Taishin International Bank Co., Ltd.

Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taishin International Bank Co., Ltd.

Opinion

We have audited the accompanying financial statements of Taishin International Bank Co., Ltd. (the Company), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountant 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 Company 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 judgement, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the 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 description of key audit matters in the audit of the financial statements of the Company for the year ended December 31, 2019:

<u>Impairment of Loans</u>

Commercial lending is the core business of the Company. Loans represent the Company's significant accounts, which reached around 59% of the Company's total assets as of December 31, 2019. The Company assesses the impairment of loans in accordance with IFRS 9. See Notes 5 and 13 to the financial statements for the relevant and additional information. The Company management's judgement and the assumptions used have significant impact on the impairment assessments. Therefore, we consider the impairment of loans as a key audit matter. Refer to Note 6 to the 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 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 the assumptions used in the Company's impairment assessment model of ECLs to assess whether the ECLs of loans would be assessed in groups based on the nature of the products, borrowers' credit ratings and collateral, and we also checked the Company's compliance with regulations on assessment of impairment and its compliance with IFRS 9.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the supervisors, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the 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 and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 21, 2020

<u>*Notice to Readers*</u>

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 financial statements shall prevail.

TAISHIN INTERNATIONAL BANK CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
Cash and cash equivalents (Notes 5, 7 and 42)	$ 21,867,672	1	$ 19,433,678	1
Due from the Central Bank and call loans to banks (Note 8)	67,417,279	4	55,875,912	3
Financial assets at fair value through profit or loss (FVTPL) (Notes 5, 9 and 42)	118,491,900	6	96,874,012	6
Financial assets at fair value through other comprehensive income (FVTOCI) (Notes 5 and 10)	273,212,640	14	336,184,472	20
Financial assets at amortized cost (Notes 5 and 11)	131,876,458	7	3,072,107	-
Securities purchased under resell agreements (Notes 5 and 42)	10,582,727	1	2,358,754	-
Receivables, net (Notes 5 and 12)	121,366,132	6	116,296,508	7
Current tax assets (Notes 5 and 35)	674,257	-	674,257	-
Loans, net (Notes 5, 6, 13, 41 and 42)	1,138,476,030	59	1,018,514,979	60
Investments accounted for using the equity method, net (Notes 5 and 14)	2,967,477	-	2,882,607	-
Other financial assets, net (Notes 5, 12, 13 and 15)	4,744,939	-	8,347,560	1
Property and equipment, net (Notes 5 and 16)	18,191,920	1	18,291,218	1
Right-of-use assets, net (Notes 4, 5 and 17)	2,671,366	-	-	-
Intangible assets, net (Notes 5 and 18)	1,954,650	-	1,780,895	-
Deferred tax assets (Notes 5 and 35)	2,430,459	-	3,164,958	-
Other assets, net (Note 19)	7,193,358	1	10,176,554	1
TOTAL	$ 1,924,119,264	100	$ 1,693,928,471	100
LIABILITIES AND EQUITY				
Due to the Central Bank and banks (Note 20)	$ 53,393,057	3	$ 57,441,338	4
Funds borrowed from the Central Bank and other banks	1,505,300	-	1,536,650	-
Financial liabilities at FVTPL (Notes 5, 9 and 42)	24,578,932	1	27,099,531	2
Securities sold under repurchase agreements (Notes 5 and 42)	105,587,770	5	73,654,426	4
Payables (Note 21)	29,086,994	2	22,690,446	1
Current tax liabilities (Notes 5 and 35)	1,499,397	-	1,816,812	-
Deposits and remittances (Notes 22 and 42)	1,439,689,958	75	1,266,563,291	75
Bank debentures (Note 23)	34,800,000	2	39,700,000	2
Other financial liabilities (Note 24)	71,800,865	4	58,610,818	4
Reserve for liabilities (Notes 5 and 25)	1,638,442	-	1,525,383	-
Lease liabilities (Notes 4, 5 and 17)	2,739,424	-	-	-
Deferred tax liabilities (Notes 5 and 35)	82,175	-	53,552	-
Other liabilities (Note 26)	4,363,552	-	2,689,330	-
Total liabilities	1,770,765,866	92	1,553,381,577	92
EQUITY (Note 28)				
Capital stock				
Common stock	82,557,118	4	75,497,712	4
Capital surplus	30,249,980	2	30,246,767	2
Retained earnings				
Legal reserve	26,893,562	1	23,845,812	1
Special reserve	429,137	-	377,128	-
Unappropriated earnings	11,720,012	1	10,159,165	1
Total retained earnings	39,042,711	2	34,382,105	2
Other equity	1,503,589	-	420,310	-
Total equity	153,353,398	8	140,546,894	8
TOTAL	$ 1,924,119,264	100	$ 1,693,928,471	100

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

TAISHIN INTERNATIONAL BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
INTEREST INCOME (Notes 5, 29 and 42)					
Interest revenues	$ 34,801,465	93	$ 32,022,638	94	9
Interest expenses	(16,426,849)	(44)	(13,721,906)	(40)	20
Net interest income	18,374,616	49	18,300,732	54	-
NET INCOME OTHER THAN NET INTEREST INCOME					
Net service fee and commission income (Notes 5, 30 and 42)	11,457,616	31	10,753,647	32	7
Gain on financial assets and liabilities at FVTPL (Notes 5, 31 and 42)	6,034,147	16	2,572,701	8	135
Realized gain on financial assets at FVTOCI (Notes 5 and 32)	737,249	2	371,234	1	99
Foreign exchange gains (losses)	255,022	1	1,356,002	4	(81)
Impairment loss on assets (Notes 10, 11 and 19)	(18,965)	-	(1,601)	-	1,085
Share of profit of subsidiaries and associates accounted for using equity method (Notes 5 and 14)	209,234	-	120,015	-	74
Net other non-interest income	281,545	1	478,297	1	(41)
Net income other than net interest income	18,955,848	51	15,650,295	46	21
NET REVENUE AND GAINS	37,330,464	100	33,951,027	100	10
PROVISIONS FOR ALLOWANCE FOR BAD DEBT EXPENSES, COMMITMENTS AND GUARANTEE LIABILITIES (Notes 5, 12, 13 and 25)	(2,227,183)	(6)	(2,915,365)	(9)	(24)

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TAISHIN INTERNATIONAL BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
OPERATING EXPENSES					
Employee benefits expenses (Notes 5, 27, 33 and 42)	$ (11,857,729)	(32)	$ (10,482,332)	(31)	13
Depreciation and amortization expenses (Note 34)	(1,833,906)	(5)	(1,091,432)	(3)	68
Other general and administrative expenses (Note 42)	(8,030,738)	(21)	(7,810,399)	(23)	3
Total operating expenses	(21,722,373)	(58)	(19,384,163)	(57)	12
INCOME BEFORE INCOME TAX	13,380,908	36	11,651,499	34	15
INCOME TAX EXPENSE (Notes 5 and 35)	(1,570,766)	(5)	(1,249,681)	(3)	26
NET INCOME	11,810,142	31	10,401,818	31	14
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	(65,553)	-	(85,643)	-	(23)
Unrealized gain on investments in equity instruments designated as at FVTOCI	198,211	1	127,805	-	55
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	39,023	-	544	-	7,073
Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method	5,644	-	892	-	533
Income tax relating to items that will not be reclassified subsequently to profit or loss	13,111	-	42,589	-	(69)
	190,436	1	86,187	-	121

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TAISHIN INTERNATIONAL BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
Items that may be reclassified subsequently to profit or loss:					
Share of the other comprehensive (loss) income of subsidiaries and associates accounted for using the equity method	$ (2,540)	-	$ 1,370	-	(285)
Unrealized gain (loss) on investments in debt instruments at FVTOCI	859,009	2	(398,203)	(1)	316
Reversal of impairment loss on investment in debt instruments at FVTOCI	7,060	-	846	-	735
Income tax relating to items that may be reclassified subsequently to profit or loss	(60,816)	-	25,574	-	(338)
	802,713	2	(370,413)	(1)	317
Other comprehensive income (loss) for the year, net of income tax	993,149	3	(284,226)	(1)	449
TOTAL COMPREHENSIVE INCOME	$ 12,803,291	34	$ 10,117,592	30	27
EARNINGS PER SHARE (Note 36)					
Basic	$1.43		$1.34		
Diluted	$1.43		$1.34		

The accompanying notes are an integral part of the financial statements. (Concluded)

TAISHIN INTERNATIONAL BANK CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Capital Stock	Capital Surplus			Retained Earnings			Other Equity				
	Common Stock	Additional Paid-in Capital in Excess of Par	Stock-based Compensation	Other	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statement of Foreign Operations	Unrealized Gains (Losses) on Financial Assets FVTOCI	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Changes in Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities at FVTPL	Total Equity
BALANCE AT JANUARY 1, 2018	$ 68,845,983	$ 23,852,895	$ 121,601	$ -	$ 20,729,311	$ 514,581	$ 10,388,337	$ (4,004)	$ -	$ 45,915	$ -	$ 124,494,619
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	(98,164)	-	564,051	(45,915)	-	419,972
BALANCE AT JANUARY 1, 2018 RESTATED	68,845,983	23,852,895	121,601	-	20,729,311	514,581	10,290,173	(4,004)	564,051	-	-	124,914,591
Appropriation of 2017 earnings												
Legal reserve	-	-	-	-	3,116,501	-	(3,116,501)	-	-	-	-	-
Special reserve	-	-	-	-	-	(137,453)	137,453	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-	(7,409,289)	-	-	-	-	(7,409,289)
Net income for the year ended December 31, 2018	-	-	-	-	-	-	10,401,818	-	-	-	-	10,401,818
Other comprehensive income for the year ended December 31, 2018, net of tax	-	-	-	-	-	-	(42,877)	2,101	(243,997)	-	547	(284,226)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-	10,358,941	2,101	(243,997)	-	547	10,117,592
Disposals of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	(101,612)	-	101,612	-	-	-
Issuance of common stock for cash	6,651,729	6,272,271	-	-	-	-	-	-	-	-	-	12,924,000
Share-based payments	-	37,411	(37,411)	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2018	75,497,712	30,162,577	84,190	-	23,845,812	377,128	10,159,165	(1,903)	421,666	-	547	140,546,894
Appropriation of 2018 earnings												
Legal reserve	-	-	-	-	3,047,750	-	(3,047,750)	-	-	-	-	-
Special reserve	-	-	-	-	-	52,009	(52,009)	-	-	-	-	-
Cash dividends on common stock	7,059,406	-	-	-	-	-	(7,059,406)	-	-	-	-	-
Net income for the year ended December 31, 2019	-	-	-	-	-	-	11,810,142	-	-	-	-	11,810,142
Other comprehensive income for the year ended December 31, 2019, net of tax	-	-	-	-	-	-	(48,991)	(2,661)	1,005,781	-	39,020	993,149
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	-	11,761,151	(2,661)	1,005,781	-	39,020	12,803,291
Changes in percentage of ownership interests in subsidiaries	-	-	-	3,213	-	-	-	-	-	-	-	3,213
Disposals of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	(41,139)	-	41,139	-	-	-
Share-based payments	-	18,756	(18,756)	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2019	$ 82,557,118	$ 30,181,333	$ 65,434	$ 3,213	$ 26,893,562	$ 429,137	$ 11,720,012	$ (4,564)	$ 1,468,586	$ -	$ 39,567	$ 153,353,398

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

TAISHIN INTERNATIONAL BANK CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 13,380,908	$ 11,651,499
Adjustments:		
Adjustment to reconcile profit or loss		
Depreciation expenses	1,566,547	855,879
Amortization expenses	267,359	235,553
Provisions for bad debts expenses, commitments and guarantee liabilities	2,227,183	2,915,365
Net gain on financial assets and liabilities at FVTPL	(6,034,147)	(2,572,701)
Interest expenses	16,426,849	13,721,906
Interest income	(34,801,465)	(32,022,638)
Dividend income	(291,859)	(232,380)
Share-based payments	36,014	61,965
Share of profit of subsidiaries and associates accounted for using equity method	(209,234)	(120,015)
Gain on disposal of investments	(445,390)	(138,854)
Impairment loss on financial assets	18,965	1,601
Other adjustments	1,439,195	1,101,596
Total adjustment	(19,799,983)	(16,192,723)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and call loans to banks	6,306,470	(11,361,498)
(Increase) decrease in financial assets at FVTPL	28,854,545	30,790,719
(Increase) decrease in financial assets at FVTOCI	62,704,362	(39,269,638)
(Increase) decrease in financial assets at amortized cost	(128,807,961)	(3,073,300)
(Increase) decrease in securities purchased under resell agreements	(320,746)	-
(Increase) decrease in receivables	(1,958,956)	(11,596,760)
(Increase) decrease in loans	(122,143,790)	(59,416,488)
(Increase) decrease in other financial assets	1,070,074	(1,665,865)
(Increase) decrease in other assets	2,940,101	(4,936,221)
Increase (decrease) in due to the Central Bank and banks	179,547	(673,790)
Increase (decrease) in financial liabilities at FVTPL	(47,737,913)	(14,134,919)
Increase (decrease) in securities sold under repurchase agreements	31,933,344	(2,967,029)
Increase (decrease) in payables	6,128,970	(800,807)
Increase (decrease) in deposits and remittances	173,126,667	69,646,558
Increase (decrease) in other financial liabilities	13,197,962	17,461,819
Increase (decrease) in other liabilities	1,573,694	(1,069,076)
Cash generated from (used in) operations	20,627,295	(37,607,519)
Interest received	35,570,788	32,582,237
Dividend received	439,210	340,617
Interest paid	(16,359,552)	(13,355,222)
Income taxes paid	(1,172,809)	(1,320,866)
Net cash generated from (used in) operating activities	39,104,932	(19,360,753)

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TAISHIN INTERNATIONAL BANK CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at FVTOCI	$ 3,384	$ 23,091
Acquisition of investment accounted for using the equity method	-	(600,000)
Acquisition of property and equipment	(843,921)	(603,082)
Proceeds from disposal of property and equipment	35,842	113
Acquisition of intangible assets	(450,416)	(215,970)
Net cash generated from (used in) investing activities	(1,255,111)	(1,395,848)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to the Central Bank and banks	(4,259,178)	(4,600,651)
Issuance of bonds debentures	5,000,000	-
Repayment of bonds debentures	(9,900,000)	-
Increase in financial liabilities designated as at FVTPL	-	3,050,000
Repayment of the principal portion of lease liabilities	(556,585)	-
Cash dividends distributed	-	(7,409,289)
Issuance of common stock for cash	-	12,924,000
Net cash received from acquired operation of subsidiaries	51,000	-
Net cash generated from (used in) financing activities	(9,664,763)	3,964,060
NET DECREASE IN CASH AND CASH EQUIVALENTS	28,185,058	(16,792,541)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	23,440,969	40,233,510
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$ 51,626,027	$ 23,440,969

Reconciliation of cash and cash equivalents:

	2019	2018
Cash and cash equivalents in balance sheet	$ 21,867,672	$ 19,433,678
Due from central bank and call loans to banks qualifying as cash and cash equivalents under definition of IAS7	19,496,374	1,648,537
Securities purchased under resell agreements qualifying as cash and cash equivalents under definition of IAS7	10,261,981	2,358,754
Cash and cash equivalents at end of the year	$ 51,626,027	$ 23,440,969

The accompanying notes are an integral part of the financial statements. (Concluded)

TAISHIN INTERNATIONAL BANK CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Taishin International Bank Co., Ltd. (“the Company”) incorporated in the Republic of China (“ROC”) is a public bank, began preparations for its establishment as a commercial bank on October 4, 1990 and started its business operations on March 23, 1992. The Company provides customers with (a) general commercial banking services - commercial lending, foreign exchange transactions, installments and term loans, wire transfers, marketable security investments, receivable factoring, offshore banking business, etc. as well as (b) various financial instruments - letters of credit, bankers’ acceptances, checking and savings accounts, credit cards, derivative instruments, etc. The Company was set up at B1 and 1F., No. 44, Zhongshan N. Rd., Sec. 2, Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.). The main operation office of the Company is at No. 118, Ren’Ai Rd., Sec. 4, Da’ An Dist., Taipei City 106, Taiwan (R.O.C.).

Taishin Bank and Dah An Commercial Bank Co., Ltd. (“Dah An Bank”) decided to establish Taishin Financial Holding Co., Ltd. (“Taishin Financial Holding”) through a share swap, effective on February 18, 2002, with Taishin Bank as the survivor company.

The parent company and the ultimate parent company of Taishin Bank is Taishin Financial Holding, which had a 100% equity interest in the Company as of December 31, 2019 and 2018.

2. STATEMENT OF COMPLIANCE

The financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and the Regulations Governing the Preparation of Financial Reports by Securities Firm.

3. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the company’s board of directors on February 20, 2020.

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

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

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports and the IFRSs endorsed and issued into effects by the FSC would not have any material impact on the Company’s accounting policies.

1) IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatments in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 5 for information relating to the relevant accounting policies.

Definition of a lease

The Company reassesses whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Several contracts, which were previously identified as containing a lease under IAS 17 and IFRIC 4, do not meet the definition of a lease under IFRS 16 and are accounted for in accordance with other standards because the Company does not have the right to direct the use of identified assets. Contracts that are reassessed as containing leases are accounted for in accordance with the transitional provisions under IFRS 16. Refer to Note 5 for information relating to the relevant accounting policies.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information is not restated.

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

The Company also applies the following practical expedients:

a) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

b) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

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

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 1.22%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 2,442,063
Less: Several contracts that do not meet the definition of a lease under IFRS 16	(6,206)
Less: Recognition exemption for short-term leases	(593)
Less: Recognition exemption for leases of low-value assets	(213)
Less: The lease term of the contract starting from January 1, 2019	(208,733)
Add: The exercise of the option is reasonably certain	78,316
Undiscounted amounts on January 1, 2019	$ 2,304,634
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 2,204,377
Add: Finance lease liabilities on December 31, 2018	7,915
Lease liabilities recognized on January 1, 2019	$ 2,212,292

The Company as lessor

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

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	**Adjustments Arising from Initial Application**	**Restated on January 1, 2019**
Property and equipment, net	$ 18,291,218	$ (7,536)	$ 18,283,682
Right-of-use assets, net	-	2,239,560	2,239,560
Other assets, net	10,176,554	(27,647)	10,148,907
Total effect on assets		$ 2,204,377	
Other financial liabilities	58,610,818	$ (7,915)	58,602,903
Lease liabilities	-	2,212,292	2,212,292
Total effect on liabilities		$ 2,204,377	

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

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company applied the above amendments prospectively.

3) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

Upon initial application of IFRIC 23, the Company recognized the cumulative effect of retrospective application in retained earnings on January 1, 2019. It had no impact in assets, liabilities and equity on January 1, 2019.

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

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether 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"

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Company would apply those hedge accounting requirements assuming that the interest rate benchmark 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. The amendments also require additional disclosures about the extent to which the entity's hedging relationships are affected by the amendments.

