Taishin Financial Holdings Co., Ltd. 2010 Annual Report

Taishin Holdings

2010 Annual report

Taishin Holdings

Taishin Financial Holding Co., Ltd.
12、13、16、20、21、22F, No.118, Sec. 4, Ren-ai Rd., Taipei, Taiwan
886-2-2326-8888
website : http://www.taishinholdings.com.tw

Taishin International Bank Co., Ltd.
B1、1F, No.44, Sec. 2, Jhongshan N. Rd., Taipei, Taiwan
886-2-2568-3988
website : http://www.taishinbank.com.tw

Taishin Securities Co., Ltd.
2F, No.44, Sec. 2, Jhongshan N. Rd., Taipei, Taiwan
886-2-2181-5888
website : http://www.tssco.com.tw

Taishin Asset Management Co., Ltd.
2F-3, No.9, Dehuei St., Taipei, Taiwan
886-2-2596-9388

Taishin Marketing Consultant Co. Ltd.
2F-4, No.9, Dehuei St., Taipei, Taiwan
886-2-2326-8899

Taishin Venture Capital Investment Co., Ltd.
18F, No.118, Sec. 4, Ren-ai Rd., Taipei, Taiwan
886-2-2706-6919

Taishin Securities Investment Trust Co.,Ltd.
13F, No.96, Sec.1, Jianguo N. Rd., Taipei, Taiwan
886-2-2501-1000
http://www.tsit.com.tw

Taishin Securities Investment Advisory Co., Ltd.
16F, No.118, Sec. 4, Ren-ai Rd., Taipei, Taiwan
886-2-5589-9558
http://www.tss-c.com.tw

Taishin Holdings Insurance Brokers Co., Ltd.
4F., No.328, Songjiang Rd.,Taipei , Taiwan
886-2-2562-1867

Chang Hwa Bank (Taishin Holdings has acquired 22.55% of shareholdings)
38 Tsu Yu Road, Section 2,Taichung, Taiwan
886-4-2222-2001
website : http://www.chb.com.tw

Taishin Holdings

Contents

I. Message to Shareholders 02

II. Brief Introduction to the Financial Holding Firm 06

III. Corporate Governance 09

IV. Fund Raising 23

V. Operating Status 38

VI. Financial Statements 81

VII. Financial Status, Review of Business Performance, and Risk Management 267

VIII. Special Events on Record 291

IX. Items with major effect on shareholders' benefits or securities prices in 2010 and as of the date for the publication of the annual report 294

I

Message to Shareholders

Ⅰ.Message to Shareholders

Dear shareholders,

In 2010, strong global economic recovery induced robust upturn of Taiwan's export, whose value hit record high. Consequently, investment and consumption demand staged a strong performance, enabling Taiwan's economy to expand 10.8%, the highest in 30 years.

Thanks to healthy economic climate and the effort of the management team, the financial holding company raked in after-tax net profit of NT$7.7 billion in 2010, or NT$1.06 of earnings per share (EPS), with book value reaching NT$12.04 per share, returns on equity (ROE) 9.57%, capital adequacy ratio (CAR)119.34%, and banking BIS (Bank of International Settlement) ratio 13.58%,which underscore the healthy state in assets quality and capital structure. In the aspect of operation, net interest income and net fee income both scored marked growth. The performance ranks among the tops among domestic peers. In 2011, the company has continued to maintain steady profit growth, racking up NT$0.4 of EPS in the first quarter, ranking fifth place in the market.

The banking operation racked up profits which were six-year high in 2010, with net-interest income reaching NT$11.7 billion and net fee income NT$6.6 billion, both up 17%. Thanks to hefty bad-debt collection, net provisions were negative and pre-provision pre-tax earnings grew 20% to NT$8.7 billion. Meanwhile, non-performing loan ratio dropped to 0.33%, NPL coverage jumped to 326%, and ROE hit 13.8%, which were among the tops in the domestic banking sector.

The remarkable financial structure and profit-making ability has won the bank awards from various international professional media, including Euromoney, Financial Insights, the Asset, and Asian Banker, as well as the honor of "Bank of the Year" from the Banker. In a domestic banking evaluation for the second quarter of 2010, released by the department of finance of National Cheng Chi University in October 2010, Taishin Bank was one of the 17 A-class banks among the 34 domestic banks receiving the evaluation. Consequently, Fitch Rating upgraded its various ratings for Taishin Financial Holding and Bank by one notch in December 2010.

After the sellout of a subsidiary securities firm in 2009, the financial holding firm took over another securities firm in 2010 and renamed it as Taishin Securities after capital increment and organizational reshuffle. Meanwhile, Taishin Securities Investment Trust acquired Taiwan Industrial Bank Investment Trust, thereby boosting the scale of its managed funds to the 16th largest domestically and readying it to become a key platform of the financial holding firm for the design and provision of investment products. The possession of the subsidiaries of securities, fund management, and investment trust consulting in the securities field has made the functions and mechanism of the financial holding firm even more complete.

In the mainland Chinese market, in 2010 the financial holding company and the bank have signed memorandum of understanding for cooperation with Zijin Holding, Bank of Nanjing, East West Bank (China), and Chengdu Rural Commercial Bank. Among them, there have been actual business exchanges with the Bank of Nanjing, according to a mode which benefits both parties. After receiving a green light from the Financial Supervisory Commission (FSC), the company is applying for the establishment of a financing firm in China, which, if successfully, will further expand the company's deployment in China.

Ⅰ.Message to Shareholders

Currently, the two major functional business groups are adjusting their business strategies according to market trends, strengthening various risk management, and simultaneously deep-cultivating existing clients and developing quality new clients, thereby laying the cornerstone for long-term steady growth. Business status and development direction of consumer banking and corporate banking groups follow:

Consumer Banking Group

Thanks to the concerted effort of its team members, the consumer banking group rendered a remarkable performance in 2010.It was a leader in the auto-loan market, with market share reaching 23%, ranked fourth place in terms of effective credit-card number, and was the champion for the top-notch card sector, with market share of 28.5%. Credit-card spending value grew 21%, higher than the industry average, and the number for acquiring bank business jumped 44%, with market share of 14%, ranking third place. Overall assets quality was also better than market average.

Thanks to sustained business growth, decline in provisions, and cost control, profits grew steadily in 2010. In the aspect of channel, since the group launched mobile banking in the second half last year, the number of customers has been expanding at an annual clip of 30%. In the future, the group will further strengthen the management of branches and automated channels, in the hope of providing customers even more convenient quality service.

Under the “customer-oriented” management concept, in addition to continued deep-cultivation of credit-card business, the group will also actively develop the two major businesses of private wealth management and personal loans. For the contents of service, it will materialize the new concepts of 3S (simple, sincere, and superior), to as to further upgrade service and give customers even more satisfactory financial experience.

Corporate Banking Group

Capitalizing on the overall economic recovery and continuing to strengthen core businesses, the corporate banking group also had an outstanding performance in 2010. Its factoring business ranked third place in the market, the trading volume of cash management, including FEDI (financial electronic data exchange) and ACH (automated clearing house), ranked the fifth market in the market and the number of stock-affairs agency ranked fourth place, and rollout of innovative assets-management financial products continued.

To continue providing plural financial services to customers,after the establishment of Taishin Securities in 2010, the corporate-banking underwriting tream racked up a remarkable performance with a short time, with the number of underwriting SPO (secondary public offering) cases ranking first place in the market. Under the principle of equal emphasis on business growth and risk managementm, the corporate banking group raked in pre-tax earnings of NT$5.47 billion in 2010, with NPL ratio dropping to 0.4% and bad-debt coverage ratio rising to 287%, underscoring a performance and business strength which was among the tops in the industry.

Along with the increasing cross-Taiwan financial exchanges, the corporate banking group established an “overseas business department” in 2011, for the purpose of upgrading trade-related financial business for overseas clients, cultivating international financial talents, and providing all-round financial services to overseas Taiwanese-invested businesses, so as to carve out a presence in the greater Chinese market.

Amid acute competition of the financial market, the corporate banking group embraces a number of business strategies, including timely grasp of industrial development pulse, focus on rigorous risk management and pursuit of steady profits, effective integration of financial holding company's resources, integration of the channels of corporate banking and consumer banking in the cultivation of new customers, and dedication to the deep cultivation of customers via more sophisticated segmentation. In the meantime, in line with the new 3S concept, the group will endeavor to provide even more quality professional services to corporate customers and wealth-management customers. Overall speaking, business will achieve another peak, so long as the group can upgrade its domestic market share and steadily develop overseas markets.

Overall speaking, the operation and profit contribution of the two major business groups under Taishin Financial Holding will continue to march steadily towards of the goals of becoming customers' major corresponding bank and consolidating its status as a A-class domestic bank. In line with the steady improvement of cross-Taiwan Strait relationship and the signing of cross-Taiwan Strait Economic Coopraration Framework Agreement (ECFA), mainland China will absolutely become a new market worthy of high regard. Taishin will grasp various opportunities to seek potential partners and accelerate its foray into the market, in the hope of gradually becoming a cross-border regional financial institution.

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

With a heavy reliance on export, Taiwan's economy also has a promising outlook this year. The Directorate General of Budget, Accounting, and Statistics (DGBAS) forecast Taiwan's economy will grow 4.9% this year (compared with 5.3% forecast by Taishin Investment Trust Consulting), higher than average 4.2% in the past 10 years.

In the mid- and long-term, Taishin Bank embraces the strategy of boosting domestic market share and cautiously pushing international business growth. In 2011, members of the corporate team will still adhere to the corporate core values of "integrity, commitment, innovation, and cooperation" and materialize the values in their services, thereby achieving the financial targets of the customers and shareholders.

Last but not least, we would like to express our sincere gratitude for the consistent patronage and acknowledgement of our shareholders and look forward to the continuing support and guidance from our shareholders. The management team will make utmost effort to pursue the maximum long-term benefits of shareholders, customers, and employees.

Chairman

Taishin Financial Holding

May 2011

II

Brief Introduction to the Financial Holding Firm

II. Brief Introduction to the Financial Holding Firm

A. The date of establishment:

Feb. 18, 2002

B. The origin of the financial holding firm

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

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

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

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

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

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

II. Brief Introduction to the Financial Holding Firm

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

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

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

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

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

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

Honors for the company-

Year	Issuing Organization	Awards/Rankings
2011.02	China Productivity Center (CPC)	Customer Loyalty Award (Retail Banking)
2011.02	China Productivity Center (CPC)	Hospitality Award (Retail Banking)
2010.12	The Banker	Bank of the Year in Taiwan – Taishin Bank
2010.08	Council for Culture Affairs	Wen Xin Award- Golden Prize, Taishin FHC
2010.08	Council for Culture Affairs	Wen Xin Award- Best Cultivation of Talented Persons, Taishin FHC
2010.07	Business Today	Ranked No. 1 Most Proficiency in Consulting Award – Taishin Bank
2010.07	Business Today	Ranked No. 1 Best Product Award – Taishin Bank
2010.04	Asian Banker	Best Branch Automation & Networking – IT Implementation Awards – Taishin Bank

III

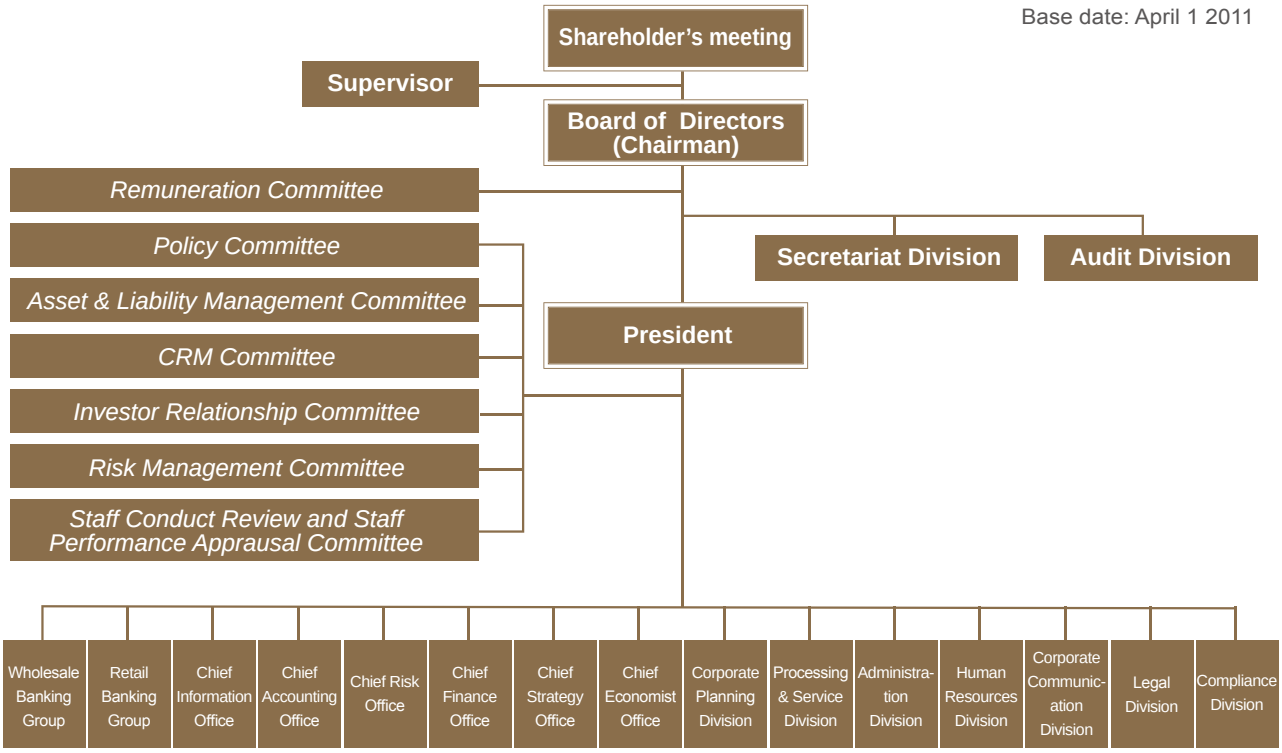
Corporate Governance

III. Corporate Governance

A.The organization of the financial holding firm

1.Organization chart

Base date: April 1 2011



2. 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) Consumer Banking Group

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

(4) Chief Strategy Office

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

(5) Chief Financial 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.

III. Corporate Governance

- Analysis and management of the operation, performance, and risk of subsidiaries' investment-type products, decision making for investment-type products, and study of the regulator's related regulations.
- Communications, contact, and the setup of long-term relationship with institutional investors.

(6) Chief Risk Office

- planning and management of the management mechanism for credit risk, market risk, and operating risk.
- disclosure of the risk-management execution and risk-exposure position.
- planning and establishment of integrated risk-management platform.

(7) Chief Accounting Office

Performance management

- In charge of the compilation of the annual budget of the financial holding firm and the planning and management of annual business goals.
- Analysis and evaluation of the performance in achieving budget and business goal (balanced scorecard).
- Evaluation of the efficacy of marketing program and compensation system.
- Planning and management of, as well as report compilation for, the management information system (MIS) of the financial holding company.
- Design and evaluation of the internal pricing system of the management information system (MIS) of the financial holding company.

Accounting management

- In charge of the planning and management of the accounting policy of the financial holding company.
- Research of and consulting for various financial issues.
- Testing and evaluation of assets reduction.
- Compilation, analysis, and reporting of the financial information of the financial holding company.
- Handling of the accounting operation of the financial holding company.

(8) Chief Information Office

- formulation of information policy
- application, integration, and proposal of new information technologies
- evaluation of major information investments

(9) Human Resources Division

- takes care of the formulation, revision, organizational planning, and publication of the financial holding company's human-resources regulations and policy
- management of personnel recruitment, appointment, and performance evaluation
- employee compensations and welfare; the design, execution, and management of the communications channel with employees
- research, planning, revision, compilation, and execution of staff-training courses and materials
- Formulation, execution, and management of human resources-related contracts and documents of the company and subsidiaries.

(10) Administration Division

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

(11) Corporate Communications Division

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

(12) Legal Division

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

(13) Compliance Division

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

(14) Processing & Service Division

- 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.

III. Corporate Governance

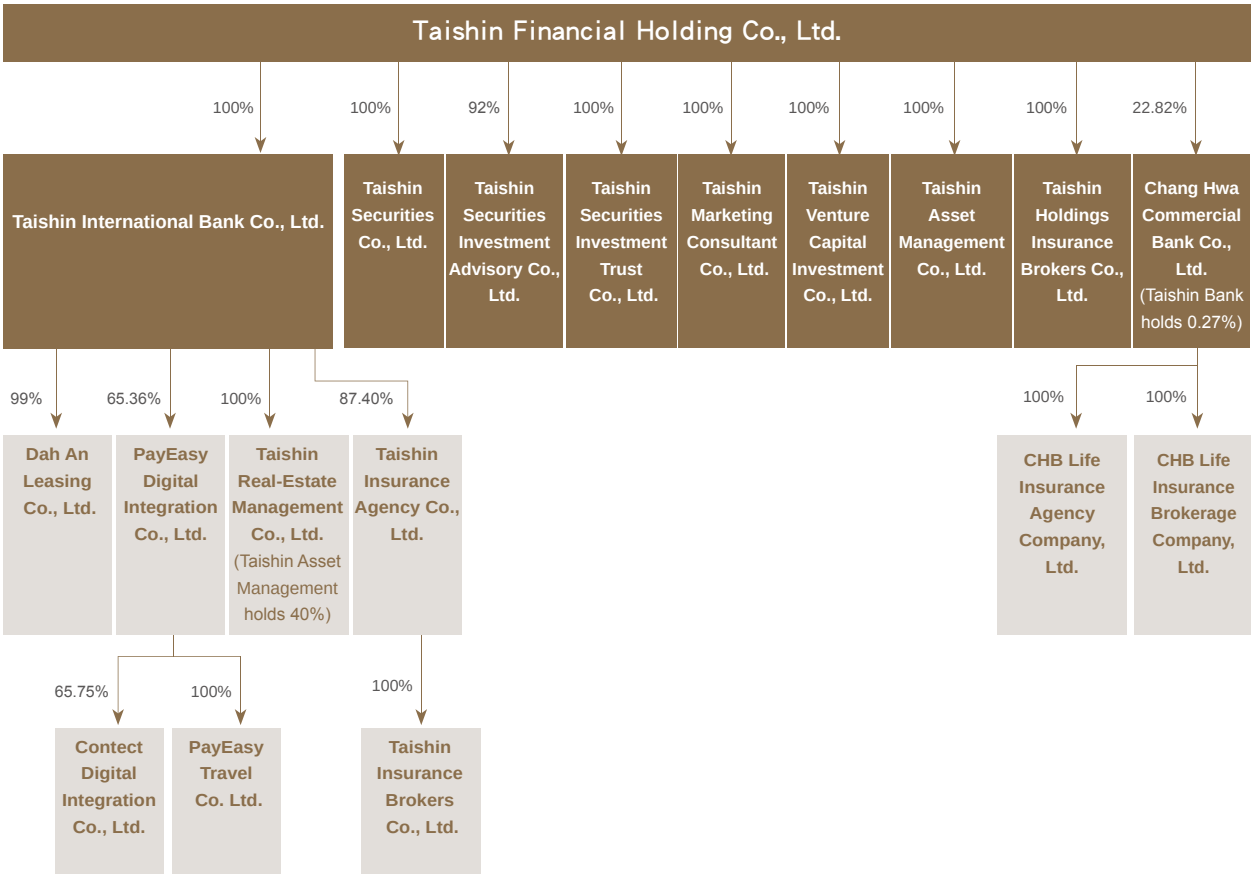
- Business-related communications and coordination among various business groups and subsidiaries of the financial holding company

(15) Corporate Planning Division

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

The Organizational Chart of Taishin Financial Holding and Its Affiliates

Base date: April 27, 2011



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

a.data on board directors and supervisors

Base date: Apirl 30, 2011

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
Chair-man	Bo-Rui Co., Ltd. Representative: Thomas T.L. Wu	Director, First Bank Supervisor, Hua Nan Bank MBA, University of California, LA	Note 1	Director Supervisor	Jui-Sung Kuo Long-Su Lin	Brother-in-law Brother-in-law
Board director	TPG NEWBRIDGE TAISHIN HOLDINGS I, LTD. Representative: Weijian Shan	Executive Director, JPMorgan Chase & Co. Ph.D. in Business Adminstration, University of California, Berkeley	Note 2	Nil	Nil	Nil
Board director	Tong Shan Investment Co., Ltd. Representative: Jui-Sung Kuo	Director, International Bank of Taipei Ph.D. in Physics, New Hampshire Univer-sity	Note 3	Chairman Supervisor	Thomas T.L. Wu Long-Su Lin	Brother-in-law Brother-in-law
Board director	Tai-Ho Investment Co., Ltd. Representative: Cheng-Ching Wu	Supervisor, Taishin Financial Holdings, Taishin Bank Ph.D. in Engineering, Tokyo University	Note 4	Nil	Nil	Nil
Board director	Hsiang-Chao Investment Co., Ltd. Representative: Steve S.F. Shieh	President, Taishin Financial Holdings, Taishin Bank Accounting Department, National Cheng Kung University	Note 5	Nil	Nil	Nil
Board director	Pan City Co., Ltd. Representative: Chu-Chan Wang	Director, Taishin Financial Holdings, Taishin Bank Parmaceutical Department, Kaohsiung Medical College	Note 6	Nil	Nil	Nil
Board director	Bo-Rui Co., Ltd. Representative: Greg Gibb	COO, Taishin Financial Holdings. President,McKinsey Taiwan. Middlebury Colleag,Vermont,USA.	Note 7	Nil	Nil	Nil
Inde-pendent director	Chih-Kang Wang	Minister of Ministry of Economic Affairs Ph.D. in Marketing, Texas A&M University	Note 8	Nil	Nil	Nil
Inde-pendent director	Neng-Pai Lin	Chairman, Taiwan Power Co. Dean, College of Management at National Taiwan University Ph.D. in Business,Ohio State University	Note 9	Nil	Nil	Nil
Standing supervi-sor	Master Advisor Management Consulting Co., Ltd. Representative: Yang-Tzong Tsay	Managing Director of Taiwan Bank Dean of Accounting graduate school of National Taiwan University Ph.D. in Business Administration,University of Maryland	Note 10	Nil	Nil	Nil
Supervi-sor	Taishin International Investment & Development Co., Ltd. Representative: Long-Su Lin	Director, Taishin Financial Holdings, Taishin Bank Ph.D. in Chemistry, Virginia State University	Note 11	Chairman Director	Thomas T.L. Wu Jui-Sung Kuo	Brother-in-law Brother-in-law
Supervi-sor	Royal International Co., Ltd. Representative: Simon C.C.Cheng	The Top Consultant of Want Want China Times Group Chairman of CTiTV Master in Economics, National Taiwan University	Note 12	Nil	Nil	Nil

III. Corporate Governance

Note 1: Representative Thomas T.L. Wu, is concurrently acting as Chairman of Taishin Bank, Director of Taishin RealEstate Management, Director of AN-SIN Real Estate Management, Director of Shin Kong Mitsukoshi Department Store, Director of Shin Kong Lohas, Director of Shin Kong Recreation, Director of Shin Kong Construction and Development, Director of Wangtien Woolen Textile, Director of Taiwan Shin Kong, Director of The Great Taipei Gas, Director of Taiwan Shin Kong Security, Director of Hsien-Shun Enterprise, Director of Shin-Yun Enterprise, Director of Jui-Siang Investment, Director of Kuei-Yuan Investment, Supervisor of Bo-Rui, Supervisor of Yung-Kuang, Supervisor of Shin Kong Agriculture & Animal husbandry, Supervisor of Shin Kong Hae-Yang, Supervisor of Jui-Chin Enterprise, Supervisor of Shin-Shi Enterprise, Supervisor of Chin-Shan Investment, Supervisor of Beitou Hotel.

Note 2: Representative Weijian Shan, is concurrently acting as Partner of TPG Capital, Director of Chang Hwa Bank, Director of China Grand Automative Service, Director of Shenzhen Development Bank, Director of Unitrust Finance & Leasing Corp., Independent Director of Bank of China Hong Kong Limited, Independent Director of BOC Hong Kong (Holdings) Limited, Director of TCC International Holdings Ltd., Director of Taiwan Cement Corp., Director of Zoom Technologies LTD., Director of Nissin China Holdings, llc., Director of Edenvale Holdings Limited.

Note 3: Representative Jui-Sung Kuo, is concurrently acting as Chairman of Jui-Fang Co., Director of Taishin Bank, Director of An-Long Enterprise, Director of TECO Image Systems, Director of Pacific Capital Partners, Director of Ho-Chin Cultural Enterprise, Director of Cheng Xin Development, Director of Shi-Ho Digital Technology, Director of Century Development, Supervisor of Taiwan Shin Kong Security, Supervisor of SerComm, Supervisor of Chun-Hsiang Enterprise Consultants.

Note 4: Representative Cheng-Ching Wu, is concurrently acting as Chairman of TASCO Chemical, Chairman of EXCEL Chemical, Chairman of Ming-Xing Chemical, Chairman of Tai-Ho Technology, Chairman of Tuntex Petrochemical Inc., Chairman of SAFEWAY GAS Co., Chairman of Ho-Shin Co., Chairman of Chang-Fong Transportation, Managing Directro of Chang Hwa Bank, Director of China Investment & Development, Directro of CIDC Consultants, Directro of Shun-Li-Tong Transportation.

Note 5: Representative Steve S.F. Shieh, is concurrently acting as Director of Taishin Bank, Director of Taishin Insurance Agency, Director of PayEasy Digital Integration, Director of PayEasy Travel Service.

Note 6: Representative Chu-Chan Wang, is concurrently acting as Chairman of Pan City Co., Chairman of Hsien-Shun Enterprise, Director of Santo Arden Co., Standing Supervisor of Taishin Bank, Supervisor of The Great Taipei Gas, Supervisor of SKS Telecommunications, Supervisor of Tai-Wa Co.

Note 7: Greg Gibb is concurrently acting as Director of Taishin Securities.

Note 8: Chih-Kang Wang, is concurrently acting as Chairman of Taiwan External Trade Development Council, Chairman of Taipei Word Trade Center, Chairman of The Shiner Education Foundation, Independent Director of Taishin Bank, Independent Director of Nan Ya Plastics, Independent Director of Formosa Sumco Technology, Director of Chilisin Electronics, Director of Straits Exchange Foundation.

Note 9: Neng-Pai Lin, is concurrently acting as Independent Director of Taishin Bank, Independent Director of Darfon Electronics, Director of TECO Image Systems, Director of Litek Opto-electronics.

Note10: Representative Yang-Tzong Tsay is concurrently acting as Independent Director of South China Insurance Co.Ltd. Independent Director of Castlenet Teconology Inc. Independent Director of Inventec Appliances Corp. Independent Director of Alltek Technology Corp. Standing supervisor of Taishin Bank supervisor of KINGPAK Technology Inc. supervisor of CyberLink Corp. supervisor of Speedtech Corp. supervisor of Shin Zu Shing Co,Ltd.

Note11: Representative Long-Su Lin, is concurrently acting as Chairman of Ennead Inc., Chairman of Ennead Leasing, Chairman of Ennead Investment, Chairman of Shi-Hong Enterprise, Chairman of MiTAC Construction and Development, Chairman of Chun-Ying Interior Design, Director of Shin Kong Chao Feng, Director of Cheng Xin Development, Director of Hu-Chang Development, Director of Shi-Hong Investment, Director of Nica-Orient Development, Director of Ferris wheel International Development, Director of Virgin Enterprise, Director of Gyu-Kaku, Director of Toms World Amusement, Director of International Advanced Music, Supervisor of Taishin Bank, Supervisor of KONIG FOODS, Supervisor of Tai-Li-Ya Development..

Note12: Representative Simon C.C.Cheng is concurrently acting as Chairman of Taishin Bank Foundation for Arts and Culture Director of Taishin Charity Foundation.

b. President, Vice-presidents and Department Heads

base date: Apirl 30, 2011

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
Keh Hsiao Lin	President	President of Taishin Financial Holding PhD, Department of Economics, University of Washington	President of Taishin Financial Holdings, Director of Taishin RealEstate Management, Director of Dah An Leasing, Director of PayEasy Digital Integration, Director of Juimeng Investment Co., Ltd., Director of Taiwan Asset Management Corp., Director of Taiwan Parking Co., Director ofthe Miniature World, Director of VehGuider, Director of Pacific Music, Wisdom Technology,, Supervisor of Taishin Asset Management, Supervisor of Shin Jui Asset Management, Supervisor of PQ international Co.	None		
Steve S.F. Shieh	Executive advisor	Vice President of First Trust Accounting Department, National Cheng Kung University	Director of Taishin Bank, Director of Taishin Insurance Agency, Director of PayEasy Digital Integration, Director of PayEasy Travel Service			
Oliver Shang	Chief Executive Officer, Retail Banking Group	Chief Executive Officer,Chinattust Financial Holding MBA,University Of Delaware	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		
				Title	Name	Relationship
Justin Tsai	Chief Executive Officer, Wholesale Banking Group	President of Taishin Bank MBA, Indiana University	President of Taishin International Bank, Director of Taishin Bills Finance, Director of Taishin Venture Capital Investment, Director of Taishin Securites, Supervisor of Dah An Leasing	None		
Howard Wu	Chief auditor	Vice President of Citi Bank Graduate School of Management Science, Baker College	N/A			
Daniel Tsai	Chief Strategy Officer	President of Taishin Bank EMBA, National Chiao Tung University	Director of PayEasy Digital Integration, Director of Taishin Marketing Consultant, Director of PayEasy Travel Service, Supervisor of Contect Digital Intergration			
B.R. Ho	Chief Information Officer	Vice president for technology and industrial consulting, SAP Taiwan Master of Management Information Systems, National Chengchi University	N/A			
Welch Lin	Chief Financial Officer	President, ABN AMRO Taiwan MBA,UCLA	Director of Taishin Insurance Agency, Director of Dah An Leasing, Director of Taishin Insurance Brokers, director of Chinese New Venture Capital, Hanhua Venture Capital, Tengfeng Venture Capital , and Yuanta Foreign Exchange Brokerage, Supervisor of Taishin Real Estate Management, Supervisor of Taishin Venture Capital Investment, Tehlin Investment, Tachung Venture Capital, Tehlin Co., Ltd ,supervisor of Taishin securities			
Ann Cheng	Chief Accounting Officer	Vice president of The Royal Bank of Scotland MBA, University of New Haven	Supervisor of Taishin Marketing Consultant, Supervisor of Taishin Bills Finance, Supervisor of Taishin Securites			
Loofei Huang	Chief Risk Officer	Technology Management Consultants MBA, Oregon University	Senior vice president of Taishin International Bank			
Ena Swe	Senior vice president	Vice President of Citi Bank Master of Science, United States International University	Supervisor of PayEasy Digital Integration, Senior vice president of Taishin International Bank			
Chao-Min Lin	Vice president	Section Chief of Shin Kong Life Insurance Department of Law, Soochow University	Vice president of Taishin International Bank			
Patrick Lin	Vice president	Shin Kong Life Insurance Department of Business Administration, Fu Jen Catholic University	N/A			
Chris Chang	Vice president	Assistant Vice President of Citi Bank MBA, University of California, Los Angeles	Director of Minshih Business Management Consulting Vice president of Taishin International Bank			

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

III. Corporate Governance

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

1.Internal Control Statement Statement

To Financial Supervisory Commission:

March 24, 2011

We hereby declare, on behalf of Taishin Financial Co., Ltd., that the company did set up internal control system, carry out risk management, and have an independent auditing department undertake auditing works with the results being reported to the board of directors and supervisors regularly, in compliance with "enforcement measures for internal control and auditing systems of financial holding companies," during the period from January 1, 2010 to December 31, 2010. In addition to items listed on the attached tables, careful review and evaluation confirms effective execution by various business units in internal control and compliance with laws and regulations. The statement will become a major component of the company's publicized annual report and proxy statement. Any falsehood, concealment, or other irregularities for the aforementioned statement will be liable to legal responsibilities stipulated in article 20, article 31, article 171, and article 174 of the Securities Transaction Law.

Chairman

President

General Auditor

Executive Responsible for Legal Compliance

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

base date: Dec. 31, 2010

Items needing improvement	Improvement measures	Schedule for improvement
The company		
1.Management of expense sharing for business promotion among subsidiaries	Already formulated principle for expense sharing	Improved
2.Notification for convening of the board of directors	Except emergent cases needing immediate discussion, notices for the meeting of board of directors, along with materials related to agenda, should be sent to directors and supervisors seven days in advance.	Improved
3.Report for major information	Already strengthen promotion with various units of the financial holding company and subsidiaries to avoid delayed report.	Improved
4.Common marketing and customer-data management mechanism among subsidiaries	Revised related measures, deeds, and adjust the management and control mechanism for the use of customer data for common marketing	Completed on June 30, 2011
Taishin International Bank		
1.Check for deposit withdrawal of securities account		Already approved
2.Management of transactions other than credit extension with related parties.		Already approved
3.Management of the requirement of related guarantors for consumer auto loan		Already approved
4. Managemetn of subsidiary Taishin Insurance Agency		Already approved
Taishin Securities Investment Trust		
Reasonableness and correctness of the analytical report for fund management		Already improved

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

III. Corporate Governance

D.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.	Nil	
B.Fines inflicted by Financial Supervisory Commission (FSC) for violation of laws/regulations	1.Taishin Financial Holding (1)The FSC fined the company's chief executive NT$240,000 for failing to notify directors and supervisors seven days in advance for some meetings of the board of directors during Jan. 15, 2008 and May 22, 2009 and provide reasons for some meetings (FSC, No.09990030006, Aug.18, 2010).	In the future, for emergent cases needing immediate discussion, the board of directors should be convened according to the stipulations of the Company Laws and measures governing the meeting of board of directors.
	(2)The board of directors of the company's subsidiary Taishin Asset Management resolved on Oct. 11, 2010 to buy fixed assets from Hsinjui Asset but the company didn't post the information on Market Observation Post System until Oct. 13, 2010, for which Taiwan Stock Exchange fined the company NT$30,000 (TSE, No. 0991705989, Dec. 30, 2010).	The board of directors of Taishin Asset Management resolved on Jan. 21, 2011 to set the deadline for publicizing or reporting obtaining or disposal of assets at the time before the beginning of the next trading session.
	2. Taishin Bank (1)The Financial Supervisory Commission inflicted a fine of NT$4 million for leakage of customer information (FSC No.09700511461, June 15, 2009).	Already put forth measures intensifying customer-information protection in the four aspects of "precautionary measures," "monitoring mechanism," "employee management," and "information-security policy," as well measures strengthening system development, including: (1)the introduction of "Thin Client" mechanism, (2)control of the linkage between the bank's network and operating mainframe via internal firewall, (3)intensification of the management mechanism of information input and retrieval management system for data warehousing analytical environment (FAM). (4)cancellation of the setup of excluding specific mainframes for the auditing record of key information database mainframes. (5)regular request for Microsoft to assist the bank in checking information-system security and online packing.
	(2)The FSC inflicted fine of NT$240,000 on July 6, 2007 on the company's chief executive for failing to file report in time for Chienhung strategic balanced fund exceeding NT$300 million in scale (FSC No.0980039400, Aug. 19, 2009).	When subscribing to or redeeming funds, frontline traders should calculate whether the fund has passed the threshold for mandatory reporting according to the book value of the fund on the previous trading session, while back-office units add the function warning the fund exceeding NT$300 million in scale to their delivery and clearance system. The double control mechanism of manual works and system can assure the completion of report filing with the specified period.
	(3) The FSC inflicted a fine of NT$500,000 on the bank for providing data on the deposits and loans of customers without their agreement to the financial holding companies and subsidiaries for the purpose of joint marketing (FSC, No. 09900053443, July 6, 2010).	Already reviewed and adjusted the management mechanism for the use of customer information for joint marketing.

	Cases and values	Status of improvement
B.Fines inflicted by Financial Supervisory Commission (FSC) for violation of laws/regulations	(4) The FSC inflicted fine of NT$2 million on the company for engaging in transactions other than credit extension with parties specified in item 1, article 45, Financial Holding Company Law without obtaining the approval of the board of directors in advance (FSC, No. 09960004101, Aug. 11, 2010).	Already formulated management mechanism and operating flow for related transactions requiring the submission of such transactions to the board of directors for approval in advance.
	(5) The FSC inflicted NT$500,000 of fine on the company for requiring co-issuer of promissory notes for auto loans already secured sufficient chattel as collateral (FSC, No. 09900177531, Aug. 17, 2010).	No need of related debtor with associated liabilities for loans already secured by sufficient chattel as collateral.
	(6)The FSC inflicted a fine of NT$6 million on the company and suspended some businesses of the company as the following for improper management of its subsidiary Taishin Insurance Agency (FSC, No. 09800575551, Aug. 27, 2010): (a) Suspend application for investments specified in article 74, Banking Law, for one year, excluding ongoing investments already approved by the FSC. (b) Forbid mutual utilization of customer information with Taishin Insurance Agency and Taiwan Insurance Brokers, according to article 10, "measures governing joint marketing among subsidiaries of financial holding company." (c) Stop signing new cooperative promotional contract or continued contract with Taishin Insurance Agency and Taishin Insurance Brokers according to "regulations on cooperation between banks, securities firms, and insurance firms for pushing products of other lines or providing related services." (d) The restrictions of (2) and (3) can be removed only after the bank has owned 100% shares Taishin Insurance Agency and obtained the acknowledge of the FSC for rectifying related defects.	Already revised the bank's measures governing the management of subsidiaries and required the subsidiary to revise its corporate charter and measures governing authorization of expenses and outlays, so as to maintain the operation of an effective and proper internal control system.
	3. Taishin Investment Trust The FSC rectified and fined the company NT$120,000 for the lack of reasonable basis and misleading contents for the analytical report which was used as the basis for fund management (FSC, No.0990019431, May 4, 2010).	(1) Already required fund managers to strengthen the contents of fund-investment analytical report, which should cover industrial status, corporate operation, profit forecast, and financial status. (2) Already required administrative staffers to intensify examination of report contents to avoid mistakes of investment analytical report.
C.Defects being rectified by the FSC	Nil	
D.Penalized by the FSC according to item 1, article 54, of the law	Nil	

III. Corporate Governance

	Cases and values	Status of improvement
E.For individual or combined loss exceeding NT$50 million in value which results of personnel corruption, major incidents (fraud, burglary, embezzlement and stealth of assets, fraudulent transaction, forged certificates and securities, collection of feedback, damage of natural disaster, damage of external force, hacker attack and stealth of information, and F.leakage of confidential business and customer information) or security incidents resulting from failing to abide by guidelines for security maintenance of financial institutions, disclose its nature and loss amount.	Nil	
G.Other items mandated by the FSC for disclosure	1. Taishin Financial Holding (1) The FSC rectified Taishin Marketing Consultant and Taishin Securities for failing to apply with the FSC for approval and change of business license for change of office address (FSC No. 09800028541, Feb. 22, 2009).	The company will step up instruction with subsidiaries, improve internal operating flow, and avoid repetition of similar mistakes.
	(2) The FSC rectified the company for lack of clear guidelines for joint-marketing expense sharing among subsidiaries, leading to much confusion (FSC, No.09900053441, July 6, 2010).	The board of directors of the company passed “guidelines for business-promotion expense sharing among the financial company and subsidiaries” on November 12, 2010.
	2. Taishin Bank (1) Dismiss legal specialist Chen for embezzling provisions of deposits for court provisional seizure under the order of the FSC (FSC, No. 09900086771, April 6, 2010).	(1) Collection of the deposits for court provisional seizure can be conducted only in the form of registered negotiable instruments payable to Taishin International bank or remittance, rather than cash. (2) regular rotation of persons in charge and cases undertaken, avoid monopoly of cases by the same person over a long term, to avoid irregularities. (3) regular check with the court in charge or custodian of provisions for long-term uncollected deposits, to ascertain the status the deposits for court provisional seizure and the progress of the case.
	(2) The FSC rectified the bank for incident, in which the deposit of the bank’s customer was withdrawn by a staffer of a securities firm with fake chop (FSC, 09900235471, Aug. 9, 2010).	(1) Add an text-message function for transaction with accumulated value exceeding NT$10 million (inclusive). (2) Add a phone-confirming function for transactions of deposit withdrawal or transfer exceeding NT$10 million (inclusive) in accumulated value in one week.

