September 30	
	2020	2019
Assets		
Current assets	\$ 655,880	\$ 666,333
Financial assets at FVTPL - non-current	2,062,151	1,400,449
Investments accounted for using the equity method	2,090,337	1,934,642
Property and equipment	184	139
Right-of-use assets	748	2,545
Other non-current assets	<u>20,439</u>	<u>539</u>
	<u>\$ 4,829,739</u>	<u>\$ 4,004,647</u>
Liabilities		
Current liabilities	\$ 2,765	\$ 3,890
Other non-current liabilities	<u>-</u>	<u>756</u>
	<u>2,765</u>	<u>4,646</u>
Equity		
Capital stock	4,219,113	4,208,749
Capital surplus	871	871
Retained earnings	820,220	(27,780)
Other equity	<u>(213,230)</u>	<u>(181,839)</u>
	<u>4,826,974</u>	<u>4,000,001</u>
	<u>\$ 4,829,739</u>	<u>\$ 4,004,647</u>

b. Statements of comprehensive income

	For the Nine Months Ended September 30	
	2020	2019
Revenue	\$ 830,395	\$ 59,292
Expense	<u>(11,959)</u>	<u>(19,651)</u>
Income before income tax	<u>818,436</u>	<u>39,641</u>
Net income	818,393	39,641
Other comprehensive loss	<u>(14,996)</u>	<u>(51,054)</u>
Total comprehensive income (loss)	<u>\$ 803,397</u>	<u>\$ (11,413)</u>
Earnings per share (in dollars)	<u>\$1.94</u>	<u>\$0.09</u>

c. Profitability

Item		For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Return on total assets	Pretax	18.48%	0.99%
	After tax	18.48%	0.99%
Return on net equity	Pretax	18.49%	0.99%
	After tax	18.49%	0.99%
Profit margin		98.55%	66.86%

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 September 30 of 2020 and 2019.

Taishin Securities Investment Trust

a. Balance sheets

	<u>September 30</u>	
	2020	2019
Assets		
Current assets	\$ 346,539	\$ 372,898
Financial assets at FVTPL - non-current	1,989	1,905
Property and equipment	13,693	16,824
Goodwill	410,930	410,930
Right-of-use assets	32,100	42,237
Intangible assets	3,903	4,269
Deferred tax assets	11	4
Other non-current assets	<u>213,247</u>	<u>147,190</u>
	<u>\$ 1,022,412</u>	<u>\$ 996,257</u>
Liabilities		
Current liabilities	\$ 124,558	\$ 111,671
Other non-current liabilities	<u>21,615</u>	<u>31,207</u>
	<u>146,173</u>	<u>142,878</u>
Equity		
Capital stock	754,545	754,545
Capital surplus	47,856	47,856
Retained earnings	74,848	52,072
Other equity	<u>(1,010)</u>	<u>(1,094)</u>
	<u>876,239</u>	<u>853,379</u>
	<u>\$ 1,022,412</u>	<u>\$ 996,257</u>

b. Statements of comprehensive income

	For the Nine Months Ended September 30	
	2020	2019
Operating revenue	\$ 313,126	\$ 294,070
Operating expenses	<u>(267,173)</u>	<u>(254,951)</u>
Operating income	45,953	39,119
Non-operating income	4,028	2,690
Non-operating expenses	<u>(623)</u>	<u>(403)</u>
Income before income tax	49,358	41,406
Income tax expenses	<u>2,323</u>	<u>(8,244)</u>
Net income	51,681	33,162
Other comprehensive income (loss)	<u>89</u>	<u>(33)</u>
Total comprehensive income	<u>\$ 51,770</u>	<u>\$ 33,129</u>
Earnings per share (in dollars)	<u>\$0.68</u>	<u>\$0.44</u>

c. Profitability

Item		For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Return on total assets	Pretax	4.81%	4.25%
	After tax	5.03%	3.40%
Return on net equity	Pretax	5.68%	4.86%
	After tax	5.94%	3.89%
Profit margin		16.30%	11.17%

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 September 30 of 2020 and 2019.

