



Taishin Holdings

2018 Annual Report

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01

Letter to Shareholders



I. Letter to Shareholders

Dear Shareholders,

The global economy in 2018 exhibited overall deceleration in momentum. Of all the major economies, only the U.S. still maintained steady expansion throughout the year, whereas the Eurozone and Japan saw quarterly decline within the year, and the Chinese economy experienced significantly stronger downward pressure in the second half of the year due to regulatory policies such as deleveraging of debts and supply-side structural reform as well as the U.S.-China trade disputes, among other negative factors. Consequently, the total demand of major international consumer markets weakened, causing Taiwan and export-dependent countries such as Germany, Japan, and South Korea to experience economic recession in the second half of 2018.

Amid global economic fluctuations, Taiwan saw a cooler economy in the second half of 2018 than in the first half, although its internal demand exhibited relatively stable performance, thanks to the influx of returning Taiwanese business investments caused by the U.S.-China trade war and increased capital expenditure of technological giants, which enabled Taiwan's economic growth to remain at 2.63% in 2018. The stock market, in response to economic factors, fell significantly in the fourth quarter, closing at 9,727 at the end of the year, 9% down from 10,643 in the previous year.

The financial sector in Taiwan was severely impacted by market performance in the second half of 2018. Overall earnings before tax for the financial sector amounted to NT\$523.3 billion, a 3% drop from 2017. Earnings before tax for the banking industry totaled NT\$377.7 billion, accounting for 30% financial industry's total profits. By contrast, the percentages for the insurance and securities industries decreased. Fortunately, since the beginning of the year, the United States, European countries, and China successively released information about relaxation of their monetary policies, which effectively recovered the stock market and other risky asset values. Looking forward, the global economy will continue to slow down, as variables of the U.S.-China trade war introduce new challenges and opportunities to the operation of the financial industry. Given the government's robust efforts to improve the investment environment in Taiwan, accelerate the implementation of prospective infrastructure projects, and promote the "Welcoming the Return of Taiwanese Investment Initiative Action Plan," the financial industry expects to embrace this wave of industry demand and improve its business performance.

Taishin FHC followed the operating budgets closely in 2018. The core businesses grew at a steady pace, leading to consistent profit growth. The net profit after tax totaled NT\$12.9 billion. The net interest income and the net fee income rose by 4.6% and 4.4%, respectively. This represented an EPS of NT\$1.09, an ROE of 9.06%, and a net worth per common share of NT\$12.33.

In terms of capital structure, Taishin FHC delivered healthy results with the capital adequacy ratio rising from 124.9% at the end of 2017 to 127.1% at the end of 2018; the double leverage ratio falling from 112.9% at the end of 2017 to 111.2% at the end of 2018; and the debt ratio falling from 17.4% at the end of 2017 to 15.7% at the end of 2018.

In October 2018, Taishin FHC was granted global long- and short-term credit ratings of BBB and F3, respectively, in a report of the international credit rating agency Fitch Rating. The national long- and short-term credit ratings were A+(twn) and F1(twn), respectively, and the outlook was "Negative". In November 2018, Taishin FHC was granted by Taiwan Ratings Corp. international long- and short-term ratings of BBB- and A-3, respectively, and domestic long- and short-term ratings of twA and twA-1, respectively. The outlook was "Positive".

Regarding overseas business expansion, Taishin FHC actively forges its presence in the Chinese and Asia Pacific markets, and has to date established branches in Hong Kong, Singapore, Japan (Tokyo), and Australia (Brisbane). Meanwhile, we have also submitted our application for establishing our Long An Branch in Vietnam. With respect to local offices, we currently serve our customers through the Ho Chi Minh City office in Vietnam and the Yangon office in Myanmar. This year, we plan to incorporate an office in Shanghai, which has been approved by the FSC in January 2019. We will proceed to submit application to the Chinese authority. In the future, we will continue to expand our overseas presence by offering more comprehensive and higher quality international financial services to customers.

FinTech application: Taishin created a digital strategy team under Taishin FHC. It optimizes O2O integration through continuing use of advanced fintech applications so to enable digital services to offer easier-to-use and more friendly and wide-ranging features and products. Subsidiary Taishin Bank is the first among peers to launch a new digital banking brand, Richart. The brand steadily holds a market share of more than 50% in digital accounts and is well received by users. The number of times CARDaily (credit card app) was downloaded in 2018 increased by 184% from 2017. By continuously improving the functions of this app, we aim to become a one-stop digital shopping platform for Taishin cardholders.

With respect to securities services, our subsidiary Taishin Securities have been gaining market share since the merger with Ta Chong Securities. The net fee income has shown an annual growth of 76.5%. Furthermore, an offshore securities unit (OSU) were created in November 2018. It added offshore securities underwriting and foreign currency securities sale to the range of available services. Taishin Securities will continue to enhance the functionality of its electronic platform, and expand the futures services and sub-brokerage services in the future. It plans to expand the product line and follows Taishin FHC's fintech development strategy to provide better services for customers.

Business performance of our banking, securities, and investment trust subsidiaries in the previous year is summarized as follows.

1. Retail Banking Services

As of the end of 2018, the size of Taishin Bank's mortgage portfolio stood at NT\$484.9 billion, representing close to 7% in YOY growth; the auto loan balance amounted to NT\$45.4 billion, representing a 7% YOY growth, and again placing Taishin Bank at the top of the financial industry; we had 4.64 million credit cards outstanding, ranking 4th with a 10.5% market share; and lastly, Taishin Bank had 126,000 card accepting merchants nationwide, ranking first with a 21.2% market share.

Mobile payment marketing campaigns: Taishin Bank is the first card-issuing bank in Taiwan to introduce the four major mobile payment platforms (Apple Pay, Samsung Pay, Google Pay, and Taiwan Pay). In 2018, we subsequently introduced mobile payment services for wearable devices produced by two major smart watch brands, Fitbit and Garmin, and integrated Fitbit Pay into our iPass joint credit card to satisfy the mobile payment needs of cardholders to pay with their credit card and transport card. We also cooperated exclusively with MasterCard to introduce an innovative payment service that not only enables general credit card transactions but also offers the Masterpass payment method. MasterCard is integrated into an electronic wallet so that consumers can easily and quickly complete online transactions without having to enter their card number. With respect to cross-border payment service, Taishin Bank possesses close to 30,000 points of service in duty-free stores, department stores, major shopping districts, and nightmarkets that can support multiple cross-border payments using electronic wallets, including payment tools used by the KEB Hana Bank. Taishin is the first financial institution in Taiwan to cooperate with a Korean bank in this regard.

Credit cards: Taishin Bank continues to develop a wide variety of convenient digital credit card application channels with the goal of enhancing consumer experience. Launched in 2018, the FarEasTone friDay Joint Credit Card provides maximum 3% cash back on telephone bills, the highest cash back bonus in the market. In December 2018, we

combined the Richart digital foreign currency account and MasterCard, introducing the business FlyGo credit card that allows cardholders to conveniently make overseas purchases or exchange foreign currencies at a bargain. Taishin Bank offers a comprehensive line of cobranded cards that ranges from airline, telecommunication, department store, insurance, wholesale, consumer electronics, to duty free shopping, satisfying all the needs of our customers.

Wealth management: The Taishin Bank brand is built on "Professional Leadership" and "Protection with Dedication". Taishin Bank offers a diverse range of localized and personalized customer services, and is constantly in pursuit of innovation and stronger customer relationships, aided by its outstanding digital services that establish Taishin Bank as an Intelligent Partner of its customers. In 2018, our net fee income from wealth management services achieved a 3.1% YOY growth. In particular, 74.9% and 13.8% of the fees came from bancassurance and fund investment, respectively. Due to the increased popularity of smart financial management, Taishin Bank introduced a novel smart investment platform-Roboking, which boasts the abilities to provide prospective investment portfolios, participate in customers' investments, and facilitate instant monitoring of investment portfolios, thereby offering Taishin customers a better and more comprehensive alternative to managing their finances online.

2. Wholesale Banking Services

Corporate lending: Loans to state-owned and private enterprises totaled NT\$240.9 billion at the end of 2018, 15th among the 37 domestic banks. The annual growth rate of syndications was 17%, 7th in the industry. In support of the government's initiative, Taishin Bank provides guarantees in compliance with policy to help SMEs acquire operating capital. Our lending to SMEs rose to NT\$138.3 billion by the end of 2018, a 5.3% YOY growth. We will continue to expand the scope of our cooperation with the SME Credit Guarantee Fund of Taiwan, help SMEs to upgrade their business, and provide relevant financing schemes in accordance with major governmental policies such as the 5+2 Industry Policy and the Welcoming the Return of Taiwanese Investment Initiative Action Plan.

Other wholesale banking services: Automated clearing house (ACH), developed in collaboration with Taiwan Clearing House for fulfilling the needs of corporate customers to allocate funds, was rated as the best payment service and second best debit collection service in the market. Taishin Bank remained the market leader in factoring services with a volume totaling NT\$251 billion in 2018. We provided share administration services to a total of 194 companies traded on the TWSE/TPEX and the Emerging Stock Market, ranking 4th among peers.

System implementation: As we continuously expand our overseas business, Taishin Bank introduced the GB2B Global Digital Corporate Banking Network at the end of 2018, creating more automated and user-friendly interface and functions that offer one-stop solutions and product integrated services to satisfy the diverse needs of overseas Taiwanese businessmen. We will continue to incorporate ACH and financial products and services into our GB2B Global Digital Corporate Banking Network this year and assist existing customers with upgrades that will provide them with access to these services. Additionally, Taishin is committed to developing regional banks, and will be establishing online banking services for its Hong Kong branch in 2019 to vie for business opportunities with multinational companies and other medium-sized and large enterprises.

3. Securities and Investment Trust Subsidiaries

Securities operations: The company will continue to work closely with various distributors to provide more a comprehensive range of services to individual and corporate clients. It is also committed to keep enhancing the functionality and accessibility of its electronic platforms in order to satisfy customer demand for easier and quicker e-trades. Regarding underwriting services, Taishin continues to focus on offering underwriting services to well managed companies, and seek opportunities in funding projects applying for first time TWSE/TPEX listing in Taiwan. The market

share reached 1.7% in brokerage services and 2.6% in margin trade balance at the end of 2018. Taishin Securities handled a total of 22 securities underwriting cases as lead underwriter throughout the entire year. It was ranked 2nd in number of cases handled as lead underwriter and 4th in amount handled as lead underwriter. It is the leader in both total number of cases and total amount.

Investment trust operations: The size of public/private offering and discretionary assets under management by Taishin Securities Investment Trust (TSIT) reached NT\$103.9 billion at the end of 2018 out of which NT\$74.9 billion was in publicly offered funds, accounting for a 2.9% market share and enabling the company to rank 8th place among domestic investment trusts. Looking forward, TSIT's assets under management is expected to continue to advance toward the NT\$130 billion mark. In addition to winning the tender for the Ministry of Labor NT\$11 billion discretionary investment project in 2018, TSIT, regarding publicly offered funds, is optimistic about the demand for bond ETFs and the potential investment growth in emerging markets bond market. TSIT was first to entered a license agreement with world leading provider of emerging markets bond indexes JPMorgan. TSIT subsequently launched Taishin JPMorgan Emerging Markets IG Bond ETF in May 2018 and became the first SITE in Taiwan to offer investors a product linked to one of JPMorgan emerging markets bond indexes.

In summary, we have received continuous acclaim for our excellence in various aspects of business, including banking, securities, and invest trust services. Taishin is the first of its peers to introduce the Richart digital banking service, which has won the Red Dot Communication Design Award for two consecutive years since 2017 and the Gartner Financial Service Innovation Award in November 2018. Taishin is the sole recipient of these two awards in the financial industry of Taiwan. Taishin Bank also won the Best Retail Banking, Best Digital Banking, and Best Credit Card awards given by Asian Banking & Finance magazine(AB&F). Taishin Bank's idea of integrating wealth management services with digital finance technology has helped us to win the Professional Wealth Management Best private bank for Big Data analytics and Artificial Intelligence (AI) award, the Best Private Bank in Taiwan award by the Asian Banker, and the Best Private Bank award for five consecutive years by Private Banker International (PBI). The wholesale banking services by Taishin Bank support government policies, and have been named an Excellent SME Credit Guarantee Partner Award winner by the Ministry of Economic Affairs for seven years in a row. Furthermore, Taishin Securities was named second place in "Underwriting Recommendations and Number of OTC Companies" by Taipei Exchange, and was the recipient of a number of awards, including Lipper Fund Awards Taiwan and Best Fund Awards. Taishin FHC received a total of 116 awards from domestic and international professional institutions in 2018, the largest number of awards for the company since its establishment.

Future Prospects

An overview of the overall financial environment shows that financial industry operators must determine how to bolster their competitiveness and satisfy customer needs while maintaining financial stability, given the rise of FinTech applications and the key roles that members of the financial industry play in anti-money laundering initiatives. For the purpose of developing innovative financial services and implementing financial consumer protection, the FSC has planned a multitude of focuses, including expanding the use of FinTech applications to enhance service convenience; using diverse financial products to create wealth for industries and the general public; differentiating financial supervision to ensure financial stability; increasing the level of internationalization of the capital market; and strengthening risk-oriented anti-money laundering tasks in the financial industry.

In 2019, we will commit to achieving the goals of our existing business activities in accordance with the principle of "rigorous risk management and aggressive expansion" while supporting government policies and complying with applicable regulations. Our business strategies and plans include: Continue to develop financial advantages, actively integrate financial holdings resources, expand the business scale of the subsidiaries provided that risk control and

business growth are both accounted for, and create diverse profit engines; utilize new technologies, continuously expand the market share of our Richart mobile banking service, improve mobile payment tools, develop innovative business models, and create business opportunities that will enable us to maintain definitive market advantages; and continue to promote overseas business expansion, focus primarily on Asian countries and areas populated by Overseas Chinese communities, and develop international businesses. In addition, we will continue to strengthen our risk management capability and simultaneously adopt system upgrade, talent selection and retention, and process improvement to build the best environment and human resources for business development.

Corporate governance and Corporate Social Responsibility

With respect to corporate governance and corporate social responsibility, we have been achieving excellent results for years since TWSE announced the first Corporate Governance Evaluation in 2015. The company is also one of the constituents of the TWSE Corporate Governance 100 Index and has been rated Excellent in the CG6011 (2017) Corporate Governance Certification conducted by Taiwan Corporate Governance Association. To increase information transparency, the Taishin FHC Corporate Social Responsibility (CSR) Report passes independent third party certification every year. Reports published in last two years also received AA1000 Type 2 Accountability Principles and Performance Information certification. Certification by a certification agency contributes to the creditability and transparency of sustainability information and has helped the company become one of the first financial institutions to incorporate sustainability into their business practices. We have moreover established the Corporate Sustainability Committee to oversee six functional teams responsible for corporate sustainability, liability products, customer relations, employee care, green operations, and social inclusion. We and our subsidiaries as well as various affiliated foundations work together toward the same goals. In 2018, Taishin FHC had great success at an assessment by the globally recognized Dow Jones Sustainability Index (DJSI) and became included in DJSI World and DJSI Emerging Markets as a first-time nominee. The Company will persist in its commitment to good corporate governance and corporate social responsibility practices in order to fulfill the promise of maintaining sustainable business development.

Taishin employees have long dedicated themselves to delivering the best banking services with "integrity, commitment, innovation and cooperation" in mind. Even in the pursuit of profitability and continuous growth, Taishin has been able to demonstrate the innovation and customer-centric values that have helped shape Taiwan's banking industry as a whole and embodied the group's fulfillment of its corporate social responsibility. Taishin will hereafter adhere to the same business philosophy while continuing to deliver comprehensive services and maximizing profits so as to benefit our shareholders, customers, employees and the greater community alike and to deliver on our promises to shareholders.

Chairman
Taishin Financial Holding co., Ltd.
April 2019



02 Company Profile



II. Company Profile

A. Date of Establishment

February 18, 2002

B. Company History

After the Financial Institutions Merger Act and the Financial Holding Company Act were passed, Taishin International Bank Co., Ltd. ("Taishin Bank"), Dah An Commercial Bank Co., Ltd., Taishin Bills Finance Corporation ("Taishin Bills Finance"), and Taiwan Securities Co., Ltd. ("Taiwan Securities") united under the same business philosophy and formed "Taishin Financial Holding Co., Ltd." ("the company") by share swap. The company was established in stages. Taishin Bank and Dah An Commercial Bank merged and formed the company by share swap at the same time on February 18, 2002 in the first stage. Taiwan Securities and Taishin Bills Finance became subsidiaries of the company by share swap at 1:1.2 and 1:1.3, respectively, on December 31, 2002 in the second stage.

For the purpose of easing the pressure of high NPL ratios on domestic financial institutions while effectively revitalizing nonperforming assets, Taishin Asset Management Co., Ltd. was created as a wholly owned subsidiary in August 2002. Meanwhile, the company invested in establishing Taishin Venture Capital Investment Co., Ltd. (Chinese name changed by a board resolution on September 19, 2006) to create a stronger financial holding company that is able to provide a wider range of products for customers and deliver a more impressive performance. On October 3, 2005, the company invested NT\$36.5 billion to acquire a 22.55% controlling stake in Chang Hwa Bank. A new board of directors was subsequently formed to formally include Chang Hwa Bank as a subsidiary. The inclusion raised the company's total consolidated assets to NT\$2,350 billion, making the company the second largest financial holding company in the country by assets and one of the domestic banks with the largest number of branches. The investment also made Taishin a more stronger brand in competing for the leading position in the country. On July 26, 2010, Taishin Securities Investment Trust and Taishin Securities Investment Advisory became subsidiaries of the company. On December 18 of the same year, Taishin Securities Investment Trust completed the merger with Taiwan Industrial Bank Securities Investment Trust, which made the company's assets under management and market share even larger.

Furthermore, Taishin Financial Leasing (China) Co., Ltd., another subsidiary of Taishin FHC, opened in Nanjing on October 17, 2011. It is a licensed national leasing company and provides financial leasing services for corporate customers. On July 5, 2012, Taishin Financial Leasing (Tianjin) Co., Ltd. was founded in Tianjin. It holds a 3-in-1 license that allows it to provide leasing, insurance agency, and trade services. It is the first foreign company to receive this type of license.

• Subsidiary - Taishin Bank

On June 25, 2003, Taishin Bank's Hong Kong Branch opened for business. On October 18, 2004, Taishin Bank assumed all limited liabilities of the Tenth Credit Cooperative of Hsinchu, expanding further the bank's network and size. In January 2005, the bank received approval to open a representative office in Vietnam, marking a significant step forward in its international economic and trade operations. On January 22, 2011, Taishin Bank merged with Taishin Bills Finance. On June 24, 2014, the Singapore Branch was established. The new branch represented an important step in Taishin Bank's expansion in overseas markets as well as a key milestone in its regional and international development in the future. On January 21, 2016, Taishin Bank's Yangon Representative Office in Myanmar officially opened for business. The Tokyo Branch in Japan was established on October 27, 2016. Working with branches in two other financial hubs, Hong Kong and Singapore, this branch is able to provide Taiwanese businesses and customers from Greater China an operation and

investment platform in Japan. The Brisbane Branch opened in Australia on July 31, 2017. It is Taishin Bank's fourth overseas branch after Hong Kong, Singapore, and Tokyo, Japan. Taishin Bank will continue to expand its overseas network in order to extend its reach further into international markets and provide international financial services for its clients.

• Subsidiary - Taishin Securities

On April 9, 2010, Taishin Securities acquired Tung Hsing Securities Co., Ltd. (renamed Taishin Securities Co., Ltd. since then) to provide a more complete and extensive range of financial services. The merger of Taishin Securities and Ta Chong Securities was completed on August 28, 2017. With the acquisition of Ta Chong Securities, Taishin Securities increased the number of its offices from 3 to 17 and the market share of its brokerage business to more than 1.4%. Meanwhile, the underwriting and other trading services have also grown significantly in size as the company gained a larger capital base and became a competitive medium-sized securities dealer with growth potential.

C. Honors of the Company

Date	Issuing Organization	Awards / Rankings
◆ 2018.12	Tianjin Financial Leasing Industry Association	The excellence Financial Leasing Company - Taishin Financial Leasing (Tianjin)
◆ 2018.12	Committee of Leasing Business Association	The annual company of China Finance Leasing billboard - Taishin Financial Leasing (China)
◆ 2018.12	Taipei Exchange	Performance of Securities Underwriting -Second Place- Taishin Securities
◆ 2018.12	SME Administration, Ministry of Economic Affairs	The new product and service of social innovation Purchase Reward Program – First Prize and Special Prize- Taishin Bank
◆ 2018.12	RFPI and TRFP	Best Value Award – Wealth Management- Taishin Bank
◆ 2018.11	Jiangsu Financial Leasing Industry Association	Jiangsu Financial Leasing Company of the Year 2018 - Taishin Financial Leasing (China)
◆ 2018.11	BSI(British Standard Institution)	BSI Sustainability Distinguished Award- Taishin FHC
◆ 2018.11	TAISE (Taiwan Institute for Sustainable Energy)	Growth through Innovation Award- Taishin FHC
◆ 2018.11	TAISE (Taiwan Institute for Sustainable Energy)	Talent Development Award- Taishin FHC
◆ 2018.11	TAISE (Taiwan Institute for Sustainable Energy)	Top 50 Corporate Sustainability Award- Taishin FHC
◆ 2018.11	TAISE (Taiwan Institute for Sustainable Energy)	Platinum Award in Taiwan Top 50 Corporate Sustainability Report Awards- Taishin FHC
◆ 2018.11	Asian Banker	Global Wealth and Society Awards – Best Private Bank in Taiwan – Taishin Bank
◆ 2018.11	The Banker and PWM	Best Private Bank in Taiwan – Taishin Bank
◆ 2018.11	Global Finance	Digital Bank of Distinction Awards -Taiwan – Taishin Bank
◆ 2018.11	General Chamber of Commerce	Golden Merchant Awards-Outstanding Entrepreneur – Taishin Securities
◆ 2018.10	Gartner	Gartner Eye on Innovation Awards for Financial Services in Asia Pacific - Taishin Bank
◆ 2018.10	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award-First Prize in the Most Popular Brands-Taishin Bank (Chatbot-Rose)
◆ 2018.10	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award-First Prize in the Best Products -Taishin Bank (@GOGO Card)
◆ 2018.10	MANAGER today Magazine	Top 100 MVP Managers- Taishin Bank
◆ 2018.10	Taiwan Futures Exchange	Futures Trading Growth in Banking Sector – Diamond Award(1)- Taishin Bank

Date	Issuing Organization	Awards / Rankings
◆ 2018.10	TCCDA (Taiwan Contact Center Development Association)	Best Customer Service Representative – Taishin Bank
◆ 2018.10	TCCDA (Taiwan Contact Center Development Association)	Best Call Center Director– Taishin Bank
◆ 2018.10	TCCDA (Taiwan Contact Center Development Association)	Best Systematic Application of Smart Robot – Taishin Bank
◆ 2018.10	TCCDA (Taiwan Contact Center Development Association)	Best Call Center– Taishin Bank
◆ 2018.10	TCCDA (Taiwan Contact Center Development Association)	Best Internet Service Provider– Taishin Bank
◆ 2018.10	Wealth Magazine	Taiwan Financial Awards: Best FinTech Bank -Quality Award – Taishin Bank
◆ 2018.10	Wealth Magazine	Taiwan Financial Awards: Best CSR Financial Holdings -Quality Award- Taishin Holdings
◆ 2018.10	Asian Banker	The Digital Lending Product of the Year in Taiwan- Taishin Bank
◆ 2018.10	PBI (Private Banker International)	Highly Commended: Best Next-Generation Offering– Taishin Bank
◆ 2018.10	PBI (Private Banker International)	Highly Commended: Outstanding Wealth Management Service for the Affluent– Taishin Bank
◆ 2018.10	PBI (Private Banker International)	Outstanding Private Bank - Asia Pacific Regional Player– Taishin Bank
◆ 2018.09	China Finance and Investment Summit 2018	Top 100 of Financial Innovation Brand in China - Taishin Financial Leasing (China)
◆ 2018.09	China Finance and Investment Summit 2018	Best Risk Control of Financial Investment in China - Taishin Financial Leasing (China)
◆ 2018.09	Global Views	Best Bank in Digital Financial Services – Excellent Awards– Taishin Bank
◆ 2018.09	International Data Corporation (IDC)	Operating Model Master– Taishin Bank
◆ 2018.09	International Data Corporation (IDC)	Omni-Experience Innovator in Taiwan– Taishin Bank
◆ 2018.09	Excellence Magazine	Best Brand Image Award–Taishin Securities
◆ 2018.09	Excellence Magazine	Best IPO Securities Company Award–Taishin Securities
◆ 2018.09	The Asset	Best Wealth Manager in Taiwan– Taishin Bank
◆ 2018.09	CEPI (Cards & Electronic Payments International)	Highly recommended-Big Data Analytics Program– Taishin Bank
◆ 2018.09	CEPI (Cards & Electronic Payments International)	Highly recommended-Best Affinity Co-Branded program– Taishin Bank
◆ 2018.09	CEPI (Cards & Electronic Payments International)	Highly recommended-Best CSR Initiative– Taishin Bank
◆ 2018.09	CEPI (Cards & Electronic Payments International)	Best Payment Initiative– Taishin Bank
◆ 2018.09	CEPI (Cards & Electronic Payments International)	Best New Product, Services, or Innovation Launch– Taishin Bank
◆ 2018.09	CEPI (Cards & Electronic Payments International)	Most Innovative Digital Solution– Taishin Bank
◆ 2018.09	CEPI (Cards & Electronic Payments International)	Best Loyalty Program – Taishin Bank
◆ 2018.09	CEPI (Cards & Electronic Payments International)	Best Merchant Product offering– Taishin Bank
◆ 2018.08	Red Dot	Red Dot Award: Communication Design 2018 - Taishin Richart Stray Animals Campaign
◆ 2018.08	Common Wealth	Ranked top 50 in 2018 “Excellence in Corporate Social Responsibility”

Date	Issuing Organization	Awards / Rankings
◆ 2018.08	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award-The Most Popular Brands (Chatbot)-Taishin Bank
◆ 2018.08	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award-The Most Popular Brands (Richart)-Taishin Bank
◆ 2018.08	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award-The Most Popular Brands (Wealth Management)- Taishin Bank
◆ 2018.08	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award-The Best Products (Link Pay)- Taishin Bank
◆ 2018.08	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award-The Best Products (@GOGO Card)-Taishin Bank
◆ 2018.08	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award-The Best Products (Richart)-Taishin Bank
◆ 2018.08	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award-The Best Products (Cardless Withdrawal Service)-Taishin Bank
◆ 2018.08	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award-The Best Products (Wealth Management)-Taishin Bank
◆ 2018.08	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award –Outstanding Enterprise- Taishin Securities
◆ 2018.08	Department of Cultural Affairs, Taipei City Government	Taipei Culture Award – Taishin Bank Foundation for Arts and Culture
◆ 2018.07	Business Today	Best Wealth Management Award of Banks and Securities-Best Marketing Innovator Award (1)– Taishin Bank
◆ 2018.07	Business Today	Best Wealth Management Award of Banks and Securities-Best Digital Platform Experience Award (1)– Taishin Bank
◆ 2018.07	Business Today	Best Wealth Management Award of Banks and Securities-Best Digital Innovation Award (2)– Taishin Bank
◆ 2018.07	Business Today	Best Wealth Management Award of Banks and Securities-Best Information Services Award (3)– Taishin Bank
◆ 2018.07	Asian Banking & Finance	Digital Banking Initiative of the Year - Taiwan– Taishin Bank
◆ 2018.07	Asian Banking & Finance	New Consumer Lending Product of the Year – Taiwan– Taishin Bank
◆ 2018.07	Asian Banking & Finance	Mobile Banking Initiative of the Year – Taiwan– Taishin Bank
◆ 2018.07	Asian Banking & Finance	Credit Card Initiative of the Year – Taiwan– Taishin Bank
◆ 2018.07	Asian Banking & Finance	Domestic Retail Bank of the Year – Taiwan– Taishin Bank
◆ 2018.07	Asian Banking & Finance	Branch Innovation of the Year – Bronze– Taishin Bank
◆ 2018.07	Banking Bureau	Ranked top 10 in the property trust business for the elderly and disadvantaged groups– Taishin Bank
◆ 2018.07	Excellence Magazine	Best Product 2018– Taishin Bank
◆ 2018.07	Excellence Magazine	Excellence in Wealth Management 2018– Taishin Bank
◆ 2018.07	Timetric	Winner: Best Customer Experience - Cards- Taishin Bank
◆ 2018.07	Timetric	Highly Commended: Best Employee Engagement Initiative- Taishin Bank
◆ 2018.07	Timetric	Highly Commended: Best Use of Data and Analytics - Taishin Bank
◆ 2018.07	Timetric	Highly Commended: Best Customer Insight and Feedback Initiative- Taishin Bank
◆ 2018.07	Timetric	Highly Commended: Best Customer Experience – Website - Taishin Bank
◆ 2018.07	Timetric	Highly Commended: Best Customer Experience – Call Centre - Taishin Bank
◆ 2018.07	Commercial Times	The Best Service in Taiwan: Best Guest Service Professional – Taishin Bank
◆ 2018.07	Commercial Times	The Best Service in Taiwan: Silver Award in Best Domestic Bank– Taishin Bank
◆ 2018.07	Commercial Times	The Best Service in Taiwan: Best Call Center– Taishin Bank
◆ 2018.06	Outstanding Enterprise Manager Association	Golden Torch Award -Top 10 Managers of the Year – Taishin Securities

Date	Issuing Organization	Awards / Rankings
◆ 2018.06	Outstanding Enterprise Manager Association	Golden Torch Award -Top 10 Enterprises of the Year– Taishin Securities
◆ 2018.06	Chinese Total Productivity Management	Best Practice of Total Productivity Management (TPM) – Taishin Bank
◆ 2018.06	HR Asia Magazine	Best Companies To Work For In Asia Awards 2018-Taishin Holdings
◆ 2018.06	The Banker and PWM	Best Private Bank for Big Data analytics and AI - Asia
◆ 2018.06	The Banker and PWM	Highly commended: Best Private Bank for use of technology - Asia
◆ 2018.06	PBI (Private Banker International)	Highly Commended: Best Next-Generation Offering in Greater China-Taishin Bank
◆ 2018.06	PBI (Private Banker International)	Best Private Bank in Taiwan-Taishin Bank
◆ 2018.04	Business Next	Best Technology Innovation–Bronze Award– Taishin Bank
◆ 2018.04	Business Next	Best Management Innovation –Bronze Award– Taishin Bank
◆ 2018.03	Economic Affairs	Excellent Credit Managers – Taishin Bank
◆ 2018.03	Economic Affairs	Outstanding Banks in Credit Guarantee Financing – Taishin Bank
◆ 2018.03	Thomson Reuters Lipper	Taiwan Fund Awards 2018 for Taiwan Stock , 3-year/5-year–Taishin Securities Investment Trust
◆ 2018.03	Taipei Foundation Of Finance	TFF-Bloomberg Best Fund Awards 2018 for Bond Fund-Investment Grade Bond, 3-year–Taishin Securities Investment Trust
◆ 2018.03	Taipei Foundation Of Finance	TFF-Bloomberg Best Fund Award 2018 for Taiwan Equity Fund-General, 3-year–Taishin Securities Investment Trust
◆ 2018.03	Thomson Reuters Lipper	Jupiter European Growth Fund – Thomson Reuters Lipper Taiwan Fund Awards 2018 for European Stock, 10-year – Taishin Securities Investment Advisory
◆ 2018.03	Asian Banker	Excellence in Retail Financial Services International Awards – The Credit Card Product of the Year– Taishin Bank
◆ 2018.03	Asian Banker	Excellence in Retail Financial Services International Awards – The Best API Initiative, Application or Programme– Taishin Bank
◆ 2018.03	Asian Banker	Excellence in Retail Financial Services International Awards – The Best Employee Engagement Initiative, Application or Programme– Taishin Bank
◆ 2018.03	Wealth Magazine	Wealth Management Award-Best Innovative Application - Taishin Bank
◆ 2018.03	Wealth Magazine	Wealth Management Award-Best Financial Advisor Team - Taishin Bank
◆ 2018.03	Wealth Magazine	Wealth Management Award-Best Wealth Management - Taishin Bank
◆ 2018.03	The Asset	Most Innovative Mobile Banking Application in Taiwan - Taishin Bank
◆ 2018.03	The Asset	Best Digital Wealth Management Experience in Taiwan - Taishin Bank
◆ 2018.03	RMiM (Risk Management, Insurance & Finance Foundation)	Most Admired Financial Holding Company by Graduating Finance/ Insurance Students_ Excellence– Taishin FHC
◆ 2018.03	Retail Banker International	Highly Commended: Excellence in Omni-Channel Integration - Taishin Bank
◆ 2018.03	Retail Banker International	Highly Commended: Best ATM Innovation - Taishin Bank
◆ 2018.03	Retail Banker International	Highly Commended: Best Loyalty Programme - Taishin Bank
◆ 2018.03	Retail Banker International	Highly Commended: Excellence in Business Model Innovation - Taishin Bank
◆ 2018.03	Retail Banker International	Highly Commended: Best Innovation Programme - Taishin Bank
◆ 2018.03	Retail Banker International	Highly Commended: Excellence in Mass Affluent Banking - Taishin Bank
◆ 2018.03	Retail Banker International	Winner: Excellence in Social Media - Customer Relations and Brand Engagement - Taishin Bank
◆ 2018.03	Retail Banker International	Winner: Excellence in Loan Origination - Taishin Bank
◆ 2018.01	Taiwan Depository & Clearing Corporation	Mobile E-passbook Account Opening Award- Second Place - Taishin Securities
◆ 2018.01	Taipei City Government	Excellent Workplace Award – Taishin FHC

03

Corporate Governance Report

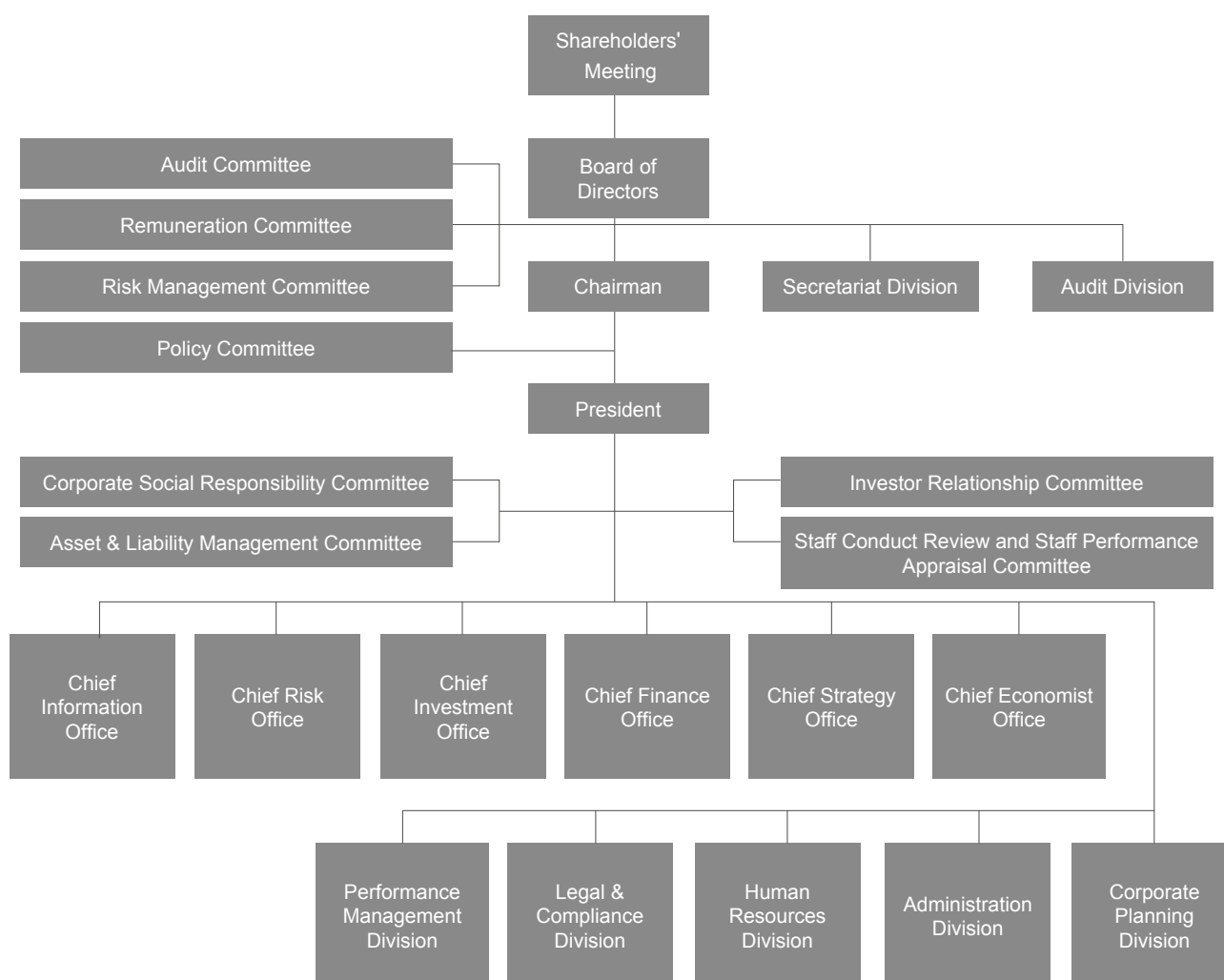


III. Corporate Governance Report

A. Organization System

a. Organization chart

Base date: February 28, 2019



1. Responsibilities of major units

(1) Chief Economist Office

- ◆ Provide analytical information on regional economies, industrial trend, as well as prospects of general global economy, exchange rate, interest rate, and the world's major stock markets and industries to Taishin Financial Holding Group, including the company and its subsidiaries.
- ◆ In response to the need of the board of directors and managerial units of the company and subsidiaries for decision making and business need, provide expert analysis, evaluation, and opinions, to assist with risk assessment and business promotion, in addition tracking the status and prospects of companies with public share offering in Taiwan and proposing industrial assessment and analytical report.

(2) Chief Strategy Office

- ◆ In charge of formulating medium- and long-term development strategies for the financial holding company and subsidiaries.
- ◆ Track the execution of the existing strategies of the company and subsidiaries and analyze, assess, and evaluate its performance.

(3) Chief Finance Office

- ◆ Managing the liquidity risk and the exchange rate and interest rate risks.
- ◆ Managing the asset and liability structure and fund utilization.
- ◆ Providing assistance for subsidiaries in evaluating, analyzing, and overseeing operations, performance, and risks of wealth management products, in formulating business decisions regarding wealth management products, and in studies of regulations.

(4) Chief Risk Office

- ◆ Planning and management of the management mechanism for credit risk, market risk, and operating risk.
- ◆ Disclosure of the risk-management execution and risk-exposure position.
- ◆ Planning and establishment of integrated risk-management platform.
- ◆ Formulating and overseeing the anti-money laundering and counter terrorism financing program of the company and its subsidiaries as a whole.
- ◆ Overseeing planning of and managing and supervising execution of review, process management, and risk management for wealth management products by the Company and subsidiaries.

(5) Chief Information Office

- ◆ Formulation of information policy.
- ◆ Application, integration, and proposal of new information technologies.
- ◆ Evaluation of major information investments.

(6) Chief Investment Office

- ◆ Planning, implementing, and managing the liquidity risk and the exchange rate and interest rate risks and overseeing and evaluating practices of the subsidiaries.

- ◆ Planning, implementing, and managing the asset and liability structure and fund utilization and overseeing and evaluating practices of the subsidiaries.
- ◆ Planning, implementing, and managing the asset securitization services and overseeing and evaluating practices of the subsidiaries.
- ◆ Providing assistance for subsidiaries in planning, implementing, and managing short term securities, bonds, bills, funds and other investments and overseeing and evaluating practices of the subsidiaries.

(7) Human Resources Division

- ◆ Formulation, revision, organizational planning, and publication of the financial holding company's human-resources regulations and policy.
- ◆ Management of personnel recruitment, appointment, and performance evaluation.
- ◆ Employee compensations and welfare; the design, execution, and management of the communications channel with employees.
- ◆ Research, planning, revision, compilation, and execution of staff-training courses and materials.
- ◆ Formulation, execution, and management of human resources-related contracts and documents of the company and subsidiaries.

(8) Administration Division

- ◆ Drafting, formulation, and execution of the regulations and system of the company's administrative and general affairs.
- ◆ Acceptance and sending of official documents.
- ◆ Evaluation and execution of the company's major general affairs, construction / improvement and procurement.
- ◆ Formulation, execution, and management of external contracts and documents of the company's administrative affairs.
- ◆ Assistance for subsidiaries in the planning and management of administrative services.

(9) Legal & Compliance Division

- ◆ Legal affairs :
 - Assist the company and its subsidiaries in devising, formulating and implementing policies in line with laws.
 - Offer consultation on legal affairs concerning the company and its subsidiaries.
 - Assist in reviewing and supervising various contracts and correspondences used by the company and its subsidiaries.
- ◆ Compliance affairs :
 - Drafting, formulation, and execution of regulations and policy for compliance for the company and subsidiaries.
 - Study, transmission, inquiry, coordination, and communications for compliance affairs for the company and subsidiaries.
 - Execution, supervision, and evaluation of compliance affairs for the company and subsidiaries.

(10) Corporate Planning Division

- ◆ Planning and execution of major strategic projects.
- ◆ Analysis and management of capital planning and BIS (Bank of International Settlement) ratio.
- ◆ Planning and management of long-term investments, and oversight and evaluation of subsidiaries.
- ◆ Coordination and communications with the competent authority.
- ◆ Business-related communications and coordination among various business groups and subsidiaries of the financial holding company.
- ◆ Formulation, execution, and management of general planning-related external contracts and documents for the company and subsidiaries.
- ◆ Planning, establishment, execution, and management of the organizations of the company and subsidiaries.
- ◆ Coordinating and supervising corporate governance practices across the Company and subsidiaries.
- ◆ Coordinating and supervising planning, execution, and management of corporate branding and public relations across the Company and subsidiaries.
- ◆ Handling the credit rating procedures and providing assistance for subsidiaries in completing the credit rating procedures.
- ◆ Handling investor relationship management and communications and building long term partnerships.
- ◆ Establishment of policies and provisions for cross selling across the Company and subsidiaries and related process planning and management.
- ◆ Planning and implementation of customer database for the Company and providing data analysis support and recommendations for subsidiaries.

(11) Performance Management Division

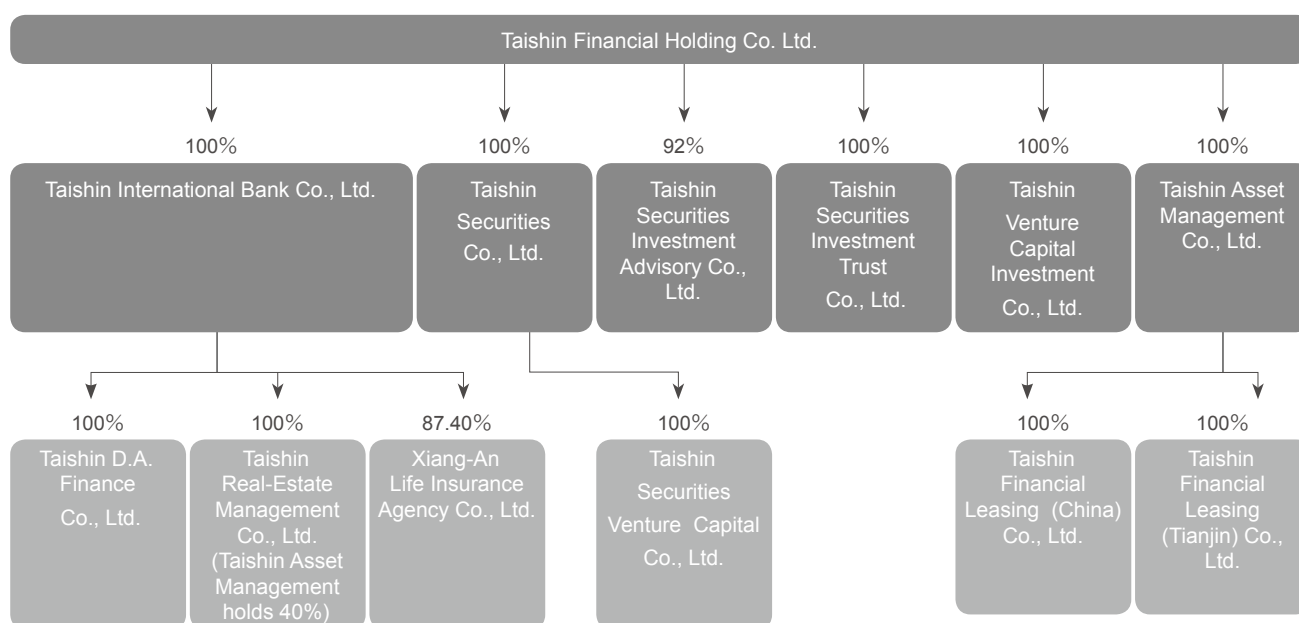
- ◆ Performance management:
 - Responsible for consolidating annual budgets for the Company and subsidiaries and setting and managing business goals every year.
 - Analyzing progresses on budgets and goal completion by the Company and subsidiaries.
 - Evaluating marketing proposals and reward programs for the Company and subsidiaries.

- Planning and managing the performance management information system (MIS) and the activity based costing/management system (ABC/M) for the Company and subsidiaries and report preparation.
- Designing and evaluating internal pricing rules based on the MIS system and the ABC/M system for the Company and subsidiaries.
- ◆ Accounting management:
 - Responsible for devising and managing accounting policies for the Company and subsidiaries.
 - Studying and advising on accounting and fiscal issues.
 - Compiling, analyzing and reporting financial information for the Company and subsidiaries.
 - Handling accounting and tax related procedures and overseeing and evaluating practices of the subsidiaries.
- ◆ Using balanced scorecards to track progress of strategy implementation at the Company and subsidiaries.

2. Affiliated Companies

Affiliated Companies of Taishin Financial Holding Co., Ltd.

Base date: Dec. 31, 2018



B.Information on board directors, supervisors, president, vice presidents, assistant vice presidents, and chiefs of units and branches

a. Information on board directors

Title	Nationality	Name	Gender	Date of getting elected	Term	Date of first getting elected	Shareholding upon election				Current shareholding			
							Common shares		Preferred shares		Common shares		Preferred shares	
							Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)
Chairman	R.O.C.	Chia Hao Co., Ltd. Representative : Wu, Tong-Liang	Male	2018.06.08 (2018.07.01)	Three years	2015.06.12	16,776,576	0.17	610,536	0.09	17,520,414	0.17	976,284	0.10
Director	R.O.C.	TASCO Chemical Co., Ltd. Representative : Wu, Cheng-Ching	Male	2018.06.08 (2018.07.01)	Three years	2018.06.08	232,066,381	2.32	21,179,032	2.95	372,970,454	3.57	24,910,312	2.45
Director	R.O.C.	Hsiang-Chao Co., Ltd. Representative : Kuo, Jui-Sung	Male	2018.06.08 (2018.07.01)	Three years	2007.06.15	8,572,555	0.09	311,973	0.04	8,952,644	0.09	498,864	0.05
Director	R.O.C.	Santo Arden Co., Ltd. Representative : Wang, Chu-Chan	Male	2018.06.08 (2018.07.01)	Three years	2013.06.21	5,020,876	0.05	182,720	0.03	5,870,094	0.06	304,820	0.03
Independent Director	R.O.C.	Lin, Yi-Fu	Male	2018.06.08 (2018.07.01)	Three years	2015.06.12	0	0.00	0	0.00	0	0.00	0	0.00

Base date: Feb. 28, 2019 unit: %; share

Stake of single, spouse and offspring before age of majority				Shareholding in the name of others				Education and working experience	Current jobs with the other companies	Spouse or relatives within second-degree kinship who serve managerial posts or seats of board directors/ supervisors of the company		
Commom shares		Preferred shares		Commom shares		Preferred shares				Title	Name	Relations-hip
Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)					
17,265,660	0.17	724,567	0.07	0	0.00	0	0.00	Chairman of Taishin Bank, Shinkong Synthetic Fibers Corporation; Vice Chairman of TECO Electric and Machinery; Director of First Commercial Bank, Taipei Business Bank; Supervisor of Hua Nan Bank; Managing Director of Shin Kong Life Insurance, Shinkong Insurance University of California, Los Angeles (UCLA), Master Of Business Administration	Note 1	Director	Kuo,Jui-Sung	Brother in law
6,537,812	0.06	227,823	0.02	0	0.00	0	0.00	Chairman and CEO of TASCO Chemical Corporation; Managing Director and Director of Chang Hwa Bank; Managing Director of Petrochemical Industry Association of Taiwan; Chairman of Taiwan Chemical Industry Association; Advisor of China Youth Corps, and Director of Teacher Chang Foundation Ph.D. in Engineering, Tokyo University	Note 2	None	None	None
2,028,707	0.02	0	0.00	0	0.00	0	0.00	Chairman of TECO Technology Foundation Director of Taishin Bank, International Bank of Taipei Professor, Department of Information Science,Business School, Soochow University,Ph.D. in Physics, New Hampshire University.	Note 3	Chairman	Wu,Tong-Liang	Brother in law
15,929,475	0.15	0	0.00	0	0.00	0	0.00	Director of Shin Kong Investment Trust, Taiwan Shin Kong Security, Jubang Venture Capital,and Taishin Bank.; Standing Supervisor of Taishin Bank; Director and Supervisor of The Great Taipei Gas Co.,Kaohsiung Medical College Pharmaceutical departmen	Note 4	None	None	None
0	0.00	0	0.00	0	0.00	0	0.00	Minister of Ministry of Economic Affairs.; Standing Representative of WTO.; Advisor of Chinese National Association of Industry and Commerce, Taiwan Minister Without Portfolio of Executive.; Department of Accounting and Statistics, National Chengchi University	Note 5	None	None	None

Title	Nationality	Name	Gender	Date of getting elected	Term	Date of first getting elected	Shareholding upon election				Current shareholding			
							Common shares		Preferred shares		Common shares		Preferred shares	
							Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)
Independent Director	R.O.C.	Chang, Min-Yu	Female	2018.06.08 (2018.07.01)	Three years	2018.06.08	0	0.00	0	0.00	0	0.00	0	0.00
Independent Director	R.O.C.	Kuan, Kuo-Lin	Male	2018.06.08 (2018.07.01)	Three years	2018.06.08	0	0.00	0	0.00	0	0.00	0	0.00

Note 1: Representative Wu, Tong-Liang is concurrently acting as Chairman of Taishin Bank, Chairman of Taishin Charity Foundation, Director of Taishin Real Estate Management, Director of Taishin Asset Management, Director of An-sin Real Estate Management, Director of Shin Kong Mitsukoshi Department Store, Director of Shin Kong Lohas, Director of Shin Kong Construction and Development, Director of Shin-Yun Enterprise, Director of Jui-Siang Investment, Director of Kuei-Yuan Investment, Supervisor of Shin Kong Agriculture & Animal husbandry, Supervisor of Shin Kong Ocean Enterprise, Supervisor of Chin-Shan Investment.

Note 2: Representative Wu, Cheng-Ching is concurrently acting as Chairman of TASCO Chemical, Chairman of EXCEL Chemical, Chairman of Ming-Xing Chemical, Chairman of Tuntex Petrochemical Inc., Chairman of SAFEWAY GAS Co., Chairman of Ho-Shin Co., Chairman of Chang-Fong Transportation, Chairman of TNS Logistics International Corp, managing Director of Chang Hwa Commercial Bank, Director of China Investment & Development, Director of CIDC Consultants, Director of Shun-Li-Tong Transportation.

Note 3: Representative Kuo, Jui-Sung is concurrently acting as Chairman of Jui-Fang Co., Chairman of TECO Technology Foundation, Director of Taishin Bank, Director of An-Long Enterprise, Director of TECO Image Systems, Director of Century Development, Director of Shin-Hai Gas, and Director of Xing An Enterprise.

Stake of single, spouse and offspring before age of majority				Shareholding in the name of others				Education and working experience	Current jobs with the other companies	Spouse or relatives within second-degree kinship who serve managerial posts or seats of board directors/ supervisors of the company		
Commom shares		Preferred shares		Commom shares		Preferred shares				Title	Name	Relations-hip
Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)					
0	0.00	0	0.00	0	0.00	0	0.00	Executive CPA, Deloitte & Touche; Director, Chang Hwa Bank and Chi-tun Consulting; Supervisor, LEO Systems; Reorganizer, First International Telecom; Independent director of Taishin Financial Holding co., Ltd.; BA in accounting, Tamkang University	Note 6	None	None	None
0	0.00	0	0.00	0	0.00	0	0.00	Chairman, Citibank Taiwan Ltd.; Citigroup Country Officer, Taiwan; President, Citibank Taiwan Ltd.; Country Business Manager, Consumer Banking, Citibank N.A.Taiwan; Head of Branch Banking & Investment, Citibank N.A.Taiwan ; MBA, University of Southern California	Note	None	None	None

Note 4: Representative Wang, Chu-Chan is concurrently acting as Chairman of Pan City Co., Chairman of Hsien-Shun Enterprise, Chairman of Santo Arden Co., Chairman of Jasper Villa Xinyi, Director of Taishin Bank, Supervisor of Tai-Wa Co., and Supervisor of The Great Taipei Gas.

Note 5: Representative Lin, Yi-Fu is concurrently acting as Independent Director of Taishin Bank, Independent Director of Swissray Global Healthcare Holding, Independent Director of Nan Ya Plastics, Independent Director of Pan German Universal Motors, and Director of Cheng Chin Trading.

Note 6: Representative Chang, Min-Yu is concurrently acting as Independent Director of Taishin Bank, Director of Taiwan Shin Kong Security, Independent Director of Shin Shin Natural Gas, Supervisor of Creative Sensor, and Supervisor of Multilite International.

Major shareholders of institutional shareholders

Base date: Feb. 28, 2019

Names of institutional shareholders	Major shareholders of institutional shareholders
Chia Hao Co., Ltd.	Wu,Tong-Liang 98.97%、Peng,Hsueh-Fen 1.03%
Hsiang-Chao Co., Ltd.	Wu,Tong-Liang 81.00%、Bo-Rui Co.,Ltd.19.00%
TASCO Chemical Co., Ltd.	Tai-Ho Investment Co., Ltd. 58.20%、He-Cheng Invest Co.,Ltd. 19.55%、Fong-He Development Co.,Ltd. 9.32%、Da-Jan Development Invest Co.,Ltd. 1.68%、He-Fong Invest Co.,Ltd. 1.16%、Fong-He Invest Co.,Ltd. 1.01%、Wu, Cheng-Ching 0.99%、Wu, Shang-Pin 0.99%、Wu ,Pei-Jyuan 0.95%、Wu ,Pei-Rong 0.93%
Santo Arden Co., Ltd.	Wang, Chu-Chan 32.28%、Chang,Li-Wan 23.77%、Wei-Ren Wang 21.98%、Wei-Hao Wang 21.97%

Major shareholders of major institutional shareholders

Base date: Feb. 28, 2019

Names of major Institutional Shareholders	Major shareholders of major institutional shareholders
Bo-Rui Co.,Ltd.	Ching-Wei Co., Ltd.51.92%、Wu ,Hsi-Wei 24.04%、Wu, Hsi-Hao 24.04%
Tai-Ho Investment Co., Ltd.	Wu, Shang-Pin 26.09%、Fong-He Development Co.,Ltd. 19.96%、He-Cheng Invest Co.,Ltd. 18.15%、Da-Jan Development Invest Co.,Ltd. 18.00%、Yang ,Su-Yue 7.02%、Wu,Pei-Jyuan 5.06%、Fong-He Investment Co., Ltd. 2.50%、He-Fong Investment Co., Ltd. 2.50%、Wu ,Pei-Rong 0.72%
He-Cheng Invest Co., Ltd.	Yang ,Su-Yue 30.19%、Wu, Shang-Pin 30.19%、Wu,Pei-Jyuan 18.87%、Wu ,Pei-Rong 18.87%、Fong-He Development Co., Ltd.1.89%
Fong-He Development Co., Ltd.	Yang ,Su-Yue 21.15%、Tai-Ho Investment Co., Ltd. 19.86%、He-Cheng Invest Co., Ltd.19.72%、Wu, Shang-Pin 17.31%、Wu,Pei-Jyuan 17.31%、Wu ,Pei-Rong 4.65%
Da-Jan Development Invest Co.,Ltd.	He-Cheng Invest Co., Ltd. 32.85%、Fong-He Development Co., Ltd. 19.64%、Fong-He Investment Co., Ltd. 19.41%、He-Fong Investment Co., Ltd. 19.41%、Yang ,Su-Yue 7.72%、Wu, Shang-Pin 0.46%、Wu ,Pei-Rong 0.26%、Wu,Pei-Jyuan 0.25%
He-Fong Investment Co., Ltd.	(BVI)PRECISION MASTER CO LTD 99.01%、Wu ,Pei-Rong 0.99%
Fong-He Investment Co., Ltd.	(BVI)ALL BEST CO LTD 99.01%、Wu,Pei-Jyuan 0.99%

Information on directors

Base date: Feb. 28, 2019

Qualifications Name	Possession of over five-year working experience and the following professional qualifications			Compliance with independence (Note)										Number of other companies of public offering where the board director or supervisor serves as independent director
	Instructor or higher teaching positions at college departments of commerce, legal affairs, finance, accounting, or others related to the bank's operation	Judge, prosecutor, lawyers,public certified accountant, or other professionals or technicians with national licenses related to the bank's operation	Working experience in commerce, legal affairs, finance, accounting, or other fields related to the bank's operation	1	2	3	4	5	6	7	8	9	10	
Wu, Tong-Liang			✓	✓				✓	✓	✓		✓		0
Wu, Cheng-Ching			✓	✓	✓				✓	✓	✓	✓		0
Kuo, Jui-Sung	✓		✓	✓		✓		✓	✓	✓		✓		0
Wang, Chu-Chan			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Lin, Yi-Fu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Chang, Min-Yu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Kuan, Kuo-Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Mark with a check (✓) under the code number for conformance to the following conditions: °

- (1) Not an employee of another bank or its affiliates.
- (2) Not a director or supervisor of another bank or its affiliates.
- (3) Not owning, along with his/her spouse and offspring before the age of majority or in others' names, over 1% stake in another bank including stake in others' names, or one of the 10 largest individual shareholders in the bank.
- (4) Not a spouse, relative within second-degree kinship, or relative within fifth-degree kinship of direct lineage of the persons specified in the three items above.
- (5) Not a director, supervisor, or employee of an institutional shareholder with over 5% stake in another bank or being one of the five largest institutional share-holders in the bank.
- (6) Not a director, supervisor, manager, or shareholder with over 5% stake of a company or institution which has financial or business exchange with another bank.
- (7) Not a professional, or owner, partner, director, supervisor, manager, or spouse of one with such position of companies or institutions offering business, legal, financial, accounting, or consulting services to another bank or its affiliates; however, this excludes remuneration committee members who exercise their duties in accordance with Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8) Not a spouse or a relative within second-degree kinship of one of other directors.
- (9) Not an offender of items stipulated in article 30 of the Company Law.
- (10) Not a representative of government or corporate body elected via method specified in article 27 of Company Law.

b. Board membership diversification policy and results

Criteria of board member selection are not subject to gender, age, race or nationality. According to Article 22 of the Corporate Governance Code of Conduct, the organization of the Company's board of directors shall be commensurate with the size and shareholding structure and be based on business needs. The appropriate number of directors shall be as determined by the law and the Articles of Incorporation.

The 7th board of directors consists of 7 members, including 3 independent directors (1 being female and qualified accountant). The members were selected with an emphasis on diversity. The membership consists of elite talents from banking, industries and the academia, including 2 Ph.D. degree holders and 2 Masters degree holders. The members have an extensive range of expertise from business administration, physics, engineering, accounting, to pharmaceuticals. They possess the general knowledge, skills and competencies required to perform incumbent duties. To achieve an ideal level of corporate governance, the board of directors is equipped with the following abilities:

1. Ability to make sound business judgments
2. Ability to conduct accounting and financial analysis
3. Ability to manage a business
4. Ability to respond to a crisis
5. Industry knowledge
6. An understanding of international markets
7. Leadership ability
8. Decision making abilities
9. Risk management knowledge and skills

Board diversity policy and results:

Title	Diversity Core item Item Name	Composition									Industry experience				Professional training			
		Nationality	Gender	Taishin employee	Age			Year(s) as independent director			Banking	Securities	Insurance	Asset management	Accounting	Law	Information technology	Risk management
					51 to 60	61 to 70	More than 71	3 years or under	3 to 9 years	More than 9 years								
Chairman	Wu, Tong-Liang	R.O.C	Male			✓					✓		✓	✓				✓
Director	Wu, Cheng-Ching	R.O.C	Male				✓				✓							✓
Director	Kuo, Jui-Sung	R.O.C	Male				✓				✓						✓	✓
Director	Wang, Chu-Chan	R.O.C	Male			✓					✓							✓
Independent Director	Lin, Yi-Fu	R.O.C	Male				✓		✓		✓	✓			✓			✓
Independent Director	Chang, Min-Yu	R.O.C	Female		✓			✓			✓				✓		✓	✓
Independent Director	Kuan, Kuo-Lin	R.O.C	Male		✓			✓			✓							✓

c. President, Senior Vice-presidents and Department Heads

Title	Nationality	Name	Gender	Date of getting elected	Current shareholding				Stake of single, spouse and offspring before age of majority			
					Common shares	Share of stake (%)	Preferred shares	Share of stake (%)	Common shares	Share of stake (%)	Preferred shares	Share of stake (%)
President	R.O.C	Welch Lin	Male	2018/01/01	3,981,691	0.04%	0	0.00%	0	0.00%	0	0.00%
Chief Auditor	R.O.C	Daniel Tsai	Male	2018/04/10	0	0.00%	80,412	0.01%	2,044	0.00%	0	0.00%
Chief Financial Officer	R.O.C	Carol Lai	Female	2018/01/01	1,441,205	0.01%	0	0.00%	0	0.00%	0	0.00%
Chief Investment Officer	R.O.C	Eric Chien	Male	2018/03/30	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chief Information Officer	R.O.C	Steve Sun	Male	2017/03/01	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chief Risk Officer	R.O.C	Jey Chen	Male	2012/03/23	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Senior Vice President	R.O.C	David Chang	Male	2012/08/17	1,544,006	0.01%	0	0.00%	0	0.00%	0	0.00%
Senior Vice President	R.O.C	Frank Lin	Male	2011/02/03	621,388	0.01%	136,567	0.01%	33,406	0.00%	47,541	0.00%
Senior Vice President	R.O.C	Adeline Jai	Female	2011/09/23	264,474	0.00%	46,142	0.00%	0	0.00%	0	0.00%
Senior Vice President	R.O.C	Andy Chang	Male	2018/02/12	800,738	0.01%	40,000	0.00%	0	0.00%	0	0.00%
Senior Vice President	R.O.C	Vincent Tsai	Male	2018/10/01	478	0.00%	36,000	0.00%	0	0.00%	0	0.00%
Senior Vice President	R.O.C	Janice Liang	Female	2019/02/01	299,641	0.00%	0	0.00%	148,189	0.00%	0	0.00%

d. Consultants who are retired chairmen and presidents of the Company or affiliates

Consultants who are retired chairmen and presidents

Title	Nationality	Name	Gender	Previous position		Date of appointment	Purpose	Roles and responsibilities
				Company and title	Date of retirement			
None								

Shareholding in the name of others				Education and working experience	Current jobs with the bank and other companies	Spouse or relatives within second-degree kinship who serve managerial posts or seats of board directors/ supervisors of the bank		
Common share	Share of stake (%)	Preferred shares	Share of stake (%)			Title	Name	Relationship
0	0.00%	0	0.00%	Chief Financial Officer of Taishin Financial Holding Co.,Ltd.; President, ABN AMRO Asia Limited, Taipei Branch; University of California, Los Angeles (UCLA), Master of Business Administration	Director of Taishin Securities Co., Ltd; Director of Taishin Venture Capital, Taishin D. A. Finance, Xiang-An Life Insurance Agency, Taishin Financial Leasing (Tianjing), Taishin Financial Leasing (Nanjing), San-Ding Biotech Co., Diamond Bio Fund & Diamond Capital Inc., Shin-yao Investment; Supervisor of Taishin Asset Management, Taishin Real Estate Management, Tehlin Co., Ltd., Tehlin Investment and An-Chieh Investment.			None
0	0.00%	0	0.00%	President of Taishin Bank; EMBA, National Chiao Tung University	-			None
0	0.00%	0	0.00%	Chief Investment Officer of Taishin Financial Holding Co.,Ltd.; Senior Vice president of Chang Hwa Commercial Bank; Chief Financial Officer of Taishin Financial Holding Co.,Ltd.; Department of Accounting National Taiwan University.	Executive Vice President of Taishin Bank.; Director of Taishin Securities Co., Ltd; Director of Cosmos Foreign Exchange Intl. Co., Ltd.			None
0	0.00%	0	0.00%	Chief Executive Officer of the Financial Markets Division of Taishin Bank; Director and President of the Global Financial Markets Division, Crédit Agricole CIB; University of Exeter, Master of Finance and Investments	Senior Vice President of Taishin Bank; Vice Chairman of Taishin Investment Trust Co., Ltd.			None
0	0.00%	0	0.00%	Senior Vice president of IBM china. Department of computer science at Soochow University	Senior Vice President of Taishin Bank			None
0	0.00%	0	0.00%	Vice President of the Asia Pacific Risk Management Division, KGI Securities; The University of Texas At Austin, Doctor of Philosophy in Mathematics	Senior Vice President of Taishin Bank			None
0	0.00%	0	0.00%	Vice President of Taishin Bank; National Chung Hsing University, Master of Business Management,	Senior Vice President of Taishin Bank; Director of Xiang- An Life Insurance Agency Co., Ltd. Supervisor of Hsiang Chao Investment, Weifeng Investment, Chiahao Investment, Yiheng Investment, Chingwei, Protrade Co., Ltd.			None
0	0.00%	0	0.00%	Senior Vice President of Taishin Financial Holding co., Ltd. Co., Ltd.; University of Southern California, USA, Master of Public Administration	Senior Vice President of Taishin Bank			None
0	0.00%	0	0.00%	Vice President of Taishin Bank; Department of Law, National Taiwan University	Senior Vice President of Taishin Bank			None
0	0.00%	0	0.00%	Assistant to the Chairman of the Guangdong Nanyue Bank (Bank Vice President Level) President of The Second Credit Cooperative of Keelung Senior Vice President of Taishin Bank Department of Accounting, Soochow University	Senior Vice President of Taishin Bank			None
0	0.00%	0	0.00%	Vice President of Taishin Bank; Department of Accounting, National Taiwan University	Senior Vice President of Taishin Bank; Supervisor of Taishin Securities Investment Trust Co., Ltd.			None
0	0.00%	0	0.00%	Vice President of Taishin Bank; University of Southern California, USA, Master of Science in Education	Senior Vice President of Taishin Bank			None

e. Latest year compensations for directors, presidents, and vice presidents

1. Latest year compensations for directors (including independent directors)

Title	Name	Compensations for directors							
		Compensations (A)		Job-leaving and retirement payment (B)		Compensations from distribution of earnings (C)		Expense for business execution (D)	
		The company	All companies in the financial statement.	The company	All companies in the financial statement	The company	All companies in the financial statement	The company	All companies in the financial statement
Chairman	Hsiang-Chao Co., Ltd. (2018.7.1 relief of duty)	51,403	73,894	0	0	99,168	99,168	1,867	7,674
	Chia Hao Co., Ltd. (2018.7.1 on board)								
	Representative : Wu, Tong-Liang								
Director	Tong Shan Investment Co., Ltd. (2018.7.1 relief of duty)								
	Hsiang-Chao Co., Ltd. (2018.7.1 on board)								
	Representative : Kuo, Jui-Sung								
Director	Tai-Ho Investment Co., Ltd. (2018.7.1 relief of duty)								
	TASCO Chemical Co., Ltd. (2018.7.1 on board)								
	Representative : Wu, Cheng-Ching								
Director	Santo Arden Co., Ltd.								
	Representative : Wang, Chu-Chan								
Director	Chia Hao Co., Ltd. (2018.7.1 relief of duty)								
	Representative : Wu, Tong-Shung (2018.7.1 relief of duty)								
Director	Chia Hao Co., Ltd. (2018.7.1 relief of duty)								
	Representative : Lin, Long-Su (2018.7.1 relief of duty)								
Independent Director	Wang, Por-Yuan (2018.7.1 relief of duty)								
Independent Director	Lin, Neng-Pai (2018.7.1 relief of duty)								
Independent Director	Lin, Yi-Fu								
Independent Director	Kuan, Kuo-Lin (2018.7.1 on board)								
Independent Director	Chang, Min-Yu (2018.7.1 on board)								

Note 1: Compensations of the driver is NT 2,047,000.

Note 2: All recipients of director remuneration, except for independent directors, are institutional directors. The actual amount of remuneration in 2018 was as decided by the board of directors.

Note 3: Neither the Company or any of the companies reported in the financial statements paid any pension benefits or contributed to the pension plan.

Note 4: Except as disclosed above, remuneration received by directors in the latest year for on-balance sheet services (e.g. acting as a non-employee consultant in the latest year) rendered to the Company: None.

Base date: Dec. 31, 2018 Unit: NT\$1,000

Share of combination of A,B,C and D in after-tax net profit		Remuneration as an employee								Share of combination of A.B.C.D. E.F and G in after-tax net profit		Any remuneration from ventures that are not subsidiaries of the Company
		Salary, bonus, and special allowance (E)		Job-leaving and retirement payment (F)		Employee dividend-sharing (G)						
The company	All companies in the financial statement	The company	All companies in the financial statement	The company	All companies in the financial statement	The company		All companies in the financial statement		The company	All companies in the financial statement	
						Cash dividend	Stock dividend	Cash dividend	Stock dividend			
1.18%	1.40%	0	14,940	0	0	0	0	0	0	1.18%	1.51%	None

Compensation brackets of directors

Compensation brackets of board directors	Names of directors			
	The combined compensation of (A+B+C+D)		The combined compensation of (A+B+C+D+E+F+G)	
	The company	All companies in the consolidated financial statement	The company	All companies in the consolidated financial statement
Lower than NT\$2 M.	Wu, Cheng-Ching / Wu, Tong-Shung / Lin, Long-Su	Wu, Cheng-Ching	Wu, Cheng-Ching / Wu, Tong-Shung / Lin, Long-Su	Wu, Cheng-Ching
NT\$2 M. (inclusive)- NT\$5 M. (exclusive)	Kuo, Jui-Sung / Wang, Chu-Chan / Wang, Por-Yuan / Lin, Neng-Pai	Kuo, Jui-Sung / Wang, Chu-Chan / Lin, Long-Su / Wang, Por-Yuan / Lin, Neng-Pai / Wu, Tong-Shung	Kuo, Jui-Sung / Wang, Chu-Chan / Wang, Por-Yuan / Lin, Neng-Pai	Kuo, Jui-Sung / Wang, Chu-Chan / Lin, Long-Su / Wang, Por-Yuan / Lin, Neng-Pai
NT\$5 M. (inclusive)-NT\$10 M. (exclusive)	Tong Shan Investment Co., Ltd./ Tai-Ho Investment Co., Ltd./ TASCO Chemical Co., Ltd./ Kuan, Kuo-Lin / Chang, Min-Yu	Tong Shan Investment Co., Ltd./ Tai-Ho Investment Co., Ltd./ TASCO Chemical Co., Ltd./ Kuan, Kuo-Lin / Chang, Min-Yu	Tong Shan Investment Co., Ltd./ Tai-Ho Investment Co., Ltd./ TASCO Chemical Co., Ltd./ Kuan, Kuo-Lin / Chang, Min-Yu	Tong Shan Investment Co., Ltd./ Tai-Ho Investment Co., Ltd./ TASCO Chemical Co., Ltd./ Kuan, Kuo-Lin / Chang, Min-Yu
NT\$10 M. (inclusive)- NT\$15 M. (exclusive)	Santo Arden Co., Ltd. / Lin, Yi-Fu	Santo Arden Co., Ltd. / Lin, Yi-Fu	Santo Arden Co., Ltd. / Lin, Yi-Fu	Santo Arden Co., Ltd. / Lin, Yi-Fu / Wu, Tong-Shung
NT\$15 M. (inclusive)- NT\$30 M. (exclusive)	Hsiang-Chao Co., Ltd. / Wu, Tong-Liang	Hsiang-Chao Co., Ltd.	Hsiang-Chao Co., Ltd. / Wu, Tong-Liang	Hsiang-Chao Co., Ltd.
NT\$30 M. (inclusive)- NT\$50 M. (exclusive)	Chia Hao Co., Ltd.	Chia Hao Co., Ltd./ Wu, Tong-Liang	Chia Hao Co., Ltd.	Chia Hao Co., Ltd. / Wu, Tong-Liang
NT\$30 M. (inclusive)- NT\$50 M. (exclusive)				
NT\$50 M. (inclusive)- NT\$100 M. (exclusive)				
Over NT\$100 M.				
Total	17	17	17	17

Note: Compensations in the table are different from incomes for income tax law. Therefore, figures in the table are mainly for information disclosure and cannot be used as the basis for taxation.

2. Compensations for president and vice presidents

Base date: Dec.31, 2018 Unit: NT\$1,000

Title	Name	Salary (A)		Job-leaving or retirement payment (B)		Bonus and special allowance (C)		Employee dividend-sharing (D)				Share of the combined value of A.B.C and D in after-tax net profit(%)		Compensations from invested companies other than subsidiaries
		The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company		All companies in the financial statement		The Company	All companies in the financial statement	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend			
President	Welch Lin	21,609	54,558	438	957	25,382	61,567	0	0	0	0	0.37%	0.91%	Note
Chief Auditor	Howard Wu (2018.3.1 relief of duty)													
Chief Strategy Officer (2018.3.1 relief of duty) Chief Auditor (2018.3.1 on board)	Daniel Tsai													
Chief Risk Officer	Jey Chen													
Chief Financial Officer	Carol Lai													
Chief Accounting Officer	Ann Cheng (2018.10.1 relief of duty)													
Chief Information Officer	Steve sun													
Chief Investment Officer	Eric Chien (2018.03.30 on board)													
Senior Vice President	Frank Lin													
Senior Vice President	David Chang													
Senior Vice President	Adeline Jai													
Senior Vice President	Andy Chang (2018.2.12 on board)													
Senior Vice President	Janice Liang (2018.2.12 relief of duty)													

Note1: Compensations of the driver is NT 2,149,000.

Note2: The company has paid NT\$0 in pension benefits and contributed NT\$438,000 to the defined benefit plan. All companies reported in the financial statements paid NT\$0 in pension benefits in total, and contributed a total of NT\$957,000 to the defined benefit plan.

Compensation brackets for the company's president and senior vice presidents

Compensation brackets for the company's president and vice presidents	Names of president and vice presidents	
	The Company	All companies in the financial statement
Under NT\$2 M.	Howard Wu / Jey Chen / Ann Cheng / Steve sun / Frank Lin / David Chang / Adeline Jai / Janice Liang	Howard Wu / Janice Liang
NT\$2 M. (inclusive)-NT\$5 M. (exclusive)	Eric Chien	
NT\$5 M. (inclusive)-NT\$10 M. (exclusive)	Daniel Tsai/ Carol Lai/ Andy Chang	Daniel Tsai / Jey Chen / Ann Cheng / Steve sun / Frank Lin / David Chang / Adeline Jai / Andy Chang
NT\$10 M. (inclusive)-NT\$15 M. (exclusive)		Carol Lai
NT\$15 M. (inclusive)-NT\$30 M. (exclusive)	Welch Lin	Welch Lin/ Eric Chien
NT\$30 M. (inclusive)-NT\$50 M. (exclusive)		
NT\$50 M. (inclusive)-NT\$100 M. (exclusive)		
Over NT\$100 M.		
Total	13	13

Note: Compensations in the table are different from incomes for income tax law and the figures are mainly for information disclosure and cannot be used as the basis for taxation.

3. Compensation for consultants who are retired chairmen and presidents: None.

4. Manager's name and the distribution of employee bonus payout: None.

f. Analytical comparisons of the shares of company's compensations for board directors, supervisors, president, and vice presidents in the after-tax net profits in the recent two years, as listed in the company's financial statement and the consolidated financial statement, and explanation of the compensation policy, standards, and makeup, the procedure for setting compensations, and their association with business performance and risk of future follow.

1. In 2018, total compensations for directors, president, and vice presidents accounted for 1.55% of the after-tax net profit and the percentage in the consolidated financial statements was 2.42%. In 2017, total compensations for directors, supervisors, president, and vice presidents accounted for 1.93% of the after-tax net profit and the percentage in the consolidated financial statements was 2.8%.
2. The company's remuneration policy and reasonableness of pay are reviewed by the remuneration committee and the board of directors. In addition, the remuneration system is reviewed with respect to the company's business performance and relevant laws and regulations in order to maintain a balance between sustainable development for the company and risk management.

Item	Position	Directors	The managers
Compensation policy		To provide a basis for the director remuneration policy, the Company has, pursuant to the Articles of Incorporation, established the Guidelines for Director Compensation and the Guidelines for Director Remuneration after they have been reviewed by the Remuneration Committee and passed by the board of directors. The level of director remuneration shall be based on the Company's business performance, competition, experience of representative of institutional director, and involvement in management of the Company and contribution to business results as well as the Company's risk appetite and potential risks to be expected in the future in order to have directors and the Company share future business risks. The company has established the Board Performance Appraisal Guidelines to ensure effective corporate governance and improve performance of the board of directors. The scope of appraisal includes evaluation of the performance of directors and that of the board.	1. The company has established the Performance Evaluation and Bonus Guidelines to ensure a fair performance evaluation process. When setting performance targets, managers, in addition to financial and relative financial benchmarks, will include nonfinancial benchmarks, such as improvement of corporate image, maintenance of corporate reputation and other social benchmarks, for the purpose of creating an all-win situation for the company, its employees and shareholders. 2. The remuneration of managers is mainly based on responsibilities, business performance of the company, and personal performance, and takes into account industry averages and links to future risks in order to offer competitive remuneration to attract and retain talent.
Standard for actual allowances		According to Article 25 and Article 40 of the Articles of Incorporation, 1. Remuneration: to be received for performing the duties of a director or supervisor of the bank. 2. Business expenses: to be received to compensate for expenses incurred during business activities, including travel expenses for personally attending or be present at board meetings. 3. Bonus: to be received when the company makes a profit in the current year and the board of directors decides to pay no more than 1% of the profit to the directors as a bonus, which will be allocated by the degree of involvement and responsibility of each director.	Remuneration for managers is described as follows: 1. Remuneration: to be determined by roles and responsibilities and subject to market environment. 2. Bonuses: to be divided into a Chinese New Year bonus and a yearend bonus. The size of a bonus depends mainly on the company's results, the corresponding division's results, and the individual's performance evaluation. 3. Employee benefits: include the pension plan, the employee shareholding trust program, physical examinations and allowances. 4. Long term incentive plan: To avoid putting too much emphasis on short term performance and to encourage employees to develop long term relationships with the company and enjoy long term growth together, the company has designed a long term incentive plan that offers "employee stock options" and the "Taishin Appreciation Rights Plan" as a means of employee retention.

C. Status of Corporate Governance

a. Information on the operation of the board of directors

1. In the recent fiscal year (2018), the board of directors convened 20 times and status of attendance by directors follows:

Board of Directors Term	Title	Name	Attendance in Person	Attendance by proxy	Actual attendance rate (%)	Note
6th	Chairman	Hsiang-Chao Co., Ltd. Representative: Wu, Tong-Liang	10	1	90.91	Re-appointed (7th board of directors were elected on June 8, 2018; and the term of 6th board of directors ended on June 30, 2018)
	Director	Tong Shan Investment Co., Ltd. Representative: Kuo, Jui-Sung	9	2	81.82	
	Director	Tai-Ho Investment Co., Ltd. Representative: Wu, Cheng-Ching	11	0	100.00	
	Director	Chia Hao Co., Ltd. Representative: Wu, Tong-Liang	11	0	100.00	
	Director	Chia Hao Co., Ltd. Representative: Lin, Long-Su	10	1	90.91	
	Director	Santo Arden Co., Ltd. Representative: Wang, Chu-Chan	10	1	90.91	
	Independent Director	Lin, Neng-Pai	10	1	90.91	
	Independent Director	Lin, Yi-Fu	11	0	100.00	
	Independent Director	Wang, Por-Yuan	9	2	81.82	
7th	Chairman	Chia Hao Co., Ltd. Representative: Wu, Tong-Liang	8	1	88.89	Re-appointed (dismissed June 8, 2018)
	Director	TASCO Chemical Co., Ltd. Representative: Wu, Cheng-Ching	8	1	88.89	Re-appointed (dismissed June 8, 2018)
	Director	Hsiang-Chao Co., Ltd. Representative: Kuo, Jui-Sung	8	1	88.89	Re-appointed (dismissed June 8, 2018)
	Director	Santo Arden Co., Ltd. Representative: Wang, Chu-Chan	8	1	88.89	Re-appointed (dismissed June 8, 2018)
	Independent Director	Lin, Yi-Fu	9	0	100.00	Re-appointed (dismissed June 8, 2018)
	Independent Director	Chang, Min-Yu	9	0	100.00	new(effective June 8, 2018)
	Independent Director	Kuan, Kuo-Li	9	0	100.00	new(effective June 8, 2018)

Note1: The attendance rate(%) of a director/supervisor is calculated by his/her actual number of attendance and the number of meetings of the board of directors during his/her term.

Note2: The company called 20 board meetings in 2018. Independent directors Lin, Yi-Fu, Chang, Min-Yu and Kuan, Kuo-Li were present in person in all meetings.

Other items of mandatory registration:

- (1) In the event of any of the circumstances occurring while the Board of Directors conducts its activities, details including the date, session, and agenda of the board meeting, all opinions of the independent directors, and the Company's responses to the independent directors' opinions should be provided.

A. Matters listed in Article 14-3 of the Securities and Exchange Act: Not applicable as the Company has established an audit committee.

B. In addition to matters above, other objections or qualified opinions from the independent directors to resolutions made by the Board of Directors on-record or in writing: None.

2. Details, including names of directors, resolutions, reasons for conflict of interest, and voting results, of circumstances where directors absented themselves due to conflict of interest:

Details of directors absented themselves due to conflict of interest in 2018				
Date	Agenda	Director names	Reason for conflict of interest	Voting results
2018/02/01	Evaluation of remuneration of directors and supervisors and determination of number of months paid in 2017	Wu, Tong-Liang	Where there exists a conflict of interest between the agenda and a director, Article 206 of the Company Act shall apply and the director shall excuse him/herself from the meeting in accordance with Article 178 of the same act.	Directors with conflict of interest excused themselves in accordance with the law, and the remaining attending directors approved the proposals with a unanimous vote.
2018/02/22	Evaluation of Senior Consultant performance in 2017	Wu, Tong-Shung		Directors with conflict of interest excused themselves in accordance with the law, and the remaining attending directors approved the proposals with a unanimous vote.
2018/03/29	Adjustment of monthly remuneration for the chairman	Wu, Tong-Liang		Directors with conflict of interest excused themselves in accordance with the law, and the remaining attending directors approved the proposals with a unanimous vote.
2018/04/12	Nominations for election of the 7th board of directors (and independent directors).	Wu, Tong-Liang / Kuo, Jui-Sung / Wu, Cheng-Ching / Wang, Chu-Chan / Lin, Yi-Fu		Directors with conflict of interest excused themselves in accordance with the law, and the remaining attending directors approved the proposals with a unanimous vote.
2018/04/26	Removal of involvement in competing businesses for the 7th board of directors	Wu, Tong-Liang / Wu, Cheng-Ching / Lin, Yi-Fu		Directors with conflict of interest excused themselves in accordance with the law, and the remaining attending directors approved the proposals with a unanimous vote.
2018/06/21	Appointment of directors and supervisors to the 11th board of directors of Taishin Bank.	Wu, Tong-Liang / Kuo, Jui-Sung / Wu, Tong-Shung / Lin, Long-Su / Wang, Chu-Chan / Lin, Yi-Fu		Directors with conflict of interest excused themselves in accordance with the law, and the remaining attending directors approved the proposals with a unanimous vote.
2018/06/21	Appointment of directors and supervisors to the 6th board of directors of Taishin Venture Capital.	Wu, Tong-Shung		Directors with conflict of interest excused themselves in accordance with the law, and the remaining attending directors approved the proposals with a unanimous vote.
2018/07/02	Appointment of members to the 4th Remuneration Committee.	Lin, Yi-Fu / Chang, Min-Yu / Kuan, Kuo-Li		Directors with conflict of interest excused themselves in accordance with the law, and the remaining attending directors approved the proposals with a unanimous vote.

3. Targets for strengthening the function of the board of directors in current year and the recent years and the evaluation of the execution:

- (1) The Proceedings of Board Meetings have been established for the purpose of strengthening board governance. For better transparency on the Board of Directors, important resolutions of the Board of Directors will be published in the annual reports and on the corporate website. In addition, board meeting attendance will be disclosed on the Market Observation Post System.
- (2) In 2007, the Board started to include two independent directors; and since late 2007, liability insurance policies have been bought for directors and key persons to cover such persons while performing their duties during the terms of their offices. The Staff Performance Appraisal Committee was established in 2011. Three independent directors were elected and the Audit Committee established by the 2015 annual general meeting to replace the supervisors. The Organizational Rules for the Audit Committee were established in the same year. For more effective risk management, the Risk Management Committee was created on December 28, 2017. More than 50% of the independent directors are members of the Risk Management Committee.
- (3) The Board Performance Appraisal Guidelines were established with the approval of the board of directors on December 22, 2016, and requires a board performance evaluation be completed internally at least once a year and by a team of external experts at least once every three years. Results will be submitted to the directors. The Board Performance Appraisal Guidelines and the results will be disclosed on the corporate website. Internal board performance evaluation involves self-assessments of directors and assessments of overall board performance. The process begins with directors completing self-assessment forms, which will then be summarized based on self-assessment results and actual circumstance in the Board Performance Appraisal Form by the responsible unit. The form is submitted to the chairman.

Internal board performance evaluation include self assessments for directors and board performance assessment. Items in the self assessment for directors include the following: A. Understanding of company goals and missions B. Understanding of director duties and functions C. Involvement in the company's business activities D. Internal relations management and communication E. Director expertise and continuing education F. Internal control. Items in the board performance assessment include the following: A. Involvement in the company's business activities B. Improving quality of the board's decisions C. Composition and structure of the board of directors D. Director expertise and continuing education E. Internal control.

External evaluation is performed by an outside expert team at least once every three years. The 2018 evaluation is completed by EY Advisory Services. Regarding the aspects and scope of the evaluation, the three aspects are "Structure", "People", and "Process and Information"; and the scope covers eight items, which are board structure and process, board composition, institutional and organizational structure, roles and responsibilities, culture and conduct, director training and development, risk management oversight, and filing, disclosure, and performance monitoring.

In 2018, an internal evaluation (for the period between July 1, 2017 and June 30, 2018) showed that all targets were met and the overall status was good. Meanwhile, the results of an external expert evaluation (for the period between July 1, 2017 and November 30, 2018) showed: the overall performance was rated "advanced" in "Structure" and "Process and Information" and "benchmark" in "People".

The results above were presented to the directors and disclosed in the annual report and on the corporate website under "Corporate Governance". The objective assessment system is in place to improve director performance.

Note: The external evaluation rates results as "basic" (compliance with the regulator's requirements and other regulations), "advanced" (compliance with the regulator's requirements and other regulations and following a set of established and effective practices or making active effort to improve performance in the aspect), and "benchmark" (practices that rise above the basic standards required by regulators and other regulations and sets a benchmark for others)

The results above were presented to the directors and disclosed in the annual report and on the corporate website under "Corporate Governance". The objective assessment system is in place to improve director performance.

b. Operation of the auditing committee or the participation of supervisors in the operation of board of directors

1. Information on the operation of audit committee:

(1) The authorities and responsibilities of the audit committee are as follows:

The Audit Committee consists of 3 independent directors. The mission of the Audit Committee is to assist the board of directors in performing its duty to oversee the accounting, audit, and financial reporting processes in Taishin FHC and the quality and integrity of financial management.

The Audit Committee met 15 times in 2018. Matters reviewed include:

- A. To establish or amend the company's internal control policies pursuant to Article 14-1 of the Securities and Exchange Act.
- B. To evaluate the effectiveness of internal control policies.
- C. To pursuant to Article 36-1 of the Securities and Exchange Act, establish or amend procedures relating to asset acquisition/disposal, derivative transactions, and major financial conducts.
- D. Matters concerning the personal interests of directors.
- E. Major asset transactions or derivatives.
- F. Offering, issuance, or private placement of securities with equity characteristics.
- G. Appointment, dismissal, or compensation of the certifying CPAs.
- H. Appointment and removal of the financial, accounting, or internal auditing officers.
- I. Annual and semi-annual financial reports.
- J. Other significant issues regulated by the Company or competent authorities.

2. In the recent fiscal year (2018) audit committee convened 15 times and status of attendance:

Audit Committee Term	Title	Name	Actual number of attendance	Attendance by Proxy	Attendance rate (%)	Note
1st	Independent Director	Lin ,Neng-Pai	7	1	87.50	Re-appointed (7th board of directors were elected on June 8, 2018; and the term of 1st Audit Committee ended on June 30, 2018)
	Independent Director	Lin, Yi-Fu	8	0	100.00	
	Independent Director	Wang, Por-Yuan	6	2	75.00	
2nd	Independent Director	Lin, Yi-Fu	7	0	100.00	Re-appointed (dismissed June 8, 2018)
	Independent Director	Chang, Min-Yu	7	0	100.00	new(effective June 8, 2018)
	Independent Director	Kuan, Kuo-Li	7	0	100.00	new(effective June 8, 2018)

Note1: The Audit Committee is made up of all independent directors.

Note2: The attendance rate(%) of a director is calculated by his/her actual number of attendance and the number of meetings of the board of directors during his/her term.

• Financial statement review

The board of directors has prepared the 2018 business report, financial statements and earnings distribution proposal for Taishin FHC. The financial statements have been audited and certified by CPA Jerry Gung and CPA Casey Lai of Deloitte Taiwan, who have also issued an opinion. The reports above have been reviewed by the Audit Committee as correctly portraying the company's business activities.

• Appointment of certifying CPA

To ensure independence of the CPA firm, the Audit Committee has followed Article 47 of the Certified Public Accountant Act and the rules regarding integrity, impartiality, and independence in No. 10 Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China and devised an independence evaluation form. The form is intended to assess the independence, professional training, and competence of CPAs and whether they are related parties to or share business or financial interest with Taishin FHC. On February 21, 2019, it was reviewed and passed in the 9th meeting of the 2nd Audit Committee and the 11th meeting of the 7th

board of directors that CPA Jerry Gung and CPA Casey Lai of Deloitte Taiwan met the independence criteria and were sufficiently qualified to perform financial and tax accounting certification for Taishin FHC.

