

Taishin Holdings

2012 Annual Report

 Taishin Financial Holding Co., Ltd.

2012 Annual Report



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.

(The company has been dissolved on May1,2013)

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)

No.38 Tsu Yu Road, Section 2, Taichung, Taiwan

886-4-2222-2001

No.57, Sec. 2, Jhongshan N. Rd., Taipei, Taiwan

886-2-2536-2951

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



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Taishin Holdings

01

Message to Shareholders

I. Message to Shareholders

Dear shareholders,

In 2012, many of the world's developed economies were challenged by the possibilities of a second recession. As the European debt crisis escalated and members such as Greece and Spain both calling for financial aid, the EU was forced to adopt its own expansionary measures after the United States, and enforce strict rules on austerity. As a result, the lack of import demands from Europe and the United States had negatively impacted export-driven countries in Asia. In 2012, Taiwan, Japan, South Korea and Singapore all registered negative export growth at -2.3%, -2.9%, -1.3% and -0.3%, respectively. Even though China and Hong Kong were still able to hold on to growth, their growth rates were merely 1/3 of what they used to be in 2011.

In order to stimulate the economy, US, EU and Japan had all maintained interest rates at historical low levels and taken more aggressive expansionary approaches. This resulted in a shift of capital into emerging markets and caused more than 20% gains in stock markets such as Hong Kong, India, Thailand, and Philippines. In light of the strong money supply, the most significant challenge to Asian governments this year becomes how they are able to direct this capital towards real economic developments.

Overall, Taiwan posted an economic growth of 1.26% in 2012, which was far lesser than the 4.07% registered in 2011. However, as the economic indicator turned yellow-blue since September, there had been signs of economic recovery supported by stock market gains during the second half of the year. At the end of the year, the stock market index closed 9% above previous year's level at 7,700 points, and recovered all grounds that had been lost in the first half because of concerns toward the export slump, rising oil and power prices, and the capital gains tax.

Despite drastic changes in the global financial environment, Taiwan's banking industry as a whole still achieved growing profitability with ROA and ROE totaling 0.68% and 10.41%, respectively, in 2012. At the end of 2012, Taiwanese banks averaged an overdue ratio of 0.4% and a coverage ratio of 274%. The outstanding asset quality had provided local banks the needed confidence to extend 9.72% additional credit to small and medium enterprises, while taking initiatives to explore opportunities in China and other parts of the world..

The company had the most profitable year in 2012 over the last eight years, and ranked in the sixth place out of 16 financial holding companies in terms of earnings per share. The after-tax earnings reached NT\$10.262 billion, a growth of 8.8% compared to the previous year. The total consolidated income was NT\$16.766 billion, a growth of 3.0% compared to the previous year. The earnings per share (EPS) was NT\$1.30 and the return on equity (ROE) was 11.19% for common shares, which had a net asset value per share of NT\$12.25.

In the latest report released in October 2012, 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.

Furthermore, in terms of capital structure, the capital adequacy ratio for the company continued to increase from 129.7% at the end of 2011 to 140.74% at the end of 2012. The debt/equity ratio also fell from 34.1% at the end of 2011 to 24.6% at the end of 2012. The capital structure was deemed sound.

With respect to building a cross strait financial network and business development, the company has opened two financial leasing companies in Nanjing and Tianjin to provide financial leasing, installment Sales, and factoring services under one roof. If the two sides of the strait can implement the conclusions of the third financial regulators meeting and further loosen the entry requirements, the company will speed up its develop plans for the Mainland by opening branches or offices in order to satisfy customer needs and continue to explore financial opportunities on both sides of the strait with the support of existing leasing and other supplemental financial services.

With respect to a global financial network, the company, in addition to the Mainland, will focus on the Pan Pacific region. Besides the existing Hong Kong branch and the Vietnam office, the company is in the process of applying for a Brisbane office in Australia and an office in Singapore. Once the offices have been approved, the company will have a more complete overseas network.

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

Retail Banking Group

As of the end of 2012, outstanding amount of retail housing procures reached NT\$292.0 billion, for market share of 5%; outstanding auto loans amounting to NT\$21.7 billion, for market share of 25.6%, ranking first place in the market. The number of credit cards in circulation reached 3.15 million cards, for market share of 9.2%, ranking to fourth place, and annual credit-card spending value reached 152.7 billion, for market share of 8.7%, ranking fifth place. The number of merchants hit 58,000 stores, for market share of 19.9%, ranking third place.

With regards to the credit card business: the enormous potentials presented in UnionPay Cards had prompted the bank to introduce "UnionPay Card Online Acquiring" services since March 2012. Not only was the bank the first to be approved for this new business, it now ranks second in acquiring purchases made using UnionPay Cards. Furthermore, Taishin Bank's co-brand cards with Shinkong Mitsukoshi had accumulated 1.16 million cardholders in total as at 2012; more surprisingly, the new Infinity Card/Jade Card introduced in 2012 had amassed 200,000 new users at first launch, bringing in NT\$60 billion of purchases to date. Last but not least, this co-brand effort has reached a new milestone, as Taishin cardholders spent a record-breaking NT\$20 billion at Shinkong Mitsukoshi stores.

With regards to branch services: the bank has teamed with Visa International to introduce "Visa Money Transfer" services targeted at customers who have the needs to make small wire transfers across borders. This new innovation has greater flexibility over conventional wire transfers in terms of amounts, charges and operating hours, and therefore appealed to those who have the need to make small, regular remittances.

With respect to securities brokerage services, Taishin Securities, in addition to the existing physical points of services across Taiwan that provide traditional manual order processing, will continue to strengthen the cross selling partnership with Taishin Bank in order to expand beyond the scope of securities services and achieve the expected synergy out of integration of financial institutions. 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

Under the simultaneous care of risk management and business development, the bank extended NT\$196.1 billion of outstanding corporate loans, up 2.8% than a year earlier, ranking 14th place among the competition; In addition, in line with the government's policy of financing small and medium enterprises, the bank extended NT\$66.6 billion of outstanding loans to small and medium enterprises as of the end of 2012, up 22% over a year earlier. The bank undertook NT\$241.6 billion of factoring business in 2012, ranking third place in the market, and outstanding amount of US\$59.7 billion for derivative contracts, ranking fourth place. It undertook stock-affair service for 183 listed firms, ranking fourth place.

In terms of securities underwriting, Taishin Securities served as an underwriter in 14 cases in 2012, ranking fifth among the competition.

With regards to new services: the bank launched its "Gold account" in June 2012, giving customers the access to purchase gold in USD; on February 6, 2013, the bank officially commenced its RMB services and gave customers the convenience of transferring funds and conducting exports/imports with Chinese counterparts at any DBU nationwide. Meanwhile, the bank will draw valuable experiences from its Hong Kong Branch and OBUs (offshore banking units) to assist customers manage RMB cash flows with the best flexibility.

To ensure the sustainable growth and global competitiveness of our financial industry, the government has identified "Financial Globalization" as one of the nation's "Golden Decade" initiatives. In addition, several strategies have also been targeted specifically for the financial service industry, such as: "Development of a Taiwan-centric financial platform," "Enhancing cross-strait financial interactions through featured services," "Funding platforms for featured industries," and "World-connected financial practices." Over the long run, the financial service industry shall focus on incorporating modern technologies, developing unique features, and adopting globalized practices.

In response to this upcoming trend, the company shall place more emphasis on financial product R&D and cross-border opportunities. For the personal banking segment, the company will incorporate the latest innovations of networking and cellphone technologies into its services, while introducing new forms of mobile payment and exploring collaborative opportunities with participants from other industries to better satisfy customers' needs. For the corporate banking segment, the company will continue extending its collaborations with overseas and Chinese counterparts to improve service quality to customers, and enhance existing risk management systems and operating platforms to minimize credit and operational risks.

The company remains committed in its goal of delivering tri-win solutions for customers, shareholders, and employees. We will bring more innovation into our products and services, plan farther ahead for our businesses, and ultimately deliver the expectations of our shareholders.

Chairman
Taishin Financial Holding
May 2013





Taishin Holdings

02

**Brief Introduction
to the Financial Holding
Company**



II. Brief Introduction to the Financial Holding Company

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 Da An Commercial Bank. Subsequently, Taishin Financial Holding put Taishin Securities and Taishin Bills Finance under its fold on Dec. 31, 2002, via the respective share-swap ratios of 1:1.2 and 1:1.3.

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

On Oct. 18, 2004, the company's subsidiary Taishin International Bank took over the Tenth Credit Cooperative of Hsinchu, further expanding the company's banking branches 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.

On July 26, 2010, Taishin Investment Trust and Taishin 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 property and life insurance products and provide complete product lineup for sales service.

On October 17, 2011, Taishin Financial Leasing (China) under Taishin Financial Holdings opened its door in Nanjing and obtained a national leasing license to provide financial leasing services for corporate clients.

On July 5, 2012, Taishin Financial Leasing (Tianjin) was founded in Tianjin and officially obtained a three-in-one license to provide leasing, factoring and installment sales. It was the first foreign company to obtain this type of license.

Honors for the company-

- 2012.10 [Taishin Bank] Named Best Private Bank in Taiwan by The Asset
- 2012.09 [Taishin Bank] Awarded bronze award in the Taiwan Training Quality System by the Council of Labor Affairs
- 2012.09 [Taishin Bank] Awarded Visa Infinite Outstanding Product Design Award by VISA
- 2012.08 [Taishin Bank] Awarded National HRD InnoPrize in the 8th award ceremony by the Council of Labor Affairs
- 2012.08 [Taishin Bank] Named Domestic Retail Bank of the Year, Credit Card Initiative of the Year, and Taiwan Domestic Technology & Operations Bank of the Year by Asian Banking & Finance
- 2012.07 [Taishin Bank] Named 2012 Outstanding Merchants on Promoting/Using Electronic Receipts by the National Taxation Bureau
- 2012.07 [Taishin Bank] Ranked No. 1 in Best Performance in the Wealth Management Survey by Business Today
- 2012.06 [Taishin Bank] Name an IT Model Bank by Celent with its Unified Facility Risk Management System (UFRMS)
- 2012.06 [Taishin Bank] Awarded Most Recommended IT Innovation, Highly Recommended Award in Risk Management Technology, by The Banker



Taishin Holdings

03

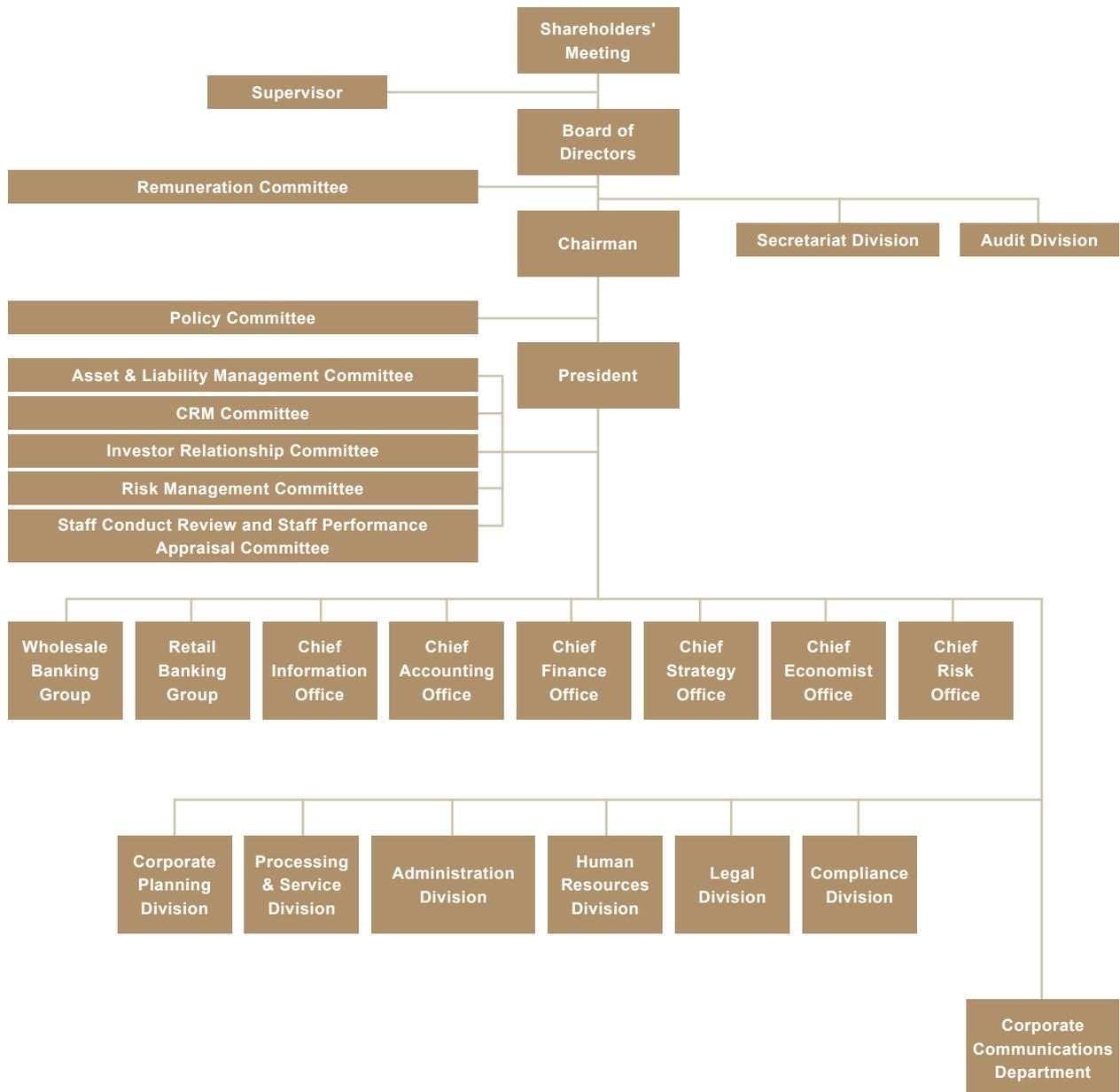
Corporate Governance

III. Corporate Governance

A. The organization of the financial holding firm

a. Organization chart

Base date: April 1, 2013



1. Responsibilities of major units

(1) Chief Economist Office

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

(2) 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

- 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.
- 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
- 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.

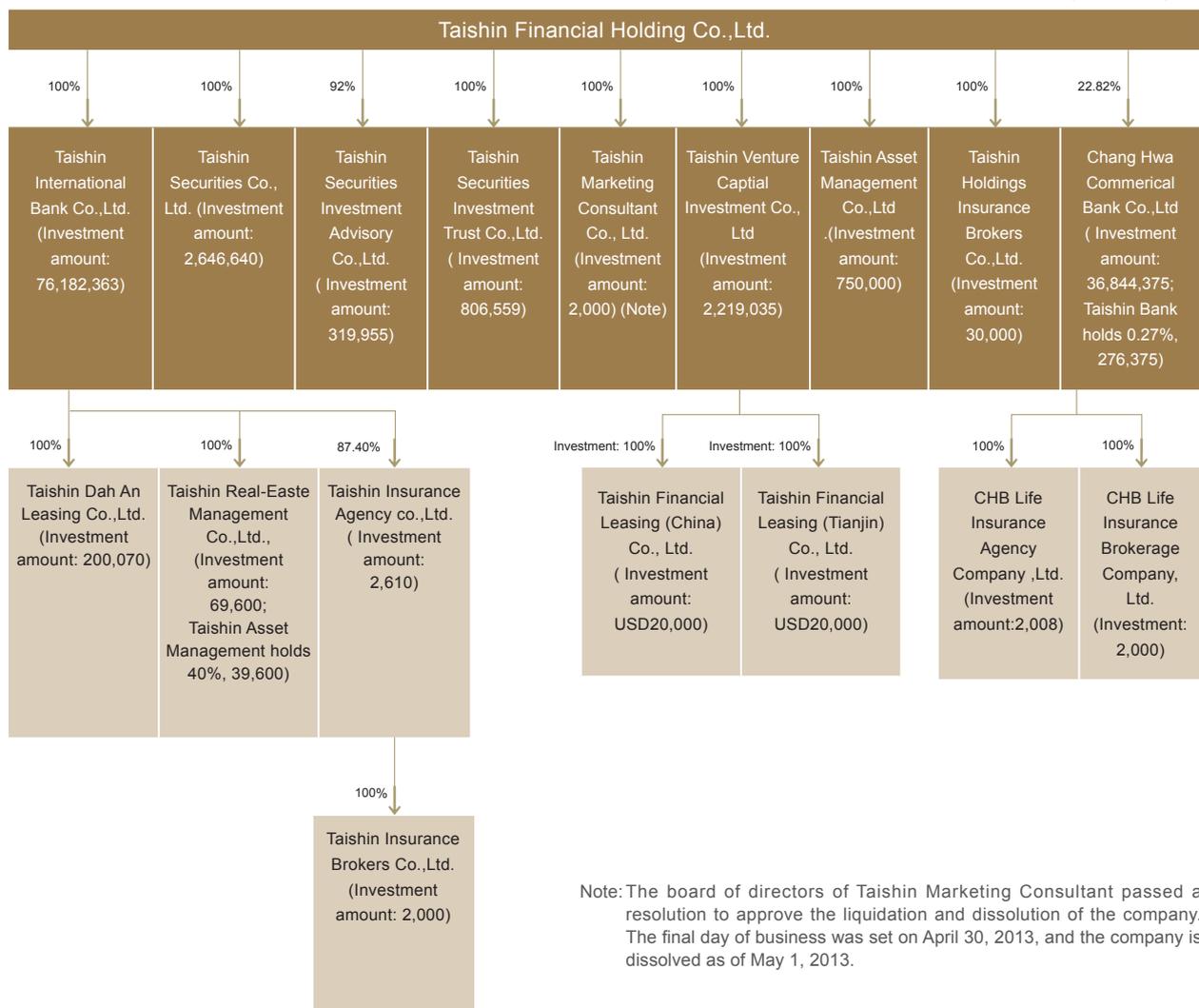
- Research, planning, revision, compilation, and execution of staff-training courses and materials.
 - Formulation, execution, and management of human resources-related contracts and documents of the company and subsidiaries.
- (10) Administration Division
- Drafting, formulation, and execution of the regulations and system of the company's administrative and general affairs.
 - Acceptance and sending of official documents.
 - Evaluation and execution of the company's major general affairs, construction/improvement and procurement.
 - Formulation, execution, and management of external contracts and documents of the company's administrative affairs.
 - Assistance for subsidiaries in the planning and management of administrative services.
- (11) 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.
- (12) 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.
- (13) 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.
- (14) 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.
- (15) 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.

The Organizational Chart of Taishin Financial Holding and Its Affiliates

Base date: Dec. 31, 2012
Unit: NT\$1,000/US\$1,000



Note: The board of directors of Taishin Marketing Consultant passed a resolution to approve the liquidation and dissolution of the company. The final day of business was set on April 30, 2013, and the company is dissolved as of May 1, 2013.

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, 2013

| 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 | Tong Shan Investment Co., Ltd. Representative: Jui-Sung Kuo | Director, International Bank of Taipei Ph.D. in Physics, New Hampshire University | Note 2 | 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 3 | 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 4 | Nil | Nil | Nil |
| Board director | Pan City Co., Ltd. Representative: Chu-Chan Wang | Standing supervisor, Taishin Financial Holdings, Taishin Bank Pharmaceutical Department, Kaohsiung Medical College | Note 5 | Nil | Nil | Nil |
| Board director | Bo-Rui Co., Ltd. Representative: Thomas K.H. Wu | President, Taiwan Stock Exchange Corporation Chairman, Taishin Securities. National ChengChi University | Note 6 | Nil | Nil | Nil |
| Independent director | Chih-Kang Wang | Minister of Ministry of Economic Affairs Ph.D. in Marketing, Texas A&M University | Note 7 | 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 8 | Nil | Nil | Nil |
| Standing supervisor | Master Advisor Management Consulting Co., Ltd. Representative: Yang-Tzong Tsay | Standing Director, Bank of Taiwan Dean of Accounting graduate school , National Taiwan University Ph.D. in Business Administration, University of Maryland | Note 9 | Nil | Nil | Nil |



| 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 10 | 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 11 | 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, Director of Yung-Kuang, Director of Beitou Hotel, Supervisor of Bo-Rui, 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.

Note2: 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.

Note3: Representative Cheng-Ching Wu, is concurrently acting as Chairman of TASCOCHEMICAL, Chairman of EXCEL Chemical, Chairman of Ming-Xing Chemical, Chairman of Tai-Ho Technology, Chairman of Tuntex Petrochemical Inc., Chairman of SAFEWAY GAS Co., Chairman of Ho-Shin Co., Chairman of Chang-Fong Transportation, Chairman of TNS Logistics International Corp., Managing Director of Chang Hwa Bank, Director of China Investment & Development, Director of CIDC Consultants, Director of Shun-Li-Tong Transportation.

Note4: Representative Steve S.F. Shieh, is concurrently acting as Director of Taishin-Da-an Leasing Co., Director of Taishin Insurance Agency, Director of PayEasy Travel Service.

Note5: Representative Chu-Chan Wang, is concurrently acting as Chairman of Pan City Co., Chairman of Hsien-Shun Enterprise, Director of Santo Arden Co., Supervisor of Tai-Wa Co.

Note6: Representative Thomas K.H. Wu, is concurrently acting as Managing Director of Taiwan Securities Association, Supervisor of GreTai Securities Market.

Note7: Chih-Kang Wang, is concurrently acting as Chairman of Taiwan External Trade Development Council, Chairman of Taipei World Trade Center, Chairman of The Shiner Education Foundation, Independent Director of Taishin Bank, Independent Director of Nan Ya Plastics, Independent Director of Formosa Sumco Technology, Director of Chilisun Electronics, Director of Straits Exchange Foundation, Executive of The General Association Of Chinese Culture.

Note8: Neng-Pai Lin, is concurrently acting as Independent Director of Taishin Bank, Independent Director of Darfon Electronics, Director of TECO Image Systems.

Note9: Representative Yang-Tzong Tsay is concurrently acting as Independent Director of E-Ton Solar Technology Corp., Independent Director of OBI Pharma, Inc., 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.

Note10: Representative Long-Su Lin, is concurrently acting as Chairman of Ennead Inc., Chairman of Ennead Leasing, Chairman of Ennead Investment, 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.

Note11: 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, 2013

| 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), Taishin Financial Leasing (Tianjin), Taishin Securities, Taishin Bank Foundation for Arts and Culture | Nil | | |
| Chief Executive Officer, Retail Banking Group | Oliver Shang | Chief Executive Officer, Chinattust Financial Holding University of Delaware, Master of Business Administration | Chairman of Taishin Holdings Insurance Brokers Director of Easy Card Corp. | | | |
| Chief Auditor | Howard Wu | Vice President of Citi Bank Baker University, U.S.A., Master of Science | None | | | |
| Chief Strategy Officer | Daniel Tsai | President of Taishin Bank EMBA, National Chiao Tung University | Director of Taishin Marketing | | | |
| Chief Information Officer | BR Ho | Vice president for technology and industrial consulting, SAP Taiwan Master of Management Information Systems, National Chengchi University | None | | | |
| Chief Financial Officer | Welch Lin | President, ABN AMRO Asia Limited Taipei Branch University of California, Los Angeles (UCLA), Master Of Business Administration | Supervisor of Taishin Dah An Leasing, Taishin Financial Leasing (China), Taishin Financial Leasing (Tianjin), Taishin Holdings Insurance Brokers, Taishin Real Estate Management, Director of Taishin Venture Capital, Taishin Insurance Agency, Taishin Insurance Broker Vice Chairman of Taishin Investment Trust Director of Chinese New Venture Capital, Tengfeng Venture Capital Supervisor of Tehlin Co., Ltd and Tehlin Investment Director of Yuantai Foreign Exchange Brokerage Director of Diamond Bio Fund & Diamond Capital Inc. Supervisor of An-Chieh Investment | | | |
| Chief Accounting Officer | Ann Cheng | Vice president, ABN AMRO BANK University of New Haven, Master of Business Administration | Supervisor of Taishin Marketing and Taishin Securities Senior Vice President of Taishin Bank | | | |



| 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 Risk Officer | Jey Chen | Vice President of KGI The University of Texas At Austin, Doctor of Philosophy | Vice President of Taishin Bank | None | | |
| 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 | David Chang | Vice President of Taishin Bank Department of Business MBA, National Chung Hsing University | Supervisor of Hsiang Chao Investment, Weifeng Investment, Chiahao Investment, Yiheng Investment, Chingwei Co., Ltd. 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 | | | |

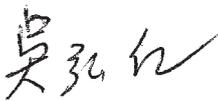
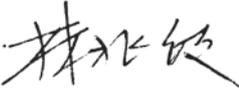
C. Items Concerning the Implementation of Internal Control System Which Should Be Disclosed

a. Internal Control Statement

To Financial Supervisory Commission:

April 25, 2013

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, 2012 to December 31, 2012. 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 32, article 171, and article 174 of the Securities Transaction Law.

| | | |
|--------------------|---|---|
| Chairman |  |  |
| President |  |  |
| Chief Auditor |  |  |
| Compliance Officer |  |  |



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

Base date: Dec 31, 2012

| Items needing improvement | Improvement measures | Schedule for improvement |
|---|---|---|
| Taishin International Bank | | |
| IT management | The bank has implemented an ISO27001-compliant personal information management system based on the standards (BS10012) set forth by The British Standards Institution (BSI). It has obtained BSI certification on September 15, 2012. | Improvement completed. |
| Taishin Securities | | |
| Management of proprietary trading of emerging stocks | Transaction costs and gains/losses have recalculated in the trading system, and new financial statements have been prepared and will be released and filed after they have been audited by CPAs. | Improvement completed. |
| Taishin Securities Investment Advisory | | |
| Management of establishment of business offices | Relocation has been planned. | Expected to be completed by the end of July 2013. |
| Chang Hwa Bank | | |
| Management of credit inquiries to the Joint Credit Information Center | An announcement has been made to stress that inquiries may not be made without the consent of the persons involved. In addition, tighter control has been imposed on the procedure to have daily inquiry summary printed for the review of the direct supervisor, and a record is created to register the rejected cases. | 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 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 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 Bank An employee was found to have uploaded customer's information onto the bank's extranet, for which the bank was fined NT\$4 million.(FSC, No. 10100320901,Nov.27,2012) | The bank has implemented an ISO27001-compliant personal information management system based on the standards (BS10012) set forth by The British Standards Institution (BSI). It has obtained BSI certification on 2012.9.15. |

| | Cases and values | Status of improvement |
|---------------------------------------|---|--|
| | <p>2. Chang Hwa Bank</p> <p>An employee opened a customer's safe deposit box without authorization and stole the cash within. The letter from the Financial Supervisory Commission ordered the bank to pay a fine of NT\$2 million and terminate the employment of the employee surnamed Chang.(FSC,No. 10120001860, April 19, 2012)</p> | <p>(1) An improvement report regarding this case was submitted by the bank in the official letter, Zhang-Ji No. 1010018892, to the FSC on June 15, 2012. With respect to the fine, the responsibilities of related personnel were reviewed and claims for damage were made against the responsible parties.</p> <p>(2) The FSC replied with "confirmed" in the letter Jin-Guan-Yin-Guo No. 10100196840, on June 25, 2012, and the case was closed.</p> |
| C. Defects being rectified by the FSC | <p>1. Taishin Financial Holdings</p> <p>(1) 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. (FSC, No. 1000007882, March 22, 2011)</p> | <p>The disclosure was made according to the stipulated format and content on March 24, 2011.</p> |
| | <p>(2) 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. (FSC, No. 1000036392, August 4, 2011)</p> | <p>The subsidiaries all implemented their own procedures for acquisition or disposal of assets to comply with the applicable regulations.</p> |
| | <p>2. Taishin Bank</p> <p>(1) Clerk 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).</p> | <p>Already revised related business regulation and held educational training program to strengthen employee to follow the law compliance.</p> |
| | <p>(2) 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).</p> | <p>Already rectified the operating flow and security control mechanism for surrogate fund collection at counters.</p> |
| | <p>(3) The FSC rectified the mistake for outsourcing the destruction of documents. (FSC, No. 10000371210, Dec. 9, 2011)</p> | <p>Already revised the operating mode and execution procedure for outsourcing work for the destruction of documents.</p> |



| | Cases and values | Status of improvement |
|---|---|---|
| | <p>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.(FSC,No. 10000466071 ,October 14, 2011)</p> | <p>(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.</p> <p>(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.</p> |
| | <p>4. Taishin Securities Investment Advisory The business offices were not independent and were shared with other enterprises, which was in violation of Item 11, Paragraph 1, Article 8 of the Standards Governing the Establishment of Securities Investment Consulting Enterprises. The Financial Supervisory Commission of the Executive Yuan issued an order for correction and compliance in the letter. (FSC,No. 1010058332, December 19, 2012)</p> | <p>Business offices expected to be relocated with the approval of the board of directors by June 30, 2013.</p> |
| | <p>5. Chang Hwa Bank The bank appointed 5 employees to serve concurrently as the presidents or vice presidents of the subsidiaries, CHB Life Insurance Agency and CHB Life Insurance Brokerage, while receiving concurrent bonuses, which was in violation of the Regulations Governing Investments in Other Enterprises by Commercial Banks. The Financial Supervisory Commission of the Executive Yuan issued a penalty and an order for correction according to Paragraph 1, Article 61-1 of the Banking Act on July 25, 2011.</p> | <p>(1) The Bank approved the transfer of these employee by following the "Management Guidelines on the Temporary Trasfer and Current Serving of CHB Employees at Other Financial Institutions Invested by the Bank"on April 1,2011.</p> <p>(2) The employees received bonus was recovered in full on Nov.,2011.</p> |
| D. Penalized by the FSC according to item 1, article 54, of the law | Nil | |

| | Cases and values | Status of improvement |
|--|--|---|
| <p>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 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.</p> | <p>Nil</p> | |
| <p>G. Other items mandated by the FSC for disclosure</p> | <p>1. Taishin Securities Investment Trust 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 .(MOEA No. 10001004140, January 7, 2011)</p> | <p>(1) The filing process has been included as part of the operating procedures. (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> |
| | <p>2. Taishin Securities The trading of emerging stocks in June and October 2010 did not comply with the Statements of Financial Accounting Standards No. 6 and was in violation of Article 2 of the Regulations Governing the Preparation of Financial Reports by Securities Firms. The Financial Supervisory Commission of the Executive Yuan issued a request for the CPA to perform the audit again and reissue and refile the financial statements in the letter. (FSC, No. 1010006190, March 30, 2012)</p> | <p>(1) New financial statements for 2010, the first half of 2011, the third quarter of 2011, and 2011 were prepared and submitted to be audited by the CPA, and were passed in the 28th meeting of the 9th board of directors on April 20, 2012. (2) Improvement plans were devised and internal guidelines were amended.</p> |



Taishin Holdings

04

Fund Raising

IV.Fund Raising

A. Shares and Dividend

Capital Sources

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 share4,000,000 | 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. 09201133710, 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. 09201133710, 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) |
| 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 42,987,687 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) |



| Times | Issuing Prices | Approved Capital | | Paid-in Capital | | Notes | |
|------------|----------------|------------------|-------------|---|--|--|---|
| | | Number of Shares | Value | Number of Shares | Value | Capital Sources | Others |
| 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 B preferred share 400,000 C preferred share 500,000 | Common share 51,149,993 B preferred share 4,000,000 C preferred share 5,000,000 | Issuance of convertible bonds in the third quarter 2005 | MOEA No. 09401208520, Oct. 20, 2005 (note 17) |
| Jan 2006 | 10 | 10,000,000 | 100,000,000 | Common share 5,123,209 B preferred share 400,000 C preferred share 500,000 | Common share 51,232,092 B preferred share 4,000,000 C preferred share 5,000,000 | Issuance for convertible bonds in the fourth quarter 2005 | MOEA, No. 09501013580, Jan. 26, 2006 (note 18) |
| March 2006 | 10 | 10,000,000 | 100,000,000 | Common share 4,869,077 B preferred share 400,000 C preferred share 500,000 | Common share 48,690,778 B preferred share 4,000,000 C preferred share 5,000,000 | Capital reduction (cancellation of treasury stocks) | MOEA, No. 09501037680, March 7, 2006 (note 19) |
| March 2006 | 10 | 10,000,000 | 100,000,000 | Common share 5,424,633 B preferred share 400,000 C preferred share 500,000 D preferred share 777,777 | Common share 54,246,333 B preferred share 4,000,000 C preferred share 5,000,000 D preferred share 7,777,777 | Issuance for capital increment via private placement | MOEA, No. 09501053470, March 29, 2006 (note 20) |
| April 2006 | 10 | 10,000,000 | 100,000,000 | Common share 5,438,942 B preferred share 400,000 C preferred share 500,000 D preferred share 777,777 | Common share 54,389,420 B preferred share 4,000,000 C preferred share 5,000,000 D preferred share 7,777,777 | Issuance for convertible bonds in the first quarter 2006 | MOEA, No. 09501068440, April 18, 2006 (note 21) |
| July 2006 | 10 | 10,000,000 | 100,000,000 | Common share 5,438,942 C preferred share 500,000 D preferred share 777,777 | Common share 54,389,420 C preferred share 5,000,000 D preferred share 7,777,777 | Capital reduction upon maturity of B preferred shares | MOEA, No. 09501152460, July 20, 2006 (note 22) |

| Times | Issuing Prices | Approved Capital | | Paid-in Capital | | Notes | |
|-----------|----------------|------------------|-------------|---|--|--|---|
| | | Number of Shares | Value | Number of Shares | Value | Capital Sources | Others |
| 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. 24, 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. 27, 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 13, 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) |
| Aug 2012 | 10 | 12,000,000 | 120,000,000 | Common share 6,891,447 C preferred share 466,159 D preferred share 725,136 | Common share 68,914,472 C preferred share 4,661,593 D preferred share 7,251,368 | Capital increase by earning | MOEA, No. 10101169090 Aug. 17, 2012 (note 30) |
| Oct 2012 | 10 | 12,000,000 | 120,000,000 | Common share 6,891,447 D preferred share 725,136 | Common share 68,914,472 D preferred share 7,251,368 | Class C preferred shares matured | MOEA, No. 10101207260 Oct. 8, 2012 (note 31) |

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 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.
- Note 30: 566,400,000 new shares were issued for capital increment with the company's earnings.
- Note 31: The company recovered NT\$15 billion of mature Class C preferred shares at 466,159,384 shares on September 28, 2012.

| Share | Approved Capital | | | Notes |
|--------------------|-----------------------|-------------------------|-----------------------|-----------------|
| | Shares in circulation | Shares without issuance | Total | |
| Common Shares | 6,891,523,270 shares | 4,383,339,910 shares | 12,000,000,000 shares | Listed shares |
| D Preferred Shares | 725,136,820 shares | | | Unlisted shares |

B. Structure of Shareholders

Structure of Shareholders(Common shares)

Base date: April 23, 2013

| Structure of Shareholders Quantity | Government Institutions | Financial Institutions | Other Institutional Shareholders | Personal Shareholders | Foreign Institutions and Personal Shareholders | Total |
|---------------------------------------|-------------------------|------------------------|----------------------------------|-----------------------|--|---------------|
| Number of Shareholders | 16 | 122 | 496 | 204,907 | 686 | 206,227 |
| Shares | 122,361,740 | 463,574,604 | 1,181,776,959 | 2,812,444,698 | 2,311,365,269 | 6,891,523,270 |
| Share of stake(%) | 1.77 | 6.73 | 17.15 | 40.81 | 33.54 | 100.00 |

Structure of Shareholders (D preferred shares)

Base date: April 23, 2013

| Structure of Shareholders Quantity | Government Institutions | Financial Institutions | Other Institutional Shareholders | Personal Shareholders | Foreign Institutions and Personal Shareholders | Total |
|---------------------------------------|-------------------------|------------------------|----------------------------------|-----------------------|--|-------------|
| Number of Shareholders | 0 | 1 | 15 | 0 | 0 | 16 |
| Shares | 0 | 258,977,435 | 466,159,385 | 0 | 0 | 725,136,820 |
| Share of stake(%) | 0.00 | 35.71 | 64.29 | 0.00 | 0.00 | 100.00 |

C. Distribution of Shareholding

Distribution of Shareholding (Common shares)

Base date: April 23, 2013; Par Vaule NT\$10

| Classification of Shareholding | Number of Shareholders | Shares | % |
|--------------------------------|------------------------|-------------|------|
| 1~ 999 | 72,031 | 23,804,426 | 0.35 |
| 1,000~ 5,000 | 66,545 | 158,543,599 | 2.30 |
| 5,001~ 10,000 | 23,775 | 172,670,202 | 2.51 |
| 10,001~ 15,000 | 13,953 | 168,064,806 | 2.44 |
| 15,001~ 20,000 | 5,840 | 103,192,714 | 1.50 |
| 20,001~ 30,000 | 8,970 | 213,281,992 | 3.09 |
| 30,001~ 50,000 | 5,606 | 217,909,300 | 3.16 |
| 50,001~ 100,000 | 4,652 | 323,395,921 | 4.69 |



| Classification of Shareholding | Number of Shareholders | Shares | % |
|--------------------------------|------------------------|---------------|--------|
| 100,001~ 200,000 | 2,390 | 325,039,224 | 4.72 |
| 200,001~ 400,000 | 1,174 | 322,056,701 | 4.67 |
| 400,001~ 600,000 | 360 | 177,327,553 | 2.57 |
| 600,001~ 800,000 | 216 | 151,396,111 | 2.20 |
| 800,001~ 1,000,000 | 121 | 109,002,778 | 1.58 |
| 1,000,001~ | 594 | 4,425,837,943 | 64.22 |
| Total | 206,227 | 6,891,523,270 | 100.00 |

Distribution of Shareholding (D preferred shares)

Base date: April 23, 2013; 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 23, 2013

| Major Shareholders | Shares | Shares (Including Common shares and preferred shares) | Share of Stake(%) |
|---|--------|---|-------------------|
| Cathay Life Insurance Co., Ltd. | | 258,977,435 | 3.40 |
| Taishin Leasing & Financing Co., Ltd. | | 217,189,507 | 2.85 |
| Ching-Wei Co., Ltd. | | 175,212,559 | 2.30 |
| Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds | | 133,945,316 | 1.76 |
| Pan City Co., Ltd. | | 104,882,612 | 1.38 |
| TASCO Chemical Corporation | | 93,879,129 | 1.23 |
| Dimensional Emerging Markets Value Fund | | 92,810,230 | 1.22 |
| Shinkong Synthetic Fibers Corporation | | 90,470,631 | 1.19 |
| Tong Shan Investment Co., Ltd. | | 89,164,688 | 1.17 |
| Farglory Life Insurance Co., Ltd. | | 76,049,561 | 1.00 |

Note: Specify top 10 shareholders.

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

UNIT: NT\$1

| Items | | Year | 2011 | 2012 | As of Mar. 31,2013 |
|-----------------------------------|--|------------------------------|-----------|-----------|--------------------|
| | | | | | |
| Market Price Per Share (note1) | Highest | | 16.80 | 12.65 | 13.10 |
| | Lowest | | 8.54 | 9.99 | 11.40 |
| | Average | | 13.37 | 11.31 | 12.13 |
| Net Assets per Share | Before payout (coverage of loss) | | 11.98 | 12.25 | 12.99 |
| | After payout (coverage of loss) | | 10.79 | (Note 2) | – |
| EPS (note1) | Average Outstanding Stock (Unit:1,000 share) | Before Adjustment | 6,324,866 | 6,891,447 | 6,891,466 |
| | | After Adjustment | 6,891,250 | 6,891,447 | – |
| | EPS | Before Adjustment | 1.26 | 1.30 | 0.57 |
| | | After Adjustment | 1.16 | 1.30 | – |
| Dividends | Cash Dividend | | 0.22387 | (Note 2) | – |
| | Stock grant | Allotment by Earning | 0.89548 | (Note 2) | – |
| | | Allotment by Capital Surplus | 0 | (Note 2) | – |
| | Accumulated Undistributed Dividends (NT\$1,000) (Note 3) | | 525,000 | 388,730 | 388,730 |
| Analysis for Return on Investment | Price to Earning Ratio(Note 4) | | 11.57 | 8.67 | – |
| | Price to Profit Ratio(Note 5) | | 65.31 | (Note 2) | – |
| | Yield Rate of Cash Dividend(Note 6) | | 1.53% | (Note 2) | – |

Note 1:Market Price Per Share and EPS calculation has been retroactively adjusted for the Capital increase by earning.

Note 2:The Earning distribution for year 2012 hasn't been approved by the 2013 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.

F. The Policy and Implementation of Dividends

a. Dividend Policy

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.

b. Items on the agenda of the shareholders' meeting

The company's audited net profit after tax in 2012 is NT\$10,261,679,994. The amount available for distribution this time after the addition of dividend distribution increments is NT\$9,970,486,954, which is planned to be distributed as follows:

- (1) Allocate 10% at NT\$997,048,695 as the statutory surplus reserve according to the Company Act and the company's Articles of Incorporation;
- (2) allocate cash dividends with secondary priority to Class C and Class D preferred shares of the company at NT\$388,729,508 and NT\$910,000,001, respectively;
- (3) and then allocate dividends of NT\$7,674,708,750 to common share holders in the form of NT\$1,534,941,750 in cash dividends (NT\$0.22 per share) and NT\$6,139,767,000 in stock dividends (NT\$0.89 per share). In particular, NT\$6,139,767,000 of stock dividends are to be used to increase capital with an issue of 613,976,700 new common shares at NT\$10 par value per share and the same rights as those associated with the existing common shares.

G. Issuance of Corporate Bonds

a. Issuance of Corporate Bonds

Issuance of Corporate Bonds -1

Base date: March 31, 2013

| Type of Corporate Bonds | 2005 Domestic 1 st Unsecured Subordinated Corporate Bond | 2005 Domestic 2 nd Unsecured Subordinated Corporate Bond |
|-------------------------|---|---|
| Date of Issuance | September 20/21,2005 | November 15,2005 |
| Par value | NT\$10,000,000 | NT\$10,000,000 |
| Issue & trade place | Republic of China | Republic of China |
| 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 |

| Type of Corporate Bonds | 2005 Domestic 1 st Unsecured Subordinated Corporate Bond | 2005 Domestic 2 nd Unsecured Subordinated Corporate Bond |
|--|---|---|
| Trustee | SinoPac Bank | Mega Bank |
| Underwriting organization | None | None |
| Verification lawyer | Modern Law office | Modern Law office |
| CPA-auditor of the financial report | 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 | Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement. | Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement. |
| 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 |
| | Terms and Conditions | None |
| Amortization | None | None |
| Custodian | None | None |

Issuance of Corporate Bonds -2

Base date: March 31, 2013

| Type of Corporate Bonds | 2005 Domestic 3 rd Unsecured Subordinated Corporate Bond | 2010 Domestic 1 st Unsecured Subordinated Corporate Bond |
|-------------------------|---|---|
| Date of Issuance | December 8,2005 | December 17,2010 |
| Par value | NT\$50,000,000 | NT\$10,000,000 |
| Issue & trade place | Republic of China | Republic of China |
| Offering price | 100% | 100% |
| Total Amount | NT\$3 Billion | NT\$5.3 Billion |



| Type of Corporate Bonds | 2005 Domestic 3 rd Unsecured Subordinated Corporate Bond | 2010 Domestic 1 st Unsecured Subordinated Corporate Bond |
|---|---|---|
| Interest rate | Face interest rate is based on the flexible interest rate for one-year time savings deposit plus 0.5% 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. | 2.3% |
| Term | 7 years(December 8, 2012) | 7 yeas(December 17, 2017) |
| Priority | Subordinated | Subordinated |
| Guarantor | None | None |
| Trustee | Mega Bank | SinoPac Bank |
| Underwriting organization | None | None |
| Verification lawyer | Modern Law office | Modern Law office |
| CPA-auditor of the financial report | Deloitte & Touche | Deloitte & Touche |
| Settlement method | Redemption at Maturity | Redemption at Maturity |
| Unsettled balance | None | NT\$5.3Billion |
| The conditions and terms for redemption or early settlement | None | None |
| Restriction terms | Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement. | Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement. |
| 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) | S&P Taiwan, 2010.12.09 tw BBB+ |
| Other Rights | Conversion GDR or others | None |
| | Terms and Conditions | None |
| Amortization | None | None |
| Custodian | None | None |

Issuance of Corporate Bonds -3

Base date: March 31, 2013

| Type of Corporate Bonds | 2010 Domestic 2 nd Unsecured Subordinated Corporate Bond | 2011 Domestic 1 st Unsecured Subordinated Corporate Bond |
|--|---|---|
| Date of Issuance | January 27,2011 | August 5,2011 |
| Par value | NT\$10,000,000 | NT\$50,000,000 |
| Issue & trade place | Republic of China | Republic of China |
| Offering price | 100% | 100% |
| Total Amount | NT\$2.7 Billion | NT\$5.2 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.. | 2.2% |
| Term | 7 years(January 27, 2018) | 7 yeas(August 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 | Deloitte & Touche | Deloitte & Touche |
| Settlement method | Redemption at Maturity | Redemption at Maturity |
| Unsettled balance | NT\$2.7 Billion | NT\$5.2Billion |
| The conditions and terms for redemption or early settlement | None | None |
| Restriction terms | Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement. | Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement. |
| 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 | None | None |
| | None | None |
| Amortization | None | None |
| Custodian | None | None |



Issuance of Corporate Bonds -4

Base date: March 31, 2013

| Type of Corporate Bonds | 2011 Domestic 2 nd Unsecured Subordinated Corporate Bond | 2012 Domestic 1 st Unsecured Subordinated Corporate Bond |
|--|---|---|
| Date of Issuance | October 5,2011 | May 15,2012 |
| Par value | NT\$10,000,000 | NT\$50,000,000 |
| Issue & trade place | Republic of China | Republic of China |
| Offering price | 100% | 100% |
| Proceed raised | NT\$1.8 Billion | NT\$7.0 Billion |
| Interest rate | 2.2% | 2.0% |
| Term | 7 years(October 5, 2018) | 7 yeas(May 15, 2019) |
| Priority | Subordinated | Subordinated |
| Guarantor | None | None |
| Trustee | SinoPac Bank | Yuanta Bank |
| Underwriting organization | None | None |
| Verification lawyer | Modern Law office | Modern Law office |
| CPA-auditor of the financial report | Deloitte & Touche | Deloitte & Touche |
| Settlement method | Redemption at Maturity | Redemption at Maturity |
| Unsettled balance | NT\$1.8 Billion | NT\$7.0 Billion |
| The conditions and terms for redemption or early settlement | None | None |
| Restriction terms | Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement. | Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement. |
| 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) | S&P Taiwan, 2012.05.08, tw BBB+ |
| Other Rights | None | None |
| | None | None |
| Amortization | None | None |
| Custodian | None | None |

b. Convertible Bonds: Nil.

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.

H. Issuance of Preferred Shares

a. Issuance of Preferred Shares

Base date: March 31, 2013

| Item | | Issuing Date | | |
|--|---|--|--|---|
| | | 2005.09.28 Series C | 2006.03.22 Series D private placement | |
| Face value | | NT\$10 | NT\$10 | |
| Issued Price | | NT\$30 per share | NT\$18 per share | |
| Total shares | | 500,000,000 shares;The amount of shares was decreased to 446,159,384 shares after capital reduction on Dec. 4, 2009. | 777,777,779 shares;The amount of shares was decreased to 725,136,820 shares after capital reduction on Dec. 4, 2009. | |
| Total amount | | NT\$15.0 Billion | NT\$14,000,000,022 | |
| Obligation & Rights | Coupon | 3.5%(accumulative) | 6.5%(non-accumulative) | |
| | Allotment of remaining properties | Prior to Common shares | Prior to Common shares, but subsequent to Series C Preferred shares | |
| | Voting Right | Not eligible for voting or election, but can be elected | 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 | Same with Common shares and has the refusal for new stocks from cash injection | |
| Outstanding shares | Number of shares of redemption or conversion | NT\$15.0 Billion | 0 | |
| | Total amount to be redeemed or converted | 0;the Class C preferred shares matured as of September 28, 2012 | NT\$14,000,000,022 | |
| Market Price | 2010 | Highest | 33.20 | - |
| | | Lowest | 29.10 | - |
| | | Average | 31.68 | - |
| | 2011 | Highest | 34.50 | - |
| | | Lowest | 30.65 | - |
| | | Average | 32.73 | - |
| | 2012 (Note) | Highest | 33.35 | - |
| | | Lowest | 32.25 | - |
| | | Average | 33.02 | - |
| | As of 2013.03.31 | Highest | N/A | - |
| | | Lowest | N/A | - |
| | | Average | N/A | - |
| Others | Total amount of conversion shares up to the published day | N/A | 0 | |
| | Terms and conditions | Refer to the company's corporate charter | Refer to the company's corporate charter | |
| Dilution;Impact on current shareholders and preferred shareholders | | None | None | |

Note:Class C preferred shares matured and ceased to be traded in the market as of September 28, 2012.

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



I. The Progress of Employees' Stock Warrant

Base date: March 31, 2013

| 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(%) | 1.97 | 1.97 | 0.99 | 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 | 2013.08.31 ~ 2021.08.30 First to fifth issuance: 15-40% each |
| Amount of shares obtained via execution of warrants | 0 | 1,819,000 | 43,000 | 0 |
| Value of shares obtained via execution of warrants | 0 | 27,103,100 | 503,100 | 0 |
| Amount of shares for warrants yet to be executed | 40,450,000 | 108,608,000 | 60,871,500 | 1,507,000 |
| Share price for warrants yet to be executed | NT\$17.2 | NT\$12.5 | NT\$11.7 | NT\$11.8 |
| Percentage of the amount of shares for warrants yet to be executed in the total amount of issued shares(%) | 0.53 | 1.43 | 0.80 | 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. |

J. Merging of Entrusted for Other Financial Institution

a. Taishin Holding

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.

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.

c. Taishin Investment Trust

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.

K. The Execution of Fund Utilization Plan

a. Contents of the plan

(a) Incomplete issue or private offering of securities: Nil.

(b) Completed in last three years but without apparent benefits: Nil.

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 wholesale banking and retail 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. Reinforcing global competitiveness and building international business structure

The company will take an aggressive approach to overseas expansion after the government announced the policy to "build a global network and promote the adoption of international standards in the financial market". Meanwhile, the company will increase the weight of international operations and train an international team with management skills in order to establish the company and its subsidiaries in the global financial market and prepare them for future expansion.

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 wholesale-banking, retail-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

With respect to market supply, the excessive number of banks in Taiwan and the abundant money supply in the market led to price competition among the banks, which resulted in relatively low credit spreads between deposits and loans. Many domestic banks are actively trying to improve their loan structures by issuing more loans to small and medium enterprises and individual consumers with higher interest rates to increase the loan credit spread. In addition, banks from Mainland China (e.g. Bank of China, Bank of Communications) have established branches in Taiwan, which, despite their small numbers, have created a certain degree of impact on Taiwanese companies. Therefore, it is likely that the competition in the local banking industry will become more intense.

With respect to market demand, there have been frequent cross strait interactions, and Mainland China has become the largest trade market for Taiwan. In addition, as a cross strait monetary settlement system is being established, the banks are now able to provide RMB services, including deposits and loans, wire transfers, RMB bonds, and RMB denominated products, which will generate more fee income. Furthermore, the cross strait settlement system allows overseas financial institutions to participate in RMB settlement, which will help Taiwan grow into an offshore market for RMB. It is clear that RMB services will be one of this year's key areas of business for the banking industry in Taiwan.

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.

Taishin International Bank Co., Ltd.**a. Business contents****1. Growth and change in various business items****(1) Wealth Management**

For wealth management, the bank provides tailor-made financial consulting service to customers, whose total assets exceeding NT\$1 million or active users of retail banking and credit card services. The bank also provides financial information to deposit account holders averaging less than NT\$1 million in balance as means of growing banking relationship with potential customers. Via strong Financial Advisory system, we provide tailor-made financial recommendations to each customer according to their life stage, financial needs and risk preferences.

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) Retail banking

The bank's retail 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) Wholesale 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

The Electronic Banking Department currently oversees Taishin Bank's digital service network from ATM, Internet banking to mobile banking. In addition to enhancing system functionality, the department also explores ways to increase customers' usage and utilize the virtual network as means of building customer loyalty. In order to provide customers with more convenience, Taishin Bank has joined Visa International to offer "Visa Money Transfer" service over its Internet banking platform. The availability of "Internet banking / automated services" gives customers quicker, cheaper, and more secure means of channeling funds. To accommodate customers' demands for greater versatility in making fund transfers, Taishin Bank has introduced a new authentication method to its Internet banking platform involving the use of smartphone apps combined with One Time Passwords (OTP). This solution gives customers the freedom of transferring funds into non-designated accounts without the use of ATM cards or card readers.



The mobile banking system's functionality has increased greatly since it was first introduced in 2010. New features have also been added in 2012, such as fund trading, currency exchange, barcode-based payments, and e-tag settings. In addition to basic transaction functions, extra transaction functions have been added which have greatly enhanced the system's features. In light of the growing amount of users and trade volumes over the mobile banking network, Taishin Bank has placed its major focus on delivering the easiest and most convenient user experience by introducing a new device-based authentication method. Customers can complete non-designated transactions after security certification process through chip cards, which is both secure and practical.

Taishin Bank operates an ATM network that covers the majority of Taiwan to serve customers within and outside its branches. Usage of Taishin Bank's ATM network has increased progressively over the last few years, both in terms of users and transaction volume. After accumulating valuable experiences, we optimized our ATM interfaces at the end of 2012. Featuring a simplified and more intuitive layout with revised procedures that not only shorten the time taken to complete each transaction, the optimized ATMs also provide a smoother, more satisfying user experience. Taishin Bank operates an ATM network that covers the majority of Taiwan to serve customers within and outside its brand. Usage of Taishin Bank's ATM network has increased progressively over the last few years, both in terms of users and transaction volume. After accumulating valuable experiences, the ATM network underwent an interface upgrade towards the end of 2012, featuring a simplified and more intuitive layout with revised procedures that not only shortened the time taken for each transaction, but also provided a more fluent, satisfactory user experience.

In an attempt to reward long-time virtual network users, Taishin Bank has created a reward point system and introduced a series of incentive campaign to promote usage. This new system integrates four of the bank's major electronic networks as well as marketing campaigns organized with internal and external partners. The system was innovative in so many ways that it won the 12th "e-21 Silver Award" by the Ministry of Economic Affairs in 2012.

(5) Trust Financial Service

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 launched "employee shareholding trust" in May 2012; furthermore, the completion of new laws on restricted stock units during the second half of 2012 has given rise to trust opportunities that could be offered in conjunction with this new form of compensation, therefore the bank will launch "employee savings trust" in the second half of 2013 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.

For mutual fund business, the bank provides comprehensive investment portfolios covering a broad range of industries around the world to satisfy the diverse needs of customers. We also continually introduce new mutual funds that are tailored to meet the different characteristics and requirements of customers and offer differentiated merchandise.

In terms of fixed yields products, The bank offers quality overseas corporate bonds and financial bonds for customers favoring fixed yields in their assets allocation. The bank also accepts professional investors to entrust offshore structured notes, so as to provide more opportunities to high-assets professional investors.

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

| Net income share (%) | 2012 | 2011 |
|-----------------------|------|------|
| Retail banking | 63% | 67% |
| Wealth management | 26% | 24% |
| Consumption financing | 25% | 27% |
| Credit card | 12% | 16% |
| Wholesale banking | 37% | 33% |
| Total | 100% | 100% |

b. Business plan for the current year

1. Wealth management

- (1) Brand image
 - (a) Strengthen brand image, becoming the best wealth-management bank in the minds of customers. 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.
 - (b) 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.
 - (c) Enhance employee quality and customer satisfaction, and strengthen risk-management and crisis-handling capability.
- (2) Multi-channel distribution
 - (a) Further develop non-branch sales channels and utilize Internet media to develop online and mobile banking customers. Customers can choose to become cloud members and enjoy various privileges via using the automated service network.
 - (b) Exclusive campaigns for cloud wealth management members.
 - (c) Enhanced cross-selling via financial advisors.
- (3) Refined customer segmentation
 - (a) Increased wealth management customer base by upgrading potential customers, while improving product penetration to existing wealth management customers.
 - (b) Broadened analysis on sub-segment customers; shifting business focus from product-driven to customer-driven; offering products and services that satisfy customers' needs; and integrating the resources of Taishin Financial Holdings to deliver the ultimate one-stop-shopping experience.
- (4) Diversified product lines
 - (a) Enrich product integrity by introducing the best products on the market through the open platform, along with Taishin's unique product offerings, including securities lending trusts and the "So Easy plan".
 - (b) Provide the most attractive perks and benefits in the market along with the best feedback to wealth management customers.



- (c) Introduce packaged products combined with customized asset allocation to improve the growth of wealth management and insurance businesses, while increasing the deposit base in the meantime.

2. Retail banking

- (1) Differentiate from the competition by raising product awareness and competitiveness.
- (2) Improve business performance by optimizing credit-approval efficiency without compromising credit quality and risk management.
- (3) Provide customers with the most suitable products and services based on precise statistical analyses and cross-channel collaborations.
- (4) Establish cross-industry alliance and integrate marketing resources.
- (5) Incorporate the latest technologies into new products and target emerging customers.

3. Wholesale banking

- (1) Enrich the existing product line through product innovation; anchor customer relationship by offering more variety of solutions.
- (2) Enhance collection and payment services and strengthen transaction-backed financing. Provide integrated NTD and foreign currency cash management as means of promoting current deposits ratio while enhancing customer relationship and reducing credit risks.
- (3) Extend the existing collaboration between retail and wholesale banking segments; utilize retail banking channels to explore export financing business; aim to achieve higher growth in SME financing; explore potential SME (small and medium enterprise) customers.
- (4) Explore collaborative opportunities with Chinese banks on trade financing services.
- (5) Establish overseas branches in Singapore and Brisbane, Australia; utilize Taishin Group's Chinese leasing platform to engage in RMB-denominated leasing and factoring services for lending spreads.
- (6) Optimize credit-extension underwriting procedures and enhance risk management to ensure sound asset quality.
- (7) Develop a comprehensive talent training system to support growing businesses; build the bank's overseas talent pool through regular job rotation.

4. E-financial business

In order to provide customers with a better user experience, the bank's official website and internet banking system will undergo a major overhaul this year. Apart from introducing a more intuitive interface, the bank will also simplify its transaction flow so that customers are able to complete their transactions in just three clicks. Meanwhile, the upgraded system will support multiple operating systems and multiple browsers. Furthermore, in response to growing online shopping demands, the bank will also upgrade its online ATM functions to host a number of smart pay transactions that will provide customers more seamless banking service.

Taishin Bank will make several intuitive changes to the flow and interface of its mobile banking system, after consolidating opinions from users. These changes have been scheduled to take place in the second half of this year, and will be focused on delivering the best user experience. Moreover, much expectation has been placed on Taishin Bank's mobile banking platform to serve as a bridge with its customers wherever they go. As a result, the mobile platform will be integrated with every information and service the bank has offered, including online applications for various products, VIP upgrades and online financial consultation. Given the highly mobile nature of smartphones, the mobile banking network is not only a transaction media, but also a means in which customers can access Taishin Bank's personalized services. In the last few years, banks and convenience store chains have worked closely to incorporate ATMs into retail services, which not only brought greater convenience to customers' lifestyles but also set the model

example of a win-win solution. In 2013, Taishin Bank will continue working closely with convenience store chains, and introduce a new customer loyalty program - The Coupon System, based on a cross-industry alliance. The idea of this new initiative is to offer more privileges to customers simply for using Taishin Bank's ATMs.