Taishin Securities Investment Advisory

a. Balance sheets

	September 30	
	2020	2019
Assets		
Current assets	\$ 344,449	\$ 341,323
Property and equipment	809	896
Right-of-use assets	633	8,224
Deferred tax assets	3,222	2,766
Other non-current assets	<u>6,832</u>	<u>31,833</u>
	<u>\$ 355,945</u>	<u>\$ 385,042</u>
Liabilities		
Current liabilities	\$ 14,999	\$ 23,922
Other non-current liabilities	<u>5,481</u>	<u>6,013</u>
	<u>20,480</u>	<u>29,935</u>
Equity		
Capital stock	300,000	300,000
Capital surplus	52,325	52,325
Retained earnings	<u>(16,860)</u>	<u>2,782</u>
	<u>335,465</u>	<u>355,107</u>
	<u>\$ 355,945</u>	<u>\$ 385,042</u>

b. Statements of comprehensive income

	For the Nine Months Ended September 30	
	2020	2019
Operating revenue	\$ 79,912	\$ 75,423
Operating expenses	<u>(76,364)</u>	<u>(79,818)</u>
Operating (loss) income	3,548	(4,395)
Non-operating income	1,910	10,296
Non-operating expenses	<u>(20,674)</u>	<u>(49)</u>
Profit (loss) before income tax	(15,216)	5,852
Income tax expenses	<u>(1,786)</u>	<u>(3,339)</u>
Net income (loss)	<u>(17,002)</u>	<u>2,513</u>
Total comprehensive income (loss)	<u>\$ (17,002)</u>	<u>\$ 2,513</u>
Earnings (loss) per share (in dollars)	<u>\$ (0.57)</u>	<u>\$ 0.08</u>

c. Profitability

Item		For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Return on total assets	Pretax	(4.09%)	1.52%
	After tax	(4.56%)	0.65%
Return on net equity	Pretax	(4.42%)	1.65%
	After tax	(4.94%)	0.71%
Profit margin		(20.78%)	2.93%

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 September 30 of 2020 and 2019.

51. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

Taishin Bank

(Foreign Currencies/In Thousands of New Taiwan Dollars)

	September 30, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
AUD	\$ 1,941,979	20.74	\$ 40,269,381
RMB	8,060,249	4.27	34,446,940
EUR	342,208	34.18	11,696,956
GBP	44,586	37.33	1,664,496
HKD	4,810,364	3.76	18,078,045
JPY	61,883,782	0.28	17,072,498
SGD	93,056	21.27	1,979,442
USD	10,839,142	29.13	315,700,858
Non-monetary items			
USD	92,089	29.13	2,682,174

(Continued)

	September 30, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
AUD	\$ 626,525	20.74	\$ 12,991,783
CAD	73,354	21.73	1,594,171
RMB	8,161,551	4.27	34,879,872
EUR	190,472	34.18	6,510,486
HKD	2,912,562	3.76	10,945,829
JPY	26,281,061	0.28	7,250,419
NZD	53,712	19.16	1,029,236
USD	14,430,885	29.13	420,313,961
ZAR	4,315,850	1.72	7,420,116
Non-monetary items			
AUD	279,476	20.74	5,795,286
USD	225,894	29.13	6,579,393
<u>Derivative instruments</u>			
Financial assets			
AUD	518,190	20.74	10,745,311
CAD	358,562	21.73	7,792,476
RMB	5,792,486	4.27	24,755,241
EUR	101,463	34.18	3,468,102
HKD	1,994,005	3.76	7,493,758
USD	15,555,729	29.13	453,076,150
ZAR	4,099,102	1.72	7,047,467
Financial liabilities			
AUD	1,565,360	20.74	32,459,700
CAD	285,379	21.73	6,202,028
RMB	5,620,560	4.27	24,020,485
EUR	201,911	34.18	6,901,476
GBP	30,787	37.33	1,149,345
HKD	3,944,861	3.76	14,825,360
JPY	37,762,788	0.28	10,417,998
SGD	65,595	21.27	1,395,298
USD	12,009,777	29.13	349,796,770
ZAR	336,632	1.72	578,762
			(Concluded)

