

Taishin Holdings

2011 Annual Report



台新 20 週年



Taishin Holdings



Taishin Holdings

Taishin Financial Holding Co., Ltd.

9、12、13、16、20~23F, No.118, Sec. 4, Ren-ai Rd., Taipei, Taiwan
886-2-2326-8888
<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
<http://www.taishinbank.com.tw>

Taishin Securities Co., Ltd.

2F, No.44, Sec. 2, Jhongshan N. Rd., Taipei, Taiwan
886-2-2181-5888
<http://www.tssco.com.tw>

Taishin Asset Management Co., Ltd.

2F-3, No.9, Dehuei St., Taipei, Taiwan
886-2-2596-9388

Taishin Marketing Consultant Co., Ltd.

2F-4, No.9, Dehuei St., Taipei, Taiwan
886-2-2326-8899

Taishin Venture Capital Investment Co., Ltd.

18F, No.118, Sec. 4, Ren-ai Rd., Taipei, Taiwan
886-2-2706-6919

Taishin Securities Investment Trust Co., Ltd.

13F, No.96, Sec.1, Jianguo N. Rd., Taipei, Taiwan
886-2-2501-1000
<http://www.tsit.com.tw>

Taishin Securities Investment Advisory Co., Ltd.

16F, No.118, Sec. 4, Ren-ai Rd., Taipei, Taiwan
886-2-5589-9558
<http://www.tss-c.com.tw>

Taishin Holdings Insurance Brokers Co., Ltd.

11F, No.44, Sec. 2, Jhongshan N. Rd., Taipei, Taiwan
886-2-2562-1867

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

38 Tsu Yu Road, Section 2, Taichung, Taiwan
886-4-2222-2001
<http://www.chb.com.tw>



Taishin Holdings

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Taishin Holdings

01

Message to Shareholders



I. Message to Shareholders

Dear shareholders,

After experiencing a brief robust rebound in the wake of the global financial tsunami, the global economic growth rate slackened to 3.7% in 2011. Major reasons include downturn of the global economy, Japan's strong earthquake, and the Thai flood, which impacted the operation of the global industrial chain. The U.S. sovereign credit rating was downgraded and the European-debt crisis spread, weakening demand in the U.S. and European markets which dampened export growth of Asian countries. In addition, to counter inflation, mainland China embraced tightening policy, putting a damper on business expansion. Due to these factors, most stock markets dropped by 10-25% in 2011, except Dow Jones Industrial Average which rose 5%.

Taiwan's economy had a relatively stable performance. It scored over 5% in the first half but slid in the second half, due to global economic downturn, racking up 3.45% in the third quarter and 1.89% in the fourth quarter. The growth rate for the whole year is estimated at 4.04%. Foreign trade advanced 12.2% to US\$589.9 billion, a record high, but the expansion began to slacken, along with global economic downturn. The Cabinet-level Council for Economic Planning and Development flashed a blue light, signifying sluggish economy, for four consecutive months from November 2011 to February 2012 for Taiwan's economy. The Directorate General of Budget, Accounting, and Statistics (DGBAS) predicted that the economy would bottom out in the first quarter of 2012. Due to the effect, Taix index dropped to 7,072 as of the end of 2011, down 21% from a year earlier.

Under global economic slowdown and financial turmoil triggered by European-debt crisis, it is a good timing for Taiwan's financial industry to carry out financial reform, should it be able to take advantage of related niches. As of the end of 2011, the domestic banks racked up non-performing loan rate of 0.43%, bad-debt coverage rate of 252%, and BIS (Bank of International Settlement) ratio 12.08%, underscoring a financial strength which is the best in the past 10 years. The quality status constitutes a strong backup for domestic banks to expand their business, enabling them to tap overseas markets. In addition, Taiwan has signed cross-Taiwan Strait Economic Cooperation Framework Agreement, paving the way for domestic financial institutions to foray into mainland Chinese and emerging markets.

For mainland the mainland Chinese market, the government opened up various business items in 2011, including the establishment of finance leading firms and venture capital firms by companies with risk-management mechanism; undertaking of renminbi-related businesses by overseas branches and offshore banking units (OBU), which are conducive for domestic banks to tap renminbi-related business opportunities. In addition, the government is pushing financial businesses with cross-Strait characteristics, including cross-Strait currency clearance mechanism, renminbi wealth-management business, and online payment platform, which will further boost the flexibility for the development of financial business and expand the scope of customer service.

In terms of business performance, the company's after-tax earnings in 2011 was NT\$9.432 billion, the after-tax earnings per share (EPS) was NT\$1.26, the return on equity (ROE) was 11.06% for common shares, and the net asset value per share was NT\$11.98. Overall profit was the highest in the past seven years. With the additional help of improving asset quality and good capital structure, the holding company's capital adequacy ratio (CAR) was 129.68%, placing it in a leading position among the financial holding companies. In the latest report released in December 2011, the global rating agency Fitch Ratings confirmed the company's long and short term credit ratings to be A+(twn) and F1(twn), respectively. The company's long and short term credit ratings given by Taiwan Ratings Corporation were twA and twA-1. Both agencies rated the outlook to be stable.

The main source of profit for the company is its subsidiary Taishin Bank. The average net interest margin (NIM) in the fourth quarter of 2011 was 1.42%, and the net interest income for the year was NT\$12.5 billion, growing by 5.6% compared to the previous year. The balance of discounts and loans increased by 13% compared to the previous year; the amount of bad debt recovered was NT\$3.79 billion, growing by 22% compared to the previous year. The total pretax income for the bank was NT\$9.21 billion, and the bank of international settlements (BIS) was 12.76%.



I. Message to Shareholders

Furthermore, the non-performing loan ratio fell significantly from 0.33% to 0.16%, while the bad debt coverage ratio rose to 745.19%.

With respect to business expansion, Taishin Holdings has set sail on its maiden voyage into China. One of its subsidiaries, Taishin Financial Leasing (China), has opened the door for business in Nanjing in October 2011. The company provides mainly corporate financing for procurement of machinery and equipment. In addition, the company also plans to apply for the establishment of Taishin Financial Leasing (China) in Tianjin, which is scheduled to start operations in the second half of 2012 and is expected to expand the leasing services in China. With respect to the overseas operations outside China, the company has received approval to open an Australian branch in Brisbane and a Singapore branch, which will help the bank create a more extended financial service network.

The bank has also made progress in terms of establishing subsidiaries in Taiwan. After the acquisition of Franklin Insurance Brokers in April 2011, the company renamed it Taishin Holdings Insurance Brokers in May. The brokerage firm provides mainly life and P&C insurance brokerage services, and has signed service agreements with 18 life insurers and 14 P&C insurers. The partnership between Taishin Bank and Taishin Holdings Insurance Brokers, both under the same financial holding company, offers a wider range of life and P&C insurance products and services.

In the mainland Chinese market, the financial holding company has established close relations with banking institutions in China. The company has signed memorandum of understanding for cooperation with Zijin Holding, Bank of Nanjing and Chengdu Rural Commercial Bank. It facilitates business cooperation in lending and factoring.

Performances of the bank's two major business units, retail banking group and wholesale banking group, follow:

Retail Banking Group

As of the end of 2011, outstanding amount of retail housing procures (including book-value loans) reached NT\$266.1 billion, for market share of 4.6%; outstanding auto loans amounting to NT\$15.7 billion, for market share of 22.4%, ranking first place in the market. The number of credit cards in circulation reached 2.96 million cards, for market share of 9%, ranking third place, and annual credit-card spending value reached 147.6 billion, for market share of 8.8%, ranking fourth place. The number of merchants hit 46,000 stores, for market share of 16.8%, ranking third place.

In November 2011, Taishin Bank and Ever Rich Duty Free Shop jointly issue co-branded credit card, which offers the benefits of free parking at international airport and free usage of VIP rooms at international airports in Greater China. Services for infinite cards are further upgraded, such as cooperation with China Airlines for unlimited upgrading of flight seats for card holders. In 2011, the bank rolled out "business-class ticket upgrading for high-speed" rail for holders of Taishin's infinite cards.

In 2011, Taishin Bank launched "oral instruction" service, which is available for deposits, fund withdrawal, and fund transfer at counters. According to the oral instructions of customers, banking staffers would produce trading certificates for confirmation by customers to complete the transactions. In 2011, Taishin Bank received the awards of "Taiwan's best retail bank" and the "best direct marketing in Asia," granted by Asian Banking & Finance, as well as the 2011 "excellent service award," granted by Global View Monthly.

With respect to securities brokerage services, Taishin Securities operates 3 points of service in Taiwan, located in Taipei, Taichung, and Kaohsiung. The offices accept conventional manual orders from domestic or foreign corporate clients and individual investors. There is a continuing effort to strengthen the cross marketing counters shared with Taishin Bank and increase the number of service points that provide services such as opening new securities accounts and changing personal information. Meanwhile, in order to create a differentiated e-trading



platform, Taishin Securities also invests heavily in boosting the trading volume on its e-business platform with the aim to become one of the leading brands in the market.

Wholesale Banking Group

Following the launch of renminbi business by the Hong Kong branch in 2010, offshore banking unit (OBU) also rolled out renminbi business in November 2011, not only providing offshore enterprises individuals deposit/loan service but also enabling them to engage in flexible renminbi-fund maneuvering and fund-flow management, which cuts cost and risk for trade-related remittances. In addition, thanks to relaxation of regulations by the regulator, overseas branches and OBU are able to invest in securities in mainland China, boosting the business niches of the bank.

Under the simultaneous care of risk management and business development, the bank extended NT\$190.7 billion of outstanding corporate loans, up 20% than a year earlier. In addition, in line with the government's policy of financing small and medium enterprises, the bank extended NT\$54.6 billion of outstanding loans to small and medium enterprises as of the end of 2011, up 19% over a year earlier, compared with 11% growth of other domestic banks.

The bank undertook NT\$297.1 billion of factoring business in 2011, ranking third place in the market, and outstanding amount of US\$34.6 billion for derivative contracts, ranking fourth place. It undertook stock-affair service for 182 listed firms, ranking fourth place.

In terms of securities underwriting, Taishin Securities served as an underwriter in 20 cases in 2011, ranking sixth among the competition. The operation brings together the resources under the financial holding company in an active effort to secure as many domestic underwriting cases as possible while exploring opportunities overseas by attracting more foreign companies to participate in the capital market in Taiwan. The aim is to develop Taishin Securities into a financial service platform that offers premium services, a diversified range of businesses, and high added value.

For corporate information service, Taishin Bank obtained 2011 IDC corporate innovation award with its unified facility and risk management system (UFRMS), following its winning of the award with its image process management in 2010. UFRMS aims to achieve "automated risk management for credit-extension risk," "upgraded credit-extension operating flow," and "integrated management of customer information." The purpose is to automate various corporate-banking businesses, including reception of loan applications, quota management, and risk warning. In addition to rapid duplication of quota-control operating flow, it can instantly and effectively control various product risks, so as to enhance overall service standard of the bank and its market competitiveness.

2012 is the Taishin's 20th anniversary. Meanwhile, every employee of the company will adhere to the spirit of dedication and the Taishin bank will aspire to become the most "dedicated bank."

For the purpose, the bank invited this year Dong Yangzi, a master calligrapher in Taiwan, to write down the two Chinese characters "Renzhen (dedication)" at the headquarters building of Taishin Financial Holding, to remind all employees of the spirits of "innovation" and "dedication," and of the corporate core values of "integrity, commitment, innovation, and cooperation" (ICIC). We also encourage employees to fulfill the 3S (simple, sincere, and superior) professional services, so as to win the acknowledgement of customers and create profits for shareholders.

Chairman
Taishin Financial Holding
May 2012



Taishin Holdings

02

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, 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.

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.



II. Brief Introduction to the Financial Holding Firm

On July 26, 2010, Taishin Investment Trust and Securities Investment Advisory were put into the fold of the financial holding company again, becoming its subsidiaries. On Dec. 18, Taishin Investment Trust acquired Taiwan Industrial Bank Securities Investment Trust, further expanding the scale and market share of the assets under its management.

On Jan. 22, 2011, subsidiary Taishin Bank took over Taishin Bills Finance, in order to cut cost, effectively integrate the financial holding company's internal resources, and create high yield, making the company a financial holding company centering on a quality bank.

On April 27, 2011, the company acquired Franklin Insurance Brokers Co., Ltd. (renamed as Taishin Holdings Insurance Brokers on May 16, 2011), thereby enabling other subsidiaries to access non-life and life insurance products and provide complete product lineup for sales service.

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-

- 2011.09 [Taishin Bank] was ranked No. 1 in the Banking Category for Outstanding Service by Global Views Monthly in the Service Industry Survey 2011.
- 2011.08 [Taishin Bank] won the IDC Enterprise Innovation Award.
- 2011.08 [Taishin Bank] was awarded 2011 Taiwan Retail Bank of the Year and Best Direct Marketing Campaign.
- 2011.07 Taishin Holdings has been a longtime sponsor of Guoshing Taekwondo practitioners who have received the President's Education Award. It is an honor for the company to be involved in these activities and inspires the company to remain committed to providing its support.
- 2011.07 [Taishin Bank] was ranked No. 3 in Best Services in the Wealth Management Survey by Business Today.
- 2011.07 [Taishin Bank] was ranked No. 1 in Best Wealth Protection in the Wealth Management Survey by Business Today.
- 2011.06 Taishin Holdings sponsored Yani Tseng, the top-ranked female golfer in the world, to win another championship and become the youngest player to win four grand slam tournaments.
- 2011.02 [Taishin Bank] received the Customer Loyalty Award at the Golden Eagle Award by China Productivity Center.
- 2011.02 [Taishin Bank] was ranked No. 1 in customer service hospitality at the Dragon Award by China Productivity Center.



Taishin Holdings

03

Corporate Governance



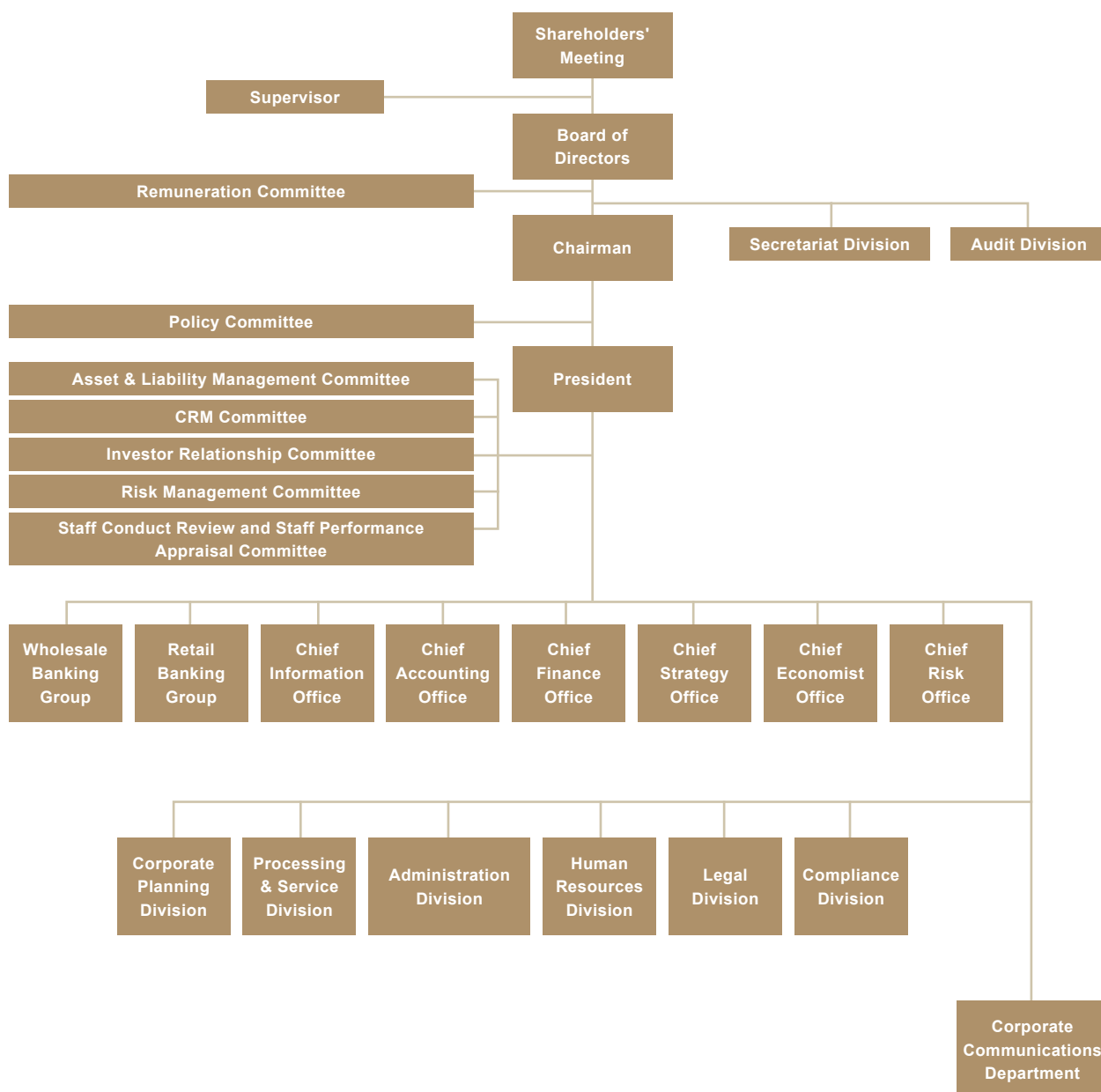


III. Corporate Governance

A. The organization of the financial holding firm

a. Organization chart

Base date: April 1, 2012





b. Responsibilities of major units:

(1) Chief Economist Office

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

(2) Wholesale Banking Group

- Research, marketing strategy, and management of corporate-banking products and system for the company and subsidiaries.
- Preparation, planning, and business management of the overseas branches and invested companies of the company and subsidiaries.
- Management of corporate-banking assets and credit extension of the company and subsidiaries.
- Assistance for subsidiaries in providing financial consulting service for corporate syndicated loan, merger, and restructuring.
- Assistance for subsidiaries in providing service for share listing on the centralized market, over-the-counter market, and emerging enterprise market.
- Planning for the development and marketing of capital-market products.
- R&D for forex, field-yield products (bills and bonds) and derivatives, assistance for subsidiaries to manage sales and tractions related corporate banking.
- Formulation, execution, and management of external contracts and documents related corporate banking business of the company and subsidiaries.

(3) Retail Banking Group

- Assist subsidiaries in planning the marketing strategy of credit card, cash card, and customers of personal wealth-management and fortune management branches (including investment and consumer banking products).
- Assist subsidiaries in product R&D and management of overdue debt collection.
- Assist subsidiaries in the planning and execution of consumer-banking businesses, such as CRM (customer relationship management) marketing and phone/database marketing.
- Formulation, execution, and management of external contracts and documents for consumer-banking business of the company and subsidiaries.

(4) Chief Strategy Office

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

(5) Chief Finance Office

- Planning and management of the bank's liquidity risk and bankbook interest risk as well as supervision and evaluation of subsidiaries.



III. Corporate Governance

- Planning and management of the structural deployment of assets and liabilities and the deployment of fund utilization.
- Planning, implementation, and management of asset-based securities business as well as supervision and evaluation of subsidiaries.
- Implementation of credit ranking and assistance for subsidiaries to undertake credit rating.
- Planning, execution, and management of the company's non-strategic long-term investment; execution and management of strategic long-term investment; and supervision and evaluation of subsidiaries.
- 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.
- 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.
- Communications, contact, and the setup of long-term relationship with institutional investors.

(6) 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.

(7) 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.

(8) Chief Information Office

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

(9) 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.
- Formulation, execution, and management of human resources-related contracts and documents of the company and subsidiaries.

(10)Administration Division

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

(11)Corporate Communications Department

- Drafting, formulation, and execution of public-relations regulations and policy for the company and subsidiaries.
- Planning, establishment, execution, and review of public relations with the government, media, shareholders, creditors, elected representatives, and customers for the company and subsidiaries.
- Planning, establishment, execution, and review of the corporate public image of the company and subsidiaries.
- Planning, establishment, execution, and review of the prevention of the corporate-image risk and crisis-management mechanism of the company and subsidiaries.
- Formulation, execution, and management of public relations-related external contracts and documents for the company and subsidiaries.

(12)Legal Division

- Drafting, formulation and execution of legal affairs-related regulations and policy for the company and subsidiaries.
- Study and inquiry for the legal affairs of the company and subsidiaries.
- Review and supervision of various contracts and documents for the company and subsidiaries.

(13)Compliance Division

- Drafting, formulation, and execution of regulations and policy for legal compliance for the company and subsidiaries.
- Study, transmission, inquiry, coordination, and communications for legal-compliance affairs for the company and subsidiaries.
- Execution, supervision, and evaluation of legal-compliance affairs for the company and subsidiaries.

(14)Processing & Service Division

- Drafting and formulation of Processing & Service regulations and policy for subsidiaries.
- Planning of Operation flow, establishment and management of the centralized operation system for subsidiaries.
- Launch workflow reformed project and evaluation and review the result for subsidiaries.
- Formulation and management of Processing & Service -related external contracts and documents for subsidiaries.



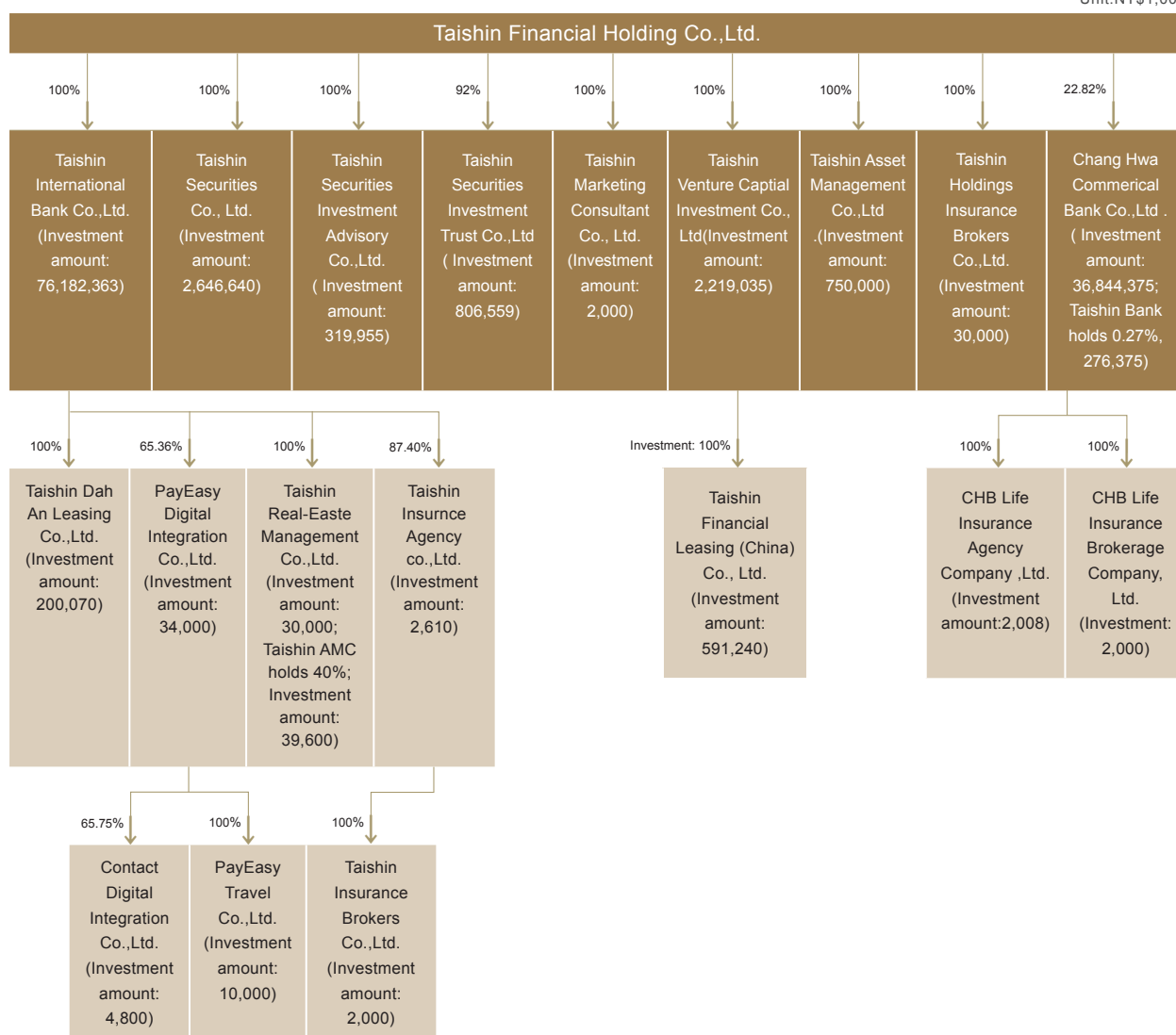
III. Corporate Governance

(15) 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.
- Coordination and communications with the regulator.
- Business-related communications and coordination among various business groups and subsidiaries of the financial holding company.
- Formulation, execution, and management of general planning-related external contracts and documents for the company and subsidiaries.
- Planning, establishment, execution, and management of the organizations of the company and subsidiaries.

The Organizational Chart of Taishin Financial Holding and Its Affiliates

Base date: March 31, 2012
Unit: NT\$1,000



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

a.Data of board directors and supervisors

Base date: March.31, 2012

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: Chu-Chan Wang	Director, Taishin Financial Holdings, Taishin Bank Pharmaceutical Department, Kaohsiung Medical College	Note 6	Nil	Nil	Nil
Board director	Bo-Rui Co., Ltd. Representative: Kung-Hsing Wu	President, Taiwan Stock Exchange Corporation Chairman, Taishin Securities. National ChengChi 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: Yang-Tzong Tsay	Managing Director of Taiwan Bank Dean of Accounting graduate school, National Taiwan University Ph.D. in Business Administration, University of Maryland	Note 10	Nil	Nil	Nil



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, directors or supervisors		
				Title	Name	Relationship
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
Supervisor	Royal International Co., Ltd. Representative: Simon C.C.Cheng	The Top Consultant of Want Want China Times Group Chairman of CTITV Master in Economics, National Taiwan University	Note 12	Nil	Nil	Nil

- Note1: Representative Thomas T.L. Wu, is concurrently acting as Chairman of Taishin Bank, Chairman of Taishin Charity Foundation Director of Taishin Real Estate Management, Director of AN-SIN Real Estate Management, Director of Shin Kong Mitsukoshi Department Store, Director of Shin Kong Lohas, Director of Shin Kong Construction and Development, Director of Wangtien Woolen Textile, 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 Shin Kong Chao Feng, Supervisor of Shin-Shi Enterprise, Supervisor of Chin-Shan Investment, Supervisor of Beitou Hotel.
- Note2: Representative Weijian Shan, is concurrently acting as Chairman of Pacific Alliance Group Ltd., 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 Edenvale Holdings Ltd. Director of Zoom Telecom Systems Ltd. Director of Pag Holdings Ltd., Director of Paglobal Opportunity X Ltd., Director of Funtalk China Holdings Ltd., Director of Fortress Group Ltd., Director of China Venture Capital and Private Equity Association Ltd.,
- Note3: Representative Jui-Sung Kuo, is concurrently acting as Chairman of Jui-Fang Co., Chairman of Shin-An Investment, Director of Taishin Bank, Director of An-Long Enterprise, Director of TECO Image Systems, 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.
- Note4: Representative Cheng-Ching Wu, is concurrently acting as Chairman of TASC Chemical, 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 Directro of Chang Hwa Bank, Director of China Investment & Development, Directro of CIDC Consultants, Directro of Shun-Li-Tong Transportation.
- Note5: Representative Steve S.F. Shieh, is concurrently acting as Director of Taishin-Da-an Leasing Co., Director of Taishin Insurance Agency, Director of PayEasy Digital Integration, Director of PayEasy Travel Service.
- Note6: 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 Tai-Wa Co.
- Note7: Representative Kung-Hsing Wu, is concurrently acting as Managing Director of Taiwan Securities Association, Supervisor of GreTai Securities Market.
- Note8: Chih-Kang Wang, is concurrently acting as Chairman of Taiwan External Trade Development Council, Chairman of Taipei Word 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 Chilisn Electronics, Director of Straits Exchange Foundation, Executive of The General Association of Chinese Culture.
- Note9: Neng-Pai Lin, is concurrently acting as Independent Director of Taishin Bank, Independent Director of Darfon Electronics, Director of TECO Image Systems.
- Note10: Representative Yang-Tzong Tsay is concurrently acting as Independent Director of South China Insurance Co.Ltd. Independent Director of E-Ton Solar Technology Corp. Standing supervisor of Taishin Bank Supervisor of KINGPAK Technology Inc., Supervisor of Speedtech Corp., Supervisor of Shin Zu Shing Co., Ltd., Supervisor of Coremax Corporation.
- Note11: 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 Shi-Hong Investment, Director of Nica-Orient Development, Director of Virgin Enterprise, Director of Gyu-Kaku, Director of Toms World Amusement, Director of International Advanced Music, Director of Music Duck, Supervisor of Taishin Bank, Supervisor of Konig Foods, Supervisor of Tai-Li-Ya Development.
- Note12: Representative Simon C.C.Cheng is concurrently acting as Chairman of Taishin Bank Foundation for Arts and Culture Director of Taishin Charity Foundation.

b. President, Vice-presidents and Department Heads

Base date: March 31, 2012

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
President and Chief Executive Officer, Wholesale Banking Group	Joseph Jao	Governor of East West Bank (China) Co., Ltd. University of Missouri-Columbia, Master of Business Administration	Director of Taishin Financial Leasing (China) Director of Taishin Securities	None		
Chief Executive Officer, Retail Banking Group	Oliver Shang	Chief Executive Officer, China trust Financial Holding, University of Delaware, Master of Business Administration	Chairman of Taishin Holdings Insurance Brokers			
Chief Auditor	Howard Wu	Vice President of Citi Bank Baker University, U.S.A., Master of Science	N/A			
Chief Strategy Officer	Daniel Tsai	President of Taishin Bank EMBA, National Chiao Tung University	Chairman of PayEasy Digital Integration Director of Taishin Marketing Consultant , PayEasy Travel Supervisor of Contact Digital Integration			
Chief Information Officer	BR Ho	Vice president for technology and industrial consulting, SAP Taiwan Master of Management Information Systems, National Chengchi University	N/A			
Chief Finance Officer	Welch Lin	President, ABN AMRO Taiwan University of California, Los Angeles (UCLA), Master Of Business Administration	Supervisor of Taishin Venture Capital, Taishin Holdings Insurance Brokers, Taishin Real Estate Management, PayEasy Digital Integration, Taishin Dah An Leasing, Taishin Financial Leasing (China) Vice Chairman of Taishin Investment Trust Director of Taishin Insurance Agency, Taishin Insurance Broker Director of Chinese New Venture Capital, HanHua Venture Capital, Tengfeng Venture Capital Supervisor of Tehlin Co., Ltd. and Tehlin Investment Director of Yuanta Foreign Exchange Brokerage			



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
Chief Accounting Officer	Ann Cheng	Vice president of The Royal Bank of Scotland University of New Haven, Master of Business Administration	Supervisor of Taishin Marketing and Taishin Securities Senior Vice President of Taishin Bank	None		
Chief Risk Officer	Jey chen	Vice President of KGI The University Of Texas At Austin, Doctor of Philosophy	Vice President of Taishin Bank			
Senior Vice President	Wilson Chou	Vice president of Cosmos Bank University of Dallas, Master of Business Administration	Senior Vice President of Taishin Bank Director of Taishin Securities Investment Advisory			
Vice President	Chao-Min Lin	Vice President of Taishin Bank Department of Law, Soochow University	Vice President of Taishin Bank			
Vice President	Patrick Lin	Vice President of Taishin Bank Department of Business Administration, Fu Jen Catholic University	Vice President of Taishin Bank			
Vice President	Chris Chang	Assistant Vice President of Citi Bank University of California, Los Angeles, Master Of Business Administration	Vice President of Taishin Bank			
Vice President	Frank Lin	Assistant Vice President of Taishin Bank University of Southern California, USA, Master of Public Administration	Vice President of Taishin Bank			
Vice President	Jai, Lu-June	Vice President of Taishin Bank Department of Law, National Taiwan University	Vice President of Taishin Bank			

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

a. Internal Control Statement

To Financial Supervisory Commission:

April 19, 2012

We hereby declare, on behalf of Taishin Financial Holding 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, 2011 to December 31, 2011. 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

饒世湛



Chief Auditor

吳弘仁



Compliance Officer

林北欣





III. Corporate Governance

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

Base date: Dec. 31, 2011

Items needing improvement	Improvement measures	Schedule for improvement
The company		
1. Governing the management of subsidiaries to report for major information	Already strengthen promotion with various units of the financial holding company and subsidiaries to avoid delayed report.	Improvement completed.
2. Governing the management of subsidiaries to set up the process for handling acquisition and disposal of assets.	Already formulated management mechanism and operating flow for related transactions.	Improvement completed.
Taishin International Bank		
1. Management of compliance with law/regulation on marketing of insurance products	Revised related business management norm and organize training courses, to strengthen legal compliance by employees	Improvement completed.
2. Operating flow and security control for surrogate fund collection at counters	Revised operating flow and security control mechanism for surrogate fund collection at counters	Improvement completed.
3. Management of outsourcing work for document destruction	Revised operating mode and execution procedure for outsourcing the destruction of documents	Improvement completed.
Chang Hwa Bank		
1. The Bank's safe deposit box service handling procedures with backup key.	Clearly segregating the role of staff responsible for vault security, increasing the depth of self-inspection and organizing training courses for staff.	Improvement completed.
2. Management of the staff of the Bank to serve concurrently at subsidiaries of the Bank.	Already formulated Management Guideline .	Improvement completed.

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

	Cases and values	Status of improvement
A. Indictment of executives or staffers by prosecutors for job-related crimes.	Taishin Securities: CEO Chi-Pin Shih previously worked for the former Taiwan Securities; he was prosecuted for violating Item 3 of Paragraph 1 and Paragraph 2, Article 171 of the Securities and Exchange Act by the Taiwan Shilin District Prosecutors Office on June 16, 2011.	(1) CEO Chi-Pin Shih provided a copy of the prosecution letter on June 17, 2011 and the company filed the letter as required by law. (2) The case was disclosed by the parent company, Taishin Holdings, in accordance with Paragraph 2, Article 2 of the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities on June 17, 2011. (3) The case has now entered the legal proceedings; no action will be taken until the court makes a decision.
B. Fines inflicted by Financial Supervisory Commission (FSC) for violation of laws/regulations	1. Taishin Financial Holdings (1) The FSC fined the company's chief executive NT\$240,000 for failing to notify directors and supervisors seven days in advance for some meetings of the board of directors during Jan. 15, 2008 and May 22, 2009 and provide reasons for some meetings (FSC, No.09990030006, Aug.18, 2010).	In the future, for emergent cases needing immediate discussion, the board of directors should be convened according to the stipulations of the Company Laws and measures governing the meeting of board of directors.

	Cases and values	Status of improvement
	(2) The board of directors of the company's subsidiary Taishin Asset Management resolved on Oct. 11, 2010 to buy fixed assets from Hsinjui Asset but the company didn't post the information on Market Observation Post System until Oct. 13, 2010, for which Taiwan Stock Exchange fined the company NT\$30,000 (TSE, No. 0991705989, Dec. 30, 2010).	The board of directors of Taishin Asset Management resolved on Jan. 21, 2011 to set the deadline for publicizing or reporting obtaining or disposal of assets at the time before the beginning of the next trading session.
	2. Taishin Bank (1) The FSC inflicted a fine of NT\$500,000 on the bank for providing data on the deposits and loans of customers without their agreement to the financial holding companies and subsidiaries for the purpose of joint marketing (FSC, No. 09900053443, July 6, 2010).	Already reviewed and adjusted the management mechanism for the use of customer information for joint marketing.
	(2) The FSC inflicted fine of NT\$2 million on the company for engaging in transactions other than credit extension with parties specified in item 1, article 45, Financial Holding Company Law without obtaining the approval of the board of directors in advance (FSC, No. 09960004101, Aug. 11, 2010).	Already formulated management mechanism and operating flow for related transactions requiring the submission of such transactions to the board of directors for approval in advance.
	(3) The FSC inflicted NT\$500,000 of fine on the company for requiring co-issuer of promissory notes for auto loans already secured sufficient chattel as collateral (FSC, No. 09900177531, Aug. 17, 2010).	No need of related debtor with associated liabilities for loans already secured by sufficient chattel as collateral.
	(4) The FSC inflicted a fine of NT\$6 million on the company and suspended some businesses of the company as the following for improper management of its subsidiary Taishin Insurance Agency (FSC, No. 09800575551, Aug. 27, 2010): (a) Suspend application for investments specified in article 74, Banking Law, for one year, excluding ongoing investments already approved by the FSC. (b) Forbid mutual utilization of customer information with Taishin Insurance Agency and Taiwan Insurance Brokers, according to article 10, "measures governing joint marketing among subsidiaries of financial holding company." (c) Stop signing new cooperative promotional contract or continued contract with Taishin Insurance Agency and Taishin Insurance Brokers according to "regulations on cooperation between banks, securities firms, and insurance firms for pushing products of other lines or providing related services." (d) The restrictions of (2) and (3) can be removed only after the bank has owned 100% shares Taishin Insurance Agency and obtained the acknowledge of the FSC for rectifying related defects.	Already revised the bank's measures governing the management of subsidiaries and required the subsidiary to revise its corporate charter and measures governing authorization of expenses and outlays, so as to maintain the operation of an effective and proper internal control system.



III. Corporate Governance

	Cases and values	Status of improvement
	can be removed only after the bank has owned 100% shares Taishin Insurance Agency and obtained the acknowledge of the FSC for rectifying related defects.	
	3. Taishin Securities Investment Trust The FSC rectified and fined the company NT\$120,000 for the lack of reasonable basis and misleading contents for the analytical report which was used as the basis for fund management (FSC, No.0990019431, May 4, 2010).	(1) Already required fund managers to strengthen the contents of fund-investment analytical report, which should cover industrial status, corporate operation, profit forecast, and financial status. (2) Already required administrative staffers to intensify examination of report contents to avoid mistakes of investment analytical report.
C. Defects being rectified by the FSC	Nil	
D. Penalized by the FSC according to item 1, article 54, of the law	Nil	
E. For individual or combined loss exceeding NT\$50 million in value which results of personnel corruption, major incidents (fraud, burglary, embezzlement and stealth of assets, fraudulent transaction, forged certificates and securities, collection of feedback, damage of natural disaster, damage of external force, hacker attack and stealth of information, and F. leakage of confidential business and customer information) or security incidents resulting from failing to abide by guidelines for security maintenance of financial institutions, disclose its nature and loss amount.	Nil	
G. Other items mandated by the FSC for disclosure	(1) The FSC rectified the company for lack of clear guidelines for joint-marketing expense sharing among subsidiaries, leading to much confusion (FSC, No.09900053441, July 6, 2010).	The board of directors of the company passed "guidelines for business-promotion expense sharing among the financial company and subsidiaries" on November 12, 2010.
	(2) The subsidiary Taishin Venture Capital passed a resolution in the board meeting on August 31, 2010 to invest in subsidiaries in Hong Kong and China. However, the company failed to make disclosure and filing according to the stipulated format and content on behalf of its subsidiary, and was rectified and issued a warning by the Financial Supervisory Commission of the Executive Yuan in the letter Jin-Guan-Zheng-Fa No. 1000007882 on March 22, 2011.	The disclosure was made according to the stipulated format and content on March 24, 2011.

	Cases and values	Status of improvement
	(3) The company failed to urge its subsidiary Taishin Marketing to implement an asset acquisition and disposal procedure. The procedure was not implemented until August 13, 2010, which was in violation of Paragraph 3, Article 7 of the Criteria for Handling Acquisition and Disposal of Assets by Public Companies. The company was rectified and issued a warning by the Financial Supervisory Commission of the Executive Yuan in the letter Jin-Guan-Zheng-Fa No. 1000036392 on August 4, 2011.	The subsidiaries all implemented their own procedures for acquisition or disposal of assets to comply with the applicable regulations.
	2. Taishin Bank (1) Dismiss legal specialist Chen for embezzling provisions of deposits for court provisional seizure under the order of the FSC (FSC, No. 09900086771, April 6, 2010).	(1) Collection of the deposits for court provisional seizure can be conducted only in the form of registered negotiable instruments payable to Taishin International bank or remittance, rather than cash. (2) Regular rotation of persons in charge and cases undertaken, avoid monopoly of cases by the same person over a long term, to avoid irregularities. (3) Regular check with the court in charge or custodian of provisions for long-term uncollected deposits, to ascertain the status the deposits for court provisional seizure and the progress of the case.
	(2) The FSC rectified the bank for incident, in which the deposit of the bank's customer was withdrawn by a staffer of a securities firm with fake chop (FSC, 09900235471, Aug. 9, 2010).	(1) Add a text-message function for transaction with accumulated value exceeding NT\$10 million (inclusive). (2) Add a phone-confirming function for transactions of deposit withdrawal or transfer exceeding NT\$10 million (inclusive) in accumulated value in one week.
	(3) Bank officials contact offshore insurance agents in private for arranging seminars, a move which was rectified by the Financial Supervisory Commission (FSC, No. 10000032740, May 9, 2011).	Already revised related business regulation and held educational training program to strengthen employee to follow the law compliance.
	(4) Clerk Yieh embezzled funds of surrogated collection, which was rectified by the FSC with an order for the dismissal of Yieh's job (FSC, No. 10000331690, Nov. 11, 2011).	Already rectified the operating flow and security control mechanism for surrogate fund collection at counters
	(5) The FSC rectified the mistake for outsourcing the destruction of documents (FSC, No. 10000371210, Dec. 9, 2011).	Already revised the operating mode and execution procedure for outsourcing work for the destruction of documents
	3. Taishin Securities: The company was commissioned to be the primary underwriter in the cash capital increase for Taiwan Life Insurance Co., Ltd. in 2011 by issuing Class B preferred shares and to provide a valuation report. Certain incidents described in Paragraph 5, Article 25 of the Regulations Governing Securities Firms were discovered and required to be corrected by the Financial Supervisory Commission of the Executive Yuan in the letter Jin-Guan-Zheng-Fa No. 10000466071 on October 14, 2011 (and issued 1 disciplinary point).	(1) More effort will be invested in education and training of the sales force and in reinforcing legal awareness. The small number of preferred share issues in the market will not be an excuse for negligence. The sales team and valuation team can collaborate to determine what details need to be focused on for both teams. (2) A note has been added to the internal audit procedure stating that, for preferred shares, the minimum capital required is NT\$300 million. If the issuer alters the capital structure, an overall review will be carried out with regard to the legal legitimacy of the aforesaid.



III. Corporate Governance

	Cases and values	Status of improvement
	<p>4. Taishin Securities Investment Trust</p> <p>The company has revised the Articles of Incorporation on June 23, 2009, but failed to change the registration until December 30, 2010, which was in violation of Paragraph 6, Article 387 of the Company Act. The company was fined NT\$50,000 by the Ministry of Economic Affairs as related in official letter Jing-Shou-Shang No. 10001004140 on January 7, 2011.</p>	<p>(1) The filing process has been included as part of the operating procedures.</p> <p>(2) The revision of the Articles of Incorporation on February 24, 2011 was filed with and approved by the Ministry of Economic Affairs within the given deadline.</p>



Taishin Holdings

04

Fund Raising





IV. Fund Raising

A. Shares and Dividend

a. Capital Sources

Base date: 2012.3.31; 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. 09101051620, Feb. 18, 2002(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. 09101445430, Nov. 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. 09101512320, Dec.31, 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. 09201288980, Oct. 13, 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 B preferred share 4,000,000	Issuance for convertible bonds in the second quarter 2004	MOEA, No. 09301138150, July 26, 2004 (note 10)

Times	Issuing prices	Approved capital		Paid-in capital		Notes	
		Number of shares	Value	Number of shares	Value	Capital sources	others
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. 09301198370, 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)
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)



IV. Fund Raising

Times	Issuing prices	Approved capital		Paid-in capital		Notes	
		Number of shares	Value	Number of shares	Value	Capital sources	others
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)
Aug. 2010	10	10,000,000	100,000,000	common share 5,909,440 C preferred share 466,159 D preferred share 725,136	common share 59,094,401 C preferred share 4,661,593 D preferred share 7,251,368	Conversion of earnings to capital for new share issuance	MOEA, No. 09901192150, Aug. 2010 (note 26)
Jan. 2011	10	10,000,000	100,000,000	common share 5,909,596 C preferred share 466,159 D preferred share 725,136	common share 59,095,961 C preferred share 4,661,593 D preferred share 7,251,368	Issuance of new shares for exercise of options by employees	MOEA, No. 10001019790, Jan. 2011 (note 27)
May. 2011	10	10,000,000	100,000,000	common share 5,911,259 C preferred share 466,159 D preferred share 725,136	common share 59,112,591 C preferred share 4,661,593 D preferred share 7,251,368	Issuance of new shares for exercise of options by employees	MOEA, No. 10001097940, May. 2011 (note 28)
Aug. 2011	10	12,000,000	120,000,000	common share 6,325,047 C preferred share 466,159 D preferred share 725,136	common share 63,250,472 C preferred share 4,661,593 D preferred share 7,251,368	Capital Increase by Earning	MOEA, No. 10001187970, Aug 17 2011 (note 29)

- 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.
- Note 26: Conversion of earnings to capital for issuance of 585,620,193 common shares.
- Note 27: Exercise of options by employees for issuance of 156,000 common shares.
- Note 28: Exercise of options by employees for issuance of 1,663,000 common shares.
- Note 29: 413,788,139 new shares were issued for capital increment with the company's earnings.



IV. Fund Raising

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 33,840,616 C-type shares, thereby reducing the total amount of such shares to 466,159,384 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 52,640,959 C-type preferred shares, thereby reducing the amount of such shares to 725,136,820 shares.

Share categories	Approved capital			Notes
	Shares in circulation	Shares without issuance	Total	
Common shares	6,325,047,270 shares			Listed shares
Preferred shares	1,191,296,204 shares	4,483,656,526 shares	12,000,000,000 shares	466,159,384 C-type preferred shares are listed shares; 725,136,820 D-type private-placement preferred shares are unlisted shares.
Total	7,516,343,474 shares	4,483,656,526 shares	12,000,000,000 shares	

B. Structure of Shareholders

Structure of Shareholders(common shares)

base date: April 24, 2012

Structure of Shareholders Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	15	99	463	202,637	621	203,835
Shares	65,624,422	417,770,797	1,045,163,747	2,594,982,538	2,201,505,766	6,325,047,270
Share of stake(%)	1.04%	6.61%	16.52%	41.03%	34.81%	100.00%

Structure of Shareholders (C preferred shares)

base date: April 24, 2012

Structure of Shareholders Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	0	22	12	91	0	125
Shares	0	364,972,811	95,353,593	5,832,980	0	466,159,384
Share of stake(%)	0.00%	78.29%	20.46%	1.25%	0.00%	100.00%

Structure of Shareholders (D preferred shares)

base date: April 24, 2012

Structure of Shareholders Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	0	1	14	1	0	16
Shares	0	258,977,435	455,800,288	10,359,097	0	725,136,820
Share of stake(%)	0.00%	35.71%	62.86%	1.43%	0.00%	100.00%



IV. Fund Raising

C. Distribution of Shareholding

Distribution of Shareholding (common shares)

base date: April 24, 2012; Par Value NT\$10

Classification of Shareholding	Number of Shareholders	Shares	Share of stake(%)
1 ~ 999	70,323	22,777,255	0.36
1,000 ~ 5,000	68,609	163,734,240	2.59
5,001 ~ 10,000	24,174	179,810,265	2.84
10,001 ~ 15,000	12,429	147,610,268	2.33
15,001 ~ 20,000	7,394	132,683,084	2.10
20,001 ~ 30,000	7,113	172,405,154	2.73
30,001 ~ 50,000	5,303	207,830,032	3.29
50,001 ~ 100,000	4,199	296,240,466	4.68
100,001 ~ 200,000	2,132	295,507,754	4.67
200,001 ~ 400,000	1,031	286,322,088	4.53
400,001 ~ 600,000	328	161,320,804	2.55
600,001 ~ 800,000	186	128,959,191	2.04
800,001 ~ 1,000,000	108	97,529,555	1.54
1,000,001 ~	506	4,032,317,114	63.75
Total	203,835	6,325,047,270	100.00

Distribution of Shareholding (C preferred shares)

base date: April 24, 2012; Par Value NT\$10

Classification of Shareholding	Number of Shareholders	Shares	Share of stake(%)
1 ~ 999	23	10,576	0.00
1,000 ~ 5,000	15	48,685	0.01
5,001 ~ 10,000	6	53,015	0.01
10,001 ~ 15,000	4	53,647	0.01
15,001 ~ 20,000	1	18,767	0.00
20,001 ~ 30,000	4	113,127	0.02
30,001 ~ 50,000	7	266,936	0.06
50,001 ~ 100,000	13	972,716	0.21
100,001 ~ 200,000	11	1,636,626	0.35
200,001 ~ 400,000	11	3,343,806	0.72
400,001 ~ 600,000	4	1,858,590	0.40
600,001 ~ 800,000	3	1,968,886	0.42
800,001 ~ 1,000,000	1	932,319	0.20
1,000,001 ~	22	454,881,688	97.58
Total	125	466,159,384	100.00

Distribution of Shareholding (D preferred shares)

base date: April 24, 2012; Par Value NT\$10

Classification of Shareholding	Number of Shareholders	Shares	Share of stake(%)
1,000,001 ~	16	725,136,820	100.00
Total	16	725,136,820	100.00

D. Major Shareholders

base date: April 24, 2012

Major Shareholders	Shares	Shares (Including common shares and preferred shares)	Share of stake(%)	Note
TPG Newbridge Taishin Holdings I, Ltd.		370,552,471	4.93	Common shares
Cathay Life Insurance Co., Ltd.		276,977,435	3.69	Common shares and preferred shares
Taishin Leasing & Financing Co., Ltd.		199,338,956	2.65	Common shares
Ching-Wei Co., Ltd.		175,212,559	2.33	Preferred shares
Taiwan Life Insurance Co., Ltd.		133,837,156	1.78	Preferred shares
Taishin Co-Investor Holdings I, Ltd.		121,587,529	1.62	Common shares
Pan City Co., Ltd.		100,519,444	1.34	Common shares and preferred shares
Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds		92,898,376	1.24	Common shares
Farglory Life Insurance Co., Ltd.		91,141,000	1.21	Common shares
TASCO Chemical Corporation		90,420,324	1.20	Common shares and preferred shares

Note: Specify top 10 shareholders.

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

Unit:NTD\$1

Year			2010	2011	As of Mar. 31,2012
Items					
Market Price Per Share	Highest		16.45	18.30	12.65
	Lowest		9.26	9.30	9.99
	Average		12.45	14.57	11.61
Net Assets per Share	Before payout (coverage of loss)		11.64	11.98	12.44
	After payout (coverage of loss)		10.66	(Note 2)	-
EPS (note1)	Average Outstanding Stock (NT\$1,000)	Before Adjustment	5,909,441	6,324,866	6,325,047
		After Adjustment	6,323,102	6,324,866	-
	EPS	Before Adjustment	1.26	1.26	0.41
		After Adjustment	0.99	1.26	-
Dividends	Cash Dividend		0.23	(Note 2)	-
	Stock grant	Allotment by Earning	0.70	(Note 2)	-
		Allotment by Capital Surplus	0	(Note 2)	-
	Accumulated Undistributed Dividends (NT\$1,000)(Note 3)		525,000	525,000	655,533
Analysis for Return on Investment	Price to Earning Ratio(Note 4)		12.46	11.60	-
	Price to Profit t Ratio(Note 5)		57.39	(Note 2)	-
	Yield Rate of Cash Dividend(Note 6)		1.74%	(Note 2)	-

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

Note 2:The Earning distribution for year 2011 hasn't been approved by the 2012 General Shareholders' Meeting.

Note 3:Refer to accumulated dividend payable for preferred shares.

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

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

Note 6:Cash dividends yield= Cash dividends per share/Average closing price of the said year.



IV. Fund Raising

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

Any surplus at the end of a year shall first be applied to pay taxes according to the law and make adjustments based on the Statements of Financial Accounting Standards before covering losses from the previous years. In the event of any remaining balance, 10% shall be allocated to the statutory surplus reserve and a special surplus reserve shall be set aside according to the law. The balance shall be distributed according to the priorities for preferred shares as specified in the Articles of Incorporation before allocating 0.01% of the subsequent balance to employee bonus and 1% to director and supervisor remunerations. The company may set aside retained earnings. The remaining balance will be added to the undistributed surplus at the beginning of the period, including any reversal of the special surplus reserve as required by law, to be distributed in whole or in part as common share dividends. The board of directors is authorized to decide employee bonus calculation and the actual percentage within the aforementioned range. For share dividends, the recipients must be employees who meet the requirements in the Company Act.

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

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

G. Issuance of Company Bonds

a. Issuance of Company Bonds

Issuance of Company Bonds -1

Base date: March 31, 2012

Type of Company Bonds		2004 Domestic 1 st Unsecured Subordinated Bond	2004 Domestic 2 nd Unsecured Subordinated Bond
Date of issuance		May 21,2004	June 21,2004
Par value		NT\$10,000,000	NT\$10,000,000
Issue & trade place		-	-
Offering price		100%	100%
Total Amount		NT\$2 Billion	NT\$5 Billion
Interest rate		2.9%	3.5%
Tenor		7 years(May 21,2011)	7 years(June 21,2011)
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		None	None
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, 2004.05.04, BBB+(tw)	Fitch Taiwan, 2004.06.02, BBB+(tw)
Other Rights	Conversion GDR or others	None	None
	Terms and Conditions	None	None
Amortization		None	None
Custodian		None	None



IV.Fund Raising

Issuance of Company Bonds -2

Base date: March 31, 2012

Type of Company Bonds		2005 Domestic 1 st Unsecured Subordinated Bond	2005 Domestic 2 nd Unsecured Subordinated Bond
Date of issuance		September 20、21,2005	November 15,2005
Par value		NT\$10,000,000	NT\$10,000,000
Issue & trade place		-	-
Offering price		100%	100%
Total Amount		NT\$12 Billion	NT\$3.65 Billion
Interest rate		2.7%	2.7%
Tenor		7 years(September 20、21,2012)	7 yeas(November 15, 2012)
priority		Subordinated	Subordinated
Guarantor		None	None
Trustee		SinoPac 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\$12 Billion	NT\$3.65 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, 2012.03.08,BBB+(tw)	Fitch Taiwan, 2012.03.08,BBB+(tw)
Other Rights	Conversion GDR or others	None	None
	Terms and Conditions	None	None
Amortization		None	None
Custodian		None	None

Issuance of Company Bonds -3

Base date: March 31, 2012

Type of Company Bonds		2005 Domestic 3 rd Unsecured Subordinated Bond	First issuance of unsecured convertible bonds via private placement in 2006
Date of issuance		December 8,2005	May 5,2006
Par value		NT\$50,000,000	NT\$50,000,000
Issue & trade place		-	Securities issued via private placement without public offering
Offering price		100%	100%
Total Amount		NT\$3 Billion	NT\$7 Billion
Interest rate		Face interest rate is based on the flexible interest rate for one-year time savings deposit plus 0.7% 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.	2.75%

Tenor	7 years(December 8, 2012)	5 years(May 5, 2011)
priority	Subordinated	Common
Guarantor	None	None
Trustee	Mega Bank	Mega Bank
Underwriting organization	None	None
Verification lawyer	Modern Law office	None
CPA-auditor of the financial report(note 4)	Deloitte & Touche	None
Settlement method	Redemption at Maturity	Except conversion or redemption according to related measures, the principal for the remainder is repaid once upon maturity.
Unsettled balance	NT\$3 Billion	None;Redeem on May 5, 2011
The conditions and terms for redemption or early settlement	None	According to term and conditions
Restriction terms(note 5)	None	According to term and conditions
Counting in net capital(risk-based capital ratio) and its tier	Yes	No
Credit rating agency, rating date and rating	Fitch Taiwan, 2012.03.08, BBB+(tw)	None
Other Rights	Conversion GDR or others	None
	Terms and Conditions	-
Amortization	None	In the case of full conversion, the diluting effect on share right reaches 7.26%.
Custodian	None	None

Issuance of Company Bonds -4

Base date: March 31, 2012

Type of Company Bonds	2010 Domestic 1 st Unsecured Subordinated Bond	2010 Domestic 2 nd Unsecured Subordinated Bond
Date of issuance	December 17, 2010	January 27, 2011
Par value	NT\$10,000,000	NT\$10,000,000
Issue & trade place	-	-
Offering price	100%	100%
Total Amount	NT\$5.3 Billion	NT\$2.7 Billion
Interest rate	2.3%	Face interest rate is based on the flexible interest rate for one-year time savings deposit plus 0.7% of Chunghwa Postal Co., Ltd..
Tenor	7 years(December 17, 2017)	7 years(January 27, 2018)
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\$5.3Billion	NT\$2.7 Billion



IV.Fund Raising

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		S&P Taiwan, 2010.12.09 tw BBB+	Fitch Taiwan, 2012.03.08,BBB+(tw)
Other Rights	Conversion GDR or others	None	None
	Terms and Conditions	None	None
Amortization		None	None
Custodian		None	None

Issuance of Company Bonds -5

Base date: March 31, 2012

Type of Company Bonds		2011 Domestic 1 st Unsecured Subordinated Bond	2011 Domestic 2 nd Unsecured Subordinated Bond
Date of issuance		August 5,2011	October 5,2011
Par value		NT\$10,000,000	NT\$10,000,000
Issue & trade place		-	-
Offering price		100%	100%
Total Amount		NT\$5.2 Billion	NT\$1.8 Billion
Interest rate		2.2%	2.2%
Tenor		7 yeas(August 5, 2018)	7 years(October 5, 2018)
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\$5.2Billion	NT\$1.8 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, 2012.03.08,BBB+(tw)	Fitch Taiwan, 2012.03.08,BBB+(tw)
Other Rights	Conversion GDR or others	None	None
	Terms and Conditions	None	None
Amortization		None	None
Custodian		None	None

b. Convertible Bonds

Convertible Bonds

Base date: March 31, 2012

Type of Company Bonds (note 1)		First issuance of domestic unsecured convertible corporate bonds via private placement in 2006
Year		2011
Item		
Market Price (note 2)	Highest	-
	Lowest	-
	Average	-
Conversion Price		NT\$15.1
Issued Date and Conversion Price on Issuing Date		2006.5.5; NT\$19.8
Converted from		New common shares

Note 1: The stocks are privately purchased securities and no fair market price is available.

