

Taishin Holdings

2009 Annual Report



Taishin Holdings



Taishin Holdings

Taishin Financial Holding Co., Ltd.

12、16、20、21、22F, No.118, Sec. 4, Ren-ai Rd., Taipei, Taiwan

886-2-2326-8888

website : <http://www.taishinholdings.com.tw>

Taishin International Bank Co., Ltd.

B1、1F, No.44, Sec. 2, Jhongshan N. Rd., Taipei, Taiwan

886-2-2568-3988

website : <http://www.taishinbank.com.tw>

Taishin Securities Co., Ltd.

2F, No.44, Sec. 2, Jhongshan N. Rd., Taipei, Taiwan

886-2-2181-5888

website : <http://www.tssco.com.tw>

Taishin Bills Finance Co., Ltd.

10F, No.118, Sec. 4, Ren-ai Rd., Taipei, Taiwan

886-2-2326-8868

website : <http://www.taishinbills.com.tw>

Taishin Asset Management Co., Ltd.

2F-3, No.9, Dehui St., Taipei, Taiwan

886-2-2596-9388

Taishin Marketing Consultant Co. Ltd.

2F-4, No.9, Dehui St., Taipei, Taiwan

886-2-2326-8899

Taishin Venture Capital Investment Co., Ltd.

2F-3, No.9, Dehui St., Taipei, Taiwan

886-2-2596-9388

Chang Hwa Bank (Taishin Holdings has acquired 22.55% of shareholdings)

38 Tsu Yu Road, Section 2, Taichung, Taiwan

886-4-2222-2001

website : <http://www.chb.com.tw>



Taishin Holdings

Contents

I. Message to Shareholders	02
II. Brief Introduction to the Financial Holding Firm	06
III. Corporate Governance	09
IV. Fund Raising	22
V. Operating Status	37
VI. Financial Statements	77
VII. Financial Status, Review of Business Performance, and Risk Management	249
VIII. Special Events on Record	268
IX. Items with major effect on shareholders' benefits or securities prices in 2009 and as of the date for the publication of the annual report	271

T



Message to Shareholders



. Message to Shareholders

Dear shareholders,

After experiencing the impact of the global financial tsunami in 2008, the global economy still faced rigorous challenge in the first half of 2009 but started to pick up in the second half, thanks to the concerted move of governments and central banks around the world in embracing an aggressive fiscal policy and maintaining loose credit supply. Taiwan's economy also staged a dramatic comeback, scoring 9.2% growth in the fourth quarter, up from the first quarter's 9.1% decline, and gradually returned to the normal track of development.

With the global economy recovering gradually and credit supply remaining abundant, global stock markets also bottomed out. MSCI World Index jumped 27% in 2009, when the MSCI Emerging Markets Index soared 75%, both returning to the level prior to the outbreak of the global financial tsunami. In the year, the Taiwanese bourse staged an outstanding performance as well, with the TAIEX index skyrocketing 78% and the total market value climbing to NT\$21 trillion as of the end of 2009, up from NT\$11.7 trillion at the end of 2008.

The global economic recovery is expected to continue well into 2010. After three upward revisions, the International Monetary Fund (IMF) now predicts that the global economy will grow 3.9% this year, approaching the average 4% growth rate in the past 10 years. China, with which Taiwan has a close economic link, racked up 11.2% growth rate in the first quarter. The Chinese government has embraced an economic policy putting equal emphasis on growth and structural adjustment, according to which it will endeavor to expand domestic demand and reduce the economy's reliance on export industries. The adjustment will facilitate the further expansion of the global economy. Taiwan also boasts a rosy economic outlook this year. The Cabinet-level Directorate General of Budget, Accounting, and Statistics (DGBAS) forecasts that the Taiwanese economy will grow 4.7% this year (compared with 5.1% forecast by Taishin Investment Consulting), a far cry from 1.9% decline in 2009.

When faced with a rigorous overall environment in the first half of 2009, the company concluded that strengthened profit-making momentum deriving from consolidated financial structure is central to the company's stable growth in the long run. Therefore, in May 2009 it resolved to sell out Taishin Securities to KGI Securities, while concentrating its resources on the development of banking business.

Thanks to the concerted effort of its staffers, Taishin Financial Holding turned around in 2009, raking in after-tax net profit of NT\$8.2 billion, with EPS (earnings per share) reaching NT\$1.27, ROE (returns on equity) 11.47%, and book value per share NT\$11.8. Added by the injection of proceeds from the sellout of Taishin Securities, Taishin Financial Holding has considerably improved its financial structure and assets quality, with its capital adequacy ratio (CAR) topping 133%. Backed by the remarkable performance, the company has muscled into top ranks in the industry. It turned its operation into the black in the fourth quarter last year and has continued to maintain stable profit growth in 2010, with EPS reaching NT\$0.36 in the first quarter, ranking fourth place.

Thanks to the remarkable overall performance in financial structure and profit-making capability, Taishin Bank, the flagship subsidiary of the financial holding company, is one of the 12 A-class banks among the 33 domestic banks covered by "evaluation of Taiwanese banks in the fourth quarter of 2009," just publicized by the Department of Finance, National Chengchi University.

From medium- and long-term perspective, Taishin Financial Holding has embraced the policy focusing on the development of banking operation. Presently, the two major functional business groups under the auspices of the

. Message to Shareholders

financial holding company has stepped up adjustment of their business strategy, strengthening the management of various risks and pursuing business growth by deeply cultivating existing customers and developing quality new customers simultaneously, in the belief that only by winning customer satisfaction can a financial institution lay a cornerstone for long-term stable growth. Business development directions of Consumer Banking Group and Corporate Banking Group follow:

Consumer Banking Group

Thanks to concerted team works, Consumer Banking Group performed remarkably in 2009, with the market share of auto loans reaching 24.8%, still among top ranks, market share of credit cards 17.7%, including fourth place in market ranking for the number of effective credit cards and third place for top-class cards, and market share for acquiring-bank business 10.5%, the third highest, as the number of merchants soared 83%. Overall assets quality was also better than market average. Thanks to plunge in provisions, adequate control of expenses, and continued business growth, the group racked up stable profits in 2009. To support further business expansion, the group will continue strengthening the management of branch and automated channels, satisfy customers' need for one-stop shopping service, and offer customers services with even higher efficiency and better quality.

Under the "customer-oriented" management concept, the group won the acknowledgement of many international awards, including those granted by Euromoney, Financial Insights, Asian Banker, and Global Finance in 2009, when Taishin Bank also ranked second place in the category of "finance and banking" in the survey of the domestic service industry carried by Global View magazine.

In view of the resumed growth for domestic consumption, Taishin Bank took over the credit-card operation of Chinfon Bank in October last year, a move which will enable the bank to achieve business synergy, increase profit, and further expand its presence in the credit-card market.

Corporate Banking Group

In 2009, Corporate Banking Group stuck to the business strategy placing equal emphasis on "quality" and "quantity," deeply cultivating quality corporate customers, adjusting credit extension policy along with changes in international economic environment, and tapping the Greater China market in a gradual manner, such as business opportunities connected with share listing in the Taiwanese bourse by Taiwanese-invested enterprises in China.

On the domestic front, Corporate Banking Group took advantage of the branch channel of Consumer Banking Group in pushing cash management business, while strengthening risk management for credit extension and continuing to carry out talent cultivation plan, to enhance service quality and efficiency. In response to the acquisition of Taishin Securities by KGI Securities, it set up the capital market department of Taishin Bank and acquired Tonghsing Securities, thereby offering customers a quality service platform for fund raising.

In 2009, Corporate Banking Group made major inroads into cash management business, ranking among the top five for trading volume for FEDI (electronic data interchange) and ACH (automated clearing house), considerably boosting the share of demand deposits, and ranking second place for factoring business and fourth place for fee income from stock-affairs agency. It also turned in a remarkable performance for the innovation and development of financial



products, ranking first place among domestic banks for DCI business volume. Under the principle of equal emphasis on risk management and business growth, corporate loans only scored minuscule growth in the year, with the NPL ratio dropping to 0.59% and bad debt-coverage ratio rising to 280%, outperforming the industrial average. Thanks to adequate risk management, pre-tax profit hit NT\$3.9 billion, a remarkable performance.

Overall speaking, the two business groups under Taishin Financial Holding will maintain steady progress in revenue and profits, aspiring, in the short run, to become major corresponding banks of customers and muscle into the ranks of first-tier domestic banks. Along with the steady improvement of the cross-Taiwan Strait relationship and the signing of cross-Strait Economic Cooperation Framework Agreement (ECFA), China is sure to become a critical market for Taishin Financial Holding, which is striving to step into that market in a short time via various possible channels and cooperative opportunities, in order to achieve the medium-term objective of becoming a cross-border regional financial institution.

Chang Hwa Bank was put under the auspices of Taishin Financial Holding via an open and fair public bidding, in accordance with the legal procedure, and its legal status as a subsidiary of the company has remained unchanged. Taishin Financial Holding remains the controlling shareholder of Chang Hwa Bank, playing a dominant role in its board of directors, and will continue pursuing the optimal interest for the shareholders of both companies in the long run.

“Making Taishin the cash cow for its customers” has been the mission and vision of the company for its customers. Under the objective, all of the staffers will adhere to the company’s core corporate value of “integrity, commitment, innovation, and cooperation” and materialize the value in their services for customers, thereby helping customers and shareholders achieve their financial goals.

Lastly, we would like to express our sincere appreciation of the persistent patronage and support of shareholders for Taishin Financial Holding and its subsidiaries. We also hope the shareholders can continue giving us support and guidance. The management team will spare no effort in continuing to pursue the optimal interest for the shareholders, customers, and employees in the long run.

Chairman

Taishin Financial Holding
June 2010



**Brief Introduction to the
Financial Holding Firm**



II. Brief Introduction to the Financial Holding Firm

A. The date of establishment:

Feb. 18, 2002

B. The origin of the financial holding firm

In the wake of the enactment of the Financial Institutions Merger Law and the Financial Holding Company Law, financial-institution merger and the cross selling of financial products have become an industrial trend. Taishin Financial Holding Co., Ltd. was established on Feb. 18, 2002 via share swap with Taishin International Bank following the latter's merger with Taan Bank. Subsequently, Taishin Financial Holding put Taishin Securities and Taishin Bills Finance under its fold on Dec. 31, 2002, via the respective share-swap ratios of 1:1.2 and 1:1.3.

In addition, in order to help domestic financial institutions alleviate the pressure of high NPL (non-performing loan) ratio and liquidate their bad assets, the company set up a 100% venture Taishin Asset Management Co., Ltd. in Aug. 2002. In Oct. 2002, with the approval of the Ministry of Finance (MOF), it put under its auspices Taishin Marketing Consultant Co., Ltd., which became its subsidiary, with the aim of enhancing marketing efficacy and lowering marketing cost. Moreover, in September 2002 the company established Taishin Venture Capital, making its business structure even more complete and enabling it to offer clients plural product lineup, so as to help the staffers achieve even better performance by enriching the depth and magnitude of their industrial knowledge.

On Oct. 18, 2004, the company's subsidiary Taishin International Bank took over the Tenth Credit Cooperative of Hsinchu, further expanding the company's business-point deployment and business scale and winning it an advantageous market position, so as to facilitate its effort in boosting profit and achieving the maximum benefits for shareholders, clients, and employees.

On Oct. 3, 2005, the company obtained 22.5% controlling stake in Chang Hwa Bank at cost of NT\$36.5 billion before reshuffling the latter's board of directors and making the bank its subsidiary. The move boosted the company's total assets to NT\$2.35 trillion, the second largest among domestic financial firms, and made it one of the domestic financial firms with the largest amount of banking branches, paving the way for the company to become a domestic leading brand.

In 2006, the company introduced three strategic foreign partners, Newbridge Capital of the U.S., Nomura Group, and QE International (L) Ltd., which together invested NT\$35 billion in the company via subscribing to private share placement, strengthening the company's capital structure and boosting its capital adequacy ratio.

On March 18, the company's subsidiary Taishin Securities acquire 55% stake in Taishin Investment Trust, thereby transforming the latter into its 100%-owned subsidiary. The buyout has enabled Taishin Securities to expand its produce resources and offer clients more comprehensive wealth-management services, facilitating its effort to seek the maximum synergy effect under the principle of "client first," in the hope of creating a win-win outcome for shareholders and clients.

II. Brief Introduction to the Financial Holding Firm

On Dec. 19, 2009, Taishin Securities, the company's subsidiary, completed its merger with KGI Securities, enabling Taishin Financial Holding to concentrate its resources on banking business.

On April 9, 2010, the company took over Tung Hsing Securities and subsequently renamed it Taishin Securities, thereby offering customers even more complete and comprehensive financial services.

In adherence to the core value of "integrity, commitment, innovation, and cooperation" and the vision of "making Taishin a cash cow for clients," the company commits to ceaseless innovation and aspires to achieve financial success for its clients and shareholders, in addition to adjusting its business direction optimally along with changes in the market environment.

Honors for the company

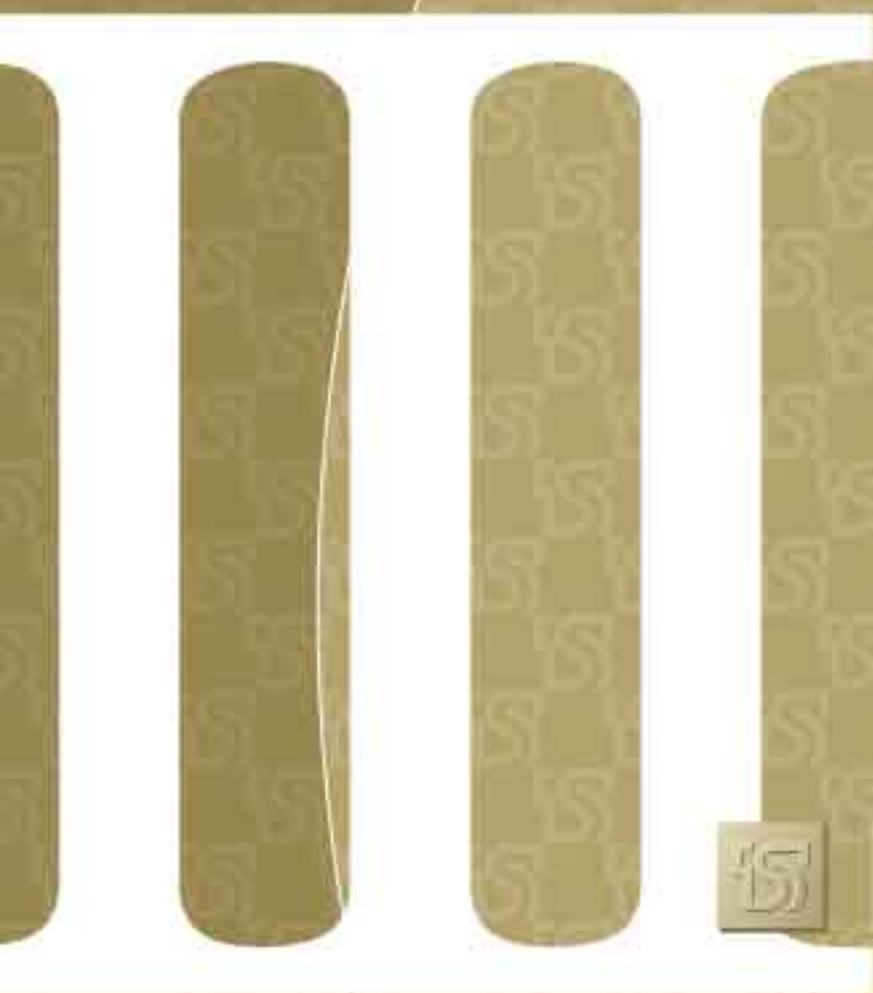
Taishin Bank was granted the honors of "the best investor relationship," "the best corporate governance," "the best corporate management," and the best medium-sized assets company in Taiwan by Finance Asia.

Taishin Bank was granted two major IT awards, "the best customer service center system" and the "best consumer banking debt-claim management system," by Asian Banker.

Taishin Bank: Taiwan – Best Domestic Private Bank: 3rd by Euromoney

Taishin Bank was granted the honor of the best individual online bank in Taiwan by Global Finance.

Taishin Bank was granted the innovation award for Asia region for its credit risk management by Financial Insights.

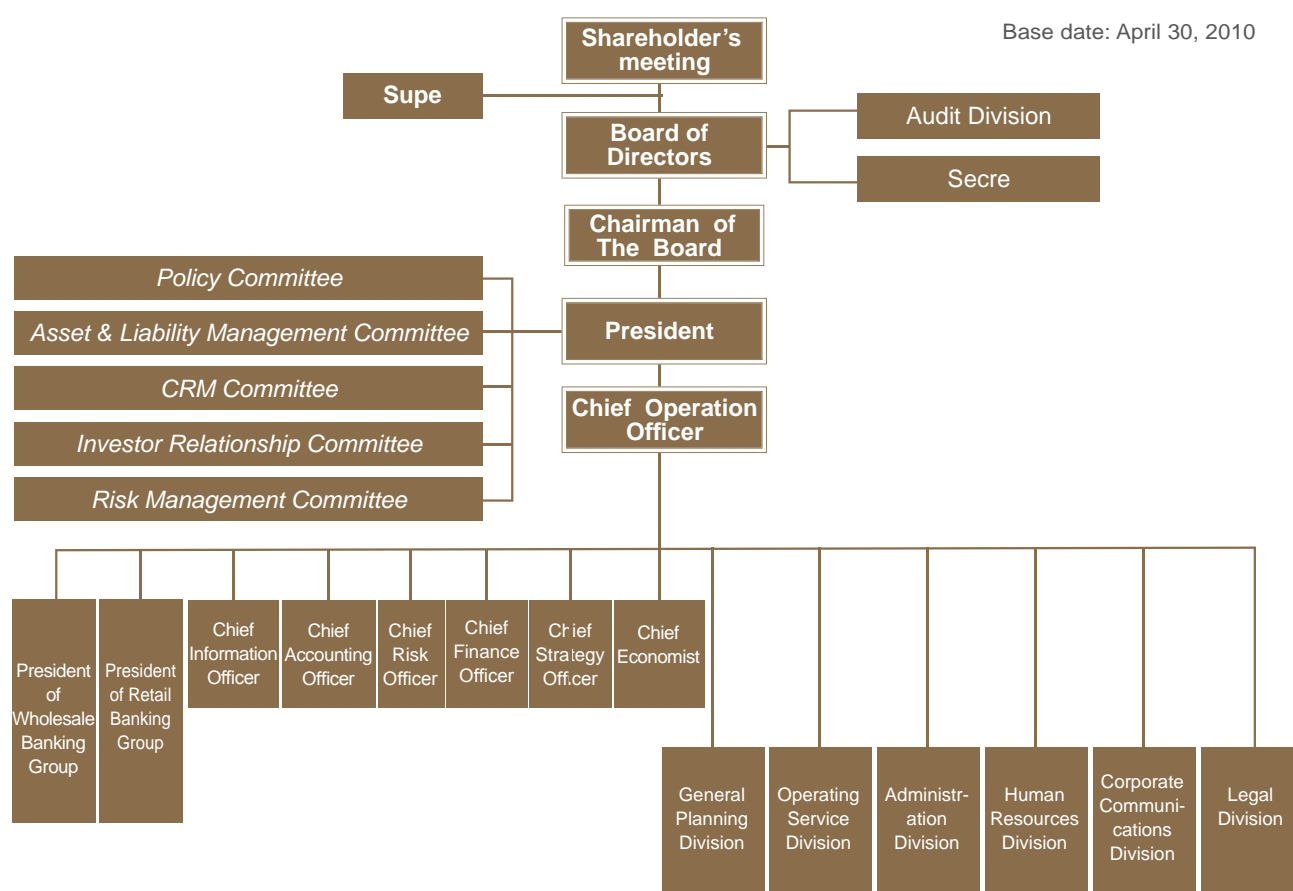


Corporate Governance

III. Corporate Governance

A. The organization of the financial holding firm

1. Organization chart



2. Responsibilities of major units:

(1) Chief Economist Office:

It is the economic and industrial research unit of Taishin Financial Holding.

Carry out analysis of the global economy, exchange rate, interest rate, and the outlook of the world's major stock markets and industries.

Tracking the business prospects of listed Taiwanese companies and offer investment suggestions accordingly.

In response to the needs of the policy makers and business units of the financial holding firm, offer analytical opinions, so as to facilitate business development.



(2) Chief Strategy Office: The unit is in charge of formulating medium- and long-term development strategies for the financial holding company and subsidiaries.

(3) Chief Financial Office:

Planning and management of the bank's liquidity risk and bankbook interest risk.

Planning and management of the structural deployment of assets and liabilities and the deployment of fund utilization.

Planning and management of FTP (fund transfer pricing) system.

Planning, implementation, and management of asset-based securities business.

Implementation of credit ranking.

Management of non-strategic long-term investments.

Planning and management of short-term securities and mutual-fund investment business of subsidiaries and collection and analysis of dynamic information of short-term securities market.

Undertaking of investment consulting business and establishment of related analytical and application models.

Analysis and management of the operation, performance, and risk of subsidiaries' investment-type products, decision making for investment-type products, and study of the regulator's related regulations.

Maintenance and management of relations with legal entities.

(4) Chief Risk Office:

Planning and management of the management mechanism for credit risk, market risk, and operating risk.

Disclosure of the risk-management execution and risk-exposure position.

Planning and establishment of integrated risk-management platform.

(5) Chief Accounting Office:

Performance management

In charge of the compilation of the annual budget of the financial holding firm and the planning and management of annual business goals.

Analysis and evaluation of the performance in achieving budget and business goal (balanced scorecard).

Evaluation of the efficacy of marketing program and compensation system.

Planning and management of, as well as report compilation for, the management information system (MIS) of the financial holding company.

Design and evaluation of the internal pricing system of the management information system (MIS) of the financial holding company.

Accounting management

In charge of the planning and management of the accounting policy of the financial holding company.

Research of and consulting for various financial issues.

Testing and evaluation of assets reduction.

Compilation, analysis, and reporting of the financial information of the financial holding company.

Handling of the accounting operation of the financial holding company.

III. Corporate Governance

(6) Chief Information Office:

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

(7) Human Resources Division:

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

(8) Administration Division:

- Charge of the receipt and issuance of papers.
- General affairs, and construction/repair.

(9) Corporate Communications Division:

- Planning of public relations.
- Planning of corporate image.

(10) Legal Division:

- Legal-affairs consulting.
- Evaluation and supervision of various contracts and documents.
- Compliance with laws and regulations.

(11) Processing & Service Division:

- The planning of the financial holding company's operation, the management of various centralized operations.
- The posing of various work-flow improvement programs.

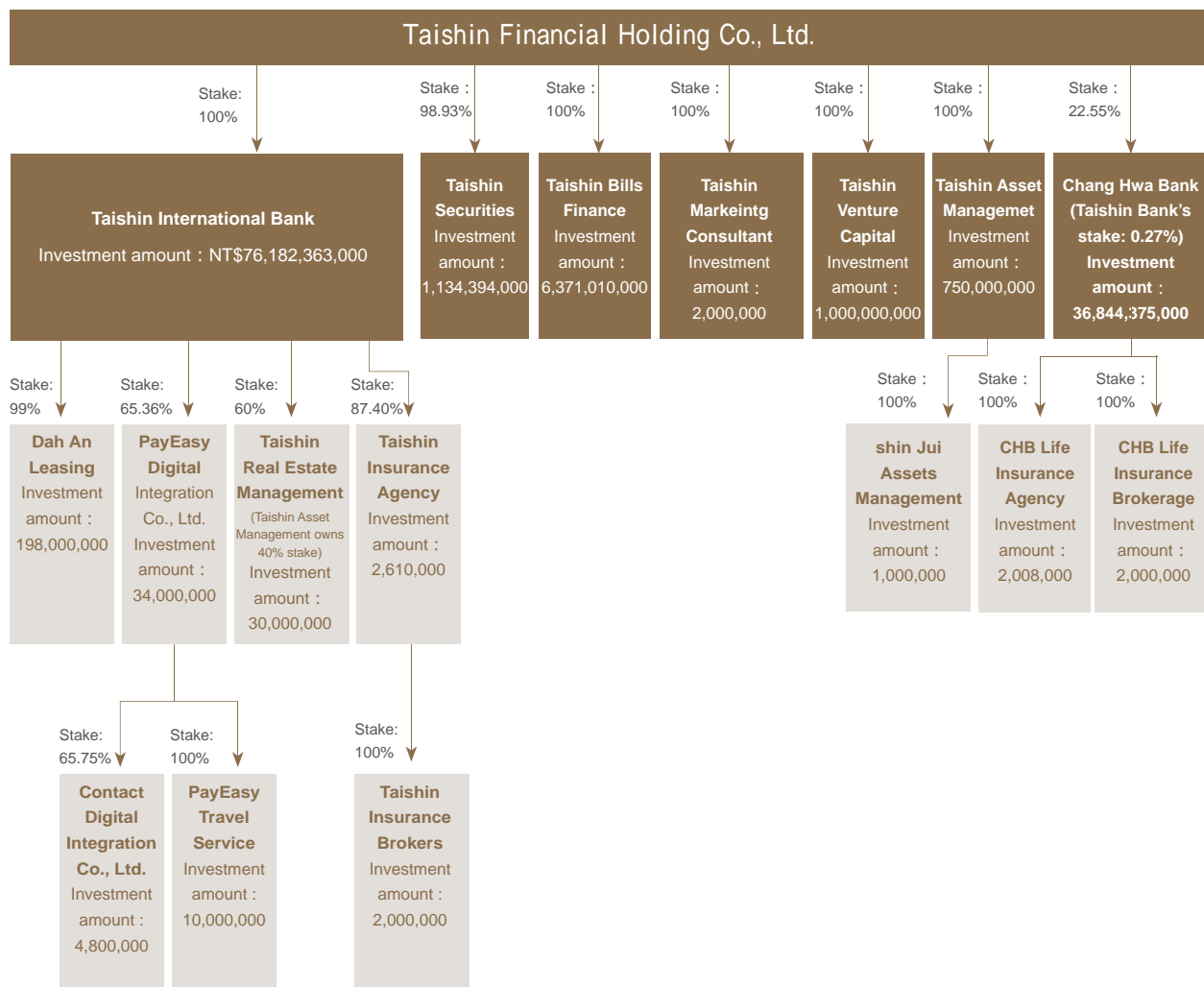
(12) Corporate Planning Division:

- Planning and execution of major strategic projects.
- Analysis and management of capital planning and BIS (Bank of International Settlement) ratio.
- Planning and management of long-term investments.
- Organizational planning, management, and publication.
- Coordination and communications with the regulator.
- Business-related communications and coordination among various business groups and subsidiaries of the financial holding company.



The Organizational Chart of Taishin Financial Holding and Its Affiliates

Base date: April 15, 2010



III. Corporate Governance

B.Data on board directors, supervisors, president, vice presidents, assistant presidents, and branch chiefs

a.data on board directors and supervisors

base date: May 27, 2010

Title	Name	Education and working experience	Current jobs with the financial holding company and other companies	Being the spouse or relative within 2 tiers of other managers, directors or supervisors		
				Title	Name	Relationship
chairman	Bo-Rui Co., Ltd. Representative: Thomas T.L. Wu	Director, First Bank Supervisor, Hua Nan Bank MBA, University of California, LA	Note 1	Director Supervisor	Jui-Sung Kuo Long-Su Lin	Brother-in-law Brother-in-law
Board director	TPG NEWBRIDGE TAISHIN HOLDINGS I, LTD. Representative: Weijian Shan	Executive Director, JPMorgan Chase & Co. Ph.D. in Business Administration, University of California, Berkeley	Note 2	Nil	Nil	Nil
Board director	Tong Shan Investment Co., Ltd. Representative: Jui-Sung Kuo	Director, International Bank of Taipei Ph.D. in Physics, New Hampshire University	Note 3	Chairman Supervisor	Thomas T.L. Wu Long-Su Lin	Brother-in-law Brother-in-law
Board director	Tai-Ho Investment Co., Ltd. Representative: Cheng-Ching Wu	Supervisor, Taishin Financial Holdings, Taishin Bank Ph.D. in Engineering, Tokyo University	Note 4	Nil	Nil	Nil
Board director	Hsiang-Chao Investment Co., Ltd. Representative: Steve S.F. Shieh	President, Taishin Financial Holdings, Taishin Bank Accounting Department, National Cheng Kung University	Note 5	Nil	Nil	Nil
Board director	Pan City Co., Ltd. Representative: Keh-Hsiao Lin	Vice Chairman and President, Taiwan Securities Ph.D. in Economics, Washington University	Note 6	Nil	Nil	Nil
Board director	Yu-Lon Chiao	Supervisor, Dah An Bank Business Administration Department, Washington University	Note 7	Nil	Nil	Nil
Independent director	Chih-Kang Wang	Minister of Ministry of Economic Affairs Ph.D. in Marketing, Texas A&M University	Note 8	Nil	Nil	Nil
Independent director	Neng-Pai Lin	Chairman, Taiwan Power Co. Dean, College of Management at National Taiwan University Ph.D. in Business, Ohio State University	Note 9	Nil	Nil	Nil
Standing supervisor	Master Advisor Management Consulting Co., Ltd. Representative: Chu-Chan Wang	Director, Taishin Financial Holdings, Taishin Bank Pharmaceutical Department, Kaohsiung Medical College	Note 10	Nil	Nil	Nil
supervisor	Royal International Co., Ltd. Representative: To be designated	Nil	Nil	Nil	Nil	Nil
supervisor	Taishin International Investment & Development Co., Ltd. Representative: Long-Su Lin	Director, Taishin Financial Holdings, Taishin Bank Ph.D. in Chemistry, Virginia State University	Note 11	Chairman Director	Thomas T.L. Wu Jui-Sung Kuo	Brother-in-law Brother-in-law



- Note 1 : Representative Thomas T.L. Wu, is concurrently acting as Chairman of Taishin Bank, Director of Taishin RealEstate Management, Director of AN-SIN Real Estate Management, Director of Shin Kong Mitsukoshi Department Store, Director of Shin Kong Lohas, Director of Shin Kong Recreation, Director of Shin Kong Construction and Development, Director of Wangtien Woolen Textile, Director of Taiwan Shin Kong, Director of The Great Taipei Gas, Director of Taiwan Shin Kong Security, Director of Hsien-Shun Enterprise, Director of Shin-Yun Enterprise, Director of Jui-Siang Investment, Director of Kuei-Yuan Investment, Supervisor of Bo-Rui, Supervisor of Yung-Kuang, Supervisor of Shin Kong Agriculture & Animal husbandry, Supervisor of Shin Kong Hae-Yang, Supervisor of Jui-Chin Enterprise, Supervisor of Shin-Shi Enterprise, Supervisor of Chin-Shan Investment, Supervisor of Beitou Hotel.
- Note 2 : Representative Weijian Shan, is concurrently acting as Partner of TPG Capital, Director of Chang Hwa Bank, Director of China Grand Automotive Service, Director of Shenzhen Development Bank, Director of Unitrust Finance & Leasing Corp., Independent Director of Bank of China Hong Kong Limited, Independent Director of BOC Hong Kong (Holdings) Limited, Director of TCC International Holdings Ltd., Director of Taiwan Cement Corp., Director of Zoom Technologies LTD., Director of Nissin China Holdings, Inc., Director of Edenvale Holdings Limited.
- Note 3 : Representative Jui-Sung Kuo, is concurrently acting as Chairman of Jui-Fang Co., Director of Taishin Bank, Director of An-Long Enterprise, Director of TECO Image Systems, Director of Pacific Capital Partners, Director of Ho-Chin Cultural Enterprise, Director of Cheng Xin Development, Director of Shi-Ho Digital Technology, Director of Century Development, Supervisor of Taiwan Shin Kong Security, Supervisor of SerComm, Supervisor of Chun-Hsiang Enterprise Consultants.
- Note 4 : Representative Cheng-Ching Wu, is concurrently acting as Chairman of TASCOCHEMICAL, Chairman of EXCEL Chemical, Chairman of Ming-Xing Chemical, Chairman of Tai-Ho Technology, Chairman of Tuntex Petrochemical Inc., Chairman of SAFEWAY GAS Co., Chairman of Ho-Shin Co., Chairman of Chang-Fong Transportation, Managing Director of Chang Hwa Bank, Director of China Investment & Development, Director of CIDC Consultants, Director of Shun-Li-Tong Transportation.
- Note 5 : Representative Steve S.F. Shieh, is concurrently acting as Director of Taishin Bank, Director of Taishin Insurance Agency, Director of PayEasy Digital Integration, Director of PayEasy Travel Service.
- Note 6 : Representative Keh-Hsiao Lin, is concurrently acting as President of Taishin Financial Holdings, Director of Taishin RealEstate Management, Director of Dah An Leasing, Director of PayEasy Digital Integration, Director of Juimeng Investment Co., Ltd., Director of Taiwan Asset Management Corp., Director of Taiwan Parking Co., Director of the Miniature World, Director of VehGuider, Director of Pacific Music, Wisdom Technology, Supervisor of Taishin Asset Management, Supervisor of Shin Jui Asset Management, Supervisor of PQ international Co.
- Note 7 : Yu-Lon Chiao, is concurrently acting as Chairman of WALSHIN LIHWA, Chairman of Concord IV Venture Capital, Chairman of Concord VII Venture Capital, Chairman of Concord II Venture Capital, Chairman of TOUCH MICRO-SYSTEM TECHNOLOGY CORP., Director of Jin-Cherng Construction, Director of Walton Advanced Engineering Inc., Director of Global Investment Holdings.
- Note 8 : Chih-Kang Wang, is concurrently acting as Chairman of Taiwan External Trade Development Council, Chairman of Taipei World Trade Center, Chairman of The Shiner Education Foundation, Independent Director of Taishin Bank, Independent Director of Nan Ya Plastics, Independent Director of Formosa Sumco Technology, Director of Chilis Electronics, Director of Straits Exchange Foundation.
- Note 9 : Neng-Pai Lin, is concurrently acting as Independent Director of Taishin Bank, Independent Director of Darfon Electronics, Director of TECO Image Systems, Director of Litek Opto-electronics.
- Note 10 : Representative Chu-Chan Wang, is concurrently acting as Chairman of Pan City Co., Chairman of Hsien-Shun Enterprise, Director of Santo Arden Co., Standing Supervisor of Taishin Bank, Supervisor of The Great Taipei Gas, Supervisor of SKS Telecommunications, Supervisor of Tai-Wa Co.
- Note 11 : Representative Long-Su Lin, is concurrently acting as Chairman of Ennead Inc., Chairman of Ennead Leasing, Chairman of Ennead Investment, Chairman of Shi-Hong Enterprise, Chairman of MITAC Construction and Development, Chairman of Chun-Ying Interior Design, Director of Shin Kong Chao Feng, Director of Cheng Xin Development, Director of Hu-Chang Development, Director of Shi-Hong Investment, Director of Nica-Orient Development, Director of Ferris wheel International Development, Director of Virgin Enterprise, Director of Gyu-Kaku, Director of Toms World Amusement, Director of International Advanced Music, Supervisor of Taishin Bank, Supervisor of KONIG FOODS, Supervisor of Tai-Li-Ya Development.

b. President, Vice-presidents and Department Heads

base date: May 27, 2010

Title	Name	Education and working experience	Current jobs with the financial holding company and other companies	Being the spouse or relative within 2 tiers of other managers	
				Title	Relationship
Chief Executive Officer	Thomas T.L. Wu	MBA, University of California, Los Angeles	Chairman of Taishin Bank, Director of Taishin RealEstate Management, Director of AN-SIN Real Estate Management, Director of Shin Kong Mitsukoshi Department Store, Director of Shin Kong Lohas, Director of Shin Kong Recreation, Director of Shin Kong Construction and Development, Director of Wangtien Woolen Textile, Director of Taiwan Shin Kong, Director of The Great Taipei Gas, Director of Taiwan Shin Kong Security, Director of Hsien-Shun Enterprise, Director of Shin-Yun Enterprise, Director of Jui-Siang Investment, Director of Kuei-Yuan Investment, Supervisor of Bo-Rui, Supervisor of Yung-Kuang, Supervisor of Shin Kong Agriculture & Animal husbandry, Supervisor of Shin Kong Hae-Yang, Supervisor of Jui-Chin Enterprise, Supervisor of Shin-Shi Enterprise, Supervisor of Chin-Shan Investment, Supervisor of Beitou Hotel.		none
President	Keh Hsiao Lin	President of Taishin Financial Holding PhD, Department of Economics, University of Washington	President of Taishin Financial Holdings, Director of Taishin RealEstate Management, Director of Dah An Leasing, Director of PayEasy Digital Integration, Director of Juimeng Investment Co., Ltd., Director of Taiwan Asset Management Corp., Director of Taiwan Parking Co., Director of the Miniature World, Director of VehGuider, Director of Pacific Music, Wisdom Technology, Supervisor of Taishin Asset Management, Supervisor of Shin Jui Asset Management, Supervisor of PQ international Co.		

III. Corporate Governance

Title	Name	Education and working experience	Current jobs with the financial holding company and other companies	Being the spouse or relative within 2 tiers of other managers		
				Title	Name	Relationship
Executive advisor	Steve S.F. Shieh	Vice President of First Trust Accounting Department, National Cheng Kung University	Director of Taishin Bank, Director of Taishin Insurance Agency, Director of PayEasy Digital Integration, Director of PayEasy Travel Service	none		
Chief Operation Officer	Greg Gibb	President, McKinsey Taiwan Bachelor of Middlebury College	ORBIS Taiwan, Director of Taishin Securities			
GM of Wholesale Banking Group, Taishin Financial Holding	Justin Tsai	President of Taishin Bank MBA, Indiana University	President of Taishin International Bank, Director of Taishin Bills Finance, Director of Taishin Venture Capital Investment, Director of Taishin Securities, Supervisor of Dah An Leasing			
GM of Retail Banking Group, Taishin Financial Holding	Spike C.W. Wu	Vice President of First Trust Department of Economics, National Taiwan University	President of Taishin International Bank, Chairman of Taishin Insurance Agency, Metro Consulting Service Corp., Easy Card Investment holding company), Director of Easycard corporation, Director of Taishin Insurance Brokers, Director of Taishin Securities			
Chief auditor	Howard Wu	Vice President of Citi Bank Graduate School of Management Science, Baker College	N/A			
Chief Strategy Officer	Daniel Tsai	President of Taishin Bank EMBA, National Chiao Tung University	Director of PayEasy Digital Integration, Director of Taishin Marketing Consultant, Director of PayEasy Travel Service, Supervisor of Confect Digital Integration			
Chief Information Officer	B.R. Ho	Vice president for technology and industrial consulting, SAP Taiwan Master of Management Information Systems, National Chengchi University	N/A			
Chief Financial Officer	Welch Lin	President, ABN AMRO Taiwan MBA, UCLA	Director of Taishin Insurance Agency, Director of Dah An Leasing, Director of Taishin Insurance Brokers, Director of Chinese New Venture Capital, Hanhua Venture Capital, Tengfeng Venture Capital, and Yuanta Foreign Exchange Brokerage, Supervisor of Taishin Real Estate Management, Supervisor of Taishin Venture Capital Investment, Tehlin Investment, Tachung Venture Capital, Tehlin Co., Ltd, Supervisor of Taishin securities			
Chief Accounting Officer	Ann Cheng	Vice president of The Royal Bank of Scotland MBA, University of New Haven	Supervisor of Taishin Marketing Consultant, Supervisor of Taishin Bills Finance, Supervisor of Taishin Securities			
Chief Risk Officer	Loofei Huang	Technology Management Consultants MBA, Oregon University	Senior vice president of Taishin International Bank			
Senior vice president	Ena Swe	Vice President of Citi Bank Master of Science, United States International University	Supervisor of PayEasy Digital Integration, Senior vice president of Taishin International Bank			
Vice president	Shawn C.L. Teng	Vice President of Taishin Bank Department of Economics, National Chung Hsing University	Director of Taishin Insurance Agency, Director of Taishin Investment Trust, Vice president of Taishin International Bank			
Vice president	Kevin Huang	Personnel Section Chief of Shin Kong Life Insurance Department of Business Administration, Fu Jen Catholic University	Vice president of Taishin International Bank			
Vice president	Chao-Min Lin	Section Chief of Shin Kong Life Insurance Department of Law, Soochow University	Vice president of Taishin International Bank			
Vice president	Patrick Lin	Shin Kong Life Insurance Department of Business Administration, Fu Jen Catholic University	N/A			
Vice president	Chris Chang	Assistant Vice President of Citi Bank MBA, University of California, Los Angeles	Director of Minshih Business Management Consulting Vice president of Taishin International Bank			
Assistant vice president	Pojun Hu	Department of Law, National Chung Hsing University	Assistant vice president of Taishin International Bank			

Note: The Financial Supervisory Commission approved the appointment of Wu Hung-jen as the company's chief auditor on April 28, 2010.



C.Items Concerning the Implementation of Internal Control System Which Should Be Disclosed

1.Internal Control Statement Statement

To Financial Supervisory Commission:


April 22, 2010

We hereby declare, on behalf of Taishin Financial Co., Ltd., that the company did set up internal control system, carry out risk management, and have an independent auditing department undertake auditing works with the results being reported to the board of directors and supervisors regularly, in compliance with “enforcement measures for internal control and auditing systems of financial holding companies,” during the period from January 1, 2009 to December 31, 2009. In addition to items listed on the attached tables, careful review and evaluation confirms effective execution by various business units in internal control and compliance with laws and regulations. The statement will become a major component of the company’s publicized annual report and proxy statement. Any falsehood, concealment, or other irregularities for the aforementioned statement will be liable to legal responsibilities stipulated in article 20, article 31, article 171, and article 174 of the Securities Transaction Law.


Chairman

吳東亮 


President

林重謨 

General Auditor

吳弘仁 

Executive Responsible for Legal Compliance

胡博俊 

III. Corporate Governance

2. Items needing improvement for the internal control system of Taishin Financial Holding and Improvement Plan

(base date: Dec. 31, 2009)

Items Needing Improvement	Improvement Measures	Schedule for Completion of Improvements
a. Taishin Bank subsidiaries		
1. Forbid inquiry or downloading of information on dealings with customers except business need.	The company has put forth concrete measures for strengthening the protection of customer information in the four aspects of preventive measures, monitoring and control mechanism, employee management, and information security policy, on top of reinforcing measures in system development, including : (1) Introduce Thin Client mechanism. (2) Set up control of the linkage between the bank's network and main frames via internal firewall. (3) Strengthen the control mechanism for file access management (FAM) system. (4) Cancel the exclusion of specific main frames from the monitoring of the main frames of major databases. (5) Regularly inspect the security of the bank's information system and network packet with the assistance of Microsoft.	Improvement completed
2. Complete publicized reporting for disposal of mutual funds by the deadline when the trading value reaches the threshold.	Upon subscription to or redemption the beneficiary certificates of mutual funds, front-counter traders conduct trial calculation to see whether the trading value reaches the threshold of NT\$300 million for mandatory reporting and rear-end units add to the delivery and settlement system the alert function for the inspection and auditing of deals with value topping NT\$300 million. Via the mechanism of double manual and system control, complete the operation of publicized reporting by the deadline.	Improvement completed
3. Step up retrieval of guaranty fund placed with court for provisional seizure.	(1) The retrieval of guarantee fund for account offsetting can be made only for negotiable instruments payable to Taishin Bank or remittances designated for the bank, excluding the method of cash payment. (2) Prevent irregularities resulting from long-term handling of cases by the same person via the adoption of rotation of jobs or cases. (3) Inquire with court or legal custodian institution about the progress for the retrieval of guarantee fund for provisional seizure, to accelerate the process.	Improvement completed
4. Strengthen document and file management for bad-debt claims for consumer loans.	(1) System management of the borrowing and perusal of related files and documents, and maintain complete record for the borrowing or perusal. (2) Keep good care of blank agreement documents for cancellation of mortgage. (3) Monthly review of files not incorporated into the custody bag for debt-claim certificates and quarterly inspection of the custody bag for the various debt claim certificates for various products, and set standard amount for spot check of effective accounts.	Improvement completed
b. Chang Hwa Bank subsidiaries		
Keep record for trading for large-amount currency trading.	Reiterate regulations for anti-money laundering in the notice of July 7, 2009 issued to various business units and require anti-money laundering superintendents at branches to fulfill their duty, in addition to requiring branches to carry out anti-money laundering operation faithfully. In addition, include related mistakes in operation in case study for courses for anti-money laundering education and training.	Improvement completed

Contents of the inspection report on the internal-control system by entrusted certified public accountant which should be disclosed: Nil.

D. Irregularities bringing penalties to the financial holding firm and its subsidiaries in the recent years and rectifications :

	Case and value	Rectifying measures
A. Indictment of executives or staffers by prosecutors for job-related crimes	Mr. Chiu, a client of Taishin Bank's Nanda branch, was arrested by police for violation of Banning Law involving underground cross-Taiwan Strait remittance. Nanda branch's manager Zheng was subsequently indicted by prosecutors on Nov. 14, 2008, for instructing a staffer of the branch to inform Mr. Lin, a related client, of the above case.	Mr. Zheng alleged that he was unaware of the crimes of the client and acted according to his on-site judgment. Taishin Bank has hired a lawyer to defend him.
B. Fines inflicted by Financial Supervisory Commission (FSC) for violation of laws/regulations	1. Taishin Bank (1) The bank was fined NT\$3 million and ordered to dismiss two employees of Banqiao branch and Pingtung branch, respectively, by FSC (FSC, no. 09700236261, Dec. 22, 2008) for the embezzlement of a clients deposits by the two persons.	The bank has formulated norms for regular inspections by managerial staffers, mechanism for notifications by wealth-management staffers for visiting clients, and inspection of abnormal deposits of wealth-management staffers, to preempt improper intention of wealth-management staffers in undertaking surrogate trading for clients.
	(2) The bank was fined NT\$4 million by FSC (FSC, no. 09700511461, June 15., 2009) for leakage of customer information.	The company has put forth concrete measures for strengthening the protection of customer information in the four aspects of preventive measures, monitoring and control mechanism, employee management, and information security policy, on top of reinforcing measures in system development, including : (1) Introduce Thin Client mechanism. (2) Set up control of the linkage between the bank's network and main frames via internal firewall. (3) Strengthen the control mechanism for file access management (FAM) system. (4) Cancel the exclusion of specific main frames from the monitoring of the main frames of major databases. (5) Regularly inspect the security of the bank's information system and network packet with the assistance of Microsoft.
	(3) The chief executive of the company was fined NT\$240,000 by the FSC (FSC, No. 0980039400, Aug. 19, 2009) for failing to make publicized report by the deadline for disposal of Chienhung strategic balanced fund involving over NT\$300 million in value.	Upon subscription to or redemption the beneficiary certificates of mutual funds, front-counter traders conduct trial calculation to see whether the trading value reaches the threshold of NT\$300 million for mandatory reporting and rear-end units add to the delivery and settlement system the alert function for the inspection and auditing of deals with value topping NT\$300 million. Via the mechanism of double manual and system control, complete the operation of publicized reporting by the deadline.
	2. Chang Hwa Bank The bank was fined NT\$200,000 by FSC (FSC, no. 09800384901, Oct. 7, 2009) for failing to enter, according to the regulation of article 7, Anti-Money Laundering Law, the information on trading agent in the trading record for large-scale money trading for customers by Dunhua branch in Taipei City on Sept. 29, 2007.	The headquarters notified various business units on July 7, 2009 (Chang Hwa No. 0980409) reiterating the regulations of Anti-Money Laundering Law and required anti-money laundering superintendents at various branches to fulfill their responsibility and assure faithful execution of the anti-money laundering regulations. In addition, the case has been including in the teaching materials for anti-money laundering training course as a case study to prevent repetition of the mistake.
C. Defects severely corrected by FSC	Nil	

III. Corporate Governance

	Case and value	Rectifying measures
D. Penalties inflicted by FSC for violating item 1, article 54, Banking Law	The bank was fined NT\$3 million and ordered to dismiss two employees by FSC (FSC, no. 09700236261, Dec. 22, 2008) for the embezzlement of a client's deposit by the two persons at Banqiao and Pingtung ranch, respectively.	Same as (B)1(1)
E. Irregularities causing over NT\$50 million of loss in one year or several years whose loss or nature should be disclosed, including mal-practices of staffers, major occasional incidents (fraud, stealth, embezzlement or stealth of assets, forged trading, fake certificates and securities, collection of kick-backs, natural disaster, loss inflicted by external forces, attack and stealth of information by hackers, and leakage of business secrets and client information), or security incidents caused by failure to comply with guidelines for the security maintenance of financial institutions	Nil	
F. Other items designated by FSC for mandatory disclosure	1.Taishin Holdings Taishin Marketing Consultant and Taishin Securities were both corrected by the FSC for failing to obtain the approval of the FSC, as well as apply for renewable business license, for changing the sites of their head offices on Ma6 20, 2003, May 28, 2004, and Jan. 2, 2006, in violation of the regulation of article 14, Financial Holding Company Law.	The financial holding company already applied with the regulator on Jan. 14, 2009 for new business licenses of its subsidiaries bearing their new addresses and received new licenses issued by the Banking Bureau, the FSC on Feb. 2, 2009. The company will intensify notifying subsidiaries of the regulation and improve internal workflow, so as to avoid repetition of the mistake.
	2.Taishin bank (1) The bank was fined NT\$0.1 million by Fair Trade Commission, the Executive Yuan, for failing to specify interest rates and offer borrowers the options of "loan repayment anytime" and "limited repayment period" in its loan contracts.	The bank has revised the housing-loan contract offering borrowers the options of "repayment anytime" and "limited repayment period" for their free choice.
	(2) The was corrected by FSC (FSC, no. 09600518271, May 23, 2008) for continuing to allow Taichuan Management Consulting Co., Ltd. access to its internal client-information system after termination of the consigned marketing contract with the latter.	The provision of the access to client-information system is mainly for the marketing of the bank's products. The bank has made follow-up collection of usage fees for the access from Taichung Co., Ltd. and referred the case to the personnel evaluation committee for studying penalties for those who made the mistake.
	(3)The FSC corrected the bank (FSC, no. 09700119561, July 8, 2008) for defect in extending secured loans to related party Shinkong Synthetic Fibers Corp.	Under the request of the bank, Shinkong Synthetic Fibers has offered additional machinery equipment as collateral for the loan, whose value is sufficient to cover the outstanding amount of the loan after re-appraisal.
	(4)The bank was corrected by FSC (FSC, no. 09700367571, Dec. 17, 2008) for leakage of client-application data during the period from April 2001 to Jan. 2004 when it outsourced its credit-card marketing and consumption-loan business.	The bank has stopped to outsource marketing operation from April 1, 2006 and penalized those staffers responsible for the mistake.

	Case and value	Rectifying measures
	<p>3. Taishin Securities</p> <p>(1) Ms. Chen, a former business staffer of the Pingtung branch of Taishin Securities, committed the defects: embezzlement of a client's deposits via the usage of the client's bankbook and seal under her keeping, failure to carry out securities trading according to client's consignment, usage of her mother's securities account for securities trading, and unauthorized change of the delivery method for client's statement of account. Two other staffers of the branch were also negligent in their duties in the case, all testifying to the lax internal control of the company, for which the company received the correction of the FSC on Jan. 2, 2008.</p>	<p>The company has irregularly inspected business counters, intensified instruction of securities-related laws/regulations, and strictly forbidden business staffers using the accounts of clients or relatives for securities trading.</p>
	<p>(2) In 2002, Taishin Securities sold foreign insurance-policy discount products via business staffers of branches and conducted recommendation and mediation for clients in trading in foreign securities without regulator's approval, for which it was reprimanded by the FSC on Nov. 13, 2008 for violating article 66-1 of Securities Trading Law.</p>	<p>Taishin Securities has intensified the instruction for the business department not to engage in the business solicitation, mediation, and marketing of unapproved products.</p>
	<p>(3) Ms. Lin, a former business staffer of the Sanchung branch of Taishin Securities undertook discretionary-account operation for clients and kept clients' bankbooks and book for centralized securities custody, for which the company was corrected by the FSC on Oct. 22, 2008 for lax internal control according to article 65 of the Securities Transaction Law.</p>	<p>The company has intensified the instruction banning salesmen to undertake discretionary-account operation for clients, embezzle or take custody of clients' securities, funds, seals, and bankbooks, in addition to conducting irregular inspections of salesmen's recorded telephone conversation and drawers, so as to ensure compliance of related regulations by salesmen in their works and avoid recurrence of similar mistakes.</p>
	<p>(4) Two business staffers of the Daan branch of Taishin Securities took custody of clients' bankbooks, another business staffer Ms. Chen undertook senior salesman's task without the qualification, the branch's manager Mr. Ho was negligent in his oversight duty, senior salesman Mr. Liang accepted trading consignment at spots other than business counter, and another senior salesman Ms. Lin accepted consignment for securities trading via mobile phone, for which the company was corrected by the FSC on Nov. 16, 2008 for violating article 65 of Securities Transaction Law.</p>	<p>The company has intensified education and training of salesmen and instruction for them to comply with related regulations, in addition to irregularly inspecting business counters, to avoid recurrence of similar defects.</p>
	<p>(5) The company was corrected by the FSC on Jan. 8, 2009 according to article 65, Securities Trading Law for the embezzlement of customer money by Ms. Lai at Xitun branch with fake seal and forged document, a case which shows lapse in the company's internal control.</p>	<p>Intensify education and trading of business staffers, reiterate requirement for legal compliance, and carry out irregular inspection of the operation of business counters, to assure legal compliance by business staffers in the execution of their jobs, so as to avoid repetition of similar mistake.</p>
	<p>(6) The company was corrected by the FSC on March 18, 2009 according to article 65 of the Securities Transaction Law for the mistake of Ms. Chao at the Dunbei branch in Taipei City, who provided dummy account for use by customers and kept custody of the latter's bankbook, as well as inadequate supervision of the branch's manager, which shows lapse of the company in its internal control.</p>	<p>Carry out irregular inspection of the operation of business counters and intensify promotion of securities-related regulations and laws, to avoid repetition of the mistake.</p>

TV



Fund Raising



IV. Fund Raising

A. Shares and Dividend

a. Capital Sources

Base date: March 31, 2010, units: NT\$1,000; 1,000 shares

times	Issuing prices	Approved capital		Paid-in capital		notes	
		Number of shares	Value	Number of shares	Value	Capital sources	others
Feb. 2002	10	10,000,000	100,000,000	common share 2,300,000 A preferred share 300,000 B preferred share 400,000	common share 23,000,000 A preferred share 3,000,000 B preferred share 4,000,000	Issuance for conversion	MOF No. 0900015135, Dec. 31, 2001 (note 1)
Sept. 2002	10	10,000,000	100,000,000	common share 2,300,000 B preferred share 400,000	common share 23,000,000 B preferred share 4,000,000	Retrieval of A preferred shares after maturity	MOF, No. 0912001371, Oct. 11, 2002 (note 2)
Dec. 2002		10,000,000	100,000,000	common share 3,631,623 B preferred share 400,000	common share 36,316,236 B preferred share 4,000,000	Share conversion	MOF No. 0910050394, Nov. 7, 2002 (note 3)
May 2003	10	10,000,000	100,000,000	common share 3,632,713 B preferred share 400,000	common share 36,327,139 B preferred share 4,000,000	Issuance for convertible corporate bonds in the first quarter 2003	MOEA No. 0920113370, May 7, 2003 (note 4)
July 2003	10	10,000,000	100,000,000	common share 3,687,739 B preferred share 400,000	common share 36,877,397 B preferred share 4,000,000	Issuance for convertible corporate bonds in the second quarter 2003	MOEA No. 09201228300, July 30, 2003 (note 5)
Oct. 2003	10	10,000,000	100,000,000	common share 3,668,520 B preferred share 400,000	common share 36,685,207 B preferred share 4,000,000	Capital reduction in line with cancellation of treasury stocks	MOF No. 0920045919, Oct. 8, 2003 (note 6)
Oct. 2003	10	10,000,000	100,000,000	common share 3,676,978 B preferred share 400,000	common share 36,769,788 B preferred share 4,000,000	Issuance for convertible corporate bonds in the third quarter 2003	MOEA, No. 09201297690, Oct. 27, 2003 (note 7)
Feb. 2004	10	10,000,000	100,000,000	common share 3,756,113 B preferred share 400,000	common share 37,561,132 B preferred share 4,000,000	Issuance for convertible bonds in the fourth quarter 2003	MOEA No. 09301012440, Feb. 2, 2004 (note 8)
April 2004	10	10,000,000	100,000,000	common share 3,957,779 B preferred share 400,000	common share 39,577,790 B preferred share 4,000,000	Issuance for convertible bonds in the first quarter 2004	MOEA, No. 09301069080, April 28, 2004 (note 9)
July 2004	10	10,000,000	100,000,000	common share 4,015,045 B preferred share 400,000	common share 40,150,457 4,000,000	Issuance for convertible bonds in the second quarter 2004	MOEA, No. 09301138150, July 26, 2004 (note 10)
Aug. 2004	10	10,000,000	100,000,000	common share 4,277,063 B preferred share 400,000	common share 42,770,639 B preferred share 4,000,000	Issuance from earnings, capital reserves and convertible bonds	MOEA, No. 09301156500, Aug. 19, 2004 (note 11)
Oct. 2004	10	10,000,000	100,000,000	common share 4,298,768 B preferred share 400,000	common share 42,987,687 B preferred share 4,000,000	Issuance for convertible bonds in the third quarter 2004	MOEA, No. 09401015750, Oct. 27, 2004 (note 12)
Jan. 2005	10	10,000,000	100,000,000	common share 4,407,292 B preferred share 400,000	common share 44,072,921 B preferred share 4,000,000	Issuance for convertible bonds in the fourth quarter 2004	MOEA, No. 09401015750, Jan. 27, 2005 (note 13)
May 2005	10	10,000,000	100,000,000	common share 4,433,851 B preferred share 400,000	common share 44,338,511 B preferred share 4,000,000	Issuance for convertible bonds in the first quarter 2005	MOEA, No. 09401077610, May 4, 2005 (note 14)

IV. Fund Raising

times	Issuing prices	Approved capital		Paid-in capital		notes	
		Number of shares	Value	Number of shares	Value	Capital sources	others
Aug. 2005	10	10,000,000	100,000,000	common share 5,108,079 B preferred share 400,000	common share 51,080,795 B preferred share 4,000,000	Issuance from earnings, capital surplus, and for convertible bonds in the second quarter	MOEA No. 09401156030, Aug. 16, 2005 (note 15)
Oct. 2005	10	10,000,000	100,000,000	common share 5,108,079 B preferred share 400,000 C preferred share 500,000	common share 51,080,795 B preferred share 4,000,000 C preferred share 5,000,000	Issuance of C preferred shares	MOEA, No. 0940197220, Oct. 4, 2005 (note 16)
Oct. 2005	10	10,000,000	100,000,000	common share 5,114,999 400,000 C preferred share 500,000	common share 51,149,993 4,000,000 C preferred share 5,000,000	Issuance of convertible bonds in the third quarter 2005	MOEA No. 09401208520, Oct. 20, 2005 (note 17)
Jan. 2006	10	10,000,000	100,000,000	common share 5,123,209 B preferred share 400,000 C preferred share 500,000	common share 51,232,092 B preferred share 4,000,000 C preferred share 5,000,000	Issuance for convertible bonds in the fourth quarter 2005	MOEA, No. 09501013580, Jan. 26, 2006 (note 18)
March 2006	10	10,000,000	100,000,000	common share 4,869,077 B preferred share 400,000 C preferred share 500,000	common share 48,690,778 B preferred share 4,000,000 C preferred share 5,000,000	Capital reduction (cancellation of treasury stocks)	MOEA, No. 09501037680, March 7, 2006 (note 19)
March 2006	10	10,000,000	100,000,000	common share 5,424,633 B preferred share 400,000 C preferred share 500,000 D preferred share 777,777	common share 54,246,333 B preferred share 4,000,000 C preferred share 5,000,000 D preferred share 7,777,777	Issuance for capital increment via private placement	MOEA, No. 09501053470, March 29, 2006 (note 20)
April 2006	10	10,000,000	100,000,000	common share 5,438,942 B preferred share 400,000 C preferred share 500,000 D preferred share 777,777	common share 54,389,420 B preferred share 4,000,000 C preferred share 5,000,000 D preferred share 7,777,777	Issuance for convertible bonds in the first quarter 2006	MOEA, No. 09501068440, April 18, 2006 (note 21)
July 2006	10	10,000,000	100,000,000	common share 5,438,942 C preferred share 500,000 D preferred share 777,777	common share 54,389,420 C preferred share 5,000,000 D preferred share 7,777,777	Capital reduction upon maturity of B preferred shares	MOEA, No. 09501152460, July 20, 2006 (note 22)
Sept. 2006	10	10,000,000	100,000,000	common share 5,443,633 C preferred share 500,000 D preferred share 777,777	common share 54,436,334 C preferred share 5,000,000 D preferred share 7,777,777	Issuance for convertible bonds in the second quarter 2006	MOEA, No. 09501209040, Sept. 15, 2006 (note 23)
Jan. 2007	10	10,000,000	100,000,000	common share 5,710,300 C preferred share 500,000 D preferred share 777,777	common share 57,103,000 C preferred share 5,000,000 D preferred share 7,777,777	Common-share issuance for cash capital increment via private share placement	MOEA, No. 09601001020, Jan. 5, 2007 (note 24)
Dec. 2009	10	10,000,000	100,000,000	common share 5,323,819 C preferred share 466,159 D preferred share 725,136	common share 53,238,199 C preferred share 4,661,593 D preferred share 7,251,368	Capital reduction (elimination of shares)	MOEA, No. 09801284730, Dec. 10, 2009 (note 25)

Note 1: Taishin Bank and Dah An Bank joined hands in setting up Taishin Financial Holding via share swap and carried out merger during the establishment process, with Taishin Bank being the surviving company and Dah An Bank the disappearing company.

Note 2: The company purchased back 300 million registered A preferred shares at face value of NT10 following their maturity on September 20, 2002, according to the corporate charter and measures for share issuance.

Note 3: Taishin Securities and Taishin Bills Finance became the company's subsidiaries via share swap, at the swap ratio of 1.2 common shares of Taishin Securities to one common share of Taishin Financial Holding and 1.3 common shares of Taishin Bills Finance to one common share of Taishin Financial Holding, for which Taishin Financial Holding issued 1,331,623,623 new common shares for 1,123,486,810 common shares of Taishin Securities and 514,000,000 common shares of Taishin Bills Finance, with December 31, 2002 as the base date for the share swap.

Note 4: In the first quarter of 2003, 169 sheets of convertible bonds, valued at NT\$16.9 million, were converted to 1,090,319 common shares, upon applications of their holders.

Note 5: In the second quarter of 2003, 8,529 sheets of convertible bonds, valued at NT\$852.9 million, were converted to 55,025,801 common shares, upon

applications of their holders.

Note 6: The company canceled 19,219,000 common shares of treasury stocks.

Note 7: In the third quarter of 2003, 1,311 sheets of convertible bonds, valued at NT\$131.1 million, were converted to 8,458,064 common shares, upon applications of their holders.

Note 8: In the fourth quarter of 2003, 5,302 sheets of convertible bonds, valued at NT\$530.2 million, were converted to 34,206,310 common shares, upon applications of their holders and 26,007 sheets of ECB (euro-dollar convertible bonds), valued at US\$26.007 million, were converted to 44,928,160 common shares.

Note 9: In the first quarter of 2004, 8,523 sheets of convertible bonds, valued at NT\$852 million, were converted to 54,987,065 common shares, upon applications of their holders and 84,906 sheets of ECB (euro-dollar convertible bonds), valued at US\$84.906 million, were converted to 146,678,712 common shares.

Note 10: In the second quarter of 2004, 4,226 sheets of convertible bonds, valued at NT\$422.6 million, were converted to 27,264,511 common shares, upon applications of their holders and 17,367 sheets of ECB (euro-dollar convertible bonds), valued at US\$17.367 million, were converted to 30,002,227 common shares.



Note 11: 261,413,500 new shares were issued for capital increment with the company's earnings and capital reserves and 350 sheets of ECB, valued at US\$350,000, were converted to 604,639 common shares.

Note 12: In the third quarter of 2004, 1,267 sheets of convertible bonds, valued at NT\$126.7 million, were converted to 8,737,913 common shares, upon applications of their holders and 6,720 sheets of ECB (euro-dollar convertible bonds), valued at US\$6.72 million, were converted to 12,996,912 common shares.

Note 13: In the fourth quarter of 2004, 673 sheets of convertible bonds, valued at NT\$67.3 million, were converted to 4,641,367 common shares, upon applications of their holders and 53,836 sheets of ECB (euro-dollar convertible bonds), valued at US\$53.836 million, were converted to 103,881,984 common shares.

Note 14: In the first quarter of 2005, 13,764 sheets of ECB, valued at NT\$13.764 million, were converted to 26,559,024 common shares, upon applications of their owners.

Note 15: 669,404,441 new shares were issued for capital increment with the company's earnings and capital reserves and in the second quarter, 2,500 sheets of ECB, valued at NT\$2.5 million, were converted to 4,824,002 common shares, upon applications of their holders.

Note 16: The company issued 500 million C preferred shares, at NT\$10 per share, totaling NT\$5 billion in value.

Note 17: In the third quarter of 2005, 2,950 sheets of ECB, valued at NT\$2.95 million, were converted to 6,919,777 common shares, upon applications of their holders.

Note 18: In the fourth quarter of 2005, 3,500 sheets of ECB, valued at NT\$3.5 million, were converted to 8,209,904 common shares, upon applications of their holders.

Note 19: The company canceled 254,131,447 shares of treasury stocks, at NT\$10 per share, totaling NT\$2,541,314,470 in value, according to item 2, article 31 of the Financial Holding Company Law.

Note 20: For cash capital increment via private share placement, the company issued 555,555,557 common shares and 777,777,779 D preferred shares, totaling 1,333,333,336 shares, at par value NT\$10 per share and premium price of NT\$18, thereby raising NT\$24,000,000,048 of fund.

Note 21: In the first quarter of 2006, 6,100 sheets of ECB, valued at NT\$6.1 million, were converted to 14,308,689 common shares, upon applications of their holders.

Note 22: The company bought back 400 million registered B preferred shares, at par value of NT\$10 per share, upon their maturity on June 30, 2006, according to the corporate charter and share-issuance measures.

Note 23: In the second quarter of 2006, 2,000 sheets of ECB, valued at NT\$2 million, were converted to 4,691,372 common shares, upon applications of their holders. As of June 30, 2006, 220,000 sheets of ECB, valued at US\$220 million, had been converted to 404,575,402 common shares (ECB had been converted to common shares completely).

Note 24: For cash capital increment via private share placement, the company issued 266,666,663 common shares, at par value NT\$10 per share and premium price of NT\$15, thereby raising NT\$3,999,999,945 of fund.

Note 25: The company carried capital reduction via elimination of shares, including 386,480,151 common shares, 33,840,616 C-type preferred shares, and 52,640,599 D-type preferred share, all with a face value of NT\$10 per share, amounting to NT\$4,729,167,260 in total.

b. Issuance of preferred shares

- (1) The Financial Supervisory Commission (FSC) notified, in document No. 0940135173 dated August 30, 2005, its approval of cash capital-increment application by the company to issue 500 million registered C preferred shares, at par value of NT\$10 per share and premium price of NT\$30, totaling NT\$15 billion in value, which had been fully subscribed on September 28, 2005. The batch of registered C preferred shares boasts 3.5% of dividend annually, which is paid out in cash once every year, and cannot be converted to common shares. Following maturity of their seven-year term, the company would buy them back at actual issuing price with earnings or proceeds from new share issuance. The company carried out capital reduction on Dec. 4, 2009 to cover its loss by eliminating 33,841,000 C-type shares, thereby reducing the total amount of such shares to 466,159,000 shares.
- (2) For cash capital increment via private share placement, the company issued 777,777,779 registered D preferred shares, at par value of NT\$10 per share and premium price of NT\$18, totaling NT\$14,000,000,022 in value, which had been fully subscribed on March 22, 2006 and reported to the regulator for reference within 15 days. The batch of registered D preferred shares boasts 6.5% of dividend annually, which is paid out in cash once every year, without accumulation, and their holders can take part in earnings distribution for common shares, at ratio of two D preferred shares for one common share. They can be converted to common shares at ratio of 1:1 three years after its issuance. Ten years after its issuance, the company can buy them back in part or in entirety anytime at actual issuing price with earnings or proceeds from new share issuance. Afterwards, annual dividend for the D preferred shares still in circulation will be raised to 7.5%. The company carried out capital reduction to cover its loss on Dec. 4, 2009 by eliminating 52,641,000 C-type preferred shares, thereby reducing the amount of such shares to 725,137,000 shares.

Share categories	Approved capital			notes
	Shares in circulation	Shares without issuance	total	
Common shares	5,323,819,938 shares	3,176,180,062 shares	8,500,000,000 shares	Listed shares (including 766,573,206 shares from private share placement for capital increment, which have yet to be listed)
Preferred shares	1,191,296,204 shares	308,703,796 shares	1,500,000,000 shares	Including 725,136,820 shares from private share placement for capital increment.