3. Other items which should be recorded:

- (1) In the event of any of the circumstances occurring while the Audit Committee conducts its activities, details including the date, session, and agenda of the board meeting, all resolutions of the Audit Committee, and the Company's responses to the Audit Committee's opinions should be provided:

A. Matters listed in Article 14-5 of the Securities and Exchange Act

Board of directors	Board of directors	Resolutions of Audit Committee	The Company's response to Audit Committee's opinions
2018.02.01 35th Session of 6th Board of Directors	Passed subscription to all new ordinary shares issued by the subsidiary Taishin Venture Capital Investment Co., Ltd.	2018.02.01 Approved	The proposal was passed by a unanimous vote
2018.02.22 36th Session of 6th Board of Directors	Evaluation of Senior Consultant Wu's performance in 2017.	2018.02.22 Approved	The proposal was passed by a unanimous vote
	Change of management (chief auditor) responsibilities	2018.02.22 Approved	The proposal was passed by a unanimous vote.
	2017 consolidated financial statements.	2018.02.22 Approved	The proposal was passed by a unanimous vote.
	Appointment and remuneration of auditors of 2018 financial statements.	2018.02.22 Approved	The proposal was passed by a unanimous vote.
2018.03.29 38th Session of 6th Board of Directors	Submission of the company's 2017 audited financial statements.	2018.03.29 Approved	The proposal was passed by a unanimous vote.
	Submission of the company's 2017 Statement on the Internal Control Statement.	2018.03.29 Approved	The proposal was passed by a unanimous vote.
2018.04.12 39th Session of 6th Board of Directors	Nomination of some current directors for election of the 7th board of directors (and independent directors)	2018.04.12 Approved	The proposal was passed by a unanimous vote
2018.04.26 40th Session of 6th Board of Directors	Submission of the company's 2017 business report.	2018.04.26 Approved	The amendment was passed by a unanimous vote.
	The company's 2017 earnings distribution plan.	2018.04.26 Amendment approved	The amendment was passed by a unanimous vote.
	The company's new issuance of common shares from earnings.	2018.04.26 Amendment approved	The amendment was passed by a unanimous vote.
	Passed subscription to all new ordinary shares issued by the subsidiary Taishin Bank Co., Ltd.	2018.04.26 Approved	The proposal was passed by a unanimous vote.
	Removal of involvement in competing businesses for the current 7th board of directors.	2018.04.26 Approved	The proposal was passed by a unanimous vote.
2018.05.31 42nd Session of 6th Board of Directors	Amendment of the Organizational Rules for the Audit Committee.	2018.05.31 Approved	The proposal was passed by a unanimous vote.
	Amendment of a previous proposal to subscribe Taishin Bank's private placement of a cash issue of common shares in the subsidiary in 2018.	2018.05.31 Approved	The proposal was passed by a unanimous vote.
2018.06.14 43rd Session of 6th Board of Directors	Proposal to subscribe 100% of common shares in Taishin Bank issued by the subsidiary in a private placement.	2018.06.14 Approved	The proposal was passed by a unanimous vote.
2018.06.21 44th Session of 6th Board of Directors	Appointment of directors and supervisors to the 11th board of directors of Taishin Bank.	2018.06.21 Approved	The proposal was passed by a unanimous vote.
	Appointment of directors and supervisors to the 6th board of directors of Taishin Venture Capital.	2018.06.21 Approved	The proposal was passed by a unanimous vote.
2018.07.02 1st Session of 7th Board of Directors	Appointment of members to the 4th Remuneration Committee.	2018.07.02 Approved	The proposal was passed by a unanimous vote.
2018.07.26 2nd Session of 7th Board of Directors	Authorization of the ex-right date, ex-dividend date, cash issue date, and payment date for distribution of the 2017 common stock dividend.	2018.07.26 Approved	The proposal was passed by a unanimous vote.
	2018 cash issue of Class E registered preferred shares.	2018.07.26 Approved	The proposal was passed by a unanimous vote.
2018.08.30 3rd Session of 7th Board of Directors	Submission of the company's 2018 H1 consolidated financial statements.	2018.08.30 Approved	The proposal was passed by a unanimous vote.
	100% subscription of common shares in Taishin Bank issued by the subsidiary in a private placement.	2018.08.30 Approved	The proposal was passed by a unanimous vote.
2018.09.27 5th Session of 7th Board of Directors	Rules for 2018 cash issue of Class E registered preferred shares.	2018.09.27 Amendment approved	The amendment was passed by a unanimous vote.
	Change of organization and management (accounting officer) responsibilities.	2018.09.27 Approved	The proposal was passed by a unanimous vote.
2018.11.22 7th Session of 7th Board of Directors	Passed subscription to all new ordinary shares issued by the subsidiary Taishin Asset Management Co., Ltd.	2018.11.22 Amendment approved	The amendment was passed by a unanimous vote.
	Passed subscription to all new ordinary shares issued by the subsidiary Taishin Venture Capital Investment Co., Ltd.	2018.11.22 Amendment approved	The amendment was passed by a unanimous vote.
2018.12.06 8th Session of 7th Board of Directors	100% subscription of common shares in Taishin Bank issued by the subsidiary in a private placement.	2018.12.06 Amendment approved	The amendment was passed by a unanimous vote.
2018.12.27 9th Session of 7th Board of Directors	Submission of the company's 2019 audit plan.	2018.12.27 Approved	The proposal was passed by a unanimous vote.
	Full early redemption of outstanding Class D preferred shares issued by private placement and corresponding share cancellation.	2018.12.27 Amendment approved	The amendment was passed by a unanimous vote.

B. In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors:None.

- (2) With respect to execution of cases in which the Independent Directors abstain themselves on the ground of conflict of interest, the name of the independent Directors, contents of motion, reasons for abstention and participation in voting should be clearly stated:

Details of directors absenting themselves due to conflict of interest in 2018				
Date	Agenda	Director name	Reason for conflict of interest	Voting result
2018.04.12	Nomination of some current directors for election of the 7th board of directors (and independent directors)	Lin, Yi-Fu	Where there exists a conflict of interest between the agenda and a director, Article 206 of the Company Act shall apply and the director shall excuse him/herself from the meeting in accordance with Article 178 of the same act.	Independent directors with conflict of interest excused themselves in accordance with the law, and the remaining attending independent directors approved the proposals with a unanimous vote.
2018.04.26	Removal of involvement in competing businesses for the current 7th board of directors	Lin, Yi-Fu		Independent directors with conflict of interest excused themselves in accordance with the law, and the remaining attending independent directors approved the proposals with a unanimous vote.
2018.06.21	Appointment of directors and supervisors to the 11th board of directors of Taishin Bank	Lin, Yi-Fu		Independent directors with conflict of interest excused themselves in accordance with the law, and the remaining attending independent directors approved the proposals with a unanimous vote.
2018.07.02	Appointment of members to the 4th Remuneration Committee	Lin, Yi-Fu Chang, Min-Yu Kuan, Kuo-Lin		Independent directors with conflict of interest excused themselves in accordance with the law, and the remaining attending independent directors approved the proposals with a unanimous vote.

- (3) Between independent directors and internal auditors and CPAs

A. Between independent directors and internal auditors in 2018

- (a)The committee consists of all independent directors, who have regular meetings with the chief auditor. Instructions made in such meetings will be implemented by the audit office. Minutes of the meetings will be submitted to the board of directors for review.
- (b)The board of directors and chief auditor will attend the meetings. Independent directors and the chief auditor will exchange views on the agenda during board meetings or prior to their own meetings.
- (c)The audit report of the company and its subsidiaries will be presented to the independent directors.
- (d)The audit office will present regular audit reports to the board of directors and the audit committee every quarter. The reports will contain information such as a summary of audit practices at the subsidiaries and key items in internal and external audits.
- (e)Each independent director will discuss the aforementioned item with chief auditor if necessary.

B. Between independent directors and CPAs

The company's CPAs report audit plans, findings and results to the audit committee and discuss the company's financial and general business conditions by meetings.

Summarized discussion results between independent directors and internal auditors and CPAs as follows:

Date	Medium	Party	Description	Result
2018.2.22	Forum	Auditors	1. Presented results of the 2017 financial statement audit. 2. Reported on key audit items. 3. 2017 comparison with peers 4. Effects of tax rate change on the company	No objection
2018.7.12	Forum	Auditors	1. Re-designed audit report 2. 2017 summary of key audit items adopted by other financial institutions 3. Presented results of the H1 2018 financial statement audit	No objection
2018.8.30	Forum	Auditors	1. Presented results of the H1 2018 financial statement audit. 2. key audit items	No objection
2018.12.20	Forum	Auditors	1. Reported of the H1 2018 key audit items. 2. H1 2018 summary of key audit items adopted by other financial institutions	No objection
2019.2.21	Forum	Auditors	1. Presented results of the 2018 financial statement audit. 2. key audit items	No objection

c. Disclosure information in accordance with the guidelines of the practical corporate governance of the holding industry

Please refer to the company's website at: <http://www.taishinholdings.com.tw>.

d. Status of the Holding's corporate governance and its deviation from the guidelines for the practical corporate governance of the holdings industry and reasons

Item	Operating Status			Deviation from the guidelines of the practical corporate governance
	Yes	No	Summary Descriptions	
1. Shareholding structure and shareholders' rights within the financial holding company				
(1) Has the financial holding company implemented a set of internal procedures to process shareholders' suggestions, queries, disputes and litigations?		✓	The company has provided "IR Contact" and "Contactus" links on its website that shareholders may use to raise suggestions, queries, disputes and litigations.	No internal procedures have been established, though several means of communication are available on the company website.
(2) Is the financial holding company constantly informed of the identities of its major shareholders and the controlling stakeholder?	✓		The shareholder services department is responsible for gathering information on the company's major shareholders. This information is also disclosed in the company's annual reports.	No deviation
(3) Has the financial holding company established and implemented risk management and firewalls in affiliated companies?	✓		Risk management practices and firewalls that the company has set up in affiliated companies: The company and its main subsidiaries (including Taishin Bank and Taishin Securities etc.) all have independent risk management units in place to perform risk controls within their fields of business. The company has established a "Related Party Transaction Policy" and rules of implementation to regulate transactions with stakeholders. The company and its main subsidiaries (including Taishin Bank and Taishin Securities etc.) have implemented security policies to protect their information systems. Access to sensitive information is protected by firewalls and is permitted only for risk management purposes and when instructed by the competent authority.	No deviation
2. Constitution and obligations of the board of directors				
(1) Apart from the remuneration committee and audit committee, has the financial holding company assembled other functional committees at its own discretion?	✓		Taishin FHC created the "Remuneration Committee" in accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter" on September 22, 2011. The committee had held 24 meetings in total by the end of December 2018. Taishin FHC created the "Audit Committee" on July 1, 2015. The Audit Committee is made up of three independent directors. The committee had held 42 meetings in total by the end of December 2018. In addition to the Remuneration Committee and the Audit Committee, Taishin FHC created the "Risk Management Committee" on December 28, 2017. The Risk Management Committee is made up of two independent directors and one director. The committee had held 6 meetings in total by the end of December 2018. Furthermore, under the supervision of its board of directors, Taishin FHC has created functional committees, including the Policy Committee, Corporate Sustainability Committee, Asset and Liability Management Committee, Investor Relationship Committee, and Personnel Review Committee, to supervise and review business operations in the company and strengthen corporate governance.	No deviation
(2) Does the financial holding company conduct regular assessments on the independence of its financial statement auditors?	✓		Pursuant to the Taishin FHC Corporate Governance Principles and the Guidelines for Assessing Independence and Suitability of Financial Statement Auditors, Taishin performed the annual assessment of the independence of its financial statement auditors. The results were submitted to the 29th meeting of the 1st Audit Committee and the 36th meeting of the 6th board of directors on February 22, 2018. Having completed an assessment and obtained declarations of impartiality and independence from the auditors, the Company deems that CPA Jerry Gung and CPA Casey Lai of Deloitte Taiwan meet the Company's independence requirements (Note 1) and, having issued declarations of impartiality and independence, are sufficiently qualified to be the Company's financial statement auditors.	No deviation

Item	Operating Status			Deviation from the guidelines of the practical corporate governance																								
	Yes	No	Summary Descriptions																									
(2) Does the financial holding company conduct regular assessments on the independence of its financial statement auditors?	✓		<table><tr><td colspan="3">Note</td></tr><tr><td>Assessment area</td><td>Result</td><td>Independence</td></tr><tr><td>Not a stakeholder under Article 44 or 45 of the Financial Holding Company Act.</td><td>Yes</td><td>Yes</td></tr><tr><td>Not having significant financial interest in the company or any family member with significant financial interest in the company that may affect independence.</td><td>Yes</td><td>Yes</td></tr><tr><td>Not having served as a director or supervisor of the company or held any other key positions at the company that may affect the audit services in the last two years.</td><td>Yes</td><td>Yes</td></tr><tr><td>Not performing concurrently routine work for the company and receiving a regular salary.</td><td>Yes</td><td>Yes</td></tr><tr><td>Not receiving any business related commissions.</td><td>Yes</td><td>Yes</td></tr><tr><td>Not having served a term of more than seven years as the company's financial statement auditor and not having returned to same position in two years after rotation or resignation.</td><td>Yes</td><td>Yes</td></tr></table>	Note			Assessment area	Result	Independence	Not a stakeholder under Article 44 or 45 of the Financial Holding Company Act.	Yes	Yes	Not having significant financial interest in the company or any family member with significant financial interest in the company that may affect independence.	Yes	Yes	Not having served as a director or supervisor of the company or held any other key positions at the company that may affect the audit services in the last two years.	Yes	Yes	Not performing concurrently routine work for the company and receiving a regular salary.	Yes	Yes	Not receiving any business related commissions.	Yes	Yes	Not having served a term of more than seven years as the company's financial statement auditor and not having returned to same position in two years after rotation or resignation.	Yes	Yes	No deviation
Note																												
Assessment area	Result	Independence																										
Not a stakeholder under Article 44 or 45 of the Financial Holding Company Act.	Yes	Yes																										
Not having significant financial interest in the company or any family member with significant financial interest in the company that may affect independence.	Yes	Yes																										
Not having served as a director or supervisor of the company or held any other key positions at the company that may affect the audit services in the last two years.	Yes	Yes																										
Not performing concurrently routine work for the company and receiving a regular salary.	Yes	Yes																										
Not receiving any business related commissions.	Yes	Yes																										
Not having served a term of more than seven years as the company's financial statement auditor and not having returned to same position in two years after rotation or resignation.	Yes	Yes																										
3. For financial holding companies that are exchange-or OTC-listed, does the Company have a unit or staff that specializes (or is involved) in corporate governance (including but not limited to providing information necessary for directors and supervisors to perform their duties, organizing board meetings and general meetings, handling business registration and any change of registration, and compiling minutes of board meetings and general meetings)?	✓		<p>On March 28, 2019, the board of directors passed a resolution to appoint Frank Lin, the head of the Secretariat Division under the board of directors, to be the corporate governance officer. He is responsible for providing information necessary for directors (and independent director) to perform their duties, helping directors comply with the laws, preparing board meeting and shareholders meeting minutes, and handling administration of board meeting and shareholders meeting in order to protect the rights of the shareholders while strengthening the role of the board of directors. Mr. Frank Lin has a minimum of three year experience in conducting business meetings in a management capacity in listed companies.</p> <p>The 2019 business activities are (including but not limited to) as follows.</p> <p>1. Assist independent directors and other directors in performing their duties; provide the necessary information; and providing assistance for directors in assuming office and receiving ongoing training.</p> <p>(1) Work with appropriate units to keep members of the board of directors informed regularly of latest changes and developments in laws and regulations regarding corporate governance and management.</p> <p>(2) Review confidentiality levels of relevant information; provide directors with necessary company information; and keep an open communication channel between the directors and the business managers.</p> <p>(3) Arrange meetings accordingly when independent directors, following the Corporate Governance Best-Practice Principles, find it necessary to meet individually with internal audit officers or certifying CPAs to get a better understanding of the company's financial needs.</p> <p>(4) Assist independent directors and other directors in creating study plans or enrolling in courses based on the characteristics of the company's business activities and the education and experience of respective directors.</p> <p>2. Facilitate agendas in board meetings and shareholders meetings and assist in compliance related matters for subsequent resolutions.</p> <p>3. Notify directors at least seven days prior to the final board meeting agenda; call meetings and provide information; send reminders where conflict of interest may require recusal; and complete board meeting minutes in twenty days after respective meetings.</p> <p>4. Register shareholders meetings in advance as required by law; complete notice of meeting, agenda, and minutes by the statutory deadline; and complete change of registration in the event of an amendment of the Articles of Incorporation or an election of directors.</p> <p>5. Handle business registration and any change of registration.</p> <p>6. Other duties pursuant to the Articles of Incorporation or other contracts.</p>	No deviation																								

Item	Operating Status			Deviation from the guidelines of the practical corporate governance
	Yes	No	Summary Descriptions	
4. Has the financial holding company established any communication channels with stakeholders (including but not limited to shareholders, em-	✓		<p>1. The company has implemented a "Stakeholder Information System" in which the company and its subsidiaries create stakeholder profiles and make them available for inquiry. Stakeholders are also reminded on a regular basis to verify the correctness of their information.</p> <p>2. The company complies with laws in the disclosure of financial, business and material information in the Market Observation Post System. This information is made publicly available simultaneously on the company's website. The company also has a designated spokesperson and investor relations mailbox available to serve as communication channels with stakeholders.</p> <p>3. The company will create a Stakeholders Section on its website in 2015 as a means to communicate and consolidate queries from stakeholders (e.g. employees, suppliers, consumers and customers), so that the company can gain a better understanding of stakeholders' expectations and needs. A full-time unit will be created to handle communications and feedback.</p>	No deviation
5. Disclosure of information				
(1) Has the financial holding company established a website that discloses financial, business, and corporate governance-related information?	✓		<p>he company has disclosed financial, business and other information relevant to its operations onto its website. This information has also been reported online according to related regulations on material disclosure. The company has established an English website and assigned various departments to gather and disclose information on a regular basis. In addition, a public information reporting system has also been created with personnel assigned to gather and disclose information via the system.</p> <p>The company has a spokesperson mechanism in place to facilitate external communications. All material information relevant to investors' interests is announced using the Market Observation Post System (MOPS) and press releases. The spokesperson provides further elaboration where deemed necessary. The company prepares its corporate social responsibility report in both Chinese and English. This report has been made accessible at the company's website and on MOPS.</p> <p>The company holds quarterly investor conferences; conference proceedings are recorded and uploaded onto the company's website and MOPS on the same day.</p>	No deviation
(2) Has the financial holding company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?				
6. Does the financial holding company have other information that enables a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, stakeholders' rights, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, insuring against liabilities of company)	✓		<p>1. Employees' rights and concern for employees:</p> <p>The company places emphasis on the rights and interests of employees and on harmonious employer-employee relationships; for this reason, an employee relations unit has been created to respond to employee queries. Taishin Financial Holding co., Ltd. believes that satisfied employees are the key to satisfied customers. The chairman and the management have long dedicated themselves to building a working environment characterized by respect, care, support and self-motivated growth. By organizing various events and providing communication channels and learning resources, employees are given the chance to work in a humane, respectful and progressive environment and to grow in step with the company.</p> <p>A. Offering of competitive remuneration and welfare packages</p> <p>(a) Remuneration: Taishin Financial Holding co., Ltd. offers competitive salary levels in order to recruit and retain top talents.</p> <p>(b) Employee assistance program: The company engages specialists from Teacher Chang Foundation to help employees resolve their problems outside of work.</p> <p>(c) Employee Welfare Committee: The committee organizes a variety of events such as birthday celebrations, trips, hiking, ball games and competitions to enrich employees' lifestyles and enhance teamwork.</p> <p>(d) Taishin Stress Relief Workshop:</p> <p>The company hires blind masseurs and masseuses to help employees relieve work stress, creating a happy and healthy work environment while contributing towards charity.</p> <p>B. The company respects the opinions of its employees and has channels of communication in place.</p> <p>(a) Group-wide surveys: All employees are invited to participate in online surveys as a means of formal communication; the survey also helps to raise the level of employee engagement within the company.</p> <p>(b) Regular morning meetings: These meetings are organized to discuss the company's re-organization efforts, key projects, and to recognize employees who have displayed the values of Taishin in their work. Through the use of two-way communication, employees are able to align themselves with the corporate culture and values.</p>	No deviation

Item	Operating Status			Deviation from the guidelines of the practical corporate governance
	Yes	No	Summary Descriptions	
6. Does the financial holding company have other information that enables a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, stakeholders' rights, continuing education of directors/ supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, insuring against liabilities of company)	✓		<p>2. Investor relations: In addition to the quarterly investor conferences, the company also participates in investor forums and investment road shows both local and abroad. The IR department addresses investors on issues of concern via email, telephone or face-to-face meeting, and makes relevant disclosures over the company's website.</p> <p>3. Protection of consumers' or customers' interests: The company and all its subsidiaries adopt stringent measures to protect customer information. The group has implemented personal information management policies, information security policies, firewalls, and customer information confidentiality measures in accordance with the Financial Holding Company Act, Guidelines for Cross Marketing among Subsidiaries of Financial Holding Company, Personal Information Protection Act and other relevant regulations stipulated by the competent authority.</p> <p>4. Risk management policies and risk assessment standards: The company and each of its subsidiaries have independent risk management units in place; they have also committed substantial resources to the development of risk management systems, and managing of credit, market and operational risks using both qualitative and quantitative means.</p> <p>5. Directors' and supervisors' ongoing training: The company's directors and supervisors have all satisfied the required training hours; the progress of their training has been updated onto MOPS.</p> <p>6. The company is insured against liabilities of its directors and supervisors. These insurance policies are reviewed on a yearly basis to ensure adequate</p> <p>7. The board of directors consist of members from diverse backgrounds. The board is made up of elite talents from banking, industries and the academia. The 7th board of directors consists of 7 members, including 3 independent directors (1 being female and qualified accountant). The membership consists of 2 Ph.D. degree holders and 2 Masters degree holders. The members have various degree of training in different fields including business administration, physics, engineering, accounting, and pharmaceuticals. They possess the general knowledge, skills and competencies required to perform incumbent duties. For the purpose of strengthening corporate governance practices, Taishin established the Board Membership Diversification Policy in accordance with Article 22 of the Corporate Governance Code of Conduct, and disclosed the policy and related information and implementation on the corporate website and Page xx of this annual report under "board membership diversification policy and results".</p>	
7. Please described improvements in terms of the results of the Corporate Governance Evaluation System in recent years and propose areas to be given priority where improvement will be needed. Please described improvements in terms of the results of the Corporate Governance Evaluation System in recent years and propose areas and measures to be given priority where improvement will be needed.	✓		<p>1. The company is ranked among Top 5% of TWSE-listed companies by TWSE in the 5th Corporate Governance Evaluation in April 2019. The company was selected and has been one of the constituent stocks of the "Corporate Governance 100 Index in Taiwan" since June 2015.</p> <p>2. The company continued its commitment to good corporate governance in a number of aspects, including</p> <p>(1) To improve performance of the board of directors, the company passed the Taishin Holdings Board Performance Appraisal Guidelines on December 22, 2016. Performance of the board of directors will be subjected to regular performance evaluation in the future.</p> <p>(2) In response to the information need for stakeholders, the company continues to strengthen transparency and disclosure of such information in 2016 by means including revamping the official website, making disclosure in both Chinese and English, and optimizing the compilation of financial statements. Starting in the 2017 fiscal year, certified financial statements will be released in two months after the end of a fiscal year.</p> <p>(3) The company, Taishin Bank and Taishin Securities, voluntarily participated in the corporate governance evaluation conducted by the Corporate Governance Association in Taiwan in 2016. The structure and culture of corporate governance at Taishin was examined in depth through a professional, unbiased evaluation process designed by the association. The Company subsequently received CG6010(2015) Certification- Excellent on December 22, 2016, The validity period of the certificate is 2016.12.22 to 2018.12.21.</p>	No deviation

e. Status of structure, responsibilities and operations of the Remuneration Committee

1. Members of the Remuneration Committee

Position (Note 1)	Qualifications Name	More than 5 years work experience and the following qualifications			Compliance with independent status (Note 2)								Number of positions as Remuneration Committee member in other public listed companies	Note
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects related to the company's operations in public or private tertiary institution	Nationally certified judge, prosecutor, attorney, accountant, or holder of professional qualifications related to the company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8		
Independent director	Lin, Yi-Fu			✓	✓	✓	✓	✓	✓	✓	✓	✓	3	N/A
Independent director	Chang, Min-Yu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	N/A
Independent director	Kuan, Kuo-Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	N/A

Note 1: Please specify whether a director, independent director, or other.

Note 2: Place a "✓" if the member meets the following condition during the two years prior to election and at any time during service.

- (1) Not employed by the company or any of its affiliated companies.
- (2) Not a director or supervisor of the Company or its affiliated companies. This criterion does not apply to independent directors of the company, its parent company, or subsidiaries in which the company holds more than a 50% direct or indirect voting interest.
- (3) Does not hold more than 1% of the company's outstanding shares in own name or in other names such as spouse, minor children, nominee shareholders etc, and is not one of the company's ten largest natural-person shareholders.
- (4) Not a spouse, second degree kin or closer, or a direct blood relative of third degree or closer to anyone listed in the three preceding clauses.
- (5) Not a director, supervisor, or employee of a corporate shareholder that owns more than 5% of the company's outstanding shares, and is not a director, supervisor, or employee of any of the top five corporate shareholders.
- (6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any companies or institutions that have a financial or business relationship with the company.
- (7) Not a professional person, business owner, partner, director, supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies; nor a spouse of anyone listed herein.
- (8) Does not meet any of the descriptions stated in Article 30 of the Company Act.

2. Status of Operations of the Remuneration Committee

- (1) The company's remuneration committee consists of three members.
- (2) Term of service: From July 2, 2018 until June 30, 2021. The remuneration committee held 7 meeting (A) in the most recent year; details of members' attendance are as follows:

Title	Name	Actual Attendance (B)	Proxy Attendance	Actual attendance rate (%) (B/A)	Remarks
Convener	Lin, Yi-Fu	7	0	100	Re-appointed (dismissed July 2, 2018)
Member	Chang, Min-Yu	3	0	100	new(effective July 2, 2018)
Member	Kuan, Kuo-Lin	3	0	100	new(effective July 2, 2018)
Convener	Lin, Neng-Pai	4	0	100	Re-elected (effective July 2, 2018)
Member	Wang, Por-Yuan	4	0	100	Re-elected (effective July 2, 2018)

The duties of the Committee are as follows, and its recommendations will be presented to the board of directors for discussion.

- Stipulate and review regularly the compensation policies, systems, standards and structures, and performance of directors and managers.
- Regularly review and adjust director and manager remuneration.

Remuneration Committee	Agenda and follow-up	Resolutions	Company reaction base on the opinion of Remuneration Committee
8th meeting of 3rd committee 2018.1.18	1. Proposal for 2017 annual bonuses. 2. Proposal for implementation of the 2017 Taishin Stock Appreciation Rights Program. 3. Proposal for amendment of the Taishin FHC Guidelines for Director Compensation. 4. Proposal for evaluation of the compensation level for Taishin FHC directors and approval of number of months paid to directors and supervisors for 2017. 5. Proposal for distribution of Taishin FHC director and employee remuneration for 2017.	Passed by a unanimous vote	Submitted to the board of directors and passed by a unanimous vote.
9th meeting of 3rd committee 2018.2.1	1. Proposal for amendment of the 2017 Taishin Stock Appreciation Rights Program. 2. Proposal for distribution of director and employee remuneration for 2017. 3. Proposal for 2017 annual bonuses for Taishin Bank consultants.	Passed by a unanimous vote	Submitted to the board of directors and passed by a unanimous vote.
10th meeting of 3rd committee 2018.3.20	1. Proposal for 2018 Taishin FHC manager pay adjustments. 2. Proposal for review of the Taishin FHC management remuneration policy. 3. Proposal for monthly pay adjustments for Taishin FHC and Taishin Bank chairmen.	Passed by a unanimous vote	Submitted to the board of directors and passed by a unanimous vote.
11th meeting of 3rd committee 2018.6.7	1. Proposal for amendment of the Taishin FHC Guidelines for Director Compensation. 2. Proposal for amendment of the Taishin Bank Management Guidelines for Evaluating Performance of Employees Appointed to Directors and Supervisors of Subsidiaries.	Passed by a unanimous vote	Submitted to the board of directors and passed by a unanimous vote.
1st meeting of 4th committee 2018.7.2	Proposal for nominations of convener and chairman of the Remuneration Committee.	The proposal was passed by a unanimous vote from the Remuneration Committee. Independent Director Yi-Fu Lin was appointed convener and chairman of the 4th Remuneration Committee.	Submitted to the board of directors and passed by a unanimous vote.
2nd meeting of 4th committee 2018.8.30	1. Proposal for review of the examination opinions (Table A) from a general audit conducted by the Financial Examination Bureau in March 2018 and the improvements. 2. Proposal for implementation of measures to link director remuneration and future risks.	Passed by a unanimous vote	Submitted to the board of directors and passed by a unanimous vote.
3rd meeting of 4th committee 2018.12.6	1. Proposal for review of the examination opinions (Table A) from a general audit conducted by the Financial Examination Bureau in March 2018 and further improvements. 2. Proposal for implementation of measures to link all director remuneration and future risks. 3. Proposal for amendment of the Taishin FHC Performance Evaluation and Bonus Guidelines.	Passed by a unanimous vote	Submitted to the board of directors and passed by a unanimous vote.

Other remarks:

1. In the event where a Remuneration Committee proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the agenda, the board's resolution, and the way the company processed the Remuneration Committee's proposals (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None.
2. Should any member object or express qualified opinions to a resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the agenda, the entire members' opinions, and how their opinions were addressed: None.

f. Fulfillment of social responsibilities

Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No	Summary description	
1. Implementation of corporate governance				
(1) Does the company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?	✓		For the purpose of creating long term value and enforcing corporate social responsibilities, Taishin Holdings established the Taishin Holdings Corporate Social Responsibility Best Practice Principles and created the CSR Committee in 2014. The committee is chaired by President of Taishin Holdings, and chairperson appoints a vice chairperson. The committee is made up of business group CEOs, subsidiary representatives, and foundation representatives. The committee is responsible for setting corporate social responsibility policies and overall goals, reviewing annual CSR plans, and evaluating progresses and results of CSR projects. In addition, the company had established a Corporate Governance Principles and Ethical Corporate Management Best Practice Principles in 2014 to guide its corporate governance practices.	No deviation
(2) Does the company organize social responsibility training on a regular basis?			The company arranges corporate governance courses for its directors, supervisors, accounting, finance and audit personnel on a regular and irregular basis. Courses on corporate ethics, banking regulations and code of conduct are mandatory to attend for all new recruits.	

Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason																																				
	Yes	No	Summary description																																					
(3) Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?	✓		The Company established the "Guidelines for Establishment of the Corporate Sustainability Committee" and the CSR Committee in 2014. In late 2016, it was passed to create six functional teams under executive committee members. The six teams are the Corporate Sustainability Team, the Customer Relations Team, the Liability Products Team, the Employee Relations Team, the Green Operations Team, and the Social Inclusion Team. Taishin FHC and its subsidiaries and foundations are all participants in the teams, and follow the policies and goals decided by the CSR Committee to report and implement CSR related projects. The CSR Committee met 3 times in 2018. It started presenting CSR results and plans to the board of directors in 2018. The chairperson presents business strategy reports to the board of directors every year. Executive members are also regular attendees of board meetings, where they may engage the	No deviation																																				
(4) Has the company implemented a reasonable remuneration system that commensurates employees' performance appraisals with CSR? Is the remuneration system supported by an effective reward/ discipline system?			The company offers comprehensive and competitive remuneration. The size of a bonus depends mainly on the company's results, the corresponding division's results, and the individual's performance evaluation, and aims to create better performance, increase shareholders' values, and care for employees. Taishin Financial Holding co., Ltd. was included as one of the initial compositions of "Taiwan High Compensation 100 Index;" this demonstrates the company's commitment to share its success with employees. In addition, the bank has included CSR as part of employees' appraisal criteria, and assesses it on a yearly basis to ensure that CSR policies are soundly implemented from the top-down.																																					
2. Development of sustainable environment																																								
(1) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	✓		<div>◆ The company has been promoting e-office and paperless office; setting up stationery collection boxes to achieve efficient utilization of resources. Promote "using love as energy" event, encouraging employees to ride bicycles, take mass transportation vehicles, and embrace car pooling, so as to reduce carbon emission, enhance health, and fulfill the commitment to environmental protection. Demonstrate the respect of and care for the nature and actively rally employees, their families, and clients to "use love as energy and love the earth together".</div> <div>◆ Regarding green operations, in addition to the purchase of renewable energy, the company demonstrated its support for renewable energy by installing solar power panels on its own buildings in Neihu and contributing to environmental sustainability. Moreover, water, electricity, and gasoline needed to conduct business activities are measured regularly. Various action plans have been implemented to reduce consumption. Garbage and general waste are processed in compliance with the regulations. Resources are sorted and recycled to reduce the impact on the environment. Suppliers and other partners are united through green procurement in the pursuit of sustainability and the effort to save the earth.</div> <div>Waste disposal: Taishin implements effective waste management. Waste is sorted, and bottles, paper, and equipment that can be recycled or reused are recycled and processed as appropriate by qualified professional cleaning service providers.</div> <div>Resource utilization: Regarding internal activities, in order to reduce the impact on the environment and the amount of waste, Taishin organizes environmental/educational campaigns and promotes environmental conservation measures. All employees are encouraged to get involved in ensuring waste is sorted and resource are recycled and reused so that the entire workforce develops good habits at home and at work and makes best efforts to ensure environmental sustainability. In terms of products and services, Taishin embraces the rise of green finance and campaigns for a number of FinTech products and services in order to reduce paper and energy consumption.</div> <div>Examples of its efforts include issuing virtual credit cards and encouraging the switch to mobile statements. Taishin also encourage customers to use mobile banking services and online applications in order to make environmental conservation a part of business development and work with customers to achieve the goal of being an environmentally friendly bank.</div> <div>◆ Energy consumption at Taishin</div> <table><tr><th>Type of energy</th><th>Unit of consumption</th><th>2015</th><th>2016</th><th>2017</th><th>2018</th></tr><tr><td>Purchased electricit</td><td>kWh</td><td>43,860,252</td><td>43,305,065</td><td>42,336,996</td><td>44,864,147</td></tr><tr><td>Energy intensity</td><td>kWh/person</td><td>5,065.86</td><td>4,989.64</td><td>4,521.25</td><td>4,640.00</td></tr><tr><td>Gasoline</td><td>Liter</td><td>196,153</td><td>190,535</td><td>178,711</td><td>181,164</td></tr><tr><td>Diesel fuel</td><td>Liter</td><td>1,778</td><td>1,727</td><td>1,620</td><td>1,642</td></tr><tr><td>Natural gas</td><td>Liter</td><td colspan="4">No demand for natural gas</td></tr></table> <div>Note 1: Heat content conversion is based on the table "Heat Content of Energy Products" published by the Bureau of Energy of Ministry of Economic Affairs. Electricity (consumption) is converted at 860kcal/kWh, motor gasoline at 7,800kcal/L, and diesel fuel at 8,400kcal/L. Using the conversion factor from joule to calorie (4.186 kJ/kcal), power consumption in 2018 included 22,403 kWh from self-produced solar power.</div> <div>Note 2: The data above are based on existing statistics and extrapolated to Taishin FHC as a whole. Starting in 2017, apart from continuing the existing energy saving measures, Taishin installed energy efficient air conditioning units and lighting, and implemented projects such as replacement of existing light bulbs with LED light bulbs, change of controllers in air conditioning systems, and installation of new air conditioning units and UPS systems in server rooms to reduce energy consumption. In 2018, the percentage of energy saving is 1.18% at Taishin Tower and 1.82% at Neihu Building. Both buildings meet the 1% reduction target set by the Bureau of Energy of the Ministry of Economic Affairs.</div>	Type of energy	Unit of consumption	2015	2016	2017	2018	Purchased electricit	kWh	43,860,252	43,305,065	42,336,996	44,864,147	Energy intensity	kWh/person	5,065.86	4,989.64	4,521.25	4,640.00	Gasoline	Liter	196,153	190,535	178,711	181,164	Diesel fuel	Liter	1,778	1,727	1,620	1,642	Natural gas	Liter	No demand for natural gas				No deviation
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Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason																				
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(1) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	✓		<p>◆ Greenhouse gas emission at Taishin</p> <table border="1"> <thead> <tr> <th>Year Unit : tCO₂e</th><th>2015</th><th>2016</th><th>2017</th><th>2018</th></tr> </thead> <tbody> <tr> <td>Scope1 emission</td><td>580</td><td>1,660</td><td>1,559</td><td>1,271</td></tr> <tr> <td>Scope2 emission</td><td>21,719</td><td>21,822</td><td>21,366</td><td>23,759</td></tr> <tr> <td>Scope1 and Scope2 emissions</td><td>22,299</td><td>23,483</td><td>22,925</td><td>25,030</td></tr> </tbody> </table> <p>Note 1: The ISO 14064-1 standard for inventory quantification is used to establish operational boundaries by the concept of operational control. Greenhouse gas emissions include carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O). There is no biocarbon dioxide emission. Greenhouse gas emissions are calculated by IPCC 2007 global warming potentials (GWPs).</p> <p>Note 2: The disclosure of Scope 2 greenhouse gas emissions is location-based. The emission factor for electricity generation is based on the latest factor released by the Bureau of Energy of the Ministry of Economic Affairs prior to publication of the report.</p> <p>Note 3: Greenhouse gas emissions in Taishin Tower and Neihu Building in 2016 and 2017 have been verified by a third party. The results in 2018, except for those for the subsidiaries and overseas bank branches, have been verified by a third party.</p> <p>Note 4: Total emissions for Taishin FHC as a whole are extrapolated from domestic statistics.</p>	Year Unit : tCO ₂ e	2015	2016	2017	2018	Scope1 emission	580	1,660	1,559	1,271	Scope2 emission	21,719	21,822	21,366	23,759	Scope1 and Scope2 emissions	22,299	23,483	22,925	25,030	
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(2) Has the company developed an appropriate environmental management system, given its distinctive characteristics?	✓		<p>◆ In its formal organizational structure, The company has set up labor security and sanitation section, which adheres to the concept of "the premise for safety of environmental design and priority of precautionary measures, "in order to create a sanitary, safe, and healthy environment for Taishin Holding. The labor security and sanitation section is in charge of various tasks, including pushing of tobacco- hazard prevention law and maintenance of the quality of working environment via semiannual inspection of operating environment. (Note: The company's security measures include installing access control and security systems, as well as employing security guards in business premises. Workplace inspection is an inspection of carbon dioxide gas concentration and lighting in a workplace.)</p> <p>◆ Strategy for Climate Change The launch of its campaign to practice "Environmental Protection through Energy Saving" in 2009, Taishin has been urging its employees to support environmental efforts and make a habit of caring for the environment and conserving energy in their everyday life. In addition to actively implementing international standards such as the ISO50001 energy management system and the ISO14064-1 GHG inventory system, Taishin has been demonstrating its commitment to international standards by participating in the Carbon Disclosure Project since 2016.</p> <p>◆ Introduction of environment-related systems Taishin took the initiative to implement the ISO50001 energy management system in 2015. An energy baseline was established by energy review, measuring and monitoring, and a five-year (with 2014 as the base year) plan was created to set a long term energy saving goal of a 1% or more energy saving per year on average. In addition to continuing energy and cost saving measures and practices to encourage useful habits in the workplace, the company tries to incorporate a healthy corporate culture of economy into the everyday life. The goal is to encourage employees to be serious about environmental conservation and to follow energy saving practices at all times for the mutual benefit of commerce and nature. Energy management plans proven to be effective in 2017 included the adoption of energy saving air conditioning systems, lighting, and office equipment; the replacement of regular light bulbs by LED light bulbs; modified air conditioning system settings; the replacement of air conditioning units and UPS in IT server rooms and other measures that reduced energy consumption on an ongoing basis. As a result, Taishin attained dual certification for energy management systems from Taiwan Accreditation Foundation (TAF) and British Standard Institute (BSI) ISO 50001. In 2016, Taishin Holdings carried out the ISO 14064-1 greenhouse gas inventory plan in Taishin Tower and Neihu Office, two of the busiest office complexes. The company completed independent third party verification in early 2017. Greenhouse gas inventories were completed to monitor greenhouse gas emission. A number of energy saving, carbon reducing measures and related training courses were implemented to raise environmental awareness in the workplace. The goals were to reduce unnecessary emission and consumption and to encourage all employees to join the conservation effort to save energy and reduce carbon footprint.</p> <p>In 2018, the company took a step further and made plans to implement the ISO14001 environmental management system to identify potential impact of business activities on the environment and then proceed with management and improvement plans. The mission was to reduce the impact on the environment in all aspects and install ISO14064-1 throughout the bank in order to facilitate complete greenhouse gas inventories and ongoing performance improvement in the conservation effort.</p>	No deviation																				

Item	Operating status		Summary description	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No		
(3) Is the company aware of how climate changes affect its business activities? Are there any actions taken to measure and reduce greenhouse gas emission and energy use?	✓		For environmental protection and anti-global warming, Taishin has dedicated to the environmental protection and energy conservation. During summertime, it pushes "Cool Biz" event, asking employees to shed garment during office time, set air-conditioning temperature at 26 Celsius degrees and install solar panels on Neihu building. In line with the measures of Taiwan power, terminate the function of air conditioning irregularly and regularly check the contract power capacity of various office buildings. During off hours, control the use of elevators to one side at various buildings, to cut power consumption. Install T5 energy-saving lighting fixtures for office lighting and regional power circuit, to reduce power consumption and achieve the goal of environmental protection.	
3. Uphold public benefits				
(1) Has the company developed its policies and procedures in accordance with laws and the International Bill of Human Rights?			Taishin is committed to protection of human rights and values, compliance with the Universal Declaration of Human Rights, the International Labor Organization, the UN Guiding Principles on Business & Human Rights, and the Equator Principles, and adherence to the laws of Republic of China as well as local laws and regulations applicable to different offices. In addition to complying with the conventions and recommendations of the International Labor Organization (ILO) on prohibition of forced or compulsory labor, minimum age of admission to employment, regulation of working time, and weekly rest periods, Taishin devises reasonable work rules and employment guidelines in accordance with the Labor Standards Act, the Act of Gender Equality in Employment, the Employment Service Act and other labor laws promulgated by the competent authorities, and disclose same rules after they are filed with the competent authorities in order to protect the rights of its employees. For overseas offices, Taishin takes the same care to comply with local labor laws and regulations and to devise reasonable terms of employment to protect the rights of local employees. Furthermore, Taishin not only ensures equality in pay, employment policy, training and promotion, but also implements measures to protect female employees and creates a friendly workplace of equality. In addition, Taishin takes action to support international human rights regulations by releasing employment and human right protection statements on its private and public websites and providing real or virtual training courses and aims to raise awareness of human rights and gender equality in the workplace.	No deviation
(2) Does the company have means through which employees may raise complaints? Are employee complaints being handled properly?			The company has implemented mail boxes (physical and e-mail) and phone lines exclusively for processing employees' complaints. These complaints are handled by dedicated employee relations Offices.	No deviation
(3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	✓		The company has a safety and health policy in place that complies with relevant laws. The workplace is inspected twice a year, fire equipment and exits are serviced yearly, and public safety is inspected every two years. First-aid kits, certified medical staff, as well as health and safety supervisors have been deployed throughout the business premises. With regards to regular health checks, the company offers benefits that exceed legal requirement standards, and subsidizes health checkups once every two years for general staff and once per year for managerial staff. In terms of training, new employees will be made to complete occupational health and safety training when joining the company, whereas existing employees need to be re-trained once a year. For effective workplace inspection, indoor carbon dioxide concentration and illumination are checked every six months to ensure those working on the premises are not exposed to hazards over the limits. The company also continues to campaign for a smoke free workplace by prohibiting smoking on all premises for all employees and business partners. The occupational health and safety courses also serve to raise awareness of the Tobacco Hazards Prevention Act and the company's no-smoking policy.	No deviation
(4) Does the company have channels to communicate with employees on a regular basis, and inform them of operational changes that may be of a significant impact?			The company has appointed representatives as required by law to hold regular employer-employee meetings. In addition, it makes announcements at quarterly morning assemblies and details of internal communication onto the intranet to keep employees informed of management decisions that may be of significant impact to them. Meanwhile, employee mail boxes and hotlines have been made available as a private means to express opinions.	No deviation
(5) Has the company implemented an effective training program that helps employees develop skills over the course of their career?			New recruits are given a complete orientation upon arrival; Subsequently, each division will arrange respective courses and training that employees are expected to attend. For career development, the company has an individual development program (IDP) and a training credit system that employees may utilize to improve the skills required.	No deviation

Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No	Summary description	
(6) Has the company implemented consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities?			<p>The company embodies subsidiaries involved in different business activities such as banking, securities, investment trust, and investment consultancy. We adopt stringent practices to protect consumers'/customers' information when offering products to them. Necessary confidentiality measures have been taken to ensure the security of all consumers'/customers' information. Subsidiary - Taishin Bank has an entire chapter in its internal operations manual dedicated to confidentiality and protecting consumers' and customers' interests. All loan agreements have been drawn up according to the authority's standard terms, guidelines and the Consumer Protection Law, which state clearly all rights and obligations between the counterparties.</p> <p>The company has set up a consumer protection system supported by grievance procedures and a complaint department specialized in handling such affairs. They serve as channels through which consumers may communicate about products and services offered by the company.</p> <p>Below are the relevant disclosures:</p> <p>◆ Dedicated around-the-clock customer service line:</p> <p>◆ (02) 2655-3355</p> <p>Head office dedicated customer complaint line:</p> <p>(02) 2700- 3166 and 0800-079-885, Business hours</p> <p>Monday to Friday 09:00-12:00, 13:30-17:30</p> <p>◆ Fax Number for Complaints:(02) 5571-9396</p>	No deviation
(7) Has the company complied with laws and international standards with regards to the marketing and labeling of products and services?			The company has implemented Advertising, Solicitation and Promotion Policies to guide its operations since December 2011 based on the authority's "Guidelines on Advertising, Business Solicitation and Promotion for Financial Service Providers" introduced in Letter No. Financial-Supervisory- Law-10000707321.	No deviation
(8) Does the company evaluate suppliers' environmental and social conducts before commencing business relationships?	✓		<p>For the selection of suppliers and public bidding for various procurements, the company follows the "measures governing procurement and supplier management," so as to assure products have stable quality and meet the requirements.</p> <p>Regarding the selection of suppliers in major procurement projects, the Company may take into consideration a supplier's promise and fulfillment of its CSR commitments. In addition, the Company may ask suppliers to complete a self assessment questionnaire to provide a basis for evaluation. Only suppliers that conform with requirements can be certified and registered to provide services or products to the company. The company has implemented a set of "Supplier Management Guidelines" to make sure that suppliers do comply and fulfill their corporate social responsibilities for the benefit of stakeholders. Meanwhile, priority will be accorded to local suppliers in order to avoid resources being wasted on transportation.</p> <p>When choosing suppliers, the company would take into consideration whether the prospect has duly complied with the Labor Standards Act particularly with regards to child labor, forced labor, work hours, compensation, discrimination, freedom of association, and negotiation. Health and safety have also been included as part of the assessment criteria. In addition to the above, suppliers are also evaluated on how their business activities impact the society and the environment, as well as the moral guidelines and risk management policies they have adopted.</p>	No deviation
(9) Is the company entitled to terminate the supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts to the environment or the society?			The Company has implemented a set of "Supplier Management Guidelines" to ensure that suppliers do comply and fulfill their corporate social responsibilities. Procurement contracts now include a Supplier's Declaration clause that require suppliers sign a CSR Declaration. Suppliers will be required to sign a CSR Declaration upon entering into a new contract or exchanging contracts in order to ensure suppliers' fulfillment of corporate social responsibilities in terms of worker respects ,law compliance, and environmental- friendly and sustainable production, which are all taken into consideration when the company is evaluating or auditing a particular supplier.	No deviation
4. Intensified information disclosure				
Has the company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	✓		The company has created a CSR section on its website, where related activities and progresses have been disclosed. The CSR report has also been made available at the company's website and MOPS, where employees, customers, shareholders and the general public may download to learn about non-financial aspects of the company.	No deviation
5. Description of deviation of the self-made guidelines for corporate social responsibilities from the "Guidelines for corporate social responsibilities of listed firms" : No deviation.				

Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No	Summary description	
6. The key information conducive to the understanding of the operation of corporate social responsibility: The company as a financial institution, is devoted to fulfilling its corporate social responsibility. It coordinates and combines resources from its subsidiaries, and has for years been offering support in areas including charities, arts and culture, sport sponsorship, and financial education. As a responsible corporate citizen, Taishin Bank tries to give back to the community and to support the disadvantaged. a. Charity and Welfare: 1. "Caring Taiwan" series: "My One Acre of Farm" for corporations and "My Family's One Acre of Farm" for households helped bring Taiwanese rice into households. Taishin Holdings purchased more than 152 units and funded close to 76 hectares of paddy field. It gave away more than 70,000 rice gift boxes, and as a result, more than 10,000 clients and employees consumed close to 266,000kg of premium Taiwanese rice. The total investment reached NT\$27.27 million. 2. Your Ballot Decides the Strength of Love: Total of 806 organizations benefited from the donations over the eight years. The charity fund has reached a cumulative total of NT\$168.36 million. b. Arts and Culture Development 1. Contemporary art: The Taishin Bank Foundation for Arts and Culture organizes the Taishin Arts Award for the purpose of following development of contemporary art in Taiwan. It supports and rewards creativity and development in visual art, performance art, and interdisciplinary arts. 55 winners have received the award and more than NT\$46 million in prize money over the last 17 years. Furthermore, the first floor lobby of Taishin Tower has provided the venue for a total of 63 arts exhibits up to and including 2018. The number of visitors to the professionally designed website, dedicated to promote modern art, has reached 1.8 million by the end of 2018. Its contents guide the audience to ponder modern culture phenomenons. 2. Arts and cultural events The Lunchtime Concerts, which started in 2006, take place 23 to 25 times a year. The concerts welcomed close to 7,000 people a year in the last three years. A total of 284 concerts have taken place so far. Taishin has invested close to NT\$215 million in arts and cultural sponsorships in Taiwan since 2006. The events together attracted 5.67 million participants. 3. Employee arts courses "Employee arts courses" have been introduced with themes ranging from arts appreciation, theatrical performance, parental activities, to human culture. A total of 20 arts courses were organized in 107 to a total participant count of 566. These arts courses help Taishin employees develop cultural quality and character, whereas exposure to contemporary arts and aesthetics also inspires creative thinking. c. Sports sponsorship It started supporting the Nantou Teenage Karate Team in 2008 (calling upon its customers through PayEasy, to join the campaign and raising more than NT\$85 million in small donations/receipts). Its sponsorship for female professional golfers has reached NT\$100 million since 2011. Taishin started sponsoring a wider range of projects, including basketball, baseball, marathons, and gaming, in 2017. d. Academic exchange Having created the "Peking University Cross-strait Academic Fund", Taishin has invited 56 professors and students from Peking University to engage and share their ideas with their counterparts in Taiwan. Meanwhile, Taishin offered 319 off-campus professional trainee openings and internships for students in 2018. As part of its commitment to the community and talent development, Taishin offers scholarships and summer internships for National Taiwan University students from financially disadvantaged backgrounds. Furthermore, Taishin teamed up with National Sun Yat-sen University and launched the Financial Innovation Masters Program in 2017. For more details of the operation of corporate social responsibility, please refer to Chapter Five - Business Overview, section "E. Corporate Responsibility and Ethical Behaviors" in P.115.				
7. Description of corporate social responsibility report which have been certified by international certification bodies: Taishin Holdings prepared its latest CSR report in accordance with the latest GRI Standards released by the Global Reporting Initiative (GRI). The report received British Standards Institution (BSI) AA1000 Type 2 accountability principles and performance information certification in May 2019. By having the report certified, Taishin Holdings improved the credibility and transparency of sustainability information, and made itself one of the first financial institutions to introduce sustainability into business activities. The independent assurance statement is disclosed in the company's 2018 CSR Report.				

g. Status of the company in fulfilling management of integrity and measures

Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	no	Summary description	
1. Policies and schemes established to ensure business integrity				
(1) Has the company stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment?	✓		For the purpose of developing an ethical management culture and sound business practices, Taishin FHC has established the "Ethical Corporate Management Best Practice Principles" as part of the implementation of its core values, "integrity, commitment, innovation and cooperation". The principles demonstrate Taishin FHC's ethical corporate management policy and methods as well as the commitment of the board of directors and management team to effective business strategy implementation.	No deviation
(2) Does the company have any measures in place against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?			The Company adheres to its core values of "Integrity, Commitment, Innovation, and Cooperation" and observes the "Ethical Corporate Management Best Practice Principles" established by itself. In addition, the Company has fully implemented all relevant guidelines for preventing dishonest conduct, including operational procedures, code of conduct, disciplinary rules, and employee grievance systems. The personnel review committee handles disciplinary actions and complaints to ensure ethical management.	
(3) Has the company taken steps to prevent against occurrences listed in Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" or business conducts that are prone to			To ensure full implementation of the "Ethical Corporate Management Best Practice Principles", the company has established relevant codes of conduct and prevention measures for business activities that are more likely to involve dishonest conduct, e.g., offering or taking of bribes; making illegal political donations, inadequate sponsorship or charity donations; and providing or receiving improper gifts, treatments, or other unjustified benefits. The company establishes guidelines for filing complaints against illegal and unethical conduct under the Employee Code of Conduct, which is disclosed on the corporate website in the corporate governance/internal guidelines section at: https://www.taishinholdings.com.tw/Investors/Investors_11_2.jsp	
2. Implementation of integrity management				
(1) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	✓		For the selection of suppliers and public bidding for various procurements, the company follows the "measures governing procurement and supplier management," so as to assure products have stable quality and meet the requirements. Suppliers meeting the conditions can undertake evaluation and register as the company's qualified suppliers to provide services or products to the company.	No deviation
(2) Does the company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis?			<div>1. The company, pursuant to Article 6 of the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries, has established legal compliance systems and designated the compliance division to handle the planning, management, and execution of all issues related to compliance and other matters pertaining to ethical corporate management. The compliance division also reports to the audit committee and the board of directors at least once every six months on matters pertaining to compliance and ethical corporate management. In addition to empowering the compliance division for the establishment, implementation and execution of the compliance policy, a compliance officer has been assigned to every unit within the company to promote employee awareness of financial regulations and business integrity. The presence of compliance officers helps improve the fairness and transparency of the company's financial activities, while ensuring that business practices are carried out in a manner that complies with laws.</div> <div>2. Taishin ensures effective implementation of the ethical management policies. Details of the practices in 2018 are as follows: <div>(1) Training and education Product illustrations and promotional literature for financial products have to be checked by the compliance department to ensure compliance with the disclosure requirements under the applicable laws and regulations. Training on fair treatment of customers, ethical corporate management principles, and whistleblowing policies are provided regularly to reinforce the awareness and knowledge of compliance and fair treatment of financial consumers. Courses on fair treatment of customers, ethical corporate management principles, and whistleblowing policies were provided to 7,517 participants between October 2018 and December 2018. The compliance department will include important information to prevent unethical management practices in offline courses on "prohibition of concurrent employment and avoidance of conflicting interests", "gifts and entertainment policy", and "protection of intellectual property rights" during orientation for new employees.</div><div>(2) Compliance campaign The departments raise awareness regularly through compliance case studies of penalties imposed by the competent authorities. The contents include violation of the law in unethical behaviors for financial institution employees and recommendations for future internal audit and control practices. Details of the campaigns are emailed to the appropriate departments to reiterate important rules to observe in business activities.</div><div>(3) Communication channels Employees are able to give feedback to the management and other departments through a range of open channels. Taishin discloses its ethical corporate management policy and practice on the corporate website and in the annual reports and other published documents on a voluntary basis.</div></div>	

Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	no	Summary description	
(2) Does the company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis?			<p>(4) Regular inspection Corruption related risks in the operations and business activities conducted by the departments are assessed. The sales management departments perform semiannual self audits to effectively monitor the operations and enforce the rules. The audit department performs independent audits to maintain the integrity of the organization as a whole. The departments work together to manage business activities and prevent unethical behaviors. The compliance risk assessment for the banking subsidiary in 2018 listed "conflict of interest" and "anti-bribery/corruption" as the key items. Areas regarding "existing risks" and "control measures" were inspected to assess the effectiveness of Taishin's control measures against unethical corporate management practices.</p> <p>(5) Reporting procedures and whistleblower protection Taishin has implemented the Taishin FHC Whistleblowing Policy to establish the whistleblowing channels and procedures. All reports are handled and investigated by dedicated units. Any person who discovers crime, fraud or violation are entitled to report misconduct according to the system. Taishin's whistleblowing policy states explicitly that the following measures should be taken to protect whistleblowers.</p> <ol style="list-style-type: none"> 1. The identity of the whistleblower shall be kept confidential. Information sufficient to identify a person shall not be disclosed. 2. Taishin shall not take any report made by a whistleblower and use it against said whistleblower as cause for dismissal, discharge, demotion, pay reduction, damage to the rights to which said whistleblower is entitled by law, contract, or convention, or any other detrimental treatment. <p>The banking subsidiary received a total of one report in 2018. It did not involve criminal, corrupt, or illegal banking activities or provide any contact information. Therefore, the case was dismissed.</p>	
(3) Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?			The company establishes guidelines for avoiding conflict of interest under the Employee Code of Conduct, and has reporting channels in place to accept verbal, written or electronic reports of violations.	
(4) Has the company implemented effective accounting and internal control systems for maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?	✓		<p>Accounting System and Internal control system</p> <p>◆ Accounting System The company's accounting policies were established in accordance with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies," laws, and generally accepted accounting principles. These accounting policies have been designed to record the company's business activities, and to present the company's financial and business performance in ways that are consistent with laws and generally accepted accounting principles, thereby achieving effective internal supervision and reflecting financial status and operational results so as to serve as a reference in strategic decisioning.</p> <p>◆ Internal control system The company's internal control system has been created in accordance with Article 51 of the "Financial Holding Company Act" and Article 6 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and holding Industries." The system embodies five major principles:</p> <ul style="list-style-type: none"> • To enable a corporate culture of management supervision and control. • To facilitate risk identification and assessment. • To control activities and segregate duties. • To facilitate information sharing and communication. • To monitor and improve business activities. <p>The company has appropriate policies and operating procedures in place to guide its operations. Its rules of organization, management principles, business guidelines and manuals are amended whenever deemed necessary. The company's Audit Division has implemented a set of self-audit and assessment guidelines. It also supervises self-audit practices regularly within the company. The internal control system of Taishin Securities is based on regulations including Article 2 of the Regulations Governing Securities Firms, Article 9 of the Regulations Governing the Operation of Futures Introducing Broker Business by Securities Firms, and the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets. The system consists of management processes designed by the managers, passed by the Board of Directors, and implemented by the Board of Directors, managers, and other employees for purpose of promoting sound operations of the company, so as to reasonably ensure that the following objectives are achieved:</p> <ul style="list-style-type: none"> ◆ Effectiveness and efficiency of operations. ◆ Reliability, timeliness, transparency, and regulatory compliance of reporting. ◆ Compliance with applicable laws, regulations, and by laws. <p>The system comprises the following constituent elements:</p> <ul style="list-style-type: none"> ◆ Control environment. ◆ Risk assessment. ◆ Control activities. ◆ Monitoring activities. <p>Individual units will implement regulations and guidelines accordingly and conduct regular self assessments. The units also cooperate with the internal audit unit in completing regular audits.</p>	No deviation

Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	no	Summary description	
(5) Does the company organize internal or external training on a regular basis to maintain business integrity?	✓		Each year, the Company arranges regular or ad hoc training courses on corporate governance for its directors, supervisors, risk management, accounting/finance staff and auditors. Mandatory courses for new employees include corporate ethics, financing regulations and code of conduct, etc. In 2018, 100% of the workforce attended courses on ethical corporate management or related topics. In total, 21,746 people finished their training in 30,265.35 hours.	No deviation
3. Reporting of malpractice				
(1) Does the company provide incentives and means for employees to report malpractices? Does the company assign dedicated personnel to investigate the reported malpractices?	✓		Taishin has implemented the Taishin FHC Whistleblowing Policy to establish the whistleblowing channels and procedures. All reports are handled and investigated by dedicated units. Any individual in or outside the company who discovers any potentially criminal, corrupt, or illegal conduct may report the case by following the whistleblowing procedures. A report may be filed by any of the following means: 1. By mail: Whistleblowing Mailbox, No. 118, Section 4, Renai Road, Taipei City 2. By E-mail: whistling@taishinholdings.com.tw 3. By telephone: (02)2325-6076	No deviation
(2) Has the company implemented any standard procedures or confidentiality measures for handling reported malpractices?			All reports that Taishin receives should be investigated by the appropriate units as stated in the investigation procedures. The identity of the whistleblower should be kept strictly confidential. No information sufficient to identify the whistleblower may be released.	
(3) Does the company assure employees who reported on malpractices that they will not be prosecuted for making such reports?			Taishin's whistleblowing policy states explicitly that the following measures should be taken to protect whistleblowers. 1. The identity of the whistleblower shall be kept confidential. Information sufficient to identify a person shall not be disclosed. 2. Taishin shall not take any report made by a whistleblower and use it against said whistleblower as cause for dismissal, discharge, demotion, pay reduction, damage to the rights to which said whistleblower is entitled by law, contract, or convention, or any other detrimental treatment.	
4. Strengthen information disclosure				
Has the company disclosed its integrity principles and progress onto its website and MOPS?	✓		Taishin holdings is a listed company (stock code No.2887), discloses its latest information on the Market Observation Post System of Taiwan Stock Exchange, and regularly files report on related financial figures. The "Taishin Financial Holding Co., Ltd. - Ethical Corporate Management Best Practice Principles" are accessible through MOPS & as follows: http://www.taishinholdings.com.tw/Investors/Investors_11_2_.jsp	No deviation
5. Description of deviation of the self-made guidelines for integrity management from the "Guidelines for corporate integrity management of listed firms": No deviation.				
6. Other key information conducive to the understanding of the implementation of integrity management: None.				

Note 1: Provide details in the comments regardless of the answer to Practices.

Note 2: "Reasons for deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" are optional to financial holding companies that are not exchange or OTC listed.

Note 3: "Reasons for deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" are optional to banks that are not exchange or OTC listed.

h. The company with corporate-governance guidelines and related regulations must disclose their methods for inquiry

Please refer to the company's website at <http://www.taishinholdings.com.tw> or Taiwan Stock Exchange at <http://mops.twse.com.tw>.

i. Other important information conducive to the understanding of the corporate governance of the company

Please refer to the explanation of item d "Status of the Holding's corporate governance and its deviation from the guidelines for the practical corporate governance of the holdings industry and reasons."

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>

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

k. Irregularities bringing penalties to the financial holding firm and its subsidiaries in the recent years and rectifications in recent two years and as of the date of the publication of the annual report

	Cases and values	Status of improvement
1. Indictment of executives or staffers by prosecutors for job-related crimes.	None	None
2. Fines inflicted by Financial Supervisory Commission (FSC) for violation of laws/ regulations	<p>Taishin Bank</p> <p>(1) The case involved misconduct in insurance brokerage services, for which Taishin was given a 1-month notice for improvement and fined NT\$200,000 by the Financial Supervisory Commission under Letter No. Financial-Supervisory-Insurance-Comprehensive-1080456062 dated January 7, 2019.</p>	<p>1. Taishin has reinforced training on investment-linked insurance products, and implemented a new risk disclosure statement for more effective disclosure on risks involved in investment-linked insurance products.</p> <p>2. Taishin has strengthened signatory training. Random checks are performed on statements on the day and the results recorded.</p> <p>3. Multiple smaller insurance policies to disguise large purchases and policies paid by third parties and motives behind such policies will be examined more closely and be subject to stricter underwriting standards.</p>
	<p>(2) The case involved failure to report large commodity transactions, for which Taishin was fined NT\$1 million by the FSC under Letter No. Financial-Supervisory-Banking-Control-10702232741 dated February 26, 2019.</p>	<p>1. The transactions have been filed and all other records of the bank checked by February 2018.</p> <p>2. An auto check feature was added to the Large Transaction Approval System on January 11, 2018.</p> <p>3. Taishin continues to provide training and raise awareness on an ongoing basis, and has included the requirement in the self-assessment and checklist.</p>
3. Defects being rectified by the FSC	<p>1. Taishin Bank</p> <p>(1) This case involved errors in the KYC procedure after fund subscriptions, for which the bank was corrected by FSC under Letter No. Financial-Supervisory-Banking- Control-10500312860 dated 2017.01.23.</p>	The KYC Personal Information Form has been modified to require customers provide full details and confirm with signature. Transaction verification results will always be checked for consistency with customer requests.
	<p>(2) This case involved small loan related misconduct, for which the bank was corrected by FSC under Letter No. Financial- Supervisory-Banking- Control-10500229260 dated 2017.01.23.</p>	Inspection mechanisms have been implemented, and the appropriateness of the loan procedures and their management as well as the risk management mechanisms for different products have been reviewed.
	<p>(3) This case involved misconduct in loans to Ting Sing Trading or its affiliates, for which the bank was corrected by FSC under Letter No. Financial-Supervisory-Banking- Control- 1050029666E dated 2017.02.09.</p>	Effective KYC is reiterated in the credit check procedures to prevent similar incidents.
	<p>(4) The company was given a warning for misconduct in the derivative business by the FSC under the Letter No. Financial-Supervisory-Banking- Control-10660002221 dated June 1, 2017.</p>	<p>1. Failure to provide financial statements was reiterated in the letter dated in April 2017.</p> <p>2. Employee training was reinforced regarding irregularities in board meeting minutes and compliance with the internal credit administration notice.</p>
	<p>(5) Taishin D. A. Finance Co., Ltd., a subsidiary of Taishin Holdings, was given a warning for failure to implement effective supervisory and managerial mechanisms by the FSC under the Letter No. Financial-Supervisory-Banking- Control-10600053500 dated June 5, 2017.</p>	Improvement of irregularities identified in the financial examination, business models and plans to improve losses were reviewed by the board of directors. In the event of significant deterioration of financial or business conditions, the bank will follow the proposed plans for improvement and monitor their execution.
	<p>(6) The company was given a warning for inadequacies in derivative operations and anti-money laundering and counter terrorist financing systems and related managerial mechanisms by the FSC under the Letter No. Financial- Supervisory-Banking- Control-10600109940 dated November 3, 2017.</p>	<p>1. The risk assessment guidelines for structured products were amended in November 2016.</p> <p>2. Improvement of irregularities in AML/CTF operations:</p> <p>(1) A full-time AML unit was created on January 1, 2017 and charged to make semiannual reports on "AML/CTF assessment" to the board of directors.</p> <p>(2) New patterns of suspected money laundering and terrorism financing were inspected individually, and the authorized users were entered into the AML reporting system in December 2017.</p> <p>(3) Education and training were provided and the local offices were required to provide details on client identity and transaction history in order to verify and determine reasonableness.</p>

	Cases and values	Status of improvement
3. Defects being rectified by the FSC	2. Taishin Securities Regarding errors identified in a general audit by the Financial Examination Bureau of FSC, Taishin was given a notice for improvement by the FSC under the Letter No. Financial-Supervisory-Securities-1070320292 dated July 4, 2018.	The business units have corrected the errors.
	3. Taishin Securities Investment Trust The company was given a warning for failure to take reasonable measures to verify ultimate beneficial owners of corporate clients and find out if they issued bearer stocks and for failure to implement review and monitoring procedures for persons involved in negative media coverage by the FSC under the Letter No. Financial-Supervisory-Banking-Control-1070303707 dated February 8, 2018.	1. Reasonable measures were taken to verify ultimate beneficial owners of institutional clients and find out if they issued bearer stocks. 2. Procedures were implemented to check media coverage on extraordinary events and monitor such events to determine if they needed to be reported.
4. Penalized by the FSC according to item 1, article 54, of the law	Nil	Nil
5. For individual or combined loss exceeding NT\$50 million in value which results of personnel corruption, major incidents (fraud, burglary, embezzlement and stealth of assets, fraudulent transaction, forged certificates and securities, collection of feedback, damage of natural disaster, damage of external force, hacker attack and stealth of information, and leakage of confidential business and customer information) or security incidents resulting from failing to abide by guidelines for security maintenance of financial institutions, disclose its nature and loss amount.	Taishin Bank A material contingency was reported on November 1, 2018. A financial advisor at Xinzhuang Branch was found to have embezzled funds from customers. (Note: The actual amount is still being investigated.)	1. Taishin has strengthened control measures on counter transactions in which customers are not present, monthly statements, and employee conduct supervision. 2. A control mechanism has been added to the in-branch foreign currency withdrawal process. 3. Measures are being considered to check for irregular cash flows in the personal accounts of Taishin employees.
6. Other items mandated by the FSC for disclosure	Taishin Securities The company, as the lead underwriter of the 7th secured convertible corporate bond issued by Supreme Electronics Co. Ltd., was given a warning for working with Far Eastern International Bank in placement by the FSC under the Letter No. Financial-Supervisory-Securities-1060015774 dated June 14, 2017.	The company ordered that employees should be prohibited to give client lists or promise shares to buyers. The company also reiterated that the allocation would be decided strictly in accordance with the company's rules.

I. Major resolutions of the shareholder's meeting and the board of directors in the recent year and as of the date of the publication of the annual report.

1. Key resolutions of the 2018 annual general meeting (dated 2018.06.08) and execution progress

Agenda	Result	Implementation status
1. Acknowledged the company's 2017 business report and financial statements.	Voted and acknowledged as proposed.	The documents and reports have been disclosed and filed with the competent authority in accordance with the Company Act and the Securities and Exchange Act.
2. Acknowledged the company's 2017 earnings distribution.	Voted and acknowledged as proposed.	The record date was set on August 28, 2018 and the payment date (NT\$0.54 per share in cash) on September 14, 2018.
3. Discussion new issuance of common shares from earnings.	Voted and acknowledged as proposed.	The record date was set at August 28, 2018 and the payment date (NT\$0.44 per share in cash) at September 14, 2018.
4. Discuss changes to the Company's "Articles of Incorporation"	Voted and acknowledged as proposed.	The changes have been approved by the Minister of Economic Affairs on July 19, 2018 and published on the company's website.
5. Election of 7th board of directors	List of elected directors: Chia Hao Co., Ltd. Representative : Wu, Tong-Liang, TASCO Chemical Co., Ltd. Representative : Wu, Cheng-Ching, Hsiang-Chao Co., Ltd. Representative : Kuo, Jui-Sung, Santo Arden Co., Ltd. Representative : Wang, Chu-Chan. List of elected independent directors: Lin, Yi-Fu 、Chang, Min-Yu 、Kuan, Kuo-Lin.	Registration has been approved by the Ministry of Economic Affairs on July 19, 2018.
6. Proposal to remove involvement in competing businesses for the 7th board of directors	Voted and approved as proposed.	Nil

2. Major resolutions of the board of directors in 2018

- 2018.02.01 Passed subscription to all 127,190,000 new ordinary shares issued by the subsidiary Taishin Venture Capital.
- 2018.02.01 Passed subscription by the subsidiary Taishin Venture Capital to all US\$10 million in registered capital increase for Taishin Financial Leasing (China).
- 2018.02.22 Passed the 2017 consolidated financial statements.
- 2018.02.22 Passed distribution of directors' remuneration and employees' remuneration for 2017.
- 2018.02.22 Passed the appointment of Daniel Tsai as the Chief Auditor.
- 2018.03.20 Passed the convening of the 2018 annual general meeting on June 8, 2018 (including Class D and Class E preferred shareholders).
- 2018.03.29 Passed the appointment of Eric Chien as the Chief Investment Officer.
- 2018.03.29 Passed the application to issue the first unsecured subordinated corporate bond up to a total of NT\$7 billion in Taiwan in 2018.
- 2018.03.29 Passed the reappointment of institutional director representative to the 5th board of directors of Taishin Venture Capital.
- 2018.04.12 Passed the appointment of Carol Lai to chief financial officer and deputy spokesperson.
- 2018.04.12 Passed nominations for election of the 7th board of directors (and independent directors).
- 2018.04.26 Passed the 2017 business report and the 2017 earnings distribution proposal, and paid cash dividends from capital surplus.
- 2018.04.26 Passed the partial amendments to the "Articles of Incorporation."
- 2018.04.26 Passed the proposals to the shareholders meeting to elect the 7th board of directors, to remove involvement in competing businesses for the 7th board of directors, and to review the qualifications of director/independent director candidates.
- 2018.04.26 Passed 100% subscription of common shares in Taishin Bank issued by the subsidiary in a private placement.
- 2018.05.24 Passed the amendment to the "Organizational Charter".
- 2018.05.31 Passed amendment of the Risk Management Policy, the Organizational Rules for the Audit Committee, and the Compliance System.
- 2018.06.14 Passed 100% subscription of common shares in Taishin Bank issued by the subsidiary in a private placement.
- 2018.06.21 Passed the appointment of directors and supervisors to the 11th board of directors of Taishin Bank.
- 2018.06.21 Passed the appointment of directors and supervisors to the 6th board of directors of Taishin Venture Capital.
- 2018.07.02 Elected Mr. Wu, Tong-Liang as the 7th chairman.
- 2018.07.02 Passed the appointment of members to the 4th Remuneration Committee.
- 2018.07.26 Passed the 2018 cash issue of 500,000,000 Class E registered preferred shares.
- 2018.08.30 Passed 100% subscription of common shares in Taishin Bank issued by the subsidiary in a private placement.
- 2018.08.30 Passed the establishment of the "whistleblowing system".

2018.09.27	Passed the amendment to the "Organizational Charter".
2018.09.27	Passed the appointment of Vincent Tsai to head of the Performance Management Division and accounting officer. His predecessor, Ann Cheng was relieved of her duties on the same day.
2018.11.22	Passed subscription to all new ordinary shares issued by the subsidiary Taishin Asset Management Co., Ltd.
2018.11.22	Passed subscription to all new ordinary shares issued by the subsidiary Taishin Venture Capital Investment Co., Ltd.
2018.11.22	Passed the amendments to the "Corporate Governance Code of Conduct".
2018.11.22	Passed the application to change the Company's domicile address.
2018.12.06	Passed 100% subscription of common shares in Taishin Bank issued by the subsidiary in a private placement.
2018.12.06	Passed amendment of the "Accounting Policy".
2018.12.27	Passed the full early redemption of outstanding Class D preferred shares issued by private placement and corresponding share cancellation.

3. Major resolutions of the the board of directors on 2019

2019.01.17	Passed 100% subscription of common shares in Taishin Securities issued by the subsidiary in a private placement.
2019.02.21	Passed the 2018 consolidated financial statements.

m. Different opinions of directors or supervisors on record or in written statement on major resolutions passed by the board of directors in the recent year and as of the date of the publication of the annual report: None.

n. Statement (regarding chairman, president, financial chief, accounting chief, and internal chief auditing) in the recent year and as of the date of the annual report publication :

Title	Name	Employment Start Date	Employment End Date	Reason for Resignation or Dismissal
President	Joseph Jao	2012.01.02	2018.01.01	Job adjustment
Chief Auditor	Howard Wu	2010.04.29	2018.03.01	retirement
Chief Accounting Officer	Ann Cheng	2005.09.05	2018.10.01	retirement

D. Information on CPA's fee

Name of accounting firm	Name of CPA		Audit period	Note
Deloitte & Touche	Tza-Li Gung	Kwan-Chung Lai	2018.01.01~ 2018.12.31	None

Note: If there is any change of CPA or CPA firm during the year, please specify the duration of their services separately and state the reason for making the change in the remarks field

Amount bracket		Items of fee	Auditing fee	Non-auditing fee	Total
1	Under NT\$2M			✓	
2	NT\$2M(inclusive)~NT\$4M				
3	NT\$4M(inclusive)~NT\$6M		✓		
4	NT\$6M(inclusive)~NT\$8M				✓
5	NT\$8M(inclusive)~NT\$10M				
6	Over NT\$10M				

Name of accounting firm	Name of CPA	Auditing fee	Non-auditing fee					Whether the auditing covers the entire fiscal year or not (Note1)	Note
			System design	Business registration	Human resources	Others (Note2)	Sub-total		
Deloitte & Touche	Tza-Li Gung	5,810						2018.1.1 ~ 2018.12.31	Non-audit remuneration - "Other" mainly comprises of charges for the preparation of the corporate social responsibility report and new issuance of common shares from earnings project, issuance of Class E preferred shares, and review of unsecured subordinated bonds
	Kwan-Chung Lai			510		920	1,430		

Note 1: If the bank makes any change of CPA or CPA firm during the year, please specify the duration of their services separately and state the reason for making the change in the remarks field. Any audit and non-audit remuneration paid to CPAs should also be disclosed separately.

Note 2: Non-audit remuneration should be listed separately by service category. If the "Other" category amounts to 25% of total non-audit remuneration, the details of services rendered must be specified in the remarks column.

- a. Replacement of accounting firm and the auditing fee for the replacement year decreases from the previous year which requires mandatory disclosure of the auditing fees of the two years and pro-vision of reasons: Not applicable.
- b. Auditing fee decrease over 15% from the previous year which requires mandatory disclosure of the reduction amount, percentage, and reason: Not applicable.

E. Replacement of CPA:

a. Concerning former CPA

Replacement date	Not applicable		
Reason for replacement and explanation	Not applicable		
Explain consigner or termination or refusal of consignment by CPA	Status of related parties	CPA	Consigner
	Active terminate consignment	Not applicable	Not applicable
	Refusal to accept (continue) consignment	Not applicable	Not applicable
Certification auditing report other than report without reserved opinions in the recent two years and reason	Not applicable		
Existence of different opinions with the bank	Yes	Not applicable	Accounting principle or practical affairs
		Not applicable	Disclosure of financial report
		Not applicable	Auditing scope or procedure
		Not applicable	Others
	No	Not applicable	
Explanation: Not applicable			
Other disclosed items (Items which should be disclosed according to item 5-1-4, article 10 of the criteria)	Not applicable		

- b. Concerning succeeding CPA: Not applicable.
- c. Reply of former CPA to item 5-1 and item 5-2-3, article 10 of the criteria: Not applicable

F. Chairman, presidents, and financial or accountant managers who served at the accounting firm of the CPAs or its affiliates within the recent year: None.

G.Changes in shareholding transfer or shareholding pledge by directors, supervisors, or managers, and all parties that are subject to reporting under Article 11 of Regulations Governing the Ownership of the Holding by Single Individuals or Stakeholders, in the recent year and as of the date of the publication of the annual report.

a. Changes in shareholdings

Unit: share

Title	Name	2018				As of Feb. 28, 2019			
		Common Shares		Preferred Shares		Common Shares		Preferred Shares	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Director	Chia Hao Co., Ltd	743,838	0	365,748	0	0	0	0	0
Representative (Chairman)	Wu, Tong-Liang	449,365	0	220,954	0	0	0	0	0
Director (Major shareholder)	TASCO Chemical Co., Ltd.	74,418,073	0	3,731,280	0	10,576,000	0	0	0
Representative	Wu, Cheng-Ching	0	0	0	0	0	0	0	0
Director	Hsiang-Chao Co., Ltd.	380,089	0	186,891	0	0	0	0	0
Representative	Kuo, Jui-Sung	25,817	0	0	0	0	0	0	0
Director	Santo Arden Co., Ltd.	849,218	0	122,100	0	0	0	0	0
Representative	Wang, Chu-Chan	466,099	0	0	0	0	0	0	0
Independent Director	Lin, Yi-Fu	0	0	0	0	0	0	0	0
Independent Director	Chang, Min-Yu	0	0	0	0	0	0	0	0
Independent Director	Kuan, Kuo-Lin	0	0	0	0	0	0	0	0
President	Welch Lin	188,835	0	0	0	0	0	0	0
Chief Auditor	Daniel Tsai	0	0	80,412	0	0	0	0	0
Chief Financial Officer	Carol Lai	61,187	0	0	0	0	0	0	0
Chief Investment Officer	Eric Chien	0	0	0	0	0	0	0	0
Chief Information Officer	Steve Sun	0	0	0	0	0	0	0	0
Chief Risk Officer	Jey Chen	0	0	0	0	0	0	0	0
Senior Vice President	David Chang	(116,170)	0	0	0	(35,000)	0	0	0
Senior Vice President	Frank Lin	26,381	0	64,600	0	0	0	0	0
Senior Vice President	Adeline Jai	11,228	0	6,142	0	0	0	0	0
Senior Vice President	Andy Chang	43,571	(500,000)	40,000	0	0	0	0	0
Senior Vice President	Vincent Tsai	20	0	0	0	0	0	0	0
Senior Vice President	Janice Liang	12,721	0	0	0	0	0	0	0
Vice President	David Lee	(1,746)	0	38,000	0	0	0	0	0
Vice President	Linda Chen	1,931	0	344	0	0	0	0	0

Note 1: An entity that holds more than one percent of the shares in the Company.

Note 2: The changes in shareholding of people listed above is based on the information submitted during their term of service.

Note 3: The change in the number of shares held in 2018 was mainly caused by stock dividends or subscriptions to cash issues.

b. Information of shareholding transfer: None.

c. Information of shareholding pledge: None.

H. Information on the relationship of the 10 largest shareholders who are related parties according to Financial Accounting Criteria No.6

Information on the Relationship between the 10 largest Shareholders

Base date: April 16, 2019 unit: share; %

	Name	Current shareholding		Stake of single, spouse and offspring before age of majority		Shareholding in the name of others		Titles, names and relationships between top 10 shareholders who are related parties, spouses, or second-degree relatives to each other		None
		Number of shares	Share of stake(%)	Number of shares	Share of stake(%)	Number of shares	Share of stake(%)	Name	Relationship	
1	TASCO Chemical Co., Ltd. Representative: Wu, Cheng-Ching	389,492,121	3.47	0	0.00	0	0.00	None	None	
2	Taishin Leasing & Financing Co., Ltd. Representative: Zhong, Yong-Hong	331,946,328	2.95	0	0.00	0	0.00	None	None	
3	PJ Asset Management Co., Ltd. Representative: Lin, Chen-Hai	201,895,301	1.80	0	0.00	0	0.00	None	None	
4	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	160,867,200	1.43	0	0.00	0	0.00	None	None	
5	JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	159,645,830	1.42	0	0.00	0	0.00	None	None	
6	China Life Insurance Company, Ltd. Representative: Alan Wang	156,166,640	1.39	0	0.00	0	0.00	None	None	
7	Norges Bank	134,978,152	1.20	0	0.00	0	0.00	None	None	
8	Shinkong Synthetic Fibers Corporation Representative: Wu, Tung-Sheng	132,649,317	1.18	0	0.00	0	0.00	No. 9	Representative's relative within 2 tiers	
9	Tong Shan Investment Co., Ltd. Representative: Wu, Guei-Lan (Note)	132,334,526	1.18	0	0.00	0	0.00	No. 8	Representative's relative within 2 tiers	
10	Farglory Life Insurance Co., Ltd. Representative: Roy Meng	129,291,045	1.15	0	0.00	0	0.00	None	None	

Note: Wu, Guei-Lan passed away on March 30, 2016

I. The amount of shares and total share of stake in the same invested company owned by the company directly or indirectly controlled by the company and the company's directors, supervisors, president, vice presidents and branch chiefs.

Base date: Dec. 31, 2018 unit: share; %

Equity investment (Note1)	Investment by the holding company (Note2)		Investment by the company directly or indirectly controlled by the holding company and the holding's directors, supervisors, president, vice presidents and branch chiefs		General investment	
	Amount of shares	Share of stake %	Amount of shares	Share of stake %	Amount of shares	Share of stake %
Taishin International Bank Co., Ltd.	7,549,771,248	100.00%	0	0.00%	7,549,771,248	100.00%
Taishin Securities Co., Ltd.	628,412,444	100.00%	0	0.00%	628,412,444	100.00%
Taishin Securities Investment Trust Co., Ltd.	75,454,545	100.00%	0	0.00%	75,454,545	100.00%
Taishin Securities Investment Advisory Co., Ltd.	27,599,513	92.00%	0	0.00%	27,599,513	92.00%
Taishin Asset Management Co., Ltd.	67,100,000	100.00%	0	0.00%	67,100,000	100.00%
Taishin Venture Capital Investment Co., Ltd.	420,874,904	100.00%	0	0.00%	420,874,904	100.00%
Chang Hwa Commercial Bank, Co., Ltd.	2,207,163,683	22.55%	26,152,275	0.27%	2,233,315,958	22.81%
Chieh-Bon Co., Ltd.	220,000	4.40%	300,000	6.00%	520,000	10.40%

Note 1: Subsidiaries of Taishin Holdings.

Note 2: Investments under Articles 36 and 37

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Capital Overview



IV. Capital Overview

A. Capital and Shares

Sources of capital

Base date: Feb. 28, 2019 Units: 1,000 shares; NT\$ 1,000

Times	Issuing Prices	Authorized Capital		Paid-in Capital		Remarks	
		Number of Shares	Value	Number of Shares	Value	Sources of Capital	Others
Feb. 2018	-	20,000,000	200,000,000	Common share 9,986,110 Preferred share D 290,054 Preferred share E 500,000	Common share 99,861,109 Preferred share D 2,900,547 Preferred share E 5,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10701010230 Feb. 7, 2018(Note 1)
Apr. 2018	-	20,000,000	200,000,000	Common share 9,986,110 Preferred share D 217,541 Preferred share E 500,000	Common share 99,861,109 Preferred share D 2,175,410 Preferred share E 5,000,000	Redemption of Preferred share D	MOEA, No. 10701034030 Apr. 13, 2018(Note 2)
May 2018	-	20,000,000	200,000,000	Common share 9,989,169 Preferred share D 217,541 Preferred share E 500,000	Common share 99,891,699 Preferred share D 2,175,410 Preferred share E 5,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10701047510 May. 7, 2018(Note 3)
Aug. 2018	-	20,000,000	200,000,000	Common share 9,989,261 Preferred share D 217,541 Preferred share E 500,000	Common share 99,892,619 Preferred share D 2,175,410 Preferred share E 5,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10701096080 Aug. 6, 2018(Note 4)
Aug. 2018	-	20,000,000	200,000,000	Common share 10,432,282 Preferred share D 217,541 Preferred share E 500,000	Common share 104,322,820 Preferred share D 2,175,410 Preferred share E 5,000,000	Issuance of new shares from earnings	MOEA, No. 10701112770 Aug. 30, 2018(Note 5)
Oct. 2018	-	20,000,000	200,000,000	Common share 10,436,207 Preferred share D 217,541 Preferred share E 500,000	Common share 104,362,070 Preferred share D 2,175,410 Preferred share E 5,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10701136850 Oct. 29, 2018(Note 6)
Dec. 2018	50	20,000,000	200,000,000	Common share 10,436,207 Preferred share D 217,541 Preferred share E 800,000	Common share 104,362,070 Preferred share D 2,175,410 Preferred share E 8,000,000	Issuance of new shares for Preferred share E	MOEA, No. 10701153080 Dec. 17, 2018(Note 7)
Jan. 2019	-	20,000,000	200,000,000	Common share 10,436,762 Preferred share D 217,541 Preferred share E 800,000	Common share 104,367,620 Preferred share D 2,175,410 Preferred share E 8,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10801009480 Jan. 24, 2019(Note 8)

Note 1: Exercise of options by employees for issuance of 1,849,000 common shares.

Note 2: The company redeemed Preferred shares D at 72,513,682 shares.

Note 3: Exercise of options by employees for issuance of 3,059,000 common shares.

Note 4: Exercise of options by employees for issuance of 92,000 common shares.

Note 5: The Company issued 443,020,100 ordinary shares from earnings.

Note 6: Exercise of options by employees for issuance of 3,925,000 common shares.

Note 7: The Company made a cash injection by issuing 300,000,000 Class E registered preferred shares.

Note 8: Exercise of options by employees for issuance of 555,000 common shares.

Base date: Feb. 28, 2019 Unit: share

Share Categories	Authorized Capital			Notes
	Shares in circulation	Shares without issuance	Total shares	
Common Shares	10,436,762,070 (Note)	8,545,696,884	20,000,000,000	Listed shares
Preferred Shares D	217,541,046			Unlisted shares
Preferred Shares E	800,000,000			Listed shares

Note : The number of outstanding common shares does not include, between January 1, 2019 and February 28, 2019, the number of new shares against the exercise of options by employees.

B. Structure of Shareholders

Structure of Shareholders (Common shares)

Base date: April 16, 2019 Unit: share; %

Structure of Shareholders Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	12	120	724	294,519	982	296,357
Number of shares	91,448,890	686,173,655	2,487,750,116	4,325,515,260	2,847,355,149	10,438,243,070
Share of stake(%)	0.88	6.57	23.83	41.44	27.28	100.00

Structure of Shareholders (Preferred shares E)

Base date: April 16, 2019 Unit: share, %

Structure of Shareholders Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	1	37	199	30,497	47	30,781
Number of shares	2,148,000	520,174,547	179,426,241	95,155,815	3,095,397	800,000,000
Share of stake (%)	0.27	65.02	22.43	11.89	0.39	100.00

C. Distribution of Shareholding

Distribution of Shareholding (Common shares) (Par Value of NT\$10 per share)

Base date: April 16, 2019 unit: share; %

Classification of Shareholding	Number of Shareholders	Number of shares	Share of stake(%)
1 ~ 999	79,697	21,663,954	0.21
1,000 ~ 5,000	109,848	251,717,296	2.41
5,001 ~ 10,000	36,755	265,734,691	2.55
10,001 ~ 15,000	19,569	237,000,744	2.27
15,001 ~ 20,000	11,637	202,859,364	1.94
20,001 ~ 30,000	12,656	311,912,267	2.99
30,001 ~ 50,000	10,491	400,477,010	3.84
50,001 ~ 100,000	8,029	554,714,997	5.31
100,001 ~ 200,000	4,131	560,464,255	5.37
200,001 ~ 400,000	1,838	505,621,085	4.84
400,001 ~ 600,000	550	269,109,624	2.58
600,001 ~ 800,000	277	191,383,887	1.83
800,001 ~ 1,000,000	163	146,818,344	1.41
1,000,001 ~	716	6,518,765,552	62.45
Total	296,357	10,438,243,070	100.00

Distribution of Shareholding (Preferred shares E)
(Par Value of NT\$10 per share)

Base date: April 16, 2019 unit: share; %

Classification of Shareholding	Number of Shareholders	Number of shares	Share of stake(%)
1 ~ 999	19,794	3,480,845	0.44
1,000 ~ 5,000	8,132	18,120,501	2.27
5,001 ~ 10,000	1,263	9,358,039	1.17
10,001 ~ 15,000	383	4,818,421	0.60
15,001 ~ 20,000	293	5,394,684	0.67
20,001 ~ 30,000	257	6,181,770	0.77
30,001 ~ 50,000	251	9,987,139	1.25
50,001 ~ 100,000	181	13,258,584	1.66
100,001 ~ 200,000	79	11,435,065	1.43
200,001 ~ 400,000	51	14,960,352	1.87
400,001 ~ 600,000	21	10,008,071	1.25
600,001 ~ 800,000	9	6,078,220	0.76
800,001 ~ 1,000,000	8	7,848,511	0.98
1,000,001 ~	59	679,069,798	84.88
Total	30,781	800,000,000	100.00

D. Major Shareholders

Base date: April 16, 2019 unit: share; %

Major Shareholders	Shares	Shares (Including Common shares and preferred shares)	Share of Stake (%)
TASCO Chemical Co., Ltd.		389,492,121	3.47
Taishin Leasing & Financing Co., Ltd.		331,946,328	2.95
PJ Asset Management Co., Ltd.		201,895,301	1.80
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds		160,867,200	1.43
JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		159,645,830	1.42
China Life Insurance Company, Ltd.		156,166,640	1.39
Norges Bank		134,978,152	1.20
Shinkong Synthetic Fibers Corporation		132,649,317	1.18
Tong Shan Investment Co., Ltd.		132,334,526	1.18
Farglory Life Insurance Co., Ltd.		129,291,045	1.15

Note: The list above discloses the top 10 shareholders, preferred shares included.

E. Market Price, Net Worth, Earnings and Dividends per Share

Unit: NT\$1

Items		Year	2017	2018	As of Feb. 28, 2019` (Note 6)
Market Price Per Share	Highest		14.45	15.35	14.00
	Lowest		11.70	12.95	12.95
	Average		13.14	14.28	13.50
Net Worth Per Share	Before distribution (coverage of loss)		12.32	12.33	12.64
	After distribution (coverage of loss)		11.28	(Note 1)	NA
Earnings Per Share	Weighted Average Outstanding shares (thousand share)	Before Adjustment	9,975,897	10,433,494	10,437,641
		After Adjustment	10,418,329	10,433,494	NA
	Earnings per share	Before Adjustment	1.15	1.09	0.25
		After Adjustment	1.10	1.09	NA
Dividends Per Share	Cash Dividend		0.5419	(Note 1)	NA
	Stock Divident	Dividends from Retained Earnings	0.4434	(Note 1)	NA
		Dividends from Capital Surplus	0	(Note 1)	NA
	Accumulated Undistributed Dividends (NT\$ thousand) (Note 2)		0	0	NA
Analysis for Return on Investment	Price to Earnings Ratio (Note 3)		11.39	13.10	NA
	Price to Dividends Ratio (Note 4)		24.17	(Note1)	NA
	Cash Dividends Yield (Note 5)		4.14%	(Note1)	NA

Note 1: The Earning distribution for year 2018 hasn't been approved by the General Shareholders' Meeting .