3) Amendments to IAS 1 and IAS 8 "Definition of material"

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of "obscuring" material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence".

As of the date the financial statements were authorized for issue, the Company assessed the application of New IFRSs and interpretations would have no impact on the Company's financial position and financial performance.

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

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

New IFRSs	Effective Date Announced by IASB
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

Except for the following, the application of New IFRSs and interpretations would have no impact on the Company's accounting policies.

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 Company 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 Company 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 Company 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 Company's interest as an unrelated investor in the associate or joint venture, i.e. the Company's share of the gain or loss is eliminated. Also, when the Company 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 Company's interest as an unrelated investor in the associate or joint venture, i.e. the Company's share of the gain or loss is eliminated.

As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company'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. 1070324857 and No. 10702734370 issued by the FSC, the Company applied IFRSs and the related amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks, which were approved by the FSC in 2019.

Basis of Preparation

The 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 the Company is New Taiwan dollars. Thus, the financial statements are presented in New Taiwan dollars.

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries, associates and jointly controlled entities. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for using equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates and related equity items, as appropriate, in the parent company only financial statements.

The Company categorized economic activities into operating, investing, and financing activities. The 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 report in accordance with IFRSs, the Company has to make certain significant accounting assumptions and estimates based on professional judgements to determine its accounting policies. Change in assumptions may result in significant effects on financial report. The Company believes that the financial report is reported based on appropriate assumptions. For items that required management's most difficult or complex judgements, or assumptions and estimates that significantly affect the financial report, refer to Note 6.

Classification of Current/Noncurrent Assets and Liabilities

Because of banking business characteristics, classification of 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 40.

Foreign Currencies

In preparing the financial statements of the Company, the currency of the primary economic environment in which the Company operates (the "functional currency") is used. Transactions in currencies other than the Company'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.

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 or time deposits subject to an insignificant risk of changes in value. For the statement of cash flows, cash and cash equivalents are cash and cash equivalents on the balance sheet, due from the Central Bank and call loans to bank and securities purchased under resell agreements that are in conformity with the definition of cash and cash equivalents in the FSC-recognized IAS 7.

Investment Accounted for Using Equity Method

Investments in subsidiaries and associates are accounted for using equity method.

a. Investment in subsidiaries

   Subsidiaries (including structured entities) are the entities controlled by the Company.

   Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

   Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company' financial statements only to the extent of interests in the associate that are not related to the Company.

b. Investment in associates

An associate is an entity over which the Company 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 results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes its share in the changes in the equity of associates.

When the Company 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 Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company'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 Company'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 Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company'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 Company'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 FSC-recognized IAS 36 “Impairment of Assets” are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company’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-recognized IAS 36 “Impairment of Assets” to the extent that the recoverable amount of the investment subsequently increases.

The Company 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 Company 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 the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company’ financial statements only to the extent of interests in the associate that are not related to the Company.

Property and Equipment

Property and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss. Cost is capitalized when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Before January 1, 2019, property, plant and equipment also included assets held under finance leases.

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-recognized IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

Assets held under finance leases before January 1, 2019 are depreciated over the shorter of the lease term and their useful lives using the straight-line method.

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

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 Company’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

Intangible Assets (Except Goodwill)

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. 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 estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

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, they are measured on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

On derecognition of an intangible asset, 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 Company 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 Company 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 the Company 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 Company's business model.

   For the Company'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 resell agreements, receivables, loans, financial assets 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 40.

Except for the above, all other financial assets are measured at FVTPL. However, the Company 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 40.

Except for the above, on initial recognition, the Company 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 Company'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 40.

b. Impairment of financial assets

The Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 the Company 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 the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company'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 Company's own equity instruments.

Financial liabilities

a. Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method.

1) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the 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 Company manages together and has a recent actual pattern of short-term profit-taking; or

c) It is a derivative that is not designated and effective as a hedging instrument.

A financial 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 its 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 gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item.

For 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. If this accounting treatment related to credit risk would create an accounting mismatch or loan commitments and financial commitments 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 40.

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 Company 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 coped 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 Company 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 Company derecognizes financial liabilities when, and only when, the Company'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 instruments offsetting

Financial assets and financial liabilities are allowed to be offset and express in the net amount in balance sheets when amounts are 1) provided with statutory forces to offset, and 2) intended to execute net settlement, or liquidate assets and discharge liabilities.

Provisions, Contingent Liabilities and Contingent Assets

A provision shall be recognized when:

a. An entity has a present obligation (legal or constructive) as a result of a past event;

b. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

c. A reliable estimate can be made of the amount of the obligation.

The Company does not recognize provisions for future operating losses. Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognized.

Provisions are subsequently measured by the present value of the expected expenditures to settle the obligations. Discount rate is the pre-tax discount rate and is adjusted in time to reflect current market assessments of the time value of money and the risks specific to the liability.

A contingent liability is either a possible liability 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 a present liability but payment is not probable or the amount cannot be measured reliably. The Company does not recognize a contingent asset. A contingent liability is disclosed 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 Company 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.

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 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 fee and commission income

   Service fee revenue is recognized from providing loans and other services. The Company 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 Company'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 Company recognizes revenue when award credits are redeemed or forfeited.

Leasing

<u>2019</u>

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

For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a. The Company 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 Company’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 Company 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 Company. 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 Company as lessee

The Company 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 Company 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 Company 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. 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.

2018

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

a. The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rents arising under operating leases are recognized as income in the period in which they are realized.

Lease incentives included in the operating lease are recognized as an asset. The aggregate cost of incentives is recognized as a reduction of rental income on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern over which the benefit of the leased asset is diminished.

b. The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheets as a finance lease obligation.

Minimum lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rents are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

c. Leasehold land and building for own use

When a lease includes both land and building elements, the Company assesses the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. Specifically, the minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

Employee Benefits

a. Retirement benefits 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.

The retirement benefit obligation recognized in the balance sheets represents the present value of the defined benefit obligation and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

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.

b. High-yield savings account for employee

The Company provides employees with high-yield savings account. The premium interest rate applies to a fixed amount of principal. The difference between the premium rate and the market rate is classified as employee benefits.

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 Company’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’s parent company Taishin Financial Holding issues new shares, is the date when the number of employee subscription is confirmed. The Company recognized an expense and capital surplus at the fair value of the share options determined at the grant date.

Cash-settled share-based payment

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability incurred. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years’ tax liabilities are added to or deducted from the current year’s tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the 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 Company'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 subsidiaries acquisition) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

A deferred tax asset shall be recognized for the unused loss carryforward and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realized.

Deferred tax assets and liabilities 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 from subsidiaries, the tax effect is included in the accounting for investment in subsidiaries.

d. The Company, its parent company Taishin Financial Holding, and other more than 90% owned subsidiaries adopt the linked-tax system for tax filings. Differences between current and deferred income tax expenses on consolidated basis and those on nonconsolidated basis are adjusted to Taishin Financial Holding's income tax expenses. Related reimbursement and appropriation are recognized as receivables or payables, and eliminated on consolidation.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company's accounting policies, accounting assumptions and estimates have significant impact on the financial statements. Accordingly, the management exercised appropriate professional judgement in the preparation of the 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-recognized IFRSs. The estimates and assumptions are based on historical experience and other factors, including future expectations and are continuously assessed. The accounting policies and management's judgment that could have significant impact on the 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.

Refer to Note 13 for the carrying amounts of loans and allowance for loans as of December 31, 2019 and 2018.

7. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	$ 12,153,766	$ 9,566,031
Checks for clearing	1,483,820	2,016,339
Due from banks	6,237,263	5,508,776
Others	1,992,823	2,342,532
	$ 21,867,672	$ 19,433,678

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. The loss allowance are measured at an amount equal to 12-month ECLs per historical experience and forward-looking information; there was no loss allowance on cash and cash equivalents as of December 31, 2019 and 2018.

8. DUE FROM CENTRAL BANK AND CALL LOANS TO BANKS

	December 31	
	2019	2018
Deposits reserve for checking accounts	$ 11,468,215	$ 21,030,671
Deposits reserve for demand accounts	34,272,031	31,137,609
Deposits reserve for foreign deposits	129,568	39,922
Deposits transferred to Central Bank	50,103	18,858
Call loans to banks	19,496,374	1,648,537
Interbank clearing funds	2,000,988	2,000,315
	$ 67,417,279	$ 55,875,912

The loss allowance are measured at an amount equal to 12-month ECLs per historical experience and forward-looking information; there was no loss allowance on due from the Central Bank and call loans to banks as of December 31, 2019 and 2018.

9. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2019	2018
Financial assets mandatorily classified as at FVTPL		
Derivative instrument		
Futures	$ 27,207	$ -
Forward exchange contracts	1,363,404	2,752,764
Currency swaps	8,267,295	8,996,941
Interest rate swaps	9,407,536	10,293,631
Cross-currency swaps	199,990	103,061
Equity-linked swaps	362,650	18,914
Commodity price swaps	46	-
Foreign-exchange options	540,859	1,261,572
Equity-linked options	-	2,324
Commodity options	1,700	490
Non-derivative financial assets		
Investment in bills	48,486,586	33,289,152
Domestic and overseas stocks and beneficiary certificates	2,750,053	1,917,563
Government bonds	26,487,055	12,990,903
Corporate bonds, bank debentures and other bonds	20,597,519	25,246,697
Financial assets at FVTPL	$ 118,491,900	$ 96,874,012
Financial liabilities designated as at FVTPL (a) and (b)	$ 3,287,359	$ 3,085,588
Financial liabilities held for trading		
Derivative instrument		
Futures	2,417	5,996
Forward exchange contracts	1,416,001	2,717,003
Currency swaps	9,252,528	9,229,322
Interest rate swaps	9,118,167	10,404,409
Cross-currency swaps	152,246	59,621
Equity-linked swaps	362,650	18,914
Credit default swaps	93,738	7,035
Commodity price swaps	3	-
Foreign-exchange options	536,821	1,299,274
Interest rate options	183	1,845
Equity-linked options	355,654	270,125
Commodity options	1,165	399
Financial liabilities at FVTPL	$ 24,578,932	$ 27,099,531

a. The Company issued unsecured USD senior bank debentures were as follows:

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

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

First unsecured USD senior bank debentures of the Company of year 2019, 5 years, US$20,000 thousand, 100% of the principal amount of the bonds, put redemption 3 months after issued, and repay the holders at principal value plus accrued interests, maturity: April 30, 2024. The Company has redeemed the debentures on July 30, 2019.

b. The Company considered unsecured USD senior bank debentures as financial instruments designated as FVTPL, to eliminate the recognition inconsistency.

The Company engaged in various derivative instruments in the years ended December 31, 2019 and 2018 to fulfill customers' needs, as well as to manage its asset and liability positions and risk.

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

	December 31	
	2019	**2018**
Futures	$ 6,509,810	$ 5,450,903
Forward exchange contracts	169,642,995	276,284,829
Currency swaps	1,179,439,992	1,509,741,482
Interest rate swaps	1,247,800,780	1,360,595,248
Cross-currency swaps	17,324,419	7,914,167
Equity-linked swaps	6,368,963	296,633
Commodity price swaps	30,094	-
Credit default swaps	674,977	1,056,923
Foreign exchange options	161,569,946	185,609,647
Interest rate options	4,400,000	8,292,000
Equity-linked options	3,823,602	3,757,830
Commodity options	212,350	99,394

10. FINANCIAL ASSETS AT FVTOCI

	December 31	
	2019	**2018**
Debt instrument		
Investment in bills	$ 115,538,688	$ 218,310,346
Bonds	50,088,694	44,380,051
Corporate bonds	17,139,552	15,337,118
Bank debentures	85,420,494	54,025,990
Beneficiary securities (a)	610,937	-
	268,798,365	332,053,505
Equity instrument		
Domestic stocks	4,414,275	4,130,967
	$ 273,212,640	$ 336,184,472

a. The Company recognized the asset securitization commodity issued by non-subsidiary structured entities as beneficiary securities. The funds of the entities were provided by the Company and other third parties. The Company did not offer any financial support related to the asset securitization commodity.

b. Because some equity instruments are held by the Company 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 Company sold the domestic common stock for strategic purposes in the years ended December 31, 2019 and 2018. The stock sold had a fair value of $1,916,021 thousand and $1,856,485 thousand, and the Company transferred the loss of $41,149 thousand and $101,495 thousand from other equity to retained earnings.

d. The amount of the loss allowance for debt instruments was as follow:

	Stage 1 12-month ECLs	**Stage 2 Lifetime ECLs - Not Credit-impaired**	**Stage 3 Lifetime ECLs - Credit-impaired**	**Total**
December 31, 2019	$ 31,416	$ 1,486	$ -	$ 32,902
December 31, 2018	25,842	-	-	25,842

Due to the Company's debt instruments at FVTOCI measured by ECLs, the Company had recognized impairment loss on assets of $7,634 thousand and $401 thousand for the years ended December 31, 2019 and 2018.

e. Refer to Note 40 for information relating to the management of credit risk and the impairment assessment on investments in debt instruments at FVTOCI.

f. Refer to Note 43 for information relating to investments in debt instruments at FVTOCI pledged as collateral.

11. FINANCIAL ASSETS AT AMORTIZED COST

	December 31 2019	**2018**
Investment in bills	$ 116,250,000	$ -
Bank debentures	12,524,096	3,073,300
Government bonds	3,107,164	-
	131,881,260	3,073,300
Less: Allowance for impairment	(4,802)	(1,193)
	$ 131,876,458	$ 3,072,107

a. The amount of the loss allowance for debt instruments was as follow:

	Stage 1 12-month ECLs	**Stage 2 Lifetime ECLs - Not Credit-impaired**	**Stage 3 Lifetime ECLs - Credit-impaired**	**Total**
December 31, 2019	$ 4,802	$ -	$ -	$ 4,802
December 31, 2018	1,193	-	-	1,193

Due to the Company's financial assets at amortized cost measured by ECLs, the Company had recognized impairment loss on assets of $3,692 thousand and $1,200 thousand for the years ended December 31, 2019 and 2018.

b. Refer to Note 40 for information relating to the management of credit risk and the impairment assessment on financial assets at amortized cost.

12. RECEIVABLES, NET

a. The details of receivables, net were as follows:

	December 31	
	2019	2018
Notes and accounts receivable	$ 56,693,978	$ 62,100,419
Credit card receivable	61,035,549	53,803,259
Interest receivable	4,078,020	3,522,136
Other receivables	776,419	640,998
	122,583,966	120,066,812
Less: Allowance for receivables	(1,217,834)	(3,770,304)
	$ 121,366,132	$ 116,296,508

b. The movements in the allowance for receivables (including non-performing receivables transferred from other than loans) for the years ended December 31, 2019 and 2018 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, 2019	$ 143,927	$ 24,693	$ 2,496,256	$ 699,472	$ 3,364,348	$ 674,634	$ 4,038,982
Changes in the loss allowance							
Transfer to stage 3	(124)	18,820	-	(38)	18,658		18,658
Transfer to stage 2	(481)	(2,765)	(10,112)	124,333	110,975		110,975
Transfer to stage 1	93	(3,512)	(196)	(2,713)	(6,328)		(6,328)
Financial assets derecognized	(55,587)	(14,437)	(92,276)	(711,085)	(873,385)		(873,385)
New financial assets originated or purchased	35,206	5,477	337,870	31,118	409,671		409,671
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans						96,546	96,546
Write-offs	(4)	(175)	(2,630,032)	(66,973)	(2,697,184)		(2,697,184)
Recovery of loans written off	-	-	3,246	382,516	385,762		385,762
Other movements	-	-	(6,298)	867	(5,431)		(5,431)
Loss allowance as of December 31, 2019	$ 123,030	$ 28,101	$ 98,458	$ 457,497	$ 707,086	$ 771,180	$ 1,478,266

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-purchased or Originated Credit-impaired (POCI) Financial Assets)	Loss Allowance under IFRS 9	Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Loss allowance as of January 1, 2018	$ 152,380	$ 26,523	$ 1,225,872	$ 439,088	$ 1,843,863	$ 292,375	$ 2,136,238
Changes in the loss allowance							
Transfer to stage 3	(525)	14,129	5,104	(63)	18,645		18,645
Transfer to stage 2	(442)	(2,956)	(190,649)	311,536	117,489		117,489
Transfer to stage 1	22	(3,471)	-	(1,865)	(5,314)		(5,314)
Financial assets derecognized	(71,250)	(15,985)	(580,801)	(462,585)	(1,130,621)		(1,130,621)
New financial assets originated or purchased	63,748	6,635	2,401,192	59,924	2,531,449		2,531,449
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans						382,259	382,259
Write-offs	(3)	(182)	(368,304)	(67,045)	(435,534)		(435,534)
Recovery of loans written off	-	-	-	420,202	420,202		420,202
Other movements	(3)	-	3,842	280	4,119		4,119
Loss allowance as of December 31, 2018	$ 143,927	$ 24,693	$ 2,496,256	$ 699,472	$ 3,364,348	$ 674,634	$ 4,038,982

c. The movements in the gross carrying amount of receivables (including non-performing receivables transferred from other than loans) for the years ended December 31, 2019 and 2018 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, 2019	$ 108,094,181	$ 100,555	$ 9,809,501	$ 2,331,838	$ 120,336,075
Changes in the loss allowance					
Transfer to stage 3	(84,372)	76,639	16,086	(127)	8,226
Transfer to stage 2	(348,122)	(10,077)	(104,604)	516,903	54,100
Transfer to stage 1	33,701	(15,177)	(19,908)	(7,652)	(9,036)
Financial assets derecognized	(35,293,728)	(57,736)	(976,419)	(678,912)	(37,006,795)
New financial assets originated or purchased	38,754,674	24,157	3,362,082	101,137	42,242,050
Write-offs	(571)	(574)	(2,630,032)	(141,072)	(2,772,249)
Other movements	-	-	-	1,366	1,366
Loss allowance as of December 31, 2019	$ 111,155,763	$ 117,787	$ 9,456,706	$ 2,123,481	$ 122,853,737

	Stage 1 12-month ECLs	**Stage 2 Lifetime ECLs (Group Assessment)**	**Stage 2 Lifetime ECLs (Individual Assessment)**	**Stage 3 Lifetime ECLs (Non-POCI Financial Assets)**	**Total**
Loss allowance as of January 1, 2018	$ 97,352,327	$ 97,622	$ 8,598,367	$ 2,215,217	$ 108,263,533
Changes in the loss allowance					
Transfer to stage 3	(59,059)	55,531	18,262	(121)	14,613
Transfer to stage 2	(328,594)	(9,800)	(1,076,513)	1,477,471	62,564
Transfer to stage 1	19,131	(13,178)	-	(9,259)	(3,306)
Financial assets derecognized	(21,397,767)	(54,249)	(1,649,569)	(1,313,629)	(24,415,214)
New financial assets originated or purchased	32,508,662	25,222	4,287,258	110,464	36,931,606
Write-offs	(519)	(593)	(368,304)	(149,069)	(518,485)
Other movements	-	-	-	764	764
Loss allowance as of December 31, 2018	$ 108,094,181	$ 100,555	$ 9,809,501	$ 2,331,838	$ 120,336,075