IV

Fund Raising

IV. Fund Raising

A. Shares and Dividend

a. 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. 0900015135, Dec. 31, 2001 (note 1)
Sept. 2002	10	10,000,000	100,000,000	common share 2,300,000 B preferred share 400,000	common share 23,000,000 B preferred share4,000,000	Retrieval of A preferred shares after maturity	MOF, No. 0912001371, Oct. 11, 2002 (note 2)
Dec. 2002		10,000,000	100,000,000	common share 3,631,623 B preferred share 400,000	common share 36,316,236 B preferred share 4,000,000	Share conversion	MOF No. 0910050394, Nov. 7, 2002 (note 3)
May 2003	10	10,000,000	100,000,000	common share 3,632,713 B preferred share 400,000	common share 36,327,139 B preferred share 4,000,000	Issuance for convertible corporate bonds in the first quarter 2003	MOEA No. 0920113370, May 7, 2003 (note 4)
July 2003	10	10,000,000	100,000,000	common share 3,687,739 B preferred share 400,000	common share 36,877,397 B preferred share 4,000,000	Issuance for convertible corporate bonds in the second quarter 2003	MOEA No. 09201228300, July 30, 2003 (note 5)
Oct. 2003	10	10,000,000	100,000,000	common share 3,668,520 B preferred share 400,000	common share 36,685,207 B preferred share 4,000,000	Capital reduction in line with cancellation of treasury stocks	MOF No. 0920045919, Oct. 8, 2003 (note 6)
Oct. 2003	10	10,000,000	100,000,000	common share 3,676,978 B preferred share 400,000	common share 36,769,788 B preferred share 4,000,000	Issuance for convertible corporate bonds in the third quarter 2003	MOEA, No. 09201297690, Oct. 27, 2003 (note 7)
Feb. 2004	10	10,000,000	100,000,000	common share 3,756,113 B preferred share 400,000	common share 37,561,132 B preferred share 4,000,000	Issuance for convertible bonds in the fourth quarter 2003	MOEA No. 09301012440, Feb. 2, 2004 (note 8)
April 2004	10	10,000,000	100,000,000	common share 3,957,779 B preferred share 400,000	common share 39,577,790 B preferred share 4,000,000	Issuance for convertible bonds in the first quarter 2004	MOEA, No. 09301069080, April 28, 2004 (note 9)
July 2004	10	10,000,000	100,000,000	common share 4,015,045 B preferred share 400,000	common share 40,150,457 4,000,000	Issuance for convertible bonds in the second quarter 2004	MOEA, No. 09301138150, July 26, 2004 (note 10)

times	Issuing prices	Approved capital		Paid-in capital		notes	
		Number of shares	Value	Number of shares	Value	Capital sources	others
Aug. 2004	10	10,000,000	100,000,000	common share 4,277,063 B preferred share400,000	common share 42,770,639 B preferred share 4,000,000	Issuance from earnings, capital reserves and convertible bonds	MOEA, No. 09301156500, Aug. 19, 2004 (note 11)
Oct. 2004	10	10,000,000	100,000,000	common share 4,298,768 B preferred share 400,000	common share 42,987,687 B preferred share 4,000,000	Issuance for convertible bonds in the third quarter 2004	MOEA, No. 09301198370, Oct. 27, 2004 (note 12)
Jan. 2005	10	10,000,000	100,000,000	common share 4,407,292 B preferred share 400,000	common share 44,072,921 B preferred share 4,000,000	Issuance for convertible bonds in the fourth quarter 2004	MOEA, No. 09401015750, Jan. 27, 2005 (note 13)
May 2005	10	10,000,000	100,000,000	common share 4,433,851 B preferred share 400,000	common share 44,338,511 B preferred share 4,000,000	Issuance for convertible bonds in the first quarter 2005	MOEA, No. 09401077610, May 4, 2005 (note 14)
Aug. 2005	10	10,000,000	100,000,000	common share 5,108,079 B preferred share 400,000	common share 51,080,795 B preferred share 4,000,000	Issuance from earnings, capital surplus, and for convertible bonds in the second quarter	MOEA No. 09401156030, Aug. 16, 2005 (note 15)
Oct. 2005	10	10,000,000	100,000,000	common share 5,108,079 B preferred share 400,000 C preferred share 500,000	common share 51,080,795 B preferred share 4,000,000 C preferred share 5,000,000	Issuance of C preferred shares	MOEA, No. 0940197220, Oct. 4, 2005 (note 16)
Oct. 2005	10	10,000,000	100,000,000	common share 5,114,999 400,000 C preferred share 500,000	common share 51,149,993 4,000,000 C preferred share 5,000,000	Issuance of convertible bonds in the third quarter 2005	MOEA No. 09401208520, Oct. 20, 2005 (note 17)
Jan. 2006	10	10,000,000	100,000,000	common share 5,123,209 B preferred share 400,000 C preferred share 500,000	common share 51,232,092 B preferred share 4,000,000 C preferred share 5,000,000	Issuance for convertible bonds in the fourth quarter 2005	MOEA, No. 09501013580, Jan. 26, 2006 (note 18)
March 2006	10	10,000,000	100,000,000	common share 4,869,077 B preferred share 400,000 C preferred share 500,000	common share 48,690,778 B preferred share 4,000,000 C preferred share 5,000,000	Capital reduc-tion (cancella-tion 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 incre-ment 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)

IV. Fund Raising

times	Issuing prices	Approved capital		Paid-in capital		notes	
		Number of shares	Value	Number of shares	Value	Capital sources	others
July 2006	10	10,000,000	100,000,000	common share 5,438,942 C preferred share 500,000 D preferred share 777,777	common share 54,389,420 C preferred share 5,000,000 D preferred share 7,777,777	Capital reduction upon maturity of B preferred shares	MOEA, No. 09501152460, July 20, 2006 (note 22)
Sept. 2006	10	10,000,000	100,000,000	common share 5,443,633 C preferred share 500,000 D preferred share 777,777	common share 54,436,334 C preferred share 5,000,000 D preferred share 7,777,777	Issuance for convertible bonds in the second quarter 2006	MOEA, No. 09501209040, Sept. 15, 2006(note 23)
Jan. 2007	10	10,000,000	100,000,000	common share 5,710,300 C preferred share 500,000 D preferred share 777,777	common share 57,103,000 C preferred share 5,000,000 D preferred share 7,777,777	Common-share issuance for cash capital increment via private share placement	MOEA, No. 09601001020, Jan. 5, 2007(note 24)
Dec. 2009	10	10,000,000	100,000,000	common share 5,323,819 C preferred share 466,159 D preferred share 725,136	common share 53,238,199 C preferred share 4,661,593 D preferred share 7,251,368	Capital reduction (elimination of shares)	MOEA, No. 09801284730, Dec. 10, 2009(note 25)
Aug. 2010	10	10,000,000	100,000,000	common share 5,909,440 C preferred share 466,159 D preferred share 725,136	common share 59,094,401 C preferred share 4,661,593 D preferred share 7,251,368	Conversion of earnings to capital for new share issuance	MOEA,No. 09901192150, Aug.2010(note 26)
Jan. 2011	10	10,000,000	100,000,000	common share 5,909,596 C preferred share 466,159 D preferred share 725,136	common share 59,095,961 C preferred share 4,661,593 D preferred share 7,251,368	Issuance of new shares for exercise of options by employees	MOEA,No. 10001019790, Jan.2011(note 27)
May. 2011	10	10,000,000	100,000,000	common share 5,911,259 C preferred share 466,159 D preferred share 725,136	common share 59,112,591 C preferred share 4,661,593 D preferred share 7,251,368	Issuance of new shares for exercise of options by employees	MOEA,No. 10001097940 May. 2011(note 28)

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.

Note10: 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.

Note11: 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.

Note12: 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.

Note13: 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.

Note14: 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.
Note15: 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.
Note16: The company issued 500 million C preferred shares, at NT$10 per share, totaling NT$5 billion in value.
Note17: 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.
Note18: 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.
Note19: 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 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.
Note25: 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.
Note26: Conversion of earnings to capital for issuance of 585,620,193 common shares.
Note27: Exercise of options by employees for issuance of 156,000 common shares.
Note28: Exercise of options by employees for issuance of 1,663,000 common shares.

b. Issuance of preferred shares

(1) The Financial Supervisory Commission (FSC) notified, in document No. 0940135173 dated August 30, 2005, its approval of cash capital-increment application by the company to issue 500 million registered C preferred shares, at par value of NT$10 per share and premium price of NT$30, totaling NT$15 billion in value, which had been fully subscribed on September 28, 2005. The batch of registered C preferred shares boasts 3.5% of dividend annually, which is paid out in cash once every year, and cannot be converted to common shares. Following maturity of their seven-year term, the company would buy them back at actual issuing price with earnings or proceeds from new share issuance. The company carried out capital reduction on Dec. 4, 2009 to cover its loss by eliminating 33,841,000 C-type shares, thereby reducing the total amount of such shares to 466,159,000 shares.

(2) For cash capital increment via private share placement, the company issued 777,777,779 registered D preferred shares, at par value of NT$10 per share and premium price of NT$18, totaling NT$14,000,000,022 in value, which had been fully subscribed on March 22, 2006 and reported to the regulator for reference within 15 days. The batch of registered D preferred shares boasts 6.5% of dividend annually, which is paid out in cash once every year, without accumulation, and their holders can take part in earnings distribution for common shares, at ratio of two D preferred shares for one common share. They can be converted to common shares at ratio of 1:1 three years after its issuance. Ten years after its issuance, the company can buy them back in part or in entirety anytime at actual issuing price with earnings or proceeds from new share issuance. Afterwards, annual dividend for the D preferred shares still in circulation will be raised to 7.5%. The company carried out capital reduction to cover its loss on Dec. 4, 2009 by eliminating 52,641,000 C-type preferred shares, thereby reducing the amount of such shares to 725,137,000 shares.

Share categories	Approved capital			notes
	Shares in circulation	Shares without issuance	total	
Common shares	5,911,259,131 shares	2,897,444,665 shares	10,000,000,000 shares	Listed shares
Preferred shares	1,191,296,204 shares			C-type preferred shares are listed shares; 725,136,820 D-type private-placement preferred shares are unlisted shares.

IV. Fund Raising

B.Structure of Shareholders

Structure of Shareholders(common shares)

base date: April 26, 2011

Structure of Shareholders Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	19	132	407	185,147	580	186,285
Shares	113,067,868	544,606,477	782,965,186	1,876,355,470	2,594,264,130	5,911,259,131
Share of stake(%)	1.91 %	9.21%	13.25%	31.74%	43.89%	100.00%

Structure of Shareholders (C preferred shares)

base date: April 26, 2011

Structure of Shareholders Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	0	21	12	101	0	134
Shares	0	364,525,811	95,370,593	6,262,980	0	466,159,384
Share of stake(%)	0.00%	78.20%	20.46%	1.34%	0.00%	100.00%

Structure of Shareholders (D preferred shares)

base date: April 26, 2011

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

C.Distribution of Shareholding

Distribution of Shareholding (common shares)

base date: April 26, 2011;Par Vaule NT$10

Classification of Shareholding	Number of Shareholders	Shares	Share of stake(%)
1~ 999	73,014	23,789,893	0.40%
1,000~ 5,000	61,972	143,768,455	2.43%
5,001~ 10,000	20,619	150,915,703	2.55%
10,001~ 15,000	9,794	115,139,565	1.95%
15,001~ 20,000	5,978	104,839,911	1.77%
20,001~ 30,000	5,248	124,802,704	2.11%
30,001~ 50,000	3,883	150,605,812	2.55%
50,001~ 100,000	2,776	192,852,706	3.26%
100,001~ 200,000	1,444	193,644,736	3.28%
200,001~ 400,000	626	172,253,080	2.91%
400,001~ 600,000	235	114,608,713	1.94%
600,001~ 800,000	131	89,739,887	1.52%
800,001~1,000,000	83	74,570,571	1.26%
1,000,001~	482	4,259,727,395	72.0%
Total	186,285	5,911,259,131	100.00%

Distribution of Shareholding (C preferred shares)

base date: April 26, 2011;Par Value NT$10

Classification of Shareholding	Number of Shareholders	Shares	Share of stake(%)
1~ 999	21	9,049	0.00%
1,000~ 5,000	23	68,874	0.01%
5,001~ 10,000	6	55,429	0.01%
10,001~ 15,000	3	41,188	0.01%
15,001~ 20,000	2	37,413	0.01%
20,001~ 30,000	4	107,496	0.02%
30,001~ 50,000	10	387,734	0.08%
50,001~ 100,000	12	869,040	0.19%
100,001~ 200,000	12	1,736,498	0.37%
200,001~ 400,000	11	3,217,241	0.69%
400,001~ 600,000	4	1,869,529	0.40%
600,001~ 800,000	3	1,968,886	0.42%
800,001~1,000,000	1	932,319	0.20%
1,000,001~	22	454,858,688	97.5%
Total	134	466,159,384	100.00%

Distribution of Shareholding (D preferred shares)

base date: April 26, 2011;Par Value NT$10

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

D.Major Shareholders

base date: April 26, 2011

Shares Major Shareholders	Shares(Including common shares and preferred shares)	Share of stake(%)
TPG NEWBRIDGE TAISHIN HOLDINGS II, LTD.	467,987,460	6.59%
TPG NEWBRIDGE TAISHIN HOLDINGS I, LTD.	346,310,721	4.88%
QE INTERNATIONAL (L) LIMITED	275,966,351	3.89%
Nomura Asia Investment (Taiwan) Pte. Ltd.	218,576,957	3.08%
Taishin Leasing & Financing Co., Ltd.	186,251,361	2.62%
TAISHIN CO-INVESTOR HOLDINGS II, LTD.	153,558,385	2.16%
Taiwan Life Insurance Co. Ltd.	133,837,156	1.88%
TAISHIN CO-INVESTOR HOLDINGS I, LTD.	113,633,205	1.60%
Public Service Pension Fund	90,943,909	1.28%
Tong Shan Investment Co., Ltd.	76,482,568	1.08%

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

IV. Fund Raising

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

Items \ Year			2009	2010	As of Mar. 31,2011
Market Price Per Share	Highest		14.30	17.60	18.30
	Lowest		4.16	9.91	14.30
	Average		9.64	13.32	16.33
Net Assets per Share	Before payout (coverage of loss)		11.76	11.64	12.08
	After payout (coverage of loss)		10.59	(Note 2)	-
EPS (Note1)	Average Outstanding Stock (NT$1,000)	Before Adjustment	5,323,820	5,909,441	5,910,606
		After Adjustment	5,909,441	-	-
	EPS	Before Adjustment	1.27	1.06	0.4
		After Adjustment	1.14	1.06	-
Dividends	Cash Dividend		0	(Note 2)	-
	Stock grant	Allotment by Earning	1.1	(Note 2)	-
		Allotment by Capital Surplus	0	(Note 2)	-
	Accumulated Undistributed Dividends (NT$1,000) (Note 3)		1,050,000	525,000	654,452
Analysis for Return on Investment	Price to Earning Ratio (Note 4)		8.58	12.45	-
	Price to Profit t Ratio (Note 5)		0	(Note 2)	-
	Yield Rate of Cash Dividend (Note 6)		0	(Note 2)	-

Note 1: For the reason behind the re-compilation, please refer to the CPA auditing report attached at the end.
Note 2: The Earning distribution for year 2010 hasn't been approved by the 2011 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

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

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

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

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

b. Items on the agenda of the shareholders' meeting

The company's after-tax net profits audited by certified public accountants reached NT$7,723,106,166 in 2010, of which NT$772,311,000 was earmarked as legal reserves, NT$525,000,000 as dividend payout for C-type preferred shares and NT$910,000,000 as dividend payout for D-type preferred shares. Dividend payout for common shares is set at NT$0.93 per share provisionally, including NT$0.23 cash dividend and NT$0.7 stock dividend. The dividend payout for common shares is based on 5,911,259,131 shares issued as of April 25, 2011. The actual payout total will be affected by the purchase of treasury stocks, exercise of employee options, and the conversion of D-type preferred shares. Whatsoever, the total payout is capped at NT$5,521,000,119. Should the number of common shares in circulation exceeds 5.936,559,267 shares on the base date for ex-right , priority should be placed on the adjustment of cash payout for common shares. Actual payout is be adjusted by the board of directors, under the authorization of shareholders' meeting, according to the actual numbers of shares in circulation on the base date for ex-right.

IV. Fund Raising

G. Issuance of Company Bonds

a. Issuance of Company Bonds

Issuance of Company Bonds -1

base date: March 31, 2011

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

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

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

Note 3: Reserved for overseas corporate bonds.

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

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

Note 6: Mark private placement conspicuously.

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

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

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

Issuance of Company Bonds -2

base date: March 31, 2011

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

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

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

Note 3: Reserved for overseas corporate bonds.

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

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

Note 6: Mark private placement conspicuously.

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

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

IV. Fund Raising

Issuance of Company Bonds -3

base date: March 31, 2011

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

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

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

Note 3: Reserved for overseas corporate bonds.

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

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

Note 6: Mark private placement conspicuously.

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

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

Issuance of Company Bonds -4

base date: March 31, 2011

Type of Company Bonds (note 2)		First issuance of unsecured convertible bonds via private placement in 2006
Date		May 5,2006
Par value		NT$50,000,000
Issue & trade place (note 3)		Securities issued via private placement without public offering
Offering price		100%
Proceed raised		NT$7 Billion
Interest rate		2.75%
Term		5 years(May 5, 2011)
Mortgage priority		Common
Guarantor		None
Trustee		Mega Bank
Underwriting organization		None
Verification lawyer		None
CPA-auditor of the financial report (note 4)		None
Settlement method		Except conversion or redemption according to related measures, the principal for the remainder is repaid once upon maturity.
Unsettled balance		None
The conditions and terms for redemption or early settlement		Handling according to issuance measures
Restriction terms (note 5)		Handling according to issuance measures
Counting in net capital(risk-based capital ratio) and its tier		No
Credit rating agency, rating date and rating		None
Other Rights	Conversion GDR or others	None
	Terms and Conditions	-
Amortization		In the case of full conversion, the diluting effect on share right reaches 7.26%.
Custodian		None

b. Convertible Bonds

Convertible Bonds

base date: March 31, 2011

Type of Company Bonds (note 1)		First issuance of domestic unsecured convertible corporate bonds via private placement in 2006	
Item	Year	2010	2011 (As of 2010.03.31) (note 4)
Market Price (note 2)	Highest	-	-
	Lowest	-	-
	Average	-	-
Conversion Price		NT$15.1	
Issued Date and Conversion Price on Issuing Date		May 5,2006; NT$19.8	
Converted from (note 3)		New common shares	

Note 1: The number of columns can be adjusted according to the actual number of undertakings.
Note 2: List trading sites for overseas corporate bonds, should there be more than one. (There is no reference market price, since it is not publicly offered and is not listed on the centralized market or over-the-counter market.)
Note 3: Delivery of issued shares or issuance of new shares.
Note 4: List data of the current year up to the date of the printing of the yearbook.

c. Data on exchanged corporate bonds: nil

IV. Fund Raising

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, 2011

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

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

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

Note 3: Mark private placement conspicuously.

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

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

b. Data on preferred shares with stock right: nil

I. The Progress of Employees' Stock Warrant

a. The Progress of Employees' Stock Warrant

base date: March 31, 2011

Type of Employees' Stock Warrant	2005 Employees' Stock Warrant	2007 Employees' Stock Warrant	2010 Employees' Stock Warrant
Date approved by authority	May 26,2005	January 17,2007	September 1,2010
Issue date	August 2,2005	March 15,2007	October 13,2010
Issuance amount	150,000,000 shares	150,000,000 shares	75,390,000 shares
The amount of shares for warrants in the total amount of issued shares	2.11%	2.11%	1.06%
Duration for stock warrants	August 2,2005 ~ August 1,2013	March 15,2007 ~ March 14,2015	October 13,2010 ~ October 12,2020
Converted from	New common shares	New common shares	New common shares
Duration and percentage (%) for stock warrants	96/08/02 ~ 104/08/01 First to fifth issuance: 20% each	98/03/15 ~ 106/03/14 First to fifth issuance: 15-40% each	101/10/13 ~ 109/10/12 First to fifth issuance: 15-40% each
Amount of shares obtained via execution of warrants	0	1,551,000	0
Value of shares obtained via execution of warrants	0	23,109,900	0
Amount of shares for warrants yet to be executed	41,450,000shares	139,019,000 shares	74,720,000 shares
Share price for warrants yet to be executed	NT$20.4 par share	NT$14.9 par share	NT$13.9 par share
Percentage of the amount of shares for warrants yet to be executed in the total amount of issued shares	0.58%	1.96%	1.05%
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.

J. The Execution of Fund Utilization Plan

a. Contents of the plan

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

b. Implementation description: nil

V

Operating Status

V. Operating Status

A. Business Contents

Taishin Financial Holding Co., Ltd.

a. Business scope

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

1. The company is allowed to invest in the following businesses:
   1) 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
2. Management of aforementioned invested businesses.
3. Businesses other than the aforementioned ones following approval by the regulator of applications by the company.

b. Business plan of the current year:

The company's business strategy follows:

1. Expand business scale, lower cost, and increase the deployment of business points via merger.
   Thanks to the business cooperation between the company's subsidiaries Taishin International Bank and Chang Hwa Bank, the company will witness balanced development between corporate banking and consumer banking businesses, with the number of its combined domestic business points topping 270 and that of its overseas business points reaching nine, among the highest in the domestic banking industry.
2. Introduction of foreign capital to strengthen corporate governance and thereby install an international operating framework.
   Following the introduction of foreign institutional investors, the company will closely cooperate with them in tapping domestic and overseas markets and augmenting international business and management capabilities, so as to connect with the international financial market.

3. Strengthening capabilities for risk management, internal control, and managing large-scale international financial institution.

   To augment management capability, in addition to recruiting several foreign executives with working experience in international financial institutions into the Taishin management team, we also expect to overhaul Taishin's overall financial business via the introduction of new products and technologies by the new management team, so as to make a fresh start in the year. We will focus our business efforts on recruiting quality clients, in addition to strengthening internal credit-evaluating system for pinpointing good clients and lowering risks.

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

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

c. Industry status:

1. Market status

(1) Economy will recover moderately in 2011:

In 2010, strong global economic recovery induced robust upturn of Taiwan's export, whose value hit record high. Consequently, investment and consumption demand staged a strong performance, enabling Taiwan's economy to expand 10.8%, the highest in 30 years. In 2011, along with the steady expansion of the global economy, consumer confidence and capital outlay by enterprises will stage a gradual upturn. Due to the effect of economic recovery and cross-Taiwan Strait market opening, the financial industry expects to expand their businesses, including banking, securities, and overseas operation, and improve profit margin this year.

(2) Development trend of various financial products

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

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

d. Research and development

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

e. Long- and short-term business development plans

As a financial holding firm, the company's operation is confined investment and management, and as such,

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

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

Taishin International Bank

a. Business contents

1. Growth and change in various business items

(1) Wealth management

The bank's wealth management targets customers with corresponding assets exceeding NT$1 million or contracted loans surpassing NT$8 million, offering tailor-made wealth-management consulting service and proposing custom wealth-management planning and suggestions via the bank's smart wealth-management system, in accordance with customers' life stage, financial need, preparation, and risk nature and endurableness.

Wealth management covers a wide range of products, including NT-dollar and foreign-currency investment products, various short-, mid-, and long-term insurance plans, various consumer loans, and multi-facet assets allocation blueprint, including taxation affairs, and assets planning.

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 them designated branch service and birthday treatment, as well as the treatment of world card. In adherence to the concept treating health as the utmost fortune, the bank provides free top-notch physical checkup service to NT$10 million-club customers who also apply to invest in products exceeding a certain level.

(2) Consumer banking

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

(3) Corporate banking

The bank's corporate-banking operation provides plural professional financial products and services to various intuitional clients, including enterprises, government agencies, and financial institutions, with the

business scope including the businesses of commercial bank and investment bank, such as deposits, short- and long-term financing, guarantee, trade financing, syndicated loan, bond transaction, commercial paper, the factoring of accounts receivable, cash management, e-banking for corporate financial network, foreign exchange and interest-rate derivatives, financial consulting, asset-based securities, and discretionary-account assets management.

(4) e-financial business

In 2010, Taishin Internet bank made many improvements in its operating flow, thereby greatly increasing the usage convenience for customers and tailoring its services to the needs of customers, which greatly enhanced the satisfaction of customers. The effort has won the acknowledgement of the financial field. In 2010, such as the honor of excellent work for the "best e-finance award" under the "Taiwan excellent financial business award," held by Taiwan Academy of Banking and Finance.

Meanwhile, the Internet bank offers a complete payment platform, a simple and clear overall account-browsing picture, preferential currency-conversion rates, and the function for the purchase of portfolio products, constituting the most complete financial service for customers and allowing customers to self-manage their accounts, which leads to the materialization of one-stop financial-management service.

Meanwhile, to provide seamless financial services to customers, Taishin Bank launched mobile banking by capitalizing on the trend of smart phone and mobile life, in order to provide customers most convenient and timely services. In 2010, the mobile banking focused on two major development directions:

First is the "continuing rollout of diversified services": In the first quarter of 2010, Taishin mobile banking launched application programs suited to both iPhone and Android smart phones, cashing in on the special function of smart phone to provide integrated abundant information in the various fields of finance, preferential program, and daily life. In the third quarter, it rolled out account trading function on iPhone platform, offering customers such functions as NT dollar-account inquiry, designated account transfer, check of credit-card bill, and overall browsing of mutual-fund account. Via constant innovation and tailor-made design, Taishin mobile banking has become a good smart partner of customers.

Second is pushing mobile-banking membership: Market data show that sales of smart phones will hit 5 million units in Taiwan in 2011, underscoring their popularity among local people. As a result, potential customers of mobile banking will also increase. Taishin mobile banking started to push various marketing events from the fourth quarter of 2010, highlighting the convenience of mobile banking resulting from the freedom from the restriction of area and time, in order to attract more customers to easily grasp their own smart life.

(5) Trust

For planned trust business, the bank continued to push "money trust" and assist customers to undertake tax saving and lend stock holding via "securities trust." In addition, to meet the diversified trust need of corporate customers, the bank plans to undertake "employee welfare trust" in the second half of 2011, so as to help enterprises achieve the goal of retaining talents via adequate compensation and incentives, as well as facilitate the effort to solicit the business related to selection of investment targets by laborers for their pension funds.

For collective management, the bank pioneered the rollout of "So Easy targeted wealth-management plan," which covers targeted date-type collective management accounts (with the series consisting of

Taishin 2015/2020/2030/2040/2050 collective management accounts) and global (right-payout type) collective management account featuring fixed yield, to as to provide customers complete life-target wealth management plan. For custodian business, in response to the business opportunities related to share listing of overseas enterprises on the local bourse and permission for mainland Chinese employees to obtain stocks of listed parent firms via custodian bank, the bank launched "collective investment account for foreign and overseas Chinese employees" custodian business in March 2011.

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

The bank offers quality overseas corporate bonds and financial bonds, for customers favoring fixed yields in their assets allocation. In November 2010, the bank began to accept the entrustment of professional investors to invest in offshore structured notes, so as to provide high-assets professional investors more investment options.

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

Net income share (%)	2010	2009 (excluding one-off business)
Consumer banking	67%	68%
wealth management	21%	21%
consumption financing	24%	22%
credit card	17%	18%
cash card	5%	7%
Corporate banking	33%	32%
total	100%	100%

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

b. Business plan for the current year

1. Wealth management

(1) Meet the client's need for all-round wealth-management service by utilizing the platform of the nation-wide branch channel to provide client's more superior and professional service to achieve the goal of actively enhancing wealth-management market share.

(2) Adhere to the core concept of "providing the optimal service" and provide custom wealth management goals and suggestions for assets allocation from the angle of customers and via the use of the bank's smart golden diamond financial system.

(3) Integrate various resources of Taishin Financial Holding to provide client's one-stop-shopping service.

2. Consumer Banking

(1) Develop value-added products to tap market and business opportunities.

(2) Utilize CRM information to conduct cross selling, and deep-cultivate customer relationship

(3) Strengthen the cooperative mechanism with channels and enhance the number of products held by clients.

(4) Strengthen the management of branch channel, materialize one-stop shopping service for clients, and enhance the extent of product penetration.
(5) Augment dynamic risk-management capability and strengthen assets quality.
(6) Further improve work flow, enhance service efficiency, and cut operating cost.

3. Corporate and enterprise banking

(1) Provide customers one-stop financial services, via customer-segmentation deep-cultivation strategy and integrated marketing.
(2) Deepen cash management and transaction-type loaning business, so as to fully grasp fund flow of customers and cut credit-extension risk.
(3) Develop innovative assets-related financial products, so as to retain the leading status in the derivatives market for domestic corporate customers.
(4) In response to the gradual liberalization of cross-Taiwan Strait policy, integrate the resources of greater China and lay the foundation for tapping the mainland Chinese financial market and cultivate overseas talents to gradually expand overseas business bases.
(5) Grasp industrial trend, strengthen risk-management mechanism and improve credit-extension flow, so as to maintain good assets quality.
(6) Continue upgrading and improvement of operating flow and system, so as to provide customers quality services.

4. e-finance

Taishin Internet bank and online ATM will roll out new services for the products and functions of NT dollar, foreign currencies, and mutual funds, such as mutual-fund management network, online-banking deposit program for specific foreign currencies, and the integration of the official corporate website and online banks, in the hope of bringing more added value to customers in 2011.

Taishin mobile banking will continue to launch even more complete financial services, such as order placement for mutual funds, currency swap, and payment for various bills. Moreover, Taishin Bank will step up effort in developing mobile payment instrument, in order to enable consumers to make payment with mobile phone, without the need of cash or credit card.

5. Trust

(1) Plan for installment product line and system function for “So Easy target wealth-management plan,” so as to provide clients complete planning platform.
(2) Develop online instrument and environment for pension fund-related wealth management and construct platform for pension fund-related investments of laborer’s own choice, so as to cash in on the business opportunities of labor pension fund.
(3) Push yield-type securities and actively engage in securities lending market, so as to create securities-lending income for clients.
(4) Develop the custodian business of “Collective Investment Account for Mainland China or Overseas Foreign National Employees,” so as to cash in on the huge business opportunities of a homecoming trend among overseas Taiwanese businesses.

(5) Fine-tune the contents of the self-developed products according to changes in market conditions, so as to increase the marketability of product lineup.
(6) Actively solicit custodianship business for domestic mutual funds, so as to create a sustained fee income.
(7) Modify the product lineup of domestic and offshore funds, so as to satisfy the client's needs about asset allocation planning.
(8) Offer clients the opportunity to buy secondary-market structured notes.
(9) Push multi-theme overseas ETF (exchange traded fund).
(10) Offer quality treasury bills, institutional bond, and corporate bonds.
(11) In addition to offshore structured notes for professional investors, the bank also successfully accepts the first entrustment by non-professional investors for investing offshore structured notes and will work with various general agents in pushing structured notes among common investors.

c. Market analysis

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

d. R&D and business development

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

Item	2009	2010
Mortgage	NT$23.53 b.	NT$25.26 b.
Credit card	2,318,000 cards	3,003,000 cards
Cash card	NT$14.43 b.	NT$10.87 b.

(1) As of the end of 2010, outstanding mortgages (including book-value loans) reached NT$252.6 billion, with market share of 4.29%; outstanding auto loans amounted to NT$13.73 billion, with market share of 22.9%, ranking first place in the market; and outstanding amount of other consumer loans hit NT$15.83 billion, with market share of 2%.
(2) As of the end of 2010, the bank's credit cards in circulation numbered 3.003 million cards, with market share of 9.8%, ranking third place in the market/ the number of effective cards amounted to 1.82 million cards, with 9.3% market share, ranking fourth place; the number of top-notch cards reached 302,000, with market share of 28.5%, ranking first place; the annual card-spending value amounted to NT$137 billion, with market share of 8.9%, ranking fourth place; and the number of acquiring-bank businesses reached 34,000, with market share of 13.6%, ranking third place.
(3) As of the end of 2010, the outstanding value of the bank's cash cards reached NT$10.87 billion, with market share of 21%.

V. Operating Status

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

(1) Launched China UnionPay Card merchant service. Promoted China UnionPay Card acquiring-bank business for merchants frequented by Chinese tourists, such as Silks Palace at National Palace Museum and duty-free shops at Taoyuan International Airport. The bank had contracted with 2,000 merchants as of the end of 2010.

(2) Five major value-added services for visit to Shanghai World Expo successfully induced Taishin's travel-related business, which accounted for 14% of card spending value in 2010, the second highest category.

(3) Launch Fish co-branded Easy Card, giving 0.2% automated refund for common card spending.

(4) Launch titanium card, enhancing the benefit of concentrated consumption, step up the development of credit-card medium- and high-end consumer groups, and provide different payback to target customer groups, thereby augmenting profits.

(5) Improve the flow of acquiring-bank system, shorting the time for acquiring bank operation to one day, from seven days originally.

(6) Provide highly flexible mortgages, granting customers new options for repayment of mortgages, so as to meet the different needs of consumers.

(7) Provide secondary-lien mortgages, with collaterals located at primary areas.

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

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

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

(2) Outstanding loans for small and medium businesses

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

(3) L/C and export negotiation

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

(4) Factoring business

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

4. Future R&D plan

(1) Retail and consumer banking

- Capitalize on cloud-computing technology and mobile-equipment popularity, vigorously develop "mobile
- payment" business, so as to provide consumer plural options of payment.

- Maintain cooperative relationship with strategic allies and undertake joint marketing, to achieve a win-win outcome.
- Continue carrying out differentiated strategy and customer group management and deepen customer relations, thereby becoming their major corresponding banks.
- Further improve workflow , carrying out image platform and paperless process, enhance service efficiency, and cut operating cost.

(2) Corporate and enterprise banking

- Strengthen development and quoting capability for various derivatives (with linkage to credit, merchandise, energy, and equity).
- Develop pluralized product lineup via combination of interest rate, exchange rate, bond, bulk commodities, and equity.
- Develop structured financing to meet the needs of clients.
- Integrated existing credit-line risk management system and operating platform, so as to enhance service efficiency and quality and cut credit-extension and operating risk.
- Set up strategic alliance with foreign banks and undertake factoring business in greater China, so as to provide plural funding solutions to Taiwanese businesses in China.
- Expand offshore banking and overseas services, to meet the funding need of Taiwanese businesses in global deployment.

e. Short- and long-term business development plans

1. Wealth management

(1) Short-term business development plan:

- 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.
- Continue enhance the sales ration of self-developed products to enhance the overall profit margin.
- Continue strengthening customer-oriented service and risk controlling mechanism, thoroughly materialize risk management process, avoid improper sale, and provide clients custom taxation planning of asset allocation service.
- Strengthen the wealth management team, enhance employee’s expertise.

(2) Long-term development plan:

- Forge the image of the best wealth-management bank among clients.
- Become a leading financial institution in Taiwan.
- Actively develop overseas markets to become one of the top 50 banks in Asia (excluding Japan, but including Australia)

2. Consumer banking

(1) Short-term business development plan:

- Develop different potential target customers via mobile banking, online marketing, and social-network transmission.
- Strengthen unsecured business and loans for small and medium businesses and micro enterprises.
- Continue strengthen brand image, boost brand visibility and favorable image.
- Continue enhancing the expertise and product knowledge of staffers.

(2) Long-term development plan:

- Strengthen channel value, so as to offer clients more complete and convenient financial service.
- Develop innovative products and services, so as to create differentiated market value.
- Continue materializing the bank's core value, cultivate all-round financial elites, and consolidate the foundation for future development.
- Create adequate customer experiences and to make service become one of our core competences.
- Expand business scope to the mainland Chinese market to increase bank's competition.

3. Corporate Banking

(1) Short-term business development plan:

- Upgrade the strategy for deep cultivation of segmented customer groups, so as to achieve effective utilization of resources.
- Emphasize transactional banking products to grasp client's cash flows and integrated business opportunities from customer side.
- Combine corporate and consumer banking channels and materialize cooperative mechanism, so as to materialize the diversified needs of customers and expand the management of customer groups.
- Strengthen the function of the Hong Kong platform and develop it into the main offshore fund-maneuvering center for Taiwanese businesses.
- Strengthen risk monitoring mechanism, simplify credit-extension flow, and enhance the quality and efficiency of credit-extension examination.

(2) Long-term development plan:

- Strengthen and expand core business, continue deep-cultivation service for customer groups, establish long-term relationship with customers, and enhance the contribution of customers.
- Grasp the fund flow of customers and provide integrated marketing opportunities via utilization of the financial holding firm's resources.
- Plan to establish leading company in mainland China, step up cooperation with mainland Chinese cooperative banks, and apply for the setup of Nanjing representative's office and its subsequent upgrading into a branch.
- Plan to set up branches in the Asia-Pacific region to expand overseas business and partner with local banks in areas without business bases.
- Continue recruitment and cultivation of overseas talents to support the medium- and long-term development of overseas business.

4. Trust investment

(1) Short-term business development plan

- Expand the assets of “So Easy” target wealth-management plan by pushing salary-transfer accounts and the sales of dollar-averaging mutual fund.
- Plan online marketing for “So Easy” target wealth-management plan, so as to develop massive online customer groups.
- Deep cultivate corporate banking channel and actively strive for legal-entity money trust, employee stock turst, and the custodian business for the collective-invesment account of mainland Chinese employees.
- Provide planning-type trust customers with systematized transaction and electronic service.
- Develop “employee welfare trust” business and provide corporate-banking customers diversified trust products, so as to develop personal wealth-management business for employees.
- Provide more convenient e-trading service function.
- Provide more diversified online wealth-management information.
- In line with the concept of asset allocation, expand product sales and total assets under management.
- Development new order placement platform for overseas ETF (exchange traded fund), seeking preferential trading terms for clients, and regularly roll out various industrial and bullish or bearish ETF, so as to help cope with market changes flexibly.
- Continue join forces with various general agents to push offshore structured notes suited to common investors, so as to enhance customer service and provide more attractive investment products.

(2) Long-term development plan:

- Develop multiple securities trust businesses and satisfy clients’ multiple needs for tax saving and yield generation, so as to increase the bank’s market share and attain market leadership.
- Expand the product lineup for “So Easy target wealth-management plan” and institute complete system platform, so as to capitalize on the business opportunities associated with the planned permission for laborers to choose investment targets for their pension accounts and attain market leadership.
- 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.
- Keep tracking legal changes for the development of new trust businesses.
- Continue expanding the sale of domestic or offshore mutual funds, augment the scale of the AUM (assets under management) of Taishin’s own-developed products, and push dollar-averaging investments, so as to create steady long-term management fee income.
- Actively solicit the custodianship business for domestic mutual funds and expand the scale of custodianship business, so as to create steady long-term fee income.
- Regularly tracking legal revisions by the regular for prompt response and push derivatives business.
- Continue introducing pluralized new products and services, so as to bring steady returns to investment amid both bullish and bearish markets.

V. Operating Status

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, 2010; Unit: NT$1,000, %

Item \ Year	2010		2009	
	revenues	%	revenues	%
Stock Brokers	26,164	9%	18,681	96%
Securities dealing	142,701	48%	89	-
Underwriter	127,432	43%	661	3%
Others	-	-	124	1%
Total	296,297	100%	19,555	100%

3. Various existing products and services

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

4. New products and services under plan

Continuously upgrade and strengthen existing e-platform function, promote e-bills, and enhance the convenience of customers.

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 2011, 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. Dealership

Due to instability of the global economy, in the wake of the global financial tsunami on the global economy in 2008, oil prices and raw materials soared leading to global inflation, posing a vigorous challenge to the global economy. Meanwhile, Domestic urban realty prices spiked, forcing the Central Bank of China to undertake a string of tightening and control policy. Those uncertain factors have aggravated the changes of industrial fundamentals. Therefore, amid the rigorous investment environment, dealers' risk management mechanism has become even more important. Risk management will still be the first consideration for dealers in their operation in 2011.

3. Underwriting

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

4. Financial products

In response to market trend and for the need of internationalized assets by customers, plan the establishment of overseas stock e-trading platform, enabling investors to conduct quality and convenient global investment online. In addition, in combination of the resources of the group's investment trust and investment consulting, provide investors more complete and all-round financial product services.

c. Industrial status

1. Market status

NT$1 b.

Total transactions of the securities market in the recent three years			
	2008	2009	2010
TSE			
Stock	26,115.41	29,680.47	28,218.68
ETF	232.04	197.84	199.58
Closed-end fund	0.89	0.51	0.22
Beneficiary certificates	13.41	5.01	5.01
Call (put) warrants	275.82	106.43	204.95
TDR	28.61	128.49	261.91
Convertible bonds	0.00	0.00	0.00
Sub-total	26,666.18	30,118.75	28,890.35
OTC			
Stock	3,285.50	5,238.96	5,633.59
Call (put) warrants	51.05	20.61	39.59
Sub-total	3,336.55	5259.57	5,673.18
Total	30,002.73	35,378.32	34,563.53
Weighted stock price index (year end)	4,591.22	8,188.11	8,972.5

2. Taiwan's stock market experienced a roller-coaster course in 2010, with the Taiex index averaging 8,098.58 in Janauary, which dropped to nadir of 7.383.42 monthly average in June before closing at 8,777.11, the year high, in December.

d. Research and development: nil

e. Short- and long-term business development plan

1. Short-term business development plan

(1) Actively capitalize on the financial holding's resources via cooperation with other units (such as corporate banking unit, infinite-card unit).

(2) Continue strengthening e-trading platform, upgrade the convenience and function of operating-platform interface, and steadily increase the share of e-trading.

(3) Develop re-consigned business to provide customers channels for overseas investments.

(4) Rigorously control the risk of investment position, so as to avoid loss.

(5) Establish overseas underwriting business platform, so as to develop overseas underwriting business.

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) Undertake futures, wealth management, and other businesses, to provide customers pluralized investment services.

(3) Arrange various training courses for employees according to their nature and types, to enhance their capability and upgrade the company's overall competitiveness.

(4) Continue cultivating enterprises with growth potential and execute customer deep-cultivation plan, to facilitate long-term development of underwriting business.

Taishin Securities Investment Trust CO.,LTD

a. Business scope

1. Major business contents

Taishin Investment Trust's major business items and business scope include: raising mutual fund by issuing beneficial certifications; invest mutual fund in securities and other related products; accept customers' entrustment for discretionary-account investments; other businesses approved by the Financial Supervisory Commission.

2. Business shares

Follo0wing its merger on Dec. 18, 2010, Taishin managed NT$61.13 billion of publicly raised funds as of the end of December, 2010, of which stock-type fund accounted for 11.3% and money market-type fund accounted for 88.65%. Revenues in the recent three years follow.

Unit: NT$1,000

Year / Items	2008		2009		2010	
	Value	Share%	Value	Share %	Value	Share%
Management fee income	91,975	98.52	66,554	99.80	76,575	99.67
Sales fee income	1,379	1.48	133	0.20	252	0.33
Total	93,354	100.00	66,687	100.00	76,827	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 patners.

b. Business plan of the current year

In 2011, Taishin Investment Trust will focus on the following efforts:

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 exsiting funds, integrate the strength of business teams, and actively augment the scale of managed assets of non-bond fund.

2. Strengthern 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 and rapport with brands.

V. Operating Status

c. Industrial status

As of the end of December 2010, there had been 38 domestic investment trust firms (Taiwan Inustrial Bank Investment already aquired by Taishin Invesment Trust on December. 18, 2010), with 555 funds under their management, totaling NT$1,895.7 billion in scale, 1,314 cotracts for discretionary account operations, totaling NT$790.4 billion in management scale, and 105 private-equity funds, totaling NT$20.5 billion in scale.

d. Technology and R&D Status

Taishin Investment Trust issued a new overseas stock fund in 2010, the first own-managed China fund focusing on small and medium Chinese stocks, and will continue R&D in new funds. Taishin Investment Trust emphasizes experience exchange and resources sharing of investment study and management team. The team now boasts 23 members, headed by Lan Xin-ren, president and chief investor officer, and overseas domestic stock investment division, greater China investment division, financial products investment division, fixed-yield investment division, special account management division. The investment study and management team and fund managers possess abundant research experience and cooperate closely with the R&D team of Taishin Financial Holding, enabling it to share the professional, abundant, and current R&D resources of the financial holding firm, with the research scope covering general economy, investment strategy, domestic and foreign stock and bond markets.

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 385 of the company's total revenue, while general agency of the Jupiter Fund generates the remaining 62%.

2. General agency of the Jupiter Fund:

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

(2) Business shares: Various sales channels of Taishin group account for 65% of the total sales of the fund, while other channels account for 36%.

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

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. 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.

d. Research and development:nil

e. Short- and long-term business development plans

1. Bidding for bad-debt claims

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

(2) Continue handling bad-debt claims purchased from Kuo Hua Non-Life insurance (mainly for consumer-banking and insurance debt claims)

(3) Continue handling of bad-debt claims purchased from Mega Bank and Far Eastern Bank (Corporate banking bad-debt claims)

(4) Continue bidding for bad-debt claims with peers in public bidding

(5) Purchase bad-debt claims via negotiation and cooperate with private AMC firms for individual cases, an arrangement enabling the company to have easier grasp of the capital planning, risk assessment, and investment cases via participation in the selection of cases.

(6) Purchase claims to non-performing loans secured by plots of land in greater Taipei and expand land development business via arrangement of debt claims.

2. Urban renewal projects

The company enjoys the backing of the complete peripheral platform of the financial holding company, which

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

Taishin Marketing Consultant Co., Ltd.

a. Business scope

1. Business contents:

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

2. Business mix:

Taishin Bank had no related business income, since it didn't have need for THP (temporary help supply) manpower in 2010.

b. Business development plan of the current year

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

c. Industry status

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

d. Research and development

The company doesn't have R&D outlay.

e. Short- and long-term business development plans

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

Taishin Venture Capital Co., Ltd.

a. Business scope

1. Business contents:

V. Operating Status

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

(1) Venture capital industry

(2) Information technology industry

(3) Bio-tech industry

(4) Traditional industry, service industry, and other industries

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

2. Business shares:

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

(1) Domestic 80%

(2) Overseas 20%

3. Plan for new financial products and services

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

b. Business development plan of the current year

1. Brief description of 2010 business

The company was founded in September 2003, with paid-in capital of NT$1 billion, and in 2010, to strengthen financial structure, the company carried capital reduction to cover loss of NT$180,965,050, cutting the paid-in capital to NT$819,034,950 as of the end of 2010. In 2010, the company collected some capital and made some equity investments, in such companies as Primax Electronics, OME Technology, Cyberheart Inc., and 02 Medch Ind., totaling NT$55,748,417 in value. As of the end of 2010, the company had invested NT$1.149 billion, with the accumulated number of companies for long-term investments reaching 32, of which 14 had

been disposed. On the investment portfolio now consists of 18 companies.