IV. Fund Raising

c. Information on the overall application system: nil

B. Structure of Shareholders

Structure of Shareholders(common shares)

base date: April 20, 2010

Quantity \ Structure of Shareholders	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	16	101	394	188,973	505	189,989
Shares	60,906,705	390,060,395	722,422,583	1,873,727,292	2,276,702,963	5,323,819,938
Share of stake(%)	1.14%	7.33%	13.57%	35.20%	42.76%	100.00%

Structure of Shareholders (C preferred shares)

base date: April 20, 2010

Quantity \ Structure of Shareholders	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	0	22	10	86	0	118
Shares	0	375,524,796	85,396,255	5,238,333	0	466,159,384
Share of stake(%)	0.00%	80.56%	18.32%	1.12%	0.00%	100.00%

Structure of Shareholders (D preferred shares)

base date: April 20, 2010

Quantity \ Structure of Shareholders	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	0	0	0	0	3	3
Shares	0	0	0	0	725,136,820	725,136,820
Share of stake(%)	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%

C. Distribution of Shareholding

Distribution of Shareholding (common shares)

base date: April 20, 2010; Par Value NT\$10

Classification of Shareholding	Number of Shareholders	Shares	Share of stake(%)
1~ 999	77,671	29,955,782	0.56%
1,000~ 5,000	60,558	153,394,109	2.88%
5,001~ 10,000	22,901	176,250,875	3.31%
10,001~ 15,000	7,795	96,033,231	1.80%
15,001~ 20,000	7,250	127,978,724	2.40%
20,001~ 30,000	4,446	111,137,347	2.09%
30,001~ 50,000	3,817	151,688,582	2.85%
50,001~ 100,000	2,863	207,652,662	3.90%
100,001~ 200,000	1,295	182,917,046	3.44%
200,001~ 400,000	583	163,388,109	3.07%
400,001~ 600,000	218	108,034,215	2.03%
600,001~ 800,000	101	70,418,994	1.32%
800,001~ 1,000,000	83	74,836,947	1.41%
1,000,001~	408	3,670,133,315	68.94%
Total	189,989	5,323,819,938	100.00%



Distribution of Shareholding (C preferred shares)

base date: April 20, 2010; Par Value NT\$10

Classification of Shareholding	Number of Shareholders	Shares	Share of stake(%)
1~ 999	8	6,545	0.00%
1,000~ 5,000	17	64,469	0.01%
5,001~ 10,000	8	62,872	0.01%
10,001~ 15,000	3	36,361	0.01%
15,001~ 20,000	2	38,646	0.01%
20,001~ 30,000	5	123,758	0.03%
30,001~ 50,000	12	434,017	0.10%
50,001~ 100,000	14	1,023,021	0.22%
100,001~ 200,000	11	1,417,310	0.30%
200,001~ 400,000	10	2,573,943	0.55%
400,001~ 600,000	2	1,066,159	0.23%
600,001~ 800,000	2	1,268,886	0.27%
800,001~1,000,000	1	932,319	0.20%
1,000,001~	23	457,111,078	98.06%
Total	118	466,159,384	100.00%

Distribution of Shareholding (D preferred shares)

base date: April 20, 2010; Par Value NT\$10

Classification of Shareholding	Number of Shareholders	Shares	Share of stake(%)
1,000,001~	3	725,136,820	100.00%
Total	3	725,136,820	100.00%

D. Major Shareholders

base date: April 20, 2010

Major Shareholders	Shares (Including common shares and preferred shares)	Share of stake(%)
TPG NEWBRIDGE TAISHIN HOLDINGS II, LTD.	467,987,460	7.18%
TPG NEWBRIDGE TAISHIN HOLDINGS I, LTD.	311,991,640	4.79%
QE INTERNATIONAL (L) LIMITED	248,618,334	3.82%
Nomura Asia Investment (Taiwan) Pte. Ltd.	207,181,950	3.18%
Taishin Leasing & Financing Co., Ltd.	167,794,019	2.58%
TAISHIN CO-INVESTOR HOLDINGS II, LTD.	153,558,385	2.36%
Taiwan Life Insurance Co. Ltd.	133,837,156	2.05%
TAISHIN CO-INVESTOR HOLDINGS I, LTD.	102,372,257	1.57%
Tong Shan Investment Co., Ltd.	68,903,215	1.06%
Chunghwa Post Co., Ltd.	65,262,314	1.00%

Note: Specify top 10 shareholders or those with the share of stake exceeding 1%

IV. Fund Raising

E. Net Assets per Share, EPS, Dividends and Market Price Per Share

Items \ Year			2008	2009	As of Mar. 31,2010
Market Price Per Share	Highest		16.50	14.80	13.70
	Lowest		3.64	4.30	9.91
	Average		9.43	9.98	12.01
Net Assets per Share	Before payout (coverage of loss)		9.64	11.76	12.13
	After payout (coverage of loss)		10.34	(Note 2)	-
EPS (Note 1)	Average Outstanding Stock (1,000 shares)	Before adjustment	5,710,300	5,710,300	5,323,820
		After adjustment	5,323,820	5,323,820	-
	EPS	Before adjustment	(1.01)	1.18	0.36
		After adjustment	(1.08)	1.27	-
Dividends	Cash Dividend		0	(Note 2)	-
	Stock grant	Allotment by Earning	0	(Note 2)	-
		Allotment by Capital Surplus	0	(Note 2)	-
	Accumulated Undistributed Dividends (NT\$1,000) (Note 3)		525,000	1,960,000	2,313,836
Analysis for Return on Investment	Price to Earning Ratio (Note 4)		(10.75)	8.58	-
	Price to Profit Ratio (Note 5)		0	(Note 2)	-
	Yield Rate of Cash Dividend (Note 6)		0	(Note 2)	-

Note 1 : For the reason behind the re-compilation, please refer to the CPA auditing report attached at the end.

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

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

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

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



F. The Policy and Implementation of Dividends

a. Dividend Policy:

The company's earnings in the final accounts for a given year, should it exist, is first used to pay taxation and then, after adjustment according to accounting criteria, cover the loss of previous years. Should there still leaves some balance, 10% of the amount should be appropriated for legal reserves and special legal reserves, the latter of which according to related law/regulation. The remainder should be used in paying out dividends for various preferred shares, according to the priority order for various issuances stipulated in the charter. Afterwards, 0.01% of the balance should be put aside for employee dividend sharing and 2% for compensations for directors and supervisors, before appropriation for retained earnings. The balance will be combined with undistributed earnings at the beginning of the period for dividend payout for common shares in full or partial amount.

The board of directors is authorized to formulate measures for employment bonus payout and determine the actual share of such payout within the aforementioned scope. Recipients of stock dividend sharing can include qualified employees of subsidiaries.

In order to suffice the company's operating fund and have capital adequacy ratio reach the level required by the regulator and international standard, stock dividend is paid out in cash in principle and follows the policy of stable and even payout, on top of the principle that dividend payout for preferred shares should be made according their issuance conditions and stock dividend payout for common shares should not dilute the right of C-type preferred shares whose number exceeds 200,000,000 shares during their issuance period. Should earnings in the current year exceed the actual dividend payout in the previous year by 20% and the stock price of common shares fail to rise, the company can retain the extra earnings for balancing dividend in the future.

The board of directors can propose adjustment of aforementioned principle for dividend payout for approval by the shareholders' meeting.

b. Items on the agenda of the shareholders' meeting:

Net profit for 2009, audited and certified by certified public accountant, reaches NT\$8,183,147,175.

Plus NT\$482,574,000 special legal reserves appropriated in previous years, the company set aside legal reserves of NT\$818,315,000 this year according to stipulation of law/regulation. NT\$1,960,000,000 is set aside for back dividend payout for C-type preferred shares for 2008 and dividend payout for D-type preferred shares for 2009. Dividend payout for common shares is set at NT\$1.1 per share provisionally, totaling NT\$5,856,201,930, based on 5,323,819,938 common shares which had been issued as of the end of 2009. The actual amount of dividend payout will be subject to the influenced of a number of factors, including trading in treasure stock, convertible bonds and the amount of conversion of convertible bonds and C-type preferred shares, but the amount is capped at NT\$5,887,406,500. Should the actual amount of common shares in circulation exceed 5,352,187,724 shares on the ex-right base day, the actual amount of stock dividend payout per share will be adjusted. The actual ratio and total value of stock dividend payout will be determined by shareholders' meeting according to the amount of common shares in circulation on the ex-right base day.

IV. Fund Raising

G. Issuance of Company Bonds

a. Issuance of Company Bonds

Issuance of Company Bonds -1

base date: March 31, 2010

Type of Company Bonds (note 2)	2003 Domestic 1st Unsecured Subordinated Bond	2004 Domestic 1st Unsecured Subordinated Bond
Date	December 12~29,2003	May 21,2004
Par value	NT\$10,000,000、NT\$50,000,000	NT\$10,000,000
Issue & trade place (note 3)	-	-
Offering price	100%	100%
Proceed raised	NT\$8 Billion	NT\$2 Billion
Interest rate	Type A : 3.5% Type B : 5.7%- 「 Floating Rate B 」 (note 9)	2.9%
Term	7 years(December 12~29,2010)	7 yeas(May 21,2011)
Mortgage priority	Subordinated	Subordinated
Guarantor	None	None
Trustee	Bank SinoPac	Bank SinoPac
Underwriting organization	None	None
Verification lawyer	Modern Law office	Modern Law office
CPA-auditor of the financial report (note 4)	Deloitte & Touche	Deloitte & Touche
Settlement method	Redemption at Maturity	Redemption at Maturity
Unsettled balance	NT\$8 Billion	NT\$2 Billion
The conditions and terms for redemption or early settlement	None	None
Restriction terms (note 5)	None	None
Counting in net capital(risk-based capital ratio) and its tier	Yes	Yes
Credit rating agency, rating date and rating	Moody ' s 2003.11.17 Baa2.tw	Fitch Taiwan 2004.05.04 BBB+(tw)
Other Rights	Conversion, GDR or others	None
	Terms and Conditions	None
Amortization	None	None
Custodian	None	None

Note 1: Corporate bonds in the works include corporate bonds to be issued via public or private share placement. Corporate bonds via public placement in the works refer to those approved by the Financial Supervisory Commission (FSC), while corporate bonds via private placement in the works refer to those already approved by the board of directors.

Note 2: The number of columns can be adjusted according to the actual number of undertaking or the amount of approved applications.

Note 3: Reserved for overseas corporate bonds.

Note 4: Refer to certified public accountant who audit, according to legal requirement, items not specified by related law/regulation for the issuance of corporate bonds.

Note 5: Such as restriction to the issuance of cash dividend, external investment, or maintenance of specified ratio of assets.

Note 6: Mark private placement conspicuously.

Note 7: Disclose information on convertible corporate bonds, exchanged corporate bonds, general reporting for corporate-bond issuance, and corporate bonds with options in the form of table.

Note 8: Listing of the outstanding amounts of corporate bonds in various issuances together, according to the same approval document issued by the regulator.

Note 9: 「 Floating Rate B 」 : (Moneyline Telerate) page 6165 · 90D CP (Fixing Rate)



Issuance of Company Bonds -2

base date: March 31, 2010

Type of Company Bonds (note 2)		2004 Domestic 2nd Unsecured Subordinated Bond	2005 Domestic 1st Unsecured Subordinated Bond
Date		June 21,2004	September 20、 21,2005
Par value		NT\$10,000,000	NT\$10,000,000
Issue & trade place (note 3)		-	-
Offering price		100%	100%
Proceed raised		NT\$5 Billion	NT\$12 Billion
Interest rate		3.5%	2.7%
Term		7 years(June 21,2011)	7 years(September 20、 21,2012)
Mortgage priority		Subordinated	Subordinated
Guarantor		None	None
Trustee		SinoPac Bank	SinoPac Bank
Underwriting organization		None	None
Verification lawyer		Modern Law office	Modern Law office
CPA-auditor of the financial report (note 4)		Deloitte & Touche	Deloitte & Touche
Settlement method		Redemption at Maturity	Redemption at Maturity
Unsettled balance		NT\$5 Billion	NT\$12 Billion
The conditions and terms for redemption or early settle- ment		None	None
Restriction terms (note 5)		None	None
Counting in net capital(risk-based capital ratio) and its tier		Yes	Yes
Credit rating agency, rating date and rating		Fitch Taiwan 2004.06.02 BBB+(tw)	Fitch Taiwan 2005.08.25 A(twn)
Other Rights	Conversion, GDR or others	None	None
	Terms and Conditions	None	None
Amortization		None	None
Custodian		None	None

Note 1: Corporate bonds in the works include corporate bonds to be issued via public or private share placement. Corporate bonds via public placement in the works refer to those approved by the Financial Supervisory Commission (FSC), while corporate bonds via private placement in the works refer to those already approved by the board of directors.

Note 2: The number of columns can be adjusted according to the actual number of undertaking or the amount of approved applications.

Note 3: Reserved for overseas corporate bonds.

Note 4: Refer to certified public accountant who audit, according to legal requirement, items not specified by related law/regulation for the issuance of corporate bonds.

Note 5: Such as restriction to the issuance of cash dividend, external investment, or maintenance of specified ratio of assets.

Note 6: Mark private placement conspicuously.

Note 7: Disclose information on convertible corporate bonds, exchanged corporate bonds, general reporting for corporate-bond issuance, and corporate bonds with options in the form of table.

Note 8: Listing of the outstanding amounts of corporate bonds in various issuances together, according to the same approval document issued by the regulator.

IV. Fund Raising

Issuance of Company Bonds -3

base date: March 31, 2010

Type of Company Bonds (note 2)		2005 Domestic 2nd Unsecured Subordinated Bond	2005 Domestic 3rd Unsecured Subordinated Bond
Date		November 15,2005	December 8,2005
Par value		NT\$10,000,000	NT\$50,000,000
Issue & trade place (note 3)		-	-
Offering price		100%	100%
Proceed raised		NT\$3.65 Billion	NT\$3 Billion
Interest rate		2.7%	Face interest rate is based on the flexible interest rate for one-year time savings deposit of Chunghwa Postal Co., Ltd. posted on the website of the Central Bank of China at 10:30 a.m. two business days prior to the day for the starting of interest calculation each time.
Term		7 yeas(November 15, 2012)	7 years(December 8, 2012)
Mortgage priority		Subordinated	Subordinated
Guarantor		None	None
Trustee		Mega Bank	Mega Bank
Underwriting organization		None	None
Verification lawyer		Modern Law office	Modern Law office
CPA-auditor of the financial report (note 4)		Deloitte & Touche	Deloitte & Touche
Settlement method		Redemption at Maturity	Redemption at Maturity
Unsettled balance		NT\$3.65 Billion	NT\$3 Billion
The conditions and terms for redemption or early settlement		None	None
Restriction terms (note 5)		None	None
Counting in net capital(risk-based capital ratio) and its tier		Yes	Yes
Credit rating agency, rating date and rating		Fitch Taiwan 2005.09.22 A(twn)	Fitch Taiwan 2005.10.28 A(twn)
Other Rights	Conversion, GDR or others	None	None
	Terms and Conditions	None	None
Amortization		None	None
Custodian		None	None

Note 1: Corporate bonds in the works include corporate bonds to be issued via public or private share placement. Corporate bonds via public placement in the works refer to those approved by the Financial Supervisory Commission (FSC), while corporate bonds via private placement in the works refer to those already approved by the board of directors.

Note 2: The number of columns can be adjusted according to the actual number of undertaking or the amount of approved applications.

Note 3: Reserved for overseas corporate bonds.

Note 4: Refer to certified public accountant who audit, according to legal requirement, items not specified by related law/regulation for the issuance of corporate bonds.

Note 5: Such as restriction to the issuance of cash dividend, external investment, or maintenance of specified ratio of assets.

Note 6: Mark private placement conspicuously.

Note 7: Disclose information on convertible corporate bonds, exchanged corporate bonds, general reporting for corporate-bond issuance, and corporate bonds with options in the form of table.

Note 8: Listing of the outstanding amounts of corporate bonds in various issuances together, according to the same approval document issued by the regulator.



Issuance of Company Bonds -4

base date: March 31, 2010

Type of Company Bonds (note 2)		First issuance of unsecured convertible bonds via private placement in 2006
Date		May 5, 2006
Par value		NT\$50,000,000
Issue & trade place (note 3)		Securities issued via private placement without public offering
Offering price		100%
Proceed raised		NT\$7 Billion
Interest rate		2.75%
Term		5 years (May 5, 2011)
Mortgage priority		Common
Guarantor		None
Trustee		Mega Bank
Underwriting organization		None
Verification lawyer		None
CPA-auditor of the financial report (note 4)		None
Settlement method		Except conversion or redemption according to related measures, the principal for the remainder is repaid once upon maturity.
Unsettled balance		The balance of principal not repaid stood at NT\$7 billion as of March 31, 2010.
The conditions and terms for redemption or early settlement		Handling according to issuance measures
Restriction terms (note 5)		Handling according to issuance measures
Counting in net capital (risk-based capital ratio) and its tier		No
Credit rating agency, rating date and rating		None
Other Rights	Conversion, GDR or others	None
	Terms and Conditions	-
Amortization		In the case of full conversion, the diluting effect on share right reaches 7.26%.
Custodian		None

b. Convertible Bonds

Convertible Bonds

base date: March 31, 2010

Type of Company Bonds (note 1)		First issuance of domestic unsecured convertible corporate bonds via private placement in 2006	
Year		2008	2010 (As of 2010.03.31) (note 4)
Item Market Price (note 2)	Highest	-	-
	Lowest	-	-
	Average	-	-
Conversion Price		NT\$16.8 (note 5)	
Issued Date and Conversion Price on Issuing Date		May 5, 2006 ; NT\$19.8	
Converted from (note 3)		New common shares	

Note 1: The number of columns can be adjusted according to the actual number of undertakings.

Note 2: List trading sites for overseas corporate bonds, should there be more than one. (There is no reference market price, since it is not publicly offered and is not listed on the centralized market or over-the-counter market.)

Note 3: Delivery of issued shares or issuance of new shares.

Note 4: List data of the current year up to the date of the printing of the yearbook.

Note 5: The conversion price was re-set at NT\$16.8 on May 6, 2010.

c. Data on exchanged corporate bonds: nil

d. Status for general reporting of corporate bonds: nil

e. Data on corporate bonds with share right: nil

IV. Fund Raising

H. Issuance of Preferred Shares

a. Issuance of Preferred Shares

base date: March 31, 2010

Item \ Issuing Date (note 2)			2005.09.28 Series C	2006.03.22 Series D private placement
Face value			NT\$10	NT\$10
Issued Price			NT\$30 per share	NT\$18 per share
Total shares			500,000,000 shares: The amount of shares was decreased to 446,159,384 shares after capital reduction on Dec. 4, 2009.	777,777,779 shares ; The amount of shares was decreased to 725,136,820 shares after capital reduction on Dec. 4, 2009.
Total amount			NT\$15.0 Billion	NT\$14,000,000,022
Obligation & Rights	Coupon		3.5%(accumulative)	6.5%(non-accumulative)
	Allotment of remaining properties		Prior to common shares	Prior to common shares, but junior to Series C Preferred shares
	Voting Right		Not eligible for voting or election, but can be elected	
	Others		Same with common shares and has the refusal for new stocks from cash injection	
Outstanding shares	Number of shares of redemption or conversion		0	0
	Total amount to be redeemed or converted		NT\$15.0 Billion	NT\$14,000,000,022
Market Price	2007	Highest	33.10	-
		Lowest	27.80	-
		Average	30.86	-
	2008	Highest	33.65	-
		Lowest	23.15	-
		Average	29.81	-
	2009	Highest	29.50	-
		Lowest	22.35	-
		Average	27.29	-
	2010(As of 2010.03.31) (note4)	Highest	32.20	-
Lowest		29.10	-	
Average		30.92	-	
Others	Total amount of conversion shares up to the published day		N/A	0
	Terms and conditions		Refer to the company's corporate charter.	Refer to the company's corporate charter.
Dilution \ Impact on current shareholders and preferred shareholders			None	None

Note 1: Corporate bonds in the works include corporate bonds to be issued via public or private share placement. Corporate bonds via public placement in the works refer to those approved by the Financial Supervisory Commission (FSC), while corporate bonds via private placement in the works refer to those already approved by the board of directors.

Note 2: The number of columns can be adjusted according to the actual number of undertaking.

Note 3: Mark private placement conspicuously.

Note 4: Should list data of the current year up to the date for the printing of the yearbook.

Note 5: For preferred shares with stock right, fill in the following table.

b. Data on preferred shares with stock right: nil



I. The Progress of Employees' Stock Warrant

a. The Progress of Employees' Stock Warrant

base date: March 31, 2010

Type of Employees' Stock Warrant	1st Employees' Stock Warrant	2nd Employees' Stock Warrant	3rd Employees' Stock Warrant
Date approved by authority	June 16, 2004	May 26, 2005	January 17, 2007
Issue date	August 19, 2004	August 2, 2005	March 15, 2007
Issuance amount	77,549,000 shares	150,000,000 shares	150,000,000 shares
The amount of shares for warrants in the total amount of issued shares	0%	2.82%	2.82%
Duration for stock warrants	August 19, 2004 ~ August 18, 2009	August 2, 2005 ~ August 1, 2013	March 15, 2007 ~ March 14, 2015
Converted from	New common shares	New common shares	New common shares
Duration and percentage (%) for stock warrants	95/08/19 ~ 98/08/18 First issuance: 50% Second issuance: 25% Third issuance: 25%	96/08/02 ~ 104/08/01 First to fifth issuance: 20% each	98/03/15 ~ 106/03/14 First to fifth issuance: 15-40% each
Amount of shares obtained via execution of warrants	0	0	0
Value of shares obtained via execution of warrants	0	0	0
Amount of shares for warrants yet to be executed	0 shares	135,140,000 shares	142,580,000 shares
Share price for warrants yet to be executed	NT\$20.6 par share	NT\$22.6 par share	NT\$16.5 par share
Percentage of the amount of shares for warrants yet to be executed in the total amount of issued shares	0%	2.54%	2.68%
Impact on shareholders' equities	The first issuance of stock warrants had already become invalid upon maturity on Aug. 18, 2009, without affecting the interest of shareholders.	The diluting effect on the interest of original shareholders is limited since stock warrants can be executed only two years after their issuance and within set period, thereby spreading the diluting effect.	The diluting effect on the interest of original shareholders is limited since stock warrants can be executed only two years after their issuance and within set period, thereby spreading the diluting effect.

IV. Fund Raising

J. The Execution of Fund Utilization Plan

a. Contents of the plan

Fund utilization plans for the aforementioned securities issuance or private placement have been fully implemented according to schedule.

b. Implementation description

March 31, 2010

years	2004		2005				2006			
issuances	1st domestic unsecured subordinated corporate bond	2nd domestic unsecured subordinated corporate bond	1st domestic unsecured subordinated corporate bond	Issuance of C preferred shares	2nd domestic unsecured subordinated corporate bond	3rd domestic unsecured subordinated corporate bond	Private-placement common shares	Private-placement D preferred shares	Private-placement domestic unsecured convertible bonds	Private-placement common shares
Issuance dates	May 21, 2004	June 21, 2004	Sept. 20, 2005 Sept. 21, 2005	Sept. 28, 2005	Nov. 15, 2005	Dec. 8, 2005	March 22, 2006	March 22, 2006	Mar 6 5, 2006	Dec. 27, 2006
Issuance values	NT\$2 B.	NT\$5 B.	NT\$12 B.	NT\$15 B.	NT\$3.65 B.	NT\$3 B.	NT\$ 10,000,000,026	NT\$ 14,000,000,022	NT\$7 B.	NT\$ 3,999,999,945
plan contents	Improve financial structure and enhance capital adequacy ratio		Invest in B preferred shares of Chang Hwa Bank				Improve financial structure and enhance capital adequacy ratio			
Description of implementation	Changes in capital adequacy ratios: 126.57% on May 31, 2004 before the fund raising, which was raised to 130.05% after the fund raising.	Changes in capital adequacy ratio: 105.38% on June 30, 2004 before the fund raising, which was raised to 114.01% after the fund raising.	After receiving the fund injection from the company, Chang Hwa Bank greatly boosted its provision in 2005, thereby cutting its NPL ratio to 1.67%, from 5.4% originally. Chang Hwa Bank scored conspicuous business improvement in 2006, raking in after-tax earnings of NT\$11.38 billion, which enabled the company to list NT\$2.59 billion of investment returns according to shareholding ratio. Chang Hwa Bank further scored after-tax earnings of NT\$8.48 billion in 2007, for which the company listed NT\$1.82 billion of investment returns. Chang Hwa Bank raked in NT\$1.8 billion of after-tax profit as of the end of the first quarter 2010, from which the company list NT\$400 million of investment returns according to its shareholding.				Changes in capital adequacy rates: 98.54% on March 31, 2006 (domestic convertible bonds have yet to be converted, producing no effect on capital enhancement, as a result. Full conversion can lead to increase of 13percentage points in capital adequacy ratio) 98.54% before the fund raising, which was raised to 117.54% after the fund raising.			

Note: Changes in capital adequacy ratios denotes to that resulting from the effect of the single factor of fund raising.

V



Operating Status

V. Operating Status

A. Business Contents

Taishin Financial Holding Co., Ltd.

a. Business scope

According to article 36 of the Financial Holding Company Law, the company's operation is confined to investment and the management of invested businesses.

1. The company is allowed to invest in the following businesses:
 - 1) banking
 - 2) bills finance
 - 3) credit card
 - 4) trust
 - 5) insurance
 - 6) securities
 - 7) futures
 - 8) venture capital
 - 9) foreign financial institutions with the regulator's approval
 - 10) other financial industry-related businesses acknowledged by the regulator
2. Management of aforementioned invested businesses.
3. Businesses other than the aforementioned ones following approval by the regulator of applications by the company.

b. Business plan of the current year:

The company's business strategy follows:

1. Expand business scale, lower cost, and increase the deployment of business points via merger.

Thanks to the business cooperation between the company's subsidiaries Taishin International Bank and Chang Hwa Bank, the company will witness balanced development between corporate banking and consumer banking businesses, with the number of its combined domestic business points topping 270 and that of its overseas business points reaching nine, among the highest in the domestic banking industry.
2. Introduction of foreign capital to strengthen corporate governance and thereby install an international operating framework.

Following the introduction of foreign institutional investors, the company will closely cooperate with them in tapping domestic and overseas markets and augmenting international business and management capabilities, so as to connect with the international financial market.
3. Strengthening capabilities for risk management, internal control, and managing large-scale international financial institution.

To augment management capability, in addition to recruiting several foreign executives with working experience in international financial institutions into the Taishin management team, we also expect to



overhaul Taishin's overall financial business via the introduction of new products and technologies by the new management team, so as to make a fresh start in the year. We will focus our business efforts on recruiting quality clients, in addition to strengthening internal credit-evaluating system for pinpointing good clients and lowering risks.

4. Instituting complete corporate-banking, consumer-banking, wealth-management, and assets-management system.

In the emulation of the function-oriented responsibility system of international financial institutions, we will put in place a business group-based operating system, in hopes of enhancing service quality for clients according to the principle of balancing risk management and business growth.

c. Industry status:

1. Market status

(1) Economy will recover moderately in 2010 :

Due to the effect of the global financial tsunami, Taiwan's economy underwent a roller-coaster course in 2009, plunging 9.06% year-on-year in the first quarter before soaring 9.22% in the fourth quarter, forcing the financial industry to experience a tumultuous year in their operation. The global economy is expected to stage a gradual recovery in 2010, when consumer sentiment and corporate capital outlays will also pick up moderately. Due to the effect of economic recovery and cross-Taiwan Strait market opening, the financial industry expects to expand their businesses, including banking, securities, and overseas operation, and improve profit margin this year.

(2) Improving consumer banking:

In the wake of the eruption of the twin-card debt turmoil, financial institutions have become increasingly conservative toward unsecured loans. However, the enhancement of overall bad-debt coverage ratio and decline in NPL (non-performing loan) ratio underscores the gradual improvement in banking assets and the subsidence of bad-debt problem among domestic banks. Banking profits are expected to score major upturn on reduction in provisions for twin-card bad debts.

(3) Increasing competition for wealth-management business:

Along with the multiplication and internationalization of financial products, there have appeared growing needs for assets-management services among rich Taiwanese clients, including overseas Taiwanese businessmen. As a result, domestic banks and foreign banks in Taiwan have listed wealth management as a business focus, vying fiercely for the market pie.

With the financial tsunami sweeping the world, credit risks surged and value of massive amount of structured notes plunged, inflicting heavy loss on investors and bringing serious challenge to wealth-management business.

(4) Developing investment-banking business:

In line with financial liberalization/internationalization and the diversification of corporate fund-raising channels, investment banking has become an important component in banks' effort to diversify their profit sources. Investment banking boasts extensive business scope, including the issuance of corporate bonds, assistance to enterprises in share listing, assistance to corporate merger and acquisition, planning for debt or share swap, the issuance of commercial papers, interest-rate swap, loan transfer, assistance

V. Operating Status

to municipal governments in bond issuance, the sale of various financial products to clients via wealth-management professionals, and the management of various funds or fund utilization under the commission of clients. Along with outbound investments by Taiwanese businessmen, increasing exchanges among domestic and foreign financial products, the growing internationalization of enterprise management, rapid wealth accumulation among locals, the multiplication and in-depth development of wealth-management needs among local people will step up inevitably.

(5) Tapping overseas markets:

In recent years, domestic financial institutions have successively strengthened overseas deployment to boost their operating and profit-making momentum, such as the incursion of Chinatrust Financial Holding into the consumer-banking markets of Indonesia and the Philippines featuring consumption type similar to that of Taiwan, the two-pronged strategy of Cathay Financial Holding to step into the life-insurance and banking markets of China and Vietnam, and the effort of Fubon Financial Holding to tap the Taiwanese enterprises-related businesses in the Pearl-River Delta area taking advantage of the resources of Taipei Fubon Bank and Fubon Bank (Hong Kong). Overseas deployment strategies among Taiwanese financial institutions, including overseas branches, representative's offices, or subsidiaries, are expected to focus on Vietnam, Hong Kong, and China.

2. Development trend of various financial products

With financial-industry competition expected to become increasingly acute, non-interest income will emerge as a major income source for banks under the user-pay principle and many new financial products will be introduced into the domestic market from abroad, leading to market pluralization.

Thanks to the government successively lifting financial control, expanding the participation in banking management, and pushing the privatization of state financial enterprises, the financial-industry competition will, in addition to price competition, include such factors as service quality, personnel cultivation, and product development, boosting the maturity and stability of the domestic financial industry.

d. Research and development

The company will integrate the R&D resources and manpower of various subsidiaries, thereby enabling clients and employees to access various information on stock market, bond market, exchange rate, interest rate, mutual fund, and insurance via a single window or platform.

e. Long- and short-term business development plans

As a financial holding firm, the company's operation is confined investment and management, and as such, its short-term plan is to strengthen the management of the invested firms and its long-term goal is to develop into a quality financial institution capable of providing complete financial services to Chinese clients worldwide. For achieving that goal, the company will embrace three strategies: developing into a large financial institution with international competitiveness, making deployment at Chinese communities worldwide, and continuously cultivating quality financial talents and developing complete product lineup.

With the joining of international partners (Newbridge Capital of the U.S., Japan's Nomura Group, and Quantum Group of Funds), the company will extend the reach of its operation from the domestic market to regional securities, financial, and insurance markets. The management is fully confident of developing the company into one of the most internationalized financial groups in Taiwan.

Taishin International Bank

a. Business contents

1. Growth and change in various business items

(1) Wealth management

The bank offers one-to-one wealth management consulting service and undertakes comprehensive custom financial analysis and planning for clients with monthly dealing averaging over NT\$1.5 million, according to their needs and risk-enduring capability, with the service scope including currency investment and saving, various consumption loans, insurance protection, taxation, and assets planning.

(2) Consumer banking

The bank's consumer-banking operation includes consumption loans (housing loan, auto loan, unsecured loan, and subordinated housing loan), credit card, working capital for small and medium enterprises, e-cash flow, and online payment service. It provides various financial products developed according to market differentiation and the needs of various client groups, as well as various loaning programs to meet the financial needs of clients.

(3) Corporate banking

The bank's corporate-banking operation provides plural professional financial products and services to various intuitional clients, including enterprises, government agencies, and financial institutions, with the business scope including the businesses of commercial bank and investment bank, such as deposits, short- and long-term financing, guarantee, trade financing, syndicated loan, bond transaction, commercial paper, the factoring of accounts receivable, cash management, e-banking for corporate financial network, foreign exchange and interest-rate derivatives, financial consulting, asset-based securities, and discretionary-account assets management.

(4) e-financial business

In developing e-financial business, the bank focuses on two directions. One is to upgrade e-banking and enhance the popularity and convenience of e-ATM (automated teller's machine). The bank is providing clients over 100 e-banking services on around-the-clock basis. The other is "Channel Migration," encouraging clients to complete simple trading, such as inquiry, fee payment, money transfer, and deposit, via the bank's automated channel, capitalizing on its rapid, convenient, and safe functions. Clients can complete account trading via all of the bank's automated channels, including e-banking, e-ATM, physical ATM, and telephone. Therefore, "Channel Migration" offers clients effective online financial services, enabling to cut their operating cost.

In order to popularize e-banking, the bank, in addition to strengthening its functions, also endeavors to address the security problem, for which it has developed many proprietary security functions capable of detecting irregularities which may jeopardize the security of online trading, such as advanced firewall, upgraded SSL encryption technology, online verification code, instant alarming service, dynamic keyboard, dynamic trading confirmation window, and the latest "second plug-in and -out security mechanism. Taishin Bank's e-banking has achieved rapid development in terms of both membership and trading volume, thanks to innovative and complete functions, as well as various preferential marketing programs, tailored

V. Operating Status

to different client groups and channels, which enable clients to enjoy the bank's considerate services anytime anywhere.

In the face of the recession triggered by the global financial tsunami, the bank rolled out integrated "i-Rainbow" service, integrating the preferences of markup on demand deposit, preferential fee for subscription to mutual funds, money transfer, placement of stock trading order, and monthly daily-life preferential coupon, which zeroes in on salaried people aged 25-35, to help them build up their savings.

(5) Trust

In addition to continuing the promotion of "planned money trust" and assisting customers in dealing with the tax saving and share borrowing of "securities trust," the bank, in line with the inauguration of the new labor-pension system which lets laborers choose their own investments, pioneered the rollout of "So Easy target wealth management plan," establishing target-dated and collective management accounts under its complete construction (including Taishin 2010/2015/2020/2030/2040/2050 collective management accounts).

Regarding the mutual-fund business, the bank will continue to expand the product lineup of domestic and offshore funds, modify self-developed products and plan tailor-made products, thereby meeting the various requirements of our clients.

Regarding fixed-yield business, many of clients' fixed-yield investments have been terminated prematurely since the second half of 2009. Corporate and financial bonds with high credit rating were further provided as an alternative to complete clients' portfolios.

2. Shares of the bank's major income sources and their growth/changes:

Net income share (%)	2009 (excluding one-off business)	2008 (excluding one-off business)
Consumer banking	68%	70%
wealth management	21%	27%
consumption financing	22%	19%
credit card	18%	14%
cash card	7%	10%
Corporate banking	32%	30%
total	100%	100%

Note :

1. 2009 net income excludes loss deriving from Lehman Brothers and VISA IPO

2. Loss from compensations for Lehman Brothers-related business was excluded from the calculation of net profit in 2009.

b. Business plan for the current year

1. Wealth management

- (1) Meet the client's need for all-round wealth-management service by fully utilizing the platform of the nation-wide branch channel and integrating various resources of Taishin Financial Holding, and make Taishin bank the client's main bank.
- (2) Fully understand clients, know client's needs, provide clients professional planning for assets allocation according to their different financial status and needs, conduct sophisticated client-group segmentation for the provision of custom services, and take good care of client's entrusted assets. Launch smart diamond financial system and provide clients uniform high-quality products and services.
- (3) Provide customers correct current market information and cooperate with professional business teams in deeply cultivating customer relationship, so as to enhance their satisfaction.



2. Consumer Banking

- (1) Develop value-added products to tap market and business opportunities.
- (2) Utilize CRM information to conduct cross selling, and deep-cultivate customer relationship.
- (3) Strengthen the cooperative mechanism with channels and enhance the number of products held by clients.
- (4) Strengthen the management of branch channel, materialize one-stop shopping service for clients, and enhance the extent of product penetration.
- (5) Augment dynamic risk-management capability and strengthen assets quality.
- (6) Further improve work flow, enhance service efficiency, and cut operating cost.

3. Corporate and enterprise banking

- (1) Step up innovation for client assets-related products and the development of potential client groups.
- (2) Deepen cash management and deposit business to adjust loan/deposit structure and reduce funding costs.
- (3) Develop surrogate-collection business for new clients and consolidate market share.
- (4) Pursue the steady growth of factoring for accounts receivable and L/C, underwriting business, and bond business.
- (5) Promote trade funding for small and medium enterprises and develop OBU (offshore banking unit) into a fund maneuvering and logistics center for overseas Taiwanese businesses.
- (6) Actively soliciting the businesses of large-scale fund raising, overseas underwriting, and cross-border M&A (merger and acquisition).
- (7) Aggressively explore international market to keep up with opportunities associated with the opening up of China's financial market.
- (8) Strengthen business development and management capability for realty securitization and trust.
- (9) Step up the integration of account trading platforms in greater China and adjust deposit/loan structure.
- (10) Continue developing BASEL II risk-management mechanism, balancing business growth and risk management.
- (11) Closely inspect the strength of clients, grasp market changes to effectively control risk, and maintain good asset quality.

4. e-finance

For the bank's automated channel, in addition to further enhancing the trading function of online banking and perfecting online banking platform, the bank will push "i-Rainbow" products among young people and salaried people.

Impacted by the global economic recession, domestic wholesale, retail, and restaurant businesses started to suffer consecutive revenue declines from June last year, with the figure plunging 16.34% year-on-year in December, the steepest ever. In the month, scoreless retail business, though, jumped 13.64% year-on-year, bucking the sluggish trend and reflecting the emergence of "stay-at-home economy" as a mainstream business in the market. The bank, therefore, forged dedicated "i-Rainbow" service for busy salaried persons aged 25-35, which is bundled with the preferential treatments of markup for demand deposit interest rate and preferential fee for mutual fund, cross-bank money transfer, and placement of stock-trading orders, and preferential vouchers for daily consumption, in order to establish good rapport with clients via automated channel.

Study shows that over 50% of Taishin online banking clients age 25-35, among whom those with wealth-

V. Operating Status

management plan spend NT\$10,000 on dollar-averaging subscription to mutual funds via online banking. Many of those investors, especially those salaried ones, are often too busy to undertake financial trading in persons at the counters of branches; they feature independent wealth-management ideas and stress flexible fund maneuvering in fund management. The “i-Rainbow” service is custom-made for those people; it recently provides clients “calendar for my account management” function, helping them carry out complete wealth-management planning.

Besieged by the adverse climate of financial tsunami, economic transformation, acute competition, and razor-thin margin, people have to very calculating with their money and online banking is an optimal option of investment at present time, due to its various preferences and the convenience for them to undertake optimal planning for the utilization of their limited funds.

5. Trust

- (1) Plan for installment product line and system function for “So Easy target wealth-management plan,” so as to provide clients complete planning platform.
- (2) Develop online instrument and environment for pension fund-related wealth management and construct platform for pension fund-related investments of laborer’s own choice, so as to cash in on the business opportunities of labor pension fund.
- (6) Push yield-type securities and actively engage in securities lending market, so as to create securities-lending income for clients.
- (4) Develop the custodian business of “Collective Investment Account for Mainland China or Overseas Foreign National Employees,” so as to cash in on the huge business opportunities of a homecoming trend among overseas Taiwanese businesses.
- (5) Fine-tune the contents of the self-developed products according to changes in market conditions, so as to increase the marketability of product lineup.
- (6) Actively solicit custodianship business for domestic mutual funds, so as to create a sustained fee income.
- (7) Modify the product lineup of domestic and offshore funds, so as to satisfy the client’s needs about asset allocation planning.
- (8) Offer clients the opportunity to buy secondary-market structured notes.
- (9) Push multi-theme overseas ETF (exchange traded fund).
- (10) Offer quality treasury bills, institutional bond, and corporate bonds.

c. Market analysis

In 2009, due to the impact of the global financial tsunami, global substantial demand dropped, leading to sharp decline in world trade. Consequently, governments around the world resorted to various financial and fiscal stimulus measures, which paved the way for global economic recovery. Global Insight (GI) predicts that the global economy will grow 2.8% in 2010. Taiwan’s economy will also benefit from continued growth expected for its foreign trade, thanks to improving economic outlook of its major export outlets, including China and the six original ASEAN (Association of Southeast Asian Nations) members, the U.S., euro region, and Japan. In addition, effect of various government measures, such as expansion of public investments and short-term employment enhancement measures, has gradually surfaced. As a result, the Cabinet-level Directorate General of Budget, Accounting, and Statistics (DGBAS) forecasts that Taiwan’s economy will grow 4.39% in 2010.

Taiwan’s economy has shown signs of upturn, including the flashing of a yellow red light, meaning a somewhat



overheated level, for the business status last November, when the indicators for the turnover of wholesale, retail, and restaurant stayed at overheated red-light level. The consumer banking market may expand along with the continuing upturn of the economy but banks still have to be cautious in loan extension, as enterprises remain conservative in investments and domestic unemployment rate remains high.

d. R&D and business development

1. Major financial products and new business in recent two years

- (1) Housing transaction loan
- (2) Housing value-added loan: Based on the value of their houses, clients are able to flexibly capitalize on their assets and obtain needed funds in different stages of life.
- (3) Auto loan
- (4) Unsecured loan
- (5) Credit card
- (6) Institution of insurance marketing department in 2008:
Offer the bank's quality credit-card holders long-term insurance products via telephone marketing, so as to their three-fold needs of wealth management, saving, and production, in addition to enhancing their reliance on the use of the bank's credit cards.
- (7) Institution of customer-group management division in 2008:
Integrate the management of virtual channels, including telephone communications platform, online platform, and automated teller machine, grasp the timing of contact with clients, enhance the extent of dealing with clients, and develop the business of existing clients via "single customer view," so as to offer products and services needed by clients timely.

2. R&D fruits achievements in the recent two years

R&D items	R&D results
Acquiring bank business for China UnionPay Card	Offering acquiring-bank service for China UnionPay at spots frequented by Chinese tourists, National Palace Museum and the duty-free shops at Taoyuan International Airport.
Rollout of Sun/Rose Signature Card	The cards are tailored-made for top-notch customers, boasting high payback, concentrated consumption, and exclusive benefits.
Rollout of Asian unlimited card	Despite lower annual fee, holders of the card are entitled to various benefits, such as "unlimited upgrading of plane ticks of China Airlines for Asian routes, a privilege designed for frequent business travelers for Asian routes.
Loans for heavy-duty motorcycles	In line with the development of the domestic market of heavy-duty motorcycles, pioneer the rollout of loans for heavy-duty motorcycles, making the bank the leading lender for such loans.
Quality secondary-lien loans	Provide secondary-lien loans secured by properties in prime areas or to quality customers.
Launch of Greenlife credit card Greenlife	The first affinity card associated with green cause in Taiwan, with card holders' consumption points capable of contributing to tree planting or being converted to green products.
Installment repayment for credit-card spending	Clients determine the number and value of installment repayment for their card spending, to help with their flexible fund maneuvering.
e-corporate gift vouchers	The vouchers are issued in conjunction with the contract performance guarantee business for the vouchers and added with mechanism of loyalty payback mechanism, augmenting the promptness for banking risk management and intensifying management of customer groups, leading to a triple-win outcome for enterprises, banks, and consumers.

V. Operating Status

3. Major financial products of corporate and enterprise banking in the recent two years

- (1) Factoring
- (2) Cash management
- (3) Arranger for syndicated loan
- (4) Underwriting of corporate bonds and bills
- (5) Double-currency deposit (DCD)
- (6) IPO/SPO underwriting in Taiwan and Hong Kong
- (7) E-Banking

4. Future R&D plan

(1) Retail and consumer banking

Maintain cooperative relationship with strategic allies and undertake joint marketing, to achieve a win-win outcome.

Utilize CRM techniques and models to analyze preference of clients, enhance the marketing communication.

Develop mobile payment function by combining mobile phone and credit card.

Develop e-process for entire products, so as to enhance service efficiency.

(2) Corporate and enterprise banking

Strengthen development and quoting capability for various derivatives (with linkage to credit, merchandise, energy, and equity).

Develop pluralized product lineup via combination of interest rate, exchange rate, bond, bulk commodities, and equity.

Develop structured financing to meet the needs of clients.

Integrated existing credit-line risk management system and operating platform, so as to enhance service efficiency and quality and cut credit-extension and operating risk.

Set up strategic alliance with foreign banks and undertake factoring business in greater China, so as to provide plural funding solutions to Taiwanese businesses in China.

Expand offshore banking and overseas services, to meet the funding need of Taiwanese businesses in global deployment.

e. Short- and long-term business development plans

1. Wealth management

(1) Short-term business development plan:

Becoming the target client's main bank.

The primary sources of developing new customer are peripheral shops, small and medium-sized business owners and payroll companies.

Enhance the business share of AUM BASE products, popularize systematic investment plan, and establish long-term steady income resources.

Continue strengthening risk controlling mechanism and risk management and avoid improper sale.

Strengthen the wealth management team, enhance employees' expertise, and provide clients professional planning for assets' allocation.



Expand the institution of branch service platform, so as to provide one-stop shopping service to clients.
Enhance client satisfaction and deepen the wise partner as service good faith.
On the basis of wealth-management clients, promote four major target clients, to enhance customer demand, asset size and depth.

(2) Long-term business development plan:

Forge the image of the best wealth-management bank among clients.
Make the potential segment's asset become the affluent segment's asset.
Enhance the growth rate of wealth-management and insurance businesses, expand the scale of deposit, augment staff quality and customer satisfaction, and materialize risk-management and crisis-handling capability.
Continuously develop a comprehensive sales channel network consisting of branches.
Create new blue sea for wealth management via pension wealth management, taxation planning, and overseas wealth management and tap the business opportunities associated with the aging population and insufficiency of labor pension funds, so as to achieve cross-border fund utilization, risk diversification, and active profit generation, in addition to enhancing brand image and business scale.
Follow the government plan of marching to the West and expand the financial exchanges between Taiwan and China.
Continue introducing pluralized new products and businesses based on the concept of sustainable management and the objective of all-round wealth management, in order to bring steady returns to investors in both bullish and bearish markets.

2. Consumer banking

(1) Short-term development plan :

Develop Internet application procedure for entire products, to augment Internet segment.
Combine products and business partners in the establishment of brand image.
Achieve one-stop shopping service and increase cross-selling opportunities, via capitalizing on the resources of the financial holding firm and packaged products.
Cooperate with pluralized channels in contacting clients at opportune time, so as to increase dealings with clients.
Cooperate with pluralized channel in grasping the key moment of contacting clients, so as deepening the dealing with clients.
Precisely grasp assets quality via the utilization of risk analytical technique.
Restructuring corporate work flow, so as to enhance management efficiency and cut operating cost.
Continue pushing international assistance mechanism, so as to augment the expertise and product knowledge of staffers.

(2) Long-term development plan

Strengthen brand image and channel value, so as to offer clients more complete and convent financial services.
Develop pluralized differential products and services, so as to augment our value.
Discover and satisfy clients' potential needs via customer relationship management, on the basis of single customer view and customer orientation.
Adjust strategies of business policies and pricing according to market trends.

V. Operating Status

Continue strengthening risk management, so as to enhance assets quality and cut risk loss.

Augment business information exchange and operating efficiency via the use of graphic transmission and further improve work flow.

Continue materializing the bank's core values, cultivate all-round financial elites, and consolidate the foundation for future development.

Strengthen service mechanism to create adequate customer experiences and to make service become one of our core competences.

Expand cross-border retail business scope to China.

3. Corporate Banking

(1) Short-term business development plan

Explore and cultivate Key Account/Mid-Cap clients in Taiwan.

Establish new security trading platform to maintain business relationship.

Strengthen internal referral scheme to enlarge client base for Hong Kong branch.

Emphasize transactional banking products to grasp clients' cash flows and integrated business opportunities from customer side.

Adopt Four-Eye Principle (double-track principle) in credit extension and approval process to enhance quality and efficiency.

(2) Long-term development plan

Carry out integrated marketing and deep-cultivate services, develop "Main Bank" strategy, establish long-term customer relationship, and enhance client contribution.

Establish core banking system platform to control credit risk and optimize operating process.

Set up overseas underwriting platform to integrate resources of security consulting, underwriting and M&A.

Augment the expertise of employees and build up talent base for overseas branches/representative offices.

4. Trust investment

(1) Short-term business development plan:

Enhance the scale of accumulation-stage products under the "So Easy target wealth-management plan" and increase payment-stage functions and the magnitude of product lineup.

Develop online wealth-management function for the "So Easy target wealth-management plan" and expand focal channel for mass customer groups.

Actively strive for money and securities trust of corporate banking and the business of "Collective Investment Account for Mainland China or Overseas Foreign Employees," so as to expand the channel for corporate banking.

Provide convenient standard contracts, trading system, and e-services for planning-type trust clients.

Continue expanding the sale of domestic and offshore funds on the basis of assets allocation, so as to create fee income.

To comply with new regulation on structured notes in 2010, we plan to offer conservative fixed-yield structured notes to enrich clients' assets under low interest-rate environment.



Development new order placement platform for overseas ETF (exchange traded fund), seeking preferential trading terms for clients, and regularly roll out various industrial and bullish or bearish ETF, so as to help cope with market changes flexibly.

(2) Long-term development plan:

Develop multiple securities trust businesses and satisfy clients' multiple needs for tax saving and yield generation, so as to increase the bank's market share and attain market leadership.

Expand the product lineup for "So Easy target wealth-management plan" and institute complete system platform, so as to capitalize on the business opportunities associated with the planned permission for laborers to choose investment targets for their pension accounts and attain market leadership.

Keep tracking legal changes for the development of new trust businesses.

Continue expanding the sale of domestic or offshore mutual funds, augment the scale of the AUM (assets under management) of Taishin's own-developed products, and push dollar-averaging investments, so as to create steady long-term management fee income.

Actively solicit the custodianship business for domestic mutual funds and expand the scale of custodianship business, so as to create steady long-term fee income.

Regularly tracking legal revisions by the regular for prompt response and push derivatives business.

Continue introducing pluralized new products and services, so as to bring steady returns to investment amid both bullish and bearish markets.

Taishin Bills Finance Co., Ltd.

a. Business scope and business mix

1. Business scope

- (1) The certification and underwriting of short-term commercial papers;
- (2) The brokerage and dealings of short-term commercial paper;
- (3) The guarantee and endorsement of short-term commercial paper;
- (4) Brokerage of call loans among peers;
- (5) Financial consulting;
- (6) Brokerage and dealings of government bonds;
- (7) Certification and underwriting of financial bonds;
- (8) Brokerage and dealings of financial bonds;
- (9) Brokerage and dealings of corporate bonds;
- (10) Regulator-approved derivatives.

2. Business mix in terms of assets

Dec. 31, 2009 ; Unit: NT\$1,000, %

Item	2008	2009	Share	Change year-on-year
Purchase of commercial papers	12,780,517	17,372,216	52.02%	35.93%
Purchase of bonds	13,251,519	10,324,467	30.92%	-22.09%
Banking deposits and call loans	2,513,687	3,016,889	9.03%	20.02%
Other assets	2,980,111	2,681,356	8.03%	-10.02%
Total assets	31,525,834	33,394,928	100.00%	5.93%

V. Operating Status

3. Business mix in terms of revenues

Dec. 31, 2009 ; Unit: NT\$1,000, %

Item	2008	2008 Share	2009	2009 Share
Revenue from commercial-paper business	478,044	-76.37%	56,800	8.89%
Revenue from bond business	(177,004)	28.27%	478,263	74.86%
Interest income	383,413	-61.25%	207,563	32.49%
Fee income	174,037	-27.80%	175,591	27.48%
Other revenues	(1,484,424)	237.15%	(279,323)	-43.72%
Total revenue	(625,934)	100.00%	638,894	100.00%

b. Business plan for the year

In response to the credit crunch triggered by the global financial tsunami, formulate the business development plan as follows:

1. Credit extension:

Target at medium- and large-scale enterprises listed on the centralized, over-the-counter, and emerging enterprise markets; avoid excessive single credit extension and strengthen credit investigation to strictly control lending risk, following the principles of industry diversification and the precedence of quality over quantity

2. Trading:

Strengthen the development and deep cultivation of bill and bond trading and potential customers and enhance the trading volumes and shares of institutional and individual investors, thereby alleviating the reliance on banking funds. Enter strategic alliance with Taishin Bank, such as serving as the underwriter for NIF syndicated loans arranged by Taishin Bank, actively attend open bidding for government bonds and treasury bills, and expand the source of bill supply by soliciting third party-sponsored bills and banking NCD. Strengthen deals in bonds without report agreement and carry out strict management of corporate and financial bonds. Have a firm grip of political and economic situation, as well as fluctuation of stock market and exchange rates, thereby achieving good management of assets and liabilities.

3. Information:

Carry out on-line instant monitoring of lending and trading risk, strengthen the functions of fund maneuvering and commercial-paper selection, pushing phone-call and online order placement for trading in commercial papers and bonds to save manpower, establish proprietary inter-bank remittance system, and develop client management system, so as to augment client service quality.

4. Management:

Reduce manpower, carry out personnel rotation, strengthen employee education and training, intensify e-document and administration for enhancing administrative efficiency, and intensify employee identification with the company by increasing the interaction with their families.

5. New financial products:

Participates in the new product and the new market positively, but take steady management as the highest principle.

6. Others:

Enhance the corporate image, establish the reputation of the management team, institute the brand's eminent



market status, and induce virtuous competition, in the hope of achieving steady growth in assets, market share, and returns on equity and capital.

c. Industry Status

1. Outlook of supply and demand in the financial market

(1) Review of economic situation

To cope with the global financial tsunami, governments around the world strived to inject abundant funds into the market via tax cut, debt financing, and quantified loose monetary policy, helping the global economy recover in 2009. The international financial market has scored much improvement but still faces some uncertainty. Thanks to the assistance of government bailout for the financial market, Taiwan's domestic economic activities have also started to pick up, as evidenced by 9.2% economic growth rate in the fourth quarter of 2009, according to the statistics of the Cabinet-level Directorate General of Budget, Accounting, and Statistics. Taiwan's economy received graver setback than other Asian economies during the financial tsunami, due to its heavy reliance on export. Speed of economic recovery remained comparatively slow, capacity utilization rate stayed low, and there lacked sufficient growth momentum for the economy. Taiwan's GDP dropped 1.87% in 2009.

(2) Financial-market review

With the effect of the financial crisis and liquidity crunch spreading around the world, substantial demands of various countries dropped, leading to sharp decline in global trade. Major economies made concerted cut on interest rates and governments and central banks injected massive liquidity into the market before initiating various fiscal and monetary measures to stimulate their economies. The Central Bank of China (CBC) in Taiwan made seven consecutive cuts on interests, totaling 2.375 percentage points in scale, during the period from September 2008 through February 2009, driving down nominal rates to record low. In December 2009, the CBC board of directors and supervisors resolved to maintain interest rates unchanged, in order to help with smooth progress of economic activities, as the economy continued to recover slowly and there existed no inflationary pressure. Presently, interest rates for the CBC's sterilized intervention stand at 0.57%, 0.61%, and 0.71%, respectively, for 30 days, 91 days, and 182 days. The growth target zone for M2 money supply remains at 2.5-6.5%.

(3) Market status

Under the economic environment and with short-term interest rates expected to remain low in short run, interest rates of government bonds dropped to record low but started to pick up slow at the end of 2009, as the government incurred debt to finance infrastructural projects, in order to stimulate the economy. Further increase in short-term rates, however, appears to be limited, in view of abundant idle funds at financial institutions, sluggish recovery pace, and absence of inflationary pressure. In the long run, due to concentrated holding of government bonds by banks and insurance firms, there lacks sufficient liquidity in the secondary market, affecting the price function. Therefore, the best policy is dealing in a set range, taking into account risks associated with positions. In money market, the loose monetary policy of the CBC and the full insurance coverage for deposits has alleviated credit risk of banks. However, with corporate demands for funds remaining sluggish, banks and bills finance firms become polarized in evaluation the credit standing of bill issuers, leading to stark difference in their pricing. In contrast to price competition in

V. Operating Status

bidding for bills issuance by those with good credit standing, they demanded substantial amount of risk premiums for other clients. The differential between primary and secondary rates, however, has gradually narrowed, along with the subsidence of credit crisis. In 2010, due to the outbreak of national-debt crises of Dubai, Greece, and Southern Europe, market players believe governments around world may postpone the timing of their market-bailout mechanism, predicting that the CBC won't raise interest rates before the third quarter. In view of the uncertain economy recovery, the aforementioned status will remain in place in the short run.

(4) Supply and demand forecast

With economic fundamentals unlikely to stage major improvement in the short run, short-term interest rates should remain low and credit supply stay loose, as a result of which profit will hinge on credit-risk management. For bills position, push FRCP and guarantee-free underwriting business among customers with good credit standing and liquidity and solicit long-term steady bills source with markup on floating rates, so as to boost business volume and income. As some legal entities are still making adjustment to the new business income tax, the company should focus on deep cultivation of existing customers and strengthen liquidity-risk management, so as to avoid the stagnation in the sale of short-term bills and over-concentration of funds. For long-term bond investment, carry out trading in a targeted price zone, according to the flow of investment targets, so as to minimize risk; cautiously build up position for investment in convertible bonds and carry out trading in a targeted price zone, taking note of the liquidity of investment targets.

2. Favorable and unfavorable factor for business outlook

(1) Favorable factors :

- A. The regulator has successively opened up various new businesses, greatly diversifying the business items available for bills finance firms. The company will actively initiate new businesses, in order to enhance its cross-industry competitiveness.
- B. In 2008, the company was granted by Fitch Rating Ltd. BBB- for international long-term foreign-currency rating and twA for domestic rating, an excellent performance among peers, which is conducive to the enhancement of company's corporate image and business expansion.
- C. The backing of the integrated resource of Taishin Financial Holding will help the company push various businesses and increase the supply of commercial papers and funds.

(2) Unfavorable factors :

- A. Flooded with idle funds under the loose monetary policy, banks spare no effort in pushing loans but established enterprises have limited demands for funds, blocking the issuance of bills and reducing the times of guarantee for bills, which dampens profits of bills finance firms.
- B. Since bills finance industry is not covered full-amount deposit insurance, the restriction on call-loan quota and reduction of the times of total liabilities blocks the development of bills business.
- C. With interest rates remaining low, it's difficult to carry out high-yield investments, due to the concern for credit risk.

d. Research and development

In line with the government's effort to develop the economy and finance and the opening up of the domestic



securities market, the company will dedicate to the development of various financial products and actively take part in U.S. dollar-denominated commercial-paper business, in order to expand the company's business sources and boost income.

R&D fruits and future plan

1. In line with the regulator's policy, actively take part in U.S. dollar-denominated business, in the hope of assisting clients to conduct fund maneuvering flexibly, enlivening the market, and broadening the participation of investors in the money market.
2. Study and develop convertible bond-based financial products, to pluralize the company's products and diversify business risks, away from the over-reliance on interest rate-related products, in order to increase the company's income.
3. Study and develop credit-based financial products, in order to facilitate advance credit management via intensified credit investigation, diversification of credit extension, and limit on individual credit line, as well as hedge the company's credit risk via credit derivatives.

e. Short- and long-term business development plans

In order to cope with market competition, expand business, and strengthen organization, the company has formulated the following short-, medium- and long-term business development plans:

1. Short-term objective:

- (1) Further enhance service quality and operating efficiency, to establish a good reputation.
- (2) Step up credit extension and intensify credit investigation, to materialize risk management.
- (3) Deep-cultivate good-record clients and actively solicit quality clients, thereby enhancing the depth of business dealings.
- (4) Strengthen employee education and training, cultivate financial talents, and establish the professional corporate image.

2. Medium-term objective:

- (1) Actively launch new businesses and provide clients multiple financial services.
- (2) Assure the security and accuracy of trading information and strictly comply with information-security rules, so as to enhance service quality.
- (3) Establish quality credit standing, take part in credit ratings, and strive for good ratings.
- (4) Materialize objective-management system and augment management/administration efficiency.

3. Long-term objective:

- (1) Augment management-team reputation and induce virtuous market competition, so as to augment the influence on the financial market.
- (2) Strengthen information-service function and enhance service efficiency, so as to cope with the fast-changing financial environment.
- (3) Actively develop and push foreign currency-denominated commercial papers/bonds, money-market mutual funds, and other related products.
- (4) Capitalize on the resources of the financial holding company in the pursuit of business growth and reasonable profits.

V. Operating Status

Taishin Asset Management Co., Ltd.

a. Business scope

1. **Business contents:** The company's major business items include the purchase of money-debt claims from financial institutions, the appraisal and auctioning of money-debt claims of financial institutions, and the management of money-debt claims and overdue accounts receivables for financial institutions.
2. **Business mix:** The company focuses on the purchase and disposal of money-debt claims from financial institutions.

b. Business development plan of the current year

1. Bid for whole-package bad-debt claims of financial institutions
2. Negotiate with peers on a case-by-case basis for the purchase of bad-debt claims.
3. Seek the commission of financial institutions and peers for the management of bad-debt claims with the appeal of the professional management team.

c. Industry status

The government opened up the banking market at a large scale in 1991, leading to excessive expansion of banking operation, as banks, both new and old ones, scrambled to open branches. In addition, bank neglected risk management and quality of credit in their relentless effort to push lending business, which resulted in bloated credit extension and bubble economy and the appearance of massive bad debt due to surge in NPL (non-performing loan) ratio. To ward off a financial crisis in the offing, the Legislative Yuan enacted the "Financial Institutions Merger Act" in December 2000, which authorizes assets management corporations to take over and dispose of bad debt claims from financial institutions (article 15), thereby facilitating the government's effort to push financial reform and assure the stable development of the financial industry. After years of the concerted effort of the government, the banking industry, AMCs, and other related parties, the NPL ratio in broader definition of local financial institutions dropped to 2.24 in 2005 and further to 1.53% in the third quarter of 2008, down from the peak level of 11.74% in 2002.

However, the global financial tsunami dealt a heavy blow to the global economy in 2009, sending it into a recession, as a result of which the domestic NPL ratio picked up for five straight months from the fourth quarter of 2008 and reached 1.61% in May 2009, 0.06 of a percentage point higher than the level in the second quarter of 2008. Historical data show that NPL ratio and the sales on the market for bad-debt claims have a close linkage. As a result, the business volume on the market for bad-debt claims peaked in 2002 and 2003, which dropped somewhat in 2004 and 2005 before picking up again in 2006 in 2006 due to the outbreak of the twin-card financial crisis. The sales of NPL peaked at NT\$236.8 billion in 2007, which, though, shrank to NT\$61.6 billion in 2008 (including the sale of the bad bank of Bowa Bank at NT\$18.83 billion in early 2008 and the sale of bad assets by Taiwan Cooperative Bank at NT\$16 billion at year end), due to reduction in NPL ratio. The market scale picked up to NT\$60.5 billion in the first half of 2009, almost equivalent to the level for entire 2008. Due to rise in NPL ration, the sales of NPL are expected to increase in 2010.

d. Research and development:nil



e. Short- and long-term business development plans

1. Bidding for bad-debt claims

- (1) Continue disposing of bad-debt claims purchased from Taishin Bank.
- (2) Join hands with peers in bidding for bad-debt claims, thereby expanding business source, on one hand, and understanding the appraisal mode, assets-management know-how, and recovery plan of peers, on the other.
- (3) Procure at negotiated price on a case by case basis. Cooperate with private AMCs for individual cases and achieve better grasp of fund planning, risk evaluation, and investment benefits via participating in selected cases.
- (4) Set up a task force to bid for NPL (non-performing loans) secured by construction plots in greater Taipei, thereby expanding land development business via the restructuring of the debt claims.

2. Urban renewal projects :

The company enjoys the backing of the complete peripheral platform of the financial holding company, which integrates the internal resources of Taishin International Bank and Taishin Real Estate Management, enabling the company to provide trustworthy and complete construction and financial plan for urban renewable projects, either on joint venture or consignment basis, as well as related trust and engineering auditing.

Taishin Marketing Consultant Co., Ltd.

a. Business scope

1. Business contents:

Taishin Marketing Consultant's main business is the provision of temporary-help supply (THS) service to Taishin Bank, in line with the manpower need of the bank.

2. Business mix:

Taishin Bank had no related business income, since it didn't have need for THP (temporary help supply) manpower in 2009.

b. Business development plan of the current year

Provide temporary help service to Taishin Bank, in line with the need of the bank in manpower utilization and management.

c. Industry status

THS industry will emerge as a brand new line in the next three to five years, as many major enterprises have successively substituted THS mode for initial personnel recruitment by their own.

d. Research and development

The company doesn't have R&D outlay.

V. Operating Status

e. Short- and long-term business development plans

There are two kinds of manpower needs in the THS market: long-term THS and short-term THS, with the employment period for the former exceeding six months and that for the latter lasting under six months. The company will adjust its manpower support for Taishin Bank flexibly according to the latter's need.

Taishin Venture Capital Co., Ltd.

a. Business scope

1. Business contents :

Taishin Venture Capital will carry out venture-capital business according to "measures for the scope of and assistances for venture capital business" and the "guidelines for investment policy" formulated by the company. Taishin Venture Capital will seek to pinpoint investment targets with long-term development and profit potential, as well as lower risks via proper industrial and regional deployment, in order to form an investment portfolio capable of generating both short- and long-term profits. The company will focus its investments on the following industries and technologies with development potential:

- (1) Venture capital industry
- (2) Information technology industry
- (3) Bio-tech industry
- (4) Traditional industry, service industry, and other industries

Among the aforementioned investment targets, focuses will be put on companies with both good management and investment performance in venture capital industry; energy and optoelectronics, wireless and mobile communications, semiconductor, advanced materials, digital contents, online security, and application software in information technology industry; the development of new medicines, special medicines, medical equipment and appliances, and medical/health care in bio-tech industry; and niche lines capable of creating industrial status and entry threshold in traditional and service industries.

2. Business shares :

With its investments focusing on domestic and overseas hi-tech and venture-capital businesses, Taishin Venture Capital will properly establish and adjust its investment portfolio according to the overall investment climate and industrial development trend, in order to make profits and diversify risks simultaneously. Currently shares of investment areas are:

- (1) Domestic 80%
- (2) Overseas 20%

3. Plan for new financial products and services

Venture capital can often serve as a pioneer of corporate-banking business, first pinpointing startups with development potential for commercial bank to provide funding support later on and securities underwriting firm to assist them in share listing, thereby generating greater integrated benefits for financial holding firm. In addition, after the expansion of the investment scope of venture capital firms by the government, the company will actively locate and invest in listed Taiwanese firms with undervalued stock prices and good business prospects, so as to augment its profits.



b. Business development plan of the current year

1. Brief description of 2009 business

The company was incorporated at the end of September 2003, with paid-in capital reaching NT\$1 billion. In 2009, the company recalled some fund for renewed investments, including NT\$100,800,000 of additional investment in MicroBio Co., Ltd. and NT\$5,059,132 of investment in Cyberheart Incorporated. As of the end of 2009, the company had invested NT\$1,093 million, with the accumulated number of companies for long-term investment having reached 30 and the existing number of companies in the investment portfolio reaching 18, after disposal of investments in 12 companies.

In 2009, the company generated cash flow of NT\$47,407,767 from investments, including NT\$38,306,666 from disposal of investments in MicroBio (creating profit of NT\$4,706,666), NT\$330,000 from cash dividend of Darfon Corp., NT\$8,771,101 of investment refund from Hanhsin Venture Capital and PChome Online due to capital reduction.

The company's 2009 financial statement was audited and certified by CPAs Tsai Hongxiang of Deloitte & Touche. The company racked up revenue of NT\$56,593,139 in 2009, compared with outlay of NT\$48,525,661, leading to net profit of NT\$8,067,478.

2. 2010 Business Development Plan

The Economist analyzes that in the wake of the global financial tsunami, the European and the U.S. economies will stage a slow recovery in L or U shape, respectively, but Asian economies, especially that of China, may perform a V-type recovery. Under the overall environment, investments by tech industries, except energy technology, will slacken, leading to few startups and higher investment risk. As a result, the company will focus in its investment strategy the disposal of the existing stakes held by Taishin Venture Capital and investment in undervalued targets with liquidity in two to three years. In 2010, the company plan to invest NT\$100-200 million, including new investment in one to three companies or take part in capital increment of invested companies.

Investments will still focus on tech industries with high growth potential, notably energy, optoelectronics, medical apparatuses, and semiconductor, mainly in Taiwan and partly in the U.S.

c. Industry Status

Since the establishment of Taiwan's first venture firm in 1983, Taiwan's venture capital industry has raised funds totaling NT\$170 billion and racked up accumulated investment of NT\$200 billion in 12,000 projects. As of the end of 2007, 358 tech companies with financial support of venture capital firms have listed their shares on the local bourse, accounting for around 50% of 721 listed tech firms. However, due to global economic recession and change in Taiwan's political and economic environment in recent years, domestic venture capital firms are facing formidable challenge to their further development. According to the statistics of Taiwan Private Equity and Venture Capital Association, there were only two new venture capital firms in 2007, when the venture capital industry carried out capital reduction of NT\$24.57 billion, compared with NT\$9.84 billion of the inflow of fresh fund, leading to a negative growth. In 2008, there were four new venture capital firms bringing in fresh capital of NT\$6.05 billion, a three-year high, but the industry still suffered NT\$797 million of reduction in the total capital in the year, due to NT\$8.227 billion of capital reduction, much higher than NT\$1.38 billion of capital increment.

In 2008, the domestic venture capital industry invested in NT\$13.6 billion in 620 projects, declining 34% and

V. Operating Status

36.34%, respectively, than the previous year, a phenomenon which underscores the conservative investment stance of venture capital firms amid the global economic recession, triggered by the U.S. subprime mortgage crisis. For the world's overall industrial development trend, energy, optoelectronics, and medical/health care may succeed electronic and tech industry to become industrial development mainstream in the future. Under the impact of the global financial tsunami, many enterprises with high growth potential have been undervalued and only venture capital firms can fully grasp long-term growth opportunities of industries and regions, thanks to their long-term deployment. Meanwhile, in view of the overall competitiveness of Taiwanese enterprises deriving from the clustering effect, substantial investment returns can be expected from investing in Taiwanese or overseas Taiwanese-invested companies and urging them to pursue growth in Taiwan. Therefore, Taishin Venture Capital has invested 80% of its fund in hi-tech industries in Taiwan.

d. Research and Development

Venture capital can often serve as a pioneer of corporate-banking business, first pinpointing startups with development potential for commercial bank to provide funding support later on and securities underwriting firm to assist them in share listing, thereby generating greater integrated benefits for financial holding firm. Over the past five years, due to the over-supply of the global industry and low PE (price/earnings) ratio of tech firms, venture capital firms worldwide have been looking for new industrial direction. In recent years, thanks to the expansion of the investment scope of venture capital firms by the government, venture capital can actively pinpoint and invest in listed Taiwanese firms with undervalued stocks and good business prospects, thereby increasing their profit-making opportunities.

e. Short- and Long-term Business Development Plan

In the short term, the company will continue to cooperate with the Corporate Banking Business Group of Taishin Financial Holding, intensify the screening of investment projects, and invest in companies with high cash yields, so as enhance the company's cash flow in the year.