Note 2: Refer to accumulated dividend payable for preferred shares.

Note 3: Price to earnings ratio=Average closing price of the said year/Earning per share.

Note 4: Price to dividends ratio=Average closing price of the said year/Cash dividends per share.

Note 5: Cash dividends yield=Cash dividends per share/Average closing price of the said year.

Note 6: Data exposed as of the date for the publication of the 2018 annual report.

F. Dividends policy and execution

a. Dividend Policy

Any earnings concluded in a financial year shall first make up for loss of previous years, right after statutory taxation and accounting adjustments. Any surplus is subject to provision of a 10% legal reserve and special reserve according to law. The remainder shall be available for distribution of Class D preferred share dividends for the current year according to Article 8-2 of the Article of Incorporation. The remaining balance, if any, will be combined with special reserve reversal and initial cumulative undistributed earnings available for dividend distribution into the amount available for distribution on ordinary shares and preferred shares. In particular, cash dividends may not be lower than 10% of the total amount of dividend distribution in the same year. Earnings distribution proposals will be devised by the board of directors and submitted to the annual general meeting for acknowledgement. The rights and obligations and the priority, amount and method of distribution associated with preferred shares shall be governed by the preferred shares provisions in the Articles of Incorporation.

Shareholders shall be entitled to profit distributions. To protect stockholders' investment interests, Taishin Holdings allocates 50% or more of profits available for distribution to shareholder dividends. 80% or more of profits available for distribution were distributed as shareholder dividends in the latest three years.

For the purposes of continuing expansion and increasing profitability while considering overall cash flow requirements and keeping the capital adequacy ratio at level that meets the regulatory requirements and is internationally accepted, the company adopts a residual dividend policy to accommodate the dilution by share dividends for common shares while the number of outstanding preferred share D is 200,000,000 or above.

With respect to dividend distribution, the company focuses on the requirements of business operations, capital planning, cash flow requirements for subsidiary investments and mergers and acquisitions, and material regulatory changes, and chooses to distribute stock dividends to retain the needed cash as a principle and any balance can be distributed as cash dividends.

b. Items on the agenda of the shareholders' meeting

1. Distribution of earnings in accordance with Article 40-1 of the Company's Articles of Incorporation.

2. Taishin Holdings' 2018 audited after-tax profit amounted to NT\$12,930,582,133; after deducting undistributed earning adjustments, the cumulative undistributed profits was NT\$12,421,251,276. The following surplus allocation and dividend distribution have been proposed according to the laws and regulations and the Articles of Incorporation:

- (1) NT\$1,242,125,128 of 10% legal reserve is allocated according to Article 237 of the Company Act, and Article 40-1 of the Company's Articles of Incorporation;
- (2) Next, NT\$293,194,521 and NT\$1,237,472,603 cash dividends is allocated to Class D and Class E preferred shareholders, respectively;
- (3) And then, NT\$7,477,555,024 dividends is allocated to common shareholders (approximately NT\$0.72 per share), which consist of cash dividends NT\$5,306,652,024 (approximately NT\$0.51 per share) and stock dividends NT\$2,170,903,000 (approximately NT\$0.21 per share). In particular, NT\$2,170,903,000 in stock dividends shall be paid with new offering of 217,090,300 common shares with par value of NT\$10 per share. The rights and obligation of the new shares to be issued will be the same as the existing common shares. Aforementioned issuance of new common shares as stock dividend shall be discussed in a separate agenda item.

3. The amount of dividends distributed to each common share is based on 10,438,243,070 shares outstanding as at April 16, 2019; and however, the amount per share actually distributed will vary due to any treasury stock transactions, and exercise of options by employee, that occurs before the ex-dividend/ex-right date, while the total distributed dividends amounts will remain unchanged.

4. The Board of Directors has authorized the chairman to set the ex-dividend date and the payment date of cash dividends for Class D and Class E preferred shares. Otherwise, the ex-dividend/ex-right date and the payment date of the dividends for common shares will be determined by the Board of Directors.

G. Effect of resolution of the shareholders' meeting to issue stock dividend on business performance and earnings per share

Pursuant to Letter No. Taiwan-Finance-Securities-I-00371 dated February 1, 2000; the company is not required to disclose this information because it does not publish financial forecasts.

H. Employee bonus and compensations for directors and supervisors

a. Percentages and scope of employee bonus and compensations for directors and supervisors in accordance with Articles of Incorporation

0.01% of any profit made by the company in the current year shall be allocated as employee bonus, and the board of directors shall decide to distribute the bonus as shares or cash, which can also be distributed to employees of affiliated companies that meet the criteria specified in the Company Act. The company may have the board of directors allocated no more than 1% of the aforesaid profit to director remuneration.

A sum shall be set aside in advance to pay down any outstanding cumulative losses before employee bonus and director remuneration can be allocated according to the above percentage.

Employee bonus and director remuneration proposals shall be presented to the shareholders meeting.

b. Accounting treatment for the difference between accrual and actual payment for employee bonus and compensation for directors and supervisors

Employees' bonuses for the current period have been estimated based on the criteria laid out in the Articles of Incorporation. Should the actual amount differ from the amount estimated, the difference will be treated as changes in accounting estimates.

c. Information on proposal of the board of directors to issue employee bonus

1. Payout of cash bonus for employees, stock dividend, and compensations for board directors and supervisors. If there is a difference between accrual and actual payment, please disclose the difference amount, the reason and the treatment.

- (1) Payment of NT\$1,240,000 in cash bonus to employee and NT\$99,168,000 in compensation to directors.
- (2) The estimated amount of remuneration of employees and directors for the current period deviated from the actual amount decided by the Board of Directors by NT\$23,861 thousand. The deviation was caused by changes in accounting estimates, and will be recognized in the 2019 profit and loss.

2. Amount of employees' bonus to be paid in stock, and as a percentage to net profit after tax plus employees' total bonus for the current period: Nil.

d. Remuneration report and results at the general shareholders meeting: Expected to be reported to the general shareholders meeting on June 14, 2019.

e. Any discrepancy between actual distribution of remuneration of employees, directors and supervisors in previous year (including the number of shares, amount and stock price) and the recognized actual dividends for employee bonus and compensations for board directors and supervisors of previous year.

The actual amount of employee remuneration paid in the previous year was NT\$1,307,000 and the director remuneration NT\$117,651,000. The actual amounts deviated from the recognized employee remuneration and director remuneration by NT\$13,451,000, which was attributed to changes in accounting estimates, and recognized in the 2018 profit and loss.

I. Buyback of the company's Treasury Stock : Nil.

J. Issuance of Corporate Bonds

a. Issuance of Corporate Bonds

Issuance of Corporate Bonds -1

Base date: Feb. 28, 2019

Type of Corporate Bonds		2012 Domestic 1st Unsecured Subordinated Corporate Bond
Date of issuance		May 15, 2012
Par value		NT\$50,000,000
Issue & trade place		Republic of China
Issue price		According to the denomination of bonds full issue
Issue amount		NT\$7.0 Billion
Coupon rate		2.0% per annum
Tenor		7 years (May 15, 2019)
Subordinate / Senior Ranking		Subordinated
Guarantor		None
Trustee		Yuanta Bank
Underwriting institution		None
Certified lawyer		Modern Law office's lawyer: Hueiji Guo
CPA-auditor of the financial report		Deloitte & Touche's CPAs: Peter Tsai & Qinzhen Yang
Repayment method		Repayment at maturity
Outstanding principle		NT\$7.0 Billion
The terms and conditions for redemption or early repayment		None
Restrictive clause		Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement.
Whether included as eligible capital		Yes
Credit rating agency, rating date and rating		S&P Taiwan, Apr. 9, 2012, tw BBB+
Other rights	As of the printing date of this annual report, converted amount of (exchange or subscribed) ordinary shares, GDRs or other securities	None
	Issuance and conversion (exchange or subscription) method	None
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion of Corporate bonds, or due to exchange, subscription or issuance terms		None
Custodian		None

Issuance of Corporate Bonds -2

Base date: Feb. 28, 2019

Type of Corporate Bonds		2017 Domestic 1st Unsecured Subordinated Corporate Bond
Date of issuance		October 26, 2017
Par value		NT\$1,000,000
Issue & trade place		Republic of China
Issue price		According to the denomination of bonds full issue
Issue amount		NT\$8.0 Billion
Coupon rate		1.9% per annum
Tenor		10 years (October 26, 2027)
Subordinate / Senior Ranking		Subordinated
Guarantor		None
Trustee		Taipei Fubon Bank
Underwriting institution		Taishin Securities
Certified lawyer		True Honesty International Law office's lawyer: Hueiji Guo
CPA-auditor of the financial report		Deloitte & Touche's CPAs: Tza-Li Gung & Kwan-Chung Lai
Repayment method		Repayment at maturity
Outstanding principle		NT\$8.0 Billion
The terms and conditions for redemption or early repayment		None
Restrictive clause		Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement.
Whether included as eligible capital		Yes
Credit rating agency, rating date and rating		None
Other rights	As of the printing date of this annual report, converted amount of (exchange or subscribed)ordinary shares, GDRs or other securities	None
	Issuance and conversion (exchange or subscription) method	None
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion of Corporate bonds, or due to exchange, subscription or issuance terms		None
Custodian		None

Issuance of Corporate Bonds -3

Base date: Feb. 28, 2019

Type of Corporate Bonds		2018 Domestic 1st Unsecured Subordinated Corporate Bond
Date of issuance		July 10, 2018
Par value		NT\$1,000,000
Issue & trade place		Republic of China
Issue price		According to the denomination of bonds full issue
Issue amount		NT\$7.0 Billion
Coupon rate		1.92% per annum
Tenor		15 years (July 10, 2033)
Subordinate / Senior Ranking		Subordinated
Guarantor		None
Trustee		Taipei Fubon Bank
Underwriting institution		Taishin Securities
Certified lawyer		True Honesty International Law office's lawyer: Hueiji Guo
CPA-auditor of the financial report		Deloitte & Touche's CPAs: Tza-Li Gung & Kwan-Chung Lai
Repayment method		Repayment at maturity
Outstanding principle		NT\$7.0 Billion
The terms and conditions for redemption or early repayment		None
Restrictive clause		Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement.
Wether included as eligible capital		Yes
Credit rating agency, rating date and rating		None
Other rights	As of the printing date of this annual report, converted amount of (exchange or subscribed)ordinary shares, GDRs or other securities	None
	Issuance and conversion (exchange or subscription) method	None
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion of Corporate bonds, or due to exchange , subscription or issuance terms		None
Custodian		None

b. Convertible bonds: Nil.

c. Exchangeable corporate bonds: Nil.

d. A shelf registration to issue corporate bonds: Nil.

e. Bonds with warrant: Nil.

K. Issuance of Preferred Shares

a. Issuance of Preferred Shares

Issuance of Preferred Shares-1

Base date: Feb. 28, 2019

Issuing Date			Mar. 22, 2006
Item			Private placement preferred share D
Face value			NT\$10
Issue Price			NT\$18 per share
Total shares			777,777,779 shares: The amount of shares was decreased to 725,136,820 shares after capital reduction on Dec. 4, 2009.
Issue amount			NT\$14,000,000,022
Obligation & rights	Dividend		6.5% per annum (non-accumulative)
	Allotment of remaining properties		Class D preferred shareholders shall be given priority to claim on the company's remaining properties over ordinary shareholders and no more than the issuance amount of outstanding Class D preferred shares.
	Voting or election rights		Not eligible for voting or election, but can be elected. Shareholders may vote during preferred D shareholders' meetings and on any agenda items that concern the interests of Class D preferred shareholders.
	Others		Same with Common shares and has the refusal for issuance of new shares from cash injection.
Preferred shares outstanding (Note 2)	Total amount of redemption or conversion		NT\$ 9,800,000,015
	Total amount to be redeemed or converted		NT\$ 4,200,000,007
Market Price (Note 1)	2016	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
	2017	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
	2018	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
	As of 2019.02.28	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
Other rights	Total amount of conversion or subscription up to the published day		0
	Issuance and conversion (exchange or subscription) method		Refer to the Articles of Incorporation
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion of Corporate bonds, or due to exchange , subscription or issuance terms			None

Note 1: There is no reference market price for privately placed preferred shares; hence not applicable.

Note 2: The Company repurchased 362,568,410 Class D preferred shares for NT\$7,000,000,011 and canceled the shares on March 23, 2016. 72,513,682 Class D preferred shares were repurchased for NT\$1,400,000,002 and canceled on March 23, 2017. 72,513,682 Class D preferred shares were repurchased for NT\$1,400,000,002 and canceled on March 23, 2018. At time of printing, there are 217,541,046 outstanding Class D preferred shares for a total amount of NT\$4,200,000,007.

Issuance of Preferred Shares-2

Base date: Feb. 28, 2019

Issuing Date			Dec. 28, 2016
Item			Class E preferred shares
Face value			NT\$10
Issue Price			NT\$50 per share
Number of shares issued			500,000,000 shares
Total monetary amount of the issue			NT\$25,000,000,000
Obligation & rights	Dividend Yield and Payment		Dividend Yield:An annual dividend yield is set at 4.75%[1.2175%+3.5325%] “7-year IRS+ The fixed rate” per annum of the issue price at the pricing day. “The fixed rate” will be determined by the chairman, who was authorized by the board, of 7-year IRS will be reset on the next business day after each seventh anniversary day after issuance 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. Dividend Payment:The company has sole discretion on the distribution of Class E preferred share dividends. Earnings distribution proposals will be devised by the board of directors in accordance with Article 40-1 of the Articles of Incorporation and then submitted to the annual general meeting of shareholders for acknowledgment. Earnings available for distribution to preferred shares and ordinary shares under an acknowledged earnings distribution proposal will be distributed firstly to Class D preferred shares and then to Class E preferred shares, if any. Any remaining balance shall be distributed according to the Articles of Incorporation. In years when the company concludes insufficient or no surplus to fully pay off dividends for Class E preferred shareholders, the unpaid dividend will not be carried forward to years with earnings. Dividends on Class E preferred shares will be paid in cash. Once the company’s financial statements have been acknowledged and earnings distribution approved during the annual general meeting, the board of directors shall be authorized to set the baseline date for the distribution of the Class E preferred share dividend. Distribution of dividends in the issuance year shall be calculated from the corresponding issuance date (record date) proportionally at the ratio of actual number of days after issuance to the total number of days in the year. Recovery of annual dividends shall be calculated proportionally at the ratio of actual number of days until the recovery and cancelation deadline to the total number of days in the year.
	Allotment of remaining properties		Class E preferred shareholders shall be given priority to claim on the company’s remaining properties over ordinary shareholders, but subordinate to Class D preferred shareholders, and no more than issuance amount of outstanding Class E preferred shares.
	Voting or election rights		Class E preferred shareholders are not entitled to any voting rights or election rights in shareholders’ meeting. However, they may vote in Class E preferred shareholder meetings and in general shareholder meetings with regard to agenda items concerning rights and obligations of Class E preferred shareholders.
	Other rights		When the Company issues new shares for capital raising, Class E preferred shareholders shall be entitled equivalent preemptive rights on the new shares to ordinary shareholders and Class D preferred shareholders.
Preferred shares outstanding	Total amount of redemption or conversion		None
	Total amount to be redeemed or converted		NT\$25,000,000,000
Market Price (Note 1)	2016	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
	2017	Highest	53.3
		Lowest	51.4
		Average	52.2
	2018	Highest	54.9
		Lowest	51.8
		Average	53.5
	As of 2019.02.28	Highest	55.2
Lowest		53.3	
Average		54.4	
Other rights	Total amount of conversion or subscription up to the published day		0
	Issuance and conversion (exchange or subscription) method		Refer to the Articles of Incorporation
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion of Corporate bonds, or due to exchange.. subscription or issuance terms			None

Note 1: Class E preferred shares were traded listed in Taiwan Stock Exchange since February 10, 2017. The prices in 2016 are unavailable. The highest, lowest, and average market prices per share are based on daily closing prices between the listing date and December 31. (source: TWSE website).

Issuance of Preferred Shares-3

Base date: Feb. 28, 2019

Item		Issuing Date	Nov. 30, 2018 Class E preferred shares
Face value			NT\$10
Issue Price			NT\$50 per share
Number of shares issued			300,000,000 shares
Total monetary amount of the issue			NT\$15,000,000,000
Obligation & rights	Dividend Yield and Payment	<p>Dividend Yield: An annual dividend yield is set at 3.8%[1.1%+2.7%] "7-year IRS+ The fixed rate" per annum of the issue price at the pricing day. "The fixed rate" will be determined by the chairman, who was authorized by the board, of 7-year IRS will be reset on the next business day after each seventh anniversary day after issuance 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.</p> <p>Dividend Payment: The company has sole discretion on the distribution of Class E preferred share dividends. Earnings distribution proposals will be devised by the board of directors in accordance with Article 40-1 of the Articles of Incorporation and then submitted to the annual general meeting of shareholders for acknowledgment. Earnings available for distribution to preferred shares and ordinary shares under an acknowledged earnings distribution proposal will be distributed firstly to Class D preferred shares and then to Class E preferred shares, if any. Any remaining balance shall be distributed according to the Articles of Incorporation. In years when the company concludes insufficient or no surplus to fully pay off dividends for Class E preferred shareholders, the unpaid dividend will not be carried forward to years with earnings.</p> <p>Dividends on Class E preferred shares will be paid in cash. Once the company's financial statements have been acknowledged and earnings distribution approved during the annual general meeting, the board of directors shall be authorized to set the baseline date for the distribution of the Class E preferred share dividend. Distribution of dividends in the issuance year shall be calculated from the corresponding issuance date (record date) proportionally at the ratio of actual number of days after issuance to the total number of days in the year. Recovery of annual dividends shall be calculated proportionally at the ratio of actual number of days until the recovery and cancellation deadline to the total number of days in the year.</p>	
	Allotment of remaining properties	Class E preferred shareholders shall be given priority to claim on the company's remaining properties over ordinary shareholders, but subordinate to Class D preferred shareholders, and no more than issuance amount of outstanding Class E preferred shares.	
	Voting or election rights	Class E preferred shareholders are not entitled to any voting rights or election rights in shareholders' meeting. However, they may vote in Class E preferred shareholder meetings and in general shareholder meetings with regard to agenda items concerning rights and obligations of Class E preferred shareholders.	
	Other rights	When the Company issues new shares for capital raising, Class E preferred shareholders shall be entitled equivalent preemptive rights on the new shares to ordinary shareholders and Class D preferred shareholders.	
Preferred shares outstanding	Total amount of redemption or conversion	None	
	Total amount to be redeemed or converted	NT\$15,000,000,000	
Market Price (Note 1)	2018	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
	As of 2019.02.28	Highest	51.8
		Lowest	51.4
		Average	51.1

Issuing Date		Nov. 30, 2018
Item		Class E preferred shares
Other rights	Total amount of conversion or subscription up to the published day	0
	Issuance and conversion (exchange or subscription) method	Refer to the Articles of Incorporation
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion of Corporate bonds, or due to exchange, subscription or issuance terms		None

Note 1: Class E preferred shares were listed on Jan. 8, 2019. The prices in 2016 are unavailable. The highest, lowest, and average market prices per share in 2017 are based on daily closing prices between the listing date and December 31. (source: TWSE website).

b. Data on preferred shares with stock right: Nil.

L. The Issuance of Global Depositary Receipts: Nil.

M. The Issuance of Employees' Stock Warrant

a. The status of utilization of outstanding employees' stock warrant

Base date: Feb. 28, 2019

Type of Employees' Stock Warrant	2010-1st Employees' Stock Warrant	2010-2nd Employees' Stock Warrant
Date approved by authority	Sep. 1, 2010	Sep. 1, 2010
Issue date	Oct. 13, 2010	Aug. 31, 2011
Number of shares issued	75,390,000 shares	1,610,000 shares
The amount of shares for warrants as a percentage of total amount of issued shares (%)	0.66%	0.01%
Duration for stock warrants	Oct. 13, 2010 ~ Oct. 12, 2020	Aug. 31, 2011 ~ Aug. 30, 2021
Converted from	New Common shares	New Common shares
Duration and percentage (%) for stock warrants	2012.10.13 ~ 2020.10.12 First to fifth issuance: 15-40% each	2013.08.31 ~ 2021.08.30 First to fifth issuance: 15-40% each
Amount of shares obtained via execution of warrants	43,848,500	1,200,000
Value of shares obtained via execution of warrants (NT\$)	406,171,403	9,710,000
Amount of shares for warrants yet to be executed	12,879,000	307,000
Share price for warrants yet to be executed (NT\$/ per share)	7.2	7.3
Percentage of the amount of shares for warrants yet to be executed in the total amount of issued shares (%)	0.11%	0.003%
Impact on shareholders' equities	The diluting effect on the interest of original shareholders is limited since stock warrants can be executed only two years after their issuance and within set period, thereby spreading the diluting effect.	The diluting effect on the interest of original shareholders is limited since stock warrants can be executed only two years after their issuance and within set period, thereby spreading the diluting effect.

b. Managers who have acquired employee stock warrants and the top ten employees with the highest number of convertible rights

Base date: Feb. 28, 2019

Item	Position	Name	Convertible rights acquired (1,000 Shares)	Convertible rights as a percentage of total outstanding shares	Exercised				Not exercised			
					Number of rights (1,000 Shares)	Price of rights (NT\$/Per Share)	Value of rights (NT\$ 1,000)	Rights as a percentage of total outstanding shares	Number of rights (1,000 Shares)	Price of rights (NT\$/Per Share)	Value of rights (NT\$ 1,000)	Rights as a percentage of total outstanding shares
Managers	President	Welch Lin										
	Chief Auditor	Daniel Tsai										
	Chief Financial Officer	Carol Lai										
	Chief Investment Officer	Eric Chien										
	Chief Information Officer	Steve Sun										
	Chief Risk Officer	Jey Chen	99 option 1st 8,480	99 option 1st 0.07%	99 option 1st 6,722.5	99 option 1st 8.8	99 option 1st 59,013.7	99 option 1st 0.06%	99 option 1st 1757.5	99 option 1st 7.2	99 option 1st 12,654	99 option 1st 0.02%
	Senior Vice President	David Chang										
	Senior Vice President	Frank Lin										
	Senior Vice President	Adeline Jai										
	Senior Vice President	Andy Chang										
	Senior Vice President	Vincent Tsai										
	Senior Vice President	Janice Liang	99 option 2nd 1,104	99 option 2nd 0.01%	99 option 2nd 1,000	99 option 2nd 7.9	99 option 2nd 7,900	99 option 2nd 0.01%	99 option 2nd 104	99 option 2nd 7.3	99 option 2nd 759	99 option 2nd 0.00%
	Chief Auditor	Howard Wu (2018/3/1 Leave off)										
	Senior Vice President	Ann Cheng (2018/10/1 Leave off)										
Employees	Chief Consultant	Tong-Shung Wu										
	Executive Consultant	Steve S.F. Shieh										
	AML/CFT	Yi-Ta Lin										
	Senior Consultant	Larry Chung (2018/8/1 Leave off)										

c. Issuance of restricted right shares for employees: Nil.

N. Mergers and acquisitions or transfer of other financial institutions

a. Taishin Financial Holding Co., Ltd.

1. Any opinions by accountants that should be disclosed regarding the reasonable share swap ratio for

mergers acquisitions or sale of financial institutions over the past year: Nil.

2. State of mergers & acquisitions or sale of financial institutions over the past five years

Taishin Insurance Brokers Co., Ltd., a subsidiary of Taishin Holdings, was merged into Taishin Bank on April 24, 2016.

Taishin Securities Co., Ltd., a subsidiary of Taishin Holdings, acquired Ta Chong Securities Co.,Ltd. through a cash transaction on August 28, 2017.

Methods of issuing new shares in such M&A or sale, and opinions issued by the leading underwriter : Not applicable.

3. In the most recent financial year and up to the printing of this annual report, disclosure of the basic data of mergers & acquisitions or sale of other financial institutions in which the Board of Directors has approved such M&A or sale that involves the issuance of new shares:

The Board of Directors passed no resolution to issue new shares for merging or share transfer from other financial institutions in the past year and up to the publication date of this report.

O. The Execution of Fund Utilization Plan

a. Contents of the plan

2018 Capital injection by issuing Class E registered preferred shares

- 1. Fund utilization plan:** To build up the working capital, strengthen the capital structure, and increase the capital adequacy ratio in preparation for investment in subsidiaries and business expansion in the future.
- 2. Date of Approval and Reference Number:** The plan became effective under the Letter No. Financial-Supervisory-Securities-Development-1070329855 of the Financial Supervisory Commission dated Sep. 6, 2018.
- 3. Total amount required:** NT\$15,000,000,000.
- 4. Source of funding:** by Issuing Class E registered preferred shares for NT\$15,000,000,000.
- 5. Planned timeline for fund utilization**

Unit: NT\$1000

Plan	Date of completion	Amount needed (NT\$000)	2019 Planned timeline for fund utilization (NT\$000)
			Q1
Strengthen the capital structure, and increase the capital adequacy ratio in preparation for investment in subsidiaries and business expansion in the future.	2019 Q1	10,800,000	10,800,000
Redeemed Preferred shares D		4,200,000	4,200,000
Total		15,000,000	15,000,000

- 6. Expected benefits:** Once the NT\$15 billion target is met, NT\$10.8 billion will be allocated to the working capital to strengthen the financial structure and improve the capital adequacy ratio. The remaining NT\$4.2 billion will all be used to redeem Class D preferred shares prematurely to save on dividends.

b. Implementation description

Unit: NT\$1000

Plan	Status		As of February 28, 2019	Description
1. Strengthen the capital structure, and increase the capital adequacy ratio in preparation for investment in subsidiaries and business expansion in the future.	Amount spent (NT\$000)	Planned	10,800,000	The NT\$15 billion was raised in full ahead of schedule in 2018 Q4. The objectives of strengthening the capital structure and improving the capital adequacy ratio were met. Utilization of funds: (1) NT\$5.8 billion was used to enhance the working capital. NT\$3.529 billion was used to invest the subsidiary Taishin Venture Capital Investment and NT\$671 million was used to invest Taishin Asset Management. The remaining NT\$800 million will be invested in subsidiaries and for business expansion in the future. (2) Taishin Financial Holding intends to redeem Class D preferred shares for NT\$4.2 billion. by 2019 Q1.
		Actual	10,000,000	
	Progress	Planned	100%	
		Actual	92.59%	
2. Redeem Preferred shares D	Amount spent (NT\$000)	Planned	4,200,000	
		Actual	0	
	Progress	Planned	100%	
		Actual	0%	
Total	Amount spent (NT\$000)	Planned	15,000,000	
		Actual	10,000,000	
	Progress	Planned	100%	
		Actual	66.67%	

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Operating Status



V. Operating Status

A. Business Contents

Taishin Financial Holding Co., Ltd.

a. Business scope

According to Article 36 of the Financial Holding Company Act, the business of the Company is limited to investment in, and management of, its invested enterprises.

The Company may apply to the competent authority for approval to invest in the following

1. Financial holding companies
2. Banking enterprises
3. Bills finance enterprises
4. Credit card businesses
5. Trust enterprises
6. Insurance enterprises
7. Securities enterprises
8. Futures enterprises
9. Venture capital enterprises
10. Foreign financial institutions which have been approved for investment by the competent authority
11. Other enterprises for which the competent authority determines to be finance-related

b. Current business plan

- 1 Create a complete cross industry network under Taishin FHC and increase the scale of subsidiary operations to enhance profitability.
2. Continue to strengthen management of credit, market, and operational risks and reinforce compliance as well as guidelines and regulations to reduce losses and improve the corporate image and customer satisfaction.
3. Engage in product and service innovations, conduct integrated marketing, expand our customer base, and increase customer loyalty; raise the percentage of current account deposits, reduce the cost of capital, modify the investment policy and asset allocation, and diversify sources of income to achieve more effective capital/asset utilization.
4. Actively seek overseas expansion and train pioneering and leadership talent for overseas businesses.
- 5 Implement IT infrastructure, develop FinTech scenarios, and improve system stability.

c. Industry status

1. Market status

The global economy in 2018 exhibited overall deceleration in momentum. Of all the major economies, only the U.S. still maintained steady expansion throughout the year, whereas the Eurozone and Japan saw quarterly

decline within the year, and the Chinese economy experienced significantly stronger downward pressure in the second half of the year due to regulatory policies such as deleveraging of debts and supply-side structural reform as well as the U.S. China trade disputes, among other negative factors. Consequently, the total demand of major international consumer markets weakened, causing Taiwan and export-dependent countries such as Germany, Japan, and South Korea to experience economic recession in the second half of 2018.

A mid global economic fluctuations, Taiwan saw a cooler economy in the second half of 2018 than in the first half, although its domestic demand exhibited relatively stable performance, thanks to the influx of returning Taiwanese business investments caused by the U.S. China trade war and increased capital expenditure of technological giants, which enabled Taiwan's economic growth to remain at 2.63% in 2018. The stock market, in response to economic factors, fell significantly in the fourth quarter, closing at 9,727 at the end of the year, 9% down from 10,643 in the previous year.

The financial sector in Taiwan was severely impacted by market performance in the second half of 2018. Overall earnings before tax for the financial sector amounted to NT\$523.3 billion, a 3% drop from 2017. Earnings before tax for the banking industry totaled NT\$377.7 billion, accounting for 70% financial industry's total profits. By contrast, the percentages for the insurance and securities industries decreased. Fortunately, since the beginning of the year, the United States, European countries, and China successively signaled about easing of their monetary policies, which effectively boosted the stock market and other risky asset values. Looking forward, the global economy will continue to slow down, as uncertainties of the U.S. China trade war introduce new challenges and opportunities to the operation of the financial industry. Given the government's robust efforts to improve the investment environment in Taiwan, accelerate the implementation of prospective infrastructure projects, and promote the "Welcoming Overseas Taiwanese Businesses to Return to Invest Action Plan," the financial industry expects to embrace this wave of industry demand and improve its business performance.

2. Trends in financial products

Regarding the overall business environment in the financial sector, the Financial Supervisory Commission (FSC) is campaigning for "innovative financial services and effective financial governance" with the objective of maintaining stability in financial markets while facilitating development. Key aspects of the policy include: FinTech development, effective differentiation management, and optimized corporate governance in financial institutions. In addition to ongoing incentives such as deregulation and helping financial institutions expand their business or reduce operating costs, the competent authorities are making sure companies implement effective corporate governance and regulatory compliance. Enforcement in these two areas is intended to make the financial sector more competitive and be able to make a greater contribution to the domestic economy, thereby triggering a positive cycle and securing sustainable development for the financial market.

d. Research and development

1. R&D results in last two years

According to Article 36 of the Financial Holding Company Act, the business of a financial holding company shall be limited to investment in, and management of, its invested enterprises. Related R&D expenses shall be as specified in the R&D projects by Taishin Bank's subsidiaries.

Taishin Bank's R&D expenses in the last two years are NT\$21,352,000 in 2017 and NT\$31,309,000 in 2018. (Related information please refer to P.85)

2. Future R&D plan

- (1) Taishin created a digital strategy team under Taishin FHC. It optimizes O2O integration through continuing use of advanced FinTech applications so to enable digital services to offer easier-to-use and more friendly and wide-ranging features and products.
- (2) Taishin provides financing in support of major government policies, such as the "five plus two" innovative industries plan and the Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan.
- (3) Taishin Holdings provides a variety of investment vehicles for corporations and individuals, and endeavors to satisfy the investment needs of local and international customers as deregulation continues.

- (4) Taishin Holdings will continue working closely with various distributors to provide more comprehensive services to individual and corporate customers. Taishin Holdings is also committed to keep refining the ease and convenience of its electronic platforms, in order to satisfy customer demand for easier and quicker e-trades.

e. Long- and short-term business development plans

Taishin followed the operating budgets closely in 2018. The core businesses grew at a steady pace, leading to consistent profit growth. The net profit after tax totaled NT\$12.9 billion. The net interest income and the net fee income rose by 4.6% and 4.4%, respectively. This represented an EPS of NT\$1.09, an ROE of 9.06%, and a net worth per common share of NT\$12.33.

In terms of capital structure, Taishin FHC delivered healthy results with the capital adequacy ratio rising from 124.9% at the end of 2017 to 127.1% at the end of 2018; the double leverage ratio falling from 112.9% at the end of 2017 to 111.2% at the end of 2018; and the debt ratio falling from 17.4% at the end of 2017 to 15.7% at the end of 2018.

1. Short-term business development plan

- (1) Better manage stewardship responsibilities and create profit drivers for Taishin Holdings while building up the second profit driver.
- (2) Continue to campaign for mobile payment services.
- (3) Take part in development of FinTech.
- (4) Invest actively in offices in other countries; continue to expand the overseas presence; and offer more comprehensive and higher quality international financial services to customers.

2. Long-term business development plan

- (1) Increasing the scale of operation in all areas of business, raising profitability, and building up the capacity to operate globally as a large financial institution.
- (2) expanding the overseas network, training international talent, and reaching into international business to broaden the horizon.
- (3) strengthening management of credit, market, and operational risks while combining marketing and innovation of products and services.
- (4) Be a reliable financial institution that provides a full line of financial services for the global Chinese community.

Taishin International Bank Co.,Ltd.

a. Business contents

1. Growth by business area and changes

(1) Wealth Management

Taishin Bank's wealth management operation offers a variety of services for different customer segments such as individuals, households, and business owners. Tailored financial planning and consulting services are available as a combination of TWD and foreign currency deposits, investment products, short-and medium-term insurance policies, and consumer loans and one-stop tax and asset allocation advisory services, all of which are aimed at building stronger customer relationships. Given its three advantages, "a team of professional specialists, a diverse range of products, and excellent benefits for top customers", Taishin Bank is a leader of wealth management services with a steadily growing number of customers. The division has been winning awards year after year, including Private Banker International's Best Private Bank in Taiwan five years in a row, RBI's Service Excellence in Mass Affluent Banking three years in a row, Wealth Magazine's and Excellence magazine's Best Wealth Management Awards, and The Asian Banker's Best Private Bank for Wealth and Society in Taiwan.

(2) Retail Banking

Taishin Bank's retail banking operations cover consumer loans (mortgage, auto loan, unsecured loan, and subordinated mortgage), micro corporate loans, and credit card for individual customers and payment processing services for merchants. The development of financial products follows market differentiation and the needs of various customer groups. The outstanding balance of retail loans increased by 7% in 2018; the number of credit cards in circulation increased by 12.8%; and the credit card spending increased by 19.3%.

(3) Digital Banking

As part of its commitment to develop digital banking services, Taishin Bank was the first to launch a digital banking brand, Richart. This is a product built to improve the user experience. It has inspired more new ideas in banking and won more than 40 domestic and international awards. As a leader in digital banking, Taishin Bank is constantly striving for innovation. It was the first to enable customers to use mobile phone numbers to make transfers. Furthermore, in 2018, the Bank introduced facial recognition enabled ATMs for customers to experience firsthand an application of new technology. Regarding to mobile payment services: Taishin Bank is the first bank in Taiwan to support all four contactless mobile payments (Apply Pay, Samsung Pay, Google Pay, and Taiwan Pay). Moreover, it started supporting contactless payments on wearable devices in 2018 and filled the gap in the range of mobile payment hardware. In terms of cross border payment services, there are close to 30,000 points of service in duty-free shops, department stores, and shopping districts and night markets that accept a number of different cross border electronic wallets. One of these wallets is a payment tool provided by KEB Hana Bank, which is South Korea's second largest bank. It makes Taishin Bank the first bank in Taiwan to collaborate with KEB Hana Bank.

(4) Wholesale Banking Services

The Wholesale Banking Division provides a diverse range of banking products and professional services for institutional clients that include multinationals, corporations, small and medium sized enterprises, government agencies and financial institutions. The scope of business includes commercial banking and investment banking services such as deposit, short/long-term loan, guarantee, trade financing, syndicated lending, bond trading, bill financing, factoring, cash management, corporate Internet banking, foreign currency and interest rate derivative trading, underwriting, shareholder services, financial advisory services, merger and acquisition consultancy, asset securitization, and discretionary asset management.

(5) Financial Market Services

The integrated banking platform offers a diverse range of professionally delivered banking products that are tailored to suit the needs of individual customers and meet different onshore and offshore demands. Financial market services offer primarily exchange rate, interest rate, equity, commodity derivatives and structured products. For wholesale banking and retail banking customers looking for investment options, Taishin Bank offers a wide range of banking products, including exchange rate, interest rate, stock, bond, commodity, and gold account. The Bank also provides funding, underwriting, and bond management services for onshore/offshore bond issuers. Furthermore, market updates and advisory services are provided as needed to increase variety in the available banking products and help investors achieve optimal portfolio allocation. Regarding position management, Taishin Bank follows the risk management policy for financial markets. It aims for financial security, sound business practices, and steady profit growth that create a win-win situation for customers and the Bank.

(6) Trust Services

With respect to structured trust services, Taishin Bank offers a complete line of trust planning services for personal banking customers. Meanwhile, money trusts remain the star product for high net worth customers, and securities

trust will serve to satisfy clients in need of tax planning or income generated by lending shares. Taishin Bank also offers property trusts that help to provide care for seniors and the physically challenged. To satisfy wholesale banking customers' diverse needs for trust services, Taishin Bank has also been active in promoting trust services as solutions to employee remuneration, such as trusts for shares, employee stocks, and restricted new shares, to help companies provide incentives and retain top talents. Regarding collective investment accounts, the Taishin Global Premium Portfolio Collective Trust Account has shifted its portfolio from focusing on bonds to adopting a multi-asset approach so that it is better equipped to make sound investment decisions in an increasingly volatile and fast changing market. Meanwhile, Taishin Bank works hard to expand foreign currency denominated collective investment services in order to provide more channels through which customers are able to make foreign currency denominated investments. The Bank also works with international investment firms to try to achieve better returns. The effort not only brings quality services for customers, but also strengthens the investment teams. Regarding custody services, the custody services for foreign investors enable foreign individuals and institutions to gain access to growth opportunities in Taiwan's stock market. In addition, the custody services for foreign/Chinese employee investment accounts are available to foreign companies seeking primary listing in Taiwan and overseas subsidiaries/branches of domestic companies listed in Taiwan and looking to distribute stocks to reward foreign/Chinese employees. The services enable foreign employees to open employee investment accounts with the custodian bank and receive stocks distributed by TWSE listed or TPEx mainboard/emerging listed parent companies; and Chinese employees to open accounts and receive stocks distributed by TWSE/TPEx listed parent companies. Regarding fund services, Taishin Bank continues to build a comprehensive product line. In response to greater volatility and increasingly fast paced financial markets, the Bank has been first to introduce new and innovative funds with specific focuses for product diversification. Customers will have more options when markets are volatile. For high net worth customers, Taishin takes an active approach to make products more unique. It works with domestic and international securities investment trust enterprises and asset management firms to launch private equity funds available exclusively through Taishin Bank as a new investment vehicle for high net worth customers. Taishin Bank sets itself to utilize a line of funds with both depth and width and help customers construct core and opportunity assets in order to achieve optimal portfolios and create more flexibility and better protection in asset allocation. Regarding fixed income products, international premium bank debentures, corporate bonds, and government bonds in various currencies (including RMB) and various terms and credit ratings will be offered on an ongoing basis to provide more asset allocation choices for customers who prefer to hold fixed income in their portfolios. The Bank continues to process trade orders from professional investors for offshore structured products available only to professional investors. In addition to traditional long term principal guaranteed products, the Bank launches short- and medium-term products to fill the duration gaps. Risk diversification is achieved through a wide range of underlying securities. Equity linked products without principal guarantee are offered alongside market views and underlying securities selected to track opportunities in market volatility. The real-time trading system for foreign ETFs, foreign stocks, and other foreign securities gives customers an easier-to-use trading platform that is more instant and responsive. Well-constructed post-investment management mechanisms are implemented for individual product lines to support a complete range of financial planning services.

2. The net profit percentages for key activities of the Bank and the growths and changes are listed as follows:

Net profit percentage	2018	2017
Retail Banking	68%	66%
Wealth Management	36%	34%
Consumer Finance	24%	24%
Credit Card	8%	8%
Wholesale Banking	32%	34%
Total	100%	100%

Note: The cash card business is merged into retail banking services.

b. Business plan for the current year

1. Wealth Management

- (1) The Taishin Bank brand is built on "Expert-driven Decisions" and "Dedication". The Bank offers a diverse range of localized and personalized customer services. Taishin Bank is constantly in pursuit of innovation and stronger customer relationships, aided by its outstanding digital services that establish the Bank as an Intelligent Partner of its customers.
- (2) As part of its commitment to sustainable development and customer-centric values, Taishin Bank offers appropriate asset allocation, regular investment checkups, and after-sales services in risk management and market analysis reports, all of which are designed to help customers achieve consistent returns and asset growth in the markets.
- (3) To meet the need for integrated services for personal accounts and household accounts, Taishin Bank has introduced the family-based wealth management service. The feature extends the scope of personal wealth management to include a family, and offers financial advice for members of the family at different stages and benefits for the entire family. It is an excellent choice for customers with inheritance concerns.

2. Retail Banking

- (1) Strengthening existing customer relationships; making more effective and integrated resource utilization within the Bank to expand the customer base; increasing penetration and cross selling; and creating synergy in Taishin FHC.
- (2) Applying FinTech to upgrade and strengthen online retail banking functions and support transformation of sales channels to attract more digital customers. The online mortgage application service was launched in 2018. It makes the process more efficient and increases the interest spreads while finding a balance between profits and risks.
- (3) Securing existing cobranded cards and continuing to seek opportunities for new cobranded cards that would bring new customers for Taishin FHC. Creating advantages by differentiation in bank cards.
- (4) Continuing to expand the range of diverse, easy-to-use digital channels for credit card application for a better user experience.

3. Digital Banking

- (1) Richart digital banking
 - ◆ The first financial institution to adopt agile development, the first bank to give customers control over app design and features, and a 100% mobile app oriented digital banking brand
 - ◆ The only digital bank in the market to offer integrated products and services that combine "savings, payment, financial planning, foreign currency, insurance, loan, and time deposit"
 - ◆ Richart won another Red Dot Award for Communication Design in August 2018, and then rose above 200 financial institutions from around the world and brought home the Gartner Eye on Innovation Award in November.
- (2) New payment tools
 - ◆ Supporting government policies to increase the percentage of electronic payment as a payment mode; and implementing a multi-payment service model to help traditional markets or merchants adopt digital services.
 - ◆ Expanding acquiring services for affiliated merchants to create an all-in-one platform that supports various electronic wallets and makes it easier for merchants to handle different payment modes.

- ◆ Continuing to work with offshore third party payment service providers and seeking potential partnerships in Hong Kong, Japan, South Korea, and Southeast Asia.

(3) Electronic banking services

- ◆ Making extensive use of biometrics, artificial intelligence and other innovative technologies to enable customers to log into their accounts and access financial services with the greatest ease in the shortest time possible.
- ◆ Expanding the ATM network to include Kinmen, and being the only bank to support UnionPay QuickPass, which enables UnionPay cardholders and Kinmen residents to enjoy the same friendly, innovative financial services available in Taiwan.

4. Wholesale Banking Services

- (1) Building on strengths in product innovation and service development to provide one-stop financial services and increase customer loyalty.
- (2) Introducing integrated NTD and foreign currency cash management; promoting cash services (collection and payment) as means of soliciting current deposits; anchoring customer relationship and minimizing credit risks.
- (3) Taking advantage of local branches to develop close ties with local customers; trying to expand the customer base in small and medium-sized enterprises; and targeting high net worth customers in Asia Pacific.
- (4) Focusing more on niche export businesses and high net worth enterprises with an emphasis on asset products and financial planning services in order to build an image of a regional bank.
- (5) Increase the number of branches in China and Asia Pacific. Following the opening of the Singapore Branch in 2014, the Yangon Branch in Myanmar opened in January 2016, the Tokyo Branch in Japan in October 2016, and the Brisbane Branch in Australia in July 2017. Preparations are currently underway for the Long An Branch in Vietnam. Establishment of the China office has been approved by the competent authority in Taiwan on January 31, 2019. Preparations are being made to submit an application to the competent authority in China.
- (6) Improving the lending process and strengthening risk management in order to maintain sound asset quality.
- (7) Investing more in training and job rotation mechanisms in response to the growing momentum in overseas operations, and building an overseas talent database.

5. Financial Market Services

- (1) The Debt Capital Market Department was created in July 2018. It provides planning and management of underlying onshore and offshore bonds in underwriting cases. The department is an active participant in bond issuance planning for onshore and offshore companies, and works with international financial institutions as a means to break into the domestic and international bond markets. By helping issuers construct better funding methods and offering investors a wide range of suitable services, the department builds a full line of bond services.
- (2) As Taishin Bank opened more overseas offices and expanded steadily in Asia Pacific markets, the Overseas Financial Market Division was created in October 2018. The division oversees the trading rooms in Hong Kong, Tokyo, Singapore, and Brisbane. It also combines trading resources and opportunities in overseas markets and creates synergy by building up its presence in overseas markets and developing closer relationships with local customers.

6. Trust Services

- (1) Focusing on "securities trust products" and being an active participants in securities lending, while targeting potential customers among securities settlement account holders and creating income for customers from securities lending. Helping customers keep their assets in the family through succession planning and family trusts and satisfying the need for explicitly stated distribution of family assets.
- (2) Introducing "money trust" services that offer trust agreements tailored to satisfy a broad variety of needs such as children's education, business ventures, retirement planning, and care of family members with physical or mental disabilities.
- (3) Establishing Taishin Bank as a leading brand for employee welfare trust by advocating the employee welfare trust for businesses looking to retain or reward their employees; developing stronger relationships with wholesale banking customers through a diverse range of trust products; and exploring employees' needs for personal wealth management services.
- (4) Offering custody services for foreign/Chinese employee investment accounts. Given the success of Taiwanese businesses and their extensive global networks and considering the trend of adopting international standards among local businesses, Taishin Bank supports the government's policy to encourage overseas Taiwanese businesses to obtain primary listing in Taiwan, and works with the wholesale banking sales team to target these international companies and explore potential customers for the custody services for foreign/Chinese employee investment accounts.
- (5) Continuing to incorporate market and product information services into the online trading platform to create more friendly financial planning services.
- (6) Continuing to develop more fund-related functions in the digital banking app, which lowers the investment threshold for certain funds and attracts more customers with more user friendly functions.
- (7) The line of onshore/offshore funds have been extended to better reflect changes in market dynamics. New type products are introduced to meet customer needs for asset allocation.
- (8) Attracting more customers of custody services and securing assets under management (AUM) for funds while generating more stable income from the AUM base.
- (9) Introducing multi-themed funds and building personalized services in response to market trends for different customer segments and characteristics.
- (10) Exploring mutual fund opportunities through offshore banking units (OBU), or introducing by private placement funds not yet filed with the competent authority in the country or flagship products offered by foreign private banks in order to use products to develop stronger relationships with high net worth customers.
- (11) Special discounts for certain funds are offered from time to time to attract more investors.
- (12) Introducing multi-themed foreign ETFs, thereby offering customers suitable instruments to invest in under any market condition.
- (13) The real-time trading system for foreign ETFs, foreign stocks, and other foreign securities gives customers an easier-to-use trading platform that is more instant and responsive.
- (14) Various types of bonds are available, including premium overseas bank debenture, corporate bonds, and government bonds in different currencies and different maturities.
- (15) The Bank continues to accept trade orders from professional investors for offshore structured products available only to professional investors. Short-, medium, and long-term principal guaranteed products are available. Risk diversification is achieved through a wide range of underlying securities. Equity linked products without principal guaranteed are offered alongside market views and underlying securities selected to catch opportunities in market volatility to meet the demands of high net worth professional investors.

(16) Well-constructed post-investment management mechanisms are implemented to support a complete range of financial planning services.

c. Industry status

Same as described under “c. Industry status” of Taishin Financial Holding Co., Ltd.

d. R&D and business development

1. Major financial products and scale of retail banking in recent two years

- (1) Home purchase and renovation loans have an outstanding balance of NTD 484.9 billion, representing a 7% YoY growth.
 - (2) Car loans have an outstanding balance of NTD 45.4 billion, representing a 7% YoY growth, placing it again on top of the financial industry.
 - (3) Other consumer loans have an outstanding balance of NTD 59.2 billion and is growing at 11% per year.
 - (4) The outstanding balance of micro corporate loans reaches NT\$5.3 billion and is growing at 3.8% per year.
- Credit cards:
- a. 4.64 million credit cards outstanding, ranking fourth with a 10.5% market share.
 - b. 3.26 million active credit cards, ranking fourth with a 11% market share.
 - c. 289.2 billion in annual card purchases, ranking fourth with a 10% market share.
 - d. 126,000 card accepting merchants in total, ranking first with a market share of 21.2%.
 - e. There are 2.23 million premium credit cards, ranking second with a 14.6% market share. (Premium credit cards include World MasterCard, Titanium MasterCard and VISA Infinite and VISA Signature.)

(Credit card data source: FSC and National Credit Card Center, as of December 2018)

Date	R&D Project	R&D Project Results
2017/07	Mobile SMS statement	To support environmental conservation efforts, Taishin Bank started sending mobile SMS statements in July 2017. It worked with DOMI Earth to promote mobile statements in January 2018. Taishin Bank won the first place and special prize in 2018 Social Innovative Product and Service Procurement Incentive.
2017/10	New online credit card application feature to support authentication by credit card issued by another bank	To make the easy-to-use online credit card application service available to more customers, Taishin Bank now allows authentication by credit card issued by another bank so that customers of other banks are able to enjoy a fast application process that eliminates the need to print form, physically sign, and mail form.
2017/12	Smart all-purpose card terminals	Smart all-purpose card terminals can be used to swipe credit cards, scan QR codes, and process payments for merchants. It is currently the most versatile payment device in the market.
2018/04	LinkPay	New online payment tool (LinkPay) is developed to make it easier and safer to make/receive payments for merchants and cardholders. Taishin Bank received an Annual National Brand Yushan Award in the Best Product Category in July 2018. It received Cards International and Electronic Payments International Awards 2018 - Best Merchant Product Offering in August 2018.

2. Major financial products and scale of digital finance in recent two years

(1) Richart digital banking

The main customer base is those aged 20 to 40. Products such as foreign exchange, AI investing, and NTD and foreign currency time deposits are also included in 2018. To encourage more students and those with limited assets to start using Richart for financial planning, the bank introduced the Richart debit card with auto top-up enabled EasyCard in May 2018.

(2) Electronic banking

In 2018, Taishin Bank was the first in the industry to introduce facial recognition enabled ATMs that used biometrics and artificial intelligence to create an innovative technology experience for customers.

Date	R&D Project	R&D Project Results
2018.3	Garmin Pay wearable mobile payment services	The first wearable mobile payment tool was launched in March 2018. The launch offers attracted thousands of Taishin Bank cardholders to link their cards and use the tools to make payments.
2018.4	Mobile ATM card	International mobile payment services started allowing ATM cards in April 2018
2018.5	Fitbit Pay wearable mobile payment services	The first wearable mobile payment tool was launched in May 2018. The launch offers attracted thousands of Taishin Bank cardholders to link their cards and use the tools to make payments.
2018.8	Pay+ payment module	First bank in Taiwan to enter department stores and convenience stores in August 2018, thereby boosting the active credit card count and doubling the mobile payment activation rate.
2018.10	Collection app	First bank to launch an App in October 2018 to increase merchant stickiness. App is scheduled to be made available to small and medium merchants in 2019.
2018.12	Integrated report service	First bank in Taiwan to introduce the service to help merchants with cash flows while satisfying their implicit needs.

3. Major financial products and scale of wholesale banking in recent two years

(1) Outstanding balance of loans extended by domestic branches to state and private enterprises.

With equal emphasis on risk management and business development, the bank's outstanding of loans for state and private enterprises reached NT\$240.9 billion at the end of 2018, ranking 15th place among 37 domestic financial institutions. This represented an increase of 1% over the previous year, compared to an average growth of 4.6% among peers.

(2) Outstanding balance of loans for small and medium enterprises

In line with the government's policy of providing the assistance of loaning to small and medium businesses and the purpose of expanding the bank's customer group, the bank extended NT\$138.3 billion of outstanding loans to small and medium businesses as of the end of 2018, up 5.3% over a year earlier.

(3) L/C and export negotiation

For letter of credit negotiation, Taishin Bank develops strong relationships with existing customers while working to attract new customers. In 2018, the bank handled US\$1.12 billion in letter of credit negotiation, which was a 10.4% YOY growth.

(4) Factoring business

For factoring, Taishin Bank maintains a balance between credit risk and customer relationship management while considering credit risk concentration and geographical diversification. In 2018, the bank undertook NT\$220.4 billion in new business, which was a 8.4% YOY decrease.

4. Major financial products and scale of financial market services in recent two years

(1) The bank ranks fifth in the volume of derivative transactions.

(2) September 2017 - 3rd TAIEX Futures Diamond Awards - Trading Volume Diamond Award for Banks and Trading Volume Growth Diamond Award for Banks, 2nd place.

(3) January 2018 - Taipei Exchange NTD-denominated IRS Competition, 2017 H2 group champion.

(4) June 2018 - 2017 CBC Government Bond Dealer Evaluation, 2nd place.

(5) September 2018 - 4th TAIEX Futures Diamond Awards - Trading Volume Diamond Award for Banks, 1st place.

5. Major financial products and scale of trust financial business in recent two years

Unit: NT\$ million

Year	2017	2018
Special-purpose money trusts investing in domestic/foreign securities	153,972	167,309
Custody services of Securities investment trust funds	58,135	84,334
Other money trusts	21,740	26,410
Employee welfare trust	522	751
Securities trust	29,096	19,750
Collective investment trust account	460	367
Discretionary investment services - specify separate accounts	11	11
Real estate trust	24,841	32,349

6. Future R&D plan

(1) Wealth Management

- ◆ The Bank combines resources under Taishin Holdings and focuses on serving individuals, households, and business owners by providing a complete line of financial planning services and increasing customer satisfaction toward wealth management services.
- ◆ The bank invests in FinTech and applies big data analytics and CRM techniques to provide customised services in order to manage customer relationships more effectively.

(2) Retail Banking business

- ◆ Explore potential cross industry alliances to share resources and uncover new customer bases. Combine resources under Taishin FHC and coordinate interdepartmental collaboration to provide more choices for customers.
- ◆ Strengthen customer segment analysis and use channel resources to attract new customers; and target a younger audience and design small loans to expand the line of loan products and meet the demand for funding.
- ◆ Continue to optimize the lending process, expand gradually the line of loan products available through online application, make the entire lending process less time consuming, reduce costs, and improve customer satisfaction.
- ◆ Continue to launch new loan products, such as the loan pledged by the money trust, as the competent authority moves toward deregulation.
- ◆ Combine traditional payment services and digital banking resources to better reflect developments in the industry and trends in technological advancements; and continue to develop new payment tools that achieve both speed and security in order to provide more friendly services for merchants and cardholders that push for a cashless society.

(3) Digital Finance business

- ◆ Invest in expanding the line of digital banking services and continue to optimize platforms and implement innovations to facilitate more effective O2O integration.
- ◆ Work with various industry/government/academia partners and apply AI technologies, new payment tools, and big data to revolutionize banking and payment services and start a brand new digital age.

(4) Wholesale Banking

- ◆ Assemble interest rate, exchange rate, bond, commodity, and equity products to increase product variety.
- ◆ Implement well-organized or electronic trading systems that respond to market trends and improve trading processes and capabilities
- ◆ Focus on launching Foreign currency business in light of current round of deregulations.
- ◆ Expand offshore financing and the number of overseas branches, strengthen the function of e-network trading platform, so as to satisfy customers' need for cross-border fund maneuvering.

(5) Financial Market

- ◆ Assemble interest rate, exchange rate, bond, commodity, and equity products to increase product variety.
- ◆ Implement well-organized or electronic trading systems that respond to market trends and improve trading processes and capabilities.

(6) Trust Services

- ◆ Continue to introduce or develop new types of products to expand the product lines.
- ◆ Engage business partners and counterparties on a deeper level to develop stronger business relationships.
- ◆ Follow the trends in digital and smart technologies and enhance trading platforms and processes to create a better user experience.

e. Short- and long-term business development plans**1. Wealth Management****(1) Short-term business development plan**

- ◆ Apply precise data analysis and integrate resources throughout Taishin Holdings to enable customized marketing and maximize cost effectiveness. Provide customers with tailor-made finance and debt solutions which in turn result in greater satisfaction and higher AUM.
- ◆ Serve the needs of individuals, households, and business owners with consistent financial planning across physical and digital channels; and provide a complete line of wealth management services.
- ◆ Build customer relationships as a local business and assign customers to nearby branches by work address. Observe customers' transactions on a regular basis and change the corresponding branches accordingly.
- ◆ The rise of a new generation makes it necessary to follow changes in younger customers' behaviors, revamp financial services and create a new customer service experience in order to effectively attract younger generations.
- ◆ Combine big data analytics and digital footprint to track the needs of wealth management clients and provide integrated financial planning services.

(2) Long-term business development plan

- ◆ A well established digital banking system is constructed by collecting external data from various sources, improving CRM modeling techniques, and achieving more precise segmentation with an integrated real and virtual platform.
- ◆ Integrate real and virtual channels, including internet banking services, mobile banking services, official websites, customer service centers, ATMs, and branches, to provide a premium financial service experience.
- ◆ Continue to build a stronger team and a wider range of products and instant services; and incorporate premium wealth management membership benefits to create one-stop wealth management services for customers.

2. Retail Banking

(1) Short-term business development plan

- ◆ Design a one-stop online pre-approval process for personal loans, and implement segmentation and process optimization to improve the borrower experience and success rate.
- ◆ Secure existing cobranded cards while actively seeking potential partners in new cobranded cards, and provide the latest digital banking services to meet the partners' demand for payment processing.
- ◆ Differentiate benefits and offer premium services to expand the customer base for premium cards with annual fees.
- ◆ Work with electronic payment service providers, third-party payment operators, and acquiring service providers to increase market share in acquiring services, gain access to merchant lists, and maintain cash flow.

(2) Long-term business development plan

- ◆ Follow Taishin FHC's plans for overseas markets and actively explore consumer banking markets and new opportunities.
- ◆ Use electronic systems for ongoing process redesign; build a complete case submission/review system; and improve data storage, analysis and application to achieve the two-way benchmark for sales growth and risk management.
- ◆ The Bank is a leader of micro corporate loans by keeping investing in product development, customer analysis, and distributor relationship management.
- ◆ Monitor closely trends in traditional and electronic payment services as well as technology development; and offer safer and more friendly solutions for merchants and cardholders on an ongoing basis to increase the percentage of electronic payments.

3. Digital Banking

(1) Short-term business development plan

- ◆ Introduce new payment modules as ease, fast, and integrated payment solutions for the retail market.
- ◆ Pay+ payment module: provide apps/web pages to perform encryption for linking payment information and tokenization so to enable merchants to turn their own apps into electronic wallets for their members and consumers to make payments by having barcodes on their mobile phones scanned.
- ◆ ONE Code Platform and payment app: help merchants receive and complete payments regardless of the size of business and needs. The technology behind the ONE Code platform offers flexibility and supports merchants' payment apps. The platform is a welcome addition to Taishin's barcode payment services. It is able to optimize the quality of payment systems for large merchants on an ongoing basis while remaining accessible to more small and medium merchants.

(2) Long-term business development plan

- ◆ The bank works with startups to branch out into different industries.

4. Wholesale Banking

(1) Short-term business development plan

- ◆ Implement customer relationship management by segmentation, improve product dimensions, and strengthen relationships with customers.
- ◆ Enforce group-wide exposure limit control to ensure optimal allocation of credit risk among subsidiaries.
- ◆ Expand relationships with securities customers through cash flow services and demand deposit privileges; increase the percentage of customers' demand deposits for lower funding costs.

- ◆ Combine channel resources within the bank; cater to local customers and expand the SME customer base; and focus equally on profitability and quality.
- ◆ Increase the number of branches in China and Asia and build an integrated cross border platform that embodies the policy to serve Taiwanese businesses worldwide and position the bank as a global business.
- ◆ Build the bank's overseas talent pool through regular job rotation, in order to accommodate growing businesses.
- ◆ Support the government's lending policy for SMEs and startups which includes the Asian Silicon Valley project, intelligent machinery, biomedicine, green energy technology, national defense and aerospace, a circular economy, and a new agricultural paradigm, and provide financing for potential businesses, while in the meantime paying close attention to risk control.
- ◆ While the Southeast Asian economies continue to grow, the need for financing infrastructure in the region grows. The government's New Southbound Policy offers benefits for investment and therefore benefits for the bank's operations in Southeast Asia.

(2) Long-term business development plan

- ◆ Enhance service capabilities and product innovation; anchor customer relationship and aim to raise customers' satisfaction and contribution.
- ◆ Allocate group resources with greater efficiency; deliver all-round financial services through synergistic use of existing product lines.
- ◆ Actively explore overseas markets; increase profit contributions from overseas and broaden the bank's presence in China and the Asia Pacific region.
- ◆ Continue recruitment and cultivation of overseas talents to support the medium and long-term development of overseas business.

5. Financial Market

(1) Short-term business development plan

- ◆ Continue to improve the financial structure, reduce the cost of funds, increase investment returns and transaction margin, and create more sources of regular income.
- ◆ Continue to explore new customer bases while strengthening existing customer relationships; and seek opportunities for wholesale banking, institutional investment, wealth management, and private banking services in domestic and international markets in order to generate more domestic and foreign income.
- ◆ Enforce self audit, develop better internal control systems, and adhere strictly to the compliance rules and other applicable laws and regulations.
- ◆ Recruit and retain talent, build up human capital, provide training, and create a stronger talent database.

(2) Long-term business development plan

- ◆ Apply for approval or permit for new products and continue to develop innovative financial products and services in order to broaden the range of products and give customers more choices while increasing revenue from existing customers and attracting new customers.
- ◆ Implement and promote the use of electronic platforms, and improve the quality and efficiency of products and services.
- ◆ Strengthen market and operational risk management to monitor risks with more precision.

6. Trust Services

(1) Short-term business development plan

- ◆ The bank tries to expand the wholesale banking customer base by offering wholesale banking customers money trust, employee stock trust, employee share trust, employee welfare trust, and restricted share trust. The bank will also incorporate restricted share trust services into custody services for foreign/Chinese employee investment accounts so that foreign companies seeking primary listing in Taiwan and overseas subsidiaries/branches of domestic companies listed in Taiwan will be able to provide better remuneration plans for foreign/Chinese employees.
- ◆ Customers of structured trust services are provided with easy-to-use transactions and electronic services to suit every need.
- ◆ The employee welfare trust is developed as another trust option for wholesale banking customers and to explore employees' needs for wealth management services.
- ◆ The Bank has developed a digital banking environment with more convenient services such as electronic account opening and transaction services.
- ◆ The Bank advertises heavily the idea of asset allocation to increase product sales and total AUM. Customers are encouraged to use limited order platforms for foreign ETF, foreign stock, and other foreign securities and place orders by number of shares. ETFs following specific sectors will be introduced regularly to help customers respond more quickly to market development.
- ◆ International premium bank debentures and corporate bonds in various currencies (including RMB) will be offered on an ongoing basis to satisfy local/international customers who prefer to hold fixed income in their portfolios.
- ◆ The Bank will continue to offer offshore structured investments suited for professional investors and OBU customers as part of the commitment to improve customer service and provide more attractive investment products.
- ◆ Potential customer bases are explored and offered financial publication and information. Investment seminars and promotional events are organized to increase AUM.
- ◆ The Bank, by careful screening, is the first to introduce new products with specific focuses to suit different financial planning and asset allocation needs.
- ◆ A rich variety of online financial information is available for one-stop online financial planning services.
- ◆ The idea of Regular Saving Plan is matched to investment objectives of customers at various stages of their lives to encourage customers to accumulate wealth, thereby increasing AUM for the Bank.

(2) Long-term business development plan:

- ◆ Develop various "securities trust" to satisfy the multiple needs of customers for tax savings and revenue creation, so as to increase market share and gain leadership in the market.
- ◆ The bank continues to work with the wholesale banking division, the payroll division, and Taishin Securities to design employee welfare trusts and construct a complete employee welfare trust platform.
- ◆ Continue concerning about change in regulations, so as to develop new trust business.
- ◆ Periodically review new or revised regulations announced by the government to promote financial products.
- ◆ Continue introducing a diverse range of new products and services intended to deliver consistent returns for investors in bearish markets.

- ◆ Promote asset allocation and regular fixed investment, and aim to increase product sales and total AUM.
- ◆ Track product performance regularly and continue to improve risk indicators to monitor product performance and risks for customers.
- ◆ Continue introducing a variety of new funds or flagship products offered in other countries for high net worth customers; and innovative means of investment to meet the demand for financial planning and investment efficiency.

Taishin Securities Co., Ltd.

a. Business scope and business mix

1. Business scope

- (1) Securities Brokers
- (2) Securities Dealer
- (3) Securities Underwriter
- (4) Futures Commission Merchant
- (5) Other financial businesses acknowledged by the competent authority

2. Business mix in terms of revenues

Unit: NT\$1,000

Item \ Year	2017		2018	
	Amount	%	Amount	%
Brokerage	554,243	47	1,021,041	61
Dealing	350,807	29	430,042	26
Underwriting	283,269	24	223,870	13
Total	1,188,319	100	1,674,953	100

3. Various existing products and services

Items	Major contents
Brokerage	<ol style="list-style-type: none"> 1. Provide entrusted transaction service for shares listed on the centralized market, over-the-counter market, and emerging market, including e-trading, and undertake securities delivery for investors. 2. Provide investors the service of margin trading and short sales for securities transaction. 3. Operate concurrently futures brokerage and sub-brokerage services.
Dealing	<ol style="list-style-type: none"> 1. Buy/Sell stocks, bonds and other securities and perform hedging in the secondary and OTC markets in Taiwan. 2. Subscribe to onshore and offshore call (put) options. 3. Make outright purchases/ sales and those with repurchase/resale agreements of domestic and foreign bonds, bills, beneficiary securities and other fixed income products; and perform trading and hedging of interest rate derivative products. 4. Conduct trading of domestic and foreign futures and options approved by the competent authority. 5. Design, issue, trade, and perform hedging of structured products, equity derivatives and other derivatives approved by the competent authority.
Underwriting	<ol style="list-style-type: none"> 1. Assist companies with public share offering for share listing, and assist customers undertaking diagnosis of business strength and innovation of business flow. 2. Assist enterprises in raising funds on the capital market. 3. Provide financial consulting and planning for the privatization of government-owned enterprises, issuance of securities by enterprises via private share placement, domestic and overseas investment projects, equity trading and consulting for corporate restructuring
Merchant services	Provide corporate restructuring and reorganization, mergers, financial planning and other consulting services for individuals, corporate entities, government institutions and financial institutions in and outside the Republic of China.

4. New products and services under plan

- (1) Continue to optimize functions of existing e-platforms, and work with Taishin Holdings in developing FinTech enabled services to provide easy access for customers.
- (2) Apply to offer a wider range of unrestricted purpose loans.
- (3) Foreign futures and equity arbitrages and transactions, foreign bond transactions and trading of interest rate products, conversion to electronic transactions for derivatives on TAIFEX, and integrated (domestic and international) stock/futures/warrant/bond trading system.
- (4) Create OSU to provide underwriting of foreign securities.

In addition, the company will closely track liberalization of new products or related laws/regulations, in the hope of maintaining high vigilance along with the rollout of new products and provide investing public the fastest and convenience service.

- (5) Arbitrage and trading of foreign futures and securities, international preferred shares, trading of foreign bonds and interest rate products, and conversion to electronic trading for derivatives on TAIFEX.

b. Business plan of the current year

1. Brokerage

Work closely with banking distribution channels and raise employees' service standards. Enhance customer loyalty and adhesiveness via the upgrading of e-platform.

In addition, invest in expanding sub-brokerage services while providing futures services concurrently.

2. Dealing

Help new investors grow their portfolios; strengthen existing relationships; and provide suitable products that cater to customers' investment needs and risk tolerance. Extend the existing line of government and corporate bonds and other stable income in the form of bonds to overseas markets in order to increase overseas income and diversify sources of income. Issue new derivatives, structured products, and domestic and foreign secondary market index arbitrage products to create a more diverse line of investment products and build on trade products.

3. Underwriting

The company will focus on quality enterprises for underwriting business, actively acquiring IPO and fundraising businesses to increase market share. In addition to providing the provision of custom financial planning and developing the business of share listing by overseas enterprises, so as to increase sources for steady fee income.

4. Merchant banking

Provide corporate restructuring and reorganization, mergers, financial planning and other consulting services for individuals, corporate entities, government institutions and financial institutions in and outside the Republic of China.

c. Industrial status

1. Market status

Unit: NT\$ billion

Total transactions of the securities market in the recent three years			
Year	2016	2017	2018
TSE Market	18,915	25,799	32,162
OTC Market	54,875	53,725	56,891
Total	73,790	79,524	89,053
Weighted stock price index (year end)	9,253	10,643	9,727

Source: Website of Securities and Futures Bureau.

Operating Status of Domestic securities			
Year	2016	2017	2018
EPS (NT\$)	0.63	1.32	0.93
ROA	1.39%	2.31%	1.70%
ROE	4.02%	7.56%	5.66%

Source: Key indicators of securities and futures markets in December 2018; domestic securities dealers, including general and specialized securities dealers.

2. Taiwan's stock market

Steady expansion continued in the global economy in 2018. However, the U.S. rate increases in the first half of the year pulled investment from emerging markets back to the United States, and led to temporarily increased volatility in Taiwanese stocks. The index reached the peak this year at 11,270 points before falling back to previous levels. The U.S.-China trade dispute in the second half created instability in capital markets and greater volatility in stock markets around the world.

On the whole, TWSE, given the great volatility in major stock markets, stagnated in both index and volume in the second half of 2018. The daily average volume for domestic stocks was NT\$163.9 billion, and the average margin trading was NT\$227.9 billion in 2018. TWSE fell by 915 points, or 8.60%, compared to the end of 2017. The TPEx fell by 24.98 points, or 16.82% from the end of 2017.

d. Research and development

Securities is a licensed business. All securities firms require the approval of the competent authority for services and products offered before commencing business. As a result, the company will follow the direction of future deregulation to design products and services that best accommodate customers' needs.

e. Short- and long-term business development plan

1. Short-term business development plan

- (1) Actively capitalize on the financial holding's resources via cooperation with other units (such as wholesale banking unit or branches.)
- (2) Continue strengthening e-trading platform, upgrade the convenience and function of operating-platform interface, and steadily increase the share of e-trading.
- (3) Invest in expanding sub-brokerage services while providing futures and other services concurrently.
- (4) Investment risks were placed under strict control to avoid losses.
- (5) Take an active approach toward playing a lead role in SPO projects, including customer relationship management plans for sales departments. Take the initiative to analyze customer reports and provide preliminary plans to create more business opportunities.
- (6) Work closely with the wholesale banking team to discuss potential partners; and hold monthly meetings on a regular basis and management meetings as needed to follow up on the progress.
- (7) Implement more risk management mechanisms and enhance case quality control to reduce application risk.
- (8) Improve accessibility to database services and develop trading strategies based on easier, faster access to data.
- (9) Optimize quantification capability and trading and operating systems; and continue to improve overall performance and quality.
- (10) Select promising long term investments out of a constant stream of new and innovative warrant products and make them available to investors in order to stimulate growth in the warrant market.
- (11) Continue to develop and establish quantitative trading strategies to yield consistent profits.

2. Long-term investment plan

- (1) In view of the growing important of institutional investors in the market, especially qualified domestic institutional investors, the company will combine the R&D resources and e-trading system of investment consulting, to develop institutional client business with integrated services.
- (2) Arrange various training courses for employees according to their nature and types, to enhance their capability and upgrade the company's overall competitiveness.
- (3) Continue cultivating enterprises with growth potential and execute customer deep-cultivation plan, to facilitate long-term development of underwriting business.
- (4) Create more sales channels and improve caseload capacity.
- (5) Continue to expand the team of statistics and data analysis professionals.
- (6) Expand the lines of financial products and develop a full range of securities trading services.
- (7) Create a full time futures dealer to provide foreign futures services.

Taishin Securities Investment Trust Co., Ltd.

a. Business scope

1. Major business contents

The company's client base consists mainly of domestic and foreign institutions and retail investors. The Company has three offices in Taiwan, and has specified money trust and sales agreements in place with banks, including Taishin Bank, Hua Nan Bank, Taiwan Cooperative Bank, Bank of Taiwan, Mega International Commercial Bank, E.SUN Bank, Taiwan Business Bank, Shanghai Commercial & Savings Bank, and Taichung Commercial Bank, and securities dealers, including KGI Securities, Yuanta Securities, and Mega Securities. Combined with agreements to be entered into with many more strong fund distributors in the future, the Company's network will have more than a thousand points of sale across the island.

2. Business shares

At the end of December 2018, Taishin Securities Investment Trust managed NT\$74.869 billion of public funds; 20.05% of which were nonmoney market funds while money market funds accounted for approximately 79.95%. Recently operating income for three years listed as shown in the table below.

Unit:NT\$ thousand

Items \ Year	2016		2017		2018	
	Amount	%	Amount	%	Amount	%
Management fee income	286,048	97.48	305,975	96.66	380,702	97.39
Sales fee income	6,843	2.33	4,741	1.50	3,694	0.95
Service fee income	555	0.19	5,826	1.84	6,496	1.66
Total	293,446	100.00	316,542	100	390,892	100

3. Various existing products (services)

Service items	Major contents
Public-placement funds	Raise funds via issuance of beneficiary certificates subscribed by common investors. The funds are managed by Taishin Investment Trust's professional teams, with investors sharing investment returns and risks and bearing the result of loss or profit. Provide the investment method of Regular Saving Plan, allowing automated deduction of specific amount of deposits from investors' accounts at specific time every month for regularly subscribe to the mutual funds.
Discretionary account investment	For investment assets entrusted by customers or transferred from trust accounts, invest or transact on behalf of customers in securities, related products or other regulator-approved items according to the analysis and judgment by the company.
Private-equity fund	Raise mutual funds from specific parties in private, which are then utilized Taishin Investment Trust's professional team for investment in securities and related products.
Offshore fund distribution	Distributing offshore funds that have been approved by the authority to offer in Taiwan.

4. New products (service) under plan

Taishin SITC will continue to broaden its overseas product line, introduce quality offshore funds, and enhance electronic trading services particularly with regards to efficiency and security. Based on the blueprint of “take root on new China and deep-cultivate new economy,” the company will dedicate to “the discovery of new value and creation of new fortune” for clients, with the goal of tapping the markets of greater China, asset allocation, and pension funds, so as to create a quality brand, worthy of the trust of investors and the support of business partners.

b. Business plan of the current year

1. Offer premium fund selections and increase AUM

Enrich the existing portfolio of Taiwan equity funds and Greater China series, while in the meantime develop product lines in other overseas markets. Combine research resources to deliver consistent long-term returns. Focus on increasing the AUM of non-monetary funds and improving the company's business performance.

2. Enhance customer management and reinforce business partnerships

Promote product awareness through the use of marketing and advertising campaigns. Apply effective relationship management and provide customers with better financial services, and in the meantime strengthen collaborative relationships with banks, securities firms and other business partners.

c. Industrial status

There are 39 securities investment trust firms in Taiwan. As of the end of December 2018, there were 859 mutual funds, and the total investment was NT\$2,571.9 billion. There were 802 discretionary investment services contracts investing a total of NT\$1,8662.2 billion. There were 56 private equity funds investing a total of NT\$37.6 billion.

d. Research and development

Taishin Securities Investment Trust launched the Taishin JP Morgan Emerging Marketing Markets IG Bond ETF Fund in May 2018. Taishin SITC places a great emphasis on sharing experience and resources among members of the research management team. The existing research management team oversees the domestic equity division, the Asia Pacific equity investment division, the financial product division, the fixed income division, and the discretionary management division. The research management team and the fund managers have extensive experience in research, including global economic conditions, investment strategies, and domestic/foreign equity and bond markets.

e. Short and long-term development plan

Taishin SITC focuses on customers, talents, products, performance, and brand in its management, with the goal of becoming a quality brand with the trust of investors, the support of business partners, loyalty of employees and shareholders, and the compliment of social public.

1. Short-term development plan

Maintain the stable performance of mutual funds, continue to expand the scale of mutual funds, so as to obtain the qualification for undertaking the outsourced operation for government funds and increase the number of customers.

2. Long-term development plan

Work actively to increase market share and assets under management; issue new funds with growth potential to strengthen asset allocation capability and continue to extend brand reach and increase recognition.

Taishin Securities Investment Advisory Co., Ltd.

a. Business Scope

Taishin Securities Investment Advisory Co., Ltd. undertakes two major businesses, research and analysis and master agency for Jupiter Fund.

1. Research and Analysis Division

(1) Business contents

Provide R&D resources to the financial holding company and subsidiaries.

(2) Business shares

In 2018, consulting fee of the Research and Analysis Division accounts for 90% of the company's total revenue, while master agency of the Jupiter Fund generates the remaining 10%.

2. Master agency of the Jupiter Fund

(1) Business contents

Introduce offshore funds and serve as its master agency in Taiwan.

(2) Sales channel shares

Various sales channels of Taishin group account for 26% of the total sales of the fund, while other channels account for 74%.

b. Business plan of the current year

1. Given Taishin Holdings and its subsidiaries have come to depend more and more on research information when formulating sales and strategy related policies, the research department will follow the long term objectives of Taishin Holdings as a whole and start expanding its organization as well as its scope of business.
2. Continue to introduce high quality funds and provide sustainable products and services.

c. Industrial status

1. Securities investment consulting companies are usually subsidiaries of securities dealers and offer a line of services limited to securities research. These companies are starting to see falling sales. Taishin Securities Investment Advisory has transformed itself into a think tank for Taishin Holdings. Its clients now include the entire financial holding company and its subsidiaries. It provides a wider range of services and has a greater potential for business growth.
2. Taiwan "offshore-fund master agency system" system hit the road in August 2006, the largest systematic change since the introduction of offshore mutual funds to Taiwan, which produces major impact on investors, agents, and domestic managers of offshore funds. The implementation of the master agency system makes the information on offshore funds more transparent and gives investors more protection. The master agent must disclose related fund information, such as the daily book value of funds, net value of subscription and redemption, and investment portfolio and scale. The master agent can also promote offshore fund via advertisement and must solve any problem related to the fund wherever the place for subscription. In other words, after the implementation of the master agency system, investors have more channels to buy offshore funds and are entitled to more protection, due to the existence of transparent information.

d. Research and development

In accordance with the overall business expansion of Taishin Financial Holdings and its subsidiaries, the company actively research and develop related services to fulfill the various business solutions and requirements.

e. Short- and long-term business development plans

1. Short-term development plan

- (1) Support short term business needs of Taishin Holdings and its subsidiaries, supply relevant research reports and information in a timely manner, and increase or adjust the size of research teams as needed.
- (2) Develop and strengthen relationships with sales channels on an ongoing basis in order to increase total assets; and introduce new funds suitable in current market conditions as they develop.

2. Long-term development plan

- (1) Given Taishin Holdings and its subsidiaries have come to depend more and more on research information when formulating sales and strategy related policies, the research department will follow the long term objectives of Taishin Holdings as a whole and start expanding its organization as well as its scope of business.
- (2) Product lines will be expanded by being a master agent of newly introduced offshore funds or by bulk transfer of existing ones previously represented by other institutions to meet the demand for asset allocation.

Taishin Asset Management Co., Ltd.

a. Business scope

1. Business contents

The company's major business items include the purchase of money-debt claims from financial institutions, the appraisal and auctioning of money-debt claims of financial institutions, and the management of money-debt claims and overdue accounts receivables for financial institutions.

2. Business mix

The company focuses on the purchase and disposal of money-debt claims from financial institutions.

b. Business plan of the current year

1. Bid for whole-package bad-debt claims of financial institutions.
2. Negotiate with peers on a case-by-case basis for the purchase of bad-debt claims.
3. The company will be eying to buy foreclosed properties in Taipei City and New Taipei City at discounted prices, and invest small sums to improve property conditions before selling at a profit.
4. Following the amendment of the Regulations Governing Sales of Non-performing Loans by Financial Institutions by the FSC in August 2015, the Company lifted the 3% limit on the average nonperforming loan ratio for sales of debts from default of construction work-in-process, and started assessing appropriate investment options.
5. Following the correction of business principles under the FSC letter issued in December 2017, the Company made better use of existing real estate and sold a portion of the holding to realize profits.
6. Following the correction of business principles under the FSC letter issued in December 2017, the Company complied with the government's urban renewal policy, and injected cash into entities carrying out urban renewal projects and handled debt consolidation and advances in urban renewal projects or rebuilding of dangerous old buildings or so-called sea sand buildings.

c. Industry status

Asset quality improves in the domestic market for nonperforming loans as profits rise for banks. The NPL ratio remains low (at an average of 0.26% in November 2018) for domestic banks. Sales peaked NT\$236.8 billion in the domestic market for nonperforming loans in 2008 and 2009, followed by nonperforming loans released by financial institutions falling to NT\$60 billion a year in 2008 and 2009. Sales dropped further to NT\$58.4 billion, NT\$50.4 billion, NT\$40 billion, and NT\$9.3 billion between 2010 and 2013. Market conditions became even

more challenging when in May 2013, the Financial Supervisory Commission issued a restriction that only financial institutions with an over 3% NPL ratio would be allowed to sell nonperforming loans. In August 2013, the FSC made another announcement that corporate debt were to be treated in the same manner as non-corporate debt and would not be allowed to be sold to third parties. The FSC also required asset management companies to renegotiate borrowing terms with debtors according to the Statute for Consumer Debt Reform. As a result, sales dropped sharply to NT\$900 million, NT\$500 million, NT\$600 million, and NT\$600 million between 2014 and 2017. It is clear the domestic market for nonperforming loans has shrunk and prices of the few public offerings of nonperforming loans become higher than ever due to the supply shortage. Consequently, the investment risk is significantly higher. Hence, these measures have limited access to viable investments and room for disposal of underperformers at a profit, and therefore threaten the survival of the asset management companies (AMCs).

With adverse conditions such as a sharp decrease in nonperforming loans released by financial institutions and regulatory restrictions in recent years, AMCs face difficult challenges in terms of sales growth and profit. Hence, AMCs have been modifying their business strategies and redirecting their attention from bidding for nonperforming loans. To respond to the adverse conditions caused by suddenly falling NPLs and to create more revenue sources and maintain the business, some AMCs have crossed over to seek opportunities in real estate made available through court auctions. Therefore, it is expected that competition among AMCs will grow ever more fierce and the business will be more difficult to manage. Nevertheless, since it introduced the Luxury Tax in July 2011, the Central Bank's limit on construction loans and interest rates, the Mansion Tax, the House Tax and the consolidated housing and land tax in 2015, the government has been able to deter speculation in the real estate market. With housing prices showing clear signs of decline between 2016 and 2018 after trade volume reaches historic lows while it is apparent that the interval between new projects lengthens, sales of existing property remain stagnant, and construction companies start lowering profits, most property investors have left the real estate market, leaving more opportunities in court-auctioned properties. Meanwhile, anticipation of effects of interest rate hikes in the United States and deteriorating cross-strait relations will start rippling through Taiwan's economy. Reluctant sellers in the housing market will start changing their attitude. Actually lowering profits may push housing prices gradually but steadily down or result in projects of small developers becoming nonperforming debts. Either way, Taishin Asset Management will follow up closely on market changes.

d. Short- and long-term business development plans

1. Short-term development plan

(1) Bidding for bad-debt claims

- A. Continue handling bad-debt claims purchased from Taishin Bank (for both wholesale banking and retail banking bad-debt claims).
- B. Continue handling bad-debt claims purchased from Kuo Hua insurance (mainly for consumer banking and insurance debt claims)
- C. Continue handling of bad-debt claims purchased from Standard Chartered Bank (for both wholesale banking and retail banking bad-debt claims)
- D. Continue bidding for bad-debt claims with peers in public bidding (for both wholesale banking and retail banking bad-debt claims)
- E. Purchase bad-debt claims via negotiation and cooperate with private AMC firms for individual cases, an arrangement enabling the company to have easier grasp of the capital planning, risk assessment, and investment cases via participation in the selection of cases.
- F. Purchase claims to non-performing loans secured by plots of land in greater Taipei and expand land development business via arrangement of debt claims.
- G. Consulting services in debt consolidation and nonperforming loans for nonperforming syndicated loans or companies in financial distress.

(2) Bidding at foreclosure auctions

Bid at low prices for items at foreclosure auctions that are the result of bad debt from financial institutions in the Greater Taipei area and resell for profit after processing the ownership and the property.

(3) The Others

Regulations Governing Sales of Non-performing Loans by Financial Institutions by the FSC in August 2015, the Company lifted the 3% limit on the average nonperforming loan ratio for sales of debts from default of construction work-in-process, and started assessing appropriate investment options.

2. Long-term development plan

(1) Urban renewal and advance services:

Following the correction of business principles under the FSC letter issued in December 2017, the Company complied with the government's urban renewal policy, and injected cash into entities carrying out urban renewal projects and handled debt consolidation and advances in urban renewal projects or rebuilding of dangerous old buildings or so-called sea sand buildings.

(2) Corporate restructuring and consulting services:

Consulting services in restructuring, debt consolidation, and nonperforming loans for nonperforming syndicated loans or companies in financial distress.

Taishin Venture Capital Investment Co., Ltd.

a. Business scope

1. Business contents

Taishin Venture Capital Investment creates a diverse range of suitable investment portfolios that are consistent with the purpose of venture capital while keeping risks under control. It looks to provide venture capital for unlisted startups with potential for long term development and profit. When looking for investments, Taishin Venture Capital Investment focuses on promising industries and technologies as follows:

- (1) Venture capital industry
- (2) Information technology industry
- (3) Bio-tech industry
- (4) Other niche industries

Regarding the targets above, investing in the venture capital industry focuses on companies with sound management practices and good investment returns. The information technology industry covers electronics (semiconductors, electronic components, and electronic distributors), information (computers and peripherals, software development and implementation, and the Internet), optoelectronics (panels and LCD components), and communications (fiber-optic communication, smartphones and parts, and communication/broadcast equipment). The bio-tech industry covers new drugs, medical supplies, equipment, care, cosmetics, and health foods. Other niche industries include smart manufacturing, service, culture and creativity, green energy technology, agricultural technology, circular economy, and defense.

2. New financial products and services to be developed in the future

Venture capital can be said to be the vanguard of corporate financial services. A venture capitalist identifies a new startup with potential and a commercial bank provides financing, followed by a securities underwriter to assist with listing/OTC listing in order to create greater synergy for a financial holding company. In addition, the company will actively explore listed/OTC companies with underpriced shares and a positive outlook to invest and create profitable opportunities.

b. Business development plan of the current year

The Company was incorporated in late September 2003 with a capital of NT\$1 billion. To create a sound financial structure, the Company underwent capital reduction in 2010 to make up NT\$180,965,050 in accumulated losses. It subsequently made cash issues for NT\$800 million, NT\$600 million, and NT\$1.11 billion in 2011, 2012, and 2014, respectively. To improve its financial structure, the Company made cash issues for NT\$1.2719 billion and NT\$3.529 billion in 2018 to make up NT\$592,185,910 in accumulated losses. The capital reduction recovered NT\$3.329 billion in share capital. The paid-in capital at the end of 2018 is NT\$4,208,749,040.

The Company reported an income of NT\$230,677,000 and a net profit after tax of NT\$12,322,000 in 2018. The revenue, except for a sum of NT\$7,464,000 from returns on disposed investment and dividend income, was affected by the subsidiaries, Taishin Financial Leasing (China) and Taishin Financial Leasing (Tianjin), recognizing an investment gain of NT\$222,768,000 using the equity method.

The Company continued investing in Tanvex BioPharma, Delos Capital Fund, LP, and Delos Capital Fund II, LP in 2018. In addition, the Company started investing in AMIS, iRx Pharmacy, CDIB Capital Global Opportunities Fund L.P., and Taishin Financial Leasing (China) for a total of NT\$453,037,000. The investment projects generated a total cash inflow of NT\$43,230,000, which included NT\$30,286,000 for disposal of investment or completion of liquidation, NT\$7,099,000 in cash dividends and NT\$5,845,000 in refunds from capital reduction.

At the end of 2018, there are 27 companies in the investment portfolio on the books.

According to the World Bank's 2019 Global Economic Prospects, the global economic growth is slowing down at a rate faster than anticipated, and elevated trade tension and tightening financing conditions are causing economic stagnation in emerging markets. Meanwhile, the rising risk of a downward economic trend and financial markets being out of sync may cause disruption of economic activities in related economies that may ripple through other economies. Therefore, the global economic growth this year is revised downward to 2.9%.

The World Bank estimates that the United States will remain the top performer in economic results among developed countries. However, as the effects of fiscal stimulus and tax cuts wear off, the waves of hot money are expected to subside while the Fed starts to raise rates. Despite the anticipated end to the continuing economic growth enjoyed by the United States, the fundamental conditions have not shown any clear signs of a decline, and the U.S. economic growth is estimated at 2.5% this year.

The World Bank estimates China's economic growth to be 6.2%. However, the escalating trade tension leads to the speculation that China will loosen its monetary and fiscal policies, but the banking sector may face systemic risks.

The global economic recovery appears to be slowing down. Despite having exceeded 2.5% for two consecutive years, Taiwan's economic growth is not going as strong as it did in 2017. It is a result of uncertainties created by the U.S.-China trade dispute. Taiwan's growth model relies on domestic demand at present. Strong growth in domestic demand makes a positive contribution to GDP while a net foreign demand has a negative effect. The Directorate-General of Budget, Accounting, and Statistics estimates Taiwan's economic growth to be 2.41% in 2019, slightly lower than 2.66% in the previous year.

Capital markets will be more volatile given a larger number of uncertainties to be expected in the global economy in the year and escalating trade tension that may turn the U.S.-China trade war into a more wide-ranging trade dispute. Therefore, Taishin Venture Capital Investment's new project strategy in 2018 will focus on value based startups and try to take the best negotiation position while players in capital markets remain relatively cautious. TWSE/TPEX listed equities are to be disposed in response to market conditions in order to realize profits.

Furthermore, the financial leasing companies in which the Company invests will speed up development of new products and channels, manage credit risks, and step up collection of nonperforming loans. Positive returns are expected as the business grows at a steady pace.

c. Industry Status

An analysis by the international venture capital market report MoneyTree shows that the global venture capital industry as a whole invested a total of US\$207.1 billion in 14,247 projects in 2018. Compared to US\$171.4 billion in 13,009 projects in 2017, the amount rose by 20.83% and the number of projects by 9.52%. The U.S. venture capital industry as a whole was observed to invest a total of US\$99.5 billion in 5,536 projects in 2018. Compared to US\$76.4 billion in 5,824 projects in 2017, the amount rose by 30.24%, but the number of projects fell by 4.95% due to the average investment being significantly higher. The Asian venture capital industry as a whole was observed to invest a total of US\$81 billion in 5,066 projects in 2018. Compared to US\$73 billion in 3,569 projects in 2017, the amount rose by 10.96% and the number of projects by 41.94%. Meanwhile, regarding the venture capital market in Taiwan, there were 253 venture capital firms as of the end of 2017. The total paid-in capital was NT\$146.7 billion in the year. The total annual investment was NT\$18.6 billion in 538 projects. In conclusion, the venture capital industry is growing in Taiwan as well as in other countries and not showing signs of significant decline.

The Taiwan Venture Capital Association's data show that the industries attracting the most venture capital investment in Taiwan are biotechnology at 27%, IT at 21%, strategic manufacturing at 14%, service at 14%, venture capital at 11%, culture and creativity at 8%, and green energy at 4%.

Furthermore, according to the Securities and Futures Bureau, there are 62 TWSE/TPEX newly listed companies in 2018. The number is the highest in five years and 20, or 47.6%, more than in 2017. There 51 companies registered with the Emerging Stock Market. A total of NT\$23.5 billion was raised. It was a YOY growth of NT\$8.7 billion or 58.8%. However, market expectations suggest the number of IPOs will fall in 2019.