Note 2: The bond has been recalled and cancelled at maturity on May 5, 2011.

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, 2012

Issuing Date Item			2005.09.28 Preferred shares C	2006.03.22 Preferred shares 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	2009	Highest	29.50	-
		Lowest	22.35	-
		Average	27.29	-
	2010	Highest	33.20	-
		Lowest	29.10	-
		Average	31.68	-
	2011	Highest	34.50	-
		Lowest	30.65	-
		Average	32.73	-
	2012(As of 2012.03.31)	Highest	33.05	-
		Lowest	32.65	-
		Average	32.95	-
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

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, 2012

Type of Employees' Stock Warrant	2005 Employees' Stock Warrant	2007 Employees' Stock Warrant	2010--1st Employees' Stock Warrant	2010--2nd Employees' Stock Warrant
Date approved by authority	May 26, 2005	January 17, 2007	September 1, 2010	September 1, 2010
Issue date	August 2, 2005	March 15, 2007	October 13, 2010	August 31, 2011
Issuance amount	150,000,000 shares	150,000,000 shares	75,390,000 shares	1,610,000 shares
The amount of shares for warrants in the total amount of issued shares	2.00%	2.00%	1.00%	0.02%
Duration for stock warrants	August 2, 2005 ~ August 1, 2015	March 15, 2007 ~ March 14, 2017	October 13, 2010 ~ October 12, 2020	August 31, 2011 ~ August 30, 2021
Converted from	New common shares	New common shares	New common shares	New common shares
Duration and percentage (%) for stock warrants	2007/08/02 ~ 2015/08/01 First to fifth issuance: 20% each	2009/03/15 ~ 2017/03/14 First to fifth issuance: 15-40% each	2012/10/13 ~ 2020/10/12 First to fifth issuance: 15-40% each	2013/8/31 ~ 2021/8/30 First to fifth issuance: 15-40% each
Amount of shares obtained via execution of warrants	0	1,819,000	0	0
Value of shares obtained via execution of warrants	0	27,103,100	0	0
Amount of shares for warrants yet to be executed	40,450,000 shares	113,450,000 shares	63,330,000 shares	1,507,000 shares
Share price for warrants yet to be executed	NT\$19.1 par share	NT\$13.9 par share	NT\$13.0 par share	NT\$13.1 par share
Percentage of the amount of shares for warrants yet to be executed in the total amount of issued shares	0.54%	1.51%	0.84%	0.02%
Impact on shareholders' equities	The diluting effect on the interest of original shareholders is limited since stock warrants can be executed only two years after their issuance and within set period, thereby spreading the diluting effect.	The diluting effect on the interest of original shareholders is limited since stock warrants can be executed only two years after their issuance and within set period, thereby spreading the diluting effect.	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.

Note: Outstanding shares are sum of common shares and preferred shares.



IV.Fund Raising

J. Merging of Entrusted for Other Financial Institution

a. Taishin Holding

On April 27, 2011, the company acquired Franklin Insurance Brokers Co., Ltd. (renamed as Taishin Holdings Insurance Brokers on May 16, 2011), thereby enabling other subsidiaries to access non-life and life insurance products and provide complete product lineup for sales service.

b. Taishin Bank

On Jan. 22, 2011, subsidiary Taishin Bank took over Taishin Bills Finance, in order to cut cost, effectively integrate the financial holding company's internal resources, and create high yield, making the company a financial holding company centering on a quality bank.

K. 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: nil



Taishin Holdings

05

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) Financial Holdings
- 2) Banking
- 3) Bills finance
- 4) Credit card
- 5) Trust
- 6) Insurance
- 7) Securities
- 8) Futures
- 9) Venture capital
- 10) Foreign financial institutions with the regulator's approval
- 11) Other financial industry-related businesses acknowledged by the regulator

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 280 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

The European debt crisis left a heavy impact on global economic growth and the financial markets in 2011, leaving them still in a very unstable condition. Foreign demand weakened in the second half of the year and led to slowdown in export growth. Private investments dropped into negative growth while private expenditure also cooled down. Economic growth for the year was 4.5%, the lowest in the last two years. With respect to the financial industry, as the government loosened its policies regarding businesses in China, firms operating in banking, securities and insurance, and foreign and international finance now have more opportunities to develop a local customer base in China and offer more services. Furthermore, in the interest of sound development and sustainable development, the financial institutions continued to adopt the IFRS, and the banks worked on the implementation of risk management systems by making preparations for the targets specified in the Basel Capital Framework.

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.



V. Operating Status

Taishin International Bank

a. Business contents

1. Growth and change in various business items

(1) Wealth Management

Our wealth management business is mainly focused with total assets exceeding NT\$1 million or customers with contracted loans exceeding NT\$8 million. For wealth management, the bank provides tailor-made financial consulting service to wealth management customers. Via strong Financial Advisory system, we evaluate each client's needs and preferences according to their lifecycle, financial needs and risk tolerance to develop the custom recommendations.

The bank's wealth management operation covers sound financial planning, investment portfolio management, asset allocation recommendations and a broad range of financial products, like local and foreign currency deposits, derivatives, insurances and loans.

The bank's wealth-management operation provides various preferential treatments to customers according to the different levels of entrusted assets. For customers with entrusted assets exceeding NT\$10 million, the bank will provide dedicated treatment and events for payback to customers. In addition, provide dedicated physical examination to customers, so that they can take care of their health.

(2) Consumer banking

The bank's consumer-banking operation covers consumption loans (housing loan, auto loan, unsecured loan, and subordinated housing loan), credit card, micro corporate loans, e-cash flow and online payment service for small and medium enterprises. 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 wholesale banking operation provides an array of financial products and services to various institutional clients, including corporations, government-owned companies and financial institutions. The business scope includes the businesses of commercial and investment bank, such as deposits, short-and long-term financing, guarantee, trade finance, syndicated loans, bond transaction, short-term paper, factoring, cash management, e-banking for corporate financial network, foreign exchange and interest-rate derivatives, financial advisory, asset securitization, and discretionary assets management, etc.

(4) E- financial business

E-finance business includes ATM, the bank's official website, online banking/online ATM, mobile banking, and payment platform. It can assist various business units to introduce products and E-service, and is in charge of evaluating the feasibility of applying domestic and overseas new technologies into financial service.

In order to further strengthen the brand image of Taishin Bank, the bank organized various artistic, cultural, and financial events, as well as a number of lively and innovative marketing activities. Meanwhile, it continued to push "around-the-clock convenient financial service," encouraging customers to join online banking/mobile banking, so that members can enjoy plural, convenient, and innovative financial payment service. It also continuously organize various customer-group marketing

events, to boost the trading adherence of existing members and attract more non-customers to interact with the bank via recommendation marketing, so as to make Taishin a leading financial brand. 2011 was an important year for the development of Taishin mobile banking. Many important functions can be accessed online, including inquiry of details of foreign exchange accounts, transfer of general NT dollar deposits to time deposit, non-designated fund transfer, and payment platform. The membership has exceeded 100,000 persons and trading volume has risen month by month. Certification service for mobile device in 2011 enabled Taishin mobile banking to carry out non-designated fund transfer. The function will also be available for fund trading and foreign-currency trading in 2012, making trading safer and more convenient.

(5) Trust (Financial Products Division)

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.”

For planned trust business, the bank continued to push “money trust” and assist customers to undertake tax saving and lend stock holding via “securities trust.” In addition, to meet the diversified trust need of corporate customers, the bank will launch “employee shareholding trust” in the first half of 2012 and “employee savings trust” in the second half of 2012. to help enterprises achieve the goal of retaining talents via adequate compensation and incentives, as well as facilitate the effort to solicit the business related to selection of investment targets by laborers for their pension funds.

For collective management, the bank pioneered the rollout of “So Easy targeted wealth-management plan,” which covers targeted date-type collective management accounts (with the series consisting of Taishin 2015/2020/2030/2040/2050 collective management accounts) and global (right-payout type) collective management account featuring fixed yield, to as to provide customers complete life-target wealth management plan.

For custodian business, in response to the business opportunities related to share listing of overseas enterprises on the local bourse and permission for mainland Chinese employees to obtain stocks of listed parent firms via custodian bank, the bank launched “collective investment account for foreign and overseas Chinese employees” custodian business in March 2011.

Regarding the mutual-fund business, Taishin 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.

The bank offers quality overseas corporate bonds and financial bonds, for customers favoring fixed yields in their assets allocation. The bank began to accept the entrustment of professional investors to invest in offshore structured notes, so as to provide high-assets professional investors more investment options.

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

Net income share (%)	2011	2010
Retail Banking	67%	67%
Wealth Management	24%	21%
Consumption Financing	24%	24%
Credit Card	16%	17%
Cash Card	3%	5%
Corporate Banking	33%	33%
Total	100%	100%



V. Operating Status

b. Business plan for the current year

1. Wealth Management

- (1) Strengthen brand image, becoming the best wealth-management bank in the minds of customers.
- (2) Upgrade potential customer groups to wealth-management customer groups, deeply cultivate wealth-management customer groups, so as to increase the number of wealth-management customers and boost product penetration rate for customers.
- (3) Integrate customer-group analysis, provide member services from the angle of customers, consolidate various resources and products of Taishin Financial Holding, so as to provide customers one-stop-shopping service.
- (4) Adhere to the core concept of “sincerity is the best service,” take care of customers’ assets from the angle of customers, and utilize the bank’s smart financial system to provide tailor-made assets deployment suggestion.
- (5) Provide unique Taishin products to strengthen the completeness of product lineup.
- (6) Enhance the growth rate of wealth-management and insurance businesses, expand the scale of deposits, enhance employee quality and customer satisfaction, and strengthen risk-management and crisis-handling capability.
- (7) Further develop non-branch sales channels and utilize Internet media to develop online banking customers.
- (8) Based on the concept of sustainable management and the goal of all-round assets management, continue introducing plural and new product business, so as to bring investors steady returns and assets growth in both bullish and bearish markets.

2. Consumer Banking

- (1) Continue production innovation to strengthen core competitiveness and strengthen high-yield product management, so as to boost market share and effectively segregate market.
- (2) Manage niche-group business and deeply cultivate customer relationship, to satisfy various needs of customers and enhance their contribution.
- (3) Strengthen the management of branch channel, materialize one-stop shopping service for clients, and enhance the extent of product penetration.
- (4) Utilize analytical model and channel platform of the financial holding firm, to aggressively cultivate potential customers and expand market scale.
- (5) Augment dynamic risk-management capability and strengthen assets quality.
- (6) Further improve workflow, enhance service efficiency, and cut operating cost.

3. Corporate banking

- (1) Integrate plural financial products of financial holding firm, carry out deep cultivation of different customer groups, and develop quality clients.
- (2) Expand trade-type financing and deepen cash management, so as to grasp fund flow of customers and alleviate the influence of fund cost.
- (3) Cautiously cope with murky international financial situation, improve credit-extension flow, and strengthen risk management, so as to maintain good assets quality.
- (4) Aggressively make overseas deployment, utilize leasing business platform in mainland China, accelerate the upgrading of representative’s office in Vietnam to branch, and prepare the establishment of Brisbane.

- (5) Materialize the cooperative mechanism between retail and corporate banking, meet the plural needs of customers, and manifest the management synergy of the financial holding company.
- (6) Continue upgrading and improvement of operating flow and system, so as to provide customers quality services.

4. E-financial business

In the year, except continuing adjustment of ATMs at convenience store, the bank will focus on deployment of online ATM deployment, and except continuing contact with small and medium enterprises, the bank will endeavor to forge third-party payment. It adds Smart Pay trading method to enhance the convenience of financial payment and pioneers the provision of international remittance service "Visa Money Transfer," so as to complete fund transfer not only via online banking but also ATM. To materialize global financial service and provide even more convenient and smooth operation to customers, the bank has planned to overhaul banking website, online banking and ATM touch-screen operation, which will be completed in 2013.

Online security is a key issue for e-trading by customers. In the year, the bank will initiate encryption measure for e-bills, providing safer billing service. Except innovative service for various channels, the bank will formulate brand new "e-trading loyalty project," enabling effective management and utilization of all e-trading record and conducting marketing activities via the platform, so as to induce customer trading.

To push its development, Taishin mobile banking will capitalize on the advantage of undertaking multi-currency and –fund trading to roll out currency-swap and mutual-fund trading function. Along with the increasing enrichment of the functions of mobile banking, instant wealth-management will be an easy task. Meanwhile, to service the increasing tablet-PC users, Taishin mobile banking has launched iPad APP in 2012.

5. Trust

- (1) Enhance "So Easy target wealth-management project," to boost the scale of installment products and push installment payment products, so satisfy customer needs.
- (2) Push yield-type securities, actively engage in securities lending market, and develop potential customer groups for securities-delivery deposits, so as to create securities lending income for clients.
- (3) Develop "employee welfare trust" business, so as to satisfy enterprises need for talent retention and strengthen the relationship with corporate customers.
- (4) Push the custodian business of "Collective Investment Account for Mainland China or Overseas Foreign National Employees," so as to tap the tremendous business potential connected with share listing of overseas enterprises on the local bourse and the growing internationalization of domestic listed companies.
- (5) Provide differentiated fund products to different customer groups, so as to meet the needs of various customers.
- (6) Provide tailor-made services to different kinds of customer groups.
- (7) Establish fund wealth-management network, to provide one-stop online wealth-management service.
- (8) Modify the product lineup of domestic and offshore funds, so as to satisfy the client's needs about asset allocation planning.
- (9) Offer multi-theme overseas ETF (exchange traded fund) and satisfy customers' need for investable targets under any market condition.
- (10) Offer quality corporate and overseas financial bonds.



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- (11) Except two successful investments in offshore structured notes which can be invested by non-professional investors via the intermediation of banks, continue to accept entrustment by professional investors to invest in offshore structured notes limited to professional investors, so as to meet the need of professional investors with high assets.

c. Market analysis

In 2011, the global economy is expected to expand further. The International Monetary Fund (IMF) predicts that the global economy will grow 4.4% this year, higher than average 4% growth in the past 10 years. Outlook for the U.S. and mainland Chinese economy, both with close linkage with Taiwan's economy is promising. Under a sustained expansionary policy, the U.S. economy is picking up and mainland China has targeted to achieve growth rates of 8% for both 2011 and 2012, along with its effort to transform its economic structure.

d. Research and development

1. Major financial products and new business units of retail and consumer banking in recent two years

Item	2010	2011
Mortgage Loan	NT\$252.6n	NT\$266.1bn
Auto Loan	NT\$13.73n	NT\$15.74bn
Other consumer loan	NT\$15.83bn	NT\$21.63bn
Credit card	3,003,000 cards	2,961,000 cards

- (1) As of the end of 2011, outstanding mortgages reached NT\$266.1 billion, with market share of 4.6%; outstanding auto loans amounted to NT\$15.74 billion, with market share of 22.4%, ranking first place in the market; and outstanding amount of other consumer loans hit NT\$21.63 billion, with market share of 2.9%. Outstanding amount of overall consumer loans grew 7.5% in the year.
- (2) As of the end of 2011, the bank's credit cards in circulation numbered 2.961 million cards, with market share of 9%, ranking third place in the market/ the number of effective cards amounted to 1.905 million cards, with 9.2% market share, ranking fourth place; in the year, total credit-card spending value topped NT\$147.6 billion, for market share of 16.8%, ranking third place.
- (3) In 2011, set up marketing alliance department under consumer-banking marketing division to develop auto-loan business via strategic alliance. As of the end of December 2011, outstanding loans reached NT\$510 million.

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

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

With equal emphasis on risk management and business development, the bank's outstanding loans for state and private enterprises reached NT\$158.3 billion at the end of 2010, up 2.36% over a year earlier, ranking 14th place among 37 domestic financial institutions, similar to the ranking a year earlier.

- (2) Outstanding loans for small and medium businesses

In line with the government's policy of providing the assistance of loaning to small and medium businesses and the purpose of expanding the bank's customer group, the bank extended NT\$45.7 billion of outstanding loans to small and medium businesses as of the end of 2010, up 64% over a year earlier, compared with the industry average of 15%, thereby boosting its market ranking to 17th place, up from 19th place.

(3)L/C and export negotiation

To grasp the fund flow of customers and strengthen trade financing business, issuance of L/Cs and undertaking of export negotiations topped US\$947 million and US\$1.21 billion, respectively, in 2010, up 52% and 10%.

(4)Factoring business

The bank was a market leader for factoring business in 2010 and undertook NT\$336.7 billion of such business in 2010, up 38%, with equal emphasis on the maintenance of customer relationship and credit-extension quality.

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

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

With equal emphasis on risk management and business development, the bank's outstanding loans for state and private enterprises reached NT\$190.7 billion at the end of 2011, up 20% over a year earlier, ranking 14th place among 37 domestic financial institutions, similar to the ranking a year earlier.

(2)Outstanding loans for small and medium businesses

In line with the government's policy of providing the assistance of loaning to small and medium businesses and the purpose of expanding the bank's customer group, the bank extended NT\$54.6 billion of outstanding loans to small and medium businesses as of the end of 2011, up 19% over a year earlier, compared with the industry average of 11%

(3)L/C and export negotiation

To grasp the fund flow of customers and strengthen trade financing business, issuance of L/Cs and undertaking of export negotiations topped US\$984 million and US\$1.322 billion, respectively, in 2011, up 4% and 9%.

(4)Factoring business

The bank was a market leader for factoring business in 2011 and undertook NT\$297.1 billion of such business in 2011, declined 21%, with equal emphasis on the maintenance of customer relationship, pricing and risk.

4. Future R&D plan

(1)Retail and consumer banking

(a)Via constant testing and improvement, establish effective marketing mode to create profits and competitive advantage.

(b)Capitalize on the popularity of cloud technology and mobile equipment to develop "mobile payment" business, offering consumers more options for payment.

(c)Maintain cooperative relationship with strategic joint marketing develop new channels to solicit new customers.

(d)Further improve workflow , carrying out image platform and paperless process, enhance service efficiency, and cut operating cost.

(2)Corporate banking

(a)Strengthen development and price quoting capability for various derivative with linkage to Credit, merchandise, energy and equity.

(b)Expand pluralized treasury product lineup via combination of interest rate, exchange rate, bond, bulk commodities, and equity.



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- (c) Integrate existing credit-line risk-management system and operating platform, so as to upgrade service efficiency and quality and lower credit-extension and operating risk.
- (d) Plan financial trading system to accommodate the rollout of new diversified products in the future and integrate credit-line management for derivatives, and improve trading flow and enhance trading capability.
- (e) Push renminbi-related business via the Hong Kong platform.
- (f) Expand the services of offshore banking units and overseas bases and strengthen the function of e-network trading platform, so as to satisfy customers' need for cross-border fund maneuvering.

e. Short- and long-term business development plans

1. Wealth management

(1) Short-term business development plan

- (a) Manage customers via localization manner: Materialize the core concept of "utmost service" to enhance customer satisfaction and deep-cultivate the businesses of residents, stores, small and medium business owners, and salary-transfer companies in the neighborhood of branches.
- (b) Continue enhance the sales ration of self-developed products to enhance the overall profit margin.
- (c) Continue strengthening risk controlling mechanism and risk management and avoid improper sale, and provide clients professional planning of asset allocation.
- (d) Strengthen the wealth management team, enhance employee's expertise
- (e) Improve customer analytical ability, to provide proper products.

(2) Long-term business development plan

- (a) Strengthen brand image and become the best wealth-management bank in the minds of customers, thereby becoming a leading financial institution in Taiwan.
- (b) Via segmented customer group management, enhance the performance of the bank and enhance customer satisfaction.
- (c) Achieve breakthrough in private banking business among domestic banks.
- (d) Actively develop overseas markets.

2. Consumer banking

(1) Short-term business development plan

- (a) Expand the management of high-yield products.
- (b) Maintain leading status for various products in the consumer-banking market.
- (c) Strengthen unsecured business and loans for small and medium businesses and micro enterprises.
- (d) Cultivate different potential customers via the strategies of mobile banking, online recommendation marketing, and community transmission.
- (e) Continue strengthen brand image, boost brand visibility and favorable image.
- (f) Continue enhancing the expertise and product knowledge of staffers.

(2) Long-term business development plan

- (a) On the basis of customer needs, innovate new product functions and services, so as to establish differentiated market value.
- (b) Continue customer group management and deepen customer relationship, so as to become the major corresponding bank of customers.

- (c) Manifest synergy of the financial holding firm and provide convenient and plural financial services.
- (d) Continue materializing the bank's core value, cultivate all-round financial elites, and consolidate the foundation for future development.
- (e) Expand overseas and cross-border retail business scope to China to increase bank's competition.

3. Corporate Banking

(1) Short-term business development plan

- (a) Materialize segmented customer group management and integrate marketing of plural products of the financial holding firm, so as to boost customer relationship.
- (b) Segment groups and industries, to effectively control group/industry risks and resources allocation.
- (c) Emphasize transactional banking products to grasp client's cash flows and integrated business opportunities from customer side.
- (d) Duplicate business mode of small and medium enterprises and cooperate with corporate/retail banking channels to expand potential customer groups among small and medium enterprises and business scale.
- (e) Actively deploy overseas markets, accelerate the establishment of Singaporean and Brisbane branches, and apply for the upgrading of the representative's office in Vietnam to a branch.
- (f) To accelerate internal talented people cultivation and retain a post to respond business growth.

(2) Long-term business development plan

- (a) Strengthen and expand core business, continue deep-cultivation service for customer groups, establish long-term relationship with customers, and enhance the contribution of customers.
- (b) Grasp the fund flow of customers and provide integrated marketing opportunities via utilization of the financial holding firm's resources.
- (c) Plan to set up branches in the Asia-Pacific region to expand overseas business and partner with local banks in areas without business bases.
- (d) Continue recruitment and cultivation of overseas talents to support the medium- and long-term development of overseas business.

4. Trust Investment

(1) Short-term business development plan

- (a) Expand the assets of "So Easy" target wealth-management plan by pushing salary-transfer accounts and the sales of dollar-averaging mutual fund.
- (b) Plan online marketing for "So Easy" target wealth-management plan, so as to develop massive online customer groups.
- (c) 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.
- (d) Provide planning-type trust customers with systematized transaction and electronic service to satisfy customer's need.
- (e) Develop "employee welfare trust" business and provide corporate-banking customers diversified trust products, so as to develop personal wealth-management business for employees.
- (f) Provide more convenient e-trading service function.
- (g) Provide more diversified online wealth-management information.



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- (h) Expand the sales volume of financial products and the scale of assets under management on the basis of asset allocation , so as to increase the fee income.
 - (i) Exploit new platform of overseas ETF by share placement, and offer multi-theme underlying to meet client's needs arising from market change.
 - (j) Continue to provide quality overseas financial bonds and corporate bonds denominated in various foreign currencies, to help with the assets allocation of customers with preference for fixed yields.
 - (k) Continue join forces with various general agents to push offshore structured notes suited to common investors, so as to enhance customer service and provide more attractive investment products.
- (2) Long-term business development plan
- (a) Develop various “securities trust” to satisfy the multiple needs of customers for tax savings and revenue creation, so as to increase market share and gain leadership in the market.
 - (b) Set up the “So Easy target wealth management plan” to cash in on the business of the new labor-pension system which will let labors choose their own investments.
 - (c) Actively engage in the promotion of the retirement issues and build complete system platform, as to gain leadership in the market.
 - (d) Establish system platform for self selection of investment targets for employee welfare trust, so as to tap the business opportunities related to self selection of investment targets by laborers for pension funds.
 - (e) Continue concerning about change in regulations, so as to develop new trust business.
 - (f) Continue to expand the sales volume of regular savings plan and the overall scale of assets under management, so as to increase the stability of the future fee Income.
 - (g) Continue concerning about change in related regulations, so as to develop new trust business.
 - (h) Continue track and develop risk-management indices, so as to grasp product performance and risk for customers.
 - (i) Continue introducing pluralized new products and business 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.

Taishin Securities Co., Ltd.

a. Business scope and business mix

1. Business scope

- (1) Securities Dealer
- (2) Securities Brokers
- (3) Securities Underwriter
- (4) Futures introducing brokers
- (5) Other financial businesses acknowledged by the regulator

2. Business mix in terms of revenues

Dec. 31, 2011; Unit: NT\$1,000, %

Item \ Year	2011		2010	
	Revenues	%	Revenues	%
Stock Brokers	67,178	19%	26,164	10%
Securities dealing	93,006	26%	142,701	43%
Underwriter	195,904	55%	127,432	47%
Others	-	-	-	-
Total	356,088	100%	296,297	100%

3. Various existing products and services

Items	Major contents
Brokerage	(1) Provide entrusted transaction service for shares listed on the centralized market, over-the-counter market, and emerging market, including e-trading, and undertake securities delivery for investors. (2) Provide investors the service of margin trading and short sales for securities transaction.
Dealership	Engage in transactions in securities on the market, adjust market demand-and-supply, and contribute to the steadiness and growth of the stock market.
Underwriting business	(1) Assist companies with public share offering for share listing, and assist customers undertaking diagnosis of business strength and innovation of business flow. (2) Assist enterprises in raising funds on the capital market. (3) Provide financial consulting and planning for the privatization of government-owned enterprises, issuance of securities by enterprises via private share placement, domestic and overseas investment projects, and consulting for corporate restructuring.

4. New products and services under plan

- (1) Continuously upgrade and strengthen existing e-platform function, promote e-bills, and enhance the convenience of customers.
- (2) In addition, the company will closely track liberalization of new products or related laws/regulations, in the hope of maintaining high vigilance along with the rollout of new products and provide investing public the fastest and convenience service.

b. Business Plan of the current year

1. Brokerage

In 2012, continue strengthening the cooperation with the banking channel, upgrade service quality, and increase quality clients, in the hope of boosting the dynamism of salesmen and the productivity of employees. Enhance customer loyalty and adhesiveness via the upgrading of e-platform.

2. Proprietary Trading

The uncertainty in the global economy had its source in the financial crisis caused by the US real estate market in 2008. After the US economy underwent a stagnant recovery, the ripple effect on international finance reached Europe and China, creating serious challenges for the global economy. However, the economic statistics in North America over the last few quarters were visibly improving, clearly indicating the economies in the area were on the rise. The sovereign debt crisis in the eurozone was severe but not without a solution. The European governments certainly had the capability to handle the present crisis. It was estimated that the most volatile moment in the eurozone had passed and there is only slow recovery ahead. In addition, the world turned its attention to watch if China could rely on the



V. Operating Status

domestic market to resume the growth momentum. It would be the biggest question for the economy and stock market in Taiwan in the coming year. However, the economy had undergone two years of tightened policies, it was expected with appropriate policy control, medium and long term growth will resume. As the external sources of uncertainty from the past were being eliminated one by one while growth was gaining positive momentum from the demand side, the stock market in Taiwan faced less uncertainty than it did in the previous years, and the medium and long term outlook was cautiously optimistic. Consequently, in terms of proprietary trading this year, the risk management measures would be reinforced to consider introducing more hedging vehicles and trading strategies. The investment portfolios would be considered from a neutral and slightly toward optimistic perspective. The primary goal is to achieve positive returns instead of beating the indices.

3. Underwriting

In 2011, the company will focus on quality small and medium enterprises for domestic underwriting business. In addition to assisting qualify companies with good fundamentals and small and medium enterprises in niche industries listing their shares, including the provision of custom financial planning, the company will also actively develop the business of share listing by overseas enterprises and the issuance of Taiwan depository receipts, so as to increase sources for steady fee income.

c. Industrial status

1. Market status

NT\$1 b.

Total transactions of the securities market in the recent three years			
	2009	2010	2011
TSE			
Stock	29,680.47	28,218.68	26,197.41
ETF	197.84	199.58	360.76
Closed-end fund	0.51	0.22	0.50
Beneficiary certificates	5.01	5.01	10.64
Call (put) warrants	106.43	204.95	284.68
TDR	128.49	261.91	142.18
Convertible bonds	0.00	0.00	0.00
Sub-total	30,118.75	28,890.35	26,996.17
OTC			
Stock	5,238.96	5,633.59	3,993.04
Call (put) warrants	20.61	39.59	43.13
Sub-total	5259.57	5,673.18	4,036.17
Total	35,378.32	34,563.53	31,032.34
Weighted stock price index (year end)	8,188.11	8,972.5	7,072.08

2. TWSE was in on a downward trend in 2011. The average monthly index fell from a high point at 8,970.76 points in January, remained volatile between January and July, and the minimum level remained above 8,500 points. However, starting in August when the US government bond was downgraded by credit rating agencies and the world was affected by the European debt crisis, the index fell all the way down to the lowest point in December, where the monthly average index was 6,969.15. The daily trading volume on TWSE started falling from NT\$135 billion in January, recovered

temporarily to NT\$131.3 billion in August, and then dropped like a stone from September onward. The lowest point throughout the year was in December with NT\$68 billion. The trading volume in the securities market fell by 10% compared to 2010 (equivalent to falling by NT\$3.5 trillion). There was a lot of negative news throughout the year. The markets fell in the first half of the year after the earthquake in Japan, and crashed in the second half due to the European debt crisis. As a result, actual profits fell below expectations for the securities dealers.

d. Research and development: nil

e. Short- and long-term business development plan

1. Short-term business development plan

- (1) Actively capitalize on the financial holding's resources via cooperation with other units (such as corporate banking unit, infinite-card unit).
- (2) Continue strengthening e-trading platform, upgrade the convenience and function of operating-platform interface, and steadily increase the share of e-trading.
- (3) Investment risks were placed under strict control to avoid losses.
- (4) Establish overseas underwriting business platform, so as to develop overseas underwriting business.
- (5) An effort was invested to expand the bond operation in order to offer customers more variety in the services.

2. Long-term investment plan

- (1) In view of the growing importance of institutional investors in the market, especially qualified domestic institutional investors, the company will combine the R&D resources and e-trading system of investment consulting, to develop institutional client business with integrated services.
- (2) Undertake futures, wealth management, and other businesses, to provide customers pluralized investment services.
- (3) Arrange various training courses for employees according to their nature and types, to enhance their capability and upgrade the company's overall competitiveness.
- (4) Continue cultivating enterprises with growth potential and execute customer deep-cultivation plan, to facilitate long-term development of underwriting business.

Taishin Securities Investment Trust Co., Ltd.

a. Business scope

1. Major business contents

The scope of business for Taishin Securities Investment Trust is to establish securities trust funds by issuing beneficiary certificates, and to use the securities trust funds to invest in securities and other related vehicles. Most of the customers served by the company are local or foreign corporate entities and individual investors. There are 3 offices in Taiwan. The company signed non-discretionary monetary trust and marketing agreements with a number of banks, including Hua Nan Bank, Cooperative Bank,



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Bank of Taiwan, Mega International Commercial Bank, and Taishin Bank, and securities dealers, including KGI, Masterlink, JihSun, Polaris, Shin Kong, and President. Combined with the subsequent agreements with other strong sub-distributors, there are more than 1000 points of sale in Taiwan.

2. Business shares

As of the end of December, 2011, of which stock-type fund accounted for 8.81% and money market-type fund accounted for 91.19%. Revenues in the recent three years follow.

Unit: NT\$1,000

Items \ Year	2009		2010		2011	
	Value	Share%	Value	Share%	Value	Share%
Management fee income	66,554	99.80	76,575	99.67	243,478	99.67
Sales fee income	133	0.20	252	0.33	816	0.33
Total	66,687	100.00	76,827	100.00	244,294	100.00

Source: Financial auditing report

3. Various existing products (services)

Service items	Major contents
Public-placement funds	Raise funds via issuance of beneficiary certificates subscribed by common investors. The funds are invested by Taishin Investment Trust's professional teams, with investors sharing investment returns and risks and bearing the result of loss or profit. Provide the investment method of dollar averaging, allowing automated deduction of specific amount of deposits from investors' accounts at specific time every month for regularly subscribe to the mutual funds.
Discretionary account investment	For investment assets entrusted by customers or transferred from trust accounts, invest or transact on behalf of customers in securities, related products or other regulator-approved items according to the analysis and judgment of the company.
Private-equity fund	Issue beneficiary certificates and raise mutual funds from specific parties in private, which are then utilized Taishin Investment Trust's professional team for investment in securities and related products.
Agency for offshore funds	Agency for sales of offshore mutual funds approved by domestic regulator and introduced by the domestic general agency.

4. New products (service) under plan

Taishin Investment Trust will continue expand product lineup of overseas emerging markets and dedicate to the strengthening of e-trading and online services. In addition to trading convenience and online trading platform with complete information, it will also actively plan tailor-made service function for customers and improve the efficiency and security of online trading. Based on the blueprint of "take root on new China and deep-cultivate new economy," the company will dedicate to "the discovery of new value and creation of new fortune" for clients, with the goal of tapping the markets of greater China, assets allocation, and pension funds, so as to create a quality brand, worthy of the trust of investors and the support of business partners.

b. Business plan of the current year

1. Enhance the scale of assets under management

Continue expand new products of overseas emerging markets, combine various resources to maintain the stable performance of existing funds, integrate the strength of business teams, and actively augment the scale of managed assets of non-bond fund.

2. Strengthen relations with customers and business partners:

In the wake of the merger, integrate business teams and increase the offices of Taichung and Kaohsiung, augment customer relationship, and intensify the relationship with first-tier banks and securities firms, engage in promotional events for new funds, and continue raising the contact and rapport with brands.

c. Industrial status

As of the end of December 2011, there had been 39 domestic investment trust firms, with 599 funds under their management, totalling NT\$1,736 billion in scale, 1,347 contracts for discretionary account operations, totaling NT\$991.3 billion in management scale, and 96 private-equity funds, totaling NT\$13.5 billion in scale.

d. Research and development

Taishin Securities Investment Trust launched overseas equity umbrella funds that targeted emerging Europe and Latin America in March 2011 and overseas equity funds that targeted India in July 2011. The company will continue to study and develop new funds. Taishin Securities Investment Trust places a strong emphasis on the sharing of experiences and resources among the investment research and management teams. The existing investment research and management teams are led by CEO and CIO Bill Lan, who oversees the domestic equity department, Greater China equity department, financial investment department, fixed income department, and account management department. The research teams and fund managers are well experienced professionals and work closely with the research teams of Taishin Holdings in sharing the expertise and rich, instant research resources. The range of research include global macroeconomics, investment strategies, domestic and foreign stock and bond markets, and investment in the major asset categories.

e. Short and long-term development plan

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

1. Short-term development plan

Maintain the stable performance of mutual funds, expand the synergy of product lineup after merger, and raise emerging-market funds, so as to obtain the qualification for undertaking the outsourced operation for government funds and assure the smooth operation after the merger.

2. Long-term development plan

Actively enhance the market share and management scale, increase non-bond mutual fund clients, and strengthen capability for allocation of assets, so as to upgrade the visibility and good image of the brand.



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Taishin Securities Investment Advisory Co., Ltd.

a. Business Scope

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

1. Research and Analysis Division:

(1) Business contents:

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

(2) Business ratio:

Consulting fee of the Research and Analysis Division accounts for 73% of the company's total revenue, while general agency of the Jupiter Fund generates the remaining 27%.

2. General agency of the Jupiter Fund:

(1) Business contents: Business contents: Introduce offshore fund and serve as its general agency in Taiwan.

(2) Business shares: Various sales channels of Taishin group account for 75.4% of the total sales of the fund, while other channels account for 25.6%.

b. Business Plan of the current year

1. Due to the growing reliance of the financial holding company and its subsidiaries on research information in formulating business and strategic direction, in the future the research and analysis division will gradually expand its business scope to meet the need of the financial holding company.
2. Plan to introduce new series fund and new fund companies to meet the needs of investors.

c. Industrial status

Taiwan "offshore-fund general agency" system hit the road in August 2006, the largest systematic change since the introduction of offshore mutual funds to Taiwan, which produces major impact on investors, agents, and domestic managers of offshore funds. The implementation of the general agency system makes the information on offshore funds more transparent and gives investors more protection. The general agent must publicize related fund information, such as the daily book value of funds, net value of subscription and redemption, and investment portfolio and scale. The general agent can also push offshore fund via advertisement and must solve any problem related to the fund wherever the place for subscription. In other words, after the implementation of the general agency system, investors have more channels to buy offshore funds and are entitled to more protection, due to the existence of transparent information.

d. Research and development: Nil

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

For the domestic bad-debt claim market, along with the upturn of the general economy and plunge in non-performing loan ration, bad-debt claims released by the financial institutions plummeted to NT\$60 billion per year in 2008 and 2009, down from the peak of NT\$236.8 billion in 2007, which dropped further to NT\$58.4 billion in 2010& NT\$50.4 billion in 2011. It is apparent that the domestic bad-debt claim market has contracted and winning bidding prices for sales of bad-debt claims on the block frequently reach new highs, greatly boosting the risk of investment loss.

Competition among various assets management companies next year will become even fiercer next year, aggravating their business difficulty. The levy of luxury tax is expected to dampen realty speculation and may force some investors to sell out their properties. In addition, it remains to be seen whether interest rate hike and contraction of property-industry loans and create another round of prosperous AMC market remains to be seen.

However, the government implemented the luxury tax in July 2011, which effectively deterred real estate speculation. The result may be that investors will be pushed to sell below costs or that more profits can be made now in foreclosure auctions. Similarly affected by the luxury tax, there is now a lag in the realization of investment gains. It is worth noting that since the implementation of the luxury tax, the trading volume in the real estate market fell but the price decreases were limited. When the luxury tax reaches its second anniversary, different homeowners will be subject to a tax difference of 15% when selling their properties. How this difference will affect the market prices will require careful consideration.

d. Research and development:nil

e. Short- and long-term business development plans

1. Bidding for bad-debt claims

- (1)Continue handling bad-debt claims purchased from Taishin Bank (for both corporate-banking and consumer-banking bad debt claims).



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- (2) Continue handling bad-debt claims purchased from Kuo Hua Non-Life insurance (mainly for consumer-banking and insurance debt claims).
- (3) Continue handling of bad-debt claims purchased from Mega Bank and Far Eastern Bank (Corporate banking bad-debt claims).
- (4) Continue bidding for bad-debt claims with peers in public bidding.
- (5) Purchase bad-debt claims via negotiation and cooperate with private AMC firms for individual cases, an arrangement enabling the company to have easier grasp of the capital planning, risk assessment, and investment cases via participation in the selection of cases.
- (6) Purchase claims to non-performing loans secured by plots of land in greater Taipei and expand land development business via arrangement of 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 2011.

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.

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 the latter's need.

Taishin Venture Capital Investment 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%

b. Business development plan of the current year

1. Brief description of 2011 business

The company was established in September 2003 with a capital investment of NT\$1 billion. A capital reduction of NT\$180,965,050 was made in 2010 to make up for the accumulated losses in order to improve the financial structure. A capital increase of NT\$800,000,000 was completed in 2011. The paid-in capital at the end of 2011 was NT\$1,619,034,950. In 2011, the company increased the investment in OME Technology, Oneness Biotech, Innostor Technology, Yong Xin Arts, BAFO Technologies, Taishin Financial Leasing (China), Cyberheart Inc., and O2 Medch Inc. by a total of NT\$658,778,963. As of the end of 2011, the investment portfolios in the books included 22 firms.

The company had a total cash inflow of NT\$52,703,681 generated by investment projects in 2011. In particular, the amount included NT\$22,136,380 from the disposal of Microbio and Oneness Biotech, NT\$7,771,501 in cash dividend income from investment projects, and NT\$22,795,800 in returned share capital from capital reduction by Zhong Yang Special Venture Capital and Han Xin Venture Capital.



V. Operating Status

2. 2012 Business Development Plan

The deteriorating financial conditions in certain countries in the eurozone led to many uncertainties in the global economic outlook in 2012. Among the major economies, Europe is entering a recession, the United States appear to be stable, and the emerging countries are showing signs of slowing growth. According to the latest forecast by the International Monetary Fund (IMF), the world's real economic growth in 2012 will be 3.3% in 2012 and 3.9% in 2013. Looking back at Taiwan, since the signing of ECFA, the two sides of the straits have stayed in a close relationship. In addition, the government has taken a stance to encourage opening the capital market to the world by implementing preferred treatments including lowering estate tax, gift tax, and profit-seeking enterprise income tax in order to carry the economic transformation in Taiwan into the next stage.

Therefore, in addition to continuing to dispose of the shareholding in Taishin Venture Capital, the investment strategies for the year will focus on strategic investment in Greater China, newly listed shares issued by returning Taiwanese businesses, and competitive industries in Taiwan such as green energy, electro-optical technology, and biopharmaceutical technology. In 2012, the company plans to invest in a new financial leasing company in China by investing in 1 to 3 companies in Taiwan or by participating in capital increases by companies already in the investment portfolio. The total investment is expected to be between NT\$600 million and NT\$800 million. The area of investment will primarily be in Greater China with some investment in Hong Kong and the United States.

c. Industry Status

The first venture capital firm in Taiwan was established in 1984. In almost 30 years of development, according to a survey by the Taiwan Venture Capital Association, the industry invested more than NT\$260 billion in more than 14,000 projects in Taiwan, helping 400 companies become listed companies, and facilitated NT\$2.3 trillion in capital investment.

However, the venture capital industry in Taiwan had faced challenges from the dot-com bubble in the United States, the global financial crisis, and the cancellation of investment credits for domestic venture capital investors since 2000. The venture capital industry is currently facing cash flows that are drying up at an alarming speed. According to statistics released by the Taiwan Venture Capital Association, the number of newly established venture capital firms between 2001 and 2007 was 48% of that between 1995 and 2000, and the new capital increase on average fell to only 80% of that between 1995 and 2000.

An analysis of the number of investment projects showed a total of 277 investment projects in 2011, falling by 36.3% compared to 435 projects in 2010. The total amount of investment was NT\$6.54 billion, falling by NT\$1.9 billion compared to last year. It reflected that venture capitalists were more cautious and took a more conservative approach to investment in the face of the European debt crisis and a slowing global economy.

16 venture capital firms with NT\$3.55 billion in capital were established in 2011. 20 firms conducted capital increases this year, raising NT\$6.28 billion in total. 79 firms conducted capital reductions this year, returning NT\$23.29 billion in total. 10 firms conducted liquidation and dissolution for a total of NT\$1.71 billion this year.

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

For medium- and short-term strategy, the company will utilize the resources and network of Taishin Financial Holding in Taiwan and greater China, as well as its professionalism and experience in financial investment and capital market, to explore good investment opportunities and will help the invested company to make profits by capitalizing on the synergy between Taishin Financial Holding Group and the invested companies. Meanwhile, in response to the liberalization of regulations, the company plans to set up a leasing subsidiary in China as part of its long-term investment strategy.

The leasing subsidiary will initially focus on provision of machinery and equipment to Taiwanese-invested companies via loaning-oriented leasing method and the operating scale will increase gradually along with the market expansion, product development, and enhancement of operating efficacy.

Taishin Holdings Insurance Brokers Co., Ltd.

a. Business scope

The business scope of Taishin Holdings Insurance Brokers is life insurance brokerage and property and casualty insurance brokerage.

1. Life insurance brokerage

(1)Description: Including insurance products such as life and health insurance, annuities, and accident insurance.

(2)Business sources: The commission income from life insurance brokerage in 2011 accounted for 98% of the total commission income.

2. Property and casualty insurance brokerage

(1)Description: Including insurance products such as fire insurance, motor insurance, accident insurance, and liability insurance.

(2)Business sources: The commission income from property and casualty insurance brokerage in 2011 accounted for 2% of the total commission income.



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b. Current year business plan

1. To actively introduce different types of insurance products to meet the customer's ever-changing demand for financial planning.
2. To adopt customer segregation and provide recommendations and allocations of differentiated portfolios.
3. To develop distribution channels for property and casualty insurance in order to build a more comprehensive line of business and increase competitiveness.
4. To invest more in exploring and developing corporate clients of property and casualty insurance and increase the size of the property and casualty insurance operation.

c. Industry overview

The Statements of Financial Accounting Standards No. 40 regarding the accounting treatments of insurance contracts became effective on January 1, 2011. In addition to a liability adequacy test, the new standards require insurers to categorize insurance contracts. Premium payments received by insurers from policyholders in the past were all recorded as premium income. However, starting on January 1, 2011, insurance products that contain no apparent insurable risks are no longer considered insurance contracts and must be treated as investment contracts and recorded as liabilities instead of premium income. As a result, it can be expected that compared to the data from the same period in 2010, the premium income under each item for each category in 2011 will reflect apparent decrease.

Furthermore, the Ministry of Finance released an official letter to include insurance brokerage firms and agencies in the insurance business under the Business Tax Act, and will be subject to the tax rates under Paragraph 1, Article 1 of the Business Tax Act starting on January 1, 2012 and the business tax calculations under Section 2 of Chapter 4 entitled Special Taxes. Since the business tax rate was lowered from 5% to 2%, the operating profits are expected to increase for insurance brokerage firms and agencies.

First year premium income from bancassurance continued to account for more than half of the sales in the insurance market, making it very attractive for insurers to form strategic alliances with banks or for banks to establish their own insurance brands.

In order to oversee more than 1,000 insurance brokerage firms and agencies in the market more effectively, the competent authority announced a series of supervisory regulations to facilitate healthy business development for the insurance brokerage firms and agencies. As a result, small and medium insurance brokerage firms and agencies have also been engaged in mergers for the purpose of meeting regulatory requirements and achieve effective business management.

d. Research and development: Nil

e. Long- and short-term business plans

1. Short-term business plan:

Same as described under (2) Current year business plan.

2. Long-term business plan:

- (1) To provide innovative and one stop insurance platform to meet customer need for wealth management.
- (2) To employ database for precision marketing, and provide the best suited combinations by customer segregation.
- (3) To continue to simplify the sales process and achieve information integration in order to provide premium customer services.
- (4) To ensure legal compliance and protect customer rights and corporate image.

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



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- 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

b.Business mix

1. Deposit Status

Unit:NT\$1,000

Item	Year	2011	
		Amount	%
Current deposit		710,001,804	54.27
Term deposit		577,975,178	44.18
Interbank deposit		20,307,634	1.55
Total		1,308,284,616	100.00
Percentage of liabilities and shareholders equity (%)		1,589,507,802	82.31

2. Loan Status

Unit:NT\$1,000

Item	Year	2011	
		Amount	%
Short term loans		328,374,075	28.96
Medium term loans		327,186,634	28.85
Long term loans		478,413,105	42.19
Total		1,133,973,814	100.00
Percentage of total assets (%)		1,589,507,802	71.34

3. Income Status

Unit: NT\$1,000

Item	Year	2011	
		Amount	%
Net interest income		16,473,129	61.92
Net fee income		3,593,549	13.51
Net income from financial trading		2,174,735	8.17
Net income from securities brokerage and underwriting		66,631	0.25
Other net operating income		4,296,329	16.15
Total		26,604,373	100.00

c. Business Development Plan for the Current Year

The bank's deposits reached NT\$1,247,864,715,000 (excluding transferred postal deposits) amounting to 96.52% of the budget target; loans NT\$1,101,952,599,000, 99.24% of the target; forex transaction US\$159,552,063,000, 107.27% of the target; securities brokerage NT\$67,982,796,000, 65.34% of the target; trust business (fund) NT\$87,803,630,000, 72.21% of the budget; credit-card business (card-spending value) NT\$7,561,649,000, 113.31% of the budget.

d. Industry Status

The pretax net profit for domestic banks benefited from a recovering global economy and increasing credit spreads and reached NT\$200 billion in 2011, a record breaking profit. The return on equity (ROE) and return on assets rose by 9.33% and 0.59% compared to the previous year, the second highest after the figures in 2004. With respect to asset quality, the large number of orders and improving profits for the companies translated to regular payments and lower default risks. The non-performing loan ratio for domestic banks fell to a very low 0.43% last year. The growth in loans and a lower corporate default rate also helped the coverage ratio. Profits rose sharply for the banks, who then applied the increases to write off bad debts. The coverage ratio has reached a record high of 251%.

In terms of individual businesses, corporate banking showed an increase in corporate loans issued by domestic banks in a recovering economy. In particular, small and medium enterprises received the largest percentage of the loans. With the FSC pushing for banks to lend to small and medium enterprises and the Business Credit Guarantee Fund expanding the scope of its guarantee, the annual increase in small and medium enterprise loans showed a double digit growth for a second consecutive year. The increase in small and medium enterprise loans last year was NT\$399.8 billion, far exceeding the NT\$200 billion target set by the FSC. With respect to mortgage business, the market was affected by the selective credit control imposed by the central bank, the implementation of the luxury tax, and the relatively high prices dominating the housing market, and the trading volume dropped sharply in the second half of the year. The mortgage balance for the year increased only by 0.57%, far below 2.7% in 2010 and 3.63% in 2009. With respect to wealth management, since the demand for financial planning has a positive correlation with the global economic conditions, the business slowed down compared to the same period in 2010 due to a slowing global economy caused by a spreading European debt crisis and weak investor confidence.



V. Operating Status

Looking forward, the banking industry in Taiwan has survived several financial crises and has learned to prepare for a rainy day. Profits rose sharply for the banks due loan growth and a lower corporate default rate last year. As a result, the banks took advantage of the chance to write off bad debts and increase the coverage ratio. The asset quality is at a historic high. Although the economic outlook remains very uncertain, a strong financial structure will help in any crisis. It is worth noting that the banks still face many challenges in the future, including the central bank stopping raising interest rates and the likely slowing down in the growing credit spread. In addition, the loans to the IT industry are huge enough to create a large concentration risk. Finally, the United States-Korea Free Trade Agreement (FTA) and the European Union-South Korea FTA have an adverse effect on the related industries in Taiwan and will have a negative impact on exports. The agreements will cause damage to Taiwan's economy, which relies heavily on trade, and to the entire banking industry. Fortunately, there remains a silver lining. The FSC's policy, Prepare for Typhoons, will increase risk tolerance for the banks, and raising the loan-to-deposit ratio requirement helps to discourage price competition. After the signing of the Economic Cooperation Framework Agreement (ECFA), the banking industries remain open to the other side of the strait. If all goes to plan, the banks in Taiwan will be able provide services in Chinese yuan, which will help the banks serve the many Taiwanese business owners working in China. In the face of challenging external factors, domestic banks should emphasize their own strengths and take advantage of the more relaxed relationship between the two sides of the strait to achieve the objective of maintaining revenue and profit growths.

e. Research and development

1. The bank's R&D outlay reached NT\$10,043,000 in 2010.

The bank's R&D outlay reached NT\$11,132,000 in 2011.

2. R&D achievement:

The bank completed 51 research reports on Mobile Banking, Human Resource ,financial management and risk management in 2011.

3. Future R&D plan:

- (1)To study domestic and foreign economies, financial markets, and the development and trends of financial products in order to expand business operations effectively with the aim to increase the bank's market share and size.
- (2)To employ information technology to analyze consumer behaviors and develop suitable products by targeting specific customer groups.
- (3)To reinforce market segregation and enhance customer relation management in response to the growing competition in the financial markets around the world.
- (4)To expand the financial service network by developing strategic alliances and working with third channel partners.

f. Short- and Long-term Business Development Plan

1. Operations services

- (1)To reinforce the deposit and loan structures, continue to attract New Taiwan Dollar and foreign currency deposits, and provide complete account management services for the customers in order to become the customer's choice of fund management center.
- (2)To optimize customer structure and product mix, select loan applicants with care, and try to increase credit spreads.

- (3) To keep track of trade growth opportunities, reinforce promotion of self-liquidating loans for exports, and to encourage customers use the bank as the bank for fund management in order to increase market share in foreign exchange services.
- (4) To evaluate market risks, control liquidity reserves, and to optimize asset utilization.
- (5) To expand knowledge of financial management and to provide professional services that place financial planning first and product sales second.
- (6) To satisfy customer needs for fund subscriptions by providing multiple channels and to promote custodian services for domestic and foreign funds in order to increase the bank's market share in the trust services.
- (7) To employ the bank's customer resources in combination with the EasyCard to try to increase the number of credit cards and the total amount of transactions.
- (8) To continue to promote electronic transactions in combination with preferred interest rates and fee discounts and to boost income from securities brokerage services and interest income.
- (9) To respond to the increasing popularity of mobile device by introducing new mobile banking services to provide 24-hour services and increase customer satisfaction.
- (10) To plan and establish overseas offices suitable for business operations to provide financial services and to integrate fund transfer platforms and expand the scope of financial services on both sides of the strait.

2. Management services

- (1) To implement corporate governance while protecting shareholder rights to achieve sustainable development.
- (2) To respond to the implementation of IFRSs by the competent authority by planning and creating a dual-track approach in accounting and making adjustments to the relevant processes and systems with the aim to successfully implement IFRSs.
- (3) To enhance the education and training of the auditors, ensure the effectiveness of self audits, and reinforce the quality of internal audits.
- (4) To revise the collection guidelines as appropriate and to actively clear away non-performing loans and recover bad debts to ensure the bank's rights as the creditor.
- (5) To analyze regularly the stability and validity of the corporate credit rating models and strengthen reviews and consulting processes to prevent creating non-performing assets.
- (6) To reinforce credit portfolio risk management measures, improve loan approval follow-up procedures, adjust credit models as appropriate to comply with the principles of risk management.

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.

Subsidiary Taishin Securities already instituted from May 2010 "special securities counters" at the offices of Taishin Bank's major branches for joint marketing and the undertaking of following businesses:

- a. Account opening for securities brokerage business.
- b. Agency for sales and redemption of domestic funds.



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- c. Installation of terminals for online order placement, allowing investors to place orders with securities firms.
- d. Acceptance of stock-affairs documents for companies with public share offering.
- e. Acceptance of application forms for subscription to the public offering of securities.

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 16 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

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, and Taishin Securities Investment Trust, 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.

Furthermore, the FSC released the Management Guidelines for Banks, Financial Holding Companies and Affiliates Investing in Businesses in China in December 2010, in which it specified the rules



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and application procedures for financial holding companies and affiliates within the groups planning to invest in financial institutions or related enterprises. The guidelines helped to establish a more complete set of rules on subsidiary investments. The government approved the establishment of offshore banking units (OBU) in 2011, and released the amendments of Articles 2 and 3 of the Restrictions on Types and Maximum Amounts of Securities Investment by Commercial Banks on November 24, 2011, which allowed overseas branches of commercial banks to invest in government or company issued securities in China.

- (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 16 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 Co., Ltd.

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

Taiwan's economy had a relatively stable performance. It scored over 5% in the first half but slid in the second half, due to global economic downturn, racking up 3.45% in the third quarter and 1.89% in the fourth quarter. The growth rate for the whole year is estimated at 4.04%. Foreign trade advanced 12.2% to US\$589.9 billion, a record high, but the expansion began to slacken, along with global economic downturn. The Cabinet-level Council for Economic Planning and Development flashed a blue light, signifying sluggish economy, for four consecutive months from November 2011 to February 2012 for Taiwan's economy. The Directorate General of Budget, Accounting, and Statistics (DGBAS) predicted that the economy would bottom out in the first quarter of 2012. Due to the effect, Taiex index dropped to 7,072 as of the end of 2011, down 21% from a year earlier.

Under global economic slowdown and financial turmoil triggered by European-debt crisis, it is a good timing

for Taiwan's financial industry to carry out financial reform, should it be able to take advantage of related niches. As of the end of 2011, the domestic banks racked up non-performing loan rate of 0.43%, bad-debt coverage rate of 252%, and BIS (Bank of International Settlement) ratio 12.08%, underscoring a financial strength which is the best in the past 10 years. The quality status constitutes a strong backup for domestic banks to expand their business, enabling them to tap overseas markets. In addition, Taiwan has signed cross-Taiwan Strait Economic Cooperation Framework Agreement, paving the way for domestic financial institutions to foray into mainland Chinese and emerging markets.

c. Business objective

In 2012, the bank will continue pursue a steady growth emphasizing both quality and quantity, so as to achieve a balance between risk management and market profit. In addition to the provision of pluralized packaged products, subsidiaries of the financial holding company will carry out cross selling improve operating flow, and upgrade brand image, in order to strengthen their leading status on the market. Materialization of the "customer-centered" business model and continuation of launching innovative products and service to meet customer needs will also be a major goal for upgrading corporate value.

d. Favorable and unfavorable factors for development outlook

1. Competitive niches of the bank

- (1)The bank provides plural products, pioneers the use of scientific financial analysis, and offers tailor-made wealth-management objectives and assets-deployment suggestion. For sophisticated management of customers, the bank develops 3M management structure based on customer needs, including service management (SM), product management (PM), and channel management (CM) .
- (2)Take advantage of the existence of numerous branches and automated channel, integrate the resources of the financial holding company, and manifest the synergy of integrated marketing via cross selling.
- (3)Under the customer-centered principle, continue to listen to the opinions of customers so as to provide them optimal services, thereby consolidating customer relationship.
- (4)Further improve workflow, enhance service efficiency, and cut operating cost.
- (5)Marketing synergy via cross-selling overseen by the financial Holding company, stressing the provision of one-stop-shopping services.
- (6)Gradually deployment cash-management infrastructural engineering, extending B2B business mode to B2C business.

2. Favorable factors for development outlook

- (1)Fast-growing demand for offshore banking in the wake of rapid development of Chinese and emerging Asian economics.
- (2)Thanks to stable cross-Taiwan Strait relationship, the signing of cross-Strait Economic Cooperation Framework Agreement, and the reduction of inheritance and gift tax, outflow funds begin to return to Taiwan.
- (3)Via differentiated management measures, the Financial Supervisory Commission gradually induces financial institutions to raise their loan coverage rate to over 1%, contributing to the healthy business development of financial institutions and improve excessive price competition for domestic credit extension.



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- (4) Maintain good assets quality via excellent risk-management mechanism, to pursue steady profit growth.
- (5) Along with the liberalization of cross-Taiwan Strait financial policy, enhance financial services and business opportunities for Taiwanese-invested firms. Business opportunities related to new pension system for private-school employees and self-selection investment targets for new labor pension system.

3. Unfavorable factors for development outlook

- (1) Over-banking status: homogeneous traditional financial products are difficult to create high profits.
- (2) Narrowing interest differential and increasing competition for wealth-management business may impact profit margin.
- (3) Since measures for cross-Strait financial exchanges fail to relax the OCED condition for investments by domestic banks in mainland China, the process for domestic banks to establish branches in mainland China has been postponed.
- (4) Large-scale increase in the need for domestic and foreign financial talents will accelerate the turnover of talents.
- (5) The rigorous regulation and management of the regulator over structured notes and trust-type investment products runs counter to market opening.
- (6) Price hike and inflationary pressure will constrain some consumption momentum.