5. Trust financial service

- (1) Enhance "So Easy target wealth-management project," to boost the scale of installment products and push installment payment products, so as to 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) Enrich Taishin Bank official website with information on market trends, products and subscription privileges.
- (6) Promote funds with a variety of themes; provide custom-tailored services to address changing market trends and customers of different profiles and segments.
- (7) Modify the product lineup of domestic and offshore funds, so as to satisfy the customers' needs about asset allocation planning.
- (8) Introduce privileges on fund subscriptions as means of exploring customers and anchoring banking relationship.
- (9) Introduce multi-themed and RMB-denominated offshore ETFs, so as to offer customers suitable instruments to invest in under any market condition.
- (10) Offer quality offshore bank debentures and corporate bonds in multiple currencies (including RMB).
- (11) Continue to accept professional investors to entrust offshore structured notes.

c. Industry status

Same as described under "c. Industry status" of Taishin Financial Holding.

d. R&D and business development

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

| Item | 2011 | 2012 |
|---------------------|-----------------|-----------------|
| Mortgage Loan | NT\$266.1B | NT\$292B |
| Auto Loan | NT\$15.7B | NT\$21.8B |
| Other consumer loan | NT\$21.6B | NT\$26.6B |
| Credit card | 2,960,000 cards | 3,150,000 cards |

- (1) As of the end of 2012, outstanding mortgages reached NT\$292 billion, with market share of 5%; outstanding auto loans amounted to NT\$21.8 billion, with market share of 25.6%, ranking first place in the market; and outstanding amount of other consumer loans hit NT\$26.6 billion, with market share of 3.27%. Outstanding amount of overall consumer loans grew 23% in the year.
- (2) As of the end of 2012, the bank's credit cards in circulation numbered 3.15 million cards, with market share of 9.2%, ranking fourth place in the market; the number of effective cards amounted to 2 million



cards, with 9.3% market share, ranking fifth place; in the year, total credit-card spending value topped NT\$152.7 billion, for market share of 8.7%, ranking fifth place. The bank currently has 58,000 merchants as its customers, representing a market share of 19.9%, ranking third place.

- (3) In 2011, set up marketing alliance department under retail banking marketing division to develop auto-loan business via strategic alliance. As of the end of 2012, outstanding loans reached NT\$5.59 billion.

2. Major financial products of wholesale 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\$196.1 billion at the end of 2012, ranking 14th place among 38 domestic financial institutions, similar to the ranking a year earlier.
- (2) Outstanding loans for small and medium enterprises
In line with the government's policy of providing the assistance of loaning to small and medium businesses and the purpose of expanding the bank's customer group, the bank extended NT\$66.6 billion of outstanding loans to small and medium businesses as of the end of 2012, up 22% over a year earlier, compared with the industry average of 10%.
- (3) L/C and export negotiation
Due to increasing varieties of trade financing options available and changes in commercial practices, the total amount of L/C issued in 2012 reached US\$700 million , a declined of 29% over than the previous year, whereas export negotiation had increased by 25% over the previous year to US\$1.65 billion.
- (4) Factoring business
The bank is still a market leader for factoring business and undertook NT\$241.6 billion of such business in 2012, declined 19% than previous year, with equal emphasis on the maintenance of customer relationship, pricing and risk.

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

| Year | 2011 AUM | 2012AUM |
|---------------------------------------|----------|---------|
| So Easy target wealth-management plan | 6,167 | 5,004 |
| Planned money trust | 5,928 | 6,500 |
| Securities trust | 28, 025 | 27,649 |
| Offshore Structured notes | 26,061 | 18,664 |
| offshore ETF | 2,083 | 2,251 |
| Overseas bonds | 1,184 | 4,275 |
| Domestic and overseas funds | 106,783 | 108,979 |

4. R&D achievements in the recent two years

- (1) Launch of co-brand cards with Shinkong Mitsukoshi - adjusted product benefits to include EasyCard functions, allowing customers to pay for more varieties of purchases.
- (2) Dynamic Currency Conversion (DCC) - Taishin is pioneered the ability to enable customers to charge credit card purchases denominated in NTD when used overseas.
- (3) E-Tag autoloan - the first in the market to offer automatic top-ups to customer's prepaid toll account via credit card or direct debit, thereby giving customers one less thing to worry on the road.
- (4) Limited edition NFC accessory for iPhone 4 - a new accessory that gives cellphones the access to EasyCard and Paypass information, allowing payments to be made via cellphone.
- (5) Explored new channels (e.g. social networks) that can be used to reach the bank's existing customers and increase product penetration at lesser costs.

- (6) Enhanced scoring system - reduced the bank's credit risks by optimizing scorecards designed for various products.

5. Future R&D plan

- (1) Retail banking
 - (a) Refined scorecards and statistical models, and introduced location-based analysis for improved marketing efficiency and product penetration.
 - (b) Introduced new technologies and enhanced virtual sales channels to make mobile payment a reality. Launched products that were more relevant to customers' needs and market trends.
 - (c) Continued process optimization and introduced a bank-wide image database to facilitate better service efficiency and quality.
- (2) Wholesale banking
 - (a) Improved new product development and pricing; increase the weight of self-developed products in our portfolio for higher profitability.
 - (b) Expand pluralized treasury product lineup via combination of interest rate, exchange rate, bond, bulk commodities, and equity.
 - (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) Focus on launching RMB business in light of upcoming deregulations.
 - (f) Expand offshore financing and the number of overseas branches, strengthen the function of e-network trading platform, so as to satisfy customers' need for cross-border fund maneuvering.

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) Offer enhanced privileges as rewards to wealth management customers.
 - (e) Strengthen the wealth management team, enhance employee's expertise.
 - (f) Improve ability to analyze customers, to provide more suitable 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. Retail banking

- (1) Short-term business development plan
 - (a) Conduct various trials and increase the volume of high-yield services under balanced risks.
 - (b) Learn customers' life styles to offer suitable products and services at various stages of their lives.
 - (c) Consolidate group resources and cross-sell for better profitability.
 - (d) Explore strategic alliances as means of increasing sales coverage and depth.
 - (e) Explore new forms of sales channels and alternative means of reaching potential target customers.
- (2) Long-term business development plan
 - (a) Consolidate the financial group's distribution channels and resources to offer the ultimate one-stop shopping experience, and aim to become customers' most preferred bank.
 - (b) Continue improving service efficiency and effectiveness through process optimization. Innovate and differentiate from other competitors.
 - (c) Refine existing risk management techniques as means of enhancing asset quality.
 - (d) Continue focusing on product innovation. Increase product penetration by exploring new and differentiated forms of services/products.

3. Wholesale banking

- (1) Short-term business development plan
 - (a) Materialize segmented customer group management. Allocate group resources to deliver the most comprehensive financial services.
 - (b) Segment groups and industries to efficiently control group/industry risk and resource allocation.
 - (c) Enhance sales efforts on transaction-backed financing; enhance collection and payment services as means of controlling customers' cash flows; anchor customer relationship under balanced risks.
 - (d) Enhance collaboration between retail and wholesale banking segments; replicate successful experiences; explore potential SME customers.
 - (e) Take initiative in capturing overseas opportunities; explore potential areas of collaboration with Chinese banks; establish branch presence in Singapore and Brisbane, Australia.
 - (f) Build the bank's overseas talent pool through regular job rotation, in order to accommodate growing businesses.
- (2) Long-term business development plan
 - (a) Consolidate the financial group's distribution channels and resources to offer the ultimate one-stop shopping experience, and aim to become customers' most preferred bank.
 - (b) Continue improving service efficiency and effectiveness through process optimization. Innovate and differentiate from other competitors.
 - (c) Refine existing risk management techniques as means of enhancing asset quality.
 - (d) Continue focusing on product innovation. Increase product penetration by exploring new and differentiated forms of services/products.

4. Trust financial service

- (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 wholesale banking and the business of "Collective Investment Account for Mainland China or Overseas Foreign Employees," so as to expand the channel for wholesale 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 wholesale 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.
 - (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) Develop an overseas ETF order placement platform where customers can place limit orders. Introduce kinds of ETFs on a regular basis, giving customers the flexibility to respond to market changes.
 - (j) Continue to provide quality overseas financial bonds and corporate bonds denominated in various foreign currencies(include RMB), to help with the assets allocation of customers with preference for fixed yields.
 - (k) Continue push offshore structured notes suited to professional investors, so as to enhance customer service and provide more attractive investment products.
 - (l) Reach potential customers and increase the amount of assets under management by publishing periodicals, organizing investment seminars and marketing campaigns etc.
 - (m) Carefully select and introduce new thematic funds ahead of the market; aim to satisfy customers' needs for variety and proper asset allocation.
 - (n) Provide abundant financial information over the Internet, and aim to deliver the ultimate one-stop shopping experience via the Internet platform.
 - (o) Consolidate customers' financial goals at various stages of their lives to introduce systematic investment plans, which help accumulate asset base over time.
- (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. Actively engage in the promotion of the retirement issues and build complete system platform, as to gain leadership in the market.
 - (c) 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.
 - (d) Continue concerning about change in regulations, so as to develop new trust business.
 - (e) Continue concerning about change in related regulations, so as to develop new trust business.
 - (f) Continue track and develop risk-management indices, so as to grasp product performance and risk for customers.
 - (g) Continue introducing pluralized new products and business, in order to bring steady returns to investors in both bullish and bearish markets.
 - (h) Promote the proper idea of asset allocation; aim to increase the number of products sold and the amount of assets under management.
 - (i) Track product performance regularly; develop risk indicators that can be used to monitor product performance and risks.
 - (j) Continue introducing new fund varieties and innovative means of investment to deliver customers' expectations.

**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, 2012; Unit: NT\$1,000, %

| Item | Year | 2012 | | 2011 | |
|--------------|------|---------|-----|---------|-----|
| | | Amount | % | Amount | % |
| Brokerage | | 65,830 | 17 | 67,178 | 19 |
| Dealing | | 141,487 | 36 | 93,006 | 26 |
| Underwriting | | 185,202 | 47 | 195,904 | 55 |
| Total | | 392,519 | 100 | 356,088 | 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. |
| Dealing | 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 | (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) Expand virtual distribution channels and cross industry alliances and increase the width of domestic and overseas customer bases.
- (3) Invest in overseas markets and financial products in order to avoid market risks and achieve stable profits as a tool to diversify the single market risks in TWSE.

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. Dealing

In addition to adjusting the trading strategies in response to market changes, the company will reinforce the risk management mechanisms and utilize hedging tools to reduce the risks.

3. Underwriting

In 2011, the company will focus on quality small and medium enterprises for domestic underwriting business. In addition to assisting quality 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 | | | |
|---|---------|---------|--------|
| | 2010 | 2011 | 2012 |
| TSE Market | 28,890 | 26,996 | 20,790 |
| OTC Market | 82,389 | 75,598 | 68,187 |
| Total | 111,279 | 102,594 | 88,977 |
| Weighted stock price index (year end) | 8,973 | 7,072 | 7,700 |

2. TWSE showed a volatile upward trend in 2012. The monthly average index started rising from the high point of 7,176.74 in January and reached the annual peak at 8,020 in March. However, the impact of the capital gains tax started to appear at the end of March and was a blow to investor confidence. The index started falling and reached the lowest point of the year in June with an monthly average index of 7,142.52. The wave of IPO at the end of the year led to an upward trend in the index. The daily average trading volume for the securities market started falling from the high point of 165.2 billion dollars in February and reached the lowest point of the year at 72.8 billion dollars in June. The trading volume started to recover afterwards and bounced back to 94.4 billion dollars at the end of December. The total trading volume for listed/OTC securities fell by 13% (down by 13,620 billion dollars) compared to 2011. There was a constant stream of bad news around the world. In spite of the efforts to stabilize the economies such as EMS, QE3, and QE4, the economic data remained weak, and the looming fiscal cliff is sending shock waves through the stock markets, resulting in unsatisfactory profits for 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 wholesale 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) Strengthen partnerships with intermediaries to expand the sources for underwriting cases.

2. Long-term investment plan

- (1) In view of the growing important of institutional investors in the market, especially qualified domestic institutional investors, the company will combine the R&D resources and e-trading system of investment consulting, to develop institutional client business with integrated services.
- (2) Arrange various training courses for employees according to their nature and types, to enhance their capability and upgrade the company's overall competitiveness.
- (3) Continue cultivating enterprises with growth potential and execute customer deep-cultivation plan, to facilitate long-term development of underwriting business.
- (4) As both sides of the strait agree to support companies from Mainland China to apply for listing in Taiwan, the resources under the holding company will be used to seek growth in the T-share market.
- (5) Form timely strategic alliances with Chinese securities dealers in support of ECFA on deregulating cross strait securities trading.
- (6) Develop a full line of specialized businesses and create a complete database.
- (7) Establish a futures operation and additional business offices at appropriate time as needed for the 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, 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 1,000 points of sale in Taiwan.

2. Business shares

As of the end of December, 2012, of which stock-type fund accounted for 19.67% and money market-type fund accounted for 80.33%. Revenues in the recent three years follow.

Unit: NT\$1,000

| Items | Year | 2010 | | 2011 | | 2012 | |
|-----------------------|------|--------|--------|---------|--------|---------|--------|
| | | Amount | % | Amount | % | Amount | % |
| Management fee income | | 76,575 | 99.67 | 243,478 | 99.67 | 303,597 | 99.69 |
| Sales fee income | | 252 | 0.33 | 816 | 0.33 | 944 | 0.31 |
| Total | | 76,827 | 100.00 | 244,294 | 100.00 | 304,542 | 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, intergrate 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 2012, there had been 38 domestic investment trust firms, with 623 funds under their management, totaling NT\$1,846 billion in scale, 299 contracts for discretionary account operations, totaling NT\$896.4 billion in management scale, and 87 private-equity funds, totaling NT\$12 billion in scale.



d. Technology and R&D Status

Taishin Securities Investment Trust launched overseas high yield bond funds that targeted Asia and Australia in May 2012 and index funds based on the Global Resources Equity Index and the Metal and Mining Index by the international investment master Jim Rogers in October 2012. The company will continue to 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.

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 76% of the company's total revenue, while general agency of the Jupiter Fund generates the remaining 24%.

2. General agency of the Jupiter Fund

(1) Business contents

Introduce offshore fund and serve as its general agency in Taiwan.

(2) Business shares

Various sales channels of Taishin group account for 77.7% of the total sales of the fund, while other channels account for 22.3%.

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. Technological and R&D status: Nil.**e Short- and long-term business development plans**

Same as described under “b. Business Plan of the current year”.

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 & NT\$40 billion in 2012. 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.

Moreover, the central bank and the government tried to suppress the heating trend in the real estate market in 2012 by imposing political interference on financing banks in the form of restrictions on construction financing limits and interest rates, which created funding pressure on construction companies. Whether the impact will lead to an overturned trend in the real estate market and falling housing prices and/or bad debts from construction projects will be closed watched by asset management companies this year.

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 wholesale banking and retail banking bad debt claims).
- (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.
- (7) Turn bad debt into syndicated loans or integrate relief loans to companies.

2. Bidding at foreclosure auctions

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

Taishin Venture Capital Co., Ltd.

a. Business scope

1. Business contents

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

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

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

2. Business shares

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

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

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

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

b. Business development plan of the current year

The establishment of the company was completed at the end of September 2003. The capital was NT\$1 billion, and the paid-in capital was NT\$2.219 billion at the end of 2012. The company increased investment in PayEasy, Taishin Financial Leasing (Tianjin), Cyberheart Inc., and Winking Entertainment Ltd. by a total of NT\$670 million. As of the end of 2012, the investment portfolios in the books included 23 firms.

The company had a total cash inflow of more than NT\$9.67 million generated by investment projects in 2012. In particular, the amount included more than NT\$5.10 million in dividend income from investment projects and more than NT\$4.57 million in returned share capital from capital reduction by United Investments Fund and PChome Online.



In addition to continuing to dispose of the shareholding in Taishin Venture Capital, the investment strategies for 2013 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. 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 in 2013. The total investment is expected to be between NT\$100 million and NT\$300 million. The area of investment will primarily be in Greater China with some investment in Hong Kong and the United States.

The listed companies in the company's investment portfolio include: Darfon Electronic Corp, Primax Technologies, BAFO Technologies, and Microbio. The company plans to slowly withdraw at a profit this year and expects to reap NT\$30 million to NT\$50 million in profits as well as NT\$100 million in cash inflow. In addition, the finance leasing subsidiary in China in which the company invests will start to expand its operations this year, and is expected to create positive benefits.

The companies in the company's investment portfolio that may achieve liquidity and become listed/OTC listed in the next one to three years include Winking Entertainment, PayEasy, Innosor Technology, and OME Technology, which are expected to create investment returns for the company.

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 wholesale-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 Marketing Consultant Co., Ltd.

No related business was undertaken in 2012.

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 2012 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 2012 accounted for 2% of the total commission income.



b. Current year business plan

1. Introduce different types of insurance products based on customer demand to meet customers' insurance needs.
2. Combine with customer segregation to provide product portfolio recommendation and allocation more suitable for customers' needs.
3. Increase weight of protection products and make product allocation more complete for customers.
4. Focus more on the development of health insurance and boost effort to promote long term care products.
5. Reinforce education and training for insurance agents and enhance professional skills for agents and service quality.
6. Conduct full reviews of operations and guidelines and make appropriate corrections in response to the implementation of the new Personal Information Protection Act.

c. Industry status

After the valuation interest rate for life insurance was reduced in July 2012 and the 2011 TSO and the Second Industry Annuity Table were adopted, first year premium income from long term life insurance with return of premium, single premium short term endowment insurance, long term health insurance, and interest sensitive annuities showed large growths in the first half of 2012 due to the expectation of rising premiums. Variable annuities and variable life insurance that advertised on monthly dividends were popular in the second half of the year. The addition of the new unit linked policies offering premium guaranteed funds also led to increases in premium income from unit linked products. According to the statistics released by the Life Insurance Association, the first year premium income (including those filed under liabilities) for the life insurers in Taiwan reached NT\$1,190.4 billion in 2012, a growth of 19.6% compared to 2011. In addition, in terms of distribution channels, the insurance companies' own sales system accounted for 40%; bancassurance accounted for 56%; traditional insurance brokers accounted for merely 4%. The banks are still the primary source of sales for most life insurers.

According to the statistics released by the Taiwan Insurance Institute, the premium income for the property and casualty insurers in Taiwan was NT\$120.5 billion in 2012, a growth of 6.6% compared to 2011. However, the growth was mainly attributed to higher premium rates for certain product types. The largest source of premium income for property and casualty insurers was automobile insurance, which accounted for 50% of the annual sales. In addition, property and casualty insurers cited exceedingly high loss ratios and raised the premium rates for voluntary insurance, which made automobile insurance the product type with the highest contribution to property and casualty insurance premium income growth in 2012.

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. Short-and long term business plans

1. Short-term business plan

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

2. Long-term business plan

- (1) To continue to simplify the sales process and achieve information integration in order to provide premium customer services.
- (2) To ensure legal compliance and protect customer rights and corporate image.

Chang Hwa Commercial Bank Co., Ltd.

a. Business scope

1. Business contents

- (1) Various of deposit.
- (2) Financial-bond issuance.
- (3) Loan extension .
- (4) Negotiable-instrument discount.
- (5) Investment in Securities.
- (6) Domestic remittance.
- (7) Cashing of drafts.
- (8) Issuance of domestic L/Cs.
- (9) Guarantee for the issuance of corporate bonds.
- (10) Domestic guarantee.
- (11) Surrogate payment and collection.
- (12) Agency for the sale of government bonds, treasury bills, corporate bonds, and stocks.
- (13) Underwriting trading of securities.
- (14) Dealings trading of securities.
- (15) Consigned trading of securities.
- (16) Custody and warehousing.
- (17) The lease of safes.
- (18) Agency service businesses related to various businesses specified on the business license or approved by the central-level regulator.
- (19) Credit card.
- (20) Agency for the sale of gold ingots, gold coins, and silver coins.
- (21) Trading for the sale of gold ingots, gold coins, and silver coins.
- (22) 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.
- (23) Derivatives approved by the central-level regulator.
- (24) Businesses approved by the Trust Law.
- (25) Dealings in government bonds.
- (26) Margin trading/short sale services.
- (27) Securities-related futures introducing brokerage.
- (28) The brokerage, dealings, certification, and underwriting of short-term commercial papers.
- (29) The agency of public lottery business approved by the central-level regulator.
- (30) Trust of money.
- (31) Trust of loans and related security interests.
- (32) Securities in trust.
- (33) Real estate in trust.



- (34) Securities certification business.
- (35) Agency service businesses related to be the Trustee of bond issuance.
- (36) Custodian Business.
- (37) Custodian of securities investment trust funds.
- (38) Engaging in other banking services approved by the central competent authority.
- (39) Certificate of bond and stock issuance.
- (40) Export certification.
- (41) Import certification.
- (42) Trading corporate bonds and financial debentures as a principal.
- (43) Engaging in wealth management business.
- (44) Trading bonds as a principal.

2. Business mix

(1) Deposit Status

Unit:NT\$1,000

| Item | Year | 2012 | |
|---|------|---------------|---------|
| | | Amount | % |
| Current deposit | | 735,428,214 | 55.21% |
| Term deposit | | 580,436,484 | 43.58% |
| Interbank deposit | | 16,117,730 | 1.21% |
| Total | | 1,331,982,428 | 100.00% |
| Percentage of liabilities and shareholders equity (%) | | 1,610,101,081 | 82.73% |

(2) Loan Status

Unit:NT\$1,000

| Item | Year | 2012 | |
|--------------------------------|------|---------------|---------|
| | | Amount | % |
| Short term loans | | 274,121,503 | 24.06% |
| Medium term loans | | 362,659,517 | 31.83% |
| Long term loans | | 502,470,788 | 44.11% |
| Total | | 1,139,251,808 | 100.00% |
| Percentage of total assets (%) | | 1,610,101,081 | 70.76% |

(3) Income Status

Unit:NT\$1,000

| Item | Year | 2012 | |
|---|------|------------|--------|
| | | Amount | % |
| Net interest income | | 15,869,725 | 63.53% |
| Net fee income | | 3,375,397 | 13.51% |
| Net income from financial trading | | 2,319,620 | 9.29% |
| Net income from securities brokerage and underwriting | | 50,090 | 0.20% |
| Other net operating income | | 3,366,826 | 13.48% |
| Total | | 24,981,658 | 100% |

3. Development plan of new financial product and service in future

- (1) Introducing the Gold Account as a viable addition to customers' asset allocation.
- (2) Establish a securities investment consultation department that specializes in offering investment analyses and recommendations, which can be used to support the growth of the money trust service.
- (3) Source RMB deposits and capture business opportunities made available by the deregulation of RMB currency.
- (4) Actively participate in the cross-strait financial market; invest and market RMB-denominated bonds. Introduce financial derivatives relating to the RMB currency and offer hedging instruments to help manage exchange rate and interest rate risks associated with the currency.
- (5) To develop the RMB business of Kunshan branch, in order to build up the best financial platform in Greater China.

b. Business development plan for the current year

The bank's deposits reached NT\$1,289,948,269,000 (excluding transferred postal deposits) amounting to 97.75% of the budget target; loans NT\$1,145,694,507,000, 98.89% of the target; forex transaction US\$140,006,641,000, 79.90% of the target; securities brokerage NT\$47,335,680,000, 60.40% of the target; trust business (fund) NT\$78,848,376,000, 86.47% of the budget; credit-card business (card-spending value) NT\$9,978,953,000, 125.53% of the budget.

c. Industry status

With respect to market supply, the excessive number of banks in Taiwan and the abundant money supply in the market led to price competition among the banks, which resulted in relatively low credit spreads between deposits and loans. Many domestic banks are actively trying to improve their loan structures by issuing more loans to small and medium enterprises and individual consumers with higher interest rates to increase the loan credit spread. In addition, banks from Mainland China (e.g. Bank of China, Bank of Communications) have established branches in Taiwan, which, despite their small numbers, have created a certain degree of impact on Taiwanese companies. Therefore, it is likely that the competition in the local banking industry will become more intense.

With respect to market demand, there have been frequent cross strait interactions, and Mainland China has become the largest trade market for Taiwan. In addition, as a cross strait monetary settlement system is being established, the banks are now able to provide RMB services, including deposits and loans, wire transfers, RMB bonds, and RMB denominated products, which will generate more fee income. Furthermore, the cross strait settlement system allows overseas financial institutions to participate in RMB settlement, which will help Taiwan grow into an offshore market for RMB. It is clear that RMB services will be one of this year's key areas of business for the banking industry in Taiwan.

d. Research and development

1. The bank's R&D outlay reached NT\$ 3,381,000 in 2012.
The bank's R&D outlay reached NT\$ 11,132,000 in 2011.
2. R&D achievement
The bank completed 49 research reports on Mobile Banking, Human Resource, financial management and risk management in 2011&2012.
3. Future R&D plan
 - (1) Deposits
 - (a) Start to offer gold accounts to provide customers with a diverse range of means of asset allocation.
 - (b) Take advantage of the business opportunities in RMB related services and attract RMB deposits.



- (2) Loans
 - (a) Actively expand in the small and medium enterprise market, provide integrated marketing services, increase the ratio of SME loans transferred to the Small and Medium Enterprise Credit Guarantee Fund of Taiwan, and continue to develop personal guarantee and credit loan products in order to boost market shares.
 - (b) Expand in the global factoring market and start offering import factoring services.
- (3) Foreign exchange

Expand the network of correspondent banks, develop efficient correspondent banking relationships, and work with remitting banks and correspondent banks to introduce financial products; actively assess the feasibility of opening branches in major financial areas across the globe in order to expand in overseas financial markets.
- (4) Financial transactions

Play an active role in cross strait oriented financial markets and invest in RMB bonds and sales; promote RMB related financial derivatives as hedging tools against RMB exchange rate and interest rate.
- (5) Wealth management

Promote wealth management services to increase the percentage of fee income out of the total revenue; plan additional financial planning flagship stores and centers and a larger group of financial planners in order to enhance service quality and professional skills and provide more comprehensive investment services for customers.
- (6) Trust
 - (a) Actively seek opportunities to serve as fund custodian by expanding the monetary trust operation as well as the sales volumes for domestic and foreign funds; promote customized trust products and services.
 - (b) Create a securities investment consulting department to provide investment analyses or recommendations in order to increase the size of the monetary trust operation.
- (7) Electronic commerce/online banking services

Promote the creation of online banking networks in Mainland China and upgrade for the online banking services offered by the Hong Kong branch; integrate the electronic channel platform, foreign currency collection/payment services; increase the number of services offered by the customer service centers in order to boost service efficiency for the customer service centers.

e. Short- and long-term business development plans

1. Short-term business plan

Same as described under d."3. Future R&D plan".

2. Long-term business plan

Faced with fierce competition and a constantly changing financial environment, the bank will remain committed to the business philosophy of stability and soundness and devote itself to the pursuit of higher standards. Meanwhile, the bank will respond to the current trends and seek excellence and innovation. The long term business development plan for the bank is summarized as follows:

(1) Funding services

- (a) Keep abreast with market development, provide a diverse range of financial products, and assist corporations in financial manipulation in order to increase financial product sales and create higher profits.
- (b) Implement liquidity risk management and adjust optimal points of funding as needed in order to balance liquidity and profitability while observing changes in the global lending market and credit

- ratings of counterparties and actively exploring financing channels and enhancing fundraising capability.
- (c) Study constantly domestic and international political and economic development and trends of different financial products in order to make timely adjustments to positions in the investment portfolio.
 - (d) Take an aggressive approach to increase the trading volume in terms of spot and forward exchange and currency conversion between the business units and customers with the aim to boost the bank's market share in foreign exchange trading while increasing foreign exchange income.
- (2) Wealth management services
- (a) Expand fund operations and increase fee income, integrate core business lines to conduct cross selling.
 - (b) Promote brand recognition and broaden the variety of financial planning products, actively explore potential new customers and maintain close relationships with existing customers, hold financial planning and customer appreciation seminars and different sales performance competitions, segregate high contribution customers in order to increase fee income and customer loyalty.
- (3) Overseas financial services
- Take an aggressive approach to expand in overseas and cross trait markets in response to new development in the financial sectors on both sides of the strait, and make plans for the following areas:
- (a) Plan to expand the customer base for RMB services at the Kunshan branch.
 - (b) Plan to increase the number of branches and offices.
 - (c) Seek approval to open a Hanoi branch in Vietnam and a Phnom Penh Branch in Cambodia, and assess the establishment of other overseas branches.
 - (d) Support business units to be elevated to foreign exchange banks.
- (4) Electronic financial services
- (a) Continue to develop and explore features and new services available through the electronic channels in response to changes in the financial market and customer needs around the world in order to maintain service quality and increase competitiveness.
 - (b) Plan to create a global fund allocation platform to connect online banking services provided by domestic and overseas branches in order to complement each other; provide integrated global account services for online wholesale banking users to quickly review accounts around the world and make global fund allocation. In addition, in consideration of the large geographic area of Mainland China, an online banking service will be established for Mainland China in order to quickly enter the market by expanding the reach of the bank's virtual points of service and expanding operations while keeping track of customers' cash flows. The long term goal is to apply the same approach to the overseas branches to enable customers of the overseas branches to enjoy the same fast, convenient, real-time online banking services.
- (5) Loans
- Continue to enhance the features and effectiveness of the bank's corporate credit rating system and credit history management system by developing the rating system toward an industry segregation model. The first item to be implemented is the credit rating model for the manufacturing industry. In addition, in response to the full adoption of the International Financial Reporting Standards (IFRSs), continue to monitor and assess the potential impact of the IFRSs on the bank's credit rating models and financial statement management system in order to make timely and appropriate adjustments to the aforementioned credit history management system.



B. Cross-line and Joint Marketing Efficacy

According to articles 43 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.
- 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 retail and wholesale 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 niches

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. Favorable and unfavorable factors for development outlook

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 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 and services

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 supply and demand

In 2013, as the degree of uncertainty falls in the United States and Europe, the global economy starts on the recovery. The external financial environment around the world can be expected to stop deteriorating and start to show upward trends. However, the European debt crisis and the fiscal issues in the United States continue to overshadow global economic development. Global Insight has predicted that the global economic growth in 2013 will be 2.6%.

With respect to the domestic economic conditions, as the outlook becomes more positive and the stock market begins to heat up again, improvement in the job market is boosting consumer confidence. In addition, there has been a definite progress in the cross strait monetary settlement project, which has been driving growth in RMB services. The Directorate General of Budget, Accounting and Statistics of the Executive Yuan estimates that the economic growth in 2013 will be 3.59% and private expenditure will grow by 1.86%. The financial market will be restricted by overlaps and similar natures of the business areas, and therefore the low spread condition is likely to persist in the short term and will reduce the margin for banks. However, the government actively promotes development in the financial sector by increasing the degree of deregulation of the market and scope of business and encouraging financial institutions to create overseas networks, which will have a boosting effect on the growth of the financial industry in Taiwan. In particular, the restrictions on cross strait financial transactions have been lifted in stages, which contributes to invigorating the market and enabling the domestic financial market to grow and expand businesses and attract overseas capital to return to increase sources of profits for the financial industry.

c. Business goal

In 2013, 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

- (1) 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.
- (2) The bank is a market leader in retail banking, with well-established brand values and customer loyalty.
- (3) Professional team, coupled with the capability of systematic risk assessment and monitoring, responds to market changes rapidly and provides customers solutions. Provide customers optimal products via database marketing, by analyzing the types of existing customers and understanding deeply the needs of different customers.
- (4) Further improve workflow, enhance service efficiency, and cut operating cost.
- (5) 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).

- (6) Ability to integrate a multitude of products offered under the financial holding group; commitment to financial product/service innovation; attention to customers' multidimensional needs; and the ability to deliver one-stop financial shopping experience.
- (7) Outstanding cash management and E-banking platforms that can be used to offer cash collection/ payment services.

2. Favorable factors

- (1) The government is highly committed to the growth of the financial industry. Its most recent effort was the "Financial Service Development Initiative" proposed by the Financial Supervisory Commission, which was aimed to achieve a number of goals such as facilitating financial interactions between China and Taiwan, permitting broader services, encouraging overseas deployment.
- (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, overseas funds begin back to Taiwan.
- (3) Foreseeable deregulations on cross-strait financial policies; consumers' growing awareness and preference towards broader product varieties.
- (4) Maintain good assets quality via excellent risk-management mechanism, to pursue steady profit growth.
- (5) Possess plural product resources and development capability of the financial holding firm to provide one-stop-shopping financial services to customers.
- (6) The "Regulations Governing the Banking Activity and the Establishment and the Investment by Financial Institution Between the Taiwan Area and the Mainland Area" has eased restrictions for operating in mainland china. Local banks may now establish branches in China within a relatively short time.

3. Unfavorable factors

- (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) The strict regulation and management of the authorities over structured notes and trust-type investment products runs counter to market opening.
- (4) Large-scale increase in the need for domestic and foreign financial talents will accelerate the turnover of talents.
- (5) Foreign banks are expanding their market shares via a mergers and acquisitions strategy, and are importing their operation modes.

4. Response measures

- (1) The bank is aggressively expanding its number of branches particularly in metropolitan areas and central business districts of suburban areas. The bank will obtain customers' recognition by offering products suited to their needs via "service" and "segmentation".
- (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) Monitor credit risks by analyzing customers' behaviors; flexibly adjust credit policies and pricing strategies to accommodate changes in the external environment.
- (5) The bank will take initiative in establishing branch presence particularly in metropolitan areas and central business districts of suburban areas. The bank will gain customers' recognition through "service" and "segmentation", and by offering the right products targeted at customers' needs.

- (6) Continue signing financial MOU with more Chinese banks, so as to enhance the cooperative link for trade financing.
- (7) Take advantage of the leasing platform being established by the financial holding firm in mainland China, expand customer groups and consolidate existing customer relationship.
- (8) 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.
- (9) Construct complete career plan and educational/training program for employees.

Taishin Securities Co.,Ltd.

a. Major products and services

The company's services target domestic and overseas institutional investors and general investing public. As of the end of 2012, the company had three business bases, in Taipei city, Taichung city, and Kaohsiung city. In addition, the company has set up 96 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 overview

As of the end of 2012, there are 88 headquarters of securities dealers, 992 branches, 37 securities dealers that have been approved for margin trading and short selling of securities by the Securities and Futures Bureau of the Financial Supervisory Commission of the Executive Yuan, and 20 branches established in Taiwan by foreign securities dealers.

2. Market supply

In support of the government in deregulating foreign enterprises seeking listing and raising capital in Taiwan and the feasibility of T-shares getting listing under ECFA, securities underwriters will enjoy a huge growth potential in the future. As the securities trading services become more deregulated overseas, the government continues to promote expansion in the capital market and new financial products are being constantly introduced, all of which contribute to more activities in the issuing market. The fast growth of electronic commerce has driven the securities services and fundraising financial planning products to become more diversified. Securities dealers will be able to provide one-stop services for investors, the securities market will become more efficient, and the market will grow significantly in size. The outlook of the securities market continues to remain positive.

3. Market demand

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

4. Market growth

Looking back at the global economic development in 2012, the U.S. economy remained weak in the first half year and the unemployment rate was apparently not improving, while China continued real estate controls and Europe still felt the aftermath of the debt crisis and kept its pace of economic restructuring;



in the second half year, Europe fortunately implemented the European Stability Mechanism (ESM) in September, Japan adopted a quantitative easing policy to allow the Japanese yen to depreciate while the United States began QE3 by injecting capital into the market to allow the stock markets around the world to stabilize. The issue of the fiscal cliff in the United States started to have an effect in the fourth quarter and sent shock waves through the global economy; the Fed announced the start of QE4 to maintain a loose monetary policy with low interest rates with the hope that the overall economy will start on a steady recovery in 2013.

With respect to the domestic economy, the securities market in Taiwan in 2012 was still overshadowed by the European debt crisis, a stagnant global economy, and the implementation of capital gains tax in Taiwan. As the economic indicators showed slight recovery at the end of the year and the capital gains tax would come into force in 2013, companies rushed to issue their initial public offerings (IPO) before the end of the year, which led to the last upward trend of the year, making TWSE rise by 627 points or 9% from 7,072 at the end of 2011 to 7,699 at the end of 2012.

Looking forward at 2013, the economic indicators in the United States started to rise at the beginning of the year, leading the way while the stock markets around the world peaked. The China Securities Regulatory Commission visited Taiwan and released a number of positive news regarding the deregulation of the securities market, starting another upward trend in TWSE. As the financial reform processes become more completed on both sides of the strait, cash flows in either direction will occur more frequent in the future, which will help securities dealers expand their businesses in the cross strait market. In addition, the monetary settlement mechanism had been activated. RMB denominated bonds (Formosa bonds) will be able to be issued in Taiwan, promptly turning the capital market in Taiwan into a hub for hot money. The various business opportunities will facilitate growth in the overall financial market.

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. In the latest report released in 2012, the global rating agency Fitch Ratings confirmed the company's long and short term credit ratings to be A+(twn) and F1(twn), and the outlook to be stable, respectively. 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 unfavorable factors for development outlook

1. Favorable factors

- (1) Integrate the resources of the financial holding company to manifest brand value and upgrade overall competitiveness.

- (2) 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) The capital market in Taiwan is made more compliant with international standards by issues of RMB denominated bonds via the monetary settlement mechanism.
- (5) It will be easier to explore the underwriting customer bases in China for financial holding companies that already have leasing operations.
- (6) The primary underwriters in the capital market in Taiwan are staffed with well experienced salespersons and underwriters.
- (7) The laws for foreign companies seeking primary and secondary listing/OTC listing in Taiwan are fully developed and help expand the underwriting customer base.
- (8) The transformation of mainstream industries from electronics to traditional industries facilitates the expansion of the domestic underwriting business.
- (9) A fiercely competitive industry and a fast changing environment create more opportunities for mergers and acquisitions.

2. Unfavorable 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.)
- (5) The relatively small capital size is at a competitive disadvantage among competitors.
- (6) Fierce competition in the industry prompts state owned banks create securities underwriting departments to exercise powerful competitive strength by wielding their financial resources.

3. Response measures

- (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 wholesale 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.
- (6) Improve the success rate of underwriting cases with well experienced underwriters and the corporate network system of Taishin bank.
- (7) Strengthen good partnerships and service with clients and to segment the sources for underwriting cases.
- (8) Promoting images of the company and enhance the market attention.
- (9) Increasing fee income by foreign cases and project business.



Taishin Securities Investment Trust Co., Ltd.

a. Major products and services

(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.

d. Favorable and unfavorable factors for development outlook

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. Unfavorable factors

The domestic investment trust business features a big-getting-bigger phenomenon. Amid the business environment of acute competition, strong sales channel, and the crowing-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.

Taishin Securities Investment Advisory Co., Ltd.

a. Major products and services

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 ion Taiwan

Presently, the company has introduced 10 Jupiter-seris 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 goal

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 affiliate 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 unfavorable factors for development outlook

1. Favorable factors

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. Unfavorable factors

Introduce offshore funds and serve as their general agency ion Taiwan. Presently, the company has introduced 10 Jupiter-seris 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 and services

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

b. Future supply and demand

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

c. Business goal

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 Venture Capital Co., Ltd.

a. Major products and services

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 supply and demand

Judging from the current trends in the venture capital industry in Taiwan, the global economic outlook has started recovering since 2012 and the capital market started heating while investment grew both in amount and in number. Looking forward at 2013, the global economy is getting ready to bounce back, and Taiwanese suppliers can expect to break into the global market when the conditions are right.

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 goal

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. As the global economy gets ready to bounce back and the demand for hi-tech products has not expanded in any significant way, companies are slow in increasing capital and the industries are relatively conservative in their investment strategies.

(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 Marketing Consultant Co. Ltd.

No related business was undertaken in 2012.

Taishin Holdings Insurance Brokers Co., Ltd.

a. Major products and services

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 supply and demand

With respect to the life insurance market, the second downward adjustment of the valuation interest rate for life insurance on January 1, 2013 resulted in large premium increases for saving type life insurance products including USD denominated policies, which had an impact on consumer purchase power and susceptibility. As a result, unit linked policies regained popularity in the market. The optimism for economic growth in China and the ability to invest in trends in the Chinese stock market put RMB denominated unit linked policies forward as the key product to be launched in 2013 for the insurance industry. Given that the competent authority actively is promoting a number of policies and measures to reduce the risks and issues generated by an aging population in Taiwan, the companies also move toward more diversity in annuity insurance, long term care insurance, and medical insurance for consumers to choose from.

With respect to the property and casualty insurance market, growth in automobile insurance sales depends on whether the number of new automobile licenses increases. The deregulation of guaranteed renewal in health insurance products may increase sales only after the competent authority has lifted the restriction. Therefore, expansion in liability insurance and other new types of insurance will be considered the most reliable opportunity for the property and casualty insurance industry in the future.

c. Business goal

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 competent authority deregulates policy designs for different currencies (e.g. RMB) to increase the range of choices for customers.
- (3) The increasing prevalence of bancassurance means it is easily accepted by the public.
- (4) The distribution channels under the financial holding company are integrated to achieve synergy within the financial holding company.

2. Unfavorable factors

- (1) The terms of saving type products are getting longer and the sales of protection type products are increasing, challenging the buying habits of bank customers.
- (2) Products undergo transformation and become more similar with the products offered by insurance company salespersons, which adds difficulty in the sales process for financial planners. It will be necessary to train financial planners in professional knowledge and service skills in order to adapt to the competition or clash with salespersons in terms of sales.

Chang Hwa Commercial Bank Co., Ltd.

a. Major products and services

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 2012, the bank now boasts 184 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. Future supply and demand

According to the official data quoted for different countries in 2012 in the National Income Statistics and Domestic Economic Outlook released by the Directorate General of Budget, Accounting and Statistics of the Executive Yuan on February 22, 2013, China's growth in terms of investment, expenditure, and industry manufacturing continue to slow down and the GDP fell in the first, second, and third quarters to 8.1%, 7.6%, and 7.4%, respectively. A series of policies aimed at stabilizing the economic growth released in China combined with the injection from order increases during the pre-Christmas season in the United States and Europe led to stable growth in domestic and foreign demands in the fourth quarter and apparent rebounding in industrial manufacturing and exports, resulting in an annual growth of 7.8%. The job market in the United States continued to improve and interest rates remained low. Consequently, the real estate market and expenditure grew, leading to a mild economic recovery in the first three quarters at 2.4%, 2.1%, and 2.6%, respectively. However, the lack of real progress in the negotiation regarding the fiscal cliff caused corporate and private confidence to become more conservative. Therefore, the annual growth was only 2.2%. Japan was boosted by the rebuilding efforts after the disaster and the quantitative easing policy and the economic data were more than satisfactory. In addition, the low base figures also produced GDP growths in the first and second quarters at 3.4% and 3.8%, respectively. However, uncertainty in the global market in the second half year, the inadequate power supply, and falling consumer confidence caused exports and manufacturing to shrink and expenditure to stagnate. The economic growth was only 0.4% in the third quarter and 1.9% for the year. The European debt crisis continued to deteriorate in the European Union, creating a severe impact on corporate and consumer confidence and a shrinking economy. The GDP was -0.3% and -0.4% in the first and second quarters, respectively, showing negative growth in two quarters in a row after the first quarter (with positive growth). Although the European Central Bank (ECB) introduced Outright Monetary Transactions (OMTs) and the Single Supervisory Mechanism (SSM) in the fourth quarter to temporarily halted the downward spiral of the European debt crisis, it was unable to completely eliminate the worries over the European debt crisis. Furthermore, the Purchasing Manager Index (PMI) showed decreases in



the manufacturing sector and the service sector and unemployment was a serious problem. The annual economic growth dropped into negative territory at -0.3%.

With respect to the domestic economy, as the global economy started to show slowing growth, the aforementioned data released by the Directorate General of Budget, Accounting and Statistics of the Executive Yuan on February 22, 2013 showed that the economic growth in 2012 was only 1.26%. In particular, there was a serious lack of momentum in exports as a result of a stagnant global economy and a changed cross strait relationship that turned from complementary to competitive. Consequently, the real annual growths in output and input were 0.13% and -1.87%, respectively. Private expenditure was affected by the simultaneous decreases in the stock market value and the real salary and the willingness to spend fell. The real growth was only 1.49%. With respect to fixed investment, industry investment was restricted by uncertain global economic conditions and higher risks and became more conservative with a negative growth of -4.39%. With respect to consumer prices, the weakened global demand for raw materials caused the wholesale price index (WPI) to fall to 1.16%; the consumer price index (CPI) rose by 1.93% on rising gas and electricity prices and unstable weather conditions, approaching the 2% inflation target set by the central bank. With respect to interest rates, there is an upside risk to inflation and housing prices remained high, which combined with the effects of the European debt crisis and the fiscal cliff in the United States create a large degree of uncertainty in the global economy as well as the Taiwanese economy. Therefore, the central bank kept the interest rates unchanged and the rates of discount, accommodations with collateral, and accommodations without collateral remained at 1.875%, 2.25%, and 4.125%. With respect to foreign exchange rates, political and economic instability in the Eurozone in the first half year kept market confidence low and cash flows moving into U.S. dollars. The capital gains tax in Taiwan put a significant amount of pressure on TWSE and foreign investors kept withdrawing funds, causing the New Taiwan dollar to depreciate. However, as the United States and Europe adopted quantitative easing policies, the New Taiwan dollar started to have room for appreciation and rose above 30:1. A strong New Taiwan dollar may have an adverse effect on the competitiveness of exports since Taiwan's exports had not shown any recovery. Therefore, the exchange rate between the New Taiwan dollar and the U.S. dollar also became volatile and the room for appreciation became limited.

c. Business goal

The budget objectives of major business items in 2012 follow:

1. Deposits: NT\$1,353,824,333,000.
2. Loans: NT\$1,200,236,088,000.
3. Forex trading: US\$153,945,464,000.
4. Securities brokerage: NT\$49,100,000,000.
5. Wealth Management: NT\$120,000,000,000.
6. Credit card (card-spending value): NT\$12,003,092,000.

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

- (1) The two sides of the strait continue to work with each other, and a state owned bank can operate in a broader range of businesses.
- (2) A better loan structure boosts profits for state owned banks.
- (3) Domestic economic conditions started to show improvement, and the sales volume and profitability of a bank can be expected to increase.

2. Unfavorable factors

- (1) The central bank stopped raising interest rates, and the growing credit spread is likely to slow down.
- (2) The loans to the IT industry are huge enough to create a large concentration risk and large differences in loan quality.
- (3) Tier one loan assets require additional reserves, which eat into profits for state owned banks.

D. Employees of Taishin Financial Holding

a. Employee information

Base date: March 31, 2013

| Year | | 2011 | 2012 | Current year as of the March.31, 2013 |
|---|---|--------|--------|---------------------------------------|
| Amount of employee | Male | 2,738 | 2,714 | 2,672 |
| | Female | 4,144 | 4,067 | 4,004 |
| | Total | 6,882 | 6,781 | 6,676 |
| Average age | | 35.2 | 35.9 | 36.2 |
| Average service years | | 6.7 | 7.2 | 7.5 |
| Shares of education degrees | Doctor | 0.10% | 0.12% | 0.12% |
| | Master | 16.14% | 17.03% | 17.50% |
| | College | 78.10% | 76.65% | 76.30% |
| | Senior high | 5.57% | 6.11% | 6.01% |
| | Under Senior high | 0.09% | 0.09% | 0.07% |
| Kinds of professional certificates owned by employees and their numbers | Test for trust business | 2,950 | 2,928 | 2,897 |
| | Basic test fro internal control | 3,368 | 3,321 | 3,286 |
| | Qualification test for property insurance staffers | 3,118 | 3,088 | 3,038 |
| | Investment-type insurance policy staffers | 1,603 | 1,591 | 1,570 |
| | Life insurance staffers | 3,573 | 3,486 | 3,419 |
| | Future business staffers | 597 | 594 | 598 |
| | Securities investment analysis | 41 | 41 | 42 |
| | Senior securities staffers | 582 | 590 | 597 |
| | Investment trust and consulting staffers | 440 | 483 | 494 |
| | B-type laws and regulations for investment trust and consulting (including professional ethical code) | 1,471 | 1,548 | 1,527 |

b. Employee training and development

To support continuous business growth, personal training and development has been the consistent insistence of Taishin Financial Holding. Taishin Bank's excellence in talent management had won itself the "8th National HRD InnoPrize" by the Council of Labor Affairs in August 2012, a bronze certification in Taiwan TrainQuali System (TTQS) by the Bureau of Employment and Vocational Training in September, and the "Best Human Resource Development Award" by Taiwan Academy of Banking and Finance in November. The total number of trainees reached more than 210,000 people/attendances and the average annual training hours per person hit 45hours. Measures for personnel training and development meant to enhance colleague's overall competitive edge follow:



1. Taishin University: The Taishin University platform was founded in 2010, consisting of wholesale banking school, retail 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.

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. “Care for Taiwan” series

Taishin Financial Holding has joined hands with famous shopping website PayEasy.com to carry out “Care for Taiwan” series events since 2002, helping disaster victims in Hsinyi village, Chungliao village, Yuchih village, and Kuohsing village to develop local economy. Based on the concept of “giving fishing pole and teaching fishing,” it rallies people to sponsor agricultural products, pushes credit-card donation, and pushes characteristic products and travels at backward areas, successfully helping with the reconstruction of disaster-stricken areas and posing as a paradigm for corporate participation in public services.

From 2005, “Care for Taiwan” series has targeted “Kuohsing-village karate teenager team,” helping those teenagers raise training fund via the establishment of theme website and the utilization of media reporting. In 2012, Taishin Insurance Agency - a member of Taishin Financial Holding, sponsored Taiwanese contestants to participate in The 13th WSKF World Championships held in Hong Kong, and returned with excellent achievements. In the year, the team won 124 medals in domestic and overseas tournaments (including 39 gold medals, 41 silver medals, and 44 copper medals).

In 2008, “Care for Taiwan” series extended its reach to rice plantation in Taiwan. In order to sustain Taiwan’s price plantation and enable people to each pure Taiwanese rice, Taishin Financial Holding and PayEasy.com established brand new platform for production and marketing of Taiwanese rice, pushing corporate sponsorship of “one-acre rice paddy” and family sponsorship of “one-acre rice paddy of my family” programs, so that Taiwan’s good rice can penetrate local families. In addition to benefiting the health of local people and boosting the income of farmers, the program has created more working opportunities in Taiwan villages. In total, Taishin Financial Holding has sponsored rice procurement for

over 97 units, equivalent to 48 hectares of rice paddies. It has given 50,000 rice gift boxes to over 10,000 Taishin customers and staffers, which have eaten over 170,000 kilos of quality Taiwanese rice. In addition to benefiting rice farmers, it has also carried out excellent marketing for good Taiwanese rice.

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. A total of 793 proposals were received over the three years it was held, and we invited public-service partners, such as Franz Collection, Advantech Foundation, Chunghwa Telecom Foundation and Chiling Charity Foundation to join the event the scope of donation recipients were expanded from “social welfare” to “culture education” and “digital learning”.

The 3rd “Your Ballot Decides the Strength of Love” event received overwhelming response as 220,000 online voters casted more than 710,000 votes in total. In addition to the public service partners mentioned above, the event also received donations from Taishin managers, employees, LPGA star Yani Tseng and the general public, which boosted the charity fund from NT\$4.3 million to NT\$15 million and benefited a total of 167 charity organizations. Apart from organizing the “Your Ballot Decides the Strength of Love” event, Taishin Charity Foundation is also planning for a nation-wide visit to charity organizations located in other areas so that resources can be allocated more effectively to the socially disadvantaged.

b. Academics and Art

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. Taishin took part in various academic seminars, including The Greater China Financial Planning Forum, Peace and Prosperity Forum, International Corporate Governance Summit Forum, Advanced Education Workshop, NTU International Conference on Finance, and Conference on the Theories and Practices of Securities Financial Markets.

2. Art

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. The award will enter its 11th year in 2013. The original philosophy of Creating New Values with Arts in Taiwan will be implemented more accurately by breaking the concept of categorization in response to the no-barrier trend in the modern art world. There will be no more divide between performance and visual projects in order to encompass greater possibilities and perspectives in artistic creations.



c. Sports sponsorship

In 2011, Taishin sponsored Yani Tseng, LPGA female golfing champion, the first Taiwanese financial institution to do so. Taishin had also mobilized its customers and employees to cheer for the champion using banners, online messages etc, while some had even paid their visits to the LPGA Tour in Taiwan. 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.

d. Environmental Protection

Taishin Financial Holding has long advocated the importance of environmental protection and energy conservation, and committed through actions such as shared rides and light dress codes. Furthermore, Taishin also introduced a number of green practices into its daily operations, from "eflow Correspondences," "Shared Company Vehicles" to "Paperless" and "e-Statements." Taishin has even planned to introduce a "Bank-wide Image system" to handle counter transactions, mortgage applications, and EDC applications. It achieves the benefits of improved procedural control as well as reducing the use of paper.



Taishin Holdings

06

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 | | | | |
|--|----------------------------|---|----------------------|----------------------|----------------------|----------------------|
| | | 2008 | 2009 | 2010 | 2011 | 2012 |
| Cash and cash equivalents due from the Central Bank and placement to other banks | | 257,667,779 | 253,523,420 | 173,815,849 | 174,005,940 | 190,290,983 |
| Financial assets stated as gain (loss) due to change in fair value | | 86,699,629 | 58,566,143 | 57,650,706 | 67,515,650 | 85,988,202 |
| Investment in RS bills and bonds | | 6,464,695 | 9,891,904 | 5,328,210 | 9,734,993 | 4,987,265 |
| Available-for-sale financial assets | | 70,363,526 | 74,329,348 | 221,514,265 | 248,786,716 | 270,722,899 |
| Accounts receivable | | 104,909,292 | 102,296,124 | 126,326,832 | 110,761,564 | 107,547,734 |
| Loans | | 1,491,834,854 | 1,506,226,128 | 1,577,700,288 | 1,723,226,715 | 1,787,298,942 |
| Financial assets held to maturity | | 182,357,996 | 236,509,666 | 196,737,057 | 182,797,810 | 172,613,773 |
| Equity investments under equity method | | 957,539 | 225,464 | 240,925 | 252,698 | 251,278 |
| Fixed assets | | 44,032,067 | 42,851,989 | 41,962,513 | 41,204,451 | 41,596,338 |
| Intangible assets | | 20,757,601 | 21,079,935 | 22,113,932 | 21,951,779 | 21,729,019 |
| Other financial assets | | 34,401,848 | 25,463,237 | 21,125,873 | 18,005,451 | 12,885,644 |
| Other assets | | 51,971,727 | 43,827,047 | 24,615,976 | 23,734,229 | 24,834,645 |
| Total assets | | 2,352,418,553 | 2,374,790,405 | 2,469,132,426 | 2,621,977,996 | 2,720,746,722 |
| Deposits by the Central Bank and other banks | | 183,388,667 | 176,568,225 | 152,360,876 | 174,583,880 | 152,894,925 |
| Deposits | | 1,731,784,195 | 1,842,559,851 | 1,918,169,580 | 2,024,212,177 | 2,139,646,174 |
| Financial liabilities stated as gain (loss) due to change in fair value | | 39,757,245 | 19,342,423 | 21,586,408 | 10,388,922 | 11,027,012 |
| RP bill and bond liabilities | | 60,543,383 | 33,083,342 | 44,194,464 | 52,249,552 | 56,534,194 |
| Accounts payable | | 56,179,116 | 44,608,499 | 50,038,751 | 57,275,084 | 57,162,211 |
| Financing from the Central Bank and other banks | | 0 | 0 | 0 | 0 | 0 |
| Bonds payable | | 112,404,780 | 88,579,768 | 91,302,139 | 97,146,086 | 97,151,937 |
| Special stock liabilities | | 0 | 0 | 0 | 0 | 0 |
| Reserve for operations and liabilities | | 1,272,793 | 2,028,738 | 1,309,483 | 779,673 | 806,938 |
| Other financial liabilities | | 1,170,748 | 754,863 | 14,820,619 | 15,327,948 | 15,622,340 |
| Other liabilities | | 18,726,102 | 10,958,872 | 8,908,066 | 9,671,492 | 9,907,860 |
| Total liabilities | | 2,205,227,029 | 2,218,484,581 | 2,302,690,386 | 2,441,634,814 | 2,540,753,591 |
| Equity of parent firm | Capital stock | 69,880,779 | 65,151,162 | 71,009,688 | 75,163,436 | 76,165,841 |
| | Additional paid-in capital | 19,071,634 | 19,076,045 | 19,102,143 | 19,217,299 | 9,303,228 |
| | Retained earnings | (3,838,131) | 9,074,633 | 8,981,537 | 11,749,407 | 13,157,682 |
| | Pre-payout | 0 | 1,258,431 | 2,049,066 | 3,234,407 | (note1) |
| Other items of shareholders' equity | (546,608) | 247,124 | 110,911 | 88,787 | 1,073,198 | |
| Minority shareholding | | 62,623,850 | 62,756,860 | 67,237,761 | 74,124,253 | 80,293,182 |
| Total shareholders' equity | Pre-payout | 147,191,524 | 156,305,824 | 166,442,040 | 180,343,182 | 179,993,131 |
| | Post-payout | 147,191,524 | 154,345,824 | 163,647,450 | 177,492,182 | (note1) |

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

Note 2: The subsidiary conducted land reevaluation of fixed assets in 2011 and 2012, which adjusted the book values upward to by NT\$2,548,796,000 and NT\$1,212,751,000.

Note 3: 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. The 2012 financial statement was certified by CPAs Tsai Hongxiang and Yang Qinzhen, who issued auditing report for their authenticity without reservation.

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

Unit:NT\$1,000

| Item | Year | Financial data for current year as of March 31, 2013 |
|---|-------------|---|
| Cash and cash equivalents Due from the Central Bank and call loans to banks | | 185,042,738 |
| Financial assets at fair value through profit and or loss | | 91,931,958 |
| Available-for-sale financial assets | | 258,534,197 |
| Derivative financial assets for hedging | | 94,314 |
| Securities purchased under resell agreements | | 11,584,030 |
| Receivables, net | | 90,986,179 |
| Current tax assets | | 1,731,104 |
| Assets held for sale, net | | 0 |
| Loans, net | | 1,800,934,367 |
| Reinsurance contract assets | | 0 |
| Held-to-maturity financial assets | | 188,726,316 |
| Investments accounted for using the equity method, net | | 258,617 |
| Restricted assets | | 0 |
| Other financial assets, net | | 17,701,255 |
| Property and equipment, net | | 41,749,245 |
| Investment property, net | | 11,610,869 |
| Intangible assets, net | | 21,676,298 |
| Deferred tax assets, net | | 9,548,373 |
| Other assets | | 5,281,601 |
| Total assets | | 2,737,391,461 |
| Due to the Central Bank and banks | | 146,646,825 |
| Funds borrowed from the Central Bank and banks | | 0 |
| Financial liabilities at fair value through profit or loss | | 13,220,145 |
| Derivative financial liabilities for hedging | | 0 |
| Securities sold under repurchase agreements | | 68,898,188 |
| Commercial paper issued | | 0 |
| Payables | | 51,814,177 |
| Current tax liabilities | | 3,026,173 |
| Liabilities directly associated with assets held for sale | | 0 |
| Deposits and remittances | | 2,141,827,628 |
| Bonds payable | | 85,441,365 |
| Preferred stock liabilities | | 0 |
| Other financial liabilities | | 22,785,795 |
| Reserve for liabilities | | 4,392,606 |
| Deferred tax liabilities | | 7,004,696 |
| Other liabilities | | 4,404,147 |
| Total liabilities | Pre-payout | 2,549,461,745 |
| | Post-payout | - |
| Equity attributable to owners of parent | | 105,044,804 |
| Capital stock | | 76,166,344 |
| Capital surplus | | 9,427,522 |
| Retained earnings | Pre-payout | 17,533,572 |
| | Post-payout | - |
| Other equity | | 1,917,366 |
| Treasury shares | | 0 |
| Non-controlling interest | | 82,884,912 |
| Total equity | Pre-payout | 187,929,716 |
| | Post-payout | - |

Note: Financial data of March 31, 2013 is in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidance translated by the ARDF and issued by the FSC, and certified by CPAs Tsai Hongxiang and Jerry Gung, who issued review report for their authenticity without reservation.