	December 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
AUD	\$ 2,303,488	21.10	\$ 48,606,586
RMB	8,388,124	4.32	36,260,534
EUR	318,522	33.75	10,749,760
GBP	80,252	39.55	3,173,877
			(Continued)

	December 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
HKD	\$ 4,871,051	3.87	\$ 18,831,548
JPY	56,854,413	0.28	15,753,164
SGD	119,596	22.37	2,674,916
USD	9,410,363	30.11	283,229,007
Non-monetary items			
USD	295,335	30.11	8,891,360
<u>Financial liabilities</u>			
Monetary items			
AUD	872,598	21.10	18,412,938
CAD	48,533	23.08	1,120,255
RMB	7,388,664	4.32	31,940,028
EUR	194,530	33.75	6,565,148
GBP	18,087	39.55	715,332
HKD	3,447,819	3.87	13,329,315
JPY	29,389,041	0.28	8,143,086
USD	12,460,205	30.11	375,126,933
ZAR	4,342,522	2.14	9,297,574
Non-monetary items			
AUD	760,446	21.10	16,046,385
USD	488,660	30.11	14,711,611
<u>Derivative instruments</u>			
Financial assets			
AUD	773,621	21.10	16,324,407
CAD	119,473	23.08	2,757,691
RMB	973,204	4.32	4,207,006
EUR	163,581	33.75	5,520,655
GBP	6,099	39.55	241,207
HKD	174,669	3.87	675,272
JPY	670,390	0.28	185,751
NZD	48,190	20.27	976,969
USD	15,643,528	30.11	470,964,057
ZAR	4,995,332	2.14	10,695,276
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)

September 30, 2019

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
AUD	\$ 2,218,213	20.98	\$ 46,530,632
RMB	8,319,443	4.36	36,286,149
EUR	302,724	33.89	10,260,745
GBP	76,564	38.14	2,919,792
HKD	4,811,671	3.96	19,050,059
JPY	55,349,740	0.29	15,931,814
SGD	94,917	22.46	2,132,078
USD	8,884,338	31.04	275,787,614
ZAR	7,451	2.06	15,328
Non-monetary items			
USD	218,726	31.04	6,789,695
<u>Financial liabilities</u>			
Monetary items			
AUD	912,648	20.98	19,144,286
CAD	47,206	23.40	1,104,440
RMB	7,770,164	4.36	33,890,409
EUR	181,060	33.89	6,136,995
GBP	23,911	38.14	911,839
HKD	3,542,671	3.96	14,025,916
JPY	21,132,970	0.29	6,082,893
NZD	53,783	19.53	1,050,632
USD	12,021,589	31.04	373,174,180
ZAR	4,875,164	2.06	10,028,816
Non-monetary items			
AUD	679,540	20.98	14,254,464
USD	438,322	31.04	13,606,382
<u>Derivative instruments</u>			
Financial assets			
AUD	404,379	20.98	8,482,513
CAD	420,007	23.40	9,826,538
RMB	20,546,149	4.36	89,614,248
EUR	110,648	33.89	3,750,392
GBP	19,916	38.14	759,511
JPY	1,746,190	0.29	502,621
NZD	37,990	19.53	742,129
USD	7,797,640	31.04	242,054,353
ZAR	5,481,822	2.06	11,276,787
Financial liabilities			
AUD	1,028,207	20.98	21,568,328
CAD	403,556	23.40	9,441,663
RMB	21,018,626	4.36	91,675,007
EUR	232,603	33.89	7,884,019

(Continued)

	September 30, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
GBP	\$ 68,493	38.14	\$ 2,611,981
HKD	1,446,342	3.96	5,726,263
JPY	34,608,554	0.29	9,961,691
SGD	100,770	22.46	2,263,549
USD	4,738,578	31.04	147,094,951
ZAR	533,864	2.06	1,098,225
			(Concluded)

52. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. Information to be disclosed according to Article 22 of the Rules Governing the Audit of Financial Statements by Certified Public Accountants is as follows:

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 2
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 5
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	Table 1 (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 43

Note: None, or not required to disclose No. 1 to 4 if the investee is a bank, insurance or security company.

3) Names, locations, and related information of investees: Not applicable for review.