13. LOANS, NET

a. The details of loans were as follows:

	December 31	
	2019	**2018**
Import and export negotiated	$ 1,949,901	$ 2,990,987
Overdrafts	233,152	1,061,263
Short-term loans	294,847,380	236,941,020
Medium-term loans	355,120,863	331,720,075
Long-term loans	501,368,989	457,839,413
Delinquent loans	1,809,466	1,933,199
	1,155,329,751	1,032,485,957
Less: Adjustment for discount	(600,881)	(579,350)
Less: Allowance for loan losses	(16,252,840)	(13,391,628)
	$ 1,138,476,030	$ 1,018,514,979

b. The movements in the allowance for loans for the years ended December 31, 2019 and 2018 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, 2019	$ 2,133,429	$ 622,430	$ 2,122,777	$ 3,473,856	$ 8,352,492	$ 5,039,136	$ 13,391,628
Changes in the loss allowance							
Transfer to stage 3	(25,530)	358,196	1,388,905	(14,279)	1,707,292		1,707,292
Transfer to stage 2	(8,429)	(89,104)	(210,028)	1,508,190	1,200,629		1,200,629
Transfer 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	779,855	85,224	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 loans written off	-	-	-	1,069,829	1,069,829		1,069,829
Loss allowance as of December 31, 2019	$ 2,164,288	$ 791,488	$ 2,309,802	$ 3,601,049	$ 8,866,627	$ 7,386,213	$ 16,252,840

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs (Non-POCI Financial Assets)	Loss Allowance under IFRS 9	Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Loss allowance as of January 1, 2018	$ 1,841,657	$ 1,590,128	$ 2,449,415	$ 3,951,894	$ 9,833,094	$ 2,660,022	$ 12,493,116
Changes in the loss allowance							
Transfer to stage 3	(10,865)	245,899	154,330	(36,599)	352,765		352,765
Transfer to stage 2	(10,262)	(82,282)	(191,086)	1,182,199	898,569		898,569
Transfer to stage 1	4,273	(176,027)	-	(256,607)	(428,361)		(428,361)
Financial assets derecognized	(423,766)	(983,247)	(391,429)	(1,887,814)	(3,686,256)		(3,686,256)
New financial assets originated or purchased	732,262	35,895	101,404	178,008	1,047,569		1,047,569
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans						2,379,114	2,379,114
Write-offs	(472)	(7,936)	-	(760,392)	(768,800)		(768,800)
Recovery of loans written off	-	-	-	1,102,024	1,102,024		1,102,024
Other movements	602	-	143	1,143	1,888		1,888
Loss allowance as of December 31, 2018	$ 2,133,429	$ 622,430	$ 2,122,777	$ 3,473,856	$ 8,352,492	$ 5,039,136	$ 13,391,628

c. The movements in the gross carrying amount of loans

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs	Total
Loss allowance as of January 1, 2019	$ 1,005,913,945	$ 14,644,713	$ 2,979,599	$ 8,947,700	$ 1,032,485,957
Changes in the loss allowance					
Transfer to stage 3	(9,878,954)	7,126,594	2,239,222	(17,071)	(530,209)
Transfer to stage 2	(2,824,276)	(407,622)	(235,951)	3,123,618	(344,231)
Transfer 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

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs (Group Assessment)	Stage 2 Lifetime ECLs (Individual Assessment)	Stage 3 Lifetime ECLs	Total
Loss allowance as of January 1, 2018	$ 945,878,159	$ 13,306,303	$ 3,555,652	$ 10,129,971	$ 972,870,085
Changes in the loss allowance					
Transfer to stage 3	(6,588,827)	6,152,506	295,357	(64,049)	(205,013)
Transfer to stage 2	(2,554,809)	(205,385)	(328,124)	2,812,269	(276,049)
Transfer to stage 1	2,318,305	(1,989,943)	-	(472,629)	(144,267)
Financial assets derecognized	(255,491,100)	(3,076,708)	(894,125)	(2,935,213)	(262,397,146)
New financial assets originated or purchased	322,434,413	490,051	350,839	466,092	323,741,395
Write-offs	(82,196)	(32,111)	-	(988,741)	(1,103,048)
Loss allowance as of December 31, 2018	$ 1,005,913,945	$ 14,644,713	$ 2,979,599	$ 8,947,700	$ 1,032,485,957

d. Details of (provisions for) reversal of allowance for loan losses, commitments and guarantee liabilities for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
(Provisions for) reversal of allowance for losses of receivables, loans and other miscellaneous financial assets	$ (2,220,904)	$ (2,931,017)
(Provisions for) reversal of losses on guarantee liabilities	(302)	(13,308)
(Provisions for) reversal of losses on loan commitments	(4,385)	32,495
(Provisions for) reversal of letters of credit	(1,592)	(3,535)
	$ (2,227,183)	$ (2,915,365)

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries	$ 2,418,303	$ 2,357,710
Investments in associates	549,174	524,897
	$ 2,967,477	$ 2,882,607

a. Investments in subsidiaries

	December 31			
	2019		2018	
	Carrying Value	Ownership Interest and Voting Rights	Carrying Value	Ownership Interest and Voting Rights
Unlisted shares				
Taishin Real-Estate Management Co., Ltd. ("Taishin Real-Estate")	$ 205,475	60.00	$ 215,058	60.00
Xiang An Life Insurance Agency Co., Ltd. ("Xiang An Insurance Agency")	694,576	87.40	728,870	87.40
Taishin D.A. Finance Co., Ltd. ("Taishin D.A. Finance")	1,518,252	100.00	1,413,782	100.00
	$ 2,418,303		$ 2,357,710	

b. Investments in associates

	December 31	
	2019	2018
Associates that are not individually material	$ 549,174	$ 524,897

Aggregate information of associates that are not individually material:

	December 31	
	2019	2018
The Company's share of		
Net profit (loss) for the period	$ 41,087	$ 23,916
Other comprehensive income	(162)	958
Total comprehensive income (loss) for the period	$ 40,925	$ 24,874

c. The Company's equity-method investments were not pledged as collateral as of December 31, 2019 and 2018.

15. OTHER MISCELLANEOUS FINANCIAL ASSETS, NET

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

	December 31	
	2019	2018
Non-performing receivables transferred from other than loans	$ 273,919	$ 269,263
Less: Allowance for bad debt	(260,432)	(268,678)
Gold account	359,998	367,522
Due from bank	4,371,454	7,979,453
	$ 4,744,939	$ 8,347,560

b. Due from banks of other miscellaneous financial assets were time deposit with original maturity more than 3 months held by the Company.

c. Refer to Note 12 for the movements of the allowance for non-performing receivables transferred from other than loans for the years ended December 31, 2019 and 2018.

d. The loss allowance is measured at an amount equal to lifetime ECLs per historical experience and forward-looking information; there was no loss allowance on other miscellaneous financial assets excluding non-performing receivables transferred from other than loans as of December 31, 2019 and 2018.

16. PROPERTY AND EQUIPMENT, NET

	December 31	
	2019	2018
Land	$ 10,793,599	$ 10,812,599
Buildings	4,785,310	4,930,231
Machinery equipment	2,215,470	2,238,180
Transportation equipment	46,538	45,488
Miscellaneous equipment	82,485	69,514
Leased assets	-	7,536
Leasehold improvement	204,176	177,432
Prepayments for buildings and equipment	64,342	10,238
	$ 18,191,920	$ 18,291,218

	Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leased Assets	Leasehold Improvement	Prepayment for Buildings and Equipment	Total
Cost									
Balance, January 1, 2019	$ 10,812,599	$ 7,200,592	$ 3,733,547	$ 111,472	$ 137,086	$ 12,762	$ 405,556	$ 10,238	$ 22,423,852
Adjustments on initial application of IFRS 16	-	-	-	-	-	(12,762)	-	-	(12,762)
Balance, January 1, 2019 (restated)	10,812,599	7,200,592	3,733,547	111,472	137,086	-	405,556	10,238	22,411,090
Additions	-	11,840	600,612	19,509	37,517	-	32,594	141,849	843,921
Disposals	(19,000)	(44,277)	(212,235)	(32,920)	(19,837)	-	(91,643)	-	(419,912)
Reclassification	-	25,160	5,300	-	-	-	57,966	(87,745)	681
Balance, December 31, 2019	$ 10,793,599	$ 7,193,315	$ 4,127,224	$ 98,061	$ 154,766	$ -	$ 404,473	$ 64,342	$ 22,835,780
Balance, January 1, 2018	$ 10,812,599	$ 7,159,919	$ 3,501,446	$ 110,023	$ 128,234	$ 16,443	$ 450,683	$ 67,543	$ 22,246,890
Additions	-	10,776	477,463	18,656	22,395	1,760	14,849	57,183	603,082
Disposals	-	(42,973)	(247,692)	(17,207)	(13,581)	(5,441)	(99,264)	-	(426,158)
Reclassification	-	72,870	2,330	-	38	-	39,288	(114,488)	38
Balance, December 31, 2018	$ 10,812,599	$ 7,200,592	$ 3,733,547	$ 111,472	$ 137,086	$ 12,762	$ 405,556	$ 10,238	$ 22,423,852
Accumulated depreciation									
Balance, January 1, 2019	$ -	$ 2,270,361	$ 1,495,367	$ 65,984	$ 67,572	$ 5,226	$ 228,124	$ -	$ 4,132,634
Adjustments on initial application of IFRS 16	-	-	-	-	-	(5,226)	-	-	(5,226)
Balance, January 1, 2019 (restated)	-	2,270,361	1,495,367	65,984	67,572	-	228,124	-	4,127,408
Depreciation	-	171,951	628,207	18,334	24,502	-	63,816	-	906,810
Disposals	-	(34,307)	(211,820)	(32,795)	(19,793)	-	(91,643)	-	(390,358)
Balance, December 31, 2019	$ -	$ 2,408,005	$ 1,911,754	$ 51,523	$ 72,281	$ -	$ 200,297	$ -	$ 4,643,860
Balance, January 1, 2018	$ -	$ 2,139,400	$ 1,184,937	$ 61,216	$ 58,786	$ 7,439	$ 250,624	$ -	$ 3,702,402
Depreciation	-	173,934	557,735	21,945	22,273	3,228	76,764	-	855,879
Disposals	-	(42,973)	(247,305)	(17,177)	(13,487)	(5,441)	(99,264)	-	(425,647)
Balance, December 31, 2018	$ -	$ 2,270,361	$ 1,495,367	$ 65,984	$ 67,572	$ 5,226	$ 228,124	$ -	$ 4,132,634

The above items of property and equipment are depreciated on a straight-line basis over their estimated useful lives as follow:

Buildings	35-56 years
Machinery equipment	1-10 years
Transportation equipment	4-6 years
Miscellaneous equipment	5-20 years
Leasehold improvements	5-50 years

No impairment assessment was performed because there was no indication of impairment for the years ended December 31, 2019 and 2018.

17. LEASE ARRANGEMENTS - 2019

a. Right-of-use assets

	December 31, 2019
Carrying amounts	
Buildings	$ 2,671,366

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 1,115,208
Depreciation charge for right-of-use assets	
Buildings	$ 659,737

b. Lease liabilities

	December 31, 2019
Carrying amounts	$ 2,739,424

	For the Year Ended December 31, 2019
Interest expenses (other interest expenses)	$ 29,960

Range of discount rate for lease liabilities was between 1.16% and 1.29%.

c. Material lease-in activities and terms

The Company leases buildings for the use of principal place of business branches and offices with lease terms of 1 to 10 years.

d. Other lease information

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 12,564
Expenses relating to low-value asset leases	$ 100
Total cash outflow for leases	$ 599,209

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

All lease commitments with lease terms commencing after the balance sheet dates were as follows:

	December 31, 2019
Lease commitments	$ 207,692

18. INTANGIBLE ASSETS, NET

	December 31	
	2019	2018
Goodwill	$ 1,152,274	$ 1,152,274
Computer software	802,376	628,621
	$ 1,954,650	$ 1,780,895

	Goodwill	Computer Software	Total
Balance, January 1, 2019	$ 1,152,274	$ 628,621	$ 1,780,895
Additions	-	450,416	450,416
Disposals	-	(9,302)	(9,302)
Amortization	-	(267,359)	(267,359)
Balance, December 31, 2019	$ 1,152,274	$ 802,376	$ 1,954,650
Balance, January 1, 2018	$ 1,152,274	$ 648,204	$ 1,800,478
Additions	-	215,970	215,970
Amortization	-	(235,553)	(235,553)
Balance, December 31, 2018	$ 1,152,274	$ 628,621	$ 1,780,895

The goodwill included the Company merged with Dah An Bank through a share swap in February 18, 2002, in which the Company issued new shares to acquire the total assets and liabilities with excess difference. The unamortized excess difference as of December 31, 2019 and 2018 was $884,937 thousand with no material impairment loss noted. In addition, the Company merged with the 10th Credit Cooperative of Hsin-Chu in October 2004, in which the Company paid in cash to acquire the total assets and liabilities with excess difference. The unamortized excess difference as of December 31, 2019 and 2018 was $267,337 thousand with no material impairment loss noted.

19. OTHER ASSETS, NET

	December 31	
	2019	2018
Prepayments	$ 974,635	$ 904,247
Refundable deposits	6,077,748	9,167,174
Operating guarantee deposits and settlement funds	87,017	37,450
Collateral, net	7,509	28,907
Others	46,449	38,776
	$ 7,193,358	$ 10,176,554

a. Refer to Note 43 for information relating to refundable deposits, operating guarantee deposits and settlement funds pledged as collateral.

b. The amount of the loss allowance for refundable deposits were as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs - Not Credit-impaired	Stage 3 Lifetime ECLs - Credit-impaired	Total
December 31, 2019	$ -	$ -	$ 3,000	$ 3,000
December 31, 2018	-	-	-	-

Due to the Company’s refundable deposits measured by ECLs, the Company had recognized impairment loss on refundable deposits of $3,000 thousand for the year ended December 31, 2019.

c. The loss allowance is measured at an amount equal to lifetime ECLs per historical experience and forward-looking information; there was no loss allowance on operating guarantee deposits and settlement funds as of December 31, 2019 and 2018.

d. As it is expected that future net cash inflows, which are to be generated from the Company's other assets - others, will decrease, whereas it will make the recoverable amount be less than the carrying amount of such other assets - others, an impairment loss of $4,639 thousand thereon were recognized for the year ended December 31, 2019.

20. DUE TO CENTRAL BANK AND BANKS

	December 31	
	2019	2018
Due to other banks	$ 25,104,879	$ 24,933,478
Call loans from other banks	27,899,674	32,022,907
Bank overdrafts	292,963	397,558
Due to the Central Bank	95,541	87,395
	$ 53,393,057	$ 57,441,338

21. PAYABLES

	December 31	
	2019	2018
Notes and accounts payable	$ 17,114,965	$ 11,911,205
Accrued expenses	5,328,305	4,473,135
Interest payable	2,726,438	2,503,874
Check for clearance payable	1,483,802	2,015,668
Other tax payable	337,962	311,896
Collection payable	534,513	459,320
Other payables	1,561,009	1,015,348
	$ 29,086,994	$ 22,690,446

22. DEPOSITS AND REMITTANCES

	December 31	
	2019	2018
Checking deposits	$ 9,581,958	$ 6,170,839
Demand deposits	331,678,492	257,615,675
Time deposits	350,883,295	350,278,273
Negotiable certificates of deposit	1,127,326	8,412,461
Savings deposits	737,394,122	635,510,525
Public treasury deposits	6,512,990	6,730,170
Remittances	2,511,775	1,845,348
	$ 1,439,689,958	$ 1,266,563,291

23. BANK DEBENTURES

The Company 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 2019	December 31 2018
Subordinated Bank Debentures - 2012 (I)	$ 4,500,000	$ 5,600,000
Subordinated Bank Debentures - 2012 (II)	2,300,000	6,100,000
Subordinated Bank Debentures - 2014 (I)	-	3,000,000
Subordinated Bank Debentures - 2014 (II)	-	2,000,000
Subordinated Bank Debentures - 2014 (III)	3,000,000	3,000,000
Subordinated Bank Debentures - 2015 (I)	9,100,000	9,100,000
Subordinated Bank Debentures - 2015 (II)	6,000,000	6,000,000
Subordinated Bank Debentures - 2015 (III)	4,900,000	4,900,000
Subordinated Bank Debentures - 2019 (I)	5,000,000	-
	$ 34,800,000	$ 39,700,000

a. The Company made first issue of $5,600 million in bank debentures in 2012, as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2012.10.19	2019.10.19	7 years	$1,100 million	1.53% fixed rate	$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date.
B	2012.10.19	2022.10.19	10 years	$4,500 million	1.65% fixed rate		

b. The Company made second issue of $6,100 million in bank debentures in 2012, as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The method of Redemption and Interest Payment
A	2012.12.14	2019.12.14	7 years	$3,800 million	1.53% fixed rate	$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date.
B	2012.12.14	2022.12.14	10 years	$2,300 million	1.65% fixed rate		

c. The Company made first issue of $3,000 million in unsecured, no-maturity, non-cumulative bank debentures in 2014 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2014, first issue	2014.04.16	No maturity. (Issuer has redemption right.)	No maturity. (Issuer has redemption right.)	$3,000 million	4.10% fixed interest rate	$50 million	Interest is accrued according to nominal interest rate and actual days, and calculated at a simple rate and paid annually on July 1 from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. The debentures have no maturity.

1) Interest payment

The Company may not distribute the dividend or pay the interest if it had no earnings during the previous fiscal year and did not distribute common stock dividends. Where the balance of accumulated undistributed earnings after deducting the unamortized loss on the disposal of non-performing loans exceeds the interest payment and such payment does not alter the originally agreed conditions for interest payment, distribution is allowed. The dividends not distributed should not be accumulated or deferred.

The Company shall defer the payment of principal and interest if the ratio of regulatory capital to risk-weighted assets does not meet the minimum requirements in Regulations Governing the Capital Adequacy and Capital Category of Banks Paragraph 1 of Article 5; the deferred payment of principal or interest shall not be imposed further with interest.

2) Redemption policy

After five years of issuance, if the ratio of regulatory capital to risk-weighted assets after redemption will meet the minimum rate and the redemption has an approval from the competent authority, the debts may be redeemed earlier by the Company. The Company had redeemed the debts in April 2019.

d. The Company made second issue of $2,000 million in unsecured, no-maturity, non-cumulative bank debentures in 2014 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2014, second issue	2014.05.09	No maturity. (Issuer has redemption right.)	No maturity. (Issuer has redemption right.)	$2,000 million	4.10% fixed interest rate	$50 million	Interest is accrued according to nominal interest rate and actual days, and calculated at a simple rate and paid annually on July 1 from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. The debentures have no maturity.