In 2010, the company's investment cases generated cash flow of NT$145,941,654, including NT$119,270,454 from disposing investment in New Century Inforcomm, NT$277,200 from cash dividend payout of Darfon Corp., and NT$26,394,000 of returned fund from capital reduction of two venture capital firms.

The company's financial statement for 2010 was certified by Cai Hong-xiang of Deloitte Accounting Firm. In 2010, the company's total revenue reached NT$50,382,346 and outlays NT$43,628,597, resulting in a net profit of NT$6,753,749.

2. 2011 Business Development Plan

In the wake of the global financial tsunami, in 2010 Europe and the U.S. already gradually showed signs of recovery and Asia racked up a strong recovery. According to the latest forecast of the International Monetary Fund, the global economy will grow 4.4% in 2011 and 4.5% in 2012. At the domestic front, the signing of cross-Taiwan Strait Economic Cooperation Framework Agreement (ECFA), the close cross-Strait economy link, the government's policy to internationalize the capital market, and the cut on inheritance and gift tax, as well as business income tax, will prompt the upgrading of Taiwan's economy.

As a result, Taishin Venture Capital will continue disposing of its share holding and shift its investment focus to share lifting by overseas Taiwanese-invested businesses on the local bourse, and such emerging sectors as green energy, optoelectronics, and bio-medicine. In 2011, the company will increase investments in one to three companies or participate in the capital increment plan of invested companies, with the investment scale reaching NT$100-200 million, mainly in Taiwan and partially in Hong Kong and the U.S.

c. Industry Status

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

In 2008, the domestic venture capital industry invested in NT$13.6 billion in 620 projects, declining 34% and 36.34%, respectively, than the previous year, a phenomenon which underscores the conservative investment stance of venture capital firms amid the global economic recession, triggered by the U.S. subprime mortgage crisis.

For the world's overall industrial development trend, energy, optoelectronics, and medical/health care may succeed electronic and tech industry to become industrial development mainstream in the future. Under the impact of the global financial tsunami, many enterprises with high growth potential have been undervalued and only venture capital firms can fully grasp long-term growth opportunities of industries and regions, thanks to their

long-term deployment. Meanwhile, in view of the overall competitiveness of Taiwanese enterprises deriving from the clustering effect, substantial investment returns can be expected from investing in Taiwanese or overseas Taiwanese-invested companies and urging them to pursue growth in Taiwan. Therefore, Taishin Venture Capital has invested 80% of its fund in hi-tech industries in Taiwan.

d. Research and Development

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

e. Short- and Long-term Business Development Plan

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.

Chang Hwa Commercial Bank Co., Ltd.

a. Business scope

1. checking deposit
2. demand deposit
3. time deposit
4. financial-bond issuance
5. short-, medium-, and long-term loans
6. negotiable-instrument discount
7. investment in government bonds, short-term commercial papers, corporate bonds, financial bonds, and stocks
8. domestic and overseas remittance
9. cashing of drafts

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

b. Business Development Plan for the Current Year

The bank's deposits reached NT$1,118,335,117,000 (excluding transferred postal deposits) amounting to 99.85% of the budget target; loans NT$1,005,483,917,000, 101.29% of the target; forex transaction US$143,163,731,000, 130.36% of the target; securities brokerage NT$95,827,118,000, 96.45% of the target; trust business (fund) NT$85,773,060,000, 114.36% of the budget; credit-card business (card-spending value) NT$6,300,132,000, 108.835 of the budget.

c. Industry Status

Stimulated by the signing of the cross-Taiwan Strait Economic Cooperation Framework Agreement and the upturn of the global economy, domestic economic activities step up, as export and industrial output improve, equipment investment increases, unemployment rates drops, private consumption sentiment strengthens, and banking profits rise. Meanwhile, induced by economic growth, banking loans and investment advance further,

market interest rates pick up gradually, realty prices spike, and inflation rise. To stabilize realty prices and inflation, the Central Bank of China raised interest rates in June, September, and December last year, by 0.125 of one percentage point each time, expanding the spread between deposit and lending rates and boosting banks' interest income.

For twin-card business, thanks to economic upturn and drop in unemployment rate, people's consumption willingness strengthens. Credit-card spending value grew 12.71% to NT$1,538.9 billion, and cash advance of cash cards slipped 7.1% to NT$32.7 billion. Non-performing loan rates declined to 0.45% and 1.77%, respectively, as of the end of December 2010, down from 0.96% and 2.27% a year earlier. In the wake of the twin-card storm, banks have shifted their focus to customer quality, rather than card volume, especially customers with consumption ability and good financial state. In wealth-management business, along with the upturn of the global financial market and stabilization of people's investment confidence, banks actively pushed wealth-management business to regain customer groups lost during the global financial tsunami. As a result, wealth-management fee income jumped 29.21% to NT$142.464 billion last year. To expand customer groups, banks will lower the threshold for wealth-management business.

In corporate banking, hi-tech industries, such as semiconductor, solar energy, LED, and touch panels, largely boosted capital outlays on business upturn in 2010, which, plus increased share of loans for small and medium businesses, boosted corporate loans. In addition, the launch of 12 i-Taiwan (love Taiwan) projects and six emerging industries will further induce domestic investments, further augmenting banking corporate loans. In view of the abundance of idle funds, the scale of interest-rate hike won't be high.

In mortgage business, the cut on inheritance tax and the signing of cross-Taiwan Strait Economic Cooperation Framework Agreement prompted Taiwanese businessmen to repatriate their funds back to Taiwan, leading to flooding of market fund. Plus low mortgage rates and visits of mainland Chinese tourists to Taiwan, transactions in the realty market in greater Taipei remains hectic. Despite interest rate hike by the Central Bank of China and the control measures for mortgages in greater Taipei, outstanding amount of mortgages will jump by NT$262.303 billion to NT$5,165.479 billion in 2010.

In 2011, under the trend of interest-rate hike, interest spread between deposits and loans will expand further. In addition, along with business upturn and frequent cross-Strait economic and trade exchanges following the signing of ECFA, the banking industry will continue to expand in the aspects of corporate banking, wealth management, and overseas business. Banks, however, are still facing many challenges. First, business expansion in developed countries, such as Europe, the U.S., and Japan, will slacken. The U.S. will continue quantitative easing policy, boosting raw-material prices and fueling inflation in emerging countries. In addition, political instability in North Africa and the Middle East will dampen global economic growth. The trend will affect Taiwan's export-oriented economy and impact the domestic banking industry. Meanwhile, the establishment of mainland Chinese branches will help domestic banks penetrate the mainland Chinese market and boost their profit-making ability. In the short term, however, the ban on renminbi-related business will put a damper on business expansion. On the other hand, the entry of mainland Chinese banks into the domestic market will squeeze further the profit margin of domestic banks, which should consolidate their niche and strengthen their competitive edge.

d. Research and development

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

2. R&D achievement:

   The bank completed 27 research reports on risk management, customer-relationship management, performance management, and financial products in 2010.

3. Future R&D plan:

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

e. Short- and Long-term Business Development Plan

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

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

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

1. Corporate banking:

   (1) Development strategy

   - Expanding foreign exchange and international banking business.
   - Assisting businesses in their e-business efforts to raise their loyalty.
   - Developing overseas markets and integrating our banking operations in China, Hong Kong and Taiwan.
   - Taking advantage of government policies and aggressively developing our urban renewal financing business.
   - Actively developing hedging derivatives.

   (2) Syndicated loans

   - Working more closely with current customers and seeking potential customers.
   - Deepening cooperation with other banks to raise the success rate of being awarded syndicated loans that are bid for.
   - Adjusting quotation strategies by taking into account competition.
   - Customizing services and conducting cross selling.

(3) SMEs

- Taking advantage of government policies and aggressively promoting government policy subsidized loan business.
- Taking better advantage of the Credit Guarantee Fund to ensure our lending claims.

2. Consumer banking

(1) Reasonable product pricing.
(2) Different marketing approaches for different markets and product diversification.
(3) Making loans to customers with collateral of better quality.
(4) Broadening customer base, developing wealth management business.
(5) Providing e-services to retail banking customers to reduce operating costs.
(6) Developing and improving retail banking products and services.

B. Cross-line and Joint Marketing Efficacy

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

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:

1. Account opening for securities brokerage business.
2. Agency for sales and redemption of domestic funds.
3. Installation of terminals for online order placement, allowing investors to place orders with securities firms.
4. Acceptance of stock-affairs documents for companies with public share offering.
5. 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 15 financial holding companies in Taiwan now, with those boasting major banking subsidiaries including Taishin Financial Holding, Taiwan Financial Holding, First Financial Holding, Hua Nan Financial Holding, Chinatrust Financial Holding, Fubon Financial Holding, Yushan Financial Holding, and SinoPac Financial Holding, which enjoy strong edge in business expansion.

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

b. Competitive strategy

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

1. Expanding business scope and creating synergy:

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

2. Strengthen management and strictly control risk:

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

3. Strengthen product and all-round services:

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

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

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

5. Strengthen human resources and cultivate talents:

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

c. Competitive niche

1. Integrated channel

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

2. Provision of plural products

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

d. Vision for future development

1. Favorable factors:

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

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

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

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

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

2. Unfavorable factors:

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

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

Taishin International Bank

a. Major products/services/markets

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

b. Future demand and supply

In 2011, although the global economy has bottomed out, the global economy still cannot return to the track of steady growth entirely, due to a number of uncertain factors, including high employment in the U.S. and Europe, bond credit crisis in Europe, and slackened growth of the Chinese economy. Global Insight predicts that the global economy will expand 3.7% this year.

With the domestic market still plagued by overbanking, the overlapping and homogeneity of business, plus the low interest spread, will dampen the profit margin of banks. In addition to continuing innovation of financial products, the bank will actively discover the needs of clients, providing plural, professional, and convenient banking services and maintain long-term close relationship with clients, so as to achieve the benefits of differentiated operation.

Meanwhile, along with the signing of the cross-Strait memorandum of understanding for financial cooperation, domestic financial institutions will set up business bases in China and establish business cooperative links with Chinese counterparts, so as to provide convenient banking services for the greater China region and grasp the need and direction of customers' fund flow.

V. Operating Status

c. Business objective

In 2011, 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 edges of the bank:

(1) Profound client base and competitive and extensive branch channel.
(2) Mature capability for risk management and data analysis.
(3) The abundant resources of the financial holding company, extensive product line, and marketing synergy via cross selling.
(4) Abundant resources of the financial holding company and integrated marketing synergy via cross-selling.
(5) Steady growth balancing business quantity and quality via the deep-cultivation of quality clients.

2. Favorable factors for development outlook:

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

3. Unfavorable factors for development outlook:

(1) With the housing price/income ratio having reached an excessively high level, there has appeared imbalanced demand-and-supply in the housing market, risking the formation of a market bubble.
(2) Narrowing interest differential and increasing competition for wealth-management business may impact profit margin.
(3) Foreign banks will pose strong challenge following their takeover of domestic banks.
(4) Need for domestic and overseas financial talents will increase markedly, leading to higher talent loss.
(5) There lacks the dynamism for R&D and innovation among peers, which resort to price competition dampening profit margin.
(6) Spikes in international crude-oil and raw-material prices will jack up prices, dampening consumption.

4. The bank's countermeasure:

(1) Further enhance risk analytical capability and implement differentiated management for client groups, so as to uphold loaning quality.

(2) Flexibly adjust interest differential according to product nature, so as to balance market interest rate and fund cost.

(3) Utilize more precise analytical technique and model to continue developing new products/services and sales mode.

(4) Capitalize on the resources of the financial holding group to provide differentiated services and financial products to different customer groups, so as to create service value.

(5) Emphasize the integration of subsidiaries, various business units, and channels, so as to manifest cross-line business synergy.

(6) Combine branch channels and expand small and medium business customer groups, so as to enhance credit-extension interest spread.

(7) Utilize customer data management technique to meet the needs of customers at different stages, so as to enhance customer satisfaction.

(8) Utilize online resources and innovative marketing, so as develop new customers and enhance marketing efficacy.

(9) Continue signing financial MOU with more Chinese banks, so as to enhance the cooperative link for trade financing.

(10) Establish overseas business division and cultivate overseas talents, in preparation of the manpower need for overseas bases.

(11) Adjust the mechanism for education and training, continue enhancing core professional competence, emphasize intangible assets (such as analytical technique, customer database), and retain professional talents with more preferential and flexible method.

Taishin Securities

a. Major products/services sales/provision areas

The company's services target domestic and overseas institutional investors and general investing public. As of the end of 2010, the company had three business bases, in Taipei city, Taichung city, and Kaohsiung city. In addition, the company has set up 90 joint-marketing counters at the branches of Taishin Bank, providing the services of account opening, account cancellation, and change of customers' basis data.

b. Future supply and demand

(1) Market supply and demand

As of the end of 2010, there were 92 securities firms in Taiwan, with 982 branches, and 37 securities firms can undertake the service of margin trading and short sales with approval of the Securities and Futures Bureau, the Financial Supervisory Commission. In addition, there were 18 branches of foreign securities firms.

(2) Market growth potential

Departing the shadow of financial crisis and tight liquidity in 2008, economies around the world have been marching towards recovery. Led by vigorous consumption and investments, emerging and developing economies scored robust growth, although developed economies expand at slower pace, due to the drag of massive debt and high unemployment rate. At the domestic front, along with global economic upturn and economic expansion of Asian emerging economies, status of enterprises and consumption has improved. In 2010, the nation's merchandise expert improved gradually and is expected to normal expansion in 2011. For internal demand, thanks to the gradual upturn of the recovery, improving cross-Strait relations, and lower comparison base of 2009, commercial sector (wholesale, retail, and dining), the largest service line, scored large-scale growth. In production aspect, thanks to the recovery of major economies, major international hi-tech firms continue expanding outsourcing production, which, plus the rollout of new consumer products, greatly boosts domestic export and investment.

In 2011, thanks to economic growth induced by export and domestic demand, improving cross-Strait relations, relaxation of funding relations, and liberalization of foreign enterprises listing their shares on the local bourse, there emerged a craze of TDR listing, which, plus the mutual listing of ETF (exchange traded fund), will make Taiwan's capital market a magnet for fund, boosting its visibility on the global 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. 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.

D. Favorable and disadvantageous factors for development prospects

1. Favorable factors

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

(2) Government will actively push cross-Strait exchanges, sign financial MOU and ECFA, allow securities to investment in China, and open the domestic market to Chinese investors.

(3) The regulator actively pushes the liberalization and internationalization of the securities market, successively opens up various businesses, and expands trading targets, thereby offering a broader development leeway for securities firms.

(4) Mutual listing of TDR and ETF leads to further internationalization of Taiwan's capital market.

2. Disadvantageous factors

(1) The existence of numerous business outlets and branches, cross-line operation of financial institutions,

and the entry of major foreign securities into the market aggravate the competition and affect the space of securities firm for survival.

(2) Successive opening up of derivatives entails high risks, which may greatly affect profits, should there lacks a good risk-management mechanism.

(3) It is difficult to deploy in China, one step ahead of competitors.

(4) The regulator gradually opens up various businesses which may overstrain the supply of talents. (Lack of talents, for instance, deters companies in the line to engage in futures investment trust business.)

3. Counter strategy

(1) Utilize the bank's extensive channel to transfer quality and high-assets clients, to extend the reach of business scope.

(2) Expand business outlets and capital, so as to enhance the capability for core-business service at sufficient scale, so as to compete with major foreign securities firms.

(3) For brokerage business, in addition to manual service at physical business outlets, continue strengthen the joint-marketing counters at Taishin Bank's outlets, so as to tap the business of medium-sized investors. Meanwhile, provide sophisticated online order placement service, via unique e-trading platform.

(4) Continue integrate the corporate-banking resources of Taishin Financial holding, so as to strive for domestic underwriting business and develop share-listing business of overseas businesses.

(5) Actively deploy overseas markets and continue looking for proper sites and timing for deployment, so as to develop into an internationalized securities firm.

Taishin Securities Investment Trust

a. Major product/service sales/provision areas

Taishin Investment Trust's major business is issuance of beneficiary certificates to raise mutual funds for investments securities and related products. Presently, it invests 95% of its managed funds in the domestic market and 5% overseas. The company's services target domestic and overseas institutional investors and general investing public. It has three business bases island-wide but has signed 32 banks, including Hua Nan Bank, Taiwan Cooperative Bank, Bank of Taiwan, and Taishin Bank, as well as 19 securities firms, including KGI, Masterlink, Jih Sun, Polaris, Shin Kong, and Uni-President, contracts for money trust and sales. Plus the contracts with many fund marketing institutions, it has over 1,000 sales outlets island-wide.

b. Future supply and demand

Growing emphasis on risk management and pluralized assets deployment among investors has brought a window of opportunity for domestic investment trust business, which 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. In 2011, 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.

V. Operating Status

c. Business goal

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

d. Developmemnt prospects and favorable and disadvantageous factors

1. Favorable factors

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

2. Disadvantageous factor

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

a. Major products/services/markets

1. Investment and analysis division:

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

2.Introduce offshore funds and serve as their general agency 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 targets

1. Investment and analytical division:

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

2. Fund general agency: Plan the introduction of new series funds and new fund companies to meet the need of investors for fund investment.

d. Favorable and disadvantageous factors for development

1. Favorable factor:

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

2. Disadvantageous factor

Introduce offshore funds and serve as their general agency 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.

V. Operating Status

Taishin Asset Management Co., Ltd.

a. Major products/services/markets

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

b. Future demand and supply status

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

c. Business objective

In addition to continuing the purchase and disposal of bad-debt claims, the company also aims to purchase NPL (non-performing loans) secured by construction plots in greater Taipei, thereby expanding land development business via the restructuring of the debt claims. Meanwhile, in response to market changes, the company will actively bid for consumer bad-debt claims. In the direction of pluralized development, the company will step into the field of corporate restructuring via integrating banking and securities platforms and capitalizing on its abundant funds and talents, thereby contributing to domestic financial and corporate reform.

d. Favorable and unfavorable factors for development outlook

1. Favorable factors:

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

2. Unfavorable factors:

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

Taishin Marketing Consultant Co. Ltd.

a. Major products/services/markets

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

b. Future demand and supply status

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

c. Business objective

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

d. Favorable and unfavorable factors for development outlook

1. Favorable factors:

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

2. Unfavorable factors:

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

Taishin Venture Capital Co., Ltd.

a. Major products/services/markets

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

b. Future demand and supply

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

c. Business objective

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

d. Favorable and unfavorable factors for development outlook

1. Favorable factors:

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

2. Unfavorable factors:

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

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

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

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

Chang Hwa Commercial Bank Co., Ltd.

a. Major products/services/markets

The company's major business items include reception of deposits, loan extension, negotiable-instrument discount, remittance, guarantee, the brokerage and dealings of short-term commercial paper, export/import-

related forex, foreign-currency deposits, trust, agency, custody, credit card, derivatives trading, the factoring of accounts receivable, offshore banking, and wealth management.

The bank now boasts 182branches scattered mainly in major cities throughout Taiwan, in addition to six overseas branches in New York, Los Angeles, Tokyo, London, Hong Kong, and Singapore, as well as a representative's office in Kunshan, China.

b. Outlook of demand and supply

In its latest forecast in February 2011, Global Insight pointed out that after bottoming out from the global financial tsunami, the global economy will slacken this year, with growth rate reaching only 3.7%, due to persistently high unemployment rates in developed economies, such as the U.S., Europe, and Japan, serious financial deficits, and the problems of inflation and property bubble facing developing countries, such as China and India. EU's economy may grow only 1.7%, due to the tight financial policy among its members and the persistence of Euro-bond crisis. After the announcement of the second quantitative easing policy last November, the U.S. may resort to tax cut to stimulate economy and unemployment rate. Its economic growth may be revised upward to 3.2%. Growth rate of the Japanese economy may reach only 1.2%, as its economy still slackens and inflationary pressure persists. In response to the continuous appreciation of renminbi and rising inflationary pressure, the Chinese government embraces a financial tight policy, which may dampen its economic growth rate to 9.5%.

At the domestic front, thanks to the expandability of trade, investment, and consumption, the domestic economy still looks promising. However, due to the high comparison base last year, moderation of the Chinese economic growth, and slowdown in the recovery of European and Japanese economies, growth dynamism for the domestic economy will also slacken. The Directorate General of Budget, Accounting, and Statistics predicts that Taiwan's economy will grow 4.92% this year, down from 2010's 10.82%. For foreign trade, despite slowdown in the growth of developed nations, demand from developing countries will expand further. Therefore, exports this year will grow 4.89-7.71%. Due to the depreciation of the U.S. dollar and export-induced demand, import will grow 0.01-5.07%. Upturn in export and production index will boost salary growth and employment, stimulating consumer sentiment and dynamism. In addition, the appreciation of the NT dollar will bolster people's purchasing power. It is expected that private consumption will expand 2.21-4.1%. Meanwhile, last year some major international firms cut own production and outsourced contract-production orders to Taiwanese firms, which actively expanded their capacities, leading to large-scale increase in corporate capital outlay. Due to the high comparison base, private investments will decline 1.81% this year.

c. Business objective

The budget objectives of major business items in 2010 follow:

1. Deposits: NT$1,292,880,291,000
2. Loans: NT$1,110,363,972,000
3. Forex trading:US$148,744,452,000
4. Securities brokerage: NT$104,040,075,000
5. Wealth Management: NT$121,600,000,000
6. Credit card (card-spending value): NT$5,789,000,000

d. Favorable and unfavorable factors for business outlook

1. Favorable factors:

(1) Interest rates are on the rise, leading to gradual increase in deposit-loan spread.

(2) In the wake of the global financial tsunami, wealth-management business will bounce back to over NT$10 billion.

(3) 12 i-Taiwan projects and six emerging industries will create substantial business opportunities.

(4) Value of Taiwanese brands has become increasingly evident in China and ASEAN countries.

(5) Following the signing of ECFA, Taiwanese banks can tap the huge mainland Chinese market.

2. Unfavorable factors:

(1) Mainland Chinese banks vie for Taiwanese-invested businesses and indigeneous clients.

(2) Acute price competition persists due the existence of abundant idle funds.

(3) Global inflationary pressure may lead to fluctuation of the financial market, boosting business risk.

D.Employees of Taishin Financial Holding

a. Employee data

Base date: March 31, 2011

Year		2009	2010	As of March 31, 2011
Total		6,059	6,712	6,582
Average age		34.5	34.6	35.0
Average service years		6.6	6.5	6.7
Shares of educational levels	Doctor	0.08%	0.10%	0.09%
	Master	13.95%	15.82%	15.63%
	College graduates	80.21%	78.72%	78.58%
	Senior high	5.68%	5.27%	5.61%
	Under senior high	0.08%	0.09%	0.09%
Kinds and numbers of professional certificates owned by employees	Test of trust business salespersons	2,782	2,951	2,850
	Basic test of internal control	3,322	3,451	3,332
	Qualification test of property/insurance salespersons	2,963	2,964	2,850
	Investment-type insurance policy salespersons	1,512	1,549	1,491
	Personal-insurance policy salespersons	3,454	3,574	3,435
	Futures salespersons	558	636	602
	Securities investment analysts	24	37	34
	Senior securities salespersons	461	588	556
	Investment-trust/consulting salespersons	365	452	441
	B-category investment trust- and investment consulting-related regulations (including codes of professional ethics)	1,373	1,390	1,337

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

b. Employee training and development

For corporate sustainable development and continuous growth, Taishin Financial Holding has persisted in talent cultivation and development. In 2010, it provided education and training to 170,000 person/units, with every employee receiving over 45 hours of training on average. Meanwhile, it embraces the following talent training and development measures to upgrading the overall competitive edge of the enterprise:

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

E.Corporate Responsibility and Ethical Behaviors

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

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

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

For fulfillment of its social responsibility and effective utilization of corporate resources, Taishin FHC and its affiliate PayEasy.com joined hands in pushing series “Caring Taiwan” events from 2002, aimed to revitalize the economy of the 1999

V. Operating Status

September 21 earthquake-stricken regions in the Nantou County. In line with the belief that it's better to give one fishing pole and technique than just fish, the company has helped earthquake victims in the villages of Hsinyi, Chungliao, Yuchih, and Kuohsing develop indigenous economic activities via such methods as cooperation with websites, encouragement of local people to purchase their agricultural products, promotion of credit card-based donation, assistance for the marketing of their indigenous products and tourist resources. Via such efforts, Taishin FHC has helped earthquake-stricken areas rebuild their economies, posing as a paradigm for corporate engagement in public services.

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

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

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

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

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

VI

Financial Status

VI. Financial Status

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

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

Unit: NT$1,000

Item \ Year			Financial data in the recent five years					Financial data for current year as of March 31, 2011
			2006 Re-compilation	2007 Re-compilation	2008	2009	2010	
Cash and cash equivalents due from the Central Bank and placement to other banks			267,549,614	284,769,797	257,667,779	253,523,420	173,815,849	131,372,719
Financial assets stated as gain (loss) due to change in fair value			116,176,934	81,135,486	86,699,629	58,566,143	57,650,706	69,610,041
Investment in RS bills and bonds			26,163,593	14,337,297	6,464,695	9,891,904	5,328,210	8,571,841
Available-for-sale financial assets			94,109,665	106,149,641	70,363,526	74,329,348	221,514,265	237,633,820
Accounts receivable			110,837,542	119,132,189	104,909,292	102,296,124	126,326,832	103,360,175
Loans			1,380,374,402	1,466,208,014	1,491,834,854	1,506,226,128	1,577,700,288	1,612,042,816
Financial assets held to maturity			185,561,348	127,639,354	182,357,996	236,509,666	196,737,057	203,229,832
Equity investments under equity method			986,602	1,017,635	957,539	225,464	240,925	242,860
Fixed assets			45,983,539	44,907,490	44,032,067	42,851,989	41,962,513	41,659,744
Intangible assets			22,442,037	20,757,601	20,757,601	21,079,935	22,091,674	22,044,837
Other financial assets			17,822,482	18,870,862	34,401,848	25,463,237	21,125,873	20,715,718
Other assets			62,576,230	54,021,688	51,971,727	43,827,047	24,638,234	23,473,242
Total assets			2,330,583,988	2,338,947,054	2,352,418,553	2,374,790,405	2,469,132,426	2,473,957,645
Deposits by the Central Bank and other banks			236,622,085	209,768,825	183,388,667	176,568,225	152,360,876	158,862,243
Deposits			1,628,076,369	1,669,015,794	1,731,784,195	1,842,559,851	1,932,050,531	1,903,162,951
Financial liabilities stated as gain (loss) due to change in fair value			18,138,882	18,391,519	39,757,245	19,342,423	21,586,408	15,782,067
RP bill and bond liabilities			87,195,497	84,212,588	60,543,383	33,083,342	44,194,464	48,705,028
Accounts payable			72,145,841	62,077,023	56,179,116	44,608,499	50,038,751	49,436,809
Financing from the Central Bank and other banks			384,585	0	0	0	0	0
Bonds payable			108,789,414	107,498,220	112,404,780	88,579,768	91,302,139	97,402,457
Special stock liabilities			0	0	0	0	0	0
Reserve for operations and liabilities			1,797,106	1,593,369	1,272,793	2,028,738	1,309,483	987,368
Other financial liabilities			8,897,787	11,148,608	1,170,748	754,863	939,668	19,209,972
Other liabilities			15,719,802	17,691,040	18,726,102	10,958,872	8,908,066	9,192,023
Total liabilities			2,177,767,368	2,181,396,986	2,205,227,029	2,218,484,581	2,302,690,386	2,302,740,918
Equity of parent firm	Common stock		69,880,779	69,880,779	69,880,779	65,151,162	71,009,688	71,029,859
	Additional paid-in capital		35,448,570	19,389,426	19,071,634	19,076,045	19,102,143	19,131,957
	Retained earnings	Pre-payout	(16,014,155)	4,587,095	(3,838,131)	9,074,633	8,981,537	11,950,133
		Post-payout	34,777	1,389,461	0	1,258,431	(note 1)	-
	Other items of share-holders' equity		1,107,606	(482,574)	(546,608)	247,124	110,911	58,011
Minority shareholding			62,393,820	64,175,342	62,623,850	62,756,860	67,237,761	69,046,767
Total sharehold-ers' equity	Pre-payout		152,816,620	157,550,068	147,191,524	156,305,824	166,442,0407	171,216,72
	Post-payout		152,816,620	154,034,642	147,191,524	154,345,824	(note 1)	-

Note 1: Proposal for the coverage of 2010 profit has yet to be passed by shareholders'meeting

Note 2: The above 2006 financial statement (re-compilation) was audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2007 financial statement (re-compilation) was audited by CPAs Weng Rongsui and Yang Qinzhen, who issued auditing report for their authenticity without reservation. The 2008 financial statement was audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2009 financial statement was audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2010 financial statement was audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2011 financial statement was certified by CPAs Tsai Hongxiang and Yang Qinzhen, who issued auditing report for their authenticity without reservation on March 31, 2011.

Brief balance sheet of the financial holding company

Unit: NT$1,000

Item \ Year		Financial data in the recent five years					Financial data for current year as of March 31, 2011
		2006 Re-compilation	2007 Re-compilation	2008	2009	2010	
Cash and cash equivalent		11,859,469	13,026,747	12,387,621	22,557,438	19,875,925	23,606,640
Financial assets stated as gain (loss) due to change in fair value		3,634	0	5,559	4,582	0	0
Available-for-sale financial assets		0	0	0	0	0	0
Accounts receivable		1,116,376	1,569,064	1,962,510	3,690,557	3,420,947	2,382,054
Financial assets held to maturity		0	0	0	0	0	0
Equity investments under equity method		106,530,981	116,325,691	107,790,722	100,563,220	112,838,085	109,913,854
Fixed assets		15,405	11,684	7,782	4,278	1,693	1,842
Intangible assets		0	0	0	0	0	0
Other financial assets		12,447,893	3,628,138	3,527,082	9,686,603	4,245,581	10,103,362
Other assets		387,006	364,500	410,374	712,563	667,907	668,435
Total assets		132,360,764	134,925,824	126,091,650	137,219,241	141,050,138	146,676,187
Financial liabilities stated as gain (loss) due to change in fair value		1,386,937	650,903	279,635	598,178	893,564	529,781
Accounts payable		1,454,802	1,487,093	1,496,155	2,939,734	3,115,797	3,337,601
Payable corporate bonds		39,089,414	39,398,220	39,736,721	40,105,826	37,808,989	40,611,336
Special stock liabilities		0	0	0	0	0	0
Other financial liabilities		0	0	0	0	0	0
Other liabilities		6,811	14,882	11,465	26,539	27,509	27,509
Total liabilities	Pre-payout	41,937,964	41,551,098	41,523,976	43,670,277	41,845,859	44,506,227
	Post-payout	41,937,964	45,066,524	41,523,976	45,630,277	(note 1)	
Common stock		69,880,779	69,880,779	69,880,779	65,151,162	71,009,688	71,029,859
Additional paid-in capital		35,448,570	19,389,426	19,071,634	19,076,045	19,102,143	19,131,957
Retained earnings	Pre-payout	(16,014,155)	4,587,095	(3,838,131)	9,074,633	8,981,537	11,950,133
	Post-payout	34,777	1,389,461	0	1,258,431	(note 1)	-
Other shareholders' equity items		1,107,606	(482,574)	(546,608)	247,124	110,911	58,011
Total shareholders' equity	Pre-payout	90,422,800	93,374,726	84,567,674	93,548,964	99,204,279	102,169,960
	Post-payout	90,422,800	89,859,300	84,567,674	91,588,964	(note 1)	

Note 1: Proposal for the coverage of 2010 profit has yet to be passed by shareholders'meeting

Note 2: 2006-2010 financial statements have been audited by CPA and financial statement of March 31, 2011 has been inspected by CPA

VI. Financial Status

Brief Consolidated Financial Statement of the Financial Holding Company and Subsidiaries

Unit: NT$1,000

Item \ Year		Financial data in the recent five years					Financial data for current year as of March 31, 2011
		2006 Re-compilation	2007 Re-compilation	2008	2009	2010	
Net interest income		44,699,041	35,684,379	32,575,562	21,918,855	24,443,272	6,211,514
Net non-interest income		8,209,610	24,876,006	16,002,016	33,619,043	28,819,590	6,460,986
Bad-debt expense		(31,728,802)	(12,131,170)	(17,620,829)	(9,589,484)	(5,965,444)	(759,425)
Provisions of various insurance liabilities		0	0	0	0	0	0
Business expense		(31,879,357)	(32,611,981)	(32,183,954)	(29,881,226)	(27,229,762)	(6,854,175)
Pre-tax consolidated income of business department (continuation)		(10,699,508)	15,817,234	(1,227,205)	16,067,188	20,067,656	5,058,900
After-tax consolidated income of business department (continuation)		(7,886,556)	10,855,783	(1,638,872)	10,493,538	13,915,327	4,284,885
Income of extinct department (after-tax net value)		0	0	0	0	0	0
Extraordinary income (after-tax net value)		0	0	0	122,820	0	0
Accumulated extent of influence from changes in accounting principles (after-tax net value)		742,710	0	0	0	0	0
Total consolidated income	Belong to shareholders of parent firm	(16,014,155)	4,552,318	(5,227,592)	8,183,147	7,723,106	2,700,091
	Belong to minority shareholding	8,870,309	6,303,465	3,588,720	2,433,211	6,192,221	1,584,794
Earnings per common share		(3.02)	0.53	(0.97)	1.14	1.06	0.40

note 1: 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.

note 2: The above 2006 financial statement (re-compilation) was audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2007 financial statement (re-compilation) was audited by CPAs Weng Rongsui and Yang Qinzhen, who issued auditing report for their authenticity without reservation. The 2008 financial statement was audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2009 financial statement was audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2010 financial statement was audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2011 financial statement was certified by CPAs Tsai Hongxiang and Yang Qinzhen, who issued auditing report for their authenticity without reservation on March 31, 2011.

Bried Income Statement of the Financial Holding Company

Unit: NT$1,000

Item \ Year	Financial data in the recent five years					Financial data for current year as of March 31, 2011
	2006 Re-compilation	2007 Re-compilation	2008	2009	2010	
listed investment return on equity method	4,390,783	6,464,319	1,246,970	2,681,297	10,052,586	2,763,103
Other incomes	696,950	1,059,556	735,365	7,835,796	118,502	400,226
Listed investment loss on equity method	(19,681,508)	(13,471)	(5,269,349)	(396)	(62,804)	(31,669)
Business expense	(357,141)	(371,331)	(327,265)	(430,614)	(645,454)	(130,210)
Other expense and loss	(1,340,828)	(2,470,418)	(1,566,582)	(1,975,367)	(1,976,958)	(362,349)
Pre-tax income	(16,291,744)	4,668,655	(5,180,861)	8,110,716	7,485,872	2,639,101
After-tax income	(16,014,155)	4,552,318	(5,227,592)	8,183,147	7,723,106	2,700,091
Earning per common share (before tax)	(3.07)	0.55	(0.97)	1.13	1.02	0.39
Earning per common share (after tax)	(3.02)	0.53	(0.97)	1.14	1.06	0.40

note 1: 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.

note 2: 2006-2010 financial statements have been audited by CPA and financial statement of March 31, 2011 has been inspected by CPA

B. Financial Analysis for the Recent Five Years

Financial Analysis

Unit: NT$1,000

Item	Year	Financial Analysis in the recent five years					Financial Analysis for current year as of March 31, 2011 (note 2)
		2006 Re-compilation (note 1)	2007 Re-compilation (note 1)	2008	2009	2010	
Manage-ment capability	Turnover rate of total assets(times)	0.02	0.03	0.02	0.02	0.02	0.01
	Deposit/loan ratio of Taishin Bank (%)	85.71	84.82	82.73	76.81	75.42	79.75
	Deposit/loan ratio of Chang Hwa Bank (%)	85.63	90.49	88.95	84.54	85.48	87.35
	NPL ratio of Taishin Bank (%)	2.18	1.99	1.38	0.58	0.33	0.32
	NPL ratio of Chang Hwa Bank (%)	1.63	1.79	1.67	1.23	0.54	0.53
	Overdue credit-extension ratio of Taishin Bills Finance (%)	0	0	0	0	0	0
	Revenue per employee (NT$1,000)	3,248	3,738	3,162	4,302	3,924	944
	Profit per employee (NT$1,000)	(note 1)	670	(note 1)	822	1,025	319
Profit-making capability	Return on assets (%)	(0.31)	0.46	(0.07)	0.45	0.57	0.17
	Return on common shareholders' equity (%)	(27.24)	5.10	(9.84)	11.47	9.57	3.35
	Net profit rate (%)	(13.50)	17.93	(3.37)	19.12	26.13	33.81
	Earning per share (NT$)	(3.02)	0.53	(0.97)	1.14	1.06	0.40
Financial Structure	Liabilities/assets ratio (%)	93.44	93.26	93.74	93.42	93.26	93.08
	Liabilities/book value ratio (%)	1425.09	1384.57	1498.20	1419.32	1383.48	1344.93
	Double leverage ratio of the financial holding company (%)	118	125	128	107	114	108
	Financial ratio of the financial holding company according to article 41 of the law	N/A	N/A	N/A	N/A	N/A	N/A
Leverage extent	Business leverage extent	(4.94)	3.83	(39.58)	3.46	2.65	2.50
	Financial leverage extent of financial holding company	0.92	1.32	0.70	1.19	1.21	1.14
Growth rate	Assets growth (%)	(0.41)	0.36	0.58	0.95	3.97	(note 3)
	Profit growth (%)	(327.97)	247.83	(107.76)	1409.25	24.9	(note 3)
Cash flow	Cash flow ratio (%)	52.75	22.20	21.69	6.05	7.57	7.26
	Propriety ratio of cash flow (%)	27.54	19.26	15.91	8.81	6.75	(note 3)
	Cash-flow satisfaction ratio (%)	(89.40)	(66.04)	(111.31)	(16.34)	(18.89)	(46.94)
Business scale	Market share of assets (%)	7.92	7.77	8.09	7.46	7.42	(note 6)
	Market share of book value (%)	6.23	6.07	6.42	5.98	6.08	(note 6)
	Market share of Taishin Bank's deposit (%)	2.46	2.61	2.83	2.68	2.72	(note 6)
	Market share of Chang Hwa Bank's deposit (%)	4.06	4.00	4.99	4.97	4.74	(note 6)
	Market share of Taishin Bank's loan extension (%)	2.84	2.94	2.83	2.70	2.69	(note 6)
	Market share of Chang Hwa Bank's loan extension (%)	4.68	4.79	5.36	5.50	5.31	(note 6)

VI. Financial Status

Item		Year	Financial Analysis in the recent five years					Financial Analysis for current year as of March 31, 2011 (note 2)
			2006 Re-compilation (note 1)	2007 Re-compilation (note 1)	2008	2009	2010	
Capital Adequacy	Capital adequacy ratio	Taishin Bank	7.47	9.95	9.83	12.95	13.58	Only data up to the end of 2010 are available, as BIS ratio must be re-audited by CPA and included in financial statement every half a year, according to the regulation.
		Chang Hwa Bank	11.17	10.36	10.61	10.83	10.75	
		Taishin Security					544.47	
		Taishin Bills Finance	17.72	15.22	22.01	21.72	28.39	
		Taishin AMC	85.68	85.94	96.74	88.15	62.33	
		Taishin Securities Investment Trust					92.11	
		Taishin Securities Investment Advisory					92.34	
		Taishin Marketing Consultant	65.97	87.07	89.36	90.48	93.86	
		Taishin Venture Capital	99.98	99.99	99.96	99.92	99.87	
	Eligible self-owned capital		160,626,063	179,323,565	180,629,966	182,650,466	199,134,139	
	Group's eligible capital		74,934,659	85,299,007	80,020,729	90,970,823	86,696,180	
	Subsidiary's statutory capital requirement		125,988,540	133,169,977	131,553,200	123,320,589	131,422,874	
	Group's statutory capital requirement		76,152,226	78,639,674	73,144,432	68,414,416	72,648,689	
	Group's capital adequacy ratio		98.40	108.47	109.40	132.97	119.34	
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			616,928 (note 5)	696,631 (note 5)	657,689 (note 5)	619,055 (note 5)	865,150 (note 5)	(note 6)

Describe reasons for changes in various financial ratios in the recent two years (No need of analysis for change under 20%)
1.Change in financial ratio related to performance, profitability, leveraged level, and growth rate results from increase in assets and loss/profit (pre-tax net profit and after-tax net profit) in 2010, and reduction of expense and profit growth rate than 2009.
2.In 2010, NPL ratios of Taishin Bank and Chang Hwa Bank decreased in 2010, thanks to improvement of assets quality.
3.Change in cash flow in 2010 results from increase in business-related net cvash inflow and capital outlay.

note 1: Business was in the red in 2008 and 2006.
note 2: Return rates as March 31, 2011 are not converted into annual rates
note 3: Annual analytical data, not applicable to quarterly statement
note 4: The above financial analytical data are consolidated figures, except those with specification for the financial holding company or subsidiaries.
note 5: For details, refer to the financial statement of various years.
note 6: The ratio of market scale for business scale as of March 31, 2011 is not provided, as the information on the overall market scale in March is not available yet.
note 7: Calculation formulas follow:

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

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

3. Financial structure
(1) Liabilities/assets ratio=Total liabilities/total assets
(2) Liabilities/book value ratio=Total liabilities/net shareholders' equity

(3) Double leverage ratio of the financial holding company=Equity investment according to item 2, article 36 and 37 of the law/book value

4. Leverage extent
   (1) Business leverage extent=(Net revenue-variation in expense or loss/pre-tax income)
   (2) Financial leverage extent of financial holding company=pre-tax income+interest outlay/pre-tax income)
5. Growth rate
   (1) Assets growth rate= (Total assets in current year-total assets in previous year/total assets in previous year
   (2)Profit growth=(Pre-tax income in current year-pre-tax income in previous year)/pre-tax income in previous year)
6. Cash flow
   (1) Cash flow ratio=Business-related net cash flow/call loans and overdraft of bank and peers+commercial paper payable+financial liabilities deriving from variation in fair value included in the calculation of income+liabilities of repo bills and bonds+account payable due in one year)
   (2) Propriety ratio of net cash flow=Business-related net cash flow in recent years/(capital outlay+cash dividend) in recent five years.
   (3) Cash flow coverage ratio=net cash flow from operating activities/net cash flow from investment activities.
7. Business scale
   (1) Market share of assets=Total assets/total assets of financial holding companies
   (2) Market share of book value=Book value/total book values of financial holding companies
   (3) Market share of banning 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+sharedholding 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

Taishin Financial Holding Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2010 and 2009 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Taishin Financial Holding Co., Ltd. ("Taishin Financial Holding") and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Taishin Financial Holding and subsidiaries' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Taishin Financial Holding and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Public Bills Finance Companies, Regulations Governing

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

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.

Deloitte & Touche

March 23, 2011

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.

