



Taishin Holdings

2020 Annual Report

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Company website: <https://www.taishinholdings.com.tw>

Market Observation Post System website: <https://mops.twse.com.tw>



Taishin Holdings



Taishin Holdings

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**Names of Exchanges Where Overseas Securities
Are Listed and Methods of Inquiry: None.**

Taishin▶Holdings

2020 Annual Report

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Letter to Shareholders

I. Letter to Shareholders

Dear Shareholders,

The coronavirus dealt a devastating blow to the global economy in 2020. Major economies, such as the United States, China, the euro area, and Japan, all reported the biggest quarterly plunges in history in the first half of the year. China, being the first to face an outbreak and also the first to initiate a national lockdown, saw an economic drop of 6.8% in the first quarter. Other countries that followed with lockdown measures of their own in second quarter also ended up with huge economic drops. In particular, the United States fell by 9.0% in the second quarter, the euro area by 14.9%, and Japan by 10.2%. However, with more countries implementing large-scale fiscal and monetary stimulus packages and trying their best to mitigate disease control policy interference in the economies, major economies had reached the bottom and started rebounding in mid-2020. Many economic declines were clearly narrowing, and China resumed a positive growth. While the coronavirus continued to spread in the second half of 2020 and the number of confirmed cases rose sharply as winter approached, forcing many countries to re-impose restrictions on certain economic activities, the economic impact of the pandemic is waning with clinical successes of several vaccines in other countries and large-scale vaccination.

Taiwan's economic outlook in the first half of 2020 sustained a hit from domestic and overseas coronavirus outbreaks. Private spending and traditional exports came to an abrupt halt, and the central bank decided to lower interest rates by 0.25 percentage points in a board meeting in March. As the world adjust to new ways of living and working, such as work-from-home, remote learning, and online shopping, the demand for electronic products skyrocketed. Taiwan's exports of semiconductors and other electronic components reached historic high in 2020, and generated upward momentum for the economy. TAIEX started low in 2020, and surged to a 30-year high at 14,733. TAIEX rose by 2,735, or 22.80%, compared to the end of 2019; and TPEx rose by 34.74, or 23.26%, compared to the end of 2019.

Taiwan's financial sector benefited from strong stock market performance, leading to profit growth for insurers and securities firms. Overall earnings before tax for the financial sector amounted to NT\$675.66 billion in 2020, a 6.5% increase compared to 2019. Meanwhile, banks saw lower interest income due to lower interest rates and volatile exchange rates. Earnings before tax fell by 8.9% compared to 2019 to NT\$370.82 billion. Looking forward to 2021, the waning effect of the pandemic on the global economy is allowing the world to slowly resume normal economic activities. Recovering demand in traditional industries will fuel continuing momentum in Taiwan's economy in 2021. However, given it will take the global economy a few years to return to the pre-pandemic level, the central bank is expected to maintain a relatively eased monetary environment for continued stability in financial markets in 2021.

We followed our operating budgets closely in 2020, and our core business delivered consistent profit growth on the whole. For the year 2020, after-tax profit totaled NT\$14.5 billion, the EPS was NT\$1.17, the ROE was 9.05%, and the net value for the common shareholders was of NT\$13.22 per share at the end of the year. In terms of capital structure, our capital adequacy ratio was 130.0% and double leverage ratio was 118.2% at the end of 2020. The capital structure remained sound.

Taishin FHC received international long- and short-term credit ratings of BBB and F3, respectively, in a report issued by international credit rating agency Fitch Ratings in November 2020. Our national long- and short-term credit ratings were A+(twn) and F1(twn), respectively. The outlook was “Negative”. We received international long- and short-term credit ratings of BBB and A-2, respectively, in a report issued by S&P in December 2020. Meanwhile, our national long- and short-term credit ratings were twA+ to twA-1 in a report issued by Taiwan Ratings Corp in December 2020. The outlook was “Stable” in both reports.

Regarding overseas business expansion, Taishin Bank 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) as well as local offices in Vietnam (Ho Chi Minh City), Myanmar (Yangon), and China (Shanghai). The application to open the Long An Branch in Vietnam has also been submitted to the State Bank of Vietnam, and preparations are underway. Taishin Bank has received the Bank of Thailand’s approval for the establishment of a representative office in Bangkok and Labuan FSA’s approval for the establishment of a branch in Labuan and a marketing office in Kuala Lumpur in August and November 2020, respectively. Taishin Bank will initiate the following set-up procedures and expand the overseas network in the future to give customers better and more comprehensive global banking services.

FinTech application: To accelerate innovation in services, Taishin FHC has assembled professional teams that are dedicated to exploring innovative uses of digital banking solution and developing artificial intelligence and big data analytics on an ongoing basis. In terms of finding more cross industry partners, Taishin works actively with multiple strategic partners to build the Taishin Banking Innovation Lab. The lab works with 10 major industries and more than 20 innovative business partnerships. It has succeeded in putting immersive and innovative financial marketing scenarios into practice. Taishin Bank works tirelessly to provide a better consumer experience through a combination of digital and banking innovations.

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

A. Retail Banking Services

As of the end of 2020, the size of Taishin Bank’s mortgage portfolio stood at NT\$556 billion, representing close to 7.1% in YOY growth; the auto loan balance amounted to NT\$50.6 billion, representing a 5.6% YOY growth, and again placing the bank at the top of the financial industry; the bank had 5.73 million credit cards in circulation, ranking 4th with a 11.4% market share; and lastly, Taishin Bank had 154,000 card accepting merchants nationwide, ranking first with a 22.3% market share.

Digital banking in everyday life: Richart is first in the market to offer integrated products and services that combine “savings, payment, financial planning, foreign currency, insurance, loan, and time deposit”. It has so far more than 70 domestic and international awards while ranking first in terms of digital account numbers. To give customers a better digital payment experience, Taishin Bank works hard to develop a wide range of payment services. Taishin Bank is the first bank in Taiwan to support all four contactless mobile payments (Apple

Pay, Samsung Pay, Google Pay (Android Pay), and Taiwan Pay). To help merchants go digital, Taishin Bank provides credit card linked payment services, and supports 11 barcode enabled wallets (including domestic services, Jkoss and LINE Pay, and offshore services, Alipay, WeChat Pay, and HANA). Rising to the challenge of purely online banks, Taishin Bank was also the first bank in Taiwan to build an everyday life and finance ecosystem in August 2020. Richart Life is a platform that combines payments, points, everyday offers, and financial services. It starts with serving close to seven million Taishin Bank customers, and utilizes Taishin Pay and Taishin Points to direct customers to spend in various scenarios with strategic partners. There are more than 100,000 points of service in Taiwan that accept Taishin Pay. Taishin Points can be used to pay or redeem for products and services. Customers can find everyday solutions easily on Richart Life.

In terms of credit card services: Taishin Bank works constantly to launch products and services that keep pace with time. The aim is to connect spending scenarios and optimize the payment experience for customers. The Rose Giving card was launched in 2020. Following the Rose Card's celebration of "dedication", the Rose Giving card praises "giving for love", and highlights modern women's view of giving as a path to self-fulfillment. The card is the first to offer rebates on all statutory holidays. The limited edition fragrance diffuser card comes with an innovative design to impress cardholders. Another first is the home cleaning service offered to cardholders who meet the minimum spending requirement. Meanwhile, Taishin Bank continues to grow closer ties with card accepting merchants and keeps ranking first in the number of card-accepting merchants. The combined strength of a wide array of card accepting businesses and more than 5 million credit cards outstanding, coupled with the launch of Taishin Bank's Richart Life app, aims to offer all customers one-stop financial services closely aligned with their everyday needs.

Wealth management: Taishin Bank was first to open a wealth management flagship branch in 2003. Having followed a sophisticated customer segmentation process over the years, Taishin Bank is able to provide a wide range of exclusive financial services to meet the demand for "professional financial planning advice", "exclusive benefits and experiences", "one-stop shopping" and other services. Furthermore, Taishin Bank follows a sustainability- and customer-oriented philosophy, and strives to meet the need for integrated services for personal accounts and household accounts. The family-based wealth management service extends the scope of personal wealth management to a household so that all members of a household may enjoy financial advice at different life stages and the same benefits. It is an excellent choice for customers with inheritance concerns. Meanwhile, following digital banking trends, Taishin Bank combines real branches, mobile apps, Internet banking and other online and offline services to provide friendly and professional services. In 2020, services such as foreign bonds and regular savings plans were made available through Internet banking. Despite the pandemic and dramatic market volatility, financial planning teams at Taishin Bank are taking a long term view, and remain steadfast in duty to safeguard customers' asset growth. Feedback on the service is generally positive, and as a result, the net wealth management service fee income still rose steadily by 4.5%.

► B. Wholesale Banking Services

Corporate lending: Loans to state-owned and private enterprises totaled NT\$356.9 billion, or a 16.8% YOY growth, at the end of 2020. The total amount of syndications as a lead arranger was ranked 12th in the industry. In support of the government's initiative, Taishin Bank provides guarantees in compliance with policy to help SMEs acquire operating capital. Lending to SMEs rose to NT\$208.9 billion by the end of 2020, a 29% YOY growth. Taishin Bank will continue to expand the scope of its 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 in the market. Taishin Bank remained the market leader in factoring services with a volume totaling NT\$184 billion in 2020. Taishin Bank provided share administration services to a total of 203 companies traded on the TWSE/TPEX and the Emerging Stock Market, ranking 3rd among peers.

System implementation: Taishin Bank teamed up with IBM to launch the GB2B Global Digital Corporate Banking Network and all system features in 2020. Integrated automatic delivery makes it possible to provide cash flow products, transactional funding and wholesale financing, and makes financial services significantly more efficient. Amid the waves of fintech, Taishin Bank continues to support fintech innovations. The bank was first to start working with the credit guarantee fund in 2020 in launching the "Instant Credit Check" program to connect the systems. API technology allows SMEs quick access to funds through a new automated service. The system was named the Best API Initiative, Application or Programme by the Asian Banker Transaction Finance Awards, and won the Best Technology Innovation - Bronze Award at the Business Next Future Commerce Awards.

► C. Banking and Financial Market Business

The Financial Markets Division provides a wide range of financial products, including exchange rate, interest rate, equity, credit, commodities, derivatives, and structured products, to meet different hedging or investment needs. The division offers up-to-date market information and professional advice. It uses a transaction platform with a complete line of financial products to help customers monitor market changes and assess risks and meet the financial needs of onshore/offshore institutional and retail clients.

In 2020, Taishin Bank was one of the leading banks in the country in terms of the volume of derivative trading at NT\$8,973.5 billion. Regarding bond underwriting, Taishin Bank is an active participant in bond issuance and financing planning for onshore and offshore companies. The bank brings in a wide range of bonds by overseas issuers to give Taiwanese investors more investment choices. The total amount of bonds underwritten in 2020 was NT\$69 billion, NT\$17.6 billion higher than the year before—a 34% annual growth. Sales showed significant increase.

Additionally, the Overseas Finance and Financial Market Division oversees the trading rooms at the Hong Kong, Singapore, Tokyo, and Brisbane branches. The trading room resources at the head office are also made available to provide overseas customers excellent banking services and to find opportunities in foreign financial markets. The overseas branches reported a 34% sales growth in 2020 compared to 2019. Meanwhile, in response to development in digital banking platforms, Taishin Bank has been working to put financial products on online platforms in order to provide more easy-to-use transaction services for customers. These platforms are designed to meet the demand for easy and real-time financial investing and other transactions.

► D. Securities and Investment Trust Subsidiaries

Securities operations: Securities operations follow a customer-oriented business management philosophy, and continues to expand O2O services. The subsidiaries endeavor to develop digital financial services, and combine O2O resources to expand the customer base and increase stickiness. Regarding proprietary trading, positions are managed for quick strategy adjustments in response to market changes. Hedging tools are actively employed and risk management mechanisms implemented. Meanwhile derivatives are issued to suit customers' investment needs and risk tolerance. More types of investment returns are added in pursuit of consistent returns and risk diversification.

Investment banking operations: Regarding underwriting services, Taishin continues to focus on serving well managed companies, and seek opportunities in funding projects applying for first time TWSE/TPEX listing in Taiwan. Taishin also continue to expand offshore securities underwriting services and foreign currency securities sales through offshore securities units (OSU) in order to increase overall market share. The operations continue to 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.

The market share was 2.30% in brokerage services and 3.38% in margin trade balance at the end of 2020. Taishin Securities handled a total of 19 securities underwriting cases as lead underwriter for a total of NT\$3.868 billion throughout the entire year. It ranked 3rd place in the market in total number of cases.

Investment trust operations: The size of public/private offering and discretionary assets under management by Taishin Securities Investment Trust (TSIT) reached NT\$178.4 billion at the end of 2020, a NT\$48.9 billion or 38% growth compared to 2019 and an all-time high. In particular, NT\$128.4 billion were in publicly offered funds, accounting for a 2.84% market share and enabling the company to rank 10th place among domestic investment trusts. The company has a 10.10% and the largest market share in money market funds. TSIT will develop customer services and strengthen product designs on an ongoing basis to achieve greater synergy.

In summary, we have received wide, continuous acclaim for our excellent performance in various areas of expertise. Taishin Bank won first prize at the 2020 FinTech Best Banking Service Award held by Global Views. The bank was first in 6 of the 10 scoring criteria. Additionally, Richart Life—launched by Taishin Bank

in August 2020—won the Best FinTech Award - Excellence at the Taiwan Banking and Finance Best Practice Awards. It also earned Taishin Bank the title of “Payment Innovator” at The Innovators: Payments by Global Finance. Richart Life creates an everyday life and finance ecosystem by combining Taishin Pay and Taishin Points. By combining wealth management and digital banking innovation, Taishin Bank won Best Private Bank for Big Data Analytics and Artificial Intelligence (AI) for the third time, as well as Best Private Bank in Asia for Customer Service by The Banker and PWM. The bank also received Best Wealth Management Digital Experience in Taiwan by The Asset. The wholesale banking services by Taishin Bank support government policies, and have been awarded with the SMEG Gold Award by the Ministry of Economic Affairs for 9 years in a row. Furthermore, Taishin Securities received an “Outstanding Market Maker Award for TPEx Listed ETFs” for excellent business performance from Taipei Exchange. TSIT won the “Best-in-Class Award” by the Benchmark. Taishin FHC received more than 110 awards from domestic and international professional institutions in 2020. Its performance was generally recognized in many countries.

Future Prospects

For the last few years, the government has been urging businesses to return to invest in Taiwan in order to invigorate Taiwan’s financial markets. It is hoped that while strengthening financial resilience, they will also provide room for innovation and creativity. Provided the target of balancing “financial stability” and “financial progress” is met, the policies proposed in 2020 will be implemented in an effective and orderly fashion. With the hope to find growth opportunities on the basis of stability, the government tries to elevate Taiwan to a hub for fund transfer and high net worth wealth management services for Asian businesses, help startups in key industries obtain funding, and promote adoption of international standards in the banking system.

Looking forward, 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: continuing to develop group-wide advantages and perfecting the cross-industry network under Taishin FHC. At the current stage, our greatest priority is to establish an insurance subsidiary, as to make our product line more comprehensive, increase our business competitiveness in the financial sector, and realize our long-term business goals. Other strategies and plans are to integrate resources within Taishin FHC, expand the business scale of the subsidiaries provided that risk control and business growth are both accounted for, and create diverse profit engines; utilize digital transformation to create new strengths in the emerging area of FinTech, and make full use of new technologies to create new business models in order to increase market share for Richart; and continue to optimize IT resources within Taishin FHC, lay the IT foundation for business growth, continue to expand overseas, and develop international operations with a focus on Asian countries and Chinese communities around the world.

Corporate Governance and Corporate Social Responsibility

With respect to corporate governance and corporate social responsibility, we have been achieving excellent results for consecutive years since TWSE announced the results of the first Corporate Governance Evaluation in 2015. The rankings reflected recognition for our hard work and results in corporate governance. The company continues to be one of the constituents of the TWSE Corporate Governance 100 Index.

In the pursuit of sustainability, we have made ESGs (environment, social, and governance) part of our business strategies. Resources in and outside the company are combined to promote sustainable practices in sustainable governance, economic prosperity, green environment, and inclusive society. Key practices in sustainable finance include the Green Finance Principles established in 2018, the signing of the Equator Principles in 2019, and the Industrial, Environmental, and Social Risk Management Guidelines established in 2020. In addition, scenario analysis recommended by the Task Force on Climate-Related Financial Disclosures (TCFD) is performed on real estate in the wholesale banking business. ESG-compliant renewable energy lending systems are also being developed to facilitate identification of climate-related risks and opportunities. All these are countermeasures and strategies planned for the future. Taishin was rated “leader (AA)” in banking by MSCI ESG ratings in 2020. Its CDP score was rated “management (A)”. Meanwhile, Taishin remains a constituent of “DJSI - World” and “DJSI - Emerging Markets” as selected by the Dow Jones Sustainability Index. Taishin 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 collaboration” 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 2021





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. The application process to open the Labuan Branch and the Kuala Lumpur Marketing Office in Malaysia and one to open the Shanghai Office are both underway. The Shanghai Office in particular obtained approval from the Shanghai Office, China Banking and Insurance Regulatory Commission on April 20, 2020. In the future, we will continue to expand our overseas presence by offering more comprehensive and higher quality international financial services to customers.

◆ 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. The underwriting and other trading services have also grown significantly in size as the company gained a larger capital base. Established in May, 2018, the Merchant Banking Division provides 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. Established in November 2018, the Offshore Securities Unit (OSU) develops foreign currency derivatives and offshore securities underwriting services. The Global Markets and Clients Division was established in April 2020 to develop the re-consignment business, domestic and overseas corporate banking business, and international securities business. As of the end of 2020, Taishin Securities had 12 offices and a market share of 2.30% in the brokerage business, which makes it a competitive medium-sized securities dealer with growth potential.

C. Honors of the company

Date	Issuing Organization	Awards / Rankings
◆ 2020.12	RFPI and TRFP	Best Value Award – Wealth Management – Taishin Bank
◆ 2020.12	BSI(British Standard Institution)	BSI Sustainable and Resilient Navigator Award – Taishin FHC
◆ 2020.12	Excellence Global Media	Digital Innovation Awards – Taishin Securities
◆ 2020.12	The Asset	Triple A Country Awards 2020 – BEST IPO Taiwan – Taishin Securities
◆ 2020.12	Taipei Exchange(TPEX)	Recommending to TPEX and Emerging Stock Performance Award – Taishin Securities
◆ 2020.12	Visa Inc.	Global Service Quality Award – Emerging Payment Adoption – Tokenization CNP – Taishin Bank
◆ 2020.12	Visa Inc.	Global Service Quality Award – Highest Overall Portfolio Performance – Taishin Bank
◆ 2020.12	China Association of Enterprises with Foreign Investment (CAEFI)	The Achievement Award of 2020 China Financial Leasing Industry Best Performers – Taishin Financial Leasing (China)
◆ 2020.12	Jiangsu Financial Leasing Industry Association	Jiangsu Outstanding Financing Leasing Company of the Year 2020 – Taishin Financial Leasing (China)
◆ 2020.12	Ministry of Economic Affairs,R.O.C.	Buying Power – Second Prize in Social Innovation Products and Services Procurement
◆ 2020.11	Global Views	Best Bank in Digital Financial Services – First Prize – Taishin Bank
◆ 2020.11	The Asset	Best Wealth Management Experience – Digital Initiatives – Taishin Bank
◆ 2020.11	MANAGER today Magazine	Top 100 MVP Managers – Taishin Bank
◆ 2020.11	TAISE(Taiwan Institute for Sustainable Energy)	Social Inclusion Award – Taishin FHC
◆ 2020.11	TAISE(Taiwan Institute for Sustainable Energy)	Growth through Innovation Award – Taishin FHC
◆ 2020.11	TAISE(Taiwan Institute for Sustainable Energy)	Top 50 Corporate Sustainability Award – Taishin FHC
◆ 2020.11	TAISE(Taiwan Institute for Sustainable Energy)	Platinum Award in Taiwan Top 50 Corporate Sustainability Report Award – Taishin FHC
◆ 2020.11	The Digital Banker	Highly Acclaimed: Best Self Service Banking – Taishin Bank
◆ 2020.11	The Digital Banker	Outstanding Personalised 1:1 Marketing Initiative – Taishin Bank
◆ 2020.11	The Digital Banker	Outstanding Innovation Program – Taishin Bank
◆ 2020.11	The Digital Banker	Best Retail Bank Taiwan – Taishin Bank
◆ 2020.11	Global Finance	Global Winner – Best Online Product Offerings – Taishin Bank
◆ 2020.11	Global Finance	Best Consumer Digital Bank in Asia/Pacific – Taishin Bank
◆ 2020.11	TCCDA (Taiwan Contact Center Development Association)	Best Trainer in Customer Service – Taishin Bank
◆ 2020.11	TCCDA (Taiwan Contact Center Development Association)	Best Customer Service Representative – Taishin Bank

Date	Issuing Organization	Awards / Rankings
◆ 2020.11	TCCDA (Taiwan Contact Center Development Association)	Best Customer Service Marketing Supervisor – Taishin Bank
◆ 2020.11	TCCDA (Taiwan Contact Center Development Association)	Best Customer Service Onsite Supervisor – Taishin Bank
◆ 2020.11	TCCDA (Taiwan Contact Center Development Association)	Best Customer Service Center Supervisor – Taishin Bank
◆ 2020.11	TCCDA (Taiwan Contact Center Development Association)	Best Customer Service Team – Taishin Bank
◆ 2020.11	TCCDA (Taiwan Contact Center Development Association)	Best Customer Service Company – Taishin Bank
◆ 2020.11	TCCDA (Taiwan Contact Center Development Association)	Best Innovation Company in Customer Service – Taishin Bank
◆ 2020.11	GCCA (Greater China Contact Centre Alliance)	Best Innovation Company in Customer Service in Greater China – Taishin Bank
◆ 2020.11	The Banker and PWM	Best Private Bank for customer service in Asia – Taishin Bank
◆ 2020.11	Taiwan Academy of Banking and Finance	The Taiwan Banking and Finance Best Practice Award – Best Consumer Finance – Taishin Bank
◆ 2020.11	Taiwan Academy of Banking and Finance	The Taiwan Banking and Finance Best Practice Award – Best Digital Finance – Taishin Bank
◆ 2020.10	Asian Banker	Best API Initiative, Application or Programme – Taishin Bank
◆ 2020.10	Wealth Magazine	Taiwan Financial Awards: Best Digital Account Bank – Gold Award – Taishin Bank
◆ 2020.10	Wealth Magazine	Taiwan Financial Awards: Best Banking Services – Quality Award(2) – Taishin Bank
◆ 2020.10	Wealth Magazine	Taiwan Financial Awards: Best Digital Bank – Quality Award(3) – Taishin Bank
◆ 2020.10	HR Asia Magazine	Best Companies To Work For In Asia 2020 – Taishin Holdings
◆ 2020.10	PBI (Private Banker International)	Highly Commended Achievement – Best Next – Generation Offering – Taishin Bank
◆ 2020.10	PBI (Private Banker International)	Highly Commended Achievement – Outstanding Private Bank – North Asia – Taishin Bank
◆ 2020.10	PBI (Private Banker International)	Outstanding Wealth Management Technology Initiative – Back Office – Taishin Bank
◆ 2020.10	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award – First Prize in the Best Product – Taishin Bank (Taishin LINE Banking Services)
◆ 2020.09	CX Network	Best Omni – Channel Experience Award – Silver – Taishin Bank
◆ 2020.09	CX Network	CX Vendor Experience Award – Honorary Mention – Taishin Bank
◆ 2020.09	IDC (International Data Corporation)	Operating Model Master in Taiwan – Taishin Bank
◆ 2020.08	Global Finance	Best in Lending – Taishin Bank
◆ 2020.08	Global Finance	Best Online Product Offerings – Taishin Bank

Date	Issuing Organization	Awards / Rankings
◆ 2020.08	Global Finance	Best Consumer Digital Bank in Taiwan – Taishin Bank
◆ 2020.08	Economic Affairs	Excellence Award of Credit Managers – Taishin Bank
◆ 2020.08	Economic Affairs	Promotion Award of Government Policies (Branch) – Taishin Bank
◆ 2020.08	Economic Affairs	Promotion Award of Government Policies (Headquarter) – Taishin Bank
◆ 2020.08	Economic Affairs	Excellence Award of Portfolio Guarantee – Taishin Bank
◆ 2020.08	Economic Affairs	Gold Award of Credit Guarantee – Taishin Bank
◆ 2020.08	Excellence Magazine	Excellence in Wealth Management 2020 – Taishin Bank
◆ 2020.08	Excellence Magazine	Best Diversified Products 2020 – Taishin Bank
◆ 2020.08	CommonWealth	Ranked Top 50 in 2020 “Excellence in Corporate Social Responsibility” – Taishin Holdings
◆ 2020.08	Business Today	Best Wealth Management Award of Banks and Securities – Best Wealth Appreciation (3) – Taishin Bank
◆ 2020.08	Business Today	Best Wealth Management Award of Banks and Securities – Best Marketing Innovation (2) – Taishin Bank
◆ 2020.08	Business Today	Best Wealth Management Award of Banks and Securities – Best Robo – Advisor (2) – Taishin Bank
◆ 2020.08	Business Today	Best Wealth Management Award of Banks and Securities – Best Digital Experience (2) – Taishin Bank
◆ 2020.08	Business Today	Best Wealth Management Award of Banks and Securities – Best Customer Satisfaction (1) – Taishin Bank
◆ 2020.08	Business Today	Best Wealth Management Award of Banks and Securities – Best Wealth Management Bank – Taishin Bank
◆ 2020.08	Taiwan Futures Exchange	Futures Trading Growth of Futures Broker in Futures Sector – Diamond Award(1) – Taishin Securities
◆ 2020.08	Taiwan Futures Exchange	Futures Trading Growth in Banking Sector – Diamond Award(1) – Taishin Bank
◆ 2020.08	Asian Banking & Finance	Equity Deal of the Year – Taiwan – Taishin Securities
◆ 2020.08	Asian Banking & Finance	Mobile Banking & Payment Initiative of the Year – Taishin Bank
◆ 2020.08	Asian Banking & Finance	New Consumer Lending Product of the Year – Taishin Bank
◆ 2020.08	Asian Banking & Finance	Strategic Partnership of the Year – Taishin Bank
◆ 2020.08	Asian Banking & Finance	Domestic Retail Bank of the Year – Taishin Bank
◆ 2020.08	Asian Banking & Finance	Innovative Deal of the Year – Taiwan – Taishin Bank
◆ 2020.08	Asian Banking & Finance	Taiwan Domestic Initiative of the Year for M&A Portal – Taishin Bank
◆ 2020.07	Commercial Times	The Best Service in Taiwan: Best Guest Service Professional – Taishin Bank
◆ 2020.07	Commercial Times	The Best Service in Taiwan: Best Call Center – Taishin Bank
◆ 2020.07	Asian Banker	Best Frictionless Omni Channel Integration – Taishin Bank

Date	Issuing Organization	Awards / Rankings
◆ 2020.07	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award – The Most Popular Brands (Richart) – Taishin Bank
◆ 2020.07	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award – The Most Popular Brands(Wealth Management) – Taishin Bank
◆ 2020.07	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award – The Best Products (Pay+) – Taishin Bank
◆ 2020.07	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award – The Best Products (Taishin LINE Banking Services) – Taishin Bank
◆ 2020.07	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award – The Best Products(Pre – authorize Mechanism) – Taishin Bank
◆ 2020.07	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award – The Best Products (JKOPAY Co – brand Card) – Taishin Bank
◆ 2020.07	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award – The Best Products (Corporate Credit Card with Virtual Card Numbers) – Taishin Bank
◆ 2020.07	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award – The Best Products (Taishin Points) – Taishin Bank
◆ 2020.07	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award – The Best Products (GB2B) – Taishin Bank
◆ 2020.07	Business Next	Critics' Choice Award – Taishin Bank (Automated Analytics)
◆ 2020.07	Business Next	Best Management Innovation – Glod Award – Taishin Bank (Automated Analytics)
◆ 2020.07	Business Next	Best Management Innovation – Bronze Award – Taishin Bank (SME API Platform)
◆ 2020.06	The Digital Banker	Highly Acclaimed: Outstanding Wealth Management Service for the Affluent – Taishin Bank
◆ 2020.06	The Digital Banker	Highly Acclaimed: Best Next Generation Offering – Taishin Bank
◆ 2020.06	The Digital Banker	Highly Acclaimed: Best Private Bank AI & Big Data – Taishin Bank
◆ 2020.06	The Digital Banker	Best Wealth Manager for Client Experience – Taishin Bank
◆ 2020.06	The Digital Banker	Best Private Bank – Taiwan – Taishin Bank
◆ 2020.06	The Banker and PWM	Best Private Bank for Big Data Analytics and AI – Asia – Taishin Bank
◆ 2020.06	Asiamoney	Best Digital Bank – Taishin Bank
◆ 2020.05	Brain Magazine	Top 10 Powerful Words in Advertising – Taishin Bank
◆ 2020.05	Global Finance	The Innovators – Cash Management – Taishin Bank
◆ 2020.05	Global Finance	The Innovators – Payments – Taishin Bank
◆ 2020.04	CSRWorks International	Asia's Best Sustainability Report (Stand – alone) – Bronze Award – Taishin FHC
◆ 2020.04	CSRWorks International	Asia's Best Workplace Reporting – Gold Award – Taishin FHC
◆ 2020.04	LINE Family Club	The Best Brand – Taishin Bank

Date	Issuing Organization	Awards / Rankings
◆ 2020.03	Wealth Magazine	Wealth Management Award – Best Video Marketing – Taishin Bank
◆ 2020.03	Wealth Magazine	Wealth Management Award – Best Service – Taishin Bank
◆ 2020.03	Wealth Magazine	Wealth Management Award – Best Wealth Management – Taishin Bank
◆ 2020.03	Retail Banker International	Highly Commended – Excellence in OmniChannel Integration – Taishin Bank
◆ 2020.03	Retail Banker International	Highly Commended – Best Use of Machine Learning – Taishin Bank
◆ 2020.03	Retail Banker International	Highly Commended – Best Social Media Marketing Campaign – Taishin Bank
◆ 2020.03	Retail Banker International	Highly Commended – Best Loyalty/Rewards Programme – Taishin Bank
◆ 2020.03	Retail Banker International	Excellence in Loan Origination – Taishin Bank
◆ 2020.03	Retail Banker International	Best Retail Bank – Taiwan – Taishin Bank
◆ 2020.03	RMiM (Risk Management, Insurance & Finance Foundation)	Most Admired Financial Holding Company by Graduating Finance/Insurance Students – Excellence – Taishin FHC
◆ 2020.02	WealthAsia Media	BENCHMARK Fund of the Year 2019 for Best Performing Fund in Taiwan – Best in Class (Taishin North American Income Trust Fund A) – Taishin Securities Investment Trust
◆ 2020.02	The Digital Banker	Highly Acclaimed for Best Private Bank for Customer Experience – Taishin Bank
◆ 2020.02	The Digital Banker	Highly Acclaimed for Excellence in Omnichannel Customer Experience – Taishin Bank
◆ 2020.02	The Digital Banker	Winner for Excellence in Net – Gen Customer Satisfaction – Taishin Bank
◆ 2020.02	The Digital Banker	Winner for Best Customer Experience in Alternative Wealth Management – Taishin Bank
◆ 2020.02	The Asset	Best Biometrics Project in Taiwan – Taishin Bank
◆ 2020.02	The Asset	Best Retail Mobile Banking Experience in Taiwan – Taishin Bank
◆ 2020.01	Taipei Exchange	Market Maker Award – Taishin Securities



03

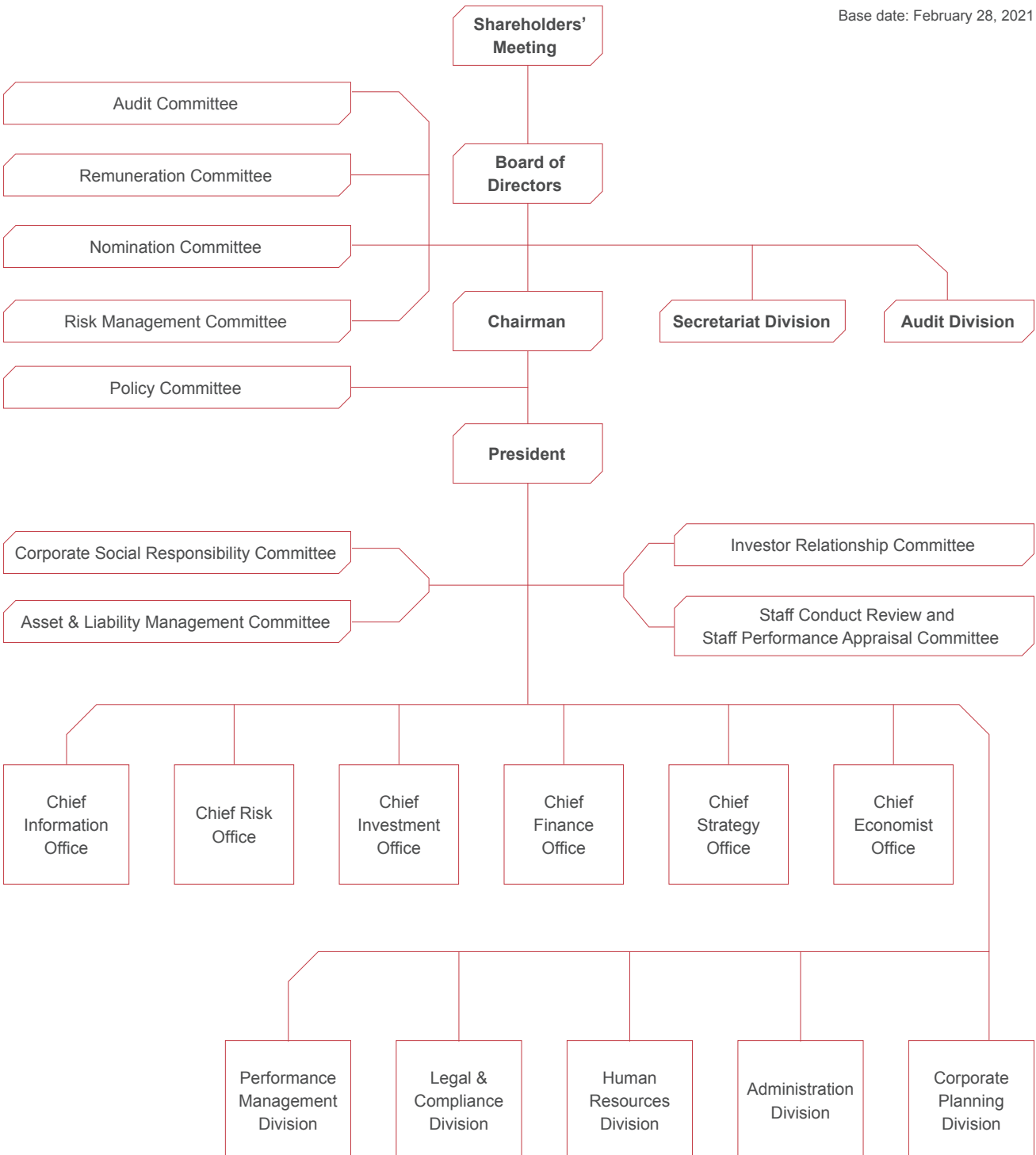
**Corporate Governance
Report**

III. Corporate Governance Report

► A. Organization system

a. Organization chart

Base date: February 28, 2021



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.
- ◆ 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 its subsidiaries.
 - Execution, supervision, and evaluation of compliance affairs for the company and subsidiaries.
- ◆ Anti-money laundering and counter terrorism affairs:
 - Formulating the anti-money laundering and counter terrorism financing system and policy, implement supervision, and assist its subsidiaries with such matters.

(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.

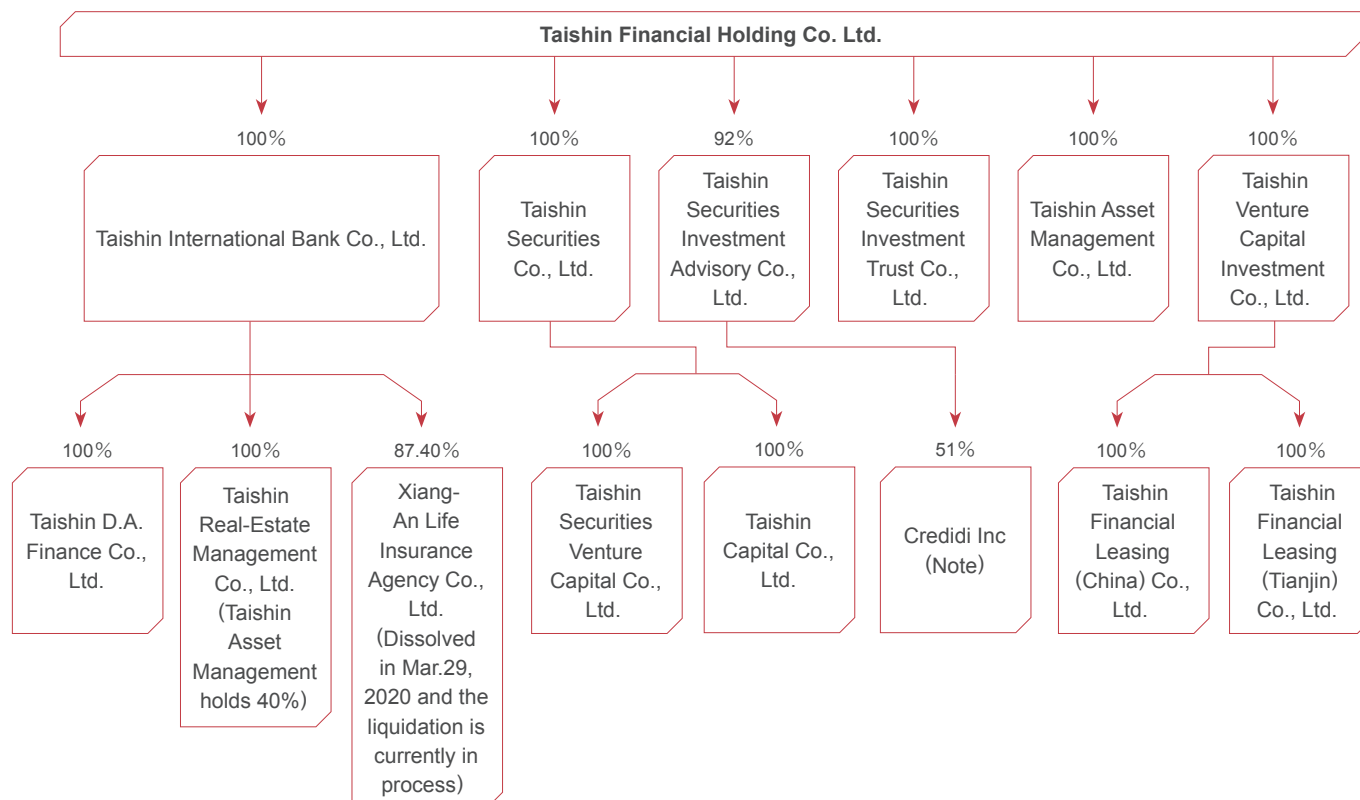
(11) Performance Management Division

- ◆ 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 Taishin and its subsidiaries.

2. Affiliated Companies

Affiliated Companies of Taishin Financial Holding Co., Ltd.

Base date: Dec. 31, 2020



Note 1: Taishin Venture Capital Investment Co., Ltd. holds 20% and Taishin Securities Venture Capital Co., Ltd holds 25% °

Note 2: Taishin Securities Investment Advisory Co. takes over half of the seats in the board of directors of Crediti Inc., and is therefore accounted as its parent company.

► B.Profiles of directors, president, vice presidents, assistant vice presidents, heads of departments and branches, and advisors

a. Information on board directors

Title	Nationality	Name	Gender	Date of getting elected	Term	Date of first getting elected	Shareholding upon election				Current shareholding				
							Commom shares		Preferred shares		Commom shares		Preferred shares		
							Number of shares	Share of stake	Number of shares	Share of stake	Number of shares	Share of stake	Number 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	20,744,846	0.19	976,284	0.12	
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	425,462,696	3.90	9,371,667	1.17	
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	10,322,227	0.09	498,864	0.06	

Base date: Feb. 28, 2021 unit: %; share

	Stake of single, spouse and offspring before age of majority				Shareholding in the name of others				Education and Principal experience	Current jobs with the other companies	Spouse or with in second degree kinship who serve managerial posts or board directors/supervisors of the company			Note
	Commom shares		Preferred shares		Commom shares		Preferred shares				Title	Name	Relationship	
	Number of shares	Share of stake	Number of shares	Share of stake	Number of shares	Share of stake	Number of shares	Share of stake						
	18,032,462	0.17	724,567	0.09	0	0.00	0	0.00	<div>•Chairman of Taishin Holdings and Taishin Bank</div> <div>•Chairman of Taishin Charity Foundation</div> <div>•Chairman and Director of Taishin Venture Capital Investment</div> <div>•Chairman and President of Shinkong Synthetic Fibers</div> <div>•Vice Chairman of Teco Electric and Machinery</div> <div>•Director, Managing Director and Supervisor of First Commercial Bank, Taipei Business Bank and Hua Nan Bank</div> <div>•Managing Director of Shinkong Insurance and Shin Kong Life Insurance</div> <div>MBA, University of California, Los Angeles (UCLA)</div> <div>CA, US</div>	Note 1	Director	Kuo, Jul-Sung	Brother in law	None
	6,828,169	0.06	227,823	0.03	0	0.00	0	0.00	<div>•Chairman and President of TASCO Chemical</div> <div>•Director of Taishin Holdings</div> <div>•Managing Director and Director of Chang Hwa Bank</div> <div>•Managing Director, Petrochemical Industry Association of Taiwan</div> <div>•Chairman of Taiwan Chemical Industry Association</div> <div>•Director of Pacific Cultural Foundation</div> <div>•Member of Steering Committee, China Youth Corps.</div> <div>•Director of Teacher Chang Foundation</div> <div>Ph.D., Engineering, Tokyo University Tokyo, Japan</div>	Note 2	None	None	None	None
	2,118,804	0.02	0	0.00	0	0.00	0	0.00	<div>•Director of Taishin Holdings and Taishin Bank</div> <div>•Professor of Department of Information Science, Business School, Soochow University</div> <div>•Professor of Department of Electrical Engineering, National Taiwan University</div> <div>•Chairman of TECO Technology Foundation</div> <div>•Director of TECO Image Systems</div> <div>•Supervisor of Sercomm</div> <div>•Director of International Bank of Taipei</div> <div>Ph.D., Physics, New Hampshire University NH, USA</div>	Note 3	Chairman	Wu, Tong-Liang	Brother in law	None

Title	Nationality	Name	Gender	Date of getting elected	Term	Date of first getting elected	Shareholding upon election				Current shareholding				
							Commom shares		Preferred shares		Commom shares		Preferred shares		
							Number of shares	Share of stake	Number of shares	Share of stake	Number of shares	Share of stake	Number of shares	Share of stake	
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	6,130,796	0.06	304,820	0.04	
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	
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, 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(TWSE/TPEX listed companies), Director of Century Development, Director of Shin-Hai Gas(TWSE/TPEX listed companies), Director of Xing An Enterprise, and Director of Zhao Feng Solar Power.

	Stake of single, spouse and offspring before age of majority				Shareholding in the name of others				Education and Principal experience	Current jobs with the other companies	Spouse or with in second degree kinship who serve managerial posts or board directors/supervisors of the company			Note
	Commom shares		Preferred shares		Commom shares		Preferred shares				Title	Name	Relationship	
	Number of shares	Share of stake	Number of shares	Share of stake	Number of shares	Share of stake	Number of shares	Share of stake						
	16,636,935	0.15	0	0.00	0	0.00	0	0.00	•Director and Standing Supervisor of Taishin Holdings and Taishin Bank •Director of TITAN II Venture Capital, Shinkong Investment Trust, Shin Kong Security and Taishin Bills Finance •Director of The China-Europe Creativity Cultural and Educational Foundation •Director and Supervisor of The Great Taipei Gas BA, Pharmaceutical, Kaohsiung Medical College Kaohsiung, TW	Note 4	None	None	None	None
	0	0.00	0	0.00	0	0.00	0	0.00	•Independent Director of Taishin Holdings and Taishin Bank •Independent Director of Nanya Technology •Minister of Economic Affairs •Administrative Committee of Executive Yuan •Ambassador, Permanent Mission of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu to the World Trade Organization •Consultant, Chinese National Association of Industry and Commerce, Taiwan BA, Accounting and Statistics, National Chengchi University Taipei, TW	Note 5	None	None	None	None
	0	0.00	0	0.00	0	0.00	0	0.00	•Independent Director of Taishin Holdings and Taishin Bank •Executive CPA of Zhongxin United CPA Firm •Supervisor of Leo Systems •Director of Chang Hwa Bank •Reorganizer of First International Telecom Inc. •Director of Chi-Tun Consulting BA, Accounting, Tamkang University Taipei, TW	Note 6	None	None	None	None
	0	0.00	0	0.00	0	0.00	0	0.00	•Independent Director of Taishin Holdings •Senior Consultant of McKinsey •Chairman and President of Citibank Taiwan Ltd. •Country Business Manager, Consumer Banking, Citibank N.A. Taiwan •Director of Citi Insurance Agency and Citi Property Insurance Agency MBA, University of Southern California CA, USA	None	None	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, Chairman of Shin Kong Jasper Fitness Co., Director of Taishin Bank, Supervisor of The Great Taipei Gas(TWSE/TPEX listed companies), Director of Mega Green Energy, and Supervisor of Tai-Wa Co.

Note 5: Lin, Yi-Fu is concurrently acting as Independent Director of Taishin Bank, Independent Director of S&S Healthcare Holding(TWSE/TPEX listed companies), Independent Director of Nan Ya Plastics(TWSE/TPEX listed companies), Independent Director of Pan German Universal Motors(TWSE/TPEX listed companies).

Note 6: Chang, Min-Yu is concurrently acting as Independent Director of Taishin Bank, Director of Taiwan Shin Kong Security(TWSE/TPEX listed companies), Independent Director of Shin Shin Natural Gas(TWSE/TPEX listed companies), Director of TaipeiING, Supervisor of Creative Sensor(TWSE/TPEX listed companies), and Supervisor of Multilite International.

Major shareholders of institutional shareholders

Base date: Feb. 28, 2021

Names of Institutional shareholders	Major shareholders of institutional shareholders
Chia Hao Co., Ltd.	Wu,Tong-Liang 99.177%, Peng,Hsueh-Fen 0.823%
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. 1.72%, 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 0.97%
Santo Arden Co., Ltd.	Wang, Chu-Chan 31.65%, Chang,Li-Wan 23.15%, Wei-Ren Wang 22.60%, Wei-Hao Wang 22.60%

Major shareholders of major institutional shareholders

Base date: Feb. 28, 2021

Names of major Institutional Shareholders	Major shareholders of major institutional shareholders
Bo-Rui Co.,Ltd.	Ching-Wei Co., Ltd.51.92%, Shin-Wei 24.04%, Hu, I-Lien trust account 24.04%
Tai-Ho Investment Co., Ltd.	Wu, Shang-Pin 26.09%, Fong-He Development Co.,Ltd. 19.96%, He-Cheng Investment Co.,Ltd. 18.15%, Da-Jan Development Invest Co.,Ltd. 18.00%, Yang ,Su-Yue 7.02%, Wu,Pei-Jyuan 5.07%, Fong-He Investment Co., Ltd. 2.50%, He-Fong Investment Co., Ltd. 2.50%, Wu ,Pei-Rong 0.72%
He-Cheng Investment 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 Investment 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 Investment 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, 2021

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	11	12	
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 manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship or closer to anyone listed in (2) or (3).
- (5) Not a director, supervisor or employee of an institutional shareholder who holds directly 5% or more of the company's shares, is one of the top five shareholders, or is a representative appointed as director or supervisor of the company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (6) Not a director, supervisor or employee of another company that has the same directors as the company or is controlled by the same person that has more than half of the voting power in the company (except where the person is concurrently an independent director of the company or its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (7) Not a director, supervisor or employee of another company or institution that has the same chairman, president, or person with the equivalent rank as the company, or a spouse in one of these roles (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (8) Not a director, supervisor, manager or shareholder holding 5% or more of the company's shares of certain company or institution that has a financial or business relationship with the company (except where the certain company or institution holds 20% or more but no more than 50% of the company's shares and is simultaneously an independent director of the company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (9) Not a professional who provides audit or receives more than NT\$500,000 in cumulative compensation in the last two years for commercial, legal, financial, or accounting services to the company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the company or its affiliates. However, exception applies to members of a remuneration committee, a take-over bid review committee, or a special committee for merger and acquisition exercising their authority pursuant to provisions of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not a spouse or a relative within second-degree kinship of one of other directors.
- (11) Not an offender of items stipulated in article 30 of the Company Law.
- (12) Not a representative of government or corporate body elected via method specified in article 27 of Company Law.

Board membership diversification policy and results

Taishin FHC attaches great importance to diversity: people's contributions are based on the various skills and viewpoints derived from personal differences. We strictly forbid discrimination on grounds of race, ethnicity, gender, sexual orientation, nationality, language, religion, cultural background, or other reasons unrelated to work, and firmly believe that moderate pluralism can help a business achieve great synergy and ensure long-term shareholder value.

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. In addition, the Company devotes attention to gender equality in the composition of the board of directors and remains committed to the goal of having at least one female director. This goal was achieved for the 7th board of directors in 2018. 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		✓			✓			✓							✓

b. President, senior vice-presidents and department heads

Title	Nationality	Gender	Name	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	Male	Welch Lin	2018.01.01	5,009,555	0.05	0	0.00	0	0.00	0	0.00	
Chief Auditor	R.O.C	Male	Daniel Tsai	2018.04.10	0	0.00	70,412	0.01	2,134	0.00	0	0.00	
Chief Financial Officer	R.O.C	Female	Carol Lai	2018.01.01	1,505,211	0.01	0	0.00	0	0.00	0	0.00	
Chief Investment Officer	R.O.C	Male	Eric Chien	2018.03.30	0	0.00	0	0.00	0	0.00	0	0.00	
Chief Information Officer	R.O.C	Male	Steve Sun	2017.03.01	100,000	0.00	0	0.00	0	0.00	0	0.00	
Chief Risk Officer	R.O.C	Male	Jey Chen	2012.03.23	0	0.00	0	0.00	0	0.00	0	0.00	
Senior Vice President	R.O.C	Male	David Chang	2012.08.17	1,214,396	0.01	0	0.00	0	0.00	0	0.00	
Senior Vice President	R.O.C	Male	Frank Lin	2011.02.03	700,141	0.01	176,567	0.02	34,888	0.00	47,541	0.01	
Senior Vice President	R.O.C	Male	Andy Chang	2018.02.12	913,035	0.01	0	0.00	0	0.00	0	0.00	
Senior Vice President	R.O.C	Female	Avon Fan	2020.03.27	0	0.00	0	0.00	0	0.00	0	0.00	
Senior Vice President	R.O.C	Male	Vincent Tsai	2018.10.01	498	0.00	36,000	0.00	0	0.00	0	0.00	
Senior Vice President	R.O.C	Female	Tingning Yu	2019.09.01	432,589	0.00	25,000	0.00	0	0.00	20,000	0.00	

	Shareholding in the name of others				Education and principal 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			Note
	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.; George Washington University Master of Science.	Director of Taishin Securities Co., Ltd.; Director of Taishin Venture Capital Investment Co., Ltd.; Supervisor of Taishin Asset Management Co., Ltd.; Supervisor of Taishin Real-Estate Management Co., Ltd.; Director of Taishin D. A. Finance Co., Ltd.; Director of Taishin Financial Leasing (Tianjin) Co., Ltd.; Taishin Financial Leasing(Nanjing) Co., Ltd.; Director of Diamond Bio Fund Co., Ltd.; Director of Diamond Capital Inc., Ltd. Director of Shin-yao Investment Co., Ltd.; Supervisor of Tehlin Co., Ltd.; Supervisor of Tehlin Investment Co., Ltd.; Supervisor of An-Chieh Investment Co., Ltd.	None	None	None	None
	0	0.00	0	0.00	President of Taishin Bank.; EMBA, National Chiao Tung University.	-	None	None	None	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.	Senior Executive Vice President of Taishin Bank. Supervisor of Taishin Securities Co., Ltd.; Director of Cosmos Foreign Exchange Intl. Co., Ltd. Director of Chieh-Bon Co., Ltd.	None	None	None	None
	0	0.00	0	0.00	Chief Executive Officer of Finance and Financial Market Group of Taishin Bank.; President of the Global Financial Markets Division, Credit Agricole CIB.; University of Exeter, Master of Finance and Investments.	Chief Executive Officer of Finance and Financial Market Group of Taishin Bank.; Vice Chairman of Taishin Venture Capital Investment Co., Ltd.; Director of Taishin Securities Investment Advisory Co., Ltd.	None	None	None	None
	0	0.00	0	0.00	Senior Vice president of IBM china.; National Chengchi University, Executive Master Business Administration Advanced Management.	Senior Vice President of Taishin Bank.	None	None	None	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	None	None	None
	0	0.00	0	0.00	Senior Vice President of Taishin Bank.; National Chung Hsing University, Master of Business Management.	Senior Vice President of Taishin Bank.; Supervisor of Hsiang Chao Investment Co., Ltd.; Supervisor of Weifeng Co., Ltd.; Supervisor of Chiahao Co., Ltd.; Supervisor of Yiheng Co., Ltd.; Supervisor of Chingwei Co., Ltd.; Supervisor of Protrade Co., Ltd.	None	None	None	None
	0	0.00	0	0.00	Senior Vice President of Taishin Financial Holding co., Ltd.; University of Southern California, USA, Master of Public Administration.	Senior Vice President of Taishin Bank.	None	None	None	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	None	None	None
	0	0.00	0	0.00	Chief Financial Officer of Nan San Life Insurance Co. Ltd.; George Washington University, Master of Business Administration	-	None	None	None	None
	0	0.00	0	0.00	Senior 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. Supervisor of Credidi Inc.	None	None	None	None
	0	0.00	0	0.00	Senior Vice President of Taishin Financial Holding co., Ltd.; Fu Jen Catholic University, Department of Law.	-	None	None	None	None

c. 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								

d. Compensation for directors, president, vice presidents, and consultants for last year

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	Chia Hao Co., Ltd.	39,999	58,484	-	-	86,249	86,249	659	2,701
	Representative: Wu, Tong-Liang								
Director	Hsiang-Chao Co., Ltd.								
	Representative: Kuo, Jui-Sung								
Director	TASCO Chemical Co., Ltd.								
	Representative: Wu, Cheng-Ching								
Director	Santo Arden Co., Ltd.								
	Representative: Wang, Chu-Chan								
Independent Director	Lin, Yi-Fu	13,800	15,180	-	-	22,178	22,178	790	1,760
Independent Director	Kuan, Kuo-Lin								
Independent Director	Chang, Min-Yu								

Note 1: Compensations of the driver is NT 1,667,000.

Note 2: All recipients of director remuneration, except for independent directors, are institutional directors. The actual amount of remuneration in 2020 was as decided by the board of directors.

Note 3: Please specify the policy, system, standard, and structure of independent director remuneration, and describe the factors, including responsibilities, risks, and time invested, and their links to amounts of remuneration: Taishin has a director (including independent director) remuneration policy and guidelines for director compensation in place. Payments of individual items will be based on a director's participation in and contribution to the company's business, industry average, and management remuneration. The scope of evaluation of director performance includes the company's overall performance, board performance, personal performance, and contribution. Director remuneration is reviewed by the Remuneration Committee and paid with board approval. In addition, in the interest of creating links with future business risks, Taishin will make separate plans for reservation and deferral mechanisms for director remuneration.

Note 4: Neither the Company or any of the companies reported in the financial statements paid any pension benefits or contributed to the pension plan.

Note 5: 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, 2020 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		The parent company and all invested companies
			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			
	0.88%	1.02%	-	-	-	-	-	-	-	-	0.88%	1.02%	901
	0.25%	0.27%	-	-	-	-	-	-	-	-	0.25%	0.27%	-

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\$1 M.	Wu, Cheng-Ching	Wu, Cheng-Ching	Wu, Cheng-Ching	Wu, Cheng-Ching
NT\$1 M. (inclusive) - NT\$2 M. (exclusive)	-	-	-	-
NT\$2 M. (inclusive) - NT\$3.5 M. (exclusive)	-	-	-	-
NT\$3.5 M. (inclusive) - NT\$5 M. (exclusive)	Wang, Chu-Chan / Kuo, Jui-Sung	Wang, Chu-Chan / Kuo, Jui-Sung	Wang, Chu-Chan / Kuo, Jui-Sung	Wang, Chu-Chan / Kuo, Jui-Sung
NT\$5 M. (inclusive) - NT\$10 M. (exclusive)				
NT\$10 M. (inclusive) - NT\$15 M. (exclusive)	Hsiang-Chao Co., Ltd. / Santo Arden Co., Ltd. / Lin, Yi-Fu / Chang, Min-Yu / Kuan, Kuo-Lin	Hsiang-Chao Co., Ltd. / Santo Arden Co., Ltd. / Lin, Yi-Fu / Chang, Min-Yu / Kuan, Kuo-Lin	Hsiang-Chao Co., Ltd. / Santo Arden Co., Ltd. / Lin, Yi-Fu / Chang, Min-Yu / Kuan, Kuo-Lin	Hsiang-Chao Co., Ltd. / Santo Arden Co., Ltd. / Lin, Yi-Fu / Chang, Min-Yu / Kuan, Kuo-Lin
NT\$15 M. (inclusive) - NT\$30 M. (exclusive)	TASCO Chemical Co., Ltd. / Wu, Tong-Liang	TASCO Chemical Co., Ltd.	TASCO Chemical Co., Ltd. / Wu, Tong-Liang	TASCO Chemical Co., Ltd.
NT\$30 M. (inclusive) - NT\$50 M. (exclusive)	Chia Hao Co., Ltd.	Wu, Tong-Liang / Chia Hao Co., Ltd.	Chia Hao Co., Ltd.	Wu, Tong-Liang / Chia Hao Co., Ltd.
NT\$50 M. (inclusive) - NT\$100 M. (exclusive)				
Over NT\$100 M.				
Total	11	11	11	11

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, 2020 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(%)		The parent company and all invested companies
		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	23,271	58,828	324	990	35,978	75,120	0	0	0	0	0.41%	0.93%	18
Chief Auditor	Daniel Tsai													
Chief Risk Officer	Jey Chen													
Chief Financial Officer	Carol Lai													
Chief Information Officer	Steve Sun													
Chief Investment Officer	Eric Chien													
Senior Vice President	David Chang													
Senior Vice President	Frank Lin													
Senior Vice President	Andy Chang													
Senior Vice President	Tingning Yu													
Senior Vice President	Vincent Tsai													
Senior Vice President	Vanessa Chen (2020.3.1 relief of duty)													

Note 1: Compensations of the driver is NT 2,633,000.

Note 2: The company has paid NT\$0 in pension benefits and contributed NT\$324,000 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\$990,000 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\$1 M.	David Chang / Jey Chen / Steve Sun / Frank Lin / Andy Chang / Vincent Tsai / Vanessa Chen	Vanessa Chen
NT\$1 M. (inclusive)-NT\$2 M. (exclusive)		
NT\$2 M. (inclusive)-NT\$3.5 M. (exclusive)		
NT\$3.5 M. (inclusive)-NT\$5 M. (exclusive)		
NT\$5 M. (inclusive)-NT\$10 M. (exclusive)	Eric Chien / Daniel Tsai / Tingning Yu	Daniel Tsai / Jey Chen / Steve Sun / David Chang / Frank Lin / Andy Chang / Tingning Yu / Vincent Tsai
NT\$10 M. (inclusive)-NT\$15 M. (exclusive)	Carol Lai	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	12	12

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.

e. 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 2020, total compensations for directors, president, and vice presidents accounted for 1.54% of the after-tax net profit and the percentage in the consolidated financial statements was 2.22%. In 2019, total compensations for directors, supervisors, president, and vice presidents accounted for 1.53% of the after-tax net profit and the percentage in the consolidated financial statements was 2.23%.
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.

Position Item	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.	<ol style="list-style-type: none"> 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	<p>According to Article 25 and Article 40 of the Articles of Incorporation,</p> <ol style="list-style-type: none"> 1. Remuneration: to be received for performing the duties of a director or supervisor of the company. 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. 	<p>Remuneration for managers is described as follows:</p> <ol style="list-style-type: none"> 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 (2020), the board of directors convened 16 times and status of attendance by directors follows:

Title	Name	Attendance in Person	Attendance by proxy	Actual attendance rate (%)	Note
Chairman	Chia Hao Co., Ltd. Representative: Wu, Tong-Liang	16	0	100.00	
Director	TASCO Chemical Co., Ltd. Representative: Wu, Cheng-Ching	16	0	100.00	
Director	Hsiang-Chao Co., Ltd. Representative: Kuo, Jui-Sung	15	1	93.75	
Director	Santo Arden Co., Ltd. Representative: Wang, Chu-Chan	15	1	93.75	
Independent Director	Lin, Yi-Fu	16	0	100.00	
Independent Director	Chang, Min-Yu	16	0	100.00	
Independent Director	Kuan, Kuo-Lin	15	1	93.75	

Note 1: 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.

Note 2: The company called 16 board meetings in 2020. Independent directors Lin, Yi-Fu, and Chang, Min-Yu 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 absenting themselves due to conflict of interest in 2020				
Date	Agenda	Director names	Reason for conflict of interest	Voting results
2020.01.09	Approval of the number of months paid to Taishin directors and supervisors in 2019.	Wu, Tong-Liang/ Wu, Cheng-Ching/ Kuo, Jui-Sung/ Wang, Chu-Chan/ Lin, Yi-Fu/ Chang, Min-Yu/ Kuan, Kuo-Lin	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 himself/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(Director Jui-Sung Kuo chaired the meeting after chairman Tong-Liang Wu recused himself; Independent director Kuo-Lin Kuan did not delegate a proxy attendant), and the remaining attending directors approved the proposals with a unanimous vote.
2020.01.16	Proposal to appoint more representatives of institutional directors for Taishin International Bank Co., Ltd. and Taishin Securities Co., Ltd.	Wu, Tong-Liang		For this proposal, directors with conflict of interest recused themselves in accordance with the law (director Jui-Sung Kuo chaired the meeting for this proposal after recusal). Part of the content in Note 2 were corrected and clarified, and the remaining attending directors approved the proposal, based on corrections by the Audit Committee, with a unanimous vote.
2020.02.27	Evaluation of executive consultant performance in 2019	Kuo, Jui-Sung		Directors with conflict of interest excused themselves in accordance with the law, and the remaining attending directors approved the proposals with a unanimous vote.
2020.03.26	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.
2020.03.26	Participated in the 26th Board of Directors election of Chang Hwa Bank, Ltd.	Wu, Cheng-Ching		Directors with conflict of interest excused themselves in accordance with the law(Jui-Sung Kuo and the remaining attending directors approved the proposals with a unanimous vote.
2020.08.20	Appointed the representative of institutional director and supervisor for the 7th Board of Directors of Taishin Asset Management Co., Ltd.	Wu, Tong-Liang		For this proposal, chairman Tong-Liang Wu recused himself in accordance with the law (director Jui-Sung Kuo chaired the meeting for this proposal after recusal), president Welch Lin recused himself, and the remaining attending directors approved the proposal with a unanimous vote.
2020.09.24	Appointment of members to the first Nomination Committee	Wang, Chu-Chan/ Lin, Yi-Fu/ Chang, Min-Yu		For this proposal, directors with conflict of interest, director Chu-Chan Wang, independent director Yi-Fu Lin, and independent director Min-Yu Chang, recused themselves in accordance with the law, and the remaining attending directors approved the proposal with a unanimous vote.

3. Board evaluation status

Frequency	Period	Scope	Method	Description
Triennially	2017.07.01~2018.11.30	Board of directors	Hired external professional institutions (EY Advisory Services)	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. Evaluation methods: document review, director self-assessment questionnaire, and onsite interview. Onsite interviews were conducted by 4 experts from EY Advisory Services.
Annually	2019.07.01~2020.06.30	Board of directors and functional committees	Internal board self assessment, director self assessment, and functional committee member self assessment (including the Audit Committee, the Remuneration Committee, and the Risk Management Committee)	Board of directors: Items on the director self assessment checklist include 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 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. Functional committees: Items on the member self assessment checklist include A. Involvement in the company's business activities; B. Understanding of a functional committee's role; C. Improvement of decision quality for functional committees; D. Functional committee composition and appointment of members; E. Internal control.

4. Evaluation of targets to enhance the role of the board and performance in the current year and last year:

- (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, Taishin started appointing two independent directors; and in late 2007, the company started purchasing directors and key persons liability insurance policies to cover such persons in the process of performing their duties during the terms of their offices. The Remuneration 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. On September 24, 2020, the Nomination Committee was created with participation of more than half of the independent directors.

(3) The Board Performance Appraisal Guidelines were established 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. The Board Performance Appraisal Guidelines and the results are disclosed on the corporate website. Furthermore, the board of directors approved the addendums to the performance appraisal mechanisms for functional committees (including the Audit Committee, the Remuneration Committee, and the Risk Management Committee) on November 28, 2019.

A. Internal evaluation:

- ◆ Should be conducted at least once a year.
- ◆ Internal assessments of the board of directors and functional committees are conducted by having respective member complete self-assessment forms. Then the responsible unit will collect and summarize the results and submit them to the chairman for approval. Those who receive an average score of 90% or higher will be rated “target exceeded”, those between 80% and 90% “target met”, and those below 80% “need improvement”.
- ◆ The internal evaluation of the board of directors and functional committees has been completed for 2020 (for the period between July 1, 2019 and June 30, 2020). All results were rated “target exceeded”. The results above have been submitted to the 38th meeting of the 7th board of directors on December 31, 2020 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. External evaluation:

- ◆ Should be performed by an outside expert team at least once every three years
- ◆ The 2018 evaluation (for the period between July 1, 2017 and November 30, 2018) was completed by EY Advisory Services (hereinafter referred to as “external expert”, with Andrew Fuh as the chairman). The external expert is independent and not a related party to the company.
- ◆ The external expert’s conclusions are shown below, and have been submitted to the 9th meeting of the 7th board of directors on December 27, 2018. Result: the overall performance was rated “advanced” in “Structure” and “Process and Information” and “benchmark” in “People”. The external expert made recommendations regarding process and information, including strengthening the role of corporate governance personnel in response to future regulations and continuing training for such personnel. The company will follow the conclusions and strengthen the roles and responsibilities of the board of directors on an ongoing basis.

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).

b. Operation of the audit 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 12 times in 2020. 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 (2020) audit committee convened 12 times and status of attendance:

Title	Name	Actual number of attendance	Attendance by Proxy	Attendance rate (%)	Note
Independent Director	Chang, Min-Yu	12	0	100.00	
Independent Director	Lin, Yi-Fu	12	0	100.00	
Independent Director	Kuan, Kuo-Lin	12	0	100.00	

Note 1: The Audit Committee is made up of all independent directors.

Note 2: 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 2020 business report, financial statements and earnings distribution proposal for Taishin FHC. The financial statements have been audited and certified by CPA Ching-Cheng Yang and CPA Han-Ni Fang 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 December 31, 2020, it was reviewed and passed in the 29th meeting of the 2nd Audit Committee and the 38th meeting of the 7th board of directors that CPA Han-Ni Fang and CPA Ching-Cheng Yang 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	Agenda	Resolutions of Audit Committee	The Company's response to Audit Committee's opinions
2020.01.16 24th Session of 7th Board of Directors	Proposal to appoint more representatives of institutional directors for Taishin International Bank Co., Ltd. and Taishin Securities Co., Ltd.	2020.01.16 Amendment approved	The amendment was passed by a unanimous vote.
2020.02.27 25th Session of 7th Board of Directors	2019 consolidated financial statements.	2020.02.27 Approved	The proposal was passed by a unanimous vote
	Appointment and remuneration of auditors of 2020 financial statements.	2020.02.27 Amendment approved	The amendment was passed by a unanimous vote.
	Evaluation of executive consultant performance in 2019.	2020.02.27 Approved	The proposal was passed by a unanimous vote
2020.03.26 26th Session of 7th Board of Directors	Submission of the company's 2019 audited financial statements.	2020.03.26 Approved	The proposal was passed by a unanimous vote
	Submission of the company's 2019 Statement on the Internal Control Statement.	2020.03.26 Approved	The proposal was passed by a unanimous vote
	Director Cheng-Ching Wu was chosen as a candidate for the reference nominee list of the 26th Board of Directors election of Chang Hwa Bank	2020.03.26 Amendment approved	The proposal was passed by a unanimous vote
2020.04.30 27th Session of 7th Board of Directors	Submission of the company's 2019 business report.	2020.04.30 Amendment approved	The amendment was passed by a unanimous vote
	The company's 2019 earnings distribution plan.	2020.04.30 Amendment approved	The amendment was passed by a unanimous vote.
	Proposal to issue shares against capitalized earnings.	2020.04.30 Approved	The amendment was passed by a unanimous vote.
	Revised the Audit Committee Charter	2020.04.30 Approved	The proposal was passed by a unanimous vote
2020.06.01 29th Session of 7th Board of Directors	Proposal to take part in the buyout bid of Prudential Life Insurance of Taiwan Ltd.	2020.06.01 Amendment approved	The proposal was passed by a unanimous vote
2020.08.11 32nd Session of 7th Board of Directors	Proposal to invest in 100% shares of Prudential Life Insurance of Taiwan Ltd.	2020.08.11 Amendment approved	The amendment was passed by a unanimous vote.
2020.08.20 33rd Session of 7th Board of Directors	Submission of the company's 2020 H1 consolidated financial statements.	2020.08.20 Amendment approved	The amendment was passed by a unanimous vote.
	Proposal to appoint Tong-Liang Wu as representative of institutional director Taishin FHC for the 7th Board of Directors of Taishin Asset Management Co., Ltd.	2020.08.20 Approved	The proposal was passed by a unanimous vote
2020.09.24 34th Session of 7th Board of Directors	Proposal to change a CPA of Taishin Bank starting from the audit report for Q3 2020.	2020.09.24 Approved	The proposal was passed by a unanimous vote
	Appointment of members to the first Nomination Committee.	2020.09.24 Approved	The proposal was passed by a unanimous vote
2020.12.31 38th Session of 7th Board of Directors	Appointment and remuneration of auditors of 2021 financial statements.	2020.12.31 Approved	The proposal was passed by a unanimous vote
	Change of organization and management (accounting officer) responsibilities.	2020.12.31 Approved	The proposal was passed by a unanimous vote
	Submission of the company's 2021 audit plan	2020.12.31 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:

Implementation status of independent directors' abstention of motions in conflict of interest in 2020				
Date	Agenda	Director names	Reason for conflict of interest	Voting results
2020.09.24	Proposal for appointment of members to the first Nomination committee	Lin, Yi-Fu/ Chang, Min-Yu	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 himself from the meeting in accordance with Article 178 of the same act.	Directors with conflict of interest excused themselves from discussions involving their own appointments. Independent director Yi-Fu Lin and independent director Min-Yu Chang recused themselves in accordance with the law (independent director Victor Kuan chaired the meeting after director Min-Yu Chang recused herself), and the remaining attending directors approved the proposal with a unanimous vote.

(3) Between independent directors and internal auditors and CPAs

A. Between independent directors and internal auditors in 2020

- 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.
- 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.
- The audit report of the company and its subsidiaries will be presented to the independent directors.
- 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.
- Each independent director will discuss the aforementioned item with chief auditor if necessary.

Communications between the Independent Directors and the internal audit supervisors are as follows:

Date	Communication Mechanisms	Issues to communicate	Result
February 27, 2020	The Chief Auditor communication conference with Independent Directors.	Penalties imposed by the competent authorities on the company and its subsidiaries, major extraordinary events, primary examination findings of financial institutions disclosed by FSC, and material findings in internal audit reports during 2019 Q3 and Q4.	Without further recommendations.
	The Audit Division presents regular report to the Audit Committee.	Submission of the results of audit work for 2019 Q4.	Duly noted. Proceeded as recommended.
May 21, 2020	The Audit Division presents regular report to the Audit Committee.	Submission of the results of audit work for 2020 Q1.	Duly noted. Proceeded as recommended.
August 20, 2020	The Chief Auditor communication conference with Independent Directors.	Penalties imposed by the competent authorities on the company and its subsidiaries, major extraordinary events, primary examination findings of financial institutions disclosed by FSC, and material findings in internal audit reports during 2020 Q1 and Q2.	Without further recommendations.
	The Audit Division presents regular report to the Audit Committee.	Submission of the results of audit work for 2020 Q2.	Duly noted. Proceeded as recommended.
November 19, 2020	The Audit Division presents regular report to the Audit Committee.	Submission of the results of audit work for 2020 Q3.	Duly noted. Proceeded as recommended.