1) Interest payment

The Company may not distribute the dividend or pay the interest if it had no earnings during the previous fiscal year and did not distribute common stock dividends. Where the balance of accumulated undistributed earnings after deducting the unamortized loss on the disposal of non-performing loans exceeds the interest payment and such payment does not alter the originally agreed conditions for interest payment, distribution is allowed. The dividends not distributed should not be accumulated or deferred.

The Company shall defer the payment of principal and interest if the ratio of regulatory capital to risk-weighted assets does not meet the minimum requirements in Regulations Governing the Capital Adequacy and Capital Category of Banks Paragraph 1 of Article 5; the deferred payment of principal or interest shall not be imposed further with interest.

2) Redemption policy

After five years of issuance, if the ratio of regulatory capital to risk-weighted assets after redemption will meet the minimum rate and the redemption has an approval from the competent authority, the debts may be redeemed earlier by the Company. The Company had redeemed the debts in May 2019.

e. The Company made third issue of $3,000 million in unsecured 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	2014.5.16	2024.5.16	10 years	$3,000 million	1.95% fixed interest rate	$50 million	Interest is accrued according to nominal interest rate and actual days, and calculated at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Principal will be repaid on maturity date.

f. The Company made first issue of $9,100 million in unsecured bank debentures in 2015 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2015.6.10	2025.6.10	10 years	$4,250 million	2.15% fixed 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	2015.6.10	2030.6.10	15 years	$4,850 million	2.45% fixed interest rate		

g. The Company made second issue of $6,000 million in unsecured 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	2015.9.18	2027.9.18	12 years	$6,000 million	2.25% fixed interest rate	$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date.

h. The Company made third issue of $4,900 million in unsecured bank debentures in 2015 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2015.9.22	2025.9.22	10 years	$700 million	2.15% fixed interest rate	$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date.
B	2015.9.22	2030.9.22	15 years	$4,200 million	2.45% fixed interest rate		

i. The Company's made first 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, first 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.

24. OTHER FINANCIAL LIABILITIES

	December 31	
	2019	**2018**
Principal of structured products	$ 71,455,099	$ 58,234,643
Appropriations for loan fund	-	5,735
Gold account	345,766	362,525
Lease payable	-	7,915
	$ 71,800,865	$ 58,610,818

25. RESERVE FOR LIABILITIES

	December 31	
	2019	**2018**
Reserve for employee benefits (Note 27)	$ 1,112,844	$ 1,053,388
Reserve for guarantee liabilities	224,821	224,706
Reserve for loan commitments	176,675	172,675
Other reserves	124,102	74,614
	$ 1,638,442	$ 1,525,383

	Reserve for Guarantee Liabilities	Reserve for Loan Commitments	Other Reserves
Balance, January 1, 2019	$ 224,706	$ 172,675	$ 74,614
Provision (reverse)	302	4,385	60,798
Payment	-	-	(27,270)
Acquired operation of subsidiaries	-	-	16,500
Exchange differences	(187)	(385)	(540)
Balance, December 31, 2019	$ 224,821	$ 176,675	$ 124,102
Balance, January 1, 2018	$ 210,775	$ -	$ 70,907
Effects of retrospective application	-	204,636	-
Provision (reverse)	13,308	(32,495)	3,756
Payment	-	-	(666)
Exchange differences	623	534	617
Balance, December 31, 2018	$ 224,706	$ 172,675	$ 74,614

Other reserves for liabilities are loss allowance for letters of credit, and the reserve for compensation of dispute cases.

The amount of the loss allowance for financial guarantees (including reserve for guarantee liabilities and letters of credit) and loan commitments was as follow:

	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, 2019	$ 155,447	$ 35,933	$ 4,042	$ 195,422	$ 211,100	$ 406,522
December 31, 2018	155,265	37,837	4,128	197,230	203,689	400,919

26. OTHER LIABILITIES

	December 31 2019	December 31 2018
Unearned revenue	$ 484,247	$ 379,894
Unearned interest	419,039	318,511
Guarantee deposits	1,858,966	682,409
Deferred income	877,809	779,864
Temporary credits	723,491	528,652
	$ 4,363,552	$ 2,689,330

27. POST-EMPLOYMENT BENEFIT PLANS

Defined Contribution Plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Defined Benefit Plans

The Company also has 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 the six months before retirement. The Company contributes amounts is within 2%-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 Company 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 Company 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 (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.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualifying actuaries. The principal assumptions used for the purposes of actuarial valuations were as follows:

	December 31	
	2019	2018
Discount rate	0.875%	1.250%
Expected rate of salary increase	3.000%	3.000%

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	For the Year Ended December 31	
	2019	2018
Current service cost	$ 18,729	$ 20,220
Interest cost	12,930	11,926
	$ 31,659	$ 32,146

The amounts included in the balance sheet arising from the Company's obligation in respect of its defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of funded defined benefit obligation	$ (2,611,507)	$ (2,497,525)
Fair value of plan assets	1,498,663	1,444,137
Deficit	(1,112,844)	(1,053,388)
Net liability arising from defined benefit obligation	$ (1,112,844)	$ (1,053,388)

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

	For the Year Ended December 31	
	2019	2018
Opening defined benefit obligation	$ 2,497,525	$ 2,399,327
Current service cost	18,729	20,220
Interest expense	31,219	29,992
Net remeasurement of defined benefit liability		
Actuarial (gain) loss - changes in demographic assumptions	32,643	89,845
Actuarial (gain) loss - changes in financial assumptions	118,776	-
Actuarial (gain) loss - experience adjustments	(38,160)	34,793
Benefits paid	(49,225)	(76,652)
Closing accrued pension liabilities	$ 2,611,507	$ 2,497,525

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

	For the Year Ended December 31	
	2019	2018
Opening fair value of plan assets	$ 1,444,137	$ 1,425,394
Interest income	18,289	18,066
Net remeasurement of defined benefit liability		
Expected return on plan assets	47,706	38,995
Contribution from employers	37,756	38,334
Benefits paid	(49,225)	(76,652)
Closing fair value of plan assets	$ 1,498,663	$ 1,444,137

For information about the categories and percentages, etc. of the composition of the fair value of plan assets as of December 31, 2019 and 2018, refer to the authorities' public information about Labor Pension Funds.

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the significant actuarial assumptions used of the sensitivity analysis of the present value of the defined obligation were as follows:

	Change in Actuarial Assumptions %	Increase (Decrease) in the Value of the Defined Obligation % December 31	
		2019	2018
Discount rate used in determining present values	Increase 0.25%	(3.08%)	(3.12%)
	Decrease 0.25%	3.21%	3.25%
Expected rate of salary increase	Increase 0.25%	3.09%	3.14%
	Decrease 0.25%	(2.98%)	(3.03%)

The sensitivity analysis presented above applied when the change in assumptions would occur in isolation and all other assumptions remain constant. Practically, the above assumptions are unlikely to occur and each actuarial assumptions may be correlated. The calculation method of the movements in the present value of the defined benefit obligation also adopts projected unit credit method.

The Company expects to make a contribution of $37,506 thousand and $38,005 thousand to the defined benefit plans within one year beginning from December 31, 2019 and 2018, respectively. The weighted average duration of the defined benefit plans are 12.5 years and 12.7 years, respectively.

28. EQUITY

Capital Stock

	December 31	
	2019	2018
Numbers of shares authorized (in thousands)	8,500,000	8,500,000
Shares authorized	$ 85,000,000	$ 85,000,000
Numbers of shares issued and fully paid (in thousands)		
Common stock	8,255,712	7,549,771
Shares issued	$ 82,557,118	$ 75,497,712

On April 19 and December 6, 2018, the Company's Board of Directors (in steading shareholders' meetings) resolved to amend Article to raise amount of capital authorized and to issue ordinary shares by private placement. On June 20, 2018, the Company's Board of Directors resolved to issue 71,429 thousand ordinary shares by private placement at NT$21 per share, amounting to $1,500,000 thousand, and the above transaction was approved by FSC. On June 29, 2018, the Company's Board of Directors resolved to issue 71,429 thousand ordinary shares by private placement at NT$21 per share, amounting to $1,500,000 thousand, and the above transaction was approved by FSC. On September 25, 2018, the Company's Board of Directors resolved to issue 294,736 thousand ordinary shares by private placement at NT$19 per share, amounting to $5,600,000 thousand, and the above transaction was approved by FSC. On December 24, 2018, the Company's Board of Directors resolved to issue 227,579 thousand ordinary shares by private placement at NT$19 per share, amounting to $4,324,000 thousand, and the above transaction was approved by FSC.

On June 6, 2019, the Company's board of directors (in steading shareholders' meetings) resolved the transfer of $7,059,406 thousand of earnings to common stock and the ex-dividend date was set on August 19, 2019. The registration of conversion had been completed.

Paid-in Capital

The capital surplus from shares issued in excess of par and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

The capital surplus from investments using equity method, employee stock options and conversion options may not be used for any purpose.

Taishin Financial Holding's Board of Directors resolved the fourth stock options and warrants issue plan based on IFRSs 2 on September 2, 2010. According to the plan, subsidiaries shall recognize the grant of equity instruments from Taishin Financial Holding to their employees as equity-settled shared-based payments transaction to measure the services provided by subsidiaries' employees, the increase in equity as funding from Taishin Financial Holding, and the same amount of increase in equity as current expenses based on the fair value of the equity instrument and the percentage of service provided by Taishin Financial Holding to its subsidiaries over the vesting period, as well as adjust additional paid in capital - stock warrants. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

All the employee share options issued by parent company of the Company had been acquired.

Retain Earnings and Dividend Policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. Cash distributions in any given year cannot exceed 15% of the Company's paid-in capital. But if the Company's legal reserve equals to or exceeds paid-in capital, this restriction does not apply.

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

Items refer to under Rule No. 1010012865 issued by the FSC and the directive titled "Question and Answer for Special Reserves Appropriated Following Adoption of IFRSs", should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2018 and 2017 approved in the shareholders' meetings on June 6, 2019 and May 31, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividend Per Share (NT$)	
	For Year 2018	For Year 2017	For Year 2018	For Year 2017
Legal reserve	$ 3,047,750	$ 3,116,501		
Special reserve	52,009	(137,453)		
Cash dividends				
Common stock	-	7,409,289	$ -	$ 1.07
Stock dividends				
Common stock	7,059,406	-	0.93	-

Special Reserves

The Company reclassified reserve for trading loss 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.

The Company made special reserves in accordance with Order No. 1010012865 issued by the FSC and the Q&As on Appropriation to Special Reserves after adoption of IFRS.

To protect the rights of bank employees, the Company made special reserves in accordance with Order No. 10510001510 issued by the FSC.

Other Equity - Unrealized Gains (Losses) on Financial Assets at FVTOCI

	For the Year Ended December 31	
	2019	**2018**
Beginning balance	$ 421,666	$ 564,051
Effect of change in tax rate	-	1,168
Recognized during the period		
Unrealized gain (loss) - debt instruments	1,311,459	(258,503)
Unrealized gain - equity instruments	198,211	127,805
Income tax related to profit or loss of debt instruments	(60,816)	24,406
Share from subsidiaries and associates accounted for using the equity method	2,317	(19)
Reclassification adjustments		
Disposal of investments in debt instruments	(445,390)	(138,854)
Other comprehensive loss recognized in the period	1,005,781	(243,997)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	41,139	101,612
Ending balance	$ 1,468,586	$ 421,666

29. NET INTEREST INCOME

	For the Year Ended December 31	
	2019	**2018**
Interest revenue		
Loans	$ 25,957,069	$ 24,770,080
Investment in marketable securities	4,631,568	3,472,932
Revolving credit interests	1,385,515	1,292,301
Others	2,827,313	2,487,325
	34,801,465	32,022,638
Interest expense		
Deposits	(12,182,600)	(9,803,495)
Due to the central bank and call loans from banks	(951,168)	(759,889)
Securities sold under repurchase agreements	(810,875)	(932,795)
Issuance of bonds and securities	(860,319)	(913,820)
Structured products	(1,548,102)	(1,280,102)
Others	(73,785)	(31,805)
	(16,426,849)	(13,721,906)
Net interest income	$ 18,374,616	$ 18,300,732

30. NET SERVICE FEE INCOME

	For the Year Ended December 31	
	2019	2018
Service fee and commission income		
Interbank fees	$ 881,393	$ 920,253
Fees from loan	608,123	502,516
Fees from trustee business	2,554,484	1,918,687
Fees from trustee affiliated business	147,903	139,963
Insurance fees	5,545,719	5,525,110
Fees from credit card	4,644,425	4,018,256
Others	1,551,564	1,444,551
	15,933,611	14,469,336
Service fee expense		
Fees from credit card	(2,734,114)	(2,119,235)
Interbank fees	(278,910)	(338,473)
Marketing fees	(756,971)	(614,846)
Others	(706,000)	(643,135)
	(4,475,995)	(3,715,689)
Net service fee income	$ 11,457,616	$ 10,753,647

The Company provided custody, trust, investment managements and consultancy services to the third party. Therefore, the Company involved in the planning of financial instruments and the decision making of management and trading. Management of custody, application of trust and portfolio independent accounts and preparing financial statements for the purpose of inner management were not included in the financial statement of the Company.

31. GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	For the Year Ended December 31	
	2019	2018
Disposal gains (losses)		
Stocks and beneficiary certificates	$ 170,213	$ (360,213)
Bills	(8,029)	4,989
Bonds	845,278	(192,615)
Derivative financial instruments	3,705,745	2,796,791
	4,713,207	2,248,952
Valuation gains (losses)		
Stocks and beneficiary certificates	41,742	(30,131)
Bills	10,260	(7,816)
Bonds	(173,293)	(72,330)
Derivative financial instruments	624,180	(638,235)
	502,889	(748,512)
Interest revenue	931,148	1,072,162
Dividend revenue	42,170	71,900
Interest expense	(155,267)	(71,801)
	$ 6,034,147	$ 2,572,701

32. REALIZED GAINS ON FINANCIAL ASSETS AT FVTOCI

	For the Year Ended December 31	
	2019	2018
Disposal gains (losses)		
Bills	$ (4,050)	$ (3,019)
Bonds	449,554	141,873
Beneficiary certificates	(114)	-
	445,390	138,854
Dividend income		
Investment holdings	225,585	232,380
Investment derecognition	66,274	-
	$ 737,249	$ 371,234

33. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 10,911,424	$ 9,457,153
Post-employment benefits		
Defined contribution plans	380,789	365,569
Defined benefit plans	31,659	32,146
Share-based payment		
Cash-settled share-based payment	36,014	61,965
Other employee benefits expenses	497,843	565,499
	$ 11,857,729	$ 10,482,332

a. Employees' compensation

In compliance with the Articles, the Company accrued employees' compensation at 0.01%, respectively, of net profit before income tax, employees' compensation. The employee's compensation for the years ended December 31, 2019 and 2018 by $1,326 thousand and $1,141 thousand.

If there is a change in the amounts after the financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

The Company's board of directors resolved the amount of employees' compensation on February 14, 2019 and February 8, 2018, respectively. There was no difference between the actual amounts of employees' compensation paid and the amounts recognized in the financial statements.

Information on the employees' compensation 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.

b. The benefit program implemented by the Company's parent company was executed on embedded value for proper person by cash. Provision for the expense recognized by the Company for years 2019 and 2018 were $36,014 thousand and $61,965 thousand, respectively. The related liability recognized for the years ended December 31, 2019 and 2018 were $65,493 thousand and $100,122 thousand, respectively.

Refer to Note 28 for the information relating to the share-based payment arrangements.

34. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2019	2018
Property and equipment	$ 906,810	$ 855,879
Right-of-use assets	659,737	-
Intangible assets	267,359	235,553
	$ 1,833,906	$ 1,091,432

35. INCOME TAX

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. The effect of the change in tax rate on deferred tax income to be recognized in profit or loss. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%. Tax rates used by overseas branches operating in other jurisdictions are based on the tax laws in those jurisdictions.

a. Income tax recognized in profit or loss

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

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current period	$ 1,731,347	$ 2,082,834
Adjustment for prior years	(901,059)	(386)
Offshore income tax expense	24,980	10,378
Land value increment tax	81	-
Deferred tax		
In respect of the current period	(207,795)	(472,211)
Adjustment for prior years	923,212	-
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(370,934)
Income tax expense (benefit) recognized in profit or loss	$ 1,570,766	$ 1,249,681

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

	For the Year Ended December 31	
	2019	2018
Income before income tax	$ 13,380,908	$ 11,651,499
Income tax expense calculated at the statutory rate	$ 2,676,182	$ 2,330,300
Nondeductible expense in determining taxable income	3,837	47
Tax-exempt income	(1,008,954)	(748,359)
Temporary differences	(19,618)	176,020
Loss carryforward	(127,895)	(147,385)
Offshore income tax expense	24,980	10,378
Adjustments to prior years' tax	22,153	(386)
Adjustments to deferred tax attributable to changes in tax rates	-	(370,934)
Others	81	-
Income tax expense (benefit) recognized in profit or loss	$ 1,570,766	$ 1,249,681

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
In respect of the current period		
Fair value changes of financial assets at FVTOCI	$ 60,816	$ (24,406)
Remeasurements of the defined benefit plans	(13,111)	(17,129)
Effect of changes in tax rate	-	(26,628)
Recognized in other comprehensive income	$ 47,705	$ (68,163)

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	$ 674,257	$ 674,257
Current tax liabilities		
Income tax payable	$ 1,499,397	$ 1,816,812

d. Deferred tax assets and liabilities

	For the Year Ended December 31, 2019			
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax assets				
Allowance for bad debts in excess of tax limit	$ 2,523,706	$ (846,084)	$ -	$ 1,677,622
Reserve for guarantee liabilities in excess of tax limit	9,437	(1,993)	-	7,444
Linked debt settlement	9,551	6,346	-	15,897
Credit card bonus points liabilities	154,038	19,589	-	173,627
Unfunded pension liabilities	210,740	(1,218)	13,111	222,633
Unrealized gains or losses on financial instruments	225,293	107,943	-	333,236
Unrealized gains or losses on financial assets at FVTOCI	32,193	-	(32,193)	-
	$ 3,164,958	$ (715,417)	$ (19,082)	$ 2,430,459
Deferred tax liabilities				
Land value increment tax	$ (53,552)	$ -	$ -	$ (53,552)
Unrealized gains or losses on financial assets at FVTOCI	-	-	(28,623)	(28,623)
	$ (53,552)	$ -	$ (28,623)	$ (82,175)

	For the Year Ended December 31, 2018			
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax assets				
Allowance for bad debts in excess of tax limit	$ 1,993,909	$ 529,797	$ -	$ 2,523,706
Reserve for guarantee liabilities in excess of tax limit	3,296	6,141	-	9,437
Linked debt settlement	8,231	1,320	-	9,551
Credit card bonus points liabilities	110,611	43,427	-	154,038
Unfunded pension liabilities	165,622	2,529	42,589	210,740
Unrealized gains or losses on financial instruments	-	225,293	-	225,293
Unrealized gains or losses on financial assets at FVTOCI	6,619	-	25,574	32,193
	$ 2,288,288	$ 808,507	$ 68,163	$ 3,164,958
Deferred tax liabilities				
Unrealized gains or losses on financial instruments	$ (34,638)	$ 34,638	$ -	$ -
Land value increment tax	(53,552)	-	-	(53,552)
	$ (88,190)	$ 34,638	$ -	$ (53,552)

e. The estimated payables to Taishin Financial Holding due to the adoption of the linked-tax system were as follows:

	December 31	
	2019	**2018**
Payables to Taishin Financial Holding (recorded under current tax asset)	$ 558,456	$ 558,456
Payables to Taishin Financial Holding (recorded under current tax liability)	$ 1,147,890	$ 1,490,735

f. Income tax assessments

The Company's income tax returns through 2014 had been assessed by the tax authorities.