Brief Balance Sheet of the Financial Holding Company

Unit:NT\$1,000

| Item | Year | Financial data in the recent five years | | | | |
|---|-------------|---|-------------|-------------|-------------|-------------|
| | | 2008 | 2009 | 2010 | 2011 | 2012 |
| Cash and cash equivalent | | 12,387,621 | 22,557,438 | 19,875,925 | 17,759,020 | 803,141 |
| Financial assets stated as gain (loss) due to change in fair value | | 5,559 | 4,582 | 0 | 0 | 0 |
| Available-for-sale financial assets | | 0 | 0 | 0 | 0 | 0 |
| Accounts receivable | | 1,962,510 | 3,690,557 | 3,420,947 | 1,692,260 | 1,457,326 |
| Financial assets held to maturity | | 0 | 0 | 0 | 0 | 0 |
| Equity investments under equity method | | 107,790,722 | 100,563,220 | 112,838,085 | 111,995,506 | 118,967,822 |
| Fixed assets | | 7,782 | 4,278 | 1,693 | 5,645 | 5,796 |
| Intangible assets | | 0 | 0 | 0 | 0 | 0 |
| Other financial assets | | 3,527,082 | 9,686,603 | 4,245,581 | 10,521,143 | 2,596,893 |
| Other assets | | 410,374 | 712,563 | 667,907 | 439,619 | 439,100 |
| Total assets | | 126,091,650 | 137,219,241 | 141,050,138 | 142,413,193 | 124,270,078 |
| Financial liabilities stated as gain (loss) due to change in fair value | | 279,635 | 598,178 | 893,564 | 0 | 0 |
| Accounts payable | | 1,496,155 | 2,939,734 | 3,115,797 | 2,515,698 | 2,540,253 |
| Payable corporate bonds | | 39,736,721 | 40,105,826 | 37,808,989 | 33,650,000 | 22,000,000 |
| Special stock liabilities | | 0 | 0 | 0 | 0 | 0 |
| Other financial liabilities | | 0 | 0 | 0 | 0 | 0 |
| Other liabilities | | 11,465 | 26,539 | 27,509 | 28,566 | 29,876 |
| Total liabilities | Pre-payout | 41,523,976 | 43,670,277 | 41,845,859 | 36,194,264 | 24,570,129 |
| | Post-payout | 41,523,976 | 45,630,277 | 44,640,449 | 39,045,264 | (note1) |
| Common stock | | 69,880,779 | 65,151,162 | 71,009,688 | 75,163,436 | 76,165,841 |
| Additional paid-in capital | | 19,071,634 | 19,076,045 | 19,102,143 | 19,217,299 | 9,303,228 |
| Retained earnings | Pre-payout | (3,838,131) | 9,074,633 | 8,981,537 | 11,749,407 | 13,157,682 |
| | Post-payout | 0 | 1,258,431 | 2,049,066 | 3,234,407 | (note1) |
| Other shareholders' equity items | | (546,608) | 247,124 | 110,911 | 88,787 | 1,073,198 |
| Total shareholders' equity | Pre-payout | 84,567,674 | 93,548,964 | 99,204,279 | 106,218,929 | 99,699,949 |
| | Post-payout | 84,567,674 | 91,588,964 | 96,409,689 | 103,367,929 | (note1) |

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

Note 2: 2008-2012 financial statements have been audited by CPA.

Brief Balance Sheet of the Financial Holding Company:IFRS

Unit:NT\$1,000

| Item | Year | Financial data for current year as of March 31, 2013 |
|--|-------------|---|
| Cash and cash equivalents | | 3,229,158 |
| Financial assets at fair value through profit and or loss | | 0 |
| Available-for-sale financial assets | | 0 |
| Derivative financial assets for hedging | | 0 |
| Receivables, net | | 711,207 |
| Current tax assets | | 1,075,094 |
| Assets held for sale | | 0 |
| Held-to-maturity financial assets | | 0 |
| Investments accounted for using the equity method, net | | 124,521,540 |
| Restricted assets | | 0 |
| Other financial assets, net | | 2,200 |
| Property and equipment, net | | 7,867 |
| Intangible assets, net | | 0 |
| Deferred tax assets, net | | 229,222 |
| Other assets | | 206,177 |
| Total assets | | 129,982,465 |
| Financial liabilities at fair value through profit or loss | | 0 |
| Derivative financial liabilities for hedging | | 0 |
| Payables | | 704,110 |
| Current tax liabilities | | 2,218,454 |
| Liabilities directly associated with assets held for sale | | 0 |
| Bonds payable | | 22,000,000 |
| Preferred stock liabilities | | 0 |
| Reserve for liabilities | | 15,097 |
| Other financial liabilities | | 0 |
| Deferred tax liabilities | | 0 |
| Other liabilities | | 0 |
| Total liabilities | Pre-payout | 24,937,661 |
| | Post-payout | - |
| Capital stock | | 76,166,344 |
| Capital surplus | | 9,427,522 |
| Retained earnings | Pre-payout | 17,533,572 |
| | Post-payout | - |
| Other equity | | 1,917,366 |
| Treasury shares | | 0 |
| Total equity | Pre-payout | 105,044,804 |
| | Post-payout | - |

Note: Financial data of March 31, 2013 is in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidance translated by the ARDF and issued by the FSC, and certified by CPAs Tsai Hongxiang and Jerry Gung, who issued review report for their authenticity without reservation.



Brief Consolidated Income Statement of the Financial Holding Company and Subsidiaries

Unit:NT\$1,000

| Item | Year | Financial data in the recent five years | | | | |
|---|---------------------------------------|---|---------------|---------------|---------------|---------------|
| | | 2008 | 2009 | 2010 | 2011 | 2012 |
| Net interest income | | 32,575,562 | 21,918,855 | 23,251,856 | 28,824,055 | 29,230,525 |
| Net non-interest income | | 16,002,016 | 33,619,043 | 30,182,543 | 17,213,155 | 19,224,187 |
| Bad-debt expense | | (17,620,829) | (9,589,484) | (5,965,444) | 2,266,419 | 1,549,930 |
| Provisions of various insurance liabilities | | 0 | 0 | 0 | 0 | 0 |
| Business expense | | (32,183,954) | (29,881,226) | (27,401,299) | (28,861,408) | (29,436,788) |
| Pre-tax consolidated income of business department (continuation) | | (1,227,205) | 16,067,188 | 20,067,656 | 19,442,221 | 20,567,854 |
| After-tax consolidated income of business department (continuation) | | (1,638,872) | 10,493,538 | 13,915,327 | 16,282,516 | 16,765,719 |
| Income of extinct department (after-tax net value) | | 0 | 0 | 0 | 0 | 0 |
| Extraordinary income (after-tax net value) | | 0 | 122,820 | 0 | 0 | 0 |
| Accumulated extent of influence from changes in accounting principles (after-tax net value) | | 0 | 0 | 0 | 0 | 0 |
| Total consolidated income | Belong to shareholders of parent firm | (5,227,592) | 8,183,147 | 7,723,106 | 9,431,836 | 10,261,680 |
| | Belong to minority shareholding | 3,588,720 | 2,433,211 | 6,192,221 | 6,850,680 | 6,504,039 |
| Earnings per common share | | (0.84) | 0.98 | 0.91 | 1.16 | 1.30 |

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

Brief Consolidated Comprehensive Income Statement of the Financial Holding Company and Subsidiaries-IFRS

Unit: NT\$1,000

| Item | Year | Financial data for current year as of March 31, 2013 |
|--|------|---|
| Interest income | | 12,138,187 |
| Interest expenses | (| 4,648,792) |
| Net interest income | | 7,489,395 |
| Net income other than net interest income | | 6,241,503 |
| Net revenue and gains | | 13,730,898 |
| Reversed allowance for bad debts expenses and guarantee liability provisions | | 674,987 |
| Net change in provisions for insurance liabilities | | 0 |
| Operating expenses | (| 7,310,553) |
| Income before income tax from continuing operations | | 7,095,332 |
| Income tax (expense) benefit | (| 1,097,119) |
| Net income from continuing operations | | 5,998,213 |
| Net income from discontinued operations | | 0 |
| Consolidated net income | | 5,998,213 |
| Other comprehensive income, net of tax | (| 542,340) |
| Total comprehensive income | | 5,455,873 |
| Net income attributable to Owners of parent | | 4,181,690 |
| Net income attributable to Non-controlling interests | | 1,816,523 |
| Total comprehensive income attributable to Owners of parent | | 3,698,449 |
| Total comprehensive income attributable to Non-controlling interests | | 1,757,424 |
| Earnings per common share | | 0.57 |

Note1: Earnings per share is based on the unit of NT\$1.

Note2: Financial data of March 31, 2013 is in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidance translated by the ARDF and issued by the FSC, and certified by CPAs Tsai Hongxiang and Jerry Gung, who issued review report for their authenticity without reservation.

**Brief Income Statement of the Financial Holding Company**

Unit:NT\$1,000

| Item | Year | Financial data in the recent five years | | | | |
|---|------|---|---------------|---------------|---------------|-------------|
| | | 2008 | 2009 | 2010 | 2011 | 2012 |
| listed investment return on equity method | | 1,246,970 | 2,681,297 | 10,052,586 | 10,111,913 | 11,423,409 |
| Other incomes | | 735,365 | 7,835,796 | 118,502 | 1,128,951 | 271,577 |
| Listed investment loss on equity method | | (5,269,349) | (396) | (62,804) | (283,269) | (132,276) |
| Business expense | | (327,265) | (430,614) | (645,454) | (519,242) | (391,698) |
| Other expense and loss | | (1,566,582) | (1,975,367) | (1,976,958) | (1,011,826) | (813,244) |
| Pre-tax income | | (5,180,861) | 8,110,716 | 7,485,872 | 9,426,527 | 10,357,768 |
| After-tax income | | (5,227,592) | 8,183,147 | 7,723,106 | 9,431,836 | 10,261,680 |
| Earning per common share (before tax) | | (0.83) | 0.97 | 0.88 | 1.16 | 1.31 |
| Earning per common share (after tax) | | (0.84) | 0.98 | 0.91 | 1.16 | 1.30 |

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: 2008-2012 financial statements have been audited by CPA.

Brief Comprehensive Income Statement of the Financial Holding Company-IFRS

Unit:NT\$1,000

| Item | Year | Financial data for current year as of March 31, 2013 |
|--|------|---|
| Share of profit of associates and joint ventures accounted for using equity method | | 4,431,370 |
| Other income | | 5,959 |
| Share of loss of associates and joint ventures accounted for using equity method | | (26,453) |
| Operating expenses | | (102,676) |
| Other expenses and losses | | (116,272) |
| Income before income tax | | 4,191,928 |
| Income tax (expense) benefit | | (10,238) |
| Net income | | 4,181,690 |
| Other comprehensive income, net of tax | | (483,241) |
| Total comprehensive income | | 3,698,449 |
| Earning per common share (before tax) | | 0.58 |
| Earning per common share (after tax) | | 0.57 |

Note1: Earnings per share is based on the unit of NT\$1.

Note2: Financial data of March 31, 2013 is in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidance translated by the ARDF and issued by the FSC, and certified by CPAs Tsai Hongxiang and Jerry Gung, who issued review report for their authenticity without reservation.

B. Financial Analysis for the Recent Five Years

Financial Analysis

Unit:NT\$1,000

| Item | Year | Financial Analysis in the recent five years | | | | | |
|--------------------------|---|---|----------|----------|----------|---------|--------|
| | | 2008 | 2009 | 2010 | 2011 | 2012 | |
| Management capability | Turnover rate of total assets(times) | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | |
| | Deposit/loan ratio of Taishin Bank (%) | 82.73 | 76.81 | 76.88 | 80.44 | 80.62 | |
| | Deposit/loan ratio of Chang Hwa Bank (%) | 88.95 | 84.54 | 85.54 | 88.34 | 86.84 | |
| | NPL ratio of Taishin Bank (%) | 1.38 | 0.58 | 0.33 | 0.16 | 0.14 | |
| | NPL ratio of Chang Hwa Bank (%) | 1.67 | 1.23 | 0.54 | 0.37 | 0.33 | |
| | Overdue credit-extension ratio of Taishin Bills Finance (%) | 0 | 0 | 0 | 0 | 0 | |
| | Revenue per employee | 3,162 | 4,302 | 3,936 | 3,340 | 3,598 | |
| | Profit per employee | (Note1) | 822 | 1,025 | 1,181 | 1,245 | |
| Profit-making capability | Return on assets (%) | (0.07) | 0.45 | 0.57 | 0.64 | 0.63 | |
| | Return on common shareholders' equity (%) | (9.84) | 11.47 | 9.57 | 11.06 | 11.19 | |
| | Net profit rate (%) | (3.37) | 19.12 | 26.04 | 35.37 | 34.60 | |
| | Earning per share (NT\$) | (0.84) | 0.98 | 0.91 | 1.16 | 1.30 | |
| Financial Structure | Liabilities/assets ratio (%) | 93.74 | 93.42 | 93.26 | 93.12 | 93.38 | |
| | Liabilities/book value ratio (%) | 1498.20 | 1419.32 | 1383.48 | 1353.88 | 1411.58 | |
| | Double leverage ratio of the financial holding company (%) | 128 | 107 | 114 | 105 | 119 | |
| | Financial ratio of the financial holding company according to article 41 of the law | None | None | None | None | None | |
| Leverage extent | Business leverage extent | (39.58) | 3.46 | 2.66 | 2.37 | 2.36 | |
| | Financial leverage extent of financial holding company | 0.70 | 1.19 | 1.21 | 1.11 | 1.08 | |
| Growth rate | Assets growth (%) | 0.58 | 0.95 | 3.97 | 6.19 | 3.77 | |
| | Profit growth (%) | (107.76) | 1409.25 | 24.90 | (3.12) | 5.79 | |
| Cash flow | Cash flow ratio (%) | 21.69 | 6.05 | 4.43 | 11.60 | 2.59 | |
| | Propriety ratio of cash flow (%) | 15.91 | 8.81 | 6.60 | 3.21 | 1.85 | |
| | Cash-flow satisfaction ratio (%) | (111.31) | (16.34) | (11.05) | (18.73) | (6.19) | |
| Business scale | Market share of assets (%) | 8.09 | 7.46 | 7.43 | 6.69 | 5.28 | |
| | Market share of book value (%) | 6.42 | 5.98 | 6.08 | 5.73 | 4.83 | |
| | Market share of Taishin Bank's deposit (%) | 2.83 | 2.68 | 2.67 | 2.77 | 2.90 | |
| | Market share of Chang Hwa Bank's deposit (%) | 4.99 | 4.97 | 4.73 | 4.73 | 4.61 | |
| | Market share of Taishin Bank's loan extension (%) | 2.83 | 2.70 | 2.69 | 2.83 | 2.97 | |
| | Market share of Chang Hwa Bank's loan extension (%) | 5.36 | 5.50 | 5.31 | 5.29 | 5.10 | |
| Capital Adequacy | Capital adequacy ratio | Taishin Bank | 9.83 | 12.95 | 13.58 | 12.76 | 13.19 |
| | | Chang Hwa Bank | 10.61 | 10.83 | 10.75 | 11.54 | 11.52 |
| | | Taishin Security | - | - | 544.47 | 482.10 | 753.28 |
| | | Taishin Bills Finance | 22.01 | 21.72 | 28.39 | - | - |
| | | Taishin AMC | 96.74 | 88.15 | 62.33 | 74.88 | 88.67 |
| | | Taishin Securities Investment Trust | - | - | 92.11 | 92.22 | 93.27 |
| | | Taishin Securities Investment Advisory | - | - | 92.34 | 93.99 | 96.24 |
| | | Taishin Marketing Consultant | 89.36 | 90.48 | 93.86 | 95.40 | 96.02 |
| | | Taishin Venture Capital | 99.96 | 99.92 | 99.87 | 99.86 | 99.94 |



| Item | Year | Financial Analysis in the recent five years | | | | |
|---|------|---|--------------------|--------------------|--------------------|--------------------|
| | | 2008 | 2009 | 2010 | 2011 | 2012 |
| Eligible self-owned capital | | 180,629,966 | 182,650,466 | 199,134,139 | 212,950,539 | 228,984,320 |
| Group's eligible capital | | 80,020,729 | 90,970,823 | 86,696,180 | 99,057,227 | 116,450,194 |
| Subsidiary's statutory capital | | 131,553,200 | 123,320,589 | 131,422,874 | 140,696,738 | 148,448,708 |
| Group's statutory capital | | 73,144,432 | 68,414,416 | 72,648,689 | 76,384,847 | 82,711,306 |
| Group's capital adequacy ratio | | 109.40 | 132.97 | 119.34 | 129.68 | 140.74 |
| 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 | | 657,689 (Note3) | 619,055 (Note3) | 865,150 (Note3) | 971,161 (Note3) | 953,243 (Note3) |
| Describe reasons for changes in various financial ratios in the recent two years (No need of analysis for change under 20%) | | | | | | |
| 1. The asset growth in 2012 was lower than in 2011 mainly due to decreases in the loan growth. | | | | | | |
| 2. The profit growth in 2012 was higher than in 2011 mainly due to an increase in the net profit before tax. | | | | | | |
| 3. The changes in the cash flow ratios in 2012 were mainly explained by decreases in cash inflows from operating activities. | | | | | | |

Note1: Business was in the red in 2008 .

Note2: The above financial analytical data are consolidated figures, except those with specification for the financial holding company or subsidiaries.

Note3: For details, refer to the financial statement of various years.

Note4: Calculation formulas as follow:

1. Management capability
 - (1) Turnover rate of total assets=Net revenue/average total assets
 - (2) Deposit/loan ratio of subsidiary bank=Total loans of subsidiary bank/total deposit
 - (3) NPL ratio of subsidiary bank=Total NPL of subsidiary bank/total loan
 - (4) Revenue per employee=Net revenue/total number of employees
 - (5) Profit per employee=After-tax profit/number of employees
2. Profit-making capability
 - (1) Return on assets=After-tax income/average value of total assets
 - (2) Return on common shareholders' equity=After-tax income—Preferred stock dividends/Average net value of common shareholders' equity
 - (3) Net profit rate=After-tax income/net revenue
 - (4) Earning per share= (After-tax net profit-dividend for preferred shares/weighted average amount of issued shares (Retroactive adjustment for earning per share has been made for those years with capital increment from retained earnings or 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

Financial Analysis-IFRS

Unit:NT\$1,000

| Item | Year | Financial data for current year as of March 31, 2013(Note2) |
|---|---|---|
| Management capability | Turnover rate of total assets(times) | 0.01 |
| | Deposit/loan ratio of Taishin Bank (%) | 82.24 |
| | Deposit/loan ratio of Chang Hwa Bank (%) | 86.87 |
| | NPL ratio of Taishin Bank (%) | 0.16 |
| | NPL ratio of Chang Hwa Bank (%) | 0.34 |
| | Revenue per employee | 1,038 |
| | Profit per employee | 453 |
| Profit-making capability | Return on assets (%) | 0.22 |
| | Return on common shareholders' equity (%) | 4.51 |
| | Net profit rate (%) | 43.68 |
| | Earning per share (NT\$) | 0.57 |
| Financial Structure | Liabilities/assets ratio (%) | 93.13 |
| | Liabilities/book value ratio (%) | 1,356.60 |
| | Double leverage ratio of the financial holding company (%) | 119 |
| | Financial ratio of the financial holding company according to article 41 of the law | None |
| Leverage extent | Business leverage extent | 1.94 |
| | Financial leverage extent of financial holding company | 1.03 |
| Growth rate | Assets growth (%) | (Note 3) |
| | Profit growth (%) | (Note 3) |
| Cash flow | Cash flow ratio (%) | 5.59 |
| | Propriety ratio of cash flow (%) | (Note 3) |
| | Cash-flow satisfaction ratio (%) | (766.06) |
| Business scale | Market share of assets (%) | (Note 4) |
| | Market share of book value (%) | |
| | Market share of Taishin Bank's deposit (%) | |
| | Market share of Chang Hwa Bank's deposit (%) | |
| | Market share of Taishin Bank's loan extension (%) | |
| | Market share of Chang Hwa Bank's loan extension (%) | |
| Capital Adequacy | Capital adequacy ratio | Disclosure unnecessary |
| | Eligible self-owned capital | |
| | Group's eligible capital | |
| | Subsidiary's statutory capital requirement | |
| | Group's statutory capital requirement | |
| | Group's capital adequacy ratio | |
| 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 | | (Note 3) |

Note 1: Financial data of March 31, 2013 is in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidance translated by the ARDF and issued by the FSC.

Note 2: The rate of return of March 31, 2013 has not been annualized.

Note 3: Not for Q1 2013.

Note 4: Business scale has not been calculated on March,2013 because of the lack of the overall market size informations.

Note 5: Calculation formulas as follow:

1. Management capability

(1) Turnover rate of total assets=Net revenue/average total assets

(2) Deposit/loan ratio of subsidiary bank=Total loans of subsidiary bank/total deposit



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

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 its subsidiaries as of December 31, 2012 and 2011, 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 its subsidiaries as of December 31, 2012 and 2011, 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 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 21, 2013



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.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

| ASSETS | 2012 Amount | 2011 Amount | Percentage of Variation % |
|---|------------------|------------------|------------------------------|
| Cash and cash equivalents (Notes 2 and 4) | \$ 53,649,307 | \$ 64,818,747 | (17) |
| Due from Central Bank and call loans to banks (Note 5) | 136,641,676 | 109,187,193 | 25 |
| Financial assets at fair value through profit or loss (Notes 2 and 6) | 85,988,202 | 67,515,650 | 27 |
| Bonds and securities purchased under resell agreements (Note 2) | 4,987,265 | 9,734,993 | (49) |
| Receivables, net (Notes 2, 3, 7 and 8) | 107,547,734 | 110,761,564 | (3) |
| Loans, net (Notes 2, 3 and 8) | 1,787,298,942 | 1,723,226,715 | 4 |
| Available-for-sale financial assets, net (Notes 2 and 9) | 270,722,899 | 248,786,716 | 9 |
| Held-to-maturity financial assets, net (Notes 2 and 10) | 172,613,773 | 182,797,810 | (6) |
| Investments accounted for by the equity method, net (Notes 2 and 11) | 251,278 | 252,698 | (1) |
| OTHER FINANCIAL ASSETS (Note 2) | | | |
| Financial assets carried at cost (Note 12) | 8,884,073 | 9,274,367 | (4) |
| Hedging derivative financial instruments (Note 21) | 105,087 | 149,400 | (30) |
| Other miscellaneous financial assets (Notes 8 and 13) | 3,896,484 | 8,581,684 | (55) |
| Other financial assets, net | 12,885,644 | 18,005,451 | (28) |
| PROPERTY AND EQUIPMENT (Notes 2 and 14) | | | |
| Cost | | | |
| Land | 28,536,321 | 27,610,625 | 3 |
| Buildings | 15,909,180 | 15,912,508 | - |
| Machinery equipment | 6,399,966 | 6,557,165 | (2) |
| Transportation equipment | 609,525 | 636,697 | (4) |
| Miscellaneous equipment | 1,539,843 | 1,686,909 | (9) |
| Leasehold improvement | 1,087,958 | 1,040,364 | 5 |
| Leased assets | 168,275 | 164,610 | 2 |
| | 54,251,068 | 53,608,878 | 1 |
| Accumulated depreciation | (12,678,754) | (12,432,980) | 2 |
| | 41,572,314 | 41,175,898 | 1 |
| Prepayment for buildings and equipment | 24,024 | 28,553 | (16) |
| Property and equipment, net | 41,596,338 | 41,204,451 | 1 |
| GOODWILL AND INTANGIBLE ASSETS (Notes 2 and 15) | 21,729,019 | 21,951,779 | (1) |
| OTHER ASSETS (Note 2) | | | |
| Prepayments | 5,748,791 | 2,215,686 | 159 |
| Refundable deposits | 503,386 | 938,927 | (46) |
| Deferred tax assets (Note 31) | 8,911,799 | 11,019,322 | (19) |
| Other miscellaneous assets (Note 16) | 9,670,669 | 9,560,294 | 1 |
| Other assets, net | 24,834,645 | 23,734,229 | 5 |
| TOTAL | \$ 2,720,746,722 | \$ 2,621,977,996 | 4 |



| LIABILITIES AND STOCKHOLDERS' EQUITY | 2012 Amount | 2011 Amount | Percentage of Variation % |
|---|-------------------------|-------------------------|------------------------------|
| LIABILITIES | | | |
| Due to banks and Central Bank (Note 17) | \$ 152,894,925 | \$ 174,583,880 | (12) |
| Commercial paper payable, net (Note 18) | 7,000 | 267,953 | (97) |
| Financial liabilities at fair value through profit or loss (Notes 2 and 6) | 11,027,012 | 10,388,922 | 6 |
| Bonds and securities sold under repurchase agreements (Note 2) | 56,534,194 | 52,249,552 | 8 |
| Payables (Note 19) | 57,162,211 | 57,275,084 | - |
| Deposits and remittances (Note 20) | 2,139,646,174 | 2,024,212,177 | 6 |
| Bonds payable (Notes 2 and 21) | 97,151,937 | 97,146,086 | - |
| Other borrowings (Note 22) | 579,996 | 43,000 | 1,249 |
| Other financial liabilities (Note 23) | 15,035,344 | 15,016,995 | - |
| Reserve for operations and liabilities (Notes 2 and 24) | 806,938 | 779,673 | 3 |
| Other liabilities (Notes 2, 11, 14, 16 and 25) | 9,907,860 | 9,671,492 | 2 |
| Total liabilities | <u>2,540,753,591</u> | <u>2,441,634,814</u> | 4 |
| TAISHIN FINANCIAL HOLDING STOCKHOLDERS' EQUITY (Note 27) | | | |
| Capital stock | | | |
| Common stock | 68,914,473 | 63,250,473 | 9 |
| Preferred stock | 7,251,368 | 11,912,963 | (39) |
| Capital surplus | | | |
| Additional paid-in capital in excess of par | 7,005,072 | 17,005,072 | (59) |
| Other capital surplus (Note 2) | 2,298,156 | 2,212,227 | 4 |
| Retained earnings | | | |
| Legal reserve | 2,942,721 | 1,999,537 | 47 |
| Special reserve | 244,474 | 268,505 | (9) |
| Unappropriated earnings | 9,970,487 | 9,481,365 | 5 |
| Other items of stockholders' equity | | | |
| Unrealized revaluation increment | 579,640 | 288,459 | 101 |
| Cumulative translation adjustments (Note 2) | (81,603) | (23,269) | 251 |
| Unrealized gains or losses on financial instruments (Note 2) | 675,432 | (145,971) | 563 |
| Net loss not recognized as pension cost | (100,271) | (30,432) | 229 |
| Total Taishin Financial Holding stockholders' equity | <u>99,699,949</u> | <u>106,218,929</u> | (6) |
| MINORITY INTERESTS | | | |
| Total stockholders' equity | <u>80,293,182</u> | <u>74,124,253</u> | 8 |
| | <u>179,993,131</u> | <u>180,343,182</u> | - |
| TOTAL | <u>\$ 2,720,746,722</u> | <u>\$ 2,621,977,996</u> | 4 |

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

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2012 AND 2011

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

| | 2012 Amount | 2011 Amount | Percentage of Variation % |
|---|----------------|----------------|---------------------------------|
| INTEREST INCOME (Notes 2 and 28) | \$ 49,293,049 | \$ 46,647,416 | 6 |
| INTEREST EXPENSES (Note 28) | (20,062,524) | (17,823,361) | 13 |
| NET INTEREST INCOME (Note 28) | 29,230,525 | 28,824,055 | 1 |
| NET INCOME OTHER THAN INTEREST INCOME (Note 2) | | | |
| Fee and commission income, net (Note 29) | 12,086,135 | 11,353,668 | 6 |
| Gain on financial assets and liabilities at fair value through profit or loss (Note 6) | 4,387,634 | 2,210,306 | 99 |
| Realized gain (loss) on available-for-sale financial assets | 452,292 | (147,220) | 407 |
| Investment income (loss) recognized under the equity method (Note 11) | 4,247 | (24,498) | 117 |
| Gain on disposal of investments accounted for by the equity method (Notes 2 and 11) | 330,294 | - | - |
| Foreign exchange gain (Note 2) | (277,011) | 1,319,246 | (121) |
| Loss on assets impairment (Notes 9 and 12) | (108,551) | (20,091) | 440 |
| Other non-interest net income and losses | | | |
| Gain on disposal of non-performing loans | 460,015 | 370,204 | 24 |
| Dividend income | 377,804 | 379,451 | - |
| Income from trading and other sale | 239,105 | 567,954 | (58) |
| Other miscellaneous net income | 1,272,223 | 1,204,135 | 6 |
| GROSS INCOME | 48,454,712 | 46,037,210 | 5 |
| REVERSED ALLOWANCE FOR LOAN LOSSES (Notes 2 and 8) | 1,549,930 | 2,266,419 | (32) |
| OPERATING EXPENSES (Note 30) | | | |
| Personnel expenses | (18,327,288) | (17,545,107) | 4 |
| Depreciation and amortization | (1,584,830) | (1,845,315) | (14) |
| Others | (9,524,670) | (9,470,986) | 1 |
| Total operating expenses | (29,436,788) | (28,861,408) | 2 |
| INCOME BEFORE INCOME TAX | 20,567,854 | 19,442,221 | 6 |
| ESTIMATED INCOME TAX EXPENSE (Notes 2 and 31) | (3,802,135) | (3,159,705) | 20 |
| CONSOLIDATED NET INCOME | \$ 16,765,719 | \$ 16,282,516 | 3 |
| ATTRIBUTABLE TO | | | |
| Taishin Financial Holding's stockholders | \$ 10,261,680 | \$ 9,431,836 | 9 |
| Minority interests | 6,504,039 | 6,850,680 | (5) |
| | \$ 16,765,719 | \$ 16,282,516 | 3 |

| | 2012 | | 2011 | |
|--------------------------------------|---------|-----------|---------|-----------|
| | Pretax | After Tax | Pretax | After Tax |
| BASIC EARNINGS PER SHARE (Note 32) | \$ 1.65 | \$ 1.30 | \$ 1.44 | \$ 1.16 |
| DILUTED EARNINGS PER SHARE (Note 32) | \$ 1.61 | \$ 1.30 | \$ 1.44 | \$ 1.16 |

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

**TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011**

(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 | Stock-based Compensation | Other Capital Surplus |
| BALANCE, JANUARY 1, 2011 | \$ 59,094,401 | \$ 11,912,963 | \$ 2,324 | \$ 16,996,159 | \$ 2,075,475 | \$ 26,098 | \$ 4,411 |
| 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 | - | - | - | - | - | - | - |
| Cumulative 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 | 132,341 | 4,411 |
| Appropriation of 2011 earnings | | | | | | | |
| Legal reserve | - | - | - | - | - | - | - |
| Dividend on preferred stock C | - | - | - | - | - | - | - |
| Dividend on preferred stock D | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | - | - |
| Stock dividends (\$0.89548 per share, ex-dividend date August 12, 2012) | 5,664,000 | - | - | - | - | - | - |
| Cancellation of preferred stock C | - | (4,661,595) | - | (10,000,000) | - | - | - |
| Unrealized revaluation increment on land | - | - | - | - | - | - | - |
| Cumulative translation adjustments | - | - | - | - | - | - | - |
| Unrealized gains or losses of available-for-sale financial assets | - | - | - | - | - | - | - |
| Issuance of employee stock options | - | - | - | - | - | 91,353 | - |
| Lapse of employee stock options | - | - | - | - | - | (425) | 425 |
| Net loss not recognized as pension cost | - | - | - | - | - | - | - |
| Investment accounted for by the equity method | - | - | - | - | - | (1,013) | (4,411) |
| Others | - | - | - | - | - | - | - |
| Consolidated net income for the year ended December 31, 2012 | - | - | - | - | - | - | - |
| BALANCE, DECEMBER 31, 2012 | \$ 68,914,473 | \$ 7,251,368 | \$ - | \$ 7,005,072 | \$ 2,075,475 | \$ 222,256 | \$ 425 |

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

| 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 |
| \$ 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 |
| 943,184 | - | (943,184) | - | - | - | - | - | - |
| - | - | (525,000) | - | - | - | - | - | (525,000) |
| - | - | (910,000) | - | - | - | - | - | (910,000) |
| - | - | (1,416,000) | - | - | - | - | (1,044,869) | (2,460,869) |
| - | - | (5,664,000) | - | - | - | - | - | - |
| - | - | (338,405) | - | - | - | - | - | (15,000,000) |
| - | - | - | 291,181 | - | - | - | 518,768 | 809,949 |
| - | - | - | - | (58,334) | - | - | (81,819) | (140,153) |
| - | - | - | - | - | 821,403 | - | 581,948 | 1,403,351 |
| - | - | - | - | - | - | - | 83 | 91,436 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | (69,839) | (236,314) | (306,153) |
| - | - | - | - | - | - | - | (72,907) | (78,331) |
| - | (24,031) | 24,031 | - | - | - | - | - | - |
| - | - | 10,261,680 | - | - | - | - | 6,504,039 | 16,765,719 |
| <u>\$ 2,942,721</u> | <u>\$ 244,474</u> | <u>\$ 9,970,487</u> | <u>\$ 579,640</u> | <u>(\$ 81,603)</u> | <u>\$ 675,432</u> | <u>(\$ 100,271)</u> | <u>\$ 80,293,182</u> | <u>\$ 179,993,131</u> |

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

| | 2012 | 2011 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Consolidated net income | \$ 16,765,719 | \$ 16,282,516 |
| Depreciation | 1,252,731 | 1,448,607 |
| Amortization | 332,099 | 396,708 |
| Reversal allowance for loan losses | (1,549,930) | (2,266,419) |
| Share-based compensation | 91,436 | 106,652 |
| Amortization of discount on financial assets | (494,558) | (404,175) |
| Investment loss (income) recognized under equity method | (4,247) | 24,498 |
| Cash dividends received in current period under equity method | 11,554 | 14,672 |
| Loss on disposal of property and equipment | 7,543 | 4,241 |
| Gain on disposal of rental assets and idle assets | - | (10,058) |
| (Gain) loss on disposal of investments | (291,588) | 343,902 |
| Gain on sale of subsidiaries | (295,043) | - |
| Gain on disposal of investments accounted for by the equity method | (35,251) | - |
| Unrealized valuation (gain) loss on financial assets and liabilities | (1,159,379) | 509,708 |
| Impairment loss on financial assets | 108,551 | 20,091 |
| Unrealized exchange loss (gain) | 849,365 | (750,111) |
| Deferred income tax expense | 2,105,674 | 2,542,340 |
| Income tax benefit from linked-tax system | - | (5,129) |
| Recovery of debts written off | 5,734,981 | 7,971,195 |
| Others | 1,181 | 7,957 |
| Net changes in operating assets and liabilities | | |
| Net changes in operating assets | | |
| Decrease in receivables | 2,881,558 | 15,701,097 |
| Increase in financial assets for trading purpose | (612,856) | (1,211,332) |
| Increase in other financial assets | (252,187) | (475,385) |
| Increase in other assets | (3,689,138) | (252,870) |
| Net changes in operating liabilities | | |
| Increase in payables | 129,601 | 6,915,337 |
| Decrease in financial liabilities for trading purpose | (16,062,227) | (20,360,806) |
| Increase in other financial liabilities | 49,938 | 683,701 |
| Increase in other liabilities | 75,327 | 367,542 |
| Net cash provided by operating activities | <u>5,950,854</u> | <u>27,604,479</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of available-for-sale financial assets | (1,517,270,434) | (992,130,341) |
| Proceeds from disposal of available-for-sale financial assets | 1,496,734,743 | 964,908,045 |
| Acquisition of bond investments without active market | (665,780) | (82,324) |
| Proceeds from disposal of bond investments without active market | 193,139 | - |
| Repayments of bond investments without active market | 5,340,342 | 3,299,013 |
| Acquisition of held-to-maturity financial assets | (1,240,388,044) | (961,026,799) |
| Repayments of held-to-maturity financial assets | 1,250,472,329 | 975,058,719 |
| Acquisition of financial assets carried at cost | (30,002) | (48,095) |
| Proceeds from disposal of financial assets carried at cost | 67,993 | - |
| Capital reduction of financial assets carried at cost | 120,705 | 84,524 |

(Continued)

| | 2012 | 2011 |
|---|----------------|-----------------|
| Acquisition of long-term investments under equity method | \$ - | (\$ 12,070) |
| Proceeds from disposal of long-term investments under equity method | 46,450 | - |
| Acquisition of subsidiaries | - | (300) |
| Proceeds from disposal of subsidiaries | 389,887 | - |
| Proceeds from capital reduction of investments accounted for by the equity method | - | 2,226 |
| Purchase of property and equipment | (755,333) | (887,076) |
| Proceeds from disposal of property and equipment | 15,631 | 39,412 |
| Proceeds from disposal of rental assets and idle assets | - | 14,450 |
| (Increase) decrease in operating guarantee deposits | (22,054) | 6,774 |
| Decrease in settlement funds | 6,151 | 2,596 |
| Decrease in refundable deposits | 435,541 | 1,056,257 |
| Purchase of intangible asset | (56,073) | (26,240) |
| Proceeds from disposal of collaterals | - | 212,466 |
| Purchase of collaterals | (1) | (402,932) |
| (Increase) decrease in due from Central Bank and call loans to banks | (27,454,483) | 16,953,430 |
| Increase in loans (including delinquent loans) | (67,738,402) | (150,704,364) |
| Investment in real estate | (374,156) | (1,612) |
| Decrease (increase) in bonds and securities purchased under resale agreements | 4,747,728 | (3,715,708) |
| Net cash used in investing activities | (96,184,123) | (147,399,949) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| (Decrease) increase in commercial paper payable | (260,953) | 153,038 |
| Proceeds from issuance of bonds | 7,000,000 | 9,700,000 |
| Repayment of bonds | (18,650,000) | (14,000,000) |
| Proceeds from issuance of bank debentures | 11,700,000 | 10,000,000 |
| Increase (decrease) in other borrowings | 536,996 | (307,000) |
| Increase in bonds and securities sold under repurchase agreements | 4,284,642 | 8,055,088 |
| Decrease in guarantee deposits | (21,809) | (116,805) |
| Cash dividends distributed | (3,895,869) | (4,138,282) |
| Execution of employee stock options | - | 24,780 |
| (Decrease) increase in due to banks and Central Bank | (21,688,955) | 22,223,004 |
| Increase in deposits and remittances | 115,433,997 | 106,042,598 |
| Cancellation of preferred stock - C | (15,000,000) | - |
| Other financing activities | (31,589) | (22,410) |
| Net cash provided by financing activities | 79,406,460 | 137,614,011 |
| EFFECT OF EXCHANGE RATE CHANGES | (140,153) | 16,055 |
| NET EFFECTS CHANGES IN CONSOLIDATED INDIVIDUAL | (202,478) | - |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (11,169,440) | 17,834,596 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 64,818,747 | 46,984,151 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 53,649,307 | \$ 64,818,747 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid during the year | | |
| Interest | \$ 20,058,844 | \$ 17,494,928 |
| Income tax | \$ 1,017,365 | \$ 1,007,740 |
| NON-CASH FINANCING ACTIVITIES | | |
| Capital increase by earnings recapitalization | \$ 5,664,000 | \$ 4,137,881 |

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



TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(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.

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 order to integrate corporate resources, Taishin Financial Holding sold all of the equity of Taishin Securities A as of December 19, 2009 and Taishin Bank merged with Taishin Bills Finance, and the base date of merger was January 22, 2011. Taishin Bank acquired total assets, liabilities and operations of Taishin Bills Finance.

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. On October 3, 2008, this preferred stock - B had been converted into 1,400,000 thousand shares of common stock. The ownership interest with voting rights in Chang Hwa Bank held by Taishin Financial Holding and subsidiaries was 22.81% as of December 31, 2012.

Taishin Financial Holding acquired 100% equity interest of Donshin Securities Co., Ltd. ("Donshin Securities") by cash investments on April 6, 2010. Donshin Securities became a subsidiary of Taishin Financial Holding and changed the Company name to Taishin Securities ("Taishin Securities B").

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

Taishin Financial Holding acquired 100% equity interest of Franklin Insurance Brokers Co., Ltd. ("Franklin Insurance Brokers"), by cash investments on April 27, 2011. Franklin Insurance Brokers became a subsidiary of Taishin Financial Holding and changed 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 agency and data processing services. Taishin Bank sold its 45% and 15.36% equity in PayEasy Digital in June and July 2012 and had lost the ability to control. Thus, PayEasy Digital and its subsidiaries were not included in the consolidated financial statements for the year ended December 31, 2012.

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 Asset Management Co., Ltd. ("Taishin AMC") was established on August 14, 2002 in accordance with the Company Law and other related laws. Taishin AMC's operations include 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 Financial Leasing (Tianjin) Co., Ltd. ("Taishin Financial Leasing (Tianjin)") was approved to establish on March 1, 2012 to provide financial leasing service.

Taishin Securities Investment Advisory was established in March 1989 and its operations include accepting 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, 2012 and 2011, Taishin Financial Holding and subsidiaries had 13,468 and 13,783 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, 2012 and 2011 were as follows:

| Investors' Names | Subsidiaries' Names | Ownership Interest (%) | | Note |
|---------------------------|--|------------------------|--------|---|
| | | 2012 | 2011 | |
| Taishin Financial Holding | Taishin Bank | 100.00 | 100.00 | |
| Taishin Financial Holding | Taishin Securities B | 100.00 | 100.00 | |
| Taishin Financial Holding | Taishin Bills Finance | - | - | 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 | |
| Taishin Financial Holding | Taishin Securities Investment Trust | 100.00 | 100.00 | |
| Taishin Financial Holding | Taishin Holdings Insurance Brokers | 100.00 | 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 | 5.00 | 65.36 | Taishin Bank sold its 45% and 15.36% equity in PayEasy Digital in June and July 2012 and had lost the ability to control. Thus, PayEasy Digital and its subsidiaries were not included in the consolidated financial statements for the year ended December 31, 2012. |
| 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 | |

| Investors' Names | Subsidiaries' Names | Ownership Interest (%) | | Note |
|-------------------------|-------------------------------------|------------------------|--------|---|
| | | 2012 | 2011 | |
| Taishin Venture Capital | Taishin Financial Leasing (China) | 100.00 | 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. |
| Taishin Venture Capital | Taishin Financial Leasing (Tianjin) | 100.00 | - | In 2012, Taishin Venture Capital invested to set up Taishin Financial Leasing (Tianjin), and it was included in consolidated financial statements since May 25, 2012. |

Subsidiaries not included in the consolidated financial statements as of December 31, 2012 and 2011 were as follows:

| Investors' Names | Subsidiaries' Names | Ownership Interest (%) | | Note |
|------------------|---|------------------------|--------|--|
| | | 2012 | 2011 | |
| Taishin Bank | Taishin Dah An Leasing Co., Ltd. ("Taishin Dah An Leasing") | 100.00 | 100.00 | Taishin Dah An Leasing was an equity-method investee of Taishin Bank as of December 31, 2012 and 2011. Since its capital was less than 0.26% of the consolidated capital, and its total assets were less than 0.01% of the consolidated total assets, thus, it was not included in the consolidated financial statements. |
| Taishin Bank | PayEasy Digital | 5.00 | 65.36 | Taishin Bank sold its 45% and 15.36% equity in PayEasy Digital in June and July 2012 and had lost the ability to control. Thus, PayEasy Digital and its subsidiaries were not included in the consolidated financial statements for the year ended December 31, 2012. |
| PayEasy Digital | PayEasy Travel Service Co., Ltd. ("PayEasy Travel") | - | 100.00 | PayEasy Travel was an equity method investee of PayEasy Digital as of December 31, 2011. Its capital, total assets and operating income did not reach 0.49% 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 | Contect Digital Integration was an equity method investee of PayEasy Digital as of December 31, 2011. Contect Digital Integration's capital, total assets and operating income did not reach 0.60% of consolidated capital, of consolidated total assets and consolidated operating income. Therefore, it was not included in the consolidated financial statements. PayEasy Digital acquired total assets and liabilities on March 1, 2012. |

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The 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 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:

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

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

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

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

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

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 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.

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 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 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 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 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.

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 on 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 on the asset in prior

years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revaluated amount, in which case the reversal of the impairment loss is treated as an increase in the unrealized revaluation increment.

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

Stock-based Compensation

Employee stock options granted 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.

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 ceased. Interest income will be recognized when the delinquent interest or loans written off external interest are 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.

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, 2011 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the year ended December 31, 2012.

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."

4. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---------------------|----------------------|----------------------|
| | 2012 | 2011 |
| Cash on hand | \$ 16,441,649 | \$ 14,694,960 |
| Checks for clearing | 21,978,953 | 20,083,794 |
| Due from banks | 11,938,058 | 27,220,352 |
| Others | <u>3,290,647</u> | <u>2,819,641</u> |
| | <u>\$ 53,649,307</u> | <u>\$ 64,818,747</u> |

5. DUE FROM CENTRAL BANK AND CALL LOANS TO BANKS

| | December 31 | |
|--|-----------------------|-----------------------|
| | 2012 | 2011 |
| Reserve for checking account | \$ 24,057,631 | \$ 24,335,536 |
| Reserve for demand account | 54,200,232 | 52,160,089 |
| Reserve for foreign deposit | 231,606 | 181,342 |
| Call loans to banks | 52,020,049 | 26,580,954 |
| Certificate of deposits issued by Central Bank | 5,700,000 | 5,700,000 |
| Others | <u>432,158</u> | <u>229,272</u> |
| | <u>\$ 136,641,676</u> | <u>\$ 109,187,193</u> |

Taishin Bank and Chang Hwa Bank are required to maintain reserve balances in the Central Bank. These reserves amounted to \$78,489,469 thousand and \$76,676,967 thousand as of December 31, 2012 and 2011, respectively.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | December 31 | |
|---|----------------------|----------------------|
| | 2012 | 2011 |
| Trading-purpose financial assets | | |
| Investment in bills | \$ 56,738,429 | \$ 38,559,079 |
| Quoted stocks and mutual funds | 895,667 | 579,208 |
| Government bonds | 7,420,089 | 5,914,941 |
| Corporate bonds, bank debentures and other bonds | 7,227,427 | 8,332,770 |
| Trading securities | | |
| Dealing | 261,028 | 833,524 |
| Underwriting | 264,495 | 447,293 |
| Futures | 56,943 | 99,355 |
| Forward exchange contracts | 902,949 | 522,960 |
| Currency swaps | 4,137,609 | 3,488,142 |
| Cross-currency swaps | 537,760 | 1,159,550 |
| Foreign-exchange options | 2,242,389 | 949,930 |
| Buying foreign-exchange options premium | 346,230 | 241,013 |
| Interest rate options | - | 1,386 |
| Equity-linked options | 8,550 | 241,062 |
| Commodity options | 4,297 | 26,625 |
| Interest rate swaps | 3,086,932 | 4,567,895 |
| Equity-linked swaps | 233,098 | 200,720 |
| Credit default swaps | 7,409 | 18,022 |
| Commodity price swaps | 19,174 | 20,220 |
| Fixed rate commercial papers | 29,136 | 22,978 |
| Asset based commercial papers | - | 20,294 |
| | <u>84,419,611</u> | <u>66,246,967</u> |
| Financial assets designated upon initial recognition at fair value through profit or loss | | |
| Interest-rate combination instruments | 1,568,591 | 1,268,683 |
| | <u>\$ 85,988,202</u> | <u>\$ 67,515,650</u> |

Please refer to Note 34 for relevant information regarding financial assets at FVTPL pledged as collaterals as of December 31, 2012 and 2011.

The par values of those financial assets at FVTPL provided for transactions with repurchase agreements were \$23,613,000 thousand and \$23,281,100 thousand as of December 31, 2012 and 2011, respectively.



| | December 31 | |
|--|----------------------|----------------------|
| | 2012 | 2011 |
| Trading-purpose financial liabilities | | |
| Securities borrowing | \$ - | \$ 54,469 |
| Futures | 771 | - |
| Forward exchange contracts | 1,704,650 | 612,087 |
| Currency swaps | 2,694,109 | 2,484,556 |
| Cross-currency swaps | 640,264 | 1,054,910 |
| Foreign-exchange options | 2,071,263 | 776,522 |
| Selling foreign-exchange options premium | 346,202 | 240,148 |
| Interest rate options | 19 | 5,760 |
| Equity-linked options | 205,238 | 111,671 |
| Commodity options | 4,297 | 26,625 |
| Interest rate swaps | 3,101,879 | 4,765,958 |
| Equity-linked swaps | 231,737 | 200,720 |
| Credit default swaps | 7,409 | 18,022 |
| Commodity price swaps | 19,174 | 20,220 |
| Assets based commercial papers | - | 17,254 |
| | <u>\$ 11,027,012</u> | <u>\$ 10,388,922</u> |

Taishin Bank engaged in various derivative instruments in the years ended December 31, 2012 and 2011 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, 2012 and 2011 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, 2012 and 2011 were as follows:

| | December 31 | |
|-------------------------------------|-------------|-------------|
| | 2012 | 2011 |
| Outstanding derivative contracts | | |
| Trading-purpose | | |
| Futures | \$ 159,704 | \$ - |
| Forward exchange contracts | 160,799,640 | 121,311,867 |
| Currency swaps | 608,343,812 | 619,339,674 |
| Cross-currency swaps | 39,665,676 | 28,362,682 |
| Foreign-exchange options | 380,637,653 | 203,834,959 |
| Interest rate options | 138,000 | 4,330,000 |
| Equity-linked options | 7,020,675 | 9,400,191 |
| Commodity options | 89,855 | 469,653 |
| Interest rate swaps and asset swaps | 931,248,363 | 493,983,613 |
| Equity-linked swaps | 7,996,578 | 4,081,581 |
| Credit default swaps | 1,096,306 | 1,164,772 |
| Commodity price swaps | 895,936 | 442,540 |
| Fixed rate commercial papers | 4,780,000 | 3,030,000 |
| Assets based commercial papers | - | 3,391,500 |

Gain or loss of financial assets and liabilities for trading purpose as of December 31, 2012 and 2011 was as follows:

| | Year Ended December 31 | | | |
|--------------------------|------------------------|------------------------|----------------------|------------------------|
| | 2012 | | 2011 | |
| | Financial Assets | Financial Liabilities | Financial Assets | Financial Liabilities |
| Gain (loss) on valuation | \$ 17,859,696 | (\$ 16,700,317) | \$ 8,653,612 | (\$ 9,163,320) |
| Gain (loss) on disposal | 6,798,100 | (3,573,905) | 8,247,848 | (5,568,064) |
| Dividend income | 4,060 | - | 40,230 | - |
| | <u>\$ 24,661,856</u> | <u>(\$ 20,274,222)</u> | <u>\$ 16,941,690</u> | <u>(\$ 14,731,384)</u> |

7. RECEIVABLES, NET

| | December 31 | |
|---------------------------------|-----------------------|-----------------------|
| | 2012 | 2011 |
| Notes and accounts receivable | \$ 94,882,613 | \$ 95,210,167 |
| Margin loans receivable | 593,661 | 518,630 |
| Acceptance receivable | 6,610,138 | 7,854,090 |
| Revenue receivable | 283,554 | 287,334 |
| Interest receivable | 4,483,097 | 4,344,594 |
| Tax refund receivable | 1,721,468 | 2,186,300 |
| Other receivables | 493,447 | 1,722,020 |
| Less: Allowance for receivables | (1,520,244) | (1,361,571) |
| | <u>\$ 107,547,734</u> | <u>\$ 110,761,564</u> |

8. LOANS

The details of loans were as follows:

| | December 31 | |
|---------------------------------|-------------------------|-------------------------|
| | 2012 | 2011 |
| Negotiated | \$ 4,902,431 | \$ 6,057,750 |
| Overdrafts | 4,491,303 | 6,097,032 |
| Discounts | 3,928,696 | 3,621,982 |
| Short-term loans | 415,418,954 | 452,856,502 |
| Medium-term loans | 569,678,834 | 514,964,757 |
| Long-term loans | 805,837,245 | 756,804,712 |
| Delinquent loans | 4,832,932 | 5,394,532 |
| Adjustment for discount | (441,403) | (250,681) |
| | 1,808,648,992 | 1,745,546,586 |
| Less: Allowance for loan losses | (21,350,050) | (22,319,871) |
| | <u>\$ 1,787,298,942</u> | <u>\$ 1,723,226,715</u> |

Allowance for loan losses was as follows:

| | Year Ended December 31, 2012 | | | |
|--|------------------------------|----------------------|------------------------|----------------------|
| | Receivables | Loans | Other Financial Assets | Total |
| Balance, January 1, 2012 | \$ 1,361,571 | \$ 22,319,871 | \$ 277,975 | \$ 23,959,417 |
| Provision (reverse) for loan losses | 148,921 | (1,287,076) | (539,269) | (1,677,424) |
| Loans written off | (26,314) | (4,570,809) | (328,397) | (4,925,520) |
| Recovery of loans written off | 37,150 | 4,932,292 | 765,539 | 5,734,981 |
| Reclassified from reserve for guarantees | 293 | 20,959 | 37,120 | 58,372 |
| Others | (1,377) | (65,187) | 452 | (66,112) |
| Balance, December 31, 2012 | <u>\$ 1,520,244</u> | <u>\$ 21,350,050</u> | <u>\$ 213,420</u> | <u>\$ 23,083,714</u> |

| | 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 (reverse) for loan losses | 156,081 | (1,808,000) | (489,224) | (2,141,143) |
| Loans written off | (360,961) | (2,196,214) | (385,292) | (2,942,467) |
| Recovery of loans written off | 34,458 | 7,116,780 | 819,957 | 7,971,195 |
| 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> |

Details of reversed allowance for loan losses for the years ended December 31, 2012 and 2011 were as follows:

| | 2012 | 2011 |
|---|------------------------|------------------------|
| Reversed allowance for receivable and loan losses | (\$ 1,677,424) | (\$ 2,141,143) |
| Provision (reverse) for guarantees | 127,494 | (125,276) |
| | <u>(\$ 1,549,930)</u> | <u>(\$ 2,266,419)</u> |

Details of receivables and allowance for loan accounts for the years ended December 31, 2012 and 2011 were as follows:

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

| Item | | Total Receivable | | Total Allowance | |
|--------------------------------------|-------------------------------------|-----------------------|-----------------------|---------------------|---------------------|
| | | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Objective evidence of impairment | Individual assessment of impairment | \$ 707,209 | \$ 1,370,901 | \$ 602,806 | \$ 695,226 |
| | Combined assessment of impairment | 2,874,305 | 3,360,311 | 391,025 | 425,847 |
| Non objective evidence of impairment | Combined assessment of impairment | 104,228,281 | 105,721,565 | 739,833 | 518,473 |
| Total | | \$ 107,809,795 | \$ 110,452,777 | \$ 1,733,664 | \$ 1,639,546 |

Note: The amount of receivable did not include the amount of allowance for receivables.

Loans

| Item | | Total Loans | | Total Allowance | |
|--------------------------------------|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Objective evidence of impairment | Individual assessment of impairment | \$ 29,169,293 | \$ 22,410,678 | \$ 7,610,878 | \$ 10,173,393 |
| | Combined assessment of impairment | 10,592,624 | 12,287,558 | 2,423,480 | 2,370,275 |
| Non objective evidence of impairment | Combined assessment of impairment | 1,769,328,478 | 1,711,099,031 | 11,315,692 | 9,776,203 |
| Total | | \$ 1,809,090,395 | \$ 1,745,797,267 | \$ 21,350,050 | \$ 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 | |
|----------------------------|-----------------------|-----------------------|
| | 2012 | 2011 |
| Investment in bills | \$ 147,893,662 | \$ 140,430,090 |
| Domestic quoted stocks | 4,870,257 | 4,362,352 |
| Government bonds | 70,173,750 | 59,658,982 |
| Corporate bonds | 18,046,929 | 16,039,157 |
| Bank debentures | 23,101,145 | 20,948,085 |
| Beneficiary's securities | 3,855,251 | 6,006,597 |
| Beneficiary's certificates | 2,781,905 | 1,341,453 |
| | <u>\$ 270,722,899</u> | <u>\$ 248,786,716</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, 2012 and 2011.

The par values of bond investments in available-for-sale financial assets provided for transactions with repurchase agreements were \$31,019,175 thousand and \$29,106,119 thousand as of December 31, 2012 and 2011, respectively.

10. HELD-TO-MATURITY FINANCIAL ASSETS

| | December 31 | |
|---------------------|-----------------------|-----------------------|
| | 2012 | 2011 |
| Investment in bills | \$ 158,549,517 | \$ 169,359,262 |
| Corporate bonds | 6,961,209 | 4,972,186 |
| Bank debentures | 7,103,047 | 8,466,362 |
| | <u>\$ 172,613,773</u> | <u>\$ 182,797,810</u> |



Please refer to Note 34 for relevant information regarding held-to-maturity financial assets pledged as collaterals as of December 31, 2012 and 2011.

The par values of bond investments in held-to-maturity financial assets provided for transactions with repurchase agreements were \$1,019,760 thousand and \$1,060,150 thousand as of December 31, 2012 and 2011, respectively.

11. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

| | December 31 | | | |
|--|-------------------|------------------------|-------------------|------------------------|
| | 2012 | | 2011 | |
| | Carrying Value | Ownership Interest (%) | Carrying Value | Ownership Interest (%) |
| Unquoted stocks | | | | |
| Taishin Dah An Leasing | \$ 171,378 | 100.00 | \$ 169,064 | 100.00 |
| An Hsin Real-Estate Management Co., Ltd. ("An Hsin Real-Estate") | 71,044 | 30.00 | 59,800 | 30.00 |
| Youn Shin Artistic Co., Ltd. ("Youn Shin Artistic") | 8,856 | 25.00 | 10,000 | 25.00 |
| PayEasy Travel | - | - | 13,834 | 100.00 |
| Contact Digital Integration | - | - | (49,486) | 65.75 |
| | <u>251,278</u> | | <u>203,212</u> | |
| Credit balance of investments accounted for by the equity method reclassified to other liabilities | - | | <u>49,486</u> | |
| | <u>\$ 251,278</u> | | <u>\$ 252,698</u> | |

a. Based on the investees' financial statements for the years ended December 31, 2012 and 2011, the amounts of investment income (loss) recognized under equity method were as follows:

| | 2012 | | 2011 | |
|-----------------------------|------------------------------|-------------------------------------|------------------------------|-------------------------------------|
| | Individual Net Income (Loss) | Investment Income (Loss) Recognized | Individual Net Income (Loss) | Investment Income (Loss) Recognized |
| Taishin Dah An Leasing | \$ 4,437 | \$ 4,437 | \$ 2,358 | \$ 2,336 |
| An Hsin Real-Estate | 68,922 | 20,676 | 46,062 | 13,818 |
| Youn Shin Artistic | (4,686) | (1,144) | 5 | - |
| PayEasy Digital | (119,891) | (1,791) | - | - |
| PayEasy Travel | (1,342) | (731) | 40 | 40 |
| Contact Digital Integration | (17,200) | (17,200) | (41,099) | (41,099) |
| Shin Jui AMC | - | - | 407 | 407 |
| | | <u>\$ 4,247</u> | | <u>(\$ 24,498)</u> |

For the years ended December 31, 2012 and 2011, the equity-method investees' financial statements, which had been used to determine the carrying amount of Taishin Financial Holdings investments, had been audited, except that of Youn Shin Artistic.

b. Taishin Bank sold its 45% and 15.36% equity in PayEasy Digital's common stock for a total of \$522,977 thousand in June and July 2012; gain on disposal of the shares was \$396,042 thousand (including shares sold to Taishin Venture Capital and Taishin AMC). Taishin Financial Holding and subsidiaries recognized \$330,294 thousand as gain on disposal after offsetting internal transaction. Taishin Financial Holding and subsidiaries lowered their holding percentage and did not have significant influence on PayEasy Digital. Therefore, Taishin Financial Holding and subsidiaries reclassified investments accounted for by the equity method to financial assets carried at cost.

12. FINANCIAL ASSETS CARRIED AT COST

| | December 31 | |
|---------------------------------------|---------------------|---------------------|
| | 2012 | 2011 |
| Domestic emerging market stocks | \$ 311,570 | \$ 531,506 |
| Domestic and overseas unquoted stocks | 8,572,503 | 8,742,861 |
| | <u>\$ 8,884,073</u> | <u>\$ 9,274,367</u> |

- a. Taishin Bank's domestic and overseas unquoted stocks were financial assets carried at cost; they were investments in stocks of Pacific Securities Co., Ltd., Han-Hsin Venture Capital Co., Ltd., Han-Hua Venture Capital Co., Ltd., and United Venture Capital Co., Ltd. The investment value has been impaired and possibility of restoration was very small; thus, Taishin Bank had recognized impairment loss of \$39,627 thousand for the year ended December 31, 2012.
- b. Taishin Venture Capital's financial assets carried at cost were investments in stocks of Chung-Yang Special Return Venture Capital Co., Ltd., First Bio Venture Capital Corporation, Double Edge Entertainment Co., Ltd., O2 Medtech Inc. 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 \$47,189 thousand and \$3,924 thousand for the years ended December 31, 2012 and 2011, respectively.

13. OTHER MISCELLANEOUS FINANCIAL ASSETS

| | December 31 | |
|--|---------------------|---------------------|
| | 2012 | 2011 |
| Inward remittance | \$ 13,253 | \$ 23,017 |
| Delinquent loans reclassified from other items (excluding loans) | 463,285 | 516,713 |
| Less: Allowance for bad debt | (213,420) | (277,975) |
| Bond investments without active market | 3,479,000 | 8,319,929 |
| Gold account | 154,366 | - |
| | <u>\$ 3,896,484</u> | <u>\$ 8,581,684</u> |

Chang Hwa Bank acquired the bond investments without active market of Golden Belt. After evaluation for impairment, Chang Hwa Bank recognized an impairment loss of \$21,735 thousand for the year ended December 31, 2012.