Note: Other proposals that should be submitted for review by the Audit Committee are handled in accordance with Article 14-5 of the Securities and Exchange Act.

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	Communication method	Audience	Content	Recommendations and actions
2020.02.27	Forum	Auditors	1. Presented results of the 2019 financial statement audit. 2. Reported on key audit items.	No objection
2020.06.11	Forum	Auditors	1. Presented results of the H1 2020 financial statement audit. 2. Reported on other audit items needing attention.	No objection
2020.08.20	Forum	Auditors	1. Presented results of the H1 2020 financial statement audit. 2. Reported on key audit items.	No objection
2020.12.17	Forum	Auditors	1. Reported of the key audit items of the 2020 financial statement. 2. H1 2020 summary of key audit items adopted by other financial institutions. 3. Reported on recent amendments of regulations and other important issues.	No objection
2021.02.25	Forum	Auditors	1. Presented results of the 2020 financial statement audit. 2. Reported on key audit items. 3. Reported on recent amendments of regulations and other important issues.	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: <https://www.taishinholdings.com.tw/tsh/>.

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	Yes	No	Operating Status	Deviation from the guidelines of the practical corporate governance
			Summary Descriptions	
1. Shareholding structure and shareholders' rights within the financial holding company				
(1) Has the financial holding company established and implemented a set of internal procedures to process shareholders' suggestions, queries, disputes and litigations?		✓	Taishin Holdings has set a "Contact us" platform on the Taishin Holdings website and discloses the "IR Contact" to facilitate processing of suggestions, queries, disputes, or litigations by shareholders.	Internal procedures have not been formulated, but a contact method has been provided in the Taishin Holdings website for shareholders to raise suggestions, queries, and disputes.
(2) Is the financial holding company constantly informed of the identities of its major shareholders and their ultimate controllers?	✓		The shareholder services department is responsible for gathering information on Taishin's major shareholders. This information is also disclosed in Taishin'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 Taishin has established and implemented in affiliated companies: Taishin Holdings has established a Related Party Transaction Policy and rules of implementation to regulate transactions with stakeholders. Taishin Holdings and its main subsidiaries (including Taishin Bank and Taishin Securities) 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

Item	Yes	No	Operating Status	Deviation from the guidelines of the practical corporate governance																					
			Summary Descriptions																						
2. Composition and duties 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?			<p>In addition to the Remuneration Committee and the Audit Committee, which have been set up according to law, Taishin Holdings established the Risk Management Committee on December 28, 2017, which is made up of two Independent Directors and one Director. The current term of committee members spans from July 2, 2018 to June 30, 2021; as of December 31, 2020, 13 committee meetings have been held.</p> <p>Moreover, Taishin Holdings established the Nomination Committee on September 24, 2020, which is made up of two Independent Directors and one Director. The current term of committee members spans from September 24, 2020 to June 30, 2021; as of December 31, 2020, 2 committee meetings have been held.</p> <p>Furthermore, Taishin Holdings has established administrative committees, including the Policy Committee, Corporate Social Responsibility Committee, Asset and Liability Management Committee, Investor Relationship Committee, and Staff Conduct Review and Staff Performance Appraisal Committee, to review and oversee our business operations and strengthen corporate governance.</p>																						
(2) Does the TWSE/TPEX-listed financial holding company have board of directors performance evaluation guidelines and evaluation methods in place, perform the evaluations periodically on a yearly basis, report the evaluation result to the board of directors, and use such result as a reference for the determination of remuneration for each director and the nomination and appointment of directors? (Note 2)	✓		<p>In order to implement corporate governance, the Board of Directors of Taishin Holdings approved the enactment of the Board Performance Appraisal Guidelines on December 22, 2016, and thereafter approved the amendment to the Board Performance Appraisal Guidelines on November 28, 2019, where performance appraisal mechanisms for functional committees (including the Audit Committee, Remuneration Committee, and Risk Management Committee) were added. Such performance appraisal methods are categorized into two types, i.e., internal evaluation and external evaluation. Internal evaluation is performed at least once a year, while external evaluation is performed at least once every three years by outside experts. Results of the most recent evaluations were reported to the Board of Directors on December 31, 2020, and shall serve as a reference basis to decide whether improvement measures should be taken for meetings, as well as for the selection and nomination of Directors in the future, and for the determination of remuneration for each Director.</p>	No deviation																					
(3) Does the financial holding company conduct regular assessments on the independence of its CPAs?			<p>Pursuant to Taishin Holdings's Corporate Governance Principles and Guidelines for Assessing Independence and Suitability of CPAs, Taishin Holdings conducts annual assessments of the independence of its CPAs. The results were submitted to the 19th meeting of the 2nd Audit Committee and the 25th meeting of the 7th Board of Directors on February 27, 2020, and underwent deliberation during the 26th meeting of the 2nd Audit Committee and the 34th meeting of the 7th Board of Directors on September 24, 2020. Having completed an assessment and obtained declarations of impartiality and independence from the CPAs, Taishin Holdings deems that CPA Ching-Cheng Yang and CPA Han-Ni Fang of Deloitte Taiwan meet Taishin Holdings' independence requirements (Note) and are sufficiently qualified to be Taishin Holdings' CPAs.</p> <p>Note:</p> <table><tr><th>Assessment area</th><th>Assessment result</th><th>Compliance with independence</th></tr><tr><td>Not a stakeholder under Articles 44 or 45 of the Financial Holding Company Act.</td><td>Yes</td><td>Yes</td></tr><tr><td>Does not have 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>Has not served as a Director or Supervisor of the Company or held any other key positions at the Company that may have affected the audit services in the last two years.</td><td>Yes</td><td>Yes</td></tr><tr><td>Does not concurrently conduct routine work for the Company while receiving a regular salary.</td><td>Yes</td><td>Yes</td></tr><tr><td>Does not receive any business-related commissions.</td><td>Yes</td><td>Yes</td></tr><tr><td>Has not served a term of more than seven consecutive years as the Company's CPA and has not returned to same position in two years after rotation or resignation.</td><td>Yes</td><td>Yes</td></tr></table>	Assessment area	Assessment result	Compliance with independence	Not a stakeholder under Articles 44 or 45 of the Financial Holding Company Act.	Yes	Yes	Does not have significant financial interest in the Company or any family member with significant financial interest in the Company that may affect independence.	Yes	Yes	Has not served as a Director or Supervisor of the Company or held any other key positions at the Company that may have affected the audit services in the last two years.	Yes	Yes	Does not concurrently conduct routine work for the Company while receiving a regular salary.	Yes	Yes	Does not receive any business-related commissions.	Yes	Yes	Has not served a term of more than seven consecutive years as the Company's CPA and has not returned to same position in two years after rotation or resignation.	Yes	Yes	
Assessment area	Assessment result	Compliance with independence																							
Not a stakeholder under Articles 44 or 45 of the Financial Holding Company Act.	Yes	Yes																							
Does not have significant financial interest in the Company or any family member with significant financial interest in the Company that may affect independence.	Yes	Yes																							
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Does not concurrently conduct routine work for the Company while receiving a regular salary.	Yes	Yes																							
Does not receive any business-related commissions.	Yes	Yes																							
Has not served a term of more than seven consecutive years as the Company's CPA and has not returned to same position in two years after rotation or resignation.	Yes	Yes																							

Item	Yes	No	Operating Status	Deviation from the guidelines of the practical corporate governance																								
			Summary Descriptions																									
3. Does the financial holding company appoint competent corporate governance personnel in an adequate number, and appoint a Chief Corporate Governance Officer to be responsible for corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with the laws, organizing board meetings and annual general meetings as required by law, and compiling minutes of board meetings and annual general meetings)?	✓		<p>Taishin Holdings appoints competent corporate governance personnel in an adequate number. On March 28, 2019, the Board of Directors approved the appointment of Vice President Frank Lin, head of the Secretariat Division, as the Chief Corporate Governance Officer to be mainly responsible for corporate governance practices (including but not limited to providing information necessary for Directors to perform their duties, assisting Directors in taking office and pursuing continuing education, aiding Directors in complying with the laws, compiling minutes of Board meetings and annual general meetings, and organizing Board meetings and annual general meetings as required by law), so as to safeguard stockholders' rights and interests, and strengthen functions of the Board of Directors. Vice President Lin has work experience related to management of public companies' meeting procedures for over four years. Task implementation on 2020 includes (but is not limited to) the following.</p> <p>1. Assist Independent Directors and other Directors in performing their duties; provide the necessary information; and offer assistance for Directors in taking office and pursuing continuing education.</p> <p>(1) Work with relevant units to keep members of the Board of Directors informed regularly of the latest amendments and developments of laws and regulations regarding corporate governance and business management.</p> <p>(2) Review confidentiality levels of relevant information; provide Directors with necessary company information; and keep an open, smooth communication channel between the Directors and all 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 CPAs to get a better understanding of the Company's financial needs.</p> <p>(4) Assist Independent Directors and other Directors in creating annual 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 meeting procedures of Board meetings and annual general meetings, and assist in compliance-related matters for subsequent resolutions.</p> <p>3. Notify Directors about the drafted Board meeting agenda at least seven days prior to the meeting; convene meetings and provide meeting information; send reminders where conflict of interest may require recusal; and complete Board meeting minutes within twenty days after respective meetings.</p> <p>4. Register annual general meetings in advance as required by law; complete notices of meetings, agendas, and minutes by the statutory deadline; and complete changes 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> <p>2020 continuing education status is as follows:</p> <table><tr><th>Date</th><th>Organizer</th><th>Course name</th><th>Training hours</th></tr><tr><td>09/10</td><td>Taiwan Academy of Banking and Finance</td><td>Financial Consumer Protection Act and Principle for Financial Service Industries to Treat Clients Fairly</td><td>3</td></tr><tr><td>09/08</td><td>Taiwan Corporate Governance Association</td><td>Case study of Contests for Corporate Control</td><td>3</td></tr><tr><td>04/29</td><td>Independent Director Association Taiwan</td><td>「2020 Annual Meeting& Independent Director Forum」 - Reform of the corporation driven by the independent directors</td><td>3</td></tr><tr><td>04/16</td><td>Independent Director Association Taiwan</td><td>The review and prospect of the risk control regarding anti-money laundering</td><td>3</td></tr><tr><td>02/07</td><td>Taiwan Corporate Governance Association</td><td>The view of corporate governance and operation of the board of directors for the corporate governance personnel</td><td>3</td></tr></table>	Date	Organizer	Course name	Training hours	09/10	Taiwan Academy of Banking and Finance	Financial Consumer Protection Act and Principle for Financial Service Industries to Treat Clients Fairly	3	09/08	Taiwan Corporate Governance Association	Case study of Contests for Corporate Control	3	04/29	Independent Director Association Taiwan	「2020 Annual Meeting& Independent Director Forum」 - Reform of the corporation driven by the independent directors	3	04/16	Independent Director Association Taiwan	The review and prospect of the risk control regarding anti-money laundering	3	02/07	Taiwan Corporate Governance Association	The view of corporate governance and operation of the board of directors for the corporate governance personnel	3	No deviation
Date	Organizer	Course name	Training hours																									
09/10	Taiwan Academy of Banking and Finance	Financial Consumer Protection Act and Principle for Financial Service Industries to Treat Clients Fairly	3																									
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04/16	Independent Director Association Taiwan	The review and prospect of the risk control regarding anti-money laundering	3																									
02/07	Taiwan Corporate Governance Association	The view of corporate governance and operation of the board of directors for the corporate governance personnel	3																									
4. Has the financial holding company established a communication channel and set a designated section on its website for stakeholders (including but not limited to shareholders, employees, and customers), and does it properly respond to corporate social responsibility issues of concern to stakeholders?	✓		<p>1. Taishin Holdings 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 our website. Taishin Holdings also has a designated spokesperson and investor relations mailbox available to serve as communication channels with stakeholders.</p> <p>2. Taishin Holdings created a Stakeholders section on its website in 2015 as a means to communicate and compile queries and opinions from stakeholders (e.g., employees, suppliers, consumers, investors or customers), so that we can gain a better understanding of stakeholders' expectations, concerns, and needs. We have several teams responsible for communicating with stakeholders of different kinds and actively responding to topics that are of concern to them, and present the engagement results with stakeholders to the board of directors since 2018.</p>	No deviation																								

Item	Yes	No	Operating Status	Deviation from the guidelines of the practical corporate governance
			Summary Descriptions	
5. Disclosure of information				
(1) Has the financial holding company established a website that discloses financial, business, and corporate governance-related information?	✓		Taishin Holdings discloses financial, business and other information relevant to corporate governance on its website. This information is also reported online according to related regulations on material disclosure and public information.	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, etc.)?			Taishin Holdings 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. Taishin Holdings has a spokesperson mechanism in place to facilitate external communications. All material information relevant to investors' interests are announced using the Market Observation Post System and press releases. The spokesperson provides further elaboration where deemed necessary. Taishin Holdings prepares its corporate social responsibility report in both Chinese and English. This report is made accessible at our website and on the Market Observation Post System (MOPS). Taishin Holdings holds quarterly investor conferences; conference proceedings are recorded and uploaded onto our website and the MOPS on the same day.	
(3) Does the financial holding company make public and file the annual financial statements after the end of the fiscal year and before the deadline set out in the Financial Holding Company Act and Securities and Exchange Act, and make public and file its financial statements for Q1, Q2, and Q3, as well as monthly operating status before the deadline?			1. Taishin Holdings made public and filed its 2020 annual financial statements early, within two months after the end of the fiscal year. 2. Taishin Holdings made public and filed its financial statements for Q1, Q2, and Q3 of 2020 before the deadline, and made public and filed monthly operating status before the deadline. In 2021, we intend to make public and file our financial statements for Q1, Q2, and Q3, as well as monthly operating status before the deadline.	
6. Does the financial holding company have other material 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, liability insurance coverage of company directors and supervisors, and donation to political parties, stakeholders, and charity organizations)?	✓		<p>1. Employee rights and care for employees:</p> <p>Taishin Holdings 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 instantly respond to employee queries.</p> <p>Taishin Holdings believes that satisfied employees are the key to satisfied customers. The Chairman and the management have long dedicated themselves to building a work 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 simultaneously with Taishin Holdings free from any unnecessary worries.</p> <p>(1) Offering of competitive remuneration and welfare packages</p> <p>A. Remuneration: Taishin Holdings offers competitive salary levels in order to recruit and retain top talents.</p> <p>B. Employee assistance program: Taishin Holdings 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 events, and ball games and competitions to enrich employees' lifestyles and enhance teamwork.</p> <p>D. Taishin Stress Relief Workshop: Taishin Holdings hires blind masseurs and masseuses to help employees relieve work stress, creating a happy and healthy work environment while contributing towards charity.</p> <p>(2) Taishin Holdings respects the opinions of its employees and has smooth communication channels in place.</p> <p>A. Group-wide surveys: All employees are invited to participate in online surveys as a means of formal employer-employee communication. The survey also helps to raise the level of employee engagement within Taishin Holdings.</p> <p>B. Regular morning meetings: These meetings are organized to discuss business process re-engineering, 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> <p>2. Investor relations:</p> <p>In addition to organizing quarterly corporate investors' conferences and participating in domestic and overseas investor forums and road shows from time to time, through its Investor Relations Department, Taishin Holdings also communicates with investors regarding relevant issues via various channels including e-mail, telephone, or face-to-face meetings. Moreover, information disclosure is made through Taishin's website.</p>	No deviation

Item	Yes	No	Operating Status	Deviation from the guidelines of the practical corporate governance
			Summary Descriptions	
	✓		<p>3. Protection of consumers' interests/Customer policy: Taishin Holdings and all its subsidiaries adopt stringent measures to protect customer information. The group has adopted 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 Companies, Personal Data Protection Act and other relevant regulations stipulated by the competent authority, so as to fulfill our duties of keeping customer information confidential and safeguarding customer information security.</p> <p>4. Risk management policy and risk assessment standards: Taishin Holdings and each of its subsidiaries have independent risk management units. We have also committed substantial resources to the development of risk management systems, and implement our risk management policy by controlling credit, market, and operational risks using both qualitative and quantitative means.</p> <p>5. Status of Directors' continuing education: Taishin Holdings' Directors have all completed the required training hours; the progress of their training has been updated onto the Market Observation Post System according to regulations.</p> <p>6. Taishin Holdings has purchased liability insurance for Directors. These insurance policies are reviewed on a yearly basis to ensure adequate coverage.</p> <p>7. The Board of Directors consists of members from diverse backgrounds. The 7th Board of Directors consists of 7 members, including 3 Independent Directors (one being a woman qualified as CPA). The Board attaches great importance to diversity, and is made up of top talents from finance, industries, and the academia, with 2 doctoral degree holders and 2 master's degree holders. The members have various professional degrees, work experience, and background in different fields including finance, business administration, physics, engineering, accounting, and pharmaceuticals. Overall, they possess the general knowledge, skills and competencies required to perform incumbent duties. Furthermore, Taishin Holdings also emphasizes gender equality in Board composition. Our goal is to have at least one female Director in the Board, and in 2018, we achieved this target in the election of the 7th Board of Directors. For the purpose of strengthening corporate governance practices, Taishin Holdings established the Board of Directors Diversity Policy in accordance with Article 22 of the Corporate Governance Principles, and disclosed the policy, related information and implementation on Taishin's website and this annual report under "Board of Directors Diversity Policy and Results".</p>	No deviation
7. Please describe improvements, priority for improvement, and measures based on the most recent Corporate Governance Evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange. (Optional for companies not included in the evaluation.)	✓		<p>1. Taishin Holdings performed splendidly in Taiwan Stock Exchange's 6th Corporate Governance Evaluation in April 2020, and has been chosen as one of the constituent stocks of the TWSE CG100 Index since June 2015.</p> <p>2. Taishin Holdings maintained its commitment toward enhanced corporate governance and spared no efforts in pushing relevant improvement measures, including:</p> <p>(1) Established the Nomination Committee: On September 24, 2020, Taishin Holdings set up the Nomination Committee, which is responsible for offering recommendations on the Board nominee roster submitted by the Board of Directors; proposing and reviewing study plans for Directors; auditing guidelines for performance appraisal of the Board of Directors and functional committees, as well as examining their implementation results; and auditing business integrity policies, as well as examining their implementation results.</p> <p>(2) Formulated the Intellectual Property Management Plan: Since 2016, Taishin Holdings actively encourages its employees to file patent applications in order to interconnect Taishin Holdings' operations and strategies, as well as obtain patent protection for its self-developed products. Since 2020, the implementation results regarding these patents are reported to the Board of Directors. As of the end of 2020, Taishin Holdings possesses a total of 58 active patents. Its quantity of financial patents ranks in the top 10 among financial institutions.</p> <p>(3) Implemented Board performance assessment: In order to facilitate Board operations, the Board of Directors of Taishin Holdings approved the amendment to the Board Performance Appraisal Guidelines on November 28, 2019, where performance appraisal mechanisms for functional committees and regular implementation of performance appraisal on the Board of Directors and committees were added. Appraisal results are disclosed on the Taishin Holdings website.</p> <p>(4) Appointed a chief governance officer: In order to safeguard shareholder's rights and interests, as well as strengthen functions of the Board of Directors, a chief governance officer, who is responsible for matters related to corporate governance, was appointed in 2019. The position's scope of authority, major tasks implemented in the current year, and status of continuing education are disclosed on the website.</p> <p>(5) Enhanced stakeholder communications: Since 2018, the CSR Committee reports the CSR plan, its results, and the status of communication with shareholders to the Board of Directors. Actual implementation contents and frequency are disclosed on the official website and CSR report.</p> <p>(6) Formulated plans for management succession and training: In order to prepare future successors as managers, Taishin Holdings works with an international consulting firm in redefining executive profiling to provide a basis for selecting potential talent and candidates to succeed senior management, and for implementing training programs to build talent pools for managerial positions. The status of such operation is disclosed on the Taishin Holdings website.</p>	No deviation

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

Note 2: Describe deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons.

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	9	10		
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 any of its affiliates (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (3) Not a natural-person shareholder who, together with his/her spouse and underage children or in the name of another person, holds 1% or more of the outstanding shares in the company, and not one of the company's top ten shareholders.
- (4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship or closer to anyone listed in (2) or (3).
- (5) Not a director, supervisor or employee of an institutional shareholder who holds directly 5% or more of the company's shares, is one of the top five shareholders, or is a representative appointed as director or supervisor of the company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (6) Not a director, supervisor or employee of another company that has the same directors as the company or is controlled by the same person that has more than half of the voting power in the company (except where the person is concurrently an independent director of the company or its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (7) Not a director, supervisor or employee of another company or institution that has the same chairman, president, or person with the equivalent rank as the company, or a spouse in one of these roles (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (8) Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specific company or institution that has a financial or business relationship with the company (except where that specific company or institution holds 20% or more but no more than 50% of the company's shares and is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
- (9) Not a professional who provides audit or received no more than NT\$500,000 in cumulative compensation in the last two years for commercial, legal, financial, or accounting services to the company or its affiliates, nor an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or organization that provides such services to the company or its affiliates; or the spouse of any of the above. However, exception applies to members of a remuneration committee, a take-over bid review committee, or a special committee for merger and acquisition exercising their authority pursuant to provisions of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) 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 3 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	3	0	100	
Member	Chang, Min-Yu	3	0	100	
Member	Kuan, Kuo-Lin	3	0	100	

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
11th meeting of 4th-term committee on February 13, 2020	1. Proposal of Taishin FHC directors' and employees' Compensation from distribution of earnings in 2019. 2. Proposal to pay the compensation of Taishin FHC and Taishin Bank directors and supervisors reserved and deferred in 2018.	Passed by a unanimous vote	Submitted to the board of directors and passed by a unanimous vote
12th meeting of 4th-term committee on March 12, 2020	2019 performance appraisal results for the persons assigned by Taishin FHC to perform specific duty in subsidiaries.	Noted	
	1. Proposal for review of Taishin FHC's director remuneration. 2. Proposal for review of Taishin FHC's executives' remuneration policy. 3. Proposal for 2020 salary adjustment of Taishin FHC's Executives. 4. Proposal for adjustment of monthly remuneration for the chairperson of Taishin FHC and Taishin Bank.	Passed by a unanimous vote	Submitted to the board of directors and passed by a unanimous vote.
13th meeting of 4th-term committee on March 26, 2020	Correction of the previous proposal of Taishin FHC directors' and employees' Compensation from distribution of earnings in 2019.	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

Assessment area	Practices (Note 1)			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons (Note 3)												
	Yes	No	Summary (Note 2)													
1. Does the company follow the materiality principle when conducting the risk assessment of environmental, social and corporate governance topics relevant to its business activities and devise risk management policies and strategies accordingly? (Note4)	✓		<p>Taishin FHC established the Corporate Sustainability Committee (CSR Committee), which is responsible for formulating and promoting corporate social responsibility strategies and overall goals. Taishin FHC identified sustainability topics through the topics collection and benchmark analysis. Sustainability topics relevant to the company were assessed by the level of stakeholder concern and the impact on the environment, economy, and society. Taishin FHC followed the materiality principle and assessed risks associated with key topics, and devised risk management policies, strategies, and responses accordingly.</p> <table><tr><th>Topics</th><th>Risk assessment items</th><th>Risk Policy / Strategies / Response methods / Opportunities</th></tr><tr><td>Environment</td><td>Climate change strategy</td><td><ul style="list-style-type: none">◆ We incorporated climate change risk management into our risk management policy and formulated the "Green Finance Principles" to actively support environmental protection industries and enterprises and those focused on mitigating climate change in business operations.◆ We supported the Task Force on Climate-related Financial Disclosures (TCFD) and became one of its signatory supporters and continued to support the Carbon Disclosure Project (CDP).◆ We actively introduce the opportunities under the TCFD's recommended framework, and propose mitigation measures and conduct scenario analysis or continuous attention and management for climate-sensitive industries.</td></tr><tr><td>Society</td><td>Talent development</td><td><ul style="list-style-type: none">◆ Establishment of the "Employee Training Guidelines", "Employee Self-development Subsidy Guidelines", and "Employee OJT Subsidy Guidelines", and the use of the Kirkpatrick Model for assessing training outcome.◆ Direct attention towards diversity, fairness and employees' rights, and provide abundant and diverse learning channels. Recruit the most suitable and talented employees through diversified channels.◆ Design learning programs for different stages of career development, and introduce diverse learning solutions that conform with changes in the financial environment. Ensure zero difference in recruitment and promotion based on gender to implement Taishin's policy of diversity and non-discrimination.</td></tr><tr><td>Corporate governance</td><td>Information and transaction security</td><td><ul style="list-style-type: none">◆ Establishment of "Cybersecurity Policy" and "Taishin Holdings Internet Security Management Guidelines." Assembly of an "Information Security Committee" with defined protection goals that regularly discusses information security-related issues and improvement measure.◆ Provide complete information security protection and create a reliable and trusted environment for banking development.◆ Acquire certification for ISO/IEC 27001 ISMS. Gather information on security trends and threats from around the world, and take timely actions to prevent and respond to threats while at the same time enforce security measures</td></tr></table>	Topics	Risk assessment items	Risk Policy / Strategies / Response methods / Opportunities	Environment	Climate change strategy	<ul style="list-style-type: none">◆ We incorporated climate change risk management into our risk management policy and formulated the "Green Finance Principles" to actively support environmental protection industries and enterprises and those focused on mitigating climate change in business operations.◆ We supported the Task Force on Climate-related Financial Disclosures (TCFD) and became one of its signatory supporters and continued to support the Carbon Disclosure Project (CDP).◆ We actively introduce the opportunities under the TCFD's recommended framework, and propose mitigation measures and conduct scenario analysis or continuous attention and management for climate-sensitive industries.	Society	Talent development	<ul style="list-style-type: none">◆ Establishment of the "Employee Training Guidelines", "Employee Self-development Subsidy Guidelines", and "Employee OJT Subsidy Guidelines", and the use of the Kirkpatrick Model for assessing training outcome.◆ Direct attention towards diversity, fairness and employees' rights, and provide abundant and diverse learning channels. Recruit the most suitable and talented employees through diversified channels.◆ Design learning programs for different stages of career development, and introduce diverse learning solutions that conform with changes in the financial environment. Ensure zero difference in recruitment and promotion based on gender to implement Taishin's policy of diversity and non-discrimination.	Corporate governance	Information and transaction security	<ul style="list-style-type: none">◆ Establishment of "Cybersecurity Policy" and "Taishin Holdings Internet Security Management Guidelines." Assembly of an "Information Security Committee" with defined protection goals that regularly discusses information security-related issues and improvement measure.◆ Provide complete information security protection and create a reliable and trusted environment for banking development.◆ Acquire certification for ISO/IEC 27001 ISMS. Gather information on security trends and threats from around the world, and take timely actions to prevent and respond to threats while at the same time enforce security measures	No deviation
Topics	Risk assessment items	Risk Policy / Strategies / Response methods / Opportunities														
Environment	Climate change strategy	<ul style="list-style-type: none">◆ We incorporated climate change risk management into our risk management policy and formulated the "Green Finance Principles" to actively support environmental protection industries and enterprises and those focused on mitigating climate change in business operations.◆ We supported the Task Force on Climate-related Financial Disclosures (TCFD) and became one of its signatory supporters and continued to support the Carbon Disclosure Project (CDP).◆ We actively introduce the opportunities under the TCFD's recommended framework, and propose mitigation measures and conduct scenario analysis or continuous attention and management for climate-sensitive industries.														
Society	Talent development	<ul style="list-style-type: none">◆ Establishment of the "Employee Training Guidelines", "Employee Self-development Subsidy Guidelines", and "Employee OJT Subsidy Guidelines", and the use of the Kirkpatrick Model for assessing training outcome.◆ Direct attention towards diversity, fairness and employees' rights, and provide abundant and diverse learning channels. Recruit the most suitable and talented employees through diversified channels.◆ Design learning programs for different stages of career development, and introduce diverse learning solutions that conform with changes in the financial environment. Ensure zero difference in recruitment and promotion based on gender to implement Taishin's policy of diversity and non-discrimination.														
Corporate governance	Information and transaction security	<ul style="list-style-type: none">◆ Establishment of "Cybersecurity Policy" and "Taishin Holdings Internet Security Management Guidelines." Assembly of an "Information Security Committee" with defined protection goals that regularly discusses information security-related issues and improvement measure.◆ Provide complete information security protection and create a reliable and trusted environment for banking development.◆ Acquire certification for ISO/IEC 27001 ISMS. Gather information on security trends and threats from around the world, and take timely actions to prevent and respond to threats while at the same time enforce security measures														
2. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and does it report its progress to the board of directors?	✓		<p>Taishin established the Guidelines for Establishment of the Corporate Sustainability Committee, as well as the Corporate Sustainability Committee (CSR Committee) in 2014. Currently, the committee is convened and chaired by the President of Taishin FHC; the Chief Financial Officer of Taishin Holdings and the President of Taishin Bank serve as vice chairpersons; and CEOs from all divisions, subsidiary representatives, and foundation representatives act as executive members. The committee is responsible for formulating corporate social responsibility policies and overall goals, reviewing annual CSR plans and reports, and evaluating the progress and results of CSR projects. In addition, Taishin established the Corporate Governance Best Practice Principles and Ethical Corporate Management Best Practice Principles in 2014 to guide its corporate governance practices. Moreover, in late 2016, approval was obtained to create six functional teams under the leadership of executive committee members. The six teams are the Corporate Sustainability Team, the Customer Relations Team, the Responsible Products Team, the Employee Care 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 resolved upon by the CSR Committee to report and implement CSR related projects. The CSR Committee convened three meetings in 2020. It started making annual presentations of CSR results and plans to the Board of Directors since 2018. The chairman 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 Board of Directors in CSR related discussions as needed.</p>													

Assessment area	Practices (Note 1)			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons (Note 3)
	Yes	No	Summary (Note 2)	
3. Environmental issues				
(1) Does the company have in place a suitable environmental management system based on the characteristics of the industry?	✓		<p>1. The company has a Workplace Safety and Health Group that follows the rule of “starting with intrinsic safety of environmental design and putting prevention first”, and guarantees a healthy and safe workplace. For example, its responsibilities include setting up the epidemic prevention zone in response to Covid-19 and conducting semiannual workplace inspections to effectively maintain a quality environment and fulfill Taishin’s responsibility in environmental management.</p> <p>(Note: The company’s security measures include installing access control and security systems, as well as employing security guards in business premises. Workplace inspection measures carbon dioxide gas concentration and lighting in a workplace.)</p> <p>2. Strategy for climate change</p> <p>Since the launch of its campaign to practice “Environmental Protection through Energy Saving” in 2009, the company 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.</p> <p>3. Introduction of environment-related systems</p> <p>The company took the initiative to implement the ISO50001 Energy Management System in 2015. Energy efficiency is increased by regular energy reviews, measuring, and monitoring. A five-year plan (with 2018 as the base year) was created to set a long-term energy saving goal of 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 with 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. Taishin continued to receive dual certification for its ISO50001 Energy Management System from Taiwan Accreditation Foundation (TAF) and British Standard Institute (BSI) in 2017. In 2016, the company implemented the ISO 14064-1 Greenhouse Gases inventory system 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 and carbon reducing measures, as well as 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 cherish resources.</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 company also continued to conduct three management system inspections in 2020, sparing no effort in environmental protection.</p>	No deviation
(2) Does the company work to improve resource utilization efficiency and use recycled materials that have a low impact on the environment?			<p>1. The company is committed to creating a paperless workplace with the use of electronic systems as well as environmentally friendly printer cartridges and other office supplies. Recycling bins for office supplies are placed in all departments for more efficient use of resources. The campaign “Powered by Love” urges participants to ride bikes and take public transport instead of driving to reduce carbon emissions while adopting a healthier and more environmentally-friendly lifestyle. The company calls on its employees and clients and their families to join the effort to “turn love into the energy source to save the planet”.</p> <p>2. Regarding green operations, in addition to the purchase of renewable energy in 2016, the company demonstrated its support for renewable energy by installing solar power panels on its Neihu building in 2016 and on its Tainan Yongfu building in 2020. 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 regulations. Resources are sorted and recycled to reduce damage to the environment. Suppliers and other partners are united through green procurement in the pursuit of sustainability and the effort to save the earth.</p> <p>3. With waste management, waste is sorted, and bottles, paper, and equipment that can be recycled or reused are recycled and processed as appropriate by professional, qualified cleaning service providers.</p>	

Assessment area	Practices (Note 1)			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons (Note 3)																																																																	
	Yes	No	Summary (Note 2)																																																																		
(2) Does the company work to improve resource utilization efficiency and use recycled materials that have a low impact on the environment?			4. Resource utilization: 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, ensuring that waste is sorted and resources are recycled and reused. Thus, the entire workforce develops good habits at home and at work, and strives to ensure environmental sustainability. 5. In terms of products and services, Taishin embraces the rise of green finance, and promotes multiple fintech products and services in order to reduce paper and energy consumption. Examples of its efforts include issuing virtual credit cards and encouraging customers to switch to mobile statements. Taishin also invites customers to use mobile banking services and online applications in order to make environmental conservation a part of business development, and to work with customers to achieve environmental friendliness.	No deviation																																																																	
(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?			The company responds to climate change issues and the fight against global warming by actively implementing energy efficiency and carbon reduction measures inside the organization. In addition to reviewing regularly the electricity contract capacity of each building, Taishin has been replacing old and energy consuming equipment in branches across Taiwan in order to reduce energy use. Given the effects of climate risks on its clients, Taishin takes exposure, transformation, and physical risks, and applies a weighted scoring system to rank investment/financing customers in terms of climate sensitivity. The company is thereby able to identify highly climate sensitive customers and to calculate the volume of indirect GHG emissions from the investment/financing activities (Scope 3). To help value chain partners strengthen risk management, Taishin analyzes climate risks to which its major suppliers are exposed. The company also assesses the levels of disaster potential at these suppliers' geographic locations as well as the impact of cost pass-through induced by low carbon adoption regulations.																																																																		
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon reduction, greenhouse gas reduction, water reduction, or waste management?	✓		<p>The company has included its environmental protection measures and statistics, as well as its quantitative management targets for the coming years in the Taishin FHC CSR Report in accordance with Article 16 and Article 17 of the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies. The report is made available on the Taishin FHC website (Taishin Holdings/CSR/). Please visit https://www.taishinholdings.com.tw/human/human_07.jsp.</p> <p>Energy consumption at Taishin</p> <table><tr><th>Type of energy</th><th>Unit of consumption</th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th></tr><tr><td>Purchased electricit</td><td>kWh</td><td>43,305,065</td><td>42,336,996</td><td>44,864,147</td><td>35,495,288</td><td>37,757,066</td></tr><tr><td>Energy intensity</td><td>kWh/person</td><td>4,989.64</td><td>4,521.25</td><td>4,640.00</td><td>3,839.82</td><td>3,760.28</td></tr><tr><td>Gasoline</td><td>Liter</td><td>190,535</td><td>178,711</td><td>181,164</td><td>166,530</td><td>134,332</td></tr><tr><td>Diesel fuel</td><td>Liter</td><td>1,727</td><td>1,620</td><td>1,642</td><td>4,856</td><td>0</td></tr><tr><td>Natural gas</td><td>Liter</td><td colspan="5">No demand for natural gas</td></tr></table> <p>Note 1: Heat content conversion is based on the table Heat Content of Energy Products published by the Bureau of Energy, Ministry of Economic Affairs. Electricity (consumption) is converted at 860 kcal/kWh, motor gasoline at 7,800 kcal/L, and diesel fuel at 8,400 kcal/L. Using the conversion factor from joule to calorie (4.186 kJ/kcal), power consumption from self-produced solar power is 21,009.6 kWh in 2020.</p> <p>Note 2: The data from 2016 to 2018 are based on existing statistics and extrapolated to Taishin FHC as a whole. Starting in 2018, 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 2020, the percentage of energy saving is 0.8% at Taishin Tower and 1.04% at Neihu Building. Both buildings meet the 1% reduction target set by the Bureau of Energy, Ministry of Economic Affairs.</p> <p>Greenhouse gas emission at Taishin</p> <table><tr><th>Emission (tCO₂e)</th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th></tr><tr><td>Scope1 emission</td><td>1,660</td><td>1,559</td><td>1,271</td><td>1,052</td><td>1,033</td></tr><tr><td>Scope2 emission</td><td>21,822</td><td>21,366</td><td>23,759</td><td>19,186</td><td>19,168</td></tr><tr><td>Scope1 and Scope2 emissions</td><td>23,483</td><td>22,925</td><td>25,030</td><td>20,238</td><td>20,201</td></tr></table> <p>Note 1: The data from 2016 to 2019 are based on The ISO 14064-1 standard, and is based on the new ISO 14064-1:2018 standard since 2020.</p> <p>Note 2: The disclosure of Scope 2 greenhouse gas emissions from 2016 to 2019 are location-based, and are marketing-based since 2020 . 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: Taishin's greenhouse gas emissions in 2016 and 2017 have been verified by a third party for only Taishin Tower and Neihu Building. The results in 2018, except for those for the subsidiaries and overseas bank branches, have all been verified by a third party. The results since 2019 have been verified by a third party for all units under Taishin FHC.</p>		Type of energy	Unit of consumption	2016	2017	2018	2019	2020	Purchased electricit	kWh	43,305,065	42,336,996	44,864,147	35,495,288	37,757,066	Energy intensity	kWh/person	4,989.64	4,521.25	4,640.00	3,839.82	3,760.28	Gasoline	Liter	190,535	178,711	181,164	166,530	134,332	Diesel fuel	Liter	1,727	1,620	1,642	4,856	0	Natural gas	Liter	No demand for natural gas					Emission (tCO ₂ e)	2016	2017	2018	2019	2020	Scope1 emission	1,660	1,559	1,271	1,052	1,033	Scope2 emission	21,822	21,366	23,759	19,186	19,168	Scope1 and Scope2 emissions	23,483	22,925	25,030	20,238
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Assessment area	Practices (Note 1)			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons (Note 3)
	Yes	No	Summary (Note 2)	
4. Social issues				
(1) Does the company have adequate management policies and procedures in place pursuant to the applicable regulations 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 the 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 discloses the above rules after they are filed with the competent authorities in order to protect the rights of its employees. Taishin also takes steps to ensure that all overseas locations (including branches, offices and preparatory offices) are able to comply with local labor regulations and set reasonable work terms to protect the interests of local employees. Furthermore, Taishin not only ensures equality in pay, employment policy, training, and promotion opportunities, 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. We aim to raise awareness of human rights and gender equality in the workplace.	No deviation
(2) Does the company establish and implement reasonable employee benefits (including remuneration, leave, and other benefits), and ensure business performance or results are reflected adequately in employee remuneration?			Taishin participates in market-wide salary surveys annually, and designs a fair and incentive compensation system. Each year, Taishin plans year-end bonuses based on company performance and individual performance to reward employees for their effort and contributions. In addition, to avoid putting too much emphasis on short-term performance, and to encourage employees to develop long-term collaboration and enjoy long-term growth together, Taishin utilizes long-term incentive plans - Employee Share Ownership Program and Taishin Stock Appreciation Rights Program - as a means of employee retention. Meanwhile, Taishin provides benefits above the requirements of the Labor Standards Act. These benefits include an employee stock ownership trust, physical examinations, and rank-based holidays superior to statutory requirements. The company has rewarded its employees with competitive compensation and welfare packages since 2014.	
(3) Does the company provide a safe and healthy work environment and organize regular health and safety training for employees?			Taishin has a safety and health policy in place that complies with relevant laws and passed ISO 45001 certification in 2020. In terms of environmental safety, safety of the work place is inspected twice a year, fire equipment and exits are serviced yearly, and public safety is inspected once every two years. Qualified standard first aiders and health and safety supervisors are assigned, and first-aid kits and AEDs are deployed throughout the business premises. Taishin has also certified with AED Safty Location. 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, all new recruits are required to undergo workplace safety and health orientation upon arrival, and existing employees need to be re-trained once every year to ensure a well-designed, safe, and healthy work environment. 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 all employees and business partners from smoking on all premises across Taiwan. The occupational health and safety courses also serve to raise awareness of the Tobacco Hazards Prevention Act and the company's no-smoking policy.	
(4) Does the company have in place effective tools to help employees with career planning and development?			New recruits are given a complete orientation upon arrival. Subsequently, each division arranges 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.	

Assessment area	Practices (Note 1)		Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons (Note 3)
	Yes	No	
(5) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and does it establish relevant consumer protection policies and grievance procedures?	✓		<p>To protect the rights of financial consumers and create a corporate culture that pays attention to financial consumer protection, The subsidiary of the Company, Taishin Bank, has established the Fair Customer Treatment Policy and the Fair Customer Treatment Strategy in accordance with the Fair Customer Treatment Principles for Financial Institutions released by the Financial Supervisory Commission. In addition to complying with the principles and rules of "fairness and integrity in contracts", "authenticity in advertising", "product or service suitability", and "informed consent and disclosure" when providing financial products or services, all employees of Taishin Bank are required to follow the principle of client protection in grievance. In other words, a consumer dispute resolution system, including the scope of consumer dispute, acceptance method, processing procedure and time, status inquiry, and regular review, is implemented to ensure the fair customer treatment principle is upheld.</p> <p>To ensure legitimate collection, processing and use of customers' personal data and to keep personal data safe, Taishin Bank has implemented a personal information protection policy in accordance with the Financial Supervisory Commission Personal Information File Security Regulations for Designated Non-Governmental Institutions. This policy is constantly reviewed and revised in line with changes in regulation. In addition to conducting regular inspections on the security of personal information, Taishin also assesses possible personal information risks and uses the findings to establish proper management practices, responses, reporting channels and preventions for incidents such as theft, alteration, destruction, loss or leakage of personal information, and thereby enforce the personal information protection system of the organization.</p> <p>Taishin Bank, a subsidiary of the Company, has a full-time unit dedicated to handling customer complaints and resolving internal/external appeals. The staff responsible for handling customer complaints will call the customer to identify and clarify matters regarding his/her complaint within one day after a case is accepted. They will then ask the relevant departments to provide explanation on the customer's complaint. The staff will also try to clarify the facts by accessing related documents and recordings simultaneously. The aim is to respond to customers in a timely manner, and resolve customers' complaints to their satisfaction by mutual agreement. In case financial consumers have doubts regarding the products or services provided by Taishin Bank, there are a number of feedback channels in place. They include the customer feedback form in branches, the customer feedback hotline and feedback email at the head office, the 24/7 customer service hotline, and the "Contact me" message board on the corporate website. Taishin Bank always responds to customer feedback or suggestions in a timely manner. Following the principle of grievance redress to ensure fair treatment of customers, the Board of Directors approved the Taishin Bank Fair Customer Treatment Policy in 2016 to regulate processing of customer complaints. The policy establishes the consumer dispute resolution system (including SOPs) under Subparagraph 2, Article 9. In addition, Taishin Bank formulated the Taishin Bank Consumer Dispute Resolution System, Taishin Bank Instructions on First Level Customer Complaint Processing Operations, and Taishin Bank Instructions on Second Level Customer Complaint Processing Operations to stipulate the procedures and timing of complaint processing. First level customer complaints should be resolved in 2 working days and second level complaints in 3. Second level written and FCPA assessment cases should be resolved in 7 working days and FCPA complaints in writing/by telephone in 15. In addition to requiring the deadline be met in 100% of the cases in recent years, Taishin Bank tries to resolve customer complaints at first contact and improve the quality of complaint resolution.</p> <p>Starting from 2020, Taishin Bank is equipped with complaint prevention, interim alert, and subsequent improvement mechanisms to manage complaints. Complaint prevention aims to improve customer satisfaction and reduce the occurrence of complaints, followed by instant improvement and reporting to be made by the department as soon as a complaint is filed. The approach enables the departments and executive officers to effectively monitor customer opinions and take action. It also contributes to a corporate culture that upholds fair treatment of customers.</p> <p>No deviation</p>
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.			<p>Taishin's supplier selection and tender process are governed by the Supplier Maintenance and Management Guidelines to ensure products and quality consistently meet requirements. Regarding the selection of suppliers in major procurement projects, Taishin may take into consideration a supplier's CSR commitments and their fulfillment. In addition, Taishin may ask suppliers to complete a self-assessment questionnaire and a human-right questionnaire to provide a basis for evaluation. Only suppliers that conform to the requirements can be certified and registered to provide services or products to the company.</p> <p>The company has formulated a set of Supplier Management Regulations to make sure that suppliers comply with commitments and fulfill their corporate social responsibilities for the benefit of stakeholders. Priority will be accorded to local suppliers in order to avoid resources being wasted on transportation. When choosing suppliers, the company will take into consideration whether a candidate complies duly with the Labor Standards Act, particularly with regards to child labor, human trafficking, forced labor, work hours, compensation, equality (no discrimination or harassment), freedom of association, and collective bargaining. 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 society and the environment, as well as the moral guidelines and risk management policies they have adopted.</p>

Assessment area	Practices (Note 1)		Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons (Note 3)
	Yes	No	
5. Does the company prepare corporate social responsibility reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Does the company obtain third-party assurance or qualified opinion for the reports above?	✓		No deviation
6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: None.			
<p>7. Other useful information for explaining the status of corporate social responsibility practices:</p> <p>Taishin FHC has made a long-term commitment to corporate social responsibility. The company works through the CSR Committee and combines resources from its subsidiaries. For years, we have been offering support in areas including charity, arts and culture development, sports campaigns, and financial education. As a responsible corporate citizen, Taishin tries to give back to the community and to support the disadvantaged.</p> <p>(1) Charity</p> <p>A. Care for Taiwan</p> <p>Under the My One Acre of Farm project, Taishin FHC purchased more than 170 units and funded close to 85 hectares of paddy field in total. More than 10,000 clients and employees consumed close to 298,000 kg of premium Taiwanese rice. Total investment was NT\$31.3 million.</p> <p>B. Power of Love</p> <p>In order to assist disadvantaged groups become "financially independent and self-reliant", Taishin Charity Foundation organized the charity campaign "Power of Love". It is the first large-scale online voting campaign for charity in Taiwan, as well as the online platform with the largest scope and amount of beneficiaries. Over 11 years of being held, a total of NT\$230 million have been invested in charity funds, over 3,000 groups have participated and made proposals, over 2.9 million people have cast their ballots, and over 1,100 groups have been awarded. Over 4 million people have benefited from the campaign. The monograph "Rise in Love" was published in 2020 to share the stories of self-reliance by leaders of social welfare groups over the last decade.</p> <p>(2) Arts and culture development</p> <p>A. Support for contemporary art</p> <p>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 arts, performing arts, and interdisciplinary arts. 61 winners have received the award and more than NT\$50 million in prize money over the last 19 years. The page views of the professionally-designed website, dedicated to promote modern art, reached 2.8 million by the end of 2020. Its contents guide the audience to ponder over modern cultural phenomena. Furthermore, the first floor lobby of Taishin Tower has served as venue for a total of 69 arts exhibits up to and including 2020.</p> <p>B. Arts and cultural events</p> <p>The Lunchtime Concerts, which started in 2006, take place 23 to 25 times a year. The concerts took a virtual form during the second quarter in 2020 due to the Covid-19 pandemic but resumed since the beginning of the third quarter. The A total of 355 concerts have taken place so far. Taishin has invested close to NT\$243 million in arts and cultural sponsorships in Taiwan since 2006. Together, the events have attracted as many as 5.73 million participants.</p> <p>C. Employee arts courses</p> <p>Employee arts courses have been introduced with themes ranging from art appreciation, theatrical performance, and parental activities, to human culture. In 2020, a total of 11 arts courses were organized, and had a total participant count of 470. These arts courses help Taishin employees develop cultural literacy and character, whereas exposure to contemporary arts and aesthetics also inspires creative thinking.</p> <p>(3) Sports sponsorship</p> <p>Taishin FHC started supporting the Nantou County Youth Karate Team in 2008, and has helped raise more than NT\$96.8 million in total. Its sponsorship for female professional golfers reached NT\$100 million in 2011. In addition, Taishin started hosting charity golf tournaments in 2011. The tournaments have welcomed 485 participants and raised more than NT\$18.94 million in total. Furthermore, Taishin started sponsoring a wider range of projects, including basketball, baseball, marathons, and e-sports, since 2017, and title sponsored a professional basketball team, Formosa Taishin Dreamers, in 2020 for the first time.</p> <p>(4) Academic exchange</p> <p>Having created the Peking University Cross-strait Academic Fund, Taishin FHC has invited 65 professors and students from Peking University to visit and share their ideas with their counterparts in Taiwan. In 2020, a total of 415 students have gained internship experience and professional knowledge through this model, while 300 positions were filled through industry-academia collaboration and internship programs. 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.</p> <p>Please refer to "V. Corporate responsibility and ethics", Chapter Five - Business Overview (P.135-137) and the company website for more CSR projects and results.</p>			

Note 1: If "Yes" is checked under implementation, please describe the key policies, strategies, and measures and results adopted. If "No" is checked under implementation, please give reasons and describe relevant strategies and measures to be adopted in the future.

Note 2: Where the company has prepared a corporate social responsibility (CSR) report, implementation may be replaced by referral to the CSR report and the respective page numbers.

Note 3: Non-TWSE/TPEX-listed financial holding companies are not required to complete the column "Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation".

Note 4: The materiality principle refers to environmental, social, or corporate governance issues that have a material impact on the investors or other stakeholders of the company.

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

Item	Operating status (Note 1)		Summary description	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies" and reason (Note 2)
	Yes	No		
1. Establishment of ethical corporate management policy and plans				
(1) Has the company implemented a board-approved business integrity policy and stated in its regulations and external correspondence the business integrity policy and practices, as well as the active commitment of the board of directors and management towards enforcement of such policy?	✓		For the purpose of developing a culture of integrity and sound business practices, Taishin FHC has established the Ethical Corporate Management Best Practice Principles with board approval as part of the implementation of its core values, "Integrity, Commitment, Innovation and Cooperation". The code demonstrates Taishin FHC's business integrity policy and practices, as well as the active statement and commitment of Taishin's board of directors and management towards enforcement of such policy.	No deviation
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?			To ensure full implementation of business integrity, Taishin has implemented an unethical conduct risk assessment mechanism and established the Ethical Corporate Management Best Practice Principles, as well as relevant codes of conduct and prevention measures for business activities that are more likely to involve unethical conduct, such as those listed under Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies involving 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.	
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?			To ensure full implementation of its business integrity policy, Taishin has established the Ethical Corporate Management Best Practice Principles based on its core values of "Integrity, Commitment, Innovation and collaboration". The company has provided therein clear guidelines on the procedures for preventing unethical conduct, as well as the obligations and responsibilities of reporting. The Personnel Review Committee is responsible for executing disciplinary actions and handling appeals., as well as evaluating ethical risks. Taishin has the Employee Code of Conduct in place to regulate grievance procedures on illegal and unethical conduct. The code of conduct can be found on the company website under: Homepage/Investor Relations/Corporate Governance/Internal Policies and Procedures. The URL is as follows: :https://www.taishinholdings.com.tw/tsh/governance/regulations/	

Item	Operating status (Note 1)		Summary description	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason (Note 2)
	Yes	No		
2. Enforcement of ethical corporate management				
(1) Does the company assess business partners' records of integrity, and include a moral clause in the contracts with its business partners?	✓		Supplier selection and the tender process of Taishin are governed by the Supplier Maintenance and Management Guidelines to ensure products and quality consistently meet requirements. Only suppliers that conform with the requirements can be certified and registered to provide services or products to the company.	No deviation
(2) Does the company have a unit responsible for business integrity on a full-time basis under the board of directors which reports the business integrity policy and programs against unethical conduct regularly (at least once a year) to the board of directors while overseeing such operations?			<p>1. In 2020, Taishin established the Nomination committee under the Board of Directors, which is responsible for auditing business integrity policies, as well as examining their implementation results. Furthermore, the Compliance Division is the unit responsible for implementing business integrity matters, including the planning, management, and execution of such. The Compliance Division reports on the implementation status of business integrity to the Nomination committee and Board of Directors at the end of each year.</p> <p>2. Taishin ensures effective implementation of the business integrity policy. Details of implementation in 2020, which has been reviewed by the nomination committee and presented to the board of directors on March 25,2021, are as follows:</p> <p>(1) Training and education</p> <p>In 2020, we stepped up the implementation of group-wide business integrity. In addition to online courses on fair treatment of customers, business integrity principles, and whistleblowing policies, our banking subsidiary held multiple fair customer treatment physical courses each quarter, with a total of 36,758 attendees throughout the year.</p> <p>Furthermore, new hire training incorporates important information to prevent unethical business practices, such as "forbidden concurrent employment and avoidance of conflicting interests", "gifts and entertainment policy", and "protection of intellectual property rights".</p> <p>(2) Compliance campaign</p> <p>Dedicated units raise awareness from time to time through compliance case studies of penalties imposed by the competent authorities. The contents include violations of the law due to unethical conduct by financial institution employees, and recommendations for future internal audit and control practices. Details of the campaigns are mailed to all units of the company to reiterate important rules to observe in business activities.</p> <p>(3) Communication channels</p> <p>Employees are able to give feedback to management and other departments through a wide range of open channels. Taishin actively discloses its business integrity policy and implementation on the company website, and in the annual reports and other public documents.</p> <p>(4) Regular review</p> <p>Unethical conduct is prevented from happening through evaluation of ethical risks, and the audit unit performs independent audits to ensure uninterrupted operation of the organization as a whole. The units work together to manage and prevent unethical conduct.</p> <p>(5) Reporting procedures and whistleblower protection</p> <p>Taishin has established the Taishin FHC Whistleblowing System to make clear the whistleblowing channels and procedures. All reports are handled and investigated by dedicated units. Any person from within or outside the company who discovers criminal, fraud, or violation is entitled to report misconduct according to the system. Taishin's whistleblowing system states explicitly that the following measures should be taken to protect whistleblowers:</p> <p>A. The identity of the whistleblower shall be kept confidential. Information sufficient to identify a person shall not be disclosed.</p> <p>B. Taishin shall not take any report made by a whistleblower and use it against the 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>	

Item	Operating status (Note 1)		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies" and reason (Note 2)
	Yes	No	
(3) Does the company have a conflict of interest management policy in place, provide adequate reporting channels, and enforce the rules accordingly?			No deviation
(4) Does the company have effective accounting and internal control systems in place to implement business integrity? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	✓	Taishin FHC has established guidelines for avoiding conflict of interest under the Board of Directors Meeting Policy and Employee Code of Conduct, and has reporting channels in place to accept verbal, written, or electronic reports of violations of such regulations. Accounting and internal control systems 1. Accounting system: The company's accounting policies are formulated in accordance with the Securities and Exchange Act, the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Business Entity Accounting Act, and the Generally Accepted Accounting Principles (GAAP). These accounting policies have been designed to faithfully and thoroughly record the company's business activities, and to present the company's financial and business performance in ways that are consistent with laws and the GAAP, thereby achieving effective internal supervision and reflecting financial status and operational results so as to serve as reference in strategic decision-making. 2. 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 Banking Industries. The system embodies five major principles: (1) To enable a corporate culture of management supervision and control. (2) To facilitate risk identification and assessment. (3) To control activities and segregate duties. (4) To facilitate information sharing and communication. (5) To monitor and correct business activities. 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. Individual units of the Company conduct regular self-assessments and are audited by the internal audit unit periodically. 3. In accordance with Taishin FHC's Ethical Corporate Management Best Practice Principles, the Audit Division examined the compliance with such regulation based on ethical risks and did not find any major deficiencies. "Review compliance with the Ethical Corporate Management Best Practice Principles based on ethical risk assessment results" has been added as a major audit task on the 2021 audit plan.	
(5) Does the company organize internal or external training on a regular basis to maintain business integrity?		The company arranges for its directors, supervisors, and accounting, finance and audit personnel to attend corporate governance and ethical corporate management courses both on a regular and ad hoc basis. Courses on corporate ethics, financial regulations, and code of conduct are mandatory for attendance by all new recruits. In 2020, 100% of the workforce attended courses on ethical corporate management or related topics. In total, 36,758 people finished their training in 46,475.49 hours.	
3. Whistleblowing system			
(1) Does the company have a well established whistleblowing and reward system and an accessible reporting channel in place, and appoint suitable representatives for approaching accused individuals?	✓	Taishin has established the Taishin FHC Whistleblowing Policy to make clear the whistleblowing channels and procedures. All reports are handled and investigated by dedicated units. Any individual inside 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, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.) 2. By E-mail: whistling@taishinholdings.com.tw 3. By Telephone: (02) 2325-6076	

Item	Operating status (Note 1)		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies” and reason (Note 2)
	Yes	No	
(2) Does the company have in place standard operating procedures for investigating and processing reports, as well as follow-up actions and relevant post-investigation confidentiality measures?	✓	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.	No deviation
(3) Has the company provided proper whistleblower protection?		Taishin's whistleblowing system 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 the 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. Enhancing information disclosure			
Does the company disclose the ethical corporate management best practice principles and its results on the company website and the Market Observation Post System?	✓	Taishin is a publicly listed company (TWSE stock code: 2887), and discloses its Ethical Corporate Management Best Practice Principles on the TWSE's Market Observation Post System. The company has the Taishin FHC Ethical Corporate Management Best Practice Principles in place, and discloses its measures and implementation of business integrity on the company website: Homepage/Investor Relations/Corporate Governance/Corporate Governance Practices. The URL is as follows: https://mops.twse.com.tw/nas/STR/288720210203PN001.pdf	No deviation
5. Describe the deviations, if any, between actual practice and the ethical corporate management principles, if the company has implemented such principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies: No deviation.			
6. Other useful information for explaining the status of ethical corporate management practices: Useful information (e.g., the company's review or revision of its ethical corporate management guidelines): Taishin FHC established the Nomination committee Charter upon approval by the Board of Directors on August 20, 2020, as to audit business integrity policies, as well as examine their implementation results. Moreover, the Board of Directors approved the amendment to the Ethical Corporate Management Best Practice Principles on the same date, establishing the Compliance Division as the unit responsible for implementation of business integrity matters.			

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

Note 2: Non-TWSE/TPEX-listed financial holding companies are not required to complete the column "Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation".

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

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

March 25, 2021

Financial Supervisory Commission,

On behalf of Taishin Financial Holding Co., Ltd.(the Company), we hereby declare that, for the fiscal year of 2020, 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 2020 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.

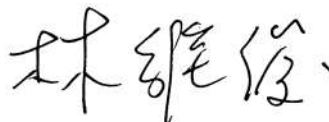

We understand that we are legally bound to the "Securities and Exchange Act" Articles 20, 32, 171, and 174.

Sincerely yours,

Chairman:

President:

Chief Auditor:

Compliance Officer:

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

Base Date: 2020.12.31

Items for Improvement	Improvement Measures	Scheduled Date of Completion
Taishin International Bank(TSIB)		
1. A defect was found in the handling of investment-linked insurance policy purchases by customers using loaned funds.	(1) If a customer has taken out a loan with the bank prior to purchasing an investment-linked insurance policy from the bank, customer services must use audio recordings to verify the source of the paid premiums with the customer before accepting the purchase. (2) The information of a customer who had taken out a loan before subscribing to insurance products must be reviewed by a supervisor. (3) Strengthen notification on the purpose for the fund.	Completed.
2. Embezzlement by a financial advisor.	(1) Adjust counter-transaction work procedures, add transaction monitoring reports for financial advisors and their affiliated accounts, and adopt campaign mechanisms to help customers safeguard their rights and interests. (2) Send an SMS to the customer when a transaction exceeds a certain amount. The supervisor must review the matter, thereby adding another barrier against fraud. (3) The installation of recording equipment that can preserve full audio and video footage of entire transactions by tellers has been planned, and is expected to be complete by the end of December 2021.	(1) Completed. (2) Will be completed by the end of March 2021. (3) Will be completed by the end of December 2021.
3. Erroneous file destruction by outsourced warehouse.	(1) The file storage period is automatically converted into a date by the system to prevent manual entry error by the vendor. (2) The vendor must provide a file that lists data changes to this bank on a monthly basis to ensure the data delivered to the warehouse is correct. (3) Inspect the outsourced warehouse site three times a year, and check whether file creation and verification operations are rigorously carried out.	Completed.
4. The competent authority issued a letter stating that a matter to be carried out was not handled properly or was not reported to the appropriate level.	The bank has reviewed and revised the relevant operating standards for compliance.	Completed.
5. AML / CFT operations have two inadequacies as follows: (1) Some of the content in the Enhanced Review Questionnaire was not filled in correctly during annual customer identity information reviews. (2) Customer name verification was not performed correctly when an OBU opened an account.	(1) <ul style="list-style-type: none"> The business unit has verified the execution of this operation, which was caused by selecting the wrong box due to misunderstandings towards the questionnaire's questions. It has been adjusted accordingly. Inspect and strengthen the comprehensibility of the review questionnaire. (2) <ul style="list-style-type: none"> Improvements have been made in the relevant cases, and have been publicized in the February 2021 electronic newsletter. Inspect and adjust the name verification procedures. 	(1) <ul style="list-style-type: none"> Completed Will be completed by the end of May 2021. (2) <ul style="list-style-type: none"> Completed Will be completed by the end of May 2021.

Items for Improvement	Improvement Measures	Scheduled Date of Completion
Taishin Securities		
1. The futures position was offset on behalf on an account holder, for which the first market order was implemented at market price.	(1) Starting from May 4, 2020, the computer system will assist in offsetting positions on behalf of customers. (2) Multiple drills and training courses on offsetting transactions were held company-wide in 2020, as to enhance employees' knowledge on offsetting transactions.	Completed.
2. AML / CFT operations: (1) Enhanced measures, in particular, inquiry about their source of wealth or funds, were not adopted for high-risk customers. Therefore, enhanced due diligence on high-risk customers was not properly implemented. (2) When performing review upon account opening and regular review of customers, information on beneficial ownership was not requested from an international institution and information on beneficial ownership of a legal entity was not properly filed. Therefore, beneficial ownership scrutiny was not properly implemented.	(1) Enhanced due diligence measures on high-risk customers have been reinforced. Sales personnel must carry out face-to-face or phone interviews and fill in the AML/CFT Enhanced Due Diligence Questionnaire to learn about the customer's source of wealth or funds. (2) Beneficial ownership scrutiny has been reinforced, and the types of customers that must undergo such process have been stated: organizations, trusts, private-equity funds, overseas investors, etc. Beneficial ownership scrutiny must be carried out for these. A list of documents and an ownership structure chart have been included for employees to better understand the process and identify beneficial owners.	Completed.
Taishin Securities Investment Trust		
1. Documents were not requested from a legal entity customer to identify the natural person with ultimate control. The Customer Risk Assessment Table was not filled in according to Taishin FHC's list of high-risk jurisdictions.	Relevant documents have been requested from the client and the natural person who holds ultimate control has been identified. The customer's risk rating has been adjusted so that it complies with classification in Taishin FHC's list of high-risk jurisdictions.	Completed.
2. Parameters had not been established according to the characteristics of the types of transactions suspected of money laundering and terrorism financing established. "On the same business day" is a screening criteria for the transaction types and supervision tasks that must be carried out "on a regular basis", but it was not followed properly.	Parameters have been established according to the characteristics of the types of transactions stated in the newly-formulated List of Supervision Tasks for Transactions Suspected of Money Laundering, Terrorism Financing or Proliferation Financing. Concrete supervision indicators have been established for the transaction types and supervision tasks that must be carried out "on a regular basis".	Completed.

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.

1. Indictment of executives or staffers by prosecutors for job-related crimes:

- (1) Former Taishin Bank financial specialist XXX Yang was suspected of committing the offenses of breach of special trust under The Banking Act of the Republic of China, circulate forged private document and violating the Money Laundering Control Act. Yang was prosecuted on May 28, 2019. The case is being tried by the Taiwan New Taipei District Court.
- (2) Former Taishin Bank auto loan advisor XXX Feng was suspected of committing fraud with purpose of obtaining illegal proceeds, entering entries he knew to be false in documents prepared in the course of his occupation, forging private documents, and committing a special breach of trust under The Banking Act of the Republic of China. Feng was prosecuted on February 24, 2020. The case is being tried by the Taiwan Taipei District Court.
- (3) Former Taishin Bank mortgage business staff XXX Lin was suspected of making in a document or certificate prepared in the course of his occupation an entry which he knows to be false. Lin was prosecuted on February 9, 2021. The case is being tried by the Taiwan Hsinchu District Court.

2. Violations of the law for which the FSC has imposed fines, errors for which the FSC has issued warnings or issued penalties according to Article 54, Paragraph 1 of the Act, or disciplinary actions taken by the company against internal personnel for violations of internal control regulations where the results may have a material impact on shareholders equity or securities prices should be listed with the punishment, error, and improvement described in detail:

Company	Cases and values	Status of improvement
Taishin Bank	(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.	<ol style="list-style-type: none"> 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. 2. Taishin has strengthened signatory training. Random checks are performed on statements on the day and the results recorded. 3. Regarding multiple smaller insurance policies to disguise large purchases, policies paid by third parties, and motives behind such policies, a system has been implemented to check sources of premium payments. Applications where premiums are funded by loans will not be accepted.
	(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.	<ol style="list-style-type: none"> 1. The transactions have been filed and all other records of the bank checked by February 2018. 2. An auto check feature was added to the Large Transaction Approval System on January 11, 2018. 3. Taishin continues to provide training and raise awareness on an ongoing basis, and has included the requirement in the self-assessment and checklist.
	(3) The case involved a former financial advisor at Xinzhuang Branch who was found to have embezzled funds from customers, for which Taishin was given a warning and fined NT\$8 million by the FSC under Letter No. Financial-Supervisory-Banking-Control-10802721965 dated August 7, 2019. In addition, the branch was suspended from handling money trust services for new customers for three months starting from the effective date of the fine.	<ol style="list-style-type: none"> 1. Taishin strengthened control measures on counter transactions in which customers are not present, monthly statements, and employee conduct supervision. 2. A control mechanism was added to the in-branch foreign currency withdrawal process. 3. Measures were implemented to check for irregular cash flows in the personal accounts of Taishin employees. 4. Taishin completed an overall review of the system.
	(4) The case involved errors in new OBU deposit accounts and short-term trade financing and foreign currency loans, for which Taishin was given a warning by FSC under Letter No. Financial-Supervisory-Banking-Control-10801064170 dated December 9, 2019.	<ol style="list-style-type: none"> 1. A customer review and the New OBU Account and KYC Checklist were completed. The frequency of self assessments was changed from once every six months to once every quarter. 2. For short-term trade financing loans, in addition to authentication of foreign transaction documents, additional transaction receipts will be required based on the customer and related geopolitical risks, and the receipts will be checked for signs of suspicious transactions. 3. Training courses have been completed for 2020 Q1.

Company	Cases and values	Status of improvement
Taishin Bank	(5) Taishin Bank was fined NT\$8 million by the Financial Supervisory Commission, through Letter No. Financial-Supervisory-Banking-Holding-10802223742 dated May 19, 2020, for the fault caused by allowing a customer to purchase an investment-linked policy with funds from a loan against a policy and mortgage lien.	<ol style="list-style-type: none"> 1. If a customer has taken out a loan with Taishin Bank prior to purchasing an insurance product, customer services must use audio recordings to verify the source of the paid premiums with the customer before accepting the purchase. 2. The information of a customer who has taken out a loan before subscribing to insurance products must be reviewed by a supervisor. 3. Strengthen declaration on the purpose for funds.
	(6) Taishin Bank was corrected by the Financial Supervisory Commission, through Letter No. Financial-Supervisory-Banking-Holding-10902066581 dated February 1, 2021, for the fault caused by erroneous destruction of data under outsourced storage.	<ol style="list-style-type: none"> 1. The file storage period is automatically converted into a date by the system to prevent manual entry error by the vendor. 2. The vendor must provide a file that lists data changes of Taishin Bank on a monthly basis to ensure the data delivered to the data center is correct. 3. Inspect the outsourced data storage site on-site three times a year, and check whether file creation and verification operations are rigorously carried out.
Taishin Securities	(1) Taishin Securities was corrected by the Financial Supervisory Commission, through Letter No. Financial-Supervisory-Securities-Futures-1090332457 dated March 23, 2020. The Sanmin branch concurrently operates futures brokerage services and offset the position on behalf on an account holder, for which the first market order was implemented at market price.	<ol style="list-style-type: none"> 1. Starting from May 4, 2020, the computer system will assist in offsetting positions on behalf of customers. 2. Multiple drills and training courses on offsetting transactions were held company-wide in 2020, as to enhance employees' knowledge on offsetting transactions.
	(2) Taishin Securities was corrected by the Financial Supervisory Commission, through Letter No. Financial-Supervisory-Securities-Futures-1090375481 dated December 29, 2020. The Zhongli branch concurrently operates futures brokerage services and offset the position on behalf on an account holder, for which the first market order was implemented at market price.	<ol style="list-style-type: none"> 1. Starting from May 4, 2020, the computer system will assist in offsetting positions on behalf of customers. 2. Multiple drills and training courses on offsetting transactions were held company-wide in 2020, as to enhance employees' knowledge on offsetting transactions.
	(3) Taishin Securities was corrected and fined with NT\$500,000 by the Financial Supervisory Commission, through Letter No. Financial-Supervisory-Securities-11003603691 dated February 1, 2021 and Fine Notification No. Financial-Supervisory-Securities-Fine-1100360369, for faults found in a general inspection by the Financial Examination Bureau, Financial Supervisory Commission.	<ol style="list-style-type: none"> 1. AML/CFT related faults: <ol style="list-style-type: none"> (1) Enhanced due diligence and control measures are adopted for high-risk customers and beneficial ownership scrutiny tasks for legal entities have been announced. (2) Relevant procedures have been documented and types of account inspection and supervision have been added to the system. 2. Procedures related to risk-based supervision have been established. Risk taking units have reported to the Risk Management Committee losses on their investment portfolio and subsequent management measures. 3. The Regulations Governing Risk Allocation for Customers Investing in Foreign Securities were amended and the fee schedule was supplemented to the Taiwan Securities Association. 4. The securities account opening agreement has been modified and "coverage by deposit insurance, insurance guaranty fund, or other protection mechanisms" has been stated in a prominent typeface. 5. The report program for public subscription and private contributions in underwriting projects has been amended to verify whether the name of others has been used or misused to entrust subscription of shares.

Company	Cases and values	Status of improvement
Taishin Securities Investment Trust	Taishin Securities Investment Trust was corrected by the Financial Supervisory Commission, through Letter No. Financial-Supervisory-Securities-Investment-1090364295 dated September 9, 2020, for faults found in a general inspection by the Financial Examination Bureau, Financial Supervisory Commission.	<ol style="list-style-type: none"> 1. Online order placement and deletion on the system have been included in the internal control system and the operating procedures of all investment departments. 2. Preliminary assessment and subsequent review mechanisms have been added to the internal control system. Additionally, detailed explanations on verification price differences have been given. 3. Relevant documents have been requested from the client and the natural person who holds ultimate control has been identified. The customer's risk rating has been adjusted so that it complies with classification in Taishin FHC's list of high-risk jurisdictions. Parameters have been established according to the characteristics of the types of transactions stated in the newly-formulated List of Supervision Tasks for Transactions Suspected of Money Laundering, Terrorism Financing or Proliferation Financing. Concrete supervision indicators have been established for the transaction types and supervision tasks that must be carried out "on a regular basis".

3. 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:

Company	Cases and values	Status of improvement
Taishin Bank	A material contingency was reported on November 11, 2020. A former financial advisor at the Zhonghe Branch was found to have embezzled funds from customers.	<ol style="list-style-type: none"> 1. Adjust in-branch transaction work procedures, add transaction monitoring reports for financial advisors and their affiliated accounts, and adopt information campaigns to help customers safeguard their rights and interests. 2. An SMS will be sent to customers when a transaction exceeds a certain amount. The supervisor must review the matter, thereby adding another barrier against fraud. Completion is expected by March 2021. 3. The installation of recording equipment that can preserve full audio and video footage of entire transactions by tellers has been planned. Completion is expected by the end of December 2021.