4. The bank's countermeasures

- (1) Integrate resources of financial holding company, manifest the synergy of cross selling, and increase the number of products held by customers, so as to become the major corresponding bank of customers.
- (2) Change product-oriented strategy to customer-oriented strategy and integrate customer-group analysis, so as to understand customer needs and provide them proper products.
- (3) Utilize scientific analytical technique and mode to further expand customer-group basis and establish new product service and sales mode.
- (4) Emphasize the integration of subsidiaries, various business units, and channels, so as to manifest cross-line business synergy.
- (5) In line with market and industrial changes, further strengthen the management mechanism for integrating risk and marketing strategy.
- (6) Utilize online resources and innovative marketing, so as to develop new customers and enhance marketing efficacy.
- (7) Continue signing financial MOU with more Chinese banks, so as to enhance the cooperative link for trade financing.
- (8) Take advantage of the leasing platform being established by the financial holding firm in mainland China, expand customer groups and consolidate existing customer relationship.
- (9) Deploy in the Asia-Pacific market by accelerating the upgrading of representative's office to Vietnam to branch and the preparation for the setup of Brisbane and Singaporean branches.
- (10) Construct complete career plan and educational/training program for employees.

Taishin Securities Co., Ltd.

a. Major products/services sales/provision areas

The company's services target domestic and overseas institutional investors and general investing public. As of the end of 2011, the company had three business bases, in Taipei city, Taichung city, and Kaohsiung city. In addition, the company has set up 95 joint-marketing counters at the branches of Taishin Bank, providing the services of account opening, account cancellation, and change of customers' basis data.

b. Future supply and demand

1. Market supply and demand

As of the end of 2011, there were 91 securities firms in Taiwan, with 997 branches, and 37 securities firms can undertake the service of margin trading and short sales with approval of the Securities and Futures Bureau, the Financial Supervisory Commission. In addition, there were 18 branches of foreign securities firms.

2. Market growth potential

Looking back on the economic developments around the world in 2011, there were the hundred-year earthquake in Japan and the political turmoil in the Middle East as a result of democracy movements in the first half of the year. The second half started with the U.S. sovereign debt crisis caused by downgrading by international rating agencies, which triggered a downward spiral in the economic figures around the world. As a result, the European debt crisis spread and grew, leading to the debate on the continuing existence of the eurozone. The already weakened economies sustained another blow and nearly all the major stock exchanges fell significantly as a result. With respect to the economy in Taiwan, private expenditure continued to grow in the first half of 2011, and the total amount of imports and exports reached a record high of NT\$8.7 trillion while the unemployment rate fell slowly. The effect of the European debt crisis grew more prominent and the global economy slowed down in the second half of the year. Consequently, the amount of increase in export orders fell and the manufacturing industry recorded negative growth in the fourth quarter. In addition, the annual increase in the consumer price index increased mildly, and the New Taiwan Dollar appreciated. In terms of economic signals, the monitoring indicator flashed a second blue light in December, reflecting a slowdown in the economic growth momentum.

Looking forward to 2012, the global economy is still mostly affected by the European debt issue. However, the economic indicators in the United States started improving at the beginning of the year while the unemployment rate fell and consumer and business confidence grew. The global purchasing managers index (PMI) continued to rise and the EU's bailout plans were becoming more clear, which helped to boost the global economy. The degree of political uncertainty in Taiwan fell after the election. TWSE experienced a period of upward movements that lasted to the end of February. If the capital requirements and regulations become more loosened in the future, such as allowing securities dealers to serve as sub-brokers for investment in Hong Kong H shares, it will help increase business volume for securities dealers. The securities platforms on both sides of the strait continue to negotiate and strengthen bilateral investment and trading. The restrictions on foreign enterprises for TWSE listing have been loosened significantly to make it more attractive for businesses to invest in Taiwan. The results are a more attractive capital market in Taiwan and greater visibility in the international markets, which will facilitate the overall development of the financial market.



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c. Business goal

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

In the future, Taishin Securities will build quality image and achieve optimal profits, and establish high quality and value-added financial service operating platform for pluralized business fields, on the basis of the financial holding firm, so as to become a leading brand in the securities e-commerce.

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

d. Favorable and disadvantageous factors for development prospects

1. Favorable factors

- (1) Integrate the resources of the financial holding company to manifest brand value and upgrade overall competitiveness.
- (2) Government will actively push cross-Strait exchanges, build up a platform of Securities, allow securities to investment in China, and open the domestic market to Chinese investors.
- (3) The regulator actively pushes the liberalization and internationalization of the securities market, successively opens up various businesses, and expands trading targets, thereby offering a broader development leeway for securities firms.
- (4) Mutual listing of TDR and ETF leads to further internationalization of Taiwan's capital market.

2. Disadvantageous factors

- (1) The existence of numerous business outlets and branches, cross-line operation of financial institutions, and the entry of major foreign securities into the market aggravate the competition and affect the space of securities firm for survival.
- (2) Successive opening up of derivatives entails high risks, which may greatly affect profits, should there lacks a good risk-management mechanism.
- (3) It is difficult to deploy in China, one step ahead of competitors.
- (4) The regulator gradually opens up various businesses which may overstrain the supply of talents. (Lack of talents, for instance, deters companies in the line to engage in futures investment trust business.)

3. Counter strategy

- (1) Utilize the bank's extensive channel to transfer quality and high-assets clients, to extend the reach of business scope.
- (2) Creating a differentiated e-trading platform to provide more accurate, real time mobile transactions.
- (3) For brokerage business, in addition to manual service at physical business outlets, continue strengthen the joint-marketing counters at Taishin Bank's outlets, so as to tap the business of medium-sized investors. Meanwhile, provide sophisticated online order placement service, via unique e-trading platform.

- (4) Continue integrate the corporate-banking resources of Taishin Financial holding, so as to strive for domestic underwriting business and develop share-listing business of overseas businesses.
- (5) Actively deploy overseas markets and continue looking for proper sites and timing for deployment, so as to develop into an internationalized securities firm.

Taishin Securities Investment Trust Co., Ltd.

a. Major product/service sales/provision areas

(Same as A.Business scope 1. Major business contents)

b.Future supply and demand

Taishin Investment Trust can also tap the opportunities connected with the gradual opening up of cross-strait finance, the pension fund market, and change in taxation for offshore funds. Faced with gradual recovery of the global economy and the growth momentum of emerging economies, assets management companies, such as Taishin Investment Trust, still harbors a rosy outlook.

c.Business goal

Taishin Investment Trust's short-term goal includes maintenance of a stable performance, expand product-line synergy after merger, raise emerging-market funds, obtain the qualification for the outsourcing operation of government funds, and assure the integration and smoothness of operation after the merger. In the medium and long-term, it will actively enhance market share and management scale, increase non-bond fund clients, strengthen capability for assets allocation, and continue expanding the reach and good image of the brand. Taishin Securities Investment Trust will focus on the management of the four major categories of assets, and aim increase the size of the funds under management to NT\$100 billion.

d.Developemnt prospects and favorable and disadvantageous factors

1. Favorable factors

As cross-strait financial MOU has taken effect, the signing of ECFA has gradually led to lifting of cross-strait investment restrictions, and upcoming elections will be favorable to the domestic investment environment, domestic investors have gradually shed the conservative investment mindset during the global financial tsunami, a development which facilitates the development of the domestic investment trust business. Meanwhile, change in the taxation for offshore bonds, the appreciation of the NT dollar, and the opening up of the pension fund market represent medium- and long-term business opportunities for the domestic investment trust industry.

2. Disadvantageous factor

The domestic investment trust business features a big-getting-bigger phenomenon. Amid the business environment of acute competition, strong sales channel, and the crowding-out effect of offshore funds, Taishin Investment Trust after the merger will actively establish a complete product lineup, maintain stable performance, strengthen business conditions, enhance business efficiency, recruit business talents, and expand the funds under its management, so as to achieve a sustainable development.



V. Operating Status

Taishin Securities Investment Advisory Co., Ltd.

a. Major products/services/markets

1. Investment and analysis division:

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

2. Introduce offshore funds and serve as their general agency in Taiwan.

Presently, the company has introduced 10 Jupiter-series funds of Jupiter Assets Management of the U.K. In addition to Taishin Bank, they are also sold via other banking channels, insurance firms, securities firms, and investment trust firms.

b. Future supply and demand

1. Investment analytical division:

Due to the growing reliance of the financial holding company and its subsidiaries on research information in formulating business and strategic direction, in the future the research and analysis division will gradually expand its business scope to meet the need of the financial holding company.

2. General agency for offshore funds:

Offshore funds have entered the Taiwanese market for 20 years. After the implementation of the offshore-fund general agency system, general agents can promote or push the sales of offshore funds via advertisement or other manners, and the same offshore fund can be sold via many financial firms. Investors can purchase offshore funds via more channels and are entitled to more protection, thanks to transparency of information. Higher familiarity and trust of investors towards offshore funds is conducive to the expansion of business scale.

c. Business targets

1. Investment and analytical division

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

2. Fund general agency

Plan the introduction of new series funds and new fund companies to meet the need of investors for fund investment.

d. Favorable and disadvantageous factors for development

1. Favorable factor:

Offshore funds have tremendous business potential and their sales scale could top several trillions of NT dollar. After the implementation of the general agency system, there are much higher incentives for domestic firms to introduce offshore funds, whose sales can be pushed in public.

2. Disadvantageous factor

Introduce offshore funds and serve as their general agency in Taiwan. Presently, the company has introduced 10 Jupiter-series funds of Jupiter Assets Management of the U.K. In addition to Taishin Bank, they are also sold via other banking channels, insurance firms, securities firms, and investment trust firms.

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.



V. Operating Status

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.

Taishin Venture Capital Investment 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

Judging from the development in the venture capital industry so far, the economy started to turn around in 2010 and 2011 and the capital market started to draw more interests, and the investments grew both in number and amount. Looking forward to 2012, in spite of a slow global economic recovery, the signing of the ECFA had a positive effect and the industries on both sides would have opportunities to work more closely together. Opportunities in new investment categories will start appearing soon and now may be the best time for venture capitalists focusing on medium and long term investments. The investment returns in the next few years will also be relatively high.

c. Business objective

The venture capital fund plans to invest 30% of its money in startups, 40% in enterprises at expansion stage, in 30% 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.

Taishin Holdings Insurance Brokers Co., Ltd.

a. Major products/services/markets

The key areas of business for Taishin Holdings Insurance Brokers are life and property and casualty insurance brokerage services. It has signed agreements with 17 life insurers and 15 property and casualty insurers, and sells insurance related products through Taishin Bank branches across Taiwan and by telemarketing.

b. Future demand and supply

The first year premium income (including income recorded under liabilities) for the life insurers in Taiwan was NT\$995.1 billion in 2011, falling by 14% compared to 2010. The sales decrease for the life insurers was mainly attributed to the regulatory requirement that a surrender charge of no less than 1% must be imposed on interest sensitive annuities for at least the first three policy years, the New Taiwan Dollar interest rates being less than competitive, and the fading popularity of six-year endowment insurance. However, in terms of distribution channels, bancassurance accounted for 57% of the total first year premium income (including income recorded under liabilities) for the life insurers in 2011. Therefore, it is expected that bancassurance will remain the most important distribution channel for the life insurers in 2012.



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The premium income for the property and casualty insurers in Taiwan in 2011 was NT\$113 billion, growing by 6.8% compared to 2010. The three leading types of insurance, motor, fire, and accident insurance, together accounted for 77% of the property and casualty insurance market. In particular, there are now more variety in terms of product designs. Accident insurance offers great value compared to the same products sold by the life insurers, and has become one of the key products for the property and casualty insurers in recent years. In addition, the "no guaranteed renewal" clause may be removed this year. It is anticipated that the property and casualty insurers will have a lot of room for growth in health insurance.

c. Business objective

Taishin Holdings Insurance Brokers will continue to follow the philosophy of Focusing on Customers in 2012 by continuing to provide insurance products and services of better quality and creating win-win opportunities.

d. Favorable and unfavorable factors for development outlook:

1. Favorable factors:

- (1) The competent authority promotes protection and annuity types of insurance to increase awareness and encourage the public to purchase insurance for protection purpose. It creates a niche in long term products.
- (2) The increasing prevalence of bancassurance means it is easily accepted by the public.
- (3) In response to market demand and the need to match international standards, the competent authorities have lifted investment restrictions by allowing premium income from foreign currency insurance policies to be exempted from being included in the foreign investment limits for insurers, giving the sales of traditional foreign currency policies more room to grow.
- (4) The distribution channels under the financial holding company are integrated to achieve synergy within the financial holding company.

2. Unfavorable factors:

- (1) The financial holding companies have each established own insurance companies, creating more competition.
- (2) The interest rates in the market change frequently, causing a negative impact on the pricing structure that requires a quick response in order to shorten the gap between products.
- (3) The competent authority encourages the insurers to sell more policies with periodic payments and return to the earliest use of insurance. Unlike single pay or endowment policies, traditional long term policies are harder to sell for bancassurance salespersons and there is a greater variety of subsequently required services. In order to maintain service quality, it will take more time to train bancassurance salespersons in professional knowledge and in the ability to provide after sale services.

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.

As of the end of 2011, the bank now boasts 182 branches scattered mainly in major cities throughout Taiwan, in addition to 7 overseas branches in New York, Los Angeles, Tokyo, London, Hong Kong, Singapore and Kunshan, China.

b. Outlook of demand and supply

According to information released by Global Insight in February 2012, the economic growth in 2012 will fall from 3.0% in 2011 to 2.7%. In particular, the economic growth for China in 2011 and 2012 was estimated to be 9.2% and 8.1% as the manufacturing, housing, and retail industries move quickly from expanding to tightening and the global economic outlook was negative while exports fell each month. The unemployment rate in the United States exceeded 9% in the first half of 2011 as the price of oil skyrocketed resulting in weak consumer demand and a stagnant economy. However, the economic indicators improved in the second half. In particular, the unemployment rate in December dropped to 8.5%, boosting consumer confidence index while the economic growth showed mild increase. It is estimated that the economic growth will be 1.7% in 2011 and 2.1% in 2012. Japan benefited from the post disaster recovery efforts and the economy even appeared to be expanding at one point. However, as the global economy slowed down and the Japanese yen faced appreciation pressure, corporate profits did not meet expectations. Not only the recovery momentum had faded, but the degree of deflation showed no sign of improvement. The economic growth in 2012 rose to 1.2% from -0.9% in 2011. The eurozone was haunted by the European debt crisis, which had spread to some of the core nations including France and Germany, causing a severe impact on the nations' finances. As a result, the economic growth will be 1.6% in 2011 and -0.2% in 2012.

With respect to the economy in Taiwan, as the uncertainty in the global economy grew and the growth momentum slowed, the Directorate General of Budget, Accounting and Statistics of the Executive Yuan adjusted the economic growth in 2012 from 4.04% downward to 3.85%. In particular, foreign trade was affected by a slowing global economy and strong appreciation of the New Taiwan Dollar in 2011, and the growth rates were -0.64% in imports and 4.51% in exports. It is expected that global trade will continue to show weak growth in 2012, and the growth rates will be only 0.9% in imports and 4.38% in exports. Private expenditure will fall to 2.72% from 2.95% in 2011 as the economic outlook remains unclear and consumer confidence is relatively weak. With respect to fixed income, the uncertain recovery of the global economy and a higher base period led to a growth rate of -3.79% in 2011. At present, in spite of the constant stream of investment by domestic telecommunication service providers and favorable factors including Japan's plans to build plants in Taiwan, the effects of slowing growth in external demand combined with excess production capacity and unsatisfactory returns has led to anticipated negative growth of -2.46%. With respect to consumer prices, the instability in the Middle East kept the international oil price high. However, the global demand slowed and it was difficult for the prices of raw materials to increase. Consequently, the annual growth in the wholesale price index (WPI) fell to 1.17% in 2012 from 4.32% in 2011, while the annual growth in the consumer price index (CPI) was 1.46%, slightly higher than 1.42% in 2011. In terms of interest rates, the central bank raised the interest rate by 0.125% in March and June as the prices of raw materials continued to rise in the first half of 2011 and the housing prices kept rising in Taiwan. However, as the European debt crisis deteriorated and the economy in China cooled down, the central bank kept the interest rate unchanged for two quarters in a row (the third and fourth quarters) in order to maintain consumer prices and financial stability and facilitate economic growth. Hence, the rates of discount, accommodations with collateral, and accommodations without collateral were 1.875%, 2.25%, and 4.125%. If the economic conditions deteriorate further in 2012, there may be a chance that the interest rate



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would be lowered. In terms of foreign exchange rates, foreign capital continued to flow into the emerging countries in Asia in 2011 as the second round of quantitative easing policy (QE2) was implemented in the United States. The New Taiwan Dollar was driven to appreciate and break the threshold of NT\$28.5 against the US dollar. However, as the uncertainty in the global economy grew and Europe and the United States burdened with a debt issue, there was a greater need for hedging and the US dollar appreciated instead of depreciating, making the New Taiwan Dollar slightly weaker against the US dollar. The New Taiwan Dollar started strong against the US dollar at the beginning of 2012. However, considering that the annual export growth had fallen to -16.8% in January 2012, the central bank would not allow the New Taiwan Dollar to appreciate beyond a certain level. It is expected the New Taiwan Dollar will continue to hold or depreciate against the US dollar.

c. Business objective

The budget objectives of major business items in 2011 follow:

1. Deposits: NT\$1,319,705,520,000.
2. Loans: NT\$1,158,603,882,000.
3. Forex trading: US\$175,227,021,000.
4. Securities brokerage: NT\$78,365,000.
5. Wealth Management: NT\$91,187,500,000.
6. Trust : NT\$162,000,000.
7. Credit card (card-spending value): NT\$5,789,000,000.

d. Favorable and unfavorable factors for business outlook

1. Favorable factors:

- (1) The Prepare for Typhoons policy makes it likely that the risk tolerance will increase for the banks.
- (2) The loan-to-deposit ratio increased, idle funds were effectively absorbed, and the price competition eased.
- (3) The stable cross strait relationship helps Taiwanese banks seek development in China.
- (4) Allowing OBU to provide services in Chinese Yuan helps Taiwanese businesses solve the problem of financing sources and create new business opportunities.
- (5) The strength in mobile banking can be taken advantage of to increase the use of electronic media and generate fee income.

2. Unfavorable factors:

- (1) The central bank stopped raising interest rates, and the growing credit spread is likely to slow down.
- (2) The effect of trying to adjust the housing market starts to appear, and it will be difficult for consumer loans to grow in the future.
- (3) The loans to the IT industry are huge enough to create a large concentration risk and large differences in loan quality.
- (4) The United States-Korea FTA and the European Union-South Korea FTA have an adverse effect on the related industries in Taiwan and will have a negative impact on exports.
- (5) The development of new functions or services on electronic media in compliance with the Personal Information Protection Act will increase operating and compliance costs.

D. Employees of Taishin Financial Holdings

a. Employee data

Base date: March 31, 2012

Year		2010	2011	As of March 31, 2012
Total		6,712	6,882	6,624
Average age		34.6	35.2	35.5
Average service years		6.5	6.7	7.1
Shares of educational levels	Doctor	0.10%	0.10%	0.11%
	Master	15.82%	16.14%	16.36%
	College graduates	78.72%	78.10%	77.66%
	Senior high	5.27%	5.57%	5.75%
	Under senior high	0.09%	0.09%	0.12%
Kinds and numbers of professional certificates owned by employees	Test of trust business salespersons	2,951	2,950	2,876
	Basic test of internal control	3,451	3,368	3,284
	Qualification test of property/insurance salespersons	2,964	3,118	3,011
	Investment-type insurance policy salespersons	1,549	1,603	1,550
	Personal-insurance policy salespersons	3,574	3,573	3,463
	Futures salespersons	636	597	587
	Securities investment analysts	37	41	37
	Senior securities salespersons	588	582	567
	Investment-trust/consulting salespersons	452	440	428
	B-category investment trust- and investment consulting-related regulations (including codes of professional ethics)	1,390	1,471	1,428

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 holding Insurance Broker.

b. Employee training and development

For corporate sustainable development and continuous growth, Taishin Financial Holding has persisted in talent cultivation and development. In 2011, it provided education and training to 150,000 person/units, with every employee receiving over 48 hours of training on average. Meanwhile, it embraces the following talent training and development measures to upgrading the overall competitive edge of the enterprise:

1. Taishin University: The Taishin University platform was founded in 2010, consisting of corporate banking school, consumer banking school, management school, general knowledge school, and elite school. Under the framework of systematic courses, it enables every staffer to undertake pluralized learning of their own choice. Major features include "transparency of learning information," "pluralized learning channel," and "integrated learning resources." In the future, it will effectively link credit point system and certificate system with staffers' career development.
2. Talent database plan: Develop elite talent database plan incorporating staffers at different levels to the three layers of MA, AMA, and TSP via comprehensive evaluation and selection by the talent committee. The plan will couples with core expertise and strategic goal to cultivate and reserve elite talents at different levels.
3. Individual development program: Confirm the deficiency of capability for individual staffer via the combination of MBO and targeted position every year and help staffers develop needed capability via education/training, rotation, assistance of serious colleagues, attendance of meetings, and participation in different programs, on top of personal instruction of superiors, so as to upgrade the overall competitiveness of the organization.



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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.

a. Charity

1. “Caring Taiwan” events

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, Chungliiao, 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. In 2011, Taishin Holdings sponsored karate fighters to represent Taiwan in the first Singapore International Open Karate Championships in 2011, World Junior & Cadet Karate Championships, and Asian Junior & Cadet Karatedo Championships. The fighters were outstanding and won a total of 124 medals throughout the year (43 gold, 36 silver, and 45 bronze). Taishin Holdings was proud to be involved with achieving excellence.

In 2008, the Care for Taiwan collection extended the reach of the bank into the rice harvest in Taiwan. For the purpose of ensuring sustainable rice production in Taiwan in order to let the people be able to eat rice that is 100% made in Taiwan, Taishin Holdings and its affiliate PayEasy.com took an innovative approach and created a new platform working together with the rice sales management operations in Taiwan to promote the My One Acre of Farm, which called on businesses to adopt rice fields, and the One Acre for My Family, which called on families. The events brought some of the best rice in Taiwan into families, which not only helped the people eat well, but improved income for the rice farmers and created more opportunities in the rice producing areas in Taiwan. The companies under Taishin Holdings adopted and purchased more than 83 units in total, which translated to more than 41.5 hectares in rice fields adopted and more than 40,000 rice gift sets gifted. More than 10,000 clients and Taishin employees tasted more than 140,000 kg of premium Taiwan rice. The events not only benefited the rice farmers, but also served to promote premium rice from Taiwan.

2. Taishin Charity Foundation

In 2010, Taishin Bank set up “Taishin Charity Foundation,” mainly for engagement in public-service and charity events, including assistance for underprivileged groups to enhance their skills for livelihood and improve life, and sponsorship for the events of other public-service groups and seminars for society-related issues, and other social welfare-related charity events, with the goal of helping underprivileged

groups achieve “independence in economy and daily life.”

After its establishment, the foundation rolled out “your ballot decides the strength of love” event, the first online public-service event in Taiwan. Under the event, small and medium social-welfare institutions were invited to put forth proposals online for voting by online social groups, in deciding the recipients of donations. The first such event attracted the participation of 204 social-welfare groups, which jumped to 307 for the second event. A number of other public-service partners, such as Franz Collection, Advantech Foundation, and Chunghwa Telecom Foundation, also joined the event and the scope of donation recipients were expanded to culture and education, and digital learning.

In addition, Taishin executives, colleagues, Yani Tseng, the world’s female golf champion, and other local people also donated to the foundation, boosting its scale from NT\$4.3 million to over NT\$10 million, with the number of recipient groups expanded from 31 to 64. Besides, Taishin Bank Public Service and Charity Foundation held the first exhibition for its achievements in 2011 and produced three-minute documentary for introducing each of the first recipient groups, so as help them face the public and solicit even more support from the latter.

b. Academics and Art and Culture

1. Academic promotion

Taishin Financial Holding also continuously takes part in important academic seminars, in the hope of helping with the healthy development of Taiwan’s financial industry and the overall financial market, via exchanges and discussion among elites from the fields of industries, government, and academics. In 2011, Taishin took part in various academic seminars, including summer national assembly of AIESEC, international seminar on corporate restructuring, 19th Asia-Pacific seminar on finance, economy, accounting, and management, NTU international seminar on economy, finance, and accounting, and international summit on corporate governance.

2. Art and culture

Taishin Bank donated to establish “Taishin Bank Culture and Art Foundation” in 2011, with the theme of “promoting cultural life quality and strengthening artistic-development environment.” It supports arts as a nonprofit institution, intensifies exchanges between artistic innovation and private industry, and realizes the corporate social responsibility of payback to the society. The foundation initiated “Taishin Artistic Award,” giving highest glory and encourage to award winners in the two fields of visual and performing arts. 2011 marked the ninth edition of the award. Meanwhile, Taishin Financial Holding also arranges multi-functional performing and exhibition space at its headquarters building to invite artists and musicians to hold artistic exhibitions and noontime musical concerts.

3. Sports sponsorship

In 2011, Taishin sponsored Yani Tseng, the world’s female golfing champion, the first Taiwanese financial institution to do so. It also invited Yani Tseng to become the endorser of Taishin Charity Foundation, to help with promoting the “your ballot decides the strength of love” event, so as to augment Taishin’s social influence.

4. Environmental Protection

For environmental protection and anti-global warming, Taishin Financial Holding has dedicated to the environmental protection and energy conservation. During summertime, it pushes “Cool Biz” event, asking employees to shed garment during office time and set air-conditioning temperature at 26 Celsius degrees. Meanwhile, it has pushed paperless office for a long time. In 2010, it responded to the “turn off light for one hour to reduce carbon emission” event organized by the Society of Wilderness, to educate the public the importance of energy conservation and carbon abatement.



Taishin Holdings

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Financial Status



VI. 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, 2012
		2007 Re-compilation	2008	2009	2010	2011	
Cash and cash equivalents due from the Central Bank and placement to other banks		284,769,797	257,667,779	253,523,420	173,815,849	174,042,910	157,086,867
Financial assets stated as gain (loss) due to change in fair value		81,135,486	86,699,629	58,566,143	57,650,706	67,515,650	67,341,746
Investment in RS bills and bonds		14,337,297	6,464,695	9,891,904	5,328,210	9,698,023	5,428,826
Available-for-sale financial assets		106,149,641	70,363,526	74,329,348	221,514,265	248,786,716	274,336,858
Accounts receivable		119,132,189	104,909,292	102,296,124	126,326,832	110,761,564	95,424,175
Loans		1,466,208,014	1,491,834,854	1,506,226,128	1,577,700,288	1,723,226,715	1,758,864,356
Financial assets held to maturity		127,639,354	182,357,996	236,509,666	196,737,057	182,797,810	184,929,653
Equity investments under equity method		1,017,635	957,539	225,464	240,925	252,698	256,507
Fixed assets		44,907,490	44,032,067	42,851,989	41,962,513	41,204,451	41,803,073
Intangible assets		20,757,601	20,757,601	21,079,935	22,113,932	21,951,779	21,886,772
Other financial assets		18,870,862	34,401,848	25,463,237	21,125,873	18,005,451	15,682,358
Other assets		54,021,688	51,971,727	43,827,047	24,615,976	23,734,229	23,736,930
Total assets		2,338,947,054	2,352,418,553	2,374,790,405	2,469,132,426	2,621,977,996	2,646,778,121
Deposits by the Central Bank and other banks		209,768,825	183,388,667	176,568,225	152,360,876	174,583,880	185,383,194
Deposits		1,669,015,794	1,731,784,195	1,842,559,851	1,918,169,580	2,024,212,177	2,030,364,789
Financial liabilities stated as gain (loss) due to change in fair value		18,391,519	39,757,245	19,342,423	21,586,408	10,388,922	9,921,674
RP bill and bond liabilities		84,212,588	60,543,383	33,083,342	44,194,464	52,249,552	58,414,302
Accounts payable		62,077,023	56,179,116	44,608,499	50,038,751	57,275,084	53,033,358
Financing from the Central Bank and other banks		0	0	0	0	0	0
Bonds payable		107,498,220	112,404,780	88,579,768	91,302,139	97,146,086	97,130,555
Special stock liabilities		0	0	0	0	0	0
Reserve for operations and liabilities		1,593,369	1,272,793	2,028,738	1,309,483	779,673	770,995
Other financial liabilities		11,148,608	1,170,748	754,863	14,820,619	15,327,948	15,597,162
Other liabilities		17,691,040	18,726,102	10,958,872	8,908,066	9,671,492	9,880,655
Total liabilities		2,181,396,986	2,205,227,029	2,218,484,581	2,302,690,386	2,441,634,814	2,460,496,684



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Year Item			Financial data in the recent five years					Financial data for current year as of March 31, 2012
			2007 Re-compilation	2008	2009	2010	2011	
Equity of parent firm	Common stock		69,880,779	69,880,779	65,151,162	71,009,688	75,163,436	75,163,436
	Additional paid-in capital		19,389,426	19,071,634	19,076,045	19,102,143	19,217,299	19,240,513
	Retained earnings	Pre-payout	4,587,095	(3,838,131)	9,074,633	8,981,537	11,749,407	14,710,908
		Post-payout	1,389,461	0	1,258,431	2,049,066	(note1)	-
	Other items of shareholders' equity		(482,574)	(546,608)	247,124	110,911	88,787	385,408
Minority shareholding			64,175,342	62,623,850	62,756,860	67,237,761	74,124,253	76,781,172
Total shareholders' equity	Pre-payout		157,550,068	147,191,524	156,305,824	166,442,040	180,343,182	186,281,437
	Post-payout		154,034,642	147,191,524	154,345,824	163,647,450	(note1)	-

Note 1: Proposal for the coverage of 2012 profit has yet to be passed by shareholders' meeting

Note 2: The subsidiary Chang Hwa Bank conducted land reevaluation of fixed assets in September 2011 and February 2012, which adjusted the book values upward to by NT\$2,548,796,000 and NT\$968,127,000.

Note 3: The above 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 audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2011 financial statement was certified by CPAs Tsai Hongxiang and Yang Qinzhen, who issued auditing report for their authenticity without reservation on March 31, 2011.

The 2011 financial statement was certified by CPAs Tsai Hongxiang and Yang Qinzhen, who issued auditing report for their authenticity without reservation on March 31, 2012.

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, 2012
		2007 Re-compilation	2008	2009	2010	2011	
Cash and cash equivalent		13,026,747	12,387,621	22,557,438	19,875,925	17,759,020	16,960,908
Financial assets stated as gain (loss) due to change in fair value		0	5,559	4,582	0	0	0
Available-for-sale financial assets		0	0	0	0	0	0
Accounts receivable		1,569,064	1,962,510	3,690,557	3,420,947	1,692,260	1,809,506
Financial assets held to maturity		0	0	0	0	0	0
Equity investments under equity method		116,325,691	107,790,722	100,563,220	112,838,085	111,995,506	116,137,829
Fixed assets		11,684	7,782	4,278	1,693	5,645	5,457
Intangible assets		0	0	0	0	0	0
Other financial assets		3,628,138	3,527,082	9,686,603	4,245,581	10,521,143	10,536,810
Other assets		364,500	410,374	712,563	667,907	439,619	439,163
Total assets		134,925,824	126,091,650	137,219,241	141,050,138	142,413,193	145,889,673
Financial liabilities stated as gain(loss) due to change in fair value		650,903	279,635	598,178	893,564	0	0
Accounts payable		1,487,093	1,496,155	2,939,734	3,115,797	2,515,698	2,710,532
Payable corporate bonds		39,398,220	39,736,721	40,105,826	37,808,989	33,650,000	33,650,000
Special stock liabilities		0	0	0	0	0	0
Other financial liabilities		0	0	0	0	0	0
Other liabilities		14,882	11,465	26,539	27,509	28,566	28,876
Total liabilities	Pre-payout	41,551,098	41,523,976	43,670,277	41,845,859	36,194,264	36,389,408
	Post-payout	45,066,524	41,523,976	45,630,277	44,640,449	(Note1)	-
Common stock		69,880,779	69,880,779	65,151,162	71,009,688	75,163,436	75,163,436
Additional paid-in capital		19,389,426	19,071,634	19,076,045	19,102,143	19,217,299	19,240,513
Retained earnings	Pre-payout	4,587,095	(3,838,131)	9,074,633	8,981,537	11,749,407	14,710,908
	Post-payout	1,389,461	0	1,258,431	2,049,066	(Note1)	-
Other shareholders' equity items		(482,574)	(546,608)	247,124	110,911	88,787	385,408
Total shareholders' equity	Pre-payout	93,374,726	84,567,674	93,548,964	99,204,279	106,218,929	109,500,265
	Post-payout	89,859,300	84,567,674	91,588,964	96,409,689	(Note1)	-

Note1: Proposal for the coverage of 2011 profit has yet to be passed by shareholders' meeting.

Note2: 2006-2011 financial statements have been audited by CPA and financial statement of March 31, 2012 has been inspected by CPA.



VI. Financial Status

Brief Consolidated Income 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, 2012
		2007 Re-compilation	2008	2009	2010	2011	
Net interest income		35,684,379	32,575,562	21,918,855	23,251,856	25,965,347	7,110,811
Net non-interest income		24,876,006	16,002,016	33,619,043	30,182,543	27,553,544	4,587,487
Bad-debt expense		(12,131,170)	(17,620,829)	(9,589,484)	(5,965,444)	(5,215,262)	787,732
Provisions of various insurance liabilities		0	0	0	0	0	0
Business expense		(32,611,981)	(32,183,954)	(29,881,226)	(27,401,299)	(28,861,408)	(6,955,898)
Pre-tax consolidated income of business department (continuation)		15,817,234	(1,227,205)	16,067,188	20,067,656	19,442,221	5,530,132
After-tax consolidated income of business department (continuation)		10,855,783	(1,638,872)	10,493,538	13,915,327	16,282,516	4,699,256
Income of extinct department (after-tax net value)		0	0	0	0	0	0
Extraordinary income (after-tax net value)		0	0	122,820	0	0	0
Accumulated extent of influence from changes in accounting principles (after-tax net value)		0	0	0	0	0	0
Total consolidated income	Belong to shareholders of parent firm	4,552,318	(5,227,592)	8,183,147	7,723,106	9,431,836	2,961,501
	Belong to minority shareholding	6,303,465	3,588,720	2,433,211	6,192,221	6,850,680	1,737,755
Earnings per common share		0.49	(0.91)	1.07	0.99	1.26	0.41

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 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 Qinzheng, 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 audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2011 financial statement was certified by CPAs Tsai Hongxiang and Yang Qinzheng, who issued auditing report for their authenticity without reservation on March 31, 2011. The 2011 financial statement was certified by CPAs Tsai Hongxiang and Yang Qinzheng, who issued auditing report for their authenticity without reservation on March 31, 2012.

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, 2012
	2007 Re-compilation	2008	2009	2010	2011	
listed investment return on equity method	6,464,319	1,246,970	2,681,297	10,052,586	10,111,913	3,233,148
Other incomes	1,059,556	735,365	7,835,796	118,502	1,128,951	49,131
Listed investment loss on equity method	(13,471)	(5,269,349)	(396)	(62,804)	(283,269)	(7,656)
Business expense	(371,331)	(327,265)	(430,614)	(645,454)	(519,242)	(112,857)
Other expense and loss	(2,470,418)	(1,566,582)	(1,975,367)	(1,976,958)	(1,011,826)	(201,128)
Pre-tax income	4,668,655	(5,180,861)	8,110,716	7,485,872	9,426,527	2,960,638
After-tax income	4,552,318	(5,227,592)	8,183,147	7,723,106	9,431,836	2,961,501
Earning per common share (before tax)	0.51	(0.90)	1.06	0.96	1.26	0.41
Earning per common share (after tax)	0.49	(0.91)	1.07	0.99	1.26	0.41

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: 2007-2011 financial statements have been audited by CPA and financial statement of March 31, 2012 has been reviewed by CPA.

B. Financial Analysis for the Recent Five Years

Financial Analysis

Unit: NT\$1,000

Item \ Year	Financial Analysis in the recent five years					Financial Analysis for current year as of March 31, 2012 (note 2)
	2007 Re-compilation	2008	2009	2010	2011	
Management capability	Turnover rate of total assets(times)	0.03	0.02	0.02	0.02	0.00
	Deposit/loan ratio of Taishin Bank (%)	84.82	82.73	76.81	76.88	82.21
	Deposit/loan ratio of Chang Hwa Bank (%)	90.49	88.95	84.54	85.54	88.34
	NPL ratio of Taishin Bank (%)	1.99	1.38	0.58	0.33	0.16
	NPL ratio of Chang Hwa Bank (%)	1.79	1.67	1.23	0.54	0.37
	Overdue credit-extension ratio of Taishin Bills Finance (%)	0	0	0	0	0
	Revenue per employee (NT\$1,000)	3,738	3,162	4,302	3,936	3,883
	Profit per employee (NT\$1,000)	670	(Note1)	822	1,025	1,181



VI. Financial Status

Item		Year	Financial Analysis in the recent five years					Financial Analysis for current year as of March 31, 2012 (note 2)
			2007 Re-compilation	2008	2009	2010	2011	
Profit-making capability	Return on assets (%)		0.46	(0.07)	0.45	0.57	0.64	0.18
	Return on common shareholders' equity (%)		5.10	(9.84)	11.47	9.57	11.06	3.37
	Net profit rate (%)		17.93	(3.37)	19.12	26.04	30.42	40.17
	Earning per share (NT\$)		0.49	(0.91)	1.07	0.99	1.26	0.41
Financial Structure	Liabilities/assets ratio (%)		93.26	93.74	93.42	93.26	93.12	92.96
	Liabilities/book value ratio (%)		1384.57	1498.20	1419.32	1383.48	1353.88	1320.85
	Double leverage ratio of the financial holding company (%)		125	128	107	114	105	106
	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		3.83	(39.58)	3.46	2.66	2.75	2.12
	Financial leverage extent of financial holding company		1.32	0.70	1.19	1.21	1.11	1.07
Growth rate	Assets growth (%)		0.36	0.58	0.95	3.97	6.19	(note 3)
	Profit growth (%)		247.83	(107.76)	1409.25	24.90	(3.12)	(note 3)
Cash flow	Cash flow ratio (%)		22.20	21.69	6.05	4.43	11.60	7.06
	Propriety ratio of cash flow (%)		19.26	15.91	8.81	6.60	3.21	(note 3)
	Cash-flow satisfaction ratio (%)	(66.04)	(111.31)	(16.34)	(11.05)	(18.64)	(32.09)	
Business scale	Market share of assets (%)		7.77	8.09	7.46	7.43	6.69	(note 6)
	Market share of book value (%)		6.07	6.42	5.98	6.08	5.73	(note 6)
	Market share of Taishin Bank's deposit (%)		2.61	2.83	2.68	2.67	2.77	(note 6)
	Market share of Chang Hwa Bank's deposit (%)		4.00	4.99	4.97	4.73	4.73	(note 6)
	Market share of Taishin Bank's loan extension (%)		2.94	2.83	2.70	2.69	2.83	(note 6)
	Market share of Chang Hwa Bank's loan extension (%)		4.79	5.36	5.50	5.31	5.29	(note 6)
Capital Adequacy	Capital adequacy ratio	Taishin Bank	9.95	9.83	12.95	13.58	12.76	Only data up to the end of 2011 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	10.36	10.61	10.83	10.75	11.54	
		Taishin Security				544.47	482.10	
		Taishin Bills Finance	15.22	22.01	21.72	28.39		
		Taishin AMC	85.94	96.74	88.15	62.33	74.88	
		Taishin Securities Investment Trust				92.11	92.22	
		Taishin Securities Investment Advisory				92.34	93.99	
		Taishin Marketing Consultant	87.07	89.36	90.48	93.86	95.40	
		Taishin Venture Capital	99.99	99.96	99.92	99.87	99.86	
	Eligible self-owned capital		179,323,565	180,629,966	182,650,466	199,134,139	212,950,539	
	Group's eligible capital		85,299,007	80,020,729	90,970,823	86,696,180	99,057,227	

Item	Year	Financial Analysis in the recent five years					Financial Analysis for current year as of March 31, 2012 (note 2)
		2007 Re-compilation	2008	2009	2010	2011	
	Subsidiary's statutory capital requirement	133,169,977	131,553,200	123,320,589	131,422,874	140,696,738	
	Group's statutory capital requirement	78,639,674	73,144,432	68,414,416	72,648,689	76,384,847	
	Group's capital adequacy ratio	108.47	109.40	132.97	119.34	129.68	
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		696,631 (note 5)	657,689 (note 5)	619,055 (note 5)	865,150 (note 5)	971,161 (note 5)	(note 6)
Describe reasons for changes in various financial ratios in the recent two years (No need of analysis for change under 20%)							
(1) The non-performing loan ratio in 2011 was lower than that in 2010 for both Taishin Bank and Chang Hwa Bank, mainly due to improved asset quality leading to decreases in non-performing loans.							
(2) The changes in profitability and growth related financial ratios are mainly the result of increases in assets and net profit after tax in 2011 compared to 2010 and decrease in net profit before tax compared to 2010.							
(3) The changes in cash flow related financial ratios in 2011 are mainly the result of cash inflows from business activities and increases in capital expenditures in the last five years.							

Note 1: Business was in the red in 2008.

Note 2: Return rates as March 31, 2012 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, 2012 is not provided, as the information on the overall market scale in March is not available yet.

Note 7: 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 ratio 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



VI. Financial Status

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Taishin Financial Holding Co., Ltd. ("Taishin Financial Holding") and subsidiaries as of December 31, 2011 and 2010, 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, 2011 and 2010, 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 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.

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.

March 22, 2012

Deloitte & Touche

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.



VI. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

ASSETS	2011 Amount	2010 Amount	Percentage of Variation %
Cash and cash equivalents (Notes 2 and 4)	\$ 64,855,717	\$ 47,675,226	36
Due from Central Bank and call loans to banks (Note 5)	109,187,193	126,140,623	(13)
Financial assets at fair value through profit or loss (Notes 2 and 6)	67,515,650	57,650,706	17
Bonds and securities purchased under resell agreements (Note 2)	9,698,023	5,328,210	82
Receivables, net (Notes 2, 3, 7 and 8)	110,761,564	126,326,832	(12)
Loans, net (Notes 2, 3 and 8)	1,723,226,715	1,577,700,288	9
Available-for-sale financial assets, net (Notes 2 and 9)	248,786,716	221,514,265	12
Held-to-maturity financial assets, net (Notes 2 and 10)	182,797,810	196,737,057	(7)
Investments accounted for by the equity method, net (Notes 2 and 11)	252,698	240,925	5
OTHER FINANCIAL ASSETS (Note 2)			
Financial assets carried at cost (Note 12)	9,274,367	9,313,362	-
Hedging derivative financial instruments (Note 21)	149,400	148,397	1
Other miscellaneous financial assets (Notes 8 and 13)	8,581,684	11,664,114	(26)
Other financial assets, net	18,005,451	21,125,873	(15)
PROPERTY AND EQUIPMENT (Notes 2 and 14)			
Cost			
Land	27,610,625	27,794,019	(1)
Buildings	15,912,508	16,719,049	(5)
Machinery equipment	6,557,165	9,094,420	(28)
Transportation equipment	636,697	917,191	(31)
Miscellaneous equipment	1,686,909	2,147,720	(21)
Leasehold improvement	1,040,364	1,199,206	(13)
Leased assets	164,610	-	-
	53,608,878	57,871,605	(7)
Accumulated depreciation	(12,432,980)	(15,984,505)	(22)
	41,175,898	41,887,100	(2)
Construction in process and machine accessories	-	19,012	(100)
Prepayment for buildings and equipment	28,553	56,401	(49)
Property and equipment, net	41,204,451	41,962,513	(2)
GOODWILL AND INTANGIBLE ASSETS (Notes 2 and 15)	21,951,779	22,113,932	(1)
OTHER ASSETS (Note 2)			
Prepayments	2,215,686	2,179,598	2
Refundable deposits	938,927	1,995,184	(53)
Deferred tax assets (Note 31)	11,019,322	13,428,430	(18)
Other miscellaneous assets (Note 16)	9,560,294	7,012,764	36
Other assets, net	23,734,229	24,615,976	(4)
TOTAL	\$ 2,621,977,996	\$ 2,469,132,426	6

LIABILITIES AND STOCKHOLDERS' EQUITY	2011 Amount	2010 Amount	Percentage of Variation %
LIABILITIES			
Due to banks and Central Bank (Note 17)	\$ 174,583,880	\$ 152,360,876	15
Commercial paper payable, net (Note 18)	267,953	114,915	133
Financial liabilities at fair value through profit or loss (Notes 2 and 6)	10,388,922	21,586,408	(52)
Bonds and securities sold under repurchase agreements (Note 2)	52,249,552	44,194,464	18
Payables (Note 19)	57,275,084	50,038,751	14
Deposits (Note 20)	2,024,212,177	1,918,169,580	6
Bonds payable (Notes 2 and 21)	97,146,086	91,302,139	6
Other borrowings (Note 22)	43,000	350,000	(88)
Other financial liabilities (Note 23)	15,016,995	14,355,704	5
Reserve for operations and liabilities (Notes 2 and 24)	779,673	1,309,483	(40)
Other liabilities (Notes 2, 11, 14, 16 and 25)	9,671,492	8,908,066	9
Total liabilities	2,441,634,814	2,302,690,386	6
TAISHIN FINANCIAL HOLDING STOCKHOLDERS' EQUITY (Note 27)			
Capital stock			
Common stock	63,250,473	59,094,401	7
Preferred stock	11,912,963	11,912,963	-
Advance receipts for common stock	-	2,324	(100)
Capital surplus			
Additional paid-in capital in excess of par	17,005,072	16,996,159	-
Other capital surplus (Note 2)	2,212,227	2,105,984	5
Retained earnings			
Legal reserve	1,999,537	1,227,227	63
Special reserve (Note 24)	268,505	-	-
Unappropriated earnings	9,481,365	7,754,310	22
Other items of stockholders' equity			
Unrealized revaluation increment	288,459	-	-
Cumulative translation adjustments (Note 2)	(23,269)	(44,645)	(48)
Unrealized gains or losses on financial instruments (Note 2)	(145,971)	155,556	(194)
Net loss not recognized as pension cost	(30,432)	-	-
Total Taishin Financial Holding stockholders' equity	106,218,929	99,204,279	7
MINORITY INTERESTS	74,124,253	67,237,761	10
Total stockholders' equity	180,343,182	166,442,040	8
TOTAL	\$ 2,621,977,996	\$ 2,469,132,426	6



VI. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011 Amount	2010 Amount	Percentage of Variation %
INTEREST INCOME (Note 2)	\$ 43,788,708	\$ 37,674,098	16
INTEREST EXPENSES	(17,823,361)	(14,422,242)	24
NET INTEREST INCOME (Note 28)	25,965,347	23,251,856	12
NET INCOME OTHER THAN INTEREST INCOME (Note 2)			
Fee and commission income, net (Note 29)	11,519,464	11,703,741	(2)
Gain on financial assets and liabilities at fair value through profit or loss (Note 6)	2,210,306	1,397,099	58
Realized (loss) gain on available-for-sale financial assets	(147,220)	629,021	(123)
Investment (loss) income recognized under the equity method (Note 11)	(24,498)	14,219	(272)
Foreign exchange gain (Note 2)	1,319,246	1,302,589	1
Loss on assets impairment (Notes 9 and 12)	(20,091)	(25,568)	(21)
Other non-interest net income and losses			
Gain on disposal of non-performing loans	370,204	1,445,856	(74)
Dividend income	379,451	119,512	218
Income from trading and other sale	567,954	924,703	(39)
Recovery of loans written off	7,481,681	9,653,289	(22)
Recovery of external claims (Note 2)	2,544,707	1,447,391	76
Other miscellaneous net income	1,352,340	1,570,691	(14)
GROSS INCOME	53,518,891	53,434,399	-
PROVISION FOR LOAN LOSSES (Notes 2 and 8)	(5,215,262)	(5,965,444)	(13)
OPERATING EXPENSES (Note 30)			
Personnel expenses	(\$ 17,545,107)	(\$ 16,368,071)	7
Depreciation and amortization	(1,845,315)	(2,145,083)	(14)
Others	(9,470,986)	(8,888,145)	7
Total operating expenses	(28,861,408)	(27,401,299)	5
INCOME BEFORE INCOME TAX	19,442,221	20,067,656	(3)
ESTIMATED INCOME TAX EXPENSE (Notes 2 and 31)	(3,159,705)	(6,152,329)	(49)
CONSOLIDATED NET INCOME	\$ 16,282,516	\$ 13,915,327	17

(Continued)

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011 Amount	2010 Amount	Percentage of Variation %
ATTRIBUTABLE TO			
Taishin Financial Holding's stockholders	\$ 9,431,836	\$ 7,723,106	22
Minority interests	6,850,680	6,192,221	11
	<u>\$ 16,282,516</u>	<u>\$ 13,915,327</u>	17

	2011		2010	
	Pretax	After-tax	Pretax	After-tax
BASIC EARNINGS PER SHARE (Note 32)	\$ 1.57	\$ 1.26	\$ 1.57	\$ 0.99
DILUTED EARNINGS PER SHARE (Note 32)	\$ 1.54	\$ 1.26	\$ 1.57	\$ 0.99

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

(Concluded)



VI. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

	Capital Stock			Capital Surplus		
	Common Stock	Preferred Stock	Advance Receipts for Common Stock	Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions	Other Capital Surplus
BALANCE, JANUARY 1, 2010	\$ 53,238,199	\$ 11,912,963	\$ -	\$ 16,996,159	\$ 2,075,475	\$ 4,411
Appropriation of 2009 earnings						
Legal reserve	-	-	-	-	-	-
Reversed special reserve	-	-	-	-	-	-
Dividend on preferred stock C	-	-	-	-	-	-
Dividend on preferred stock D	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-
Stock dividends (\$1.1 per share, ex-dividend date August 18, 2010)	5,856,202	-	-	-	-	-
Unrealized revaluation increment on land	-	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-
Unrealized gains or losses of available-for-sale financial assets	-	-	-	-	-	-
Issuance of employee stock options	-	-	-	-	-	26,098
Execution of employee stock options	-	-	2,324	-	-	-
Effect of initial consolidation of subsidiaries	-	-	-	-	-	-
Consolidated net income for the year ended December 31, 2010	-	-	-	-	-	-
Others	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2010	59,094,401	11,912,963	2,324	16,996,159	2,075,475	30,509
Appropriation of 2010 earnings						
Legal reserve	-	-	-	-	-	-
Dividend on preferred stock C	-	-	-	-	-	-
Dividend on preferred stock D	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-
Stock dividends (\$0.7 per share, ex-dividend date August 6, 2011)	4,137,881	-	-	-	-	-
Unrealized revaluation increment on land	-	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-
Unrealized gains or losses of available-for-sale financial assets	-	-	-	-	-	-
Net loss not recognized as pension cost	-	-	-	-	-	-
Issuance of employee stock options	-	-	-	-	-	106,243
Execution of employee stock options	18,191	-	(2,324)	8,913	-	-
Loss provision reclassified to special reserve	-	-	-	-	-	-
Consolidated net income for the year ended December 31, 2011	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2011	\$ 63,250,473	\$ 11,912,963	\$ -	\$ 17,005,072	\$ 2,075,475	\$ 136,752

Retained Earnings			Equity Adjustments					
Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Revaluation Increment	Cumulative Translation Adjustments	Unrealized Gain or Loss on Financial Instruments	Net Loss Not Recognized as Pension Cost	Minority Interests	Total
\$ 408,912	\$ 482,574	\$ 8,183,147	\$ -	(\$ 5,029)	\$ 252,153	\$ -	\$ 62,756,860	\$ 156,305,824
818,315	-	(818,315)	-	-	-	-	-	-
-	(482,574)	482,574	-	-	-	-	-	-
-	-	(1,050,000)	-	-	-	-	-	(1,050,000)
-	-	(910,000)	-	-	-	-	-	(910,000)
-	-	-	-	-	-	-	(1,451,178)	(1,451,178)
-	-	(5,856,202)	-	-	-	-	-	-
-	-	-	-	-	-	-	(21,141)	(21,141)
-	-	-	-	(39,616)	-	-	(134,050)	(173,666)
-	-	-	-	-	(96,597)	-	(155,996)	(252,593)
-	-	-	-	-	-	-	125	26,223
-	-	-	-	-	-	-	-	2,324
-	-	-	-	-	-	-	25,633	25,633
-	-	7,723,106	-	-	-	-	6,192,221	13,915,327
-	-	-	-	-	-	-	25,287	25,287
1,227,227	-	7,754,310	-	(44,645)	155,556	-	67,237,761	166,442,040
772,310	-	(772,310)	-	-	-	-	-	-
-	-	(525,000)	-	-	-	-	-	(525,000)
-	-	(910,000)	-	-	-	-	-	(910,000)
-	-	(1,359,590)	-	-	-	-	(1,343,693)	(2,703,283)
-	-	(4,137,881)	-	-	-	-	-	-
-	-	-	288,459	-	-	-	1,758,396	2,046,855
-	-	-	-	21,376	-	-	(5,321)	16,055
-	-	-	-	-	(301,527)	-	(457,568)	(759,095)
-	-	-	-	-	-	(30,432)	(102,970)	(133,402)
-	-	-	-	-	-	-	409	106,652
-	-	-	-	-	-	-	-	24,780
-	268,505	-	-	-	-	-	186,559	455,064
-	-	9,431,836	-	-	-	-	6,850,680	16,282,516
\$ 1,999,537	\$ 268,505	\$ 9,481,365	\$ 288,459	(\$ 23,269)	(\$ 145,971)	(\$ 30,432)	\$ 74,124,253	\$ 180,343,182



VI. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 16,282,516	\$ 13,915,327
Depreciation	1,448,607	1,774,259
Amortization	396,708	370,824
Provision for loan losses	5,215,262	5,965,444
Share-based compensation	106,652	26,223
Amortization of discount on bond investment	(404,175)	(182,868)
Investment loss (income) recognized under equity method	24,498	(14,219)
Cash dividends received in current period under equity method	14,672	7,128
Loss on disposal of property and equipment	4,241	2,873
Gain on disposal of rental and idle assets	(10,058)	(129,751)
Gain on disposal of investments	(2,335,882)	(2,227,188)
Unrealized valuation loss on financial assets and liabilities	509,708	376,665
Impairment loss on financial assets	20,091	25,568
Unrealized exchange (gain) loss	(750,111)	1,388,172
Deferred income tax expense	2,542,340	5,890,292
Income tax benefit from linked-tax system	(5,129)	(277,904)
Recovery of debts written off	489,514	199,142
Others	7,957	420,902
Net changes in operating assets and liabilities		
Net changes in operating assets		
Decrease (increase) in receivables	15,701,097	(19,203,564)
Decrease in financial assets for trading purpose	7,036,516	22,601,770
Increase in other financial assets	(475,385)	(266,202)
Increase in other assets	(254,482)	(156,310)
Net changes in operating liabilities		
Increase in payables	6,915,337	4,837,610
Decrease in financial liabilities for trading purpose	(25,928,870)	(17,806,120)
Increase (decrease) in other financial liabilities	683,701	(6,214,251)
Increase (decrease) in other liabilities	367,542	(2,725,309)
Net cash provided by operating activities	27,602,867	8,598,513
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(992,130,341)	(1,051,124,842)
Proceeds from disposal of available-for-sale financial assets	964,908,045	902,945,118
Purchase of bond investments without active market	(82,324)	(113,465)
Proceeds from maturity of bond investments without active market	3,299,013	3,704,962
Purchase of held-to-maturity financial assets	(961,026,799)	(1,140,129,178)
Proceeds from maturity of held-to-maturity financial assets	975,058,719	1,179,507,095
Purchase of financial assets carried at cost	(48,095)	(55,748)
Proceeds from disposal of financial assets carried at cost	-	463,129
Capital reduction of financial assets carried at cost	84,524	50,914
Acquisition of investments accounted for by the equity method	(12,070)	-
Acquisition of subsidiaries	(300)	(1,055,974)
Capital reduction of investments accounted for by the equity method	2,226	-

(Continued)

	2011	2010
Purchase of property and equipment	(887,076)	(890,255)
Proceeds from disposal of property and equipment	39,412	5,227
Proceeds from disposal of rental assets and idle assets	14,450	136,880
Decrease in operating guarantee deposits	6,774	29,247
Decrease in settlement funds	2,596	33,695
Decrease in refundable deposits	1,056,257	13,728,805
Purchase of intangible asset	(26,240)	(64,313)
Proceeds from disposal of collaterals	212,466	-
Purchase of collaterals	(402,932)	-
Net payment for acquiring Chinfon credit card department	-	(4,090,570)
Decrease in due from Central Bank and call loans to banks	16,953,430	92,013,813
Increase in loans (including delinquent loans)	(150,704,364)	(77,466,571)
(Increase) decrease in bonds and securities purchased under resell agreements	(4,369,813)	4,563,694
Net cash used in investing activities	(148,052,442)	(77,808,337)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper payable	153,038	114,915
Proceeds from issuance of bonds	9,700,000	5,300,000
Repayment of bonds	(14,000,000)	(8,000,000)
Proceeds from issuance of bank debentures	10,000,000	15,000,000
Repayment of bank debentures	-	(10,000,000)
Increase (decrease) in other borrowings	(307,000)	188,000
Increase in bonds and securities issued under repurchase agreements	8,055,088	11,111,122
Increase (decrease) in guarantee deposits	(116,805)	5,077
Cash dividends paid	(4,138,282)	(3,411,178)
Exercise of employee stock options	24,780	2,324
Increase (decrease) in due to Central Bank and banks	22,223,004	(24,207,349)
Increase in deposits and remittances	106,058,653	95,450,559
Other financing activities	(22,410)	(37,404)
Net cash provided by financing activities	137,630,066	81,516,066
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,180,491	12,306,242
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	47,675,226	35,368,984
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 64,855,717</u>	<u>\$ 47,675,226</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest	<u>\$ 17,494,928</u>	<u>\$ 13,907,402</u>
Income tax	<u>\$ 1,007,740</u>	<u>\$ 601,704</u>
NON-CASH FINANCING ACTIVITIES		
Capital increase by earnings recapitalization	<u>\$ 4,137,881</u>	<u>\$ 5,856,202</u>



VI. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

(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 A") 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, 2011. On October 3, 2008, this preferred stock - B had converted into 1,400,000 thousand shares of common stock.

Taishin Financial Holding's board of directors resolved to invest in 100% equity interest of Donshin Securities Co., Ltd. ("Donshin Securities") on December 10, 2009, and the resolution had been approved by the Financial Supervisory Commission ("FSC") on April 6, 2010. In the second quarter of 2010, Taishin Financial Holding acquired 100% equity interest of Donshin Securities equal to 103,000 thousand shares at \$11.13 per share. The acquisition price was \$1,147 million. Donshin Securities became a subsidiary of Taishin Financial Holding and changed the company name to Taishin Securities ("Taishin Securities B").