In the long term, the company will look for investment targets with long-term development and profit-making potential and establish an investment portfolio featuring proper industrial and regional deployment, capable of generating both short- and long-term profits. In accordance with the trend in the overall investment climate and industrial development, the company will follow the following principle in its investment strategy and industrial investment:

Venture capital industry 45%

Information technology industry 30%

Bio-tech industry 10%

Traditional industry, service industry, and others 15%



Chang Hwa Commercial Bank Co., Ltd.

a. Business scope

1. checking deposit
2. demand deposit
3. time deposit
4. financial-bond issuance
5. short-, medium-, and long-term loans
6. negotiable-instrument discount
7. investment in government bonds, short-term commercial papers, corporate bonds, financial bonds, and stocks
8. domestic and overseas remittance
9. cashing of drafts
10. issuance of domestic and foreign L/Cs
11. guarantee for the issuance of corporate bonds
12. domestic and overseas guarantee
13. surrogate payment and collection
14. agency for the sale of government bonds, treasury bills, corporate bonds, and stocks
15. credit card
16. businesses approved by the Trust Law
17. custody and warehousing
18. the lease of safes
19. derivatives approved by the central-level regulator
20. the brokerage, dealings, certification, and underwriting of short-term commercial papers
21. underwriting, dealings, or consigned trading of securities
22. dealings in government bonds
23. margin trading/short sale services
24. trading or agency for the sale of gold ingots, silver ingots, gold coins, and silver coins
25. agency service businesses related to various businesses specified on the business license or approved by the central-level regulator
26. export-related foreign exchange, import-related foreign exchange, general outward and inward remittances, foreign-currency deposits, foreign-currency loans, and guarantee for secured foreign-currency payment
27. export certification
28. import certification
29. securities-related futures introducing brokerage
30. the agency of public lottery business approved by the central-level regulator
31. engaging in wealth management business
32. trading corporate bonds and financial debentures as a principal
33. trading bonds as a principal
34. engaging in other banking services approved by the central competent authority

V. Operating Status

b. Business Development Plan for the Current Year

In 2009, the bank racked up business volumes of NT\$1,152,732,079,000 for the amount of deposits (excluding transferred deposits from the postal office), equivalent to 107.16% of the budget goal; NT\$949,950,346,000 for the amount of loans, 100.26% of the budget goal; US\$107,761,148,000 for forex trading volume, 73.76% of the goal; NT\$86,293,893,000 for securities brokerage, 211.40% of the goal; NT\$75,427,073,000 for trust (mutual fund) business, 184.87% of the goal; and NT\$5,363,283,000 for credit-card business (card-spending volume), 93.68% of the goal.

c. Industry Status

Banks are engaged mainly in deposit and loan business. Their operating performance is closely related to economic growth rate, investment and consumption growth. Impacted by a financial crisis in 2009, Taiwan's economic growth rate rose from -9.06% in Q1 to 6.89% in Q4, with the financial industry experiencing a gradual recovery after going through a severe slowdown. An examination of the banks' different business operations shows that both credit card purchases and cash card loans shrank when compared with a year earlier. After previously experiencing a twin-card crisis, banks have been more carefully in reviewing card applications and issued fewer cards. As of the end of November 2009, the NPL ratios of both credit and cash cards had dropped to 1.07% and 2.405%, respectively, an obvious improvement when compared to 1.59% and 3.58%, respectively, as of the end of 2008. In terms of wealth management, disputes associated with the sale of structured notes and the financial crisis seriously undermined investors' confidence in banks, leading to a sharp fall in their handling fee income. Domestic banks' fee income for the first half of 2009 was a mere NT\$45.322bn, a substantial 23.43% decrease on the same period a year earlier. After various governments' intervention began to take effect, the global economy gradually recovered and investors' confidence slowly picked up. Starting from September last year, fee income has hit the NT\$10bn mark for three successive months. As of the end of November, domestic banks' fee income totaled NT\$98.353bn, only 2.39% less than the same period in 2008. With the global economy expected to grow in 2010, wealth management, a bank operation highly sensitive to the investment environment, is set to improve. As far as corporate banking is concerned, though the economic downturn caused by the financial crisis was comprehensive, different businesses are demonstrating varying levels of strength as the economy recovers. While some businesses are increasing their capital expenditure and hiring more employees to take the earliest opportunities in markets, some remain financially weak with little improvement. Industry of import goods that have relied on tariff protection will be hardest hit after the signing of ECFA. To raise loan quality and lower NPL levels, businesses in corporate loan with a good outlook and in sound financial condition will be given preference.

In terms of the mortgage business, impacted by the financial crisis, stock markets plunged, consumer confidence slumped, and the property market nosedived with sales shrinking and prices falling. Thanks to the gradual economic recovery, net inflow of overseas investment, and cross-strait economic and trade cooperation, as well as government policies such as merger of certain cities and counties and placement of the merged constituencies under the central government's direct administration, increase in the bulk reward for urban renewal, relaxation of mainland Chinese investment, the domestic property market is steadily recovering with prices nearing the pre-crisis levels. However, the property recovery is not worry-free. Falling wage levels and high unemployment rate make it hard for buyers to buy houses. Fortunately, with the economy set to recover this year, the risk of plummeting collateral prices is low. The best way to improve the mortgage business will be to



choose quality customers and collateral of good location.

As the economy recovers and more restrictions on cross-strait banking interactions are lifted, corporate and consumer banking and wealth management business of the banks are expected to grow with profitability improving. However, there are still obstacles and challenges. Take the banking MOU for example: the signing of MOU is like a double-edged sword. Though it gives Taiwanese banks the opportunity to access the Chinese market, it also gives Chinese banks an equal opportunity to access our market, making it even more difficult for Taiwanese banks to operate in a market that is already highly competitive. To make things worse, Taiwanese banks will not be able to engage in the RMB business for some time. If in the future ECFA fails to give Taiwanese banks better treatment than other foreign banks in China, Taiwanese banks will find themselves in a relatively disadvantageous position. As a result, in addition to expanding business in China, Taiwanese banks should continue to strengthen their competitiveness and enlarge their market share in Taiwan.

d. Research and development

1. The bank's R&D outlay reached NT\$11,803,000 in 2009.

2. R&D achievement :

The bank completed 32 research reports on risk management, customer-relationship management, performance management, and financial products in 2009.

3. Future R&D plan :

The bank will carry out research on domestic/foreign economies, financial-market development trend, and new financial products, to facilitate long-term business development.

e. Short- and Long-term Business Development Plan

The subprime mortgage crisis caused property prices to collapse, credit to contract, stock markets to plummet, product demand to freeze and unemployment rate to skyrocket. The global economy in 2009 was the worst since the world was hit by "the great depression" that began in 1929. Taiwan experienced a severe decrease in its GDP, and exports and private investments as well. Its consumption shrank and unemployment rate rose, which made it even harder for the banks to operate.

In addition, acquisitions and competitors' promotional activities gradually eroded our competitive edge based on a large customer base, strong brand identification

and numerous business locations both in Taiwan and abroad. At a critical time like this, we have to make good use of the strategic turning point after the crisis to swiftly strengthen our edge, develop new products, and employ new sales channels to lift our market position. In addition, we have to monitor competitors' movements and control our asset quality to reduce risks, as well as conduct a scenario analysis to spot strategic turning points and take corresponding actions in order to ensure long-term operation and development. Our front office operation strategy development plans are:

1. Corporate banking :

(1) Development strategy

Expanding foreign exchange and international banking business.

Assisting businesses in their e-business efforts to raise their loyalty.

Developing overseas markets and integrating our banking operations in China, Hong Kong and Taiwan.

Taking advantage of government policies and aggressively developing our urban renewal financing

V. Operating Status

business.

Actively developing hedging derivatives.

(2) Syndicated loans

Working more closely with current customers and seeking potential customers.

Deepening cooperation with other banks to raise the success rate of being awarded syndicated loans that are bid for.

Adjusting quotation strategies by taking into account competition.

Customizing services and conducting cross-selling.

(3) SMEs

Taking advantage of government policies and aggressively promoting government policy subsidized loan business.

Taking better advantage of the Credit Guarantee Fund to ensure our lending claims.

2. Consumer banking

(1) Reasonable product pricing.

(2) Different marketing approaches for different markets and product diversification.

(3) Making loans to customers with collateral of better quality.

(4) Broadening customer base, developing wealth management business.

(5) Providing e-services to retail banking customers to reduce operating costs.

(6) Developing and improving retail banking products and services.

B. Cross-line and Joint Marketing Efficacy

According to articles 43 and 48 of the Financial Holding Company Law, financial holding firms and their subsidiaries can carry out joint marketing, achieving the efficacy of integrated management via joint business pushing, information exchange, or the joint use of business facilities or outlets.

The company passed the “measures governing the integrated marketing of Taishin Financial Holding Co.” with the approval of the chairman on July 31, 2003, as well as the “enforcement rules for the marketing-list management of Taishin Financial Holding Co.” and “rules governing the use of client data by the employees of Taishin Financial Holding Co.” in September and December 2003, respectively, and the “measures and enforcement rules governing the warehousing of client data of Taishin Financial Holding Co.” in July 2005, setting up guidelines for cross-selling and client recommendation for financial products among the employees of various subsidiaries or business groups, so as to facilitate constant monitoring and management.

C. Market and Business Status

Taishin Financial Holding Co., Ltd.

a. Market analysis

1. The qualitative change of the market

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

2. Major domestic and foreign competitors

There are 15 financial holding companies in Taiwan now, with those boasting major banking subsidiaries including Taishin Financial Holding, Taiwan Financial Holding, First Financial Holding, Hua Nan Financial Holding, Chinatrust Financial Holding, Fubon Financial Holding, Yushan Financial Holding, and SinoPac Financial Holding, which enjoy strong edge in business expansion.

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

b. Competitive strategy

The company's competitive strategy focuses on rebuilding a good financial-service brand externally and pushing lean processing internally, via the following concrete measures:

1. Expanding business scope and creating synergy :

Achieve the following goals via M&A (merger and acquisition), cross-line alliances, or the establishment of overseas platform: 1) expand business domain and create business opportunities; 2) engage in cross-line management to enhance assets management capability, profit-making capability, and investment returns rate; 3) create business integration and enhance marketing efficiency; 4) achieve economy of scale and provide clients better-than-expectation service quality at reasonable cost.

2. Strengthen management and strictly control risk :

Strengthen risk management, uphold assets quality, implement assets/liability management, monitor and control liquidity risk, effectively utilize short-term fund, intensify the evaluation and management of long-term investments, raise fund yield, and carry out auditing and internal control system.

3. Strengthen product and all-round services :

Institute all-round financial services, including banking, commercial paper (bond), securities, insurance, and assets management, strive for consumer and corporate banking business opportunities, and carry out cross selling and the integration of operating platform.

4. Embrace client group-orientation and division-of-labor operation :

V. Operating Status

Carry out in-depth management of client data, differentiate client groups, embrace client group-oriented operation, develop whole-package tailor-made products for different client groups, institute proprietary business teams for different client groups, train salesmen to obtain complete product knowledge, service clients via single-customer view, and manage risk and create fortune for clients.

5. Strengthen human resources and cultivate talents :

Enhance manpower quality, cultivate talents, stress the career development, working flexibility, and satisfaction of employees, and foster a cooperative corporate culture.

c. Competitive niche

1. Integrated channel

Taishin Financial Holding puts under its auspices various subsidiaries, including Taishin International Bank, Chang Hwa Bank, Taishin Securities, Taishin Bills Finance, and a projected insurance firm, boasting different kinds of sales channels, whose integration can cover different client groups and offer more service points for the provision of related financial consulting.

2. Provision of plural products

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

d. Vision for future development

1. Favorable factors :

(1) Government's opening stance for cross-Strait financial service

The government signed the memorandum of understanding for cross-Taiwan Strait cooperation in financial supervision with mainland China 2009, which took effect in January 2010. The Executive Yuan promulgated "measures governing financial exchanges and investment permission between Taiwan and mainland China" in March 2010, issuing a green light for application by domestic financial institutions for investing in mainland China. Plus the inclusion of the financial service industry in the early-harvest list of cross-Taiwan Strait Economic Cooperation Framework Agreement (ECFA), Taiwanese financial institutions will be able to offer even better services with the opening of cross-Strait financial services.

(2) Taishin Financial Holding boasts complete product lineup covering banking, securities, insurance, commercial paper (bond), and wealth management.

(3) Chang Hwa Bank and Taishin Bank can offer clients best services to meet their needs via their extensive channels.

(4) Amid the financial-institution merger trend in the domestic market, Taishin Financial Holding can offer clients satisfactory services, meeting their demands for long-term partnership.

2. Unfavorable factors :

(1) There are 15 domestic financial holding companies, leading to acute competition, especially in view of their homogeneity in product development and packaging.



- (2) The expansion of operational scales via M&A (merger and acquisition) by some domestic financial holding firms and foreign banks, such as Taiwan Financial Holding, Yuanta Financial Holding, Citibank, Standard Chartered Bank, and HSBC, has posed rigorous challenges to other players. Foreign banks will become formidable competitors on the domestic market, adding their indigenous presence and channel to their international brand and expertise in business expansion.

Taishin International Bank

a. Major products/services/markets

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

b. Future demand and supply

Due to the effect of the global financial tsunami, substantial demand dropped, unemployment rate spiked, and global trade volume plunged. However, thanks to aggressive fiscal policy and loose monetary policy embraced by government around the world, major economies stabilized and staged a slow recovery. Taiwan's economy also performed a dramatic comeback, with its growth rate reaching 9.22% in the fourth quarter, following continuous climb from 9.06% decline in the first quarter, and returned to a normal track.

Private consumption stayed sluggish, as unemployment remained high, income dropped, and private wealth shrank. There, however, have appeared some favorable factors, including the influx of foreign capital and the signing of ECFA.

In 2010, short-term interest rates are expected to remain low and credit supply loose. Due to income decline and wealth contraction, demand for funds by local people will persist but credit risk stay high, as a result of which banks should be cautious in loan extension.

c. Business objective

In 2010, the bank will continue pursuing steady growth balancing quantity and quality, or the considerations between risk management and profits. In addition to the provision of multiple packaged products, various subsidiaries of the financial holding firm will also strengthen their leading market statuses via cross selling, the improvement of operating flow, and the enhancement of brand image.

d. Favorable and unfavorable factors for development outlook

Competitive edges of the bank:

1. Profound client base and competitive and extensive branch channel.
2. Mature capability for risk management and data analysis.
3. The abundant resources of the financial holding company, extensive product line, and marketing synergy via cross selling.

V. Operating Status

4. Abundant resources of the financial holding company and integrated marketing synergy via cross-selling.
5. Steady growth balancing business quantity and quality via the deep-cultivation of quality clients.

Favorable factors for development outlook:

1. The government's increasingly liberal policy towards the offshore development of the financial industry
2. Stable domestic economy and job market
3. The spread of the concept among local people commissioning specialists to carry out wealth management
4. Increasing risk-management awareness in loan extension among domestic banks in the wake of the twin-card debt storm
5. Fast-growing demand for offshore banking in the wake of the rapid development of Chinese and emerging Asian economies
6. Handsome potential of the assets management market for small and medium Taiwanese enterprises
7. Ample business opportunities for LBO (leveraged buyout) financing in Asia-Pacific.
8. Acquisition of domestic banks by foreign investors, facilitating enlargement of banking scale and enhancement of banking competitiveness

Unfavorable factors for development outlook:

1. With the housing price/income ratio having reached an excessively high level, there has appeared imbalanced demand-and-supply in the housing market, risking the formation of a market bubble.
2. Narrowing interest differential and increasing competition for wealth-management business may impact profit margin.
3. Foreign banks will pose strong challenge following their takeover of domestic banks.
4. Domestic peers resort to price competition due to insufficient R&D and innovation, dampening profit margin.
5. Banking competition will step up following the acquisitions of domestic banks by foreign banks to augment their domestic business scales.

The bank's countermeasures:

1. Further enhance risk analytical capability and implement differentiated management for client groups, so as to uphold loaning quality.
2. Flexibly adjust interest differential according to product nature, so as to balance market interest rate and fund cost.
3. Provided differentiated services and products to different client groups, so as to create service value.
4. Stress the integration among subsidiaries, business units, and channels, so as to manifest cross-line management synergy.
5. Capitalize on client-data analytical technique to provide clients different products in different stages timely, so as to augment client satisfaction.
6. Deep-cultivate dealings with clients via the single customer view.
7. Pursue balanced development among various businesses, so as to effectively diversify risk and enhance profits.
8. Further augment core competence, especially in the aspect of intangible assets (such as analytical technique and client database).



Taishin Bills Finance Co., Ltd.

a. Major products/services/markets

The company's major business items are the certification, underwriting, brokerage, dealings, guarantee, and endorsement of short-term commercial paper; brokerage for inter-bank call loans; the brokerage and dealings of government bonds, financial bonds, and corporate bonds; and regulator-approved derivatives, such as FRCP (fixed-rate commercial paper), commercial-paper and bond futures, interest-rate swap, and assets swap. The company's address is 10-11th fl., No. 118, Renai Road, Sec. 4, Taipei City.

b. Outlook of demand and supply

In 2009, with the global economy staging a moderate recovery continuously, emerging markets performed brilliantly, thanks to massive influx of funds, triggered by weak U.S. dollar. The influx of fund, plus the expected benefits from ECFA, also fueled bullish force in Taiwan's stock and forex markets.

On the money market, credit supply remained loose and short-term interest rates stabilized in the range of 0.20-0.28%, with call-loan rates ranging 0.11-0.20%. Outstanding amount of the immature negotiable certificates of deposits issued by the Central Bank of China stood at NT\$5.92 trillion as of December 31, a record high. In view of the moderate economic recovery and the absence of inflationary pressure, the CBC maintained its monetary policy and benchmark interest rates unchanged, in order to bolster the economy. The CBC also took note of the NT dollar's exchange rate, money-supply growth, and changes in assets prices. Although there was no urgent need for interest-rate hike, by affecting the volume and price of funds in the market via adjustment in the scale of sterilized intervention and overnight call-loan rates for such intervention, the CBC will gradually induce the market to depart the environment of excessive credit supply, thereby jacking up interest rates in a gradual manner.

Short-term funds flooded on the CBC's loose monetary policy but financial institutions remained cautious in extending guarantee and loans, leading to sharp decline in bills issuance. Quality clients saw the issuing rates drop on price competition among bills finance firms. Differential between primary and second rates for other clients shrank, due to alleviation of credit crisis, but competition among peers remained acute.

In 2010, despite economic upturn, the danger of double-dip recession persists and therefore, short-term interest rates should remain low and credit supply loose, as a result of which profit will hinge on credit-risk management. Consequently, assets quality should be primary consideration in building up bills position. Position for investment in convertible bonds should be reduced properly and liquidity of investment targets should be taken into account, so as to lower risk. Carefully observe the flow of funds in investing in fixed-yield long-term bonds and conduct trading in a targeted price zone, so as to control risk.

c. Business objective

The company aims to further enhance service quality and operating efficiency, establish good reputation, intensify credit extension and examination, strengthen employee education and training, cultivate financial talents, assure the security and accuracy of various trading information, and institute excellent credit standing and professional corporate image. For long-term objective, the company will actively develop new businesses, enhance overall corporate image, establish management-team reputation, set up quality brand status in the market, and capitalize

V. Operating Status

on the resources of the financial holding company inducing virtuous market competition, in the hope of achieving steady growth in assets, market share, and returns on equity and capital.

d. Favorable and unfavorable factor for business outlook

1. Favorable factors :

- (1) The regulator has successively opened up various new businesses, greatly diversifying the business items available for bills finance firms. The company will actively initiate new businesses, in order to enhance its cross-industry competitiveness.
- (2) In 2009, the company was granted by Fitch Rating Ltd. BBB- for international long-term foreign-currency rating and twA for domestic rating, an excellent performance among peers, which is conducive to the enhancement of company's corporate image and business expansion.
- (3) The backing of the integrated resource of Taishin Financial Holding will help the company push various businesses and increase the supply of commercial papers and funds.

2. Unfavorable factors :

- (1) Due to the effect of loose monetary policy, banks are flooded with idle funds, forcing them to push loan extension, but fund demand of quality enterprises is limited, which dampens bills issuance and drives down the times of guarantee, curbing profits of bills finance firms.
- (2) The bills finance industry is excluded from the full-amount insurance coverage, the quota for call loans is reduced, the times of total liabilities is lowered, and business expansion is restricted.
- (3) With interest rates remaining low, it's difficult to carry out high-yield investments, due to the concern for credit risk.

Taishin Asset Management Co., Ltd.

a. Major products/services/markets

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

b. Future demand and supply status

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

c. Business objective

In addition to continuing the purchase and disposal of bad-debt claims, the company also aims to purchase NPL (non-performing loans) secured by construction plots in greater Taipei, thereby expanding land development



business via the restructuring of the debt claims. Meanwhile, in response to market changes, the company will actively bid for consumer bad-debt claims. In the direction of pluralized development, the company will step into the field of corporate restructuring via integrating banking and securities platforms and capitalizing on its abundant funds and talents, thereby contributing to domestic financial and corporate reform.

d. Favorable and unfavorable factors for development outlook

1. Favorable factors :

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

2. Unfavorable factors :

With domestic financial holding companies and foreign firms having successively established assets management companies, there have existed numerous competitors scrambling for the market piece, leading to price competition, which has been aggravated by the reluctance of financial institutions to sell off their bad-debt claims in the wake of the economic recovery.

Taishin Marketing Consultant Co. Ltd.

a. Major products/services/markets

The company's main business is the provision of temporary-help supply (THS) service.

b. Future demand and supply status

Along with the changes in the business environment of international enterprises, the makeup of the job market has also been undergoing major adjustment. To cope with the environment of the razor-thin profit, THS service helps enterprises achieve higher flexibility and efficiency in resources allocation, save expenses, and cut costs.

c. Business objective

The company's main business is to dispatch staffers to Taishin Bank for undertaking the jobs of debt collection and assistants, in line with the bank's need in manpower manipulation and management.

d. Favorable and unfavorable factors for development outlook

1. Favorable factors:

Taishin Marketing Consultant can flexibly adjust its THS service according to the manpower need of Taishin Bank.

2. Unfavorable factors:

THS firms suffer high labor turnover and unsteady manpower quality, since THS services are mostly of provisional and simple jobs, with pays and fringe benefits inferior to formal jobs, prompting THS staffers to seek formal jobs, due to higher job security and sense of identification.

V. Operating Status

Taishin Venture Capital Co., Ltd.

a. Major products/services/markets

The company invests 80% of its fund in Taiwan and 20% overseas, mainly the U.S., Europe, and Asia, featuring strategic alliance opportunities for Taiwanese industries and economic benefits for Taiwan.

b. Future demand and supply

Owing to sluggish domestic and international economies, investment willingness for startups was low in 2007, leading to limited venture-capital investment in terms of value and the number of cases, but along with gradual economic recovery, ample investment opportunities have emerged since 2008, which are expected to generate bountiful returns for venture capital firms in the next several years.

c. Business objective

The venture capital fund plans to invest 30% of its money in startups, 20% in enterprises at expansion stage, in 50% in mature enterprises (including undervalued listed stocks with good development prospects), focusing on the four major tech sectors of information technology (IT), ICs, optoelectronics, and software/biotech and targeting at private companies in Taiwan, as well as startups and enterprises at growth stage in Taiwan and the U.S. The company will also introduce startups or startup teams in the U.S. or Europe to go to Taiwan for development, joining hands with Taiwanese enterprises in developing new tech businesses. Taiwan is expected to account for 80% of the company's total investments.

d. Favorable and unfavorable factors for development outlook

1. Favorable factors :

With Taiwan's venture capital industry having reached a mature stage, the government has expanded the fund sources for venture capital firms, in order to sustain the industry's further development, raising the ceilings for the investments of insurance firms, banks, and securities firms in venture capital companies, in addition to removing the restrictions on venture capital companies in investing in certain industries. Venture capital firms will continue playing a critical role in financing the development of tech industries, which remains central to the global industrial development. With capital outlays expected to rise along with the gradual recovery of the global economy, domestic venture capital firms stand to experience another round of expansion and growth in the next several years.

2. Unfavorable factors :

(1) Taiwanese economy slackens, driving down investment willingness :

Investment activities hinge on economic performance, as a strong economy leads to a bullish market, facilitating fund raising and creating major returns for venture capital funds, while a sluggish economic dampens investment gains, making it difficult for fund raising. Therefore, amid the current global economic slowdown, demands for tech products drop and enterprises scale down their expansion, dampening investment activities. Meanwhile, attracted by the tax incentives offered by the Chinese government, many enterprises have transplanted their operations to China, putting a damper on investments in Taiwan.



(2) The scrapping of tax incentives for venture capital firms :

Following the revision of the 'Statute for Industrial Upgrading' in 2000, the government scrapped the investment tax credit for the shareholders of venture capital firms.

Chang Hwa Commercial Bank Co., Ltd.

a. Major products/services/markets

The company's major business items include reception of deposits, loan extension, negotiable-instrument discount, remittance, guarantee, the brokerage and dealings of short-term commercial paper, export/import-related forex, foreign-currency deposits, trust, agency, custody, credit card, derivatives trading, the factoring of accounts receivable, offshore banking, and wealth management.

The bank now boasts 180 branches and 6 offices scattered mainly in major cities throughout Taiwan, in addition to six overseas branches in New York, Los Angeles, Tokyo, London, Hong Kong, and Singapore, as well as a representative's office in Kunshan, China.

b. Outlook of demand and supply

The impact from the financial crisis in the second half of 2008 and the follow-up tight liquidity problem resulted in decreasing global real demands and lowering global trade volume greatly. However, most countries' economy has emerged from last recession in 2009 as European countries and the United States set up bailout plans and every government adopted the fiscal and monetary policies to solve the economic problem. According to latest economic forecast report published by Global Insight Inc. (GII) in December 2009, the global economic growth is expected to rise by 2.8% in 2010, compared with -2.0% in 2009. Due to manufacturing booming, most areas of the United States have been in a stable or better economic situation which showed that the most severe recession was terminated in the United States. It is estimated that economic growth rate will be 2.2% positively in 2010 compared with -2.5% in 2009. The Economic Sentiment Indicator (ESI) of Euro Zone and Confidence Index for manufacturing, service industry, and retailing are also moving upward to show optimistic outlook. Economic growth for Euro Zone is anticipated to grow by 0.9% in 2010 and by -4.0% in 2009. Newly announced Leading Indicator and Consumer Confidence Index for Japan are also rising as well as large scale stimulating economy policy set up by government takes effect formulates economic growth of 1.4% in 2010, substantially surpassing that (-5.3%) of 2009. China's economy has reached to the bottom in the first quarter of 2009. The market generally believes that China's economy is growing steadily and estimates that economic growth rate will be 8.5%, 9.8% in 2009 and 2010, respectively. In addition, Asian emerging countries remain expanding influence on the world economy. With aforementioned motivated factors on global economic recovery, the outlook for 2010 is anticipated to be optimistic.

As for the domestic economy, because the global economy gradually stabilize, and our government is devoted to improve cross-strait relationship, promote reflux of capital and speed up approving special budgets for public infrastructure, the economic growth rate is expected to go up from -2.53% in 2009 to 4.39% in 2010, according to the forecast of the Directorate-General of Budget, Accounting, and Statistics, Executive Yuan, R.O.C. (DGBAS). Regarding consumption, as global economy trends to be in an optimistic situation, consumers are willing to spend more money. While high unemployment rate, continuous worsening income distribution, and declining

V. Operating Status

real wages might lead to mild growth (around 1.77%) on private consumption. As for trade aspect, since international trade volume grows and Asian emerging countries continue to expand, demand for commodities is expected to rise by the season. Moreover, service trade is forecasted to grow by 9.49%. In terms of private investment, our government actively takes measures to boost economy, supports cross strait trade and initiates financial deregulation which help enterprises start renewing plans of investment and production. In 2010, private investment growth is anticipated to switch from negative last year to positive at 6.85%. Several research institutes in Taiwan, including Polaris Research Institute and Chung-Hua Institution for Economic Research, also predict economic growth for Taiwan ranged from 4.21% to 4.73%. This shows that the market holds an optimistic outlook for Taiwan's economy in 2010.

c. Business objective

The budget objectives of major business items in 2010 follow:

1. Deposits: NT\$1,193,361,000,000
2. Loans: NT\$992,693,000,000
3. Forex trading: US\$109,818,000,000
4. Securities brokerage: NT\$99,350,000,000
5. Trust (mutual funds): NT\$75,000,000,000
6. Credit card (card-spending value): NT\$5,789,000,000

d. Favorable and unfavorable factors for business outlook

1. Favorable factors :

- (1) Mainland China and other emerging markets emerge, helping the Taiwanese industry cope with its crisis, a development which will benefit the banking industry.
- (2) The six emerging industries and low-carbon economy open a new horizon for the banking industry.
- (3) The existence of abundant fund will alter Taiwan's investment climate, thereby benefiting the banking industry.
- (4) ECFA will give Taiwan's economy a shot in the arm.
- (5) The banking industry may expand the market scale and improve its profits.

2. Unfavorable factors :

- (1) High unemployment rate poses as the major challenge to a sustained recovery of the global economy.
- (2) ECFA may impact some industries, thereby jeopardizing banks' debt claims.
- (3) The memorandum of understanding for cross-Taiwan Strait cooperation in financial supervision will lead to the opening up of the domestic market, forcing domestic banks to face intensified competition.
- (4) Close watch should be kept on surge in the national debts of developed countries.

D. Employees of Taishin Financial Holding

a. Employee data

Base date: March 31, 2010

Year		2008	2009	As of March 31, 2010
Total		8,134	6,059	6,076
Average age		34.5	34.5	34.6
Average service years		6.2	6.6	6.6
Shares of educational levels	Doctor	0.06%	0.08%	0.07%
	Master	11.47%	13.95%	14.14%
	College graduates	78.85%	80.21%	80.28%
	Senior high	9.48%	5.68%	5.43%
	Under senior high	0.14%	0.08%	0.08%
Kinds and numbers of professional certificates owned by employees	Test of trust business salespersons	3,195	2,782	2,697
	Basic test of internal control	3,467	3,322	3,242
	Qualification test of property/insurance salespersons	2,804	2,963	2,859
	Investment-type insurance policy salespersons	1,669	1,512	1,459
	Personal-insurance policy salespersons	4,284	3,454	3,308
	Futures salespersons	1,822	558	527
	Securities investment analysts	41	24	24
	Senior securities salespersons	1,328	461	444
	Investment-trust/consulting salespersons	623	365	352
	B-category investment trust- and investment consulting-related regulations (including codes of professional ethics)	1,353	1,373	1,324

Note: the number of the financial holding firm's employees, specified in the annual report, includes employees of Taishin Financial Holding, Taishin Bank, Taishin Asset Management, Taishin Venture Capital, Taishin Marketing Consultant, and Taishin Bills Finance, but excludes that of Chang Hwa Bank.

b. Employee training and development

To assure the company's sustained development, Taishin Financial Holding has been emphasizing the training and development of its staffers. In 2009, it boasted 190,000 person/units in personnel training, with each staffer receiving 47 hours of training on average. It embraces the following personnel training and development measures to augment the enterprise's overall competence:

- Mixed learning** : The company initiated a digital-learning mechanism in 2002, which has successfully blended with physical courses, in terms of the production of teaching materials and class management, over the past years. The training integrates with the annual business goal of the financial holding company, creating the optimal results for training cost, as evidenced by the acknowledgement of A+ evaluation for corporate learning network granted by the Ministry of Economic Affairs, the only company in Taiwan to obtain such an extraordinary honor.
- Manpower databank**: Develop elite databank plan for the company's staffers in different ranks, which are included into the three categories of MA, AMA, and TSP by a committee embracing an all-round evaluation

V. Operating Status

mechanism, thereby cultivating elite teams for various ranks in a systematic manner.

3. **Individual Development Program:** In line with MBO and targeted positions, pinpoint shortage of capability for staffers in their career development and give them the optimal training method from the options of education/training, rotation of jobs, assistance of seniors, attendance in meetings, and participation in projects, which is coupled with close guidance of their superiors, thereby augmenting the overall competence of the organization.

E. Corporate Responsibility and Ethical Behaviors

In addition to dedication to its core financial business, Taishin Financial Holding Co., Ltd (Taishin FHC) has been aware of its corporate responsibility for the society. Therefore, except long-term engagement in the issues of social care, public services, and environmental protection, the company has also been actively participating in events related to charity and public service, environment protection, and culture/art, in the hope of capitalizing on its corporate strength to provide substantial paybacks to the society, community, and underprivileged groups, so as to contribute to the well-being of the nation and society.

Taishin International Bank donated to the establishment of the Taishin Bank Foundation for Arts and Culture in 2001. In adherence to the objective of “raising the quality of cultural life by cultivating a healthy environment for artistic development,” the foundation, as a non-profit making institution, has been supporting art activities and artistic innovation, as well as carrying out exchanges and cooperation with industries in the private sector, thereby fulfilling the corporate responsibility via giving payback to the society. It founded Taishin Arts Award, which grants topmost encouragement and honor to art workers in the two fields of indigenous visual and performing arts annually. In addition, the bank also frequently organized various artistic exhibitions and regular noontime musical concerts in the Yuan Hall of Taishin Arts and Culture Center on the second floor of Taishin FHC headquarters building, inviting domestic artists in various fields to display their works and musicians to stage performances.

In the field of academics, Taishin FHC has assisted in the organization of various financial and business management academic seminars, such as international seminar of Turnaround Management Association, international seminar on economics, finance, and accounting of National Taiwan University, the annual meeting of Taiwan Finance Association, the annual forum of Monte Jade Science and Technology Association, the 15th cross-Taiwan Strait financial academic seminar, and cross-Taiwan Strait financial seminar of CSBF (Center for the Study of Banking & Finance).

For fulfillment of its social responsibility and effective utilization of corporate resources, Taishin FHC and its affiliate PayEasy.com joined hands in pushing series “Caring Taiwan” events from 2002, aimed to revitalize the economy of the 1999 September 21 earthquake-stricken regions in the Nantou County. In line with the belief that it's better to give one fishing pole and technique than just fish, the company has helped earthquake victims in the villages of Hsinyi, Chungliao, Yuchih, and Kuohsing develop indigenous economic activities via such methods as cooperation with websites, encouragement of local people to purchase their agricultural products,



promotion of credit card-based donation, assistance for the marketing of their indigenous products and tourist resources. Via such efforts, Taishin FHC has helped earthquake-stricken areas rebuild their economies, posing as a paradigm for corporate engagement in public services.

From 2005, the Caring Taiwan program has extended its reach to Kuohsing-village teenage karate team, in the hope of assisting the growth of the underprivileged children. The company has raised fund for the training expense of the young athletes via theme website, production of promotional literature, and news coverage. The program, originally just an item of the post-earthquake social restructuring, has produced remarkable result over the past nine years, thanks to the strenuous effort of the children and their coach. Since 2005, the team has won 499 medals (including 180 gold medals, 151 silver medals, and 168 bronze medals) in domestic and overseas contests. During the 2009 world Shitoryu karate tournament, held in Beijing in August, the team garnered 16 medals, including five gold, two silver, and nine bronze, as well 6th place among 37 junior-high contesting teams, an honor to Taiwan and a great pride to Taishin staffers.

In 2008, in order to assure the sustainable existence of rice paddies and availability of pure Taiwanese rice for local people, Taishin FHC and PayEasy.com jointly set up a brand new platform for the production and marketing of Taiwanese rice, under the program dubbed “my one-acre rice paddy.” Over 100 enterprises have taken part in the program, including Taishin FHC which has sponsored 12 units of rice paddies, equivalent to 6 hectares in space. In addition to sponsoring the platform, participating professional rice farmers have also increased their investment and leased more idled farmland. Some offspring of rice farmers have also returned to their villages to take part in farming works, injecting fresh vigor to agricultural operation. A new program encouraging the participation of local families, dubbed “my family owns one acre of rice paddies,” has been launched for the first rice harvest of 2010, which has won enthusiastic reception.

Regarding the corporate responsibility for society, in 2009 Taihsin FHC rallied various business units under its auspices to donate to the regions stricken by the August 8 flood, triggered by Typhoon Morakot, which dealt a heavy blow to many regions in central and southern Taiwan. The company also encouraged its staffers to sponsor flood-stricken rice paddies in Hualien, Taichung, Changhua, and Tainan County, which had not been covered by the program yet. Moreover, executives of Taishin FHC and its affiliates visited the flood-stricken Shenmu Village in Hsinyi Village of Nantou County, offering assistance to them for rebuilding their homeland. In addition to the provision of emergency funds via Red Cross, the company also purchased produce from the village, sharing with staffers and clients, and plans to offer further assistances to the villages after they are relocated by the government. Moreover, Taishin Insurance Agency, a subsidiary of Taishin FHC, teamed up with Taiwan Fund for Children and Families in pushing the “three-year program for guarding children in disaster-stricken areas,” via participation in the reconstruction of Hsinyi Village of Nantou County and Alishan Village of Chiayi County, accompanying those children in their learning and growth with love.

In the green cause, Taishin FHC has dedicated to environmental protection and energy conservation. It pushes the “Cool Biz” program during summer, under which it encourages staffers to shed traditional formal attire, in favor of casual dress, and enhances the set temperature for air conditioners, in order to cut power consumption. Meanwhile, it has been promoting “paperless office” and has encouraged cycling among local people for the sake of health and reduction of air pollution. Therefore, it sponsored various cycling events and rallied the participation of employees, families, and clients, thereby fulfilling the concept of “using love as energy and

V. Operating Status

loving the earth together.”

Taishin FHC firmly believes that only a stable and harmonious society can offer an environment facilitating the sustainable development of an enterprise. In adherence to the “customer-oriented” principle, it bases its operation on consideration and satisfaction of customer needs, thereby creating customer value. For shareholders, its primary goal is to maximize investment returns for them. However, along with the pursuit of profit, the company also actively takes part in public services, in order to provide payback to the society and fulfill its corporate responsibility for the society.

VI



Financial Status

. Financial Status

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

Brief consolidated balance sheet of the financial holding company and its subsidiaries

Unit : NT\$1,000

Item	Year	Financial data in the recent five years					Financial data for current year as of March 31, 2010
		2005	2006 Re-compilation (note 1)	2007 Re-compilation (note 1)	2008	2009	
Cash and cash equivalents due from the Central Bank and placement to other banks		216,425,777	267,549,614	284,769,797	257,667,779	253,523,420	140,732,135
Financial assets stated as gain (loss) due to change in fair value		176,312,898	116,176,934	81,135,486	86,699,629	58,566,143	76,488,142
Investment in RS bills and bonds		23,947,026	26,163,593	14,337,297	6,464,695	9,891,904	5,428,179
Available-for-sale financial assets		66,766,759	94,109,665	106,149,641	70,363,526	74,329,348	166,810,562
Accounts receivable		148,000,718	110,837,542	119,132,189	104,909,292	102,296,124	105,125,233
Loans		1,373,616,078	1,380,374,402	1,466,208,014	1,491,834,854	1,506,226,128	1,489,429,072
Financial assets held to maturity		198,561,940	185,561,348	127,639,354	182,357,996	236,509,666	225,445,514
Equity investments under equity method		1,036,727	986,602	1,017,635	957,539	225,464	229,565
Fixed assets		47,131,291	45,983,539	44,907,490	44,032,067	42,851,989	42,512,161
Intangible assets		20,681,040	22,442,037	20,757,601	20,757,601	20,586,747	21,697,582
Other financial assets		16,694,929	17,822,482	18,870,862	34,401,848	25,463,237	23,914,882
Other assets		50,902,514	62,576,230	54,021,688	51,971,727	44,320,235	38,133,610
Total assets		2,340,077,697	2,330,583,988	2,338,947,054	2,352,418,553	2,374,790,405	2,335,946,637
Deposits by the Central Bank and other banks		272,419,392	236,622,085	209,768,825	183,388,667	176,568,225	154,040,539
Deposits		1,611,660,444	1,628,076,369	1,669,015,794	1,731,784,195	1,842,559,851	1,818,206,885
Financial liabilities stated as gain (loss) due to change in fair value		8,244,280	18,138,882	18,391,519	39,757,245	19,342,423	16,730,165
RP bill and bond liabilities		86,673,177	87,195,497	84,212,588	60,543,383	33,083,342	50,074,499
Accounts payable		87,510,287	72,145,841	62,077,023	56,179,116	44,608,499	43,590,503
Financing from the Central Bank and other banks		405,645	384,585	0	0	0	0
Bonds payable		103,284,196	108,789,414	107,498,220	112,404,780	88,579,768	78,675,814
Special stock liabilities		0	0	0	0	0	0
Reserve for operations and liabilities		1,684,161	1,797,106	1,593,369	1,272,793	2,028,738	1,634,646
Other financial liabilities		9,494,539	8,897,787	11,148,608	1,170,748	754,863	541,773
Other liabilities		16,301,013	15,719,802	17,691,040	18,726,102	10,958,872	12,380,597
Total liabilities		2,197,677,134	2,177,767,368	2,181,396,986	2,205,227,029	2,218,484,581	2,175,875,421
Equity of parent firm	Common stock	60,232,093	69,880,779	69,880,779	69,880,779	65,151,162	65,151,162
	Additional paid-in capital	24,443,815	35,448,570	19,389,426	19,071,634	19,076,045	19,076,045
	Retained earnings	(383,556)	(16,014,155)	4,587,095	(3,838,131)	9,074,633	11,368,501
	Pre-payout						
	Post-payout	0	34,777	1,389,461	0	(note1)	-
	Other items of shareholders' equity	(3,014,317)	1,107,606	(482,574)	(546,608)	247,124	293,429
Minority shareholding		61,122,528	62,393,820	64,175,342	62,623,850	62,756,860	64,182,079
Total shareholders' equity	Pre-payout	142,400,563	152,816,620	157,550,068	147,191,524	156,305,824	160,071,216
	Post-payout	142,400,563	152,816,620	154,034,642	147,191,524	(note1)	-



Note 1 : Proposal for the coverage of 2009 loss has yet to be passed by shareholders' meeting

Note 2 : The above 2005 financial statements were audited by CPAs Tsai Hongxiang and Guo Rongfang, who issued auditing report for their authenticity without reservation.

The 2006 financial statement (re-compilation) was audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2007 financial statement (re-compilation) was audited by CPAs Weng Rongsui and Yang Qinzhen, who issued auditing report for their authenticity without reservation. The 2008 financial statement was audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2009 financial statement was audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2010 financial report was audited by CPAs Tsao Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation on March 31, 2010.

Brief balance sheet of the financial holding company

Unit : NT\$1,000

Item	Year	Financial data in the recent five years					Financial data for current year as of March 31, 2009
		2005	2006 Re-compilation (note 1)	2007 Re-compilation (note 1)	2008	2009	
Cash and cash equivalent		3,004,919	11,859,469	13,026,747	12,387,621	22,557,438	25,200,002
Financial assets stated as gain (loss) due to change in fair value		0	3,634	0	5,559	4,582	4,456
Available-for-sale financial assets		0	0	0	0	0	0
Accounts receivable		641,008	1,116,376	1,569,064	1,962,510	3,690,557	3,774,956
Financial assets held to maturity		0	0	0	0	0	0
Equity investments under equity method		112,269,585	106,530,981	116,325,691	107,790,722	100,563,220	103,024,683
Fixed assets		17,817	15,405	11,684	7,782	4,278	3,665
Intangible assets		0	0	0	0	0	0
Other financial assets		1,476,207	12,447,893	3,628,138	3,527,082	9,686,603	6,862,950
Other assets		63,027	387,006	364,500	410,374	712,563	737,895
Total assets		117,472,563	132,360,764	134,925,824	126,091,650	137,219,241	139,608,607
Financial liabilities stated as gain (loss) due to change in fair value		0	1,386,937	650,903	279,635	598,178	300,482
Accounts payable		2,252,489	1,454,802	1,487,093	1,496,155	2,939,172	3,191,927
Payable corporate bonds		33,934,195	39,089,414	39,398,220	39,736,721	40,105,826	40,199,528
Special stock liabilities		0	0	0	0	0	0
Other financial liabilities		0	0	0	0	0	0
Other liabilities		7,844	6,811	14,882	11,465	27,101	27,533
Total liabilities	Pre-payout	36,194,528	41,937,964	41,551,098	41,523,976	43,670,277	43,719,470
	Post-payout	36,194,528	41,937,964	45,066,524	41,523,976	(note 1)	-
Common stock		60,232,093	69,880,779	69,880,779	69,880,779	65,151,162	65,151,162
Additional paid-in capital		24,443,815	35,448,570	19,389,426	19,071,634	19,076,045	19,076,045
Retained earnings	Pre-payout	(383,556)	(16,014,155)	4,587,095	(3,838,131)	9,074,633	11,368,501
	Post-payout	0	34,777	1,389,461	0	(note 1)	-
Other shareholders' equity items		(3,014,317)	1,107,606	(482,574)	(546,608)	247,124	293,429
Total shareholders' equity	Pre-payout	81,278,035	90,422,800	93,374,726	84,567,674	93,548,964	95,889,137
	Post-payout	81,278,035	90,422,800	89,859,300	84,567,674	(note 1)	-

Note 1 : The proposal for the coverage of 2009 loss has yet to be passed by shareholders' meeting.

Note 2 : 2005-2009 financial statements have been audited by CPAs and the financial statement of March 31, 2010 has been inspected by CPA

. Financial Status

Brief Consolidated Financial Statement of the Financial Holding Company and Subsidiaries

Unit : NT\$1,000

Item	Year	Financial data in the recent five years					Financial data for current year as of March 31, 2010
		2005	2006 Re-compilation (note 1)	2007 Re-compilation (note 1)	2008	2009	
Net interest income		42,498,287	44,699,041	35,684,379	32,575,562	21,918,855	5,867,764
Net non-interest income		17,028,089	8,209,610	24,876,006	16,002,016	27,464,098	4,279,048
Bad-debt expense		(36,890,974)	(31,728,802)	(12,131,170)	(17,620,829)	(3,434,539)	622,799
Provisions of various insurance liabilities		0	0	0	0	0	0
Business expense		(25,135,475)	(31,879,357)	(32,611,981)	(32,183,954)	(29,881,226)	(6,213,365)
Pre-tax consolidated income of business department (continuation)		(2,500,073)	(10,699,508)	15,817,234	(1,227,205)	16,067,188	4,556,246
After-tax consolidated income of business department (continuation)		(1,182,400)	(7,886,556)	10,855,783	(1,638,872)	10,493,538	3,687,590
Income of extinct department (after-tax net value)		0	0	0	0	0	0
Extraordinary income (after-tax net value)		0	0	0	0	122,820	0
Accumulated extent of influence from changes in accounting principles (after-tax net value)		0	742,710	0	0	0	0
Total consolidated income	Belong to shareholders of parent firm	(2,913,562)	(16,014,155)	4,552,318	(5,227,592)	8,183,147	2,293,868
	Belong to minority shareholding	1,731,162	8,870,309	6,303,465	3,588,720	2,433,211	1,393,722
Earnings per common share		(0.73)	(3.36)	0.59	(1.08)	1.27	0.36

note1 : Earnings per share for common shares is based on the unit of NT\$1 and the effect of capital reduction has been taken into account retroactively in the calculation of the figure.

note2 : The above 2005 financial statements were audited by CPAs Tsai Hongxiang and Guo Rongfang, who issued auditing report for their authenticity without reservation.

The 2006 financial statement (re-compilation) was audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2007 financial statement (re-compilation) was audited by CPAs Weng Rongsui and Yang Qinzhen, who issued auditing report for their authenticity without reservation. The 2008 financial statement was audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2009 financial statement was audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2010 financial statement was certified by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation on March 31, 2010.

Brief Income Statement of the Financial Holding Company

Unit : NT\$1,000

Item	Year	Financial data in the recent five years					Financial data for current year as of March 31, 2010
		2005	2006 Re-compilation (note 1)	2007 Re-compilation (note 1)	2008	2009	
listed investment return on equity method		1,456,128	4,390,783	6,464,319	1,246,970	2,681,297	2,415,157
Other incomes		647,024	696,950	1,059,556	735,365	7,835,796	315,335
Listed investment loss on equity method		(4,411,309)	(19,681,508)	(13,471)	(5,269,349)	(396)	0
Business expense		(491,477)	(357,141)	(371,331)	(327,265)	(430,614)	(133,998)
Other expense and loss		(652,058)	(1,340,828)	(2,470,418)	(1,566,582)	(1,975,367)	(384,127)
Pre-tax income		(3,451,692)	(16,291,744)	4,668,655	(5,180,861)	8,110,716	2,212,367
After-tax income		(2,913,562)	(16,014,155)	4,552,318	(5,227,592)	8,183,147	2,293,868
Earning per common share (before tax)		(0.85)	(3.41)	0.61	(1.07)	1.25	0.35
Earning per common share (after tax)		(0.73)	(3.36)	0.59	(1.08)	1.27	0.36

note1 : Earnings per share is based on the unit of NT\$1 and the effect of capital reduction has been taken into account retroactively in the calculation of the figure.

note2 : 2005-2009 financial statements have been audited by CPA and financial statement of March 31, 2010 has been inspected by CPA



B. Financial Analysis for the Recent Five Years

Financial Analysis

Unit : NT\$1,000

Item		Financial Analysis in the recent five years					Financial Analysis for current year as of March 31, 2010 (note 2)
		2005	2006 Re-compilation (note 1)	2007 Re-compilation (note 1)	2008	2009	
Management capability	Turnover rate of total assets(times)	0.04	0.02	0.03	0.02	0.02	0.00
	Deposit/loan ratio of Taishin Bank (%)	83.57	85.71	84.82	82.73	76.81	77.26
	Deposit/loan ratio of Chang Hwa Bank (%)	83.95	85.63	90.49	88.95	84.54	84.33
	NPL ratio of Taishin Bank (%)	1.34	2.18	1.99	1.38	0.58	0.46
	NPL ratio of Chang Hwa Bank (%)	1.67	1.63	1.79	1.67	1.23	1.15
	Overdue credit-extension ratio of Taishin Bills Finance (%)	0	0	0	0	0	0
	Revenue per employee (NT\$1,000)	3,376	3,248	3,738	3,162	3,825	782
	Profit per employee (NT\$1,000)	(note1)	(note 1)	670	(note 1)	822	284
Profit-making capability	Return on assets (%)	(0.07)	(0.31)	0.46	(0.07)	0.45	0.16
	Return on common shareholders' equity (%)	(4.98)	(27.24)	5.10	(9.84)	11.47	3.05
	Net profit rate (%)	(1.99)	(13.50)	17.93	(3.37)	21.50	36.34
	Earning per share (NT\$)	(0.73)	(3.36)	0.59	(1.08)	1.27	0.36
Financial Structure	Liabilities/assets ratio (%)	93.91	93.44	93.26	93.74	93.42	93.15
	Liabilities/book value ratio (%)	1543.31	1425.09	1384.57	1498.20	1419.32	1359.32
	Double leverage ratio of the financial holding company (%)	138	118	125	128	107	107
	Financial ratio of the financial holding company according to article 41 of the law	N/A	N/A	N/A	N/A	N/A	N/A
Leverage extent	Business leverage extent	(23.81)	(4.94)	3.83	(39.58)	3.07	2.23
	Financial leverage extent of financial holding company	0.80	0.92	1.32	0.70	1.19	1.17
Growth rate	Assets growth (%)	170.59	(0.41)	0.36	0.58	0.95	(note 3)
	Profit growth (%)	(116.90)	(327.97)	247.83	(107.76)	1409.25	(note 3)
Cash flow	Cash flow ratio (%)	1.44	52.75	22.20	21.69	6.05	(8.06)
	Propriety ratio of cash flow (%)	14.26	27.54	19.26	15.91	8.81	(note 3)
	Cash-flow satisfaction ratio (%)	(2.23)	(89.40)	(66.04)	(111.31)	(16.34)	(29.26)

. Financial Status

Item \ Year			Financial Analysis in the recent five years					Financial Analysis for current year as of March 31, 2010 (note 2)
			2005	2006 Re-compilation (note 1)	2007 Re-compilation (note 1)	2008	2009	
Business scale	Market share of assets (%)		7.51	7.92	7.77	8.09	8.80	(note 6)
	Market share of book value (%)		5.96	6.23	6.07	6.42	5.98	(note 6)
	Market share of Taishin Bank ' s deposit (%)		2.57	2.46	2.61	2.83	2.68	(note 6)
	Market share of Chang Hwa Bank ' s deposit (%)		4.16	4.06	4.00	4.99	4.97	(note 6)
	Market share of Taishin Bank ' s loan extension (%)		3.09	2.84	2.94	2.83	2.70	(note 6)
	Market share of Chang Hwa Bank ' s loan extension (%)		4.67	4.68	4.79	5.36	5.50	(note 6)
Capital Adequacy	Capital adequacy ratio	Taishin Bank	10.17	7.47	9.95	9.83	12.95	Only data up to the end of 2009 are available, as BIS ratio must be re-audited by CPA and included in financial statement every half a year, according to the regulation.
		Chang Hwa Bank	11.03	11.17	10.36	10.61	10.83	
		Taishin Security	279.26	304.50	393.74	451.79	(note 7)	
		Taishin Bills Finance	13.00	17.72	15.22	22.01	21.72	
		Taishin AMC	47.87	85.68	85.94	96.74	88.15	
		Taishin Marketing Consultant	25.49	65.97	87.07	89.36	90.48	
		Taishin Venture Capital	99.91	99.98	99.99	99.96	99.92	
	Eligible self-owned capital		173,344,129	160,626,063	179,323,565	180,629,966	182,650,466	
	Group ' s eligible capital		75,110,346	74,934,659	85,299,007	80,020,729	90,970,823	
	Subsidiary ' s statutory capital requirement		127,255,233	125,988,540	133,169,977	131,553,200	123,320,589	
	Group ' s statutory capital requirement		79,819,535	76,152,226	78,639,674	73,144,432	68,414,416	
	Group ' s capital adequacy ratio		94.10	98.40	108.47	109.40	132.97	
Mandatory disclosure by the financial holding company of the total value of credit extension, endorsement, or other trading extended by its subsidiaries to the same person, related party, or affiliate according to article 46 of the law			474,201 (note5)	616,928 (note 5)	696,631 (note 5)	657,689 (note 5)	619,055 (note 5)	(note 3)
Describe reasons for changes in various financial ratios in the recent two years (No need of analysis for change under 20%)								
1.Financial ratios of management capability, profit-making capability, leverage extent, and growth rate decreased, due to increase in 2009 income (net revenue, net pre-tax profit, and net after-tax profit) from 2008								
2.NPL ratio of Taishin Bank and Chang Hwa Bank decreased in 2009 from 2008, due to active write-off of bad debts by Taishin Bank and Chang Hwa Bank to greatly improve the quality of its assets, leading to reduction NPL								
3.Cash-flow satisfaction ratio decreased in 2009 from 2008, due to reduction in the net cash outflow related to investment activities.								



note 1 : Business was in the red in 2008, 2006, and 2005.

note 2 : Return rates as March 31, 2009 are not converted into annual rates

note 3 : Annual analytical data, not applicable to quarterly statement

note 4 : The above financial analytical data are consolidated figures, except those with specification for the financial holding company or subsidiaries.

note 5 : For details, refer to the financial statement of various years.

note 6 : The ratio of market scale for business scale as of March 31, 2010 is not provided, as the information on the overall market scale in March is not available yet.

note 7 : Taishin Securities was acquired by KGI Securities on Dec. 19, 2009.

note 8 : Calculation formulas follow:

1. Management capability

- (1) Turnover rate of total assets=Net revenue/average total assets
- (2) Deposit/loan ratio of subsidiary bank=Total loans of subsidiary bank/total deposit
- (3) NPL ratio of subsidiary bank=Total NPL of subsidiary bank/total loan
- (4) Revenue per employee=Net revenue/total number of employees
- (5) Profit per employee=After-tax profit/number of employees

2. Profit-making capability

- (1) Return on assets=After-tax income/average value of total assets
- (2) Return on common shareholders' equity=After-tax income/Average net value of common shareholders' equity
- (3) Net profit rate=After-tax income/net revenue
- (4) Earning per share= (After-tax net profit-dividend for preferred shares/weighted average amount of issued shares (Retroactive adjustment for earning per share has been made for those years with capital increment from retained earnings or employee bonus)

3. Financial structure

- (1) Liabilities/assets ratio=Total liabilities/total assets
- (2) Liabilities/book value ratio=Total liabilities/net shareholders' equity
- (3) Double leverage ratio of the financial holding company=Equity investment according to item 2, article 36 and 37 of the law/book value

4. Leverage extent

- (1) Business leverage extent=(Net revenue-variation in expense or loss/pre-tax income)
- (2) Financial leverage extent of financial holding company=pre-tax income+interest outlay/pre-tax income)

5. Growth rate

- (1) Assets growth rate= (Total assets in current year-total assets in previous year/total assets in previous year
- (2) Profit growth=(Pre-tax income in current year-pre-tax income in previous year)/pre-tax income in previous year)

6. Cash flow

- (1) Cash flow ratio=Business-related net cash flow/call loans and overdraft of bank and peers+commercial paper payable+financial liabilities deriving from variation in fair value included in the calculation of income+liabilities of repo bills and bonds+account payable due in one year)
- (2) Propriety ratio of net cash flow=Business-related net cash flow in recent years/(capital outlay+cash dividend) in recent five years.
- (3) Cash flow coverage ratio=net cash flow from operating activities/net cash flow from investment activities.

7. Business scale

- (1) Market share of assets=Total assets/total assets of financial holding companies
- (2) Market share of book value=Book value/total book values of financial holding companies
- (3) Market share of banking subsidiary's deposit=Total deposits/total deposits of financial institutions capable of undertaking deposit/loan business
- (4) Market share of banking subsidiary's loan extension=Total deposit/total deposits of financial institutions capable of undertaking deposit/loan business

8. BIS ratio (capital adequacy ratio)

- (1) Qualified net capital of the group=financial holding company's qualified capital+(shareholding ration of financial holding company x qualified capital of subsidiaries)-designated deductible items.
- (2) Total required legal capital of the group=required legal capital of financial holding company+shareholding ratio of financial holding company x required legal capital of subsidiaries
- (3) BIS ratio of the group=Net qualified capital of the group/legal capital requirement of the group

. Financial Status

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

Taishin Financial Holding Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2009 and 2008 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Taishin Financial Holding Co., Ltd. (" Taishin Financial Holding ") and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders ' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Taishin Financial Holding and subsidiaries ' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants, Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants, and auditing standards generally accepted in the Republic of China (" ROC "). Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Taishin Financial Holding and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations



Governing the Preparation of Financial Reports by Public Bills Finance Companies, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the ROC.

As disclosed in Note 3 to the consolidated financial statements, effective on July 1, 2008, Taishin Financial Holding and subsidiaries adopted the amended Statement of Financial Accounting Standards (" SFAS ") No. 34 " Financial Instruments: Recognition and Measurement " to reclassify financial instruments under certain conditions.

We have also audited the accompanying schedules of significant accounts, provided for supplementary analysis, by applying the same procedures described above. In our opinion, such schedules are consistent, in all material respects, with the financial statements referred to above.

February 27, 2010

Notice to Readers

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

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

. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

ASSETS	2009	2008	Percentage of Variation %
	Amount	Amount	
Cash and cash equivalents (Notes 2 and 4)	\$ 35,368,984	\$ 40,473,339	(13)
Due from Central Bank and call loans to banks (Note 5)	218,154,436	217,194,440	-
Financial assets at fair value through profit or loss (Notes 2 and 6)	58,566,143	86,699,629	(32)
Bonds and securities purchased under resell agreements (Note 2)	9,891,904	6,464,695	53
Receivables, net (Notes 2, 7 and 8)	102,296,124	104,909,292	(2)
Loans, net (Notes 2 and 8)	1,506,226,128	1,491,834,854	1
Available-for-sale financial assets (Notes 2 and 9)	74,329,348	70,363,526	6
Held-to-maturity financial assets (Notes 2 and 10)	236,509,666	182,357,996	30
Investments accounted for by the equity method, net (Notes 2 and 11)	225,464	957,539	(76)
OTHER FINANCIAL ASSETS (Note 2)			
Financial assets carried at cost (Note 12)	9,232,752	10,118,994	(9)
Hedging derivative financial instruments (Note 21)	130,348	221,161	(41)
Other miscellaneous financial assets (Note 13)	16,100,137	24,061,693	(33)
Other financial assets, net	25,463,237	34,401,848	(26)
PROPERTY AND EQUIPMENT (Notes 2 and 14)			
Cost			
Land	27,794,896	28,141,214	(1)
Buildings	16,682,347	15,361,924	9
Machinery equipment	8,997,885	9,599,281	(6)
Transportation equipment	936,185	1,010,990	(7)
Miscellaneous equipment	2,121,632	2,074,343	2
Leasehold improvement and leased asset	1,762,378	1,593,761	11
	58,295,323	57,781,513	1
Accumulated depreciation	(15,477,857)	(13,855,070)	12
	42,817,466	43,926,443	(3)
Construction in process and machine accessories	447	-	-
Prepayment for buildings and equipment	34,076	105,624	(68)
Property and equipment, net	42,851,989	44,032,067	(3)
GOODWILL (Notes 2 and 15)	20,586,747	20,757,601	(1)
OTHER ASSETS (Note 2)			
Prepayments	2,245,290	3,877,695	(42)
Refundable deposits	15,723,989	12,523,179	26
Deferred tax assets (Note 30)	18,966,433	24,168,589	(22)
Other deferred assets	510,424	1,864,666	(73)
Other miscellaneous assets (Note 16)	6,874,099	9,537,598	(28)
Other assets, net	44,320,235	51,971,727	(15)
TOTAL	\$ 2,374,790,405	\$ 2,352,418,553	1

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 27, 2010)



LIABILITIES AND STOCKHOLDERS' EQUITY	2009	2008	Percentage of Variation
	Amount	Amount	%
LIABILITIES			
Due to banks and Central Bank (Note 17)	\$ 176,568,225	\$ 183,388,667	(4)
Commercial paper payable, net (Note 18)	-	499,710	(100)
Financial liabilities at fair value through profit or loss (Notes 2 and 6)	19,342,423	39,757,245	(51)
Bonds and securities sold under repurchase agreements (Note 2)	33,083,342	60,543,383	(45)
Payables (Note 19)	44,608,499	56,179,116	(21)
Deposits (Note 20)	1,842,559,851	1,731,784,195	6
Bonds payable (Notes 2 and 21)	88,579,768	112,404,780	(21)
Other borrowings (Note 22)	162,000	-	-
Other financial liabilities	592,863	671,038	(12)
Reserve for operations and liabilities (Notes 2 and 23)	2,028,738	1,272,793	59
Other liabilities (Notes 2, 24 and 25)	10,958,872	18,726,102	(41)
Total liabilities	2,218,484,581	2,205,227,029	1
TAISHIN FINANCIAL HOLDING STOCKHOLDERS' EQUITY (Note 26)			
Capital stock			
Common stock	53,238,199	57,103,001	(7)
Preferred stock	11,912,963	12,777,778	(7)
Capital surplus			
Additional paid-in capital in excess of par	16,996,159	16,996,159	-
Other capital surplus (Note 2)	2,079,886	2,075,475	-
Retained earnings			
Legal reserve	408,912	408,912	-
Special reserve	482,574	482,574	-
Unappropriated earnings (deficit)	8,183,147	(4,729,617)	273
Other items of stockholders' equity			
Cumulative translation adjustments (Note 2)	(5,029)	51,369	(110)
Unrealized gains or losses on financial instruments (Note 2)	252,153	(597,977)	142
Total Taishin Financial Holding stockholders' equity	93,548,964	84,567,674	11
MINORITY INTERESTS	62,756,860	62,623,850	-
Total stockholders' equity	156,305,824	147,191,524	6
TOTAL	\$ 2,374,790,405	\$ 2,352,418,553	1

. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	2009	2008	Percentage of Variation
	Amount	Amount	%
INTEREST INCOME (Note 2)	\$ 41,416,958	\$ 73,439,902	(44)
INTEREST EXPENSES	(19,498,103)	(40,864,340)	(52)
NET INTEREST INCOME (Note 27)	21,918,855	32,575,562	(33)
NET INCOME OTHER THAN INTEREST INCOME (Note 2)			
Fee and commission income, net (Note 28)	12,798,696	12,968,697	(1)
Gain (loss) on financial assets and liabilities at fair value through profit or loss (Note 6)	3,419,805	(1,666,494)	305
Realized gain on available-for-sale financial assets	565,878	166,500	240
Investment income (loss) recognized under the equity method (Note 11)	26,926	(51,057)	153
Gain on sale of consolidated subsidiary (Note1)	7,759,890	-	-
Foreign exchange gain	1,764,813	919,874	92
Loss on asset impairments (Notes 9, 10, 12 and 13)	(153,527)	(1,768,462)	(91)
Other non-interest net income and losses			
Income from trading and other sale	1,041,032	1,327,572	(22)
Revenue from VISA Inc. restructuring (Note 12)	-	1,665,732	(100)
Other losses (Note 23)	(2,000,000)	-	-
Other miscellaneous net income	2,240,585	2,439,654	(8)
GROSS INCOME	49,382,953	48,577,578	2
PROVISION FOR LOAN LOSSES (Notes 2 and 8)	(3,434,539)	(17,620,829)	(81)
OPERATING EXPENSES (Note 29)			
Personnel expenses	(17,175,465)	(18,112,228)	(5)
Depreciation and amortization	(2,477,818)	(2,728,584)	(9)
Others	(10,227,943)	(11,343,142)	(10)
Total operating expenses	(29,881,226)	(32,183,954)	(7)
INCOME (LOSS) BEFORE INCOME TAX AND EXTRAORDINARY GAIN	16,067,188	(1,227,205)	1,409
ESTIMATED INCOME TAX EXPENSE (Notes 2 and 30)	(5,573,650)	(411,667)	1,254

(Continued)



TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	2009	2008	Percentage of Variation
	Amount	Amount	%
NET INCOME (LOSS) BEFORE EXTRAORDINARY GAIN	\$ 10,493,538	\$ (1,638,872)	740
EXTRAORDINARY GAIN (NET OF INCOME TAX EXPENSE OF \$40,940 THOUSAND) (Notes 1 and 2)	<u>122,820</u>	<u>-</u>	-
CONSOLIDATED NET INCOME (LOSS)	<u>\$ 10,616,358</u>	<u>\$ (1,638,872)</u>	748
ATTRIBUTABLE TO			
Taishin Financial Holding 's stockholders	\$ 8,183,147	\$ (5,227,592)	257
Minority interests	<u>2,433,211</u>	<u>3,588,720</u>	(32)
	<u>\$ 10,616,358</u>	<u>\$ (1,638,872)</u>	748

	2009		2008	
	Pretax	After-tax	Pretax	After-tax
BASIC EARNINGS (LOSS) PER SHARE (Note 31)				
Net income (loss) before extraordinary gain	\$ 1.91	\$ 1.25	\$ (1.33)	\$ (1.08)
Extraordinary gain	<u>0.03</u>	<u>0.02</u>	<u>-</u>	<u>-</u>
	<u>\$ 1.94</u>	<u>\$ 1.27</u>	<u>\$ (1.33)</u>	<u>\$ (1.08)</u>
DILUTED EARNING (LOSS) PER SHARE (Note 31)				
Net income (loss) before extraordinary gain	\$ 1.91	\$ 1.25	\$ (1.33)	\$ (1.08)
Extraordinary gain	<u>0.03</u>	<u>0.02</u>	<u>-</u>	<u>-</u>
	<u>\$ 1.94</u>	<u>\$ 1.27</u>	<u>\$ (1.33)</u>	<u>\$ (1.08)</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 27, 2010)
(Concluded)

. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

	Capital Stock		Capital Surplus		
	Common Stock	Preferred Stock	Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions	Other Capital Surplus
BALANCE, JANUARY 1, 2008	\$ 57,103,001	\$ 12,777,778	\$ 17,313,951	\$ 2,075,475	\$ -
Appropriation of 2007 earnings					
Legal reserve	-	-	-	-	-
Special reserve	-	-	-	-	-
Dividend on preferred stock B	-	-	-	-	-
Dividend on preferred stock C	-	-	-	-	-
Dividend on preferred stock D	-	-	-	-	-
Bonus to employees	-	-	-	-	-
Bonus to directors and supervisors	-	-	-	-	-
Cash dividends	-	-	(317,792)	-	-
Translation adjustments	-	-	-	-	-
Unrealized gains or losses of available-for-sale financial assets	-	-	-	-	-
Net loss not recognized as pension cost	-	-	-	-	-
Consolidated net (loss) income for the year ended December 31, 2008	-	-	-	-	-
Capital reduction from subsidiary	-	-	-	-	-
Others	-	-	-	-	-
BALANCE, DECEMBER 31, 2008	57,103,001	12,777,778	16,996,159	2,075,475	-
Loss appropriation	(3,864,802)	(864,815)	-	-	-
Subsidiaries appropriation of 2008 earnings					
Cash dividends	-	-	-	-	-
Bonus to employees transferred to common stock	-	-	-	-	-
Translation adjustments	-	-	-	-	-
Unrealized gains or losses of available-for-sale financial assets	-	-	-	-	-
Reserve for land revaluation increment	-	-	-	-	-
Consolidated net income for the year ended December 31, 2009	-	-	-	-	-
Adjustment due to change of investee's equity	-	-	-	-	4,411
BALANCE, DECEMBER 31, 2009	<u>\$ 53,238,199</u>	<u>\$ 11,912,963</u>	<u>\$ 16,996,159</u>	<u>\$ 2,075,475</u>	<u>\$ 4,411</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 27, 2010)



Retained Earnings			Equity Adjustments				Total
Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Unrealized Gain or Loss on Financial Instruments	Net Loss Not Recognized As Pension Cost	Minority Interests	
\$ -	\$ -	\$ 4,587,095	\$ (465)	\$ (459,903)	\$ (22,206)	\$ 64,175,342	\$ 157,550,068
408,912	-	(408,912)	-	-	-	-	-
-	482,574	(482,574)	-	-	-	-	-
-	-	(361,342)	-	-	-	-	(361,342)
-	-	(1,186,644)	-	-	-	-	(1,186,644)
-	-	(910,000)	-	-	-	-	(910,000)
-	-	(7,396)	-	-	-	-	(7,396)
-	-	(22,189)	-	-	-	-	(22,189)
-	-	(710,063)	-	-	-	(4,458,812)	(5,486,667)
-	-	-	51,834	-	-	(101,084)	(49,250)
-	-	-	-	(138,074)	-	55,605	(82,469)
-	-	-	-	-	22,206	-	22,206
-	-	(5,227,592)	-	-	-	3,588,720	(1,638,872)
-	-	-	-	-	-	(634,938)	(634,938)
-	-	-	-	-	-	(983)	(983)
408,912	482,574	(4,729,617)	51,369	(597,977)	-	62,623,850	147,191,524
-	-	4,729,617	-	-	-	-	-
-	-	-	-	-	-	(2,943,744)	(2,943,744)
-	-	-	-	-	-	6,183	6,183
-	-	-	(56,398)	-	-	20	(56,378)
-	-	-	-	850,130	-	838,837	1,688,967
-	-	-	-	-	-	(38,617)	(38,617)
-	-	8,183,147	-	-	-	2,433,211	10,616,358
-	-	-	-	-	-	(162,880)	(158,469)
<u>\$ 408,912</u>	<u>\$ 482,574</u>	<u>\$ 8,183,147</u>	<u>\$ (5,029)</u>	<u>\$ 252,153</u>	<u>\$ -</u>	<u>\$ 62,756,860</u>	<u>\$ 156,305,824</u>

. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income (loss)	\$ 10,616,358	\$ (1,638,872)
Gain or loss with no effect on cash flows and other adjustments		
Extraordinary gain	(163,760)	-
Provision for loan losses	3,434,539	17,620,829
Other provision	11,122	2,320
Provision for other losses	2,000,000	-
Deferred income tax expense (benefit)	4,934,789	(905,932)
Income tax (benefit) expense from linked-tax system	(146,426)	1,683
Recovery of loans written off	6,717,313	7,810,479
Depreciation and amortization	2,477,818	2,728,584
(Gain) loss on disposal of property and equipment	(107,997)	13,216
Loss on asset impairment	153,527	1,768,462
Investment (income) loss recognized under equity method net of cash dividends received in current period	(15,830)	64,445
Amortization of premium and discount on bond investment	113,573	(1,447,701)
(Gain) loss on financial instruments valuation	(389,638)	1,937,038
Unrealized exchange gain of available-for-sale and held-to-maturity financial assets	(20,113)	(140,554)
Gain on sale of consolidated subsidiary	(7,759,890)	-
Gain on disposal of investments	(3,603,256)	(318,210)
Revenue from VISA Inc. restructuring	-	(732,488)
Others	495,616	144,492
Net changes in operating assets and liabilities		
Financial assets for trading purpose	29,003,458	(3,119,922)
Financial liabilities for trading purpose	(23,754,046)	17,190,149
Receivables	(9,089,267)	12,789,375
Other financial assets	(508,678)	(1,708,148)
Other assets	(113,083)	(2,323,855)
Client's position	513,512	309,308
Payables	(5,281,136)	(5,897,907)
Other financial liabilities	(78,175)	145,812
Futures commission merchants' equity	356,271	1,341,357
Other liabilities	798,351	(303,595)
Others	2,051	21,287
Net cash provided by operating activities	10,597,003	45,351,652
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in due from Central Bank and call loans to banks	(959,996)	29,976,529
(Increase) decrease in bonds and securities purchased under resell agreements	(4,027,225)	7,872,602
Increase in loans (including delinquent loans)	(23,874,290)	(49,858,599)
Purchase of financial assets carried at cost	(28,205)	(315,820)
Proceeds received on sale of financial assets carried at cost	428,450	132,488
Capital reduction of financial assets carried at cost	9,450	100,767
Purchase of available-for-sale financial assets	(83,702,880)	(59,735,440)

(Continued)



TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

	2009	2008
Proceeds received on sale of available-for-sale financial assets	\$ 79,226,361	\$ 74,786,556
Purchase of held-to-maturity financial assets	(1,386,769,961)	(540,222,780)
Proceeds received from maturity of held-to-maturity financial assets	1,332,443,337	492,399,368
Purchase of investments accounted for by the equity method	(242,881)	(4,000)
Return on liquidation of investments accounted for by the equity method	158,243	-
Proceeds received from sale of consolidated subsidiary	25,825,452	-
Purchase of bond investments without active market	(1,852,163)	-
Proceeds received on sale of bond investments without active market	3,198,980	823,518
Proceeds of sales of property, equipment, leased asset and idle asset	2,178,903	112,057
Purchase of property, equipment, leased asset and idle asset	(2,590,172)	(1,070,415)
(Increase) decrease in refundable deposits	(3,200,810)	3,617,290
(Increase) decrease in operating guarantee deposits and settlement funds	(1,090,823)	138,927
Proceeds received on sale of collaterals	2,381	504,671
Net cash used in investing activities	(64,867,849)	(40,742,281)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in other borrowings	162,000	(5,530,000)
Decrease in commercial paper payable	(321)	(4,593,672)
Decrease in due to Central Bank and banks	(6,820,442)	(26,380,158)
Increase in deposits and remittances	110,719,278	62,718,751
Decrease in bonds and securities sold under repurchase agreements	(22,249,800)	(23,669,205)
(Decrease) increase in bonds payable	(24,100,000)	4,350,000
Increase (decrease) in guarantee deposits	31,009	(21,399)
Capital reduction	-	(634,938)
Remunerations to directors and supervisors, employee bonuses and cash dividends	(2,918,457)	(7,974,239)
Net cash provided by (used in) financing activities	54,823,267	(1,734,860)
EFFECTS FROM CHANGES OF CONSOLIDATED ENTITIES	(5,656,776)	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,104,355)	2,874,511
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	40,473,339	37,598,828
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 35,368,984	\$ 40,473,339
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest	\$ 24,086,746	\$ 41,750,849
Income tax	\$ 678,149	\$ 1,823,021

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 27, 2010)
(Concluded)

. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

1. ORGANIZATION AND CONSOLIDATION POLICY

Taishin Financial Holding Co., Ltd. (" Taishin Financial Holding ") was established by Taishin International Bank Co., Ltd. (" Taishin Bank ") and Dah An Commercial Bank Co., Ltd. (" Dah An Bank ") pursuant to the ROC Financial Holding Company Act and related regulations through a share swap on February 18, 2002. Taishin Financial Holding ' s main business activities are investing and managing its invested financial institutions.