The Taiwan Venture Capital Association's data also show that the average percentage of companies entering capital markets on support of venture capital firms is 49%. An observation of the capital markets in their present conditions shows that venture capital firms are equipped with a highly effective exit mechanism in the primary markets. It also shows that it would be much more likely for startups with venture capital support to complete TWSE/TPEX listing applications.

d. Research and development

Venture capital financing refers to an equity investment made by a venture capitalist in an unlisted startup in anticipation of selling the shares and receive capital gains at exit when the startup becomes mature or relatively mature. When a startup is building up a sound financial operation, it may look to a venture capitalist for investment before approaching a commercial bank for financing and then finding a securities underwriter to provide assistance with exchange/OTC listing. Offering one-stop services not only enables startups to find all the necessary services under one roof, but also creates stronger synergy for the financial holding company as a whole.

The government's latest policy encourages combined development in the "five plus two" startup industries and the digital economy, which encompass five innovative industries, including the Asian Silicon Valley project, biomedicine, green energy technology, intelligent machinery, and national defense, and a new agricultural paradigm and a circular economy. Hence, Taishin Venture Capital Investment will assess opportunities in these fields and explore local and overseas opportunities involving new or advanced technologies or companies with a positive business outlook and try to create higher profits.

An observation of Taiwan's capital markets in 2018 counts 8 companies in electrical engineering, 6 in semiconductors, and 8 in biomedicine among TWSE/TPEX listed companies. The figures demonstrate a small success for the government's policy to support smart manufacturing and biomedicine. Regarding KY stocks (foreign companies listed on TWSE/TPEX), 12 Southeast Asian companies have become listed in the last 5 years and account for 20% of all KY companies. Owing to the U.S.-China trade war, the number of companies from Southeast Asia is expected to rise in the future.

e. Short- and long-term business development plan

The short term strategies will be focusing on startups with liquidity in 2 to 3 years and high growth potential, including competitive new drugs, medical equipment, network communications, green energy, and optoelectronics industries in Taiwan or in other countries as well as niche F-listing companies returning to be listed in Taiwan. The plan involves starting up one to three new investment projects every year, or participating in capital injection under existing projects.

In terms of medium-term strategies, Taishin Venture Capital Investment has established Taishin Financial Leasing (China) in Nanjing and Taishin Financial Leasing (Tianjin) in Tianjin. Both operate mainly in equipment financing by financial leasing and auto leasing. As the market expands, more products are developed, and operational efficiency improves, the scale of operation is expected to start rising.

The resources and networks of Taishin Holdings in Taiwan and in Greater China as well as its expert knowledge and experience in financial investments and capital markets will be utilized as appropriate to seek and explore sound investment opportunities. Increased synergy within Taishin Holdings and various business relationships among subsidiaries make it possible to satisfy the subsidiaries' needs for financing, underwriting, shareholder affair administration, leasing, and financial consulting. Assistance is provided to help the subsidiaries to set out on a path to success and profits.

B. Cross-line and joint marketing efficacy

The list of Taishin Holdings subsidiaries contains Taishin Bank, Taishin Securities, Taishin Securities Investment Trust, and Taishin Securities Investment Advisory. Taishin Securities had set up and shared points of sale across 101 Taishin Bank branches since May 2010. These shared points of sale conduct cross selling in the branches and are permitted to conduct the following business activities

a. Securities services:

- 1.Account opening for securities brokerage business.**
- 2.Agency for sales and redemption of domestic funds.**
- 3.Installation of terminals for online order placement, allowing investors to place orders with securities firms.**
- 4.Acceptance of securities related applications on behalf of third parties.**

b. Futures services:

- 1.Account opening for futures brokerage services or futures trading introduction.**
- 2.Implementation of an online trading terminal for futures traders to place orders with futures dealers or futures trading introducing brokers.**

3. Acceptance of futures related applications on behalf of third parties.

A referral system is in place to provide one-stop services. The number of new securities accounts opened through the referral system showed a 17% YOY increase in 2018.

The business strategy will continue to be customer oriented. Products and distribution channels will be made more aligned with each other in order to satisfy the need for personalization and improve the quality of financial services. The aim is to provide the most suitable products and services when they are needed and achieve optimal synergy in the financial holding group.

C. Market and business status

Taishin Financial Holding Co., Ltd.

a. Market analysis

1. The qualitative change of the market

Deriving from the concept of cross-line management, financial holding companies are expected to manifest a system integrating the resources and services of business groups, leading to qualitative changes in the financial markets, including the blurring of the borders among individual markets, the switch from product orientation to customer orientation in the operations of market competitors, and the creation of new integrates services and the expansion of market scale following the joining of new financial holding firms.

2. Major domestic and foreign competitors

There are 16 financial holding companies in Taiwan now, with those boasting major banking subsidiaries including Taishin Financial Holding co., Ltd., Taiwan Financial Holdings, First Financial Holdings, Hua Nan Financial Holdings, Chinatrust Financial Holdings, Fubon Financial Holdings, Yushan Financial Holdings, and SinoPac Financial Holdings, which enjoy strong edge in business expansion.

Foreign competitions consist mainly of U.S. and European banks, including Citibank, Standard Chartered Bank, and HSBC, which have acquired, respectively, the Bank of Overseas Chinese, Hsinchu International Bank, and the Chinese Bank. Those foreign banks have posed major challenges to domestic financial holding companies, thanks to their enhanced operational scale on the domestic market, niche positions in the greater China market, mature operating mode, and edge in product lineup and marketing.

b. Competitive strategy

Taishin's competitive strategy focuses on rebuilding a good financial service brand externally and pushing for innovation and reform internally. The aim is to create a reliable financial institution that provides a full line of financial services for the global Chinese community. The strategy is executed by implementing the following measures:

1. Create synergy and strengthen core competencies: Maintain strengths of Taishin FHC, actively combine resources within Taishin FHC, and, giving equal attention to risk management and business growth, expand the subsidiaries to create a complete cross industry network with multiple profit drivers.
2. Continue to develop the international network and set up international business operations: Start with Asian countries and Chinese communities and proceed to set up offices in China, Northeast Asia, and Southeast Asia. In addition, train international business talent and explore the Asian markets, including the ASEAN countries.
3. Apply new technologies to continue to expand Richart's market share and create more versatile payment tools. Redesign the business model for more stable IT systems. Create opportunities to secure a leading position by deploying new technologies.

4. Strengthen risk management and improve infrastructures and training programs: Improve risk management capabilities on an ongoing basis. Develop optimal infrastructures and human capital for different business areas through system upgrades, talent recruitment and retention, and process improvement.

c. Competitive niches

1. Integrated channel

Taishin Financial Holding co., Ltd. puts under its auspices various subsidiaries, including Taishin International Bank, Taishin Securities and Taishin Investment Trust / Investment Advisory boasting different kinds of sales channels, whose integration can cover different client groups and offer more service points for the provision of related financial consulting.

2. Provision of plural products

Product multiplication is indispensable in order to meet clients' needs for different products at different times. "Making Taishin a treasury bowl of clients" has been an enduring vision of the company. The company aims to provide clients one-stop shopping service with the appeals of time saving and high service quality. In the future, the company will differentiate existing clients and provide them custom products, thereby achieving the goal of cross selling.

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

- (1) The rise of FinTech fuels financial innovations and changes consumer behavior patterns.
- (2) The government's New Southbound Policy is in line with Taishin's strategy for international expansion.
- (3) Taishin Financial Holding co., Ltd. boasts complete product lineup covering banking, securities, insurance, trust, and wealth management.
- (4) Taishin Bank can offer clients best services to meet their needs via their extensive channels.
- (5) Amid the financial-institution merger trend in the domestic market, Taishin Financial Holding co., Ltd. can offer clients satisfactory services, meeting their demands for long-term partnership.

2. Unfavorable factors

- (1) There are 16 domestic financial holding companies, leading to acute competition, especially in view of their homogeneity in product development and packaging.
- (2) Increasing stringent financial regulations are driving up the costs of AML/CFT regulation.
- (3) The number of offices overseas is relatively small and in need of new additions as well as pioneering and leadership talent for overseas businesses.

Taishin International Bank Co., Ltd.

a. Major products and services and location

The bank's major business items include deposit reception, loan extension, export/import foreign exchange, foreign- currency deposits, discount of negotiable instruments, currency conversion, guarantee, surrogate collection/ payment, custody, trust, credit card, trading in derivatives, brokerage of short-term commercial paper, brokerage of short-term bills, securities trading, certification and underwriting, factoring, securities investment and underwriting, offshore banking, the issuance of financial bonds, wealth management and buy(or sell) gold or silver business.

Since its establishment, the bank has been constantly expanding business items and operating network, actively exercising the intermediary role for the supply and demand of funds in the society, so as to support economic

prosperity. Regarding business network, the bank has set up branches in major cities in Taiwan, the bank boasts 101 domestic branches and has been actively establishing overseas units, in compliance with the trend of financial internationalization, including offshore banking unit, Hong-Kong branch, Singapore branch, Tokyo branch and Brisbane Branch, testifying to extensiveness of its service network.

b. Future supply and demand

Looking forward to 2019, the Directorate General of Budget, Accounting and Statistics sets the annual economic growth forecast at 2.27%, 0.14% lower than the forecast of 2.41% published in November 2018. Domestic economic growth remains exposed to cross effects of international economic conditions and different baselines.

c. Business goals

In 2019, we will engage in all of our business activities in accordance with the principle of "rigorous risk management and aggressive expansion" while supporting government policies and complying with applicable regulations. Our business strategies and plans include: strengthening management of credit, market, and operational risks and ensuring effective compliance with the law and adherence to guidelines and regulations; implementing IT infrastructure, developing FinTech application scenarios, and improving customer satisfaction; engaging in product and service innovations, conducting integrated marketing, expanding our customer base, and increasing customer loyalty; actively seeking overseas expansion and training pioneering and leadership talent for overseas businesses.

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

(1) Wealth Management

- ◆ A growing range of big data applications helps with monitoring market trends and understanding customers' needs.
- ◆ Technology is utilized to combine virtual channels and real branches, thereby enhancing the advantage in customer relationship management and make the processes more efficient.

(2) Retail Banking

- ◆ The arrival of the big data era means both public information and internal data are growing at an exploding rate. Data analysis makes it possible to lock quickly onto specific customer segments and increase the success rate.
- ◆ The government is in favor of financial institutions lending to micro enterprises. There is still room for improvement in terms of Taishin Bank's market share in this area. The bank will continue to try and expand in the business.

(3) Digital Banking

- ◆ There are more than 16 million mobile device users in Taiwan with more than 70% of the population own a smartphone. It is inevitable that banking services will be able to be accessed via the Internet, cellphone, or ATM or any other automated facility in the future.
- ◆ The FSC has announced the goal to double use of electronic payment services from currently 26% to 52% in five years.

(4) Wholesale Banking

- ◆ RMB internationalization and financial reform in China will lead to innovations and new products.
- ◆ Given the ongoing liberalization and rapid economic growth of Asian emerging markets, there is going to be substantial growth in demand for overseas banking services.
- ◆ Possess plural product resources and development capability of the financial holding firm to provide one-stop-shopping financial services to customers.

- ◆ The government encourages financial institutions to adopt new technologies and expand overseas, both of which contribute to the scope of business.

(5) Financial Market Services

- ◆ Proprietary trading of foreign currency bonds can be expanded to enlarge the customer base and generate more revenue.
- ◆ Life insurance companies are subject to foreign currency investment limits. The excess turns into a demand for NTD denominated products and creates business opportunities in life insurance companies.
- ◆ The addition of the Debt Capital Market Department contributes to accelerated development of the international bond underwriting services and helps onshore and offshore bond issuers find more funding channels.
- ◆ With more overseas branches being opened, head office resources are coordinated to find new customers overseas and opportunities in international markets.

(6) Trust service

- ◆ The competent authority is actively supporting the digital finance policy. The younger generations are having more influence and depending more on social media, leading to the growth of automated channels and a higher frequency of self directed investing.
- ◆ In an increasingly diverse and aged society, the development of retirement trust is aided by the Trust Association's "Elderly and Handicapped Persons Property Trust Evaluation and Incentive Measures" campaign in support of government policies.

2. Unfavorable factors

(1) Wealth Management

- ◆ Customers at the top of the pyramid are the targeted base for wealth management services. Their needs are complex and unpredictable, making it more challenging to manage the business.
- ◆ Competitors are investing more and more resources, such as technology, big data platform, and data mining experts, into the area, creating an increasingly competitive market.

(2) Retail Banking

- ◆ The combination of increasingly saturated consumer loan markets and persistent low interest rates leads to highly homogeneous products and creates challenges in maintaining profitability.
- ◆ Margins on the credit card business are falling constantly due to market saturation and shorter product life cycles. Certain competitive products continue to offer better benefits and offers.

(3) Digital Banking

- ◆ The entry barrier to copying financial services is low and the sandbox policy for the banking sector is still in the early stage. There has not been much major development in the area.
- ◆ There are currently a large number of payment programs (e.g. NFC, barcode, bluetooth, voice recognition, and biometrics) and the product life cycle is getting shorter. It is not yet clear which will become mainstream in the future, and so more resources have to be invested in IT development and marketing.

(4) Wholesale Banking

- ◆ Over-banking status, homogeneous traditional financial products are difficult to create high profits.
- ◆ The bank still has only a few branches overseas; its global network remains sub-optimal.
- ◆ Financial supervision has become more stringent than ever. The implementation of Basel III accord will put further strains on the bank's capital and liquidity. All of which present added costs and risks.

(5) Financial Market

- ◆ Both stock and bond markets are peaking, which makes investing tricky and creates challenges in making profits on financial products.
- ◆ Financial supervision has become more stringent than ever. The amended regulations on derivative products and tightened rules on KYC and product suitability impose restrictions on product sales.

(6) Trust service

- ◆ Products are highly similar with little differentiation. Competitors continue to open more overseas branches to gain larger market shares.
- ◆ The demand for financial professionals will continue to grow while the cost of training and employee turnover will be higher.
- ◆ The global economy is near the end of its growth and has started to slow down. Constant changes in the U.S.-China trade relationship and the geopolitical outlook for Europe and uncertainties over the monetary policies of major central banks both contribute to greater volatility in the international financial markets and challenges in investing.
- ◆ Structured trust services cannot be offered without an investment of trained professionals and systems, but generate limited fee income.

Taishin Securities Co., Ltd.

a. Major products and services and location

The company's services target domestic and overseas institutional investors and general investing public. As of the end of 2018, the company has a total of 12 offices. In addition, the company operates 101 shared points of sale inside Taishin Bank branches across the island, providing the services of account opening, account cancellation, and change of customers' basis data.

b. Future supply and demand

1. Market overview

As of the end of 2018 there are 73 headquarters of securities dealers, 837 branches, and 37 securities dealers that have been approved for margin trading and short selling of securities by the Securities and Futures Bureau of the Financial Supervisory Commission of the Executive Yuan.

2. Market supply

The government's deregulation on the listing of foreign companies in Taiwan will present great potential in the securities underwriting service sector. As the securities trading services become more deregulated overseas, the government continues to promote expansion in the capital market and new financial products are being constantly introduced, all of which contribute to more activities in the issuing market. The fast growth of electronic commerce has driven the securities services and fundraising financial planning products to become more diversified. Securities dealers will be able to provide one-stop services for investors, the securities market will become more efficient, and the market will grow significantly in size.

3. Market demand

As the capital market becomes more complete in terms of efficiency and functions, companies will have a significantly greater need for direct means to raise capital. Meanwhile, the combination of a faster information spreading process, a better educated population, and more diversified investment activities has made people in Taiwan pay more attention to investment and financial planning. Accompanied by a recovering economy and increasingly loosened capital control, investors' needs both for securities related information and for services provided by securities dealers will continue to grow.

c. Business goals

As an integrated securities firm, Taishin Securities engages in such businesses as brokerage, dealership, and underwriting, and provides a complete electronic trading platform with complete functions. It combines the resources of the financial holding company and utilizes near 100 banking channels, to provide investors allround and pluralized financial wealth-management service. It offers pluralized tailor-made financial products to meet the different needs of customers.

In brokerage operations, in addition to providing manual transactions by physical operating points of sale, continue to extend the cross-selling partnership with Taishin Bank from offices to points of sale, and establish a differentiated e-trading platform, so as to become a leading brand in the securities e-commerce. The futures brokerage and sub-brokerage services will be strengthened to provide a wider line of services.

With respect to the underwriting business, the operation brings together the resources under the financial holding company in an active effort to secure as many domestic underwriting cases as possible while exploring opportunities overseas by attracting more foreign companies to participate in the capital market in Taiwan. The aim is to develop Taishin Securities into a financial service platform that offers premium services, a diversified range of businesses, and high added value.

In terms of derivatives, a fast changing financial market often cause equally fast changing consumer behaviors. Premium quality is the key to success. Taishin Holdings are equipped with extensive resources under various business divisions and similarly extensive networks. The resources can be combined with financial engineering know-hows of the trading department to achieve steady, risk management oriented growth in the scale of operation. Arbitrage algorithms can be utilized to create low risk returns from differential arbitrage and product launch. Clear and rigorously enforced strategies are implemented for markets and market making quality. Big data, financial engineering theories and statistical tools are applied to formulate hedging strategies and identify reliable market information and hedging benchmarks.

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

- (1) Integrate the resources of the financial holding company to manifest brand value and upgrade overall competitiveness.
- (2) The growing electronic payment market makes the influence of mobile securities dealers more extensive.
- (3) The financial holding group now offers a vastly diverse range of products that can be cross-sold to provide customers the ultimate one-stop shopping experience.
- (4) The Taishin brand as an underwriter is well known in the market and sufficiently strong to turn negotiations in the brand's favor.
- (5) Government policies tend to adopt an open stance, and the regulators are leading the way to drive business growth.
- (6) With equal emphasis on all sectors, electronic, traditional manufacturing, and startup industries have come to grow at similar rates, which contribute to development of underwriting services in Taiwan.
- (7) As the market becomes increasingly competitive, companies are under extremely high pressure, and the number of mergers is on the rise.
- (8) Financial engineers more skilled than those employed by competitors can achieve greater speed and accuracy in backtesting and simulation of trading strategies.
- (9) Taishin Holdings's large capital base works in favor of expanding the existing niche customer base.

2. Unfavorable factors

- (1) The existence of cutting the price aggravates the competition and affect the space of securities firms for survival.
- (2) Horizontal mergers make big companies even bigger and thereby widen the gap between competitors.
- (3) China has been investing heavily to establish capital markets in the country. These markets also offer higher P/ E ratios, which make Taiwanese companies operating in China less willing to seek listing in Taiwan.
- (4) It is difficult to deploy in China, one step ahead of competitors.
- (5) The total number of cases and total amount of fund-raising have not shown any apparent growth.
- (6) Taishin Securities have a relatively small number of offices, making its sales network less competitive.
- (7) Risk management in terms of exchange rates and interest spreads will be more costly as the U.S. enters a cycle of balance sheet reduction and rate hikes and international markets face more uncertainties.

3. Response measures

- (1) Utilize the bank's extensive channel to transfer quality and high-net-worth clients, to extend the reach of business scope.
- (2) Creating a differentiated e-trading platform to provide more accurate, real time mobile transactions.
- (3) To expand brokerage operations, the company will continue to extend the cross-selling partnership with Taishin Bank from offices to points of sale, and explore opportunities in middle class investors.
- (4) With regards to underwriting services, the company will be working closely with wholesale banking, investing more in overseas wholesale banking offices and establishing OSUs, and collaborating with venture capital firms to expand the underwriting services in Taiwan and in other countries.
- (5) In response to market demand, special projects will require participation of all hands on board in order to increase fee income.
- (6) Broaden distribution channels local and abroad; increase the company's capacity to undertake cases.
- (7) The Capital Market Department will engage the Research Department and Corporate Department in organizing forums and seminars for greater exposure.
- (8) The company will continue to keep updated on the competent authority's policies regarding deregulation, provide a complete line of products and develop new types of services in order to create a balanced portfolio of stable income sources.
- (9) The company will continue to expand favorable operations and exercise its advantage as a medium sized dealer in responding to market changes.

Taishin Securities Investment Trust Co.,Ltd.

a. Major product and services and location

The company's client base consists mainly of domestic and foreign institutions and investors. The Company has three offices in Taiwan, and has specified money trust and sales agreements in place with banks, including Taishin Bank, Hua Nan Bank, Taiwan Cooperative Bank, Bank of Taiwan, Mega International Commercial Bank, E.SUN Bank, Taiwan Business Bank, Shanghai Commercial & Savings Bank, and Taichung Commercial Bank, and securities dealers, including KGI Securities, Yuanta Securities, and Mega Securities. Combined with agreements to be entered into with many more strong fund distributors in the future, the Company's network will have more than a thousand points of sale across the island.

b. Future supply and demand

Taishin SITC Trust can also tap the opportunities connected with the gradual opening up of cross-strait finance and the pension fund market. Faced with gradual recovery of the global economy and the growth momentum of financial market, assets management companies, such as Taishin SITC, still harbors a rosy outlook.

c. Business goals

Taishin SITC's short-term goal includes maintenance of a stable performance, expand the size of non-money market funds to raise, new funds with market potential, and obtain the qualification for the outsourcing operation of government funds. In the medium and long-term, it will actively enhance market share and management scale, increase fund clients, strengthen capability for assets allocation, and continue expanding the reach and good image of the brand. Taishin Securities Investment Trust takes a cautious, responsible approach to managing assets of its customers.

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

The competent authority keeps introducing policies to facilitate progress in the financial markets and loosen gradually regulations on product design and investment. The trend is beneficial to further development for domestic securities investment trust enterprises and fund products, and, when combined with expected deregulation of the pension market in the future, creates medium- and long-term opportunities.

2. Unfavorable factors

Intensive competition among local securities investment trust enterprises, causing larger firms to dominate the market. To compete with dominant channels and offshore fund issuers, Taishin SITC will respond by building a complete product line supported with disciplined practices and well-trained talents, and aim to increase the size of assets under management in order to achieve sustainability.

Taishin Securities Investment Advisory Co.,Ltd.

a. Major products and services and location

1. Investment and analytical division

Provide research services to Taishin Financial Holding co., Ltd., Taishin Bank, Taishin Securities, and Taishin Investment Trust.

2. Master agency for offshore funds

The company introduces offshore funds as the master agent of these offshore funds into Taiwan. Presently, the company has introduced a total of 12 funds, including Jupiter Unit Trust funds (registered in England) and Jupiter Global Fund (registered in Luxembourg) of Jupiter Assets Management of the U.K. In addition to Taishin Bank, these funds are also sold through other banking channels, insurance firms, securities firms, and investment trust firms.

b. Future supply and demand

1. Investment and analytical division

Given Taishin Holdings and its subsidiaries have come to depend more and more on research information when formulating sales and strategy related policies, the research department will follow the long term objectives of Taishin Holdings as a whole and start expanding its organization as well as its scope of business.

2. Master agency for offshore funds

Offshore funds have entered the Taiwanese market for 30 years. After the implementation of the offshore-fund master agency system, master agents can promote or push the sales of offshore funds via advertisement or other manners, and the same offshore fund can be sold via many financial firms. Investors can purchase offshore funds via more channels and are entitled to more protection, thanks to transparency of information. Higher familiarity and trust of investors towards offshore funds is conducive to the expansion of business scale.

c. Business goals

1. Investment and analytical division

Provide correct research information to assist the financial holding company and its subsidiaries in formulating strategic direction and planning products with good investment prospects and assist Taishin Financial Holding co., Ltd. and affiliates expand business with excellent research result.

2. Master agency for offshore funds:

Taishin is the master agent of Jupiter Asset Management of the United Kingdom in Taiwan. Jupiter Asset Management offers a comprehensive range of funds with many winning awards in their respective areas of investment. Taishin has made plans to introduce more new funds and fund companies in the future. The many resources within Taishin FHC and the team of Taishin professionals will be combined and coordinated to meet the demand for funds.

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

With the government's ongoing efforts in financial liberalization, innovation, education and wealth/asset management, we expect more favorable prospects in the financial sector as deregulation continues, innovation skills and products introduced.

2. Unfavorable factors

Given changing regulations, new business entrants need to continuously improve their competitive advantages and innovative abilities in order to overcome new challenges and opportunities.

Taishin Asset Management Co., Ltd.

a. Major products and services and location

The company's major business items include bidding for the bad-debt claims of financial institutions in Taiwan, subjecting them to management and restructuring, and disposing of them within reasonable time, so as to attain maximum returns.

b. Future supply and demand

With realty-mortgaged bad-debt claims having been mostly released, assets management companies have gradually switched their bidding targets from corporate-debt claims to consumer-debt claims. Due to the gradual shrinkage of the domestic market scale, quite a number of foreign peers have transformed their operations or exit the domestic market, with some peers having begun to sell the bad-debt claims they purchased. The trend has led to the emergence of secondary-market trading, facilitating the division or combination of single or small bad-debt claims, conducive to the disposal of bad-debt claims and enhancement of investment returns.

c. Business goals

Meanwhile, in response to market changes, the company will actively bid for consumer bad-debt claims and at courthouse foreclosure auctions in order to create sources of profit. In the direction of diversification, the company will step into the field of corporate restructuring via integrating banking and securities platforms and capitalizing on its abundant funds and talents, thereby contributing to domestic financial and corporate reform.

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

The company's edge lies in the complete peripheral platforms and abundant resources of the financial holding company, enabling it to help affiliates dispose of their bad-debt claims and gradually develop other assets management businesses along with the business development of the financial holding company and other subsidiaries.

2. Unfavorable factors

Asset management companies in Taiwan compete against each other in a market with a limited supply of bad-debt claims. Apart from fiercely competitive bids, the regulators have been amending the regulatory restrictions in recent years, creating higher thresholds for financial institutions wanting to sell their claims and greater difficulty for investors wishing to acquire suitable targets. Moreover, relatively high market prices mean higher costs for buyers and an adverse impact on profits.

Taishin Venture Capital Investment Co., Ltd.

a. Major products and services and location

The venture capital fund is used for strategic investment, and, in terms of regions, focuses mainly on Taiwan and regions where Taiwanese businesses may find strategic partners.

b. Future supply and demand

While the economic outlook around the world suggests signs of slowing down, investors in the capital markets are relatively cautious, and both quantity and volume of investment may be adjusted downwards. Looking forward to 2019, fundamental analysis results have been adjusted downwards but without any significant decline. With caution setting the mood in the capital markets, investors hold a stronger hand in negotiation, and more investment opportunities are expected to appear soon. There may be higher returns to be had for venture capitalists focusing on medium and long term investments with better exit mechanisms.

c. Business goals

In terms of the business life cycle, it is expected that no more than 40% of the capital will be invested in companies in the startup stage, and no more than 60% in companies in the growing stage. In terms of industry, investment will focus on startup companies and those in fintech, biomedicine, and green energy. In terms of region, investment will focus primarily on companies in Taiwan, but remain open to helping Taiwanese businesses return to Taiwan or introducing European or U.S. startups or teams to growth and listing opportunities in Taiwan.

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

In terms of funding, venture capital enterprises in Taiwan have reached the maturity stage. The government tries to expand the range of funding sources for venture capital enterprises to facilitate continuing growth of

the venture capital industry. These sources include the "Business Angel Investment Program", "Project for Strengthening Investment in Strategic Manufacturing", "Project for Strengthening Investment in Strategic Servicing", "Project for Strengthening Investment in SMEs", "Industrial Innovation and Transformation Fund", and "Direct Investment Program" under the National Development Fund, which altogether provide NT\$150 billion in funding.

In terms of regulation, the FSC has raised the maximum percentage of shares that banks are allowed to hold in venture capital enterprises from 5% to 100%. For venture capital subsidiaries under financial holding groups, if only the venture capital subsidiary is involved in the investment project and invests no more than a certain threshold (NT\$150 million for investment in five-plus-two industries and cultural and creative industries; or NT\$50 million for others), the 15% maximum will not apply. There is no maximum shareholding limit on investment in other venture capital enterprises.

2. Unfavorable factors

The main factor affecting investment is the economic outlook. When the outlook is positive, stock markets perform well, making it easier to find funding and receive excellent returns on startup investment; otherwise, a negative outlook cuts investment returns down, making it more difficult to find funding. While the economic outlook still leans toward a slowdown and leaves limited room for negotiation for investors, startups may face a falling demand due to caution and be forced by unsatisfactory performance to exit the market.

D. Employees of Taishin Financial Holding co., Ltd.

a. Employee information

Base date: Feb. 28, 2019

Year		2017	2018	As of Feb 28, 2019
Number of employees	Male	3,562	3,645	3,623
	Female	5,239	5,396	5,364
	Total	8,801	9,041	8,987
Average age		38.0	38.2	38.3
Average years of service		8.0	8.1	8.2
Academic qualification	Doctoral Degree	0.10%	0.10%	0.10%
	Masters Degree	18.36%	19.09%	19.28%
	Bachelors Degree	73.93%	73.47%	73.69%
	High school	7.52%	7.24%	6.83%
	Below high school	0.09%	0.10%	0.10%
Professional certificates held by employees	Trust-related certificates (including supervisors, managers, and sales)	4,060	4,167	4,182
	Basic internal control certification	4,119	4,099	4,113
	Certificate for property insurance representative	3,592	3,642	3,622
	Investment-linked policy representative	1,824	1,810	1,791
	Life insurance representative	3,903	3,831	3,832
	Futures specialist	902	889	906
	Securities investment analyst	36	34	35
	Senior securities specialist	921	943	955
	Securities investment trust and consulting professional	651	689	725
	Securities investment trust and consulting laws (including professional ethics)	1,972	2,014	2,011

b. Employee training and development

Taishin Financial Holding co., Ltd. has committed resources into talent training to ensure sustainability and growth. In 2018, the company had completed more than 407,000 training sessions across the entire organization, averaging 71 training hours per person per year. The following talent training measures have been adopted to maintain the organization's competitiveness:

1. Taishin University

By integrating Taishin University with the CTMS, the company is able to incorporate managerial skill training with general education and other relevant courses, so that each employee may study on their own in a systematically structured course design. This combination achieves a number of advantages such as "learning transparency," "learning variety," and "integrated learning resources."

Furthermore, a number of digital banking and language courses were provided in 2018 in support of the trends in FinTech and the company's overseas expansion strategies.

2. Talent bank program

The 360-degree program and a talent committee are available to assess the employees on a regular basis, and thereby identify prospective managers for various levels such as MA, AMA and TSP. The identified candidates are then assigned with job duties and goals that help build up skills to their intended positions.

3. Individual Development Program

By analyzing MBO and career goals, the company is able to identify skills that employees' lack. These gaps are then addressed through training, job rotation, mentoring, meeting participation, and project involvement with close guidance from managers. The company has implemented a training account system where each employee is given 10,000 training points to spend each year; furthermore, employees are subsidized for their efforts in gaining professional qualifications, secondary skills, language and computer skills etc, so that their personal goals are congruent with those of the company.

E. Corporate responsibility and ethical behaviors

Taishin Holdings, as a financial institution, is devoted to fulfilling its corporate social responsibility. It coordinates and combines resources from its subsidiaries, and has for years been offering support in four areas, which are charities, arts and culture, sport sponsorship, and financial education. As a responsible corporate citizen, Taishin Holdings tries to give back to the community and to support the disadvantaged.

a. Charity and Welfare

1. "Caring Taiwan" series

Taishin Bank teamed up with the well known shopping website, PayEasy.com by Systems & Technology Corp., and launched the "Caring Taiwan" Project in 2002. The project has reached into Xinyi Township, Zhongliao Township, Yuchi Township, and Guoxing Township and utilized corporate resources to help disaster victims develop local economies. The idea is to teach them to fish instead of giving them fish. Online campaigns advertise local specialties of disadvantaged regions and tourist attractions and call on the general public to purchase local produce and make credit card donations. The project has succeeded in helping to rebuild the disaster areas and establishing a model of corporate citizenship.

In 2008, the "Caring Taiwan" Project extended its reach into rice production in Taiwan. To ensure the continuity of Taiwan's agriculture and the population's access to 100% locally grown rice, Taishin Holdings and PayEasy.

com created an innovative platform for the production and marketing of Taiwanese rice. The programs "My One Acre of Farm" for corporations and "My Family's One Acre of Farm" for households helped bring Taiwanese rice into households. They not only provided healthy choices for consumers, but generated income for rice farmers, which in turn created more jobs on rice farms in Taiwan. In total, Taishin Holdings purchased more than 152 units and funded close to 76 hectares of paddy field. More than 10,000 clients and employees consumed close to 266,000kg of premium Taiwanese rice. The total investment reached NT\$27.72 million, which benefited rice farmers and provided excellent advertising for Taiwanese rice.

2. Power of love

In 2010, Taishin Bank set up "Taishin Charity Foundation," mainly for engagement in public-service and charity events, including assistance for underprivileged groups to enhance their skills for livelihood and improve life, and sponsorship for the events of other public-service groups and seminars for society-related issues, and other social welfare-related charity events, with the goal of helping underprivileged groups achieve "independence in economy and daily life." After its establishment, the foundation rolled out "Power of Love" event, the first online public-service event in Taiwan. Under the event, small and medium social-welfare institutions were invited to put forth proposals online for voting by online social groups, in deciding the recipients of donations. Taishin supports diversity and a wide range of issues.

The rise of social enterprises has also prompted Taishin Bank to invite a number of strategic partners to join the effort. In 2018, social enterprise awards were expanded to include three new areas, agriculture, social welfare, and reablement design. The addition brought greater support for social enterprises. The 9th "Your Ballot Decides the Strength of Love" event received overwhelming response. In addition to charity partners, the event also received donations from Taishin managers, employees, clients, and the general public. The fund contributed more than NT\$32.8 million. A total of 806 organizations benefited from the donations over the nine years. The charity fund has reached a cumulative total of NT\$168.36 million.

In addition to "Your Ballot Decides the Strength of Love", the Taishin Charity Foundation uses its platform to combine and connect Taishin FHC's resources and partners interested in offering resources to organize a string of similarly themed events. Such events have included Financial Education Camp, holiday gift boxes in support of charitable causes, Arts for Charity Programs, Power of Love Workshop, Glimmering Project, Charity on Campus Program, and resources matching. Taishin tries to connect opportunities and community resources and match small and medium sized social welfare groups with resources available in the society to become self-dependent.

b. Arts and Culture Development

1. Contemporary art

Taishin Bank donated to establish "Taishin Bank Culture and Art Foundation" in 2001, with the theme of "promoting cultural life quality and strengthening artistic-development environment". It supports arts as a nonprofit institution, intensifies exchanges between artistic innovation and private industry, and realizes the corporate social responsibility of payback to the society. The Taishin Arts Award was created by the foundation and rewards modern artistic creativity in various fields in Taiwan that demonstrates growth potential and reflects the society and local cultures. 55 winners have received the award and more than NT\$46 million in prize money over 17 years. The award not only commends Taiwanese artists for the professional creations, but also serves as a platform for connecting local creators with the rest of the world.

In addition, Taishin has been using the first floor lobby of Taishin Tower regularly as an exhibition space for contemporary art since 2006. By the end of 2018, a total of 63 arts exhibits have occupied the space. The special website, set up to promote modern art, has received a total of 1.8 million visitors by the end of 2018. The content guides the audience to ponder the phenomenons of modern culture.

2. Public art

The Lunchtime Concerts, which started in 2006, take place 23 to 25 times a year. The concerts welcomed close to 7,000 people a year in the last three years. A total of 284 concerts have taken place so far. Taishin has invested close to NT\$215 million in arts and cultural sponsorships in Taiwan since 2006. The events together attracted 5.67 million participants.

3. Employee arts courses

"Employee arts courses" have been introduced with themes ranging from arts appreciation, theatrical performance, parental activities, to human culture. A total of 20 arts courses were organized in 107 to a total participant count of 566. These arts courses help Taishin employees develop cultural quality and character, whereas exposure to contemporary arts and aesthetics also inspires creative thinking.

c. Sports sponsorship

Taishin is a long term supporter of sports. It started supporting the Nantou Teenage Karate Team in 2008 (calling upon its customers through PayEasy, to join the campaign and raising more than NT\$85 million in small donations/receipts). Its sponsorship for female professional golfers has reached NT\$100 million since 2011. Taishin started sponsoring a wider range of projects, including basketball, baseball, marathons, and gaming, in 2017.

d. Academic exchange

Taishin is always keen to get involved in major academic communities with the hope that through communications and exchanges between industry professionals, government officials, and academics sound development of Taiwan's financial sector and the financial market as a whole can be facilitated. To encourage cross strait exchange between top performing students, we have signed a memorandum of understanding (MOU) with Guanghua School of Management, Peking University and created the "Peking University Cross- strait Academic Fund" in 2012. The two institutions have been arranging academic and practical exchanges on a yearly basis. Taishin works also with National Taiwan University, National Chengchi University and other top universities in Taiwan. The project has successfully invited 56 professors and students from Peking University to engage and share their ideas with their counterparts in Taiwan. In 2018, the discussion focused on "big data applications in financial services". Under the intensive brainstorming and discussion between students, guidance from teachers of the two universities, and contribution of practical experience from Taishin managers, a final report was produced for the researched topic, which makes this program a constructive way of facilitating cross-strait interactions.

Regarding industry-academia cooperation, since 2012, Taishin has been cooperating with universities, technology institutions and vocational schools to design industry-academia cooperation programs that offer students internships and the opportunity to learn and gain practical experience outside school. In 2018, a total of 319 students were recruited into an internship program, and 300 openings were offered. Given the uprise of financial technologies, Taishin has even launched a number of postgraduate internship programs that aimed to explore potential talents in relevant fields such as digital banking, data mining, data analysis and FinTech development.

As part of its commitment to the community and talent development, Taishin offers scholarships and summer internships for National Taiwan University students from financially disadvantaged backgrounds. Furthermore, Taishin teamed up with National Sun Yat-sen University and launched the Financial Innovation Masters Program in 2017.

e. Environmental protection

Taishin is a long term supporter of environmental protection and energy conservation. It supports the green campaign through policies for energy conservation, carpool, and casual summer dress code. Since the launch of its campaign to practice "Environmental Protection through Energy Saving" in 2009, Taishin has been urging its employees to support environmental efforts. Moreover, the bank took the initiative to implement the ISO50001 energy management system in 2015 and promote the ISO14064-1 greenhouse gas inventory system in 2016. (Taishin Tower and Neihu Office)

In addition to the purchase of renewable energy in 2016, the bank also demonstrated its support for renewable energy by installing solar power panels on its own buildings in Neihu. Meanwhile, Taishin is investing in green services, and has incorporated processes, such as teller transactions, online loan application, and card terminal application for merchants, into the image process management system. Taishin is also devoted to the development of digital finance with the aim of reducing paper use and carbon footprint at the same time. In 2017, in addition to continuing compliance with the ISO50001 energy management system and the ISO14064-1 greenhouse gas inventory system, Taishin installed high performance flow controllers in the air conditioning system in Taishin Tower and replaced dated air conditioning units and UPS equipment for server rooms in 5 branches. Moreover, Taishin followed the government's policy and replaced existing light bulbs with LED light bulbs to improve performance and achieve energy efficiency and environmental conservation.

In 2018, Taishin continued with the policy to implement ISO14064-1 in all units under Taishin Bank and support the ongoing development of ISO14001 environmental management system and sustainable corporate governance.

F. Number of non-managerial staff, average annual employee welfare expenses, and differences from the previous year

Number of non-managerial staff		Average annual employee welfare expenses (unit: NT\$1,000)	
2018	2017	2018	2017
8,650	8,178	1,278	1,286

Note: "Managerial staff" refers to managers of the company. The definition is consistent with the scope of (manager) disclosure in the annual reports. The data for 2017 have been adjusted retrospectively based on the same definition.

G. IT equipment

a. Key information technology systems

Item number	System name	Hardware	Software	Name of service
1	NT\$ core system (B@NCS)	◆ HP Superdome 2	◆ HP-UX ◆ Oracle	◆ B@NCS NT\$ application system ◆ B@NCS NT\$ reports system ◆ General ledger
2	ATM front end processor (FEP)	◆ IBM P750	◆ IBM AIX ◆ IBM MQ ◆ Oracle	◆ ATM front end processor system ◆ Clearing system
3	Integrated database system (ODS)	◆ HP BL870C ◆ HP BL890C	◆ HP-UX ◆ Oracle	◆ Operational database system(ODS) ◆ Data warehouse(DW/DM)
4	Sales force automation system (SFA)	◆ HP Superdome ◆ Oracle SUNT4-4 ◆ MS Windows	◆ HP-UX ◆ Solaris ◆ Weblogic ◆ Oracle ◆ MS Windows ◆ MS SQL	◆ Sales force automation system(SFA) ◆ Financial planning system

Item number	System name	Hardware	Software	Name of service
5	Personal finance (Internet banking)	◆ Oracl SUN T5-2 ◆ X86 Server	◆ Solaris ◆ Weblogic ◆ Oracle	◆ NT\$/foreign currency transaction inquiries, funds, trust services, credit cards, insurance, shares
6	Digital banking system	◆ IBM S822 ◆ IBM S814 ◆ X86 Server	◆ IBM AIX ◆ Weblogic ◆ Oracle	◆ Richart digital banking ◆ E-wallet system ◆ OTP electronic platform
7	Corporate banking network (B2B)	◆ HP BL680C ◆ IBM P570	◆ MS Windows ◆ IBM AIX ◆ Websphere ◆ Oracle	◆ Corporate banking portal inquiries, NT\$/ foreign currency transactions, collections (ACH/ convenience stores/post officer), real- time batch transfers, gift voucher delivery guarantee, Cash Deposit Machine(coins- acceptable)
8	Trust Investment Platform system (TIPS)	◆ HP BL620C	◆ MS Windows ◆ MS SQL	◆ A trading system for funds, ETF, offshore structured instruments, offshore bonds, ADR, and preferred shares
9	Credit card merchant acquiring system (NCPS)	◆ IBM S822	◆ IBM AIX ◆ Oracle	◆ Merchant acquisition of credit card transactions
10	Foreign currency system (WBS)	◆ IBM S814 ◆ IBM S822 ◆ IBM P6-550	◆ IBM AIX ◆ Weblogic ◆ Oracle	◆ Limit control, guarantor and collateral management ◆ Import/export/loans/Deposits/ Remittance ◆ Price negotiation/Media reporting
11	Image process management system (IPMS)	◆ HP RX2800 ◆ HP RP4440 ◆ Oracle T4-1 ◆ Oracle S7-2	◆ Solaris ◆ HP/Unix ◆ Weblogic ◆ SOA ◆ UCM	◆ Management of imaged processes such as NTD services (account/remittance/applications/ account opening/negotiable instruments/ KYC/ CIF update/ official correspondence), merchant acquiring application, debt collection (attestation letters/ property ownership/ household transcript/ overdue documents), retail mortgage/unsecured credit/ auto loans, case submission app, corporate banking (debt entitlement certificates/ scorecards) etc
12	Factoring management system (OAEFB)	◆ IBM P710	◆ IBM AIX ◆ Oracle ◆ IBM Websphere	◆ Accounts receivable system
13	Trade finance system (Murex)	◆ Oracle SUN X3-2 ◆ Oracle SUN X5-2	◆ Solaris ◆ Murex ◆ TAS ◆ Oracle ◆ MS SQL	◆ Financial trading (FX and MM) system ◆ Trading risk control system
14	Structured product sales system (SDS)	◆ Dell 2950Server	◆ MS Windows ◆ Oracle Forms and Reports	◆ DCI/ELI transactions ◆ SI transactions ◆ Spot orders
15	Singapore trade finance system (SGFITAS)	◆ IBM AS/400	◆ IBM OS400 ◆ FITAS	◆ Import/Export/Currency exchange/Deposits/ Loans ◆ Import/Export/Currency exchange/Deposits/ Loans
16	Singapore wholesale banking system (SGWBS)	◆ IBM P710	◆ IBM AIX ◆ Weblogic ◆ Oracle	◆ CIF, limit control, guarantor and collateral management
17	Mobile office	◆ HP BladeServer ◆ HP X86Server	◆ MS Windows ◆ VMware	◆ A mobile office based on cloud technology ◆ Software development tools based on cloud technology
18	Japan wholesale banking system (JPWBS)	◆ IBM P720	◆ IBM AIX ◆ Weblogic ◆ Oracle	◆ Limit control, guarantor and collateral management ◆ Import/Export/Loans/Deposits/Remittance ◆ Funding/Spot/Forward/Swap
19	Bankwide anti-money laundering control system (AML)	◆ HP DL380Server	◆ MS Windows ◆ MS SQL ◆ PATRIOT ◆ OFFICER	◆ Anti-money laundering control systems for head office and overseas branches
20	Brisbane wholesale banking system (AUWBS)	◆ IBMP720	◆ IBM AIX ◆ Weblogic ◆ Oracle	◆ Limit control, guarantor and collateral management ◆ Import/Export/Loans/Deposits/Remittance
21	Hong Kong wholesale banking system (HKWBS)	◆ IBM S814	◆ IBM AIX ◆ Weblogic ◆ Oracle	◆ CIF, limit control, guarantor and collateral management ◆ Import/Export/Loans
22	Global Digital Banking Network (gB2B)	◆ LENOVO x3650 ◆ LENOVO x86	◆ IBM AIX ◆ Weblogic ◆ Oracle ◆ MS WindowsORACLE	◆ NTD/FCY transactions (Stage 1)

b. Future development or procurement plans

1. Apply cloud technology to achieve resource integration; maximum use of IT resources to improve service quality.
2. Install a mobile office system and offsite backup equipment that, in addition to improved system stability, provide reinforced data security in support of business development and management.
3. Assist with construction of IT systems for overseas branches - Hong Kong Branch, Long An Branch and Singapore Branch..
4. Construct the universal system, gWBS, for Hong Kong and overseas branches, and relocating the IT system at Hong Kong and related branches back to the head office for maintenance in order to keep the operations competitive and ensure stable system services.
5. Construct a new generation of wholesale banking website - The global digital banking network improves on the quality of online wholesale banking services, responds to market trends, and complies with internal and external IT regulations.
6. Explore mobile banking applications for iPhone, iPad, Android and other mobile devices.
7. Integrate front-end, mid-end and back-end of the treasury system for greater competitiveness in treasury transactions.
8. Upgrade the customer credit risk assessment system for more effective control over customers' default risks.
9. Continue to replace network equipment and firewalls in IT centers and various buildings to improve network performance and security.
10. Continue to implement network access control (NAC) to enhance network access control and prevent unauthorized connections.
11. Acquire new ATM models and replace outdated equipment. Offer services such as foreign currency withdrawals and inter-bank cash deposits.
12. Continuous replacement and upgrade of customer service system; implement local and off-site support; improve efficiency and service capability of customer service personnel.
13. Implement the online banking database RAC(Real Application Cluster) to provide a highly stable system environment, so as to improve the stability of the retail online banking system.
14. Replace the WBS bank-wide foreign currency system and improve system performance.
15. Implement new tapeless backup technology to reduce the total cost of backup systems and enhance service capability.
16. The wholesale banking network is extended to include connection by mobile device.
17. Build a new credit card information system with an open structure in anticipation of new types of businesses and technological advancement in the future.
18. Implement new credit card application review in the system. Proceed with the Weblogic/SOA EOS upgrade project for the bank-wide image processing and management system to provide a stable system that ensures business as usual.
19. Build a platform for high net worth clients in other countries.
20. Launch the 5-in-1 system service enhancement project for trust asset utilization and management systems.
21. Complete the project that will enhance the smart welcome system in branch and the queue management system.

22. Implement a system to manage strategies and rules in order to be able to respond quickly to changes in the lending environment or in business rules.
23. Build a personalized real-time computing platform to achieve O2O integration and real-time computing that give customers the best personalized experience across channels.
24. Implement iHUB Taishin e-platform and API financial services for external customers or business partners; and combines application scenarios to extend the reach of Taishin Bank financial services.

c. Emergency backup and security

1. Implement standardized data management practices and systems in accordance with the Personal Information Protection Act for added protection.
2. Comply with ISO27001 ISMS standards. Ensure proper protection to data operations and information systems. Prevent incidents such as data corruption, theft, leakage, alteration, abuse, and infringement. Enhance the confidentiality, completeness and usability of stored information.
3. Introduce the use of infiltration tools to scan for network weaknesses.
4. Improve off-site support to accommodate business requirements.
5. Develop an information security action plan, promote each implement plan.
6. Implement Mobile Device Management for enhanced security in accessing business-related information.
7. Build network access control (NAC) for better network access security.
8. Create an ATM white list management system for better ATM security.
9. Taishin Bank assesses computer system security by following the security guidelines on computer systems for financial Institutions in order to improve security of its computer system and website.
10. Install distributed denial-of-service (DDoS) attack prevention mechanisms so that all network traffic will be filtered through DDoS protection to ensure proper functioning of Taishin Bank's network.
11. Install double advanced persistent threat (APT) detection mechanisms that are capable of detecting unknown attacks and preventing hacker attacks on internal trading systems.
12. Install endpoint protection to enable detection of and defense against irregularities as a result of hacker attacks on endpoints.
13. Create an information security management platform and integrate infosec data from across the bank to be analyzed by AI and big data analytics so to detect early potential hacker activities and take countermeasures.

H. Labor relations

a. Availability and execution of employee welfare and retirement policies. Elaborate on employer/employee agreements and protection of employee rights.

1. Employee insurance

- (1) Labor insurance: 70% of premium covered by the company while 20% is borne by the employee.
- (2) Health insurance: 60% of premium covered by the company while 30% is borne by the employee.
- (3) Group insurance: employees are covered by group life, accidental, healthcare, surgery, injury, cancer, and work hazard insurance; premiums are borne by the company.
- (4) Travel insurance: employees are covered by travel insurance when going on overseas business trips; premiums are borne by the company.

2. Employee welfare

The company has an "Employee Welfare Committee" in place to supervise the execution of welfare-related activities. The company also implements an "Employee Welfare Committee Subsidy Policy" that provides employees with subsidies for various occasions such as wedding, child birth, funeral, hospitalization, festivity, birthday, travel, private associations, and children's education.

In addition to the various subsidies offered by the Employee Welfare Committee, the company also subsidizes employees for employee stock ownership trust, health checkups, weddings, funerals, self-development (such as learning of foreign languages, computer classes, professional qualifications etc), and rewards them for long service.

With regards to employee assistance, the company is working with the Teacher Chang Foundation to provide "Employee Living Assistance," and has an "Employee Mailbox" and "Employee Hotline" in place as a means of communication.

3. Retirement policy

Pursuant to the laws and regulations, the company, on July 1, 2005, started making monthly contributions at 6% of basic monthly salary into personal pension accounts for new employees and existing employees who have opted for the new pension plan under the Labor Pension Act. Meanwhile, the company also allocates an adequate reserve for benefits under the old pension plan to the pension plan account at the Bank of Taiwan for existing employees who are covered by the old pension plan under the Labor Standards Act and for the years of service that existing employees, who have opted for the new pension plan, choose to keep under the old pension plan. The company will allow employees who are reassigned to affiliated enterprises to continue to accumulate their years of service in order to provide better protection and ensure the success of talent rotation. Overseas subsidiaries are covered by defined contribution plans. Monthly contributions to social security programs, such as old age pension and health care, are made in accordance with local regulations.

4. Leave of absence

The company offers employees leave days in accordance with the Labor Standards Act. The number of leave days are adjusted according to job grades, and exceed stipulated standards under the law.

5. Disciplinary actions taken by the authority against the company and its subsidiaries for results of labor inspections in last year up to the publication date of this annual report:

Company	Date	Case No.	Article number	Article content	Description
Taishin Bank	2018.01.29	Gao-Shih-Lao-Tiao-10730695600	Article 24 of the Labor Standards Act	A shift salesperson had less than one day off in a certain month and failed to apply for overtime pay. Therefore, the Kaohsiung City Government deemed that Taishin had failed to pay overtime for vacation days not taken.	A fine of NT\$80,000 and release of name
Taishin Bank	2018.11.30	Fu-She-Lao-1071621980	Article 24, Paragraph 1 of the Labor Standards Act	Branch employees punch in and out to the minute as required by law. However, this was inconsistent with the minimum unit for overtime (half hour) as established by the company. As a result, punch-in or -out time may be earlier or later than the scheduled work hours or after the end of overtime hours. Therefore, the Chiayi City Government deemed that Taishin had failed to pay overtime in full to the minute.	A fine of NT\$20,000

- b. **Losses arising as a result of employment disputes in the recent year up until the publishing date of this annual report; please quantify the estimated losses and state any response actions, or state any reasons why losses cannot be reasonably estimated:**

The company has maintained harmonious employer-employee relationships; therefore there have been no losses due to employment disputes in the most recent year.

I. Important contract

Taishin Financial Holding Co., Ltd.: Nil.

Taishin International Bank Co., Ltd.:

Contract title	Parties involved	Contract beginning and ending date	Main contents	Restrictive terms
Procurement contract	CyberSoft Digital Services Corp.	2015.06.25~2019.12.31	Build up credit card information system	None
Procurement contract	Mercuries Data Systems Ltd	2015.07.01~2021.06.30	Automated service equipment	None
Procurement contract	Lian An Services Ltd. Anfeng Enterprise Ltd.	2017.01.16~2019.12.31	ATM cash security services	None
Procurement contract	Taishin International Bank Co., Ltd.	2017.05.01~2020.04.30	Implementation of Global Digital Corporate Banking Network	None
Procurement contract	MITAC Information Technology Corp	2017.08.01~2019.12.31	Implementation of universal systems in Hong Kong Branch and other overseas branches	None
Procurement contract	Acer Inc	2018.01.01~2020.12.31	Microsoft EA large account procurement	None
Procurement contract	CyberSoft Digital Services Corp.	2018.02.01~2019.03.31	Credit card information system and outsourced data processing	None
Procurement contract	Mercuries Data Systems Ltd	2018.07.01~2022.06.30	Automated service equipment	None

Taishin Securities Co., Ltd.:

Contract title	Parties involved	Contract beginning and ending date	Main contents	Restrictive terms
Loan agreement	Between the company and a number of financial institutions including the Taiwan Cooperative Bank	Short-term, 1 year	As stated in the loan agreement	As stipulated in the agreement
Refinancing agreement	The company has established refinancing agreements with two securities financing companies including Yuanta Securities Finance	Effective from the date signed	Enables the company to approach the counterparty for securities financing/ lending assistance if a need arises	Subject to compliance with Rules Governing Securities Financing and Lending by Securities Firms

Taishin Securities Investment Trust Co., Ltd.: Nil.

Taishin Securities Investment Advisory Co., Ltd.: Nil.

Taishin Asset Management Co., Ltd.: Nil.

Taishin Venture Capital Investment Co., Ltd.: Nil.

06

Financial Information



VI. Financial Information

A. Brief balance sheet and income statement in the recent five years and the name and opinions of the certified public accountant

Brief Consolidated Balance Sheet of the Financial Holding Company and its Subsidiaries: IFRS

Unit: NT\$1,000

Item	Year	Financial data in the recent five years				
		2014	2015	2016	2017	2018
Cash and cash equivalents due from the Central Bank and call loans to banks		57,586,123	69,091,364	97,172,542	78,867,310	78,466,662
Financial assets at fair value through profit and or loss		83,294,027	119,742,250	89,814,395	106,153,738	115,782,595
Financial assets at fair value through other comprehensive income		0	0	0	0	336,400,248
Available-for-sale financial assets		244,249,053	290,124,810	302,421,489	307,885,507	0
Financial assets at amortized cost		0	0	0	0	3,081,240
Derivative financial assets for hedging		0	0	0	0	0
Securities purchased under resale agreements		273,345	2,978,852	5,340,360	7,615,565	2,416,641
Receivables, net		100,310,417	104,718,618	113,258,142	135,089,033	144,763,489
Current tax assets		353,421	389,782	534,816	357,417	354,251
Assets held for sale, net		0	0	0	0	0
Loans, net		805,752,729	834,605,345	877,317,379	959,618,741	1,018,505,146
Reinsurance contract assets		0	0	0	0	0
Held-to-maturity financial assets		2,540	5,110	6,126	6,095	0
Investments accounted for using the equity method, net		32,660,984	34,986,174	36,822,426	38,521,283	40,100,981
Restricted assets		0	0	0	0	0
Other financial assets, net		12,131,204	11,074,488	14,051,576	11,718,711	9,866,430
Property and equipment, net		17,958,823	18,234,698	18,514,420	19,143,108	18,895,823
Investment property, net		922,355	891,781	866,065	769,694	907,311
Intangible assets, net		2,001,997	2,022,001	2,200,915	2,283,808	2,275,459
Deferred tax assets, net		4,154,618	3,517,778	2,950,676	2,480,967	3,360,316
Other assets		21,301,742	27,847,591	15,714,400	7,009,339	11,716,925
Total assets		1,382,953,378	1,520,230,642	1,576,985,727	1,677,520,316	1,786,893,517
Due to the Central Bank and banks		56,003,848	64,689,878	46,966,461	64,252,429	57,441,338
Funds borrowed from the Central Bank and banks		0	0	0	0	1,536,650
Financial liabilities at fair value through profit or loss		34,921,514	49,915,794	35,815,311	18,467,718	29,502,674
Derivative financial liabilities for hedging		0	0	0	0	0
Securities sold under repurchase agreements		69,724,492	80,211,187	70,108,624	76,695,065	83,045,834
Commercial paper issued		649,389	2,672,740	8,537,889	15,298,649	12,215,597
Payables		22,598,658	21,115,147	30,162,981	29,096,110	28,783,190
Current tax liabilities		1,699,781	625,188	1,123,810	1,464,131	2,306,439
Liabilities directly associated with assets held for sale		0	0	0	0	0
Deposits and remittances		965,328,658	1,040,466,391	1,104,139,089	1,194,493,789	1,259,675,424
Bonds payable		55,000,000	75,000,000	75,000,000	64,400,000	61,700,000
Preferred stock liabilities		0	0	0	0	0
Other financial liabilities		58,979,710	56,635,336	51,606,593	51,703,941	70,628,831
Reserve for liabilities		794,014	1,020,107	1,165,486	1,485,384	1,721,335
Deferred tax liabilities		83,945	57,347	127,762	96,839	108,838
Other financial liabilities		2,985,066	2,861,598	3,356,087	4,744,152	3,709,414
Total liabilities		1,268,769,075	1,395,270,713	1,428,110,093	1,522,198,207	1,612,375,564
	Pre-payout	1,270,564,881	1,400,458,320	1,433,706,885	1,529,184,591	(註 1)
	Post-payout	114,058,414	124,829,618	148,751,140	155,188,265	174,384,526
Equity attributable to owners of parent		114,058,414	124,829,618	148,751,140	155,188,265	174,384,526
Capital stock		95,780,609	95,855,246	103,825,072	107,757,589	114,541,477
	Pre-payout	95,780,609	102,271,657	107,937,968	112,187,790	(註 1)
	Post-payout	10,640,840	10,220,503	27,132,585	26,453,556	37,805,713
Capital surplus		10,205,349	10,220,503	27,132,585	26,453,556	(註 1)
	Pre-payout	7,292,136	18,825,174	18,051,306	21,103,712	22,108,378
	Post-payout	5,931,821	7,221,156	8,341,618	9,687,127	(註 1)
Retained earnings		344,829	(71,305)	(257,823)	(126,592)	(71,042)
Other equity		0	0	0	0	0
Treasury shares		0	0	0	0	0
Non-controlling interest		125,889	130,311	124,494	133,844	133,427
Total equity		114,184,303	124,959,929	148,875,634	155,322,109	174,517,953
	Pre-payout	112,388,497	119,772,322	143,278,842	148,335,725	(註 1)
	Post-payout					

Note 1: Proposal for the coverage of 2018 profit has yet to be passed by shareholders' meeting.

Note 2: Financial statements are in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidance translated by the ARDF and issued by the FSC. The 2014 -2015 financial statements are certified by CPAs QinZhen Yang and Tza Li Gung, who issued auditing report for their authenticity without reservation. The 2016-2018 financial statement is certified by CPAs Tza Li Gung and Kwan-Chung Lai, who issued auditing report for their authenticity without reservation.

Brief Consolidated Comprehensive Income Statement of the Financial Holding Company and subsidiaries: IFRS

Item \ Year	Financial data in the recent five years				
	2014	2015	2016	2017	2018
Interest income	55,785,260	29,509,687	29,082,391	30,621,256	34,485,001
Interest expenses	(22,087,679)	(11,712,867)	(11,078,256)	(11,886,687)	(14,893,700)
Net interest income	33,697,581	17,796,820	18,004,135	18,734,569	19,591,301
Net income other than net interest income	10,942,105	19,711,007	18,147,270	19,067,332	20,157,022
Net revenue and gains	44,639,686	37,507,827	36,151,405	37,801,901	39,748,323
Reversed allowance for bad debts expenses and guarantee liability provisions	750,255	(2,818,084)	(3,350,119)	(1,851,058)	(3,340,539)
Net change in provisions for insurance liabilities	0	0	0	0	0
Operating expenses	(32,221,529)	(19,793,219)	(19,831,493)	(21,141,214)	(22,171,401)
Income before income tax from continuing operations	13,168,412	14,896,524	12,969,793	14,809,629	14,236,383
Income tax (expense) benefit	(3,520,673)	(1,670,433)	(1,577,360)	(1,739,463)	(1,306,250)
Net income from continuing operations	9,647,739	13,226,091	11,392,433	13,070,166	12,930,133
Net income from discontinued operations	0	0	0	0	0
Consolidated net income	9,647,739	13,226,091	11,392,433	13,070,166	12,930,133
Other comprehensive income, net of tax	(325,670)	(744,461)	(453,287)	(107,224)	(320,668)
Total comprehensive income	9,322,069	12,481,630	10,939,146	12,962,942	12,609,465
Net income attributable to owners of parent	1,624,376	13,222,544	11,399,434	13,060,662	12,930,583
Net income attributable to non-controlling interests	8,023,363	3,547	(7,001)	9,504	(450)
Total comprehensive income attributable to owners of parent	911,607	12,477,225	10,944,967	12,953,592	12,609,882
Total comprehensive income attributable to non- controlling interests	8,410,462	4,405	(5,821)	9,350	(417)
Earnings per common share	0.06	1.19	1.05	1.10	1.09

Note 1: Earnings per share for common shares is based on the unit of NT\$1 and the effect of capital increase by earning has been taken into account retroactively in the calculation of the figure.

Note 2: Financial statements are in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidance translated by the ARDF and issued by the FSC. The 2014 -2015 financial statements are certified by CPAs QinZhen Yang and Tza Li Gung, who issued auditing report for their authenticity without reservation. The 2016-2018 financial statement is certified by CPAs Tza Li Gung and Kwan-Chung Lai, who issued auditing report for their authenticity without reservation.

B. Financial Analysis for the Recent Five Years Financial Analysis

Financial Analysis: IFRS

Unit: NT\$1,000

Item		Year	Financial Analysis in the recent five years					Financial data for current year as of Feb. 28, 2019
			2014	2015	2016	2017	2018	
Management capability	Turnover rate of total assets (times)		0.02	0.03	0.02	0.02	0.02	(Note 3)
	Deposit/loan ratio of Taishin Bank (%)		83.81	81.30	80.07	81.32	81.59	
	NPL ratio of Taishin Bank (%)		0.14	0.13	0.26	0.22	0.18	
	Revenue per employee		2,833	4,601	4,423	4,469	4,448	
	Profit per employee		206	1,622	1,394	1,545	1,447	
Profit-making capability	Return on assets (%)		0.45	0.91	0.74	0.80	0.75	
	Return on common shareholders' equity (%)		0.73	11.78	9.58	9.61	9.06	
	Net profit rate (%)		21.61	35.26	31.51	34.58	32.53	
	Earning per share (NT\$)		0.06	1.19	1.05	1.10	1.09	
Financial Structure	Liabilities/assets ratio (%)		91.74	91.78	90.56	90.74	90.23	
	Liabilities/book value ratio (%)		1,111.16	1,116.57	959.26	980.03	923.90	
	Double leverage ratio of the financial holding company (%)		109	108	111	113	111	
	Financial ratio of the financial holding company according to article 41 of the law		None	None	None	None	None	
Leverage extent	Business leverage extent		3.39	2.52	2.79	2.55	2.79	
	Financial leverage extent of financial holding company		1.31	1.04	1.04	1.04	1.04	
Growth rate	Assets growth (%)	(51.83)	9.93	3.73	6.38	6.52		
	Profit growth (%)	(48.16)	13.12	(12.93)	14.19	(3.87)		
Cash flow	Cash flow ratio (%)	(3.75)	(9.35)	8.45	(8.27)	(8.82)		
	Propriety ratio of cash flow (%)	51.51	(33.81)	21.33	(141.42)	(107.39)		
	Cash-flow satisfaction ratio (%)	5.30	1,959.74	(904.19)	306.50	1,559.94		
Business scale	Market share of assets (%)		3.74	3.76	3.67	3.55	3.55	
	Market share of book value (%)		4.22	4.34	4.82	4.53	5.16	
	Market share of Taishin Bank's deposit (%)		3.02	3.03	3.13	3.22	3.29	
	Market share of Taishin Bank's loan extension (%)		3.28	3.32	3.40	3.59	3.62	
Capital Adequacy	Capital adequacy ratio	Taishin Bank	11.01	12.49	14.21	14.23	14.72	
		Taishin Security	496	452	404	418	341	
		Taishin AMC	84.42	87.61	86.33	86.94	77.76	
		Taishin Securities Investment Trust	90.89	90.28	89.22	90.04	89.55	
		Taishin Securities Investment Advisory	93.17	93.95	94.02	93.58	92.88	
		Taishin Venture Capital	99.90	96.82	91.45	89.21	99.94	
		Taishin Holdings Insurance Brokers	70.28	70.29	-	-	-	
	Eligible self-owned capital		115,890,595	143,458,486	169,318,748	174,779,716	189,189,087	
	Group's eligible capital		140,091,194	158,536,344	177,446,837	186,506,222	208,792,612	
	Subsidiary's statutory capital requirement		81,695,691	90,472,582	101,764,953	111,343,687	124,682,579	

Item \ Year		Financial Analysis in the recent five years					Financial data for current year as of Feb. 28, 2019
		2014	2015	2016	2017	2018	
Capital Adequacy	Group's statutory capital requirement	114,175,677	125,097,968	138,109,590	149,361,020	164,287,267	(Note 3)
	Group's capital adequacy ratio (%)	122.70	126.73	128.48	124.87	127.09	
Mandatory disclosure by the financial holding company of the total value of credit extension, endorsement, or other trading extended by its subsidiaries to the same person, related party, or affiliate according to article 46 of the law (NT\$1Million)		370,659 (Note 2)	454,108 (Note 2)	476,347 (Note 2)	532,089 (Note 2)	612,989 (Note 2)	
Describe reasons for changes in various financial ratios in the recent two years (No need of analysis for change under 20%): (1) Decrease in the profit growth ratio as at December 31, 2018 over December 31, 2017 was mainly due to a lower pre-tax net profit. (2) Increase in the cash flow adequacy ratio as at December 31, 2018 over December 31, 2017 was mainly due to decreased net cash inflows from operating activities. (3) Increase in the cash flow satisfaction ratio as at December 31, 2018 over December 31, 2017 was mainly due to decreased net cash outflows from investment activities.							

Note 1: All ratios have been prepared in accordance with FSC-approved International Financial Reporting Standards, International Accounting Standards, and any relevant interpretations and announcements thereof. All ratios have been based on consolidated figures, except as otherwise specified to be attributable to certain subsidiaries of the financial holding company.

Note 2: Please see financial reports of the respective years for more details.

Note 3: At the time this annual report was published, no audited financial data for 2019 were available.

Note 4: Calculation formulas as follow:

1. Management capability
 - (1) Turnover rate of total assets=Net revenue/average total assets
 - (2) Deposit/loan ratio of subsidiary bank=Total loans of subsidiary bank/total deposit
 - (3) NPL ratio of subsidiary bank=Total NPL of subsidiary bank/total loan
 - (4) Revenue per employee=Net revenue/total number of employees
 - (5) Profit per employee=After-tax profit/total number of employees
2. Profit-making capability
 - (1) Return on assets=After-tax income/average value of total assets
 - (2) Return on common shareholders' equity= (After-tax income—Preferred stock dividends) /Average net value of common shareholders' equity
 - (3) Net profit rate=After-tax income/net revenue
 - (4) Earning per share= (After-tax net profit-dividend for preferred shares)/weighted average amount of issued shares (Retroactive adjustment for earning per share has been made for those years with capital increment from retained earnings or capital increase by capital surplus)
3. Financial structure
 - (1) Liabilities/assets ratio=Total liabilities/total assets
 - (2) Liabilities/book value ratio=Total liabilities/net shareholders' equity
 - (3) Double leverage ratio of the financial holding company=Equity investment according to item 2, article 36 and 37 of the law/book value
4. Leverage extent
 - (1) Business leverage extent= (Net revenue-variation in expense or loss)/pre-tax income)
 - (2) Financial leverage extent of financial holding company=(pre-tax income+interest outlay)/pre-tax income)
5. Growth rate
 - (1) Assets growth rate= (Total assets in current year-total assets in previous year)/total assets in previous year
 - (2) Profit growth= (Pre-tax income in current year-pre-tax income in previous year)/pre-tax income in previous year)
6. Cash flow
 - (1) Cash flow ratio=Business-related net cash flow/(call loans and overdraft of bank and peers+commercial paper payable+financial liabilities deriving from variation in fair value included in the calculation of income+liabilities of repo bills and bonds+account payable due in one year)
 - (2) Propriety ratio of net cash flow=Business-related net cash flow in recent years/ (capital outlay+cash dividend) in recent five years
 - (3) Cash flow coverage ratio=net cash flow from operating activities/net cash flow from investment activities
7. Business scale
 - (1) Market share of assets=Total assets/total assets of financial holding companies(Calculation for 2018 is based on unaudited data.)
 - (2) Market share of book value=Book value/total book values of financial holding companies(Calculation for 2018 is based on unaudited data.)
 - (3) Market share of banking subsidiary's deposit=Total deposits/total deposits of financial institutions capable of undertaking deposit/loan business
 - (4) Market share of banking subsidiary's loan extension=Total loans /total deposits of financial institutions capable of undertaking deposit/loan business
8. BIS ratio (capital adequacy ratio)
 - (1) Qualified net capital of the group=financial holding company's qualified capital+ (shareholding ration of financial holding company x qualified capital of subsidiaries)-designated deductible items
 - (2) Total required legal capital of the group=required legal capital of financial holding company+shareholding ratio of financial holding company x required legal capital of subsidiaries
 - (3) BIS ratio of the group=Net qualified capital of the group/legal capital requirement of the group

C. The Audit committee Report

Taishin Financial Holding Co., Ltd.

Audit Committee Report

April 25, 2019

The board of directors has prepared the 2018 business report, financial statements and earnings distribution proposal for the Company. The financial statements have been audited and certified by CPA Tza Li Gung and CPA Kwan-Chung Lai of Deloitte Taiwan, who have also expressed an opinion. The above reports and statements compiled by the board of directors have been audited by the Audit Committee and considered in compliance with relevant rules and regulations. Please kindly note that the report hereby presented has been prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

Taishin Financial Holding Co., Ltd. 2019 Annual General Meeting

The convener of Audit Committee

Chang, Min-Yu



D. The Latest Consolidated Financial Statements of the Company and Its Subsidiaries Audited and Certified by CPAs

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying 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 December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following were the key audit matters in the audit of the consolidated financial statements of the Group for the year ended December 31, 2018:

Impairment of Loans

Commercial lending is the core business of the Group. Loans are mainly recorded in Taishin International Bank Co., Ltd. ("Taishin Bank"), a subsidiary of Taishin Financial Holding co., Ltd., and represent the Group's significant accounts, which reached around 57% of the Group's total assets as of December 31, 2018. The Group assesses the impairment of loans of Taishin Bank in accordance with IFRS 9 "Financial Instruments". See Notes 5 and 14 to the consolidated financial statements for the relevant and additional information. The Group management's judgement and the assumptions used have significant impact on the impairment assessments. Therefore, we consider the impairment of loans as a key audit matter. Refer to Note 6 to the consolidated financial statements for the relevant and additional information.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tza-Li Gung and Kwan-Chung Lai.

Deloitte & Touche

Taipei, Taiwan

Republic of China

February 21, 2019

Notice to Readers

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

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

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 5 and 7)	\$ 22,590,750	1	\$ 22,034,918	1
Due from the Central Bank and call loans to banks (Note 8)	55,875,912	3	56,832,392	4
Financial assets at fair value through profit or loss (FVTPL) (Notes 5 and 9)	115,782,595	7	106,153,738	6
Financial assets at fair value through other comprehensive income (FVTOCI) (Notes 5 and 10)	336,400,248	19	-	-
Available-for-sale financial assets, net (Notes 5 and 11)	-	-	307,885,507	18
Financial assets at amortized cost (Notes 5 and 12)	3,081,240	-	-	-
Securities purchased under resale agreements (Note 5)	2,416,641	-	7,615,565	1
Receivables, net (Notes 5, 13 and 14)	144,763,489	8	135,089,033	8
Current tax assets (Notes 5 and 41)	354,251	-	357,417	-
Loans, net (Notes 5, 6 and 14)	1,018,505,146	57	959,618,741	57
Held-to-maturity financial assets, net (Notes 5 and 15)	-	-	6,095	-
Investments accounted for using the equity method, net (Notes 5 and 16)	40,100,981	2	38,521,283	2
OTHER FINANCIAL ASSETS, NET				
Financial assets carried at cost, net (Notes 5 and 17)	-	-	3,006,159	-
Other miscellaneous financial assets, net (Notes 5, 14 and 18)	9,866,430	1	8,712,552	1
Other financial assets, net	9,866,430	1	11,718,711	1
Investment property, net (Notes 5 and 19)	907,311	-	769,694	-
Property and equipment, net (Notes 5 and 20)	18,895,823	1	19,143,108	1
Intangible assets, net (Notes 5 and 21)	2,275,459	-	2,283,808	-
Deferred tax assets (Notes 5 and 41)	3,360,316	-	2,480,967	-
Other assets, net (Note 22)	11,716,925	1	7,009,339	1
TOTAL	\$ 1,786,893,517	100	\$ 1,677,520,316	100

(Continued)

LIABILITIES AND EQUITY	2018		2017	
	Amount	%	Amount	%
Due to the Central Bank and banks (Note 23)	\$ 57,441,338	3	\$ 64,252,429	4
Funds borrowed from the Central Bank and other banks	1,536,650	-	-	-
Financial liabilities at FVTPL (Notes 5 and 9)	29,502,674	2	18,467,718	1
Securities sold under repurchase agreements (Note 5)	83,045,834	5	76,695,065	5
Commercial paper issued, net (Note 24)	12,215,597	1	15,298,649	1
Payables (Note 25)	28,783,190	2	29,096,110	2
Current tax liabilities (Notes 5 and 41)	2,306,439	-	1,464,131	-
Deposits and remittances (Note 26)	1,259,675,424	70	1,194,493,789	71
Bonds payable (Note 27)	61,700,000	3	64,400,000	4
Other borrowings (Note 28)	11,545,384	1	10,315,076	1
Provisions (Notes 5 and 29)	1,721,335	-	1,485,384	-
Other financial liabilities (Note 30)	59,083,447	3	41,388,865	2
Deferred tax liabilities (Notes 5 and 41)	108,838	-	96,839	-
Other liabilities (Note 31)	3,709,414	-	4,744,152	-
Total liabilities	1,612,375,564	90	1,522,198,207	91
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Note 33)				
Capital stock				
Common stock	104,362,071	6	99,842,620	6
Preferred stock	10,175,410	1	7,900,547	-
Advance receipts for capital stock	3,996	-	14,422	-
Capital surplus	37,805,713	2	26,453,556	2
Retained earnings				
Legal reserve	9,115,012	-	7,838,803	-
Special reserve	572,115	-	502,815	-
Unappropriated earnings	12,421,251	1	12,762,094	1
Other equity	(71,042)	-	(126,592)	-
Equity attributable to owners of parent	174,384,526	10	155,188,265	9
NON-CONTROLLING INTERESTS	133,427	-	133,844	-
Total equity	174,517,953	10	155,322,109	9
TOTAL	\$ 1,786,893,517	100	\$ 1,677,520,316	100

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

(Concluded)

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
INTEREST INCOME (Notes 5 and 34)	\$ 34,485,001	87	\$ 30,621,256	81
INTEREST EXPENSES (Note 34)	(14,893,700)	(38)	(11,886,687)	(31)
NET INTEREST INCOME (Note 34)	19,591,301	49	18,734,569	50
NET INCOME OTHER THAN NET INTEREST				
INCOME	12,012,226	30	11,510,076	30
Net service fee and commissions income (Note 35)				
Gain on financial assets and liabilities at FVTPL (Note 36)	3,125,283	8	3,219,009	9
Realized gain on financial assets at FVTOCI (Note 37)	388,455	1	-	-
Realized gain on available-for-sale financial assets (Note 38)	-	-	458,002	1
Foreign exchange gains (losses)	1,074,385	3	399,465	1
Impairment (loss) gain on assets (Notes 10, 12 and 17)	(900)	-	(38,939)	-
Share of profit (loss) of associates accounted for using equity method (Note 16)	2,875,227	7	2,764,943	7
Net other non-interest income				
Gain from bargain purchase (Note 44)	-	-	106,747	-
Net other miscellaneous income	682,346	2	648,029	2
Net income other than net interest income	20,157,022	51	19,067,332	50
NET REVENUE AND GAINS	39,748,323	100	37,801,901	100
PROVISIONS FOR ALLOWANCE FOR BAD DEBT EXPENSES, COMMITMENTS AND GUARANTEES LIABILITIES (Notes 5 and 14)	(3,340,539)	(8)	(1,851,058)	(5)
OPERATING EXPENSES				
Employee benefits expenses (Notes 5 and 39)	(12,374,008)	(31)	(12,163,656)	(32)
Depreciation and amortization expenses (Note 40)	(1,194,980)	(3)	(1,067,232)	(3)
Other general and administrative expenses	(8,602,413)	(22)	(7,910,326)	(21)
Total operating expenses	(22,171,401)	(56)	(21,141,214)	(56)
INCOME BEFORE INCOME TAX	14,236,383	36	14,809,629	39
INCOME TAX EXPENSE (Notes 5 and 41)	(1,306,250)	(3)	(1,739,463)	(5)
NET INCOME	12,930,133	33	13,070,166	34
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Gain (losses) on remeasurements of defined benefit plans	(80,908)	-	(191,918)	-
Share of other comprehensive income of associates accounted for using the equity method	(103,813)	-	(78,779)	-

(Continued)

	2018		2017	
	Amount	%	Amount	%
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	\$ 544	-	-\$	-
Unrealized gain on investments in equity instruments designated as at FVTOCI	115,368	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	42,920	-	32,223	-
Items that will be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	(55,051)	-	(12,373)	-
Unrealized gain on available-for-sale financial assets	-	-	295,094	1
Share of other comprehensive loss of associate accounted for using the equity method	136,550	-	(126,615)	(1)
Unrealized loss on investment in debt instruments at FVTOCI	(401,998)	(1)	-	-
Impairment loss on investment in debt instruments at FVTOCI	146	-	-	-
Income tax relating to items that will be reclassified subsequently to profit or loss	25,574	-	(24,856)	-
Other comprehensive income (loss), net of tax	(320,668)	(1)	(107,224)	-
TOTAL COMPREHENSIVE INCOME	\$ 12,609,465	32	\$ 12,962,942	34
NET INCOME ATTRIBUTABLE TO:				
Owners of parent	12,930,583	33	13,060,662	34
Non-controlling interests	(450)	-	9,504	-
	<u>12,930,133</u>	<u>33</u>	<u>13,070,166</u>	<u>34</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of parent	12,609,882	32	12,953,592	34
Non-controlling interests	(417)	-	9,350	-
	<u>12,609,465</u>	<u>32</u>	<u>12,962,942</u>	<u>34</u>
EARNINGS PER SHARE (Note 42)				
Basic	<u>1.09</u>		<u>1.10</u>	
Diluted	<u>1.09</u>		<u>1.10</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 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent					
	Capital Stock			Capital Surplus		
	Common Stock	Preferred Stock	Advanced Receipts for Capital Stock	Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions	Stock-based Compensation
BALANCE AT JANUARY 1, 2017	\$ 95,130,986	\$ 8,625,684	\$ 68,402	\$ 24,776,589	\$ 2,075,475	\$ 280,521
Appropriation of 2016 earnings						
Legal reserve	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-
Stock dividends	4,112,896	-	-	-	-	-
Special reserve under Order No. 1010012865 issued by the FSC	-	-	-	-	-	-
Net income for the year ended December 31, 2017	-	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2017, net of tax	-	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	-
Redemption of preferred stock D	-	(725,137)	-	(614,596)	-	-
Share-based payments	598,738	-	(53,980)	44,880	-	(109,313)
BALANCE AT DECEMBER 31, 2017	99,842,620	7,900,547	14,422	24,206,873	2,075,475	171,208
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATE	99,842,620	7,900,547	14,422	24,206,873	2,075,475	171,208
Appropriation of 2017 earnings						
Legal reserve	-	-	-	-	-	-
Special reserve under order No. 10310006310 issued by FSC	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-
Stock dividends	4,430,201	-	-	-	-	-
Special reserve reversed under order No. 1010012865 issued by the FSC	-	-	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2018, net of tax	-	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-
Disposals of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-
Preferred stock E issued	-	3,000,000	-	11,987,061	-	-
Redemption of preferred stock D	-	(725,137)	-	(614,596)	-	-
Share-based payments	89,250	-	(10,426)	23,324	-	(43,632)
BALANCE AT DECEMBER 31, 2018	\$ 104,362,071	\$ 10,175,410	\$ 3,996	\$ 35,602,662	\$ 2,075,475	\$ 127,576

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

Equity Attributable to Owners of Parent

Retained Earnings			Other Equity						
						Changes in Fair Value			
						Attributable to Changes in the Credit			
						Risk of			
Legal Reserve	Special Reserve	Unappropriated Earning	Exchange Differences on ranslation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets FVTOCI	Unrealized Gains on Available- for-sale Financial Assets	Financial Liabilities at FVTPL	Non- controlling Interests	Total Equity	
\$ 6,755,788	\$ 465,368	\$ 10,830,150	(\$ 168,382)	\$ -	(\$ 89,441)	\$ -	\$ 124,494	\$ 148,875,634	
1,083,015	-	(1,083,015)	-	-	-	-	-	-	
-	-	(5,026,874)	-	-	-	-	-	(5,026,874)	
-	-	(569,918)	-	-	-	-	-	(569,918)	
-	-	(4,112,896)	-	-	-	-	-	-	
-	37,447	(37,447)	-	-	-	-	-	-	
-	-	13,060,662	-	-	-	-	9,504	13,070,166	
-	-	(238,301)	(295,164)	-	426,414	(19)	(154)	(107,224)	
-	-	12,822,361	(295,164)	-	426,414	(19)	9,350	12,962,942	
-	-	(60,267)	-	-	-	-	-	(1,400,000)	
-	-	-	-	-	-	-	-	480,325	
7,838,803	502,815	12,762,094	(463,546)	-	336,973	(19)	133,844	155,322,109	
-	-	(249,170)	-	513,329	(336,973)	-	-	(72,814)	
7,838,803	502,815	12,512,924	(463,546)	513,329	-	(19)	133,844	155,249,295	
1,276,209	-	(1,276,209)	-	-	-	-	-	-	
-	106,747	(106,747)	-	-	-	-	-	-	
-	-	(5,414,689)	-	-	-	-	-	(5,414,689)	
-	-	(1,571,695)	-	-	-	-	-	(1,571,695)	
-	-	(4,430,201)	-	-	-	-	-	-	
-	(37,447)	37,447	-	-	-	-	-	-	
-	-	12,930,583	-	-	-	-	(450)	12,930,133	
-	-	(88,357)	90,683	(323,777)	-	750	33	(320,668)	
-	-	12,842,226	90,683	(323,777)	-	750	(417)	12,609,465	
-	-	(111,538)	-	111,538	-	-	-	-	
-	-	-	-	-	-	-	-	14,987,061	
-	-	(60,267)	-	-	-	-	-	(1,400,000)	
-	-	-	-	-	-	-	-	58,516	
\$ 9,115,012	\$ 572,115	\$12,421,251	(\$ 372,863)	\$ 301,090	\$ -	\$ 731	\$ 133,427	\$ 174,517,953	

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 14,236,383	\$ 14,809,629
Adjustments:		
Adjustments to reconcile profit or loss		
Depreciation expenses	932,139	841,683
Amortization expenses	262,841	225,549
Provisions for allowance for bad debts expenses, commitments and guarantee liabilities	3,340,539	1,851,058
Net gain on financial assets and liabilities at FVTPL	(3,125,283)	(3,219,009)
Interest expenses	14,893,700	11,886,687
Interest income	(34,485,001)	(30,621,256)
Dividend income	(244,334)	(273,558)
Stock-based payments	73,709	118,939
Share of profit of associates accounted for using the equity method	(2,875,227)	(2,764,943)
Gain on disposal of investments	(144,121)	(338,423)
Impairment loss on financial assets	900	38,939
Gains from bargain purchase	-	(106,747)
Other adjustments	1,104,056	1,956,521
Total adjustments	(20,266,082)	(20,404,560)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank	(11,361,498)	6,271,959
(Increase) decrease in financial assets at FVTPL	24,370,144	6,475,461
(Increase) decrease in financial assets at FVTOCI	(38,161,569)	-
(Increase) decrease in financial assets at amortized cost	(3,073,300)	-
(Increase) decrease in available-for-sale financial assets	-	(6,799,659)
(Increase) decrease in securities purchased under resale agreements	-	1,048,507
(Increase) decrease in receivables	(11,548,087)	(18,548,807)
(Increase) decrease in loans	(59,476,488)	(82,613,975)
(Increase) decrease in other financial assets	(1,514,552)	2,843,947
(Increase) decrease in other assets	(4,715,843)	9,623,221
Increase (decrease) in due to the Central Bank and banks	(673,790)	(1,738,265)
Increase (decrease) in financial liabilities at FVTPL	(12,377,805)	(34,578,154)
Increase (decrease) in securities sold under repurchase agreements	6,350,769	4,082,202
Increase (decrease) in payables	(807,148)	(3,651,098)
Increase (decrease) in deposits and remittances	65,181,635	90,354,700
Increase (decrease) in provisions	(33,942)	(69,024)
Increase (decrease) in other financial liabilities	17,694,582	(2,911,702)
Increase (decrease) in other liabilities	(1,083,577)	1,336,859
Cash generated from (used in) operations	(37,260,168)	(34,468,759)
Interest received	35,245,326	31,096,412
Dividends received	1,407,516	1,223,972
Interest paid	(14,543,034)	(11,806,271)
Income taxes returned	19	192,763
Income taxes paid	(1,258,861)	(961,832)
Net cash generated from (used in) operating activities	(16,409,202)	(14,723,715)

(Continued)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at FVTOCI	\$ 23,091	\$ -
Acquisition of financial assets carried at cost	(3,070)	-
Acquisition of financial assets at cost	-	(222,586)
Proceeds from disposal of financial assets at cost	-	5,570
Proceeds from capital reduction of financial assets carried at cost	-	38,751
Acquisition of property and equipment	(695,201)	(1,240,533)
Proceeds from disposal of property and equipment	134	7,475
Acquisition of intangible assets	(237,751)	(308,444)
Acquisition of investment properties	(139,113)	-
Proceeds from disposal of investment property	-	128,412
Cash outflows from business combination	-	(3,212,533)
Net cash generated from (used in) investing activities	(1,051,910)	(4,803,888)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to the Central Bank and banks	(4,600,651)	19,024,233
Increase (decrease) in commercial paper payable	(3,085,000)	6,092,901
Corporate bond issued	7,000,000	8,000,000
Corporate bond repayment	(9,700,000)	(5,300,000)
Bank debenture repayments	-	(13,300,000)
Increase (decrease) in other borrowings	1,504,427	2,863,145
Increase (decrease) in financial liabilities designated as at FVTPL	3,050,000	-
Preferred stock E issued	14,987,061	-
Cash dividends distributed	(6,986,384)	(5,596,792)
Exercise of employee stock options	58,516	480,114
Redemption of preferred stock D	(1,400,000)	(1,400,000)
Net cash generated from (used in) financing activities	827,969	10,863,601
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(327,927)	(45,559)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,961,070)	(8,709,561)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	43,616,998	52,326,559
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 26,655,928</u>	<u>\$ 43,616,998</u>

Reconciliation of cash and cash equivalents:

	2018	2017
Cash and cash equivalents in consolidated balance sheets	\$ 22,590,750	\$ 22,034,918
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	1,648,537	13,966,515
Securities purchased under resale agreements qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	<u>2,416,641</u>	<u>7,615,565</u>
Cash and cash equivalents at the end of the year	<u>\$ 26,655,928</u>	<u>\$ 43,616,998</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 YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Taishin Financial Holding Co., Ltd. ("Taishin Financial Holding" or the "Company") was established by Taishin International Bank Co., Ltd. ("Taishin Bank") and Dah An Commercial Bank Co., Ltd. ("Dah An Bank") pursuant to the ROC Financial Holding Company Act and related regulations through a stock swap on February 18, 2002. Taishin Financial Holding's main business activities are investing and managing its invested 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 integrate corporate resources, Taishin Financial Holding sold all of the equity of Taishin Securities A as of December 19, 2009, and Taishin Bank merged with Taishin Bills Finance, and the record date of the merger was January 22, 2011. Taishin Bank acquired total assets and assumed all liabilities and operations of Taishin Bills Finance.

Taishin Bank started its business operations on March 23, 1992. Taishin Bank provides customers with (a) general commercial banking services according to the Banking Act of the Republic of China.

Taishin Asset Management Co., Ltd. ("Taishin AMC") was established on August 14, 2002 in accordance with the Company Law and other related laws. Taishin AMC's operations include the acquisition, evaluation, auction, and management of delinquent loans.

Taishin Holdings 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 Holdings and changed the company name to Taishin Holdings Insurance Brokers Co., Ltd. ("Taishin Holdings Insurance Brokers"). Taishin Holdings Insurance Brokers operations include property insurance broker service and life insurance broker service. In order to integrating group resources and effectively utilizing operational capital to advance operational performance, the Company conducted group internal restructure. The Company intended to have Taishin Bank merge Taishin Holdings Insurance Brokers. Therefore, on October 29, 2015, the board of Taishin Bank (acting as stockholders of Taishin Bank) resolved that the surviving company is Taishin Bank and the dissolved company is Taishin Holdings Insurance Brokers. On December 30, 2015, the merger was endorsed by the Financial Supervisory Commission ("FSC"). The merging base date is April 24, 2016. The consideration of Taishin Holding Insurance Brokers is its audited net value on the merging base date. Taishin Bank pays in cash and bears the overall assets, liabilities and operation of Taishin Holding Insurance Brokers.

Taishin Venture Capital Co., Ltd. ("Taishin Venture Capital") was approved for establishment on December 25, 2002. Its operations include engagement in investment start-ups.

Taishin Financial Holding acquired 100% equity interest of Taishin Securities Investment Trust Co., Ltd. ("Taishin Securities Investment Trust") and 92% equity interest of Taishin Securities Investment Advisory Co., Ltd. ("Taishin Securities Investment Advisory") by cash investments on July 26, 2010. Taishin Securities Investment Trust and Taishin Securities Investment Advisory became subsidiaries of Taishin Holdings.

Taishin Securities Investment Advisory was established in March 1989, and its operations include accepting mandates from customers, providing analytical opinions or recommendations on securities investment, acting as an agent for investment consultancy of offshore funds, issuing publications or holding lectures about securities investment and other relevant business permitted by the competent authority.

Taishin Securities Investment Trust approved by the Securities and Futures Bureau, was established on May 31, 2004. Its operations include offering securities investment trust funds, issuing beneficial interest certificates and investing in or trading securities, securities-related products or other items approved by the FSC. In addition, Taishin Securities Investment Trust was approved to operate a full fiduciary discretionary investment business in 2005.