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

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

Assets	2010 Amount	2009 Amount	Percentage of Variation %
Cash and cash equivalents (Notes 2 and 3)	$ 47,675,226	$ 35,368,984	35
Due from Central Bank and call loans to banks (Note 4)	126,140,623	218,154,436	(42)
Financial assets at fair value through profit or loss (Notes 2 and 5)	57,650,706	58,566,143	(2)
Bonds and securities purchased under resell agreements (Note 2)	5,328,210	9,891,904	(46)
Receivables, net (Notes 2, 6 and 7)	126,326,832	102,296,124	23
Loans, net (Notes 2 and 7)	1,577,700,288	1,506,226,128	5
Available-for-sale financial assets, net (Notes 2 and 8)	221,514,265	74,329,348	198
Held-to-maturity financial assets, net (Notes 2 and 9)	196,737,057	236,509,666	(17)
Investments accounted for by the equity method, net (Notes 2 and 10)	240,925	225,464	7
OTHER FINANCIAL ASSETS (Note 2)			
Financial assets carried at cost (Note 11)	9,313,362	9,232,752	1
Hedging derivative financial instruments (Note 20)	148,397	130,348	14
Other miscellaneous financial assets (Note 12)	11,664,114	16,100,137	(28)
Other financial assets, net	21,125,873	25,463,237	(17)
PROPERTY AND EQUIPMENT (Notes 2 and 13)			
Cost			
Land	27,794,019	27,794,896	-
Buildings	16,719,049	16,682,347	-
Machinery equipment	9,094,420	8,997,885	1
Transportation equipment	917,191	936,185	(2)
Miscellaneous equipment	2,147,720	2,121,632	1
Leasehold improvement and leased asset	1,199,206	1,762,378	(32)
	57,871,605	58,295,323	(1)
Accumulated depreciation	(15,984,505)	(15,477,857)	3
	41,887,100	42,817,466	(2)
Construction in process and machine accessories	19,012	447	4,153
Prepayment for buildings and equipment	56,401	34,076	66
Property and equipment, net	41,962,513	42,851,989	(2)
GOODWILL AND INTANGIBLE ASSETS (Notes 2 and 14)	22,091,674	21,079,935	5
OTHER ASSETS (Note 2)			
Prepayments	2,169,414	2,245,290	(3)
Refundable deposits	1,995,184	15,723,989	(87)
Deferred tax assets (Note 29)	13,428,430	18,966,433	(29)
Other miscellaneous assets (Note 15)	7,045,206	6,891,335	2
Other assets, net	24,638,234	43,827,047	(44)
TOTAL	$ 2,469,132,426	$ 2,374,790,405	4

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

Liabilities and Stockholders' Equity	2010 Amount	2009 Amount	Percentage of Variation %
LIABILITIES			
Due to banks and Central Bank (Note 16)	$ 152,360,876	$ 176,568,225	(14)
Commercial paper payable, net (Note 17)	114,915	-	-
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	21,586,408	19,342,423	12
Bonds and securities sold under repurchase agreements (Note 2)	44,194,464	33,083,342	34
Payables (Note 18)	50,038,751	44,608,499	12
Deposits (Note 19)	1,932,050,531	1,842,559,851	5
Bonds payable (Notes 2 and 20)	91,302,139	88,579,768	3
Other borrowings (Note 21)	350,000	162,000	116
Other financial liabilities	474,753	592,863	(20)
Reserve for operations and liabilities (Notes 2 and 22)	1,309,483	2,028,738	(35)
Other liabilities (Notes 10, 13, 15, 23 and 24)	8,908,066	10,958,872	(19)
Total liabilities	2,302,690,386	2,218,484,581	4
TAISHIN FINANCIAL HOLDING STOCKHOLDERS' EQUITY (Note 25)			
Capital stock			
Common stock	59,094,401	53,238,199	11
Preferred stock	11,912,963	11,912,963	-
Advance receipts for common stock	2,324	-	-
Capital surplus			
Additional paid-in capital in excess of par	16,996,159	16,996,159	-
Other capital surplus (Note 2)	2,105,984	2,079,886	1
Retained earnings			
Legal reserve	1,227,227	408,912	200
Special reserve	-	482,574	(100)
Unappropriated earnings	7,754,310	8,183,147	(5)
Other items of stockholders' equity			
Cumulative translation adjustments (Note 2)	(44,645)	(5,029)	788
Unrealized gains or losses on financial instruments (Note 2)	155,556	252,153	(38)
Total Taishin Financial Holding stockholders' equity	99,204,279	93,548,964	6
MINORITY INTERESTS	67,237,761	62,756,860	7
Total stockholders' equity	166,442,040	156,305,824	6
TOTAL	$ 2,469,132,426	$ 2,374,790,405	4

VI. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010 Amount	2009 Amount	Percentage of Variation %
INTEREST INCOME (Note 2)	$ 38,865,514	$ 41,416,958	(6)
INTEREST EXPENSES	(14,422,242)	(19,498,103)	(26)
NET INTEREST INCOME (Note 26)	24,443,272	21,918,855	12
NET INCOME OTHER THAN INTEREST INCOME (Note 2)			
Fee and commission income, net (Note 27)	11,555,916	12,798,696	(10)
Gain on financial assets and liabilities at fair value through profit or loss (Note 5)	(800,933)	3,419,805	(123)
Realized gain on available-for-sale financial assets	629,021	565,878	11
Investment income recognized under the equity method (Note 10)	14,219	26,926	(47)
Foreign exchange gain (Note 2)	3,500,621	1,764,813	98
Loss on asset impairments (Notes 2, 8, 11 and 12)	(25,568)	(153,527)	(83)
Other non-interest net income and losses			
Gain on sale of consolidated subsidiary (Note 1)	-	7,759,890	(100)
Recovery of loans written off (Note 2)	9,653,289	6,154,945	57
Income from trading and other sale	924,703	1,041,032	(11)
Gain on disposal of non-performing loans	1,445,856	733,509	97
Provision for other losses (Note 22)	-	(2,000,000)	100
Other miscellaneous net income	1,922,466	1,507,076	28
GROSS INCOME	53,262,862	55,537,898	(4)
PROVISION FOR LOAN LOSSES (Notes 2 and 7)			
OPERATING EXPENSES (Note 28)			
Personnel expenses	(16,368,071)	(17,190,770)	(5)
Depreciation and amortization	(2,145,083)	(2,477,818)	(13)
Others	(8,716,608)	(10,212,638)	(15)
Total operating expenses	(27,229,762)	29,881,226)	(9)
	(27,229,762)	(29,881,226)	(9)

(Continued)

	2010 Amount	2009 Amount	Percentage of Variation %
INCOME BEFORE INCOME TAX AND EXTRAORDINARY GAIN	$ 26,033,100	$ 25,656,672	1
ESTIMATED INCOME TAX EXPENSE (Notes 2 and 29)	(6,152,329)	(5,573,650)	10
NET INCOME BEFORE EXTRAORDINARY GAIN	19,880,771	20,083,022	(1)
EXTRAORDINARY GAIN (NET OF INCOME TAX EXPENSE OF $40,940 THOUSAND) (Notes 1 and 2)	-	122,820	(100)
CONSOLIDATED NET INCOME	$ 19,880,771	$ 20,205,842	(2)
ATTRIBUTABLE TO			
Taishin Financial Holding' s stockholders	$ 7,723,106	$ 8,183,147	(6)
Minority interests	6,192,221	2,433,211	154
	$ 13,915,327	$ 10,616,358	31

	2010		2009	
	Pretax	After-tax	Pretax	After-tax
BASIC EARNINGS PER SHARE (Note 30)				
Net income before extraordinary gain	$ 1.67	$ 1.06	$ 1.71	$ 1.12
Extraordinary gain	-	-	0.03	0.02
	$ 1.67	$ 1.06	$ 1.74	$ 1.14
DILUTED EARNING PER SHARE (Note 30)				
Net income before extraordinary gain	$ 1.67	$ 1.06	$ 1.71	$ 1.12
Extraordinary gain	-	-	0.03	0.02
	$ 1.67	$ 1.06	$ 1.74	$ 1.14

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

(Concluded)

VI. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	Capital Stock			Capital Surplus		
	Common Stock	Preferred Stock	Advance Receipts for Common Stock	Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions	Other Capital Surplus
BALANCE, JANUARY 1, 2009	$57,103,001	$ 12,777,778	$ -	$ 16,996,159	$ 2,075,475	$ -
Loss appropriation	(3,864,802)	(864,815)	-	-	-	-
Subsidiaries appropriation of 2008 earnings						
Cash dividends	-	-	-	-	-	-
Bonus to employees transferred to common stock	-	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-
Unrealized gains or losses of available-for-sale financial assets	-	-	-	-	-	-
Reserve for land revaluation increment	-	-	-	-	-	-
Consolidated net income for the year ended December 31, 2009	-	-	-	-	-	-
Adjustment due to change of investee's equity	-	-	-	-	-	4,411
BALANCE, DECEMBER 31, 2009	53,238,199	11,912,963	-	16,996,159	2,075,475	4,411
Appropriation of 2009 earnings						
Legal reserve	-	-	-	-	-	-
Reversed special reserve	-	-	-	-	-	-
Dividend on preferred stock C	-	-	-	-	-	-
Dividend on preferred stock D	-	-	-	-	-	-
Stock dividends ($1.1 per share, ex-dividend date August 18, 2010)	5,856,202	-	-	-	-	-
Cash dividends	-	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-
Unrealized gains or losses of available-for-sale financial assets	-	-	-	-	-	-
Disposal of land	-	-	-	-	-	-
Consolidated net income for the year ended December 31, 2010	-	-	-	-	-	-
Issuance of employee stock options	-	-	-	-	-	26,098
Execution of employee stock options	-	-	2,324	-	-	-
Effect of initial consolidation of subsidiaries	-	-	-	-	-	-
Others	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2010	$59,094,401	$ 11,912,963	$ 2,324	$ 16,996,159	$ 2,075,475	$ 30,509

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

Retained Earnings			Equity Adjustments			
Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Cumulative Translation Adjustments	Unrealized Gain or Loss on Financial Instruments	Minority Interests	Total
$ 408,912	$ 482,574	$ (4,729,617)	$ 51,369	$ (597,977)	$ 62,623,850	$ 147,191,524
-	-	4,729,617	-	-	-	-
-	-	-	-	-	2,943,744)	(2,943,744)
-	-	-	-	-	6,183	6,183
-	-	-	(56,398)	-	20	(56,378)
-	-	-	-	850,130	838,837	1,688,967
-	-	-	-	-	(38,617)	(38,617)
-	-	8,183,147	-	-	2,433,211	10,616,358
-	-	-	-	-	(162,880)	(158,469)
408,912	482,574	8,183,147	(5,029)	252,153	62,756,860	156,305,824
818,315	-	(818,315)	-	-	-	-
-	(482,574)	482,574	-	-	-	-
-	-	(1,050,000)	-	-	-	(1,050,000)
-	-	(910,000)	-	-	-	(910,000)
-	-	(5,856,202)	-	-	-	-
-	-	-	-	-	(1,451,178)	(1,451,178)
-	-	-	(39,616)	-	(134,050)	(173,666)
-	-	-	-	(96,597)	(155,996)	(252,593)
-	-	-	-	-	(21,141)	(21,141)
-	-	7,723,106	-	-	6,192,221	13,915,327
-	-	-	-	-	-	26,098
-	-	-	-	-	125	2,449
-	-	-	-	-	25,633	25,633
-	-	-	-	-	25,287	25,287
$ 1,227,227	$ -	$ 7,754,310	$ (44,645)	$ 155,556	$ 67,237,761	$ 166,442,040

VI. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 13,915,327	$ 10,616,358
Gain or loss with no effect on cash flows and other adjustments		
Extraordinary gain	-	(163,760)
Depreciation	1,774,259	1,944,707
Amortization	370,824	533,111
Provision for loan losses	5,965,444	9,589,484
Provision for other losses	-	2,000,000
Other provision	16,762	11,122
Share-based compensation	26,223	-
Amortization of premium and discount on bond investment	(182,868)	113,573
Investment income recognized under equity method	(14,219)	(26,926)
Cash dividends received in current period under equity method	7,128	11,096
Gain on disposal of property and equipment	(126,878)	(107,997)
Gain on disposal of investments	(2,227,188)	(3,603,256)
Gain on sale of consolidated subsidiary	-	(7,759,890)
Loss (gain) on financial instruments valuation	2,574,697	(389,638)
Loss on asset impairment	25,568	153,527
Unrealized exchange gain (loss)	1,388,172	(20,113)
Deferred income tax expense	5,890,292	4,934,789
Income tax benefit from linked-tax system	(277,904)	(146,426)
Recovery of debts written off	199,142	562,369
Others	404,140	495,616
Net changes in operating assets and liabilities		
Net changes in operating assets		
Increase in receivables	(19,203,564)	(9,089,267)
Decrease in financial assets for trading purpose	20,403,738	29,003,458
Increase in other financial assets	(266,202)	(508,678)
(Increase) decrease in other assets	(156,310)	402,480
Net changes in operating liabilities		
Increase (decrease) in payables	4,837,610	(5,281,136)
Decrease in financial liabilities for trading purpose	(17,806,120)	(23,754,046)
Decrease in other financial liabilities	(118,110)	(78,175)
Increase (decrease) in other liabilities	(2,725,309)	1,154,622
Net cash provided by operating activities	14,694,654	10,597,004
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(1,051,124,842)	(83,702,880)
Proceeds received on sale of available-for-sale financial assets	902,945,118	79,226,361
Purchase of bond investments without active market	(113,465)	(1,852,163)
Proceeds received on sale of bond investments without active market	3,704,962	3,198,980
Purchase of held-to-maturity financial assets	(1,140,129,178)	(1,386,769,961)
Proceeds received from maturity of held-to-maturity financial assets	1,179,507,095	1,332,443,337
Purchase of financial assets carried at cost	(55,748)	(28,205)
Proceeds received on sale of financial assets carried at cost	463,129	428,450
Capital reduction of financial assets carried at cost	50,914	9,450

(Continued)

	2010	2009
Purchase of investments accounted for by the equity method	-	(242,881)
Net payment for acquisition subsidiaries	$ (1,055,974)	$ -
Proceeds received from sale of consolidated subsidiary	-	25,825,452
Return on liquidation of investments accounted for by the equity method	-	158,243
Purchase of property and equipment	(890,255)	(2,569,793)
Proceeds received on sales of property and equipment	5,227	2,178,903
Proceeds received on sale of leased asset and idle asset	136,880	-
(Increase) decrease in operating guarantee deposits	29,247	(666,123)
(Increase) decrease in settlement funds	33,695	(424,700)
(Increase) decrease in refundable deposits	13,728,805	(3,200,810)
Purchase of intangible asset	(64,313)	(20,379)
Proceeds received on sale of collaterals	-	2,381
Net payment for acquiring Chinfon credit card department	(4,090,570)	-
(Increase) decrease in due from Central Bank and call loans to banks	92,013,813	(959,996)
Increase in loans (including delinquent loans)	(77,466,571)	(23,874,291)
(Increase) decrease in bonds and securities purchased under resell agreements	4,563,694	(4,027,225)
Net cash used in investing activities	(77,808,337)	(64,867,850)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial paper payable	114,915	(321)
Issuance of corporate bonds	5,300,000	-
Repayment of corporate bonds	(8,000,000)	-
Issuance of bonds payable	15,000,000	-
Repayment of bonds payable	(10,000,000)	(24,100,000)
Increase in other borrowings	188,000	162,000
Increase (decrease) in bonds and securities sold under repurchase agreements	11,111,122	(22,249,800)
Increase (decrease) in guarantee deposits	5,077	31,009
Remunerations to directors and supervisors, employee bonuses and cash dividends	(3,411,178)	(2,918,457)
Execution of stock warrants	2,324	-
Decrease in due to Central Bank and banks	(24,207,349)	(6,820,442)
Increase in deposits and remittances	89,317,014	110,719,278
Net cash provided by financing activities	75,419,925	54,823,267
EFFECTS FROM CHANGES OF CONSOLIDATED ENTITIES	-	(5,656,776)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,306,242	(5,104,355)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	35,368,984	40,473,339
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 47,675,226	$ 35,368,984
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest	$ 13,907,402	$ 24,086,746
Income tax	$ 601,704	$ 678,149

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

VI. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND CONSOLIDATION POLICY

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

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

In the fourth quarter of 2005, Taishin Financial Holding acquired 1,400,000 thousand shares of preferred stock - B issued by Chang Hwa Commercial Bank, Ltd. ("Chang Hwa Bank") through private placements. The 22.55% ownership interest with voting rights allows Taishin Financial Holding to take over half of the seats in the board of directors of Chang Hwa Bank. Accordingly, Taishin Financial Holding had controlling power over Chang Hwa Bank. The ownership interest with voting rights in Chang Hwa Bank held by Taishin Financial Holding and subsidiaries was 22.81% as of December 31, 2010. On October 3, 2008, this preferred stock - B had converted into 1,400,000 thousand shares of common stock.

Taishin Financial Holding' s board of directors resolved to invest in 100% equity interest of Donshin Securities Co., Ltd. ("Donshin Securities") on December 10, 2009, and the resolution had been approved by the Financial Supervisory Commission ("FSC") on April 6, 2010. In the second quarter of 2010, Taishin Financial Holding acquired 100.00% equity interest of Doshin Securities equal to 103,000 thousand shares at $11.13 per share. The acquisition price was $1,147 million. Donshin Securities became a subsidiary of Taishin Financial Holding and change the company name to Taishin Securities ("Taishin Securities B").

Taishin Financial Holding applied for acquiring 100.00% equity interest of Taishin Investment Trust Co., Ltd. ("Taishin Investment Trust") and 92.00% equity interest of Taishin Securities Investment Advisory Co., Ltd. ("Taishin Securities Investment Advisory"), and approved by the FSC on July 23, 2010. Taishin Financial Holding acquired 100.00% and 92.00% equity interest of Taishin Investment Trust and Taishin Securities Investment Advisory equal to 30,000 and 27,600 thousand shares at $10.219 and $11.59 per share. The acquisition price was $627 million. Taishin Investment Trust and Taishin Securities Investment Advisory became subsidiaries of Taishin Financial Holding.

Taishin Bank started its business operations on March 23,1992. Taishin Bank provides customers with (a) general commercial banking services - commercial lending, foreign exchange transactions, installment and term loans, wire transfers, marketable security investments, receivable factoring, offshore banking business, etc. as well as (b) various financial instruments - letters of credit, bankers' acceptances, checking and savings

accounts, credit cards, derivative instruments, etc.

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

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

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

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

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

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

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

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

At the base date of merger, Taishin Securities A' s outstanding shares would be cancelled and Taishin Financial Holding would receive the merger price in cash. Taishin Financial Holding recognized $7,759,890 thousand gain on disposal under the merger contract in 2009. The ultimate merger, after taking all the factors such as disposal of Taishin Securities A' s assets, purchase of 4,492,308 shares of Taiwan Futures Co., Ltd. ("Taiwan Futures") and transaction conditions and variations by the end of 2008, and all the agreements between the two sides have been reviewed and adjusted. On March 23, 2011, Taishin Financial Holding signed the agreement with KGI Securities that stipulated the acquisition price of $27,876,650 thousand.

Taishin Financial Holding received $25,825,452 thousand as of December 31, 2010, and the remaining $1,424,684 thousand, offsetting the acquisition price of Taishin Investment Trust and Taishin Securities Investment Advisory, are recorded as other receivables.

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

Taishin Bills Finance commenced operations on March 5, 1998 and its operations include : Brokerage and

dealing in short-term bills and bonds; underwriting and certifying of, and providing guarantees and endorsements on commercial paper; brokerage of interbank loans between financial institutions; and other businesses approved by the FSC. In order to integrate corporate resources, Taishin Bank merged with Taishin Bills Finance, and the base date of merger was January 22, 2011. Taishin Bank acquired total assets, liabilities and operations of Taishin Bills Finance.

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

Taishin Marketing Consultant Co., Ltd. ("Taishin Marketing") was established on November 20, 1998. Its operations include investment and enterprise consulting, agent services, acquisition of accounts receivable, real estates and leasing.

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

Taishin 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 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 Investment Trust was approved to operate full fiduciary discretionary investment business.

As of December 31, 2010 and 2009, Taishin Financial Holding and subsidiaries have 13,575 and 12,910 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, 2010 and 2009 were as follows:

		Ownership Interest (%)		
Investors' Names	Subsidiaries' Names	2010	2009	Note
Taishin Financial Holding	Taishin Bank	100.00	100.00	
Taishin Financial Holding	Taishin Securities A	-	-	Taishin Securities A was merged with KGI Securities and eliminated on December 19, 2009. Thus, it was not included in the consolidated financial statements.
Taishin Financial Holding	Taishin Securities B	100.00	-	In the third quarter of 2010, Taishin Financial Holding acquired 100% equity interest of Taishin Securities B. Thus, it was included in the consolidated financial statements since April 10, 2010.
Taishin Financial Holding	Taishin Bills Finance	100.00	100.00	
Taishin Financial Holding	Taishin AMC	100.00	100.00	
Taishin Financial Holding	Taishin Marketing	100.00	100.00	
Taishin Financial Holding	Taishin Venture Capital	100.00	100.00	
Taishin Financial Holding	Chang Hwa Bank	22.55	22.55	
Taishin Financial Holding	Taishin Securities Investment Advisory	92.00	-	In the third quarter of 2010, Taishin Financial Holding acquired 92% equity interest of Taishin Securities Investment Advisory. Thus, it was included in the consolidated financial statements since July 26, 2010.
Taishin Financial Holding	Taishin Investment Trust	100.00	-	In the third quarter of 2010, Taishin Financial Holding acquired 100% equity interest of Taishin Investment Trust. Thus, it was included in the consolidated financial statements since July 26, 2010.
Taishin Bank	Chang Hwa Bank	0.27	0.27	
Taishin Bank	Taishin Real-Estate	60.00	60.00	
Taishin Bank	Taishin Insurance Agency	87.40	87.40	
Taishin Bank	PayEasy Digital	65.36	65.36	
Taishin Securities A	Anew Holdings Ltd. ("Anew Holdings")	-	-	Taishin Securities A was merged with KGI Securities and eliminated on December 19, 2009. Its subsidiary was no longer a consolidated entity. Thus, its subsidiary was also not included in the consolidated financial statements.
Taishin Securities A	Taiwan Futures	-	-	Taishin Securities A was merged with KGI Securities and eliminated on December 19, 2009. Its subsidiary was no longer a consolidated entity. Thus, its subsidiary was also not included in the consolidated financial statements.
Taishin AMC	Taishin Real-Estate	40.00	40.00	
Taishin Insurance Agency	Taishin Insurance Brokers	100.00	100.00	
Anew Holdings	Taiwan Securities - HK	-	-	Anew Holdings is a subsidiary of Taishin Securities A which was merged with KGI Securities and eliminated on December 19, 2009. Thus, Anew Holdings and its subsidiary were not included in the consolidated financial statements.
Chang Hwa Bank	CHB Life Insurance Agency	100.00	100.00	
Chang Hwa Bank	CHB Insurance Brokerage	100.00	100.00	

(Concluded)

VI. Financial Status

Subsidiaries not included in the consolidated financial statements as of December 31, 2010 and 2009 were as follows:

Investors'	Subsidiaries'	Ownership Interest (%)		Consolidated as of December 31,	Note
Names	Names	2010	2009	2010	
Taishin Bank	Dah An Leasing Co., Ltd. ("Dah An Leasing")	99.00	99.00	No	Dah An Leasing was an equity method investee of Taishin Bank as of December 31, 2010 and 2009. Since its capital was less than 0.28% of the consolidated capital, also its total assets were less than 0.01% of the consolidated total assets, and it did not have operating activities, thus, it was not included in the consolidated financial statements.
Taishin Securities A	Taiwan Managed Futures Co., Ltd. ("Taiwan Managed Futures")	-	-	No	The entity was an equity method investee of Taishin Securities A as of December 19, 2009. However, Taishin Securities A was merged with KGI Securities and eliminated on December 19, 2009. Its subsidiary was no longer a consolidated entity. Thus, it was not included in the consolidated financial statements.
Taishin Securities A	Taishin Securities Investment Advisory	-	-	No	Same as above
Taishin Securities A	Taishin Investment Trust	-	-	No	Same as above
Taishin AMC	Shin Jui Assets Management Co., Ltd. ("Shin Jui AMC")	100.00	100.00	No	Shin Jui AMC was an equity method investee of Taishin AMC as of December 31, 2010 and 2009. Shin Jui AMC's capital, total assets, and operating income did not reach 0.01% of consolidated capital, of consolidated assets, and of consolidated operating income. Thus, it was not included in the consolidated financial statements.
PayEasy Digital	PayEasy Travel Service Co., Ltd. ("PayEasy Travel")	100.00	100.00	No	PayEasy Travel was an equity method investee of PayEasy Digital as of December 31, 2010 and 2009. Its capital, total assets and operating income did not reach 0.48% of consolidated capital, of consolidated total assets and of consolidated operating income. Thus, it was not included in the consolidated financial statements.
PayEasy Digital	Contect Digital Integration Co., Ltd. ("Contect Digital Integration")	65.75	65.75	No	Contect Digital Integration was an equity method investee of PayEasy Digital as of December 31, 2010 and 2009. Contect Digital Integration's capital, total assets and operating income did not reach 0.07% of consolidated capital, of consolidated total assets and consolidated operating income. Therefore, it was not included in the consolidated financial statements.
Anew Holdings	TSC Capital Limited	-	-	No	TSC Capital was an equity method investee of Anew Holdings as of December 19, 2009. However, Taishin Securities A, new Holdings' parent company, was merged with KGI Securities and eliminated on December 19, 2009, its subsidiary was no longer a consolidated entity. Thus, it was not included in the consolidated financial statements.
Anew Holdings	Tai Chen (BVI) Co., Ltd. ("Tai Chen (BVI)")	-	-	No	Same as above
Anew Holdings	Taiwan Securities - HK Nominee	-	-	No	Same as above

In order to integrate corporate resources and enhance operation efficiency, Taishin Financial Holding planned to reorganize, including the acquisition of Taishin Bills Finance by Taishin Bank. Taishin Bank merged with Taishin Bills Finance, with Taishin Bank as the survivor company.

The merger contract has been approved by the FSC on December 31, 2010, and the base date of merger was January 22, 2011. The merger price would be the net equity value of Taishin Bills Finance on the base date of merger and will be paid in cash by Taishin Bank to acquire total assets, liabilities and operations of Taishin Bills Finance.

Taishin Financial Holding acquired 100% equity interest of Taishin Securities B for the year ended December 31, 2010. The fair value of assets and liabilities were as follows:

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

Taishin Bank acquired the credit card department of Chinfon Bank for the year ended December 31, 2010. The fair value of assets and liabilities were as follows:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Current/Noncurrent Assets and Liabilities

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

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

Cash and Cash Equivalents

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

Financial Instruments at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (“FVTPL”) include financial assets or financial liabilities held for trading and those designated as at FVTPL on

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

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

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

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

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

Bonds and Securities Purchased/Sold under Specific Agreements

Bonds and securities purchased under resell agreements are recorded at purchase price and are accounted for as financing transactions. Bonds and securities sold under repurchase agreements are recorded at sale price. Interest revenue and expenses arose from the transactions mentioned above are recorded on accrual basis.

Credit Facilities Receivable

The cost of credit receivable acquired from financial institutions is recognized as the sum of acquisition cost and other necessary expenditures. The recognition of gain or loss from recovery or disposal of credit receivable is based on cost-recovery method and cash basis. Except there is an objective evidence that the fair value of collaterals is greater than the book value of the credit receivable, the gain or loss will not be recognized until the collateral is sold, if the credit receivable is recovered by foreclosing the mortgage. The cost incurred in the period

of acquisition and resale is recorded as current operating expenses. Allowances for bad debts are calculated at the end of period based on the estimated uncollectibility of the credit receivable.

Delinquent Loans

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

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

Allowance for Loan Losses and Reserve for Guarantees

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

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

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

Unrecoverable portions of delinquent loans are written off upon approval of board of directors. Recovery of delinquent loans previously written off is recognized as recovery of allowance for loan losses and classified into other non-interest net income and losses.

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

Available-for-sale Financial Assets

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

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

Cash dividends are recognized on the ex-dividend date or upon the shareholders' resolutions, except for dividends distributed from the pre-acquisition profit which are treated as a reduction of investment cost. Stock

dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the effective interest method, with the amortized interest recognized in profit or loss.

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 arising from long-term investments is insufficient, the shortage is debited to retained earnings.

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

When the investment share in losses of an investee over which Taishin Financial Holding and subsidiaries have control exceeds its 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, Equipment, Leased Asset and Idle Asset

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

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

Goodwill

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

Intangible Assets

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

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

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Deferred Assets and Other Assets

Deferred assets are amortized on a straight-line basis over the related service lives.

Assumed collaterals and residuals are recorded at cost.

According to the Regulations Governing the Preparation of Financial Reports by Securities Firms, the accounts related to consigned trades are reclassified as client's position - debit (including bank settlement account,

proceeds receivable of securities purchased for customers, settlement prices, settlement accounts receivable, and margin transactions) and client' s position - credit (including price payable of securities sold for customers, settlement accounts payable, marginal and securities borrowers payable), respectively, and are reported at net amounts.

Impairment of Assets

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

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

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

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

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

Stock-based Compensation

Employee stock options granted 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.

VI. Financial Status

Pension Cost

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

Convertible Bonds

For convertible bonds issued on or after January 1, 2006, if bondholders may exchange a specific number or amount of bonds for a specific number of equity instrument, the company first determines the carrying amount of the liability component by measuring the fair value of a similar liability (including any embedded non-equity derivatives) that does not have an associated equity component, then determines the carrying amount of the equity component, representing the equity conversion option, by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole. If the convertible bonds do not contain an associated equity component, the company determines the carrying amount of the liability component by deducting the fair value of the embedded derivatives from the fair value of these convertible bonds.
The liability component (excluding the embedded non-equity derivatives) is measured at amortized cost using the effective interest method, while the embedded non-equity derivatives are measured at fair value. Upon conversion, Taishin Financial Holding may use the aggregate carrying amount of the liability and equity components of the bonds at the time of conversion as a basis to record the common shares issued.
Pursuant to a newly released SFAS, transaction costs of bonds issued on or after January 1, 2006, net of related income tax benefit, are allocated in proportion to the liability and equity components of the bonds.

Hedge Accounting

Chang Hwa Bank enters into derivative transactions to manage interest risk exposures arising from assets and liabilities. To avoid the fair value risk resulted from the variation of market interest rate in fixed interest liabilities, these transactions are accounted as fair value hedge. When engaging in hedge transactions, Chang Hwa Bank prepared formal designation and documentation, which contained the hedging relationship between the hedging instruments and the hedged items, the risk management objectives, the hedge strategies, and the method to evaluate the effectiveness.
Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item as follows:
The gain or loss from remeasuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss.

Foreign Currency Transactions

The financial statements of foreign operations are translated into New Taiwan dollars at the following exchange rates:
a. Assets and liabilities - at exchange rates prevailing on the balance sheet date;
b. Shareholders' equity - at historical exchange rates;
c. Dividends - at the exchange rate prevailing on the dividend declaration date;
d. Income and expenses - at average exchange rates for the year.

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

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

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

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

a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;

b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

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

Income Recognition

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

The interest income on loans is recognized on an accrual basis. When the loans become past due and are considered uncollectible, the principal and interest receivable are transferred to delinquent loan accounts and the accrual of interest income is ceased. Interest income will be recognized when the delinquent interest is collected. According to the regulations issued by MOF, if the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue and recognized as income when collected.

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

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

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

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

Income Tax

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

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

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

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

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

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

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2009 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the year ended December 31, 2010.

3. CASH AND CASH EQUIVALENTS

	December 31	
	2010	2009
Cash on hand	$ 13,151,700	$ 12,299,779
Checks for clearing	7,019,371	5,902,365
Due from banks	24,692,626	14,590,066
Others	2,811,529	2,576,774
	$ 47,675,226	$ 35,368,984

4. DUE FROM CENTRAL BANK AND CALL LOANS TO BANKS

	December 31	
	2010	2009
Reserve for checking account	$ 22,816,987	$ 19,776,450
Reserve for demand account	48,672,857	46,166,887
Reserve for foreign deposit	240,936	293,568
Call loans to banks	34,011,447	41,388,832
Certificate of deposits issued by Central Bank	20,172,425	110,300,000
Others	225,971	228,699
	$ 126,140,623	$ 218,154,436

Taishin Bank and Chang Hwa Bank are required to maintain reserve balances in the Central Bank. These reserves amounted to $71,730,780 thousand and $66,236,905 thousand as of December 31, 2010 and 2009, respectively.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2010	2009
Trading-purpose financial assets		
Investment in bills	$ 24,461,957	$ 25,978,921
Quoted stocks and mutual funds	1,703,842	828,669
Government bonds	4,099,939	5,626,185
Corporate bonds, financial debentures and other bonds	6,741,483	4,175,459
Trading securities		
Dealing	497,513	-
Underwriting	276,795	-
Futures	286,960	273,243
Forward exchange contracts	1,919,333	842,449
Currency swaps	3,384,348	1,576,516
Interest rate swaps	7,447,829	12,692,030
Cross-currency swaps	2,055,506	845,792
Currency options	897,251	425,569
Interest rate options	19,260	69,348
Call options	41,737	-
Equity-linked options	370,826	194,958
Equity-linked swaps	26,897	54,435
Credit default swaps	15,837	28,090
Convertible bond assets swaps	1,740,424	1,713,235
Commodity options	2,819	1,149,765
Others	59,512	53,367
	56,050,068	56,528,031
Financial assets designated upon initial recognition at fair value through profit or loss		
Interest-rate combination instruments	1,600,638	2,038,112
	$ 57,650,706	$ 58,566,143

Please refer to Note 32 for relevant information regarding financial assets at FVTPL pledged as collaterals as of December 31, 2010 and 2009.

The par values of those financial assets at FVTPL provided for transactions with repurchase agreements were $19,380,000 thousand and $17,789,300 thousand as of December 31, 2010 and 2009, respectively.

	December 31	
	2010	2009
Trading-purpose financial liabilities		
Forward exchange contracts	$ 1,567,167	$ 755,982
Currency swaps	7,041,629	1,335,303
Interest rate swaps	7,553,581	12,488,419
Cross-currency swaps	2,816,363	1,162,257
Currency options	473,222	203,618
Interest rate options	30,596	77,643
Conversion-price-reset options and call options for convertible bond	893,564	598,178
Equity-linked options	550,461	561,940
Commodity options	2,819	1,149,765
Securities borrowing	98,297	615,650
Equity-linked swaps	26,890	54,435
Credit default swaps	16,340	35,731
Assets based commercial papers	30,068	23,575
Others	485,411	279,927
	$ 21,586,408	$ 19,342,423

VI. Financial Status

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

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

The nominal principal amounts of outstanding derivative contracts as of December 31, 2010 and 2009 were as follows:

	December 31	
	2010	2009
Outstanding derivative contracts		
Trading-purpose		
Forward exchange contracts	$ 84,932,192	$ 108,390,390
Currency swaps	322,347,376	258,173,594
Interest rate swaps and asset swaps	572,125,408	839,121,415
Cross-currency swaps	42,339,469	45,952,645
Futures	690,619	1,073,061
Future and electronic index options	340,340	-
Currency options	79,041,610	50,839,025
Interest rate options	12,481,000	23,082,700
Equity-linked options	5,060,912	4,874,510
Commodity options	679,326	33,322,699
Credit default swaps	2,607,197	10,644,566
Equity-linked swaps	2,186,990	2,324,609
Commodity swaps	76,920	35,345
Fixed rate commercial papers	630,000	1,090,000
Flexible rate commercial papers	950,000	400,000
Assets based commercial papers	4,170,500	4,528,900

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

Net gain of financial assets for trading purpose for the years ended December 31, 2010 and 2009 was $19,249,172 thousand (including gain on valuation of $13,784,212 thousand, gain on disposal of $5,437,830 thousand, and dividend revenue of $27,130 thousand) and $7,445,724 thousand (including gain on valuation of $1,680,176 thousand, gain on disposal of $5,758,898 thousand, and dividend revenue of $6,650 thousand), respectively.

Net loss of financial liabilities for trading purpose for the years ended December 31, 2010 and 2009 was $20,050,105 thousand (including loss on valuation of $16,358,909 thousand and loss on disposal of $3,691,196 thousand) and $4,025,919 thousand (including loss on valuation of $1,290,538 thousand and loss on disposal of $2,735,381 thousand), respectively.

6. RECEIVABLES, NET

	December 31	
	2010	2009
Notes and accounts receivable	$ 100,498,577	$ 75,778,364
Margin loans receivable	685,666	429,404
Acceptance receivable	9,055,418	8,738,565
Revenue receivable	263,565	269,732
Interest receivable	3,446,951	3,423,027
Tax refund receivable	2,015,446	2,269,240
Installment receivable	6,441,427	6,291,193
Other receivables	4,814,172	6,241,939
	127,221,222	103,441,464
Less: Allowance for receivables	(894,390)	(1,145,340)
	$ 126,326,832	$ 102,296,124

7. LOANS

The details of loans are as follows:

	December 31	
	2010	2009
Negotiated	$ 2,634,687	$ 3,438,656
Overdrafts	4,059,125	6,411,845
Discounts	4,319,063	4,273,603
Short-term loans	446,439,330	372,898,077
Medium-term loans	405,224,528	432,146,502
Long-term loans	726,361,364	691,177,456
Delinquent loans	7,923,210	15,271,106
	1,596,961,307	1,525,617,245
Less: Allowance for loan losses	(19,261,019)	(19,391,117)
	$ 1,577,700,288	$ 1,506,226,128

Allowance for loan losses is as follows:

	Year Ended December 31, 2010			
	Receivables	For Losses on Particular Loans	For Losses on the Overall Loan Portfolio	Total
Balance, January 1, 2010	$ 1,145,340	$ 5,912,560	$ 13,478,557	$ 20,536,457
Reclassification at beginning of the year	157,324	518,696	-	676,020
Increase by acquiring Chinfon credit card department	-	540,576	-	540,576
Provision (reverse) for loan losses	(305,196)	2,571,961	3,724,689	5,991,454
Reclassification during this year	(16,511)	164,580	(148,069)	-
Loans written off	(101,877)	(7,092,659)	(148,541)	(7,343,077)
Recovery of loans written off	3,680	195,462	-	199,142
Reclassified as other financial assets	-	(327,641)	-	(327,641)
Reclassified from reserve for guarantees	11,659	40,195	(1,856)	49,998
Others	(29)	(76,562)	(90,929)	(167,520)
Balance, December 31, 2010	$ 894,390	$ 2,447,168	$ 16,813,851	$ 20,155,409

	Year Ended December 31, 2009			
	Receivables	For Losses on Particular Loans	For Losses on the Overall Loan Portfolio	Total
Balance, January 1, 2009	$ 1,443,107	$ 9,782,763	$ 13,563,730	$ 24,789,600
Reclassification at beginning of the year	-	826,950	-	826,950
Provision (reverse) for loan losses	395,248	9,044,713	(56,854)	9,383,107
Reclassification during this year	(406,000)	406,000	-	-
Loans written off	(476,359)	(14,095,384)	(25,487)	(14,597,230)
Recovery of loans written off	224,629	337,740	-	562,369
Reclassified as other financial assets	-	(518,696)	-	(518,696)
Reclassification from reserve for guarantees	(35,044)	154,679	3,053	122,688
Others	(241)	(26,205)	(5,885)	(32,331)
Balance, December 31, 2009	$ 1,145,340	$ 5,912,560	$ 13,478,557	$ 20,536,457

Details of provision (reverse) for loan losses for the years ended December 31, 2010 and 2009 were as follows:

	2010	2009
Provision for receivable and loan losses	$ 5,991,454	$ 9,383,107
(Reserve) provision for guarantees	(26,010)	206,377
	$ 5,965,444	$ 9,589,484

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2010	2009
Investment in bills	$ 138,910,330	$ 5,012,859
Domestic quoted stocks	3,020,262	2,216,509
Government bonds	43,832,733	34,269,274
Corporate bonds and financial debentures	27,241,233	29,237,467
Asset based securities	7,426,330	2,579,010
Mutual funds	1,083,377	1,014,229
	$ 221,514,265	$ 74,329,348

Please refer to Note 32 for relevant information regarding available-for-sale financial assets pledged as collaterals as of December 31, 2010 and 2009.

The par values of bond investments in available-for-sale financial assets provided for transactions with repurchase agreements were $24,903,044 thousand and $16,012,500 thousand as of December 31, 2010 and 2009, respectively.

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

9. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2010	2009
Investment in bills	$ 182,573,462	$ 217,089,111
Government bonds	908,754	2,455,514
Corporate bonds and financial debentures	13,237,250	16,892,243
Asset based securities	17,591	72,798
	$ 196,737,057	$ 236,509,666

Please refer to Note 32 for relevant information regarding held-to-maturity financial assets pledged as collaterals as of December 31, 2010 and 2009.

The par values of bonds investments in held-to-maturity financial assets provided for transactions with repurchase agreements were $1,297,264 thousand and $624,100 thousand as of December 31, 2010 and 2009, respectively.

10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2010		2009	
	Carrying Value	Ownership Interest (%)	Carrying Value	Ownership Interest (%)
Unquoted stocks				
Dah An Leasing	$ 164,659	99.00	$ 162,252	99.00
PayEasy Travel	15,107	100.00	16,119	100.00
An Hsin Real-Estate Management Co., Ltd. ("An Hsin Real-Estate")	59,340	30.00	45,819	30.00
Shin Jui AMC	1,819	100.00	(17)	100.00
Contect Digital Integration	(8,387)	65.75	1,274	65.75
	232,538		225,447	
Credit balance of long-term investment reclassified to other liabilities	8,387		17	
	$ 240,925		$ 225,464	

Based on the investees' financial statements for the years ended December 31, 2010 and 2009, the amounts of investment income (loss) recognized under equity method were as follows:

	2010		2009	
	Individual Net Income (Loss)	Investment Income (Loss) Recognized	Individual Net Income (Loss)	Investment Income (Loss) Recognized
Taishin Securities Investment Advisory	$ -	$ -	$ (11,487)	$ (10,568)
Taishin Investment Trust	-	-	14,826	17,060
Tai Chen (BVI)	-	-	36,722	36,722
TSC Capital Limited	-	-	(23,424)	(23,424)
Dah An Leasing	2,430	2,407	592	586
PayEasy Travel	1,459	1,459	2,745	2,765
An Hsin Real-Estate	60,592	18,178	27,371	8,211
Shin Jui AMC	1,836	1,836	(900)	(900)
Contect Digital Integration	(10,324)	(9,661)	(5,362)	(3,526)
		$ 14,219		$ 26,926

11. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2010	2009
Domestic emerging market stocks	$ 488,928	$ -
Domestic and oversea unquoted stocks	8,824,434	8,863,552
Mutual funds without active market	-	369,200
	$ 9,313,362	$ 9,232,752

The net assets values of certain unquoted stocks were less than their carrying values of those. Moreover, the possibility that the net assets values of these unquoted stocks would recover was small. Therefore, impairment loss of $25,568 thousand and $16,840 thousand was recognized for the years ended December 31, 2010 and 2009, respectively.