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

No.	Item	Explanation
1	Information of investment in mainland China	Table 4
2	Significant commitments and contingencies	Note 46
3	Significant losses	None
4	Subsequent events	None

- 5) Information on major shareholders: The names, numbers of shares held, and shareholding percentages of shareholders who hold 5% or more of the Company's equity: None.
- b. According to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, a company should disclose business relationships and material transactions in consolidation. Refer to Table 5.

53. SEGMENT INFORMATION

- a. General information

The report of Taishin Financial Holding and its 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 Nine Months Ended September 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)	\$ 9,627,059	\$ 6,156,599	\$ 1,818,725	\$ (349,857)	\$ (1,107,944)	\$ 1,724	\$ 16,146,306
Net income other than net interest income	8,623,500	1,316,781	1,838,744	1,294,021	4,720,805	(336,263)	17,457,588
Net revenue and gains	18,250,559	7,473,380	3,657,469	944,164	3,612,861	(334,539)	33,603,894
(Provision for) reversal of allowance for bad debts expenses, commitments and guarantee liabilities	(269,577)	(854,177)	2,121	-	(121,665)	-	(1,243,298)
Operating expenses	(11,372,977)	(2,659,950)	(649,458)	(351,200)	(3,909,601)	205,989	(18,737,197)
Profit (loss) before income tax	\$ 6,608,005	\$ 3,959,253	\$ 3,010,132	\$ 592,964	\$ (418,405)	\$ (128,550)	\$ 13,623,399
Total assets	\$ 694,581,858	\$ 585,622,711	\$ 553,713,114	\$ 42,903,646	\$ 273,748,185	\$ (10,439,462)	\$ 2,140,130,052

	For the Nine Months Ended September 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)	\$ 9,525,405	\$ 5,915,775	\$ (276,764)	\$ (328,795)	\$ (372,722)	\$ 2,345	\$ 14,465,244
Net income other than net interest income	8,467,651	1,583,069	3,308,335	2,047,126	3,299,520	(174,146)	18,531,555
Net revenue and gains	17,993,056	7,498,844	3,031,571	1,718,331	2,926,798	(171,801)	32,996,799
(Provision for) reversal of allowance for bad debts expenses, commitment and guarantee liabilities	(68,444)	(1,201,755)	2,812	-	(380,490)	-	(1,647,877)
Operating expenses	(11,017,670)	(2,596,255)	(603,949)	(240,594)	(3,655,609)	162,727	(17,951,350)
Profit (loss) before income tax	\$ 6,906,942	\$ 3,700,834	\$ 2,430,434	\$ 1,477,737	\$ (1,109,301)	\$ (9,074)	\$ 13,397,572
Total assets	\$ 631,516,605	\$ 535,055,369	\$ 541,960,477	\$ 44,044,365	\$ 260,911,747	\$ (6,195,057)	\$ 2,007,293,506

b. Financial information by region

The operating income of the Groups' 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.

The net revenue and gains of the Group attributed to all countries other than the ROC are not over 10% of the Group's consolidated net revenue and gains.

c. 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.

54. OTHER ITEMS

Except for the impact arising from the volatility of the stock and bond markets, which resulted in larger-than-normal temporary fluctuations in the comprehensive income of the Group's investment position during the nine months ended September 30, 2020, in which the Group implemented 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 those customers affected by the pandemic, the Group offered extensions for loan repayment or adjustments to installment repayment amounts, and these were included in the consideration of significant accounting estimates used in the analysis of asset impairment.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCINGS PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account (Note 2)	Related Parties	Maximum Balance for the Period (Note 3)	Ending Balance (Note 8)	Amount Actually Drawn	Interest Rate (%)	Financing Type (Note 4)	Transaction Amount (Note 5)	Financing Reasons (Note 6)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company (Note 7)	Financing Company's Financing Amount Limit (Note 7)
													Item	Value		
1	Taishin AMC	Zhuang O Xiang	Long-term receivables - advance payment	No	\$ 20,000	\$ 40,000	\$ 20,000	1.70	Business transaction	\$ 20,000	Advance payment of urban renewal	\$ -	Land and buildings	\$ 48,000	\$ 152,530	\$ 7,118,064
		Zhuang O Ming	Long-term receivables - advance payment	No	20,000	40,000	20,000	1.70	Business transaction	20,000	Advance payment of urban renewal	-	Land and buildings	48,000	152,530	7,118,064
		Xu O Zhen	Long-term receivables - advance payment	No	40,000	80,000	40,000	1.70	Business transaction	40,000	Advance payment of urban renewal	-	Land and buildings	96,000	152,530	7,118,064
		Chen O Ming	Long-term receivables - advance payment	No	40,000	80,000	40,000	1.70	Business transaction	40,000	Advance payment of urban renewal	-	Land and buildings	96,000	152,530	7,118,064