4. Other items mandated by the FSC for disclosure: None.

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 2020 annual general meeting (2020.06.12) and execution progress:

Agenda	Result	Implementation status
1. Acknowledged the company's 2019 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 2019 earnings distribution.	Voted and acknowledged as proposed.	The record date was set on August 17, 2020 and the payment date (NT\$0.565 per share in cash) on September 9, 2020.
3. Discussed issuance of new common shares from earnings.	Voted and acknowledged as proposed.	The record date was set at August 17, 2020 and the payment date (NT\$0.231 per share in cash) at September 9, 2020.
4. Discuss amendments to the Company's "Rules of Procedure for Shareholder Meetings"	Voted and acknowledged as proposed.	Currently operating under the amended "Rules of Procedure for Shareholder Meetings"

2. Major resolutions of the board of directors in 2020

- 2020.01.16 Passed the application to issue a domestic unsecured corporate bond up to a total of NT\$10 billion.
- 2020.01.16 Passed the additional appointment of Shin-Hau Wu as an institutional representative director of Taishin Bank and Taishin Securities.
- 2020.02.27 Passed the 2019 consolidated financial statements.
- 2020.02.27 Passed the convening of the 2020 annual general meeting on June 12, 2020 (including Class E preferred shareholders).
- 2020.02.27 Passed the appointment of Vincent Tsai as the head of the Performance Management Division, and Andy Chang, head of the Human Resources Division, as the head of the Corporate Planning Division concurrently.
- 2020.03.26 Passed the amendment to the Shareholders' Meeting Policy and revision of the Organizational Charter.
- 2020.04.30 Passed the 2019 business report, earnings distribution proposal, and share issue against capitalized earnings.
- 2020.04.30 Passed the appointment of Shouna Liu as representative of institutional director Taishin Securities Investment Advisory in substitution of Spike Wu.
- 2020.04.30 Passed the revision of the Board of Directors Meeting Policy and Audit Committee Charter.
- 2020.06.01 Passed to take part in the buyout bid of Prudential Life Insurance of Taiwan Ltd.
- 2020.08.11 Passed to invest in 100% shares of Prudential Life Insurance of Taiwan Ltd.
- 2020.08.20 Passed the Appointment of Tong-Shung Wu, Tong-Liang Wu, Shean-Yng Liaw, Chieh-Sheng Tiao, and Welch Lin as representatives of institutional directors and supervisors for the 7th Board of Directors of Taishin Asset Management.
- 2020.08.20 Passed the establishment of the Nomination Committee Charter.
- 2020.08.20 Passed the amendment of the "Ethical Corporate Management Best Practice Principles".
- 2020.09.24 Passed the appointment of Chu-Chan Wang, Yi-Fu Lin, and Min-Yu Chang as members of the first Nomination Committee.
- 2020.10.29 Passed the amendment to the "Internal Audit System".
- 2020.12.31 Passed the merger of Taishin Financial Leasing (Tianjin) with Taishin Financial Leasing (China) Co., Ltd.
- 2020.12.31 Passed the appointment of Lai-Ping Chi as independent director of the 12th Board of Directors of Taishin Securities in substitution of Charles wy Wang.
- 2020.12.31 Passed the appointment of Vincent Tsai as the head of Accounting.

3. Major resolutions of the board of directors in 2021

- 2021.02.25 Passed the 2020 consolidated financial statements.
- 2021.02.25 Passed the convening of the 2021 annual general meeting on June 11, 2021.

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. Resignation and dismissal of managerial officers related to the financial report including chairman, president, chief accounting officer, chief internal auditor, and chief governance officer, in the past year and up to the date of report:

Title	Name	Employment Start Date	Employment End Date	Reason for Resignation or Dismissal
Chief Accounting Officer	Vanessa Chen	2019.09.01	2020.12.31	Job adjustment

D. Information on CPA's fee

Name of accounting firm	Name of CPA		Audit period	Note
Deloitte & Touche	Ching-Cheng Yang	Kwan-Chung Lai	2020.01.01 ~ 2020.12.31	The CPAs were changed due to the internal rotation by Deloitte & Touche
	Ching-Cheng Yang	Han-Ni Fang		

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				

Base Date: Dec. 31, 2020 Unit: NT1,000

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	Ching-Cheng Yang	Kwan-Chung Lai	5,960	-	350	48	1,400	1,798	2020.01.01 ~ 2020.12.31	1. The CPAs were changed due to the internal rotation by Deloitte & Touche. 2. Non-audit remuneration -Others" consists mainly of the BEPS action plan, review of matters including issuance of corporate bonds, capitalized earnings and Taishin FHC annual report, and accountants' opinion about investment in Prudential Life Insurance of Taiwan Ltd.
	Ching-Cheng Yang	Han-Ni Fang								

Note 1: If the company 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 Note 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 10% from the previous year which requires mandatory disclosure of the reduction amount, percentage, and reason: Not applicable.

► E. Replacement of CPA:

The Company changed the CPAs due to the internal rotation by Deloitte & Touche.

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	2020				As of Feb. 28, 2021			
		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	2,860,076	0	0	0	0	0	0	0
Representative (Chairman)	Wu, Tong-Liang	249,960	0	0	0	0	0	0	0
Director (Major shareholder) (Note1)	TASCO Chemical Co., Ltd.	17,190,434	0	0	0	0	0	0	0
Representative	Wu, Cheng-Ching	0	0	0	0	0	0	0	0
Director	Hsiang-Chao Co., Ltd.	1,183,403	0	0	0	0	0	0	0
Representative	Kuo, Jui-Sung	14,361	0	0	0	0	0	0	0
Director	Santo Arden Co., Ltd.	138,627	0	0	0	0	0	0	0
Representative	Wang, Chu-Chan	259,268	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	893,071	0	0	0	0	0	0	0
Chief Auditor	Daniel Tsai	0	0	(10,000)	0	0	0	0	0
Chief Financial Officer	Carol Lai	34,035	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	100,000	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	(12,541)	0	0	0	0	0	0	0
Senior Vice President	Frank Lin	65,831	0	35,000	0	0	0	0	0
Senior Vice President	Andy Chang	95,645	0	0	0	0	0	0	0
Senior Vice President	Avon Fan	0	0	0	0	0	0	0	0
Deputy Chief Auditor	Adeline Jai	53,745	0	0	0	0	0	0	0
Senior Vice President	Vincent Tsai	11	0	0	0	0	0	0	0
Senior Vice President	Tingning Yu	9,781	0	0	0	0	0	0	0
Senior Vice President	Vanessa Chen	0	0	0	0	0	0	0	0
Vice President	Linda Chen	62,277	0	0	0	0	0	0	0
Assistant Vice President	Harley Ho	0	0	0	0	0	0	0	0

Unit: share

Title	Name	2020				As of Feb. 28, 2021			
		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
Same person or same related person	Yunteh Company Limited	13,296,594	0	Not applicable (Note 4)		2,000,000	0	Not applicable (Note 4)	
Same person or same related person	Wangtien Woolen Textile Co., Ltd.	1,070,170	0			0	0		
Same person or same related person	Shi Hong Investment Co., Ltd.	89,885	0			0	0		
Same person or same related person Large shareholder (Note 1)	Taishin Leasing & Financing Co., Ltd.	7,520,406	0			0	0		
Same person or same related person	Taishin International Investment and Development Co., Ltd.	1,106,33	0			0	0		
Same person or same related person	Zhao Heng Company Limited	8,307,951	0			0	0		
Same person or same related person	An-Long Enterprise Co., Ltd.	208,161	0			0	0		
Same person or same related person	Ju-Yueh Wu	33,548	0			0	0		
Same person or same related person	Ju-Ying Wu	72,156	0			0	0		
Same person or same related person	Wu, Shin-Wei	2,680	0			0	0		
Same person or same related person	Wu, Shin-Hau	(351,797)	0			0	0		
Same person or same related person	Eric Wu	7,180	0			0	0		
Same person or same related person	Wu, Tong-Liang	249,960	0			0	0		
Same person or same related person	Wu, Chao-Tong	119,977	0			0	0		
Same person or same related person	Wu, Chao-Yi	119,977	0			0	0		
Same person or same related person	Hong Tai Investment Co., Ltd.	1,431	0			0	0		
Same person or same related person Large shareholder (Note 1)	Tong Shian Investment Co., Ltd.	3,087,417	0			0	0		

Title	Name	2020				As of Feb. 28, 2021			
		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
Same person or same related person	Yi Huan Co., Ltd.	3,825,519	0	Not applicable (Note 4)		0	0	Not applicable (Note 4)	
Same person or same related person	Shin Kong Wu Ho-Su Rescue Foundation	750	0			0	0		
Same person or same related person	Taishin Charity Foundation	14,684	0			0	0		
Same person or same related person	Shin Kong Wu Ho-Su Culture and Education Foundation	3,330	0			0	0		
Same person or same related person	Bo Si Company Limited	269,472	0			0	0		
Same person or same related person	Bo-Rui Co., Ltd.	1,806,331	0			0	0		
Same person or same related person	Peng, Hsueh-Fen	157,784	0			0	0		
Same person or same related person	Hsiang-Chao Co., Ltd.	1,183,403	0			0	0		
Same person or same related person Large shareholder (Note 1)	Shinkong Synthetic Fibers Corp.	3,132,637	0			0	0		
Same person or same related person	Shinkong Entertainment Co. Ltd.	1,711,955	0			0	0		
Same person or same related person	Ruey-Shin Enterprise Co., Ltd.	83,550	0			0	0		
Same person or same related person	Hsiang-Chao Co., Ltd.	2,860,076	0			0	0		
Same person or same related person	Xing An Enterprise,.	53,106	0			0	0		
Same person or same related person	Ching-Wei Co., Ltd.	257,463	0			0	0		
Same person or same related person	Chang He Company Limited	13,053,840	0			2,800,000	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 2020 was mainly caused by stock dividends or subscriptions to cash issues.

Note 4: Preferred shares issued by Taishin do not come with voting rights, and therefore Article 16 of the Financial Holding Company Act does not apply.

Note 5: As of February 28, 2021, the shareholding percentage of the issued shares with voting rights of the Company under Mr. Tong-Liang Wu and related parties is 11.08%. Please refer to MOPS(<https://mops.twse.com.tw/mops/web/t142sb01>) for detailed shareholding information.

b. Information of shareholding transfer

Unit: share

Name	Reason of Transfer	Date of Transaction	Transferee	Relationship between Transferee and the Company, Directors, Supervisors and Shareholders with more than 10% shareholding	Shares	Transaction Price(NTD)
Wu, Shin-Hau	Disposal (giving)	2020.04.17	Hu, Yi-Lien	<ul style="list-style-type: none"> ◆ Spouse of Wu, Shin-Hau ◆ Relative within first tier of Wu, Chao-Yi and Wu, Chao-Tong 	234,532	12.00
			Wu, Chao-Yi	<ul style="list-style-type: none"> ◆ Relative within second tier of Wu, Tong-Liang, Peng, Hsueh-Fen, and Wu, Chao-Tong ◆ Relative within first tier of Wu, Shin-Hau 	117,265	12.00
Wu, Chao-Yi	Acquisition (receiving)	2020.04.17	Wu, Shin-Hau	<ul style="list-style-type: none"> ◆ Relative within first tier of Wu, Tong-Liang, Peng, Hsueh-Fen, Wu, Chao-Yi and Wu, Chao-Tong ◆ Relative within second tier of Wu, Shin-Wei 	117,265	12.00
Wu, Chao-Tong	Acquisition (receiving)	2020.04.22	Hu, Yi-Lien	<ul style="list-style-type: none"> ◆ Spouse of Wu, Shin-Hau ◆ Relative within first tier of Wu, Chao-Yi and Wu, Chao-Tong 	117,265	12.24

c. Information of shareholding pledge: None.

► H. Information regarding top ten shareholders who are related parties, spouses or blood relatives of second degree or closer

Information on the Relationship between the 10 largest Shareholders

Base date: April 13, 2021 unit: share; %

Number	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		Note
		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	434,834,363	3.71	0	0.00	0	0.00	None	None	
2	Fubon Life Insurance Co., Ltd. Representative: Richard M. Tsai	396,304,109	3.38	0	0.00	0	0.00	None	None	
3	Taishin Leasing & Financing Co., Ltd. Representative: Zhong, Yong-Hong	346,089,188	2.95	0	0.00	0	0.00	None	None	
4	China Life Insurance Co., Ltd. Representative: Stephanie Hwang	217,539,980	1.86	0	0.00	0	0.00	None	None	
5	Farglory Life Insurance Co., Ltd. Representative: Roy Meng	186,394,245	1.59	0	0.00	0	0.00	None	None	
6	Norges Bank	150,293,037	1.28	0	0.00	0	0.00	None	None	
7	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	146,023,700	1.25	0	0.00	0	0.00	None	None	
8	Shinkong Synthetic Fibers Corporation Representative: Wu, Tung-Sheng	138,540,547	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)	138,140,716	1.18	0	0.00	0	0.00	No.8	Representative's relative within 2 tiers	
10	TransGlobe Life Insurance Inc., Representative: Stiven Peng	137,913,780	1.18	0	0.00	0	0.00	None	None	

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

► **I. The Number 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, 2020 unit:share; %

Equity investment (No te1)	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	
	Number of shares	Share of stake	Number of shares	Share of stake	Number of shares	Share of stake
Taishin International Bank Co., Ltd.	8,695,711,853	100.00	0	0.00	8,695,711,853	100.00
Taishin Securities Co., Ltd.	692,412,444	100.00	0	0.00	692,412,444	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.	421,911,304	100.00	0	0.00	421,911,304	100.00
Chang Hwa Commercial Bank, Co., Ltd.	2,341,359,234	22.55	27,740,954	0.27	2,369,100,188	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



04

Capital Overview

IV. Capital Overview

▶ A. Capital and shares

Sources of capital

Reference date: February 28, 2021 Unit: thousand shares.
Except for the issue price that is shown in NT\$1, the remaining is shown in NT\$1,000.

Times	Issuing Prices	Authorized Capital		Paid-in Capital		Remarks	
		Number of Shares	Value	Number of Shares	Value	Sources of Capital	Others
Jan. 2020	10	20,000,000	200,000,000	Common share 10,658,309 Preferred share E 800,000	Common share 106,583,098 Preferred share E 8,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10901009150 Jan. 22, 2020 (Note 1)
May 2020	10	20,000,000	200,000,000	Common share 10,659,928 Preferred share E 800,000	Common share 106,599,288 Preferred share E 8,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10901074740 May. 15, 2020 (Note 2)
Jul. 2020	10	20,000,000	200,000,000	Common share 10,660,079 Preferred share E 800,000	Common share 106,600,798 Preferred share E 8,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10901143430 Jul. 27, 2020 (Note 3)
Aug. 2020	10	20,000,000	200,000,000	Common share 10,906,741 Preferred share E 800,000	Common share 109,067,416 Preferred share E 8,000,000	Proposal to issue shares against capitalized earnings	MOEA, No. 10901159230 Aug. 26, 2020 (Note 4)
Nov. 2020	10	20,000,000	200,000,000	Common share 10,911,566 Preferred share E 800,000	Common share 109,115,661 Preferred share E 8,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10901207540 Nov. 12, 2020 (Note 5)
Feb. 2021	10	20,000,000	200,000,000	Common share 10,913,310 Preferred share E 800,000	Common share 109,133,101 Preferred share E 8,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 11001016210 Jan. 22, 2021 (Note 6)

Note 1: Exercise of options by employees for issuance of 1,605,500 common shares.

Note 2: Exercise of options by employees for issuance of 1,619,000 common shares.

Note 3: Exercise of options by employees for issuance of 151,000 common shares.

Note 4: The Company issued 246,661,800 ordinary shares from earnings.

Note 5: Exercise of options by employees for issuance of 4,824,500 common shares.

Note 6: Exercise of options by employees for issuance of 1,744,000 common shares.

Base date: Feb. 28, 2021 Unit: share

Share Categories	Authorized Capital			Note
	Shares in circulation	Shares without issuance	Total shares	
Common Shares	10,913,310,170 (Note)	8,286,689,830	20,000,000,000	Listed shares
Preferred Shares E	800,000,000			Listed shares

Note: The number of outstanding common shares does not include, between January 1, 2021 and February 28, 2021, the number of new shares against the exercise of options by employees.

B. Structure of shareholders

Structure of Shareholders (Common shares)

Base date: April 13, 2021 Unit: share; %

Structure of Shareholders Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	10	109	761	322,642	1,072	324,594
Number of shares	79,477,658	1,310,642,229	2,366,704,921	4,304,668,436	2,852,123,926	10,913,617,170
Share of stake	0.73	12.01	21.69	39.44	26.13	100.00

Structure of Shareholders (Preferred shares E)

Base date: April 13, 2021 Unit: share, %

Structure of Shareholders Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	0	37	190	26,121	44	26,392
Number of shares	0	534,903,739	183,940,606	79,736,373	1,419,282	800,000,000
Share of stake	0.00	66.86	22.99	9.97	0.18	100.00

C. Distribution of shareholding

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

Base date: April 13, 2021 unit: share; %

Classification of Shareholding	Number of Shareholders	Number of shares	Share of stake
1 ~ 999	92,450	22,727,196	0.21
1,000 ~ 5,000	119,760	265,526,900	2.43
5,001 ~ 10,000	39,378	274,953,542	2.52
10,001 ~ 15,000	21,955	261,129,186	2.39
15,001 ~ 20,000	11,411	197,711,393	1.81
20,001 ~ 30,000	13,283	320,312,367	2.93
30,001 ~ 50,000	10,786	406,852,071	3.72
50,001 ~ 100,000	7,953	544,483,130	4.99
100,001 ~ 200,000	4,139	557,799,527	5.11
200,001 ~ 400,000	1,812	494,875,653	4.53
400,001 ~ 600,000	543	266,316,803	2.44
600,001 ~ 800,000	250	171,539,138	1.57
800,001 ~ 1,000,000	155	140,156,700	1.28
1,000,001 ~	719	6,989,233,564	64.04
Total	324,594	10,913,617,170	100.00

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

Base date: April 13, 2021 unit: share; %

Classification of Shareholding	Number of Shareholders	Number of shares	Share of stake
1 ~ 999	17,316	3,069,511	0.38
1,000 ~ 5,000	6,493	14,422,054	1.80
5,001 ~ 10,000	1,141	8,584,354	1.07
10,001 ~ 15,000	334	4,204,164	0.53
15,001 ~ 20,000	288	5,272,286	0.66
20,001 ~ 30,000	233	5,727,251	0.72
30,001 ~ 50,000	207	8,256,778	1.03
50,001 ~ 100,000	178	12,481,476	1.56
100,001 ~ 200,000	72	10,361,638	1.30
200,001 ~ 400,000	42	11,980,491	1.50
400,001 ~ 600,000	13	6,480,915	0.81
600,001 ~ 800,000	8	5,367,616	0.67
800,001 ~ 1,000,000	6	5,976,284	0.75
1,000,001 ~	61	697,815,182	87.23
Total	26,392	800,000,000	100.00

D. Major shareholders

Base date: April 13, 2021 unit: share; %

Shareholding	Number of Shares	Share of Stake
Names of		
TASCO Chemical Co., Ltd.	434,834,363	3.71
Fubon Life Insurance Co., Ltd.	396,304,109	3.38
Taishin Leasing & Financing Co., Ltd	346,089,188	2.95
China Life Insurance Co., Ltd.	217,539,980	1.86
Farglory Life Insurance Co., Ltd.	186,394,245	1.59
Norges Bank	150,293,037	1.28
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	146,023,700	1.25
Shinkong Synthetic Fibers Corporation	138,540,547	1.18
Tong Shan Investment Co., Ltd.	138,140,716	1.18
TransGlobe Life Insurance Inc.	137,913,780	1.18

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	2019	2020	As of Feb. 28, 2021 (Note 6)
Market Price Per Share	Highest		14.80	14.80	13.35
	Lowest		12.95	10.10	12.50
	Average		14.00	13.02	12.92
Net Worth Per Share	Before distribution (coverage of loss)		12.86	13.22	13.35
	After distribution (coverage of loss)		12.74	(Note 1)	NA
Earnings Per Share	Weighted Average Outstanding shares (thousand share)	Before Adjustment	10,655,976	10,908,623	10,913,310
		After Adjustment	10,902,500	10,908,623	NA
	Earnings per share	Before Adjustment	1.19	1.17	0.23
		After Adjustment	1.16	1.17	NA
Dividends Per Share	Cash Dividend		0.5655	(Note 1)	NA
	Stock Dividend	Dividends from Retained Earnings	0.2313	(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)		11.79	11.25	NA
	Price to Dividends Ratio (Note 4)		24.81	(Note 1)	NA
	Cash Dividends Yield (Note 5)		4.03%	(Note 1)	NA

Note 1: The Earning distribution for year 2020 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 2019 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 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 the period profits available for distribution to shareholder dividends(after deducting the beginning undistributed earning adjustments). 80% or more of the period 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 .

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' 2020 audited after-tax profit amounted to NT\$14,493,421,670. After considering the initial undistributed earnings, deducting undistributed earning adjustments, allocating NT\$1,419,375,210 for the 10% legal reserve as stipulated by Article 237 of the Company Act and Article 40-1 of our Articles of Incorporation, and reversing NT\$144,352 of the special reserve in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act and Enforcement Letter "Financial-Supervisory-Securities-Corporate-1090150022", the distributable earnings for this year were NT\$17,412,042,452. The following surplus allocation and dividend distribution have been proposed according to the Articles of Incorporation:
 - (1) First, NT\$1,757,500,000 of cash dividends will be allocated to Class E preferred shareholders;
 - (2) Next, NT\$11,017,021,242 of dividends will be allocated to common shareholders (approximately NT\$1.00 per share). This amount consists of NT\$6,059,361,242 of cash dividends (approximately NT\$0.55 per share) and NT\$4,957,660,000 of stock dividends (approximately NT\$0.45 per share). The NT\$4,957,660,000 of stock dividends shall be paid with a new offering of 495,766,000 common shares with a par value of NT\$10 per share. The rights and obligations of the new shares to be issued will be the same as the existing common shares. The aforementioned issuance of new common shares as stock dividends shall be discussed in a separate agenda item.
3. The amount of dividends distributed to each common share is based on 10,913,617,170 shares outstanding as at April 13, 2021. The amount per share actually distributed will vary due to any treasury stock transactions and exercise of employee stock options that occur before the ex-dividend/ex-right date; however, the total amount distributed 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 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\$1,445,695 in cash bonus to employee and NT\$108,427,142 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\$36,290,686. The deviation was caused by changes in accounting estimates, and will be recognized in the 2021 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 11, 2021.

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\$1,468,273 and the director remuneration NT\$110,120,472. The actual amounts deviated from the recognized employee remuneration and director remuneration by NT\$35,243,286, which was attributed to changes in accounting estimates, and recognized in the 2020 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, 2021

Type of Corporate Bonds		2017 Domestic 1st Unsecured Subordinated Corporate Bond
Date of issuance		Oct. 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 (Oct. 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: Peter Tsai & Qinzhen Yang
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 - 2

Base date: Feb. 28, 2021

Type of Corporate Bonds		2018 Domestic 1st Unsecured Subordinated Corporate Bond
Date of issuance		Jul. 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 (Jul. 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.
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, 2021

Type of Corporate Bonds		2019 Domestic 1st Unsecured Subordinated Corporate Bond
Date of issuance		Apr. 30, 2019
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		1.60% per annum
Tenor		15 years (Apr. 30, 2034)
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.
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 - 4

Base date: Feb. 28, 2021

Type of Corporate Bonds		1st Issuance of Unsecured Corporate Bonds of Taishin FHC of Year 2020
Date of issuance		May 20, 2020
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\$10 Billion
Coupon rate		Tranche A: 0.75% per annum Tranche B: 0.80% per annum Tranche C: 0.95% per annum
Tenor		Tranche A: 5 years Maturity: May 20,2025 Tranche B: 7 years Maturity: May 20,2027 Tranche C: 15 years Maturity: May 20,2035
Subordinate / Senior Ranking		Senior
Guarantor		None
Trustee		Taipei Fubon Bank
Underwriting institution		Taishin International Bank
Certified lawyer		Far East Law office's lawyer: Ya-Wen Chiu
CPA-auditor of the financial report		Deloitte & Touche's CPAs: Tza-Li Gung & Kwan-Chung Lai
Repayment method		Repayment at maturity
Outstanding principle		NT\$10 Billion
The terms and conditions for redemption or early repayment		None
Restrictive clause		None
Whether included as eligible capital		Not Applicable
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, 2021

Item		Issuing Date	Dec. 28, 2016 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	<p>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.</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>	
		<p>Allotment of remaining properties</p> <p>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.</p>	
		<p>Voting or election rights</p> <p>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.</p>	
		<p>Other rights</p> <p>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.</p>	
Preferred shares outstanding	Total amount of redemption or conversion	None	
	Total amount to be redeemed or converted	NT\$25,000,000,000	
Market Price	2018	Highest	54.9
		Lowest	51.8
		Average	53.5
	2019	Highest	56.3
		Lowest	53.3
		Average	55.3
	2020	Highest	56.6
		Lowest	50.1
		Average	53.9
	As of 2021.02.28	Highest	52.9
		Lowest	52.1
		Average	52.5
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	

Issuance of Preferred Shares - 2

Base date: Feb. 28, 2021

Issuing Date		Nov. 30, 2018
Item		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 cancelation 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)	2019	Highest 55.1
		Lowest 50.3
		Average 52.6
	2020	Highest 55.1
		Lowest 49.5
		Average 52.3
	As of 2021.02.28	Highest 51.6
		Lowest 51.1
		Average 51.4
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: 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 2019 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 option

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

Base date: Feb. 28, 2021

Type of Employees' Stock option	99-1st Employees' Stock option	99-2nd Employees' Stock option
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 Number of shares for warrants as a percentage of total amount of issued shares (%)	0.64%	0.01%
Duration for stock options	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 options	Oct.13, 2012 ~ Oct.12, 2020 First to fifth issuance: 15-40% each	Aug. 31, 2013 ~ Aug. 30, 2021 First to fifth issuance: 15-40% each
Number of shares obtained via execution of warrants	55,419,500	1,200,000
Value of shares obtained via execution of warrants (NT\$)	484,419,103	9,710,000
Number of shares for warrants yet to be executed	0	307,000
Share price for warrants yet to be executed (NT\$/ per share)	6.5	6.6
Percentage of the Number of shares for warrants yet to be executed in the total amount of issued shares (%)	0.00%	0.003%
Impact on shareholders'equities	The diluting effect on the interest of original shareholders is limited since stock options 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 options 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 options and the top ten employees with the highest number of convertible rights

Base date: Feb. 28, 2021

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	99 option	99 option	99 option	99 option	99 option	99 option	99 option	99 option	99 option	99 option
	Chief Risk Officer	Jey Chen	1st	1st	1st	1st	1st	1st	1st	1st	1st	1st
	Senior Vice President	David Chang	5,910	0.05%	5,910	8.3	48,893.2	0.05%	0	6.5	0	0.00%
	Senior Vice President	Frank Lin										
	Senior Vice President	Andy Chang										
	Senior Vice President	Avon Fan	99 option	99 option	99 option	99 option	99 option	99 option	99 option	99 option	99 option	99 option
	Senior Vice President	Tingning Yu	2nd	2nd	2nd	2nd	2nd	2nd	2nd	2nd	2nd	2nd
	Senior Vice President	Vincent Tsai	104	0.00%	0.0	0.0	0.0	0.00%	104	6.6	686	0.00%
	Senior Vice President	Vanessa Chen (2021.1.1 relief of duty)										
Employees	Chief Consultant	Tong-Shung Wu										
	Executive Consultant	Steve S.F. Shieh										
	AML/CFT	Yi-Ta Lin										

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

► N. Mergers and acquisitions or transfer of other financial institutions

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.

Taishin FHC's subsidiary, Taishin International Bank, assumed the existing insurance brokerage business of its subsidiary, Xiang-An Life Insurance Agency Co., Ltd., by transfer of business on November 2, 2019.

On August 11, 2020, Taishin Holdings submitted a proposal to invest in Prudential Life Insurance Company of Taiwan Inc to the Board of Directors. As of the publication date of the annual report, it is undergoing review by the Financial Supervisory Commission (the competent authority).

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

As of the quarter preceding the publication date of the annual report, all fund utilization plans of previous offerings or private placements of securities and corporate bonds have been completed, and there is not a fund utilization plan in the last three years that has been completed without realizing the expected benefits.

a. Plan

Analysis of previous offerings or private placements of securities and corporate bonds that have not been completed, and the not-yet-realized expected benefits of fund utilization plans completed in the last three years: None.

b. Current progress

As of the quarter preceding the publication date of the annual report, reasons for the fund utilization plans of previous offerings or private placements of securities and corporate bonds not having been completed, one or more fund utilization plans in the last three years having been completed without realizing the expected benefits, or the progress or benefits falling short of expectations: None.



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Operating Status

V. Operating Status

▶ A. Business contents

Taishin Financial Holding Co., Ltd.

a. Business scope

1. Scope of business

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.

2. Revenue breakdown

Unit: NT\$1,000

Item	Amount	%
Investment income under equity method	15,418,827	99.83
Other net income	25,901	0.17
Total	15,444,728	100.00

b. Current business plan

1. Continue to expand the scale and profit of subsidiaries.
2. Deepen cooperation between subsidiaries to create synergy in Taishin FHC.
3. Develop the digital transformation strategy and roadmap of Taishin FHC.
4. Ensure risk management.
5. Utilize capital management.
6. Strengthen the brand as an employer to attract and keep top talent.
7. Optimize resources under Taishin FHC to improve the functionality and stability of IT systems

c. Industry status

1. Market status

The coronavirus dealt a devastating blow to the global economy in 2020. Major economies, such as the United States, China, the euro area, and Japan, all reported the biggest quarterly plunges in history in the first half of the year. China, being the first to face an outbreak and also the first to initiate a national lockdown, saw an economic drop of 6.8% in the first quarter. Other countries that followed with lockdown measures of their own in second quarter also ended up with huge economic drops. In particular, the United States fell by 9.0% in the second quarter, the euro area by 14.9%, and Japan by 10.2%. However, with more countries implementing large-scale fiscal and monetary stimulus packages and trying their best to mitigate disease control policy interference in the economies, major economies had reached the bottom and started rebounding in mid-2020. Many economic declines were clearly narrowing, and China resumed a positive growth. While the coronavirus continued to spread in the second half of 2020 and the number of confirmed cases rose sharply as winter approached, forcing many countries to re-impose restrictions on certain economic activities, the economic impact of the pandemic is waning with clinical successes of several vaccines in other countries and large-scale vaccination.

Taiwan's economic outlook in the first half of 2020 sustained a hit from domestic and overseas coronavirus outbreaks. Private spending and traditional exports came to an abrupt halt, and the central bank decided to lower interest rates by 0.25 percentage points in a board meeting in March. As the world adjust to new ways of living and working, such as work-from-home, remote learning, and online shopping, the demand for electronic products skyrocketed. Taiwan's exports of semiconductors and other electronic components reached historic high in 2020, and generated upward momentum for the economy. TAIEX started low in 2020, and surged to a 30-year high at 14,733. TAIEX rose by 2,735, or 22.80%, compared to the end of 2019; and TPEX rose by 34.74, or 23.90%, compared to the end of 2019.

Taiwan's financial sector benefited from strong stock market performance, leading to profit growth for insurers and securities firms. Overall earnings before tax for the financial sector amounted to NT\$675.66 billion in 2020, a 6.5% increase compared to 2019. Meanwhile, banks saw lower interest income due to lower interest rates and volatile exchange rates. Earnings before tax fell by 8.9% compared to 2019 to NT\$370.82 billion. Looking forward to 2021, the waning effect of the pandemic on the global economy is allowing the world to slowly resume normal economic activities. Recovering demand in traditional industries will fuel continuing momentum in Taiwan's economy in 2021. However, given it will take the global economy a few years to return to the pre-pandemic level, the central bank is expected to maintain a relatively eased monetary environment for continued stability in financial markets in 2021.

2. Trends in financial products

For the last few years, the government has been urging businesses to return to invest in Taiwan in order to invigorate Taiwan's financial markets. It is hoped that while strengthening financial resilience, they will also provide room for innovation and creativity. Provided the target of balancing "financial stability" and "financial progress" is met, the policies proposed in 2020 will be implemented in an effective and orderly fashion. With the hope to find growth opportunities on the basis of stability, the government tries to elevate Taiwan to a hub for fund transfer and high net worth wealth management services for Asian businesses, help startups in key industries obtain funding, and promote adoption of international standards in the banking system.

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\$4,440,000 in 2019 and NT\$29,906,000 in 2020. (Related information please refer to P.102~104)

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

We followed our operating budgets closely in 2020, and our core business delivered consistent profit growth on the whole. After-tax profit totaled NT\$14.5 billion for the year. For the year 2020, after-tax profit totaled NT\$14.5 billion, the EPS was NT\$1.17, the ROE was 9.05%, and the net value for the common shareholders was of NT\$13.22 per share at the end of the year. In terms of capital structure, our capital adequacy ratio was 130.0% and double leverage ratio was 118.2% at the end of 2020. The capital structure remained sound.

1. Short-term business development plan

- (1) Increase the scale of subsidiary operations and the number of overseas offices to enhance profitability.
- (2) Develop digital banking services and support digital transformation and innovation.
- (3) Implement customer centric integrated marketing to meet the demand for banking services.
- (4) Ensure regulatory compliance and stress the importance of corporate governance.
- (5) Strengthen risk management capabilities, and lay the IT foundation for business growth.
- (6) Utilize capital management.
- (7) Strengthen the brand as an employer to attract and keep top talent.
- (8) Optimize resources under Taishin FHC to improve the functionality and stability of IT systems.

2. Long-term business development plan

- (1) Complete the cross industry network under Taishin FHC and increase the scale of subsidiary operations to become more competitive worldwide.
- (2) Continue to expand the banking network overseas by offering more comprehensive and higher quality financial services for the global Chinese community.
- (3) Develop the digital transformation and strategic roadmap under Taishin FHC, continue to promote digital transformation, and become customer's first choice by providing innovative products and services.
- (4) Strengthen the brand as an employer to attract top talent in all fields.
- (5) Support corporate social responsibility and sustainable development on an ongoing basis.

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 exclusive customers", Taishin Bank is a leader of wealth management services with a steadily growing number of customers. For instance, Taishin Bank has been winning awards year after year. These awards include The Banker and PWM's Best Private Bank for Customer Service in Asia, 2020 Private Banker International's Highly Commended: Outstanding Private Bank, North Asia, the Digital Banker's Best Digital Customer Experience in Wealth Management, and Business Today's, Wealth Magazine's and Excellence Magazine's Best Wealth Management Awards.

(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 8% in 2020; the number of credit cards in circulation increased by 7%; 4th place in market share; 7% increase in total card accepting merchants, and 1st place in market share; 4th place in market share by credit card spending and an excellent performance with 18% increase in food and drink and 14% increase in online/TV shopping.

(3) Digital Banking

As part of its commitment to develop digital banking services, Taishin Bank was first to launch a digital banking brand, Richart, and provide brand new integrated products and services for digital consumers. This is a product that is 100% built to improve the user experience. It has inspired more new ideas in banking and won more than 70 domestic and international awards. Taishin Bank is a digital banking leader that embraces constant innovation. It utilizes open APIs to work with merchants in exchanging financial services, and forms cross industry alliances with TSP operators to combine multilateral billing platforms. The approach allows payments to be made on various everyday bills, and creates a new business model for payment services. Taishin Bank's API in financial services won the 2020 Celent Model Bank Award in Open Banking Ecosystem Development. It was another opportunity to showcase Taiwan's innovative financial services to the international community.

In terms of mobile payments, Taishin Bank is not only Taiwan's first bank to support all four contactless mobile payments (Apple Pay, Samsung Pay, Google Pay, and Taiwan Pay), but also Taiwan's first to concurrently support Alipay, WeChat Pay from China and payment tools used by the KEB Hana Bank. Thanks to the joint efforts of the bank and its partners, Taishin Bank has over 30,000 points of service in duty-free stores, department stores, major shopping districts, and nightmarkets. Furthermore, the bank continues to promote this service to more stores. Despite the effects of a global pandemic on development of the payment service, we borrowed from past experience and a well-established system to create Taishin Pay and a great variety of mobile payment scenarios. The success enabled Taishin Bank to be present in all four major convenience store chains and to provide a complete range of mobile payment plans for Taishin Bank's affiliated merchants. It not only made it easier for merchants to receive payments (barcode payment and other e-wallets), but also allowed merchants sufficient resources to develop payment systems for members. In short, Taishin Bank worked with merchants to create an ecosystem driven by everyday needs first and payments second.

Rising to the challenge of purely online banks, Taishin Bank built an everyday life and finance ecosystem, where it worked with strategic partners to create a new platform, Richart Life, that combined payments, points, everyday offers, and financial services. Richart Life will serve Taishin Bank's close to 7 million customers at the beginning. As Taishin Pay and Taishin Points guide more customers to shop in scenarios involving different strategic partners, all strategic partners can be brought into one app to work with Taishin Bank and provide services for its customers. There are more than 100,000 points of service that accepts Taishin Pay. Taishin Points can be used directly to pay or redeem for products and services. Customers can find everyday solutions easily on Richart Life.

(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

- A. Taishin's trust planning service offers Taishin's trust customers a complete range of financial planning products, including funds, collective investment accounts, foreign bonds, offshore structured products, foreign ETFs, foreign stocks, other foreign securities, structured trust services, and custody services. The service is also constantly working on customer segmentation into high net worth, wealth management, and digital segments in order to provide personalized asset allocation recommendations. Regarding digital transactions, Taishin Bank tries to add more transactions to Internet and mobile banking services. The aim is to provide a digital banking service and investing experience that is more innovative and friendly and in real-time.
- B. Regarding funds and collective accounts, Taishin Bank sets itself to utilize a line of funds with both depth and width and helps customers construct core and opportunity assets in order to achieve optimal portfolios and create more flexibility and better protection in asset allocation. The Bank continues to build a comprehensive product line. In response to increasingly volatile financial markets, Taishin Bank increases product diversification to give stability to customers' investment portfolios. The Bank is first to introduce new and innovative funds with specific focuses. Customers will have more options when markets are volatile. For high net worth customers, Taishin Bank takes an active approach to making 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 and meet the financial needs of high net worth customers. Taishin Bank also promotes regular savings plans to help customers accumulate wealth at a steady pace in a fast-changing market.

Furthermore, Taishin Bank works hard to expand NTD and foreign currency denominated collective investment services. The Bank also works with international investment firms to achieve better returns. The effort not only brings quality services for customers, but also strengthens the investment teams.

As the market and insurance laws change, Taishin Bank continues to introduce more protection products, including life insurance, accident insurance, and health insurance, through the insurance brokerage operation. At the same time, Taishin Bank has joined the effort to raise awareness of retirement planning in response to Taiwan's aging population, low birth rates and other social issues. The bank utilizes easy retirement insurance products to help customers start planning early, and endeavors to make Taishin a more competitive brand in the insurance market. Meanwhile, following the competent authority's policy, Taishin Bank is devoting more resources to provide professional training in protection and aging population related products for our salespersons. By having employees become better trained in tax and estate planning and in exploring customers' protection and other needs, Taishin Bank expects to achieve better matches between customers and products.

Furthermore, the COVID-19 pandemic induced fast changes in the financial markets throughout 2020. To satisfy the demand for both financial planning and protection, Taishin Bank continues to focus on providing a wide range of stability oriented unit linked insurance products. These products not only help customers preserve assets through life insurance coverage, but also provide annuities with certain guarantees. Death benefits and guarantees such as minimum endowment make it easier for customers to invest and accumulate wealth steadily within the protection provided by insurance.

As digital transformation in banking continues to gain momentum, Taishin Bank is also investing heavily in the digital transformation of our insurance brokerage business. The Taishin Bank online insurance enrollment platform, e-Insure, has more than 12,000 members as of the end of 2020. The platform offers property and casualty insurance (e.g. motorcycle/auto insurance) and life insurance (e.g. travel insurance and variable annuity). There are plans to introduce new forms of insurance products exclusively for the online platform in order to enable customers to purchase coverage anytime, anywhere.

- C. Regarding fixed income products, foreign bonds continue to offer a wide range of international premium bank debentures, corporate bonds, and government bonds to provide more asset allocation choices for customers who prefer to hold fixed income in their portfolios. Regarding offshore structured products available only to accredited investors investing on behalf of their clients, principal protected products achieve risk diversification through variety in the underlying instruments. Equity linked products without principal protection are offered alongside market opinions, and underlying securities are selected to track opportunities in the market. 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. The foreign securities investment advisory service also helps customers stay updated on their investments.
- D. Regarding structured trust services, Taishin Bank starts by identifying customer needs. In addition to designing standard contracts to satisfy the needs of mainstream clients, Taishin Bank provides personalized contracts and one-stop trust services for high end clients who may have different needs. Furthermore, to meet institutional clients' many different demands for trust services, Taishin Bank provides the custody services for foreign investors that enable foreign individuals and institutions to gain access to growth opportunities in Taiwan's stock market. Taishin Bank also provides the custody services for foreign/Chinese employee investment accounts for domestic TWSE/TPEX listed companies and primary listed companies in Taiwan. In addition, Taishin Bank works actively to gain a larger share in employee welfare trusts and help companies provide incentives and retain top talents.

(7) Insurance Broker Services

Taishin Bank is committed to operating its insurance brokerage business as an open platform dedicated to provide the best insurance brokerage services for its customers. As of the end of 2020, Taishin Bank has agreements with 27 insurance companies, including 17 life insurers and 10 property insurers, to provide service and satisfy different insurance needs of its customers.

Taishin Bank works with life insurance companies including Nan Shan Life Insurance, Shin Kong Life Insurance, Cathay Life Insurance, China Life Insurance, Cardif Assurance Vie (Taiwan Branch), Chubb Tempest Life Reinsurance, Taiwan Life Insurance, Fubon Life Insurance, Yuanta Life Insurance, AIA Taiwan Group Insurance, TransGlobe Life Insurance, Mercuries Life Insurance, Prudential Life Insurance, Farglory Life Insurance, Cigna Taiwan Life Insurance, Allianz Taiwan Life Insurance, and First Life Insurance.

Taishin Bank works with property insurance companies including Shinkong Insurance, Chubb Insurance, Union Insurance, Hotai Insurance, Taian Insurance, Tokio Marine Nawa Insurance, Fubon Insurance, Chung Kuo Insurance, First Insurance, and Mingtai insurance.

As the market and insurance laws change, Taishin Bank continues to introduce more protection products, including life insurance, accident insurance, and health insurance, through the insurance brokerage operation. At the same time, Taishin Bank has joined the effort to raise awareness of retirement planning in response to Taiwan's aging population, low birth rates and other social issues. The bank utilizes easy retirement insurance products to help customers start planning early, and endeavors to make Taishin a more competitive brand in the insurance market. Meanwhile, following the competent authority's policy, Taishin Bank is devoting more resources to provide professional training in protection and aging population related products for our salespersons. By having employees become better trained in tax and estate planning and in exploring customers' protection and other needs, Taishin Bank expects to achieve better matches between customers and products.

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Taishin Bank's insurance brokerage service is widely praised by the customers. The bank invests a lot of resources in training to help employees enhance their professional knowledge and skills. The mission is to give customers the most up-to-date and market leading insurance services. Meanwhile, Taishin Bank ranked second place in the agency and brokerage category of the Micro Insurance Competition organized by the Financial Supervisory Commission and the Insurance Agency Association of the Republic of China in 2020. Furthermore, the 2020 pandemic caused many inconveniences and placed restrictions on the general population's daily routines. Joining the public in the fight against the coronavirus, Taishin Bank launched COVID-19 health insurance products to provide better protection and more peace of mind for customers during a pandemic.

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

Net profit percentage	2020	2019
Retail Banking	62%	63%
Wealth Management	33%	35%
Consumer Finance	21%	21%
Credit Card	8%	7%
Wholesale Banking	25%	27%
Financial Market	13%	10%
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) Continue to enhance member services for wealth management customers. Teams of experts are on hand to provide personalized services for individual, household, and YBO members as well as cloud members. Such services include retirement planning, estate planning, children’s education funding, and asset and health preservation.

2. Retail Banking

- (1) Expand the online customer acquisition mechanisms, and optimize digital functions and processes with a customer oriented approach. Take advantage of deregulation of My Data and Open Banking to shorten the length of time for loan or credit card application.
- (2) Create a retention team for debt consolidation customers in order to strengthen retention of assets and sales. Integrate sales teams to create marketing synergy, and utilize cross selling among the departments to create sales of consumer banking products and increase the number of products held by each customer.
- (3) Secure existing cobranded cards and continue to seek opportunities for new cobranded cards that would bring new customers.
- (4) Regarding microenterprises, work with the SME Credit Guarantee Fund and keep a steady pace to grow in micro SME loans. Expand the business and add more places where payments are accepted. Reduce the costs to be invested in physical card terminals through new payment methods and technological advances. Help businesses complete digital transformation, and provide more friendly payment applications to increase stickiness of merchants and Taishin Bank’s cash flows.
- (5) Take advantage of the launch of the Richart Life app and Taishin Bank’s strength in the number of affiliated cross industry suppliers to expand the loan and credit card application platform to include more scenarios in different industries. Engage suppliers in the ecosystem to negotiate partnerships in card solicitation. Identify new customer groups through data sharing, and form more cross industry alliances to develop APIs. Work with affiliated payment service providers to develop scenario specific loans.
- (6) Utilize internal data and customer behavior mining, and conduct digital marketing campaigns with youthful thinking to attract customers. Install advertising modules, and employ machine learning for more precise digital marketing.

3. Digital Banking

(1) Richart digital banking

- A. The first financial institution to adopt agile development and a digital banking brand that is 100% customer experience and mobile app oriented. The dog with a little red bowtie as a brand image has proven popular with younger customers.
- B. First in the market to offer integrated products and services that combine “savings, payment, financial planning, foreign currency, insurance, loan, and time deposit” to deliver simple, convenient, transparent, and intuitive service, to bring financial services within reach of younger generations.
- C. Through interviews combined with big data analysis, Richart will continue to create better, smoother service and user experience.
- D. Conducting creative marketing on social media (Facebook fan page, official LINE account, and official Instagram account), and taking a two-way communication approach to make financial services better perceived and understood by young consumers as a part of the everyday life.
- E. Winning the Global Finance World’s Best Digital Bank Awards in the Asia Pacific and the global categories in 2019 and 2020.

(2) New payment tools

- A. 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.
- B. 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.
- C. Continuing to work with offshore third party payment service providers and seeking potential partnerships in Hong Kong, Japan, South Korea, and Southeast Asia.
- D. Providing Taishin Pay to enable Taishin Bank cardholders to make digital payments with ease. Adding Taishin Points to the service to let customers pay with points. Providing the Taishin Payment App (for merchants to collect payments) to affiliated merchants of Taishin Bank for easier barcode payment collection.
- E. Develop electronic voucher and gift certificate modules with trust or performance guarantee to help merchants affiliated with Taishin Bank develop stored value wallets or e-gift certificates. The goal is to use new modules to achieve all-win among the bank, merchants, and members of the merchants this year.

(3) Electronic banking services

- A. Developing engagement marketing for digital banking
 - ◆ Working with multiple strategic partners to build a banking innovation laboratory. The lab covers 10 major industries, and works on more than 20 innovative business partnerships. First to simulate common everyday life scenarios through various techniques and business process redesign. Demonstrate innovative banking and future business applications to showcase a one-stop service covering hardware/software, payment system, and platform to merchants and affiliated partners. The service covers 80% of the everyday needs of the average consumer. Innovations and fintech applications from the banking innovation lab won a best innovative initiative award from the Global Retail Banking Innovation Awards.

B. Continuing to explore different innovative financial services:

- ◆ Taishin Bank received approval for the utility patent, “omnichannel transfer by mobile phone number” , for the mobile banking service. Customers will be able to link their mobile phone number to their bank accounts, and then use the mobile phone numbers instead of bank account numbers when making a wire transfer at the counter of another bank, ATM, online banking, mobile banking, or a Taishin Bank branch. The service eliminates the pain point of having to enter a long and complex number for every transfer. Mobile banking innovation is being developed constantly to bring the best user experience for customers.
- ◆ Taishin Bank utilizes open APIs to work with merchants in exchanging financial services, and forms cross industry alliances with TSP operators to combine multilateral billing platforms. The approach allows payments to be made on various everyday bills, and creates a new business model for payment services.
- ◆ In support of the government’ s stimulus vouchers, Taishin Bank ATMs allow consumers to collect NT\$2,000 from the government.
- ◆ Taishin Bank ATMs are revamped to provide personalized greetings, one-key balance inquiry, personalized benefit summary, automatically remembering frequently used functions, and languages available in English, Japanese, Korean, Thai, Vietnamese, and Indonesian.
- ◆ Apart from continuing collaboration with three major convenience store chains to maintain ATM points of service, Taishin Bank is also expanding collaborations with different industries to develop new types of points of service (such as hospitals, traditional markets, pharmacy chains, wholesale store chains, and public transport hubs). The expansion brings the bank into the everyday life of its customers to meet the demand for cash in different customer groups.

(4) Richart Life

- A. Richart Life is a service that combines payments, points, everyday offers, and financial services. The Richart Life app offers solutions for everyday needs of its customers.
- B. Linking Taishin Points and other points programs to create an integrated service that offers point transfer, point payment, and point redemption for coupons. The service makes it easier for customers to use their points.

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 based 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) Actively laying out plans for China and Asia-Pacific markets. Currently, Taishin bank owns branches in Hong Kong, Singapore, Tokyo in Japan, and Brisbane in Australia. It also has representative offices in Ho Chi Minh City in Vietnam, Yangon in Myanmar, and Shanghai in China. Taishin Bank has received the Bank of Thailand’s approval for the establishment of a representative office in Bangkok in August 2020 and Labuan FSA’s approval for the establishment of a branch in Labuan and a marketing office in Kuala Lumpur in November 2020. Taishin Bank will initiate other application procedures in the future to extend its reach.

- (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 Bond Market Department provides planning and management of underlying onshore and offshore bonds in underwriting cases. The department is an active participant in bond issuance and financing planning for onshore and offshore companies, and brings in diverse cases with overseas issuers and provides Taiwanese investors with diverse options.
- (2) Develop new products and platforms to increase product range, to provide customers with diverse financial products and increase adhesion of customers.

6. Trust Services

Respond quickly to changes in market conditions by expanding the range of products, and strengthen post-investment management mechanisms on an ongoing basis to support a complete range of financial planning services. The focus of product development is as follows:

- (1) Fund and collective investment management:
 - A. Extending the line of onshore/offshore funds to better reflect changes in market dynamics. Introducing new type products and promoting different thematic funds to meet asset allocation needs of different customer segments with different attributes.
 - B. Continuing to incorporate market and product information services into the online trading platform to create more friendly financial planning services.
 - C. 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.
 - D. Promoting regular savings plans, and making investing readily accessible through various digital channels to help all customers make long term investment.
 - E. Attracting more customers of custody services and securing assets under management (AUM) for funds while generating more stable income from the AUM base.
- (2) Foreign securities
 - A. 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. The foreign securities investment advisory service also helps customers stay updated on their investments.
 - B. Provide various types of bonds, including overseas bank debentures, corporate bonds, and government bonds of good ratings; and develop online and mobile banking services to give customers an easier-to-use online investment channel.
 - C. Regarding offshore structured products available only to accredited investors investing on behalf of their clients, principal protected products are available in multiple time periods, and variety in the underlying instruments allows risk diversification. Equity linked products without principal protection are offered alongside market opinions and underlying securities selected to track opportunities in market volatility.

(3) Planning trusts and custody services

Focusing on offering customer oriented planning trust services, supplemented by personalized trust agreements to meet different needs. Developing employee welfare trust services to help companies retain talent and reward employees. Meanwhile, as Taiwanese businesses find prosperity around the world, Taishin is promoting “foreign/ Chinese employee investment accounts”.

7. Insurance Broker Services

- (1) Support the competent authority’s policies, and continue to promote transformation of insurance products and advertise protection oriented products that meet the customers’ needs. Introduce new and suitable life insurance products into the market, and maintain a diversified product portfolio by including death, health, and accident benefits to cover medical, long term care, and disability needs. The bank builds on the channel strengths of the existing branches, and try to increase the percentage of customers holding insurance in their portfolios.
- (2) Meanwhile, to satisfy the demand for financial planning and protection focused products, investment-linked insurance policies that combine investment returns and protection are offered to provide protection with the life insurance element while allowing more flexible asset allocation with international standard compliant and innovative structures or guarantees introduced on an ongoing basis.
- (3) Develop digital channels for insurance distribution. To be closer to digital natives, the Taishin Bank online policy application service offers simple auto insurance and travel insurance, and launched interest sensitive annuities that were available over the Internet last year. The annuities succeeded in attracting younger groups by offering a lower minimum purchase. More digital users started a business relationship with Taishin Bank. Meanwhile, taking advantage of its relationship with and understanding of digital users, Taishin Bank expects to launch mobile device insurance that will also cover secondhand mobile phones this year. Resources within the bank itself and those from partner insurers will be combined to identify new customers and enable more effective differentiation marketing.

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) Loan:
 - A. The outstanding balance of mortgage loans reaches NT\$556 billion and is growing at 7.1% per year.
 - B. The outstanding balance of auto loans reaches NT\$50.6billion and is growing at 5.6% per year.
 - C. The outstanding balance of personal loans reaches NT\$74.6 billion and is growing at 13.7% per year.
 - D. The outstanding balance of micro corporate loans reaches NT\$7.4 billion and is growing at 31.5% per year.
- (2) Credit cards:
 - A. 5.73 million credit cards outstanding, ranking fourth with a 11.4% market share.
 - B. 4.02 million active credit cards, ranking fourth with a 12.2% market share.
 - C. NT\$341.6 billion in annual card purchases, ranking fourth with an 11.4% market share.
 - D. 154,000 card accepting merchants in total, ranking first with a market share of 22.3%.

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

(1) Digital banking brand -Richart

It targets customers aged 20-40. More products, including foreign currency, Richart portfolios, and NTD/FCY time deposit, were introduced 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. The “account analysis” function was launched in May 2019 to help users understand and manage their accounts efficiently every month and to provide wealth management advice to facilitate fund utilization. The average age of consumers with digital banking needs has been falling in recent years. Richart was first to launch an online account application service for minors in April 2020. Consumers aged 7 or above but under 20 will be able to apply to open a Richart account entirely over the internet. Subaccount was introduced in August 2020. The feature satisfies various fund management needs, and help customers reach their savings goals.

(2) E-banking

Following the launch of the popular facial recognition payments in 2019, Taishin Bank was first in Taiwan to introduce a “beauty camera” on its ATMs, and improved the counterfeit and fraud detection mechanisms in order to give consumers a better and more friendly user experience.

Mobile and internet banking and the official LINE account was upgraded again in 2020. The development and innovation of digital banking services followed a “user centered” design. With the use of fintech, Taishin Bank launched a number of personalized services under the official LINE account. The bank was also the first bank to allow all customers to place online DCI orders. To meet foreign exchange demand, 24-hour online foreign currency ordering was made available through mobile banking. It allows more efficiency and flexibility in buying or selling foreign currencies. It also gives many users an experience different from that offered by traditional banking services.

(3) New payment tools

Versatile payment/collection integrated solutions were developed by combining payment and collection needs. Taishin Bank works hard to help merchants build an optimal mobile payment environment. The One Code Platform helps various merchants accept mobile payments. The number of payment accepting points at affiliated merchants exceeded 60,000. The pay+ payment module helped affiliated merchants transform their apps digitally. With more than 20 such affiliated merchants, the total revenue generated reached NT\$16,000 million. Since the renaming and revamping of Richart Life in August 2020, the daily average number and amount of transactions of Taishin Pay skyrocketed by more than 600%.

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\$356.9 billion at the end of 2020, ranking 12th place among 36 domestic financial institutions and represented a 16.8% growth over the previous year, compared to the peer average growth of 6.5%.

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

Owing to its support of the government's credit extension policy for small and medium enterprises and success in developing its own customer base, Taishin Bank reported an outstanding balance of SME loans up to NT\$208.9 billion at the end of 2020, which was a 29% YOY growth.

- (3) L/C and export negotiation

The export bills negotiation was US\$895 million in 2020, down by 7% compared to 2019. The decrease was attributed mainly to the coronavirus dampening sales for some customers. Nevertheless, Taishin Bank continued to strengthen foreign exchange services in order to increase sales, and generally outperformed other banks in Taiwan (with the market down by 17%).

- (4) Factoring business

The outlook of the factoring business also took a hit from the coronavirus. In 2020, the total volume was NT\$184 billion due to a combination of buyers postponing or cutting orders and Taishin Bank putting more emphasis on credit risks. The amount still put Taishin Bank in the leading position.

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

- (1) Was awarded first place in January 2019 in the team competition of the "Trading Competition of the New Taiwan Dollar Interest Rate Exchange Trading System" for the second half of 2018.
- (2) Was awarded first place in January 2020 in the team competition of the "Trading Competition of the New Taiwan Dollar Interest Rate Exchange Trading System" for the second half of 2019.
- (3) Was awarded "The best government bond market makers" selected by the Taipei Exchange for the one and second half of 2019.
- (4) June 2020 - 2019 CBC Government Bond Dealer Evaluation, 5th place.
- (5) July 2020 - 2020 Taipei Exchange, Excellent Market Maker of Central Government Bonds in H1 2020.
- (6) August 2020 - 6th 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	2019	2020
Special-purpose money trusts investing in domestic/foreign securities	170,679	178,598
Custody services of Securities investment trust funds	104,894	158,970
Other money trusts	41,967	49,001
Employee welfare trust	1,098	2,179
Securities trust	31,202	33,350
Collective investment trust account	631	563
Discretionary investment services - specify separate accounts	0	0
Real estate trust	36,235	45,142
money and securities trusts	774	697

6. Future R&D plan

(1) Wealth Management

- A. Combine resources in the financial holding company and a variety of product platforms to meet the financial services needs of customers in different stages of their lives. Increase customer satisfaction with the wealth management service in the process.
- B. Continue to strengthen the development of big data and AI technology. Optimize digital banking services and learn about customers' needs through big data analytics and contact via virtual channels. Provide a constantly expanding range of services for better operating performance.

(2) Retail Banking Business

- A. Work with open banking and create ecosystem business models to reach consumers via merchant platforms and enable instant activation of personalized products.
- B. Utilize the innovation approval mechanism and create a variety of review parameters (e.g. in-branch behaviors and preferences, ability to pay, and social network) and instant approval lists for a more efficient approval process.
- C. Install different digital application channels to make the service more accessible.
- D. Combine customer segmentation analysis and footprint tags to find marketing potential in existing customers.
- E. Connect fintech firms and third party payment service providers and work together with card accepting merchants' new technology plans to create digital payment venues.

(3) Digital Finance Business

- A. Invest in expanding the line of digital banking services and continue to optimize platforms and implement innovations to facilitate more effective O2O integration.
- B. 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

- A. Expand pluralized treasury product lineup via combination of interest rate, exchange rate, bond, bulk commodities, and equity.
- B. Establish new financial trading system to accommodate the rollout of new diversified products in the future, and improve trading flow and enhance trading capability.
- C. Focus on launching RMB business in light of current round of deregulations.
- D. 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

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

(6) Trust Services

- A. Continue to introduce or develop new types of products to expand the product lines.
- B. Refine customer segmentation to provide investment products that meet customer needs.
- C. Follow the trends in digital and smart technologies and enhance trading platforms and processes to create a better user experience.

(7) Insurance broker services

- A. Continue to introduce first-of-its-kind or exclusive new-type products and expand product lines to satisfy different needs of customers in different life stages.
- B. Strengthen relationships with existing wealth management customers, identify and provide insurance products that meet customer needs, and increase the percentage of customers holding insurance products and raise awareness of sufficient coverage among customers.
- C. Following the rise of fintech, Taishin invests in development and management of digital channels, and provides a wide range of insurance products and enrollment channels for customers.
- D. Offer different insurance products to different customer groups, and generate income through asset allocation in order to meet the demand for steady cash flows after retirement.

e. Short-and long-term business development plans

1. Wealth Management

(1) Short-term business development plan

- A. 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 home branches accordingly.
- B. Provide a variety of member benefits and services on an ongoing basis.
- C. Develop digital services and construct an O2O financial network consistent with customers' individual and household needs for a complete range of wealth management services.
- D. Perform data analysis with precision to track changes in customer behaviors, and develop customized products and provide real-time services

(2) Long-term business development plan

- A. 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.
- B. Complete O2O integration, including Internet banking, mobile banking, Richart, Richart Life, the corporate website, customer service, automated service facilities, branches, and affiliated merchants, in order to provide better financial services for customers.
- C. 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

- A. Take a customer oriented approach to optimize the online loan application process and card functions. Deploy AI technology to analyze customer behaviors in and outside the bank; and combine lending, credit card, and digital channels to provide a real-time application service and promotional events that acquire customers effectively and increase the average number of products owned by each customer.
- B. Take advantage of deregulation of My Data and Open Banking by making the policies part of the product application process to shorten the loan processing time.
- C. Continue to optimize the GPS-enabled onsite survey feature in the mortgage app, and integrate front- and back-office IT systems for better efficiency and security control.
- D. Strengthen maintenance of existing assets, and utilize roles and responsibilities as well as training to reduce losses of assets and customers. Meanwhile, strengthen relationships with existing customers through process optimization and systemization, and provide more loans, insurance, or other financial services.
- E. For micro businesses, combine resources in the financial holding company, and provide one-stop financial services for business owners. Develop standardized micro loans to gain a larger share of the micro market. Respond to businesses' needs to go digital by offering new digital payment products and developing closer partnerships in financial products.
- F. Maintain relationship with co-branding partners, and develop closer business ties.
- G. Take advantage of the launch of the Richart Life app and Taishin Bank's strength in the number of affiliated cross industry suppliers to expand the retail banking application platform to include more scenarios in different industries. Engage suppliers in the ecosystem to negotiate partnerships in card solicitation.

(2) Long-term business development plan

- A. Work with fintech to develop new products and services on an ongoing basis. Strengthen risk management mechanisms, add more authentication methods, and expand the online applicant base.
- B. Continue to expand collaborations with different industries, and increase the customer base through exchanges of resources.
- C. Explore potential opportunities in micro businesses or individual sellers, expand the industry network, and introduce different financial products to increase merchant value.
- D. Develop big data and ecosystems. Utilize big data analytics to help merchants manage member relationships and attract customers. Increase stickiness between Taishin Bank and merchants, and create the needs for financial products.

3. Digital Banking

(1) Short-term business development plan

- A. Launch new payment modules and services, including optimized Pay + payment module, the One Code Platform and support of merchants' payment apps, and development of the e-gift card platform. Provide faster and easier-to-use integrated payment plans.
- B. Develop a new Richart Life membership program.
- C. Create one points account and an instant cash redemption feature that combines all points and allow instant redemption of points for cash for a better customer experience.

(2) Long-term business development plan

- A. The bank works with startups to branch out into different industries.
- B. Introduce new technologies, and develop new digital tools and models.
- C. Utilize a combination of new AR/VR technologies/new scenarios to provide integrated O2O smart financial services.
- D. Build an open ATM platform to encourage businesses to transform themselves and explore cross industry partnership opportunities.

4. Wholesale Banking

(1) Short-term business development plan

- A. Implement customer relationship management by segmentation, improve product dimensions, and strengthen relationships with customers.
- B. Enforce group-wide exposure limit control to ensure optimal allocation of credit risk among subsidiaries.
- C. Expand relationships with securities customers through cash flow services and demand deposit privileges; increase the percentage of customers' demand deposits for lower funding costs.
- D. Combine channel resources within the bank; cater to local customers and expand the SME customer base; and focus equally on profitability and quality.
- E. 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.
- F. Build the bank's overseas talent pool through regular job rotation, in order to accommodate growing businesses.
- G. 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.
- H. 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.
- I. Offer "Loan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" in line with the government's policy to assist returning businesses to obtain funds for construction of plants and relevant facilities, purchase of equipment and provide working capital via loans.
- J. In support of the government's policy to encourage the return of overseas Taiwanese businesses and stimulate economic growth in Taiwan, Taishin Bank offers "Loan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan".
- K. Work with relief programs from government departments (MOEA, MOTC, MOC, MOHW, and CBC) and provide relief plans for customers, including extension of existing accounts, operating funds, and revival funding.

(2) Long-term business development plan

- A. Enhance service capabilities and product innovation; anchor customer relationship and aim to raise customers' satisfaction and contribution.
- B. Allocate group resources with greater efficiency; deliver all-round financial services through synergistic use of existing product lines.
- C. Actively explore overseas markets; increase profit contributions from overseas and broaden the bank's presence in China and the Asia Pacific region.

- D. 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

- A. Continue to improve the financial structure, reduce the cost of funds, increase investment returns and transaction margin, and create more sources of regular income.
- B. 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.
- C. Enforce self audit, develop better internal control systems, and adhere strictly to the high standards and code of conduct in the financial markets.
- D. Recruit and retain talent, build up human capital, provide training, choose suitable positions and create a stronger talent pool.

(2) Long-term business development plan

- A. Continue to develop innovative financial products and services in order to optimize sale process and platforms and satisfy customers' needs for investment and wealth management to create mutual benefit for the bank and the customer.
- B. Implement and promote the use of electronic platforms, and improve the quality and efficiency of products and services.
- C. Strengthen market and operational risk management to monitor risks with more precision.

6. Trust Services

(1) Short-term business development plan

- A. Help seniors and disabled customers build suitable retirement trusts, and expand the employee welfare trust service. In addition, promote foreign/Chinese employee investment accounts to domestic TWSE/TPEX listed companies and primary listed companies in Taiwan in order to provide a complete range of domestic and international employee reward plans for institutional customers.
- B. Develop a smart digital banking environment with more convenient services such as electronic account opening, smart trading, and financial planning services.
- C. Introduce an adequate understanding of asset allocation, and provide regularly investment performance reviews and post-investment services such as risk management and market trend analysis in order to help customers achieve stable returns and in turn increase product sales and total assets under management.
- D. 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. The foreign securities investment advisory service also helps customers stay updated on their investments.
- E. Provide various types of bonds, including overseas bank debentures, corporate bonds, and government bonds of good ratings; and develop online and mobile banking services to give customers an easier-to-use online investment channel.
- F. Regarding offshore structured products available only to accredited investors investing on behalf of their clients, principal protected products are available in multiple time periods, and variety in the underlying instruments allows risk diversification. Equity linked products without principal protection are offered alongside market opinions and underlying securities selected to track opportunities in market volatility.

- G. Potential customer bases are explored and offered financial publication and information. Investment seminars and promotional events are organized to increase AUM.
- H. The Bank, by careful screening, is the first to introduce new funds with specific focuses, and expands the range of private equity funds to suit different financial planning and asset allocation needs.
- I. A rich variety of online financial information is available for one-stop online financial planning services.
- J. The idea of regular fixed-amount fund investment is matched to investment objectives of customers at various stages of their lives to encourage customers to accumulate wealth, thereby increasing AUM for Taishin Bank.

(2) Long-term business development plan:

- A. Build a full trust planning platform by developing a wide range of trust services, and continuing to work with the wholesale banking division, the payroll division, and Taishin Securities to design employee welfare trusts.
- B. In promoting financial product, it is necessary to periodically review new or revised announced by the government.
- C. Continue introducing a diverse range of new products and services intended to deliver consistent returns for investors in bearish markets.
- D. Promote asset allocation and regular fixed investment, and aim to increase product sales and total AUM.
- E. Track product performance regularly and continue to improve risk indicators to monitor product performance and risks for customers.
- F. 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.

7. Insurance Broker Services

(1) Short-term business development plan

- A. Provide suitable protection oriented products for customers on an ongoing basis, and introduce a wide range of life insurance products to increase the rate of customer penetration insurance policies in their portfolios.
- B. Introduce investment-linked insurance products with innovative structures or guarantees on an ongoing basis to meet different needs for financial planning and protection.
- C. Expand the range of insurance products available over the internet. Considering the characteristics of online shoppers, introduce fragmented and scenario based insurance products that are relevant to current affairs for more effective differentiation marketing

(2) Long-term business development plan

- A. Check regularly changes in the competent authority's policies and regulations, and respond promptly to the latest guidelines while promoting new type insurance products and services.
- B. Introduce different insurance products and services on an ongoing basis to enable one-stop insurance shopping.
- C. In response to increased awareness of consumer rights and the need to ensure suitability of financial products and services, the insurance brokerage service at Taishin Bank treats customers equally, and works constantly to optimize the process before, during, and after a sale and review the services. Meanwhile, Taishin Bank continues to provide professional and compliance training for salespersons on a regular/ad hoc basis. Furthermore, as part of its commitment to corporate social responsibility, sustainability, and ESG compliant services, Taishin Bank reviews the service and financial data of its affiliated insurers against strict standards in order to provide suitable and secure insurance planning and after-sales service.

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	2019		2020	
	Amount	%	Amount	%
Brokerage	1,079,360	44	1,985,032	64
Dealing	863,230	36	880,335	29
Underwriting	475,860	20	218,001	7
Total	2,418,450	100	3,083,368	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. 4. Non-restricted purpose loans will be made available. 5. Provide consigned trading for foreign securities. 6. Conduct design and execution of strategic trading. 7. Other services approved by the competent authority.
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 in applying for TWSE/TPEX listing, and help customers complete business diagnosis and improve management processes. 2. Help companies raise funds in capital markets around the world. 3. Provide financial consulting services for companies making private placements, international investments, or strategic equity trading and other consulting services in merger or restructuring projects.
Merchant services	Provide corporate and asset restructuring and reorganization, mergers, financial planning, private placement investment and other consulting services for individuals, corporate entities, government agencies 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) Provide securities lending services.
- (3) 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 TAIEX.
- (4) Provide foreign securities underwriting services via OSU.
- (5) Launch new services as the competent authority removes restrictions, and continue to develop new types of financial planning products. In addition to the above-mentioned services, Taishin securities will also closely track the opening of the competent authority for new products or related laws and regulations, so as to maintain a high level of vigilance and provide the fastest and most convenient service for the investment public while the products are being introduced.

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 by upgrading the e-platform and improve time to market by actively stepping up digitization of the brokerage business. Moreover, place emphasis on concurrent futures services and expand sub-brokerage services on all sales channels.

2. Dealing

With regard to financial services and trading, achieve risk dispersion by continuing to pursue diversified trading strategies and establish a highly-efficient investment portfolio to maintain steady profits, while further leveraging the bonds business to reduce overall fund utilization. With regard to customer service, design a wide variety of structured instruments to satisfy investor demand for diversified wealth management.

3. Underwriting

Continue to focus on offering underwriting services to well managed companies, and seek opportunities and increase market share in funding projects applying for first time TWSE/TPEX listing (includes TIB and PSB) in Taiwan. Offer customers personalized financial planning services and equity trading strategies, and explore opportunities in inviting foreign companies to apply for TWSE/TPEX listing in order to increase 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			
	2018	2019	2020
TSE Market	32,162	29,056	49,182
OTC Market	56,891	53,284	53,263
Total	89,053	82,340	102,445
Weighted stock price index (year end)	9,727	11,997	14,732

Source: 1. Key indicators of securities and futures markets for December, 2020.

2. TAIEX Total Index Historical Data

Operating Status of Domestic securities			
Year	2018	2019	2020
EPS (NT\$)	0.93	1.22	1.77
ROA	1.70%	2.20%	2.61%
ROE	5.66%	7.84%	9.79%

Source: Source: Securities Firms Monthly Statistics by TWSE-financial data of securities firms.

2. Taiwan's stock market

The coronavirus dealt a devastating blow to the global economy in 2020, and major economies reported the biggest quarterly plunges in history in the first half of the year. However, with implementing large-scale fiscal and monetary stimulus packages and clinical successes of several vaccines, major economies had reached the bottom and started rebounding. The Taiwanese stock market rebounds along with major stock exchanges, and has reached a 30-year high at 14,733 points.

On the whole, TWSE—responding to trends in major stock exchanges—delivers a satisfactory performance in both index and volume. The daily average volume for domestic stocks was NT\$200.7 billion, and the average margin trading was NT\$186.6 billion. TWSE rose by 2,735 points, or 22.8%, compared to the end of 2019. The TPEX rose by 34.74 points, or 23.26%, from the end of 2019.

d. Research and development

With more and more customers using their mobile phones to access the Internet, Taishin launched the mobile version of the online account opening page in 2020. To owners of a Taishin Bank internet banking account or a Type I and Type II Richart account, it advertises on being able to open a securities account over the internet without any app in the time it takes to make instant noodles. Taishin tries to provide easy-to-use securities services that are best aligned with user behavior. As fintech turns into a fast growing sector, Taishin continues to optimize and upgrade the existing e-services platform. Resources are also brought in from the parent company to create a better digital experience for investors. Taishin invests a lot of resources in attracting new digital customers.

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.) to enhance business synergy.
- (2) Continue to strengthen electronic trading platforms and online services, make online interface more friendly and function more effectively, and set a target to achieve consistent growth in the percentage of electronic transactions.
- (3) Invest in expanding sub-brokerage services while providing futures services and non-restricted purpose loans.
- (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 all units of the financial holding to discuss potential cooperation projects; 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 quantitative 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) Provide one-stop services that combine an investment bank and a commercial bank in order to achieve One Taishin View.
- (11) Continue to develop and establish quantitative trading strategies to yield consistent profits.
- (12) Respond to drastic changes in the market by reinforcing the risk management policy and by developing an early warning system to optimize asset allocation.
- (13) Seek opportunities in ETFs in order to stay a leading market maker.
- (14) Expand services related to structured products, design a wide range of equity linked and niche products, and provide diversified investment channels to satisfy investor demand for financial products and services.
- (15) Place emphasis on large enterprises and private equity networks to make more connections in the market and multiply potential sources of funds.
- (16) Fine-tune AML and CFT tasks.