Taishin Financial Holding applied for acquiring 100% equity interest of Taishin Securities Investment Trust Co., Ltd. ("Taishin Securities Investment Trust") and 92% equity interest of Taishin Securities Investment Advisory Co., Ltd. ("Taishin Securities Investment Advisory"), and approved by the FSC on July 23, 2010. The acquisition price for Taishin Securities Investment Trust and Taishin Securities Investment Advisory were \$10.219 and \$11.59 per share, respectively, totaling \$627 million. Taishin Securities Investment Trust and Taishin Securities Investment Advisory became subsidiaries of Taishin Financial Holding.

Taishin Financial Holding applied for acquiring 100% equity interest of Franklin Insurance Brokers Co., Ltd. ("Franklin Insurance Brokers"), and the FSC approved the application on April 20, 2011. In the second quarter of 2011, Taishin Financial Holding acquired 100% equity interest of Franklin Insurance Brokers equal to 300 thousand shares at \$1.67 per share. The acquisition price was \$500 thousand. Franklin Insurance Brokers became a subsidiary of Taishin Financial Holding and changed the company name to Taishin Holdings Insurance Brokers Co., Ltd. ("Taishin Holdings Insurance Brokers"). Taishin Financial Holding invested in Taishin Holdings Insurance Brokers \$29,500 thousand on April 29, 2011.

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 owned 100% equity interest of Taishin Insurance Brokers Co., Ltd. ("Taishin Insurance Brokers").

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

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 B originally named Donshin Securities was incorporated on January 15, 1990 and its operations include services dealing with futures, securities underwriting, brokerage, margin lending and security transfer services.

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 FSC. In order to integrate corporate resources, Taishin Bank merged with Taishin Bills Finance, and the base date of merger was January 22, 2011. Taishin Bank acquired total assets, liabilities and operations of Taishin Bills Finance.

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 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.

Taishin Financial Leasing (China) Co., Ltd. ("Taishin Financial Leasing (China)") was approved to establish on July 12, 2011 to provide financial leasing service.

Taishin Securities Investment Advisory was established in March 1989 and its operations include accepting



VI. Financial Status

a mandate from a customer and providing analytical opinions or recommendations on securities investment, accepting full fiduciary discretionary investment, acting as an agent for investment consultancy of offshore funds, issuing publications or holding lectures about securities investment and other relevant business permitted by the competent authority.

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

Taishin Holdings Insurance Brokers was originally named Franklin Insurance Brokers; its operations include property insurance broker service and life insurance broker service.

As of December 31, 2011 and 2010, Taishin Financial Holding and subsidiaries had 13,783 and 13,575 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, 2011 and 2010 were as follows:

Investors' Names	Subsidiaries' Names	Ownership Interest (%)		Note
		2011	2010	
Taishin Financial Holding	Taishin Bank	100.00%	100.00%	
Taishin Financial Holding	Taishin Securities B	100.00%	100.00%	In 2010, Taishin Financial Holding acquired 100.00% equity interest of Taishin Securities B. Thus, it was included in the consolidated financial statements since April 10, 2010.
Taishin Financial Holding	Taishin Bills Finance	-	100.00%	Taishin Bills Finance was merged with Taishin Bank and eliminated on January 22, 2011.
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 Financial Holding	Taishin Securities Investment Advisory	92.00%	92.00%	In 2010, Taishin Financial Holding acquired 92% equity interest of Taishin Securities Investment Advisory. Thus, it was included in the consolidated financial statements since July 26, 2010.
Taishin Financial Holding	Taishin Securities Investment Trust	100.00%	100.00%	In 2010, Taishin Financial Holding acquired 100% equity interest of Taishin Securities Investment Trust. Thus, it was included in the consolidated financial statements since July 26, 2010.
Taishin Financial Holding	Taishin Holdings Insurance Brokers	100.00%	-	In 2011, Taishin Financial Holding acquired 100% equity interest of Taishin Holdings Insurance Brokers. Thus, it was included in the consolidated financial statements since April 27, 2011.
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%	87.40%	
Taishin Bank	PayEasy Digital	65.36%	65.36%	
Taishin AMC	Taishin Real-Estate	40.00%	40.00%	
Taishin Insurance Agency	Taishin Insurance Brokers	100.00%	100.00%	
Chang Hwa Bank	CHB Life Insurance Agency	100.00%	100.00%	
Chang Hwa Bank	CHB Insurance Brokerage	100.00%	100.00%	
Taishin Venture Capital	Taishin Financial Leasing (China)	100.00%	-	In 2011, Taishin Venture Capital invested to set up Taishin Financial Leasing (China), and it was included in consolidated financial statements since September 20, 2011.



VI. Financial Status

Subsidiaries not included in the consolidated financial statements as of December 31, 2011 and 2010 were as follows:

Investors' Names	Subsidiaries' Names	Ownership Interest (%)		Note
		2011	2010	
Taishin Bank	Taishin Dah An Leasing Co., Ltd. ("Taishin Dah An Leasing")	100.00%	99.00%	Taishin Dah An Leasing was an equity-method investee of Taishin Bank as of December 31, 2011 and 2010. Since its capital was less than 0.41% of the consolidated capital, and its total assets were less than 0.02% of the consolidated total assets, thus, it was not included in the consolidated financial statements.
Taishin AMC	Shin Jui Assets Management Co., Ltd. ("Shin Jui AMC")	-	100.00%	Shin Jui AMC dissolved on October 6, 2010 and completed the liquidation on July 7, 2011.
PayEasy Digital	PayEasy Travel Service Co., Ltd. ("PayEasy Travel")	100.00%	100.00%	PayEasy Travel was an equity method investee of PayEasy Digital as of December 31, 2011 and 2010. Its capital, total assets and operating income did not reach 1.02% of consolidated capital, of consolidated total assets and of consolidated operating income. Thus, it was not included in the consolidated financial statements.
PayEasy Digital	Contect Digital Integration Co., Ltd. ("Contect Digital Integration")	65.75%	65.75%	Contect Digital Integration was an equity method investee of PayEasy Digital as of December 31, 2011 and 2010. Contect Digital Integration's capital, total assets and operating income did not reach 1.25% of consolidated capital, of consolidated total assets and consolidated operating income. Therefore, it was not included in the consolidated financial statements.

In order to integrate corporate resources and enhance operation efficiency, Taishin Bank merged with Taishin Bills Finance, with Taishin Bank as the survivor company on January 22, 2011. The merger price was the net equity value of Taishin Bills Finance on the base date of merger and was paid in cash by Taishin Bank to acquire total assets, liabilities and operations of Taishin Bills Finance.

Taishin Financial Holding acquired 100% equity interest of Taishin Securities B in 2010. The fair values of assets and liabilities were as follows:

Cash and cash in banks	\$ 547,544
Financial assets at fair value through profit or loss	77,586
Receivables	5,864
Available-for-sale financial assets	2,277
Other financial assets	252,500
Property and equipment	9,913
Intangible assets	71,747
Other assets	216,151
Payables	(3,343)
Reserve for operations and others	(\$ 22,668)
Other liabilities	(10,931)
Total cost for acquisition	1,146,640
Less: Balance of cash	(547,544)
Net payment for acquisition	\$ 599,096

Taishin Bank acquired the credit card department of Chinfon Bank in 2010. The fair values of assets and liabilities were as follows:

Cash	\$	7,430
Receivables		3,615,883
Other financial assets		47,202
Property and equipment		11,111
Intangible assets		672,969
Other assets		59,873
Payables	(	316,468)
Total cost for acquisition		4,098,000
Less: Balance of cash	(	7,430)
Net payment for acquisition	\$	4,090,570

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 Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the ROC.

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

Foreign Currency Transactions

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

- Assets and liabilities - at exchange rates prevailing on the balance sheet date;
- Shareholders' equity - at historical exchange rates;
- Dividends - at the exchange rate prevailing on the dividend declaration date;
- 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 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:



VI. Financial Status

- 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 are 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.

Accounting Estimates

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.

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 recognized 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.

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.



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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.

The management of the banks and bills companies assesses collectibility of 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.

On January 1, 2011, Taishin Financial Holding and subsidiaries adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that impairment of receivables originated by a company should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Occurrence of past-due loans and receivables;
- It is becoming probable that the debtor will enter bankruptcy or financial re-organization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the company's past experience in collecting payment and an increase in the number of delayed payments, as well as national or local economic conditions that correlate with defaults on the loans and receivables.

The amount of impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

Uncollectibility of specific loans are estimated by assessment of 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. Loans are grouped into "special mentioned", "substandard", "doubtful", and "losses" categories. Provisions should be made at 2%, 10%, 50%, and 100% for each loan category, respectively. Effective January 1, 2011, normal loans are also provided with allowance at 0.5%, as the minimum standard of allowance for bad loans and guarantees. The minimum provision for allowance for bad loans and guarantees can be made sufficient over three-year period beginning on January 1, 2011.

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.

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.

The cost of investment is allocated to the assets and liabilities of the investee on the basis of their fair values at the date of investment, and the investment cost in excess of the fair value of the identifiable net assets of the investee is recognized as goodwill. Goodwill is not amortized. The fair value of the net identifiable assets of the investee in excess of the investment cost is used to reduce the fair value of each of the noncurrent assets of the investee (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

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 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.



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When the share in losses of an investee over which Taishin Financial Holding and subsidiaries have control exceeds their investment in the investee, unless the other shareholders of the investee have assumed legal or constructive obligations and have demonstrated the ability to make payments on behalf of the investee, Taishin Financial Holding and subsidiaries have to bear all of the losses in excess of the capital contributed by shareholders of the investee. If the investee subsequently reports profits, such profits are first attributed to Taishin Financial Holding and subsidiaries to the extent of the excess losses previously borne by Taishin Financial Holding and subsidiaries.

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 and Equipment, Leased Asset and Idle Asset

Property and 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 by the straight-line method over the estimated useful lives of depreciable assets, and amortization is calculated by the straight-line method over the lease terms of leasehold improvements. 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 recognized on acquisition of companies was previously amortized over the estimated life of five to twenty years on a straight-line basis. Effective January 1, 2006, under SFAS No. 25 "Accounting for Business Combination under Purchase Method", goodwill is no longer amortized and instead is tested for impairment annually.

Intangible Assets

Intangible assets acquired are initially recorded at cost and are amortized on a straight-line basis over their estimated useful lives.

If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable 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.

Deferred Assets and Other Assets

Deferred assets are 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 on 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 would have been had no impairment loss 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 covered by 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.



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Stock-based Compensation

Employee stock options granted on or after January 1, 2008 are accounted for under SFAS No. 39, "Accounting for Share-based Payment." Under the statement, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

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 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 control the fair value risk 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.

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 stopped. 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 allowance is 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, 2010 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the year ended December 31, 2011.



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3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, Taishin Financial Holding and subsidiaries adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include (1) original loans and receivables are included in the applicable scope of SFAS No. 34; (2) additional guidelines on impairment testing of financial assets carried at amortized cost when a debtor has financial difficulties and the terms of obligations have been modified; and (3) accounting treatment by a debtor for modifications in the terms of obligations.

Operating Segments

On January 1, 2011, Taishin Financial Holding and subsidiaries adopted the newly issued SFAS No. 41 - "Operating Segments." The requirements of the statement are based on the information about the components of Taishin Financial Holding and subsidiaries that management uses to make decisions about operating matters. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by Taishin Financial Holding and subsidiaries' chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting." For this accounting change, Taishin Financial Holding and subsidiaries restated the segment information as of and for the year ended December 31, 2010 to conform to the disclosures as of and for the year ended December 31, 2011.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2011	2010
Cash on hand	\$ 14,694,960	\$ 13,151,700
Checks for clearing	20,083,794	7,019,371
Due from banks	27,220,352	24,692,626
Others	2,856,611	2,811,529
	<u>\$ 64,855,717</u>	<u>\$ 47,675,226</u>

5. DUE FROM CENTRAL BANK AND CALL LOANS TO BANKS

	December 31	
	2011	2010
Reserve for checking account	\$ 24,335,536	\$ 22,816,987
Reserve for demand account	52,160,089	48,672,857
Reserve for foreign deposit	181,342	240,936
Call loans to banks	26,580,954	47,683,872
Certificate of deposits issued by Central Bank	5,700,000	6,500,000
Others	229,272	225,971
	<u>\$ 109,187,193</u>	<u>\$ 126,140,623</u>

Taishin Bank and Chang Hwa Bank are required to maintain reserve balances in the Central Bank. These reserves amounted to \$76,676,967 thousand and \$71,730,780 thousand as of December 31, 2011 and 2010, respectively.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2011	2010
Trading-purpose financial assets		
Investment in bills	\$ 38,559,079	\$ 24,461,957
Quoted stocks and mutual funds	579,208	1,703,842
Government bonds	5,914,941	4,099,939
Corporate bonds, bank debentures and other bonds	8,332,770	6,741,483
Trading securities		
Dealing	833,524	497,513
Underwriting	447,293	276,795
Futures	99,355	286,960
Forward exchange contracts	522,960	1,919,333
Currency swaps	3,488,142	3,384,348
Interest rate swaps	4,567,895	7,447,829
Cross-currency swaps	1,159,550	2,055,506
Currency options	1,190,943	897,251
Equity-linked options	241,062	370,826
Equity-linked swaps	200,720	26,897
Convertible bond assets swaps	-	1,740,424
Assets based commercial papers	20,294	40,330
Others	89,231	98,835
	<u>66,246,967</u>	<u>56,050,068</u>
Financial assets designated upon initial recognition at fair value through profit or loss		
Interest-rate combination instruments	1,268,683	1,600,638
	<u>\$ 67,515,650</u>	<u>\$ 57,650,706</u>

Please refer to Note 34 for relevant information regarding financial assets at FVTPL pledged as collaterals as of December 31, 2011 and 2010.

The par values of those financial assets at FVTPL provided for transactions with repurchase agreements were \$23,281,100 thousand and \$19,380,000 thousand as of December 31, 2011 and 2010, respectively.

	December 31	
	2011	2010
Trading-purpose financial liabilities		
Securities borrowing	\$ 54,469	\$ 98,297
Forward exchange contracts	612,087	1,567,167
Currency swaps	2,484,556	7,041,629
Interest rate swaps	4,765,958	7,553,581
Cross-currency swaps	1,054,910	2,816,363
Interest rate options	776,522	473,222



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	December 31	
	2011	2010
Conversion-price-reset options and call options for convertible bond	-	893,564
Equity-linked options	111,671	550,461
Put options	240,148	478,141
Equity-linked swaps	200,720	26,890
Assets based commercial papers	17,254	30,068
Others	70,627	57,025
	<u>\$ 10,388,922</u>	<u>\$ 21,586,408</u>

Taishin Bank engaged in various derivative instruments in the years ended December 31, 2011 and 2010 to fulfill customers' needs, as well as to manage Taishin Bank's asset and liability positions and risk.

Chang Hwa Bank engaged in various derivative instruments in the years ended December 31, 2011 and 2010 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, 2011 and 2010 were as follows:

	December 31	
	2011	2010
Outstanding derivative contracts		
Trading-purpose		
Forward exchange contracts	\$ 121,311,867	\$ 84,932,192
Currency swaps	619,339,674	322,347,376
Interest rate swaps and asset swaps	493,983,613	572,125,408
Cross-currency swaps	28,362,682	42,339,469
Futures	-	904,156
Futures and electronic index options	-	340,340
Currency options	203,834,959	79,041,610
Interest rate options	4,330,000	12,481,000
Equity-linked options	9,400,191	5,060,912
Commodity options	469,653	679,326
Credit default swaps	1,164,772	2,607,197
Equity-linked swaps	4,081,581	2,186,990
Commodity price exchange	442,540	76,920
Fixed rate commercial papers	3,030,000	630,000
Floating rate commercial papers	-	950,000
Assets based commercial papers	3,391,500	4,170,500

Gain or loss of financial assets and liabilities for trading purpose as of December 31, 2011 and 2010 was as follows:

	Year Ended December 31			
	2011		2010	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
Gain (loss) on valuation	\$ 8,653,612	(\$9,163,320)	\$ 15,982,244	(\$ 16,358,909)
Gain (loss) on disposal	8,247,848	(5,568,064)	5,437,830	(3,691,196)
Dividend income	40,230	-	27,130	-
	<u>\$ 16,941,690</u>	<u>(\$ 14,731,384)</u>	<u>\$ 21,447,204</u>	<u>(\$ 20,050,105)</u>

7. RECEIVABLES, NET

	December 31	
	2011	2010
Notes and accounts receivable	\$ 88,895,493	\$ 100,498,577
Margin loans receivable	518,630	685,666
Acceptance receivable	7,854,090	9,055,418
Revenue receivable	287,334	263,565
Interest receivable	4,344,594	3,446,951
Tax refund receivable	2,186,300	2,015,446
Installment receivable	6,314,123	6,441,427
Other receivables	1,722,571	5,451,746
Less: Allowance for receivables	(1,361,571)	(1,531,964)
	<u>\$ 110,761,564</u>	<u>\$ 126,326,832</u>

8. LOANS

The details of loans were as follows:

	December 31	
	2011	2010
Negotiated	\$ 6,057,750	\$ 2,634,687
Overdrafts	6,097,032	4,059,125
Discounts	3,621,982	4,319,063
Short-term loans	452,856,502	446,439,330
Medium-term loans	514,964,757	405,224,528
Long-term loans	756,804,712	726,361,364
Delinquent loans	5,394,532	7,923,210
Adjustment for discount	(250,681)	-
	<u>1,745,546,586</u>	<u>1,596,961,307</u>
Less: Allowance for loan losses	(22,319,871)	(19,261,019)
	<u>\$ 1,723,226,715</u>	<u>\$ 1,577,700,288</u>



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Allowance for loan losses was as follows:

Year Ended December 31, 2011				
	Receivables	Loans	Other Financial Assets	Total
Balance, January 1, 2011	\$ 1,531,964	\$ 19,261,019	\$ 327,641	\$ 21,120,624
Provision for loan losses	187,169	4,854,406	298,963	5,340,538
Loans written off	(360,961)	(2,196,214)	(385,292)	(2,942,467)
Recovery of loans written off	3,370	454,374	31,770	489,514
Reclassified from reserve for guarantees	-	(130,843)	4,501	(126,342)
Others	29	77,129	392	77,550
Balance, December 31, 2011	<u>\$ 1,361,571</u>	<u>\$ 22,319,871</u>	<u>\$ 277,975</u>	<u>\$ 23,959,417</u>

Year Ended December 31, 2010				
	Receivables	Loans	Other Financial Assets	Total
Balance, January 1, 2010	\$ 1,145,340	\$ 19,391,117	\$ 518,696	\$ 21,055,153
Reclassification at beginning of the year	1,989,515	-	-	1,989,515
Increase by acquiring Chinfon credit card department	-	540,576	-	540,576
Provision (reverse) for loan losses	(305,196)	5,536,118	760,532	5,991,454
Reclassification	(16,511)	16,511	-	-
Loans written off	(1,296,494)	(6,200,755)	(1,040,445)	(8,537,694)
Recovery of loans written off	3,680	114,827	80,635	199,142
Reclassified from reserve for guarantees	11,659	30,116	8,223	49,998
Others	(29)	(167,491)	-	(167,520)
Balance, December 31, 2010	<u>\$ 1,531,964</u>	<u>\$ 19,261,019</u>	<u>\$ 327,641</u>	<u>\$ 21,120,624</u>

Details of provision for loan losses for the years ended December 31, 2011 and 2010 were as follows:

	2011	2010
Provision for receivable and loan losses	\$ 5,340,538	\$ 5,991,454
Reverse for guarantees	(125,276)	(26,010)
	<u>\$ 5,215,262</u>	<u>\$ 5,965,444</u>

Details of receivables and allowance for loan accounts for the year ended December 31, 2011 were as follows:

Receivables (including delinquent loans reclassified from other items (excluding loans))

Item		Total Receivable	Total Allowance
		December 31, 2011	December 31, 2011
Objective evidence of impairment	Individual assessment of impairment	\$ 1,370,901	\$ 695,226
	Combined assessment of impairment	3,360,311	425,847
Non objective evidence of impairment	Combined assessment of impairment	105,721,565	518,473
Total		<u>\$ 110,452,777</u>	<u>\$ 1,639,546</u>

Note: The amount of receivable did not include the amount of allowance for receivables and adjustment for discount (premium).

Loans

Item		Total Loans	Total Allowance
		December 31, 2011	December 31, 2011
Objective evidence of impairment	Individual assessment of impairment	\$ 22,410,678	\$ 10,173,393
	Combined assessment of impairment	12,287,558	2,370,275
Non objective evidence of impairment	Combined assessment of impairment	1,711,099,031	9,776,203
Total		\$ 1,745,797,267	\$ 22,319,871

Note: The amount of loans did not include the amount of allowance for loans and adjustment for discount (premium).

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2011	2010
Investment in bills	\$ 140,430,090	\$ 138,910,330
Domestic quoted stocks	4,362,352	3,020,262
Government bonds	59,658,982	43,832,733
Corporate bonds	15,962,518	11,424,099
Bank debentures	21,245,176	15,817,134
Beneficiary's securities	5,786,145	7,426,330
Beneficiary's certificates	1,341,453	1,083,377
	<u>\$ 248,786,716</u>	<u>\$ 221,514,265</u>

Taishin Venture Capital acquired domestic quoted stocks of Darfon Electronics Corp. After evaluation for impairment, Taishin Venture Capital recognized an impairment loss of \$16,167 thousand for the year ended December 31, 2011.

Please refer to Note 34 for relevant information regarding available-for-sale financial assets pledged as collaterals as of December 31, 2011 and 2010.

The par values of bond investments in available-for-sale financial assets provided for transactions with repurchase agreements were \$29,106,119 thousand and \$24,903,044 thousand as of December 31, 2011 and 2010, respectively.

10. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2011	2010
Investment in bills	\$ 169,172,903	\$ 182,573,462
Government bonds	186,359	908,754
Corporate bonds	4,972,186	3,432,650
Bank debentures	8,466,362	9,804,600
Beneficiary's securities	-	17,591
	<u>\$ 182,797,810</u>	<u>\$ 196,737,057</u>

Please refer to Note 34 for relevant information regarding held-to-maturity financial assets pledged as collaterals as of December 31, 2011 and 2010.

The par values of bond investments in held-to-maturity financial assets provided for transactions with repurchase agreements were \$1,060,150 thousand and \$1,297,264 thousand as of December 31, 2011 and 2010, respectively.



VI. Financial Status

11. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2011		2010	
	Carrying Value	Ownership Interest (%)	Carrying Value	Ownership Interest (%)
Unquoted stocks				
Taishin Dah An Leasing	\$ 169,064	100.00	\$ 164,659	99.00
PayEasy Travel	13,834	100.00	15,107	100.00
Contect Digital Integration	(49,486)	65.75	(8,387)	65.75
An Hsin Real-Estate Management Co., Ltd. ("An Hsin Real-Estate")	59,800	30.00	59,340	30.00
Youn Shin Artistic Co., Ltd.	10,000	25.00	-	-
Shin Jui AMC	-	-	1,819	100.00
	203,212		232,538	
Credit balance of investments accounted for by the equity method reclassified to other liabilities	49,486		8,387	
	<u>\$ 252,698</u>		<u>\$ 240,925</u>	

Based on the investees' financial statements for the years ended December 31, 2011 and 2010, the amounts of investment income (loss) recognized under equity method were as follows:

	2011		2010	
	Individual Net Income (Loss)	Investment Income (Loss) Recognized	Individual Net Income (Loss)	Investment Income (Loss) Recognized
Taishin Dah An Leasing	\$ 2,358	\$ 2,336	\$ 2,430	\$ 2,407
PayEasy Travel	40	40	1,459	1,459
Contect Digital Integration	(41,099)	(41,099)	(10,324)	(9,661)
An Hsin Real-Estate	46,062	13,818	60,592	18,178
Youn Shin Artistic Co., Ltd.	5	-	-	-
Shin Jui AMC	407	407	1,836	1,836
		<u>(\$ 24,498)</u>		<u>\$ 14,219</u>

12. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2011	2010
Domestic emerging market stocks	\$ 531,506	\$ 488,928
Domestic and oversea unquoted stocks	8,742,861	8,824,434
	<u>\$ 9,274,367</u>	<u>\$ 9,313,362</u>

Taishin Venture Capital's financial assets carried at cost were investments in stocks of First Bio Venture Capital Corporation, PHS, Double Edge Entertainment Co., Ltd., Century Development Corporation, Cyberheart Inc. (preferred stock) and CC Media Co., Ltd. The investment value has been impaired and possibility of restoration was very small; thus, Taishin Venture Capital had recognized impairment losses of \$3,924 thousand and \$25,568 thousand for the year ended December 31, 2011 and 2010, respectively.

13. OTHER MISCELLANEOUS FINANCIAL ASSETS

December 31			
2011		2010	
Bond investments without active market	\$ 8,319,929	\$ 11,358,321	
Delinquent loans reclassified from other items (excluding loans)	516,713	608,068	
Less: Allowance for bad debt	(277,975)	(327,641)	
Inward remittance	23,017	25,366	
	<u>\$ 8,581,684</u>	<u>\$ 11,664,114</u>	

14. PROPERTY AND EQUIPMENT

December 31				
2011			2010	
	Cost	Accumulated Depreciation	Carrying Value	Carrying Value
Land	\$ 27,610,625	\$ -	\$ 27,610,625	\$ 27,794,019
Buildings	15,912,508	(4,860,628)	11,051,880	11,416,935
Machinery equipment	6,557,165	(4,904,826)	1,652,339	1,923,098
Transportation equipment	636,697	(508,581)	128,116	147,512
Miscellaneous equipment	1,686,909	(1,429,778)	257,131	295,913
Leasehold improvement	1,040,364	(716,005)	324,359	309,623
Leased assets	164,610	(13,162)	151,448	-
Construction in process and machine accessories	-	-	-	19,012
Prepayments for buildings and equipment	28,553	-	28,553	56,041
	<u>\$ 53,637,431</u>	<u>(\$ 12,432,980)</u>	<u>\$ 41,204,451</u>	<u>\$ 41,962,513</u>

Chang Hwa Bank revalued its land and buildings over the years. The total amounts of revaluation increments recognized for land and buildings were \$20,149,266 thousand and \$108,475 thousand, respectively.

Total revaluation increment of land and buildings decreases because of sale, disposal and expropriation by government. The balances of total revaluation increments as of December 31, 2011 and 2010 were as follows:

December 31				
2011		2010		
Item	Land	Buildings	Land	Buildings
Property and equipment	\$ 12,521,663	\$ 80,546	\$ 12,480,372	\$ 80,974
Other miscellaneous assets	6,891,471	12,533	4,397,674	12,533
	<u>\$ 19,413,134</u>	<u>\$ 93,079</u>	<u>\$ 16,878,046</u>	<u>\$ 93,507</u>

Reserve for land revaluation increment tax is accounted as other liabilities and amounted to \$5,860,648 thousand and \$5,607,113 thousand as of December 31, 2011 and 2010, respectively.



VI. Financial Status

15. GOODWILL AND INTANGIBLE ASSETS

	December 31	
	2011	2010
Goodwill	\$ 21,012,047	\$ 21,012,047
Intangible assets - customer value	441,109	560,807
Intangible assets - computer software	441,701	447,312
Intangible assets - concession	44,773	58,549
Intangible assets - others	12,149	35,217
	<u>\$ 21,951,779</u>	<u>\$ 22,113,932</u>

Goodwill

Taishin Bank merged with Dah An Bank through a share swap in February 2002, in which Taishin Bank issued new shares to acquire the total assets and liabilities of Dah An Bank. The difference between the fair value of the new shares issued by Taishin Bank and the fair value of net assets acquired was recognized as goodwill. The unamortized amount as of December 31, 2011 and 2010 was 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, 2011 and 2010 was 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, 2011 and 2010 was both \$267,336 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	<u>\$ 17,168,136</u>	(17,168,136)	<u>\$ 2,150,507</u>	(2,150,507)
Difference between investment cost and fair value of net assets acquired (goodwill)		<u>\$ 19,676,239</u>		<u>\$ 1,682,589</u>

The goodwill was amortized over 20 years by the straight-line method and subject to impairment test before December 31, 2005. Goodwill was no longer amortized since January 1, 2006, but was tested for impairment regularly each year. 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 in consolidated goodwill amount by \$1,682,589 thousand. The unamortized balance was both \$19,430,286 thousand as of December 31, 2011 and 2010.

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. Before 2008, the assets which are subject to asset impairment test include the fixed asset of Chang Hwa Bank and the unamortized goodwill balance in Taishin Financial Holding consolidated financial statements. After 2009, Taishin Financial Holding followed the rules according to February 24, 2010 ARDF Interpretation 2010-0000000061 and the instructions of Financial Supervisory Commission, Executive Yuan, ROC. The assets which are subject to asset impairment test include the book value of Chang Hwa Bank which belongs to Taishin Financial Holding and Taishin Bank. Taishin Financial Holding then used business valuation models to calculate the recoverable amounts. The recoverable amounts were based on the value in use which is calculated by the estimation of discounted free cash flow generating from the operating assets of Chang Hwa Bank, plus fair market value of non-operating assets minus the value of subordinated corporate bonds. The assumptions of the growth rate to estimate the future cash flows were based on the data issued by domestic and overseas research institutes and the long term growth rate issued by the Directorate General of Budget, Accounting and Statistics (DGBAS). The discount rate was determined by free cash flow. Based on the result of the test, there was no material impairment of assets as of December 31, 2011 and 2010.

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. Reasonable variations in key assumption are not supposed to make the fair value exceed the recoverable amount.

Taishin Securities Investment Trust merged with IBT Asset Management Co., Ltd. ("IBT AMC") on December 18, 2010, in which Taishin Securities Investment Trust acquired the total assets and liabilities of IBT AMC. The difference between the purchase price and the net assets acquired was recognized as goodwill. The unamortized amount as of December 31, 2011 was \$425,300 thousand.

Intangible Assets - Customer Value

To increase the number of customers, credit card usage, revolving balance, and increase profits by enhancing the operation efficiency, Taishin Bank acquired the net assets of Chinfon Bank's credit card business valued at \$3,425,031 thousand and the related customer value stated at \$672,969 thousand as of the base date, March 6, 2010 for the price of \$4,098,000 thousand. The customer value recognized as intangible asset was amortized; the amount of monthly amortization was \$11,216 thousand and the unamortized amount was \$426,214 thousand and \$560,807 thousand as of December 31, 2011 and 2010, respectively.

Taishin Securities Investment Trust acquired all the net assets of IBT Securities Investment Trust Co., Ltd., and the related customer value that amounted to \$16,994 thousand as of the base date, December 18, 2010. The amount of monthly amortization was \$175 thousand. And the unamortized amount was \$14,895 thousand as of December 31, 2011.



VI. Financial Status

Intangible Assets - Concession

To maintain the framework of Taishin Financial Holding, it acquired 100% equity interest of Taishin Securities B and the related concession amounted to \$68,881 thousand in 2010. The concession value recognized as intangible asset was amortized; the amount of monthly amortization was \$1,148 thousand and the unamortized amounts were \$44,773 thousand and \$58,549 thousand as of December 31, 2011 and 2010, respectively.

16. OTHER MISCELLANEOUS ASSETS

	December 31	
	2011	2010
Operating guarantee deposits	\$ 80,076	\$ 86,850
Settlement funds	31,099	33,695
Rental and idle assets, net	7,950,206	5,511,988
Client's position - debit, net	43,950	-
Collaterals, net	426,561	72,694
Real estate investments, net	308,139	309,837
Others	720,263	997,700
	<u>\$ 9,560,294</u>	<u>\$ 7,012,764</u>

Operating Guarantee Deposits

a. Taishin Securities B

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 A and Taishin Securities B 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.

b. 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

Taishin Securities B

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.

Rental and Idle Assets

	December 31	
	2011	2010
Rental land	\$ 7,242,895	\$ 4,762,894
Rental buildings	1,098,205	1,127,177
Less: Accumulated depreciation - rental buildings	(417,932)	(405,121)
	7,923,168	5,484,950
Idle land	27,038	27,038
	<u>\$ 7,950,206</u>	<u>\$ 5,511,988</u>

Client's Position - Debit (Credit)

	December 31	
	2011	2010
Debits		
Bank settlement account	\$ 20	\$ 10
Proceed receivable of securities purchased for customers	40,888	185,665
Settlement accounts receivable	136,606	148,272
Settlement prices	165,726	981,258
Proceed receivable of securities sold for customer	52,831	156,591
	<u>396,071</u>	<u>1,471,796</u>
Credits		
Price payable of securities sold for customers	52,831	156,591
Settlement accounts payable	120,475	718,208
Settlement prices	137,928	464,854
Price payable of securities purchased for customer	40,887	185,665
	<u>352,121</u>	<u>1,525,318</u>
Client's position - debit (credit), net	<u>\$ 43,950</u>	<u>(\$ 53,522)</u>



VI. Financial Status

17. DUE TO BANKS AND CENTRAL BANK

	December 31	
	2011	2010
Due to Central Bank	\$ 25,292	\$ 30,354
Due to other banks	14,287,830	23,098,294
Deposits transferred from the Postal Bureau	42,503,490	50,981,867
Call loans from other banks	116,152,418	76,460,417
Bank overdraft	1,614,850	1,789,944
	<u>\$ 174,583,880</u>	<u>\$ 152,360,876</u>

18. COMMERCIAL PAPER PAYABLE

	December 31	
	2011	2010
Guarantee or acceptance institution		
China Bills Finance	\$ 68,000	\$ 100,000
Mega Bills Finance	200,000	15,000
Less: Discounts on commercial paper payable	(47)	(85)
	<u>\$ 267,953</u>	<u>\$ 114,915</u>

As of December 31, 2011 and 2010, the interest rate for commercial paper payable ranged from 0.77% to 0.88% and 0.30% to 0.80%, respectively.

19. PAYABLES

	December 31	
	2011	2010
Notes and accounts payable	\$ 33,767,635	\$ 25,751,959
Accrued expenses	5,310,234	5,131,786
Interest payable	3,944,988	3,234,282
Tax payable	2,118,570	1,948,325
Dividend and bonus payable	211,115	256,237
Acceptance payable	8,082,448	9,968,661
Check for clearance payable	1,688,621	826,862
Collection payable	598,583	657,026
Credit received payable	-	410,000
Other payables	1,552,890	1,853,613
	<u>\$ 57,275,084</u>	<u>\$ 50,038,751</u>

20. DEPOSITS

	December 31	
	2011	2010
Checking deposits	\$ 43,450,706	\$ 39,167,279
Demand deposits	390,644,211	391,294,475
Time deposits	521,584,090	476,165,785
Negotiable certificates of deposit	19,171,700	13,511,300
Savings deposits	1,047,914,613	996,198,321
Remittances and drafts issued	1,446,857	1,832,420
	<u>\$ 2,024,212,177</u>	<u>\$ 1,918,169,580</u>

21. BONDS PAYABLE

	December 31	
	2011	2010
Unsecured subordinated corporate bonds - par	\$ 33,650,000	\$ 30,950,000
Unsecured convertible bonds - par	-	7,000,000
Unsecured convertible bonds - discounts	-	(141,011)
Bank debentures	63,496,086	53,493,150
	<u>\$ 97,146,086</u>	<u>\$ 91,302,139</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 were as follows:

	December 31	
	2011	2010
Unsecured Subordinated Corporate Bonds - 2004 (I)	\$ -	\$ 2,000,000
Unsecured Subordinated Corporate Bonds - 2004 (II)	-	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
Unsecured Convertible Bonds - 2006 (discount)	-	(141,011)
Unsecured Subordinated Corporate Bonds - 2010 (I)	5,300,000	5,300,000
Unsecured Subordinated Corporate Bonds - 2010 (II)	2,700,000	-
Unsecured Subordinated Corporate Bonds - 2011 (I)	5,200,000	-
Unsecured Subordinated Corporate Bonds - 2011 (II)	1,800,000	-
	<u>\$ 33,650,000</u>	<u>\$ 37,808,989</u>



VI. Financial Status

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

Taishin Financial Holding issued \$2 billion of unsecured subordinated corporate bonds in May 2004 and had redeemed these in May 2011. Details were as follows:

- 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).

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

Taishin Financial Holding issued \$5 billion of unsecured subordinated corporate bonds in June 2004 and had redeemed these in June 2011. Details were as follows:

- 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).

c. 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 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 (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).

e. 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 a.m. 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).

f. Domestic Unsecured Convertible Corporate Bonds - 2006

Taishin Financial Holding issued \$7 million unsecured subordinated corporate bonds in May 2006 and had redeemed these in May 2011. Details were as follows:

- 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.



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- 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:
 - 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.
 - c) Pricing:
 - Conversion price per share of \$19.80 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 August 8, 2010 and adjusted to \$15.1.
- 9) Redemption at the bondholders' option: None
- 10) Redemption at 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 rest of 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.

g. Domestic Unsecured Subordinated Corporate Bonds - 2010 (I)

- 1) Issue amount: \$5,300,000 thousand.
- 2) Denomination: \$10,000 thousand.
- 3) Issue date: December 17, 2010.
- 4) Issue price: 100% of the principal amount of the bonds.
- 5) Maturity: 7 years from the issue date.
- 6) Coupon rate: 2.3% 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).

h. Domestic Unsecured Subordinated Corporate Bonds - 2010 (II)

- 1) Issue amount: \$2,700,000 thousand.
- 2) Denomination: \$10,000 thousand.
- 3) Issue date: January 27, 2011.
- 4) Issue price: 100% of the principal amount of the bonds.
- 5) Maturity: 7 years from the issue date.
- 6) Coupon rate: "Floating rate of one-year time deposit of Chunghwa Post Co., Ltd." plus 0.70%.
- 7) Interest payment: Simple interest per annum from the issue date.
- 8) Redemption on maturity: In cash.
- 9) Other: Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (the part of interest could be cumulative and the interest of the principal in the extension period could be calculated at coupon rate).

i. Domestic Unsecured Subordinated Corporate Bonds - 2011 (I)

- 1) Issue amount: \$5,200,000 thousand.
- 2) Denomination: \$50,000 thousand.
- 3) Issue date: August 5, 2011.
- 4) Issue price: 100% of the principal amount of the bonds.
- 5) Maturity: 7 years from the issue date.
- 6) Coupon rate: 2.2% per annum.
- 7) Interest payment: Simple interest per annum from the issue date.
- 8) Redemption on maturity: In cash.
- 9) Other: Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (the part of interest could be cumulative and the interest of the principal in the extension period could be calculated at coupon rate).

j. Domestic Unsecured Subordinated Corporate Bonds - 2011 (II)

- 1) Issue amount: \$1,800,000 thousand.
- 2) Denomination: \$50,000 thousand.
- 3) Issue date: October 5, 2011.
- 4) Issue price: 100% of the principal amount of the bonds.
- 5) Maturity: 7 years from the issue date.
- 6) Coupon rate: 2.2% per annum.
- 7) Interest payment: Simple interest semiannually 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).



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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	
	2011	2010
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
Subordinated Financial Debentures - 2010.04.12	10,000,000	10,000,000
	<u>\$ 25,000,000</u>	<u>\$ 25,000,000</u>

a. 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 had redeemed these financial debentures on February 10, 2010.

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.



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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.

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.

b. Taishin Bank made first issue of \$10,000 million in financial debentures on April 12, 2010 as follows:

Financial Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2010.04.12	2017.04.12	7 years	\$4,500 million	2.65% fixed rate	\$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date.
B	2010.04.12	2017.04.12		\$5,500 million	"Floating rate of one-year time deposit of Chunghwa Post Co., Ltd." posted on Central Bank's website at 10:30 a.m. of two business days prior to the interest calculation period plus 1.5%. The interest rate is recalculated annually.		

Financial Debentures Issued By Chang Hwa Bank

On September 26, 2007, May 19, 2008, December 15, 2008, September 15, 2009, June 29, 2010, March 11, 2011 and April 18, 2011, Chang Hwa Bank issued subordinated financial debentures to enhance its capital adequacy ratio and raise medium to long-term operating funds. The details of subordinated financial debentures were as follows:

	December 31	
	2011	2010
<u>Fair value hedged</u>		
Subordinated Financial Debentures - 2008 (I)	\$ 2,000,000	\$ 2,000,000
Valuation adjustment	146,086	143,150
	2,146,086	2,143,150
<u>Non-hedged</u>		
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	5,000,000
Subordinated Financial Debentures - 2010 (I)	5,000,000	5,000,000
Subordinated Financial Debentures - 2011 (I)	3,300,000	-
Subordinated Financial Debentures - 2011 (II)	6,700,000	-
	36,350,000	26,350,000
	\$ 38,496,086	\$ 28,493,150

The details of subordinated financial debentures were as follows:

a. 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.



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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.

b. 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 \$149,400 thousand and \$148,397 thousand as of December 31, 2011 and 2010, respectively.

c. 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.

d. 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.

e. Subordinated Financial Debentures - 2010 (I)

1) Issue amount: \$5,000,000 thousand.

2) Issue date: June 29, 2010.

3) Issue price: 100% of the principal amount of the bonds.

4) Maturity: None.

5) Coupon rate: From first to tenth year: 3.15% per annum
After tenth year: 4.15% per annum

6) Interest payment: Interest payable annually from the issue date.

f. Subordinated Financial Debentures - 2011 (I)

1) Issue amount: \$3,300,000 thousand and divided into Financial Debentures A \$2,200,000 thousand and Financial Debenture B \$1,100,000 thousand.

- 2) Issue date: March 11, 2011.
- 3) Issue price: 100% of the principal amount of the bonds.
- 4) Maturity: Financial Debenture A matures 7 years from the issue date and Financial Debenture B matures 10 years from the issue date.
- 5) Coupon rate: 1.65% per annum for Financial Debenture A and 1.72% per annum for Financial Debenture B.
- 6) Interest payment: Interest payable annually from the issue date.

g. Subordinated Financial Debentures - 2011 (II)

- 1) Issue amount: \$6,700,000 thousand.
- 2) Issue date: April 18, 2011.
- 3) Issue price: 100% of the principal amount of the bonds.
- 4) Maturity: 10 years from the issue date.
- 5) Coupon rate: The 90-day commercial paper fixed rate in the secondary market plus 0.20%, provided by Reuters Limited.
- 6) Interest payment: Interest payable annually from the issue date.

22. OTHER BORROWINGS

	December 31	
	2011	2010
Short-term unsecured borrowings	\$ 43,000	\$ 350,000

As of December 31, 2011 and 2010, the interest rates on short-term unsecured borrowings ranged from 1.18% and 1.00% to 1.15%.

23. OTHER FINANCIAL LIABILITIES

	December 31	
	2011	2010
Principal of structured products	\$ 14,497,817	\$ 13,880,951
Appropriations for loan fund	85,590	113,796
Lease payable	142,324	-
Appropriations for loan	291,264	360,957
	<u>\$ 15,016,995</u>	<u>\$ 14,355,704</u>

Under the Financial Supervisory Commission's guidelines, effective January 1, 2011, Taishin Bank treated the principal of structured products as other financial liabilities instead of deposits. The principal is excluded from deposits when calculating legal rate and limit.



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24. RESERVE FOR OPERATIONS AND LIABILITIES

	December 31	
	2011	2010
Reserve for guarantee liabilities	\$ 387,526	\$ 385,846
Reserve for default losses	-	68,825
Reserve for trading losses	-	399,699
Reserve for bad debt	-	3,530
Reserve for other losses	392,147	451,583
	<u>\$ 779,673</u>	<u>\$ 1,309,483</u>

Reserve for Default Losses and Reserve for Trading Losses

Taishin Bank, Chang Hwa Bank, Taishin Securities B and Taishin Bills Finance

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.

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.

The FSC issued on January 11, 2011 Order No. Financial-Supervisory-Securities-Firms-09900738571 to delete articles 11 and 12 of the amended Regulations Governing Securities Firms. As a result, the accumulated trading loss reserve and default reserve are reclassified to special reserve. The special reserve shall not be used for purposes other than covering the losses of the company or, when the special reserve reaches 50 percent of the amount of paid-in capital, half of it may be used for capitalization.

Reserve for Bad Debt

In accordance with Letter No. (88) Tai-Tsai-Cheng-7-91625, futures commission merchants should write off or make a loss provision for bad debt in amount equivalent to 3% of sales from major operating sectors to comply with 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, which was 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.

25. OTHER LIABILITIES

	December 31	
	2011	2010
Advance receipts	\$ 1,395,313	\$ 1,254,647
Reserve of land value increment tax	5,860,648	5,607,113
Guarantee deposits	1,145,018	1,261,823
Accrued pension liability	495,109	327,088
Deferred income	409,040	106,666
Client's position - credit (Note 16)	-	53,522
Others	366,364	297,207
	<u>\$ 9,671,492</u>	<u>\$ 8,908,066</u>

26. 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 \$407,071 thousand and \$450,545 thousand for the years ended December 31, 2011 and 2010, respectively.

Based on the defined benefit plan under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. Taishin Financial Holding and subsidiaries contributes amounts equal to 2% to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the committee's name. Taishin Financial Holding and subsidiaries recognized pension costs of \$607,669 thousand and \$681,109 thousand for the years ended December 31, 2011 and 2010, respectively.

a. Components of net periodic pension cost

	December 31	
	2011	2010
Service cost	\$ 530,341	\$ 492,092
Interest cost	170,383	175,116
Actual return on plan assets	(80,753)	(76,927)
Loss on pension assets	(61,226)	(30,170)
Amortization of transitional obligation	37,831	3,429
Amortization of pension loss (gain)	20	(86)
Effect of transferor on pension cost	-	56,146
Curtailment gain	-	(171)
	<u>\$ 596,596</u>	<u>\$ 619,429</u>



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b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2011 and 2010

	December 31	
	2011	2010
Benefit obligation		
Vested benefit obligation	(\$ 4,204,544)	(\$ 3,689,434)
Non-vested benefit obligation	(3,127,314)	(2,865,769)
Accumulated benefit obligation	(7,331,858)	(6,555,203)
Additional benefit based on future salaries	(2,116,307)	(2,035,445)
Projected benefit obligation	(9,448,165)	(8,590,648)
Fair value of plan assets	7,385,328	6,923,115
Funded status	(2,062,837)	(1,667,533)
Unrecognized net transitional obligation	7,560	7,227
Unrecognized pension loss	1,761,275	1,390,555
Additional accrued pension liabilities	(135,806)	(478)
Others	(11,116)	(9,172)
Prepaid pension	(54,185)	(47,687)
Accrued pension cost	(\$ 495,109)	(\$ 327,088)
Vested benefit	\$ 4,466,469	\$ 4,050,985

c. Actuarial assumptions as of December 31, 2011 and 2010

	December 31	
	2011	2010
Discount rate used in determining present values	1.75%~2.00%	2.00%
Future salary increase rate	2.00%~4.00%	2.00%~3.75%
Expected rate of return on plan assets	1.75%~2.00%	2.00%~3.00%
	Year Ended December 31	
	2011	2010
d. Contributions to the fund	\$ 487,482	\$ 2,665,281
e. Payments from the fund	\$ 69,141	\$ 172,617

27. STOCKHOLDERS' EQUITY

Common Stock and Preferred Stock

As of December 31, 2011, Taishin Financial Holding's authorized capital was \$120,000,000 thousand (12,000,000 thousand shares); registered capital is \$75,163,436 thousand, divided into 6,325,047 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, 2011 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	19,302,264	-	19,302,264
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)
Employee stock options converted to new shares	18,190	-	18,190
	<u>\$ 63,250,473</u>	<u>\$ 11,912,963</u>	<u>\$ 75,163,436</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 A and Taishin Bills Finance through share swaps at ratios of 1:1.2 and 1:1.3, respectively, with "1" representing Taishin Financial Holding.

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 shareholders had resolved the transfer of \$4,137,881 thousand of earnings to common stock in the shareholders' meeting on June 24, 2011. The ex-dividend date is set upon August 6, 2011.

Taishin Financial Holding's group capital adequacy ratio was 129.68% as of December 31, 2011.

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.



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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.

Taishin Financial Holding's employees exercised employee stock options and the conversion amounted to 1,819 thousand common shares during the year of 2011. The registration of the conversion had been completed.

Stock-based Employee Compensation Plan

Taishin Financial Holding adopted the Stock-based Employee Compensation Plan on August 31, 2011, October 13, 2010, March 15, 2007 and August 2, 2005 (Plan of 2010 (II), 2010 (I), Plan of 2007 and Plan of 2005, respectively).

Plan of 2007 and Plan of 2005 recognized compensation costs under the intrinsic value method. As of December 31, 2011, the compensation cost was zero.

Stock-based Employee Compensation Plan of 2010 is accounted for under SFAS No. 39, "Accounting for Share-based Payment." Accordingly, payments are measured at the fair value of the equity instruments on the grant date. Fair value is determined by using a reasonable valuation model.

Under the Plan of 2010, 2007 and 2005, Taishin Financial Holding has to grant 77,000 units (first grant 75,390 units, second grant 1,610 units), 150,000 units and 150,000 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 2010 and 2007 can be exercised in two years from the grant date and will expire in ten years from the grant date. The exercisable percentages are 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 percentages are 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%

The quantity and weighted-average exercise price of the stock warrants are as follows:

Plan of 2010 (II)	Year Ended December 31, 2011	
	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning balance	-	\$ -
Granted	1,610	13.10
Outstanding, ending balance	1,610	
Exercisable, ending balance	-	
Weighted average fair value of granted options (dollars)	5.44	

Plan of 2010 (I)	Year Ended December 31			
	2011		2010	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning balance	75,340	\$ 13.90	-	\$ -
Granted	-	-	75,390	13.90
Forfeited	(9,090)	13.18	(50)	13.90
Outstanding, ending balance	66,250		75,340	
Exercisable, ending balance	-		-	

Plan of 2007	Year Ended December 31			
	2011		2010	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning balance	140,614	\$ 14.90	142,640	\$ 16.50
Exercised	(1,663)	14.90	(156)	14.90
Forfeited	(22,981)	13.99	(1,870)	14.90
Outstanding, ending balance	115,970		140,614	
Exercisable, ending balance	81,214		65,348	



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Year Ended December 31				
Plan of 2005	2011		2010	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning balance	41,520	\$ 20.40	135,410	\$ 22.60
Forfeited	(70)	20.40	(93,890)	20.40
Outstanding, ending balance	41,450		41,520	
Exercisable, ending balance	41,450		33,216	

The weighted-average stock price at the date of exercise for stock options exercised during the year ended December 31, 2011 was \$16.3.

Disclosures of the outstanding units of the stock warrants as of December 31, 2011 and 2010 were as follows:

	2011		2010	
	Exercise Price (Dollars)	Expected Weighted Average Outstanding Period (Years)	Exercise Price (Dollars)	Expected Weighted Average Outstanding Period (Years)
Plan of 2010 (II)	\$ 13.10	9.67	\$ -	-
Plan of 2010 (I)	13.00	8.79	13.90	9.79
Plan of 2007	13.90	5.21	14.90	6.20
Plan of 2005	19.10	3.59	20.40	4.59

The valuation models of the stock warrants are as follows:

Valuation Model	Binomial	Plan of 2010 (II)	Plan of 2010 (I)	Plan of 2007	Plan of 2005
Assumptions	Dividend yield	-	-	7.00%	14.48%
	Expected price volatility	37.71%~39.71%	38.02%~38.73%	33.26%	32.65%
	Risk-free interest rate	1.22%~1.52%	1.06%~1.23%	2.15%	1.94%
	Expected outstanding periods	10 years	10 years	10 years	10 years

Compensation cost recognized was \$106,652 thousand and \$26,223 thousand for the years ended December 31, 2011 and 2010, respectively.

Had Taishin Financial Holding recognized the compensation cost of its Stock-based Employee Compensation Plan in 2005 and 2007 under the fair value method, the related assumptions as of December 31, 2011 and the pro forma net income and EPS for the years ended December 31, 2011 and 2010 would have been as follows:

Year Ended December 31				
		2011	2010	
Net income	As reported	\$ 9,431,836	\$ 7,723,106	
	Pro forma	9,390,238	7,635,466	
Basic earnings per share	As reported	\$ 1.26	\$ 0.99	
(in dollars)	Pro forma	1.26	0.98	
Diluted earnings per share	As reported	1.26	0.99	
(in dollars)	Pro forma	1.25	0.98	

Capital Surplus

Taishin Financial Holding's capital surplus as of December 31, 2011 was \$19,217,299 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.

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the company's paid-in capital. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash.

Taishin Financial Holding's board of directors resolved the fourth stock options and warrants issue plan based on SFAS No. 39 and ARDF Interpretation 2008-017 on September 2, 2010. According to the plan, subsidiaries shall recognize the grant of equity instruments from Taishin Financial Holding to their employees as equity-settled shared-based payments transaction to measure the services provided by subsidiaries' employees, the increase in equity as funding from Taishin Financial Holding, and the same amount of increase in equity as current expenses based on the fair value of the equity instrument and the percentage of service provided by Taishin Financial Holding to its subsidiaries over the vesting period, as well as adjust additional paid in capital - stock warrants. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Appropriation of Earnings and Dividend Policy

Taishin Financial Holding's Articles of Incorporation provide that annual net income, after payment of taxes and offset of any accumulated deficit should be appropriated in the following order:

- 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 1% 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, 2011 and 2010, the bonus to employees was \$705 thousand and \$552 thousand, respectively, and the remuneration to directors and supervisors was \$70,537 thousand and \$110,316 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 Articles of Incorporation. 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.



VI. Financial Status

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 amount of paid-in capital. This reserve may be used to offset a deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the company.

The appropriations of earnings for 2010 and 2009 had been approved in the shareholders' meeting on June 24, 2011 and June 18, 2010, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	For Year 2010	For Year 2009	For Year 2010	For Year 2009
Legal reserve	\$ 772,310	\$ 818,315	\$ -	\$ -
Preferred stock - C cash dividends	525,000	1,050,000	-	-
Preferred stock - D cash dividends	910,000	910,000	-	-
Common stock dividends	4,137,881	5,856,202	0.70	1.10
Common stock cash dividends	1,359,590	-	0.23	-

The bonus to employees and remuneration to directors and supervisors for 2010 were approved in the shareholders' meeting on June 24, 2011 and the corresponding amounts for 2009 were approved on June 18, 2011. Such approved amounts and the amounts recognized in respective financial statements were as follows:

	Year Ended December 31			
	2010		2009	
	Cash	Stock	Cash	Stock
Amounts approved in shareholders' meeting	\$ 552	\$ 110,316	\$ 589	\$ 117,748
Amounts recognized in respective financial statements	552	110,316	540	108,097
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49</u>	<u>\$ 9,651</u>

The differences between the approved amounts of the bonus to employees and remuneration to directors and supervisors for 2009 and the accrual amounts reflected in the financial statements for the year ended December 31, 2009 were primarily due to changes in estimates; they were treated as adjustments to profit and loss for the year ended December 31, 2010.

Information about the earnings appropriation, the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

28. NET INTEREST INCOME

	Year Ended December 31	
	2011	2010
Interest income		
Loans	\$ 35,399,453	\$ 30,198,739
Due from and call loans to banks	759,518	627,518
Bonds and securities purchased under resell agreements	51,476	13,414
Investment in marketable securities	5,060,923	4,161,366
Circulation interest of credit card	1,644,080	1,695,217
Asset based securities	159,082	142,553
Securities financing	13,590	2,611
Others	700,586	832,680
	<u>43,788,708</u>	<u>37,674,098</u>
Interest expense		
Deposits	(13,112,825)	(9,776,418)
Due to and call loans from banks and Central Bank	(1,738,201)	(1,258,634)
Bonds and securities sold under repurchase agreements	(272,323)	(178,999)
Issuance of bonds and securities	(2,458,174)	(2,853,057)
Structured products	(236,361)	(246,884)
Others	(5,477)	(108,250)
	<u>(17,823,361)</u>	<u>(14,422,242)</u>
	<u>\$ 25,965,347</u>	<u>\$ 23,251,856</u>

29. FEE AND COMMISSION INCOME, NET

	Year Ended December 31	
	2011	2010
Fee and commission income		
Fees from import and export	\$ 495,343	\$ 540,298
Remittance fees	518,858	551,378
Interbank fees	675,460	624,371
Loan and guarantees fees	1,293,350	1,672,341
Fees from certification, underwriting and brokerage	262,765	186,676
Fees from trustee business	2,657,464	3,085,957
Agency fees	3,254,520	2,468,557
Fees from credit card and cash card	2,690,692	3,092,646
Others	2,226,551	1,868,378
	<u>14,075,003</u>	<u>14,090,602</u>
Fee and commission expense		
Interbank fees	(212,155)	(169,963)
Fees from trustee business	(222,847)	(251,977)
Brokerage fees	(3,875)	(1,500)
Marketing fees	(393,029)	(420,293)
Agency fees	(337,630)	(290,734)
Fees from credit card	(895,987)	(815,033)
Fees from outstanding collection service	(168,266)	(158,796)
Others	(321,750)	(278,565)
	<u>(2,555,539)</u>	<u>(2,386,861)</u>
	<u>\$ 11,519,464</u>	<u>\$ 11,703,741</u>



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30. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Personnel, depreciation, and amortization expenses for the years ended December 31, 2011 and 2010 were summarized as follows:

	2011	2010
Personnel		
Salary	(\$ 15,187,278)	(\$ 14,050,340)
Insurance	(935,910)	(847,511)
Pension	(1,014,740)	(1,131,654)
Others	(407,179)	(338,566)
	<u>(\$ 17,545,107)</u>	<u>(\$ 16,368,071)</u>
Depreciation	(\$ 1,448,607)	(\$ 1,774,259)
Amortization	(396,708)	(370,824)
	<u>(\$ 1,845,315)</u>	<u>(\$ 2,145,083)</u>

31. INCOME TAX

In 2003, Taishin Financial Holding adopted the linked tax system for tax filing with subsidiaries Taishin Bank, Taishin Securities A, Taishin Bills Finance, Taishin AMC and Taishin Marketing. Taishin Venture Capital was included in this tax system in 2004. Taishin Securities A and Taishin Bills Finance were excluded from the linked tax system in 2009 and in 2011, respectively. Taishin Securities B, Taishin Securities Investment Trust and Taishin Securities Investment Advisory were included in this tax system in 2011.

Taishin Financial Holding and subsidiaries' income tax expenses at the statutory tax rate (17%) for the years ended December 31, 2011 and 2010 were as follows:

	2011	2010
Current income tax payable	\$ 665,032	\$ 518,575
Deferred income tax expense	2,542,340	3,037,483
Effect of tax law changes on deferred income tax	-	2,852,809
Taxed separately levied on interest	5	2,842
Income tax benefit - linked tax system	(5,129)	(277,904)
Additional 10% income tax on unappropriated earnings	39,117	907
Adjustment for prior year's tax	56,659	29,436
Offshore income tax expense	4,336	56,957
Others	(142,655)	(68,776)
Income tax expenses	<u>\$ 3,159,705</u>	<u>\$ 6,152,329</u>

In May 2010, the Legislative Yuan pass the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.