Taishin Securities Co., Ltd. ("Taishin Securities B") (originally named Donshin Securities Co., Ltd.) was incorporated on January 15, 1990, and its operations include services dealing with futures, securities underwriting, brokerage, margin lending and security transfer services. Taishin Financial Holding acquired 100% equity interest of Taishin Securities B by cash investments on April 6, 2010. Taishin Securities B became a subsidiary of Taishin Financial Holding.

Taishin Securities B acquired 100% equity interest in Tachong Securities Co., Ltd. ("Tachong Securities") via cash merger and assumed the net assets and operation of Tachong Venture Capital Co., Ltd. ("Tachong Venture Capital"), originally the subsidiary of Tachong Securities, on August 28, 2017. After completing the aforementioned cash merger, the surviving company was Taishin Securities B, and Tachong Securities was dissolved accordingly. Refer to Note 44.

Taishin Real-Estate Management Co., Ltd. ("Taishin Real-Estate") was established in August 1995, and its operations include audit and consultation of construction plans, contract witness, assessments and trades of real estate, etc.

Taishin Insurance Agency Co., Ltd. ("Taishin Insurance Agency") was established in September 1996 and changed the Company name as Xiang An Life Insurance Agency Co., Ltd. ("Xiang An Insurance Agency") on August 18, 2016, which provide life insurance agent service. Taishin Insurance Agency owned 100% equity interest of Taishin Insurance Brokers Co., Ltd. ("Taishin Insurance Brokers"). Taishin Insurance Brokers had dissolved in July 2015, and audited in March 2016.

Taishin D.A. Finance was established in October 1997. Its operations include the lease, wholesale and retail sale of machinery, precision machinery, motor vehicles, aircrafts and vessels and their components.

Tachong Venture Capital was established in February 2013 and changed its company name to Taishin Securities Venture Capital Co., Ltd. ("Taishin Securities Venture Capital") on October 2, 2017. It mainly engages in making investments in start-up entities and in providing consultancy services.

Taishin Financial Leasing (China) Co., Ltd. ("Taishin Financial Leasing (China)") was approved for establishment on July 12, 2011 so as to provide financial leasing services.

Taishin Financial Leasing (Tianjin) Co., Ltd. ("Taishin Financial Leasing (Tianjin)") was approved for establishment on March 1, 2012 so as to provide financial leasing services.

Within these consolidated financial statements, Taishin Financial Holding and its subsidiaries mentioned above are collectively called the "Group".

In the year ended December 31, 2005, Taishin Financial Holding acquired 1,400,000 thousand shares of preferred stock - B issued by Chang Hwa Commercial Bank, Ltd. ("Chang Hwa Bank") through private placements. The 22.55% ownership interest with voting rights allows Taishin Holdings to take over half of the seats in the board of directors of Chang Hwa Bank. Accordingly, Taishin Financial Holding had controlling power over Chang Hwa Bank. On October 3, 2008, this preferred stock - B was converted into 1,400,000 thousand shares of common stock. Chang Hwa Bank held the election of its board of directors on December 8, 2014, whereby Taishin Holdings did not obtain more than half of the seats of Chang Hwa Bank's board of directors. Therefore, Taishin Financial Holding lost its control over Chang Hwa Bank and afterwards did not account for Chang Hwa Bank as its subsidiary in accordance with the Financial Holding Company Act. The ownership interest with voting rights in Chang Hwa Bank held by Taishin Holdings and subsidiaries was 22.81% as of December 31, 2018.

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 Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the 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 February 21, 2019.

4. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports 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 Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies:

IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for the classification, measurement and impairment of financial assets and for hedge accounting. Refer to Note 5 for information relating to the relevant accounting policies.

The requirements for the classification, measurement and impairment of financial assets have been applied retrospectively starting from January 1, 2018, and the requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.

On the basis of the facts and circumstances of financial instruments that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate its consolidated financial statements of previous reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

Measurement Category	Classification	Carrying Amount	
		IAS 39	IFRS 9
<u>Financial assets</u>			
At fair value through profit or loss (FVTPL)	Financial assets at FVTPL	\$ 106,153,738	\$ 117,906,966
At fair value through other comprehensive income (FVTOCI)	Financial assets at FVTOCI	-	299,468,032
	Available-for-sale financial assets	307,885,507	-
At amortized cost	Cash and cash equivalents	22,034,918	22,034,918
	Due from the Central Bank and call loans to banks	56,832,392	56,832,392
	Securities purchased under resale agreements	7,615,565	7,615,565
	Receivables	135,089,033	135,097,413
	Loans	959,618,741	959,760,018
	Held-to-maturity financial assets	6,095	-
	Other miscellaneous financial assets	8,712,552	8,712,552
	Other assets (refundable deposits)	4,611,073	4,611,073

(Continued)

Measurement Category	Classification	Carrying Amount	
		IAS 39	IFRS 9
	Other assets (operating guarantee deposits and settlement funds)	\$ 227,653	\$ 227,653
	Financial assets at amortized cost	-	6,095
At cost	Financial assets carried at cost	3,006,159	-
<u>Financial liabilities</u>			
At FVTPL	Financial liabilities at FVTPL	18,467,718	18,467,718
Amortized cost	Due to the Central Bank and banks	64,252,429	64,252,429
	Securities sold under repurchase agreements	76,695,065	76,695,065
	Commercial paper issued	15,298,649	15,298,649
	Payables	29,096,110	29,096,110
	Deposits and remittances	1,194,493,789	1,194,493,789
	Bonds payable	64,400,000	64,400,000
	Other borrowings	10,315,076	10,315,076
	Other financial liabilities	41,388,865	41,388,865
Others (Note)	Provisions (guarantee liabilities)	210,775	210,775
	Provisions (loan commitment provisions)	-	204,636

Note: Under IAS 39, the amount of provisions is measured at the higher of the amount determined in accordance with IAS 37 and the amount initially recognized less accumulated amortization in accordance with IAS 18; under IFRS 9, the amount of provisions is measured at the higher of the loss allowance and the amount initially recognized less cumulative revenue in accordance with IFRS 15.

(Concluded)

The requirements for the measurement categories of investments in financial instruments have been applied retrospectively starting from January 1, 2018, and the effects of investments in financial instruments were as follows:

	IAS 39 Carrying Amount	Reclassifications	Remeasurements	IFRS 9 Carrying Amount	Retained Earnings Effect	Other Equity
<u>FVTPL</u>	\$ 106,153,738					
Available-for-sale financial assets from IAS 39(Notes 1 and 2)		\$ 10,414,968	\$ -		\$ 3,538	(\$ 3,538)
Financial assets carried at cost from IAS 39 (Note 1)		1,469,929	(131,669)		(131,669)	-
	106,153,738	11,884,897	(131,669)	\$ 117,906,966	(128,131)	(3,538)
<u>FVTOCI</u>						
Available-for-sale financial assets from IAS 39(Notes 3, 4 and 6)		297,470,539	-		(25,696)	25,696
Financial assets carried at cost from IAS 39 (Note 3)	-	1,536,230	461,263		38,175	423,088
	-	299,006,769	461,263	299,468,032	12,479	448,784
<u>Debt instruments at amortized cost</u>						
Held-to-maturity financial assets from IAS 39 (Note 5)	-	6,095	-	6,095	-	-
<u>Available-for-sale financial assets</u>	307,885,507					

(Continued)

	IAS 39 Carrying Amount	Reclassifications	Remeasurements	IFRS 9 Carrying Amount	Retained Earnings Effect	Other Equity
To FVTPL (Notes 1 and 2)	\$ -	(\$ 10,414,968)	\$ -	\$ -	\$ -	\$ -
To FVTOCI (Notes 3 and 4)	-	(297,470,539)	-	-	-	-
	<u>307,885,507</u>	<u>(307,885,507)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Held-to-maturity financial assets</u>	6,095					
To debt instruments at amortized cost		(6,095)	-		-	-
	<u>6,095</u>	<u>(6,095)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Financial assets at cost</u>	3,006,159					
To FVTPL (Note 1)		(1,469,929)	-		-	-
To FVTOCI (Note 3)		(1,536,230)	-		-	-
	<u>3,006,159</u>	<u>(3,006,159)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 417,051,499</u>	<u>\$ -</u>	<u>\$ 329,594</u>	<u>\$ 417,381,093</u>	<u>(\$ 115,652)</u>	<u>\$ 445,246</u>

Note 1: Equity instruments and mutual funds previously classified as available-for-sale or at cost under IAS 39 were classified as at FVTPL under IFRS 9, because the contractual cash flows are not solely for repayments of principal and interest on the principal outstanding.

Note 2: Debt instruments previously classified as available-for-sale under IAS 39 were classified as at FVTPL because the contractual cash flows are solely for repayments of principal and interest on the principal outstanding.

Note 3: Equity instruments previously classified as available-for-sale or at cost under IAS 39 were classified as at FVTOCI under IFRS 9, because the purpose of holding such equity instruments is for long-term investment holding and not for trading purposes, which is reasonably reflected in the operating performance.

Note 4: Debt investments previously classified as available-for-sale under IAS 39 were classified as at FVTOCI under IFRS 9, because the contractual cash flows are solely for repayments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.

Note 5: Debt investments previously classified as held-to-maturity under IAS 39 debt instruments will be classified as at amortized cost under IFRS 9, because the contractual cash flows are solely for repayments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

Note 6: The amount is the difference in the amount of impairment loss on investments in debt instruments classified as at FVTOCI from the transition from using the loss model under IAS 39 to the expected credit losses (ECLs) model under IFRS 9.

(Concluded)

The requirements for the measurement categories of other financial assets have been applied retrospectively starting from January 1, 2018, and the effects of investments in financial instruments were as follows:

	IAS 39 Carrying Amount	Remeasurements	IFRS 9 Carrying Amount	Retained Earnings Effect
Loans	\$ 959,618,741	\$ 141,277	\$ 959,760,018	\$ 141,277
Receivables	135,089,033	8,380	135,097,413	8,380
Guarantee liabilities	(210,775)	-	(210,775)	-
Loan commitment provisions	-	(204,636)	(204,636)	(204,636)
		<u>(\$ 54,979)</u>		<u>(\$ 54,979)</u>

As a result of retrospective application, the related adjustments were comprised of an increase in deferred tax assets of \$790 thousand, a decrease in retained earnings of \$790 thousand, a decrease in investments accounted for using the equity method of \$348,219 thousand, a decrease in retained earnings of \$79,329 thousand and a decrease in other equity of \$268,890 thousand on January 1, 2018.

b. The Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and the IFRSs endorsed by the FSC for application starting from 2019

The following IFRSs endorsed by Rule No. 1070324857 issued by the FSC will be effective for application starting from 2019:

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

Rule No. 10702734370 issued by the FSC stipulated that the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies starting from January 1, 2019.

The initial application of the above New IFRSs and related amendments to the standards and interpretations would not have any material impact on the Group's accounting policies, except for the following:

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases. It will supersede IAS 17 "Leases", IFRIC 4 "Determining Whether An Arrangement Contains A Lease" and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will reassess whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Several contracts, which are currently identified as containing a lease under IAS 17 and IFRIC 4, will not meet the definition of a lease under IFRS 16 and will be accounted for in accordance with other standards because the customers do not have the right to direct the use of the identified assets. Contracts that are reassessed as containing a lease will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities are recognized on January 1, 2019 for leases previously classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- a) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- b) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 are determined as the carrying amount of the respective leased assets and finance lease payables as of December 31, 2018.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Property, plant and equipment, net	\$ 18,895,823	(\$ 7,536)	\$ 18,888,287
Right-of-use assets	-	2,324,642	2,324,642
Other assets, net	11,716,925	(27,701)	11,689,224
Total effect on assets		<u>\$ 2,289,405</u>	
Payable	28,783,190	(7,921)	28,775,269
Lease liabilities	-	2,297,326	2,297,326
Total effect on liabilities		<u>\$ 2,289,405</u>	

2) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

The amendments stipulate that, 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). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

3) IFRIC 23 "Uncertainty Over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019. It would have no impact in assets, liabilities and equity on January 1, 2019.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed the application of other standards and interpretations would have no impact on the Group's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
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 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)
Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.	
Note 2: The Group shall apply these amendments 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, 2020 and to asset acquisitions that occur on or after the beginning of that period.	
Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.	

The initial application of the above New IFRSs and related amendments to the standards and interpretations would not have any material impact on the Group's accounting policies, except for the following:

1) Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

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

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

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 Rule No. 1060025773 and No. 10610003940 issued by the FSC, the Group applied IFRSs and the related modified Regulations Governing the Preparation of Financial Reports by Financial Holding Companies approved by the FSC since 2018.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value, payable incurred by cash-settled share-based payment, and defined benefit plans which is recognized by present value of the defined benefit obligations subtracted fair value of plan assets (refer to the summary of accounting policies below). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The functional currency of Taishin Financial Holding is New Taiwan dollar. Thus, the consolidated financial statements are presented in New Taiwan dollars.

The Group categorized economic activities into operating, investing, and financing activities. The consolidated statements of cash flows reported the change of cash and cash equivalents in the current period based on operating, investing, and financing activities. Refer to Note 7 for the components of cash and cash equivalents.

The cash flow of operating activities was reported by using indirect method. Under the indirect method, profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Interest paid and interest and dividends received are classified as operating cash flows. Dividends paid are classified as financing cash flow because they are cost of obtaining financial resources.

When preparing the financial statements in accordance with the FSC-endorsed IFRSs, the Group has to make certain significant accounting assumptions and estimates based on professional judgments to determine its accounting policies. Change in assumptions may result in significant effects on financial report. The Group believes that the consolidated financial report was prepared based on appropriate assumptions. For items that required management's most difficult or complex judgments, or assumptions and estimates that significantly affect the financial statements, please refer to Note 6.

Classification of Current/Noncurrent Assets and Liabilities

Since the banking companies account for a substantial portion of the consolidated statements and because of banking business characteristics, classification of consolidated assets and liabilities according to the nature and the sequence of liquidity can provide more reliable and relevant information. Therefore, those assets and liabilities are not classified as current or noncurrent, but classified according to the nature and sequence of liquidity. In addition, maturity analysis of liabilities was disclosed in Note 45.

Basis of Consolidation

a. Principle of consolidation of financial statements

This consolidated financial report has included financial reports prepared by Taishin Financial Holding and entities controlled by Taishin Financial Holding.

The Group has control over its investees if it has all the following elements:

- 1) Power over the investee, voting or other rights.
- 2) Exposure, or rights, to variable returns from involvement with the investee;
- 3) The ability to use power over the investee to affect the amount of the investor's returns.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by Taishin Financial Holding.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Non-controlling interests are presented in the consolidated balance sheets within equity, separate from the equity of the owners of Taishin Holdings.

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to Taishin Financial Holding and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests should be adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to Taishin Financial Holding.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities (i.e. reclassifies to profit or loss, or transfers directly to retained earnings if required in accordance with other IFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 “Financial Instruments: Recognition and Measurement”.

b. Business combinations

Only when business combinations are in conformity with IFRS 3 “Business Combinations” endorsed by the FSC can acquisitions of businesses be accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group and the equity interests issued by the Group.

The identifiable assets acquired and the liabilities or contingent liabilities assumed as the result of business combinations are recognized at their fair value at the acquisition-date and it is not necessary to consider non-controlling interests.

Goodwill is measured as the excess of the sum of the consideration transferred over the net fair value amounts of the identifiable assets owned by the Group. If the net of the fair value amounts of the identifiable assets owned by the Group exceeds the sum of the consideration transferred, the excess is recognized immediately in profit or loss.

When the combinations do not meet the definition of “business combinations”, the Group will allocate the acquisition costs over separate identifiable assets and liabilities. The recognition bases for assets and liabilities acquired are as follows:

- 1) Financial assets and liabilities are recognized at acquisition-date fair value, according to the IAS 39 “Financial Instruments: Recognition and Measurement” endorsed by the FSC.
- 2) The remaining amounts after deducting from the acquisition costs the recognition costs of financial assets and liabilities are allocated to other assets and liabilities based on the relative proportion of the acquisition-date fair value of the other assets and liabilities.

c. Subsidiaries included in the consolidated financial statements as of December 31, 2018 and 2017 were as follows:

Investor	Subsidiary	Ownership Interest (%)	
		December 31	
		2018	2017
Taishin Holdings	Taishin Bank	100.00	100.00
Taishin Holdings	Taishin Securities B	100.00	100.00
Taishin Holdings	Taishin AMC	100.00	100.00
Taishin Holdings	Taishin Venture Capital	100.00	100.00
Taishin Holdings	Taishin Securities Investment Advisory	92.00	92.00
Taishin Holdings	Taishin Securities Investment Trust	100.00	100.00
Taishin Bank	Taishin Real-Estate	60.00	60.00
Taishin Bank	Xiang An Insurance Agency	87.40	87.40
Taishin Bank	Taishin D.A. Finance	100.00	100.00
Taishin AMC	Taishin Real-Estate	40.00	40.00
Taishin Venture Capital	Taishin Financial Leasing (China)	100.00	100.00
Taishin Venture Capital	Taishin Financial Leasing (Tianjin)	100.00	100.00
Taishin Securities B	Taishin Securities Venture Capital Co. (Note)	100.00	100.00

Note: Taishin Securities B acquired 100% equity interest in Tachong Securities via a cash merger and assumed the net assets and operations of Tachong Venture Capital, originally the subsidiary of Tachong Securities, on August 28, 2017. Subsequently, Tachong Venture Capital changed its company name to Taishin Securities Venture Capital on October 2, 2017.

Foreign Currencies

In preparing the financial statements of each individual Group entity, the currency of the primary economic environment in which the entity operates (the “functional currency”) is used. Transactions in currencies other than the entity’s functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. When several exchange rates are available, the rate used is that at which the future cash flows, represented by the transaction amount or balance, could have been settled if those cash flows had occurred at the measurement date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising from settlement are recognized in profit or loss in the period in which they arise. Exchange differences on monetary items arising from translation are recognized in profit or loss in the period in which they arise except items that qualify as hedging instruments in a cash flow hedge are recognized initially in other comprehensive income to the extent that the hedge is effective.

Exchange differences arising on the retranslation of non-monetary assets (such as equity investment) or liabilities measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy but different from the presentation currency are translated into the presentation currency using the following procedures:

- a. Assets and liabilities are translated at the closing rate at the date of the consolidated balance sheets;
- b. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used; and
- c. All resulting exchange differences are recognized in other comprehensive income.

Exchange differences arising from the above procedures are recognized as “Exchange differences from translation of foreign operation” in equity. Exchange differences arising from net investments in foreign operation and hedge of a monetary item regarded as part of the net investments are recognized as other comprehensive income. When the foreign operation or part of the foreign operation is disposed of, exchange differences are recognized initially in other comprehensive income and reclassified from equity to profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Thus, they are expressed in the functional currency of the foreign operation and translated at the closing rate.

Cash and Cash Equivalents

Cash and cash equivalents are cash in vault, cash in banks, short-term time deposits and short-term financial instruments that must be readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the consolidated statement of cash flows, cash and cash equivalents are cash and cash equivalents on the consolidated balance sheet, due from the Central Bank and call loans to banks and securities purchased under resell agreements that are in conformity with the definition of cash and cash equivalents in the IAS 7 endorsed by the FSC.

Investment in Associates

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

The Group uses the equity method to recognize the investment in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group’s share of the profit or loss

and other comprehensive income of the associate. The Group also recognizes its share in the changes in the equity of associates.

When the Group subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 36 "Impairment of Assets" endorsed by the FSC are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with FSC-endorsed IAS 36 "Impairment of Assets" endorsed by the FSC to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date it ceases to have significant influence over the associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Property and Equipment

Property and equipment are stated at cost, less recognized accumulated depreciation and accumulated impairment loss. Cost is capitalized when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis in accordance with FSC-endorsed IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives using the straight-line method.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation and are not owned by other corporations in the Group. Investment properties include office buildings or land held for operating lease.

The investment properties comprise a portion that is self-used by the Group and another portion that is held to earn rentals or for capital appreciation. If a portion of a property owned by the Group can be sold separately, the Group accounts for that portion separately. For self-used properties, the FSC-endorsed IAS 16 is adopted. Investment properties held to earn rentals or/and for capital appreciation are under the regulation of the FSC-endorsed IAS 40. If portions of a property can not be sold separately, the property is investment property only if an insignificant portion is held as self-used asset.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the asset. Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets (Except Goodwill)

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis which is in accordance with FSC-endorsed IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

b. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment loss.

c. Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gain or loss on derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Impairment of Non-financial Assets (Except Goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Bonds and Securities Purchased/Sold under Specific Agreements

Bonds and securities purchased under resell agreements are recorded at purchase price and are accounted for as financing transactions. Bonds and securities sold under repurchase agreements are recorded at sale price. Interest revenue and expenses recognized from the transactions mentioned above are recorded on accrual basis.

Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. Measurement category

2018

Financial assets are classified into the following categories: Financial assets at FVTPL and at amortized cost and investments in debt instruments and equity instruments at FVTOCI. The categories are based on the contractual cash flows on the initial recognition of the financial assets and the Group's business model.

For the Group's debt instruments that have contractual cash flows that are solely for repayments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- 1) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets (including cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resale agreements, receivables, debt instruments at amortized cost, other financial assets, other assets - refundable deposits, other assets - operating guarantee deposits and settlement funds) are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest income is recognized in profit or loss by using the effective interest method; and
- 2) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest income is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Fair value is determined in the manner described in Note 49.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss. Fair value is determined in the manner described in Note 49.

Except for the above, on initial recognition, the Group may make an irrevocable election to designate investments in equity instruments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investments.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings. Fair value is determined in the manner described in Note 49.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The categories of financial assets held by the Group are financial assets at FVTPL, held-to-maturity investments, available-for-sale financial assets and loans and receivables.

1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is either held for trading or is designated as at FVTPL.

A financial asset is classified as held for trading if:

- a) It has been acquired principally for the purpose of selling it in the near future; or
- b) On initial recognition, it is part of a portfolio of identified financial instruments that a company manages together and has a recent actual pattern of short-term profit-taking; or
- c) It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and whose performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

In addition, if a contract contains one or more embedded derivatives, the entire combined contract (asset or liability) can be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset and is included in the other gains and losses line item. Fair value is determined in the manner described in Note 49.

2) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity other than those that the group entity upon initial recognition designates as at FVTPL, or designates as available for sale, or which meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Fair value is determined in the manner described in Note 49.

Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss that was previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent

period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets.

4) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including receivables, loans, delinquent loans and debt investments with no active market) are measured at amortized cost using the effective interest method less any impairment. In accordance with the “Regulations Governing the Preparation of Financial Reports by Public Banks” Rule No. 10 Item 7 and Item 10, if the effect of discounting is insignificant, loans and receivables can be measured at their original amounts.

According to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, loans or other extensions of credit which are overdue but not repaid and have been authorized by the board of directors, shall be transferred to the non-accrual loans item together with any interest accrued.

The non-accrual loans transferred from loans are reported under loans whereas those not transferred from loans are reported under other miscellaneous financial assets.

b. Impairment of financial assets

2018

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

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

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

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

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

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

2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- 1) Significant financial difficulty of the issuer or obligor;
- 2) A breach of contract, such as a default or delinquency in interest or principal payments;
- 3) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- 4) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- 5) The disappearance of an active market for that financial asset because of financial difficulties; or
- 6) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - a) Adverse changes in the payment status of borrowers in the group; or
 - b) National or local economic conditions that correlate with defaults on the assets in the group.

For certain categories of financial assets, such as loans and receivables, assets are assessed for impairment on a collective basis even if they were assessed as not impaired individually.

If there is objective evidence that an impairment loss on a financial asset at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows discounted at the financial asset's original effective interest rate.

The assessment procedures above classifies loans in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans. Normal loans are classified as "Category One" with an allowance for loss at 1% of the outstanding balance (excluding assets that represent claims against an ROC government agency). Loans, other than "Category One", are classified into "Noteworthy (Category Two)", "Substandard (Category Three)", "Doubtful (Category Four)" and "Losses (Category Five)" based on the status of credit, the length of time overdue and the status of the loan collateral. Loss provisions should be made at 2%, 10%, 50% and 100% for each loan category, respectively.

For financial assets at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount of accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

c. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

a. Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method.

1) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such a financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- a) It has been acquired principally for the purpose of repurchasing it in the near term; or
- b) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- c) It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and whose performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

In addition, if a contract contains one or more embedded derivatives, the entire combined contract (asset or liability) can be designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income. However, in the case of avoiding an accounting mismatch or the amount of changes in fair value is due to loan commitment and financial guarantee contracts, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 49.

2) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of the following and should be dealt with based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans:

2018

- a) The amount of the loss allowance reflecting the ECLs; and
- b) The amount initially recognized less, where appropriate, the cumulative amount of revenue recognized in accordance with IFRS 15 as endorsed by FSC.

2017

- a) The amount of the obligation under the contract, as determined in accordance with the FSC-endorsed IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and
- b) The amount initially recognized less, where appropriate, the cumulative amortization recognized in accordance with the FSC-endorsed IAS 18.

3) Commitments to provide a loan at a below-market interest rate

Commitments to provide a loan at a below-market interest rate issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

2018

- a) The amount of the loss allowance reflecting the ECLs; and
- b) The amount initially recognized less, where appropriate, the cumulative amount of revenue recognized in accordance with IFRS 15 as endorsed by FSC.

2017

- a) The amount of the obligation under the contract, as determined in accordance with the FSC-endorsed IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and
- b) The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies of the FSC-endorsed IAS 18.

b. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Prior to 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Financial assets and financial liabilities offsetting

Financial assets and financial liabilities are allowed to be offset and expressed in net amount in consolidated balance sheets when amounts to be offset are 1) objects of legally enforceable right to offset, and 2) objects of intended net settlement, i.e. liquidation of assets for discharge of liabilities.

Securities Trading Margin Purchase and Short Sale

Margin loans extended to customer by the Group conducting securities trading margin purchase and short sale business are recognized as securities margin loans receivable. Customers provide all the stocks purchased in trading margin operations as collaterals, which the Group records by using memorandum entries. Stocks are returned when customers pay back money.

Margins received from short selling customers by the Group conducting securities trading margin purchase and short sale business are recognized as short sale margins. In addition, short sale proceeds (less securities transaction taxes, handling fees for execution of customer orders and short sale handling fees) received as collateral from short selling customers by the Group conducting securities trading margin purchase and short sale business are recognized as payable for short sale collateral received.

The interest on the payable for short sale collateral received and short sale margins under the preceding paragraph is accrued and paid to customers. The stocks lent to customers are recorded by using memorandum entries. Short sale margins and payable for short sale collateral received are reimbursed when customers return stocks.

Provisions, Contingent Liabilities and Contingent Assets

A provision shall be recognized when:

- a. An entity has a present obligation (legal or constructive) as a result of a past event;
- b. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- c. A reliable estimate can be made of the amount of the obligation.

The Group does not recognize provisions for future operating losses. Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognized.

Provisions are subsequently measured by the present value of the expected expenditures to settle the obligations. Discount rate is the pre-tax discount rate and is adjusted in time to reflect current market assessments of the time value of money and the risks specific to the liability.

A contingent liability is:

- a. A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b. A present obligation that arises from past events but is not recognized because:
 - 1) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - 2) The amount of the obligation cannot be measured with sufficient reliability.

The Group does not recognize a contingent liability but disclose it appropriately in accordance with related guidelines.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Group does not recognize a contingent asset. A contingent asset is disclosed appropriately in accordance with related guidelines, where an inflow of economic benefits is probable.

If contingent liabilities from business combination belongs to present obligation of past event and its fair value can be measured, fair value will be recognized as original cost on acquisition-date. After balance sheet date, contingent liabilities is measured by amortised amount. If it may pay present obligation amount after evaluation, it will be measured at higher of present obligation amount and amortised amount.

Income Recognition

a. Interest income

Except for financial assets at FVTPL, interest income of all financial instruments is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, and recognized in the consolidated statements of comprehensive income. When the loans become past due and are considered uncollectible, the principal and interest receivable are transferred to delinquent loan accounts and the accrual of interest income is stopped. Interest income will be recognized when the delinquent interest is collected. If the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue and recognized as income when collected. Interest income from securities trading margin purchase and short sale is accrued according to the terms stated in the financing and trading contract.

b. Service fees and commission income

2018

The Group identifies contracts with the customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

The Group calculated the same amount of revenue as was calculated in 2017.

2017

Service revenue and real estate management service revenue are recognized at once after providing loans or other services. If the service revenue belongs to several significant items, it is recognized when the significant items accomplished, such as the service revenue which the lead arranger bank of syndication loan received. If the service revenue is for further loan service and of significant amount, it is allocated during the period of the service or included in the base of calculation the effective interest rate of loans and receivables.

The Group's customer loyalty program provides customers with award credits, which are handled through diverse factors of revenue transactions. The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the award credits and the other components of the sale. The consideration allocated to the award credits shall be measured by reference to their fair value, i.e. the amount for which the award credits could be sold separately. The consideration is not recognized as income in the initial sale and is deferred. The Group shall recognize the consideration allocated to award credits as income when award credits are redeemed and it fulfills its obligations to supply awards.

Brokerage commission is recognized on the trading day. Purchasing commission is recognized when the commission is received; underwriting commission is recognized at the completion of the underwriting contracts. The Group engages in futures introducing broker business and receives commission from its mandating futures commission merchants. The commission received is recognized as futures commission income in the consolidated statements of comprehensive income.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rents arising under operating leases are recognized as income in the period in which they are realized.

Lease incentives included in the operating lease are recognized as an asset. The aggregate cost of incentives is recognized as a reduction of rental income on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern over which the benefit of the leased asset is diminished.

b. The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Minimum lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rents are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

c. Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

Retirement Benefits

a. Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.

Defined benefit costs under defined benefit retirement benefit plans are determined using the projected unit credit method.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Net defined benefit liability (asset) remeasurement comprises 1) actuarial gains and losses on the defined benefit obligation; 2) return on plan assets, excluding the net interest on the net defined benefit liability (asset); and 3) any

changes in the effect of the limit involving surplus in a defined benefit plan, excluding the net interest on the net defined benefit liability (asset). Moreover, the net defined benefit liability (asset) remeasurements are recognized in other comprehensive income; these remeasurements should be transferred immediately to retained earnings, and will not be reclassified to profit or loss. Significant unrecognized past service cost is immediately recognized retrospectively in profit or loss. If the defined benefit retirement plan is curtailed or settled, the gain or loss on curtailment or settlement is recognized.

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.

b. High-yield savings account for employee

The Group provides employees with high-yield savings account. The premium interest rate applies to a fixed amount of principal and the interest is paid to present employees (within employment and retirement) and retired employees. The difference between the premium rate and the market rate is classified as employee benefits.

According to the "Regulations Governing the Preparation of Financial Reports by Public Banks" Rule No. 30, the premium interest resulting from the yield between the premium rate and the general market rate shall immediately be actuarially calculated based on the FSC-endorsed IAS 19 when employees retire. However, if there are authorized regulations from the government regarding the actuarial assumption parameters, the regulations shall prevail.

Share-based Payment Arrangements

Equity-settled share-based payment

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the employee share options is recognized as an expense in full at the grant date when the share options granted vest immediately.

The grant date of employee share options, which are reserved when the Company issues new shares, is the date when the number of employee subscription is confirmed. The Company recognized an expense and capital surplus at the fair value of the share options determined at the grant date.

Cash-settled share-based payment

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability incurred. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Land revaluation increment tax accrued from the Group's land revaluation increment in accordance with related regulations is a taxable temporary difference and shall be recognized as a deferred tax liability. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforward, research and development

expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

A deferred tax asset shall be recognized for the unused loss carryforward and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realized.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group does not offset deferred tax assets and deferred tax liabilities from different taxation authorities.

c. Current and deferred tax for the period

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

d. Taishin Holdings and its more than 90% owned subsidiaries adopt the linked-tax system for tax filings. Differences between current and deferred income tax expenses on consolidated entity basis and those on nonconsolidated entity basis are adjusted in Taishin Financial Holding's income tax expenses. Related reimbursement and appropriation are recognized as receivables or payables.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group's accounting policies, accounting assumptions and estimates have significant impact on the consolidated financial statements. Accordingly, the management exercised appropriate professional judgment in the preparation of the consolidated financial statements.

The assumptions and estimates involve significant risks that significant adjustments might result in changes in the carrying amounts of assets and liabilities in the next fiscal year. The assumptions and estimates made were the best estimates based on the FSC-endorsed IFRSs. The estimates and assumptions are based on historical experience and other factors, including future expectations and are continuously assessed. The accounting policies and management's judgment that could have significant impact on the consolidated financial statements were as follows:

Impairment of Loans

2018

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

2017

Occurrence of objective evidence of impairment loss on loans will impact the assumptions on cash flows. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of

estimated future cash flows (excluding future credit loss that had not yet happened) discounted at its original effective interest rate.

7. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	\$ 9,574,452	\$ 8,577,600
Checks for clearing	2,016,339	2,130,232
Due from banks	8,045,007	8,547,159
Others	2,954,952	2,779,927
	<u>\$ 22,590,750</u>	<u>\$ 22,034,918</u>

- Due from banks include time deposits that have a maturity of three months or less from the date of acquisition, are readily convertible to a known amount of cash, and are subject to an insignificant risk of change in value; these were held for the purpose of meeting short-term cash commitments.
- The loss allowance are measured at an amount equal to 12-month ECLs per historical experience and forward-looking information; there was no loss allowance on cash and cash equivalents as of December 31, 2018.

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

	December 31	
	2018	2017
Deposits reserve for checking accounts	\$ 21,030,671	\$ 12,882,791
Deposits reserve for demand accounts	31,137,609	28,811,858
Deposits reserve for foreign deposits	39,922	157,983
Deposits transferred to the Central Bank	18,858	13,005
Call loans to other banks	1,648,537	13,966,515
Interbank clearing funds	2,000,315	1,000,240
	<u>\$ 55,875,912</u>	<u>\$ 56,832,392</u>

The loss allowance are measured at an amount equal to 12-month ECLs per historical experience and forward-looking information; there was no loss allowance on due from the Central Bank and call loans to banks as of December 31, 2018.

9. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2018	2017
Financial assets held for trading		
Derivative instruments		
Futures	\$ -	\$ 501,698
Forward exchange contracts	-	1,577,781
Currency swaps	-	9,860,871
Interest rate swaps	-	5,654,956
Cross-currency swaps	-	239,881
Foreign-exchange options	-	407,779
Asset-swap options	-	27,530
Equity-linked options	-	7,375
Commodity options	-	966
Equity-linked swaps	-	7,355
Non-derivative financial assets		
Investment in bills	-	31,694,991
Domestic and overseas stocks and beneficiary certificates	-	746,644
Government bonds	-	27,776,228

(Continued)

	December 31	
	2018	2017
Corporate bonds, bank debentures and other bonds	\$ -	\$ 17,101,467
Trading securities		
Dealing	-	9,148,464
Underwriting	-	592,833
Hedging	-	806,919
Financial assets mandatorily classified as at FVTPL		
Derivative instruments		
Futures	333,182	-
Forward exchange contracts	2,752,764	-
Currency swaps	9,084,266	-
Interest rate swaps	10,354,324	-
Cross-currency swaps	196,126	-
Foreign-exchange options	1,261,572	-
Asset-swap options	25,360	-
Equity-linked options	2,324	-
Commodity and futures options	894	-
Equity-linked swaps	18,914	-
Non-derivative financial assets		
Investment in bills	33,289,152	-
Domestic and overseas stocks and beneficiary certificates	3,477,513	-
Government bonds	12,990,903	-
Corporate bonds, bank debentures and other bonds	25,246,697	-
Trading securities		
Dealing	15,217,804	-
Underwriting	1,271,882	-
Hedging	257,514	-
Other	1,404	-
Financial assets at FVTPL	<u>\$ 115,782,595</u>	<u>\$ 106,153,738</u>
Financial liabilities designated as at FVTPL		
Bank debentures (d)	\$ 3,085,588	\$ -
Structured products (e)	1,502,120	-
Financial liabilities held for trading		
Derivative instruments		
Futures	5,996	6,870
Forward exchange contracts	2,717,003	1,164,821
Currency swaps	9,229,350	9,229,018
Interest rate swaps	10,431,075	5,761,126
Cross-currency swaps	59,621	364,537
Foreign-exchange options	1,299,274	389,719
Interest rate options	1,845	160
Asset-swap options	337,801	468,106
Commodity and futures options	1,290	1,338
Equity-linked options	270,125	271,037
Equity-linked swaps	18,914	7,354
Credit default swaps	7,035	13,707
Liabilities for issuance of call (put) warrants, net (c)	46,272	130,694
Non-derivative financial liabilities		
Short sales of bonds and borrowing security payable	489,365	659,231
Financial liabilities at FVTPL	<u>\$ 29,502,674</u>	<u>\$ 18,467,718</u>

(Concluded)

a. Taishin Bank engaged in various derivative instruments in the year ended December 31, 2018 and 2017 to fulfill customers' needs of Taishin Bank and Taishin Securities B as well as to manage Taishin Bank's asset and liability positions and risk of Taishin Bank.

b. The nominal principal amounts of outstanding derivative contracts were as follows:

	December 31	
	2018	2017
Futures	\$ 6,158,032	\$ 4,130,668
Forward exchange contracts	276,284,829	171,553,955
Currency swaps	1,511,444,229	1,304,734,585
Interest rate swaps	1,364,280,948	1,127,311,474
Cross-currency swaps	10,945,835	17,709,816
Foreign-exchange options	185,609,647	60,757,297
Interest rate options	8,292,000	1,039,544
Asset-swap options	2,304,900	2,032,900
Equity-linked options	3,757,830	2,642,292
Commodity and futures options	100,510	289,330
Equity-linked swaps	296,633	245,968
Credit default swaps	1,056,923	895,440
Fixed rate commercial papers	18,710,000	9,360,000
Fund-linked products	3,000	-
Guarantee products	1,500,000	-

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

	December 31	
	2018	2017
Call (put) warrants issued	\$ 3,559,250	\$ 3,088,022
Less: Gain on change in fair value	(1,498,030)	(763,707)
	<u>2,061,220</u>	<u>2,324,315</u>
Repurchased call (put) warrants	3,217,235	2,678,511
Less: Loss on change in fair value	(1,202,287)	(484,890)
	<u>2,014,948</u>	<u>2,193,621</u>
Net call (put) warrants issued	<u>\$ 46,272</u>	<u>\$ 130,694</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 by Taishin Securities' discretions.

The fair value of call (put) warrants was accounted by the closing price on the last transaction day of the balance sheet date.

d. Taishin Bank issued unsecured USD senior bank debentures were as follows:

First unsecured USD senior bank debentures of Taishin Bank of year 2018, 30 years, US\$80,000 thousand, 100% of the principal amount of the bonds, put redemption on the fifth anniversaries of the debentures issue, and repay the holders at principal value plus accrued interests, maturity: July 5, 2048.

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

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

- e. Taishin Securities B issued structured notes, approved by Taipei Exchange, including principal guaranteed notes and fund-linked notes. According to the contracts of principal guaranteed notes and fund-linked notes, Taishin Securities B receives contract principal or agreed amount of proceeds from investors and will pay the settlement amount based on the contractual terms at maturity. The structured notes contains debt obligation and embedded options components and Taishin will earn profit arising from credit spread or market spread.

Taishin Securities B engages in the structured note transactions in order to diversify its financial instruments, increase the source of profits and enhance the stability of its revenue.

10. FINANCIAL ASSETS AT FVTOCI - 2018

	December 31, 2018
<u>Debt instrument</u>	
Investment in bills	\$ 218,310,346
Bonds	44,380,051
Corporate bonds	15,337,118
Bank debentures	54,025,990
	<u>332,053,505</u>
<u>Equity instrument</u>	
Domestic and overseas stocks	4,346,743
	<u>\$ 336,400,248</u>

- a. 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.
- b. The Group sold the domestic common stock for strategic purposes. The stock sold had a fair value of \$1,856,485 thousand, and the Group transferred the loss of \$101,495 thousand from other equity to retained earnings.
- 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
December 31, 2018	\$ 25,842	\$ -	\$ -	\$ 25,842

Due to the Group's debt instruments at FVTOCI measured by ECLs, the Group had recognized reversals of impairment on assets of \$300 thousand for the year ended December 31, 2018.

- d. Refer to Note 49 for information relating to the management of credit risk and the impairment assessment on investments in debt instruments at FVTOCI.
- e. Refer to Note 51 for information relating to financial assets at FVTOCI pledged as collateral.

11.AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Investment in bills	\$ 205,285,544
Domestic and overseas stocks	4,091,865
Beneficiary certificates	1,903,411
Government bonds	30,746,254
Corporate bonds	20,355,559
Bank debentures	45,502,874
	<u>\$ 307,885,507</u>

a. Refer to Note 49 (financial instrument) for the determination of fair values of available-for-sale financial assets.

b. Refer to Note 51 for information relating to available-for-sale financial assets pledged as collateral.

12.DEBT INSTRUMENT AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Government bonds	\$ 9,133
Bank debentures	<u>3,073,300</u>
	3,082,433
Less: Allowance for impairment	(1,193)
	<u>\$ 3,081,240</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
December 31, 2018	\$ 1,193	\$ -	\$ -	\$ 1,193

Due to the Group's debt instruments at FVTOCI measured by ECLs, the Group had recognized impairment loss on assets of \$1,200 thousand for the year ended December 31, 2018. Refer to Note 49 for information relating to the management of credit risk and the impairment assessment on investments in debt instruments at amortized cost.

b. Refer to Note 51 for information relating to debt instruments at amortized cost pledged as collateral.

13.RECEIVABLES

	December 31	
	2018	2017
Notes and accounts receivable	\$ 85,851,269	\$ 79,405,422
Credit cards receivable	53,803,259	48,148,963
Interests receivable	3,544,187	2,961,082
Securities margin loans receivable	4,366,147	5,333,850
Delivery accounts receivable	3,319,482	3,733,272
Other receivables	1,233,932	1,439,902
Adjustment for discount	(3,232,878)	(3,710,028)
	148,885,398	137,312,463
Less: Allowance for receivables	(4,121,909)	(2,223,430)
	<u>\$ 144,763,489</u>	<u>\$ 135,089,033</u>

a. The movements in the allowance for receivables 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, 2018	\$ 152,380	\$ 271,220	\$ 1,225,872	\$ 447,324	\$ 2,096,796	\$ 367,304	\$ 2,464,100
Changes in the loss allowance							
Transfer to stage 3	(525)	14,145	5,104	(63)	18,661		18,661
Transfer to stage 2	(442)	(2,956)	(190,649)	381,247	187,200		187,200
Transfer to stage 1	22	(3,471)	-	(1,865)	(5,314)		(5,314)
Financial assets derecognized	(71,250)	(18,609)	(580,801)	(462,585)	(1,133,245)		(1,133,245)
New financial assets originated or purchased	63,748	367,271	2,401,192	59,924	2,892,135		2,892,135
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing/Non-accrual Loans						394,757	394,757
Write-offs	(3)	(378,571)	(368,304)	(67,045)	(813,923)		(813,923)
Recovery of loans written off	-	60,241	-	420,202	480,443		480,443
Foreign exchange and other movements	(3)	(18,387)	3,842	280	(14,268)	(2,012)	(16,280)
Loss allowance as of December 31, 2018	\$ 143,927	\$ 290,883	\$ 2,496,256	\$ 777,419	\$ 3,708,485	\$ 760,049	\$ 4,468,534

b. The movements in the gross carrying amount of the allowance for receivables

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Total
Loss allowance as of January 1, 2018	\$ 97,352,327	\$ 33,122,383	\$ 8,636,361	\$ 2,215,217	\$ 141,326,288
Changes in the loss allowance					
Transfer to stage 3	(59,059)	55,531	18,262	(121)	14,613
Transfer to stage 2	(328,594)	(9,800)	(252,125)	1,477,471	886,952
Transfer to stage 1	19,131	(13,178)	-	(9,259)	(3,306)
Financial assets derecognized	(21,397,767)	(4,724,927)	(1,673,214)	(1,313,629)	(29,109,537)
New financial assets originated or purchased	32,508,662	3,470,872	4,307,689	110,464	40,397,687
Write-offs	(519)	(295,439)	(368,304)	(149,069)	(813,331)
Foreign exchange and other movements	-	(233,305)	-	764	(232,541)
Loss allowance as of December 31, 2018	\$ 108,094,181	\$ 31,372,137	\$ 10,668,669	\$ 2,331,838	\$ 152,466,825

c. Refer to Note 14 for information relating to the movements of the allowance for the 2017 bad debts receivable.

14. LOANS

a. The details of loans were as follows:

	December 31	
	2018	2107
Negotiated	\$ 2,990,987	\$ 3,018,108
Overdrafts	1,061,263	1,051,780
Short-term loans	236,941,020	237,114,364
Medium-term loans	331,720,075	299,930,199
Long-term loans	457,839,413	429,507,871
Delinquent loans	1,933,199	2,187,763
Adjustment for discount	(579,350)	(548,469)
	1,031,906,607	972,261,616
Less: Allowance for loan losses	(13,401,461)	(12,642,875)
	<u>\$ 1,018,505,146</u>	<u>\$ 959,618,741</u>

b. The movements in the allowance for loans 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, 2018	\$ 1,841,657	\$ 1,598,610	\$ 2,449,415	\$ 3,951,894	\$ 9,841,576	\$ 2,660,022	\$ 12,501,598
Changes in the loss allowance							
Transfer to stage 3	(10,865)	245,899	154,330	(36,600)	352,764		352,764
Transfer to stage 2	(10,262)	(82,282)	(191,086)	1,182,199	898,569		898,569
Transfer to stage 1	4,273	(176,027)	-	(256,607)	(428,361)		(428,361)
Financial assets derecognized	(423,766)	(983,247)	(391,429)	(1,887,814)	(3,686,256)		(3,686,256)
New financial assets originated or purchased	732,261	35,895	101,404	178,008	1,047,568		1,047,568
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing/Non-accrual Loans						2,379,114	2,379,114
Write-offs	(472)	(7,936)	-	(760,391)	(768,799)		(768,799)
Recovery of loans written off	-	-	-	1,102,024	1,102,024		1,102,024
Foreign exchange and other movements	602	1,352	143	1,143	3,240	-	3,240
Loss allowance as of December 31, 2018	2,133,428	632,264	2,122,777	3,473,856	8,362,325	5,039,136	13,401,461

c. The movements in the gross carrying amount of the allowance for loans

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs	Total
Loss allowance as of January 1, 2018	\$ 945,818,159	\$ 13,306,303	\$ 3,555,652	\$ 10,129,971	\$ 972,810,085
Changes in the loss allowance					
Transfer to stage 3	(6,588,827)	6,152,506	295,357	(64,049)	(205,013)
Transfer to stage 2	(2,554,809)	(205,385)	(328,124)	2,812,269	(276,049)
Transfer to stage 1	2,318,305	(1,989,943)	-	(472,629)	(144,267)

(Continued)

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs	Total
Financial assets derecognized	(\$ 255,431,100)	(\$ 3,076,708)	(\$ 894,125)	(\$ 2,935,213)	(\$ 262,337,146)
New financial assets originated or purchased	322,434,413	490,051	350,839	466,092	323,741,395
Write-offs	(82,196)	(32,111)	-	(988,741)	(1,103,048)
Loss allowance as of December 31, 2018	1,005,913,945	14,644,713	2,979,599	8,947,700	1,032,485,957

(Concluded)

d. Details of the (provisions for) reversal of the allowance for loan losses, commitments and guarantees liabilities for 2018 and 2017 were as follows:

	2018	2017
Provisions for allowance for losses of receivables, loans and other miscellaneous financial assets	(\$ 3,356,191)	(\$ 1,848,249)
(Provisions for) reversal of losses on guarantees liabilities	(13,308)	(2,809)
(Provisions for) reversal of losses on loan commitments	32,495	-
Provisions for letters of credit	(3,535)	-
	(\$ 3,340,539)	(\$ 1,851,058)

e. Movements of allowance for loan losses were as follows:

	2017			
	Receivables	Loans	Other Miscellaneous Financial Assets	Total
Balance, January 1, 2017	\$ 2,494,729	\$ 12,956,374	\$ 189,678	\$ 15,640,781
Provisions for (reversal of) loan losses	1,616,887	312,613	(81,251)	1,848,249
Loans written off	(1,837,281)	(1,643,036)	(311,616)	(3,791,933)
Recovery of loans written off	85,044	1,201,572	452,280	1,738,896
Exchange differences and others	(135,949)	(184,648)	(41)	(320,638)
Balance, December 31, 2017	\$ 2,223,430	\$ 12,642,875	\$ 249,050	\$ 15,115,355

f. Details of assessed impairment of receivables (including non-performing receivables transferred from other than loans and creditor rights) and loans were as follows:

Receivables (including non-performing receivables transferred from other than loans and creditor rights)

Item		Total Receivable December 31, 2017
Objective evidence of impairment	Individual assessment of impairment	\$ 3,803,620
	Combined assessment of impairment	3,032,790
Nonobjective evidence of impairment	Combined assessment of impairment	134,489,878
Total		\$ 141,326,288

Item		Total Allowance December 31, 2017
Objective evidence of impairment	Individual assessment of impairment	\$ 1,381,290
	Combined assessment of impairment	394,138
Nonobjective evidence of impairment	Combined assessment of impairment	697,052
Total		\$ 2,472,480

Note: The amount of receivable did not include the amount of allowance for receivables and the amount of adjustment for discount (premium).

Loans

Item		Total Loans	
		December 31, 2017	
Objective evidence of impairment	Individual assessment of impairment	\$	4,813,554
	Combined assessment of impairment		8,856,009
Nonobjective evidence of impairment	Combined assessment of impairment		959,140,522
Total		\$	972,810,085

Item		Total Allowance	
		December 31, 2017	
Objective evidence of impairment	Individual assessment of impairment	\$	3,192,455
	Combined assessment of impairment		3,167,313
Nonobjective evidence of impairment	Combined assessment of impairment		6,283,107
Total		\$	12,642,875

Note: The amount of loans did not include the amount of allowance for loan losses and adjustment for discount (premium).

15.HELD-TO-MATURITY FINANCIAL ASSETS - 2017

	December 31, 2017
Government bonds	\$ 6,095

Refer to Note 51 for information relating to held-to-maturity financial assets pledged as collateral.

16.INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in associates	\$ 40,100,981	\$ 38,521,283

a. Investments in associates

	December 31	
	2018	2017
Material associates		
Chang Hwa Bank	40,041,904	38,441,737
Associates that are not individually material	59,077	79,546
	\$ 40,100,981	\$ 38,521,283

1) Material associates

			Proportion of Ownership and Voting Rights	
			December 31	
Name of Associate	Nature of Activities	Principal Place of Business	2018	2017
Chang Hwa Bank	Banking	Taiwan	22.81%	22.81%

Fair values (Level 1) of investments in associates with available published price quotations are summarized as follows:

	December 31	
Name of Associate	2018	2017
Chang Hwa Bank	\$ 38,410,639	\$ 35,537,571

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

	December 31	
	2018	2017
Total assets	\$ 2,069,080,020	\$ 2,036,258,400
Total liabilities	(1,912,518,389)	(1,891,310,836)
Equity	<u>\$ 156,561,631</u>	<u>\$ 144,947,564</u>
Equity attributable to the Group	\$ 35,714,699	\$ 33,065,308
Goodwill and other adjustments	<u>4,327,205</u>	<u>5,376,429</u>
Carrying amount	<u>\$ 40,041,904</u>	<u>\$ 38,441,737</u>

	For the Year Ended December 31	
	2018	2017
Net profit for the period	\$ 12,646,535	\$ 12,093,106
Other comprehensive income (loss)	109,534	(903,865)
Total comprehensive income for the period	<u>\$ 12,756,069</u>	<u>\$ 11,189,241</u>

The Group received Chang Hwa Bank's dividends, which were \$966,278 thousand and \$858,914 thousand for the years ended December 31, 2018 and 2017, respectively.

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2018	2017
The Group's share of:		
Net profit (loss) for the period	(\$ 6,503)	\$ 4,822
Other comprehensive income	(196)	83
Total comprehensive income (loss) for the period	<u>(\$ 6,699)</u>	<u>\$ 4,905</u>

- b. On December 8, 2014, the Company filed a civil action against the ROC Ministry of Finance ("the MOF") for its default in assisting the Company to obtain more seats in the board of Chang Hwa Bank than what the MOF committed in the contract. On April 27, 2016, the Taipei District Court ruled that there is a contractual relationship existing between the MOF and the Company. However, the Taipei District Court is not in favor of the Company's reassignment of the representative directors in the 24th session of the Chang Hwa Bank board.**

On May 19, 2016, the Company appealed to the Taiwan High Court to claim its interests in the directorship of Chang Hwa Bank. On May 17, 2017, the Taiwan High Court ruled that the MOF should support the representatives appointed by the Company to be elected to have the majority of board seats of Chang Hwa Bank, excluding its independent directors, as long as the MOF holds the stocks of Chang Hwa Bank and the Company remains the largest stockholder of Chang Hwa Bank; the Taiwan High Court made the ruling knowing that the aforementioned high court ruling is appealed to the Supreme Court by the MOF for its further judgment.

- c. The Group's equity-method investments were not pledged as collateral as of December 31, 2018 and 2017.**

17. FINANCIAL ASSETS CARRIED AT COST - 2017

	December 31, 2017
Domestic and overseas unlisted stocks	\$ 2,716,837
Others	<u>289,322</u>
	<u>\$ 3,006,159</u>
Classified according to financial asset measurement category	
Available-for-sale financial assets	<u>\$ 3,006,159</u>

Management believed that the fair value of the above unlisted equity investments held by the Group cannot be reliably measured due to the very wide range of reasonable fair value estimates; therefore, they were measured at cost less impairment at the end of reporting period.

The Group's domestic and overseas unlisted stocks were financial assets carried at cost, the investment value of Alliance Digital Tech. Co., Ltd., Contact Digital Integration Co., Ltd., Youn Shin Artistic Co., Ltd., Kuen Ji Venture Capital Co., Ltd. and Li Yu Venture Capital Co., Ltd., has been impaired and possibility of restoration was very small; thus, the Group had recognized impairment loss of \$38,939 thousand for the year ended December 31, 2017.

18. OTHER MISCELLANEOUS FINANCIAL ASSETS

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

	December 31	
	2018	2018
Non-performing receivables transferred from other than loans	\$ 348,548	\$ 305,678
Creditor rights	1	1
Less: Allowance for bad debt	(346,625)	(249,050)
Due from banks	8,306,311	7,265,482
Deposits for borrowing securities	793,728	860,686
Gold account	367,522	284,220
Customer margin account	351,681	184,133
Guaranteed price deposits for securities borrowing	44,403	60,541
Others	861	861
	<u>\$ 9,866,430</u>	<u>\$ 8,712,552</u>

- b. The due from banks under other miscellaneous financial assets held by the Group and time deposits with original maturities of more than 3 months were pledged as collateral. Refer to Note 51 for the information relating to the due from banks and time deposits pledged as collateral.
- c. Refer Notes 13 and 14 for the movements of the allowance for non-performing receivables (other than those from loans), and creditor rights for the years ended December 31, 2018 and 2017, respectively.
- d. The loss allowance is measured at an amount equal to lifetime ECLs per historical experience and forward-looking information; there was no loss allowance on other miscellaneous financial assets excluding non-performing receivables transferred (other than those from loans), and creditor rights as of December 31, 2018.

19. INVESTMENT PROPERTY

	December 31	
	2018	2018
Investment property		
Land	\$ 602,901	\$ 514,904
Buildings		
Cost	374,771	314,975
Accumulated depreciation	(70,361)	(60,185)
	<u>304,410</u>	<u>254,790</u>
	<u>\$ 907,311</u>	<u>\$ 769,694</u>
	<u>Land</u>	<u>Buildings</u>
Cost		
Balance, January 1, 2018	\$ 514,904	\$ 314,975
Additions	86,832	52,281
Reclassification	<u>1,165</u>	<u>7,515</u>
		<u>8,680</u>

(Continued)

	Land	Buildings	Total
Balance, December 31, 2018	\$ 602,901	\$ 374,771	\$ 977,672
Balance, January 1, 2017	596,444	322,251	918,695
Disposals	(86,010)	(29,781)	(115,791)
Reclassification	4,470	22,505	26,975
Balance, December 31, 2017	\$ 514,904	\$ 314,975	\$ 829,879
<u>Accumulated depreciation</u>			
Balance, January 1, 2018	\$ -	\$ 60,185	\$ 60,185
Depreciation	-	9,464	9,464
Reclassification	-	712	712
Disposals	-	-	-
Balance, December 31, 2018	\$ -	\$ 70,361	\$ 70,361
Balance, January 1, 2017	-	52,630	52,630
Depreciation	-	8,935	8,935
Reclassification	-	1,794	1,794
Disposals	-	(3,174)	(3,174)
Balance, December 31, 2017	\$ -	\$ 60,185	\$ 60,185
			(Concluded)

Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	12-46 years
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The rental income and direct operating expenses generated from investment properties for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Rental income	\$ 25,359	\$ 26,732
Direct operating expenses from investment properties generating rental income	8,785	\$ 7,656
Direct operating expenses from investment properties not generating rental income	2,906	2,862

The fair values of the Group's investment properties as of December 31, 2018 and 2017 were \$1,111,322 thousand and \$1,098,448 thousand, respectively. The fair values were determined by the Group's management based on the valuation models measured by the third level input value generally used by the market participants.

20. PROPERTY AND EQUIPMENT

	December 31	
	2018	2017
Land	\$ 11,020,263	\$ 11,021,428
Buildings	5,144,417	5,247,799
Machinery equipment	2,323,041	2,413,068
Transportation equipment	55,701	59,842
Miscellaneous equipment	73,949	70,599
Leasehold improvement	239,581	248,685
Leased assets	7,536	9,004
Prepayments for buildings and equipment	31,335	72,683
	\$ 18,895,823	\$ 19,143,108

	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, 2018	\$ 11,021,428	\$ 7,451,755	\$ 3,827,698	\$ 139,865	\$ 134,513	\$ 632,835	\$ 16,443	\$ 72,683	\$ 23,297,220
Additions	-	10,776	502,010	22,157	22,854	50,051	1,760	85,593	695,201
Disposals	-	(42,973)	(253,024)	(19,727)	(13,803)	(112,587)	(5,441)	-	(447,555)
Reclassification	(1,165)	65,355	2,330	-	3,508	39,288	-	(126,941)	(17,625)
Effect of foreign currency exchange differences	-	-	(2,557)	-	-	(2,010)	-	-	(4,567)
Balance, December 31, 2018	\$ 11,020,263	\$ 7,484,913	\$ 4,076,457	\$ 142,295	\$ 147,072	\$ 607,577	\$ 12,762	\$ 31,335	\$ 23,522,674
Balance, January 1, 2017	\$ 10,960,309	\$ 7,887,965	\$ 2,840,597	\$ 140,413	\$ 123,920	\$ 538,230	\$ 16,443	\$ 54,598	\$ 22,562,475
Additions	-	3,825	1,080,642	6,530	25,353	48,471	-	75,712	1,240,533
Disposals	-	(638,414)	(222,446)	(7,078)	(14,760)	(42,976)	-	-	(925,674)
Reclassification	(4,469)	(16,305)	7,350	-	-	34,658	-	(57,660)	(36,426)
Acquisition through business combinations	65,588	214,684	122,372	-	-	55,005	-	33	457,682
Effect of foreign currency exchange differences	-	-	(817)	-	-	(553)	-	-	(1,370)
Balance, December 31, 2017	\$ 11,021,428	\$ 7,451,755	\$ 3,827,698	\$ 139,865	\$ 134,513	\$ 632,835	\$ 16,443	\$ 72,683	\$ 23,297,220
Accumulated depreciation									
Balance, January 1, 2018	\$ -	\$ 2,203,956	\$ 1,414,630	\$ 80,023	\$ 63,914	\$ 384,150	\$ 7,439	\$ -	\$ 4,154,112
Depreciation	-	180,225	592,984	26,268	22,918	97,052	3,228	-	922,675
Disposals	-	(42,973)	(252,198)	(19,697)	(13,709)	(111,421)	(5,441)	-	(445,439)
Effect of foreign currency exchange differences	-	(712)	-	-	-	-	-	-	(712)
	-	-	(2,000)	-	-	(1,785)	-	-	(3,785)
Balance, December 31, 2018	\$ -	\$ 2,340,496	\$ 1,753,416	\$ 86,594	\$ 73,123	\$ 367,996	\$ 5,226	\$ -	\$ 4,626,851
Balance, January 1, 2017	\$ -	\$ 2,631,480	\$ 1,012,020	\$ 64,462	\$ 57,651	\$ 278,651	\$ 3,791	\$ -	\$ 4,048,055
Depreciation	-	165,688	518,920	22,636	20,873	100,983	3,648	-	832,748
Disposals	-	(638,414)	(218,033)	(7,075)	(14,610)	(42,159)	-	-	(920,291)
Reclassification	-	(1,794)	-	-	-	-	-	-	(1,794)
Acquisition through business combinations	-	46,996	102,210	-	-	47,075	-	-	196,281
Effect of foreign currency exchange differences	-	-	(487)	-	-	(400)	-	-	(887)
Balance, December 31, 2017	\$ -	\$ 2,203,956	\$ 1,414,630	\$ 80,023	\$ 63,914	\$ 384,150	\$ 7,439	\$ -	\$ 4,154,112

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	3-6 years
Miscellaneous equipment	3-20 years
Leasehold improvements	5-50 years
Leased assets	6 years

No impairment assessment was performed because there was no indication of impairment for the years ended December 31, 2018 and 2017.

21. INTANGIBLE ASSETS

	December 31	
	2018	2017
Goodwill	\$ 1,567,391	\$ 1,567,391
Intangible assets - customer value	210	2,308
Intangible assets - computer software	707,858	714,109
	<u>\$ 2,275,459</u>	<u>\$ 2,283,808</u>

	Goodwill	Customer Value	Computer Software	Total
Balance, January 1, 2018	\$ 1,567,391	\$ 2,308	\$ 714,109	\$ 2,283,808
Additions	-	-	237,751	237,751
Amortization	-	(2,098)	(252,524)	(254,622)
Reclassification	-	-	8,983	8,983
Effect of foreign currency exchange differences	-	-	(461)	(461)
Balance, December 31, 2018	<u>\$ 1,567,391</u>	<u>\$ 210</u>	<u>\$ 707,858</u>	<u>\$ 2,275,459</u>
Balance, January 1, 2017	\$ 1,567,391	\$ 4,406	\$ 629,118	\$ 2,200,915
Additions	-	-	308,444	308,444
Disposal	-	-	(11,253)	(11,253)
Amortization	-	(2,098)	(220,658)	(222,756)
Reclassification	-	-	8,701	8,701
Effect of foreign currency exchange differences	-	-	(243)	(243)
Balance, December 31, 2017	<u>\$ 1,567,391</u>	<u>\$ 2,308</u>	<u>\$ 714,109</u>	<u>\$ 2,283,808</u>

Goodwill

Taishin Bank merged with Dah An Bank through a share swap in February 2002, in which Taishin Bank issued new shares to acquire the total assets and liabilities of Dah An Bank. The difference between the fair value of the new shares issued by Taishin Bank and the fair value of net assets acquired was recognized as goodwill. The unamortized amount as of December 31, 2018 and 2017 was all \$884,937 thousand with no material impairment loss noted.

Taishin AMC acquired 40% ownership of Taishin Real-Estate in April 2003. The difference between the purchase price and the net assets acquired was recognized as goodwill. The unamortized amount as of December 31, 2018 and 2017 was all \$4,187 thousand with no material impairment loss noted.

Taishin Bank acquired the net assets of the 10th Credit Cooperative of Hsin-Chu in October 2004. The acquisition price in excess of the net assets of 10th Credit Cooperative of Hsin-Chu was recognized as goodwill. The unamortized amount as of December 31, 2018 and 2017 was all \$267,337 thousand with no material impairment loss noted.

Taishin Securities Investment Trust merged with IBT Securities Investment Trust Co., Ltd. on December 18, 2010, in which Taishin Securities Investment Trust acquired the total assets and liabilities of IBT Securities Investment Trust Co., Ltd. The difference between the purchase price and the net assets acquired was recognized as goodwill valued at \$425,300 thousand. Taishin Securities Investment Trust valued the recoverable amount of goodwill and recognized impairment loss for goodwill in the amount of \$14,370 thousand for the year ended December 31, 2016. The recoverable amount was valued on the basis of use value. The main reason of impairment is profitability of Taishin Securities Investment Trust. The unamortized amount as of December 31, 2018 and 2017 was all \$410,930 thousand.

Intangible Assets - Customer Value

Taishin Securities Investment Trust acquired all the net assets of IBT Securities Investment Trust Co., Ltd., and the related customer value that amounted to \$16,994 thousand as of the base date, December 18, 2010. The amount of monthly amortization was \$175 thousand and the unamortized amount was \$210 thousand and \$2,308 thousand as of December 31, 2018 and 2017, respectively.

22. OTHER ASSETS, NET

	December 31	
	2018	2017
Prepayments	\$ 1,119,074	\$ 1,014,795
Refundable deposits	9,318,839	4,611,073
Operating guarantee deposits and settlement funds	188,416	227,653
Collateral, net	468,068	482,261
Less: Accumulated impairment	(19,142)	(19,142)
Input tax to be credited	518,642	528,526
Others	123,028	164,173
	<u>\$ 11,716,925</u>	<u>\$ 7,009,339</u>

a. Operating guarantee deposits

As stipulated in the Regulations Governing Securities Firms, the Regulation Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises (SITE) and Securities Investment Consulting Enterprises (SICE), the Group should make operating deposits in designated one financial institution, as of December 31, 2018 and 2017, the operating deposits were all \$115,450 thousand and \$114,634 thousand.

b. Settlement funds

As stipulated in the Regulations Governing Securities Firms, the Taipei Exchange Rules for Administration of the Joint Responsibility System Clearing and Settlement Fund, the Group should deposit reserve legal fund in Taiwan Stock Exchange and GTSM, as of December 31, 2018 and 2017, the settlement funds were \$72,966 thousand and \$113,019 thousand, respectively.

c. Refer to Note 51 for information relating to refundable deposits, operating guarantee deposits and settlement funds pledged as collateral.

d. The loss allowance is measured at an amount equal to lifetime ECLs per historical experience and forward-looking information; there was no loss allowance on refundable deposits, operating guarantee deposits and settlement funds as of December 31, 2018.

23.DUE TO CENTRAL BANK AND BANKS

	December 31	
	2018	2017
Due to other banks	\$ 24,933,478	\$ 25,579,582
Call loans from other banks	32,022,907	38,340,464
Bank overdrafts	397,558	217,302
Due to the Central Banks	87,395	115,081
	<u>\$ 57,441,338</u>	<u>\$ 64,252,429</u>

24.COMMERCIAL PAPER ISSUED

	December 31	
	2018	2017
Sunny Bills Finance	\$ 200,000	\$ 1,700,000
Union Bills Finance	1,350,000	850,000
Grand Bills Finance	2,850,000	3,290,000
China Bills Finance	2,115,000	990,000
Ta Ching Bills Finance	800,000	1,730,000
International Bills Finance	250,000	600,000
Taiwan Bills Finance	700,000	1,000,000
Mega Bills Finance	1,000,000	690,000
Bank SinoPac	-	1,235,000
Hua Nan Bank	500,000	500,000
KGI Bank	1,800,000	2,545,000
Taiwan Cooperative Bills Finance	100,000	200,000
Taipei Fubon Bank	580,000	-
Less: Discounts on commercial paper issued	(29,403)	(31,351)
	<u>\$ 12,215,597</u>	<u>\$ 15,298,649</u>

As of December 31, 2018 and 2017, the interest rates of commercial paper issued were 0.50%-1.12% and 0.40%-1.81%, respectively.

25. PAYABLES

	December 31	
	2018	2017
Notes and accounts payable	\$ 11,268,867	\$ 11,465,662
Delivery accounts payable	3,528,575	4,075,028
Accrued expenses	5,086,331	5,495,526
Interest payable	2,750,510	2,329,991
Check for clearance payable	2,015,668	2,123,320
Dividends payable	481,780	443,952
Collection payable	321,083	311,970
Other tax payable	3,330,376	2,850,661
Other payable		
	<u>\$ 28,783,190</u>	<u>\$ 29,096,110</u>

26. DEPOSITS AND REMITTANCES

	December 31	
	2018	2017
Checking deposits	\$ 6,162,131	\$ 5,849,875
Demand deposits	255,324,353	243,992,832
Time deposits	345,690,436	348,939,913
Negotiable certificates of deposit	8,412,461	5,946,900
Savings deposits	635,510,525	583,758,058
Public treasury deposits	6,730,170	4,736,817
Remittances	1,845,348	1,269,394
	<u>\$ 1,259,675,424</u>	<u>\$ 1,194,493,789</u>

27. BONDS PAYABLE

	December 31	
	2018	2017
Unsecured subordinated corporate bonds - par	\$ 22,000,000	\$ 24,700,000
Bank debentures	39,700,000	39,700,000
	<u>\$ 61,700,000</u>	<u>\$ 64,400,000</u>

Subordinated Corporate Bonds Issued by Taishin Financial Holding

To raise working capital and enhance financial structure, Taishin Financial Holding issued unsecured subordinated corporate bonds under SFB approval. Bond issue terms were as follows:

	December 31	
	2018	2017
Unsecured Subordinated Corporate Bonds - 2010 (II)	\$ -	\$ 2,700,000
Unsecured Subordinated Corporate Bonds - 2011 (I)	-	5,200,000
Unsecured Subordinated Corporate Bonds - 2011 (II)	-	1,800,000
Unsecured Subordinated Corporate Bonds - 2012 (I)	7,000,000	7,000,000
Unsecured Subordinated Corporate Bonds - 2017 (I)	8,000,000	8,000,000
Unsecured Subordinated Corporate Bonds - 2018 (I)	7,000,000	-
	<u>\$ 22,000,000</u>	<u>\$ 24,700,000</u>

a. Domestic Unsecured Subordinated Corporate Bonds - 2010 (II)

- 1) Issue amount: \$2,700,000 thousand.
- 2) Denomination: \$10,000 thousand.
- 3) Issue date: January 27, 2011.

- 4) Issue price: 100% of the principal amount of the bonds.
- 5) Maturity: 7 years from the issue date.
- 6) Coupon rate: "Floating rate of one-year time deposit of Chunghwa Post Co., Ltd." plus 0.70%.
- 7) Interest payment: Simple interest per annum from the issue date.
- 8) Redemption on maturity: In cash.
- 9) Other: Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (interests could be cumulative and interest on principal occurred during the extension period, when applicable, could be calculated at the coupon rate).

b. Domestic Unsecured Subordinated Corporate Bonds - 2011 (I)

- 1) Issue amount: \$5,200,000 thousand.
- 2) Denomination: \$50,000 thousand.
- 3) Issue date: August 5, 2011.
- 4) Issue price: 100% of the principal amount of the bonds.
- 5) Maturity: 7 years from the issue date.
- 6) Coupon rate: 2.2% per annum.
- 7) Interest payment: Simple interest per annum from the issue date.
- 8) Redemption on maturity: In cash.
- 9) Other: Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (interests could be cumulative and interest on principal occurred during the extension period, when applicable, could be calculated at the coupon rate).

c. Domestic Unsecured Subordinated Corporate Bonds - 2011 (II)

- 1) Issue amount: \$1,800,000 thousand
- 2) Denomination: \$50,000 thousand
- 3) Issue date: October 5, 2011
- 4) Issue price: 100% of the principal amount of the bonds
- 5) Maturity: 7 years from the issue date
- 6) Coupon rate: 2.2% per annum
- 7) Interest payment: Simple interest per annum from the issue date
- 8) Redemption on maturity: In cash
- 9) Other: Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (interests could be cumulative and interest on principal occurred during the extension period, when applicable, could be calculated at the coupon rate).

d. Domestic Unsecured Subordinated Corporate Bonds - 2012 (I)

- 1) Issue amount: \$7,000,000 thousand
- 2) Denomination: \$50,000 thousand
- 3) Issue date: May 15, 2012
- 4) Issue price: 100% of the principal amount of the bonds
- 5) Maturity: 7 years from the issue date
- 6) Coupon rate: 2.0% per annum
- 7) Interest payment: Simple interest per annum from the issue date
- 8) Redemption on maturity: In cash
- 9) Other: Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (interests could be cumulative and interest on principal occurred during the extension period, when applicable, could be calculated at the coupon rate).

e. Domestic Unsecured Subordinated Corporate Bonds - 2017 (I)

- 1) Issue amount: \$8,000,000 thousand
- 2) Denomination: \$1,000 thousand
- 3) Issue date: October 26, 2017
- 4) Issue price: 100% of the principal amount of the bonds
- 5) Maturity: 10 years from the issue date
- 6) Coupon rate: 1.9% per annum
- 7) Interest payment: Simple interest per annum from the issue date
- 8) Redemption on maturity: In cash
- 9) Other: Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (interests could be cumulative and interest on principal occurred during the extension period, when applicable, could be calculated at the coupon rate).

f. Domestic Unsecured Subordinated Corporate Bonds - 2018 (I)

- 1) Issue amount: \$7,000,000 thousand
- 2) Denomination: \$1,000 thousand
- 3) Issue date: July 10, 2018
- 4) Issue price: 100% of the principal amount of the bonds
- 5) Maturity: 15 years from the issue date
- 6) Coupon rate: 1.92% per annum
- 7) Interest payment: Simple interest per annum from the issue date
- 8) Redemption on maturity: In cash

- 9) Other: Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (interests could be cumulative and interest on principal occurred during the extension period, when applicable, could be calculated at the coupon rate).

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:

	December 31	
	2018	2017
Subordinated Bank Debentures - 2012 (I)	\$ 5,600,000	\$ 5,600,000
Subordinated Bank Debentures - 2012 (II)	6,100,000	6,100,000
Subordinated Bank Debentures - 2014 (I)	3,000,000	3,000,000
Subordinated Bank Debentures - 2014 (II)	2,000,000	2,000,000
Subordinated Bank Debentures - 2014 (III)	3,000,000	3,000,000
Subordinated Bank Debentures - 2015 (I)	9,100,000	9,100,000
Subordinated Bank Debentures - 2015 (II)	6,000,000	6,000,000
Subordinated Bank Debentures - 2015 (III)	4,900,000	4,900,000
	<u>\$ 39,700,000</u>	<u>\$ 39,700,000</u>

- a. Taishin Bank made first issue of \$5,600 million in subordinated bank debentures on October 19, 2012, as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2012.10.19	2019.10.19	7 years	\$1,100 million	1.53% fixed rate	\$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date.
B	2012.10.19	2022.10.19	10 years	\$4,500 million	1.65% fixed rate		

- b. Taishin Bank made second issue of \$6,100 million in subordinated bank debentures on December 14, 2012, as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2012.12.14	2019.12.14	7 years	\$3,800 million	1.53% fixed rate	\$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date.
B	2012.12.14	2022.12.14	10 years	\$2,300 million	1.65% fixed rate		

- c. Taishin Bank made first issue of \$3,000 million in unsecured, no-maturity, non-cumulative subordinated bank debentures in 2014 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2014, first issue	2014.04.16	No maturity. (Issuer has redemption right.)	No maturity. (Issuer has redemption right.)	\$3,000 million	4.10% fixed interest rate	\$50 million	Interest is accrued according to nominal interest rate and actual days, and calculated at a simple rate and paid annually on July 1 from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. The debentures have no maturity.

1) Interest payment

Taishin Bank may not pay the interest if it had no earnings during the previous fiscal year and did not distribute common stock dividends. Where the balance of accumulated undistributed earnings after deducting the unamortized loss on the disposal of non-performing loans exceeds the interest payment and such payment does not alter the originally agreed conditions for interest payment, payment is allowed. The interest not paid should not be accumulated or deferred.

Taishin Bank shall defer the payment of principal and interest if the ratio of regulatory capital to risk-weighted assets does not meet the minimum requirements in Regulations Governing the Capital Adequacy and Capital Category of Banks Paragraph 1 of Article 5; the deferred payment of principal or interest shall not be imposed further with interest.

2) Redemption policy

After five years of issuance, if the ratio of regulatory capital to risk-weighted assets after redemption will meet the minimum rate and the redemption has an approval from the competent authority, the debts may be redeemed earlier by Taishin Bank.

d. Taishin Bank made second issue of \$2,000 million in unsecured, no-maturity, non-cumulative subordinated bank debentures in 2014 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2014, second issue	2014.05.09	No maturity. (Issuer has redemption right.)	No maturity. (Issuer has redemption right.)	\$2,000 million	4.10% fixed interest rate	\$50 million	Interest is accrued according to nominal interest rate and actual days, and calculated at a simple rate and paid annually on July 1 from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. The debentures have no maturity.

1) Interest payment

Taishin Bank may not pay the interest if it had no earnings during the previous fiscal year and did not distribute common stock dividends. Where the balance of accumulated undistributed earnings after deducting the unamortized loss on the disposal of non-performing loans exceeds the interest payment and such payment does not alter the originally agreed conditions for interest payment, payment is allowed. The interest not paid should not be accumulated or deferred.

Taishin Bank shall defer the payment of principal and interest if the ratio of regulatory capital to risk-weighted assets does not meet the minimum requirements in Regulations Governing the Capital Adequacy and Capital Category of Banks Paragraph 1 of Article 5; the deferred payment of principal or interest shall not be imposed further with interest.

2) Redemption policy

After five years of issuance, if the ratio of regulatory capital to risk-weighted assets after redemption will meet the minimum rate and the redemption has an approval from the competent authority, the debts may be redeemed earlier by Taishin Bank.

- e. Taishin Bank made third issue of \$3,000 million in unsecured subordinated bank debentures in 2014 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2014, third issue	2014.05.16	2024.05.16	10 years	\$3,000 million	1.95% fixed interest rate	\$50 million	Interest is accrued according to nominal interest rate and actual days, and calculated at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Principal will be repaid on maturity date.

- f. Taishin Bank made first issue of \$9,100 million in subordinated bank debentures in 2015 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2015.6.10	2025.6.10	10 years	\$4,250 million	2.15% fixed rate	\$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date.
B	2015.6.10	2030.6.10	15 years	\$4,850 million	2.45% fixed rate		

- g. Taishin Bank made second issue of \$6,000 million in subordinated bank debentures in 2015 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2015, second issue	2015.09.18	2027.9.18	12 years	\$6,000 million	2.25% fixed interest rate	\$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date.

- h. Taishin Bank made third issue of \$4,900 million in subordinated bank debentures in 2015 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2015.9.22	2025.9.22	10 years	\$700 million	2.15% fixed interest rate	\$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date.
B	2015.9.22	2030.9.22	15 years	\$4,200 million	2.45% fixed interest rate		

28. OTHER BORROWINGS

	December 31	
	2018	2017
Short-term unsecured borrowings	\$ 6,929,045	\$ 6,778,401
Long-term borrowings	4,616,339	3,536,675
	<u>\$ 11,545,384</u>	<u>\$ 10,315,076</u>

As of December 31, 2018 and 2017, the interest rates on short-term unsecured borrowings ranged from 0.99% to 6.43% and from 1.15% to 6.76%, respectively.

As of December 31, 2018 and 2017, the interest rate of long-term borrowings ranged from 4.22% to 6.12% and from 3.30% to 7.00%, respectively.

29. RESERVE FOR LIABILITIES

	December 31	
	2018	2017
Reserve for employee benefits (Note 32)	\$ 1,249,340	\$ 1,203,703
Reserve for guarantee liabilities	224,706	210,775
Reserve for loan commitments	172,675	-
Other reserves	74,614	70,906
	<u>\$ 1,721,335</u>	<u>\$ 1,485,384</u>

	Reserve for Guarantee Liabilities	Reserve for Loan Commitment	Other Reserves	Total
Balance, January 1, 2018	\$ 210,775	\$ -	\$ 70,906	\$ 281,681
Effects of retrospective application	-	204,636	-	204,636
Provision (reverse)	13,308	(32,495)	3,756	(15,431)
Payment	-	-	(666)	(666)
Exchange differences	623	534	618	1,775
Balance, December 31, 2018	<u>\$ 224,706</u>	<u>\$ 172,675</u>	<u>\$ 74,614</u>	<u>\$ 471,995</u>
Balance, January 1, 2017	\$ 208,610	\$ -	\$ 124,493	\$ 333,103
Provision	2,809	-	(51,888)	(49,079)
Payment	-	-	(5,190)	(5,190)
Exchange differences	-	-	5,182	5,182
	(644)	-	(1,691)	(2,335)
Balance, December 31, 2017	<u>\$ 210,775</u>	<u>\$ -</u>	<u>\$ 70,906</u>	<u>\$ 281,681</u>

Referring to the result of the review of structured notes by the Association of Banks and based on other cases, Taishin Bank has provided reserve for compensation of consigned structured notes issued by international institutions.

The amount of the loss allowance for financial guarantees and loan commitments was as follows:

December 31, 2018						
	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
Financial guarantees and loan commitment	\$ 155,265	\$ 37,837	\$ 4,128	\$ 197,230	\$ 203,689	\$ 400,919

30. OTHER FINANCIAL LIABILITIES

	December 31	
	2018	2017
Principal of structured products	\$ 58,234,643	\$ 40,852,848
Gold account	362,525	273,780
Futures traders' equity	472,629	239,866
Appropriations for loan fund	5,735	13,046
Lease payable	7,915	9,325
	<u>\$ 59,083,447</u>	<u>\$ 41,388,865</u>

31. OTHER LIABILITIES

	December 31	
	2018	2017
Unearned revenue	\$ 380,059	\$ 341,072
Unearned interest	318,511	269,672
Guarantee deposits	1,212,572	2,444,269
Deferred income	1,151,191	1,031,656
Temporary credits	577,191	549,827
Others	69,890	107,656
	<u>\$ 3,709,414</u>	<u>\$ 4,744,152</u>

32. POST-EMPLOYMENT BENEFIT PLANS

Defined Contribution Plans

The Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Based on the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Defined Benefit Plans

The Group also have defined benefit plan under the Labor Standards Law (the "LSL"). Under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of six months before retirement. The Group contributes amounts equal to 2% to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year.

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Enforcement Rules of the Labor Pension Act, the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

- a. The Group's plan assets and present values of defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of actuarial valuations were as follows:**

	Valuation Date	
	December 31	
	2018	2017
Discount rate used in determining present values	0.875% ~ 1.375%	1.000% ~ 1.625%
Expected rate of salary increase	2.50% ~ 3.25%	2.50% ~ 3.25%

Amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

	For the Year Ended December 31	
	2018	2017
Current service cost	\$ 21,882	\$ 23,653
Interest cost	33,007	30,601
Expected return on plan assets	(20,429)	(20,884)
	<u>\$ 34,460</u>	<u>\$ 33,370</u>

Remeasurement of defined benefit plans (after-tax) recognized in other comprehensive loss for the years ended December 31, 2018 and 2017 was \$(37,988) thousand and \$(159,695) thousand, respectively. The cumulative amount of remeasurement of defined benefit plans recognized in other comprehensive loss as of December 31, 2018 and 2017 was \$(1,231,014) thousand and \$(1,193,026) thousand, respectively.

The amount included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit plans was as follows:

	December 31	
	2018	2017
Present value of funded defined benefit obligation	(\$ 2,849,886)	(\$ 2,782,777)
Fair value of plan assets	1,633,009	1,607,290
Deficit	(1,216,877)	(1,175,487)
Prepaid pension cost	(32,463)	(28,216)
Net liability arising from defined benefit obligation	(\$ 1,249,340)	(\$ 1,203,703)

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2018	2017
Opening defined benefit obligation	\$ 2,782,777	\$ 2,447,815
Current service cost	21,882	23,653
Interest cost	33,007	30,601
Remeasurement		
Actuarial (gain) loss - changes in demographic assumptions	90,580	123,335
Actuarial (gain) loss - changes in financial assumptions	3,399	150
Actuarial (gain) loss - experience adjustments	30,886	61,373
Liabilities extinguished on settlement	(32,900)	-
Liabilities from business combination (Note)	-	241,454
Benefits paid	(79,745)	(145,604)
Closing defined benefit obligation	\$ 2,849,886	\$ 2,782,777

Note: The liabilities for employees' benefit included the defined benefit pension liabilities transferred from Tachong Securities and special retention remuneration liabilities according to the purchase and sale agreement. These amounts are recognized based on the actuarial report.

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2018	2017
Opening fair value of plan assets	\$ 1,607,290	\$ 1,645,684
Interest revenue	20,429	20,884
Remeasurement		
Expected return on plan assets	43,957	(7,060)
Contributions from the employer	41,078	40,945
Benefits paid	(79,745)	(145,604)
Assets from business combination	-	52,441
Closing fair value of plan assets	\$ 1,633,009	\$ 1,607,290

For information about the categories and percentages, etc. of the composition of the fair value of plan assets as of December 31, 2018 and 2017, please refer to the authorities' public information about Labor Pension Funds.

As of December 31, 2018 the significant actuarial assumptions used in the sensitivity analysis of the present value of the defined benefit obligation were as follows:

Impact on the Present Value of the Defined Obligation

	Change in Actuarial Assumptions %	Positive Change in Actuarial Assumptions	Negative Change in Actuarial Assumptions
Discount rate used in determining present value	0.25% increase/decrease	2.04%-4.04% decrease in the present value of the defined obligation	2.11%-4.24% increase in the present value of the defined obligation
Expected rate of salary increase	0.25% increase/decrease	2.03%-4.11% increase in the present value of the defined obligation	1.98%-3.94% decrease in the present value of the defined obligation

The sensitivity analysis presented above assumes that only a single actuarial assumption changes and other actuarial assumptions remain unchanged. Practically, the assumptions may not occur in isolation as the assumptions may be correlated. The calculation of the present value of defined benefit obligation adopted the projected unit credit method.

The Group expects to make a contribution of \$40,632 thousand to the defined benefit plans within one year beginning from 2018 and contributed \$42,712 thousand in 2017. The weighted average duration of the defined benefit plans is from 8 to 16.6 years.

33.EQUITY

Capital Stock

	December 31	
	2018	2017
Number of shares authorized (in thousands)	20,000,000	20,000,000
Shares authorized	\$ 200,000,000	\$ 200,000,000
Number of shares issued and fully paid (in thousands)		
Common stock	10,436,207	9,984,262
Preferred stock	1,017,541	790,055
Shares capital issued and outstanding	\$ 114,537,481	\$ 107,743,167

a. As of December 31, 2018 and 2017, Taishin Financial Holding's authorized capital were both \$200,000,000 thousand (20,000,000 thousand shares); as of December 31, 2018, share issued was 11,453,748 thousand shares, divided into 10,436,207 thousand common shares and 1,017,541 thousand preferred shares at NT\$10.00 par value.

b. Details of outstanding capital stock as of December 31, 2018 were as follows:

	Common Stock	Preferred Stock	Total
First share swap	\$ 23,000,000	\$ -	\$ 23,000,000
Second share swap	13,316,236	-	13,316,236
Capital infusion with cash	13,222,223	-	13,222,223
Convertible bonds converted to common stock	5,989,867	-	5,989,867
Issue of preferred stock - D	-	2,701,820	2,701,820
Issue of preferred stock - E	-	8,000,000	8,000,000
Stock dividends and employees' bonus in share distributed	54,052,546	-	54,052,546
Less: Cancellation of treasury stock	(2,733,505)	-	(2,733,505)
Less: Capital reduction to recover loss	(3,864,802)	(526,410)	(4,391,212)
Employee stock options converted to new shares	1,379,506	-	1,379,506
Shares issued	\$ 104,362,071	\$ 10,175,410	\$ 114,537,481

On February 18, 2002, Taishin Financial Holding issued 2,300,000 thousand shares of common stock of Taishin Bank through a share swap at a 1:1 ratio to exchange for the whole common stock owned by Taishin Bank's stockholders after consolidation.

As of December 31, 2002, Taishin Financial Holding issued 1,331,624 thousand common shares to acquire all the issued common stocks of Taishin Securities A and Taishin Bills Finance through share swaps at ratios of 1:1.2 and 1:1.3, respectively, with "1" representing Taishin Financial Holding.

On March 22, 2006, Taishin Financial Holding issued through private placement common stock totaling \$10,000,000 thousand for 555,556 thousand shares at NT\$18.00 per share. The rights and obligations are the same as those of the common stock outstanding. The mentioned common stock has been published in open market by the approval of FSC on May 17, 2011.

On December 27, 2006, Taishin Financial Holding issued through private placement common stock totaling \$4,000,000 thousand for 266,667 thousand shares at NT\$15.00 per share. The rights and obligations are the same as those of the common stock outstanding. The mentioned common stock has been published in open market by the approval of FSC on May 17, 2011.

Taishin Financial Holding has proposed to effect capital reduction by cancelling 386,480 thousand outstanding common shares (capital reduction ratio 6.7681%) on December 4, 2009.

On December 31, 2013, Taishin Financial Holding's board of directors resolved to issue 500,000 thousand ordinary shares, with a par value of NT\$10 each, for consideration of NT\$12 per share. On January 17, 2014, the above transaction was approved by the FSC, and the subscription base date was set by board of directors at April 14, 2014.

Taishin Financial Holding's stockholders had resolved the transfer of \$4,430,201 thousand of earnings to common stock in the stockholders' meeting on June 8, 2018. The ex-dividend date was August 28, 2018.

Taishin Financial Holding's employees have executed stock options and had acquired Taishin Financial Holding's common stock which aggregated 8,925 thousand shares and 59,874 thousand shares in 2018 and 2017.

Taishin Financial Holding's group capital adequacy ratio was 127.09% and 124.87% as of December 31, 2018 and 2017.

- c. 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 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 2018. The shares of outstanding preferred stock - D were 217,541 thousand shares (in the total amount of \$4,200,000 thousand) as of December 31, 2018.**

The rights and other important terms of issuance of the preferred stock - D are as follows:

- 1) In accordance with the Company Act and Article 40 of the Articles of Incorporation of the Company, if there are earnings for the fiscal year, earnings should be appropriated in the following order:
 - a) Payment of income taxes;
 - b) Make-up of prior years losses, if any;
 - c) Legal reserve and if needed, special reserve;
 - d) Dividends to holders of preferred stock - D;
- 2) The stock dividends are fixed at 6.5% per annum based on issue price and are distributed by cash in one payment. After the stockholders, in their meeting, approve the appropriation of the earnings of the fiscal year as proposed by the board of directors and resolve to distribute from the earnings cash dividends, the board of directors set the record date of preferred stock - D for payment of dividends. Dividend is calculated based on the proportion of the number of days that the stocks are issued in a fiscal year, starting from the date of issuance to the record date of dividend.
- 3) If there is no surplus or insufficient earnings in the fiscal year to fully pay off dividends for the stockholders of the preferred stocks, the unpaid dividend will not be carried forward to years with earnings.