Note 1: Column is numbered as follows:

- a. Parent: 0.
- b. Subsidiaries are numbered starting from 1.

Note 2: If receivables from related companies, receivables from related parties, contracts between shareholders, advance payments, payment on behalf, etc. have financing type, they should fill into this column.

Note 3: The maximum balance of financings provided in the current year.

Note 4: The financing type column should be business transaction or short-term financing.

Note 5: If the financing type is a business transaction, the amount of business transaction should be filled. The amount of business transaction refers to the amount between the lender and the borrower in the recent year.

Note 6: If the financing type is a short-term financing, the reason for the financing and the use of the financing should be specified, such as repayment of loans, purchase of equipment, business turnover, etc.

Note 7: By following the procedures of financing provided, set the company's financing limits and aggregate financing limit for each borrowing company. Disclose the calculation method of setting financing limit and aggregate financing limit for each borrower in the remarks column.

Note 8: If public company follows the Article 14(a) of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, it will resolve the allocation of funds within the board of directors. Although the amount has not been allocated, the company needs to announce the amount resolved by the board of directors, in order to bear the risk of disclosure; after the fund has been repaid, the company should disclose the balance after repayment, in order to reflect on the adjustment of risk. If the public company follows the Article 14(b) of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, after the resolution of board of directors, enables the chairman, within a certain monetary limit resolved by the board of directors, and within a period not exceeding one year, to give loans in installments or to make a revolving credit line available for the borrower to draw down, the company should still use the resolution amount and limit passed in the board of directors as the publicly disclosed balance. After the fund has been partially repaid, considering that there will be more allocation in the process, the company should use the resolution amount and the limit passed in the board of directors as the publicly disclosed balance.

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 NINE MONTHS ENDED SEPTEMBER 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	Other terms
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.	Not applicable

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection Status	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other terms
Taishin Bank	Building in Dehui St.	March 12, 2020	December 25, 2003	\$ 309,812	\$ 429,650	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.	Not applicable

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

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2020

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

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	September 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	\$ 2,775	6.00	\$ 2,775	
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	-	6,133	
Taishin Venture Capital	<u>Stock</u> Taishin Financial Leasing (China) Taishin Financial Leasing (Tianjin)	Subsidiary of Taishin Venture Capital Subsidiary of Taishin Venture Capital	Investment accounted for using the equity method Investment accounted for using the equity method	40,000 30,000	1,384,740 695,913	100.00 100.00	1,384,740 695,913	
	Delos Capital Fund, LP	-	Financial assets at FVTPL	8,278	198,555	7.63	198,555	
	Delos Capital Fund II, LP	-	Financial assets at FVTPL	6,279	152,021	7.46	152,021	
	CDIB Capital Global Opportunities Fund L.P.	-	Financial assets at FVTPL	853	24,918	2.21	24,918	
	Li Shen Zhi-Lian L.P.	-	Financial assets at FVTPL	30,000	27,000	12.47	27,000	
	Arm IoT Fund, L.P.	-	Financial assets at FVTPL	1,957	64,279	14.66	64,279	
	<u>Stock</u> Kwan-Hwa Venture Capital Corp. Chi-Ting Venture Capital Investment Co., Ltd.	Its corporate director is Taishin Venture Capital -	Financial assets at FVTPL Financial assets at FVTPL	276 331	1,546 2,025	5.56 1.30	1,546 2,025	
	Hwei-Yang Venture Capital Investment Co., Ltd.	-	Financial assets at FVTPL	42	2,709	1.54	2,709	
	Century Development Corp.	Its corporate supervisor is Taishin Venture Capital	Financial assets at FVTPL	10,633	98,998	3.03	98,998	
	Microbio Co., Ltd.	-	Financial assets at FVTPL	954	80,626	0.22	80,626	
	Youn Shin Artistic Co., Ltd.	-	Financial assets at FVTPL	1,000	840	12.69	840	
	Winking Entertainment Ltd.	-	Financial assets at FVTPL	709	1,277	1.69	1,277	Liquidated
	Diamond Biotech Investment Corp.	Its corporate director is Taishin Venture Capital	Financial assets at FVTPL	45,000	759,600	10.00	759,600	
	Stem Cyte International Ltd.	-	Financial assets at FVTPL	500	8,815	0.55	8,815	