14. PROPERTY AND EQUIPMENT

| | December 31 | | | |
|---|----------------------|--------------------------|----------------------|----------------------|
| | 2012 | | | 2011 |
| | Cost | Accumulated Depreciation | Carrying Value | Carrying Value |
| Land | \$ 28,536,321 | \$ - | \$ 28,536,321 | \$ 27,610,625 |
| Buildings | 15,909,180 | (5,168,355) | 10,740,825 | 11,051,880 |
| Machinery equipment | 6,399,966 | (4,912,242) | 1,487,724 | 1,652,339 |
| Transportation equipment | 609,525 | (479,360) | 130,165 | 128,116 |
| Miscellaneous equipment | 1,539,843 | (1,318,112) | 221,731 | 257,131 |
| Leasehold improvement | 1,087,958 | (768,936) | 319,022 | 324,359 |
| Leased assets | 168,275 | (31,749) | 136,526 | 151,448 |
| Prepayments for buildings and equipment | 24,024 | - | 24,024 | 28,553 |
| | <u>\$ 54,275,092</u> | <u>(\$ 12,678,754)</u> | <u>\$ 41,596,338</u> | <u>\$ 41,204,451</u> |

Taishin Bank revalued its land in 2012. The total amount of revaluation increment recognized for land was \$244,624 thousand. Reserve for land revaluation increment tax accounted as other liabilities amounted to \$41,780 thousand.

Chang Hwa Bank revalued its land and buildings over the years. The total amounts of revaluation increments recognized for land and buildings were \$21,117,393 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, 2012 and 2011 were as follows:

| Item | December 31 | | | |
|----------------------------|----------------------|------------------|----------------------|------------------|
| | 2012 | | 2011 | |
| | Land | Buildings | Land | Buildings |
| Property and equipment | \$ 13,263,756 | \$ 80,546 | \$ 12,521,663 | \$ 80,546 |
| Other miscellaneous assets | 7,117,505 | 12,533 | 6,891,471 | 12,533 |
| | <u>\$ 20,381,261</u> | <u>\$ 93,079</u> | <u>\$ 19,413,134</u> | <u>\$ 93,079</u> |

Reserve for land revaluation increment tax is accounted as other liabilities and amounted to \$6,156,692 thousand and \$5,860,648 thousand as of December 31, 2012 and 2011, respectively.

15. GOODWILL AND INTANGIBLE ASSETS

| | December 31 | |
|---------------------------------------|----------------------|----------------------|
| | 2012 | 2011 |
| Goodwill | \$ 21,012,047 | \$ 21,012,047 |
| Intangible assets - customer value | 304,418 | 441,109 |
| Intangible assets - computer software | 375,483 | 441,701 |
| Intangible assets - concession | 30,997 | 44,773 |
| Intangible assets - others | 6,074 | 12,149 |
| | <u>\$ 21,729,019</u> | <u>\$ 21,951,779</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, 2012 and 2011 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, 2012 and 2011 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, 2012 and 2011 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 | \$ 17,168,136 (17,168,136) | \$ 2,150,507 (2,150,507) |
| Difference between investment cost and fair value of net assets acquired (goodwill) | \$ 19,676,239 | \$ 1,682,589 |

The goodwill was amortized over 20 years by the straight-line method and subject to impairment test before December 31, 2005. 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, 2012 and 2011.

According to February 24, 2010 ARDF Interpretation 2010-0000000061 and the instructions given by the Financial Supervisory Commission, Executive Yuan, ROC., the assets of Chang Hwa Bank which belongs to Taishin Financial Holding and Taishin Bank due to holding interest, are subject to assets impairment test. Taishin Financial Holding then used business valuation models to calculate the recoverable amounts based on the test. 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, 2012 and 2011.

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, 2012 and 2011 were both \$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 were \$291,622 thousand and \$426,214 thousand as of December 31, 2012 and 2011, 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 \$12,796 thousand and \$14,895 thousand as of December 31, 2012 and 2011, respectively.

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 \$30,997 thousand and \$44,773 thousand as of December 31, 2012 and 2011, respectively.

16. OTHER MISCELLANEOUS ASSETS

| | December 31 | |
|--------------------------------|---------------------|---------------------|
| | 2012 | 2011 |
| Operating guarantee deposits | \$ 102,130 | \$ 80,076 |
| Settlement funds | 24,948 | 31,099 |
| Rental and idle assets, net | 8,147,238 | 7,950,206 |
| Client's position - debit, net | - | 43,950 |
| Collaterals, net | 425,545 | 426,561 |
| Real estate investments, net | 737,075 | 368,139 |
| Others | 233,733 | 660,263 |
| | <u>\$ 9,670,669</u> | <u>\$ 9,560,294</u> |

Operating Guarantee Deposits

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.

Taishin Securities Investment Trust and Taishin Securities Investment Advisory

As stipulated in the Regulation Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises (SITE) and Securities Investment Consulting Enterprises (SICE) Article 10, a SITE or a SICE shall lodge an operating deposit of \$25 million where the paid-in capital of a SITE or a SICE is \$300 million or more. In May 2012, Taishin Securities Investment Advisory had applied to terminate the discretionary investment business services. The application had been approved by the Financial Supervisory Commission. In addition, as stipulated in the Regulations Governing Offshore Funds Article 10, \$30 million and \$50 million of operating deposits should be lodged by Taishin Securities Investment Trust and Taishin Securities Investment Advisory as representatives of funds managed by one and two offshore fund managers, respectively. In conducting the business of selling offshore funds, Taishin Securities Investment Trust should lodge operating deposits of \$20 million. The operating deposits shall be in cash, bank deposits, government bonds or financial deposits and shall be placed in designated one financial institution.

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 | |
|---|---------------------|---------------------|
| | 2012 | 2011 |
| Rental land | \$ 7,451,472 | \$ 7,242,895 |
| Rental buildings | 1,107,241 | 1,098,205 |
| Less: Accumulated depreciation - rental buildings | (438,513) | (417,932) |
| | 8,120,200 | 7,923,168 |
| Idle land | 27,038 | 27,038 |
| | <u>\$ 8,147,238</u> | <u>\$ 7,950,206</u> |

Client's Position - Debit (Credit), Net

| | December 31 | |
|--|-----------------|------------------|
| | 2012 | 2011 |
| Debits | | |
| Bank settlement account | \$ 20 | \$ 20 |
| Proceed receivable of securities purchased for customers | - | 40,888 |
| Settlement accounts receivable | 195,794 | 136,606 |
| Settlement prices | 208,238 | 165,726 |
| Proceed receivable of securities sold for customer | - | 52,831 |
| | <u>404,052</u> | <u>396,071</u> |
| Credits | | |
| Price payable of securities sold for customers | - | 52,831 |
| Settlement accounts payable | 202,976 | 120,475 |
| Settlement prices | 201,810 | 137,928 |
| Price payable of securities purchased for customer | - | 40,887 |
| | <u>404,786</u> | <u>352,121</u> |
| Client's position - debit (credit), net | <u>(\$ 734)</u> | <u>\$ 43,950</u> |

17. DUE TO BANKS AND CENTRAL BANK

| | December 31 | |
|---|-----------------------|-----------------------|
| | 2012 | 2011 |
| Due to Central Bank | \$ 24,011 | \$ 25,292 |
| Due to other banks | 11,525,959 | 14,287,830 |
| Deposits transferred from the Postal Bureau | 36,177,635 | 42,503,490 |
| Call loans from other banks | 103,214,940 | 116,152,418 |
| Bank overdraft | 1,952,380 | 1,614,850 |
| | <u>\$ 152,894,925</u> | <u>\$ 174,583,880</u> |



18. COMMERCIAL PAPER PAYABLE

| | December 31 | |
|---|-----------------|-------------------|
| | 2012 | 2011 |
| Guarantee or acceptance institution | | |
| Mega Bills Finance | \$ 7,000 | \$ 200,000 |
| China Bills Finance | - | 68,000 |
| Less: Discounts on commercial paper payable | - | (47) |
| | <u>\$ 7,000</u> | <u>\$ 267,953</u> |

As of December 31, 2012 and 2011, the interest rates for commercial paper payable were 1.112% and 0.77%-0.88%, respectively.

19. PAYABLES

| | December 31 | |
|-----------------------------|----------------------|----------------------|
| | 2012 | 2011 |
| Notes and accounts payable | \$ 13,021,113 | \$ 14,521,942 |
| Accrued expenses | 5,458,538 | 5,310,234 |
| Interest payable | 4,117,230 | 3,944,988 |
| Tax payable | 2,835,418 | 2,118,570 |
| Dividend and bonus payable | 218,626 | 211,115 |
| Acceptance payable | 6,861,321 | 8,082,448 |
| Check for clearance payable | 22,441,208 | 20,934,314 |
| Collection payable | 778,712 | 598,583 |
| Other payables | 1,430,045 | 1,552,890 |
| | <u>\$ 57,162,211</u> | <u>\$ 57,275,084</u> |

20. DEPOSITS AND REMITTANCES

| | December 31 | |
|------------------------------------|-------------------------|-------------------------|
| | 2012 | 2011 |
| Checking deposits | \$ 41,261,642 | \$ 43,450,706 |
| Demand deposits | 414,764,838 | 390,644,211 |
| Time deposits | 549,743,802 | 521,584,090 |
| Negotiable certificates of deposit | 10,744,600 | 19,171,700 |
| Savings deposits | 1,121,779,330 | 1,047,914,613 |
| Remittances | 1,351,962 | 1,446,857 |
| | <u>\$ 2,139,646,174</u> | <u>\$ 2,024,212,177</u> |



21. BONDS PAYABLE

| | December 31 | |
|--|----------------------|----------------------|
| | 2012 | 2011 |
| Unsecured subordinated corporate bonds - par | \$ 22,000,000 | \$ 33,650,000 |
| Bank debentures | 75,151,937 | 63,496,086 |
| | <u>\$ 97,151,937</u> | <u>\$ 97,146,086</u> |

Subordinated Corporate Bonds Issued By Taishin Financial Holding

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

| | December 31 | |
|---|----------------------|----------------------|
| | 2012 | 2011 |
| Unsecured Subordinated Corporate Bonds - 2005 (I) | \$ - | \$ 12,000,000 |
| Unsecured Subordinated Corporate Bonds - 2005 (II) | - | 3,650,000 |
| Unsecured Subordinated Corporate Bonds - 2005 (III) | - | 3,000,000 |
| Unsecured Subordinated Corporate Bonds - 2010 (I) | 5,300,000 | 5,300,000 |
| Unsecured Subordinated Corporate Bonds - 2010 (II) | 2,700,000 | 2,700,000 |
| Unsecured Subordinated Corporate Bonds - 2011 (I) | 5,200,000 | 5,200,000 |
| Unsecured Subordinated Corporate Bonds - 2011 (II) | 1,800,000 | 1,800,000 |
| Unsecured Subordinated Corporate Bonds - 2012 (I) | 7,000,000 | - |
| | <u>\$ 22,000,000</u> | <u>\$ 33,650,000</u> |

a. 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).

b. 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).

c. 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).

d. 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).

e. 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).

f. 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).

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

- 1) Issue amount: \$1,800,000 thousand.
- 2) Denomination: \$50,000 thousand.
- 3) Issue date: October 5, 2011.
- 4) Issue price: 100% of the principal amount of the bonds.
- 5) Maturity: 7 years from the issue date.
- 6) Coupon rate: 2.2% per annum.
- 7) Interest payment: Simple interest per annum from the issue date.
- 8) Redemption on maturity: In cash.
- 9) Other: Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (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 - 2012 (I)

- 1) Issue amount: \$7,000,000 thousand.

- 2) Denomination: \$50,000 thousand.
- 3) Issue date: May 15, 2012.
- 4) Issue price: 100% of the principal amount of the bonds.
- 5) Maturity: 7 years from the issue date.
- 6) Coupon rate: 2.0% per annum.
- 7) Interest payment: Simple interest per annum from the issue date.
- 8) Redemption on maturity: In cash.
- 9) Other: Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (the interest could be cumulative and the interest of the principal in the extension period could be calculated at coupon rate).

Bank Debentures Issued By Taishin Bank

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

| | December 31 | |
|---|----------------------|----------------------|
| | 2012 | 2011 |
| Subordinated Bank Debentures - 2005 (I) | \$ 1,508,000 | \$ 1,508,000 |
| Subordinated Bank Debentures - 2005 (II) | 3,300,000 | 3,300,000 |
| Subordinated Bank Debentures - 2005 (III) | 5,000,000 | 5,000,000 |
| Subordinated Bank Debentures - 2005 (IV) | 5,192,000 | 5,192,000 |
| Subordinated Bank Debentures - 2010.04.12 | 10,000,000 | 10,000,000 |
| Subordinated Bank Debentures - 2012 (I) | 5,600,000 | - |
| Subordinated Bank Debentures - 2012 (II) | 6,100,000 | - |
| | <u>\$ 36,700,000</u> | <u>\$ 25,000,000</u> |

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

| Bank 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.

**b. Taishin Bank made second issue of \$3,300 million in bank debentures in 2005 as follows:**

| Bank Debentures | Issue Date | Maturity Date | Term | Issue Amount | Interest Rate | Face Value | The Method of Redemption and Interest Payment |
|--------------------|------------|---------------|----------|-----------------|--|--------------|--|
| 2005, second issue | 2005.04.28 | 2017.04.28 | 12 years | \$3,300 million | 2.70% fixed interest rate from the first to the seventh year. From the eighth to twelfth year, if the holder does not exercise the put option, the rate will be Taishin Bank's interest rate for one-year time deposit plus 0.80%; if Taishin Bank does not exercise the redemption right, the rate will be Taishin Bank's interest rate for one-year time deposit plus 0.95%. The interest rate is recalculated annually. | \$10 million | Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date, unless the redemption or put option is exercised. |

1) Put option and redemption policies:

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

2) Terms of exercising put option or redemption rights:

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

3) Exercise of put option by the holders:

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

4) Exercise of redemption right by Taishin Bank:

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

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

| Bank 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.

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

| Bank 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.

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

| Bank 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. | | |

f. Taishin Bank made first issue of \$5,600 million in bank debentures on October 19, 2012, as follows:

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



g. Taishin Bank made second issue of \$6,100 million in bank debentures on December 14, 2012, as follows:

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

Bank 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 bank debentures to enhance its capital adequacy ratio and raise medium to long-term operating funds. The details of subordinated bank debentures were as follows:

| | December 31 | |
|--|----------------------|----------------------|
| | 2012 | 2011 |
| <u>Fair value hedged</u> | | |
| Subordinated Bank Debentures - 2008 (I) | \$ 2,000,000 | \$ 2,000,000 |
| Valuation adjustment | 101,937 | 146,086 |
| | <u>2,101,937</u> | <u>2,146,086</u> |
| <u>Non-hedged</u> | | |
| Subordinated Bank Debentures - 2007 (I) | 5,000,000 | 5,000,000 |
| Subordinated Bank Debentures - 2008 (I) | 3,000,000 | 3,000,000 |
| Subordinated Bank Debentures - 2008 (II) | 8,350,000 | 8,350,000 |
| Subordinated Bank Debentures - 2009 (I) | 5,000,000 | 5,000,000 |
| Subordinated Bank Debentures - 2010 (I) | 5,000,000 | 5,000,000 |
| Subordinated Bank Debentures - 2011 (I) | 3,300,000 | 3,300,000 |
| Subordinated Bank Debentures - 2011 (II) | 6,700,000 | 6,700,000 |
| | <u>36,350,000</u> | <u>36,350,000</u> |
| | <u>\$ 38,451,937</u> | <u>\$ 38,496,086</u> |

The details of subordinated bank debentures were as follows:

a. Subordinated Bank Debentures - 2007 (I)

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

b. Subordinated Bank 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 \$105,087 thousand and \$149,400 thousand as of December 31, 2012 and 2011, respectively.

c. Subordinated Bank 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 Bank 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 Bank 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 Bank Debentures - 2011 (I)

- 1) Issue amount: \$3,300,000 thousand and divided into Bank 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 Bank 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 | |
|---|-------------------|------------------|
| | 2012 | 2011 |
| Short-term unsecured borrowings | \$ 447,471 | \$ 43,000 |
| Long-term borrowings | | |
| Nangjing Bank, medium-term working capital loan with a credit line of RMB200,000 thousand and interest rate of 6.46%; repayable in semi-annual installments | 132,525 | - |
| | <u>\$ 579,996</u> | <u>\$ 43,000</u> |

As of December 31, 2012 and 2011, the interest rates on short-term unsecured borrowings ranged from 1.30% to 1.97% and 1.18%.

23. OTHER FINANCIAL LIABILITIES

| | December 31 | |
|----------------------------------|----------------------|----------------------|
| | 2012 | 2011 |
| Principal of structured products | \$ 14,517,130 | \$ 14,497,817 |
| Appropriations for loan fund | 54,000 | 85,590 |
| Lease payable | 113,830 | 142,324 |
| Appropriations for loan | 198,046 | 291,264 |
| Gold Account | 152,338 | - |
| | <u>\$ 15,035,344</u> | <u>\$ 15,016,995</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.

24. RESERVE FOR OPERATIONS AND LIABILITIES

| | December 31 | |
|-----------------------------------|-------------------|-------------------|
| | 2012 | 2011 |
| Reserve for guarantee liabilities | \$ 456,450 | \$ 387,526 |
| Reserve for other losses | 350,488 | 392,147 |
| | <u>\$ 806,938</u> | <u>\$ 779,673</u> |

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 | |
|---|---------------------|---------------------|
| | 2012 | 2011 |
| Advance receipts | \$ 1,087,480 | \$ 1,395,313 |
| Reserve of land value increment tax | 6,198,472 | 5,860,648 |
| Guarantee deposits | 1,123,209 | 1,145,018 |
| Accrued pension liability | 812,230 | 495,109 |
| Deferred income | 401,996 | 409,040 |
| Client's position - credit, net (Note 16) | 734 | - |
| Others | 283,739 | 366,364 |
| | <u>\$ 9,907,860</u> | <u>\$ 9,671,492</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 \$503,969 thousand and \$407,071 thousand for the years ended December 31, 2012 and 2011, 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 \$646,272 thousand (including \$9,044 thousand directly paid by Taishin Securities B) and \$607,669 thousand (including \$11,073 thousand directly paid by Taishin Securities B) for the years ended December 31, 2012 and 2011, respectively.

a. Components of net periodic pension cost

| | Year Ended December 31 | |
|---|------------------------|-------------------|
| | 2012 | 2011 |
| Service cost | \$ 550,106 | \$ 530,341 |
| Interest cost | 167,032 | 170,383 |
| Actual return on plan assets | (73,724) | (80,753) |
| Loss on pension assets | (62,489) | (61,226) |
| Amortization of transitional obligation | 56,929 | 37,831 |
| Amortization of pension (gain) loss | (626) | 20 |
| | <u>\$ 637,228</u> | <u>\$ 596,596</u> |

**b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2012 and 2011**

| | December 31 | |
|---|------------------------|------------------------|
| | 2012 | 2011 |
| Benefit obligation | | |
| Vested benefit obligation | (\$ 4,670,896) | (\$ 4,204,544) |
| Non-vested benefit obligation | (3,460,985) | (3,127,314) |
| Accumulated benefit obligation | (8,131,881) | (7,331,858) |
| Additional benefit based on future salaries | (2,027,207) | (2,116,307) |
| Projected benefit obligation | (10,159,088) | (9,448,165) |
| Fair value of plan assets | 7,751,246 | 7,385,328 |
| Funded status | (2,407,842) | (2,062,837) |
| Unrecognized net transitional obligation | 6,006 | 7,560 |
| Unrecognized pension loss | 2,085,140 | 1,761,275 |
| Additional accrued pension liabilities | (442,552) | (135,806) |
| Others | (10,440) | (11,116) |
| Prepaid pension | (42,542) | (54,185) |
| Accrued pension cost | <u>(\$ 812,230)</u> | <u>(\$ 495,109)</u> |
| Vested benefit | <u>(\$ 5,192,986)</u> | <u>(\$ 4,761,617)</u> |

c. Actuarial assumptions as of December 31, 2012 and 2011

| | December 31 | |
|--|--------------|-------------|
| | 2012 | 2011 |
| Discount rate used in determining present values | 1.50%-1.875% | 1.75%-2.00% |
| Future salary increase rate | 2.00%-3.00% | 2.00%-4.00% |
| Expected rate of return on plan assets | 1.50%-1.875% | 1.75%-2.00% |

| | | |
|-------------------------------------|-------------------|-------------------|
| d. Contributions to the fund | <u>\$ 505,837</u> | <u>\$ 487,482</u> |
| e. Payments from the fund | <u>\$ 198,012</u> | <u>\$ 69,141</u> |

27. STOCKHOLDERS' EQUITY**Common Stock and Preferred Stock**

As of December 31, 2012, Taishin Financial Holding's authorized capital was \$120,000,000 thousand (12,000,000 thousand shares); registered capital is \$76,165,841 thousand, divided into 6,891,447 thousand common shares and 725,137 thousand preferred shares at NT\$10.00 par value. Details of outstanding capital stock as of December 31, 2012 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 |

| | Common Stock | Preferred Stock | Total |
|--|----------------------|---------------------|----------------------|
| Stock dividends distributed | \$ 24,966,263 | \$ - | \$ 24,966,263 |
| 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 | 18,191 | - | 18,191 |
| Less: Cancellation of preferred stock - C | - | (4,661,595) | (4,661,595) |
| | <u>\$ 68,914,473</u> | <u>\$ 7,251,368</u> | <u>\$ 76,165,841</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 September 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 \$5,664,000 thousand of earnings to common stock in the shareholders' meeting on June 22, 2012. The ex-dividend date is set upon August 12, 2012.

Taishin Financial Holding's group capital adequacy ratio was 140.74% as of December 31, 2012.

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; the shares were redeemed on September 28, 2012 at NT\$30.00 per share. Taishin Financial Holding's shareholders approve the financial statements and appropriation of earnings every year. Then, the board of directors set the ex-dividend date of preferred stock - C. Preferred stock - C has preference over common stock but inferior to preferred stock - B in dividend distribution. Taishin Financial Holding reduced its capital by cancellation of 33,841 thousand outstanding preferred shares on December 4, 2009; the remaining 466,159 thousand preferred shares expired on September 28, 2012.

As of March 22, 2006, Taishin Financial Holding issued via private placement 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. Taishin Financial Holding's shareholders approve the financial statements and appropriation of earnings every year. Then, the board of directors set the ex-dividend date of preferred stock - D. 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 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, 2012, 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:

| | Year Ended December 31 | | | |
|--|------------------------|---|--------------|---|
| | 2012 | | 2011 | |
| | Unit | Weighted Average Exercise Price (Dollars) | Unit | Weighted Average Exercise Price (Dollars) |
| Plan of 2010 (II) | | | | |
| Outstanding, beginning balance | 1,610 | \$ 13.10 | - | \$ - |
| Granted | - | - | 1,610 | 13.10 |
| Forfeited | (103) | 13.10 | - | - |
| Outstanding, ending balance | <u>1,507</u> | | <u>1,610</u> | |
| Exercisable, ending balance | <u>-</u> | | <u>-</u> | |
| Weighted average fair value of granted options (dollars) | <u>-</u> | | <u>5.44</u> | |

| | Year Ended December 31 | | | |
|--------------------------------|------------------------|---|----------------|---|
| | 2012 | | 2011 | |
| | Unit | Weighted Average Exercise Price (Dollars) | Unit | Weighted Average Exercise Price (Dollars) |
| Plan of 2010 (I) | | | | |
| Outstanding, beginning balance | 66,250 | \$ 13.00 | 75,340 | \$ 13.90 |
| Forfeited | (4,540) | 12.75 | (9,090) | 13.18 |
| Outstanding, ending balance | <u>61,710</u> | | <u>66,250</u> | |
| Exercisable, ending balance | <u>15,721</u> | | <u>-</u> | |
| Plan of 2007 | | | | |
| Outstanding, beginning balance | 115,970 | \$ 13.90 | 140,614 | \$ 14.90 |
| Exercised | - | - | (1,663) | 14.90 |
| Forfeited | (6,852) | 13.12 | (22,981) | 13.99 |
| Outstanding, ending balance | <u>109,118</u> | | <u>115,970</u> | |
| Exercisable, ending balance | <u>94,458</u> | | <u>81,214</u> | |
| Plan of 2005 | | | | |
| Outstanding, beginning balance | 41,450 | \$ 19.10 | 41,520 | \$ 20.40 |
| Forfeited | (1,000) | 19.10 | (70) | 20.40 |
| Outstanding, ending balance | <u>40,450</u> | | <u>41,450</u> | |
| Exercisable, ending balance | <u>40,450</u> | | <u>41,450</u> | |

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, 2012 and 2011 were as follows:

| | 2012 | | 2011 | |
|-------------------|-----------------------------|--|-----------------------------|--|
| | Exercise Price (Dollars) | Expected Weighted Average Outstanding Period (Years) | Exercise Price (Dollars) | Expected Weighted Average Outstanding Period (Years) |
| Plan of 2010 (II) | \$ 11.80 | 8.67 | \$ 13.10 | 9.67 |
| Plan of 2010 (I) | 11.70 | 7.79 | 13.00 | 8.79 |
| Plan of 2007 | 12.50 | 4.21 | 13.90 | 5.21 |
| Plan of 2005 | 17.20 | 2.59 | 19.10 | 3.59 |

The valuation models of the stock warrants were 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 were \$91,436 thousand and \$106,652 thousand for the years ended December 31, 2012 and 2011, 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, 2012 and the pro forma net income and EPS for the years ended December 31, 2012 and 2011 would have been as follows:

| | | Year Ended December 31 | |
|---|-------------|------------------------|--------------|
| | | 2012 | 2011 |
| Net income | As reported | \$ 10,261,680 | \$ 9,431,836 |
| | Pro forma | 10,246,381 | 9,390,238 |
| Basic earnings per share (in dollars) | As reported | 1.30 | 1.16 |
| | Pro forma | 1.30 | 1.15 |
| Diluted earnings per share (in dollars) | As reported | 1.30 | 1.16 |
| | Pro forma | 1.29 | 1.15 |

Capital Surplus

Taishin Financial Holding's capital surplus as of December 31, 2012 was \$9,303,228 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.

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

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:

- Legal reserve and if needed, special reserve;
- Dividends to holders of preferred stock;
- 0.01% of the remainder as bonuses to employees and 1% of the remainder as remuneration to directors and supervisors;
- 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, 2012 and 2011, the bonus to employees was \$767 thousand and \$705 thousand, respectively, and the remuneration to directors and supervisors was \$76,747 thousand and \$70,537 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.

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, cumulative translation adjustments, unrealized gain or loss on financial instruments) 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.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation'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 2011 and 2010 had been approved in the shareholders' meeting on June 22, 2012 and June 24, 2011. The appropriations and dividends per share were as follows:

| | Appropriation of Earnings | | Dividend Per Share (NT\$) | |
|------------------------------------|---------------------------|---------------|---------------------------|---------------|
| | For Year 2011 | For Year 2010 | For Year 2011 | For Year 2010 |
| Legal reserve | \$ 943,184 | \$ 772,310 | \$ - | \$ - |
| Preferred stock - C cash dividends | 525,000 | 525,000 | - | - |
| Preferred stock - D cash dividends | 910,000 | 910,000 | - | - |
| Common stock cash dividends | 1,416,000 | 1,359,590 | 0.22387 | 0.23000 |
| Common stock dividends | 5,664,000 | 4,137,881 | 0.89548 | 0.70000 |

The bonus to employees and remuneration to directors and supervisors for 2011 and 2010 were approved in the shareholders' meeting on June 22, 2012 and June 24, 2011, respectively. Such approved amounts and the amounts recognized in respective financial statements were as follows:

| | For Year 2011 | | For Year 2010 | |
|---|---------------|-----------|---------------|------------|
| | Cash | Stock | Cash | Stock |
| Amounts approved in shareholders' meeting | \$ 705 | \$ 70,537 | \$ 552 | \$ 110,316 |
| Amounts recognized in respective financial statements | 705 | 70,537 | 552 | 110,316 |
| | \$ - | \$ - | \$ - | \$ - |

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 | |
|--|------------------------|-----------------------|
| | 2012 | 2011 |
| Interest income | | |
| Loans | \$ 40,078,972 | \$ 35,565,248 |
| Due from and call loans to banks | 838,878 | 759,518 |
| Bonds and securities purchased under resell agreements | 44,974 | 52,540 |
| Investment in marketable securities | 5,492,937 | 5,059,859 |
| Circulation interest of credit card | 1,529,381 | 1,644,080 |
| Asset based securities | 83,195 | 159,082 |
| Securities financing | 18,594 | 13,590 |
| Others | 1,206,118 | 3,393,499 |
| | <u>49,293,049</u> | <u>46,647,416</u> |
| Interest expense | | |
| Deposits | (15,537,397) | (13,112,825) |
| Due to and call loans from banks and Central Bank | (1,527,853) | (1,738,201) |
| Bonds and securities sold under repurchase agreements | (399,878) | (272,323) |
| Issuance of bonds and securities | (2,332,713) | (2,458,174) |
| Structured products | (242,841) | (236,361) |
| Others | (21,842) | (5,477) |
| | <u>(20,062,524)</u> | <u>(17,823,361)</u> |
| | <u>\$ 29,230,525</u> | <u>\$ 28,824,055</u> |

29. FEE AND COMMISSION INCOME, NET

| | Year Ended December 31 | |
|---|------------------------|----------------------|
| | 2012 | 2011 |
| Fee and commission income | | |
| Fees from import and export | \$ 458,194 | \$ 495,343 |
| Remittance fees | 513,385 | 518,858 |
| Interbank fees | 762,895 | 675,460 |
| Loan and guarantees fees | 881,145 | 1,127,554 |
| Fees from certification, underwriting and brokerage | 202,884 | 261,858 |
| Fees from trustee business | 2,336,747 | 2,778,800 |
| Agency fees | 4,399,560 | 3,134,331 |
| Fees from credit card and cash card | 2,698,798 | 2,690,692 |
| Others | 2,773,753 | 2,226,311 |
| | <u>15,027,361</u> | <u>13,909,207</u> |
| Fee and commission expense | | |
| Interbank fees | (238,799) | (212,155) |
| Fees from trustee business | (144,083) | (222,847) |
| Brokerage fees | (3,734) | (3,875) |
| Marketing fees | (563,057) | (393,029) |
| Agency fees | (361,264) | (337,630) |
| Fees from credit card | (981,218) | (895,987) |
| Fees from outstanding collection service | (186,810) | (168,266) |
| Others | (462,261) | (321,750) |
| | <u>(2,941,226)</u> | <u>(2,555,539)</u> |
| | <u>\$ 12,086,135</u> | <u>\$ 11,353,668</u> |

30. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Personnel, depreciation, and amortization expenses for the years ended December 31, 2012 and 2011 were summarized as follows:

| | 2012 | 2011 |
|--------------|------------------------|------------------------|
| Personnel | | |
| Salary | (\$ 15,789,259) | (\$ 15,187,278) |
| Insurance | (998,090) | (935,910) |
| Pension | (1,150,241) | (1,014,740) |
| Others | (389,698) | (407,179) |
| | <u>(\$ 18,327,288)</u> | <u>(\$ 17,545,107)</u> |
| Depreciation | (\$ 1,252,731) | (\$ 1,448,607) |
| Amortization | (332,099) | (396,708) |
| | <u>(\$ 1,584,830)</u> | <u>(\$ 1,845,315)</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 Holdings Insurance Brokers was included in this tax system in 2012.

Taishin Financial Holding and subsidiaries' income tax expenses at the statutory tax rate (17%) for the years ended December 31, 2012 and 2011 were as follows:

| | 2012 | 2011 |
|--|---------------------|---------------------|
| Current income tax payable | \$ 985,601 | \$ 665,032 |
| Deferred income tax expense | 2,105,674 | 2,542,340 |
| Taxed separately levied on interest | - | 5 |
| Income tax benefit - linked tax system | - | (5,129) |
| Additional 10% income tax on unappropriated earnings | 43,387 | 39,117 |
| Offshore income tax expense | 187,433 | 56,659 |
| Adjustment for prior year's tax | 482,384 | 4,336 |
| Others | (2,344) | (142,655) |
| Income tax expenses | <u>\$ 3,802,135</u> | <u>\$ 3,159,705</u> |

The details of deferred income tax assets were as follows:

| | December 31 | |
|---|---------------------|----------------------|
| | 2012 | 2011 |
| Assets | | |
| Loss carryforwards | \$ 5,925,657 | \$ 7,780,348 |
| Allowance for bad debts in excess of tax limit | 2,952,330 | 3,148,717 |
| Other reserves in excess of tax limit | 19,079 | 10,969 |
| Pension reserves | 7,371 | 7,825 |
| Unrealized loss on financial instruments | - | 16,910 |
| Loss for decline in market value of credit receivable | 34,482 | 27,795 |
| Unrealized loss on exchange | 1,211 | 416,557 |
| Unrealized loss on investment | 89,013 | 249,325 |
| Unrealized loss on collateral | 3,435 | 3,263 |
| Deferred benefit on collateral | 62,303 | 62,303 |
| Linked debt settlement | 59,492 | 66,638 |
| Linked credit card bonus points liabilities | 111,822 | - |
| Linked administrative remedy interest | 3,658 | - |
| Others | 6,914 | 8,382 |
| Less: Allowance | (79,663) | (57,710) |
| Deferred tax assets | <u>9,197,104</u> | <u>11,741,322</u> |
| Liabilities | | |
| Unrealized gain on exchange | (29,092) | - |
| Unrealized gain on financial instruments | (57,699) | (521,951) |
| Goodwill amortization | (195,887) | (195,887) |
| Others | (2,627) | (4,162) |
| Deferred tax liabilities | (285,305) | (722,000) |
| Deferred income tax assets, net | <u>\$ 8,911,799</u> | <u>\$ 11,019,322</u> |

Loss carryforwards as of December 31, 2012 comprised of:

| Expiry Year | Unused Amount |
|-------------|---------------------|
| 2013 | \$ 1,049 |
| 2015 | 2,179,708 |
| 2016 | 2,857,467 |
| 2017 | 437,782 |
| 2018 | 419,348 |
| 2019 | 238 |
| 2020 | 30,065 |
| | <u>\$ 5,925,657</u> |

Taishin Financial Holding's information about integrated income tax was as follows:

| | December 31 | |
|---|---------------------|---------------------|
| | 2012 | 2011 |
| Balance of ICA | \$ 51,887 | \$ 94,601 |
| Unappropriated earnings generated after January 1, 1998 | <u>\$ 9,970,487</u> | <u>\$ 9,481,365</u> |

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, 2012, the capital surplus of Taishin Financial Holding mentioned above amounted to \$757,662 thousand.

Taishin Financial Holding's creditable ratio for distribution of earnings of 2012 and 2011 was 0.48% (estimate) and 4.88%, respectively.

For distribution of earnings generated after January 1, 1998, the rate of imputation credits allocated to shareholders of Taishin Financial Holding is based on the balance of the ICA as of the date of dividend distribution. The estimated imputed tax credit rate of the 2012 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 income tax returns through 2006 had been assessed by the tax authorities.

The tax authorities 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 by \$812,875 thousand, \$1,149,862 thousand and \$1,721,715 thousand, respectively. The tax authorities ruled that a holding company is a company specialized in investment business so the related operating and interest expenses are not tax deductible because the dividends or net surplus received by a company from its investment in another domestic company are exempted from the income tax. Taishin Financial Holding filed appeals and litigations to the tax authorities and the administrative courts and these cases are entrusted to Taiwan Financial Services Roundtable. Taishin Financial Holding had lost the appeal and litigation for 2003 income tax return and recognized the loss as income tax expense for the year ended December 31, 2012. Taishin Financial Holding is filing a petition for constitutional interpretation.

Taishin Bank's income tax returns through 2006 had been assessed by the tax authorities. Taishin Insurance Agency's income tax returns through 2010 had been assessed by the tax authorities. The income tax returns of Taishin Real-Estate and Taishin Insurance Brokers through 2011 had been assessed by the tax authorities.

In regard to the amortization of \$632,098 thousand, \$758,518 thousand, \$758,518 thousand, \$758,518 thousand and \$758,518 thousand of goodwill from the merger of Dah An Bank reported in the 2002, 2003, 2004, 2005 and 2006 income tax returns of Taishin Bank, the tax authorities had disapproved the amortization as deductible due to the goodwill was resulted from the negotiations with the dealing parties rather than a purchase from active market. Taishin Bank filed appeals and litigations to the tax authorities and the administrative courts. Taishin Bank had lost the appeals and litigations for 2002 and 2003 income tax returns and recognized the loss as income tax expense for the year ended December 31, 2012. Taishin Bank is filing a petition for constitutional interpretation.

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 authorities 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 appeals to the tax authorities.

Taishin AMC's income tax returns through 2006 had been assessed by the tax authorities.

Taishin Marketing's income tax returns through 2006 had been assessed by the tax authorities.

Taishin Venture Capital's income tax returns through 2006 had been assessed by the tax authorities.

Taishin Securities Investment Trust's income tax returns through 2010 had been assessed by the tax authorities.

Taishin Securities B's income tax returns through 2010 had been assessed by the tax authorities.

Taishin Securities Investment Advisory's income tax returns through 2010 had been assessed by the tax authorities.

The income tax returns of Chang Hwa Bank through 2010 and the income tax returns of CHB Insurance Brokerage and CHB Life Insurance Agency through 2011 had been assessed by the tax authorities. Chang Hwa Bank is filing appeals to the tax authorities about the 2007 and 2010 income tax returns.

Taishin Holdings Insurance Brokers' income tax returns through 2011 had been assessed by the tax authorities.

32. EARNINGS PER SHARE

| | Year Ended December 31, 2012 | | | | |
|--|------------------------------|---------------|---|---------------------------------|----------|
| | 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) | \$ 12,671,080 | \$ 10,261,680 | | | |
| Less: Preferred stock dividends | (1,298,730) | (1,298,730) | | | |
| Basic earnings per share | | | | | |
| Net income of common stockholders | 11,372,350 | 8,962,950 | 6,891,447 | \$ 1.65 | \$ 1.30 |
| Effect of dilutive potential common stock | | | | | |
| Convertible preferred stocks | 910,000 | 910,000 | 725,137 | | |
| Employee bonus | - | - | 66 | | |
| Diluted earnings per share | | | | | |
| Net income of common stockholders plus effect of potential dilutive common stock | \$ 12,282,350 | \$ 9,872,950 | 7,616,650 | \$ 1.61 | \$ 1.30 |

| | 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 | 6,891,250 | \$ 1.44 | \$ 1.16 |
| Effect of dilutive potential common stock | | | | | |
| Employee bonus | - | - | 67 | | |
| Employee stock option | - | - | 13,994 | | |
| Diluted earnings per share | | | | | |
| Net income of common stockholders plus effect of potential dilutive common stock | \$ 9,934,931 | \$ 7,996,836 | 6,905,311 | \$ 1.44 | \$ 1.16 |

The ARDF issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If a company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of employee stock bonuses distributed out of earnings for the years ended December 31, 2011 and 2010 and stock dividends. This adjustment caused both the basic and diluted after income tax EPS for the year ended December 31, 2011 to be retroactively adjusted from \$1.26 to \$1.16.

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 |
| PayEasy Digital | Same as above (become non-related party on July 2012) |
| 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 |
| 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") | Its chairman is a relative within the second degree of Taishin Financial Holding's ex-general manager (become non-related party on August 2011) |
| PayEasy Travel | Wholly owned by PayEasy Digital (become non-related party on July 2012) |
| Contect Digital Integration | 65.75% owned by PayEasy Digital (become non-related party on July 2012) |
| 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 (become non-related party on December 2012) |
| Shin Kong Mitsukoshi Department Store Co., Ltd. ("Shin Kong Mitsukoshi") | Same as above |
| Directors, supervisors, managers and their relatives | Director, supervisors, managers and the relatives of Taishin Financial Holding and related parties |



Material transactions with related parties were as follows:

Loans, Deposits and Guaranteed Loans

Loans to related parties of Taishin Bank and subsidiaries were as follows:

Loans

| | Ending Balance | Percentage of Loans (%) | Interest Rate (Per Annum %) | Interest Revenue |
|------------------------------|----------------|-------------------------|-----------------------------|------------------|
| Year ended December 31, 2012 | \$ 760,458 | 0.12 | 0.0001-6.51 | \$ 16,551 |
| Year ended December 31, 2011 | 1,241,692 | 0.20 | 0.0001-12.50 | 19,381 |

| Related Parties | Year Ended December 31, 2012 | | | | |
|---|------------------------------|----------------|-------------------|----------------------|--------------------------|
| | Ending Balance | Highest Amount | Normal Loans | Non-performing Loans | Collateral |
| <u>Consumer loans</u> | | | | | |
| 57 accounts | \$ 195,916 | \$ 223,948 | \$ 195,916 | \$ - | Land, building, chattels |
| <u>Self-used residence mortgage loans</u> | | | | | |
| 68 accounts | 452,034 | 525,458 | 452,034 | - | Land, building |
| <u>Other loans</u> | | | | | |
| Jiouru Investment | 50,000 | 50,000 | 50,000 | - | Land, building |
| Peng Cheng | 26,000 | 58,000 | 26,000 | - | Land, building |
| Jiouru | 20,000 | 60,000 | 20,000 | - | Land, building |
| Others | 16,508 | 17,781 | 16,508 | - | Land, building |
| | <u>\$ 760,458</u> | | <u>\$ 760,458</u> | | |

| Related Parties | Year Ended December 31, 2011 | | | | |
|---|------------------------------|----------------|---------------------|----------------------|--------------------------|
| | Ending Balance | Highest Amount | Normal Loans | Non-performing Loans | Collateral |
| <u>Consumer loans</u> | | | | | |
| 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> | | | | | |
| Skin Kong Synthetic Fibers | 400,000 | 400,000 | 400,000 | - | Land, building |
| Ming Huang International Property | 220,000 | 220,000 | 220,000 | - | Land, building |
| Jiouru | 60,000 | 65,000 | 60,000 | - | Land, building |
| Jiouru Investment | 50,000 | 58,500 | 50,000 | - | Land, building |
| Anlon | 24,000 | 24,000 | 24,000 | - | Land, building |
| Others | 5,926 | 7,132 | 5,926 | - | Land, building |
| | <u>\$ 1,241,692</u> | | <u>\$ 1,241,692</u> | | |

Deposits

| | Ending Balance | Percentage of Deposits (%) | Interest Rate (Per Annum %) | Interest Expense |
|------------------------------|----------------|----------------------------|-----------------------------|------------------|
| Year ended December 31, 2012 | \$ 5,577,177 | 0.68 | 0.00-1.36 | (\$ 26,889) |
| Year ended December 31, 2011 | 3,519,593 | 0.33 | 0.00-1.00 | (15,123) |

| Related Parties | Year Ended December 31, 2012 | | |
|------------------------|------------------------------|--------------------------------|--------------------|
| | Ending Balance | Interest Rate (Per Annum %) | Interest Expense |
| An Hsin Real-Estate | \$ 2,076,751 | 0.00-1.36 | (\$ 10,358) |
| Shin Kong Mitsukoshi | 815,747 | 0.00-0.17 | (1,284) |
| Dah Chung Bills | 416,271 | 0.00-1.00 | (3,947) |
| Taishin Dah An Leasing | 172,476 | 0.17-0.80 | (1,039) |
| Individual A | 400,985 | 0.04-0.75 | (184) |
| Others | 1,694,947 | | (10,077) |
| | <u>\$ 5,577,177</u> | | <u>(\$ 26,889)</u> |

| Related Parties | Year Ended December 31, 2011 | | |
|----------------------------|------------------------------|--------------------------------|--------------------|
| | Ending Balance | Interest Rate (Per Annum %) | Interest Expense |
| Shin Kong Mitsukoshi | \$ 1,027,073 | 0.00-0.17 | (\$ 1,387) |
| Dah Chung Bills | 421,405 | 0.00-1.00 | (3,119) |
| Taishin Dah An Leasing | 178,394 | 0.12-0.65 | (882) |
| UBright Optronics | 109,594 | 0.00-0.17 | (8) |
| Shin Kong Synthetic Fibers | 107,446 | 0.00-0.17 | (32) |
| Others | 1,675,681 | | (9,695) |
| | <u>\$ 3,519,593</u> | | <u>(\$ 15,123)</u> |

■ Guaranteed loans

| Related Parties | Year Ended December 31, 2012 | | | | |
|-----------------|------------------------------|----------------|--------------------------------|---|-----------------------|
| | Ending Balance | Highest Amount | Interest Rate (Per Annum %) | Reserve for Guarantee Liabilities | Collateral |
| Anlon | \$ 20,000 | \$ 20,000 | 0.65 | \$ - | Stock, land, building |

| 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 | - | Stock, land, building |

Loans to related parties of Chang Hwa Bank and subsidiaries were as follows:

■ Loans

| | Ending Balance | Percentage of Loans (%) | Interest Rate (Per Annum %) | Interest Revenue |
|------------------------------|----------------|----------------------------|--------------------------------|------------------|
| Year ended December 31, 2012 | \$ 584,759 | 0.05 | 1.34-3.06 | \$ 11,473 |
| Year ended December 31, 2011 | 584,234 | 0.05 | 1.34-3.06 | 8,363 |



| Year Ended December 31, 2012 | | | | | | | Difference in Terms Between Related Parties and Non-related Parties |
|---|-------------------|-------------------|-------------------|-----------------------------|-------------|------|---|
| Related Parties | Ending Balance | Highest Amount | Normal Loans | Non- performing Loans | Collateral | | |
| <u>Consumer loans</u> | | | | | | | |
| 20 accounts | \$ 4,723 | \$ 6,896 | \$ 4,723 | \$ - | Credit | None | |
| <u>Self-used residential mortgage loans</u> | | | | | | | |
| 101 accounts | 540,855 | 593,221 | 540,855 | - | Real estate | None | |
| <u>Other loans</u> | | | | | | | |
| Anlon | 30,000 | 30,000 | 30,000 | - | Real estate | None | |
| 9 accounts (Note) | 9,181 | 9,978 | 9,181 | - | Deposit | None | |
| | <u>\$ 584,759</u> | | <u>\$ 584,759</u> | | | | |

| Year Ended December 31, 2011 | | | | | | | Difference in Terms Between Related Parties and Non-related Parties |
|---|-------------------|-------------------|-------------------|-----------------------------|-------------|------|---|
| Related Parties | Ending Balance | Highest Amount | Normal Loans | Non- performing Loans | Collateral | | |
| <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 | |
| <u>Other loans</u> | | | | | | | |
| Anlon | 30,000 | 30,000 | 30,000 | - | Real estate | None | |
| 3 accounts (Note) | 2,190 | 2,219 | 2,190 | - | Deposit | None | |
| | <u>\$ 584,234</u> | | <u>\$ 584,234</u> | | | | |

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

■ Deposits

| | Ending Balance | Percentage of Deposits (%) | Interest Rate (Per Annum %) | Interest Expense |
|------------------------------|----------------|-------------------------------|--------------------------------|------------------|
| Year ended December 31, 2012 | \$ 1,530,432 | 0.12 | 0-13 | \$ 23,978 |
| Year ended December 31, 2011 | 1,376,195 | 0.11 | 0-13 | 22,725 |

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

Trading Securities

| Year Ended December 31, 2012 | | | | | | |
|------------------------------|---|--|-----------------------|-----------------------------------|-------------------|-----------------------------------|
| Related Parties | Purchase Price (Accumulated Amount) | Sales Price (Accumulated Amount) | Repurchase Agreements | | Resell Agreements | |
| | | | Ending Balance | Interest Rate (Per Annum %) | Ending Balance | Interest Rate (Per Annum %) |
| MasterLink Securities | \$ 4,376,297 | \$ 5,106,817 | \$ 380,611 | 0.73-0.76 | \$ - | - |
| Dah Chung Bills | 1,077,146 | 1,063,867 | - | - | - | - |
| | <u>\$ 5,453,443</u> | <u>\$ 6,170,684</u> | <u>\$ 380,611</u> | | <u>\$ -</u> | |

| Year Ended December 31, 2011 | | | | | | |
|------------------------------|---|--|-----------------------|-----------------------------------|-------------------|-----------------------------------|
| Related Parties | Purchase Price (Accumulated Amount) | Sales Price (Accumulated Amount) | Repurchase Agreements | | Resell Agreements | |
| | | | Ending Balance | Interest Rate (Per Annum %) | Ending Balance | Interest Rate (Per Annum %) |
| MasterLink Securities | \$ 15,222,176 | \$ 15,793,936 | \$ - | - | \$ - | - |
| Dah Chung Bills | 799,955 | 1,007,706 | - | - | - | - |
| Shin Kong Life Insurance | - | - | 1,999,466 | 0.48-0.75 | - | - |
| | <u>\$ 16,022,131</u> | <u>\$ 16,801,642</u> | <u>\$ 1,999,466</u> | | <u>\$ -</u> | |

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

Derivatives

| Year Ended December 31, 2012 | | | | | | |
|------------------------------|----------------------|---------------------------|--------------------------------|--------------------------|-----------------------------------|------------|
| Related Parties | 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 | (\$ 3,546) | Financial liabilities at FVTPL | (\$ 3,546) |
| MasterLink Securities | Interest rate swaps | 2008.01.11- 2013.01.17 | 600,000 | (2,474) | Financial liabilities at FVTPL | (2,474) |
| Shin Kong Life Insurance | FX swaps | 2012.04.30- 2013.01.31 | US\$50,000 thousand | (17,710) | Financial liabilities at FVTPL | (17,710) |
| | | 2012.05.09- 2013.05.09 | US\$30,000 thousand | (3,919) | Financial liabilities at FVTPL | (3,919) |
| | | 2012.11.30- 2013.05.31 | US\$25,000 thousand | (534) | Financial liabilities at FVTPL | (534) |

| Year Ended December 31, 2011 | | | | | | |
|------------------------------|----------------------|---------------------------|--------------------------------|--------------------------|-----------------------------------|------------|
| Related Parties | 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 | (\$ 9,483) | Financial liabilities at FVTPL | (\$ 9,483) |
| 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) |

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

Property Transactions

Taishin Bank sold its equity in PayEasy Digital to the following transaction parties in June and July 2012. The transaction price was set based on mutual negotiation and on the opinion letter on fair price issued by experts.

| Transaction Party | Disposition of the Shares | Proceeds from Disposal | Gain on Disposal |
|---------------------------|---------------------------|------------------------|------------------|
| Shin Kong Mitsukoshi | 17,380,000 | \$ 346,557 | \$ 260,482 |
| Cybersoft Digital Service | 2,329,501 | 46,450 | 35,251 |

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

**Other Material Transactions**

| Related Parties | Year Ended December 31 | | | |
|---------------------------|------------------------|------------|-------------------|------------|
| | 2012 | | 2011 | |
| | Item | Amount | Item | Amount |
| CyberSoft Digital Service | Operating expense | \$ 540,109 | Operating expense | \$ 542,085 |
| Shin Kong Mitsukoshi | Operating expense | 318,596 | Operating expense | 223,980 |
| Shin Kong Mitsukoshi | Fee income | 306,134 | Fee income | 286,452 |

Compensation of Directors, Supervisors and Management Personnel:

| | Year Ended December 31 | |
|------------|------------------------|-------------------|
| | 2012 | 2011 |
| Salaries | \$ 159,063 | \$ 158,746 |
| Pension | 1,182 | 1,202 |
| Incentives | 90,869 | 91,674 |
| Bonus | 76,746 | 70,538 |
| | <u>\$ 327,860</u> | <u>\$ 322,160</u> |

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 (become non-related party on July 2012) |
| 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 |
| PayEasy Travel | Wholly owned by PayEasy Digital (become non-related party on July 2012) |
| Contect Digital Integration | 65.75% owned by PayEasy Digital (become non-related party on July 2012) |
| Taishin Insurance Broker | Wholly owned by Taishin Insurance Agency |

| Name | Relationship |
|--|---|
| 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 | Same as above |
| Shin Kong Holding International Venture Capital | Same as above |
| Shin Kong Investment Trust | Same as above |
| MasterLink Securities | Owned by Shin Kong Financial Holding |
| Taishin Financial Leases (China) | Wholly owned by Taishin Venture Capital |
| Taishin Financial Leases (Tianjin) | Same as above |
| 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 |
| Taishin Leasing & Financing | Taishin International Investment Development's parent company |
| Peng Cheng | Taishin Financial Holding's director |
| CyberSoft Digital Service | Related party in substance (become non-related party on December 2012) |
| Shin Kong Mitsukoshi | Same as above |
| Miniatures | Its chairman is a relative within the second degree of Taishin Financial Holding's ex-general manager (become non-related party on August 2011) |
| Directors, supervisors, managers and their relatives | Director, supervisors, managers and the relatives of Taishin Financial Holding and related parties |

Material transactions with related parties were as follows:

a. Loans, deposits and guaranteed loans

Loans

| | Ending Balance | Percentage of Loans (%) | Interest Rate (Per Annum %) | Interest Revenue |
|------------------------------|----------------|-------------------------|-----------------------------|------------------|
| Year ended December 31, 2012 | \$ 760,458 | 0.12 | 0.0001-6.51 | \$ 16,551 |
| Year ended December 31, 2011 | 1,241,692 | 0.20 | 0.0001-12.50 | 19,381 |

| Related Parties | Year Ended December 31, 2012 | | | | |
|---|------------------------------|----------------|-------------------|----------------------|--------------------------|
| | Ending Balance | Highest Amount | Normal Loans | Non-performing Loans | Collateral |
| <u>Consumer loans</u> | | | | | |
| 57 accounts | \$ 195,916 | \$ 223,948 | \$ 195,916 | \$ - | Land, building, chattels |
| <u>Self-used residence mortgage loans</u> | | | | | |
| 68 accounts | 452,034 | 525,458 | 452,034 | - | Land, building |
| <u>Other loans</u> | | | | | |
| Jiouru Investment | 50,000 | 50,000 | 50,000 | - | Land, building |
| Peng Cheng | 26,000 | 58,000 | 26,000 | - | Land, building |
| Jiouru | 20,000 | 60,000 | 20,000 | - | Land, building |
| Others | 16,508 | 17,781 | 16,508 | - | Land, building |
| | <u>\$ 760,458</u> | | <u>\$ 760,458</u> | | |



| Related Parties | Year Ended December 31, 2011 | | | | |
|---|------------------------------|----------------|---------------------|----------------------|--------------------------|
| | Ending Balance | Highest Amount | Normal Loans | Non-performing Loans | Collateral |
| <u>Consumer loans</u> | | | | | |
| 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> | | | | | |
| Shin Kong Synthetic Fibers | 400,000 | 400,000 | 400,000 | - | Land, building |
| Ming Huang International Property | 220,000 | 220,000 | 220,000 | - | Land, building |
| Jiouru | 60,000 | 65,000 | 60,000 | - | Land, building |
| Jiouru Investment | 50,000 | 58,500 | 50,000 | - | Land, building |
| Anlon | 24,000 | 24,000 | 24,000 | - | Land, building |
| Others | 5,926 | 7,132 | 5,926 | - | Land, building |
| | <u>\$ 1,241,692</u> | | <u>\$ 1,241,692</u> | | |

Deposits

| | Ending Balance | Percentage of Deposits (%) | Interest Rate (Per Annum %) | Interest Expense |
|------------------------------|----------------|----------------------------|-----------------------------|------------------|
| Year ended December 31, 2012 | \$ 8,979,605 | 1.09 | 0.00-1.36 | \$ 155,928 |
| Year ended December 31, 2011 | 24,090,726 | 3.18 | 0.00-1.36 | 144,507 |

| Related Parties | Year Ended December 31, 2012 | | |
|--|------------------------------|-----------------------------|---------------------|
| | Ending Balance | Interest Rate (Per Annum %) | Interest Expense |
| An Hsin Real-Estate | \$ 2,076,751 | 0.00-1.36 | (\$ 10,358) |
| Taishin Insurance Agency | 975,719 | 0.00-0.17 | (1,716) |
| Shin Kong Mitsukoshi | 815,747 | 0.00-0.17 | (1,284) |
| Taishin Financial Holding | 803,141 | 0.12-1.36 | (118,576) |
| Taishin Holdings Insurance Brokers | 714,828 | 0.17 | (827) |
| Da Chung Bills | 416,271 | 0.00-1.00 | (3,947) |
| Taishin Securities Investment Advisory | 302,134 | 0.02-1.36 | (2,627) |
| Taishin AMC | 245,610 | 0.00-0.88 | (1,070) |
| Taishin Securities B | 239,204 | 0.01-1.36 | (1,849) |
| Taishin Dah An Leasing | 172,476 | 0.17-0.80 | (1,039) |
| Individual A | 400,985 | 0.04-0.75 | (184) |
| Others | 1,816,739 | | (12,451) |
| | <u>\$ 8,979,605</u> | | <u>(\$ 155,928)</u> |

| Related Parties | Year Ended December 31, 2011 | | |
|--|------------------------------|--------------------------------|---------------------|
| | Ending Balance | Interest Rate (Per Annum %) | Interest Expense |
| Taishin Financial Holding | \$ 17,759,020 | 0.12-1.36 | (\$ 120,444) |
| Taishin Insurance Agency | 1,024,058 | 0.00-0.17 | (1,490) |
| Shin Kong Mitsukoshi | 1,027,073 | 0.00-0.17 | (1,387) |
| Taishin AMC | 512,671 | 0.00-0.65 | (779) |
| Da Chung Bills | 421,405 | 0.00-1.00 | (3,119) |
| Taishin Securities Investment Advisory | 292,865 | 0.02-1.36 | (1,776) |
| Taishin Holdings Insurance Brokers | 280,597 | 0.00-0.17 | (106) |
| PayEasy Digital | 215,032 | 0.00-1.21 | (660) |
| Taishin Securities B | 184,100 | 0.00-1.36 | (1,813) |
| Taishin Venture Capital | 183,061 | 0.02-0.68 | (1,006) |
| Taishin Dah An Leasing | 178,394 | 0.12-0.65 | (882) |
| UBright Optronics | 109,594 | 0.00-0.17 | (8) |
| Shin Kong Synthetic Fibers | 107,446 | 0.00-0.17 | (32) |
| Others | 1,795,410 | | (11,005) |
| | <u>\$ 24,090,726</u> | | <u>(\$ 144,507)</u> |

Guaranteed loans

| Related Party | Year Ended December 31, 2012 | | | | |
|---------------|------------------------------|----------------|--------------------------------|---|-----------------------|
| | Ending Balance | Highest Amount | Interest Rate (Per Annum %) | Reserve for Guarantee Liabilities | Collateral |
| Anlon | \$ 20,000 | \$ 20,000 | 0.65 | \$ - | Stock, land, building |

| Related Party | 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 | - | Stock, land, building |

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

b. Call loans to banks and call loans from banks

| Related Party | Item | Year Ended December 31, 2012 | | | |
|----------------|---------------------|------------------------------|----------------|--------------------------------|----------------------------------|
| | | Ending Balance | Highest Amount | Interest Rate (Per Annum %) | Interest Revenue (Expense) |
| Chang Hwa Bank | Call loans to banks | \$ 1,419 | \$ 12,910 | - | \$ - |

| 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 | \$ 2,030 | \$ 2,576 | - | \$ - |

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



c. Trading securities

| Year Ended December 31, 2012 | | | | | | |
|------------------------------|--|-------------------------------------|-----------------------|-----------------------------|-------------------|-----------------------------|
| Related Parties | Purchase Price (Accumulated Amount) | Sales Price (Accumulated Amount) | Repurchase Agreements | | Resell Agreements | |
| | | | Ending Balance | Interest Rate (Per Annum %) | Ending Balance | Interest Rate (Per Annum %) |
| MasterLink Securities | \$ 4,376,297 | \$ 5,106,817 | \$ 380,611 | 0.73-0.76 | \$ - | - |
| Chang Hwa Bank | 1,021,535 | 1,622,683 | - | - | - | - |
| Dah Chung Bills | 1,077,146 | 1,063,867 | - | - | - | - |
| Taishin Financial Holding | - | - | 2,594,693 | 0.71-0.73 | - | - |
| | <u>\$ 6,474,978</u> | <u>\$ 7,793,367</u> | <u>\$ 2,975,304</u> | | <u>\$ -</u> | |

| Year Ended December 31, 2011 | | | | | | |
|------------------------------|--|-------------------------------------|-----------------------|-----------------------------|-------------------|-----------------------------|
| Related Parties | Purchase Price (Accumulated Amount) | Sales Price (Accumulated Amount) | Repurchase Agreements | | Resell Agreements | |
| | | | Ending Balance | Interest Rate (Per Annum %) | Ending Balance | Interest Rate (Per Annum %) |
| MasterLink Securities | \$ 15,222,176 | \$ 15,793,936 | \$ - | - | \$ - | - |
| 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 | - | - |
| | <u>\$ 17,087,715</u> | <u>\$ 18,767,723</u> | <u>\$ 3,963,730</u> | | <u>\$ -</u> | |

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

d. Derivatives

| Year Ended December 31, 2012 | | | | | | |
|------------------------------|----------------------|-----------------------|--------------------------|-----------------------|--------------------------------|------------|
| Related Parties | 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 | (\$ 3,546) | Financial liabilities at FVTPL | (\$ 3,546) |
| MasterLink Securities | Interest rate swaps | 2008.01.11-2013.01.17 | 600,000 | (2,474) | Financial liabilities at FVTPL | (2,474) |

| Year Ended December 31, 2011 | | | | | | |
|------------------------------|----------------------|-----------------------|--------------------------|-----------------------|--------------------------------|------------|
| Related Parties | 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 | (\$ 9,483) | Financial liabilities at FVTPL | (\$ 9,483) |

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

e. Property transactions

Taishin Bank sold its equity in PayEasy Digital to the following transaction parties in June and July 2012. The transaction price was set based on mutual negotiation and on the opinion letter on fair price issued by experts.

| Transaction Parties | Disposition of the Shares | Proceeds from Disposal | Gain on Disposal |
|---------------------------|---------------------------|------------------------|------------------|
| Shin Kong Mitsukoshi | 17,380,000 | \$ 346,557 | \$ 260,482 |
| Cybersoft Digital Service | 2,329,501 | 46,450 | 35,251 |
| Taishin Venture Capital | 2,172,500 | 43,320 | 32,874 |
| Taishin AMC | 2,172,500 | 43,320 | 32,874 |

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 | | | |
|------------------------------------|------------------------|-----------|-------------------|------------|
| | 2012 | | 2011 | |
| | Item | Amount | Item | Amount |
| Taishin Insurance Agency | Fee income | \$ 96,660 | Fee income | \$ 719,697 |
| Taishin Holdings Insurance Brokers | Fee income | 2,029,349 | Fee income | 741,603 |
| Cybersoft Digital Service | Operating expense | 533,973 | Operating expense | 531,950 |
| Skin Kong Mitsukoshi | Operating expense | 318,315 | Operating expense | 222,472 |
| Skin Kong Mitsukoshi | Fee income | 306,134 | Fee income | 286,452 |

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 | |
|------------|------------------------|-------------------|
| | 2012 | 2011 |
| Salaries | \$ 135,487 | \$ 233,442 |
| Pension | 1,429 | 1,419 |
| Incentives | 136,307 | 109,085 |
| | <u>\$ 273,223</u> | <u>\$ 343,946</u> |

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 of Chang Hwa Bank |
| Taishin Bank | Wholly owned by the same parent company |
| 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 |
| CyberSoft Digital Service | Related party in substance (become non-related party on December 2012) |
| MasterLink Securities | Related party in substance |
| Shin Kong Mitsukoshi | Same as above |
| Others | Other party by SFAS No. 6 "Related Party Disclosures" |

Material transactions with related parties were as follows:

a. Loans

| | Ending Balance | Percentage of Loans (%) | Interest Rate (%) | Interest Revenue |
|------------------------------|----------------|-------------------------|-------------------|------------------|
| Year ended December 31, 2012 | \$ 584,789 | 0.05 | 1.34-3.06 | \$ 11,473 |
| Year ended December 31, 2011 | 584,234 | 0.05 | 1.34-3.06 | 8,363 |



| Related Parties | Year Ended December 31, 2012 | | | | | |
|--|------------------------------|----------------|-------------------|----------------------|-------------|---|
| | 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> | | | | | | |
| 20 accounts | \$ 4,723 | \$ 6,896 | \$ 4,723 | \$ - | Credit | None |
| <u>Self-use residential mortgage loans</u> | | | | | | |
| 101 accounts | 540,855 | 593,221 | 540,855 | - | Real estate | None |
| <u>Others</u> | | | | | | |
| Anlon | 30,000 | 30,000 | 30,000 | - | Real estate | None |
| 9 accounts (Note) | 9,181 | 9,978 | 9,181 | - | Deposit | None |
| | <u>\$ 584,759</u> | | <u>\$ 584,759</u> | | | |
| Related Parties | 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 |
| | <u>\$ 584,234</u> | | <u>\$ 584,234</u> | | | |

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 1.54% and 1.64% with the balance below \$8,000 thousand and below \$800 thousand for the years ended December 31, 2012 and 2011, respectively, to the above natural persons such as the board of directors, supervisors, and managers. The rest is the same as regular loan borrowers.

b. Deposits

| | Ending Balance | Percentage of Deposits (%) | Interest Rate (Per Annum %) | Interest Expense |
|------------------------------|----------------|----------------------------|-----------------------------|------------------|
| Year ended December 31, 2012 | \$ 2,168,602 | 0.16 | 0-13 | \$ 26,570 |
| Year ended December 31, 2011 | 1,891,212 | 0.15 | 0-13 | 24,172 |

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.

c. Derivative

| Year Ended December 31, 2012 | | | | | | |
|------------------------------|----------------------|-----------------------|--------------------------|-----------------------|--------------------------------|-------------|
| Related Party | Derivative Contracts | Period | Nominal Principal Amount | Valuation Gain (Loss) | Account | Balance |
| Shin Kong Life Insurance | FX swaps | 2012.04.30-2013.01.31 | US\$ 50,000 thousand | (\$ 17,710) | Financial liabilities at FVTPL | (\$ 17,710) |
| | | 2012.05.09-2013.05.09 | US\$ 30,000 thousand | (3,919) | Financial liabilities at FVTPL | (3,919) |
| | | 2012.11.30-2013.05.31 | US\$ 25,000 thousand | (534) | Financial liabilities at FVTPL | (534) |

| 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 assets at FVTPL | (731) |

d. Due to other banks

| Period | Related Party | Branch | Highest Amount (In Thousands) | Ending Balance (In Thousands) | Percentage of Loans (%) |
|------------------------------|---------------|------------------------------|-------------------------------|-------------------------------|-------------------------|
| Year ended December 31, 2012 | Taishin Bank | Chang Hwa Bank's N.Y. branch | US\$ 440 | US\$ 49 | - |
| Year ended December 31, 2011 | Taishin Bank | Chang Hwa Bank's N.Y. branch | US\$ 85 | US\$ 67 | - |

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 % (Per Amount %) | 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 |
| | | 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 \$1,948 thousand and \$1,174 thousand for the year ended December 31, 2012, and \$1,711 thousand and \$1,118 thousand for the year ended December 31, 2011.