According to Article 4 of the ROC Financial Holding Company Act, a financial holding company should hold controlling interests in a bank, an insurance company or a security firm. Taishin Bank and Dah An Bank established Taishin Financial Holding through a share swap. In forming the holding company, Taishin Bank merged with Dah An Bank, with Taishin Bank as the survivor company. In addition, Taishin Securities Co., Ltd. (" Taishin Securities ") and Taishin Bills Finance Co., Ltd. (" Taishin Bills Finance ") became wholly-owned subsidiaries of Taishin Financial Holding through a share swap effective on December 31, 2002.

In the fourth quarter of 2005, Taishin Financial Holding acquired 1,400,000 thousand shares of preferred stock - B issued by Chang Hwa Commercial Bank, Ltd. (" Chang Hwa Bank ") through private placements. The 22.55% ownership interest with voting rights allows Taishin Financial Holding to take over half of the seats in the board of directors of Chang Hwa Bank. Accordingly, Taishin Financial Holding had controlling power over Chang Hwa Bank. The ownership interest with voting rights in Chang Hwa Bank held by Taishin Financial Holding and subsidiaries was 22.81% as of December 31, 2008. On October 3, 2008, this preferred stock - B had converted into 1,400,000 thousand shares of common stock.

Taishin Bank started its business operations on March 23, 1992. Taishin Bank provides customers with (a) general commercial banking services - commercial lending, foreign exchange transactions, installment 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.

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

Taishin Insurance Agency Co., Ltd. (" Taishin Insurance Agency ") was established in September 1996 and provides life insurance agent service. Taishin Insurance Agency acquired 100% equity interest of Taishin Insurance Brokers Co., Ltd. (" Taishin Insurance Brokers "). In December 2009, Taishin Bank acquired 37.01% interest ownership of Taishin Insurance Agency. The fair value of the identifiable net assets acquired in excess of the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain of \$122,820 thousand, net of income tax expense of \$40,940 thousand.

Taishin Insurance Agency may carry out the organizational restructuring plan to conform to Taishin Bank ' s policy of acquiring 100% equity of Taishin Insurance Agency and recognized the discharge compensation and pension



expense of \$49,565 thousand based on actuarial assumptions in 2009 according to Points for Attention For Settling Seniority in Labor Pension Act. No other liquidation revaluation or reclassification was made because the entity continues to be a going concern.

PayEasy Digital Integration Co., Ltd. (" PayEasy Digital ") was established in April 2000 and its operations include advertising agent and data processing services.

Taishin International Finance Co., Ltd. (" Taishin Finance ") was established in January 1999 and its operations include import and export of foreign exchange, trade financing, guarantee and acceptance. Taishin Finance had gone into liquidation in October 2008 because it did not have the capability of achieving operation purposes.

Chang Hwa Bank was established on March 1, 1947 and got licensed from the Ministry of Economic Affairs in July, 1950. It mainly engages in the following businesses: (a) all commercial banking operations allowed by the Banking Act; (b) trust operations; (c) international banking operations; (d) overseas branch operations authorized by the respective foreign governments; and (e) other operations as authorized by the central authority.

CHB Life Insurance Agency Co., Ltd. (" CHB Life Insurance Agency ") was established on October 3, 2001 to provide life insurance agent service.

CHB Insurance Brokerage Co., Ltd. (" CHB Insurance Brokerage ") was established on April 7, 2003 to provide property insurance broker service.

Taishin Securities was incorporated in October 1988 and its operations include security underwriting, brokerage, margin lending and security transfer services, and other operations approved by the relevant authorities. Taishin Securities was approved to operate brokerage and dealing services related to futures from March 2004.

On June 26, 2009, the stockholders of Taishin Financial Holding and Taishin Securities acknowledged the merger contract with KGI Securities Co., Ltd. (KGI Securities) and KGI Securities is the survivor company. The base date of merger was December 19, 2009.

At the base date of merger, Taishin Securities ' outstanding shares would be cancelled and Taishin Financial Holding would receive the merger price in cash. The ultimate merger after taking all the factors such as disposal of Taishin Securities ' assets, purchase of 4,492,308 shares of Taiwan Futures Co., Ltd. (" Taiwan Futures ") and transaction conditions and variations by the end of 2008, and all the agreement between the two sides would be reviewed and adjusted. The merger price based on Taishin Securities ' audited net worth was about \$28,070,636 thousand. Taishin Financial Holding recognized \$7,759,890 thousand gain on disposal under the merger contract. However, the ultimate merger price and disposal gain have to be determined after that both sides agree to Taishin Securities ' net worth adjustment.

Taishin Financial Holding received \$25,825,452 thousand in cash as of December 31, 2009. The remaining \$2,245,184 thousand, including \$1.5 billion retention money and \$712,085 thousand for the purchase of Taishin Investment Trust Co., Ltd. (" Taishin Investment Trust ") and Taishin Securities Investment Advisory Co., Ltd. (" Taishin Securities Investment Advisory "), was recognized as other receivables.

Taishin Bills Finance commenced operations on March 5, 1998 and its operations include: brokerage and dealing in short-term bills and bonds; underwriting and certifying of, and providing guarantees and endorsements on commercial paper; brokerage of interbank loans between financial institutions; and other businesses approved by the Ministry of Finance (" MOF ").

Taishin Asset Management Co., Ltd. (" Taishin AMC ") was established on August 14, 2002 in accordance with the Company Law and other related laws and obtained Business Certificate on August 27, 2002. Taishin AMC ' s operations include acquisition, evaluation, auction, and management of delinquent loans.

Taishin Marketing Consultant Co., Ltd. (" Taishin Marketing ") was established on November 20, 1998. Its

. Financial Status

operations include investment and enterprise consulting, agent services, acquisition of accounts receivable, real estates and leasing.

Taishin Venture Capital Co., Ltd. (“ Taishin Venture Capital ”) was approved to establish on December 25, 2002. Its operations include engagement in investment start-up.

As of December 31, 2009 and 2008, Taishin Financial Holding and subsidiaries have 12,910 and 15,365 employees, respectively.

Consolidation Policy

In accordance with the amended Statement of Financial Accounting Standard (“ SFAS ”) No. 7 “ Consolidated Financial Statements ” , all investees in which Taishin Financial Holding and subsidiaries have controlling interests should be included in the consolidated financial statements.

In preparing the consolidated financial statements, all material intercompany transactions are eliminated.

Subsidiaries included in the consolidated financial statements as of December 31, 2009 and 2008 were as follows:

Investors ' Names	Subsidiaries ' Names	Ownership Interest (%)		Note
		2009	2008	
Taishin Financial Holding	Taishin Bank	100.00	100.00	
Taishin Financial Holding	Taishin Securities	-	100.00	Taishin Securities was merged with KGI Securities and eliminated on December 19, 2009. Thus, it was not included in the consolidated financial statements.
Taishin Financial Holding	Taishin Bills Finance	100.00	100.00	
Taishin Financial Holding	Taishin AMC	100.00	100.00	
Taishin Financial Holding	Taishin Marketing	100.00	100.00	
Taishin Financial Holding	Taishin Venture Capital	100.00	100.00	
Taishin Financial Holding	Chang Hwa Bank	22.55	22.55	
Taishin Bank	Chang Hwa Bank	0.27	0.27	
Taishin Bank	Taishin Real-Estate	60.00	60.00	
Taishin Bank	Taishin Insurance Agency	87.40	50.40	
Taishin Bank	PayEasy Digital	65.36	66.67	
Taishin Bank	Taiwan Futures	-	6.15	
Taishin Securities	Anew Holdings Ltd. (“ Anew Holdings ”)	-	100.00	Taishin Securities was merged with KGI Securities and eliminated on December 19, 2009. Its subsidiary was no longer a consolidated entity. Thus, its subsidiary was also not included in the consolidated financial statements.
Taishin Securities	Taiwan Futures	-	93.85	Taishin Securities was merged with KGI Securities and eliminated on December 19, 2009. Its subsidiary was no longer a consolidated entity. Thus, its subsidiary was also not included in the consolidated financial statements.
Taishin AMC	Taishin Real-Estate	40.00	40.00	
Taishin Insurance Agency	Taishin Insurance Brokers	100.00	100.00	
Anew Holdings	Taiwan Securities - HK	-	100.00	Anew Holdings is a subsidiary of Taishin Securities which was merged with KGI Securities and eliminated on December 19, 2009. Thus, Anew Holdings and its subsidiary were not included in the consolidated financial statements.
Chang Hwa Bank	CHB Life Insurance Agency	100.00	100.00	
Chang Hwa Bank	CHB Insurance Brokerage	100.00	100.00	



Subsidiaries not included in the consolidated financial statements as of December 31, 2009 and 2008 were as follows:

Investors' Names	Subsidiaries' Names	Ownership Interest (%)		Consolidated as of December 31, 2009	Note
		2009	2008		
Taishin Bank	Dah An Leasing Co., Ltd. (" Dah An Leasing ")	99.00	99.00	No	Dah An Leasing was an equity method investee of Taishin Bank as of December 31, 2009 and 2008. Since its capital only accounted for 0.31% of the consolidated capital, also its total assets were less than 0.01% of the consolidated total assets, and it did not have operating activities, thus, it was not included in the consolidated financial statements.
Taishin Securities	Taiwan Managed Futures Co., Ltd. (" Taiwan Managed Futures ")	-	100.00	No	The entity was an equity method investee of Taishin Securities as of December 19, 2009 and December 31, 2008. However, Taishin Securities was merged with KGI Securities and eliminated on December 19, 2009. Its subsidiary was no longer a consolidated entity. Its capital, total assets and operating income did not reach 0.45% of consolidated capital, of consolidated total assets and of consolidated operating income in 2008. Thus, it was not included in the consolidated financial statements.
Taishin Securities	Taishin Securities Investment Advisory	-	92.00	No	Same as above
Taishin Securities	Taishin Investment Trust	-	45.00	No	Taishin Securities was merged with KGI Securities and eliminated on December 19, 2009. Its subsidiary was no longer a consolidated entity. Thus, it was not included in the consolidated financial statements.
Taishin AMC	Shin Jui Assets Management Co., Ltd. (" Shin Jui AMC ")	100.00	100.00	No	Shin Jui AMC was an equity method investee of Taishin AMC as of December 31, 2009 and 2008. Shin Jui AMC ' s capital, total assets, and operating income did not reach 0.01% of consolidated capital, of consolidated assets, and of consolidated gross income. Thus, it was not included in the consolidated financial statements.
PayEasy Digital	PayEasy Travel Service Co., Ltd. (" PayEasy Travel ")	100.00	100.00	No	PayEasy Travel was an equity method investee of PayEasy Digital as of December 31, 2009 and 2008. Its capital, total assets and operating income did not reach 0.05% of consolidated total assets and of gross income. Thus, it was not included in the consolidated financial statements.
PayEasy Digital	Contect Digital Integration Co., Ltd. (" Contect Digital Integration ")	65.75	100.00	No	Contect Digital Integration was an equity method investee of PayEasy Digital as of December 31, 2009 and 2008. Contect Digital Integration ' s capital, total assets and operating income did not reach 0.02% of consolidated capital and of consolidated total assets. Therefore, it was not included in the consolidated financial statements.
Anew Holdings	TSC Capital Limited	-	100.00	No	TSC Capital was an equity method investee of Anew Holdings as of December 19, 2009 and December 31, 2008. However, Taishin Securities, Anew Holdings ' parent company, was merged with KGI Securities and eliminated on December 19, 2009, its subsidiary was no longer a consolidated entity. Its capital, total assets and operating income did not reach 0.13% of consolidated total assets and of gross income in 2008. Thus, it was not included in the consolidated financial statements.
Anew Holdings	Tai Chen (BVI) Co., Ltd. (" Tai Chen (BVI) ")	-	100.00	No	Same as above
Anew Holdings	Taiwan Securities - HK Nominee	-	100.00	No	Same as above

. Financial Status

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Public Bills Finance Companies, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in ROC. In preparing the consolidated financial statements in conformity with these regulations, guidelines and principles, management may make certain estimates and assumptions, which are related to the financial instrument valuation, allowance for bad debts, depreciation of property and equipment, pensions, income tax, asset impairment loss, reserve for losses or guarantees, bonuses to employees, directors and supervisors, etc. Actual results could differ from these estimates due to changes in operating conditions and assumptions.

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

The significant accounting policies of Taishin Financial Holding and subsidiaries are summarized as follows:

Current/Noncurrent Assets and Liabilities

Except for Taishin Bank and Chang Hwa Bank, assets and liabilities of other subsidiaries are classified into current and noncurrent based on their liquidity. Cash and cash equivalents and those assets which are expected to be realized within one year from the balance sheet date are classified as current assets. All other assets such as property and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent. Because of banking business characteristics, assets and liabilities of Taishin Bank and Chang Hwa Bank are classified according to the nature and the sequence of liquidity.

Since the banking companies account for a substantial portion of the consolidated statements, the consolidated assets and liabilities are classified according to the nature and the sequence of liquidity. Therefore, those assets and liabilities are not classified as current or noncurrent.

Cash and Cash Equivalents

Cash and cash equivalents, consisting of cash in vault, working funds, post-dated checks for clearance, commercial paper, unrestricted deposits, and other financial institution ' s instruments, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

Financial Instruments at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (" FVTPL ") include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. Taishin Financial Holding and subsidiaries recognize a financial asset or a financial liability on



their balance sheets when Taishin Financial Holding and subsidiaries become a party to the contractual provisions of the financial instrument. A financial asset is derecognized when Taishin Financial Holding and subsidiaries have lost control of their contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. For securities companies, all regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. For banks and bills companies, all regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis except for stocks and beneficial certificates which are recognized and derecognized on a trade date basis.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Publicly traded stocks - at closing prices; open-end mutual funds - at net asset values; bonds - at prices quoted by the Taiwan GreTai Securities Market (" GTSM " or the Taiwan ' s Over-the-Counter Securities Exchange) and Bloomberg; and financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Financial assets or financial liabilities designated as at FVTPL are hybrid financial instruments. To eliminate or reduce accounting inconsistency, Taishin Financial Holding and subsidiaries also designated financial assets or liabilities with different accounting policies as at FVTPL on initial recognition. In addition, a portfolio of financial assets, of financial liabilities or of other components under the same risk control policy and investment strategy is designated as at FVTPL. The performance of this portfolio is evaluated by fair values and reported to management.

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 arose from the transactions mentioned above are recorded on accrual basis.

Credit Facilities Receivable

The cost of credit receivable acquired from financial institutions is recognized as the sum of acquisition cost and other necessary expenditures. The recognition of gain or loss from recovery or disposal of credit receivable is based on cost-recovery method and cash basis. Except there is an objective evidence that the fair value of collaterals is greater than the book value of the credit receivable, the gain or loss will not be recognized until the collateral is sold, if the credit receivable is recovered by foreclosing the mortgage. The cost incurred in the period of acquisition and resale is recorded as current operating expenses. Allowances for bad debts are calculated at the end of period based on the estimated uncollectibility of the credit receivable.

. Financial Status

Delinquent Loans

Overdue loans or other credit items including their accrued interest receivables are reclassified to delinquent loans according to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans.

The delinquent loans transferred from loans are reported under loans, while those that are not transferred from loans are reported under other miscellaneous financial assets.

Allowance for Loan Losses and Reserve for Guarantees

Allowance for bad debts and reserve for guarantees of banks and bills companies are estimated based on the uncollectibility of specific loans, receivables, delinquent loans, other financial assets and guarantees as well as the uncollectibility of the overall credit portfolio referred to above.

Management of the banks and the bills companies assesses collectibility of the credit portfolio based on the borrowers' /clients' delinquent status and financial condition in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans and Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserve, and Handle Non-performing Credit, /Non-accrual Loans, and Bad Debt.

The regulations classify deteriorating loans into the "special mentioned", "substandard", "doubtful", and "losses" categories. Provisions should be made at 2%, 10%, 50%, and 100% for each loan category, respectively, as the minimum standard of allowances for bad loans and guarantees.

Unrecoverable portions of delinquent loans are written off upon approval of board of directors. Recovery of delinquent loans previously written off is recognized as recovery of allowance for loan losses.

Consolidated entities other than banking institutions and bills companies assess their allowance for receivables based on their estimated recoverable amounts.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the period. For securities companies, all regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. For banks and bills companies, all regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis except for stocks and beneficial certificates which are recognized and derecognized on a trade date basis.

The recognition, derecognition and the measurement of fair value of available-for-sale financial assets are the same with those of financial assets at FVTPL.

Cash dividends are recognized on the ex-dividend date or upon the shareholders' resolutions, except for dividends distributed from the pre-acquisition profit which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the effective interest method, with the amortized interest recognized in profit or loss.



Financial Asset Securitization

According to the Statute for Financial Asset Securitization, mortgage loans, credit cards receivable and their related rights owned by the original institution can be transferred to a specific purpose trust for issuing beneficiary certificates and funds raised from such issuance should be transferred to the original institution. Under such structure, controls over the contractual rights of such financial assets had been transferred to the buyers of the beneficiary certificates, except for subordinated beneficiary securities issued for the purpose of credit enhancement. Therefore, the transferred financial assets are derecognized and any resulting gains or losses are recognized in the profit or loss.

Difference between the carrying amount and selling price of the loans is recognized as gain or loss. The carrying amount is allocated between the assets sold and the retained interests based on their fair market values on the date of transfer. Because there is no market price for the retained right, fair value is assessed by making the best estimate of loss rate on the creditor's right, advanced principal repayment rate and discount rate of related risks to project the present value of future cash flows.

For the subordinate asset backed securities with no quoted prices in an active market, interest received from the trustee institutions is recognized as income for the period. The value of subordinate beneficiary securities is evaluated at the present value of future cash flow on the balance sheet date.

Held-to-maturity Financial Assets

Held-to-maturity financial assets are carried at amortized cost using the effective interest method. Held-to-maturity financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired, or amortized. All regular way purchases or sales of financial assets are accounted for using a settlement date basis.

Investments Accounted for by the Equity Method

Investments in which Taishin Financial Holding and subsidiaries exercise significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

Prior to January 1, 2006, the difference between the acquisition cost and the investor's proportionate share in the investee's equity was amortized by the straight-line method in five to twenty years. Effective January 1, 2006, pursuant to the revised SFAS No. 5 "Long-term Investments Accounted for by Equity Method", the acquisition cost is analyzed, and the acquisition cost in excess of the investor's share of the fair value of the identifiable net assets acquired is recognized as goodwill. Such goodwill is not amortized. Effective January 1, 2006, the accounting treatment for the unamortized investment premium arising on acquisitions before January 1, 2006 is the same as that for goodwill and the premium is no longer being amortized.

When the investor subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the investor records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings.

The investor records the change in its equity in the investee's cumulative translation adjustments and other item of stockholders' equity proportionately as an adjustment to investments.

. Financial Status

Other Financial Assets

Financial assets carried at cost are investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured including non-publicly traded stocks and stocks traded in the Emerging Stock Market. These financial assets carried at cost are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is similar to that for dividends on available-for-sale financial assets.

Bond investments without active market are bond investments with fixed or determinable payments and with no quoted prices in an active market. These bond investments without active market are carried at amortized cost under using the effective interest method. The accounting policy for such bond investments is similar to that for held-to-maturity financial assets, except for the restriction of disposal.

Hedging Derivative Financial Instruments

Derivatives that qualify as effective hedging instruments are measured at fair value, with subsequent changes in fair value recognized either in profit or loss, or in shareholders' equity, depending on the nature of the hedging relationship.

Property, Equipment, Leased Asset and Idle Asset

Property, equipment, leased asset and idle asset are stated at cost plus revaluation increment less accumulated depreciation. Major additions and improvements to these assets are capitalized, while costs of repairs and maintenance are expensed currently.

Depreciation is calculated using the straight-line method over the assets' useful lives based on guidelines prescribed by the government, and leasehold improvements are amortized over the lease terms. The related costs (including revaluation increment), accumulated depreciation, and any unrealized revaluation increment of an item of property and equipment are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in other non-interest net income or loss in the year of disposal.

Goodwill

Goodwill arising on acquisition of companies was previously amortized over the estimated life of five to twenty years based on a straight-line basis. Effective January 1, 2006, based on a newly released SFAS No. 25 "Accounting for Business Combination under Purchase Method", goodwill is no longer amortized and instead is tested for impairment annually.

Deferred Assets and Other Assets

Deferred charges including computer software and other deferred assets are classified as intangible assets and amortized on a straight-line basis over the related service lives.

Assumed collaterals and residuals are recorded at cost.

According to the Regulations Governing the Preparation of Financial Reports by Securities Firms, the accounts related to consigned trades are reclassified as client's position - debit (including bank settlement account, proceeds receivable of securities purchased for customers, settlement prices, settlement accounts receivable, and margin transactions) and client's position - credit (including price payable of securities sold for customers, settlement accounts payable, marginal and securities borrowers payable), respectively, and are reported at net amounts.



Impairment of Assets

If there is an objective evidence of impairment, impairment loss on available-for-sale financial assets is recognized. In subsequent periods, the recovery of impairment loss of equity investments is recognized as other items of stockholders' equity; the recovery of impairment loss of debt investments is recorded in net income or loss for the period if the recovery can be objectively related to an event occurring after the loss was recognized.

If there is an objective evidence of impairment, impairment loss of held-to-maturity financial assets and investments in bonds which are not actively traded in market is recognized. In subsequent periods, the recovery of impairment loss is recorded in net income or loss for the period if the recovery can be objectively related to an event occurring after the loss was recognized. However, the book value after the loss reversal should not exceed the carrying amount that no impairment loss had been recognized for the asset in prior years.

If there is an objective evidence of impairment, the impairment loss of financial assets carried at cost is recognized and cannot be reversed thereafter.

Assets which are adopted SFAS No. 35 are evaluated whether there is any indication that the assets may be impaired, except for the financial assets mentioned above. If evidence of impairment does exist and the recoverable amount of an asset or cash-generating units (" CGU ") is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revaluated amount. If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revaluated amount, in which case the reversal of the impairment loss is treated as an increase in the unrealized revaluation increment.

Annual impairment test should be conducted for goodwill regardless of whether indication of impairment exists or not. An impairment loss is recognized when recoverable amount is less than its carrying amount. A reversal of an impairment loss on goodwill is disallowed.

Stock-based Compensation

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the ARDF. Taishin Financial Holding adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period.

Pension Cost

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the period in which employees render services. Curtailment or settlement gains or losses of the defined benefit plan are recognized as part of the net periodic pension cost for the period.

Convertible Bonds

For convertible bonds issued on or after January 1, 2006, if bondholders may exchange a specific number or amount of bonds for a specific number of equity instrument, the company first determines the carrying amount of the liability component by measuring the fair value of a similar liability (including any embedded non-equity derivatives) that does not have an associated equity component, then determines the carrying amount of the

. Financial Status

equity component, representing the equity conversion option, by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole. If the convertible bonds do not contain an associated equity component, the company determines the carrying amount of the liability component by deducting the fair value of the embedded derivatives from the fair value of these convertible bonds.

The liability component (excluding the embedded non-equity derivatives) is measured at amortized cost using the effective interest method, while the embedded non-equity derivatives are measured at fair value. Upon conversion, Taishin Financial Holding may use the aggregate carrying amount of the liability and equity components of the bonds at the time of conversion as a basis to record the common shares issued.

Pursuant to a newly released SFAS, transaction costs of bonds issued on or after January 1, 2006, net of related income tax benefit, are allocated in proportion to the liability and equity components of the bonds.

Hedge Accounting

Chang Hwa Bank enters into derivative transactions to manage interest risk exposures arising from assets and liabilities. To avoid the fair value risk resulted from the variation of market interest rate in fixed interest liabilities, these transactions are accounted as fair value hedge. When engaging in hedge transactions, Chang Hwa Bank prepared formal designation and documentation, which contained the hedging relationship between the hedging instruments and the hedged items, the risk management objectives, the hedge strategies, and the method to evaluate the effectiveness.

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item as follows:

The gain or loss from remeasuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss.

Foreign Currency Transactions

The financial statements of foreign operations are translated into New Taiwan dollars at the following exchange rates:

- a. Assets and liabilities - at exchange rates prevailing on the balance sheet date;
- b. Shareholders' equity - at historical exchange rates;
- c. Dividends - at the exchange rate prevailing on the dividend declaration date;
- d. Income and expenses - at average exchange rates for the year.

Exchange differences arising from the translation of the financial statements of foreign operations are recognized as a separate component of shareholders' equity. Such exchange differences are recognized in profit or loss in the year in which the foreign operations are disposed of.

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.



Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

Income Recognition

Income is recognized in accordance with SFAS No. 32 “Accounting for Income Recognition”.

The interest income on loans is recognized on an accrual basis. 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 ceased. Interest income will be recognized when the delinquent interest is collected. According to the regulations issued by MOF, 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.

Brokerage commission, gain on sale of securities and futures commission are recognized on the trading day.

Interest on margin loans and bonds purchased under resell agreements is accrued according to the term stated in the financing and trading contract.

Purchasing commission is recognized when the commission is received; underwriting commission is recognized at the completion of the underwriting contracts.

Other operating income is estimated on an accrual basis and recognized when the income is realized or realizable according to the contracts.

Income Tax

The inter-year and intra-year tax allocations are applied for income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized.

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized using the flow-through method.

Adjustment of prior years' income tax payable is recognized as current income tax expense.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

As the Income Tax Act is amended, deferred tax assets and liabilities will be reestimated in the year of its promulgation. The effects of the changes in deferred tax assets and liabilities, the difference between the reestimated amount and the original amount, are recognized in the current period.

Taishin Financial Holding and its more than 90% owned subsidiaries adopt the linked-tax system for tax filings. Differences between current and deferred income tax expenses on consolidated entity basis and those on nonconsolidated entity basis are adjusted in Taishin Financial Holding's income tax expenses. Related reimbursement and appropriation are recognized as receivables or payables.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2008 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the year ended December 31, 2009.

. Financial Status

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Bonuses to Employees, Directors and Supervisors

In March 2007, the ARDF issued Interpretation 2007-052 that requires companies to recognize remunerations to directors and supervisors and employee bonuses as compensation expenses since January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in an increase of \$199,025 thousand in consolidated net loss and an increase in basic loss per share of \$0.008 for the year ended December 31, 2008.

Accounting for Financial Instruments

On July 1, 2008, Taishin Financial Holding and subsidiaries adopted the newly amended SFAS No. 34, "Financial Instruments: Recognition and Measurement". The amendments to SFAS No. 34 mainly deal with reclassification of financial assets held for trading purpose and of available-for-sale financial assets that met the definition of bond investments without active market. Chang Hwa Bank adopted the amendment mentioned above to reclassify certain financial assets. Please refer to Note 36 for relevant information regarding reclassifications of financial instruments.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2009	2008
Cash on hand	\$ 12,299,779	\$ 12,360,308
Checks for clearing	5,902,365	11,679,895
Due from banks	14,590,066	11,938,272
Others	2,576,774	4,494,864
	<u>\$ 35,368,984</u>	<u>\$ 40,473,339</u>

5. DUE FROM CENTRAL BANK AND CALL LOANS TO BANKS

	December 31	
	2009	2008
Reserve for checking account	\$ 19,776,450	\$ 14,577,734
Reserve for demand account	46,166,887	41,632,358
Reserve for foreign deposit	293,568	180,368
Call loans to banks	41,388,832	69,278,086
Certificate of deposits issued by Central Bank	110,300,000	90,900,000
Others	228,699	625,894
	<u>\$ 218,154,436</u>	<u>\$ 217,194,440</u>

Taishin Bank and Chang Hwa Bank are required to maintain reserve balances in the Central Bank. These reserves amounted to \$66,236,905 thousand and \$56,390,460 thousand as of December 31, 2009 and 2008, respectively.



6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2009	2008
Trading-purpose financial assets		
Investment in bills	\$ 25,978,921	\$ 23,367,166
Quoted stocks and mutual funds	828,669	771,880
Government bonds	5,626,185	4,870,488
Corporate bonds, financial debentures and other bonds	5,888,694	6,281,156
Trading securities		
Dealing	-	7,133,149
Underwriting	-	1,319,470
Hedging	-	39,208
Futures	273,243	335,776
Forward exchange contracts	842,449	1,599,673
Currency swaps	1,576,516	2,465,173
Interest rate swaps	12,692,030	20,366,198
Cross-currency swaps	845,792	1,064,897
Currency options	425,569	1,112,684
Interest rate options	69,348	159,847
Asset-swap options	-	26,716
Equity-linked options	194,958	59,500
Equity-linked swaps	54,435	85,023
Credit default swaps	28,090	599,538
Commodity options	1,149,765	12,852,889
Others	53,367	95,957
	<u>56,528,031</u>	<u>84,606,388</u>
Financial assets designated upon initial recognition at fair value through profit or loss		
Interest-rate combination instruments	2,038,112	2,093,241
	<u>\$ 58,566,143</u>	<u>\$ 86,699,629</u>

Please refer to Note 33 for relevant information regarding financial assets at FVTPL pledged as collaterals as of December 31, 2009 and 2008.

The par values of those financial assets at FVTPL provided for transactions with repurchase agreements were \$17,789,300 thousand and \$33,915,250 thousand as of December 31, 2009 and 2008, respectively.

	December 31	
	2009	2008
Trading-purpose financial liabilities		
Forward exchange contracts	\$ 755,982	\$ 1,803,888
Currency swaps	1,335,303	1,292,661
Interest rate swaps	12,488,419	20,373,365
Cross-currency swaps	1,162,257	757,409
Currency options	203,618	857,231
Interest rate options	77,643	192,423
Conversion-price-reset options and call options for convertible bond	598,178	279,635
Equity-linked options	561,940	71,937
Asset-swap options	11,510	21,740
Commodity options	1,149,765	12,852,891
Securities borrowing	615,650	473,782
Warrants	-	17,761
Equity-linked swaps	54,435	85,023
Credit default swaps	35,731	600,345
Asset based commercial papers	23,575	43,892
Others	268,417	33,262
	<u>\$ 19,342,423</u>	<u>\$ 39,757,245</u>

. Financial Status

Taishin Bank engages in various derivative instruments to fulfill customers' needs, as well as to manage Taishin Bank's asset and liability positions and risk.

Chang Hwa Bank engages in various derivative instruments to eliminate the risk arising from exchange rate and interest rate fluctuations in the market. The purpose of Chang Hwa Bank's hedging strategy is to eliminate the market price risk and cash flow risk.

The nominal principal amounts of outstanding derivative contracts as of December 31, 2009 and 2008 were as follows:

	December 31	
	2009	2008
Outstanding derivative contracts		
Trading-purpose		
Forward exchange contracts	\$ 108,390,390	\$ 106,390,755
Currency swaps	258,173,594	142,408,172
Interest rate swaps and asset swaps	839,121,415	1,325,025,373
Cross-currency swaps	45,952,645	44,547,610
Forward interest rate agreements	-	500,000
Futures	1,073,061	572,436
Future and electronic index options	-	20,696
Currency options	50,839,025	25,012,928
Interest rate options	23,082,700	86,672,700
Bond options	-	800,000
Equity-linked options	4,874,510	4,664,479
Commodity options	33,322,699	91,504,355
Credit default swaps	10,644,566	10,470,608
Equity-linked swaps	2,324,609	2,891,549
Commodity swaps	35,345	1,672,844
Fixed rate commercial papers	1,090,000	3,770,000
Assets based commercial papers	4,528,900	5,099,800

The interest rate swaps contracts as of December 31, 2009 and 2008 including the notional amounts of the embedded interest rate swaps were \$600,000 thousand and \$7,000,000 thousand, respectively. Taishin Bank separated these embedded interest rate swaps from the hybrid instruments in accordance with SFAS No. 34 "Financial Instruments: Recognition and Measurement."

Net gain of financial assets for trading purpose for the years ended December 31, 2009 and 2008 was \$7,445,724 thousand (including gain on valuation of \$1,680,176 thousand, gain on disposal of \$5,758,898 thousand, and dividend revenue of \$6,650 thousand) and \$2,509,083 thousand (including loss on valuation of \$1,203,972 thousand, gain on disposal of \$3,648,193 thousand, and dividend revenue of \$64,862 thousand, respectively).

Net loss of financial liabilities for trading purpose for the years ended December 31, 2009 and 2008 was \$4,025,919 thousand (including loss on valuation of \$1,290,538 thousand and loss on disposal of \$2,735,381 thousand) and \$4,175,577 thousand (including loss on valuation of \$733,066 thousand and loss on disposal of \$3,442,511 thousand, respectively).



7. RECEIVABLES, NET

	December 31	
	2009	2008
Notes and accounts receivable	\$ 75,778,364	\$ 65,467,238
Margin loans receivable	429,404	7,584,046
Acceptance receivable	8,738,565	7,046,822
Revenue receivable	269,732	206,704
Interest receivable	3,423,027	6,191,290
Tax refund receivable	2,269,240	2,629,214
Asset based security refund receivable	-	7,280,830
Installment receivable	6,291,193	4,004,687
Other receivables	6,241,939	5,941,568
Less: Allowance for receivables	(1,145,340)	(1,443,107)
	<u>\$ 102,296,124</u>	<u>\$ 104,909,292</u>

8. LOANS

The details of loans are as follows:

	December 31	
	2009	2008
Negotiated	\$ 3,438,656	\$ 3,196,099
Overdrafts	6,411,845	3,893,706
Discounts	4,273,603	4,310,460
Short-term loans	372,898,077	413,853,595
Medium-term loans	432,146,502	435,134,592
Long-term loans	691,177,456	631,496,351
Delinquent loans	15,271,106	23,296,544
Gross loans	1,525,617,245	1,515,181,347
Less: Allowance for loan losses	(19,391,117)	(23,346,493)
	<u>\$ 1,506,226,128</u>	<u>\$ 1,491,834,854</u>

Allowance for loan losses is as follows:

	Year Ended December 31, 2009			
	Receivables	For Losses on Particular Loans	For Losses on the Overall Loan Portfolio	Total
Balance, January 1, 2009	\$ 1,443,107	\$ 9,782,763	\$ 13,563,730	\$ 24,789,600
Reclassification at beginning of the year	-	826,950	-	826,950
Provision (reverse) for loan losses	372,687	2,912,329	(56,854)	3,228,162
Reclassification during this year	(406,000)	406,000	-	-
Loans written off	(476,359)	(14,095,384)	(25,487)	(14,597,230)
Recovery of loans written off	247,190	6,470,123	-	6,717,313
Reclassified as other financial assets	-	(518,696)	-	(518,696)
Reclassification from reserve for guarantees	(35,044)	154,679	3,053	122,688
Others	(241)	(26,204)	(5,885)	(32,330)
Balance, December 31, 2009	<u>\$ 1,145,340</u>	<u>\$ 5,912,560</u>	<u>\$ 13,478,557</u>	<u>\$ 20,536,457</u>

. Financial Status

	Year Ended December 31, 2008			
	Receivables	For Losses on Particular Loans	For Losses on the Overall Loan Portfolio	Total
Balance, January 1, 2008	\$ 859,668	\$ 7,050,416	\$ 12,074,621	\$ 19,984,705
Reclassification at beginning of the year	-	755,033	-	755,033
Provision for loan losses	1,109,945	14,814,999	1,630,169	17,555,113
Reclassification during this year	2,099	-	(2,099)	-
Loans written off	(851,676)	(19,860,220)	(148,981)	(20,860,877)
Recovery of loans written off	318,161	7,492,318	-	7,810,479
Reclassified as other financial assets	-	(826,950)	-	(826,950)
Reclassification from reserve for guarantees	1,634	368,279	-	369,913
Others	3,276	(11,112)	10,020	2,184
Balance, December 31, 2008	<u>\$ 1,443,107</u>	<u>\$ 9,782,763</u>	<u>\$ 13,563,730</u>	<u>\$ 24,789,600</u>

Details of provision for loan losses for the years ended December 31, 2009 and 2008 were as follows:

	2009	2008
Provision for receivable and loan losses	\$ 3,228,162	\$ 17,555,113
Reserve for guarantees	<u>206,377</u>	<u>65,716</u>
	<u>\$ 3,434,539</u>	<u>\$ 17,620,829</u>

9. AVAILABLE-FOR-SALE FINANCIAL ASSET

	December 31	
	2009	2008
Investment in bills	\$ 5,012,859	\$ 1,144,312
Domestic quoted stocks	2,216,509	933,414
Government bonds	34,269,274	37,162,123
Corporate bonds and financial debentures	29,237,467	24,889,645
Asset based securities	2,579,010	6,182,755
Mutual funds	<u>1,014,229</u>	<u>51,277</u>
	<u>\$ 74,329,348</u>	<u>\$ 70,363,526</u>

Please refer to Note 33 for relevant information regarding available-for-sale financial assets pledged as collaterals as of December 31, 2009 and 2008.

Taishin Securities recognized \$4,015 thousand impairment loss on the investments in Taiwan Integrated Shareholder Service Company and ING Securities Co., Ltd. because the investment cost was impaired and chances to recover were rare for the year ended December 31, 2009.

Afer suffering from financial meltdown, Lehman Brothers and banks in Iceland declared bankruptcy. As a result, Chang Hwa Bank recognized \$1,388,566 thousand impairment loss on the bond investments issued by Kaupthing Bank, Lehman Brother and Giltair Bank for the year ended December 31, 2008.

The par values of bond investments in available-for-sale financial assets provided for transactions with repurchase agreements were \$16,012,500 thousand and \$19,337,400 thousand as of December 31, 2009 and 2008, respectively.



Asset based securities were from the securitization transactions of mortgage loans and credit card receivables entrusted by Taishin Bank in the first quarter of 2004 and in the second quarter of 2005, respectively. In the two sales, Taishin Bank reserved D asset based securities with carrying value of \$339,512 thousand and \$400,000 thousand, respectively. In addition, Chang Hwa Bank also entrusted its mortgage loans to other bank in the fourth quarter of 2004 and reserved D asset based securities with carrying value of \$375,056 thousand. In response to the drastic market change in credit card business, Taishin Bank entrusted more credit card receivables to the credit card trust accounts and subscribed for all the asset based securities "D" amounting to \$1,600,000 thousand issued by the specific trust for the year ended December 31, 2006.

Taishin Bank - Information on Asset Based Securities of Entrusted Mortgage Loans

In the first quarter of 2004, Taishin Bank entrusted mortgage loans with a carrying value of \$4,724,512 thousand to Deutsche Bank - Taipei Branch, which will issue asset based securities on these loans, with terms from March 30, 2004 to June 21, 2026.

Security Features	A	B	C
Issue amount	\$ 3,850,000	\$ 350,000	\$ 185,000
Issue price	Face value	Face value	Face value
Interest rate per annum	ARMS* rate on the interest-determination date plus 0.25%. If securities are not redeemed by the issuer on the first exercise date, the interest rate will plus additional 0.125%.	ARMS rate on the interest-determination date plus 0.60%. If securities are not redeemed by the originator on the first exercise date, the interest rate will plus additional 0.30%.	ARMS rate on the interest-determination date plus 0.85%. If securities are not redeemed by the originator on the first exercise date, the interest rate will plus additional 0.425%.

*Note : " ARMS " means adjustable rate mortgages.

Taishin Bank holds D securities, with face value of \$339,512 thousand, and the right to claim residual interests after paying fixed interests of A, B, and C securities. If the borrowers are not able to repay the loans on maturity, investors and Deutsche Bank - Taipei Branch do not have recourse to Taishin Bank ' s other assets. The right to claim loan principal follows the investors ' rights, and its value depends on the credit risks, advanced principal payments and interest risks on the principal transferred. Taishin Bank made advance redemption of the residual outstanding asset based securities of entrusted mortgage loans in June 2009, which was totally paid off as of December 31, 2009.

(a) Assumptions used to evaluate retained interests

Basic assumptions used to evaluate retained interests on entrustment day in 2004 were as follows:

	Rights to Residential Mortgages
Projected principal repayment rate (% per annum)	20.00%
Estimated weighted average number of years	15.58
Estimated loss rate of credit (% per annum)	1.42%
Discount rate of remaining cash flows (% per annum)	5.30%

. Financial Status

(b) Sensitivity analysis

Basic economic assumptions and influences of 10% to 20% unfavorable change in fair value were as follows:

	Rights to Residential Mortgages	
	December 31, 2008	
Fair value of retained interests	\$	335,652
Discount rate of remaining cash flow (% per annum)		2.35%
Projected principal repayment rate (% per annum)		24%
Estimated weighted average number of years		10.83 year
Influence of 10% unfavorable change in fair value	\$	(210)
Influence of 20% unfavorable change in fair value	\$	(439)
Estimated loss rate of credit (% per annum)		0.60%
Influence of 10% unfavorable change in fair value	\$	(118)
Influence of 20% unfavorable change in fair value	\$	(235)

(c) The loss rate of a static portfolio equals the estimated loss rate on credits because there was no actual credit loss for the securitized mortgage loans.

(d) Cash inflows from and cash outflows to securitization trustees were as follows:

	Rights to Residential Mortgages	
	Year Ended December 31, 2008	
Other cash inflows from retained interests	\$	11,507

Taishin Bank - Information on Asset Based Securities of Entrusted Credit Card Receivables

In the second quarter of 2005, Taishin Bank entrusted credit card receivables with a carrying value of \$11,752,793 thousand to HSBC - Taipei Branch, which will issue asset based securities and seller's equity securities on these receivables, with terms from May 31, 2005 to November 30, 2010.

Security Features	A	B	C
Issue amount	\$ 8,700,000	\$ 500,000	\$ 400,000
Issue price	Face value	Face value	Face value
Interest rate per annum	Reference rate*	Reference rate* plus 0.4%.	Reference rate* plus 0.8%.

*Note: Reference rate is the 90-day commercial paper rate in the primary market, provided on page 51328 of the Moneyline Telerate at 11:30 am on the previous date of the interest-bearing period.

Taishin Bank holds D securities, with face value of \$2,000,000 thousand (including additional issue of D securities with face value of \$1,600,000 thousand), and the right to claim residual interests after paying fixed interests of A, B, and C security. If the borrowers are not able to repay the loans on maturity, investors and HSBC - Taipei Branch do not have recourse to Taishin Bank's other assets. The right to claim loan principal follows the investors' rights, and its value depends on the credit risks, advanced principal payments, and interest risks on the principal transferred. In May, August and November of 2008 and February of 2009, Taishin Bank settled the all payment of A securities subsequently by paying \$2,175,000 thousand each time. In May of 2009, Taishin Bank settled the payment of B, C, and D securities by paying \$500,000 thousand, \$400,000 thousand and \$2,000,000 thousand, respectively. The asset based securities of entrusted credit card receivable were totally paid off as of December 31, 2009.



(a) Assumptions used to evaluate retained interests

Basic assumptions used to evaluate retained interests on entrustment day in 2005 were as follows:

	Rights to Credit Card Receivables
Projected principal repayment rate (% per month)	17.60%
Estimated weighted average number of years	0.47
Estimated loss rate of credit (% per annum)	4.80%
Discount rate of remaining cash flows (% per annum)	25.00%

(b) Sensitivity analysis

Basic economic assumptions and influences of 10% to 20% unfavorable change in fair value were as follows:

	Rights to Credit Card Receivables
	December 31, 2008
Fair value of retained interests	\$ 2,078,179
Discount rate of remaining cash flow (% per annum)	13.50%
Projected principal repayment rate (% per month)	35.43%
Estimated weighted average number of years	0.24
Influence of 10% unfavorable change in fair value	\$ (66,242)
Influence of 20% unfavorable change in fair value	\$ (132,483)
Estimated loss rate of credit (% per annum)	5.52%
Influence of 10% unfavorable change in fair value	\$ (30,792)
Influence of 20% unfavorable change in fair value	\$ (61,585)

(c) The loss rate of a static portfolio equals the estimated loss rate on credits because there was no actual credit loss for the securitized credit card receivables.

(d) Cash inflows from and cash outflows to securitization trustees were as follows:

	Rights to Credit Card Receivables
	Year Ended December 31, 2008
Other cash inflows from retained interests	\$ 135,182

Chang Hwa Bank - Information on Asset Based Securities of Entrusted Mortgage Loans

In December 2004, Chang Hwa Bank entrusted mortgage loans with carrying value of \$5,375,056 thousand to Deutsche Bank - Taipei Branch, which will issue asset based securities on these loans, with terms from December 20, 2004 to August 20, 2025.

Designation	Interest rate	Class Initial Principal Amount
Class A1	0.02% + ARMS	\$ 2,365,000
Class A2	0.37% + ARMS	2,365,000
Class B	0.55% + ARMS	135,000
Class C	0.65% + ARMS	135,000
Class D	None	375,056

. Financial Status

Chang Hwa Bank holds D securities of \$375,056 thousand as available-for-sale financial assets with the right to claim residual interests after paying fixed interest of Class A1, A2, B and C securities. If the borrowers are not able to repay the loans on maturity, investors and Deutsche Bank - Taipei Branch do not have recourse to Chang Hwa Bank's other assets. The right to claim loan principal follows the investors' rights, and its value depends on the credit risks, advanced principal payments and interest risk on the principal transferred.

Chang Hwa Bank made advance redemption of the residual outstanding asset-based securities of entrusted mortgage loans in July 2009, which was totally paid off as of December 31, 2009.

(a) Assumptions used to evaluate retained interests

Basic assumptions used to evaluate retained interests on entrustment day in 2004 were as follows:

	Rights to Residential Mortgages
	Year Ended December 31, 2008
Projected principal repayment rate (% per annum)	39.3%
Estimated weighted average number of years	1.5
Estimated loss rate of credit (% per annum)	2%
Discount rate of remaining cash flow	3.2%

(b) Sensitivity analysis

Basic economic assumptions and influences of 10% to 20% unfavorable change in fair value were as follows:

	Rights to Residential Mortgages
	December 31, 2008
Fair value of retained interest	\$ 377,592
Estimated weighted average number of years	1.5
Projected principal repayment rate	39.3%
Influence of 10% unfavorable change in fair value	\$ (4,660)
Influence of 20% unfavorable change in fair value	\$ (6,495)
Estimated loss rate of credit (% per annum)	2%
Influence of 10% unfavorable change in fair value	\$ (335)
Influence of 20% unfavorable change in fair value	\$ (669)

(c) The loss rate of a static portfolio equals the estimated loss rate on credits because there was no actual credit loss for the securitized mortgage loans.

(d) Cash inflows from and cash outflows to securitization trustees were as follows:

	Rights to Residential Mortgages	
	Years Ended December 31	
	2009	2008
Other cash inflows from retained interest	\$ 4,843	\$ 16,939
Service revenue	1,276	3,508
Cash flows from settlement of trust securitization	57,516	-

10. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2009	2008
Investment in bills	\$ 217,089,111	\$ 158,396,798
Government bonds	2,455,514	9,836,390
Corporate bonds and financial debentures	16,892,243	13,932,975
Asset based securities	72,798	191,833
	<u>\$ 236,509,666</u>	<u>\$ 182,357,996</u>



Please refer to Note 33 for relevant information regarding held-to-maturity financial assets pledged as collaterals as of December 31, 2009 and 2008.

After suffering from financial meltdown, Lehman Brothers and banks in Iceland declared bankruptcy. As a result, Chang Hwa Bank recognized \$150,613 thousand impairment loss on the bond investments issued by Kaupthing Bank for the year ended December 31, 2008.

The par values of bonds investments in held-to-maturity financial assets provided for transactions with repurchase agreements were \$624,100 thousand and \$3,740,400 thousand as of December 31, 2009 and 2008, respectively.

11. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2009		2008	
	Carrying Value	Ownership Interest (%)	Carrying Value	Ownership Interest (%)
Unquoted stocks				
Taishin Securities Investment Advisory	\$ -	-	\$ 330,523	92
Taiwan Managed Futures	-	-	158,604	100
Taishin Investment Trust	-	-	131,278	45
Tai Chen (BVI)	-	-	56,442	100
TSC Capital Limited	-	-	53,085	100
Dah An Leasing	162,252	99	161,666	99
PayEasy Travel	16,119	100	13,715	100
An Hsin Real-Estate Management Co., Ltd. (" An Hsin Real-Estate ")	45,819	30	48,343	30
Shin Jui AMC	-	100	883	100
Contect Digital Integration	1,274	66	3,000	100
	<u>\$ 225,464</u>		<u>\$ 957,539</u>	

Based on the investees' financial statements for the years ended December 31, 2009 and 2008, the amounts of investment income (loss) recognized under equity method were as follows:

	2009		2008	
	Individual Net Income (Loss)	Investment Income (Loss) Recognized	Individual Net Income (Loss)	Investment Income (Loss) Recognized
Taishin Securities Investment Advisory	\$ (11,487)	\$ (10,568)	\$ (1,158)	\$ (1,065)
Taiwan Managed Futures	-	-	(5,698)	(5,698)
Taishin Investment Trust	14,826	17,060	(39,392)	(17,728)
Tai Chen (BVI)	36,722	36,722	(26,623)	(26,623)
TSC Capital Limited	(23,424)	(23,424)	(18,260)	(18,260)
Dah An Leasing	592	586	2,655	2,629
PayEasy Travel	2,745	2,765	4,245	4,245
An Hsin Real-Estate	27,371	8,211	39,850	11,560
Shin Jui AMC	(900)	(900)	(117)	(117)
Contect Digital Integration	(5,362)	(3,526)	-	-
		<u>\$ 26,926</u>		<u>\$ (51,057)</u>

. Financial Status

12. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2009	2008
Domestic emerging market stocks	\$ -	\$ 381,173
Domestic and oversea unquoted stocks	8,863,552	9,240,171
Mutual funds without active market	369,200	497,650
	<u>\$ 9,232,752</u>	<u>\$ 10,118,994</u>

Among the financial assets carried at cost held by Taishin Venture Capital, the net worth of Sparq Taiwan Co., Ltd., First Telecom Co., Ltd., Doble Edge Entertainment Co., Ltd., Concord IV Venture Capital Co., Ltd., Kwan-Hwa Venture Capital Corp., Century Development Corp. and Sim2travel Inc. were impaired and chances to recover were rare. Therefore, Taishin Venture Capital recognized impairment losses of \$16,840 thousand and \$37,681 thousand for the years ended December 31, 2009 and 2008, respectively.

VISA restructured as VISA Inc. in 2007 and recalculated its members' equity based on the annual financial report as of December 31, 2007. As of December 31, 2008, Taishin Bank had received cash \$935,902 thousand and common stock 560,331 shares and recognized revenue of \$1,665,732 thousand.

13. OTHER MISCELLANEOUS FINANCIAL ASSETS

	December 31	
	2009	2008
Bond investments without active market	\$ 15,807,338	\$ 16,371,325
Customers' margin accounts	-	7,463,736
Delinquent loans reclassified from other items (excluding loans)	769,205	990,312
Less: Allowance for bad debt	(518,696)	(826,950)
Inward remittance	42,290	33,192
Others	-	30,078
	<u>\$ 16,100,137</u>	<u>\$ 24,061,693</u>

Chang Hwa Bank recognized \$132,672 thousand impairment loss on Saudi Arabia Security (Golden Belt) for the year ended December 31, 2009, for the reason that the assets of Saad Group, Golden Belt's master group, was blocked by Saudi Arabia government, resulting in capital allocation difficulty and slash in security price.

After suffering from financial meltdown, Lehman Brother and banks in Iceland declared bankruptcy. As a result, Chang Hwa Bank recognized \$191,602 thousand impairment loss on the bond investments issued by Kaupthing Bank for the year ended December 31, 2008.

The details of customers' margin accounts were as follows:

	December 31, 2008
Bank deposits	\$ 6,265,794
Balance in futures clearing houses	
Bank deposits	1,001,438
Receivables from (payables to) daily settlement price differences	(85,544)
Balance in settlement institutes	
Bank deposits	308,665
Gain/loss on open interests	(26,617)
	<u>\$ 7,463,736</u>



According to Article 70 of the Futures Trading Law, creditors of the futures commission merchants or designated institutions shall not file an attachment suit or claim any rights on the segregated customers' margin accounts. Bank deposits refer to the account balances of customers' margin accounts keeping futures commission merchants' trading margins in the banks.

The clearing balance of the futures clearing house refers to the trading margins and rights of futures commission merchants transferred by a clearing member with its futures clearing house.

Other clearing balance of the futures commission merchants refers to the trading margins and rights of futures commission merchants transferred by a clearing non-member with its futures clearing house to those of a clearing member with its futures clearing house.

14. PROPERTY AND EQUIPMENT

	December 31			
	2009		2008	
	Cost	Accumulated Depreciation	Carrying Value	Carrying Value
Land	\$ 27,794,896	\$ -	\$ 27,794,896	\$ 28,141,214
Buildings	16,682,347	(4,849,026)	11,833,321	11,587,389
Machinery equipment	8,997,885	(6,546,746)	2,451,139	3,376,032
Transportation equipment	936,185	(772,899)	163,286	213,681
Miscellaneous equipment	2,121,632	(1,816,734)	304,898	353,778
Leasehold improvement and leased asset	1,762,378	(1,492,452)	269,926	254,349
Construction in process and machine accessories	447	-	447	-
Prepayments for building and equipment	34,076	-	34,076	105,624
	<u>\$ 58,329,846</u>	<u>\$ (15,477,857)</u>	<u>\$ 42,851,989</u>	<u>\$ 44,032,067</u>

Please refer to Note 33 for relevant information regarding property and equipment pledged as collaterals as of December 31, 2009 and 2008.

15. GOODWILL

	December 31	
	2009	2008
Goodwill	<u>\$ 20,586,747</u>	<u>\$ 20,757,601</u>

Taishin Bank merged with Dah An Bank through a share swap in February 2002, in which Taishin Bank issued new shares to acquire the total assets and liabilities of Dah An Bank. The difference between the fair value of the new shares issued by Taishin Bank and the fair value of net assets acquired was recognized as goodwill. The unamortized amount as of December 31, 2009 and 2008 were both \$884,938 thousand with no material impairment loss noted.

Taishin AMC acquired 40% interest ownership of Taishin Real-Estate in April 2003. The difference between the purchase price and the net assets acquired was recognized as goodwill. The unamortized amount as of December 31, 2009 and 2008 were both \$4,187 thousand.

Taishin Bank acquired the net assets of the 10th Credit Cooperative of Hsin-Chu in October 2004. The acquisition price in excess of the net assets of 10th Credit Cooperative of Hsin-Chu was recognized as goodwill. The unamortized amount as of December 31, 2009 and 2008 were both \$267,336 thousand.

. Financial Status

Taishin Securities undertook all assets and liabilities of other securities firms. The difference between total purchase price and net assets acquired was recognized as goodwill. The unamortized amounts as of December 31, 2008 was \$170,854 thousand.

In the fourth quarter of 2005 and the second quarter of 2006, Taishin Financial Holding and Taishin Bank acquired 22.81% and 2.58% interest in net assets of Chang Hwa Bank, respectively. The difference between investment cost and fair value of net assets was recognized as goodwill. The related information was as follows:

	Acquisition in the Fourth Quarter of 2005		Acquisition in the Second Quarter of 2006	
Total price paid by Taishin Financial Holding and subsidiaries	\$	36,844,375	\$	3,833,096
Fair value of Chang Hwa Bank ' s net assets	\$	81,535,281	\$	89,878,748
Less equities attributed to stockholders of preferred stock - A		(6,275,753)		(6,536,466)
Equities attributed to stockholders of common stock and preferred stock - B		75,259,528		83,342,282
Multiplied by percentage of ownership interests acquired by Taishin Financial Holding and subsidiaries		22.81%		2.58%
Fair value of Chang Hwa Bank ' s net assets acquired by Taishin Financial Holding and subsidiaries	\$	17,168,136 (17,168,136)	\$	2,150,507 (2,150,507)
Difference between investment cost and fair value of net assets acquired (goodwill)	\$	19,676,239	\$	1,682,589

The goodwill was amortized over 20 years by the straight-line method and subject to impairment test before December 31, 2005. The amortization for 2005 was \$245,953 thousand, and unamortized balance was \$21,112,875 thousand as of December 31, 2006. In the second quarter of 2007, Taishin Financial Holding sold 2.58% interest in net assets of Chang Hwa Bank originally acquired in the second quarter of 2006, resulting in a decrease of consolidated goodwill amounted to \$1,682,589 thousand. The unamortized balance was \$19,430,286 thousand as of December 31, 2009 and 2008. Goodwill was no longer amortized since January 1, 2006, but was tested for impairment regularly each year. In performing asset impairment test, Chang Hwa Bank is taken as one CGU on the basis of the consolidated financial statements. Taishin Financial Holding ' s and Taishin Bank ' s goodwill from merger is allocated to the CGU. The recoverable amount of the CGU is determined based on its value in use and estimated future cash flows. The related discount rate should reflect the time value of money and specific risk assessment of assets in prevailing market. The estimated growth rate of cash flow used to predict the financial estimate is according to the data issued by domestic and overseas research institutes. Based on the result of the test, there was no material impairment of assets as of December 31, 2009 and 2008.

The key assumption of recoverable amount is based on profit and loss prediction. Under the key assumption, Taishin Financial Holding refers to the past performance and predicts that the profit of Chang Hwa Bank in normal operation is consistent with the past experience. Any reasonable variation in key assumption is not supposed to make the fair value exceed the recoverable amount.



16. OTHER MISCELLANEOUS ASSETS

	December 31	
	2009	2008
Deposits required for securities borrowing	\$ -	\$ 1,156,849
Operating guarantee deposits	57,603	723,726
Settlement funds	-	424,700
Rental and idle assets, net	5,521,234	5,750,685
Client 's position - debit	16,134	529,646
Collaterals, net	104,652	516,953
Real estate investments, net	303,209	-
Others	871,267	435,039
	<u>\$ 6,874,099</u>	<u>\$ 9,537,598</u>

Deposits Required for Securities Borrowing

Borrowing securities from security finance companies, Taishin Securities is required to provide deposits for this transaction.

Operating Guarantee Deposits

a. Taishin Securities

As stipulated in the Regulations Governing Securities Firms, underwriters, dealers, and brokers should provide \$40 million, \$10 million, \$50 million and \$10 million for each additional branch, respectively, in the form of cash, government bonds, and/or financial debentures as operating deposits to be placed in designated banks. Taishin Securities should also provide \$50 million as operating deposits in accordance with the Regulation Governing Margins and Stock Loans by Securities Firms.

As stipulated in the Regulations Governing the Operation of Futures Introducing Broker Business by Securities Firms, the head office of a futures advisory firm should provide operating deposits of \$10 million for its operations and \$5 million for each of its branches.

As stipulated in the Regulations Governing Futures Commission Merchants, futures dealers should provide operating deposits of \$10 million for registration purposes.

Deposits for warrants are required as stipulated in the Taiwan Stock Exchange Corporation Rules Governing Call (Put) Warrant Listing Examination.

b. Taiwan Futures

As stipulated in Article 10 of the Standards Governing the Establishment of Futures Commission Merchants, futures brokers should provide \$50 million, in the form of cash, government bonds, and/or financial debentures as operating deposits to be placed in designated banks, and should also provide an additional \$10 million as operating deposits for each branch operation.

As stipulated in Article 10 of the Regulations Governing Futures Advisory Enterprises, a futures merchant should provide \$10 million as operating deposits to be placed in the designated banks when approved to

. Financial Status

engage in futures consulting services.

As stipulated in Article 11 of the Standards Governing the Establishment of Managed Futures Enterprises, the promoters shall deposit a sum of \$25 million in a financial institution designated by the competent authority.

c. Taishin Bills Finance

As stipulated in Article 9 of the Regulations Governing Securities Firms, securities firms should have operating deposits to be placed in GTSM of the ROC.

Settlement Funds

a. Taishin Securities

As stipulated in the Regulations Governing Securities Firms, all brokers should place \$15 million as settlement funds with the Taiwan Stock Exchange before starting trading transactions in the first year of trading and contribute a certain percentage of the transaction amounts to the fund within 10 days after the end of each quarter. In the second year, the settlement funds need to reach only \$7 million, including the previous year's contribution. If the funds accumulated until the previous year are more or less than \$7 million, the brokers can claim a refund from the Taiwan Stock Exchange or submit the shortage, respectively, at the end of January each year.

All dealers are required to deposit \$10 million as settlement fund to the Taiwan Stock Exchange before starting trading activities.

Securities firms are required to deposit \$3 million as settlement fund to the Taiwan Stock Exchange before each additional branch starts trading operations, and this deposit will be reduced to \$2 million from the second year.

As stipulated in GTSM Rules Governing Settlement Funds in the Joint Liability System, except for the \$3 million deposited from headquarters, the brokers should continually provide settlement funds based on a specified percentage of the executed value of OTC-listed securities which were traded through GTSM.

As stipulated in GTSM Rules Governing Settlement Reserve in the Electronic Bond Trading System, the headquarters should provide minimum amount of reserve in cash for the participation in the Electronic Bond Trading System.

b. Taiwan Futures

In accordance with Taiwan Futures Exchange Corporation Criteria for Clearing Membership, settlement funds a general clearing member should provide are as follows:

Initial deposit: \$40 million.

For each additional consigned futures commission merchant: \$3 million.

For each additional new branch office of its contracted futures commission merchant or each additional consigned introducing brokers (IB) or each additional new branch office of the IB: \$1 million.

Funding rules are provided by the Taiwan Futures Exchange Corporation Clearing Committee.



Rental and Idle Assets

	December 31	
	2009	2008
Rental land	\$ 4,796,044	\$ 4,916,474
Rental buildings	1,066,546	1,296,105
Less: Accumulated depreciation - rental buildings	(368,394)	(437,721)
Less: Accumulated impairment - rental assets	-	(76,604)
	<u>5,494,196</u>	<u>5,698,254</u>
Idle land	27,038	92,763
Less: Accumulated impairment - idle assets	-	(40,332)
	<u>27,038</u>	<u>52,431</u>
	<u>\$ 5,521,234</u>	<u>\$ 5,750,685</u>

Please refer to Note 33 for relevant information regarding rental and idle assets pledged as collaterals as of December 31, 2009 and 2008.

Client's Position - Debit

	December 31	
	2009	2008
Debits		
Bank settlement account	\$ -	\$ 2,304,453
Proceed receivable of securities purchased for customers	191,657	3,063,413
Settlement accounts receivable	-	1,501,419
Settlement prices	538,953	161,341
Proceed receivable of securities sold for customer	<u>188,478</u>	<u>-</u>
	<u>919,088</u>	<u>7,030,626</u>
Credits		
Price payable of securities sold for customers	188,478	2,887,224
Settlement accounts payable	-	3,594,557
Marginal and securities borrowers payable	-	19,199
Settlement prices	522,819	-
Price payable of securities purchased for customer	<u>191,657</u>	<u>-</u>
	<u>902,954</u>	<u>6,500,980</u>
Client's position - debit	<u>\$ 16,134</u>	<u>\$ 529,646</u>

17. DUE TO BANKS AND CENTRAL BANK

	December 31	
	2009	2008
Due to Central Bank	\$ 161,625	\$ 96,578
Due to other banks	24,270,502	36,733,319
Deposits transferred from the Postal Bureau	73,959,086	94,472,338
Call loans from other banks	74,611,144	49,002,965
Bank overdraft	<u>3,565,868</u>	<u>3,083,467</u>
	<u>\$ 176,568,225</u>	<u>\$ 183,388,667</u>

. Financial Status

18. COMMERCIAL PAPER PAYABLE

	December 31	
	2009	2008
Guarantee or acceptance institution		
China Bills Finance	\$ -	\$ 500,000
Less: Discounts on commercial paper payable	-	(290)
	<u>\$ -</u>	<u>\$ 499,710</u>

As of December 31, 2008, the ranges of interest rate for commercial paper payable were 1.41% per annum.

19. PAYABLES

	December 31	
	2009	2008
Notes and accounts payable	\$ 22,283,840	\$ 28,531,911
Accrued expenses	4,305,242	4,037,559
Interest payable	3,036,107	7,986,179
Tax payable	1,826,491	1,984,600
Dividend and bonus payable	181,909	197,119
Acceptance payable	9,299,868	7,136,079
Check for clearance payable	686,898	1,052,412
Collection payable	741,067	865,232
Deposits received from securities borrowers	2,655	1,980,465
Guarantee price deposits received from securities borrowers	2,916	951,675
Other payables	<u>2,241,506</u>	<u>1,455,885</u>
	<u>\$ 44,608,499</u>	<u>\$ 56,179,116</u>

20. DEPOSITS

	December 31	
	2009	2008
Checking deposits	\$ 38,248,262	\$ 35,972,973
Demand deposits	340,931,107	254,098,707
Time deposits	499,627,841	582,960,515
Negotiable certificates of deposit	10,072,000	20,746,200
Savings deposits	952,279,842	836,766,704
Remittances and drafts issued	<u>1,400,799</u>	<u>1,239,096</u>
	<u>\$ 1,842,559,851</u>	<u>\$ 1,731,784,195</u>

21. BONDS PAYABLE

	December 31	
	2009	2008
Unsecured subordinated corporate bonds - par	\$ 33,650,000	\$ 33,650,000
Unsecured convertible bonds - par	7,000,000	7,000,000
Unsecured convertible bonds - discounts	(544,174)	(913,279)
Financial debentures	<u>48,473,942</u>	<u>72,668,059</u>
	<u>\$ 88,579,768</u>	<u>\$ 112,404,780</u>



Subordinated Corporate Bonds and Convertible Corporate Bonds Issued By Taishin Financial Holding

To raise working capital and enhance financial structure, Taishin Financial Holding issued unsecured subordinated corporate and convertible bonds under SFB approval. Bond issue terms are as follows:

	December 31	
	2009	2008
Unsecured Subordinated Corporate Bonds - 2003	\$ 8,000,000	\$ 8,000,000
Unsecured Subordinated Corporate Bonds - 2004 (I)	2,000,000	2,000,000
Unsecured Subordinated Corporate Bonds - 2004 (II)	5,000,000	5,000,000
Unsecured Subordinated Corporate Bonds - 2005 (I)	12,000,000	12,000,000
Unsecured Subordinated Corporate Bonds - 2005 (II)	3,650,000	3,650,000
Unsecured Subordinated Corporate Bonds - 2005 (III)	3,000,000	3,000,000
Unsecured Convertible Bonds - 2006 (par value)	7,000,000	7,000,000
Unsecured Convertible Bonds - 2006 (discount)	(544,174)	(913,279)
	<u>\$ 40,105,826</u>	<u>\$ 39,736,721</u>

a. Domestic Unsecured Subordinated Corporate Bonds - 2003

Taishin Financial Holding issued \$8 billion in unsecured subordinated corporate bonds in December 2003. Details are as follows:

Bond	AA	AB	AC	AD	AE	AF	AG	AH	AI	AJ	AK	AL	BA
Item	AA	AB	AC	AD	AE	AF	AG	AH	AI	AJ	AK	AL	BA
Issue amount	4,500 million	500 million	500 million	200 million	300 million	300 million	200 million	450 million	200 million	200 million	200 million	200 million	250 million
Face value	10 or 50 million												10 million
Issue price	Par value												
Duration	2003.12.12 - 2010.12.12	2003.12.15 - 2010.12.15	2003.12.16 - 2010.12.16	2003.12.17 - 2010.12.17	2003.12.18 - 2010.12.18	2003.12.19 - 2010.12.19	2003.12.22 - 2010.12.22	2003.12.23 - 2010.12.23	2003.12.24 - 2010.12.24	2003.12.25 - 2010.12.25	2003.12.26 - 2010.12.26	2003.12.29 - 2010.12.29	2003.12.12 - 2010.12.12
Interest payment	Payable annually from the issue date.												From the issuance date, the interest will be paid semi-annually
Interest accrual	From the issuance date, the interest will be accrued on fixed and simple interest rate.												The interest will be accrued on floating and simple interest rate, the first interest - determined date is on 2nd day before the issuance date, the interest should be adjusted semi-annual on the 2nd day before the interest payment date. In addition, the interest rate should not be lower than 0% and will be accrued on the basis of actual days.
Coupon rate	3.5%												5.7% - floating rate
Redemption on maturity:	In cash at par value.												
Other	1. The interest payments rely on the amounts accrued by Taishin Financial Holding. 2. The bonds are bearer, but could be converted into registered bonds upon holders' request. 3. Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (the part of interest could be cumulative and the interest of the principal in the extension period could be calculated at coupon rate).												