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, and try to achieve more consistent profits from a wider range of sources.
- (6) Expand the lines of financial products and develop a full range of securities trading services.
- (7) Continue to expand and optimize channel services, and build stronger customer relationships in order to maintain growth momentum in the business.
- (8) Pay regular visits to onshore/offshore private equity funds, and seek opportunities to serve as financial consultant for international mergers and financing and as long-term consultant for acquired subsidiaries.
- (9) Continue to build a culture that places importance on AML/CFT to eliminate any gaps in these matters.
- (10) Implement robotic process automation (RPA), and install more electronic and/or automated internal processes in order to make the company more competitive.

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, Jih Sun International Bank, Far Eastern International Bank, Entie Commercial Bank and Taichung Commercial Bank, and securities dealers, including KGI Securities, Yuanta Securities, Capital 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 2020, Taishin Securities Investment Trust managed NT\$128.4 billion of public funds; 19.7% of which were non-money market funds while money market funds accounted for approximately 80.3%. Recently operating income for three years listed as shown in the table below.

Unit: NT\$ thousand

Items \ Year	2018		2019		2020	
	Amount	%	Amount	%	Amount	%
Management fee income	380,702	97.39%	385,360	96.53%	430,613	95.91%
Sales fee income	3,694	0.95%	3,815	0.96%	12,559	2.80%
Service fee income	6,496	1.66%	10,030	2.51%	5,776	1.29%
Total	390,892	100%	399,205	100.00%	448,948	100.00%

3. Various existing products (services)

Service items	Major contents
Public-placement funds	Offering and issuance of mutual funds and ETF beneficiary certificates collect pools of money through investor subscriptions. Such funds are managed by the professional investment research and management team of Taishin Securities Investment Trust. Investors share the returns on investment as well as the risks. All gains and losses are borne by investors. Provide the investment method of Regular Saving Plan, allowing automated deduction of fixed/variable amount of deposits from investors' accounts at specific time every month for regularly subscription 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 sales	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 domestic and 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 2019, there were 978 mutual funds, and the total investment was NT\$ 4,004.5 billion. There were 518 discretionary investment services contracts investing a total of NT\$1,609.3 billion. There were 65 private equity funds investing a total of NT\$39.5 billion.

d. Research and development

Taishin Securities Investment Trust launched the Taishin Short Duration Emerging High Yield Bond Fund in May 2020 and the Taishin Strategy Senior Total Return High Yield Bond Fund in July 2020.

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

1. Business contents

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

2. Business shares

In 2020, consulting fee of the Research and Analysis Division accounts for 96.4% of the company's total revenue, while master agency of the Jupiter Fund generates the remaining 3.6%.

b. Business plan of the current year

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 adjusting and expanding its organization as well as its scope of business.

c. Industrial status

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 and flexibility for business growth.

d. Research and development

In accordance with the overall business expansion of Taishin 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 adjusting and expanding its organization as well as its scope of business.
- (2) Jupiter Group (U.K.) exited the Taiwan market as part of its Asian market restructuring. The master agent business was terminated at the end of 2019.

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.
7. Following the second amendment of the Operations Principles dated May 24, 2019 by the FSC, the interpretation of "government agencies" is loosened to include all government agencies, state owned enterprises, public enterprises, and state funded foundations. For AMC, besides the Urban Renewal Act, it is added that acceptable implementers or builders under the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings would be permitted to make capital injections and real estate purchases. Rules are loosened to allow purchases of land involving the need for property right consolidation and buildings and other rights on land if there are clear difficulties to make value added use of real property held by AMC.

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 0.23% in November 2019) for domestic banks. Sales peaked at NT\$236.8 billion in the domestic market for nonperforming loans in 2007. Sales dropped further to NT\$9.3 billion in 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 from NT\$900 million to NT\$600 million between 2014 and 2017. It is clear the domestic market for nonperforming loans has shrunk. Limited access to viable investments and lower returns on investment threatened 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, 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. 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. 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. Housing prices going gradually but steadily down in the housing market may result in projects of small developers becoming nonperforming debts. Taishin Asset Management will follow up closely on market changes.

Given the Operations Principles in August 2015 still imposed quite a number of restrictions, AMCs under financial holding companies kept lobbying the FSC, and the FSC, as a result, amended said Operations Principles again in December 2017. The new Operations Principles allow investment in government property for sale in addition to real estate made available through court auctions. In addition, to facilitate completion of urban renewal projects in Taiwan, the government now allows AMCs to inject cash into entities carrying out urban renewal projects involving general real estate, instead of only into those involving real estate owned by the same group. Furthermore, AMCs are allowed to handle debt consolidation and advances in urban renewal projects or rebuilding of dangerous old buildings or so-called sea sand buildings.

The FSC amended the Operations Principles above again on May 24, 2019. The interpretation of "government agencies" in the original rule, which allows AMCs to invest in assets sourced from court auctions and public offerings by government agencies, is loosened to include all government agencies, state owned enterprises, public enterprises, and state funded foundations. For AMC, besides the Urban Renewal Act, it is added that acceptable implementers or builders under the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings would be permitted to make capital injections and real estate purchases. Rules are loosened to allow purchases of land involving the need for property right consolidation and buildings and other rights on land if there are clear difficulties to make value added use of real property held by AMC.

In 2020, the combination of the government's campaign to fully implement the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings, the prevailing presence of old apartments with no elevators, and a general desire for safe dwelling will fuel the reconstruction momentum. AMCs can expect profit growth in unsafe and old building reconstruction projects in the near future.

In 2021, the prices and wages in the real estate industry have risen due to the COVID-19 pandemic, so unsafe and old building reconstruction projects will strictly focus in small buildings adjacent to city centers. Taishin AMC will search for data relevant to foreclosures so as to find suitable investments (foreclosed buildings at lower prices), as well as participate in property sale tenders of major enterprises and national agencies, e.g., special municipalities, Taiwan High Speed Rail, re-planning areas, and TSMC.

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 May 2019, 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) Biotech and new pharmaceuticals and medical equipment industry.
- (2) Electronics and information industry.
- (3) Other niche investments, such as smart machinery, green energy, and cultural and creative industries.

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

Taishin Venture Capital will be seeking promising but undervalued companies with listed emerging or GISA stock, investing therein to create profits and integrated financial services. Venture capital plays a pioneering role in wholesale banking services. The benefits of integrated financial services become clear when venture capital firms identify promising startups, commercial banks provide funding, and securities underwriters provide TWSE/TPEX listing services.

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 for NT\$180 million 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, and underwent capital reduction to make up for NT\$592 million in accumulated losses in 2018. The capital reduction recovered NT\$3.329 billion in share capital. In 2019, capitalized earnings amounted to NT\$10 million, and by the end of 2020, paid-in capital amounted to NT\$4.219 billion.

The company reported an income of NT\$823,050,000 and after-tax profit of NT\$805,871,000 in 2020. The return is attributed mainly to gains on valuation of financial assets at fair value through profit and loss and investment profits recognized using the equity method from subsidiaries.

In 2020, we continued investing in Tanvex BioPharma, Delos Capital Fund, Delos Capital Fund II, CDIB Capital Global Opportunities Fund, and Arm IoT Fund; and started investment in Taiwan Capital, UUPON, Sheng He Energy Technology, Jia Da International Development, and Credidi Inc., amounting to NT\$162,942,000. The investment projects generated a total cash inflow of NT\$97,173,000, which included NT\$63,251,000 for disposal or liquidation, NT\$6,488,000 in cash dividends, and NT\$27,434,000 in refunds from capital reduction.

As of the end of 2020, there are 37 companies in the investment portfolio on the books.

The World Bank's Global Economic Prospects states that a widespread COVID-19 vaccine rollout and investment are the two key factors for global economic recovery, and predicts a 4% growth for the global economy this year. However, the impact of the pandemic on the economies of developed countries only caused them to shrink in a small percentage, while emerging markets and developing countries were affected more than expected. According to estimates by the World Bank, GDP in the United States shrank 3.6% in 2020, but is expected to grow 3.5% in 2021; GDP in China grew 1.8% in 2020, and is expected to further grow 7.9% in 2021; GDP in the Eurozone shrank 7.4% in 2020, but is expected to grow 3.6% in 2021; and GDP in Japan shrank 5.3% in 2020, and is expected to grow 2.5% in 2021.

In terms of domestic economy, the impact of the pandemic is expected to gradually decrease in 2021. There are better prospects for the global economy in 2021 compared to 2020, as supported by the low base effect and estimates by major international institutions. As the world slowly recovers from the effects of COVID-19, several production lines are moved to Taiwan, and the demand for emerging technologies grows, Taiwanese exports are expected to increase. In addition, semiconductor manufacturers continue to invest in advanced processes and have been benefited by the re-adjustment of the global supply chain. These factors, along with government support for construction of renewable energy facilities, have attracted investment by overseas companies and will drive domestic development, an opportunity that cannot be missed. The 2021 GDP growth rate in Taiwan is estimated at 4.01% by the Taiwan Institute of Economic Research.

Given instability in the global economy in the coming year, Taishin Venture Capital's investment strategy in 2021 will concurrently focus on startups that show positive value and growth, not only selecting the companies with the greatest potential, but also taking the best negotiation position as players in capital markets remain relatively cautious. Furthermore, the Chinese financial leasing companies in which Taishin invests will speed up development of new products and channels, manage credit risks, and step up collection of nonperforming loans. Positive returns are expected to continue as the business grows at a steady pace. However, the pursuit of profit does not eliminate the need to balance risk and return. The goal is to achieve stable returns over the long term.

c. Industry Status

In terms of the international market, according to an analysis by Moneytree, start-up investing in the US reached a record high of US\$130 billion in 2020, a 14% rise from last year; and there were 318 mega-rounds worth US\$63 billion, another unprecedented achievement. This shows that the global venture capital industry was not affected by the pandemic.

Meanwhile, regarding the venture capital market in Taiwan, there are 265 venture capital firms according to the latest statistics, with roughly NT\$152.7 billion paid-in capital. Most funding went to the electronics industry (30%), manufacturing industry (19%), and biotech industry (17%). 54% of the investment was domestic, while 46% was foreign. In 2020, 6 companies became listed on TWSE and 7 on TPEX.

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 receiving capital gains at exit when the startup becomes mature or relatively mature. When a startup is building up sound financial operations, 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 TWSE/TPEX listing. Fully integrated financial services not only provide a wide range of solutions for startups, but also creates stronger synergy for the financial holding company as a whole.

The domestic capital market maintained sufficient liquidity thanks to low interest rates, so despite impact from the pandemic, there was generally strong funding activity. It is especially necessary to strike a balance between investment returns and risk control in an environment where venture capitalists lack liquidity.

e. Short- and long-term business development plan

Our short-term strategy will be to focus on startups that have had liquidity and shown strong growth potential in the last 2 to 3 years, including competitive asset-light industries, such as FinTech and data analytics. Moreover, capital will be allocated to industries that can create profit on a fixed basis, such as solar power, to enhance value creation in the investment portfolio.

In terms of medium-term strategies, Taishin Venture Capital has established financial leasing subsidiaries in China that operate mainly in equipment leasing and vehicle leasing. As the market expands, more products are developed, and operational efficiency improves, the scale of operation is expected to start rising.

Our long-term strategy will be to make proper use of the Taishin FHC brand to gather external resources and leverage the group's professional knowhow to find the best investment opportunities. Synergy within Taishin FHC can offer a one-stop solution to satisfy the diverse needs of investee companies, such as financing, payroll transfer, underwriting, stock administration, leasing, and financial consulting. Assistance is provided to help investee companies 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. Acceptance of securities related applications on behalf of third parties.

b. Futures services:

1. Account opening for futures brokerage services.
2. Acceptance of futures related applications on behalf of third parties.

A business referral system is in place to provide one-stop financial services. The number of active securities accounts opened through the referral system continued to grow in 2020. 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

Built as a cross industry operation, Taishin FHC expects to utilize the resources and integrated services in the group to achieve synergy. There are currently 16 financial holding companies in Taiwan. The market remains highly competitive in relation to its size. The rise of fintech creates challenges for traditional banks in their own business as well as in other industries. As a result, more and more banks are investing resources in the development and application of new technologies. The banks support digital transformation in order to provide financial services that can better meet market demand.

b. Competitive strategy

Taishin FHC's mission is to become a trustworthy, outstanding financial institution with stable growth that provides a full line of financial services for the global Chinese community. The strategy is executed by implementing the following measures:

1. Increase the group's profitability while paying equal attention to risk control: Continue developing strengths of the group, create a complete cross-industry network under Taishin FHC, actively combine resources within the group, and paying equal attention to risk management and business growth, expand the subsidiaries to create multiple profit drivers.
2. With regard to banking, perpetuate existing advantages, such as the number of digital accounts and the auto loan, credit card, syndicated loan, and securities underwriting businesses to maintain a leading position while trying to leap ahead. Create new strengths in the emerging area of FinTech through digital transformation of the group.
3. Implement IT infrastructures, optimize the group's IT resources, construct an IT system that supports business growth, and make full use of new technologies to create new business models and opportunities to secure leading positions in the market.
4. Develop a full range of risk management capabilities, and ensure the three lines of defense and employee training are effective. 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

Customers have needs for different products in different life stages. It makes product differentiation one of the essential elements of competition. Customer centric has always been one of Taishin's requirements. The use of big data to identify customer needs, product diversification, and one-stop shopping save time for customers while satisfying the demand for service quality.

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

- (1) The Taishin Bank wealth management brand delivers excellent performance that has received many local and international awards.
- (2) Taishin FHC supports innovation and takes a flexible approach to business development. The group stays constantly alert to market developments, and its business strengths are widely recognized.
- (3) The full line of banking and securities products is offered with service quality and efficiency.
- (4) Richart continues to lead the market in the number of customers. It is also able to provide a series of much needed digital banking services and innovations.

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 compliance with 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

The financial sector in Taiwan benefited from rising domestic investment and a strong financial market. Overall earnings before tax for the financial sector amounted to NT\$634.1 billion, a 21.7% increase from 2018. Earnings before tax for the banking industry totaled NT\$407.1 billion, a 7.8% increase from 2018 and another all-time high. Looking forward, the ongoing COVID-19 pandemic is having an increasingly severe impact on the global outlook and creating more challenges for the banking sector. Given the 92 SARS outbreak lasted for months and had short-term effects on the economy, it is expected that the COVID-19 pandemic will affect Taiwan's economic results in the first half of 2020. If the situation does not deteriorate, the economy may have a chance to regain momentum in the second half of the year.

c. Business goals

Looking forward, 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: taking advantage of the resources of Taishin FHC, creating multiple profit engines while balancing risk management and business growth, building up risk management capabilities on an ongoing basis, constructing IT infrastructures that facilitate business development, investing in digital banking, increasing the market share of Richart, and continuing to expand overseas, and developing international operations with a focus on Asian countries and Chinese communities around the world.

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

(1) Wealth Management

- A. A growing range of big data applications helps with monitoring market trends and understanding customers' needs.
- B. 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

- A. Through continuous and timely communication channels both online and offline, with the assistance of big data customer analysis, which is helpful for increasing marketing precision and penetration of consumer banking products, the existing customer base of this bank will continue its steady growth, as well as new group of digital customers will be developed.
- B. The government continues to promote finance digitalization (such as the Open Banking API, My Data, digital platforms connecting to the government's data, etc.), which enhances the efficiency of online loan applications and also facilitates public acceptance for online loan applications, online trial calculations, online verification, and other similar tools.
- C. In response to the development of digital banking, the bank actively utilizes new technology (such as block chain and big data), develops platforms of automated systems, and enhances information security measures in order to increase efficiency of service.
- D. Government agencies make active efforts to support development of the electronic payment market. More and more traditional cash businesses (e.g. medical institutions and night markets) have started accepting electronic payment tools.
- E. Fintech has been growing rapidly. To build member loyalty, merchants promote membership apps with embedded payment features. In addition to accelerating transactions, these apps help shift consumer preference to electronic payment tools.

(3) Digital Banking

- A. Implement effective agile development to enable the bank to launch new financial services ahead of competitors.
- B. Build on "customer experience" and have open platforms and cross industry partners bring in new products and services in a way that reduces costs and responds more quickly to market demand.
- C. Awarded multiple invention and utility model patents: money saving credit card, login preview, cardless withdrawal, Proximity Transfer, Easy Transfer, One-stop Fund Transfer, and facial recognition. Patented technologies are applied in the daily lives of customers to establish everyday financial scenarios.
- D. Combine AI and biometric identification technologies to develop facial recognition for services such as opening an account, making a payment, withdrawal or transfer, identifying VIP in branch and making payments by facial recognition. Achieve the vision of complete digital banking.

(4) Wholesale Banking

- A. 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.
- B. Possess plural product resources and development capability of the financial holding firm to provide one-stop-shopping financial services to customers.

- C. 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

- A. Proprietary trading of foreign currency bonds can be expanded to enlarge the customer base and generate more revenue.
- B. 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.
- C. As the monetary policies in Taiwan and major players in the world economy are relaxed, interest rates and credit spread remain relatively low, which will encourage the issuance of bonds by both onshore/offshore companies, thus benefiting the development of bond underwriting services.

(6) Trust Service

- A. The competent authority is actively supporting the digital finance policy. The younger generations are having more influence and depending more on social media and digital devices, leading to the growth of automated channels and a higher frequency of self directed investing.
- B. 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.
- C. To help companies retain talent, the government has amended the Company Act and related regulations to expand eligibility for employee benefits and encourage the demand for employee welfare trust.

(7) Insurance Broker Services

- A. Following the rise of fintech, Taishin Bank is investing in the development of fintech and online insurance enrollment services. Meanwhile, young people's internet and digital device dependence makes it easier for Taishin Bank to develop and manage digital channels.
- B. The aging population presents a massive opportunity in the retirement market and creates favorable conditions for protection oriented products and annuities (including traditional and investment-linked insurance products).

2. Unfavorable factors

(1) Wealth Management

- A. Customers at the top of the pyramid have complex and unpredictable needs, making it more challenging to manage the business.
- B. 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

- A. The financial markets are gradually becoming saturated. Price competition and copying successful business models in the financial industry have made raising profits difficult.
- B. The continuous updates in FinTech and supervision-related regulations make it necessary to find a balance between convenience in the user experience and following regulations regarding information security.
- C. Markets of the credit card business are saturated and the product life cycles are becoming shorter. Certain competitive products continue to offer better benefits and offers.
- D. Following the progress in fintech, large chain stores and card issuing banks are creating links between money service systems to enable negotiations for lower fees. The approach will affect the income from payment services in the long term.

(3) Digital Banking

- A. 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.
- B. 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

- A. Over-banking status, homogeneous traditional financial products are difficult to create high profits.
- B. The bank still has only a few branches overseas; its global network remains sub-optimal.
- C. 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

- A. Both stock and bond markets are peaking, which makes investing tricky and creates challenges in making profits on financial products.
- B. 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

- A. Products are highly similar with little differentiation. Competitors continue to open more overseas branches to gain larger market shares.
- B. The demand for financial professionals will continue to grow while the cost of training and employee turnover will be higher.
- C. 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.
- D. Structured trust and employee welfare trust services cannot be offered without an investment of trained professionals and systems, but generate limited fee income in the face of fierce competition.

(7) Insurance Broker Services

- A. In the interest of stable insurance operations and in anticipation of the adoption of IFRS 17, valuation interest rates are expected to stay low in the long term. Apart from potential premium hikes and lower customer interest, much less attractive endowment insurance products will make it harder to sell endowment insurance, which will push the bank to complete product transformation and make salespersons better professionally trained.
- B. For better consumer protection, insurance regulations are becoming increasingly rigorous. In addition to expanding the list of products requiring recording of the sale process and lowering the minimum age requiring recording for unit linked insurance products, a telephone interview on the source of funds is now also required. Such interviews create a complicated policy application process, and make customers less willing to include such products in their portfolios.
- C. Digital technologies are advancing by leaps and bounds. To stay ahead in the digital insurance business, one needs a large-scale replacement or upgrade of existing systems.

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 2020, the company has a total of 12 offices. Furthermore, the company has set up cross-selling in 101 Taishin Bank branches in Taiwan. In particular, there are cross-selling offices in 17 branches. These offices make it easier for customers to open or close securities accounts or change personal information.

b. Future supply and demand

1. Market overview

As of the end of 2020 there are 68 headquarters of securities dealers, 807 branches, and 35 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

Support the government's policy of allowing foreign companies to apply for listing and financing in Taiwan. Securities underwriting is expected to have large growth potential. Following deregulation of foreign securities trading, the government continues to promote expansion of the capital market. Introduction of a strings of new type financial products and strong growth in the ETF market are contributing to a heated new issue market. Meanwhile, fast growth in e-commerce coupled with trends such as fintech, smart financial planning, and blockchain are creating a wider variety in securities business development and financing options. Securities firms will be able to provide one-stop services for their customers. The securities market will work more efficiently, and its size will rise significantly.

3. Market demand

Both domestic and foreign companies will have a greater need for direct financing as the capital market becomes more efficient with a greater range of features. Financed interdisciplinary mergers will become more commonplace. Meanwhile, the public is paying more and more attention to investing as they travel on the information superhighway and become better educated with easier access to a wider range of investment vehicles. The combination of a recovery economy and the government's policies in favor of the stock market also encourages consumers to invest and invest more in foreign vehicles. The demand for securities trading services, foreign investment sub-brokerage, and financial consulting services for medium- and large-sized enterprises will continue to grow.

c. Business goals

As an integrated securities firm, Taishin Securities engages in such businesses as brokerage, dealership, underwriting, and investment banking, 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.

Regarding brokerage services, the offices will continue to provide better offline services, and strengthen the existing securities, futures, sub-brokerage, and non-restricted purpose loan services. Meanwhile, the range of services available at the cross-selling offices in Taishin Bank will continue to be expanded in order to create the best offline service. In addition, the in-house electronic trading platforms and online services will be optimized on an ongoing basis to make better omnichannel 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.

Regarding corporate mergers, life is slowly returning to normal as many countries work hard to vaccinate the population. Momentum is also slowly building in the markets. To gain strength quickly, companies not only engage in conventional horizontal and vertical mergers to expand their in-house technologies and produce lines, but also form interdisciplinary alliances to create new opportunities in innovation-driven transformation. Taishin connects private equity funds and medium- and large-sized enterprises and identify potential needs in order to provide working capital restructuring and organizational transformation, corporate merger, financial planning, and private equity fund investment consulting services.

In terms of derivative trading, Taishin will focus on risk management and build on the combination of an established financial holding company brand and professional financial engineering capabilities to create low-risk income from arbitrage, product launches, and market-making services. The company will follow a set of clearly stated and strictly-enforced market strategies and the quality of market making while adhering to the principles of good faith in offering consistent issue prices and reasonable spreads and quotes. Hedging strategies will include the use of big data analytics, financial engineering theories, and statistical tools to 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) Positive relationships with important large enterprises facilitate access to customized, well-rounded investment banking services.
- (6) Government policies tend to adopt an open stance, and the regulators are leading the way to drive business growth.
- (7) 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.
- (8) As the market becomes increasingly competitive, companies are under extremely high pressure, and the number of mergers is on the rise.
- (9) Financial engineers more skilled than those employed by competitors can achieve greater speed and accuracy in backtesting and simulation of trading strategies.
- (10) There is a relatively high barrier to entry to sub-brokerage and therefore a smaller number of competitors. Resources from Taishin FHC will facilitate growth in the sub-brokerage business.

2. Unfavorable factors

- (1) The existence of cutting the price aggravates the competition and affect the space of securities firms for survival.
- (2) Merger clients are not easy to find, and competition for private equity projects is fierce.

- (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) The competition in the industry is fierce, and public banks have established securities underwriting departments one after another, relying on their financial resources to show strong competitiveness.
- (5) The total number of cases and total amount of fund-raising have not shown any apparent growth.
- (6) Local enterprises lack awareness on the role of professional investment consultancy, making it difficult to market such services.
- (7) The market lacks investment banking talents, especially those with experience.
- (8) Large domestic enterprises appoint talents cultivated internally for domestic mergers, reducing business possibilities.

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) Continue to build up the sub-brokerage trading system and the digital platform in order to give investors a stable and easy-to-use tool for investing overseas and to establish a strong presence in the sub-brokerage market.
- (5) 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.
- (6) In response to market demand, special projects will require participation of all hands on board in order to increase fee income.
- (7) Broaden distribution channels local and abroad; increase the company's capacity to undertake cases.
- (8) Large enterprises and private equity networks are within the main scope of business, so it is necessary to actively make contact with popular domestic private equity funds to get the chance to serve as financial consultant for international mergers and funding, and long-term consultant for acquired subsidiaries, as to open up a new market space.
- (9) The Capital Market Department will engage the Research Department and Corporate Department in organizing forums and seminars for greater exposure.
- (10) 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.
- (11) The company will continue to expand favorable operations and exercise its advantage as a medium sized dealer in responding to market changes.
- (12) Cultivate professional knowhow in relation to major industries and invite experts to engage in exchanges about the current status; and organize regular meetings to increase the frequency of inter-industry discussions and gradually implement projects for cultivating industry experts.

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

Looking forward, Taishin sees plenty of growth opportunities for the asset management business under Taishin Securities Investment Trust thanks to the potential of bond funds and the pension market, and the demand for asset allocation and risk management.

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

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

b. Future supply and demand

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 adjusting and expanding its organization as well as its scope of business.

c. Business goals

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.

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 and related research 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. Short-/Long-term business

In addition to continuing purchase and disposal of nonperforming loans, Taishin will target NPLs secured by building sites in Greater Taipei, and expand the land development business through debt restructuring. Meanwhile, in response to market changes, Taishin will actively bid for consumer bad-debt claims and at courthouse foreclosure auctions in order to create sources of profit. Furthermore, Taishin tries to make progress in various areas by combining the banking and the securities platforms. The use of abundant funding and a large talent pool to play a role in corporate restructuring will be beneficial to banking and business reform in the country.

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. Furthermore, since the pandemic is still ongoing and COVID-19 vaccine efficacy is uncertain, all decisions must be given careful consideration.

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 and/or create economic benefits.

b. Future supply and demand

Looking forward to 2020, with cautious optimism being the prevailing 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 awaiting venture capitalists focusing on medium and long-term investments if exit mechanisms are streamlined.

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. The investment industry will focus on the software and manufacturing sectors, as well as startups in niche markets. In terms of region, investment will focus primarily on companies in Taiwan, but remain open to helping Taiwanese businesses return to Taiwan or introducing teams to develop and get listed in the U.S.

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

The government has created a national venture capital firm, Taiwan Capital, and raised a total of NT\$10.55 billion in the first and second stages. The third stage of fundraising is planned to be finished this year. Guided by government directives and loose regulations, sustained growth can be expected for the venture capital industry.

2. Unfavorable factors

Given the persistent presence of economic uncertainties, if companies choose to be cautious and expand at a slower pace due to this outlook, this will create adverse conditions for technological innovation, and consequently have an impact on the development of startups.

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

a. Employee information

Base date: Feb. 28, 2021

Year		2019	2020	As of Feb 28, 2021
Number of employees	Male	3,749	3,789	3,761
	Female	5,446	5,545	5,526
	Total	9,195	9,334	9,287
Average age		38.2	38.6	38.7
Average years of service		8.1	8.5	8.6
Academic qualification	Doctoral Degree	0.10%	0.11%	0.11%
	Masters Degree	19.87%	20.39%	20.76%
	Bachelors Degree	74.00%	74.27%	73.97%
	High school	5.95%	5.15%	5.08%
	Below high school	0.09%	0.09%	0.08%
Professional certificates held by employees	Trust-related certificates (including supervisors, managers, and sales)	4,209	4,327	4,326
	Basic internal control certification	4,146	4,266	4,260
	Certificate for property insurance representative	3,604	3,709	3,691
	Investment-linked policy representative	1,797	1,828	1,825
	Life insurance representative	3,814	3,883	3,831
	Futures specialist	873	864	871
	Securities investment analyst	37	45	46
	Senior securities specialist	945	986	985
	Securities investment trust and consulting professional	704	726	714
	Securities investment trust and consulting laws(including professional ethics)	2,037	2,133	2,170

b. Employee training and development

Taishin Financial Holding co., Ltd. has committed resources into talent training to ensure sustainability and growth. In 2020, the company had completed more than 373,391 training sessions across the entire organization, averaging 61.4 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 2020 in support of the trends in FinTech and the company's overseas expansion strategies.

2. Talent Inventory Program

Choosing and recruiting different levels of colleagues by the 360 evaluation mechanism and the talent committee, 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 FHC, 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 charity and welfare, arts and culture, sport sponsorship, and financial education. As a responsible corporate citizen, Taishin FHC tries to give back to the community and to support the disadvantaged.

a. Charity and Welfare

1. "Caring Taiwan" series

Taishin FHC 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 170 units and funded close to 85 hectares of paddy field. More than 10,000 clients and employees consumed close to 298,000kg of premium Taiwanese rice. The total investment reached NT\$31.3 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" campaign, 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 has been reaching into more areas and received overwhelming response every year. In addition to charity partners, the event also received donations from Taishin managers, employees, clients, and the general public. In 2020, The 11th “Power of Love” campaign contributed NT\$35.4 million and a total of 170 organizations benefited from the donations.

In addition to “Power of Love” campaign, 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. Long-term events, including Minority Project, Campus Charity, Charity Art, Power of Love Workshop, Group purchase of festive charity gift boxes, purchases of charity gift boxes, were created to invite charity groups, employees, clients and suppliers to join in expectation of expanding its social influence. The foundation adopted the SROI model and received a certification for social return on investments (SROI) of 5.33 from the Social Value International in the United Kingdom. It meant that every NT\$1 invested by Taishin Charity Foundation in the 10th “Power of Love” campaign generated NT\$5.33 of social value. The report was the first certified SROI report for a public welfare voting and fundraising platform in the world and the Foundation was the institution with the highest SROI among similar fundraising platforms across the world.

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. 61 winners have received the award and more than NT\$50 million in prize money over 19 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. The Foundation is also committed to promoting arts and extended works. We created the ARTalks website in 2013 which has accumulated more than 2.8 million visits to date. The content guides the audience to ponder the phenomenon of modern culture.

In addition, Taishin has been using the first floor lobby of Taishin Tower regularly as an exhibition space for contemporary art since 2006. Due to the COVID-19 epidemic in 2020, the Foundation created epidemic prevention corridors that were both useful and artistic during the Taishin Arts Award promotional period, so that Taishin employees, customers, and the public have the opportunity to experience art.

2. Public art

The Lunchtime Concerts, which started in 2006, take place 23 to 25 times a year. Due to the COVID-19 epidemic in 2020, the lunch concerts were changed to online concerts from April to June and resumed every other week from July to December. A total of 355 concerts have taken place so far. Taishin has invested close to NT\$243 million in arts and cultural sponsorships in Taiwan since 2006. The events together attracted 5.73 million participants.

3. Employee arts courses

Employee arts courses have been introduced with themes ranging from art appreciation, theatrical performance, and parental activities, to human culture. In 2020, a total of 11 arts courses were organized, and had a total participant count of 470. These arts courses help Taishin employees develop cultural literacy and character, whereas exposure to contemporary arts and aesthetics also inspires creative thinking.

c. Sports sponsorship

Taishin is a long term supporter of sports. Taishin started supporting the Nantou County Youth Karate Team in 2005 (calling upon its customers through PayEasy to join the campaign and raising more than NT\$96.8 million in small donations and receipts). Its sponsorship for female professional golfers reached NT\$100 million in 2011. In addition, Taishin started hosting charity golf tournaments in 2011. The tournaments have welcomed 485 participants and raised more than NT\$18.94 million in total. Furthermore, Taishin started sponsoring a wider range of projects, including basketball, baseball, marathons, and e-sports, in 2017. To strengthen the support for basketball games, Taishin title-sponsored a professional basketball team, the “Formosa Taishin Dreamers” for the first time in 2020 and also integrated basketball games into Taishin’s unique ecosystem product -- Richart Life app -- to create a basketball life ecosystem.

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 65 professors and students from Peking University to engage and share their ideas with their counterparts in Taiwan.

Regarding industry-academia cooperation, since 2011, 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 2020, a total of 415 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, followed by the courses on “Financial Service Innovation” in National Taiwan University, Taishin began working with National Sun Yat-sen University on the launch of “Financial Innovation Master Program.” since 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, carpooling, 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. In addition to the purchase of renewable energy, Taishin also demonstrated its support for renewable energy by installing solar power panels on its Neihsu building in and Tainan Yongfu building. 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 2019, Taishin introduced ISO14064-1 to all of its offices under Taishin FHC, and continued to follow standards from ISO14001 Environmental Management System as the policy in ongoing environmental management and sustainable corporate governance.

► **F. The number of full-time, non-managerial staff, the average and median of salaries for full-time, non-managerial staff, and differences of the aforementioned figures from the previous year**

Unit: NT\$1,000; people

Year	2020	2019
Number of People/Amount		
Number of Employees	7,476	7,158
Mean Salary	1,239	1,217
Median Salary	992	972

► **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 Flex ◆ Oracle SUNT4-4 ◆ MS Windows	◆ Linux ◆ Solaris ◆ Weblogic ◆ Oracle ◆ MS Windows ◆ MS SQL	◆ Sales force automation system(SFA) ◆ Financial planning system
5	Personal finance (Internet/mobile banking/)	◆ Oracle SUN T5-2 ◆ X86 Server ◆ IBM S822	◆ Solaris ◆ Weblogic ◆ Oracle ◆ IBM AIX	◆ Internet/mobile banking ◆ 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 ◆ NTD/FCY transaction inquiry, funds, trust services, and credit cards
7	Corporate banking network (B2B)	◆ HP BL680C ◆ IBM P570	◆ MS Windows ◆ IBM AIX ◆ Websphere ◆ Oracle	◆ NTD/FCY deposit and remittance, collection and payment transfer, wholesale financing, corporate financial planning, broker service, Hong Kong deposit and remittance, and Hong Kong wholesale financing
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 S922 ◆ IBM S814 ◆ IBM S822	◆ IBM AIX ◆ Weblogic ◆ Oracle	◆ Limit control, guarantor and collateral management ◆ Import/export/loans/Deposits/ Remittance ◆ Price negotiation/Media reporting/Accounting/Nostro

Item number	System name	Hardware	Software	Name of service
11	Image process management system (IPMS)	<ul style="list-style-type: none"> ◆ HP RX2800 ◆ HP RP4440 ◆ Oracle T5-2 ◆ Oracle S7-2 ◆ Dell R740 ◆ HP BL620C 	<ul style="list-style-type: none"> ◆ Solaris ◆ HP/Unix ◆ Weblogic ◆ SOA ◆ UCM ◆ Linux ◆ Docker 	<ul style="list-style-type: none"> ◆ 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)	<ul style="list-style-type: none"> ◆ IBM P710 	<ul style="list-style-type: none"> ◆ IBM AIX ◆ Oracle ◆ IBM Websphere 	<ul style="list-style-type: none"> ◆ Accounts receivable system
13	Trade finance system (Murex)	<ul style="list-style-type: none"> ◆ Oracle SUN X3-2 ◆ Oracle SUN X5-2 	<ul style="list-style-type: none"> ◆ Solaris ◆ Murex ◆ TAS ◆ Oracle ◆ MS SQL 	<ul style="list-style-type: none"> ◆ Financial trading (FX and MM) system ◆ Trading risk control system
14	Structured product sales system (SDS)	<ul style="list-style-type: none"> ◆ Dell 2950Server ◆ X86 Server 	<ul style="list-style-type: none"> ◆ MS Windows ◆ Oracle Forms and Reports 	<ul style="list-style-type: none"> ◆ DCI/ELI transactions ◆ SI transactions ◆ Spot orders
15	Singapore trade finance system (SGFITAS)	<ul style="list-style-type: none"> ◆ IBM AS/400 	<ul style="list-style-type: none"> ◆ IBM OS400 ◆ FITAS 	<ul style="list-style-type: none"> ◆ Import/Export/Currency exchange/Deposits/ Loans
16	Singapore wholesale banking system (SGWBS)	<ul style="list-style-type: none"> ◆ IBM P710 	<ul style="list-style-type: none"> ◆ IBM AIX ◆ Weblogic ◆ Oracle 	<ul style="list-style-type: none"> ◆ CIF, limit control, guarantor and collateral management ◆ Funding/Spot/Forward/Swap
17	Mobile office	<ul style="list-style-type: none"> ◆ HP BladeServer ◆ HP X86Server 	<ul style="list-style-type: none"> ◆ MS Windows ◆ VMware 	<ul style="list-style-type: none"> ◆ A mobile office based on cloud technology ◆ Software development tools based on cloud technology
18	Japan wholesale banking system (JPWBS)	<ul style="list-style-type: none"> ◆ IBM S814 	<ul style="list-style-type: none"> ◆ IBM AIX ◆ Weblogic ◆ Oracle 	<ul style="list-style-type: none"> ◆ CIF, Limit control, guarantor and collateral management ◆ Import/Export/Loans/Deposits/Remittance ◆ Funding/Spot/Forward/Swap
19	Bankwide anti-money laundering control system (AML)	<ul style="list-style-type: none"> ◆ HP DL380Server ◆ Dell R740 Server 	<ul style="list-style-type: none"> ◆ MS Windows ◆ MS SQL ◆ PATRIOT OFFICER 	<ul style="list-style-type: none"> ◆ Anti-money laundering control systems for head office and overseas branches
20	Brisbane wholesale banking system (AUWBS)	<ul style="list-style-type: none"> ◆ IBMP720 	<ul style="list-style-type: none"> ◆ IBM AIX ◆ Weblogic ◆ Oracle 	<ul style="list-style-type: none"> ◆ CIF, Limit control, guarantor and collateral management ◆ Import/Export/Loans/Deposits/Remittance ◆ Funding/Spot/Forward/Swap
21	Hong Kong wholesale banking system (HKWBS)	<ul style="list-style-type: none"> ◆ IBM S814 	<ul style="list-style-type: none"> ◆ IBM AIX ◆ Weblogic ◆ Oracle 	<ul style="list-style-type: none"> ◆ CIF, limit control, guarantor and collateral management ◆ Import/Export/Loans/Deposits/ Remittance
22	Global Digital Corporate Banking Network (gB2B)	<ul style="list-style-type: none"> ◆ IBM S814 ◆ LENOVO x3650 ◆ LENOVO x86 	<ul style="list-style-type: none"> ◆ IBM AIX ◆ Weblogic ◆ Oracle ◆ MS Windows 	<ul style="list-style-type: none"> ◆ NTD/FCY deposit and remittance, collection and payment transfer, wholesale financing, corporate financial planning, broker service, Hong Kong deposit and remittance, and Hong Kong wholesale financing
23	Labuan Branch system (MYWBS)	<ul style="list-style-type: none"> ◆ IBM S922 	<ul style="list-style-type: none"> ◆ IBM AIX ◆ Weblogic ◆ Oracle 	<ul style="list-style-type: none"> ◆ CIF, limit control, guarantor, and collateral management ◆ Loans/Deposits/Remittance

Item number	System name	Hardware	Software	Name of service
24	Credit Card Issuance Authorization System (CCIAS)	◆ HP DL580/BL620C/DL580G10 ◆ M3000	◆ MS Windows ◆ MS SQL	◆ The core system for processing of credit card businesses, including credit card issuance, transaction authorization, account settlement, bill payment, bad debt processing, cardholder management, card management, and other functions and services.
25	Payment Processing and Settlement System (APSS)	◆ HP DL580 Gen9	◆ MS Windows ◆ MS SQL	◆ Application and management of merchants for whom we act as acquirer bank, rates, installments, payment, settlement, and other tasks.
26	e-Merchant and Online Authorization Service System (TSPG)	◆ HP DL380 ◆ HP BL620C	◆ MS Windows ◆ MS SQL ◆ TomCat	◆ Cash services for e-stores support the 3DS2.0 authentication and payment page for PC, mobile phone, and app ◆ V/M/J Credit Card/Smart Pay/Union Pay/AE/FISC Bill & Tax Payment/DCC Transaction & Cancellation/Return Transaction & Payment Request/Settlement Service ◆ LinePay QR Code, Apple Pay, Google Pay, Samsung Pay, Link Pay, Batch Authorization, and FISC 1D Barcode Credit Card
27	Open Source Mobile Point of Sale (mPOS)+(APPOS)	◆ HP BL620C ◆ FUJITSU RX2540	◆ MS Windows ◆ MS SQL	◆ Payment: COF (Card On File) ◆ Payment Barcode: Token Payment, First 2-3 Code Merchant Identify Settings, Exclusive Rules, and Barcode Life Cycle ◆ Concatenate P/G Items: TSPG, Hitrust (installments and rewards of other banks), and NCCC (installments and rewards of other banks)
28	New Service Payment System (TSCB)	◆ HP BL620C ◆ FUJITSU RX2540	◆ MS Windows ◆ MS SQL	◆ Provides domestic/overseas payment instrument interfaces
29	(ACSOTP) Online OTP Verification System	◆ HP BL620C ◆ PowerEdgeR740	◆ MS Windows ◆ MS SQL	◆ Credit Card 3D Online Transaction ◆ Add Credit Card to International Digital Wallet
30	Credit Card Issuance Authorization Direct Connection (CCAUTH)	◆ DELL R730	◆ MS Windows ◆ MS SQL	◆ Credit Card and VD Debit Card International Transaction ◆ Credit Card and VD Debit Card International Digital Wallet Transaction

b. Future development or procurement plans

1. Apply cloud technology to achieve resource integration; maximum use of IT resources to improve service quality.
2. Upgrade the Windows AD system and change existing equipment.
3. Assist with construction of IT systems for overseas branches – Singapore and Vietnam.
4. Proceed with the mobile banking app revamp, and continue to expand the application services for mobile devices.
5. The replacement program for the outbound calling system aims to increase the efficiency and service-ability of sales, collection, and other calling procedures.
6. Improve stability of the personal banking online system, and deploy microservice and docker architecture for the Internet banking and mobile banking systems.
7. Develop the latest generation of the IT environment monitoring system to enable instant alerts, shorten processing of anomalies, and improve system stability.

8. Install automatic application monitoring mechanisms to supervise system performance effectively.
9. Construct an overseas wholesale banking website to improve the quality of services provided by the overseas branches, responding to market trends while complying with internal and external IT regulations..
10. Deploy a lightweight software for personal loans and adopt a standardized workflow engine in conjunction with personal loan product logic to enhance the flexibility of product settings and accelerate product launch.
11. Build a platform for high net worth clients in other countries.
12. Launch the 5-in-1 system service enhancement project for trust asset utilization and management systems.
13. Upgrade and optimize the NTD media uploading system to strengthen information security management, and improve system stability and processing efficiency.
14. 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.
15. Expand use of the personalized real-time computing platform and continue to launch digital channels, such as Richart Life and the official website, to give customers the best personalized experience across channels.
16. Develop an intelligent forms processing system to give customers access to premium fax transaction services and make Taishin Bank more competitive.
17. Construct an overseas wholesale banking website to improve the quality of services provided by the overseas branches, responding to market trends while complying with internal and external IT regulations.
18. Create more functions for the Richart Life app, study payment scenarios in everyday environments, and develop reward points.
19. Proceed to expand the EAI platform for financial information, and expand the capacity and efficiency for processing electronic messages.
20. Proceed with the digital banking (Richart) capacity expansion project, and maintain the growth momentum in the business and customer appeal.
21. Develop a new assets and liabilities system and complete Basel III integration.
22. Build a big data platform to provide data storage frameworks suitable for new structured and unstructured data, and improve the company's ability to stay competitive and provide services in the age of big data.
23. Develop a mobile application for global digital corporate banking to offer more comprehensive and convenient services to enterprises.
24. Optimize the architecture for the office software to provide users with a faster, more convenient operating environment.
25. The Taishin Omni-Payment Platform function was added to the New Service Payment System.
26. Tasks pertaining to the EMV 3DS Secure 2.0 ACS authentication mechanism for online transactions, which were previously outsourced to NCCC, are now a self-implementation project.
27. Establish dual core for the BaNCS Core Banking Solution to raise service standards and make them active/active.

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. Deploy black-box and white-box testing tools to scan for weaknesses in external systems.
4. Develop an information security action plan, promote each implement plan.
5. Implement Mobile Device Management for enhanced security in accessing business-related information.
6. Build network access control (NAC) for better network access security.
7. Create an ATM white list management system for better ATM security.
8. 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.
9. Improve off-site support to accommodate business requirements.
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. EDR(Endpoint Detection Response) Install endpoint protection to enable detection of and defense against irregularities as a result of hacker attacks on endpoints.
13. SOC (Security Operation Center) 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.
14. Revise the information security disaster recovery plan to provide guidelines for the bank in the event of information security disasters in order to reduce the length and scope of impact. Information security disaster recovery exercises are conducted to test feasibility of the procedures.
15. Purchase information security insurance policies to reduce losses caused by information security incidents. (management by risk transfer)
16. Establish the environment and standards for digital forensics and teach the basics to provide an understanding of how to collect and preserve digital evidence, to improve integrity and admissibility of evidence, and to increase the capabilities of analyzing, processing, and providing evidence in incidents.
17. Implement two-factor authentication and connect with the production environment to improve information security by simultaneously deploying two authentication methods.
18. Take regular inventory of IoT equipment according to the "Regulations Governing Use of IoT Equipment by Financial Institutions", and implement adequate control measures and access control to better manage the use of IoT equipment.
19. Plan and implement multiple simulated attacks on our cyber structure to better understand current weaknesses and discover threats, system allocation and setting errors, vulnerabilities of current defense mechanisms, etc., as to continue preparing, deploying, and strengthening Taishin Bank's cyber capabilities.

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 Securities Investment Advisory	2021.02.01	Bei-Shi-Lao-Dong-Zi No. 11060067102	Paragraph 6, Article 30 of the Labor Standards Act	An employee of the subsidiary Taishin Securities Investment Advisory failed to confirm the attendance record prepared by the company based on his leave and overtime during his employment and did not send it to his supervisor for review. Therefore, the Labor Affairs Bureau of Taipei City Government deemed that the company failed to record daily employee attendance down to the minute in accordance with regulations.	A fine of NT\$20,000 and release of name.

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.: None.

Taishin International Bank Co., Ltd.:

Contract title	Parties involved	Contract beginning and ending date	Main contents	Restrictive terms
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.	2020.01.01~2022.12.31	ATM cash security services	None
Procurement contract	IBM Taiwan Corporation.	2017.05.01~2020.04.30	Implementation of Global Digital Corporate Banking Network	None
Procurement contract	Taiwan Security Co., Ltd	2018.05.11~2021.12.03	Cash delivery service(CPC revenue)	None
Procurement contract	Taiwan Security Co., Ltd	2020.01.01~2022.12.31	Cash delivery service(Bank branch)	None
Procurement contract	Acer Inc	2018.01.01~2020.12.31	Microsoft EA large account procurement	None
Procurement contract	CyberSoft Digital Services Corp.	2016.04.01~2020.05.31	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
Securities investment consulting service agreement	Entered an agreement in the name company with Taishin Securities Investment Advisory Co., Ltd.	2020.01.01~2020.12.31	Provide securities investment research and analysis or recommendations	None

Taishin Securities Investment Trust Co., Ltd.: None.

Taishin Securities Investment Advisory Co., Ltd.: None.

Taishin Asset Management Co., Ltd.: None.

Taishin Venture Capital Investment Co., Ltd.: None.



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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				
		2016	2017	2018	2019	2020
Cash and cash equivalents due from the Central Bank and call loans to banks		97,172,542	78,867,310	78,466,662	91,585,811	108,551,651
Financial assets at fair value through profit and or loss		89,814,395	106,153,738	115,782,595	144,041,593	127,442,056
Financial assets at fair value through other comprehensive income		0	0	336,400,248	273,426,137	191,029,900
Available-for-sale financial assets		302,421,489	307,885,507	0	0	0
Financial assets at amortized cost		0	0	3,081,240	131,888,616	270,634,022
Securities purchased under resell agreements		5,340,360	7,615,565	2,416,641	11,656,071	4,116,898
Receivables, net		113,258,142	135,089,033	144,763,489	156,087,584	163,895,050
Current tax assets		534,816	357,417	354,251	348,699	11,011
Loans, net		877,317,379	959,618,741	1,018,505,146	1,138,467,117	1,243,688,768
Held-to-maturity financial assets		6,126	6,095	0	0	0
Investments accounted for using the equity method, net		36,822,426	38,521,283	40,100,981	41,406,600	42,059,844
Other financial assets, net		14,051,576	11,718,711	9,866,430	5,545,296	6,778,854
Property and equipment, net		18,514,420	19,143,108	19,158,975	19,051,458	19,208,595
Investment property, net		866,065	769,694	644,159	1,001,062	923,033
Right-of-use assets - net		0	0	0	2,761,324	2,879,350
Intangible assets, net		2,200,915	2,283,808	2,275,459	2,462,448	3,272,025
Deferred tax assets, net		2,950,676	2,480,967	3,360,316	2,695,099	3,213,221
Other assets		15,714,400	7,009,339	11,716,925	8,516,416	8,354,928
Total assets		1,576,985,727	1,677,520,316	1,786,893,517	2,030,941,331	2,196,059,206
Due to the Central Bank and banks		46,966,461	64,252,429	57,441,338	53,393,057	49,824,469
Funds borrowed from the Central Bank and banks		0	0	1,536,650	1,505,300	1,925,590
Financial liabilities at fair value through profit or loss		35,815,311	18,467,718	29,502,674	27,549,349	36,052,712
Securities sold under repurchase agreements		70,108,624	76,695,065	83,045,834	120,144,975	88,288,646
Commercial paper issued		8,537,889	15,298,649	12,215,597	22,856,765	15,432,869
Payables		30,162,981	29,096,110	28,783,190	39,382,641	47,272,379
Current tax liabilities		1,123,810	1,464,131	2,306,439	2,473,274	2,277,779
Deposits and remittances		1,104,139,089	1,194,493,789	1,259,675,424	1,434,084,934	1,607,978,455
Bonds payable		75,000,000	64,400,000	61,700,000	56,800,000	70,100,000
Other financial liabilities		51,606,593	51,703,941	70,628,831	83,587,147	78,922,552
Reserve for liabilities		1,165,486	1,485,384	1,721,335	1,761,125	1,910,042
Lease liabilities		0	0	0	2,822,108	2,978,858
Deferred tax liabilities		127,762	96,839	108,838	112,987	147,023
Other financial liabilities		3,356,087	4,744,152	3,709,414	5,449,932	6,838,450
Total liabilities	Pre-payout	1,428,110,093	1,522,198,207	1,612,375,564	1,851,923,594	2,009,949,824
	Post-payout	1,433,706,885	1,529,184,591	1,619,212,883	1,859,772,683	(Note 1)
Equity attributable to owners of parent		148,751,140	155,188,265	174,384,526	178,889,382	186,062,223
Capital stock	Pre-payout	103,825,072	107,757,589	114,541,477	114,578,121	117,126,998
	Post-payout	107,937,968	112,187,790	116,712,380	117,044,739	(Note 1)
Capital surplus	Pre-payout	27,132,585	26,453,556	37,805,713	35,955,405	35,928,795
	Post-payout	27,132,585	26,453,556	37,805,713	35,955,405	(Note 1)
Retained earnings	Pre-payout	18,051,306	21,103,712	22,108,378	27,302,739	31,180,784
	Post-payout	8,341,618	9,687,127	13,100,156	16,987,032	(Note 1)
Other equity		-257,823	-126,592	-71,042	1,053,117	1,825,646
Non-controlling interest		124,494	133,844	133,427	128,355	47,159
Total equity	Pre-payout	148,875,634	155,322,109	174,517,953	179,017,737	186,109,382
	Post-payout	143,278,842	148,335,725	167,680,634	171,168,648	(Note 1)

Note 1: Proposal for the coverage of 2020 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 2016-2019 financial statement is certified by CPAs Tza Li Gung and Kwan-Chung Lai, who issued auditing report for their authenticity without reservation. The 2020 financial statements are certified by CPAs Ching-Cheng Yang and Han-Ni Fang, who issued auditing report for their authenticity without reservation.

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

Unit: NT\$1,000

Item \ Year	Financial data in the recent five years				
	2016	2017	2018	2019	2020
Interest income	29,082,391	30,621,256	34,485,001	37,209,805	33,902,150
Interest expenses	(11,078,256)	(11,886,687)	(14,893,700)	(17,620,508)	(12,243,036)
Net interest income	18,004,135	18,734,569	19,591,301	19,589,297	21,659,114
Net income other than net interest income	18,147,270	19,067,332	20,157,022	24,052,114	22,485,735
Net revenue and gains	36,151,405	37,801,901	39,748,323	43,641,411	44,144,849
Reversed allowance for bad debts expenses and guarantee liability provisions	(3,350,119)	(1,851,058)	(3,340,539)	(2,615,115)	(1,860,723)
Operating expenses	(19,831,493)	(21,141,214)	(22,171,401)	(24,752,722)	(25,852,998)
Income before income tax from continuing operations	12,969,793	14,809,629	14,236,383	16,273,574	16,431,128
Income tax (expense) benefit	(1,577,360)	(1,739,463)	(1,306,250)	(1,787,643)	(1,942,301)
Net income from continuing operations	11,392,433	13,070,166	12,930,133	14,485,931	14,488,827
Consolidated net income	11,392,433	13,070,166	12,930,133	14,485,931	14,488,827
Other comprehensive income, net of tax	(453,287)	(107,224)	(320,668)	1,019,947	472,964
Total comprehensive income	10,939,146	12,962,942	12,609,465	15,505,878	14,961,791
Net income attributable to owners of parent	11,399,434	13,060,662	12,930,583	14,488,021	14,493,422
Net income attributable to non-controlling interests	(7,001)	9,504	(450)	(2,090)	(4,595)
Total comprehensive income attributable to owners of parent	10,944,967	12,953,592	12,609,882	15,507,543	14,966,281
Total comprehensive income attributable to non- controlling interests	(5,821)	9,350	(417)	(1,665)	(4,490)
Earnings per common share	1.00	1.06	1.05	1.16	1.17

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 2016-2019 financial statement is certified by CPAs Tza Li Gung and Kwan-Chung Lai, who issued auditing report for their authenticity without reservation. The 2020 financial statements are certified by CPAs Ching-Cheng Yang and Han-Ni Fang, 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, 2021
			2016	2017	2018	2019	2020	
Management capability	Turnover rate of total assets (times)		0.02	0.02	0.02	0.02	0.02	(Note 3)
	Deposit/loan ratio of Taishin Bank (%)		80.13	81.37	81.64	80.39	78.25	
	NPL ratio of Taishin Bank (%)		0.26	0.22	0.18	0.17	0.15	
	Revenue per employee		4,423	4,469	4,267	4,555	4,528	
	Profit per employee		1,394	1,545	1,388	1,512	1,486	
Profit-making capability	Return on assets (%)		0.74	0.80	0.75	0.76	0.69	
	Return on common shareholders' equity (%)		9.58	9.61	9.06	9.54	9.05	
	Net profit rate (%)		31.51	34.58	32.53	33.19	32.82	
	Earning per share (NT\$)		1.00	1.06	1.05	1.16	1.17	
Financial Structure	Liabilities/assets ratio (%)		90.56	90.74	90.23	91.19	91.53	
	Liabilities/book value ratio (%)		959.26	980.03	923.90	1034.49	1079.98	
	Double leverage ratio of the financial holding company (%)		111	113	111	117	118	
	Financial ratio of the financial holding company according to article 41 of the law		None	None	None	None	None	
Leverage extent	Business leverage extent		2.79	2.55	2.79	2.68	2.69	
	Financial leverage extent of financial holding company		1.04	1.04	1.04	1.03	1.03	
Growth rate	Assets growth (%)		3.73	6.38	6.52	13.66	8.13	
	Profit growth (%)	(12.93)		14.19	(3.87)	14.31	0.97	
Cash flow	Cash flow ratio (%)		8.45	(8.27)	(8.82)	16.91	3.34	
	Propriety ratio of cash flow (%)		21.33	(141.42)	(107.39)	14.43	68.31	
	Cash-flow satisfaction ratio (%)	(904.19)		306.50	1559.94	(2314.49)	(311.53)	
Business scale	Market share of assets (%)		3.67	3.55	3.55	3.72	3.66	
	Market share of book value (%)		4.82	4.53	5.16	4.40	4.11	
	Market share of Taishin Bank's deposit (%)		2.98	3.07	3.15	3.39	3.47	
	Market share of Taishin Bank's loan extension (%)		3.20	3.37	3.39	3.64	3.77	
Capital Adequacy	Capital adequacy ratio	Taishin Bank	14.21	14.23	14.72	14.40	16.28%	
		Taishin Security	404	418	341	326	366%	
		Taishin AMC	86.33	86.94	77.76	74.70	56.52%	
		Taishin Securities Investment Trust	89.22	90.04	89.55	83.99	84.80%	
		Taishin Securities Investment Advisory	94.02	93.58	92.88	90.66	83.06%	
		Taishin Venture Capital	91.45	89.21	99.94	99.88	99.94%	
	Eligible self-owned capital		169,318,748	174,779,716	189,189,087	202,934,686	213,144,821	
	Group's eligible capital		177,446,837	186,506,222	208,792,612	220,591,614	228,990,181	
	Subsidiary's statutory capital requirement		101,764,953	111,343,687	124,682,579	144,639,521	134,585,239	

Item \ Year		Year	Financial Analysis in the recent five years					Financial data for current year as of Feb. 28, 2021
		2016	2017	2018	2019	2020		
Capital Adequacy	Group's statutory capital requirement	138,109,590	149,361,020	164,287,267	185,514,699	176,092,446	(Note 3)	
	Group's capital adequacy ratio (%)	128.48	124.87	127.09	118.91	130.04%		
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)		476,347 (Note 2)	532,089 (Note 2)	612,989 (Note 2)	835,611 (Note 2)	893,900 (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 asset growth ratio as at December 31, 2020 over December 31, 2019 was mainly due to a lower net increase of financial assets and loans.								
2. Increase in the profit growth ratio as at December 31, 2020 over December 31, 2019 was mainly due to a lower pre-tax net profit..								
3. Increase in the cash flow ratio and cash flow satisfaction ratio as at December 31, 2020 over December 31, 2019 was mainly due to decreased net cash inflows from operating activities.								
4. Increase in the propriety ratio of cash flow as at December 31, 2020 over December 31, 2019 was mainly due to increased net cash inflows from operating activities over the last five years.								

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 2021 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 2020 is based on unaudited data.)
 - (2) Market share of book value=Book value/total book values of financial holding companies(Calculation for 2020 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 29, 2021

The board of directors has prepared the 2020 business report, financial statements and earnings distribution proposal for the Company. The financial statements have been audited and certified by CPA Ching-Cheng Yang and CPA Han-Ni Fang 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. 2021 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 consolidated financial statements of Taishin Financial Holding Co., Ltd. ("Taishin Financial Holding") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, 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, 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, 2020. 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, 2020:

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, and represent the Group's significant accounts, which reached around 57% of the Group's total assets as of December 31, 2020. The Group assesses the impairment of loans of Taishin Bank in accordance with IFRS 9 "Financial Instruments" and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the Financial Supervisory Commission (FSC) ("the Regulations"), and the impairment of loans is recognized at the higher of the amount based on IFRS 9 and the Regulations. See Notes 5 and 13 to the consolidated financial statements for the relevant and additional information. The Group management's judgment 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 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 whether main assumptions and parameters used in the Group's impairment assessment model of ECLs complied with IFRS 9 and recalculated the amount of the impairment of loans. In addition, we tested the classification of loan accounts in accordance with the Regulations and evaluated whether the amount of the impairment of loans complied with the Regulations.

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, 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, 2020 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 audits resulting in this independent auditors' report are Ching-Cheng Yang and Han-Ni Fang.

Deloitte & Touche

Taipei, Taiwan

Republic of China

February 26, 2021

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, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 5 and 7)	\$ 24,467,895	1	\$ 24,168,532	1
Due from the Central Bank and call loans to banks (Note 8)	84,083,756	4	67,417,279	3
Financial assets at fair value through profit or loss (FVTPL) (Notes 5 and 9)	127,442,056	6	144,041,593	7
Financial assets at fair value through other comprehensive income (FVTOCI) (Notes 5 and 10)	191,029,900	9	273,426,137	14
Financial assets at amortized cost (Notes 5 and 11)	270,634,022	12	131,888,616	7
Securities purchased under resale agreements (Note 5)	4,116,898	-	11,656,071	1
Receivables, net (Notes 5, 12 and 13)	163,895,050	7	156,087,584	8
Current tax assets (Notes 5 and 38)	11,011	-	348,699	-
Loans, net (Notes 5, 6 and 13)	1,243,688,768	57	1,138,467,117	56
Investments accounted for using the equity method, net (Notes 5 and 14)	42,059,844	2	41,406,600	2
Other financial assets, net (Notes 5, 12 and 15)	6,778,854	1	5,545,296	-
Investment property, net (Notes 5 and 16)	923,033	-	1,001,062	-
Property and equipment, net (Notes 5 and 17)	19,208,595	1	19,051,458	1
Right-of-use assets, net (Notes 4, 5 and 18)	2,879,350	-	2,761,324	-
Intangible assets, net (Notes 5 and 19)	3,272,025	-	2,462,448	-
Deferred tax assets (Notes 5 and 38)	3,213,221	-	2,695,099	-
Other assets, net (Note 20)	8,354,928	-	8,516,416	-
TOTAL	\$ 2,196,059,206	\$ 100	\$ 2,030,941,331	100

(Continued)

	2020		2019	
	Amount	%	Amount	%
LIABILITIES AND EQUITY				
Due to the Central Bank and banks (Note 21)	\$ 49,824,469	2	\$ 53,393,057	3
Funds borrowed from the Central Bank and other banks	1,925,590	-	1,505,300	-
Financial liabilities at FVTPL (Notes 5 and 9)	36,052,712	2	27,549,349	1
Securities sold under repurchase agreements (Note 5)	88,288,646	4	120,144,975	6
Commercial paper issued, net (Note 22)	15,432,869	1	22,856,765	1
Payables (Note 23)	47,272,379	2	39,382,641	2
Current tax liabilities (Notes 5 and 38)	2,277,779	-	2,473,274	-
Deposits and remittances (Note 24)	1,607,978,455	73	1,434,084,934	71
Bonds payable (Note 25)	70,100,000	3	56,800,000	3
Other borrowings (Note 26)	11,180,264	1	11,194,084	-
Provisions (Notes 5, 27 and 30)	1,910,042	-	1,761,125	-
Other financial liabilities (Note 28)	67,742,288	3	72,393,063	4
Lease liabilities (Notes 5 and 18)	2,978,858	-	2,822,108	-
Deferred tax liabilities (Notes 5 and 38)	147,023	-	112,987	-
Other liabilities (Note 29)	6,838,450	-	5,449,932	-
Total liabilities	2,009,949,824	91	1,851,923,594	91
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Note 31)				
Capital stock				
Common stock	109,115,662	5	106,567,044	5
Preferred stock	8,000,000	-	8,000,000	-
Advance receipts for capital stock	11,336	-	11,077	-
Capital surplus	35,928,795	2	35,955,405	2
Retained earnings				
Legal reserve	11,777,396	1	10,357,137	1
Special reserve	571,970	-	572,115	-
Unappropriated earnings	18,831,418	1	16,373,487	1
Other equity	1,825,646	-	1,053,117	-
Equity attributable to owners of parent	186,062,223	9	178,889,382	9
NON-CONTROLLING INTERESTS	47,159	-	128,355	-
Total equity	186,109,382	9	179,017,737	9
TOTAL	<u>\$ 2,196,059,206</u>	<u>100</u>	<u>\$ 2,030,941,331</u>	<u>100</u>

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, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
INTEREST INCOME (Notes 5 and 32)	\$ 33,902,150	77	\$ 37,209,805	85
INTEREST EXPENSES (Note 32)	(12,243,036)	(28)	(17,620,508)	(40)
NET INTEREST INCOME (Note 32)	21,659,114	49	19,589,297	45
NET INCOME OTHER THAN NET INTEREST INCOME				
Net service fee and commission income (Notes 5 and 33)	13,994,914	32	12,935,623	30
Gain on financial assets and liabilities at FVTPL (Notes 5 and 34)	4,023,731	9	7,014,668	16
Realized gain on financial assets at FVTOCI (Notes 5 and 35)	1,359,162	3	749,311	2
Gain on derecognition of financial assets at amortized cost	291	-	-	-
Foreign exchange gains (losses)	1,022,074	2	227,316	-
Impairment (loss) gain on assets (Notes 10, 11 and 20)	(12,008)	-	(18,965)	-
Share of profit (loss) of associates accounted for using equity method (Notes 5 and 14)	1,615,015	4	2,650,357	6
Net other non-interest income				
Net other miscellaneous income	482,556	1	493,804	1
Net income other than net interest income	22,485,735	51	24,052,114	55
NET REVENUE AND GAINS	44,144,849	100	43,641,411	100
PROVISIONS FOR ALLOWANCE FOR BAD DEBT EXPENSES, COMMITMENTS AND GUARANTEES LIABILITIES (Notes 5 and 13)	(1,860,723)	(4)	(2,615,115)	(6)
OPERATING EXPENSES				
Employee benefits expenses (Notes 5 and 36)	(14,467,600)	(33)	(13,987,394)	(32)
Depreciation and amortization expenses (Note 37)	(2,201,303)	(5)	(2,004,400)	(5)
Other general and administrative expenses	(9,184,095)	(20)	(8,760,928)	(20)
Total operating expenses	(25,852,998)	(58)	(24,752,722)	(57)
INCOME BEFORE INCOME TAX	16,431,128	38	16,273,574	37
INCOME TAX EXPENSE (Notes 5 and 38)	(1,942,301)	(5)	(1,787,643)	(4)
NET INCOME	14,488,827	33	14,485,931	33
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Gain (losses) on remeasurements of defined benefit plans	(173,226)	-	(34,402)	-
Share of other comprehensive income of associates accounted for using the equity method	127,406	-	334,148	1

(Continued)

	2020		2019	
	Amount	%	Amount	%
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	\$ (38,589)	-	\$ 39,023	-
Unrealized gain on investments in equity instruments designated as at FVTOCI	53,087	-	195,931	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	35,723	-	8,340	-
Items that will be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	3,373	-	(68,694)	-
Share of other comprehensive income (loss) of associate accounted for using the equity method	(176,331)	-	(259,652)	(1)
Unrealized gain (loss) on investment in debt instruments at FVTOCI	686,879	1	859,009	2
(Impairment loss) reversal of impairment on investment in debt instruments at FVTOCI	6,117	-	7,060	-
Income tax relating to items that will be reclassified subsequently to profit or loss	(51,475)	-	(60,816)	-
Other comprehensive income (loss), net of tax	472,964	1	1,019,947	3
TOTAL COMPREHENSIVE INCOME	\$ 14,961,791	34	\$ 15,505,878	36
NET INCOME ATTRIBUTABLE TO:				
Owners of parent	\$ 14,493,422	33	\$ 14,488,021	33
Non-controlling interests	(4,595)	-	(2,090)	-
	\$ 14,488,827	33	\$ 14,485,931	33
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of parent	\$ 14,966,281	34	\$ 15,507,543	36
Non-controlling interests	(4,490)	-	(1,665)	-
	\$ 14,961,791	34	\$ 15,505,878	36
EARNINGS PER SHARE (Note 39)				
Basic	\$ 1.17		\$ 1.16	
Diluted	\$ 1.17		\$ 1.16	

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, 2020 AND 2019 (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	Other
BALANCE AT JANUARY 1, 2019	\$104,362,071	\$ 10,175,410	\$ 3,996	\$ 35,602,662	\$ 2,075,475	\$ 127,576	\$ -
Appropriation of 2018 earnings							
Legal reserve	-	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-	-
Stock dividends on common stock	2,170,903	-	-	-	-	-	-
Net income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2019, net of tax	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	-
Redemption of preferred stock D	-	(2,175,410)	-	(1,843,789)	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	3,213
Share-based payments	34,070	-	7,081	15,841	-	(25,573)	-
Non-controlling interests	-	-	-	-	-	-	-
Disposal of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2019	106,567,044	8,000,000	11,077	33,774,714	2,075,475	102,003	3,213
Appropriation of 2019 earnings							
Legal reserve	-	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-	-
Stock dividends on common stock	2,466,618	-	-	-	-	-	-
Reversal of the special reserve	-	-	-	-	-	-	-
Net income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2020, net of tax	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	-
Share-based payments	82,000	-	259	21,094	-	(47,704)	-
Non-controlling interests	-	-	-	-	-	-	-
Disposal of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2020	<u>\$ 109,115,662</u>	<u>\$ 8,000,000</u>	<u>\$ 11,336</u>	<u>\$ 33,795,808</u>	<u>\$ 2,075,475</u>	<u>\$ 54,299</u>	<u>\$ 3,213</u>

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

Equity Attributable to Owners of Parent							
Retained Earnings			Other Equity				
Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at FVTOCI	Changes in Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities at FVTPL	Non-controlling Interests	Total Equity
\$ 9,115,012	\$ 572,115	\$ 12,421,251	\$(372,863)	\$ 301,090	\$ 731	\$ 133,427	\$ 174,517,953
1,242,125	-	(1,242,125)	-	-	-	-	-
-	-	(5,306,652)	-	-	-	-	(5,306,652)
-	-	(1,530,667)	-	-	-	-	(1,530,667)
-	-	(2,170,903)	-	-	-	-	-
-	-	14,488,021	-	-	-	(2,090)	14,485,931
-	-	(62,000)	(303,087)	1,345,773	38,836	425	1,019,947
-	-	14,426,021	(303,087)	1,345,773	38,836	(1,665)	15,505,878
-	-	(180,801)	-	-	-	-	(4,200,000)
-	-	-	-	-	-	(3,213)	-
-	-	-	-	-	-	-	31,419
-	-	-	-	-	-	(194)	(194)
-	-	(42,637)	-	42,637	-	-	-
10,357,137	572,115	16,373,487	(675,950)	1,689,500	39,567	128,355	179,017,737
1,420,259	-	(1,420,259)	-	-	-	-	-
-	-	(6,029,510)	-	-	-	-	(6,029,510)
-	-	(1,819,579)	-	-	-	-	(1,819,579)
-	-	(2,466,618)	-	-	-	-	-
-	(145)	145	-	-	-	-	-
-	-	14,493,422	-	-	-	(4,595)	14,488,827
-	-	(180,583)	(277,106)	969,137	(38,589)	105	472,964
-	-	14,312,839	(277,106)	969,137	(38,589)	(4,490)	14,961,791
-	-	-	-	-	-	-	55,649
-	-	-	-	-	-	(76,706)	(76,706)
-	-	(119,087)	-	119,087	-	-	-
\$ 11,777,396	\$ 571,970	\$ 18,831,418	\$(953,056)	\$ 2,777,724	\$ 978	\$ 47,159	\$ 186,109,382

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 16,431,128	\$ 16,273,574
Adjustments:		
Adjustments for reconciliation of profit or loss		
Depreciation expenses	1,815,407	1,711,251
Amortization expenses	385,896	293,149
Provisions for bad debts expenses, commitments and guarantee liabilities	1,860,723	2,615,115
Net loss (gain) on financial assets and liabilities at FVTPL	(4,023,731)	(7,014,668)
Net loss (gain) on financial assets and liabilities at FVTOCI	(1,359,162)	(749,311)
Interest expenses	12,243,036	17,620,508
Loss (gain) on derecognition of financial assets at amortized cost	(291)	-
Interest income	(33,902,150)	(37,209,805)
Stock-based payments	13,608	45,458
Share of profit of associates accounted for using the equity method	(1,615,015)	(2,650,357)
Impairment loss on financial assets	11,899	13,076
Other adjustments	(26,671)	3,136
Total adjustments	(24,596,451)	(25,322,448)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and call loans to banks	(10,928,944)	6,306,470
(Increase) decrease in financial assets at FVTPL	61,669,372	23,114,372
(Increase) decrease in financial assets at FVTOCI	83,824,172	64,177,527
(Increase) decrease in financial assets at amortized cost	(138,788,010)	(128,812,066)
(Increase) decrease in securities purchased under resale agreements	182,823	(320,746)
(Increase) decrease in receivables	(9,082,509)	(11,589,108)
(Increase) decrease in loans	(106,696,476)	(122,206,574)
(Increase) decrease in other financial assets	(1,055,493)	4,332,552
(Increase) decrease in other assets	166,678	3,140,410
Increase (decrease) in due to the Central Bank and banks	162,704	179,547
Increase (decrease) in financial liabilities at FVTPL	(33,383,220)	(47,346,317)
Increase (decrease) in securities sold under repurchase agreements	(31,856,329)	37,099,141
Increase (decrease) in payables	8,594,218	10,373,846
Increase (decrease) in deposits and remittances	173,893,521	174,409,509
Increase (decrease) in provisions	(74,816)	(23,577)
Increase (decrease) in other financial liabilities	(4,650,775)	13,317,532
Increase (decrease) in other liabilities	1,238,719	1,662,845
Cash generated from (used in) operations	(14,949,688)	18,766,489
Interest received	35,894,579	38,191,404
Dividends received	1,506,307	1,893,732
Interest paid	(13,105,432)	(17,573,988)
Income taxes returned	190,348	9,957
Income taxes paid	(2,478,581)	(1,012,581)
Net cash generated from (used in) operating activities	7,057,533	40,275,013

(Continued)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at FVTOCI	\$ 1,929	\$ 3,384
Acquisition of financial assets carried at cost	-	(3,070)
Proceeds from disposal of financial assets carried at cost	6,000	-
Acquisition of investments accounted for equity method	-	(10,000)
Acquisition of property and equipment	(1,309,057)	(1,009,039)
Proceeds from disposal of property and equipment	1,882	38,099
Acquisition of intangible assets	(1,150,896)	(486,382)
Cash outflows from business combination	(2,346)	-
Acquisition of investment properties	(931)	(273,117)
Proceeds from disposal of investment properties	188,002	-
Net cash generated from (used in) investing activities	(2,265,417)	(1,740,125)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to the Central Bank and banks	(3,311,002)	(4,259,178)
Increase in commercial paper payable	-	10,640,000
Decrease in commercial paper payable	(7,432,000)	-
Proceeds from issuing corporate bonds	13,300,000	7,000,000
Repayment of corporate bonds	-	(7,000,000)
Issuance of bank debentures	-	5,000,000
Repayment of bank debentures	-	(9,900,000)
Increase in other borrowings	-	5,895
Decrease in other borrowings	(28,252)	-
Repayment of the principal portion of lease liabilities	(733,513)	(617,100)
Cash dividends distributed	(7,849,089)	(6,837,319)
Redemption of preferred stock D	-	(4,200,000)
Exercise of employee stock options	55,649	31,419
Changes in non-controlling interests	(99,757)	(194)
Net cash generated from (used in) financing activities	(6,097,964)	(10,136,477)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	(13,606)	(54,108)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,319,454)	28,344,303
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	55,000,231	26,655,928
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 53,680,777</u>	<u>\$ 55,000,231</u>

Reconciliation of cash and cash equivalents:

	2020	2019
Cash and cash equivalents in consolidated balance sheets	\$ 24,467,895	\$ 24,168,532
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7	25,233,907	19,496,374
Securities purchased under resell agreements qualifying as cash and cash equivalents under the definition of IAS 7	3,978,975	11,335,325
Cash and cash equivalents at the end of the year	<u>\$ 53,680,777</u>	<u>\$ 55,000,231</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, 2020 AND 2019

(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 Financial Holding Company Act in the Republic of China ("ROC") and related regulations through a stock swap on February 18, 2002. Taishin Financial Holding's main business activities are investing and managing its investments in financial institutions.