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 \$1,013,118 thousand and \$60,405 thousand for the year ended December 31, 2012, and \$670,155 thousand and \$53,515 thousand for the year ended December 31, 2011.



Compensation of directors, supervisors and management personnel:

| | Year Ended December 31 | |
|------------|------------------------|-------------------|
| | 2011 | 2010 |
| Salaries | \$ 53,579 | \$ 60,674 |
| Incentives | 12,656 | 13,122 |
| Bonus | 76,161 | 80,967 |
| | <u>\$ 142,396</u> | <u>\$ 154,763</u> |

Taishin Securities B

Names and relationships of related parties were as follows:

| Name | Relationship |
|--|---|
| Taishin Financial Holding | Parent company |
| Taishin Bank | Wholly owned by the same parent company |
| Taishin Securities Investment Advisory | Owned by the same parent company |
| Taishin Leasing & Financing | Parent company of Taishin Financial Holdings' supervisor |
| Shin Kong Life Insurance | Its chairman is a relative within the second degree of Taishin Financial Holding's chairman |
| Individual A | Taishin Securities B's director |
| Individual B | Taishin Financial Holding's director |
| CyberSoft Digital Service | Related party in substance (become non-related party on December 2012) |

Liability contracts with related parties:

| Item | Name | December 31 | | | |
|------------------------------|--------------|-------------|------------|------------|------------|
| | | 2012 | | 2011 | |
| | | Amount | % to Total | Amount | % to Total |
| 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 | Parent company |
| Taishin Bank | Wholly owned by the same parent company |
| Taishin Real-Estate | Equity-method investee |

a. Liability contracts with related parties

| Item | Related Party | December 31 | | | |
|---------------|---------------|-------------|------------|------------|------------|
| | | 2012 | | 2011 | |
| | | Amount | % to Total | Amount | % to Total |
| Bank deposits | Taishin Bank | \$ 245,610 | 22 | \$ 512,671 | 88 |

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, 2012 | | | |
|----------------------------------|------------------------------|-----------|--------------|----------------|
| | Beginning Balance | Purchased | Collected | Ending Balance |
| Transferring ownerships of loans | \$ 16,943,145 | \$ - | (\$ 300,007) | \$ 16,643,138 |

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

2) Credit receivable, net

| | Year Ended December 31, 2012 | | | |
|------------------------|------------------------------|-----------|-------------|----------------|
| | Beginning Balance | Purchased | Collected | Ending Balance |
| Credit receivable | \$ 15,043 | \$ - | (\$ 15,043) | \$ - |
| Allowance for bad debt | - | - | - | - |
| Credit receivable, net | \$ 15,043 | \$ - | (\$ 15,043) | \$ - |

| | Year Ended December 31, 2011 | | | |
|------------------------|------------------------------|-----------|-------------|----------------|
| | Beginning Balance | Purchased | Collected | 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 |

Taishin Marketing

Names and relationships of related parties were as follows:

| Name | Relationship |
|---------------------------|---|
| Taishin Financial Holding | Parent company |
| Taishin Bank | Wholly owned by the same parent company |
| Taishin AMC | Same as above |

Taishin Venture Capital

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 Financial Leasing (China) | Owned by Taishin Venture Capital |
| Taishin Financial Leasing (Tianjin) | Same as above |
| Youn Shin Artistic | Equity-method investee |



Liabilities contracts with related parties:

| Item | Related Party | December 31 | | | |
|---------------|---------------|-------------|------------|------------|------------|
| | | 2012 | | 2011 | |
| | | Amount | % to Total | Amount | % to Total |
| Bank deposits | Taishin Bank | \$ 16,320 | 16.92 | \$ 183,064 | 99.98 |

Taishin Securities Investment Trust

Names and relationships of related parties were as follows:

| Name | Relationship |
|--|---|
| Taishin Financial Holding | Parent company |
| Taishin Bank | Wholly owned by the same parent company |
| Taishin Securities B | Same as above |
| Chang Hwa Bank | Owned by the same parent company |
| Taishin Securities Investment Advisory | Same as above |
| Taishin Insurance Agency | The company is an equity method investee of Taishin Bank |
| Taishin Insurance Broker | Same as above |
| Shin Kong Bank | Wholly owned by Shin Kong Financial Holding |
| Shin Kong Financial Holding | Its chairman is a relative within the second 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 |
| Taishin Leasing & Financing | Parent company of Taishin Financial Holding's supervisor |
| CyberSoft Digital Service | Related party in substance (become non-related party on December 2012) |

Taishin Securities Investment Advisory

Names and relationships of related parties were as follows:

| Name | Relationship |
|-------------------------------------|--|
| Taishin Financial Holding | 92% owned by Taishin Financial Holding |
| Taishin Securities Investment Trust | Owned by the same parent company |
| Taishin Bank | Same as above |
| Taishin Securities B | Same as above |

Liability contracts with related parties:

| Item | Related Party | December 31 | | | |
|---------------|---------------|-------------|------------|------------|------------|
| | | 2012 | | 2011 | |
| | | Amount | % to Total | Amount | % to Total |
| Bank deposits | Taishin Bank | \$ 252,134 | 99.99 | \$ 237,865 | 99.96 |

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 | Taishin Bank's 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 (become non-related party on December 2012) |

a. Liability contracts with related parties

| Item | Related Party | December 31 | | | |
|------------------|---------------|-------------|------------|------------|------------|
| | | 2012 | | 2011 | |
| | | Amount | % to Total | Amount | % to Total |
| Bank deposits | Taishin Bank | \$ 714,828 | 100 | \$ 280,597 | 100 |
| Accounts payable | Taishin Bank | 121,555 | 100 | 107,971 | 100 |

b. Other important transaction

| Item | Related Party | December 31 | | | |
|----------------|---------------|--------------|------------|------------|------------|
| | | 2012 | | 2011 | |
| | | Amount | % to Total | Amount | % to Total |
| Operating cost | Taishin Bank | \$ 2,029,349 | 98 | \$ 741,603 | 98 |

34. PLEDGED ASSETS

| Pledged Assets | Description | December 31 | |
|-------------------------------------|---|-------------|------------|
| | | 2012 | 2011 |
| Refundable deposits | Cash and certificates of time deposits | \$ 503,386 | \$ 938,927 |
| Operating deposits | Cash | 102,130 | 80,076 |
| Settlement funds | Cash paid to stock exchange | 24,948 | 31,099 |
| Financial assets at FVTPL | Convertible bonds | 131,590 | 231,895 |
| Available-for-sale financial assets | Certificates of time deposits and bonds | 8,535,824 | 8,624,270 |
| Held-to-maturity financial assets | Certificates of time deposits and bonds | 37,232,263 | 37,742,175 |

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, 2012 and 2011:

| | December 31 | |
|--|--------------|--------------|
| | 2012 | 2011 |
| Repayment note and time deposit held for custody | \$ 7,003,867 | \$ 7,056,153 |
| Liabilities on joint loans | 952,202 | 984,193 |
| Guarantees | 40,329,862 | 46,204,285 |
| Letters of credit | 27,086,144 | 30,280,835 |
| Trust liabilities | 478,876,445 | 471,683,024 |
| Unpaid equipment purchase contracts | 369,458 | 290,067 |
| Unused loan commitments (excluding credit card) | 251,074,410 | 322,600,942 |
| Unused loan commitments (credit card only) | 414,857,606 | 411,994,680 |

Taishin Bank and Chang Hwa Bank entered into operating leases for their domestic branches, and main agreements of the contracts were as follows:

a. The lease periods range from one to ten years. Rental payments are made annually.

b. As of December 31, 2012, the estimated future lease payments under the lease contracts were as follows:

| Period | Amount |
|--------|------------|
| 2013 | \$ 858,634 |
| 2014 | 697,310 |
| 2015 | 530,740 |
| 2016 | 343,081 |
| 2017 | 179,211 |

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 and July 13, 2010, the Taipei District Court and the Taiwan High 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 August 10, 2010. 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. On August 14, 2012, the Supreme Court had judged “the original verdict should be abandoned” and the ruling was sent back to the Taiwan High Court for a second review.

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. DISCLOSURES OF FINANCIAL INSTRUMENTS INFORMATION

Information of Fair Value

| | December 31, 2012 | |
|--|-------------------|---------------|
| | Carrying Value | Fair Value |
| <u>Financial assets</u> | | |
| Cash and cash equivalents | \$ 53,649,307 | \$ 53,649,307 |
| Due from Central Bank and call loans to banks | 136,641,676 | 136,641,676 |
| Financial assets at FVTPL | 85,988,202 | 85,988,202 |
| Bonds and securities purchased under resell agreements | 4,987,265 | 4,987,265 |
| Receivables | 107,547,734 | 107,547,734 |
| Loans | 1,787,298,942 | 1,787,298,942 |
| Available-for-sale financial assets | 270,722,899 | 270,722,899 |
| Held-to-maturity financial assets | 172,613,773 | 172,744,983 |
| Hedging derivative financial instruments | 105,087 | 105,087 |
| Bond investments without active market | 3,479,000 | 3,521,963 |
| Other miscellaneous financial assets | 417,484 | 417,484 |
| <u>Financial liabilities</u> | | |
| Due to banks and Central Bank | 152,894,925 | 152,894,925 |
| Commercial paper payable | 7,000 | 7,000 |
| Financial liabilities at FVTPL | 11,027,012 | 11,027,012 |
| Bonds and securities sold under repurchase agreements | 56,534,194 | 56,534,194 |
| Payables | 57,162,211 | 57,162,211 |
| Deposits and remittances | 2,139,646,174 | 2,139,646,174 |
| Bonds payable | 97,151,937 | 99,006,042 |
| Other borrowings | 579,996 | 579,996 |
| Other financial liabilities | 15,035,344 | 15,035,344 |

| | December 31, 2011 | |
|--|-------------------|---------------|
| | Carrying Value | Fair Value |
| <u>Financial assets</u> | | |
| Cash and cash equivalents | \$ 64,818,747 | \$ 64,818,747 |
| 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 | 9,734,993 | 9,734,993 |
| 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 |
| <u>Financial liabilities</u> | | |
| 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 and remittances | 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 |

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, 2012 and 2011:

- a. The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Cash and cash equivalents, due from Central Bank and call loans to banks, bonds and securities purchased under resell agreements, receivables, other miscellaneous financial assets, due to banks and Central Bank, commercial paper payable, bonds and securities sold under repurchase agreements, payables, remittances, other borrowings, and other financial liabilities.
- b. Fair values of financial instruments designated as at FVTPL, available-for-sale, held-to-maturity financial assets, hedging derivative financial instruments and bonds payable 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 or 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 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, 2012 | |
|--|----------------------|----------------------|
| | Quoted Market Prices | Valuation Techniques |
| <u>Financial assets</u> | | |
| Financial assets at FVTPL | \$ 71,873,964 | \$ 14,114,238 |
| Available-for-sale financial assets | 230,486,809 | 40,236,090 |
| Held-to-maturity financial assets | - | 172,744,983 |
| Hedging derivative financial instruments | - | 105,087 |
| Bond investments without active market | - | 3,521,963 |
| <u>Financial liabilities</u> | | |
| Financial liabilities at FVTPL | 771 | 11,026,241 |
| Bonds payable | - | 99,006,042 |
| | December 31, 2011 | |
| | Quoted Market Prices | Valuation Techniques |
| <u>Financial assets</u> | | |
| 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 |
| <u>Financial liabilities</u> | | |
| Financial liabilities at FVTPL | 54,469 | 10,334,453 |
| Bonds payable | - | 99,436,650 |

Valuation gains from changes in fair value of financial instruments determined using quoted market prices or valuation techniques were \$526,538 thousand and \$632,841 thousand for the year ended December 31, 2012. 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.

As of December 31, 2012 and 2011, the interest income and interest expense associated with financial assets (liabilities) other than those at FVTPL were as follows:

| | Year Ended December 31 | |
|------------------------|------------------------|---------------|
| | 2012 | 2011 |
| Total interest income | \$ 48,550,768 | \$ 44,045,673 |
| Total interest expense | 20,048,447 | 17,823,361 |

For the years ended December 31, 2012 and 2011, the credit (debit) in stockholders' equity from available-for-sale financial asset amounted to \$1,855,643 thousand and \$(906,315) thousand, respectively. The amount (debited) credit from the stockholders' equity adjustment and recognized as current income (loss) was \$452,292 thousand and \$(147,220) thousand for the years ended December 31, 2012 and 2011, respectively.

Fair Value Input Levels

(In Thousands of New Taiwan Dollars)

| Fair Value Measurement of Financial Instruments | December 31, 2012 | | | |
|--|-------------------|------------|-------------|-----------|
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Non-derivative financial products</u> | | | | |
| <u>Assets</u> | | | | |
| Trading assets | | | | |
| Financial assets at FVTPL | | | | |
| Stocks and mutual funds | \$ 937,234 | \$ 937,234 | \$ - | \$ - |
| Bond investments | 15,131,472 | 14,366,277 | 765,195 | - |
| Others | 56,738,429 | - | 56,738,429 | - |
| Financial assets designated upon initial recognition as at fair value through profit or loss | 1,568,591 | - | 116,241 | 1,452,350 |
| Available-for-sale financial assets | | | | |
| Stock investments | 7,652,162 | 7,652,162 | - | - |
| Bond investments | 111,321,824 | 31,456,129 | 79,865,695 | - |
| Others | 151,748,913 | - | 149,692,892 | 2,056,021 |
| Other financial assets | | | | |
| Bond investments without active market | 3,521,962 | 781,655 | 837,114 | 1,903,193 |
| <u>Liabilities</u> | | | | |
| Financial liabilities at FVTPL | - | - | - | - |
| <u>Derivative financial products</u> | | | | |
| <u>Assets</u> | | | | |
| Financial assets at FVTPL | 11,612,476 | 56,942 | 10,235,240 | 1,320,294 |
| Other financial assets | | | | |
| Hedging derivative financial instruments | 105,087 | - | 105,087 | - |
| <u>Liabilities</u> | | | | |
| Financial liabilities at FVTPL | 11,027,012 | 771 | 10,009,714 | 1,016,527 |



(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> | | | | |
| <u>Assets</u> | | | | |
| Trading assets | | | | |
| Financial assets at FVTPL | | | | |
| Stocks and mutual funds | \$ 799,813 | \$ 799,813 | \$ - | \$ - |
| Bond investments | 15,307,923 | 15,292,917 | 15,006 | - |
| Others | 38,559,079 | - | 38,559,079 | - |
| 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 and mutual funds | 5,703,805 | 5,703,805 | - | - |
| Bond investments | 96,646,224 | 32,497,016 | 64,149,208 | - |
| Others | 146,436,687 | - | 143,570,099 | 2,866,588 |
| Other financial assets | | | | |
| Bond investments without active market | 8,302,151 | 5,466,262 | 840,136 | 1,995,753 |
| <u>Liabilities</u> | | | | |
| Financial liabilities at FVTPL | 54,469 | 54,469 | - | - |
| <u>Derivative financial products</u> | | | | |
| <u>Assets</u> | | | | |
| 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 | - |
| <u>Liabilities</u> | | | | |
| 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)

| December 31, 2012 | | | | | | | |
|-------------------------------------|-------------------|--------------------------|--------------|-------------|----------------|--------------|----------------|
| Item | Beginning Balance | Valuation Gains (Losses) | Increase | | Decrease | | Ending Balance |
| | | | Buy or Issue | Transfer in | Sell, Disposal | Transfer out | |
| Financial assets at FVTPL | \$ 2,566,628 | \$ 231,046 | \$ 2,121,143 | \$ - | (\$ 2,146,173) | \$ - | \$ 2,772,644 |
| Available-for-sale financial assets | 2,866,588 | (93,437) | 1,132,091 | - | (1,849,221) | - | 2,056,021 |
| Other financial assets | 1,995,753 | (10,825) | - | - | (81,735) | - | 1,903,193 |
| Total | \$ 7,428,969 | \$ 126,784 | \$ 3,253,234 | \$ - | (\$ 4,077,129) | \$ - | \$ 6,731,858 |

| December 31, 2011 | | | | | | | |
|-------------------------------------|-------------------|--------------------------|--------------|-------------|----------------|--------------|----------------|
| 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)

| December 31, 2012 | | | | | | | |
|--------------------------------|-------------------|--------------------------|--------------|-------------|----------------|--------------|----------------|
| Item | Beginning Balance | Valuation Gains (Losses) | Increase | | Decrease | | Ending Balance |
| | | | Buy or Issue | Transfer in | Sell, Disposal | Transfer out | |
| Financial liabilities at FVTPL | \$ 962,639 | \$ 256,381 | \$ 584,213 | \$ - | (\$ 786,706) | \$ - | \$ 1,016,527 |

(In Thousands of New Taiwan Dollars)

| December 31, 2011 | | | | | | | |
|--------------------------------|-------------------|--------------------------|--------------|-------------|----------------|--------------|----------------|
| 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.

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 | | |
|--------------------------------|--|---------------|---------------|------------|
| | | 2012 | 2011 | |
| Exchange rate risk value | EUR | \$ 4,881 | \$ 382 | |
| | JPY | 423,739 | (3,059,831) | |
| | USD | 24,392 | 7,847 | |
| | Others (Note) | 933,477 | 761,022 | |
| Interest rate sensitivity DV01 | Interest curve of bonds | TWD | (25,829) | (24,893) |
| | | USD | (100) | (96) |
| | | Others (Note) | (906) | (628) |
| | Interest curve of IRS | TWD | 3,965 | 4,044 |
| | | USD | 1 | 27 |
| | | Others (Note) | 724 | 425 |
| | Interest curve of cross-currency swaps | TWD | 454 | 52 |
| | | USD | (3) | (1) |
| | | Others (Note) | 240 | - |
| Equity securities risk value | TWD | 5,469,406 | 5,338,556 | |
| | USD | 12,760 | 4,041 | |
| Currency bond fund | USD | 85,513 | 41,898 | |

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, 2012 and 2011 were as follows:

| Financial Instrument Type | December 31 | |
|---|---------------|---------------|
| | 2012 | 2011 |
| Guarantees | \$ 40,329,862 | \$ 46,204,285 |
| Letters of credit | 27,086,144 | 30,280,835 |
| Unused loan commitments (excluding credit card) | 251,074,410 | 322,600,942 |
| Unused loan commitments (credit card only) | 414,857,606 | 411,994,680 |

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 | | | |
|-------------------------|-------------------------|------------------------|-------------------------|------------------------|
| | 2012 | | 2011 | |
| | Carrying Value | Percentage of Item (%) | Carrying Value | Percentage of Item (%) |
| Manufacturing | \$ 441,010,775 | 24.38 | \$ 464,650,213 | 26.62 |
| Wholesale and retailing | 134,163,306 | 7.42 | 133,304,744 | 7.64 |
| Finance and insurance | 112,575,664 | 6.22 | 109,578,116 | 6.28 |
| Real estate and leasing | 88,314,192 | 4.88 | 74,301,627 | 4.26 |
| Service | 29,024,556 | 1.60 | 27,007,750 | 1.55 |
| Individuals | 786,654,526 | 43.48 | 728,207,230 | 41.71 |
| Others | 217,347,376 | 12.02 | 208,747,587 | 11.94 |
| | <u>\$ 1,809,090,395</u> | | <u>\$ 1,745,797,267</u> | |



| Geographic Location | December 31 | | | |
|---------------------|-------------------------|------------------------|-------------------------|------------------------|
| | 2012 | | 2011 | |
| | Carrying Value | Percentage of Item (%) | Carrying Value | Percentage of Item (%) |
| Asia | \$ 1,721,568,312 | 95.16 | \$ 1,661,155,104 | 95.15 |
| America | 32,067,772 | 1.77 | 38,550,271 | 2.21 |
| Europe | 13,596,821 | 0.75 | 11,273,175 | 0.65 |
| Others | 41,857,490 | 2.32 | 34,818,717 | 1.99 |
| | <u>\$ 1,809,090,395</u> | | <u>\$ 1,745,797,267</u> | |

c. Liquidity risk

Taishin Financial Holding and subsidiaries had stipulated regulations on liquidity management to appropriately arrange the allocation of assets and liabilities, avoid concentration on nationalities, transaction parties, and product lines in regard to the sources and uses of funds, and thus reduce the liquidity risk of failing to raise capital for contract performance or failing to sell financial assets with reasonable prices in the market. Overall, the working capital of Taishin Financial Holding and subsidiaries is sufficient to cover the increase in assets and pay off the liabilities when due.

Taishin Financial Holding and subsidiaries' information on liquidity risk is as follows:

- 1) Taishin Financial Holding and subsidiaries' capital and working capital are sufficient to perform all the contracted obligations, and its investments in securities purchased under resell agreements are marketable financial assets that have low liquidity risks and are easily traded with reasonable prices in the market.
- 2) Taishin Bank's ratios of liquidity reserves were 24.37% and 25.02% in December 2012 and 2011, 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 18.16% and 17.11% on December 31, 2012 and 2011. 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, 2012 and 2011, 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, 2012 | |
|--|-----------------------------|-------------|
| | Effective Interest Rate (%) | |
| | NTD | USD |
| Bonds and securities purchased under resell agreements | 0.71%-0.82% | - |
| Available-for-sale financial assets | 0.71%-5.88% | 0.00%-8.13% |
| Held-to-maturity financial assets | 0.88%-1.37% | 1.21%-7.38% |
| Bond investment without active market | 2.65% | 0.57% |
| Loans | 0.0001%-20.00% | 0.52%-6.30% |
| Bonds and securities sold under repurchase agreements | 0.60%-0.82% | 0.29%-0.49% |
| Deposits and remittances | 0.00%-4.00% | 0.02%-1.95% |
| Bonds payable | 1.53%-2.76% | - |

| | 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 and remittances | 0.00%-4.00% | 0.01%-2.38% |
| Bonds payable | 1.62%-2.76% | - |

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, 2012 | | December 31, 2011 | |
| | | Nominal Principal Amount | Fair Value | Nominal Principal Amount | Fair Value |
| Bank debenture | Interest rate swap | \$ 2,000,000 | \$ 105,087 | \$ 2,000,000 | \$ 149,400 |



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 |
| | <u>\$ 14,246,193</u> | <u>\$ 14,246,193</u> |

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 1.44%, and the expected cash flow from those financial assets will be \$606,575 thousand.

The carrying value and fair value after reclassification as of December 31, 2012 and 2011 were as follows:

| | December 31 | | | |
|---------------------------------------|----------------|------------|----------------|--------------|
| | 2012 | | 2011 | |
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Bond investment without active market | \$ 458,123 | \$ 468,237 | \$ 5,515,180 | \$ 5,466,262 |

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 | | | |
|-------------------------------------|------------------------------|--|------------------------------|--|
| | 2012 | | 2011 | |
| | 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 | \$ 29,864 | (\$ 4,744) | \$ 124,352 | \$ 213,391 |

37. RELATED INFORMATION OF CAPITAL ADEQUACY

Group Capital Adequacy Ratio

| Company | Item | December 31, 2012 | | |
|---------------------------|------|------------------------|------------------------|---------------------------------------|
| | | Ownership Interest (%) | Group Eligible Capital | Group's Statutory Capital Requirement |
| Taishin Financial Holding | | | \$ 120,406,805 | \$ 119,183,205 |
| Taishin Bank | | 100.00% | 98,496,750 | 59,727,868 |
| Chang Hwa Bank | | 22.55% | 27,648,658 | 19,193,529 |
| Taishin Securities B | | 100.00% | 2,066,367 | 411,474 |
| Taishin Venture Capital | | 100.00% | 2,085,221 | 1,043,244 |
| Taishin AMC | | 100.00% | 1,778,834 | 1,003,100 |

| Company \ Item | December 31, 2012 | | |
|--|------------------------|------------------------|---------------------------------------|
| | Ownership Interest (%) | Group Eligible Capital | Group's Statutory Capital Requirement |
| Taishin Marketing | 100.00% | 3,761 | 1,959 |
| Taishin Securities Investment Trust | 100.00% | 810,855 | 434,692 |
| Taishin Securities Investment Advisory | 92.00% | 316,281 | 164,325 |
| Taishin Holdings Insurance Brokers | 100.00% | 767,553 | 517,932 |
| Exclusive items amounts subtracted | | (137,975,891) | (118,970,022) |
| Total | | 116,405,194 | 82,711,306 |
| Group's capital adequacy rate (Note) | | | 140.74% |

| 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% |

Financial Holding Company Eligible Capital

| Item | December 31, 2012 |
|--|-------------------|
| Common stock | \$ 68,914,473 |
| Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates which comply with eligible Tier 1 capital | 13,397,329 |
| Other preferred stock and subordinated corporate bonds | 20,940,000 |
| Advance receipts for capital stock | - |
| Capital surplus | 3,157,267 |
| Legal reserve | 2,942,721 |
| Special reserve | 244,474 |
| Retained earnings | 9,970,487 |
| Equity adjustment | 1,073,198 |
| Subtracted: | |
| Goodwill | - |
| Deferred assets | 233,144 |
| Treasury stock | - |
| Total | 120,406,805 |



| 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 |

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.

38. DISCLOSURES ACCORDING TO ARTICLE 46 OF FINANCIAL HOLDING ACT

According to Article 46 of Financial Holding Company Act, all subsidiaries of financial holding company should disclose the balance of credit, endorsements and other transactions to the same person, the same related person or the same related enterprise.

Details for the balance of credit, endorsements and other transactions to the same person as of December 31, 2012 were as follows:

2012

(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 | \$ 345,129,352 | 191.75% |
| Taiwan Power Co., Ltd. | 42,211,308 | 23.45% |
| Taiwan High Speed Rail Co., Ltd. | 34,697,612 | 19.28% |
| National Treasury Agency | 30,000,000 | 16.67% |
| CPC Corporation, Taiwan | 20,658,978 | 11.48% |
| Innolux Corporation | 17,093,454 | 9.50% |
| Formosa Chemicals & Fibers Corp. | 14,706,600 | 8.17% |
| AU Optronics Corp. | 11,764,160 | 6.54% |
| Formosa Petrochemical Corp. | 10,066,242 | 5.59% |
| Hon Hai Precision Ind. Co. | 7,785,744 | 4.33% |
| Formosa Plastics Corp. | 7,627,793 | 4.24% |

(Continued)

| Transaction Party | Credit, Endorsement and Other Transaction | As Proportion of Financial Holding's Net Equity |
|--|---|---|
| Ruentex Development Co., Ltd. | \$ 7,393,338 | 4.11% |
| Wan Bao Development Corp. | 5,793,480 | 3.22% |
| Taiwan Water Corp. | 5,659,200 | 3.14% |
| China Airline Co. | 5,603,595 | 3.11% |
| Wistron Corp. | 5,459,169 | 3.03% |
| EVA Airways Corp. | 5,173,051 | 2.87% |
| Nan Ya Plastics Corp. | 4,981,756 | 2.77% |
| Lin Yuan Investment Corp. | 4,931,570 | 2.74% |
| U-Ming Marine Transport Corp. | 4,130,000 | 2.29% |
| Quanta Computer Inc. | 4,000,515 | 2.22% |
| Continental Development Corp. | 3,776,036 | 2.10% |
| Tatung Co. | 3,544,637 | 1.97% |
| EasyPay Corp. | 3,535,314 | 1.96% |
| Dragon Steel Corp. | 3,345,487 | 1.86% |
| Pujen Land Development Co., Ltd. | 3,243,011 | 1.80% |
| Taiwan Railways Administration | 3,200,000 | 1.78% |
| Chailease Finance Co., Ltd. | 3,176,918 | 1.77% |
| Chi Mei Corp. | 3,104,103 | 1.72% |
| HannsTouch Solution Incorporated | 3,087,658 | 1.72% |
| EVA Marine Transport Corp. | 3,071,250 | 1.71% |
| Cheng Shin Rubber Ind. Co., Ltd. | 3,025,000 | 1.68% |
| Total | 630,976,331 | |
| b. To the same person and spouse, the relative within the second degree and the person or the spouse's enterprise | | |
| Individual A | 6,136,000 | 3.41% |
| Individual B | 4,316,038 | 2.40% |
| Individual C | 3,897,634 | 2.17% |
| Total | 14,349,672 | |
| c. To the same related party enterprise | | |
| Formosa Chemicals & Fibers Corp. | 28,368,109 | 15.76% |
| Chi Mei Lighting Technology Corp. | 18,009,595 | 10.01% |
| Kuokuang Power Co., Ltd. | 14,953,826 | 8.31% |
| AU Optronics Corp. | 13,490,532 | 7.50% |
| Chi Mei Corp. | 11,569,995 | 6.43% |
| Pan-International Industrial Corp. | 10,401,716 | 5.78% |
| G-Tech Optoelectronics Corp. | 9,931,755 | 5.52% |
| Far East New Century Corp. | 8,694,830 | 4.83% |

(Continued)



| Transaction Party | Credit, Endorsement and Other Transaction | As Proportion of Financial Holding's Net Equity |
|----------------------------------|---|---|
| Wan Bao Development Corp. | \$ 8,041,060 | 4.47% |
| Darfon Electronics Corp. | 7,607,281 | 4.23% |
| Ruextex Development Co., Ltd. | 6,946,857 | 3.86% |
| Innolux Corporation | 6,939,089 | 3.86% |
| EVA Airways Corp. | 6,843,051 | 3.80% |
| Leadtek Global Group Limited | 6,712,489 | 3.73% |
| AUO Sunpower SDN BHD | 6,390,360 | 3.55% |
| CPC Corp. | 6,355,152 | 3.53% |
| UER Technology Corp. | 6,185,336 | 3.44% |
| AUO Energy Corp. | 6,184,460 | 3.44% |
| Hannstar Board International | 6,039,491 | 3.36% |
| Lextar Electronics Corp. | 5,986,261 | 3.33% |
| Nan Ya Plastics Corp. | 5,891,504 | 3.27% |
| Formosa Plastics Corp. | 5,867,522 | 3.26% |
| Hannstar Display Corp. | 5,767,572 | 3.20% |
| Quanta Computer Inc. | 5,699,273 | 3.17% |
| China Steel Corp. | 5,645,858 | 3.14% |
| Walsin Lihwa Corp. | 5,600,127 | 3.11% |
| Yieh Phui Enterprise Co., Ltd. | 5,555,072 | 3.09% |
| Hannstar Board Holdings (HK) | 5,537,962 | 3.08% |
| Hannstar Board Corp. | 5,475,741 | 3.04% |
| Green Energy Technology Inc. | 5,096,852 | 2.83% |
| Uni-President Co. | 4,890,402 | 2.72% |
| Jin Xin Investment Co., Ltd. | 4,868,675 | 2.70% |
| Continental Engineering Corp. | 4,761,007 | 2.65% |
| Catcher Technology Co., Ltd. | 4,609,013 | 2.56% |
| Cal Park Co., Ltd. | 4,254,666 | 2.36% |
| Yang Ming Line Corp. | 4,234,955 | 2.35% |
| Wistron Corp. | 4,147,544 | 2.30% |
| Walsin Technology Corp. | 4,027,210 | 2.24% |
| Walton Advanced Engineering Inc. | 3,875,945 | 2.15% |
| EVA Marine Transport Corp. | 3,481,298 | 1.93% |
| Delta Electronics Inc. | 3,328,767 | 1.85% |
| Chang Chun Plastics Co., Ltd. | 3,270,686 | 1.82% |
| WPG Investment Holdings | 3,252,989 | 1.81% |
| Cheng Shin Rubber Ind. Co., Ltd. | 3,125,373 | 1.74% |
| Total | 307,917,258 | |

(concluded)

39. FINANCIAL INFORMATION BY BUSINESS

The financial information by business for the years ended December 31, 2012 and 2011 was as follows:

| Item | Bank Business | Year Ended December 31, 2012 | | |
|---|---------------|------------------------------|----------------|---------------|
| | Bank Business | Securities Business | Other Business | Total |
| Net interest income (expense) | \$ 29,921,573 | \$ 23,897 | (\$ 714,945) | \$ 29,230,525 |
| Net income other than interest income | 15,007,580 | 359,582 | 3,857,025 | 19,224,187 |
| Gross income | 44,929,153 | 383,479 | 3,142,080 | 48,454,712 |
| Reversed allowance for loan losses (bad debt expense) | 1,625,250 | - | (75,320) | 1,549,930 |
| Operating expenses | (27,987,570) | (397,586) | (1,051,632) | (29,436,788) |
| Income (loss) before income tax of continued operations | 18,566,833 | (14,107) | 2,015,128 | 20,567,854 |
| Income tax expense | (3,527,105) | (7,008) | (268,022) | (3,802,135) |
| Income (loss) after income tax of continued operations | 15,039,728 | (21,115) | 1,747,106 | 16,765,719 |

| Item | Bank Business | Year Ended December 31, 2011 | | |
|---|---------------|------------------------------|----------------|---------------|
| | Bank Business | Securities Business | Other Business | Total |
| Net interest income (expense) | \$ 29,778,172 | \$ 15,287 | (\$ 969,404) | \$ 28,824,055 |
| Net income other than interest income | 14,503,338 | 184,819 | 2,524,998 | 17,213,155 |
| Gross income | 44,281,510 | 200,106 | 1,555,594 | 46,037,210 |
| Reversed allowance for loan losses (bad debt expense) | 2,270,522 | (813) | (3,290) | 2,266,419 |
| 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 |



40. FINANCIAL STATEMENTS OF TAISHIN FINANCIAL HOLDING

TAISHIN FINANCIAL HOLDING CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

| <u>ASSETS</u> | <u>2012</u> | <u>2011</u> |
|--|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 803,141 | \$ 17,759,020 |
| Bonds and securities purchased under resell agreements | 2,594,693 | 10,488,419 |
| Receivables | 1,457,326 | 1,692,260 |
| Prepaid expenses | 2,000 | 2,237 |
| Investments accounted for by the equity method | 118,967,822 | 111,995,506 |
| OTHER FINANCIAL ASSETS | | |
| Financial assets carried at cost | 2,200 | 32,724 |
| PROPERTY AND EQUIPMENT | | |
| Cost | | |
| Machinery equipment | 1,741 | 1,962 |
| Transportation equipment | 5,930 | 4,670 |
| Miscellaneous equipment | 387 | 2,912 |
| | <u>8,058</u> | <u>9,544</u> |
| Accumulated depreciation | (2,262) | (3,899) |
| Property and equipment, net | <u>5,796</u> | <u>5,645</u> |
| OTHER ASSETS | | |
| Deferred tax assets | 233,144 | 231,742 |
| Other deferred assets | - | 1,753 |
| Other miscellaneous assets | 203,956 | 203,887 |
| Other assets | <u>437,100</u> | <u>437,382</u> |
| TOTAL | \$ 124,270,078 | \$ 142,413,193 |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | <u>2012</u> | <u>2011</u> |
| LIABILITIES | | |
| Payables | \$ 2,540,253 | \$ 2,515,698 |
| Bonds payable | 22,000,000 | 33,650,000 |
| Other liabilities | 29,876 | 28,566 |
| Total liabilities | <u>24,570,129</u> | <u>36,194,264</u> |
| STOCKHOLDERS' EQUITY | | |
| Capital stock | | |
| Common stock | 68,914,473 | 63,250,473 |
| Preferred stock | 7,251,368 | 11,912,963 |
| Capital surplus | | |
| Additional paid-in capital in excess of par | 7,005,072 | 17,005,072 |
| Other capital surplus | 2,298,156 | 2,212,227 |
| Retained earnings | | |
| Legal reserve | 2,942,721 | 1,999,537 |
| Special reserve | 244,474 | 268,505 |
| Unappropriated earnings | 9,970,487 | 9,481,365 |
| Other items of stockholders' equity | | |
| Unrealized revaluation increment | 579,640 | 288,459 |
| Cumulative translation adjustments | (81,603) | (23,269) |
| Unrealized gains or losses on financial instruments | 675,432 | (145,971) |
| Net loss not recognized as pension cost | (100,271) | (30,432) |
| Total stockholders' equity | <u>99,699,949</u> | <u>106,218,929</u> |
| TOTAL | \$ 124,270,078 | \$ 142,413,193 |

TAISHIN FINANCIAL HOLDING CO., LTD.**INCOME STATEMENTS**

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

| | 2012 | | 2011 | |
|--|----------------------|----------------|----------------------|----------------|
| | Pretax | After Tax | Pretax | After Tax |
| INCOME | | | | |
| Investment income recognized under the equity method | \$ 11,423,409 | | \$ 10,111,913 | |
| Interest income | 186,668 | | 169,669 | |
| Others | 84,909 | | 959,282 | |
| Total income | <u>11,694,986</u> | | <u>11,240,864</u> | |
| EXPENSES AND LOSSES | | | | |
| Investment loss recognized under the equity method | (132,276) | | (283,269) | |
| Operating expenses | (391,698) | | (519,242) | |
| Interest expenses | (790,234) | | (1,011,771) | |
| Others | (23,010) | | (55) | |
| Total expenses and losses | <u>(1,337,218)</u> | | <u>(1,814,337)</u> | |
| INCOME BEFORE INCOME TAX | 10,357,768 | | 9,426,527 | |
| INCOME TAX (EXPENSE) BENEFIT | <u>(96,088)</u> | | <u>5,309</u> | |
| NET INCOME | <u>\$ 10,261,680</u> | | <u>\$ 9,431,836</u> | |
| EARNINGS PER SHARE | | | | |
| Basic earnings per share | <u>\$ 1.31</u> | <u>\$ 1.30</u> | <u>\$ 1.16</u> | <u>\$ 1.16</u> |
| Diluted earnings per share | <u>\$ 1.31</u> | <u>\$ 1.30</u> | <u>\$ 1.16</u> | <u>\$ 1.16</u> |

**TAISHIN FINANCIAL HOLDING CO., LTD.****STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**
YEARS ENDED DECEMBER 31, 2012 AND 2011

(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 | Stock-based Compensation | Other Capital Surplus |
| BALANCE, JANUARY 1, 2011 | \$ 59,094,401 | \$ 11,912,963 | \$ 2,324 | \$ 16,996,159 | \$ 2,075,475 | \$ 26,098 | \$ 4,411 |
| 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 | - | - | - | - | - | - | - |
| Cumulative 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 | 132,341 | 4,411 |
| Appropriation of 2011 earnings | | | | | | | |
| Legal reserve | - | - | - | - | - | - | - |
| Dividend on preferred stock C | - | - | - | - | - | - | - |
| Dividend on preferred stock D | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | - | - |
| Stock dividends (\$0.89548 per share, ex-dividend date August 12, 2012) | 5,664,000 | - | - | - | - | - | - |
| Cancellation of preferred stock C | - | (4,661,595) | - | (10,000,000) | - | - | - |
| Unrealized revaluation increment on land | - | - | - | - | - | - | - |
| Cumulative translation adjustments | - | - | - | - | - | - | - |
| Unrealized gains or losses of available-for-sale financial assets | - | - | - | - | - | - | - |
| Net loss not recognized as pension cost | - | - | - | - | - | - | - |
| Issuance of employee stock options | - | - | - | - | - | 91,353 | - |
| Lapse of employee stock options | - | - | - | - | - | (425) | 425 |
| Investment accounted for by the equity method | - | - | - | - | - | (1,013) | (4,411) |
| Others | - | - | - | - | - | - | - |
| Consolidated net income for the year ended December 31, 2012 | - | - | - | - | - | - | - |
| BALANCE, DECEMBER 31, 2012 | \$ 68,914,473 | \$ 7,251,368 | \$ - | \$ 7,005,072 | \$ 2,075,475 | \$ 222,256 | \$ 425 |

| 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 | |
| \$ 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) |
| - | - | (1,359,590) | - | - | - | - | (1,359,590) |
| - | - | (4,137,881) | - | - | - | - | - |
| - | - | - | 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 |
| 943,184 | - | (943,184) | - | - | - | - | - |
| - | - | (525,000) | - | - | - | - | (525,000) |
| - | - | (910,000) | - | - | - | - | (910,000) |
| - | - | (1,416,000) | - | - | - | - | (1,416,000) |
| - | - | (5,664,000) | - | - | - | - | - |
| - | - | (338,405) | - | - | - | - | (15,000,000) |
| - | - | - | 291,181 | - | - | - | 291,181 |
| - | - | - | - | (58,334) | - | - | (58,334) |
| - | - | - | - | - | 821,403 | - | 821,403 |
| - | - | - | - | - | - | (69,839) | (69,839) |
| - | - | - | - | - | - | - | 91,353 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | (5,424) |
| - | (24,031) | 24,031 | - | - | - | - | - |
| - | - | 10,261,680 | - | - | - | - | 10,261,680 |
| <u>\$ 2,942,721</u> | <u>\$ 244,474</u> | <u>\$ 9,970,487</u> | <u>\$ 579,640</u> | <u>(\$ 81,603)</u> | <u>\$ 675,432</u> | <u>(\$ 100,271)</u> | <u>\$ 99,699,949</u> |

**TAISHIN FINANCIAL HOLDING CO., LTD.**

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

| | 2012 | 2011 |
|---|-----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 10,261,680 | \$ 9,431,836 |
| Depreciation | 1,420 | 1,542 |
| Amortization | 1,753 | 2,460 |
| Deferred income tax expense | (1,402) | (180) |
| Income tax benefit on linked-tax system | - | (5,129) |
| Share-based compensation | 8,239 | 16,166 |
| Unrealized gain on financial instruments valuation | - | (893,564) |
| Investment income recognized under equity method | (11,291,133) | (9,828,644) |
| Gain on disposal of investments | (37,469) | - |
| Cash dividends received in current period under equity method | 5,980,916 | 5,942,270 |
| Loss on disposal of property and equipment | - | 55 |
| Amortization of discount on bonds payable | - | 141,011 |
| Net changes in operating assets and liabilities | | |
| Net changes in operating assets | | |
| Decrease (increase) in bonds and securities purchased under resell agreements | 7,893,726 | (6,275,562) |
| Decrease in receivables | 234,934 | 2,054,812 |
| (Increase) decrease in other assets | (662) | 227,574 |
| Net changes in operating liabilities | | |
| Increase (decrease) in payables | 24,556 | (921,095) |
| Increase in other liabilities | 1,310 | 1,057 |
| Net cash provided by (used in) operating activities | <u>13,077,868</u> | <u>(105,391)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Increase in investments accounted for by the equity method | (600,000) | (830,000) |
| Proceeds from disposal of investments accounted for by the equity method | - | 5,895,410 |
| Proceeds from disposal of financial assets carried at cost | 67,993 | - |
| Purchase of property and equipment | (1,571) | (5,549) |
| Decrease (increase) in refundable deposits | 831 | (1,566) |
| Net cash (used in) provided by investing activities | <u>(532,747)</u> | <u>5,058,295</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of bonds | 7,000,000 | 9,700,000 |
| Repayments of bonds | (18,650,000) | (14,000,000) |
| Cash dividends distributed | (2,851,000) | (2,794,589) |
| Cancellation of preferred stock - C | (15,000,000) | - |
| Exercise of employee stock options | - | 24,780 |
| Net cash used in financing activities | <u>(29,501,000)</u> | <u>(7,069,809)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (16,955,879) | (2,116,905) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 17,759,020 | 19,875,925 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 803,141</u> | <u>\$ 17,759,020</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid during the year | | |
| Interest | <u>\$ 807,469</u> | <u>\$ 1,020,656</u> |
| Income tax | <u>\$ -</u> | <u>\$ -</u> |
| NON-CASH FINANCING ACTIVITIES | | |
| Capital increase by earnings recapitalization | <u>\$ 5,664,000</u> | <u>\$ 4,137,881</u> |

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

Stand-alone

| Item | | December 31 | |
|-------------------------------------|-----------|-------------|--------|
| | | 2012 | 2011 |
| Return on total assets | Pretax | 7.77% | 6.65% |
| | After tax | 7.70% | 6.65% |
| Return on net equity - common stock | Pretax | 11.31% | 11.06% |
| | After tax | 11.19% | 11.06% |
| Profit margin | | 87.74% | 83.91% |

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

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

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 2012 and 2011.

Consolidated

| Item | | December 31 | |
|-------------------------------------|-----------|-------------|--------|
| | | 2012 | 2011 |
| Return on total assets | Pretax | 0.77% | 0.76% |
| | After tax | 0.63% | 0.64% |
| Return on net equity - common stock | Pretax | 14.20% | 13.75% |
| | After tax | 11.19% | 11.06% |
| Profit margin | | 34.60% | 35.37% |

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

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

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 2012 and 2011.



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

Taishin Bank

a. Balance sheet

| | December 31 | |
|---|-------------------------|-----------------------|
| | 2012 | 2011 |
| Assets | | |
| Cash and cash equivalents | \$ 12,395,086 | \$ 11,125,892 |
| Due from Central Bank and call loans to banks | 33,230,520 | 29,519,453 |
| Financial assets at FVTPL | 49,231,145 | 40,781,549 |
| Bonds and securities purchased under resell agreements | 4,269,494 | 1,058,738 |
| Receivables, net | 86,077,469 | 88,122,428 |
| Loans, net | 658,454,135 | 600,808,129 |
| Available-for-sale financial assets, net | 207,278,563 | 191,190,849 |
| Held-to-maturity financial assets, net | 1,917,473 | 2,421,241 |
| Investments accounted for by the equity method, net | 1,785,834 | 1,939,912 |
| Other financial assets, net | 2,910,429 | 2,893,816 |
| Property and equipment, net | 17,475,160 | 17,424,442 |
| Intangible assets, net | 1,688,796 | 1,921,980 |
| Other assets | 5,525,686 | 6,745,987 |
| | <u>\$ 1,082,239,790</u> | <u>\$ 995,954,416</u> |
| Liabilities | | |
| Due to banks and Central Bank | \$ 52,366,146 | \$ 62,532,398 |
| Financial liabilities at FVTPL | 9,114,382 | 8,353,108 |
| Bonds and securities sold under repurchase agreements | 53,499,333 | 43,486,925 |
| Payables | 21,425,730 | 22,379,981 |
| Deposits and remittances | 826,959,852 | 756,502,655 |
| Financial debentures | 36,700,000 | 25,000,000 |
| Other financial liabilities | 13,670,671 | 13,340,332 |
| Other liabilities | 1,384,159 | 1,377,985 |
| | <u>1,015,120,273</u> | <u>932,973,384</u> |
| Stockholders' equity | | |
| Capital stock | 49,157,526 | 49,157,526 |
| Capital surplus | 3,269,423 | 3,197,017 |
| Retained earnings | 13,809,799 | 10,593,956 |
| Unrealized revaluation increment on land | 207,232 | 6,093 |
| Cumulative translation adjustments | (820) | (539) |
| Unrealized gains or losses on available-for-sale financial assets | 677,524 | 27,334 |
| Net loss not recognized as pension cost | (1,167) | (355) |
| | <u>67,119,517</u> | <u>62,981,032</u> |
| | <u>\$ 1,082,239,790</u> | <u>\$ 995,954,416</u> |

b. Income statement

| | Year Ended December 31 | |
|------------------------------------|------------------------|----------------|
| | 2012 | 2011 |
| Net interest income | \$ 13,874,234 | \$ 12,993,667 |
| Net non-interest income | 9,930,615 | 7,773,763 |
| Gross income | 23,804,849 | 20,767,430 |
| Reversed allowance for loan losses | 617,039 | 1,807,336 |
| Operating expenses | (14,078,952) | (13,362,370) |
| Income before income tax | 10,342,936 | 9,212,396 |
| Estimated income tax expense | (1,696,618) | (1,473,296) |
| Net income | \$ 8,646,318 | \$ 7,739,100 |

| | 2012 | | 2011 | |
|-------------------------------------|---------|-----------|---------|-----------|
| | Pretax | After Tax | Pretax | After Tax |
| Basic earnings per share (dollar) | \$ 2.16 | \$ 1.80 | \$ 1.92 | \$ 1.61 |
| Diluted earnings per share (dollar) | \$ 2.10 | \$ 1.76 | \$ 1.87 | \$ 1.57 |

c. Key financial and business highlights

1) Profitability

| Item | | December 31 | |
|------------------------|-----------|-------------|--------|
| | | 2012 | 2011 |
| Return on total assets | Pretax | 1.00% | 0.95% |
| | After tax | 0.83% | 0.80% |
| Return on net equity | Pretax | 15.90% | 14.90% |
| | After tax | 13.29% | 12.52% |
| Profit margin | | 36.32% | 37.27% |

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 2012 and 2011.



2) Asset quality

■ Nonperforming loans and receivables

| Business Type \ Item | | December 31, 2012 | | | | | December 31, 2011 | | | | | |
|---|-------------------------|-------------------------------|---------------|-------------------------------------|---------------------------|-------------------------|-------------------------------|----------------|-------------------------------------|---------------------------|-------------------------|---------|
| | | Non-performing Loans (Note a) | Loans | Non-performing Loans Ratio (Note b) | Allowance For Loan Losses | Coverage Ratio (Note c) | Non-performing Loans (Note a) | Loans | Non-performing Loans Ratio (Note b) | Allowance For Loan Losses | Coverage Ratio (Note c) | |
| Corporate finance | Secured | \$ 397,141 | \$141,348,888 | 0.28% | \$ 2,876,979 | 724.42% | \$ 457,798 | \$ 119,038,390 | 0.38% | \$2,672,076 | 583.68% | |
| | Unsecured | 50,404 | 161,212,404 | 0.03% | 1,093,233 | 2,168.95% | 6,306 | 160,303,167 | - | 1,309,832 | 20,771.91% | |
| Consumer finance | Mortgage loans (Note d) | 162,955 | 217,680,801 | 0.07% | 1,756,305 | 1,077.78% | 179,343 | 206,149,360 | 0.09% | 1,102,819 | 614.92% | |
| | Cash cards | 57,114 | 6,156,205 | 0.93% | 375,581 | 657.60% | 78,474 | 8,189,094 | 0.96% | 671,787 | 856.06% | |
| | Credit loans (Note e) | 142,743 | 27,216,977 | 0.52% | 715,829 | 501.48% | 150,513 | 23,447,039 | 0.64% | 806,301 | 535.70% | |
| | Others (Note f) | Secured | 65,476 | 111,407,408 | 0.06% | 826,626 | 1,262.48% | 48,035 | 88,834,441 | 0.05% | 424,571 | 883.88% |
| | | Unsecured | 27,904 | 1,706,205 | 1.64% | 188,797 | 676.60% | 48,222 | 2,315,937 | 2.08% | 231,232 | 479.51% |
| Subtotal | | 903,737 | 666,728,888 | 0.14% | 7,833,350 | 866.77% | 968,691 | 608,277,428 | 0.16% | 7,218,618 | 745.19% | |
| Credit card | | 94,496 | 32,453,086 | 0.29% | 436,685 | 462.12% | 94,686 | 33,613,235 | 0.28% | 488,089 | 515.48% | |
| Accounts receivable factoring with no recourse (Note g) | | - | 41,567,908 | - | 315,848 | - | - | 49,576,406 | - | 105,891 | - | |

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-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

Note f: The others of consumer financial business are defined as secured or unsecured consumer financial business excluding mortgage loans, cash cards, credit loans and credit cards.

Note g: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 094000494), accounts receivable factoring with no recourse are defined as non-performing loans within three months from the date that factors or insurance companies ascertain not to compensate the loss.

■ Exempted from report as nonperforming loans and receivables

| Business Type \ Item | | December 31, 2012 | | December 31, 2011 | |
|--|--|--|--|--|--|
| | | 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) | | \$ 3,820,789 | \$ 1,190,424 | \$ 5,279,584 | \$ 1,667,299 |
| Loans executed in accordance with debt clearing and renewal regulations (Note b) | | 1,901,402 | 1,364,786 | 2,079,662 | 1,367,876 |
| Total | | 5,722,191 | 2,555,210 | 7,359,246 | 3,035,175 |

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, 2012 | | | December 31, 2011 | | |
|---------------|--|----------------|-----------------------------|--|----------------|-----------------------------|
| 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 (liquid crystal panel and components manufacturing industry) | \$ 13,966,999 | 20.81% | A Group (liquid crystal panel and components manufacturing industry) | \$ 15,444,056 | 24.52% |
| 2 | B Group (other financial intermediation not elsewhere classified industry) | 8,594,907 | 12.81% | K Group (liquid crystal panel and components manufacturing industry) | 7,734,083 | 12.28% |
| 3 | C Group (other financial intermediation not elsewhere classified industry) | 8,516,764 | 12.69% | E Group (other financial intermediation not elsewhere classified industry) | 7,565,729 | 12.01% |
| 4 | D Group (liquid crystal panel and components manufacturing industry) | 6,887,869 | 10.26% | F Group (man-made fibers manufacturing industry) | 6,553,605 | 10.41% |
| 5 | E Group (other financial intermediation not elsewhere classified industry) | 6,070,350 | 9.04% | C Group (other financial intermediation not elsewhere classified industry) | 6,279,800 | 9.97% |
| 6 | F Group (man-made fibers manufacturing industry) | 5,589,766 | 8.33% | L Group (ocean freight industry) | 5,908,179 | 9.38% |
| 7 | G Group (other financial intermediation not elsewhere classified industry) | 5,513,070 | 8.21% | I Group (computer manufacturing industry) | 5,611,510 | 8.91% |
| 8 | H Group (computing peripheral equipments manufacturing industry) | 5,280,023 | 7.87% | B Group (computer manufacturing industry) | 5,415,622 | 8.60% |
| 9 | I Co. (semi-conductors packaging and testing industry) | 5,059,442 | 7.54% | I Co. (print circuit board manufacturing industry) | 5,172,356 | 8.21% |
| 10 | J Group (monitor and terminals manufacturing industry) | 5,019,127 | 7.48% | J Group (monitor and terminals manufacturing industry) | 4,868,214 | 7.73% |

Note a: Sorted by the balance of loans on December 31, 2012 and 2011, 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.