Note : Floating rate is determined at the 90-day commercial paper fixing rate in the secondary market, provided on page 6165 of the Moneyline Telerate at 11:00 a.m. on the interest-determination day.

. Financial Status

b. Domestic Unsecured Subordinated Corporate Bonds - 2004 (I)

- 1) Issue amount : \$2,000,000 thousand.
- 2) Denomination : \$10,000 thousand.
- 3) Issue date : May 21, 2004.
- 4) Issue price : 100% of the principal amount of the bonds.
- 5) Maturity : 7 years from the issue date.
- 6) Coupon rate : 2.9% per annum.
- 7) Interest payment : Simple interest per annum from the issue date.
- 8) Redemption on maturity : In cash.
- 9) Other : Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (the part of interest could be cumulative and the interest of the principal in the extension period could be calculated at coupon rate).

c. Domestic Unsecured Subordinated Corporate Bonds - 2004 (II)

- 1) Issue amount : \$5,000,000 thousand.
- 2) Denomination : \$10,000 thousand.
- 3) Issue date : June 21, 2004.
- 4) Issue price : 100% of the principal amount of the bonds.
- 5) Maturity : 7 years from the issue date.
- 6) Coupon rate : 3.5% per annum.
- 7) Interest payment : Simple interest per annum from the issue date.
- 8) Redemption on maturity : In cash.
- 9) Other : Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (the part of interest could be cumulative and the interest of the principal in the extension period could be calculated at coupon rate).

d. Domestic Unsecured Subordinated Corporate Bonds - 2005 (I)

- 1) Issue amount : \$12,000,000 thousand, and divided into Bond A and Bond B according to the issue dates. The total issue amount for Bond A and Bond B was \$11,500,000 thousand and \$500,000 thousand, respectively.
- 2) Denomination : \$10,000 thousand.
- 3) Maturity : Both Bond A and B mature 7 years from the issue date. Bond A was issued on September 20, 2005 and will mature on September 20, 2012. Bond B was issued on September 21, 2005 and will mature on September 21, 2012.
- 4) Issue price : Both Bond A and B were issued at 100% of the principal.
- 5) Coupon rate : 2.70% per annum for both Bond A and B.
- 6) Interest payment : Simple interest per annum from the issue date for both Bond A and B.
- 7) Redemption on maturity : In cash for both Bond A and B.
- 8) Other : Taishin Financial Holding should suspend the payment of interest and principal when its capital



adequacy ratio is lower than the lowest limit (100%) until the ratio meet the standards set by relevant authorities (the part of interest could be cumulative and the interest of the principal in the extension period could be calculated at coupon rate).

e. Domestic Unsecured Subordinated Corporate Bonds - 2005 (II)

- 1) Issue amount : \$3,650,000 thousand.
- 2) Denomination : \$10,000 thousand.
- 3) Issue date : November 15, 2005.
- 4) Issue price : 100% of the principal amount of the bonds.
- 5) Maturity : 7 years from the issue date.
- 6) Coupon rate : 2.70 % per annum.
- 7) Interest payment : Simple interest per annum from the issue date.
- 8) Redemption on maturity : In cash.
- 9) Other : Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (the part of interest could be cumulative and the interest of the principal in the extension period could be calculated at coupon rate).

f. Domestic Unsecured Subordinated Corporate Bonds - 2005 (III)

- 1) Issue amount : \$3,000,000 thousand.
- 2) Denomination : \$50,000 thousand.
- 3) Issue date : December 8, 2005.
- 4) Issue price : 100% of the principal amount of the bonds.
- 5) Maturity : 7 years from the issue date.
- 6) Coupon rate : " floating rate of one-year time deposit of Chunghwa Post Co., Ltd. " posted on Central Bank ' s website at 10:30 am of two business days prior to the interest calculation period, plus 0.5%.
- 7) Interest payment : Simple interest semiannual from the issue date.
- 8) Redemption on maturity : In cash.
- 9) Other : Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (the part of interest could be cumulative and the interest of the principal in the extension period could be calculated at coupon rate).

g. Domestic Unsecured Convertible Corporate Bonds - 2006

- 1) Issue amount : \$7,000,000 thousand.
- 2) Denomination : \$50,000 thousand.
- 3) Issue date : May 5, 2006.
- 4) Issue price : 100% of the amount of the bonds.
- 5) Maturity : 5 years from the issue date.
- 6) Coupon rate : 2.75% per annum.
- 7) Interest payment : Simple interest per annum from the issue date.
- 8) Conversion method :

. Financial Status

- a) Conversion object : Taishin Financial Holding ' s common shares.
- b) Conversion period : Unless previously redeemed, repurchased, converted into common shares or during the closed period (as defined by relevant ROC laws), bonds may be converted into common shares at any time after 30 days of the issue date and before 10 days prior to the maturity date. As of December 31, 2009, no option had been exercised.
- c) Pricing :
Conversion price per share of \$19.80 dollars is determined on the pricing date.
Taishin Financial Holding should adjust the conversion price in accordance with any of the events specified in the Trust Deed. The conversion price was reset on December 4, 2009 and adjusted to \$16.8.
- 9) Redemption at the bondholders ' option : None
- 10) Redemption at the Taishin Financial Holding ' s option :
a) If the closing prices of Taishin Financial Holding ' s common shares listed on the Taiwan Stock Exchange for 30 consecutive trading days exceed 50% of the conversion price, Taishin Financial Holding may redeem the bonds at par value in cash at any time after three years of the issue date before the 40th day prior to the maturity date.
b) If the bonds which have been redeemed or converted were over 90%, Taishin Financial Holding may redeem the bonds at par value in cash after one month of the issue date until the 40th day before the maturity date.
- 11) Redemption on maturity : Unless previously converted, or repurchased, the bond will be redeemed in cash at par value on maturity.

Financial Debentures Issued By Taishin Bank

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

	December 31	
	2009	2008
Subordinated Financial Debentures - 2001.10.02	\$ 5,000,000	\$ 5,000,000
Subordinated Financial Debentures - 2002.01.30	-	5,000,000
Financial Debentures-2003 (IV)	-	1,000,000
Financial Debentures-2003 (V)	-	1,900,000
Financial Debentures-2003 (VI)	-	3,200,000
Subordinated Financial Debentures - 2004 (I)	5,000,000	5,000,000
Subordinated Financial Debentures - 2005 (I)	1,508,000	1,508,000
Subordinated Financial Debentures - 2005 (II)	3,300,000	3,300,000
Subordinated Financial Debentures - 2005 (III)	5,000,000	5,000,000
Subordinated Financial Debentures - 2005 (IV)	5,192,000	5,192,000
	<u>\$ 25,000,000</u>	<u>\$ 36,100,000</u>

- a. 10-year financial debentures amounting to \$5,000 million were issued on October 2, 2001. The interest rates are 4.05% for year one to five and 4.45% for year six to ten. Interests are payable annually. Taishin Bank has redemption right on these financial debentures at par value plus accrued interest payable starting from the sixth year.

- b. 7-year financial debentures amounting to \$5,000 million were issued on January 30, 2002. The interest rate is 4.00%. Interests are payable annually. The principal will be repaid on maturity. Taishin Bank had redeemed these financial debentures on January 30, 2009.
- c. Under the approval of the Ministry of Finance, Taishin Bank was authorized to issue \$15 billion financial debentures and has partially issued \$10.1 billion financial debentures. As of December 31, 2009, Taishin Bank had redeemed all the bank debentures as follows:

Taishin Bank made first issue of \$1,000 million in financial debentures in 2003 as follows:

Financial Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2003.10.08	2008.10.08	5 years	\$200 million each	4.2% minus 6 months ' USD LIBOR, but fixed at 4.1% in the first year. In addition, the interest rate should not be less than 0%. From the second year, interest is payable semiannually at the floating rate on the first day of each interest payment period. The floating rate is provided by the Moneyline Telerate on the re-set day at 11:00 a.m.	\$10,000 thousand	Debentures are redeemable at par value in cash on the maturity date. Interest is accruable at a simple rate and payable semiannually from the issue date.
B	2003.10.08	2008.10.08					
C	2003.10.08	2008.10.08					
D	2003.10.08	2008.10.08					
E	2003.10.08	2008.10.08					

Taishin Bank made second issue of \$900 million in financial debentures in 2003, as follows:

Financial Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2003.11.28	2008.11.28	5 years	\$300 million	4.9% minus 6 months ' USD LIBOR and the interest rate should not be less than 0%. The first interest determination date is November 28, 2003. The following interest rate, from the 2nd year to the 5th year, is recalculated at the floating rate on the 2nd day before the interest payment date, the first day of each payment period. The floating rate is provided by the Moneyline Telerate on the reset day at 11:00 a.m.	\$10,000 thousand	Debentures are redeemable at par value in cash on the maturity date. Interest is accruable at a simple rate and payable semiannually from the issue date
B	2003.11.28	2008.11.28		\$200 million each			
C	2003.11.28	2008.11.28					
D	2003.11.28	2008.11.28					

. Financial Status

Taishin Bank made third issue of \$2,100 million financial debentures in 2003, as follows:

Financial Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2003.12.16	2008.12.16	5 years	\$200 million each	4.9% minus 6-month LIBOR. The 6-month LIBOR is recalculated at the floating rate on the 2nd interest payment date, which is the first day of each payment period. The floating rate is provided by the Moneyline Telerate on the re-set day at 11:00 a.m. The interest rate should not be less than 0%.	\$10,000 thousand	Debentures are redeemable at par value in cash on the maturity date. Interest is accruable at a simple rate and payable semiannually from the issue date.
B	2003.12.16	2008.12.16					
C	2003.12.16	2008.12.16					
D	2003.12.16	2008.12.16					
E	2003.12.16	2008.12.16					
F	2003.12.16	2008.12.16					
G	2003.12.16	2008.12.16		\$200 million each	The interest rate is [2.5*(NTD CMS 5y-NTD CMS 2y)] +0.45%. “ NTD CMS 5y ” “ NTD CMS 2y ” is determined by the IRS MID rate of 5 year and 2 year NTD interest rate swap on the 2nd day before interest payment date at 11 AM, provided by PYTWD01 of Reuters on the reset day at 11:00 a.m. The interest rate should not be less than 0%.		
H	2003.12.16	2008.12.16	5 years	\$200 million each	If 3-month USD LIBOR is less than 1.1%, the interest rate is 3 month USD LIBOR plus 0.65%; if 3-month USD LIBOR is between 1.1% and 2%, the interest rate is 3.25%; if the 3-month USD LIBOR is greater than 2.0%, the interest rate is 5.0% minus the 3-month USD LIBOR. The 3-month USD LIBOR " is determined at the 3-month USD LIBOR on the 2nd day before the interest payment date, provided by the Moneyline Telerate on the reset day at 11:00 a.m. The interest rate should not be less than 0%.	\$10,000 thousand	Debentures are redeemable at par value in cash on the maturity date. Interest is accruable at a simple rate quarterly and payable semiannually from the issue date.
I	2003.12.16	2008.12.16			If 3-month USD LIBOR is less than 1.1%, the interest rate is 3-month USD LIBOR plus 1.25%; if 3-month USD LIBOR is not less than 1.1%, the interest rate is 4.85% minus the 3-month USD LIBOR. The 3-month USD LIBOR is determined at the 3-month USD LIBOR on the 2nd day before the interest payment date, provided by the Moneyline Telerate on the reset day at 11:00 a.m. The interest rate should not be less than 0%.		

Taishin Bank made fourth issue of \$1,000 million financial debentures in 2003, as follows:

Financial Debentures	Issue Date	Maturity Date	Duration	Issue Amount	Interest Rate	Face Value	Redemption Method and Interest Payment
A	2004.01.06	2009.01.06	5 years	\$300 million each	If the 3-month USD LIBOR is less than 1.1%, the interest rate is the 3-month USD LIBOR; if the 3-months USD LIBOR is between 1.1% and 2.05%, the interest rate is 3.80%; if the 3-month USD LIBOR is greater than 2.05%, the interest rate is 4.70% minus 3-month USD LIBOR. The 3-month USD LIBOR is determined at the 3 months ' US LIBOR on the 2nd day before the interest payment date, provided by the Moneyline Telerate on the reset day at 11:00 a.m. The first interest- determination date is January 6, 2005. The following interest rates from the 2nd year to the 5th year are recalculated at the floating rate on the interest payment date, the first day of each payment period. The interest rate should not be less than 0%.	\$10,000 thousand	Debentures are redeemable at par value in cash on the maturity date. Interest is accruable at a simple rate quarterly and payable semiannually from the issue date.
B	2004.01.06	2009.01.06					
C	2004.01.06	2009.01.06		\$200 million each			
D	2004.01.06	2009.01.06					

The original issue terms are applicable from the issue date to July 6, 2005. Since July 6, 2005, the interest rate is determined at the 180-day commercial paper fixing rate in Taipei ' s secondary market on the two business dates



before the interest-bearing period. The 180-day commercial paper fixing rate in the secondary market is shown on page 6165 of the Moneyline Telerate at 11:00 am (Taipei time). If the rate is not shown on page 6165 of the Moneyline Telerate, the 180-day commercial paper fixing rate in the secondary market is determined by JP Morgan Chase Bank-Taipei Branch.

Taishin Bank made fifth issue of \$1,900 million in financial debentures in 2003, as follows:

Financial Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	Redemption Method and Interest Payment
A	2004.03.11	2009.03.11	5 years	\$300 million	If 6-month USD LIBOR is less than 1.1%, the interest rate is 6-month USD LIBOR; if 6-month USD LIBOR is between 1.1% and 2.10%, the interest rate is 3%; if 6-month USD LIBOR is greater than 2.10%, the interest rate is 5% minus 6-month USD LIBOR. The interest rate should not be less than 0%.	\$10,000 thousand	Debentures are redeemable at par value in cash on the maturity date. Interest is accruable at a simple rate and payable semiannually from the issue date.
B	2004.03.11	2009.03.11		\$300 million			
C	2004.03.11	2009.03.11		\$300 million			
D	2004.03.11	2009.03.11		\$200 million	If the 6-month USD LIBOR is less than 1.1%, the interest rate is 6-month USD LIBOR; if the 6-month USD LIBOR is between 1.1% and 2.10%, the interest rate is 3.60%; if the 6-month USD LIBOR is greater than 2.10%, the interest rate is 4.50% minus 6-month USD LIBOR. The interest rate should not be less than 0%.		
E	2004.03.11	2009.03.11		\$200 million			
F	2004.03.11	2009.03.11		\$300 million			
G	2004.03.11	2009.03.11		\$300 million			

Taishin Bank made sixth issue of \$3,200 million in financial debentures in 2003, as follows:

Financial Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	Redemption Method and Interest Payment
A	2004.03.26	2009.03.26	5 years	\$600 million	If the index interest rate is less than 1.1%, the interest rate is index interest rate (Note b); if the index interest rate is between 1.1% and 2.1%, the interest rate is 3.2%; if the index interest rate is greater than 2.10%, the interest rate is 4.6% minus index interest rate. The interest rate should not be less than 0%.	\$10,000 thousand	Debentures are redeemable at par value in cash on the maturity date. Interest is accruable at a simple rate and payable semiannually from the issue date.
B	2004.03.26	2009.03.26		\$300 million			
C	2004.03.26	2009.03.26		\$300 million	3.5% multiplied by T/N (Note a and Note b), except for the 3.5% fixed rate on the first year. The interest rate should not be less than 0%.		
D	2004.03.26	2009.03.26		\$300 million			
E	2004.03.26	2009.03.26		\$200 million			
F	2004.03.26	2009.03.26		\$200 million	2.8% multiplied by T/N (Note a and Note b), except for the fixed 3.5% fixed rate on the first six months. The interest rate should not be less than 0%.		
G	2004.03.26	2009.03.26		\$300 million			
H	2004.03.26	2009.03.26		\$300 million	3.0% multiplied by T/N (Note a and Note b), except for the 3.5% fixed rate on the first six months. The interest rate should not be less than 0%.		
I	2004.03.26	2009.03.26		\$300 million			
J	2004.03.26	2009.03.26		\$400 million	3.5% multiplied by T/N (Note a and Note b), except for the 3.5% fixed rate on the first six months. The interest rate should not be less than 0%.		

Note a : (1) 「T」 : Between two interest-determination dates, the number of days with interest rate falling within the ranges of interest rates shown after item (3) below.

(2) 「N」 : The number of days between two interest-determination dates.

(3) The interest-determination period is between six months before and one day before the

. Financial Status

interest payment date; interest rate ranges mentioned above are as follows:

	Bank Debentures C, D, E, F
Second year	1.0%-2.0%
Third year	1.0%-2.5%
Fourth year	1.0%-3.0%
Fifth year	1.0%-3.5%
	Bank Debentures G, H, I
Seventh month to the end of the first year	0.75%-2.0%
Second year	1.0%-2.5%
Third year	1.0%-3.0%
Fourth year	1.0%-3.5%
Fifth year	1.0%-4.0%
	Bank Debentures J
Seventh month to the end of the first year	0.75%-2.0%
Second year	1.0%-2.0%
Third year	1.0%-2.5%
Fourth year	1.0%-3.0%
Fifth year	1.0%-3.5%

Note b : The indexed interest rate for financial debentures A and B is calculated at the floating rate on the first day of each interest payment period. The floating rate is provided on page 3750 of the Moneyline Telerate on the reset day at 11:00 a.m. The first interest-determination date is March 26, 2004. The interest rate from the 2nd year to the 5th year is recalculated semiannually.

The indexed interest for financial debentures C, D, E, F, G, H, I and J is at the floating rate on the first day of each interest payment period. The floating rate is provided on page 3750 of the Moneyline Telerate on the reset day at 11:00 a.m. The indexed interest rate between nine months before and one day before the interest payment date is calculated at the floating rate provided by the Moneyline Telerate on the reset day at 11:00 a.m. The interest rate for financial debentures C to J is recalculated semiannually (except for Taishin financial debentures accrued at the fixed coupon rate) in accordance with the coupon rate rule.

- d. Under the approval of the Financial Supervisory Commission, Executive Yuan in 2004, Taishin Bank was authorized to issue \$20 billion in financial debentures as follows:

Taishin Bank made first issue of \$5,000 million in financial debentures in 2004, as follows:

Financial Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	Redemption Method and Interest Payment
2004, first issue	2004.12.15	2014.12.15	10 years	\$5 billion	Taishin Bank ' s floating interest rate for one-year time deposit plus 0.85% from the first to the fifth year and Taishin Bank ' s floating interest rate for one-year time deposit plus 1.85% since the sixth year. The floating rate is provided by the Central Bank on the reset day at 10:30 a.m.	\$100 million	Interest is accruable at a simple rate and payable annually from the issue date. Additional interest is not accruable if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date.

Redemption policy: Taishin Bank can redeem all or part of the debentures on each interest payment date at the principal value plus interest after the fifth anniversary (December 15, 2009) by notifying the holders in written form seven days before redemption. Taishin Bank can also redeem all or part of the debentures on the noninterest date at the principal value plus the interest after the fifth anniversary by notifying the holders in written form two months before redemption.



Taishin Bank made first issue of \$1,508 million in financial debentures in 2005, as follows:

Financial Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2005.03.04	2015.03.04	10 years	\$1,287.5 million	Taishin Bank ' s floating interest rate for one-year time deposit plus 0.30% from the first to the fifth year and Taishin Bank ' s floating interest rate for one-year time deposit plus 0.50% since the sixth year.	\$500 thousand, \$10 million, and \$1 million	Debentures are redeemable at par value in cash on the maturity date. Interest is accruable and payable annually from the issue date.
B	2005.03.04	2015.03.04		\$220.5 million	2.25% fixed interest rate from the first to the fifth year and Taishin Bank ' s floating interest rate for one-year time deposit plus 0.75% since the sixth year.		

Redemption policy: Taishin Bank can redeem all of the debentures on each interest payment date at the principal value plus interest after the fifth anniversary (March 4, 2010) and notify the holders of redemption by posting it on Taishin Bank ' s website or main newspapers one month before redemption.

Taishin Bank made second issue of \$3,300 million in financial debentures in 2005 as follows:

Financial Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2005, second issue	2005.04.28	2017.04.28	12 years	\$3,300 million	2.70% fixed interest rate from the first to the seventh year. From the eighth to twelfth year, if the holder does not exercise the put option, the rate will be Taishin Bank ' s interest rate for one-year time deposit plus 0.80%; if Taishin Bank does not exercise the redemption right, the rate will be Taishin Bank ' s interest rate for one-year time deposit plus 0.95%. The interest rate is recalculated annually.	\$10 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, unless the redemption or put option is exercised.

1) Put option and redemption policies:

Upon the seventh, eighth, ninth, tenth and eleventh anniversaries of the debentures issue, if terms of exercising put option or redemption rights are satisfied, and if the holders exercise the put option or Taishin Bank exercises the redemption rights, the debentures will be expired on current interest payment date. Taishin Bank will repay the holders at the principal value plus accrued interests.

2) Terms of exercising put option or redemption rights:

The rate is provided by the Central Bank on March 10, 2012, 2013, 2014, 2015, and 2016 at 10:30 a.m. If the rate is less than or equal to 1.85%, the holders can exercise the put option; if the rate is greater than 1.85%, Taishin Bank can exercise the redemption right.

3) Exercise of put option by the holders:

If terms of exercising put option are satisfied and the holders plan to exercise the put option, holders should notify Taishin Bank in written form within ten days after the terms are satisfied.

4) Exercise of redemption right by Taishin Bank:

If terms of exercising redemption right are satisfied and Taishin Bank plans to exercise the right, Taishin Bank should post it on major local newspapers within thirty days before current interest payment date.

. Financial Status

Taishin Bank made third issue of \$5,000 million in financial debentures in 2005 as follows:

Financial Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2005, third issue	2005.05.18	2017.05.18	12 years	\$5 billion	Taishin Bank ' s fixed interest rate for one-year time deposit plus 0.80% from the first to the seventh year and Taishin Bank ' s fixed interest rate for one-year time deposit plus 1.10% from the eighth year. The interest rate is recalculated annually.	\$100 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, unless the redemption is exercised.

Redemption policy: Taishin Bank can redeem all or part of the debentures on each interest payment date at the principal value plus interest after the seventh anniversary (May 18, 2012) by notifying the holders in written form seven days before redemption. Taishin Bank can also redeem all or part of the debentures on the noninterest payment date at the principal value plus interest after the seventh anniversary by notifying the holders in written form two months before redemption.

Taishin Bank made fourth issue of \$5,192 million in financial debentures in 2005 as follows:

Financial Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2005.06.06	2017.06.06	12 years	\$2,950 million	2.70% fixed interest rate from the first to the seventh year and 3.20% fixed interest rate from the eighth to the twelfth year.	\$100 million, \$10 million, and \$1 million, respectively	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, unless the redemption or put option is exercised.
B	2005.06.06	2017.06.06		\$1,442 million			
C	2005.06.06	2017.06.06		\$800 million	Taishin Bank ' s floating interest rate for one-year time deposit plus 0.65%. The interest rate is recalculated annually.		

Redemption policy: Taishin Bank can redeem all or part of the debentures on each interest payment date at the principal value plus interest after the seventh anniversary (June 6, 2012) by notifying the holders in written form seven days before redemption. Taishin Bank can also redeem all or part of the debentures on the noninterest date at the principal value plus interest after the seventh anniversary by notifying the holders in written form two months before redemption.

Financial Debentures Issued By Chang Hwa Bank

On March 15, 2002, September 26, 2007, May 19, 2008, December 15, 2008, and September 15, 2009, Chang Hwa Bank has issued subordinated financial debentures to enhance its capital adequacy ratio and raise medium to long-term operating funds. The details of these subordinated financial debentures were as follows:

	December 31	
	2009	2008
<u>Fair value hedged</u>		
Subordinated Financial Debentures - 2008 (I)	\$ 2,000,000	\$ 2,000,000
Valuation adjustment	123,942	218,059
	<u>2,123,942</u>	<u>2,218,059</u>
<u>Non-hedged</u>		
Subordinated Financial Debentures B - 2002 (I)	-	4,000,000
Subordinated Financial Debentures C - 2002 (I)	-	14,000,000
Subordinated Financial Debentures - 2007 (I)	5,000,000	5,000,000
Subordinated Financial Debentures - 2008 (I)	3,000,000	3,000,000
Subordinated Financial Debentures - 2008 (II)	8,350,000	8,350,000
Subordinated Financial Debentures - 2009 (I)	5,000,000	-
	<u>21,350,000</u>	<u>34,350,000</u>
	<u>\$ 23,473,942</u>	<u>\$ 36,568,059</u>



The details of subordinated financial debentures were as follows:

a. Subordinated Financial Debentures - 2002 (I)

- 1) Issue amount : \$20,000,000 thousand and divided into Financial Debentures A \$1,000,000, Financial Debentures B \$4,000,000, Financial Debentures C \$14,000,000 and Financial Debentures D \$1,000,000.
- 2) Issue date : March 15, 2002.
- 3) Issue price : 100% of the principal amount of the bonds.
- 4) Maturity : Financial Debentures A matures 5 years from the issue date. Financial Debentures B and C mature 7 years from the issue date. Financial Debentures D matures 10 years from the issue date.
- 5) Coupon rate : 3.30% per annum for Financial Debentures A and 3.85% per annum for Financial Debentures B. Coupon rate for Financial Debentures C is based on CHB Bank 's floating interest rate for one year time deposit +1.00%. Coupon rate is 4.60% per annum for Financial Debentures D.
- 6) Interest payment : Interest payable annually from the issue date.
- 7) Other : Financial Debentures A was refunded on March 15, 2007 and D had been redeemed in advance on March 15, 2007. Financial Debentures B and C had been redeemed in advance on March 15, 2009.

b. Subordinated Financial Debentures - 2007 (I)

- 1) Issue amount : \$5,000,000 thousand.
- 2) Issue date : September 26, 2007.
- 3) Issue price : 100% of the principal amount of the bonds.
- 4) Maturity : 7 years from the issue date.
- 5) Coupon rate : The 90-day commercial paper fixed rate in the secondary market plus 0.35%, provided by Reuters Limited.
- 6) Interest payment : Interest payable annually from the issue date.

c. Subordinated Financial Debentures - 2008 (I)

- 1) Issue amount : \$5,000,000 thousand.
- 2) Issue date : May 19, 2008.
- 3) Issue price : 100% of the principal amount of the bonds.
- 4) Maturity : 7 years from the issue date.
- 5) Coupon rate : 3.10 % per annum.
- 6) Interest payment : Interest payable annually from the issue date.
- 7) Other : To avoid fair value risks as a result of changes in interest rates, Chang Hwa Bank engaged in derivative transactions as hedging tools. The interest rate swaps nominal principal was \$2,000,000 thousand and the hedging derivative financial assets were \$130,348 thousand and \$221,161 thousand as of December 31, 2009 and 2008, respectively.

d. Subordinated Financial Debentures - 2008 (II)

- 1) Issue amount : \$8,350,000 thousand.
- 2) Issue date : December 15, 2008.
- 3) Issue price : 100% of the principal amount of the bonds.
- 4) Maturity : 7 years from the issue date.
- 5) Coupon rate : 3.05% per annum.
- 6) Interest payment : Interest payable annually from the issue date.

. Financial Status

e. Subordinated Financial Debentures - 2009 (I)

- 1) Issue amount : \$5,000,000 thousand.
- 2) Issue date : September 15, 2009.
- 3) Issue price : 100% of the principal amount of the bonds.
- 4) Maturity : 7 years from the issue date.
- 5) Coupon rate : 2.30% per annum.
- 6) Interest payment : Interest payable annually from the issue date.

22. OTHER BORROWINGS

	December 31	
	2009	2008
Short-term unsecured borrowings	\$ 162,000	\$ -

As of December 31, 2009, interest rates on short-term unsecured borrowings ranged from 1.30% to 1.50% per annum.

23. RESERVE FOR OPERATIONS AND LIABILITIES

	December 31	
	2009	2008
Reserve for guarantee liabilities	\$ 465,643	\$ 563,050
Reserve for default losses	47,548	318,611
Reserve for trading losses	370,636	378,209
Reserve for bad debt	-	12,923
Reserve for other losses	1,144,911	-
	<u>\$ 2,028,738</u>	<u>\$ 1,272,793</u>

Reserve for Default Losses

a. Taishin Securities and Chang Hwa Bank

According to the Regulations Governing Securities Firms, securities brokers are required to provide 0.0028% of their monthly transaction amount as reserve for contract loss until the reserve reaches \$200,000 thousand. This reserve may be used only to offset loss from brokerage trading or for items approved by the Securities and Futures Bureau.

b. Taiwan Futures

According to Article 16 of the Regulations Governing Futures Commission Merchants, futures commission merchants are required to provide 2% of their monthly commission income as reserve for default loss until the reserve reaches the legally required level of minimum paid-in capital. This reserve may be used only to offset loss from default futures trading or for items approved by the Securities and Futures Bureau. In accordance with Letter No. (88) Tai-Tsai-Cheng-7- 108957, issued by Securities and Future Bureau on December 24, 1999, futures commission merchants need not provide this reserve from July 1, 1999 to June 30, 2003, as stipulated in Article 16 of Rules Governing Futures Commission Merchants.



Reserve for Trading Losses

a. Taishin Bank, Chang Hwa Bank, Taishin Securities and Taishin Bills Finance

Under the Regulations Governing Securities Firms, securities proprietary traders are required to provide 10% of their monthly net dealing gain as reserve for security dealing losses until the reserve reaches \$200,000 thousand. Reserve may be used only to offset the dealing losses in excess of dealing gains.

b. Taiwan Futures

As stipulated in the Regulations Governing Futures Commission Merchants, futures dealers should provide 10% of their monthly net realized dealing gain as reserve for security dealing losses until this reserve equals the operating funds. This reserve may be used only to offset dealing losses in excess of dealing gains.

Reserve for Bad Debt

In accordance with Letter No. (88) Tai-Tsai-Cheng-7-91625, the futures commission merchants should write off or make a loss provision of bad debt equivalent to the amount of 3% sales from major operating sectors to comply with the Article 11 of the amended Value-added and Non-value-added Business Tax Act within four years upon the effective date of the amendment to the law, effective on July 1, 1999.

Reserve for Other Losses

Referring to the result of the review of structured note case by the Association of Banks and other individual cases, Taishin Bank has provided reserve for compensation of consigned structured notes issued by international institutions. The reserve for loss was amounted to \$2,000,000 thousand and reported in the income statements under "other non-interest income" for the year ended December 31, 2009.

24. OTHER LIABILITIES

	December 31	
	2009	2008
Advance receipts	\$ 1,096,021	\$ 1,102,426
Reserve of land value increment tax	5,619,574	5,641,548
Guarantee deposits	1,266,900	1,297,909
Accrued pension liability	2,503,885	2,839,609
Futures commission merchants' equity	-	7,430,642
Deferred income	102,684	160,556
Others	369,808	253,412
	<u>\$ 10,958,872</u>	<u>\$ 18,726,102</u>

Futures Commission Merchants' Equity

Futures commission merchants' equity of Taishin Securities and Taiwan Futures was as follows:

	December 31, 2008	
	Foreign Currency	New Taiwan Dollar
NTD		\$ 5,495,284
USD	\$ 47,164	1,546,984
JPY	930,062	338,170
HKD	6,367	26,952
GBP	456	21,630
EUR	35	1,622
		<u>\$ 7,430,642</u>

VI. Financial Status

25. PENSION EXPENSE

The pension plan under the LPA is a defined contribution pension plan. Based on the LPA, Taishin Financial Holding and subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Such pension costs were \$410,998 thousand and \$515,510 thousand for the years ended December 31, 2009 and 2008, respectively.

The pension plan under the LSL is a defined benefit pension plan. Taishin Financial Holding and subsidiaries fund the retirement plan monthly at amounts equal to 2% to 15% of salaries and wages of employees who choose the pension plan under the LSL. Such pension fund is deposited in the Bank of Taiwan. In the pension fund monitoring committee, Taishin Financial Holding and subsidiaries recognized pension costs of \$633,049 thousand and \$729,727 thousand for the years ended December 31, 2009 and 2008, respectively.

Information about the defined benefit plan was as follows:

a. Components of net pension cost

	Years Ended December 31	
	2009	2008
Service cost	\$ 525,210	\$ 552,704
Interest cost	191,879	203,799
Expected return on pension funds	(108,030)	(97,167)
Amortization of net transition obligations	18,486	65,146
Amortization of unrecognized (income) losses	2,206	10,697
Transfer of pension funds	13,835	-
Curtailment or settlement income	(10,537)	(5,452)
	<u>\$ 633,049</u>	<u>\$ 729,727</u>

b. Reconciliation of funded status of the plan and the accrued pension cost

	December 31	
	2009	2008
Benefit obligation		
Vested benefits obligation	\$ (3,010,647)	\$ (2,804,995)
Non-vested benefits obligation	(2,456,818)	(2,708,161)
Accumulated benefit obligation	(5,467,465)	(5,513,156)
Additional benefits based on future salaries	(1,804,534)	(2,061,154)
Projected benefit obligation	(7,271,999)	(7,574,310)
Fair value of pension funds	4,254,708	3,887,740
Funded status	(3,017,291)	(3,686,570)
Unrecognized net transitional obligations	6,974	17,236
Unrecognized gains or losses	639,000	962,300
Additional liability	(12,153)	(16,653)
Prepaid pension cost	(120,415)	(115,922)
	<u>\$ (2,503,885)</u>	<u>\$ (2,839,609)</u>
Vested benefits	<u>\$ 3,643,899</u>	<u>\$ 3,432,226</u>



c. Actuarial assumptions

	December 31	
	2009	2008
Discount rate used in determining present values	2.00%-2.75%	2.50%-2.75%
Future salary increase rate	2.00%-3.50%	2.00%-3.75%
Expected rate of return on plan assets	2.00%-3.00%	2.50%-2.75%

	Years Ended December 31	
	2009	2008
d. Contributions to the fund	\$ 627,427	\$ 646,612
e. Payments from the fund	\$ 67,513	\$ 95,349

26. STOCKHOLDERS' EQUITY

Common Stock and Preferred Stock

As of December 31, 2009, Taishin Financial Holding's authorized capital was \$100,000,000 thousand (10,000,000 thousand shares); registered capital is \$65,151,162 thousand, divided into 5,323,820 thousand common shares and 1,191,296 thousand preferred shares at NT\$10.00 par value. Details of outstanding capital stock as of December 31, 2009 were as follows:

	Common Stock	Preferred Stock	Total
First share swap	\$ 23,000,000	\$ 7,000,000	\$ 30,000,000
Less: Cancellation of preferred stock - A	-	(3,000,000)	(3,000,000)
Less: Cancellation of preferred stock - B	-	(4,000,000)	(4,000,000)
Second share swap	13,316,236	-	13,316,236
Capital infusion with cash	8,222,223	-	8,222,223
Convertible bonds converted to common stock	5,989,867	-	5,989,867
Issue of preferred stock - C	-	5,000,000	5,000,000
Issue of preferred stock - D	-	7,777,778	7,777,778
Stock dividends distributed	9,308,180	-	9,308,180
Less: Cancellation of treasury stock	(2,733,505)	-	(2,733,505)
Less: Capital reduction to recover loss	(3,864,802)	(864,815)	(4,729,617)
	<u>\$ 53,238,199</u>	<u>\$ 11,912,963</u>	<u>\$ 65,151,162</u>

As of February 18, 2002, Taishin Financial Holding issued 2,300,000 thousand shares of common stock, 300,000 thousand shares of preferred stock - A and 400,000 thousand shares of preferred stock - B to acquire all the issued common stock, preferred stock - A, and preferred stock - B of Taishin Bank through a share swap at a 1:1 ratio, respectively. Preferred stock - A and preferred stock - B have been redeemed and cancelled as of September 20, 2002 and June 30, 2006, respectively.

As of December 31, 2002, Taishin Financial Holding issued 1,331,624 thousand common shares to acquire all the issued common stocks of Taishin Securities and Taishin Bills Finance through share swaps at ratios of 1:1.2 and 1:1.3, respectively, with "1" representing Taishin Financial Holding.

. Financial Status

As of March 22, 2006, Taishin Financial Holding issued the private placement of common stock totaling \$10,000,000 thousand in 555,556 thousand shares at NT\$18.00 per share. The rights and obligations are the same as those of the common stock outstanding.

As of December 27, 2006, Taishin Financial Holding issued the private placement of common stock totaling \$4,000,000 thousand in 266,667 thousand shares at NT\$15.00 per share. The rights and obligations are the same as those of the common stock outstanding.

Taishin Financial Holding has proposed to effect the capital reduction by cancelling 386,480 thousand outstanding common shares (capital reduction ratio 6.7681%) on December 4, 2009.

Taishin Financial Holding 's group capital adequacy ratio was 132.97% as of December 31, 2009.

As of September 28, 2005, preferred stock - C amounting to \$15,000,000 thousand (500,000 thousand shares) was issued with a cumulative, non-participating and non-convertible dividend at 3.5% per annum based on issue price, are redeemable on September 28, 2012 at NT\$30.00 per share. Preferred stock - C has preference over common stock but inferior to preferred stock - B in dividend distribution. Taishin Financial Holding has proposed to effect the capital reduction by cancelling 33,841 thousand outstanding preferred shares on December 4, 2009.

As of March 22, 2006, Taishin Financial Holding issued the private placement of preferred stock - D totaling 777,778 thousand shares at NT\$18 per share in the total amount of \$14,000,000 thousand. The stock dividends are fixed at 6.5% per annum based on issue price, participating, but non-cumulative. Preferred stock - D has preference over common stock but inferior to preferred stock - B and preferred stock - C. The stockholders of preferred stock - D may request to convert the preferred stock - D to common stock at ratio of 1:1 three years from the issue date. Taishin Financial Holding may redeem partial or all outstanding preferred stock - D at issue price. Taishin Financial Holding has proposed to effect the capital reduction by cancelling 52,641 thousand outstanding preferred shares on December 4, 2009.

Stock-Based Employee Compensation Plan

Taishin Financial Holding adopted the Stock-Based Employee Compensation Plan on March 15, 2007, August 2, 2005 and August 19, 2004 (Plan of 2007, Plan of 2005 and Plan of 2004, respectively) and recognized its compensation costs under the intrinsic value method. As of December 31, 2009, the compensation cost was \$0. Under the Plan of 2007, 2005 and 2004, Taishin Financial Holding has to grant 150,000 units, 150,000 units and 77,549 units, respectively, of stock warrant to its qualified employees. Each unit represents the right to obtain 1,000 shares of Taishin Financial Holding 's common stock, and the exercise price is equal to the stock closing price on the Taiwan Stock Exchange on the grant date.

The exercise price of the employee stock warrants is subject to adjustments based on certain situations specified in the compensation plan.

Stock warrants under the Plan of 2007 can be exercised in two years from the grant date and will expire in ten years from the grant date. The exercisable percentage is as follows:

Stock-warrants Grant Period	Percentage Exercisable	Cumulative Percentage Exercisable
Over 2 years	15-40%	15-40%
Over 3 years	15-40%	30-80%
Over 4 years	15-40%	45-100%
Over 5 years	15-40%	60-100%
Over 6 years	15-40%	100%



Stock warrants under the Plan of 2005 can be exercised in two years from the grant date and will expire in ten years from the grant date. The exercisable percentage is as follows:

Stock-warrants Grant Period	Percentage Exercisable	Cumulative Percentage Exercisable
Over 2 years	20%	20%
Over 3 years	20%	40%
Over 4 years	20%	60%
Over 5 years	20%	80%
Over 6 years	20%	100%

Stock warrants under the plan of 2004 can be exercised in two years from the grant date and will expire in five years from the grant date. The exercisable percentage is as follows:

Stock-warrants Grant Period	Percentage Exercisable	Cumulative Percentage Exercisable
Over 2 years but less than 3 years	50%	50%
Over 3 years but less than 4 years	25%	75%
Over 4 years but less than 5 years	25%	100%

Stock warrants under the plan of 2004 had expired on August 18, 2009.

The quantity and weighted-average exercise price of the stock warrants are as follows:

	Years Ended December 31			
	2009		2008	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
<u>Plan of 2007</u>				
Outstanding, beginning balance	144,950	\$ 16.50	146,980	\$ 16.50
Forfeited	2,310	16.50	2,030	16.50
Outstanding, ending balance	142,640	16.50	144,950	16.50
Exercisable, ending balance	33,170		-	
<u>Plan of 2005</u>				
Outstanding, beginning balance	139,230	\$ 22.60	141,400	\$ 22.60
Forfeited	3,820	22.60	2,170	22.60
Outstanding, ending balance	135,410	22.60	139,230	22.60
Exercisable, ending balance	81,246		55,692	
<u>Plan of 2004</u>				
Outstanding, beginning balance	61,654	\$ 20.60	63,701	\$ 20.60
Forfeited	61,654	20.60	2,047	20.60
Outstanding, ending balance	-		61,654	20.60
Exercisable, ending balance	-		61,654	

VI. Financial Status

Disclosures of the outstanding units of the stock warrants as of December 31, 2009 were as follows:

	Exercise Price (Dollars)	Outstanding Unit	Expected Weighted Average Outstanding Period (Years)	Weighted Average Exercise Price (Dollars)	Exercisable Unit	Weighted Average Exercise Price (Dollars)
Plan of 2007	\$ 16.50	142,640	7.21	\$ 16.50	33,170	\$ 16.50
Plan of 2005	22.60	<u>135,410</u>	5.59	22.60	81,246	22.60
		<u>278,050</u>				

Had Taishin Financial Holding recognized the compensation cost of its stock-based employee compensation plan under the fair value method, the related assumptions as of December 31, 2009 and the pro forma net income and EPS for the years ended December 31, 2009 and 2008 would have been as follows:

Valuation Model	Binomial	Plan of 2008	Plan of 2005	Plan of 2004
Assumptions	Dividend yield	7.00%	14.48%	15.00%
	Expected price volatility	33.26%	32.65%	39.39%
	Risk-free interest rate	2.15%	1.94%	2.36%
	Expected outstanding periods	7.21 years	5.59 years	0 year

		Years Ended December 31	
		2009	2008
Net income	As reported	\$ 8,183,147	\$ (5,227,592)
	Pro forma	8,034,791	(5,456,070)
Basic earnings (loss) per share (in dollars)	As reported	\$ 1.27	\$ (1.01)
	Pro forma	1.24	(1.05)
Diluted earnings (loss) per share (in dollars)	As reported	\$ 1.27	\$ (1.01)
	Pro forma	1.24	(1.05)

Weighted market price per unit of stock warrants granted in 2007, 2005 and 2004 was \$3.62 thousand, \$3.69 thousand and \$5.49 thousand, respectively.

Capital Surplus

Taishin Financial Holding's capital surplus as of December 31, 2009 was \$19,076,045 thousand, which included additional paid-in capital of \$850,198 thousand from the unappropriated earnings of the financial institutions that swapped shares to form Taishin Financial Holding. Under Article 47-4 of the ROC Financial Holding Company Act, distribution of the portion from the original financial institutions' unappropriated earnings is not limited to the guidelines under Article 241-1 of the ROC Company Law. The additional paid-in capital in excess of par of preferred stock - D should not be capitalized in the period the preferred stock - D is outstanding.

Distribution of Earnings and Dividend Policy

Taishin Financial Holding's Articles of Incorporation provide that annual net income, after used to pay for taxes and offset any accumulated deficits should be appropriated in the following orders:



- a. Legal reserve and if needed, special reserve;
- b. Dividends to holders of preferred stock;
- c. 0.01% of the remainder as bonuses to employees and 2% of the remainder as remuneration to directors and supervisors;
- d. The remainder, together with the unappropriated retained earnings of previous years, as dividends.

Taishin Financial Holding's board of directors should prepare a proposal on above item (d) for approval in the stockholders' regular annual meeting. However, under the requirements of MOF, if the group's capital adequacy ratio is less than 100%, distributions of dividends may also be restricted.

For the years ended December 31, 2009 and 2008, the bonus to employees was \$540 thousand and \$0 thousand, respectively, and the remuneration to directors and supervisors was \$108,097 thousand and \$0 thousand, respectively. The bonus to employees, directors, and supervisors was based on the percentage described above of the net income (net of the bonus to employees, directors, and supervisors) and based on past experiences. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the shareholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain shareholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, net loss not recognized as pension cost, cumulative translation adjustments) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Legal reserve shall be appropriated until it has reached the Company's paid-in capital. This reserve may be used to offset a deficit. When the legal reserve has reached 50% of the Company's paid-in capital, up to 50% thereof may be transferred to paid-in capital.

The appropriation of the 2009 earnings was not yet approved by the stockholders as of February 27, 2010, the date of the accompanying independent auditors' report.

The loss appropriation for 2008 had been approved by the stockholders on June 26, 2009 to offset the accumulated deficits by capital reduction. The base date of capital reduction was December 4, 2009.

On June 13, 2008, the stockholders resolved to appropriate the net income of 2007 and to distribute preferred stock dividends of \$2,457,986 thousand; common stock dividends of \$1,027,855 thousand; bonuses to employees of \$7,396 thousand and remunerations to directors and supervisors of \$22,189 thousand. The board of directors had later resolved July 22, 2008 to be the ex-dividend date. If bonuses paid to employees and the remunerations to directors and supervisors had been recognized as compensation expenses in 2007, the pro forma EPS (after tax) would have been \$0.46, the same as the reported basic EPS in 2007.

Information about the loss appropriation, the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

. Financial Status

27. NET INTEREST INCOME

	Years Ended December 31	
	2009	2008
Interest income		
Loans	\$ 31,924,939	\$ 54,793,527
Due from and call loans to banks	1,956,516	5,820,440
Bonds and securities purchased under resell agreements	3,130	274,726
Investment in marketable securities	3,804,547	7,127,229
Circulation interest of credit card	1,361,251	986,380
Asset based securities	195,029	796,617
Securities financing	691,009	1,103,272
Others	1,480,537	2,537,711
	<u>41,416,958</u>	<u>73,439,902</u>
Interest expense		
Deposits	(14,673,211)	(29,336,846)
Due to and call loans from banks and Central Bank	(1,719,118)	(6,194,817)
Bonds and securities sold under repurchase agreements	(100,888)	(1,400,626)
Issuance of bonds and securities	(2,952,607)	(3,727,641)
Others	(52,279)	(204,410)
	<u>(19,498,103)</u>	<u>(40,864,340)</u>
	<u>\$ 21,918,855</u>	<u>\$ 32,575,562</u>

28. FEE AND COMMISSION INCOME, NET

	Years Ended December 31	
	2009	2008
Fee and commission income		
Fees from import and export	\$ 505,607	\$ 490,113
Remittance fees	506,880	523,815
Interbank fees	582,162	641,052
Loan and guarantees fees	1,255,807	1,273,376
Fees from certification, underwriting and brokerage	3,953,500	3,479,078
Fees from trustee business	2,588,035	3,742,200
Agency fees	1,834,028	1,444,578
Fees from credit card and cash card	2,583,688	2,385,013
Others	1,568,536	1,810,845
	<u>15,378,243</u>	<u>15,790,070</u>
Fee and commission expense		
Interbank fees	(143,464)	(144,599)
Fees from trustee business	(175,900)	(137,190)
Brokerage fees	(313,894)	(247,760)
Marketing fees	(387,181)	(519,382)
Agency fees	(269,489)	(355,558)
Fees from credit card	(690,679)	(167,588)
Fees from outstanding collection service	(155,807)	(176,151)
Others	(443,133)	(1,073,145)
	<u>(2,579,547)</u>	<u>(2,821,373)</u>
	<u>\$ 12,798,696</u>	<u>\$ 12,968,697</u>



29. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Personnel, depreciation, and amortization expenses for the years ended December 31, 2009 and 2008 were summarized as follows:

	2009	2008
Personnel		
Salary	\$ 14,764,441	\$ 15,480,580
Insurance	882,123	915,801
Pension	1,044,047	1,245,237
Others	484,854	470,610
	<u>\$ 17,175,465</u>	<u>\$ 18,112,228</u>
Depreciation	\$ 1,944,707	\$ 1,845,319
Amortization	533,111	883,265
	<u>\$ 2,477,818</u>	<u>\$ 2,728,584</u>

30. INCOME TAX

In 2003, Taishin Financial Holding adopted the linked tax system for tax filing with subsidiaries Taishin Bank, Taishin Securities, Taishin Bills Finance, Taishin AMC and Taishin Marketing. Taishin Venture Capital was included in this tax system in 2004. Taishin Securities was eliminated and excluded from the linked tax system in 2009.

Taishin Financial Holding and subsidiaries' income tax expenses for the years ended December 31, 2009 and 2008 were as follows:

	2009	2008
Current income tax payable	\$ 507,210	\$ 991,800
Deferred income tax expense (benefit)	819,730	(905,932)
Effect of tax law changes on deferred income tax	4,115,059	-
Taxed separately levied on interest	31,010	186,368
Income tax (benefit) expense - linked tax system	(146,426)	1,683
Investment tax credits	(2,432)	(3,568)
Additional 10% income tax on unappropriated earnings	20,072	4,250
Adjustments for prior years' tax	113,152	(37,196)
Offshore income tax expense	5,431	-
Others	78,293	165,662
	<u>32,551</u>	<u>8,600</u>
Income tax expenses	<u>\$ 5,573,650</u>	<u>\$ 411,667</u>

. Financial Status

In January 2009, the Legislative Yuan passed the amendment of Article 39 of the Income Tax Law, which extends the operating losses carryforward period from five years to ten years. Taishin Financial Holding and subsidiaries recalculated deferred tax assets according to the amended Article.

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise 's income tax rate from 25% to 20%, effective 2010. Taishin Financial Holding and subsidiaries recalculated its deferred tax assets and liabilities in accordance with the amended. Article and recognized the resulting difference as a deferred income tax benefit or expense.

The details of deferred income tax assets were as follows:

	December 31	
	2009	2008
Assets		
Loss carryforwards	\$ 13,971,924	\$ 17,723,798
Investment tax credit	103	33,361
Allowance for bad debts in excess of tax limit	3,407,231	5,752,547
Other reserves in excess of tax limit	20,418	123,073
Pension reserves	432,437	554,220
Unrealized loss on valuation of derivative instruments	73,603	35,576
Unrealized loss on warrants	-	544,122
Loss for decline in market value of credit receivable	31,465	54,200
Unrealized loss on investments	701,252	402,301
Reserves for other losses	228,982	-
Allowance for financial instruments (recognized as other receivables)	366,438	454,799
Unrealized loss on collateral	41,308	19,136
Others	13,892	74,022
Less: Allowance	(40,651)	(920,630)
	<u>19,248,402</u>	<u>24,850,525</u>
Liabilities		
Unrealized gains on valuation of derivative instruments	\$ -	\$ (283,736)
Unrealized exchange gain	(50,719)	(1,549)
Investment income recognized from overseas investment accounted for by the equity method	-	(119,590)
Goodwill amortization	(230,455)	(274,788)
Others	(795)	(2,273)
	<u>(281,969)</u>	<u>(681,936)</u>
Deferred income tax assets, net	<u>\$ 18,966,433</u>	<u>\$ 24,168,589</u>

Consolidated information for loss carryforwards was as follows:

Expiry Year	December 31	
	2009	2008
2013	\$ 1,109	\$ 1,386
2014	4,095	5,118
2015	6,767,930	9,224,250
2016	6,181,624	7,727,030
2017	506,157	633,057
2018	496,994	132,957
2019	<u>14,015</u>	<u>-</u>
	<u>\$ 13,971,924</u>	<u>\$ 17,723,798</u>



Based on the amended ROC Income Tax Law, information on the imputation credit accounts (ICA) and imputed tax credit rates was as follows:

	December 31, 2009				
	Taishin Financial Holding	Taishin Bank	Taishin Bills Finance	Chang Hwa Bank	Others
Balance of ICA	\$ 287,827	\$ 270,142	\$ 9,640	\$ 2,325	\$ 18,962

	December 31, 2008					
	Taishin Financial Holding	Taishin Bank	Taishin Securities	Taishin Bills Finance	Chang Hwa Bank	Others
Balance of ICA	\$ 266,714	\$ 129,591	\$ 2,837	\$ 8,812	\$ 230,545	\$ 18,462

	December 31, 2009				
	Taishin Financial Holding	Taishin Bank	Taishin Bills Finance	Chang Hwa Bank	Others
Imputed tax credit rates	3.22%	28.61%	4.05%	0.07%	NA-45.88%

	December 31, 2008					
	Taishin Financial Holding	Taishin Bank	Taishin Securities	Taishin Bills Finance	Chang Hwa Bank	Others
Imputed tax credit rates	-	-	4.29%	-	4.44%	NA-39.62%

The expected creditable ratio for the 2009 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

Examination of Taishin Financial Holding's and Subsidiaries' Income Tax

Taishin Financial Holding's 2004 income tax return has been examined and cleared by the tax authorities.

The tax authority had disapproved the related expenses of Taishin Financial Holding due to the dissension among the direct and reasonable attribution of operating and interest expenses to investment and expenditures on management of investees, resulting in the increase of taxable amount of \$812,875 thousand. A holding company is not a company specialized in investment business that it can not allocate any operating and interest expense. Taishin Financial Holding is filing an appeal to a high court, and this case is entrusted to Taiwan Financial Services Roundtable.

Taishin Bank's 2004 income tax return has been examined and cleared by the tax authority. The 2007 income tax returns of Taishin Real-Estate, Taishin Insurance Agency, Pay Easy Digital and Taishin Insurance Brokers had been examined and cleared by the tax authority. Taishin Insurance Agency's 2006 income tax return has not been examined and cleared by the tax authority.

. Financial Status

In regard to the goodwill amortization of \$635,098 thousand, \$758,768 thousand and \$758,518 thousand from the merger of Dah An Bank reported in the 2002, 2003 and 2004 income tax returns of Taishin Bank, the tax authority had disapproved the related expense due to the reason that the goodwill resulted from negotiations of the dealing parties rather than a purchase from open market. Taishin Bank is filing an appeal to a high court.

In regard to the goodwill amortization \$18,109 thousand from the acquisition of the 10th Credit Cooperative of Hsin-Chu in the 2004 income tax returns of Taishin Bank, the tax authority had disapproved the related expense due to the reason that the goodwill was not assessed by applying professional valuation procedures and the identifiable assets and liabilities were not analyzed by fair value. Taishin Bank is filing an appeal to a high court.

Taishin Bills Finance 's 2004 income tax return had been examined and cleared by the tax authority.

Taishin AMC 's 2004 income tax return had been examined and cleared by the tax authority.

Taishin Marketing 's 2004 income tax return had been examined and cleared by the tax authority.

Taishin Venture Capital Investment 's 2004 income tax return had been examined and cleared by the tax authority.

The 2006 income tax returns of Chang Hwa Bank and of CHB Life Insurance Agency had been examined and cleared by the tax authority. The 2007 income tax returns of CHB Insurance Brokerage had been examined and cleared by the tax authority.

Information on unappropriated earnings (accumulated deficits) was as follows:

	December 31, 2009					
	Taishin Financial Holding	Taishin Bank	Taishin Bills Finance	Chang Hwa Bank	Others	
Unappropriated earnings generated after January 1, 1998	\$ 8,183,147	\$ 944,099	\$ 234,164	\$ 3,174,710	\$ (34,657)	
	December 31, 2008					
	Taishin Financial Holding	Taishin Bank	Taishin Securities	Taishin Bills Finance	Chang Hwa Bank	Others
Unappropriated earnings generated before December 31, 1997	\$ -	\$ -	\$ 26,098	\$ -	\$ -	\$ -
Unappropriated earnings generated after January 1, 1998	(4,729,617)	(4,098,205)	66,095	(1,115,272)	5,267,456	87,083
	\$ (4,729,617)	\$ (4,098,205)	\$ 92,193	\$ (1,115,272)	\$ 5,267,456	\$ 87,083

As stipulated in the Ministry of Finance Letter No. (91) Tai-Tsai-Tax 0910454466, the denominator to be used in the imputed tax credit ratio should include the capital surplus which is originally the un-appropriated earnings generated after January 1, 1998 before the share swap in establishing a financial holding company. As of December 31, 2008, the capital surplus of Taishin Financial Holding mentioned above amounted to \$757,662 thousand.



31. EARNINGS PER SHARE

	Year Ended December 31, 2009				
	Amount (Numerator)		Shares in Thousands (Denominator)	Earnings Per Share (Dollars)	
	Pre-tax	Post-tax		Pre-tax	Post-tax
Consolidated net income (of the parent company 's stockholders)					
Net income before extraordinary gain	\$ 11,577,329	\$ 8,060,327			
Extraordinary gain	163,760	122,820			
Net income	11,741,089	8,183,147			
Less: Preferred stock dividends	(1,435,000)	(1,435,000)			
	<u>\$ 10,306,089</u>	<u>\$ 6,748,147</u>			
Basic earnings per share					
Net income before extraordinary gain	\$ 10,142,329	\$ 6,625,327		\$ 1.91	\$ 1.25
Extraordinary gain	163,760	122,820		0.03	0.02
Net income of common stockholders	10,306,089	6,748,147	5,323,820	<u>\$ 1.94</u>	<u>\$ 1.27</u>
Effect of dilutive potential common stock					
Bonus to employees	-	-	43		
Diluted earnings per share					
Net income of common stockholders plus effect of potential dilutive common stock	<u>\$ 10,306,089</u>	<u>\$ 6,748,147</u>	<u>5,323,863</u>	<u>\$ 1.94</u>	<u>\$ 1.27</u>
	Year Ended December 31, 2008				
	Amount (Numerator)		Shares in Thousands (Denominator)	Earnings Per Share (Dollars)	
	Pre-tax	Post-tax		Pre-tax	Post-tax
Consolidated net loss (of the parent company 's stockholders)	\$ (6,549,037)	\$ (5,227,592)			
Less: Preferred stock dividends	(525,000)	(525,000)			
Basic loss per share					
Net loss of common stockholders	(7,074,037)	(5,752,592)	5,323,820	<u>\$ (1.33)</u>	<u>\$ (1.08)</u>
Effect of dilutive potential common stock	-	-	-		
Diluted loss per share					
Net loss of common stockholders plus effect of dilutive potential common stock	<u>\$ (7,074,037)</u>	<u>\$ (5,752,592)</u>	<u>5,323,820</u>	<u>\$ (1.33)</u>	<u>\$ (1.08)</u>

. Financial Status

32. RELATED-PARTY TRANSACTIONS

Names and relationships of related parties are as follows:

Name	Relationship
Dah An Leasing	Equity method investee
An Hsin Real-Estate	Same as above
Shin Kong Financial Holding Co., Ltd. (" Shin Kong Financial Holding ")	Its chairman is a relative within the second degree of Taishin Financial Holding ' s chairman
Shin Kong Co., Ltd.	Same as above
Shin Kong Life Insurance Co., Ltd. (" Shin Kong Life Insurance ")	Same as above
Shin Kong Synthetic Fibers Corp. (" Shin Kong Synthetic Fibers ")	Same as above
Shinshen Co., Ltd.	Same as above
Shin Kong Engineering Corp. (" Shin Kong Engineering ")	Same as above
Jupiter Venture Capital Co., Ltd. (" Jupiter Venture Capital ")	Same as above
Mercury Venture Capital Co., Ltd. (" Mercury Venture Capital ")	Same as above
Shin Kong Wu Ho-Su Memorial Hospital	Same as above
Jiouru Co., Ltd. (" Jiouru ")	Same as above
Anlon Co., Ltd. (" Anlon ")	Same as above
Jiouru Investment Co., Ltd. (" Jiouru Investment ")	Same as above
Shin Kong Recreation Co., Ltd. (" Shin Kong Recreation ")	Its chairman is a relative within the first degree of Taishin Financial Holding ' s chairman
Shin Jui AMC	Wholly owned by Taishin AMC
PayEasy Travel	Wholly owned by PayEasy Digital
Contect Digital Integration	65.75% owned by PayEasy Digital
Dah Chung Bills Finance Corp. (" Dah Chung Bills ")	Taishin Bank serves as its corporate director
Taiwan Shin Kong Commercial Bank Co., Ltd. (" Shin Kong Bank ")	Wholly owned by Shin Kong Financial Holding
Shin Kong Investment Trust Co., Ltd. (" Shin Kong Investment Trust ")	Same as above
Ming Huang International Property Co., Ltd. (" Ming Huang International Property ")	Taishin Financial Holding ' s supervisor
Taishin International Investment Development Co., Ltd. (Taishin International Investment Development)	Same as above
CyberSoft Digital Service Corp. (" CyberSoft Digital Service ")	Related party in substance
Shin Kong Spinning Co., Ltd. (" Shin Kong Spinning ")	Same as above
Taishin Leasing & Financing Co., Ltd. (" Taishin Leasing & Financing ")	Taishin International Investment Development Co., Ltd. ' s parent company
Peng Cheng Co., Ltd. (" Peng Cheng ")	Taishin Financial Holding ' s director
Miniatures Museum of Taiwan (" Miniatures ")	A relative within the second degree of Taishin Financial Holding ' s general manager
Individual A	A relative within the second degree of Taishin Financial Holding ' s chairman
Individual B	Same as above
Individual C	The manager of Taishin Bank
Individual D	Same as above
Individual E	Same as above

(Concluded)



Material transactions with related parties were as follows:

Loan to Related Parties	Ending Balance	Percentage of Loans (%)	Interest Rate (Per Annum %)	Interest Revenue
Year ended December 31, 2009	\$ 2,104,718	0.42%	0-20	\$ 31,633
Year ended December 31, 2008	1,770,822	0.34%	0-20	65,472

Year Ended December 31, 2009					
Loans to Related Parties	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral
<u>Consumer loans</u>					
215 accounts	\$ 229,622	\$ 251,996	\$ 229,622	\$ -	Land, building, chattels
<u>Self-used residence mortgage loans</u>					
291 accounts	1,066,267	1,153,731	1,066,267	-	Land, building
<u>Other loans</u>					
Jiouru Investment	58,500	58,500	58,500	-	Land, building
Jiouru	65,000	65,000	65,000	-	Land, building
Ming Huang International Property	171,000	173,000	171,000	-	Land, building
Peng Cheng	110,000	110,000	110,000	-	Land, building
Shin Kong Engineering	42,000	62,000	42,000	-	Stocks
Shin Kong Synthetic Fibers	300,000	300,000	300,000	-	Land, building
Miniatures	45,000	45,000	45,000	-	Land, building
Individual B	14,390	15,410	14,390	-	Land, building
Individual E	1,562	1,562	1,562	-	Certificate deposit
Others	1,377		1,377	-	Certificate deposit
	<u>\$ 2,104,718</u>		<u>\$ 2,104,718</u>		

Year Ended December 31, 2009				
	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Reserve for Guarantee Liabilities
<u>Guarantee for loans of related parties</u>				
Shin Kong Synthetic Fibers	\$ 6,162	\$ 300,000	0.60	\$ -

Year Ended December 31, 2009		
	Ending Balance	Interest Rate (Per Annum %)
<u>Deposits from related parties</u>		
Shin Kong Life Insurance	\$ 670,916	0.02-2.58
Dah Chung Bills	423,775	0.00-2.50
Dah An Leasing	173,641	0.10-0.70
Shin Kong Investment Trust	128,102	0.10-1.13
Shin Kong Synthetic Fibers	111,558	0.00-1.00
Others	3,413,411	
	<u>\$ 4,921,403</u>	

Financial Status

Loans to Related Parties	Year Ended December 31, 2008				
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral
<u>Consumer loans</u>					
226 accounts	\$ 220,499	\$ 382,178	\$ 220,499	\$-	Land, building, chattels
<u>Self-used residence mortgage loans</u>					
330 accounts	1,158,638	1,359,403	1,158,638	-	Land, building
<u>Other loans</u>					
Jiouru Investment	58,500	58,500	58,500	-	Land, building
Jiouru	65,000	65,000	65,000	-	Land, building
Ming Huang International Property	173,000	173,000	173,000	-	Land, building
Peng Cheng	28,000	92,000	28,000	-	Land, building
Shin Kong Engineering	25,000	72,000	25,000	-	Stocks
Taishin Leasing & Financing	10,000	19,000	10,000	-	Stocks, mutual funds
Individual B	15,410	16,430	15,410	-	Land, building
Individual	3,220	3,288	3,220	-	Time deposit
Individual A	10,351	10,568	10,351	-	Time deposit
Individual D	1,589	1,589	1,589	-	Certificate deposit
Individual C	1,183	1,576	1,183	-	Certificate deposit
Others	432		432	-	Certificate deposit
	<u>\$ 1,770,822</u>		<u>\$ 1,770,822</u>		

	Year Ended December 31, 2008				
	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Reserve for Guarantee Liabilities	Collateral
<u>Guarantee for loans of related parties</u>					
Shin Kong Synthetic Fibers	\$ 300,000	\$ 800,000	0.50-0.60	\$ -	Stocks, chattels
PChome Online Co., Ltd.	180,000	180,000	1.00	-	Certificate deposit

	Year Ended December 31, 2008		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
<u>Deposits from related parties</u>			
Shin Kong Life Insurance	\$ 3,009,823	0.10-2.72	\$ (53,418)
Shin Kong Synthetic Fibers	366,320	0.00-2.19	(708)
Dah Chung Bills	439,515	0.00-2.50	(9,906)
PChome Online Co., Ltd.	318,997	0.10-2.65	(3,509)
Taishin Bank Employee ' s Welfare Institution	222,395	0.10-2.28	(4,493)
Shin Kong Insurance Co., Ltd.	234,895	0.00-2.72	(2,497)
Dah An Leasing	172,954	0.10-2.05	(626)
Jupiter Venture Capital	113,603	0.10-2.32	(4,476)
Mercury Venture Capital	117,371	0.10-2.32	(6,768)
Taishin Securities Investment Advisory	166,174	0.10-2.62	(2,323)
Taiwan Managed Futures	157,141	0.10-2.65	(2,875)
Chia Hao Investment Co., Ltd.	101,777	0.10-2.16	(30)
Others	3,241,259		(60,616)
	<u>\$ 8,662,224</u>		<u>\$ (152,245)</u>



As of December 31, 2009 and 2008, the balance of deposits from related parties of Chang Hwa Bank amounted to \$1,456,097 thousand and \$1,081,896 thousand, respectively, with the interest rates ranged from 0.00% to 13.00%.

Loans to related parties of Chang Hwa Bank were as follows:

Loan to Related Parties	Ending Balance	Percentage of Loans (%)	Interest Rate (Per Annum %)	Interest Revenue
Year ended December 31, 2009	\$ 454,728	0.04	0.01-7.26	\$ 5,490
Year ended December 31, 2008	381,590	0.04	1.61-7.69	8,476

	Year Ended December 31, 2009					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Difference in Terms Between Related Parties and Non-related Parties
<u>Consumer loans</u>						
22 accounts	\$ 7,467	\$ 8,519	\$ 7,467	\$ -	Credit	None
<u>Self-use residential mortgage loans</u>						
107 accounts	417,259	472,872	417,259	-	Real estate	None
<u>Others</u>						
Anlon	30,000	30,000	30,000	-	Real estate	None
12 accounts (Note)	2	8,305	2	-	Deposit	None

Note: The balance is not over 1% of the total ending balance.