The details of deferred income tax assets were as follows:

	December 31	
	2011	2010
Assets		
Loss carryforwards	\$ 7,780,348	\$ 10,438,274
Allowance for bad debts in excess of tax limit	3,148,717	2,622,602
Other reserves in excess of tax limit	10,969	29,181
Pension reserves	7,825	7,230
Unrealized loss on financial instruments	16,910	514,576
Loss for decline in market value of credit receivable	27,795	27,475
Unrealized loss on investment	249,325	296,119
Unrealized loss on collateral	3,263	25,354
Deferred revenue on collateral	62,303	9,727
Unrealized loss on exchange	416,557	17,726
Linked debt settlement	66,638	76,914
Allowance for financial instruments (recognized as other receivable)	-	108,388
Others	8,382	6,124
Less: Allowance	(57,710)	(62,041)
Deferred tax assets	<u>11,741,322</u>	<u>14,117,649</u>
Liabilities		
Unrealized gain on valuation of derivative instruments	(521,951)	-
Unrealized gain on exchange	-	(483,380)
Goodwill amortization	(195,887)	(195,887)
Others	(4,162)	(9,952)
Deferred tax liabilities	(722,000)	(689,219)
Deferred income tax assets, net	<u>\$ 11,019,322</u>	<u>\$ 13,428,430</u>

Loss carryforwards as of December 31, 2011 comprised of:

Expiry Year	Unused Amount
2013	\$ 1,991
2014	3,480
2015	3,038,061
2016	3,798,262
2017	430,233
2018	422,642
2019	14,488
2020	36,612
2021	34,579
	<u>\$ 7,780,348</u>



VI. Financial Status

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, 2011					
	Taishin Financial Holding	Taishin Bank	Taishin Securities B	Chang Hwa Bank	Taishin Holdings Insurance Brokers	Others
Balance of ICA	\$ 94,601	\$ 27,951	\$ 6,335	\$ 285,121	\$ 10	\$ 28,982

	December 31, 2010					
	Taishin Financial Holding	Taishin Bank	Taishin Securities B	Chang Hwa Bank	Taishin Bills Finance	Others
Balance of ICA	\$ 93,334	\$ 29,495	\$ 8,384	\$ 190,625	\$ 108	\$ 28,956

Information on unappropriated earnings (accumulated deficits) was as follows:

	December 31, 2011					
	Taishin Financial Holding	Taishin Bank	Taishin Securities B	Chang Hwa Bank	Taishin Holdings Insurance Brokers	Others
Unappropriated earnings generated after January 1, 1998	\$ 9,481,365	\$ 7,757,821	(\$ 200,867)	\$ 9,144,268	\$ 244,714	(\$ 12,362)

	December 31, 2010					
	Taishin Financial Holding	Taishin Bank	Taishin Securities B	Chang Hwa Bank	Taishin Bills Finance	Others
Unappropriated earnings generated after January 1, 1998	\$ 7,754,310	\$ 7,876,412	\$ 23,974	\$ 8,325,797	\$ 296,330	\$ 14,705

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, 2011, the capital surplus of Taishin Financial Holding mentioned above amounted to \$757,662 thousand.

Information on the imputed tax credit ratios was as follows:

	December 31, 2011					
	Taishin Financial Holding	Taishin Bank	Taishin Securities B	Chang Hwa Bank	Taishin Holdings Insurance Brokers	Others
Imputed tax credit rates	0.92%	0.36%	-	3.12%	0.02%	NA~48.15%

	December 31, 2010					
	Taishin Financial Holding	Taishin Bank	Taishin Securities B	Chang Hwa Bank	Taishin Bills Finance	Others
Imputed tax credit rates	1.10%	0.48%	20.48%	2.32%	0.04%	NA~48.15%

For distribution of earnings generated after January 1, 1998, the rates of imputation credits allocated to shareholders of Taishin Financial Holding and subsidiaries are based on the balance of the ICA as of the date of dividend distribution. The estimated imputed tax credit rate of the 2011 earnings may be adjusted, depending on the ICA balance on the date of the dividend distribution.

Examination of Taishin Financial Holding's and Subsidiaries' Income Tax

Taishin Financial Holding's 2006 income tax return had been examined and cleared by the tax authorities.

The tax authority had disapproved the related expenses of Taishin Financial Holding in 2004, 2005 and 2006 due to its disagreement to 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, \$1,149,862 thousand and 1,721,715 thousand, respectively. The tax authority ruled that a holding company is not a company specialized in investment business so it cannot 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 2006 income tax return had been examined and cleared by the tax authority. The 2009 income tax returns of Taishin Real-Estate, PayEasy Digital and Taishin Insurance Brokers had been examined and cleared by the tax authority. The 2008 income tax return of Taishin Insurance Brokers has not been examined and cleared by the tax authority. And the 2008 income tax return of Taishin Insurance Agency had been examined and cleared by the tax authority.

In regard to the goodwill amortization of \$632,098 thousand, \$758,518 thousand, \$758,518 thousand, \$758,518 thousand and \$758,518 thousand from the merger of Dah An Bank reported in the 2002, 2003, 2004, 2005 and 2006 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 amortization of \$18,109 thousand, \$71,577 thousand and \$71,405 thousand on goodwill from the acquisition of the 10th Credit Cooperative of Hsin-Chu in the 2004, 2005 and 2006 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 AMC's 2006 income tax return had been examined and cleared by the tax authority.

Taishin Marketing's 2006 income tax return had been examined and cleared by the tax authority.

Taishin Venture Capital's 2006 income tax return had been examined and cleared by the tax authority.

Taishin Securities Investment Trust's 2009 income tax return had been examined and cleared by the tax authority.

Taishin Securities B's 2009 income tax return had been examined and cleared by the tax authority.

Taishin Securities Investment Advisory's 2009 income tax return had been examined and cleared by the tax authority.

The 2008 income tax returns of Chang Hwa Bank and the 2010 income tax returns of CHB Insurance Brokerage and CHB Life Insurance Agency had been examined and cleared by the tax authority. Chang Hwa Bank is filing an appeal to a high court about the 2007 income tax returns.

Taishin Holdings Insurance Brokers' 2009 income tax return had been examined and cleared by the tax authority.



VI. Financial Status

32. EARNINGS PER SHARE

	Year Ended December 31, 2011				
	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)	\$ 11,369,931	\$ 9,431,836			
Less: Preferred stock dividends	(1,435,000)	(1,435,000)			
Basic earnings per share					
Net income of common stockholders	9,934,931	7,996,836	6,324,866	\$ 1.57	\$ 1.26
Effect of dilutive potential common stock					
Convertible preferred stocks	910,000	910,000	725,137		
Employee bonus	-	-	67		
Employee stock option	-	-	13,994		
Diluted earnings per share					
Net income of common stockholders plus effect of potential dilutive common stock	\$ 10,844,931	\$ 8,906,836	\$ 7,064,064	\$ 1.54	\$ 1.26

	Year Ended December 31, 2010				
	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)	\$ 11,330,771	\$ 7,723,106			
Less: Preferred stock dividends	(1,435,000)	(1,435,000)			
Basic earnings per share					
Net income of common stockholders	9,895,771	6,288,106	6,323,102	\$ 1.57	\$ 0.99
Effect of dilutive potential common stock					
Employee bonus	-	-	33		
Diluted earnings per share					
Net income of common stockholders plus effect of potential dilutive common stock	\$ 9,895,771	\$ 6,288,106	6,323,135	\$ 1.57	\$ 0.99

33. RELATED-PARTY TRANSACTIONS

Names and relationships of related parties are as follows:

Name	Relationship
Taishin Dah An Leasing	Equity method investee
An Hsin Real-Estate	Same as above
Youn Shin Artistic Co., Ltd.	Same as above
Shin Kong Co., Ltd.	Its chairman is a relative within the first degree of Taishin Financial Holding's chairman
Shinshen Co., Ltd.	Same as above
Shin Kong Recreation Co., Ltd. ("Shin Kong Recreation")	Same as above

(Continued)

Name	Relationship
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 Life Insurance Co., Ltd. ("Shin Kong Life Insurance")	Same as above
Shin Kong Synthetic Fibers Corp. ("Shin Kong Synthetic Fibers")	Same as above
Shin Kong Engineering Corp. ("Shin Kong Engineering")	Same as above
Shin Kong Wu Ho-Su Memorial Hospital	Same as above
Jiouru Co., Ltd. ("Jiouru")	Same as above
Jiouru Investment Co., Ltd. ("Jiouru Investment")	Same as above
UBright Optronics Corporation ("UBright Optronics")	Same as above
Anlon Co., Ltd. ("Anlon")	Same as above
Miniatures Museum of Taiwan ("Miniatures")	Same as above (become non-related party on August 2011)
Shin Jui AMC (Dissolved on October 6, 2010)	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
Taiwan Shin Kong Insurance Brokers Co., Ltd. ("Shin Kong Insurance Brokers")	Same as above
Shin Kong Holding International Venture Capital Co., Ltd. ("Shin Kong Holding International Venture Capital")	Same as above
Shin Kong Investment Trust Co., Ltd. ("Shin Kong Investment Trust")	Same as above
MasterLink Securities Corp. ("MasterLink Securities")	Owned by Shin Kong Financial Holding
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
Taishin Leasing & Financing	Taishin International Investment Development Co., Ltd.'s parent company
Peng Cheng Co., Ltd. ("Peng Cheng")	Taishin Financial Holding's director
CyberSoft Digital Service Corp. ("CyberSoft Digital Service")	Related party in substance

(Concluded)

Material transactions with related parties were as follows:

Loans, Deposits and Guaranteed Loans

Loans to related parties of Taishin Bank were as follows:

Loan to Related Parties	Ending Balance	Percentage of Loans (%)	Interest Rate (Per Annum %)	Interest Revenue
Year ended December 31, 2011	\$ 1,241,692	0.20%	0.0001~12.50	\$ 19,381
Year ended December 31, 2010	1,228,386	0.23%	0.08~18.25	20,179



VI. Financial Status

Loans and Guarantee to Related Parties	Year Ended December 31, 2011				
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral
Consumer loans					
54 accounts	\$ 112,391	\$ 136,520	\$ 112,391	\$ -	Land, building, chattels
<u>Self-used residence mortgage loans</u>					
68 accounts	369,375	438,975	369,375	-	Land, building
<u>Other loans</u>					
Jiouru Investment	50,000	58,500	50,000	-	Land, building
Jiouru	60,000	65,000	60,000	-	Land, building
Anlon	24,000	24,000	24,000	-	Land, building
Ming Huang International Property	220,000	220,000	220,000	-	Land, building
Shin Kong Synthetic Fibers	400,000	400,000	400,000	-	Land, building
Others	5,926	7,132	5,926	-	Land, building
	<u>\$ 1,241,692</u>		<u>\$ 1,241,692</u>		

	Year Ended December 31, 2011				
	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Reserve for Guarantee Liabilities	Collateral
<u>Guarantee for loans of related parties</u>					
Peng Cheng	\$ 16,000	\$ 95,000	0.50~0.80	\$ -	Land, building
Anlon	20,000	20,000	0.60~0.70	-	Stocks, land, building

	Year Ended December 31, 2011		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
<u>Deposits from related parties</u>			
Dah Chung Bills	\$ 421,405	0.00~1.00	(\$ 3,119)
Taishin Dah An Leasing	178,394	0.12~0.65	(882)
Shin Kong Synthetic Fibers	107,446	0.00~0.17	(32)
UBright Optronics	109,594	0.00~0.17	(8)
Others	1,675,681		(9,695)
	<u>\$ 2,492,520</u>		<u>(\$ 13,736)</u>

Loans and Guarantee to Related Parties	Year Ended December 31, 2010				
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral
<u>Consumer loans</u>					
52 accounts	\$ 71,651	\$ 80,413	\$ 71,651	\$ -	Land, building, chattels
<u>Self-used residence mortgage loans</u>					
70 accounts	389,235	443,609	389,235	-	Land, building
<u>Other loans</u>					
Jiouru	65,000	65,000	65,000	-	Land, building
Peng Cheng	86,000	110,000	86,000	-	Land, building
Shin Kong Synthetic Fibers	300,000	372,563	300,000	-	Land, building
Ming Huang International Property	200,000	200,000	200,000	-	Land, building
Jiouru Investment	58,500	58,500	58,500	-	Land, building
Shin Kong Engineering	13,000	43,000	13,000	-	Stacks
Miniatures	45,000	45,000	45,000	-	Land, building
	<u>\$ 1,228,386</u>		<u>\$ 1,228,386</u>		

	Year Ended December 31, 2010				
	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	\$ 1,189	\$ 6,156	0.05	\$ -	Stocks, chattels

	Year Ended December 31, 2010		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Deposits from related parties			
Dah Chung Bills	\$ 422,862	0.00~0.60	(\$ 1,595)
Taishin Dah An Leasing	176,045	0.10~0.45	(486)
UBright Optronics	123,919	0.00~0.12	(12)
Others	1,707,019		(7,956)
	<u>\$ 2,429,845</u>		<u>(\$ 10,049)</u>

As of December 31, 2011 and 2010, the balance of deposits from related parties of Chang Hwa Bank amounted to \$1,891,212 thousand and \$1,651,490 thousand, respectively; interest rates ranged from zero 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, 2011	\$ 584,234	0.05	1.34~3.06	\$ 8,363
Year ended December 31, 2010	558,254	0.05	1.12~2.83	6,830



VI. Financial Status

	Year Ended December 31, 2011					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
<u>Consumer loans</u>						
22 accounts	\$ 6,882	\$ 8,321	\$ 6,882	\$ -	Credit	None
<u>Self-used residential mortgage loans</u>						
104 accounts	545,162	577,507	545,162	-	Real estate	None
Other loans						
Anlon	30,000	30,000	30,000	-	Real estate	None
3 accounts (Note)	2,190	2,219	2,190	-	Deposit	None

	Year Ended December 31, 2011					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
<u>Consumer loans</u>						
25 accounts	\$ 7,519	\$ 9,192	\$ 7,519	\$ -	Credit	None
<u>Self-used residential mortgage loans</u>						
107 accounts	518,646	588,638	518,646	-	Real estate	None
Others						
Anlon	30,000	30,000	30,000	-	Real estate	None
9 accounts (Note)	2,090	4,175	2,090	-	Deposit	None

Note: The balance is not over 1% of the total ending balance.

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

Trading Securities

Related Parties	Year Ended December 31, 2011					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resell Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Dah Chung Bills	\$ 799,955	\$ 1,007,706	\$ -	-	\$ -	-
Shin Kong Life Insurance	-	-	1,999,466	0.48~0.75	-	-
	\$ 799,955	\$ 1,007,706	\$ 1,999,466		\$ -	

Related Parties	Year Ended December 31, 2010					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resell Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Shin Kong Life Insurance	\$ -	\$ -	\$ 200,000	0.30~0.44	\$ -	-
Dah Chung Bills	3,380,475	3,953,508	-	-	-	-
	<u>\$ 3,380,475</u>	<u>\$ 3,953,508</u>	<u>\$ 200,000</u>		<u>\$ -</u>	

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, 2011					
	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Shin Kong Life Insurance	FX swaps	2011.04.29-2012.04.30	US\$ 50,000 thousand	\$ 82,827	Financial assets at FVTPL	\$ 82,827
		2011.05.09-2012.05.09	US\$ 30,000 thousand	56,441	Financial assets at FVTPL	56,441
		2011.11.30-2012.11.30	US\$ 25,000 thousand	(731)	Financial liabilities at FVTPL	(731)
Dah Chung Bills	Interest rate swaps	2008.04.17-2016.08.22	\$ 1,500,000	1,633	Financial liabilities at FVTPL	(9,483)

Related Party	Year Ended December 31, 2011					
	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Shin Kong Life Insurance	Interest rate swaps	2006.12.18-2011.06.18	\$ 250,000	(\$ 3,567)	Financial liabilities at FVTPL	(\$ 1,942)
	FX swaps	2010.04.28-2011.04.29	US\$ 50,000 thousand	(88,943)	Financial liabilities at FVTPL	(88,943)
		2010.05.05-2011.05.09	US\$ 30,000 thousand	(56,460)	Financial liabilities at FVTPL	(56,460)
		2010.12.29-2011.02.25	US\$ 5,000 thousand	(3,397)	Financial liabilities at FVTPL	(3,397)
Dah Chung Bills	Interest rate swaps	2008.04.17-2015.11.11	600,000	(93)	Financial liabilities at FVTPL	(11,116)

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



VI. Financial Status

Call Loans to Banks and Call Loans from Banks

		Year Ended December 31, 2010			
	Item	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Interest Revenue (Expense)
Dah Chung Bills	Call loans to banks	\$ -	\$ 500,000	0.21	\$ 14
Shin Kong Bank	Call loans from banks	150,000	300,000	0.26~0.47	(554)

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

Other Material Transactions

		Year Ended December 31			
		2011		2010	
	Item	Amount		Item	Amount
Cybersoft Digital Service	Operating expense	\$	542,085	Operating expense	\$ 463,175

Compensation of directors, supervisors and management personnel:

		Year Ended December 31	
		2011	2010
Salaries	\$	158,746	\$ 136,239
Pension		1,202	864
Incentives		91,674	161,606
Bonus		70,538	111,017
	\$	322,160	\$ 409,726

Taishin Bank

Name	Relationship
Taishin Financial Holding	Parent company
Taishin AMC	Wholly owned by the same parent company
Taishin Marketing	Same as above
Taishin Venture Capital	Same as above
Taishin Securities B	Same as above
Taishin Securities Investment Trust	Same as above
Taishin Holdings Insurance Brokers	Same as above
Taishin Securities Investment Advisory	Owned by the same parent company
Chang Hwa Bank	Same as above
Taishin 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

Name	Relationship
Shin Kong Recreation	Its chairman is a relative within the first degree of Taishin Financial Holding's chairman
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 Financial Holding	Same as above
Shin Kong Engineering	Same as above
Jiouru	Same as above
Jiouru Investment	Same as above
UBright Optronics	Same as above
Anlon	Same as above
Shin Jui AMC (Dissolved on October 6, 2010)	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
Shin Kong Insurance Broker	Wholly owned by Shin Kong Financial Holding
Shin Kong Holding International Venture Capital	Wholly owned by Shin Kong Financial Holding
Shin Kong Investment Trust	Same as above
MasterLink Securities	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 (become non-related party on August 2011)
Taishin Financial Leasing (China)	Wholly owned by Taishin Venture Capital

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, 2011	\$ 1,241,692	0.20%	0.0001~12.50	\$ 19,381
Year ended December 31, 2010	1,228,386	0.23%	0.08~18.25	20,179



VI. Financial Status

Loans to Related Parties	Year Ended December 31, 2011				
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral
Consumer loans					
54 accounts	\$ 112,391	\$ 136,520	\$ 112,391	\$ -	Land, building, chattels
Self-used residence mortgage loans					
68 accounts	369,375	438,975	369,375	-	Land, building
Other loans					
Jiouru Investment	50,000	58,500	50,000	-	Land, building
Anlon	24,000	24,000	24,000	-	Land, building
Jiouru	60,000	65,000	60,000	-	Land, building
Ming Huang International Property	220,000	220,000	220,000	-	Land, building
Shin Kong Synthetic Fibers	400,000	400,000	400,000	-	Land, building
Others	5,926	7,132	5,926	-	Land, building
	<u>\$ 1,241,692</u>		<u>\$ 1,241,692</u>		

Guarantee for Loans of Related Parties	Year Ended December 31, 2011				
	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Reserve for Guarantee Liabilities	Collateral
Peng Cheng	\$ 16,000	\$ 95,000	0.50~0.80	\$ -	Land, building
Anlon	20,000	20,000	0.60~0.70	-	Stocks, land, building

	Year Ended December 31, 2011		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Deposits from related parties			
Taishin Financial Holding	\$ 17,759,020	0.12~1.36	(\$ 120,444)
Taishin Securities B	184,100	0.00~1.36	(1,813)
Taishin Insurance Agency	1,024,058	0.00~0.17	(1,490)
Dah Chung Bills	421,405	0.00~1.00	(3,119)
PayEasy Digital	215,032	0.00~1.21	(660)
Taishin Securities Investment Advisory	292,865	0.02~1.36	(1,776)
Taishin Dah An Leasing	178,394	0.12~0.65	(882)
Taishin AMC	512,671	0.00~0.65	(779)
Shin Kong Synthetic Fibers	107,446	0.00~0.17	(32)
Taishin Venture Capital	183,061	0.02~0.68	(1,006)
UBright Optronics	109,594	0.00~0.17	(8)
Taishin Holdings Insurance Brokers	280,597	0.00~0.17	(106)
Others	1,795,410		(11,005)
	<u>\$ 23,063,653</u>		<u>(\$ 143,120)</u>

Loans to Related Parties	Year Ended December 31, 2010				
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral
<u>Consumer loans</u>					
52 accounts	\$ 71,651	\$ 80,413	\$ 71,651	\$ -	Land, building, chattels
<u>Self-used residence mortgage loans</u>					
70 accounts	389,235	443,609	389,235	-	Land, building
<u>Other loans</u>					
Jiouru	65,000	65,000	65,000	-	Land, building
Peng Cheng	86,000	110,000	86,000	-	Land, building
Shin Kong Synthetic Fibers	300,000	372,563	300,000	-	Land, building
Ming Huang International Property	200,000	200,000	200,000	-	Land, building
Jiouru Investment	58,500	58,500	58,500	-	Land, building
Shin Kong Engineering	13,000	43,000	13,000	-	Stocks
Miniatures	45,000	45,000	45,000	-	Land, building
	<u>\$ 1,228,386</u>		<u>\$ 1,228,386</u>		

Guarantee for Loans of Related Parties	Year Ended December 31, 2010				
	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Reserve for Guarantee Liabilities	Collateral
Shin Kong Synthetic Fibers	\$ 1,189	\$ 6,156	0.05	\$ -	Stocks, chattels
PayEasy Digital	4,058	4,613	0.80	-	Certificate deposit

	Year Ended December 31, 2010		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
<u>Deposits from related parties</u>			
Taishin Financial Holding	\$ 19,875,925	0.10~0.50	(\$ 80,651)
Taishin Bills Finance	523,343	0.00~0.85	(1,598)
Taishin Insurance Agency	830,931	0.00~0.12	(619)
Dah Chung Bills	422,862	0.00~0.60	(1,595)
PayEasy Digital	284,797	0.00~0.90	(480)
Taishin AMC	125,651	0.00~0.66	(559)
Taishin Dah An Leasing	176,045	0.10~0.45	(486)
Taishin Securities B	180,859	0.00~1.16	(919)
Taishin Securities Investment Advisory	139,251	0.02~1.12	(529)
UBright Optonics	123,919	0.00~0.12	(12)
Others	<u>1,950,092</u>		<u>(8,764)</u>
	<u>\$ 24,633,675</u>		<u>(\$ 96,212)</u>

The above related-party transactions are made at arm's length in compliance with Taishin Bank's policies.



VI. Financial Status

b. Call loans to banks and call loans from banks

Related Party	Item	Year Ended December 31, 2011			
		Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Interest Revenue (Expense)
Chang Hwa Bank	Call loans to banks	\$ -	\$ 1,604,575	0.20~0.26	\$ 42

Related Party	Item	Year Ended December 31, 2010			
		Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Interest Revenue (Expense)
Dah Chung Bills	Call loans to banks	\$ -	\$ 500,000	0.21	\$ 14
Taishin Bills Finance	Call loans to banks	-	1,955,000	0.12~0.48	573
	Call loans from banks	-	240,000	0.10~0.24	(6)

The above related party transactions are made at arm's length in compliance with Taishin Bank's policies.

c. Due from banks and due to banks

Related Party	Item	Year Ended December 31, 2011			
		Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Interest Revenue (Expense)
Chang Hwa Bank	Due from banks	\$ 2,030	\$ 2,576	-	\$ -

Related Party	Item	Year Ended December 31, 2010			
		Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Interest Revenue (Expense)
Chang Hwa Bank	Due from banks	\$ 497	\$ 1,731	-	\$ -

The above related party transactions are made at arm's length in compliance with Taishin Bank's policies.

d. Trading securities

Related Party	Year Ended December 31, 2011					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resell Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Chang Hwa Bank	\$ 1,065,584	\$ 1,966,081	\$ -	-	\$ -	-
Dah Chung Bills	799,955	1,007,706	-	-	-	-
Shin Kong Life Insurance	-	-	1,999,466	0.48~0.75	-	-
Taishin Financial Holding	-	-	1,964,264	0.40~0.72	-	-
	\$ 1,865,539	\$ 2,973,787	\$ 3,963,730		\$ -	

Related Party	Year Ended December 31, 2010					
	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	\$ 1,587,273	\$ 1,777,357	\$ -	-	\$ -	-
Shin Kong Life Insurance	-	-	200,000	0.30~0.44	-	-
Chang Hwa Bank	2,122,309	4,016,982	-	-	-	-
Dah Chung Bills	3,380,475	3,953,508	-	-	-	-
Taishin Financial Holding	-	-	1,877,201	0.14~0.40	-	-
	\$ 7,090,057	\$ 9,747,847	\$ 2,077,201		\$ -	

The above related party transactions are made at arm's length in compliance with Taishin Bank's policies.

e. Derivatives

Year Ended December 31, 2011						
Related Party	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Dah Chung Bills	Interest rate swaps	2008.04.17-2016.08.22	\$ 1,500,000	\$ 1,633	Financial liabilities at FVTPL	(\$ 9,483)

Year Ended December 31, 2010						
Related Party	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Shin Kong Life Insurance	Interest rate swaps	2006.12.18-2011.06.18	\$ 250,000	(\$ 3,567)	Financial liabilities at FVTPL	(\$ 1,942)
Dah Chung Bills	Interest rate swaps	2008.04.17-2015.11.11	600,000	(93)	Financial liabilities at FVTPL	(11,116)
Taishin Bills Finance	Interest rate swaps	2007.06.12-2013.05.16	4,200,000	20,677	Financial assets at FVTPL	32,890

The above related party transactions are made at arm's length in compliance with Taishin Bank's policies.

f. Other material transactions

	Year Ended December 31			
	2011		2010	
	Item	Amount	Item	Amount
Taishin Insurance Agency	Fee income	\$ 719,697	Fee income	\$ 868,089
Taishin Holdings Insurance Brokers	Fee income	741,603	Fee income	-
Cybersoft Digital Service	Operating expense	531,950	Operating expense	449,622

The above related party transactions are made at arm's length in compliance with Taishin Bank's policies.

Compensation of directors, supervisors and management personnel:

Year Ended December 31			
		2011	2010
Salaries	\$	233,442	\$ 108,660
Pension		1,419	1,601
Incentives		109,085	154,868
	\$	343,946	\$ 265,129



VI. 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	Wholly owned by Taishin Financial Holding
Shin Kong Life Insurance	Its chairman is a relative within the second degree of Taishin Financial Holding's chairman
Anlon	Same as above
An Hsin Real-Estate	The company is an equity method investee of Taishin Bank
Dah Chung Bills	Taishin Bank serves as its corporate director
Others	Related party in substance

Material transactions with related parties were as follows:

a. Deposits

Item	Ending Balance	Percentage of Deposits (%)	Interest Rate (Per Annum %)	Interest Expense
Year ended December 31, 2011	\$ 1,891,212	0.15	0.00~13.00	\$ 24,172
Year ended December 31, 2010	1,651,490	0.13	0.00~13.00	22,649

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
Year ended December 31, 2011	\$ 584,234	0.05	1.34~3.06	\$ 8,363
Year ended December 31, 2010	558,254	0.05	1.12~2.83	6,830

Loans to related parties of Chang Hwa Bank are as follows:

	Year Ended December 31, 2011					
	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	\$ 6,882	\$ 8,321	\$ 6,882	\$ -	Credit	None
<u>Self-use residential mortgage loans</u>						
104 accounts	545,162	577,507	545,162	-	Real estate	None
<u>Others</u>						
Anlon	30,000	30,000	30,000	-	Real estate	None
3 accounts (Note)	2,190	2,219	2,190	-	Deposit	None

	Year Ended December 31, 2010					
	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>						
25 accounts	\$ 7,519	\$ 9,192	\$ 7,519	\$ -	Credit	None
<u>Self-use residential mortgage loans</u>						
107 accounts	518,646	588,638	518,646	-	Real estate	None
<u>Others</u>						
Anlon	30,000	30,000	30,000	-	Real estate	None
9 accounts (Note)	2,090	4,175	2,090	-	Deposit	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 1.64% and 1.42% with the balance below \$8,000 thousand and below \$800 thousand for the years ended December 31, 2011 and 2010, respectively, to the above natural persons such as the board of directors, supervisors, and managers. The rest is the same as regular loan borrowers.

c. Derivative

Year Ended December 31, 2011						
Related Party	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Shin Kong Life Insurance	FX swaps	2011.04.29-2012.04.30	US\$ 50,000 thousand	\$ 82,827	Financial assets at FVTPL	\$ 82,827
		2011.05.09-2012.05.09	US\$ 30,000 thousand	56,441	Financial assets at FVTPL	56,441
		2011.11.30-2012.11.30	US\$ 25,000 thousand	(731)	Financial liabilities at FVTPL	(731)

Year Ended December 31, 2010						
Related Party	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Shin Kong Life Insurance	FX swaps	2010.04.28-2011.04.29	US\$ 50,000 thousand	(\$ 88,943)	Financial liabilities at FVTPL	(\$ 88,943)
		2010.05.05-2011.05.09	US\$ 30,000 thousand	(56,460)	Financial liabilities at FVTPL	(56,460)
		2010.12.29-2011.02.25	US\$ 25,000 thousand	(3,397)	Financial liabilities at FVTPL	(3,397)

d. Due to other banks

Period	Related Party	Branch	Highest Amount (In Thousands)	Ending Balance (In Thousands)	Percentage of Loans (%)
Year ended December 31, 2011	Taishin Bank	Chang Hwa Bank's N.Y. branch	US\$ 85	US\$ 67	-
Year ended December 31, 2010	Taishin Bank	Chang Hwa Bank's N.Y. branch	US\$ 57	US\$ 16	-



VI. Financial Status

e. Call loans to banks and call loans from banks

Year	Related Parties	Branch	Highest Balance (In Thousands)	Ending Balance (In Thousands)	Loan Limit (In Thousands)	Interest Rate %	Interest Expense (In Thousands)
Year ended December 31, 2011	Taishin Bank	Chang Hwa Bank's N.Y. branch	US\$ 35,000	US\$ -	According to counterparts	0.20-0.26	US\$ 1
	Taishin Bank	Chang Hwa Bank's L.A. branch	US\$ 18,000	-	According to counterparts	0.25	-

f. Rent

Chang Hwa Bank leased office spaces to CHB Life Insurance Agency and CHB Insurance Brokerage for two years. The rental payments are made monthly. Chang Hwa Bank recognized rental revenues of \$1,711 thousand and \$1,118 thousand for the year ended December 31, 2011, and 1,565 thousand and \$1,004 thousand for the year ended December 31, 2010.

g. Others

Chang Hwa Bank provided CHB Life Insurance Agency and CHB Insurance Brokerage with personnel resources and distribution channels, and recognized service revenue of \$670,155 thousand and \$53,515 thousand for the year ended December 31, 2011, and \$618,187 thousand and \$54,800 thousand for the year ended December 31, 2010.

Compensation of directors, supervisors and management personnel:

	Year Ended December 31	
	2011	2010
Salaries	\$ 60,674	\$ 47,359
Incentives	13,122	14,532
Bonus	80,967	90,120
	<u>\$ 154,763</u>	<u>\$ 152,011</u>

Taishin Bills Finance

Names and relationships of related parties were as follows:

Name	Relationship
Taishin Financial Holding	Parent company
Shin Kong Financial Holding	Its chairman is a relative within the second degree of Taishin Financial Holding's chairman
Taishin Bank	Wholly owned by the same parent company
Chang Hwa Bank	Owned by the same parent company
Shin Kong Bank	Wholly owned by Shin Kong Financial Holding
Taishin Securities B	Wholly owned by the same parent company

Material transactions with related parties were as follows:

a. Loans

Loans between Taishin Bills Finance and related parties for the year ended December 31, 2010 were as follows:

Year Ended December 31, 2010					
	Related Parties	Ending Balance	Highest Amount	Interest Rate %	Interest Revenue
Call loans to banks	Taishin Bank	\$ -	\$ 240,000	0.1~0.24	\$ 6
Call loans from banks	Taishin Bank	-	1,955,000	0.12~0.48	(593)
Call loans from banks	Shin Kong Bank	150,000	300,000	0.26~0.47	(554)

Taishin Bills Finance pledged its time deposits of \$200,000 thousand in Taishin Bank as collaterals of financing for the year ended December 31, 2010.

b. Trading securities

Year Ended December 31, 2010						
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 Bank	\$ 1,777,357	\$ 1,587,273	\$ -	-	\$ -	-
Chang Hwa Bank	1,015,297	1,724,704	-	-	-	-
Taishin Securities B	-	-	176,820	0.3~0.47	-	-
	\$ 2,792,654	\$ 3,311,977	\$ 176,820		\$ -	

c. Financial assets at fair value through profit or loss

Year Ended December 31, 2010			
Related Party	Item	Nominal	Cost
Taishin Bank	Negotiable certificate deposit	\$ 500,000	\$ 500,000

d. Derivative

Year Ended December 31, 2010						
Related Party	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Taishin Bank	Interest rate swaps	2011.08.02-2013.05.16	\$ 4,200,000	(\$ 20,653)	Financial assets at FVTPL	\$ 29,466
					Financial liabilities at FVTPL	(62,356)

The above related-party transactions are made at arm's length in compliance with Taishin Bills Finance's policies.

Compensation of directors, supervisors and management personnel:

Year Ended December 31, 2010	
Salaries	\$ 11,259
Incentives	17,300
Pension	108
	\$ 28,667



VI. Financial Status

Taishin Securities B

Names and relationships of related parties were as follows:

Name	Relationship
Taishin Financial Holding	100% owned by Taishin Financial Holding
Taishin Bank	Wholly owned by the same parent company
Taishin Securities Investment Trust	Same as above
Taishin Bills Finance (merged with Taishin Bank and eliminated on January 22, 2011)	Same as above
Taishin Securities Investment Advisory	Owned by the same parent company
PayEasy Digital	Equity-method investee
Shin Kong Life Insurance	Its chairman is a relative within the second degree of Taishin Financial Holding's chairman
Shin Kong Wu Ho-Su Memorial Hospital	Same as above
Taishin Insurance Agency	The company is an equity method investee of Taishin Bank
Taishin Leasing & Financing	The parent company of Taishin Financial Holding's supervisor
Individual A	Taishin Securities B's director
Individual B	Taishin Financial Holding's director
CyberSoft Digital Service	Related party in substance

Liability contracts with related parties:

Item	Name	December 31			
		2011		2010	
		Amount	% to Total	Amount	% to Total
Cash and cash equivalents	Taishin Bills Finance	\$ -	-	\$ 176,820	20
Operating guarantee deposits	Taishin Bank	175,000	92	175,000	92

Taishin AMC

Names and relationships of related parties were as follows:

Name	Relationship
Taishin Financial Holding	100% owned by Taishin Financial Holding
Taishin Bank	Wholly owned by the same parent company
Taishin Real-Estate	Equity-method investee
Shin Jui AMC (dissolved on October 6, 2010)	Wholly owned by Taishin AMC

a. Liability contracts with related parties

Item	Related Party	December 31			
		2011		2010	
		Amount	% to Total	Amount	% to Total
Bank deposits	Taishin Bank	\$ 512,671	88	\$ 125,651	97

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 remaining 70% of loan collected paid as commission. The service contracts mentioned above were terminated on June 30, 2011 and August 31, 2011, respectively. From July 1, 2011 and September 1, 2011, Taishin AMC authorized Taishin Bank the rights to collect payments from debtors and will pay 32.5% of loans collected as service fee.

1) Transferring ownerships of loans

	Year Ended December 31, 2011			
	Beginning Balance	Purchased	Collected	Ending Balance
Transferring ownerships of loans	\$ 17,252,640	\$ -	\$ 309,495	\$ 16,943,145

	Year Ended December 31, 2010			
	Beginning Balance	Purchased	Collected	Ending Balance
Transferring ownerships of loans	\$ 17,550,311	\$ -	\$ 297,671	\$ 17,252,640

2) Credit receivable, net

	Year Ended December 31, 2011				
	Beginning Balance	Purchased	Collected	Bad Debt (Loss) Reverse	Ending Balance
Credit receivable	\$ 51,152	\$ -	\$ 36,109	\$ -	\$ 15,043
Allowance for bad debt	(25,576)	-	(25,576)	-	-
Credit receivable, net	\$ 25,576	\$ -	\$ 10,533	\$ -	\$ 15,043

	Year Ended December 31, 2010					
	Beginning Balance	Purchased	Collected	Bad Debt (Loss) Reverse	Reclassification	Ending Balance
Credit receivable	\$ 138,936	\$ -	\$ 87,784	\$ -	\$ -	\$ 51,152
Allowance for bad debt	(69,468)	-	(43,892)	-	-	(25,576)
Credit receivable, net	\$ 69,468	\$ -	\$ 43,892	\$ -	\$ -	\$ 25,576

Taishin Marketing

Names and relationships of related parties were as follows:

Name	Relationship
Taishin Financial Holding	100% owned by Taishin Financial Holding
Taishin Bank	Wholly owned by the same parent company
Taishin AMC	Same as above



VI. Financial Status

Taishin Venture Capital

Names and relationships of related parties were as follows:

Name	Relationship
Taishin Bank	Wholly owned by the same parent company
Taishin Financial Leasing (China)	The company is an equity method investee of Taishin Venture Capital
Youn Shin Artistic Co., Ltd.	Same as above

Liability contracts with related parties:

Item	Related Party	December 31			
		2011		2010	
		Amount	% to Total	Amount	% to Total
Deposit	Taishin Bank	\$ 183,064	99.98	\$ 7,678	99.72

Taishin Securities Investment Trust

Names and relationships of related parties were as follows:

Name	Relationship
Taishin Financial Holding	Parent company
Shin Kong Financial Holding	Its chairman is a relative within the second degree of Taishin Financial Holding's chairman
Taishin Bank	Wholly owned by the same parent company
Chang Hwa Bank	Owned by the same parent company
Taishin Insurance Agency	The company is an equity method investee of Taishin Bank
Taishin Insurance Broker	Same as above
Taishin Securities Investment Advisory	Owned by the same parent company
Shin Kong Bank	Owned by Shin Kong Financial Holding
Shin Kong Life Insurance	Its chairman is a relative within the second degree of Taishin Financial Holding's chairman
Taishin Leasing & Financing	Taishin International Investment Development's parent company
CyberSoft Digital Service	Related party in substance

Liability contracts with related parties:

Item	Related Party	December 31			
		2011		2010	
		Amount	% to Total	Amount	% to Total
Deposit	Taishin Bank	\$ 15,296	7	\$ 119,343	65

Taishin Securities Investment Advisory

Names and relationships of related parties were as follows:

Name	Relationship
Taishin Financial Holding	Parent company
Taishin Securities Investment Trust	Wholly owned by the same parent company
Taishin Bank	Wholly owned by the same parent company
Taishin Securities B	Wholly owned by the same parent company
Taishin Venture Capital	Wholly owned by the same parent company
CyberSoft Digital Service	Related party in substance

Liability contracts with related parties:

Item	Related Party	December 31			
		2011		2010	
		Amount	% to Total	Amount	% to Total
Deposit	Taishin Bank	\$ 237,865	99.96	\$ 59,251	45.79

Taishin Holdings Insurance Brokers

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 Insurance Brokers	Equity-method investee
Shin Kong Life Insurance	Its chairman is a relative within second degree of Taishin Financial Holding chairman
CyberSoft Digital Service	Related party in substance

a. Liability contracts with related parties

Item	Related Party	December 31, 2011	
		Amount	% to Total
Deposits	Taishin Bank	\$ 280,597	100
Notes and accounts payable	Taishin Bank	107,971	100

b. Other important transaction

Item	Related Party	December 31, 2011	
		Amount	% to Total
Operating cost	Taishin Bank	\$ 741,603	98

34. PLEDGED ASSETS

Pledged Assets	Description	December 31	
		2011	2010
Refundable deposits	Cash and certificates of time deposits	\$ 938,927	\$ 1,995,184
Operating deposits	Cash	80,076	86,850
Settlement funds	Cash paid to stock exchange	31,099	33,695
Financial assets at FVTPL	Bonds, stocks and negotiable certificate of time deposit	231,895	1,155,536
Available-for-sale financial assets	Bonds	8,624,270	9,049,458
Held-to-maturity financial assets	Certificates of time deposits and bonds	37,742,175	5,294,219



VI. Financial Status

35. 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, 2011 and 2010:

	December 31	
	2011	2010
Repayment note and time deposits held for custody	\$ 7,056,153	\$ 7,517,509
Liabilities on joint loans	984,193	1,007,160
Guarantees	46,204,285	51,347,066
Letters of credit	30,280,835	35,580,678
Trust liabilities	471,683,024	487,600,155
Unpaid equipment purchase contracts	290,067	568,451
Unused loan commitments (excluding credit card)	322,600,942	385,074,949
Unused loan commitments (credit card only)	411,994,680	438,621,284

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 periods range from one to ten years. Rental payments are made annually.
- As of December 31, 2011, the estimated future lease payments under the lease contracts were as follows:

Period	Amount
2012	\$ 818,553
2013	617,918
2014	465,166
2015	335,269
2016	172,971

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 of National Defense of Iran filed another legal suit against Chang Hwa Bank in the Taiwan High Court on October 6, 2004. On July 13, 2010, the Taiwan High Court decided in favor of Chang Hwa Bank. The Department of National Defense of Iran has the right to file legal suit against Chang Hwa Bank in the Supreme Court in twenty days after the Taiwan High Court verdict was delivered. On November 4, 2010, the Supreme Court ordered the Taiwan High Court to review the ruling. On December 27, 2011, the Taiwan High 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 Supreme Court on January 19, 2012.

Taishin Financial Holding has appointed Lee and Li Attorney-at-Law to help Taishin Bank's customers to assert their legal rights to Lehman Brother about the loss on investment in Lehman Brother's securities. The related fees for the legal services will be paid by Taishin Bank. However, this case is a worldwide affair. Thus, Taishin Bank cannot reasonably estimate related litigation fee.

36. SUBSEQUENT EVENTS

On February 24, 2012, the board of directors at Chang Hwa Bank had agreed to revalue part of its land. The revaluation resulted in increase of \$672,083 thousand in other items of stockholders' equity - unrealized revaluation increment. Please refer to Note 47.

37. DISCLOSURES OF FINANCIAL INSTRUMENTS INFORMATION

Information of Fair Value

	December 31, 2011	
	Carrying Value	Fair Value
Financial assets		
Cash and cash equivalents	\$ 64,855,717	\$ 64,855,717
Due from Central Bank and call loans to banks	109,187,193	109,187,193
Financial assets at FVTPL	67,515,650	67,515,650
Bonds and securities purchased under resell agreements	9,698,023	9,698,023
Receivables	110,761,564	110,761,564
Loans	1,723,226,715	1,723,226,715
Available-for-sale financial assets	248,786,716	248,786,716
Held-to-maturity financial assets	182,797,810	182,740,704
Hedging derivative financial instruments	149,400	149,400
Bond investments without active market	8,319,929	8,302,151
Other miscellaneous financial assets	261,755	261,755
Financial liabilities		
Due to banks and Central Bank	174,583,880	174,583,880
Commercial paper payable	267,953	267,953
Financial liabilities at FVTPL	10,388,922	10,388,922
Bonds and securities sold under repurchase agreements	52,249,552	52,249,552
Payables	57,275,084	57,275,084
Deposits	2,024,212,177	2,024,212,177
Bonds payable	97,146,086	99,436,650
Other borrowings	43,000	43,000
Other financial liabilities	15,016,995	15,016,995



VI. Financial Status

	December 31, 2010	
	Carrying Value	Fair Value
Financial assets		
Cash and cash equivalents	\$ 47,675,226	\$ 47,675,226
Due from Central Bank and call loans to banks	126,140,623	126,140,623
Financial assets at FVTPL	57,650,706	57,650,706
Bonds and securities purchased under resell agreements	5,328,210	5,328,210
Receivables	126,326,832	126,326,832
Loans	1,577,700,288	1,577,700,288
Available-for-sale financial assets	221,514,265	221,514,265
Held-to-maturity financial assets	196,737,057	196,856,709
Hedging derivative financial instruments	148,397	148,397
Bond investments without active market	11,358,321	10,403,570
Other miscellaneous financial assets	305,793	305,793
Financial liabilities		
Due to banks and Central Bank	152,360,876	152,360,876
Commercial paper payable	114,915	114,915
Financial liabilities at FVTPL	21,586,408	21,586,408
Bonds and securities sold under repurchase agreements	44,194,464	44,194,464
Payables	50,038,751	50,038,751
Deposits	1,918,169,580	1,918,169,580
Bonds payable	91,302,139	93,034,938
Other borrowings	350,000	350,000
Other financial liabilities	14,355,704	14,355,704

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, 2011 and 2010:

- 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, other miscellaneous financial assets, due to banks and Central Bank, commercial paper payable, bonds and securities sold under repurchase agreements, payables, deposits, and other borrowings.
- 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 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.

- 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, 2011			
		Quoted Market Prices	Valuation Techniques
Financial assets			
Financial assets at FVTPL	\$	53,770,769	\$ 13,744,881
Available-for-sale financial assets		220,107,574	28,679,142
Held-to-maturity financial assets		-	182,740,704
Hedging derivative financial instruments		-	149,400
Bond investments without active market		-	8,302,151
Financial liabilities			
Financial liabilities at FVTPL		54,469	10,334,453
Bonds payable		-	99,436,650

December 31, 2010			
		Quoted Market Prices	Valuation Techniques
Financial assets			
Financial assets at FVTPL	\$	39,508,279	\$ 18,142,427
Available-for-sale financial assets		201,756,416	19,757,849
Held-to-maturity financial assets		-	196,856,709
Hedging derivative financial instruments		-	148,397
Bond investments without active market		-	10,403,570
Financial liabilities			
Financial liabilities at FVTPL		6,216	21,580,192
Bonds payable		-	93,034,938

Valuation (losses) gains from changes in fair value of financial instruments determined using quoted market prices or valuation techniques were \$(1,292,154) thousand and \$782,446 thousand for the year ended December 31, 2011. Valuation gains (losses) from changes in fair value of financial instruments determined using quoted market prices or valuation techniques were \$145,681 thousand and \$(522,346) thousand for the year ended December 31, 2010.



VI. Financial Status

As of December 31, 2011 and 2010, the interest income and interest expense associated with financial assets (liabilities) other than those at FVTPL were as follows:

	Year Ended December 31	
	2011	2010
Total interest income	\$ 43,404,251	\$ 36,224,977
Total interest expense	17,823,361	14,316,079

For the years ended December 31, 2011 and 2010, the (debit) credit in stockholders' equity from available-for-sale financial asset amounted to \$(906,315) thousand and \$376,428 thousand, respectively. The amount credited (debited) from the stockholders' equity adjustment and recognized as current income was \$(147,220) thousand and \$629,021 thousand for the years ended December 31, 2011 and 2010, respectively.

Fair Value Input Levels

(In Thousands of New Taiwan Dollars)

Fair Value Measurement of Financial Instruments	December 31, 2011			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial products</u>				
Assets				
Trading assets				
Financial assets at FVTPL				
Stocks and mutual funds	\$ 579,208	\$ 579,208	\$ -	\$ -
Bond investments	15,307,922	15,292,916	15,006	-
Others	38,779,685	220,605	38,559,080	-
Financial assets designated upon initial recognition as at fair value through profit or loss	1,268,683	-	360,433	908,250
Available-for-sale financial assets				
Stock investments	4,362,352	4,362,352	-	-
Bond investments	96,866,676	32,497,016	64,149,208	220,452
Others	147,557,688	1,341,453	143,570,099	2,646,136
Other financial assets				
Bond investments without active market	8,302,151	5,466,262	840,136	1,995,753
Liabilities				
Financial liabilities at FVTPL	54,469	54,469	-	-
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	11,580,152	99,355	9,822,419	1,658,378
Other financial assets				
Hedging derivative financial instruments	149,400	-	149,400	-
Liabilities				
Financial liabilities at FVTPL	10,334,453	-	9,371,814	962,639

Note 1: This table aims to understand the method that the bank used to measure financial assets and financial liabilities. This table applies to Financial Assets and Liabilities at Fair Value through Profit or Loss, Available-for-sale Financial Assets, financial assets and financial liabilities without quoted prices in an active market, and hedging derivative instruments.

Note 2: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. According to SFAS No. 34 "Accounting for Financial Instruments" in paragraph 5, active markets must have the following attributes: (1) assets or liabilities traded in the market are identical, (2) easiness of finding buyers and sellers in the principal (or most advantageous) market for the asset or liability that are both able and willing to transact, (3) pricing information are readily available to the public.

- Note 3: Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (e.g. price) or indirectly (e.g. value derived from price), in the active markets.
- a. Quoted prices of similar financial instruments in active market are the company's fair value of financial instruments if based on recent quoted price for similar financial instruments. Similar financial instruments should be decided in accordance with characteristics and transaction conditions of these instruments. Fair value of financial instruments will vary depending on factors specific to the similar asset or liability. The factors include: Prices are not current, price quotations vary substantially, transaction price between related parties, relevance between the quoted price of similar instruments and the quoted price of financial instruments.
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c. Valuation models are used to measure fair value, and the inputs (e.g. interest rate, yield curve, and volatilities) are based on accessible data from the markets (the observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data).
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).
- Note 4: Level 3 inputs are inputs that are not available in the market. Unobservable inputs are inputs such as historical volatilities used in option pricing model since historical volatilities are not representative of the expectation of volatilities of market participants.
- Note 5: The classifications on this table shall be consistent with the classifications on the balance sheet.
- Note 6: When using valuation model to measure fair value of financial instruments, the company shall determine whether inputs have significant impacts on the fair value measurements if inputs comprise observable and unobservable inputs. If unobservable inputs have significant impacts on the measurements, the company shall classify this type of financial instruments into lowest level.
- Note 7: If adopted valuation models or the classified level have material changes in the same financial instruments in current period (e.g. significant changes between Level 1 and Level 2, changes in unobservable inputs having material impacts on fair value measurements, materiality of investment amount of this category of financial instruments, and the impact of current fair value measurements on net earnings, corresponding assets and liabilities, and stockholders' equity), the company shall describe the changes and the underlying reasons.

Changes in Level 3 financial assets were as follows:

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer out	
Financial assets at FVTPL	\$ 2,209,373	(\$ 350,657)	\$ 1,670,329	\$ -	(\$ 962,417)	\$ -	\$ 2,566,628
Available-for-sale financial assets	4,340,294	21,743	1,646,558	-	(2,965,007)	(177,000)	2,866,588
Other financial assets	2,169,736	39,223	-	-	(213,206)	-	1,995,753
Total	\$ 8,719,403	(\$ 289,691)	\$ 3,316,887	\$ -	(\$ 4,140,630)	(\$ 177,000)	\$ 7,428,969

Changes in Level 3 financial liabilities were as follows:

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer out	
Financial liabilities at FVTPL	\$ 1,679,043	(\$ 1,086,700)	\$ 752,511	\$ -	(\$ 382,215)	\$ -	\$ 962,639

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.



VI. Financial Status

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.

Other risk refers to the net value of mutual fund denominated in foreign currency.

(In Thousands of Original Currencies)

Market Risk Type	Currency	December 31	
		2011	2010
Exchange rate risk value	EUR	\$ 382	\$ 10,458
	JPY	(3,059,831)	(2,561,457)
	USD	7,847	(32,183)
	Others (Note)	761,022	2,208,193
Interest rate sensitivity DV01			
Interest curve of bonds	TWD	(24,893)	(20,663)
	USD	(96)	(150)
	Others (Note)	(628)	(192)
Interest curve of IRS	TWD	4,044	4,519
	USD	27	2
	Others (Note)	425	(101)
Interest curve of CCS	TWD	52	(37)
	USD	(1)	2
Equity securities risk value	TWD	5,338,556	5,672,456
	USD	4,041	5,135
Currency bond fund	USD	41,898	31,322

Note: Presented as N.T. 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, 2011 and 2010 were as follows:

Financial Instrument Type	December 31	
	2011	2010
Guarantees	\$ 46,204,285	\$ 51,347,066
Letters of credit	30,280,835	35,580,678
Unused loan commitments (excluding credit card)	322,600,942	385,074,949
Unused loan commitments (credit card only)	411,994,680	438,621,284

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			
	2011		2010	
	Carrying Value	Percentage of Item (%)	Carrying Value	Percentage of Item (%)
Manufacturing	\$ 464,650,213	26.62	\$ 387,516,424	24.27
Wholesale and retailing	133,304,744	7.64	109,363,827	6.85
Finance and insurance	109,578,116	6.28	90,036,298	5.64
Real estate and leasing	74,301,627	4.26	58,717,605	3.68
Service	27,007,750	1.55	23,802,259	1.49
Individuals	728,207,230	41.71	700,374,398	43.86
Others	208,747,587	11.94	227,150,496	14.21
	<u>\$ 1,745,797,267</u>		<u>\$ 1,596,961,307</u>	

Geographic Location	December 31			
	2011		2010	
	Carrying Value	Percentage of Item (%)	Carrying Value	Percentage of Item (%)
Asia	\$ 1,661,155,104	95.15	\$ 1,518,641,639	95.10
America	38,550,271	2.21	41,388,379	2.59
Europe	11,273,175	0.65	10,278,959	0.64
Others	34,818,717	1.99	26,652,330	1.67
	<u>\$ 1,745,797,267</u>		<u>\$ 1,596,961,307</u>	



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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 25.02% and 26.04% for the years ended December 31, 2011 and 2010, 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) Chang Hwa Bank's ratios of liquidity reserves were 17.11% and 20.86% for the years ended December 31, 2011 and 2010. 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.
- 4) Taishin Securities B's 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 B's 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 B 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.

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 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 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, 2011 and 2010, 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:

	December 31, 2011 Effective Interest Rate (%)	
	NTD	USD
Bonds and securities purchased under resell agreements	0.70%~0.89%	-
Available-for-sale financial assets	0.72%~5.13%	0.00%~8.75%
Held-to-maturity financial assets	0.95%~1.40%	0.90%~7.38%
Bond investment without active market	2.65%	0.65%~0.77%
Loans	0.0001%~20.00%	0.10%~6.30%
Bonds and securities sold under repurchase agreements	0.58%~0.89%	0.28%~0.87%
Deposits	0.00%~4.00%	0.01%~2.38%
Bonds payable	1.62%~2.76%	-

	December 31, 2010 Effective Interest Rate (%)	
	NTD	USD
Bonds and securities purchased under resell agreements	(0.07%)~0.40%	-
Available-for-sale financial assets	0.32%~4.62%	0.37%~6.00%
Held-to-maturity financial assets	0.72%~2.71%	0.51%~7.38%
Bond investment without active market	2.65%	0.54%~0.62%
Loans	0.08%~20.00%	0.65%~6.20%
Bonds and securities sold under repurchase agreements	0.22%~0.55%	-
Deposits	0.00%~4.00%	0.01%~4.20%
Bonds payable	0.65%~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, 2011		December 31, 2010	
		Nominal Principal Amount	Fair Value	Nominal Principal Amount	Fair Value
Bank debenture	Interest rate swap	\$ 2,000,000	\$ 149,400	\$ 2,000,000	\$ 148,397

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	\$ -
Bond investments without active market	-	14,246,193
	\$ 14,246,193	\$ 14,246,193



VI. Financial Status

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 was 1.66%, and the expected cash flow from those financial assets will be \$7,311,379 thousand.

The carrying value and fair value after reclassification as of December 31, 2011 and 2010 were as follows:

	December 31			
	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bond investment without active market	\$ 5,515,180	\$ 5,466,262	\$ 8,356,041	\$ 8,233,834

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:

	Year Ended December 31			
	2011		2010	
	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	\$ 124,352	\$ 213,391	\$ 158,995	(\$ 464,986)

38. RELATED INFORMATION OF CAPITAL ADEQUACY

Group Capital Adequacy Ratio

Company \ Item	December 31, 2011		
	Ownership Interest (%)	Group Eligible Capital	Group's Statutory Capital Requirement
Taishin Financial Holding		\$ 106,323,841	\$ 112,246,962
Taishin Bank	100.00%	86,162,960	54,035,336
Chang Hwa Bank	22.55%	27,078,861	18,780,278
Taishin Securities B	100.00%	2,067,710	643,346
Taishin Venture Capital	100.00%	1,601,619	801,965
Taishin AMC	100.00%	1,630,527	1,088,750
Taishin Marketing	100.00%	3,818	2,001
Taishin Securities Investment Trust	100.00%	776,685	421,111
Taishin Securities Investment Advisory	92.00%	302,270	160,808
Taishin Holdings Insurance Brokers	100.00%	274,714	232,520
Exclusive items amounts subtracted		(127,165,778)	(112,028,230)
Total		99,057,227	76,384,847
Group's capital adequacy rate (Note)			129.68%

Company \ Item	December 31, 2010		
	Ownership Interest (%)	Group Eligible Capital	Group's Statutory Capital Requirement
Taishin Financial Holding		\$ 96,269,228	\$ 114,734,007
Taishin Bank	100.00%	82,739,946	48,729,777
Chang Hwa Bank	22.55%	23,715,476	17,647,136
Taishin Bills Finance	100.00%	5,419,843	1,527,053
Taishin Securities B	100.00%	2,313,295	637,311
Taishin Venture Capital	100.00%	814,760	407,905
Taishin AMC	100.00%	1,566,705	1,256,744
Taishin Marketing	100.00%	4,155	2,214
Taishin Securities Investment Trust	100.00%	778,251	422,435
Taishin Securities Investment Advisory	92.00%	286,108	154,916
Exclusive items amounts subtracted		(127,211,587)	(112,870,809)
Total		86,696,180	72,648,689
Group's capital adequacy rate (Note)			119.34%

Financial Holding Company Eligible Capital

Item	December 31, 2011
Common stock	\$ 63,250,473
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates which comply with eligible Tier 1 capital	12,576,912
Other Preferred stock and subordinated corporate bonds	15,820,418
Advance receipts for capital stock	-
Capital surplus	3,071,339
Legal reserve	1,999,537
Special reserve	268,505
Retained earnings	9,481,365
Equity adjustment	88,787
Subtracted:	
Goodwill	-
Deferred assets	233,495
Treasury stock	-
Total	106,323,841

Item	December 31, 2010
Common stock	\$ 59,094,401
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates which comply with eligible Tier 1 capital	11,496,407
Other Preferred stock and subordinated corporate bonds	13,863,242
Advance receipts for capital stock	2,324
Capital surplus	2,956,182
Legal reserve	1,227,227
Special reserve	-



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Item	December 31, 2010
Retained earnings	7,754,310
Equity adjustment	110,911
Subtracted:	
Goodwill	-
Deferred assets	235,776
Treasury stock	-
Total	96,269,228

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.