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, 2012 and 2011 were as follows:

| | 2012 | | 2011 | |
|--|---------------|-------------------------|---------------|-------------------------|
| | Average Value | Average Interest Rate % | Average Value | Average Interest Rate % |
| Assets | | | | |
| Due from banks and call loans to banks | \$ 29,567,111 | 0.66 | \$ 28,054,773 | 0.62 |
| Financial assets at FVTPL | 35,005,185 | 0.83 | 26,531,008 | 0.75 |
| Bonds and securities purchased under resell agreements | 2,108,321 | 0.82 | 1,940,882 | 0.71 |
| Receivables | 48,654,510 | 4.72 | 47,753,379 | 4.89 |
| Loans | 639,434,450 | 2.61 | 577,811,944 | 2.51 |
| Available-for-sale financial assets | 201,629,537 | 1.11 | 187,696,707 | 1.09 |
| Held-to-maturity financial assets | | | | |
| Liabilities | 2,089,874 | 4.20 | 3,056,223 | 3.15 |
| Due to banks and call loans from banks | 54,122,847 | 1.11 | 55,419,826 | 1.13 |
| Bonds and securities sold under repurchase agreements | 51,922,415 | 0.74 | 34,711,459 | 0.60 |
| Demand deposits | 321,109,568 | 0.27 | 299,036,422 | 0.24 |
| Time deposits | 475,416,933 | 1.19 | 427,750,415 | 1.05 |
| Bank debentures | 26,432,240 | 2.53 | 25,000,000 | 2.46 |
| Other financial liabilities | 13,303,464 | 1.71 | 14,142,116 | 1.60 |

5) Interest rate sensitivity

(In Thousands of New Taiwan Dollars)

| Item | December 31, 2012 | | | | |
|---|-------------------|----------------|-----------------|------------------|----------------|
| | 1-90 Days | 91-180 Days | 181 Days-1 Year | More Than 1 Year | Total |
| Interest-sensitive assets | \$ 686,375,750 | \$ 20,450,808 | \$ 41,173,328 | \$ 116,147,795 | \$ 864,147,681 |
| Interest-sensitive liabilities | 337,779,320 | 117,004,143 | 152,177,880 | 236,837,927 | 843,799,270 |
| Interest sensitivity gap | 348,596,430 | (96,553,335) | (111,004,552) | (120,690,132) | 20,348,411 |
| Net equity | | | | | 66,721,962 |
| Ratio of interest-sensitive assets to liabilities | | | | | 102.41% |
| Ratio of interest sensitivity gap to net equity | | | | | 30.50% |

(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% |

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, 2012 | | | | |
|---|-------------------|--------------|-----------------|------------------|--------------|
| | 1-90 Days | 91-180 Days | 181 Days-1 Year | More Than 1 Year | Total |
| Interest-sensitive assets | \$ 2,768,004 | \$ 1,312,602 | \$ 527,994 | \$ 1,540,581 | \$ 6,149,181 |
| Interest-sensitive liabilities | 2,936,901 | 2,783,811 | 930,382 | 383,627 | 7,034,721 |
| Interest sensitivity gap | (168,897) | (1,471,209) | (402,388) | 1,156,954 | (885,540) |
| Net equity | | | | | 32,187 |
| Ratio of interest-sensitive assets to liabilities | | | | | 87.41% |
| Ratio of interest sensitivity gap to net equity | | | | | (2,751.23%) |

(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%) |

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, 2012 | | | | |
|-----------------------------|----------------|--|---------------|----------------|-----------------|------------------|
| | | 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 | \$ 926,991,170 | \$ 314,097,741 | \$ 87,875,554 | \$ 37,299,015 | \$ 75,454,069 | \$ 412,264,791 |
| Major maturity cash outflow | 1,012,702,885 | 167,631,668 | 144,116,407 | 168,038,368 | 203,455,566 | 329,460,876 |
| Gap | (85,711,715) | 146,466,073 | (56,240,853) | (130,739,353) | (128,001,497) | 82,803,915 |

(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 |

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, 2012 | | | | |
|-----------------------------|--------------|--|--------------|---------------|-----------------|------------------|
| | | 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 | \$ 9,091,660 | \$ 3,690,890 | \$ 2,136,476 | \$ 1,411,242 | \$ 526,517 | \$ 1,326,535 |
| Major maturity cash outflow | 9,024,765 | 3,591,374 | 1,383,056 | 2,743,412 | 866,260 | 440,663 |
| Gap | 66,895 | 99,516 | 753,420 | (1,332,170) | (339,743) | 885,872 |

(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 |

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, 2012 | December 31, 2012 | December 31, 2011 |
| Eligible capital | Tier I capital | | \$ 63,733,753 | \$ 62,993,938 | \$ 59,422,148 |
| | Tier II capital | | 35,979,971 | 35,502,812 | 26,740,812 |
| | Tier III capital | | - | - | - |
| | Self-owned capital | | 99,713,724 | 98,496,750 | 86,162,960 |
| Risk-weighted assets | Credit risk | Standardized approach | 679,825,048 | 679,515,233 | 607,210,536 |
| | | IRB | - | - | - |
| | | Securitization | 725,766 | 725,766 | 1,158,501 |
| | Operation risk | Basic indicator approach | - | - | - |
| | | Standardized approach/ Alternative standardized approach | 39,101,650 | 39,101,650 | 36,814,913 |
| | | Advanced measurement approach | - | - | - |
| | Market risk | Standardized approach | 27,256,763 | 27,255,700 | 30,257,750 |
| | | Internal model approach | - | - | - |
| Total | | | 746,909,227 | 746,598,349 | 675,441,700 |
| Capital adequacy ratio | | | 13.35% | 13.19% | 12.76% |
| Tier I capital to risk weighted assets ratio | | | 8.53% | 8.44% | 8.80% |
| Tier II capital to risk weighted assets ratio | | | 4.82% | 4.75% | 3.96% |
| Tier III capital to risk weighted assets ratio | | | - | - | - |
| Common stock equity to total assets ratio | | | 4.37% | 4.37% | 4.75% |
| Leverage ratio | | | 6.15% | 6.08% | 6.25% |

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, 2012 and 2011 were as follows:

| | December 31 | |
|---|-----------------------|-----------------------|
| | 2012 | 2011 |
| Special purpose trust accounts - foreign and domestic investments | \$ 134,843,353 | \$ 135,857,618 |
| Special purpose monetary fund - master | 4,828,453 | 6,016,971 |
| Special purpose monetary fund - stand-alone | - | 109,139 |
| Special purpose cover fund - stand-alone | 9,221,647 | 9,355,248 |
| Specific monetary fund - stand-alone | 8,740,675 | 8,079,614 |
| Specific cover fund - stand-alone | 20,297,844 | 14,738,474 |
| Real estate securitization | - | 8,645,712 |
| Real estate trust | 8,991,768 | 9,552,878 |
| Monetary mutual fund | - | 1,021,687 |
| Securities under custody | 31,036,445 | 28,220,801 |
| | <u>\$ 217,960,185</u> | <u>\$ 221,598,142</u> |

9) Balance sheets of securities department: Table 5

Income statement of securities department: Table 6

Chang Hwa Bank

a. Balance sheet

| | December 31 | |
|---|-------------------------|-------------------------|
| | 2012 | 2011 |
| Assets | | |
| Cash and cash equivalents | \$ 40,180,352 | \$ 52,948,865 |
| Due from Central Bank and call loans to banks | 103,411,156 | 79,667,740 |
| Financial assets at FVTPL, net | 35,613,670 | 25,020,162 |
| Receivables, net | 18,020,960 | 19,604,067 |
| Loans, net | 1,129,128,128 | 1,122,738,843 |
| Available-for-sale financial assets, net | 63,427,594 | 57,579,949 |
| Held-to-maturity financial assets, net | 170,696,300 | 180,376,569 |
| Investments accounted for by the equity method, net | 465,745 | 390,890 |
| Other financial assets | 8,048,820 | 12,943,157 |
| Property and equipment, net | 23,930,249 | 23,506,806 |
| Intangible assets, net | 86,991 | 62,074 |
| Other assets | 17,091,116 | 14,668,680 |
| | <u>\$ 1,610,101,081</u> | <u>\$ 1,589,507,802</u> |
| Liabilities | | |
| Due to banks and Central Bank | \$ 100,530,198 | \$ 112,053,512 |
| Financial liabilities at FVTPL | 1,912,629 | 2,035,814 |
| Bonds and securities sold under repurchase agreements | 5,629,554 | 10,726,892 |
| Payables | 32,863,279 | 31,956,087 |
| Deposits and remittances | 1,316,727,161 | 1,288,795,742 |
| Financial debentures | 38,451,937 | 38,496,086 |
| Accrued pension liabilities | 767,223 | 452,697 |
| Other financial liabilities | 1,364,673 | 1,676,663 |
| Other liabilities | 8,045,522 | 7,636,353 |
| | <u>1,506,292,176</u> | <u>1,493,829,846</u> |
| Stockholders' equity | | |
| Capital stock | 72,421,114 | 67,683,284 |
| Retained earnings | 20,888,598 | 18,509,344 |
| Other items | 10,499,193 | 9,485,328 |
| | <u>103,808,905</u> | <u>95,677,956</u> |
| | <u>\$ 1,610,101,081</u> | <u>\$ 1,589,507,802</u> |

**b. Income statement**

| | Year Ended December 31 | |
|------------------------------|------------------------|----------------|
| | 2012 | 2011 |
| Net interest income | \$ 15,869,725 | \$ 16,638,925 |
| Net non-interest income | 9,111,933 | 9,965,448 |
| Gross income | 24,981,658 | 26,604,373 |
| Bad debt expense | (1,645,871) | (3,225,183) |
| Operating expenses | (13,126,982) | (12,810,050) |
| Income before income tax | 10,208,805 | 10,569,140 |
| Estimated income tax expense | (1,738,055) | (1,526,785) |
| Net income | \$ 8,470,750 | \$ 9,042,355 |

| | 2012 | | 2011 | |
|-------------------------------------|---------|-----------|---------|-----------|
| | Pretax | After Tax | Pretax | After Tax |
| Basic earnings per share (dollar) | \$ 1.41 | \$ 1.17 | \$ 1.46 | \$ 1.25 |
| Diluted earnings per share (dollar) | \$ 1.40 | \$ 1.16 | \$ 1.45 | \$ 1.24 |

c. Key financial and business highlights

1) Profitability

| Item | December 31 | |
|------------------------|-------------|--------|
| | 2012 | 2011 |
| Return on total assets | Pretax | 0.64% |
| | After tax | 0.53% |
| Return on net equity | Pretax | 10.24% |
| | After tax | 8.49% |
| Profit margin | | 33.91% |

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

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

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 2012 and 2011.

2) Asset quality

| Business Type \ Item | | December 31, 2012 | | | | | December 31, 2011 | | | | | |
|----------------------|-------------------------|-------------------------------|----------------|-------------------------------------|---------------------------|-------------------------|-------------------------------|----------------|-------------------------------------|---------------------------|-------------------------|---------|
| | | Non-performing Loans (Note a) | Loans | Non-performing Loans Ratio (Note b) | Allowance For Loan Losses | Coverage Ratio (Note c) | Non-performing Loans (Note a) | Loans | Non-performing Loans Ratio (Note b) | Allowance For Loan Losses | Coverage Ratio (Note c) | |
| Corporate finance | Secured | \$1,796,195 | \$ 334,295,082 | 0.54% | \$ 6,918,953 | 385.20% | \$1,520,756 | \$ 322,528,184 | 0.47% | \$ 7,669,512 | 504.32% | |
| | Unsecured | 316,953 | 399,038,516 | 0.08% | 3,079,195 | 971.50% | 991,710 | 427,577,416 | 0.23% | 4,339,299 | 437.56% | |
| Consumer finance | Mortgage loans (Note d) | 1,152,682 | 296,966,506 | 0.39% | 2,503,651 | 217.20% | 1,205,277 | 290,485,445 | 0.41% | 2,135,592 | 177.19% | |
| | Cash cards (Note h) | - | - | - | - | - | - | - | - | - | - | |
| | Credit loans (Note e) | 2,542 | 1,801,829 | 0.14% | 11,185 | 440.01% | 2,218 | 1,978,179 | 0.11% | 13,165 | 593.55% | |
| | Others (Note f) | Secured | 455,966 | 108,465,897 | 0.42% | 958,911 | 210.30% | 413,207 | 92,707,599 | 0.45% | 697,864 | 168.89% |
| | | Unsecured | 9,540 | 2,076,998 | 0.94% | 44,805 | 229.30% | 131,528 | 2,563,273 | 5.13% | 245,821 | 186.90% |
| Total | | 3,743,878 | 1,142,644,828 | 0.33% | 13,516,700 | 361.03% | 4,264,696 | 1,137,840,096 | 0.37% | 15,101,253 | 354.10% | |

| Business Type \ Item | | December 31, 2012 | | | | | December 31, 2011 | | | | |
|---|--|-------------------------------|------------|-------------------------------------|---------------------------|-------------------------|-------------------------------|------------|-------------------------------------|---------------------------|-------------------------|
| | | 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 | | \$ 1,882 | \$ 969,423 | 0.19% | \$ 8,188 | 435.07% | \$ 1,234 | \$ 887,323 | 0.14% | \$ 6,546 | 530.47% |
| Accounts receivable factoring with no recourse (Note g) | | - | 7,929,116 | - | 78,146 | - | - | 8,534,101 | - | 62,684 | - |

| Business Type \ Item | | December 31, 2012 | | December 31, 2011 | |
|---|--|--|--|--|--|
| | | 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) | | \$ 713 | \$ 6,819 | \$ 922 | \$ 6,824 |
| Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note j) | | 9,120 | 6,765 | 9,409 | 5,701 |
| Total | | 9,833 | 13,584 | 10,331 | 12,525 |

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-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.



- Note f: The others of consumer financial business are defined as secured or unsecured consumer financial business excluding mortgage loans, cash cards, credit loans and credit cards.
- Note g: In accordance with the Letter issued by the Banking Bureau on 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, 2012 | | | December 31, 2011 | | | | |
|------|-------------------|--|----------------|-----------------------------|----------------------------|--|-----------------------------|-------|
| | 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 | Co. (railway transportation industry) | \$34,646,792 | 33.38 | A | Co. (railway transportation industry) | \$35,103,316 | 36.69 |
| 2 | B | Group (other chemical products manufacturing industry) | 27,278,032 | 26.28 | B | Group (petrochemical raw material manufacturing industry) | 34,000,914 | 35.54 |
| 3 | C | Group (liquid crystal panel and components manufacturing industry) | 18,150,083 | 17.48 | C | Group (liquid crystal panel and components manufacturing industry) | 19,162,269 | 20.03 |
| 4 | D | Group (air transportation industry) | 16,744,929 | 16.13 | D | Group (air transportation industry) | 13,801,702 | 14.43 |
| 5 | E | Group (building construction industry) | 9,866,673 | 9.50 | F | Group (liquid crystal panel and components manufacturing industry) | 10,905,759 | 11.40 |
| 6 | F | Group (liquid crystal panel and components manufacturing industry) | 8,542,536 | 8.23 | G | Group (iron and steel smelting industry) | 8,115,215 | 8.48 |
| 7 | G | Group (iron and steel smelting industry) | 6,883,215 | 6.63 | K | Group (marine water transportation industry) | 6,243,937 | 6.53 |
| 8 | H | Group (other financial intermediation not elsewhere classified industry) | 6,354,700 | 6.12 | J | Group (liquid crystal panel and components manufacturing industry) | 5,958,909 | 6.23 |
| 9 | I | Group (computer manufacturing industry) | 5,699,272 | 5.49 | I | Group (computer manufacturing industry) | 5,573,153 | 5.82 |
| 10 | J | Group (audio-visual electronic product manufacturing industry) | 5,648,120 | 5.44 | L | Group (marine water transportation industry) | 5,496,256 | 5.74 |

Note a: Sorted by the balance of loans on December 31, 2012 and 2011, 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, 2012 and 2011 were as follows:

| | 2012 | | 2011 | |
|--|---------------|-------------------------|----------------|-------------------------|
| | Average Value | Average Interest Rate % | Average Value | Average Interest Rate % |
| Assets | | | | |
| Due from and call loans to banks | \$ 95,581,991 | 1.06 | \$ 105,183,265 | 1.16 |
| Due from Central Bank | 58,820,617 | 0.45 | 57,749,543 | 0.41 |
| Trading - purpose financial assets - bonds and bills | 26,215,105 | 0.84 | 22,937,354 | 0.85 |
| Receivable - without recourse factoring | 5,879,270 | 1.24 | 6,241,194 | 1.07 |
| Bonds and securities purchased under resell agreements | - | - | 4,624 | 0.44 |
| Loans (including documentary bills) | 1,147,336,062 | 1.97 | 1,103,756,187 | 1.87 |
| Available-for-sale financial assets - bonds | 60,835,165 | 1.56 | 51,847,221 | 1.74 |
| Held-to-maturity financial assets - bonds and bills | 176,793,084 | 0.97 | 180,266,177 | 0.91 |
| Bond investments without active market | 3,402,620 | 1.67 | 8,996,434 | 1.72 |
| Liabilities | | | | |
| Due to banks and call loans from banks | 163,375,099 | 0.90 | 173,598,504 | 1.08 |
| Deposits transferred from the Postal Bureau | 6,768,413 | 1.40 | 8,052,424 | 1.34 |
| Bonds and securities sold under repurchase agreements | 8,678,878 | 0.69 | 13,447,452 | 0.57 |
| Demand deposits | 704,652,942 | 0.33 | 689,118,110 | 0.32 |
| Time deposits (excluding NCDs) | 568,171,715 | 1.17 | 550,148,956 | 1.05 |
| Negotiable certificates of deposits | 17,123,613 | 0.76 | 8,597,648 | 0.58 |
| Bank debentures | 38,350,000 | 2.27 | 35,762,055 | 2.32 |

5) Interest rate sensitivity

(In Thousands of New Taiwan Dollars)

| Item | December 31, 2012 | | | | |
|---|-------------------|-----------------|-----------------|------------------|------------------|
| | 1-90 Days | 91-180 Days | 181 Days-1 Year | More Than 1 Year | Total |
| Interest-sensitive assets | \$ 1,099,268,562 | \$ 48,313,863 | \$ 8,443,360 | \$ 95,548,651 | \$ 1,251,574,436 |
| Interest-sensitive liabilities | 381,693,219 | 635,724,482 | 88,600,903 | 33,528,588 | 1,139,547,192 |
| Interest sensitivity gap | 717,575,343 | (587,410,619) | (80,157,543) | 62,020,063 | 112,027,244 |
| Net equity | | | | | 97,891,832 |
| Ratio of interest-sensitive assets to liabilities | | | | | 109.83% |
| Ratio of interest sensitivity gap to net equity | | | | | 114.44% |

(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 | \$ 1,073,006,053 | \$ 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% |

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, 2012 | | | | |
|---|-------------------|-------------|-----------------|------------------|--------------|
| | 1-90 Days | 91-180 Days | 181 Days-1 Year | More Than 1 Year | Total |
| Interest-sensitive assets | \$ 7,627,007 | \$ 923,618 | \$ 72,750 | \$ 48,497 | \$ 8,671,872 |
| Interest-sensitive liabilities | 8,522,342 | 426,190 | 461,384 | - | 9,409,916 |
| Interest sensitivity gap | (895,335) | 497,428 | (388,634) | 48,497 | (738,044) |
| Net equity | | | | | 124,447 |
| Ratio of interest-sensitive assets to liabilities | | | | | 92.16% |
| Ratio of interest sensitivity gap to net equity | | | | | (593.06%) |

(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 | | | | | (1,113.96%) |

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, 2012 | | | | |
|-----------------------------|------------------|--|----------------|----------------|-----------------|------------------|
| | | 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 | \$ 1,436,194,616 | \$296,574,383 | \$ 152,774,502 | \$ 93,151,948 | \$ 133,635,574 | \$760,058,209 |
| Major maturity cash outflow | 1,570,510,510 | 223,041,079 | 228,918,663 | 177,551,990 | 294,541,737 | 646,457,041 |
| Gap | (134,315,894) | 73,533,304 | (76,144,161) | (84,400,042) | (160,906,163) | 113,601,168 |

(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 |

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, 2012 | | | | |
|-----------------------------|---------------|--|--------------|--------------|-----------------|------------------|
| | | 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 | \$ 11,288,150 | \$ 4,636,486 | \$ 2,886,715 | \$ 1,423,854 | \$ 858,417 | \$ 1,482,678 |
| Major maturity cash outflow | 11,737,057 | 4,154,019 | 2,506,650 | 1,306,724 | 1,659,640 | 2,110,024 |
| Gap | (448,907) | 482,467 | 380,065 | 117,130 | (801,223) | (627,346) |

(In Thousands of U.S. Dollars)

| | Total | December 31, 2012 | | | | |
|-----------------------------|---------------|--|--------------|--------------|-----------------|------------------|
| | | 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) |

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

7) Transferring ownerships of loans

Summary of nonperforming loans:

| | December 31, 2012 | | | | | | |
|--------------------------------------|-------------------|---------------------|---------------------|--------------------|---------------------------|----------------------------|--------------|
| | Transferring Date | Composition of NPLs | Book Value (Note a) | Transferring Price | Gain of Disposal (Note b) | Agreement with Added Terms | Relationship |
| Shih Yang Asset Management Co., Ltd. | 2012.05.15 | Corporate loans | \$ - | \$ 200,000 | \$ 200,000 | None | None |
| Mega Asset Management Co., Ltd. | 2012.05.15 | Corporate loans | 87,342 | 222,065 | 134,723 | None | None |
| Bank of America | 2012.07.20 | Corporate loans | - | 45,330 | 45,330 | None | None |

| | December 31, 2011 | | | | | | |
|---------------------------------------|-------------------|-----------------------------|---------------------|--------------------|---------------------------|----------------------------|--------------|
| | Transferring Date | Composition of NPLs | Book Value (Note a) | Transferring Price | Gain of Disposal (Note b) | Agreement with Added Terms | Relationship |
| Deutsche Bank Co., Ltd. London Branch | 2011.04.08 | Corporate non-secured loans | \$ - | \$ 16,638 | \$ 16,638 | None | None |
| YiDa United Co., Ltd. | 2011.05.17 | Corporate non-secured loans | 256,225 | 501,094 | 244,869 | None | None |
| Bank of America | 2011.07.20 | Corporate non-secured loans | - | 108,697 | 108,697 | None | None |

Note a: Book value = Original loan balance - Allowance

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



8) Capital adequacy

| Item | | Year (Note 2) | December 31, 2012 | June 30, 2012 | December 31, 2011 | |
|--|------------------------|---|-------------------|---------------|-------------------|---------------|
| | | | | | | |
| Eligible capital | Tier I capital | | \$ 94,358,061 | \$ 90,860,047 | \$ 87,857,735 | |
| | Tier II capital | | 28,273,128 | 32,020,316 | 32,246,211 | |
| | Tier III capital | | - | - | - | |
| | Self-owned capital | | 122,631,189 | 122,880,363 | 120,103,946 | |
| Risk-weighted assets | Credit risk | Standardized approach | 1,021,263,260 | 1,005,346,005 | 998,250,438 | |
| | | IRB | - | - | - | |
| | | Securitization | 249,337 | 262,039 | 264,823 | |
| | Operation risk | Basic indicator approach | - | - | - | |
| | | Standardized approach/ Alternative standardized approach | 35,279,000 | 35,279,000 | 35,044,538 | |
| | | Advanced measurement approach | - | - | - | |
| | Market risk | Standardized approach | 7,331,175 | 8,138,925 | 7,651,638 | |
| | | Internal model approach | - | - | - | |
| | Total | | | 1,064,122,772 | 1,049,025,969 | 1,041,211,437 |
| | Capital adequacy ratio | | | 11.52% | 11.71% | 11.54% |
| Tier I capital to risk weighted assets ratio | | | 8.87% | 8.66% | 8.44% | |
| Tier II capital to risk weighted assets ratio | | | 2.66% | 3.05% | 3.10% | |
| Tier III capital to risk weighted assets ratio | | | - | - | - | |
| Common stock equity to total assets ratio | | | 4.50% | 4.26% | 4.26% | |
| Leverage ratio | | | 5.91% | 5.84% | 5.69% | |

9) 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 | |
|---|-----------------------|-----------------------|
| | 2012 | 2011 |
| Special purpose trust accounts - domestic | \$ 32,904,333 | \$ 32,625,502 |
| Special purpose trust accounts - foreign | 72,326,948 | 68,768,492 |
| Insurance trust | 1,015 | 1,004 |
| Retirement and breeds trust | 332,760 | 255,700 |
| Umbilical-cord-blood trust | 347,062 | 429,074 |
| Money claim and guarantee trust | 2,431,429 | 454,060 |
| Marketable securities trust | 777,932 | 509,548 |
| Real estate trust | 4,260,277 | 3,707,880 |
| Marketable securities custody | 147,534,504 | 143,333,622 |
| | <u>\$ 260,916,260</u> | <u>\$ 250,084,882</u> |

10) Balance sheets of securities department: Table 7

Income statement of securities department: Table 8

**Taishin AMC****a. Balance sheet**

| | December 31 | |
|--|---------------------|---------------------|
| | 2012 | 2011 |
| Assets | | |
| Current assets | \$ 752,924 | \$ 1,305,913 |
| Financial assets carried at cost | 74,136 | 30,686 |
| Investments accounted for by the equity method | 129,281 | 124,802 |
| Other long-term investments | 644,283 | 308,139 |
| Property and equipment | 186,000 | 188,394 |
| Other assets | 219,576 | 219,566 |
| | <u>\$ 2,006,200</u> | <u>\$ 2,177,500</u> |
| Liabilities | | |
| Current liabilities | \$ 222,559 | \$ 543,175 |
| Other liabilities | 4,807 | 3,799 |
| | <u>227,366</u> | <u>546,974</u> |
| Stockholders' equity | | |
| Capital stock | 1,445,000 | 1,395,000 |
| Capital reserve | 1,828 | 1,014 |
| Retained earnings | 332,006 | 234,512 |
| | <u>1,778,834</u> | <u>1,630,526</u> |
| | <u>\$ 2,006,200</u> | <u>\$ 2,177,500</u> |

b. Income statement

| | Year Ended December 31 | |
|-----------------------------------|------------------------|------------------|
| | 2012 | 2011 |
| Operating revenue | \$ 423,343 | \$ 319,254 |
| Operating cost and expenses | (228,398) | (198,196) |
| Operating income | 194,945 | 121,058 |
| Nonoperating income and gains | 15,319 | 37,994 |
| Nonoperating expenses and losses | (4,883) | (56,877) |
| Income before income tax | 205,381 | 102,175 |
| Estimated income tax expense | (32,887) | (19,094) |
| Net income | <u>\$ 172,494</u> | <u>\$ 83,081</u> |
| | 2012 | 2011 |
| | Pretax | Pretax |
| | After Tax | After Tax |
| Basic earnings per share (dollar) | <u>\$ 1.42</u> | <u>\$ 0.71</u> |
| | <u>\$ 1.19</u> | <u>\$ 0.57</u> |

c. Profitability

| Item | | December 31 | |
|------------------------|-----------|-------------|--------|
| | | 2012 | 2011 |
| Return on total assets | Pretax | 9.82% | 4.36% |
| | After tax | 8.25% | 3.54% |
| Return on net equity | Pretax | 12.05% | 6.39% |
| | After tax | 10.12% | 5.20% |
| Profit margin | | 39.32% | 23.26% |

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

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

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2012 and 2011.

d. Transferring ownerships of loans

| | December 31, 2011 | | | | | | |
|-----------------------------------|-------------------|---------------------|---------------------|--------------------|---------------------------|----------------------------|--------------|
| | Transferring Date | Composition of NPLs | Book Value (Note a) | Transferring Price | Gain of Disposal (Note b) | Agreement with Added Terms | Relationship |
| Chao Guang Construction Co., Ltd. | 2012.10.04 | Corporate loans | \$ 486,380 | \$ 566,342 | \$ 79,962 | None | None |

Note a: Book value = Original loan balance - Allowance

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

Taishin Marketing**a. Balance sheet**

| | December 31 | |
|-----------------------------|-----------------|-----------------|
| | 2012 | 2011 |
| Assets | | |
| Current assets | \$ 3,912 | \$ 3,997 |
| Other assets | 5 | 5 |
| | <u>\$ 3,917</u> | <u>\$ 4,002</u> |
| Liabilities | | |
| Current liabilities | \$ - | \$ 30 |
| Other liabilities | 156 | 154 |
| | <u>156</u> | <u>184</u> |
| Stockholders' equity | | |
| Capital stock | 1,000 | 1,000 |
| Retained earnings | 2,761 | 2,818 |
| | <u>3,761</u> | <u>3,818</u> |
| | <u>\$ 3,917</u> | <u>\$ 4,002</u> |

b. Income statement

| | Year Ended December 31 | | | |
|--|------------------------|----------|------|----------|
| | 2012 | | 2011 | |
| Operating revenue | \$ | 92,920 | \$ | 101,839 |
| Operating cost and expenses | (| 78,260) | (| 88,087) |
| Operating income | | 14,660 | | 13,752 |
| Nonoperating income and gains | | 3,616 | | 2,457 |
| Nonoperating expenses and losses | (| 199) | (| 1,502) |
| Income before income tax | | 18,077 | | 14,707 |
| Estimated income tax (expense) benefit | (| 2,971) | | 2,646 |
| Net income | \$ | 15,106 | \$ | 17,353 |

| | 2012 | | 2011 | |
|-----------------------------------|--------|-----------|--------|-----------|
| | Pretax | After Tax | Pretax | After Tax |
| Basic earnings per share (dollar) | \$ | 0.60 | \$ | 0.50 |
| | | | \$ | 0.49 |
| | | | \$ | 0.58 |

c. Profitability

| Item | | December 31 | |
|------------------------|-----------|-------------|--------|
| | | 2012 | 2011 |
| Return on total assets | Pretax | 5.12% | 4.29% |
| | After tax | 4.27% | 5.06% |
| Return on net equity | Pretax | 5.38% | 4.60% |
| | After tax | 4.49% | 5.43% |
| Profit margin | | 15.65% | 16.64% |

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

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

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2012 and 2011.

Taishin Holdings Insurance Brokers**a. Balance sheet**

| | December 31 | |
|-----------------------------|---------------------|-------------------|
| | 2012 | 2011 |
| Assets | | |
| Current assets | \$ 1,016,553 | \$ 445,126 |
| Property and equipment | 5,238 | 7,075 |
| Intangible assets | 6,306 | 8,141 |
| Other assets | 7,766 | 4,698 |
| | <u>\$ 1,035,863</u> | <u>\$ 465,040</u> |
| Liabilities | | |
| Current liabilities | \$ 265,228 | \$ 188,134 |
| Other liabilities | 3,082 | 2,192 |
| | <u>268,310</u> | <u>190,326</u> |
| Stockholders' equity | | |
| Capital stock | 30,000 | 30,000 |
| Retained earnings | 737,553 | 244,714 |
| | <u>767,553</u> | <u>274,714</u> |
| | <u>\$ 1,035,863</u> | <u>\$ 465,040</u> |

**b. Income statement**

| | Year Ended December 31 | | | |
|----------------------------------|------------------------|----------------|------|----------------|
| | 2012 | | 2011 | |
| Operating revenue | \$ | 3,100,263 | \$ | 1,088,522 |
| Operating cost | (| 2,077,308) | (| 754,230) |
| Gross profit | | 1,022,955 | | 334,292 |
| Operating expenses | (| 164,906) | (| 39,302) |
| Operating income | | 858,049 | | 294,990 |
| Nonoperating income and gains | | 1,090 | | 121 |
| Nonoperating expenses and losses | | - | (| 166) |
| Income before income tax | | 859,139 | | 294,945 |
| Estimated income tax expenses | (| 146,057) | (| 50,141) |
| Net income | \$ | <u>713,082</u> | \$ | <u>244,804</u> |

| | 2012 | | 2011 | |
|-------------------------------------|-----------|-----------|-----------|-----------|
| | Pretax | After Tax | Pretax | After Tax |
| Basic earnings per share (dollar) | \$ 286.38 | \$ 237.69 | \$ 144.14 | \$ 119.63 |
| Diluted earnings per share (dollar) | \$ 286.36 | \$ 237.67 | \$ 142.46 | \$ 118.24 |

c. Profitability

| Item | | December 31 | |
|------------------------|-----------|-------------|---------|
| | | 2012 | 2011 |
| Return on total assets | Pretax | 114.48% | 126.36% |
| | After tax | 95.02% | 104.88% |
| Return on net equity | Pretax | 164.86% | 214.41% |
| | After tax | 136.83% | 177.96% |
| Profit margin | | 22.99% | 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 = $\frac{\text{Income after tax}}{\text{Operating income} + \text{Nonoperating income and gains}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2012 and 2011.

43. 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 | | | | | |
|------------------------------|--------------------|---------------|--------------------|--------------------|---------------|--------------------|
| | 2012 | | | 2011 | | |
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| AUD | \$ 69,396 | 30.27 | \$ 2,100,269 | \$ 90,903 | 30.75 | \$ 2,795,583 |
| RMB | 644,390 | 4.68 | 3,015,573 | 677,030 | 4.77 | 3,232,541 |
| EUR | 35,861 | 38.61 | 1,384,633 | 33,611 | 39.20 | 1,317,495 |
| HKD | 1,178,031 | 3.76 | 4,427,816 | 802,507 | 3.90 | 3,128,678 |
| JPY | 23,885,244 | 0.34 | 8,060,243 | 23,503,001 | 0.39 | 9,175,830 |
| USD | 4,713,990 | 29.14 | 137,346,826 | 4,014,490 | 30.29 | 121,598,910 |
| <u>Non-monetary items</u> | | | | | | |
| AUD | 262,464 | 30.27 | 7,943,485 | 261,523 | 30.75 | 8,042,721 |
| RMB | 4,614,091 | 4.68 | 21,592,700 | 240,874 | 4.77 | 1,150,075 |
| EUR | 375,499 | 38.61 | 14,498,395 | 101,776 | 39.20 | 3,989,428 |
| HKD | 330,389 | 3.76 | 1,241,819 | 433,964 | 3.90 | 1,691,865 |
| JPY | 14,332 | 0.34 | 4,837 | 44,432,933 | 0.39 | 17,347,106 |
| USD | 1,245,186 | 29.14 | 36,279,747 | 2,297,592 | 30.29 | 69,594,059 |
| ZAR | 2,570,128 | 3.43 | 8,813,164 | 1,333,218 | 3.73 | 4,971,890 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| AUD | 330,133 | 30.27 | 9,991,469 | 349,493 | 30.75 | 10,748,108 |
| RMB | 1,540,205 | 4.68 | 7,207,743 | 684,157 | 4.77 | 3,266,570 |
| EUR | 108,209 | 38.61 | 4,178,047 | 118,156 | 39.20 | 4,631,524 |
| HKD | 827,473 | 3.76 | 3,110,188 | 933,160 | 3.90 | 3,638,044 |
| JPY | 7,512,731 | 0.34 | 2,535,224 | 8,498,102 | 0.39 | 3,317,753 |
| USD | 5,720,927 | 29.14 | 166,684,918 | 5,126,610 | 30.29 | 155,285,014 |
| ZAR | 2,539,846 | 3.43 | 8,709,325 | 1,328,264 | 3.73 | 4,953,416 |
| <u>Non-monetary items</u> | | | | | | |
| EUR | 278,842 | 38.61 | 10,766,394 | 7,703 | 39.20 | 301,927 |
| HKD | 746,468 | 3.76 | 2,805,720 | 434,501 | 3.90 | 1,693,957 |
| JPY | 14,389,188 | 0.34 | 4,855,732 | 62,619,872 | 0.39 | 24,447,487 |
| USD | 210,303 | 29.14 | 6,127,385 | 1,147,286 | 30.29 | 34,751,306 |
| RMB | 3,705,444 | 4.68 | 17,340,476 | 2,919 | 4.77 | 13,937 |



Chang Hwa Bank

(In Thousands of Foreign Currencies/New Taiwan Dollars)

| | December 31 | | | | | |
|------------------------------|--------------------|---------------|--------------------|--------------------|---------------|--------------------|
| | 2012 | | | 2011 | | |
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | \$ 8,797,734 | 29.0350 | \$ 255,442,207 | \$ 7,543,307 | 30.2750 | \$ 228,373,619 |
| GBP | 71,580 | 46.7800 | 3,348,512 | 85,615 | 46.6800 | 3,996,508 |
| AUD | 628,656 | 30.1250 | 18,938,262 | 556,645 | 30.7450 | 17,114,051 |
| HKD | 2,485,166 | 3.7460 | 9,309,432 | 2,069,708 | 3.8970 | 8,065,652 |
| SGD | 92,600 | 23.7400 | 2,198,324 | 68,459 | 23.3000 | 1,595,095 |
| CAD | 26,662 | 29.1900 | 778,264 | 55,438 | 29.6700 | 1,644,845 |
| ZAR | 1,045,642 | 3.4300 | 3,586,552 | 54,302 | 3.7100 | 201,460 |
| JPY | 84,738,446 | 0.3360 | 28,472,118 | 95,913,470 | 0.3897 | 37,377,479 |
| EUR | 406,205 | 38.4500 | 15,618,582 | 280,386 | 39.2200 | 10,996,739 |
| NZD | 96,138 | 23.8100 | 2,289,046 | 109,577 | 23.4100 | 2,565,198 |
| RMB | 686,931 | 4.6580 | 3,199,725 | 249,267 | 4.7970 | 1,195,734 |
| <u>Non-monetary items</u> | | | | | | |
| USD | 85,391 | 29.0350 | 2,479,328 | 75,512 | 30.2750 | 2,286,126 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | 9,635,700 | 29.0350 | 279,772,550 | 8,484,159 | 30.2750 | 256,857,914 |
| GBP | 94,953 | 46.7800 | 4,441,901 | 145,618 | 46.6800 | 6,797,448 |
| AUD | 657,544 | 30.1250 | 19,808,513 | 603,469 | 30.7450 | 18,553,654 |
| HKD | 2,065,795 | 3.7460 | 7,738,468 | 1,970,560 | 3.8970 | 7,679,272 |
| SGD | 68,400 | 23.7400 | 1,623,816 | 49,407 | 23.3000 | 1,151,183 |
| CAD | 41,636 | 29.1900 | 1,215,355 | 100,176 | 29.6700 | 2,972,222 |
| ZAR | 1,962,497 | 3.4300 | 6,731,365 | 1,083,276 | 3.7100 | 4,018,954 |
| JPY | 69,833,033 | 0.3360 | 23,463,899 | 91,865,139 | 0.3897 | 35,799,845 |
| EUR | 437,055 | 38.4500 | 16,804,765 | 386,071 | 39.2200 | 15,141,705 |
| NZD | 171,918 | 23.8100 | 4,093,368 | 270,849 | 23.4100 | 6,340,575 |
| RMB | 636,740 | 4.6580 | 2,965,935 | 204,760 | 4.7970 | 982,234 |

44. 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 10 |
| 5 | Sales of NPL from subsidiaries | Note 42 |
| 6 | Authorities securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization | 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 | Note |
| 3 | Endorsements/guarantees provided | Note |
| 4 | Marketable securities held | Table 3 (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 4 (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 36 |

Note: None, or not required to disclose No. 2 to 5 if the investee is a bank, insurance or security company.

c. Information of investment in Mainland China, significant commitments and contingencies, significant losses and subsequent events is summarized as follows:

| No. | Item | Explanation |
|-----|---|-------------|
| 1 | Information of investment in Mainland China | Table 9 |
| 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 10.



45. 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 maker, reviews company operation result, distributes resources, and evaluates operation efficiency.

Financial information of departments

| | Year Ended December 31, 2012 | | | | | |
|---|--------------------------------|----------------------------------|----------------|------------------|---------------------------------|------------------|
| | Taishin Bank (Consolidated) | Chang Hwa Bank (Consolidated) | Others | Total | Adjustments and Eliminations | Total |
| Net interest income (expense) | \$ 13,878,780 | \$ 15,872,318 | (\$ 520,573) | \$ 29,230,525 | \$ - | \$ 29,230,525 |
| Net income other than interest income | 10,634,699 | 6,647,801 | 2,186,083 | 19,468,583 | (244,396) | 19,224,187 |
| Gross income | 24,513,479 | 22,520,119 | 1,665,510 | 48,699,108 | (244,396) | 48,454,712 |
| Reversed allowance for loan losses (bad debt expense) | 637,279 | 987,971 | (75,320) | 1,549,930 | - | 1,549,930 |
| Operating expenses | (14,806,546) | (13,233,310) | (1,516,037) | (29,555,893) | 119,105 | (29,436,788) |
| Income before income tax | 10,344,212 | 10,274,780 | 74,153 | 20,693,145 | (125,291) | 20,567,854 |
| Estimated income tax expense | (1,723,075) | (1,804,030) | (275,030) | (3,802,135) | - | (3,802,135) |
| Net income (loss) | \$ 8,621,137 | \$ 8,470,750 | (\$ 200,877) | \$ 16,891,010 | (\$ 125,291) | \$ 16,765,719 |
| Total assets | \$ 1,081,842,408 | \$ 1,609,613,958 | \$ 133,778,903 | \$ 2,825,235,269 | (\$ 104,488,547) | \$ 2,720,746,722 |
| Total liabilities | \$ 1,014,460,235 | \$ 1,505,805,053 | \$ 25,943,416 | \$ 2,546,208,704 | (\$ 5,455,113) | \$ 2,540,753,591 |

| | Year Ended December 31, 2011 | | | | | |
|--|--------------------------------|----------------------------------|----------------|------------------|---------------------------------|------------------|
| | Taishin Bank (Consolidated) | Chang Hwa Bank (Consolidated) | Others | Total | Adjustments and Eliminations | Total |
| Net interest income (expense) | \$ 13,000,948 | \$ 16,640,369 | (\$ 817,262) | \$ 28,824,055 | \$ - | \$ 28,824,055 |
| Net income other than interest income | 8,989,138 | 6,420,134 | 1,974,747 | 17,384,019 | (170,864) | 17,213,155 |
| Net income | 21,990,086 | 23,060,503 | 1,157,485 | 46,208,074 | (170,864) | 46,037,210 |
| Reversed allowance for loan losses | 1,816,334 | 454,190 | (4,105) | 2,266,419 | - | 2,266,419 |
| Operating expenses | (14,571,133) | (12,889,424) | (1,413,426) | (28,873,983) | 12,575 | (28,861,408) |
| Income before income tax | 9,235,287 | 10,625,269 | (260,046) | 19,600,510 | (158,289) | 19,442,221 |
| Estimated income tax expense | (1,534,605) | (1,582,914) | (42,186) | (3,159,705) | - | (3,159,705) |
| Net income | \$ 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 |

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.

46. 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, 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 | Completed |
| Completion of comparative financial information under IFRSs in 2012 fiscal year | Completed |
| Adjustment of the related internal control in accordance with IFRS | Completed |

b. Taishin Financial Holding and subsidiaries recognize possible major differences between the accounting policies in use and IFRS-related regulations provided by the Financial Supervisory Commission, 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 and provide the following explanations for the corresponding effects of the adoption of IFRS:

1) The reconciliation of consolidated balance sheet as of January 1, 2012:

| ROC GAAP | | Change to IFRSs | | IFRSs | | |
|--|----------------------|---|----------------------------|----------------------|--|--------------------|
| Item | Amount | Difference in Recognition and Measurement | Difference in Presentation | Amount | Item | Notes |
| Cash and cash equivalents | \$ 64,818,747 | \$ - | (\$ 135,580) | \$ 64,683,167 | Cash and cash equivalents | a), f) |
| Due from Central Bank and call loans to banks | 109,187,193 | - | - | 109,187,193 | Due from Central Bank and call loans to banks | |
| Financial assets at fair value through profit or loss | 67,515,650 | (225,451) | - | 67,290,199 | Financial asset at fair value through profit or loss | b), p) |
| Available-for-sale financial assets, net | 248,786,716 | 2,209,878 | - | 250,996,594 | Available-for-sale financial assets, net | q) |
| | | - | 149,400 | 149,400 | Derivative financial assets for hedging | o) |
| Bonds and securities purchased under resell agreements | 9,734,993 | - | - | 9,734,993 | Bonds and securities purchased under resell agreements | |
| Receivables, net | 110,761,564 | 366,384 | (1,848,815) | 109,279,133 | Receivables, net | b), c), f) |
| | | - | 2,151,147 | 2,151,147 | Current tax assets | c) |
| Loans, net | 1,723,226,715 | - | - | 1,723,226,715 | Loans, net | |
| Held-to-maturity financial assets, net | 182,797,810 | - | - | 182,797,810 | Held-to-maturity financial assets, net | |
| Investments accounted for by the equity method, net | 252,698 | (379) | - | 252,319 | Investments accounted for by the equity method, net | i), k) |
| Other financial assets, net | 18,005,451 | (832,378) | (13,800) | 17,159,273 | Other financial assets, net | a), o), q) |
| | | 3,214,608 | 7,876,034 | 11,090,642 | Investment property, net | d), e) |
| Property and equipment, net | 41,204,451 | 941,229 | 296,516 | 42,442,196 | Property and equipment, net | d), e) |
| Goodwill and intangible assets | 21,951,779 | - | - | 21,951,779 | Intangible assets, net | |
| | | 530,390 | 11,704,454 | 12,234,844 | Deferred tax assets | c), i), j), k) |
| Other assets, net | 23,734,229 | (37,652) | (19,199,108) | 4,497,469 | Other assets, net | c), e), f), i) |
| Total | 2,621,977,996 | 6,166,629 | 980,248 | 2,629,124,873 | Total | |
| | | | | | | |
| Due to banks and Central Bank | 174,583,880 | - | - | 174,583,880 | Due to banks and Central Bank | |
| Financial liabilities at fair value through profit or loss | 10,388,922 | - | - | 10,388,922 | Financial liability at fair value through profit or loss | |
| Bonds and securities sold under repurchase agreements | 52,249,552 | - | - | 52,249,552 | Bonds and securities sold under repurchase agreements | |
| Commercial paper payable, net | 267,953 | - | - | 267,953 | Commercial paper payable, net | |
| Payables | 57,275,084 | 374,794 | (2,351,655) | 55,298,223 | Payables | b), c), f), g), k) |
| | | - | 1,938,721 | 1,938,721 | Current tax liability | c) |
| Deposits and remittances | 2,024,212,177 | - | - | 2,024,212,177 | Deposits and remittances | |
| Bonds payable | 97,146,086 | - | - | 97,146,086 | Bonds payable | |
| Other borrowings | 43,000 | - | - | 43,000 | Other borrowings | |
| Reserve for operations and liabilities | 779,673 | 2,811,966 | 495,109 | 4,086,748 | Reserve for liabilities | h), i), j) |
| Other financial liabilities | 15,016,995 | - | - | 15,016,995 | Other financial liabilities | |
| | - | 529,160 | 6,594,420 | 7,123,580 | Deferred tax liabilities | c), d), q) |
| Other liabilities | 9,671,492 | (517) | (5,696,347) | 3,974,628 | Other liabilities | c), f), g), h), s) |
| Total | 2,441,634,814 | 3,715,403 | 980,248 | 2,446,330,465 | Total | |

(Continued)

| ROC GAAP | | Change to IFRSs | | IFRSs | | Notes |
|---|---------------|---|----------------------------|---------------|--|--|
| Item | Amount | Difference in Recognition and Measurement | Difference in Presentation | Amount | Item | |
| <u>Taishin Financial Holding stockholders' equity</u> | | | | | <u>Taishin Financial Holding stockholders' equity</u> | |
| Capital stock | | | | | Capital stock | |
| Common stock | \$ 63,250,473 | \$ - | \$ - | \$ 63,250,473 | Common stock | |
| Preferred stock | 11,912,963 | - | - | 11,912,963 | Preferred stock | |
| Capital surplus | | | | | Capital surplus | |
| Additional paid-in capital in excess of par | 17,005,072 | - | - | 17,005,072 | Additional paid-in capital in excess of par | |
| Other capital surplus | 2,212,227 | 97,833 | - | 2,310,060 | Other capital surplus | l) |
| Retained earnings | 11,749,407 | 220,894 | - | 11,970,301 | Retained earnings | d), e), i), j), k), l), m), p), r), s) |
| Other items of stockholders' equity | | | | | Other equity | |
| Unrealized revaluation increment | 288,459 | (288,459) | - | - | | d) |
| Cumulative translation adjustments | (23,269) | 23,269 | - | - | Foreign operation financial statement translation difference | m) |
| Unrealized gains or losses on financial instruments | (145,971) | 1,094,697 | - | 948,726 | Unrealized gain or loss on available-for-sale financial assets | q) |
| Net loss not recognized as pension cost | (30,432) | 30,432 | - | - | | i) |
| Total Taishin Financial Holding stockholders' equity | 106,218,929 | 1,178,666 | - | 107,397,595 | Total Taishin Financial Holding stockholders' equity | |
| Minority interests | 74,124,253 | 1,272,560 | - | 75,396,813 | Non-controlling interest | d), e), i), j), k), q) |
| Total stockholders' equity | 180,343,182 | 2,451,226 | - | 182,794,408 | Total stockholders' equity | |
| Total | 2,621,977,996 | 6,166,629 | 980,248 | 2,629,124,873 | Total | |

(concluded)

2) The reconciliation of consolidated balance sheet as of December 31, 2012:

| ROC GAAP | | Change to IFRSs | | IFRSs | | Notes |
|--|---------------|---|----------------------------|---------------|--|------------|
| Item | Amount | Difference in Recognition and Measurement | Difference in Presentation | Amount | Item | |
| Cash and cash equivalents | \$ 53,649,307 | \$ - | (\$ 252,280) | \$ 53,397,027 | Cash and cash equivalents | a), f) |
| Due from Central Bank and call loans to banks | 136,641,676 | - | - | 136,641,676 | Due from Central Bank and call loans to banks | |
| Financial assets at fair value through profit or loss | 85,988,202 | (17,516) | - | 85,970,686 | Financial asset at fair value through profit or loss | b), p) |
| Available-for-sale financial assets, net | 270,722,899 | 3,063,577 | - | 273,786,476 | Available-for-sale financial assets, net | q) |
| | | - | 105,087 | 105,087 | Derivative financial assets for hedging | o) |
| Bonds and securities purchased under resell agreements | 4,987,265 | - | - | 4,987,265 | Bonds and securities purchased under resell agreements | |
| Receivables, net | 107,547,734 | 44,899 | (1,316,123) | 106,276,510 | Receivables, net | b), c), f) |
| | | - | 1,733,233 | 1,733,233 | Current tax assets | c) |
| Loans, net | 1,787,298,942 | - | - | 1,787,298,942 | Loans, net | |
| Held-to-maturity financial assets, net | 172,613,773 | - | - | 172,613,773 | Held-to-maturity financial assets, net | |
| Investments accounted for by the equity method, net | 251,278 | (137) | - | 251,141 | Investments accounted for by the equity method, net | i), k) |

(Continued)



| ROC GAAP | | Change to IFRSs | | IFRSs | | |
|--|----------------------|---|----------------------------|----------------------|--|--|
| Item | Amount | Difference in Recognition and Measurement | Difference in Presentation | Amount | Item | Notes |
| Other financial assets, net | \$ 12,885,644 | (\$ 733,624) | \$ 147,213 | \$ 12,299,233 | Other financial assets, net | a), o), q), r) |
| | | 3,005,296 | 8,470,025 | 11,475,321 | Investment property, net | e) |
| Property and equipment, net | 41,596,338 | - | 285,950 | 41,882,288 | Property and equipment, net | e) |
| Goodwill and intangible assets | 21,729,019 | - | - | 21,729,019 | Intangible assets, net | |
| | | 601,205 | 9,180,016 | 9,781,221 | Deferred tax assets | c), i), j), k) |
| Other assets, net | 24,834,645 | (33,934) | (17,663,920) | 7,136,791 | Other assets, net | c), e), i) |
| Total | 2,720,746,722 | 5,929,766 | 689,201 | 2,727,365,689 | Total | |
| Due to banks and Central Bank | 152,894,925 | - | - | 152,894,925 | Due to banks and Central Bank | |
| Financial liabilities at fair value through profit or loss | 11,027,012 | - | - | 11,027,012 | Financial liability at fair value through profit or loss | |
| Bonds and securities sold under repurchase agreements | 56,534,194 | - | - | 56,534,194 | Bonds and securities sold under repurchase agreements | |
| Commercial paper payable, net | 7,000 | - | - | 7,000 | Commercial paper payable, net | |
| Payables | 57,162,211 | 190,730 | (2,901,467) | 54,451,474 | Payables | b), c), f), g), k) |
| | | - | 2,602,123 | 2,602,123 | Current tax liability | c) |
| Deposits and remittances | 2,139,646,174 | - | - | 2,139,646,174 | Deposits and remittances | |
| Bonds payable | 97,151,937 | - | - | 97,151,937 | Bonds payable | |
| Other borrowings | 579,996 | - | - | 579,996 | Other borrowings | |
| Reserve for operations and liabilities | 806,938 | 2,956,216 | 812,230 | 4,575,384 | Reserve for liabilities | h), i), j) |
| Other financial liabilities | 15,035,344 | - | - | 15,035,344 | Other financial liabilities | |
| | | 320,909 | 6,495,548 | 6,816,457 | Deferred tax liabilities | c), q) |
| Other liabilities | 9,907,860 | (517) | (6,319,233) | 3,588,110 | Other liabilities | c), f), g), h), s) |
| Total | 2,540,753,591 | 3,467,338 | 689,201 | 2,544,910,130 | Total | |
| Taishin Financial Holding stockholders' equity | | | | | Taishin Financial Holding stockholders' equity | |
| Capital stock | | | | | Capital stock | |
| Common stock | 68,914,473 | - | - | 68,914,473 | Common stock | |
| Preferred stock | 7,251,368 | - | - | 7,251,368 | Preferred stock | |
| Capital surplus | | | | | Capital surplus | |
| Additional paid-in capital in excess of par | 7,005,072 | - | - | 7,005,072 | Additional paid-in capital in excess of par | |
| Other capital surplus | 2,298,156 | 106,529 | - | 2,404,685 | Other capital surplus | l) |
| Retained earnings | 13,157,682 | 194,200 | - | 13,351,882 | Retained earnings | b), d), e), g), i), j), k), l), m), n), p), r), s) |
| Other items of stockholders' equity | | | | | Other equity | |
| Unrealized revaluation increment | 579,640 | (579,640) | - | - | | d) |
| Cumulative translation adjustments | (81,603) | 23,269 | - | (58,334) | Foreign operation financial statement translation difference | m) |
| Unrealized gains or losses on financial instruments | 675,432 | 1,783,509 | - | 2,458,941 | Unrealized gain or loss on available-for-sale financial assets | q) |

(Continued)

| ROC GAAP | | Change to IFRSs | | IFRSs | | |
|--|---------------|---|----------------------------|---------------|--|------------------------|
| Item | Amount | Difference in Recognition and Measurement | Difference in Presentation | Amount | Item | Notes |
| Net loss not recognized as pension cost | (\$ 100,271) | \$ 100,271 | \$ - | \$ - | | i) |
| Total Taishin Financial Holding stockholders' equity | 99,699,949 | 1,628,138 | - | 101,328,087 | Total Taishin Financial Holding stockholders' equity | |
| Minority interests | 80,293,182 | 834,290 | - | 81,127,472 | Non-controlling interest | e), i), j), k), l), q) |
| Total stockholders' equity | 179,993,131 | 2,462,428 | - | 182,455,559 | Total stockholders' equity | |
| Total | 2,720,746,722 | 5,929,766 | 689,201 | 2,727,365,689 | Total | |

(concluded)

3) The reconciliation of consolidated income statement for the year ended December 31, 2012:

| ROC GAAP | | Change to IFRSs | | IFRSs | | |
|---|----------------|---|----------------------------|----------------|--|----------------|
| Item | Amount | Difference in Recognition and Measurement | Difference in Presentation | Amount | Item | Notes |
| Interest income | \$ 49,293,049 | \$ - | (\$ 524,085) | \$ 48,768,964 | Interest income | n) |
| Interest expenses | (20,062,524) | - | 789,213 | (19,273,311) | Interest expenses | j), n) |
| Net interest income | 29,230,525 | - | 265,128 | 29,495,653 | Net interest income | |
| Net income other than interest income | | | | | Net income other than interest income | |
| Fee and commission income, net | 12,086,135 | - | (6,612) | 12,079,523 | Fee and commission income, net | g) |
| Gain on financial assets and liabilities at fair value through profit or loss | 4,387,634 | 36,290 | 510,008 | 4,933,932 | Gains on financial assets and liabilities at fair value through profit or loss | n), p) |
| Realized gain on available-for-sale financial assets | 452,292 | - | - | 452,292 | Realized gain on available-for-sale financial assets | |
| Investment loss recognized under the equity method | 4,247 | 242 | - | 4,489 | Share of loss of associates and joint ventures accounted for using equity method | i), k) |
| Gain on disposal of investments accounted for by the equity method | 330,294 | 98,753 | - | 429,047 | Gain on sale of investment accounted for by the equity method | r) |
| Foreign exchange loss, net | (277,011) | - | - | (277,011) | Foreign exchange loss | |
| Asset impairment loss | (108,551) | - | - | (108,551) | Asset impairment loss | |
| Other non-interest net income and loss | 2,349,147 | - | - | 2,349,147 | Other non-interest net income and loss | |
| Gross income | 48,454,712 | 135,285 | 768,524 | 49,358,521 | Gross income | |
| Reversed allowance for loan losses | 1,549,930 | - | - | 1,549,930 | Reversed allowance for loan losses and reserve for guarantees | |
| Operating expenses | | | | | Operating expenses | |
| Personnel expenses | (18,327,288) | (35,840) | (775,136) | (19,138,264) | Employee benefits expenses | i), j), k), l) |
| Depreciation and amortization | (1,584,830) | - | - | (1,584,830) | Depreciation and amortization | |
| Others | (9,524,670) | - | 6,612 | (9,518,058) | Others | g) |
| Income before income tax | 20,567,854 | 99,445 | - | 20,667,299 | Income before income tax | |
| Estimated income tax expense | (3,802,135) | 5,821 | - | (3,796,314) | Estimated income tax expense | i), j), k) |
| Consolidated net income | 16,765,719 | 105,266 | - | 16,870,985 | Consolidated net income | |
| | | | | | Other comprehensive income | |

(Continued)



| ROC GAAP | | Change to IFRSs | | IFRSs | | |
|--|------------|---|----------------------------|---------------|---|-------|
| Item | Amount | Difference in Recognition and Measurement | Difference in Presentation | Amount | Item | Notes |
| | | | | (\$ 140,152) | Foreign operation financial statement translation difference | |
| | | | | 2,256,979 | Unrealized gain or loss on available-for-sale financial assets | |
| | | | | (385,318) | Actuarial gains or loss on defined benefit plans | |
| | | | | (64,580) | Income tax relating to components of other comprehensive income | |
| | | | | 1,666,929 | Current other comprehensive income (after tax) | |
| | | | | 18,537,914 | Total current comprehensive income | |
| Attributable to | | | | | Net income attributable to: | |
| Taishin Financial Holding's stockholders | 10,261,680 | 124,980 | | 10,386,660 | Taishin Financial Holding's stockholders | |
| Minority interests | 6,504,039 | (19,714) | | 6,484,325 | Non-controlling interests | |
| | 16,765,719 | 105,266 | | 16,870,985 | | |
| | | | | | Total comprehensive income attributable to: | |
| | | | | 11,686,867 | Taishin Financial Holding's stockholders | |
| | | | | 6,851,047 | Non-controlling interests | |
| | | | | 18,537,914 | | |

(concluded)

Explanation:

a) Cash and cash equivalents

According to International Accounting Standards No. 7 "Statement of Cash Flows" permitted by the Financial Supervisory Commission, Taishin Financial Holding and subsidiaries reclassified demand deposits that require over 90 days prior notice of withdrawal to other financial assets.

b) Regular way purchase or sale of a financial asset

According to International Accounting Standards No. 39 "Financial Instruments: Recognition and Measurement" permitted by the Financial Supervisory Commission, Taishin Financial Holding and subsidiaries adopted trade date accounting for all regular way purchase or sale of all financial assets.

c) Income taxes

According to International Accounting Standards No. 12 "Income Taxes" and SIC Interpretation No. 21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets" both permitted by the Financial Supervisory Commission, Taishin Financial Holding and subsidiaries reclassified accrued land value increment tax payable, a taxable temporary difference, to deferred tax liabilities.