	Year Ended December 31, 2008					
	Ending Balance	Highest Amount	Normal Loans	Non- performing Loans	Collateral	The Difference in Terms Between Related Parties and Non-related Parties
<u>Consumer loans</u>						
50 accounts	\$ 43,881	\$ 59,689	\$ 43,881	\$ -	Credit and real estate	None
<u>Self-use residential mortgage loans</u>						
91 accounts	317,709	326,140	317,709	-	Real estate	None
<u>Others</u>						
Anlon	20,000	20,000	20,000	-	Real estate	None

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

. Financial Status

Trading Securities

	Year Ended December 31, 2009					
	Purchase		Repurchase Agreements		Resell Agreements	
	Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Related Parties						
Dah Chung Bills	\$ 2,697,519	\$ 2,517,485	\$ -	-	\$ -	-

	Year Ended December 31, 2008					
	Purchase		Repurchase Agreements		Resell Agreements	
	Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Related Parties						
Dah Chung Bills	\$ 8,651,999	\$ 8,971,108	-	-	\$ -	-

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

Derivatives

Related Party	Year Ended December 31, 2009					
	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Shin Kong Life Insurance	Interest rate swaps	2005.03.02-2011.06.18	\$ 250,000	\$ (3,627)	Financial assets at FVTPL	\$ 1,624
	FX swaps	2008.08.15-2010.08.19	640,600	(1,364)	Financial liabilities at FVTPL	(13,496)
Dah Chung Bills	Interest rate swaps	2005.01.05-2013.04.22	1,500,000	(6,142)	Financial liabilities at FVTPL	(11,210)

Related Party	Year Ended December 31, 2008					
	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Shin Kong Bank	Interest rate swaps	2003.12.10-2009.02.16	\$ 1,300,000	\$ (68,136)	Financial assets at FVTPL	\$ 2,933
Shin Kong Life Insurance	Interest rate swaps	2005.03.02-2015.03.18	1,950,000	(11,599)	Financial assets at FVTPL	5,251
	FX swaps	2007.02.09-2009.08.19	7,557,800	2,741	Financial assets at FVTPL	32,929
Shin Kong Synthetic Fibers	Interest rate swaps	2004.04.07-2009.04.07	500,000	3,822	Financial liabilities at FVTPL	(272)
Dah Chung Bills	Interest rate swaps	2005.01.05-2013.04.22	2,400,000	(26,366)	Financial liabilities at FVTPL	(17,352)

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



Call Loans to Banks and Call Loans from Banks

	Year Ended December 31, 2009				
	Item	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Interest Revenue (Expense)
Dah Chung Bills	Call loans to banks	\$ -	\$ 1,405,000	0.10-0.13	\$ 31
Shin Kong Bank	Call loans from banks	-	400,000	0.12	(130)

	Year Ended December 31, 2008				
	Item	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Interest Revenue (Expense)
Shin Kong Bank	Call loans from banks	\$ -	\$ 300,000	1.69-2.06	\$ (2,014)

Other Material Transactions

	Years Ended December 31			
	2009		2008	
	Item	Amount	Item	Amount
CyberSoft Digital Service	Operating expense	\$ 338,610	Operating expense	\$ 374,702

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

Compensation of Directors, Supervisors and Management Personnel

		Years Ended December 31	
		2009	2008
Salaries	\$	132,924	\$ 144,560
Pension		777	4,304
Incentives		138,642	117,518
Bonus		1,766	6,211
	\$	<u>274,109</u>	<u>\$ 272,593</u>

. Financial Status

Over \$100 million transactions with related parties of subsidiaries were as follows:

Taishin Bank

Name	Relationship
Taishin Financial Holding	Parent company
Taishin Securities	Wholly owned by the same parent company (merged with KGI Securities and eliminated on December 19, 2009)
Taishin Bills Finance	Wholly owned by the same parent company
Taishin AMC	Same as above
Taishin Marketing	Same as above
Taishin Venture Capital	Same as above
Chang Hwa Bank	Under control by the same parent company
Dah An Leasing	Equity-method investee
Taishin Insurance Agency	Same as above
Taishin Real-Estate	Same as above
An Hsin Real-Estate	Same as above
PayEasy Digital	Same as above
Shin Kong Recreation	Its chairman is a relative within the first degree of Taishin Bank ' s chairman
Jupiter Venture Capital	Its chairman is a relative within the second degree of Taishin Bank ' s chairman
Mercury Venture Capital	Same as above
Taishin Life Insurance	Same as above
Taishin Synthetic Fibers	Same as above
Taishin Financial Holding	Same as above
Taishin Engineering	Same as above
Jiouru	Same as above
Jiouru Investment	Same as above
Shin Jui AMC	Wholly owned by Taishin AMC
PayEasy Travel	Wholly owned by PayEasy Digital
Contect Digital Integration	65.75% owned by PayEasy Digital
Taishin Insurance Broker	Wholly owned by Taishin Insurance Agency
CHB Life Insurance Agency	Wholly owned by Chang Hwa Bank
CHB Insurance Brokerage	Same as above
Shin Kong Bank	Wholly owned by Shin Kong Financial Holding
Dah Chung Bills	Taishin Bank serves as its corporate director
Ming Huang International Property	Taishin Financial Holding ' s supervisor
Taishin International Investment Development	Same as above
CyberSoft Digital Service	Related party in substance
Taishin Leasing & Financing	Taishin International Investment Development ' s parent company
Peng Cheng	Taishin Financial Holding ' s director
Miniatures	Its chairman is a relative within the second degree of Taishin Financial Holding ' s general manager
Individual A	A relative within the second degree of Taishin Bank ' s chairman
Individual B	Same as above
Individual D	The manager of Taishin Bank
Individual C	Same as above
Individual E	Same as above



Material transactions with related parties were as follows:

a. Loans, deposits and guaranteed loans

Loan to Related Parties	Ending Balance	Percentage of Loans (%)	Interest Rate (Per Annum %)	Interest Revenue
Year ended December 31, 2009	\$ 2,104,718	0.42%	0-20	\$ 31,633
Year ended December 31, 2008	1,770,822	0.34%	0-20	65,472

Loans to Related Parties	Year Ended December 31, 2009					Collateral
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans		
<u>Consumer loans</u>						
215 accounts	\$ 229,622	\$ 251,996	\$ 229,622	\$ -		Land, building, chattels
<u>Self-used residence mortgage loans</u>						
291 accounts	1,066,267	1,153,731	1,066,267	-		Land, building
<u>Other loans</u>						
Jiouru Investment	58,500	58,500	58,500	-		Land, building
Jiouru	65,000	65,000	65,000	-		Land, building
Ming Huang International Property	171,000	173,000	171,000	-		Land, building
Peng Cheng	110,000	110,000	110,000	-		Land, building
Shin Kong Engineering	42,000	62,000	42,000	-		Stocks
Shin Kong Synthetic Fibers	300,000	300,000	300,000	-		Land, building
Miniatures	45,000	45,000	45,000	-		Land, building
Individual B	14,390	15,410	14,390	-		Land, building
Individual E	1,562	1,562	1,562	-		Certificate deposit
Others	<u>1,377</u>		<u>1,377</u>	-		Certificate deposit
	\$ 2,104,718		\$ 2,104,718			

. Financial Status

Loans to Related Parties	Year Ended December 31, 2008				
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral
<u>Consumer loans</u>					
226 accounts	\$ 220,499	\$ 382,178	\$ 220,499	\$ -	Land, building, chattels
<u>Self-used residence mortgage loans</u>					
330 accounts	1,158,638	1,359,403	1,158,638	-	Land, building
<u>Other loans</u>					
Jiouru Investment	58,500	58,500	58,500	-	Land, building
Jiouru	65,000	65,000	65,000	-	Land, building
Ming Huang International Property	173,000	173,000	173,000	-	Land, building
Peng Cheng	28,000	92,000	28,000	-	Land, building
Shin Kong Engineering	25,000	72,000	25,000	-	Stocks
Taishin Leasing & Financing	10,000	19,000	10,000	-	Socks, mutual funds
Individual B	15,410	16,430	15,410	-	Land, building
Individual	3,220	3,288	3,220	-	Time deposit
Individual A	10,351	10,568	10,351	-	Time deposit
Individual D	1,589	1,589	1,589	-	Certificate deposit
Individual C	1,183	1,576	1,183	-	Certificate deposit
Others	432		432	-	Certificate deposit
	<u>\$ 1,770,822</u>		<u>\$ 1,770,822</u>		

	Year Ended December 31, 2009				
	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Reserve for Guarantee Liabilities	Collateral
<u>Guarantee for loans of related parties</u>					
Shin Kong Synthetic Fibers	\$ 6,162	\$ 300,000	0.60	\$ -	Stocks, chattels
PayEasy Digital	4,618	4,867	0.80	-	Certificate deposit

	Year Ended December 31, 2008				
	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Reserve for Guarantee Liabilities	Collateral
<u>Guarantee for loans of related parties</u>					
Shin Kong Synthetic Fibers	\$ 300,000	\$ 800,000	0.50-0.60	\$ -	Stocks, chattels
PChome Online Co., Ltd.	180,000	180,000	1.00	-	Certificate deposit



Year Ended December 31, 2009			
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
<u>Deposits from related parties</u>			
Taishin Financial Holding	\$ 22,557,438	0.00-1.65	\$ (27,686)
Shin Kong Life Insurance	670,916	0.02-2.58	(10,661)
Taishin Insurance Agency	467,145	0.00-0.10	(421)
Dah Chung Bills	423,775	0.00-2.50	(7,197)
PayEasy Digital	214,115	0.00-2.72	(1,573)
Dah An Leasing	173,641	0.10-0.70	(307)
Taishin AMC	129,366	0.00-2.25	(862)
Shin Kong Investment Advisory	128,102	0.10-1.13	(235)
Shin Kong Synthetic Fibers	111,558	0.00-1.00	(79)
Others	3,536,962		(103,474)
	<u>\$ 28,413,018</u>		<u>\$ (152,495)</u>
Year Ended December 31, 2008			
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
<u>Deposits from related parties</u>			
Shin Kong Life Insurance	\$ 3,009,823	0.10-2.72	\$ (53,418)
Shin Kong Synthetic Fibers	366,320	0.00-2.19	(708)
Dah Chung Bills	439,515	0.00-2.50	(9,906)
PChome Online Co., Ltd.	318,997	0.10-2.65	(3,509)
Taishin Insurance Agency	370,901	0.00-2.45	(3,913)
Taishin Financial Holding	12,387,621	0.10-2.15	(231,731)
Taishin Securities	2,622,883	0.00-2.70	(11,641)
Taiwan Futures	513,435	0.00-2.72	(47,463)
Taishin Bills Finance	935,354	0.00-2.58	(11,556)
Taishin Bank Employee's Welfare Institution	222,395	0.10-2.28	(4,493)
Shin Kong Insurance Co., Ltd.	234,895	0.00-2.72	(2,497)
Dah An Leasing	172,954	0.10-2.05	(626)
Jupiter Venture Capital	113,603	0.10-2.32	(4,476)
Mercury Venture Capital	117,371	0.10-2.32	(6,768)
Taishin Securities Investment Advisory	166,174	0.10-2.62	(2,323)
Taiwan Managed Futures	157,141	0.10-2.65	(2,875)
Chia Hao Investment Co., Ltd.	101,777	0.10-2.16	(30)
PayEasy Digital	262,456	0.00-2.72	(5,268)
Others	3,557,894		(74,789)
	<u>\$ 26,071,509</u>		<u>\$ (477,990)</u>

The above related-party transactions are made at arm ' s length in compliance with Taishin Bank ' s policies.

. Financial Status

b. Call loans to banks and call loans from banks

Year Ended December 31, 2009					
Related Party	Item	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Interest Revenue (Expense)
Dah Chung Bills	Call loans to banks	\$ -	\$ 1,405,000	0.10-0.13	\$ 31
Taishin Bills Finance	Call loans to banks	1,000,000	2,190,000	0.10-0.60	884
	Call loans from banks	-	450,000	0.11	(4)
Chang Hwa Bank	Call loans to banks	-	966,000	-	1,796

Year Ended December 31, 2008					
Related Party	Item	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Interest Revenue (Expense)
Taishin Bills Finance	Call loans to banks	\$ 1,215,000	\$ 2,820,000	0.60-2.08	\$ 3,705
	Call loans from banks	-	500,000	1.40-2.02	(269)
Chang Hwa Bank	Call loans to banks	-	2,920,080	2.04-2.10	1,075
	Call loans from banks	-	1,642,600	2.00-2.63	(1,432)

The above related party transactions are made at arm ' s length in compliance with Taishin Bank ' s policies.

c. Trading securities

Year Ended December 31, 2009						
Related Party	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resell Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Taishin Bills Finance	\$ 1,912,727	\$ 802,648	\$ 52,682	(5.80)-0.10	\$ -	-
Chang Hwa Bank	2,532,031	3,250,951	-	-	-	-
Dah Chung Bills	2,697,519	2,517,485	-	-	-	-
Taishin Securities	12,040,232	13,344,281	-	-	-	-
Taishin Financial Holding	-	-	2,795,303	0.11-0.40	-	-
	<u>\$ 19,182,509</u>	<u>\$ 19,915,365</u>	<u>\$ 2,847,985</u>		<u>\$ -</u>	

Year Ended December 31, 2008						
Related Party	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resell Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Taishin Bills Finance	\$ 3,433,000	\$ 3,262,366	\$ -	-	\$ -	-
Chang Hwa Bank	4,682,355	4,496,300	-	-	-	-
Dah Chung Bills	8,651,999	8,971,108	-	-	-	-
Taishin Securities	35,875,924	35,624,456	313,814	(8.20)-2.01	-	-
Taishin Financial Holding	-	-	547,138	0.40-1.94	-	-
	<u>\$ 52,643,278</u>	<u>\$ 52,354,230</u>	<u>\$ 860,952</u>		<u>\$ -</u>	

The above related party transactions are made at arm ' s length in compliance with Taishin Bank ' s policies.



d. Derivatives

Related Party	Derivative Contracts	Period	Year Ended December 31, 2009			
			Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Taishin Financial Holding	Interest rate swaps	2003.12.12-2010.12.12	\$ 250,000	\$ 977	Financial liabilities at FVTPL	\$ (4,582)
Shin Kong Life Insurance	Interest rate swaps	2005.03.02-2011.06.18	250,000	(3,627)	Financial assets at FVTPL	1,624
	FX swaps	2008.08.15-2010.08.19	640,600	(1,364)	Financial liabilities at FVTPL	(13,496)
Dah Chung Bills	Interest rate swaps	2005.01.05-2013.04.22	1,500,000	(6,142)	Financial liabilities at FVTPL	(11,210)
Taishin Bills Finance	Interest rate swaps	2007.04.12-2013.05.16	8,100,000	15,337	Financial assets at FVTPL	53,566

Related Party	Derivative Contracts	Period	Year Ended December 31, 2008			
			Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Shin Kong Bank	Interest rate swaps	2003.12.10-2009.02.16	\$ 1,300,000	\$ (68,136)	Financial assets at FVTPL	\$ 2,933
Taishin Financial Holding	Interest rate swaps	2003.12.12-2010.12.12	250,000	(5,980)	Financial liabilities at FVTPL	(5,559)
Shin Kong Life Insurance	Interest rate swaps	2005.03.02-2015.03.18	1,950,000	(11,599)	Financial assets at FVTPL	5,251
	FX swaps	2007.02.09-2009.08.19	7,557,800	2,741	Financial assets at FVTPL	32,929
Shin Kong Synthetic Fibers	Interest rate swaps	2004.04.07-2009.04.07	500,000	3,822	Financial liabilities at FVTPL	(272)
Dah Chung Bills	Interest rate swaps	2005.01.05-2013.04.22	2,400,000	(26,366)	Financial liabilities at FVTPL	(17,352)
Taishin Bills Finance	Interest rate swaps	2007.03.19-2013.05.16	3,500,000	73,176	Financial assets at FVTPL	68,903
Taishin Securities	Interest rate swaps	2007.03.19-2012.06.14	600,000	703	Financial liabilities at FVTPL	(5,478)

The above related party transactions are made at arm ' s length in compliance with Taishin Bank ' s policies.

e. Property transactions

Taishin Bank had sold land and buildings to Taishin AMC and Taishin Real Estate in September 2009. The disposal prices of land and buildings were \$187,850 thousand and \$58,340 thousand with reference to professional appraiser reports. The gain on disposal of land and buildings were \$116 thousand and \$2,051 thousand, which had been received by December 31, 2009.

f. Other material transactions

	Years Ended December 31			
	2009		2008	
	Item	Amount	Item	Amount
Taishin Insurance Agency	Commission income	\$ 796,420	Commission income	\$ 499,137
CyberSoft Digital Service	Operating expense	338,610	Operating expense	374,702

The above related party transactions are made at arm ' s length in compliance with Taishin Bank ' s policies.

g. Compensation of directors, supervisors and management personnel

	Years Ended December 31			
	2009		2008	
Salaries	\$	100,526	\$	110,181
Pension		1,364		5,536
Incentives		130,625		88,456
	\$	232,515	\$	204,173

. Financial Status

Chang Hwa Bank

Names and relationships of related parties are as follows:

Name	Relationship
Directors, supervisors, managers and the relatives	Chang Hwa Bank ' s directors, supervisors, managers and the relatives
CHB Life Insurance Agency	Equity-method investee
CHB Insurance Brokerage	Same as above
Taishin Financial Holding	The corporate director and supervisor of Chang Hwa Bank
Taishin Bank	The subsidiary of Taishin Financial Holding
Shin Kong Life Insurance	Its chairman is a relative within the second degree of Taishin Financial Holding ' s chairman
Shin Kong Synthetic Fibers	Same as above
Shin Kong Wu Ho-Su Memorial Hospital	Same as above
Anlon	Same as above
An Hsin Real-Estate	Equity method investee of Taishin Bank
Dah Chung Bills	Taishin Bank serves as its corporate director
Others	Related party in substance

a. Deposits

Loan to Related Parties	Ending Balance	Percentage of Deposits (%)	Interest Rate (Per Annum %)	Interest Expense
The balance on December 31, 2009	\$ 1,668,683	0.14	0-13	\$ 23,534
The balance on December 31, 2008	1,145,391	0.10	0-13	25,412

Chang Hwa Bank provides interest rate at 13% per annum to the board of directors, supervisors, and managers of the above affiliates for their savings with a balance below \$480 thousand. For any excess amount, the interest is calculated at the rate for regular savings deposits. The rest is the same as regular depositors.

b. Loans

Item	Ending Balance	Percentage of Loans (%)	Interest Rate (%)	Interest Revenue
The balance on December 31, 2009	\$ 454,728	0.04	0.01-7.26	\$ 5,490
The balance on December 31, 2008	381,590	0.04	1.61-7.69	8,476

Loans to related parties of Chang Hwa Bank are as follows:

	Year Ended December 31, 2009					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
22 accounts	\$7,467	\$8,519	\$7,467	\$ -	Credit	None
Self-use residential mortgage loans						
107 accounts	417,259	472,872	417,259	-	Real estate	None
Others						
Anlon	30,000	30,000	30,000	-	Real estate	None
12 accounts (Note)	2	8,305	2	-	Deposit	None

Note: The balance is not over 1% of the total ending balance.



	Year Ended December 31, 2008					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
50 accounts	\$ 43,881	\$ 59,689	\$ 43,881	\$ -	Credit and real estate	None
Self-use residential mortgage loans						
91 accounts	317,709	326,140	317,709	-	Real estate	None
Others						
Anlon	20,000	20,000	20,000	-	Real estate	None

Note: The balance is not over 1% of the total ending balance.

Chang Hwa Bank provides mortgage loans and consumer loans at interest rates of 1.3% and 2.3% with the balance below \$8,000 thousand and below \$800 thousand, respectively. For the years ended December 31, 2009 and 2008, to the above natural persons such as the board of directors, supervisors, and managers. The rest is the same as regular loan borrowers.

c. Due to other banks

Period	Related Party	Branch	Highest Amount (In Thousands)	Ending Balance (In Thousands)	Percentage of Loans (%)
Year ended December 31, 2009	Taishin Bank	N.Y. branch	US\$ 54	US\$ 36	-
Year ended December 31, 2008	Taishin Bank	N.Y. branch	US\$ 154	US\$ 21	-

d. Call loans to banks and call loans from banks

The details of Chang Hwa Bank call loans from banks for the years ended December 31, 2009 and 2008 were as follows:

Year	Related Parties	Branch	Highest Balance (In Thousands)	Ending Balance (In Thousands)	Loans Limited (In Thousands)	Interest Rate %	Interest Expense (In Thousands)
2009	Taishin Bank	New York branch	US\$ 30,000	\$ -	According to counterparts	0.38~0.60	US\$ 30
	Taishin Bank	London branch	US\$ 16,000	-	According to counterparts	0.16~0.65	US\$ 1
			EUR 6,600	-	According to counterparts	0.38~1.18	EUR 17
	Taishin Bank	OBU	US\$ 27,000	-	According to counterparts	0.22~0.26	US\$ 1
2008	Taishin Bank	Head office	NT\$ 2,000,000	-	According to counterparts	2.04~2.10	NT\$ 1,072
	Taishin Bank	London branch	US\$ 28,000	-	According to counterparts	0.12	-

The details of Chang Hwa Bank call loans to banks for the years ended December 31, 2009 and 2008 were as follows:

Year	Related Parties	Branch	Highest Balance (In Thousands)	Ending Balance (In Thousands)	Loans Limited (In Thousands)	Interest Rate %	Interest Expense (In Thousands)
2008	Taishin Bank	Head office	NT\$ 1,000,000	\$ -	NT\$ 1,000,000	2.00~2.08	NT\$ 83
		OBU	US\$ 20,000	\$ -	US\$ 60,000 over night and 180 days for US\$20,000	2.54~2.63	US\$ 42

The above transactions were approved by the Bank's general manager. Terms were the same as those of the non-related parties.

. Financial Status

e. Others

Chang Hwa Bank provided CHB Life Insurance Agency and CHB Insurance Brokerage with personnel resources and distribution channels, recognizing service charges of \$385,000 thousand and \$50,000 thousand for the year ended December 31, 2009, and of \$323,000 thousand and \$50,500 thousand for the year ended December 31, 2008. Chang Hwa Bank also undertook Repurchase Agreement on Bond with CHB Life Insurance Agency and CHB Insurance Brokerage. The ending balance was \$112,931 thousand as of December 31, 2008. Chang Hwa Bank also recognized interest expense of \$239 thousand and \$2,528 thousand for the years ended December 31, 2009 and 2008, respectively.

f. Compensation of Directors, supervisors and Management Personnel

	Years Ended December 31			
	2009		2008	
Salaries	\$	39,889	\$	42,214
Incentives		10,425		8,794
Bonus		22,320		37,868
	\$	72,634	\$	88,876

The compensation of directors, supervisors and management personnel for the years ended December 31, 2009 and 2008 included the bonuses appropriated from earnings for 2009 and 2008 which had been approved by shareholders in their annual meeting held in 2010 and 2009.

Taishin Bills Finance

Names and relationships of related parties were as follows:

Name	Relationship
Taishin Financial Holding	Parent company
Taishin Bank	Wholly owned by the same parent company
Taishin Securities	Same as above (merged with KGI Securities and eliminated on December 19, 2009)
Chang Hwa Bank	Under control by the same parent company
Shin Kong Bank	Wholly owned by Shin Kong Financial Holding

a. Loans

Loans between Taishin Bills Finance and related parties for the years ended December 31, 2009 and 2008 were as follows:

	Year Ended December 31, 2009				
	Related Parties	Ending Balance	Highest Amount	Interest Rate %	Interest Revenue
Call loans to banks	Taishin Bank	\$ -	\$ 450,000	0.107-0.11	\$ 4
Call loans from banks	Taishin Bank	1,000,000	2,190,000	0.1-0.6	(964)
Call loans from banks	Shin Kong Bank	-	400,000	0.12	(130)

	Year Ended December 31, 2008				
	Related Parties	Ending Balance	Highest Amount	Interest Rate %	Interest Revenue
Call loans to banks	Taishin Bank	\$ -	\$ 500,000	1.40-2.02	\$ 269
Call loans from banks	Taishin Bank	1,215,000	2,820,000	0.60-2.08	(3,705)
Call loans from banks	Shin Kong Bank	-	300,000	1.69-2.06	2,014

Taishin Bills Finance pledged its time deposits of \$1,100,000 thousand and \$500,000 thousand in Taishin Bank as collaterals of financing for the years ended December 31, 2009 and 2008.



b. Deposits

Taishin Bills Finance deposits to related parties for the years ended December 31, 2009 and 2008 were as follows:

	Year Ended December 31				
	Related Party	2009		2008	
		Amount	Rate (%)	Amount	Rate (%)
Time deposits	Taishin Bank	\$ -	2.42-2.58	\$ 500,000	2.42-2.58

The time deposit in Taishin Bank was recognized as collaterals received for financing for the year ended December 31, 2008.

c. Trading securities

Related party	Year Ended December 31, 2009					
	Purchase		Repurchase Agreements		Resell Agreements	
	Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Taishin Bank	\$ 802,648	\$ 1,912,727	\$ -	-	\$ 52,682	(0.01)-5.80
Taishin Securities	2,983,327	4,178,966	-	-	-	-
	<u>\$ 3,785,975</u>	<u>\$ 6,091,693</u>	<u>\$ -</u>		<u>\$ 52,682</u>	

Related party	Year Ended December 31, 2008					
	Purchase		Repurchase Agreements		Resell Agreements	
	Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Taishin Bank	\$ 9,502,366	\$ 3,433,000	\$ -	-	\$ -	-
Taishin Securities	6,525,557	7,125,513	239,489	-	-	-
	<u>\$ 16,027,923</u>	<u>\$ 10,558,513</u>	<u>\$ 239,489</u>		<u>\$ -</u>	

d. Financial assets at fair value through profit or loss

Account	Related Party	Item	December 31			
			2009		2008	
			Nominal	Cost	Nominal	Cost
Financial assets at FVTPL	Taishin Bank	Negotiable certificate deposit	\$ -	\$ -	\$ 432,200	\$ 432,199

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

e. Compensation of directors, supervisors and management personnel

	Years Ended December 31	
	2009	2008
Salaries	\$ 20,210	\$ 18,935
Pension	132	-
Incentives	4,671	8,273
	<u>\$ 25,013</u>	<u>\$ 27,208</u>

. Financial Status

Taishin AMC

Names and relationships of related parties were as follows:

Name	Relationship
Taishin Financial Holding	Parent company
Taishin Bank	Wholly owned by the same parent company
Taishin Real-Estate	Equity-method investee
Shin Jui AMC	Same as above

Material transactions with related parties were as follows:

a. Liability contracts with related parties

Item	Related Party	December 31					
		2009			2008		
		Amount	Percentage	of Item (%)	Amount	Percentage	of Item (%)
Deposits	Taishin Bank	\$ 135,205		57	\$ 35,407		9

b. Credit receivable

In July 2006, Taishin AMC bought non-performing loans that resulted from cash card, credit card and small consumer loans from Taishin Bank for \$546,697 thousand with book value of \$9,494,153 thousand. According to the contract, June 30, 2006 was determined as the basic measurement date of this transaction, and the receivables of \$546,697 thousand will be paid off in two installments by September 15, 2006. In September 2006, Taishin AMC bought non-performing loans that resulted from cash card, credit card and small consumer loans from Taishin Bank for \$158,000 thousand with book value of \$5,490,584 thousand. According to the contract, August 31, 2006 was determined as the basic measurement date of this transaction, and the receivables of \$158,000 thousand will be paid off in two installments by October 31, 2006. Also defined in the contract, 5 years from measurement date, Taishin AMC authorized Taishin Bank the rights to collect payments from debtors and will pay the 30% of loans collected as service fee and 40% of amounts paid as commission.

1) Transferring ownerships of loans

	Year Ended December 31, 2009			
	Beginning Balance	Purchased	Collected	Ending Balance
Transferring ownerships of loans	\$ 14,216,169	\$ -	\$ (240,446)	\$ 13,975,723

	Year Ended December 31, 2008			
	Beginning Balance	Purchased	Collected	Ending Balance
Transferring ownerships of loans	\$ 14,447,659	\$ -	\$ (231,490)	\$ 14,216,169

2) Credit receivable, net

	Year Ended December 31, 2009				
	Beginning Balance	Purchased	Collected	Bad Debt (Loss) Reverse	Ending Balance
Credit receivable	\$ 214,948	\$ -	\$ (76,014)	\$ -	\$ 138,934
Allowance for bad debt	(216,800)	-	-	59,476	(157,324)
Credit receivable, net	\$ (1,852)	\$ -	\$ (76,014)	\$ 59,476	\$ (18,390)

	Year Ended December 31, 2008				
	Beginning Balance	Purchased	Collected	Bad Debt (Loss) Reverse	Ending Balance
Credit receivable	\$ 326,611	\$ -	\$ (111,663)	\$ -	\$ 214,948
Allowance for bad debt	(196,800)	-	-	(20,000)	(216,800)
Credit receivable, net	\$ 129,811	\$ -	\$ (111,663)	\$ (20,000)	\$ (1,852)



Taishin Marketing

Names and relationships of related parties were as follows:

Name	Relationship
Taishin Financial Holding	Parent company
Taishin Bank	Wholly owned by the same parent company

Taishin Venture Capital

Names and relationships of related parties were as follows:

Name	Relationship
Taishin Bank	Wholly owned by the same parent company

33. PLEDGED ASSETS

Pledged Assets	Description	December 31	
		2009	2008
Refundable deposits	Cash and certificates of time deposits	\$ 15,723,989	\$ 12,523,179
Operating deposits	Cash	57,603	723,726
Settlement funds	Cash	-	424,700
Financial assets at FVTPL	Bonds	61,354	50,829
Available-for-sale financial assets	Bonds	1,643,806	1,986,990
Held-to-maturity financial assets	Certificates of time deposits and bonds	6,628,682	9,064,901
Property and equipment	Land and buildings	-	2,136,809
Rental and idle assets	Land and buildings	-	360,414

34. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to those mentioned in Note 6, Taishin Financial Holding and subsidiaries have the following contingent liabilities and commitments as of December 31, 2009 and 2008:

	2009	2008
Guarantees	\$57,640,662	\$62,750,271
Letters of credit	32,868,068	24,012,954
Trust liabilities	497,968,895	431,813,163
Unpaid equipment purchase contracts	427,531	1,062,942
Unused loan commitments (excluding credit card)	482,423,956	267,024,809
Unused loan commitments (credit card only)	374,213,886	384,964,942

Taishin Bank and Chang Hwa Bank entered into operating leases for their domestic branches, and main agreements of the contracts were as follows:

- The lease period ranges from one to ten years. Rental payments are made annually.
- As of December 31, 2009, the estimated future lease payments under the lease contracts were as follows:

Period	Amount
2010	\$ 822,450
2011	583,063
2012	413,735
2013	232,825
2014	131,716

The Department of National Defense of Iran as the recipient requested Chang Hwa Bank to release US\$15,000 thousand. On August 1, 2002, the Supreme Court decided in favor of Chang Hwa Bank. The Department of National Defense of Iran filed another legal suit against Chang Hwa Bank in the Taipei District Court. On September 10, 2004, the Taipei District Court decided in favor of Chang Hwa Bank. However, the Department

. Financial Status

of National Defense of Iran filed another legal suit against Chang Hwa Bank in the Taiwan High Court on October 6, 2004. The lawsuit is still in legal process at the High Court.

Taishin Financial Holding has already appointed Lee and Li Attorney-at-Law help Taishin Bank ' s customers to declare the legal right to Lehman Brother about the loss of investment in Lehman Brother ' s securities. The related law service charge will be paid by Taishin Bank. However, this case is a worldwide affair, and it currently is on initial stage. Thus, Taishin Bank can ' t reasonably estimate related litigation fee.

35. SUBSEQUENT EVENTS

On January 7, 2010, the board of directors of Taishin Bank approved to early redeem its \$5 billion 2001 and 2004 first issue financial debentures. On February 10, 2010, Taishin Bank performed all the redemption rights on the 2001 first issue financial debentures at the principal value plus interest of \$5.08 billion.

36. DISCLOSURES OF FINANCIAL INSTRUMENTS INFORMATION

Information of Fair Value

	December 31, 2009	
	Carrying Value	Fair Value
Financial assets		
Cash and cash equivalents	\$ 35,368,984	\$ 35,368,984
Due from Central Bank and call loans to banks	218,154,436	218,154,436
Financial assets at FVTPL	58,566,143	58,566,143
Bonds and securities purchased under resell agreements	9,891,904	9,891,904
Receivables	102,296,124	102,296,124
Loans	1,506,226,128	1,506,226,128
Available-for-sale financial assets	74,329,348	74,329,348
Held-to-maturity financial assets	236,509,666	236,566,948
Hedging derivative financial instruments	130,348	130,348
Other miscellaneous financial assets	16,100,137	15,027,680
Financial liabilities		
Due to banks and Central Bank	\$ 176,568,225	\$ 176,568,225
Financial liabilities at FVTPL	19,342,423	19,342,423
Bonds and securities sold under repurchase agreements	33,083,342	33,083,342
Payables	44,608,499	44,608,499
Deposits	1,842,559,851	1,842,559,851
Bonds payable	88,579,768	89,467,026
Other borrowings	162,000	162,000
Other financial liabilities	592,863	592,863

	December 31, 2009	
	Carrying Value	Fair Value
Financial assets		
Cash and cash equivalents	\$ 40,473,339	\$ 40,473,339
Due from Central Bank and call loans to banks	217,194,440	217,194,440
Financial assets at FVTPL	86,699,629	86,699,629
Bonds and securities purchased under resell agreements	6,464,695	6,464,695
Receivables	104,909,292	104,909,292
Loans	1,491,834,854	1,491,834,854
Available-for-sale financial assets	70,363,526	70,363,526
Held-to-maturity financial assets	182,357,996	181,852,768
Hedging derivative financial instruments	221,161	221,161
Other miscellaneous financial assets	24,061,693	23,051,988
Financial liabilities		
Due to banks and Central Bank	183,388,667	183,388,667
Commercial paper payable	499,710	499,710
Financial liabilities at FVTPL	39,757,245	39,757,245
Bonds and securities sold under repurchase agreements	60,543,383	60,543,383
Payables	56,179,116	56,179,116
Deposits	1,731,784,195	1,731,784,195
Bonds payable	112,404,780	113,995,494
Other financial liabilities	671,038	671,038



Taishin Financial Holding and subsidiaries adopt the following methods and assumptions to determine the fair values of financial instruments for the years ended December 31, 2009 and 2008:

- a. The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Cash and cash equivalents, due from Central Bank and call loans to banks, bonds and securities purchased under resell agreements, receivables, due to banks and Central Bank, payables, commercial paper payable, bonds and securities sold under repurchase agreements, other borrowings and call loans from banks and Central Bank.
- b. Fair values of financial instruments designated as at FVTPL and available-for-sale or held-to-maturity financial assets are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

Fair values of debt investments not actively traded in market are determined at their expected future cash flow, the frequency of interest payments, the remaining contract period, the creditworthiness of borrowers and the discount rate, which is determined at the yield rate of the equivalent instruments in the market. Fair values of the equity investments are determined at the market value.

Fair values of bond investments without active market are based on their transaction prices on quoted prices made by market makers. For those investments with no transaction prices or quoted prices, their fair values are determined by the preceding valuation techniques.

Fair values of derivative instruments are determined at the expected acquired or paid amount, assuming that Taishin Financial Holding and subsidiaries terminate the contracts in accordance with the contracts. Taishin Financial Holding and subsidiaries adopt the model consistent with those generally used by other market participants to price financial instruments.

- c. Loans and deposits are interest-bearing financial assets and liabilities and their carrying values approach to their fair values. The carrying amount of delinquent loans is the estimated collectable amount which is the book value less allowance for bad debt. Therefore, the fair value of delinquent loans and receivables is determined at their carrying value.
- d. Financial assets carried at cost and investments under equity method are equity instrument investments of which the fair value could not be measured reliably, including non-public stocks and stocks traded in the Emerging Stock Market. Fair values of these instruments are determined at their carrying values.

Fair values of financial assets and liabilities estimated based on quoted market prices or by using valuation techniques were as follows:

	December 31, 2009	
	Quoted Market Prices	Valuation Techniques
Financial assets		
Financial assets at FVTPL	\$ 34,068,931	\$ 24,497,212
Available-for-sale financial assets	38,621,395	35,707,953
Held-to-maturity financial assets	-	236,566,948
Financial liabilities		
Financial liabilities at FVTPL	615,650	18,726,773

. Financial Status

Valuation (losses) gains arising from changes in fair value of financial instruments determined using quoted market prices or valuation techniques were \$1,093,033 thousand and \$(703,395) thousand for the year ended December 31, 2009, respectively. Valuation (losses) gains arising from changes in fair value of financial instruments determined using quoted market prices or valuation techniques were \$(2,389,768) thousand and \$452,730 thousand for the year ended December 31, 2008, respectively.

As of December 31, 2009 and 2008, the interest income and interest expense associated with financial assets (liabilities) other than those at FVTPL were as follows:

	Years Ended December 31	
	2009	2008
Total interest income	\$ 40,131,075	\$ 72,610,954
Total interest expense	19,416,470	40,855,577

For the years ended December 31, 2009 and 2008, the credit in stockholders' equity from available-for-sale financial asset amounted to \$1,416,008 thousand and \$28,426 thousand, respectively. The amount debited from the stockholders' equity adjustment and recognized as current income was \$565,878 thousand and \$166,500 thousand for the years ended December 31, 2009 and 2008, respectively.

Financial Risk

a. Market risk

Taishin Financial Holding and subsidiaries engage in derivatives mainly to meet customers' needs, trade for business and manage market risks. While taking into account the CAR ratio, annual budget, and the anticipation on market fluctuations, the board of directors annually reviewed the measurement of risks and returns to determine whether they are appropriate, oversaw the assumed risks to ensure compliance with Taishin Financial Holding's requirement, approved the authorization limits on market risk, and ensured all trading engaged within authorization limits.

Taishin Financial Holding and subsidiaries use the market risk factor sensitivity as the instrument for market risk controls. The market risk factor sensitivity refers to the change in value resulting from a unit change in a specific market risk factor. Market risk factors include interest rate, exchange rate, price of equity instruments and commodity prices. The market risk factor sensitivity of Taishin Financial Holding and subsidiaries discloses the market risks derived from different risk positions on the trading book.

Foreign exchange rate factor sensitivity, FX Delta, refers to the net risk positions of different currencies on balance sheet date. That is the effect of the change in present value due to 100% change in foreign exchange for each currency. The foreign exchange rate factor sensitivity not only includes those of foreign-currency derivatives, but also integrates the risk sensitivity of spot foreign rate positions for hedging purpose and spot position of different currencies.

Interest rate factor sensitivity refers to the effect (DV01 or PVBP) of change in present value of future cash flows generated from spot rate positions and interest-rate derivative positions incurred by moving upwards the yield curves under evaluation by 0.01% (one b.p.) on the interest rate structure.

Risk sensitivity of equity instruments refers to the effect of price change in the value of derivative positions due to 100% price change in equity instruments and in underlying assets of derivative instruments. Taishin Financial Holding and subsidiaries engage in the trading of equity instruments including stock, convertible bonds, and stock-index options and stock options.



(In thousands of original currencies)

Market Risk Type	Currency	December 31	
		2009	2008
Exchange rate risk value	EUR	\$ (17,416)	\$ (6,218)
	JPY	(1,744,782)	1,313,754
	USD	54,521	20,449
	Others (Note)	1,206,654	544,796
Interest rate sensitivity DV01			
Interest curve of bonds	TWD	(14,130)	(17,764)
	USD	(118)	(33)
	Others (Note)	(153)	(137)
Interest curve of IRS	TWD	2,604	1,711
	USD	(23)	(17)
	Others (Note)	(123)	(721)
Interest curve of CCS	TWD	(35)	(4)
	USD	39	5
Equity securities risk value	TWD	2,260,357	4,080,170
	USD	1,071	9,547

Note: Presented as NT dollars which is translated from original currencies.

b. Credit risk

Credit risks refer to the losses from financial instruments incurred by non-performance of the contracted obligations by Taishin Financial Holding and subsidiaries' counterparties or others. Taishin Financial Holding and subsidiaries provide loans, loan commitments and guarantee services based on prudent credit evaluations. The collaterals that Taishin Financial Holding and subsidiaries demand to be pledged on loans, loan commitments or guarantees are normally cash, inventory, marketable securities or other property. When the counterparties or others default, Taishin Financial Holding and subsidiaries have rights to enforce the collaterals or other guarantees and effectively reduce credit risks. In disclosures on the maximum amounts for credit risk exposures, the market values of the collaterals are not considered. Taishin Financial Holding and subsidiaries are trading various derivatives with its peer financial institutions within trading limits authorized in accordance with world rankings and credit ratings. Taishin Financial Holding and subsidiaries anticipate that the probability of default by counterparties is very low.

The maximum credit risk exposures of various financial instruments held by Taishin Financial Holding and subsidiaries are the same as per book values. Please refer to consolidated financial statements.

The contract amounts of financial assets with off-balance-sheet credit risks held by Taishin Financial Holding and subsidiaries as of December 31, 2009 and 2008 were as follows:

Financial Instrument Type	December 31	
	2009	2008
Guarantees	\$ 57,640,662	\$ 62,750,271
Letters of credit	32,868,068	24,012,954
Unused loan commitments (excluding credit card)	482,423,956	267,024,809
Unused loan commitments (credit card only)	374,213,886	384,964,942

. Financial Status

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 for concentration of credit risks include the nature of business activities engaged by debtors. Taishin Financial Holding and subsidiaries have not engaged in transactions that involved a prominent concentration of one client or one transaction party, but have transaction parties of similar industry type or from similar region.

Taishin Financial Holding and subsidiaries' information with prominent aggregate attributes of credit risk were as follows:

Industry Type	December 31			
	2009		2008	
	Carrying Value	Percentage of Item (%)	Carrying Value	Percentage of Item (%)
Manufacturing	\$ 392,718,715	25.74	\$ 423,654,714	27.96
Wholesale and retailing	98,033,986	6.43	102,358,804	6.76
Finance and insurance	52,187,732	3.42	69,031,871	4.56
Real estate and leasing	56,135,900	3.68	60,498,220	3.99
Service	30,575,003	2.00	30,794,040	2.03
Individuals	665,746,106	43.64	627,952,866	41.44
Others	230,219,803	15.09	200,890,832	13.26
	<u>\$ 1,525,617,245</u>		<u>\$ 1,515,181,347</u>	

Geographic Location	December 31			
	2009		2008	
	Carrying Value	Percentage of Item (%)	Carrying Value	Percentage of Item (%)
Asia	\$ 1,439,697,908	94.37	\$ 1,418,416,107	93.61
Europe	12,548,145	0.82	14,948,371	0.99
North America	51,756,659	3.39	59,134,514	3.90
Others	21,614,533	1.42	22,682,355	1.50
	<u>\$ 1,525,617,245</u>		<u>\$ 1,515,181,347</u>	

c. Liquidity risk

Taishin Financial Holding and subsidiaries had stipulated regulations on liquidity management to appropriately arrange the allocation of assets and liabilities, avoid concentration on nationalities, transaction parties, and product lines in regard to the sources and uses of funds, and thus reduce the liquidity risk of failing to raise capital for contract performance or failing to sell financial assets with reasonable prices in the market. Overall, the working capital of Taishin Financial Holding and subsidiaries is sufficient to cover the increase in assets and pay off the liabilities when due.

Taishin Financial Holding and subsidiaries' information on liquidity risk is as follows:

- 1) Taishin Financial Holding and subsidiaries' capital and working capital are sufficient to perform all the contracted obligations, and its investments in securities purchased under resell agreements are marketable financial assets that have low liquidity risks and are easily traded with reasonable prices in the market.



- 2) Taishin Bank 's ratios of liquidity reserves were 22.75% and 20.25% for the years ended December 31, 2009 and 2008, respectively. Since the capital and working capital are sufficient to perform all the contracted obligations, there will be no liquidity risk in this regard. Taishin Bank 's derivatives, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.
- 3) Taishin Securities ' working capital is sufficient and there will be no liquidity risk of failing to raise capital funds to perform contracted obligations. Its investments in bonds are marketable and are expected to be sold with fair value in the market. Taishin Securities ' investments in equity instruments do not have active market or the transaction volume is limited and thus they are expected to have liquidity risks. But Taishin Securities doesn ' t expect to sell the investment in the short run. And it has sufficient working capital and thus is expected to have no significant liquidity risk.
- 4) Taishin Bills Finance 's capital and working capital are sufficient to perform all the contracted obligations, and thus there will be no liquidity risks due to failure to raise capital funds to perform contracted obligations. Taishin Bills Finance 's derivatives, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have low liquidity risks.
- 5) Chang Hwa Bank 's ratios of liquidity reserves were 24.08% and 19.55% for the years ended December 31, 2009 and 2008. Its capital and working capital are sufficient to perform all the contracted obligations, and thus there will be no liquidity risks due to failure to raise capital funds to perform contracted obligations. Chang Hwa Bank 's derivatives, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have low liquidity risks.

d. Cash flow risk from change in interest rates

- 1) Taishin Financial Holding issues debenture bonds with floating rates and anticipates fluctuations in cash flows in the future due to change in market interest rates. To manage interest rate risks effectively, Taishin Financial Holding engages in trading of interest rate swaps in accordance with the evaluation of interest rate risks to avoid cash flow risks as a result of change in interest rates.
- 2) Taishin Bank, Taishin Bills Finance and Chang Hwa Bank's cash flow risks as a result of change in interest rates refer to cash flow fluctuations in the future from its assets with floating rates and liabilities with floating rates. Taishin Bank, Taishin Bills Finance, and Chang Hwa Bank evaluate interest rates risks in trends of interest rate and engage in trading of interest rates swaps in accordance with risk levels and operational needs to reduce cash flow risks as a result of changes in interest rates.

e. Effective interest rate (excluding financial assets at fair value through profit or loss)

As of December 31, 2009 and 2008, the effective interest rate distinction based on the main currencies of financial instruments that Taishin Financial Holding and subsidiaries held or issued were as follows:

. Financial Status

	December 31, 2009	
	Effective Interest Rate (%)	
	NTD	USD
Bonds and securities purchased under resell agreements	(0.36)%-0.15%	-
Available-for-sale financial assets	0.28%-5.75%	0.30%-6.50%
Held-to-maturity financial assets	0.63%-3.78%	0.39%-7.38%
Loans	0.08%-20.00%	0.50%-6.00%
Bonds and securities sold under repurchase agreements	0.00%-0.45%	-
Deposits	0.00%-4.00%	0.01%-4.95%
Bonds payable	0.65%-9.23%	-

	December 31, 2008	
	Effective Interest Rate (%)	
	NTD	USD
Bonds and securities purchased under resell agreements	0.40%-1.95%	-
Available-for-sale financial assets	1.65%-5.75%	0.71%-7.75%
Held-to-maturity financial assets	1.02%-6.25%	1.55%-4.93%
Loans	0.08%-20.00%	1.17%-9.70%
Commercial paper payable	1.41%-1.41%	-
Bonds and securities sold under repurchase agreements	0.35%-1.90%	-
Deposits	0.00%-4.00%	0.01%-5.89%
Bonds payable	0.90%-9.23%	-

f. Fair value hedge

The fair value of bank debenture issued by Chang Hwa Bank might fluctuate because of the movement of the interest rates. The interest rate risks might be significant, therefore, Chang Hwa Bank signed the interest rate swap contract to avoid the fair value risk from the market interest rate changes.

Hedged Item	Financial Instrument Designated as Hedging Instrument	Designated as Hedging Instrument			
		December 31, 2009		December 31, 2008	
		Nominal Principal Amount	Fair Value	Nominal Principal Amount	Fair Value
Bank debenture	Interest rate swap	\$ 2,000,000	\$ 130,348	\$ 2,000,000	\$ 221,161

Reclassification information

Chang Hwa Bank reclassified parts of financial assets based on the fair value traced back to July 1, 2008, according to the amended Statement of Financial Accounting Standards No. 34 "Financial Instruments: Recognition and Measurement". The fair values on the reclassification date were as follows:

	Before Reclassification	After Reclassification
Available-for-sale financial assets	\$ 14,246,193	\$ -
Bonds without active market	-	14,246,193
	\$ 14,246,193	\$ 14,246,193

During the third quarter of 2008, the international economic condition changed a lot and resulted in global financial crisis which caused the value of financial assets to collapse, Chang Hwa Bank decided not to sell parts of the available-for-sale financial assets in the short time, and reclassified them to bonds without active market. The effective interest rate of those financial assets reclassified from available-for-sale to bonds without active market 1.95%, and the expected cash flow from those financial assets will be \$12,658,596 thousand.



The carrying value and fair value after reclassification as of December 31, 2009 and 2008, were as follows

	December 31			
	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bonds without active market	\$ 12,410,894	\$ 12,136,439	\$ 13,572,761	\$ 12,563,429

The investment income and stockholders' equity adjustment recognized of the reclassified financial assets and the pro forma information if the reclassification had not been taken were as follows:

	2009		2008	
	Investment Income Recognized	Pro Forma Information of Stockholders' Equity Adjustment	Investment Income Recognized	Pro Forma Information of Stockholders' Equity Adjustment
Available-for-sale financial assets	\$ 268,950	\$ (426,990)	\$ 333,131	\$ (1,682,764)

37. RELATED INFORMATION OF CAPITAL ADEQUACY

Group Capital Adequacy Ratio

Company \ Item	December 31, 2009		
	Ownership Interest (%)	Group Eligible Capital	Group's Statutory Capital Requirement
Taishin Financial Holding		\$ 100,586,427	\$ 103,284,256
Taishin Bank	100.00%	73,618,718	45,463,441
Chang Hwa Bank	22.55%	22,704,745	16,765,295
Taishin Bills Finance	100.00%	5,895,331	2,171,488
Taishin Venture Capital	100.00%	810,747	405,704
Taishin AMC	100.00%	1,617,803	917,628
Taishin Marketing	100.00%	4,611	2,548
Exclusive items amounts subtracted		(114,267,559)	(100,595,944)
Total		90,970,823	68,414,416
Group's capital adequacy rate (Note)			132.97%

Financial Holding Company Eligible Capital

Item	December 31, 2009
Common stock	\$ 53,238,199
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates which comply with eligible Tier 1 capital	11,078,048
Other Preferred stock and subordinated corporate bonds	24,299,614
Advance receipts for capital stock	-
Capital surplus	2,930,084
Legal reserve	408,912
Special reserve	482,574
Retained earnings	8,183,147
Equity adjustment	247,124
Subtracted:	
Goodwill	-
Deferred assets	281,275
Treasury stock	-
Total	100,586,427

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

Note b: Group's capital adequacy rate = Group's eligible capital ÷ Group's statutory capital requirement.

. Financial Status

38. DISCLOSURES ACCORDING TO ARTICLE 46 OF FINANCIAL HOLDING ACT

According to Article 46 of Financial Holding Company Act, all subsidiaries of financial holding company should disclose the balance of credit, endorsements and other transactions to the same person, the same related person or the same related enterprise.

Details for the balance of credit, endorsements and other transactions to the same person as of December 31, 2009 were as follows:

(In Thousands of NT\$; %)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
a. To the same person or the same enterprise		
Central Bank	\$ 138,738,088	88.8%
National Treasury Agency	47,000,000	30.1%
Taiwan High Speed Rail Co., Ltd.	32,771,294	21.0%
National Health Insurance	23,200,000	14.8%
Taiwan Power Co., Ltd.	18,226,697	11.7%
Formosa Chemicals & Fibre Co.	12,519,751	8.0%
CPC Corporation, Taiwan	12,448,303	8.0%
Chi Mei Optoelectronics	11,882,603	7.6%
Taipei City Government	10,800,499	6.9%
Formosa Plastics Co.	9,759,682	6.2%
AU Optronics Corp.	8,279,009	5.3%
China Airline Co.	7,757,998	5.0%
Formosa Petrochemical Corporation	6,468,741	4.1%
National Financial Stabilization Fund Committee	6,394,080	4.1%
Ever Green Co.	5,839,612	3.7%
Deutsche Bank	5,067,516	3.2%
ProMOS Technologies Co.	4,824,552	3.1%
Chunghwa Picture Tubes, Ltd.	4,777,014	3.1%
Innolux Display Corp.	4,367,481	2.8%
Powerchip Corp.	3,867,583	2.5%
Compal Electronics Corp.	3,854,550	2.5%
China Steel Corp.	3,630,859	2.3%
Taipei Financial Center Co.	3,486,159	2.2%
Aurora Co.	3,300,000	2.1%
Inotera Memories Co.	3,290,340	2.1%
Chi Mei Co.	3,217,769	2.1%
Foxconn (Far East) Limited	3,217,600	2.1%
Tatung Co.	3,133,465	2.0%
	<u>\$ 402,121,245</u>	

(Continued)



Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
b. To the same person and spouse, the relative within the second degree and the person or the spouse's enterprise		
Individual X	\$ 15,088,517	9.7%
Individual Y	5,810,913	3.7%
	<u>\$ 20,899,430</u>	
c. To the same related party enterprise		
Chi Mei Co.	\$ 17,872,546	11.4%
Formosa Sumco Technology Corp.	10,818,186	6.9%
Daydium Semiconductor Corp.	9,654,096	6.2%
China Steel Corp.	8,348,737	5.3%
Daydium Semiconductor Corp.	7,647,523	4.9%
Nanya Technology Corp.	7,417,467	4.7%
Forward Electronics Co., Ltd.	6,914,212	4.4%
Uni-President Co.	6,396,237	4.1%
Yieh Phui Enterprise Co., Ltd.	6,312,522	4.0%
Kuokuang Power Co., Ltd.	6,151,347	3.9%
Formosa Petrochemical Corporation	5,950,378	3.8%
Cal Park Co., Ltd.	5,948,250	3.8%
ProMOS Technologies Co.	5,935,264	3.8%
Formosa Chemicals & Fibre Co.	5,421,816	3.5%
Ever Green Co.	5,232,451	3.3%
Evergreen Marine Corp.	4,497,061	2.9%
Chuanyi Construction Co., Ltd.	4,184,000	2.7%
China Development AMC	4,088,869	2.6%
Asia Cement Co.	4,088,766	2.6%
Far Eastern General Construction Inc.	4,054,761	2.6%
Far Eastern New Century Corp.	3,982,626	2.5%
Chi Mei Optoelectronics	3,956,280	2.5%
Catcher Technology Co.	3,790,214	2.4%
GIO Optoelectronics Corp.	3,725,638	2.4%
Leadtek Global Group Limited	3,664,551	2.3%
Taiwan Vinyl Chloride Monomer Co., Ltd.	3,654,528	2.3%
Chi Lin Technology Co., Ltd.	3,620,638	2.3%
Far Eastern Construction Co.	3,450,357	2.2%
Aurora Co., Ltd.	3,381,043	2.2%
Far Eastern Department Store Co., Ltd.	3,366,761	2.2%
Far Eastern Asset Management Co., Ltd.	3,350,030	2.1%
Unihan Corporation	3,328,126	2.1%
Foxconn Electronics Inc.	3,320,954	2.1%
TPO Displays Corporation	3,254,688	2.1%
Power ASE Technology	3,106,361	2.0%
TCC Chemical Corporation	3,085,966	2.0%
Darfon Corporation	<u>3,060,753</u>	2.0%
	<u>\$ 196,034,003</u>	

. Financial Status

39. FINANCIAL INFORMATION BY BUSINESS

The financial information by business for the years ended December 31, 2009 and 2008 were as follows:

Item \ Business Type	Year Ended December 31, 2009				
	Bank Business	Securities Business	Bills Business	Other Business	Total
Net interest revenue (loss)	\$ 22,403,870	\$ 810,903	\$ 205,963	\$ (1,501,881)	\$ 21,918,855
Net non-interest revenue (loss)	15,313,203	4,533,807	341,921	7,275,167	27,464,098
Net revenue (loss)	37,717,073	5,344,710	547,884	5,773,286	49,382,953
Bad debt expenses	(3,396,268)	-	(38,271)	-	(3,434,539)
Operating expenses	(24,600,727)	(4,656,861)	(125,950)	(497,688)	(29,881,226)
Income (loss) before income tax of continued operations	9,720,078	687,849	383,663	5,275,598	16,067,188
Income tax expense	(5,395,097)	(73,791)	(142,116)	37,354	(5,573,650)
Net income before extraordinary item	4,324,981	614,058	241,547	5,312,952	10,493,538
Extraordinary gain (net of income tax)	122,820	-	-	-	122,820
Net income	\$ 4,447,801	\$ 614,058	\$ 241,547	\$ 5,312,952	\$ 10,616,358

Item \ Business Type	Year Ended December 31, 2009				
	Bank Business	Securities Business	Bills Business	Other Business	Total
Net interest revenue (loss)	\$ 32,811,311	\$ 1,134,824	\$ 79,554	\$ (1,450,127)	\$ 32,575,562
Net non-interest revenue (loss)	13,757,614	2,919,401	(1,379,460)	704,461	16,002,016
Net revenue (loss)	46,568,925	4,054,225	(1,299,906)	(745,666)	48,577,578
Bad debt expenses	(17,601,400)	-	(19,429)	-	(17,620,829)
Operating expenses	(27,671,256)	(3,941,253)	(133,637)	(437,808)	(32,183,954)
Income (loss) before income tax of continued operations	1,296,269	112,972	(1,452,972)	(1,183,474)	(1,227,205)
Income tax expense	(591,873)	(170,504)	403,148	(52,438)	(411,667)
Income (loss) after income tax of continued operations	\$ 704,396	\$ (57,532)	\$ (1,049,824)	\$ (1,235,912)	\$ (1,638,872)



40. FINANCIAL STATEMENTS OF TAISHIN FINANCIAL HOLDING

TAISHIN FINANCIAL HOLDING CO., LTD. BALANCE SHEETS

DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

ASSETS	2009	2008
Cash and cash equivalents	\$ 22,557,438	\$ 12,387,621
Financial assets at FVTPL	4,582	5,559
Bonds and securities purchased under resell agreements	9,653,879	3,494,048
Receivables	3,690,557	1,962,510
Prepaid expenses	-	8,065
Investments accounted for by the equity method	100,563,220	107,790,722
OTHER FINANCIAL ASSETS		
Financial assets carried at cost	32,724	33,034
PROPERTY AND EQUIPMENT		
Cost		
Machinery equipment	15,808	15,884
Transportation equipment	4,380	4,380
Miscellaneous equipment	3,849	3,828
	24,037	24,092
Accumulated depreciation	(19,759)	(16,310)
Property and equipment, net	4,278	7,782
OTHER ASSETS		
Deferred tax assets	272,335	336,479
Other deferred assets	8,940	16,662
Other miscellaneous assets	431,288	49,168
Other assets	712,563	402,309
TOTAL	\$ 137,219,241	\$ 126,091,650

. Financial Status

LIABILITIES AND STOCKHOLDERS ' EQUITY	2009	2008
LIABILITIES		
Financial liabilities at FVTPL	\$ 598,178	\$ 279,635
Payables	2,939,172	1,496,155
Bonds payable	40,105,826	39,736,721
Other liabilities	<u>27,101</u>	<u>11,465</u>
Total liabilities	<u>43,670,277</u>	<u>41,523,976</u>
STOCKHOLDERS ' EQUITY		
Capital stock		
Common stock	53,238,199	57,103,001
Preferred stock	11,912,963	12,777,778
Capital surplus		
Additional paid-in capital in excess of par	16,996,159	16,996,159
Treasury stock transactions	2,075,475	2,075,475
Others	4,411	-
Retained earnings		
Legal reserve	408,912	408,912
Special reserve	482,574	482,574
Accumulated earnings (deficits)	8,183,147	(4,729,617)
Other items of stockholders ' equity		
Cumulative translation adjustments	(5,029)	51,369
Unrealized gains or losses of financial instruments	<u>252,153</u>	<u>(597,977)</u>
Total stockholders ' equity	<u>93,548,964</u>	<u>84,567,674</u>
TOTAL	<u>137,219,241</u>	<u>126,091,650</u>



TAISHIN FINANCIAL HOLDING CO., LTD. INCOME STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	2009	2008		
INCOME				
Investment income recognized under the equity method	\$ 2,681,297	\$ 1,246,970		
Gain on disposal of investments accounted for by the equity method	7,759,890			
Interest income	33,967	311,434		
Others	41,939	423,931		
Total income	10,517,093	1,982,335		
EXPENSES AND LOSSES				
Investment loss recognized under the equity method	(396)	(5,269,349)		
Operating expenses	(430,614)	(327,265)		
Interest expenses	(1,560,713)	(1,558,134)		
Others	(414,654)	(8,448)		
Total expenses and losses	(2,406,377)	(7,163,196)		
INCOME (LOSS) BEFORE INCOME TAX				
	8,110,716	(5,180,861)		
INCOME TAX EXPENSE				
	72,431	(46,731)		
NET INCOME (LOSS)				
	\$ 8,183,147	\$ (5,227,592)		
EARNINGS (LOSS) PER SHARE				
	Pretax	After Tax	Pretax	After Tax
Basic earnings (loss) per share	\$ 1.25	\$ 1.27	\$ (1.07)	\$ (1.08)
Diluted earnings (loss) per share	\$ 1.25	\$ 1.27	\$ (1.07)	\$ (1.08)

. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

	Capital Stock		Capital Surplus	
	Common Stock	Preferred Stock	Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions
BALANCE, JANUARY 1, 2008	\$ 57,103,001	\$ 12,777,778	\$ 17,313,951	\$ 2,075,475
Appropriation of 2007 earnings				
Legal reserve	-	-	-	-
Special reserve	-	-	-	-
Dividend on preferred stock B	-	-	-	-
Dividend on preferred stock C	-	-	-	-
Dividend on preferred stock D	-	-	-	-
Bonus to employees	-	-	-	-
Bonus to directors and supervisors	-	-	-	-
Cash dividends	-	-	(317,792)	-
Translation adjustments	-	-	-	-
Unrealized losses of available-for-sale financial assets	-	-	-	-
Net loss not recognized as pension cost	-	-	-	-
Net loss for the year ended December 31, 2008	-	-	-	-
BALANCE, DECEMBER 31, 2008	57,103,001	12,777,778	16,996,159	2,075,475
Loss appropriation	(3,864,802)	(864,815)	-	-
Translation adjustments	-	-	-	-
Unrealized losses of available-for-sale financial assets	-	-	-	-
Changes in ownership of investments accounted for by the equity method	-	-	-	-
Net income for the year ended December 31, 2009	-	-	-	-
BALANCE, DECEMBER 31, 2009	<u>\$ 53,238,199</u>	<u>\$ 11,912,963</u>	<u>\$ 16,996,159</u>	<u>\$ 2,075,475</u>



Stock Option	Retained Earnings			Equity Adjustments			Total
	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Unrealized Gain or Loss on Financial Instruments	Net Loss Not Recognized As Pension Cost	
\$ -	\$ -	\$ -	\$ 4,587,095	\$ (465)	\$ (459,903)	\$ (22,206)	\$ 93,374,726
-	408,912	-	(408,912)	-	-	-	-
-	-	482,574	(482,574)	-	-	-	-
-	-	-	(361,342)	-	-	-	(361,342)
-	-	-	(1,186,644)	-	-	-	(1,186,644)
-	-	-	(910,000)	-	-	-	(910,000)
-	-	-	(7,396)	-	-	-	(7,396)
-	-	-	(22,189)	-	-	-	(22,189)
-	-	-	(710,063)	-	-	-	(1,027,855)
-	-	-	-	51,834	-	-	51,834
-	-	-	-	-	(138,074)	-	(138,074)
-	-	-	-	-	-	22,206	22,206
-	-	-	(5,227,592)	-	-	-	(5,227,592)
-	408,912	482,574	(4,729,617)	51,369	(597,977)	-	84,567,674
-	-	-	4,729,617	-	-	-	-
-	-	-	-	(56,398)	-	-	(56,398)
-	-	-	-	-	850,130	-	850,130
4,411	-	-	-	-	-	-	4,411
-	-	-	8,183,147	-	-	-	8,183,147
\$ 4,411	\$ 408,912	\$ 482,574	\$ 8,183,147	\$ (5,029)	\$ 252,153	\$ -	\$ 93,548,964

. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD. STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 8,183,147	\$ (5,227,592)
Gain or loss with no effect on cash flows and other adjustments		
Depreciation and amortization	11,166	11,631
Deferred income tax expense	73,996	45,048
Income tax (benefit) expense on linked-tax system	(146,426)	1,683
Loss (gain) on financial instruments valuation	319,520	(376,827)
Loss on financial assets carried at cost	6	-
Investment (income) loss recognized under equity method net of cash dividends received in current period	(1,836,201)	8,466,776
Gain on disposal of investments accounted for by the equity method	(7,759,890)	-
Amortization on discount of convertible bonds	369,105	338,501
Net changes in operating assets and liabilities		
Financial assets for trading purpose	-	421
Financial liabilities for trading purpose	-	(421)
Bonds and securities purchased under resell agreements	(6,159,831)	101,056
Receivables	162,657	562,567
Prepaid expenses	(583)	(6,624)
Other assets	(428,127)	(45,666)
Payables	1,493,818	(948,634)
Other liabilities	15,636	742
Net cash (used in) provided by operating activities	(5,702,007)	2,922,661
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of sale of investments accounted for by the equity method	25,825,452	-
Increase in investments accounted for by the equity method	(10,000,000)	-
Purchase of property and equipment	(63)	(130)
Decrease (increase) in refundable deposits	46,131	(46,231)
Return on liquidation of financial assets carried at cost	304	-
Net cash provided by (used in) investing activities	15,871,824	(46,361)
CASH FLOWS FROM FINANCING ACTIVITIES		
Remunerations to directors, supervisors and employee bonuses	-	(29,585)
Payment of cash dividends and bonus	-	(3,485,841)
Net cash used in financing activities	-	(3,515,426)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,169,817	(639,126)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,387,621	13,026,747
CASH AND CASH EQUIVALENTS, END OF YEAR	\$22,557,438	\$12,387,621
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest	\$ 1,193,704	\$ 1,219,197
Income tax	\$ -	\$ -



41. PROFITABILITY OF TAISHIN FINANCIAL HOLDING (STAND-ALONE AND CONSOLIDATED)

Stand-alone

Item		December 31	
		2009	2008
Return on total assets	Pretax	6.16%	(3.97%)
	After tax	6.22%	(4.01%)
Return on net equity	Pretax	9.11%	(5.82%)
	After tax	9.19%	(5.88%)
Profit margin		77.81%	(263.71%)

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2009 and 2008, respectively.

Consolidated

Item		December 31	
		2009	2008
Return on total assets	Pretax	0.69%	(0.05%)
	After tax	0.45%	(0.07%)
Return on net equity	Pretax	10.70%	(0.81%)
	After tax	7.00%	(1.08%)
Profit margin		21.50%	(3.37%)

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2009 and 2008, respectively.

Note e: Income before tax includes income before income tax of continued operations and pre-tax income before extraordinary gain.

. Financial Status

42. CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME AND IMPORTANT FINANCIAL NOTES OF SUBSIDIARIES

Taishin Bank

a. Balance sheet

	December 31	
	2009	2008
Assets		
Cash and cash equivalents	\$ 8,136,786	\$ 10,498,832
Due from Central Bank and call loans to banks	128,379,060	129,564,951
Financial assets at FVTPL	24,907,554	45,859,862
Bonds and securities purchased under resell agreements	2,420,000	-
Receivables	84,838,866	79,128,739
Loans	495,583,668	514,045,040
Available-for-sale financial assets	36,484,764	25,124,530
Held-to-maturity financial assets	6,214,140	8,102,021
Investments accounted for by the equity method	1,281,667	1,440,756
Other financial assets	2,873,039	3,083,144
Property and equipment	17,898,096	16,226,923
Other assets	23,740,004	24,251,038
	<u>\$ 832,757,644</u>	<u>\$ 857,325,836</u>
Liabilities		
Due to banks and Central Bank	\$ 54,181,462	\$ 72,725,981
Financial liabilities at FVTPL	16,990,037	37,848,640
Bonds and securities sold under repurchase agreements	7,239,422	11,780,535
Payables	18,956,708	22,271,480
Deposits	654,664,982	633,654,632
Financial debentures	25,000,000	36,100,000
Other financial liabilities	151,200	167,285
Other liabilities	2,140,457	911,917
	<u>779,324,268</u>	<u>815,460,470</u>
Stockholders' equity		
Capital stock	49,157,526	41,750,118
Capital surplus	3,193,573	3,806,630
Retained earnings	944,099	(3,210,060)
Cumulative translation adjustments	(57)	(39)
Unrealized gains or losses of available-for-sale financial assets	138,235	(481,283)
Other items	53,433,376	41,865,366
	<u>\$ 832,757,644</u>	<u>\$ 857,325,836</u>



b. Income statement

	Years Ended December 31	
	2009	2008
Net interest income	\$ 10,002,148	\$ 14,138,465
Net non-interest income	6,729,748	9,446,541
Gross income	16,731,896	23,585,006
Bad debt expenses	(1,792,318)	(15,584,932)
Operating expenses	(11,476,422)	(13,922,650)
Income (loss) before income tax	3,463,156	(5,922,576)
Estimated income tax (expense) benefit	(2,641,877)	1,824,371
Net income (loss) before extraordinary item	821,279	(4,098,205)
Extraordinary gain (net of income tax expense of \$40,940 thousand)	122,820	-
Net income (loss)	\$ 944,099	\$ (4,098,205)

	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic earnings (loss) per share				
Income (loss) before extraordinary gain	\$0.84	\$0.18	\$(1.49)	\$(1.03)
Extraordinary gain	0.04	0.03	-	-
	<u>\$ 0.88</u>	<u>\$ 0.21</u>	<u>\$ (1.49)</u>	<u>\$ (1.03)</u>

c. Key financial and business highlights

1) Profitability

Item		December 31	
		2009	2008
Return on total assets	Pretax	0.43%	(0.68%)
	After tax	0.11%	(0.47%)
Return on net equity	Pretax	7.61%	(13.15%)
	After tax	1.98%	(9.10%)
Profit margin		5.64%	(17.38%)

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2009 and 2008, respectively.

Note e: Income before tax includes income before income tax of continued operations and pre-tax income before extraordinary gain.

. Financial Status

2) Asset quality

Nonperforming loans and receivables

Item			December 31, 2009					December 31, 2008				
			Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)
Business Type												
Corporate finance	Secured		\$1,095,895	\$81,161,518	1.35%	\$1,734,594	158.28%	\$2,107,708	\$83,477,350	2.52%	\$1,417,356	67.25%
	Unsecured		227,998	122,346,240	0.19%	1,731,237	759.32%	612,108	126,660,847	0.48%	2,040,908	333.42%
	Mortgage loans (Note d)		503,577	197,343,320	0.26%	271,347	53.88%	870,793	207,701,502	0.42%	183,547	21.08%
Consumer finance	Cash cards		269,405	14,426,098	1.87%	1,508,548	559.96%	923,838	20,180,252	4.58%	2,798,849	302.96%
	Credit loans (Note e)		525,422	24,518,866	2.14%	1,447,676	275.53%	2,339,539	30,812,252	7.59%	3,122,833	133.48%
	Others (Note f)	Secured	142,268	57,865,683	0.25%	93,167	65.49%	193,042	50,067,156	0.39%	93,577	48.47%
		Unsecured	154,496	4,825,150	3.20%	116,638	75.50%	200,738	4,938,505	4.06%	135,754	67.63%
Total			2,919,061	502,486,875	0.58%	6,903,207	236.49%	7,247,766	523,837,864	1.38%	9,792,824	135.12%
Credit card			240,271	31,342,477	0.77%	684,832	285.02%	718,768	27,789,461	2.59%	1,394,857	194.06%
Accounts receivable factoring with no recourse (Note g)			2,893	49,062,200	0.01%	2,893	100.00%	3,943	38,344,606	0.01%	5,308	134.62%

Note a: Nonperforming 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: $\text{Nonperforming loans ratio} = \text{Nonperforming loans} \div \text{Loans}$

$\text{Nonperforming loans of credit card ratio} = \text{Nonperforming loans of credit cards} \div \text{Accounts receivable}$

Note c: $\text{Coverage ratio of allowances for loan losses} = \text{Allowances for loan losses} \div \text{Nonperforming loans}$

$\text{Coverage ratio of allowance for loan losses of credit card} = \text{Allowance for loan losses of credit card} \div \text{Nonperforming loans of credit cards}$

Note d: Mortgage loans are for applicants to build or repair the buildings owned by the applicants, their spouses or their minor children. These applicants provide their buildings as collaterals and install the right on mortgage to financial institutions.

Note e: Credit loans are to fit in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin - Guan - Yi (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 July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 094000494), accounts receivable factoring with no recourse are defined as non-performing loans within three months from the date that factors or insurance companies ascertain not to compensate the loss.

Exempted from report as nonperforming loans and receivables

Business Type \ Items Item		December 31, 2009		December 31, 2008	
		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
Negotiated amount performed in accordance with the agreement (Note a)		\$ 8,913,397	\$ 2,326,354	\$ 11,647,005	\$ 2,481,769
Loans executed in accordance with debt clearing and renewal regulations (Note b)		2,246,863	1,039,724	NA	NA
Total		11,160,260	3,366,078	11,647,005	2,481,769

Note a: Disclosed in accordance with the Letter issued by 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).



3) Concentration of credit risk

Year	December 31, 2009			December 31, 2008		
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	Taiwan High Speed Rail Corporation (014910 rail transportation)	\$ 9,708,129	18.17%	Taiwan High Speed Rail Corporation (014910 rail transportation)	\$ 11,292,560	26.97%
2	BenQ Group (012641 liquid crystal faceplate and related parts manufacturing industry)	8,391,213	15.70%	Chi Mei Group (012641 liquid crystal faceplate and related parts manufacturing industry)	6,062,836	14.48%
3	Kinpo Group (012711 computer manufacturing industry)	6,488,445	12.14%	Chinatrust Group (016499 unsorted other finance agency)	5,420,658	12.95%
4	Taiwan Toshiba International Purchase Corporation (014644 office machinery wholesale business)	5,749,798	10.76%	Qisda Technology Group (014641 computer and related equipment, software wholesale business)	5,289,822	12.64%
5	Acer Group (014641 computer and related equipment, software wholesale business)	5,413,392	10.13%	Ya-Tong Group (015010 water transportation)	4,455,994	10.64%
6	Taiwan CPC (021700 petroleum and coal product manufacturing industry)	5,108,439	9.56%	Formosa Plastics Group (011850 synthetic fiber manufacturing industry)	3,919,719	9.36%
7	Chi Mei Group (012641 liquid crystal faceplate and related parts manufacturing industry)	5,057,341	9.46%	Fu Sheng Group (016499 unsorted other finance agency)	3,799,310	9.08%
8	Chinatrust Group (016499 unsorted other finance agency)	4,633,647	8.67%	Tatung Group (012641 liquid crystal faceplate and related parts manufacturing industry)	3,758,188	8.98%
9	Foxconn Electronics Inc. (012641 liquid crystal faceplate and related parts)	4,604,350	8.62%	Kinpo Group (012711 computer manufacturing industry)	3,704,094	8.85%
10	Ya-Tong Group (015010 water transportation)	4,136,484	7.74%	Taiwan CPC (021700 petroleum and coal product manufacturing industry)	3,401,893	8.13%

Note a: Sorted by the balance of loans on December 31, 2009 and 2008, excluding government or state-owned business. If the borrower belongs 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 the article 6 of the Supplementary Provisions to 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.

