

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

1. Internal Control Statement

Taishin Financial Holding Co., Ltd.

Statement of Internal Control System

Mar. 21, 2019

Financial Supervisory Commission,

On behalf of Taishin Financial Holding Co., Ltd.(the Company), we hereby declare that, for the fiscal year of 2018, the Company has established internal control policies and implemented risk management system in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries". These policies and practices were also inspected by the independent Audit Division which reported regularly to the Company's Board of Directors and Audit Committee.

Following our diligent assessment, we concluded that the Company's internal control, legal and compliance practices for the fiscal year of 2018 were implemented effectively, the improvement items listed on the attachment are also being executed properly. This statement will constitute part of the company's annual report and prospectus and will be publicly disclosed.

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

Sincerely yours,

Chairman:



President:



Chief Auditor:



Compliance Officer:



Taishin Financial Holding Co., Ltd

Improvement Plan of Internal Control System

Base Date: 2018.12.31

Items for Improvement	Improvement Measures	Scheduled Date of Completion
Taishin FHC		
Absence of measures to link director remuneration and future risks	Deferred director remuneration has been partially implemented, and a reply to the notice has been filed with the competent authority for improvement.	Improvement included in the reply has been completed.
Inappropriate practices in hiring of advisors, authority and responsibilities definition, remuneration payment, and other practices	The procedures for hiring advisors and remuneration payment are improved. In addition, certain provisions about responsibilities and avoidance of conflict of interest will be added to the advisor agreement, which the existing advisors will also be required to sign.	Completed by April 30, 2019.
Inappropriate practice in inviting advisors to be present in meetings of the Remuneration Committee	Improvement has been made to the meeting procedures. Furthermore, an amendment of the Remuneration Committee Charter will be proposed to include the procedures for better management.	Completed by April 30, 2019.
Taishin International Bank(TSIB)		
The Management incompetence and violations of related regulations of insurance agency business	<ol style="list-style-type: none"> 1. Had reinforced the ability of solicitor regarding the training of investment-linked insurance products and the disclosure of related risk. 2. Had strengthened the training and education of signatories and examined the reasons of customers who engaged in purchasing several insurance policies through different insurance company, and verified the motivation of third party payment and even the source of insurance premiums. We also conducted a random inspection on cases signed by signatories and recorded the result every day. 3. Will initiate a surveillance system to monitor specific case that the source of insurance premium payment is related to the loan. 	2019 Q2
The case of branch personal banker misappropriated client funds	<ol style="list-style-type: none"> 1. Had strengthened the operation monitoring of non over-the-counter service, bank statement and employee behavior. 2. Had added the function of branch foreign currency withdrawal control. 3. Will Establish the mechanism of inspecting unusual employee personal funds. 	2019 Q1
The internal auditing and reporting had not yet completed.	The relevant operation procedures had been revised for the complying.	Completed
<p>The AML/CFT executions need to be improve:</p> <ol style="list-style-type: none"> 1. The bank was fined with one million NTD due to partial misinterpretation of the regulation's definition on the cash transaction exceeding certain amount between the fiscal year of 2016 and 2017. 2. The operation review of customer information and suspicious transaction can be further enhanced to strengthen the AML execution. 	<p>Those transactions were filed immediately after the finding, and AML monitoring system was tuned and improved. There were no similar AML events in 2018.</p> <p>In addition to annual AML trainings, the bank has also tailored AML curriculums that meet the needs of each business unit. The process for customer risk analysis has continued been enhanced.</p>	<p>Improvements have been completed.</p> <p>The implemented 2019 AML/CFT plan including trainings and process enhancement project will be followed up and be done in 2019.</p>