39. 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, 2011 were as follows:

2011

(In Thousands of New Taiwan Dollars; %)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
a. To the same person or the same enterprise		
Central Bank	\$ 339,858,965	\$ 188.5%
Taiwan Power Co., Ltd.	39,752,496	22.0%
Taiwan High Speed Rail Co., Ltd.	35,154,413	19.5%
CPC Corporation, Taiwan	27,308,947	15.1%
National Treasury Agency	20,000,000	11.1%
Chi Mei Optoelectronics	18,920,837	10.5%
Formosa Chemicals & Fibers Corp.	15,199,273	8.4%
AU Optronics Corp.	13,297,377	7.4%
Central Deposit Insurance Corporation	12,600,000	7.0%
Department of Finance, Taipei City Government	10,000,000	5.5%
Formosa Plastics Corp.	9,279,459	5.1%
Formosa Petrochemical Corp.	7,840,046	4.3%
Hon Hai Precision Ind. Co.	7,236,558	4.0%
China Airline Co.	6,389,468	3.5%
Wan Bao Development Corp.	6,156,000	3.4%
Taiwan Water Corp.	5,754,867	3.2%
Lin Yuan Investment Corp.	5,130,000	2.8%
EVA Airways Corp.	5,093,826	2.8%
Inotera Memories Co.	4,811,538	2.7%
U-Ming Marine Transport Corp.	4,470,000	2.5%
ProMos Technologies Inc.	4,204,328	2.3%

(Continued)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
Wistron Corp.	\$ 4,120,654	\$ 2.3%
Quanta Computer Inc.	4,014,517	2.2%
China Steel Corp.	3,520,404	2.0%
Continental Development Corp.	3,500,000	1.9%
Chunghwa Picture Tubes Ltd.	3,471,829	1.9%
GNMA MBS Pool	3,270,246	1.8%
Tatung Co.	3,214,446	1.8%
Yieh United Steel Corp.	3,113,384	1.7%
Nanya Technology Corp.	3,110,946	1.7%
Taipei Financial Center Corp.	3,059,892	1.7%
Yang Ming Marine Transport Corp.	3,051,829	1.7%
Foxconn (Far East) Limited	3,027,500	1.7%
EVA Marine Transport Corp.	3,015,245	1.7%
Total	641,949,290	
b. To the same person and spouse, the relative within the second degree and the person or the spouse's enterprise		
Individual A	8,126,400	4.5%
Individual B	4,626,645	2.6%
Individual C	3,356,558	1.9%
Individual D	3,035,869	1.7%
Total	19,145,472	
c. To the same related party enterprise		
Formosa Chemicals & Fibers Corp.	26,572,341	14.7%
Kuokuang Power Co., Ltd.	20,120,545	11.2%
Chi Mei Corp.	13,055,118	7.2%
Pan-International Electronics	11,253,024	6.2%
Ampower Holding Limited	10,346,523	5.7%
G-Tech Optoelectronics Corp.	10,255,653	5.7%
AU Optronics Corp.	10,076,948	5.6%
Far East New Century Corp.	9,797,185	5.4%
Wan Bao Development Corp.	8,376,000	4.6%
Chi Mei Lighting Technology Corp.	7,969,641	4.4%
GIO Optoelectronics Corp.	7,932,861	4.4%
Chilin Technology Corp.	7,852,861	4.4%
Chimei Innolux Corp.	7,821,676	4.3%
Leadtek Global Group Limited	7,624,896	4.2%
Hon Hai Precision Ind. Co.	7,511,900	4.2%
CPC Corp.	7,294,938	4.0%
Contrel Technology Co., Ltd.	7,019,096	3.9%
Formosa Sumco Technology Corp.	6,986,086	3.9%
Yieh Phui Enterprise Co., Ltd.	6,649,060	3.7%
Nanya Technology Corp.	6,612,960	3.7%
Darfon Electronics Corp.	6,525,475	3.6%
EVA Airways Corp.	5,843,677	3.2%

(Continued)



VI. Financial Status

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
Quanta Computer Inc.	\$ 5,573,155	\$ 3.1%
Cal Park Co., Ltd.	5,564,104	3.1%
Lextar Electronics Corp.	5,559,547	3.1%
Green Energy Technology Inc.	5,399,151	3.0%
China Steel Corp.	5,366,759	3.0%
Hannstar Board Corp.	5,232,960	2.9%
SiPix Technology Co.	5,204,777	2.9%
Far Eastern General Contractor Inc.	5,077,939	2.8%
Far Eastern International Leasing Corp.	4,977,939	2.8%
Yang Ming Marine Transport Corp.	4,966,984	2.8%
Catcher Technology Co., Ltd.	4,731,316	2.6%
Far Eastern General Contractor Inc.	4,358,179	2.4%
Uni-President Co.	4,164,544	2.3%
Continental Engineering Corp.	4,000,000	2.2%
An De Shun Enterprise	3,792,740	2.1%
Hannstar Display Corp.	3,599,954	2.0%
Jin Xin Investment Co, Ltd.	3,330,605	1.8%
Delta Electronics Inc.	3,300,000	1.8%
Taiwan Prosperity Chemical Corp.	3,191,074	1.8%
Pou Chen Group.	3,101,963	1.7%
Unihan Corp.	3,057,775	1.7%
Cheng Shin Rubber Ind. Co., Ltd.	3,016,440	1.7%
Total	310,066,369	

(Concluded)

40. FINANCIAL INFORMATION BY BUSINESS

The financial information by business for the years ended December 31, 2011 and 2010 was as follows:

Item	Bank Business	Year Ended December 31, 2011		
		Bank Business	Securities Business	Other Business
Net interest revenue (loss)	\$ 26,919,464	\$ 15,287	(\$ 969,404)	\$ 25,965,347
Net non-interest revenue	24,843,727	184,819	2,524,998	27,553,544
Net revenue	51,763,191	200,106	1,555,594	53,518,891
Bad debt expenses	(5,211,159)	(813)	(3,290)	(5,215,262)
Operating expenses	(27,502,477)	(397,641)	(961,290)	(28,861,408)
Income (loss) before income tax of continued operations	19,049,555	(198,348)	591,014	19,442,221
Income tax (expense) benefit	(3,117,520)	24,137	(66,322)	(3,159,705)
Income (loss) after income tax of continued operations	15,932,035	(174,211)	524,692	16,282,516

Item	Year Ended December 31, 2010				
	Bank Business	Securities Business	Bills Business	Other Business	Total
Net interest revenue (loss)	\$ 24,628,700	\$ 2,894	\$ 163,401	(\$ 1,543,139)	\$ 23,251,856
Net non-interest revenue	29,624,014	274,441	442,733	(158,645)	30,182,543
Net revenue (loss)	54,252,714	277,335	606,134	(1,701,784)	53,434,399
Bad debt expenses	(5,954,801)	-	(6,348)	(4,295)	(5,965,444)
Operating expenses	(26,243,092)	(238,627)	(134,623)	(784,957)	(27,401,299)
Income (loss) before income tax of continued operations	22,054,821	38,708	465,163	(2,491,036)	20,067,656
Income tax (expense) benefit	(6,269,139)	5,918	(112,834)	223,726	(6,152,329)
Income (loss) after income tax of continued operations	15,785,682	44,626	352,329	(2,267,310)	13,915,327

41. FINANCIAL STATEMENTS OF TAISHIN FINANCIAL HOLDING

TAISHIN FINANCIAL HOLDING CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

ASSETS	2011	2010
Cash and cash equivalents	\$ 17,759,020	\$ 19,875,925
Bonds and securities purchased under resell agreements	10,488,419	4,212,857
Receivables	1,692,260	3,420,947
Prepaid expenses	2,237	549
Investments accounted for by the equity method	111,995,506	112,838,085
OTHER FINANCIAL ASSETS		
Financial assets carried at cost	32,724	32,724
PROPERTY AND EQUIPMENT		
Cost		
Machinery equipment	1,962	15,963
Transportation equipment	4,670	4,380
Miscellaneous equipment	2,912	3,937
	9,544	24,280
Accumulated depreciation	(3,899)	(22,587)
Property and equipment, net	5,645	1,693
OTHER ASSETS		
Deferred tax assets	231,742	231,563
Other deferred assets	1,753	4,213
Other miscellaneous assets	203,887	431,582
Other assets	437,382	667,358
TOTAL	\$ 142,413,193	\$ 141,050,138



VI. Financial Status

LIABILITIES AND STOCKHOLDERS' EQUITY	2011	2010
LIABILITIES		
Financial liabilities at FVTPL	\$ -	\$ 893,564
Payables	2,515,698	3,115,797
Bonds payable	33,650,000	37,808,989
Other liabilities	28,566	27,509
Total liabilities	36,194,264	41,845,859
STOCKHOLDERS' EQUITY		
Capital stock		
Common stock	63,250,473	59,094,401
Preferred stock	11,912,963	11,912,963
Advance receipts for common stock	-	2,324
Capital surplus		
Additional paid-in capital in excess of par	17,005,072	16,996,159
Treasury stock transaction	2,075,475	2,075,475
Others	136,752	30,509
Retained earnings		
Legal reserve	1,999,537	1,227,227
Special reserve	268,505	-
Unappropriated earnings	9,481,365	7,754,310
Other items of stockholders' equity		
Unrealized revaluation increments	288,459	-
Cumulative translation adjustments	(23,269)	(44,645)
Unrealized gains or losses of financial instruments	(145,971)	155,556
Net loss not recognized as pension cost	(30,432)	-
Total stockholders' equity	106,218,929	99,204,279
TOTAL	\$ 142,413,193	\$ 141,050,138

TAISHIN FINANCIAL HOLDING CO., LTD.

INCOME STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
INCOME				
Investment income recognized under the equity method	\$	10,111,913	\$	10,052,586
Interest income		169,669		93,083
Others		959,282		25,419
Total income		<u>11,240,864</u>		<u>10,171,088</u>
EXPENSES AND LOSSES				
Investment loss recognized under the equity method	(	283,269 )	(	62,804)
Operating expenses	(	519,242 )	(	645,454)
Interest expenses	(	1,011,771 )	(	1,572,678)
Others	(	55 )	(	404,280)
Total expenses and losses	(	<u>1,814,337 )</u>	(	<u>2,685,216)</u>
INCOME BEFORE INCOME TAX		9,426,527		7,485,872
INCOME TAX BENEFIT		<u>5,309</u>		<u>237,234</u>
NET INCOME	\$	<u>9,431,836</u>	\$	<u>7,723,106</u>
	2011		2010	
	Pretax	After Tax	Pretax	After Tax
EARNINGS PER SHARE				
Basic earnings per share	\$ 1.26	\$ 1.26	\$ 0.96	\$ 0.99
Diluted earnings per share	\$ 1.26	\$ 1.26	\$ 0.96	\$ 0.99



VI. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

	Capital Stock			Capital Surplus		
	Common Stock	Preferred Stock	Advance Receipts for Common Stock	Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions	Other Capital Surplus
BALANCE, JANUARY 1, 2010	\$ 53,238,199	\$ 11,912,963	\$ -	\$ 16,996,159	\$ 2,075,475	\$ 4,411
Appropriation of 2009 earnings						
Legal reserve	-	-	-	-	-	-
Reversed special reserve	-	-	-	-	-	-
Dividend on preferred stock C	-	-	-	-	-	-
Dividend on preferred stock D	-	-	-	-	-	-
Stock dividends (\$1.1 per share, ex-dividend date August 18, 2010)	5,856,202	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-
Unrealized gains or losses of available-for-sale financial assets	-	-	-	-	-	-
Issuance of employee stock options	-	-	-	-	-	26,098
Execution of employee stock options	-	-	2,324	-	-	-
Net income for the year ended December 31, 2010	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2010	59,094,401	11,912,963	2,324	16,996,159	2,075,475	30,509
Appropriation of 2010 earnings						
Legal reserve	-	-	-	-	-	-
Dividend on preferred stock C	-	-	-	-	-	-
Dividend on preferred stock D	-	-	-	-	-	-
Stock dividends (\$0.7 per share, ex-dividend date August 6, 2011)	4,137,881	-	-	-	-	-
Cash dividends	-	-	-	-	-	-
Unrealized revaluation increment on land	-	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-
Unrealized gains or losses of available-for-sale financial assets	-	-	-	-	-	-
Net loss not recognized as pension cost	-	-	-	-	-	-
Issuance of employee stock options	-	-	-	-	-	106,243
Execution of employee stock options	18,191	-	(2,324)	8,913	-	-
Loss provision reclassified to special reserve	-	-	-	-	-	-
Net income for the year ended December 31, 2011	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2011	<u>\$ 63,250,473</u>	<u>\$ 11,912,963</u>	<u>\$ -</u>	<u>\$ 17,005,072</u>	<u>\$ 2,075,475</u>	<u>\$ 136,752</u>

Retained Earnings			Equity Adjustments					Total
Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Revaluation Increments	Cumulative Translation Adjustments	Unrealized Gain or Loss on Financial Instruments	Net Loss Not Recognized as Pension Cost		
\$ 408,912	\$ 482,574	\$ 8,183,147	\$ -	(\$ 5,029)	\$ 252,153	\$ -	\$ 93,548,964	
818,315	- (	818,315)	-	-	-	-	-
- (	482,574)	482,574	-	-	-	-	-
-	- (	1,050,000)	-	-	-	-	(1,050,000)
-	- (	910,000)	-	-	-	-	(910,000)
-	- (	5,856,202)	-	-	-	-	-
-	-	-	-	(39,616)	-	-	(39,616)	
-	-	-	-	-	(96,597)	-	(96,597)	
-	-	-	-	-	-	-	26,098	
-	-	-	-	-	-	-	2,324	
-	-	7,723,106	-	-	-	-	7,723,106	
1,227,227	-	7,754,310	-	(44,645)	155,556	-	99,204,279	
772,310	- (	772,310)	-	-	-	-	-
-	(	525,000)	-	-	-	-	(525,000)
-	- (	910,000)	-	-	-	-	(910,000)
-	- (	4,137,881)	-	-	-	-	-
-	- (	1,359,590)	-	-	-	-	(1,359,590)
-	-	-	288,459	-	-	-	288,459	
-	-	-	-	21,376	-	-	21,376	
-	-	-	-	-	(301,527)	-	(301,527)	
-	-	-	-	-	-	(30,432)	(30,432)	
-	-	-	-	-	-	-	106,243	
-	-	-	-	-	-	-	24,780	
-	268,505	-	-	-	-	-	268,505	
-	-	9,431,836	-	-	-	-	9,431,836	
\$ 1,999,537	\$ 268,505	\$ 9,481,365	\$ 288,459	(\$ 23,269)	(\$ 145,971)	(\$ 30,432)	\$ 106,218,929	



VI. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 9,431,836	\$ 7,723,106
Depreciation	1,542	3,339
Amortization	2,460	4,726
Deferred tax (benefit) expense	(180)	40,670
Income tax benefit on linked-tax system	(5,129)	(277,904)
Share-based compensation	16,166	4,171
Unrealized (gain) loss on financial instruments valuation	(893,564)	295,386
Investment income recognized under equity method	(9,828,644)	(9,989,782)
Cash dividends received in current period under equity method	5,942,270	1,373,784
Loss on disposal of property and equipment	55	4
Amortization of discount on convertible bonds	141,011	403,163
Net changes in operating assets and liabilities		
Net changes in operating assets		
(Increase) decrease in bonds and securities purchased under resell agreements	(6,275,562)	5,441,022
Decrease in receivables	2,054,812	817,708
Decrease in financial assets for trading purpose	-	4,582
Decrease (increase) in other assets	227,574	(549)
Net changes in operating liabilities		
Decrease in payables	(921,095)	(93,466)
Increase in other liabilities	1,057	408
Net cash (used in) provided by operating activities	(105,391)	5,750,368
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for by the equity method	(830,000)	(3,773,153)
Proceeds from sales of investments accounted for by the equity method	5,895,410	-
Purchase of property and equipment	(5,549)	(758)
Increase in refundable deposits	(1,566)	(294)
Net cash provided by (used in) investing activities	5,058,295	3,774,205
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of bonds	9,700,000	5,300,000
Repayments of bonds	(14,000,000)	(8,000,000)
Cash dividends paid	(2,794,589)	(1,960,000)

(Continued)

	2011	2010
Exercise of employee stock options	\$ 24,780	\$ 2,324
Net cash used in financing activities	(7,069,809)	(4,657,676)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,116,905)	(2,681,513)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,875,925	22,557,438
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 17,759,020	\$ 19,875,925
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest	\$ 1,020,656	\$ 1,177,300
Income tax	\$ -	\$ -
NON-CASH FINANCING ACTIVITIES		
Capital increase by earnings recapitalization	\$ 4,137,881	\$ 5,856,202

(Concluded)

42. PROFITABILITY OF TAISHIN FINANCIAL HOLDING (STAND-ALONE AND CONSOLIDATED)

Stand-alone

Item		December 31	
		2011	2010
Return on total assets	Pretax	6.65%	5.38%
	After tax	6.65%	5.55%
Return on net equity - common stock	Pretax	11.06%	9.21%
	After tax	11.06%	9.57%
Profit margin		83.91%	75.93%

Note a: Return on total assets = $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity = $\frac{\text{Income before (after) tax}}{\text{Average net equity - common stock}}$

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 2011 and 2010, respectively.



VI. Financial Status

Consolidated

Item		December 31	
		2011	2010
Return on total assets	Pretax	0.76%	0.83%
	After tax	0.64%	0.57%
Return on net equity - common stock	Pretax	13.75%	15.07%
	After tax	11.06%	9.57%
Profit margin		30.42%	26.04%

Note a: Return on total assets = $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity - common stock = $\frac{\text{Income before (after) tax (of the parent company's stockholders)}}{\text{Average net equity - common stock}}$

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 2011 and 2010, respectively.

Note e: Income before tax includes income before income tax of continued operations and pre-tax income before extraordinary gain.

43. CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME AND IMPORTANT FINANCIAL NOTES OF SUBSIDIARIES

Taishin Bank

a. Balance sheet

	December 31	
	2011	2010 (Restated - Note 1)
Assets		
Cash and cash equivalents	\$ 11,125,892	\$ 12,895,603
Due from Central Bank and call loans to banks	29,519,453	37,626,717
Financial assets at FVTPL	40,781,549	36,979,776
Bonds and securities purchased under resell agreements	1,058,738	2,992,554
Receivables, net	88,122,428	97,304,516
Loans, net	600,808,129	531,674,018
Available-for-sale financial assets, net	191,190,849	177,358,294
Held-to-maturity financial assets, net	2,421,241	3,312,094
Investments accounted for by the equity method, net	1,939,912	1,861,285
Other financial assets, net	2,893,816	2,941,610
Property and equipment, net	17,424,442	17,747,428
Intangible assets, net	1,921,980	2,079,117
Other assets	6,745,987	8,783,300
	<u>\$ 995,954,416</u>	<u>\$ 933,556,312</u>

December 31		
	2011	2010 (Restated - Note 1)
Liabilities		
Due to banks and Central Bank	\$ 62,532,398	\$ 57,252,391
Financial liabilities at FVTPL	8,353,108	16,202,864
Bonds and securities sold under repurchase agreements	43,486,925	32,611,770
Payables	22,379,981	27,040,897
Deposits	756,502,655	699,985,966
Bank debentures	25,000,000	25,000,000
Other financial liabilities	13,340,332	13,184,858
Other liabilities	1,377,985	1,584,681
	<u>932,973,384</u>	<u>872,863,427</u>
Stockholders' equity		
Capital stock	49,157,526	49,157,526
Capital surplus	3,197,017	3,169,946
Retained earnings	10,593,956	8,159,642
Unrealized revaluation increments	6,093	-
Cumulative translation adjustments	(539)	(519)
Unrealized gains or losses of available-for-sale financial assets	27,334	206,290
Net loss not recognized as pension cost	(355)	-
	<u>62,981,032</u>	<u>60,692,885</u>
	<u>\$ 995,954,416</u>	<u>\$ 933,556,312</u>

b. Income statement

Year Ended December 31		
	2011	2010 (Restated -Note 1)
Net interest income	\$ 12,518,154	\$ 11,850,525
Net non-interest income	<u>12,042,587</u>	<u>12,895,822</u>
Gross income	24,560,741	24,746,347
Bad debt expenses	(1,985,975)	(1,211,169)
Operating expenses	(13,362,370)	(12,391,889)
Income before income tax	9,212,396	11,143,289
Income tax expense	(1,473,296)	(2,970,547)
Net income	<u>\$ 7,739,100</u>	<u>\$ 8,172,742</u>

	2011		2010	
	Pretax	After Tax	Pretax	After Tax
Basic earnings per share (dollar)	\$ 1.92	\$ 1.61	\$ 2.33	\$ 1.70
Diluted earnings per share (dollar)	\$ 1.87	\$ 1.57	\$ 2.27	\$ 1.66



VI. Financial Status

c. Key financial and business highlights

1) Profitability

Item		December 31	
		2011	2010
Return on total assets	Pretax	0.95%	1.24%
	After tax	0.80%	0.91%
Return on net equity	Pretax	14.90%	19.53%
	After tax	12.52%	14.32%
Profit margin		31.51%	33.03%

Note a: Return on total assets = $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity = $\frac{\text{Income before (after) tax}}{\text{Average net equity}}$
- common stock

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 2011 and 2010, respectively.

Note e: Income before tax includes income before income tax of continued operations and pre-tax income before extraordinary gain.

2) Asset quality

Item		December 31, 2011					December 31, 2010					
		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	\$ 457,798	\$119,038,390	0.38%	\$2,672,076	583.68%	\$492,591	\$100,610,328	0.49%	\$ 1,217,497	247.16%	
	Unsecured	6,306	160,303,167	-	1,309,832	20,771.91%	484,347	128,152,874	0.38%	1,588,312	327.93%	
Consumer finance	Mortgage loans (Note d)	179,343	206,149,360	0.09%	1,102,819	614.92%	269,382	203,730,649	0.13%	709,909	263.53%	
	Cash cards	78,474	8,189,094	0.96%	671,787	856.06%	138,243	10,870,988	1.27%	975,749	705.82%	
	Credit loans (Note e)	150,513	23,447,039	0.64%	806,301	535.70%	236,009	21,637,759	1.09%	1,062,488	450.19%	
	Others (Note f)	Secured	48,035	88,834,441	0.05%	424,571	883.88%	78,645	70,833,163	0.11%	71,107	90.42%
		Unsecured	48,222	2,315,937	2.08%	231,232	479.51%	82,334	3,713,217	2.22%	200,498	243.52%
Subtotal		968,691	608,277,428	0.16%	7,218,618	745.19%	1,781,551	539,548,978	0.33%	5,825,560	326.99%	
Others (Note h)		-	-	-	-	-	- (2,061,143)	-	- (11,743)	-	-	
Total		968,691	608,277,428	0.16%	7,218,618	745.19%	1,781,551	537,487,835	0.33%	5,813,817	326.99%	
Credit card		94,686	33,613,235	0.28%	488,089	515.48%	142,169	34,118,130	0.42%	662,455	465.96%	
Accounts receivable factoring with no recourse (Note g)		-	49,576,406	-	105,891	-	-	59,809,857	-	-	-	

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: According to February 18, 2011, ARDF Interpretation 2011-046, spot rate is determined by the exchange settlement rate on the balance sheet date. Loans and allowance for receivable in US dollars were adjusted by the Central Bank's settlement rate NT\$29.152 at 15:30, December 31, 2010 based on the interpretation above.

Exempted from report as nonperforming loans and receivables

Business Type \ Item	December 31, 2011		December 31, 2010	
	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)	\$ 5,279,584	\$ 1,667,299	\$ 6,944,337	\$ 2,218,997
Loans executed in accordance with debt clearing and renewal regulations (Note b)	2,079,662	1,367,876	2,262,556	1,356,840
Total	7,359,246	3,035,175	9,206,893	3,575,837

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, 2011			December 31, 2010		
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity
1	A Group (012641 liquid crystal panel and components manufacturing industry)	\$ 15,444,056	24.52%	A group (012641 liquid crystal panel and components manufacturing industry)	\$ 8,306,003	13.69%
2	B Group (012641 liquid crystal panel and components manufacturing industry)	7,734,083	12.28%	K group (014641 computer and related equipment, software wholesale business)	7,195,589	11.86%
3	C Group (016499 other financial intermediation not elsewhere classified industry)	7,565,729	12.01%	B group (012641 liquid crystal panel and components manufacturing industry)	6,928,369	11.42%
4	D Group (011850 man-made fibers manufacturing industry)	6,553,605	10.41%	J group (012712 monitors and terminals manufacturing industry)	5,524,651	9.10%
5	E Group (016499 other financial intermediation not elsewhere classified industry)	6,279,800	9.97%	H group (012711 computer manufacturing industry)	4,196,167	6.91%
6	F Group (015232 ocean freight transportation forwarding services industry)	5,908,179	9.38%	L group (012641 liquid crystal panel and components manufacturing industry)	4,127,730	6.80%
7	G Group (012711 computer manufacturing industry)	5,611,510	8.91%	F group (015232 ocean freight transportation forwarding services industry)	3,902,886	6.43%
8	H Group (012711 computer manufacturing industry)	5,415,622	8.60%	E group (016499 other financial intermediation not elsewhere classified industry)	3,610,172	5.95%
9	I Group (012630 printed circuit board manufacturing industry)	5,172,356	8.21%	M group (012613 semi-conductors packaging and testing industry)	3,583,027	5.90%
10	J Group (012712 monitors and terminals manufacturing industry)	4,868,214	7.73%	D group (011850 man-made fibers manufacturing industry)	3,253,107	5.36%

Note a: Sorted by the balance of loans on December 31, 2011 and 2010, 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.



VI. Financial Status

4) Interest-bearing assets and interest-bearing liabilities

The average interest-bearing assets, interest-bearing liabilities and average interest rates for the years ended December 31, 2011 and 2010 were as follows:

	2011	
	Average Value	Average Interest Rate %
Assets		
Due from banks and call loans to banks	\$ 28,054,773	0.62
Financial assets at FVTPL	26,531,008	0.75
Bonds and securities purchased under resell agreements	1,940,882	0.71
Receivables	47,753,379	4.89
Loans	577,811,944	2.51
Available-for-sale financial assets	187,696,707	1.09
Held-to-maturity financial assets	3,056,223	3.15
Liabilities		
Due to banks and call loans from banks	55,419,826	1.13
Bonds and securities sold under repurchase agreements	34,711,459	0.60
Demand deposits	299,036,422	0.24
Time deposits	427,750,415	1.05
Bank debentures	25,000,000	2.46
Other financial liabilities	14,142,116	1.60

	2011	
	Average Value	Average Interest Rate %
Assets		
Due from banks and call loans to banks	\$ 37,605,391	0.51
Financial assets at FVTPL	40,452,659	0.51
Bonds and securities purchased under resell agreements	1,239,965	0.38
Receivables	46,155,089	4.67
Loans	515,760,698	2.41
Available-for-sale financial assets	150,371,232	0.97
Held-to-maturity financial assets	4,303,545	2.96
Liabilities		
Due to banks and call loans from banks	58,318,335	0.91
Bonds and securities sold under repurchase agreements	42,246,813	0.34
Demand deposits	264,890,364	0.17
Time deposits	384,930,487	0.77
Bank debentures	23,712,329	2.41
Other financial liabilities	16,916,403	1.42

5) Interest rate sensitivity

(In Thousands of New Taiwan Dollars)

Item	December 31, 2011				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 589,515,405	\$ 27,157,814	\$ 43,703,479	\$ 139,341,998	\$ 799,718,696
Interest-sensitive liabilities	362,787,867	81,070,674	134,901,875	211,499,947	790,260,363
Interest sensitivity gap	226,727,538	(53,912,860)	(91,198,396)	(72,157,949)	9,458,333
Net equity					62,990,673
Ratio of interest-sensitive assets to liabilities					101.20%
Ratio of interest sensitivity gap to net equity					15.02%

(In Thousands of New Taiwan Dollars)

Item	December 31, 2010				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 526,221,728	\$ 19,385,551	\$ 16,365,261	\$ 135,625,292	\$ 697,597,832
Interest-sensitive liabilities	279,296,907	95,096,096	121,258,346	198,384,858	694,036,207
Interest sensitivity gap	246,924,821	(75,710,545)	(104,893,085)	(62,759,566)	3,561,625
Net equity					60,618,990
Ratio of interest-sensitive assets to liabilities					100.51%
Ratio of interest sensitivity gap to net equity					5.88%

Note a: The amounts listed above include amounts in N.T. dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

Note b: Interest-sensitive assets and liabilities are interest-bearing assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities (N.T. dollars only) = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

(In Thousands of U.S. Dollars)

Item	December 31, 2011				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 3,626,583	\$ 927,104	\$ 351,495	\$ 1,293,411	\$ 6,198,593
Interest-sensitive liabilities	3,667,774	2,315,523	705,397	334,021	7,022,715
Interest sensitivity gap	(41,191)	(1,388,419)	(353,902)	959,390	(824,122)
Net equity					34,217
Ratio of interest-sensitive assets to liabilities					88.26%
Ratio of interest sensitivity gap to net equity					(2,408.52%)

(In Thousands of U.S. Dollars)

Item	December 31, 2010				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 2,344,727	\$ 631,153	\$ 482,195	\$ 1,585,462	\$ 5,043,537
Interest-sensitive liabilities	2,669,341	2,684,371	248,514	544,467	6,146,693
Interest sensitivity gap	(324,614)	(2,053,218)	233,681	1,040,995	(1,103,156)
Net equity					13,712
Ratio of interest-sensitive assets to liabilities					82.05%
Ratio of interest sensitivity gap to net equity					(8,045.19%)

Note a: The amounts listed above include amounts in U.S. dollars only for domestic branches, OBU, and overseas branches, excluding contingent assets and contingent liabilities.

Note b: Interest-sensitive assets and liabilities are interest-bearing assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities (U.S. dollars only) = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$



VI. Financial Status

6) Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2011				
		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	\$ 869,504,187	\$ 205,737,709	\$ 165,612,383	\$ 44,864,429	\$ 73,665,202	\$ 379,624,464
Major maturity cash outflow	943,601,610	161,594,580	151,883,487	131,739,547	200,611,085	297,772,911
Gap	(74,097,423)	44,143,129	13,728,896	(86,875,118)	(126,945,883)	81,851,553

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2011				
		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	\$ 770,074,334	\$ 237,483,195	\$ 89,050,617	\$ 26,826,242	\$ 25,910,246	\$ 390,804,034
Major maturity cash outflow	865,518,809	116,563,606	123,150,966	162,037,638	176,984,707	286,781,892
Gap	(95,444,475)	120,919,589	(34,100,349)	(135,211,396)	(151,074,461)	104,022,142

Note: The amounts listed above include amounts in N.T. dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

(In Thousands of U.S. Dollars)

	Total	December 31, 2011				
		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	\$ 9,187,511	\$ 3,799,481	\$ 3,018,816	\$ 960,018	\$ 317,567	\$ 1,091,629
Major maturity cash outflow	9,119,390	3,363,069	2,209,685	2,404,303	665,547	476,786
Gap	68,121	436,412	809,131	(1,444,285)	(347,980)	614,843

(In Thousands of U.S. Dollars)

	Total	December 31, 2011				
		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	\$ 9,599,997	\$ 4,346,156	\$ 1,569,387	\$ 907,250	\$ 796,198	\$ 1,981,006
Major maturity cash outflow	9,596,624	3,046,733	1,060,168	2,891,581	551,292	2,046,850
Gap	3,373	1,299,423	509,219	(1,984,331)	244,906	(65,844)

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

7) Capital adequacy

Item		Year	Consolidated	Taishin Bank	
			December 31, 2011	December 31, 2011	December 31, 2010
Eligible capital	Tier I capital		\$ 60,362,134	\$ 59,422,148	\$ 56,696,260
	Tier II capital		27,314,206	26,740,812	26,043,686
	Tier III capital		-	-	-
	Self-owned capital		87,676,340	86,162,960	82,739,946
Risk-weighted assets	Credit risk	Standardized approach	607,930,747	607,210,536	551,856,662
		IRB	-	-	-
		Securitization	1,158,501	1,158,501	1,514,031
	Operation risk	Basic indicator approach	-	-	-
		Standardized approach/Alternative standardized approach	36,814,913	36,814,913	34,888,200
		Advanced measurement approach	-	-	-
	Market risk	Standardized approach	30,280,313	30,257,750	20,863,325
		Internal model approach	-	-	-
	Total		676,184,474	675,441,700	609,122,218
Capital adequacy ratio			12.97%	12.76%	13.58%
Tier I capital to risk weighted assets ratio			8.93%	8.80%	9.31%
Tier II capital to risk weighted assets ratio			4.04%	3.96%	4.27%
Tier III capital to risk weighted assets ratio			-	-	-
Common stock equity to total assets ratio			4.75%	4.75%	5.19%
Leverage ratio			6.35%	6.25%	6.53%

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, 2011 and 2010 were as follows:

	December 31	
	2011	2010
Special purpose trust accounts - foreign and domestic investments	\$ 135,857,618	\$ 137,737,804
Special purpose monetary fund - master	6,016,971	7,013,808
Special purpose monetary fund - stand-alone	109,139	153,508
Special purpose cover fund - stand-alone	9,355,248	12,975,945
Specific monetary fund - stand-alone	8,079,614	2,584,508
Specific cover fund - stand-alone	14,738,474	27,467,453
Real estate securitization	8,645,712	4,749,333
Real estate trust	9,552,878	1,160,044
Monetary mutual fund	1,021,687	750,060
Securities under custody	28,220,801	28,035,267
	<u>\$ 221,598,142</u>	<u>\$ 222,627,730</u>



VI. Financial Status

9) Balance sheets of securities department: Table 6

Income statement of securities department: Table 7

Chang Hwa Bank

a. Balance sheet

	December 31	
	2011	2010
Assets		
Cash and cash equivalents	\$ 52,948,865	\$ 33,907,482
Due from Central Bank and call loans to banks	79,667,740	88,513,906
Financial assets at FVTPL	25,020,162	19,303,952
Receivables	\$ 19,604,067	\$ 23,568,205
Loans	1,122,738,843	1,046,553,781
Available-for-sale financial assets	57,579,949	44,084,734
Held-to-maturity financial assets	180,376,569	193,424,963
Investments accounted for by the equity method	390,890	227,616
Other financial assets	12,943,157	16,027,510
Property and equipment	23,506,806	23,777,557
Intangible assets	62,074	56,504
Other assets	14,668,680	13,723,254
	<u>\$ 1,589,507,802</u>	<u>\$ 1,503,169,464</u>
Liabilities		
Due to banks and Central Bank	\$ 112,053,512	95,108,981
Financial liabilities at FVTPL	2,035,814	4,489,980
Bonds and securities sold under repurchase agreements	10,726,892	13,636,714
Payables	31,956,087	25,544,088
Deposits	1,288,795,742	1,240,178,989
Bank debentures	38,496,086	28,493,150
Accrued pension liabilities	452,697	288,415
Other financial liabilities	1,676,663	1,170,845
Other liabilities	7,636,353	7,674,235
	<u>1,493,829,846</u>	<u>1,416,585,397</u>
Stockholders' equity		
Capital stock	67,683,284	62,094,756
Retained earnings	18,509,344	16,552,478
Other items	9,485,328	7,936,833
	<u>95,677,956</u>	<u>86,584,067</u>
	<u>\$ 1,589,507,802</u>	<u>\$ 1,503,169,464</u>

b. Income statement

	Year Ended December 31	
	2011	2010
Net interest income	\$ 16,473,129	\$ 14,041,645
Net non-interest income	10,131,244	14,444,682
Gross income	26,604,373	28,486,327
Bad debt expense	(3,225,183)	(4,749,980)
Operating expenses	(12,810,050)	(12,670,763)
Income before income tax	10,569,140	11,065,584
Income tax expense	(1,526,785)	(3,239,032)
Net income	<u>\$ 9,042,355</u>	<u>\$ 7,826,552</u>

	2011		2010	
	Pretax	After Tax	Pretax	After Tax
Basic earnings per share (dollar)	\$ 1.56	\$ 1.34	\$ 1.63	\$ 1.16
Diluted earnings per share (dollar)	\$ 1.55	\$ 1.33	\$ 1.63	\$ 1.15

c. Key financial and business highlights

1) Profitability

Item		December 31	
		2011	2010
Return on total assets	Pretax	0.68%	0.74%
	After tax	0.58%	0.53%
Return on net equity	Pretax	11.60%	13.20%
	After tax	9.92%	9.34%
Profit margin		33.99%	27.47%

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 2011 and 2010, respectively.

2) Asset quality

Item		December 31, 2011					December 31, 2010					
		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	\$ 1,520,756	\$ 322,528,184	0.47%	\$ 7,669,512	504.32%	\$ 2,906,941	\$ 291,316,568	1.00%	\$ 5,029,848	\$173.03%	
	Unsecured	991,710	427,577,416	0.23%	4,339,299	437.56%	442,584	394,689,100	0.11%	3,318,794	749.87%	
Consumer finance	Mortgage loans (Note d)	1,205,277	290,485,445	0.41%	2,135,592	177.19%	1,537,272	293,253,357	0.52%	3,674,292	239.01%	
	Cash cards (Note h)	-	-	-	-	-	-	-	-	-	-	
	Credit loans (Note e)	2,218	1,978,179	0.11%	13,165	593.55%	17,050	2,006,714	0.85%	31,673	185.77%	
	Others (Note f)	Secured	413,207	92,707,599	0.45%	697,864	168.89%	690,200	75,274,865	0.92%	1,238,749	179.48%
		Unsecured	131,528	2,563,273	5.13%	245,821	186.90%	132,592	3,464,371	3.83%	157,838	119.04%
Total		4,264,696	1,137,840,096	0.37%	15,101,253	354.10%	5,726,639	1,060,004,975	0.54%	13,451,194	234.89%	



VI. Financial Status

Item Business Type	December 31, 2011					December 31, 2010				
	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	\$ 1,234	\$ 887,323	0.14%	\$ 6,546	530.47%	\$ 1,288	\$ 718,851	0.18%	\$ 5,841	453.49%
Accounts receivable factoring with no recourse (Note g)	-	8,534,101	-	62,684	-	-	11,857,377	-	-	-

Items Item Business Type	December 31, 2011		December 31, 2010	
	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)	\$ 922	\$ 6,824	\$ 1,189	\$ 10,182
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note j)	9,409	5,701	2,585	6,605
Total	10,331	12,525	3,774	16,787

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 receivable 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).

3) Concentration of credit risk

Year	December 31, 2011		
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity
1	A Group (rail way transportation industry)	35,103,316	36.69%
2	B Co. (petrochemicals manufacturing business)	34,000,914	35.54%
3	C Group (liquid crystal panel and components manufacturing industry)	19,162,269	20.03%
4	D Group (air transportation)	13,801,702	14.43%
5	E Group (liquid crystal panel and components manufacturing industry)	10,905,759	11.40%
6	F Group (iron and steel smelting)	8,115,215	8.48%
7	G Group (marine water transportation)	6,243,937	6.53%
8	H Group (liquid crystal panel and components manufacturing industry)	5,958,909	6.23%
9	I Group (computer manufacturing industry)	5,573,153	5.82%
10	J Group (marine water transportation)	5,496,256	5.74%

Year	December 31, 2010		
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity
1	A Co. (rail way transportation industry)	34,737,562	40.12%
2	B Group (petrochemicals manufacturing business)	30,471,261	35.19%
3	C Group (liquid crystal panel and components manufacturing industry)	20,939,014	24.18%
4	D Group (air transportation)	10,644,184	12.29%
5	E Group (liquid crystal panel and components manufacturing industry)	8,059,586	9.31%
6	F Group (iron and steel smelting)	7,440,120	8.59%
7	K Group (iron and steel smelting)	6,896,978	7.97%
8	L Group (Securities Brokerage)	6,847,715	7.91%
9	G Group (marine water transportation)	6,804,241	7.86%
10	H Group (liquid crystal panel and components manufacturing industry)	6,301,558	7.28%

Note a: Sorted by the balance of loans on December 31, 2011 and 2010, 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-bearing assets and interest-bearing liabilities

The average interest-bearing assets, interest-bearing liabilities and average interest rates for the years ended December 31, 2011 and 2010 were as follows:

	2011		2010	
	Average Value	Average Interest Rate %	Average Value	Average Interest Rate %
Assets				
Due from and call loans to banks	\$ 105,183,265	1.16	\$ 88,117,376	0.93
Due from Central Bank	57,749,543	0.41	56,727,335	0.35
Financial assets - bonds and bills	264,051,810	1.10	270,418,410	0.89
Loans	1,103,756,187	1.87	1,007,267,860	1.76
Liabilities				
Due to banks and call loans from banks	173,598,504	1.08	136,186,195	0.80
Deposits transferred from the Postal Bureau	8,052,424	1.34	20,917,971	1.13
Demand deposits	689,118,110	0.32	636,557,922	0.28
Time deposits	550,148,956	1.05	546,093,661	0.85
Negotiable certificates of deposits	8,597,648	0.58	5,683,534	0.30
Bank debentures	35,762,055	2.32	25,897,945	2.50



VI. Financial Status

5) Interest rate sensitivity

(In Thousands of New Taiwan Dollars)

Item	December 31, 2011				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,073,006,053	\$ 63,678,233	\$ 13,159,263	\$ 93,453,431	\$ 1,243,296,980
Interest-sensitive liabilities	401,472,093	613,418,523	72,394,141	31,893,818	1,119,178,575
Interest sensitivity gap	671,533,960	(549,740,290)	(59,234,878)	61,559,613	124,118,405
Net equity					92,321,882
Ratio of interest-sensitive assets to liabilities					111.09%
Ratio of interest sensitivity gap to net equity					134.44%

(In Thousands of New Taiwan Dollars)

Item	December 31, 2011				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,027,423,136	\$ 69,143,362	\$ 27,726,659	\$ 80,947,579	\$ 1,205,240,736
Interest-sensitive liabilities	379,029,140	598,176,879	65,544,248	28,386,451	1,071,136,718
Interest sensitivity gap	648,393,996	(529,033,517)	(37,817,589)	52,561,128	134,104,018
Net equity					84,134,664
Ratio of interest-sensitive assets to liabilities					112.52%
Ratio of interest sensitivity gap to net equity					159.39%

Note a: The amounts listed above include amounts in N.T. dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

Note b: Interest-sensitive assets and liabilities are interest-bearing assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities (N.T. dollars only) = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

(In Thousands of U.S. Dollars)

Item	December 31, 2011				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 6,325,442	\$ 768,675	\$ 35,181	\$ 49,684	\$ 7,178,982
Interest-sensitive liabilities	7,534,776	294,449	429,299	6,800	8,265,324
Interest sensitivity gap	(1,209,334)	474,226	(394,118)	42,884	(1,086,342)
Net equity					97,521
Ratio of interest-sensitive assets to liabilities					86.86%
Ratio of interest sensitivity gap to net equity					(1113.96%)

(In Thousands of U.S. Dollars)

Item	December 31, 2011				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 6,572,094	\$ 831,329	\$ 101,055	\$ 42,386	\$ 7,546,864
Interest-sensitive liabilities	8,342,793	446,588	440,688	-	9,230,069
Interest sensitivity gap	(1,770,699)	384,741	(339,633)	42,386	(1,683,205)
Net equity					76,041
Ratio of interest-sensitive assets to liabilities					81.76%
Ratio of interest sensitivity gap to net equity					(2,213.55%)

Note a: The amounts listed above include amounts in U.S. dollars only for domestic branches, OBU, and overseas branches, excluding contingent assets and contingent liabilities.

Note b: Interest-sensitive assets and liabilities are interest-bearing assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities (U.S. dollars only) = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

6) Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2011				
		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	\$1,467,370,980	\$ 264,441,439	\$ 232,457,960	\$ 142,986,285	\$ 108,131,242	\$ 719,354,054
Major maturity cash outflow	1,632,927,049	228,486,669	245,411,446	197,464,805	313,133,753	648,430,376
Gap	(165,556,069)	35,954,770	(12,953,486)	(54,478,520)	(205,002,511)	70,923,678

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2010				
		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	\$1,353,964,300	\$ 268,486,025	\$ 203,820,209	\$ 120,078,799	\$ 103,704,422	\$ 657,874,845
Major maturity cash outflow	1,736,108,393	240,687,507	240,543,936	221,167,009	369,655,436	664,054,505
Gap	(382,144,093)	27,798,518	(36,723,727)	(101,088,210)	(265,951,014)	(6,179,660)

Note: This table only includes amounts denominated in New Taiwan dollars of Chang Hwa Bank and its branches.

(In Thousands of U.S. Dollars)

	Total	December 31, 2011				
		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	\$ 10,593,491	\$ 3,368,001	\$ 3,368,468	\$ 1,952,722	\$ 675,519	\$ 1,228,781
Major maturity cash outflow	11,151,516	4,102,046	2,764,754	1,464,747	979,864	1,840,105
Gap	(558,025)	(734,045)	603,714	487,975	(304,345)	(611,324)

(In Thousands of U.S. Dollars)

	Total	December 31, 2010				
		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	\$ 9,112,575	\$ 3,893,024	\$ 2,179,546	\$ 1,740,798	\$ 518,954	\$ 780,253
Major maturity cash outflow	10,528,139	4,360,762	1,859,616	956,465	1,274,792	2,076,504
Gap	(1,415,564)	(467,738)	319,930	784,333	(755,838)	(1,296,251)

Note: This table includes amounts denominated in U.S. dollars for head office, domestic branches and OBU.



VI. Financial Status

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	None
The Bank being punished by MOF for any fault in one year	None
The Bank being punished by the MOF under the ROC Banking Law 61-1	2011.07.25 notice. The staff of domestic operation department served invested finance-related enterprises, CHB Life Insurance Agency Co., Ltd. and CHB Insurance Brokerage Co., Ltd., in positions other than director or supervisor and thus, violated Regulations Governing Investments in Other Enterprises by Commercial Banks Article 2 clause 2. According to the ROC Banking Law 61-1 clause 1, correction notice was served to the Bank.
The Bank incurred losses over \$50,000 thousand in management or employee fraud or in any security incident in one year	None

Note: The "in one year" refers to the period from January 1 to December 31 of 2011.

8) Transferring ownerships of loans

a) Summary of nonperforming loans

December 31, 2011

	Transferring Date	Composition of NPLs	Book Value (Note a)	Transferring Price	Gain of Disposal (Note b)	Attachment Clause	Agreement with Added Terms
Deutsche Bank Co., Ltd. London Branch	100.04.08	Corporate non-secured loans	\$ -	\$ 16,638	\$ 16,638	None	None
Yi Da Co., Ltd.	100.05.17	Corporate secured loans	256,225	501,094	244,869	None	None
Bank of America	100.07.20	Corporate non-secured loans	-	108,697	108,697	None	None

December 31, 2010

	Transferring Date	Composition of NPLs	Book Value (Note a)	Transferring Price	Gain of Disposal (Note b)	Attachment Clause	Agreement with Added Terms
Mega Asset Management Co.	98.12.18	Corporate secured loans	\$ 755,740	\$ 2,201,596	\$ 1,445,856	Defect property under repurchase agreements	None

Note a: Book value = Original loan balance - Allowance

Note b: Gain on disposal = Transferring price - Book value - Related cost

b) The nonperforming loans of \$1 billion (excluding related-parties transactions) in the preceding transactions were categorized as follows:

Entity: Mega Asset Management Co., Ltd.

Basic Measurement Date: December 18, 2009

Composition of NPLs			Original Amounts (Note a)	Book Value	Authorized Price (Note b)
Corporate	Secured		\$ 2,195,730	\$ 755,740	\$ 2,201,596
	Unsecured		-	-	-
Individual	Secured	Mortgage loans	-	-	-
		Vehicles loans	-	-	-
		Others	-	-	-
	Unsecured	Credit cards	-	-	-
		Cash cards	-	-	-
		Small amount consumer credit	-	-	-
		Others	-	-	-
Total			2,195,730	755,740	2,201,596

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.

9) Capital adequacy

Item			Year (Note 2)	December 31, 2011	June 30, 2011	December 31, 2010
Eligible capital	Tier I capital			\$ 87,857,735	\$ 83,262,302	\$ 80,169,294
	Tier II capital			32,246,211	33,707,326	24,902,851
	Tier III capital			-	-	-
	Self-owned capital			120,103,946	116,969,628	105,072,145
Risk-weighted assets	Credit risk	Standardized approach		998,250,438	981,762,251	931,504,640
		IRB		-	-	-
		Securitization		264,823	677,703	871,575
	Operation risk	Basic indicator approach		-	-	-
		Standardized approach/Alternative standardized approach		35,044,538	35,044,538	37,994,375
		Advanced measurement approach		-	-	-
	Market risk	Standardized approach		7,651,638	8,861,038	8,040,838
		Internal model approach		-	-	-
	Total			1,041,211,437	1,026,345,530	978,411,428
	Capital adequacy ratio				11.54%	11.40%	10.74%
Tier I capital to risk weighted assets ratio				8.44%	8.11%	8.19%
Tier II capital to risk weighted assets ratio				3.10%	3.28%	2.55%
Tier III capital to risk weighted assets ratio				-	-	-
Common stock equity to total assets ratio				4.26%	4.07%	4.13%
Leverage ratio				5.69%	5.51%	5.39%

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:

a. Self-owned capital = Tier I capital + Tier II capital + Tier III capital

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

c. Capital Adequacy = Self-owned capital ÷ Risk-weighted assets

d. Tier I capital to risk weighted assets ratio = Tier I capital ÷ Risk-weighted assets

e. Tier II capital to risk weighted assets ratio = Tier II capital ÷ Risk-weighted assets

f. Tier III capital to risk weighted assets ratio = Tier III capital ÷ Risk-weighted assets

g. Common stock equity to total assets ratio = Common stock equity ÷ Total assets

h. Leverage ratio = Tier I capital ÷ Average-assets adjusted



VI. Financial Status

10) 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	
	2011	2010
Special purpose trust accounts - domestic	\$ 32,625,502	\$ 34,744,192
Special purpose trust accounts - foreign	68,768,492	66,045,420
Insurance trust	1,004	1,003
Retirement and breeds trust	255,700	172,184
Umbilical-cord-blood trust	429,074	526,220
Money claim and guarantee trust	454,060	605,014
Marketable securities trust	509,548	635,849
Real estate trust	3,707,880	3,582,461
Marketable securities custody	143,333,622	158,660,082
	<u>\$ 250,084,882</u>	<u>\$ 264,972,425</u>

11) Balance sheets of securities department: Table 8

Income statement of securities department: Table 9

Taishin Securities B

a. Balance sheet

	December 31	
	2011	2010
Assets		
Current assets	\$ 2,129,041	\$ 2,307,122
Available-for-sale financial assets	6,470	6,470
Property and equipment	47,960	55,698
Intangible assets	24,338	22,258
Other assets	244,940	255,099
	<u>\$ 2,452,749</u>	<u>\$ 2,646,647</u>
Liabilities		
Current liabilities	\$ 65,002	\$ 34,697
Other liabilities	10,390	43,169
Client position - credit	583	3,494
	<u>75,975</u>	<u>81,360</u>
Stockholders' equity		
Capital stock	2,280,000	2,280,000
Capital surplus	256,151	251,046
Retained earnings	(159,377)	34,241
	<u>2,376,774</u>	<u>2,565,287</u>
	<u>\$ 2,452,749</u>	<u>\$ 2,646,647</u>

b. Income statement

	Year Ended December 31	
	2011	2010
Revenue	\$ 349,644	\$ 302,916
Expense	(574,648)	(284,859)
(loss) Income before income tax	(225,004)	18,057
Income tax benefit	24,137	5,917
Net (loss) income	(\$ 200,867)	\$ 23,974

	2011		2010	
	Pretax	After Tax	Pretax	After Tax
Basic (loss) earnings per share (dollar)	(\$ 0.99)	(\$ 0.88)	\$ 0.14	\$ 0.19

c. Key financial and business highlights

Item		December 31	
		2011	2010
Return on total assets	Pretax	(8.82%)	0.97%
	After tax	(7.88%)	1.29%
Return on net equity	Pretax	(9.11%)	1.00%
	After tax	(8.13%)	1.33%
Profit margin		(57.45%)	7.91%

Note a: Return on total assets = $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity = $\frac{\text{Income before (after) tax}}{\text{Average net equity}}$
- common stock

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Operating income} + \text{Nonoperating income and gains}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2011.

Taishin Bills Finance

a. Balance sheet

		December 31, 2010
Assets		
Cash and cash equivalents	\$	15,881
Due from Central Bank and call loans to banks		390,064
Financial assets at FVTPL		15,308,246
Receivables		1,048,441
Available-for-sale financial assets		4,931,452
Property and equipment		342,857
Other assets		988,122
	\$	23,025,063
Liabilities		
Call loans from banks	\$	920,000
Financial liabilities at FVTPL		383,455



VI. Financial Status

Bonds and securities sold under repurchase agreements	\$	15,571,423
Payables		76,502
Other liabilities		215,681
		<u>17,167,061</u>
Stockholders' equity		
Capital stock		5,140,000
Capital surplus		380
Retained earnings		674,006
Other items		43,616
		<u>5,858,002</u>
	\$	<u>23,025,063</u>

b. Income statement

	Year Ended December 31, 2010	
Net interest income	\$	163,006
Net non-interest income		401,209
Gross income		564,215
Bad debt expenses	(	20,428)
Operating expenses	(	134,623)
Income before income tax		409,164
Income tax expense	(	112,834)
Net income	\$	<u>296,330</u>
	Pretax	After Tax
Basic earnings per share (dollar)	\$ 0.80	\$ 0.58

c. Key financial and business highlights

1) Profitability

Item		December 31, 2010
Return on total assets	Pretax	1.45%
	After tax	1.05%
Return on net equity	Pretax	7.02%
	After tax	5.08%
Profit margin		52.52%

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, 2010.

2) Asset quality

	December 31, 2010
Guarantees and endorsed credit amount not exceeding payment date three months	\$ -
Nonperforming loans (NPLs, including delinquent loans)	-
Surveillance loans	21,900
Delinquent loans	-
NPL ratio	-
NPL ratio plus surveillance loan ratio	0.31%
Allowance for bad debts and guarantees based on rules	91,762
Allowance for bad debts and guarantees in actual	162,777

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, 2010
Self-owned capital	\$ 5,419,843
Risk-weighted assets	19,088,157
Capital adequacy ratio	28.39%
Tier I capital to risk weighted assets ratio	28.06%
Tier II capital to risk weighted assets ratio	-
Tier III capital to risk weighted assets ratio	0.33%
Common stock equity to total assets ratio	22.32%
Leverage ratio	17.62%

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.

Note d: If there is consolidated report, there should also be disclosure of consolidated capital adequacy ratio.

Note e: "Qualified equity capital" and "risk-weighted assets" should be calculated and posted in the form according to "Regulations Governing the Consolidated Capital Adequacy of Bills Finance Company" and "The equity capital and risk weighted assets of a Bills Finance Company."

Note f: Leverage ratio = Tier I Capital ÷ Average assets adjusted.

4) Management information

a) Business highlights

	December 31, 2010
Guarantees and endorsed notes	\$ 7,031,300
Ratio of guarantees and endorsed notes to net equity (after appropriation of last year's earnings)	1.25
Short-term securities sold under repurchase agreements	15,571,423
Ratio of short-term securities sold under repurchase agreements to net assets (after appropriation of last year's earnings)	2.76

b) Concentration of credit risks

	December 31, 2010
Loans to parties with common interests	297,000
Percentage of loans to parties with common interests	4.22%
Percentage of loans secured by stocks	25.09%



VI. Financial Status

	Industry	December 31, 2010 (%)
Approved credit concentration	Agriculture, forestry, fishery and animal husbandry	-
	Mining	-
	Manufacturing	19.91
	Utilities	-
	Construction	-
	Wholesale and retailing, food and beverage	10.09
	Transportation, warehousing and communications	-
	Finance and insurance	11.21
	Securities brokerage and futures	11.12
	Real estate	16.06
	Investment	28.33
	Industrial and commercial society and individual service industry	3.28
	Others	-
		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

December 31, 2010

	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 to December 31 of 2010.

5) Interest-earning assets and interest-bearing liabilities

The average interest-earning assets, interest-bearing liabilities and average interest rates for the year ended December 31, 2010 were as follows:

	Year Ended December 31, 2010	
	Average Value	Average Interest Rate %
Assets		
Cash and cash equivalents	\$ 20,445	-
Due from Central Bank and call loans to banks	2,015,697	0.7091
Financial assets at FVTPL	26,627,904	0.4023
Bonds and securities purchased under resell agreements	218,514	0.1103
Available-for-sale financial assets	5,740,063	1.7289
Liabilities		
Call loans from banks	3,132,205	0.3250
Bonds and securities sold under repurchase agreements	27,468,924	0.3337

6) Liquidity

Range		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Item						
Cash used in	Bills	\$ 5,658,774	\$ 4,175,392	\$ 721,194	\$ 2,001,658	\$ -
	Bonds	368,486	-	137,940	586,585	6,589,669
	Deposits	15,881	-	-	-	-
	Call loans to banks	390,064	-	-	-	-
	R.S	-	-	-	-	-
	Others (Note)	344,624	600,000	-	-	772,545
	Total	6,777,829	4,775,392	859,134	2,588,243	7,362,214
Cash provided by	Call loans from banks	920,000	-	-	-	-
	R.P	14,739,271	814,872	17,280	-	-
	Self-owned capital	-	-	-	-	5,858,002
	Total	15,659,271	814,872	17,280	-	5,858,002
Net flow		(8,881,442)	3,960,520	841,854	2,588,243	1,504,212
Accumulated net flow		(8,881,442)	(4,920,922)	(4,079,068)	(1,490,825)	13,387

Note: Others refer to other financial assets, refundable deposits, and refundable collaterals.