12. OTHER MISCELLANEOUS FINANCIAL ASSETS

	December 31	
	2010	2009
Bond investments without active market	$ 11,358,321	$ 15,807,338
Delinquent loans reclassified from other items (excluding loans)	608,068	769,205
Less: Allowance for bad debt	(327,641)	(518,696)
Inward remittance	25,366	42,290
	$ 11,664,114	$ 16,100,137

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

13. PROPERTY AND EQUIPMENT

	December 31			
	2010		2009	
	Cost	Accumulated Depreciation	Carrying Value	Carrying Value
Land	$ 27,794,019	$ -	$ 27,794,019	$ 27,794,896
Buildings	16,719,049	(5,302,114)	11,416,935	11,833,321
Machinery equipment	9,094,420	(7,171,322)	1,923,098	2,451,139
Transportation equipment	917,191	(769,679)	147,512	163,286
Miscellaneous equipment	2,147,720	(1,851,807)	295,913	304,898
Leasehold improvement and leased asset	1,199,206	(889,583)	309,623	269,926
Construction in process and machine accessories	19,012	-	19,012	447
Prepayments for building and equipment	56,401	-	56,401	34,076
	$ 57,947,018	$ (15,984,505)	$ 41,962,513	$ 42,851,989

Chang Hwa Bank revalued its land and buildings over the years. The total amounts of revaluation increments recognized for land and buildings were $17,600,470 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, 2010 and 2009 were as follows:

	December 31			
	2010		2009	
	Land	Buildings	Land	Buildings
Property and equipment	$ 12,480,372	$ 80,974	$ 12,481,090	$ 81,290
Other miscellaneous assets	4,397,674	12,533	4,430,558	12,217
	$ 16,878,046	$ 93,507	$ 16,911,648	$ 93,507

Reserve for land revaluation increment tax is accounted as other liabilities and amounted to $5,607,113 thousand and $5,619,574 thousand as of December 31, 2010 and 2009, respectively.

14. GOODWILL AND INTANGIBLE ASSETS

	December 31	
	2010	2009
Goodwill	$ 21,012,047	$ 20,586,747
Intangible assets - customer value	560,807	-
Intangible assets - computer software	425,054	493,188
Intangible assets - concession	58,549	-
Intangible assets - others	35,217	-
	$ 22,091,674	$ 21,079,935

VI. Financial Status

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, 2010 and 2009 were both $884,938 thousand with no material impairment loss noted.

Taishin AMC acquired 40% interest ownership of Taishin Real-Estate in April 2003. The difference between the purchase price and the net assets acquired was recognized as goodwill. The unamortized amount as of December 31, 2010 and 2009 were both $4,187 thousand.

Taishin Bank acquired the net assets of the 10th Credit Cooperative of Hsin-Chu in October 2004. The acquisition price in excess of the net assets of 10th Credit Cooperative of Hsin-Chu was recognized as goodwill. The unamortized amount as of December 31, 2010 and 2009 were 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 of consolidated goodwill amounted to $1,682,589 thousand. The unamortized balance was $19,430,286 thousand as of December 31, 2010 and 2009.

In performing asset impairment test, Chang Hwa Bank is taken as one CGU on the basis of the consolidated financial statements. Taishin Financial Holding's and Taishin Bank's goodwill from merger is allocated to the CGU. Before 2008, the assets which are subject to asset impairment test include the fixed asset of Chang Hwa

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

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 Investment Trust merged with IBT Asset Management Co., Ltd. (“IBT AMC”) on December 18, 2010, in which Taishin 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, 2010 was $425,300 thousand.

Intangible Assets - Customer Value

To increase the number of customers, credit card usage, revolving balance, and increase profits by enhancing the operation efficiency, Taishin Bank acquired the net assets of Chinfon Bank’ s credit card business and the related customer value amounted to $672,969 thousand as of the base date, March 6, 2010. The Customer value recognized as intangible asset was amortized; the amount of amortization was $112,162 thousand and the unamortized amount was $560,807 thousand as of December 31, 2010.

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 the second quarter. The concession value recognized as intangible asset was amortized; the amount of amortization was $10,332 thousand and the unamortized amount was $58,549 thousand as of December 31, 2010.

15. OTHER MISCELLANEOUS ASSETS

	December 31	
	2010	2009
Operating guarantee deposits	$ 86,850	$ 57,603
Settlement funds	33,695	-
Rental and idle assets, net	5,511,988	5,521,234
Client's position - debit	-	16,134
Collaterals, net	72,694	104,652
Real estate investments, net	309,837	303,209
Others	1,030,142	888,503
	$ 7,045,206	$ 6,891,335

Operating Guarantee Deposits

a. Taishin Securities B

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

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

b. Taishin Bills Finance

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

Settlement Funds

Taishin Securities B

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

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

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

As stipulated in GTSM Rules Governing Settlement Funds in the Join 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	
	2010	2009
Rental land	$ 4,762,894	$ 4,796,044
Rental buildings	1,127,177	1,066,546
Less: Accumulated depreciation - rental buildings	(405,121)	(368,394)
	5,484,950	5,494,196
Idle land	27,038	27,038
	$ 5,511,988	$ 5,521,234

Client's Position - Debit (Credit)

	December 31	
	2010	2009
Debits		
Bank settlement account	$ 10	$ -
Proceed receivable of securities purchased for customers	185,665	191,657
Settlement accounts receivable	148,272	-
Settlement prices	981,258	538,953
Proceed receivable of securities sold for customer	156,591	188,478
	1,471,796	919,088
Credits		
Price payable of securities sold for customers	156,591	188,478
Settlement accounts payable	718,208	-
Settlement prices	464,854	522,819
Price payable of securities purchased for customer	185,665	191,657
	1,525,318	902,954
Client's position - debit (credit)	$ (53,522)	$ 16,134

VI. Financial Status

16. DUE TO BANKS AND CENTRAL BANK

	December 31	
	2010	2009
Due to Central Bank	$ 30,354	$ 161,625
Due to other banks	23,098,294	24,270,502
Deposits transferred from the Postal Bureau	50,981,867	73,959,086
Call loans from other banks	76,460,417	74,611,144
Bank overdraft	1,789,944	3,565,868
	$ 152,360,876	$ 176,568,225

17. COMMERCIAL PAPER PAYABLE

	December 31, 2010
Guarantee or acceptance institution	
China Bills Finance	$ 100,000
Mega Bills Finance	15,000
Less: Discounts on commercial paper payable	(85)
	$ 114,915

As of December 31, 2010, the interest rate for commercial paper payable was ranged from 0.3% to 0.8%.

18. PAYABLES

	December 31	
	2010	2009
Notes and accounts payable	$ 25,751,959	$ 22,283,840
Accrued expenses	5,131,786	4,305,242
Interest payable	3,234,282	3,036,107
Tax payable	1,948,325	1,826,491
Dividend and bonus payable	256,237	181,909
Acceptance payable	9,968,661	9,299,868
Check for clearance payable	826,862	686,898
Collection payable	657,026	741,067
Deposits received from securities borrowers	884	2,655
Guarantee price deposits received from securities borrowers	977	2,916
Credit received payable	410,000	-
Other payables	1,851,752	2,241,506
	$ 50,038,751	$ 44,608,499

19. DEPOSITS

	December 31	
	2010	2009
Checking deposits	$ 39,167,279	$ 38,248,262
Demand deposits	391,294,475	340,931,107
Time deposits	490,046,736	499,627,841
Negotiable certificates of deposit	13,511,300	10,072,000
Savings deposits	996,198,321	952,279,842
Remittances and drafts issued	1,832,420	1,400,799
	$ 1,932,050,531	$ 1,842,559,851

20. BONDS PAYABLE

	December 31	
	2010	2009
Unsecured subordinated corporate bonds - par	$ 30,950,000	$ 33,650,000
Unsecured convertible bonds - par	7,000,000	7,000,000
Unsecured convertible bonds - discounts	(141,011)	(544,174)
Financial debentures	53,493,150	48,473,942
	$ 91,302,139	$ 88,579,768

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

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

	December 31	
	2010	2009
Unsecured Subordinated Corporate Bonds - 2003	$ -	$ 8,000,000
Unsecured Subordinated Corporate Bonds - 2004 (I)	2,000,000	2,000,000
Unsecured Subordinated Corporate Bonds - 2004 (II)	5,000,000	5,000,000
Unsecured Subordinated Corporate Bonds - 2005 (I)	12,000,000	12,000,000
Unsecured Subordinated Corporate Bonds - 2005 (II)	3,650,000	3,650,000
Unsecured Subordinated Corporate Bonds - 2005 (III)	3,000,000	3,000,000
Unsecured Convertible Bonds - 2006 (par value)	7,000,000	7,000,000
Unsecured Convertible Bonds - 2006 (discount)	(141,011)	(544,174)
Unsecured subordinated Corporate Bonds - 2010 (I)	5,300,000	-
	$ 37,808,989	$ 40,105,826

VI. Financial Status

a. Domestic Unsecured Subordinated Corporate Bonds - 2003

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

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

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

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

1) Issue amount : $2,000,000 thousand.
2) Denomination : $10,000 thousand.
3) Issue date : May 21, 2004.
4) Issue price : 100% of the principal amount of the bonds.

5) Maturity : 7 years from the issue date.
6) Coupon rate : 2.9% per annum.
7) Interest payment : Simple interest per annum from the issue date.
8) Redemption on maturity : In cash.
9) Other : Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (the part of interest could be cumulative and the interest of the principal in the extension period could be calculated at coupon rate).

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

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

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

1) Issue amount : $12,000,000 thousand, and divided into Bond A and Bond B according to the issue dates. The total issue amount for Bond A and Bond B was $11,500,000 thousand and $500,000 thousand, respectively.
2) Denomination : $10,000 thousand.
3) Maturity : Both Bond A and B mature 7 years from the issue date. Bond A was issued on September 20, 2005 and will mature on September 20, 2012. Bond B was issued on September 21, 2005 and will mature on September 21, 2012.
4) Issue price : Both Bond A and B were issued at 100% of the principal.
5) Coupon rate : 2.70% per annum for both Bond A and B.
6) Interest payment : Simple interest per annum from the issue date for both Bond A and B.
7) Redemption on maturity : In cash for both Bond A and B.
8) Other : Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (the part of interest could be cumulative and the interest of the principal in the extension period could be calculated at coupon rate).

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

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

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

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

g. Domestic Unsecured Convertible Corporate Bonds - 2006

1) Issue amount : $7,000,000 thousand.
2) Denomination : $50,000 thousand.
3) Issue date : May 5, 2006.
4) Issue price : 100% of the amount of the bonds.
5) Maturity : 5 years from the issue date.
6) Coupon rate : 2.75% per annum.
7) Interest payment : Simple interest per annum from the issue date.
8) Conversion method :
   a) Conversion object : Taishin Financial Holding's common shares.
   b) Conversion period :

Unless previously redeemed, repurchased, converted into common shares or during the closed period (as defined by relevant ROC laws), bonds may be converted into common shares at any time after 30 days of the issue date and before 10 days prior to the maturity date. As of December 31, 2010, no option had been exercised.

c) Pricing :

- Conversion price per share of $19.80 dollars is determined on the pricing date.
- aishin Financial Holding should adjust the conversion price in accordance with any of the events specified in the Trust Deed. The conversion price was reset on August 8, 2010 and adjusted to $15.1.

9) Redemption at the bondholders' option: None

10) Redemption at the Taishin Financial Holding's option:

a) If the closing prices of Taishin Financial Holding's common shares listed on the Taiwan Stock Exchange for 30 consecutive trading days exceed 50% of the conversion price, Taishin Financial Holding may redeem the bonds at par value in cash at any time after three years of the issue date before the 40th day prior to the maturity date.

b) If the bonds which have been redeemed or converted were over 90%, Taishin Financial Holding may redeem the bonds at par value in cash after one month of the issue date until the 40th day before the maturity date.

11) Redemption on maturity:

Unless previously converted, or repurchased, the bond will be redeemed in cash at par value on maturity.

h. 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).

VI. Financial Status

Financial Debentures Issued By Taishin Bank

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

	December 31	
	2010	2009
Subordinated Financial Debentures - 2001.10.02	$ -	$ 5,000,000
Subordinated Financial Debentures - 2004 (I)	-	5,000,000
Subordinated Financial Debentures - 2005 (I)	1,508,000	1,508,000
Subordinated Financial Debentures - 2005 (II)	3,300,000	3,300,000
Subordinated Financial Debentures - 2005 (III)	5,000,000	5,000,000
Subordinated Financial Debentures - 2005 (IV)	5,192,000	5,192,000
Subordinated Financial Debentures - 2010.04.12	10,000,000	-
	$ 25,000,000	$ 25,000,000

a. 10-year financial debentures amounting to $5,000 million were issued on October 2, 2001. The interest rates are 4.05% for year one to five and 4.45% for year six to ten. Interests are payable annually. Taishin Bank has redemption right on these financial debentures at par value plus accrued interest payable starting from the sixth year. Taishin Bank had redeemed these financial debentures on February 10, 2010.

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

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

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

Redemption policy: Taishin Bank can redeem all or part of the debentures on each interest payment date at the principal value plus interest after the fifth anniversary (December 15, 2009) by notifying the holders in written form seven days before redemption. Taishin Bank can also redeem all or part of the debentures on the noninterest date at the principal value plus the interest after the fifth anniversary by notifying the holders in written form two months before redemption. Taishin Bank had redeemed these financial debentures on March 10, 2010.

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

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

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

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

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

VI. Financial Status

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.

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

Financial Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2005, third issue	2005.05.18	2017.05.18	12 years	$5 billion	Taishin Bank's fixed interest rate for one-year time deposit plus 0.80% from the first to the seventh year and Taishin Bank's fixed interest rate for one-year time deposit plus 1.10% from the eighth year. The interest rate is recalculated annually.	$100 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date, unless the redemption is exercised.

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

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

Financial Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2005.06.06	2017.06.06	12 years	$2,950 million	2.70% fixed interest rate from the first to the seventh year and 3.20% fixed interest rate from the eighth to the twelfth year.	$100 million, $10 million, and $1 million, respectively	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Debentures are redeemable at par value in cash on the maturity date, unless the redemption or put option is exercised.
B	2005.06.06	2017.06.06		$1,442 million			
C	2005.06.06	2017.06.06		$800 million	Taishin Bank's floating interest rate for one-year time deposit plus 0.65%. The interest rate is recalculated annually.		

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

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

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

VI. Financial Status

Financial Debentures Issued By Chang Hwa Bank

On March 15, 2002, September 26, 2007, May 19, 2008, December 15, 2008, September 15, 2009, and June 29, 2010, Chang Hwa Bank has issued subordinated financial debentures to enhance its capital adequacy ratio and raise medium to long-term operating funds. The details of subordinated financial debentures were as follows:

	December 31	
	2010	2009
Fair value hedged		
Subordinated Financial Debentures - 2008 (I)	$ 2,000,000	$ 2,000,000
Valuation adjustment	143,150	123,942
	2,143,150	2,123,942
Non-hedged		
Subordinated Financial Debentures - 2007 (I)	$ 5,000,000	$ 5,000,000
Subordinated Financial Debentures - 2008 (I)	3,000,000	3,000,000
Subordinated Financial Debentures - 2008 (II)	8,350,000	8,350,000
Subordinated Financial Debentures - 2009 (I)	5,000,000	5,000,000
Subordinated Financial Debentures - 2010 (I)	5,000,000	-
	26,350,000	21,350,000
	$ 28,493,150	$ 23,473,942

The details of subordinated financial debentures were as follows:

a. Subordinated Financial Debentures - 2002 (I)

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

b. Subordinated Financial Debentures - 2007 (I)

1) Issue amount: $5,000,000 thousand.
2) Issue date: September 26, 2007.
3) Issue price: 100% of the principal amount of the bonds.

4) Maturity: 7 years from the issue date.
5) Coupon rate: The 90-day commercial paper fixed rate in the secondary market plus 0.35%, provided by Reuters Limited.
6) Interest payment: Interest payable annually from the issue date.

c. Subordinated Financial Debentures - 2008 (I)

1) Issue amount: $5,000,000 thousand.
2) Issue date: May 19, 2008.
3) Issue price: 100% of the principal amount of the bonds.
4) Maturity: 7 years from the issue date.
5) Coupon rate: 3.10 % per annum.
6) Interest payment: Interest payable annually from the issue date.
7) Other: To avoid fair value risks as a result of changes in interest rates, Chang Hwa Bank engaged in derivative transactions as hedging tools. The interest rate swaps nominal principal was $2,000,000 thousand and the hedging derivative financial assets were $148,397 thousand and $130,348 thousand as of December 31, 2010 and 2009, respectively.

d. Subordinated Financial Debentures - 2008 (II)

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

e. Subordinated Financial Debentures - 2009 (I)

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

f. Subordinated Financial Debentures - 2010 (I)

1) Issue amount: $5,000,000 thousand.
2) Issue date: June 29, 2010.
3) Issue price: 100% of the principal amount of the bonds.
4) Maturity: None
5) Coupon rate: From first to tenth year: 3.15% per annum
   After tenth year: 4.15% per annum
6) Interest payment: Interest payable annually from the issue date.

21. OTHER BORROWINGS

	December 31	
	2010	2009
Short-term unsecured borrowings	$ 350,000	$ 162,000

As of December 31, 2010 and 2009, interest rates on short-term unsecured borrowings ranged from 1.00% to 1.15% and from 1.30% to 1.50%, respectively, per annum.

22. RESERVE FOR OPERATIONS AND LIABILITIES

	December 31	
	2010	2009
Reserve for guarantee liabilities	$ 385,846	$ 465,643
Reserve for default losses	68,825	47,548
Reserve for trading losses	399,699	370,636
Reserve for bad debt	3,530	-
Reserve for other losses	451,583	1,144,911
	$ 1,309,483	$ 2,028,738

Reserve for Default Losses

Taishin Securities B and Chang Hwa Bank

According to the Regulations Governing Securities Firms, securities brokers are required to provide 0.0028% of their monthly transaction amount as reserve for contract loss until the reserve reaches $200,000 thousand. This reserve may be used only to offset loss from brokerage trading or for items approved by the Securities and Futures Bureau.

Reserve for Trading Losses

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

Under the Regulations Governing Securities Firms, securities proprietary traders are required to provide 10% of their monthly net dealing gain as reserve for security dealing losses until the reserve reaches $200,000 thousand. Reserve may be used only to offset the dealing losses in excess of dealing gains.

Reserve for Bad Debt

In accordance with Letter No. (88) Tai-Tsai-Cheng-7-91625, the futures commission merchants should write off or make a loss provision of bad debt equivalent to the amount of 3% sales from major operating sectors to comply with the Article 11 of the amended Value-added and Non-value-added Business Tax Act within four years upon the effective date of the amendment to the law, effective on July 1, 1999.

Reserve for Other Losses

Referring to the result of the review of structured note case by the Association of Banks and other individual

cases, Taishin Bank has provided reserve for compensation of consigned structured notes issued by international institutions. As of December 31, 2009, resulting loss is $2,000,000 thousand and is recorded as net income other than interest income.

23. OTHER LIABILITIES

	December 31	
	2010	2009
Advance receipts	$ 1,254,647	$ 1,096,021
Reserve of land value increment tax	5,607,113	5,619,574
Guarantee deposits	1,261,823	1,266,900
Accrued pension liability	327,088	2,503,885
Deferred income	106,666	102,684
Client's position - credit (Note 15)	53,522	-
Others	297,207	369,808
	$ 8,908,066	$ 10,958,872

24. 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 $450,545 thousand and $410,998 thousand for the years ended December 31, 2010 and 2009, 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 $681,109 thousand and $633,049 thousand for the years ended December 31, 2010 and 2009, respectively.

a. Components of net periodic pension cost

	Years Ended December 31	
	2010	2009
Service cost	$ 492,092	$ 525,210
Interest cost	175,116	191,879
Projected return on plan assets	(107,097)	(108,030)
Amortization of transitional obligation	2,950	18,486
Amortization of unrecognized pension loss	125	-
Amortization of pension loss (gain)	268	2,206
Effect of transferor on pension cost	56,146	13,835
Curtailment gain	(171)	(10,537)
	$ 619,429	$ 633,049

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2010 and 2009

	December 31	
	2010	2009
Benefit obligation		
Vested benefit obligation	$ (3,689,434)	$ (3,010,647)
Non-vested benefit obligation	(2,865,769)	(2,456,818)
Accumulated benefit obligation	(6,555,203)	(5,467,465)
Additional benefit based on future salaries	(2,035,445)	(1,804,534)
Projected benefit obligation	(8,590,648)	(7,271,999)
Fair value of plan assets	6,923,115	4,254,708
Funded status	(1,667,533)	(3,017,291)
Unrecognized net transitional obligation	7,227	6,974
Unrecognized pension loss	1,389,993	639,000
Unrecognized net loss	562	-
Additional liability	(9,650)	(12,153)
Prepaid pension	(47,687)	(120,415)
Accrued pension cost	$ (327,088)	$ (2,503,885)
Vested benefit	$ 4,050,985	$ 3,643,899

c. Actuarial assumptions as of December 31, 2010 and 2009

	December 31	
	2010	2009
Discount rate used in determining present values	2.00%	2.00%-2.75%
Future salary increase rate	2.00%-3.75%	2.00%-3.50%
Expected rate of return on plan assets	2.00%-3.00%	2.00%-3.00%

	Years Ended December 31	
	2010	2009
d.Contributions to the fund	$ 2,665,281	$ 627,427
e.Payments from the fund	$ 172,617	$ 67,513

25. STOCKHOLDERS' EQUITY

Common Stock and Preferred Stock

As of December 31, 2010, Taishin Financial Holding' s authorized capital was $100,000,000 thousand (10,000,000 thousand shares); registered capital is $71,007,364 thousand, divided into 5,909,440 thousand common shares and 1,191,296 thousand preferred shares at NT$10.00 par value. Details of outstanding capital stock as of December 31, 2010 were as follows:

	Common Stock	Preferred Stock	Total
First share swap	$ 23,000,000	$ 7,000,000	$ 30,000,000
Less cancellation of preferred stock - A	-	(3,000,000)	(3,000,000)
Less cancellation of preferred stock - B	-	(4,000,000)	(4,000,000)
Second share swap	13,316,236	-	13,316,236
Capital infusion with cash	8,222,223	-	8,222,223
Convertible bonds converted to common stock	5,989,867	-	5,989,867
Issue of preferred stock - C	-	5,000,000	5,000,000
Issue of preferred stock - D	-	7,777,778	7,777,778
Stock dividends distributed	15,164,382	-	15,164,382
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)
	$ 59,094,401	$ 11,912,963	$ 71,007,364

As of February 18, 2002, Taishin Financial Holding issued 2,300,000 thousand shares of common stock, 300,000 thousand shares of preferred stock - A and 400,000 thousand shares of preferred stock - B to acquire all the issued common stock, preferred stock - A, and preferred stock - B of Taishin Bank through a share swap at a 1:1 ratio, respectively. Preferred stock - A and preferred stock - B have been redeemed and cancelled as of September 20, 2002 and June 30, 2006, respectively.

As of December 31, 2002, Taishin Financial Holding issued 1,331,624 thousand common shares to acquire all the issued common stocks of Taishin Securities A and Taishin Bills Finance through share swaps at ratios of 1:1.2 and 1:1.3, respectively, with "1" representing Taishin Financial Holding.

As of March 22, 2006, Taishin Financial Holding issued the private placement of common stock totaling $10,000,000 thousand in 555,556 thousand shares at NT$18.00 per share. The rights and obligations are the same as those of the common stock outstanding.

As of December 27, 2006, Taishin Financial Holding issued the private placement of common stock totaling $4,000,000 thousand in 266,667 thousand shares at NT$15.00 per share. The rights and obligations are the same as those of the common stock outstanding.

Taishin Financial Holding has proposed to effect the capital reduction by cancelling 386,480 thousand outstanding common shares (capital reduction ratio 6.7681%) on December 4, 2009.

Taishin Financial Holding's shareholders had resolved the transfer of $5,856,202 thousand of earnings to paid-in capital in the shareholders' meeting on June 18, 2010, and the resolution had been approved by the MOF on July 14, 2010. The ex-dividend date is set upon August 18, 2010.

Taishin Financial Holding's group capital adequacy ratio was 119.34% as of December 31, 2010.

As of September 28, 2005, preferred stock - C amounting to $15,000,000 thousand (500,000 thousand shares) was issued with a cumulative, non-participating and non-convertible dividend at 3.5% per annum based on issue price, are redeemable on September 28, 2012 at NT$30.00 per share. Preferred stock - C has preference over common stock but inferior to preferred stock - B in dividend distribution. Taishin Financial

Holding has proposed to effect the capital reduction by cancelling 33,841 thousand outstanding preferred shares on December 4, 2009.

As of March 22, 2006, Taishin Financial Holding issued the private placement of preferred stock - D totaling 777,778 thousand shares at NT$18 per share in the total amount of $14,000,000 thousand. The stock dividends are fixed at 6.5% per annum based on issue price, participating, but non-cumulative. Preferred stock - D has preference over common stock but inferior to preferred stock - B and preferred stock - C. The stockholders of preferred stock - D may request to convert the preferred stock - D to common stock at ratio of 1:1 three years from the issue date. Taishin Financial Holding may redeem partial or all outstanding preferred stock - D at issue price. Taishin Financial Holding has proposed to effect the capital reduction by cancelling 52,641 thousand outstanding preferred shares on December 4, 2009.

Stock Dividends to Be Distributed

As of December 31, 2010, employees exercised stock warrants and subscribed for common stock totaling 156 thousand shares which were recorded as stock dividends to be distributed Taishin Financial Holding did not change its registered capital.

Stock-Based Employee Compensation Plan

Taishin Financial Holding adopted the Stock-Based Employee Compensation Plan on October 13, 2010, March 15, 2007, August 2, 2005 and August 19, 2004 (Plan of 2010, Plan of 2007, Plan of 2005 and Plan of 2004, respectively).

Plan of 2007, Plan of 2005 and Plan of 2004 recognized compensation costs under the intrinsic value method. As of December 31, 2010, the compensation cost was $0.

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, 2005 and 2004, Taishin Financial Holding has to grant 77,000 units, 150,000 units, 150,000 units and 77,549 units, respectively, of stock warrant to its qualified employees. Each unit represents the right to obtain 1,000 shares of Taishin Financial Holding's common stock, and the exercise price is equal to the stock closing price on the Taiwan Stock Exchange on the grant date. But Plan of 2004 has been expired since August 18, 2009.

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 can be exercised in two years from the grant date and will expire in ten years from the grant date. The exercisable percentage is as follows:

Stock-warrants Grant Period	Percentage Exercisable	Cumulative Percentage Exercisable
Over 2 years	15%-40%	15%-40%
Over 3 years	15%-40%	30%-80%
Over 4 years	15%-40%	45%-100%
Over 5 years	15%-40%	60%-100%
Over 6 years	15%-40%	100%

Stock warrants under the Plan of 2007 can be exercised in two years from the grant date and will expire in ten years from the grant date. The exercisable percentage is as follows:

Stock-warrants Grant Period	Percentage Exercisable	Cumulative Percentage Exercisable
Over 2 years	15%-40%	15%-40%
Over 3 years	15%-40%	30%-80%
Over 4 years	15%-40%	45%-100%
Over 5 years	15%-40%	60%-100%
Over 6 years	15%-40%	100%

Stock warrants under the Plan of 2005 can be exercised in two years from the grant date and will expire in ten years from the grant date. The exercisable percentage is as follows:

Stock-warrants Grant Period	Percentage Exercisable	Cumulative Percentage Exercisable
Over 2 years	20%	20%
Over 3 years	20%	40%
Over 4 years	20%	60%
Over 5 years	20%	80%
Over 6 years	20%	100%

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

	Year Ended December 31, 2010	
	Unit	Weighted Average Exercise Price(Dollars)
Plan of 2010		
Outstanding, beginning balance	-	$ -
Granted	75,390	13.90
Forfeited	50	13.90
Outstanding, ending balance	75,340	13.90
Exercisable, ending balance	-	

VI. Financial Status

	Years Ended December 31			
	2010		2009	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Plan of 2007				
Outstanding, beginning balance	142,640	$16.50	144,950	$16.50
Exercised	156	14.90	-	-
Forfeited	1,870	14.90	2,310	16.50
Outstanding, ending balance	140,614	14.90	142,640	16.50
Exercisable, ending balance	65,348		33,170	
Plan of 2005				
Outstanding, beginning balance	135,410	22.60	139,230	22.60
Forfeited	93,890	20.40	3,820	22.60
Outstanding, ending balance	41,520	20.40	135,410	22.60
Exercisable, ending balance	33,216		81,246	

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

	Exercise Price (Dollars)	Outstanding Unit	Expected Weighted Average Outstanding Period (Years)	Weighted Average Exercise Price (Dollars)	Exercisable Unit	Weighted Average Exercise Price (Dollars)
Plan of 2010	$ 13.90	75,340	9.79	$ 13.90	-	$13.90
Plan of 2007	14.90	140,614	6.20	14.90	65,348	14.90
Plan of 2005	20.40	41,520	4.59	20.40	33,216	20.40
		257,474				

Had Taishin Financial Holding recognized the compensation cost of its stock-based employee compensation plan under the fair value method, the related assumptions as of December 31, 2010 and the pro forma net income and EPS for the years ended December 31, 2010 and 2009 would have been as follows:

Valuation Model	Binomial	Plan of 2010	Plan of 2007	Plan of 2005
Assumptions	Dividend yield	-	7.00%	14.48%
	Expected price volatility	38.02%-38.73%	33.26%	32.65%
	Risk-free interest rate	1.06%-1.23%	2.15%	1.94%
	Expected outstanding periods	9.79 years	6.20 years	4.59 years

Years Ended December 31			
		2010	2009
Net income	As reported	$ 7,723,106	$ 8,183,147
	Pro forma	7,635,466	8,034,791
Basic earnings (loss) per share	As reported	$ 1.06	$ 1.14
(in dollars)	Pro forma	1.05	1.12
Diluted earnings (loss) per share	As reported	1.06	1.14
(in dollars)	Pro forma	1.05	1.12

Weighted market price per unit of stock warrants granted in 2007 and 2005 was $3.56 thousand and $3.69 thousand, respectively.

Capital Surplus

Taishin Financial Holding's capital surplus as of December 31, 2010 was $19,102,143 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.

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.

Distribution of Earnings and Dividend Policy

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

a. Legal reserve and if needed, special reserve;
b. Dividends to holders of preferred stock;
c. 0.01% of the remainder as bonuses to employees and 2% of the remainder as remuneration to directors and supervisors;
d. The remainder, together with the unappropriated retained earnings of previous years, as dividends.

VI. Financial Status

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, 2010 and 2009, the bonus to employees was $552 thousand and $540 thousand, respectively, and the remuneration to directors and supervisors was $110,316 thousand and $108,097 thousand, respectively. The bonus to employees, directors, and supervisors was based on the percentage described above of the net income (net of the bonus to employees, directors, and supervisors) and based on past experiences. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the shareholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain shareholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, net loss not recognized as pension cost, cumulative translation adjustments) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Legal reserve shall be appropriated until it has reached the amount of paid-in capital. This reserve may be used to offset a deficit. When the legal reserve has reached 50% of the paid-in capital, up to 50% thereof may be transferred to paid-in capital.

The appropriations of earnings for 2010 have not been approved in the shareholders' meetings until the issuance of independent auditors' report.

The appropriations of earnings for 2009 had been approved in the shareholders' meetings on June 18, 2010. The appropriations were as follows: $1,960,000 thousand of cash dividends of preferred stock, $5,856,202 thousand of stock dividends of common stock, $589 thousand of bonus to employees and $117,748 thousand of remuneration to directors and supervisors.

The differences between the approved amounts and the accrual amounts of the bonus to employees and the remuneration to directors and supervisors and the accrual amounts ($540 thousand for bonus to employees and $108,097 thousand for remuneration to directors and supervisors) reflected in the financial statements for the year ended December 31, 2009 which were primarily due to changes in estimates had been adjusted in profit and loss for the year ended December 31, 2010.

The loss appropriation for 2008 had been approved by the stockholders on June 26, 2009 to offset the accumulated deficits by capital reduction. The base date of capital reduction was December 4, 2009 and the registered capital had been modified accordingly.

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.

26. NET INTEREST INCOME

	Years Ended December 31	
	2010	2009
Interest income		
Loans	$ 30,198,739	$ 31,924,939
Due from and call loans to banks	627,518	1,956,516
Bonds and securities purchased under resell agreements	13,414	3,130
Investment in marketable securities	4,161,366	3,804,547
Circulation interest of credit card	1,695,217	1,361,251
Asset based securities	142,553	195,029
Securities financing	2,611	691,009
Others	2,024,096	1,480,537
	38,865,514	41,416,958
Interest expense		
Deposits	(10,023,302)	(14,673,211)
Due to and call loans from banks and Central Bank	(1,258,634)	(1,719,118)
Bonds and securities sold under repurchase agreements	(178,999)	(100,888)
Issuance of bonds and securities	(2,853,057)	(2,960,230)
Others	(108,250)	(44,656)
	(14,422,242)	(19,498,103)
	$ 24,443,272	$ 21,918,855

27. FEE AND COMMISSION INCOME, NET

	Years Ended December 31	
	2010	2009
Fee and commission income		
Fees from import and export	$ 540,298	$ 505,607
Remittance fees	551,378	506,880
Interbank fees	624,371	582,162
Loan and guarantees fees	1,672,341	1,255,807
Fees from certification, underwriting and brokerage	186,676	3,953,500
Fees from trustee business	3,085,957	2,588,035
Agency fees	2,468,557	1,834,028
Fees from credit card and cash card	3,092,646	2,583,688
Others	1,868,378	1,568,536
	14,090,602	15,378,243
Fee and commission expense		
Interbank fees	(169,963)	(143,464)
Fees from trustee business	(251,977)	(175,900)
Brokerage fees	(1,500)	(313,894)
Marketing fees	(420,293)	(387,181)
Agency fees	(438,559)	(269,489)
Fees from credit card	(815,033)	(690,679)
Fees from outstanding collection service	(158,796)	(155,807)
Others	(278,565)	(443,133)
	(2,534,686)	(2,579,547)
	$ 11,555,916	$ 12,798,696

28. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Personnel, depreciation, and amortization expenses for the years ended December 31, 2010 and 2009 were summarized as follows:

	2010	2009
Personnel		
Salary	$ 14,050,340	$ 14,764,977
Insurance	847,511	882,123
Pension	1,131,654	1,044,047
Others	338,566	499,623
	$ 16,368,071	$ 17,190,770
Depreciation	$ 1,774,259	$ 1,944,707
Amortization	370,824	533,111
	$ 2,145,083	$ 2,477,818

29. 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 was excluded from the linked tax system in 2009.

Taishin Financial Holding and subsidiaries' income tax expenses at the statutory tax rate (2010: 17%; 2009: 25%) for the years ended December 31, 2010 and 2009 were as follows:

	2010	2009
Current income tax payable	$ 518,575	$ 507,210
Deferred income tax expense	3,037,483	819,730
Effect of tax law changes on deferred income tax	2,852,809	4,115,059
Taxed separately levied on interest	2,842	31,010
Income tax benefit - linked tax system	(277,904)	(146,426)
Investment tax credits	-	(2,432)
Additional 10% income tax on unappropriated earnings	907	20,072
Adjustments for prior years' tax	29,436	113,152
Offshore income tax expense	-	5,431
Others	56,957	78,293
	(68,776)	32,551
Income tax expenses	$ 6,152,329	$ 5,573,650

During the years ended December 31, 2010 and 2009, the Legislative Yuan passed the following amendments to tax laws:

a. In January 2009, the Legislative Yuan passed the amendment of Article 39 of the Income Tax Law, which extends the operating loss carryforward period from 5 years to 10 years.

b. In March 2009, the Legislative Yuan passed the amendment of Article 24 of the Income Tax Law, which requires (a) the profit-seeking enterprise that invests in short-term notes for which the issuance dates are on and after January 1, 2010 to include the interest income arising, which was taxed separately prior to January 1, 2010, in its taxable income; and (b) the profit-seeking enterprise that invests in beneficiary securities or asset-based securities issued under the Financial Asset Securitization Act or Real Estate Securitization Act to include from January 1, 2010 the interest income arising, which was taxed separately prior to January 1, 2010, in its taxable income.

c. In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise' s income tax rate from 25% to 20%, effective January 1, 2010.

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

The details of deferred income tax assets were as follows:

	December 31	
	2010	2009
Assets		
Loss carryforwards	$ 10,438,274	$ 13,971,924
Allowance for bad debts in excess of tax limit	2,622,602	3,407,231
Other reserves in excess of tax limit	29,181	20,418
Pension reserves	7,230	432,437
Unrealized loss on financial instruments	514,576	73,603
Loss for decline in market value of credit receivable	27,475	31,465
Unrealized loss on investments	296,119	701,252
Reserves for other losses	76,914	228,982
Allowance for financial instruments (recognized as other receivables)	108,388	366,438
Unrealized loss on collateral	35,081	41,308
Others	23,850	13,995
Less: Allowance	(62,041)	(40,651)
	14,117,649	19,248,402
Liabilities		
Unrealized exchange gain	(483,380)	(50,719)
Goodwill amortization	(195,887)	(230,455)
Others	(9,952)	(795)
	(689,219)	(281,969)
Deferred income tax assets, net	$ 13,428,430	$ 18,966,433

Consolidated information for loss carryforwards was as follows:

	December 31	
Expiry Year	2010	2009
2013	$ 1,991	$ 1,109
2014	3,480	4,095
2015	4,874,712	6,767,930
2016	4,648,673	6,181,624
2017	430,365	506,157
2018	423,207	496,994
2019	16,042	14,015
2020	39,804	-
	$ 10,438,274	$ 13,971,924

VI. Financial Status

Based on the amended ROC Income Tax Law, information on the imputation credit accounts (ICA) and imputed tax credit rates was as follows:

	December 31, 2010					
	Taishin Financial Holding	Taishin Bank	Taishin Securities B	Taishin Bills Finance	Chang Hwa Bank	Others
Balance of ICA	$ 93,334	$ 29,495	$ 8,384	$ 108	$ 160,680	$ 28,956

	December 31, 2009				
	Taishin Financial Holding	Taishin Bank	Taishin Bills Finance	Chang Hwa Bank	Others
Balance of ICA	$ 287,051	$ 281,761	$ 9,640	$ 307,585	$ 15,382

	December 31, 2010					
	Taishin Financial Holding	Taishin Bank	Taishin Securities B	Taishin Bills Finance	Chang Hwa Bank	Others
Imputed tax credit rates	1.10%	0.37%	NA	0.04%	1.93%	NA-48.15%

	December 31, 2009				
	Taishin Financial Holding	Taishin Bank	Taishin Bills Finance	Chang Hwa Bank	Others
Imputed tax credit rates	6.53%-11.77%	31.22%	4.05%	9.74%	NA-45.88%

The expected creditable ratio for the 2010 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

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

Taishin Financial Holding's 2005 income tax return has been examined and cleared by the tax authorities.

The tax authority had disapproved the related expenses of Taishin Financial Holding in 2004 and 2005 due to its disagreement to the direct and reasonable attribution of operating and interest expenses to investment and expenditures on management of investees, resulting in the increase of taxable amount of $812,875 thousand and $1,149,862 thousand, respectively. The tax authority ruled that a holding company is not a company specialized in investment business so it cannot allocate any operating and interest expense. Taishin Financial Holding is filing an appeal to a high court and this case is entrusted to Taiwan Financial Services Roundtable.

Taishin Bank's 2005 income tax return has been examined and cleared by the tax authority. The 2008 income tax returns of Taishin Real-Estate, Taishin Insurance Agency and Pay Easy Digital had been examined and cleared by the tax authority. The 2007 income tax return of Taishin Insurance Brokers had

been examined and cleared by the tax authority.

In regard to the goodwill amortization of $635,098 thousand, $758,768 thousand, $758,518 thousand and $758,518 thousand from the merger of Dah An Bank reported in the 2002, 2003, 2004 and 2005 income tax returns of Taishin Bank, the tax authority had disapproved the related expense due to the reason that the goodwill resulted from negotiations of the dealing parties rather than a purchase from open market. Taishin Bank is filing an appeal to a high court.

In regard to the amortization of $18,109 thousand and $71,577 thousand on goodwill from the acquisition of the 10th Credit Cooperative of Hsin-Chu in the 2004 and 2005 income tax returns of Taishin Bank, the tax authority had disapproved the related expense due to the reason that the goodwill was not assessed by applying professional valuation procedures and the identifiable assets and liabilities were not analyzed by fair value. Taishin Bank is filing an appeal to a high court.

Taishin Bills Finance's 2005 income tax return had been examined and cleared by the tax authority.

Taishin AMC's 2005 income tax return had been examined and cleared by the tax authority.

Taishin Marketing's 2005 income tax return had been examined and cleared by the tax authority.

Taishin Venture Capital Investment's 2005 income tax return had been examined and cleared by the tax authority.

Taishin Investment Trust's 2008 income tax return had been examined and cleared by the tax authority.

Taishin Securities B's 2008 income tax return had been examined and cleared by the tax authority.

Taishin Securities Investment Advisory's 2008 income tax return had been examined and cleared by the tax authority.

The 2007 income tax returns of Chang Hwa Bank, and the 2008 income tax returns of CHB Insurance Brokerage and CHB Life Insurance Agency had been examined and cleared by the tax authority. Chang Hwa Bank had adjusted tax expense according to the 2007 income tax return examined and cleared by the tax authority as of March 31, 2010. Chang Hwa Bank is filing an appeal to a high court.

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

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

	December 31, 2009				
	Taishin Financial Holding	Taishin Bank	Taishin Bills Finance	Chang Hwa Bank	Others
Unappropriated earnings generated after January 1, 1998	$ 8,183,147	$ 944,099	$ 234,164	$ 3,174,710	$ (34,657)

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, 2010, the capital surplus of Taishin Financial Holding mentioned above amounted to $757,662 thousand.