36. EARNINGS PER SHARE

Unit: NT$

	For the Year Ended December 31	
	2019	**2018**
Basic earnings per share	$ 1.43	$ 1.34
Diluted earnings per share	$ 1.43	$ 1.34

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 19, 2019. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2018 was as follows:

	Before Adjusted Retrospectively	**After Adjusted Retrospectively**
Basic earnings per share	$ 1.48	$ 1.34
Diluted earnings per share	$ 1.48	$ 1.34

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

Net Income for the Periods

	For the Year Ended December 31	
	2019	**2018**
Earnings used in computation of basic earnings per share	$ 11,810,142	$ 10,401,818
Earnings used in computation of diluted earnings per share	$ 11,810,142	$ 10,401,818

Weighted Average Number of Ordinary Shares (In Thousand Shares)

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	8,255,712	7,749,222
Effect of dilutive potential ordinary shares:		
Employees' compensation	79	68
Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share	8,255,791	7,749,290

If the Company offered to settle bonuses paid to employees in cash or shares, the Company assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

37. CASH FLOWS INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes				Closing Balance
			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 overdraft)	$ 33,957,115	$ (4,259,178)	$ -	$ -	$ -	$ -	$ 29,697,937
Bank debentures	39,700,000	(4,900,000)	-	-	-	-	34,800,000
Lease liabilities	2,212,292	(556,585)	1,108,080	(24,363)	-	-	2,739,424
Financial liabilities designated as at FVTPL	3,085,588	-	-	-	-	201,771	3,287,359
	$ 78,954,995	$ (9,715,763)	$ 1,108,080	$ (24,363)	$ -	$ 201,771	$ 70,524,720

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			Effect of Exchange Rate Changes	Amortization for Discount	Fair Value Adjustments	
Due to the Central Bank and banks (including call loans from other banks and bank overdraft)	$ 38,557,766	$ (4,600,651)	$ -	$ -	$ -	$ 33,957,115
Financial liabilities designated as at FVTPL	-	3,050,000	-	-	35,588	3,085,588
	$ 38,557,766	$ (1,550,651)	$ -	$ -	$ 35,588	$ 37,042,703

38. OPERATING LEASE ARRANGEMENTS - 2018

The Company as Lessee

Operating leases relate to leases of operating place with lease terms between 1 and 10 years.

As of December 31, 2018, refundable deposits paid under operating leases amounted to $233,380 thousand.

The Company's future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31, 2018
Not later than 1 year	$ 581,355
Later than 1 year and not later than 5 years	1,385,338
Later than 5 years	475,370
	$ 2,442,063

39. CAPITAL RISK MANAGEMENT

a. Summary

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

1) The Company's eligible self-owned capital should meet the requirement of legal capital, and reached the minimum capital adequacy ratio.

2) The calculation of eligible self-owned capital and legal capital are according to the regulation of administration.

3) To ensure the Company is able to meet the capital needs, it should be evaluated periodicity and observed the variation between eligible self-owned capital and risk assets.

b. Capital management procedures

The Company maintains a sound capital adequacy ratio to meet the requirement of the administration, and reports to the administration quarterly. In addition, the capital management procedures for the overseas branches of the Company are carried out according to the regulation of local administrations.

The Company's capital adequacy performance, which is calculated based on Regulations Governing the Capital Adequacy and Capital Category of Banks, is reported to the Asset and Liability Management Committee of Taishin Financial Holding monthly. The regulatory capital is classified into Tier I capital and Tier II capital respectively.

Tier I capital: Include common equity Tier I and other Tier I capital.

1) Common equity Tier I: Include common stock, additional paid-in capital in excess of par, capital reserves, legal reserve, special reserve, accumulated earnings, non-controlling interests and other equity and deduct legal adjustment of calculations announced by administration.

2) Other Tier I capital: Include noncumulative perpetual preferred stock, additional paid-in capital in excess of par and noncumulative perpetual subordinated debts and deduct legal adjustment of calculations announced by administration.

Tier II capital: Include long-term subordinated bonds, property at fair values or revaluation values as firstly applied by IAS recognized as increases of retained earning, 45% of unrealized gains or losses on financial assets at FVTOCI and operating reserve and allowance and deduct legal adjustment of calculations announced by administration.

c. Capital adequacy

Item / **Period**			**December 31, 2019**	**December 31, 2018**
Self-owned capital	Common equity Tier I		$ 128,251,549	$ 115,932,653
	Other Tier I capital		23,676,331	24,329,908
	Tier II capital		36,712,449	36,719,109
	Self-owned capital		188,640,329	176,981,670
Risk-weighted assets	Credit risk	Standardized approach	1,192,564,956	1,085,372,053
		IRB	-	-
		Securitization	122,465	-
	Operation risk	Basic indicator approach	-	-
		Standardized approach/ optional standard	58,514,388	54,509,138
		Advanced internal-rating based approach	-	-
	Market price risk	Standardized approach	58,646,600	62,286,213
		Internal model approach	-	-
	Total		1,309,848,409	1,202,167,404
Capital adequacy ratio			14.40%	14.72%
Common equity Tier I to risk-weighted assets ratio			9.79%	9.64%
Tier I capital to risk-weighted assets ratio			11.60%	11.67%
Leverage ratio			7.38%	7.59%

Note 1: The ratios are calculated in accordance with the Letters issued by FSC on January 9, 2014 (Ref. No. Jin-Guan-Yin 10200362920 and 10200362921).

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) × 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

40. 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 Company will use valuation techniques or refer to Bloomberg or Reuters' quotes or the fair value quoted by the counterparty.

b. The definition of three levels of fair value

1) Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Active markets must have the following attributes: (A) assets or liabilities traded in the market are identical, (B) the market is principal (or most advantageous), providing ease in finding buyers and sellers that are both able and willing to transact an asset sale or liability transfer; and (C) pricing information is readily available on an ongoing basis to the public.

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as price) or indirectly (i.e., value derived from price), in the active markets.

   a) Quoted prices of similar financial instruments in active market are the Company's fair value of financial instruments if based on recent quoted price for similar financial instruments. Similar financial instruments should be decided in accordance with characteristics and transaction conditions of these instruments. Fair value of financial instruments will vary depending on factors specific to the similar asset or liability. The factors include: Prices are not current, price quotations vary substantially, transaction price between related parties, relevance of quoted price of similar instruments and the quoted price of financial instruments.

   b) Quoted prices for identical or similar assets or liabilities in markets that are not active.

   c) Valuation models are used to measure fair value, and the inputs (e.g. interest rate, yield curve, and volatilities) are based on accessible data from the markets (the observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data).

   d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

3) Level 3 inputs are inputs that are not available in the market. Unobservable inputs are inputs such as historical volatilities used in option pricing model. Historical volatility typically does not represent current market participants' expectations about future volatility.

c. Financial instruments measured at fair value

1) The level information of fair value

The financial instruments of the Company 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, 2019**			
	Total	**Level 1**	**Level 2**	**Level 3**
Recurring fair value measurement				
Non-derivative assets and liabilities				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stocks and beneficiary certificates	$ 2,750,053	$ 2,442,071	$ -	$ 307,982
Bond investments	47,084,574	13,172,152	32,849,709	1,062,713
Investment in bills	48,486,586	-	48,486,586	-
Financial assets at FVTOCI				
Stocks investments	4,414,275	2,489,154	-	1,925,121
Bond investments	152,648,740	58,875,178	93,773,562	-
Investment in bills	115,538,688	1,650,647	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	-
Derivative assets and liabilities				
Assets				
Financial assets at FVTPL	20,170,687	27,207	15,265,616	4,877,864
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	21,291,573	2,417	16,668,089	4,621,067

Financial Assets and Liabilities	December 31, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Recurring fair value measurement				
Non-derivative assets and liabilities				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stocks and beneficiary certificates	$ 1,917,563	$ 1,678,724	$ -	$ 238,839
Bond investments	38,237,600	22,019,066	14,846,190	1,372,344
Investment in bills	33,289,152	1,312,935	31,976,217	-
Financial assets at FVTOCI				
Stocks investments	4,130,967	2,262,676	-	1,868,291
Bond investments	113,743,159	48,732,856	65,010,303	-
Investment in bills	218,310,346	612,287	217,698,059	-
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	3,085,588	-	3,085,588	-
Derivative assets and liabilities				
Assets				
Financial assets at FVTPL	23,429,697	90	17,106,430	6,323,177
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	24,013,943	5,996	17,796,779	6,211,168

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 Company will use valuation techniques or refer to Bloomberg or Reuters' quotes or the fair value quoted by the counterparty.

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

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

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

Foreign currency products

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

Government bonds and part of interest rate derivatives

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

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

Stock-related products

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

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

When measuring financial instruments that are not standardized and with low complexity such as options without active market, the Company 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 Company will adopt self-developed valuation techniques and methods consistent with those generally used by other market participants and valuation models to measure fair values. This type 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 Company makes appropriate estimates based on assumptions.

Valuation of derivatives is based on valuation models consistent with those generally used by other market participants, such as the discount rate method or the option pricing models.

Valuation of investments in equity instruments is based on generally used valuation methods, which are consistent with those described in the Statements of Valuation Standards (SVS) No. 11 - "Business Valuation", such as the asset based approach and the market approach (which is comparable to the market approach).

3) Adjustments of fair values

a) Limits of valuation models and indeterminate input value

Valuation models generate estimated approximate values. That is, valuation techniques may not be able to reflect all the factors relevant to the performance of the Company'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 the Company'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 Company 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 OTC market, to reflect within fair value the possibility that the Company may default, and that the Company may not pay the full market value of the transactions.

The Company 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 Company and considering loss given default of the Company before being multiplied by exposure at default of the Company.

The Company manages PD through its regular internal rating review. After examining the experiences of foreign financial institutions, the Company 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 Company took credit risk rating adjustments into consideration to reflect competitors' credit risk and the Company's credit quality, respectively.

4) The transfer between Level 1 and Level 2

The source used to measure the fair value of part of bonds held by the Company has been changed from a quoted price in an active market to an evaluation price from yield curve information in the market put into the general practice bond evaluation model, therefore, it has been reclassified to the Level 2 based on observable price information other than a quoted price in an active market. The Group had reclassified from the Level 1 to the Level 2 of $2,441,732 thousand and 809,642 thousand for the year ended December 31, 2019 and 2018, respectively.

5) Reconciliation of Level 3 financial assets

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	$ 7,934,360	$ (1,934,164)	$ -	$ 897,505	$ -	$ (649,142)	$ -	$ 6,248,559
Financial assets at FVTOCI	1,868,291	-	60,214	-	-	(3,384)	-	1,925,121
Total	$ 9,802,651	$ (1,934,164)	$ 60,214	$ 897,505	$ -	$ (652,526)	$ -	$ 8,173,680

Note: No transfer from Level 3.

For the Year Ended December 31, 2018								
Item	Beginning Balance	Valuation Gains (Losses)		Increase		Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial assets at FVTPL	$ 3,936,471	$ 2,129,535	$ -	$ 1,950,224	$ -	$ (81,870)	$ -	$ 7,934,360
Financial assets at FVTOCI	1,769,280	-	112,905	9,197	-	(23,091)	-	1,868,291
Total	$ 5,705,751	$ 2,129,535	$ 112,905	$ 1,959,421	$ -	$ (104,961)	$ -	$ 9,802,651

Note: No transfer from Level 3.

Valuation gains (losses) above recognized in current profits or losses in the amounts of $(1,899,277) thousand and $2,136,788 thousand were attributed to gains (losses) on assets owned during the years ended December 31, 2019 and 2018, respectively.

Valuation gains (losses) above recognized in other comprehensive income in the amounts of $60,214 thousand and $102,204 thousand were attributed to gains (losses) on assets owned during the years ended December 31, 2019 and 2018, respectively.

Reconciliation of Level 3 financial liabilities:

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	$ (2,127,873)	$ 882,285	$ -	$ (344,513)	$ -	$ 4,621,067

Note: No transfer from Level 3.

For the Year Ended December 31, 2018							
Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial liabilities at FVTPL	$ 3,867,181	$ 2,008,522	$ 438,512	$ -	$ (103,047)	$ -	$ 6,211,168

Note: No transfer from Level 3.

Valuation gains (losses) above recognized in current profits or losses in the amounts of $2,109,662 thousand and ($2,017,247) thousand were attributed to gains (losses) on liabilities owned during the years ended December 31, 2019 and 2018, respectively.

6) The quantification information measured by fair value of significant unobservable inputs (Level 3)

Most of fair value attributed to Level 3 in the Company only has single significant unobservable input.

The quantification information of significant unobservable inputs was as follows:

	Fair Value on December 31, 2019	Valuation Technique	Significant Unobservable Inputs	Range of Estimate	Relationship Between Inputs and Fair Value
Non-derivative financial instrument					
Financial assets at FVTPL					
Financial assets mandatorily classified as at FVTPL					
Credit-linked bonds	$ 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.
Stocks investment	307,982	Assets method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability, the lower the fair value.
			Discount for non-controlling interests	10%-30%	The higher the discount for non-controlling interests, the lower the fair value.
Financial assets at FVTOCI					
Stocks investment	1,730,511	Assets method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability, the lower the fair value.
			Discount for non-controlling interests	10%-30%	The higher the discount for non-controlling interests, 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.
Commodity options	260	Option pricing model	Volatility rate	5%-25%	The higher the volatility rate, the higher the fair value.
Commodity price exchange	46	Option pricing model/cash flow discount method	Volatility rate	5%-25%	The higher the volatility rate, the higher 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.
Commodity price exchange	3	Option pricing model/cash flow discount method	Volatility rate	5%-25%	The higher the volatility rate, the higher 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 higher the fair value

	Fair Value on December 31, 2018	Valuation Technique	Significant Unobservable Inputs	Range of Estimate	Relationship Between Inputs and Fair Value
Non-derivative financial instrument					
Financial assets at FVTPL					
Financial assets mandatorily classified as at FVTPL					
Credit-linked bonds	$ 1,372,344	Credit spread default model/cash flow discount method	Credit spread	0%-2%	The higher the credit spread, the lower the fair value.
Stocks investment	238,839	Assets method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability, the lower the fair value.
			Discount for non-controlling interests	10%-30%	The higher the discount for non-controlling interests, the lower the fair value.
Financial assets at FVTOCI					
Stocks investment	1,678,920	Assets method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability, the lower the fair value.
			Discount for non-controlling interests	10%-30%	The higher the discount for non-controlling interests, the lower the fair value.
	189,371	Market method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability, the lower the fair value.
Derivative financial assets					
Financial assets at FVTPL					
Interest rate swaps	895,115	Cash flow discount method	Discount for lack of marketability	0%-20%	The higher the discount for lack of marketability, the lower the fair value.
Equity-linked options	2,324	Option pricing model	Volatility rate	5%-40%	The higher the volatility rate, the higher the fair value.
Structured FXO	490	Option pricing model	Volatility rate	5%-25%	The higher the volatility rate, the higher the fair value.
Derivative financial liabilities					
Financial liabilities at FVTPL					
Interest rate swaps	680,109	Cash flow discount method	Discount for lack of marketability	0%-20%	The higher the discount for lack of marketability, the lower the fair value.
Credit default swaps	7,035	Credit spread default model/cash flow discount method	Credit spread	0%-2%	The higher the credit spread, the higher the fair value.

7) The assessment of fair value based on Level 3 inputs

The financial instrument assessment group of the Company’s department of risk management is responsible for independently verifying fair value, using an impartial, reliable source of information, so that the evaluation results reflect market status closely, same with other resource and representing executable price calibrating the assessment model regularly, and updating input values, information and any other information needed to ensure that the assessment model results are reasonable.

The department of investment management targets in equity instruments which obtain financial information audited or reviewed recently from invested company and collect information acquired from public market or private market for the purpose of valuation in proper method.

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

The Company'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 resell agreements, receivables, other financial assets, loans, due to the Central Bank and banks, securities sold under repurchase agreements, payables, deposits and remittances, bank debentures and other financial liabilities-have carrying amounts that are equal to, or reasonably approximate, their fair values.

	December 31			
	2019		2018	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
Financial assets				
Financial assets at amortized cost	$ 131,876,458	$ 132,020,343	$ 3,072,107	$ 3,072,880

2) The level information of fair value

Assets and Liabilities	**December 31, 2019**			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Financial assets at amortized cost	$ 132,020,343	$ -	$ 132,020,343	$ -

Assets and Liabilities	**December 31, 2018**			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Financial assets at amortized cost	$ 3,072,880	$ -	$ 3,072,880	$ -

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 resell agreements, receivables, other financial assets, due to the Central Bank and banks, securities sold under repurchase agreements, payables, remittances and other financial liabilities, are disclosed at their carrying amounts as shown in the individual balance sheets since their maturities are very short or their future payments/receipts approximate their carrying amounts.

b) Financial assets at amortized cost: Refer to Note 40. c. for related information.

c) Loans (including delinquent loans)

The Company'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) Bank debentures

The bank debentures were issued to enhance liquidity or capital management instead of earning short-term profits, the carrying amount is disclosed instead of fair value.

Financial Assets and Financial Liabilities Offsetting

The Company signs net settlement contracts or similar agreements with counterparties. When both transaction parties choose to do netting, the Company can offset financial assets and financial liabilities after the signing of the net settlement agreement. If not, the Company 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, 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.

December 31, 2018						
Offset and Execution of Net Settlement or Similar Agreement on Financial Assets						
Interpretation	**Realized Financial Assets (a)**	**Offset of Realized Financial Liabilities in Balance Sheet (b)**	**Net Financial Assets in Balance Sheet (c)=(a)-(b)**	**Amount of Offset Not Shown in Balance Sheet (d)**		**Net (e)=(c)-(d)**
				Financial Instruments (Note)	**Received Cash Collateral**	
Derivative	$ 14,673,387	$ -	$ 14,673,387	$ 11,553,238	$ 804,503	$ 2,315,646

Note: Including net settlement and non-cash collateral.

December 31, 2018						
Offset and Execution of Net Settlement or Similar Agreement on Financial Liabilities						
Interpretation	**Realized Financial Liabilities (a)**	**Offset of Realized Financial Assets in Balance Sheet (b)**	**Net Financial Liabilities in Balance Sheet (c)=(a)-(b)**	**Amount of Offset Not Shown in Balance Sheet (d)**		**Net (e)=(c)-(d)**
				Financial Instruments (Note)	**Pledged Cash Collateral**	
Derivative	$ 20,915,361	$ -	$ 20,915,361	$ 11,553,238	$ 7,715,418	$ 1,646,705

Note: Including net settlement and non-cash collateral.