7) Interest rate sensitivity

Item	December 31, 2010				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 11,553,221	\$ 859,134	\$ 2,588,243	\$ 7,362,214	\$ 22,362,812
Interest-sensitive liabilities	16,475,311	40,066	27,916	332,753	16,876,046
Interest sensitivity gap	(4,922,090)	819,068	2,560,327	7,029,461	5,486,766
Net equity					5,858,002
Ratio of interest-sensitive assets to liabilities					132.51%
Ratio of interest sensitivity gap to net equity					93.66%

Note a: Interest-sensitive assets and liabilities are interest-bearing 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



VI. Financial Status

Taishin AMC

a. Balance sheet

	December 31	
	2011	2010
Assets		
Current assets	\$ 1,305,913	\$ 1,845,826
Investments accounted for by the equity method	124,802	127,649
Financial assets carried at cost	30,686	30,686
Other long-term investments	308,139	309,837
Property and equipment	188,394	191,191
Other assets	219,566	8,298
	<u>\$ 2,177,500</u>	<u>\$ 2,513,487</u>
Liabilities		
Current liabilities	\$ 543,175	\$ 944,069
Other liabilities	3,799	2,713
	<u>546,974</u>	<u>946,782</u>
Stockholders' equity		
Capital stock	1,395,000	1,345,000
Capital surplus	1,014	274
Retained earnings	234,512	221,431
	<u>1,630,526</u>	<u>1,566,705</u>
	<u>\$ 2,177,500</u>	<u>\$ 2,513,487</u>

b. Income statement

	Year Ended December 31	
	2011	2010
Operating revenue	\$ 319,254	\$ 209,715
Operating cost and expenses	(198,196)	(143,842)
Operating income	121,058	65,873
Nonoperating income and gains	37,994	50,672
Nonoperating expenses and losses	(56,877)	(18,622)
Income before income tax	102,175	97,923
Income tax expense	(19,094)	(20,295)
Net income	<u>\$ 83,081</u>	<u>\$ 77,628</u>

	2011		2010	
	Pretax	After Tax	Pretax	After Tax
Basic earnings per share (dollar)	<u>\$ 0.73</u>	<u>\$ 0.60</u>	<u>\$ 0.70</u>	<u>\$ 0.56</u>

c. Profitability

		December 31	
Item		2011	2010
Return on total assets	Pretax	4.36%	4.50%
	After tax	3.54%	3.57%
Return on net equity	Pretax	6.39%	6.15%
	After tax	5.20%	4.88%
Profit margin		23.26%	29.81%

Note a: Return on total assets = $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity = $\frac{\text{Income before (after) tax}}{\text{Average net equity}}$

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Operating income + Nonoperating income and gains}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2011 and 2010, respectively.

Taishin Marketing**a. Balance sheet**

		December 31	
		2011	2010
Assets			
Current assets	\$	3,997	\$ 4,397
Other assets		5	30
	\$	<u>4,002</u>	<u>4,427</u>
Liabilities			
Current liabilities	\$	30	120
Other liabilities		154	152
		<u>184</u>	<u>272</u>
Stockholders' equity			
Capital stock		1,000	1,000
Retained earnings		2,818	3,155
		<u>3,818</u>	<u>4,155</u>
	\$	<u>4,002</u>	<u>4,427</u>

b. Income statement

		Year Ended December 31	
		2011	2010
Revenue	\$	38	\$ 250
Expenses	(	398)	(824)
Loss before income tax	(	360)	(574)
Income tax benefit		23	118
Net loss	(\$	<u>337)</u>	(\$ <u>456)</u>

		2011		2010	
		Pretax	After Tax	Pretax	After Tax
Basic loss per share (dollar)		(\$ 3.60)	(\$ 3.37)	(\$ 5.74)	(\$ 4.56)



VI. Financial Status

c. Profitability

Item		December 31	
		2011	2010
Return on total assets	Pretax	(8.54%)	(12.06%)
	After tax	(8.00%)	(9.58%)
Return on net equity	Pretax	(9.03%)	(13.10%)
	After tax	(8.45%)	(10.40%)
Profit margin		(886.84%)	(182.40%)

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 2011 and 2010, respectively.

Taishin Venture Capital

a. Balance sheet

	December 31	
	2011	2010
Assets		
Current assets	\$ 479,783	\$ 305,490
Available-for-sale financial assets	3,832	8,926
Financial assets carried at cost	507,209	501,376
Investments accounted for by the equity method	612,543	-
Property and equipment	122	-
Other assets	440	17
	<u>\$ 1,603,929</u>	<u>\$ 815,809</u>
Liabilities		
Current liabilities	\$ 2,310	\$ 1,049
Total liabilities		
Stockholders' equity	2,310	1,049
Capital stock	1,619,035	819,035
Capital surplus	257	45
Retained earnings	(40,623)	6,754
Cumulative translation	22,950	-
Unrealized loss on financial instruments	-	(11,074)
	<u>1,601,619</u>	<u>814,760</u>
	<u>\$ 1,603,929</u>	<u>\$ 815,809</u>

b. Income statement

	Year Ended December 31	
	2011	2010
Revenue	\$ 13,804	\$ 50,382
Expenses	(60,573)	(43,628)
(Loss) income before income tax	(46,769)	6,754
Income tax expense	(608)	-
Net (loss) income	<u>(\$ 47,377)</u>	<u>\$ 6,754</u>

	2011		2010	
	Pretax	After Tax	Pretax	After Tax
Basic (loss) earnings per share (dollar)	<u>(\$ 0.45)</u>	<u>(\$ 0.45)</u>	<u>\$ 0.08</u>	<u>\$ 0.08</u>

c. Profitability

Item		December 31	
		2011	2010
Return on total assets	Pretax	(3.87%)	0.83%
	After tax	(3.92%)	0.83%
Return on net equity	Pretax	(3.87%)	0.83%
	After tax	(3.92%)	0.83%
Profit margin		(343.21%)	13.41%

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 2011 and 2010, respectively.

Taishin Securities Investment Trust

a. Balance sheet

	December 31	
	2011	2010
Assets		
Current assets	\$ 314,488	\$ 297,489
Property and equipment	8,652	6,624
Intangible assets	455,622	464,613
Other assets	63,460	76,144
	<u>\$ 842,222</u>	<u>\$ 844,870</u>
Liabilities		
Current liabilities	\$ 30,620	\$ 31,687
Other liabilities	34,917	34,932
	<u>65,537</u>	<u>66,619</u>
Stockholders' equity		
Capital stock	\$ 754,545	\$ 754,545
Capital surplus	46,211	45,588
Retained earnings	(24,071)	(21,882)
	<u>776,685</u>	<u>778,251</u>
	<u>\$ 842,222</u>	<u>\$ 844,870</u>



VI. Financial Status

b. Income statement

	Year Ended December 31	
	2011	2010
Operating revenue	\$ 244,294	\$ 76,827
Operating cost and expenses	(231,295)	(119,499)
Operating income (loss)	12,999	(42,672)
Nonoperating income and gains	3,644	7,507
Nonoperating expenses and losses	(14,375)	(2,237)
Income (loss) before income tax	2,268	(37,402)
Income tax (expenses) benefit	(4,457)	7,106
Net loss	(\$ 2,189)	(\$ 30,296)

	2011		2010	
	Pretax	After Tax	Pretax	After Tax
Basic earnings (loss) per share (dollar)	\$ 0.03	(\$ 0.03)	(\$ 1.16)	(\$ 0.94)

c. Profitability

Item		December 31	
		2011	2010
Return on total assets	Pretax	0.27%	(6.42%)
	After tax	(0.26%)	(5.20%)
Return on net equity	Pretax	0.29%	(6.88%)
	After tax	(0.28%)	(5.58%)
Profit margin		(0.88%)	(35.92%)

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 2011 and 2010, respectively.

Taishin Securities Investment Advisory

a. Balance sheet

	December 31	
	2011	2010
Assets		
Current assets	\$ 281,418	\$ 246,106
Property and equipment	1,396	2,901
Intangible assets	211	464
Other assets	66,562	87,308
	<u>\$ 349,587</u>	<u>\$ 336,779</u>
Liabilities		
Current liabilities	\$ 20,604	\$ 25,324
Other liabilities	424	464
	<u>21,028</u>	<u>25,788</u>

	December 31	
	2011	2010
Stockholders' equity		
Capital stock	300,000	300,000
Capital surplus	54,279	54,064
Retained earnings	(25,720)	(43,073)
	328,559	310,991
	<u>\$ 349,587</u>	<u>\$ 336,779</u>

b. Income statement

	Year Ended December 31	
	2011	2010
Operating revenue	\$ 101,839	\$ 64,862
Operating cost and expenses	(88,087)	(106,881)
Operating income (loss)	13,752	(42,019)
Nonoperating income and gains	2,457	2,184
Nonoperating expenses and losses	(1,502)	(177)
Income (loss) before income tax	14,707	(40,012)
Income tax benefit	2,646	3,086
Net income (loss)	<u>\$ 17,353</u>	<u>(\$ 36,926)</u>

	2011		2010	
	Pretax	After Tax	Pretax	After Tax
Basic earnings (loss) per share (dollar)	<u>\$ 0.49</u>	<u>\$ 0.58</u>	<u>(\$ 1.33)</u>	<u>(\$ 1.23)</u>

c. Profitability

Item		December 31	
		2011	2010
Return on total assets	Pretax	4.29%	(11.51%)
	After tax	5.06%	(10.63%)
Return on net equity	Pretax	4.60%	(12.15%)
	After tax	5.43%	(11.21%)
Profit margin		16.64%	(55.08%)

Note a: Return on total assets = $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity = $\frac{\text{Income before (after) tax}}{\text{Average net equity}}$

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Net revenue}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2011 and 2010, respectively.



VI. Financial Status

Taishin Holdings Insurance Brokers

a. Balance sheet

		December 31, 2011
Assets		
Current assets	\$	445,126
Property and equipment		7,075
Other assets		12,839
	\$	465,040
Liabilities		
Current liabilities	\$	188,134
Other assets		2,192
		190,326
Stockholders' equity		
Capital stock		30,000
Retained earnings		244,714
		274,714
	\$	465,040

b. Income statement

		Year Ended December 31, 2011
Operating revenue	\$	1,088,522
Operating cost and expenses	(	793,532)
Operating income		294,990
Nonoperating income and gains		121
Nonoperating expenses and losses	(	166)
Income before income tax		294,945
Income tax expenses	(	50,141)
Net income	\$	244,804

	Pretax	After Tax
Basic earnings per share (dollar)	\$ 140.45	\$ 116.57

c. Profitability

Item		December 31, 2011
Return on total assets	Pretax	126.36%
	After tax	104.88%
Return on net equity	Pretax	214.41%
	After tax	177.96%
Profit margin		22.49%

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 2011 and 2010, respectively.

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

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

Taishin Bank

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31					
	2011			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
<u>Monetary items</u>						
AUD	\$ 90,903	30.75	\$ 2,795,583	\$ 39,025	30.94	\$ 1,207,519
CNY	677,030	4.77	3,232,541	121,886	4.61	561,606
EUR	33,611	39.20	1,317,495	262,762	40.58	10,662,265
GBP	895	46.75	41,845	81,466	47.05	3,833,014
HKD	802,507	3.90	3,128,678	696,186	3.91	2,719,723
JPY	23,503,001	0.39	9,175,830	15,962,397	0.37	5,959,497
USD	4,014,490	30.29	121,598,910	3,695,818	29.15	107,740,479
<u>Non-monetary items</u>						
AUD	261,523	30.75	8,042,721	250,847	30.94	7,761,702
CNY	240,874	4.77	1,150,075	-	-	-
EUR	101,776	39.20	3,989,428	204,690	40.58	8,305,842
HKD	433,964	3.90	1,691,865	395,523	3.91	1,545,151
JPY	44,432,933	0.39	17,347,106	10,856,170	0.37	4,053,107
NZD	28,594	23.41	669,414	47,802	23.51	1,123,862
USD	2,297,592	30.29	69,594,059	1,916,467	29.15	55,868,837
ZAR	1,333,218	3.73	4,971,890	634,923	4.58	2,905,283
Financial liabilities						
<u>Monetary items</u>						
AUD	\$ 349,493	30.75	\$ 10,748,108	\$ 173,622	30.94	\$ 5,372,215
CNY	684,157	4.77	3,266,570	60,699	4.61	279,678
EUR	118,156	39.20	4,631,524	291,814	40.58	11,841,166
GBP	12,418	46.75	580,503	23,618	47.05	1,111,248
HKD	933,160	3.90	3,638,044	1,122,053	3.91	4,383,419
JPY	8,498,102	0.39	3,317,753	4,995,046	0.37	1,864,880
NZD	29,526	23.41	691,238	48,500	23.51	1,140,277
USD	5,126,610	30.29	155,285,014	5,051,007	29.15	147,246,964
ZAR	1,328,264	3.73	4,953,416	633,806	4.58	2,900,171
<u>Non-monetary items</u>						
AUD	1,540	30.75	47,369	121,738	30.94	3,766,820
EUR	7,703	39.20	301,927	164,983	40.58	6,694,619
GBP	3	46.75	127	58,764	47.05	2,764,884
HKD	434,501	3.90	1,693,957	-	-	-
JPY	62,619,872	0.39	24,447,487	24,376,551	0.37	9,100,888
USD	1,147,286	30.29	34,751,306	518,712	29.15	15,121,502



VI. Financial Status

Chang Hwa Bank

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31					
	2011			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
<u>Monetary items</u>						
USD	\$ 7,543,307	30.2750	\$ 228,373,619	\$ 7,733,387	29.5000	\$ 228,134,917
GBP	85,615	46.6800	3,996,508	24,265	45.5510	1,105,295
AUD	556,645	30.7450	17,114,051	528,823	30.0281	15,879,550
HKD	2,069,708	3.8970	8,065,652	2,071,502	3.7900	7,850,993
SGD	68,459	23.3000	1,595,095	71,708	22.8718	1,640,091
CAD	55,438	29.6700	1,644,845	40,668	29.5118	1,200,186
JPY	95,913,470	0.3897	37,377,479	78,376,218	0.3622	28,387,866
EUR	280,386	39.2200	10,996,739	261,179	39.2468	10,250,440
NZD	109,577	23.4100	2,565,198	51,803	22.7593	1,179,000
CNY	249,267	4.7970	1,195,734	92,160	4.4664	411,623
<u>Non-monetary items</u>						
USD	75,512	30.2750	2,286,126	81,319	29.5000	2,398,911
Financial liabilities						
<u>Monetary items</u>						
USD	8,484,159	30.2750	256,857,914	9,554,029	29.5000	281,843,856
GBP	145,618	46.6800	6,797,448	64,632	45.5510	2,944,052
AUD	603,469	30.7450	18,553,654	491,532	30.0281	14,759,772
HKD	1,970,560	3.8970	7,679,272	1,857,821	3.7900	7,041,142
SGD	49,407	23.3000	1,151,183	55,502	22.8718	1,269,431
CAD	100,176	29.6700	2,972,222	40,652	29.5118	1,199,714
ZAR	1,083,276	3.7100	4,018,954	659,849	4.4426	2,931,445
JPY	91,865,139	0.3897	35,799,845	72,842,115	0.3622	26,383,414
EUR	386,071	39.2200	15,141,705	365,159	39.2468	14,331,322
NZD	270,849	23.4100	6,340,575	176,813	22.7593	4,024,140

45. 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	Table 1
2	Acquisition or disposal of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital	None
3	Discounts of service charges for related parties amounting to at least \$5 million	None
4	Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital	Table 11
5	Sales of NPL from subsidiaries	Note 43
6	Authorities securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
7	Other transactions that may have significant impact on the decision made by the financial statement users	None

b. Information on Taishin Financial Holding's investees:

No.	Item	Explanation
1	Names, locations, and related information of investees	Table 2
2	Financings provided	Table 3 (Note)
3	Endorsements/guarantees provided	Note
4	Marketable securities held	Table 4 (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	Table 5 (Note)
6	Acquisition or disposal of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital	Note
7	Discounts of service charges for related parties amounting to at least \$5 million	Note
8	Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital	Note
9	Sales of NPL from subsidiaries	Note
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	Note
11	Other transactions that may have significant impact on the decision made by the financial statement users	Note
12	Derivative transactions of investees	Notes 6 and 37

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	Table 10
2	Significant commitments and contingencies	Note 35
3	Significant losses	None
4	Subsequent events	None

d. 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 11.



VI. Financial Status

46. SEGMENT INFORMATION

a. General information

The report of Taishin Financial Holding and subsidiaries is the same as the report for internal use of policy makers. Main policy makers distribute the resources to the operation department and evaluate its efficiency. Taishin Financial Holding's main policy makers are the board of directors.

Interdepartmental transactions are normal transactions. Taishin Financial Holding consolidates all its subsidiaries, and writes off interdepartmental transaction gains and losses. The subsidiaries evaluate their own operation efficiency.

The board of directors, the main policy makers, review company operation result, distributes resources, and evaluate operation efficiency.

Financial information of departments

	Year Ended December 31, 2011					
	Taishin Bank (Consolidated)	Chang Hwa Bank (Consolidated)	Others	Total	Adjustments and Eliminations	Total (Adjustment)
Net interest income (loss)	\$ 12,525,435	\$ 14,257,174	(\$ 817,262)	\$ 25,965,347	\$ -	\$ 25,965,347
Net income other than interest income	13,266,957	12,482,703	1,974,748	27,724,408	(170,864)	27,553,544
Gross income	25,792,392	26,739,877	1,157,486	53,689,755	(170,864)	53,518,891
Provision for loan losses	(1,985,975)	(3,225,183)	(4,104)	(5,215,262)	-	(5,215,262)
Operating expenses	(14,571,130)	(12,889,425)	(1,413,428)	(28,873,983)	12,575	(28,861,408)
Income (loss) before income tax	9,235,287	10,625,269	(260,046)	19,600,510	(158,289)	19,442,221
Estimated income tax benefit (expense)	(1,534,605)	(1,582,914)	(42,186)	(3,159,705)	-	(3,159,705)
Net income (loss)	\$ 7,700,682	\$ 9,042,355	(\$ 302,232)	\$ 16,440,805	(\$ 158,289)	\$ 16,282,516
Total assets	\$ 996,124,697	\$ 1,589,117,513	\$ 150,322,736	\$ 2,735,564,946	(\$ 113,586,950)	\$ 2,621,977,996
Total liabilities	\$ 932,777,073	\$ 1,493,439,557	\$ 37,111,112	\$ 2,463,327,742	(\$ 21,692,928)	\$ 2,441,634,814

	Year Ended December 31, 2010					
	Taishin Bank (Consolidated)	Chang Hwa Commercial Bank (Consolidated)	Others	Total	Adjustments and Eliminations	Total (Adjustment)
Net interest income (loss)	\$ 11,690,257	\$ 12,851,065	(\$ 1,290,787)	\$ 23,250,535	\$ 1,321	\$ 23,251,856
Net income other than interest income	14,102,217	15,733,579	515,207	30,351,003	(168,460)	30,182,543
Gross income	25,792,474	28,584,644	(775,580)	53,601,538	(167,139)	53,434,399
Provision for loan losses	(1,204,821)	(4,749,980)	(10,643)	(5,965,444)		(5,965,444)
Operating expenses	(13,671,961)	(12,597,039)	(1,233,831)	(27,502,831)	101,532	(27,401,299)
Income (loss) before income tax	10,915,692	11,237,625	(2,020,054)	20,133,263	(65,607)	20,067,656
Estimated income tax benefit (expense)	(2,972,114)	(3,297,025)	116,810	(6,152,329)		(6,152,329)
Net income (loss)	\$ 7,943,578	\$ 7,940,600	(\$ 1,903,244)	\$ 13,980,934	(\$ 65,607)	\$ 13,915,327
Total assets	\$ 911,317,172	\$ 1,502,934,626	\$ 171,226,494	\$ 2,585,478,292	(\$ 116,345,866)	\$ 2,469,132,426
Total liabilities	\$ 850,210,381	\$ 1,416,236,512	\$ 60,042,971	\$ 2,326,489,864	(\$ 23,799,478)	\$ 2,302,690,386

b. Financial information by region

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 by region is required.

c. Information of foreign sales

The revenue from foreign sales made by the domestic departments of Taishin Financial Holding and subsidiaries to individuals is not over 10% of 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.



VI. Financial Status

47. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

- a. On May 14, 2009, the FSC announced the “Framework for Adoption of International Financial Reporting Standards by Companies in the ROC.” In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidance translated by the ARDF and issued by the FSC. To comply with this framework, the Taishin Financial Holding and subsidiaries have set up a project team and made a plan to adopt IFRSs. The main contents of the plan and status of execution were as follows:

Contents of Plan	Status of Execution
Define the IFRS adoption policy	Completed
Determine and select exemptions under IFRS 1 “First-time Adoption of International Financial Reporting Standards”	Completed
Completion of balance sheet under IFRSs starting from 2012 fiscal year	In progress
Completion of comparative financial information under IFRSs in 2012 fiscal year.	In progress
Adjustment of the related internal control in accordance with IFRS	In progress

- b. As of December 31, 2011, the material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

Accounting Topics	Differences Explanation
First-time Adoption of International Financial Reporting Standards	IFRS 1 “First-time Adoption of International Financial Reporting Standards” requires corporations to comply with all IFRSs in effect as of the end of the reporting period when IFRSs are adopted for the first-time. Under certain circumstances, when the cost of complying with IFRSs exceeds the benefit to financial statements users, limited exemption is permitted. However, under the amendment articles of Regulations Governing the Preparation of Financial Statements by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities firms, part of exempted items in IFRS 1 had been excluded from adoption.
Employee Benefits	According to ROC Statement of Financial Accounting Standard No. 18 “Pension Accounting” actuarial gains and losses under defined benefit plan can be recognized using “Corridor” or other fast recognition method. However, the amortized amount should be recognized in profit or loss. IAS 19 “Employee Benefits” provided the third method by recognizing actuarial gains and losses in other comprehensive income.

- c. Taishin Financial Holding and subsidiaries have prepared the above assessments in accordance with, the 2010 version of the IFRSs translated by the ARDF and issued by the FSC, the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, the Regulations Governing the Preparation of Financial Reports by Public Banks and the Regulations Governing the Preparation of Financial Reports by Public Bills Finance Companies amended and issued by the FSC on December 22, 2011. These assessments may be changed as the FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the adoption of IFRSs. Actual results may differ from these assessments.
- d. In preparation for the transition to IFRS, the decision by the board of directors of Chang Hwa Bank to revalue part of its land had resulted in an increase of \$672,083 thousand in other stockholders' equity - unrealized land revaluation increment, and it was recorded retroactive to January 1, 2012, which was the IFRS transition date.



VI. Financial Status

TABLE 1

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ACCUMULATED PURCHASES AND SALES OF SPECIFIC MARKETABLE SECURITIES OVER NT\$300 MILLION
OR 10% OF OUTSTANDING CAPITAL
YEAR ENDED DECEMBER 31, 2011

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

Buyer or Seller	Type and Name of Marketable Security	Account Recorded	Transaction Party	Issuer's Relationship to the Buyer or Seller	Beginning of the Period	
					Shares(Units)	Amount
Taishin Financial	Stock					
Holding	Taishin Venture Capital	Investment accounted for by the equity method	Taishin Venture Capital	Parent and subsidiary	81,903,495	\$ 819,035

Purchases		Sales				End of the Period	
Shares (Units)	Amount	Shares (Units)	Selling Price	Carrying Value	Disposal Gain (Loss)	Shares (Units)	Amount
60,000,000	\$ 600,000	-	\$ -	\$ -	\$ -	141,903,495	\$ 1,419,035



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TABLE 2

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES' NAMES, LOCATIONS, ETC.

YEAR ENDED DECEMBER 31, 2011

(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	B1, 1F, No. 44, Jungshan N. Rd., Sec. 2, Taipei, Taiwan	Commercial bank business, trust, and bills discounting	100%	\$ 62,941,021
Chang Hwa Bank	51811609	No. 38, Tsu Yu Rd., Sec. 2, Taichung, Taiwan	Commercial bank business, trust, and offshore banking unit	22.55%	42,010,710
Taishin Securities B	23534956	2F, No. 44, Jungshan N. Rd., Sec. 2, Taipei, Taiwan	Multiple securities and future transaction assistant	100%	2,454,144
Taishin AMC	80341022	2F-3, No. 9, Dehuei St., Zhongshan district, Taipei, Taiwan	Acquisition of delinquent loans, evaluation, auction, and management	100%	1,630,527
Taishin Securities Investment Trust	27326178	13F, No. 96, Jianguo N. Rd., Sec. 1, Zhong Shan District, Taipei, Taiwan	Investment trust	100%	776,685
Taishin Securities Investment Advisory	23285289	16F, No. 118, Ren-Ai Rd., Sec. 4, Taipei, Taiwan	Investment trust, advisory, and publication	92%	302,269
Taishin Holdings Insurance Brokers	29030974	11F, No. 44, Jungshan N. Rd., Sec. 2, Taipei, Taiwan	Property insurance manager, life insurance manager	100%	274,714
Nonfinancial business					
Taishin Marketing	16764946	2F-4, No. 9, Dehuei St., Taipei, Taiwan	Investment and enterprise operating consultant and agency	100%	3,818
Taishin Venture Capital	80031342	18F, No. 118, Ren-Ai Rd., Sec. 4, Taipei, Taiwan	Investment start-up	100%	1,601,618
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
Nonfinancial business					
Metro Consulting Service Ltd.	27974096	6F-2, No. 3-1, Yuancyu St. Nangang Dist., 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				
\$ 7,739,100	Common share	4,727,517,277		Common share	4,727,517,277	100%	Investments accounted for by the equity method
	Preferred share	188,235,294		Preferred share	188,235,294		
2,010,332		1,544,615,000			1,544,615,000	22.82%	"
(214,644)		228,000,000			228,000,000	100%	"
83,081		139,500,000			139,500,000	100%	"
(2,189)		75,454,545			75,454,545	100%	"
15,964		27,599,513			27,599,513	92%	"
244,714		3,000,000			3,000,000	100%	"
(377)		100,000			100,000	100%	"
(47,377)		161,903,495			161,903,495	100%	"
-		1,558,783			1,558,783	0.50%	Financial assets carried at cost
-		520,000			520,000	10.40%	"



VI. Financial Status

TABLE 3

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCINGS PROVIDED

YEAR ENDED DECEMBER 31, 2011

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

No.	Financing Company	Borrower	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Interest Rate
1	PayEasy Digital Integration Co., Ltd.	Contect Digital Integration Co., Ltd.	Other receivable	\$ 50,000	\$ 50,000	3.2%~3.3%

Note 1: Financing provided is numbered as follows:

- a. Transactions: 1
- b. Short-term financing: 2

Note 2: The total amount for lending to a company for a short-term period shall not exceed ten percent (10%) of the net worth of financing company. In addition, the total amount lendable to any borrower shall be no more than forty percent (40%) of the borrower's net worth.

Note 3: The total amount available for lending purpose shall be calculated based on the latest financial statement audited by the CPA.

Note 4: The maximum balance available for expenditure is the same as the actual amount spent.

TABLE 4

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

(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 Real Estate	Stock		
	Metro Consulting Service Ltd.	The supervisors of the Corporation	Financial assets carried at cost
	Mutual fund		
	Taishin 1699 Money Market Fund	Issued by Taishin Securities Investment Trust	Financial assets at FVTPL - current
	Taishin Ta-chong Money Market Fund	"	"
	FSITC Taiwan Money Market Fund	None	"
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
PayEasy Digital	Stock		
	PayEasy Travel	Parent and subsidiary	Investment accounted for by the equity method
	Contect Digital Integration	"	Other liabilities - other

Type of Financing (Note 1)	Transaction Amount	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 2 and 3)	Financing Company's Financing Amount Limit (Note 2 and 3)
				Item	Value		
2	N/A	Operating turnover	\$ -	None	None	\$ 31,992	\$ 127,968

December 31, 2011				Note
Shares/Units/ Nominal	Carrying Amount	Percentage of Ownership (%)	Market Value	
300,000.00	\$ 3,000	6.00	\$ 3,000	
768,869.99	10,019	-	10,019	
731,759.10	10,018	-	10,018	
170,970.53	2,520	-	2,520	
6,000,000.00	86,400	100.00	86,400	
950,000.00	4,275	4.13	4,275	
1,300,000.00	13,834	100.00	13,834	
480,000.00	(49,486)	65.75	(49,486)	



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Holding Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
Taishin 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 fund		
	Shin Kong Chi-Shin Fund	None	Financial assets at FVTPL - current
Taishin Venture Capital	Stock		
	Darfon Electronics Corp.	None	Available-for-sale financial assets - noncurrent
	Taishin Financial Leasing (China)	Parent and subsidiary	Investment accounted for by the equity method
	Youn Shin Artistic Co., Ltd.	Equity-method investee	"
	First Bio Venture Capital Corporation	None	Financial assets carried at cost
	PC Home Investment Development Co., Ltd.	None	"
	CC Media Co., Ltd.	"	"
	Double Edge Entertainment Co., Ltd.	"	"
	Century Development Corp.	"	"
	Han-Shin Venture Capital	"	"
	Kwan-Hwa Venture Capital Corp.	"	"
	Hwei-Yang Venture Capital Investment Co., Ltd.	"	"
	Chi-Ting Venture Capital Investment Co., Ltd.	"	"
	Chung-Yang Special Return Venture Capital Co., Ltd.	"	"
	United Investment Fund	"	"
	Cyberheart Inc.	"	"
	Cyberheart Inc. A-1	"	"
	O2 Medtech Inc.	"	"
	Solar PV Corp.	"	"
	OME Technology Co., Ltd.	"	"
	Primax Electronics Ltd.	"	"
	Innostar Technology Corporation	"	"
	BAFO Technologies Corp.		
	Beneficiary certificates		
	FSITC Global High Yield Bond Fund	None	Financial assets at FVTPL - current
	FSITC Lending Emerging Market Bond Fund	"	"
	FSITC Global Brand Fund	"	"
	Capital Asia-Pacific Mage - Trend Balance Fund	"	"
	Taishin India Fund	"	"

December 31, 2011				Note
Shares/Units/ Nominal	Carrying Amount	Percentage of Ownership (%)	Market Value	
926,368.00	\$ 6,374	0.22	\$ 6,374	
600,000.00	6,000	5.00	6,000	
125,000.00	-	1.50	-	
1,114,173.02	16,628	-	16,658	
242,550.00	3,832	0.08	3,832	
-	602,543	100.00	602,543	
10,000,000.00	10,000	25.00	10,000	
907,200.00	3,602	7.50	3,602	
157,080.00	4	3.03	4	
400,000.00	164	0.48	164	
1,163,361.00	3,095	5.95	3,095	
7,206,059.00	85,176	3.03	85,176	
391,020.00	889	1.25	889	
4,000,000.00	35,840	5.56	35,840	
3,000,000.00	30,000	1.54	30,000	
3,000,000.00	30,000	1.30	30,000	
15,488,000.00	154,880	7.06	154,880	
1,300,000.00	23,192	18.57	23,192	
12,500.00	79	0.04	79	Convertible stock
219,974.00	1,283	-	1,283	Preferred stock
1,225,013.00	11,721	-	11,721	Preferred stock
1,665,000.00	30,370	-	30,370	Preferred stock
1,234,875.00	25,767	2.47	25,767	
1,000,000.00	28,040	0.25	28,040	
1,077,000.00	34,464	3.42	34,464	
650,000.00	8,645	2.71	8,645	
2,447,399.70	30,394	-	30,394	
110,314.10	1,043	-	1,043	
100,000.00	979	-	979	
2,196,193.30	32,262	-	32,262	
100,000.00	811	-	811	



VI. Financial Status

Holding Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
	Jih Sun Golden Brands Fund of Funds	"	"
	Jih Sun MIT Mainstream Fund	"	"
	Jih Sun Money Market Fund	"	"
	Jih Sun China Domestic Demand Dynamic Power Funds	"	"
	ING EMD & High Yield Bond Portfolio	"	"
	Pine Bridge Global Multi-strategy High Yield Bond Fund	"	"
	Pine Bridge Global Emerging Market High Yield Bond Fund	"	"
	Paradigm Global High Yield Bond Fund	"	"
	Allianz Global Investors All Seasons Return Fund of Bond Funds	"	"
	Allianz Global Investors Taiwan Hogh Dividend Fund	"	"
	Fubon Agribusiness Equity Fund	"	"
	Shin Kong Conventional Industries	"	"
	Prudential US High Yield Bonds	"	"
	SinoPac EMD & High Yield Bond Fund of Funds	None	Financial assets at FVTPL - current
	Cathay China Domestic Demand Growth Funds	"	"
	Upamc New Asia Technology & Energy Funds	"	"
	Microbio Co., Ltd.	"	"
	FSITC Money Market Fund	"	"
Taishin AMC	Mutual fund		
	Taishin Latin America Fund	"	"
	Taishin Emerging Europe Fund	"	"
	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

December 31, 2011				Note
Shares/Units/ Nominal	Carrying Amount	Percentage of Ownership (%)	Market Value	
1,100,000.00	9,900	-	9,900	
700,000.00	5,782	-	5,782	
1,362,067.18	19,422	-	19,422	
100,000.00	924	-	924	
1,000,000.00	\$ 9,461	-	\$ 9,461	
1,856,480.58	19,517	-	19,517	
1,004,983.86	10,561	-	10,561	
2,732,380.28	30,164	-	30,164	
1,650,124.20	20,662	-	20,662	
100,000.00	795	-	795	
100,000.00	846	-	846	
100,000.00	772	-	772	
19,351.34	7,360	-	7,360	
100,000.00	958	-	958	
100,000.00	848	-	848	
100,000.00	866	-	866	
1,380,823.00	51,021	-	51,021	
215,286.51	37,043	-	37,043	
1,000,000.00	8,460	-	8,460	
1,000,000.00	7,300	-	7,300	
3.00	1,800	-	1,800	
2,200,000.00	28,886	0.51	28,886	
8,000,000.00	124,802	40.00	124,802	



VI. Financial Status

TABLE 5

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEE'S ACCUMULATED PURCHASES AND SALES OF SPECIFIC MARKETABLE SECURITIES OVER NT\$300 MILLION OR 10% OF OUTSTANDING CAPITAL
YEAR ENDED DECEMBER 31, 2011

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

Buyer or Seller	Type and Name of Marketable Security	Account Recorded	Transaction Party	Issuer's Relationship to the Buyer or Seller	Beginning of the Period	
					Shares (Units)	Amount
Taishin Insurance Broker	Taishin Money Market Mutual Fund	Available for sale financial assets - noncurrent	-	-	4,992,660.80	\$ 50,000
Taishin Real Estate	Taishin 1699 Bonds Fund	financial assets at FVTPL	Taishin Securities Investment Trust	Wholly owned by parent company	389,292.89	5,000

Purchases		Sales				End of the Period	
Shares (Units)	Amount	Shares (Units)	Selling Price	Carrying Value	Disposal Gain (Loss)	Shares (Units)	Amount
-	\$ -	4,992,660.80	\$ 50,231	\$ 50,000	\$ 231	-	\$ -
1,539,975.14	20,000	1,160,398.04	15,051	15,000	51	768,869.99	10,000



VI. Financial Status

TABLE 6

TAISHIN INTERNATIONAL BANK CO., LTD.

SECURITIES DEPARTMENT

BALANCE SHEETS

DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

ASSETS	2011		2010	
	Amount	%	Amount	%
CURRENT ASSETS				
Financial assets at fair value through profit or loss -current	\$ 3,215,845	13	\$ 3,679,366	22
Available-for-sale financial assets - current	-	-	219,302	1
Other current assets	248,304	1	194,020	1
Total current assets	3,464,149	14	4,092,688	24
FUNDS AND INVESTMENTS				
Financial assets at fair value through profit or loss -noncurrent	8,070	-	-	-
Available-for-sale financial assets - noncurrent, net	21,853,368	86	12,867,165	76
Total funds and investments	21,861,438	86	12,867,165	76
OTHER ASSETS				
Refundable deposits	20,700	-	52,600	-
Other miscellaneous assets	-	-	830	-
Total other assets	20,700	-	53,430	-
TOTAL	\$ 25,346,287	100	\$ 17,013,283	100

	2011		2010	
	Amount	%	Amount	%
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Bonds and securities sold under repurchase agreements	\$ 19,271,497	76	\$ 12,434,142	73
Financial liabilities at fair value through profit or loss -current	-	-	405,873	2
Other current liabilities	10,125	-	4,366	-
Total current liabilities	19,281,622	76	12,844,381	75
OTHER LIABILITIES				
Reserve for trading loss	-	-	189,339	1
TRANSACTIONS BETWEEN HOME OFFICE AND BRANCHES				
	4,966,804	20	2,698,927	16
Total liabilities	24,248,426	96	15,732,647	92
STOCKHOLDER'S EQUITY				
Appropriated working capital	800,000	3	800,000	5
Retained earnings				
Special reserve	189,340	1	-	-
Unappropriated earnings	38,892	-	377,364	2
Unrealized gain or losses on financial instruments	69,629	-	103,272	1
Total stockholder's equity	1,097,861	4	1,280,636	8
TOTAL	\$ 25,346,287	100	\$ 17,013,283	100



VI. Financial Status

TABLE 7

TAISHIN INTERNATIONAL BANK CO., LTD.

SECURITIES DEPARTMENT

STATEMENTS OF INCOME

YEAR ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

	2011		2010	
	Amount	%	Amount	%
REVENUES AND GAINS				
Revenue from underwriting business	\$ -	-	\$ 34,372	6
Gain on sale of securities held for operations - dealing	6,675	2	141,837	25
Gain on sale of securities held for operations - underwriting	39,560	14	31,465	6
Interest income	247,317	84	272,238	49
Gain on financial derivatives	-	-	41,625	7
Gain on valuation of securities held for operations - dealing	-	-	14,756	3
Gain on valuation of securities held for operations - underwriting	-	-	21,550	4
Other operating income	-	-	50	-
Nonoperating income	-	-	34	-
Total revenues and gains	293,552	100	557,927	100
EXPENSES AND LOSSES				
Loss on valuation of securities held for operations - dealing	(14,732)	(5)	-	-
Loss on valuation of securities held for operations - underwriting	(55,533)	(19)	-	-
Interest expense	(86,551)	(29)	(41,320)	(7)
Loss on financial derivatives	(37,030)	(13)	-	-
Operating expenses	(47,927)	(16)	(113,595)	(20)
Other operating expense	-	-	(3,011)	(1)
Nonoperating expenses	-	-	(6,999)	(1)
Total expenses and losses	(241,773)	(82)	(164,925)	(29)
INCOME BEFORE INCOME TAX	51,779	18	393,002	71
INCOME TAX EXPENSE	(12,887)	(5)	(15,638)	(3)
NET INCOME	\$ 38,892	13	\$ 377,364	68

TABLE 8

CHANG HWA COMMERCIAL BANK, LTD.**SECURITIES DEPARTMENT****BALANCE SHEETS****DECEMBER 31, 2011 AND 2010**

(In Thousands of New Taiwan Dollars)

ASSETS	2011		2010	
	Amount	%	Amount	%
CURRENT ASSETS				
Financial assets at fair value through profit or loss -current	\$ 2,937,290	11	\$ 2,705,502	10
Margin loan receivables	320,257	1	531,503	2
Available-for-sale financial assets - current	24,658,891	87	23,805,185	86
Other current assets	320,751	1	642,685	2
Total current assets	28,237,189	100	27,684,875	100
PROPERTY AND EQUIPMENT				
Equipment	45,461	-	44,942	-
Accumulated depreciation	(42,452)	-	(38,372)	-
Property and equipment, net	3,009	-	6,570	-
INTANGIBLE ASSETS	-	-	13	-
OTHER ASSETS				
Settlement funds	40,076	-	39,850	-
Refundable deposits	300	-	300	-
Total other assets	40,376	-	40,150	-
CLIENT'S POSITION - DEBIT, NET	44,614	-	-	-
TOTAL	<u>\$ 28,325,188</u>	<u>100</u>	<u>\$ 27,731,608</u>	<u>100</u>



VI. Financial Status

LIABILITIES AND STOCKHOLDER'S EQUITY	2011		2010	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss -current	\$ -	-	\$ 1,121	-
Bonds sold under repurchase agreements	3,600,106	13	5,046,213	18
Deposits received from securities borrowers	1,453	-	752	-
Deposit payable for securities financing	1,606	-	831	-
Other current liabilities	129,734	-	362,025	1
Total current liabilities	3,732,899	13	5,410,942	19
OTHER LIABILITIES				
Reserve for default loss	-	-	50,231	-
Reserve for trading loss	-	-	200,000	1
Other liabilities	17	-	16,018	-
Transactions between home office and branches	22,471,692	80	19,858,109	72
Total other liabilities	22,471,709	80	20,124,358	73
CLIENT'S POSITION - CREDIT, NET	-	-	49,705	-
Total liabilities	26,204,608	93	25,585,005	92
STOCKHOLDER'S EQUITY				
Appropriated working capital	2,000,000	7	2,000,000	7
Retained earnings				
Unappropriated earnings	159,789	-	302,423	1
Other items of stockholders' equity				
Unrealized gain or loss on financial instruments	(39,209)	-	(155,820)	-
Total stockholder's equity	2,120,580	7	2,146,603	8
TOTAL	\$ 28,325,188	100	\$ 27,731,608	100

TABLE 9

CHANG HWA COMMERCIAL BANK, LTD.**SECURITIES DEPARTMENT****STATEMENTS OF INCOME****YEAR ENDED DECEMBER 31, 2011 AND 2010**

(In Thousands of New Taiwan Dollars)

	2011		2010	
	Amount	%	Amount	%
REVENUES AND GAINS				
Brokerage handling fee revenue	\$ 70,803	16	\$ 93,557	18
Revenue from underwriting business	94	-	14,600	3
Gain on sale of securities held for operations	26,158	6	139,417	28
Interest income	322,022	73	256,808	51
Gain on valuation of securities held for operations	22,763	5	-	-
Other commission on futures	352	-	416	-
Nonoperating income	290	-	816	-
Total revenues and gains	442,482	100	505,614	100
EXPENSES AND LOSSES				
Brokerage handling fee	(4,362)	(1)	(5,668)	(1)
Dealing handling fee	(302)	-	(524)	-
Interest expense	(17,649)	(4)	(8,341)	(2)
Loss on valuation of securities held for operations	-	-	(2,300)	-
Operating expenses	(63,231)	(14)	(66,568)	(13)
Nonoperating expenses	(174,441)	(40)	(85,265)	(17)
Total expenses and losses	(259,985)	(59)	(168,666)	(33)
INCOME BEFORE INCOME TAX	182,497	41	336,948	67
INCOME TAX EXPENSE	(22,708)	(5)	(34,525)	(7)
NET INCOME	\$ 159,789	36	\$ 302,423	60



VI. Financial Status

TABLE 10

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2011

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

Investors' Names	Investee	Main Businesses and Products	Total Amount of Paid-in Capital (US\$ in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2011 (US\$ in Thousand)
Chang Hwa Bank	Chang Hwa Commercial Bank, Ltd. Kunshan Branch	Banking	\$2,202,168 (USD74,650)	Note 1.e.	\$2,202,168 (USD74,650)
Taishin Venture Capital	Taishin Financial Leasing (China)	Financial leasing	\$591,240 (USD20,000)	Note 1.d.	-

Investors' Names	Accumulated Investment in Mainland China as of December 31, 2011 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand) (Note 2)
Chang Hwa Bank	USD 74,650	USD 74,650	\$ 12,152,593
Taishin Venture Capital	\$ 591,240 (USD 20,000)	\$ 591,240 (USD 20,000)	10,253,337

Note 1: The five methods of investment are as follows:

- Investment in Mainland China by remittance through a third area.
- Investment in Mainland China through establishment of new enterprise in a third area.
- Investment in Mainland China through reinvestment in existing enterprise in a third area.
- Direct investment in Mainland China.
- Others.

Note 2: In accordance with the "Bank, Financial Holding Corporation and Related Party Invest China Business Rules" announced by FSC, the accumulated outflow of operating funds and investment from the following parties may not exceed 15% of net worth while they applied:

- Banks in Taiwan (or subsidiaries in a third area) which establish branches, subsidiaries or acquire shares or capital contribution from local shareholders in Mainland China.
- The subsidiaries, whose issued stocks carrying voting rights or more than 50% capital held by banks in Taiwan, have investment in Mainland China.

Investment Flows (US\$ in Thousand)		Accumulated Outflow of Investment from Taiwan as of December 31, 2011 (US\$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses)	Carrying Value as of December 31, 2011	Accumulated Inward Remittance of Earnings as of December 31, 2011
Outflow	Inflow					
\$ -	\$ -	\$2,202,168 (USD74,650)	-	\$ -	\$ -	\$ -
591,240 (USD20,000)	-	591,240 (USD20,000)	100%	(11,647)	602,543	-



VI. Financial Status

TABLE 11

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND MATERIAL TRANSACTIONS IN CONSOLIDATION YEAR ENDED DECEMBER 31, 2011 AND 2010

(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, 2011						
1	Taishin Bank	Taishin AMC	3	Deposits	\$ 512,671	Under arm's length terms	0.02%
4	Taishin AMC	Taishin Bank	3	Cash and cash equivalents	512,671	Under arm's length terms	0.02%
1	Taishin Bank	Taishin Venture Capital	3	Deposits	183,061	Under arm's length terms	0.01%
5	Taishin Venture Capital	Taishin Bank	3	Cash and cash equivalents	183,061	Under arm's length terms	0.01%
0	Taishin Financial Holding	Taishin Bank	1	Cash and cash equivalents	17,759,020	Under arm's length terms	0.68%
1	Taishin Bank	Taishin Financial Holding	2	Deposits	17,759,020	Under arm's length terms	0.68%
0	Taishin Financial Holding	Taishin Bank	1	Interest income	120,444	Under arm's length terms	0.23%
1	Taishin Bank	Taishin Financial Holding	2	Interest expense	120,444	Under arm's length terms	0.23%
1	Taishin Bank	Taishin Securities B	3	Deposits	183,901	Under arm's length terms	0.01%
2	Taishin Securities B	Taishin Bank	3	Refundable deposits	3,472	Under arm's length terms	0.00%
2	Taishin Securities B	Taishin Bank	3	Other miscellaneous assets	175,212	Under arm's length terms	0.01%
2	Taishin Securities B	Taishin Bank	3	Cash and cash equivalents	5,217	Under arm's length terms	0.00%
1	Taishin Bank	Taishin Securities Investment Advisory	3	Deposits	292,865	Under arm's length terms	0.01%
6	Taishin Securities Investment Advisory	Taishin Bank	3	Other miscellaneous assets	55,000	Under arm's length terms	0.00%
6	Taishin Securities Investment Advisory	Taishin Bank	3	Cash and cash equivalents	237,865	Under arm's length terms	0.01%
0	Taishin Financial Holding	Taishin Bank	1	Accounts receivable, net	301,337	Under arm's length terms	0.01%
1	Taishin Bank	Taishin Financial Holding	2	Accounts payable	301,337	Under arm's length terms	0.01%
0	Taishin Financial Holding	Taishin Bank	1	Bonds and securities purchased under resell agreements	1,964,264	Under arm's length terms	0.07%
1	Taishin Bank	Taishin Financial Holding	2	Bonds and securities sold under repurchase agreements	1,964,264	Under arm's length terms	0.07%
1	Taishin Bank	Taisin Holdings Insurance Brokers	3	Accounts receivable, net	107,971	Under arm's length terms	0.00%
7	Taisin Holdings Insurance Brokers	Taishin Bank	3	Accounts payable	107,971	Under arm's length terms	0.00%
1	Taishin Bank	Taisin Holdings Insurance Brokers	3	Deposits	280,597	Under arm's length terms	0.01%
7	Taisin Holdings Insurance Brokers	Taishin Bank	3	Cash and cash equivalents	280,597	Under arm's length terms	0.01%
1	Taishin Bank	Taisin Holdings Insurance Brokers	3	Fee income	741,603	Under arm's length terms	1.39%

Number (Note a)	Party	Counterparty	Relationship (Note b)	Transactions			
				Account	Amount	Terms	% of Consolidated Operating Revenues or Consolidated Total Assets (Note c)
7	Taishin Holdings Insurance Brokers	Taishin Bank	3	Fee expense	\$ 741,603	Under arm's length terms	1.39%
	December 31, 2010						
3	Taishin Bills Finance	Taishin Bank	3	Financial assets at FVTPL	500,000	Under arm's length terms	0.02%
3	Taishin Bills Finance	Taishin Bank	3	Cash and cash equivalents	23,343	Under arm's length terms	0.00%
1	Taishin Bank	Taishin Bills Finance	3	Deposits	523,343	Under arm's length terms	0.02%
1	Taishin Bank	Taishin AMC	3	Deposits	125,651	Under arm's length terms	0.01%
4	Taishin AMC	Taishin Bank	3	Cash and cash equivalents	125,651	Under arm's length terms	0.01%
0	Taishin Financial Holding	Taishin Bank	1	Bonds and securities purchased under resell agreements	1,877,201	Under arm's length terms	0.08%
1	Taishin Bank	Taishin Financial Holding	2	Bonds and securities sold under repurchase agreements	1,877,201	Under arm's length terms	0.08%
0	Taishin Financial Holding	Taishin Bank	1	Cash and cash equivalents	19,875,925	Under arm's length terms	0.80%
1	Taishin Bank	Taishin Financial Holding	2	Deposits	19,875,925	Under arm's length terms	0.80%
1	Taishin Bank	Taishin Securities B	3	Deposits	180,859	Under arm's length terms	0.01%
2	Taishin Securities B	Taishin Bank	3	Cash and cash equivalents	2,387	Under arm's length terms	0.00%
2	Taishin Securities B	Taishin Bank	3	Refundable deposits	3,472	Under arm's length terms	0.00%
2	Taishin Securities B	Taishin Bank	3	Other miscellaneous assets	175,000	Under arm's length terms	0.01%
0	Taishin Financial Holding	Taishin Bank	1	Account receivable, net	546,304	Under arm's length terms	0.02%
1	Taishin Bank	Taishin Financial Holding	2	Account payable	546,304	Under arm's length terms	0.02%
0	Taishin Financial Holding	Taishin Bills Finance	1	Account payable	172,787	Under arm's length terms	0.01%
3	Taishin Bills Finance	Taishin Financial Holding	2	Account receivable, net	172,787	Under arm's length terms	0.01%
1	Taishin Bank	Taishin Securities Investment Advisory	3	Deposits	139,251	Under arm's length terms	0.01%
6	Taishin Securities Investment Advisory	Taishin Bank	3	Cash and cash equivalents	59,251	Under arm's length terms	0.00%
6	Taishin Securities Investment Advisory	Taishin Bank	3	Refundable deposits	80,000	Under arm's length terms	0.00%
2	Taishin Securities B	Taishin Bills Finance	3	Cash and cash equivalents	176,820	Under arm's length terms	0.01%
3	Taishin Bills Finance	Taishin Securities B	3	Bonds and securities sold under repurchase agreements	176,820	Under arm's length terms	0.01%

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. and 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.