. Financial Status

4) Interest-earning assets and interest-bearing liabilities

The average interest-earning assets, interest-bearing liabilities and average interest rates for the years ended December 31, 2009 and 2008 were as follows:

	2009		2008	
	Average Value	Average Interest Rate %	Average Value	Average Interest Rate %
Assets				
Due from banks and call loans to banks	\$ 147,861,627	0.64	\$ 161,952,487	1.94
Financial assets at FVTPL	5,311,605	0.77	6,230,483	1.31
Bonds and securities purchased under resell agreements	149,775	(0.33)	399,193	1.44
Receivables	35,397,894	6.24	39,463,682	6.22
Loans	501,008,422	2.68	553,288,793	4.17
Available-for-sale financial assets	26,167,877	2.46	29,413,023	5.54
Held-to-maturity financial assets	7,310,646	1.96	11,340,902	2.50
Liabilities				
Due to banks and call loans from banks	64,733,207	1.17	78,822,446	2.63
Bonds and securities sold under repurchase agreements	9,076,964	0.13	18,083,982	1.89
Demand deposits	213,967,267	0.16	186,388,038	0.41
Time deposits	421,574,363	1.35	477,918,378	2.53
Other financial liabilities	26,707,240	2.97	39,860,507	3.00

5) Interest rate sensitivity

(In Thousands of New Taiwan Dollars)

Item	December 31, 2009				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 548,120,832	\$ 13,818,359	\$ 22,934,045	\$ 119,682,335	\$ 704,555,571
Interest-sensitive liabilities	492,904,925	65,774,275	96,508,549	49,547,156	704,734,905
Interest sensitivity gap	55,215,907	(51,955,916)	(73,574,504)	70,135,179	(179,334)
Net equity					52,159,311
Ratio of interest-sensitive assets to liabilities					99.97%
Ratio of interest sensitivity gap to net equity					(0.34%)

Item	December 31, 2008				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$492,212,657	\$28,491,123	\$23,708,727	\$118,714,948	\$663,127,455
Interest-sensitive liabilities	213,696,997	98,203,085	189,184,572	172,040,723	673,125,377
Interest sensitivity gap	278,515,660	(69,711,962)	(165,475,845)	(53,325,775)	(9,997,922)
Net equity					41,695,905
Ratio of interest-sensitive assets to liabilities					98.51%
Ratio of interest sensitivity gap to net equity					(23.98%)

Note a: The amounts listed above include amounts in NT dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

Note b: Interest-sensitive assets and liabilities are interest-earning 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 (NT dollars only) = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

(In Thousands of New Taiwan Dollars)

Item	December 31, 2009				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 2,748,860	\$ 1,105,132	\$ 532,912	\$ 1,400,316	\$ 5,787,220
Interest-sensitive liabilities	4,224,404	1,585,898	408,590	588,665	6,807,557
Interest sensitivity gap	(1,475,544)	(480,766)	124,322	811,651	(1,020,337)
Net equity					33,177
Ratio of interest-sensitive assets to liabilities					85.01%
Ratio of interest sensitivity gap to net equity					(3,075.43%)



(In Thousands of New Taiwan Dollars)

Item	December 31, 2008				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 2,396,662	\$ 240,043	\$ 134,025	\$ 1,738,212	\$ 4,508,942
Interest-sensitive liabilities	2,419,966	1,315,858	324,841	1,014,412	5,075,077
Interest sensitivity gap	(23,304)	(1,075,815)	(190,816)	723,800	(566,135)
Net equity					3,685
Ratio of interest-sensitive assets to liabilities					88.84%
Ratio of interest sensitivity gap to net equity					(15,363.23%)

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-earning 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 (NT dollars only) = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

6) Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2009				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflow	\$ 772,755,894	\$ 259,480,821	\$ 87,119,165	\$ 21,117,420	\$ 31,702,299	\$ 373,336,189
Major maturity cash outflow	841,663,797	154,392,511	180,045,169	139,105,901	182,919,680	185,200,536
Gap	(68,907,903)	105,088,310	(92,926,004)	(117,988,481)	(151,217,381)	188,135,653

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2008				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflow	\$ 695,497,841	\$ 154,350,106	\$ 75,286,035	\$ 24,526,987	\$ 26,764,671	\$ 414,570,042
Major maturity cash outflow	698,646,641	97,891,536	110,025,617	89,589,472	186,290,683	214,849,333
Gap	(3,148,800)	56,458,570	(34,739,582)	(65,062,485)	(159,526,012)	199,720,709

Note: The amounts listed above include amounts in NT dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

(In Thousands of U.S. Dollars)

	Total	December 31, 2009				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflow	\$ 8,650,393	\$ 3,366,353	\$ 1,866,139	\$ 1,354,307	\$ 594,792	\$ 1,468,802
Major maturity cash outflow	8,612,503	3,288,148	1,855,028	1,776,194	472,697	1,220,436
Gap	37,890	78,205	11,111	(421,887)	122,095	248,366

(In Thousands of U.S. Dollars)

	Total	December 31, 2008				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflow	\$ 7,306,842	\$ 3,379,171	\$ 1,378,429	\$ 330,506	\$ 198,582	\$ 2,020,154
Major maturity cash outflow	7,276,417	2,217,549	999,964	1,366,338	415,188	2,277,378
Gap	30,425	1,161,622	378,465	(1,035,832)	(216,606)	(257,224)

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

. Financial Status

7) Capital adequacy

Item		Year	Consolidated	Taishin Bank	
			December 31, 2009	December 31, 2009	December 31, 2008
Self-owned capital	Tier I capital		\$ 51,021,595	\$ 50,312,782	\$ 40,956,737
	Tier II capital		23,670,549	23,305,936	18,691,731
	Tier III capital		-	-	-
	Self-owned capital		74,692,144	73,618,718	59,648,468
Risk-weighted assets	Credit risk	Standardized approach	510,882,482	508,983,721	535,983,934
		IRB	-	-	-
		Securitization	620,353	620,353	805,852
	Operation risk	Basic indicator approach	-	-	-
		Standardized approach/ Alternative standardized approach	38,272,075	38,272,075	45,551,738
		Advanced measurement approach	-	-	-
			-	-	-
	Market risk	Standardized approach	20,451,900	20,416,863	24,316,063
		Internal model approach	-	-	-
	Total		570,226,810	568,293,012	606,657,587
Capital Adequacy ratio			13.10%	12.95%	9.83%
Tier I capital to risk weighted assets ratio			8.95%	8.85%	6.75%
Tier II capital to risk weighted assets ratio			4.15%	4.10%	3.08%
Tier III capital to risk weighted assets ratio			-	-	-
Common stock equity to total assets ratio			5.67%	5.68%	4.65%
Leverage ratio			6.05%	5.97%	4.69%

Note 1: The ratios are calculated in accordance with the Letters issued by the MOF on June 30, 2009 and January 4, 2007 (Ref. No. Jin-Guan-Yin 09810003110 and 09610000025).

Note 2: Formula:

- Self-owned capital = Tier I capital + Tier II capital + Tier III capital
- Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) × 12.5
- Capital Adequacy = Self-owned capital ÷ Risk-weighted assets
- Tier I capital to risk weighted assets ratio = Tier I capital ÷ Risk-weighted assets
- Tier II capital to risk weighted assets ratio = Tier II capital ÷ Risk-weighted assets
- Tier III capital to risk weighted assets ratio = Tier III capital ÷ Risk-weighted assets
- Common stock equity to total assets ratio = Common stock equity ÷ Total assets
- Leverage ratio = Tier I capital ÷ Average-assets adjusted

8) Trust accounts

Under Article 3 of the Trust Law, Taishin Bank can offer trust services. The items and amounts of trust accounts as of December 31, 2009 and 2008 were as follows:

	2009	2008
Special purpose trust accounts - foreign and domestic investments	\$ 141,707,813	\$ 142,914,465
Special purpose monetary fund - master	7,119,886	4,154,998
Special purpose monetary fund - stand-alone	210,510	257,271
Special purpose cover fund - stand-alone	4,487,288	2,799,934
Specific monetary fund - stand-alone	2,624,296	2,564,563
Specific cover fund - stand-alone	36,143,393	19,355,731
Real estate securitization	4,355,232	4,188,176
Real estate trust	496,369	1,022,540
Monetary mutual fund	1,041,438	1,433,404
Securities under custody	28,081,132	28,127,114
	<u>\$ 226,267,357</u>	<u>\$ 206,818,196</u>



Chang Hwa Bank

a. Balance Sheet

	December 31	
	2009	2008
Assets		
Cash and cash equivalents	\$ 26,998,776	\$ 25,594,624
Due from Central Bank and call loans to banks	90,275,126	88,843,996
Financial assets at FVTPL	13,543,837	14,839,363
Bonds and securities purchased under resell agreements	49,549	1,113,614
Receivables	11,187,747	15,049,058
Loans	1,011,067,871	978,028,617
Available-for-sale financial assets	30,297,240	32,381,982
Held-to-maturity financial assets	230,295,526	174,255,975
Investments accounted for by the equity method	146,291	119,106
Other financial assets	20,502,139	21,100,272
Property and equipment	24,242,714	24,800,231
Other assets and intangible assets	16,859,552	20,805,671
	<u>\$ 1,475,466,368</u>	<u>\$ 1,396,932,509</u>

(Continued)

	December 31	
	2009	2008
Liabilities		
Due to banks and Central Bank	\$ 120,437,915	\$ 107,683,370
Financial liabilities at FVTPL	821,612	1,019,663
Bonds and securities sold under repurchase agreements	5,419,388	16,798,494
Payables	22,082,484	27,925,299
Deposits	1,211,599,406	1,115,608,800
Financial debentures	23,473,942	36,568,059
Accrued pension liabilities	2,473,876	2,503,996
Other financial liabilities	441,663	503,753
Other liabilities	7,698,797	7,715,935
	<u>1,394,449,083</u>	<u>1,316,327,369</u>
Stockholders' equity		
Capital stock		
Retained earnings	62,094,756	62,094,756
Other items	10,588,769	11,225,557
	<u>8,333,760</u>	<u>7,284,827</u>
	<u>81,017,285</u>	<u>80,605,140</u>
	<u>\$ 1,475,466,368</u>	<u>\$ 1,396,932,509</u>

. Financial Status

b. Income statement

	Years Ended December 31	
	2009	2008
Net interest income	\$ 12,304,753	\$ 18,331,808
Net non-interest income	10,341,942	7,535,993
Gross income	22,646,695	25,867,801
Bad debt expense	(5,285,784)	(6,902,098)
Operating expenses	(11,643,496)	(11,897,455)
Income before income tax	5,717,415	7,068,248
Estimated income tax expense	(2,628,517)	(2,215,052)
Net income	\$ 3,088,898	\$ 4,853,196

	2009		2008	
	Pretax	After Tax	Pretax	After Tax
Basic earnings per share (dollar)	\$ 0.92	\$ 0.50	\$ 1.14	\$ 0.78

c. Key financial and business highlights

1) Profitability

Item		December 31	
		2009	2008
Return on total assets	Pretax	0.40%	0.52%
	After tax	0.22%	0.36%
Return on net equity	Pretax	7.08%	8.70%
	After tax	3.82%	5.98%
Profit margin		13.64%	18.76%

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2009 and 2008, respectively.



2) Asset quality

Business Type \ Item		December 31, 2009					December 31, 2008				
		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	\$7,220,352	\$ 263,121,151	2.74%	\$ 7,119,102	98.60%	\$ 9,957,472	\$ 258,672,785	3.85%	\$ 6,983,022	70.13%
	Unsecured	1,641,982	402,210,638	0.41%	1,641,982	100.00%	2,039,380	426,414,804	0.48%	2,039,380	100.00%
Consumer finance	Mortgage loans (Note d)	2,744,157	287,640,097	0.95%	2,744,157	100.00%	3,238,560	237,736,115	1.36%	3,202,316	98.88%
	Cash cards (Note h)	-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)	14,287	2,287,036	0.62%	14,287	100.00%	30,600	3,311,373	0.92%	30,600	100.00%
	Others (Note f)	914,772	64,200,328	1.42%	914,772	100.00%	1,198,877	59,401,846	2.02%	1,198,877	100.00%
Total		12,593,153	1,023,559,774	1.23%	12,491,903	99.20%	16,576,971	991,594,894	1.67%	13,566,277	81.84%

Business Type \ Item		December 31, 2009					December 31, 2008				
		Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)
Credit card		\$ 1,433	\$ 677,808	0.21%	\$ 11,756	820.38%	\$ 2,569	\$ 682,449	0.38%	\$ 17,336	674.82%
Accounts receivable factoring with no recourse (Note g)		-	247,118	-	-	-	-	3,794,127	-	-	-

Business Type \ Items		December 31, 2009		December 31, 2008	
		Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note i)		\$ 1,486	\$ 13,176	\$ 1,857	\$ 15,483
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note j)		2,671	6,404	-	1,190
Total		4,157	19,580	1,857	16,673

Note a: Nonperforming 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: Nonperforming loans ratio = Nonperforming loans ÷ Loans
Nonperforming loans of credit card ratio = Nonperforming loans of credit cards ÷ Accounts receivable

Note c: Coverage ratio of allowances for loan losses = Allowances for loan losses ÷ Nonperforming loans
Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Nonperforming loans of credit cards

Note d: Mortgage loans are for applicants to build or repair the buildings owned by the applicants, their spouses or their minor children. These applicants provide their buildings as collaterals and install the right on mortgage to financial institutions.

Note e: Credit loans are to fit in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin - Guan - Yi (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 July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 094000494), accounts receivable factoring with no recourse are defined as non-performing loans within three months from the date that factors or insurance companies ascertain not to compensate the loss.

Note h: Chang Hwa Bank does not engage in cash card business.

Note i: Negotiated loans and accounts receivable performed in accordance with the agreement and exempted from reporting as non-performing loans are disclosed in accordance with the Letter issued by Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) 09510001270).

Note j: Loans and receivables transacted in accordance with debt clearance and renewal regulation and exempted from reporting as Non-performing loans or receivables are disclosed in accordance with the Letter issued by Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 09700318940).

. Financial Status

3) Concentration of credit risk

Year	December 31, 2009			December 31, 2008		
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	Formosa Plastics Co., and related parties	\$34,029,685	42.00	Formosa Plastics Co., and related parties	\$35,674,735	44.26
2	Taiwan High Speed Rail Corporation	22,856,535	28.21	Taiwan High Speed Rail Corporation	23,207,313	28.79
3	Chi Mei Co., and related parties	14,027,560	17.31	Chi Mei Co., and related parties	16,510,843	20.48
4	Evergreen Group	11,027,787	13.61	Evergreen Group	13,326,183	16.53
5	BenQ Co., and related parties	7,856,590	9.70	Foxconn Electronics Inc.	8,827,900	10.95
6	E-United Group	7,507,199	9.27	E-United Group	8,059,300	10.00
7	Tatung Co., and related parties	6,828,073	8.43	Uni-President Co., and related parties	7,956,791	9.87
8	China Steel Corporation	6,225,674	7.68	BenQ Co., and related parties	7,516,112	9.32
9	Foxconn Electronics Inc.	6,157,320	7.60	China Steel Corporation	6,546,919	8.12
10	Uni-President Co., and related parties	6,090,520	7.52	Tatung Co., and related parties	6,271,239	7.78

Note a: Sort by the balance of loans on December 31, 2009 and 2008, excluding government or state-owned business.

Note b: Transaction party is in accordance with the Article 6 of the Supplementary Provisions to 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.

4) Interest-earning assets and interest-bearing liabilities

The average interest-earning assets, interest-bearing liabilities and average interest rates for the years ended December 31, 2009 and 2008 were as follows:

	2009		2008	
	Average Value	Average Interest Rate %	Average Value	Average Interest Rate %
Assets				
Due from and call loans to banks	\$ 132,408,401	1.53	\$ 117,426,203	3.72
Due from Central Bank	54,200,725	0.37	45,494,140	0.85
Financial assets - bonds and bills	278,029,707	0.97	202,561,935	2.45
Loans	951,534,909	1.94	930,702,609	3.39
Liabilities				
Due to banks and call loans from banks	164,885,488	1.15	166,741,602	3.28
Deposits transferred from the Postal Bureau	28,875,102	1.18	30,712,367	2.60
Demand deposits	562,071,047	0.31	499,033,677	0.58
Time deposits	585,536,445	1.19	528,517,821	2.51
Negotiable certificates of deposits	5,124,587	0.65	5,906,877	1.53
Financial debentures	23,478,904	2.52	26,533,052	3.37



5) Interest rate sensitivity

(In Thousands of New Taiwan Dollars)

Item	December 31, 2009				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 984,447,502	\$ 96,854,551	\$ 30,249,794	\$ 66,274,879	\$1,177,826,726
Interest-sensitive liabilities	406,623,137	556,423,832	79,067,082	26,500,918	1,068,614,969
Interest sensitivity gap	577,824,365	(459,569,281)	(48,817,288)	39,773,961	109,211,757
Net equity					83,919,109
Ratio of interest-sensitive assets to liabilities					110.22%
Ratio of interest sensitivity gap to net equity					130.14%

(In Thousands of New Taiwan Dollars)

Item	December 31, 2009				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 819,421,668	\$ 141,329,889	\$ 24,891,983	\$ 69,878,702	\$1,055,522,242
Interest-sensitive liabilities	374,169,320	465,683,719	106,110,606	38,822,677	984,786,322
Interest sensitivity gap	445,252,348	(324,353,830)	(81,218,623)	31,056,025	70,735,920
Net equity					84,104,433
Ratio of interest-sensitive assets to liabilities					107.18%
Ratio of interest sensitivity gap to net equity					84.10%

Note a: The amounts listed above include amounts in NT dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

Note b: Interest-sensitive assets and liabilities are interest-earning 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 (NT dollars only) = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

(In Thousands of U.S. Dollars)

Item	December 31, 2009				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 4,770,403	\$ 859,920	\$ 47,086	\$ 55,345	\$ 5,732,754
Interest-sensitive liabilities	6,524,447	463,321	364,719	-	7,352,487
Interest sensitivity gap	(1,754,044)	396,599	(317,633)	55,345	(1,619,733)
Net equity					(9,521)
Ratio of interest-sensitive assets to liabilities					77.97%
Ratio of interest sensitivity gap to net equity					17,012.22%

(In Thousands of U.S. Dollars)

Item	December 31, 2008				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 6,642,497	\$ 759,878	\$ 407,415	\$ 235,195	\$ 8,044,985
Interest-sensitive liabilities	7,584,077	372,331	922,202	5,554	8,884,164
Interest sensitivity gap	(941,580)	387,547	(514,787)	229,641	(839,179)
Net equity					(34,087)
Ratio of interest-sensitive assets to liabilities					90.55%
Ratio of interest sensitivity gap to net equity					2,461.87%

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

. Financial Status

6) Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2009				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflow	\$ 1,278,853,914	\$ 237,425,960	\$ 153,184,127	\$ 124,831,637	\$ 110,684,261	\$ 652,727,929
Major maturity cash outflow	1,626,171,083	202,431,674	199,664,231	182,229,850	319,257,436	722,587,892
Gap	(347,317,169)	34,994,286	(46,480,104)	(57,398,213)	(208,573,175)	(69,859,963)

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2008				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflow	\$ 1,159,536,577	\$ 222,582,613	\$ 138,225,262	\$ 106,061,300	\$ 98,985,189	\$ 593,682,213
Major maturity cash outflow	1,318,975,423	176,613,136	178,034,666	143,127,602	279,396,175	541,803,844
Gap	(159,438,846)	45,969,477	(39,809,404)	(37,066,302)	(180,410,986)	51,878,369

Note: The amounts listed above include amounts in NT dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

(In Thousands of U.S. Dollars)

	Total	December 31, 2009				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflow	\$ 5,990,671	\$ 1,976,144	\$ 1,579,198	\$ 1,239,223	\$ 351,212	\$ 844,894
Major maturity cash outflow	6,622,853	2,528,181	1,245,732	611,585	686,650	1,550,705
Gap	(632,182)	(552,037)	333,466	627,638	(335,438)	(705,811)

(In Thousands of U.S. Dollars)

	Total	December 31, 2008				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 year
Major maturity cash inflow	\$ 5,920,986	\$ 2,492,606	\$ 1,481,700	\$ 665,363	\$ 395,007	\$ 886,310
Major maturity cash outflow	7,004,425	3,011,125	1,251,681	447,466	1,150,653	1,143,500
Gap	(1,083,439)	(518,519)	230,019	217,897	(755,646)	(257,190)

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

7) Special recorded items

Item	Cases and Amount
Management or any employee being involved in lawsuit for any fault in business in one year	None
The Bank being fined for disobeying the Banking Law in one year	On September 29, 2007, XXX Branch did not record the transaction agent information for the big amount transaction that was fined \$200 thousand by Jin-Gaun Yin for violating the Money Laundering Control Act 7 on October 7, 2009.
The Bank being punished by MOF for any fault in one year	None
The Bank incurred losses over \$50,000 thousand for management or employee fraud or for any security incident in one year	None

Note: The "in one year" refers to the period from January 1, 2009 to December 31, 2009.



8) Transferring Ownerships of Loans

a) Summary of nonperforming loans

	December 31, 2009						
	Transferring Date	Composition of NPLs	Book Value (Note a)	Transferring Price	Gain of Disposal (Note b)	Relationship	Agreement with Added Terms
Jing-Li Asset Management Co., Ltd.	2009.07.09	Corporate secured and non-secured loans	\$ 7,085	\$ 66,733	\$ 55,172	None	Repurchased defective Assets
Taiwan Asset Management Co., Ltd.	2009.09.11	Corporate and individual secured loans	335,838	1,020,858	678,337	None	Repurchased defective Assets and environmental protection defect

	December 31, 2008						
	Transferring Date	Composition of NPLs	Book Value (Note a)	Transferring Price	Gain of Disposal (Note b)	Relationship	Agreement with Added Terms
Mega Asset Management Co., Ltd.	2008.12.26	Corporate loans - secured and unsecured	\$ 81,000	\$ 280,000	\$ 199,000	None	None

Note a: Book value = Original loan balance – allowance

Note b: Gain on disposal = Transferring price – book value – related cost

b) The nonperforming loans amounted to \$1 billion (excluding related-parties transactions) in the preceding transactions were categorized as follows:

Entity: Taiwan Asset Management Co., Ltd. Basic Measurement Date: September 11, 2009

Composition of NPLs			Original Amounts (Note a)	Book Value	Authorized Price (Note b)
Corporate	Secured		\$ 3,562,556	\$ 247,707	\$ 853,642
	Unsecured		-	-	-
Individual	Secured	Mortgage loans	-	-	-
		Vehicles loans	-	-	-
		Others	1,108,807	88,131	167,216
	Unsecured	Credit cards	-	-	-
		Cash cards	-	-	-
		Small amount consumer credit	-	-	-
		Others	-	-	-
Total			4,671,363	335,838	1,020,858

Note a: The original amounts include the aggregate of the balance of nonperforming loans (without deducting allowance) and the loans written-off refer to the buyer's claim amount to creditors.

Note b: The authorized price refers to the transferring price which is allocated among nonperforming loans by estimating the recovery of loans.

. Financial Status

9) Capital adequacy

Item			Period	December 31, 2009	June 30, 2009	December 31, 2008
Self-owned capital	Tier I capital			\$ 70,131,995	\$ 67,590,672	70,361,034
	Tier II capital			30,571,261	28,177,075	29,740,630
	Tier III capital			-	-	-
	Self-owned capital			100,703,256	95,767,747	100,101,664
Risk-weighted assets	Credit risk	Standardized approach		879,511,528	898,629,966	897,892,981
		IRB		-	-	-
		Real estate securitization		842,699	351,160	359,280
	Operation risk	Basic indicator approach		-	-	-
		Standardized approach/ optional standard		40,931,575	40,931,575	41,443,950
		Advanced internal-rating based approach		-	-	-
		Market price risk	Standardized approach		8,211,450	6,336,963
	Internal model approach			-	-	-
	Total			929,497,252	946,249,664	943,770,286
	Capital adequacy ratio				10.83%	10.12%
Tier I capital to risk weighted assets ratio				7.55%	7.14%	7.46%
Tier II capital to risk weighted assets ratio				3.29%	2.98%	3.15%
Tier III capital to risk weighted assets ratio				-	-	-
Common stock equity to total assets ratio				4.21%	4.34%	4.45%
Leverage ratio				4.88%	4.78%	5.20%

Note 1: The ratios are calculated in accordance with the Letters issued by the MOF on June 30, 2009 and January 4, 2007 (Ref. No. Jin-Guan-Yin 09810003110 and 0961000025).

Note 2: Formula:

- Self-owned capital = Tier I capital + Tier II capital + Tier III capital
- Risk-weighted assets = Credit risk-weighted assets + Operation risk capital + Market price risk capital) × 12.5
- Capital Adequacy = Self-owned capital ÷ Risk-weighted assets
- Tier I capital to risk weighted assets ratio = Tier I capital ÷ Risk-weighted assets
- Tier II capital to risk weighted assets ratio = Tier II capital ÷ Risk-weighted assets
- Tier III capital to risk weighted assets ratio = Tier III capital ÷ Risk-weighted assets
- Common stock equity to total assets ratio = Common stock equity ÷ Total assets
- Leverage ratio = Tier I capital ÷ Average-assets adjusted

10) Primary foreign currencies

	December 31, 2009			December 31, 2008		
	Original Currency	Equivalent NTD Amount		Original Currency	Equivalent NTD Amount	
Primary foreign currencies held (market risk)	1	USD 51,075	\$ 1,643,389	1	USD 20,472	\$ 670,949
	2	JPY 364,648	126,898	2	CNY 24,328	116,675
	3	CNY 18,320	86,340	3	EUR 754	34,866
	4	HKD 3,679	15,264	4	JPY 70,803	25,666
	5	GBP 156	8,071	5	NZD 484	9,153

Note: The amounts listed above include accounts in foreign currency for head office and domestic branches only (i.e., excluding oversea branches and OBU).



11) Trust accounts

Under Article 3 of the Trust Law, Chang Hwa Bank can offer trust services. The details of trust accounts were as follows:

	December 31	
	2009	2008
Special purpose trust accounts - domestic	\$ 39,135,567	\$ 32,995,454
Special purpose trust accounts - foreign	61,706,381	47,526,949
Insurance trust	-	970
Retirement and breeds trust	162,666	118,280
Umbilical-cord-blood trust	472,971	435,546
Money claim and guarantee trust	408,220	350,003
Marketable securities trust	423,896	181,940
Real estate trust	2,900,126	1,648,761
Marketable securities custody	166,491,711	141,737,064
	<u>\$ 271,701,538</u>	<u>\$ 224,994,967</u>

Taishin Securities

a. Balance sheet (Taishin Securities has been merged with KGI Securities on December 19, 2009)

	December 31, 2008
Assets	
Current assets	\$ 28,868,785
Funds and investments	4,089,055
Property and equipment	2,492,746
Other assets	2,913,330
Client's position - debit	<u>20,659</u>
	<u>\$ 38,384,575</u>
Liabilities	
Current liabilities	\$ 18,585,964
Long-term liabilities	527,211
Other liabilities	19,113,175
Stockholders' equity	13,255,044
Capital stock	2,082,283
Capital surplus	3,868,243
Retained earnings	<u>65,830</u>
Other items	<u>19,271,400</u>
	<u>\$ 38,384,575</u>

. Financial Status

b. Income statement

	2009(January 1 to December 18)		2008	
Revenue	\$	5,420,051	\$	4,958,076
Expense		(4,735,266)		(4,809,150)
Income before income tax		684,785		148,926
Income tax expense		(22,922)		(142,495)
Net income	\$	661,863	\$	6,431

	2009		2008	
	Pretax	After Tax	Pretax	After Tax
Basic earnings per share (dollar)	\$ 0.52	\$ 0.50	\$ 0.11	\$ -

c. Key financial and business highlights

1) Profitability

Item		December 31	
		2009	2008
Return on total assets	Pretax		0.34%
	After tax		0.01%
Return on net equity	Pretax	N/A	0.75%
	After tax		0.03%
Profit margin			0.13%

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2009 and 2008, respectively.

2) Balance sheet of futures-dealing department

Please refer to Table 4.

3) Income statement of Futures-Dealing Department

Please refer to Table 5.

4) Please refer to Table 7-11 for the business of investees established in countries or areas that have no securities and futures commission.



Limitation and Execution of Financial Ratios As Stipulated in the Futures Trading Law

In accordance with the “ Guidelines Governing the Preparation of Financial Reports by Futures Commission Merchants ” stipulated by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan, ROC, major financial ratios of Taishin Securities and Taiwan Futures as of December 31, 2008 are disclosed as follows to show financial status, operating results and cash flow information:

a. Taishin Securities

Items	December 31, 2008			
	Calculation	Ratio	Benchmark	Implementation
Stockholders' equity ÷ (Total liabilities - futures trader equity - loss on trading securities - reserve of penalty)	$\frac{500,733}{90}$	5,563.70	1	Conform to the regulations
Current assets ÷ Current liabilities	$\frac{485,421}{90}$	5,393.57	1	Conform to the regulations
Stockholders' equity ÷ Minimum issued capital	$\frac{500,733}{400,000}$	125.18%	60% 40%	Conform to the regulations
Adjusted net capital ÷ Guarantee deposit needed for unsettled position	$\frac{492,774}{843}$	58,454.80%	20% 15%	Conform to the regulations

b. Taiwan Futures

Items	December 31, 2008			
	Calculation	Ratio	Benchmark	Implementation
Stockholders' equity ÷ (Total liabilities - futures trader equity - loss on trading securities - reserve of penalty)	$\frac{1,014,717}{147,820}$	6.86	1	Conform to the regulations
Current assets ÷ Current liabilities	$\frac{8,442,327}{7,534,647}$	1.12	1	Conform to the regulations
Stockholders' equity ÷ Minimum issued capital	$\frac{1,014,717}{630,000}$	161.07%	60% 40%	Conform to the regulations
Adjusted net capital ÷ Guarantee deposit needed for unsettled position	$\frac{1,042,093}{800,970}$	130.10%	20% 15%	Conform to the regulations



c. Key financial and business highlights

1) Profitability

Item		December 31	
		2009	2008
Return on total assets	Pretax	1.16%	(3.46%)
	After tax	0.72%	(2.54%)
Return on net equity	Pretax	6.62%	(25.28%)
	After tax	4.12%	(18.57%)
Profit margin		42.64%	81.78%

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2009 and 2008, respectively.

2) Asset quality

	December 31	
	2009	2008
Guarantees and endorsed credit amount not exceeding payment date three months	-	-
Nonperforming loans (NPLs, including delinquent loans)	-	-
Surveillance loans	23,100	179,300
Delinquent loans	-	-
NPL ratio	-	-
NPL ratio plus surveillance loan ratio	0.23%	2.25%
Allowance for bad debts and guarantees based on rules	126,286	176,122
Allowance for bad debts and guarantees in actual	156,429	269,687

Note: The above items are categorized in accordance with the Regulations Governing the Procedures for Bills Finance Companies to evaluate assets, set aside loss reserves, and handle non-performing credit, non-accrual loans, and bad debt and related regulations.

3) Capital adequacy

	December 31	
	2009	2008
Self-owned capital	\$ 5,895,331	\$ 5,699,465
Risk-weighted assets	27,143,600	25,892,344
Capital adequacy ratio	21.72%	22.01%
Tier I capital to risk weighted assets ratio	20.92%	21.02%
Tier II capital to risk weighted assets ratio	0.80%	0.99%
Tier III capital to risk weighted assets ratio	-	-
Common stock equity to total assets ratio	17.36%	17.69%

Note a: Capital adequacy ratio = Self-owned capital ÷ Risk weighted assets.

Note b: Total assets are the total assets amount of balance sheet.

Note c: The ratio is calculated on June 30 and December 31. The ratios disclosed in the first and the third quarters are those as of the preceding December 31 and June 30.

. Financial Status

4) Management Information

a) Business highlights

	December 31	
	2009	2008
Guarantees and endorsed notes	\$ 10,188,800	\$ 7,955,200
Ratio of guarantees and endorsed notes to net equity (after appropriation of last year ' s earnings)	1.83	1.24
Short-term securities sold under repurchase agreements	23,272,517	21,053,428
Ratio of short-term securities sold under repurchase agreements to net assets (after appropriation of last year ' s earnings)	4.17	3.27

b) Concentration of credit risks

	December 31	
	2009	2008
Loans to parties with common interests	\$ 20,000	\$ 80,000
Percentage of loans to parties with common interests	0.20%	1.01%
Percentage of loans secured by stocks	21.44%	19.33%

Item	Industry	December 31	
		2009	2008
Approved credit concentration	Agriculture, forestry, fishery and animal husbandry	-	-
	Mining	-	-
	Manufacturing	8.93	18.39
	Utilities	-	-
	Construction	0.20	0.50
	Wholesale and retailing, food and beverage	11.05	12.62
	Transportation, warehousing and communications	3.93	3.77
	Finance and insurance	13.27	26.42
	Securities brokerage and futures	17.00	3.09
	Real estate	15.49	17.62
	Investment	26.89	15.69
	Industrial and commercial society and individual service industry	3.24	1.90
	Others	-	-
		100.00	100.00

Note a: Percentage of loans to parties with common interests = Loans to parties with common interests ÷ Total loans.

Note b: Percentage of loans secured by stocks = Loans secured by stocks ÷ Total loans.

Note c: Loans include guarantees, endorsed notes and delinquent loans.



c) Special Recorded Items

	Reason and Amount
Within the past year, the person in charge or employee violated the law in the course of business operations and was sued by the public prosecutor.	None
Within the past year, a fine was levied on Taishin Bills Finance for violating the Law Governing Bills Finance Business.	None
Within the past year, Taishin Bills Finance committed a misdemeanor, resulting in the Ministry of Finance 's (MOF) subjecting Taishin Bills Finance to corrective measures.	None
Within the past year, there was an actual loss of more than \$50,000 thousand due to a major employee fraud, workplace accidents or failure to comply with financial institutions ' guidelines for sound operations.	None
Others	None

Note: The " past year " refers to the period from January 1, 2009 to December 31, 2009.

5) Interest-earning assets and interest-bearing liabilities

The average interest-earning assets, interest-bearing liabilities and average interest rates for the years ended December 31, 2009 and 2008 are as follows:

	2009		2008	
	Average Value	Average Interest Rate %	Average Value	Average Interest Rate %
Assets				
Cash and cash equivalents	\$ 118,061	2.2732	\$ 2,486,103	2.3685
Due from Central Bank and call loans to banks	3,928,573	0.7627	3,330,179	2.3317
Financial assets at FVTPL	17,540,732	0.3895	28,988,507	1.5484
Bonds and securities purchased under resell agreements	282,686	0.0560	596,000	1.5797
Available-for-sale financial assets	7,660,439	2.0327	10,039,512	2.0660
Liabilities				
Call loans from banks	4,259,479	0.1353	3,954,016	1.8981
Bonds and securities sold under repurchase agreements	21,623,584	0.2097	31,499,916	1.7960
Bonds payable	-	-	3,752,732	2.0645

6) Liquidity

Item	Range	1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Cash used in	Bills	\$ 7,162,279	\$ 8,520,641	\$ 1,589,916	\$ 99,380	\$ -
	Bonds	263,820	85,600	610,654	1,624,844	7,348,853
	Deposits	16,639	-	-	-	-
	Due from Central Bank and call loans to banks	250	-	-	500,000	-
	Bonds and securities purchased under resell agreements	616,461	-	-	-	-
	Others (Note)	864,836	600,000	1,200,000	-	1,536,800
	Total	8,924,285	9,206,241	3,400,570	2,224,224	8,885,653
Cash provided by	Call loans from banks	2,950,000	-	-	-	-
	Bonds and securities sold under repurchase agreements	22,268,181	1,004,336	-	-	-
	Self-owned capital	-	-	-	-	5,797,481
	Total	25,218,181	1,004,336	-	-	5,797,481
Net flow		(16,293,896)	8,201,905	3,400,570	2,224,224	3,088,172
Accumulated net flow		(16,293,896)	(8,091,991)	(4,691,421)	(2,467,197)	620,975

Note: Others refer to other receivables, refundable deposits, refundable collaterals and other assets.

. Financial Status

7) Interest rate sensitivity

Item	December 31, 2009				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 18,130,526	\$ 3,400,570	\$ 2,224,223	\$ 8,885,653	\$ 32,640,972
Interest-sensitive liabilities	27,365,678	-	-	-	27,365,678
Interest sensitivity gap	(9,235,152)	3,400,570	2,224,223	8,885,653	5,275,294
Net equity					5,797,482
Ratio of interest-sensitive assets to liabilities					119.28%
Ratio of interest sensitivity gap to net equity					90.99%

Note a: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations

Note b: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Taishin AMC

a. Balance sheet

	December 31	
	2009	2008
Assets		
Current assets	\$ 800,954	\$ 839,688
Investments accounted for by the equity method	127,220	141,440
Financial assets carried at cost	399,886	528,336
Prepaid investments in real estate	249,517	-
Other long-term investments	53,691	-
Property and equipment	194,353	2,629
Other assets	9,635	12,528
	<u>\$ 1,835,256</u>	<u>\$ 1,524,621</u>
Liabilities		
Current liabilities	\$ 213,868	\$ 40,804
Other liabilities	3,585	8,853
	<u>217,453</u>	<u>49,657</u>
Stockholders' equity		
Capital stock	1,345,000	1,100,000
Retained earnings	272,803	374,964
	<u>1,617,803</u>	<u>1,474,964</u>
	<u>\$ 1,835,256</u>	<u>\$ 1,524,621</u>



b. Income statement

	Years Ended December 31	
	2009	2008
Operating revenue	\$ 111,962	\$ 168,373
Operating cost and expenses	(125,686)	(159,757)
Operating (loss) income	(13,724)	8,616
Nonoperating income and gains	192,160	273,180
Nonoperating expenses and losses	(108)	(3,470)
Income before income tax	178,328	278,326
Income tax expense	(35,289)	(5,817)
Net income	<u>\$143,039</u>	<u>\$272,509</u>

	2009		2008	
	Pretax	After Tax	Pretax	After Tax
Basic earnings per share (dollar)	<u>\$ 133</u>	<u>\$ 1.06</u>	<u>\$ 2.07</u>	<u>\$ 2.03</u>

1) Profitability

Item		December 31	
		2009	2008
Return on total assets	Pretax	10.62%	18.24%
	After tax	8.51%	17.86%
Return on net equity	Pretax	11.53%	19.97%
	After tax	9.25%	19.55%
Profit margin		47.03%	61.72%

Note a: Return on total assets = $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity = $\frac{\text{Income before (after) tax}}{\text{Average net equity}}$

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Net revenue}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2009 and 2008, respectively.

. Financial Status

Taishin Marketing

a. Balance sheet

	December 31	
	2009	2008
Assets		
Current assets	\$ 5,053	\$ 5,518
Property and equipment	8	49
Other assets	35	35
	<u>\$ 5,096</u>	<u>\$ 5,602</u>
Liabilities		
Current liabilities	\$ 309	\$ 375
Other liabilities	176	221
	<u>485</u>	<u>596</u>
Stockholders' equity		
Capital stock	1,000	1,000
Retained earnings	3,611	4,006
	<u>4,611</u>	<u>5,006</u>
	<u>\$ 5,096</u>	<u>\$ 5,602</u>

b. Income statement

	Years Ended December 31			
	2009		2008	
Revenue	\$	59	\$	4,213
Expenses		<u>(666)</u>		<u>(5,116)</u>
Loss before income tax		(607)		(903)
Income tax benefit		<u>211</u>		<u>110</u>
Net loss	\$	<u>(396)</u>	\$	<u>(793)</u>
	2009		2008	
	Pretax	After Tax	Pretax	After Tax
Basic loss per share (dollar)	\$ (6.07)	\$ (3.96)	\$ (9.03)	\$ (7.93)

c. Profitability

Item	December 31	
	2009	2008
Return on total assets	Pretax (11.35%)	(14.73%)
	After tax (7.40%)	(12.93%)
Return on net equity	Pretax (12.62%)	(16.71%)
	After tax (8.24%)	(14.68%)
Profit margin	(671.19%)	(18.82%)

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2009 and 2008, respectively



Taishin Venture Capital

a. Balance sheet

	December 31	
	2009	2008
Assets		
Current assets	\$ 208,237	\$ 167,056
Available-for-sale financial assets	11,712	4,433
Financial assets carried at cost	591,443	624,226
Other assets	16	-
	<u>\$ 811,408</u>	<u>\$ 795,715</u>
Liabilities		
Current liabilities	\$ 661	\$ 314
Stockholders' equity		
Capital stock	1,000,000	1,000,000
Retained earnings	(180,965)	(189,032)
Unrealized loss for financial assets	(8,288)	(15,567)
	<u>810,747</u>	<u>795,401</u>
	<u>\$ 811,408</u>	<u>\$ 795,715</u>

b. Income statement

	Years Ended December 31	
	2009	2008
Revenue	\$ 56,593	\$ 17,513
Expenses	(48,526)	(67,370)
Income (loss) before income tax	8,067	(49,857)
Income tax expense	-	-
Net income (loss)	<u>\$ 8,067</u>	<u>\$ (49,857)</u>

2009		2008	
Pretax	After Tax	Pretax	After Tax
\$ 0.08	\$ 0.08	\$ 0.50	\$ 0.50

Basic loss per share (dollar)

c. Profitability

Item		December 31	
		2009	2008
Return on total assets	Pretax	1.00%	(6.02%)
	After tax	1.00%	(6.02%)
Return on net equity	Pretax	1.00%	(6.03%)
	After tax	1.00%	(6.03%)
Profit margin		14.25%	(284.69%)

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2009 and 2008, respectively.

. Financial Status

43. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. 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 or disposal of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital	None
3	Discounts of service charges for related parties amounting to at least \$5 million	None
4	Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital	None
5	Sales of NPL from subsidiaries	Note 42
6	Authorities securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	Note 9
7	Other transactions that may have significant impact on the decision made by the financial statement users	None

b. Information on Taishin Financial Holding's investees:

No.	Item	Explanation
1	Names, locations, and related information of investees	Table 1
2	Financings provided	Note
3	Endorsements/guarantees provided	Note
4	Marketable securities held	Table 2 (Note)
5	Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital	None
6	Acquisition or disposal of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital	Table 3
7	Discounts of service charges for related parties amounting to at least \$5 million	None
8	Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital	None
9	Sales of NPL from subsidiaries	None
10	Authorities securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Security	None
11	Other transactions that may have significant impact on the decision made by the financial statement users	None
12	Derivative transactions of investees	Notes 6 and 36

Note: None, or not required to disclose No. 2 to 5 if the investee is a bank, insurance or security company.



c. Information of investment in Mainland China, significant commitments and contingencies, significant losses and subsequent events is summarized as follows:

No.	Item	Explanation
1	Information of investment in Mainland China	None
2	Significant commitments and contingencies	Note 34
3	Significant losses	None
4	Subsequent events	Note 35

According to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, a company should disclose business relationships and material transactions in consolidation. Please refer to Table 4.

44. SEGMENT INFORMATION

a. Financial information of department

Taishin Financial Holding and subsidiaries' operations are related to banking, securities and financial services mentioned in Article 36 of the ROC Financial Holding Company Act. Please refer to Note 41 for subsidiaries financial information of industry in which Taishin Financial Holding has controlling interest.

b. Financial information of district

The operating income of Taishin Financial Holding and subsidiaries' overseas departments is not over 10% of consolidated operating income. In addition, their assets are not over 10% of consolidated total assets either. Thus, no financial information of district is required.

c. Information of foreign sales

The revenue from foreign sales by the domestic departments of Taishin Financial Holding and subsidiaries to individuals is not over 10% of consolidated total operating income.

d. Information of important customers

Taishin Financial Holding and subsidiaries do not have important customers contributing revenue more than 10% of consolidated operating income.

. Financial Status

TABLE 1

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES INFORMATION ON INVESTEE'S NAMES, LOCATIONS, ETC.

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

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

Investees' Names	Unified Business No.	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value
Financial business					
Taishin Bank	86519539	1F, 2F, 3F and B1, No. 44, Jungshan N. Rd., Sec. 2, Taipei, Taiwan	Commercial bank business, trust, and bills discounting	100.00%	\$53,393,365
Chang Hwa Bank	51811609	No. 38, Tsu Yu Rd., Sec. 2, Taichung, Taiwan	Commercial bank business, trust, and bills discounting	22.55%	38,939,214
Taishin Bills Finance	16436178	10F., No. 118, , Ren-Ai Rd., Sec. 4, Taipei, Taiwan	Bills finance	100.00%	5,797,481
Taishin AMC	80341022	2F-3, No. 9, Dehuei St., Zhongshan district, Taipei, Taiwan	Acquisition of delinquent loans, evaluation, auction, and management	100.00%	1,617,803
Non financial business					
Taishin Marketing	16764946	2F-4, No. 9, Dehuei St., Taipei, Taiwan	Investment and enterprise operating consultant and agency	100.00%	4,611
Taishin Venture Capital	80031342	2F-3, No. 9, Dehuei St., Zhongshan district, Taipei, Taiwan	Investment start-up	100.00%	810,747
Financial business					
Taiwan Depository & Clearing Corporation	23474232	11F., No. 363 Fu Hsin N. Rd., Songshan Dist., Taipei, Taiwan	Provide book-entry of securities transactions	0.41%	30,524
Non financial business					
Metro Consulting Service Ltd.	27974096	6F., No. 236, Dunhua N. Rd., Songshan District, Taipei, Taiwan	Consultancy, information service and human resource dispatch	4.40%	2,200

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.



Recognized Investment Income (Loss) of Current Period	Sum of Ownership						Note
	Current Shares	Imputed Shares (Note)	Total		Ownership Interest (%)		
			Total Shares				
944,099	Common share Preferred share	4,727,517,277 188,235,294	- -	Common share Preferred share	4,727,517,277 188,235,294	100.00%	Investments accounted for by the equity method
688,960	Common share	1,417,721,000	-	Common share	1,417,721,000	22.83%	"
234,164	"	514,000,000	-	"	514,000,000	100.00%	"
143,039	"	134,500,000	-	"	134,500,000	100.00%	"
(396)	Common share	100,000	-	Common share	100,000	100.00%	"
8,067	"	100,000,000	-	"	100,000,000	100.00%	"
-	Common share	1,484,556	-	Common share	1,484,556	0.50%	Financial as- sets carried at cost
-	"	520,000	-	"	520,000	10.40%	"

VI. Financial Status

TABLE 2

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES MARKETABLE SECURITIES HELD

DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars; in thousands of U.S. Dollars)

Holding Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
Taishin Insurance Agency	Stock		
	Taishin Insurance Broker	Parent and subsidiary	Investment accounted for by the equity method
	Chi-Long Technology Co., Ltd.	None	Financial assets carried at cost
Taishin Insurance Broker	Mutual funds		
	Taishin Money Market Mutual Fund	None	Available for sale financial assets - noncurrent
	Stock		
	Pager Reinsurance International Ltd.	"	Financial assets carried at cost
PayEasy Digital	Stock		
	PayEasy Travel	Parent and subsidiary	Investment accounted for by the equity method
	Contect Digital Integration	"	"
Dah An Leasing	Stock		
	Pacific Security Co., Ltd.	None	Financial assets carried at cost - noncurrent
	Yuan Tai Forex Brokerage Co., Ltd.	"	"
	Bon-Li International Technology Co., Ltd.	"	"
	Mutual funds		
	Shin Kong Chi-Shin Fund	None	Financial assets at FVTPL - current
Taishin Real Estate	Stock		
	Metro Consulting Service Ltd.	The supervisors of the corporation	Financial assets carried at cost
	Mutual funds		
	FSITC Taiwan Bond Fund	None	Financial assets at FVTPL
	IBT 1699 Bond Fund	"	"
	IBT Ta Chong Bond Fund	"	"
Taishin Venture Capital	Stock		
	Microbio Co., Ltd.	None	Financial assets at FVTPL - current
	Darfon Corp.	"	Available-for-sale financial assets - noncurrent
	First Bio Venture Capital Corporation	None	Financial assets carried at cost
	PC Home Investment Development Co., Ltd.	"	"
	Concord IV Venture Capital Co., Ltd.	"	"
	Kwan-Hwa Venture Capital Corp.	"	"
	Chi-Ting Venture Capital Investment Co., Ltd.	"	"
	Hwei-Yang Venture Capital Investment Co., Ltd.	"	"
	Chung-Yang Special Return Venture Capital Co., Ltd.	"	"
	Sparq Taiwan Co., Ltd.	"	"
	Teco Nanotech Corp.	"	"
	Cheng-Han Technology Corp.	"	"



December 31, 2009				Note
Shares/Units /Nominal	Carrying Amount	Percentage of Own- ership	Market Value	
6,000,000.00	\$ 80,372	100.00	\$ 80,372	
950,000.00	4,275	4.13	4,275	
4,992,660.80	50,071	-	50,071	
US\$1.00	34	-	34	
1,300,000.00	16,119	100.00	16,119	
480,000.00	1,274	65.75	1,274	
926,368.00	6,374	0.22	6,553	
600,000.00	6,000	5.00	8,349	
125,000.00	-	1.50	-	
1,114,173.02	16,503	-	16,503	
300,000.00	3,000	6.00	3,000	
684,926.80	10,000	-	10,000	
389,292.89	5,020	-	5,020	
1,108,032.00	15,013	-	15,013	
29,386.56	5,009	-	5,009	
2,400,000.00	105,240	-	105,240	
231,000.00	11,712	-	11,712	
907,200.00	6,102	7.50	6,350	
157,080.00	4	3.03	1,802	
798,000.00	4,959	1.25	5,123	
4,000,000.00	35,840	5.56	37,440	
3,000,000.00	30,000	1.30	30,240	
3,000,000.00	30,000	1.54	24,600	
20,000,000.00	200,000	7.06	196,600	
10,945,045.00	93,854	0.42	109,231	
5,753,291.00	-	2.39	-	
312,500.00	-	3.13	-	

. Financial Status

Holding Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
Taishin Venture Capital	Twin MOS Technologies	"	"
	CC Media (BVI) Co., Ltd.	"	"
	First Telecom Co., Ltd.	"	"
	Double Edge Entertainment Co., Ltd.	"	Financial assets carried at cost
	Li-Chern Technology Corp.	"	"
	Century Development Corp.	"	"
	Sim2 Travel Inc.	"	"
	United Investment Fund	"	"
	Cyber Heart Inc.	"	"
	O2 Medtech Inc.	"	"
	Solar PV Corp.	"	"
	Mutual funds		
	FVTPL Pacific Mage - Trade Fund	None	Financial assets at FVTPL - current
	IBT 1699 Bond Fund	"	"
	Jih Sun Bond Fund	"	"
	FSITC Global High Yield Bond Fund	"	"
	Jih Sun Global Robust Currency Money Market Fund	"	"
	Produential Financial Balanced Fund	"	"
	ING Taiwan Dynamic Asset Allocated Fund	"	"
Taishin AMC	Mutual funds		
	Asia Pacific Mage - Trade Fund	None	Financial assets at FVTPL - current
	Taishin Tech Fund	"	"
	Taishin Global ETFs Fund	"	"
	IBT 1699 Bond	"	"
	Bond		
	PSC11	None	Financial assets at FVTPL - current
	E-Ton	"	"
	Stock		
	Linkou Golf Country Club	None	Financial assets carried at cost
	Dah Chung Bills	"	"
	Taishin Real Estate	Equity-method investee	Investment accounted for by the equity method
	Shin Jui AMC	"	"
	Other		
	Beneficiary securities in residence of Techhill Construction	None	Financial assets carried at cost
	Beneficiary securities in residence of Long-run Building	"	"
	Beneficiary securities in residence of First Asia Pacific Land Co., Ltd.	"	"
	Beneficiary securities in residence of Second Asia Pacific Land Co., Ltd.	"	"
	Beneficiary securities in residence of Third Asia Pacific Land Co., Ltd.	"	"

(Concluded)



December 31, 2009				Note
Shares/Units /Nominal	Carrying Amount	Percentage of Ownership	Market Value	
275,712.00	\$ -	0.13	\$ -	Liquidated on April 15, 2008
400,000.00	1,035	0.48	1,148	
2,554,411.00	1,788	0.57	1,201	
1,163,361.00	10,226	5.95	9,865	
500,000.00	-	1.02	-	Dissolved
7,206,059.00	89,643	3.03	89,643	
350,000.00	-	-	-	Preferred stock
1,300,000.00	37,998	18.57	41,041	
625,000.00	8,091	-	8,094	Preferred stock
-	5,059	-	-	Convertible bond
560,800.00	6,474	-	6,472	Preferred stock
2,196,193.30	28,221	-	28,221	
775,638.74	10,003	-	10,003	
708,521.39	10,002	-	10,002	
1,143,127.40	12,601	-	12,601	
300,000.00	3,010	-	3,010	
515,995.90	10,480	-	10,480	
907,441.02	10,309	-	10,309	
2,171,741.30	27,907	-	27,907	
4,031,522.10	32,897	-	32,897	
2,655,816.80	28,431	-	28,431	
6,703,820.02	86,452	-	86,452	
1,000,000.00	20,119	-	20,119	
1,000,000.00	26,396	-	26,396	
3.00	1,800	-	1,800	
2,200,000.00	28,886	0.51	28,886	
8,000,000.00	127,220	40.00	127,220	
100,000.00	-	100.00	-	
-	35,200	-	35,200	
-	184,000	-	184,000	
-	59,200	-	59,200	
-	64,400	-	64,400	
-	26,400	-	26,400	

. Financial Status

TABLE 3

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES ACQUISITION OF FIXED ASSETS OVER NT\$300 MILLION OR 10% OF OUTSTANDING CAPITAL

DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

Acquisition Firm	Property	Transaction Date	Transaction Amount	Disbursement	Transaction Party
Taishin Bank	Property located on 17F., 18F. and 190F., No. 118, Ren-Ai Rd., Sec. 4, Taipei, Taiwan	November 12, 2009	\$913,119,000	Settled on December 21, 2009	Taishin Securities
	Property located on B1-1, B1-2, 11F., 12F. and 13F., No. 96, Jianguo N. Rd., Sec. 1, Taipei, Taiwan	November 12, 2009	841,764,000	Settled on December 21, 2009	Taishin Securities



Relationship	Information about the Last Transfer with the Related Transaction Party				Pricing Accordance	Acquisition Purpose	Other Agreements
	Owner	Relationship with Issuer	Transfer Date	Transaction Amount			
Wholly owned by the same parent company	Not applicable	Not applicable	Not applicable	\$-	Valuation reports issued by two fair third parties	In accordance with the conditions Taishin Securities contracted with KGI Securities	None
Wholly owned by the same parent company	Not applicable	Not applicable	Not applicable	-	Valuation reports issued by two fair third parties	In accordance with the conditions Taishin Securities contracted with KGI Securities	None

VI. Financial Status

TABLE 4

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES BALANCE SHEET OF FUTURES - DEALING DEPARTMENT

DECEMBER 31, 2008

(In Thousands of New Taiwan Dollars)

Code	Assets	2008	
		Amount	%
	Current assets		
101010	Cash	\$ 450,461	90
101020	Financial assets at FVTPL - current	33,225	7
101990	Other current assets	1,735	-
101000	Total current assets	485,421	97
	Property and equipment		
103030	Equipment	8,900	2
103039	Less: Accumulated depreciation	(7,169)	(2)
103000	Total property and equipment	1,731	-
	Other assets		
105010	Operating deposits	10,000	2
105030	Refundable deposits	3,360	1
105040	Deferred debits	540	-
105000	Total other assets	13,900	3
111000	Stockholders' current account	-	-
906001	Total assets	\$ 501,052	100
	Liabilities and Shareholders' Equity		
	Current liabilities		
201060	Financial liabilities at FVTPL - current	\$ 73	-
201630	Payables	3	-
201670	Other payables	14	-
201990	Other current liabilities	-	-
201000	Total current liabilities	90	-
	Other liabilities		
203020	Reserve for trading loss	228	-
906003	Total liabilities	318	-
	Stockholders' equity		
301110	Appropriated operating capital	400,000	80
304040	Retained earnings	100,734	20
906004	Total stockholders' equity	500,734	100
906002	Total liabilities and stockholders' equity	\$ 501,052	100

Note: Taishin Securities has merged with KGI Securities and eliminated on December 19, 2009. As a result, only 2008 information was shown.



TABLE 5

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INCOME STATEMENTS OF FUTURES - DEALING DEPARTMENT

YEARS ENDED DECEMBER 18, 2009 AND DECEMBER 31, 2008

(In Thousands of New Taiwan Dollars)

		2009 (January 1 to December 18)		2008	
		Amount	%	Amount	%
Revenues					
424400	Gain on derivative instruments	\$ 24,284	96	\$ 170,614	97
438000	Other operating income	228	1	1,472	1
440000	Nonoperating income	<u>761</u>	<u>3</u>	<u>2,842</u>	<u>2</u>
400000	Total revenues	<u>25,273</u>	<u>100</u>	<u>174,928</u>	<u>100</u>
Expenses					
502000	Dealing processing fees	148	1	254	-
524300	Settlement service charges	186	1	287	-
524400	Loss on derivative instruments	71,110	281	63,414	36
524600	Other operating cost	432	2	432	-
530000	Operating expenses	6,944	27	9,807	6
540000	Nonoperating expenses and losses	<u>678</u>	<u>3</u>	<u>-</u>	<u>-</u>
500000	Total expenses	<u>79,498</u>	<u>315</u>	<u>74,194</u>	<u>42</u>
902001	(Loss) income before income tax	(54,225)	(215)	100,734	58
551000	Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
902005	Net (loss) income	<u><u>\$(54,225)</u></u>	<u><u>(215)</u></u>	<u><u>\$100,734</u></u>	<u><u>58</u></u>

. Financial Status

TABLE 6

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES BUSINESS RELATIONSHIPS AND MATERIAL TRANSACTIONS IN CONSOLIDATION

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

Number (Note a)	Party	Counterparty	Relationship (Note b)	Transactions			
				Account	Amount	Terms	% of Consolidated Operating Revenues or Consolidated Total Assets (Note c)
	December 31, 2009						
1	Taishin Bank	Taishin Bills finance	3	Financial assets at FVTPL	111,508	Under arm ' s length terms	0.00%
3	Taishin Bills Finance	Taishin Bank	3	Financial liabilities at FVTPL	111,508	Under arm ' s length terms	0.00%
1	Taishin Bank	Taishin Bills Finance	3	Call loans to banks	1,000,000	Under arm ' s length terms	0.04%
3	Taishin Bills Finance	Taishin Bank	3	Call loans from banks	1,000,000	Under arm ' s length terms	0.04%
1	Taishin Bank	Taishin AMC	3	Deposits	126,822	Under arm ' s length terms	0.01%
4	Taishin AMC	Taishin Bank	3	Cash and cash equivalents	126,822	Under arm ' s length terms	0.01%
0	Taishin Financial Holding	Taishin Bank	1	Bonds and securities sold under resell agreements	2,795,303	Under arm ' s length terms	0.12%
1	Taishin Bank	Taishin Financial Holding	2	Bonds and securities sold under repurchase agreements	2,795,303	Under arm ' s length terms	0.12%
0	Taishin Financial Holding	Taishin Bank	1	Cash and cash equivalents	22,557,438	Under arm ' s length terms	0.95%
1	Taishin Bank	Taishin Financial Holding	2	Deposits	22,557,438	Under arm ' s length terms	0.95%
	December 31, 2008						
1	Taishin Bank	Taiwan Futures	4	Deposits	513,435	Under arm ' s length terms	0.02%
8	Taiwan Futures	Taishin Bank	4	Cash and cash equivalents	513,435	Under arm ' s length terms	0.02%
2	Taishin Securities	Taishin Bank	3	Cash and cash equivalents	2,070,171	Under arm ' s length terms	0.09%
		Taishin Bank	3	Client ' s position - debit	16,112	Under arm ' s length terms	0.00%
		Taishin Bank	3	Refundable deposits	51,600	Under arm ' s length terms	0.00%
		Taishin Bank	3	Operating deposits	485,000	Under arm ' s length terms	0.02%
1	Taishin Bank	Taishin Securities	3	Deposits	2,622,883	Under arm ' s length terms	0.11%
		Taishin Securities	3	Bonds and securities sold under repurchase agreements	313,814	Under arm ' s length terms	0.01%
2	Taishin Securities	Taishin Bank	3	Bonds and securities sold under resell agreements	\$313,814	Under arm ' s length terms	0.01%
3	Taishin Bills Finance	Taishin Bank	3	Financial assets at FVTPL	432,199	Under arm ' s length terms	0.02%
		Taishin Bank	3	Refundable deposits	500,000	Under arm ' s length terms	0.02%
1	Taishin Bank	Taishin Bills Finance	3	Deposits	932,199	Under arm ' s length terms	0.04%
		Taishin Bills Finance	3	Call loans to banks	1,215,000	Under arm ' s length terms	0.05%
3	Taishin Bills Finance	Taishin Bank	3	Call loans from banks	1,215,000	Under arm ' s length terms	0.05%
2	Taishin Securities	Taishin Bills Finance	3	Cash and cash equivalents	239,489	Under arm ' s length terms	0.01%
3	Taishin Bills Finance	Taishin Securities	3	Bonds and securities sold under repurchase agreements	239,489	Under arm ' s length terms	0.01%
0	Taishin Financial Holding	Taishin Bank	1	Bonds and securities sold under resell agreements	547,138	Under arm ' s length terms	0.02%

(Continued)



Number (Note a)	Party	Counterparty	Relationship (Note b)	Transactions			
				Account	Amount	Terms	% of Consolidated Operating Revenues or Consolidated Total Assets (Note c)
1	Taishin Bank	Taishin Financial Holding	2	Bonds and securities sold under repurchase agreements	547,138	Under arm ' s length terms	0.02%
0	Taishin Financial Holding	Taishin Bank	1	Cash and cash equivalents	12,387,621	Under arm ' s length terms	0.53%
1	Taishin Bank	Taishin Financial Holding	2	Deposits	12,387,621	Under arm ' s length terms	0.53%
0	Taishin Financial Holding	Taishin Bank	1	Interest revenue	245,626	Under arm ' s length terms	0.51%
1	Taishin Bank	Taishin Financial Holding	2	Interest expense	245,626	Under arm ' s length terms	0.51%
0	Taishin Financial Holding	Taishin Securities	1	Receivables, net	614,281	Under arm ' s length terms	0.03%
2	Taishin Securities	Taishin Financial Holding	2	Payables	614,281	Under arm ' s length terms	0.03%
0	Taishin Financial Holding	Taishin Bank	1	Payables	1,044,544	Under arm ' s length terms	0.04%
1	Taishin Bank	Taishin Financial Holding	2	Receivables, net	1,044,544	Under arm ' s length terms	0.04%
0	Taishin Financial Holding	Taishin Bills Finance	1	Receivables, net	32,892	Under arm ' s length terms	0.00%
3	Taishin Bills Finance	Taishin Financial Holding	2	Payables	32,892	Under arm ' s length terms	0.00%
0	Taishin Financial Holding	Taishin Marketing	1	Payables	336	Under arm ' s length terms	0.00%
5	Taishin Marketing	Taishin Financial Holding	2	Receivables, net	336	Under arm ' s length terms	0.00%
0	Taishin Financial Holding	Taishin Venture Capital	1	Payables	166	Under arm ' s length terms	0.00%
6	Taishin Venture Capital	Taishin Financial Holding	2	Receivables, net	\$ 166	Under arm ' s length terms	0.00%
0	Taishin Financial Holding	Taishin AMC	1	Receivables, net	3,952	Under arm ' s length terms	0.00%
4	Taishin AMC	Taishin Financial Holding	2	Payables	3,952	Under arm ' s length terms	0.00%

Note a: Business between the parent and subsidiaries is numbered as follows:

1. Parent: 0
2. Subsidiaries are numbered from 1 in order.

Note b: Relationship between the party and the counterparty is numbered as follows:

1. Parent to subsidiary
2. Subsidiary to parent
3. & 4. One subsidiary to another subsidiary

Note c: Percentage of consolidated operating revenues or consolidated total assets: if the account is a balance sheet account, it was calculated by dividing the ending balance into consolidated total assets; if the account is an income statement account, it was calculated by dividing the interim cumulative balance into consolidated operating revenues.

. Financial Status

TABLE 7

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES OVERSEAS INVESTMENTS

DECEMBER 31, 2009

Investee ' s Names	Holding Secu- rities Details	Deriva- tives Ac- tivities	Capital Re- sources	Revenues from Consulting Busi- ness Advisory Activities	Service Con- tents	Litiga- tion	Financial Status
Anew Holdings	-	-	Held by Taishin Securities	\$-	Holding company	-	Tables 8 and 9
Tai Chen (BVI)	-	-	Held by Anew Holdings	-	Consulting advi- sory activities	-	Tables 10 and 11



TABLE 8

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BALANCE SHEET OF ANEW HOLDINGS

DECEMBER 31, 2008

(In U.S. Dollars)

ASSETS	2008
CURRENT ASSETS	
Cash and cash equivalents	\$ 26,313
LONG TERM EQUITY INVESTMENTS	<u>70,704,541</u>
TOTAL	<u>\$70,730,854</u>
STOCKHOLDERS' EQUITY	
STOCKHOLDERS' EQUITY	
Capital stock	55,924,236
Retained earnings	14,233,087
Cumulative translation adjustments	<u>573,531</u>
Total stockholders' equity	<u>70,730,854</u>
TOTAL	<u>\$ 70,730,854</u>

Note: Taishin Securities has merged with KGI Securities and eliminated on December 19, 2009. As a result, only 2008 information was shown.

. Financial Status

TABLE 9

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES INCOME STATEMENTS OF ANEW HOLDINGS

YEARS ENDED DECEMBER 18, 2009 AND DECEMBER 31, 2008

(In U.S. Dollars)

	2009 (January 1 to December 18)	2008
REVENUES		
Interest income	\$ 1,898	\$ -
Others	<u>-</u>	<u>9,208</u>
Total revenues	<u>1,898</u>	<u>9,208</u>
EXPENSES AND LOSSES		
Investment loss recognized under the equity method	(8,381,973)	(2,700,203)
Operating expenses	<u>(1,615)</u>	<u>(1,550)</u>
Total expenses and losses	<u>(8,383,588)</u>	<u>(2,701,753)</u>
NET LOSS	<u>\$ (8,381,690)</u>	<u>\$ (2,692,545)</u>
BASIC LOSS PER SHARE	<u>\$ (0.15)</u>	<u>\$ (0.05)</u>



TABLE 10

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BALANCE SHEET OF TAI CHEN (BVI)

DECEMBER 31, 2008

(In U.S. Dollars)

ASSETS	2008
CURRENT ASSETS	
Cash and cash equivalents	\$ 37,389
Financial assets at FVTPL - current	3,678,736
Receivables	359,387
Other current assets	<u>1,602,537</u>
Total current assets	<u>5,678,049</u>
OTHER ASSETS	
Held-to-maturity financial assets - noncurrent	<u>30,044,625</u>
TOTAL	<u><u>\$ 35,722,674</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Financial liabilities at FVTPL - current	\$ 33,769,430
Accrued expenses	<u>232,433</u>
Total current liabilities	<u>34,001,863</u>
STOCKHOLDERS' EQUITY	
Capital stock	10,000
Retained earnings	<u>1,710,811</u>
Total stockholders' equity	<u>1,720,811</u>
TOTAL	<u><u>\$ 35,722,674</u></u>

Note: Taishin Securities has merged with KGI Securities and eliminated on December 19, 2009. As a result, only 2008 information was shown.