Taishin Bank and Dah An Bank established Taishin Financial Holding through a stock swap. In forming the holding company, Taishin Bank merged with Dah An Bank, with Taishin Bank as the surviving company. In addition, Taishin Securities Co., Ltd. ("Taishin Securities A") and Taishin Bills Finance Co., Ltd. ("Taishin Bills Finance") became wholly-owned subsidiaries of Taishin Financial Holding through a stock swap effective on December 31, 2002.

In order to better integrate the resources of the Company and its controlled affiliates, on December 19, 2009, the Company disposed of its wholly-owned subsidiary Taishin Securities A via a merger transaction of Taishin Securities A, as the dissolved company, and KGI Securities Co., Ltd. In addition, on January 22, 2011, Taishin Bank merged with Taishin Bills Finance. Hence, Taishin Bank acquired the whole assets and assumed all liabilities and operations of Taishin Bills Finance.

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

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

Taishin Financial Holding acquired 100% equity interest of Franklin Insurance Brokers Co., Ltd. ("Franklin Insurance Brokers") by cash investments on April 27, 2011. Franklin Insurance Brokers became a subsidiary of Taishin Financial Holding and changed its company name to Taishin Holdings Insurance Brokers Co., Ltd. ("Taishin Holdings Insurance Brokers"). The business operations of Taishin Holdings Insurance Brokers include property insurance broker service and life insurance broker service. In order to integrate the group resources and effectively utilize capital to advance operational performance, the Company conducted an internal group restructuring. The Company intended to have Taishin Bank merged with Taishin Holdings Insurance Brokers. Therefore, on October 29, 2015, the board of directors of Taishin Bank (acting as stockholders of Taishin Bank) resolved that the surviving company was Taishin Bank and the dissolved company was Taishin Holdings Insurance Brokers. On December 30, 2015, the merger was endorsed by the Financial Supervisory Commission ("FSC"). The merger base date was on April 24, 2016. Taishin Holding Insurance Brokers took into consideration its audited net asset value on the merger base date. Taishin Bank paid in cash and assumed the overall assets, liabilities and operations of Taishin Holding Insurance Brokers.

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

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

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

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

Taishin Securities Co., Ltd. (“Taishin Securities B”) (formerly known as Donshin Securities Co., Ltd.) was incorporated on January 15, 1990, and its operations include services dealing with futures, securities underwriting, brokerage, margin lending and security transfer services. Taishin Financial Holding acquired 100% equity interest of Taishin Securities B by cash investments on April 9, 2010. Taishin Securities B became a subsidiary of Taishin Financial Holding.

Taishin Securities B acquired 100% equity interest in Tachong Securities Co., Ltd. (“Tachong Securities”) via cash acquisition and assumed the net assets and operations of Tachong Venture Capital Co., Ltd. (“Tachong Venture Capital”), which was originally the subsidiary of Tachong Securities on August 28, 2017. After completing the aforementioned cash acquisition, the surviving company was Taishin Securities B, and Tachong Securities was dissolved accordingly.

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

Xiang An Life Insurance Agency Co., Ltd. (“Xiang An Insurance Agency”) was established in September 1996. It provides life insurance agency services. The record date of liquidation for Xiang An Insurance Agency was on July 17, 2020, and as of the approval date of these consolidated financial statements, the liquidation procedures have not been completed yet.

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

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

Taishin Capital Co., Ltd. (“Taishin Capital”) was established in August 2019. It mainly engages in investments in start-up entities and consultancy services.

Taishin Venture Capital, Taishin Securities Investment Advisory and Taishin Securities Venture Capital acquired 51% equity interest and controlling power of Credidi Inc. (“Credidi”) by cash investment on November 3, 2020. Therefore, Credidi became a subsidiary of Taishin Financial Holding. It mainly engages in information software services.

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

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

Within these consolidated financial statements, Taishin Financial Holding and its subsidiaries mentioned above are collectively referred to as the “Group”.

In the year ended December 31, 2005, Taishin Financial Holding acquired 1,400,000 thousand shares of preferred

stock B issued by Chang Hwa Commercial Bank, Ltd. ("Chang Hwa Bank") through private placements. The 22.55% ownership interest with voting rights allowed Taishin Financial Holding to control over half of the seats in the board of directors of Chang Hwa Bank. Accordingly, Taishin Financial Holding had controlling power over Chang Hwa Bank. On October 3, 2008, this preferred stock B was converted into 1,400,000 thousand shares of common stock. Chang Hwa Bank elected its board of directors on December 8, 2014, whereby Taishin Financial Holding obtained less than half of the seats of Chang Hwa Bank's board of directors. Therefore, Taishin Financial Holding lost its control over Chang Hwa Bank and afterwards did not account for Chang Hwa Bank as its subsidiary in accordance with the Financial Holding Company Act. The ownership interest with voting rights in Chang Hwa Bank held by Taishin Financial Holding and its subsidiaries was 22.81% as of December 31, 2020.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (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 25, 2021.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed and issued into effect by the FSC.

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

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

The Group applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. The amendments require that for an entity to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To judge whether the acquired process is substantive, there will be different judgment requirements depending on whether there is output on the acquisition date. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

Upon retrospective application of the amendments, the Group complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

3) Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold for materiality has been changed to “could reasonably be expected to influence the decisions of users” and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

Except for the above impact, the Group assessed that the application of other standards and interpretations would have no impact on the Group’s financial position and financial performance.

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Except for the following, the initial application of the abovementioned new IFRSs in issue but not yet endorsed and issued into effect by the FSC are not expected to have any material impact on the Group’s accounting policies:

1) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 “Financial Instruments”, were amended in the annual improvements. IFRS 9 requires to compare the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10 per cent. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

2) Amendments to IFRS 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.

3) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Group will restate its comparative information when it initially applies the aforementioned amendments.

4) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine the material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgments or assumptions in applying an accounting policy, and the Group discloses those judgments or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

5) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

According to Order No. 1090364819, No. 1090364782 and No. 10902734581 issued by the FSC, the Group applied IFRSs and the related amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, which were approved by the FSC for 2020.

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 44.

Basis of Consolidation

a. Principle of consolidation of financial statements

This consolidated financial report has included financial reports prepared by the Company and entities controlled by the Company.

The Company 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 the Group.

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 the Company.

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 the owners of the Company.

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 IFRS 9 "Financial Instruments".

b. Business combinations

Business combinations are accounted for in accordance with the requirements of IFRS 3 "Business Combinations" approved by the FSC. Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred. The transfer consideration for a business combination should be measured at fair value, and its calculation is based on the total amount of the assets transferred by the acquirer, the liabilities incurred or assumed, and the fair value of the equity instruments issued by the acquirer on the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the acquisition does not meet the definition of "Business Combinations", the merging company will allocate the acquisition costs to separately identifiable assets and liabilities. The acquired assets and liabilities are recorded on the basis of: (1) The fair value of financial assets and liabilities measured at the acquisition date based on IFRS 9 "Financial Instruments" recognized by the FSC. (2) The remaining amount after deducting the cost of financial assets and liabilities from the acquisition cost is allocated to other assets and liabilities based on the relative proportion of the fair value of other assets and liabilities on the acquisition date.

Investor	Subsidiary	Ownership Interest (%)	
		December 31	
		2020	2019
Taishin Financial Holding	Taishin Bank	100.00%	100.00%
Taishin Financial Holding	Taishin Securities B	100.00%	100.00%
Taishin Financial Holding	Taishin AMC	100.00%	100.00%
Taishin Financial Holding	Taishin Venture Capital	100.00%	100.00%
Taishin Financial Holding	Taishin Securities Investment Advisory	92.00%	92.00%
Taishin Financial Holding	Taishin Securities Investment Trust	100.00%	100.00%
Taishin Bank	Taishin Real-Estate	60.00%	60.00%
Taishin Bank	Xiang An Insurance Agency (Note 1)	-	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.	100.00%	100.00%
Taishin Securities B	Taishin Capital Management Consulting Co.	100.00%	100.00%
Taishin Venture Capital	Credidi (Note 2)	20.00%	-
Taishin Securities Investment Advisory	Credidi (Note 2)	6.00%	-
Taishin Securities Venture Capital	Credidi (Note 2)	25.00%	-

Note 1: Xiang An Insurance Agency had started the liquidation procedures on July 17, 2020.

Note 2: Taishin Venture Capital, Taishin Securities Investment Advisory and Taishin Securities Venture Capital acquired ownership interest through cash investment on November 3, 2020, and included in the consolidated financial statements.

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”.

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 cannot 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.

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

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 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 44.

Except for the above, all other financial assets are measured at FVTPL. 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 44.

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 44.

b. Impairment of financial assets

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

ECLs reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the ECLs 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.

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.

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 liabilities.

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 44.

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:

- 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.

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:

- 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.

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.

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.

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 amortized amount. If it may pay present obligation amount after evaluation, it will be measured at higher of present obligation amount and amortized 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

Service fee revenue is recognized from providing loans and other services, such as real estate management service, etc. The Group identifies contracts with the customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. If the service fee revenue is for further loan service and of significant amount, it is recognized over the period of the service or included in the base of calculation of the effective interest rate of loans and receivables.

The Group's customer loyalty program provides customers with award credits, which gives customers material rights by providing discount to future consumption. The transaction price allocated to award credit is recognized as a liability, and the Group recognizes revenue when award credits are redeemed or forfeited.

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.

Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately. However, for the lease of cars in which the Group is a lessee and driving service is provided by a lessor, the Group elects to account for the lease and non-lease components as a single lease component.

a. The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease 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. The 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 a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

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

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according for the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain 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 carry forward 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 Financial Holding 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 Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The accounting policies and management's judgment that could have significant impact on the consolidated financial statements were as follows:

Impairment of Loans

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.

The provision for impairment of loans is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of end of each reporting period.

In the calculation of required provision of allowance for possible losses, the Group also takes into consideration the classification of loans based on the status of the loan collaterals and the length of time the loans are overdue. The Group evaluates the impairment of loans based on the customer's financial conditions, whether the repayments of principal and interest are overdue and the status of the collateral, etc. If future actual cash flows are lesser than expected, material impairment losses may arise.

Refer to Note 13 for the carrying amounts of loans and allowance for loans as of December 31, 2020 and 2019.

7. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 10,382,825	\$ 12,162,721
Checks for clearing	1,328,201	1,483,820
Due from banks	10,687,956	8,437,391
Others	2,068,913	2,084,600
	<u>\$ 24,467,895</u>	<u>\$ 24,168,532</u>

- a. 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.
- b. Loss allowance is measured at an amount equal to 12-month ECLs per historical experience and forward-looking information; however, there was no loss allowance on cash and cash equivalents as of December 31, 2020 and 2019.

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

	December 31	
	2020	2019
Deposits reserve for checking accounts	\$ 17,572,741	\$ 11,468,215
Deposits reserve for demand accounts	38,090,722	34,272,031
Deposits reserve for foreign deposits	110,152	129,568
Deposits transferred to the Central Bank	75,536	50,103
Call loans to other banks	25,233,907	19,496,374
Interbank clearing funds	3,000,698	2,000,988
	<u>\$ 84,083,756</u>	<u>\$ 67,417,279</u>

The loss allowance was measured at an amount equal to 12-month ECLs based on historical experience and forward-looking information; there was no allowance for loss on due from the Central Bank and call loans to banks as of December 31, 2020 and 2019.

9. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2020	2019
Financial assets mandatorily classified as at FVTPL		
Derivative instruments		
Futures	\$ 665,941	\$ 491,260
Forward exchange contracts	1,162,304	1,363,404
Currency swaps	13,158,463	8,280,749
Interest rate swaps	9,312,300	9,450,688
Cross-currency swaps	462,098	268,371
Foreign-exchange options	974,315	540,859
Equity-linked options	91,335	42,478
Commodity and futures options	1,981	3,037
Equity-linked swaps	254	362,650
Commodity price exchange	138	46
Non-derivative financial assets		
Investment in bills	58,787,535	48,486,587
Domestic and overseas stocks and beneficiary certificates	7,217,702	5,082,983
Government bonds	7,090,047	26,487,055
Corporate bonds, bank debentures and other bonds	9,465,893	20,597,519
Trading securities		
Dealing	13,164,798	21,181,303
Underwriting	582,941	949,764
Hedging	5,303,231	450,840
Others	780	2,000
Financial assets at FVTPL	<u>\$ 127,442,056</u>	<u>\$ 144,041,593</u>
Financial liabilities designated as at FVTPL		
Bank debentures (d)	\$ 3,203,055	\$ 3,287,359
Structured products (e)	3,417,670	1,516,425
Financial liabilities held for trading		
Derivative instruments		
Futures	11,211	2,417
Forward exchange contracts	909,271	1,416,001
Currency swaps	15,902,316	9,252,528
Interest rate swaps	8,910,740	9,161,570
Cross-currency swaps	610,803	152,246
Foreign-exchange options	1,035,098	536,821
Interest rate options	5	183
Commodity and futures options	1,252	1,165
Equity-linked options	1,162,550	970,216
Equity-linked swaps	254	362,650
Credit default swaps	-	93,738
Commodity price exchange	-	3
Liabilities for issuance of call (put) warrants, net (c)	176,333	76,602
Non-derivative financial liabilities		
Stock borrowing	712,154	171,208
Short sales of bonds and bonds payable borrowing	-	548,217
Financial liabilities at FVTPL	<u>\$ 36,052,712</u>	<u>\$ 27,549,349</u>

- a. Taishin Bank engaged in various derivative instrument transactions in the years ended December 31, 2020 and 2019 to fulfill the needs of customers of Taishin Bank and Taishin Securities B as well as to manage Taishin Bank's positions and risks of assets and liabilities.

b. The nominal principal amounts of outstanding derivative contracts were as follows:

	December 31	
	2020	2019
Futures	\$ 6,099,854	\$ 9,887,476
Forward exchange contracts	96,952,237	174,000,040
Currency swaps	1,196,085,611	1,180,284,709
Interest rate swaps	968,943,864	1,263,206,080
Cross-currency swaps	18,145,656	18,195,828
Foreign-exchange options	192,223,978	161,569,946
Interest rate options	2,690,000	4,400,000
Equity-linked options	5,939,100	5,724,302
Commodity and futures options	481,548	214,394
Equity-linked swaps	44,960	6,368,963
Credit default swaps	-	674,977
Fund-linked products	-	3,000
Guarantee products	3,390,000	1,500,000
Credit-linked products	-	5,500
Equity-linked produces	25,000	9,152
Commodity price exchange	61,820	30,094

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

	December 31	
	2020	2019
Call (put) warrants issued	\$ 1,209,561	\$ 4,270,808
Loss on change in fair value	163,734	206,547
	1,373,295	4,477,355
Repurchased call (put) warrants	919,791	4,097,274
Gain on change in fair value	277,171	303,479
	1,196,962	4,400,753
Net call (put) warrants issued	\$ 176,333	\$ 76,602

The call (put) warrants which were issued by Taishin Securities B, are exercisable within six to eight months from the date listed on market and will be settled in cash or in securities at Taishin Securities' discretions.

The fair value of call (put) warrants was calculated using the closing price of the last transaction day on the balance sheet date.

d. Taishin Bank's unsecured USD senior bank debentures were as follows:

First unsecured USD senior bank debentures of Taishin Bank of year 2018, term of 30 years, US\$80,000 thousand, 100% of the principal amount of the bonds, put redemption on the fifth anniversaries of the debentures issued, and repayment of the holders at principal value plus accrued interests, maturity: July 5, 2048.

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

The first unsecured USD denominated senior bank debentures issued by Taishin Bank in 2019, has a term of 5 years, a principal amount of US\$20,000 thousand, and no interest will be paid during the outstanding period. The debentures' maturity date is set at April 30, 2024, whereas the holders can exercise the put option asking Taishin Bank to redeem the full principal amount, plus the accrued interests, three months after the issuance date. Taishin Bank had redeemed the debentures on July 30, 2019.

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

- e. Taishin Securities B issued structured notes, which were approved by the Taipei Exchange, including principal guaranteed notes, equity-linked notes, fund-linked notes and credit-linked products. According to the contracts of principal protected notes, equity-linked notes and fund-linked notes, Taishin Securities B receives the principal amount of contracts or the agreed amount of proceeds from investors and will pay the settlement amount based on the contractual terms at maturity. The structured notes contain debt obligation and embedded options components and Taishin Securities B will earn profit arising from credit spread or market spread. The credit-linked products contain credit spread of convertible corporate bonds, which are derived from entering into asset swaps combined with fixed-income products sold to investors; Taishin Securities B receives the principal amount of contracts from investors and pays dividends in a fixed cycle. The credit-linked products provide more options for convertible assets and decrease the risks of holding convertible bonds of investors.

Taishin Securities B engages in the structured note transactions in order to diversify its financial instruments, to increase the source of profits and to provide alternative hedge positions in assets and improve the income stability as well as decrease the credit risk from holding assets.

10. FINANCIAL ASSETS AT FVTOCI

	December 31	
	2020	2019
<u>Debt instrument</u>		
Investment in bills	\$ 30,227,206	\$ 115,538,687
Government bonds	38,591,566	50,088,694
Corporate bonds	40,916,737	17,139,552
Bank debentures	75,869,057	85,420,494
Beneficiary securities (a)	510,978	610,937
	<u>186,115,544</u>	<u>268,798,364</u>
<u>Equity instrument</u>		
Domestic and overseas stocks	<u>4,914,356</u>	<u>4,627,773</u>
	<u>\$ 191,029,900</u>	<u>\$ 273,426,137</u>

- a. Beneficiary certificates are the asset-securitized products recognized by the Group, which are related to the equity of non-subsidiary's structured entities. The Group and other third parties provided the funds to such entities. However, the Group neither offered nor committed any financial support when participating in transactions involving the asset-securitized products.
- b. Because some equity instruments are held by the Group for long-term purposes and not for trading, which is reasonably reflected in the operating performance, equity instruments are classified as at fair value through other comprehensive income.
- c. The amount of the loss allowance for debt instruments was as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs - Not Credit-impaired	Stage 3 Lifetime ECLs - Credit-impaired	Total
December 31, 2020	\$ 38,348	\$ 671	\$ -	\$ 39,019
December 31, 2019	31,416	1,486	-	32,902

As the Group's debt instruments at FVTOCI were measured using the ECL model, the Group had recognized impairment loss on assets. Such impairment loss amounted to \$7,312 thousand and \$7,634 thousand for the years ended December 31, 2020 and 2019, respectively.

- d. The Group sold the domestic common stock for strategic purposes. The stock sold had a fair value of \$2,900,608 thousand and \$1,916,021 thousand, and the Group transferred \$121,393 thousand and \$41,149 thousand of losses from other equity to retained earnings for the years ended December 31, 2020 and 2019, respectively.
- e. Refer to Note 44 for information relating to the management of credit risk and the impairment assessment on investments in debt instruments at FVTOCI.
- f. Refer to Note 46 for information relating to debt instruments at FVTOCI pledged as collateral.

11. DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2020	2019
<u>Current</u>		
Investment in bills	\$ 241,182,747	\$ 116,250,000
Bank debentures	21,887,046	12,524,096
Corporate bonds	4,489,514	-
Government bonds	3,083,840	3,119,322
	270,643,147	131,893,418
Less: Allowance for impairment	(9,125)	(4,802)
	<u>\$ 270,634,022</u>	<u>\$ 131,888,616</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, 2020	\$ 9,125	\$ -	\$ -	\$ 9,125
December 31, 2019	4,802	-	-	4,802

As the Group's debt instruments at FVTOCI were measured using the ECL model, the Group had recognized impairment loss on assets. Such loss amounted to \$4,587 thousand and \$3,692 thousand for the years ended December 31, 2020 and 2019, respectively.

- b. Refer to Note 44 for information relating to the management of credit risk and the impairment assessment on investments in debt instruments at amortized cost.
- c. Refer to Note 46 for information relating to debt instruments at amortized cost pledged as collateral.

12. RECEIVABLES, NET

	December 31	
	2020	2019
Notes and accounts receivable	\$ 78,841,986	\$ 82,467,696
Credit cards receivable	61,447,848	61,035,549
Interest receivable	3,399,739	4,083,748
Securities margin loans receivable	8,392,828	5,892,601
Delivery accounts receivable	13,548,505	6,085,696
Other receivables	3,198,416	1,036,129
	168,829,322	160,601,419
Less: Adjustment for discounts	(3,041,786)	(2,945,398)
Less: Allowance for receivables	(1,892,486)	(1,568,437)
	<u>\$ 163,895,050</u>	<u>\$ 156,087,584</u>

a. The movements in the allowance for receivables (including non-performing receivables transferred from other than loans and creditor rights) for the years ended December 31, 2020 and 2019 were as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non- purchased or Originated Credit- impaired (POCI) Financial Assets)	Loss Allowance under IFRS 9	Recognized Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/Non- accrual Loans	Total
Loss allowance as of January 1, 2020	\$ 123,030	\$ 271,113	\$ 176,414	\$ 457,496	\$ 1,028,053	\$ 878,772	\$ 1,906,825
Changes in the loss allowance							
Transferred to stage 3	(79)	10,042	-	(39)	9,924		9,924
Transferred to stage 2	(598)	(189,449)	(6)	360,729	170,676		170,676
Transferred to stage 1	11	(2,339)	-	(1,172)	(3,500)		(3,500)
Financial assets derecognized	(72,158)	(37,218)	(17,281)	(576,188)	(702,845)		(702,845)
New financial assets originated or purchased	31,485	89,538	358,244	162,366	641,633		641,633
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans						(177,866)	(177,866)
Write-offs	(3)	(67,204)	(2,632)	(258,794)	(328,633)		(328,633)
Recovery of written-off loans	-	-	11,116	411,846	422,962		422,962
Foreign exchange and other movements	-	206,313	(16,925)	-	189,388	178	189,566
Loss allowance as of December 31, 2020	\$ 81,688	\$ 280,796	\$ 508,930	\$ 556,244	\$ 1,427,658	\$ 701,084	\$ 2,128,742

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non- purchased or Originated Credit- impaired (POCI) Financial Assets)	Loss Allowance under IFRS 9	Recognized Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/Non- accrual Loans	Total
Loss allowance as of January 1, 2019	\$ 143,927	\$ 290,883	\$ 2,496,256	\$ 777,419	\$ 3,708,485	\$ 760,049	\$ 4,468,534
Changes in the loss allowance							
Transferred to stage 3	(124)	18,820	-	(38)	18,658		18,658
Transferred to stage 2	(481)	(5,726)	(10,112)	463,638	447,319		447,319
Transferred to stage 1	93	(3,512)	(196)	(2,713)	(6,328)		(6,328)
Financial assets derecognized	(55,587)	(17,764)	(92,369)	(789,032)	(954,752)		(954,752)
New financial assets originated or purchased	35,206	104,456	415,919	31,117	586,698		586,698
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing/Non-accrual Loans						122,838	122,838
Write-offs	(4)	(127,621)	(2,630,032)	(406,278)	(3,163,935)		(3,163,935)
Recovery of written-off loans	-	-	3,246	382,516	385,762		385,762
Foreign exchange and other movements	-	11,577	(6,298)	867	6,146	(4,115)	2,031
Loss allowance as of December 31, 2019	\$ 123,030	\$ 271,113	\$ 176,414	\$ 457,496	\$ 1,028,053	\$ 878,772	\$ 1,906,825

- b. The movements in the gross carrying amount of the allowance for receivables (including non-performing receivables transferred from other than loans and creditor rights) for the years ended December 31, 2020 and 2019 were as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Total
Loss allowance as of January 1, 2020	\$ 110,831,858	\$ 37,053,647	\$ 10,940,163	\$ 2,123,479	\$ 160,949,147
Changes in the loss allowance					
Transferred to stage 3	(48,518)	44,670	4,757	(122)	787
Transferred to stage 2	(421,148)	(195,092)	(1,343)	706,750	89,167
Transferred to stage 1	11,134	(10,275)	-	(3,891)	(3,032)
Financial assets derecognized	(48,607,066)	(114,333)	(3,320,874)	(809,987)	(52,852,260)
New financial assets originated or purchased	45,503,243	12,690,271	2,389,512	705,942	61,288,968
Write-offs	(535)	(67,667)	(2,632)	(331,094)	(401,928)
Foreign exchange and other movements	-	30,356	-	-	30,356
Loss allowance as of December 31, 2020	\$ 107,268,968	\$ 49,431,577	\$ 10,009,583	\$ 2,391,077	\$ 169,101,205

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Total
Loss allowance as of January 1, 2019	\$ 108,094,181	\$ 31,372,137	\$ 10,668,669	\$ 2,331,838	\$ 152,466,825
Changes in the loss allowance					
Transferred to stage 3	(84,372)	76,639	16,086	(127)	8,226
Transferred to stage 2	(348,122)	(353,891)	(104,604)	860,717	54,100
Transferred to stage 1	33,701	(15,177)	(19,908)	(7,652)	(9,036)
Financial assets derecognized	(35,645,774)	(3,364,970)	(1,573,876)	(678,912)	(41,263,532)
New financial assets originated or purchased	38,782,815	9,356,173	4,584,022	101,137	52,824,147
Write-offs	(571)	(128,019)	(2,630,032)	(484,887)	(3,243,509)
Foreign exchange and other movements	-	110,755	(194)	1,365	111,926
Loss allowance as of December 31, 2019	\$ 110,831,858	\$ 37,053,647	\$ 10,940,163	\$ 2,123,479	\$ 160,949,147

13. LOANS, NET

- a. The details of loans were as follows:

	December 31	
	2020	2019
Negotiated	\$ 3,208,801	\$ 1,949,901
Overdrafts	251,016	233,152
Short-term loans	299,542,406	294,847,380
Medium-term loans	407,241,921	355,120,863
Long-term loans	548,719,674	501,368,989
Delinquent loans	1,769,243	1,809,466
	1,260,733,061	1,155,329,751
Less: Adjustment for discount	(609,248)	(600,881)
Less: Allowance for loan losses	(16,435,045)	(16,261,753)
	\$ 1,243,688,768	\$ 1,138,467,117

b. The movements in the allowance for loans for the years ended December 31, 2020 and 2019 were as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Loss Allowance under IFRS 9	Recognized Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Loss allowance as of January 1, 2020	\$ 2,164,288	\$ 800,401	\$ 2,309,802	\$ 3,601,049	\$ 8,875,540	\$ 7,386,213	\$ 16,261,753
Changes in the loss allowance							
Transferred to stage 3	(22,957)	395,349	22,718	(22,505)	372,605		372,605
Transferred to stage 2	(21,927)	(72,206)	(910,366)	4,514,944	3,510,445		3,510,445
Transferred to stage 1	1,958	(74,947)	-	(309,413)	(382,402)		(382,402)
Financial assets derecognized	(986,766)	(143,777)	(1,290,015)	(2,823,285)	(5,243,843)		(5,243,843)
New financial assets originated or purchased	798,363	47,395	69,968	197,951	1,113,677		1,113,677
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing/Non-accrual Loans						1,697,230	1,697,230
Write-offs	(475)	(8,599)	-	(1,961,222)	(1,970,296)		(1,970,296)
Recovery of written-off loans	-	-	-	1,075,876	1,075,876		1,075,876
Loss allowance as of December 31, 2020	\$ 1,932,484	\$ 943,616	\$ 202,107	\$ 4,273,395	\$ 7,351,602	\$ 9,083,443	\$ 16,435,045

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Loss Allowance under IFRS 9	Recognized Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Loss allowance as of January 1, 2019	\$ 2,133,428	\$ 632,264	\$ 2,122,777	\$ 3,473,856	\$ 8,362,325	\$ 5,039,136	\$ 13,401,461
Changes in the loss allowance							
Transferred to stage 3	(25,530)	358,196	1,388,905	(14,279)	1,707,292		1,707,292
Transferred to stage 2	(8,429)	(89,104)	(210,028)	1,508,190	1,200,629		1,200,629
Transferred to stage 1	4,764	(65,430)	(111,982)	(210,798)	(383,446)		(383,446)
Financial assets derecognized	(719,280)	(99,958)	(952,964)	(2,370,371)	(4,142,573)		(4,142,573)
New financial assets originated or purchased	779,856	85,223	73,094	284,646	1,222,819		1,222,819
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing/Non-accrual Loans						2,347,077	2,347,077
Write-offs	(521)	(19,870)	-	(140,024)	(160,415)		(160,415)
Recovery of written-off loans	-	-	-	1,069,829	1,069,829		1,069,829
Foreign exchange and other movements	-	(920)	-	-	(920)		(920)
Loss allowance as of December 31, 2019	\$ 2,164,288	\$ 800,401	\$ 2,309,802	\$ 3,601,049	\$ 8,875,540	\$ 7,386,213	\$ 16,261,753

- c. The movements in the gross carrying amount of the allowance for loans for the years ended December 31, 2020 and 2019 were as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs	Total
Loss allowance as of January 1, 2020	\$ 1,126,080,523	\$ 16,264,932	\$ 3,744,039	\$ 9,240,257	\$ 1,155,329,751
Changes in the loss allowance					
Transferred to stage 3	(9,400,872)	9,080,192	42,678	(34,731)	(312,733)
Transferred to stage 2	(9,571,124)	(515,919)	(1,405,253)	11,463,330	(28,966)
Transferred to stage 1	2,268,460	(1,950,584)	-	(510,588)	(192,712)
Financial assets derecognized	(287,977,092)	(2,749,502)	(1,742,708)	(2,509,987)	(294,979,289)
New financial assets originated or purchased	401,495,430	681,650	120,649	836,445	403,134,174
Write-offs	(78,674)	(34,037)	-	(2,104,453)	(2,217,164)
Loss allowance as of December 31, 2020	\$ 1,222,816,651	\$ 20,776,732	\$ 759,405	\$ 16,380,273	\$ 1,260,733,061

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs	Total
Loss allowance as of January 1, 2019	\$ 1,005,913,945	\$ 14,644,713	\$ 2,979,599	\$ 8,947,700	\$ 1,032,485,957
Changes in the loss allowance					
Transferred to stage 3	(9,878,954)	7,126,594	2,239,222	(17,071)	(530,209)
Transferred to stage 2	(2,824,276)	(407,622)	(235,951)	3,123,618	(344,231)
Transferred to stage 1	2,764,586	(2,577,493)	(132,541)	(331,036)	(276,484)
Financial assets derecognized	(254,154,244)	(2,919,517)	(1,182,542)	(2,699,594)	(260,955,897)
New financial assets originated or purchased	384,345,921	439,166	76,252	562,366	385,423,705
Write-offs	(86,455)	(40,909)	-	(345,726)	(473,090)
Loss allowance as of December 31, 2019	\$ 1,126,080,523	\$ 16,264,932	\$ 3,744,039	\$ 9,240,257	\$ 1,155,329,751

- d. Details of the (provision for) reversal of the allowance for loan losses, commitments and guarantee liabilities for the years ended December 31, 2020 and 2019 are as follows:

	For the Year Ended December 31	
	2020	2019
Provision for losses on receivables, loans and other miscellaneous financial assets	\$(1,815,818)	\$(2,608,836)
(Provision for) reversal of the allowance for losses on guarantee liabilities	(38,127)	(302)
Provision for losses on loan commitments	(6,652)	(4,385)
Provision for losses on letters of credit	(126)	(1,592)
	<u>\$(1,860,723)</u>	<u>\$(2,615,115)</u>

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in associates	<u>\$ 42,059,844</u>	<u>\$ 41,406,600</u>

a. Investments in associates

	December 31	
	2020	2019
Material associates		
Chang Hwa Bank	\$ 41,973,634	\$ 41,327,245
Associates that are not individually material	<u>86,210</u>	<u>79,355</u>
	<u>\$ 42,059,844</u>	<u>\$ 41,406,600</u>

1) Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights	
			December 31	
			2020	2019
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:

Name of Associate	December 31	
	2020	2019
Chang Hwa Bank	\$ 42,522,721	\$ 51,706,973

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	
	2020	2019
Total assets	\$ 2,304,123,268	\$ 2,126,429,286
Total liabilities	(2,139,069,478)	(1,964,192,091)
Equity	\$ 165,053,790	\$ 162,237,195
Equity attributable to the Group	\$ 37,651,922	\$ 37,009,403
Goodwill and other adjustments	4,321,712	4,317,842
Carrying amount	\$ 41,973,634	\$ 41,327,245

	For the Year Ended December 31	
	2020	2019
Net revenue and gains	\$ 26,913,698	\$ 31,712,024
Net profit for the period	\$ 7,040,927	\$ 11,571,782
Other comprehensive income	(230,208)	369,075
Total comprehensive income for the period	\$ 6,810,719	\$ 11,940,857

The Group received dividends from Chang Hwa Bank, which amounted to \$911,136 thousand and \$1,429,234 thousand during years ended December 31, 2020 and 2019, respectively.

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2020	2019
The Group's share of:		
Net profit (loss) for the period	\$ 8,596	\$ 10,379
Other comprehensive income	(31)	(101)
Total comprehensive income (loss) for the period	\$ 8,565	\$ 10,278

b. On December 8, 2014, the Company filed a civil action against the Ministry of Finance ("MOF") of the ROC for its default in assisting the Company to secure a majority of seats in the board of directors of Chang Hwa Bank based on the contract, the previous orders from the Court are as follows:

- 1) On April 27, 2016, the Taipei District Court ruled that there was a contractual relationship existing between the MOF and the Company.

- 2) On May 17, 2017, the Taiwan High Court ruled that, as long as the MOF possesses the stocks of Chang Hwa Bank and the Company remains the largest stockholder of Chang Hwa Bank, the MOF should support the representatives appointed by the Company as they are elected to be the board members of Chang Hwa Bank by majority vote.
 - 3) On May 23, 2019, the Supreme Court reversed the original judgment that contained the existence of the contractual relationship and litigation expenses, and remanded this case to the Taiwan High Court.
 - 4) On August 21, 2020, the Taiwan High Court (first instance of remand) ruled that, as long as the MOF possesses the stocks of Chang Hwa Bank and the Company remains the largest stockholder of Chang Hwa Bank, the MOF should support (including but not limited to non-obstructive) the representatives appointed by the Company as four of them are elected to be the board members of Chang Hwa Bank. Both parties had filed appeals as they were not satisfied with the aforementioned judgement.
- c. The Group held less than 50% of the shares of Chang Hwa Bank and was the single largest shareholder. However, there are no other contractual arrangements to enable the Group to direct the relevant activities of Chang Hwa Bank. Furthermore, the distribution of voting rights and voting patterns at the previous shareholders' meetings showed that the Group was unable to obtain the right to appoint majority of the governing body of Chang Hwa Bank. Therefore, the Group determined that it did not have power and control over Chang Hwa Bank, and accounted for the investment as an associate.
- d. The Group's equity-method investments were not pledged as collateral as of December 31, 2020 and 2019, respectively.

15. OTHER MISCELLANEOUS FINANCIAL ASSETS, NET

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

	December 31	
	2020	2019
Non-performing receivables transferred from other than loans	\$ 271,882	\$ 351,875
Creditor rights	1	1
Less: Allowance for bad debt	(236,256)	(338,388)
Due from banks	4,331,655	4,553,811
Deposits for borrowing securities	952,682	296,462
Gold deposit account	726,432	359,998
Customer margin account	730,853	313,104
Guaranteed price deposits for securities borrowing	1,605	8,433
	<u>\$ 6,778,854</u>	<u>\$ 5,545,296</u>

- b. The due from banks recognized under other miscellaneous financial assets held by the Group are time deposits with original maturities of more than 3 months or pledged as collateral. Refer to Note 46 for the information relating to the due from banks and time deposits pledged as collateral.
- c. Refer to Note 12 for the movements of the allowance for non-performing receivables transferred from other than loans and creditor rights for the years ended December 31, 2020 and 2019.
- d. The loss allowance is measured at an amount equal to lifetime ECLs per historical experience and forward-looking information; there was no allowance for loss on other miscellaneous financial assets excluding non-performing receivables transferred from other than loans and creditor rights as of December 31, 2020 and 2019.

16. INVESTMENT PROPERTY, NET

	December 31	
	2020	2019
Investment property		
Land	\$ 588,614	\$ 621,103
Buildings		
Cost	434,263	463,211
Accumulated depreciation	(99,844)	(83,252)
	<u>334,419</u>	<u>379,959</u>
	<u>\$ 923,033</u>	<u>\$ 1,001,062</u>

	Land	Buildings	Total
<u>Cost</u>			
Balance, January 1, 2020	\$ 621,103	\$ 463,211	\$ 1,084,314
Additions	23	908	931
Disposals	(95,392)	(61,001)	(156,393)
Reclassification	<u>62,880</u>	<u>31,145</u>	<u>94,025</u>
Balance, December 31, 2020	<u>\$ 588,614</u>	<u>\$ 434,263</u>	<u>\$ 1,022,877</u>
Balance, January 1, 2019	\$ 375,201	\$ 317,576	\$ 692,777
Additions	227,779	45,338	273,117
Reclassification	<u>18,123</u>	<u>100,297</u>	<u>118,420</u>
Balance, December 31, 2019	<u>\$ 621,103</u>	<u>\$ 463,211</u>	<u>\$ 1,084,314</u>
<u>Accumulated depreciation</u>			
Balance, January 1, 2020	\$ -	\$ 83,252	\$ 83,252
Depreciation	-	13,130	13,130
Disposals	-	(5,621)	(5,621)
Reclassification	<u>-</u>	<u>9,083</u>	<u>9,083</u>
Balance, December 31, 2020	<u>\$ -</u>	<u>\$ 99,844</u>	<u>\$ 99,844</u>
Balance, January 1, 2019	\$ -	\$ 48,618	\$ 48,618
Depreciation	-	8,852	8,852
Reclassification	<u>-</u>	<u>25,782</u>	<u>25,782</u>
Balance, December 31, 2019	<u>\$ -</u>	<u>\$ 83,252</u>	<u>\$ 83,252</u>

Investment properties are depreciated over the following estimated useful lives using the straight-line method.

Buildings 9-55 years

The Group's investment properties, which were leased out under operating leases, had lease terms between one and twenty years.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2020 was as follows:

	December 31	
	2020	2019
Year 1	\$ 18,571	\$ 21,658
Year 2	16,050	14,432
Year 3	12,556	12,373
Year 4	12,556	12,556
Year 5	12,744	12,556
Over 5 years	184,957	197,702
	<u>\$ 257,434</u>	<u>\$ 271,277</u>

The rental income and direct operating expenses generated from investment properties for the years ended December 31, 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Rental income	\$ 22,863	\$ 20,325
Direct operating expenses from investment properties generating rental income	8,463	6,929
Direct operating expenses from investment properties not generating rental income	7,463	4,009

The fair values of the Group's investment properties as of December 31, 2020 and 2019 were \$1,166,619 thousand and \$1,207,549 thousand, respectively. The fair values were determined by the Group's management based on the valuation models measured by the third level inputs generally used by the market participants, the foregoing valuation was from the transaction value of property and equipment.

17. PROPERTY AND EQUIPMENT, NET

	December 31	
	2020	2019
Land	\$ 11,148,018	\$ 11,210,839
Buildings	4,824,448	4,948,991
Machinery equipment	2,609,436	2,343,684
Transportation equipment	79,033	59,010
Miscellaneous equipment	137,140	93,160
Leasehold improvements	334,751	287,442
Prepayments for buildings and equipment	75,769	108,332
	<u>\$ 19,208,595</u>	<u>\$ 19,051,458</u>

	Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Prepayment for Buildings, Equipment and Property under Construction	Total
<u>Cost</u>									
Balance, January 1, 2020	\$ 11,210,839	\$ 7,432,071	\$ 4,516,335	\$ 129,310	\$ 170,693	\$ 640,580	\$ -	\$ 108,332	\$ 24,208,160
Additions	59	27,689	879,351	43,581	49,256	105,601	-	203,520	1,309,057
Disposals	-	(59,188)	(622,030)	(15,593)	(24,614)	(128,421)	-	-	(849,846)
Reclassification	(62,880)	19,986	96,039	1,500	34,042	29,185	-	(236,083)	(118,211)
Acquisition through business combinations	-	-	-	-	560	-	-	-	560
Effect of foreign currency exchange differences	-	-	63	-	-	284	-	-	347
Balance, December 31, 2020	<u>\$ 11,148,018</u>	<u>\$ 7,420,558</u>	<u>\$ 4,869,758</u>	<u>\$ 158,798</u>	<u>\$ 229,937</u>	<u>\$ 647,229</u>	<u>\$ -</u>	<u>\$ 75,769</u>	<u>\$ 24,550,067</u>
Balance, January 1, 2019	\$ 11,247,962	\$ 7,542,110	\$ 4,076,457	\$ 142,295	\$ 147,072	\$ 607,577	\$ 12,762	\$ 31,335	\$ 23,807,570
Adjustments on initial application of IFRS 16	-	-	-	-	-	-	(12,762)	-	(12,762)
Additions	-	37,000	684,823	26,023	45,551	138,645	-	76,997	1,009,039
Disposals	(19,000)	(44,278)	(241,629)	(39,008)	(22,213)	(102,125)	-	-	(468,253)
Reclassification	(18,123)	(102,761)	-	-	283	-	-	-	(120,601)
Effect of foreign currency exchange differences	-	-	(3,316)	-	-	(3,517)	-	-	(6,833)
Balance, December 31, 2019	<u>\$ 11,210,839</u>	<u>\$ 7,432,071</u>	<u>\$ 4,516,335</u>	<u>\$ 129,310</u>	<u>\$ 170,693</u>	<u>\$ 640,580</u>	<u>\$ -</u>	<u>\$ 108,332</u>	<u>\$ 24,208,160</u>
<u>Accumulated depreciation</u>									
Balance, January 1, 2020	\$ -	\$ 2,483,080	\$ 2,172,651	\$ 70,300	\$ 77,533	\$ 353,138	\$ -	\$ -	\$ 5,156,702
Depreciation	-	176,113	706,524	24,159	35,867	87,483	-	-	1,030,146
Disposals	-	(54,000)	(614,901)	(15,527)	(24,461)	(128,421)	-	-	(837,310)
Reclassification	-	(9,083)	(3,999)	833	3,858	-	-	-	(8,391)
Effect of foreign currency exchange differences	-	-	47	-	-	278	-	-	325
Balance, December 31, 2020	<u>\$ -</u>	<u>\$ 2,596,110</u>	<u>\$ 2,260,322</u>	<u>\$ 79,765</u>	<u>\$ 92,797</u>	<u>\$ 312,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,341,472</u>
Balance, January 1, 2019	\$ -	\$ 2,362,240	\$ 1,753,416	\$ 86,594	\$ 73,123	\$ 367,996	\$ 5,226	\$ -	\$ 4,648,595
Adjustments on initial application of IFRS 16	-	-	-	-	-	-	(5,226)	-	(5,226)
Depreciation	-	180,928	662,306	22,591	26,378	89,968	-	-	982,171
Disposals	-	(34,306)	(240,348)	(38,885)	(22,168)	(102,125)	-	-	(437,832)
Reclassification	-	(25,782)	-	-	200	-	-	-	(25,582)
Effect of foreign currency exchange differences	-	-	(2,723)	-	-	(2,701)	-	-	(5,424)
Balance, December 31, 2019	<u>\$ -</u>	<u>\$ 2,483,080</u>	<u>\$ 2,172,651</u>	<u>\$ 70,300</u>	<u>\$ 77,533</u>	<u>\$ 353,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,156,702</u>

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	1-10 years
Transportation equipment	2-6 years
Miscellaneous equipment	3-20 years
Leasehold improvements	1-50 years

No impairment assessment was performed because there was no indication of impairment for the years ended December 31, 2020 and 2019.

18. LEASE ARRANGEMENTS

a. Right-of-use assets, net

	December 31	
	2020	2019
Carrying amount		
Buildings	\$ 2,857,851	\$ 2,742,011
Office equipment	746	896
Transportation equipment	20,753	18,417
	<u>\$ 2,879,350</u>	<u>\$ 2,761,324</u>

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 919,800</u>	<u>\$ 1,207,012</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 755,428	\$ 700,699
Office equipment	283	422
Transportation equipment	16,420	19,107
	<u>\$ 772,131</u>	<u>\$ 720,228</u>

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount		
Buildings	\$ 2,957,541	\$ 2,804,006
Office equipment	758	903
Transportation equipment	20,559	17,199
	<u>\$ 2,978,858</u>	<u>\$ 2,822,108</u>

	For the Year Ended December 31	
	2020	2019
Interest expense (other interest expense)	<u>\$ 36,380</u>	<u>\$ 35,009</u>

Lease terms and range of discount rate for lease liabilities for the years ended December 31, 2020 and 2019 were as follows:

	Lease Terms	Range of Discount Rate
<u>December 31, 2020</u>		
Buildings	1-10 years	0.73%-5.56%
Office equipment	1-5 years	0.75%-5.56%
Transportation equipment	1-2 years	5.15%-5.31%
<u>December 31, 2019</u>		
Buildings	1-10 years	1.16%-5.56%
Office equipment	4-5 years	1.16%-5.56%
Transportation equipment	2 years	5.31%-5.56%

c. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 63,685	\$ 66,728
Expenses relating to low-value asset leases	\$ 4,963	\$ 3,527
Lease payments not included in changes in lease liability measurement	\$ -	\$ 9
Total cash outflow for leases	\$ 838,541	\$ 722,373

Certain lease contracts of the Group qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these lease.

All lease commitments with lease terms commencing after the balance sheet date are as follows:

	December 31	
	2020	2019
Lease commitments	\$ 4,584	\$ 3,142

19. INTANGIBLE ASSETS, NET

	December 31	
	2020	2019
Goodwill	\$ 1,593,998	\$ 1,567,391
Computer software	1,678,027	895,057
	<u>\$ 3,272,025</u>	<u>\$ 2,462,448</u>

	Goodwill	Customer Value	Computer Software	Total
Balance, January 1, 2020	\$ 1,567,391	\$ -	\$ 895,057	\$ 2,462,448
Additions	26,607	-	1,150,896	1,177,503
Disposals	-	-	(659)	(659)
Amortization	-	-	(382,991)	(382,991)
Reclassification	-	-	15,666	15,666
Effect of foreign currency exchange differences	-	-	58	58
Balance, December 31, 2020	<u>\$ 1,593,998</u>	<u>\$ -</u>	<u>\$ 1,678,027</u>	<u>\$ 3,272,025</u>
Balance, January 1, 2019	\$ 1,567,391	\$ 210	\$ 707,858	\$ 2,275,459
Additions	-	-	486,382	486,382
Disposals	-	-	(9,302)	(9,302)
Amortization	-	(210)	(292,439)	(292,649)
Reclassification	-	-	3,285	3,285
Effect of foreign currency exchange differences	-	-	(727)	(727)
Balance, December 31, 2019	<u>\$ 1,567,391</u>	<u>\$ -</u>	<u>\$ 895,057</u>	<u>\$ 2,462,448</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, 2020 and 2019 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, 2020 and 2019 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, 2020 and 2019 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, 2020 and 2019 was all \$410,930 thousand.

Taishin Venture Capital, Taishin Securities Investment Advisory and Taishin Securities Venture Capital acquired 51% ownership of Credidi by cash investment in November 2020. The difference between the purchase price and the net assets acquired was recognized as goodwill. The unamortized amount as of December 31, 2020 was \$26,607 thousand with no material impairment loss noted.

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. The customer value had been fully amortized in 2019.

20. OTHER ASSETS, NET

	December 31	
	2020	2019
Prepayments	\$ 1,296,151	\$ 1,119,818
Refundable deposits	6,159,942	6,218,074
Operating guarantee deposits and settlement funds	159,460	199,857
Collateral, net	420,019	427,528
Input tax credit	238,067	395,730
Others	81,289	155,409
	<u>\$ 8,354,928</u>	<u>\$ 8,516,416</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, 2020 and 2019, the operating deposits were all \$66,155 thousand and \$90,017 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, 2020 and 2019, the settlement funds were \$93,305 thousand and \$109,840 thousand, respectively.

c. Refer to Note 46 for information relating to refundable deposits, operating guarantee deposits and settlement funds pledged as collateral.

d. The amount of the loss allowance for refundable deposits was as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs - Not Credit- impaired	Stage 2 Lifetime ECLs - Credit- impaired	Total
December 31, 2020	\$ -	\$ -	\$ 3,000	\$ 3,000
December 31, 2019	\$ -	\$ -	\$ 3,000	\$ 3,000

Based on the abovementioned measurement results, the Group had recognized impairment losses of \$0 thousand and \$3,000 thousand for the year ended December 31, 2020 and 2019, respectively.

e. The loss allowance is measured at an amount equal to lifetime ECLs per historical experience and forward-looking information; there was no allowance for loss on refundable deposits, operating guarantee deposits and settlement funds as of the year ended December 31, 2020 and 2019, respectively.

f. Due to the Group's other assets - others measured by ECLs, the Group had recognized reversal of impairment loss on assets of \$109 thousand and \$4,639 thousand for the year ended December 31, 2020 and 2019, respectively.

21. DUE TO CENTRAL BANK AND BANKS

	December 31	
	2020	2019
Due to other banks	\$ 25,273,069	\$ 25,104,879
Call loans from other banks	24,111,038	27,899,674
Bank overdrafts	350,307	292,963
Due to the Central Banks	90,055	95,541
	<u>\$ 49,824,469</u>	<u>\$ 53,393,057</u>

22. COMMERCIAL PAPER ISSUED, NET

	December 31	
	2020	2019
Sunny Bills Finance	\$ 600,000	\$ 400,000
Union Bills Finance	900,000	950,000
Grand Bills Finance	2,640,000	4,270,000
China Bills Finance	1,820,000	1,230,000
Ta Ching Bills Finance	400,000	835,000
International Bills Finance	-	570,000
Taiwan Bills Finance	1,200,000	710,000
Mega Bills Finance	530,000	1,095,000
Bank SinoPac	650,000	6,010,000
Hua Nan Bank	-	800,000
KGI Bank	1,863,000	1,350,000
Taiwan Cooperative Bills Finance	1,510,000	400,000
Taipei Fubon Bank	2,440,000	965,000
Cathay Bank	550,000	2,000,000
Yuanta Commercial Bank	350,000	1,300,000
Less: Discounts on commercial papers issued	(20,131)	(28,235)
	<u>\$ 15,432,869</u>	<u>\$ 22,856,765</u>

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

23. PAYABLES

	December 31	
	2020	2019
Notes and accounts payable	\$ 17,155,041	\$ 18,297,645
Delivery accounts payable	15,209,758	5,520,437
Accrued expenses	6,849,221	6,152,639
Interest payable	2,233,848	2,957,518
Checks for clearing payable	1,327,995	1,483,802
Collection payable	749,597	563,049
Other tax payable	322,639	352,485
Other payables	3,424,280	4,055,066
	<u>\$ 47,272,379</u>	<u>\$ 39,382,641</u>

24. DEPOSITS AND REMITTANCES

	December 31	
	2020	2019
Checking deposits	\$ 9,010,451	\$ 6,559,225
Demand deposits	422,291,179	329,759,105
Time deposits	361,321,193	350,220,391
Negotiable certificates of deposit	1,853,352	1,127,326
Savings deposits	805,850,966	737,394,122
Public treasury deposits	5,952,581	6,512,990
Remittances	1,698,733	2,511,775
	<u>\$ 1,607,978,455</u>	<u>\$ 1,434,084,934</u>

25. BONDS PAYABLE

	December 31	
	2020	2019
Corporate bonds	\$ 35,300,000	\$ 22,000,000
Bank debentures	34,800,000	34,800,000
	<u>\$ 70,100,000</u>	<u>\$ 56,800,000</u>

Corporate Bonds Issued by Taishin Financial Holding

To raise working capital and strengthen its financial structure, Taishin Financial Holding issued unsecured corporate bonds under SFB approval. The terms of bond issuance were as follows:

	December 31	
	2020	2019
Unsecured Subordinated Corporate Bonds - 2017 (I)	\$ 8,000,000	\$ 8,000,000
Unsecured Subordinated Corporate Bonds - 2018 (I)	7,000,000	7,000,000
Unsecured Subordinated Corporate Bonds - 2019 (I)	7,000,000	7,000,000
Unsecured Subordinated Corporate Bonds - 2020 (I)	10,000,000	-
	<u>\$ 32,000,000</u>	<u>\$ 22,000,000</u>

a. 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
- 6) Coupon rate: 1.9%
- 7) Interest payment: Simple interest per annum from the issue date
- 8) Repayment method: Principal of each bond repaid in full upon maturity
- 9) Other matters: 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 - 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
- 6) Coupon rate: 1.92%
- 7) Interest payment: Simple interest per annum from the issue date
- 8) Repayment method: Principal of each bond repaid in full upon maturity
- 9) Other matters: 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 - 2019 (I)

- 1) Issue amount: \$7,000,000 thousand.
- 2) Denomination: \$1,000 thousand
- 3) Issue date: April 30, 2019
- 4) Issue price: 100% of the principal amount of the bonds
- 5) Maturity: 15 years
- 6) Coupon rate: 1.60%
- 7) Interest payment: Simple interest per annum from the issue date
- 8) Repayment method: Principal of each bond repaid in full upon maturity
- 9) Other matters: 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 for the extension period could be calculated at coupon rate).

d. Domestic Unsecured Subordinated Corporate Bonds - 2020 (I)

- 1) Issue amount: \$10,000,000 thousand. According to the terms and conditions of issuance, the bonds are divided into three types: A, B and C. The issuance amount was \$2,700,000 thousand for Bond A, \$4,900,000 thousand for Bond B and \$2,400,000 thousand for Bond C.
- 2) Denomination: \$1,000 thousand
- 3) Issue date: May 20, 2020
- 4) Issue price: 100% of the principal amount of the bonds
- 5) Maturity: 5 years for Bond A, 7 years for Bond B, 15 years for Bond C
- 6) Coupon rate: 0.75% for Bond A, 0.80% for Bond B, 0.95% for Bond C
- 7) Interest payment: Simple interest per annum from the issue date
- 8) Repayment method: Principal of each bond repaid in full upon maturity
- 9) Other matters: In line with the necessity of the corporate bonds to be circulated on the secondary market, the Company will submit an application to the Taipei Exchange for over-the-counter trading of the corporate bonds in accordance with the relevant laws and regulations.

Bank Debentures Issued by Taishin Bank

Taishin Bank has issued bank debentures to enhance its capital ratio and raise medium to long-term operating funds. Details of the bank debentures were as follows:

	December 31	
	2020	2019
Subordinated Bank Debentures - 2012 (I)	\$ 4,500,000	\$ 4,500,000
Subordinated Bank Debentures - 2012 (II)	2,300,000	2,300,000
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
Subordinated Bank Debentures - 2019 (I)	5,000,000	5,000,000
	<u>\$ 34,800,000</u>	<u>\$ 34,800,000</u>

- a. Taishin Bank made first issue of \$4,500 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
B	2012. 10.19	2022. 10.19	10 years	\$4,500 million	1.65% 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. Taishin Bank made second issue of \$2,300 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
B	2012. 12.14	2022. 12.14	10 years	\$2,300 million	1.65% 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.

- c. 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 millio	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.

d. 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	2015.06.10	2025.06.10	10 years	\$4,250 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	2015.06.10	2030.06.10	15 years	\$4,850 million	2.45% fixed interest rate		

e. 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	2027.09.18	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.

f. 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	2015.09.22	2025.09.22	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	2015.09.22	2030.09.22	15 years	\$4,200 million	2.45% fixed interest rate		

g. Taishin Bank's initial issue of \$5,000 million in unsecured, no maturity, and non-cumulative subordinated bank debentures in 2019 was as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2019, initial issue	2019.03.28	No maturity. (Issuer has redemption right.)	No maturity. (Issuer has redemption right.)	\$5,000 million	2.45% 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.

1) Interest payment

Taishin Bank may not pay the interest if it had no earnings during the previous fiscal year and did not declare dividends to its common stockholders. 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 unpaid interest 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 and one month 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 at 100% plus interest payable. And the redemption would be announced on the 30th day prior to the scheduled redemption date.

Subordinated Corporate Bonds Issued by Taishin Securities B

To raise medium to long-term operating funds and strengthen its capital structure, Taishin Securities B issued unsecured subordinated corporate bonds - 2020 (I) on January 10, 2020. The total issuance amount was \$3,300,000 thousand and the issuance period is 10 years. A one-time repayment of principal will be made in full upon maturity on January 10, 2030, and interest will be repaid annually at a fixed coupon rate of 1.35%

	December 31	
	2020	2019
Unsecured Subordinated Corporate Bonds - 2020 (I)	\$ 3,300,000	\$ -

26. OTHER BORROWINGS

	December 31	
	2020	2019
Short-term unsecured borrowings	\$ 7,639,743	\$ 5,302,103
Long-term borrowings	3,540,521	5,891,981
	<u>\$ 11,180,264</u>	<u>\$ 11,194,084</u>

As of December 31, 2020 and 2019, the interest rates on short-term unsecured borrowings ranged from 0.95% to 4.90% and from 1.16% to 5.22%, respectively.

As of December 31, 2020 and 2019, the interest rate of long-term borrowings ranged from 2.13% to 5.50% and from 3.44% to 5.70%, respectively.

27. RESERVE FOR LIABILITIES

	December 31	
	2020	2019
Reserve for employee benefits (Note 30)	\$ 1,343,592	\$ 1,235,527
Reserve for guarantee liabilities	262,035	224,821
Reserve for loan commitments	182,340	176,675
Other reserves	<u>122,075</u>	<u>124,102</u>
	<u>\$ 1,910,042</u>	<u>\$ 1,761,125</u>

	Reserve for Guarantee Liabilities	Reserve for Loan Commitment	Other Reserves
Balance, January 1, 2020	\$ 224,821	\$ 176,675	\$ 124,102
Provision (reverse)	38,127	6,652	338
Payment	-	-	(845)
Exchange differences	(913)	(987)	(1,520)
Balance, December 31, 2020	<u>\$ 262,035</u>	<u>\$ 182,340</u>	<u>\$ 122,075</u>
Balance, January 1, 2019	\$ 224,706	\$ 172,675	\$ 74,614
Provision (reverse)	302	4,385	77,298
Payment	-	-	(27,270)
Exchange differences	(187)	(385)	(540)
Balance, December 31, 2019	<u>\$ 224,821</u>	<u>\$ 176,675</u>	<u>\$ 124,102</u>

- a. Other reserves are Taishin Bank's loss allowance for letters of credit, and the reserves for compensation of dispute cases.
- b. The amount of the loss allowance for financial guarantees (including reserve for guarantee liabilities and letters of credit) and loan commitments was as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs- Not Credit- impaired	Stage 3 Lifetime ECLs - Credit- impaired	Loss Allowance under IFRS 9	Recognized Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non- accrual Loans	Total
December 31, 2020	\$ 153,701	\$ 15,276	\$ 22,542	\$ 191,519	\$ 257,881	\$ 449,400
December 31, 2019	\$ 155,447	\$ 35,933	\$ 4,042	\$ 195,422	\$ 211,100	\$ 406,522

28. OTHER FINANCIAL LIABILITIES

	December 31	
	2020	2019
Principal of structured products	\$ 65,883,616	\$ 71,455,099
Gold deposit account	712,898	345,766
Futures traders' equity	1,145,774	592,198
	<u>\$ 67,742,288</u>	<u>\$ 72,393,063</u>

29. OTHER LIABILITIES

	December 31	
	2020	2019
Unearned revenue	\$ 426,377	\$ 495,148
Unearned interest	567,831	419,039
Guarantee deposits	2,624,726	2,443,025
Deferred income	1,133,924	1,249,136
Temporary credits	847,546	785,960
Receivables from underwriting of shares	1,163,602	10,906
Others	74,444	46,718
	<u>\$ 6,838,450</u>	<u>\$ 5,449,932</u>

30. 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	
	2020	2019
Discount rate used in determining present values	0.375% ~ 0.500%	0.625% ~ 0.875%
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	
	2020	2019
Current service cost	\$ 19,397	\$ 20,157
Interest cost, net	9,925	13,481
	<u>\$ 29,322</u>	<u>\$ 33,638</u>

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	
	2020	2019
Present value of funded defined benefit obligation	\$(2,979,644)	\$(2,881,705)
Fair value of plan assets	1,656,954	1,686,044
Deficit	(1,322,690)	(1,195,661)
Included prepaid pension cost	(20,902)	(39,866)
Net liability arising from defined benefit obligation	<u>\$(1,343,592)</u>	<u>\$(1,235,527)</u>

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2020	2019
Opening defined benefit obligation	\$ 2,881,705	\$ 2,849,886
Current service cost	19,397	20,157
Interest cost	24,419	33,943
Remeasurement		
Actuarial (gain) loss - changes in demographic assumptions	27,422	32,649
Actuarial (gain) loss - changes in financial assumptions	128,148	126,699
Actuarial (gain) loss - experience adjustments	71,532	(70,733)
Liabilities extinguished on settlement	-	(49,227)
Liabilities extinguished on extinguishment of obligation	(60,139)	-
Benefits paid	(112,840)	(61,669)
Closing defined benefit obligation	<u>\$ 2,979,644</u>	<u>\$ 2,881,705</u>

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2020	2019
Opening fair value of plan assets	\$ 1,686,044	\$ 1,633,009
Interest revenue	14,494	20,462
Remeasurement		
Expected return on plan assets	53,876	54,213
Contributions from the employer	39,503	40,029
Benefits paid	(112,840)	(61,669)
Cleared	(24,123)	-
Closing fair value of plan assets	<u>\$ 1,656,954</u>	<u>\$ 1,686,044</u>

For information about the categories and percentages, etc. of the composition of the fair value of plan assets as of December 31, 2020 and 2019, please refer to the authorities' public information about Labor Pension Funds.

If each of the major actuarial assumptions is reasonably possible, and all other assumptions remain, the significant actuarial assumptions used in the sensitivity analysis of the present value of the defined benefit obligation were as follows:

	Change in Actuarial Assumptions %	Increase (Decrease) of the Present Value of the Defined Obligation (%)	
		December 31	
		2020	2019
Discount rate used in determining present value	Increase 0.25%	(1.47)% ~ (3.34)%	(1.61)% ~ (3.54)%
	Decrease 0.25%	1.49% ~ 3.48%	1.65% ~ 3.69%
Expected rate of salary increase	Increase 0.25%	1.44% ~ 3.35%	1.59% ~ 3.58%
	Decrease 0.25%	(1.42)% ~ (3.24)%	(1.56)% ~ (3.44)%

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 \$39,166 thousand to the defined benefit plans within one year beginning from 2020 and contributed \$39,549 thousand in 2019. The weighted average duration of the defined benefit plans is from 5.5 to 13.5 years and from 6.3 to 14.4 years.

31. EQUITY

Capital Stock

	December 31	
	2020	2019
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	10,911,566	10,656,704
Preferred stock	800,000	800,000
Capital shares issued and outstanding	\$ 117,115,662	\$ 114,567,044

a. As of December 31, 2020 and 2019, Taishin Financial Holding's authorized capital were both \$200,000,000 thousand (20,000,000 thousand shares); as of December 31, 2020, share issued was 11,711,566 thousand shares, divided into 10,911,566 thousand common shares and 800,000 thousand preferred shares at NT\$10 par value.

b. Details of outstanding capital stock as of December 31, 2020 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 - E	-	8,000,000	8,000,000
Stock dividends and employees' bonus in share distributed	58,690,067	-	58,690,067
Less: Cancellation of treasury stock	(2,733,505)	-	(2,733,505)
Less: Capital reduction to recover loss	(3,864,802)	-	(3,864,802)
Employee stock options converted to new shares	1,495,576	-	1,495,576
Shares issued	\$ 109,115,662	\$ 8,000,000	\$ 117,115,662

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, 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 \$2,466,618 thousand of earnings to common stock in the stockholders' meeting on June 12, 2020. The ex-dividend date was August 17, 2020.

Taishin Financial Holding's employees have executed stock options and had acquired Taishin Financial Holding's common stock which aggregated 8,200 thousand shares and 3,407 thousand shares in 2020 and 2019.

Taishin Financial Holding's group capital adequacy ratio was 130.04% and 118.91% as of December 31, 2020 and 2019.

- 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 for its accumulated deficit on December 4, 2009. In addition, the Company's board of directors resolved to redeem outstanding preferred stock D from 2016 to 2019. The shares of outstanding preferred stock D were all redeemed on March 25, 2019.

The rights and other important terms of issuance of the preferred stock D are as follows:

- 1) In accordance with the Company Act and Article 40 of the Articles of Incorporation of the Company, if there are earnings during the fiscal year, the earnings should be appropriated in the following order:
 - a) Payment of income taxes;
 - b) Make-up for prior year's losses, if any;
 - c) Legal reserve and if needed, special reserve;
 - d) Dividends to holders of preferred stock D.
- 2) The stock dividends are fixed at 6.5% per annum based on issue price and are distributed by cash in one-off payment. After the stockholders, in their meeting, approve the appropriation of the earnings of the fiscal year as proposed by the board of directors and resolve to distribute cash dividends from the earnings, the board of directors set the record date of preferred stock D for payment of dividends. Dividend is calculated based on the proportion of the number of days that the stocks are issued in a fiscal year, starting from the date of issuance to the record date of dividend.
- 3) If there are insufficient earnings in the fiscal year to fully pay off dividends for the stockholders of the preferred stocks, the unpaid dividend will not be carried forward to years with earnings.
- 4) In addition to receiving dividends at the fixed rate of dividend, the shareholders of the preferred stock D shall, subject to the resolution of the board of directors, be entitled to additional dividends. If dividends to common stocks are distributed in the same way as the preferred stock D and there are surplus earnings, for the purpose of dividend distribution, the preferred stock D will be converted to common stocks at the ratio of 2:1 with the right to participate in the distribution of dividends to common stocks, but not the distribution of capital surplus.
- 5) In the event of liquidation, the stockholders of preferred stock D shall be given priority to claim the Company's remaining assets over the stockholders of common stocks, but not more than the issuance amount of outstanding shares of preferred stock D.

- 6) The capital surplus from preferred stock D issued in excess of par cannot be used to increase its capital during the issuance of preferred stock D.
 - 7) The stockholders of the preferred stock D are not entitled to any voting rights or election rights in stockholders' meeting. However, they can be elected as directors and have the right to vote in the stockholders' meeting and other agenda items concerning the preferred stock D.
 - 8) When the Company issues new stocks in cash, the stockholders of preferred stock D and the common stock shall be entitled to equivalent preemptive rights on the new stocks.
 - 9) Stockholders of the preferred stock D will be entitled to convert a share of preferred stock D into a share of common stock after three years from the issue date. After ten years from the issue date, the Company may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock S at any time at the issue price. When the Company redeems the preferred stock D issued, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year up to the redemption date in proportion to total days in a fiscal year.
 - 10) The existing stockholders' equity of the preferred stock D is based on the original terms of issuance. When the Company reduced capital to cover accumulated deficit, the issued shares of common stocks and all preferred stocks are cancelled in the same proportion. The stockholders' equity shall be adjusted according to the same proportion of the cancelled stocks in order to maintain the existing stockholders' equity of the preferred stock D.
- 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 had been approved by the FSC under its Order No. 1050041849 issued on October 26, 2016, and the change in registration had been approved by the Ministry of Economic Affairs of the ROC under its Order No. 10501302230. The preferred stock E was listed on Taiwan Stock Exchange on February 10, 2017.

The rights and other important conditions of issuance of the preferred stock E are as follows:

- 1) Tenor: Perpetual.
- 2) Dividend yield: An annual dividend yield is set at 4.75% (7-year IRS 1.2175% + 3.5325%) per annum of the issue price at the pricing day. The 7-year IRS will be reset on the next business day after each seventh anniversary day after issuance and thereafter. The pricing date for reset is the second business day of financial industry in Taipei immediately preceding each reset date. The 7-year IRS rate is the arithmetic mean of 7-year IRS rates appearing on Reuters pages "PYTWDFIX" and "COSMOS3" at 11:00 a.m. (Taipei time) on the relevant pricing date for reset. If such rate cannot be obtained, the Company will determine the rate based on reasonable market price with good faith.
- 3) Dividend payment: If the surplus or earnings in the fiscal year are insufficient to fully pay off dividends to the stockholders of the preferred stocks, the unpaid dividend will not be carried forward to years with earnings. The Company has sole discretion on the distribution of the dividends of preferred stock E. Earnings distribution proposals will be devised by the board of directors in accordance with Article 40-1 of the Articles of Incorporation of the Company and then submitted to the annual general meeting of stockholders for acknowledgment. Earnings available for distribution to preferred stocks and common stocks under an acknowledged earnings distribution proposal will be distributed first to preferred stock D and then to preferred stock E, if any. Any remaining balance shall be distributed according to the Articles of Incorporation of the Company. The stock dividends are distributed by cash in one-off payment and are calculated based on the proportion of the number of days that the stocks are issued in a fiscal year. After the stockholders, in their meeting, approve the

appropriation of the earnings of the fiscal year as proposed by the board of directors and resolve to distribute from the earnings cash dividends, the board of directors sets the record date of preferred stock E for payment of dividends. When the Company redeems the issued preferred stock E, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year up to the redemption date in proportion to total days in a fiscal year.