Transfer of Financial Assets

The Company treats debt securities under repurchase agreements as transferred financial assets that do not qualify for full derecognition; thus, the Company 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 Company should not use, sell or pledge the transferred financial assets during the transaction validity period. However, the Company still bears interest and credit risks although the financial assets will not be fully derecognized. The following table shows the amounts of the financial assets that did not qualify for full derecognition and information on the related financial liabilities.

December 31, 2019		
Financial Assets	**Transferred Financial Assets - Book Value**	**Related Financial Liabilities - Book Value**
Financial assets at FVTPL repurchase agreement	$ 50,367,735	$ 53,693,938
Financial assets at FVTOCI repurchase agreement	53,890,088	51,893,832

December 31, 2018		
Financial Assets	**Transferred Financial Assets - Book Value**	**Related Financial Liabilities - Book Value**
Financial assets at FVTPL repurchase agreement	$ 33,995,804	$ 33,384,916
Financial assets at FVTOCI repurchase agreement	41,549,227	40,269,510

Financial Risk Management Objectives and Policies

a. Summary

The Company'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 Company 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.

The parent company Taishin Financial Holding has rules for risk management policies and risk control procedures, which had been approved by The board of directors or Risk Management Committee or monthly risk management meeting, and the Company has its own risk management policies, which had been followed the rules for risk management of parent company, 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. The board of directors authorizes the Risk Management Committee to examine policies and standards and establish risk management system. Important risk management issues need to be reported to parent company. The chairman of Risk Management Committee takes charge of risk management and reports to the board of directors periodically.

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

c. Market risk

1) The source and definition of market risk

Market risk is the uncertainty of changes in fair value of in- and off-balance-sheet financial instruments due to changes in market risk factors. Market risk factors include interest rates, exchange rates, equity security prices, credit spreads and commodity prices.

The major market risks of the Company 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, domestic stock index options and stock index futures. The main position of credit spread risk includes the credit derivatives, such as credit default swaps and convertible bond asset SWAP (CBAS), etc. 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 Company's investments denominated in foreign currencies, such as foreign currency spots and foreign currency options.

2) Market risk management policy

The Company'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 based on the risk management policy and market value management rules from parent company. It establishes market risk management system and regulates market risks, risk limits, stop loss limits and stress tests of various financial assets.

3) Market risk management procedures

a) Identifying risks and measuring possible effects

The Company's risk management department identifies the exposures of positions or new financial instruments to market risks and measures the gains and losses on positions held due to changes in market risk factors based on standards; the risk management department calculates price sensitivity and gains and losses on positions are recorded in trading purpose daily; and calculates the maximum potential losses recorded in each trading purpose monthly. The Company wants to avoid tremendous losses that will harm the Company's operations due to overwhelming changes in market risk factors.

b) Controlling of risk and reporting of issues

The Company 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 reported to parent company.

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 management, Risk Management Committee 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) Market risk position management principles

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

Trading purpose position consists of trading purpose financial instruments or commodities held to hedge positions in trading purposes. A position, such as self-run position or position produced by matched principal brokering or market making, is for trading purpose if it is intended to be sold within a short period; to earn or to lock in profit from actual or expected short-term price fluctuations.

Non-trading purposes positions are positions other than aforementioned trading purposes 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 from interests, positions held for fund dispatching, liquidity risk management, and banking books interest rate risk management purposes, and positions held for other management purposes.

Principles of trading purpose market risk management are as follows:

a) Management strategy

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

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

b) Management principles

The parent company stipulated "Principles of Market Risk Limit Management" to manage trading purpose limits.

c) Valuation gains and losses

If objective prices of financial instruments in various 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 Value at risk.

iii. Measure potential losses resulting from extreme market volatility in order to assess capital adequacy and essential position adjustments.

5) Trading purpose positions interest rate risk management

a) Definition of interest rate risk

Interest rate risk is fair value changes in interest rate risk position held by the Company 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). And the department calculates stress loss of risk position held. Refer to Item 10 for Value at risk.

c) Management procedures

The risk management department defines the interest rate related products that can be undertaken among trading purpose investment portfolio and set the total limit of DV01, the limit of DV01 in each time band and the stop-loss limits in order to control exposure risks on position losses. If the losses reach the stop-loss limit, then the trading department should decrease risk exposure positions so as to control losses.

6) Trading purpose positions exchange rate risk management

a) Definition of exchange rate risk

Exchange rate risk is the gain or loss resulting from exchange or translation of two different foreign currencies at different times. The Company'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 Value at risk.

c) Management procedures

The risk management department sets the position limit and stop-loss limit of trading purpose investment combinations in order to control exchange rate risk. If the losses reach the stop-loss limit, the trading department should decrease risk exposure positions so as to control losses.

7) Trading purpose positions equity security price risk management

a) Definition of equity security price risk

Equity security price risk is the valuation effect on the position held by the Company when the equity security price changes. The Company'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 Value at risk.

c) Management procedures

The risk management department sets the position limit and stop-loss limit of trading purpose investment portfolio in order to control equity security price risk. If the losses reach the stop-loss limit, then the trading department should decrease risk exposure position so as to control losses.

8) Trading purpose credit spread risk management

a) Definition of credit spread risk

Credit spread risk is the risk of the effect of changes in credit spreads on positions held by the Company. 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 Company. Refer to item 10 for Value at risk.

c) Management procedures

The risk management department sets the position limit and stop-loss limit of trading purpose investment portfolios in order to control credit spread risks. If the losses reach the stop-loss limit, then the trading department should decrease the risk exposure position so as to control losses.

9) Banking book interest rate risk management of non-trading purposes

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

The Company 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. The Company measures the effect on net interest income when the yield curve moves upward by 1bp. Refer to Item 10 for Value at risk.

d) Management procedures

The Company 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

a) Stress test

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

The risk management unit is required to execute the stress test at least once a month to calculate trading purpose stress loss. The risk management unit observes historical information of market price and sets the biggest possible volatility range for various market risk factors as the stress circumstance, which should be approved by the Risk Management Committee of the parent company. Since there are so many market risk factors that affect trading purpose position, there might be plenty of permutation and combination of stress circumstances when the unit calculates stress loss. For instance, change in a market risk factor might result in the biggest loss of one investment portfolio but create profits for another investment portfolio. Based on the conservative principles, the risk management unit will take into account correlation between various risk factors to calculate the biggest loss as the stress loss.

The risk management unit should confirm that overall trading purpose loss does not exceed the stress loss limit and report to the high-level management as references for adjusting positions or resource distribution.

b) Value at risk, "VaR"

The Company uses variety of methods to control market risk; the VaR is one of them. The Company is using risk model to assess the value of trading portfolios and potential loss amount of holding positions. VaR is the Company's important internal risk control system, and the Board of Directors reviews and establishes trading portfolio's limits annually. Actual exposures of the Company 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, 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

	For the Year Ended December 31, 2018			
	Average	**Highest**	**Lowest**	**Ending Balance**
Exchange VaR	$ 6,578	$ 21,825	$ 2,685	$ 4,529
Interest rate VaR	76,186	122,889	26,572	29,170
Equity securities VaR	20,592	35,078	9,752	13,781
Credit spread VaR	3,541	9,998	73	9,947
Value at risk	74,143	117,657	28,241	33,807

c) Information of exchange rate risk concentration

Refer to Note 45 for information regarding the Company’s non-functional currency financial assets and liabilities on the balance sheet date.

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 Company 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

To ensure its credit risk under control within the tolerable range, the Company 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, the Company should make detailed analyses to identify existing and potential credit risks. Before launching new products or businesses, the Company 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, the Company also establishes risk management system described in the related rules and guidelines.

Unless the assessment of asset qualities and provision for potential losses of the overseas business department is regulated by the local authorities, it is in accordance with the Company's risk management policies and guidelines.

The measurement and management procedures of credit risks in the Company's main businesses are as follows:

a) Credit granting business (including loans and guarantees)

i. Credit risk rating

For risk management purposes, the Company 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 the shortage of the model.

ii. The measurement of ECLs

At the end of the reporting period, the Company 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, the Company 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, the Company assumes that the credit risk has not increase significantly for those whose credit risk is determined to be low.

The Company 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 Company 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.

The Company 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 Company takes factors into account to adjust PD as follows: It considers the respective borrower's future financial and business prospect, guarantors, stockholders and group background, as well as the forward-looking effects of environmental changes in the economy, markets and regulations in corporate finance; and it considers overall economic indicators (e.g. gross domestic product (GDP)) that are adjusted according to the asymptotic single risk factor (ASRF) model.

There was no significant change in valuation techniques and major assumptions used to assess the expected credit losses of the loans by the Company in 2019 and 2018.

In addition to the aforementioned assessment procedures, which classify loans in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, the loans are classified into five categories for evaluation. Except for normal loans, the remainder is classified into the first category. After the assets are assessed on the basis of the guarantee status of the claims and the length of the time overdue, they are respectively classified within the remaining categories according to the probability of recovery as follows: The second category is for notable assets; the third category is for assets which are expected to be recovered; the fourth category is for assets which will be difficult to recover; and the fifth category is for assets for which recovery is considered hopeless. The highest values of the aforementioned evaluation results are taken to measure the allowance loss.

In order to manage problematic loans, procedures are adopted for the reorganization of loan loss provisions, the allowance for bad debt or guarantee liability provisions, the measurement of overdue loans and the collection of default loans. In the management of loans, the Company is also guided by the Regulations Governing the Procedures for Corporation Credit Businesses to Evaluate Assets and Deal with Non-performing Assets, Measures for Corporation Credit Businesses to Be Taken When Credit Extensions Become Past Due and Regulations Governing Collection Procedures, Regulations Governing the Procedures for Consumer Finance to Evaluate Assets and Deal with Non-performing Assets, Regulations Governing the Procedures for Overdue Loans, Non-accrual Loans and Doubtful Loans.

iii. Write-off policy

Overdue loans and non-accrual loans for which one of the following events have occurred should have the estimated recoverable amount deducted and should then be written off as bad debts.

- The debtor may not recover all or part of the obligatory claim due to dissolution, escape, settlement, bankruptcy or other reasons.

- The appraisal of the collateral, the property of the principal debtor and the surety is low, or the amount of the loan’s priority is deducted, or the collection implementation costs may approach or exceed the amount that the Company 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 the Company 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 Company 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

The Company evaluates the credit status of counterparties before deals are closed. The Company grants different limits to the counterparties based on their respective credit ratings as suggested by external qualified credit rating institutes.

c) Security investment and financial derivatives transaction

Regarding the credit risk of security investments and financial derivatives, the Company manages the risk by internal credit rating of issuers, issued underlying, counterparties, and by external credit rating of debt instruments and counterparties or status of regions/countries.

The other banks with which the Company conducts derivative transactions are mostly considered investment grade. The credits extended to counterparties that are not rated as investment grade are assessed case by case. The credits extended to counterparties are monitored in accordance with the related contract terms and conditions, and the credit limits for derivatives established in normal credit granting processes. Meanwhile, the Company has set the total position limit on trading and banking book securities and each issuer's limit based on credit ratings.

The Company 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 Company 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 Company 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 Company 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 Company manages the internal and external credit assessment of debt instruments according to Moody's long-term credit ratings. Credit risk is significant increase if:

i. The rating is over Baa3 on the initial recognition date, and the rating is lower than Ba1, not including ratings of Ca-D on the measurement date.

ii. The rating is Ba1-Ba3 on the initial recognition date, and the rating is downgraded to B1-Caa3 on the measurement date.

iii. The rating is B1-Caa3 on the initial recognition date.

A loan is considered to have been defaulted on if the rating is Ca-D on the measurement date.

The trading department should monitor the credit position of investments in debt instruments. Once it knows that the issuer, guarantor or issued underlying has a credit event (such as a downgrade of credit ratings to non-investment grade, a discharge or a default), it should notify the relevant department immediately and dispose of the investments in debt instruments.

In order to assess the purpose of the ECLs, debt instruments are assessed by grade based on their credit rating. In order to measure the ECLs, the default probability of the issuers is considered, the PD, LGD, EAD for the next 12 months and over the full lifetime of the debt instruments shall be considered, and the impact of the time value of money shall be considered. From this, the 12-month and full-lifetime ECLs shall be calculated separately.

The Company 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 Company.

The Company evaluated that the assessment techniques or material assumptions of the ECLs of investments in debt instruments had no material change in 2019 and 2018.

3) Credit risk hedging or mitigation policies

a) Collateral

The Company 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, the Company 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, the Company stipulates the security mechanism for loans and the conditions and terms for collateral and offsetting to state clearly that the Company 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 the Company 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, 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	

December 31, 2018

	Gross Carrying Amount	Impairment under IFRS 9	Proportion of Loans/ Collateral (Note)
Personal housing loans	$ 3,919,181	$ 2,095,385	41.92%
Business guaranteed loans	412,140	312,709	105.21%
Others	6,948,217	1,765,234	
Total	$ 11,279,538	$ 4,173,328	

Note: The value of the collateral is calculated based on the latest accessible internal and external data.

b) Credit risk concentration limits and control

To avoid the concentration of credit risks, the Company 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, the Company has set a ratio, which is the credit limit of a single issuer in relation to the total security position. The Company has also included credit limits for a single counterparty and a single group.

In addition, to manage the concentration risk on the financial assets, the Company has set credit limits by industry, conglomerate, country and transactions collateralized by stocks, and integrated within one system to supervise concentration of credit risk in these categories. The Company monitors concentration of each asset and controls various types of credit risk concentration in a single transaction counterparty, group, related-party corporation, industries, nations.

c) Net settlement

The Company 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, the Company stipulates in its credit contracts the terms for offsetting to state clearly that the Company reserves the right to offset the borrowers’ debt against their deposits in the Company.

4) Maximum exposure to credit risk and credit quality analysis

The maximum credit risk exposures of various financial instruments held by the Company are the same as per book amounts. Refer to the notes to the financial statements.

Part of financial assets held by the Company, 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 expected credit losses on December 31, 2019 and 2018 are as follows:

Taishin Bank

	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, from other than 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	-	9,443,075	-	9,443,075
Total	$ 111,155,763	$ 9,574,493	$ 2,123,481	$ 122,853,737
Debt instruments at FVTOCI				
Excellent	$ 268,596,695	$ 201,670	$ -	$ 268,798,365
Debt investments at amortized cost				
Excellent	$ 131,881,260	$ -	$ -	$ 131,881,260
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

	December 31, 2018			
	12-month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Loans				
Consumer finance				
Excellent	$ 568,339,583	$ 14,211,558	$ -	$ 582,551,141
Good	7,733,224	312,823	-	8,046,047
Acceptable	-	120,333	-	120,333
Default	-	-	8,431,383	8,431,383
Corporation finance				
Excellent	227,727,826	-	-	227,727,826
Good	201,662,540	-	-	201,662,540
Acceptable	450,772	2,979,598	-	3,430,370
Default	-	-	516,317	516,317
Total	$ 1,005,913,945	$ 17,624,312	$ 8,947,700	$ 1,032,485,957
Receivables (including non-performing receivables transferred, from other than loans)				
Consumer finance				
Excellent	$ 52,529,146	$ 38,890	$ -	$ 52,568,036
Good	209,520	1,135	-	210,655
Acceptable	-	60,530	-	60,530
Default	-		2,066,502	2,066,502
Corporation finance				
Excellent	48,381,583	-	-	48,381,583
Good	6,469,046	-	-	6,469,046
Acceptable	504,886	2,781,596	-	3,286,482
Default	-	-	265,336	265,336
Others	-	7,027,905	-	7,027,905
Total	$ 108,094,181	$ 9,910,056	$ 2,331,838	$ 120,336,075
Debt instruments at FVTOCI				
Excellent	$ 332,053,505	$ -	$ -	$ 332,053,505
Debt investments at amortized cost				
Excellent	$ 3,073,300	$ -	$ -	$ 3,073,300
Financial guarantees				
Excellent	$ 16,385,985	$ -	$ -	$ 16,385,985
Good	4,316,805	-	-	4,316,805
Acceptable	-	72,601	-	72,601
Default	-	-	15,160	15,160
Total	$ 20,702,790	$ 72,601	$ 15,160	$ 20,790,551
Loan commitments				
Excellent	$ 940,560,110	$ 150,574	$ -	$ 940,710,684
Good	124,953,112	-	-	124,953,112
Acceptable	2,503,502	985,724	-	3,489,226
Default	-	-	69,963	69,963
Total	$ 1,068,016,724	$ 1,136,298	$ 69,963	$ 1,069,222,985

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 Company has not engaged in transactions that involved a prominent concentration to one client or one transaction party, but has engaged in transaction parties of similar industry type or from similar region.

The Company's information on prominent concentration of credit risk was as follows:

	December 31			
	2019		2018	
Industry Type	**Carrying Amount**	**Percentage of Item (%)**	**Carrying Amount**	**Percentage of Item (%)**
Manufacturing	$ 179,706,128	16	$ 134,464,351	13
Wholesale and retailing	57,296,126	5	51,093,346	5
Finance and insurance	104,737,965	9	94,698,417	9
Real estate and leasing	86,812,057	7	81,366,065	8
Service	21,702,886	2	13,905,682	1
Individuals	661,648,363	57	616,857,683	60
Others	43,426,226	4	40,100,413	4
	$ 1,155,329,751		$ 1,032,485,957	

	December 31			
	2019		2018	
Geographic Location	**Carrying Amount**	**Percentage of Item (%)**	**Carrying Amount**	**Percentage of Item (%)**
Asia	$ 1,067,344,993	92	$ 944,529,326	91
Europe	5,719,619	1	5,951,181	1
America	2,650,727	-	3,656,626	-
Others	79,614,412	7	78,348,824	8
	$ 1,155,329,751		$ 1,032,485,957	

e. Liquidity risk

1) The source and definition of liquidity risk

Liquidity risk is the potential loss that the Company 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:

a) Inability to fulfill funding gap due to asymmetric time and amount in cash inflows and outflows.

b) Liabilities paid off in advance before maturity, inability to maintain liabilities at maturity or inability to acquire funds from the market.

c) 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 Company'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, resell or repurchase transactions being deterred and liquidity of financial assets decreasing.

2) Liquidity risk management policy

The objective of liquidity risk management is to ensure that the Company 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. The Company 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: The Company should avoid excessively concentrating funds on the same maturity, instruments, currencies, regions, funding sources or counterparties.

b) Principle of stability: The Company should follow stable strategies and pay attention to market and internal funding liquidity. For example, the Company 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, the Company 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: The Company 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, the Company has stipulated urgent fund dispatching handling plan as the highest principle for urgent events in order to integrate the Company’s resources quickly to resolve emergencies efficiently.