(Continued)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				Note	
				Number of Shares/Units/ Face Value	Carrying Amount	Percentage of Ownership (%)	Market Value		
Taishin AMC	American BriVision (Holding) Corp.	-	Financial assets at FVTPL	11	\$ -	0.06	\$ -		
	VM Discovery, Inc.	-	Financial assets at FVTPL	95	5,710	Preferred stock	5,710		
	RevMAB Biosciences, Inc.	-	Financial assets at FVTPL	400	5,710	Preferred stock	6,716		
	JHL Biotech, Inc.	-	Financial assets at FVTPL	2,105	6,716	0.89	55,937		
	Chime Biologics Limited	-	Financial assets at FVTPL	2,105	55,937	0.48	27,516		
	Celestial Talent Limited	-	Financial assets at FVTPL	1,457	27,516	2.30	19,497		
	Shin Yao Biomedical Venture Capital Investment Co., Ltd.	Its corporate director is Taishin Venture Capital	Financial assets at FVTPL	35,000	19,497	10.00	442,050		
	Taxven BioPharma, Inc.	-	Financial assets at FVTPL	291	442,050	0.11	11,638		
	Great Agricultural Technology Co., Ltd.	-	Financial assets at FVTPL	578	11,638	3.33	3,401		
	Contact Digital Integration Co., Ltd.	Other	Financial assets at FVTPL	1,300	3,401	7.22	6,032		
	I.X	-	Financial assets at FVTPL	1,942	6,032	3.41	6,680		
	Power Master Co., Ltd.	-	Financial assets at FVTPL	220	6,680	0.39	3,051		
	FinTech Base	-	Financial assets at FVTPL	17,500	3,051	7.92	69,475		
	IIH Biomedical Venture Fund I Co., Ltd.	Its corporate director is Taishin Venture Capital	Financial assets at FVTPL	2,500	69,475	8.08	22,550		
	Taiwania Capital Management Corporation	-	Financial assets at FVTPL	17,760	22,550	7.10	28,238		
	UUPON INC.	-	Financial assets at FVTPL	996	28,238	15.00	9,956		
	Sim2 Travel Inc.	-	Financial assets at FVTPL	350	9,956	Preferred stock	-		Liquidated
	PC Home Online Investment Inc.	-	Financial assets at FVTPL	79	-	3.03	-		
	CC Media Co., Ltd	-	Financial assets at FVTPL	400	-	0.48	-		
	Innostor Technology Corporation	-	Financial assets at FVTPL	69	-	0.81	-		
	Ambi Investment and Consulting Inc.	Subsidiary of Taishin Venture Capital	Investment accounted for using the equity method	1,000	-	25.00	9,684		
	Credidi Inc.	Equity-method investee	Prepaid long-term investment	20,000	9,684	20.00	20,000		
	<u>Beneficiary certificates</u>								
	Capital Money Market Fund	-	Financial assets at FVTPL	8,411	136,694	-	136,694		
	Taishin 1699 Money Market Fund	Issued by Taishin Securities Investment Trust	Financial assets at FVTPL	7,565	103,140	-	103,140		
	Union Money Market Fund	-	Financial assets at FVTPL	4,470	59,449	-	59,449		
	Pine Bridge Taiwan Money Market Securities Investment Trust Fund	-	Financial assets at FVTPL	5,163	71,030	-	71,030		
	Pine Bridge Global ESG Quantitative Bond Fund	-	Financial assets at FVTPL	1,000	10,123	-	10,123		
	Jih Sun Asian High Yield Bond Fund	-	Financial assets at FVTPL	3,195	47,720	-	47,720		
	FSITC Money Market Fund	-	Financial assets at FVTPL	276	49,568	-	49,568		
	Sinopac Money Market Fund	-	Financial assets at FVTPL	714	10,006	-	10,006		
	Fubon Chi-Hsiang Money Market Fund	-	Financial assets at FVTPL	634	10,006	-	10,006		
<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	-	1,758	-	1,758			
Dah Chung Bills	-	Financial assets at FVTOCI	2,290	31,891	0.51	31,891			

