

k. 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 24, 2022

Financial Supervisory Commission,

On behalf of Taishin Financial Holding Co., Ltd.(the Company), we hereby declare that, for the fiscal year of 2021, 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 2021 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:

林維俊 

Chief Auditor:

蔡孟峰 

Compliance Officer:

游婷甯 

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

Base Date: 2021.12.31

Items for Improvement	Improvement Measures	Scheduled Date of Completion
Taishin International Bank		
1. Accidental destruction of data in outsourced warehouse storage. (This case was disclosed in the 2020 Declaration of the Internal Control Policies)	Review and improvement on the operating procedures of "file retention period for warehouse deliveries" and "execution of data destruction procedures" were completed.	Rectification completed.
2. A former financial advisor at the Zhonghe Branch embezzled customer funds and had abnormal fund transactions with customers, and a former financial advisor at the Ximen Branch as well as a current financial advisor at the Beida Branch had inappropriate business conduct. (The Zhonghe case was disclosed in the 2020 Declaration of the Internal Control Policies)	(1) Policies on transaction monitoring, financial advisor management, and rewards & salaries were amended. (2) Audio surveillance equipment is being installed at all of the banks.	Amendments on relevant monitoring regulations and policies were completed. Regarding the installation of audio surveillance equipment, according to the certificate issued by the manufacturer, the task is estimated to be completed by the end of December 2022 due to the delivery of imported materials being affected by the COVID-19 pandemic.
3. There was room for improvement in the parameter settings for suspicious transactions in the AML trading system.	(1) The Bank may perform spot checks on the operating units that are suspected to be performing poorly in transaction monitoring. (2) The Bank will authorize an external professional organization to conduct a comprehensive review on the monitoring of automatic transactions and the integrity of the establishment of relevant parameters based on the characteristics of customers and the scale of business.	(1) Rectification completed. (2) This plan will be completed by the end of December 2022.
4. The insurance brokerage business violated the relevant regulations of the Insurance Act.	The Bank will discuss with the insurance company and adjust the contents of signed contracts and memorandums regarding telemarketing commissions and fees in addition to the discussion on the establishment of telemarketing related systems.	The adjustment of contracts and the establishment of telemarketing related systems will be completed by the end of December 2022.
5. Over-concentrated mortgage loan setting businesses led to management problems with land administrators and caught the attention of the media.	(1) The Bank will terminate the labor contracts with the supervisors related to the case. (2) Regarding the management problems with the land administrators, the Bank has established an operational manual on the management of relations with land administrators for the purpose of control.	Rectification completed.
6. Letters containing special offers for customers with bad debt were sent to the wrong addresses due to human error.	(1) The mail filtering operation has been changed from manual operation to execution by the system. (2) The review mechanisms were improved to make sure the name of the customer, address, amount, and collector's phone number match the customer information saved in the system before sending out special offer letters. The review records are kept for reference.	Rectification completed.
7. Information of another insured customer was erroneously put on the consolidated statement sent to ○○ Machinery Co., Ltd.	(1) The information was edited and the correct consolidated statement was sent to the customer. (2) The function of uploading the insured customer list to the system was added to replace manual operations. The system will automatically check and detect erroneous information in the system when information is uploaded.	Rectification completed.
8. The operating procedures for reimbursements for insurance broker business still requires improvement.	(1) Relevant handling procedures have been established to improve and implement the reimbursement and controlling procedures. (2) The remaining balance of the contract with the insurance company has been entered into the account book.	Rectification completed.

Items for Improvement	Improvement Measures	Scheduled Date of Completion
Taishin Insurance		
In review of transactions made after relationships were established with high-risk customers, the selection criteria were incomplete and failed to produce the complete list, and transactions a few high-risk customers were not assessed.	(1) The selection criteria for high-risk customer transactions were improved. (2) Transactions not assessed as described above were assessed, and there was no suspicious transactions.	Rectification completed.
Taishin Securities		
1. Implementation of Anti-Money Laundering and Counter Terrorism Financing (1) Enhanced measures to inquire about their source of wealth or funds were not adopted for high-risk customers. (2) Information on beneficial ownership was not requested from an international institution and information on beneficial ownership of a legal entity was not properly filed. (This case was disclosed in the 2020 Declaration of the Internal Control Policies)	(1) Enhanced due diligence and control measures have been adopted for high-risk customers. (2) Improvement has been made, and verifying identity of beneficial owner is an explicit step.	Rectification completed.
2. A brokerage trader was found to have accepted a customer's mandate, faked telephone call recording and mandate authorization letter, and advanced the settlement payments to the customer's account.	(1) Reiterating that a complete recording should be kept when a customer places an order. (2) Conduct care interviews. (3) Strengthen routine training and case studies.	Rectification completed.
3. A salesperson accepted securities orders from someone not authorized by the customer, and exceeded the day limit where the customer was with limited capacity and opened an account through an agent and had the agent conduct trading and settlement.	(1) Strengthen routine training and case studies. (2) The day limit for underage accounts has been added to the system for better control.	Rectification completed.
4. Multifactor authentication was not implemented for online trading, delays in reporting cybersecurity incidents, and failure to review constantly the internal control system and ensure effective execution.	(1) "Order certificate" was added to the online trading system, and OTP was added to authenticate customer requests for new or replacement certificates. (2) The process and time limit for reporting cybersecurity incidents was reiterated. Adequacy of the internal control system was reviewed regularly and implemented effectively.	Rectification completed.

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