- 4) Restrictions on payment of dividends to common stocks: Except for the dividends prescribed in the preceding subparagraphs, the stockholders of preferred stock - E are not entitled to participate in the distribution of cash or stock dividends with regard to the common stocks and other preferred stocks derived from earnings or capital reserves.
 - 5) Redemption: After seven years from the issue date, the Company may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock - E at any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock E shall continue as specified herein.
 - 6) Liquidation preference: In the event of liquidation, the stockholders of preferred stock E shall be given priority to claim the Company's remaining assets over the stockholders of common stocks, but subordinate to the stockholders of preferred stock D, and not more than the issuance amount of outstanding shares of preferred stock E.
 - 7) Voting rights or election rights: The stockholders of preferred stock E are not entitled to any voting rights or election rights in stockholders' meeting. However, they may vote in preferred stock E stockholders' meetings and in general stockholders' meetings with regard to agenda items concerning rights and obligations of the stockholders of preferred stock E.
 - 8) Preferred stock E shall not be converted into common stocks. The stockholders of the preferred stocks shall not require the Company to redeem the rights of the preferred stock E.
 - 9) When the Company issues new stocks in cash, the stockholders of preferred stock D and the common stocks shall be entitled to equivalent preemptive rights on the new stocks.
- 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 had been approved by the FSC under its Order No. 1070329855 issued on September 6, 2018, and the change in registration had been approved by the ROC Ministry of Economic Affairs under its Order No. 10701153080. The preferred stock E was listed on Taiwan Stock Exchange on January 8, 2019.

The rights and other important conditions of issuance of the preferred stock E are as follows:

- 1) Tenor: Perpetual.
- 2) Dividend yield: An annual dividend yield is set at 3.80% (7-year IRS 1.1% + 2.7%) per annum of the issue price at the pricing day. The 7-year IRS will be reset on the next business day after each seventh anniversary day after issuance and thereafter. The pricing date for reset is the second business day of financial industry in Taipei immediately preceding each reset date. The 7-year IRS rate is the arithmetic mean of 7-year IRS rates appearing on Reuters pages "PYTWDFIX" and "COSMOS3" at 11:00 a.m. (Taipei time) on the relevant pricing date for reset. If such rate cannot be obtained, the Company will determine the rate based on reasonable market price with good faith.

- 3) Dividend payment: If the surplus or earnings in the fiscal year are insufficient to fully pay off dividends to the stockholders of the preferred stocks, the unpaid dividend will not be carried forward to years with earnings. The Company has sole discretion on the distribution of the dividends of preferred stocks E. Earnings distribution proposals will be devised by the board of directors in accordance with Article 40-1 of the Articles of Incorporation of the Company and then submitted to the annual general meeting of stockholders for acknowledgment. Earnings available for distribution to preferred stocks and common stocks under an acknowledged earnings distribution proposal will be distributed first to preferred stocks D and then to preferred stocks E, if any. Any remaining balance shall be distributed according to the Articles of Incorporation of the Company. The stock dividends are distributed by cash in one-off payment and are calculated based on the proportion of the number of days that the stocks are issued in a fiscal year. After the stockholders, in their meeting, approve the appropriation of the earnings of the fiscal year as proposed by the board of directors and resolve to distribute cash dividends from the earnings, the board of directors set the record date of preferred stock E for payment of dividends. When the Company redeems the issued preferred stock E, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year up to the redemption date in proportion to total days in a fiscal year.
- 4) Restrictions on payment of dividends to common stocks: Except for the dividends prescribed in the preceding subparagraphs herein, the stockholders of preferred stock E are not entitled to participate in the distribution of cash or stock dividends with regard to the common stocks and other preferred stocks derived from earnings or capital reserves.
- 5) Redemption: After seven years from the issue date, the Company may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock E at any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock E shall continue as specified herein.
- 6) Liquidation preference: In the event of liquidation, the stockholders of preferred stock E shall be given priority to claim the Company's remaining assets over the stockholders of common stocks, but subordinate to the stockholders of preferred stock D, and not more than the issuance amount of outstanding shares of preferred stock E.
- 7) Voting rights or election rights: The stockholders of preferred stock E are not entitled to any voting rights or election rights in stockholders' meeting. However, they may vote in preferred stock E stockholders' meetings and in general stockholders' meetings with regard to agenda items concerning rights and obligations of the stockholders of preferred stock E.
- 8) When the Company issues new stocks in cash, the stockholders of preferred stock D and of the common stocks shall be entitled to equivalent preemptive rights on the new stocks.
- f. Advance receipts for capital stock
- As of December 31, 2020 and 2019, advance receipts for capital stock amounted to \$11,336 thousand and \$11,077 thousand, representing the proceeds from the exercise of employee stock options which were converted into 1,744 thousand shares and 1,606 thousand shares of common stock, respectively, of which the registration of the conversion has not been completed.
- g. Capital surplus
- As of December 31, 2020, the Company recognized a capital surplus of \$35,928,795 thousand, of which a part of investees' unappropriated retained earnings amounted to \$414,706 thousand. In addition to other regulations, Article 47 (d) of Financial Holding Company Act stipulates that the appropriation is not restricted by Article 241 (a)

of the Company Act. Furthermore, the capital surplus from preferred stock E issued in excess of par cannot be transferred to its paid-in capital during the outstanding issuance periods of preferred stock E.

h. Retained earnings and dividend policy

In accordance with dividend policy of the Articles of Incorporation of the Company, whereas the Company makes profit in a fiscal year, the profit shall be first utilized for paying taxes, adjusted in accordance with accounting standards, offset losses of previous years, set aside 10% of the remaining profit as legal reserve, and set aside special reserve in accordance with the laws and regulations, distributed dividends to the stockholders of preferred stock D based on the Company's Articles of Incorporation clause 8-2; the dividend rate of the preferred stock E should not be more than 8% and the distribution plan based on the Company's Articles of Incorporation clause 8-4 should be proposed by the Company's board of directors in their meeting before its being resolved in the stockholders' meeting, and then any remaining profit together with the amount of reversed dividend or special reserve available for distribution and any undistributed earnings at the beginning of the fiscal year shall be resolved by the Company's board of directors in their meeting as the basis for proposing a distribution plan, of which cash dividends should not be less than 10% of total dividends distributed, to common stockholders and each class of preferred stockholders. The distribution plan should be resolved in the stockholders' meeting. However, under the requirements of the MOF, if the Group's capital adequacy ratio is less than 100%, dividends cannot be distributed in cash or other assets. For the policies on distribution of employees' compensation and remuneration to directors before and after the amendment, refer to employee benefits expense in Note 36.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no accumulated deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital stock or distributed in cash.

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

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

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	For Year 2019	For Year 2018	For Year 2019	For Year 2018
Legal reserve	\$ 1,420,259	\$ 1,242,125		
Preferred stock D cash dividends	62,079	293,194	\$ -	\$ -
Preferred stock E cash dividends	1,757,500	1,237,473	-	-
Common stock cash dividends	6,029,510	5,306,652	0.57	0.51
Common stock dividends	2,466,618	2,170,903	0.23	0.21

i. Special reserves

Taishin Financial Holding reclassified reserve for trading and default losses as of December 31, 2010 to a special reserve account, which is part of equity, in accordance with Order No. 10010000440 issued by the FSC.

Taishin Financial Holding appropriated special reserves in accordance with Order No. 1010012865 issued by the FSC and the Q&As on Special Reserves Appropriated Following Adoption of IFRSs.

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

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

j. Other equity items

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

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$(675,950)	\$(372,863)
Exchange differences on translating the net assets of foreign operations	3,373	(68,694)
Share of exchange differences of associates accounted for using the equity method	(280,479)	(234,393)
Ending balance	<u>\$(953,056)</u>	<u>\$(675,950)</u>

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

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 1,689,500	\$ 301,090
Recognized during the period		
Unrealized loss - debt instruments	1,773,240	1,311,459
Unrealized gain - equity instruments	53,087	195,931
Income tax related to profit or loss of debt instruments	(51,475)	(60,816)
Share of associates accounted for using the equity method	274,529	344,589
Reclassification adjustments		
Disposal of investments in debt instruments	(1,080,244)	(445,390)
Other comprehensive loss recognized in the period	969,137	1,345,773
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	119,087	42,637
Ending balance	<u>\$ 2,777,724</u>	<u>\$ 1,689,500</u>

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

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 39,567	\$ 731
Changes in fair value attributable to changes in the credit risk	(38,589)	39,023
Share of associates accounted for using the equity method	-	(187)
Ending balance	<u>\$ 978</u>	<u>\$ 39,567</u>

k. Non-controlling Interests

	For the Year Ended December 31	
	2020	2019
Beginning balance	\$ 128,355	\$ 133,427
Attributable to non-controlling interests		
Net loss for the year	(4,595)	(2,090)
Other comprehensive income for the year	105	425
Decrease in sale of businesses	-	(3,213)
Change in subsidiaries' equity - cash dividend	-	(194)
Change in subsidiaries' equity - liquidation	(100,143)	-
Change in subsidiaries' equity - acquisition	23,437	-
Ending balance	<u>\$ 47,159</u>	<u>\$ 128,355</u>

32. NET INTEREST INCOME

		For the Year Ended December 31	
		2020	2019
Interest income			
Loans	\$	23,971,300	\$ 26,002,084
Investment in marketable securities		4,292,511	4,633,495
Revolving interest of credit cards		1,378,439	1,385,515
Finance leases		2,034,239	2,012,909
Securities purchased under resale agreements		97,184	122,475
Others		2,128,477	3,053,327
		<u>33,902,150</u>	<u>37,209,805</u>
Interest expense			
Deposits	(	8,573,731)	(12,162,100)
Due to the Central Bank and call loans from banks	(	512,265)	(951,168)
Securities sold under repurchase agreements	(	502,523)	(923,653)
Issuance of bonds and securities	(	1,249,590)	(1,273,143)
Structured products	(	798,422)	(1,548,102)
Others	(	606,505)	(762,342)
	(	<u>12,243,036</u>	<u>17,620,508</u>
Net interest income	\$	<u>21,659,114</u>	\$ <u>19,589,297</u>

33. NET SERVICE FEES AND COMMISSION INCOME

		For the Year Ended December 31	
		2020	2019
Service fees and commission income			
Interbank fees	\$	950,482	\$ 881,393
Loan and guarantee fees		672,681	820,899
Fees from certification, underwriting and brokerage		1,981,932	1,380,080
Fees from trustee business		3,483,576	3,053,729
Insurance commission fees		5,514,786	5,566,067
Fees from credit card and cash card		3,856,527	4,644,425
Others		1,247,642	1,235,887
		<u>17,707,626</u>	<u>17,582,480</u>
Service fees and commission expenses			
Fees from credit cards	(	1,705,561)	(2,734,114)
Marketing fees	(	581,132)	(756,971)
Interbank fees	(	343,904)	(278,910)
Others	(	1,082,115)	(876,862)
	(	<u>3,712,712</u>	<u>4,646,857</u>
Net service fees and commission income	\$	<u>13,994,914</u>	\$ <u>12,935,623</u>

34. GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	For the Year Ended December 31	
	2020	2019
<u>Disposal gain (loss)</u>		
Taishin Bank		
Stocks and beneficiary certificates	\$ 232,421	\$ 170,386
Bills	12,384	(8,029)
Bonds	550,611	845,278
Derivative financial instruments	2,450,369	3,705,745
	<u>3,245,785</u>	<u>4,713,380</u>
Taishin Securities B		
Call (put) warrants issued	38,784	277,894
Trading securities - dealing	871,399	542,016
Trading securities - underwriting	75,670	63,712
Trading securities - hedging	308,287	(25,467)
Borrowing securities	(49,712)	59,778
Open-end funds	1,680	-
Derivative financial instruments	(680,370)	(321,613)
	<u>565,738</u>	<u>596,320</u>
Others		
Stocks and beneficiary certificates	\$ 27,229	\$ 6,862
Derivative financial instruments	18,463	159,212
	<u>45,692</u>	<u>166,074</u>
	<u>3,857,215</u>	<u>5,475,774</u>
<u>Valuation gain (loss)</u>		
Taishin Bank		
Stocks and beneficiary certificates	37,284	41,742
Bills	7,325	10,260
Bonds	75,339	(173,293)
Derivative financial instruments	(1,016,030)	624,180
	<u>(896,082)</u>	<u>502,889</u>
Taishin Securities B		
Call (put) warrants issued	16,505	(198,810)
Trading securities - dealing	(192,947)	460,526
Trading securities - underwriting	3,959	20,905
Trading securities - hedging	324,747	38,847
Borrowings securities and securities sold under repurchase agreements	(55,318)	(10,779)
Open-end funds	(1,455)	(1,014)
Derivative financial instruments	(151,791)	(221,464)
	<u>(56,300)</u>	<u>88,211</u>
Others		
Stocks and beneficiary certificates	575,025	(14,823)
Derivative financial instruments	(258,019)	(110,697)
	<u>317,006</u>	<u>(125,520)</u>
	<u>(635,376)</u>	<u>465,580</u>
Net interest income	637,642	1,068,487
Dividends	314,830	160,578
Interest expense	(150,580)	(155,751)
	<u>\$ 4,023,731</u>	<u>\$ 7,014,668</u>

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

	For the Year Ended December 31	
	2020	2019
Disposal gain (loss)		
Bills	\$(11,969)	\$(4,050)
Bonds	1,097,196	449,326
Beneficiary certificates	(4,983)	114
	1,080,244	445,390
Dividend income		
Related to investments held at the end of the period	187,805	237,647
Related to investments derecognized at the end of the period	91,113	66,274
	<u>\$ 1,359,162</u>	<u>\$ 749,311</u>

36. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2020	2019
Short-term benefits	\$ 13,833,989	\$ 13,355,821
Post-employment benefits (Note 30)		
Defined contribution plans	460,874	436,009
Defined benefit plans	29,322	33,638
Share-based payments (Note 40)		
Cash-settled share-based payments	13,608	45,458
Others	129,807	116,468
	<u>\$ 14,467,600</u>	<u>\$ 13,987,394</u>

Employees' Compensation and Remuneration of Directors

The Company accrues employees' compensation and the remuneration of directors at a rate of no less than 0.01% and no higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. For the years ended December 31, 2020 and 2019, the amounts of employees' compensation and remuneration of directors were as follows:

	For the Year Ended December 31	
	2020	2019
Employees' compensation	<u>\$ 1,447</u>	<u>\$ 1,454</u>
Remuneration of directors	<u>\$ 144,716</u>	<u>\$ 145,378</u>

If there will be a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences will be recorded as a change in the accounting estimate and will be adjusted in the next year.

The Company held board of directors' meetings on March 26, 2020 and March 28, 2019 in which it resolved the appropriations of employees' compensation and remuneration of directors and which resulted in the actual amounts of the employees' compensation and remuneration of directors paid for 2019 and 2018 to differ from the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018, respectively. The adjustment for differences will be and was recognized in profit and loss for the years ended December 31, 2020 and 2019.

For the Year Ended December 31

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

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

37. DEPRECIATION AND AMORTIZATION EXPENSES

For the Year Ended December 31

	2020	2019
Property and equipment	\$ 1,030,146	\$ 982,171
Investment properties	13,130	8,852
Right-of-use assets	772,131	720,228
Intangible assets and other assets	385,896	293,149
	<u>\$ 2,201,303</u>	<u>\$ 2,004,400</u>

38. INCOME TAX

In 2003, Taishin Financial Holding adopted the linked tax system for tax filing (similar to a consolidated tax filing) along with its subsidiaries Taishin Bank and Taishin AMC. Taishin Venture Capital was included in this tax system since 2004, and Taishin Securities B, Taishin Securities Investment Trust and Taishin Securities Investment Advisory were included in this tax system since 2011.

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

Income Tax Recognized in Profit or Loss

The major components of tax expense (profit) were as follows:

For the Year Ended December 31

	2020	2019
Current tax		
In respect of the current period	\$ 2,187,334	\$ 1,951,561
Additional income tax on unappropriated earnings	123,331	108,545
Adjustments for prior years	69,090	(910,257)
Offshore income tax expense	50,960	28,539
Land value increment tax	6,999	81
Deferred tax		
In respect of the current period	(353,609)	(317,305)
Adjustments for prior years	(141,804)	926,479
Income tax expense recognized in profit or loss	<u>\$ 1,942,301</u>	<u>\$ 1,787,643</u>

Reconciliation of profit before income tax and income tax was as follows:

	For the Year Ended December 31	
	2020	2019
Income from continuing operation before income tax	\$ 16,431,128	\$ 16,273,574
Income tax expense calculated at the statutory rate (20%)	\$ 3,286,226	\$ 3,254,715
Nondeductible expenses in determining taxable income	159,004	153,504
Tax-exempt income	(1,575,205)	(1,623,398)
Temporary differences	(5,104)	(33,441)
Loss carryforwards	(77,422)	(123,847)
Additionally levied on unappropriated earnings	123,331	108,545
Offshore income tax expense	50,960	28,539
Adjustments to prior years' tax	(72,714)	16,222
Others	53,225	6,804
Income tax expense recognized in profit or loss	\$ 1,942,301	\$ 1,787,643

Income Tax Recognized in Other Comprehensive Income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current period:		
Fair value changes of financial assets at FVTOCI	\$ 51,475	\$ 60,816
Defined benefit actuarial of related income tax	(35,723)	(8,340)
Total income tax recognized in other comprehensive income	\$ 15,752	\$ 52,476

Current Tax Assets and Liabilities

	December 31	
	2020	2019
Current tax assets		
Tax refund receivable	\$ 11,011	\$ 348,699
Current tax liabilities		
Income tax payable	\$ 2,277,779	\$ 2,473,274

Deferred Tax

Movements in deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2020					
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Ending Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for loans losses	\$ 1,844,065	\$ 313,346	\$ -	\$ 823	\$ 2,158,234
Others	846,664	171,922	35,723	-	1,054,309
	2,690,729	485,268	35,723	823	3,212,543
Loss carryforwards	4,370	(3,692)	-	-	678
	<u>\$ 2,695,099</u>	<u>\$ 481,576</u>	<u>\$ 35,723</u>	<u>\$ 823</u>	<u>\$ 3,213,221</u>
<u>Deferred tax liabilities</u>					
Land value increment tax	\$(53,552)	\$ -	\$ -	\$ -	\$(53,552)
Temporary differences	(59,435)	13,837	(51,475)	3,602	(93,471)
	<u>\$(112,987)</u>	<u>\$ 13,837</u>	<u>\$(51,475)</u>	<u>\$ 3,602</u>	<u>\$(147,023)</u>
For the Year Ended December 31, 2019					
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Ending Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for loans losses	\$ 2,615,521	\$(763,411)	\$ -	\$(8,045)	\$ 1,844,065
Others	740,268	130,248	(52,476)	28,624	846,664
	3,355,789	(633,163)	(52,476)	20,579	2,690,729
Loss carryforwards	4,527	(157)	-	-	4,370
	<u>\$ 3,360,316</u>	<u>\$(633,320)</u>	<u>\$(52,476)</u>	<u>\$ 20,579</u>	<u>\$ 2,695,099</u>
<u>Deferred tax liabilities</u>					
Land value increment tax	\$(53,552)	\$ -	\$ -	\$ -	\$(53,552)
Temporary differences	(55,286)	24,146	-	(28,295)	(59,435)
	<u>\$(108,838)</u>	<u>\$ 24,146</u>	<u>\$ -</u>	<u>\$(28,295)</u>	<u>\$(112,987)</u>

The Group's Loss Carryforwards as of December 31, 2020

Expiry Year	Unused Amount
2024	\$ 5,463
2025	10,141
2026	9,179
2027	9,635
2028	5,164
2029	8,455
2030	9,677
	<u>\$ 57,714</u>

Assessments of the Group's Income Tax

- a. Taishin Financial Holding's income tax returns through 2015 had been assessed by the tax authorities.
- b. Taishin Bank's income tax returns through 2015 had been assessed by the tax authorities. The income tax returns of Taishin Real-Estate through 2018 had been assessed by the tax authorities. The income tax returns of Xiang An Insurance Agency through 2018 had been assessed by the tax authorities. The income tax returns of Taishin D.A. Finance through 2018 had been assessed by the tax authorities.
- c. Taishin AMC's income tax returns through 2015 had been assessed by the tax authorities.
- d. Taishin Venture Capital's income tax returns through 2015 had been assessed by the tax authorities.
- e. Taishin Securities Investment Trust's income tax returns through 2015 had been assessed by the tax authorities.
- f. Taishin Securities B's income tax returns through 2015 had been assessed by the tax authorities. Taishin Securities Venture Capital's income tax returns through 2018 had been assessed by the tax authorities. Taishin Capital's income tax returns through 2019 had been assessed by the tax authorities.
- g. Taishin Securities Investment Advisory's income tax returns through 2015 had been assessed by the tax authorities.

39. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	\$ 1.17	\$ 1.16
Diluted earnings per share	\$ 1.17	\$ 1.16

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 17, 2020. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2019 were as follows:

	For the Year Ended December 31, 2019	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	\$ 1.19	\$ 1.16
Diluted earnings per share	\$ 1.19	\$ 1.16

The earnings and weighted average number of common stocks outstanding used in the computation of earnings per share were as follows:

Net Income for the Period (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2020	2019
Net income for the periods attributable to owner of the Company	\$ 14,493,422	\$ 14,488,021
Less: Dividends on preferred stocks	(1,757,500)	(1,819,579)
Earnings used in computation of basic earnings per share	12,735,922	12,668,442
Earnings used in computation of diluted earnings per share	\$ 12,735,922	\$ 12,668,442

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

	For the Year Ended December 31	
	2020	2019
Weighted average number of common stocks in computation of basic earnings per share	10,908,623	10,902,500
Effect of dilutive potential common stocks:		
Employees stock options	144	4,949
Employees compensation	139	125
Weighted average number of common stocks outstanding in computation of dilutive earnings per share	<u>10,908,906</u>	<u>10,907,574</u>

Since the Group offered to settle compensation or bonuses paid to employees in cash or stocks, the Group assumed the entire amount of the compensation or bonuses would be settled in stocks and the resulting potential stocks were included in the weighted average number of stocks outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential stocks is included in the computation of diluted earnings per share until the number of stocks to be distributed to employees is resolved in the following year.

40. SHARE-BASED PAYMENT ARRANGEMENTS

a. Equity-settled share-based payments of employee stock option plan

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 stock options were as follows:

	For the Year Ended December 31			
	2020		2019	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
<u>Plan of 2010 (II)</u>				
Outstanding, beginning balance	307	\$ 7.00	307	\$ 7.30
Outstanding, ending balance	307		307	
Exercisable, ending balance	307		307	

	For the Year Ended December 31			
	2020		2019	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
<u>Plan of 2010 (I)</u>				
Outstanding, beginning balance	9,618	\$ 6.90	14,104	\$ 7.20
Exercised	(8,338)	6.67	(4,458)	6.92
Forfeited	(1,280)	6.55	(28)	7.20
Outstanding, ending balance	-		9,618	
Exercisable, ending balance	-		9,618	

The weighted-average exercise price of stocks at the exercise dates of the stock options during the years ended December 31, 2020 was \$13.05.

The exercise price and expected weighted-average outstanding period of the stock option for the year ended December 31, 2020 were as follows:

	For the Year Ended December 31			
	2020		2019	
	Exercise Price (Dollars)	Expected Weighted Average Outstanding Period (Years)	Exercise Price (Dollars)	Expected Weighted Average Outstanding Period (Years)
Plan of 2010 (II)	\$ 6.60	0.66	\$ 7.00	1.67
Plan of 2010 (I)	6.50		6.90	0.78

The valuation model and the assumptions used in the employee stock option plan for the year ended December 31, 2020 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

No compensation costs were recognized for the years ended December 31, 2020 and 2019.

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

The Group issued stock appreciation rights (SAR) to employees that required the Group to pay the intrinsic value of SAR to the qualified people at the date of exercise since 2013. The fair value of SAR was determined using the Black-Scholes pricing model based on the following assumptions:

	Plan of 2019	Plan of 2018	Plan of 2017	Plan of 2016	Plan of 2015
Grant-date share price (Note)	\$13.16	\$13.16	\$13.16	\$13.16	\$13.16
Exercise price	\$13.51	\$11.8	\$11.71	\$9.6	\$8.3
Outstanding period	1.0 years, 2.0 years	0.1 years, 1.1 years	0.1 years	-	-
Expected volatility	31.15%, 31.15%	31.15%, 31.15%	31.15%, 31.15%	31.15%, 31.15%	31.15%, 31.15%
Risk-free interest rate	0.97%, 0.97%	0.97%, 0.97%	0.97%, 0.97%	0.97%, 0.97%	0.97%, 0.97%

Note: The grant-date share price is calculated based on the average closing price of common stocks of the Company 30 business days before the balance sheet date.

The movements in the appreciation rights plan were as follows:

			For the Year Ended December 31, 2020	
Appreciation Rights Plan of 2019		Unit	Weighted Average Exercise Price (Dollars)	
Outstanding, beginning		-	\$	-
Granted		21,821		14.43
Ceased		(570)		14.19
Outstanding, ending		21,251		
Weighted-average fair value of appropriation rights (NT\$)		\$	1.53	

		For the Year Ended December 31				
		2020		2019		
Appreciation Rights Plan of 2018		Weighted Average Exercise Price			Weighted Average Exercise Price	
	Unit	(Dollars)		Unit	(Dollars)	
Outstanding, beginning	14,486	\$	12.60	-	\$	-
Granted	-		-	14,846		13.28
Ceased	(750)		12.53	(360)		12.60
Outstanding, ending	<u>13,736</u>			<u>14,486</u>		
Weighted-average fair value of appropriation rights (NT\$)	\$ 1.76			\$ 2.84		

		For the Year Ended December 31				
		2020		2019		
Appreciation Rights Plan of 2017		Weighted Average Exercise Price			Weighted Average Exercise Price	
	Unit	(Dollars)		Unit	(Dollars)	
Outstanding, beginning	15,191	\$	12.50	16,271	\$	13.20
Exercised	(7,376)		12.50	-		-
Ceased	(505)		12.44	(1,080)		12.50
Outstanding, ending	<u>7,310</u>			<u>15,191</u>		
Weighted-average fair value of appropriation rights (NT\$)	\$ 1.50			\$ 2.30		

For the Year Ended December 31				
Appreciation Rights Plan of 2016	2020		2019	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	7,870	\$ 9.6	17,066	\$ 10.1
Exercised	(7,652)	9.6	(8,016)	10.1
Ceased	(218)	9.6	(1,180)	9.6
Outstanding, ending	<u>-</u>		<u>7,870</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 4.88</u>		<u>\$ 4.82</u>	

For the Year Ended December 31, 2019		
Appreciation Rights Plan of 2015	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	12,305	\$ 8.30
Exercised	(11,475)	8.30
Ceased	(830)	8.30
Outstanding, ending	<u>-</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 4.97</u>	

As of December 31, 2020 and 2019, the related amounts recognized as liabilities were \$42,451 thousand and \$80,293 thousand, respectively.

41. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities:

For the year ended December 31, 2020

	Opening Balance	Cash Flows	Non-cash Changes					Closing Balance
			Effect of Exchange Rate Changes	New Leases	Termination of Lease Contract	Amortization for Discount	Fair Value Adjustments	
Due to the Central Bank and banks (including call loans from other banks and bank overdrafts)	\$ 29,697,937	\$(3,311,002)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,386,935
Commercial paper payable	22,856,765	(7,432,000)	-	-	-	8,104	-	15,432,869
Lease liabilities	2,822,108	(733,513)	26	953,534	(63,297)	-	-	2,978,858
Other borrowings	11,194,084	(28,252)	14,432	-	-	-	-	11,180,264
Financial liabilities designated as at FVTPL	3,287,359	-	-	-	-	-	(84,304)	3,203,055
Bonds payable	56,800,000	13,300,000	-	-	-	-	-	70,100,000
	<u>\$ 126,658,253</u>	<u>\$ 1,795,233</u>	<u>\$ 14,458</u>	<u>\$ 953,534</u>	<u>\$(63,297)</u>	<u>\$ 8,104</u>	<u>\$(84,304)</u>	<u>\$ 129,281,981</u>

For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes					Closing Balance
			Effect of Exchange Rate Changes	New Leases	Termination of Lease Contract	Amortization for Discount	Fair Value Adjustments	
Due to the Central Bank and banks (including call loans from other banks and bank overdrafts)	\$ 33,957,115	\$(4,259,178)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,697,937
Commercial paper payable	12,215,597	10,640,000	-	-	-	1,168	-	22,856,765
Lease liabilities	2,288,025	(617,100)	(8,295)	1,195,850	(36,372)	-	-	2,822,108
Other borrowings	11,545,384	5,895	(357,195)	-	-	-	-	11,194,084
Financial liabilities designated as at FVTPL	3,085,588	-	-	-	-	-	201,771	3,287,359
Bonds payable	61,700,000	(4,900,000)	-	-	-	-	-	56,800,000
	<u>\$ 124,791,709</u>	<u>\$ 869,617</u>	<u>\$(365,490)</u>	<u>\$ 1,195,850</u>	<u>\$(36,372)</u>	<u>\$ 1,168</u>	<u>\$ 201,771</u>	<u>\$ 126,658,253</u>

42. CAPITAL RISK MANAGEMENT

a. Summary

To efficiently control the capital adequacy of the Group on the premise of balancing the Group's business development and risk control, Taishin Financial Holding had codified its "principles of capital adequacy management" and compile related information to be reported to the Asset and Liability Management Committee periodically.

The Group's goals in capital management are as follows:

- 1) To ensure the Group conforms to related capital adequacy regulations and minimum basic criteria set by each industry's regulatory agencies.
- 2) To ensure every subsidiary is able to meet the capital needs of operating plan and the capital requirement, as well as to reach the optimization of capital allocation within the Group.
- 3) To implement capital management, Taishin Financial Holding and its significant subsidiaries should assess capital adequacy periodically and make proper arrangements of capital structure and application of capital instruments and adjustments of asset portfolio.

b. Capital management procedures

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

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

c. Group's capital adequacy

Company \ Item	December 31, 2020		
	Ownership Interest (%)	Group Eligible Capital	Group's Statutory Capital Requirement
Taishin Financial Holding		\$ 208,062,223	\$ 219,913,162
Taishin Bank	100%	195,687,557	126,217,003
Taishin Securities B	100%	10,226,525	4,192,845
Taishin Venture Capital	100%	4,836,814	2,419,779
Taishin AMC	100%	1,152,562	1,019,600
Taishin Securities Investment Trust	100%	909,793	536,418
Taishin Securities Investment Advisory	92%	305,039	183,623
Exclusive items amounts subtracted		(192,190,332)	(178,389,984)
Total		228,990,181	176,092,446
Group's capital adequacy ratio (Note)			130.04%

Company \ Item	December 31, 2019		
	Ownership Interest (%)	Group Eligible Capital	Group's Statutory Capital Requirement
Taishin Financial Holding		\$ 200,889,382	\$ 209,362,700
Taishin Bank	100%	188,640,329	137,534,083
Taishin Securities B	100%	8,002,286	3,678,299
Taishin Venture Capital	100%	4,023,577	2,014,121
Taishin AMC	100%	1,053,617	705,224
Taishin Securities Investment Trust	100%	862,410	513,403
Taishin Securities Investment Advisory	92%	324,264	178,837
Exclusive items amounts subtracted		(183,204,251)	(168,471,968)
Total		220,591,614	185,514,699
Group's capital adequacy ratio (Note)			118.91%

d. Financial holding company eligible capital

Item	December 31, 2020
Common stock	\$ 109,115,662
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates which comply with eligible Tier 1 capital	8,000,000
Other preferred stock and subordinated corporate bonds	22,000,000
Advance receipts for capital stock	11,336
Capital surplus	35,928,795
Legal reserve	11,777,396
Special reserve	571,970
Retained earnings	18,831,418
Equity adjustment	1,825,646
Less: Goodwill	-
Less: Deferred assets	-
Less: Treasury stock	-
Total	208,062,223

Item	December 31, 2019
Common stock	\$ 106,567,044
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates which comply with eligible Tier 1 capital	8,000,000
Other preferred stock and subordinated corporate bonds	22,000,000
Advance receipts for capital stock	11,077
Capital surplus	35,955,405
Legal reserve	10,357,137
Special reserve	572,115
Retained earnings	16,373,487
Equity adjustment	1,053,117
Less: Goodwill	-
Less: Deferred assets	-
Less: Treasury stock	-
Total	200,889,382

Note 1: The above list was prepared according to "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Company.

Note 2: Group's capital adequacy ratio = Group's eligible capital ÷ Group's statutory capital requirement.

e. Taishin Bank's capital adequacy

Item			Period	December 31, 2020	December 31, 2019
Self-owned capital	Common equity Tier I			\$ 136,397,935	\$ 128,251,549
	Other Tier I capital			24,378,703	23,676,331
	Tier II capital			34,910,919	36,712,449
	Self-owned capital			195,687,557	188,640,329
Risk-weighted assets	Credit risk	Standardized approach		1,094,636,587	1,192,564,956
		IRB		-	-
		Securitization		102,411	122,465
	Operation risk	Basic indicator approach		-	-
		Standardized approach/ optional standard		61,407,175	58,514,388
		Advanced internal-rating based approach		-	-
	Market price risk	Standardized approach		45,920,525	58,646,600
		Internal model approach		-	-
	Total			1,202,066,698	1,309,848,409
Capital adequacy ratio				16.28%	14.40%
Common equity Tier I to risk-weighted assets ratio				11.35%	9.79%
Tier I capital to risk-weighted assets ratio				13.38%	11.60%
Leverage ratio				7.27%	7.38%

Note 1: The ratios are calculated in accordance with the Letters issued by the MOF on December 23, 2019 (Ref. No. FSC 10802744341), January 14, 2020 (Ref. No. FSC 10802747311), and January 12, 2021 (Ref. No. FSC 10902745641).

Note 2: Formula:

a) Self-owned capital = Common equity Tier I + Other Tier I capital + Tier II capital

b) Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) x 12.5

c) Capital adequacy = Self-owned capital ÷ Risk-weighted assets

d) Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital ÷ Risk-weighted assets

e) Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital) ÷ Risk-weighted assets

f) Leverage ratio = Tier I capital ÷ Adjusted average assets

f. Taishin Securities' capital adequacy

Item	December 31	
	2020	2019
Eligible capital		
Tier I capital	\$ 9,069,907	\$ 8,802,486
Tier I capital - minus assets	1,130,203	446,627
Tier II capital - minus assets in excess of Tier II capital	-	353,573
Tier I capital, net	7,939,704	8,002,286
Tier II capital	3,312,255	25,496
Tier II capital - minus assets	1,025,434	25,496
Tier II capital, net	2,286,821	-
Tier III capital	-	-
Total net of eligible capital	<u>\$ 10,226,525</u>	<u>\$ 8,002,286</u>
Equivalent amount of operating risk		
Equivalent amount of credit risk	\$ 781,152	\$ 462,369
Equivalent amount of operation risk	284,326	217,559
Equivalent amount of market risk	1,729,752	1,772,272
	<u>\$ 2,795,230</u>	<u>\$ 2,452,200</u>
Capital adequacy ratio	366%	326%

- ◆ 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

43. 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, 2020 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	\$ 313,368,415	168.38%
Hon Hai Precision IND, Co., Ltd.	11,442,725	6.15%
Taiwan Power Co., Ltd.	7,285,745	3.91%
Wistron Corporation	6,498,528	3.49%
Ruentex Industries Limited	5,953,067	3.20%
China Development Bank Corporation	5,797,076	3.11%
Qisda Corporation	5,517,322	2.96%
Quanta Computer Inc.	5,259,156	2.83%
Sprinta Inc. Taiwan Branch	4,808,000	2.58%
Bank of Communications	4,728,696	2.54%
Bank of China	4,364,130	2.34%
US GOVT	4,292,228	2.31%
Delta Electronics, Inc.	4,271,523	2.30%
National Bank Of Abu Dhabi	4,067,589	2.19%
HonHan Investment Co., Ltd.	4,021,687	2.16%
Catcher Technology Co., Ltd.	4,008,034	2.15%
Agricultural Development Bank of China	3,954,471	2.12%
Fubon Financial Holding Co., Ltd.	3,946,235	2.12%
AU Optronics (L) Corp.	3,928,000	2.11%
Industrial and Commercial Bank of China	3,902,459	2.10%
Agricultural Bank of China	3,850,583	2.07%
Cathay Financial Holdings Co., Ltd.	3,782,965	2.03%
Arab Petroleum Investments Corporation	3,779,430	2.03%
China Government Bond	3,693,706	1.98%
Evergreen Marine Corp.	3,654,513	1.96%
Formosa Ha Tinh (Cayman) Limited	3,540,600	1.90%
The Export-Import Bank of China	3,461,028	1.86%
Formosa Plastics Corp.	3,370,940	1.81%
Puyong Archiland	3,351,260	1.80%
Chailease Finance Co., Ltd.	3,314,078	1.78%
Synnex Technology Information Corp.	3,247,528	1.74%
KEB Hana Bank	3,181,204	1.71%
The Export-Import Bank Of Korea	3,163,890	1.70%
JPMorgan Chase Bank	3,143,171	1.69%

(Continued)

(In Thousands of New Taiwan Dollars; %)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
ING Bank	3,116,300	1.67%
Taiwan Mobile Co., Ltd.	3,111,905	1.67%
China Construction Bank Corporation	3,071,363	1.65%
Goldman Sachs Finance Corp Intl Ltd.	3,023,139	1.62%
Barclays Bank	3,015,866	1.62%
Realtek Semiconductor Corporation	3,001,953	1.61%
Total	\$ 478,290,506	
b. To the same person and spouse, the relative within the second degree and the person or the spouse's enterprise		
Individual A	\$ 11,566,978	6.22%
Individual B	11,094,717	5.96%
Individual C	6,523,168	3.51%
Individual D	5,491,687	2.95%
Individual E	4,052,103	2.18%
Individual F	3,840,505	2.06%
Individual G	3,696,437	1.99%
Individual H	3,608,994	1.94%
Individual I	3,370,940	1.81%
Individual J	3,292,238	1.77%
Individual K	3,211,905	1.73%
Individual L	3,109,140	1.67%
Individual M	3,096,855	1.66%
Individual N	3,064,573	1.65%
Individual O	3,001,953	1.61%
Total	\$ 72,022,192	
c. To the same related party enterprise		
Hon Hai Group	\$ 25,512,380	13.71%
Far Eastern Group	19,640,140	10.55%
Ruentex Group	15,323,597	8.23%
AU Optronics (L) Corp.	13,762,475	7.39%
Union Group	13,380,463	7.19%
CITIC Group	12,758,153	6.86%
Fubon Group	11,264,179	6.05%
YFY Inc.	9,237,669	4.96%
Chialease Group	8,227,363	4.42%
Formosa Plastics Group	7,946,524	4.27%
Taiwan Power Co., Ltd.	7,387,745	3.97%
ASE Group	7,233,561	3.89%
Ting Hsin Group	7,232,426	3.89%
Wintron Group	6,689,568	3.59%
Quanta Computer Group	6,547,456	3.52%
Yulon Group	6,303,782	3.39%

(Continued)

(In Thousands of New Taiwan Dollars; %)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
Evergreen Group	6,291,596	3.38%
CDB Group	5,797,076	3.11%
MS Group	5,761,766	3.10%
Formosa Chemicals & Fibre Corporation	5,686,706	3.06%
Charoen Pokphand Group	5,681,827	3.05%
Gold East Trading Co., Ltd.	5,667,341	3.05%
China Steel Corporation	5,395,157	2.90%
King's town Group	5,231,820	2.81%
APL Group	5,006,451	2.69%
Sports City International Inc.	4,927,888	2.65%
Cathay Group	4,904,749	2.64%
Kinpo Group	4,899,814	2.63%
Uni-President Group	4,689,330	2.52%
China Development Financial Group	4,662,907	2.51%
Hong Tai Group	4,606,469	2.48%
BOC Limited	4,381,086	2.35%
Phoenix Property Investors Group	4,371,218	2.35%
ICBC Group	4,282,427	2.30%
CMP Group	4,274,242	2.30%
Delta Electronics Group	4,271,523	2.30%
Pou Chen Group	4,081,786	2.19%
Catcher Technology Group	4,008,034	2.15%
WT Group	3,600,292	1.93%
Continental Engineering Group	3,568,810	1.92%
Shanyuan Group	3,561,565	1.91%
WPG Group	3,561,387	1.91%
Lien Jade Construction Group	3,481,604	1.87%
Wells Fargo Company Group	3,474,682	1.87%
Puyong Group	3,435,260	1.85%
O-Bank Group	3,378,908	1.82%
HSBC Group	3,378,661	1.82%
Hana Financial Group	3,181,204	1.71%
Hotai Motor Group	3,172,667	1.70%
Tatung Group	3,159,663	1.70%
JPMorgan Group	3,143,171	1.69%
China Construction Bank Group	3,071,363	1.65%
RGE Group	3,064,772	1.65%
Yageo Group	3,022,217	1.62%
Realtek Group	3,001,953	1.61%
Total	\$ 343,586,873	

(Concluded)

44. 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) Information on fair value hierarchy

The financial instruments measured at fair value of the Group are measured at fair value on a recurring basis.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Financial Assets and Liabilities	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Recurring fair value measurement</u>				
<u>Non-derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stocks and beneficiary certificates	\$ 13,375,439	\$ 10,332,072	\$ 443,273	\$ 2,600,094
Bond investments	29,428,972	16,398,019	13,030,953	-
Investment in bills	58,787,535	-	58,787,535	-
Others	20,981	20,201	-	780
Financial assets at FVTOCI				
Equity investments	4,914,356	2,565,424	-	2,348,932
Bond investments	155,377,360	61,622,008	93,755,352	-
Investment in bills	30,227,206	212,566	30,014,640	-
Beneficiary securities	510,978	-	510,978	-
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	3,203,055	-	3,203,055	-
Financial liabilities held for trading	712,154	712,154	-	-
<u>Derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL	25,829,129	666,567	21,543,354	3,619,208
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	3,417,670	-	3,417,670	-
Financial liabilities held for trading	28,719,833	187,738	25,324,424	3,207,671

Financial Assets and Liabilities	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Recurring fair value measurement</u>				
<u>Non-derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stocks and beneficiary certificates	\$ 10,719,832	\$ 8,270,303	\$ 676,745	\$ 1,772,784
Bond investments	64,015,203	19,817,627	43,134,863	1,062,713
Investment in bills	48,486,587	-	48,486,587	-
Others	16,429	14,429	-	2,000
Financial assets at FVTOCI				
Equity investments	4,627,773	2,489,155	-	2,138,618
Bond investments	152,648,740	58,875,178	93,773,562	-
Investment in bills	115,538,687	1,650,646	113,888,041	-
Beneficiary securities	610,937	610,937	-	-
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	3,287,359	-	3,287,359	-
Financial liabilities held for trading	719,425	719,425	-	-
<u>Derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL	20,803,542	609,232	15,316,446	4,877,864
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	1,516,425	-	1,516,425	-
Financial liabilities held for trading	22,026,140	736,984	16,761,827	4,527,329

2) The valuation techniques based on fair value

Financial instruments are initially measured at fair value. In many cases the transaction price will equal the fair value. Subsequently, the financial instruments are measured at fair value, unless the financial assets meet the criteria for being measured at amortized cost. A quoted price in an active market provides the most reliable evidence of fair value. If financial instruments have no quoted prices in an active market, the Group will use valuation techniques or refer to Bloomberg or Reuters' quotes or the fair value quoted by the counterparty.

If there is an active market and a price for a financial instrument quoted in that market, the quoted price will be the fair value of the financial instrument. Market prices provided by major stock exchanges and market prices of popular central government bonds announced by the Taipei Exchange (formerly the GreTai Securities Market) are considered to be the basis of fair values for equity instruments and debt instruments with active market.

If a quoted price, which represents the price being practically and frequently transacted in orderly transactions, can be acquired from stock exchanges, brokers, underwriters, pricing service institutions or the administration in time then there is an active market for the financial instrument. If the conditions mentioned above are not met, then the market is regarded as inactive. Generally speaking, extremely high bid-ask spread, significant increase of bid-ask spread or extremely low transaction amounts are all indications for an inactive market.

The Group's financial instruments with active markets and the basis of their fair values are described as follows:

a) Foreign currency products

Since the foreign exchange market is very active, the Group adopts the market prices of each respective currency or the last trading prices as fair values.

b) Government bonds and part of interest rate derivatives

i. New Taiwan Dollar Central Government Bonds: If there is a trading price on the measurement date, then the last trading price is the fair value. If there is no trading price for reference and the subordinated bond fair price provided by the Taipei Exchange is not in the market quoted price interval, then the median price of the market quoted prices is the fair value. If the subordinated bond fair price is in the market quoted price interval, then the fair price is the fair value.

ii. Interest rate derivatives: The quoted price from Reuters is the fair value.

c) Stock-related products

The Group adopts stock market quoted prices or the last trading prices as fair values.

Except for the financial instruments with active market, fair values of other financial instruments are acquired based on valuation techniques or the quoted prices from counterparties. Fair values acquired through valuation techniques can be calculated using models based on fair values from financial instruments with similar conditions and characteristics, cash flow discount method and other valuation techniques, including accessible information on the balance sheet date such as the yield curve from the Taipei Exchange or the average quoted price of interest rates for commercial papers from Reuters.

When measuring financial instruments that are not standardized and with low complexity such as options without active market, the Group will adopt valuation techniques consistent with those generally used by other market participants to price financial instruments. Parameters applied for the valuation models for this type of financial instruments are observable in the market.

With regard to financial instruments with high complexity, the Group will adopt self-developed valuation techniques and methods consistent with those generally used by other market participants and valuation models to measure fair values. These types of valuation models are often applied to derivatives, embedded bond instrument or securitized products, etc. Part of 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 (which is comparable to the market approach) and the market approach.

3) Adjustments of fair values

a) Limits of valuation models and indeterminate input value

Valuation models generate estimated approximate values. That is, valuation techniques may not be able to reflect all the factors relevant to the performance of the Group's financial instruments. Thus, 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 value of \$5,393,100 thousand and \$2,441,732 thousand for the years ended December 31, 2020 and 2019, respectively, were transferred from Level 1 to Level 2.

5) Reconciliation of Level 3 financial assets

For the Year Ended December 31, 2020								
Item	Beginning Balance	Valuation Gains (Losses)		Increase		Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial assets at FVTPL	\$ 7,715,361	\$(1,021,790)	\$ -	\$ 1,400,312	\$ -	\$(1,873,801)	\$ -	\$ 6,220,082
Financial assets at FVTOCI	2,138,618	-	211,868	-	-	(1,554)	-	2,348,932
Total	\$ 9,853,979	\$(1,021,790)	\$ 211,868	\$ 1,400,312	\$ -	\$(1,875,355)	\$ -	\$ 8,569,014

Note: No transfer from Level 3.

For the Year Ended December 31, 2019								
Item	Beginning Balance	Valuation Gains (Losses)		Increase		Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial assets at FVTPL	\$ 9,240,943	\$(1,880,289)	\$ -	\$ 1,221,716	\$ -	\$(838,942)	\$(28,067)	\$ 7,715,361
Financial assets at FVTOCI	2,084,067	-	57,935	-	-	(3,384)	-	2,138,618
Total	\$ 11,325,010	\$(1,880,289)	\$ 57,935	\$ 1,221,716	\$ -	\$(842,326)	\$(28,067)	\$ 9,853,979

Abovementioned valuation gains (losses) recognized in current profits or losses in the amounts of \$(793,700) thousand and \$(1,906,280) thousand were attributed to gains (losses) on assets owned for the years ended December 31, 2020 and 2019, respectively.

Abovementioned valuation gains (losses) recognized in other comprehensive income in the amounts of \$203,315 thousand and \$57,935 thousand were attributed to gains (losses) on assets owned during years ended December 31, 2020 and 2019, respectively.

Reconciliation of Level 3 financial liabilities:

For the Year Ended December 31, 2020							
Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial liabilities at FVTPL	\$ 4,527,329	\$(1,626,845)	\$ 1,057,286	\$ -	\$(750,099)	\$ -	\$ 3,207,671

Note: No transfer from Level 3.

For the Year Ended December 31, 2019							
Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial liabilities at FVTPL	\$ 6,211,168	\$(2,127,874)	\$ 788,548	\$ -	\$(344,513)	\$ -	\$ 4,527,329

Abovementioned valuation gains (losses) recognized in current profits or losses in the amounts of \$1,462,919 thousand and \$2,109,662 thousand were attributed to gains (losses) on liabilities owned during years ended December 31, 2020 and 2019, 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, 2020	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					
Equity investments	\$ 2,257,664	Assets method	Discount for lack of marketability	1% - 40%	The higher the discount for lack of marketability, the lower the fair value.
			Non-controlling interest discount	2% - 30%	The higher the non-controlling interest discount, the lower the fair value.
	254,636	Market method	Discount for lack of marketability	20% - 40%	The higher the discount for lack of marketability, the lower the fair value.
	79,353	Revenue method	Discount for lack of marketability	40%	The higher the discount for lack of marketability, the lower the fair value.
			Non-controlling interest discount	20%	The higher the non-controlling interest discount, the lower the fair value.
			Discount rate	3% - 25%	The higher the discount rate, the lower the fair value.
Investment agreements	780	Revenue method	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.
			Non-controlling interest discount	20%	The higher the non-controlling interest discount, the lower the fair value.
			Discount rate	1%	The higher the discount rate, the lower the fair value.
Financial assets at FVTOCI					
Equity investments	2,117,444	Assets method	Discount for lack of marketability	7% - 30%	The higher the discount for lack of marketability, the lower the fair value.
			Non-controlling interest discount	3% - 30%	The higher the non-controlling interest discount, the lower the fair value.
	231,488	Market method	Discount for lack of marketability	10% - 30%	The higher the discount for lack of marketability, the lower the fair value.
<u>Derivative financial assets</u>					
Financial assets at FVTPL					
Interest rate swaps	420,773	Cash flow discount method	Discount for lack of marketability	0% - 20%	The higher the discount for lack of marketability, the lower the fair value.
<u>Derivative financial liabilities</u>					
Financial liabilities at FVTPL					
Interest rate swaps	2,210	Cash flow discount method	Discount for lack of marketability	0% - 20%	The higher the discount for lack of marketability, the lower the fair value.

	Fair Value on December 31, 2019	Valuation Technique	Significant Unobservable Inputs	Range of Estimate	Relationship Between Inputs and Fair Value
Non-derivative financial instruments					
Financial assets at FVTPL					
Financial assets mandatorily classified as at FVTPL					
Credit-linked securities	\$ 1,062,713	Credit spread default model/cash flow discount method	Credit spread	0% - 2%	The higher the credit spread, the lower the fair value.
Equity investments	1,375,853	Assets method	Discount for lack of marketability	2% - 30%	The higher the discount for lack of marketability, the lower the fair value.
			Non-controlling interest discount	2% - 30%	The higher the non-controlling interest discount, the lower the fair value.
			Discount for lack of marketability	10% - 85%	The higher the discount for lack of marketability, the lower the fair value.
			Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.
Investment agreements	79,500	Revenue method	Discount rate	19% - 25%	The higher the discount rate, the lower the fair value.
			Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.
			Non-controlling interest discount	30%	The higher the non-controlling interest discount, the lower the fair value.
			2,000	Revenue method	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.
			Non-controlling interest discount	30%	The higher the non-controlling interest discount, the lower the fair value.
Financial assets at FVTOCI					
Equity investments	1,944,008	Assets method	Discount for lack of marketability	7% - 30%	The higher the discount for lack of marketability, the lower the fair value.
			Non-controlling interest discount	3% - 30%	The higher the non-controlling interest discount, the lower the fair value.
			194,610	Market method	Discount for lack of marketability	10% - 30%	The higher the discount for lack of marketability, the lower the fair value.
Derivative financial assets					
Financial assets at FVTPL					
Interest rate swaps	1,024,727	Cash flow discount method	Discount for lack of marketability	0% - 20%	The higher the discount for lack of marketability, the lower the fair value.
Derivative financial liabilities					
Financial liabilities at FVTPL					
Interest rate swaps	617,503	Cash flow discount method	Discount for lack of marketability	0% - 20%	The higher the discount for lack of marketability, the lower the fair value.
Credit default swaps	93,738	Credit spread default model/cash flow discount method	Credit spread	0% - 2%	The higher the credit spread, the lower the fair value.

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.

For investments in equity instruments, the department of investment management obtains audited or reviewed financial information of the invested company and collects information from public market or private market for use in the proper valuation of the investments.

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			
	2020		2019	
	Book Value	Fair Value	Book Value	Fair Value
<u>Financial assets</u>				
Debt instruments at amortized cost	\$ 270,634,022	\$ 270,957,460	\$ 131,888,616	\$ 132,032,460

2) Information on fair value hierarchy

Assets and Liabilities	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets				
Debt instruments at amortized cost	\$ 270,957,460	\$ 3,524,964	\$ 266,432,496	\$ -

Assets and Liabilities	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets				
Debt instruments at amortized cost	\$ 132,032,460	\$ -	\$ 132,032,460	\$ -

3) Valuation techniques

a) Financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resale agreements, receivables, other miscellaneous financial assets, due to the Central Bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, other borrowings and other miscellaneous financial liabilities, are disclosed at their carrying amounts as shown in the consolidated balance sheets since their maturities are very short or their future payments/receipts approximate their carrying amounts.

b) Investments in debt instruments at amortized cost: Refer to Note 44 (c) for related information.

c) Loans (including delinquent loans)

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

d) Deposits

Considering that most of the banking transactions are within one year of maturity, deposits are disclosed at their carrying amounts.

e) Bonds payable

The bonds issued by the Group are intended to enhance liquidity or for capital management purpose instead of earning short-term profits; therefore, the bonds are disclosed at carrying amounts.

Financial Assets and Financial Liabilities Offsetting

Taishin Financial Holding signs net settlement contracts or similar agreements with counterparties. When both transaction parties choose to do netting, the Group can offset financial assets and financial liabilities after the signing of the net settlement agreement. If not, the Group would execute total settlement. However, if one of the transaction parties breaks a contract, the other party can choose to execute net settlement. The table below shows more information on the offset of financial assets and financial liabilities.

December 31, 2020						
Offset and Execution of Net Settlement or Similar Agreement on Financial Assets						
Interpretation	Realized Financial Assets (a)	Offset of Realized Financial Liabilities in Balance Sheet (b)	Net Financial Assets in Balance Sheet (c)=(a)-(b)	Amount of Offset Not Shown in Balance Sheet (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Received Cash Collateral	
Derivative	\$ 13,341,243	\$ -	\$ 13,341,243	\$ 8,006,768	\$ 1,350,764	\$ 3,983,711

Note: Including net settlement and non-cash collateral.

December 31, 2020						
Offset and Execution of Net Settlement or Similar Agreement on Financial Liabilities						
Interpretation	Realized Financial Liabilities (a)	Offset of Realized Financial Assets in Balance Sheet (b)	Net Financial Liabilities in Balance Sheet (c)=(a)-(b)	Amount of Offset Not Shown in Balance Sheet (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Pledged Cash Collateral	
Derivative	\$ 21,057,335	\$ -	\$ 21,057,335	\$ 8,006,768	\$ 4,419,257	\$ 8,631,310

Note: Including net settlement and non-cash collateral.

December 31, 2019						
Offset and Execution of Net Settlement or Similar Agreement on Financial Assets						
Interpretation	Realized Financial Assets (a)	Offset of Realized Financial Liabilities in Balance Sheet (b)	Net Financial Assets in Balance Sheet (c)=(a)-(b)	Amount of Offset Not Shown in Balance Sheet (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Received Cash Collateral	
Derivative	\$ 9,517,863	\$ -	\$ 9,517,863	\$ 6,521,802	\$ 1,156,999	\$ 1,839,062

Note: Including net settlement and non-cash collateral.

December 31, 2019						
Offset and Execution of Net Settlement or Similar Agreement on Financial Liabilities						
Interpretation	Realized Financial Liabilities (a)	Offset of Realized Financial Assets in Balance Sheet (b)	Net Financial Liabilities in Balance Sheet (c)=(a)-(b)	Amount of Offset Not Shown in Balance Sheet (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Pledged Cash Collateral	
Derivative	\$ 16,118,189	\$ -	\$ 16,118,189	\$ 8,730	\$ 4,465,729	\$ 11,643,730

Note: Including net settlement and non-cash collateral.

Transfer of Financial Assets

Taishin Financial Holding treats debt securities under repurchase agreements as transferred financial assets that do not qualify for full de-recognition; 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 de-recognition and information on the related financial liabilities.

December 31, 2020		
Financial Assets	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Financial assets at FVTPL sold under repurchase agreement	\$ 59,553,586	\$ 61,800,284
Financial assets at FVTOCI sold under repurchase agreement	28,489,657	26,488,362

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

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, risk management committee or monthly risk management meeting, in order to effectively identify, measure, supervise and control credit risks, market risks and liquidity risks.

b. Organizational structure of risk management function

The board of directors is the highest level in the risk management function in the Company and takes the full responsibility for risk management issues and to examine policies and standards and establish risk management system. The chairman of Risk Management Committee takes charge of risk management and reports to the board of directors periodically.

Risk management department is independent of business department and identifies, assesses, and controls various risks according to risk management standards. In addition, internal auditing department is responsible for the independent review of risk management and internal control environment.

c. Market risk

1) The source and definition of market risk

Market risk 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, convertible bond asset swap (CBAS). 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

The Group's risk management policy clearly defines the risk management procedures for risk identifying, risk measuring, risk controlling and risk reporting, which are executed by risk management department 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, stop loss limit and stress tests of various financial assets.

3) Market risk management procedures

a) Identifying risks and measuring possible effects

The Group's risk management department identifies the exposures of positions or new financial instruments to market risks and measures the gains and losses on positions held due to changes in market risk factors based on standards.

The risk management department calculates price sensitivity and gains and losses on positions which are recorded in trading books daily; and calculates the maximum potential losses recorded in each trading book monthly. The Group takes measures to avoid tremendous losses that will harm the Group's operations due to overwhelming changes in market risk factors.

b) Controlling of risk and reporting of issues

The Group controls market risk by managing risk limits. The risk management department sets various trading limits, such as position limits, stop-loss limits, and maximum potential loss. The trading limits are implemented only after they are reported to and approved by the board of directors.

The risk management department calculates exposures and estimated gains and losses on positions daily to make sure that the positions held and losses do not exceed the limits approved by the board of directors and prepares reports to the high-level management and the board of directors periodically for their sufficient understanding of the implementation of the market risk management work and, if necessary, issuance of additional guidance.

4) Principles of the market risk management

Based on the related risk management standards, the Group classifies financial instruments into trading and non-trading portfolios according to the purpose of holding the instruments and manages them with different methods.

Trading portfolios consists of financial instruments held for trading purposes 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 purposes if it is intended to be sold within a short period, to earn or to lock in profit from actual or expected short-term price fluctuations.

Non-trading portfolios are positions other than aforementioned trading portfolios positions, consisting of medium to long-term equity investments and hedging positions to earn from the appreciation of values and dividends, bonds and notes investments and hedging positions to earn interests, positions held for fund dispatching, liquidity risk management, and interest rate risk management in banking books, and positions held for other management purposes.

Principles of market risk management for trading portfolios are as follows:

a) Management strategy

The goal of market risk management is to pursue maximum return on capital, meaning maximizing the capital usage efficiency to improve stockholders' equity.

In order to control market risks, the risk management department sets risk limits for various investment portfolio based on trading strategies, category of trading products and annual profit goals in order to control exposure to risks on positions and losses.

b) Management principles

The Group stipulated "Principles of Market Risk Limit Management" to manage trading portfolios limits.

c) Valuation gains and losses

If objective prices of financial instruments held for trading purposes 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) Interest rate risk management for trading portfolios

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 portfolios and set the total limit of DV01, the limit of DV01 in each time band and the stop-loss limits in order to control exposure risks on position losses. If the losses reach the stop-loss limit, then the trading department should decrease risk exposure positions to control losses.

6) Exchange rate risk management for trading portfolios

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 portfolios 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 for trading portfolios

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 portfolios in order to control equity security price risk. If the losses reach the stop-loss limit, then the trading department should decrease risk exposure position to control losses.

8) Credit spread risk management for trading portfolios

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 portfolios in order to control credit spread risks. If the losses reach the stop-loss limit, then the trading department should decrease the risk exposure position to control losses.

9) Interest rate risk management in the banking book positions

Taishin Bank

Banking book interest rate risk involves bonds and bills and their hedge positions, which are held to manage the Bank's liquidity risk and the interest rate risk of deposits and loans undertaken by business departments. The interest rate risk is transferred to banking book management department for centralized management through internal fund transfer pricing (FTP) system. Banking book interest rate risk is the effect on net interest income of risk exposure positions held due to changes in interest rate. There is no secondary market for loan transactions and the purpose of holding non-trading portfolios in the banking book is to establish deposit reserve. The purpose is different from short-term investments holding for pursuing profit. 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. Refer to Item 10 for the risk assumptions and calculation methods.

d) Management procedures

Taishin Bank defines the instruments of banking book interest rate management and sets the limit of interest rate risk in order to avoid severe recession of net interest income when the interest rate changes unfavorably. The banking book management unit sets limits and keeps the interest rate risk within the limits.

10) Methods for measuring market risk

Taishin Bank

a) Stress test

A stress test is applied to measure loss under extremely unfavorable market circumstances in order to assess financial institutions' tolerance to extreme market volatility.

The risk management unit is required to execute the stress test at least once a month to calculate stress loss for trading portfolios. 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 portfolios, 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 stress loss for trading portfolios does not exceed the stress loss limit and report to the high-level management as references for adjusting positions or resource distributions.

b) Value at risk, "VaR"

Taishin Bank uses 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, 2020				
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 4,673	\$ 75,675	\$ 1,058	\$ 6,259
Interest rate VaR	46,473	128,188	6,038	47,436
Equity securities VaR	68,652	119,097	18,065	116,168
Credit spread VaR	3,427	8,983	321	342
Value at risk	96,965	152,968	34,843	139,230

For the Year Ended December 31, 2019				
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 3,231	\$ 9,190	\$ 1,026	\$ 2,657
Interest rate VaR	29,485	48,247	18,839	22,327
Equity securities VaR	38,412	48,619	24,839	40,430
Credit spread VaR	5,297	11,630	2,797	6,228
Value at risk	47,638	62,226	32,182	35,316

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 52.

Taishin Securities B

VaR is the potential highest loss for a period within certain confidence interval. For the years ended December 31, 2020 and 2019, Taishin Securities B's VaR factors were as follows:

	For the Year Ended December 31, 2020			
	Average	Highest	Lowest	Ending Balance
Value at risk (VaR)	\$ 100,964	\$ 156,631	\$ 24,348	\$ 117,026

	For the Year Ended December 31, 2019			
	Average	Highest	Lowest	Ending Balance
Value at risk (VaR)	\$ 49,425	\$ 73,573	\$ 25,142	\$ 30,823

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 local authorities regulate the assessment of asset qualities and provision for potential losses of the overseas business department, it is in accordance with Taishin Bank's risk management policies and guidelines.

The measurement and management procedures of credit risks in Taishin Bank's main businesses are as follows:

a) Credit granting business (including loans and guarantees)

Classification of credit assets and level of credit quality 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 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 for the limitation of the model.

ii. Strengthening of management and tracking of credit account after loan

Corporate Finance Department has set up post-loan control unit to build a more automated post-loan management system. In addition to the original review function, they established an early warning model to strengthen the management and reduce credit risk by warning in advance and making faster and intensive notifications and tracking for observed accounts.

iii. 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 ECLs of the loans by Taishin Bank in 2020 and 2019.

In addition to the aforementioned assessment procedures, which classify loans in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, the loans are classified into five categories for evaluation. Except for normal loans, the remainders are classified into the first category. After the assets are assessed on the basis of the guarantee status of the claims and the length of the time overdue, they are respectively classified within the remaining categories according to the probability of recovery as follows: The second category is for notable assets; the third category is for assets which are expected to be recovered; the fourth category is for assets which will be difficult to recover; and the fifth category is for assets for which recovery is considered no longer possible. The highest values of the aforementioned evaluation results are taken to measure the allowance for loss.

In order to manage problematic loans, procedures are adopted for the reorganization of loan loss provisions, the allowance for bad debt or guarantee liability provisions, the measurement of overdue loans and the collection of default loans. In the management of loans, Taishin Bank is also guided by the Regulations Governing the Procedures for Corporation Credit Businesses to Evaluate Assets and Deal with Non-performing Assets, Measures for Corporation Credit Businesses to Be Taken When Credit Extensions Become Past Due and Regulations Governing Collection Procedures, Regulations Governing the Procedures for Consumer Finance to Evaluate Assets and Deal with Non-performing Assets, Regulations Governing the Procedures for Overdue Loans, Non-accrual Loans and Doubtful Loans.

iv. Write-off policy

Overdue loans and non-accrual loans for which one of the following events have occurred should have the estimated recoverable amount deducted and should then be written off as bad debts.

- ◆ The debtor may not recover all or part of the obligatory claim due to dissolution, disappearance, settlement, bankruptcy or other reasons.
- ◆ The appraisal of the collateral, the property of the principal debtor and the surety is low, or the amount of the loan's priority is deducted, or the collection implementation costs may approach or exceed the amount that Taishin Bank can repay, or the loan is not able to be collected.
- ◆ The property of the principal debtor and the surety were auctioned off at multiple auctions, no one was required to buy it and Taishin Bank did not bear the benefit.
- ◆ Overdue loans and non-accrual loans which have been overdue for more than two years have been collected but have not been received.

However, for overdue loans and non-accrual loans which have been overdue for more than three months but less than two years, after the collection has not been recovered and after deducting the recoverable portion, the remainder will be written off as bad debts.

Loans are written off in accordance with relevant regulations and procedures; the activities of the principal debtor and the surety from obligatory claims shall 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 agencies.

c) Security investment and financial derivatives transaction

Regarding the credit risk of security investments and financial derivatives, Taishin Bank manages the risk by assessing the internal credit rating of issuers, issued underlying assets, counterparties, and by external credit rating of debt instruments and counterparties or status of regions/countries.

The other banks with which Taishin Bank conducts derivative transactions are mostly considered investment grade. The credits extended to counterparties that are not rated as investment grade are assessed on a case-by-case basis. The credits extended to counterparties are monitored in accordance with the related contract terms and conditions, and the credit limits for derivatives established in normal credit granting processes. Meanwhile, Taishin Bank has set the total position limit on trading and banking book securities and each issuer's limit based on credit ratings.

The Group assesses the change in risk of default over the expected lifetime of investments in debt instruments as of the end of the reporting period, 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 significantly increased if:

- i. The rating is over Baa3 on the initial recognition date, and the rating is lower than Ba1, not including ratings of Ca-D on the measurement date.
- ii. The rating is Ba1-Ba3 on the initial recognition date, and the rating is downgraded to B1-Caa3 on the measurement date.
- iii. The rating is B1-Caa3 on the initial recognition date.

A loan is considered to have been defaulted on if the rating is Ca-D on the measurement date.

The trading department should monitor the credit position of investments in debt instruments. Once it knows that the issuer, guarantor or issued underlying has a credit event (such as a downgrade of credit ratings to non-investment grade, a discharge or a default), it should notify the relevant department immediately and dispose of the investments in debt instruments.

In order to assess the purpose of the ECLs, debt instruments are assessed by grade based on their credit rating. In order to measure the ECLs, the default probability of the issuers is considered, the PD, LGD, EAD for the next 12 months and over the full lifetime of the debt instruments shall be considered, and the impact of the time value of money shall be considered. From this, the 12-month and full-lifetime ECLs shall be calculated separately.

The Group assesses the EAD of investments in debt instruments using the current exposure method (CEM) and adopts external rating information, PD and LGD which are announced periodically by international credit rating agencies (S&P and Moody's), to calculate the ECLs.

Due to international credit rating agencies already considering the prospective information, it is appropriate to assess such information and then include it in the assessment of the related ECLs of the Group.

The Group evaluated that the assessment techniques or material assumptions of the ECLs of investments in debt instruments had no material change in 2020 and 2019.

Leasing subsidiaries

The Group adopts the simplified approach to assess the allowance for lease receivables based on their lifetime ECLs. In order to measure the loss allowance, the combination by past due positions is classified, the rating of losses are evaluated using the provision matrix approach, and the EAD of applicants is considered. With this and the impact of time value of money, the lifetime ECLs are calculated.

To loss ratings used in the impairment assessments are calculated based on internal historical data (such as credit loss experience) for each group and on currently observable data which is adjusted according to prospective general economic data.

The Group evaluates EAD using the book amount of lease receivables and assess the loss ratings using the recovery rate adjusted method. The Group uses economic indicators such as prospective data to adjust loss ratings using the standard deviation method. The Group uses Taiwan's composite leading index and the OECD/China's composite leading indicators as the basis for the adjustments of prospective data.

Except for the Group's extension of loan repayment period or adjustments to installment repayment amounts, which were included in the consideration of significant accounting estimates used in the analysis of asset impairment, the Group evaluated and concluded that the assessment techniques or material assumptions of ECLs of lease receivables had no material change in 2020 and 2019.

The following table details lease receivables based on the Group's provision matrix using the simplified approach.

December 31, 2020

	Normal or Less than 29 Days Past Due	30-89 Days Past Due	90-179 Days Past Due	180-359 Days Past Due
Loss rate	0.40%	16.78%	43.64%	72.62%
Amount of exposure	22,559,736	264,748	129,333	83,736
Loss allowance	89,742	44,4525	56,436	60,810

December 31, 2019

	Normal or Less than 29 Days Past Due	30-89 Days Past Due	90-179 Days Past Due	180-359 Days Past Due
Loss rate	0.42%	24.55%	44.19%	67.20%
Amount of exposure	20,701,331	143,475	121,001	98,112
Loss allowance	87,847	35,225	53,471	65,929

Under Taishin Financial Holding and Taishin Bank's approval of asset quality, the minimum loss allowance of lease receivables shall be assessed in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by the MOF.

When lease receivables are recognized as bad 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.

December 31, 2020

	Gross Carrying Amount	Impairment under IFRS 9	Proportion of Loans/ Collateral (Note)
Personal housing loans	\$ 10,703,240	\$ 2,691,840	47.75%
Business guaranteed loans	503,640	90,572	108.34%
Others	7,564,470	2,047,227	
Total	\$ 18,771,350	\$ 4,829,639	

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

December 31, 2019

	Gross Carrying Amount	Impairment under IFRS 9	Proportion of Loans/ Collateral (Note)
Personal housing loans	\$ 4,341,485	\$ 2,357,832	40.45%
Business guaranteed loans	548,126	92,733	108.26%
Others	6,474,127	1,607,981	
Total	\$ 11,363,738	\$ 4,058,546	

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

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 each category of financial assets, Taishin Bank set credit limits based on type of industry, conglomerate, country and transactions collateralized by stock, and integrated within one system to supervise concentration of credit risk in these categories. Taishin Bank monitors concentration of each asset and controls various types of credit risk concentration in a single transaction counterparty, group, related-party group, industry, or nation.

c) Net settlement

Taishin Bank settles most of its transactions at gross amounts. For further reduction of credit risks, settlement netting is used for some counterparties or some circumstances where the transactions with counterparties are terminated due to defaults.

d) Other credit enhancements

To reduce its credit risks, Taishin Bank stipulates in its credit contracts the terms for offsetting to state clearly that Taishin Bank reserves the right to offset the borrowers' debt against their deposits in Taishin Bank.

4) Maximum exposure to credit risk and credit quality analysis

The maximum credit risk exposures of various financial instruments held by the Group are the same as per book amounts. Refer to the notes to the consolidated financial statements.

Part of financial assets held by the Group, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, securities purchased under resale agreement, deposit refunds, operating deposits, and settlement deposits are exposed to low credit risks because the counterparties have rather high credit ratings.