- 4) In addition to receiving dividends at the fixed rate of dividend, the shares of the preferred stock - D shall, subject to the resolution of the board of directors, be entitled to additional dividend. If dividends to common stocks are distributed in the same way as the preferred stock - D and there are remaining earnings, for the purpose of dividend distribution, the preferred stock - D will be converted to common stocks at the ratio 2:1 and participate in the distribution of dividends to common stocks, but not for the distribution of capital surplus.
 - 5) In the event of liquidation, the stockholders of preferred stock - D shall be given priority to claim on the Company's remaining assets over the stockholders of common stocks, but not more than the issuance amount of outstanding shares of preferred stock - D.
 - 6) The capital surplus from preferred stock - D issued in excess of par cannot be used to increase its capital during the issuance of preferred stock - D.
 - 7) The stockholders of the preferred stock - D are not entitled to any voting rights or election rights in stockholders' meeting. However, they can be elected as directors and have the right to vote in the stockholders' meeting and other agenda items concerning the preferred stock - D.
 - 8) When the Company issues new stocks in cash, the stockholders of preferred stock - D and the common stock shall be entitled to equivalent preemptive rights on the new stocks.
 - 9) Stockholders of the preferred stock - D will be entitled to convert a share of preferred stock - D into a share of common stock after three years from the issue date. After ten years from the issue date, the Company may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock - S at any time at the issue price. When the Company redeems the issued preferred stock - D, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year to the redemption date to total days in a fiscal year.
 - 10) The existing stockholders' equity of the preferred stock - D is based on the original terms of issuance. When the Company reduced capital to cover accumulated deficit, the issued shares of common stocks and all preferred stocks are cancelled in the same proportion. The stockholders' equity shall be adjusted according to the same proportion of the cancelled stocks in order to maintain the existing stockholders' equity of the preferred stock - D.
- d. In accordance with Article 8-4 of its Articles of Incorporation, the Company issued preferred stock - E, totaling 500,000 thousand shares, with a par value of NT\$10, at NT\$50 per share in the total amount of \$25,000,000 thousand on December 28, 2016. The issuance of stocks has been approved by the FSC under its Order No. 1050041849 issued on October 26, 2016, and the change in registration has been approved by the ROC Ministry of Economic Affairs under its Order No. 10501302230. The preferred stock - E was listed on Taiwan Stock Exchange on February 10, 2017.**

The rights and other important conditions of issuance of the preferred stock - E are as follows:

- 1) Tenor: Perpetual
- 2) Dividend yield: An annual dividend yield is set at 4.75% (7-year IRS 1.2175% + 3.5325%) per annum of the issue price at the pricing day. The 7-year IRS will be reset on the next business day after each seventh anniversary day after issuance and thereafter. The pricing date for reset is the second business day of financial industry in Taipei immediately preceding each reset date. The 7-year IRS rate is the arithmetic mean of 7-year IRS rates appearing on Reuters pages "PYTWDFIX" and "COSMOS3" at 11:00 a.m. (Taipei time) on the relevant pricing date for reset. If such rate cannot be obtained, the Company will determine the rate based on reasonable market price with good faith.
- 3) Dividend payment: If there is no surplus or earnings in the fiscal year are insufficient to fully pay off dividends to the stockholders of the preferred stocks, the unpaid dividend will not be carried forward to years with earnings. The Company has sole discretion on the distribution of the dividends of preferred stocks - E.

Earnings distribution proposals will be devised by the board of directors in accordance with Article 40-1 of the Articles of Incorporation of the Company and then submitted to the annual general meeting of stockholders for acknowledgment. Earnings available for distribution to preferred stocks and common stocks under an acknowledged earnings distribution proposal will be distributed first to preferred stocks - D and then to preferred stocks - E, if any. Any remaining balance shall be distributed according to the Articles of Incorporation of the Company. The stock dividends are distributed by cash in one payment and are calculated based on the proportion of the number of days that the stocks are issued in a fiscal year. After the stockholders, in their meeting, approve the appropriation of the earnings of the fiscal year as proposed by the board of directors and resolve to distribute from the earnings cash dividends, the board of directors set the record date of preferred stock - E for payment of dividends. When the Company redeems the issued preferred stock - E, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year to the redemption date to total days in a fiscal year.

- 4) Restrictions on payment of dividends to common stocks: Except for the dividends prescribed in the preceding subparagraphs herein, the stockholders of preferred stock - E are not entitled to participate in the distribution of cash or stock dividends with regard to the common stocks and other preferred stocks derived from earnings or capital reserves.
 - 5) Redemption: After seven years from the issue date, the Company may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock - E at any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock - E shall continue as specified herein.
 - 6) Liquidation preference: In the event of liquidation, the stockholders of preferred stock - E shall be given priority to claim on the Company's remaining assets over the stockholders of common stocks, but subordinate to the stockholders of preferred stock - D, and not more than the issuance amount of outstanding shares of preferred stock - E.
 - 7) Voting rights or election rights: The stockholders of preferred stock - E are not entitled to any voting rights or election rights in stockholders' meeting. However, they may vote in preferred stock - E stockholders' meetings and in general stockholders' meetings with regard to agenda items concerning rights and obligations of the stockholders of preferred stock - E.
 - 8) Preferred stock - E shall not be converted into common stocks. The stockholders of the preferred stocks shall not require the Company to redeem the rights of the preferred stocks - E.
 - 9) When the Company issues new stocks in cash, the stockholders of preferred stock - D and of the common stock shall be entitled to equivalent preemptive rights on the new stocks.
- e. In accordance with Article 8-4 of its Articles of Incorporation, the Company issued preferred stock - E, totaling 300,000 thousand shares, with a par value of NT\$10, at NT\$50 per share in the total amount of \$15,000,000 thousand on November 30, 2018. The issuance of stocks has been approved by the FSC under its Order No. 1070329855 issued on September 6, 2018, and the change in registration has been approved by the ROC Ministry of Economic Affairs under its Order No. 10701153080. The preferred stock - E was listed on Taiwan Stock Exchange on January 8, 2019.**

The rights and other important conditions of issuance of the preferred stock - E are as follows:

- 1) Tenor: Perpetual
- 2) Dividend yield: An annual dividend yield is set at 3.80% (7-year IRS 1.1% + 2.7%) per annum of the issue price at the pricing day. The 7-year IRS will be reset on the next business day after each seventh anniversary day after issuance and thereafter. The pricing date for reset is the second business day of financial industry in Taipei immediately preceding each reset date. The 7-year IRS rate is the arithmetic mean of 7-year IRS rates appearing on Reuters pages "PYTWDFIX" and "COSMOS3" at 11:00 a.m. (Taipei time) on the relevant pricing date for reset. If such rate cannot be obtained, the Company will determine the rate based on reasonable market price with good faith.

- 3) Dividend payment: 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. If surplus or earnings in a particular fiscal year are insufficient to fully pay off dividends to the stockholders of the preferred stocks, the unpaid dividend will not be cumulated to the following years with earnings.
- 4) Restrictions on payment of dividends to common stocks: Except for the dividends prescribed in the preceding subparagraphs herein, the stockholders of preferred stock - E are not entitled to participate in the distribution of cash or stock dividends with regard to the common stocks and other preferred stocks derived from earnings or capital reserves.
- 5) Redemption: After seven years from the issue date, the Company may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock - E at any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock - E shall continue as specified herein.
- 6) Liquidation preference: In the event of liquidation, the stockholders of preferred stock - E shall be given priority to claim on the Company's remaining assets over the stockholders of common stocks, but subordinate to the stockholders of preferred stock - D, and not more than the issuance amount of outstanding shares of preferred stock - E.
- 7) Voting rights or election rights: The stockholders of preferred stock - E are not entitled to any voting rights or election rights in stockholders' meeting. However, they may vote in preferred stock - E stockholders' meetings and in general stockholders' meetings with regard to agenda items concerning rights and obligations of the stockholders of preferred stock - E.
- 8) When the Company issues new stocks in cash, the stockholders of preferred stock - D and of the common stock shall be entitled to equivalent preemptive rights on the new stocks.

Advance Receipts for Capital Stock

As of December 31, 2018 and 2017, advance receipts for capital stock amounted to \$3,996 thousand and \$14,422 thousand, representing the proceeds of the exercise of employee stock options to convert into 555 thousand and 1,849 thousand shares of common stock, respectively, of which the registration of the conversion has not been completed.

Capital Surplus

As of December 31, 2018, the Company recognized a capital surplus of \$37,805,713 thousand, in which there's a part of investees' unappropriated retained earnings totaling \$414,706 thousand. In addition to the other regulations, Article 47 (d) of Financial Holding Company Act stipulates that the appropriation is not restricted by Article 241 (a) of the Company Act. Furthermore, the capital surplus from preferred stock - D and preferred stock - E issued in excess of par cannot be transferred to its capital during the outstanding issuance periods of preferred stock - D and preferred stock - E.

Retained Earnings and Dividend Policy

In accordance with dividend policy of the Articles of Incorporation of the Company, whereas the Company makes profit in a fiscal year, the profit shall be first utilized for paying taxes, adjusted in accordance with accounting standards, offset losses of previous years, set aside 10% of the remaining profit as legal reserve, and set aside special reserve in accordance with the laws and regulations, distributed dividends to the preferred stock - D stockholders based on the Company's Articles of Incorporation clause 8-2; the dividend rate of the preferred stock - E should not be more than 8% and the distribution plan based on the Company's Articles of Incorporation clause 8-4 should be proposed by Company's board of directors in its meeting before its being resolved in the stockholders' meeting, and then any remaining profit together with the amount of reversed dividend or distributed-available special reserve and any

undistributed earnings at the beginning of the fiscal year shall be resolved by the Company's board of directors in its meeting as the basis for proposing a distribution plan, of which cash dividends should not be less than 10% of total dividends distributed, to common stockholders and each class of preferred stockholders. The distribution plan should be resolved in the stockholders' meeting. However, under the requirements of the MOF, if the Group's capital adequacy ratio is less than 100%, dividends cannot be distributed in cash or other assets. For the policies on distribution of employees' compensation and remuneration to directors before and after amendment, refer to employee benefits expense in Note 39.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no accumulated deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital stock or distributed in cash.

Under Order No. 1010012865 and Order No. 10310006310 issued by the FSC in 2013 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse amounts to a special reserve account accordingly.

The appropriations of earnings for 2017 and 2016 have been resolved in the stockholders' meetings on June 8, 2018 and June 16, 2017, respectively. Where the actual number of common stocks outstanding has changed because of exercise of employee stock options, the actual appropriation is as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	For Year 2017	For Year 2016	For Year 2017	For Year 2016
Legal reserve	\$ 1,276,209	\$ 1,083,015		
Special reserve	69,300	37,447		
Preferred stock - D cash dividends	384,195	556,940	\$ -	\$ -
Preferred stock - E cash dividends	1,187,500	12,978	-	-
Common stock cash dividends	5,414,689	5,026,874	0.54	0.53
Common stock dividends	4,430,201	4,112,896	0.44	0.43

Special Reserves

The increase in retained earnings, which resulted from all IFRSs related adjustments, was less than the total revaluation and translation differences. Therefore, Taishin Financial Holding appropriated to special reserve the amount of \$220,376 thousand, which represents the increase in retained earnings that resulted from all IFRSs adjustments on transition to IFRSs, in accordance with the Q&As on Appropriation to Special Reserves after its adoption of IFRSs.

In its 2017 earning distributions, Taishin Financial Holding made special reserves at the amounts of \$(37,447) thousand and \$106,747 thousand, respectively, in accordance with Order No. 1010012865 and No. 10310006310 issued by the FSC.

Other Equity Items

a. Exchange differences on translation of foreign financial statements

	For the Year Ended December 31	
	2018	2017
Beginning balance	(\$ 463,546)	(\$ 168,382)
Exchange differences on translating the net assets of foreign operations	(55,051)	(12,373)
Share of exchange differences of associates accounted for using the equity method	145,734	(282,791)
Ending balance	(\$ 372,863)	(\$ 463,546)

b. Unrealized gain (loss) on financial assets at FVTOCI - 2018

	December 31, 2018
Balance of January 1, 2018 per IAS 39	\$ -
Adjustment on initial application of IFRS 9	513,329
Balance of January 1, 2018 per IFRS 9	513,329
Effect of change in tax rate	1,168
Recognized during the period	
Unrealized loss - debt instruments	(257,730)
Unrealized gain - equity instruments	115,368
Income tax related to profit or loss of debt instruments	24,406
Share from associates accounted for using the equity method	(62,867)
Reclassification adjustments	
Disposal of investments in debt instruments	(144,122)
Other comprehensive loss recognized in the period	(323,777)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	111,538
Balance of December 31, 2018	<u>\$ 301,090</u>

c. Unrealized gains (losses) on available-for-sale financial assets

	December 31, 2017
Beginning balance	(\$ 89,441)
Unrealized gain (loss) on available-for-sale financial assets	633,517
Income tax relating to unrealized gain (loss) on available-for-sale financial assets	(24,856)
Cumulative gain (loss) reclassified to profit or loss on sale of available-for-sale financial assets	(338,423)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates and joint ventures accounted for using the equity method	156,176
Ending balance	<u>\$ 336,973</u>

d. Changes in fair value attributable to changes in the credit risk of financial liabilities at FVTPL

	For the Year Ended December 31	
	2018	2017
Beginning balance	(\$ 19)	\$ -
Changes in fair value attributable to changes in the credit risk	544	-
Share from associates accounted for using the equity method	206	(19)
Ending balance	<u>\$ 731</u>	<u>(\$ 19)</u>

Non-controlling Interests

	For the Year Ended December 31	
	2018	2017
Beginning balance	\$ 133,844	\$ 124,494
Attributable to non-controlling interests		
Net (loss) income	(450)	9,504
Actuarial gain (loss) on defined benefit plans	30	(159)
Income tax related to actuarial gain (loss)	3	5
Ending balance	<u>\$ 133,427</u>	<u>\$ 133,844</u>

34.NET INTEREST INCOME

	For the Year Ended December 31	
	2018	2017
Interest income		
Loans	\$ 24,822,651	\$ 22,659,124
Investment in marketable securities	3,479,670	2,850,049
Finance leases	2,082,481	1,623,464
Revolving interest of credit card	1,292,301	1,177,120
Others	2,807,898	2,311,499
	<u>34,485,001</u>	<u>30,621,256</u>
Interest expense		
Deposits	(9,786,933)	(7,824,569)
Issuance of bonds and securities	(1,371,396)	(1,493,774)
Structured products	(1,280,102)	(1,042,003)
Securities sold under repurchase agreements	(976,598)	(489,657)
Due to the Central Bank and call loans from banks	(763,971)	(576,207)
Others	(714,700)	(460,477)
	<u>(14,893,700)</u>	<u>(11,886,687)</u>
Net interest income	<u>\$ 19,591,301</u>	<u>\$ 18,734,569</u>

35.NET SERVICE FEES AND COMMISSION INCOME

	For the Year Ended December 31	
	2018	2017
Service fees and commission income		
Interbank fees	\$ 920,253	\$ 830,959
Loan and guarantees fees	707,963	690,013
Fees from certification, underwriting and brokerage	1,082,677	626,150
Fees from trustee business	2,029,531	2,019,529
Insurance commission fees	5,552,523	5,366,832
Fees from credit card and cash card	4,018,256	3,770,289
Others	1,557,948	1,434,726
	<u>15,869,151</u>	<u>14,738,498</u>
Service fees and commission expenses		
Interbank fees	(338,473)	(238,606)
Marketing fees	(614,846)	(569,419)
Fees from credit card	(2,119,235)	(1,775,766)
Others	(784,371)	(644,631)
	<u>(3,856,925)</u>	<u>(3,228,422)</u>
Net service fees and commission income	<u>\$ 12,012,226</u>	<u>\$ 11,510,076</u>

36. GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	For the Year Ended December 31	
	2018	2017
<u>Disposal gain (loss) on financial assets and liabilities at FVTPL</u>		
Securities		
Call (put) warrants issued	\$ 219,428	(\$ 100,533)
Trading securities - dealing	214,307	445,115
Trading securities - underwriting	(9,717)	88,477
Trading securities - hedging	(173,819)	73,725
Borrowing securities	38,347	(58,765)
Gains on corporation bonds conversion	47,816	73,941
Open-end funds	(352)	184
Bonds	(1,332)	-
Derivative financial instruments	(5,371)	(237,737)
	<u>329,307</u>	<u>284,407</u>
Bank		
Stocks and beneficiary certificates	(360,213)	67,343
Bills	4,989	(5,420)
Bonds	(192,615)	109,260
Derivative financial instruments	<u>2,796,791</u>	<u>1,764,730</u>
	<u>2,248,952</u>	<u>1,935,913</u>
Others		
Stocks and beneficiary certificates	(663)	7,046
Derivative financial instruments	(46,846)	36,978
	<u>(47,509)</u>	<u>44,024</u>
	<u>2,530,750</u>	<u>2,264,344</u>
<u>Valuation gain (loss) on financial assets and liabilities at FVTPL</u>		
Securities		
Call (put) warrants issued	16,926	115,678
Trading securities - dealing	(277,501)	87,949
Trading securities - underwriting	64,587	11,785
Trading securities - hedging	(1,218)	(8,115)
Bonds	33,266	7,726
Open-end funds	280	(10)
Derivative financial instruments	<u>176,786</u>	<u>(55,172)</u>
	<u>13,126</u>	<u>159,841</u>
Bank		
Stocks and beneficiary certificates	(30,131)	12,154
Bills	(7,816)	300
Bonds	(72,330)	32,353
Derivative financial instruments	<u>(638,235)</u>	<u>382,849</u>
	<u>(748,512)</u>	<u>427,656</u>
Others		
Stocks and beneficiary certificates	(189,059)	(2,133)
Derivative financial instruments	<u>276,163</u>	<u>(224,718)</u>
	<u>87,104</u>	<u>(226,851)</u>
	<u>(648,282)</u>	<u>360,646</u>
Net interest income	<u>1,059,681</u>	<u>504,297</u>
Dividends	<u>183,134</u>	<u>89,722</u>
	<u>\$ 3,125,283</u>	<u>\$ 3,219,009</u>

37. REALIZED GAINS (LOSSES) ON FINANCIAL ASSETS AT FVTOCI - 2018

	For the Year Ended December 31,	
	2018	
Disposal gains (losses)		
Bills	(\$	3,019)
Bonds		147,140
		<u>144,121</u>
Dividend income		
Investment holdings on December 31, 2018		244,334
	\$	<u>388,455</u>

38. REALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	For the Year Ended December 31,	
	2017	
Disposal gains (losses)		
Stocks and beneficiary certificates	\$	121,863
Bills	(9,365)
Bonds		225,925
		<u>338,423</u>
Dividends		119,579
	\$	<u>458,002</u>

39. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2018	2017
Short-term benefits		
Salary and wages	\$ 10,442,912	\$ 10,434,580
Labor and national health insurance	785,010	732,095
Post-employment benefits (Note 32)		
Defined contribution plans	418,972	393,127
Defined benefit plans	34,483	33,461
Share-based payment (Note 43)		
Equity-settled share-based payment	-	211
Cash-settled share-based payment	73,709	118,728
Other employee benefits expenses	618,922	451,454
	<u>\$ 12,374,008</u>	<u>\$ 12,163,656</u>

Employees' Compensation and Directors' Remuneration

The Company accrued employees' compensation and the remuneration of directors at the 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. The estimates of the appropriations of employees' compensation and remuneration of directors for 2018 were \$1,230 thousand and \$123,038 thousand, respectively; the appropriations of employees' compensation and remuneration of directors for 2017 were \$1,307 thousand and \$117,651 thousand, respectively, which having been resolved by the board of directors and on February 22, 2018 and would be distributed in cash.

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate and will make adjustments next year.

The Company held board of directors' meetings on February 22, 2018 and February 23, 2017 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 2017 and 2016 to differ from the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016, respectively. The differences were adjusted to profit and loss for the respective subsequent years ended December 31, 2018 and 2017.

	For the Year Ended December 31			
	2017		2016	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amounts approved at the board of directors' meeting	\$ 1,307	\$ 117,651	\$ 1,155	\$ 109,757
Amounts recognized in the annual financial statements	\$ 1,311	\$ 131,098	\$ 1,142	\$ 114,163

Information on the employees' compensation and the remuneration to directors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

40. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2018	2017
Property and equipment	\$ 922,675	\$ 832,748
Investment property	9,464	8,935
Intangible assets and other deferred assets	262,841	225,549
	\$ 1,194,980	\$ 1,067,232

41. INCOME TAX

In 2003, Taishin Financial Holding adopted the linked tax system for tax filing (similar to a consolidated tax filing) with its subsidiaries including Taishin Bank, Taishin Securities A, Taishin Bills Finance, Taishin AMC and Taishin Marketing. Taishin Venture Capital was included in this tax system in 2004. Taishin Securities A, Taishin Bills Finance and Taishin Marketing were excluded from the linked tax system in 2009, in 2011 and in 2013, respectively. Taishin Securities B, Taishin Securities Investment Trust and Taishin Securities Investment Advisory were included in this tax system in 2011. Taishin Holdings Insurance Brokers was included in this tax system in 2012 and was excluded from the linked tax system due to its dissolution under a merger in 2016.

Income Tax Recognized in Profit or Loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current period	\$ 2,202,565	\$ 1,627,290
Additionally levied on unappropriated earnings	1,536	2,723
Adjustments for prior years	(109,539)	(78,713)
Offshore income tax expense	10,378	909
Land value increment tax	-	1,759
Deferred tax		
In respect of the current period	(411,873)	184,479
Adjustments for prior years	1,454	1,016
Adjustments to deferred tax attributable to changes in tax rates and laws	(388,271)	-
Income tax expense recognized in profit or loss	\$ 1,306,250	\$ 1,739,463

Reconciliation of profit before income tax and income tax was as follows:

	For the Year Ended December 31	
	2018	2017
Income from continuing operation before income tax	\$ 14,236,383	\$ 14,809,629
Income tax expense calculated at the statutory rate (2018: 20%; 2017: 17%)	\$ 2,847,277	\$ 2,517,637
Nondeductible expenses in determining taxable income	7,497	7,408
Tax-exempt income	(1,457,810)	(937,665)
Land value increment tax	-	1,759
Deferred tax effects of overseas branches	(147,385)	(6,860)
Unrecognized temporary differences	259,710	77,682
Unrecognized loss carryforwards	279,185	161,941
Additionally levied on unappropriated earnings	1,536	2,723
Offshore income tax expense	10,378	909
Adjustments to prior years' tax	(109,539)	(78,713)
Adjustments to prior years' deferred tax	1,454	1,016
Adjustments to deferred tax attributable to changes in tax rates and laws	(388,271)	-
Others	2,218	(8,374)
Income tax expense recognized in profit or loss	\$ 1,306,250	\$ 1,739,463

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

Income Tax Recognized in Other Comprehensive Income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of change in tax rate	(\$ 27,092)	\$ -
In respect of the current period:		
Fair value changes of available-for-sale financial assets	-	24,856
Fair value changes of financial assets at FVTOCI	(24,406)	-
Actuarial gains and losses on defined benefit plan	(16,996)	(32,223)
Total income tax recognized in other comprehensive income	(\$ 68,494)	(\$ 7,367)

Current Tax Assets and Liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	\$ 354,251	\$ 357,385
Prepaid income tax	-	32
	\$ 354,251	\$ 357,417
Current tax liabilities		
Income tax payable	\$ 2,306,439	\$ 1,464,131

Deferred Tax

Movements in deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2018						
	Beginning Balance	Adjustments on initial application of IFRS 9	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Ending Balance
Deferred tax assets						
Temporary differences						
Allowance for loans losses	\$ 2,049,349	\$ 790	\$ 566,943	\$ -	(\$ 1,561)	\$ 2,615,521
Others	387,032	-	284,742	68,494	-	740,268
	2,436,381	790	851,685	68,494	(1,561)	3,355,789
Loss carryforwards	44,586	-	(40,024)	-	(35)	4,527
	<u>\$ 2,480,967</u>	<u>\$ 790</u>	<u>\$ 811,661</u>	<u>\$ 68,494</u>	<u>(\$ 1,596)</u>	<u>\$ 3,360,316</u>
Deferred tax liabilities						
Land value increment tax	(\$ 53,552)	\$ -	\$ -	\$ -	\$ -	(\$ 53,552)
Temporary differences	(43,287)	-	(12,971)	-	972	(55,286)
	<u>(\$ 96,839)</u>	<u>\$ -</u>	<u>(\$ 12,971)</u>	<u>\$ -</u>	<u>\$ 972</u>	<u>(\$ 108,838)</u>
For the Year Ended December 31, 2017						
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other		Ending Balance
Deferred tax assets						
Temporary differences						
Allowance for loans losses	\$ 1,906,612	\$ 143,188	\$ -	(\$ 451)		\$ 2,049,349
Others	381,749	22,729	7,367	(24,813)		387,032
	2,288,361	165,917	7,367	(25,264)		2,436,381
Loss carryforwards	662,315	(382,335)	-	(235,394)		44,586
	<u>\$ 2,950,676</u>	<u>(\$ 216,418)</u>	<u>\$ 7,367</u>	<u>(\$ 260,658)</u>		<u>\$ 2,480,967</u>
Deferred tax liabilities						
Land value increment tax	(\$ 53,552)	\$ -	\$ -	\$ -		(\$ 53,552)
Temporary differences	(74,210)	30,923	-	-		(43,287)
	<u>(\$ 127,762)</u>	<u>\$ 30,923</u>	<u>\$ -</u>	<u>\$ -</u>		<u>(\$ 96,839)</u>

The Group's Loss Carryforwards as of December 31, 2018

Expiry Year	Unused Amount
2020	<u>\$ 4,527</u>

Assessments of the Group's Income Tax

- Taishin Financial Holding's income tax returns through 2014 had been assessed by the tax authorities.
- Taishin Bank's income tax returns through 2014 had been assessed by the tax authorities. The income tax returns of Taishin Real-Estate through 2016 had been assessed by the tax authorities. The income tax returns of Taishin D.A. Finance through 2016 had been assessed by the tax authorities. The income tax returns of Xiang An Insurance Agency through 2016 had been assessed by the tax authorities.

- c. Taishin AMC's income tax returns through 2014 had been assessed by the tax authorities.
- d. Taishin Venture Capital's income tax returns through 2014 had been assessed by the tax authorities.
- e. Taishin Securities Investment Trust's returns through 2014 had been assessed by the tax authorities.
- f. Taishin Securities B's returns through 2014 had been assessed by the tax authorities. Taishin Securities Venture Capital's returns through 2016 had been assessed by the tax authorities.
- g. Taishin Securities Investment Advisory's returns through 2014 had been assessed by the tax authorities.

42. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2018	2017
Basic earnings per share	\$ 1.09	\$ 1.10
Diluted earnings per share	\$ 1.09	\$ 1.10

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 28, 2018. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2017 were as follows:

	For the Year Ended December 31, 2017	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	\$ 1.15	\$ 1.10
Diluted earnings per share	\$ 1.15	\$ 1.10

The earnings and weighted average number of common stocks outstanding in the computation of earnings per share were as follows:

Net Income for the Period

	For the Year Ended December 31	
	2018	2017
Net income for the periods attributable to owner of the parent	\$ 12,930,583	\$ 13,060,662
Less: Dividends on preferred stocks	(1,530,667)	(1,571,695)
Earnings used in computation of basic earnings per share	11,399,916	11,488,967
Earnings used in computation of diluted earnings per share	\$ 11,399,916	\$ 11,488,967

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

	For the Year Ended December 31	
	2018	2017
Weighted average number of common stocks in computation of basic earnings per share	10,433,494	10,475,419
Effect of dilutive potential common stocks:		
Employees stock options	7,137	8,939
Employees bonuses	107	108
Weighted average number of common stocks outstanding in computation of dilutive earnings per share	10,440,738	10,484,466

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.

43. STOCK-BASED PAYMENT ARRANGEMENTS

a. Equity-settled stock-based payments of employee stock option plan

Taishin Financial Holding adopted the Employee Share Option Plan on August 31, 2011 and October 13, 2010 (Plan of 2010 (II) and 2010 (I)).

For vested share-based payment exercised before the transition date, the Group chose the exemption from the adoption of FSC-endorsed IFRS 2 "Share-Based Payment". Thus, only the employee share options unvested on the transition date adopted the regulation of FSC-endorsed IFRS 2 "Share-Based Payment". All the employee share options were measured at fair value at grant date. Options were priced using the appropriate pricing model.

Under the Plan of 2010 Taishin Financial Holding has to grant 77,000 units (first grant 75,390 units, second grant 1,610 units) of stock warrant to its qualified employees. Each unit represents the right to obtain 1,000 shares of Taishin Financial Holding's common stock, and the exercise price is equal to the stock closing price on the Taiwan Stock Exchange on the grant date.

The exercise price of the employee share options is subject to adjustments based on certain situations specified in the compensation plan.

Share options under the Plan of 2010 can be exercised in two years from the grant date and will expire in ten years from the grant date. The exercisable percentages were as follows:

Share Options Grant Period	Percentage Exercisable	Cumulative Percentage Exercisable
Over 2 years	15% ~ 40%	15% ~ 40%
Over 3 years	15% ~ 40%	30% ~ 80%
Over 4 years	15% ~ 40%	45% ~ 100%
Over 5 years	15% ~ 40%	60% ~ 100%
Over 6 years	15% ~ 40%	100%

The quantity and weighted-average exercise price of the share options were as follows:

	For the Year Ended December 31			
	2018		2017	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
<u>Plan of 2010 (II)</u>				
Outstanding, beginning balance	1,307	\$ 7.90	1,457	\$ 8.50
Exercise	(1,000)	7.30	(150)	8.50
Outstanding, ending balance	307		1,307	
Exercisable, ending balance	307		1,307	
	For the Year Ended December 31			
	2018		2017	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
<u>Plan of 2010 (I)</u>				
Outstanding, beginning balance	20,936	\$ 7.80	29,482	\$ 8.40
Exercise	(6,631)	7.20	(8,244)	8.21
Forfeited	(201)	7.41	(302)	8.28
Outstanding, ending balance	14,104		20,936	
Exercisable, ending balance	14,104		20,936	

The weighted-average of stock price at the dates of exercise of share options exercised during the year ended December 31, 2018 was \$14.37.

The exercise price and expected weighted-average outstanding period of the share option warrants for the year ended December 31, 2018 were as follows:

	For the Year Ended December 31			
	2018		2017	
	Exercise Price (Dollars)	Expected Weighted Average Outstanding Period (Years)	Exercise Price (Dollars)	Expected Weighted Average Outstanding Period (Years)
Plan of 2010 (II)	\$ 7.30	2.67	\$ 7.90	3.67
Plan of 2010 (I)	7.20	1.78	7.80	2.78

The valuation models of the stock options for the year ended December 31, 2018 were as follows:

Valuation Model	Black-Scholes Options Valuation 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

The amounts of the compensation costs recognized were \$0 and \$211 thousand for the years ended December 31, 2018 and 2017.

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

The Group issued to employees stock appreciation rights (the SARs) that require the Group to pay the intrinsic value of the SAR to the qualified people at the date of exercise since 2013. The fair value of the SARs was determined using the Black-Scholes pricing model based on the following assumptions.

	Plan of 2017	Plan of 2016	Plan of 2015	Plan of 2014	Plan of 2013
Average price (Note)	\$ 13.4	\$ 13.4	\$ 13.4	\$ 13.4	\$ 13.4
Exercise price	\$ 13.2	\$ 10.1	\$ 8.3	\$ 10.7	\$ 11.4
Outstanding period	2 years, 3 years	2 years, 3 years	2 years, 3 years	2 years, 3 years	2 years, 3 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 average price is calculated based on the average closing price of common stocks of the Company for the 30 business days before the balance sheet date.

The movements in the appreciation rights plan were as follows:

Appreciation Rights Plan of 2017	For the Year Ended December 31, 2018	
	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	-	\$ -
Grant	16,981	14.34
Ceased	(710)	13.20
Outstanding, ending	16,271	
Weighted-average fair value of appropriation rights (NT\$)	\$ 1.85	

For the Year Ended December 31

Appreciation Rights Plan of 2016	2018		2017	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	18,331	\$ 10.90	-	\$ -
Grant	-	-	18,801	11.84
Ceased	(1,265)	10.10	(470)	10.90
Outstanding, ending	<u>17,066</u>		<u>18,331</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 3.45</u>		<u>\$ 3.37</u>	

For the Year Ended December 31

Appreciation Rights Plan of 2015	2018		2017	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	26,310	\$ 9.00	27,000	\$ 9.70
Exercise	(12,852)	9.00	-	-
Ceased	(1,153)	8.30	(690)	9.00
Outstanding, ending	<u>12,305</u>		<u>26,310</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 5.11</u>		<u>\$ 4.72</u>	

For the Year Ended December 31

Appreciation Rights Plan of 2014	2018		2017	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	13,957	\$ 10.70	28,614	\$ 11.60
Exercise	(13,690)	10.70	(14,282)	11.60
Ceased	(267)	10.70	(375)	10.70
Outstanding, ending	<u>-</u>		<u>13,957</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 3.69</u>		<u>\$ 2.95</u>	

For the Year Ended December 31, 2017

Appreciation Rights Plan of 2013	2017	
	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	12,338	\$ 11.40
Exercise	(12,338)	11.40
Outstanding, ending	<u>-</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 0.44</u>	

As of December 31, 2018 and 2017, the related liabilities recognized amounted to \$119,558 thousand and \$162,987 thousand, respectively.

44. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Tachong Securities Co., Ltd.	Securities Firms	August 28, 2017	100%	\$ 4,230,932

Note: The difference between the consideration transferred as stated in the purchase and sale agreement in the amount of \$4,230,932 thousand and the cash paid at the acquisition-date in the amount of \$4,113,646 thousand was \$117,286 thousand. The main reason for the difference is the amount of treasury stock that Tachong Securities bought in advance from dissenters before the acquisition-date.

On August 28, 2017, Taishin Securities B acquired Tachong Securities via a cash merger in order to expand its security business scale, effectively utilize resources and enhance its market competitiveness. After completing the merger, the surviving company is Taishin Securities B and Tachong Securities was dissolved accordingly.

b. Considerations transferred

	Tachong Securities Co., Ltd.
Cash	\$ 4,230,932

c. Assets acquired and liabilities assumed at the date of acquisition

	Tachong Securities Co., Ltd.	Tachong Venture Capital Co., Ltd.
Current assets		
Cash	\$ 884,323	\$ 16,790
Financial assets at fair value through profit or loss - current	3,106,192	9,763
Margin loans receivables	2,811,369	-
Refinancing margin	1,732	-
Refinancing guarantees receivable	1,853	-
Customer margin account	179,968	-
Accounts receivable	1,951,617	-
Other receivables	80,224	-
Current tax assets	3,003	-
Other current assets	419,864	-
Total current assets	9,440,145	26,553
Noncurrent assets		
Financial assets carried at cost - noncurrent	61,348	45,112
Investment accounted for using equity method (Note)	71,963	-
Property, plant and equipment	260,542	827
Deferred tax assets	8,523	-
Other noncurrent assets	500,039	333
Total noncurrent assets	902,415	46,272
Current liabilities		
Commercial papers issued	(639,619)	-
Current financial liabilities at fair value through profit or loss	(156,702)	-
Bonds sold under repurchase agreements	(2,504,239)	-
Deposits on short sales	(162,004)	-
Financing guarantees payable	(175,413)	-

(Continued)

	Tachong Securities Co., Ltd.	Tachong Venture Capital Co., Ltd.
Futures traders' equity	(\$ 179,818)	\$ -
Accounts payable	(2,002,503)	-
Other payable	(72,571)	(833)
Current tax liabilities	(5,005)	-
Other current liabilities	(29,841)	(29)
Total current liabilities	(5,927,715)	(862)
Noncurrent liabilities		
Provisions - noncurrent	(5,182)	-
Net defined benefit liabilities - noncurrent	(189,013)	-
Guarantee deposits received	(257)	-
Total noncurrent liabilities	(194,452)	-
	<u>\$ 4,220,393</u>	<u>\$ 71,963</u>

Note: Investment accounted for using equity method is Tachong Venture Capital, a wholly-owned subsidiary of the Group after merging Tachong Securities. When preparing the Group's consolidated financial statements, all inter-company assets and liabilities were eliminated.

d. Gains from bargain purchase

(Concluded)

	Tachong Securities Co., Ltd. and Subsidiaries
Consideration transferred	\$ 4,230,932
Less: Treasury stock that Tachong Securities bought in advance from dissenters before the acquisition-date	(117,286)
Less: Fair value of acquired net identifiable assets	(4,220,393)
Gain from bargain purchase	<u>(\$ 106,747)</u>

Gain from bargain purchase from the acquisition is the difference of considerations transferred and fair value of acquired net identifiable assets. The gain from bargain purchase is recognized in profit or loss in the period. The fair value of net identifiable assets above is from report which external experts consultant proposed.

e. Net cash outflow on acquisition of subsidiaries

	Tachong Securities Co., Ltd. and Subsidiaries
Consideration paid in cash	\$ 4,113,646
Less: Cash and cash equivalent balances acquired	(901,113)
	<u>\$ 3,212,533</u>

f. Impact of acquisitions on the results of the Group

Tachong Securities was merged into Taishin Securities B after the acquisition and was no longer a segment of the Group. All operations of Tachong Securities were merged into each of the operation departments of Taishin Securities B at the date of acquisition. Therefore, the performance of the acquired entity cannot be singly measured from the date of acquisition.

Since Taishin Securities B could not simulate and determine the relevant financial assumptions and decisions of Tachong Securities before the business combination, the Group could not prepare the pro-forma revenue and profit of Taishin Securities B for the year ended December 31, 2017 assuming Tachong Securities was acquired at the beginning of the current reporting period in which the business combination occurred.

45. CASH FLOWS INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			Effect of Exchange Rate Changes	Amortization for Discount	Fair Value Adjustments	
Due to the Central Bank and banks	\$ 38,557,766	(\$ 4,600,651)	\$ -	\$ -	\$ -	\$ 33,957,115
Commercial paper payable	15,298,649	(3,085,000)	-	1,948	-	12,215,597
Other borrowings	10,315,076	1,504,427	(274,119)	-	-	11,545,384
Financial liabilities designated as at FVTPL	-	3,050,000	-	-	35,588	3,085,588
Bonds payable	64,400,000	(2,700,000)	-	-	-	61,700,000
	<u>\$ 128,571,491</u>	<u>(\$ 5,831,224)</u>	<u>(\$ 247,119)</u>	<u>\$ 1,948</u>	<u>\$ 35,588</u>	<u>\$ 122,503,684</u>

46. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of operating place which were tenanted by Taishin Bank with lease terms between 1 and 10 years.

As of December 31, 2018 and 2017, refundable deposits paid under operating leases amounted to \$233,380 thousand and \$231,842 thousand, respectively.

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31	
	2018	2017
Not later than 1 year	\$ 581,355	\$ 503,096
Later than 1 year and not later than 5 years	1,385,338	1,218,352
Later than 5 years	475,370	598,881
	<u>\$ 2,442,063</u>	<u>\$ 2,320,329</u>

b. The Group as lessor

Operating leases relate to the investment property owned by the Group with lease terms from 0.5 to 10 years. As of December 31, 2018 and 2017, deposits received under operating leases amounted to \$7,826 thousand and \$7,184 thousand, respectively.

The future minimum lease payments of non-cancellable operating leases are as follows:

	December 31	
	2018	2017
Not later than 1 year	\$ 34,678	\$ 38,797
Later than 1 year and not later than 5 years	56,547	54,038
Later than 5 years	-	854
	<u>\$ 91,225</u>	<u>\$ 93,689</u>

47. CAPITAL RISK MANAGEMENT

a. Summary

To efficiently control the capital adequacy of the Group and its subsidiaries on the premise of balancing the Group's business development and risk control, Taishin Financial Holding had codified its "principles of capital adequacy management" and compiles related information to be reported to the Asset and Liability Management Committee periodically.

The Group's goals in capital management are as follows:

- 1) To ensure the Group and its subsidiaries conform to related capital adequacy regulations and minimum basic criteria set by each industry regulatory agencies.
- 2) To ensure every subsidiary is able to meet the capital needs of operating plan and the capital requirement, as well as to reach the optimization of capital allocation within the Group.
- 3) To implement capital management, Taishin Financial Holding and its significant subsidiaries should assess capital adequacy periodically and make proper arrangement of capital structure and application of capital instruments and adjustments of asset portfolio.

b. Capital management procedures

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

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

c.

Company \ Item	December 31, 2018		
	Ownership Interest (%)	Group Eligible Capital	Group's Statutory Capital Requirement
Taishin Financial Holding		\$ 189,384,526	\$ 193,936,554
Taishin Bank	100.00	176,981,670	118,714,031
Taishin Securities B	100.00	5,912,227	2,602,493
Taishin Venture Capital	100.00	4,011,414	2,006,885
Taishin AMC	100.00	1,076,824	692,360
Taishin Securities Investment Trust	100.00	851,933	475,699
Taishin Securities Investment Advisory	92.00	326,612	175,819
Exclusive items amounts subtracted		(169,752,594)	(154,316,574)
Total		208,792,612	164,287,267
Group's capital adequacy ratio (Note)			127.09%

Company \ Item	December 31, 2017		
	Ownership Interest (%)	Group Eligible Capital	Group's Statutory Capital Requirement
Taishin Financial Holding		\$ 164,588,265	\$ 175,282,926
Taishin Bank	100	163,318,169	106,144,174
Taishin Securities B	100	6,111,554	2,193,686
Taishin Venture Capital	100	2,747,656	1,539,975
Taishin AMC	100	1,423,204	818,517
Taishin Securities Investment Trust	100	824,895	458,062
Taishin Securities Investment Advisory	92	325,893	174,128
Exclusive items amounts subtracted		(152,833,414)	(137,250,448)
Total		186,506,222	149,361,020
Group's capital adequacy ratio (Note)			124.87%

d. Financial holding company eligible capital

Item	December 31, 2018
Common stock	\$ 104,362,071
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates which comply with eligible Tier 1 capital	10,175,410
Other preferred stock and subordinated corporate bonds	15,000,000
Advance receipts for capital stock	3,996
Capital surplus	37,805,713
Legal reserve	9,115,012
Special reserve	572,115
Retained earnings	12,421,251
Equity adjustment	(71,042)
Subtracted:	
Goodwill	-
Deferred assets	-
Treasury stock	-
Total	\$ 189,384,526

Item	December 31, 2017
Common stock	\$ 99,842,620
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates which comply with eligible Tier 1 capital	7,900,547
Other preferred stock and subordinated corporate bonds	9,400,000
Advance receipts for capital stock	14,422
Capital surplus	26,453,556
Legal reserve	7,838,803
Special reserve	502,815
Retained earnings	12,762,094
Equity adjustment	(126,592)
Subtracted:	
Goodwill	-
Deferred assets	-
Treasury stock	-
Total	164,588,265

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

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

48. DISCLOSURES ACCORDING TO ARTICLE 46 OF FINANCIAL HOLDING ACT

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

Details for the balance of credit, endorsements and other transactions to the same person as of December 31, 2018 were as follows:

(In Thousands of New Taiwan Dollars; %)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
a. To the same person or the same enterprise		
Central Bank	\$ 261,061,091	149.59%
Hon Hai Precision IND, Co., Ltd.	8,724,966	5.00%
Taiwan Power Co., Ltd.	7,335,511	4.20%
CPC Corporation, Taiwan	6,042,493	3.46%
US GOVT	5,447,193	3.12%

(Continued)

(In Thousands of New Taiwan Dollars; %)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
Sprinta Inc. Taiwan Branch	\$ 4,940,000	2.83%
Tatung Co., Ltd.	4,885,119	2.80%
Bank Of China	4,822,375	2.76%
KEB Hana Bank	4,788,306	2.74%
National Australia Bank	4,247,998	2.43%
HonHan Investment Co., Ltd.	4,110,173	2.36%
The Export-Import Bank Of Korea	4,065,122	2.33%
Westpac Banking Corporation	3,857,264	2.21%
Commonwealth Bank Of Australia	3,745,934	2.15%
China Construction Bank Corporation	3,449,059	1.98%
JPMorgan Chase Bank	3,353,720	1.92%
Sun Ray Company Limited	3,134,766	1.80%
Formosa Ha Tinh (Cayman) Limited	3,073,300	1.76%
Kingston Technology Int'l Ltd	3,073,300	1.76%
Far East Horizon Ltd.	3,073,300	1.76%
Bank Of Communications	3,029,835	1.74%
Catcher Technology Co Ltd	3,001,800	1.72%
Total	\$ 353,262,625	
b. To the same person and spouse, the relative within the second degree and the person or the spouse's enterprise		
Individual A	\$ 11,789,152	6.76%
Individual B	5,095,795	2.92%
Individual C	3,235,221	1.85%
Total	\$ 20,120,168	
c. To the same related party enterprise		
Hon Hai Group	\$ 23,810,427	13.64%
Far Eastern Group	14,751,379	8.45%
CITIC Group	14,480,873	8.30%
Formosa Plastics Group	7,896,564	4.52%
Ruentex Group	7,622,857	4.37%
Taiwan Power Co., Ltd.	7,335,511	4.20%
AU Optronics (L) Corp.	7,085,656	4.06%
Evergreen Group	6,695,876	3.84%
Yulon Group	6,320,627	3.62%
YFY Inc.	6,127,392	3.51%
CPC Group	6,042,494	3.46%
Gold East Trading Co., Ltd.	5,734,403	3.29%
APL Group	5,725,265	3.28%
Tatung Group	5,625,493	3.22%
Charoen Pokphand Group	5,600,203	3.21%
Hontai Group	5,341,764	3.06%
Ting Hsin Group	5,339,806	3.06%
BOC Group	5,212,795	2.99%
Fubon Group	5,037,850	2.89%
Sports City International Inc.	4,940,000	2.83%
China Development Financial Group	4,884,956	2.80%
Kingston Technology Group	4,883,336	2.80%
Hana Financial Group	4,788,306	2.74%
Yuantan group	4,287,386	2.46%
King's town Group	4,268,560	2.45%
National Australia Bank Ltd.	4,247,998	2.43%
CBA Group	3,962,740	2.27%

(Continued)

(In Thousands of New Taiwan Dollars; %)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
Cathay Group	\$ 4,020,759	2.30%
Shanyuan Group	3,932,504	2.25%
Formosa Chemicals & Fibre Corporation	3,876,591	2.22%
ASE Group	3,720,722	2.13%
CMP Group	3,536,858	2.03%
Walsin Lihwa Corp.	3,376,286	1.93%
RGE Group	3,361,048	1.93%
ICBC Group	3,288,734	1.88%
Walsin Technology Group	3,274,010	1.88%
Yuanlih Group	3,269,950	1.87%
MS Group	3,245,841	1.86%
Union Group	3,239,349	1.86%
ANZ Banking Group	3,188,950	1.83%
CSC Group	3,166,946	1.81%
Catcher Technology Co., Ltd.	3,056,800	1.75%
Total	\$ 239,605,865	

(Concluded)

49. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

a. Summary

Fair value is the exchange price in the orderly transaction between market participants and is the amount to be received on the sale of an assets or the amount to be paid on the transfer of a liability.

Financial instruments are initially measured at fair value. In many cases, the transaction price will equal the fair value. Subsequently, the financial instruments are measured at fair value, unless the financial assets meet the criteria for being measured at amortized cost. A quoted price in an active market provides the most reliable evidence of fair value. If financial instruments have no quoted prices in an active market, the Group will use valuation techniques or refer to Bloomberg or Reuters' quotes or the fair value quoted by the counterparty.

b. The definition of three levels of fair value

- 1) Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Active markets must have the following attributes: (A) assets or liabilities traded in the market are identical, (B) the market is principal (or most advantageous), providing ease in finding buyers and sellers that are both able and willing to transact an asset sale or liability transfer; and (C) pricing information is readily available on an ongoing basis to the public.
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as price) or indirectly (i.e., value derived from price), in the active markets.
 - a) Quoted prices of similar financial instruments in active market are the Company's fair value of financial instruments if based on recent quoted price for similar financial instruments. Similar financial instruments should be decided in accordance with characteristics and transaction conditions of these instruments. Fair value of financial instruments will vary depending on factors specific to the similar asset or liability. The factors include: Prices are not current, price quotations vary substantially, transaction price between related parties, relevance of quoted price of similar instruments and the quoted price of financial instruments.

- b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c) Valuation models are used to measure fair value, and the inputs (e.g. interest rate, yield curve, and volatilities) are based on accessible data from the markets (the observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data).
- d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).
- 3) Level 3 inputs are inputs that are not available in the market. Unobservable inputs are inputs such as historical volatilities used in option pricing model. Historical volatility typically does not represent current market participants' expectations about future volatility.

c. Financial instruments measured at fair value

1) The level information of fair value

The financial instruments of the Group 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	December 31, 2018			
	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	\$ 6,389,943	\$ 4,306,258	\$ 539,667	\$ 1,544,018
Bond investments	52,012,181	29,604,323	21,035,514	1,372,344
Others	33,350,745	1,373,124	31,976,217	1,404
Financial assets at FVTOCI				
Equity investments	4,346,743	2,262,676	-	2,084,067
Bond investments	113,743,159	48,732,856	65,010,303	-
Others	218,310,346	612,287	217,698,059	-
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	3,085,588	-	3,085,588	-
Financial liabilities held for trading	489,365	489,365	-	-
<u>Derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL	24,029,726	419,729	17,286,820	6,323,177
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	1,502,120	-	1,502,120	-
Financial liabilities held for trading	24,425,601	417,626	17,796,807	6,211,168

Financial Assets and Liabilities	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurement				
Non-derivative assets and liabilities				
Assets				
Financial assets at FVTPL				
Held for trading financial assets				
Stocks and beneficiary certificates	\$ 3,803,858	\$ 3,473,823	\$ 330,035	\$ -
Bond investments	52,325,309	24,562,496	27,613,515	149,298
Others	31,738,379	43,388	31,694,991	-
Available-for-sale financial assets				
Stocks and beneficiary certificates	5,995,276	5,995,276	-	-
Bond investments	96,604,687	41,894,563	54,710,124	-
Others	205,285,544	425,595	204,859,949	-
Liabilities	659,231	659,231	-	-
Financial liabilities at FVTPL				
Derivative assets and liabilities				
Assets				
Financial assets at FVTPL	18,286,192	501,698	14,097,321	3,687,173
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	17,808,487	137,935	13,803,371	3,867,181

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 is 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 and frequently, then there is an active market for the financial instrument. If the conditions mentioned above are not met, then the market is regarded as inactive. Generally speaking, extremely high bid-ask spread, significant increase of bid-ask spread or extremely low transaction amounts are all indications for an inactive market.

The Group's financial instruments with active markets and the basis of their fair values are described as follows:

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.

Government bonds and part of interest rate derivatives

- a) 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.

b) Interest rate derivatives: The quoted price from Reuters is the fair value.

Stock-related products

The Group adopts stock market quoted prices or the last trading prices as fair values.

Except for the financial instruments with active market, fair values of other financial instruments are acquired based on valuation techniques or the quoted prices from counterparties. Fair values acquired through valuation techniques can be calculated using models based on fair values from financial instruments with similar conditions and characteristics, cash flow discount method and other valuation techniques, including accessible information on the balance sheet date such as the yield curve from the Taipei Exchange or the average quoted price from Reuters commercial papers interest rate.

When measuring financial instruments that are not standardized and with low complexity such as options without active market, the Group will adopt valuation techniques consistent with those generally used by other market participants to price financial instruments. Parameters applied for the valuation models for this type of financial instruments are observable in the market.

With regard to financial instruments with high complexity, the Group will adopt self-developed valuation techniques and methods consistent with those generally used by other market participants and valuation models to measure fair values. These types of valuation models are often applied to derivatives, embedded bond instrument or securitized products, etc. Part of parameters applied for the valuation models for this type of financial instruments are not observable in the market. Therefore, the Group makes appropriate estimates based on assumptions.

Valuation of derivatives is based on valuation models consistent with those generally used by other market participants, such as the discount rate method or the option pricing models.

Valuation of investments in equity instruments is based on generally used valuation methods, which are consistent with those described in the Statements of Valuation Standards (SVS) No. 11 - "Business Valuation", such as the asset based approach and the market approach (which is comparable to the market approach).

3) Adjustments of fair values

a) Limits of valuation models and indeterminate input value

Valuation models generate estimated approximate values. That is, valuation techniques may not be able to reflect all the factors relevant to the performance of the Group's financial instruments. Thus, results generated by valuation models are adjusted appropriately by using additional parameters, such as determinants of fair value (prevailing economic conditions, financial condition of counterparties to financial instruments, etc.) or assumptions and forecasts (future economic conditions, amount and pricing of future cash flows, etc.). Based on Taishin Financial Holding's valuation basis manual and model management policies, the price information and parameters used in the valuation process are carefully assessed and appropriately adjusted in accordance with actual market conditions.

b) Credit risk value adjustments

Credit risk value adjustments are mainly classified into credit value adjustments (CVA) and debit value adjustments (DVA), described as follows:

The CVA is an adjustment to the valuation of derivative contracts made in decentralized market, which is the Over the counter (OTC) market, to reflect within fair value the possibility that the counterparty may default and that the Group may not receive the full market value of the transactions.

The DVA is an adjustment to the valuation of derivative contracts made in decentralized market, which is the Over the counter (OTC) market, to reflect within fair value the possibility that the Group may default, and that the Group may not pay the full market value of the transactions.

The Group would calculate CVA by assessing probability of default (PD) and loss given default (LGD) of the counterparty before multiplying by exposure at default (EAD) of the counterparty. On the contrary, DVA is computed by applying probability of default of the Group and considering loss given default of the Group before being multiplied by exposure at default of the Group.

The Group manages PD through its regular internal rating review. After examining the experiences of foreign financial institutions, the Group adopted 60% as its LGD and chose the marking to market of OTC derivative instruments to determine EAD. In addition, in calculating the fair values of financial instruments, the Group took credit risk rating adjustments into consideration to reflect competitors' credit risk and the Group's credit quality, respectively.

4) The transfer between Level 1 and Level 2

Based on an internal risk control management policy, some of the New Taiwan dollar Central Government Bonds were determined as bond instrument investments with no active market. Thus, the bond amounts of \$809,642 thousand and \$6,446,554 thousand for the years ended December 31, 2018 and 2017, respectively, were transferred from Level 1 to Level 2.

5) Reconciliation of Level 3 financial assets

For the Year Ended December 31, 2018								
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	\$ 5,291,410	\$ 1,964,626	\$ -	\$ 2,097,272	\$ -	(\$ 112,365)	\$ -	\$ 9,240,943
Financial assets at FVTOCI	1,997,846	-	100,115	9,197	-	(23,091)	-	2,084,067
Total	\$ 7,289,256	\$ 1,964,626	\$ 100,115	\$ 2,106,469	\$ -	(\$ 135,456)	\$ -	\$ 11,325,010

Note: No transfer from Level 3.

For the Year Ended December 31, 2017								
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	\$ 12,337,492	(\$ 5,097,005)	\$ -	\$ 268,549	\$ -	(\$ 3,672,565)	\$ -	\$ 3,836,471
Available-for-sale financial assets	762,156	(478)	(5,322)	-	-	(756,356)	-	-
Total	\$ 13,099,648	(\$ 5,097,483)	(\$ 5,322)	\$ 268,549	\$ -	(\$ 4,428,921)	\$ -	\$ 3,836,471

Note: No transfer from Level 3.

Valuation gains (losses) above recognized in current profits or losses in the amounts of \$1,971,879 thousand and \$(5,033,160) thousand were attributed to gains (losses) on assets owned for the years ended December 31, 2018 and 2017, respectively.

Valuation gains (losses) above recognized in other comprehensive income in the amounts of \$89,414 thousand and \$0 thousand were attributed to gains (losses) on assets owned during years ended December 31, 2018 and 2017, respectively.

Reconciliation of Level 3 financial liabilities:

For the Year Ended December 31, 2018							
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	\$ 3,867,181	\$ 2,008,522	\$ 438,512	\$ -	(\$ 103,047)	\$ -	\$ 6,211,168

Note: No transfer from Level 3.

For the Year Ended December 31, 2017							
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	\$ 12,676,214	(\$ 5,197,365)	\$ 60,140	\$ -	(\$ 3,671,808)	\$ -	\$ 3,867,181

Note: No transfer from Level 3.

Valuation gains (losses) above recognized in current profits or losses in the amounts of \$(2,017,247) thousand and \$5,165,813 thousand were attributed to gains (losses) on liabilities owned during years ended December 31, 2018 and 2017, respectively.

6) The quantification information measured by fair value of significant unobservable inputs (Level 3)

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

The quantification information of significant unobservable inputs was as follows:

	Fair Value on December 31, 2018	Valuation Technique	Significant Unobservable Inputs	Range of Estimate	Relationship Between Inputs and Fair Value
<u>Non-derivative financial instruments</u>					
Financial assets at FVTPL					
Financial assets mandatorily classified as at FVTPL					
Credit-linked securities	\$ 1,372,344	Credit spread default model/cash flow discount method	Credit spread	0% ~ 2%	The higher the credit spread, the lower the fair value.
Equity investments	1,176,733	Assets method	Discount for lack of marketability	10% ~ 30%	The higher the discount for lack of marketability, the lower the fair value
	329,903	Market method	Discount for lack of marketability	10% ~ 50%	The higher the discount for lack of marketability, the lower the fair value
	37,382	Revenue method	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value
Investment agreements	1,404	Revenue method	Discount for lack of marketability	10% ~ 20%	The higher the discount for lack of marketability, the lower the fair value
Financial assets at FVTOCI					
Equity investments	1,894,337	Assets method	Discount for lack of marketability	10% ~ 30%	The higher the discount for lack of marketability, the lower the fair value
	189,371	Market method	Discount for lack of marketability	10% ~ 30%	The higher the discount for lack of marketability, the lower the fair value

(Continued)

	Fair Value on December 31, 2018	Valuation Technique	Significant Unobservable Inputs	Range of Estimate	Relationship Between Inputs and Fair Value
<u>Derivative financial instruments</u>					
Financial assets at FVTPL					
Interest rate swaps	\$ 895,115	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 options	2,324	Option pricing model	Volatility rate	5% ~ 40%	The higher the volatility rate, the higher the fair value.
Structured foreign-exchange options	490	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	680,109	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	7,035	Credit spread default model/cash flow discount method	Credit spread	0% ~ 2%	The higher the credit spread, the lower the fair value.

(Concluded)

	Fair Value on December 31, 2017	Valuation Technique	Significant Unobservable Inputs	Range of Estimate	Relationship Between Inputs and Fair Value
<u>Non-derivative financial instruments</u>					
Financial assets at FVTPL					
Credit-linked bonds	\$ 149,298	Credit spread default model/cash flow discount method	Credit spread	0% ~ 2%	The higher the credit spread, the lower the fair value.
<u>Derivative financial instruments</u>					
Financial assets at FVTPL					
Interest rate swaps	755,122	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 options	7,375	Option pricing model	Volatility rate	5% ~ 40%	The higher the volatility rate, the higher the fair value.
Equity-linked swaps	411	Option pricing model/cash flow discount method	Volatility rate	5% ~ 40%	The higher the volatility rate, the higher the fair value.
<u>Derivative financial liabilities</u>					
Financial liabilities at FVTPL					
Interest rate swaps	855,411	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	13,707	Credit spread default model/cash flow discount method	Credit spread	0% ~ 2%	The higher the credit spread, the lower the fair value.

7) The assessment of fair value based on Level 3 inputs

The financial instruments assessment group of the Group's department of risk management is responsible for independently verifying fair value, using an impartial, reliable source of information, so that the evaluation results reflect market status closely, same with other resource and representing executable price calibrating the

assessment model regularly, and updating input values, information and any other information needed to ensure that the assessment model results are reasonable.

The department of finance and the department of risk management set assessment policies and procedures for determining the fair values of financial instruments and ensure that these policies and procedures are in compliance with IFRS.

d. Not measured at fair value

1) Fair value information

In addition to the items listed below, the Group's assets that are not measured at fair value - such as cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resale agreements, receivables, other financial assets, loans, due to the Central Bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, deposits and remittances, bonds payable, other borrowing and other financial liabilities - have carrying amounts that are equal to, or reasonably approximate, their fair values.

	December 31			
	2018		2017	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets				
Debt instruments at amortized cost	\$ 3,081,240	\$ 3,082,027	\$ -	\$ -
Held-to-maturity financial assets	-	-	6,095	6,115

2) The information on fair value level

Assets and Liabilities	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets				
Debt instruments at amortized cost	\$ 3,082,027	\$ -	\$ 3,082,027	\$ -

Assets and Liabilities	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	\$ 6,115	\$ -	\$ 6,115	\$ -

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) Loans (including delinquent loans)

The Group's loan interest rate is usually determined based on the prime rate plus or minus basic points (i.e. the floating rate), which reflects the market interest rate. The expected recovery of loans is taken into consideration. Therefore, loans are disclosed at their carrying amounts.

Medium and long-term loans, which are determined at fixed rates and account for a minor proportion of loans, are disclosed at their carrying amounts.

c) Held-to-maturity financial assets: Refer to Note 49. c. for related information.

d) Financial assets carried at cost

Since the fair value of financial assets carried at cost cannot be reliably measured, the carrying amount is disclosed instead of fair value.

e) Deposits

Considering that most of the banking transactions are within one year of maturity, deposits are disclosed at their carrying amounts.

f) 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.

g) Investments in debt instruments at amortized cost: Refer to Note 49. c. for related information.

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.

December 31, 2018						
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	\$ 14,673,387	\$ -	\$ 14,673,387	\$ 11,553,238	\$ 804,503	\$ 2,315,646

Note: Including net settlement and non-cash collateral.

December 31, 2018						
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	\$ 20,915,361	\$ -	\$ 20,915,361	\$ 11,553,238	\$ 7,715,418	\$ 1,646,705

Note: Including net settlement and non-cash collateral.

December 31, 2017						
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	\$ 12,045,587	\$ -	\$ 12,045,587	\$ 8,600,678	\$ 1,705,377	\$ 1,739,532

Note: Including net settlement and non-cash collateral.

December 31, 2017						
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	\$ 15,053,483	\$ -	\$ 15,053,483	\$ 8,600,678	\$ 3,638,329	\$ 2,814,476

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.

December 31, 2018		
Financial Assets	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Financial assets at FVTPL repurchase agreement	\$ 45,695,690	\$ 44,876,374
Financial assets at FVTOCI repurchase agreement	41,549,227	38,169,460

December 31, 2017		
Financial Assets	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Financial assets at FVTPL repurchase agreement	\$ 30,505,669	\$ 30,327,153
Available-for-sale financial assets repurchase agreement	52,490,950	46,367,912

Financial Risk Management Objectives and Policies

a. Summary

The Group's goal in risk management is to balance the risks and returns by giving consideration to business operation, overall risk taken, and external legal restrictions. The major risks the Group sustains includes in- and off-balance-sheet credit risks, market risks (including interest rate, exchange rate, equity security prices, credit spread and commodity price risks) and liquidity risks.

Taishin Financial Holding has rules for risk management policies and risk control procedures, which had been approved by the board of directors or Risk Management Committee, 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 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 control environment.

c. Market risk

1) The source and definition of market risk

Market risk is the uncertainty of changes in fair value of in- and off-balance-sheet financial instruments due to changes in market risk factors. Market risk factors include interest rates, exchange rates, equity security prices, credit spreads and commodity prices.

The major market risks of the Group are equity securities price risks, credit spread risks, interest rate risks, and exchange rate risks. The main position of equity securities risk includes domestic public, OTC, and emerging market stocks, domestic stock index options and stock index futures. The main position of credit spread risk includes the credit derivatives, such as credit default swaps. The main position of interest rate risk includes bonds and interest derivative instruments, such as interest rate swap. The main position of exchange rate risk includes the Group's investments denominated in foreign currencies, such as foreign currency spots and foreign currency options.

2) Market risk management policy

Taishin Financial Holding's risk management policy was approved by the board of directors and is the highest guidance and principle of risk management.

Risk management policy clearly defines the risk management procedures for risk identifying, risk measuring, risk controlling and risk reporting, which are executed by risk management department independent of trading and other departments. The risk management department develops management principles for different businesses and for various aspects of market risk management based on the risk management policy. It establishes market risk management system and regulates market risks, risk limits and stress tests of various financial assets.

3) Market risk management procedures

a) Identifying risks and measuring possible effects

The Group's risk management department identifies the exposures of positions or new financial instruments to market risks and measures the gains and losses on positions held due to changes in market risk factors based on standards; the risk management department calculates price sensitivity and gains and losses on positions are recorded in trading books daily; and calculates the maximum potential losses recorded in each trading book monthly. The Group wants to avoid tremendous losses that will harm the Group's operations due to overwhelming changes in market risk factors.

b) Controlling of risk and reporting of issues

The Group controls market risk by managing risk limits. The risk management department sets various trading limits, such as position limits, stop-loss limits, and maximum potential loss. The trading limits are implemented only after they are reported to and approved by the board of directors.

The risk management department calculates exposures and estimated gains and losses on positions daily to make sure that the positions held and losses do not exceed the limits approved by the board of directors and prepares reports to the high-level management and the board of directors periodically for their sufficient understanding of the implementation of the market risk management work and, if necessary, issuance of additional guidance.

The risk management department reports important market risk issues, such as discovery of possible loss on positions in each trading book or identification of weakness in the market risk management system, to the Risk Management Committee in order to improve the effectiveness of the market risk management.

4) Trading book market risk management

Based on the related risk management standards, the Group classifies financial instruments into trading books and banking books according to the purpose of holding the instruments and manages them with different methods. Trading book position consists of trading purpose financial instruments or commodities held to hedge positions in trading books. A position, such as self-run position or position produced by matched principal brokering or market making, is for trading purpose if it is intended to be sold within a short period; profit can be earned from actual or expected short-term price fluctuations which are the reasons for dealing, matched principal brokering or market making position.

Principles of trading book market risk management are as follows:

a) Management strategy

The goal of trading book market risk management is to pursue maximum return on capital, meaning maximizing the capital usage efficiency to improve stockholders' interest.

In order to control market risks, the risk management department sets risk limits for various investment portfolio based on trading strategies, category of trading products and annual profit goals in order to control exposure to risks on positions and losses.

b) Management principles

The Group stipulated "Principles of Market Risk Limit Management" to manage trading book limits.

c) Valuation gains and losses

If objective prices of financial instruments in various trading books exist in open market, such as trading prices, gains and losses on positions are valued in accordance with the market prices by the risk management department. If fair value data is inaccessible, the risk management department will cautiously adopt verified mathematical models to value gains and losses and review the assumptions and parameters of the valuation models periodically.

d) Risk measuring methods

The methods applied by the risk management department in measuring market risks are as follows:

- i. Measure the price sensitivity of various risk factors (i.e. Greeks), such as the effect on the valuations of foreign currency position of a 1% change in exchange rate or the effect on option position valuation due to changes in Greeks.
- ii. Refer to item 10 for the risk assumptions and calculation methods.
- iii. Measure potential losses resulting from extreme market volatility in order to assess capital adequacy and essential position adjustments.

5) Trading book interest rate risk management

a) Definition of interest rate risk

Interest rate risk is fair value changes in interest rate risk position held by the Group due to interest rate changes. The risks are mainly in debt securities and interest rate derivatives.

b) Measuring 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 so as to control losses.

6) Exchange rate risk management

a) Definition of exchange rate risk

Exchange rate risk is the gain or loss resulting from exchange or translation of two different foreign currencies at different times. The Group's exchange rate risk mainly comes from spot and forward exchange positions and forward exchange options.

b) Measuring 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. And 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 so as 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) Measuring 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 so as 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) Measuring 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 so as to control losses.

9) Banking book interest rate risk management

Taishin Bank

Banking book interest rate risk involves bonds and bills and their hedge position, 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) Measuring 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.

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 distribution.

b) Value at risk, "VaR"

Taishin Bank uses variety of methods to control market risk; the VaR is one of them. Taishin Bank is using risk model to assess the value of trading portfolios and potential loss amount of holding positions. VaR is Taishin Bank's important internal risk control system, and the board of directors reviews and establishes trading portfolio's limits annually. Actual exposures of Taishin Bank are monitored daily by risk management.

VaR is used to estimate adverse market potential loss of existing positions. The VaR model uses historical simulation method, a one-year historical observation period, the estimate of 99% confidence interval, the maximum possible amount of loss holding positions for one day, and the probability that actual losses may exceed the estimate.

	For the Year Ended December 31, 2018			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 6,578	\$ 21,825	\$ 2,685	\$ 4,529
Interest rate VaR	76,186	122,889	26,572	29,170
Equity securities VaR	20,592	35,078	9,752	13,781
Credit spread VaR	3,541	9,998	73	9,947
Value at risk	74,143	117,657	28,241	33,807

	For the Year Ended December 31, 2017			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 11,542	\$ 33,884	\$ 3,565	\$ 9,248
Interest rate VaR	66,808	120,284	27,207	106,934
Equity securities VaR	22,461	35,690	9,700	10,276
Value at risk	66,187	117,349	33,638	105,728

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 57.

Taishin Securities B

VaR is the potential highest loss for a period within certain confidence interval. For the years ended December 31, 2018 and 2017, Taishin Securities B's VaR factors were as follows:

	For the Year Ended December 31, 2018			
	Average	Highest	Lowest	Ending Balance
Value at risk (VaR)	\$ 43,455	\$ 58,580	\$ 26,642	\$ 55,019

	For the Year Ended December 31, 2017			
	Average	Highest	Lowest	Ending Balance
Value at risk (VaR)	\$ 31,624	\$ 41,461	\$ 18,575	\$ 35,644

d. Credit risk

1) Source and definition

Credit risk means the possible loss due to failure of debtors or counterparties to fulfill their contractual obligations or their ability of fulfill contractual obligations is impaired. Credit risk arises from the operation, on- and off-balance-sheet items, including credit loans, derivatives transactions and securities investment, etc. Because the business becomes more complex, the credit risk is often generated with other risks that affect one another. For example, exchange rate risk also exists in foreign currency debt investment. Secured loans will be affected by the price volatility on the collateral and market liquidity risk of the collateral.

Credit risk can be divided into the following categories based on the object and nature of business:

a) Credit risk

Credit risk is the risk that a borrower is unable to pay its debt or fulfill its debt commitments in credit loans operation.

b) Issuer (guarantor) risk of the underlying issue

It is the credit risk that stock issuers go into liquidation or are unable to pay back money when debt, bills and other securities mature.

c) Counterparty risk

It is the credit risk that the counterparty undertaking OTC derivatives or RP/RS transactions are unable to fulfill settlement obligations.

Counterparty risk is also divided into settlement risk and pre-settlement risk.

i. Settlement risk

It is the loss resulting from the counterparty failing to deliver goods or other money on the settlement date when the Group had fulfilled settlement obligations.

ii. Pre-settlement risk

It is the loss resulting from the counterparty failing to fulfill settlement or pay the obligations and from changes in market prices before the settlement date.

d) Other credit risks

Country risk, custodian risk and brokers risk, etc.

2) Credit risk management policies

Taishin Bank

To ensure its credit risk under control within the tolerable range, Taishin Bank has stipulated in the guidelines for risk management that for all the products provided and businesses conducted, including all on- and off-balance-sheet transactions in the banking and trading books, Taishin Bank should make detailed analyses to identify existing and potential credit risks. Before launching new products or businesses, Taishin Bank ensures compliance with all applicable rules and regulations and identifies relevant credit risks. For sophisticated credit extensions, such as accounts receivable factoring and credit derivative instruments, Taishin Bank also establishes risk management system described in the related rules and guidelines.

Unless the assessment of asset qualities and provision for potential losses of the overseas business department is regulated by the local authorities, it is in accordance with Taishin Bank's risk management policies and guidelines.

The measurement and management procedures of credit risks in Taishin Bank's main businesses are as follows:

a) Credit granting business (including loans and guarantees)

Classification of credit assets and level of credit quality are summarized as follows:

i. Credit risk rating

For risk management purposes, Taishin Bank rates credit qualities (by using internal rating models for credit risk or credit score tables) in accordance with the nature and scale of a business.

The credit risk rating system is internal rating based on the definition of Basel II of internal rating method (IRB). It covers operation procedures, methodology, control mechanism, information system and data collection, which is used to assist risk assessment, rating approval and loss assessment.

The corporate finance department's internal rating adopts two aspects. One is obligor risk rating (ORR) and the other is Facility Risk Rating (FRR). ORR is used to assess the possibility of the debtor performing financial commitments, which is a quantitative value based on the probability of default (PD) within one year. FRR is used to assess the effect of rating structures and collateral conditions on credit rating, which is a quantitative value based on loss given default (LGD). At the same time, experts also engage in judging and adjusting the rating overrides of statistic models to make up the shortage of the model.

The consumer finance department's internal rating system adopts product characteristic and debtor condition (such as new case or behavior grading) as the basis of segmentation. It is to ensure that the same pools of debtors and risk exposure are homogeneous. At the same time, review of loans based on experts' override is complemented to make up the shortage of the model.

ii. The measurement of ECLs

At the end of the reporting period, Taishin Bank evaluates the risk of default occurring over the expected life of loans, to determine if the credit risk has increased significantly since original recognition. In order to perform this evaluation, Taishin Bank considers the information regarding whose credit risk has significantly increased since the respective loan's initial recognition as well as corroborative information (including forward-looking information). The key indicators include quantitative indicators such as changes in internal and external credit ratings, overdue conditions (such as being more than one month overdue), etc., as well as qualitative indicators such as a worsening of debt paying ability, unfavorable changes in operating financial and economic conditions and significant increases in credit risk of borrowers' other financial instruments. At the end of the reporting period, Taishin Bank assumes that the credit risk has not increase significantly for those whose credit risk is determined to be low.

Taishin Bank has the same definition of default on credit assets and credit impairment. The evidence of credit losses on financial assets includes overdue conditions (e.g. past due for more than three months) and significant financial distress of the borrower. The definitions of default and credit impairment are consistent with the definitions of the financial assets for the purpose of internal credit risk management, which are also used in the relevant impairment assessment model.

In order to assess the ECLs, the loans will be assessed in groups based on the nature of the products, borrowers' credit ratings and collateral, and the Group takes into consideration each borrower's probability of default (PD), loss given default (LGD) and exposure at default (EAD) for the next 12 months and for the lifetime of the loan and considers the impact of the monetary time value in order to calculate the ECLs for 12 months and for the lifetime of the loan, respectively.

The PD and LGD used in the impairment assessment are based on internal historical information (such as credit loss experience) of each combination and are calculated based on current observable data and forward-looking general economic information.

Taishin Bank assesses the EAD, PD and LGD using the current exposure method, the group estimating method and the recovery rate adjustment method, respectively. When assessing internal credit ratings, the Group takes factors into account to adjust PD as follows: It considers the respective borrower's future financial and business prospect, guarantors, stockholders and group background, as well as the forward-looking effects of environmental changes in the economy, markets and regulations in corporate finance; and it considers overall economic indicators (e.g. gross domestic product (GDP)) that are adjusted according to the asymptotic single risk factor (ASRF) model.

There was no significant change in valuation techniques and major assumptions used to assess the expected credit losses of the loans by Taishin Bank in 2018.

In addition to the aforementioned assessment procedures, which classify loans in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, the loans are classified into five categories for evaluation. Except for normal loans, the remainder are classified into the first category. After the assets are assessed on the basis of the guarantee status of the claims and the length of the time overdue, they are respectively classified within the remaining categories according to the probability of recovery as follows: The second category is for notable assets; the third category is for assets which are expected to be recovered; the fourth category is for assets which will be difficult to recover; and the fifth category is for assets for which recovery is considered hopeless. The highest values of the aforementioned evaluation results are taken to measure the allowance loss.

In order to manage problematic loans, procedures are adopted for the reorganization of loan loss provisions, the allowance for bad debt or guarantee liability provisions, the measurement of overdue loans and the collection of default loans. In the management of loans, Taishin Bank is also guided by the Regulations Governing the Procedures for Corporation Credit Businesses to Evaluate Assets and Deal with Non-performing Assets, Measures for Corporation Credit Businesses to Be Taken When Credit Extensions Become Past Due and Regulations Governing Collection Procedures, Regulations Governing the Procedures for Consumer Finance to Evaluate Assets and Deal with Non-performing Assets, Regulations Governing the Procedures for Overdue Loans, Non-accrual Loans and Doubtful Loans.

iii. Write-off policy

Overdue loans and non-accrual loans for which one of the following events have occurred should have the estimated recoverable amount deducted and should then be written off as bad debts.

- The debtor may not recover all or part of the obligatory claim due to dissolution, escape, settlement, bankruptcy or other reasons.
- The appraisal of the collateral, the property of the principal debtor and the surety is low, or the amount of the loan's priority is deducted, or the collection implementation costs may approach or exceed the amount that Taishin Bank can repay, or the loan is not able to be collected.
- The property of the principal debtor and the surety were auctioned off at multiple auctions, no one was required to buy it and Taishin Bank did not bear the benefit.
- Overdue loans and non-accrual loans which have been overdue for more than two years have been collected but have not been received.

However, for overdue loans and non-accrual loans which have been overdue for more than three months but less than two years, after the collection has not been recovered and after deducting the recoverable portion, the remainder will be written off as bad debts.

Loans are written off in accordance with relevant regulations and procedures; the activities of the principal debtor and the surety from obligatory claims shall still be monitored by the relevant business department. If there is property that is available for execution, the Group shall sue according to the relevant laws.

If an evaluation determines that there is no benefit to be gained from the collection activities described in the preceding paragraph, such shall be reported to and approved by the board of directors, and the debt shall no longer be posted in the accounts and subject to control; however, such debt shall continue to be recorded in registry books for acknowledgement.

b) Due from and call loans to banks

Taishin Bank evaluates the credit status of counterparties before deals are closed. Taishin Bank grants different limits to the counterparties based on their respective credit ratings as suggested by external qualified credit rating institutes.

c) Security investment and financial derivatives transaction

Regarding the credit risk of security investments and financial derivatives, Taishin Bank manages the risk by internal credit rating of issuers, issued underlying, counterparties, and by external credit rating of debt instruments and counterparties or status of regions/countries.

The other banks with which Taishin Bank conducts derivative transactions are mostly considered investment grade. The credits extended to counterparties that are not rated as investment grade are assessed case by case. 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, so as to determine whether there has been a significant increase in credit risk since initial recognition. In order to make this assessment, the Group considers reasonable indicators of a significant increase in credit risk since initial recognition and corroborative information (including forward-looking information). The main indicators include quantitative indicators, such as external credit ratings, qualitative indicators, such as weakening solvency from adverse changes in operating, financial and economic conditions, and a significant increase in credit risk of the issuer's other financial instruments. Where the Group determines that the credit risk is low as of the reporting date, it will assume that the credit risk will not have a significant increase.

The Group defines default of investments in debt instruments and credit impairment the same. Evidence of financial asset credit impairment includes external credit ratings and the issuers experiencing severe financial difficulties. The definitions of default and credit impairment apply to the relevant impairment assessment model.

Based on credit assessment charts, the Group manages the internal and external credit assessment of debt instruments according to Moody's long-term credit ratings. Credit risk is significant increase if:

- i. The rating is over Baa3 on the initial recognition date, and the rating is lower than Ba1, not including ratings of Ca-D on the measurement date.
- ii. The rating is Ba1-Ba3 on the initial recognition date, and the rating is downgraded to B1-Caa3 on the measurement date.
- iii. The rating is B1-Caa3 on the initial recognition date.

A loan is considered to have been defaulted on if the rating is Ca-D on the measurement date.

The trading department should monitor the credit position of investments in debt instruments. Once it knows that the issuer, guarantor or issued underlying has a credit event (such as a downgrade of credit ratings to non-

investment grade, a discharge or a default), it should notify the relevant department immediately and dispose of the investments in debt instruments.

In order to assess the purpose of the ECLs, debt instruments are assessed by grade based on their credit rating. In order to measure the ECLs, the default probability of the issuers is considered, the PD, LGD, EAD for the next 12 months and over the full lifetime of the debt instruments shall be considered, and the impact of the time value of money shall be considered. From this, the 12-month and full-lifetime ECLs shall be calculated separately.

The Group assesses the EAD of investments in debt instruments using the current exposure method (CEM) and adopts external rating information, PD and LGD which are announced periodically by international credit rating agencies (S&P and Moody's), to calculate the ECLs.

Due to international credit rating agencies already considering the prospective information, it is appropriate to assess such information and then include it in the assessment of the related ECLs of the Group.

The Group evaluated that the assessment techniques or material assumptions of the ECLs of investments in debt instruments had no material change in 2018.

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 2018.

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.

The following table details lease receivables based on the Group's provision matrix using the simplified approach.

	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	0.98%	13.79%	43.00%	74.87%
Amount of exposure	20,199,727	199,025	107,313	105,298
Loss allowance	197,242	27,438	46,141	78,841

When lease receivables are recognized as bad debt because it cannot be recovered or it is 360 days or more past due, the relevant regulations will be followed for recourse.

3) Credit risk hedging or mitigation policies

Taishin Bank

a) Collateral

Taishin Bank has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collateral from the borrowers. To secure the loans, Taishin Bank manages and assesses the collateral following

the procedures that suggest the scope of collateralization and valuation of collateral and the process of disposition. In credit contracts, Taishin Bank stipulates the security mechanism for loans and the conditions and terms for collateral and offsetting to state clearly that Taishin Bank reserves the right to reduce granted limit, to reduce repayment period, to demand immediate settlement or to offset the debt of the borrowers with their deposits in Taishin Bank in order to reduce the credit risks.

The requirements for collateral for other non-credit businesses depend on the nature of the financial instruments. Asset-backed securities and similar financial instruments are required to provide a pool of underlying financial assets as collateral.

The following table details the collateral of credit-impaired financial assets.

	Gross Carrying Amount	Impairment under IFRS 9	Proportion of Loans/ Collateral (Note)
Personal housing loans	\$ 3,919,181	\$ 2,095,385	41.92%
Business guaranteed loans	412,140	312,709	105.21%
Others	6,948,217	1,765,234	
Total	\$ 11,279,538	\$ 4,173,328	

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

b) Credit risk concentration limits and control

To avoid the concentration of credit risks, Taishin Bank has included credit limits for the same person (entity) and for the same related-party corporation (group) based on the credit risk arising from loans, securities investment and derivatives transactions.

Meanwhile, for trading and banking book investments, Taishin Bank has set a ratio, which is the credit limit of a single issuer in relation to the total security position. Taishin Bank has also included credit limits for a single counterparty and a single group.

In addition, to manage the concentration risk on the financial assets, Taishin Bank has set credit limits by industry, conglomerate, country and transactions collateralized by stocks, 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 corporation, industries, nations.

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

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.

As of December 31, 2018 and 2017, the maximum exposure to credit risk (excluding the maximum risk exposure of guarantees or other credit enhancement instruments) was as follows:

Taishin Bank

Financial Instrument Type	December 31	
	2018	2017
Guarantees	\$ 17,625,098	\$ 19,163,136
Letters of credit	3,165,453	3,370,379
Unused loan commitments (excluding credit card)	596,539,048	551,044,307
Unused loan commitments (credit card only)	15,528,520	15,111,619

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.

The Group's information on prominent concentration of credit risk was as follows:

Taishin Bank

Industry Type	December 31			
	2018		2017	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Manufacturing	\$ 134,464,351	13	\$ 130,271,321	13
Wholesale and retailing	51,093,346	5	52,639,076	5
Finance and insurance	94,698,417	9	87,017,168	9
Real estate and leasing	81,366,065	8	74,459,011	8
Service	13,905,682	1	15,644,664	2
Individuals	616,857,683	60	579,970,518	60
Others	40,100,413	4	32,868,327	3
	<u>\$ 1,032,485,957</u>		<u>\$ 972,870,085</u>	

Industry Type	December 31			
	2018		2017	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Asia	\$ 944,529,326	91	\$ 897,039,195	92
Europe	5,951,181	1	2,362,066	-
America	3,656,626	-	162,558	-
Others	78,348,824	8	73,306,266	8
	<u>\$ 1,032,485,957</u>		<u>\$ 972,870,085</u>	

6) Financial assets credit quality and nonperforming impairment analysis

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.

Except for those mentioned above, the credit quality of Taishin Bank's remaining financial assets were analyzed as follows:

Taishin Bank - December 31, 2018

Based on risk ratings, the amount of credit risk exposure at each stage of expected credit losses on December 31, 2018 is as follows:

December 31, 2018				
	12-month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Loans				
Consumer finance				
Excellent	\$ 568,339,583	\$ 14,211,558	\$ -	\$ 582,551,141
Good	7,733,224	312,823	-	8,046,047
Acceptable	-	120,333	-	120,333
Default	-	-	8,431,383	8,431,383
Corporation finance				
Excellent	227,727,826	-	-	227,727,826
Good	201,662,540	-	-	201,662,540
Acceptable	450,772	2,979,598	-	3,430,370
Default	-	-	516,317	516,317
Total	\$ 1,005,913,945	\$ 17,624,312	\$ 8,947,700	\$ 1,032,485,957
Receivables (including non-performing receivables transferred, other than those from loans)				
Consumer finance				
Excellent	\$ 52,529,146	\$ 38,890	\$ -	\$ 52,568,036
Good	209,520	1,135	-	210,655
Acceptable	-	60,529	-	60,529
Default	-	-	2,066,502	2,066,502
Corporation finance				
Excellent	48,381,583	-	-	48,381,583
Good	6,469,046	-	-	6,469,046
Acceptable	504,886	2,781,596	-	3,286,482
Default	-	-	265,336	265,336
Others	-	17,294,053	-	17,294,053
Total	\$ 108,094,181	\$ 20,176,203	\$ 2,331,838	\$ 130,602,222
Debt instruments at FVTOCI				
Excellent	\$ 332,053,505	\$ -	\$ -	\$ 332,053,505
Debt investments at amortized cost				
Excellent	\$ 3,082,433	\$ -	\$ -	\$ 3,082,433
Financial guarantees				
Excellent	\$ 16,385,985	\$ -	\$ -	\$ 16,385,985
Good	4,316,805	-	-	4,316,805
Acceptable	-	72,601	-	72,601
Default	-	-	15,160	15,160
Total	\$ 20,702,790	\$ 72,601	\$ 15,160	\$ 20,790,551
Loan commitments				
Excellent	\$ 940,560,110	\$ 150,574	\$ -	\$ 940,710,684
Good	124,953,112	-	-	124,953,112
Acceptable	2,503,502	985,724	-	3,489,226
Default	-	-	69,963	69,963
Total	\$ 1,068,016,724	\$ 1,136,298	\$ 69,963	\$ 1,069,222,985

a) Credit quality analysis of loans and receivables (including non-performing receivables transferred from other than loans)

Item	December 31, 2017										
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
	Excellent	Good	Acceptable	Non-ratings	Subtotal (A)				Objective Evidence of Impairment	Nonobjective Evidence of Impairment	
In-balance-sheet items											
Receivables (including non-performing receivables transferred, from other than loans)	\$ 86,865,373	\$ 9,731,059	\$ 477,517	\$ 16,644,013	\$ 113,717,962	\$ 655,798	\$ 5,917,605	\$ 120,291,365	\$ 1,732,857	\$ 595,496	\$ 117,963,012
Loans	757,644,402	193,711,013	7,585,213	-	958,940,628	259,894	13,669,563	972,870,085	6,359,768	6,283,107	960,227,210

b) Credit quality analysis of loans neither past due nor impaired based on credit ratings of clients

Item	December 31, 2017				
	Neither Past Due Nor Impaired				
	Excellent	Good	Acceptable	Non-ratings	Total
Consumer finance	\$ 543,973,802	\$ -	\$ 7,372,213	\$ -	\$ 551,346,015
Corporation finance	213,670,600	193,711,013	213,000	-	407,594,613
Total	\$ 757,644,402	\$ 193,711,013	\$ 7,585,213	\$ -	\$ 958,940,628

c) Credit quality analysis of non-credit financial assets

Item	December 31, 2017										
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
	Excellent	Good	Acceptable	Non-ratings	Subtotal (A)				Objective Evidence of Impairment	Nonobjective Evidence of Impairment	
Call loans to banks	\$ 13,966,515	\$ -	\$ -	\$ -	\$ 13,966,515	\$ -	-	\$ 13,966,515	\$ -	\$ -	\$ 13,966,515
Securities purchased under resale agreements	7,114,843	-	-	-	7,114,843	-	-	7,114,843	-	-	7,114,843
Available-for-sale financial assets											
Bills	205,285,544	-	-	-	205,285,544	-	-	205,285,544	-	-	205,285,544
Bonds and beneficiary securities	97,371,971	-	-	-	97,371,971	-	-	97,371,971	-	-	97,371,971
Held-to-maturity financial assets											
Bonds	-	-	-	6,095	6,095	-	-	6,095	-	-	6,095
Financial assets carried at cost											
Stocks	-	-	-	-	-	-	104,494	104,494	20,949	-	83,545

7) Aging analysis of financial assets of Taishin Bank that are past due but not impaired

Item	December 31, 2017		
	Up to Two Months Past Due	Two to Three Months Past Due	Total
Receivables (including non-performing receivables transferred, other than those from loans)	\$ 590,488	\$ 65,310	\$ 655,798
Consumer finance	42,510	20,248	62,758
Corporation finance	-	-	-
Others	547,978	45,062	593,040
Loans	230,708	29,186	259,894
Consumer finance	230,708	29,186	259,894
Corporation finance	-	-	-

8) Impairment analysis of loans and receivables of Taishin Bank

a) Receivables (including non-performing receivables transferred from other than loans) - December 31, 2018

The movements in the gross carry amount of the allowance for receivables

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Total
Loss allowance as of January 1, 2018	\$ 97,352,327	\$ 12,101,808	\$ 8,622,013	\$ 2,215,217	\$ 120,291,365
Changes in loss allowance					
Transfer to stage 3	(59,059)	55,531	18,262	(121)	14,613
Transfer to stage 2	(328,594)	(9,800)	(1,076,513)	1,477,471	62,564
Transfer to stage 1	19,131	(13,178)	-	(9,259)	(3,306)
Financial assets derecognized	(21,397,767)	(1,476,102)	(1,673,214)	(1,313,629)	(25,860,712)
New financial assets originated or purchased	32,508,662	25,222	4,307,689	110,464	36,952,037
Write-offs	(519)	(337,211)	(368,304)	(149,069)	(855,103)
Other movements	-	-	-	764	764
Loss allowance as of December 31, 2018	108,094,181	10,346,270	9,829,933	2,331,838	130,602,222

The movements in the allowance for receivables

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Loss Allowance under IFRS 9	Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- Performing/ Non-accrual Loans	Total
Loss allowance as of January 1, 2018	\$ 152,380	\$ 210,254	\$ 1,225,872	\$ 439,088	\$ 2,027,594	\$ 292,375	\$ 2,319,969
Changes in loss allowance							
Transfer to stage 3	(525)	14,129	5,104	(63)	18,645		18,645
Transfer to stage 2	(442)	(2,956)	(190,649)	311,536	117,489		117,489
Transfer to stage 1	22	(3,471)	-	(1,865)	(5,314)	-	(5,314)
Financial assets derecognized	(71,250)	(15,985)	(580,801)	(462,585)	(1,130,621)		(1,130,621)
New financial assets originated or purchased	63,748	345,422	2,401,192	59,924	2,870,286		2,870,286
Recognizes based on the regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						382,259	382,259
Write offs	(3)	(336,799)	(368,304)	(67,045)	(772,151)		(772,151)
Recovery of loans written off	-	-	-	420,202	420,202		420,202
Other movements	(3)	(1,352)	3,842	280	2,767		2,767
Loss allowance as of December 31, 2018	143,927	209,242	2,496,256	699,472	3,548,897	674,634	4,223,531

b) Receivables (including non-performing receivables transferred from other than loans) - December 31, 2017

Item		Gross Receivables
Objective evidence of impairment	Individual assessment of impairment	\$ 3,753,495
	Combined assessment of impairment	2,164,110
Nonobjective evidence of impairment	Combined assessment of impairment	114,373,760
Total		\$ 120,291,365

Item		Allowance
Objective evidence of impairment	Individual assessment of impairment	\$ 1,346,545
	Combined assessment of impairment	386,312
Nonobjective evidence of impairment	Combined assessment of impairment	595,496
Total		\$ 2,328,353

c) Loans - December 31, 2018

The movements in the gross carry amount of the allowance for loans

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Total
Loss allowance as of January 1, 2018	\$ 945,878,159	\$ 13,306,303	\$ 3,555,652	\$ 10,129,971	\$ 972,870,085
Changes in loss allowance					
Transfer to stage 3	(6,588,827)	6,152,506	295,357	(64,049)	(205,013)
Transfer to stage 2	(2,554,809)	(205,385)	(328,124)	2,812,269	(276,049)
Transfer to stage 1	2,318,305	(1,989,943)	-	(472,629)	(144,267)
Financial assets derecognized	(255,491,100)	(3,076,708)	(894,125)	(2,935,213)	(262,397,146)
New financial assets originated or purchased	322,434,413	490,051	350,839	466,092	323,741,395
Write-offs	(82,196)	(32,111)	-	(988,741)	(1,103,048)
Loss allowance as of December 31, 2018	\$ 1,005,913,945	\$ 14,644,713	\$ 2,979,599	\$ 8,947,700	\$ 1,032,485,957

The movements in the allowance for loans

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Loss Allowance under IFRS 9	Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- Performing/ Non-accrual Loans	Total
Loss allowance as of January 1, 2018	\$ 1,841,657	\$ 1,598,610	\$ 2,449,415	\$ 3,951,894	\$ 9,841,576	\$ 2,660,022	\$ 12,501,598
Changes in loss allowance							
Transfer to stage 3	(10,865)	245,899	154,330	(36,600)	352,764		352,764
Transfer to stage 2	(10,262)	(82,282)	(191,086)	1,182,199	898,569		898,569
Transfer to stage 1	4,273	(176,027)	-	(256,607)	(428,361)		(428,361)
Financial assets derecognized	(423,766)	(983,247)	(391,429)	(1,887,814)	(3,686,256)		(3,686,256)
New financial assets originated or purchased	732,261	35,895	101,404	178,008	1,047,568		1,047,568

(Continued)

	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
Recognizes based on the regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						\$ 2,379,114	\$ 2,379,114
Write offs	(472)	(7,936)	-	(760,391)	(768,799)		(768,799)
Recovery of loans written off	-	-	-	1,102,024	1,102,024		1,102,024
Other movements	602	1,352	143	1,143	3,240		3,240
Loss allowance as of December 31, 2018	2,133,428	632,264	2,122,777	3,473,856	8,362,325	5,039,136	13,401,461

(Concluded)

d) Loans - December 31, 2017

Item		Gross Loans
Objective evidence of impairment	Individual assessment of impairment	\$ 4,813,554
	Combined assessment of impairment	8,856,009
Nonobjective evidence of impairment	Combined assessment of impairment	959,200,522
Total		\$ 972,870,085

Item		Allowance
Objective evidence of impairment	Individual assessment of impairment	\$ 3,192,455
	Combined assessment of impairment	3,167,313
Nonobjective evidence of impairment	Combined assessment of impairment	6,283,107
Total		\$ 12,642,875

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:

- In ability 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 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 can 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 measuring 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:

2018

The Group holds cash and cash equivalents, due from the Central Bank and banks and financial assets at FVTOCI and debt instruments at amortized cost held for the purpose of managing liquidity risk, in order to perform contracted obligations when due and meet the needs of urgent fund dispatching.