. Financial Status

TABLE 11

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES INCOME STATEMENTS AND RETAINED EARNINGS OF TAI CHEN (BVI)

YEARS ENDED DECEMBER 18, 2009 AND DECEMBER 31, 2008

(In U.S. Dollars)

	2009 (January 1 to December 18)	2008
REVENUES		
Interest income	\$ 158,856	\$ 1,160,038
Gain on sale of Held-to-maturity financial assets	944,451	374,160
Gain on Held-to-maturity financial assets valuation	-	351,241
Foreign exchange gain	-	80,427
Gain on sale of Bonds	375,660	-
Miscellaneous income	24,524	15,685
Total revenues	1,503,491	1,981,551
EXPENSES AND LOSSES		
Cost of sale Bonds	(300,282)	(1,434,750)
Loss on Bonds valuation	-	(1,167,595)
Loss on sale of Bonds instruments	-	(211,652)
Operating expenses	(12,472)	(11,807)
Interest expenses	(385)	(162)
Total expenses	(313,139)	(2,825,966)
INCOME (LOSS) BEFORE INCOME TAX	1,190,352	(844,415)
INCOME TAX EXPENSE	(55,837)	-
NET INCOME (LOSS)	1,134,515	(844,415)
RETAINED EARNINGS, BEGINNING BALANCE	1,710,811	2,555,226
RETAINED EARNINGS, ENDING BALANCE	\$ 2,845,326	\$ 1,710,811
	2009	2008
	Pretax After Tax	Pretax After Tax
BASIC EARNINGS (LOSS) PER SHARE	\$ 113.45 \$ 113.45	\$ (84.44) \$ (84.44)



SCHEDULE 1

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

Financial Instrument Item	Summary	Face Value/ Unit	Cost	Fair Value
Investment in bills	Commercial Paper	\$ 23,632,700	\$ 23,618,112	\$ 23,615,899
	Asset based Commercial Paper	1,347,300	1,345,520	1,345,589
	Negotiable certificate of deposits - banks	500,000	500,055	500,048
	Treasury bills	500,000	499,325	499,036
	Acceptance receivable	18,369	18,349	18,349
		<u>25,998,369</u>	<u>25,981,361</u>	<u>25,978,921</u>
Mutual funds	IBT Ta Chong Bond Fund	11,080	15,000	15,014
	FSITC Taiwan Bond	6,849	10,000	10,000
	Polaris De-Li Fund	6,412	10,000	10,000
	IBT 1699 Bond	6,076	78,224	78,350
	Allianz Global Investors Global Resources Trends Fund	5,000	5,000	5,290
	JF (Taiwan) G2 Fund	5,000	5,000	5,030
	Polaris Commodity Index Future Fund	5,000	5,000	5,247
	Polaris Taiwan Equity Securities Investment Trust Fund	5,000	5,000	5,305
	IBT 1699 Bond Fund	4,669	15,000	15,023
	Taishin Tech Fund	4,032	25,000	32,897
	Others	<u>14,165</u>	<u>143,471</u>	<u>144,071</u>
		<u>73,283</u>	<u>316,695</u>	<u>326,227</u>
Domestic listed stocks	Sintek	6,530	13,762	18,415
	Chinalife	6,400	15,699	15,904
	Tingyi Holding Corp.	3,300	15,034	15,345
	Capital Securities	3,000	5,835	5,940
	NeWeb Corp.	2,150	11,258	11,911
	Stark Technology Inc.	3,000	8,414	9,570
	Chung Hung Steel	5,600	8,534	9,464
	Orient Semi Conductor Electronics	4,000	3,506	5,000
	Taiwan Life Asset Management	2,000	7,667	7,720
	TXC Corp.	1,500	8,539	8,835
	Eva Airways	1,800	2,236	2,538
	Nanya Technology	2,300	6,925	7,521
	President Securities	1,600	3,148	3,520
	PaiHo Group	1,030	2,420	2,780
	Yuanta Financial Holdings	1,470	3,163	3,455
	Catcher Technology	1,970	17,325	17,592
	Lite-On Technology	3,000	13,758	14,415
	Holy Stone Enterprise	1,200	5,466	5,616
	Far Eastern Department Store	1,200	4,393	4,404
	Micro-Star	1,800	3,825	3,798
	Amtran Technology	1,380	5,245	5,306
	Chinatrust Financial Holdings	1,000	1,943	1,995
	Faraday Technology	900	5,243	6,228
	Green Energy Technology	800	7,159	6,640
	Les Enphants	800	2,769	2,848
	Others	<u>28,169</u>	<u>129,996</u>	<u>133,446</u>
		<u>87,899</u>	<u>313,262</u>	<u>330,206</u>

(Continued)

. Financial Status

Financial Instrument Item	Summary	Face Value/ Unit	Cost	Fair Value
Domestic OTC stocks	Microbio Co., Ltd.	\$ 24,000	\$ 67,200	\$ 105,240
	Ampire Co., Ltd.	3,800	15,699	7,657
	Wafer Work Corp.	3,480	985	20,288
	ChipBond	3,030	2,951	9,029
	Others	5,100	45,804	30,022
		<u>39,410</u>	<u>132,639</u>	<u>172,236</u>
Government bonds	Treasury Bond 98-4	2,050,000	2,152,197	2,140,049
	Treasury Bond 92-4	1,000,000	1,035,026	1,028,081
	Treasury Bond 97-6	650,000	684,224	680,815
	Treasury Bond 98-6	500,000	495,392	492,310
	Others	<u>1,295,490</u>	<u>1,308,596</u>	<u>1,284,930</u>
		<u>5,495,490</u>	<u>5,675,435</u>	<u>5,626,185</u>
Public business corporate bonds	Citigroup Funding Inc.	224,210	221,316	223,916
	95 Nanya Technology 1	134,000	133,697	134,078
	Hyundai Capital Services	96,528	96,528	98,351
	94 Nanya Technology 2A01	<u>50,000</u>	<u>49,974</u>	<u>50,018</u>
		<u>504,738</u>	<u>501,515</u>	<u>506,363</u>
Convertible bonds	President Securities 1	287,504	242,853	260,938
	Synnex 1	253,800	236,799	263,670
	Hon Hai 1	187,357	175,090	177,902
	MSI 2	185,300	171,105	178,840
	Gemtek 2	162,500	130,000	221,000
	LG Electronics	160,150	160,150	174,487
	ITEQ 5	130,000	100,000	153,000
	Catcher Technology 1	117,160	101,688	105,545
	Evergreen Marine 3	111,033	98,280	99,455
	Foxlink 1	110,000	100,000	103,550
	Asia Optical 2	106,860	97,876	115,312
	CTCI 1	103,500	75,000	96,750
	Kung Long Batteries Industrial 1	102,000	100,000	130,000
	Others	<u>1,242,310</u>	<u>1,165,846</u>	<u>1,387,746</u>
		<u>3,259,474</u>	<u>2,954,687</u>	<u>3,468,195</u>

(Continued)



Financial Instrument Item	Summary	Face Value/ Unit	Cost	Fair Value
Financial debentures	95 Entiebank	100,000	100,000	100,112
	SB Capital (Sberbank)	<u>96,528</u>	<u>96,528</u>	<u>100,789</u>
		<u>196,528</u>	<u>196,528</u>	<u>200,901</u>
Other bonds	Uni President 1	300,000	300,000	312,799
	Hon Hai 1	300,000	300,000	318,718
	Synnex 1	200,000	200,000	230,858
	Nanren 2	130,000	130,000	146,120
	Hopax 2	120,000	120,000	145,493
	Tai Ming 2	100,000	100,000	170,509
	Others	<u>330,000</u>	<u>330,000</u>	<u>388,738</u>
		<u>1,480,000</u>	<u>1,480,000</u>	<u>1,713,235</u>
Derivative financial instrument	Interest rate swaps	-	-	12,692,030
	Cross-currency contracts	-	-	1,576,516
	Commodity options	-	-	1,149,765
	Cross-currency swaps	-	-	845,792
	Forward contracts	-	-	842,449
	Currency options	-	-	387,108
	Futures	-	-	273,243
	Equity-linked options	-	-	194,958

(Continued)

. Financial Status

Financial Instrument Item	Summary	Face Value/ Unit	Cost	Fair Value
	Interest rate options	\$ -	\$ -	\$ 69,348
	Equity-linked swaps	-	-	54,435
	FX option premium	-	-	38,461
	Asset based commercial paper contracts	-	-	30,309
	Credit default swaps	-	-	28,090
	Commodity price swaps	-	-	13,798
	Fixed-rate commercial paper contracts	-	-	9,260
		-	-	18,205,562
Designated as financial assets at fair value through profit or loss fair value through	Interest-rate combination instruments	-	2,101,213	2,038,112
		\$ 37,135,191	\$ 39,653,335	\$ 58,566,143

(Concluded)



SCHEDULE 2

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
BONDS AND SECURITIES PURCHASED UNDER RESELL AGREEMENTS

DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

Item	Face value	Amount
Government bonds		
Treasury bond 96-5	\$ 1,326,700	\$ 1,337,688
Treasury bond 97-4	1,265,000	1,270,018
Treasury bond 91-11	925,900	1,023,809
Treasury bond 92-4	733,500	812,419
Treasury bond 96-3	633,000	703,098
Treasury bond 93-4	573,600	637,211
Treasury bond 95-6	528,400	586,980
Treasury bond 94-4	492,400	546,495
Treasury bond 96-1	450,100	500,043
Treasury bond 90-3	325,600	361,700
Kaohsiung bond 97-2	317,300	348,516
Kaohsiung bond 97-1	317,000	347,384
Kaohsiung bond 98-4	300,000	316,034
Kaohsiung bond 98-6	300,000	297,294
Others	<u>726,400</u>	<u>803,215</u>
	<u>\$ 9,214,900</u>	<u>\$ 9,891,904</u>

. Financial Status

SCHEDULE 3

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES AVAILABLE-FOR-SALE FINANCIAL ASSETS

DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

Financial Instruments Item	Summary
Investments in bills	
Commercial paper	
Listed stocks	MasterLink Securities Corp. TSMC Chunghwa Telecom Siliconware Precision Industries Co., Ltd. Mediatek Inc. Cheng Shin VISA Shin Kong Financial Holding Others
Government bonds	Treasury bond 98-4 Treasury bond 97-6 Treasury bond 97-1 Treasury bond 98-3 Treasury bond 90-7 US Treasury N/B Treasury bond 96-B1 Treasury bond 98-1 Treasury bond 91-4 Treasury bond 94-2 Treasury bond 90-6 Treasury bond 92-4 Treasury bond 97-4 Treasury bond 92-10 Treasury bond 96-1 Treasury bond 93-8 Kaohsiung bond 97-2 Treasury bond 89110 Treasury bond 98-7 Treasury bond 90-1 Kaohsiung bond 98-2 Taipei city construction bond 96 Hong Kong Exchange Fund Note Others

(Continued)



Face Value	Amount	Adjustment	Fair Value	Note
\$ 5,013,023	\$ 5,013,023	\$ (164)	\$ 5,012,859	
5,013,023	5,013,023	(164)	5,012,859	
600,475	665,710	193,044	858,754	
20,150	122,641	7,326	129,967	
17,000	98,994	2,156	101,150	
20,000	86,994	(294)	86,700	
1,500	76,400	7,328	83,728	
10,000	72,737	763	73,500	
250	-	71,093	71,093	
44,543	78,461	(14,447)	64,014	
154,937	731,840	15,763	747,603	
868,855	1,933,777	282,732	2,216,509	
3,800,000	3,987,561	(19,556)	3,968,005	
3,200,000	3,377,153	(25,449)	3,351,704	
2,300,000	2,351,591	54,946	2,406,537	
2,000,000	1,986,767	(50,379)	1,936,388	
1,614,000	1,766,142	56,054	1,822,196	
1,761,650	1,753,919	(4,844)	1,749,075	
1,500,000	1,495,410	81,665	1,577,075	
1,550,000	1,546,613	(6,083)	1,540,530	
1,150,000	1,190,668	33,561	1,224,229	
1,200,000	1,200,718	546	1,201,264	
1,050,000	1,162,083	35,195	1,197,278	
1,150,000	1,163,673	11,921	1,175,594	
1,000,000	1,033,167	4,458	1,037,625	
800,000	858,633	7,279	865,912	
722,700	721,038	22,345	743,383	
650,000	692,863	(300)	692,563	
600,000	528,325	32,202	560,527	
500,000	508,426	4,386	512,812	
500,000	499,054	(1,667)	497,387	
454,000	467,500	8,872	476,372	
500,000	471,051	(886)	470,165	
400,000	401,648	19,161	420,809	
414,027	413,550	2,023	415,573	
4,026,053	4,292,198	134,073	4,426,271	
32,842,430	33,869,751	399,523	34,269,274	

. Financial Status

Financial Instruments Item	Summary
Corporate bonds	94 Evergreen Air 1B 97 China Development Financial Holding 1A 98 Nanya 3 BNP Paribas 97 MEGA 1C 97 Hon Hai Precision 1 96 Kgeiworld Securities 1A 96 SinoPac Securities 1A 95 Yuan Ting 3 Others
Financial debentures	98 Central American bond 2 Wells Fargo NA Goldman Sachs Group Inc Commonwealth Bank Aust Jpmorgan Chase Bank Morgan Stanley Bank Of America Corporation Credit Suisse USA Inc ING Bank (Australia) Ltd. KFW Bank of Scotland PLC Merrill Lynch & Co Citigroup Deutsche Bank Export-Import Bank Of Korea Wachovia Bank IADB Foreningssparbanken (Swedbank) CIBC Capital FDG III LP HSBC Finance Corp. Standard Bank Of South Africa Anz Banking Group Royal Bank Of Scotland Hana Bank UBS AG/London Others
Mutual funds	961 Chailease 1 FHLMC MBS POOL FNMA MBS POOL FREDDIE MAC Government National Mortgage Association
Beneficiary securities	Jpm US Aggregate Bond Fund Pimco Low Average Duration Fund Taishin Money Market Mutual Fund
(Concluded)	



Face Value		Amount	Adjustment	Fair Value	Note
\$	500,000	\$ 500,061	\$ 220	\$ 500,281	
	400,000	400,000	14,292	414,292	
	400,000	399,347	(1,528)	397,819	
	361,760	361,233	(784)	360,449	
	300,000	300,000	10,350	310,350	
	300,000	299,713	7,247	306,960	
	300,000	300,000	2,194	302,194	
	300,000	300,000	1,952	301,952	
	300,000	299,951	1,918	301,869	
	4,315,335	4,328,475	(68,668)	4,259,807	
	7,477,095	7,488,780	(32,807)	7,455,973	
	1,000,000	1,000,000	(45)	999,955	
	784,260	783,973	1,512	785,485	
	1,235,601	1,239,481	4,114	1,243,595	
	730,008	730,008	(3,834)	726,174	
	1,249,452	1,246,413	(539)	1,245,874	
	1,633,229	1,623,298	3,200	1,626,498	
	1,196,500	1,184,622	12,258	1,196,880	
	957,730	957,739	1,249	958,988	
	535,106	532,017	784	532,801	
	480,450	488,551	8,957	497,508	
	769,496	771,970	(4,456)	767,514	
	793,095	794,453	(15,669)	778,784	
	1,039,362	1,030,604	(3,900)	1,026,704	
	403,443	395,992	(920)	395,072	
	512,536	514,921	(4,928)	509,993	
	479,425	480,093	29	480,122	
	320,300	319,805	(176)	319,629	
	320,300	320,300	(961)	319,339	
	318,106	319,797	(1,986)	317,811	
	425,559	427,523	(8,823)	418,700	
	321,760	321,359	(18,461)	302,898	
	674,121	674,105	(32,034)	642,071	
	446,322	446,732	1,353	448,085	
	333,064	331,784	2,654	334,438	
	320,156	319,871	(505)	319,366	
	5,873,812	5,872,700	(1,285,490)	4,587,210	
	23,153,193	23,128,111	(1,346,617)	21,781,494	
	100,000	99,656	2,625	102,281	
	640,600	441,610	(12,972)	428,638	
	787,586	302,054	(1,207)	300,847	
	520,488	414,663	(5,917)	408,746	
	2,004,409	1,332,603	5,895	1,338,498	
\$	480,450	\$ 480,450	\$ 376	\$ 480,826	
	480,450	480,450	2,882	483,332	
	50,000	50,000	71	50,071	
	1,010,900	1,010,900	3,329	1,014,229	
\$	74,418,579	\$ 75,034,928	\$ (705,580)	\$ 74,329,348	

. Financial Status

SCHEDULE 4

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES HELD-TO-MATURITY FINANCIAL ASSETS

DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

Item	Summary
Investment in bills	Dah Sing Bank Negotiable certificates of deposit - Central Bank
Government bonds	Hong Kong Mortgage Corp (HKMTGC) Hong Kong Mortgage Corp (HKMTGC) Korea National Housing Corp Korea Water Resources Korean National Housing Corp SINGAPORE T-BILL Treasury Bond 89-10 Treasury Bond 92-2 Treasury Bond 92-6 Construction Bond 84-4 Construction Bond B 85-1
Corporate bonds	92 FPCC 4A11 95 Yang Ming 1A 97 CSC 1 97 CSC 2A 97 Taipower 1A 98 CPC 1A 98 Taipower 2A Others
Financial debentures	92 Taipei Fubon Bank 1A15 98 Central American Bank 1 ANZ National Bank Int ' I Ltd Bank of America Corporation Commonwealth Bank Australia Emirates Bank Internet Goldman Sachs Group Inc. Goldman Sachs Group Inc. HSBC Finance Corporation Industrial Bank of Korea National Bank of Dubai Royal Bank of Scotland SLM Corp. Wachovia Corp. Wells Fargo Company Wells Fargo NA Hwa Nan Bank 67P1 Others
Beneficiary securities	942 E. SUN A2

(Concluded)



Face Value	Interest Rate (%)	Unamortized Premium (Discount)	Book Value	Note
\$ 289,111	0.00	\$ -	\$ 289,111	
216,800,000	0.11-0.71	-	216,800,000	
217,089,111		-	217,089,111	
138,361	3.78	(557)	137,804	
28,911	4.26	64	28,975	
64,352	3M Libor+0.25%	(37)	64,315	
213,320	0.55	174	213,494	
320,300	0.52	179	320,479	
206,315	-	(49)	206,266	
300,000	5.75	5,031	305,031	
500,000	2.00	(64)	499,936	
300,000	1.93	(137)	299,863	
300,000	8.00	8,130	308,130	
69,000	7.75	2,221	71,221	
2,440,559		14,955	2,455,514	
100,000	3.00	(1,303)	98,697	
201,000	2.09	(1,317)	199,683	
500,000	2.42	16,451	516,451	
1,000,000	2.08	20,710	1,020,710	
450,000	2.60	16,507	466,507	
700,000	1.20	(2,620)	697,380	
300,000	0.97	(3)	299,997	
371,760		(2,459)	369,301	
3,622,760		45,966	3,668,726	
500,000	0.00	-	500,000	
550,000	2.60	-	550,000	
320,300	0.39	7	320,307	
320,300	7.38	24,734	345,034	
1,068,246	3M BBSW+0.8%	(335)	1,067,911	
303,978	3M Hibor+0.35%	(715)	303,263	
225,232	3M Libor+0.3%	(1,367)	223,865	
320,300	0.55	17	320,317	
579,168	3M Libor+0.35%	(15,756)	563,412	
320,300	0.44	-	320,300	
321,760	3M Libor+0.27%	(5,469)	316,291	
320,300	4.88	4,442	324,742	
321,760	3M Libor+0.2%	(46,871)	274,889	
608,126	3M Libor+0.15%	(20,359)	587,767	
546,992	3M Libor+0.09%	\$(9,686)	\$ 537,306	
480,450	3.75	(396)	480,054	
300,000	-	(9,880)	290,120	
6,094,860		(196,921)	5,897,939	
13,502,072		(278,555)	13,223,517	
75,061	2.00	(2,263)	72,798	
\$ 236,729,563		\$ (219,897)	\$ 236,509,666	

. Financial Status

SCHEDULE 5

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES CHANGES IN INVESTMENTS UNDER EQUITY METHOD

YEAR ENDED DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars, Except Unit Price)

Name	Beginning Balance		Increase	
	Shares	Amounts	Shares	Amounts
Non-listed corporate				
Taiwan Securities Investment Advisory	27,599,513	\$ 330,523	-	\$ -
Taiwan Managed Futures	20,000,000	158,604	-	-
Taishin Investment Trust	13,500,000	131,278	16,500,000	257,032
Tai Chen (BVI)	10,000	56,442	-	36,722
TSC Capital	20,000	53,085	-	-
Dah An Leasing	19,800,000	161,666	-	586
PayEasy Travel	1,000,000	13,715	300,000	2,765
An-Hsin Real-Estate	3,024,000	48,343	-	8,211
Shin Jui AMC	100,000	883	-	17
Contect Digital Integration	300,000	<u>3,000</u>	180,000	<u>1,800</u>
		<u>\$ 957,539</u>		<u>\$ 307,133</u>



Decrease		Ending Balance			Market Price or Equity	
Shares	Amounts	Shares	Ownership Interest (%)	Amounts	Unit Price	Total
(27,599,513)	\$ (330,523)	-	-	\$ -	-	\$ -
(20,000,000)	(158,604)	-	-	-	-	-
(30,000,000)	(388,310)	-	-	-	-	-
(10,000)	(93,164)	-	-	-	-	-
(20,000)	(53,085)	-	-	-	-	-
-	-	19,800,000	99.00	162,252	8.19	162,252
-	(361)	1,300,000	100.00	16,119	12.40	16,119
-	(10,735)	3,024,000	30.00	45,819	15.15	45,819
-	(900)	100,000	100.00	-	-	-
-	<u>(3,526)</u>	480,000	65.75	<u>1,274</u>	2.65	<u>1,274</u>
	<u>\$ (1,039,208)</u>			<u>\$ 225,464</u>		<u>\$ 225,464</u>

. Financial Status

SCHEDULE 6

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES FINANCIAL ASSETS CARRIED AT COST

DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

Items	Amount
Financial assets carried at cost	
Taiwan Power Co., Ltd.	\$ 2,279,704
Taiwan Asset Management Corp.	2,137,471
Dah Chung Bills	913,641
VISA Inc.	729,830
Taiwan Sugar Corp.	524,615
CDIB & Partners Investment Holding Corp.	500,000
Taiwan Stock Exchange Corp.	218,331
Chung Yang Venture Capital Co., Ltd.	200,000
Beneficiary Securities of Long-run Building	184,000
Pacific Securities Co., Ltd.	112,030
Taiwan Financial Asset Service Corp.	100,000
Others	1,333,130
	<u>\$ 9,232,752</u>



SCHEDULE 7

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CHANGES IN PROPERTY AND EQUIPMENT

YEAR ENDED DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Increase	Decrease	Reclassification	Ending Balance
Land	\$ 28,141,214	\$ 1,376,151	\$ (1,722,469)	\$ -	\$ 27,794,896
Buildings	15,361,924	685,322	(950,984)	1,586,085	16,682,347
Machinery equipment	9,599,281	255,024	(1,009,883)	153,463	8,997,885
Transportation equipment	1,010,990	22,119	(43,100)	(53,824)	936,185
Miscellaneous equipment	2,074,343	41,198	(47,323)	53,414	2,121,632
Leasehold equipment	1,593,761	64,141	(131,960)	236,436	1,762,378
Construction in process and machine accessories	-	447	-	-	447
Prepayment for buildings and equipment	<u>105,624</u>	<u>95,721</u>	<u>(14,882)</u>	<u>(152,387)</u>	<u>34,076</u>
	<u>\$ 57,887,137</u>	<u>\$ 2,540,123</u>	<u>\$ (3,920,601)</u>	<u>\$ 1,823,187</u>	<u>\$ 58,329,846</u>

. Financial Status

SCHEDULE 8

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES CHANGES IN ACCUMULATED DEPRECIATION

YEAR ENDED DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Increase	Decrease	Reclassification	Ending Balance
Buildings	\$ 3,774,535	\$ 453,598	\$ (155,860)	\$ 776,753	\$ 4,849,026
Machinery equipment	6,223,249	1,089,998	(760,857)	(5,644)	6,546,746
Transportation equipment	797,309	53,493	(42,484)	(35,419)	772,899
Miscellaneous equipment	1,720,565	107,918	(46,206)	34,457	1,816,734
Leasehold equipment	<u>1,339,412</u>	<u>96,371</u>	<u>(76,105)</u>	<u>132,774</u>	<u>1,492,452</u>
	<u>\$ 13,855,070</u>	<u>\$ 1,801,378</u>	<u>\$ (1,081,512)</u>	<u>\$ 902,921</u>	<u>\$ 15,477,857</u>



SCHEDULE 9

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BONDS AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

Item	Face Value	Amount
Treasury bills		
Treasury bill 98-13	\$ 179,000	\$ 175,132
Commercial paper		
Issued by - Taipower	1,700,000	1,688,904
Issued by - CPC Corp.	1,550,000	1,548,855
Issued by - FC Capital Management Co.	1,010,000	1,009,576
Issued by - Mega Securities	620,000	619,566
Issued by - China Airlines Co.	600,000	599,925
Issued by - Creation International Investment	470,000	469,910
Issued by - Hung Sheng Construction Co., Ltd.	460,000	459,906
Issued by - President Securities	400,000	399,949
Issued by - Mercedes Benz	400,000	399,130
Issued by - Chailease Finance Co., Ltd.	580,000	569,873
Issued by - Jin Sun Securities	300,000	299,936
Others	8,505,200	8,493,487
	16,595,200	16,559,017
Negotiable certificates of deposits		
Issued by - Far Eastern International Bank	300,000	300,071
Government bonds		
Treasury Bond 97-1	1,274,200	1,387,938
Treasury Bond 98-1	936,000	1,023,488
Treasury Bond 98-4	850,000	895,471
Treasury Bond 97-01	800,000	859,128
Treasury Bond 94-2	744,200	839,287
97 Kaohsiung City Bond 2	600,000	649,857
Others	6,986,800	7,745,666
	12,191,200	13,400,835
Financial debentures		
92 Mega International Commercial Bank	20,000	20,000
92 Taipei Fubon Financial Holding 2C04	200,000	200,000
95 EnTie Commercial Bank 1	40,000	40,059
	260,000	260,059
Corporate bonds		
95 Yuan Ding 3	\$ 300,000	\$ 300,887
96 SinoPac Securities 1A	300,000	300,013
96 KGI Securities Corp. 1A	300,000	301,126
97 China Development 1 A	300,000	300,451
96 Mega Securities 1	200,000	200,851
96 Nanya Technology 1	200,000	200,015
96 Taiwan High Speed Rail 1A	200,000	200,518
96 China Development 1	200,000	200,197
Others	384,000	384,170
	2,384,000	2,388,228
	\$ 31,909,400	\$ 33,083,342

. Financial Status

SCHEDULE 10

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES DETAILED SCHEDULE OF GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

YEAR ENDED DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

Item	Amount
Disposal gain (loss)	
Stocks and funds	\$ 413,608
Bills	74,195
Bonds	38,099
Asset based securities	1,238
Derivative financial instruments	2,496,457
Others	(80)
	<u>3,023,517</u>
Unrealized gain (loss)	
Stocks and funds	781,729
Bills	(60,039)
Bonds	665,434
Asset based securities	1,343
Derivative financial instruments	(998,829)
	<u>389,638</u>
Bonus	<u>6,650</u>
	<u>\$ 3,419,805</u>



SCHEDULE 11

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
DETAILED SCHEDULE OF FOREIGN EXCHANGE GAIN (LOSS)

YEAR ENDED DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

Item	Amount
Spot	\$ 2,786,772
Forward	(1,664,741)
Margin	10,580
Self owned capital	(29,050)
Others	661,252
	<u>\$ 1,764,813</u>

. Financial Status

SCHEDULE 12

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF NET INCOME (LOSS) EXCLUDING INTEREST

YEAR ENDED DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

Item	Amount
Revenue excluding interest	
Realized gains through disposal of investments carried at cost	\$ 91,645
Gain on hedge derivatives	65,974
Loans management revenue	101,571
Securities brokerage revenue	121,206
Dividend revenue	435,420
Dealing and consignment revenue	3,168,194
Leasing revenue	277,059
Gain on property transactions	148,351
Other revenue	<u>1,997,683</u>
	<u>6,407,103</u>
Expense excluding interest	
Loss on hedge derivatives	(26,455)
Dealing and consignment costs	(2,127,162)
Reserve for other losses	(2,000,000)
Other expenses	<u>(971,869)</u>
	<u>(5,125,486)</u>
	<u>\$ 1,281,617</u>



SCHEDULE 13

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
DETAILED SCHEDULE OF OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

Item	Amount
Salaries	\$ 16,293,342
Stationeries	143,619
Insurance	882,123
Leases	1,469,143
Postage and remittance fee	794,833
Advertisement fee	623,215
Tax and levies	1,586,384
Depreciation	1,944,707
Amortization	533,111
Allowance for entertainment	173,950
Donation	228,268
Labor service fee	1,420,127
Freight	307,603
Others	3,480,801
	<u>\$ 29,881,226</u>

D. Any Financing Problems Encountered by the Company or Its Affiliates Which Might Affect the Company's Financial Status : Nil °

VII



**Financial Status,
Review of Business
Performance,
and Risk Management**



A. Financial Status

Unit: NT\$1,000

Item	2008	2009	Change	
			Value	%
Cash and cash equivalent	12,387,621	22,557,438	10,169,817	82.10
Financial assets from changes in fair value included in income statement	5,559	4,582	(977)	(17.58)
Financial assets ready for sale	0	0	0	-
Accounts receivable	1,962,510	3,690,557	1,728,047	88.05
Financial assets held until maturity	0	0	0	-
Equity investments on equity method	107,790,722	100,563,220	(7,227,502)	(6.71)
Fixed assets	7,782	4,278	(3,504)	(45.03)
Intangible assets	0	0	0	-
Other financial assets	3,527,082	9,686,603	6,159,521	174.64
Other assets	410,374	712,563	302,189	73.64
Total assets	126,091,650	137,219,241	11,127,591	8.83
Financial liabilities from changes in fair value included in income statement	279,635	598,178	318,543	113.91
Accounts payable	1,496,155	2,939,172	1,443,017	96.45
Corporate bonds payable	39,736,721	40,105,826	369,105	0.93
Preferred-share liabilities	0	0	0	-
Other financial liabilities	0	0	0	-
Other liabilities	11,465	27,101	15,636	136.38
Total liabilities	41,523,976	43,670,277	2,146,301	5.17
Equity capital	69,880,779	65,151,162	(4,729,617)	(6.77)
Capital surplus	19,071,634	19,076,045	4,411	0.02
Retained earnings	(3,838,131)	9,074,633	12,912,764	(336.43)
Other items of shareholders' equity	(546,608)	247,124	793,732	(145.21)
Total value of shareholders' equity	84,567,674	93,548,964	8,981,290	10.62

Explanation for changes and variations :

- (1) The amount of cash and cash equivalent on Dec. 31, 2009 was higher than that on Dec. 31, 2008, due to proceeds from the sellout of subsidiary Taishin Securities to KGI Securities.
- (2) Accounts receivable on Dec. 31, 2009 were higher than Dec. 31, 2008, as part of the proceeds from the sellout of subsidiary Taishin Securities to KGI Securities had not been received yet.
- (3) Fixed assets on Dec. 31, 2009 decreased from the level on Dec. 31, 2008, due to amortization for the depreciation of fixed assets.
- (4) Other financial assets on Dec. 31, 2009 were higher than that on Dec. 31, 2008, due to investment by the company in bills and bonds with repurchase agreement using proceeds from the sellout of Taishin Securities to KGI Securities.
- (5) Other assets on Dec. 31, 2009 were higher than the amount on Dec. 31, 2008, due to increase of miscellaneous assets.
- (6) Financial assets taking into account the effect of change in fair value on income on Dec. 31, 2009 were higher than the amount on Dec. 31, 2008, due to increase in the fair value of derivatives embedded in the convertible corporate bonds issued by the company.
- (7) Accounts payable on Dec. 31, 2009 were higher than that on Dec. 31, 2008, due to the increase in tax payable.
- (8) Other liabilities on Dec. 31, 2009 were higher than that on Dec. 31, 2008, due to increase in pension fund-related liabilities resulting to increase in the number of employees.
- (9) Retained earnings on Dec. 31, 2009 were higher than that on Dec. 31, 2008, due to coverage of the loss in 2008 and the turnaround of the company's operation.
- (10) The value of other equity items on Dec. 31, 2009 was higher than that on Dec. 31, 2008, due to increase in unrealized interests for financial products ready for sale of invested companies which were calculated according to equity method.

VII. Financial Status, Review of Business Performance, and Risk Management

B. Business Performance

Unit: NT\$1,000

Item	2008	2009	Change	
			Value	%
Investment income calculated according to equity method	1,246,970	2,681,297	1,434,327	115.02
Other incomes	735,365	7,835,796	7,100,431	965.57
Investment loss calculated according to equity method	(5,269,349)	(396)	5,268,953	(99.99)
Operating expense	(327,265)	(430,614)	(103,349)	31.58
Other expenses and loss	(1,556,582)	(1,975,367)	(408,785)	26.09
Pre-tax income (loss)	(5,180,861)	8,110,716	13,291,577	(256.55)
After-tax income (loss)	(5,227,592)	8,183,147	13,410,739	(256.54)

Explanation for changes and variations :

- (1) Investment net income based on equity method in 2009 was higher than that in 2008, due to turnaround of subsidiaries in 2009.
- (2) Other income in 2009 was higher than that in 2008, due to proceeds from the sellout of Taishin Securities to KGI Securities.
- (3) Operating expense in 2009 was higher than that in 2008, due to the listing of expense related to compensations for directors and supervisors and dividend sharing of employees according to the corporate charter and accounting principle after the turnaround of the company's operation in 2009.
- (4) Other expense and loss in 2009 was higher than that in 2008, due to increased loss resulting from derivatives embedded in convertible corporate bonds issued by the company which was calculated according to the evaluation of fair value.

C. Cash flow

Analysis of cash flow in the coming one year

Unit: NT\$1,000

Initial cash balance 1	Expected cash flow from business activities for the whole year 2	Expected cash outflow (inflow) for the whole year 3	Expected cash surplus (shortage) 1+2-3	Remedies for expected cash shortage	
				Investment plan	Financing plan
22,557,438	2,715,250	(11,810,565)	13,462,123	Nil	Nil

D. Influence on finance of major capital outlays in the recent one year

a. Status of major capital outlays and funding sources

Unit: NT\$1,000

Items of plans	Actual or expected funding source	Actual or expected date of completion	Total fund needed	Actual or expected fund utilization
				2009
investment	Own fund or corporate-bond issuance	2009	10,000,000	10,000,000

b. Expected benefits: Business expansion and increased returns for shareholders

E. Investment policy in the recent year, main reasons for income or loss, improvement plan, and investment plan in the coming one year

The company carries out investments according to article 36 and 37 of the Financial Holding Company Law, the assessment of investment returns rate, and joint-marketing benefits among subsidiaries, in the hope of augmenting the returns on equity. In response to the demand of clients for assets accumulation and wealth-management planning, the company will inevitably expand its business scope, on top of providing comprehensive professional financial services. Looking ahead, in the face of acute competition and a fast-changing financial environment, the company will continue, via own or external growth, expanding the scale and market shares in the operations of banking, securities, insurance, investment finance, commercial paper/bond, and other financial sectors, as well as overseas deployment, in order to tap the businesses of clients in various sections, strengthen competitive edge, and expand profit sources.

F. Assessment of risk management in the recent year and as of the date for the publication of the annual report by analyzing consolidated financial and business status

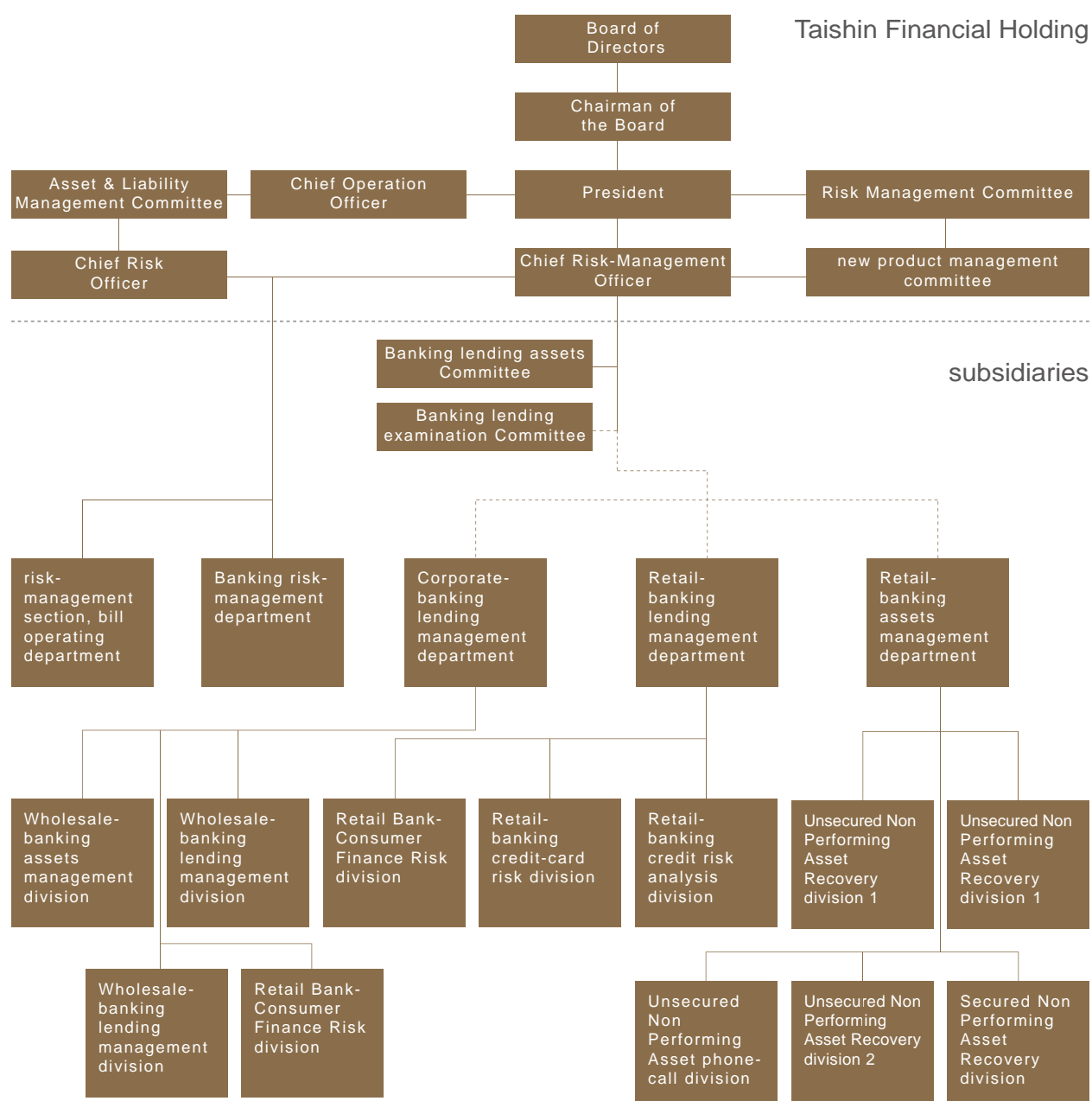
a. Risk-management framework and policy of the financial holding company and subsidiaries

To cope with its comprehensive business scope, the company needs efficient identification, assessment, consolidation, and management of risks, in addition to properly allocating capital to various business units. The company manages risks via a procedure closely associated with its risk-management policy, organizational framework, risk assessment, and business activities. According to overall risk-management planning, the financial holding company has instituted independent risk-management organizations, with their frameworks listed below:

Organization	Contents
Board of directors	1.Approval of risk-management policy and procedure 2.Approval of overall market risk, credit risk, and operational risk ceilings of the financial holding company
Risk Management Committee	1.The president of the financial holding company serves as the convener of the committee. 2.Review of the risk-management policy and procedure of the financial holding company 3.Ratification of the policy, measures, and guidelines for the market risk, credit risk, and operating risk of subsidiaries 4.Supervising the institution of market-risk, credit-risk, and operating-risk management mechanism 5.Reviewing performance report of the risk-management units of subsidiaries and the overall risk analytical report of the financial holding company 6.Reviewing and finalizing risk model, risk parameters and indicators, and pressure-test plan 7.The committee oversees a new product management committee, responsible for reviewing risks involving new products and complicated trading of subsidiaries' trading units. 8.Monitoring various risks undertaken by the company, adopting necessary measures for controlling large risk exposure 9.Report of other risk-related projects 10.Execution of risk management-related resolutions of the board of directors
Risk-Management Department	1.Vice convener of the Risk-Management Committee 2.Implementing risk-management strategy and instituting risk-management framework approved by the board of directors 3.Supervising Risk-Management Department and risk-management units of subsidiaries in executing related policy 4.Assuring effective cross-department communication and coordination for risk-management functions
Chief Risk-Management Officer	1.Formulation and institution of risk-management mechanism 2.Disclosure of risk-management implementation 3.Producing overall risk analytical report for the financial holding company 4.Coordination and contact for risk-management affairs with subsidiaries 5.Instituting integrated risk-management information system 6.Introducing the risk-management norm of Basel II Capital Accord, so as to institute a risk-management mechanism complying with international standards
Risk-management units of subsidiaries	1.Provision of risk management-related information 2.Implementing the financial holding company's risk-management policy

VII. Financial Status, Review of Business Performance, and Risk Management

Risk-Management Functional Organization Chart of Taishin Financial Holding





b. Risk assessment method and quantified information on the risk exposure of the financial holding company and subsidiaries

1. Common regular disclosure

The subsidiaries under the auspices of the financial holding company all engage in financial business, facing in their operations various risks, including credit risk, market risk, and operating risk covering risks in operation and legal aspects. Therefore, the financial holding company's risk management covers an extensive scope, including systems and measures suited to the respective operations of subsidiaries and the institution of the integrated risk-management policy and organizational framework of the financial holding company, meant to achieve comprehensive and efficient grasp of the financial holding company's various risks.

(1) Credit-risk management

A. Corporate banking

Pinpoint target loan clients, enhance profit margin, and expand low-risk business, so as to strengthen risk-enduring capability and cut overall risks.

Ascertain credit analytical report and strengthen the training of credit examination and loaning staffers.

Further strengthen internal credit rating mechanism.

Further strengthen post-lending management and review system.

Institute the evaluation system for individual risks and overall credit risk involving securities underwriting and investment position.

Strengthen the management of credit-risk concentration associated with loaning, investment, and trading of various financial products such as derivatives.

Institute individual management measures for businesses involving specific risk (such as ceiling for loans mortgaged with specific stocks, tracking the price threshold for margin calls, and the undertaking and post management of realty financing).

Institute the system for the alert, notification, and control of abnormal accounts.

Implement concentrated management of bad assets.

B. Consumer banking

Further enhancement of risk-management technique: Further introduction and deep-cultivation of rating model and policy-making model; the monitoring, adjustment, and upgrading of the models' efficacy;

Core risk analytical team: Core professional talents with analytical capability, product design capability, risk-management capability, and execution capability.

Lending policy based on client-group analysis: Analyze client risks according to clients' external and internal behaviors, and flexibly adjust lending policy according to the risk levels of various client groups, so as to maintain proper client-group ratio.

Prevention of NPL and fraud: Further track the behavioral modes of NPL and fraud cases and repayment status, thereby forging policy and credit-examination/lending flow, so as to institute a proactive preventive mechanism.

Client management based on risk analysis, rating model, and policy model; debt collection, and case

VII. Financial Status, Review of Business Performance, and Risk Management

review system.

Lending strategy based consolidated account management.

The credit-extension strategy based on integrated single-client account management

(2) Market-risk management

To consolidate the management of risks deriving from the price swings of interest rate, exchange rate, and equity securities, the company assesses via marked-to-market method the income or loss of trading positions for various financial products held by subsidiaries. Meanwhile, for derivatives, as a precautionary measure for the credit risk deriving from default of trading partners before delivery date due to trading loss, the company imposes a ceiling on trading volume so as to control possible loss within reasonable scope.

(3) Operating-risk management

To achieve a consistent and complete operating-risk management system, assure the inclusion of operating-risk management into the company's daily operation and decision-making, and keep various operating risks within the company's endurable range, the company has formulated operating-risk management policy and operating-risk endurable extent. It has also established "operating-risk reporting procedure," "self evaluation and auditing operation procedure," "key risk indicator procedure," and risk-offsetting procedure, featuring mutually linked analysis to uphold operating-risk forecast capability.

2. Risk-management methods and quantified risk-exposure information of subsidiaries

(1) Banking subsidiaries: Including Taishin Bank and Taishin Bills Finance Co., Ltd.

A. Credit risk

The main goal of risk management is to pursue maximum profits under reasonable risk, so as to uphold shareholders' interest. Effectively grasp the trend of assets quality via regular monitoring of numerical changes in net flow and adjust lending policy and debt-collection strategy accordingly. Utilize internal credit rating system, midterm management and review, diversification and ceiling of credit extension/investment positions (customer groups), and other methods to monitor constantly risk level and changes in general economy and financial climate, on top of irregular review or adjustment of risk avoidance (diversification) and abatement strategy via internal procedure. Risk abatement is carried out mainly via the collection of collateral, which calls for different appraisal method and evaluation period according to their different nature, i.e., realty, or chattel.

(a) Consumer banking—Taishin Bank

Credit-extension management is in the charge of Consumer-Banking Credit-Extension Management Division of Consumer Banking Group. Inspection and review of loan applications is undertaken by business units according to credit-extension policy. Management of and collection for NPLs is undertaken by Consumer-Banking Assets Management Division. Consumer-Banking Credit-Extension Management Division is parallel to business units.

Formulate proper lending-risk management policy according to operating objective, such as



application scoring system, behavior scoring system, collection scoring system, and global FICO score, which is used, along with the concept of product-profit model, to pinpoint optimal lending terms and banking profit model for different client groups with different loaning conditions.

Flexibly adjust various risk-management indicators and segmentation management via periodical assets-quality analysis and default commonness analysis, so as to achieve operating objectives.

(b) Corporate Banking—Taishin Bank and Taishin Bills Finance

Regarding the risk management strategy for corporate banking, the company focuses its attention on sources for repayment and the obtain of adequate risk premium. The credit-extension risk management of the Corporate Banking Business Group is handled by the corporate banking credit-extension division, which oversees under its jurisdiction corporate banking credit-extension management department, corporate-banking screening department, global-trade screening department, and corporate banking assets management department. The corporate banking screening department and the global trade screening department take charge of the management of normal credit-extension cases, while the corporate-banking assets management department is responsible for NPL (non-performing loan) collection.

The evaluation and management of credit risk is undertaken via the use of internal credit rating system. In addition to credit rating undertaken upon application, all credit-extension cases are subject to follow-up tracking and management. The internal credit rating system consists of two aspects, one is the credit rating of borrowers, mainly for the evaluation of their capability to fulfill financial commitment, which is undertaken via the use of statistical model and an evaluation table as assistant tools. The second aspect is credit-line rating, which is undertaken according to the factors of the existence of collateral, the order of lien, and type of products. The level of risk is reduced in sync with the provision of collateral, which is appraised in different manners for different kinds of collateral, including real estate, chattel, and securities, so as to effectively cut risks.

Regular analysis of rating migration is carried out every year, to ascertain the stability of the existing rating system. Migration risk analysis and stress/scenario testing is also undertaken, in order to delineate risk exposure with more sensitive risk analysis and ascertain capital adequacy.

(c) Quantified information on risk exposure

Taishin Bank

Risk exposure after deducting risk on credit-risk method and risk-based capital requirement

Dec. 31, 2009; Unit: NT\$1,000

Kinds of risk exposure	Risk exposure after deduction	Risk-based capital requirement
Sovereign state	140,964,804	831
non-central government public sector	56,508	1,043
Bank (including multilateral development bank)	41,180,791	1,382,026
Enterprise (including securities and insurance companies)	273,413,584	21,807,320
Retail debt claim	126,368,828	7,849,313
Housing realty	219,333,251	7,913,443
Equity investment	368,885	118,043
Other assets	58,908,120	1,646,679
Total	860,594,772	40,718,698

VII. Financial Status, Review of Business Performance, and Risk Management

■ Taishin Bills Finance

Items in the table-credit risk-based assets

Dec. 31, 2009; Unit: NT\$1,000

Items	Applicable risk weight	Risk-based assets
Cash and debt claims on the nation's central government and central bank or debt claims with their guarantee.	0%	0
Debt claims secured by bonds issued by the nation's municipal governments.	10%	0
Debt claims for domestic banks and guarantees for them	20%	3,318
Holding of capital items of other financial institutions other than common shares and debt claims and other assets not listed above.	100%	2,344,672
Minus: 1.provision for possible loss from loaning assets	-	(26,936)
2. 1% of outstanding guarantee	-	(101,888)
Total	-	2,219,166

RP、RS and Items outside the table—credit risk-based assets

Dec. 31, 2009; Unit: NT\$1,000

Item	Risk-based Assets
Liabilities of commercial paper/bond with repurchase agreement	141,441
Investment in commercial paper/bond with resale agreement	666
Common trading outside the table	10,188,800
Derivatives	208,527
Total	10,539,434

B. Liquidity risk

Manage well liquidity position for basic operating and growth need, so as to assure adequate liquidity. Assets/Liabilities Management Commission formulates liquidity-risk management policy and oversees its execution, with the fund management units of subsidiaries undertaking the execution and reporting to the Assets/Liabilities Management Commission monthly.

■ Taishin Bank

(1) Analysis for the Structure of NT-dollar Due Dates

Dec. 31, 2009; Unit: NT\$1,000

	Total	Value for balance period before due dates				
		One to 30 days	31 to 90 days	91 to 180 days	181 days to one year	Over one year
Main fund inflow due	772,755,894	259,480,821	87,119,165	21,117,420	31,702,299	373,336,189
Main fund outflow due	841,663,797	154,392,511	180,045,169	139,105,901	182,919,680	185,200,536
Expected gap	(68,907,903)	105,088,310	(92,926,004)	(117,988,481)	(151,217,381)	188,135,653

Note: The table only contains NT-dollar funds of the headquarters and domestic branches.

(2) Analysis for the Structure of U.S.-dollar Due Dates

Dec. 31, 2009; Unit: NT\$1,000

	Total	Value for balance period before due dates				
		One to 30 days	31 to 90 days	91 to 180 days	181 days to one year	Over one year
Main fund inflow due	8,650,393	3,366,353	1,866,139	1,354,307	594,792	1,468,802
Main fund outflow due	8,612,503	3,288,148	1,855,028	1,776,194	472,697	1,220,436
Expected gap	37,890	78,205	11,111	(421,887)	122,095	248,366

Note: The table contains U.S.-dollar funds of the headquarters, domestic branches, and OBU (offshore banking unit).

■ Taishin Bills Finance

Analysis of Assets/Liabilities of NT-dollar Due

Dec. 31, 2009; Unit: NT\$1,000

	Total	Value for balance period before due dates				
		One to 30 days	31 to 90 days	91 to 180 days	181 days to one year	Over one year
Assets	32,640,972	8,924,285	9,206,241	3,400,570	2,224,223	8,885,653
Liabilities	27,365,678	26,361,342	1,004,336	-	-	-
Gap	5,275,294	(17,437,057)	8,201,905	3,400,570	2,224,223	8,885,653
Accumulated gap	5,275,294	(17,437,057)	(9,235,152)	(5,834,582)	(3,610,359)	5,275,294

C. Market risk

(a) Strategy and flow

- The bank's risk management strategy calls for setting restrictions on capital according to risk-adjusted returns rate, whereby seeking maximum value for shareholders. Accordingly, various business units have to seek approved quota before trading and independent risk-management units assess income or loss for trading positions daily, in addition to reporting income/loss and risk exposure of trading position to executives regularly.
- The scope and features of risk report and assessment system
Risk report is meant to disclose risk as an important reference for executives in formulating countermeasure and adjusting investment portfolio for achieving business objectives. The bank dedicates to integrating trading management systems for various products, so as to assess changes in risk exposure and income/loss deriving from its investment positions

(b) Trading and risk management system

■ Quality-wise :

The bank stresses the formulation and implementation of risk-management policy and norms, as well as the establishment of risk-management culture. Risk-management units are independent from risk-undertaking units and responsible for assessing and analyzing risk exposure and reporting the results to executives for use in policy making, in addition to instituting assessment flow, the flow for new-product launch, and certification procedure model, in the hope of complying with the regulations of the regulator, precisely assess risk, and standardizing operating and risk-management flows.

■ Quantity-wise :

The bank sets price-sensitivity quota for various products with different risk factors as criteria for risk assessment. In compliance with the regulations of Basel Capital Accord and the regulator, it plans to calculate integrated VaR (Value-at-Risk) for investment portfolio with internal model and set up VaR ceiling, so as to control the impact of market swings on the bank's positions.

VII. Financial Status, Review of Business Performance, and Risk Management

D. Operating risk

(a) Taishin Bank

Operating-risk management policy and framework

To attain effective operating-risk management, the bank has formulated its operating-risk management policy, according to the norms set by the Basel Committee on Banking Supervision, the Bank for International Settlements, and the Financial Supervisory Commission (FSC), the Executive Yuan (the Cabinet). The policy covers operating-risk management framework, operating-risk management principles, risk identification and assessment technique, and risk reporting/supervision, in order to foster consistent operating-risk awareness inside the bank, establish operating-risk management culture, and implement risk management system, in addition to specifying the operating-risk tolerability of the bank. To assure consistency between the bank's operating-risk management mechanism and corporate strategy, the company has established independent risk-management units, further consolidating the bank's operating-risk management.

Identification of operating risk

The company defines operating risk as "Risk of loss triggered by the impropriety or mistake involving internal flow, staffers, system, or external incidents, including legal risk but excluding strategic or credit-standing risks." In order to identify existing and potential risks, the bank has formulated various operating-risk management flow, as well as company-wide risk glossary, loss incidence reporting system, risk self-evaluation system, key risk indicators, and risk reporting/disclosure procedure, so as to establish operating-risk identification, assessment, and supervision method. Meanwhile, for the purpose of controlling various operating risks within endurable range, enhance operating efficacy, and create corporate value, the bank carries out regular analysis of existing and potential operating risk, thereby putting forward action plan to cut related operating risks.

Operating-risk assessment and supervision

Taishin Bank has test-calculated the chance and exposure value of operating risk according to information in loss database and Taishin Bills Finance already introduced loss incident reporting system. The financial holding company will gradually extend these practices to other subsidiaries, so as to better grasp the operating-risk VaR of the entire company.

The financial holding company formulated operating-risk ceilings for the various units of Taishin Bank, Taishin Bills Finance, and Taishin Securities at the end of 2007, which have included the 2008 KPI (key performance indicators), so as to incorporate operating-risk supervision into regular management.

Operating-risk reporting and disclosure

The company has formulated operating-risk reporting and disclosure mechanism, in order to help executives grasp the company's overall operating risk and make key decisions properly with the timely provision of key operating-risk information and help market participants make proper decisions with the timely provision of key market information, thereby augmenting the company's responsive capability for operating risk and upholding the confidence of investors.



Chang Hwa Commercial Bank Co., Ltd.

Various risk assessment and management methods and quantified information on risk exposure

a. Credit risk

1. Strategy

To suit the characteristics of the Bank and meet the risk management requirements of Basel II, the Bank's risk management mechanism continues to be improved in order to effectively identify, measure, monitor and communicate various risks, as well as to raise risk management performance.

2. Policy and Process

Continuing to examine the formulating and revision of various risk management policies, standards and rules pursuant to the "Overall Risk Management Policies".

Continuing to improve the corporate loan application management system and various risk management techniques and efficiency in order to meet the risk management requirements.

Continuing to develop methods required by the credit risk quantitative model in order to improve the Bank's credit risk management techniques so that its capital requirements and expected losses are more risk-sensitive.

Continuing to develop and implement credit risk stress test in order to meet the regulatory authority's requirements and improve the Bank's risk management performance.

Establishing a knowledge database to facilitate learning and evaluation. Providing lectures and training in risk management to raise employees' risk awareness.

Periodically inspecting and monitoring the concentration of exposure at default (EAD) for the Bank's corporate customers and disclosing the EAD balance of any single customer, affiliate/group, industry, collateral, interested party, and potentially problematic loan in order to provide risk management with accurate, timely information for assuming risks and making decisions.

Effectively evaluating the Bank's capital adequacy and carrying out rigorous and proactive stress test to cope with possible adverse events or changes.

Establishing an internal rating system to effectively differentiate loan risks, and to be used as a tool to decide whether to grant a loan application, and for pricing and loan management purposes.

Setting up a credit limit management, credit line review approval system, and establishing a relevant risk measurement mechanism to be used as a tool for monitoring credit risks.

Establishing an operating procedure for evaluating loan assets to ensure steady operations. Using quantitative and qualitative methods to evaluate and identify the quality of loan assets and to determine whether the allowance for loan losses is adequate provisioned.

To compile the Consumer Banking Risk Management rules, the Standard Operation Procedure and other related operational rules; to utilize the credit risk database and the automated credit risk system for the generation of various risk information. In order to enhance the quality of risk management, we strengthen identification, measurement and monitor of credit risk.

VII. Financial Status, Review of Business Performance, and Risk Management

In underwriting procedures, the Bank uses a credit scorecard for rating and an upgrade approval mechanism for special cases as a reference for underwriting review and credit risk management. The scoring card is regularly validated for effectiveness.

The Bank uses a regular automatic evaluation mechanism for real estate mortgage securities to track the credit of these cases. If there are signs of credit deterioration, the Bank launches a review mechanism to protect the Bank's creditor rights.

Develop mortgage loan application scorecards, behavior scorecards, and related Probability of Default (PD) models so as to provide objective parameters and references for approval and pricing. This could effectively lower the probability of bad loans and improve the asset quality of the Bank's mortgage loan assets.

To enhance the quality of loan assets through the organization of lectures and trainings on risk management and also through effective ongoing communications.

b. Risk of financial-trading partner

1. Policy and Process

The bank embraces external credit rating for financial-trading partners, as the basis for internal credit-risk classification and rating.

Based on the category and rating of each counterparty, the net worth of the company is used for the calculation of its total risk limit, or the consolidated net worth is used for the calculation of its business group's total risk limit as the ceiling of the total risk exposure to this counterparty. In addition, the counterparty's credit risk, pre-settlement risk and settlement risk are included in the calculation of its various risk limits and quotas.

Determine the overall quota and various risk quotas for financial-trading partners according to their book values and set credit lines for various businesses within the overall quota.

Effectively manage the risks of the bank's financial-trading partners via monitoring and reporting procedure.

c. Market risk

1. Policy and Process

a. Strategy :

Plan the management procedure for market risk, to assure effective discerning, evaluation, monitoring, and reporting of market risks.

Evaluate and monitor market risk, thereby containing risk within risk appetite, in the hope of lowering unexpected loss from market risk.

Formulate and execute norms for market-risk management in compliance with the regulations of the regulator and Basel Capital Accord.

Establish and develop market-risk management system and procedure for economic capital allocation.

b. Process :

Market-risk management flow is divided into discerning, evaluation, monitoring, reporting, and management execution; it is implemented according to the bank's "guidelines for market-risk management."



2. Scope and features of the risk reporting and evaluation system

a. Internal reporting :

Regularly report the status of market-risk monitoring to the risk management committee, so as to provide sufficient information for perusal by senior management.

Make timely report on the exceeding of limits and exceptional situations (market crisis and abnormal changes) to management at proper level and adopt proper countermeasures to offset risks.

Regularly report the risk status of the bank ' s investment portfolio, along with its concentration extent, to the board of directors and risk management committee helping them decide whether to adjust the bank's strategy.

b. External disclosure :

Disclose the market risk confronting the bank fully, facilitating the evaluation of the bank ' s market-risk management by market participants.

The extent of information disclosure should conform to the scale of the bank ' s business activities and the status and complication of risk exposure.

d. Operating risk

1. Policy and Process

Manage the banking operating risk according to clear-cut definition, including formulating risk-management methods in various business guidelines and the development of application tools by risk-management units to assist staffers carrying out the risk-management procedure of identifying, evaluating, controlling, supervising, and reporting risks.

2. The organization and framework of risk-management system

The Bank collects operational risk loss events through systems, and then categorizes the risks according to regulator regulations and type of loss. This helps the Bank to understand the loss situation internally.

The risk control and self-assessment(RCSA) system of the Bank begin at the business management units at the headquarter, where they conduct self-assessment according to the risks and controls of their respective businesses, compile and edit their self-assessment tables, and review the rules and regulations of their respective businesses. Execution units then conduct self-assessments and register the results in the system for the bank to analysis potential operation risk exposures.

The Bank establishes Key Risk Indicators (KRIs) and their respective limit or threshold values for the Bank's major risk exposures. Continuous monitoring and management provides red flags.

The Bank integrates risk related items and compile them into operational risk management reports for the board of directors, senior management, and divisions of management so that they fully understand the situation and can make decisions accordingly.

e. National risk

1. Policy and Process

Use country credit rating information from Moody's, S&P, and Fitch to develop the Bank's own country risk ratings.

VII. Financial Status, Review of Business Performance, and Risk Management

To use the net worth figure disclosed in our latest annual financial report for the calculation of the total country risk limit that will serve as the ceiling of our bank's exposure to country risk.

Within the total country risk limit, the individual limits for various countries for the next year are determined based on each country's political and economic situations, as well as the actual needs of relevant business units.

Risk exposure is constantly measured and monitored. For countries that are experiencing political and economic instability, or whose ratings have been downgraded due to defaults, their country risk limits will be either frozen or eliminated.

On a monthly basis, country risk exposure data will be gathered, analyzed and compiled into a Country Risk Management Report.

c. Influence of important domestic and foreign policy and legal changes on the finance of the financial holding company and countermeasures

To bolster economic growth and enhance financial competitiveness, the government is gradually liberalizing cross-Taiwan Strait financial policy, as evidenced by the revision of "Measures for the Permission of Financial Exchanges Between Taiwan and Mainland Areas." The company will formulate related development program according to the stipulations of law/regulation, with the goal of pursuing the optimal interest of shareholders, customers, and employees in the long run.

d. Effects of technological and industrial changes on the finance of the financial holding firm and countermeasures

To bolster economic growth and enhance financial competitiveness, the government is gradually liberalizing cross-Taiwan Strait financial policy, as evidenced by the revision of "Measures for the Permission of Financial Exchanges between Taiwan and Mainland Areas." The company will formulate related development program according to the stipulations of law/regulation, with the goal of pursuing the optimal interest of shareholders, customers, and employees in the long run.

e. Effect of change in the corporate images of the financial holding company and its subsidiaries on the company and countermeasures

In the wake of the bankruptcy of Lehman Brothers in the U.S. in 2008, local structured-note investors incurred heavy loss and some appealed for government relief via media, the Internet, government agencies, and other channels. They also staged protests and demonstrations to express their resentment against government agencies in charge and financial institutions, creating a negative image of the company and its peers.

To remedy its damaged image and protect the interests of customers and employees, Taishin FHC actively stepped up communications with related parties (including shareholders, customers, employees of subsidiaries,

the regulator, and media) and entrusted lawyers to help structured-note investors secure their debt claims.

In addition to winning customers' trust via dedication to its core financial business and continuous development of various financial products and services, Taishin FHC has also been actively engaging in various public services and charity events, as well as the promotion of culture and art. Under the auspices of the long-term "Caring Taiwan" program, it has utilized its corporate resources in helping the victims of the violent earthquake on September 21, 1999 rebuild their houses and develop indigenous industries. Moreover, it has joined hands with government agencies and civic groups in organizing seminars on academic and practice issues and has taken part in various public services and charity activities in the society. Still, via T Taishin Bank Foundation for Arts and Culture, it has held Taishin Arts Award annually and sponsored various artistic and cultural performances, thereby polishing its corporate image via substantial payback and contribution to the society.

f . Anticipated benefits and possible risks from acquisition and countermeasures

(1) Anticipated benefits:

Expand financial scope, enhance the scale of assets and market-share ranking, and boost business competitiveness.

Expand marketing-channel network and provide clients more convenient and pluralized service channels.

Create the business synergy of acquisition and maximize the profits for shareholders.

Provide all-round services and deep-cultivate the relationship with clients.

Diversify business risks and expand the scope of business development.

(2) Possible risks:

Inadequate business integration can lead to business loss, affecting the company' business and profit performance.

Inadequate integration of information systems may affect business operation, deferring the appearance of merger synergy.

Inadequate integration of human resources may lead to loss of talents, indirectly affecting business and management performance.

Mistake in the judgment of acquisition strategy will affect the overall prospects of the company.

The effect of misjudgment in acquisition strategy on the overall development outlook of the company.

g. Possible risks from business concentration and countermeasures

(1) Back-up mechanism

The concentration of operation has led to sharing of resources and manpower, a status which could magnify the effect of emergent incidents on the bank. To cope with possible risk, the Risk Management Division of the financial holding company has formulated integrated business continuity plan, which covers emergency response mode for venue, system, and personnel, as well as disaster recovery plan. The Operating Service Division has also carried regular annual testing of its business installation and continuity plan, as well as regular installation of remote backup copies.

(2) Document delivery

Following the concentration of operation, internal delivery or sending of original documents for business

VII. Financial Status, Review of Business Performance, and Risk Management

need may result in information leakage or loss of documents during the delivery process, creating grave consequence for customers and the bank. To prevent the problem, the bank has formulated a tracking mechanism which keeps the record of reception signatures, as well as complete document delivery rules, for important documents.

h. Influence of massive share transfer or exchange by board directors, supervisors, or major shareholders with over 1% stake, risk, and countermeasures

Due to the diversified shareholding of the company and low stake of a single shareholder, massive shareholding transfer or exchange would not impact the makeup of the company's shareholders or produce major influence or risk.

i. Influence of management right on the financial holding company, risk, and countermeasures

Change in the management right of financial holding company may result from the replacement of management by shareholders due to bad performance, hostile takeover, or own initiative of the original management wishing to look for new management to take over their position. Change in management may produce the following influence and risks on financial holding company:

(1) Possible benefits:

Create new management direction and value for the company.

Renovate corporate culture and organizational framework, bringing new business momentum and profit performance to the company.

Inject new idea and financial resources, creating triple wins for shareholders, clients, and employees.

(2) Possible risks:

Change in business strategy may affect company's business development and profit performance.

Change in management right may cause panic among employees, leading to high turnover and thereby affecting company's regular operation.

Change in management strategy may affect company's business development and Shareholder rights.

Change in management right may trigger concern among investors over company's management stability, driving down stock price.

j. Litigation and non-litigation incidents

(1) Taishin Financial Holding

Related parties : Lin Wei-tung (plaintiff) , Taishin Financial Holding (defendant)

Case : The case involves an agreement between Taishin Financial Holding and the plaintiff in 2004 for transaction in shares of Truswell Investment Trust, which was nullified due to disapproval of the regulator. The plaintiff filed a suit in May 2006, asking compensation for default.

Requested value : NT\$46,130,000



Description of the case :

Taishin Financial Holding won in the first trial.

Lin Wei-tung won in the second trial.

Taishin Financial Holding appealed the case to the third trial and the supreme court has returned the case for re-trial.

(2) Chang Hwa Bank

The bank engaged in a law suit with the ministry of defense of Iran involving US\$15 million of “requested wired payment” in 1991, which was won by bank according to the verdict of the supreme court on Aug. 1, 2002. The Iran party filed another suit for “surrogate request for the return of the wired payment” in 1997, which was also won by the bank according to the ruling of the Taipei district court on Sept. 10, 2004. The Iran party, though, appealed the court with Taiwan high court on Oct. 6, 2004 and the case is still being tried.

(3) Taishin International Bank (nil)

(4) Taishin Securities (nil)

(5) Taishin Bills Finance (nil)

(6) Taishin Asset Management (nil)

(7) Taishin Marketing Consultant (nil)

(8) Taishin Venture Capital (nil)

k. Other key risks and countermeasures (nil)

g. Crisis management and response mechanism

To assure the uninterrupted operation of the company’s major business activities, strengthen the company’s responsive capability for emergent incidents, and minimize the influence of disaster and resume normal operation within the shortest time possible, the company has formulated the BCP (business contingency plan), specifying the definition of emergent incidents, grading risks, and pinpointing responsibilities, and related handling procedure. Following the outbreak of emergent incidents, the chiefs of responsible units must handle the incidents immediately and notify superiors at various levels according to the extents of influence. For third-grade emergent incidents, the president should take charge, convening the headquarters’ emergency responding task force and activate BCP, directing the Risk-Management Department and supporting units to adopt contingent measures and plan for the resumption of operation.

h. Other important items: nil

VIII



Special Events on
Record



VIII. Special Events on Record

A. Information on affiliates

a. Basic information on affiliates

Dec. 31, 2009; Unit: NT\$1,000

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Taishin Bank	81.02.25	1st.fl. and 1st basement, No. 44, Zhongshan N. Rd. Sec. 2, Taipei	49,157,526	1. Deposit reception (reception of check deposit, demand deposit, time deposit, and savings deposit originally listed in its business license are included in the item) 2. Issuance of financial bonds. 3. Loan extension (short-, medium- and long-term loan extension, loan mortgaged by certificates of time deposit, consumption loan originally listed in its business license are included in the item. 4. Securities investment (investments in government bonds, short-term bills, corporate bonds, financial bond, and company stocks originally listed in its business license are included in this item) 5. Currency conversion 6. Cashing of banker's acceptance 7. Issuance of domestic L/C 8. Guarantee for corporate-bond issuance 9. Provision of domestic guarantee (guarantee business originally listed in the business license is included in the item) 10. Surrogate collection/payment 11. Underwriting securities (The undertaking of government bonds, treasury notes, corporate bonds, and corporate stocks originally listed in the business license is included in the item) 12. Custody and warehouse business 13. Lease of safe 14. Agency services related to the various businesses listed in the business license and approved by the regulator 15. Credit card (credit card and cash advance businesses originally listed in the businesses license is included in the item) 16. Trading in gold ingots, gold coins, and silver coins 17. Export/import forex, common outward and inward remittance, foreign-currency deposit, foreign-currency loan, and guarantee for secured foreign-currency payment 18. Derivatives approved by the regulator 19. Businesses permitted by Trust Industry 20. Dealer business in government bonds 21. Brokerage, dealing, certification, and underwriting of short-term bills
Taishin Bills Financial	87.01.19	10th fl., No. 118, Jenai Rd. Sec. 4, Taipei City	5,140,000	1. Certification and underwriting of short-term bills 2. Brokerage of and dealing in short-term bills 3. Guarantee and endorsement of short-term bills 4. Brokerage for inter-peer call loans 5. Corporate financial consulting 6. Brokerage of and dealing in government bonds 7. Certification and underwriting of financial bonds 8. Brokerage of and dealing in financial bonds 9. Brokerage of and dealing in corporate bonds 10. Derivatives approved by the regulator
Taishin Assets Management	91.08.27	2nd-3 fl., No. 9, Dehui Street, Taipei City	1,345,000	Purchase, appraisal, auction of bad-debt claims of financial institutions
Taishin Marketing	87.11.20	2nd fl., No. 111, Bade Rd., Sec. 4, Taipei City	1,000	Provision of temporary help service
Taishin Venture capital	92.09.30	2nd-3 fl., No. 9, Dehui Street, Taipei City	1,000,000	Ventral capital

VII. Financial Status, Review of Business Performance, and Risk Management

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Taishin Securities (formerly Tong Shing Securities)	79.01.15	2nd,fl., No. 44, Zhongshan N. Rd. Sec. 2, Taipei	1,030,000	1. Consigned trading in securities at the centralized market 2. Deal in securities at the centralized market 3. Accept consignment for securities trading at its business units 4. Deal in securities at its business units 5. Securities underwriting 6. Margin trading and short sale business for securities 7. Introducing brokerage for futures 8. Other businesses approved by the regulator
Payeasy Digital Integration Co.,Ltd	89.04.27	13th fl., No. 11, Zhongshan N. Road, Sec. 1, Taipei City	434,500	1. Investment consulting, 2. Management consulting, 3. Information software, 4. Information processing, 5. Provision of e-information, 6. Common advertisement service, 7. Other general retail, 8. Department store, 9. Brokerage, 10. Online certification, 11, wholesale of medical instrument, 12. Retail of medical instrument, 13. Storeless retail.
Taishin Insurance Agency	85.09.19	3rd,fl., No. 44, Zhongshan N. Rd. Sec. 2, Taipei	3,000	Agency for personal insurance
Taishin Insurance Borkers	91.07.24	3rd,fl., No. 44, Zhongshan N. Rd. Sec. 2, Taipei	60,000	Agency for property insurance
Dah An Leasing	86.10.13	2nd-2 fl., No. 9, Dehui Street, Taipei City	200,000	1. Leasing. 2. Wholesale for machinery equipment 3. Retail for machinery and apparatuses 4. Wholesale for precision equipment 5. Retail for precision equipment 6. Auto retail 7. Retail for ships and parts 8. Retail for aircrafts and parts.
Taishin Real Estate Management	84.08.17	2nd fl., No. 9, Dehui Street, Taipei City	200,000	1. Review of and consulting for realty development plan, 2, Contract inspection, 3, realty appraisal and credit investigation, 4, financial auditing, 5. Inspection of project progress and construction management, 6. Agency for performance guarantee, 7. Realty trading or liquidation, 8. Consulting and advisory service for other affairs
Shin Jui Assets Management	97.7.18	2nd-3 fl., No. 9, Dehui Street, Taipei City	1,000	Realty trading, realty leasing, factoring for the money-debt claims of financial institutions, and evaluation or auction of the money-debt claims of financial institutions.
PayEasy Travel Service	94.06.06	13th-1 fl., No. 11, Zhongshan N. Road, Sec. 1, Taipei City	13,000	Travel service
Contect Digital Integration Co., Ltd	97.12.29	12th fl., No. 11, Sec. 1, Zhongshan N. Road, Taipei City	7,300	1. Investment consulting; 2. Management consulting; 3. Information software service; 4. Information processing service; 5. Electronic information supply service; 6. Common advertisement service; 7. Internet certification service; 8. Department store; 9. Storeless retailing; 10. Other general retailing business; 11. Brokerage service.
CHB Life Insurance Agency	90.6.28	6th fl., No. 57, Zhongshan N. Road, Taipei City	5,000	Agency for personal insurance
CHB Life Insurance Brokerage	92.4.1	6th fl., No. 57, Zhongshan N. Road, Taipei City	5,000	Agency for property insurance
Chang Hwa Bank	39.7.1	No. 38, Ziyu Road, Taichung City	62,094,756	Deposit/loan, guarantee, acceptance, Forex, bills dealing, and credit card

IX



Items with major effect on
shareholders' benefits or
securities prices in 2008 and
as of the date for the
publication of the annual
report

XI. Items with major effect on shareholders' benefits or securities prices in 2008 and as of the date for the publication of the annual report

A. The company obtained 98.93% stake in Tung Hsing Securities after receiving the approval of the regulator for the investment on April 6, 2010 and subsequently renamed it Taishin Securities Co., Ltd.



Taishin Holdings

118 Ren-ai Road, Section 4, Taipei Taiwan R.O.C.

Tel : 886-2-2326-8888

<http://www.taishinholdings.com.tw>