3) Financial assets held to manage liquidity risk and maturity analysis of non-derivative financial liabilities

a) Financial assets held to manage liquidity risk:

   The Company holds cash and cash equivalents, due from the Central Bank and banks and financial assets at FVTOCI and financial assets 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.

b) Maturity analysis of non-derivative financial liabilities

The Company's non-derivative financial liabilities presented based on the residual maturities from the balance sheet date to the contract maturity date were as follows:

Financial Instruments Item	December 31, 2019									
	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 Central Bank and other banks	1,505,300	-	-	-	-	-	-	-	-	1,505,300
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	24,219,727	965,979	206,981	3,676,628	13,836	3,843	-	-	-	29,086,994
Deposits and remittances	170,559,541	181,855,002	156,514,902	286,775,074	640,000,478	3,981,305	3,295	361	-	1,439,689,958
Bank debentures	-	-	-	-	-	6,800,000	-	8,000,000	20,000,000	34,800,000
Lease liabilities	112,128	107,716	161,558	298,013	529,990	466,824	365,186	264,268	486,713	2,792,396
Other financial liabilities	1,473,684	4,474,441	1,373,568	1,014,110	583,052	355,123	4,854,720	17,067,415	40,604,752	71,800,865
Total	$ 281,971,946	$ 242,965,811	$ 171,883,597	$ 297,432,825	$ 641,140,356	$ 11,615,095	$ 5,223,201	$ 25,332,044	$ 73,205,087	$1,750,769,962

Financial Instruments Item	December 31, 2018									
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	Total
Due to the Central Bank and banks	$ 7,544,756	$ 29,346,187	$ 15,400,999	$ 5,115,396	$ 21,000	$ 13,000	$ -	$ -	$ -	$ 57,441,338
Funds borrowed from Central Bank and other banks	-	1,536,650	-	-	-	-	-	-	-	1,536,650
Financial liabilities at FVTPL	-	-	-	-	-	-	-	-	12,358,662	12,358,662
Securities sold under repurchase agreements	55,315,452	18,338,974	-	-	-	-	-	-	-	73,654,426
Payables	19,555,157	911,168	141,312	2,072,169	8,627	2,013	-	-	-	22,690,446
Deposits and remittances	138,539,239	169,761,233	148,230,515	289,950,628	516,592,245	3,445,355	44,053	23	-	1,266,563,291
Bank debentures	-	-	-	4,900,000	-	-	6,800,000	-	28,000,000	39,700,000
Other financial liabilities	1,713,006	1,853,540	2,530,008	1,425,481	473,182	2,183,200	169,717	5,513,215	42,749,469	58,610,818
Total	$ 222,667,610	$ 221,747,752	$ 166,302,834	$ 303,463,674	$ 517,095,054	$ 5,643,568	$ 7,013,770	$ 5,513,238	$ 83,108,131	$1,532,555,631

The maturity analysis of time deposits in "deposits and remittances" is allocated to each time band based on the Company'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 $786,894,985 thousand and $626,853,118 thousand as of December 31, 2019 and 2018, respectively.

4) Maturity analysis of derivative financial liabilities

The Company disclosed amounts of derivative financial liabilities at fair value through profit or loss using fair values recognized in the earliest time band as follows:

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

Financial Instruments Item	December 31, 2018					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL	$ 24,013,943	$ -	$ -	$ -	$ -	$ 24,013,943

5) Maturity analysis of off-balance-sheet items

Below are the amounts of the Company's off-balance-sheet items presented based on the residual maturities from the balance sheet date to the maturity date of loan commitments, guarantees or letters of credit. As of December 31, 2019 and 2018, 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 $18,727,917 thousand and $17,625,098 thousand, respectively, for guarantees; $3,582,242 thousand and $3,165,453 thousand, respectively, for letters of credit; $571,666,876 thousand and $596,539,048 thousand, respectively, for loans commitments (excluding credit card); and $15,435,059 thousand and $15,528,520 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	$ 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

Item	December 31, 2018					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	$ 3,835,513	$ 6,882,821	$ 1,272,518	$ 1,507,937	$ 4,126,309	$ 17,625,098
Letters of credit	1,026,310	1,377,571	531,733	218,811	11,028	3,165,453
Loans commitments (excluding credit cards)	17,609,789	140,058,511	145,538,137	288,095,414	5,237,197	596,539,048
Credit cards commitments	1,359	165,198	516,753	739,986	14,105,224	15,528,520

41. OTHER DISCLOSURES REQUIRED FOR OF FINANCIAL INSTITUTIONS

a. Asset quality

Non-performing loans and receivables

Business Type \ Item			December 31, 2019					December 31, 2018				
			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		$ 456,810	$ 220,878,377	0.21%	$ 2,850,695	624.04%	$ 450,456	$ 209,402,721	0.22%	$ 2,336,906	518.79%
	Unsecured		364,667	299,028,536	0.12%	5,060,558	1387.72%	72,733	229,611,535	0.03%	3,306,446	4,546.01%
Consumer finance	Mortgage loans (Note d)		356,611	291,539,418	0.12%	4,334,746	1215.54%	453,906	268,766,298	0.17%	4,052,090	892.72%
	Cash cards		62,151	1,032,996	6.02%	66,675	107.28%	9,921	1,339,119	0.74%	40,707	410.31%
	Credit loans (Note e)		256,292	66,153,123	0.39%	820,577	320.17%	85,753	59,796,337	0.14%	741,081	864.20%
	Others (Note f)	Secured	493,417	276,588,588	0.18%	3,014,782	611.00%	731,761	263,270,291	0.28%	2,878,959	393.43%
		Unsecured	5,335	108,713	4.91%	104,807	1964.52%	4,525	299,656	1.51%	35,439	783.18%
Subtotal			1,995,283	1,155,329,751	0.17%	16,252,840	814.56%	1,809,055	1,032,485,957	0.18%	13,391,628	740.26%
Credit card			218,091	61,176,046	0.36%	649,953	298.02%	93,371	53,916,761	0.17%	536,317	574.39%
Accounts receivable factoring with no recourse (Note g)			-	49,581,708	-	666,928	-	229,700	56,504,111	0.41%	3,237,724	1,409.54%

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 collateral 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 (Out) 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

Business Type \ Item	December 31, 2019		December 31, 2018	
	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)	$ 425,482	$ 137,367	$ 604,228	$ 188,165
Loans executed in accordance with debt clearing and renewal regulations (Note b)	1,731,066	1,214,459	1,688,496	1,203,787
Total	2,156,548	1,351,826	2,292,724	1,391,952

Note a: Disclosed in accordance with the Letter issued by the Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) 09510001270).

Note b: Disclosed in accordance with the letter issued by the Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 09700318940) and September 20, 2016 (Ref. No. Jin-Guan-Yin 10500134790)

b. Concentration of credit risk

Year	December 31, 2019			December 31, 2018		
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 (manufacturing computer industry)	$ 19,732,959	12.87%	A Group (property other holding companies)	$ 18,719,383	13.32%
2	B Group (cement manufacturing industry)	14,125,655	9.21%	D Group (property other holding companies)	12,274,164	8.73%
3	C Group (liquid crystal panel and components manufacturing industry)	12,524,859	8.17%	B Group (ocean freight transportation forwarding services)	12,040,180	8.57%
4	D Group (property other holding companies)	11,152,520	7.27%	C Group (liquid crystal panel and components manufacturing industry)	8,336,830	5.93%
5	E Group (manufacture of woven cotton-type or woolen-type fabrics)	9,490,030	6.19%	J Group (manufacturing computer industry)	6,146,847	4.37%
6	F Group (manufacturing computer industry)	8,696,611	5.67%	G Group (manufacture of monitors and terminals)	6,053,884	4.31%
7	G Group (manufacture of monitors and terminals)	6,812,025	4.44%	E Group (manufacture of woven cotton-type or woolen-type fabrics)	5,917,030	4.21%
8	H Group (manufacturing computer industry)	6,382,762	4.16%	K Group (real estate activities for sale and rental with own or leased property)	5,725,266	4.07%
9	I Group (telecommunication industry)	6,141,939	4.01%	L Group (manufacturing of audio and video equipment)	5,710,636	4.06%
10	J Group (manufacturing computer industry)	6,117,397	3.99%	M Group (other financial service activities not elsewhere classified)	5,600,203	3.98%

Note a: Sorted by the balance of loans on December 31, 2019 and 2018, 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, inward remittances, factoring without recourse, acceptance, and guarantee.

c. Interest rate sensitivity

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%)

Item	December 31, 2018				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 988,256,258	$ 32,994,438	$ 38,033,658	$ 153,182,596	$ 1,212,466,950
Interest-sensitive liabilities	400,556,194	96,799,066	192,809,621	450,047,661	1,140,212,542
Interest sensitivity gap	587,700,064	(63,804,628)	(154,775,963)	(296,865,065)	72,254,408
Net equity					137,236,361
Ratio of interest-sensitive assets to liabilities					106.34%
Ratio of interest sensitivity gap to net equity					52.65%

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, 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%

(In Thousands of U.S. Dollars)

Item	December 31, 2018				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 8,375,740	$ 1,311,517	$ 1,359,080	$ 637,793	$ 11,684,130
Interest-sensitive liabilities	6,582,579	1,024,721	808,085	2,619,725	11,035,110
Interest sensitivity gap	1,793,161	286,796	550,995	(1,981,932)	649,020
Net equity					6,542
Ratio of interest-sensitive assets to liabilities					105.88%
Ratio of interest sensitivity gap to net equity					9,920.82%

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) = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

d. Profitability

Item		For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Return on total assets	Pretax	0.74%	0.71%
	After tax	0.65%	0.63%
Return on net equity	Pretax	9.11%	8.79%
	After tax	8.04%	7.85%
Profit margin		31.64%	30.64%

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 = $\frac{\text{Income after tax}}{\text{Net revenue and gains}}$

Note d: Profitability presented above is cumulative from the Company's financials for the years ended December 31 of 2019 and 2018, respectively.

e. Maturity analysis of assets and liabilities

	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)

	Total	December 31, 2018				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	$ 1,797,057,551	543,055,577	$ 295,404,953	$ 153,257,125	$ 135,013,401	$ 670,326,495
Major maturity cash outflow	2,188,185,279	313,523,755	342,312,567	305,971,569	462,524,454	763,852,934
Gap	(391,127,728)	229,531,822	(46,907,614)	(152,714,444)	(327,511,053)	(93,526,439)

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, 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)

(In Thousands of U.S. Dollars)

	Total	December 31, 2018				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	$ 37,426,831	$ 12,915,337	$ 10,573,474	$ 6,502,675	$ 4,335,922	$ 3,099,423
Major maturity cash outflow	37,956,877	12,175,115	11,597,274	5,902,102	4,496,328	3,786,058
Gap	(530,046)	740,222	(1,023,800)	600,573	(160,406)	(686,635)

Note: The amounts listed above include amounts in U.S. dollars for head office, domestic branches, and OBU.

f. Trust accounts

Under Article 3 of the Trust Law, the Company can offer trust services. The items and amounts of trust accounts were as follows:

	December 31	
	2019	2018
Special purpose trust account-foreign and domestic investments	$ 170,678,698	$ 167,309,248
Domestic securities investment trust for custody	104,894,093	84,333,516
Other monetary fund	41,966,652	26,409,791
Employee benefit trust	1,097,575	751,028
Securities trust	31,201,869	19,750,044
Collective administration account	631,481	366,695
Real estate trust	36,234,820	32,349,099
Monetary and securities trust	773,841	-
	$ 387,479,029	$ 331,269,421

42. RELATED-PARTY TRANSACTIONS

Names and relationships of related parties were as follows:

Name	Relationship
Taishin Financial Holding	Parent Company
Taishin Venture Capital Investment Co., Ltd. (“Taishin Venture Capital”)	Fellow subsidiaries
Taishin Asset Management Co., Ltd. (“Taishin AMC”)	Fellow subsidiaries
Taishin Securities Co., Ltd. (“Taishin Securities “)	Fellow subsidiaries
Taishin Securities Investment Trust Co., Ltd. (“Taishin Securities Investment Trust”)	Fellow subsidiaries
Taishin Securities Venture Capital Co., Ltd. (“Taishin Securities Venture Capital”)	Fellow subsidiaries
Taishin Securities Investment Advisory Co., Ltd. (“Taishin Securities Investment Advisory “)	Fellow subsidiaries
Taishin Financial Leases (China) Co., Ltd.	Fellow subsidiaries
Taishin Financial Leases (Tianjin) Co., Ltd.	Fellow subsidiaries
Taishin D.A. Finance	Subsidiary
Xiang An Insurance Agency	Subsidiary
Taishin Real-Estate	Subsidiary
An Hsin Real-Estate	Associates
Chang Hwa Commercial Bank, Ltd. (“Chang Hwa Bank”)	Associates

(Continued)

Name	Relationship
Shin Kong Life Insurance Co., Ltd. ("Shin Kong Life Insurance")	Others
Shin Kong Synthetic Fibers Co., Ltd. ("Shin Kong Synthetic Fibers")	Others
Taiwan Shin Kong Commercial Bank Co., Ltd. ("Shin Kong Bank")	Others
Dah Chung Bills Finance Corp. ("Dah Chung Bills")	Others
CyberSoft Digital Service Corp. ("CyberSoft Digital Service")	Others
Shin Kong Mitsukoshi Department Store Co., Ltd. ("Shin Kong Mitsukoshi")	Others
Shin Kong Insurance Co., Ltd. ("Shin Kong Insurance")	Others
Diamond Biotech Investment Corp. ("Diamond Biotech Investment")	Others
Ubright Optronics Corporation ("Ubright")	Others
An Shin Construction Manager Corp. ("An Shin Construction Manager")	Others
Peng-Cheng Co., Ltd. ("Peng-Cheng")	Others
Fenghe Development Management Co., Ltd. ("Fenghe")	Others
Yuanta Commercial Bank Co., Ltd. ("Yuanta Bank")	Others
Chin Wei Corp. ("Chin Wei")	Others
First Securities Inc. ("First Securities")	Others
Excel Chemical Corp. ("Excel Chemical")	Others
Tasco Chemical Corp. ("Tasco Chemical")	Others
MasterLink Securities Corp. ("MasterLink Securities")	Others
Global Brands Manufacture Ltd. ("GBM")	Others
Creative Sensor Inc. ("CSI")	Others
CyberLink Corp. ("CyberLink")	Others
Xiang Yu Investment Co., Ltd. ("Xiang Yu")	Others
Small & Medium Enterprise Credit Guarantee Fund of Taiwan ("Taiwan SMEG")	Others
Yi Huan Co., Ltd. ("Yi Huan")	Others
Darfon Electronics Corp. ("Darfon Electronics")	Others
AcBel Polytech Inc. ("AcBel Polytech")	Others
Shin Yao Biomedical Venture Capital Investment Co., Ltd. ("Shin Yao")	Others
Yuanta Financial Holdings Co., Ltd. ("Yuanta Financial Holding")	Others
Individual A	Key management personnel
Individual B	Others
Others	Including key management personnel and others

(Concluded)

Material transactions with related parties were as follows:

Loans, Deposits and Guaranteed Loans

Loans to related parties of the Company were as follows:

Loans

	Ending Balance	Percentage of Loans (%)
December 31, 2019	$ 2,308,436	0.20
December 31, 2018	2,009,549	0.19

For the years ended December 31, 2019 and 2018, interest ranged from 0.65% to 15.00% and from 0.85% to 12.50%, and interest revenues were $29,317 thousand and $33,778 thousand, respectively.

	December 31, 2019					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Different Trading Conditions with Non-related Party
Consumer loans						
127 accounts	$ 572,519	$ 622,908	$ 572,519	$ -	Land, building, chattels	None
Self-used residence mortgage loans						
116 accounts	737,822	826,621	737,822	-	Land, building	None
Other loans						
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, building	None
Others	99,272	114,763	99,272	-	Land, building, securities - deposits, chattels	None
	$ 2,308,436		$ 2,308,436	$ -		

	December 31, 2018					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Different Trading Conditions with Non-related Party
Consumer loans						
120 accounts	$ 574,904	$ 615,974	$ 574,904	$ -	Land, building, chattels	None
Self-used residence mortgage loans						
102 accounts	662,234	705,417	662,234	-	Land, building	None
Other loans						
GBM	457,500	457,500	457,500	-	-	None
Peng-Cheng	150,000	154,000	150,000	-	Land, building	None
Others	164,911	186,540	164,911	-	Land, building, securities stock, chattels	None
	$ 2,009,549		$ 2,009,549	$ -		

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

Deposits

	Ending Balance	Percentage of Deposits (%)
December 31, 2019	$ 16,182,167	1.12
December 31, 2018	13,014,122	1.03

For the years ended December 31, 2019 and 2018, interest rates ranged are from 0.00% to 5.00% and from 0.00% to 4.90%, respectively, and interest expenses were $70,179 thousand and $59,508 thousand, respectively.

	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	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 Investment	208,544	0.01-2.40	(343)
Fenghe	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)
Others	3,334,415		(30,062)
	$ 16,182,167		$ (70,179)

	December 31, 2018		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Taishin Financial Holding	$ 3,966,191	0.01-0.38	$ (2,221)
Taishin Securities	859,119	0.00-1.20	(2,639)
Xiang An Insurance Agency	817,952	0.00-0.06	(494)
Taishin Venture Capital	733,447	0.01-0.32	(152)
Shin Kong Mitsukoshi	575,029	0.00-0.06	(658)
Shin Kong Insurance	485,080	0.00-1.03	(1,173)
Shin Kong Life Insurance	447,493	0.06-0.55	(10,901)
Dah Chung Bills	421,793	0.00-0.70	(2,806)
Diamond Biotech Investment	290,853	0.01-2.40	(302)
Taishin Securities Investment Advisory	258,934	0.06-3.01	(3,396)
UBright	176,647	0.00-0.32	(332)
Taishin D.A. Finance	155,504	0.00-1.03	(76)
CyberLink	154,440	0.06-3.17	(1,202)
Shin Kong Synthetic Fibers	150,035	0.00-0.32	(974)
Individual B	142,161	0.01-3.15	(453)
An Shin Construction Manager	100,826	0.06-0.63	(4,577)
Others	3,278,618		(27,152)
	$ 13,014,122		$ (59,508)

All transactions with related parties are made under arm’s length terms, which are consistent with normal policies.