30. EARNINGS PER SHARE

	Year Ended December 31, 2010				
	Amount (Numerator)		Shares in Thousands	Earnings Per Share (Dollars)	
	Pre-tax	Post-tax	(Denominator)	Pre-tax	Post-tax
Consolidated net income (of the parent company's stockholders)	$ 11,330,771	$ 7,723,106			
Less: Preferred stock dividends	(1,435,000)	(1,435,000)			
Basic earnings per share					
Net income of common stockholders	9,895,771	6,288,106	5,909,441	$ 1.67	$ 1.06
Effect of dilutive potential common stock					
Bonus to employees	-	-	33		
Diluted earnings per share					
Net income of common stockholders plus effect of potential dilutive common stock	$ 9,895,771	$ 6,288,106	5,909,474	$ 1.67	$ 1.06

	Year Ended December 31, 2009				
	Amount (Numerator)		Shares in Thousands	Earnings Per Share (Dollars)	
	Pre-tax	Post-tax	(Denominator)	Pre-tax	Post-tax
Consolidated net income (of the parent company's stockholders)					
Net income before extraordinary gain	$ 11,577,329	$ 8,060,327			
Extraordinary gain	163,760	122,820			
Net income	11,741,089	8,183,147			
Less: Preferred stock dividends	(1,435,000)	(1,435,000)			
	$ 10,306,089	$ 6,748,147			
Basic earnings per share					
Net income before extraordinary gain	$ 10,142,329	$ 6,625,327		$ 1.71	$ 1.12
Extraordinary gain	163,760	122,820		0.03	0.02
Net income of common stockholders	10,306,089	6,748,147	5,909,440	$ 1.74	$ 1.14
Effect of dilutive potential common stock					
Bonus to employees	-	-	43		
Diluted earnings per share					
Net income of common stockholders plus effect of potential dilutive common stock	$ 10,306,089	$ 6,748,147	5,909,483	$ 1.74	$ 1.14

31. RELATED-PARTY TRANSACTIONS

Names and relationships of related parties are as follows:

Name	Relationship
Dah An Leasing	Equity method investee
An Hsin Real-Estate	Same as above
Shin Kong Financial Holding Co., Ltd. (“Shin Kong Financial Holding”)	Its chairman is a relative within the second degree of Taishin Financial Holding’s chairman
Shin Kong Co., Ltd.	Same as above
Shin Kong Life Insurance Co., Ltd. (“Shin Kong Life Insurance”)	Same as above
Shin Kong Synthetic Fibers Corp. (“Shin Kong Synthetic Fibers”)	Same as above
Shinshen Co., Ltd.	Its chairman is a relative within the second degree of Taishin Financial Holding’s chairman
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
Shin Kong Recreation Co., Ltd. (“Shin Kong Recreation”)	Its chairman is a relative within the first degree of Taishin Financial Holding’s chairman
UBright Optronics Corporation (“UBright Optronics”)	Same as above
Miniatures Museum of Taiwan (“Miniatures”)	Same as above
Shin Jui AMC (Dissolved on October 16, 2010)	Wholly owned by Taishin AMC
PayEasy Travel	Wholly owned by PayEasy Digital
Contect Digital Integration	65.75% owned by PayEasy Digital
Dah Chung Bills Finance Corp. (“Dah Chung Bills”)	Taishin Bank serves as its corporate director
Taiwan Shin Kong Commercial Bank Co., Ltd. (“Shin Kong Bank”)	Wholly owned by Shin Kong Financial Holding
Shin Kong Investment Trust Co., Ltd. (“Shin Kong Investment Trust”)	Same as above
Ming Huang International Property Co., Ltd. (“Ming Huang International Property”)	Taishin Financial Holding’s supervisor
Taishin International Investment Development Co., Ltd. (Taishin International Investment Development)	Same as above
CyberSoft Digital Service Corp. (“CyberSoft Digital Service”)	Related party in substance
Taishin Leasing & Financing Co., Ltd. (“Taishin Leasing & Financing”)	Taishin International Investment Development Co., Ltd.’s parent company
Peng Cheng Co., Ltd. (“Peng Cheng”)	Taishin Financial Holding’s director
Individual A	A relative within the second degree of Taishin Financial Holding’s chairman

Material transactions with related parties were as follows:

Loans, Deposits and Guaranteed Loans

Loan to Related Parties	Ending Balance	Percentage of Loans (%)	Interest Rate (Per Annum %)	Interest Revenue
Year ended December 31, 2010	$ 1,228,386	0.23%	0-18.25	$ 20,179
Year ended December 31, 2009	1,204,235	0.22%	0.85-20	17,176

VI. Financial Status

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

	Year Ended December 31, 2010				
	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Reserve for Guarantee Liabilities	Collateral
Guarantee for loans of related parties					
Shin Kong Synthetic Fibers	$ 1,189	$ 6,156	0.05	$ -	Stocks, chattels

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

Loans to Related Parties	Year Ended December 31, 2009				
	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Reserve for Guarantee Liabilities	Collateral
Consumer loans					
39 accounts	$65,979	$72,154	$65,979	$ -	Land, building, chattels
Self-used residence mortgage loans					
62 accounts	332,366	342,614	332,366	-	Land, building
Other loans					
Jiouru	65,000	65,000	65,000	-	Land, building
Peng Cheng	110,000	110,000	110,000	-	Land, building
Shin Kong Synthetic Fibers	300,000	300,000	300,000	-	Land, building
Ming Huang International Property	171,000	173,000	171,000	-	Land, building
Jiouru Investment	58,500	58,500	58,500	-	Land, building
Shin Kong Engineering	42,000	62,000	42,000	-	Stocks
Miniatures	45,000	45,000	45,000	-	Land, building
Individual A	14,390	15,410	14,390	-	Land, building
	$ 1,204,235		$ 1,204,235		

	Year Ended December 31, 2009				
	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Reserve for Guarantee Liabilities	Collateral
Guarantee for loans of related parties					
Shin Kong Synthetic Fibers	$ 6,162	$ 300,000	0.60	$ -	Stocks, chattels

	Year Ended December 31, 2009		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Deposits from related parties			
Dah Chung Bills	$ 423,775	0.00-2.50	$ (7,197)
Shin Kong Life Insurance	670,916	0.02-2.58	(10,661)
Dah An Leasing	173,641	0.10-2.05	(307)
Shin Kong Investment Trust	128,102	0.10-1.13	(235)
Shin Kong Synthetic Fibers	111,558	0.00-1.00	(79)
Others	1,731,409		(11,506)
	$ 3,239,401		$ (29,985)

As of December 31, 2010 and 2009, the balance of deposits from related parties of Chang Hwa Bank amounted to $1,340,495 thousand and $1,456,097 thousand, respectively, with the interest rates ranged from 0.00% to 13.00%.

VI. Financial Status

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

Loan to Related Parties	Ending Balance	Percentage of Loans (%)	Interest Rate (Per Annum %)	Interest Revenue
Year ended December 31, 2010	$ 558,254	0.05	1.12-2.83	$ 6,830
Year ended December 31, 2009	454,728	0.04	0.01-7.26	5,490

	Year Ended December 31, 2010					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
25 accounts	$ 7,519	$ 9,192	$ 7,519	$ -	Credit	None
Self-use residential mortgage loans						
107 accounts	518,646	588,638	518,646		Real estate	None
Others loans						
Anlon	30,000	30,000	30,000		Real estate	None
9 accounts (Note)	2,090	4,175	2,090		Deposit	None

	Year Ended December 31, 2009					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
22 accounts	$ 7,467	$ 8,519	$ 7,467	$ -	Credit	None
Self-use residential mortgage loans						
107 accounts	417,259	472,872	417,259	-	Real estate	None
Others						
Anlon	30,000	30,000	30,000	-	Real estate	None
12 accounts (Note)	2	8,305	2	-	Deposit	None

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

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

Trading Securities

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

Year Ended December 31, 2009						
	Purchase		Repurchase Agreements		Resell Agreements	
Related Parties	Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Dah Chung Bills	$ 2,697,519	$ 2,517,485	$ -	-	$ -	-

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

Derivatives

Year Ended December 31, 2010						
Related Party	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Shin Kong Life Insurance	Interest rate swaps	2006.12.182011.06.18	$250,000	$(3,567)	Financial liabilities at FVTPL	$(1,942)
	FX swaps	2010.04.28-2011.04.29	US$50,000 thousand	(88,943)	Financial liabilities at FVTPL	(88,943)
		2010.05.05-2011.05.09	US$30,000 thousand	(56,460)	Financial liabilities at FVTPL	(56,460)
		2010.12.29-2011.02.25	US$25,000 thousand	(3,397)	Financial liabilities at FVTPL	(3,397)
Dah Chung Bills	Interest rate swaps	2008.04.17-2015.11.11	600,000	(93)	Financial liabilities at FVTPL	(11,116)

Year Ended December 31, 2009						
Related Party	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Shin Kong Life Insurance	Interest rate swaps	2005.03.02-2011.06.18	$250,000	$(3,627)	Financial assets at FVTPL	$1,624
	FX swaps	2008.08.15-2010.08.19	640,600	(1,364)	Financial liabilities at FVTPL	(13,496)
Dah Chung Bills	Interest rate swaps	2005.01.05-2013.04.22	1,500,000	(6,142)	Financial liabilities at FVTPL	(11,210)

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

VI. Financial Status

Call Loans to Banks and Call Loans from Banks

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

	Item	Year Ended December 31, 2009			
		Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Interest Revenue (Expense)
Dah Chung Bills	Call loans to banks	$ -	$ 1,405,000	0.10-0.13	$ 31
Shin Kong Bank	Call loans from banks	-	400,000	0.0095-0.12	(130)

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

Compensation of directors, supervisors and management personnel:

	Year Ended December 31	
	2010	2009
Salaries	$ 136,239	$ 132,924
Pension	864	777
Incentives	161,606	138,642
Bonus	111,017	1,766
	$ 409,726	$ 274,109

Over $100 million transactions with related parties of subsidiaries were as follows:

Taishin Bank

Name	Relationship
Taishin Financial Holding	Parent company
Taishin Securities A (merged with KGI Securities and eliminated on December 19, 2009)	Wholly owned by the same parent company
Taishin Bills Finance	Same as above
Taishin AMC	Same as above
Taishin Marketing	Same as above
Taishin Venture Capital	Same as above
Taishin Securities B	Same as above
Taishin Investment Trust	Same as above
Taishin Investment Advisory	Under control by the same parent company
Chang Hwa Bank	Same as above
Dah An Leasing	Equity-method investee
Taishin Insurance Agency	Same as above
Taishin Real-Estate	Same as above
An Hsin Real-Estate	Same as above
PayEasy Digital	Same as above
Shin Kong Recreation	Its chairman is a relative within the first degree of Taishin Bank's chairman
Shin Kong Life Insurance	Its chairman is a relative within the second degree of Taishin Bank'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
Taishin Securities Futures (merged with KGI Securities and eliminated on December 19, 2009)	Wholly owned by Taishin Securities A
Taishin Securities A (Hong Kong) (merged with KGI Securities and eliminated on December 19, 2009)	Same as above
Shin Jui AMC (Dissolved on October 16, 2010)	Wholly owned by Taishin AMC
PayEasy Travel	Wholly owned by PayEasy Digital
Contect Digital Integration	65.75% owned by PayEasy Digital
Taishin Insurance Broker	Wholly owned by Taishin Insurance Agency
CHB Life Insurance Agency	Wholly owned by Chang Hwa Bank
CHB Insurance Brokerage	Same as above
Shin Kong Bank	Wholly owned by Shin Kong Financial Holding
Dah Chung Bills	Taishin Bank serves as its corporate director
Ming Huang International Property	Taishin Financial Holding's supervisor
Taishin International Investment Development	Same as above
CyberSoft Digital Service	Related party in substance
Taishin Leasing & Financing	Taishin International Investment Development's parent company
Peng Cheng	Taishin Financial Holding's director
Miniatures	Its chairman is a relative within the second degree of Taishin Financial Holding's general manager
Individual A	A relative within the second degree of Taishin Bank's chairman

VI. Financial Status

Material transactions with related parties were as follows:

a. Loans, deposits and guaranteed loans

Loan to Related Parties	Ending Balance	Percentage of Loans (%)	Interest Rate (Per Annum %)	Interest Revenue
Year ended December 31, 2010	$ 1,228,386	0.23%	0-18.25	$ 20,179
Year ended December 31, 2009	1,204,235	0.22%	0.85-20	17,176

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

Loans to Related Parties	Year Ended December 31, 2009				
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral
Consumer loans					
39 accounts	$ 65,979	$ 72,154	$ 65,979	$ -	Land, building, chattels
Self-used residence mortgage loans					
62 accounts	332,366	342,614	332,366	-	Land, building
Other loans					
Jiouru	65,000	65,000	65,000	-	Land, building
Peng Cheng	110,000	110,000	110,000	-	Land, building
Shin Kong Synthetic Fibers	300,000	300,000	300,000	-	Land, building
Ming Huang International Property	171,000	173,000	171,000	-	Land, building
Jiouru Investment	58,500	58,500	58,500	-	Land, building
Shin Kong Engineering	42,000	62,000	42,000	-	Stocks
Miniatures	45,000	45,000	45,000	-	Land, building
Individual A	14,390	15,410	14,390	-	Land, building
	$ 1,204,235		$ 1,204,235		

Guarantee for loans of related parties	Year Ended December 31, 2010				
	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Reserve for Guarantee Liabilities	Collateral
Shin Kong synthetic Fibers	$ 1,189	$ 6,156	0.05	$ -	Stock, chattels
PayEasy Digital	4,058	4,613	0.80	-	Certificate deposit

Guarantee for loans of related parties	Year Ended December 31, 2009				
	Ending Bal-ance	Highest Amount	Interest Rate (Per Annum %)	Reserve for Guarantee Liabilities	Collateral
Shin Kong Synthetic Fibers	$ 6,162	$ 300,000	0.60	$ -	Stocks, chattels
PayEasy Digital	4,618	4,867	0.80	-	Certificate deposit

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

	Year Ended December 31, 2009		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Deposits from related parties			
Taishin Financial Holding	$ 22,557,438	0.00-1.65	$ (27,686)
Shin Kong Life Insurance	670,916	0.02-2.58	(10,661)
Taishin Insurance Agency	467,145	0.00-0.10	(421)
Dah Chung Bills	423,775	0.00-2.50	(7,197)
PayEasy Digital	214,115	0.00-2.72	(1,312)
Taishin AMC	129,390	0.00-2.25	(867)
Dah An Leasing	173,641	0.10-2.05	(307)
Shin Kong Investment Advisory	128,102	0.10-1.13	(235)
Shin Kong Synthetic Fibers	111,558	0.00-1.00	(79)
Others	1,854,935		(18,751)
	$ 26,731,015		$ (67,516)

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

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

Year Ended December 31, 2009					
Related Party	Item	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Interest Revenue (Expense)
Dah Chung Bills	Call loans to banks	$ -	$ 1,405,000	0.10-0.13	$ 31
Taishin Bills Finance	Call loans to banks	1,000,000	2,190,000	0.10-0.60	884
	Call loans from banks	-	450,000	0.11	(4)
Chang Hwa Bank	Call loans to banks	-	966,000	-	1,796

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, 2010					
	Purchase		Repurchase Agreements		Resell Agreements	
Related Party	Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Taishin Bills Finance	$ 1,587,273	$ 1,777,357	$ -	-	$ -	-
Shin Kong Life Insurance	-	-	200,000	0.30-0.44	-	-
Chang Hwa Bank	2,122,309	4,016,982	-	-	-	-
Dah Chung Bills	3,380,475	3,953,508	-	-	-	-
Taishin Financial Holding	-	-	1,877,201	0.14-0.40	-	-
	$ 7,090,057	$ 9,747,847	$ 2,077,201		$ -	

	Year Ended December 31, 2009					
	Purchase		Repurchase Agreements		Resell Agreements	
Related Party	Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Taishin Bills Finance	$ 1,912,727	$ 802,648	$ 52,682	(5.80)-0.10	$ -	-
Chang Hwa Bank	2,532,031	3,250,951	-	-	-	-
Dah Chung Bills	2,697,519	2,517,485	-	-	-	-
Taishin Securities A	12,040,232	13,344,281	-	-	-	-
Taishin Financial Holding	-	-	2,795,303	0.11-0.40	-	-
	$ 19,182,509	$ 19,915,365	$ 2,847,985		$ -	

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

d. Derivatives

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

	Year Ended December 31, 2009					
Related Party	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Taishin Financial Holding	Interest rate swaps	2003.12.12-2010.12.12	$ 250,000	$ 977	Financial liabilities at FVTPL	$ (4,582)
Shin Kong Life Insurance	Interest rate swaps	2005.03.02-2011.06.18	250,000	(3,627)	Financial assets at FVTPL	1,624
	FX swaps	2008.08.15-2010.08.19	640,600	(1,364)	Financial liabilities at FVTPL	(13,496)
Dah Chung Bills	Interest rate swaps	2005.01.05-2013.04.22	1,500,000	(6,142)	Financial liabilities at FVTPL	(11,210)
Taishin Bills Finance	Interest rate swaps	2007.04.12-2013.05.16	8,100,000	15,337	Financial assets at FVTPL	53,566

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

e. Property transactions

Taishin Bank sold land and buildings to Taishin AMC and Taishin Real-Estate in September 2009. Selling price was $187,850 thousand and $58,340 thousand, which was based on professional valuation report. Gain from disposal was $116 thousand and $2,051 thousand. As of December 31, 2009, related price had been fully paid.

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

f. Other material transactions

Years Ended December 31				
	2010		2009	
	Item	Amount	Item	Amount
Taishin Insurance Agency	Commission income	$ 868,089	Commission income	$ 796,420
CyberSoft Digital Service	Operating expense	449,622	Operating expense	338,610

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:

	Years Ended December 31	
	2010	2009
Salaries	$ 108,660	$ 100,526
Pension	1,601	1,364
Incentives	154,868	130,625
	$ 265,129	$ 232,515

Chang Hwa Bank

Names and relationships of related parties are as follows:

Name	Relationship
Directors, supervisors, managers and the relatives	Chang Hwa Bank's directors, supervisors, managers and the relatives
CHB Life Insurance Agency	Equity-method investee
CHB Insurance Brokerage	Same as above
Taishin Financial Holding	The corporate director and supervisor of Chang Hwa Bank
Taishin Bank	The subsidiary of Taishin Financial Holding
Shin Kong International Property	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 the equity method investee of Taishin Bank
Dah Chung Bills	Taishin Bank serves as its corporate director
Others	Related party in substance

Material transactions with related parties were as follows:

a. Deposits

Item	Ending Balance	Percentage of Deposits (%)	Interest Rate (Per Annum %)	Interest Expense
The balance on December 31, 2010	$ 1,651,490	0.13	0-13	$ 22,649
The balance on December 31, 2009	1,668,683	0.14	0-13	23,534

Chang Hwa Bank provides interest rate at 13% per annum to the board of directors, supervisors, and managers of the above affiliates for their savings with a balance below $480 thousand. For any excess amount, the interest is calculated at the rate for regular savings deposits. The rest is the same as regular depositors.

b. Loans

Item	Ending Balance	Percentage of Deposits (%)	Interest Rate (Per Annum %)	Interest Expense
The balance on December 31, 2010	$ 558,254	0.05	1.12-2.83	$ 6,830
The balance on December 31, 2009	454,728	0.04	0.01-7.26	5,490

VI. Financial Status

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

	Year Ended December 31, 2010					
	Ending Balance	Highest Amount	Normal Loans	Non-perform-ing Loans	Collateral	The Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
25 accounts	$ 7,519	$ 9,192	$ 7,519	$ -	Credit	None
Self-use residential mortgage loans						
107 accounts	518,646	588,638	518,646	-	Real estate	None
Others						
Anlon	30,000	30,000	30,000	-	Real estate	None
9 accounts (Note)	2,090	4,175	2,090	-	Deposit	None

	Year Ended December 31, 2009					
	Ending Balance	Highest Amount	Normal Loans	Non-perform-ing Loans	Collateral	The Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
22 accounts	$ 7,467	$ 8,519	$ 7,467	$ -	Credit	None
Self-use residential mortgage loans						
107 accounts	417,259	472,872	417,259	-	Real estate	None
Others						
Anlon	30,000	30,000	30,000	-	Real estate	None
12 accounts (Note)	2	8,305	2	-	Deposit	None

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

Chang Hwa Bank provides mortgage loans and consumer loans at interest rates of 1.42% and 1.30% with the balance below $8,000 thousand and below $800 thousand for the years ended December 31, 2010 and 2009, respectively, to the above natural persons such as the board of directors, supervisors, and managers. The rest is the same as regular loan borrowers.

c. Derivative

Related Party	Year Ended December 31, 2010					
	Derivative Contracts	Period	Nominal Principal Amount	Valua-tion Gain (Loss)	Account	Balance
Shin Kong Life Insurance	FX swaps	2010.04.28-2011.04.29	US$50,000 thousand	$ (88,943)	Financial liabilities at FVTPL	$ (88,943)
		2010.05.15-2011.05.09	US$30,000 thousand	(56,460)	Financial liabilities at FVTPL	(56,460)
		2010.12.29-2011.02.25	US$25,000 thousand	(3,397)	Financial liabilities at FVTPL	(3,397)

d. Due to other banks

Period	Related Party	Branch	Highest Amount (In Thousands)	Ending Balance (In Thousands)	Percentage of Loans (%)
Year ended December 31, 2010	Taishin Bank	N.Y. branch	US$57	US$16	-
Year ended December 31, 2009	Taishin Bank	N.Y. branch	US$54	US$36	-

e. Call loans to banks and call loans from banks

The details of Chang Hwa Bank call loans from banks for the years ended December 31, 2010 and 2009 were as follows:

Year	Related Parties	Branch	Highest Balance (In Thousands)	Ending Balance (In Thousands)	Loans Limited (In Thousands)	Interest Rate %	Interest Expense (In Thousands)
2009	Taishin Bank	New York branch	US$30,000	$-	According to counterparts	0.38-0.60	US$30
	Taishin Bank	London branch	US$16,000	-	According to counterparts	0.16-0.65	US$1
			EUR6,600	-	According to counterparts	0.38-1.18	EUR17
	Taishin Bank	OBU	US$27,000	-	According to counterparts	0.22-0.26	US$1

The above transactions were approved by the Bank's general manager. Terms were the same as those of the non-related parties.

f. Others

Chang Hwa Bank provided CHB Life Insurance Agency and CHB Insurance Brokerage with personnel resources and distribution channels, recognizing service charges of $618,187 thousand and $54,800 thousand for the year ended December 31, 2010, and $385,000 thousand and $50,000 thousand for the year ended December 31, 2009.

VI. Financial Status

Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2010	2009
Salaries	$ 47,359	$ 42,523
Incentives	14,402	10,425
Bonus	71,115	18,458
	$ 132,876	$ 71,406

The compensation of directors, supervisors and management personnel for the years ended December 31, 2010 and 2009 was based on the estimation in 2011 and had been approved by shareholders in their annual meeting held in 2010. Additionally, two independent directors made a renunciation of their compensation $3,862 thousand for the year ended December 31, 2009.

Taishin Securities B

Names and relationships of related parties were as follows:

Name	Relationship
Taishin Financial Holding	Parent company
Taishin Bank	Wholly owned by Taishin Financial Holding
Taishin Bills Finance	Same as above
Taishin Investment Advisory	Under control by the same parent company
Shin Kong Life Insurance	Related party in substance
Shin Kong Life Real Estate Service	Same as above

Material transactions with related parties were as follows:

Year Ended December 31, 2010			
Items	Related Party	Amount	Rate
Cash and cash equivalents	Taishin Bills Finance	$ 176,820	20
Operating guarantee deposits	Taishin Bank	175,000	92

Taishin Bills Finance

Names and relationships of related parties were as follows:

Name	Relationship
Taishin Financial Holding	Parent company
Taishin Bank	Wholly owned by the same parent company
Taishin Securities A	Same as above (merged with KGI Securities and eliminated on December 19, 2009)
Chang Hwa Bank	Under control by the same parent company
Shin Kong Bank	Wholly owned by Shin Kong Financial Holding
Taishin Securities B	Under control by the same parent company

Material transactions with related parties were as follows:

a. Loans

Loans between Taishin Bills Finance and related parties for the years ended December 31, 2010 and 2009 were as follows:

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

		Year Ended December 31, 2009			
	Related Parties	Ending Balance	Highest Amount	Interest Rate %	Interest Revenue
Call loans to banks	Taishin Bank	$ -	$ 450,000	0.107-0.11	$ 4
Call loans from banks	Taishin Bank	1,000,000	2,190,000	0.1-0.6	(964)
Call loans from banks	Shin Kong Bank	-	400,000	0.0095-0.12	(130)

Taishin Bills Finance pledged its time deposits of $200,000 thousand and $1,100,000 thousand in Taishin Bank as collaterals of financing for the years ended December 31, 2010 and 2009.

b. Trading securities

	Year Ended December 31, 2010					
	Purchase		Repurchase Agreements		Resell Agreements	
Related party	Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Taishin Bank	$ 1,777,357	$ 1,587,273	$ -	-	$ -	-
Chang Hwa Bank	1,015,297	1,724,704	-	-	-	-
Taishin Securities B	-	-	176,820	0.3-0.47	-	-
	$ 2,792,654	$ 3,311,977	$ 176,820		$ -	

	Year Ended December 31, 2009					
	Purchase		Repurchase Agreements		Resell Agreements	
Related party	Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Taishin Bank	$ 802,648	$ 1,912,727	$ -	-	$ 52,682	(5.80)-0.1
Taishin Securities A	2,983,327	4,178,966	-	-	-	-
	$ 3,785,975	$ 6,091,693	$ -		$ 52,682	

c. Financial assets at fair value through profit or loss

December 31						
			2010		2009	
Account	Related Party	Item	Nominal	Cost	Nominal	Cost
Financial assets at FVTPL	Taishin Bank	Negotiable certificate deposit	$ 500,000	$ 500,000	$ -	$ -

d. Outstanding derivative contracts

December 31, 2010						
			Nominal	Valuation	Balance Sheet	
Related Party	Name	Period	Amount	Gain (Losses)	Account	Balance
Taishin Bank	Interest rate swap	8/2/2011-5/16/2013	$ 4,200,000	$ (20,653)	Financial assets at FTVPL	$ 29,466
					Financial liability at FTVPL	(62,356)

Above transactions with related parties are made under arm' s length terms.

e. Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2010	2009
Salaries	$ 11,259	$ 20,210
Incentives	17,300	4,671
Pension	108	132
	$ 28,667	$ 25,013

Taishin AMC

Names and relationships of related parties were as follows:

Name	Relationship
Taishin Financial Holding	Parent company
Taishin Bank	Wholly owned by the same parent company
Taishin Real-Estate	Equity-method investee
Shin Jui AMC	Wholly owned by Taishin AMC

a. Liability contracts with related parties

		December 31			
		2010		2009	
Item	Related Party	Amount	% to Total	Amount	% to Total
Bank deposits	Taishin Bank	$ 125,651	97	$ 135,205	57

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.

1) Transferring ownerships of loans

	Year Ended December 31, 2010			
	Beginning Balance	Purchased	Collected	Ending Balance
Transferring ownerships of loans	$ 13,975,723	$ -	$ (266,756)	$ 13,708,967

	Year Ended December 31, 2009			
	Beginning Balance	Purchased	Collected	Ending Balance
Transferring ownerships of loans	$ 14,216,169	$ -	$ (240,446)	$ 13,975,723

2) Credit receivable, net

	Year Ended December 31, 2010					
	Beginning Balance	Purchased	Collected	Bad Debt (Loss) Reverse	Reclassification	Ending Balance
Credit receivable	$ 138,934	$ -	$ (87,783)	$ -	$ -	$ 51,151
Allowance for bad debt	(145,800)	-	-	(4,295)	-	(150,095)
Credit receivable, net	$ (6,866)	$ -	$ (87,783)	$ (4,295)	$ -	$ (98,944)

	Year Ended December 31, 2009					
	Beginning Balance	Purchased	Collected	Bad Debt (Loss) Reverse	Reclassification	Ending Balance
Credit receivable	$ 214,948	$ -	$(76,014)	$ -	$ -	$138,934
Allowance for bad debt	(216,800)	-	-	59,476	11,524	(145,800)
Credit receivable, net	$ (1,852)	$ -	$ (76,014)	$ 59,476	$ 11,524	$ (6,866)

VI. Financial Status

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 Bank	Wholly owned by the same parent company

Taishin Investment Trust

Names and relationships of related parties were as follows:

Name	Relationship
Taishin Financial Holding	Parent company
Taishin Securities A (merged with KGI Securities and eliminated on December 19, 2009)	Wholly owned by the same parent company
Shin Kong Financial Holding	Its chairman is a relative within the second degree of Taishin Financial Holding's chairman
Shin Kong Bank	Same as above
Shin Kong Life Insurance	Same as above
Shin Kong Security	Same as above
Shin Kong Insurance	Related party in substance
Individual B	Taishin Bills Finance's director
Taishin Bank	Wholly owned by the same parent company
Taishin Investment Advisory	Owned by the same parent company
Taishin Insurance Agency	Equity-method investee
Taishin Insurance Broker	Wholly owned by Taishin Insurance Agency
Chang Hwa Bank	Owned by the same parent company

Taishin Investment Advisory

Names and relationships of related parties were as follows:

Name	Relationship
Taishin Securities A (merged with KGI Securities and eliminated on December 19, 2009)	Previously 92% owned by Taishin Financial Holding
Taishin Financial Holding	92% owned by Taishin Financial Holding
Taishin Bank	Owned by the same parent company
Taishin Securities B	Owned by the same parent company

32. PLEDGED ASSETS

Pledged Assets	Description	December 31	
		2010	2009
Refundable deposits	Cash and certificates of time deposits	$ 1,995,184	$ 15,723,989
Operating deposits	Cash	86,850	57,603
Settlement funds	Cash	33,695	-
Financial liabilities at FVTPL	Bonds	1,155,536	61,354
Available-for-sale financial assets	Bonds	8,759,458	1,643,806
Held-to-maturity financial assets	Certificates of time deposits and bonds	5,294,219	6,628,682

33. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to those mentioned in Note 5, Taishin Financial Holding and subsidiaries have the following contingent liabilities and commitments as of December 31, 2010 and 2009:

	December 31	
	2010	2009
Guarantees	$ 51,347,066	$ 57,640,662
Letters of credit	35,580,678	32,868,068
Trust liabilities	487,600,155	497,968,895
Unpaid equipment purchase contracts	479,825	427,531
Unused loan commitments (excluding credit card)	566,381,506	482,423,956
Unused loan commitments (credit card only)	438,621,284	374,213,886

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 period ranges from one to ten years. Rental payments are made annually.

b. As of December 31, 2010, the estimated future lease payments under the lease contracts were as follows:

Period	Amount
2011	$ 823,975
2012	616,621
2013	434,612
2014	301,559
2015	192,736

The Department of National Defense of Iran as the recipient requested Chang Hwa Bank to release US$15,000 thousand. On August 1, 2002, the Supreme Court decided in favor of Chang Hwa Bank. The Department of National Defense of Iran filed another legal suit against Chang Hwa Bank in the Taipei District Court. On September 10, 2004, the Taipei District Court decided in favor of Chang Hwa Bank. However, the Department of National Defense of Iran filed another legal suit against Chang Hwa Bank in the Taiwan High Court on October 6, 2004. On July 13, 2010, the Taiwan High Court decided in favor of Chang Hwa Bank. The Department of National Defense of Iran has the right to file legal suit against Chang Hwa Bank in the Taiwan Highest Court in twenty days after the Taiwan High Court verdict was delivered.

Taishin Financial Holding has already appointed Lee and Li Attorney-at-Law help Taishin Bank’s customers to declare the legal right to Lehman Brother about the loss of investment in Lehman Brother’s securities. The related law service charge will be paid by Taishin Bank. However, this case is a worldwide affair. Thus, Taishin Bank can’t reasonably estimate related litigation fee.

34. DISCLOSURES OF FINANCIAL INSTRUMENTS INFORMATION

Information of Fair Value

	December 31, 2010	
	Carrying Value	Fair Value
Financial assets		
Cash and cash equivalents	$ 47,675,226	$ 47,675,226
Due from Central Bank and call loans to banks	126,140,623	126,140,623
Financial liabilities at FVTPL	57,650,706	57,650,706
Bonds and securities purchased under resell agreements	5,328,210	5,328,210
Receivables	126,326,832	126,326,832
Loans	1,577,700,288	1,577,700,288
Available-for-sale financial assets	221,514,265	221,514,265
Held-to-maturity financial assets	196,737,057	196,856,709
Financial assets carried at cost	9,313,362	9,313,362
Hedging derivative financial instruments	148,397	148,397
Bond investments without active market	11,358,321	10,403,570
Other miscellaneous financial assets	305,793	305,793
Financial liabilities		
Due to banks and Central Bank	$ 152,360,876	$ 152,360,876
Commercial paper	114,915	114,915
Financial liabilities at FVTPL	21,586,408	21,586,408
Bonds and securities sold under repurchase agreements	44,194,464	44,194,464
Payables	50,038,751	50,038,751
Deposits	1,932,050,531	1,932,050,531
Bonds payable	91,302,139	93,034,938
Other borrowings	350,000	350,000
Other financial liabilities	474,753	474,753

	December 31, 2009	
	Carrying Value	Fair Value
Financial assets		
Cash and cash equivalents	$ 35,368,984	$ 35,368,984
Due from Central Bank and call loans to banks	218,154,436	218,154,436
Financial liabilities at FVTPL	58,566,143	58,566,143
Bonds and securities purchased under resell agreements	9,891,904	9,891,904
Receivables	102,296,124	102,296,124
Loans	1,506,226,128	1,506,226,128
Available-for-sale financial assets	74,329,348	74,329,348
Held-to-maturity financial assets	236,509,666	236,566,948
Hedging derivative financial instruments	130,348	130,348
Bond investments without active market	15,807,338	14,734,881
Other miscellaneous financial assets	292,799	292,799
Financial liabilities		
Due to banks and Central Bank	176,568,225	176,568,225
Financial liabilities at FVTPL	19,342,423	19,342,423
Bonds and securities sold under repurchase agreements	33,083,342	33,083,342
Payables	44,608,499	44,608,499
Deposits	1,842,559,851	1,842,559,851
Bonds payable	88,579,768	89,467,026
Other borrowings	162,000	162,000
Other financial liabilities	592,863	592,863

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, 2010 and 2009:

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, payables, commercial paper payable, bonds and securities sold under repurchase agreements, other borrowings and call loans from banks and Central Bank.

b. Fair values of financial instruments designated as at FVTPL and available-for-sale or held-to-maturity financial assets are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

   Fair values of debt investments not actively traded in market are determined at their expected future cash flow, the frequency of interest payments, the remaining contract period, the creditworthiness of borrowers and the discount rate, which is determined at the yield rate of the equivalent instruments in the market. Fair values of the equity investments are determined at the market value.

   Fair values of bond investments without active market are based on their transaction prices on quoted prices made by market makers. For those investments with no transaction prices or quoted prices, their fair values are determined by the preceding valuation techniques.

   Fair values of derivative instruments are determined at the expected acquired or paid amount, assuming that Taishin Financial Holding and subsidiaries terminate the contracts in accordance with the contracts. Taishin Financial Holding and subsidiaries adopt the model consistent with those generally used by other market participants to price financial instruments.

c. Loans and deposits are interest-bearing financial assets and liabilities and their carrying values approach to their fair values. The carrying amount of delinquent loans is the estimated collectable amount which is the book value less allowance for bad debt. Therefore, the fair value of delinquent loans and receivables is determined at their carrying value.

d. Financial assets carried at cost and investments under equity method are equity instrument investments of which the fair value could not be measured reliably, including non-public stocks and stocks traded in the Emerging Stock Market. Fair values of these instruments are determined at their carrying values.

Fair values of financial assets and liabilities estimated based on quoted market prices or by using valuation techniques were as follows:

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

	December 31, 2009	
	Quoted Market Prices	Valuation Techniques
Financial assets		
Financial liabilities at FVTPL	$ 34,068,931	$ 24,497,212
Available-for-sale financial assets	38,621,395	35,707,953
Held-to-maturity financial assets	-	236,566,948
Bond investments without active market	-	14,734,881
Hedging derivative financial instruments	-	130,348
Financial liabilities		
Financial liabilities at FVTPL	615,650	18,726,773

Valuation (losses) gains arising from changes in fair value of financial instruments determined using quoted market prices or valuation techniques were $142,934 thousand and $(2,725,888) thousand for the year ended December 31, 2010, respectively. Valuation gains (losses) arising from changes in fair value of financial instruments determined using quoted market prices or valuation techniques were $1,093,033 thousand and $(703,395) thousand for the year ended December 31, 2009, respectively.

As of December 31, 2010 and 2009, the interest income and interest expense associated with financial assets (liabilities) other than those at FVTPL were as follows:

	Years Ended December 31	
	2010	2009
Total interest income	$ 37,416,393	$ 40,131,075
Total interest expense	14,316,079	19,416,470

For the years ended December 31, 2010 and 2009, the credit in stockholders' equity from available-for-sale financial asset amounted to $532,424 thousand and $1,416,008 thousand, respectively. The amount debited from the stockholders' equity adjustment and recognized as current income was $629,021 thousand and $565,878 thousand for the years ended December 31, 2010 and 2009, respectively.

Financial Risk

a. Market risk

Taishin Financial Holding and subsidiaries engage in derivatives mainly to meet customers' needs, trade for business and manage market risks. While taking into account the CAR ratio, annual budget, and the

anticipation on market fluctuations, the board of directors annually reviewed the measurement of risks and returns to determine whether they are appropriate, oversaw the assumed risks to ensure compliance with Taishin Financial Holding' s requirement, approved the authorization limits on market risk, and ensured all trading engaged within authorization limits.

Taishin Financial Holding and subsidiaries use the market risk factor sensitivity as the instrument for market risk controls. The market risk factor sensitivity refers to the change in value resulting from a unit change in a specific market risk factor. Market risk factors include interest rate, exchange rate, price of equity instruments and commodity prices. The market risk factor sensitivity of Taishin Financial Holding and subsidiaries discloses the market risks derived from different risk positions on the trading book.

Foreign exchange rate factor sensitivity, FX Delta, refers to the net risk positions of different currencies on balance sheet date. That is the effect of the change in present value due to 100% change in foreign exchange for each currency. The foreign exchange rate factor sensitivity not only includes those of foreign-currency derivatives, but also integrates the risk sensitivity of spot foreign rate positions for hedging purpose and spot position of different currencies.

Interest rate factor sensitivity refers to the effect (DV01 or PVBP) of change in present value of future cash flows generated from spot rate positions and interest-rate derivative positions incurred by moving upwards the yield curves under evaluation by 0.01% (one b.p.) on the interest rate structure.

Risk sensitivity of equity instruments refers to the effect of price change in the value of derivative positions due to 100% price change in equity instruments and in underlying assets of derivative instruments. Taishin Financial Holding and subsidiaries engage in the trading of equity instruments including stock, convertible bonds, and stock-index options and stock options.

(In Thousands of Original Currencies)

		December 31	
Market Risk Type	Currency	2010	2009
Exchange rate risk value	EUR	$ 10,458	$ (17,416)
	JPY	(2,561,457)	(1,744,782)
	USD	(32,183)	54,521
	Others (Note)	2,208,193	1,206,654
Interest rate sensitivity DV01			
Interest curve of bonds	TWD	(20,663)	(14,130)
	USD	(150)	(118)
	Others (Note)	(192)	(153)
Interest curve of IRS	TWD	4,519	2,604
	USD	2	(23)
	Others (Note)	(101)	(123)
Interest curve of CCS	TWD	(37)	(35)
	USD	48	39
Equity securities risk value	TWD	5,672,456	2,260,357
	USD	5,135	1,071
Others	USD	31,322	30,102

Note:Presented as NT dollars which is translated from original currencies.

b. Credit risk

Credit risks refer to the losses from financial instruments incurred by non-performance of the contracted obligations by Taishin Financial Holding and subsidiaries' counterparties or others. Taishin Financial Holding and subsidiaries provide loans, loan commitments and guarantee services based on prudent credit evaluations. The collaterals that Taishin Financial Holding and subsidiaries demand to be pledged on loans, loan commitments or guarantees are normally cash, inventory, marketable securities or other property. When the counterparties or others default, Taishin Financial Holding and subsidiaries have rights to enforce the collaterals or other guarantees and effectively reduce credit risks. In disclosures on the maximum amounts for credit risk exposures, the market values of the collaterals are not considered. Taishin Financial Holding and subsidiaries are trading various derivatives with its peer financial institutions within trading limits authorized in accordance with world rankings and credit ratings. Taishin Financial Holding and subsidiaries anticipate that the probability of default by counterparties is very low.
The maximum credit risk exposures of various financial instruments held by Taishin Financial Holding and subsidiaries are the same as per book values. Please refer to consolidated financial statements.

The contract amounts of financial assets with off-balance-sheet credit risks held by Taishin Financial Holding and subsidiaries as of December 31, 2010 and 2009 were as follows:

Financial Instrument Type	December 31	
	2010	2009
Guarantees	$ 51,347,066	$ 57,640,662
Letters of credit	35,580,678	32,868,068
Unused loan commitments (excluding credit card)	566,381,506	482,423,956
Unused loan commitments (credit card only)	438,621,284	374,213,886

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			
	2010		2009	
	Carrying Value	Percentage of Item (%)	Carrying Value	Percentage of Item (%)
Manufacturing	$ 387,516,424	24.27	$ 392,718,715	25.74
Wholesale and retailing	109,363,827	6.85	98,033,986	6.43
Finance and insurance	90,036,298	5.64	52,187,732	3.42
Real estate and leasing	58,717,605	3.68	56,135,900	3.68
Service	23,802,259	1.49	30,575,003	2.00
Individuals	700,374,398	43.86	665,746,106	43.64
Others	227,150,496	14.21	230,219,803	15.09
	$ 1,596,961,307		$ 1,525,617,245	

Geographic Location	December 31			
	2010		2009	
	Carrying Value	Percentage of Item (%)	Carrying Value	Percentage of Item (%)
Asia	$ 1,518,641,639	95.10	$ 1,439,697,908	94.37
Europe	10,278,959	0.64	12,548,145	0.82
North America	41,388,379	2.59	51,756,659	3.39
Others	26,652,330	1.67	21,614,533	1.42
	$ 1,596,961,307		$ 1,525,617,245	

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 26.04% and 22.75% for the years ended December 31, 2010 and 2009, respectively. Since the capital and working capital are sufficient to perform all the contracted obligations, there will be no liquidity risk in this regard. Taishin Bank's derivatives, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

3) Taishin Bills Finance's capital and working capital are sufficient to perform all the contracted obligations, and thus there will be no liquidity risks due to failure to raise capital funds to perform contracted obligations. Taishin Bills Finance's derivatives, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have low liquidity risks.

4) Taishin Securities B's (formerly called Donshin Securities) working capital is sufficient and there will be no liquidity risk of failing to raise capital funds to perform contracted obligations. Its investments in bonds are marketable and are expected to be sold with fair value in the market. Taishin Securities 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.

5) Chang Hwa Bank's ratios of liquidity reserves were 20.86% and 24.08% for the years ended December 31, 2010 and 2009. Its capital and working capital are sufficient to perform all the contracted obligations, and thus there will be no liquidity risks due to failure to raise capital funds to perform contracted obligations. Chang Hwa Bank's derivatives, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have low liquidity risks.

d. Cash flow risk from change in interest rates

1) Taishin Financial Holding issues debenture bonds with floating rates and anticipates fluctuations in cash flows in the future due to change in market interest rates. To manage interest rate risks effectively, Taishin Financial Holding engages in trading of interest rate swaps in accordance with the evaluation of interest rate risks to avoid cash flow risks as a result of change in interest rates.

2) Taishin Bank, Taishin Bills Finance and Chang Hwa Bank's cash flow risks as a result of change in interest rates refer to cash flow fluctuations in the future from its assets with floating rates and liabilities with floating rates. Taishin Bank, Taishin Bills Finance, and Chang Hwa Bank evaluate interest rates risks in trends of interest rate and engage in trading of interest rates swaps in accordance with risk levels and operational needs to reduce cash flow risks as a result of changes in interest rates.

e. Effective interest rate (excluding financial assets at fair value through profit or loss)

As of December 31, 2010 and 2009, 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, 2010	
	Effective Interest Rate (%)	
	NTD	USD
Bonds and securities purchased under resell agreements	(0.07)%-0.40%	-
Available-for-sale financial assets	0.32%-4.62%	0.37%-6.00%
Held-to-maturity financial assets	0.72%-2.71%	0.51%-7.38%
Bonds purchased without active market	2.65%	0.54%-0.62%
Loans	0.08%-20.00%	0.65%-6.20%
Bonds and securities sold under repurchase agreements	0.22%-0.55%	-
Deposits	0.00%-4.00%	0.01%-4.20%
Bonds payable	0.65%-9.23%	-

	December 31, 2009	
	Effective Interest Rate (%)	
	NTD	USD
Bonds and securities purchased under resell agreements	(0.36)%-0.15%	-
Available-for-sale financial assets	0.28%-5.75%	0.30%-6.50%
Held-to-maturity financial assets	0.63%-3.78%	0.39%-7.38%
Loans	0.08%-20.00%	0.50%-6.00%
Bonds and securities sold under repurchase agreements	0.00%-0.45%	-
Deposits	0.00%-4.00%	0.01%-4.95%
Bonds payable	0.65%-9.23%	-

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, 2010		December 31, 2009	
		Nominal Principal Amount	Fair Value	Nominal Principal Amount	Fair Value
Bank debenture	Interest rate swap	$ 2,000,000	$ 148,397	$ 2,000,000	$ 130,348

Reclassification Information

Chang Hwa Bank reclassified parts of financial assets based on the fair value traced back to July 1, 2008, according to the amended Statement of Financial Accounting Standards No. 34 "Financial Instruments: Recognition and Measurement". The fair values on the reclassification date were as follows:

	Before Reclassification	After Reclassification
Available-for-sale financial assets	$ 14,246,193	$ -
Bonds without active market	-	14,246,193
	$ 14,246,193	$ 14,246,193

During the third quarter of 2008, the international economic condition changed a lot and resulted in global financial crisis which caused the value of financial assets to collapse, Chang Hwa Bank decided not to sell parts of the available-for-sale financial assets in the short time, and reclassified them to bonds without active market.