Based on risk ratings, the amounts of maximum credit risk exposure (excluding the guarantees or other credit enhancements) at each stage of ECLs on December 31, 2020 and 2019 are as follows:

Taishin Bank Merger

	December 31, 2020			
	12-month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Loans				
Consumer finance				
Excellent	\$ 647,655,004	\$ 20,391,283	\$ -	\$ 668,046,287
Good	9,462,549	282,300	-	9,744,849
Acceptable	-	103,149	-	103,149
Default	-	-	15,505,757	15,505,757
Corporation finance				
Excellent	306,308,733	-	-	306,308,733
Good	257,393,390	-	-	257,393,390
Acceptable	1,996,975	759,405	-	2,756,380
Default	-	-	874,516	874,516
Total	\$ 1,222,816,651	\$ 21,536,137	\$ 16,380,273	\$ 1,260,733,061
Receivables (including non-performing receivables transferred, other than those from loans)				
Consumer finance				
Excellent	\$ 59,788,410	\$ 78,648	\$ -	\$ 59,867,058
Good	188,582	1,382	-	189,964
Acceptable	-	53,272	-	53,272
Default	-	-	2,257,355	2,257,355
Corporation finance				
Excellent	42,809,124	-	-	42,809,124
Good	4,467,285	-	-	4,467,285
Acceptable	2,256	586	-	2,842
Default	-	-	133,722	133,722
Others	-	18,986,291	-	18,986,291
Total	\$ 107,255,657	\$ 19,120,179	\$ 2,391,077	\$ 128,766,913
Debt instruments at FVTOCI				
Excellent	\$ 185,402,459	\$ 201,691	\$ -	\$ 185,604,150
Debt investments at amortized cost				
Excellent	\$ 270,643,147	\$ -	\$ -	\$ 270,643,147
Financial guarantees				
Excellent	\$ 23,927,029	\$ -	\$ -	\$ 23,927,029
Good	4,873,950	-	-	4,873,950
Total	\$ 28,800,979	\$ -	\$ -	\$ 28,800,979
Loan commitments				
Excellent	\$ 1,002,523,304	\$ 258,464	\$ -	\$ 1,002,781,768
Good	148,381,201	107	-	148,381,308
Acceptable	16,986	97,263	-	114,249
Default	-	-	485,704	485,704
Total	\$ 1,150,921,491	\$ 355,834	\$ 485,704	\$ 1,151,763,029

	December 31, 2019			
	12-month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Loans				
Consumer finance				
Excellent	\$ 606,449,108	\$ 15,810,829	\$ -	\$ 622,259,937
Good	10,051,411	249,989	-	10,301,400
Acceptable	-	204,114	-	204,114
Default	-	-	8,498,994	8,498,994
Corporation finance				
Excellent	292,547,604	-	-	292,547,604
Good	215,483,782	-	-	215,483,782
Acceptable	1,548,618	3,744,039	-	5,292,657
Default	-	-	741,263	741,263
Total	\$ 1,126,080,523	\$ 20,008,971	\$ 9,240,257	\$ 1,155,329,751
Receivables (including non-performing receivables transferred, other than those from loans)				
Consumer finance				
Excellent	\$ 59,669,140	\$ 37,282	\$ -	\$ 59,706,422
Good	245,604	858	-	246,462
Acceptable	-	79,646	-	79,646
Default	-	-	2,003,899	2,003,899
Corporation finance				
Excellent	44,668,572	-	-	44,668,572
Good	6,138,540	-	-	6,138,540
Acceptable	433,907	13,632	-	447,539
Default	-	-	119,582	119,582
Others	-	19,662,338	-	19,662,338
Total	\$ 111,155,763	\$ 19,793,756	\$ 2,123,481	\$ 133,073,000
Debt instruments at FVTOCI				
Excellent	\$ 268,596,695	\$ 201,670	\$ -	\$ 268,798,365
Debt investments at amortized cost				
Excellent	\$ 131,893,418	\$ -	\$ -	\$ 131,893,418
Financial guarantees				
Excellent	\$ 17,557,692	\$ -	\$ -	\$ 17,557,692
Good	4,646,284	-	-	4,646,284
Acceptable	46,410	44,613	-	91,023
Default	-	-	15,160	15,160
Total	\$ 22,250,386	\$ 44,613	\$ 15,160	\$ 22,310,159
Loan commitments				
Excellent	\$ 954,731,927	\$ 190,584	\$ -	\$ 954,922,511
Good	128,758,296	294	-	128,758,590
Acceptable	976,895	641,061	-	1,617,956
Default	-	-	259,164	259,164
Total	\$ 1,084,467,118	\$ 831,939	\$ 259,164	\$ 1,085,558,221

5) Situation of credit risk concentration

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics of concentration of credit risks include the nature of business activities engaged by debtors. The Group has not engaged in transactions that involved a prominent concentration to one client or one transaction party, but has engaged in transaction parties of similar industry type or from similar region.

Information on loans with a significant concentration of credit risk is as follows:

Taishin Bank

Industry Type	December 31			
	2020		2019	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Manufacturing	\$ 188,404,432	15	\$ 179,706,128	16
Wholesale and retailing	63,961,051	5	57,296,126	5
Finance and insurance	113,902,487	9	104,737,965	9
Real estate and leasing	108,736,007	8	86,812,057	7
Service	22,051,160	2	21,702,886	2
Individuals	715,056,071	57	661,648,363	57
Others	48,621,853	4	43,426,226	4
	<u>\$ 1,260,733,061</u>		<u>\$ 1,155,329,751</u>	

Geographic Location	December 31			
	2020		2019	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,171,772,924	93	\$ 1,067,344,993	92
Europe	4,328,427	1	5,719,619	1
America	3,418,361	-	2,650,727	-
Others	81,213,349	6	79,614,412	7
	<u>\$ 1,260,733,061</u>		<u>\$ 1,155,329,751</u>	

e. Liquidity risk

1) The source and definition of liquidity risk

Liquidity risk is the potential loss that the Group may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth. Sources of liquidity risk are as follows:

- Inability to fulfill funding gap due to asymmetric time and amount in cash inflows and outflows.
- Liabilities paid off in advance before maturity, inability to maintain liabilities at maturity or inability to acquire funds from the market.
- Inability to liquidate current assets at reasonable price or raising funds to fulfill funding gap with price higher than the reasonable one.

Except for the liquidity risks arising from normal operation, the Group's liquidity might be affected by events such as credit ratings being downgraded, credibility seriously damaged, financial system's system risk, causing customers to lack confidence and canceling deposits before maturity, call loans from banks being suspended, RS or RP transactions being deterred and liquidity of financial assets decreasing.

2) Liquidity risk management policy

Taishin Bank

The objective of liquidity risk management is to ensure that Taishin Bank can acquire funds at 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:

- 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.
- 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.
- 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.
- The proportion of the volume of a single convertible bond issued to the volume of outstanding portfolio is limited to a certain amount in order to implement control.

3) Financial assets held to manage liquidity risk and maturity analysis

Financial assets held to manage liquidity risk:

The Group holds cash and cash equivalents, due from the Central Bank and banks and financial assets at FVTOCI and debt instruments at amortized cost held for the purpose of managing liquidity risk, in order to perform 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 are as follows:

Financial Instruments Item	December 31, 2020									
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	Total
Due to the Central Bank and banks	\$ 19,208,131	\$ 11,036,889	\$ 14,018,563	\$ 5,537,286	\$ 8,000	\$ 15,600	\$ -	\$ -	\$ -	\$ 49,824,469
Funds borrowed from the Central Bank and other banks	-	-	-	1,925,590	-	-	-	-	-	1,925,590
Non-derivative financial liabilities at FVTPL	-	-	-	-	-	-	-	-	11,306,476	11,306,476
Securities sold under repurchase agreements	64,197,506	12,668,548	519,201	247,487	-	583,040	-	-	-	78,215,782
Payables	24,641,792	528,584	102,922	2,552,265	8,517	1,877	-	-	-	27,835,957
Deposits and remittances	164,344,782	181,899,563	168,445,288	315,111,672	779,202,776	3,652,852	2,209	1,083	-	1,612,660,225
Bank debentures	-	-	-	-	6,800,000	-	8,000,000	4,950,000	15,050,000	34,800,000
Lease liabilities	138,877	117,943	179,122	377,359	619,396	473,073	373,781	263,770	404,759	2,948,080
Other financial liabilities	4,243,410	3,336,845	1,339,405	4,314,940	310,686	2,745,263	7,161,595	1,329,724	51,215,220	75,997,088
	\$ 276,774,498	\$ 209,588,372	\$ 184,604,501	\$ 330,066,599	\$ 786,949,375	\$ 7,471,705	\$ 15,537,585	\$ 6,544,577	\$ 77,976,455	\$ 1,895,513,667

Financial Instruments Item	December 31, 2020									
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	Total
Due to the Central Bank and banks	\$ 3,271,647	\$ 31,146,898	\$ 13,472,512	\$ 5,481,000	\$ 13,000	\$ 8,000	\$ -	\$ -	\$ -	\$ 53,393,057
Funds borrowed from the Central Bank and other banks	1,505,300	-	-	-	-	-	-	-	-	1,505,300
Non-derivative financial liabilities at FVTPL	-	-	-	-	-	-	-	-	12,113,622	12,113,622
Securities sold under repurchase agreements	80,829,919	24,415,775	154,076	188,000	-	-	-	-	-	105,587,770
Payables	24,297,160	969,239	207,229	3,676,138	13,837	3,842	-	-	-	29,167,445
Deposits and remittances	170,513,571	181,830,315	156,468,376	286,696,352	639,264,132	3,981,245	3,295	361	-	1,438,757,647
Bank debentures	-	-	-	-	-	6,800,000	-	8,000,000	20,000,000	34,800,000
Lease liabilities	111,151	106,777	160,150	319,789	527,977	462,755	362,003	261,965	482,470	2,795,037
Other financial liabilities	3,804,110	7,150,755	2,121,643	3,398,751	583,052	355,123	4,854,720	17,067,415	40,604,752	79,940,321
	\$ 284,332,858	\$ 245,619,759	\$ 172,583,986	\$ 299,760,030	\$ 640,401,998	\$ 11,610,965	\$ 5,220,018	\$ 25,329,741	\$ 73,200,844	\$ 1,758,060,199

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 \$961,120,004 thousand and \$785,972,474 thousand and as of December 31, 2020 and 2019, respectively.

b) Maturity analysis of derivative financial liabilities

Taishin Bank disclosed amounts of derivative financial liabilities at FVTPL using fair values recognized in the earliest time band as follows:

Financial Instruments Item	December 31, 2020					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL	\$ 27,625,467	\$ -	\$ -	\$ -	\$ -	\$ 27,625,467

Financial Instruments Item	December 31, 2019					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL	\$ 21,291,573	\$ -	\$ -	\$ -	\$ -	\$ 21,291,573

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, 2020 and 2019, 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 \$25,103,262 thousand and \$18,727,917 thousand, respectively, for guarantees; \$3,697,716 thousand and \$3,582,242 thousand, respectively, for letters of credit; \$612,300,683 thousand and \$571,666,876 thousand, respectively, for loans commitments (excluding credit card); and \$12,315,038 thousand and \$15,435,059 thousand, respectively, for credit cards commitments.

Item	December 31, 2019					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 6,450,222	\$ 9,299,292	\$ 1,906,919	\$ 2,108,894	\$ 5,337,935	\$ 25,103,262
Letters of credit	756,996	2,371,013	388,786	180,921	-	3,697,716
Loans commitments (excluding credit cards)	8,060,919	129,129,348	121,617,417	288,003,388	65,489,611	612,300,683
Credit cards commitments	742	110,782	262,705	725,188	11,215,621	12,315,038

Item	December 31, 2019					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 3,970,934	\$ 6,407,394	\$ 1,893,235	\$ 2,044,798	\$ 4,411,556	\$ 18,727,917
Letters of credit	940,315	1,897,701	458,124	286,102	-	3,582,242
Loans commitments (excluding credit cards)	11,981,284	98,995,412	160,946,626	267,396,554	32,347,000	571,666,876
Credit cards commitments	1,445	178,956	205,323	369,889	14,679,446	15,435,059

Taishin Securities B

a) Maturity analysis of non-derivative financial liabilities

Taishin Securities B non-derivative financial liabilities presented based on the residual maturities from the balance sheet date to the contract maturity date are as follows:

Financial Instruments Item	December 31, 2020					
	6 Months	6 Months - 1 Year	1 Year - 3 Years	3 Years - 5 Years	Over 5 Years	Total
Non-derivative financial liabilities at FVTPL	\$ 712,154	\$ -	\$ -	\$ -	\$ -	\$ 712,154
Commercial paper issued	4,909,719	-	-	-	-	4,909,719
Bonds sold under repurchase agreements	10,522,990	-	-	-	-	10,522,990
Deposits on short sales	917,606	-	-	-	-	917,606
Financing guarantees payable	998,235	-	-	-	-	998,235
Futures traders' equity	1,145,774	-	-	-	-	1,145,774
Notes payable and accounts payable	15,829,689	-	-	-	-	15,829,689
Other payable	528,870	1,575	90,969	89,100	222,750	933,264
Other current liabilities	1,214,197	-	-	-	-	1,214,197
Lease liabilities	32,882	32,859	104,319	14,679	-	184,739
Bonds payable	-	-	-	-	3,300,000	3,300,000
Guarantee deposits	-	163	75	-	-	238
	\$ 36,812,116	\$ 34,597	\$ 195,363	\$ 103,779	\$ 3,522,750	\$ 40,668,605

Financial Instruments Item	December 31, 2019					
	6 Months	6 Months - 1 Year	1 Year - 3 Years	3 Years - 5 Years	Over 5 Years	Total
Non-derivative financial liabilities at FVTPL	\$ 719,425	\$ -	\$ -	\$ -	\$ -	\$ 719,425
Commercial paper issued	4,963,932	-	-	-	-	4,963,932
Bonds sold under repurchase agreements	14,557,205	-	-	-	-	14,557,205
Deposits on short sales	760,200	-	-	-	-	760,200
Financing guarantees payable	847,328	-	-	-	-	847,328
Futures traders' equity	592,198	-	-	-	-	592,198
Accounts payable	7,378,441	-	-	-	-	7,378,441
Other payable	365,720	3,012	2,306	-	-	371,038
Other current liabilities	35,113	-	-	-	-	35,113
Lease liabilities	28,901	26,411	95,783	22,998	-	174,093
Guarantee deposits	5	75	163	-	-	243
	\$ 30,248,468	\$ 29,498	\$ 98,252	\$ 22,998	\$ -	\$ 30,399,216

b) Maturity analysis of derivative financial liabilities

Taishin Securities B disclosed amounts of derivative financial liabilities at FVTPL using fair values recognized in the earliest time band as follows:

Financial Instruments Item	December 31, 2020					
	6 Months	6 Months - 1 Year	1 Year - 3 Years	3 Years - 5 Years	Over 5 Years	Total
Derivative financial liabilities at FVTPL	\$ 4,321,229	\$ -	\$ -	\$ -	\$ -	\$ 4,321,229

Financial Instruments Item	December 31, 2019					
	6 Months	6 Months - 1 Year	1 Year - 3 Years	3 Years - 5 Years	Over 5 Years	Total
Derivative financial liabilities at FVTPL	\$ 2,250,992	\$ -	\$ -	\$ -	\$ -	\$ 2,250,992

45. RELATED-PARTY TRANSACTIONS

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

Name	Relationship
Taishin Bank	Subsidiary
Taishin AMC	Subsidiary
Taishin Venture Capital	Subsidiary
Taishin Securities B	Subsidiary
Taishin Securities Investment Trust	Subsidiary
Taishin Securities Investment Advisory	Subsidiary
Taishin D.A. Finance	Second-tier subsidiary
Xiang An Insurance Agency	Second-tier subsidiary
Taishin Real-Estate	Second-tier subsidiary
Taishin Financial Leases (China)	Second-tier subsidiary
Taishin Financial Leases (Tianjin)	Second-tier subsidiary
Taishin Securities Venture Capital	Second-tier subsidiary
Taishin Capital	Second-tier subsidiary
Credidi Inc.	Second-tier subsidiary
Chang Hwa Bank	Associates
An Hsin Construction Manager Corp. ("An Hsin Construction Manager")	Associates
Shin Kong Financial Holding Co., Ltd. ("Shin Kong Financial Holding")	Others
Shin Kong Life Insurance Co., Ltd. ("Shin Kong Life Insurance")	Others
Shin Kong Insurance Co., Ltd. ("Shin Kong Insurance")	Others
Shin Kong Commercial Bank Co., Ltd. ("Shin Kong Bank")	Others
MasterLink Securities Corp. ("MasterLink Securities")	Others
Shin Kong Security Co., Ltd. ("Shin Kong Security")	Others

(Continued)

(Continued)

Name	Relationship
Shinkong Synthetic Fibers Co., Ltd. ("Shin Kong Synthetic Fibers")	Others
Shin Kong Mitsukoshi Department Store Co., Ltd. ("Shin Kong Mitsukoshi")	Others
Dah Chung Bills Finance Corp. ("Dah Chung Bills")	Others
CyberSoft Digital Service Corp. ("CyberSoft Digital Service")	Others
An Shin Construction Manager Corp. ("An Shin Construction Manager")	Others
Peng Cheng Corp. ("Peng Cheng")	Others
Yuanta Financial Holding Co., Ltd. ("Yuanta Financial Holding")	Others
Yuanta Commercial Bank Co., Ltd. ("Yuanta Bank")	Others
Creative Sensor Inc. ("Creative Sensor")	Others
CyberLink Corp. ("CyberLink")	Others
Ubright Optronics Corporation "Ubright Optronics "	Others
Small & Medium Enterprise Credit Guarantee Fund of Taiwan ("Taiwan SMEG")	Others
Tasco Chemical Corp. ("Tasco Chemical")	Others
Taiwan Fieldrich Corp. ("Taiwan Fieldrich")	Others
Shin Yao Biomedical Venture Capital Investment Co., Ltd. ("Shin Yao")	Others
Global Brands Manufacture Ltd. ("GBM")	Others (became non-related party since the second quarter of 2020)
Darfon Electronics Corp. ("Darfon")	Others
AcBel Polytech Inc. ("AcBel Polytech")	Others
Diamond Biotech Investment Co., Ltd. ("Diamond Biotech")	Others
Chin We Co., Ltd. ("Chin We")	Others
Yi Huan Co., Ltd. ("Yi Huan")	Others
Xiang Yu Investment Co., Ltd. ("Xiang Yu")	Others
EXCEL Chemical Corp. ("EXCEL Chemical")	Others
Yun-Teh Industrial Co., Ltd. ("Yun-Teh")	Others
Chang Her Industrial Corp. ("Chang Her")	Others
Hung Shin Enterprise Co., Ltd. ("Hung Shin Enterprise")	Others
Individual A	Key management personnel
Others	Including key management personnel and others

(Concluded)

b. Material transactions with related parties:

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows:

1) Loans, deposits and guaranteed loans

Loans to related parties of Taishin Bank and subsidiaries were as follows:

Loans

	Ending Balance
December 31, 2020	\$ 2,700,508
December 31, 2019	2,308,436

For the years ended December 31, 2020 and 2019, interest income were \$29,204 thousand and \$29,317 thousand, respectively. Interest rates ranged from 0.65% to 15.00% and from 0.65% to 15.00%, respectively.

December 31, 2020						
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Consumer loans</u>						
140 accounts	\$ 622,792	\$ 688,768	\$ 622,792	-	Land, buildings, and chattels	None
<u>Self-used residence mortgage loans</u>						
131 accounts	837,047	992,874	837,047	-	Land and buildings	None
<u>Other loans</u>						
Shin Kong Security	520,000	520,000	520,000	-	Land and building	None
Darfon	400,000	400,000	400,000	-	-	None
Peng Cheng	110,000	132,000	110,000	-	Land and building	None
Others	210,669	653,344	210,669	-	Land, buildings, chattels and securities-deposits	None
	<u>\$ 2,700,508</u>		<u>\$ 2,700,508</u>	<u>\$ -</u>		
December 31, 2019						
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Consumer loans</u>						
127 accounts	\$ 572,519	622,908	\$ 572,519	-	Land, buildings, and chattels	None
<u>Self-used residence mortgage loans</u>						
116 accounts	737,822	826,621	737,822	-	Land and buildings	None
<u>Other loans</u>						
GBM	218,187	457,500	218,187	-	-	None
Darfon	400,000	400,000	400,000	-	-	None
AcBel Polytech	180,636	181,902	180,636	-	-	None
Peng Cheng	100,000	150,000	100,000	-	Land and buildings	None
Others	99,272	114,763	99,272	-	Land, buildings, chattels and securities-deposits	None
	<u>\$ 2,308,436</u>		<u>\$ 2,308,436</u>	<u>\$ -</u>		

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

Deposits

		Ending Balance
December 31, 2019	\$	11,999,435
December 31, 2018		10,533,871

For the years ended December 31, 2020 and 2019, interest expenses were \$44,081 thousand and \$39,364 thousand, respectively, interest rates ranged from 0.00% to 5.00% and 0.00% to 5.00%, respectively.

December 31, 2019			
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Shin Kong Mitsukoshi	\$ 2,355,457	0.00 ~ 0.06	\$ (211)
Taiwan SMEG	1,729,360	0.00 ~ 1.05	(9,066)
CyberLink	738,603	0.01 ~ 0.50	(1,052)
An Shin Construction Manager	640,868	0.01 ~ 0.63	(3,770)
Shin Kong Insurance	503,151	0.00 ~ 1.03	(2,082)
EXCEL Chemical	438,930	0.01 ~ 0.06	(18)
Shin Kong Synthetic Fibers	436,067	0.00 ~ 0.32	(248)
Dah Chung Bills	434,489	0.00 ~ 0.70	(2,525)
Tasco Chemical	284,089	0.00 ~ 0.65	(2,009)
Yun-Teh	212,615	0.01 ~ 0.06	(8)
Chang Her	139,049	0.01 ~ 0.06	(4)
Taiwan Fieldrich	125,772	0.01 ~ 0.22	(45)
Ubright Optonics	111,632	0.00 ~ 0.32	(70)
Hung Shin Enterprise	100,499	0.01 ~ 0.01	(3)
Others	3,748,854		(22,970)
	<u>\$ 11,999,435</u>		<u>\$ (44,081)</u>

December 31, 2019			
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Taiwan SMEG	\$ 1,480,875	0.00 ~ 1.05	\$ (1,167)
Tasco Chemical	1,040,529	0.00 ~ 0.50	(446)
Shin Kong Mitsukoshi	964,007	0.00 ~ 0.06	(603)
EXCEL Chemical	800,683	0.01 ~ 0.06	(14)
CyberLink	676,159	0.06 ~ 3.17	(15,575)
An Shin Construction Manager	508,494	0.06 ~ 0.63	(4,335)
Shin Kong Insurance	456,198	0.00 ~ 1.03	(2,624)
Dah Chung Bills	428,115	0.00 ~ 0.70	(2,805)
Shin Kong Synthetic Fibers	410,272	0.00 ~ 0.50	(1,077)
Shin Kong Life Insurance	237,413	0.06 ~ 0.50	(800)
Diamond Biotech	208,544	0.01 ~ 2.40	(343)
Taiwan Fieldrich	137,445	0.01 ~ 2.50	(254)
Shin Yao	117,698	0.01 ~ 0.50	(25)
Others	3,067,439		(9,296)
	<u>\$ 10,533,871</u>		<u>\$ (39,364)</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, 2020				
Item	Ending Balance	Interest Rate (Per Annum %)	Interest Income	
Dah Chung Bills Call loan to banks	\$ -	0.20 ~ 0.52	\$	2,089
Yuanta Bank Call loan to banks	-	0.09 ~ 1.90		677
Yuanta Bank Call loan from banks	-	2.05	(	12)

		December 31, 2019		
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Dah Chung Bills	Call loan to banks	\$ -	0.41~0.70	\$ 3,124
Yuanta Bank	Call loan to banks	-	1.56~2.76	2,598
Yuanta Bank	Call loan from banks	-	0.19~4.30	(586)

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

		December 31, 2020		
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Chang Hwa Bank	Due from banks	\$ 1,920	-	\$ -

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

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

4) Trading securities

	December 31, 2020					
			Repurchase Agreements		Resale Agreements	
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
MasterLink Securities	\$ 3,912,693	\$ 8,314,809	\$ -	-	\$ -	-
Dah Chung Bills	-	300,000	-	-	-	-
Chang Hwa Bank	-	50,432	-	-	-	-
Shin Kong Bank	-	100,130	-	-	-	-
Yuanta Bank	-	3,648,178	-	-	-	-
Chin We	-	-	40,012	0.14~0.45	-	-
Peng Cheng	-	149,970	-	-	-	-
	\$ 3,912,693	\$ 12,563,519	\$ 40,012		\$ -	

	December 31, 2019					
			Repurchase Agreements		Resale Agreements	
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
MasterLink Securities	\$ 5,341,078	\$ 2,025,029	\$ -	-	\$ -	-
Dah Chung Bills	149,999	49,601	-	-	-	-
Shin Kong Bank	-	249,453	-	-	-	-
Yuanta Bank	-	2,288,822	-	-	-	-
Chin We	-	-	36,071	0.33~0.44	-	-
Yi Huan	-	-	6,009	0.33~0.44	-	-
Xiang Yu	-	-	2,503	0.33~0.44	-	-
Yuanta Financial Holding	-	-	999,290	0.45~0.58	-	-
Peng Cheng	-	839,580	-	-	-	-
Individual A	-	-	40,043	0.33~0.44	-	-
	<u>\$ 5,491,077</u>	<u>\$ 5,452,485</u>	<u>\$ 1,083,916</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, 2020						
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Dah Chung Bills	Interest rate swaps	2016/6/29-2022/6/20	\$ 600,000	\$(187)	Financial assets at FVTPL	\$ 1,341
Creative Sensor	Forward exchange contracts	2020/7/20-2021/3/25	168,600	(10,109)	Financial assets at FVTPL	(10,109)

December 31, 2019						
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Dah Chung Bills	Interest rate swaps	2016/6/29-2022/6/20	\$ 600,000	\$(134)	Financial assets at FVTPL	\$ 1,529
Creative Sensor	Currency swaps	2019/7/22-2020/4/29	210,742	(566)	Financial assets at FVTPL	(566)

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					
2020			2019		
Item	Amount		Item	Amount	
CyberSoft Digital Service	Operating expenses	\$ 545,827	Operating expenses	\$ 649,072	
Shin Kong Mitsukoshi	Service charge and operating expenses	367,661	Service charge and operating expenses	426,137	
Shin Kong Mitsukoshi	Fee income	334,741	Fee income	315,389	
Shin Kong Life Insurance	Commission income	383,940	Commission income	694,971	

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

- 7) On September 24, 2020 and May 30, 2019, Taishin Bank's board of directors resolved to sell credit assets amounted to \$501,500 thousand and \$600,000 thousand under syndicated loans arrangement to Shin Kong Bank. The transaction with the related party is made under arm's length terms, which are consistent with the normal policies adopted by Taishin Bank.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the three months and for the years ended December 31, 2020 and 2019 included the following:

For the Year Ended December 31			
	2020		2019
Short-term benefits	\$ 325,061	\$	324,858
Post-employment benefits	990		1,035
Stock-based payments	2,669		8,777
	<u>\$ 328,720</u>		<u>\$ 334,670</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, 2020						
Related Parties	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Other loans</u>						
Shin Kong Security	\$ 520,000	\$ 520,000	\$ 520,000	\$ -	Land and buildings	None
Darfon	400,000	400,000	400,000	-	-	None
Peng Cheng	110,000	132,000	110,000	-	Land and buildings	None

December 31, 2019						
Related Parties	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Other loans</u>						
GBM	\$ 218,187	\$ 457,500	\$ 218,187	\$ -	-	None
Darfon	400,000	400,000	400,000	-	-	None
AcBel Polytech	180,636	181,902	180,636	-	-	None
Peng Cheng	100,000	150,000	100,000	-	Land and buildings	None

Deposits

December 31, 2020			
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Taishin Securities B	\$ 4,009,343	0.00~1.30	\$ (3,000)
Shin Kong Mitsukoshi	2,355,457	0.00~0.06	(211)
Taiwan SMEG	1,729,360	0.00~1.05	(9,066)
CyberLink	738,603	0.01~0.50	(1,052)
An Shin Construction Manager	640,868	0.01~0.63	(3,770)
Shin Kong Insurance	503,151	0.00~1.03	(2,082)
EXCEL Chemical	438,930	0.01~0.06	(18)
Shin Kong Synthetic Fibers	436,067	0.00~0.32	(248)
Dah Chung Bills	434,489	0.00~0.70	(2,525)
Tasco Chemical	284,089	0.00~0.65	(2,009)
Taishin Securities Investment Advisory	222,921	0.01~2.20	(2,153)
Yun-Teh	212,615	0.01~0.06	(8)
Taishin D.A. Finance	171,738	0.00~1.03	(32)
Chang Her	139,049	0.01~0.06	(4)
Taishin Securities Investment Trust	129,412	0.01~1.03	(176)
Taiwan Fieldrich	125,772	0.01~0.22	(45)
Ubright Optronics	111,632	0.00~0.32	(70)
Taishin Financial Holding	109,411	0.00~0.20	(2,043)
Hung Shin Enterprise	100,499	0.01~0.01	(3)

	December 31, 2019		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Taishin Financial Holding	\$ 3,031,477	0.00~0.38	\$(2,487)
Taiwan SMEG	1,480,875	0.00~1.05	(1,167)
Taishin Securities B	1,227,234	0.00~1.30	(2,877)
Tasco Chemical	1,040,529	0.00~0.50	(446)
Shin Kong Mitsukoshi	964,007	0.00~0.06	(603)
EXCEL Chemical	800,683	0.01~0.06	(14)
Xiang An Insurance Agency	768,856	0.00~0.06	(491)
CyberLink	676,159	0.06~3.17	(15,575)
An Shin Construction Manager	508,494	0.06~0.63	(4,335)
Shin Kong Insurance	456,198	0.00~1.03	(2,624)
Dah Chung Bills	428,115	0.00~0.70	(2,805)
Shin Kong Synthetic Fibers	410,272	0.00~0.50	(1,077)
Shin Kong Life Insurance	237,413	0.06~0.50	(800)
Taishin Securities Investment Advisory	233,568	0.06~3.01	(4,111)
Diamond Biotech	208,544	0.01~2.40	(343)
Taiwan Fieldrich	137,445	0.01~2.50	(254)
Taishin D.A. Finance	120,185	0.00~1.03	(83)
Shin Yao	117,698	0.01~0.50	(25)

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

ii. Trading securities

	December 31, 2020					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
MasterLink Securities	\$ 3,912,693	\$ 8,314,809	\$ -	-	\$ -	-
Taishin Financial Holding	7,000,000	-	450,126	0.14~0.45	-	-
Taishin Securities B	3,649,508	251,268	-	-	-	-
Dah Chung Bills	-	300,000	-	-	-	-
Shin Kong Bank	-	100,130	-	-	-	-
Yuanta Bank	-	3,648,178	-	-	-	-
Peng Cheng	-	149,970	-	-	-	-

	December 31, 2019					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
MasterLink Securities	\$ 5,341,078	\$ 2,025,029	\$ -	-	\$ -	-
Taishin Financial Holding	3,000,000	-	-	0.32~0.37	-	-
Taishin Securities B	399,030	249,706	-	-	-	-
Dah Chung Bills	149,999	49,601	-	-	-	-
Shin Kong Bank	-	249,453	-	-	-	-
Yuanta Bank	-	2,288,822	-	-	-	-
Yuanta Financial Holding	-	-	999,290	0.45~0.58	-	-
Peng Cheng	-	839,580	-	-	-	-

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

iii. Derivatives

December 31, 2020						
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Dah Chung Bills	Interest rate swaps	2016/6/29-2022/6/20	\$ 600,000	\$ (187)	Financial assets at FVTPL	\$ 1,341
Creative Sensor	Forward exchange contracts	2020/7/20-2021/3/25	168,600	(10,109)	Financial liabilities at FVTPL	(10,109)

December 31, 2019						
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Dah Chung Bills	Interest rate swaps	2016/6/29-2022/6/20	\$ 600,000	\$ (134)	Financial assets at FVTPL	\$ 1,529
Creative Sensor	Forward exchange contracts	2019/7/22-2020/4/29	210,742	(566)	Financial liabilities at FVTPL	(566)

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

iv. Other material transactions

For the Year Ended December 31					
2020			2019		
	Item	Amount		Item	Amount
CyberSoft Digital Service	Operating expenses	\$ 541,673		Operating expenses	\$ 639,655
Shin Kong Mitsukoshi	Service charge and operating expenses	367,661		Service charge and operating expenses	425,152
Shin Kong Mitsukoshi	Fee income	334,741		Fee income	315,389
Shin Kong Life Insurance	Commission income	383,940		Commission income	692,279

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

v. On September 24, 2020 and May 30, 2019, Taishin Bank's board of directors resolved to sell credit assets amounted to \$501,500 thousand and \$600,000 thousand under syndicated loan arrangement to Shin Kong Bank, a related party. The transaction with the related party is made under arm's length terms, which are consistent with the normal policies.

vi. On March 12, 2020, Taishin Bank sold a real estate to Taishin AMC through a resolution of the board of directors. The sale price was \$429,650 thousand. The transaction gain of \$119,838 thousand was recognized when the transaction was completed in May 2020. The transaction with the related party was 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, 2020 and 2019 included the following:

For the Year Ended December 31			
	2020		2019
Short-term benefits	\$ 446,120	\$	405,218
Post-employment benefits	6,653		7,862
Termination benefits	-		578
Stock-based payments	3,981		10,952
	<u>\$ 456,754</u>		<u>\$ 424,610</u>

2) Taishin Securities B

a) Liability contracts with related parties

Item	Name	December 31	
		2020	2019
Cash and cash equivalents	Taishin Bank	\$ 1,621,496	\$ 532,801
Operating guarantee deposits	Taishin Bank	416,267	279,523
Other current assets - settlements and receipts under custody	Taishin Bank	1,343,496	88,374
Other financial assets - current	Taishin Bank	100,000	-
Pledged time deposit	Taishin Bank	200,000	-
Operating margin	Taishin Bank	315,000	315,000

b) Lease arrangements

Item	Name	For the Year Ended December 31	
		2020	2019
Lease liabilities	Taishin Bank	\$ 136,867	\$ 153,872

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

Item	Name	December 31			
		2020		2019	
		Ending Stocks (In Thousands)	Ending Balance	Ending Stocks (In Thousands)	Ending Balance
Trading Securities - dealing	Taishin Securities Investment Trust	353	\$ 10,732	26,926	\$ 615,160
Trading Securities - dealing	Shin Kong Financial Holding	106	6,586	1,996	221,790
Trading securities - hedging	Shin Kong Financial Holding	2,911	314,266	55	569

d) Trading securities

December 31, 2020						
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
MasterLink Securities	\$ 1,001,013	\$ 1,297,168	\$ -	-	\$ -	-
Taishin Financial Holding	3,000,000	-	-	-	-	-
Taishin Bank	251,268	349,508	-	-	-	-
Shin Kong Bank	100,189	150,010	-	-	-	-

December 31, 2019						
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resale Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Shin Kong Bank	\$ -	\$ 149,452	\$ -	-	\$ -	-
Taishin Financial Holding	4,000,000	-	-	-	-	-
Dah Chung Bills	149,979	-	-	-	-	-
MasterLink Securities	1,150,003	1,899,130	-	-	-	-
Taishin Bank	249,706	399,030	-	-	-	-
Yuanta Bank	50,375	101,336	-	-	-	-

3) Taishin AMC

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, 2020				
	Beginning Balance	Purchased	Collected	Ending Balance
Loans with transferred ownership	\$ 14,941,299	\$ -	\$ (121,021)	\$ 14,820,278

For the Year Ended December 31, 2019				
	Beginning Balance	Purchased	Collected	Ending Balance
Loans with transferred ownership	\$ 15,086,600	\$ -	\$ (145,301)	\$ 14,941,299

4) Taishin Venture Capital

There were no related party transactions with amounts more than \$100,000 thousand for the year ended December 31, 2020.

5) Taishin Securities Investment Trust

Item	Related Party	December 31	
		2020	2019
Cash	Taishin Bank	\$ 129,412	\$ 98,217

6) Taishin Securities Investment Advisory

Liability contracts with related parties:

Item	Related Party	December 31	
		2020	2019
Other financial assets	Taishin Bank	\$ 208,074	\$ 201,269

46. PLEDGED ASSETS

Pledged Assets	Description	December 31	
		2020	2019
Refundable deposits	Cash and certificates of time deposits	\$ 6,159,942	\$ 6,218,074
Operating deposits and settlement funds	Cash and cash paid to stock exchange	159,460	199,857
Investments in debt instrument at FVTOCI	Securities and bonds	7,909,388	15,374,807
Investments in debt instrument at amortized cost	Bonds	7,701,900	8,400
Other assets due from banks	Bank deposits and certificate of time deposits	1,524,183	3,551,231

47. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to those disclosed in other notes, Taishin Financial Holding and subsidiaries have contingent liabilities and commitments as follows:

a. Significant contingent liabilities

	December 31	
	2020	2019
Trust liabilities	\$ 468,500,324	\$ 387,479,029
Contracts	25,400,657	15,993,710
Unpaid engineering equipment and software	1,148,793	1,158,816

b. Significant unrecognized commitments

To strengthen the business competitiveness of the Group, the Company planned to acquire 100% of Prudential Life Insurance Company of Taiwan Inc. ("Prudential Life Insurance") and signed the share purchase agreement with Prudential International Insurance Holdings, Ltd, the parent company of Prudential Life Insurance, on August 11, 2020. After regulatory approvals are obtained and closing conditions set forth in the agreement are satisfied, the Company will complete settlement and pay the base consideration of \$5,500,000 thousand on the settlement day determined by both parties. According to the share purchase agreement, there is a price adjustment mechanism, and, under which the Company will pay additional consideration of up to \$3,000,000 thousand in the second anniversary of the signing date if price adjustment conditions are met.

If the Company successfully acquires Prudential Life Insurance, the Group will officially engage in the life insurance sector and complete the third business engine as a financial holding company. However, the transaction is subject to approvals from relevant regulatory authorities, and, therefore the estimate of the financial effect cannot be made at this point in time.

48. FINANCIAL INFORMATION BY BUSINESS

The financial information by business for the years ended December 31, 2020 and 2019 was as follows:

Item \ Bank Business	For the Year Ended December 31, 2020			
	Bank Business	Securities Business	Other Business	Total
Net interest income	20,879,592	197,127	582,395	21,659,114
Net income other than net interest income	17,625,067	2,506,918	2,353,750	22,485,735
Net revenue and gains	38,504,659	2,704,045	2,936,145	44,144,849
(Provisions for) reversal of allowance for bad debts expenses, commitment and guarantee liability	(1,705,892)	(2,270)	(152,561)	(1,860,723)
Total operating expenses	(22,653,258)	(1,915,962)	(1,283,778)	(25,852,998)
Income before income tax of continued operations	14,145,509	785,813	1,499,806	16,431,128
Income tax (expense) benefit	(1,925,601)	(96,309)	79,609	(1,942,301)
Income after income tax of continued operations	12,219,908	689,504	1,579,415	14,488,827

Item \ Bank Business	For the Year Ended December 31, 2019			
	Bank Business	Securities Business	Other Business	Total
Net interest income	\$ 18,942,931	\$ 151,020	\$ 495,346	\$ 19,589,297
Net income other than net interest income	18,721,502	2,024,973	3,305,639	24,052,114
Net revenue and gains	37,664,433	2,175,993	3,800,985	43,641,411
(Provisions for) reversal of allowance for bad debts expenses, commitment and guarantee liability	(2,330,111)	(10)	(284,994)	(2,615,115)
Total operating expenses	(21,956,656)	(1,442,420)	(1,353,646)	(24,752,722)
Income before income tax of continued operations	13,377,666	733,563	2,162,345	16,273,574
Income tax (expense) benefit	(1,604,733)	(40,562)	(142,348)	(1,787,643)
Income after income tax of continued operations	11,772,933	693,001	2,019,997	14,485,931

49. FINANCIAL STATEMENTS OF TAISHIN FINANCIAL HOLDING

TAISHIN FINANCIAL HOLDING CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020	2019
CASH AND CASH EQUIVALENTS	\$ 109,411	\$ 3,031,477
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	1,992	1,980
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	450,126	-
RECEIVABLES, NET	1,188,607	1,232,846
CURRENT TAX ASSETS	-	229,092
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	219,875,975	209,319,394
PROPERTY AND EQUIPMENT, NET	2,533	3,990
RIGHT-OF-USE ASSETS, NET	-	5,984
OTHER ASSETS	18,829	17,538
TOTAL	\$ 221,647,473	\$ 213,842,301
LIABILITIES AND EQUITY		
LIABILITIES		
Commercial papers issued, net	\$ 999,576	\$ 9,994,377
Payables	587,462	968,791
Current tax liabilities	1,998,212	1,982,724
Bonds payable	32,000,000	22,000,000
Lease liabilities	-	7,027
Total liabilities	35,585,250	34,952,919
EQUITY		
Capital stock		
Common stock	109,115,662	106,567,044
Preferred stock	8,000,000	8,000,000
Advance receipts for capital stock	11,336	11,077
Capital surplus	35,928,795	35,955,405
Retained earnings		
Legal reserve	11,777,396	10,357,137
Special reserve	571,970	572,115
Unappropriated earnings	18,831,418	16,373,487
Other equity	1,825,646	1,053,117
Total equity	186,062,223	178,889,382
TOTAL	\$ 221,647,473	\$ 213,842,301

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020	2019
INCOME		
Share of profit of subsidiaries and associates accounted for using equity method	\$ 15,418,827	\$ 15,302,418
Interest income	6,093	4,752
Other income	19,808	22,428
Total income	15,444,728	15,329,598
EXPENSES AND LOSSES		
Operating expenses	(622,727)	(319,125)
Interest expenses	(475,969)	(450,715)
Total expenses and losses	(1,098,696)	(769,840)
INCOME BEFORE INCOME TAX	14,346,032	14,559,758
INCOME TAX (EXPENSE) BENEFIT	147,390	(71,737)
NET INCOME	14,493,422	14,488,021
OTHER COMPREHENSIVE INCOME		
Components of other comprehensive income that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	3,774	(86)
Unrealized gain on investments in equity instruments designated as at FVTOCI	11	(15)
Share of the other comprehensive income of associates accounted for using equity method	511	542,715
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	468,563	476,908
Other comprehensive income, net of tax	472,859	1,019,522
TOTAL COMPREHENSIVE INCOME	\$ 14,966,281	\$ 15,507,543
EARNINGS PER SHARE		
Basic	\$ 1.17	\$ 1.16
Diluted	\$ 1.17	\$ 1.16

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (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	Other
BALANCE AT JANUARY 1, 2019	104,362,071	\$ 10,175,410	\$ 3,996	\$ 35,602,662	\$ 2,075,475	\$ 127,576	\$ -
Appropriation of 2018 earnings							
Legal reserve	-	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-	-
Stock dividends on common stock	2,170,903	-	-	-	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2019, net of tax	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	-
Redemption of preferred stock D	-	(2,175,410)	-	(1,843,789)	-	-	-
Changes in the Group's ownership interests in subsidiaries	-	-	-	-	-	-	3,213
Stock-based payments	34,070	-	7,081	15,841	-	(25,573)	-
Disposals of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2019	<u>\$ 106,567,044</u>	<u>\$ 8,000,000</u>	<u>\$ 11,077</u>	<u>\$ 33,774,714</u>	<u>\$ 2,075,475</u>	<u>\$ 102,003</u>	<u>\$ 3,213</u>
BALANCE AT JANUARY 1, 2020	\$ 106,567,044	\$ 8,000,000	\$ 11,077	\$ 33,774,714	\$ 2,075,475	\$ 102,003	\$ 3,213
Appropriation of 2019 earnings							
Legal reserve	-	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-	-
Stock dividends on common stock	2,466,618	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2020, net of tax	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	-
Stock-based payments	82,000	-	259	21,094	-	(47,704)	-
Disposals of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2020	<u>\$ 109,115,662</u>	<u>\$ 8,000,000</u>	<u>\$ 11,336</u>	<u>\$ 33,795,808</u>	<u>\$ 2,075,475</u>	<u>\$ 54,299</u>	<u>\$ 3,213</u>

Equity Attributable to Owners of Parent						
Retained Earnings			Other Equity			
Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets (Fair Value at FVTOCI)	Changes in Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities at FVTPL	Total Equity
\$ 9,115,012	\$ 572,115	\$ 12,421,251	\$ (372,863)	\$ 301,090	\$ 731	\$ 174,384,526
1,242,125	-	(1,242,125)	-	-	-	-
-	-	(5,306,652)	-	-	-	(5,306,652)
-	-	(1,530,667)	-	-	-	(1,530,667)
-	-	(2,170,903)	-	-	-	-
-	-	14,488,021	-	-	-	14,488,021
-	-	(62,000)	(303,087)	1,345,773	38,836	1,019,522
-	-	14,426,021	(303,087)	1,345,773	38,836	15,507,543
-	-	(180,801)	-	-	-	(4,200,000)
-	-	-	-	-	-	3,213
-	-	-	-	-	-	31,419
-	-	(42,637)	-	42,637	-	-
<u>\$ 10,357,137</u>	<u>\$ 572,115</u>	<u>\$ 16,373,487</u>	<u>\$ (675,950)</u>	<u>\$ 1,689,500</u>	<u>\$ 39,567</u>	<u>\$ 178,889,382</u>
\$ 10,357,137	\$ 572,115	\$ 16,373,487	\$ (675,950)	\$ 1,689,500	\$ 39,567	\$ 178,889,382
1,420,259	-	(1,420,259)	-	-	-	-
-	-	(6,029,510)	-	-	-	(6,029,510)
-	-	(1,819,579)	-	-	-	(1,819,579)
-	-	(2,466,618)	-	-	-	-
-	(145)	145	-	-	-	-
-	-	14,493,422	-	-	-	14,493,422
-	-	(180,583)	(277,106)	969,137	(38,589)	472,859
-	-	14,312,839	(277,106)	969,137	(38,589)	14,966,281
-	-	-	-	-	-	55,649
-	-	(119,087)	-	119,087	-	-
<u>\$ 11,777,396</u>	<u>\$ 571,970</u>	<u>\$ 18,831,418</u>	<u>\$ (953,056)</u>	<u>\$ 2,777,724</u>	<u>\$ 978</u>	<u>\$ 186,062,223</u>

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 14,346,032	\$ 14,559,758
Depreciation expense	7,533	7,658
Amortization expense	500	500
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(82)	(101)
Interest expense	475,969	450,715
Interest revenue	(6,093)	(4,752)
Share-based payments	2,186	4,775
Share of profit of subsidiaries and associates accounted for using the equity method	(15,418,827)	(15,302,418)
Gain on disposal of property and equipment	(130)	(550)
Changes in operating assets and liabilities		
Net changes in operating assets		
(Increase) decrease in receivables	2,121,228	981,738
(Increase) decrease in other assets	974	5,069
Net changes in operating liabilities		
Increase (decrease) in payables	(350,287)	(11,118)
Interest received	6,073	5,050
Dividend received	5,331,402	1,698,617
Interest paid	(419,385)	(465,659)
Income tax refund	190,348	-
Income taxes paid	(1,960,464)	(652,687)
Net cash generated from (used in) operating activities	<u>4,326,977</u>	<u>1,276,595</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	-	(800,000)
Payments for property and equipment	(93)	(60)
Proceeds from disposal of property and equipment	<u>130</u>	<u>550</u>
Net cash generated from (used in) investing activities	<u>37</u>	<u>(799,510)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial papers issued	(9,000,000)	7,500,000
Corporate bond issued	10,000,000	7,000,000
Corporate bond repayment	-	(7,000,000)
Repayment of the principal portion of lease liabilities	(5,514)	(5,948)
Cash dividends distributed	(7,849,089)	(6,837,319)
Exercise of employee share options	55,649	31,419
Redemption of preferred stock D	<u>-</u>	<u>(4,200,000)</u>
Net cash generated from (used in) financing activities	<u>(6,798,954)</u>	<u>(3,511,848)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2,471,940)</u>	<u>(3,034,763)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>3,031,477</u>	<u>6,066,240</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 559,537</u>	<u>\$ 3,031,477</u>
CASH AND CASH EQUIVALENTS IN BALANCE SHEET	<u>\$ 109,411</u>	<u>\$ 3,031,477</u>
SECURITIES PURCHASED UNDER RESALE AGREEMENTS QUALIFYING AS CASH AND CASH EQUIVALENTS UNDER THE DEFINITION OF IAS 7 PERMITTED BY THE FINANCIAL SUPERVISORY COMMISSION	<u>450,126</u>	<u>-</u>
	<u>\$ 559,537</u>	<u>\$ 3,031,477</u>

50. PROFITABILITY OF TAISHIN FINANCIAL HOLDING (STAND-ALONE AND CONSOLIDATED)

Stand-alone

Item		For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Return on total assets	Pretax	6.59%	7.01%
	After tax	6.66%	6.97%
Return on net equity	Pretax	7.86%	8.24%
	After tax	7.94%	8.20%
Profit margin		93.84%	94.51%

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

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

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2020 and 2019.

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

Item		For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Return on net equity - common stock	Pretax	8.95%	9.59%
	After tax	9.05%	9.54%

Consolidated

Item		For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Return on total assets	Pretax	0.78%	0.85%
	After tax	0.69%	0.76%
Return on net equity	Pretax	9.00%	9.21%
	After tax	7.94%	8.20%
Profit margin		32.99%	33.19%

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

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

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2020 and 2019.

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

Item		For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Return on net equity - common stock	Pretax	10.43%	10.88%
	After tax	9.05%	9.54%

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

Taishin Bank

a. Balance sheet (standalone)

	December 31	
	2020	2019
Assets		
Cash and cash equivalents	\$22,490,492	\$21,867,672
Due from Central Bank and call loans to banks	84,083,756	67,417,279
Financial assets at FVTPL	104,573,778	118,491,900
Financial assets at FVTOCI	190,210,737	273,212,640
Debt instruments at amortized cost	270,627,928	131,876,458
Securities purchased under resale agreements	3,768,198	10,582,727
Receivables, net	115,646,375	121,366,132
Current tax assets	2,520	674,257
Loans, net	1,243,698,700	1,138,476,030
Investments accounted for using the equity method	2,337,883	2,967,477
Other financial assets, net	4,920,328	4,744,939
Property and equipment, net	18,120,798	18,191,920
Right-of-use assets, net	2,731,449	2,671,366
Intangible assets, net	2,701,694	1,954,650
Deferred tax assets	2,873,268	2,430,459
Other assets, net	6,761,056	7,193,358
	<u>\$ 2,075,548,960</u>	<u>\$ 1,924,119,264</u>
Liabilities		
Due to the Central Bank and banks	\$49,824,469	\$53,393,057
Funds borrowed from the Central Bank and other banks	1,925,590	1,505,300
Financial liabilities at FVTPL	30,828,522	24,578,932
Securities sold under repurchase agreements	78,215,782	105,587,770
Payables	27,721,633	29,086,994
Current tax liabilities	1,143,977	1,499,397
Deposits and remittances	1,612,907,727	1,439,689,958
Bank debentures	34,800,000	34,800,000
Other financial liabilities	66,596,514	71,800,865
Provisions	1,792,627	1,638,442
Lease liabilities	2,833,533	2,739,424
Deferred tax liabilities	136,848	82,175
Other liabilities	4,633,278	4,363,552
	<u>1,913,360,500</u>	<u>1,770,765,866</u>
Equity		
Capital stock	86,957,118	82,557,118
Capital surplus	30,249,980	30,249,980
Retained earnings	42,784,021	39,042,711
Other equity	2,197,341	1,503,589
	<u>162,188,460</u>	<u>153,353,398</u>
	<u>\$ 2,075,548,960</u>	<u>\$ 1,924,119,264</u>

b. Statements of comprehensive income (standalone)

	For the Year Ended December 31	
	2020	2019
Interest income	\$31,459,165	\$34,801,465
Interest expense	(11,125,988)	(16,426,849)
Net interest income	20,333,177	18,374,616
Net income other than net interest income	17,563,922	18,955,848
Net revenue and gains	37,897,099	37,330,464
Provisions for allowance for bad debts expenses commitment and guarantee liability	(1,661,733)	(2,227,183)
Operating expenses	(22,179,622)	(21,722,373)
Income before income tax	14,055,744	13,380,908
Income tax expense	(1,881,045)	(1,570,766)
Net income	12,174,699	11,810,142
Other comprehensive income	475,048	993,149
Total comprehensive income	\$ 12,649,747	\$ 12,803,291
Basic earnings per share (dollar)	\$ 1.40	\$ 1.36
Diluted earnings per share (dollar)	\$ 1.40	\$ 1.36

c. Key financial and business highlights

1) Profitability

Item		For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Return on total assets	Pretax	0.70%	0.74%
	After tax	0.61%	0.65%
Return on net equity	Pretax	8.91%	9.11%
	After tax	7.72%	8.04%
Profit margin		32.32%	31.64%

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

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

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2020 and 2019.

2) Asset quality

Non-performing loans and receivables

Item Business Type			December 31, 2020					December 31, 2019				
			Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)
Corporate finance	Secured		\$ 437,016	\$ 264,302,565	0.17%	\$ 2,630,928	602.02%	\$ 456,810	\$ 220,878,377	0.21%	\$ 2,850,695	624.04%
	Unsecured		537,032	310,573,655	0.17%	4,699,662	875.12%	364,667	299,028,536	0.12%	5,060,558	1,387.72%
Consumer finance	Mortgage loans (Note d)		304,889	317,066,866	0.10%	4,784,027	1,569.10%	356,611	291,539,418	0.12%	4,334,746	1,215.54%
	Cash cards		9,402	691,093	1.36%	70,750	752.50%	62,151	1,032,996	6.02%	66,675	107.28%
	Credit loans (Note e)		217,162	75,043,111	0.29%	965,989	444.82%	256,292	66,153,123	0.39%	820,577	320.17%
	Others (Note f)	Secured	413,021	292,358,683	0.14%	3,265,113	790.54%	493,417	276,588,588	0.18%	3,014,782	611.00%
		Unsecured	1,852	697,088	0.27%	8,644	466.74%	5,335	108,713	4.91%	104,807	1,964.52%
Subtotal			1,920,374	1,260,733,061	0.15%	16,425,113	855.31%	1,995,283	1,155,329,751	0.17%	16,252,840	814.56%
Credit card			156,592	61,526,090	0.25%	594,974	379.95%	218,091	61,176,046	0.36%	649,953	298.02%
Accounts receivable factoring with no recourse (Note g)			-	46,259,354	-	598,679	-	-	49,581,708	-	666,928	-

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

Note b: Non-performing loans ratio = Non-performing loans ÷ Loans

Non-performing loans of credit card ratio = Non-performing loans of credit cards ÷ Accounts receivable

Note c: Coverage ratio of allowances for loan losses = Allowances for loan losses ÷ Non-performing loans

Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Non-performing loans of credit cards

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

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

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

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

Exempted from report as non-performing loans and receivables

Item Business Type		December 31, 2020		December 31, 2019	
		Exempted from Report as Non-performing Loans	Exempted from Report as Non-performing Receivables	Exempted from Report as Non-performing Loans	Exempted from Report as Non-performing Receivables
Amounts negotiated in accordance with the agreement (Note a)		\$ 293,604	\$ 98,832	\$ 425,482	\$ 137,367
Loans executed in accordance with debt clearing and renewal regulations (Note b)		1,791,640	1,231,550	1,731,066	1,214,459
Total		2,085,244	1,330,382	2,156,548	1,351,826

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, 2020			December 31, 2019		
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity
1	A Group (manufacture of computers)	\$ 20,536,172	12.66%	A Group (manufacture of computers)	\$ 19,732,959	12.87%
2	B Group (ocean freight transportation forwarding services)	14,819,354	9.14%	B Group (manufacture of cement)	14,125,655	9.21%
3	C Group (liquid crystal panel and components manufacturing industry)	14,739,637	9.09%	C Group (liquid crystal panel and components manufacturing industry)	12,524,859	8.17%
4	D Group (manufacture of woven cotton-type on woolen-type fabrics)	13,720,530	8.46%	D Group (activities of other holding companies)	11,152,520	7.27%
5	E Group (activities of other holding companies)	11,071,572	6.83%	E Group (manufacture of woven cotton-type on woolen-type fabrics)	9,490,030	6.19%
6	F Group (real estate activities for sale and rental with own or leased property)	10,853,282	6.69%	F Group (manufacture of computers)	8,696,611	5.67%
7	G Group (manufacture of computers)	8,535,493	5.26%	G Group (manufacture of monitors and terminals)	6,812,025	4.44%
8	H Group (manufacture of computers)	7,867,235	4.85%	H Group (manufacture of computers)	6,382,762	4.16%
9	I Group (manufacture of computers)	6,760,818	4.17%	I Group (wireless telecommunications)	6,141,939	4.01%
10	J Group (manufacture of computers)	6,736,413	4.15%	J Group (manufacture of computers)	6,117,397	3.99%

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.

4) Interest rate sensitivity

Item	December 31, 2020				
	1-90 Days	91-180 Days	181 Days- 1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,205,932,854	\$ 41,664,149	\$ 43,986,308	\$ 184,059,146	\$ 1,475,642,457
Interest-sensitive liabilities	442,779,277	96,346,276	196,502,516	631,403,489	1,367,031,558
Interest sensitivity gap	763,153,577	(54,682,127)	(152,516,208)	(447,344,343)	108,610,899
Net equity					155,751,183
Ratio of interest-sensitive assets to liabilities					107.95%
Ratio of interest sensitivity gap to net equity					69.73%

Item	December 31, 2019				
	1-90 Days	91-180 Days	181 Days- 1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,005,512,335	\$ 49,012,795	\$ 24,543,867	\$ 158,090,591	\$ 1,237,159,588
Interest-sensitive liabilities	439,705,690	90,416,273	192,703,884	535,466,365	1,258,292,212
Interest sensitivity gap	565,806,645	(41,403,478)	(168,160,017)	(377,375,774)	(21,132,624)
Net equity					147,536,352
Ratio of interest-sensitive assets to liabilities					98.32%
Ratio of interest sensitivity gap to net equity					(14.32%)

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, 2020				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 10,737,160	\$ 1,668,397	\$ 2,070,305	\$ 2,054,322	\$ 16,530,184
Interest-sensitive liabilities	5,943,473	1,617,016	2,482,987	5,665,473	15,708,949
Interest sensitivity gap	4,793,687	51,381	(412,682)	(3,611,151)	821,235
Net equity					31,250
Ratio of interest-sensitive assets to liabilities					105.23%
Ratio of interest sensitivity gap to net equity					2,627.95%

(In Thousands of U.S. Dollars)

Item	December 31, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 9,380,054	\$ 2,417,867	\$ 733,186	\$ 772,783	\$ 13,303,890
Interest-sensitive liabilities	6,850,887	1,150,607	1,162,616	3,631,193	12,795,303
Interest sensitivity gap	2,529,167	1,267,260	(429,430)	(2,858,410)	508,587
Net equity					6,119
Ratio of interest-sensitive assets to liabilities					103.97%
Ratio of interest sensitivity gap to net equity					8,311.60%

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, 2020				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	\$ 2,065,909,715	\$ 683,465,775	\$ 244,505,224	\$ 177,685,771	\$ 166,189,357	\$ 794,063,588
Major maturity cash outflow	2,472,085,128	383,333,448	319,710,910	270,459,141	446,231,801	1,052,349,828
Gap	(406,175,413)	300,132,327	(75,205,686)	(92,773,370)	(280,042,444)	(258,286,240)

	Total	December 31, 2019				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	\$ 1,913,803,190	\$ 591,890,158	\$ 317,341,472	\$ 185,664,253	\$ 108,461,965	\$ 710,445,342
Major maturity cash outflow	2,283,273,991	313,498,536	377,534,396	273,496,342	396,052,464	922,692,253
Gap	(369,470,801)	278,391,622	(60,192,924)	(87,832,089)	(287,590,499)	(212,246,911)

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, 2020				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	\$ 38,903,997	\$ 16,939,357	\$ 9,428,553	\$ 4,215,218	\$ 3,212,133	\$ 5,108,736
Major maturity cash outflow	39,056,182	13,812,543	8,475,361	5,087,831	5,007,740	6,672,707
Gap	(152,185)	3,126,814	953,192	(872,613)	(1,795,607)	(1,563,971)

(In Thousands of U.S. Dollars)

	Total	December 31, 2019				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	\$ 33,770,352	\$ 11,728,456	\$ 10,839,848	\$ 4,740,565	\$ 2,396,139	\$ 4,065,344
Major maturity cash outflow	33,678,745	9,935,258	10,593,720	5,490,516	2,872,757	4,786,494
Gap	91,607	1,793,198	246,128	(749,951)	(476,618)	(721,150)

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

Taishin Securities B

a. Balance sheet (standalone)

	December 31	
	2020	2019
Assets		
Current assets	\$ 51,788,229	\$ 40,178,686
Financial assets at FVTPL - non-current	34,391	28,050
Financial assets at FVTOCI - non-current	615,629	98,516
Investments accounted for using the equity method	212,873	231,723
Property and equipment	276,350	235,800
Right-of-use assets	176,056	164,395
Investment property	123,425	126,690
Intangible assets	104,770	67,558
Deferred tax assets	21,507	10,621
Other non-current assets	546,439	512,902
	<u>\$ 53,899,669</u>	<u>\$ 41,654,941</u>
Liabilities		
Current liabilities	\$ 41,253,747	\$ 32,558,945
Other non-current liabilities	3,537,741	241,676
	<u>44,791,488</u>	<u>32,800,621</u>
Equity		
Capital stock	6,924,125	6,924,125
Capital surplus	965,825	965,825
Retained earnings	1,196,406	933,248
Other equity	21,825	31,122
	<u>9,108,181</u>	<u>8,854,320</u>
	<u>\$ 53,899,669</u>	<u>\$ 41,654,941</u>

b. Statements of comprehensive income (standalone)

	For the Year Ended December 31	
	2020	2019
Revenue	\$ 3,083,368	\$ 2,418,450
Expense	(2,239,056)	(1,770,598)
Non-operating income and expense	25,266	33,543
Profit before income tax	869,578	681,395
Income tax expense	(96,309)	(40,562)
Net income	773,269	640,833
Other comprehensive income	(53,459)	21,945
Total comprehensive income	<u>\$ 719,810</u>	<u>\$ 662,778</u>
Basic earnings per share (dollar)	<u>\$ 1.12</u>	<u>\$ 0.95</u>

c. Key financial and business highlights

1) Profitability

Item		For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Return on total assets	Pretax	1.82%	1.92%
	After tax	1.62%	1.80%
Return on net equity	Pretax	9.68%	8.33%
	After tax	8.61%	7.84%
Profit margin		25.08%	26.50%

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 2020 and 2019.

Taishin AMC

a. Balance sheet

	December 31	
	2020	2019
Assets		
Current assets	\$ 23,557	\$ 19,904
Financial assets at FVTOCI - non-current	186,786	99,147
Investments accounted for using the equity method	145,395	139,443
Property and equipment	170,928	177,132
Investment property	1,036,833	749,674
Deferred tax assets	34,416	34,416
Right-of-use assets	56	169
Other non-current assets	441,229	190,562
	<u>\$ 2,039,200</u>	<u>\$ 1,410,447</u>
Liabilities		
Current liabilities	\$ 880,181	\$ 352,375
Other non-current liabilities	6,457	4,455
	<u>886,638</u>	<u>356,830</u>
Equity		
Capital stock	671,000	671,000
Capital surplus	4,141	4,141
Retained earnings	437,935	426,635
Other equity	39,486	(48,159)
	<u>1,152,562</u>	<u>1,053,617</u>
	<u>\$ 2,039,200</u>	<u>\$ 1,410,447</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2020	2019
Operating revenue	\$ 235,253	\$ 259,818
Operating cost and expenses	(116,778)	(125,241)
Operating income	118,475	134,577
Non-operating income	36,564	14,796
Non-operating expenses	(5,870)	(1,038)
Income before income tax	149,169	148,335
Income tax expense	(26,140)	(27,426)
Net income	123,029	120,909
Other comprehensive income	88,140	(2,430)
Total comprehensive income	\$ 211,169	\$ 118,479
Earnings per share (dollar)	\$ 1.83	\$ 1.80

c. Profitability

Item		For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Return on total assets	Pretax	8.65%	10.59%
	After tax	7.13%	8.64%
Return on net equity	Pretax	13.52%	13.93%
	After tax	11.15%	11.35%
Profit margin		45.26%	44.03%

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 2020 and 2019.

Taishin Venture Capital

a. Balance sheet

	December 31	
	2020	2019
Assets		
Current assets	\$ 587,043	\$ 633,929
Financial assets at FVTPL - non-current	2,035,945	1,410,803
Investments accounted for using the equity method	2,215,664	1,980,905
Property and equipment	168	115
Right-of-use assets	299	2,096
Other non-current assets	439	438
	\$ 4,839,558	\$ 4,028,286

(Continued)

	December 31	
	2020	2019
Liabilities		
Current liabilities	\$ 2,744	\$ 4,406
Other non-current liabilities	-	303
	<u>2,744</u>	<u>4,709</u>
Equity		
Capital stock	4,219,113	4,208,749
Capital surplus	871	871
Retained earnings	807,698	12,191
Other equity	(190,868)	(198,234)
	<u>4,836,814</u>	<u>4,023,577</u>
	<u>\$ 4,839,558</u>	<u>\$ 4,028,286</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2020	2019
Revenue	\$ 823,050	\$ 98,627
Expense	(17,136)	(19,058)
Income before income tax	<u>805,914</u>	<u>79,569</u>
Net income	805,871	79,612
Other comprehensive income	<u>7,365</u>	<u>(67,448)</u>
Total comprehensive income	<u>\$ 813,236</u>	<u>\$ 12,164</u>
Earnings per share (dollar)	<u>\$ 1.91</u>	<u>\$ 0.19</u>

c. Profitability

Item		For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Return on total assets	Pretax	18.18%	1.98%
	After tax	18.18%	1.98%
Return on net equity	Pretax	18.19%	1.98%
	After tax	18.19%	1.98%
Profit margin		97.91%	80.72%

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 2020 and 2019.

Taishin Securities Investment Trust

a. Balance sheet

	December 31	
	2020	2019
Assets		
Current assets	\$ 347,374	\$ 405,189
Financial assets at FVTPL - noncurrent	2,034	1,901
Property and equipment	13,849	17,286
Goodwill	410,930	410,930
Right-of-use assets	30,398	40,256
Intangible assets	3,672	5,027
Deferred tax assets	7	11
Other non-current assets	269,349	149,958
	<u>\$ 1,077,613</u>	<u>\$ 1,030,558</u>
Liabilities		
Current liabilities	\$ 148,324	\$ 138,890
Other non-current liabilities	19,496	29,258
	<u>167,820</u>	<u>168,148</u>
Equity		
Capital stock	754,545	754,545
Capital surplus	47,856	47,856
Retained earnings	108,358	61,108
Other equity	(966)	(1,099)
	<u>909,793</u>	<u>862,410</u>
	<u>\$ 1,077,613</u>	<u>\$ 1,030,558</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2020	2019
Operating revenue	\$ 448,948	\$ 399,205
Operating expenses	(389,321)	(349,400)
Operating income	59,627	49,805
Non-operating income	6,647	3,385
Non-operating expenses	(410)	(523)
Income before income tax	65,864	52,667
Income tax (expenses) profit	19,304	(10,454)
Net income	85,168	42,213
Other comprehensive income	155	(53)
Total comprehensive income	<u>\$ 85,323</u>	<u>\$ 42,160</u>
Earnings per share (dollar)	<u>\$ 1.13</u>	<u>\$ 0.56</u>

c. Profitability

Item		For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Return on total assets	Pretax	6.25%	5.31%
	After tax	8.08%	4.26%
Return on net equity	Pretax	7.43%	6.14%
	After tax	9.61%	4.92%
Profit margin		18.69%	10.50%

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

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

$$\text{Note c: Profit margin} = \frac{\text{Income after tax}}{\text{Operating income} + \text{Non-operating income}}$$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2020 and 2019.

Taishin Securities Investment Advisory

a. Balance sheet

	December 31	
	2020	2019
Assets		
Current assets	\$ 346,295	\$ 344,569
Investment at equity	5,666	-
Property and equipment	708	1,177
Right-of-use assets	36,802	6,327
Deferred tax assets	2,854	5,045
Other non-current assets	6,887	31,832
	<u>\$ 399,212</u>	<u>\$ 388,950</u>
Liabilities		
Current liabilities	\$ 32,336	\$ 31,044
Other non-current liabilities	35,306	5,439
	<u>67,642</u>	<u>36,483</u>
Equity		
Capital stock	300,000	300,000
Capital surplus	52,325	52,325
Retained earnings	(20,755)	142
	<u>331,570</u>	<u>352,467</u>
	<u>\$ 399,212</u>	<u>\$ 388,950</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2020	2019
Operating revenue	\$ 106,427	\$ 100,851
Operating expenses	(108,691)	(110,348)
Operating loss	(2,264)	(9,497)
Non-operating income	2,311	12,599
Non-operating expenses	(18,423)	(2,438)
Profit (loss) before income tax	(18,376)	664
Income tax expenses	(2,210)	(577)
Net income	(20,586)	87
	(312)	(214)
Total comprehensive income	<u>\$(20,898)</u>	<u>\$(127)</u>
Earnings per share (dollar)	<u>\$(0.69)</u>	<u>\$ -</u>

c. Profitability

Item		For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Return on total assets	Pretax	(4.66%)	0.17%
	After tax	(5.22%)	0.02%
Return on net equity	Pretax	(5.37%)	0.19%
	After tax	(6.02%)	0.02%
Profit margin		(18.93%)	0.08%

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 =
$$\frac{\text{Income after tax}}{\text{Operating income + Non-operating income}}$$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2020 and 2019.

52. 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, 2020			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
AUD	\$ 1,999,369	21.68	\$ 43,341,805
RMB	8,741,671	4.32	37,767,383
EUR	324,816	34.56	11,224,796
GBP	46,756	38.37	1,794,072
HKD	4,491,304	3.62	16,280,187
JPY	61,360,915	0.27	16,719,131
SGD	84,775	21.27	1,803,373
USD	11,252,603	28.10	316,198,156
ZAR	2,015,173	1.92	3,875,000
Non-monetary items			
USD	125,893	28.10	3,537,580
<u>Financial liabilities</u>			
Monetary items			
AUD	\$ 583,347	21.68	\$ 12,645,638
CAD	52,733	22.05	1,162,930
RMB	9,562,055	4.32	41,311,761
EUR	171,543	34.56	5,928,084
HKD	3,900,311	3.62	14,137,940
JPY	24,257,214	0.27	6,609,412
USD	15,071,659	28.10	423,513,621
ZAR	4,026,552	1.92	7,742,706
Non-monetary items			
AUD	196,996	21.68	4,270,439
<u>Derivative instruments</u>			
Financial assets			
AUD	1,741,904	21.68	37,760,548
CAD	93,948	22.05	2,071,830
RMB	13,277,033	4.32	57,361,894
EUR	271,840	34.56	9,394,076
GBP	52,976	38.37	2,032,733
HKD	625,792	3.62	2,268,385
NZD	76,283	20.31	1,549,570
SGD	93,518	21.27	1,989,378
USD	21,617,019	28.10	607,438,231
ZAR	2,284,569	1.92	4,393,026

(Continued)

(Foreign Currencies/New Taiwan Dollars in Thousands)

December 31, 2020

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial liabilities			
AUD	2,938,737	21.68	63,705,181
RMB	14,425,161	4.32	62,322,251
EUR	403,654	34.56	13,949,223
GBP	75,031	38.37	2,878,999
HKD	1,257,179	3.62	4,557,051
JPY	40,308,045	0.27	10,982,814
NZD	84,719	20.31	1,720,931
SGD	160,920	21.27	3,423,188
USD	17,496,348	28.10	491,647,382

(Concluded)

(Foreign Currencies/New Taiwan Dollars in Thousands)

December 31, 2019

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
AUD	\$ 2,303,488	21.10	\$ 48,606,586
RMB	8,388,124	4.32	36,260,534
EUR	318,522	33.75	10,749,760
GBP	80,252	39.55	3,173,877
HKD	4,871,051	3.87	18,831,548
JPY	56,854,413	0.28	15,753,164
SGD	119,596	22.37	2,674,916
USD	9,410,363	30.11	283,229,007
ZAR	2,663	2.14	5,701
Non-monetary items			
USD	295,335	30.11	8,891,360
Financial liabilities			
Monetary items			
AUD	872,598	21.10	18,412,938
CAD	48,533	23.08	1,120,255
RMB	7,388,664	4.32	31,940,028
EUR	194,530	33.75	6,565,148
GBP	18,087	39.55	715,332
HKD	3,447,819	3.87	13,329,315
JPY	29,389,041	0.28	8,143,086
USD	12,460,205	30.11	375,126,933
ZAR	4,342,522	2.14	9,297,574
Non-monetary items			
AUD	760,446	21.10	16,046,385
USD	488,660	30.11	14,711,611

(Continued)

(Foreign Currencies/New Taiwan Dollars in Thousands)

December 31, 2019

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Derivative instruments</u>			
Financial assets			
AUD	773,621	21.10	16,324,407
CAD	119,473	23.08	2,757,691
RMB	973,204	4.32	4,207,006
EUR	163,581	33.75	5,520,655
GBP	6,099	39.55	241,207
HKD	174,669	3.87	675,272
JPY	670,390	0.28	185,751
USD	15,643,528	30.11	470,964,057
ZAR	4,995,332	2.14	10,695,276
Financial liabilities			
AUD	1,460,035	21.10	30,808,629
CAD	94,450	23.08	2,180,106
RMB	1,805,299	4.32	7,804,022
EUR	297,529	33.75	10,041,247
GBP	67,203	39.55	2,657,775
HKD	1,661,417	3.87	6,423,061
JPY	28,114,285	0.28	7,789,878
SGD	127,110	22.37	2,842,975
USD	12,540,626	30.11	377,548,073
ZAR	574,547	2.14	1,230,135
			(Concluded)

53. 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	None
2	Acquisition or disposal of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital	Table 2
3	Discounts of service charges for related parties amounting to at least \$5 million	None
4	Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital	Table 6
5	Sales of NPL from subsidiaries	None
6	Authorities securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
7	Other transactions that may have significant impact on the decision made by the financial statement users	None

2) Information on Taishin Financial Holding's subsidiaries:

No.	Item	Explanation
1	Financings provided	Table 1 (Note)
2	Endorsements/guarantees provided	Note
3	Marketable securities held	Table 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 44

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 5
2	Significant commitments and contingencies	Note 47
3	Significant losses	None
4	Subsequent events	None

5) Information on major shareholders: The names, numbers of shares held, and shareholding percentages of shareholders who hold 5% or more of the Company's equity: None.

b. According to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, a company should disclose business relationships and material transactions in consolidation. Refer to Table 6.

