

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

## 1. Internal Control Statement

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

March 26, 2020

Financial Supervisory Commission,

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

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


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

Sincerely yours,

Chairman:

吳東亮 

President:

林繼俊 

Chief Auditor:

蔡孟華 

Compliance Officer:

游婷甯 

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

Base Date: 2019.12.31

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

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