According to International Accounting Standards No. 1 "Presentation of Financial Statements" permitted by the Financial Supervisory Commission, Taishin Financial Holding and subsidiaries presented deferred tax assets and deferred tax liabilities separately in balance sheet.

d) Property and equipment

For property and equipment revalued in accordance with ROC generally accepted accounting principles at or

before the date of transition to IFRS, Taishin Financial Holding and subsidiaries use the revalued amount as the cost of the assets at the date of transition to IFRSs.

e) Investment property

Taishin Financial Holding and subsidiaries applied International Accounting Standards No. 40 “Investment Property” retrospectively as permitted by the Financial Supervisory Commission. Fixed assets and other assets were classified under investment properties based on their nature. For investment properties revalued in accordance with ROC generally accepted accounting principles at or before the date of transition to IFRS, Taishin Financial Holding and subsidiaries use the revalued amount or the fair value as the cost of the assets at the date of transition to IFRSs.

f) Client’s position-debit or credit

Under International Accounting Standards No. 39 “Financial Instruments: Recognition and Measurement” permitted by the Financial Supervisory Commission, client’s position - debit or credit is not qualified for asset and liability offsetting. Taishin Financial Holding and subsidiaries reclassified client’s position according to nature of transaction.

g) Customer loyalty programmes

Taishin Financial Holding and subsidiaries retrospectively applied IFRIC 13 “Customer Loyalty Programmes” permitted by the Financial Supervisory Commission and adjusted bonus points accordingly.

h) Provisions

Taishin Financial Holding and subsidiaries classified accrued pension liability under provisions in accordance with IAS 1 “Presentation of Financial Statements” permitted by the Financial Supervisory Commission.

i) Actuarial gains and losses

Taishin Financial Holding and subsidiaries elected to recognize all cumulative actuarial gains and losses at the date of transition to IFRSs in accordance with IFRS 1, and elected to recognize actuarial gains and losses as other comprehensive income which closes to retained earnings in the equity statement after the transition in accordance with IAS 19. The recognized other comprehensive income can not be reclassified to income and expense in the following periods.

Taishin Financial Holding and subsidiaries retrospectively applied the requirements of IAS 19 “Employee Benefits” and adjusted unrecognized transition obligation and pension liability to related accounts.

j) Employee’s high-yield savings account

Under IAS 19 “Employee Benefits” and Regulations Governing the Preparation of Financial Reports by Public Banks, Taishin Financial Holding and subsidiaries adjusted the post-employment abnormal interests because the high-yield savings interest rate exceeds market interest rate when the employee retired.

The nature of high-yield savings account is employee benefits; therefore, Taishin Financial Holding and subsidiaries classified the abnormal interests to employee benefits expense.

k) Employee’s bonus for complete attendance in work

Taishin Financial Holding and subsidiaries adjusted cumulative paid annual leave under IAS 19 “Employee Benefits”.

l) Share-based payment

Electing the requirements of share-based payment under IFRS 1, Taishin Financial Holding and subsidiaries retrospectively applied IFRS 2 “Employee Benefits” permitted by the Financial Supervisory Commission.

m) Cumulative translation differences

Taishin Financial Holding and subsidiaries elected the exemption of cumulative translation differences under IFRS 1; thus, cumulative translation differences are deemed zero at the date of transition to IFRSs.



n) Interest revenue and expense on financial instruments at fair value through profit or loss

Under the requirements of the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies Article 17 and Regulations Governing the Preparation of Financial Reports by Public Banks Article 13, Taishin Financial Holding and subsidiaries reclassified interest revenue and expense on financial instruments at fair value through profit or loss into gain (loss) on financial assets and liabilities at fair value through profit or loss.

o) Hedging derivative financial assets

Under the requirements of the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies Article 14 and Regulations Governing the Preparation of Financial Reports by Public Banks Article 10, Taishin Financial Holding and subsidiaries presented hedging derivative financial assets on the balance sheet separately.

p) Stocks traded in the emerging stock market

The definition of financial assets carried at cost has changed after the date of transition; therefore, a portion of financial assets carried at cost before the transition date is measured by fair value after the transition.

q) Financial instrument designation

Under IFRS 1, Taishin Financial Holding and subsidiaries chose exemptions of previously designated financial instruments over financial instruments carried at cost on the date of transition.

r) Accounting for a parent loses control of a subsidiary

On the loss of control of a subsidiary, any investment retained in the former subsidiary at the date when control is lost was regarded as the fair value on initial recognition of a financial asset. The resulting difference between the fair value of investment retained in the former subsidiary, the proceeds from disposal of investment, and the carrying value of investment at the date when control is lost recognized as a gain or loss in profit or loss attributable to the parent.

s) Appropriation for special reserve

Under the FSC Order No. Financial-Supervisory-Securities-Firms-1010012865 issued on April 6, 2012, Taishin Financial Holding and subsidiaries reclassified unrealized revaluation increment and cumulative translation adjustments to retained earnings. The amount appropriated to special reserve is the same as that reclassified to retained earnings. However, if the amount of the increase in retained earnings from the first-time adoption of IFRSs is less than the amount reclassified to retained earnings, then the appropriation is limited to the amount of the increase in retained earnings. Upon subsequent usage, disposal or reclassification of the related assets, special reserve shall be proportionately reversed to retained earnings. Since the amount of the increase in retained earnings from the first-time adoption of IFRSs is less than the amount reclassified to retained earnings, the amount appropriated to special reserve was \$220,894 thousand.

Under the FSC Order No. Financial-Supervisory-Securities-Firms-1010045494 issued on October 9, 2012, Taishin Financial Holding and subsidiaries reclassified loss provision to special reserve.

c. The FSC-recognized accounting policies under IFRS 1- First-time Adoption of IFRSs:

- 1) Taishin Financial Holding and subsidiaries chose not to apply IFRS 3 Business Combinations retrospectively to the merger that took place before the date of transition.
- 2) Taishin Financial Holding and subsidiaries chose not to apply IFRS 2 Share-based payment retrospectively to the transactions before the transition date.
- 3) Taishin Financial Holding and subsidiaries recognized the revaluation amount as the cost on the transition date for parts of the fixed assets re-appraised under ROC GAAP at or before the date of transition.

- 4) The recognized cost of parts of investment properties will be either the revalued amount under ROC accounting policies at or before the date of transition or the fair value amount.
- 5) Taishin Financial Holding and subsidiaries will fully recognize all cumulative actuarial gains and losses on the date of transition.
- 6) Taishin Financial Holding and subsidiaries recognized the cumulative translation difference of foreign operations as zero on the transition date.
- 7) Taishin Financial Holding and subsidiaries chose exemptions of previously designated financial instruments over financial instruments carried at cost on the date of transition.

d. 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.

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, 2012

(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 Holding | Stock | | | | | |
| | Taishin Venture Capital | Investment accounted for by the equity method | Taishin Venture Capital | Parent and subsidiary | 161,903,495 | \$ 1,619,035 |

TABLE 2
TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEE'S NAMES, LOCATIONS, ETC.
YEAR ENDED DECEMBER 31, 2012

(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% | \$ 67,013,756 |
| Chang Hwa Bank | 51811609 | No. 38, Tsu Yu Rd., Sec. 2, Taichung, Taiwan | Commercial bank business, trust, and offshore banking unit | 22.55% | 43,782,442 |
| Taishin Securities B | 23534956 | 2F, No. 44, Jungshan N. Rd., Sec. 2, Taipei, Taiwan | Multiple securities and future transaction assistant | 100% | 2,409,118 |
| Taishin AMC | 80341022 | 2F-3, No. 9, Dehuei St., Zhongshan district, Taipei, Taiwan | Acquisition of delinquent loans, evaluation, auction, and management | 100% | 1,778,834 |
| Taishin Securities Investment Trust | 27326178 | 13F, No. 96, Jianguo N. Rd., Sec. 1, Zhong Shan District, Taipei, Taiwan | Investment trust | 100% | 810,855 |
| Taishin Securities Investment Advisory | 23285289 | 16F, No. 118, Ren-Ai Rd., Sec. 4, Taipei, Taiwan | Investment trust, advisory, and publication | 92% | 316,282 |
| Taishin Holdings Insurance Brokers | 29030974 | 11F, No. 44, Jungshan N. Rd., Sec. 2, Taipei, Taiwan | Property insurance manager, life insurance manager | 100% | 767,553 |
| Nonfinancial business | | | | | |
| Taishin Marketing | 16764946 | 2F-4, No. 9, Dehuei St., Taipei, Taiwan | Investment and enterprise operating consultant and agency | 100% | 3,761 |
| Taishin Venture Capital | 80031342 | 18F, No. 118, Ren-Ai Rd., Sec. 4, Taipei, Taiwan | Investment start-up | 100% | 2,085,221 |
| 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.

| 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 | - | \$ - | \$ - | \$ - | 221,903,495 | \$ 2,219,035 |

| Recognized Investment Income (Loss) of Current Period | Sum of Ownership | | | | | Note | |
|---|------------------|-----------------------|--------------|-----------------|------------------------|---------|--|
| | Current Shares | Imputed Shares (Note) | Total | | Ownership Interest (%) | | |
| | | | Total Shares | | | | |
| \$ 8,580,570 | Common share | 4,727,517,277 | | Common share | 4,727,517,277 | 100.00% | Investments accounted for by the equity method |
| | Preferred share | 188,235,294 | | Preferred share | 188,235,294 | | |
| 1,909,831 | Common share | 1,653,023,570 | | Common share | 1,653,023,570 | 22.83% | " |
| (48,944) | | 228,000,000 | | | 228,000,000 | 100.00% | " |
| 172,494 | | 144,500,000 | | | 144,500,000 | 100.00% | " |
| 33,534 | | 75,454,545 | | | 75,454,545 | 100.00% | " |
| 13,897 | | 27,599,513 | | | 27,599,513 | 92.00% | " |
| 713,082 | | 3,000,000 | | | 3,000,000 | 100.00% | " |
| (56) | | 100,000 | | | 100,000 | 100.00% | " |
| (83,275) | | 221,903,495 | | | 221,903,495 | 100.00% | " |
| - | | 520,000 | | | 520,000 | 10.40% | Financial assets carried at cost |

**TABLE 3****TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

MARKETABLE SECURITIES HELD

DECEMBER 31, 2012

(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 |
| Taishin Insurance Agency | Stock | | |
| | Taishin Insurance Broker | Parent and subsidiary | Investment accounted for by the equity method |
| | Chi-Long Technology Co., Ltd. | None | Financial assets carried at cost |
| Taishin Dah An Leasing | Stock | | |
| | Yuan Tai Forex Brokerage Co., Ltd. | The director of the Corporation | " |
| | Bon-Li International Technology Co., Ltd. | None | " |
| | Mutual fund | | |
| | Shin Kong Chi-Shin Fund | Issued by Shin Kong Securities Investment Trust | Financial assets at FVTPL - current |
| | Taishin Ta-Chong Money Market Fund | Issued by Taishin Securities Investment Trust | " |
| 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 |
| | Taishin Financial Leasing (Tianjin) | " | " |
| | Youn Shin Artistic Co., Ltd. | Equity-method investee | " |
| | First Bio Venture Capital Corporation | None | Financial assets carried at cost |
| | CC Media Co., Ltd. | " | " |
| | Double Edge Entertainment Co., Ltd. | " | " |
| | Century Development Corp. | " | " |
| | Han-Shin Venture Capital Co., Ltd. | " | " |
| | 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 | " | " |
| | Solar PV Corp. | " | " |
| | OME Technology Co., Ltd. | " | " |
| | Innostar Technology Corporation | " | " |
| | BAFO Technologies Corp. | " | " |

| December 31, 2012 | | | | Note |
|-----------------------|-----------------|-----------------------------|--------------|-------------------|
| Shares/Units/ Nominal | Carrying Amount | Percentage of Ownership (%) | Market Value | |
| 300,000.00 | \$ 3,000 | 6.00 | \$ 3,000 | |
| 6,000,000.00 | 76,871 | 100.00 | - | |
| 950,000.00 | 4,275 | 4.13 | - | |
| 600,000.00 | 6,000 | 5.00 | - | |
| 125,000.00 | - | 1.50 | - | |
| 1,114,173.02 | 16,778 | - | 16,778 | |
| 1,015,302.10 | 14,002 | - | 14,002 | |
| 242,550.00 | 4,657 | 0.08 | 4,657 | |
| - | 553,892 | 100.00 | - | |
| - | 567,266 | 100.00 | - | |
| 1,000,000.00 | 8,856 | 25.00 | - | |
| 907,200.00 | 3,602 | 7.50 | - | |
| 400,000.00 | 164 | 0.48 | - | |
| 1,163,361.00 | 3,095 | 5.95 | - | |
| 7,206,059.00 | 85,176 | 3.03 | - | |
| 391,020.00 | 889 | 1.25 | - | |
| 4,000,000.00 | 35,840 | 5.56 | - | |
| 3,000,000.00 | 30,000 | 1.54 | - | |
| 3,000,000.00 | 30,000 | 1.30 | - | |
| 15,488,000.00 | 119,412 | 7.06 | - | |
| 1,300,000.00 | 18,961 | 18.57 | - | |
| 12,500.00 | 79 | 0.05 | - | Convertible stock |
| 285,958.00 | 1,659 | - | - | Preferred stock |
| 1,665,000.00 | 30,370 | - | - | Preferred stock |
| 1,457,152.00 | 25,767 | 2.30 | - | |
| 1,077,000.00 | 34,464 | 2.20 | - | |
| 650,000.00 | 8,645 | 3.48 | - | |

(Continued)



| Holding Company | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account |
|-----------------|---|-------------------------------|---|
| | Winking Entertainment Ltd. | None | Financial assets carried at cost |
| | PayEasy Digital Integration Co., Ltd. | " | " |
| | Microbio Co., Ltd. | " | Financial assets at FVTPL - current |
| | Primax Electronics Ltd. | " | " |
| | Mutual Fund | | |
| | FSITC Global High Yield Bond Fund | None | Financial assets at FVTPL - current |
| | Capital Asia-Pacific Mega - Trend Balanced Fund | " | " |
| | Taishin India Fund | " | " |
| | Jih Sun Golden Brands Fund of Funds | " | " |
| | Jih Sun MIT Mainstream Fund | " | " |
| | Jih Sun China Domestic Demand Dynamic Power Funds | " | " |
| | ING EMD & High Yield Bond Portfolio | " | " |
| | Pine Bridge Global Multi-strategy High Yield Bond Fund | " | " |
| | Paradigm Global High Yield Bond Fund | " | " |
| | Paradigm New Asia High Yield Bond Fund | " | " |
| | Paradiam Pion Money Market Fund | " | " |
| | Allianz Global Investors All Seasons Return Fund of Bond Fund | " | " |
| | Allianz Global Investors Taiwan High Dividend Fund | " | " |
| | Fubon Agribusiness Equity Fund | " | " |
| | Shin Kong Conventional Industries | " | " |
| | Cathay China Domestic Demand Growth Funds | " | " |
| | Upamc New Asia Technology & Energy Funds | " | " |
| | Yuanta Wan Tain Money Market Fund | " | " |
| | Pine Bridge Emerging Corporation Strategy Bond Fund | " | " |
| | FSITC Global Socially Responsible Investment Bond Fund | " | " |
| | Capital Global Emerging Markets Bond Fund | " | " |
| Taishin AMC | Mutual fund | | |
| | Taishin Latin America Fund | None | Financial assets at FVTPL - current |
| | Taishin Emerging Europe Fund | " | " |
| | Taishin Ta-Chong Money Market Fund | " | " |
| | Stock | | |
| | Linkou Golf Country Club | None | Financial assets carried at cost |
| | Dah Chung Bills | " | " |
| | PayEasy Digital Integration Co., Ltd. | " | " |
| | Taishin Real Estate | Equity-method investee | Investment accounted for by the equity method |

| December 31, 2012 | | | | Note |
|-----------------------|-----------------|-----------------------------|--------------|-----------------|
| Shares/Units/ Nominal | Carrying Amount | Percentage of Ownership (%) | Market Value | |
| 709,178.00 | \$ 29,626 | - | \$ - | Preferred stock |
| 2,172,500.00 | 43,450 | 5.00 | - | |
| 1,643,179.00 | 59,401 | - | 59,401 | |
| 1,000,000.00 | 25,650 | - | 25,650 | |
| | | | | |
| 4,894,031.40 | 66,564 | - | 66,564 | |
| 2,196,193.30 | 32,482 | - | 32,482 | |
| 100,000.00 | 970 | - | 970 | |
| 1,100,000.00 | 10,620 | - | 10,620 | |
| 700,000.00 | 6,930 | - | 6,930 | |
| 100,000.00 | 925 | - | 925 | |
| 1,000,000.00 | 10,661 | - | 10,661 | |
| 1,856,480.58 | 22,175 | - | 22,175 | |
| 1,000,380.28 | 12,554 | - | 12,554 | |
| 2,000,775.40 | 20,978 | - | 20,978 | |
| 2,575,651.76 | 28,903 | - | 28,903 | |
| 1,650,124.20 | 22,812 | - | 22,812 | |
| 100,000.00 | 925 | - | 925 | |
| 100,000.00 | 928 | - | 928 | |
| 100,000.00 | 854 | - | 854 | |
| 100,000.00 | 938 | - | 938 | |
| 100,000.00 | 916 | - | 916 | |
| 682,407.50 | 10,041 | - | 10,041 | |
| 1,000,062.70 | 10,820 | - | 10,820 | |
| 500,000.00 | 5,021 | - | 5,021 | |
| 100,000.00 | 1,027 | - | 1,027 | |
| | | | | |
| 1,000,000.00 | 8,400 | - | 8,400 | |
| 1,000,000.00 | 8,550 | - | 8,550 | |
| 5,077,136.20 | 70,020 | - | 70,020 | |
| | | | | |
| 3.00 | 1,800 | - | - | |
| 2,200,000.00 | 28,886 | 0.51 | - | |
| 2,172,500.00 | 43,450 | 5.00 | - | |
| 8,000,000.00 | 129,281 | 40.00 | - | |

TABLE 4
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, 2012

(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 Bank | PayEasy Digital | Financial assets carried at cost (previously listed as investments accounted for by the equity method) | Shin Kong Mitsukoshi | Related party in substance | 28,400,001 | \$ 209,108 |
| | | | Cybersoft Digital Service | Related party in substance (not related party anymore from December 2012) | | |
| | | | Taishin Venture Capital | Wholly owned by Taishin Financial Holding | | |
| | | | Taishin AMC | " | | |
| | | | Other individual | - | | |
| Taishin Real Estate | Taishin 1699 Money Market Fund | Financial assets at FVTPL | Taishin Securities Investment Trust | Related party | 768,869.99 | 10,000 |
| | Taishin Ta-Chong Money Market Fund | " | " | Related party | 731,759.10 | 10,000 |

| Purchases | | Sales | | | | End of the Period | |
|----------------|--------|----------------|---------------|----------------|----------------------|-------------------|-----------|
| Shares (Units) | Amount | Shares (Units) | Selling Price | Carrying Value | Disposal Gain (Loss) | Shares (Units) | Amount |
| - | \$ - | 17,380,000 | \$ 346,557 | \$ 89,400 | \$ 260,482 | 2,172,500 | \$ 10,445 |
| - | - | 2,329,501 | 46,450 | 11,200 | 35,251 | - | - |
| - | - | 2,172,500 | 43,320 | 10,445 | 32,874 | - | - |
| - | - | 2,172,500 | 43,320 | 10,445 | 32,874 | - | - |
| - | - | 2,173,000 | 43,330 | 10,887 | 34,561 | - | - |
| 995,222.93 | 13,000 | 1,682,947.50 | 22,020 | 21,940 | 80 | 81,145.42 | 1,060 |
| 728,735.50 | 10,000 | 1,460,494.60 | 20,082 | 20,000 | 82 | - | - |

**TABLE 5****TAISHIN INTERNATIONAL BANK CO., LTD.**

SECURITIES DEPARTMENT
BALANCE SHEETS
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

| ASSETS | 2012 | | 2011 | |
|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Financial assets at fair value through profit or loss - current | \$ 5,241,241 | 14 | \$ 3,215,845 | 13 |
| Other current assets | 382,259 | 1 | 248,304 | 1 |
| Total current assets | <u>5,623,500</u> | <u>15</u> | <u>3,464,149</u> | <u>14</u> |
| FUNDS AND INVESTMENTS | | | | |
| Financial assets at fair value through profit or loss - noncurrent | 6,647 | - | 8,070 | - |
| Available-for-sale financial assets - noncurrent, net | <u>30,922,024</u> | <u>85</u> | <u>21,853,368</u> | <u>86</u> |
| Total funds and investments | <u>30,928,671</u> | <u>85</u> | <u>21,861,438</u> | <u>86</u> |
| OTHER ASSETS | | | | |
| Refundable deposits | <u>21,170</u> | <u>-</u> | <u>20,700</u> | <u>-</u> |
| TOTAL | <u>\$ 36,573,341</u> | <u>100</u> | <u>\$ 25,346,287</u> | <u>100</u> |

| LIABILITIES AND STOCKHOLDERS' EQUITY | 2012 | | 2011 | |
|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT LIABILITIES | | | | |
| Bonds and securities sold under repurchase agreements | \$ 27,687,389 | 76 | \$ 19,271,497 | 76 |
| Other current liabilities | 15,454 | - | 10,125 | - |
| Total current liabilities | 27,702,843 | 76 | 19,281,622 | 76 |
| TRANSACTIONS BETWEEN HOME OFFICE AND BRANCHES | | | | |
| | 7,518,854 | 20 | 4,966,804 | 20 |
| Total liabilities | 35,221,697 | 96 | 24,248,426 | 96 |
| STOCKHOLDER'S EQUITY | | | | |
| Appropriated working capital | 800,000 | 2 | 800,000 | 3 |
| Retained earnings | | | | |
| Special reserve | 189,340 | - | 189,340 | 1 |
| Unappropriated earnings | 226,859 | 1 | 38,892 | - |
| Unrealized gain or loss on available-for-sale financial asset | 135,445 | 1 | 69,629 | - |
| Total stockholder's equity | 1,351,644 | 4 | 1,097,861 | 4 |
| TOTAL | <u>\$ 36,573,341</u> | <u>100</u> | <u>\$ 25,346,287</u> | <u>100</u> |

TABLE 6
TAISHIN INTERNATIONAL BANK CO., LTD.

SECURITIES DEPARTMENT
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

| | 2012 | | 2011 | |
|--|-------------|--------|-------------|--------|
| | Amount | % | Amount | % |
| REVENUES AND GAINS | | | | |
| Gain on sale of securities held for operations - dealing | \$ 52,323 | 11 | \$ 6,675 | 2 |
| Gain on sale of securities held for operations - underwriting | - | - | 39,560 | 14 |
| Interest income | 429,222 | 87 | 247,317 | 84 |
| Gain on financial derivatives | 6,267 | 1 | - | - |
| Gain on valuation of securities held for operations - dealing | 2,767 | 1 | - | - |
| Total revenues and gains | 490,579 | 100 | 293,552 | 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 | (205,812) | (42) | (86,551) | (29) |
| Loss on financial derivatives | - | - | (37,030) | (13) |
| Operating expenses | (22,726) | (5) | (47,927) | (16) |
| Total expenses and losses | (228,538) | (47) | (241,773) | (82) |
| INCOME BEFORE INCOME TAX | 262,041 | 53 | 51,779 | 18 |
| INCOME TAX EXPENSE | (35,182) | (7) | (12,887) | (5) |
| NET INCOME | \$ 226,859 | 46 | \$ 38,892 | 13 |

TABLE 7

CHANG HWA COMMERCIAL BANK, LTD.

SECURITIES DEPARTMENT
BALANCE SHEETS
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

| ASSETS | 2012 | | 2011 | |
|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Financial assets at fair value through profit or loss - current | \$ 2,496,045 | 11 | \$ 2,937,290 | 11 |
| Margin loan receivables | 283,321 | 1 | 320,257 | 1 |
| Available-for-sale financial assets - current | 20,523,688 | 87 | 24,658,891 | 87 |
| Other current assets | 343,724 | 1 | 320,751 | 1 |
| Total current assets | <u>23,646,778</u> | <u>100</u> | <u>28,237,189</u> | <u>100</u> |
| PROPERTY AND EQUIPMENT | | | | |
| Equipment | 45,562 | - | 45,461 | - |
| Less: Accumulated depreciation | (42,844) | - | (42,452) | - |
| Property and equipment, net | <u>2,718</u> | <u>-</u> | <u>3,009</u> | <u>-</u> |
| OTHER ASSETS | | | | |
| Settlement funds | 32,130 | - | 40,076 | - |
| Refundable deposits | 300 | - | 300 | - |
| Total other assets | <u>32,430</u> | <u>-</u> | <u>40,376</u> | <u>-</u> |
| CLIENT'S POSITION - DEBIT, NET | <u>1,654</u> | <u>-</u> | <u>44,614</u> | <u>-</u> |
| TOTAL | <u>\$ 23,683,580</u> | <u>100</u> | <u>\$ 28,325,188</u> | <u>100</u> |



| LIABILITIES AND STOCKHOLDERS' EQUITY | 2012 | | 2011 | |
|--|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT LIABILITIES | | | | |
| Bonds sold under repurchase agreements | \$ 2,900,301 | 12 | \$ 3,600,106 | 13 |
| Deposits received from securities borrowers | 1,847 | - | 1,453 | - |
| Deposit payable for securities financing | 2,024 | - | 1,606 | - |
| Other current liabilities | 166,175 | 1 | 129,734 | - |
| Total current liabilities | <u>3,070,347</u> | <u>13</u> | <u>3,732,899</u> | <u>13</u> |
| OTHER LIABILITIES | | | | |
| Other liabilities | 38 | - | 17 | - |
| Transactions between home office and branches | <u>18,415,344</u> | <u>78</u> | <u>22,471,692</u> | <u>80</u> |
| Total other liabilities | <u>18,415,382</u> | <u>78</u> | <u>22,471,709</u> | <u>80</u> |
| Total liabilities | <u>21,485,729</u> | <u>91</u> | <u>26,204,608</u> | <u>93</u> |
| STOCKHOLDER'S EQUITY | | | | |
| Appropriated working capital | 2,000,000 | 8 | 2,000,000 | 7 |
| Retained earnings | | | | |
| Unappropriated earnings | 197,746 | 1 | 159,789 | - |
| Unrealized gain or loss on financial instruments | <u>105</u> | <u>-</u> | <u>(39,209)</u> | <u>-</u> |
| Total stockholder's equity | <u>2,197,851</u> | <u>9</u> | <u>2,120,580</u> | <u>7</u> |
| TOTAL | <u>\$ 23,683,580</u> | <u>100</u> | <u>\$ 28,325,188</u> | <u>100</u> |

TABLE 8

CHANG HWA COMMERCIAL BANK, LTD.

SECURITIES DEPARTMENT
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

| | 2012 | | 2011 | |
|--|--------------------|---------------|--------------------|---------------|
| | Amount | % | Amount | % |
| REVENUES AND GAINS | | | | |
| Brokerage revenue | \$ 49,891 | 10 | \$ 70,803 | 16 |
| Revenue from underwriting business | 2,813 | 1 | 94 | - |
| Gain on sale of securities held for operations | 154,168 | 33 | 26,158 | 6 |
| Interest income | 264,723 | 56 | 322,022 | 73 |
| Unrealized gain on valuation of securities held for operations | - | - | 22,763 | 5 |
| Futures commission revenue | 237 | - | 352 | - |
| Nonoperating income | 464 | - | 290 | - |
| Total revenues and gains | <u>472,296</u> | <u>100</u> | <u>442,482</u> | <u>100</u> |
| EXPENSES AND LOSSES | | | | |
| Brokerage handling fee | (2,518) | (1) | (4,362) | (1) |
| Dealing handling fee | (424) | - | (302) | - |
| Interest expense | (17,573) | (4) | (17,649) | (4) |
| Unrealized loss on valuation of securities held for operations | (6,912) | (1) | - | - |
| Operating expenses | (58,896) | (12) | (63,231) | (14) |
| Nonoperating expenses | (177,886) | (38) | (174,441) | (40) |
| Total expenses and losses | <u>(264,209)</u> | <u>(56)</u> | <u>(259,985)</u> | <u>(59)</u> |
| INCOME BEFORE INCOME TAX | 208,087 | 44 | 182,497 | 41 |
| INCOME TAX EXPENSE | (10,341) | (2) | (22,708) | (5) |
| NET INCOME | <u>\$ 197,746</u> | <u>42</u> | <u>\$ 159,789</u> | <u>36</u> |

**TABLE 9****TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

INVESTMENTS IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2012

(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 |
|-------------------------|--|------------------------------|--|----------------------|
| Chang Hwa Bank | Chang Hwa Commercial Bank, Ltd. Kunshan Branch | Banking | \$ 2,202,168 (US\$ 74,650) | Note 1.e. |
| Taishin Venture Capital | Taishin Financial Leasing (China) | Financial leasing | 591,240 (US\$ 20,000) | Note 1.d. |
| – | Taishin Financial Leasing (Tianjin) | Financial leasing | 600,828 (US\$ 20,000) | Note 1.d. |

| Investors' Names | Accumulated Investment in Mainland China as of December 31, 2012 (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 | US\$ 74,650 | US\$ 74,650 | \$ 12,152,593 |
| Taishin Venture Capital | \$ 1,192,068 (US\$ 40,000) | \$ 1,192,068 (US\$ 40,000) | 10,253,337 |

Note 1: The five methods of investment are as follows:

- a. Investment in Mainland China by remittance through a third area.
- b. Investment in Mainland China through establishment of new enterprise in a third area.
- c. Investment in Mainland China through reinvestment in existing enterprise in a third area.
- d. Direct investment in Mainland China.
- e. 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:

- a. 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.
- b. The subsidiaries, whose issued stocks carrying voting rights or more than 50% capital held by banks in Taiwan, have investment in Mainland China.

| Accumulated Outflow of Investment from Taiwan as of January 1, 2012 (US\$ in Thousand) | Investment Flows (US\$ in Thousand) | | Accumulated Outflow of Investment from Taiwan as of December 31, 2012 (US\$ in Thousand) | Percentage of Ownership | Equity in the Earnings (Losses) | Carrying Value as of December 31, 2012 | Accumulated Inward Remittance of Earnings as of December 31, 2012 |
|--|-------------------------------------|--------|--|-------------------------|---------------------------------|--|---|
| | Outflow | Inflow | | | | | |
| \$ 2,202,168 (UD\$ 74,650) | \$ - | \$ - | \$ 2,202,168 (US\$ 74,650) | - | \$ - | \$ - | \$ - |
| 591,240 (US\$ 20,000) | - | - | 591,240 (US\$ 20,000) | 100% | (26,613) | 553,892 | - |
| - | 600,828 (US\$ 20,000) | - | 600,828 (US\$ 20,000) | 100% | (21,447) | 567,266 | - |



TABLE 10

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND MATERIAL TRANSACTIONS IN CONSOLIDATION

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

| Number (Note a) | Party | Counterparty | Relationship (Note b) | Transactions | | | % of Consolidated Operating Revenues or Consolidated Total Assets (Note c) |
|--------------------|--|--|--------------------------|--|------------|--------------------------|--|
| | | | | Account | Amount | Terms | |
| | <u>December 31, 2012</u> | | | | | | |
| 1 | Taishin Bank | Taishin AMC | 3 | Deposits and remittances | \$ 245,610 | Under arm's length terms | 0.01% |
| 4 | Taishin AMC | Taishin Bank | 3 | Cash and cash equivalents | 245,610 | Under arm's length terms | 0.01% |
| 0 | Taishin Financial Holding | Taishin Bank | 1 | Bonds and securities purchased under resell agreements | 2,594,693 | Under arm's length terms | 0.10% |
| 1 | Taishin Bank | Taishin Financial Holding | 2 | Bonds and securities sold under repurchase agreements | 2,594,693 | Under arm's length terms | 0.10% |
| 0 | Taishin Financial Holding | Taishin Bank | 1 | Cash and cash equivalents | 803,141 | Under arm's length terms | 0.03% |
| 1 | Taishin Bank | Taishin Financial Holding | 2 | Deposits and remittances | 803,141 | Under arm's length terms | 0.03% |
| 0 | Taishin Financial Holding | Taishin Bank | 1 | Interest revenue | 162,370 | Under arm's length terms | 0.34% |
| 1 | Taishin Bank | Taishin Financial Holding | 2 | Interest expense | 162,370 | Under arm's length terms | 0.34% |
| 1 | Taishin Bank | Taishin Securities B | 3 | Deposits and remittances | 239,204 | Under arm's length terms | 0.01% |
| 2 | Taishin Securities B | Taishin Bank | 3 | Cash and cash equivalents | 3,810 | Under arm's length terms | 0.00% |
| 2 | Taishin Securities B | Taishin Bank | 3 | Refundable deposits | 3,932 | Under arm's length terms | 0.00% |
| 2 | Taishin Securities B | Taishin Bank | 3 | Operating deposits | 175,000 | Under arm's length terms | 0.01% |
| 2 | Taishin Securities B | Taishin Bank | 3 | Other miscellaneous assets | 56,462 | Under arm's length terms | 0.00% |
| 1 | Taishin Bank | Taishin Securities Investment Advisory | 3 | Deposits and remittances | 302,134 | Under arm's length terms | 0.01% |
| 5 | Taishin Securities Investment Advisory | Taishin Bank | 3 | Other miscellaneous assets | 50,000 | Under arm's length terms | 0.00% |
| 5 | Taishin Securities Investment Advisory | Taishin Bank | 3 | Cash and cash equivalents | 252,134 | Under arm's length terms | 0.01% |
| 0 | Taishin Financial Holding | Taishin Bank | 1 | Accounts receivable, net | 236,600 | Under arm's length terms | 0.01% |

(Continued)

| Number (Note a) | Party | Counterparty | Relationship (Note b) | Transactions | | | % of Consolidated Operating Revenues or Consolidated Total Assets (Note c) |
|--------------------|--|--|--------------------------|----------------------------|------------|--------------------------|--|
| | | | | Account | Amount | Terms | |
| 1 | Taishin Bank | Taishin Financial Holding | 2 | Accounts payable | \$ 236,600 | Under arm's length terms | 0.01% |
| 0 | Taishin Financial Holding | Taisin Holdings Insurance Brokers | 1 | Accounts receivable, net | 120,960 | Under arm's length terms | 0.00% |
| 3 | Taisin Holdings Insurance Brokers | Taishin Financial Holding | 2 | Accounts payable | 120,960 | Under arm's length terms | 0.00% |
| 1 | Taishin Bank | Taisin Holdings Insurance Brokers | 3 | Deposits and remittances | 714,828 | Under arm's length terms | 0.03% |
| 3 | Taisin Holdings Insurance Brokers | Taishin Bank | 3 | Cash and cash equivalents | 714,828 | Under arm's length terms | 0.03% |
| 1 | Taishin Bank | Taisin Holdings Insurance Brokers | 3 | Accounts receivable, net | 121,555 | Under arm's length terms | 0.00% |
| 3 | Taisin Holdings Insurance Brokers | Taishin Bank | 3 | Accounts payable | 121,555 | Under arm's length terms | 0.00% |
| 1 | Taishin Bank | Taisin Holdings Insurance Brokers | 3 | Fee income | 2,029,349 | Under arm's length terms | 4.19% |
| 3 | Taisin Holdings Insurance Brokers | Taishin Bank | 3 | Fee expense | 2,029,349 | Under arm's length terms | 4.19% |
| December 31, 2011 | | | | | | | |
| 1 | Taishin Bank | Taishin AMC | 3 | Deposits and remittances | 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 and remittances | 183,061 | Under arm's length terms | 0.01% |
| 6 | 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 and remittances | 17,759,020 | Under arm's length terms | 0.68% |
| 0 | Taishin Financial Holding | Taishin Bank | 1 | Interest revenue | 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 and remittances | 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 and remittances | 292,865 | Under arm's length terms | 0.01% |
| 5 | Taishin Securities Investment Advisory | Taishin Bank | 3 | Other miscellaneous assets | 55,000 | Under arm's length terms | 0.00% |

(Continued)



| Number (Note a) | Party | Counterparty | Relationship (Note b) | Transactions | | | % of Consolidated Operating Revenues or Consolidated Total Assets (Note c) |
|--------------------|---|---|--------------------------|--|------------|--------------------------|--|
| | | | | Account | Amount | Terms | |
| 5 | 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% |
| 3 | 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 and remittances | 280,597 | Under arm's length terms | 0.01% |
| 3 | 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% |
| 3 | Taisin Holdings Insurance Brokers | Taishin Bank | 3 | Fee expense | 741,603 | Under arm's length terms | 1.39% |

(concluded)

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.

SCHEDULE 1

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars)

| Financial Instrument Item | Summary | Face Value/ Unit | Cost | Fair Value |
|---------------------------|---|---------------------|-------------------|-------------------|
| Investment in bills | | | | |
| | Commercial paper | \$ 48,058,150 | \$ 50,960,058 | \$ 50,960,296 |
| | Negotiable certificate of deposits - banks | 2,288,000 | 2,291,752 | 2,291,680 |
| | Negotiable Certificate of deposits - Central Bank | 2,000,000 | 2,000,000 | 1,999,738 |
| | Asset-based commercial paper | 992,300 | 989,445 | 989,789 |
| | Treasury bills | 500,000 | 497,121 | 496,926 |
| | | <u>53,838,450</u> | <u>56,738,376</u> | <u>56,738,429</u> |
| Domestic listed stocks | | | | |
| | Fubon Financial Holding | 1,000 | 34,374 | 35,100 |
| | HTC Corporation | 106 | 31,071 | 31,853 |
| | Primax Electronics Ltd. | 1,000 | 28,040 | 25,650 |
| | SinoPac Financial Holding | 1,000 | 12,738 | 12,450 |
| | Cheng Uei Precision Industry | 125 | 7,692 | 7,813 |
| | Foxconn Technology Co., Ltd. | 85 | 7,640 | 7,727 |
| | Flexium Interconnect | 75 | 7,653 | 7,650 |
| | Quanta Computer Inc. | 109 | 7,371 | 7,445 |
| | Hon Hai Precision Ind. Co., Ltd. | 69 | 6,070 | 6,134 |
| | Radiant Opto-Electronics Corp. | 51 | 6,207 | 6,095 |
| | Others | 938 | 36,922 | 37,125 |
| | | <u>4,558</u> | <u>185,778</u> | <u>185,042</u> |
| Domestic OTC stocks | | | | |
| | Microbio Corp. | 1,643 | 31,696 | 59,401 |
| | Phison Electronics Corp. | 42 | 9,349 | 9,218 |
| | Medigen Biotechnology Corporation | 20 | 3,343 | 3,099 |
| | Phison Electronics Corp. | 16 | 3,156 | 3,079 |
| | Aeon Motor Co., Ltd. | 48 | 2,928 | 2,812 |
| | Taiwan Family Mart. Co., Ltd. | 12 | 1,603 | 1,602 |
| | Glyco Nex Incorporation | 5 | 750 | 753 |
| | Genovate Biotechnology Co., Ltd. | 15 | 673 | 728 |
| | Zimmite Taiwan Ltd. | 16 | 624 | 630 |
| | | <u>1,817</u> | <u>54,122</u> | <u>81,322</u> |
| Mutual funds | | | | |
| | Pimco Total Return Bond Fund | 136 | 87,105 | 102,590 |
| | IBT Ta-Chong Bond Fund | 5,077 | 70,000 | 70,020 |
| | FSITC Global High Yield Bond Fund | 4,894 | 60,501 | 66,564 |
| | Capital Asia-pacific Mega-trend Balanced Fund | 2,196 | 30,000 | 32,482 |
| | Taishin Asia-Australia High Yield Bond Fund | 2,894 | 30,000 | 30,939 |
| | Taishin Ta-Chong Money Market Fund | 2,180 | 30,000 | 30,072 |
| | Paradigm Pion Money Market Fund | 2,576 | 28,742 | 28,903 |
| | Allianz Global Investors All Seasons Return Fund of Bond Fund | 1,650 | 20,020 | 22,812 |
| | Pine Bridge Global Multi-strait High Yield Bond Fund | 1,856 | 19,010 | 22,175 |
| | Paradigm Emerging Asia Pacific Bond Fund | 2,001 | 20,028 | 20,978 |
| | Others | 99,698 | 200,521 | 201,768 |
| | | <u>125,158</u> | <u>595,927</u> | <u>629,303</u> |



| Financial Instrument Item | Summary | Face Value/ Unit | Cost | Fair Value |
|------------------------------|----------------------------------|---------------------|------------------|------------------|
| Government bonds | | | | |
| | Treasury Bond 101-6 | \$ 3,448,000 | \$ 3,629,239 | \$ 3,618,343 |
| | Treasury Bond 101-9 | 2,550,000 | 2,545,107 | 2,540,205 |
| | Treasury Bond 101-1 | 550,000 | 552,388 | 552,990 |
| | Treasury Bond 101-7 | 300,000 | 295,437 | 295,998 |
| | Treasury Bond 101-5 | 200,000 | 201,400 | 201,526 |
| | Treasury Bond 101-8 | 150,000 | 147,281 | 146,299 |
| | Treasury Bond 101-2 | 50,000 | 49,429 | 50,145 |
| | Treasury Bond 89-9 | 8,000 | 10,103 | 8,924 |
| | Treasury Bond 96-2 | 4,700 | 4,656 | 5,027 |
| | Treasury Bond 91-3 | 500 | 488 | 632 |
| | | <u>7,261,200</u> | <u>7,435,528</u> | <u>7,420,089</u> |
| Convertible bonds | | | | |
| | Asia Cement Corporation 16EEB | 728,400 | 728,400 | 713,723 |
| | Acersto 08/10/15 | 713,832 | 713,832 | 708,357 |
| | AGV Products I | 668,000 | 668,000 | 682,362 |
| | Honhaio 10/12/13 | 582,720 | 582,720 | 602,550 |
| | Solramo 07/22/16 | 582,720 | 582,720 | 538,288 |
| | Tpkholo 04/20/14 | 437,040 | 437,040 | 430,498 |
| | 1102 Asia Cement Corporation ECB | 291,360 | 291,360 | 307,373 |
| | Asia Cement Corporation 13EEB | 291,360 | 291,360 | 305,313 |
| | Epistar 16ECB | 291,360 | 291,360 | 281,699 |
| | AUOPT 0 10/13/15 | 291,360 | 291,360 | 261,612 |
| | Others | 2,021,500 | 2,032,875 | 2,157,282 |
| | | <u>6,899,652</u> | <u>6,911,027</u> | <u>6,989,057</u> |
| Corporate bonds | BNP Paribas | 239,193 | 239,193 | 238,370 |
| Trading securities - dealing | Domestic listed stocks | | | |
| | Mercuries Life | 752 | 13,751 | 13,500 |
| Trading securities - dealing | Domestic OTC stocks | | | |
| | Brogent Technologies Inc. | 311 | 18,961 | 24,824 |
| | Glyconex Incorporation | 22 | 3,522 | 3,243 |
| | | <u>333</u> | <u>22,483</u> | <u>28,067</u> |
| Trading securities - dealing | Convertible bonds | | | |
| | Taiwan Chinsan Electronic II | 700,000 | 73,978 | 70,770 |
| | Tung Ho Steel VI | 455,000 | 45,726 | 46,364 |
| | Synnex II | 360,000 | 37,620 | 35,478 |
| | Hon Chuan I | 160,000 | 16,220 | 15,744 |
| | Bin Chun IV | 100,000 | 11,350 | 12,190 |
| | Career Tech. III | 100,000 | 10,550 | 9,895 |
| | FEDS I | 100,000 | 10,190 | 9,830 |
| | Asia Optical III | 89,000 | 9,713 | 8,740 |
| | Glotech VI | 70,000 | 7,315 | 7,315 |
| | Glotech V | 30,000 | 3,135 | 3,135 |
| | | <u>2,164,000</u> | <u>225,797</u> | <u>219,461</u> |

(Continued)

| Financial Instrument Item | Summary | Face Value/ Unit | Cost | Fair Value |
|---|---------------------------------------|----------------------|----------------------|----------------------|
| Trading securities - underwriting | Convertible bonds | | | |
| | AGV Products I | \$ 799,000 | \$ 79,900 | \$ 81,618 |
| | Papage I | 429,000 | 42,900 | 39,961 |
| | Bin Chun IV | 200,000 | 20,000 | 24,380 |
| | Linhorn I | 200,000 | 20,000 | 21,300 |
| | Kenmos II | 204,000 | 20,400 | 21,114 |
| | Ibase III | 150,000 | 15,000 | 15,675 |
| | Taiwan Acceptance I | 148,000 | 14,874 | 15,096 |
| | Tung Ho Steel VI | 145,000 | 14,500 | 14,775 |
| | AGV Products II | 100,000 | 10,000 | 10,245 |
| | Asia Plastic I | 53,000 | 5,300 | 5,512 |
| | Others | 150,000 | 15,008 | 14,819 |
| | | <u>2,578,000</u> | <u>257,882</u> | <u>264,495</u> |
| Derivative financial instrument | Currency swaps | - | - | 4,137,609 |
| | Interest rate swaps | - | - | 3,086,932 |
| | Currency options | - | - | 2,242,389 |
| | Forward exchange contracts | - | - | 902,949 |
| | Cross-currency swaps | - | - | 537,760 |
| | Buying currency option premium | - | - | 346,230 |
| | Equity-linked swaps | - | - | 233,098 |
| | Futures | - | - | 56,943 |
| | Fixed rate commercial paper | - | - | 29,136 |
| | Commodity price swaps | - | - | 19,174 |
| | Equity-linked swaps | - | - | 8,550 |
| | Credit default swaps | - | - | 7,409 |
| | Commodity options | - | - | 4,297 |
| | | - | - | <u>11,612,476</u> |
| Financial assets designated upon initial recognition at fair value through profit or loss | Interest-rate combination instruments | - | 1,567,103 | <u>1,568,591</u> |
| | | <u>\$ 73,113,113</u> | <u>\$ 74,246,967</u> | <u>\$ 85,988,202</u> |

(concluded)

SCHEDULE 2**TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES****BONDS AND SECURITIES PURCHASED UNDER RESELL AGREEMENTS**

DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars)

| Item | Face Value | Amount |
|--|---------------------|---------------------|
| Securities purchased under resell agreements | | |
| Commercial paper | | |
| Issued by - CPC Corporation | \$ 2,050,000 | \$ 2,044,696 |
| Issued by - Taipower Co., Ltd. | 490,000 | 489,045 |
| Issued by - Ho Ruen Co., Ltd. | 360,000 | 359,136 |
| Issued by - Chailease Finance Co., Ltd. | 300,000 | 299,722 |
| Issued by - China Airlines | 250,000 | 249,204 |
| Issued by - Ho Jiu Construction | 200,000 | 198,960 |
| Issued by - Hsinyan Construction | 100,000 | 99,814 |
| Issued by - Honhai Precision Ind. Co., Ltd. | 100,000 | 99,805 |
| Issued by - Doers Technology Corporation | 100,000 | 99,778 |
| Issued by - Fong Yi Construction | 80,000 | 79,959 |
| Others | 968,000 | 967,146 |
| | <u>\$ 4,998,000</u> | <u>\$ 4,987,265</u> |

SCHEDULE 3
TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
AVAILABLE-FOR-SALE FINANCIAL ASSETS
DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars)

| Item | Summary | Face Value |
|---------------------|---|--------------------|
| Investment in bills | | |
| | Negotiable certificates of deposit - banks | \$ 1,153,583 |
| | Negotiable certificates of deposit - Central Bank | 137,435,000 |
| | Commercial paper | <u>9,296,183</u> |
| | | <u>147,884,766</u> |
| Listed stocks | | |
| | Taiwan Cement Corp. | 59,600 |
| | MasterLink Securities Corp. | 60,047 |
| | China Life Insurance Company, Ltd. | 15,606 |
| | Waterland FHC | 26,149 |
| | Lite-on Technology Corp. | 3,125 |
| | Chunghwa Telecom Co., Ltd. | 1,090 |
| | China Steel | 3,743 |
| | Taiwan Semiconductor Manufacturing Co., Ltd. | 750 |
| | Asia Cement Corp. | 1,911 |
| | Others | <u>28,603</u> |
| | | <u>200,624</u> |
| Government bonds | | |
| | Treasury Bond 100-6 | 19,200,000 |
| | Treasury Bond 101-1 | 12,500,000 |
| | Treasury Bond 101-9 | 8,000,000 |
| | Treasury Bond 101-5 | 4,500,000 |
| | Treasury Bond 98-5 | 1,500,000 |
| | Treasury Bond 99-5 | 1,500,000 |
| | Treasury Bond 92-10 | 1,450,000 |
| | Treasury Bond 97-4 | 1,350,000 |
| | Treasury Bond 98-1 | 1,350,000 |
| | Hong Kong Exchange Fund Note | 1,282,266 |
| | Others | <u>16,005,259</u> |
| | | <u>68,637,525</u> |

| Amount | Accumulated Impairment | Adjustment | Fair Value | Note |
|--------------------|------------------------|----------------|--------------------|------|
| \$ 1,153,594 | \$ - | \$ 10,877 | \$ 1,164,471 | |
| 137,435,000 | - | (1,377) | 137,433,623 | |
| 9,296,183 | - | (615) | 9,295,568 | |
| <u>147,884,777</u> | <u>-</u> | <u>8,885</u> | <u>147,893,662</u> | |
| 2,074,491 | - | 243,949 | 2,318,440 | |
| 665,710 | - | (99,987) | 565,723 | |
| 393,182 | - | 15,695 | 408,877 | |
| 383,333 | - | (122,371) | 260,962 | |
| 122,117 | - | (1,660) | 120,457 | |
| 99,243 | - | 3,762 | 103,005 | |
| 119,290 | - | (16,910) | 102,380 | |
| 54,021 | - | 18,729 | 72,750 | |
| 61,278 | - | 10,104 | 71,382 | |
| 841,264 | (16,168) | 21,185 | 846,281 | |
| <u>4,813,929</u> | <u>(16,168)</u> | <u>72,496</u> | <u>4,870,257</u> | |
| 19,906,143 | - | 75,980 | 19,982,123 | |
| 12,548,447 | - | 18,917 | 12,567,364 | |
| 7,984,783 | - | (15,545) | 7,969,238 | |
| 4,504,490 | - | 31,431 | 4,535,921 | |
| 1,630,646 | - | (4,950) | 1,625,696 | |
| 1,527,460 | - | 10,292 | 1,537,752 | |
| 1,477,256 | - | 2,385 | 1,479,641 | |
| 1,357,337 | - | 2,737 | 1,360,074 | |
| 1,349,263 | - | 4,036 | 1,353,299 | |
| 1,237,940 | - | 3,878 | 1,241,818 | |
| 16,415,509 | - | 105,315 | 16,520,824 | |
| <u>69,939,274</u> | <u>-</u> | <u>234,476</u> | <u>70,173,750</u> | |

(Continued)



| Item | Summary | Face Value |
|------------------------|--|-------------------|
| Corporate bonds | | |
| | 99 Fubon Financial Holding 2A | \$ 1,400,000 |
| | 00 Hon Hai Precision Ind. Co., Ltd. 1 | 800,000 |
| | 00 Taiwan Semiconductor Manufacturing Co., Ltd. 1A | 750,000 |
| | 01 Formosa Petrochemical Corp. 2A | 550,000 |
| | Citigroup Inc. | 543,535 |
| | 99 Asia Cement Corp. 1 | 500,000 |
| | 01 Taiwan Semiconductor Manufacturing Co., Ltd. 1A | 500,000 |
| | HKMTGC 3.5 08/14 | 437,040 |
| | Export-Import BK Korea | 426,815 |
| | 95 Taipower 1B | 400,000 |
| | Others | 11,528,413 |
| | | <u>17,835,803</u> |
| Bank debentures | | |
| | Morgan Stanley | 1,353,749 |
| | Rabobank Nederland | 1,202,051 |
| | Goldman Sachs Group Inc. | 1,110,852 |
| | National Australia Bank | 1,029,170 |
| | Westpac Banking Corp. | 804,962 |
| | Societe Generale | 801,210 |
| | BNP Paribas Australia | 632,625 |
| | Commonwealth Bank of Australia | 552,702 |
| | Jpmorgan Chase & Co. | 501,825 |
| | 00 Standard Chartered Bank (Taiwan) Ltd. 1G | 500,000 |
| | Others | 14,430,547 |
| | | <u>22,919,693</u> |
| Beneficiary securities | | |
| | Government National Mortgage Association | 1,529,913 |
| | GNR 2011-168 B | 437,040 |
| | GNR 2012-96 NA | 297,799 |
| | GNR 2011-25 PJ | 437,040 |
| | GNR 2010-25 AH | 437,040 |
| | Freddie Mac | 183,520 |
| | FNR 2011-3 EG | 291,360 |
| | FNR 2010-135 HA | 291,360 |
| | Marlborough Street Clo. Ltd. | 145,175 |
| | Abclo 2007-1 Ltd. | 145,175 |
| | Others | 3,625,316 |
| | | <u>7,820,738</u> |

| Amount | Accumulated Impairment | Adjustment | Fair Value | Note |
|-------------------|------------------------|-------------------|-------------------|------|
| \$ 1,399,733 | \$ - | \$ 16,904 | \$ 1,416,637 | |
| 803,766 | - | 3,587 | 807,353 | |
| 752,406 | - | 4,384 | 756,790 | |
| 549,958 | - | 306 | 550,264 | |
| 543,535 | - | 5,218 | 548,753 | |
| 499,604 | - | 5,844 | 505,448 | |
| 501,284 | - | 1,116 | 502,400 | |
| 446,051 | - | 6,473 | 452,524 | |
| 426,815 | - | 6,637 | 433,452 | |
| 410,233 | - | 568 | 410,801 | |
| 11,609,077 | - | 53,430 | 11,662,507 | |
| <u>17,942,462</u> | <u>-</u> | <u>104,467</u> | <u>18,046,929</u> | |
| 1,350,377 | - | (6,912) | 1,343,465 | |
| 1,203,139 | - | 4,631 | 1,207,770 | |
| 1,089,611 | - | 7,580 | 1,097,191 | |
| 1,028,877 | - | 5,263 | 1,034,140 | |
| 804,907 | - | 7,617 | 812,524 | |
| 801,210 | - | 1,801 | 803,011 | |
| 632,625 | - | (2,398) | 630,227 | |
| 552,767 | - | 5,329 | 558,096 | |
| 500,352 | - | 2,806 | 503,158 | |
| 500,000 | - | 42 | 500,042 | |
| 14,507,722 | - | 103,799 | 14,611,521 | |
| <u>22,971,587</u> | <u>-</u> | <u>129,558</u> | <u>23,101,145</u> | |
| 1,529,626 | - | 7,894 | 1,537,520 | |
| 311,504 | - | 2,483 | 313,987 | |
| 286,698 | - | 1,409 | 288,107 | |
| 283,111 | - | (7,182) | 275,929 | |
| 189,824 | - | (603) | 189,221 | |
| 183,753 | - | 1,648 | 185,401 | |
| 148,658 | - | 2,292 | 150,950 | |
| 146,570 | - | 2,431 | 149,001 | |
| 145,175 | - | (27,187) | 117,988 | |
| 145,175 | - | (32,947) | 112,228 | |
| 530,547 | - | 4,372 | 534,919 | |
| <u>3,900,641</u> | <u>-</u> | <u>(45,390)</u> | <u>3,855,251</u> | |

(Continued)



| Item | Summary | Face Value |
|--------------|---|-----------------------|
| Mutual funds | | |
| | Pimco Total Return Bond Fund | \$ 43,704 |
| | EMD Global Emerging Markets Fund | 43,704 |
| | JPM US Aggregate Bond Fund | 28,798 |
| | Legg Mason Western Asset Asian Opportunities Fund | 29,136 |
| | Shroder Asian Opportunities Fund | 29,136 |
| | JP Corporate Bond | 29,136 |
| | Pimco Global Bond Fund | 29,136 |
| | Fu Hwa South Africa Short-term Inc. ZAR | 5,078 |
| | Cathay China Emerging Markets Fund | 3,000 |
| | Pine Bridge Flagship Global Fund | 2,154 |
| | Others | 16,129 |
| | | <u>259,111</u> |
| | | <u>\$ 265,558,260</u> |

| Amount | Accumulated Impairment | Adjustment | Fair Value | Note |
|-----------------------|------------------------|-------------------|-----------------------|------|
| \$ 437,040 | \$ - | \$ 49,872 | \$ 486,912 | |
| 437,040 | - | 22,310 | 459,350 | |
| 287,980 | - | 63,721 | 351,701 | |
| 291,360 | - | 16,342 | 307,702 | |
| 291,360 | - | 4,498 | 295,858 | |
| 291,360 | - | 3,837 | 295,197 | |
| 291,360 | - | 3,432 | 294,792 | |
| 50,780 | - | 51 | 50,831 | |
| 30,000 | - | 1,770 | 31,770 | |
| 30,000 | - | 517 | 30,517 | |
| 175,000 | - | 2,275 | 177,275 | |
| <u>2,613,280</u> | <u>-</u> | <u>168,625</u> | <u>2,781,905</u> | |
| <u>\$ 270,065,950</u> | <u>(\$ 16,168)</u> | <u>\$ 673,117</u> | <u>\$ 270,722,899</u> | |

(concluded)

**SCHEDULE 4****TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

HELD-TO-MATURITY FINANCIAL ASSETS

DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars)

| Item | Summary | Face Value |
|---------------------|---|-----------------------|
| Investment in bills | | |
| | Negotiable certificates of deposit - Central Bank | \$ 157,700,000 |
| | Treasury Bill | 500,000 |
| | Singapore T-Bill | 293,023 |
| | Union Bank NA (certificate of deposits) | 58,070 |
| | | <u>158,551,093</u> |
| Corporate bonds | | |
| | 97 CSC 2A | 1,000,000 |
| | 98 CPC 1A | 700,000 |
| | 00 Nanya 2 | 500,000 |
| | 00 FPCC 1 | 500,000 |
| | 01 FCFC 2A | 500,000 |
| | 97 Taipower 1A | 450,000 |
| | 00 TSMC 1A | 400,000 |
| | 01 UMC 1A | 400,000 |
| | 00 Evaair 2B | 300,000 |
| | 00 FPC 2 | 300,000 |
| | Others | 1,903,640 |
| | | <u>6,953,640</u> |
| Bank debentures | | |
| | 01 The Export-Import Bank of R.O.C. 2 | 500,000 |
| | 01 HSBC 1A | 500,000 |
| | 00 HSBC 1D | 500,000 |
| | Bank of America Corporation | 437,040 |
| | Wells Fargo NA | 437,040 |
| | Lloyds TSB Bank Plc. | 421,020 |
| | 00 Standard Chartered 1A | 300,000 |
| | Royal Bank of Scotland | 291,360 |
| | Swedbank, AB | 290,350 |
| | ABN Amro Bank NV | 232,280 |
| | Others | 3,164,325 |
| | | <u>7,073,415</u> |
| | | <u>\$ 172,578,148</u> |

| Interest Rate (%) | Unamortized Premium (Discount) | Book Value | Note |
|-------------------|--------------------------------|----------------|------|
| 0.87~1.05 | \$ - | \$ 157,700,000 | |
| 0.62 | (1,541) | 498,459 | |
| - | (35) | 292,988 | |
| 0.40 | - | 58,070 | |
| | (1,576) | 158,549,517 | |
| 2.08 | 3,021 | 1,003,021 | |
| 1.20 | (1,044) | 698,956 | |
| 1.35 | 1,624 | 501,624 | |
| 1.40 | (691) | 499,309 | |
| 1.23 | (1,073) | 498,927 | |
| 2.60 | 1,486 | 451,486 | |
| 1.40 | (297) | 399,703 | |
| 1.43 | (351) | 399,649 | |
| 1.44 | 1,518 | 301,518 | |
| 1.35 | 1,107 | 301,107 | |
| | 2,269 | 1,905,909 | |
| | 7,569 | 6,961,209 | |
| 1.25 | - | 500,000 | |
| 1.25 | - | 500,000 | |
| 1.37 | - | 500,000 | |
| 5.38~7.38 | 9,694 | 446,734 | |
| 3.75 | (149) | 436,891 | |
| 3M Libor+1.20% | 445 | 421,465 | |
| 1.03 | - | 300,000 | |
| 4.88 | 1,507 | 292,867 | |
| 3M Libor+0.91% | 3 | 290,353 | |
| 3M Libor+1.30% | (6) | 232,274 | |
| | 18,138 | 3,182,463 | |
| | 29,632 | 7,103,047 | |
| | \$ 35,625 | \$ 172,613,773 | |

SCHEDULE 5
TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CHANGES IN INVESTMENTS UNDER EQUITY METHOD
YEAR ENDED DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars, Except Unit Price)

| Name | Beginning Balance | | Increase | | Decrease | |
|---|-------------------|-------------------|------------|-------------------|---------------|---------------------|
| | Shares | Amounts | Shares | Amounts | Shares | Amounts |
| Non-listed corporate | | | | | | |
| Taishin Dah An Leasing | 20,000,000 | \$ 169,064 | - | \$ 4,437 | - | (\$ 2,123) |
| An-Hsin Real-Estate | 3,600,000 | 59,800 | 300,000 | 20,676 | - | (9,432) |
| Youn Shin Artistic Co., Ltd. | 1,000,000 | 10,000 | - | - | - | (1,144) |
| PayEasy Digital (Note) | - | - | 28,400,001 | 209,108 | (26,227,501) | (198,663) |
| PayEasy Travel (Note) | 1,300,000 | 13,834 | - | - | (1,300,000) | (13,834) |
| Contect Digital Integration (Note) | 480,000 | (49,486) | - | 49,486 | (480,000) | - |
| | | 203,212 | | 283,707 | | (225,196) |
| Add: Credit balance of investments accounted for by the equity method | | 49,486 | | - | | (49,486) |
| | | <u>\$ 252,698</u> | | <u>\$ 283,707</u> | | <u>(\$ 274,682)</u> |

Note: Taishin Bank sold its 45% equity in PayEasy Digital in June and July 2012. Thus, PayEasy and its subsidiaries were not included in the consolidated financial statements.