The effective interest rate of those financial assets reclassified from available-for-sale to bonds without active market 1.90%, and the expected cash flow from those financial assets will be $8,474,871 thousand.

The carrying value and fair value after reclassification as of December 31, 2010 and 2009 were as follows:

	December 31			
	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bonds without active market	$ 8,356,041	$ 8,233,834	$ 12,410,894	$ 12,136,439

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:

	Years Ended December 31			
	2010		2009	
	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	$ 158,995	$ (464,986)	$ 268,950	$ 1,567,432

35. RELATED INFORMATION OF CAPITAL ADEQUACY

Group Capital Adequacy Ratio

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

Item / Company	December 31, 2009		
	Ownership Interest (%)	Group Eligible Capital	Group's Statutory Capital Requirement
Taishin Financial Holding		$ 100,586,427	$ 103,284,256
Taishin Bank	100.00%	73,618,718	45,463,441
Chang Hwa Bank	22.55%	22,704,745	16,765,295
Taishin Bills Finance	100.00%	5,895,331	2,171,488
Taishin Venture Capital	100.00%	810,747	405,704
Taishin AMC	100.00%	1,617,803	917,628
Taishin Marketing	100.00%	4,611	2,548
Exclusive items amounts subtracted		(114,267,559)	(100,595,944)
Total		90,970,823	68,414,416
Group's capital adequacy rate (Note)			132.97%

Financial Holding Company Eligible Capital

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

Capital surplus	2,956,182
Legal reserve	1,227,227
Special reserve	-
Retained earnings	7,754,310
Equity adjustment	110,911
Subtracted:	
Goodwill	-
Deferred assets	235,776
Treasury stock	-
Total	96,269,228

Item	December 31, 2009
Common stock	$ 53,238,199
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates which comply with eligible Tier 1 capital	11,078,048
Other Preferred stock and subordinated corporate bonds	24,299,614
Advance receipts for capital stock	-
Capital surplus	2,930,084
Legal reserve	408,912
Special reserve	482,574
Retained earnings	8,183,147
Equity adjustment	247,124
Subtracted:	
Goodwill	-
Deferred assets	281,275
Treasury stock	-
Total	100,586,427

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

Note b:Group's capital adequacy rate = Group's eligible capital ÷ Group's statutory capital requirement

36. 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, 2010 and 2009 were as follows:

2010

(In NT$ Million; %)

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	$ 334,408,746	200.9%
National Treasury Agency	36,000,000	21.6%
Taiwan High Speed Rail Co., Ltd.	34,942,562	21.0%
Taiwan Power Co., Ltd.	29,895,841	18.0%
National Health Insurance	26,000,000	15.6%
Chi Mei Optoelectronics	20,807,032	12.5%

VI. Financial Status

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
CPC Corporation, Taiwan	9,715,882	5.8%
Formosa Plastics Corp.	9,398,341	5.7%
AU Optronics Corp.	8,440,956	5.1%
Formosa Chemicals & Fibers Corp.	8,363,674	5.0%
Formosa Petrochernical Corp.	5,863,250	3.5%
Inotera Memories Co.	5,094,205	3.1%
Hon Hai Precision Ind. Co.	4,877,529	2.9%
Dragon Steel Corp.	4,719,800	2.8%
ProMos Technologies Inc.	4,718,457	2.8%
China Airline Co.	4,695,942	2.8%
Chunghwa Picture Tubes Ltd.	4,293,492	2.6%
Deutsche Bank	4,279,689	2.6%
Tatung Co.	4,114,467	2.5%
US GOVT	4,058,333	2.4%
Taiwan Railways Administration MOTC	3,930,000	2.4%
FANNIE MAE	3,831,429	2.3%
Central Deposit Insurance Corp.	3,800,000	2.3%
Nanya Technology Corp.	3,772,633	2.3%
EVA Airways Corp.	3,622,833	2.2%
ASE Inc.	3,512,642	2.1%
U-Ming Marine Transport Corp.	3,400,000	2.0%
Taipei Financial Center Corp.	3,245,098	1.9%
Science Park Administration (SPA)	3,140,000	1.9%
Total	596,942,833	

(Continued)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
b.To the same person and spouse, the relative within the second degree and the person or the spouse's enterprise		
Individual A	$ 29,501,017	17.7%
Individual B	6,885,799	4.1%
Individual C	4,589,941	2.8%
Individual D	3,507,815	2.1%
Individual E	3,452,675	2.1%
Individual F	3,266,007	2.0%
Individual G	3,202,879	1.9%
Individual H	3,157,177	1.9%
Total	57,563,310	
c.To the same related party enterprise		
Chi Mei Lighting Technology Corp.	25,472,793	15.3%
Formosa Chemicals & Fibers Corp.	17,129,052	10.3%
Formosa Plastics Corp.	10,233,087	6.1%
Pan-International Electronics	9,658,089	5.8%

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
China Steel Corp.	7,703,332	4.6%
Nanya Technology Corp.	7,551,996	4.5%
AU Optronics Corp.	7,430,549	4.5%
Uni-President Co.	7,048,840	4.2%
Chi Mei Optoelectronics	6,739,981	4.0%
Leadtek Global Group Limited	6,687,981	4.0%
Kuokuang Power Co., Ltd.	6,490,000	3.9%
Chi Mei Corp.	6,484,634	3.9%
GIO Optoelectronics Corp.	6,484,634	3.9%
Far East New Century Corp.	6,389,644	3.8%
Yieh Rhui Enterprise Co., Ltd.	6,322,512	3.8%
ProMos Technologies Inc.	5,693,004	3.4%
Tatung Co.	5,663,796	3.4%
Hon Hai Precision Ind. Co.	5,493,460	3.3%
Catcher Technology Co., Ltd.	5,428,684	3.3%
Cal Park Co., Ltd.	5,224,270	3.1%
Compal Electronics Corp.	3,861,550	2.3%
EVA Airways Corp.	3,830,550	2.3%
ASE Inc.	3,801,142	2.3%
Far Eastern Asset Management Corp.	3,715,877	2.2%
Darfon Corporation	3,694,089	2.2%
Taiwan Prosperity Chemical Corp.	3,634,041	2.2%
Far Eastern General Construction Inc.	3,550,242	2.1%
Formosa Petrochernical Corp.	3,377,636	2.0%
China Development Industrial Bank	3,342,075	2.0%
Far Eastern Department Store Co., Ltd.	3,205,663	1.9%
Sing Wun Investment Co, Ltd.	3,166,610	1.9%
Lextar Electronics Corp.	3,096,962	1.9%
Jin Xin Investment Co, Ltd.	3,036,821	1.8%
Total	210,643,596	

2009

(In Thousands of NT$; %)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
a.To the same person or the same enterprise		
Central Bank	$ 138,738,088	88.8%
National Treasury Agency	47,000,000	30.1%
Taiwan High Speed Rail Co., Ltd.	32,771,294	21.0%
National Health Insurance	23,200,000	14.8%
Taiwan Power Co., Ltd.	18,226,697	11.7%
Formosa Chemicals & Fibre Co.	12,519,751	8.0%
CPC Corporation, Taiwan	12,448,303	8.0%
Chi Mei Optoelectronics	11,882,603	7.6%
Taipei City Government	10,800,499	6.9%
Formosa Plastics Co.	9,759,682	6.2%
AU Optronics Corp.	8,279,009	5.3%
China Airline Co.	7,757,998	5.0%
Formosa Petrochemical Corporation	6,468,741	4.1%
National Financial Stabilization Fund Committee	6,394,080	4.1%
EVA Airways Corp.	5,839,612	3.7%

VI. Financial Status

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
Deutsche Bank	5,067,516	3.2%
ProMOS Technologies Co.	4,824,552	3.1%
Chunghwa Picture Tubes, Ltd.	4,777,014	3.1%
Innolux Display Corp.	4,367,481	2.8%
Powerchip Corp.	3,867,583	2.5%
Compal Electronics Corp.	3,854,550	2.5%
China Steel Corp.	3,630,859	2.3%
Taipei Financial Center Co.	3,486,159	2.2%
Aurora Co.	3,300,000	2.1%
Inotera Memories Co.	3,290,340	2.1%
Chi Mei Co.	3,217,769	2.1%
Foxconn (Far East) Limited	3,217,600	2.1%
Tatung Co.	3,133,465	2.0%
Total	402,121,245	
b.To the same person and spouse, the relative within the second degree and the person or the spouse's enterprise		
Individual X	15,088,517	9.7%
Individual Y	5,810,913	3.7%
Total	20,899,430	

(Continued)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
c.To the same related party enterprise		
Chi Mei Co.	17,872,546	11.4%
Mai-Liao Power Corp.	10,818,186	6.9%
Formosa Sumco Technology Corp.	9,654,096	6.2%
China Steel Corp.	8,348,737	5.3%
Raydium Semiconductor Corp.	7,647,523	4.9%
Nanya Technology Corp.	7,417,467	4.7%
Forward Electronics Co., Ltd.	6,914,212	4.4%
Uni-President Co.	6,396,237	4.1%
Yieh Phui Enterprise Co., Ltd.	6,312,522	4.0%
Kuokuang Power Co., Ltd.	6,151,347	3.9%
Formosa Petrochemical Corporation	5,950,378	3.8%
Cal Park Co., Ltd.	5,948,250	3.8%
ProMOS Technologies Co.	5,935,264	3.8%
Formosa Chemicals & Fibre Co.	5,421,816	3.5%
EVA Airways Corp.	5,232,451	3.3%
Evergreen Marine Corp.	4,497,061	2.9%
Chuanyi Construction Co., Ltd.	4,184,000	2.7%
China Development AMC	4,088,869	2.6%
Asia Cement Co.	4,088,766	2.6%
Far Eastern General Construction Inc.	4,054,761	2.6%
Far Eastern New Century Corp.	3,982,626	2.5%
Chi Mei Optoelectronics	3,956,280	2.5%
Catcher Technology Co.	3,790,214	2.4%
GIO Optoelectronics Corp.	3,725,638	2.4%
Leadtek Global Group Limited	3,664,551	2.3%
Taiwan Vinyl Chloride Monomer Co., Ltd.	3,654,528	2.3%
Chi Lin Technology Co., Ltd.	3,620,638	2.3%
Far Eastern Construction Co.	3,450,357	2.2%
Aurora Co., Ltd.	3,381,043	2.2%
Far Eastern Department Store Co., Ltd.	3,366,761	2.2%
Far Eastern Asset Management Co., Ltd.	3,350,030	2.1%
Unihan Corporation	3,328,126	2.1%

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
Foxconn Electronics Inc.	3,320,954	2.1%
TPO Displays Corporation	3,254,688	2.1%
Power ASE Technology	3,106,361	2.0%
TCC Chemical Corporation	3,085,966	2.0%
Darfon Corporation	3,060,753	2.0%
Total	196,034,003	

37. FINANCIAL INFORMATION BY BUSINESS

The financial information by business for the years ended December 31, 2010 and 2009 were as follows:

Bank Business / Item	Year Ended December 31, 2010				
	Bank Business	Securities Business	Bills Business	Other Business	Total
Net interest revenue (loss)	$ 25,820,116	$ 2,894	$ 163,401	$ (1,543,139)	$ 24,443,272
Net non- interest revenue	28,261,061	274,441	442,733	(158,645)	28,819,590
Net revenue (loss)	54,081,177	277,335	606,134	(1,701,784)	53,262,862
Reversion profit (bad debt expenses)	(5,954,801)	-	(6,348)	(4,295)	(5,965,444)
Operating expenses	(26,071,555)	(238,627)	(134,623)	(784,957)	(27,229,762)
Income (loss) before income tax of continued operations	22,054,821	38,708	465,163	(2,491,036)	20,067,656
Income tax (expense) benefit	(6,269,139)	5,918	(112,834)	223,726	(6,152,329)
Income (loss) after income tax of continued operations	$ 15,785,682	$ 44,626	$ 352,329	$ (2,267,310)	$ 13,915,327

Bank Business / Item	Year Ended December 31, 2009				
	Bank Business	Securities Business	Bills Business	Other Business	Total
Net interest revenue (loss)	$ 22,403,870	$ 810,903	$ 205,963	$ (1,501,881)	$ 21,918,855
Net non- interest revenue (loss)	21,468,148	4,533,807	341,921	7,275,167	33,619,043
Net revenue (loss)	43,872,018	5,344,710	547,884	5,773,286	55,537,898
Bad debt expenses	(9,551,213)	-	(38,271)	-	(9,589,484)
Operating expenses	(24,600,727)	(4,656,861)	(125,950)	(497,688)	(29,881,226)
Income (loss) before income tax of continued operations	9,720,078	687,849	383,663	5,275,598	16,067,188
Income tax expense	(5,395,097)	(73,791)	(142,116)	37,354	(5,573,650)
Net income before extraordinary item	4,324,981	614,058	241,547	5,312,952	10,493,538
Extraordinary gain (net of income tax)	122,820	-	-	-	122,820
Income (loss) after income tax of continued operations	$ 4,447,801	$ 614,058	$ 241,547	$ 5,312,952	$ 10,616,358

38. FINANCIAL STATEMENTS OF TAISHIN FINANCIAL HOLDING

TAISHIN FINANCIAL HOLDING CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

ASSETS	2010	2009
Cash and cash equivalents	$ 19,875,925	$ 22,557,438
Financial liabilities at FVTPL	-	4,582
Bonds and securities purchased under resell agreements	4,212,857	9,653,879
Receivables	3,420,947	3,690,557
Prepaid expenses	549	-
Investments accounted for by the equity method	112,838,085	100,563,220
OTHER FINANCIAL ASSETS		
Financial assets carried at cost	32,724	32,724
PROPERTY AND EQUIPMENT		
Cost		
Machinery equipment	15,963	15,808
Transportation equipment	4,380	4,380
Miscellaneous equipment	3,937	3,849
	24,280	24,037
Accumulated depreciation	(22,587)	(19,759)
Property and equipment, net	1,693	4,278
OTHER ASSETS		
Deferred tax assets	231,563	272,335
Other deferred assets	4,213	8,940
Other miscellaneous assets	431,582	431,288
Other assets	667,358	712,563
TOTAL	$ 141,050,138	$ 137,219,241

LIABILITIES AND STOCKHOLDERS' EQUITY	2010	2009
LIABILITIES		
Financial liabilities at FVTPL	$ 893,564	$ 598,178
Payables	3,115,797	2,939,734
Bonds payable	37,808,989	40,105,826
Other liabilities	27,509	26,539
Total liabilities	41,845,859	43,670,277
STOCKHOLDERS' EQUITY		
Capital stock		
Common stock	59,094,401	53,238,199
Preferred stock	11,912,963	11,912,963
Stock dividends to be distributed	2,324	-
Capital surplus		
Additional paid-in capital in excess of par	16,996,159	16,996,159
Others	2,105,984	2,079,886
Retained earnings		
Legal reserve	1,227,227	408,912
Special reserve	-	482,574
Accumulated (deficits) earnings	7,754,310	8,183,147
Other items of stockholders' equity		
Cumulative translation adjustments	(44,645)	(5,029)
Unrealized gains or losses of financial instruments	155,556	252,153
Total stockholders' equity	99,204,279	93,548,964
TOTAL	$ 141,050,138	$ 137,219,241

VI. Financial Status

TAISHIN FINANCIAL HOLDING CO., LTD.

INCOME STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010	2009
INCOME		
Investment income recognized under the equity method	$ 10,052,586	$ 2,681,297
Gain on disposal of investments accounted for by the equity method	-	7,759,890
Interest income	93,083	33,967
Others	25,419	41,939
Total income	10,171,088	10,517,093
EXPENSES AND LOSSES		
Investment loss recognized under the equity method	(62,804)	(396)
Operating expenses	(645,454)	(430,614)
Interest expenses	(1,572,678)	(1,560,713)
Others	(404,280)	(414,654)
Total expenses and losses	(2,685,216)	(2,406,377)
INCOME (LOSS) BEFORE INCOME TAX	7,485,872	8,110,716
INCOME TAX BENEFIT (EXPENSE)	237,234	72,431
NET INCOME (LOSS)	$ 7,723,106	$ 8,183,147

	2010		2009	
	Pretax	After Tax	Pretax	After Tax
EARNINGS (LOSS) PER SHARE				
Basic earnings (loss) per share	$ 1.02	$ 1.06	$ 1.13	$ 1.14
Diluted earnings (loss) per share	$ 1.02	$ 1.06	$ 1.13	$ 1.14

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	Capital Stock			Capital Surplus	
	Common Stock	Preferred Stock	Stock Dividends to be Distributed	Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions
BALANCE, JANUARY 1, 2009	$ 57,103,001	$12,777,778	$ -	$ 16,996,159	$ 2,075,475
Loss appropriation	(3,864,802)	(864,815)	-	-	-
Translation adjustments	-	-	-	-	-
Unrealized gains or losses of available-for-sale financial assets	-	-	-	-	-
Adjustment due to change of investee's equity	-	-	-	-	-
Consolidated net income for the year ended December 31, 2009	-	-	-	-	-
BALANCE, DECEMBER 31, 2009	53,238,199	11,912,963	-	16,996,159	2,075,475
Appropriation of 2009 earnings					
Legal reserve	-	-	-	-	-
Reversed special reserve	-	-	-	-	-
Dividend on preferred stock C	-	-	-	-	-
Dividend on preferred stock D	-	-	-	-	-
Stock dividends ($1.1 per share, ex-dividend date August 18, 2010)	5,856,202	-	-	-	-
Translation adjustments	-	-	-	-	-
Unrealized gains or losses of available-for-sale financial assets	-	-	-	-	-
Issuance of employee stock options	-	-	-	-	-
Execution of employee stock options	-	-	2,324	-	-
Consolidated net income for the year ended December 31, 2010	-	-	-	-	-
BALANCE, DECEMBER 31, 2010	$ 59,094,401	$11,912,963	$ 2,324	$ 16,996,159	$ 2,075,475

VI. Financial Status

	Retained Earnings			Equity Adjustments		
Other Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Cumulative Translation Adjustments	Unrealized Gain or Loss on Financial Instruments	Total
$ -	$ 408,912	$ 482,574	$ (4,729,617)	$ 51,369	$ (597,977)	$84,567,674
-	-	-	4,729,617	-	-	-
-	-	-	-	(56,398)	-	(56,398)
-	-	-	-	-	850,130	850,130
4,411	-	-	-	-	-	4,411
-	-	-	8,183,147	-	-	8,183,147
4,411	408,912	482,574	8,183,147	(5,029)	252,153	93,548,964
						-
-	818,315	-	(818,315)	-	-	-
-	-	(482,574)	482,574	-	-	-
-	-	-	(1,050,000)	-	-	(1,050,000)
-	-	-	(910,000)	-	-	(910,000)
-	-	-	(5,856,202)	-	-	-
-	-	-	-	(39,616)	-	(39,616)
-	-	-	-	-	(96,597)	(96,597)
26,098	-	-	-	-	-	26,098
-	-	-	-	-	-	2,324
-	-	-	7,723,106	-	-	7,723,106
$ 30,509	$1,227,227	$ -	$ 7,754,310	$ (44,645)	$ 155,556	$99,204,279

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 7,723,106	$ 8,183,147
Depreciation	3,339	3,567
Amortization	4,726	7,599
Deferred income tax expense (benefit)	40,670	73,996
Income tax expense (benefit) on linked-tax system	(277,904)	(146,426)
Share-based compensation	4,171	-
Loss (gain) on financial instruments valuation	295,386	319,520
Loss (gain) on financial assets carried at cost	-	6
Investment loss (income) recognized under equity method	(9,989,782)	(2,680,902)
Gain on disposal of investments accounted for by the equity method	-	(7,759,890)
Cash dividends received from equity method investees	1,373,784	844,701
Amortization on discount (premium) of convertible bonds	403,163	369,105
(Gain) loss on disposal of property and equipment	4	-
Net changes in operating assets and liabilities		
Net changes in operating assets		
(Increase) decrease in receivables	817,708	162,657
(Increase) decrease in bonds and securities purchased under resell agreements	5,441,022	(6,159,831)
(Increase) decrease in financial assets for trading purposes	4,582	-
(Increase) decrease in other assets	(549)	(428,710)
Net changes in operating liabilities		
Increase (decrease) in payables	(93,466)	1,493,818
Increase (decrease) in other liabilities	408	15,636
Net cash provided by (used in) operating activities	5,750,368	(5,702,007)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of sale of investments accounted for by the equity method	-	25,825,452
Increase in investments accounted for by the equity method	(3,773,153)	(10,000,000)
Purchase of property and equipment	(758)	(63)
Decrease (increase) in refundable deposits	(294)	46,131
Liquidation of financial assets carried at cost	-	304
Net cash (used in) provided by investing activities	(3,774,205)	15,871,824
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of corporate bands	5,300,000	-
Repayment of corporate bonds	(8,000,000)	-
Execution of stock warrants	2,324	-
Payment of cash dividends and bonus	(1,960,000)	-
Net cash used in financing activities	(4,657,676)	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	$ (2,681,513)	$ 10,169,817
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,557,438	12,387,621
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 19,875,925	$ 22,557,438
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest	$ 1,177,300	$ 1,193,704
Income tax	$ -	$ -

VI. Financial Status

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

Stand-alone

Item		December 31	
		2010	2009
Return on total assets	Pretax	5.38%	6.16%
	After tax	5.55%	6.22%
Return on net equity - common stock	Pretax	9.21%	11.35%
	After tax	9.57%	11.47%
Profit margin		75.93%	77.81%

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

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

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Net revenue}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2010 and 2009, respectively.

Consolidated

Item		December 31	
		2010	2009
Return on total assets	Pretax	0.83%	0.68%
	After tax	0.57%	0.45%
Return on net equity - common stock	Pretax	15.07%	17.52%
	After tax	9.57%	11.47%
Profit margin		26.13%	19.12%

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

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

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Net revenue}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2010 and 2009, respectively.
Note e: Income before tax includes income before income tax of continued operations and pre-tax income before extraordinary gain.

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

Taishin Bank

a. Balance sheet

	December 31	
	2010	2009
Assets		
Cash and cash equivalents	$ 12,903,066	$ 8,136,786
Due from Central Bank and call loans to banks	37,236,653	128,379,060
Financial liabilities at FVTPL	22,263,352	24,907,554
Bonds and securities purchased under resell agreements	2,992,554	2,420,000
Receivables, net	96,256,074	84,838,866
Loans, net	531,674,018	495,583,668
Available-for-sale financial assets, net	172,426,842	36,484,764
Held-to-maturity financial assets, net	3,312,094	6,214,140
Investments accounted for by the equity method, net	1,861,285	1,281,667
Other financial assets, net	2,941,610	2,873,039
Property and equipment, net	17,404,571	17,898,096
Intangible assets, net	2,077,535	1,605,915
Other assets	7,796,760	22,134,089
	$ 911,146,414	$ 832,757,644
Liabilities		
Due to banks and Central Bank	$ 56,332,391	$ 54,181,462
Financial liabilities at FVTPL	15,911,230	16,990,037
Bonds and securities sold under repurchase agreements	17,040,348	7,239,422
Payables	21,106,394	18,956,708
Deposits	713,580,371	654,664,982
Financial debentures	25,000,000	25,000,000
Other financial liabilities	113,796	151,200
Other liabilities	1,368,999	2,140,457
	850,453,529	779,324,268
Stockholders' equity		
Capital stock		
Capital surplus	49,157,526	49,157,526
Retained earnings	3,213,562	3,193,573
Cumulative translation adjustments	8,159,642	944,099
Unrealized gains or losses of available-for-sale financial assets	(519)	(57)
Other items	162,674	138,235
	60,692,885	53,433,376
	$ 911,146,414	$ 832,757,644

VI. Financial Status

b. Income statement

	Years Ended December 31	
	2010	2009
Net interest income	$ 11,686,198	$ 10,002,148
Net non-interest income	12,472,221	9,202,859
Gross income	24,158,419	19,205,007
Reversion profit (bad debt expenses)	(1,204,821)	(4,265,429)
Operating expenses	(12,219,473)	(11,476,422)
Income (loss) before income tax	10,734,125	3,463,156
Estimated income tax expense	(2,857,713)	(2,641,877)
Net income (loss) before extraordinary item	7,876,412	821,279
Extraordinary gain (net of income tax expense of $40,940 thousand)	-	122,820
Net income (loss)	$ 7,876,412	$ 944,099

	2010		2009	
	Pretax	After Tax	Pretax	After Tax
Basic earnings (loss) per share				
Income (loss) before extraordinary gain	$ 2.25	$ 1.64	$ 0.84	$ 0.18
Extraordinary gain	-	-	0.04	0.03
	$ 2.25	$ 1.64	$ 0.88	$ 0.21
Diluted earnings (loss) per share				
Income (loss) before extraordinary gain	$ 2.18	$ 1.60	$ 0.84	$ 0.18
Extraordinary gain	-	-	0.04	0.03
	$ 2.18	$ 1.60	$ 0.88	$ 0.21

c. Key financial and business highlights

1) Profitability

Item		December 31	
		2010	2009
Return on total assets	Pretax	1.23%	0.43%
	After tax	0.90%	0.11%
Return on net equity	Pretax	18.81%	7.61%
	After tax	13.80%	1.98%
Profit margin		32.60%	4.92%

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

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

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Net revenue}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2010 and 2009, respectively.

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

2) Asset quality

Nonperforming loans and receivables

Business Type \ Item			December 31, 2010					December 31, 2009				
			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	Cover-age Ratio (Note c)
Corporate finance	Secured		$492,591	$100,610,328	0.49%	$1,217,497	247.16%	$1,095,895	$81,161,518	1.35%	$1,734,594	158.28%
	Unsecured		484,347	128,152,874	0.38%	1,588,312	327.93%	227,998	122,346,240	0.19%	1,731,237	759.32%
Consumer finance	Mortgage loans (Note d)		269,382	203,730,649	0.13%	709,909	263.53%	503,577	197,343,320	0.26%	271,347	53.88%
	Cash cards		138,243	10,870,988	1.27%	975,749	705.82%	269,405	14,426,098	1.87%	1,508,548	559.96%
	Credit loans (Note e)		236,009	21,637,759	1.09%	1,062,488	450.19%	525,422	24,518,866	2.14%	1,447,676	275.53%
	Others (Note f)	Secured	78,645	70,833,163	0.11%	71,107	90.42%	142,268	57,865,683	0.25%	93,167	65.49%
		Unsecured	82,334	3,713,217	2.22%	200,498	243.52%	154,496	4,825,150	3.20%	116,638	75.50%
Subtotal			1,781,551	539,548,978	0.33%	5,825,560	326.99%	-	-	-	-	-
Others			-	(2,061,143)	-	(11,743)	-	-	-	-	-	-
Total			1,781,551	537,487,835	0.33%	5,813,817	326.33%	2,919,061	502,486,875	0.58%	6,903,207	236.49%
Credit card			142,169	34,118,130	0.42%	662,455	465.96%	240,271	31,342,477	0.77%	684,832	285.02%
Accounts receivable factoring with no recourse (Note g)			-	59,809,857	-	-	-	2,893	49,062,200	0.01%	2,893	100.00%

Note a: Nonperforming loans are in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by MOF. Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005 (Ref. No. Jin-Guan-Yin (4)0944000378).

Note b: Nonperforming loans ratio = Nonperforming loans ÷ Loans
Nonperforming loans of credit card ratio = Nonperforming loans of credit cards ÷ Accounts receivable

Note c: Coverage ratio of allowances for loan losses = Allowances for loan losses ÷ Nonperforming loans
Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Nonperforming loans of credit cards

Note d: Mortgage loans are for applicants to build or repair the buildings owned by the applicants, their spouses or their minor children. These applicants provide their buildings as collaterals and install the right on mortgage to financial institutions.

Note e: Credit loans are to fit in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin - Guan - Yi (4) 09440010950), excluding credit loans of credit cards and cash cards.

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

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

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

Exempted from report as nonperforming loans and receivables

Business Type \ Item	December 31, 2010		December 31, 2009	
	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)	$ 6,944,337	$ 2,218,997	$ 8,913,397	$ 2,326,354
Loans executed in accordance with debt clearing and renewal regulations (Note b)	2,262,556	1,356,840	2,246,863	1,039,724
Total	9,206,893	3,575,837	11,160,260	3,366,078

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).

VI. Financial Status

3) Concentration of credit risk

Year	December 31, 2010			December 31, 2009		
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity
1	A group (012641 liquid crystal panel and components manufacturing industry)	$ 8,306,003	13.69%	K co. (014910 railway transportation industry)	$ 9,708,129	18.17%
2	B group (014641 computer and related equipment, software wholesale business)	7,195,589	11.86%	A group (012641 liquid crystal panel and components manufacturing industry)	8,391,213	15.70%
3	C group (012641 liquid crystal panel and components manufacturing industry)	6,928,369	11.42%	D group (012711 computer manufacturing industry)	6,488,445	12.14%
4	D group(012712 Monitors and Terminals Manufacturing)	5,524,651	9.10%	L co. (014644 office machinery wholesale business)	5,749,798	10.76%
5	E group (012711 computer manufacturing industry)	4,196,167	6.91%	B group (014641 computer and related equipment, software wholesale business)	5,413,392	10.13%
6	F group (012641 liquid crystal panel and components manufacturing industry)	4,127,730	6.80%	M co. (021700 petroleum and coal product manufacturing industry)	5,108,439	9.56%
7	G group (015232 Ocean Freight Transportation Forwarding Services)	3,902,886	6.43%	C group (012641 liquid crystal panel and components manufacturing industry)	5,057,341	9.46%
8	H group (016499 other financial Intermediation not elsewhere classified industry)	3,610,172	5.95%	H group (016499 other financial Intermediation not elsewhere classified industry)	4,633,647	8.67%
9	I group (012613 Semiconductors Packaging and Testing)	3,583,027	5.90%	E group (012641 liquid crystal panel and components manufacturing industry)	4,604,350	8.62%
10	J group (011850 Man-made Fibers Manufacturing)	3,253,107	5.36%	G group (015010 water transportation)	4,136,484	7.74%

Note a: Sort by the balance of loans on December 31, 2010 and 2009, 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, 2010 and 2009 were as follows:

	2010		2009	
	Average Value	Average Interest Rate %	Average Value	Average Interest Rate %
Assets				
Due from banks and call loans to banks	$ 35,589,694	0.50	$ 147,861,627	0.64
Financial liabilities at FVTPL	13,824,755	0.73	5,311,605	0.77
Bonds and securities purchased under resell agreements	1,021,451	0.44	149,775	(0.33)
Receivables	46,155,089	4.67	35,397,894	6.24
Loans	515,760, 698	2.41	501,008,036	2.68
Available-for-sale financial assets	144,631,169	0.94	26,167,877	2.46
Held-to-maturity financial assets	4,303,545	2.96	7,310,646	1.96
Liabilities				
Due to banks and call loans from banks	55,186,130	0.94	64,733,207	1.17
Bonds and securities sold under repurchase agreements	14,777,889	0.36	9,076,964	0.13
Demand deposits	264,890,364	0.17	213,967,267	0.16
Time deposits	401,713,612	0.80	421,574,363	1.35
Other financial liabilities	23,845,607	2.40	26,707,240	2.97

5) Interest rate sensitivity

(In Thousands of New Taiwan Dollars)

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

(In Thousands of New Taiwan Dollars)

Item	December 31, 2009				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 548,120,832	$ 13,818,359	$ 22,934,045	$ 119,682,335	$ 704,555,571
Interest-sensitive liabilities	492,904,925	65,774,275	96,508,549	49,547,156	704,734,905
Interest sensitivity gap	55,215,907	(51,955,916)	(73,574,504)	70,135,179	(179,334)
Net equity					52,159,311
Ratio of interest-sensitive assets to liabilities					99.97%
Ratio of interest sensitivity gap to net equity					(0.34%)

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

Note b: Interest-sensitive assets and liabilities are interest-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 (NT dollars only) $= \frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

VI. Financial Status

(In Thousands of U.S. Dollars)

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

(In Thousands of U.S. Dollars)

Item	December 31, 2009				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 2,748,860	$ 1,105,132	$ 532,912	$ 1,400,316	$ 5,787,220
Interest-sensitive liabilities	4,224,404	1,585,898	408,590	588,665	6,807,557
Interest sensitivity gap	(1,475,544)	(480,766)	124,322	811,651	(1,020,337)
Net equity					33,177
Ratio of interest-sensitive assets to liabilities					85.01%
Ratio of interest sensitivity gap to net equity					(3,075.43%)

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, 2010				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than-1 year
Major maturity cash inflow	$ 770,074,334	$ 237,483,195	$ 89,050,617	$ 26,826,242	$ 25,910,246	$ 390,804,034
Major maturity cash outflow	865,518,809	116,563,606	123,150,966	162,037,638	176,984,707	286,781,892
Gap	(95,444,475)	120,919,589	(34,100,349)	(135,211,396)	(151,074,461)	104,022,142

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2009				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than-1 year
Major maturity cash inflow	$ 772,755,894	$ 259,480,821	$ 87,119,165	$ 21,117,420	$ 31,702,299	$ 373,336,189
Major maturity cash outflow	841,663,797	154,392,511	180,045,169	139,105,901	182,919,680	185,200,536
Gap	(68,907,903)	105,088,310	(92,926,004)	(117,988,481)	(151,217,381)	188,135,653

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

(In Thousands of U.S. Dollars)

	Total	December 31, 2010				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than-1 year
Major maturity cash inflow	$ 9,599,997	$ 4,346,156	$ 1,569,387	$ 907,250	$ 796,198	$ 1,981,006
Major maturity cash outflow	9,596,624	3,046,733	1,060,168	2,891,581	551,292	2,046,850
Gap	3,373	1,299,423	509,219	(1,984,331)	244,906	(65,844)

(In Thousands of U.S. Dollars)

	Total	December 31, 2009				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than-1 year
Major maturity cash inflow	$ 8,650,393	$ 3,366,353	$ 1,866,139	$ 1,354,307	$ 594,792	$ 1,468,802
Major maturity cash outflow	8,612,503	3,288,148	1,855,028	1,776,194	472,697	1,220,436
Gap	37,890	78,205	11,111	(421,887)	122,095	248,366

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, 2010	December 31, 2010	December 31, 2009
Eligible capital	Tier I capital		$ 57,749,072	$ 56,696,260	$ 50,312,782
	Tier II capital		26,682,592	26,043,686	23,305,936
	Tier III capital		-	-	-
	Self-owned capital		84,431,664	82,739,946	73,618,718
Risk-weighted assets	Credit risk	Standardized approach	553,500,571	551,856,662	508,983,721
		IRB	-	-	-
		Securitization	1,514,031	1,514,031	620,353
	Operation risk	Basic indicator approach	-	-	-
		Standardized approach/ Alternative standardized approach	34,888,200	34,888,200	38,272,075
		Advanced measurement approach	-	-	-
	Market risk	Standardized approach	20,881,588	20,863,325	20,416,863
		Internal model approach	-	-	-
	Total		610,784,390	609,122,218	568,293,012
Capital adequacy ratio			13.82%	13.58%	12.95%
Tier I capital to risk weighted assets ratio			9.45%	9.31%	8.85%
Tier II capital to risk weighted assets ratio			4.37%	4.27%	4.10%
Tier III capital to risk weighted assets ratio			-	-	-
Common stock equity to total assets ratio			5.19%	5.19%	5.68%
Leverage ratio			6.64%	6.53%	5.97%

Note 1: The ratios are calculated in accordance with the Letters issued by the MOF on June 30, 2009 and January 4, 2007 (Ref. No. Jin-Guan-Yin 09810003110 and 09610000025).

Note 2: Formula:

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

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

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

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

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

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

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

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

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, 2010 and 2009 were as follows:

	2010	2009
Special purpose trust accounts - foreign and domestic investments	$ 137,737,804	$ 141,707,813
Special purpose monetary fund - master	7,013,808	7,119,886
Special purpose monetary fund - stand-alone	153,508	210,510
Special purpose cover fund - stand-alone	12,975,945	4,487,288
Specific monetary fund - stand-alone	2,584,508	2,624,296
Specific cover fund - stand-alone	27,467,453	36,143,393
Real estate securitization	4,749,333	4,355,232
Real estate trust	1,160,044	496,369
Monetary mutual fund	750,060	1,041,438
Securities under custody	28,035,267	28,081,132
	$ 222,627,730	$ 226,267,357

9) Balance sheet of securities department: See Table 4

Income statement of securities Deportment: See Table 5

Chang Hwa Bank

a. Balance sheet

	December 31	
	2010	2009
Assets		
Cash and cash equivalents	$ 33,907,482	$ 26,998,776
Due from Central Bank and call loans to banks	88,513,906	90,275,126
Financial liabilities at FVTPL	19,303,952	13,543,837
Bonds and securities purchased under resell agreements	-	49,549
Receivables	23,568,205	11,187,747
Loans	1,046,553,781	1,011,067,871
Available-for-sale financial assets	44,084,734	30,297,240
Held-to-maturity financial assets	193,424,963	230,295,526
Investments accounted for by the equity method	227,616	146,291
Other financial assets	16,027,510	20,502,139
Property and equipment	23,777,557	24,242,714
Intangible assets and other assets	13,756,398	16,859,552
	$ 1,503,146,104	$ 1,475,466,368
Liabilities		
Due to banks and Central Bank	$ 95,108,981	$ 120,437,915
Financial liabilities at FVTPL	4,489,980	821,612
Bonds and securities sold under repurchase agreements	13,636,714	5,419,388
Payables	25,406,681	22,082,484
Deposits	1,240,988,877	1,211,599,406

(Continued)

	December 31	
	2010	2009
Financial debentures	28,493,150	23,473,942
Accrued pension liabilities	288,415	2,473,876
Other financial liabilities	360,957	441,663
Other liabilities	7,674,235	7,698,797
	1,416,447,990	1,394,449,083
Stockholders' equity		
Capital stock	62,094,756	62,094,756
Retained earnings	16,666,526	10,588,769
Other items	7,936,832	8,333,760
	86,698,114	81,017,285
	$ 1,503,146,104	$ 1,475,466,368

b. Income statement

	Years Ended December 31	
	2010	2009
Net interest income	$ 14,041,645	$ 12,304,753
Net non-interest income	14,444,682	10,341,942
Gross income	28,486,327	22,646,695
Bad debt expense	(4,749,980)	(5,285,784)
Operating expenses	(12,533,356)	(11,643,496)
Income before income tax	11,202,991	5,717,415
Estimated income tax expense	(3,262,391)	(2,628,517)
Net income	$ 7,940,600	$ 3,088,898

	2010		2009	
	Pretax	After Tax	Pretax	After Tax
Basic earnings per share (dollar)	$ 1.80	$ 1.28	$ 0.92	$ 0.50

c. Key financial and business highlights

1) Profitability

Item		December 31	
		2010	2009
Return on total assets	Pretax	0.75%	0.40%
	After tax	0.53%	0.22%
Return on net equity	Pretax	13.36%	7.08%
	After tax	9.47%	3.82%
Profit margin		27.88%	13.64%

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

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

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Net revenue}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2010 and 2009, respectively.

VI. Financial Status

2) Asset quality

Business Type \ Item			December 31, 2010					December 31, 2009				
			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		$ 2,906,941	$ 291,316,568	1.00%	$ 5,029,848	173.03%	7,220,352	$ 263,121,151	2.74%	$ 7,119,102	98.60%
	Unsecured		442,584	394,689,100	0.11%	3,318,794	749.87%	1,641,982	402,210,638	0.41%	1,641,982	100.00%
Consumer finance	Mortgage loans (Note d)		1,537,272	293,253,357	0.52%	3,674,292	239.01%	2,744,157	287,640,097	0.95%	2,744,157	100.00%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)		17,050	2,006,714	0.85%	31,673	185.77%	14,287	2,287,036	0.62%	14,287	100.00%
	Others (Note f)	Secured	690,200	75,274,865	0.92%	1,238,749	179.48%	914,772	64,200,328	1.42%	914,772	100.00%
		Unsecured	132,592	3,464,371	3.83%	157,838	119.04%	57,603	4,100,524	1.40%	57,603	100.00%
Total			5,726,639	1,060,004,975	0.54%	13,451,194	234.89%	12,593,153	1,023,559,774	1.23%	12,491,903	99.20%

Business Type \ Item	December 31, 2010					December 31, 2009				
	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	$ 1,288	$ 718,851	0.18%	$ 5,841	453.49%	$ 1,433	$ 677,808	0.21%	$ 11,756	820.38%
Accounts receivable factoring with no recourse (Note g)	-	11,857,377	-	-	-	-	247,118	-	-	-

Business Type \ Items Item	December 31, 2010		December 31, 2009	
	Nonperforming Loans Exempted from Reporting	Nonperforming Receivables Exempted from Reporting	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note i)	$ 1,189	$ 10,182	$ 1,486	$ 13,176
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note j)	2,585	6,605	2,671	6,404
Total	3,774	16,787	4,157	19,580

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 loansn Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Nonperforming loans of credit cards

Note d: Mortgage loans are for applicants to build or repair the buildings owned by the applicants, their spouses or their minor children. These applicants provide their buildings as collaterals and install the right on mortgage to financial institutions.

Note e: Credit loans are to fit in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin - Guan - Yi (4) 09440010950), excluding credit loans of credit cards and cash cards.

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

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

Note h: Chang Hwa Bank does not engage in cash card business.

Note i: Negotiated loans and accounts receivable performed in accordance with the agreement and exempted from reporting as non-performing loans are disclosed in accordance with the Letter issued by Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) 09510001270).

Note j: Loans and receivable transacted in accordance with debt clearance and renewal regulation and exempted from reporting as non-performing loans or receivables are disclosed in accordance with the Letter issued by Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 09700318940).