2017

The Group holds cash and cash equivalents, due from the Central Bank and banks and available-for-sale and held-to-maturity financial assets held for the purpose of managing liquidity risk, in order to perform contracted obligations when due and meet the needs of urgent fund dispatching.

Maturity analysis:

Taishin Bank

a) Maturity analysis of non-derivative financial liabilities

Taishin Bank's non-derivative financial liabilities presented based on the residual maturities from the balance sheet date to the contract maturity date were as follows:

Financial Instruments Item	December 31, 2018									
	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	\$ 7,544,756	\$ 29,346,187	\$ 15,400,999	\$ 5,115,396	\$ 21,000	\$ 13,000	\$ -	\$ -	\$ -	\$ 57,441,338
Funds borrowed from the Central Bank and other banks	-	1,536,650	-	-	-	-	-	-	-	1,536,650
Non-derivative financial liabilities at FVTPL	-	-	-	-	-	-	-	-	3,085,588	3,085,588
Securities sold under repurchase agreements	55,315,452	18,338,974	-	-	-	-	-	-	-	73,654,426
Payables	19,638,255	914,717	141,687	2,072,851	8,625	2,013	-	-	-	22,778,148
Deposits and remittances	138,494,804	169,730,510	148,180,750	289,869,081	515,785,863	3,445,302	44,052	23	-	1,265,550,385
Bank debentures	-	-	-	4,900,000	-	-	6,800,000	-	28,000,000	39,700,000
Other financial liabilities	3,223,222	4,399,362	3,477,322	4,311,003	473,182	2,183,200	169,717	5,513,215	42,749,469	66,499,692
Total	\$ 224,216,489	\$ 224,266,400	\$ 167,200,758	\$ 306,268,331	\$ 516,288,670	\$ 5,643,515	\$ 7,013,769	\$ 5,513,238	\$ 73,835,057	\$ 1,530,246,227

Financial Instruments Item	December 31, 2017									
	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	\$ 24,904,670	\$ 19,881,053	\$ 14,742,753	\$ 4,702,953	\$ -	\$ 21,000	\$ -	\$ -	\$ -	\$ 64,252,429
Non-derivative financial liabilities at FVTPL	151,124	-	-	-	-	-	-	-	-	151,124
Securities sold under repurchase agreements	68,121,160	8,500,295	-	-	-	-	-	-	-	76,621,455
Payables	17,854,607	1,252,375	185,892	3,767,248	12,440	2,063	-	-	-	23,074,625
Deposits and remittances	143,328,998	263,501,359	135,747,246	267,999,477	382,384,839	2,930,209	13,645	41	-	1,195,905,814
Bank debentures	-	-	-	-	4,900,000	-	-	6,800,000	28,000,000	39,700,000
Other financial liabilities	3,373,079	2,905,371	3,763,084	5,079,010	1,175,548	4,944,553	28,317	194,905	29,465,656	50,929,523
	\$ 257,733,638	\$ 296,040,453	\$ 154,438,975	\$ 281,548,688	\$ 388,472,827	\$ 7,897,825	\$ 41,962	\$ 6,994,946	\$ 57,465,656	\$1,450,634,970

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 \$625,858,368 thousand and \$570,151,138 thousand as of December 31, 2018 and 2017, 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:

Financial Instruments Item	December 31, 2018									
	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
Derivative financial liabilities at FVTPL	\$ 24,013,943	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,013,943

Financial Instruments Item	December 31, 2017									
	1-30 Days	31-90 Days	91-180 Days	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	Total	Total
Derivative financial liabilities at FVTPL	\$ 17,107,990	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,107,990

c) Maturity analysis of off-balance-sheet items

Below are the amounts of Taishin Bank'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 December 31, 2018 and 2017, assuming that all amounts, including the amounts in the longest time band, were due in the less than one-month time band, the amounts would have been \$17,625,098 thousand and \$19,163,136 thousand, respectively, for guarantees; \$3,165,453 thousand and \$3,370,379 thousand, respectively, for letters of credit; \$596,539,048 thousand and \$551,044,307 thousand, respectively, for loans commitments (excluding credit card); and \$15,528,520 thousand and \$15,111,619 thousand, respectively, for credit cards commitments.

Item	December 31, 2018					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 3,835,513	\$ 6,882,821	\$ 1,272,518	\$ 1,507,937	\$ 4,126,309	\$ 17,625,098
Letters of credit	1,026,310	1,377,571	531,733	218,811	11,028	3,165,453
Loans commitments (excluding credit cards)	17,609,789	140,058,511	145,538,137	288,095,414	5,237,197	596,539,048
Credit cards commitments	1,359	165,198	516,753	739,986	14,105,224	15,528,520

Item	December 31, 2017					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 6,503,926	\$ 5,505,626	\$ 1,596,954	\$ 1,745,813	\$ 3,810,817	\$ 19,163,136
Letters of credit	714,102	2,259,257	345,261	51,759	-	3,370,379
Loans commitments (excluding credit cards)	9,571,829	142,233,001	120,915,502	274,365,789	3,958,186	551,044,307
Credit cards commitments	175	55,803	62,125	210,470	14,783,046	15,111,619

50. RELATED-PARTY TRANSACTIONS

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

Name	Relationship
Taishin Bank	Fellow subsidiaries
Taishin AMC	Fellow subsidiaries
Taishin Venture Capital	Fellow subsidiaries
Taishin Securities B	Fellow subsidiaries
Taishin Securities Investment Trust	Fellow subsidiaries
Taishin Securities Investment Advisory	Fellow subsidiaries
Taishin D.A. Finance	Fellow subsidiaries
Xiang An Insurance Agency	Fellow subsidiaries
Taishin Real-Estate	Fellow subsidiaries
Taishin Financial Leases (China)	Fellow subsidiaries
Taishin Financial Leases (Tianjin)	Fellow subsidiaries
Taishin Securities Venture Capital	Fellow subsidiaries (became related party after August 28, 2017)
Chang Hwa Bank	Associates
Shin Kong Life Insurance Co., Ltd. ("Shin Kong Life Insurance")	Others
Shinkong Synthetic Fibers Co., Ltd. ("Shin Kong Synthetic Fibers")	Others
Dah Chung Bills Finance Corp. ("Dah Chung Bills")	Others
Shin Kong Financial Holding Co., Ltd. ("Shin Kong Financial Holding")	Others
Shin Kong Commercial Bank Co., Ltd. ("Shin Kong Bank")	Others
Shin Kong Insurance Co., Ltd. ("Shin Kong Insurance")	Others
CyberSoft Digital Service Corp. ("CyberSoft Digital Service")	Others
Shin Kong Mitsukoshi Department Store Co., Ltd. ("Shin Kong Mitsukoshi")	Others
Diamond Biotech Investment Co., Ltd. ("Diamond Biotech")	Others
Agricultural Credit Guarantee Fund ("ACGF")	Others
Peng Cheng Corp. ("Peng Cheng")	Others
An Shin Construction Manager Corp. ("An Shin Construction Manager")	Others
Ubright Optonics Corporation ("UBright")	Others
CyberLink Corp. ("CyberLink")	Others
International Bills Finance Corp. ("IBFC")	Others (became non-related party after the third quarter of 2017)
Fenghe Development Corp. ("Fenghe Development")	Others
Sercomm Corp. ("Sercomm")	Others
Yi Huan Co., Ltd. ("Yi Huan")	Others
Chin Wei Corp. ("Chin Wei")	Others
Xiang Yu Investment Co., Ltd. ("Xiang Yu")	Others
Yuanta Commercial Bank Co., Ltd. ("Yuanta Bank")	Others
Global Brands Manufacture Ltd. ("GBM")	Others
MasterLink Securities Corp. ("MasterLink Securities")	Others
First Securities Inc. ("First Securities")	Others

(Continued)

Name	Relationship
Creative Sensor Inc. ("Creative Sensor")	Others
Individual A	Key management personnel
Individual B	Key management personnel
Others	Including key management personnel and others

(Concluded)

b. Material transactions with related parties:

1) Loans, deposits and guaranteed loans

Loans to related parties of Taishin Bank and subsidiaries were as follows:

Loans

	Ending Balance
December 31, 2018	\$ 2,009,549
December 31, 2017	1,380,491

For the years ended December 31, 2018 and 2017, interest income were \$33,397 thousand and \$23,143 thousand, respectively. Interest rates ranged from 0.85% to 12.50% and from 1.06% to 11.44%, respectively.

December 31, 2018						
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Consumer loans</u>						
120 accounts	\$ 574,904	\$ 615,974	\$ 574,904	\$ -	Land, building, chattels	None
<u>Self-used residence mortgage loans</u>						
102 accounts	662,234	705,417	662,234	-	Land, building	None
<u>Other loans</u>						
GBM	457,500	457,500	457,500	-	-	None
Peng Cheng	150,000	154,000	150,000	-	Land, building	None
Others	164,911	186,540	164,911	-	Land, building, securities - deposits, chattels	None
	<u>\$ 2,009,549</u>		<u>\$ 2,009,549</u>	<u>\$ -</u>		
December 31, 2017						
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Consumer loans</u>						
120 accounts	\$ 482,546	\$ 518,821	\$ 478,946	\$ 3,600	Land, building, chattels	None
<u>Self-used residence mortgage loans</u>						
94 accounts	536,906	597,885	536,906	-	Land, building	None
<u>Other loans</u>						
Peng Cheng	154,000	154,000	154,000	-	Land, building	None
Others	207,039	307,473	207,039	-	Land, building, securities - stocks	None
	<u>\$ 1,380,491</u>		<u>\$ 1,376,891</u>	<u>\$ 3,600</u>		

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

Deposits

	Ending Balance
December 31, 2018	\$ 6,126,256
December 31, 2017	6,685,062

For the years ended December 31, 2018 and 2017, interest expenses were \$42,919 thousand and \$31,574 thousand, respectively and interest rates both ranged from 0.00% to 4.90%.

December 31, 2018			
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Shin Kong Mitsukoshi	\$ 575,029	0.00 ~ 0.06	(\$ 658)
Shin Kong Insurance	485,080	0.00 ~ 1.03	(1,173)
Shin Kong Life Insurance	447,493	0.06 ~ 0.55	(10,901)
Dah Chung Bills	421,793	0.00 ~ 0.70	(2,806)
Diamond Biotech	290,853	0.01 ~ 2.40	(302)
UBright	176,647	0.00 ~ 0.32	(332)
CyberLink	154,440	0.06 ~ 3.17	(1,202)
Shin Kong Synthetic Fibers	150,035	0.00 ~ 0.32	(974)
Individual B	142,161	0.01 ~ 3.15	(453)
An Shin Construction Manager	100,826	0.06 ~ 0.63	(4,577)
Others	3,181,899		(19,541)
	<u>\$ 6,126,256</u>		<u>(\$ 42,919)</u>

December 31, 2017			
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Shin Kong Mitsukoshi	\$ 1,163,839	0.00 ~ 0.06	(\$ 661)
An Shin Construction Manager	804,877	0.63	(10,932)
Dah Chung Bills	425,139	0.00 ~ 0.70	(1,983)
Shin Kong Insurance	356,744	0.00 ~ 1.21	(1,220)
Diamond Biotech	228,784	0.01 ~ 0.14	(31)
Shin Kong Insurance	220,846	0.06 ~ 0.38	(770)
Sercomm	162,228	0.00 ~ 0.14	(148)
Fenghe Development	161,946	0.01 ~ 1.30	(395)
ACGF	130,001	0.16 ~ 1.23	(1,404)
UBright	117,734	0.00 ~ 0.32	(269)
Shin Kong Synthetic Fibers	104,287	0.00 ~ 0.32	(579)
Others	2,808,637		(13,182)
	<u>\$ 6,685,062</u>		<u>(\$ 31,574)</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

December 31, 2018				
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Dah Chung Bills	Call loan to banks	\$ -	0.37 ~ 0.55	\$ 6,262
Yuantan Bank	Call loan to banks	-	0.27 ~ 0.27	5,032
Yuantan Bank	Call loan from banks	-	0.19 ~ 0.19	(61)

December 31, 2017				
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Income
IBFC	Call loan to banks	\$ -	0.30 ~ 0.44	\$ 4,912
Dah Chung Bills	Call loan to banks	1,600,000	0.30 ~ 0.44	3,409

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

3) Due from banks and due to banks

Taishin Bank and subsidiaries

Due from banks

		December 31, 2018		
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Chang Hwa Bank	Due from banks	\$ 1,918	-	\$ -

		December 31, 2017		
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Chang Hwa Bank	Due from banks	\$ 1,715	-	\$ -

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

4) Trading securities

		December 31, 2018				
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Chin Wei	\$ -	\$ -	\$ 70,068	0.31 ~ 0.36	\$ -	-
Xiang Yu	-	-	23,022	0.31 ~ 0.36	-	-
Individual A	-	-	20,021	0.31 ~ 0.36	-	-
Yuanta Bank	2,179,213	799,713	-	-	-	-
First Securities	149,918	50,021	-	-	-	-
Shin Kong Bank	-	99,370	-	-	-	-
Dah Chung Bills	1,794,885	149,447	-	-	-	-
Chang Hwa Bank	299,758	100,118	-	-	-	-
	<u>\$ 4,423,774</u>	<u>\$ 1,198,669</u>	<u>\$ 113,111</u>		<u>\$ -</u>	

		December 31, 2017				
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Chin Wei	\$ -	\$ -	\$ 10,109	0.31 ~ 0.32	\$ -	-
Yi Huan	-	-	5,011	0.31 ~ 0.32	-	-
Yuanta Bank	-	2,585,930	-	-	-	-
First Securities	99,868	-	-	-	-	-
Shin Kong Bank	149,774	50,770	-	-	-	-
Shin Kong Life Insurance	-	-	300,000	0.40 ~ 0.45	-	-
IBFC	40,301,147	950,705	-	-	-	-
Dah Chung Bills	1,101,407	651,716	-	-	-	-
Chang Hwa Bank	702,794	952,546	-	-	-	-
	<u>\$ 42,354,990</u>	<u>\$ 5,191,667</u>	<u>\$ 315,120</u>		<u>\$ -</u>	

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

5) Derivatives

December 31, 2018						
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	\$ 192	Financial assets at FVTPL	\$ 1,662
Creative Sensor	Forward exchange contracts	2018.7.19 ~ 2019.1.23	92,199	806	Financial assets at FVTPL	806
Yuanta Bank	Currency swaps	2018.12.10 ~ 2019.12.13	2,765,970	3,297	Financial liabilities at FVTPL	(3,443)
December 31, 2017						
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Dah Chung Bills	Interest rate swaps	2013.3.6 ~ 2022.6.20	\$ 1,200,000	(\$ 3,899)	Financial assets at FVTPL	\$ 97
Yuanta Bank	Interest rate swaps	2013.7.3 ~ 2018.7.5	600,000	2,108	Financial liabilities at FVTPL	(2,775)
	Currency swaps	2017.10.31 ~ 2018.2.2	596,960	1,772	Financial liabilities at FVTPL	(4,668)

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

6) Other material transactions

For the Year Ended December 31					
2018			2017		
	Item	Amount		Item	Amount
Shin Kong Mitsukoshi	Fee income	\$ 339,553		Fee income	\$ 325,776
Shin Kong Mitsukoshi	Service charge and operating expenses	350,527		Service charge and operating expenses	360,846
CyberSoft Digital Service	Operating expenses	594,075		Operating expenses	511,308
Shin Kong Life Insurance	Commission income	569,764		Commission income	850,488

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

c. Compensation of key management personnel:

The remuneration of directors and other members of key management personnel for the years ended December 31, 2018 and 2017 included the following:

For the Year Ended December 31			
	2018		2017
Short-term benefits	\$ 309,723	\$	345,388
Post-employment benefits	984		1,290
Stock-based payments	14,149		27,716
	<u>\$ 324,856</u>	<u>\$</u>	<u>374,394</u>

d. Related-party transactions of subsidiaries with amounts more than \$100,000 thousand.

1) Taishin Bank

a) Material transactions with related parties were as follows:

i. Loans, deposits and guaranteed loans

Loans

December 31, 2018						
Related Parties	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Other loans</u>						
GBM	\$ 457,500	\$ 457,500	\$ 457,500	\$ -	-	None
Peng Cheng	150,000	154,000	150,000	-	Land, building	None
December 31, 2017						
Related Parties	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Other loans</u>						
Peng Cheng	\$ 154,000	\$ 154,000	\$ 154,000	\$ -	Land, building	None

Deposits

December 31, 2018			
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Taishin Financial Holding	\$ 3,966,191	0.01 ~ 0.38	(\$ 2,221)
Taishin Securities B	859,119	0.00 ~ 1.20	(2,639)
Xiang An Insurance Agency	817,952	0.00 ~ 0.06	(494)
Taishin Venture Capital	733,447	0.01 ~ 0.32	(152)
Shin Kong Mitsukoshi	575,029	0.00 ~ 0.06	(658)
Shin Kong Insurance	485,080	0.00 ~ 1.03	(1,173)
Shin Kong Life Insurance	447,493	0.06 ~ 0.55	(10,901)
Dah Chung Bills	421,793	0.00 ~ 0.70	(2,806)
Diamond Biotech	290,853	0.01 ~ 2.40	(302)
Taishin Securities Investment Advisory	258,934	0.06 ~ 3.01	(3,396)
Ubright	176,647	0.00 ~ 0.32	(332)
D.A. Finance	155,504	0.00 ~ 1.03	(76)
CyberLink	154,440	0.06 ~ 3.17	(1,202)
Shin Kong Synthetic Fibers	150,035	0.00 ~ 0.32	(974)
Individual B	142,161	0.01 ~ 3.15	(453)
An Shin Construction Manager	100,826	0.06 ~ 0.63	(4,577)

	December 31, 2017		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Shin Kong Mitsukoshi	\$ 1,163,839	0.00 ~ 0.06	(\$ 661)
Taishin Securities B	1,036,029	0.01 ~ 1.13	(1,961)
An Shin Construction Manager	804,877	0.63 ~ 0.63	(10,932)
Xiang An Insurance Agency	791,832	0.00 ~ 0.50	(757)
Dah Chung Bills	425,139	0.00 ~ 0.70	(1,983)
Shin Kong Insurance	356,744	0.00 ~ 1.21	(1,220)
Taishin Securities Investment Advisory	242,407	0.06 ~ 1.73	(1,956)
Diamond Biotech	228,784	0.01 ~ 0.14	(31)
Shin Kong Life Insurance	220,846	0.06 ~ 0.38	(770)
Sercomm	162,228	0.00 ~ 0.14	(148)
Fenghe Development	161,946	0.01 ~ 1.30	(395)
ACGF	130,001	0.16 ~ 1.23	(1,404)
Ubright	117,734	0.00 ~ 0.32	(269)
Taishin Construction Manager	113,626	0.00 ~ 1.07	(6,473)
D.A. Finance	105,461	0.00 ~ 1.03	(76)
Shin Kong Synthetic Fibers	104,287	0.00 ~ 0.32	(579)

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

ii. Due from and call loans to banks

December 31, 2017			
Item	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Dah Chung Bills	Call loans to banks \$ 1,600,000	0.30 ~ 0.44	\$ 3,409

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

iii. Trading securities

	December 31, 2018					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Yuanta Bank	\$ 2,179,213	\$ 799,713	\$ -	-	\$ -	-
First Securities	149,918	50,021	-	-	-	-
Taishin Financial Holding co., Ltd.	2,900,000	-	2,100,049	0.31 ~ 0.38	-	-
Dah Chung Bills	1,794,885	149,447	-	-	-	-
Taishin Securities B	551,375	250,783	-	-	-	-
Chang Hwa Bank	299,758	100,118	-	-	-	-

	December 31, 2017					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Yuanta Bank	\$ -	\$ 2,585,930	\$ -	-	\$ -	-
Shin Kong Bank	149,774	50,770	-	-	-	-
Shin Kong Life Insurance	-	-	300,000	0.40 ~ 0.45	-	-
Taishin Financial Holding co., Ltd.	-	-	5,690,312	0.31 ~ 0.36	-	-
Dah Chung Bills	1,101,407	651,716	-	-	-	-
IBFC	40,301,147	950,705	-	-	-	-
Taishin Securities B	199,536	351,748	-	-	-	-
Chang Hwa Bank	702,794	952,546	-	-	-	-

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

iv. Derivatives

December 31, 2018						
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	\$ 192	Financial assets at FVTPL	\$ 1,662
Yuanta Bank	Currency swaps	2018.12.10 ~ 2019.12.13	2,765,970	3,297	Financial liabilities at FVTPL	(3,443)
December 31, 2017						
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Dah Chung Bills	Interest rate swaps	2013.3.6 ~ 2022.6.20	\$ 1,200,000	(\$ 3,899)	Financial assets at FVTPL	\$ 97
Yuanta Bank	Interest rate swaps	2013.7.3 ~ 2018.7.5	600,000	2,108	Financial liabilities at FVTPL	(2,775)
	Currency swaps	2017.10.31 ~ 2018.2.2	596,960	1,772	Financial liabilities at FVTPL	(4,668)

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

v. Other material transactions

For the Year Ended December 31				
2018		2017		
Item	Amount	Item	Amount	
Shin Kong Mitsukoshi	Service charge and operating expenses	\$ 349,605	Service charge and operating expenses	\$ 360,565
Shin Kong Mitsukoshi	Fee income	339,553	Fee income	325,776
Cyber Soft Digital Service	Operating expenses	590,074	Operating expenses	647,137
Shin Kong Life Insurance	Commission income	593,268	Commission income	846,128

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

b) Compensation of key management personnel:

The remuneration of directors and other members of key management personnel for the years ended December 31, 2018 and 2017 included the following:

For the Year Ended December 31			
	2018		2017
Short-term benefits	\$ 361,041	\$ 287,668	
Post-employment benefits	41,146	7,694	
Termination benefits	3,119	-	
Stock-based payments	15,202	31,698	
	<u>\$ 420,508</u>	<u>\$ 327,060</u>	

2) Taishin Securities B

a) Liability contracts with related parties

December 31			
Item	Name	2018	2017
Cash and cash equivalents	Taishin Bank	\$ 385,831	\$ 422,147
Other current assets - receipts under underwriting	Taishin Bank	-	180,000
Operating guarantee deposits	Taishin Bank	325,000	345,000

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

Item	Name	December 31			
		2018		2017	
		Ending Stocks (In Thousands)	Ending Balance	Ending Stocks (In Thousands)	Ending Balance
Trading Securities - dealing	Shin Kong Financial Holding	992	\$ 95,634	2,630	\$ 203,933
Trading Securities - dealing	Taishin Securities Investment Trust	10,767	215,688	4,888	99,116

c) Trading securities

	December 31, 2018					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resell Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Taishin Financial Holding	\$ 4,100,000	\$ -	\$ -	-	\$ -	-
Taishin Bank	250,783	551,375	-	-	-	-
MasterLink Securities	1,052,016	850,440	-	-	-	-
Chang Hwa Bank	150,399	150,215	-	-	-	-
Shin Kong Insurance	-	250,000	-	-	-	-

	December 31, 2017					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resell Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Taishin Financial Holding	\$ 3,500,000	\$ -	\$ -	-	\$ -	-
Taishin Bank	351,748	199,536	-	-	-	-
MasterLink Securities	1,253,392	1,055,511	-	-	-	-

3) Taishin AMC

Names and relationships of related parties were as follows:

a) Credit receivable

In June 2005, Taishin AMC bought 12 accounts of credit loans from Taishin Bank for \$986,000 thousand with book value of \$2,951,353 thousand. According to the contract, the receivables of \$986,000 thousand will be paid off in seven installments by October 31, 2006. In July 2006, Taishin AMC bought non-performing loans that resulted from cash card, credit card and small consumer loans from Taishin Bank for \$546,697 thousand with book value of \$9,494,153 thousand. According to the contract, June 30, 2006 was determined as the basic measurement date of this transaction, and the receivables of \$546,697 thousand will be paid off in two installments by September 15, 2006. In September 2006, Taishin AMC bought non-performing loans that resulted from cash card, credit card and small consumer loans from Taishin Bank for \$158,000 thousand with book value of \$5,490,584 thousand. According to the contract, August 31, 2006 was determined as the basic measurement date of this transaction, and the receivables of \$158,000 thousand will be paid off in two installments by October 31, 2006. Also defined in the contract, 5 years from measurement date, Taishin AMC authorized Taishin Bank the rights to collect payments from debtors and will pay the 30% of loans collected as service fees and 40% of remaining 70% of loan collected paid as commission. The service contracts mentioned were terminated on December 31, 2011 and August 31, 2011, respectively. From July 1, 2011 and September 1, 2011, Taishin AMC authorized Taishin Bank the rights to collect payments from debtors and will pay 32.5% of loans collected as service fees.

b) Loans with transferred ownership

For the Year Ended December 31, 2018				
	Beginning Balance	Purchased	Collected	Ending Balance
Loans with transferred ownership	\$ 15,226,276	\$ -	(\$ 139,676)	\$ 15,086,600

For the Year Ended December 31, 2017				
	Beginning Balance	Purchased	Collected	Ending Balance
Loans with transferred ownership	\$ 15,377,563	\$ -	(\$ 151,287)	\$ 15,226,276

4) Taishin Venture Capital

		December 31	
Item	Related Party	2018	2017
Cash	Taishin Bank	\$ 733,447	\$ 68,108

5) Taishin Securities Investment Trust

There were no related party transactions with amounts more than \$100,000 thousand for the year ended December 31, 2018.

6) Taishin Securities Investment Advisory

Liability contracts with related parties:

		December 31	
Item	Related Party	2018	2017
Other financial assets	Taishin Bank	\$ 228,161	\$ 211,179

51. PLEDGED ASSETS

		December 31	
Pledged Assets	Description	2018	2017
Refundable deposits	Cash and certificates of time deposits	\$ 9,318,839	\$ 4,611,073
Operating deposits and settlement funds	Cash and cash paid to stock exchange	188,416	227,653
Available-for-sale financial assets	Securities and bonds	-	15,309,791
Investments in debt instrument at FVTOCI	Securities and bonds	15,631,508	-
Held-to-maturity financial assets	Bonds	-	5,300
Investments in debt instrument at amortized cost	Bonds	8,200	-
Time deposit with original maturity more than 3 months	Bank deposits and certificate of time deposits	156,559	418,078

52. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to those mentioned in Note 9 and Note 49, Taishin Financial Holding and subsidiaries have the following contingent liabilities and commitments as of December 31, 2018 and 2017:

		December 31	
		2018	2017
Trust liabilities		\$ 331,269,421	\$ 288,744,977
Unpaid equipment purchase contracts		2,212,401	2,569,077

53. FINANCIAL INFORMATION BY BUSINESS

The financial information by business for the years ended December 31, 2018 and 2017 was as follows:

Bank Business Item	For the Year Ended December 31, 2018			
	Bank Business	Securities Business	Other Business	Total
Net interest income	\$ 19,001,063	\$ 217,342	\$ 372,896	\$ 19,591,301
Net income other than net interest income	15,516,208	1,367,937	3,272,877	20,157,022
Net revenue and gains	34,517,271	1,585,279	3,645,773	39,748,323
(Provisions for) reversals of allowance for bad debts expenses and guarantee liability	(3,254,153)	(69,727)	(16,659)	(3,340,539)
Total operating expenses	(19,602,245)	(1,274,839)	(1,294,317)	(22,171,401)
Income before income tax of continued operations	11,660,873	240,713	2,334,797	14,236,383
Income tax expense	(1,274,501)	(39,933)	8,184	(1,306,250)
Income after income tax of continued operations	10,386,372	200,780	2,342,981	12,930,133

Bank Business Item	For the Year Ended December 31, 2017			
	Bank Business	Securities Business	Other Business	Total
Net interest income	\$ 18,427,763	\$ 132,720	\$ 174,086	\$ 18,734,569
Net income other than net interest income	14,633,835	1,111,682	3,321,815	19,067,332
Net revenue and gains	33,061,598	1,244,402	3,495,901	37,801,901
Provision for allowance for bad debts expenses and guarantee liability	(1,842,594)	(5,834)	(2,630)	(1,851,058)
Total operating expenses	(18,940,326)	(825,872)	(1,375,016)	(21,141,214)
Income before income tax of continued operations	12,278,678	412,696	2,118,255	14,809,629
Income tax (expense) benefit	(1,729,960)	(44,519)	35,016	(1,739,463)
Income after income tax of continued operations	10,548,718	368,177	2,153,271	13,070,166

54. FINANCIAL STATEMENTS OF TAISHIN FINANCIAL HOLDING

TAISHIN FINANCIAL HOLDING CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018	2017
CASH AND CASH EQUIVALENTS	\$ 3,966,191	\$ 18,088
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	1,995	-
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	2,100,049	5,690,312
RECEIVABLES	1,581,663	942,923
CURRENT TAX ASSETS	229,092	229,092
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	193,892,658	175,242,626
OTHER FINANCIAL ASSETS		
Financial assets carried at cost	-	2,200
PROPERTY AND EQUIPMENT, NET	5,604	5,280
OTHER ASSETS	22,184	18,504
TOTAL	\$ 201,799,436	\$ 182,149,025
LIABILITIES AND EQUITY		
LIABILITIES		
Commercial papers issued net	\$ 2,495,745	\$ -
Payables	988,595	1,065,030
Current tax liabilities	1,930,570	1,195,730
Bonds payable	22,000,000	24,700,000
Total liabilities	27,414,910	26,960,760
EQUITY		
Capital stock		
Common stock	104,362,071	99,842,620
Preferred stock	10,175,410	7,900,547
Advance receipts for capital stock	3,996	14,422
Capital surplus	37,805,713	26,453,556
Retained earnings		
Legal reserve	9,115,012	7,838,803
Special reserve	572,115	502,815
Unappropriated earnings	12,421,251	12,762,094
Other equity	(71,042)	(126,592)
Total equity	174,384,526	155,188,265
TOTAL	\$ 201,799,436	\$ 182,149,025

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018	2017
INCOME		
Share of profit of subsidiaries and associates accounted for using equity method	\$ 13,602,396	\$ 13,891,551
Interest income	9,118	19,229
Other income	20,628	21,214
Total income	13,632,142	13,931,994
EXPENSES AND LOSSES		
Operating expenses	(360,657)	(497,504)
Interest expenses	(476,975)	(490,189)
Total expenses and losses	(837,632)	(987,693)
INCOME BEFORE INCOME TAX	12,794,510	12,944,301
INCOME TAX BENEFIT	136,073	116,361
NET INCOME	12,930,583	13,060,662
OTHER COMPREHENSIVE INCOME		
Components of other comprehensive income that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	672	(1,688)
Unrealized gain on investments in equity instruments designated as at FVTOCI	54	-
Share of the other comprehensive income of associates accounted for using equity method	(26,649)	(236,632)
Components of other comprehensive income that will be reclassified to profit or loss		
Share of the other comprehensive income of associates accounted for using equity method	(294,778)	131,250
Other comprehensive income, net of tax	(320,701)	(107,070)
TOTAL COMPREHENSIVE INCOME	\$ 12,609,882	\$ 12,953,592
EARNINGS PER SHARE		
Basic	\$ 1.09	\$ 1.10
Diluted	\$ 1.09	\$ 1.10

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	Capital Stock			Capital Surplus		
	Common Stock	Preferred Stock	Advance Receipts for Capital Stock	Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions	Stock-based Compensation
BALANCE AT JANUARY 1, 2017	\$ 95,130,986	\$ 8,625,684	\$ 68,402	\$ 24,776,589	\$ 2,075,475	\$ 280,521
Appropriation of 2016 earnings						
Legal reserve	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-
Share dividends on common stock	4,112,896	-	-	-	-	-
Special reserve under Ruler No. 1010012865 issued by the FSC	-	-	-	-	-	-
Net income (loss) for the year ended December 31, 2017	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2017, net of tax	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-
Redemption of preferred stock D	-	(725,137)	-	(614,596)	-	-
Stock-based payments	598,738	-	(53,980)	44,880	-	(109,313)
BALANCE AT DECEMBER 31, 2017	99,842,620	7,900,547	14,422	24,206,873	2,075,475	171,208
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	99,842,620	7,900,547	14,422	24,206,873	2,075,475	171,208
Appropriation of 2017 earnings						
Legal reserve	-	-	-	-	-	-
Special reserve under Ruler No. 10310006310 issued by the FSC	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-
Share dividends on common stock	4,430,201	-	-	-	-	-
Special reserve reversed under Ruler No. 1010012865 issued by the FSC	-	-	-	-	-	-
Net income (loss) for the year ended December 31, 2018	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2018, net of tax	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-
Disposals of investments designated as at FVTOCI	-	-	-	-	-	-
Issue of preferred stock E	-	3,000,000	-	11,987,061	-	-
Redemption of preferred stock D	-	(725,137)	-	(614,596)	-	-
Stock-based payments	89,250	-	(10,426)	23,324	-	(43,632)
BALANCE AT DECEMBER 31, 2018	<u>\$ 104,362,071</u>	<u>\$ 10,175,410</u>	<u>\$ 3,996</u>	<u>\$ 35,602,662</u>	<u>\$ 2,075,475</u>	<u>\$ 127,576</u>

Retained Earnings			Other Equity				Total Equity
Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gain (Loss) on Financial Assets Fair Value at FVTOCI	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Changes in Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities at FVTPL	
\$ 6,755,788	\$ 465,368	\$ 10,830,150	(\$ 168,382)	\$ -	(\$ 89,441)	\$ -	\$ 148,751,140
1,083,015	-	(1,083,015)	-	-	-	-	-
-	-	(5,026,874)	-	-	-	-	(5,026,874)
-	-	(569,918)	-	-	-	-	(569,918)
-	-	(4,112,896)	-	-	-	-	-
-	37,447	(37,447)	-	-	-	-	-
-	-	13,060,662	-	-	-	-	13,060,662
-	-	(238,301)	(295,164)	-	426,414	(19)	(107,070)
-	-	12,822,361	(295,164)	-	426,414	(19)	12,953,592
-	-	(60,267)	-	-	-	-	(1,400,000)
-	-	-	-	-	-	-	480,325
7,838,803	502,815	12,762,094	(463,546)	-	336,973	(19)	155,188,265
-	-	(249,170)	-	513,329	(336,973)	-	(72,814)
7,838,803	502,815	12,512,924	(463,546)	513,329	-	(19)	155,115,451
1,276,209	-	(1,276,209)	-	-	-	-	-
-	106,747	(106,747)	-	-	-	-	-
-	-	(5,414,689)	-	-	-	-	(5,414,689)
-	-	(1,571,695)	-	-	-	-	(1,571,695)
-	-	(4,430,201)	-	-	-	-	-
-	(37,447)	37,447	-	-	-	-	-
-	-	12,930,583	-	-	-	-	12,930,583
-	-	(88,357)	90,683	(323,777)	-	750	(320,701)
-	-	12,842,226	90,683	(323,777)	-	750	12,609,882
-	-	(111,538)	-	111,538	-	-	-
-	-	-	-	-	-	-	14,987,061
-	-	(60,267)	-	-	-	-	(1,400,000)
-	-	-	-	-	-	-	58,516
<u>\$ 9,115,012</u>	<u>\$ 572,115</u>	<u>\$ 12,421,251</u>	<u>(\$ 372,863)</u>	<u>\$ 301,090</u>	<u>\$ -</u>	<u>\$ 731</u>	<u>\$ 174,384,526</u>

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 12,794,510	\$ 12,944,301
Depreciation expenses	2,113	2,405
Interest expense	476,975	490,189
Interest revenue	(9,118)	(19,229)
Dividends income	(66)	(57)
Share-based payments	6,044	14,276
Share of profit of subsidiaries and associates accounted for using equity method	(13,602,396)	(13,891,551)
Changes in operating assets and liabilities		
Net changes in operating assets		
(Increase) decrease in receivables	731,090	616,491
(Increase) decrease in other assets	(3,008)	(2,497)
Net changes in operating liabilities		
Increase (decrease) in payables	17,970	534,665
Increase (decrease) in other liabilities	-	(4,970)
Interest received	9,323	22,006
Dividend received	8,630,348	7,267,725
Interest paid	(581,613)	(992,701)
Income taxes refund	-	138,907
Income taxes paid	(499,188)	(450,381)
Net cash generated from (used in) operating activities	<u>7,972,984</u>	<u>6,669,579</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	(14,071,900)	(3,728,100)
Acquisition of property and equipment	(2,437)	(21)
Net cash generated from (used in) investing activities	<u>(14,074,337)</u>	<u>(3,728,121)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial papers issued	2,500,000	(1,500,000)
Corporate bond issued	7,000,000	8,000,000
Corporate bond repayment	(9,700,000)	(5,300,000)
Issue of preferred stock E	14,987,061	-
Cash dividends distributed	(6,986,384)	(5,596,792)
Exercise of employee share options	58,516	480,114
Redemption of preferred stock D	(1,400,000)	(1,400,000)
Net cash generated from (used in) financing activities	<u>6,459,193</u>	<u>(5,316,678)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>357,840</u>	<u>(2,375,220)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>5,708,400</u>	<u>8,083,620</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 6,066,240</u>	<u>\$ 5,708,400</u>
CASH AND CASH EQUIVALENTS IN BALANCE SHEET	<u>\$ 3,966,191</u>	<u>\$ 18,088</u>
SECURITIES PURCHASED UNDER RESELL AGREEMENTS QUALIFYING AS CASH AND CASH EQUIVALENTS UNDER THE DEFINITION OF IAS 7 PERMITTED BY THE FINANCIAL SUPERVISORY COMMISSION	<u>2,100,049</u>	<u>5,690,312</u>
	<u>\$ 6,066,240</u>	<u>\$ 5,708,400</u>

55.PROFITABILITY OF TAISHIN FINANCIAL HOLDING (STAND-ALONE AND CONSOLIDATED)

Stand-alone

Item		For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Return on total assets	Pretax	6.66%	7.27%
	After tax	6.74%	7.34%
Return on net equity	Pretax	7.76%	8.52%
	After tax	7.85%	8.59%
Profit margin		94.85%	93.75%

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 December 31 of 2018 and 2017.

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

Item		For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Return on net equity - common stock	Pretax	8.95%	9.51%
	After tax	9.06%	9.61%

Consolidated

Item		For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Return on total assets	Pretax	0.82%	0.91%
	After tax	0.75%	0.80%
Return on net equity	Pretax	8.64%	9.74%
	After tax	7.85%	8.59%
Profit margin		32.53%	34.58%

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 December 31 of 2018 and 2017.

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 Year Ended December 31, 2018	For the Year Ended December 31, 2017
Return on net equity - common stock	Pretax	10.10%	11.06%
	After tax	9.06%	9.61%

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

Taishin Bank

a. Balance sheet

	December 31	
	2018	2017
Assets		
Cash and cash equivalents	\$ 19,433,678	\$ 19,152,152
Due from Central Bank and call loans to banks	55,875,912	56,832,392
Financial assets at FVTPL	96,874,012	94,888,085
Financial assets at FVTOCI	336,184,472	-
Debt instruments at amortized cost	3,072,107	-
Securities purchased under resell agreements	2,358,754	7,114,843
Receivables, net	116,296,508	106,063,763
Current tax assets	674,257	674,454
Loans, net	1,018,514,979	959,689,092
Available-for-sale financial assets, net	-	306,613,777
Investments accounted for using the equity method, net	2,882,607	2,213,409
Other financial assets, net	8,347,560	8,366,153
Property and equipment, net	18,291,218	18,544,488
Intangible assets, net	1,780,895	1,800,478
Deferred tax assets	3,164,958	2,288,288
Other assets, net	10,176,554	5,240,371
	<u>\$ 1,693,928,471</u>	<u>\$ 1,589,481,745</u>
Liabilities		
Due to the Central Bank and banks	\$ 57,441,338	\$ 64,252,429
Funds borrowed from the Central Bank and other banks	1,536,650	-
Financial liabilities at FVTPL	27,099,531	17,259,114
Securities sold under repurchase agreements	73,654,426	76,621,455
Payables	22,690,446	22,990,803
Current tax liabilities	1,816,812	1,044,221
Deposits and remittances	1,266,563,291	1,196,916,733
Bank debentures	39,700,000	39,700,000
Other financial liabilities	58,610,818	41,148,999
Provisions	1,525,383	1,255,615
Deferred tax liabilities	53,552	88,190
Other liabilities	2,689,330	3,709,567
	<u>1,553,381,577</u>	<u>1,464,987,126</u>
Equity		
Capital stock	75,497,712	68,845,983
Capital surplus	30,246,767	23,974,496
Retained earnings	34,382,105	31,632,229
Other equity	420,310	41,911
	<u>140,546,894</u>	<u>124,494,619</u>
	<u>\$ 1,693,928,471</u>	<u>\$ 1,589,481,745</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2018	2017
Interest income	\$ 32,022,638	\$ 28,757,626
Interest expense	(13,721,906)	(10,964,692)
Net interest income	18,300,732	17,792,934
Net income other than net interest income	15,650,295	14,708,945
Net revenue and gains	33,951,027	32,501,879
Provisions for allowance for bad debts expenses and guarantee liability	(2,915,365)	(1,556,546)
Operating expenses	(19,384,163)	(18,700,101)
Income before income tax	11,651,499	12,245,232
Income tax expense	(1,249,681)	(1,694,898)
Net income	10,401,818	10,550,334
Other comprehensive income	(284,226)	156,836
Total comprehensive income	\$ 10,117,592	\$ 10,707,170
Basic earnings per share (dollar)	\$ 1.48	\$ 1.53
Diluted earnings per share (dollar)	\$ 1.48	\$ 1.53

c. Key financial and business highlights

1) Profitability

Item		For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Return on total assets	Pretax	0.71%	0.79%
	After tax	0.63%	0.68%
Return on net equity	Pretax	8.79%	10.02%
	After tax	7.85%	8.63%
Profit margin		30.64%	32.46%

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 December 31 of 2018 and 2017.

2) Asset quality

Non-performing loans and receivables

Item		December 31, 2018					December 31, 2017					
		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)	
Business Type												
Corporate finance	Secured	\$ 450,456	\$ 209,402,721	0.22%	\$ 2,336,906	518.79%	\$ 968,657	\$ 196,719,425	0.49%	\$ 2,564,050	264.70%	
	Unsecured	72,733	229,611,535	0.03%	3,306,446	4,546.01%	100,143	220,895,008	0.05%	2,897,405	2,893.27%	
Consumer finance	Mortgage loans (Note d)	453,906	268,766,298	0.17%	4,052,090	892.72%	544,167	252,608,869	0.22%	3,775,542	693.82%	
	Cash cards	9,921	1,339,119	0.74%	40,707	410.31%	15,610	1,712,730	0.91%	59,036	378.19%	
	Credit loans (Note e)	85,753	59,796,337	0.14%	741,081	864.20%	90,407	54,079,513	0.17%	695,730	769.55%	
	Others (Note f)	Secured	731,761	263,270,291	0.28%	2,878,959	393.43%	456,865	246,437,939	0.19%	2,613,618	572.08%
		Unsecured	4,525	299,656	1.51%	35,439	783.18%	7,262	416,601	1.74%	27,143	373.77%
Subtotal		1,809,055	1,032,485,957	0.18%	13,391,628	740.26%	2,183,111	972,870,085	0.22%	12,632,524	578.65%	

(Continued)

Item Business Type	December 31, 2018					December 31, 2017				
	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)
Credit card	\$ 93,371	\$ 53,916,761	0.17%	\$ 536,317	574.39%	\$ 98,589	\$ 48,336,991	0.20%	\$ 453,454	459.94%
Accounts receivable factoring with no recourse (Note g)	229,700	56,504,111	0.41%	3,237,724	1,409.54%	43,880	51,110,371	0.09%	1,123,475	2,560.34%

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.

(Concluded)

Exempted from report as non-performing loans and receivables

Item Business Type	December 31, 2018		December 31, 2017	
	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)	\$ 604,228	\$ 188,165	\$ 825,847	\$ 249,508
Loans executed in accordance with debt clearing and renewal regulations (Note b)	1,688,496	1,203,787	1,703,408	1,222,071
Total	2,292,724	1,391,952	2,529,255	1,471,579

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	December 31, 2018			December 31, 2017		
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 (activities of other holding companies)	\$18,719,383	13.32%	A Group (activities of other holding companies)	\$15,636,757	12.56%
2	B Group (activities of other holding companies)	12,274,164	8.73%	B Group (activities of other holding companies)	11,952,965	9.60%
3	C Group (ocean freight transportation forwarding services)	12,040,180	8.57%	K Group (manufacture of cement)	11,790,979	9.47%
4	D Group (liquid crystal panel and components manufacturing industry)	8,336,830	5.93%	D Group (liquid crystal panel and components manufacturing industry)	10,698,569	8.59%
5	E Group (manufacture of computers)	6,146,847	4.37%	H Group (real estate activities for sale and rental with own or leased property)	9,566,018	7.68%
6	F Group (manufacture of monitors and terminals)	6,053,884	4.31%	L Group (wireless telecommunications)	7,108,629	5.71%
7	G Group (manufacture of woven cotton-type or woolen-type fabrics)	5,917,030	4.21%	E Group (manufacture of computers)	6,494,313	5.22%

(Continued)

Year	December 31, 2018			December 31, 2017		
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
8	H Group (real estate activities for sale and rental with own or leased property)	\$ 5,725,266	4.07%	I Group (manufacture of audio and video equipment)	\$ 5,580,901	4.48%
9	I Group (manufacture of audio and video equipment)	5,710,636	4.06%	M Group (smelting and refining of iron and steel)	5,372,640	4.32%
10	J Group (other financial service activities not elsewhere classified)	5,600,203	3.98%	N Group (property insurance)	5,121,741	4.11%

Note a: Sorted by the balance of loans, excluding government or state-owned business. If borrowers belong to the same business group, the aggregated credit amount of the business group is disclosed, and code and industry additionally disclosed. If the borrower is a business group, the industry with the largest risk exposures in the business group is disclosed. The industry disclosure should follow the guidelines of Directorate-General of Budget, Accounting and Statistics.

Note b: Transaction party is in accordance with Article 6 of the Supplementary Provisions of the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, factoring without recourse, acceptance, and guarantee.

(Concluded)

4) Interest rate sensitivity

Item	December 31, 2018				
	1-90 Days	91-180 Days	181 Days-	More Than 1 Year	Total
Interest-sensitive assets	\$ 998,256,238	\$ 32,994,438	\$ 38,033,658	\$ 153,182,596	\$ 1,212,466,950
Interest-sensitive liabilities	400,556,194	96,799,066	192,809,621	450,047,661	1,140,212,542
Interest sensitivity gap	587,700,064	(63,804,628)	(154,775,963)	(296,865,065)	72,254,408
Net equity					137,236,361
Ratio of interest-sensitive assets to liabilities					106.34%
Ratio of interest sensitivity gap to net equity					52.65%

Item	December 31, 2017				
	1-90 Days	91-180 Days	181 Days- 1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 996,195,270	\$ 31,641,412	\$ 42,486,392	\$ 23,987,190	\$ 1,194,310,264
Interest-sensitive liabilities	392,057,659	140,420,260	181,313,270	421,281,215	1,135,072,404
Interest sensitivity gap	604,137,611	(108,778,848)	(138,826,878)	(297,294,025)	59,237,860
Net equity					121,597,795
Ratio of interest-sensitive assets to liabilities					105.22%
Ratio of interest sensitivity gap to net equity					48.72%

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	December 31, 2018				
	1-90 Days	91-180 Days	181 Days- 1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 8,375,740	\$ 1,311,517	\$ 1,359,080	\$ 637,793	\$ 11,684,130
Interest-sensitive liabilities	6,582,579	1,024,721	808,085	2,619,725	11,035,110
Interest sensitivity gap	1,793,161	286,796	550,995	(1,981,932)	649,020
Net equity					6,542
Ratio of interest-sensitive assets to liabilities					105.88%
Ratio of interest sensitivity gap to net equity					9,920.82%

Item	December 31, 2017				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 7,345,313	\$ 730,850	\$ 2,485,706	\$ 537,505	\$ 11,099,374
Interest-sensitive liabilities	5,118,278	1,368,327	961,204	3,011,143	10,458,952
Interest sensitivity gap	2,227,035	(637,477)	1,524,502	(2,473,638)	640,422
Net equity					538
Ratio of interest-sensitive assets to liabilities					106.12%
Ratio of interest sensitivity gap to net equity					119,037.55%

Note a: The amounts listed above include amounts in U.S. dollars only for domestic branches, OBU, and overseas branches, excluding contingent assets and contingent liabilities

Note b: Interest-sensitive assets and liabilities are interest-bearing assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities (U.S. dollars only) = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

5) Maturity analysis of assets and liabilities

	Total	December 31, 2018				
		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	\$ 1,797,057,551	\$ 543,055,577	\$ 295,404,953	\$ 153,257,125	\$ 135,013,401	\$ 670,326,495
Major maturity cash outflow	2,188,185,279	313,523,755	342,312,567	305,971,569	462,524,454	763,852,934
Gap	(391,127,728)	229,531,822	(46,907,614)	(152,714,444)	(327,511,053)	(93,526,439)

	Total	December 31, 2017				
		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	\$ 1,723,716,737	\$ 554,328,005	\$ 317,783,550	\$ 129,548,718	\$ 113,958,108	\$ 608,098,356
Major maturity cash outflow	2,074,292,634	335,812,680	374,156,760	280,425,179	410,093,795	673,804,220
Gap	(350,575,897)	218,515,325	(56,373,210)	(150,876,461)	(296,135,687)	(65,705,864)

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	December 31, 2018				
		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	\$ 37,426,831	\$ 12,915,337	\$ 10,573,474	\$ 6,502,675	\$ 4,335,922	\$ 3,099,423
Major maturity cash outflow	37,956,877	12,175,115	11,597,274	5,902,102	4,496,328	3,786,058
Gap	(530,046)	740,222	(1,023,800)	600,573	(160,406)	(686,635)

(In Thousands of U.S. Dollars)

	Total	December 31, 2017				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	\$ 32,517,071	\$ 11,045,108	\$ 11,429,160	\$ 5,245,582	\$ 2,267,632	\$ 2,529,589
Major maturity cash outflow	32,796,782	11,047,221	10,788,482	4,328,600	2,907,704	3,724,775
Gap	(279,711)	(2,113)	640,678	916,982	(640,072)	(1,195,186)

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

6) Capital adequacy

Item			Period	December 31, 2018	December 31, 2017
Self-owned capital	Common equity Tier I			\$ 115,932,653	\$ 100,313,388
	Other Tier I capital			24,329,908	24,863,514
	Tier II capital			36,719,109	38,141,267
	Self-owned capital			176,981,670	163,318,169
Risk-weighted assets	Credit risk	Standardized approach		1,085,372,053	1,037,690,568
		IRB		-	-
		Securitization		-	-
	Operation risk	Basic indicator approach		-	-
		Standardized approach/ optional standard		54,509,138	53,326,700
		Advanced internal-rating based approach		-	-
	Market price risk	Standardized approach		62,286,213	56,487,313
		Internal model approach		-	-
	Total			1,202,167,404	1,147,504,581
Capital adequacy ratio				14.72%	14.23%
Common equity Tier I to risk-weighted assets ratio				9.64%	8.74%
Tier I capital to risk-weighted assets ratio				11.67%	10.91%
Leverage ratio				7.59%	7.20%

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

Note 2: Formula:

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

7) Securities department balance sheet: Table 5

Securities department statements of income: Table 6

Taishin Securities B

a. Balance sheet

	December 31	
	2018	2017
Assets	\$ 28,348,373	\$ 24,589,815
Current assets	-	29,040
Available-for-sale financial assets - noncurrent	-	65,978
Financial assets carried at cost - noncurrent	29,310	-
Financial assets at FVTPL - noncurrent	94,621	-
Financial assets at FVTOCI - noncurrent	73,950	68,384
Investments accounted for using the equity method	280,765	300,657
Property and equipment	32,421	25,078
Investment property	54,682	39,908
Intangible assets	15,497	14,157
Deferred tax assets	495,456	513,034
Other noncurrent assets	\$ 29,425,075	\$ 25,646,051
Liabilities	\$ 20,724,652	\$ 17,672,625
Current liabilities	1,198,548	533,727
Other noncurrent liabilities	21,923,200	18,206,352
Equity	6,284,125	6,284,124
Capital stock	805,825	805,825
Capital surplus	383,452	342,331
Retained earnings	28,473	7,419
Other equity	7,501,875	7,439,699
	\$ 29,425,075	\$ 25,646,051

b. Statements of comprehensive income

	For the Year Ended December 31	
	2018	2017
Revenue	\$ 1,674,953	\$ 1,188,319
Expense	(1,548,083)	(970,936)
Gains from bargain purchase	-	106,747
Non-operating income and expense	76,612	43,284
Profit before income tax	203,482	367,414
Income tax expense	(39,934)	(44,519)
Net income	163,548	322,895
Other comprehensive income	(250)	8,994
Total comprehensive income	\$ 163,298	\$ 331,889
Basic earnings per share (dollar)	\$ 0.26	\$ 0.64

c. Key financial and business highlights

• Profitability

Item		For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Return on total assets	Pretax	0.74%	2.09%
	After tax	0.59%	1.84%
Return on net equity	Pretax	2.72%	6.79%
	After tax	2.19%	5.97%
Profit margin		9.76%	27.17%

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2018 and 2017.

d. Capital adequacy

Item	December 31	
	2018	2017
Eligible capital		
Tier I capital	\$ 7,472,127	\$ 7,432,281
Tier I capital - minus assets	813,922	682,198
Tier II capital - minus assets in excess of Tier II capital	745,978	638,529
Tier I capital, net	5,912,227	6,111,554
Tier II capital	13,262	3,761
Tier II capital - minus assets	13,262	3,761
Tier II capital, net	-	-
Tier III capital	-	-
Total net of eligible capital	\$ 5,912,227	\$ 6,111,554
Equivalent amount of operating risk		
Equivalent amount of credit risk	\$ 365,171	\$ 400,384
Equivalent amount of operation risk	212,611	206,083
Equivalent amount of market risk	1,158,213	855,990
	\$ 1,734,995	\$ 1,462,457
Capital adequacy ratio	341%	418%

• Capital adequacy ratio = Net of eligible capital ÷ Equivalent amount of operating risk

• Net of eligible capital = Tier I capital + Tier II capital + Tier III capital - Minus assets

• Equivalent amount of operating risk = Equivalent amount of market risk + Equivalent amount of credit risk + Equivalent amount of operation risk

e. Futures department balance sheet: Table 7

f. Futures department statements of comprehensive income: Table 8

Taishin AMC

a. Balance sheet

	December 31	
	2018	2017
Assets		
Current assets	\$ 31,189	\$ 400,828
Financial assets at FVTOCI - noncurrent	104,975	-
Financial assets carried at cost	-	130,686
Investments accounted for using the equity method	145,795	141,926
Property and equipment	180,154	178,433
Investment property	697,246	564,236
Deferred tax assets	34,800	30,364
Other noncurrent assets	190,561	190,561
	<u>\$ 1,384,720</u>	<u>\$ 1,637,034</u>
Liabilities		
Current liabilities	\$ 302,793	\$ 209,543
Other noncurrent liabilities	5,103	4,287
	<u>307,896</u>	<u>213,830</u>
Equity		
Capital stock	671,000	995,000
Capital surplus	4,141	4,141
Retained earnings	444,006	424,063
Other equity	(42,323)	-
	<u>1,076,824</u>	<u>1,423,204</u>
	<u>\$ 1,384,720</u>	<u>\$ 1,637,034</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2018	2017
Operating revenue	\$ 260,915	\$ 272,221
Operating cost and expenses	(126,548)	(132,306)
Operating income	134,367	139,915
Non-operating income	24,589	37,573
Non-operating expenses	(83)	-
Income before income tax	158,873	177,488
Income tax expense	(23,071)	(26,952)
Net income	135,802	150,536
Other comprehensive income	(13,572)	(177)
Total comprehensive income	<u>\$ 122,230</u>	<u>\$ 150,359</u>
Basic earnings per share (dollar)	<u>\$ 1.34</u>	<u>\$ 1.51</u>

c. Profitability

Item		For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Return on total assets	Pretax	10.52%	10.75%
	After tax	8.99%	9.12%
Return on net equity	Pretax	12.71%	12.41%
	After tax	10.86%	10.53%
Profit margin		47.57%	48.59%

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

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

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Operating income} + \text{Non-operating income}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2018 and 2017.

Taishin Venture Capital

a. Balance sheet

	December 31	
	2018	2017
Assets		
Current assets	\$ 820,087	\$ 119,945
Financial asset measured at cost	-	1,350,164
Available-for-sale financial assets	-	135,603
Financial assets at FVTPL - noncurrent	1,252,987	-
Investments accounted for using the equity method	1,940,055	1,473,489
Property and equipment	213	310
Other noncurrent assets	439	439
	<u>\$ 4,013,781</u>	<u>\$ 3,079,950</u>
Liabilities	<u>\$ 2,367</u>	<u>\$ 332,294</u>
Current liabilities	2,367	332,294
Equity		
Capital stock	4,208,749	3,329,035
Capital surplus	871	871
Retained earnings	(67,421)	(549,851)
Other equity	(130,785)	(32,399)
	<u>4,011,414</u>	<u>2,747,656</u>
	<u>\$ 4,013,781</u>	<u>\$ 3,079,950</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2018	2017
Revenue	\$ 230,677	\$ 188,210
Expense	(218,355)	(54,138)
Income before income tax	<u>12,322</u>	<u>134,072</u>
Net income	12,322	134,072
Other comprehensive income	(54,881)	(67,066)
Total comprehensive income	<u>(\$ 42,559)</u>	<u>\$ 67,006</u>
Basic earnings per share (dollar)	<u>\$ 0.03</u>	<u>\$ 0.46</u>

c. Profitability

Item		For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Return on total assets	Pretax	0.35%	4.46%
	After tax	0.35%	4.46%
Return on net equity	Pretax	0.36%	4.94%
	After tax	0.36%	4.94%
Profit margin		5.34%	71.24%

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 = $\frac{\text{Income after tax}}{\text{Operating income} + \text{Nonoperating income}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2018 and 2017.

Taishin Securities Investment Trust

a. Balance sheet

	December 31	
	2018	2017
Assets		
Current assets	\$ 366,670	\$ 363,397
Financial assets carried at cost	-	2,274
Financial assets at FVTPL - noncurrent	1,938	-
Property and equipment	20,638	4,450
Goodwill	410,930	410,930
Intangible assets	4,694	5,425
Deferred tax assets	4	3
Other noncurrent assets	147,175	130,065
	<u>\$ 952,049</u>	<u>\$ 916,544</u>
Liabilities		
Current liabilities	\$ 100,116	\$ 91,649
Other noncurrent liabilities	100,116	91,649
Equity		
Capital stock	754,545	754,545
Capital surplus	47,856	47,856
Retained earnings	50,594	22,494
Other equity	(1,062)	-
	<u>851,933</u>	<u>824,895</u>
	<u>\$ 952,049</u>	<u>\$ 916,544</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2018	2017
Operating revenue	\$ 390,892	\$ 316,542
Operating expenses	(343,400)	(308,292)
Operating income	47,452	8,250
Nonoperating income	1,828	7,141
Nonoperating expenses	(3,542)	(4,298)
Income before income tax	45,738	11,093
Income tax expenses	(10,008)	(1,852)
Net income	35,730	9,241
Other comprehensive income	(154)	126
Total comprehensive income	<u>\$ 35,576</u>	<u>\$ 9,367</u>
Basic earnings per share (dollar)	<u>\$ 0.47</u>	<u>\$ 0.12</u>

c. Profitability

Item	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Return on total assets		
Pretax	4.90%	1.21%
After tax	3.82%	1.01%
Return on net equity		
Pretax	5.46%	1.35%
After tax	4.26%	1.12%
Profit margin	9.10%	2.85%

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 = $\frac{\text{Income after tax}}{\text{Operating income} + \text{Nonoperating income}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2018 and 2017.

Taishin Securities Investment Advisory

a. Balance sheet

	December 31	
	2018	2017
Assets		
Current assets	\$ 344,010	\$ 340,486
Property and equipment	1,148	1,240
Deferred tax assets	5,547	4,989
Other noncurrent assets	31,832	31,831
	<u>\$ 382,537</u>	<u>\$ 378,546</u>
Liabilities		
Current liabilities	\$ 22,405	\$ 19,448
Other noncurrent liabilities	5,113	4,860
	<u>27,518</u>	<u>24,308</u>
Equity		
Capital stock	300,000	300,000
Capital surplus	52,325	55,065
Retained earnings	2,694	(827)
	<u>355,019</u>	<u>354,238</u>
	<u>\$ 382,537</u>	<u>\$ 378,546</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2018	2017
Operating revenue	\$ 99,257	\$ 96,561
Operating expenses	(102,970)	(96,957)
Operating income	(3,713)	(396)
Non-operating income	7,200	5,555
Non-operating expenses	(978)	(3,890)
Income before income tax	2,509	1,269
Income tax expenses	319	55
Net income	2,828	1,324
Other comprehensive income	(134)	(335)
Total comprehensive income	<u>\$ 2,694</u>	<u>\$ 989</u>
Basic earnings per share (dollar)	<u>\$ 0.09</u>	<u>\$ 0.04</u>

c. Profitability

Item		For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Return on total assets	Pretax	0.66%	0.34%
	After tax	0.74%	0.35%
Return on net equity	Pretax	0.71%	0.36%
	After tax	0.80%	0.37%
Profit margin		2.66%	1.30%

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

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

$$\text{Note c: Profit margin} = \frac{\text{Income after tax}}{\text{Operating income} + \text{Non-operating income}}$$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2018 and 2017.

57.EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

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

Taishin Bank

(Foreign Currencies/New Taiwan Dollars in Thousands)

December 31						
	2018			2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
AUD	\$ 370,796	21.68	\$ 8,039,078	\$ 254,891	23.26	\$ 5,929,653
RMB	4,093,713	4.48	18,321,394	3,776,385	4.58	17,290,354
EUR	268,750	35.23	9,468,260	242,534	35.69	8,656,229
GBP	36,751	38.90	1,429,504	6,272	40.22	252,256
HKD	4,064,452	3.92	15,948,931	2,787,902	3.82	10,648,236
JPY	53,114,185	0.28	14,790,548	34,716,755	0.26	9,198,239
USD	6,080,096	30.73	186,859,602	5,940,468	29.85	177,311,097
Non-monetary items						
AUD	1,339,684	21.68	29,045,142	1,033,331	23.26	24,038,928
RMB	14,328,200	4.48	64,125,787	32,593,870	4.58	149,232,622
EUR	151,350	35.23	5,332,170	311,614	35.69	11,121,753
GBP	51,987	38.90	2,022,164	179,327	40.22	7,212,015
CAD	340,736	22.59	7,695,920	31,026	23.78	737,717
HKD	321,664	3.92	1,262,211	393,833	3.82	1,504,221
JPY	8,011,738	0.28	2,231,005	7,223,684	0.26	1,913,922
SGD	55,647	22.49	1,251,605	21,742	22.33	485,515
NZD	29,666	20.62	611,808	66,810	21.20	1,416,448
USD	5,865,158	30.73	180,253,915	23,183,029	29.85	691,991,528
ZAR	6,207,238	2.13	13,209,462	12,670,044	2.42	30,657,584
<u>Financial liabilities</u>						
Monetary items						
AUD	609,884	21.68	13,222,643	508,081	23.26	11,819,765
CAD	48,066	22.59	1,085,630	46,308	23.78	1,101,085
RMB	5,439,127	4.48	24,342,785	4,801,465	4.58	21,983,730
EUR	157,793	35.23	5,559,171	123,957	35.69	4,424,116
HKD	2,406,469	3.92	9,442,996	2,405,994	3.82	9,189,560
JPY	21,466,797	0.28	5,977,795	21,714,204	0.26	5,753,200
USD	9,861,895	30.73	303,093,961	8,988,118	29.85	268,277,351
ZAR	5,429,639	2.13	11,554,673	5,333,459	2.42	12,903,814
GBP	29,051	38.90	1,129,996	24,411	40.22	981,751
Non-monetary items						
AUD	1,101,534	21.68	23,881,917	777,611	23.26	18,089,985
RMB	12,434,333	4.48	55,649,794	31,484,689	4.58	144,154,187
EUR	256,297	35.23	9,029,530	431,760	35.69	15,409,832
GBP	55,366	38.90	2,153,596	162,761	40.22	6,545,807
HKD	1,934,367	3.92	7,590,465	678,216	3.82	2,590,406
JPY	40,032,622	0.28	11,147,764	20,846,636	0.26	5,523,337
USD	2,439,971	30.73	74,987,639	20,211,609	29.85	603,300,495
ZAR	797,677	2.13	1,697,515	7,326,733	2.42	17,729,935
CAD	315,047	22.59	7,115,694	5,552	23.78	132,013
SGD	85,023	22.49	1,912,336	18,134	22.33	404,941

58.DISCLOSURES UNDER STATUTORY REQUIREMENTS

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

1) Material transactions are summarized as follows:

No.	Item	Explanation
1	Securities of Taishin Financial Holding's investees acquired or disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital	Table 1
2	Acquisition or disposal of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital	None
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 10
5	Sales of NPL from subsidiaries	Table 2
6	Authorities securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
7	Other transactions that may have significant impact on the decision made by the financial statement users	None

2) Information on Taishin Financial Holding's subsidiaries:

No.	Item	Explanation
1	Financings provided	Note
2	Endorsements/guarantees provided	Note
3	Marketable securities held	Table 4 (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 49

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: Refer to Table 3.

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 9
2	Significant commitments and contingencies	Note 52
3	Significant losses	None
4	Subsequent events	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 10.

59.SEGMENT INFORMATION

a. General information

The report of Taishin Financial Holding and subsidiaries is the same as the report for internal use of policy makers. Main policy makers distribute the resources to the operation department and evaluate its efficiency. Taishin Financial Holding's main policy makers are the board of directors.

Interdepartmental transactions are normal transactions. Taishin Financial Holding consolidates all its subsidiaries, and writes off interdepartmental transaction gains and losses. The subsidiaries evaluate their own operation efficiency.

The operation departments of Taishin Financial Holding are subsidiaries of bank business, securities business and other business, respectively. The board of directors, the main policy maker, reviews company operation result, distributes resources, and evaluates operation efficiency.

Financial information of departments:

For the Year Ended December 31, 2018							
	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)	\$ 12,408,476	\$ 7,798,902	\$ 285,965	(\$ 467,857)	(\$ 434,185)	\$ -	\$ 19,591,301
Net income other than net interest income	10,018,060	2,035,116	2,226,281	2,871,939	3,274,874	(269,248)	20,157,022
Net revenue and gains	22,426,536	9,834,018	2,512,246	2,404,082	2,840,689	(269,248)	39,748,323
Provisions for allowance for bad debts expenses, commitments and guarantees liabilities	(15,186)	(2,815,337)	(80,528)	-	(429,488)	-	(3,340,539)
Operating expenses	(13,937,498)	(3,313,378)	(665,748)	(360,657)	(4,143,712)	249,592	(22,171,401)
Profit (loss) before tax	\$ 8,473,852	\$ 3,705,303	\$ 1,765,970	\$ 2,043,425	(\$ 1,732,511)	(\$ 19,656)	\$ 14,236,383
Total assets	\$ 608,371,349	\$ 476,857,177	\$ 446,861,286	\$ 201,799,436	\$ 217,592,971	(\$ 164,588,702)	\$ 1,786,893,517

The restatement of the year of 2017 is not required since the preparing cost is too high. The segment information of the year of 2018 under the prior basis was set out below:

	For the Year Ended December 31, 2018					
	Taishin Bank (Consumer Business)	Taishin Bank (Corporation Credit Business)	Taishin Financial Holding	Others	Adjustments and Eliminations	Total
Net interest income (expense)	\$ 12,408,476	\$ 7,156,887	(\$ 467,857)	\$ 493,795	\$ -	\$ 19,591,301
Net income other than net interest income	10,018,060	3,783,440	2,871,939	3,752,831	(269,248)	20,157,022
Net revenue and gains	22,426,536	10,940,327	2,404,082	4,246,626	(269,248)	39,748,323
Provisions for allowance for bad debts expenses, commitments and guarantees liabilities	(15,186)	(2,898,901)	-	(426,452)	-	(3,340,539)
Operating expenses	(13,937,564)	(3,775,894)	(360,657)	(4,346,878)	249,592	(22,171,401)
Profit (loss) before income tax	\$ 8,473,786	\$ 4,265,532	\$ 2,043,425	(\$ 526,704)	(\$ 19,656)	\$ 14,236,383
Total assets	\$ 608,371,349	\$ 479,685,564	\$ 201,799,436	\$ 661,625,870	(\$ 164,588,702)	\$ 1,786,893,517
	For the Year Ended December 31, 2017					
	Taishin Bank (Consumer Business)	Taishin Bank (Corporation Credit Business)	Taishin Financial Holding	Others	Adjustments and Eliminations	Total
Net interest income (expense)	\$ 11,528,124	\$ 7,511,821	(\$ 470,960)	\$ 165,584	\$ -	\$ 18,734,569
Net income other than net interest income	9,540,366	3,270,192	2,748,457	3,728,454	(220,137)	19,067,332
Net revenue and gains	21,068,490	10,782,013	2,277,497	3,894,038	(220,137)	37,801,901
(Provisions for) reversals of allowance for bad debts expenses and guarantee liabilities	126,912	(1,682,979)	-	(294,991)	-	(1,851,058)
Operating expenses	(12,998,390)	(3,634,734)	(497,504)	(4,208,279)	197,693	(21,141,214)
Profit (loss) before income tax	\$ 8,197,012	\$ 5,464,300	\$ 1,779,993	(\$ 609,232)	(\$ 22,444)	\$ 14,809,629
Total assets	\$ 569,836,822	\$ 452,895,549	\$ 182,149,025	\$ 618,784,926	(\$ 146,146,006)	\$ 1,677,520,316

b. Financial information by region

The operating income of Taishin Financial Holding and subsidiaries' overseas departments is not over 10% of the Group's consolidated operating income. In addition, their assets are not over 10% of the Group's consolidated total assets either. Thus, no financial information by region is required.

c. Information of foreign sales

The revenue from foreign sales made by the domestic departments of Taishin Financial Holding and subsidiaries to individuals is not over 10% of the Group's consolidated total operating income.

d. Information of important customers

Taishin Financial Holding and subsidiaries do not have important customers contributing more than 10% of revenue to the Group's consolidated operating income.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ACCUMULATED PURCHASES AND SALES OF SPECIFIC MARKETABLE SECURITIES OVER NT\$300 MILLION OR 10% OF OUTSTANDING CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Buyer or Seller	Type and Name of Marketable Security	Account Recorded	Transaction Party	Issuer's Relationship to the Buyer or Seller	Beginning of the Period		Purchases	
					Shares (Units)	Amount	Shares (Units)	Amount
Taishin Financial Holding	<u>Stock</u>							
	Taishin Venture Capital	Investments accounted for using the equity method	Taishin Venture Capital	Parent and subsidiary	332,903,495	\$ 2,747,656	480,090,000	\$ 4,800,900
	Taishin Bank	Investments accounted for using the equity method	Taishin Bank	Parent and subsidiary	6,884,598,317	124,456,503	665,172,931	12,924,000
	Taishin AMC	Investments accounted for using the equity method	Taishin AMC	Parent and subsidiary	99,500,000	1,423,204	67,100,000	671,000

Note: Others means investment income, cash dividends, recognition of employee stock options, effect capital reduction and others.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SALES OF NPL FROM SUBSIDIARIES

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Transaction Date	Seller	Transaction Party	Content of Loans	Book Value	Amount	Disposal Gain (Loss)
2018.06.15	Taishin Bank	Individual C	Syndicated loan	\$ -	\$ 134,713	\$ 134,713

TABLE 1

Sales				Others		End of the Period	
Shares (Units)	Selling Price	Carrying Value	Disposal Gain (Loss)	Shares (Units)	Amount (Note)	Shares (Units)	Amount
-	\$	-	\$	-	(392,118,591)	420,874,904	\$ 4,011,414
-	-	-	-	-	3,166,391	7,549,771,248	140,546,894
-	-	-	-	(99,500,000)	(1,017,380)	67,100,000	1,076,824

TABLE 2

Collateral Condition	The Relationship Between Transaction Party and Taishin Bank
1) The buyer pays the consideration in installments. Taishin Bank will transfer the legal title and obligations to the buyer after receiving the full consideration, and the transaction will be completed then. 2) Taishin Bank retains the legal title and obligations before the full consideration is received.	None

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEE'S NAMES, LOCATIONS, ETC.

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investees' Names	Unified Business No.	Investees' Location	Principal Business Activities
<u>Financial business</u>			
Taishin Bank	86519539	B1, 1F, No. 44, Jungshan N. Rd., Sec. 2, Zhongshan District, Taipei, Taiwan	Commercial bank business, trust, and bills discounting
Chang Hwa Bank	51811609	No. 38, Tsu Yu Rd., Sec. 2, Central District, Taichung, Taiwan	Commercial bank business, trust, and offshore banking unit
Taishin Securities B	23534956	2F, No. 44, Jungshan N. Rd., Sec. 2, Zhongshan District, Taipei, Taiwan	Multiple securities and future transaction assistant
Taishin AMC	80341022	2F-3, No. 9, Dehuei St., Zhongshan District, Taipei, Taiwan	Acquisition of delinquent loans, evaluation, auction, and management
Taishin Securities Investment Trust	27326178	1F., No. 9-1, Dehuei St., Zhongshan District, Taipei, Taiwan	Investment trust
Taishin Securities Investment Advisory	23285289	16F, No. 118, Ren-Ai Rd., Sec. 4, Da'an District, Taipei, Taiwan	Investment trust, advisory, and publication
Taishin Venture Capital	80031342	18F, No. 118, Ren-Ai Rd., Sec. 4, Da'an District, Taipei, Taiwan	Investment start-up
<u>Nonfinancial business</u>			
Metro Consulting Service Ltd.	27974096	B1F, No. 7, Lane 48, Zhongshan N. Rd., Sec. 2, Zhongshan District, Taipei, Taiwan	Consultancy, information service and human resource dispatch

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

Note 2: a. Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts.

b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of the "Securities and Exchange Law Enforcement Rules."

c. Derivative contracts, such as those on stock options, are those conforming to the definition of derivatives in International Accounting Standards No. 39 - "Financial Instruments."

TABLE 3

Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Percentage Share of the Company and Its Affiliates in Investees (Note 1)				Note
			Current Shares	Pro Forma Shares (Note 2)	Total Shares	Ownership Interest (%)	
100%	\$ 140,546,894	\$ 10,401,818	7,549,771,248	-	7,549,771,248	100%	Investments accounted for using equity method
22.55%	39,576,084	2,851,311	2,233,315,958	-	2,233,315,958	22.81%	"
100%	7,501,875	163,548	628,412,444	-	628,412,444	100%	"
100%	1,076,824	135,802	67,100,000	-	67,100,000	100%	"
100%	852,955	36,753	75,454,545	-	75,454,545	100%	"
92%	326,612	842	27,599,513	-	27,599,513	92%	"
100%	4,011,414	12,322	420,874,904	-	420,874,904	100%	"
4.40%	1,995	-	520,000	-	520,000	10.40%	Financial assets at FVTOCI

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars; in Thousands of U.S. Dollars)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account
Taishin Real Estate	<u>Stock</u> Metro Consulting Service Ltd.	Taishin Real Estate is the director of the Metro Consulting Service	Financial assets at FVTOCI
Taishin D.A. Finance	<u>Stock</u> Yuan Tai Forex Brokerage Co., Ltd.	Taishin D.A. Finance is the director of Yuan Tai Forex Brokerage	Financial assets at FVTOCI
	Bon-Li International Technology Co., Ltd.		Financial assets at FVTOCI
	<u>Bonds</u> Government Bonds 99-5		Financial assets at amortized cost
	Government Bonds 102-6		Financial assets at amortized cost
Taishin Venture Capital	<u>Stock</u> Taishin Financial Leasing (China)	Subsidiary of Taishin Venture Capital	Investment accounted for using the equity method
	Taishin Financial Leasing (Tianjin)	Subsidiary of Taishin Venture Capital	Investment accounted for using the equity method
	Delos Capital Fund, LP		Financial assets at FVTPL
	Delos Capital Fund II, LP		Financial assets at FVTPL
	CDIB Capital Global Opportunities Fund L.P.		Financial assets at FVTPL
	<u>Stock</u> Kwan-Hwa Venture Capital Corp.	Its corporate director is Taishin Venture Capital	Financial assets at FVTPL
	Chi-Ting Venture Capital Investment Co., Ltd.		Financial assets at FVTPL
	Hwei-Yang Venture Capital Investment Co., Ltd.	Its corporate supervisor is Taishin Venture Capital	Financial assets at FVTPL
	Century Development Corp.		Financial assets at FVTPL
	Microbio Co., Ltd		Financial assets at FVTPL
	Innostor Technology Corporation		Financial assets at FVTPL
	Youn Shin Artistic Co., Ltd.		Financial assets at FVTPL
	Winking Entertainment Ltd.		Financial assets at FVTPL
	Diamond Biotech Investment Corp.	Its director is Taishin Financial Holding's senior vice general manager	Financial assets at FVTPL
	Stem Cyte International Ltd.		Financial assets at FVTPL
	BioKey Inc.		Financial assets at FVTPL
	VM Discovery, Inc.		Financial assets at FVTPL
	RevMAb Biosciences, Inc.		Financial assets at FVTPL
	JHL Biotech, Inc.		Financial assets at FVTPL
	Celestial Talent Limited		Financial assets at FVTPL
	Shin Yao Biomedical Venture Capital Investment Co., Ltd.	Its director is Taishin Financial Holding's senior vice general manager	Financial assets at FVTPL

TABLE 4

December 31, 2018				Note
Shares/Units/ Nominal	Carrying Amount	Percentage of Ownership (%)	Market Value	
300,000.00	\$ 2,720	6.00	\$ 2,720	
600,000.00	9,528	5.00	9,528	
125,000.00	-	1.50	-	Go out of business
6,000.00	6,063	-	6,065	
1,500.00	3,070	-	3,082	
-	1,133,068	100.00	1,133,068	
-	806,987	100.00	806,987	
-	226,351	7.64	226,351	
-	91,775	7.47	91,775	
-	12,631	2.58	12,631	
1,101,798.00	2,259	5.56	2,259	
678,260.00	6,050	1.30	6,050	
42,000.00	4,813	1.54	4,813	
10,185,338.00	106,946	3.03	106,946	
1,709,150.00	21,535	0.40	21,535	
68,818.00	-	0.81	-	
1,000,000.00	800	12.69	800	Liquidated
709,178.00	7,546	1.93	7,546	
45,000,000.00	312,750	10.00	312,750	
500,000.00	9,240	0.56	9,240	
200,000.00	926	Preferred stock	926	
95,238.00	10,099	Preferred stock	10,099	
400,000.00	7,524	Preferred stock	7,524	
2,105,264.00	98,337	1.02	98,337	
1,457,152.00	14,557	2.41	14,557	
35,000,000.00	268,100	10.00	268,100	

(Continued)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account
Taishin AMC	Taxven BioPharma, Inc	Other	Financial assets at FVTPL
	Great Agricultural Technology Co., Ltd.		Financial assets at FVTPL
	Contact Digital Integration Co., Ltd.		Financial assets at FVTPL
	I.X		Financial assets at FVTPL
	Power Master Co., Ltd.		Financial assets at FVTPL
	FinTech Base		Financial assets at FVTPL
	TECO Nanotech Inc.		Financial assets at FVTPL
	Sim2 Travel Inc.		Financial assets at FVTPL
	Solar PV Corporation		Financial assets at FVTPL
	PC Home Online Investment Inc.		Financial assets at FVTPL
Taishin Securities Venture Capital	CC Media Co., Ltd	Its director is Taishin Financial Holding's senior vice general manager Its director is Taishin Financial Holding's senior vice general manager Equity-method investee	Financial assets at FVTPL
	Cyberheart Inc.		Financial assets at FVTPL
	Cyberheart Inc.		Financial assets at FVTPL
	<u>Stock</u>		
	Linkou Golf Country Club		Financial assets at FVTOCI
	Dah Chung Bills		Financial assets at FVTOCI
	Diamond Biotech Investment Corp.		Financial assets at FVTOCI
	Shin Yao Biomedical Venture Capital Investment Co., Ltd.		Financial assets at FVTOCI
	Taishin Real Estate		Investment accounted for using the equity method
	<u>Stock</u>		
Taishin Securities Venture Capital	Geniron.com.inc		Financial assets at FVTPL
	Julien's Group		Financial assets at FVTPL
	Le Day Multimedia Co., Ltd.		Financial assets at FVTPL
	Excelsior Bio-system Inc.		Financial assets at FVTPL
	Rich Healthy Fruits & Vegetable Corp.		Financial assets at FVTPL
	Power Master Co., Ltd.		Financial assets at FVTPL
	Pharmacore Biotech Co., Ltd.		Financial assets at FVTPL
	<u>Investment agreement</u>		
	Movie - Phoenix Lights		Financial assets at FVTPL

December 31, 2018				Note
Shares/Units/ Nominal	Carrying Amount	Percentage of Ownership (%)	Market Value	
273,042.00	17,065	0.11	17,065	Liquidated
577,500.00	3,067	3.33	3,067	
1,300,000.00	10,439	7.22	10,439	
1,941,930.00	7,807	3.41	7,807	
220,000.00	4,332	0.88	4,332	
17,500,000.00	29,575	8.06	29,575	
119,323.00	-	0.48	-	
350,000.00	-	Preferred stock	-	
1,665,000.00	-	1.09	-	
78,540.00	-	3.03	-	
400,000.00	-	0.48	-	
12,500.00	-	0.03	-	
285,958.00	-	Preferred stock	-	
3.00	1,680	0.00	1,680	
2,290,200.00	30,688	0.51	30,688	
5,625,000.00	39,094	1.25	39,094	
4,375,000.00	33,513	1.25	33,513	
8,000,000.00	145,795	40.00	-	
619,590.00	4,820	4.13	4,820	
852,264.00	28,696	3.68	28,696	
458,800.00	1,679	3.83	1,679	
262,983.00	357	0.73	357	
287,500.00	20,648	1.64	20,648	
165,000.00	3,330	0.66	3,330	
490,000.00	8,977	2.62	8,977	
-	1,404	-	1,404	

(Concluded)

TABLE 5

TAISHIN INTERNATIONAL BANK CO., LTD.
SECURITIES DEPARTMENT

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Financial assets at fair value through profit or loss - current	\$ 15,607,056	23	\$ 29,093,585	40
Financial assets at FVTOCI - current	7,890,964	12	-	-
Available-for-sale financial assets - current	-	-	16,832,638	23
Other current assets	1,350,644	2	594,329	1
Total current assets	24,848,664	37	46,520,552	64
NONCURRENT ASSETS				
Financial assets at FVTOCI - noncurrent	41,619,040	63	-	-
Available-for-sale financial assets - noncurrent	-	-	25,979,223	36
Refundable deposits	29,994	-	29,219	-
Total noncurrent assets	41,649,034	63	26,008,442	36
TOTAL	\$ 66,497,698	100	\$ 72,528,994	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at FVTOCI - current	\$ -	-	\$ 151,124	-
Bond loans under repurchase agreements	22,111,468	33	32,302,559	44
Other current liabilities	909,271	2	1,231,873	2
Total current liabilities	23,020,739	35	33,685,556	46
NONCURRENT LIABILITIES				
Transactions between home office and branches	41,840,466	63	36,817,031	51
Total liabilities	64,861,205	98	70,502,587	97
EQUITY				
Appropriated working capital	800,000	1	800,000	1
Retained earnings				
Special reserve	189,981	-	189,339	1
Unappropriated earnings	524,242	1	835,205	1
Other equity				
Unrealized gains (losses) on financial assets at FVTOCI	122,270	-	-	-
Unrealized gains (losses) on available-for-sale financial asset	-	-	201,863	-
Total equity	1,636,493	2	2,026,407	3
TOTAL	\$ 66,497,698	100	\$ 72,528,994	100

TABLE 6

TAISHIN INTERNATIONAL BANK CO., LTD.
SECURITIES DEPARTMENT

STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018		2017	
	Amount	%	Amount	%
REVENUES AND GAINS				
Securities underwriting services income	\$ 14,477	2	\$ 5,030	-
Gain on sale of securities held for operations - dealing	142,955	18	291,753	26
Interest income	697,089	89	678,218	60
(Loss) gain on valuation of securities held for operations - dealing	(77,948)	(10)	159,138	14
Reversals of impairment on securities	8,209	1	-	-
Total revenues and gains	<u>784,782</u>	<u>100</u>	<u>1,134,139</u>	<u>100</u>
EXPENSES AND LOSSES				
Financial costs	(121,597)	(16)	(152,573)	(13)
Employee benefit expense	(8,865)	(1)	(32,842)	(3)
Depreciation and amortization expenses	(116)	-	(626)	-
Other operating expenses	(17,206)	(2)	(34,178)	(3)
Total expenses and losses	<u>(147,784)</u>	<u>(19)</u>	<u>(220,219)</u>	<u>(19)</u>
INCOME BEFORE INCOME TAX	636,998	81	913,920	81
INCOME TAX EXPENSE	(112,756)	(14)	(78,715)	(7)
NET INCOME	<u>524,242</u>	<u>67</u>	<u>835,205</u>	<u>74</u>
OTHER COMPREHENSIVE INCOME				
Components of other comprehensive income that will be reclassified to profit or loss, net of tax				
Unrealized loss on investment in debt instruments at FVTOCI	(90,494)	(12)	-	-
Unrealized (loss) gain on available-for-sale financial assets	-	-	(8,846)	(1)
Other comprehensive income (loss), net of tax	<u>(90,494)</u>	<u>(12)</u>	<u>(8,846)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 433,748</u>	<u>55</u>	<u>\$ 826,359</u>	<u>73</u>

TABLE 7

TAISHIN SECURITIES CO., LTD.
FUTURES DEPARTMENT

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 768,276	54	\$ 761,250	64
Customer margin account	474,278	34	240,208	21
Other receivables	399	-	143	-
Other current assets	50,577	4	60,196	5
Total current assets	1,293,530	92	1,061,797	90
NONCURRENT ASSETS				
Property and equipment	1,077	-	1,052	-
Intangible assets	3,839	-	-	-
Other non-current assets	112,106	8	122,793	10
Total noncurrent assets	117,022	8	123,845	10
TOTAL	\$ 1,410,552	100	\$ 1,185,642	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Futures traders' equity	\$ 472,629	34	\$ 239,866	20
Payables	2,330	-	977	-
Other payables	2,848	-	1,607	-
Other current assets	1,426	-	222	-
Total current liabilities	479,233	34	242,672	20
NONCURRENT LIABILITIES				
Net defined benefit liabilities - noncurrent	-	-	43	-
Transaction between home office and branches	6	-	-	-
Total noncurrent liabilities	6	-	43	-
Total liabilities	479,239	34	242,715	20
EQUITY				
Appropriated working capital	910,000	65	940,000	80
Retained earnings				
Legal reserve	293	-	-	-
Special reserve	585	-	-	-
Unappropriated earnings	20,435	1	2,927	-
Total retained earnings	21,313	1	2,927	-
Total equity	931,313	66	942,927	80
TOTAL	\$ 1,410,552	100	\$ 1,185,642	100

TABLE 8

TAISHIN SECURITIES CO., LTD.
FUTURES DEPARTMENT

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018		2017	
	Amount	%	Amount	%
REVENUES				
Service fee - brokering	\$ 57,393	106	\$ 10,746	100
Impairment loss on expected credit losses	(3,000)	(6)	-	-
Other operating losses	(15)	-	-	-
Total revenues	54,378	100	10,746	100
EXPENSES				
Service charge - brokerage	10,291	19	1,734	16
Interest expense	-	-	26	-
Other operating expenses	9,381	17	1,373	13
Employee benefit expense	15,267	28	3,604	33
Depreciation and amortization expenses	1,470	2	395	4
Other operating expenses	5,839	11	1,500	14
Total expenses	42,248	77	8,632	80
OPERATING INCOME	12,130	23	2,114	20
OTHER INCOME AND LOSSES	8,305	15	813	7
INCOME BEFORE INCOME TAX	20,435	38	2,927	27
INCOME TAX	-	-	-	-
NET INCOME	20,435	38	2,927	27
TOTAL COMPREHENSIVE INCOME	\$ 20,435	38	\$ 2,927	27

TABLE 9

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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, 2018 (US\$ in Thousand)	Investment Flows (US\$ in Thousand)		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (US\$ in Thousand)	Investee's Net Income	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
						Outflow	Inflow						
Taishin Venture Capital	Taishin Financial Leasing (China)	Financial leasing	\$ 1,192,729 (USD 40,000)	Note 1.a.	\$ 898,339 (USD 30,000)	\$ 298,680	\$ -	\$ 1,197,019 (USD 40,000)	\$ 156,089	100%	\$ 156,089 (Note 2.b.1)	\$ 1,133,068	\$ -
	Taishin Financial Leasing (Tianjin)	Financial leasing	920,748 (USD 30,000)	Note 1.a.	920,748 (USD 30,000)	-	-	920,748 (USD 30,000)	66,679	100%	66,679 (Note 2.b.1)	806,987	-

Investor	Accumulated Investment in Mainland China as of December 31, 2018 (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 (USD 70,000)	\$ 2,117,767 (USD 70,000)	\$ 17,438,453

Note 1: The three methods of investment are as follows:

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

Note 2: Equity in the profits (losses):

- If the entity is still in preparation stage and there is no equity in profits (losses), the condition should be noted.
- The basis of recognizing equity in profits (losses) is categorized in the following three types and each entity should be noted according to its condition.
 - Financial statement audited (reviewed) by international accounting firms that cooperate with accounting firms in ROC.
 - Financial statements audited (reviewed) by Taiwan parent company's CPA.
 - Others.

TABLE 10

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND MATERIAL TRANSACTIONS IN CONSOLIDATION

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Number (Note a)	Main Party	Counterparty	Relationship (Note b)	Transactions			
				Account	Amount	Terms	% of Consolidated Operating Revenues or Consolidated Total Assets (Note c)
1	Taishin Bank	Taishin Securities Investment Advisory	3	Deposits and remittances	\$ 258,934	Under arm's length terms	0.01%
1	Taishin Bank	Taishin Securities B	3	Deposits and remittances	859,119	Under arm's length terms	0.05%
1	Taishin Bank	Taishin Venture Capital	3	Deposits and remittances	733,447	Under arm's length terms	0.04%
0	Taishin Financial Holding	Taishin Bank	1	Cash and cash equivalents	3,966,191	Under arm's length terms	0.22%
0	Taishin Financial Holding	Taishin Bank	1	Securities purchased under resale agreements	2,100,049	Under arm's length terms	0.12%
0	Taishin Financial Holding	Taishin Bank	1	Accounts receivable, net	1,490,735	Under arm's length terms	0.08%
0	Taishin Financial Holding	Taishin Bank	1	Accounts payable	558,456	Under arm's length terms	0.03%

Note a: Business between the parent and subsidiaries is numbered as follows:

- Parent: 0
- Subsidiaries are numbered from 1 in order.