54. 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.

For the Year Ended December 31, 2020							
	Taishin Bank (Consumer Business)	Taishin Bank (Corporation Credit Business)	Taishin Bank (Financial Market Business)	Taishin Financial Holding	Others	Adjustments and Eliminations	Total
Net interest income (expense)	\$ 12,509,121	\$ 8,173,588	\$ 3,129,578	\$(469,876)	\$(1,685,548)	\$ 2,251	\$ 21,659,114
Net income other than net interest income	11,538,824	1,613,224	1,989,841	1,607,159	6,158,498	(421,811)	22,485,735
Net revenue and gains	24,047,945	9,786,812	5,119,419	1,137,283	4,472,950	(419,560)	44,144,849
(Provisions for) reversals of allowance for bad debts expenses, commitments and guarantees liabilities	(527,319)	(1,175,325)	2,298	-	(160,377)	-	(1,860,723)
Operating expenses	(15,639,549)	(3,545,977)	(846,515)	(622,727)	(5,485,828)	287,598	(25,852,998)
Profit (loss) before income tax	\$ 7,881,077	\$ 5,065,510	\$ 4,275,202	\$ 514,556	\$(1,173,255)	\$(131,962)	\$ 16,431,128
Total assets	\$702,958,079	\$600,633,853	\$574,135,057	\$ 43,258,497	\$281,900,440	\$(6,826,720)	\$ 2,196,059,206

For the Year Ended December 31, 2019							
	Taishin Bank (Consumer Business)	Taishin Bank (Corporation Credit Business)	Taishin Bank (Financial Market Business)	Taishin Financial Holding	Others	Adjustments and Eliminations	Total
Net interest income (expense)	\$ 12,773,552	\$ 7,931,096	\$(166,645)	\$(445,963)	\$(505,401)	\$ 2,658	\$ 19,589,297
Net income other than net interest income	11,037,928	1,962,605	4,065,608	2,631,699	4,603,269	(248,995)	24,052,114
Net revenue and gains	23,811,480	9,893,701	3,898,963	2,185,736	4,097,868	(246,337)	43,641,411
(Provisions for) reversals of allowance for bad debts expenses, commitments and guarantees liabilities	(88,048)	(2,078,405)	(6,669)	-	(441,993)	-	(2,615,115)
Operating expenses	(15,269,533)	(3,498,941)	(809,792)	(319,125)	(5,090,155)	234,824	(24,752,722)
Profit (loss) before income tax	\$ 8,453,899	\$ 4,316,355	\$ 3,082,502	\$ 1,866,611	\$(1,434,280)	\$(11,513)	\$ 16,273,574
Total assets	\$651,315,162	\$545,785,908	\$538,932,775	\$32,677,1861	\$256,364,882	\$(5,865,418)	\$ 2,030,941,331

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 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.

55. OTHER ITEMS

Except for the impact arising from the volatility of the stock and bond markets, which resulted in larger-than-normal temporary fluctuations in the comprehensive income of the Group's investment position, in which the Group implemented the government's relief measures, there was no significant impact arising from the COVID-19 pandemic on the Group's overall operations. In addition, for those customers affected by the pandemic, the Group offered extensions for loan repayment or adjustments to installment repayment amounts, and these were included in the consideration of significant accounting estimates used in the analysis of asset impairment.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCINGS PROVIDED TO OTHERS OUTSTANDING CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2020

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

No. (Note 1)	Lender	Borrower	Financial Statement Account (Note 2)	Related Parties	Maximum Balance for the Period (Note 3)	Ending Balance (Note 8)	Amount Actually Drawn	Interest Rate (%)	
1	Taishin AMC	Zhuang O Xiang	Long-term receivables - advance payment	No	\$ 20,000	\$ 40,000	\$ 20,000	1.70%	
		Zhuang O Ming	Long-term receivables - advance payment	No	20,000	40,000	20,000	1.70%	
		Xu O Zhen	Long-term receivables - advance payment	No	40,000	80,000	40,000	1.70%	
		Chen O Ming	Long-term receivables - advance payment	No	40,000	80,000	40,000	1.70%	

Note 1: Column is numbered as follows:

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

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

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

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

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

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

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ACQUISITION OR DISPOSAL OF INDIVIDUAL REAL ESTATE REACHING NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL OR MORE

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	
Taishin AMC	Building in Dehui St.	March 12, 2020	\$ 429,650	Fully paid	Taishin Bank	Wholly-owned subsidiary of Taishin Financial Holding	

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection Status	Gain (Loss) on Disposal	
Taishin Bank	Building in Dehui St.	March 12, 2020	December 25, 2003	\$ 309,812	\$ 429,650	Fully collected	\$ 119,838 (Note)	

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

TABLE 1

	Financing Type (Note 4)	Transaction Amount (Note 5)	Financing Reasons (Note 6)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company (Note 7)	Financing Company's Financing Amount Limit (Note 7)
					Item	Value		
	Business transaction	\$ 20,000	Advance payment of urban renewal	\$ -	Land and buildings	\$ 48,000	\$ 172,884	\$ 8,067,934
	Business transaction	20,000	Advance payment of urban renewal	-	Land and buildings	48,000	172,884	8,067,934
	Business transaction	40,000	Advance payment of urban renewal	-	Land and buildings	96,000	172,884	8,067,934
	Business transaction	40,000	Advance payment of urban renewal	-	Land and buildings	96,000	172,884	8,067,934

Note 7: The accumulated balance of loans (including business dealings and short-term financing needs), shall be limited to seven times of the lending company's net worth. The lending amount limit to a same person and same affiliated entity, shall be limited 15% of the lending company's net worth based on latest financial statements.

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

TABLE 2

	Information on Previous Title Transfer If Counterparty Is A Related Party	Pricing Reference	Purpose of Acquisition	Other terms
	Acquired collateral, not applicable	Negotiated price based on third party appraisal reports and resolved by the board of directors.	In order to effectively utilize assets of the Group, and reduce the management and maintenance fees of idle premises.	Not applicable

	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other terms
	Taishin AMC	Wholly-owned subsidiary of Taishin Financial Holding	In order to effectively utilize assets of the Group, and reduce the management and maintenance fees of idle premises.	Negotiated price based on third party appraisal reports and resolved by the board of directors.	Not applicable

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES' NAMES, LOCATIONS, ETC.

DECEMBER 31, 2020

(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 (%)	
	100.00%	\$ 162,068,622	\$12,054,861	8,695,711,853	-	8,695,711,853	100.00	Investments accounted for using equity method
	22.55%	41,485,991	1,587,350	2,369,100,188	-	2,369,100,188	22.81	"
	100.00%	9,108,181	772,893	692,412,444	-	692,412,444	100.00	"
	100.00%	1,162,455	132,923	67,100,000	-	67,100,000	100.00	"
	100.00%	909,793	85,168	75,454,545	-	75,454,545	100.00	"
	92.00%	304,119	(20,239)	27,599,513	-	27,599,513	92.00	"
	100.00%	4,836,814	805,871	421,911,304	-	421,911,304	100.00	"
	4.40%	1,992	-	520,000	-	520,000	10.40	Financial assets at FVTOCI

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(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.	Its corporate director is Taishin Real Estate	Financial assets at FVTOCI
	<u>Beneficiary certificates</u> Taishin emerging short-term high-yield fund bonds	Funds issued by Taishin Securities Investment Trust	Financial assets at FVTPL
Taishin D.A. Finance	<u>Stock</u> Yuan Tai Forex Brokerage Co., Ltd.	ts corporate director is Taishin D.A. Finance	Financial assets at FVTOCI
	Bon-Li International Technology Co., Ltd.	-	Financial assets at FVTOCI
	<u>Bonds</u> 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
	Li Shen Zhi-Lian L.P.	-	Financial assets at FVTPL
	Arm IoT 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.	-	Financial assets at FVTPL
	Century Development Corp.	Its corporate supervisor is Taishin Venture Capital	Financial assets at FVTPL
	Microbio Co., Ltd.	-	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 corporate director is Taishin Venture Capital	Financial assets at FVTPL
	Stem Cyte International Ltd.	-	Financial assets at FVTPL
	American BriVision (Holding) Corp.	-	Financial assets at FVTPL
	VM Discovery, Inc. Preferred D.	-	Financial assets at FVTPL
	RevMAb Biosciences, Inc.	-	Financial assets at FVTPL
	JHL Biotech, Inc.	-	Financial assets at FVTPL
	Chime Biologics Limited	-	Financial assets at FVTPL
	Celestial Talent Limited	-	Financial assets at FVTPL
	Shin Yao Biomedical Venture Capital Investment Co., Ltd.	Its corporate director is Taishin Venture Capital	Financial assets at FVTPL
	Taxven BioPharma, Inc.	-	Financial assets at FVTPL
	Great Agricultural Technology Co., Ltd.	-	Financial assets at FVTPL
	Contact Digital Integration Co., Ltd.	Other	Financial assets at FVTPL
	I.X	-	Financial assets at FVTPL
	Power Master Co., Ltd.	-	Financial assets at FVTPL

TABLE 4

	December 31, 2020				Note
	Shares/Units/ Nominal	Carrying Amount	Percentage of Ownership (%)	Market Value	
	300	\$ 2,716	6.00	\$ 2,716	Go out of business
	1,500	15,271	-	15,271	
	600,000	10,007	5.00	-	
	125,000	-	1.50	-	
	6,000	6,095	-	6,127	
	40,000	1,465,903	100.00	1,465,903	
	30,000	721,667	100.00	721,667	
	7,858	180,424	7.63	180,424	
	6,737	158,719	7.46	158,719	
	1,076	31,179	2.21	31,179	
	30,000	24,900	12.47	24,900	
	2,376	65,808	14.70	65,808	
	276	1,507	5.56	1,507	
	331	2,121	1.30	2,121	
	42	3,639	1.54	3,639	Liquidated
	10,633	63,376	3.03	63,376	
	954	64,882	0.22	64,882	
	1,000	950	12.69	950	
	709	1,532	1.21	1,532	
	45,000	805,950	10.00	805,950	
	500	8,680	0.55	8,680	
	11	-	0.05	-	
	95	5,739	Preferred stock	5,739	
	400	5,739	Preferred stock	6,028	
	2,105	6,028	0.89	30,926	
	2,105	30,926	0.48	27,516	
	1,457	27,516	2.42	23,883	
	35,000	23,883	10.00	413,350	
	569	413,350	0.18	21,270	
	578	21,270	3.33	3,529	
	1,300	3,529	7.22	10,309	
	1,942	10,309	3.41	6,544	
	220	6,544	0.39	4,455	

(Continued)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	
	AMIS Technologies Co., Ltd.	-	Financial assets at FVTPL	
	IIH Biomedical Venture Fund I Co., Ltd.	-	Financial assets at FVTPL	
	TECO Nanotech Inc.	-	Financial assets at FVTPL	
	Taiwania Capital Management Corporation	-	Financial assets at FVTPL	
	UUPON Inc.	Its corporate director is Taishin Venture Capital	Financial assets at FVTPL	
	Shenghe Energy Corporation	Its corporate supervisor is Taishin Venture Capital	Financial assets at FVTPL	
	Jada International Development Corporation	-	Financial assets at FVTPL	
	Sim2 Travel Inc.	-	Financial assets at FVTPL	
	PC Home Online Investment Inc.	-	Financial assets at FVTPL	
	CC Media Co., Ltd.	-	Financial assets at FVTPL	
	Innostor Technology Corporation	-	Financial assets at FVTPL	
	Ambi Investment and Consulting Inc.	Subsidiary of Taishin Venture Capital	Investment accounted for using the equity method	
	Credidi Inc.	Invested under the equity method	Investment accounted for using the equity method	
	<u>Beneficiary certificates</u>			
	Capital Money Market Fund	-	Financial assets at FVTPL	
	Taishin 1699 Money Market Fund	Issued by Taishin Securities Investment Trust	Financial assets at FVTPL	
	Pine Bridge Taiwan Money Market Securities Investment Trust Fund	-	Financial assets at FVTPL	
	Jih Sun Asian High Yield Bond Fund	-	Financial assets at FVTPL	
	FSITC Money Market Fund	-	Financial assets at FVTPL	
	SinoPac TWD Money Market Fund	-	Financial assets at FVTPL	
	Fubon Chi-Hsiang Money Market Fund	-	Financial assets at FVTPL	
	<u>Investment agreement</u>			
	Public Television Foundation (Lady the Butterfly)	-	Financial assets at FVTPL	
Taishin AMC	<u>Stock</u>			
	Linkou Golf Country Club	-	Financial assets at FVTOCI	
	Dah Chung Bills	-	Financial assets at FVTOCI	
	Diamond Biotech Investment Corp.	Its corporate director is Taishin Venture Capital	Financial assets at FVTOCI	
	Shin Yao Biomedical Venture Capital Investment Co., Ltd.	Its corporate director is Taishin Venture Capital	Financial assets at FVTOCI	
	Taishin Real Estate	Invested under the equity method	Investment accounted for using the equity method	
Taishin Securities Venture Capital	<u>Stock</u>			
	Tangeng Advanced Vehicle Co., Ltd.	-	Financial assets at FVTPL	
	Rich Healthy Fruits & Vegetable Corp.	-	Financial assets at FVTPL	
	Msscrops Co., Ltd.	-	Financial assets at FVTPL	
	Power Master International Investment Holdings Co., Ltd.	-	Financial assets at FVTPL	
	Geniron.com.inc	-	Financial assets at FVTPL	
	Le Day Multimedia Co., Ltd.	-	Financial assets at FVTPL	
	Excelsior Bio-system Inc.	-	Financial assets at FVTPL	
	Finatext, Ltd.	-	Financial assets at FVTPL	
	Julien's Group	-	Financial assets at FVTPL	
	Credidi Inc.	Invested under the equity method	Investment accounted for using the equity method	
Taishin Investment Advisory	<u>Stock</u>			
	Credidi Inc.	Invested under the equity method	Investment accounted for using the equity method	

	December 31, 2020				Note
	Shares/Units/ Nominal	Carrying Amount	Percentage of Ownership (%)	Market Value	
	17,500	\$ 4,455	7.92	\$ 53,200	Liquidated
	2,500	53,200	8.08	22,300	
	17,760	22,300	7.10	32,856	
	1,162	32,856	17.50	4,867	
	1,750	4,867	Preferred stock	17,658	
	142	17,658	5.68	1,951	
	350	1,951	Preferred stock	-	
	79	-	3.03	-	
	400	-	0.48	-	
	69	-	0.81	-	
	1,000	-	25.00	9,207	
	20,000	18,886	20.00	18,886	
	-	-	-	-	
	7,796	126,803	-	126,803	
	7,565	103,232	-	103,232	
	5,889	81,068	-	81,068	
	3,195	47,768	-	47,768	
	220	39,607	-	39,607	
	714	10,012	-	10,012	
	1,267	20,018	-	20,018	
	2,000	780	1.03	780	
	-	1,776	-	1,776	
	2,290	32,597	0.51	32,597	
	5,625	100,744	1.25	100,744	
	4,375	51,669	1.25	51,669	
	8,000	144,875	40.00	144,875	
	1,400	34,804	3.05	34,804	
	288	15,577	1.64	15,577	
	210	13,646	0.53	13,646	
	165	3,341	0.29	3,341	
	620	4,067	4.13	4,067	
	459	1,679	3.83	1,679	
	263	358	0.68	358	
	29	791	7.50	791	
	320	3,478	1.11	3,478	
	25,000	23,608	25.00	23,608	
	6,000	5,669	6.00	5,669	

(Concluded)

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA

DECEMBER 31, 2020

(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, 2020 (US\$ in Thousand)
Taishin Venture Capital	Taishin Financial Leasing (China)	Financial leasing	\$ 1,192,729 (US\$ 40,000)	Note 1.a.	\$ 1,197,019 (US\$ 40,000)
	Taishin Financial Leasing (Tianjin)	Financial leasing	920,748 (US\$ 30,000)	Note 1.a.	920,748 (US\$ 30,000)

Investor	Accumulated Investment in Mainland China as of December 31, 2020 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
Taishin Venture Capital	\$ 2,117,767 (US\$ 70,000)	\$ 2,117,767 (US\$ 70,000)	\$ 18,606,222

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND MATERIAL TRANSACTIONS IN CONSOLIDATION

FOR THE YEAR ENDED DECEMBER 31, 2020

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

Number (Note a)	Main Party	Counterparty	Relationship (Note b)
1	Taishin Bank	Taishin Securities Investment Advisory	3
1	Taishin Bank	Taishin Securities Investment Trust	3
1	Taishin Bank	Taishin Securities B	3
1	Taishin Bank	Taishin D.A. Finance	4
1	Taishin Bank	Taishin AMC	3
2	Taishin Securities B	Taishin Bank	3
2	Taishin Securities B	Taishin Bank	3
0	Taishin Financial Holding	Taishin Bank	1
0	Taishin Financial Holding	Taishin Bank	1
0	Taishin Financial Holding	Taishin Bank	1

Note 1: Business between the parent and subsidiaries is numbered as follows:

- Parent: 0
- Subsidiaries are numbered from 1 in order.

Note 2: Relationship between the main party and the counterparty is numbered as follows:

- Parent to subsidiary.
- Subsidiary to parent.
- One subsidiary to another subsidiary.
- Subsidiary to sub-subsidiary.

TABLE 5

	Investment Flows (US\$ in Thousand)		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (US\$ in Thousand)	Investee's Net Income	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
	Outflow	Inflow						
	\$ -	\$ -	\$ 1,197,019 (US\$ 40,000)	\$ 154,085	100%	\$ 154,085 (Note 2.b.1)	\$ 1,465,903	\$ -
	-	-	920,748 (US\$ 30,000)	(55,215)	100%	55,215 (Note 2.b.1)	721,667	-

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 the ROC.
 - Financial statements audited (reviewed) by Taiwan parent company's CPA.
 - Others.

TABLE 6

	Transactions			
	Account	Amount	Terms	% of Consolidated Operating Revenues or Consolidated Total Assets (Note c)
	Deposits and remittances	\$ 222,921	Under arm's length terms	0.01%
	Deposits and remittances	129,412	Under arm's length terms	0.01%
	Deposits and remittances	4,009,343	Under arm's length terms	0.18%
	Deposits and remittances	171,738	Under arm's length terms	0.01%
	Net other miscellaneous income	119,838	Under arm's length terms	0.27%
	Lease liabilities	136,867	Under arm's length terms	0.01%
	Right-of-use assets	187,404	Under arm's length terms	0.01%
	Cash and cash equivalents	109,411	Under arm's length terms	0.00%
	Securities purchased under resale agreements	450,126	Under arm's length terms	0.02%
	Accounts receivable, net	1,067,140	Under arm's length terms	0.05%

Note 3: 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, 2020

Items	Index
Schedules of Asset, Liability and Equity	
Financial assets at fair value through profit or loss	Schedule 1
Securities purchased under resell agreements	Schedule 2
Financial assets at FVTOCI	Schedule 3
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Other financial assets	Note 15
Changes in investment properties	Note 16
Changes in accumulate depreciation of investment properties	Note 16
Changes in property and equipment	Note 17
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Schedules of Profit and Loss	
Detailed schedule of gain (loss) on financial assets and liabilities at fair value through profit or loss	Note 34
Detailed schedule of foreign exchange gain (loss)	Schedule 9
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Detailed schedule of employee benefit expenses	Schedule 12

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Financial Instrument Items	Summary	Face Value/Unit	Cost	Fair Value
Investment in bills	Commercial paper - other banks guarantees	52,245,400	\$ 52,199,259	\$ 52,180,828
	Others (Note)	6,636,912	6,583,487	6,606,707
Domestic listed stocks		319,703	2,065,016	2,104,778
Domestic OTC stocks		20,194	261,037	330,277
Domestic and foreign unlisted stocks		796,898	2,536,863	2,591,652
Domestic emerging stocks		320	28,067	3,479
Beneficiary certificates - fund		1,410,667	2,152,890	2,187,516
Government bonds		6,934,508	7,082,178	7,090,047
Bank debentures		3,773,013	3,960,363	3,969,829
Corporate bonds		279,876	362,519	364,378
Convertible corporate bonds		4,599,040	4,662,549	5,131,686
Trading securities - dealing				
Corporate bonds		6,379,068	6,390,028	6,331,440
Domestic listed stocks		162,412	3,548,803	3,651,937
Domestic OTC funds		11,549	695,348	729,409
Convertible bonds		595,899	854,692	876,702
Government bonds		50,000	50,436	50,349
Domestic OTC stocks		10,650	436,815	435,362
Offshore funds		82	168,755	169,821
Offshore bonds		9,716	997,961	919,778
Trading securities - underwriting				
Domestic listed stocks		30	600	857
Domestic OTC stocks		30	750	832
Convertible bonds		543,200	546,046	581,252
Trading securities - hedging				
Domestic listed funds		44	5,133	5,287
Domestic listed stocks		6,192	829,522	918,555
Domestic listed stocks		261	40,783	43,063
Domestic listed warrants		19,244	13,214	16,038
Domestic OTC warrants		5,351	6,347	4,163
Convertible corporate bonds		3,707,600	4,059,674	4,316,125
Derivative financial instrument	Currency exchange	-	63,097	13,158,462
	Interest rate swaps	-	6,751	9,289,240
	Others (Note)	-	776,909	3,381,427
Investment agreement		2,000	2,000	780
			<u>\$ 101,387,892</u>	<u>\$ 127,442,056</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
SCHEDULE 2
SECURITIES PURCHASED UNDER RESELL AGREEMENTS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Items	Face Value	Amount
Government bonds		
INDON 7.75 01/17/38	\$ 174,220	\$ 267,132
KSA 4.5 10/26/46	306,290	355,303
Others	39,200	43,000
Corporate bonds		
CVS 4.78 03/25/38	365,300	397,647
CKHH 3.5 04/05/27	281,000	296,581
Others	1,195,781	1,184,362
Bank debentures		
BCHINA 2.5 12/05/24	281,000	279,764
Others	1,051,776	987,409
Others	-	305,700
	<u>\$ 3,694,567</u>	<u>\$ 4,116,898</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
SCHEDULE 3
FINANCIAL ASSETS AT FVTOCI
DECEMBER 31, 2020
(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	29,500,000	\$ 29,500,000	\$ -	\$ 29,506,634	
	Others (Note)	731,172	718,910	(158)	720,572	
Government bonds		36,643,495	38,164,497	-	38,591,566	
Corporate bonds		39,903,667	40,697,121	(5,190)	40,916,737	
Bank debentures		74,841,191	75,134,239	(22,208)	75,869,057	
Domestic and overseas stocks		2,360,633	3,999,668	38,350	4,914,356	
Beneficiary securities		1,233,225	510,670	-	510,978	
			<u>\$ 188,725,105</u>	<u>\$ 10,794</u>	<u>\$ 191,029,900</u>	

Note: The amount of each item in others does not exceed 5% of the account balance.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SCHEDULE 4

DEBT INSTRUMENTS AT AMORTIZED COST

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Items	Summary	Amount	Interest Rate (%)	Unamortized Premium (Discount)	Allowance for impairment	Book Value	Note
Corporate bonds		\$ 4,453,051		\$ 36,463	\$ (1,861)	\$ 4,487,653	
Bank debentures		21,849,968		37,078	(7,191)	21,879,855	
Government bonds		3,056,000		27,840	-	3,083,840	
Investment in bills							
	CD2012280011	15,000,000		-	-	15,000,000	
	CD2012140011	13,700,000		-	-	13,700,000	
	Others (Note)	<u>212,487,815</u>		<u>(5,068)</u>	<u>(73)</u>	<u>212,482,674</u>	
		<u>\$ 270,546,834</u>		<u>\$ 96,313</u>	<u>\$ (9,125)</u>	<u>\$ 270,634,022</u>	

Note: The amount of each item in others does not exceed 5% of the account balance.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SCHEDULE 5

CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars and shares, 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	\$ 69,355	-	\$ 9,358	-	\$ (1,710)	4,500	30.00	\$ 77,003	17.13	\$ 77,003
Ambi Investment and Inc.	1,000	10,000	-	-	-	(793)	1,000	25.00	9,207	9.21	9,207
Listed company											
Chang Hwa Bank	2,277,841	<u>41,327,245</u>	91,113	<u>1,557,525</u>	-	<u>(911,136)</u>	2,368,954	22.81	<u>41,973,634</u>	17.95	<u>42,522,721</u>
		<u>\$ 41,406,600</u>		<u>\$ 1,566,883</u>		<u>\$ (913,639)</u>			<u>\$ 42,059,844</u>		<u>\$ 42,608,931</u>

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
SCHEDULE 6
**CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

	Beginning Balance	Increase	Decrease	Ending Balance	Note
Buildings	\$ 3,400,201	\$ 933,371	\$ (325,007)	\$ 4,008,565	
Office equipment	991	134	(45)	1,080	
Transportation equipment	35,461	20,029	(19,782)	35,708	
	<u>\$ 3,436,653</u>	<u>\$ 953,534</u>	<u>\$ (344,834)</u>	<u>\$ 4,045,353</u>	

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
SCHEDULE 7
**CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

	Beginning Balance	Increase	Decrease	Ending Balance	Note
Buildings	\$ 658,190	\$ 755,428	\$ (262,904)	\$ 1,150,714	
Office equipment	96	283	(45)	334	
Transportation equipment	17,043	16,420	(18,508)	14,955	
	<u>\$ 675,329</u>	<u>\$ 772,131</u>	<u>\$ (281,457)</u>	<u>\$ 1,166,003</u>	

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
SCHEDULE 8
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Items	Face Value	Amount
Corporate bonds	\$ 13,118,198	\$ 11,089,195
Convertible bonds	3,205,500	3,208,821
Repurchase agreement		
Invoicing - TWSE	7,070,000	7,066,176
Others (Note)	42,229,800	42,199,761
Government bonds		
Treasury Bond 102 I-10	7,105,300	7,052,376
Others (Note)	11,873,110	11,944,923
Bank debentures	6,275,834	5,727,394
	<u>\$ 90,877,742</u>	<u>\$ 88,288,646</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
SCHEDULE 9
DETAILED SCHEDULE OF FOREIGN EXCHANGE GAIN (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Items	Amount
Spot	\$(15,386,558)
Forward	16,341,724
Self-owned capital	(35,439)
Others	<u>102,347</u>
	<u>\$ 1,022,074</u>

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
SCHEDULE 10
**DETAILED SCHEDULE OF NET OTHER NON-INTEREST INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Amount
Revenue excluding interest	
Loans management revenue	\$ 206,697
Leasing revenue	96,433
Other revenue (Note)	384,204
	<u>687,334</u>
Expense excluding interest	
Loans manage cost	(22,964)
Expenses arising from issuance of call (put) warrants	(16,428)
Reparation loss	(26,408)
Other expenses	(138,978)
	<u>(204,778)</u>
	<u>\$ 482,556</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
SCHEDULE 11
**DETAILED SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Amount
Employee benefits expenses	\$ 14,467,600
Depreciation	1,815,407
Amortization	385,896
Leases	153,108
Stationeries	141,263
Postage and remittance fee	840,195
Advertisement fee	1,588,418
Insurance (group insurance, labor and national health insurance were excluded)	447,537
Tax and levies	1,899,008
Allowance for entertainment	86,860
Donation	47,098
Labor service fee	1,480,938
Freight	48,697
Others (Note)	2,450,973
	<u>\$ 25,852,998</u>

Note: The amount of each item in others does not exceed 5% of the account balance

EMPLOYEE BENEFITS EXPENSE

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

	Employee Benefits Expense	Other General and Administrative Expenses	Total
Salaries and wages	\$ 12,369,415	\$ -	\$ 12,369,415
Labor and national health insurance	868,634	-	868,634
Post-employment benefits	490,196	-	490,196
Stock-based payments	12,318	-	12,318
Remuneration of directors	120,637	1,396	122,033
Others	606,400	-	606,400
	<u>\$ 14,467,600</u>	<u>\$ 1,396</u>	<u>\$ 14,468,996</u>

Note 1: As of December 31, 2020 and 2019, the numbers of employees of the Group were 9,749 and 9,582, respectively, including 19 and 17 non-employee directors, respectively.

Note 2: The average employee benefits expenses for the years ended December 31, 2020 and 2019 were \$1,475 thousand and \$1,434 thousand per employee, respectively.

Note 3: The average salaries and wages for the years ended December 31, 2020 and 2019 were \$1,271 thousand and \$1,236 thousand per employee, respectively. The average employee salaries and wages were increased by 2.83%.

Note 4: Supervisor's remuneration for 2020 and 2019: None

Note 5: The Group's compensation policy is as follows:

- a. Directors' remuneration of Taishin Financial Holding and its subsidiaries is based on level of participation, contribution value, peer average, and manager compensation; Directors' performance include company performance, personal performance and participation, then the payment of remuneration should be approved by the board of directors.
- b. For managers and employees, compensation is based on their job duty, company and personal performance. Taishin Financial Holding and its subsidiaries assess peer average and future risk in order to provide competitive compensation.

► E. Any Financing Problems Encountered by the Company or Its Affiliates Which Might Affect the Company's Financial Status: Nil.



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	2019	2020	Variation	
			Amount	(%)
Cash and cash equivalent	3,031,477	109,411	(2,922,066)	(96.39)
Financial assets at fair value through other comprehensive income	1,980	1,992	12	0.61
Financial assets at fair value through profit or loss	0	450,126	450,126	-
Receivables - net	1,232,846	1,188,607	(44,239)	(3.59)
Current tax assets	229,092	0	(229,092)	(100.00)
Investments accounted for using the equity method, net	209,319,394	219,875,975	10,556,581	5.04
Other financial assets	0	0	0	-
Property and equipment - net	3,990	2,533	(1,457)	(36.52)
Right-of-use assets - net	5,984	0	(5,984)	(100.00)
Deferred tax assets - net	0	0	0	-
Other assets	17,538	18,829	1,291	7.36
Total assets	213,842,301	221,647,473	7,805,172	3.65
Commercial paper issued	9,994,377	999,576	(8,994,801)	(90.00)
Payables	968,791	587,462	(381,329)	(39.36)
Current tax liabilities	1,982,724	1,998,212	15,488	0.78
Bonds payable	22,000,000	32,000,000	10,000,000	45.45
Lease liabilities	7,027	0	(7,027)	(100.00)
Reserve for liabilities	0	0	0	-
Other liabilities	0	0	0	-
Total liabilities	34,952,919	35,585,250	632,331	1.81
Capital stock	114,578,121	117,126,998	2,548,877	2.22
Capital surplus	35,955,405	35,928,795	(26,610)	(0.07)
Retained earnings	27,302,739	31,180,784	3,878,045	14.20
Other equity	1,053,117	1,825,646	772,529	73.36
Total equity	178,889,382	186,062,223	7,172,841	4.01

Figures exceeding NT\$100 million and changed by 20% or higher are analyzed as follows:

- (1) Decrease in cash, cash equivalents, and repurchase bills and bonds as at December 31, 2020 over December 31, 2019 was mainly attributed to the issuance of ordinary corporate bonds in 2020, which were used to offset insufficient funds for payment of commercial papers payable and distribution of cash dividends.
- (2) Decrease in current income tax assets as at December 31, 2020 over December 31, 2019 was mainly attributed to the receipt of tax refunds receivable from 2015 in 2020.
- (3) Decrease in commercial papers payable as at December 31, 2020 over December 31, 2019 and increase in bonds payable as at December 31, 2020 over December 31, 2019 were mainly attributed to the issuance of ordinary corporate bonds in 2020 to pay for commercial papers payable.
- (4) Decrease in payables as at December 31, 2020 over December 31, 2019 was mainly attributed to the decrease in consolidated taxes payable from subsidiaries.
- (5) Increase in other equities as at December 31, 2020 over December 31, 2019 was mainly attributed to the increase in unrealized gains for subsidiaries on available-for-sale financial assets in 2020.

B. Business performance

Unit: NT\$1,000

Item	2019	2020	Variation	
			Amount	%
Realized gain on available-for-sale financial assets	15,302,418	15,418,827	116,409	0.76
Other income	27,180	25,901	(1,279)	(4.71)
Operating expenses	(319,125)	(622,727)	(303,602)	95.14
Other expenses and losses	(450,715)	(475,969)	(25,254)	5.60
Pre-tax income (loss)	14,559,758	14,346,032	(213,726)	(1.47)
Income tax (expense) benefit	(71,737)	147,390	219,127	(305.46)
Net Income	14,488,021	14,493,422	5,401	0.04
Other comprehensive income (loss), net of tax	1,019,522	472,859	(546,663)	53.62
Total comprehensive income	15,507,543	14,966,281	(541,262)	(3.49)

Figures exceeding NT\$100 million and changed by 20% or higher are analyzed as follows:

- (1) Increase in operating expenses as at 2020 over 2019 was mainly attributed to the increase in consulting fees and shareholder costs in 2020.
- (2) Increase in income tax gains as at 2020 over 2019 was mainly attributed to the decrease in assessment difference from income tax recognized in the previous year and basic tax in 2020.
- (3) Decrease in other comprehensive income in the current period as at 2020 over 2019 was mainly attributed to the decrease in unrealized gains for subsidiaries on available-for-sale financial assets in 2020.

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
559,537	9,100,842	(8,724,609)	935,770	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 2020.

E. Investment policy in the recent year

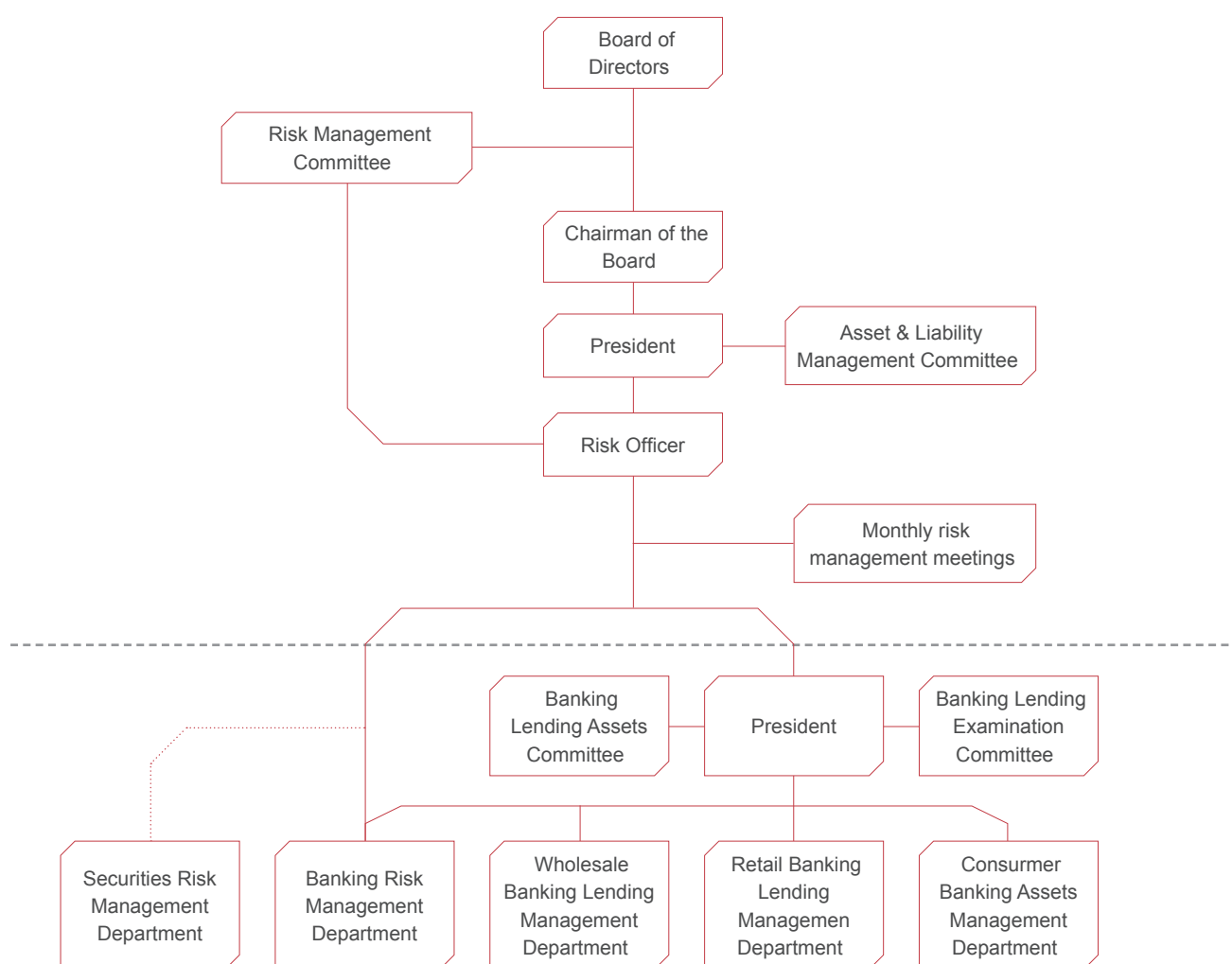
The company carries out investments in compliance with the articles 36 and 37 of Taiwan's Financial Holding Company Law, with considering returns on investment and cross-selling synergy among subsidiaries. In order to meet the demand of clients for assets accumulation and wealth management planning, 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. Supervise material matters of risk management, including capital management and risk appetite 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 or 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.



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 management

A. Wholesale 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 management.

B. 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 losses, 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, Taishin calculates marked to market profits and losses on derivatives positions held by its subsidiaries, and sets limits on VaR, position, and stop loss and MAT alerts for investment portfolios according to purpose of the portfolio, trading strategies, derivative characteristics, and market practices in order to keep maximum losses under control.

(3) Operational 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 operational risk management principle and operational risk endurable extent under risk management policy. It has also established "operating risk reporting procedure," "risk control self-assessment 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.

(a) 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, asset management and post-loan administration 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. The Wholesale Post-Loan Administration Department established the post-loan management system. Other than the review functions it was already equipped with, an alert mechanism was established to strengthen post-loan management of obligors through advance warnings and faster, more exhaustive notifications and tracking, as to reduce credit risk.
- 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.

(b) 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.

(c) Quantified information on risk exposure

Credit Risk Exposure and Capital Requirement after Mitigation on Standardized Approach.

Dec. 31, 2020 Unit: NT\$1,000

Type of Risk Exposure	Risk Exposure after Mitigation	Capital Requirement
Sovereigns	376,959,910	99,696
Non-central government public sector entities	725,371	11,606
Banks (including multilateral development banks)	181,383,889	6,004,295
Corporates	471,556,863	34,863,104
Retail	218,243,459	12,792,567
Real estate	720,199,978	30,139,142
Equity investments	5,299,271	423,942
Equity investments in fund and venture capital	1,409,653	102,097
Other Assets	43,516,798	2,709,683
Total	2,019,295,192	87,146,132

B. Liquidity risk

(a) 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.

(b) Quantified information

Value for balance period before due dates

Dec. 31, 2020 Unit: NT\$1,000

	Total	Value for Balance Period Before Due Dates					
		0 to 10 days	11 to 30 days	31 to 90 days	91 to 180 days	181 days to one year	Over one year
Main fund Inflow Due	2,065,909,715	287,950,977	395,514,798	244,505,224	177,685,771	166,189,357	794,063,588
Main fund Inflow Due	2,472,085,128	147,034,865	236,298,583	319,710,910	270,459,141	446,231,801	1,052,349,828
Expected Gap	(406,175,413)	140,916,112	159,216,215	(75,205,686)	(92,773,370)	(280,042,444)	(258,286,240)

Analysis for the structure of USD due dates

I. The Bank

Dec. 31, 2020 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	38,903,997	16,939,357	9,428,553	4,215,218	3,212,133	5,108,736
Main fund Inflow Due	39,056,182	13,812,543	8,475,361	5,087,831	5,007,740	6,672,707
Expected Gap	(152,185)	3,126,814	953,192	(872,613)	(1,795,607)	(1,563,971)

II. Overseas branch

Dec. 31, 2020 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	4,128,898	1,836,333	484,863	150,843	133,644	1,523,215
Main fund Inflow Due	4,295,432	2,299,382	1,090,664	197,819	266,292	441,275
Expected Gap	(166,534)	(463,049)	(605,801)	(46,976)	(132,648)	1,081,940

C. Market risk

(a) 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.

(b) 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.

(c) Quantitative information on risk exposure

Capital Requirement for Market Risk

Dec. 31, 2020 Unit: NT\$1,000

Kinds of risks	Capital requirement
Interest Rate Risk	3,158,676
Equity Securities Risk	387,445
Currency Risk	127,521
Commodity Risk	0
Total	3,673,642

D. Operational risk

(a) Operational risk management policy and framework

To attain effective operational risk management, the bank has formulated its operational risk management principle under its 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 bank has established independent risk management units, further consolidating the bank's operational risk management.

(b) Identification of operational risk

The operational risk is defined 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 company wide 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.

(c) Operational risk assessment and supervision

To strengthen the control of loss amounts associated with operational risks, 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.

(d) Quantitative information on risk exposure

Operational Risk Accrued Capital

Dec. 31, 2020 Unit: NT\$1,000

Year	Gross Profit	Capital Requirement
2018	34,026,537	-
2019	37,646,970	
2020	37,257,551	
Total	108,931,058	4,912,574

(2) Taishin Securities Co., Ltd. (Market risk, counterparty risk, fundamental risks, and business risks.)

A. Risk management method

As of 2020, 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

(a) 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.

(b) 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:

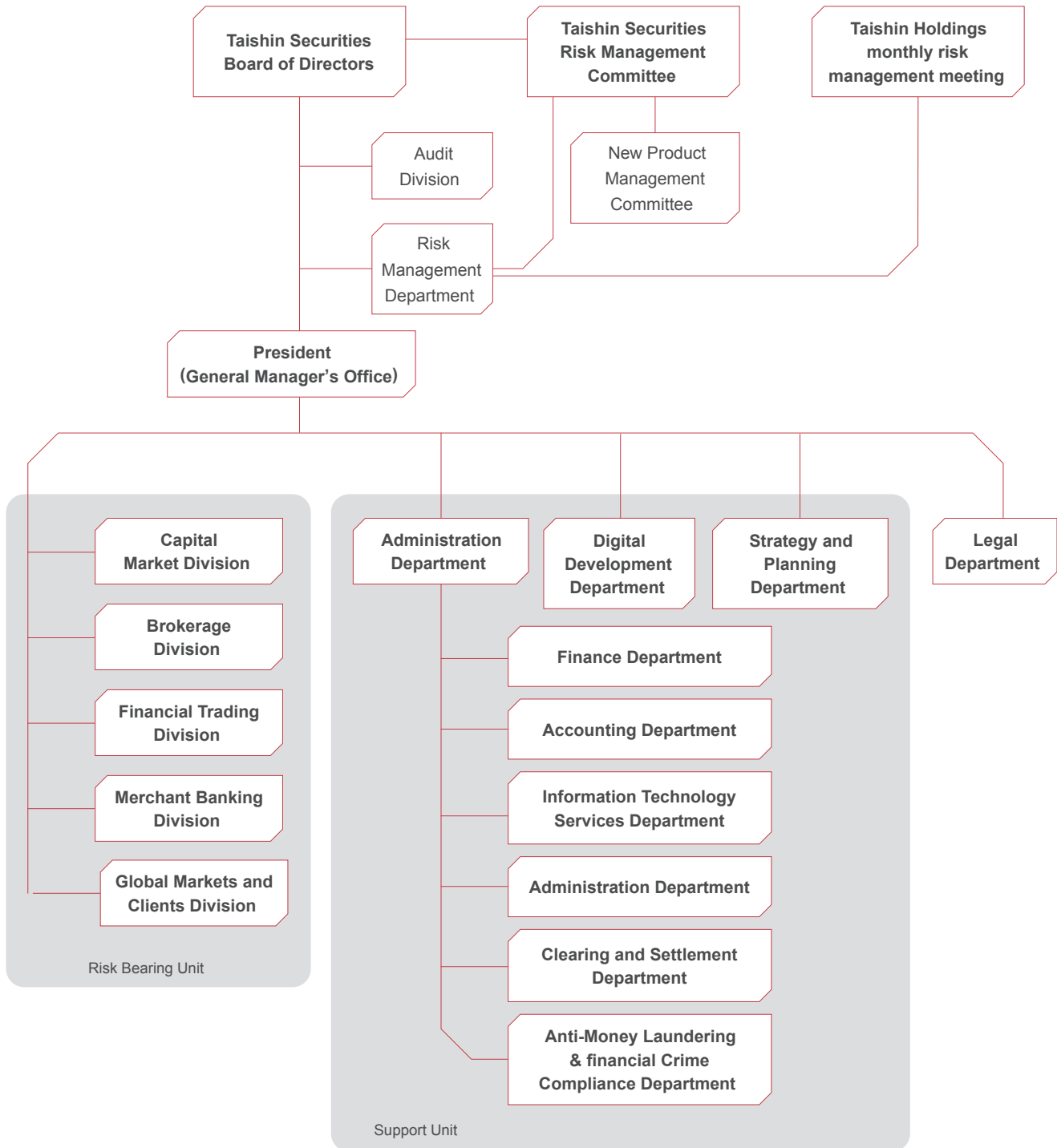
- ◆ Establish a risk evaluation mechanism to grasp the company's diversified risks and form the basis of the company's sustainable development.
- ◆ Emphasize the efficacy of the company's risk based assets.
- ◆ Emphasize related risks in the pursuit of maximum returns, thereby incorporating risk factors 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

(a) Chart for overall risk management system framework



(b) 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.

IV. 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"> 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. 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"> In charge of the credit risk of issuers, counterpartys, and qualified clearing brokers, distinguish liquid and illiquid positions, and set up limits according to the nature of financial trading and credit rating. Set up risk control measures such as stock spot market concentration limit, industry concentration limit, and country risk concentration limit to achieve risk diversification. Summarize 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. Regarding margin trading and Non-restricted purpose loans in the brokerage business, the account opening procedures follow Taishin's internal control system and related regulations. KYC procedures are enforced, and margin trading limits are established according to internal/external regulations. In addition, margin trading percentages for individual stocks are adjusted in response to changes in financial markets, and account maintenance ratios are monitored daily. 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"> Market liquidity management: Market liquidity management is aimed at avoiding low trading volume and poor liquidity conditions so that prices cannot be easily manipulated when selling a position. Therefore, a cap on holding of single stock is established for controlling spot trades of domestic and foreign shares. A cap on the ratio of shares outstanding is established for the trading of convertible bonds. Liquidity management is handled by financial units according to the Liquidity Risk and Fund Management Guidelines. The units sets fund transfer mechanisms, 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, 2020 Unit: NT\$1,000

Kinds of Risk	Equivalent Value of Risks
Market risk	1,729,751
Credit risk	781,153
Operational risk	284,326
Total	2,795,230

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
The UK's Financial Conduct Authority (FCA) announced that banks need not to provide LIBOR quotations daily starting from January 1, 2022.	LIBOR-quoted derivative financial products, corporate loans, floating-rate securities invested in by Taishin Bank and customers, agreements, and so forth will be affected by the shift in product indicator, change in business processes, system adjustment, and finance risk.	Taishin FHC established the Libor Transition Steering Committee and project office at group level to carry out a complete inventory of the affected holdings and businesses by our subsidiaries, and establish taskforces for each business category in order to perform changes and preparation tasks with regard to every service. The project office will regularly report the implementation progress on exposure follow-up and change tasks, as well as the most recent market developments.
Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions	According to regulations, financial institutions had to complete audit on high net worth customers by 2019. Audits on customers with low-value assets and physical accounts were completed in 2020, and we made the first declaration in June 2020. We declared information regarding financial accounts held or controlled by Japanese, Australian, and British tax residents by late June 2021, in accordance with Articles 50 and 51 of the Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions	The subsidiaries of Taishin FHC hired a team of expert consultants to start implementing and integrating appropriate countermeasures, as well as establishing an IT system and measures to respond to regulatory changes, in order to further raise employee awareness on legal compliance.
Fair Customer Treatment Principles in the Financial Service Industry	According to the FSC's announcement on November 22, 2018, the evaluation mechanism for the Fair Customer Treatment Principles in the Financial Service Industry was to come into effect in 2019. Banks, integrated securities firms, and life, property and casualty insurers should use checklists to perform self-assessments and file the results with the FSC by the end of April 2019.	Taishin Bank and Taishin Securities organized employee training regarding the fair customer treatment principles and Improvement Matters that Require Attention by Financial Institutions When Implementing the Fair Customer Treatment Principles. Furthermore, internal regulations and concrete actions related to the fair customer treatment principles were rolled out, and the evaluation form on the fair treatment of customers was completed according to law; the results are expected to be submitted to the FHC on late April.
Central Bank Regulations on Mortgage Loans by Financial Institutions	The Central Bank amended the Central Bank Regulations on Luxury Property Loans by Financial Institutions to the Central Bank Regulations on Mortgage Loans by Financial Institutions on December 7, 2020. Restrictions on loan terms were added, as follows: (1) When the borrower is a legal person, the first home loan shall have a maximum credit limit of 60% (the lower of the appraisal or sale price; the same applies below), with a grace period. For the second and later home loans, the maximum credit limit shall be 50%, without a grace period. (2) When the borrower is a natural person, the third and later home loans shall have a maximum credit limit of 60%, without a grace period. The maximum credit limit for luxury property loans is 60%. (3) In the case of land loans and vacant land loans, the maximum credit limit shall be 65% (10% shall be reserved and only be extended to the borrower upon submission of a concrete construction plan for the land bought) and 50%, respectively.	The banking subsidiary has already adjusted work procedures and internal regulations to comply with the new restrictions imposed on mortgage terms by the Central Bank, as well as performed relevant control for the percentage restrictions. There are ongoing awareness campaigns requesting employees and supervisors to implement the regulations and requirements by the competent authority.
Interim Measures for the Supervision and Administration of Financial Leasing Companies promulgated by the China Banking and Insurance Regulatory Commission	The China Banking and Insurance Regulatory Commission promulgated the Interim Measures for the Supervision and Administration of Financial Leasing Companies on May 26, 2020 to stipulate the business conduct of financial leasing companies, perfect the regulations on management and supervision of financial lease services, and foster orderly development of the financial lease industry. The new measures cover business scope, risk preventive measures, financial lease asset percentage, and risky total assets. The applicable transition period in such measures is "3 years".	The financial leasing company in mainland China has spread awareness and implemented controls internally, as well as integrated relevant businesses.

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 Bank will continue to work with partners in other industries in order to provide a wider range of innovative services for customers.

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 2020.

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	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.	confirmed continuation of contractual relationship	2014.12.09	Ministry of Finance	<p>The case was heard by the Taiwan Taipei District Court, the Taiwan High Court and the Supreme Court, all of which were of the opinion that the contract between Taishin and the Ministry of Finance was valid and remained in effect.</p> <ol style="list-style-type: none"> 1. The case was ruled by the Taiwan Taipei District Court on April 27, 2016. The Taipei District Court verdict on April 27, 2016, confirmed that the Ministry of Finance and Taishin Financial Holdings had a contractual relationship, but did not grant Taishin's request for a replacement of the institutional board members on CHB's 24th board of directors. 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. 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. 3. The Supreme Court ruled it necessary to clarify issues including whether the contract between the parties was a voting agreement and whether the contract violated the order and customs by having been in existence for 13 years. As a result, the Supreme Court remanded the case to Taiwan High Court on May 23, 2019. 4. The Taiwan High Court (first verdict) confirmed on August 21, 2020 that a contractual relationship existed between the Ministry of Finance and Taishin FHC in the matter where "while the shares in Chang Hwa Bank held by the Ministry of Finance are not sold and Taishin FHC remains the largest shareholder of Chang Hwa Bank, the Ministry of Finance shall support (including but not limited to refraining from obstructing) Taishin FHC's representatives in being elected for 4 regular seats on Chang Hwa Bank's board of directors". The Ministry of Finance filed an appeal regarding its disagreement with Taishin FHC, and the proceedings are currently pending in the Supreme 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:

1. 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 promote awareness towards AML/CFT by management and general employees, Taishin FHC's Board of Directors continued to attend 21 hours of AML/CFT training as part of the corporate governance courses in 2020. There was also relevant training for the group's AML/CFT compliance officer and personnel, which amounted to 840 hours. Additionally, education and training for Taishin FHC and the banking, securities, investment trust, investment consulting, and leasing subsidiaries includes physical courses, e-learning, and external courses. 16,430 employees attended 14,980 hours of education and training. Course contents encompass reflections and outlooks on AML risk control, awareness campaigns on legal compliance and audit, proliferation financing, customer risk audit, system operations, important matters during business execution, suspicious transaction patterns, description of cases and reporting, and frequently-seen deficiencies, totaling more than 100 classes. Taishin FHC achieved 100% completion rate for AML/CFT training in 2020.

2. Emerging Risk:

Risk topic		WEF risk category	Impact on operations and businesses	Mitigation and response measures	Opportunities
Data theft risks	<p>The number of cyber-attacks in Taiwan's finance industry has increased. Hackers use new techniques and exploit system vulnerabilities and gain access to steal or tamper with data from sources that are not easily traced.</p> <p>Criminals use social engineering to target financial consumers. They send phishing emails or SMS (smishing) that appear to be authentic to steal assets and personal information.</p>	Technologic	<p>Personal mobile devices have become increasingly popular among all age groups. Due to the pandemic, the finance industry has invested heavily in promoting digital communication channels, which also provided criminals with more opportunities for criminal activities.</p> <p>A successful attack by a hacker with any of these activities may damage customer interests and the reputation of the Bank, and may result in a warning from the competent authority.</p>	<p>Taishin Bank continues to monitor global information security incidents and system vulnerabilities to enhance system security standards. We organize education and training to strengthen employees' information security awareness and reduce related information security risks.</p> <p>We remind customers of making prudent judgments and not to click on links from unknown sources. They must also regularly review their own assets and notify the Bank and the 165 anti-fraud line of the National Police Agency in the event of an anomaly for assistance in investigations.</p>	<p>We have won the trust of new customers with new and strong information security measures and gained recognition in the market among numerous digital financial service brands.</p> <p>We have converted passive actions to active actions by reviewing procedures regularly to protect both Taishin and customers. We have helped the public understand the convenience and security of Taishin network services, increased the loyalty of Taishin customers, and attracted more potential customers.</p>
Challenges in the post-pandemic era	<p>Although different countries have accelerated the development of vaccines, the insufficient supply and side effects meant that companies still face the threat of the virus.</p> <p>The changes in the development of the pandemic have inspired de-globalization ideas and encouraged the finance industry to review regional industry structures and adjust their lending and investment strategies.</p>	Societal	<p>The old operating model requires accelerated adjustments and we must increase investments in remote office software and hardware.</p> <p>The extended recovery period required for economic activities means continuous pressure on personal or corporate borrowers for repayment of loans.</p>	<p>Continue to monitor changes in the development of the pandemic and implement disease prevention measures with flexibility.</p> <p>Encourage customers to make use of digital services such as ATMs or apps to reduce the possibility of infections while monitoring account conditions and maintaining uninterrupted services.</p> <p>Fulfill corporate social responsibilities and help people or companies who experience difficulties in repaying loans due to the economic challenges cause by the pandemic. Where necessary, provide relief loan repayment options.</p>	<p>Embracing the new normal after the pandemic:</p> <p>Provide new industries with potential for profitability such as online shopping, online meal orders, car purchases, and medical services with appropriate financial products.</p> <p>Continue to improve the remote backup plan and restore normal operations before competitors when the next wave of the pandemic hits.</p> <p>Use opportunities to review the borrowers and transaction counterparties and review supplier management to enhance the health of our operations.</p>
Increased difficulties in predicting international political development	<p>Political tension between major countries or the special cross-strait relations may affect the economy and increase uncertainties in predicting international political development which may create risks for business operations.</p> <p>The United States and China may remain competitive and they may also opt for cooperation or confrontation. Their relationship may lead to the redistribution of the global industry chain, cause upheavals in geopolitics, and affect the flow of funding across the globe.</p>	Geopolitical	<p>The tariff and trade war between the two countries has affected export corporate customers who must face increased cost, reduced purchase orders, and reduced profitability. They may need to consider suspending business operations, adjustments, and reorganization.</p> <p>The tension between the United States and China cannot be easily eliminated. The risks of political and economic black swans persist and increase the difficulties for the Company's research team to make judgments.</p>	<p>Continue to monitor credit risks in Mainland China and strengthen the management of financial statements with exposure in Mainland China to avoid excessive concentration of assets. Pay close attention to the quality of credit and investments.</p> <p>Participate in external political seminars or forums and increase cross-sector communication opportunities to enhance the Company's judgments in political environments.</p>	<p>COVID-19 has created a new global economic and trade order. By observing the suspension of production in foreign countries as a result of the pandemic, we can monitor whether purchase orders have flowed back to Taiwan and identify opportunities for expanding the domestic demand.</p> <p>Refine the depth of studies conducted by the investment advisory team to provide customers with more accurate predictions and grasp market opportunities.</p>

► 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.



08

Special Disclosure

VIII. Special Disclosure

► A. Information regarding the company's subsidiaries

a. Declaration for consolidated financial statements of affiliates

The companies to be included in the consolidated financial statements of affiliates pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and the companies to be included in the consolidated financial statements pursuant to IFRS 10 in 2020 are the same for Taishin FHC. Furthermore, since the information to be disclosed in the consolidated financial statements of affiliates has been disclosed in the aforesaid consolidated financial statements, the consolidated financial statements of affiliates will not be prepared in addition.

b. Affiliation reports: N/A.

c. Basic information

Date: Dec. 31, 2020 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	86,957,118	<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, Jhongshan N. Rd., Taipei City	86,957,118	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	4,219,113	Ventral capital
Taishin Securities Co., Ltd.	1990.01.15	2nd fl., No. 44, Sec. 2, Jhongshan N. Rd., Taipei City	6,924,125	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.	1996.09.19	3rd fl., No. 44, Sec. 2, Zhongshan N. Rd. Taipei	(Note 1)	Agency for personal insurance (Note 1)
Taishin D.A. Finance Co., Ltd.	1997.10.13	7th fl., No. 44, Sec. 2, Zhongshan N. Rd. Taipei	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	30F, Building 4, Financial City, No. 248, Lushan Road, 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	11th fl, No. 96, Section 1, Jianguo North Road, Zhongshan District, Taipei	165,407	<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.
Taishin Capital Co., Ltd.	2019.08.30	11th fl, No. 96, Section 1, Jianguo North Road, Zhongshan District, Taipei	50,000	<ol style="list-style-type: none"> 1. General investment 2. Venture capital business 3. Investment consulting services 4. Management consulting services 5. In addition to the licensed activities, Taishin Holdings may also engage in other business activities that are not prohibited or restricted by law.

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Credidi Inc. (Note 4)	2020.05.14	2nd fl., No. 34, Sec. 4, Jenai Rd. Taipei City	51,100	1. Software Design Services 2. Data Processing Services 3. Digital Information Supply Services 4. Investment Consultancy 5. the third party payment 6. General Advertising Services 7. Leaflet Distribution 8. Industry and Commerce Credit Bureau Services 9. Investment 10. Other Financing, Insurance and Just Third Party Property Auction Real Estate Not Elsewhere Classified 11. All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Note 1: Dissolution of Xiang-An Life Insurance Agency Co. Ltd. began on March 29, 2020. It is currently in the liquidation procedure.

Note 2: 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.

Note 3: Incorporated and registered on August 30, 2019, Taishin Asset Management Consulting Co., Ltd. is a wholly-owned subsidiary of Taishin Securities Co., Ltd.

Note 4: Credidi Inc. became established and registered on May 14, 2020, and became a subsidiary of Taishin FHC on November 3, 2020. Taishin Securities Investment Advisory Co., Ltd., Taishin Venture Capital Investment Co., Ltd., and Taishin Securities Venture Capital Co., Ltd. jointly hold 51% of equity (Taishin Securities Investment Advisory Co., Ltd. holds 6%, Taishin Venture Capital Investment Co., Ltd. holds 20%, and Taishin Securities Venture Capital Co., Ltd. holds 25%, respectively).

d. Directors, supervisors and major managers of the company's subsidiaries

Date: Dec.31, 2020

Name of enterprise	Position	Representative	Shareholding	
			Share	(%)
Taishin International Bank Co., Ltd.	Chairman	Wu, Tong-Liang	Taishin holding company owns 8,695,711,853 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		
	Director	Wu, Shin-Hau		
	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		
	Director	Tiao, Chieh-Sheng		
	Supervisor	Welch Lin		
	President	Frank Liaw	-	-
Taishin Venture Capital Investment Co., Ltd.	Chairman	Steve S.F. Shieh	Taishin holding company owns 421,911,304 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 692,412,444 shares (100%).	
	Director	Lu, Po- Yung		
	Director	Welch Lin		
	Director	Perry Huang		
	Director	Sharon Lin		
	Director	Wu, Shin-Hau		
	Independent Director	Janathan Lin		
	Independent Director	Charles Wang		
	Supervisor	Wu, Tong-Shung		
	Supervisor	Carol Lai		
	President	Lin ,Hsien-Chun	-	-
Taishin Securities Investment Trust Co., Ltd.	Chairman	Wu, Thomas K.H.	Taishin holding company owns 75,454,545 shares (100%).	
	Vice chairman	Sam Lin		
	Director	Kuo, Li-Cheng		
	Director	Sheng, Chi-Ying		
	Director	John Chiou		
	Supervisor	Vincent Tsai		
	President	Jackie Yeh	-	-
Taishin Securities Investment Advisory Co., Ltd.	Chairman	Lin,Neng-Pai	Taishin holding company owns 27,599,513 shares (92%).	
	Director	Eric Chien		
	Director	Shouna Liu		
	Supervisor	Steve Chiu	-	-
	President	Li, Chen-Yu	-	-

e. Directors, supervisors and major managers on affiliates

Name of enterprise	Position	Company's Name	Shareholding (Share)	(%)
		Representative		
Taishin Real Estate Management Co.,Ltd.	Chairman	Taishin International Bank	12,000,000	60
		Tiao, Chieh-Sheng	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
	Director	Taishin International Bank	12,000,000	60
		Wu, Tong-Shung	0	0
	Supervisor	Taishin Asset Management	8,000,000	40
		Welch Lin	0	0
	President	Frank Liaw	0	0
Taishin D.A. Finance Co., Ltd.	Chairman	Taishin International Bank	128,878,395	100
		Eric Chen	0	0
	Director	Taishin International Bank	128,878,395	100
		Welch Lin	0	0
	Director	Taishin International Bank	128,878,395	100
		Bruce Chien	0	0
	Supervisor	Taishin International Bank	128,878,395	100
		Peter Tsai	0	0
	President	Emily Tsai	0	0

Name of enterprise	Position	Company's Name	Shareholding (Share)	(%)
		Representative		
Taishin Financial Leasing (China) 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
	Supervisor	Taishin Venture Capital Investment		100
		Peter Tsai		0
	President	Goldin Wang		0
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
	Supervisor	Taishin Venture Capital Investment		100
		Peter Tsai		0
	President	Goldin Wang		0
Taishin Securities Venture Capital Investment Co.,Ltd.	Chairman	Taishin Securities	16,540,685	100
		Wei, Zhi-Da	0	0
	Director	Taishin Securities	16,540,685	100
		Alex Shih	0	0
	Director	Taishin Securities	16,540,685	100
		Chen ,Li-Guo	0	0
	Supervisor	Taishin Securities	16,540,685	100
		Yen Chen	0	0
	President	Lin,Chung-Hsin	0	0
Taishin Capital Co., Ltd.	Chairman	Taishin Securities	5,000,000	100
		Chen ,Li-Guo	0	0
	Director	Taishin Securities	5,000,000	100
		Alex Shih	0	0
	Director	Taishin Securities	5,000,000	100
		Max Wu	0	0
	Director	Taishin Securities	5,000,000	100
		Wu, Shin-Hau	0	0
Credidi Inc.	Supervisor	Taishin Securities	5,000,000	100
		Ming Ming Lin	0	0
	President	Chien Chih Chen	0	0
	Chairman	Taishin Securities Investment Advisory	6,000,000	6
		Vincent Liaw	44,100,000	44.1
	Director	Taishin Securities Investment Advisory	6,000,000	6
		Carrie Chen	0	0
	Director	Taishin Venture Capital Investment	20,000,000	20
		Chin-Ju Chou	0	0
	Supervisor	Taishin Securities Venture Capital Investment	25,000,000	25
		Vincent Tsai	0	0
	President	Vincent Liaw	44,100,000	44.1

Note 1: Xiang-An Life Insurance Agency was wound up on March 29, 2020 (the board of directors was dissolved). Steve S.F. Shieh served as liquidator for the dissolution proceedings. However, the extraordinary shareholders' meeting on August 7, 2020 acknowledged the dissolution completion of Xiang-An Life Insurance Agency and approved relevant books and records, so the liquidator is released from office.

Note 2: Credidi Inc. became established and registered on May 14, 2020, and became a subsidiary of Taishin FHC on November 3, 2020. Taishin Securities Co., Ltd., Taishin Venture Capital Investment Co., Ltd., and Taishin Securities Venture Capital Co., Ltd. jointly hold 51% of equity (Taishin Securities Co., Ltd. holds 6%, Taishin Venture Capital Investment Co., Ltd. holds 20%, and Taishin Securities Venture Capital Co., Ltd. holds 25%, respectively).

f. Operation overview on affiliates

Date: Dec. 31, 2020 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.	86,957,118	2,075,548,960	1,913,360,500	162,188,460	37,897,099	37,897,099	12,174,699	1.40
Taishin Asset Management Co., Ltd.	671,000	2,039,200	886,638	1,152,562	235,253	118,475	123,029	1.83
Taishin Venture Capital Investment Co., Ltd.	4,219,113	4,839,558	2,744	4,836,814	822,770	808,725	805,871	1.91
Taishin Securities Co., Ltd.	6,924,125	53,899,669	44,791,488	9,108,181	3,083,368	844,312	773,269	1.12
Taishin Securities Investment Trust Co., Ltd.	754,545	1,077,613	167,820	909,793	448,948	59,627	85,168	1.13
Taishin Securities Investment Advisory Co., Ltd.	300,000	399,212	67,642	331,570	106,427	(2,264)	(20,586)	(0.69)
Xiang-An Life Insurance Agency Co., Ltd.	(Note 1)							
Taishin Real – Estate Management Co., Ltd.	200,000	601,961	244,539	357,422	41,077	15,254	39,168	1.96
Taishin D.A. Finance Co., Ltd.	1,288,784	11,229,616	9,669,509	1,560,107	762,752	211,367	190,746	1.48
Taishin Financial Leasing (China) Co., Ltd.	1,192,729	13,268,807	11,802,904	1,465,903	852,175	196,222	154,085	N/A
Taishin Financial Leasing (Tianjin) Co., Ltd.	920,748	827,796	106,129	721,667	150,301	71,456	55,215	N/A
Taishin Securities Venture Capital Co., Ltd. (Note 2)	165,407	168,783	4,039	164,744	(1,339)	(10,884)	(10,682)	(0.65)
Taishin Capital Co., Ltd. (Note 3)	50,000	49,762	1,633	48,129	0	(1,303)	(1,291)	(0.26)
Credidi Inc. (Note 4)	51,100	45,775	3,514	42,261	0	0	(8,839)	(0.09)

Note 1: Dissolution of Xiang-An Life Insurance Agency Co. Ltd. began on March 29, 2020. It is currently in the liquidation procedure.

Note 2: 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.

Note 3: Incorporated and registered on August 30, 2019, Taishin Capital Co., Ltd. is a wholly-owned subsidiary of Taishin Securities Co., Ltd.

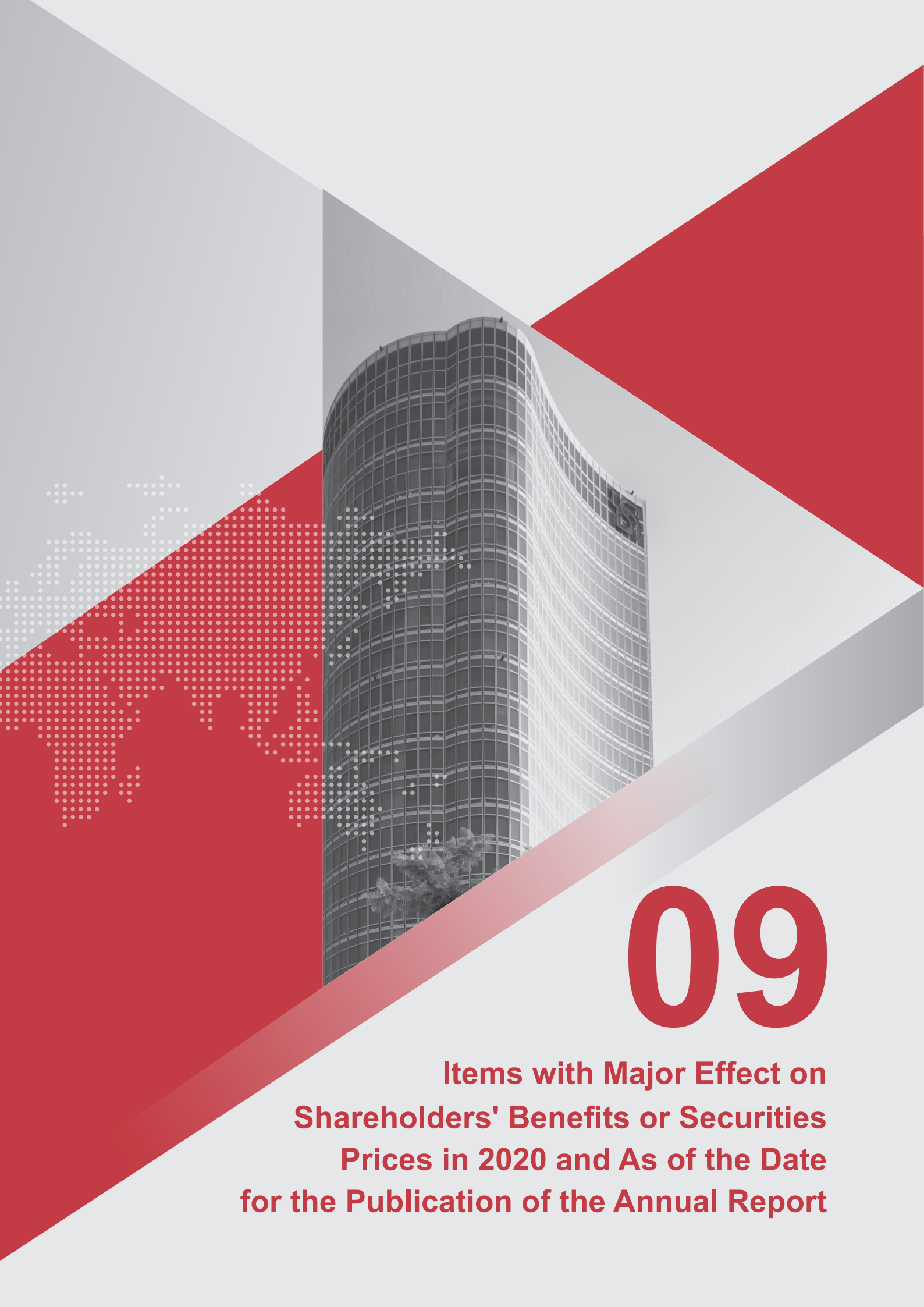
Note 4: Credidi Inc. became established and registered on May 14, 2020, and became a subsidiary of Taishin FHC on November 3, 2020. Taishin Securities Investment Advisory Co., Ltd., Taishin Venture Capital Investment Co., Ltd., and Taishin Securities Venture Capital Co., Ltd. jointly hold 51% of equity (Taishin Securities Investment Advisory Co., Ltd. holds 6%, Taishin Venture Capital Investment Co., Ltd. holds 20%, and Taishin Securities Venture Capital Co., Ltd. holds 25%, respectively).

g. Organizational of Taishin Financial Holdings and Its Affiliates: Please refer to P.23 “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 2020 and As of the Date
for the Publication of the Annual Report**

IX. Items with Major Effect on Shareholders' Benefits or Securities Prices in 2020 and As of the Date for the Publication of the Annual Report: Nil.

Taishin Financial Holding Co., Ltd.



Chairman

Thomas Lu



Taishin Holdings



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