Call Loan to Banks and Call Loan from Banks

	December 31, 2019			
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
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

	December 31, 2019			
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Yuanta Bank	Call loan from banks	$ -	0.19-4.30	$ (586)

	December 31, 2018			
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Dah Chung Bills	Call loan to banks	$ -	0.37-0.55	$ 6,262
Yuanta Bank	Call loan to banks	-	0.27-2.65	5,032

	December 31, 2018			
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Yuanta Bank	Call loan from banks	$ -	0.19	$ (61)

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

Due from Banks

	December 31, 2019			
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Chang Hwa Bank	Due from banks	$ 2,022	-	$ -

	December 31, 2018			
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Chang Hwa Bank	Due from banks	$ 1,918	-	$ -

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

Trading Securities

	December 31, 2019					
			Repurchase Agreements		Resell 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	$ -	-	$ -	-
Taishin Financial Holding	3,000,000	-	-	0.32-0.37	-	-
Taishin Securities	399,030	249,706	-	-	-	-
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 Holdings	-	-	999,290	0.45-0.58	-	-
Peng Cheng	-	839,580	-	-	-	-
Individual A	-	-	40,043	0.33-0.44	-	-
	$ 8,890,107	$ 5,702,191	$ 1,083,916		$ -	

	December 31, 2018					
			Repurchase Agreements		Resell Agreements	
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Chin Wei	$ -	$ -	$ 70,068	0.31-0.36	$ -	-
Xiang Yu	-	-	23,022	0.31-0.36	-	-
Individual A	-	-	20,021	0.31-0.36	-	-
Yuanta Bank	2,179,213	799,713	-	-	-	-
First Securities	149,918	50,021	-	-	-	-
Shin Kong Bank	-	99,370	-	-	-	-
Taishin Financial Holding	2,900,000	-	2,100,049	0.31-0.38	-	-
Dah Chung Bills	1,794,885	149,447	-	-	-	-
Taishin Securities	551,375	250,783	-	-	-	-
Chang Hwa Bank	299,758	100,118	-	-	-	-
	$ 7,875,149	$ 1,449,452	$ 2,213,160		$ -	

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

Derivatives

	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
CSI	Forward exchange contracts	2019/7/22-2020/4/29	210,742	(566)	Financial liabilities at FVTPL	(566)

	December 31, 2018					
Related Parties	**Derivative Contracts**	**Period**	**Nominal Principal Amount**	**Valuation Gain (Loss)**	**Account**	**Balance**
Dah Chung Bills	Interest rate swaps	2016/06/29-2022/06/20	$ 600,000	$ 192	Financial assets at FVTPL	$ 1,662
CSI	Forward exchange contracts	2018/07/19-2019/01/23	92,199	806	Financial assets at FVTPL	806
Yuanta Bank	Foreign exchange	2018/12/10-2019/12/13	2,765,970	3,297	Financial liabilities at FVTPL	(3,443)

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

Other Material Transactions

	For the Year Ended December 31			
	2019		2018	
	Item	**Amount**	**Item**	**Amount**
CyberSoft Digital Service	Operating expense	$ 639,655	Operating expense	$ 590,074
Shin Kong Mitsukoshi	Fee and operating expenses	425,152	Fee and operating expenses	349,605
Shin Kong Mitsukoshi	Fee income	315,389	Fee income	339,553
Shin Kong Life Insurance	Commission fee	692,279	Commission fee	593,268

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

On May 30, 2019, the Company's board of directors resolved to sell credit assets of $600,000 thousand in syndicated loans 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.

Reward for Key Management

For the years ended December 31, 2019 and 2018, the reward for directors and other key management were as follows:

	For the Year Ended December 31	
	2019	**2018**
Short-term employee benefits	$ 405,218	$ 361,041
Post-employment benefits	7,862	41,146
Termination benefits	578	3,119
Share-based payment	10,952	15,202
	$ 424,610	$ 420,508

43. PLEDGED ASSETS

Pledged Assets	Description	December 31 2019	December 31 2018
Investments in debt instrument at FVTOCI	Bills and bonds	$ 15,374,807	$ 15,631,508
Other financial assets, due from banks	Certificates of time deposits	800,000	4,027,946
Refundable deposits	Cash and certificates of time deposits	6,077,748	9,167,174
Operating deposits and settlement funds	Cash and certificates of time deposits	87,017	37,450

44. CONTINGENT LIABILITIES AND COMMITMENTS

a. In addition to those mentioned in Note 40, the Company has the following contingent liabilities and commitments as of December 31, 2019 and 2018:

	December 31 2019	December 31 2018
Trust liabilities	$ 387,479,029	$ 331,269,421
Payable custody securities	15,993,710	13,738,925
Unpaid equipment purchase contracts	1,882,316	2,212,401

b. Under Article 17 of the implementation rules of the Trust Law, the Company disclosed its balance sheets and income statements of trust accounts and its asset items, as follows:

Trust Accounts Balance Sheets
December 31, 2019 and 2018

Trust Assets	2019	2018	Trust Liabilities	2019	2018
Deposit	$ 40,367,766	$ 24,304,964	Payables	$ 125,652	$ 103,960
Financial assets			Repayment note and time deposit held for custody	104,894,093	84,333,516
Bonds	29,985,079	23,724,163	Trust capital	279,203,167	248,369,453
Stocks	33,941,805	20,810,820	Reserves and retained earnings		
Mutual funds	104,692,912	102,680,241	Net income (loss)	1,159,089	973,714
Other foreign marketable securities	3,412,918	6,917,457	Retained earning	3,134,353	(1,550,802)
Structured products	35,459,538	37,044,069	Deferred carryover	(1,037,325)	(960,420)
Derivative financial assets	-	10			
Receivables and prepayment	144,843	34,682			
Real estate	34,580,075	31,419,499			
Securities under custody	104,894,093	84,333,516			
	$ 387,479,029	$ 331,269,421		$ 387,479,029	$ 331,269,421

Trust Income Statements
Years Ended December 31, 2019 and 2018

	2019	2018
Revenues		
Interest	$ 184,630	$ 145,879
Rent	6,526	12,678
Cash dividends	930,973	775,902
Fund distribution	99,553	94,004
Others	659	644
	1,222,341	1,029,107
Expenses		
Administration fees	(15,966)	(13,706)
Taxes	(10,657)	(606)
Interest fees	(9,061)	(3,449)
Service fees	(13,862)	(14,037)
Professional service fees - CPA	(197)	(99)
Others	(13,509)	(23,496)
	(63,252)	(55,393)
Net income	$ 1,159,089	$ 973,714

Trust Asset Summary
December 31, 2019 and 2018

	2019	2018
Investment item		
Deposit	$ 40,367,766	$ 24,304,964
Financial assets		
Bonds	29,985,079	23,724,163
Stocks	33,941,805	20,810,820
Mutual funds	104,692,912	102,680,241
Other foreign marketable securities	3,412,918	6,917,457
Structured product investments	35,459,538	37,044,069
Derivative financial assets	-	10
Receivables and prepayments	144,843	34,682
Real estate	34,580,075	31,419,499
Securities under custody	104,894,093	84,333,516
	$ 387,479,029	$ 331,269,421

According to the General Agreement, the net assets value denominated in U.S. dollar should be translated into New Taiwan dollar at the settlement rate of New Taiwan dollar against U.S. dollar announced by Taipei Forex Brokerage Co., Ltd. for the day on a net basis. If foreign exchange rates are not available, the last known rate should be used.

45. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

Significant financial assets and liabilities denominated in foreign currencies were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31					
	2019			2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
AUD	$ 2,303,488	21.10	$ 48,606,586	$ 1,639,725	21.68	$ 35,550,218
RMB	8,388,124	4.32	36,260,534	5,073,668	4.48	22,707,177
EUR	318,522	33.75	10,749,760	268,750	35.23	9,468,260
GBP	80,252	39.55	3,173,877	36,751	38.90	1,429,504
HKD	4,871,051	3.87	18,831,548	4,385,021	3.92	17,206,844
JPY	56,854,413	0.28	15,753,164	53,114,185	0.28	14,790,548
SGD	119,596	22.37	2,674,916	64,322	22.49	1,446,729
USD	9,410,363	30.10	283,229,007	7,701,609	30.73	236,693,541
ZAR	2,663	2.14	5,701	1,136,833	2.13	2,419,264
Non-monetary items						
USD	295,335	30.11	8,891,360	-	-	-
Financial liabilities						
Monetary items						
AUD	872,598	21.10	18,412,938	609,884	21.68	13,222,643
CAD	48,533	23.08	1,120,255	48,066	22.59	1,085,630
RMB	7,388,664	4.32	31,940,028	5,439,127	4.48	24,342,785
EUR	194,530	33.75	6,565,148	157,793	35.23	5,559,171
GBP	18,087	39.55	715,332	29,051	38.90	1,129,996
HKD	3,447,819	3.87	13,329,315	2,406,469	3.92	9,442,996
JPY	29,389,041	0.28	8,143,086	21,466,797	0.28	5,977,795
USD	12,460,205	30.11	375,126,933	9,861,895	30.73	303,093,961
ZAR	4,342,522	2.14	9,297,574	5,429,639	2.13	11,554,673
Non-monetary items						
AUD	760,446	21.10	16,046,385	144,416	21.68	3,131,016
USD	488,660	30.11	14,711,611	812,247	30.73	24,962,773
Derivative financial instruments						
Financial assets						
AUD	773,621	21.10	16,324,407	67,553	21.68	1,464,600
CAD	119,473	23.08	2,757,691	340,736	22.59	7,695,920
RMB	973,204	4.32	4,207,006	13,345,315	4.48	59,726,890
EUR	163,581	33.75	5,520,655	151,350	35.23	5,332,170
GBP	6,099	39.55	241,207	51,987	38.90	2,022,164
JPY	670,390	0.28	185,751	8,011,738	0.28	2,231,005
USD	15,643,528	30.11	470,964,057	4,239,270	30.73	130,285,496
ZAR	4,995,332	2.14	10,695,276	5,142,473	2.13	10,943,564
Financial liabilities						
AUD	1,460,035	21.10	30,808,629	953,918	21.68	20,681,500
CAD	94,450	23.08	2,180,106	315,047	22.59	7,115,694
RMB	1,805,299	4.32	7,804,022	12,431,403	4.48	55,636,680
EUR	297,529	33.75	10,041,247	256,297	35.23	9,029,530
GBP	67,203	39.55	2,657,775	55,366	38.90	2,153,596
HKD	1,661,417	3.87	6,423,061	1,933,345	3.92	7,586,456
JPY	28,114,285	0.28	7,789,878	40,032,622	0.28	11,147,764
SGD	127,110	22.37	2,842,975	85,021	22.49	1,912,280
USD	12,540,626	30.11	377,548,073	1,623,349	30.73	49,890,387
ZAR	574,547	2.14	1,230,135	797,354	2.13	1,696,828

46. DISCLOSURES UNDER STATUTORY REQUIREMENTS`

a. Under Article 18 of the Regulations Governing the Preparation of Financial Reports by Public Banks, material transactions are summarized as follows:

No.	Item	Explanation
1	Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 10% of the paid-in capital	None
2	Acquisition of individual real estate at costs of at least NT$300 million or 10% of the paid-in capital	None
3	Disposal of individual real estate at costs of at least NT$300 million or 10% of the paid-in capital	None
4	Discounts of service charges for related parties amounting to at least $5 million	None
5	Receivables from related parties amounting to at least NT$300 million or 10% of the paid-in capital	Note 35
6	Sales of NPL	None
7	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
8	Other transactions that may have significant impact on the decision made by the financial statement users	None

b. Information on the Company's investees:

No.	Item	Explanation
1	Financings provided	None (Note)
2	Endorsements/guarantees provided	None (Note)
3	Marketable securities held	Table 1
4	Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 10% of the paid-in capital	None
5	Derivative transactions	None

Note: It is not required to disclose if the investee is a bank, insurance or security company.

c. Names, locations and related information of investees: Refer to Table 2.

d. Information of investment in Mainland China: None.

TABLE 1

TAISHIN INTERNATIONAL BANK CO., LTD.

MARKETABLE SECURITIES HELD BY SUBSIDIARIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units/ Nominal	Carrying Amount	Percentage of Ownership (%)	Market Value	
Taishin D.A. Finance	Stock							
	Yuan Tai Forex Brokerage Co., Ltd.	Taishin D.A. Finance is the director of Yuan Tai Forex Brokerage	Financial assets at FVTOCI	600,000	$ 9,253	5.00	$ 9,253	
	Bon-Li International Technology Co., Ltd.	None	Financial assets at FVTOCI	125,000	-	1.50	-	Discontinued
	Bond							
	Government Bonds 99-5	None	Financial assets at amortized cost	6,000	6,032	-	6,009	
	Government Bonds 102-6	None	Financial assets at amortized cost	6,000	6,126	-	6,108	
Taishin Real Estate	Stock							
	Metro Consulting Service Ltd.	Taishin Real Estate is the director of the Metro Consulting Service	Financial assets at FVTOCI	300,000	2,700	6.00	2,700	

TAISHIN INTERNATIONAL BANK CO., LTD.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands, Except for Percentages and Shares)

Investees' Names	Unified Business No.	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Sum of Ownership: Current Shares	Sum of Ownership: Imputed Shares (Note)	Sum of Ownership: Total: Shares	Sum of Ownership: Total: Ownership Interest (%)	Note
Financial business											Investments accounted for using the equity method
Taishin D.A. Finance	16094812	1F., No. 211, Jiuzong Rd., Sec. 2, Neihu Dist., Taipei City 114, Taiwan	Leasing and retailing of machinery, mobile, aircraft, marine and components	100.00	$ 1,518,252	$ 167,538	128,878,395	-	128,878,395	100.00	
Xiang An Insurance Agency	97125786	3F, No. 44, Jungshan N. Rd., Sec. 2, Taipei, Taiwan	Life insurance agency	87.40	694,576	(15,072)	2,622,040	-	2,622,040	87.40	
Chang Hwa Bank	51811609	No. 38, Tsu Yu Rd., Sec. 2, Taichung, Taiwan	Commercial bank business, trust, and offshore banking	0.27	479,819	30,708	2,278,032,282	-	2,278,032,282	22.81	
Nonfinancial business											
Taishin Real-Estate	89597170	2F-1, No. 9 Dehuei St., Sec. 2, Taipei, Taiwan	Audit and consulting of construction plan, contract witness	60.00	205,475	15,681	20,000,000	-	20,000,000	100.00	
An Hsin Real-Estate	89458276	9F, No. 100, Sinyi Rd., Sec. 5, Taipei, Taiwan	Construction consultation, real estate appraisement	30.00	69,355	10,379	4,500,000	-	4,500,000	30.00	
Financial business											Financial assets at FVTOCI
Dah Chung Bills	89391748	4F-1, -2, -3 No. 88, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan	Bills and finance	18.29	1,127,700	-	84,838,288	-	84,838,288	18.83	
Taiwan Futures Exchange	16092130	13F, No. 102, and 14F, No. 100, Luossu Fu. Rd., Sec. 2, Taipei, Taiwan	Futures exchange and clearing mechanism	0.96	182,522	-	5,214,641	-	5,214,641	1.47	
Taipei Foreign Exchange Brokerage Co., Ltd.	84703601	8F, No. 400, Bade Rd., Sec. 2, Taipei, Taiwan	Exchange trading, DEPOS, and swap	0.81	6,430	-	160,000	-	160,000	0.81	
Financial Information Service Co., Ltd.	16744111	No. 81, Kang Ning Rd., Sec. 3, Taipei, Taiwan	Type II telecommunications business	2.34	239,565	-	12,238,317	-	12,238,317	2.34	
Taiwan Asset Management Co., Ltd.	70808864	11F and 12F, No. 85 and No. 87, Nanjing E. Rd., Sec. 2, Taipei, Taiwan	Acquisition of delinquent loans, evaluation, auction, and management	0.57	68,114	-	6,000,000		6,000,000	0.57	
Taiwan Financial Asset Service Co., Ltd.	70820924	10F, No. 300, Zhongxiao E. Rd., Sec 4, Taipei, Taiwan	Auction assets of the recognition of an impartial third party	2.94	43,581	-	5,000,000	-	5,000,000	2.94	
Taiwan Mobile Payment Corporation	54390700	No. 81, Kang Ning Rd., Sec. 3, Taipei, Taiwan	Computing equipments installation construction, wholesale of machinery, wholesale of computer software, wholesale of electronic materials, retail sale of machinery and equipment, retail sale of computer software, international trade, printing	3.00	9,133	-	1,800,000	-	1,800,000	3.00	
Sunlight Asset Management Co., Ltd.	28008025	11F, No. 85 and No. 87, Nanjing E. Rd., Sec. 2, Taipei, Taiwan	Acquisition of delinquent loans, evaluation, auction, and management	18.21	11,979	-	1,092,317	-	1,092,317	18.21	

(Continued)

Investees' Names	Unified Business No.	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Sum of Ownership: Current Shares	Sum of Ownership: Imputed Shares (Note)	Sum of Ownership: Total: Shares	Sum of Ownership: Total: Ownership Interest (%)	Note
Financial business											
Universal Venture Fund Co., Ltd.	16446106	8F, No. 70, Nanjing E. Rd., Sec. 3, Taipei, Taiwan	Investment start-up	1.49	$ 2,509	$ -	174,455	-	174,455	1.49	
Kuen Ji Venture Capital Co., Ltd.	70789542	10F, No. 76, Tun Hua S. Rd., Sec. 2, Taipei, Taiwan	Investment start-up	3.33	609	-	160,650	-	160,650	3.33	Financial assets at FVTOCI
Harbinger Venture Capital Investment Co., Ltd.	70777004	7F, No. 187, Ti Titing Ta. Rd., Sec. 2, Taipei, Taiwan	Investment start-up	3.35	178	-	6,636	-	6,636	3.35	
Taishan Investment Management Consultants Co., Ltd.	55665698	18F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan	Investment start-up	4.30	155,772	-	200,000,000	-	200,000,000	4.30	
Taishan II Medtech Partnership., Ltd.	42904438	18F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan	Investment start-up	6.78	152,210	-	-	-	-	6.78	Financial assets at FVTPL
Nonfinancial business											
Da Chiang International Co., Ltd.	97430717	15F, No. 109, Ren Ai Rd., Sec. 4, Taipei, Taiwan	Investment in the construction of industrial and commercial integrated area of the office buildings, commercial buildings, conference centers, exhibition venues, shopping centers, repair yards, warehouses, hotels, and its management business.	4.31	194,610	-	8,620,690	-	8,620,690	4.31	
EasyCard Investment Holdings Co., Ltd.	28988941	6F, No. 236 Tun-Hua N. Rd., Taipei, Taiwan	IC card development and advance advertising service	2.40	30,832	-	2,499,874	-	2,499,874	2.40	
Kaohsiung Rapid Transit Corp.	70798839	No. 1, Chung An. Rd., Kaohsiung, Taiwan	Mass rapid transit operating	0.23	5,853	-	643,031	-	643,031	0.23	
Lien An Co., Ltd.	97290477	5F, No. 128, Xing'ai Rd., Neihu Dist., Taipei City 144, Taiwan	Industrial and commercial services	5.00	1,506	-	125,000	-	125,000	5.00	Financial assets at FVTOCI
Alliance Digital Tech Co., Ltd.	54651269	17F., No. 167, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan	Computing and business machinery equipment, wholesale, wholesale of computer software, wholesale of electronic materials, international trade, software design services, data processing services, digital information supply services, general advertising services, internet identify services	2.16	-	-	900,000	-	900,000	2.16	

Note: Imputed shares are considered if equity securities such as convertible bond, warrant, etc., or derivative contract such as stock options, are converted to shares.

(Concluded)