VI. Financial Status

SCHEDULE 1

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars)

Financial Instrument Item	Summary	Face Value/Unit	Cost	Fair Value
Investment in bills				
	Commercial paper	\$ 35,068,400	\$ 35,009,039	\$ 35,011,826
	Negotiable certificate of deposits - banks	2,056,300	2,060,731	2,061,085
	Asset-based commercial paper	992,200	989,469	989,822
	Treasury bills	500,000	496,840	496,346
		38,616,900	38,556,079	38,559,079
Domestic OTC stocks	Microbio Corp.	1,381	31,696	51,021
Mutual funds				
	Pimco Total Return Bond Fund	1,360	90,825	97,663
	FSITC Money Market Fund	215	37,000	37,043
	Capital Asia-Pacific Mega-Trend Balance Fund	2,196	30,000	32,262
	FSITC Global High Yield Bond	2,447	27,501	30,394
	Paradigm Global High Yield Bond	2,732	28,021	30,164
	Allianz Global Investors All Seasons Return Fund of Bond Funds	1,650	20,020	20,662
	Pine Bride Global Multi-strategy High Yield Bond Fund	1,856	19,010	19,517
	Jih Sun Money Market Fund	1,362	19,347	19,422
	Shin Kong Chi-Shin Money Market Fund	1,166	15,203	17,429
	Taishin Global ETFs Fund	1,640	15,418	16,676
	Others	15,426	173,418	158,532
		32,050	475,763	479,764
Borrowed shares				
	Epistar Corp.	561	29,344	32,793
	Yanta Financial Holdings	630	7,793	7,725
	Everlight Elec.	150	7,669	7,905
		1,341	44,806	48,423
Government bonds				
	Treasury Bond 100-9	3,600,000	3,593,605	3,591,828
	Treasury Bond 100-6	1,650,000	1,723,556	1,721,893
	Treasury Bond 100-2	550,000	584,206	586,214
	Treasury Bond 89-9	8,000	10,103	9,296
	Treasury Bond 96-2	4,700	4,656	4,909
	Treasury Bond 91-3	500	488	635
	Treasury Bond 101-1	-	-	166
		5,813,200	5,916,614	5,914,941
Convertible bonds				
	Acersto 08/10/15	969,280	969,280	907,750
	AGV Products I	868,000	868,000	876,680
	Asia Cement Corporation 16EEB	817,830	812,832	761,056

(Continued)

Financial Instrument Item	Summary	Face Value/Unit	Cost	Fair Value
	HONHAIO 10/12/13	\$ 787,540	\$ 787,540	\$ 755,369
	SOLRAMO 07/22/16	605,800	605,800	520,721
	TPKHOLO 04/20/14	454,350	454,350	382,808
	LG Philips	299,871	299,871	345,262
	Asia Cement Corporation 13EEB	302,900	302,900	320,626
	1102 Asia Cement Corporation ECB	302,900	302,900	293,059
	Epistar ECB	302,900	302,900	274,094
	Others	2,986,600	2,988,139	2,895,345
		8,697,971	8,694,512	8,332,770
Trading securities - dealing	<u>Domestic listed stocks</u>			
	AGV Products	640	7,680	6,464
	Cleanaway	701	122,008	123,786
		1,341	129,688	130,250
	<u>Domestic OTC stocks</u>			
	Turvo	620	50,835	38,745
	X-Legend	103	19,879	16,686
		723	70,714	55,431
	<u>Convertible bonds</u>			
	Chainqui II	777	85,677	78,710
	Evergreen Marine E1	675	68,690	66,859
	Taiwan Chinsan Electronic II	700	73,978	66,640
	Evergreen Marine III	498	60,559	51,792
	Wah Hong I	508	56,356	51,054
	C Sun I	233	37,911	46,600
	Tung Ho Steel V	437	46,910	45,273
	Elite Material III	417	47,645	41,950
	Chang Wah III	395	42,408	39,085
	Synnex II	360	37,619	36,054
	Others	1,251	136,070	123,826
		6,251	693,823	647,843
Trading securities - underwriting	<u>Domestic listed stocks</u>			
	Taiwan Life	1,990	39,800	34,925
	<u>Convertible bonds</u>			
	AGV Products I	799	79,900	80,699
	Supreme VI	500	50,000	51,100
	Elite Material III	400	40,000	40,240
	Jung Shing Wire II	277	27,700	29,639
	Pan Jit V	276	27,600	27,600
	Emerging Display IV	264	26,400	26,400
	Linhorn I	200	20,000	21,000
	Kenmos II	204	20,400	20,635
	Glotech III	192	19,200	19,104
	Mildex I	185	18,500	18,444
	Others	830	83,008	77,507
		4,127	412,708	412,368
Derivative financial instrument	Interest rate swaps	-	-	4,567,895
	Currency swaps	-	-	3,488,142
	Currency options	-	-	1,190,943

(Continued)



VI. Financial Status

Financial Instrument Item	Summary	Face Value/Unit	Cost	Fair Value
	Cross-currency swaps	\$ -	\$ -	\$ 1,159,550
	Forward exchange contracts	-	-	522,960
	Equity-linked options	-	-	241,062
	Equity-linked swaps	-	-	200,720
	Futures	-	-	99,355
	Equity securities options	-	-	66,852
	Asset based commercial paper	-	-	20,294
	Others	-	-	22,379
		-	-	11,580,152
Financial assets designated upon initial recognition at fair value through profit or loss	Interest-rate combination instruments	-	1,268,106	1,268,683
		\$ 53,177,275	\$ 56,334,309	\$ 67,515,650

(Concluded)

SCHEDULE 2

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BONDS AND SECURITIES PURCHASED UNDER RESELL AGREEMENTS

DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars)

Item	Face Value	Amount
Commercial paper		
Issued by - First Securities Inc.	\$ 200,000	\$ 199,910
Issued by - Ho Ruen Co., Ltd.	150,000	149,815
Issued by - Hua Nan Financial Holdings Co., Ltd.	150,000	149,810
Issued by - Zig Sheng Ind. Co., Ltd.	100,000	99,888
Issued by - Lien Hwa Industrial Corporation	100,000	99,871
Issued by - Formosa Laboratories, Inc.	80,000	79,920
Issued by - Chanitex Co., Ltd.	80,000	79,880
Issued by - Hsin Kuang Steel Co., Ltd.	60,000	59,913
Issued by - Fulltech Fiber Glass Corp.	60,000	59,842
Issued by - Namchow Chemical Industrial Ltd.	30,000	29,973
Others	50,000	49,916
	<u>1,060,000</u>	<u>1,058,738</u>
Government bonds		
Treasury Bond 92-4	1,436,800	1,596,126
Transportation Construction Bond A+	993,200	1,103,425
Treasury Bond 97-1	661,300	733,694
Treasury Bond 94-4	536,300	595,778
Treasury Bond 89-9	530,400	589,281
97 Kaohsiung City Bond 1	515,100	565,962
Treasury Bond 96-6	396,100	440,063
97 Kaohsiung City Bond 2	381,700	419,050
Treasury Bond 91-4	369,700	406,937
100 Kaohsiung City Bond 2	287,000	315,300
Others	1,696,200	1,873,669
	<u>7,803,800</u>	<u>8,639,285</u>
	<u>\$ 8,863,800</u>	<u>\$ 9,698,023</u>



VI. Financial Status

SCHEDULE 3

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

AVAILABLE-FOR-SALE FINANCIAL ASSETS

DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars)

Item	Summary	Face Value
Investment in bills		
	Negotiable certificates of deposit - Central Bank	\$ 137,650,000
	Commercial paper	2,757,392
		<u>140,407,392</u>
Listed stocks		
	Taiwan Cement Corp.	596,000
	MasterLink Securities Corp.	600,475
	Waterland FHC	251,428
	Lite-on Technology Corp.	39,798
	Compal Electronics	40,700
	Taiwan Semiconductor Manufacturing Co., Ltd.	14,900
	Formosa Chem & Fibre	13,630
	China Steel	36,880
	Chunghwa Telecom Co., Ltd.	9,800
	VISA	250
	Others	287,481
		<u>1,891,342</u>
Government bonds		
	Treasury Bond 100-1	7,850,000
	Treasury Bond 99-6	7,200,000
	Treasury Bond 100-6	2,145,000
	Treasury Bond 99-1	4,400,000
	Treasury Bond 99-8	4,100,000
	Treasury Bond 96-3	2,800,000
	Treasury Bond 95-3	2,100,000
	Treasury Bond 95-6	1,900,000
	Treasury Bond 100-9	1,900,000
	Treasury Bond 97-1	200,000
	Others	19,065,828
		<u>53,660,828</u>

Amount	Accumulated Impairment	Adjustment	Fair Value	Note
\$ 137,650,000	\$ -	\$ 22,668	\$ 137,672,668	
<u>2,757,392</u>	-	<u>30</u>	<u>2,757,422</u>	
<u>140,407,392</u>	-	<u>22,698</u>	<u>140,430,090</u>	
2,074,491	-	11,509	2,086,000	
665,710	-	(92,181)	573,529	
383,333	-	(129,391)	253,942	
156,312	-	(20,601)	135,711	
138,011	-	(15,097)	122,914	
107,323	-	5,619	112,942	
144,450	-	(35,546)	108,904	
119,290	-	(13,076)	106,214	
88,829	-	9,171	98,000	
-	-	78,134	78,134	
<u>802,630</u>	<u>(16,168)</u>	<u>(100,400)</u>	<u>686,062</u>	
<u>4,680,379</u>	<u>(16,168)</u>	<u>(301,859)</u>	<u>4,362,352</u>	
7,826,557	-	33,922	7,860,479	
7,461,706	-	(7,549)	7,454,157	
5,164,307	-	1,422	5,165,729	
4,396,134	-	(6,904)	4,389,230	
4,040,863	-	(25,917)	4,014,946	
2,807,707	-	1,882	2,809,589	
2,268,120	-	(972)	2,267,148	
1,969,162	-	3,583	1,972,745	
1,895,731	-	657	1,896,388	
1,760,754	-	17,480	1,778,234	
<u>19,939,607</u>	<u>-</u>	<u>110,730</u>	<u>20,050,337</u>	
<u>59,530,648</u>	<u>-</u>	<u>128,334</u>	<u>59,658,982</u>	



VI. Financial Status

Item	Summary	Face Value
Corporate bonds		
	99 Fubon Financial Holding 2A	\$ 1,400,000
	Hon Hai Precision Ind. Co., Ltd.	550,000
	00 Taiwan Semiconductor Manufacturing Co., Ltd. 1A	550,000
	Citigroup Inc.	566,748
	99 Asia Cement Corp. 1	500,000
	99 Taipower 6A	500,000
	97 Taiwan Mobile Co., Ltd. 1	450,000
	Export-Import BK Korea	445,043
	97 China Development Financial Holding 1A	400,000
	98 Nanya 3	400,000
	Others	10,150,605
		15,912,396
Financial debentures		
	Morgan Stanley	1,479,500
	Rabobank Nederland Au	999,213
	Goldman Sachs Group Inc	862,080
	Westpac Banking Corp	826,528
	National Australia Bank	755,635
	Bnp Paribas Australia	645,645
	Societe Generale	610,200
	Jpmorgan Chase & Co	518,460
	00 Standard Chartered Bank (Taiwan) Ltd. 1G	500,000
	Citigroup Inc	465,286
	Others	14,186,001
		21,848,548
Beneficiary securities		
	Government National Mortgage Association	1,841,025
	Freddie Mac	822,816
	Fannie Mae	462,663
	GNR 2010-25 AH	454,350
	GNR 2011-30 PC	302,900
	GNR 2010-112 QA	302,900
	FNR 2011-3 EG	302,900
	FNR 2010-135 HA	302,900
	FHR 3634 GE	302,900
	GNR 2010-112 NK	\$ 180,226
	Others	4,544,378
		9,819,958
Mutual funds		
	PIMCO TOTAL RETURN BOND FUND	454,350
	EMD Global Emerging Markets Fund	454,350
	JPM US Aggregate Bond Fund	454,350
	Capital Greater China	30,000
	Jih Sun China Demand Dynamic Equity Funds	30,000
	FSITC Global Brands Fund	15,000
		1,438,050
		\$ 244,978,514

Amount	Accumulated Impairment	Adjustment	Fair Value	Note
\$ 1,399,613	\$ -	\$ 17,922	\$ 1,417,535	
550,890	-	4,357	555,247	
551,208	-	1,309	552,517	
566,748	-	(15,251)	551,497	
499,366	-	7,268	506,634	
499,715	-	1,220	500,935	
456,005	-	4,909	460,914	
445,042	-	(2,790)	442,252	
399,999	-	10,033	410,032	
399,646	-	4,701	404,347	
10,237,090	-	(76,482)	10,160,608	
16,005,322	-	(42,804)	15,962,518	
1,470,971	-	(141,426)	1,329,545	
1,000,623	-	(24,404)	976,219	
852,169	-	(35,600)	816,569	
826,496	-	(14,390)	812,106	
755,524	-	(4,732)	750,792	
645,645	-	(58,807)	586,838	
610,200	-	(69,230)	540,970	
515,551	-	(8,197)	507,354	
499,999	-	(669)	499,330	
465,974	-	(6,879)	459,095	
14,193,073	-	(226,715)	13,966,358	
21,836,225	-	(591,049)	21,245,176	
1,840,947	-	10,099	1,851,046	
822,950	-	4,203	827,153	
462,328	-	(521)	461,807	
311,362	-	3,050	314,412	
267,906	-	507	268,413	
268,318	-	(394)	267,924	
227,589	-	1,824	229,413	
217,951	-	2,266	220,217	
175,123	-	2,954	178,077	
\$ 158,913	\$ -	(\$ 1,174)	\$ 157,739	
1,013,099	-	(3,155)	1,009,944	
5,766,486	-	19,659	5,786,145	
454,349	-	7,798	462,147	
454,349	-	3,337	457,686	
299,385	-	49,860	349,245	
30,000	-	(30)	29,970	
30,000	-	(2,250)	27,750	
15,000	-	(345)	14,655	
1,283,083	-	58,370	1,341,453	
\$ 249,509,535	(\$ 16,168)	(\$ 706,651)	\$ 248,786,716	



VI. Financial Status

SCHEDULE 4

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

HELD-TO-MATURITY FINANCIAL ASSETS

DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars)

Item	Summary	Face Value
Investment in bills		
	Dah Sing Bank	\$ 272,903
	Negotiable certificates of deposit -Central Bank	168,900,000
		<u>169,172,903</u>
Government bonds		
	Singapore T-Bill	<u>186,400</u>
Corporate bonds		
	97 CSC 2A	1,000,000
	98 CPC 1A	700,000
	97 CSC 1	500,000
	100 FPCC 1	500,000
	97 Taipower 1A	450,000
	00 TSMC 1A	400,000
	00 Evaair 2B	300,000
	98 Taipower 2A	300,000
	00 CPC 1B	300,000
	00 FPC 1	300,000
	Dib Sukuk Llc Cayman Island Inc.	151,375
	98 Solar Tech 1	50,000
		<u>4,951,375</u>
Financial debentures		
	Wachovia Corp.	572,198
	Wells Fargo Company	514,675
	100 HSBC 1D	500,000
	WFC 3.75 10/01/14	454,350
	LOYDS TSB BANK PLC	420,120
	BAC 7 3/8 05/15/14	302,900
	RBS 4.875 08/25/14	302,900
	SWEDBANK, AB	302,750
	NATIONAL BANK OF DUBAI	302,750
	100 Standard Chartered 1A	300,000
	Others	<u>4,460,537</u>
		<u>8,433,180</u>
		<u>\$ 182,743,858</u>

Interest Rate (%)	Unamortized Premium (Discount)	Book Value	Note
0.005675	\$ -	\$ 272,903	
0.825-1.050	-	168,900,000	
	-	169,172,903	
-	(41)	186,359	
2.08	8,970	1,008,970	
1.2	(1,576)	698,424	
2.42	6,929	506,929	
1.4	(928)	499,072	
2.6	6,575	456,575	
1.4	(372)	399,628	
1.44	1,988	301,988	
0.97	-	300,000	
1.6	(184)	299,816	
1.34	(635)	299,365	
3M Libor+0.33%	58	151,433	
2	(14)	49,986	
	20,811	4,972,186	
3M Libor+0.15%	(2,284)	569,914	
3M Libor+0.09%	(278)	514,397	
1.37	-	500,000	
0.0375	(230)	454,120	
3M Libor+1.2%	127	420,247	
0.07375	13,248	316,148	
0.04875	2,478	305,378	
3M Libor+0.91%	55	302,805	
3M Libor+0.27%	(138)	302,612	
-	-	300,000	
	20,204	4,480,741	
	33,182	8,466,362	
	\$ 53,952	\$ 182,797,810	



VI. Financial Status

SCHEDULE 5

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CHANGES IN INVESTMENTS UNDER EQUITY METHOD

YEAR ENDED DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars, Except Unit Price)

Name	Beginning Balance		Increase	
	Shares	Amounts	Shares	Amounts
Non-listed corporate				
Taishin Dah An Leasing	19,800,000	\$ 164,659	200,000	\$ 4,405
PayEasy Travel	1,300,000	15,107	-	40
Contect Digital Integration	480,000	(8,387)	-	-
An-Hsin Real-Estate	3,300,000	59,340	300,000	13,818
Youn Shin Artistic Co., Ltd.	-	-	1,000,000	10,000
Shin Jui AMC	100,000	1,819	-	407
		232,538		28,670
Add: Credit balance of investments accounted for by the equity method		8,387		49,486
		<u>\$ 240,925</u>		<u>\$ 78,156</u>

Decrease		Ending Balance			Market Price or Equity	
Shares	Amounts	Shares	Ownership Interest (%)	Amounts	Unit Price	Total
-	\$ -	20,000,000	100.00	\$ 169,064	\$ 8.45	\$ 169,064
-	(1,313)	1,300,000	100.00	13,834	10.64	13,834
-	(41,099)	480,000	65.75	(49,486)	(103.10)	(49,486)
-	(13,358)	3,600,000	30.00	59,800	16.61	59,800
-	-	1,000,000	25.00	10,000	10.00	10,000
(100,000)	(2,226)	-	-	-	-	-
	(57,996)			203,212		203,212
	(8,387)			49,486		49,486
	<u>(\$ 66,383)</u>			<u>\$ 252,698</u>		<u>\$ 252,698</u>



VI. Financial Status

SCHEDULE 6

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCIAL ASSETS CARRIED AT COST

DECEMBER 31, 2011

(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	942,527
VISA Inc.	777,033
Taiwan Sugar Corporation	524,615
CDIB & Partners Investment Holding Corp.	500,000
Taiwan Stock Exchange Corporation	218,330
Chung Yang Venture Capital Co., Ltd.	154,880
Financial Information Service Co.	137,446
Pacific Securities Co., Ltd.	112,030
Others	1,490,331
	<u>\$ 9,274,367</u>

SCHEDULE 7

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CHANGES IN PROPERTY AND EQUIPMENT

YEAR ENDED DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Increase	Decrease	Reclassification	Ending Balance
Land	\$ 27,794,019	\$ -	(\$ 3,733)	(\$ 179,661)	\$ 27,610,625
Buildings	16,719,049	57,526	(55,373)	(808,694)	15,912,508
Machinery equipment	9,094,420	451,074	(177,701)	(2,810,628)	6,557,165
Transportation equipment	917,191	21,180	(59,675)	(241,999)	636,697
Miscellaneous equipment	2,147,720	48,136	(90,401)	(418,546)	1,686,909
Leasehold equipment	1,199,206	104,809	(47,585)	(216,066)	1,040,364
Leased assets	-	164,610	-	-	164,610
Unfinished construction	19,012	-	-	(19,012)	-
Prepayment for buildings and equipment	56,401	39,741	-	(67,589)	28,553
	<u>\$ 57,947,018</u>	<u>\$ 887,076</u>	<u>(\$ 434,468)</u>	<u>(\$ 4,762,195)</u>	<u>\$ 53,637,431</u>

SCHEDULE 8

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CHANGES IN ACCUMULATED DEPRECIATION

YEAR ENDED DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Increase	Decrease	Reclassification	Ending Balance
Buildings	(\$ 5,302,114)	(\$ 423,438)	\$ 18,661	\$ 846,263	(\$ 4,860,628)
Machinery equipment	(7,171,322)	(748,919)	175,765	2,839,650	(4,904,826)
Transportation equipment	(769,679)	(40,533)	57,865	243,766	(508,581)
Miscellaneous equipment	(1,851,807)	(93,360)	91,075	424,314	(1,429,778)
Leasehold equipment	(889,583)	(106,447)	47,449	232,576	(716,005)
Leased assets	-	(13,162)	-	-	(13,162)
	<u>(\$ 15,984,505)</u>	<u>(\$ 1,425,859)</u>	<u>\$ 390,815</u>	<u>\$ 4,586,569</u>	<u>(\$ 12,432,980)</u>

SCHEDULE 9

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BONDS AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars)

Item	Face Value	Amount
Commercial paper		
Issued by - Pension Fund	\$ 2,210,000	\$ 2,205,114
Issued by - Chunghwa Telecom Co., Ltd.	1,100,000	1,098,853
Issued by - Hotai Motor Co., Ltd.	870,000	868,450
Issued by - Yuanta Securities Co., Ltd.	814,000	812,881
Issued by - Taipower	800,000	797,991
Issued by - CPC Corporation, Taiwan	650,000	648,630
Issued by - Chang Gung Memorial Hospital	620,000	619,770
Issued by - Bureau of Labor Insurance	600,000	598,586
Issued by - U-Ming Marine Transport Corp.	600,000	590,100
Issued by - SinoPac Leasing Co.	458,500	455,003
Others	14,546,000	14,487,517
	<u>23,268,500</u>	<u>23,182,895</u>
Government bonds		
Treasury Bond 99-8	2,328,500	2,673,977
Treasury Bond 100-6	2,150,000	2,259,450
Treasury Bond 97-4	1,344,300	1,440,890
Treasury Bond 98-1	1,350,000	1,384,240



VI. Financial Status

Item	Face Value	Amount
Treasury Bond 97-1	\$ 1,233,400	\$ 1,289,468
Treasury Bond 100-3	1,000,000	1,087,407
Treasury Bond 96 B1	944,600	980,256
Treasury Bond 93-4	561,000	590,800
Treasury Bond 92-10	439,000	515,485
Treasury Bond 98-4	450,000	461,151
Others	4,500,730	4,603,175
	16,301,530	17,286,299
Financial debentures		
00 Standard Chartered 1G	500,000	500,213
WFC 3.75 10/01/14	454,350	429,958
JPM Float 01/14	454,350	423,863
FREDDIE MAC 2.5 DUE 15 AUG 2040	445,318	359,845
FREDDIE MAC DUE 15 FEB 2037	560,365	237,171
RBS 4.875 08/25/14	302,900	224,167
FNR 2 .25 OCT 2040	287,755	221,420
FREDDIE MAC DUE 15 OCT 2037	393,770	164,475
BACR 5.2 07/10/14	151,450	150,496
WFC 4.375 01/31/13	151,450	149,633
Others	2,270,530	1,191,192
	5,972,238	4,052,433
Corporate bonds		
00 TSMC 1A	550,000	550,000
98 Kaohsiung City Bond 2	500,000	501,817
99 Kaohsiung City Bond 2	499,000	501,038
99 CPC 1B	400,000	400,000
00 Yuan Ding 1	300,000	300,426
97 CDFH 1A	300,000	300,000
97 TWM 1	250,000	250,145
98 Uni-President 1B	200,000	200,149
97 FPCC2	200,000	200,094
00 FPC 1	200,000	200,011
Others	2,038,000	2,038,334
	5,437,000	5,442,014
Beneficiary securities		
GNR 2010-25 AH	305,903	282,175
GNR 2011-30 PC	267,574	252,014
FNR 2011-3 EG	226,301	201,389
FNR 2010-135 HA	216,696	192,841
FHR 3634 GE	172,890	155,499
GNR 2010-112 NK	157,738	149,028
FNR 2011-17 CJ	133,092	127,403
GNR 2010-112 QA	132,553	126,310
GNR 2009-20 AB	120,319	115,212
GNR 2010-10 KC	122,901	111,938
Others	612,134	572,102
	2,468,101	2,285,911
	\$ 53,447,369	\$ 52,249,552

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, 2011

(In Thousands of New Taiwan Dollars)

Item	Amount
Gain (loss) on disposal	
Stocks and mutual funds	(\$ 146,954)
Bills	929
Bonds	(31,075)
Beneficiary securities	(526)
Derivative financial instruments	2,857,405
Others	5
	<u>2,679,784</u>
Gain (loss) on valuation	
Stocks and mutual funds	(69,294)
Bills	3,128
Bonds	(1,192,436)
Beneficiary securities	(24,142)
Derivative financial instruments	773,036
	<u>(509,708)</u>
Dividend income	<u>40,230</u>
	<u>\$ 2,210,306</u>



VI. Financial Status

SCHEDULE 11

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF FOREIGN EXCHANGE GAIN (LOSS)

YEAR ENDED DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars)

Item	Amount
Spot	\$ 4,950,177
Forward	(3,569,581)
Margin	(50,538)
Self owned capital	(4,479)
Others	(6,333)
	<u>\$ 1,319,246</u>

SCHEDULE 12

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF NET INCOME (LOSS) EXCLUDING INTEREST

YEAR ENDED DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars)

Item	Amount
Revenue excluding interest	
Gain on sales of NPL	\$ 370,204
Dividend revenue	379,451
Dealing and consignment revenue	2,288,061
Collection of bad debt and overdue amount	7,481,681
Collection of loan	2,544,707
Leasing revenue	280,346
Loans management revenue	256,531
Realized gains through disposal of investments carried at cost	87,003
Gain on hedge derivatives	45,789
Gain on property transactions	14,663
Other revenue	828,404
	<u>14,576,840</u>
Expense excluding interest	
Dealing and consignment costs	(1,720,107)
Lease payments	(37,943)
Other expenses	(122,453)
	<u>(1,880,503)</u>
	<u>\$ 12,696,337</u>

SCHEDULE 13

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars)

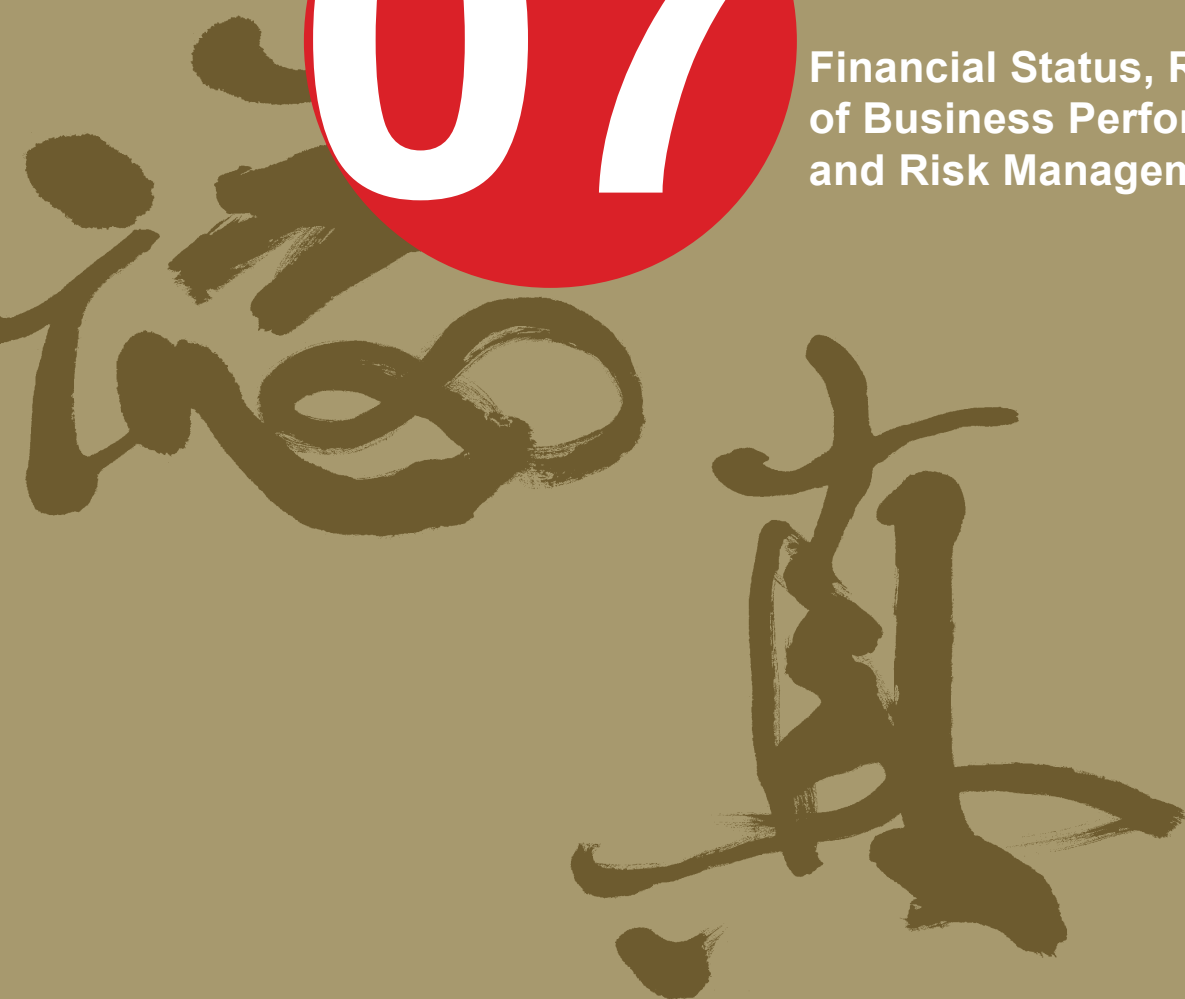
Item	Amount
Personnel	\$ 17,545,107
Depreciation	1,448,607
Amortization	396,708
Tax and levies	1,694,412
Leases	1,330,797
Labor service fee	1,273,872
Advertisement fee	947,808
Insurance	690,046
Postage and remittance fee	687,703
Donation	180,958
Allowance for entertainment	172,726
Stationeries	129,969
Freight	117,257
Others	2,245,438
	<u>\$ 28,861,408</u>



Taishin Holdings

07

Financial Status, Review
of Business Performance,
and Risk Management



VII. Financial Status, Review of Business Performance, and Risk Management

A. Financial Status

Unit: NT\$1,000

Item	2010	2011	Change	
			Value	%
Cash and cash equivalent	19,875,925	17,759,020	(2,116,905)	(10.65)
Financial assets from changes in fair value included in income statement	0	0	0	-
Financial assets ready for sale	0	0	0	-
Accounts receivable	3,420,947	1,692,260	(1,728,687)	(50.53)
Financial assets held until maturity	0	0	0	-
Equity investments on equity method	112,838,085	111,995,506	(842,579)	(0.75)
Fixed assets	1,693	5,645	3,952	233.43
Intangible assets	0	0	0	-
Other financial assets	4,245,581	10,521,143	6,275,562	147.81
Other assets	667,907	439,619	(228,288)	(34.18)
Total assets	141,050,138	142,413,193	1,363,055	0.97
Financial liabilities from changes in fair value included in income statement	893,564	0	(893,564)	(100.00)
Accounts payable	3,115,797	2,515,698	(600,099)	(19.26)
Corporate bonds payable	37,808,989	33,650,000	(4,158,989)	(11.00)
Preferred-share liabilities	0	0	0	-
Other financial liabilities	0	0	0	-
Other liabilities	27,509	28,566	1,057	3.84
Total liabilities	41,845,859	36,194,264	(5,651,595)	(13.51)
Equity capital	71,009,688	75,163,436	4,153,748	5.85
Capital surplus	19,102,143	19,217,299	115,156	0.60
Retained earnings	8,981,537	11,749,407	2,767,870	30.82
Other items of shareholders' equity	110,911	88,787	(22,124)	(19.95)
Total value of shareholders' equity	99,204,279	106,218,929	7,014,650	7.07

Explanation for changes and variations:

- (1) The receivables on December 31, 2011 decreased from that on December 31, 2010 due to the recovery of the final payment of merger consideration from the subsidiaries Taiwan Securities and KGI Securities.
- (2) The fixed assets on December 31, 2011 increased from that on December 31, 2010 due to the purchases of fixed assets.
- (3) The other financial assets on December 31, 2011 increased from that on December 31, 2010 due to the sale of put bonds by the company.
- (4) The other assets on December 31, 2011 decreased from that on December 31, 2010 due to the decreases in other miscellaneous assets.
- (5) The change in fair value recorded into financial liabilities toward profits and losses on December 31, 2011 decreased from that on December 31, 2010 due to the fair value being reset to zero for the derivatives embedded in the convertible bonds issued by the company as the bonds reached maturity.



VII. Financial Status, Review of Business Performance, and Risk Management

B. Business Performance

Unit: NT\$1,000

Item	2010	2011	Change	
			Value	%
Investment income calculated according to equity method	10,052,586	10,111,913	59,327	0.59
Other incomes	118,502	1,128,951	1,010,449	852.69
Investment loss calculated according to equity method	(62,804)	(283,269)	(220,465)	351.04
Operating expense	(645,454)	(519,242)	126,212	(19.55)
Other expenses and loss	(1,976,958)	(1,011,826)	965,132	(48.82)
Pre-tax income (loss)	7,485,872	9,426,527	1,940,655	25.92
After-tax income (loss)	7,723,106	9,431,836	1,708,730	22.12

Explanation for changes and variations:

- (1) The other earnings in 2011 increased from that in 2010 due to the increases in the fair value gains on the derivatives embedded in the convertible bonds issued by the company.
- (2) The other assets in 2011 decreased from that in 2010 mainly due to the decrease in interest expenses and to fair value losses on the derivatives embedded in the convertible bonds issued by the company.

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
17,759,020	15,727,309	30,100,229	3,386,100	Nil	Nil

D. Influence on finance of major capital outlays in the recent one year

1. 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
				2011
Investment	Own fund or corporate-bond issuance	2011	830,000	830,000

2. 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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

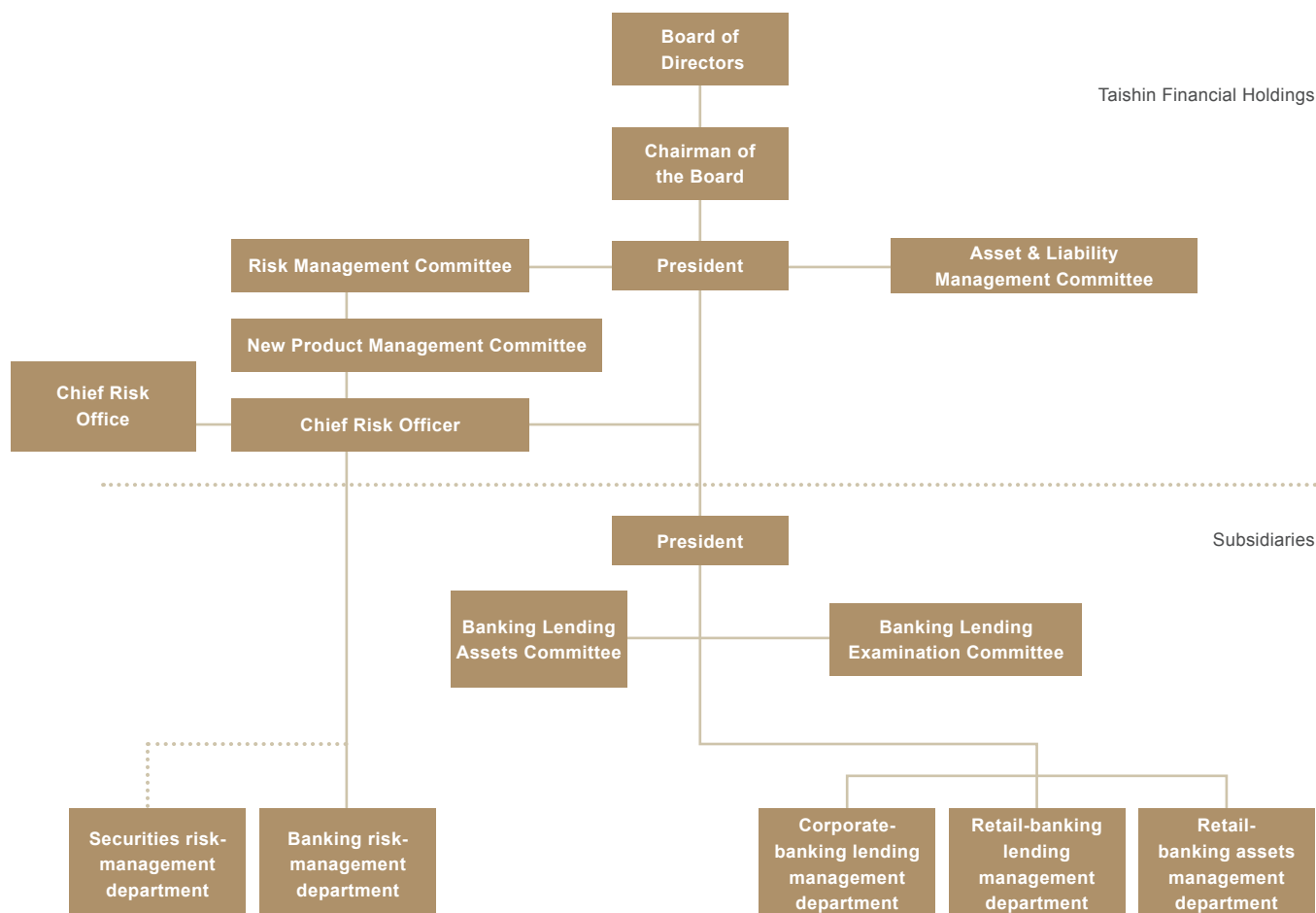


VII. Financial Status, Review of Business Performance, and Risk Management

Organization	Contents
Chief Risk Office	<ol style="list-style-type: none"> 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 Officer	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 1. Provision of risk management-related information 2. Implementing the financial holding company's risk-management policy

Risk-Management Functional Organization Chart of Taishin Financial Holdings

Base date: Dec 31, 2011



b. Risk assessment method and quantified information on the risk exposure of the financial holding company and subsidiaries

1. Holdings Common regular disclosure

The subsidiaries 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

Corporate banking

- (a) Pinpoint target loan clients, enhance profit margin, and expand low-risk business, so as to strengthen risk-enduring capability and cut overall risks.
- (b) Ascertain credit analytical report and strengthen the training of credit examination and loaning staffers.
- (c) Further strengthen internal credit rating mechanism.
- (d) Further strengthen post-lending management and review system.
- (e) Institute the evaluation system for individual risks and overall credit risk involving securities underwriting and investment position.
- (f) Strengthen the management of credit-risk concentration associated with loaning, investment, and trading of various financial products such as derivatives.
- (g) Institute individual management measures for businesses involving specific risk (such as ceiling for loans mortgaged with specific stocks, tracking the price threshold for margin calls, and the undertaking and post management of realty financing).
- (h) Institute the system for the alert, notification, and control of abnormal accounts.
- (i) Implement concentrated management of bad assets.

Consumer banking

- (a) 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.
- (b) Core risk analytical team: Core professional talents with analytical capability, product design capability, risk-management capability, and execution capability.
- (c) Lending policy based on client-group analysis: Analyze client risks according clients' external and internal behaviors, and flexibly adjust lending policy according to the risk levels of various client groups, so as to maintain proper client-group ratio.
- (d) 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.
- (e) Client management based on risk analysis, rating model, and policy model; debt collection, and case review system.



VII. Financial Status, Review of Business Performance, and Risk Management

(f) Lending strategy based consolidated account management.

(g) 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) Taishin Bank

(a) Credit risk

The main goal of risk management is to pursue maximum profits under reasonable risk, so as to uphold shareholders' interest. Effectively grasp the trend of assets quality via regular monitoring of numerical changes in net flow and adjust lending policy and debt-collection strategy accordingly. Utilize internal credit rating system, midterm management and review, diversification and ceiling of credit extension/investment positions (customer groups), and other methods to monitor constantly risk level and changes in 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.

I. Corporate Banking—Taishin Bank

(i) 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-Administration Division, which oversees under its jurisdiction corporate banking Credit-Administration Department, Credit-Risk Management Department-Corporate(North District), Credit-Risk Management Department-Trade Finance(North District), Credit-Risk Management Department- Corporate (South District) and Special Assets Management Department. Each District of the Credit-Risk Management Department take charge of the management of normal credit-extension cases, while the Special Assets Management Department is responsible for NPL (non-performing loan) collection.

(ii) 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.

- (iii) Regular analysis of rating migration is carried out every year, to ascertain the stability of the existing rating system. Migration risk analysis and stress/scenario testing is also undertaken, in order to delineate risk exposure with more sensitive risk analysis and ascertain capital adequacy.

ii. Consumer banking—Taishin Bank

- (i) 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.
- (ii) 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.
- (iii) Flexibly adjust various risk-management indicators and segmentation management via periodical assets-quality analysis and default commonness analysis, so as to achieve operating objectives.

iii. Quantified information on risk exposure

(i) Taishin Bank

Risk exposure after deducting risk on credit-risk method and risk-based capital requirement

Dec. 31, 2011; Unit: NT\$1,000

Kinds of risk exposure	Risk exposure after deduction	Risk-based capital requirement
Sovereign state	192,065,693	193,663
Non-central government public sector	1,288,983	20,624
Bank (including multilateral development bank)	29,492,651	976,737
Enterprise (including securities and insurance companies)	322,491,334	25,263,342
Retail debt claim	137,414,600	8,559,007
Housing realty	196,626,896	7,078,973
Equity investment	2,690,731	694,154
Other assets	143,756,905	5,790,342
Total	1,025,827,793	48,576,842



VII. Financial Status, Review of Business Performance, and Risk Management

(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.

i. Taishin Bank

(i) Analysis for the Structure of NT-dollar Due Dates

Dec. 31, 2011; 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	869,504,187	205,737,709	165,612,383	44,864,429	73,665,202	379,624,464
Main fund outflow due	943,601,610	161,594,580	151,883,487	131,739,547	200,611,085	297,772,911
Expected gap	(74,097,423)	44,143,129	13,728,896	(86,875,118)	(126,945,883)	81,851,553

Note: The table only contains NT-dollar funds of the headquarters and domestic branches.

(ii) Analysis for the Structure of U.S.-dollar Due Dates

Dec. 31, 2011; 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	9,187,511	3,799,481	3,018,816	960,018	317,567	1,091,629
Main fund outflow due	9,119,390	3,363,069	2,209,685	2,404,303	665,547	476,786
Expected gap	68,121	436,412	809,131	(1,444,285)	(347,980)	614,843

Note: The table contains U.S.-dollar funds of the headquarters, domestic branches, and OBU (offshore banking unit).

(c) Market risk

i. Strategy and flow

(i) 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.

(ii) The scope and features of risk report and assessment system

Risk report is meant to disclose risk as an important reference for executives in formulating countermeasure and adjusting investment portfolio for achieving business objectives. The bank dedicates to integrating trading management systems for various products, in order to reporting income/loss and risk exposure of trading position immediately.

ii. Trading and risk management system

(i) 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.

(ii) 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.

(iii) Quantitative information on risk exposure

Capital requirement for market risk

Dec. 31, 2011; Unit: NT\$1,000

Kinds of risks	Capital requirement
Interest rate risk	2,122,289
Equity securities risk	242,805
Orex risk	55,526
Commodity risk	0
Total	2,420,620

(d) Operating risk

i. 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.

ii. 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,



VII. Financial Status, Review of Business Performance, and Risk Management

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.

iii. Operating-risk assessment and supervision

- Taishin Bank has made trial calculation itself of the chance and exposure value of operating risk with information in loss database, a practice which will be applied to other subsidiaries to grasp the operating risk value of the entire company.
- To strengthen the management of operating-risk loss of Taishin Bank and Taishin Securities, the company already set up operating-risk ceilings for various units of the companies by the end of 2010 and incorporated the ceilings into annual KPI (key performance index), so as to include operating risk in daily management.
- The company also gradually pushes scenario analysis seminars according to the nature of various business groups, so as to strengthen the capability for the evaluation and monitoring of operating risk.

iv. 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.

v. Quantitative information on risk exposure

Operational Risk Accrued Capital

Dec. 31, 2011; Unit: NT\$1,000

Year	Gross Profit	Capital requirement
2009	19,692,558	
2010	21,677,718	
2011	24,801,302	
Total	66,171,578	2,945,193

(2) Taishin Securities Co., Ltd.

(a) Risk management method

As of 2011, Taishin Securities have effectively evaluated and rigorously control flow, in the hope of effectively control risk. The strategy, organization, and evaluation of the company's risk management follow;

(b) Risk management strategy and flow

i. Purpose for risk management

The company's risk management policy is formulated according to the risk management policy of Taishin Financial Holding, in order to achieve the following goals:

(i) The establishment and operation of the integrated risk management mechanism for market risk, credit risk, operating risk, liquidity risk, and legal risk, to attain effective risk management via centralized management and diversified risks.

(ii) Upgrade assets quality.

(iii) Upgrade the efficacy of capital allocation, so as to maximize returns after risk adjustment.

ii. Flow for formulation and approval of risk policy

(i) Formulation principle

The company's risk management policy is formulated according to the following three principles:

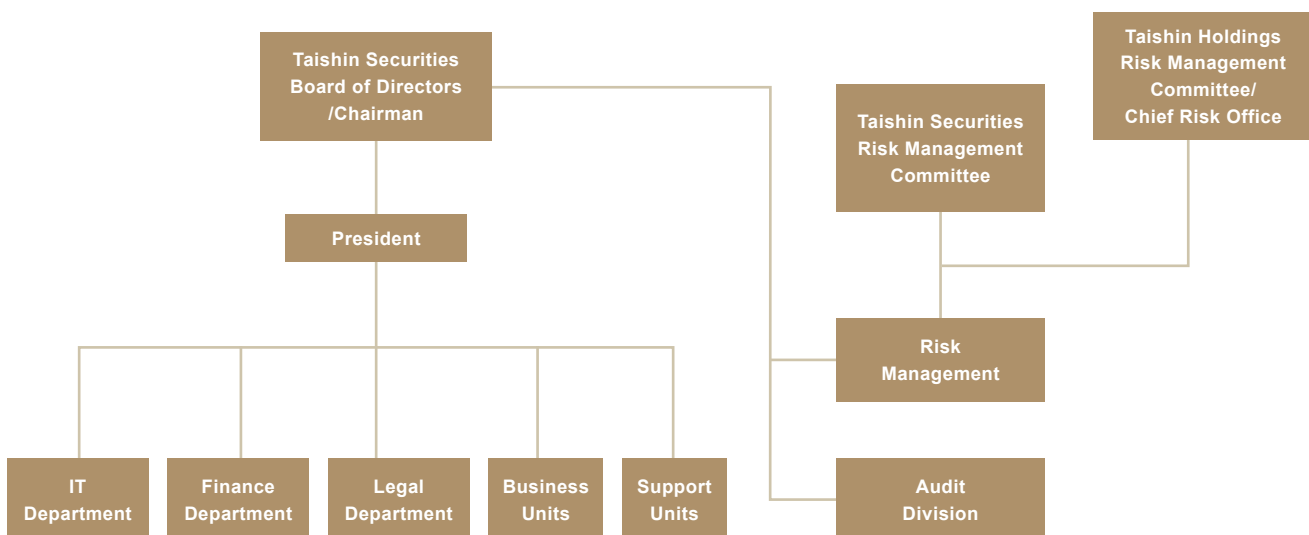
- Establish a risk-evaluation mechanism to grasp the company's diversified risks and form the basis of the company's sustainable development.
- Emphasize the efficacy of the company's risk-based assets.
- Emphasize related risks in the pursuit of maximum returns, thereby incorporating risk factors into performance evaluation.

(ii) Approval flow

The company's risk management policy is formulated by risk management unit and approved by the board of directors before its implementation.

(c) Organization and framework of related risk-management system

i. Chart for overall risk management system framework:





VII. Financial Status, Review of Business Performance, and Risk Management

ii. Rights and obligations of various risk management units

(i) Board of directors: The highest guiding unit of the company's risk management

- Approve the company's risk management policy and procedure.
- Approve yearly quota for market risk, credit risk, operating risk, and liquidity risk.

(ii) Risk management committee

Set up "risk management committee" to effectively and timely integrate the company's various risk functions, with the board of directors dispatching at least one director to take part and dispatch persons to be the convenor and chairperson of its meetings.

- Review the company's risk management policy and procedure.
- Review various risk-related measures and guidelines.
- Establish various risk management mechanism.
- Review analytical report on overall risk, report the execution of risk management to the board of directors timely, and propose necessary improvement suggestions.
- Set up management meeting for new businesses and review his risk of new products undertaken by business unit.
- Execute risk management-related resolutions of the board of directors.

(iii) Risk Management Department

Risk management Department is in charge of monitoring the company's overall risk and the risk of various divisions and regularly reports the status of loss/benefits and financial risk exposure to the risk management division. It is independent from various profits centers and is directly responsible to the board of directors, in charge of the company's various risks.

- To devise risk management policies, measures, and limits.
- To implement risk measurement methods.
- To monitor risk limit usage.
- To implement risk management information system.
- To report and disclose the status of risk management practices.
- To handle other risk management related matters.

(iv) Audit Division

Carry out operating auditing according the company's internal control system, regularly understand compliance of various units with various measures and systems, notify the existence of defects and abnormal items timely, and track follow-up improvements.

(v) Legal Department

In charge of the management of the company's legal risk; planning, management, and execution of various legal compliances, revision of legal affairs, and collection and study of business-related affairs.

(vi) Finance Department

In charge of the management of the company's fund liquidity risk, establish emergent response mechanism for liquidity crisis, formulate fund risk limit, in consideration of market environment, the company's financial structure, risk endurability, and fund maneuvering capability.

(vii) Information Technology Department

In charge of the planning, promotion, and management of the company's information security, assure the continuity and correctness of various systems.

(viii) Business units

Undertake business operation according to the quota granted by the board of directors and materialize the execution of various risk-management measures.

(d) The scope and features of risk management report and evaluation system

i. The evaluation of various risk management

Kinds of risk management	Management method
Market risk	<ol style="list-style-type: none"> 1. Set up trading book and non-trading risk quota according to the company's risk endurability, evaluate price risk exposure according market value and delta quota, and set up stop-loss quota, management intervention mechanism, and the restriction of holding period. 2. Set up stress scenarios for various financial products, conduct stress testing to calculate stress loss, so as to evaluate possible loss to be endured by the company under extreme market status and manifest the risk status of existing position, as reference for the company in capital allocation.
Credit risk	<ol style="list-style-type: none"> 1. In charge of the credit risk of issuer risk and counterparty credit risk, distinguish liquid and illiquid positions, and set up quotas according to the nature of financial trading and credit rating. Credit rating is based on the internal credit rating granted by Taishin Financial Holding, which regularly examine the period for credit-rating granting, to assure the effectiveness of credit rating. 2. Risk management of spot stock concentration and set up ceiling for single stock holding, to avoid concentration of large position on specific issuing companies. 3. Organize credit risk position for the same person and the same related party in a group, and submit the position to risk-management unit of the financial holding firm for unified management. 4. Risk management for margin trading and short sale of brokerage business, compliance with the company's internal control system for credit-account opening, and management of quota for margin trading and short sale, as well as maintenance rate, according to legal requirement.
Liquidity risk	<ol style="list-style-type: none"> 1. Market liquidity management: Due to limited trading volume and insufficient liquidity position, there may result in value reduction when clearing position, due to expanded gap between buying and selling prices and prolonged time for offsetting position, leading to reserves for liquidity risk, to avoid deviation of price evaluation. 2. Set up fund maneuvering mechanism by the financial division according to "guidelines for management of liquid fund shortfall," to manage fund liquidity risk.
Operating risk	According to the definition of Basel II Capital Accord, operating risk is classified into seven types of loss and eight kinds of businesses, which are identified by various units of the company and reported to risk management unit for arrangement and establishment of operating risk loss database by the financial holding company.

ii. Information, frequency, and flow of risk management report

Information	Frequency	Flow
Compilation of market risk management table for established position 1.Outstanding amount of position 2.Loss/profit	Daily	Daily market risk management tool for risk management unit
Compile credit-risk management table for established position, including: Risk exposure information of issuer and trading counterparty	Daily	Daily credit-risk management tool of risk management unit
Compilation of risk-based assets report 1.Key Risk Indicator 2.Self- evaluation operation	Monthly Half Year	Submit to risk management committee
Compilation of various quantitative risk indices report	Monthly	Submit to risk management committee



VII. Financial Status, Review of Business Performance, and Risk Management

Information	Frequency	Flow
Compilation of non stop-loss tracking report	Monthly	Submit to risk management committee
Compilation of stress test report	Monthly	Submit to risk management committee
Evaluation of liquidity reserves	Monthly	Submit to the president and provide to financial/accounting unit as reference for performance evaluation
Report for various business risk evaluation	Quarterly	Submit to the board of directors
Evaluation of loss value for operating risk	Daily	Monitoring tool for operating risk of risk management unit

(e) Quantitative information for risk exposure

Equivalent value for management risk

Dec. 31, 2011, Unit: NT\$1

Kinds of management risk	Equivalent value of risks
Market risk	394,746,150
Credit risk	14,364,919
Operating risk	19,786,175
Total of management risk	428,897,244

(3) Chang Hwa Commercial Bank Co., Ltd.

(a) Common regular disclosure ~Strategy& Policy and Process

i. Credit risk

- (i) Continuing to examine the formulating and revision of various risk management policies, standards and rules pursuant to the "Overall Risk Management Policies".
- (ii) Continuing to improve the corporate loan application management system and various risk management techniques and efficiency in order to meet the risk management requirements.
- (iii) 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.
- (iv) 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.
- (v) Establishing a knowledge database to facilitate learning and evaluation. Providing lectures and training in risk management to raise employees' risk awareness.
- (vi) 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.
- (vii) 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.
- (viii) 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.

- (ix) 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.
 - (x) 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.
 - (xi) 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.
 - (xii) 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.
 - (xiii) Mortgage assessment cards and behavior assessment cards are introduced to provide objective reviews and a pricing basis in order to effectively reduce chance of bad debt.
 - (xiv) Enhance the asset quality of the bank's mortgage loans.
- ii. Risk of financial-trading partner
- (i) The bank embraces external credit rating for financial-trading partners, as the basis for internal credit-risk classification and rating.
 - (ii) 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.
 - (iii) 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.
 - (iv) Effectively manage the risks of the bank's financial-trading partners via monitoring and reporting procedure.
- iii. Market risk
- (i) Plan the management procedure for market risk, to assure effective discerning, evaluation, monitoring, and reporting of market risks.
 - (ii) Evaluate and monitor market risk, thereby containing risk within risk appetite, in the hope of lowering unexpected loss from market risk.
 - (iii) Formulate and execute norms for market-risk management in compliance with the regulations of the regulator and Basel Capital Accord.
 - (iv) Establish and develop market-risk management system and procedure for economic capital allocation.
 - (v) 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."



VII. Financial Status, Review of Business Performance, and Risk Management

iv. Operating risk

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.

v. National risk

- (i) Use country credit rating information from Moody's, S&P, and Fitch to develop the Bank's own country risk ratings.
- (ii) 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.
- (iii) 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.
- (iv) 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.
- (v) On a monthly basis, country risk exposure data will be gathered, analyzed and compiled into a Country Risk Management Report.

vi. Liquidity Risk

Liquidity risk indicators are clearly specified and the capacity to respond to liquidity risks evaluated based on the liquidity risk management policies. Meanwhile, the measures for monitoring, regularly assessing, and producing instant reports are implemented. In addition, emergency response strategies for liquidity risks and responsibilities are planned for each department in the bank in order to ensure appropriate actions are taken in a timely manner.

(b) Risk-exposure information

i. Risk exposure after deducting risk on credit-risk method and risk-based capital requirement

Dec. 31, 2011; Unit: NT\$1,000

Kinds of risk exposure	Risk exposure after deduction	Risk-based capital requirement
Sovereign state	294,367,734	48,749
Non-central government public sector	14,831,007	237,296
Bank (including multilateral development bank)	141,042,283	2,850,405
Enterprise (including securities and insurance companies)	689,935,727	49,235,344
Retail debt claim	224,317,704	14,340,126
Housing realty	245,528,952	8,195,484
Equity investment	4,937,150	1,486,882
Other assets	68,601,043	3,465,749
Total	1,683,561,601	79,860,035

ii. Liquidity Risk

Analysis for the Structure of NT-dollar Due Dates

Dec. 31, 2011; 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	1,467,370,980	264,441,439	232,457,960	142,986,285	108,131,242	719,354,054
Main fund outflow due	1,632,927,049	228,486,669	245,411,446	197,464,805	313,133,753	648,430,376
Expected gap	(165,556,069)	35,954,770	(12,953,486)	(54,478,520)	(205,002,511)	70,923,678

Note: The table only contains NT-dollar funds of the headquarters and domestic branches.

Analysis for the Structure of U.S.-dollar Due Dates

Dec. 31, 2011; 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	10,593,491	3,368,001	3,368,468	1,952,722	675,519	1,228,781
Main fund outflow due	11,151,516	4,102,046	2,764,754	1,464,747	979,864	1,840,105
Expected gap	(558,025)	(734,045)	603,714	487,975	(304,345)	(611,324)
	(558,025)	(734,045)	(130,331)	357,644	53,299	(558,025)

Note: The table contains U.S.-dollar funds of the headquarters, domestic branches, and OBU (offshore banking unit).

iii. Market Risk

Capital requirement for market risk

Dec. 31, 2011; Unit: NT\$1,000

Kinds of risks	Capital requirement
Interest rate risk	488,630
Equity securities risk	15,626
Orex risk	94,727
Commodity risk	0
Option	13,148
Total	612,131



VII. Financial Status, Review of Business Performance, and Risk Management

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

Alongside the dedication to core business by constantly developing various financial products and services to win the trust of customers, Taishin Financial Holding has also been fulfilling its social responsibility by actively taking part in various public-service and charity events and cultural and artistic promotion. In addition to the long-term engagement in “caring for Taiwan” series events, it holds Taishin artistic awards and sponsors various artistic and cultural performance annually. In 2010, it established “Taishin Bank charity and public-service foundation” for pushing the cause of public service and charity, so that people can do something good in the simplest manner. Moreover, Taishin has organized various free lectures, inviting celebrities to inspire and invigorate young people with their insight and experience. Such substantive payback and contribution to the society has considerably enhanced the company’s corporate image.

f. Anticipated benefits and possible risks from acquisition and countermeasures

1. Anticipated benefits:

- (1) Expand financial scope, enhance the scale of assets and market-share ranking, and boost business competitiveness.
- (2) Expand marketing-channel network and provide clients more convenient and pluralized service channels.
- (3) Create the business synergy of acquisition and maximize the profits for shareholders.
- (4) Provide all-round services and deep-cultivate the relationship with clients.
- (5) Diversify business risks and expand the scope of business development.

2. Possible risks:

- (1) Inadequate business integration can lead to business loss, affecting the company’s business and profit performance.

- (2) Inadequate integration of information systems may affect business operation, deferring the appearance of merger synergy.
- (3) Inadequate integration of human resources may lead to loss of talents, indirectly affecting business and management performance.
- (4) Mistake in the judgment of acquisition strategy will affect the overall prospects of the company.
- (5) 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 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:

- (1) Create new management direction and value for the company.
- (2) Renovate corporate culture and organizational framework, bringing new business momentum and profit performance to the company.
- (3) Inject new idea and financial resources, creating triple wins for shareholders, clients, and employees.



VII. Financial Status, Review of Business Performance, and Risk Management

2. Possible risks:

- (1) Change in business strategy may affect company's business development and profit performance.
- (2) Change in management right may cause panic among employees, leading to high turnover and thereby affecting company's regular operation.
- (3) Change in management strategy may affect company's business development and Shareholder rights.
- (4) 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 (nil)
- 2. Taishin International Bank (nil)
- 3. Taishin Securities (nil)
- 4. Taishin Asset Management (nil)
- 5. Taishin Marketing Consultant (nil)
- 6. Taishin Venture Capital (nil)
- 7. Taishin Securities Investment Trust (nil)
- 8. Taishin Securities Investment Advisory (nil)
- 9. Taishin Holdings Insurance Brokers (nil)
- 10. 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.

- 11. 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 BCM (Business Contingency Management), specifying the definition of emergent incidents, grading risks, and pinpointing responsibilities, and related handling procedure.

H. Other Important items: nil



Taishin Holdings

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Special Events on Record





VIII. Special Events on Record

A. Information on affiliates

a. Basic information on affiliates

Dec. 31, 2011; Unit: NT\$1,000

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Taishin Bank	1992.02.25	1 st fl. and 1 st 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. Discounting negotiable instruments. 5. Securities investment (investments in government bonds, short-term bills, corporate bonds, financial bond, and company stocks originally listed in its business license are included in this item) 6. Currency conversion 7. Cashing of banker's acceptance 8. Issuance of domestic L/C 9. Guarantee for corporate-bond issuance 10. Provision of domestic guarantee (guarantee business originally listed in the business license is included in the item) 11. Surrogate collection/payment 12. 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) 13. Custody and warehouse business 14. Lease of safe 15. Agency services related to the various businesses listed in the business license and approved by the regulator 16. Credit card (credit card and cash advance businesses originally listed in the businesses license is included in the item) 17. Trading in gold ingots, gold coins, and silver coins 18. Export/import forex, common outward and inward remittance, foreign-currency deposit, foreign-currency loan, and guarantee for secured foreign-currency payment 19. Derivatives approved by the regulator 20. Businesses permitted by Trust Industry 21. Dealer business in government bonds 22. Brokerage, dealing, certification, and underwriting of short-term bills
Taishin Assets Management	2002.08.19	2nd-3 fl., No. 9, Dehui Street, Taipei City	1,395,000	Purchase, appraisal, auction of bad-debt claims of financial institutions
Taishin Marketing	1998.11.20	2nd fl., No. 111, Bade Rd., Sec. 4, Taipei City	1,000	1. Management consulting services. 2. Investment consultancy. 3. Retail sale of others. 4. General advertising services. 5. Agency services. 6. Retail sale of food and grocery. 7. Wholesale of jewelry and precious metals. 8. Retail sale of jewelry and precious spectacles metals. 9. Financial institution creditor's right purchase. 10. Financial institution creditor's right appraisal and auction. 11. Accounts receivable factoring. 12. Real estate commerce. 13. Real estate rental and leasing. 14. Provision of temporary help service
Taishin Venture capital	2002.12.25	2nd-3 fl., No. 9, Dehui Street, Taipei City	1,619,035 (NOTE1)	Ventral capital

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Taishin Securities	1990.01.15	2nd.fl., No. 44, Zhongshan N. Rd. Sec. 2, Taipei	2,280,000	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
Taishin Securities Investment Trust	2004.06.03	13F., No.96, Sec. 1, Jianguo N. Rd., Taipei	754,545	1. Raise mutual funds via issuance of certificates of benefits. 2. Invest in securities and other related products with mutual funds raised from issuance of certificates of benefits. 3. Undertake other related businesses approved by the regulator. 4. Undertake discretionary-account operation for clients.
Taishin Securities Investment Advisory	1989.03.21	16th fl., No. 118, Jenai Rd. Sec. 4, Taipei City	300,000	1. Securities-investment consulting business. 2. Discretionary-account operation. 3. General agency of Jupiter fund of the U.K. 4. Other businesses approved by the Financial Supervisory Commission.
Taishin Holdings Insurance Brokers Co.,Ltd.	2008.05.22	11F., No. 44, Zhongshan N. Rd. Sec. 2, Taipei	30,000	1. Agency for personal insurance. 2. Agency for property insurance.
PayEasy Digital Integration Co.,Ltd	2000.04.27	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	1996.09.19	3rd.fl., No. 44, Zhongshan N. Rd. Sec. 2, Taipei	3,000	Agency for personal insurance
Taishin Insurance Brokers	2002.07.24	3rd.fl., No. 44, Zhongshan N. Rd. Sec. 2, Taipei	60,000	Agency for property insurance
Taishin Dah An Leasing	1997.10.13	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 9. Financial institution creditor's right purchase. 10. Management consulting services. 11. Software design services. 12. Data processing services. 13. Other industry and commerce services not elsewhere classified..
Taishin Real Estate Management	1995.08.17	2nd fl., No. 9, Dehui Street, Taipei City	200,000	1. Construction management, 2. Residence and building development and lease, 3. Factory construction and lease, 4. Specific professional area development, 5. Investment and construction of public construction, 6. New town and new community development, 7. Area expropriation and urban land rezoning, 8. Urban renewal, 9. realty transaction, 10. realty lease, 11. Business investigation, 12. Other businesses not legally banned or restricted
PayEasy Travel Service	2005.06.06	13th-1 fl., No. 11, Zhongshan N. Road, Sec. 1, Taipei City	13,000	Travel service



VIII.Special Events on Record

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Contect Digital Integration Co., Ltd	2008.12.29	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.
Taishin Financial Leasing (China) Co., Ltd.	2011.9.20	Nanjing Sunny World Center Room4202,42F, No.188, Lushan Road, Jianye District, Nanjing, China.	591,240	Leasing.
Chang Hwa Bank	1950.7.1	No. 38, Ziyou Road, Taichung City	67,683,284	Deposit/loan, guarantee, acceptance, Forex, bills dealing, and credit card
CHB Life Insurance Agency	2001.6.28	6 th fl., No. 57, Zhongshan N. Road, Taipei City	50,000	Agency for personal insurance
CHB Life Insurance Brokerage	2003.4.1	6 th fl., No. 57, Zhongshan N. Road, Taipei City	8,000	Agency for property insurance

Note 1: Taishin Venture Capital Co., Ltd. has received regulatory approval to finalize a capital increase of NT\$600,000,000 on January 5, 2012, and the paid-in capital after the increase will be NT\$2,219,034,950.



Taishin Holdings

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Items with major effect
on shareholders' benefits
or securities prices in 2011
and as of the date for the
publication of the annual report





IX. Items with major effect on shareholders' benefits or securities prices in 2011 and as of the date for the publication of the annual report

- A. On Jan. 22, 2011, subsidiary Taishin Bank took over Taishin Bills Finance.**

- B. On April 27, 2011, the company acquired Franklin Insurance Brokers Co., Ltd. (renamed as Taishin Holdings Insurance Brokers on May 16, 2011), thereby enabling other subsidiaries to access non-life and life insurance products and provide complete product lineup for sales service.**



Taishin Holdings

No.118 Ren-ai Road, Section 4, Taipei Taiwan R.O.C.

Tel : 886-2-2326-8888

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