(Continued)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				Note
				Number of Shares/Units/ Face Value	Carrying Amount	Percentage of Ownership (%)	Market Value	
Taishin Securities Venture Capital	Diamond Biotech Investment Corp.	Its corporate director is Taishin Venture Capital	Financial assets at FVTOCI	5,625	\$ 94,950	1.25	\$ 94,950	
	Shin Yao Biomedical Venture Capital Investment Co., Ltd.	Its corporate director is Taishin Venture Capital	Financial assets at FVTOCI	4,375	55,256	1.25	55,256	
	Taishin Real Estate	Equity-method investee	Investment accounted for using the equity method	8,000	138,858	40.00	138,858	
	<u>Stock</u>							
	Tangeng Advanced Vehicle Co., Ltd.	-	Financial assets at FVTPL	1,400	27,832	3.05	27,832	
	Rich Healthy Fruits & Vegetable Corp.	-	Financial assets at FVTPL	288	16,454	1.64	16,454	
	Msscrops Co., Ltd.	-	Financial assets at FVTPL	210	13,801	0.54	13,801	
	Power Master International Investment Holdings Co., Ltd.	-	Financial assets at FVTPL	165	2,289	0.29	2,289	
	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	0.68	358	
Finatext, Ltd.	-	Financial assets at FVTPL	29	3,000	7.50	3,000		
Julien's Group	-	Financial assets at FVTPL	320	3,067	1.11	3,067		

(Concluded)

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
SEPTEMBER 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 September 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 September 30, 2020	Accumulated Inward Remittance of Earnings as of September 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)	\$ 87,733	100	\$ 87,733 (Note 2.b.1)	\$ 1,384,740	\$ -
	Taishin Financial Leasing (Tianjin)	Financial leasing	920,748 (US\$ 30,000)	Note 1.a.	920,748 (US\$ 30,000)	-	-	920,748 (US\$ 30,000)	37,012	100	37,012 (Note 2.b.1)	695,913	-

Investor	Accumulated Investment in Mainland China as of September 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)	\$ 18,274,377

Note 1: The methods of investment are as follows:

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

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

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

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND MATERIAL TRANSACTIONS IN CONSOLIDATION
FOR THE NINE MONTHS ENDED SEPTEMBER 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	\$ 217,017	Under arm's length terms	0.01
1	Taishin Bank	Taishin Securities Investment Trust	3	Deposits and remittances	117,435	Under arm's length terms	0.01
1	Taishin Bank	Taishin Securities B	3	Deposits and remittances	7,603,741	Under arm's length terms	0.36
1	Taishin Bank	D.A. Finance	4	Deposits and remittances	132,002	Under arm's length terms	0.01
1	Taishin Bank	Taishin AMC	3	Net other miscellaneous income	119,838	Under arm's length terms	0.36
1	Taishin Securities B	Taishin Bank	3	Lease liabilities	127,923	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	130,799	Under arm's length terms	0.01
0	Taishin Financial Holding	Taishin Bank	1	Securities purchased under resale agreements	900,005	Under arm's length terms	0.04
0	Taishin Financial Holding	Taishin Bank	1	Accounts receivable, net	571,809	Under arm's length terms	0.03
0	Taishin Financial Holding	Taishin Bank	1	Accounts payable	241,043	Under arm's length terms	0.01

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.