Note b: Relationship between the main party and the counterparty is numbered as follows:

- Parent to subsidiary.
- Subsidiary to parent.
- One subsidiary to another 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.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SCHEDULES OF MAJOR ACCOUNTING ITEMS FOR THE YEAR ENDED DECEMBER 31, 2018

Items	Index
Schedules of Asset, Liability and Equity	Schedule 1
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Securities purchased under resell agreements	Schedule 4
Financial assets at FVTOCI	Schedule 5
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Changes in investments accounted for using equity method	Note 19
Other financial assets	Note 19
Changes in investment properties	Note 20
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Changes in accumulated depreciation	
Securities sold under repurchase agreements	
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Detailed schedule of net other non-interest income (loss)	Schedule 8
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Detailed schedule of employee benefit expenses	Schedule 10

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SCHEDULE 1

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Financial Instrument Items	Summary	Face Value/Unit	Cost	Fair Value
Investment in bills	Commercial paper - other banks guarantees	\$ 29,598,500	\$ 29,547,352	\$ 29,547,554
	Commercial paper - Taishin Bank's guarantee	2,431,900	2,429,033	2,428,663
	Negotiable certificates of deposit - other banks	1,342,650	1,325,280	1,312,935
		33,373,050	33,301,665	33,289,152
Domestic listed stocks		235,619	1,369,410	1,359,375
Domestic OTC stocks		17,991	172,473	173,626
Domestic unlisted stocks	Diamond Biotech Investment	45,000	450,000	312,750
	Others (Note)	3,914,009	1,007,156	744,476
		3,959,009	1,457,156	1,057,226
Foreign unlisted stocks		22,576	611,735	486,792
Beneficiary certificates - fund		214,689	416,279	400,494
Government bonds	Treasury Bond 103 I-6	1,500,000	1,561,546	1,559,373
	Treasury Bond 93-3	1,200,000	1,332,804	1,336,369
	Treasury Bond 104 I-12	1,300,000	1,328,892	1,324,145
	Treasury Bond 102 I-10	1,100,000	1,158,846	1,155,742
	Treasury Bond 101 I-5	700,000	713,592	712,989
	Treasury Bond 106 I-9	700,000	707,851	707,936
	Treasury Bond 100 I-9	500,000	508,999	508,188
	Treasury Bond 106 I-4	450,000	459,017	457,936
	Treasury Bond 101 I-9	400,000	406,696	406,692
	Treasury Bond 107 I-5	350,000	350,692	350,313
	Treasury Bond 107 I-7	350,000	347,934	348,841
	Treasury Bond 103 I-7	300,000	329,057	333,033

(Continued)

Financial Instrument Items	Summary	Face Value/Unit	Cost	Fair Value
	Treasury Bond 94-3	\$ 300,000	\$ 329,321	\$ 328,751
	Treasury Bond 101 II-1	300,000	322,306	321,746
	Treasury Bond 104 I-5	300,000	315,604	315,330
	Treasury Bond 107 I-9	300,000	299,748	300,378
	Others (Note)	2,415,131	2,518,517	2,523,141
		12,465,131	12,991,422	12,990,903
Bank debentures	KEBHNH Float 03/13/23	799,058	799,618	799,031
	EIBKOR Float 06/01/23	737,592	739,528	737,657
	BOCOM Float 05/17/23	737,592	737,884	736,400
	AGRBK 2.5 09/19/20	737,592	730,105	726,057
	BCHINA Float 06/07/23	706,859	705,947	704,619
	BCHINA Float 03/08/23	676,126	677,192	674,970
	SHNHAN 3.875 11/05/23	614,660	611,236	620,295
	P07 HSBC 2	500,000	500,230	500,721
	CHINAM Float 09/26/21	460,995	460,995	460,986
	KEBHNH Float 07/26/23	460,995	460,995	460,490
	ICBCAS Float 10/25/21	460,995	460,995	460,380
	KNFP 3.55 09/26/23	460,995	460,995	458,842
	CCB Float 09/24/21	399,529	399,529	399,173
	CITNAT 2.875 03/25/23	399,529	383,987	387,381
	NACF 3.875 07/30/23	368,796	366,214	371,279
	CCB Float 06/08/21	368,796	368,401	368,400
	KDB 2.75 03/19/23	368,796	355,372	358,516
	ICBCAS Float 04/16/23	338,063	338,266	337,270
	EIBKOR 3.625 11/27/23	307,330	305,621	308,003
	ICBCAS Float 03/05/23	307,330	307,668	306,405
	Others (Note)	5,315,803	5,302,596	5,299,127
		15,527,431	15,473,374	15,476,002
Corporate bonds	P07 Taipower 3A	500,000	500,000	500,055
	KOHNPW 3.75 07/25/23	11,000	336,631	340,886
	Others (Note)	1,165,000	3,094,554	3,094,856
		1,676,000	3,931,185	3,935,797
Convertible corporate bonds	Eva airways 3	1,021,100	1,025,237	1,103,804
	Highwealth 5	464,100	465,912	491,019
	China Airlines 6	432,200	432,656	439,115
	Others (Note)	2,029,700	2,364,023	2,428,616
		3,947,100	4,287,828	4,462,554
Others (Note)	SOCGEN Float 01/10/23	20,000	614,660	615,725
	GS Float 12/22/22	10,000	307,330	308,373
	Others (Note)	15,000	460,995	448,246
		45,000	1,382,985	1,372,344
Trading securities - dealing				
Domestic listed stocks	Cathay preferred stock A	4,799	299,032	305,696
	Others (Note)	28,114	1,198,729	1,211,732
			1,497,761	1,517,428
Domestic OTC stocks		2,660	100,876	99,058
Domestic emerging stocks		7,518	446,611	458,710
Corporate bonds	P07 Hsin Ba 1	400,000	400,000	402,662
	P04 Fubon 4	300,000	308,486	308,326
	P06 ShinRuenn 1	300,000	301,550	301,984
	P06 Hon Hai 3B	300,000	300,528	301,914
	P06 Dali 1	300,000	300,495	300,741
	Others (Note)	3,700,000	3,734,172	3,732,789
			5,345,231	5,348,416
Convertible bonds	Highwealth 5	798,400	845,230	844,707
	YangMing 5	598,100	613,331	607,371
	Taiwan Mobile 3	585,600	601,083	603,461

(Continued)

Financial Instrument Items	Summary	Face Value/Unit	Cost	Fair Value
	Eva airways 3	\$ 302,500	\$ 319,656	\$ 327,003
	Others (Note)	3,773,400	4,115,936	3,933,450
			6,495,236	6,315,992
Domestic listed funds		14,635	221,440	222,973
Domestic emerging funds		8,528	174,612	175,677
Bank debentures		200,000	200,034	200,122
Foreign unlisted stocks		1,259	92,376	72,880
Offshore funds		9	15,362	15,219
Offshore bonds		6,460	647,608	640,786
Overseas stocks		1,500	72,873	59,331
Global depositary receipts		152	96,796	91,212
			15,406,816	15,217,804
Trading securities - underwriting				
Domestic listed stocks		174	2,742	2,616
Convertible bonds	China Airlines 6	600,000	601,200	609,600
	Others (Note)	655,700	657,259	659,666
			1,258,459	1,269,266
			1,261,201	1,271,882
Trading securities - hedging				
Domestic listed stocks		2,246	160,219	150,930
Domestic OTC stocks		253	20,918	20,987
Domestic OTC funds		905	9,000	8,077
Domestic listed funds		1,488	15,589	17,334
Domestic listed warrants		59,448	64,503	58,054
Domestic OTC warrants		1,804	2,323	2,132
			272,552	257,514
Derivative financial instrument	Interest rate swaps	-	-	10,354,324
	Currency exchange	-	-	9,084,266
	Forward exchange	-	-	2,752,764
	Foreign-exchange options	-	-	1,261,572
	Futures	-	-	333,182
	Cross-currency swaps	-	-	196,126
	Asset-swap options	-	-	25,360
	Equity-linked swaps	-	-	18,914
	Equity-linked options	-	-	2,324
	Commodity options	-	-	490
	Future options	-	-	404
			-	24,029,726
Investment agreement		-	11,273	1,404
			\$ 92,347,354	\$ 115,782,595

Note: "Others" means the aggregated disclosure of items under \$300,000 thousand.

(Concluded)

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SCHEDULE 2

SECURITIES PURCHASED UNDER RESELL AGREEMENTS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Face Value	Amount
Government bonds	\$ 53,800	\$ 57,887
Commercial paper		
Mega Bills	1,300,000	1,298,692
IBFC	1,060,800	1,060,062
	\$ 2,414,600	\$ 2,416,641

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCIAL ASSETS AT FVTOCI

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Summary	Face Value	Cost	Accumulated Impairment	Fair Value	Note
Investment in bills	Negotiable certificates of deposit - Central Bank	\$ 210,280,000	\$ 210,280,000	\$ -	\$ 210,193,622	\$14,700,000 thousand pledged as collateral
	Commercial paper - other banks guarantees	6,510,000	6,502,961	-	6,504,140	
	Negotiable certificates of deposit - other banks	1,000,000	1,000,120	-	1,000,297	
	Treasury bill	612,343	612,343	-	612,287	
		218,402,343	218,395,424	-	218,310,346	
Government bonds	Treasury Bond 102 I-10	8,150,000	8,542,038	-	8,562,996	\$71,000 thousand pledged as collateral
	Treasury Bond 102 I-6	4,900,000	4,984,206	-	4,989,623	
	Treasury Bond 107 I-7	4,950,000	4,922,809	-	4,933,601	
	Treasury Bond 107 I-1	4,550,000	4,538,514	-	4,541,871	
	Treasury Bond 103 I-6	3,300,000	3,426,293	-	3,430,620	
	Treasury Bond 93-3	2,900,000	3,219,100	-	3,229,558	
	Treasury Bond 101 I-9	2,300,000	2,336,343	-	2,338,480	\$180,000 thousand pledged as collateral
	T 2.25 01/31/24	1,598,116	1,610,082	-	1,569,400	
	Treasury Bond 107 I-11	1,500,000	1,499,227	-	1,503,649	
	T 1.25 07/31/23	1,475,184	1,412,497	-	1,388,805	
	T 2.125 03/31/24	1,229,320	1,202,647	-	1,198,683	
	Treasury Bond 93-9	1,000,000	1,124,992	-	1,129,407	
	Treasury Bond 92-3	500,000	536,069	-	536,117	
	HKGB 1.35 03/19	392,401	390,602	-	391,993	
	T 1.375 02/28/19	368,796	368,911	-	368,175	
	Treasury Bond 106 I-2	350,000	349,085	-	350,983	
	HKGB 1.32 12/23/19 CORP	313,920	314,893	-	312,526	
	CGB 2.9 07/04/19 CORP	313,285	313,285	-	312,516	
	T 2.75 11/15/23	307,330	306,477	-	309,203	
	Treasury Bond 106 I-1	300,000	299,992	-	300,010	
	Others (Note)	2,649,483	2,684,287	(4)	2,681,835	\$375,700 thousand pledged as collateral
		43,347,835	44,382,349	(4)	44,380,051	
Corporate bonds	KOROIL Float 07/16/23 Corp	921,990	923,671	(247)	925,552	
	P05 FENC 3	800,000	793,749	(726)	796,464	
	CNOOC 4.25 01/26/21	599,294	615,765	(257)	607,621	
	P06 UMC 1A	500,000	500,000	(449)	504,324	
	P06 Taipower 2A	500,000	500,000	(210)	503,500	
	01 TSMC 1B	500,000	500,030	(209)	500,151	
	P07 FPG 1A	500,000	500,000	(211)	498,966	
	01 CPC 1C	400,000	407,183	(170)	408,703	
	P04 Hon Hai 5D	400,000	401,798	(170)	403,470	
	P06 FENC 1	400,000	400,000	(419)	402,836	
	SINOPE 2 09/29/21	414,896	405,779	(170)	398,346	
	03 Taipower 1C	350,000	355,688	(148)	358,105	
	P03 CPC 2A	350,000	351,847	(147)	352,788	
	01 TSMC 4	300,000	307,181	(129)	308,243	
	98 Taipower 5C	300,000	302,099	(85)	304,614	
	P03 Hon Hai 4B	300,000	301,137	(127)	301,845	
	01 Taipower 4A	300,000	301,260	(126)	301,825	
	P06 CPC 1A	300,000	300,000	(126)	301,146	
	Others (Note)	7,128,585	7,144,876	(5,439)	7,158,619	
		15,264,765	15,312,063	(9,565)	15,337,118	
Bank debentures	KEBHNH Float 03/13/23	1,790,197	1,791,219	(762)	1,789,991	
	EIB 7.5 01/30/19	1,645,874	1,645,506	-	1,645,444	
	MUFG Float 03/20/23	1,623,175	1,624,443	(451)	1,615,824	
	WSTP Float 03/06/23	1,321,482	1,322,355	(353)	1,313,637	
	NAB Float 05/16/23	1,279,154	1,279,938	(341)	1,272,732	

(Continued)

Items	Summary	Face Value	Cost	Accumulated Impairment	Fair Value	Note
	CBAAU FLOAT 08/16/23	\$ 1,269,995	\$ 1,271,822	(339)	\$ 1,264,629	
	BNS Float 09/08/22	1,094,542	1,099,298	(460)	1,092,747	
	WOORIB Float 02/01/23	952,723	955,903	(264)	954,204	
	F12702 (P18KB1)	952,723	953,782	(264)	950,955	
	EIBKOR Float 10/30/23	856,384	856,384	(15)	850,314	
	BCHINA 3.125 01/23/19	737,592	737,997	(204)	737,640	
	KEBHNH Float 07/26/23	737,592	737,759	(309)	736,750	
	BMO Float 10/06/22	726,300	727,780	(194)	725,211	
	KDB Float 02/27/22 Corp	705,937	705,525	(190)	706,397	
	ICBCAS Float 02/21/22	676,126	678,342	(284)	677,774	
	BMO Float 09/07/23	650,038	650,417	(173)	647,276	
	ANZ Float 05/09/23	643,914	644,992	(172)	640,973	
	WSTP Float 05/15/23	614,660	615,395	(165)	608,027	
	CITNAT Float 06/29/22	585,464	587,515	(176)	588,329	
	HSBC Float 12/07/22	574,102	574,002	(153)	571,073	
	ABNANV Float 07/19/22	559,341	560,024	(235)	558,180	
	NAB Float 09/26/23	535,871	537,130	(144)	533,815	
	KEBHNH Float 09/14/22	522,461	522,388	(221)	523,691	
	UBS Float 03/08/23	510,748	511,084	(214)	509,405	
	KEBHNH FLOAT 04/05/20	460,995	461,151	(195)	461,665	
	UOBSP Float 01/24/22	454,663	455,579	(121)	453,953	
	EIB 8.5 06/14/19	439,596	441,633	-	441,078	
	KDB Float 10/19/23	439,032	439,032	(8)	437,479	
	CBAAU FLOAT 10/18/19 CORP	433,612	433,697	(116)	434,900	
	ANZ FLOAT 11/11/19 CORP	433,612	433,717	(116)	434,891	
	RABOBK Float 02/11/20	431,444	431,910	(180)	433,465	
	BCHINA Float 02/14/20 Corp	430,262	430,434	(119)	430,603	
	18 CDB 04(180204)	402,795	416,032	(173)	421,607	
	CITNAT 2.875 03/25/23	414,896	401,433	(168)	402,280	
	BCHINA 2.875 04/20/22	399,529	390,553	(108)	392,050	
	SUMIBK Float 04/07/20	390,928	391,350	(108)	391,686	
	CBAAU Float 07/25/22	390,141	391,282	(104)	389,688	
	WSTP Float 10/27/22	389,344	390,518	(104)	388,459	
	NAB Float 02/10/23	388,927	389,944	(104)	387,290	
	BOCOM Float 05/17/23	384,163	384,473	(107)	383,542	
	BCHINA Float 06/06/19	379,410	379,503	(105)	379,981	
	RBC SYDNEY Float 02/10/20	368,570	368,570	(98)	369,771	
	CCB FLOAT 05/31/20	368,796	368,957	(155)	369,128	
	CBAAU Float 04/25/23	346,890	346,131	(92)	344,076	
	CCB Float 06/08/23	338,063	338,218	(143)	337,212	
	RY Float 02/03/21	326,300	328,603	(87)	328,488	
	GSFLOAT 08/21/19	325,209	325,707	(138)	326,286	
	EIBKOR Float 03/17/21	307,330	307,330	(82)	310,184	
	WSTP FLOAT 05/13/21	307,330	307,330	(82)	309,721	
	MS Float 01/27/20 CORP	307,330	307,918	(131)	309,482	
	AGRBK FLOAT 05/16/19 CORP	307,330	307,559	(85)	307,752	
	BOCOM Float 12/04/20	307,330	307,786	(130)	307,656	
	BCHINA FLOAT 04/20/20 CORP	307,330	307,380	(85)	307,565	
	EXIMCH FLOAT 06/08/20 CORP	307,330	307,330	(129)	307,404	
	MSFloat 01/24/19	307,330	307,339	(130)	307,382	
	KNFP 3.55 09/26/23	307,330	307,330	(129)	305,895	
	WSTP Float 11/16/23	303,528	303,739	(81)	302,167	
	SHBASS Float 09/27/23	303,528	303,645	(81)	301,962	
	Others (Note)	20,008,134	20,015,339	(6,396)	19,994,224	
		54,084,732	54,119,452	(16,273)	54,025,990	
Domestic and overseas stocks	Dah Chung Bills Finance Corp.	824,287	913,640	-	1,104,513	
	Chunghwa Telecom Co., Ltd.	57,940	636,603	-	654,721	
	Taiwan Mobile Co., Ltd.	58,380	635,579	-	621,747	
	Others (Note)	14,236,811	1,656,976	-	1,965,762	
		15,177,418	3,842,798	-	4,346,743	
		\$ 346,277,093	\$ 336,052,086	(\$ 25,842)	\$ 336,400,248	

Note: "Others" means the aggregated disclosure of items under \$300,000 thousand.

(Concluded)

SCHEDULE 4

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DEBT INSTRUMENTS AT AMORTIZED COST

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Summary	Amount	Interest Rate (%)	Unamortized Premium (Discount)	Accumulated Impairment	Book Value	Note
Government bonds	Treasury Bond 99-5	\$ 6,000		\$ 63	\$ -	\$ 6,063	
Government bonds	Treasury Bond 102-6	3,000		70	-	3,070	
Bank debentures	JPM4.210/15/28	921,990		-	(386)	921,604	
Bank debentures	JPM4.3110/26/28	614,660		-	(257)	614,403	
Bank debentures	JPM4.411/27/28	921,990		-	(386)	921,604	
Bank debentures	INTNED 4.2412/13/28	614,660		-	(164)	614,496	
		<u>\$ 3,082,300</u>		<u>\$ 133</u>	<u>(\$ 1,193)</u>	<u>\$ 3,081,240</u>	

SCHEDULE 5

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Except Unit Price)

Name	Beginning Balance		Increase		Decrease		Ending Balance			Market Price or Equity	
	Shares	Amounts	Shares	Amounts	Shares	Amounts	Shares	Ownership Interest (%)	Amounts	Unit Price	Total
Unlisted shares											
An-Hsin Real-Estate	4,500,000	\$ 79,546	-	\$ -	-	(\$ 20,469)	4,500,000	100.00	\$ 59,077	13.17	\$ 59,077
Listed company											
Chang Hwa Bank	2,147,285,271	38,441,737	85,891,409	2,883,834	-	(1,283,667)	2,233,176,680	22.81	40,041,904	17.20	38,410,639
		<u>\$ 38,521,283</u>		<u>\$ 2,883,834</u>		<u>(\$ 1,304,136)</u>			<u>\$ 40,100,981</u>		<u>\$ 38,469,716</u>

SCHEDULE 6

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Face Value	Amount
Commercial paper		
Issued by - Formosa Petrochemical Corporation	\$ 2,277,700	\$ 2,275,500
Issued by - Chang Gung Memorial Hospital	2,117,100	2,114,457
Issued by - Hon Hai Precision Industry	2,000,000	1,996,060

(Continued)

Items	Face Value	Amount
Issued by - National Health Insurance Administra	\$ 1,300,000	\$ 1,299,217
Issued by - TAIRILITE	1,009,500	1,008,250
Issued by - TWSE	990,000	988,081
Issued by - Chunghwa Telecom	800,000	798,904
Issued by - SinoPac Securities	780,000	779,303
Issued by - Taichung Commercial Bank	750,000	749,411
Issued by - Taishin 1699	700,000	698,776
Issued by - Uni-President Securities	660,000	659,791
Issued by - Hontai Life Insurance	650,000	649,540
Issued by - Capital Money Market Fund	600,000	599,487
Issued by - ING Bank	550,000	549,215
Issued by - MasterLink Securities	450,000	449,755
Issued by - Capital new 1031	430,000	429,544
Issued by - Nanya Technology Corporation	404,100	403,750
Issued by - Cathay new 99-2	400,000	399,573
Issued by - Mega Diamond Money Market Fund	350,000	349,563
Issued by - Fubon old 982	350,000	349,506
Issued by - Wei Fu	315,000	314,850
Others (Note)	5,592,000	5,586,638
	23,475,400	23,449,171
Government bonds		
Treasury Bond 102 I-6	4,384,700	4,462,369
Treasury Bond 102 I-10	3,615,000	3,625,885
Treasury Bond 107 I-1	3,100,000	3,128,419
Treasury Bond 107 I-7	2,050,000	2,050,243
Treasury Bond 103 I-6	1,886,000	1,902,844
Treasury Bond 93-3	1,473,000	1,503,252
Treasury Bond 93-9	700,000	710,342
Treasury Bond 101 I-9	570,000	590,605
Treasury Bond 107 I-11	500,000	500,000
ICBCAS Float 10/25/21	460,995	422,823
CHINAM Float 09/26/21	460,995	415,684
CCB Float 09/24/21	399,529	365,177
Others (Note)	1,026,765	1,030,439
	20,626,984	20,708,082
Corporate bonds		
BCHINA 3.125 01/23/19	737,592	694,696
T 1.25 07/31/23	614,660	561,639
ABNANV Float 07/19/22	460,995	436,945
KEBHNH Float 09/14/22	430,262	409,566
P07 Hsin Ba 1-B87301	400,000	409,170
KDB 2.75 03/19/23	368,796	340,827
P06 ShinRuenn 1-B86502	300,000	307,123
P06 Hon Hai 3B-B644AZ	300,000	303,054
P06 Da Li 1-B85304	300,000	302,010
P04 Fubon 4-B97841	300,000	300,164
Others (Note)	6,104,846	6,060,670
	10,317,151	10,125,864
Bank debentures		
KEBHNH Float 03/13/23	952,723	904,182
KOROIL Float 07/16/23 Corp	921,990	882,022
CITNAT 2.875 03/25/23	814,425	745,203
WSTP Float 05/15/23	737,592	688,884
ICBCAS Float 02/21/22	614,660	583,169
KEBHNH Float 07/26/23	614,660	582,340
BCHINA Float 03/08/23	614,660	573,641
KOHNPW 3.75 07/25/23	583,927	553,960
KDB Float 10/30/22	522,461	499,812
CITNAT FLOAT 06/09/22 CORP	469,944	469,944

(Continued)

Items	Face Value	Amount
WOORIB Float 02/01/23	\$ 491,728	\$ 459,515
KEBHN Float 03/13/23	468,566	444,799
T 2.25 01/31/24	460,995	442,571
EIBKOR Float 06/01/23	460,995	438,383
CBAAU FLOAT 10/18/19 CORP	422,669	422,669
ANZ FLOAT 11/11/19 CORP	421,876	421,876
SHNHAN 3.875 11/05/23	430,262	412,019
BCHINA FLOAT 02/14/20 CORP	419,051	410,384
BCHINA 2.875 04/20/22	399,529	375,757
NACF 3.875 07/30/23	368,796	356,663
Others (Note)	13,508,306	12,800,285
	<u>24,699,815</u>	<u>23,468,078</u>
Convertible bonds		
Highwealth 5-25425	736,000	736,000
YangMing 5-26095	589,500	589,534
Taiwan mobile III-30453	564,700	564,805
Others (Note)	3,352,100	3,354,300
	<u>5,242,300</u>	<u>5,244,639</u>
Bonds ETF		
Others (Note)	50,000	50,000
	<u>\$ 84,411,650</u>	<u>\$ 83,045,834</u>

Note: "Others" means the aggregated disclosure of items under \$300,000 thousand.

(Concluded)

SCHEDULE 7

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF FOREIGN EXCHANGE GAIN (LOSS)

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Amount
Spot	\$ 2,484,624
Forward	(1,449,270)
Self-owned capital	34,706
Others	4,325
	<u>\$ 1,074,385</u>

SCHEDULE 8

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF NET OTHER NON-INTEREST INCOME (LOSS)

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Amount
Revenue excluding interest	
Loans management revenue	\$ 237,660
Leasing revenue	93,458
Other revenue	504,199
	<u>835,317</u>
Expense excluding interest	
Loans manage cost	(27,376)
Expenses arising from issuance of call (put) warrants	(36,513)
Other expenses	(89,082)
	<u>(152,971)</u>
	<u>\$ 682,346</u>

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Amount
Employee benefits expenses	\$ 12,374,008
Depreciation	932,139
Amortization	262,841
Leases	835,255
Stationeries	139,406
Postage and remittance fee	770,384
Advertisement fee	1,446,533
Insurance (group insurance, labor and national health insurance were excluded)	314,742
Tax and levies	1,876,555
Allowance for entertainment	80,167
Donation	13,873
Labor service fee	1,187,274
Freight	88,974
Others	1,849,250
	<u>\$ 22,171,401</u>

SCHEDULE 10

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

EMPLOYEE BENEFITS EXPENSE

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

	Employee Benefits Expense	Other General and Administrative Expenses	Total
Salaries and wages	\$ 10,291,092	\$ -	\$ 10,291,092
Labor and national health insurance	785,010	-	785,010
Post-employment benefits	453,455	-	453,455
Stock-based payments	73,709	-	73,709
Remuneration of directors	161,186	1,951	163,137
Others	609,556	-	609,556
	<u>\$ 12,374,008</u>	<u>\$ 1,951</u>	<u>\$ 12,375,959</u>

Note 1: As of December 31, 2018 and 2017, the number of employees of the Group was 8,937 and 8,458, respectively, including 14 non-employee directors in both years.

Note 2: The average employee benefits expense for the year ended December 31, 2018 was \$1,369 thousand per employee.

Note 3: The average salaries and wages for the year ended December 31, 2018 was \$1,153 thousand per employee.

07

Review and Analysis of Financial Conditions, Financial Performance, and Risk Management



VII. Review and Analysis of Financial Conditions, Financial Performance, and Risk Management

A. Financial Status

Unit: NT\$1,000

Item	2017	2018	Variation	
			Amount	(%)
Cash and cash equivalent	18,088	3,966,191	3,948,103	21,827.19
Financial assets at fair value through other comprehensive income	0	1,995	1,995	-
Financial assets at fair value through profit or loss	5,690,312	2,100,049	(3,590,263)	(63.09)
Receivables, net	942,923	1,581,663	638,740	67.74
Current tax assets	229,092	229,092	0	-
Investments accounted for using the equity method, net	175,242,626	193,892,658	18,650,032	10.64
Other financial assets	2,200	0	(2,200)	(100.00)
Property and equipment, net	5,280	5,604	324	6.14
Deferred tax assets, net	0	0	0	-
Other assets	18,504	22,184	3,680	19.89
Total assets	182,149,025	201,799,436	19,650,411	10.79
Commercial paper issued	0	2,495,745	2,495,745	-
Payables	1,065,030	988,595	(76,435)	(7.18)
Current tax liabilities	1,195,730	1,930,570	734,840	61.46
Bonds payable	24,700,000	22,000,000	(2,700,000)	(10.93)
Reserve for liabilities	0	0	0	-
Other liabilities	0	0	0	-
Total liabilities	26,960,760	27,414,910	454,150	1.68
Capital stock	107,757,589	114,541,477	6,783,888	6.30
Capital surplus	26,453,556	37,805,713	11,352,157	42.91
Retained earnings	21,103,712	22,108,378	1,004,666	4.76
Other equity	(126,592)	(71,042)	55,550	(43.88)
Total equity	155,188,265	174,384,526	19,196,261	12.37

Figures exceeding NT\$100 million and changed by 20% or higher are analyzed as follows:

- (1) Increases in cash, cash equivalents and repurchase bills and bonds as at December 31, 2018 over December 31, 2017 were mainly attributed to Class E preferred shares and commercial paper issued in 2018 and used to repay subordinated corporate bonds reaching maturity and the outstanding balance of cash issue for subsidiaries.
- (2) Increase in receivables as at December 31, 2018 over December 31, 2017 is mainly attributed to increase in consolidated taxes receivable from subsidiaries.
- (3) Increase in commercial paper payables as at December 31, 2018 over December 31, 2017 was mainly attributed to repayment of subordinated bonds reaching maturity.
- (4) Increase in current income tax liabilities as at December 31, 2018 over December 31, 2017 was mainly attributed to increase in income tax payable.
- (5) Increase in capital surplus as at December 31, 2018 over December 31, 2017 was mainly attributed to Class E preferred shares issued at a premium.

B. Business Performance

Unit: NT\$1,000

Item	2017	2018	Variation	
			Amount	Amount
Realized gain on available-for-sale financial assets	13,891,551	13,602,396	(289,155)	(2.08)
Other income	40,443	29,746	(10,697)	(26.45)
Operating expenses	(497,504)	(360,657)	136,847	(27.51)
Other expenses and losses	(490,189)	(476,975)	13,214	(2.70)
Pre-tax income (loss)	12,944,301	12,794,510	(149,791)	(1.16)
Income tax (expense) benefit	116,361	136,073	19,712	16.94
Net Income	13,060,662	12,930,583	(130,079)	(1.00)
Other comprehensive income (loss), net of tax	(107,070)	(320,701)	(213,631)	(199.52)
Total comprehensive income	12,953,592	12,609,882	(343,710)	(2.65)

Figures exceeding NT\$100 million and changed by 20% or higher are analyzed as follows:

- (1) Decrease in operating expense as at December 31, 2018 over December 31, 2017 was mainly attributed to decreases in director and supervisor remuneration and service fees and charges.
- (2) Decrease in other equities as at December 31, 2018 over December 31, 2017 was mainly attributed to increase in unrealized gains for subsidiaries on available-for-sale financial assets.

C. Cash flow

Analysis of cash flow in the coming year

Unit: NT\$1,000

Initial cash balance 1	Expected cash flow from business activities for the whole year 2	Expected cash outflow (inflow) for the whole year 3	Expected cash surplus (shortage) 1+2-3	Remedies for expected cash shortage	
				Investment plan	Financing plan
6,066,240	7,573,274	(10,063,169)	3,576,345	Nil	Nil

D. Influence on finance of major capital outlays in the recent one year

The company did not incur any major capital outlay in 2018.

E. Investment policy in the recent year

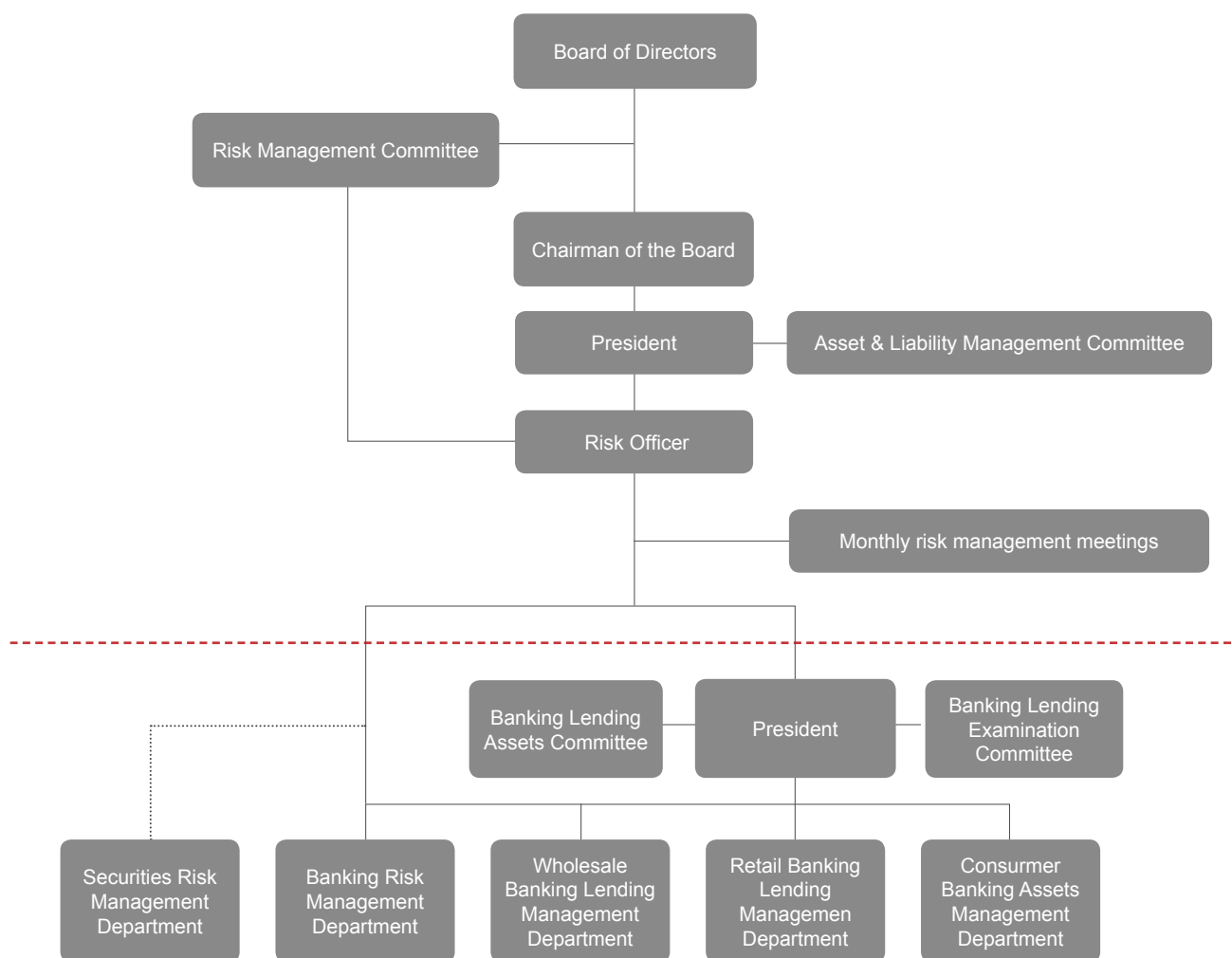
The company carries out investments in compliance with the articles 36 and 37 of Taiwan's Financial Holding Company Law, with considering returns on investment and cross-selling synergy among subsidiaries. In order to meet the demand of clients for assets accumulation and wealth management planning, the company has been expanding its business scope and providing comprehensive professional financial services. Going forward and facing intensive competition and a fast-changing financial environment, the company will continue, via organic or external growth, expanding its scale and market shares in broad range of financial sectors, such as banking, securities, insurance, investment finance, commercial paper/bond, and overseas markets, so as to tap the businesses of clients in various sections, sharpen competitive edge, and expand profit sources.

F. Assessment of risk management

a. Risk management framework and policy of the financial holding company and subsidiaries

To cope with its comprehensive business scope, the company needs to identify, assess, consolidate, and manage the risks, in addition to properly allocate capital to various business units. The company manages risks via a procedure closely associated with its risk management policy, organizational framework, risk assessment, and business activities. According to overall risk management planning, the financial holding company has instituted an independent risk management organization, with its frameworks listed below:

Organization	Contents
Board	<ol style="list-style-type: none"> 1. Approval of risk management policy and procedure. 2. Approval of market risk, credit risk, and operational risk of the financial holding company.
Risk Management Committee	<ol style="list-style-type: none"> 1. Members of the committee authorizes the chairman of the board to select three or more members of the board, more than half of whom shall be independent directors. Members of the committee will then elect one person among them to be the convener and chair the meetings. Committee members shall serve the same term as those of them do concurrently on the board of directors. 2. Review of the risk management policy and procedure of the financial holding company. 3. Review of the financial holding company's risk appetite and limits. 4. Inspec of the financial holding company's regular integrated risk management reports. 5. Review of other material risk management matters as defined by the company or by the competent authority.
Monthly risk management meetings.	<ol style="list-style-type: none"> 1. The chief risk officer will serve as the convener. 2. Review of the risk management policy and procedure of the financial holding company. 3. Review or filing with the authorities of policies and regulations regarding market risks, credit risks, and operational risks in subsidiaries. 4. Supervise and establish market risk, credit risk, and operating risk control mechanism. 5. Review performance report of the risk management units of subsidiaries and the overall risk analytical report of the financial holding company. 6. Reviewing and finaliz risk model, risk parameters and indicators, and pressure test plan. 7. Establish of committees as needed or specifically for certain key issues. 8. Monitor various risks undertaken by the company, adopting necessary measures for controlling large risk exposure. 9. Report of other risk related projects.
Chief Risk Officer	<ol style="list-style-type: none"> 1. Convener of monthly risk management meetings. 2. Implement risk management strategy and instituting risk management framework approved by the board. 3. Supervis Risk Management Department and risk management units of subsidiaries in executing related policy. 4. Assur effective cross department communication and coordinate risk management functions.
Chief Risk Office	<ol style="list-style-type: none"> 1. Formulate and institute of risk management mechanism. 2. Disclose of risk management implementation. 3. Produce overall risk analytical report for the financial holding company. 4. Coordinate and contact for risk management affairs with subsidiaries. 5. Institute integrated risk management information system. 6. Introduce the risk management norm of Basel Capital Accord, so as to institute a risk management mechanism complying with international standards.
Risk management units of subsidiaries	<ol style="list-style-type: none"> 1. Provide of risk management related information. 2. Implement the financial holding company's risk management policy.

Risk Management Organizational of Taishin Financial Holding co., Ltd.**b. Risk assessment method and quantified information on the risk exposure of the financial holding company and subsidiaries****1. Holdings common regular disclosure**

The subsidiaries all operate in financial business, facing credit risk, market risk, and operating risk in operation and legal aspects. Therefore, the financial holding company's risk management covers an extensive scope, including systems and measures suited to the respective operations of subsidiaries and the institution of the integrated risk management policy and organizational framework of the financial holding company, meant to achieve comprehensive and efficient grasp various risks.

(1) Credit risk managementWholesale banking

- (a) Pinpoint target loan clients, enhance profit margin, and expand low risk business, so as to strengthen risk enduring capability and reduce overall risks.
- (b) Ascertain credit analytical report and strengthen the training of credit officers.
- (c) Further strengthen internal credit rating mechanism.
- (d) Further strengthen post lending management and review system.
- (e) Institute the evaluation system for individual risks and overall credit risk involving securities underwriting and investment position.

- (f) Strengthen the management of credit risk concentration associated with loaning, investment, and trading of various financial products such as derivatives.
- (g) Institute individual management measures for businesses involving specific risk (such as ceiling for loans mortgaged with specific stocks, tracking the price threshold for margin calls, and the undertaking and post management of realty financing).
- (h) Institute the system for the alert, notification, and control of abnormal accounts.
- (i) Centralized NPL anagement.

Retail banking

- (a) In order to analyzing and monitoring risks, the company has formulated various qualitative indicators by product, as well as the NPL ratio, aging analysis, NPL status, loan loses, recovery of loans, write off and return rates.
- (b) Further enhancement of risk management technique: introduction and deep cultivation of rating model and policy making model; monitor, adjust, and upgrade of the models' efficiency.
- (c) Core risk analytical team: Core professional talents with analytical capability, product design capability, risk management capability, and execution capability.
- (d) Lending policy based on client group analysis: Analyze client risks according clients' external and internal behaviors, and flexibly adjust lending policy according to the risk levels of various client groups, as to maintain proper client group ratio.
- (e) Prevention of NPL and fraud: Further track the behavioral modes of NPL and fraud cases and repayment status, thereby forging policy and credit examination/ lending flow, as to institute a proactive preventive mechanism.
- (f) Client management based on risk analysis, rating model, and policy model, debt collection, and case review system.
- (g) Single client credit management.

(2) Market risk management

To consolidate the management of risks deriving from volatility in interest rate, exchange rate, credit spread and equity securities, the company assesses via marked-to-market method the income or loss of trading positions for various financial products held by subsidiaries.

Limits on VaR, position, and stop loss and MAT (Management Action Trigger) alerts are set for investment portfolios to keep maximum losses under control.

(3) Operating risk management

To achieve a consistent and complete operating risk management system for the company's daily operation and decision making, the company has formulated operating risk management policy and operating risk endurable extent. It has also established "operating risk reporting procedure," "self-evaluation and auditing operation procedure," "key risk indicator procedure," and risk offsetting procedure, featuring mutually linked analysis to uphold operating risk forecast capability.

2. Risk management methods and quantified risk exposure information of subsidiaries

(1) Taishin Bank

(a) Credit risk

The main goal of risk management is to pursue maximum profits under reasonable risk, so as to uphold shareholders' interest. Effectively grasp the trend of assets quality via regular monitoring of numerical changes in net flow and adjust lending policy and debt collection strategy accordingly.

Utilize internal credit rating system, midterm management and review, diversification and ceiling of credit extension/ investment positions (customer groups), and other methods to monitor constantly risk level and changes in overall economic and financial climate, on top of irregular review or adjustment of risk aversion (diversification) and abatement strategy via internal procedure. Risk abatement is carried out mainly via the collection of collateral, which calls for different appraisal method and evaluation period according to their different nature, i.e., realty, or chattel, or securities.

I. Wholesale banking

- (i) Wholesale Credit Administration Division is the credit risk management unit for Wholesale Banking Group.

It consists of credit management, screening, global trade, and asset management departments. Credit extension management department is in charge of the planning of internal credit evaluation system, the monitoring of credit extension position, the diversification of credit extension risk, the planning and formulation of management measures, the appraisal of the value of mortgaged properties, and the review and credit examination after the extension of loans. Various credit risk departments are in charge of the review of credit extension cases, the special asset management department is in charge of the statistics of credit extension assets for wholesale banking, the evaluation of the provisions for bad debts, and collection of overdue loans, non-performing loans, and bad debts.

- (ii) The evaluation and management of credit risk is undertaken by using internal credit rating system. In addition to credit rating undertaken upon application, all credit extension cases are subject to follow up tracking and management. The internal credit rating system consists of two aspects; one is the credit rating of borrowers, mainly for the evaluation of their capability to fulfill financial commitment, which is undertaken via the use of statistical model and an evaluation table as assistant tools. The second aspect is credit line rating, which is undertaken according to the factors of the existence of collateral, the order of lien, and type of products.
- (iii) Regular analysis of rating migration is carried out every year, to ascertain the stability of the existing rating system. Migration risk analysis and stress/scenario testing is also undertaken, in order to delineate risk exposure with more sensitive risk analysis and ascertain capital adequacy.

II. Retail banking

- (i) Retail business units evaluate and review cases based on the credit policy. Retail Banking Non Performing Asset Recovery Division is responsible for collection and management of delinquent cases.
- (ii) Formulate proper lending risk management policy by using Application Scoring System, Behavior Scoring System, Collection Scoring System and Credit Bureau Scoring System, along with the product profit model, to pinpoint optimal lending terms to provide profit model for different client groups with different loaning conditions.
- (iii) Flexibly adjust various risk management indicators and segmentation management via periodical assets analysis and default analysis, so as to achieve operating objectives.

III. Quantified information on risk exposure

Credit Risk Exposure and Capital Requirement after Mitigation on Standardized Approach.

Dec. 31, 2018 Unit: NT\$1,000

Type of Risk Exposure	Risk Exposure after Mitigation	Capital Requirement
Sovereigns	312,633,373	6,165
Non-central government public sector entities	133,961	10,717
Banks (including multilateral development bank)	110,045,152	3,724,878
Corporates	511,674,044	39,351,158
Retails	425,974,603	27,705,846
Residential properties	267,046,516	12,693,019
Equities	2,314,302	185,144
Other Assets	41,291,915	2,558,782
Total	1,671,113,866	86,235,709

(b) Liquidity risk

I. Management principle

Risk management for fund liquidity is to assure that under any circumstance at present or in the future, the bank's liquid fund can meet the fund need resulting from assets growth or fulfilling mature obligations.

(i) should monitor and manage the following items:

- ◆ Under normal market change or emergent situation, possess sufficient fund to meet due obligations and fulfill guarantee and commitment for credit extension.
- ◆ Carry out fund maneuvering at reasonable market prices.
- ◆ Meet liquidity need for business growth.

(ii) Basic principles for funding liquidity-risk management include:

- ◆ Principle of diversification: avoid over-concentration in fund maneuvering, in terms of maturity date, maneuvering tools, currency, place, funding source, and trading partners.
- ◆ Principle of stability: follow the strategy of fund stability to reduce the reliance on unstable funding sources and avoid the effect of market swing on funding sources.
- ◆ Principle of maintaining adequate assets liquidity: As the status of market liquidity will indirectly affect funding liquidity, the bank must assure that total assets are sufficient to cover total liabilities and keep a certain share of assets with good liquidity or good for use as collaterals, capable of meeting need of working capital in emergency and short-term liabilities.
- ◆ Principle of matching assets and liabilities on maturity.
- ◆ Pay attention to payment commitment resulting from credit-extension business.

II. Quantified information

Value for balance period before due dates

Dec. 31, 2018 Unit: NT\$1,000

	Total	Value for Balance Period Before Due Dates					
		0 to 10days	11 to 30 days	31 to 90 days	91 to 180 days	181 days to one year	Over one year
Main fund Inflow Due	1,797,057,551	220,149,049	322,906,528	295,404,953	153,257,125	135,013,401	670,326,495
Main fund Inflow Due	2,188,185,279	125,311,202	188,212,553	342,312,567	305,971,569	462,524,454	763,852,934
Expected Gap	(391,127,728)	94,837,847	134,693,975	(46,907,614)	(152,714,444)	(327,511,053)	(93,526,439)

(i) The Bank

Analysis for the Structure of USD Due Dates

Dec. 31, 2018 Unit: US\$1,000

	Total	Value for Balance Period Before Due Dates				
		0 to 30 days	31 to 90 days	91 to 180 days	181 days to one year	Over one year
Main fund Inflow Due	37,426,831	12,915,337	10,573,474	6,502,675	4,335,922	3,099,423
Main fund Inflow Due	37,956,877	12,175,115	11,597,274	5,902,102	4,496,328	3,786,058
Expected Gap	(530,046)	740,222	(1,023,800)	600,573	(160,406)	(686,635)

(ii) Overseas branch

Dec. 31, 2018 Unit: US\$1,000

	Total	Value for Balance Period Before Due Dates				
		0 to 30 days	31 to 90 days	91 to 180 days	181 days to one year	Over one year
Main fund Inflow Due	3,960,571	1,223,755	882,304	516,644	490,128	847,740
Main fund Inflow Due	3,969,554	1,147,747	1,342,116	550,604	517,591	411,496
Expected Gap	(8,983)	76,008	(459,812)	(33,960)	(27,463)	436,244

(c) Market risk

I. Strategy and process

(i) The bank's risk management strategy calls for setting limits on risk exposure according to risk tolerance and risk adjusted returns rate, whereby increasing return and maximizing value for shareholders under capital restrictions. Accordingly, various business units have to seek approved quota before trading and independent risk management units assess gain or loss for trading positions daily, in addition to reporting gain/loss and risk exposure of trading position to executives regularly.

(ii) The scope and features of risk report and assessment system

Risk report is meant to disclose risk as an important reference for executives in formulating countermeasure and adjusting investment portfolio for achieving business objectives. The bank dedicates to integrating trading management systems for various products, in order to reporting gain/loss and risk exposure of trading position immediately.

II. Trading and risk management system

(i) Quality

The bank stresses the formulation and implementation of risk management policy and norms, as well as the establishment of risk management culture. Risk management units are independent from risk undertaking units and responsible for assessing and analyzing risk exposure and reporting the results to executives for use in policy making, in addition to instituting assessment process, the process for new product launch, and certification procedure model, in the hope of complying with the regulations of the competent authority, precisely assess risk, and standardized operating and risk management flows.

(ii) Quantity

The company sets price sensitivity limits for various products with different risk factors as criteria for risk assessment. It calculate integrated VaR (Value at Risk) for its investment portfolio with IMA (Internal Model Approach) and set up VaR limits accordingly, in order to control the impact of market swings.

III. Quantitative information on risk exposure

Capital Requirement for Market Risk

Dec. 31, 2018 Unit: NT\$1,000

Kinds of risks	Capital requirement
Interest Rate Risk	4,488,907
Equity Securities Risk	328,148
Currency Risk	165,842
Commodity Risk	0
Total	4,982,897

(d) Operational risk

I. Operational risk management policy and framework

To attain effective operational risk management, the bank has formulated its operational risk management policy, according to the norms set by the Basel Committee on Banking Supervision, the Bank for International Settlements, and the Financial Supervisory Commission (FSC). The policy covers operational risk management framework, operational risk management principles, risk identification and assessment technique, and risk reporting/supervision, in order to foster consistent operational risk awareness inside the bank, establish operational risk management culture, and implement risk management system, in addition to specifying the operational risk tolerability of the bank. To assure consistency between the bank's operational risk management mechanism and corporate strategy, the company has established independent risk management units, further consolidating the bank's operational risk management.

II. Identification of operational risk

The company defines operational risk as "Risk of loss triggered by the impropriety or mistake involving internal process, staffers, system, or external incidents, including legal risk but excluding strategic or credit standing risks." In order to identify existing and potential risks, the bank has formulated various operational risk management process, as well as companywide risk glossary, loss incidence reporting system, risk self-evaluation system, key risk indicators, and risk reporting/disclosure procedure, so as to establish operational risk identification, assessment, and supervision method. Meanwhile, for the purpose of controlling various operational risks within endurable range, existing and potential risks should be analyzed and action plans be proposed in order to keep operational risks within acceptable ranges to the bank.

III. Operational risk assessment and supervision

To strengthen the control of loss amounts associated with operational risks in Taishin Bank and other subsidiaries, operational risk limits are established every year for individual units, and included in the annual balanced scorecards for better management and as part of the effort to incorporate operational risk management into routine business management.

IV. Quantitative information on risk exposure

Operational Risk Accrued Capital

Dec. 31, 2018 Unit: NT\$1,000

Year	Gross Profit	Capital Requirement
2016	31,581,724	-
2017	32,667,721	
2018	34,026,537	
Total	98,275,982	4,360,731

(2) Taishin Securities Co., Ltd. (Market risk, counterparty risk, fundamental risks, and business risks.)

(a) Risk management method

As of 2018, Taishin Securities have effectively evaluated and rigorously control process in the hope of effectively control risk. The strategy, organization, and evaluation of the company's risk management as follows.

(b) Risk management strategy and flow

I. Purpose for risk management

The company's risk management policy is formulated according to the risk management policy of Taishin Financial Holding co., Ltd., in order to achieve the following goals:

- (i) The establishment and operation of the integrated risk management mechanism for market risk, credit risk, operating risk, liquidity risk, and legal risk, to attain effective risk management via centralized management and risk diversification.
- (ii) Upgrade assets quality.
- (iii) Upgrade the efficacy of capital allocation, so as to maximize returns after risk adjustment.

II. Process for formulation and approval of risk policy

(i) Formulation principle

The company's risk management policy is formulated according to the following three principles:

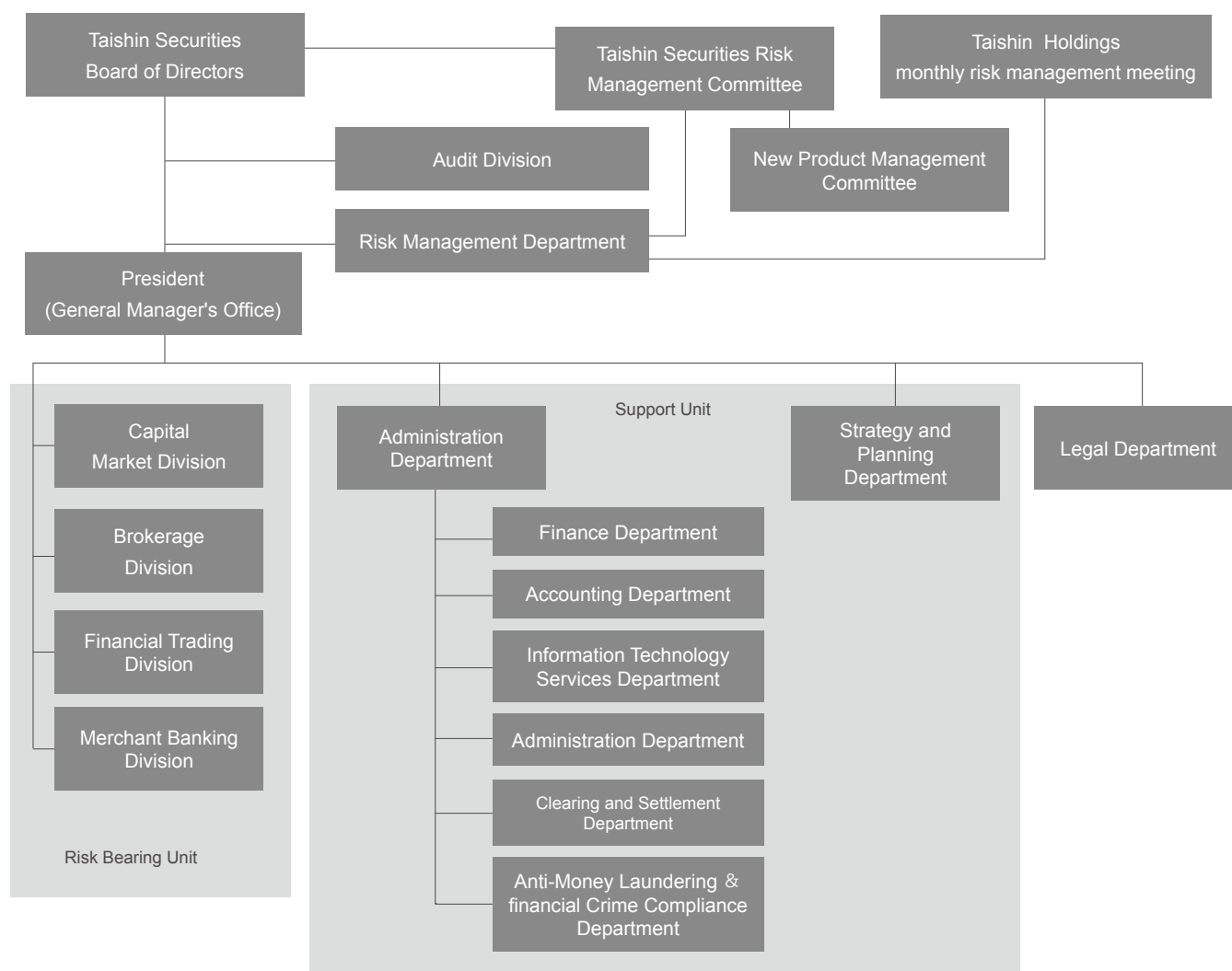
- ◆ Establish a risk evaluation mechanism to grasp the company's diversified risks and form the basis of the company's sustainable development.
- ◆ Emphasize the efficacy of the company's risk based assets.
- ◆ Emphasize related risks in the pursuit of maximum returns, thereby incorporating risk factors into performance evaluation.

(ii) Approval process

The company's risk management policy is formulated by risk management unit and approved by the board of directors before its implementation.

(c) Organization and framework of risk management system

I. Chart for overall risk management system framework



II. Powers and duties of various risk management units

(i) Board of directors:

- ◆ Ensure validity of the risk management practice and be ultimately responsible for risk management.
- ◆ Approve the company's risk management policy and procedure.
- ◆ Approve yearly quota for market risk, credit risk, operating risk, and liquidity risk.

(ii) Risk management committee

Set up the "Risk Management Committee" to effectively integrate the Company's various risk functions, including market risk, credit risk, operational risk, liquidity risk and legal risk, with the board of directors dispatching at least one director to take part and dispatch persons to be the convener and chairperson of its meetings.

- ◆ Review the company's risk management policy and procedure.
- ◆ Review various risk related measures and guidelines.
- ◆ Establish various risk management mechanism.
- ◆ Review analytical reports on overall risk in order to report timely the execution of risk management to the board of directors and propose necessary improvement suggestions.
- ◆ A new Product Management Committee was created directly under this committee to review the risks involved in new products undertaken by the sales units.

(iii) Risk bearing units:

The risk bearing units conduct business and undertake risk within the limits allocated by the board of directors and the appropriate levels of authority for the purpose of generating profits and achieving business targets. According to the risk management structure, these units are the first line of defense in risk management and should ensure compliance of their business activities with the law and internal guidelines.

(vi) Risk Management Department

Risk management Department is in charge of monitoring the company's overall risk and the risk of various divisions and regularly reports the status of loss/benefits and financial risk exposure to the risk management division. It is independent from various profits centers and is directly responsible to the board of directors, in charge of the company's various risks.

- ◆ The second line of defense in risk management.
- ◆ To help devise risk management policies, measures, and limits.
- ◆ To ensure implementation of risk management policies approved by the board of directors.
- ◆ To build a risk management information system.
- ◆ To inspect derivative valuation models used by the risk bearing units.
- ◆ Appointment and dismissal of the head of the risk management unit shall be passed by the board of directors. The head shall be responsible for heading operations in risk measurement, monitoring, evaluation, reporting, and disclosure.

(v) Audit Division

The audit unit is the third line of defense in the risk management structure. It is responsible for regularly inspecting compliance of the risk management policy and related guidelines and making recommendations for improvement as needed in order to facilitate the board of directors and the management in performing their management duties.

(vi) Legal Department

- ◆ Planning, management, and execution of the compliance system.
- ◆ Review and refinement of legal documents.
- ◆ Conducting litigation and non-litigation matters.

- ◆ Providing legal advice, collecting and studying laws and regulations relevant to the business.
- ◆ Managing debt collection.

(vii) Finance Department

In charge of the management of the company's fund liquidity risk, establish emergent response mechanism for liquidity crisis, formulate fund risk limit, in consideration of market environment, the company's financial structure, risk tolerance, and fund maneuvering capability.

(viii) Information Technology Department

In charge of the planning, promotion, and management of the company's information security, assures the continuity and correctness of various systems.

(d) Risk management method

Kinds of Risk	Management Method
Market risk	<ol style="list-style-type: none"> 1. The company has imposed VaR (Value at Risk) limits based on its risk tolerance. Portfolio risks are monitored in terms of VaR, market value and losses. In addition, the company has measures in place to control losses, holding periods, liquidity and concentration of individual investments. 2. Set up stress scenarios for various financial products, conduct stress testing to calculate stress loss, so as to evaluate possible loss to be endured by the company under extreme market status and manifest the risk status of existing position, as reference for the company in capital allocation.
Credit risk	<ol style="list-style-type: none"> 1. In charge of the credit risk of issuer risk and counterparty credit risk, distinguish liquid and illiquid positions, and set up quotas according to the nature of financial trading and credit rating. Credit rating is based on the internal credit rating granted by Taishin Financial Holding co., Ltd., which regularly examine the period for credit rating granting, to assure the effectiveness of credit rating. 2. To manage concentration risk in stocks in the spot market, a percentage limit is set to restrict total shareholding out of all outstanding shares (including preferred shares) issued by one issuer and to avoid holding a large position on one particular issuer. 3. Organize credit risk position for the same person and the same related party in a group, and submit the position to risk management unit of the financial holding firm for unified management. 4. Risk management for margin trading and short sale of brokerage business, compliance with the company's internal control system for credit account opening, and management of quota for margin trading and short sale, as well as maintenance rate, according to legal requirement. Effective enforcement of KYC procedures, establishment of margin trading limits based on internal/external regulations, adjustment of margin trading percentages for individual stocks in response to changes in financial markets, and daily monitoring of account maintenance ratios. 5. Regarding management of transaction risks in futures and options offered by the brokerage service, classification guidelines for trading accounts subject to different "additional collateral benchmarks", application for higher limits and assessment methods, and re-assessment mechanisms have been established so that the company may require additional collaterals based on a trading account's credit standing and other risks involved in the transaction when collaterals are collected in advance of futures trading. If the trading account's equity amount is below the required maintenance collateral, the company will promptly issue a notice of payment to the account holder. If the account holder fails to provide the shortfall, the company may offset the positions on behalf of the account holder in accordance with the applicable internal control procedures.
Liquidity risk	<ol style="list-style-type: none"> 1. Market liquidity management: Due to limited trading volume and insufficient liquidity position, there may result in value reduction when clearing position, due to expanded gap between buying and selling prices and prolonged time for offsetting position, leading to reserves for liquidity risk, to avoid deviation of price evaluation. 2. Set up fund maneuvering mechanism by the financial division according to "guidelines for management of liquid fund shortfall," to manage fund liquidity risk. Perform liquidity risk stress testing, monitor the overall supply of funds and changes in gaps, and manage liquidity risks.
Operational risk	According to the definition of Basel II Capital Accord, operational risk is classified into seven types of loss and eight kinds of businesses, which are identified by various units of the company and reported to risk management unit for arrangement and establishment of operating risk loss database by the financial holding company.

(e) Quantitative information for risk exposure

Equivalent Value for Management Risk

Dec. 31, 2018 Unit: NT\$1,000

Kinds of Risk	Equivalent Value of Risks
Market risk	1,158,213
Credit risk	364,171
Operational risk	212,612
Total	1,734,996

c. Influence of important domestic and foreign policy and legal changes on the finance of the financial holding company and countermeasures

Law	Impact	Response measures
Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions	For the purposes of following increased information transparency in international business and maintaining fair taxation and protecting adequacy in taxation, the Ministry of Finance followed the common reporting standards and due diligence procedures in the OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters and promulgated the Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions on November 16, 2017. Financial institutions are required to perform due diligence for financial account information in tax matters for the purpose of exchange of information, and report reportable persons' financial account information in tax matters to the tax authorities. On December 3, 2018, the Ministry of Finance announced that Japan became the first country with whom the Republic of China has started automatic exchange of financial account information.	A team of expert consultants was hired to help the subsidiaries of Taishin FHC governed by the regulations start implementing and integrating appropriate changes and install measures to respond to regulatory changes and raise employee awareness.
New Corporate Governance Blueprint (2018-2020)	In the New Corporate Governance Blueprint 2018, the FSC has announced its aim to implement five projects, which are commitment to good corporate governance, functions of board of directors, improvement of disclosure quality, promotion of shareholder activism, and strengthening compliance, in order to encourage companies and investors to participate in corporate governance. It is hoped that businesses would take the initiative and pay attention to corporate governance. The goals are to achieve an ingrained culture of governance, to create a friendly environment for investors, and to make Taiwan more competitive in the global market.	The company complies with the Corporate Governance Best-Practice Principles and works actively to implement and amend related internal rules and regulations to ensure the corporate governance policy is followed effectively.
Anti-money laundering and countering terrorism financing	In response to APG mutual evaluations and full adoption of the FATF 40 Recommendations, the FSC, since early November 2018, has been making amendments to AML/CTF regulations in order to improve AML/CFT performance and management efficiency.	With dedicated AML/CFT units or staff to enforce AML/CFT practices, Taishin FHC and subsidiaries have been amending internal AML/CFT rules and regulations as required. The companies have also been raising employee awareness of the law and providing training and case studies on penalties to give employees an understanding of money and terrorism financing risks in order to create an effective AML/CFT culture.

Law	Impact	Response measures
Fair treatment of customers of financial services	The Letter from the Financial Supervisory Commission Financial-Supervisory-Law-1070119566 dated November 22, 2018 asks the Bankers Association of the Republic of China to inform its member banks the following: The evaluation system created by the FSC according to the fair treatment of customers is to take effect in 2019. The subjects in the first year (2019) are banks, securities dealers, and life and property and casualty insurers. The period of evaluation is the year from January to December 2018. Companies to be evaluated are asked to use the attached evaluation forms and complete self-assessments. The completed forms and supporting documents are to be submitted to the FSC by the end of April 2019.	The banking and securities subsidiaries have made sure employees are aware of the fair treatment of customers. Furthermore, the divisions have been asked to compile internal compliance regulations and practices to promote the fair treatment of customers. The fair treatment of customers evaluation will be completed in time and the results be submitted to the FSC as required.
Fair treatment of customers of financial services	The Letter from the Financial Supervisory Commission Financial-Supervisory-Law-1070119566 dated November 22, 2018 asks the Bankers Association of the Republic of China to inform its member banks the following: The evaluation system created by the FSC according to the fair treatment of customers is to take effect in 2019. The subjects in the first year (2019) are banks, securities dealers, and life and property and casualty insurers. The period of evaluation is the year from January to December 2018. Companies to be evaluated are asked to use the attached evaluation forms and complete self-assessments. The completed forms and supporting documents are to be submitted to the FSC by the end of April 2019.	The banking and securities subsidiaries have made sure employees are aware of the fair treatment of customers. Furthermore, the divisions have been asked to compile internal compliance regulations and practices to promote the fair treatment of customers. The fair treatment of customers evaluation will be completed in time and the results be submitted to the FSC as required.

d. Effects of technological and industrial changes on the finance of the financial holding company and countermeasures

Fast technological advances are fueling accelerated transformation in the financial sector. Innovation of banking services has become one of the keys to the future of banking. It is inevitable for more banks to start forming cross industry alliances but also a potential source for more opportunities. Taishin continues to invest in R&D and system implementation in related fields in order to extend the reach of mobile payment services and increase utilization. Taishin has also developed a one-time password (OTP) to ensure correctness of transactions. With the rise of fintech, Taishin Bank takes an active approach and continues to work with partners in other industries in order to provide a wider range of innovative services.

e. Effect of change in the corporate images of the financial holding company and its subsidiaries on the company and countermeasures

Apart from its financial businesses, Taishin Financial Holding co., Ltd. has long dedicated itself to caring for society and has devoted itself to charitable work and environmental protection. Taishin is well-aware of the responsibilities a company owes to the society, and therefore actively supports environmental protection, charitable, cultural and artistic activities, in the hope of bringing about social change and real benefits for the socially disadvantaged, and fulfilling its role as a member of the society.

f. Anticipated benefits and possible risks from acquisition and countermeasures

1. Anticipated benefits

- (1) Expand financial scope, enhance the scale of assets and market share ranking, and boost business competitiveness.
- (2) Expand marketing channel network and provide clients more convenient and pluralized service channels.
- (3) Create the business synergy of acquisition and maximize the profits for shareholders.
- (4) Provide all round services and deep cultivate the relationship with clients.
- (5) Diversify business risks and expand the scope of business development.

2. Possible risks

- (1) Inadequate business integration can lead to business loss, affecting the company's business and profit performance.
- (2) Inadequate integration of information systems may affect business operation, deferring the appearance of merger synergy.
- (3) Inadequate integration of human resources may lead to loss of talents, indirectly affecting business and management performance.

g. Possible risks from business concentration and countermeasures

1. Back up mechanism

The concentration of operation has led to sharing of resources and manpower, a status which could magnify the effect of emergent incidents on the bank.

To cope with possible risk, the plan for integrated business management practices will continue to be followed, which covers emergency response mode for venue, system, and personnel, as well as disaster recovery plan.

Processing and service departments of the subsidiaries have also implemented their own business continuity plans. The plans are tested on a yearly basis while data is backed up regularly to the off-site.

2. Document delivery

In the wake of operating concentration, internal transmission or delivery of original copies of document may result in information leakage or loss of documents, thereby causing serious consequence on the customers and the bank. To prevent the problems, the bank keeps the track for signed reception and formulates complete delivery rules for the delivery of key documents.

h. Influence of massive share transfer or exchange by board directors, supervisors, or major shareholders with over 1% stake, risk, and countermeasures

The company's paid-in capital is large and its share ownership widely is dispersed. Transfer or change of share ownership is not likely to have a material impact on the company's shareholding structure or cause any major impact or risk to the company.

i. Influence of management right on the financial holding company, risk, and countermeasures

Director share ownership at Taishin complies with the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies. There is no risk of change in management. There has not been any material change in the ownership of the company by the end of 2018.

j. Litigation and non-litigation incidents

1. Taishin Financial Holding co., Ltd.

Unappealable judgment, or under litigation	The facts of the dispute	Value of Claim (NT\$1,000)	The initiation of Litigation	The involved parties	The current status
Litigation involving dispute over contractual relationship	<p>The Ministry of finance and its person in charge had reneged on their commitments previously made in a number of official correspondences issued in 2005, causing the company to secure only 2 directorships and 1 independent director in Chang Hwa Bank, during the shareholder meeting held on December 8, 2014. Since the company represents less than half of the 9 directors on board, Chang Hwa Bank is no longer treated as a subsidiary according to the Financial Holding Company Act. Furthermore, the FSC-approved IFRS requires the company and its subsidiary - Taishin International Bank Co., Ltd. to recognize a loss on their investment in Chang Hwa Bank. In response to the actions taken by the Ministry of Finance that cost the company its control over Chang Hwa Bank and significant losses suffered in the process, the company has engaged legal attorneys to pursue civil actions against the Ministry of Finance at Taipei District Court, and has resolved to undertake provisional measures as a temporary remedy.</p>	confirmed continuation of contractual relationship	2014.12.09	Ministry of Finance	<p>1. The case was ruled by the Taiwan Taipei District Court on April 27, 2016. The company filed an appeal to raise certain objections on May 19, 2016, and limited the scope of damages claim to the loss of control interest in the 24th shareholders meeting. In other words, the claim was reduced from NT\$16.558 billion in the original case to NT\$500 million. To focus on the claim of confirmed continuation of contractual relationship, on January 16, 2017, the company withdrew the claims regarding "the claim for 3 board seats instead" and "the claim for the loss of control interest in Chang Hwa Commercial Bank's 24th shareholders meeting." The Taiwan High Court confirmed on May 17, 2017 that a contractual relationship existed between the Ministry of Finance and Taishin in the matter where "while the shares in Chang Hwa Bank held by the Ministry of Finance are not sold and Taishin Holdings remains the largest shareholder of Chang Hwa Bank, the Ministry of Finance shall support Taishin Holdings's representative in securing a majority vote for a seat on Chang Hwa Bank's board of directors." The Ministry of Finance, however, objected to the ruling and filed an appeal with the Supreme Court on June 12, 2017. The case is currently being heard by the Supreme Court.</p> <p>2. Regarding the application for provisional disposition, it was rejected by the Taiwan Taipei District Court and the Taiwan High Court. The company objected to the rulings and filed an appeal, and the case was remanded by the Taiwan High Court. However, the Taiwan High Court continued to reject the company's application. The company filed another appeal on April 28, 2016. The ruling of the Taiwan Taipei District Court had recognized that a contractual relationship existed between the Ministry of Finance and the company. It should provide a basis for the company to continue to try to engage the ministry. Therefore, the company withdrew the appeal to the provisional disposition on June 13, 2016.</p>

Unappealable judgment, or under litigation	The facts of the dispute	Value of Claim (NT\$1,000)	The initiation of Litigation	The involved parties	The current status
Lawsuit to challenge certain resolutions of shareholders meeting	The resolution to elect the representatives of the Ministry of Finance, Ming-Daw Chang and Ching-Hwa Juan, and the representative of the National Development Fund of Executive Yuan, Chih-Hsien Lin, to directors and the method of passing the resolution to elect Kuo-Yuan Liang and Chi-Chang Yu to independent directors in the fourth item, "Election of the 25th Board of Directors (and Independent Directors)", on the discussion and election agenda of the Chang Hwa Bank shareholders meeting on June 16, 2017 were in violation of the law (Article 25 and Article 25-1 of the Banking Act of the Republic of China). Therefore, Taishin hired attorneys to file a lawsuit in the Taipei District Court of Taiwan to challenge certain resolutions of the Chang Hwa Bank shareholders meeting and have them withdrawn.	challenged and withdrawn certain resolutions of the Chang Hwa Bank shareholders meeting	2017.07.04	Chang Hwa Commercial Bank Ltd.	Given the time consuming nature of litigation, Taishin applied to Taiwan Taipei District Court to withdraw its suit on June 14, 2018. Chang Hwa Commercial Bank has sent its agreement in writing to the court.

2. Taishin International Bank: Nil.

3. Taishin Securities: Nil.

4. Taishin Asset Management: Nil.

5. Taishin Venture Capital: Nil.

6. Taishin Securities Investment Trust: Nil.

7. Taishin Securities Investment Advisory: Nil.

k. Other key risks and countermeasures:

As part of the effort to combat crime, freeze terrorism financing, and maintain order in the financial markets, Taishin has in place the Taishin FHC Anti-Money Laundering and Counter Terrorism Financing Policy to strengthen AML/CTF mechanisms and raise AML awareness in the workforce. Taishin upholds its core values and commitment to sustainability as a corporate citizen.

Regarding AML/CTF management, the board of directors of Taishin FHC is the ultimate authority responsible for shaping the compliance and risk management culture and conducting regular reviews to examine AML/CTF results.

Taishin FHC's relevant subsidiaries are responsible for verifying, evaluating, and understanding their exposure to money laundering and terrorism financing and adopting risk based AML/CTF risk prevention plans and standard operating procedures for compliance. These plans and SOPs are to be included in self-audits and internal audits in order to manage, reduce, and prevent money laundering and terrorism financing risks more effectively.

To give managers and employees a better understanding of AML/CTF practices, Taishin held AML/CTF seminars for executive managers in July and August 2018. Taishin invited the head of the Anti-Money Laundering Division of the Ministry of Justice Investigation Bureau to speak to the directors and supervisors of Taishin FHC and executive managers of its subsidiaries on AML related topics. Participants included 66 directors, supervisors, executive managers, and AML officers of Taishin FHC and its subsidiaries. Taishin provided a total of 9,922 hours of education and training for banking, securities, investment trust, investment consulting, insurance brokerage, and leasing subsidiaries in physical and virtual (e-learning) forms and external courses. The courses were attended by 12,477 participants. The subjects of more than 80 courses included compliance, customer risk review, system operation, name check, due diligence in business activities, suspicious transaction patterns, case studies and reporting procedures, and common errors.

G.Crisis management and response mechanism

To assure the uninterrupted operation of the company's major business activities, strengthen the company's responsive capability for emergent incidents, and minimize the influence of disaster and resume normal operation within the shortest time possible, the company has formulated the BCM (Business Contingency Management), specifying the definition of emergent incidents, grading risks, and pinpointing responsibilities, and related handling procedure. Regarding emergency response measures against threats to the business activities of financial institutions, the subsidiaries of the bank have implemented Contingency Funding Plan that establish appropriate response procedures and responsibility assignments to effectively reduce the impact of such incidents.

H. Other Important items: Nil.

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Special Disclosure



VIII. Special Disclosure

A. Information regarding the company's subsidiaries

a. Basic information

Date: Dec. 31, 2018 Unit: NT\$1,000

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Taishin International Bank Co., Ltd.	1992.02.25	1st.fl. and 1st basement, No. 44, Sec. 2, Jhongshan N. Rd., Taipei City	75,497,712	<ol style="list-style-type: none"> 1. Deposit reception (reception of check deposit, demand deposit, time deposit, and savings deposit originally listed in its business license are included in the item) 2. Issuance of financial bonds 3. Loan extension (short-, medium- and long-term loan extension, loan mortgaged by certificates of time deposit, consumption loan originally listed in its business license are included in the item) 4. Discounting negotiable instruments 5. Securities investment (investments in government bonds, short-term bills, corporate bonds, financial bond, and company stocks originally listed in its business license are included in this item) 6. Currency conversion 7. Cashing of banker's acceptance 8. Issuance of domestic L/C 9. Guarantee for corporate-bond issuance 10. Provision of domestic guarantee. (Guarantee business originally listed in the business license is included in the item) 11. Surrogate collection/payment 12. Securities Underwriting (The undertaking of government bonds, treasury notes, corporate bonds, and corporate stocks originally listed in the business license is included in the item) 13. Custody and warehouse business 14. Lease of safe 15. Agency services related to the various businesses listed in the business license and approved by the regulator 16. Credit card (credit card and cash advance businesses originally listed in the businesses license is included in the item) 17. Sale of gold bullions and gold and silver coins 18. Trading in gold ingots, gold coins, and silver coins 19. Export/import forex, common outward and inward remittance, foreign- currency deposit, foreign-currency loan, and guarantee for secured foreign-currency payment 20. Derivatives approved by the regulator 21. Businesses permitted by Trust Industry 22. Dealer business in government bonds 23. Brokerage, dealing, certification, and underwriting of short-term bills 24. Wealth Management 25. Financing advisory services 26. Discretionary trust investment services 27. Non-financing related advisory services 28. Prepaid cash cards issued 29. Proprietary bond trading 30. Concurrently securities investment consulting business 31. Special-purpose money trusts investing in foreign securities and domestic securities investment trust funds 32. Third party payment services 33. Agency for personal insurance 34. Agency for property insurance 35. Provide third party payment services on inward wire of offline payments for cross border online transactions for recipient clients

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Taishin International Bank Co., Ltd.	1992.02.25	1st.fl. and 1st basement, No. 44, Sec. 2, Zhongshan N. Rd., Taipei City	75,497,712	36. Provide third party payment services on inward wire of offline payments for offline transactions by use of offshore payment accounts in the Republic of China for recipient clients who are natural persons in other countries and do not have residence in Taiwan 37. Provide foreign exchange and foreign currency transfer services for inward wire arising from the services under the two subparagraphs above for customers or upon customer request. 38. Electronic payment (O2O third party payment services, reload processing, and fund transfer between electronic payment accounts) 39. Provide third party payment services on outward wire of offline payments for cross border online transactions for clients (cross border outward transfer)
Taishin Asset Management Co., Ltd.	2002.08.19	2nd-3rd fl., No. 9, Dehui Street, Taipei City	671,000	1. International Trade 2. Residence and Buildings Lease Construction and Development 3. Industrial Factory Buildings Lease Construction and Development 4. Funeral Places Lease Construction and Development 5. Specialized Field Construction and Development 6. Public Works Construction and Investment 7. New County and Community Construction and Investment 8. Land Levy and Delimit 9. Urban Renovation 10. Realty transaction 11. Realty lease 12. Financial institution creditor's right purchase 13. Financial Institution Creditor's Right (Money) Appraisal and Auction 14. Financial Institution Creditor's Right (Money) Management and Services 15. Account Receivable Purchase Business 16. Other Financing, Insurance and Just Third Party Property Auction Real Estate Not Elsewhere Classified 17. Investment consulting services 18. Management consulting services 19. Software design services 20. Data processing services 21. Digital Information Supply Services 22. General Advertising Services 23. Overdue Receivables Management Services 24. Industry and Commerce Credit Bureau Services 25. Leasing 26. Agency Services 27. In addition to the licensed activities, Taishin Holdings may also engage in other business activities that are not prohibited or restricted by law.
Taishin Venture Capital Investment Co., Ltd.	2003.09.25	18th fl., No. 118, Jenai Rd. Sec. 4, Taipei City	4,208,749	Ventral capital
Taishin Securities Co., Ltd.	1990.01.15	2nd fl., No. 44, Sec. 2, Zhongshan N. Rd., Taipei City	6,284,125	1. Securities Brokers 2. Securities Dealer 3. Securities Underwriter 4. Futures Commission Merchant 5. Other financial businesses acknowledged by the regulator
Taishin Securities Investment Trust Co., Ltd.	2004.06.03	1F, No. 9-1, Dehui St., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	754,545	1. Raise mutual funds via issuance of certificates of benefits 2. Invest in securities and other related products with mutual funds raised from issuance of certificates of benefits 3. Undertake other related businesses approved by the regulator 4. Undertake discretionary-account operation for clients
Taishin Securities Investment Advisory Co., Ltd.	1989.03.21	16th fl., No. 118, Sec. 4, Jenai Rd. Taipei City	300,000	Securities-investment consulting business

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Xiang-An Life Insurance Agency Co., Ltd. (Note1)	1996/09/19	3rd fl., No. 44, Sec. 2, Jhongshan N. Rd. Taipei	30,000	Agency for personal insurance
Taishin D.A. Finance Co., Ltd.	1997.10.13	1st fl., No.211, Sec. 2, Jiuzong Rd., Taipei City	1,288,784	<ol style="list-style-type: none"> 1. Leasing 2. Wholesale of Drugs, Medical Goods 3. Wholesale for machinery equipment 4. Retail Sale of Medical Equipments 5. Retail for machinery and apparatuses 6. Wholesale for precision equipment 7. Retail for precision equipment 8. Auto retail 9. Retail Sale of Motorcycles 10. Retail for ships and parts 11. Retail for aircrafts and parts 12. Financial institution creditor's right purchase 13. Management consulting services 14. Software design services 15. Data processing services 16. Energy Technical Services 17. Other industry and commerce services not elsewhere classified . 18. In addition to the licensed activities, Taishin Holdings may also engage in other business activities that are not prohibited or restricted by law.
Taishin Real-Estate Management Co., Ltd.	1995.08.17	2nd-4th fl., No. 9, Dehui Street, Taipei City	200,000	<ol style="list-style-type: none"> 1. Construction management 2. Residence and building development and lease 3. Factory construction and lease 4. Specific professional area development 5. Investment and construction of public construction 6. New town and new community development 7. Area expropriation and urban land rezoning 8. Urban renewal 9. Realty transaction 10. Realty lease 11. Business investigation 12. In addition to the licensed activities, Taishin Holdings may also engage in other business activities that are not prohibited or restricted by law.
Taishin Financial Leasing (China) Co.,Ltd.	2011.07.12	4202 Room 、 4203 Room 、 4204 Room 、 4205 Room, Sunnyworld Center, No.188, Lushan RD, Jianye District, Nanjing, China	1,192,729	Leasing
Taishin Financial Leasing (Tianjin) Co.,Ltd.	2012.03.01	2204 Room, TEDA MSD-C1 Tower, No.79, First Avenue, TEDA, Tianjin, China	920,748	Leasing, Factoring, Installment Sales
Taishin Securities Venture Capital Co., Ltd. (Note 2)	2013.12.31	12th fl, No. 96, Section 1, Jianguo North Road, Zhongshan District, Taipei	200,000	<ol style="list-style-type: none"> 1. Venture capital business 2. Investment consulting services 3. Management consulting services 4. In addition to the licensed activities, Taishin Holdings may also engage in other business activities that are not prohibited or restricted by law.

Note1: Taishin Insurance Agency Co., Ltd. change the name into Xiang-An Life Insurance Agency Co., Ltd. on August 18, 2016.

Note2: Taishin Securities Co., Ltd. acquired Ta Chong Securities Co., Ltd. on August 28, 2017. Taishin Securities Venture Capital Co., Ltd. was a wholly owned subsidiary of Ta Chong Securities Co., Ltd. It was formerly known as Ta Chong Venture Capital Co., Ltd. and renamed Taishin Securities Venture Capital Co., Ltd. on October 2, 2017

b. Directors, supervisors and major managers of the company's subsidiaries

Date: Dec.31, 2018

Name of enterprise	Position	Representative	Shareholding	
			Share	(%)
Taishin International Bank Co., Ltd.	Chairman	Wu, Tong-Liang	Taishin holding company owns 7,549,771,248 shares (100%).	
	Director	Wu, Tong-Shung		
	Director	Hsu, Teh-Nan		
	Director	Kuo, Jui-Sung		
	Director	Wu, Shang-Pin		
	Director	Wang, Chu-Chan		
	Director	Lin, Long-Su		
	Independent Director	Chang, Min-Yu		
	Independent Director	Lin, Yi-Fu		
	Standing Supervisor	Tsay, Yang-Tzong		
	Supervisor	Kao, Chih-Shang		
	Supervisor	Cheng, Chia-Chung		
	President	Oliver Shang	-	-
Taishin Asset Management Co., Ltd.	Chairman	Wu, Tong-Shung	Taishin holding company owns 67,100,000 shares (100%).	
	Director	Wu, Tong-Liang		
	Director	Frank Liaw		
	Supervisor	Welch Lin		
	President	Frank Liaw	-	-
Taishin Venture Capital Investment Co., Ltd.	Chairman	Steve Hsieh	Taishin holding company owns 420,874,904 shares (100%).	
	Vice chairman	Eric Chien		
	Director	Welch Lin		
	Supervisor	Wu, Tong-Shung		
	President	Lin, Yu-Sheng	-	-

Name of enterprise	Position	Representative	Shareholding	
			Share	(%)
Taishin Securities Co., Ltd.	Chairman	Jerry Guo	Taishin holding company owns 628,412,444 shares (100%).	
	Director	Lu, Po- Yung		
	Director	Welch Lin		
	Director	Oliver Shang		
	Director	Hsieh, Ming-Chih		
	Director	Carol Lai		
	Independent Director	Huang ,Cin-Tan		
	Independent Director	Chen ,Yu-Ti		
	Supervisor	Wu, Tong-Shung		
	Supervisor	Ann Cheng		
	President	Lin ,Hsien-Chun	-	-
Taishin Securities Investment Trust Co., Ltd.	Chairman	Joseph Jao	Taishin holding company owns 75,454,545 shares (100%).	
	Vice chairman	Sam Lin		
	Director	Kevin Lin		
	Director	Sheng, Chi-Ying		
	Director	Sharon Lin		
	Supervisor	Vincent Tsai		
	President	Jackie Yeh (interim)	-	-
Taishin Securities Investment Advisory Co., Ltd.	Chairman	Wu, Thomas K.H.	Taishin holding company owns 27,599,513 shares (92%).	
	Director	Spike Wu		
	Director	John Chiou		
	Supervisor	Steve Chiu	-	-
	President	Li, Chen-Yu	-	-

c. Directors, supervisors and major managers on affiliates

Name of enterprise	Position	Company's Name	Shareholding (Share)	(%)
		Representative		
Xiang-An Life Insurance Agency	Chairman	Taishin International Bank	2,622,040	87.4
		Steve Hsieh	0	0
	Director	Taishin International Bank	2,622,040	87.4
		Welch Lin	0	0
	Director	Taishin International Bank	2,622,040	87.4
		David Chang	0	0
	Director	Taishin International Bank	2,622,040	87.4
		Wu, Tong-Shung	0	0
	Supervisor	Spike Wu	0	0
	President	Tai, Kuo-Ming	0	0
Taishin Real Estate Management Co.,Ltd.	Chairman	Taishin International Bank	12,000,000	60
		Wu, Tong-Shung	0	0
	Director	Taishin International Bank	12,000,000	60
		Wu, Tong-Liang	0	0
	Director	Taishin International Bank	12,000,000	60
		Frank Liaw	0	0
	Supervisor	Taishin Asset Management	8,000,000	40
		Welch Lin	0	0
	President	Frank Liaw	0	0

Name of enterprise	Position	Company's Name	Shareholding (Share)	(%)
		Representative		
Taishin D.A. Finance Co., Ltd.	Chairman	Taishin International Bank	128,878,395	100
		Eric Chen	0	0
	Vice chairman	Taishin International Bank	128,878,395	100
		Spike Wu	0	0
	Director	Taishin International Bank	128,878,395	100
		Welch Lin	0	0
	Supervisor	Taishin International Bank	128,878,395	100
		Peter Tsai	0	0
	President	Emily Tsai	0	0
Taishin Financial Leasing (China) Co.,Ltd.	Chairman	Taishin Venture Capital Investment		100
		Eric Chen		0
	Director	Taishin Venture Capital Investment		100
		Archie Chen		0
	Director	Taishin Venture Capital Investment		100
		Goldin Wang		0
	Director	Taishin Venture Capital Investment		100
		Spike Wu		0
	Director	Taishin Venture Capital Investment		100
		Welch Lin		0
	Supervisor	Taishin Venture Capital Investment		100
		Shawn C.L.Teng		0
	President	Goldin Wang		0

Name of enterprise	Position	Company's Name	Shareholding (Share)	(%)
		Representative		
Taishin Financial Leasing (Tianjin) Co.,Ltd.	Chairman	Taishin Venture Capital Investment		100
		Eric Chen		0
	Director	Taishin Venture Capital Investment		100
		Goldin Wang		0
	Director	Taishin Venture Capital Investment		100
		Welch Lin		0
	Director	Taishin Venture Capital Investment		100
		Archie Chen		0
	Director	Taishin Venture Capital Investment		100
		Spike Wu		0
Taishin Securities Venture Capital Investment Co.,Ltd.	Chairman	Taishin Securities	20,000,000	100
		Wei, Zhi-Da	0	0
	Director	Taishin Securities	20,000,000	100
		Shi ,Qi-Bin	0	0
	Director	Taishin Securities	20,000,000	100
		Chen ,Li-Guo	0	0
	Supervisor	Taishin Securities	20,000,000	100
		Yen Chen	0	0
	President	Lin,Chung-Hsin	0	0

d. Operation overview on affiliates

Date: Dec. 31, 2018 Unit: NT\$1,000

Name of enterprise	Capital	Total Assets	Total Liability	Equity	Operating Revenue	Operating Profit	Income (After Tax)	EPS (After Tax; NT\$)
Taishin International Bank Co., Ltd.	75,497,712	1,693,928,471	1,553,381,577	140,546,894	33,951,027	33,951,027	10,401,818	1.48
Taishin Asset Management Co., Ltd.	671,000	1,384,720	307,896	1,076,824	260,915	134,367	135,802	1.34
Taishin Venture Capital Investment Co., Ltd.	4,208,749	4,013,781	2,367	4,011,414	230,677	12,322	12,322	0.03
Taishin Securities Co., Ltd.	6,284,125	29,425,075	21,923,200	7,501,875	1,674,953	126,870	163,548	0.26
Taishin Securities Investment Trust Co., Ltd.	754,545	952,049	100,116	851,933	390,892	47,452	35,729	0.47
Taishin Securities Investment Advisory Co., Ltd.	300,000	382,537	27,518	355,019	99,257	(3,713)	2,828	0.09
Xiang-An Life Insurance Agency Co., Ltd. (Note) (None 1)	30,000	850,449	16,868	833,581	27,413	(1,806)	(4,154)	(1.38)
Taishin Real – Estate Management Co., Ltd.	200,000	593,941	235,523	358,418	66,133	43,174	47,541	2.38
Taishin D.A. Finance Co., Ltd.	1,288,784	9,441,030	8,025,541	1,415,489	1,038,714	85,734	72,378	0.64
Taishin Financial Leasing (China) Co., Ltd.	1,192,729	9,167,314	8,034,246	1,133,068	903,703	209,717	153,015	-
Taishin Financial Leasing (Tianjin) Co., Ltd.	920,748	4,809,250	4,002,262	806,988	554,744	94,452	64,844	-
Taishin Securities Venture Capital Co., Ltd. (Note 2)	200,000	91,502	16,840	74,662	16,894	10,480	10,480	0.52

Note1: Taishin Insurance Agency Co., Ltd. change the name into Xiang-An Life Insurance Agency Co., Ltd. on August 18, 2016.

Note2: Taishin Securities Co., Ltd. acquired Ta Chong Securities Co., Ltd. on August 28, 2017. Taishin Securities Venture Capital Co., Ltd. was a wholly owned subsidiary of Ta Chong Securities Co., Ltd. It was formerly known as Ta Chong Venture Capital Co., Ltd. and renamed Taishin Securities Venture Capital Co., Ltd. on October 2, 2017.

e. Organizational of Taishin Financial Holdings and Its Affiliates : Please refer to P.19 “A.Organization System a. Organization chart 2. Affiliated Companies”.

B. Progress of private placement of securities during the latest year and up to the date of annual report publication: Nil.

C. The Company's subsidiaries' shareholding or disposal of the Company's share during the latest year and up to the date of annual report publication: Nil.

D. Additional Disclosure: Nil.

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**Items with major effect on
shareholders' benefits or
securities prices in 2018 and as
of the date for the publication of
the annual report**



► IX. Items with major effect on shareholders' benefits or securities prices in 2018 and as of the date for the publication of the annual report: Nil.



Taishin Holdings



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