SCHEDULE 6
TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
FINANCIAL ASSETS CARRIED AT COST
DECEMBER 31, 2012

(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 |
| Financial Information Service Co. | 137,446 |
| Chung Yang Venture Capital Co., Ltd. | 119,412 |
| Taiwan Financial Assets Services Corp. | 100,000 |
| Others | 1,147,535 |
| | <u>\$ 8,884,073</u> |

| Reclassified to Financial Assets Carried at Cost | | Ending Balance | | | Market Price or Equity | |
|--|---------------------|----------------|------------------------|-------------------|------------------------|-------------------|
| Shares | Amounts | Shares | Ownership Interest (%) | Amounts | Unit Price | Total |
| - | \$ - | 20,000,000 | 100.00 | \$ 171,378 | \$ 8.57 | \$ 171,378 |
| - | - | 3,900,000 | 30.00 | 71,044 | 18.22 | 71,044 |
| - | - | 1,000,000 | 25.00 | 8,856 | 8.86 | 8,856 |
| (2,172,500) | (10,445) | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| | (10,445) | | | 251,278 | | 251,278 |
| | - | | | - | | - |
| | <u>(\$ 10,445)</u> | | | <u>\$ 251,278</u> | | <u>\$ 251,278</u> |

**SCHEDULE 7****TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

CHANGES IN PROPERTY AND EQUIPMENT

YEAR ENDED DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars)

| Item | Beginning Balance | Increase | Decrease | Reclassification | Ending Balance |
|--|----------------------|---------------------|---------------------|---------------------|----------------------|
| Land | \$ 27,610,625 | \$ 939,196 | (\$ 13,500) | \$ - | \$ 28,536,321 |
| Buildings | 15,912,508 | 76,436 | (96,635) | 16,871 | 15,909,180 |
| Machinery equipment | 6,557,165 | 388,585 | (580,489) | 34,705 | 6,399,966 |
| Transportation equipment | 636,697 | 38,343 | (63,981) | (1,534) | 609,525 |
| Miscellaneous equipment | 1,686,909 | 62,052 | (95,133) | (113,985) | 1,539,843 |
| Leasehold equipment | 1,040,364 | 80,951 | (39,395) | 6,038 | 1,087,958 |
| Leased assets | 164,610 | 3,667 | (2) | - | 168,275 |
| Unfinished construction | - | 12,460 | - | (12,460) | - |
| Prepayment for buildings and equipment | 28,553 | 92,839 | (11,237) | (86,131) | 24,024 |
| | <u>\$ 53,637,431</u> | <u>\$ 1,694,529</u> | <u>(\$ 900,372)</u> | <u>(\$ 156,496)</u> | <u>\$ 54,275,092</u> |

SCHEDULE 8**TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

CHANGES IN ACCUMULATED DEPRECIATION

YEAR ENDED DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars)

| Item | Beginning Balance | Increase | Decrease | Reclassification | Ending Balance |
|--------------------------|------------------------|-----------------------|-------------------|-------------------|------------------------|
| Buildings | (\$ 4,860,628) | (\$ 395,716) | \$ 87,989 | \$ - | (\$ 5,168,355) |
| Machinery equipment | (4,904,826) | (593,536) | 580,023 | 6,097 | (4,912,242) |
| Transportation equipment | (508,581) | (35,756) | 63,679 | 1,298 | (479,360) |
| Miscellaneous equipment | (1,429,778) | (70,845) | 106,140 | 76,371 | (1,318,112) |
| Leasehold equipment | (716,005) | (112,490) | 39,367 | 20,192 | (768,936) |
| Leased assets | (13,162) | (18,587) | - | - | (31,749) |
| | <u>(\$ 12,432,980)</u> | <u>(\$ 1,226,930)</u> | <u>\$ 877,198</u> | <u>\$ 103,958</u> | <u>(\$ 12,678,754)</u> |

SCHEDULE 9
TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
BONDS AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS
DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars)

| Item | Face Value | Amount |
|--|--------------|--------------|
| Commercial paper | | |
| Issued by - Taiwan Business Bank | \$ 2,700,000 | \$ 2,697,707 |
| Issued by - Pension Fund | 2,250,000 | 2,245,047 |
| Issued by - Chunghwa Telecom Co., Ltd. | 2,000,000 | 1,997,337 |
| Issued by - Chang Gung Memorial Hospital | 1,563,400 | 1,561,816 |
| Issued by - Hotai Motor Co., Ltd. | 850,000 | 848,235 |
| Issued by - Bank of Taiwan | 800,000 | 798,845 |
| Issued by - HSBC Pension 98 | 750,000 | 748,885 |
| Issued by - Jihsun Securities | 740,000 | 739,101 |
| Issued by - Taiwan Stock Exchange | 710,000 | 709,097 |
| Issued by - Taipower | 700,000 | 693,426 |
| Others | 8,636,800 | 8,610,574 |
| | 21,700,200 | 21,650,070 |
| Government bonds | | |
| Treasury Bond 100-6 | 4,880,700 | 5,270,202 |
| Treasury Bond 98-1 | 1,277,000 | 1,356,605 |
| Treasury Bond 97-4 | 1,271,600 | 1,363,888 |
| Treasury Bond 92-10 | 1,005,800 | 1,075,954 |
| Treasury Bond 101-6 | 800,000 | 846,242 |
| Treasury Bond 98-4 | 800,000 | 882,000 |
| Treasury Bond 93-4 | 761,000 | 810,600 |
| Treasury Bond B 89-1 | 500,000 | 549,000 |
| Treasury Bond 94-7 | 492,000 | 532,876 |
| Treasury Bond 97-1 | 475,200 | 494,863 |
| Others | 5,247,398 | 5,431,782 |
| | 17,510,698 | 18,614,012 |
| Bank debentures | | |
| 00 Standard Chartered 1G | 500,000 | 500,877 |
| GSFloat 02/07/14 | 291,360 | 291,360 |
| US06051GDY26 | 291,360 | 301,703 |
| MSFloat 01/24/14 | 174,816 | 174,816 |
| US05252BBJ70 | 145,680 | 140,749 |
| US060505BM56 | 145,680 | 148,914 |
| US06739FFZ99 | 145,680 | 149,052 |
| US38141EA331 | 145,680 | 147,392 |
| US22546QAA58 | 145,680 | 146,977 |
| US2515A0Q306 | 145,680 | 146,008 |
| Others | 145,680 | 138,673 |
| | 2,277,296 | 2,286,521 |



| Item | Face Value | Amount |
|---------------------------------|----------------------|----------------------|
| Corporate bonds | | |
| 00 Hon Hai 1 | \$ 800,000 | \$ 800,035 |
| 00 TSMC 1A | 750,000 | 750,000 |
| 01 FPCC 2A | 550,000 | 550,000 |
| 01 TSMC 1A | 500,000 | 500,000 |
| 00 Yuan Ding 1 | 400,000 | 400,314 |
| 95 Taipower 1B | 400,000 | 400,069 |
| 99 CPC 1B | 400,000 | 400,000 |
| 00 Hon Hai 3 | 300,000 | 300,000 |
| 01 FCFC 2A | 300,000 | 300,000 |
| 97 CDFH 1A | 250,000 | 250,000 |
| Others | 5,824,830 | 5,825,641 |
| | <u>10,474,830</u> | <u>10,476,059</u> |
| Beneficiary securities | | |
| US38378CBL00 | 309,347 | 276,239 |
| US38378HAB24 | 282,458 | 252,885 |
| US38377QVA20 | 268,218 | 239,861 |
| US38376V4K09 | 186,708 | 169,102 |
| US31397QRV22 | 147,910 | 132,587 |
| US31398SL927 | 145,811 | 130,705 |
| US31397QC229 | 97,015 | 88,708 |
| US38375A4Z40 | 86,695 | 77,947 |
| US31398WHQ06 | 83,197 | 74,538 |
| US31397QFX16 | 73,507 | 65,811 |
| Others | 107,445 | 96,884 |
| | <u>1,788,311</u> | <u>1,605,267</u> |
| Certificate of deposit | | |
| Pension | 700,000 | 700,657 |
| Fubon Insurance | 250,000 | 250,226 |
| President Securities (Old) 99 | 200,000 | 200,179 |
| President Securities (Old) 992 | 150,000 | 150,146 |
| Yuanta Securities (Old) 991 | 100,000 | 100,104 |
| Prudential Fina (Old) 1012 | 100,000 | 100,095 |
| President National Insurance I | 50,000 | 50,044 |
| Capital Securities (New) 972 | 50,000 | 50,000 |
| Capital Securities (Old) 101-2 | 50,000 | 50,002 |
| President Securities (Old) 1001 | 40,000 | 40,041 |
| Others | 210,600 | 210,771 |
| | <u>1,900,600</u> | <u>1,902,265</u> |
| | <u>\$ 55,651,935</u> | <u>\$ 56,534,194</u> |

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, 2012**

(In Thousands of New Taiwan Dollars)

| Item | Amount |
|----------------------------------|---------------------|
| Gain (loss) on disposal | |
| Stocks | \$ 15,746 |
| Bills | 2,491 |
| Bonds | 145,036 |
| Beneficiary securities | 5,729 |
| Derivative financial instruments | 3,055,193 |
| | <u>3,224,195</u> |
| Gain (loss) on valuation | |
| Stocks | 33,218 |
| Bills | (2,946) |
| Bonds | 462,845 |
| Beneficiary securities | 33,290 |
| Derivative financial instruments | 632,972 |
| | <u>1,159,379</u> |
| Dividend income | <u>4,060</u> |
| | <u>\$ 4,387,634</u> |

SCHEDULE 11
TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
**DETAILED SCHEDULE OF FOREIGN EXCHANGE GAIN (LOSS)
YEAR ENDED DECEMBER 31, 2012**

(In Thousands of New Taiwan Dollars)

| Item | Amount |
|--------------------|---------------------|
| Spot | \$ 6,574,343 |
| Forward | (6,856,347) |
| Margin | 105,972 |
| Self-owned capital | (57,260) |
| Others | (43,719) |
| | <u>\$ 277,011)</u> |

SCHEDULE 12**TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF NET INCOME (LOSS) EXCLUDING INTEREST
YEAR ENDED DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars)

| Item | Amount |
|---|---------------------|
| Revenue excluding interest | |
| Dividend revenue | \$ 377,804 |
| Gain on sales of non-performing loans | 460,015 |
| Revenue from trading and other sale | 1,042,189 |
| Leasing revenue | 295,428 |
| Loans management revenue | 315,865 |
| Realized gains through disposal of financial assets carried at cost | 60,710 |
| Gain on hedge derivatives | 44,757 |
| Other revenue | 734,958 |
| | <u>3,331,726</u> |
| Expense excluding interest | |
| Expense from trading and other sale | (803,084) |
| Lease payments | (55,725) |
| Other expenses | (123,770) |
| | <u>(982,579)</u> |
| | <u>\$ 2,349,147</u> |

SCHEDULE 13**TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars)

| Item | Amount |
|-----------------------------|----------------------|
| Personnel expense | \$ 18,327,288 |
| Depreciation | 1,252,731 |
| Amortization | 332,099 |
| Leases | 1,326,108 |
| Stationeries | 125,269 |
| Postage and remittance fee | 690,712 |
| Advertisement fee | 842,030 |
| Insurance | 656,528 |
| Tax and levies | 1,846,910 |
| Allowance for entertainment | 178,623 |
| Donation | 204,005 |
| Labor service fee | 1,209,202 |
| Freight | 66,954 |
| Others | 2,378,329 |
| | <u>\$ 29,436,788</u> |



D. Any Financing Problems Encountered by the Company or Its Affiliates Which Might Affect the Company's Financial Status:Nil.



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 | 2011 | 2012 | Variation | |
|--|-------------|-------------|----------------|-----------|
| | | | Amount | % |
| Cash and cash equivalent | 17,759,020 | 803,141 | (16,955,879) | (95.48) |
| Financial assets at fair value through profit or loss | 0 | 0 | 0 | - |
| Available-for-sale financial assets | 0 | 0 | 0 | - |
| Receivables | 1,692,260 | 1,457,326 | (234,934) | (13.88) |
| Held-to-maturity financial assets | 0 | 0 | 0 | - |
| Investments accounted for by the equity method | 111,995,506 | 118,967,822 | 6,972,316 | 6.23 |
| Property and Equipment | 5,645 | 5,796 | 151 | 2.67 |
| Intangible assets | 0 | 0 | 0 | - |
| Other financial assets | 10,521,143 | 2,596,893 | (7,924,250) | (75.32) |
| Other assets | 439,619 | 439,100 | (519) | (0.12) |
| Total assets | 142,413,193 | 124,270,078 | (18,143,115) | (12.74) |
| Financial liabilities at fair value through profit or loss | 0 | 0 | 0 | - |
| Payables | 2,515,698 | 2,540,253 | 24,555 | 0.98 |
| Bonds payable | 33,650,000 | 22,000,000 | (11,650,000) | (34.62) |
| Preferred-share liabilities | 0 | 0 | 0 | - |
| Other financial liabilities | 0 | 0 | 0 | - |
| Other liabilities | 28,566 | 29,876 | 1,310 | 4.59 |
| Total liabilities | 36,194,264 | 24,570,129 | (11,624,135) | (32.12) |
| Capital stock | 75,163,436 | 76,165,841 | 1,002,405 | 1.33 |
| Capital surplus | 19,217,299 | 9,303,228 | (9,914,071) | (51.59) |
| Retained earnings | 11,749,407 | 13,157,682 | 1,408,275 | 11.99 |
| Other items of shareholders' equity | 88,787 | 1,073,198 | 984,411 | 1108.73 |
| Total shareholders' equity | 106,218,929 | 99,699,949 | (6,518,980) | (6.14) |

Explanation variations:

- (1) Cash and cash equivalents as of December 31, 2012 were lower than December 31, 2011 mainly due to payment of Bonds payable and redemption of Class C preferred shares.
- (2) Other financial assets as of December 31, 2012 were lower than December 31, 2011 mainly due to the maturity of the securities purchased under resell agreements.
- (3) Corporate bonds payable as of December 31, 2012 are lower than December 31, 2011 mainly due to the maturity of bonds payables.
- (4) Capital surplus as of December 31, 2012 was lower than December 31, 2011 mainly due to the recovery of Class C preferred shares.
- (5) Other item of shareholders' equity as of December 31, 2012 were lower than December 31, 2011, mainly due to investees' unrealized financial gains by equity method and unrealized property revaluation.

B. Business Performance

Unit: NT\$1,000

| Item | 2011 | 2012 | Variation | |
|--|---------------|-------------|-------------|-----------|
| | | | Amount | % |
| Realized gain on available-for-sale financial assets | 10,111,913 | 11,423,409 | 1,311,496 | 12.97 |
| Other gains | 1,128,951 | 271,577 | (857,374) | (75.94) |
| Realized loss on available-for-sale financial assets | (283,269) | (132,276) | 150,993 | (53.30) |
| Operating expenses | (519,242) | (391,698) | 127,544 | (24.56) |
| Other expenses and losses | (1,011,826) | (813,244) | 198,582 | (19.63) |
| Pre-tax income (loss) | 9,426,527 | 10,357,768 | 931,241 | 9.88 |
| After-tax income (loss) | 9,431,836 | 10,261,680 | 829,844 | 8.80 |

Explanation for changes and variations:

- (1) The other incomes in 2012 were lower than that in 2011 mainly due to the recognition of the valuation gains from the fair values of the derivatives embedded in the convertible corporate bonds issued by the company in 2011.
- (2) The operating expense in 2012 was lower than that in 2011 mainly due to a decrease in personnel expenses.

C. Cash flow

Analysis of cash flow in the coming year

Unit: NT\$1,000

| Initial cash balance | Expected cash flow from business activities for the whole year | Expected cash outflow (inflow) for the whole year | Expected cash surplus (shortage) | Remedies for expected cash shortage | |
|----------------------|--|---|----------------------------------|-------------------------------------|----------------|
| | | | | Investment plan | Financing plan |
| 1 | 2 | 3 | 1+2-3 | | |
| 803,141 | 6,307,019 | 2,920,067 | 4,190,093 | Nil | Nil |

D. Influence on finance of major capital outlays in the recent one year

1. Status of major capital outlays and funding source

Unit: NT\$1,000

| Items | Actual or expected funding source | Actual or expected date of completion | Total fund needed | Actual or expected fund utilization |
|------------|-------------------------------------|---------------------------------------|-------------------|-------------------------------------|
| | | | | 2012 |
| Investment | Own fund or corporate-bond issuance | 2012 | 600,000 | 600,000 |

2. Expected benefits: Business expansion and increased returns for shareholders.



E. Investment policy in the recent year

The company carries out investments according to article 36 and 37 of the Financial Holding Company Law, the returns rate, and cross-selling among subsidiaries, in the hope of the returns on equity. In response to the demand of clients for assets accumulation and wealth-management planning, the company will 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

a. Risk management framework and policy of the financial holding company and subsidiaries

To cope with its comprehensive business scope, the company needs to identify, assess, consolidate, and manage the risks, in addition to properly allocate capital to various business units. The company manages risks via a procedure closely associated with its risk-management policy, organizational framework, risk assessment, and business activities. According to overall risk-management planning, the financial holding company has instituted an independent risk-management organization, with its frameworks listed below:

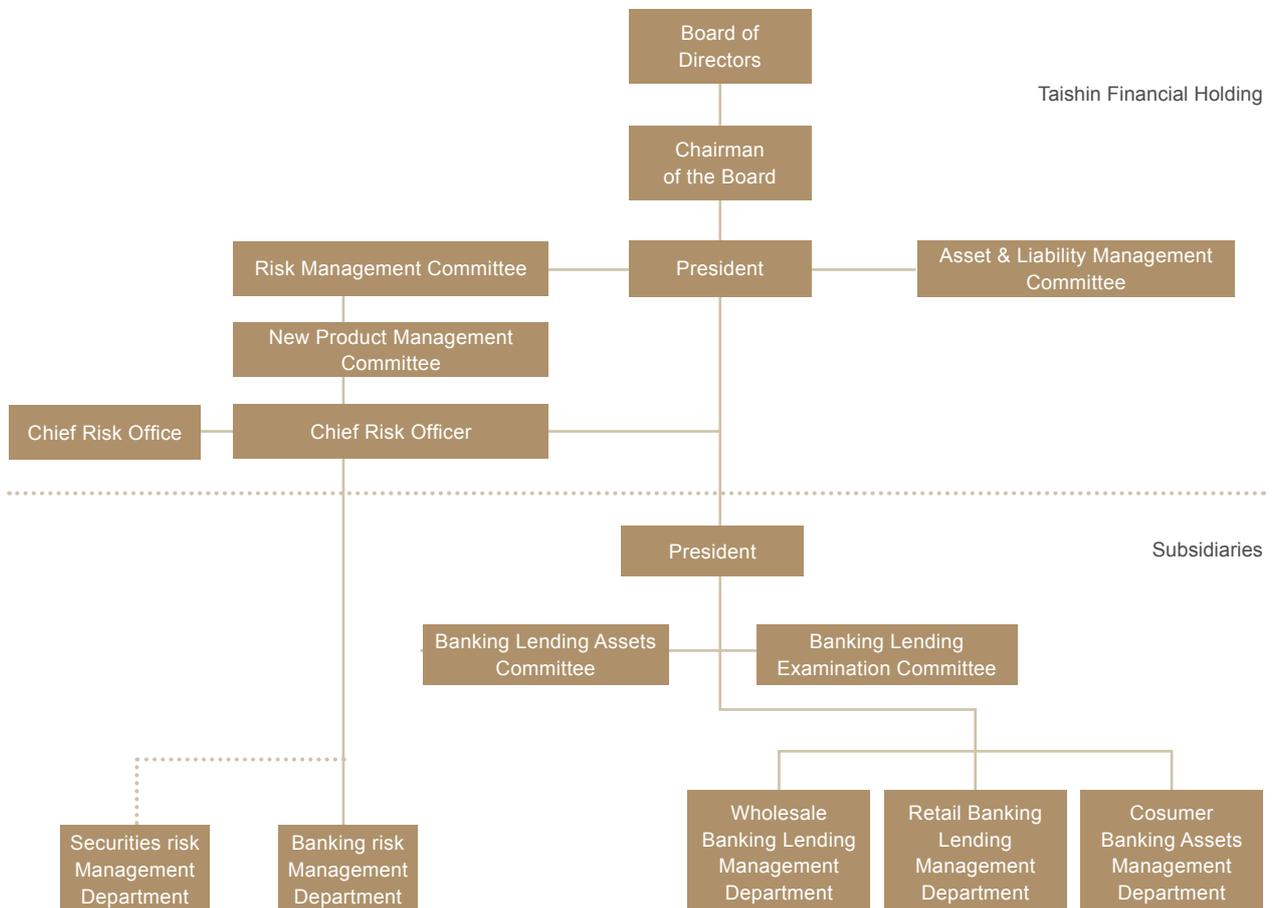
| Organization | Contents |
|---------------------------|--|
| Board | <ol style="list-style-type: none"> 1. Approval of risk-management policy and procedure. 2. Approval of market risk, credit risk, and operational risk of the financial holding company. |
| Risk Management Committee | <ol style="list-style-type: none"> 1. 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 and establish market risk, credit risk, and operating risk 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. |



| Organization | Contents |
|---------------------------------------|---|
| Chief Risk Officer | <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. 3. Supervising Risk Management Department and risk management units of subsidiaries in executing related policy. 4. Assuring effective cross-department communication and coordinate risk management functions. |
| Chief Risk Office | <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 Organizational Chart of Taishin Financial Holding

Base date: Dec 31, 2012





b. Risk assessment method and quantified information on the risk exposure of the financial holding company and subsidiaries

1. Holdings regular disclosure

The subsidiaries all operate in financial business, facing credit risk, market risk, and operating risk in operation and legal aspects. Therefore, the financial holding company's risk management covers an extensive scope, including systems and measures suited to the respective operations of subsidiaries and the institution of the integrated risk-management policy and organizational framework of the financial holding company, meant to achieve comprehensive and efficient grasp various risks.

(1) Credit-risk management

Wholesale banking

- (a) Pinpoint target loan clients, enhance profit margin, and expand low-risk business, so as to strengthen risk enduring capability and reduce overall risks.
- (b) Ascertain credit analytical report and strengthen the training of credit officers.
- (c) Further strengthen internal credit rating mechanism.
- (d) Further strengthen post-lending management and review system.
- (e) Institute the evaluation system for individual risks and overall credit risk involving securities underwriting and investment position.
- (f) Strengthen the management of credit-risk concentration associated with loaning, investment, and trading of various financial products such as derivatives.
- (g) Institute individual management measures for businesses involving specific risk (such as ceiling for loans mortgaged with specific stocks, tracking the price threshold for margin calls, and the undertaking and post management of realty financing).
- (h) Institute the system for the alert, notification, and control of abnormal accounts.
- (i) Centralized NPL management.

Retail banking

- (a) In order to analyzing and monitoring risks, the company has formulated various qualitative indicators by product, as well as the NPL ratio, aging analysis, NPL status, loan losses, recovery of loans, write-off and return rates.
- (b) Further enhancement of risk management technique: introduction and deep-cultivation of rating model and policy making model; monitor, adjust, and upgrade of the models' efficacy.
- (c) Core risk analytical team: Core professional talents with analytical capability, product design capability, risk-management capability, and execution capability.
- (d) Lending policy based on client-group analysis: Analyze client risks according clients' external and internal behaviors, and flexibly adjust lending policy according to the risk levels of various client groups, as to maintain proper client-group ratio.
- (e) Prevention of NPL and fraud: Further track the behavioral modes of NPL and fraud cases and repayment status, thereby forging policy and credit-examination/lending flow, as to institute a proactive preventive mechanism.
- (f) Client management based on risk analysis, rating model, and policy model; debt collection, and case review system.
- (g) Single-client credit management.



(2) Market risk management

To consolidate the management of risks deriving from 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.

(3) Operating risk management

To achieve a consistent and complete operating risk management system, the company's daily operation and decision making, the company has formulated operating risk management policy and operating risk enduring 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, chattel, or securities.

I. Wholesale banking

- (i) Corporate Credit Management Division is the credit risk management unit for Corporate Banking Group. It consists of credit management, screening, global trade, and asset management departments. Credit extension management department is in charge of the planning of internal credit evaluation system, the monitoring of credit-extension position, the diversification of credit-extension risk, the planning and formulation of management measures, the appraisal of the value of mortgaged properties, and the review and credit examination after the extension of loans. Various auditing departments are in charge of the review of credit-extension cases, the property management department is in charge of the statistics of credit-extension assets for corporate banking, the evaluation of the provisions for bad debts, and collection of overdue loans, non-performing loans, and bad debts.
- (ii) The evaluation and management of credit risk is undertaken by using internal credit rating system. In addition to credit rating undertaken upon application, all credit-extension cases are subject to follow-up tracking and management. The internal credit rating system consists of two aspects, one is the credit rating of borrowers, mainly for the evaluation of their capability to fulfill financial commitment, which is undertaken via the use of statistical model and an evaluation table as assistant tools. The second aspect is credit-line rating, which is undertaken according to the factors of the existence of collateral, the order of lien, and type of products.



(iii) Regular analysis of rating migration is carried out every year, to ascertain the stability of the existing rating system. Migration risk analysis and stress/scenario testing is also undertaken, in order to delineate risk exposure with more sensitive risk analysis and ascertain capital adequacy.

II. Retail banking

- (i) Retail business units evaluate and review cases based on the credit policy. Retail Asset Management Division is responsible for collection and management of delinquent cases.
- (ii) Formulate proper lending risk management policy by using Application Scoring System, Behavior Scoring System, Collection Scoring System and Credit Bureau Scoring System, along with the product-profit model, to pinpoint optimal lending terms to provide profit model for different client groups with different loaning conditions.
- (iii) Flexibly adjust various risk management indicators and segmentation management via periodical assets analysis and default analysis, so as to achieve operating objectives.

III. Quantified information on risk exposure

Risk Exposure after Deducting Risk on Credit-Risk Method and Risk-Based Capital Requirement

Dec. 31, 2012; Unit: NT\$1,000

| Kinds of Risk Exposure | Risk Exposure After Deduction | Risk-Based Capital Requirement |
|---|-------------------------------|--------------------------------|
| Sovereign state | 187,464,702 | 9 |
| Non-central Government Public Sector | 1,936,583 | 30,985 |
| Bank (Including Multilateral Development Bank) | 38,339,248 | 1,306,124 |
| Enterprise (Including Securities and Insurance Companies) | 349,646,087 | 26,467,789 |
| Retail Debt Claim | 143,881,501 | 8,871,336 |
| Housing Realty | 176,250,484 | 6,404,090 |
| Equity Investment | 3,195,973 | 827,162 |
| Other Assets | 141,079,920 | 10,453,722 |
| Total | 1,041,794,498 | 54,361,217 |

(b) Liquidity risk

Manage well liquidity position for basic operating and growth need, so as to assure adequate liquidity. Assets/Liabilities Management Committee 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 Committee monthly.

I. Analysis for the Structure of NT-dollar Due Dates

Dec. 31, 2012; Unit: NT\$1,000

| | Total | Value for balance period before due dates | | | | | |
|-----------------------|---------------|---|---------------|---------------|----------------|----------------------|---------------|
| | | 0 to 10 days | 11 to 30 days | 31 to 90 days | 91 to 180 days | 181 days to one year | Over one year |
| Main Fund Inflow Due | 926,991,170 | 134,703,788 | 179,393,953 | 87,875,554 | 37,299,015 | 75,454,069 | 412,264,791 |
| Main Fund Outflow Due | 1,012,702,885 | 62,645,996 | 104,985,672 | 144,116,407 | 168,038,368 | 203,455,566 | 329,460,876 |
| Expected Gap | (85,711,715) | 72,057,792 | 74,408,281 | (56,240,853) | (130,739,353) | (128,001,497) | 82,803,915 |

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, 2012; Unit: US\$1,000

| | Total | Value for balance period before due dates | | | | |
|-----------------------|-----------|---|---------------|----------------|----------------------|---------------|
| | | 0 to 30 days | 31 to 90 days | 91 to 180 days | 181 days to one year | Over one year |
| Main fund Inflow Due | 9,091,660 | 3,690,890 | 2,136,476 | 1,411,242 | 526,517 | 1,326,535 |
| Main fund Outflow Due | 9,024,765 | 3,591,374 | 1,383,056 | 2,743,412 | 866,260 | 440,663 |
| Expected Gap | 66,895 | 99,516 | 753,420 | (1,332,170) | (339,743) | 885,872 |

(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

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

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, 2012; Unit: NT\$1,000

| Kinds of risks | Capital requirement |
|------------------------|---------------------|
| Interest Rate Risk | 1,917,469 |
| Equity Securities Risk | 91,808 |
| Orex Risk | 171,179 |
| Commodity Risk | 0 |
| Total | 2,180,456 |

(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, 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

- (i) 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.
- (ii) 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.

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, 2012; Unit: NT\$1,000

| Year | Gross Profit | Capital Requirement |
|-------|--------------|---------------------|
| 2010 | 21,677,718 | - |
| 2011 | 24,801,302 | |
| 2012 | 23,942,522 | |
| Total | 70,421,542 | 3,128,132 |

(2) Taishin Securities Co., Ltd.

(a) Risk management method

As of 2012, 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 as follows.

(b) Risk management strategy and flow

I. Purpose for risk management

The company's risk management policy is formulated according to the risk management policy of Taishin Financial Holding, 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:

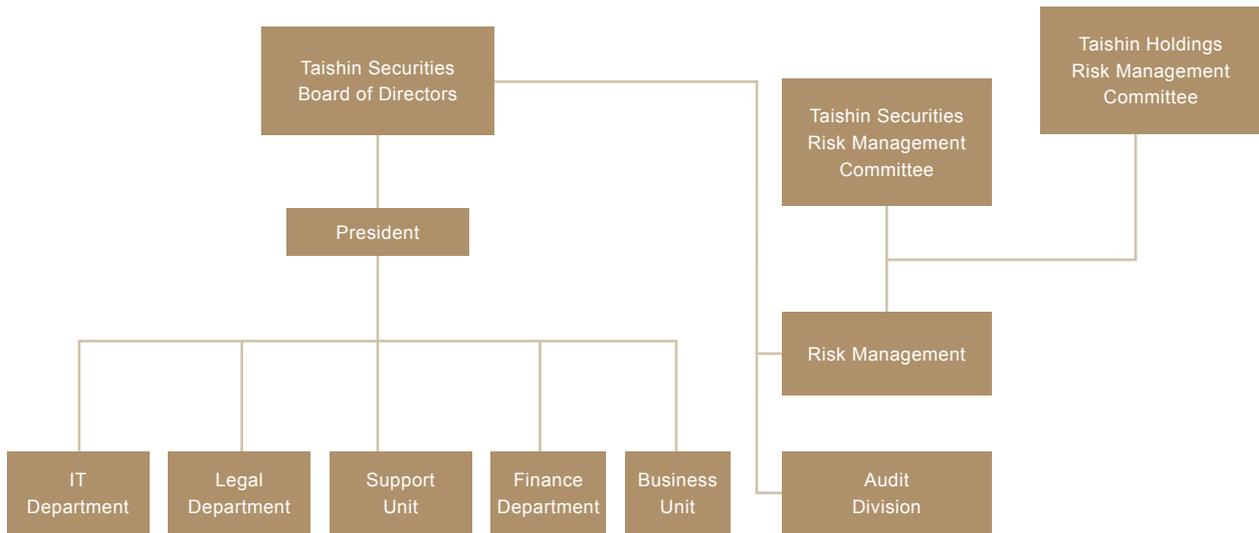
- Establish a risk-evaluation mechanism to grasp the company's diversified risks and form the basis of the company's sustainable development.
- Emphasize the efficacy of the company's risk-based assets.
- Emphasize related risks in the pursuit of maximum returns, thereby incorporating risk factors into 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 risk management system

I. Chart for overall risk management system framework:



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 convener and chairperson of its meetings.

- Review the company's risk management policy and procedure.
- Review various risk-related measures and guidelines.
- Establish various risk management mechanism.
- Review analytical 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 durability, 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 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 durability, 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. |



| Kinds of Risk | Management Method |
|----------------|--|
| 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 3.Liquidity 4.Duration | Daily Daily Daily Monthly | 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 non stop-loss tracking report | Monthly | Submit to risk management committee |
| Compilation of various quantitative risk indices report : 1. Indicator of Market-risk: (1)Operational limit -MV.Delta (2)Stress test report 2. Indicator of Credit-risk: (1) Bonds and notes in a single issuer (2) Single file limit (3) The same credit rating (4) Stock concentration 3. Indicator of Operation-risk. | Monthly | Submit to risk management committee |
| Compilation of exception 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 |

(e) Quantitative information for risk exposure

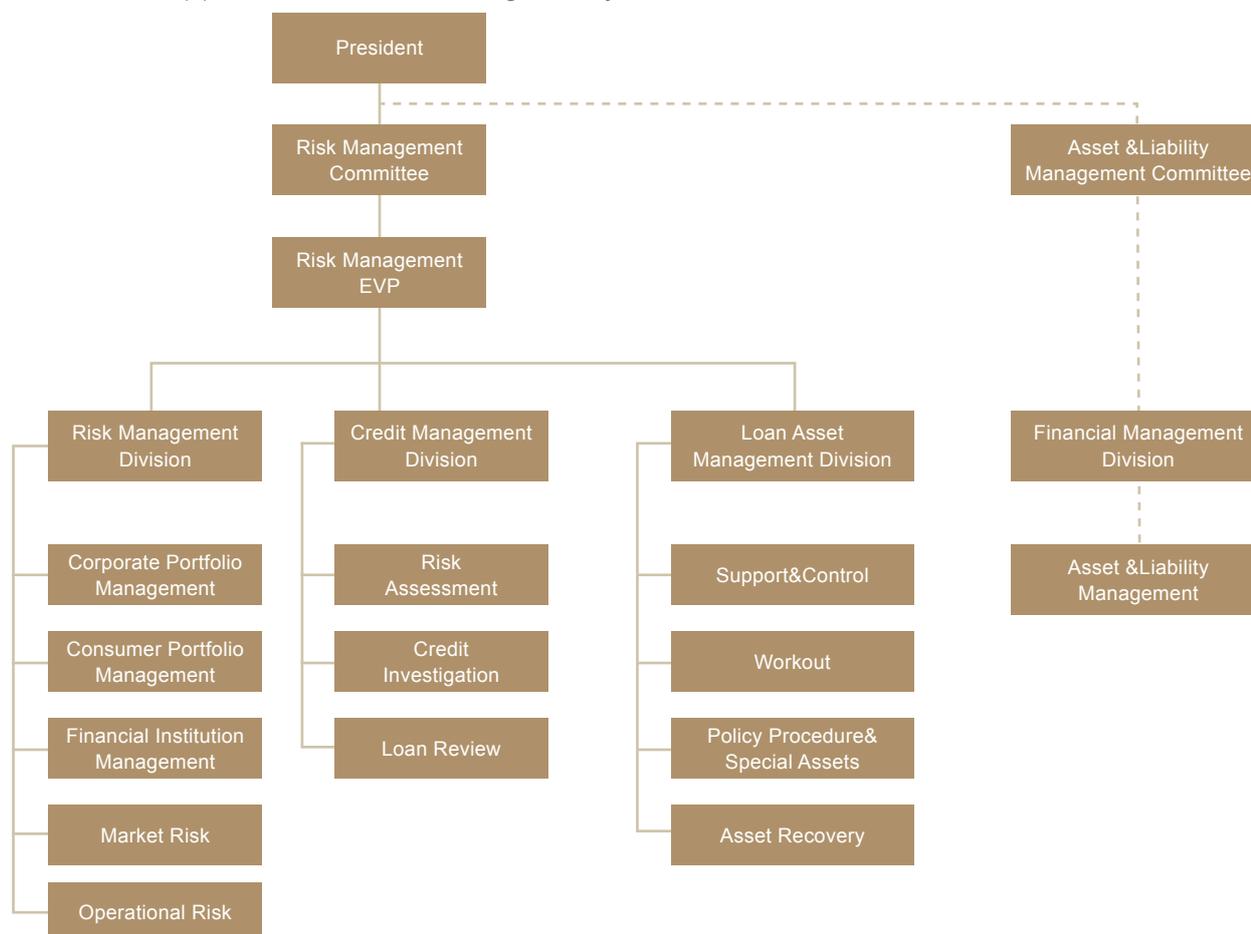
Equivalent Value for Management Risk

Dec. 31, 2012, Unit: NT\$1,000

| Kinds of Risk | Equivalent Value of Risks |
|----------------|---------------------------|
| Market risk | 224,313 |
| Credit risk | 20,133 |
| Operating risk | 29,87 |
| Total | 274,316 |

(3) Chang Hwa Commercial Bank Co., Ltd.

(a) Chart for overall risk management system framework



I. Organization and Structure of Risk Management

The bank has established under the headquarters an independent risk management unit to be responsible for monitoring risks and formulating strategies and policies in order to ensure that the bank maintains neutrality and consistency in identification, measurement and monitoring of risks. The Bank have also set up a Risk Management Committee and Asset & Liability Management Committee, chaired by our President who convenes the monthly meetings. The Committee is resopsible for evaluating and monitoring the Bank’s risk-taking capacity and the actual risk exposure,determining our risk response strategies and compliance with risk procedres,and submitting risk management reports to the Board of Directors on a quarterly basis in order to enhance our risk management quality by consolidating relevant review,monitoring and coordination actions.

II. Policies for Risk Management

Response the features of business development,meet the risk management requirements of Basel II and qualitative indicators,and base on the highest guiding principles “integrated risk management policies,”the Bank’s risk management mechanism continues to be improved in order to effectively indentify,measure,monitor,and communicate various risks,as well as to raise risk management performance.



(b) Common regular disclosure ~Strategy& Policy and Process

I. Credit risk

- (i) Continuing to improve the corporate loan application management system and various risk management techniques and efficiency in order to meet the risk management requirements.
- (ii) 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.
- (iii) 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.
- (iv) Comprehensive loan monitoring mechanism are established to effectively indentify and manage potentially problematic loans in a timely manner. Adequent monitoring procedure, tracking frenquencies, and concrete countermeasures are established to achieve proactive management objectives, and comply with risk management procedures that require indentification, evaluation, and monitoring and reporting of credit risk.
- (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) With a system for periodically evaluating property collateral, the value of collateral and the increase/decrease in risk exposure may be timely reflected to effectively indentify the extent of risk to which the Bank is exposed.
- (xi) 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.
- (xii) 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.
- (xiii) 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.

- (xiv) Implement mortgage loan application scorecards and behavior scorecards so as to provide parameters and reference for approval and a pricing. This could effectively lower the probability of bad loans and improve 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".

IV. Operational 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. Country 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.

(c) Scope and features of the risk report and evaluation system

I. Credit Risk

(i) Corporate Credit Risk

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.

(ii) Scope and Features of the Credit Risk Evaluation -Corporate Credit Risk

- Effectively evaluating the Bank's capital adequacy and carrying out rigorous and proactive stress test to cope with possible adverse events or changes.
- Establishing an internal rating system to effectively differentiate loan risks, and to be used as a tool to decide whether to grant a loan application, and for pricing and loan management purposes.
- Setting up a credit limit management, credit line review approval system, and establishing a relevant risk measurement mechanism to be used as a tool for monitoring credit risks.
- Establishing an operating procedure for evaluating loan assets to ensure steady operations. Using quantitative and qualitative methods to evaluate and identify the quality of loan assets and to determine whether the allowance for loan losses is adequate provisioned.
- With a system for periodically evaluating property collateral, the value of collateral and the increase/decrease in risk exposure may be timely reflected to effectively identify the extent of risk to which the Bank is exposed.

(iii) Consumer Credit Risk

Senior management and relevant business units are provided various risk information in order to have a clear understanding of the credit risk situation so that they can adjust risk policies or business strategic accordingly.

(iv) Consumer risk identification and evaluation

Using a scorecard(credit cards and small-amount loans)system,expenditure-to-income ratio,and credit loan semiannual review and property periodic evaluation mechanisms to evaluate the risks assumed before and after granting a loan to facilitate the taking of adequate measures.

(v) Country risk and financial counterparty risk

The Bank regularly reviews the exposure of the country risk and financial counterparty risk. The Bank also disclose the category of asset quality,concentration,exposure of

portfolio management, and the exposure distribution of the top 20 financial counterparties so that risk managers have correct information to adjust risk distribution accordingly. The Bank uses risk management systems and risk weight of derivatives. The goal is to evaluate and control risk.

II. Market risk

- (i) Periodically briefing the risk management committee on the current status of market risk monitoring in order to provide senior management with sufficient information.
- (ii) In the event of exceeding limits or irregularities, relevant information shall be provided pursuant to the established framework and procedure.
- (iii) Periodically briefing the board and the risk management committee on the status and concentration of the Bank's portfolio to help them determine whether the Bank's strategies should be adjusted.

III. Operational risk

- (i) To facilitate the evaluation and management of assessment result of operational risk, the Bank has set up a loss data collection system, a risk control and self-assessment system and a system to monitor key risk indicators.
- (ii) The Bank collects operational risk loss events through systems, and then categorizes the risk according to regulations and type of loss. This helps the Bank to understand the loss situation internally.
- (iii) The risk control and self-assessment (RCSA) system of the Bank begins at the business management units at the headquarter, where they conduct self-assessment according to the risk and controls of their respective business, complete and edit their self-assessment tables, and review the rules and regulations of their respective business. Execution units then conduct self-assessment and register the results in the system for the Bank to analyze potential operation risk exposure.
- (iv) The Bank establishes Key Risk Indicators (KRIs) and their respective limit or threshold values for the Bank's major risk exposures. Continuous monitoring and management provides red flags.
- (v) The Bank integrates risk related items and complies them into operational risk management reports for the board of directors, senior management, and divisions of management so that they fully understand the situation and can make decisions accordingly.

IV. Liquidity risk

- (i) Assessment and analysis of the status of liquidity risk management will be conducted and reported to the Asset & Liability Management Committee and to the Board of Directors on a regular basis to enable senior management to keep abreast of the Bank's latest liquidity position.
 - (ii) When a warning signal occurs with respect to a market crisis or emergency liquidity condition that affects the Bank, relevant emergency measures shall be adopted in accordance with the Bank's liquidity risk management policies. The Asset & Liability Management Committee shall then formulate measures to address the emergency and reported to the standing directors regarding the follow-up actions and results. This will enable senior management to closely monitor the status of liquidity risk management.
- (d) Hedging or mitigation policies; strategies and procedures for assessing the effectiveness of Hedging or mitigation



I. Credit risk

(i) Policy

Actively use qualified and effective risk mitigation tools to reduce or transfer the underwriting credit risk of the Bank so as to strengthen protection of the Bank's creditor's right and reduce amount to regulatory reserve.

(ii) Monitoring strategies and procedures

Establish relevant rules, procedures, or systems for the usage of risk mitigation tools. Through appropriate evaluation mechanisms and review systems, the Bank constantly monitors the value change of such tools and validity of their relevant legal document. This prevents the negative impact of risk concentration and the mutual influence of the credit risk.

- Application is rejected if the incidence of loss is too high in certain underwriting case. In addition, if certain loan products incur severe loss, or if underwriting to risky sectors or customers with bad credit records, cases are also rejected. An alternative is to set higher prices.
- The Bank periodically reviews the operation result, financial condition, and repayment ability of the client so as to understand and review the credit limit and actual exposure of the client. This helps the Bank to evaluate the appropriateness of the line of credit.
- The Bank establishes collateral policies to regulate the kinds of collateral that are deemed acceptable. The policies also regulate the method of value appraisal in order to ensure that when default occurs, the Bank is able to effectively and quickly dispose the collateral and/or receive compensation. An alternative is to adopt the credit guarantee fund for underwriting. These serve as means to entirely or partially transfer the risks.
- Credit risk portfolio management are strengthened to continue establishing a quota management, review, approval, and evaluation system on a conservative basis for concentrated loans in order to effectively stay on top of the credit risk of the overall portfolio and improve the quality of credit assets.

II. Market risk

(i) Policy

Executed based on the Bank's "Implementation Guidelines on Financial Product Investment."

(ii) Assessing hedge effectiveness procedures

- Conditions for highly effective assessment:
 - At the inception of the hedge and subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk as designated.
 - The actual results of the hedge are within a range of 80% to 125%.
- The approaches for assessing the hedge effectiveness must be consistent with the Bank's documented risk management strategies.
- The hedging instrument would not be fully effective if it offsets only a part of the hedged risk.
- All hedge ineffectiveness is recognized immediately in profit or loss, except non-derivative.

III. Operational risk

- (i) All Management divisions select appropriate risk countermeasures according to the monitoring results of operational risk assessment and KRI and exposure of the Bank.

They need to keep operational risk within acceptable levels by using risk mitigation measures such as outsourcing or insurance, or other appropriate measures such as employee education and training, improve internal business process, or improve system. Before launch new products, activities, process, and systems, the Bank also conducts operational risk identification and assessment in order to gauge possible risk and take cautionary measures beforehand.

- (ii) In case catastrophes, epidemics, strikes, or information system breakdowns result in operation discontinuity, or lack of liquidity result in operation crises, the Bank has devised a Business Continuity Plan for all units to serve as guidelines for prevention, preparation, reporting, responding, and post-event reporting.
- (iii) Through Risk control and self-assessment, the Bank regularly reviews the residual risks of the control plans of each risk item. This ensures the validity and effectiveness of the control plans.

(e) Risk-exposure information

I. Risk exposure after deducting risk on credit-risk method and risk-based capital requirement

Dec. 31, 2012; Unit: NT\$1,000

| Kinds of Risk Exposure | Risk Exposure After Deduction | Risk-Based Capital Requirement |
|---|-------------------------------|--------------------------------|
| Sovereign state | 644,236 | 51,539 |
| Non-central Government Public Sector | 476,614 | 38,129 |
| Bank (Including Multilateral Development Bank) | 34,591,102 | 2,767,288 |
| Enterprise (Including Securities and Insurance Companies) | 611,702,952 | 48,936,236 |
| Retail Debt Claim | 184,740,211 | 14,779,217 |
| Housing Realty | 124,695,866 | 9,975,669 |
| Equity Investment | 17,622,805 | 1,409,824 |
| Other Assets | 46,789,474 | 3,743,158 |
| Total | 1,021,263,260 | 81,701,061 |

II. Liquidity Risk

Analysis for the Structure of NT-dollar Due Dates

Dec. 31, 2012; Unit: NT\$1,000

| | Total | Value for Balance Period Before Due Dates | | | | | |
|-----------------------|----------------|---|---------------|---------------|----------------|----------------------|---------------|
| | | 0 to 10 days | 11 to 30 days | 31 to 90 days | 91 to 180 days | 181 days to one year | Over one year |
| Main Fund Inflow Due | 1,436,194,616 | 156,449,093 | 146,256,426 | 152,774,502 | 93,151,948 | 133,635,574 | 753,927,073 |
| Main Fund Outflow Due | 1,570,510,510 | 96,635,456 | 126,405,623 | 228,918,663 | 177,551,990 | 294,541,737 | 646,457,041 |
| Expected Gap | (134,315,894) | 59,813,637 | 19,850,803 | (76,144,161) | (84,400,042) | (160,906,163) | 107,470,032 |

Analysis for the Structure of U.S.-dollar Due Dates

Dec. 31, 2012; Unit: US\$1,000

| | Total | Value for balance period before due dates | | | | |
|-----------------------|---------------|---|---------------|----------------|----------------------|---------------|
| | | 0 to 30 days | 31 to 90 days | 91 to 180 days | 181 days to one year | Over one year |
| Main Fund Inflow Due | 13,967,335 | 5,214,291 | 3,442,452 | 1,534,311 | 1,011,679 | 2,764,602 |
| Main Fund Outflow Due | 15,813,964 | 5,433,037 | 3,235,432 | 1,526,970 | 1,841,238 | 3,777,287 |
| Expected Gap | (1,846,629) | (218,746) | 207,020 | 7,341 | (829,559) | (1,012,685) |

III. Market Risk

Capital requirement for market risk

Dec. 31, 2012; Unit: NT\$1,000

| Kinds of risks | Capital requirement |
|------------------------|---------------------|
| Interest rate risk | 462,872 |
| Equity securities risk | 16,414 |
| Orex risk | 102,587 |
| Commodity risk | 0 |
| Option | 4,621 |
| Total | 586,494 |

IV. Operational risk

Operational Risk Accrued Capital

Dec. 31, 2012; Unit: NT\$1,000

| Year | Gross Profit | Capital Requirement |
|-------|--------------|---------------------|
| 2010 | 19,976,519 | — |
| 2011 | 22,727,014 | |
| 2012 | 21,564,796 | |
| Total | 64,268,329 | |

c. Influence of important domestic and foreign policy and legal changes on the finance of the financial holding company and countermeasures

For the purpose of stimulating economic growth and boosting the competitiveness of the financial sector, the government has been loosening its cross strait financial policies and has amended the Regulations for Financial Transaction Permit between the Taiwan Area and the Mainland Area. The company will be committed to seeking maximum long term benefits for its shareholders, customers, and employees and formulating development plans in accordance with the law.

| Law | Impact on the bank | Response measures |
|--|--|---|
| Personal Information Protection Act came into force on October 1, 2012 | The bank made the duty of disclosure to customers part of the services that it provides. | 1. Disclosure has been added to the agreements or applications for the services according to the Personal Information Protection Act. 2. The bank obtained BS10012 certification on September 5, 2012. The personal information project continues. |
| Foreign Account Tax Compliance Act, USA | The bank was required to assess whether to modify the existing account opening and transaction processes and systems and to review financial product counterparties that may be affected as a result of the act. | A professional consulting team was hired to assist the company and its subsidiaries to assess the potential impact on the company and to formulate appropriate response plans based on the conditions of the subsidiaries. |

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’ 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.

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

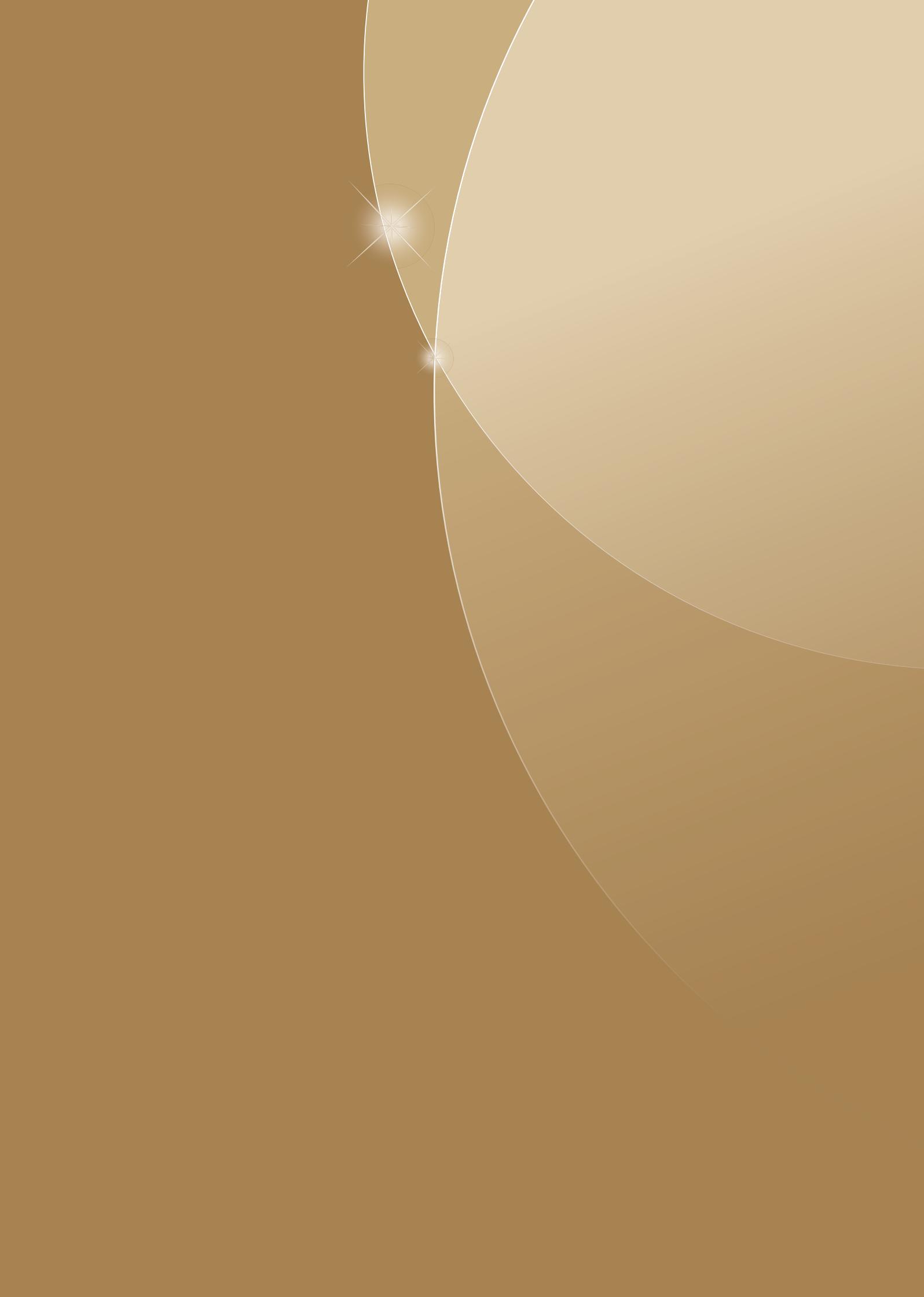
The bank engaged in a law suit with the ministry of defense of Iran involving US\$15 million of "requested wired payment" in 1991, which was won by bank according to the verdict of the Supreme Court on Aug. 1, 2002. The Iran party filed another suit for "surrogate request for the return of the wired 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. On July 13, 2010, the Taiwan Superior Court once more ruled in favor of the Bank. The Iranian party again appealed the decision to the Supreme Court on August 10, 2010. On Nov.4, 2010, the Supreme Court ordered the Taiwan Superior Court to review the ruling. On Dec.27, 2011, the Taiwan Superior Court again ruled in favor of the Bank. The Iranian plaintiff, after refusing to accept the decision of the Court, appealed to the Supreme Court on Jan.19, 2012. On Aug.14, 2012, the Supreme Court ordered the Taiwan Superior Court to review the ruling. At present, the lawsuit remains under review by the Taiwan Superior Court.

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

08

Special Events on Record



VIII. Special Events on Record

Basic information on affiliates

Dec. 31, 2012; Unit: NT\$1,000

| Name of enterprise | Date of establishment | Address | Paid-in capital | Major business or production items |
|---|-----------------------|--|-----------------|--|
| Taishin International Bank Co., Ltd. | 1992.02.25 | 1st,fl. and 1st basement, No. 44, Zhongshan N. Rd. Sec. 2, Taipei City | 49,157,526 | <ol style="list-style-type: none"> 1. Deposit reception (reception of check deposit, demand deposit, time deposit, and savings deposit originally listed in its business license are included in the item). 2. Issuance of financial bonds. 3. Loan extension (short-, medium- and long-term loan extension, loan mortgaged by certificates of time deposit, consumption loan originally listed in its business license are included in the item). 4. Discounting negotiable instruments. 5. Securities investment (investments in government bonds, short-term bills, corporate bonds, financial bond, and company stocks originally listed in its business license are included in this item). 6. Currency conversion. 7. Cashing of banker's acceptance. 8. Issuance of domestic L/C. 9. Guarantee for corporate-bond issuance. 10. Provision of domestic guarantee (guarantee business originally listed in the business license is included in the item). 11. Surrogate collection/payment. 12. 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. 23. Wealth Management. 24. Prepaid cash cards issued. 25. Concurrently securities investment consulting business. |
| Taishin Asset Management Co., Ltd. | 2002.08.19 | 2nd-3 fl., No. 9, Dehui Street, Taipei City | 1,445,000 | Purchase, appraisal, auction of bad-debt claims of financial institutions. |
| Taishin Marketing Consultant Co., Ltd. (NOTE) | 1998.11.20 | 2nd fl., No. 111, Bade Rd., Sec. 4, Taipei City | 1,000 | Staffing Services. |
| Taishin Venture Capital Investment Co., Ltd. | 2002.12.25 | 2nd-3 fl., No. 9, Dehui Street, Taipei City | 2,219,035 | Ventral capital. |
| Taishin Securities Co., Ltd. | 1990.01.15 | 2nd,fl., No. 44, Zhongshan N. Rd. Sec. 2, Taipei City | 2,280,000 | <ol style="list-style-type: none"> 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. |

| Name of enterprise | Date of establishment | Address | Paid-in capital | Major business or production items |
|--|-----------------------|---|-----------------|--|
| Taishin Securities Investment Trust Co., Ltd. | 2004.06.03 | 13F., No.96, Sec. 1, Jianguo N. Rd., Taipei City | 754,545 | 1. Raise mutual funds via issuance of certificates of benefits. 2. Invest in securities and other related products with mutual funds raised from issuance of certificates of benefits. 3. Undertake other related businesses approved by the regulator. 4. Undertake discretionary-account operation for clients. |
| Taishin Securities Investment Advisory Co., Ltd. | 1989.03.21 | 16th fl., No. 118, Jenai Rd. Sec. 4, Taipei City | 300,000 | 1. Securities-investment consulting business. 2. General agency of Jupiter fund of the U.K. 3. 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 City | 30,000 | 1. Agency for personal insurance. 2. Agency for property insurance. |
| Taishin Insurance Agency Co., Ltd. | 1996.09.19 | 3rd,fl., No. 44, Zhongshan N. Rd. Sec. 2, Taipei | 3,000 | Agency for personal insurance. |
| Taishin Insurance Borkers Co., Ltd. | 2002.07.24 | 3rd,fl., No. 44, Zhongshan N. Rd. Sec. 2, Taipei | 60,000 | Agency for property insurance. |
| Taishin Dah An Leasing Co., Ltd. | 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 Co., Ltd. | 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. |
| Taishin Financial Leasing (China) Co.,Ltd. | 2011.09.20 | 42F.,No.188, Sunnyworld Center, Lushan Road,Jianye District, Nanjing, China | 591,240 | Leasing. |
| Taishin Financial Leasing (Tianjin) Co.,Ltd. | 2012.03.01 | 2203 Room, TEDA MSD-C1 Tower,No.79, First Avenue, TEDA,Tianjin, China | 600,828 | Leasing, Factoring, Installment Sales. |



| Name of enterprise | Date of establishment | Address | Paid-in capital | Major business or production items |
|--|-----------------------|---|-----------------|--|
| Chang Hwa Bank Co., Ltd. | 1950.07.01 | No. 38, Ziyou Road, Taichung City | 72,421,114 | Deposit/loan, guarantee, acceptance, Forex, bills dealing, and credit card |
| CHB Life Insurance Agency Co., Ltd. | 2001.06.28 | 6 th fl., No. 57, Zhongshan N. Road, Taipei City | 50,000 | Agency for personal insurance |
| CHB Life Insurance Brokerage Co., Ltd. | 2003.04.1 | 6 th fl., No. 57, Zhongshan N. Road, Taipei City | 8,000 | Brokerage for property insurance |

Note: The board of directors of Taishin Marketing Consultant passed a resolution to approve the liquidation and dissolution of the company. The final day of business was set on April 30, 2013, and the company is dissolved as of May 1, 2013.



Taishin Holdings

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**Items with major effect on shareholders'
benefits or securities prices in 2012
and as of the date for the publication
of the 2013 annual report**



IX. Items with major effect on shareholders' benefits or securities prices in 2012 and as of the date for the publication of the 2013 annual report: Nil.



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