3) Concentration of credit risk

Year	December 31, 2010			December 31, 2009		
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. (014910 railway transportation industry)	34,737,562	40.07%	B group (011820 Petrochemicals Manufacturing) business)	35,672,480	44.03
2	B group (011820 Petrochemicals Manufacturing) business)	30,471,261	35.15%	A co. (014910 railway transportation industry)	22,856,535	28.21
3	C group (012641 liquid crystal panel and components manufacturing industry)	20,939,014	24.15%	K group (012641 liquid crystal panel and components manufacturing industry)	14,027,560	17.31
4	D group (015101 Air Transportation)	10,644,184	12.28%	D group (015101 Air Transportation)	11,027,787	13.61
5	E group (012641 liquid crystal panel and components manufacturing industry)	8,059,586	9.30%	E group (012641 liquid crystal panel and components manufacturing industry)	7,856,590	9.70
6	F group (012412 Iron and Steel Casting)	7,440,120	8.58%	F group (012412 Iron and Steel Casting)	7,507,199	9.27
7	G group (012412 Iron and Steel Casting)	6,896,978	7.96%	J group (012641 liquid crystal panel and components manufacturing industry)	6,828,073	8.43
8	H group (016611 Securities Brokerage)	6,847,715	7.90%	G group (012412 Iron and Steel Casting)	6,225,674	7.68
9	I group (015010 water transportation)	6,804,241	7.85%	C group (012719 Other Computer Peripheral Equipment Manufacturing)	6,157,320	7.60
10	J group (012641 liquid crystal panel and components manufacturing industry)	6,301,558	7.27%	H group (012499 Other Basic Metal Manufacturing Not Elsewhere Classified)	6,090,520	7.52

Note a: Sort by the balance of loans on December 31, 2010 and 2009, 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.

VI. Financial Status

4) Interest-bearing assets and interest-bearing liabilities

The average interest-bearing assets, interest-bearing liabilities and average interest rates for the years ended December 31, 2010 and 2009 were as follows:

	2010		2009	
	Average Value	Average Interest Rate %	Average Value	Average Interest Rate %
Assets				
Due from and call loans to banks	$ 88,117,376	0.93	$ 132,408,401	1.53
Due from Central Bank	56,727,335	0.35	54,200,725	0.37
Financial assets - bonds and bills	270,418,410	0.89	278,029,707	0.97
Loans	1,007,267,860	1.76	951,534,909	1.94
Liabilities				
Due to banks and call loans from banks	136,186,195	0.80	164,885,488	1.15
Deposits transferred from the Postal Bureau	20,917,971	1.13	28,875,102	1.18
Demand deposits	636,557,922	0.28	562,071,047	0.31
Time deposits	546,093,661	0.85	585,536,445	1.19
Negotiable certificates of deposits	5,683,534	0.30	5,124,587	0.65
Financial debentures	25,897,945	2.50	23,478,904	2.52

5) Interest rate sensitivity

(In Thousands of New Taiwan Dollars)

Item	December 31, 2010				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 1,027,423,136	$ 69,143,362	$ 27,726,659	$ 80,947,579	$ 1,205,240,736
Interest-sensitive liabilities	379,029,140	598,176,879	65,544,248	28,386,451	1,071,136,718
Interest sensitivity gap	648,393,996	(529,033,517)	(37,817,589)	52,561,128	134,104,018
Net equity					84,248,711
Ratio of interest-sensitive assets to liabilities					112.52%
Ratio of interest sensitivity gap to net equity					159.18%

(In Thousands of New Taiwan Dollars)

Item	December 31, 2009				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 984,447,502	$ 96,854,551	$ 30,249,794	$ 66,274,879	$ 1,177,826,726
Interest-sensitive liabilities	406,623,137	556,423,832	79,067,082	26,500,918	1,068,614,969
Interest sensitivity gap	577,824,365	(459,569,281)	(48,817,288)	39,773,961	109,211,757
Net equity					83,919,109
Ratio of interest-sensitive assets to liabilities					110.22%
Ratio of interest sensitivity gap to net equity					130.14%

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

Note b: Interest-sensitive assets and liabilities are interest-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 (NT dollars only) $= \frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

(In Thousands of U.S. Dollars)

Item	December 31, 2010				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 6,572,094	$ 831,329	$ 101,055	$ 42,386	$ 7,546,864
Interest-sensitive liabilities	8,342,793	446,588	440,688	-	9,230,069
Interest sensitivity gap	(1,770,699)	384,741	(339,633)	42,386	(1,683,205)
Net equity					76,041
Ratio of interest-sensitive assets to liabilities					81.76%
Ratio of interest sensitivity gap to net equity					(2,213.55%)

(In Thousands of U.S. Dollars)

Item	December 31, 2009				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 4,770,403	$ 859,920	$ 47,086	$ 55,345	$ 5,732,754
Interest-sensitive liabilities	6,524,447	463,321	364,719	-	7,352,487
Interest sensitivity gap	(1,754,044)	396,599	(317,633)	55,345	(1,619,733)
Net equity					(9,521)
Ratio of interest-sensitive assets to liabilities					77.97%
Ratio of interest sensitivity gap to net equity					17,012.22%

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, 2010				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	$ 1,353,964,300	$ 268,486,025	$ 203,820,209	$ 120,078,799	$ 103,704,422	$ 657,874,845
Major maturity cash outflow	1,736,108,393	240,687,507	240,543,936	221,167,009	369,655,436	664,054,505
Gap	(382,144,093)	27,798,518	(36,723,727)	(101,088,210)	(265,951,014)	(6,179,660)

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2009				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	$ 1,278,853,914	$ 237,425,960	$ 153,184,127	$ 124,831,637	$ 110,684,261	$ 652,727,929
Major maturity cash outflow	1,626,171,083	202,431,674	199,664,231	182,229,850	319,257,436	722,587,892
Gap	(347,317,169)	34,994,286	(46,480,104)	(57,398,213)	(208,573,175)	(69,859,963)

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

VI. Financial Status

(In Thousands of U.S. Dollars)

	Total	December 31, 2010				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	$ 9,112,575	$ 3,893,024	$ 2,179,546	$ 1,740,798	$ 518,954	$ 780,253
Major maturity cash outflow	10,528,139	4,360,762	1,859,616	956,465	1,274,792	2,076,504
Gap	(1,415,564)	(467,738)	319,930	784,333	(755,838)	(1,296,251)

(In Thousands of U.S. Dollars)

	Total	December 31, 2009				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	$ 5,990,671	$ 1,976,144	$ 1,579,198	$ 1,239,223	$ 351,212	$ 844,894
Major maturity cash outflow	6,622,853	2,528,181	1,245,732	611,585	686,650	1,550,705
Gap	(632,182)	(552,037)	333,466	627,638	(335,438)	(705,811)

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

7) Special recorded items

Item	Cases and Amount
Management or any employee being involved in lawsuit for any fault in business in one year	None
The Bank being fined for disobeying the Banking Law in one year	None
The Bank being punished by MOF for any fault in one year	Due to an incident in which an employee from a branch embezzled client's tax-payment money, Chang Hwa Bank was ordered by FSC to dismiss the employee and make improvement on such situation within three months starting from March 19, 2010, according to Article 61-1 of The Banking Act.
The Bank incurred losses over $50,000 thousand for management or employee fraud or for any security incident in one year	None

Note: The "in one year" refers to the period from December 31, 2009 to December 31, 2010.

8) Transferring ownerships of loans

a) Summary of nonperforming loans

	December 31, 2010						
	Transferring Date	Composition of NPLs	Book Value (Note a)	Transferring Price	Gain of Disposal (Note b)	Relationship	Agreement with Added Terms
Taiwan Asset Management Co., Ltd.	2009.12.18	Corporate secured loans	$ 755,740	$ 2,201,596	$ 1,445,856	None	Repurchased defective assets

	December 31, 2009						
	Transferring Date	Composition of NPLs	Book Value (Note a)	Transferring Price	Gain of Disposal (Note b)	Relationship	Agreement with Added Terms
Jing-Li Asset Management Co., Ltd.	2009.07.09	Corporate secured and non-secured loans	$ 7,085	$ 66,733	$ 55,172	None	Repurchased defective Assets
Taiwan Asset Management Co., Ltd.	2009.09.11	Corporate and individual secured loans	335,838	1,020,858	678,337	None	Repurchased defective Assets and environmental protection defect

Note a: Book value = Original loan balance – Allowance

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

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

Entity: Taiwan Asset Management Co., Ltd. Basic Measurement Date: December 18, 2009

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

Composition of NPLs			Original Amounts (Note a)	Book Value	Authorized Price (Note b)
Corporate	Secured		$ 3,562,556	$ 247,707	$ 853,642
	Unsecured		-	-	-
Individual	Secured	Mortgage loans	-	-	-
		Vehicles loans	-	-	-
		Others	1,108,807	88,131	167,216
	Unsecured	Credit cards	-	-	-
		Cash cards	-	-	-
		Small amount consumer credit	-	-	-
		Others	-	-	-
Total			4,671,363	335,838	1,020,858

Note a: The original amounts include the aggregate of the balance of nonperforming loans (without deducting allowance) and the loans written-off refer to the buyer's claim amount to creditors.

Note b: The authorized price refers to the transferring price which is allocated among nonperforming loans by estimating the recovery of loans.

VI. Financial Status

9) Capital adequacy

Item			Period: December 31, 2010	June 30, 2010	December 31, 2009
Self-owned capital	Tier I capital		$ 80,283,341	$ 75,838,225	$ 70,131,995
	Tier II capital		24,902,851	28,430,376	30,571,261
	Tier III capital		-	-	-
	Self-owned capital		105,186,192	104,268,601	100,703,256
Risk-weighted assets	Credit risk	Standardized approach	931,481,280	882,641,915	879,511,528
		IRB	-	-	-
		Real estate securitization	871,575	1,076,516	842,699
	Operation risk	Basic indicator approach	-	-	-
		Standardized approach/ optional standard	37,994,375	37,994,375	40,931,575
		Advanced internal-rating based approach	-	-	-
	Market price risk	Standardized approach	8,040,838	7,111,175	8,211,450
		Internal model approach	-	-	-
	Total		978,388,068	928,823,981	929,497,252
Capital adequacy ratio			10.75%	11.23%	10.83%
Tier I capital to risk weighted assets ratio			8.21%	8.16%	7.55%
Tier II capital to risk weighted assets ratio			2.55%	3.06%	3.29%
Tier III capital to risk weighted assets ratio			-	-	-
Common stock equity to total assets ratio			4.13%	4.26%	4.21%
Leverage ratio			5.39%	5.17%	4.88%

Note 1: The ratios are calculated in accordance with the Letters issued by the MOF on June 30, 2009 and January 4, 2007 (Ref. No. Jin-Guan-Yin 09810003110 and 09610000025).

Note 2: Formula:

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

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

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

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

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

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

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

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

10) Trust accounts

Under Article 3 of the Trust Law, Chang Hwa Bank can offer trust services. The details of trust accounts were as follows:

	December 31	
	2010	2009
Special purpose trust accounts - domestic	$ 34,744,192	$ 39,135,567
Special purpose trust accounts - foreign	66,045,420	61,706,381
Insurance trust	1,003	-
Retirement and breeds trust	172,184	162,666
Umbilical-cord-blood trust	526,220	472,971
Money claim and guarantee trust	605,014	408,220
Marketable securities trust	635,849	423,896
Real estate trust	3,582,461	2,900,126
Marketable securities custody	158,660,082	166,491,711
	$ 264,972,425	$ 271,701,538

11) Balance sheet of securities department: See Table 6

Income statement of securities Deportment: See Table 7

Taishin Securities B

a. Balance sheet

		December 31, 2010
Assets		
Current assets	$	2,307,122
Funds and investments		6,470
Property and equipment		55,698
Other assets		277,357
	$	2,646,647
Liabilities		
Current liabilities	$	34,697
Other liabilities		43,169
Client' s position - credit		3,494
		81,360
Stockholders' equity		
Capital stock		2,280,000
Capital surplus		251,046
Retained earnings		34,241
		2,565,287
	$	2,646,647

b. Income statement

		Year Ended December 31, 2010
Revenue	$	302,916
Expense		(284,859)
Income before income tax		18,057
Income tax benefit		5,917
Net Income	$	23,974

	Pretax	After Tax
Basic earnings per share (dollar)	$ 0.14	$ 0.19

VI. Financial Status

c. Key financial and business highlights

1) Profitability

Item		December 31, 2010
Return on total assets	Pretax	0.97%
	After tax	1.29%
Return on net equity	Pretax	1.00%
	After tax	1.33%
Profit margin		7.91%

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

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

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 2010.

Taishin Bills Finance

a. Balance sheet

	December 31	
	2010	2009
Assets		
Cash and cash equivalents	$ 15,881	$ 16,639
Due from Central Bank and call loans to banks	390,064	500,250
Financial liabilities at FVTPL	15,308,246	19,832,510
Bonds and securities sold under resell agreements	-	616,461
Receivables	1,048,441	1,660,405
Available-for-sale financial assets	4,931,452	7,473,476
Property and equipment	342,857	347,447
Other assets	988,122	2,947,740
	$ 23,025,063	$ 33,394,928
Liabilities		
Call loans from banks	$ 920,000	$ 2,950,000
Financial liabilities at FVTPL	383,455	1,102,046
Bonds and securities sold under repurchase agreements	15,571,423	23,272,517
Payables	76,502	75,014
Other liabilities	215,681	197,869
	17,167,061	27,597,446
Stockholders' equity		
Capital stock	5,140,000	5,140,000
Capital surplus	380	-
Retained earnings	674,006	541,591
Other items	43,616	115,891
	5,858,002	5,797,482
	$ 23,025,063	$ 33,394,928

b. Income statement

	Years Ended December 31	
	2010	2009
Net interest income	$ 163,006	$ 211,222
Net non-interest income	401,209	337,991
Gross income	564,215	549,213
Bad debt expenses	(20,428)	(46,983)
Operating expenses	(134,623)	(125,950)
Income before income tax	409,164	376,280
Income tax expense	(112,834)	(142,116)
Net income	$ 296,330	$ 234,164

	Pretax	After Tax	Pretax	After Tax
Basic earnings per share	$ 0.80	$ 0.58	$ 0.73	$ 0.46

c. Key financial and business highlights

1) Profitability

Item		December 31	
		2010	2009
Return on total assets	Pretax	1.45%	1.16%
	After tax	1.05%	0.72%
Return on net equity	Pretax	7.02%	6.62%
	After tax	5.08%	4.12%
Profit margin		52.52%	42.64%

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

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

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Net revenue}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2010 and 2009, respectively.

2) Asset quality

	December 31	
	2010	2009
Guarantees and endorsed credit amount not exceeding payment date three months	-	-
Nonperforming loans (NPLs, including delinquent loans)	-	-
Surveillance loans	21,900	23,100
Delinquent loans	-	-
NPL ratio	-	-
NPL ratio plus surveillance loan ratio	0.31%	0.23%
Allowance for bad debts and guarantees based on rules	91,762	126,286
Allowance for bad debts and guarantees in actual	162,777	156,429

Note: The above items are categorized in accordance with the Regulations Governing the Procedures for Bills Finance Companies to evaluate assets, set aside loss reserves, and handle non-performing credit, non-accrual loans, and bad debt and related regulations.

VI. Financial Status

3) Capital adequacy

	December 31	
	2010	2009
Self-owned capital	$ 5,419,843	$ 5,895,331
Risk-weighted assets	19,088,157	27,143,600
Capital adequacy ratio	28.39%	21.72%
Tier I capital to risk weighted assets ratio	28.06%	20.92%
Tier II capital to risk weighted assets ratio	-	0.80%
Tier III capital to risk weighted assets ratio	0.33%	-
Common stock equity to total assets ratio	22.32%	15.39%
Leverage ratio	17.62%	17.48%

Note a: Capital adequacy ratio = Self-owned capital ÷ Risk weighted assets.
Note b: Total assets are the total assets amount of balance sheet.
Note c: The ratio is calculated on June 30 and December 31. The ratios disclosed in the first and the third quarters are those as of the preceding December 31 and June 30.
Leverage ratio = Tier I capital/Average-assets adjusted

4) Management information

a) Business highlights

	December 31	
	2010	2009
Guarantees and endorsed notes	$ 7,031,300	$ 10,188,800
Ratio of guarantees and endorsed notes to net equity (after appropriation of last year's earnings)	1.25	1.83
Short-term securities sold under repurchase agreements	15,571,423	23,272,517
Ratio of short-term securities sold under repurchase agreements to net assets (after appropriation of last year's earnings)	2.76	4.17

b) Concentration of credit risks

	December 31	
	2010	2009
Loans to parties with common interests	$ 297,000	$ 20,000
Percentage of loans to parties with common interests	4.22%	0.20%
Percentage of loans secured by stocks	25.09%	21.44%

Item	Industry	December 31 2010 (%)	December 31 2009 (%)
Approved credit concentration	Agriculture, forestry, fishery and animal husbandry	-	-
	Mining	-	-
	Manufacturing	19.91	8.93
	Utilities	-	-
	Construction	-	0.20
	Wholesale and retailing, food and beverage	10.09	11.05
	Transportation, warehousing and communications	-	3.93
	Finance and insurance	11.21	13.27
	Securities brokerage and futures	11.12	17.00
	Real estate	16.06	15.49
	Investment	28.33	26.89
	Industrial and commercial society and individual service industry	3.28	3.24
	Others	-	-
		100.00	100.00

Note a: Percentage of loans to parties with common interests ＝ Loans to parties with common interests ÷ Total loans.
Note b: Percentage of loans secured by stocks ＝ Loans secured by stocks ÷ Total loans.
Note c: Loans include guarantees, endorsed notes and delinquent loans.

c) Special recorded items

	Reason and Amount
Within the past year, the person in charge or employee violated the law in the course of business operations and was sued by the public prosecutor.	None
Within the past year, a fine was levied on Taishin Bills Finance for violating the Law Governing Bills Finance Business.	None
Within the past year, Taishin Bills Finance committed a misdemeanor, resulting in the Ministry of Finance' s (MOF) subjecting Taishin Bills Finance to corrective measures.	None
Within the past year, there was an actual loss of more than $50,000 thousand due to a major employee fraud, workplace accidents or failure to comply with financial institutions' guidelines for sound operations.	None
Others	None

Note: The "past year" refers to the period from December 31, 2009 to December 31, 2010.

VI. Financial Status

5) Interest-earning assets and interest-bearing liabilities

The average interest-earning assets, interest-bearing liabilities and average interest rates for the years ended December 31, 2010 and 2009 are as follows:

	Years Ended December 31			
	2010		2009	
	Average Value	Average Interest Rate %	Average Value	Average Interest Rate %
Assets				
Cash and cash equivalents	$20,445	-	$118,061	2.2732
Due from Central Bank and call loans to banks	2,015,697	0.7091	3,928,573	0.7627
Financial liabilities at FVTPL	26,627,904	0.4023	17,540,732	0.3895
Bonds and securities purchased under resell agreements	218,514	0.1103	282,686	0.0560
Available-for-sale financial assets	5,740,063	1.7289	7,660,439	2.0327
Liabilities				
Call loans from banks	3,132,205	0.3250	4,259,479	0.1353
Bonds and securities sold under repurchase agreements	27,468,924	0.3337	21,623,584	0.2097
Bonds payable	-	-	-	-

6) Liquidity

Item \ Range		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Cash used in	Bills	$ 5,658,774	$ 4,175,392	$ 721,194	$ 2,001,658	$ -
	Bonds	368,486	-	137,940	586,585	6,589,669
	Deposits	15,881	-	-	-	-
	Call loans to banks	390,064	-	-	-	-
	R.S. (Note a)	-	-	-	-	-
	Others (Note b)	344,624	600,000	-	-	772,545
	Total	6,777,829	4,775,392	859,134	2,588,243	7,362,214
Cash provided by	Call loans from banks	920,000	-	-	-	-
	R.P. (Note a)	14,739,271	814,872	17,280	-	-
	Self-owned capital	-	-	-	-	5,858,002
	Total	15,659,271	814,872	17,280	-	5,858,002
Net flow		(8,881,442)	3,960,520	841,854	2,588,243	1,504,212
Accumulated net flow		(8,881,442)	(4,920,922)	(4,079,068)	(1,490,825)	13,387

Note a: R.S. refers to bonds and securities sold under resell agreements. R.P. refers to bonds and securities sold under repurchase agreements.
Note b: Others refer to other financial assets, refundable deposits, and refundable collaterals.

7) Interest rate sensitivity

Item	December 31, 2010				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 11,553,221	$ 859,134	$ 2,588,243	$ 7,362,214	$ 22,362,812
Interest-sensitive liabilities	16,475,311	40,066	27,916	332,753	16,876,046
Interest sensitivity gap	(4,922,090)	819,068	2,560,327	7,029,461	5,486,766
Net equity					5,858,002
Ratio of interest-sensitive assets to liabilities					132.51%
Ratio of interest sensitivity gap to net equity					93.66%

Item	December 31, 2009				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 18,130,526	$ 3,400,570	$ 2,224,223	$ 8,885,653	$ 32,640,972
Interest-sensitive liabilities	27,365,678	-	-	-	27,365,678
Interest sensitivity gap	(9,235,152)	3,400,570	2,224,223	8,885,653	5,275,294
Net equity					5,797,482
Ratio of interest-sensitive assets to liabilities					119.28%
Ratio of interest sensitivity gap to net equity					90.99%

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

Note b: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

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

8) Balance sheet of securities department: See Table 8.

Income statement of securities department: See Table 9.

Taishin AMC

a. Balance sheet

	December 31	
	2010	2009
Assets		
Current assets	$ 1,845,826	$ 800,954
Investments accounted for by the equity method	127,649	127,220
Financial assets carried at cost	30,686	399,886
Prepaid investments in real estate	-	249,517
Other long-term investments	309,837	53,691
Property and equipment	191,191	194,353
Other assets	8,298	9,635
	$ 2,513,487	$ 1,835,256
Liabilities		
Current liabilities	$ 944,069	$ 213,868
Other liabilities	2,713	3,585
	946,782	217,453
Stockholders' equity		
Capital stock	1,345,000	1,345,000
Additional paid in capital - stock warrants	274	-
Retained earnings	221,431	272,803
	1,566,705	1,617,803
	$ 2,513,487	$ 1,835,256

VI. Financial Status

b. Income statement

	Years Ended December 31	
	2010	2009
Operating revenue	$ 209,715	$ 111,962
Operating cost and expenses	(143,842)	(125,686)
Operating (loss) income	65,873	(13,724)
Nonoperating income and gains	50,672	192,160
Nonoperating expenses and losses	(18,622)	(108)
Income before income tax	97,923	178,328
Income tax expense	(20,295)	(35,289)
Net income	$ 77,628	$ 143,039

	2010		2009	
	Pretax	After Tax	Pretax	After Tax
Basic earnings per share (dollar)	$ 0.73	$ 0.58	$ 1.33	$ 1.06

c. Profitability

Item		December 31	
		2010	2009
Return on total assets	Pretax	4.50%	10.62%
	After tax	3.57%	8.51%
Return on net equity	Pretax	6.15%	11.53%
	After tax	4.88%	9.25%
Profit margin		29.81%	47.03%

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

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

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2010 and 2009, respectively.

Taishin Marketing

a. Balance sheet

	Years Ended December 31	
	2010	2009
Assets		
Current assets	$ 4,397	$ 5,053
Property and equipment	-	8
Other assets	30	35
	$ 4,427	$ 5,096
Liabilities		
Current liabilities	$ 120	$ 309
Other liabilities	152	176
	272	485
Stockholders' equity		
Capital stock	1,000	1,000
Retained earnings	3,155	3,611
	4,155	4,611
	$ 4,427	$ 5,096

b. Income statement

	Years Ended December 31	
	2010	2009
Revenue	$ 250	$ 59
Expenses	(824)	(666)
Loss before income tax	(574)	(607)
Income tax benefit	118	211
Net loss	$ (456)	$ (396)

	2010		2009	
	Pretax	After Tax	Pretax	After Tax
Basic loss per share (dollar)	$ (5.74)	$ (4.56)	$ (6.07)	$ (3.96)

Item		December 31	
		2010	2009
Return on total assets	Pretax	(12.06%)	(11.35%)
	After tax	(9.58%)	(7.40%)
Return on net equity	Pretax	(13.10%)	(12.62%)
	After tax	(10.40%)	(8.24%)
Profit margin		(182.40%)	(671.19%)

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 2010 and 2009, respectively.

VI. Financial Status

Taishin Venture Capital

a. Balance sheet

	December 31	
	2010	2009
Assets		
Current assets	$ 305,490	$ 208,237
Available-for-sale financial assets	8,926	11,712
Financial assets carried at cost	501,376	591,443
Other assets	17	16
	$ 815,809	$ 811,408
Liabilities		
Current liabilities	$ 1,049	$ 661
Stockholders' equity		
Capital stock	819,035	1,000,000
Capital surplus	45	-
Retained earnings	6,754	(180,965)
Unrealized loss for financial assets	(11,074)	(8,288)
	814,760	810,747
	$ 815,809	$ 811,408

b. Income statement

	December 31	
	2010	2009
Revenue	$ 50,382	$ 56,593
Expenses	(43,628)	(48,526)
Income before income tax	6,754	8,067
Income tax expense	-	-
Net income	$ 6,754	$ 8,067

	2010		2009	
	Pretax	After Tax	Pretax	After Tax
Basic earnings per share (dollar)	$ 0.08	$ 0.08	$ 0.10	$ 0.10

c. Profitability

Item		December 31	
		2010	2009
Return on total assets	Pretax	0.83%	1.00%
	After tax	0.83%	1.00%
Return on net equity	Pretax	0.83%	1.00%
	After tax	0.83%	1.00%
Profit margin		13.41%	14.25%

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 2010 and 2009, respectively.

Taishin Investment Trust

a. Balance sheet

	December 31, 2010
Assets	
Current assets	$ 297,489
Property and equipment	6,624
Intangible assets	464,613
Other assets	76,144
	$ 844,870
Liabilities	
Current liabilities	$ 31,687
Other liabilities	34,932
	66,619
Stockholders' equity	
Capital stock	754,545
Capital surplus	45,588
Retained earnings	(21,882)
	778,251
	$ 844,870

VI. Financial Status

b. Income statement

	Year Ended December 31, 2010
Operating revenue	$ 76,827
Operating cost and expenses	(119,499)
Operating loss	(42,672)
Nonoperating income and gains	7,507
Nonoperating expenses and losses	(2,237)
Loss before income tax	(37,402)
Income tax benefit	7,106
Net loss	$ (30,296)

	Pretax	After Tax
Basic loss per share (dollar)	$ (1.16)	$ (0.94)

c. Profitability

Item		December 31, 2010
Return on total assets	Pretax	(6.42%)
	After tax	(5.20%)
Return on net equity	Pretax	(6.88%)
	After tax	(5.58%)
Profit margin		(35.92%)

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

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

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Net revenue}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2010 and 2009, respectively.

Taishin Securities Investment Advisory

a. Balance sheet

	Year Ended December 31, 2010
Assets	
Current assets	$ 246,106
Property and equipment	2,901
Intangible assets	464
Other assets	87,308
	$ 336,779
Liabilities	
Current liabilities	$ 25,324
Other liabilities	464
	25,788
Stockholders' equity	
Capital stock	300,000
Capital surplus	54,064
Retained earnings	(43,073)
	310,991
	$ 336,779

b. Income statement

	Year Ended December 31, 2010
Operating revenue	$ 64,862
Operating cost and expenses	(106,881)
Operating loss	(42,019)
Nonoperating income and gains	2,184
Nonoperating expenses and losses	(177)
Loss before income tax	(40,012)
Income tax benefit	3,086
Net loss	$ (36,926)

	Pretax	After Tax
Basic loss per share (dollar)	$ (1.33)	$ (1.23)

c. Profitability

Item		December 31, 2010
Return on total assets	Pretax	(11.51%)
	After tax	(10.63%)
Return on net equity	Pretax	(12.15%)
	After tax	(11.21%)
Profit margin		(55.08%)

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

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

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Net revenue}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2010 and 2009, respectively.

VI. Financial Status

41. OTHERS

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

Taishin Bank

(In Foreign Currencies/Thousands of New Taiwan Dollars)

	2010			2009		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
AUD	$ 39,025	30.94	$ 1,207,519	$ 13,793	28.82	$ 397,484
EUR	262,762	40.58	10,662,265	39,381	46.18	1,818,437
GBP	81,466	47.05	3,833,014	6,304	51.70	325,887
HKD	696,186	3.91	2,719,723	677,166	4.13	2,796,803
JPY	15,962,397	0.37	5,959,497	17,564,070	0.35	6,105,675
USD	3,695,818	29.15	107,740,479	3,169,360	32.03	101,514,603
Non-monetary items						
AUD	250,847	30.94	7,761,702	263,704	28.82	7,599,253
EUR	204,690	40.58	8,305,842	78,352	46.18	3,617,996
HKD	395,523	3.91	1,545,151	473,160	4.13	1,954,226
JPY	10,856,170	0.37	4,053,107	12,168,571	0.35	4,230,075
NZD	47,802	23.51	1,123,862	62,322	23.28	1,450,730
USD	1,916,467	29.15	55,868,837	3,879,291	32.03	124,253,677
ZAR	634,923	4.58	2,905,283	1,029,514	4.35	4,474,870
Financial liabilities						
Monetary items						
AUD	173,622	30.94	5,372,215	274,416	28.82	7,907,951
EUR	291,814	40.58	11,841,166	132,313	46.18	6,109,692
GBP	23,618	47.05	1,111,248	14,416	51.69	745,208
HKD	1,122,053	3.91	4,383,419	1,129,874	4.13	4,666,560
JPY	4,995,046	0.37	1,864,880	10,714,438	0.35	3,724,585
NZD	48,500	23.51	1,140,277	64,315	23.28	1,497,107
USD	5,051,007	29.15	147,246,964	3,887,332	32.03	124,511,257
ZAR	633,806	4.58	2,900,171	879,554	4.35	3,823,058
Non-monetary items						
AUD	121,738	30.94	3,766,820	1,290	28.81	37,167
EUR	164,983	40.58	6,694,619	2,182	46.18	100,773
GBP	58,764	47.05	2,764,884	4,088	51.69	211,307
JPY	24,376,551	0.37	9,100,888	21,311,812	0.35	7,408,476
USD	518,712	29.15	15,121,502	3,081,390	32.03	98,696,922

Chang Hwa Bank

(In Foreign Currencies/Thousands of New Taiwan Dollars)

	2010			2009		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 7,329,791	29.5000	$ 216,228,835	$ 5,425,590	32.1760	$ 174,573,784
AUD	279,762	30.0281	8,400,721	316,326	28.8715	9,132,806
HKD	2,001,538	3.7900	7,585,829	1,509,639	4.1490	6,263,492
SGD	62,710	22.8718	1,434,291	91,548	22.9239	2,098,637
CAD	40,668	29.5118	1,200,186	40,811	30.5856	1,248,229
ZAR	51,907	4.4426	230,602	941,164	4.3425	4,087,005
JPY	77,976,781	0.3622	28,243,190	76,613,698	0.3480	26,661,567
EUR	179,390	39.2468	7,040,483	385,678	46.2305	17,830,087
NZD	51,803	22.7593	1,179,000	105,694	23.3437	2,467,289
Non-monetary items						
USD	484,914	29.5000	14,304,963	610,823	32.1760	19,653,841
AUD	253,081	30.0281	7,599,542	225,072	28.8715	6,498,166
EUR	88,901	39.2468	3,489,080	86,167	46.2305	3,983,543
Financial liabilities						
Monetary items						
USD	9,554,029	29.5000	281,843,856	7,597,551	32.1760	244,458,801
GBP	64,632	45.5510	2,944,052	66,772	51.7358	3,454,503
AUD	491,532	30.0281	14,759,772	494,041	28.8715	14,263,705
HKD	1,857,821	3.7900	7,041,142	1,570,867	4.1490	6,517,527
SGD	55,502	22.8718	1,269,431	77,651	22.9239	1,780,064
CAD	40,652	29.5118	1,199,714	40,642	30.5856	1,243,060
ZAR	659,849	4.4426	2,931,445	1,536,272	4.3425	6,671,261
JPY	72,842,115	0.3622	26,383,414	64,316,929	0.3480	22,382,291
EUR	365,159	39.2468	14,331,322	464,279	46.2305	21,463,850
NZD	176,813	22.7593	4,024,140	181,722	23.3437	4,242,064

Taishin Bills Finance

(In Foreign Currencies/Thousands of New Taiwan Dollars)

	2010			2009		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 11,532	29.152	$ 336,181	$ 13,769	32.030	$ 441,021

VI. Financial Status

42. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. Material transactions are summarized as follows:

No.	Item	Explanation
1	Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 10% of the paid-in capital	Table 1
2	Acquisition or disposal of individual real estate at costs of at least NT$300 million or 10% of the paid-in capital	None
3	Discounts of service charges for related parties amounting to at least $5 million	None
4	Receivables from related parties amounting to at least NT$300 million or 10% of the paid-in capital	Table 11
5	Sales of NPL from subsidiaries	Note 40
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	None
6	Acquisition or disposal of individual real estate at costs of at least NT$300 million or 10% of the paid-in capital	None
7	Discounts of service charges for related parties amounting to at least $5 million	None
8	Receivables from related parties amounting to at least NT$300 million or 10% of the paid-in capital	None
9	Sales of NPL from subsidiaries	None
10	Authorities securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Security	None
11	Other transactions that may have significant impact on the decision made by the financial statement users	None
12	Derivative transactions of investees	Notes 5 and 34

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

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

No.	Item	Explanation
1	Information of investment in Mainland China	Table 10
2	Significant commitments and contingencies	Note 32
3	Significant losses	None
4	Subsequent events	None

d. According to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, a company should disclose business relationships and material transactions in consolidation. Please refer to Table 11.

43. SEGMENT INFORMATION

a. Financial information of department

Taishin Financial Holding and subsidiaries' operations are related to banking, securities and financial services mentioned in Article 36 of the ROC Financial Holding Company Act. Please refer to Note 40 for subsidiaries financial information of industry in which Taishin Financial Holding has controlling interest.

b. Financial information of district

The operating income of Taishin Financial Holding and subsidiaries' overseas departments is not over 10% of consolidated operating income. In addition, their assets are not over 10% of consolidated total assets either. Thus, no financial information of district is required.

c. Information of foreign sales

The revenue from foreign sales by the domestic departments of Taishin Financial Holding and subsidiaries to individuals is not over 10% of consolidated total operating income.

d. Information of important customers

Taishin Financial Holding and subsidiaries do not have important customers contributing revenue more than 10% of consolidated operating income.

VI. Financial Status

TABLE 1

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

ACCUMULATED PURCHASES AND SALES OF SPECIFIC MARKETABLE SECURITIES OVER NT$300 MILLION OR 10% OF OUTSTANDING CAPITAL YEAR ENDED DECEMBER 31, 2010

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

Buyer or Seller	Type and Name of Marketable Security	Account Recorded	Transaction Party	Issuer's Relationship to the Buyer or Seller	Beginning of the Period	
					Shares (Units)	Amount
Taishin Financial	**Stock**					
Holding	Donshin Securities (changed name to Taishin Securities B)	Investments accounted for by the equity method	Donshin Securities' stockholders	None	-	$-
	Taishin Securities B	Investments accounted for by the equity method	Taishin Securities B	Parent and subsidiary		
	Taishin Securities Investment Advisory	Investments accounted for by the equity method	Taishin Securities A	Parent and subsidiary	-	-
	Taishin Investment Trust	Investments accounted for by the equity method	Taishin Securities A	Parent and subsidiary	-	-
	Taishin Investment Trust	Investments accounted for by the equity method	Taishin Investment Trust	Parent and subsidiary		

Purchases		Sales				End of the Period	
Shares (Units)	Amount	Shares (Units)	Selling Price	Carrying Value	Disposal Gain (Loss)	Shares (Units)	Amount
103,000	$1,146,640	-	$-	$-	$-	103,000	$1,146,640
125,000	1,500,000	-	-	-	-	125,000	1,500,000
27,600	319,955	-	-	-	-	27,600	319,955
30,000	306,559	-	-	-	-	30,000	306,559
45,455	500,000	-	-	-	-	45,455	500,000

VI. Financial Status

TABLE 2

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES' NAMES, LOCATIONS, ETC.

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

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

Investees' Names	Unified Business No.	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value
Financial business					
Taishin Bank	86519539	1F, No. 44, Jungshan N. Rd., Sec. 2, Taipei, Taiwan	Commercial bank business, trust, and bills discounting	100.00%	$ 60,652,874
Chang Hwa Bank	51811609	No. 38, Tsu Yu Rd., Sec. 2, Taichung, Taiwan	Commercial bank business, trust, and bills discounting	22.55%	40,220,798
Taishin Securities B	23534956	2F, No. 44, Jungshan N. Rd., Sec. 2, Taipei, Taiwan	Multiple securities and future transaction assistant	100.00%	2,656,433
Taishin Bills Finance	16436178	10F, No. 118, Ren-Ai Rd., Sec. 4, Taipei, Taiwan	Bills finance	100.00%	5,858,002
Taishin AMC	80341022	2F-3, No. 9, Dehuei St., Zhongshan district, Taipei, Taiwan	Acquisition of delinquent loans, evaluation, auction, and management	100.00%	1,566,705
Taishin Investment Trust	27326178	13F, No. 96, Jianguo N. Rd., Sec. 1, Zhong Shan District, Taipei, Taiwan	Investment trust	100.00%	778,251
Taishin Securities Investment Advisory	23285289	16F, No. 118, Ren-Ai Rd., Sec. 4, Taipei, Taiwan	Investment trust, advisory, and publication	92.00%	286,107
Non financial business					
Taishin Marketing	16764946	2F-4, No. 9, Dehuei St., Taipei, Taiwan	Investment and enterprise operating consultant and agency	100.00%	4,155
Taishin Venture Capital	80031342	2F-3, No. 9, Dehuei St., Zhongshan district, Taipei, Taiwan	Investment start-up	100.00%	814,760
Financial business					
Taiwan Depository & Clearing Corporation	23474232	11F, No. 363 Fu Hsin N. Rd., Songshan Dist., Taipei, Taiwan	Provide book-entry of securities transactions	0.41%	30,524
Non financial business					
Metro Consulting Service Ltd.	27974096	6F, No. 236, Dunhua N. Rd., Songshan District, Taipei, Taiwan	Consultancy, information service and human resource dispatch	4.40%	2,200

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

Recognized Investment Income (Loss) of Current Period	Sum of Ownership						Note
	Current Shares		Imputed Shares (Note)	Total			
				Total Shares		Ownership Interest (%)	
$ 7,876,412	Common share Preferred share	4,727,517,277 188,235,294	- -	Common share Preferred share	4,727,517,277 188,235,294	100.00%	Investments accounted for by the equity method
1,786,309	Common share	1,416,951,000	-	Common share	1,416,951,000	22.82%	〃
9,153	〃	228,000,000	-	〃	228,000,000	100.00%	〃
296,330	〃	514,000,000	-	〃	514,000,000	100.00%	〃
77,628	〃	134,500,000	-	〃	134,500,000	100.00%	〃
(28,441)	〃	75,454,545	-	〃	75,454,545	100.00%	〃
(33,907)	〃	27,599,513	-	〃	27,599,513	92.00%	〃
(456)	Common share	100,000	-	Common share	100,000	100.00%	〃
6,754	〃	81,903,495	-	〃	81,903,495	100.00%	〃
-	Common share	1,484,556	-	Common share	1,484,556	0.50%	Financial assets carried at cost
-	〃	520,000	-	〃	520,000	10.40%	〃

VI. Financial Status

TABLE 3

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars; in Thousands of U.S. Dollars)

Holding Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
Taishin Insurance Agency	**Stock**		
	Taishin Insurance Broker	Parent and subsidiary	Investment accounted for by the equity method
	Chi-Long Technology Co., Ltd.	None	Financial assets carried at cost
Taishin Insurance Broker	**Mutual funds**		
	Taishin Money Market Mutual Fund	None	Available for sale financial assets - noncurrent
PayEasy Digital	**Stock**		
	PayEasy Travel	Parent and subsidiary	Investment accounted for by the equity method
	Contect Digital Integration	〃	Other liabilities - other
Dah An Leasing	**Stock**		
	Pacific Security Co., Ltd.	None	Financial assets carried at cost - noncurrent
	Yuan Tai Forex Brokerage Co., Ltd.	〃	〃
	Bon-Li International Technology Co., Ltd.	〃	〃
	Mutual funds		
	Shin Kong Chi-Shin Fund	None	Financial assets at FVTPL
Taishin Real Estate	**Stock**		
	Metro Consulting Service Ltd.	The supervisors of the Corporation	Financial assets carried at cost
	Mutual funds		
	Taishin Selected China Small and Mid Cap Fund	Issued by Taishin Investment Trust	Financial assets at FVTPL
	IBT 1699 Bond Fund	〃	〃
	IBT Ta Chong Bond Fund	〃	〃
	Hua Nan Investment Grade Fund of Bond Funds	None	〃
Taishin Venture Capital	**Stock**		
	First Bio Venture Capital Corporation	None	Financial assets carried at cost
	PC Home Investment Development Co., Ltd.	〃	〃
	Concord IV Venture Capital Co., Ltd.	〃	〃
	Kwan-Hwa Venture Capital Corp.	〃	〃
	Chi-Ting Venture Capital Investment Co., Ltd.	〃	〃
	Hwei-Yang Venture Capital Investment Co., Ltd.	〃	〃
	Chung-Yang Special Return Venture Capital Co., Ltd.	〃	〃
	CC Media (BVI) Co., Ltd.	〃	〃

(Continued)

December 31, 2010				Note
Shares/Units/ Nominal	Carrying Amount	Percentage of Ownership	Market Value	
6,000,000.00	$ 88,850	100.00	$ 88,850	
950,000.00	4,275	4.13	4,275	
4,992,660.80	50,226	-	50,226	
1,300,000.00	15,107	100.00	15,107	
480,000.00	(8,387)	65.75	(8,387)	
926,368.00	6,374	0.22	5,321	
600,000.00	6,000	5.00	9,407	
125,000.00	-	1.50	-	
1,114,173.02	16,556	-	16,556	
300,000.00	3,000	6.00	3,000	
1,000,000.00	10,690	-	10,690	
389,292.89	5,039	-	5,039	
77,882.20	1,059	-	1,059	
150,000.00	1,478	-	1,478	
907,200.00	$ 6,102	7.50	$ 5,960	
157,080.00	4	3.03	1,373	
558,600.00	2,565	1.25	4,419	
4,000,000.00	35,840	5.56	36,880	
3,000,000.00	30,000	1.30	32,100	
3,000,000.00	30,000	1.54	35,910	
17,600,000.00	176,000	7.06	165,440	
400,000.00	424	0.48	384	

VI. Financial Status

Holding Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
Taishin Venture Capital	Double Edge Entertainment Co., Ltd.	〃	〃
	Century Development Corp.	〃	〃
	United Investment Fund	〃	〃
	OME Technology Co., Ltd.	〃	〃
	Primax Electronics Ltd.	〃	〃
	Cyber Heart Inc.	〃	〃
	Cyber Heart Inc.	〃	〃
	O2 Medtech Inc.	〃	〃
	Solar PV Corp.	〃	〃
	Darfon Electronics Corp.	〃	Available-for-sale financial assets - noncurrent
	Microbio Co., Ltd.	〃	Financial assets at FVTPL - current
	Mutual funds		
	FSITC Asian Emerging Market Fund	None	Financial assets at FVTPL - current
	Capital Chinese Golden Age Equity Fund	〃	〃
	FVTPL Pacific Mage - Trade Fund	〃	〃
	IBT 1699 Bond Fund	〃	〃
	Jih Sun MIT Mainstream Fund	〃	〃
	PineBridge BRIIC Infrastructure Equity Fund	〃	〃
	FSITC Global High Yild Bond Fund	〃	〃
	Produential Financial Balanced Fund	〃	〃
	Pine Bridge Global Multi-strategy High Yield Bond Fund	〃	〃
	Pine Bridge Global Emerging Market High Yield Bond Fund	〃	〃
	Paradigm Global High Yield Bond Fund	〃	〃
	FSITC Innovation Fund	〃	〃
	Jih Sun Golden Brands Fund of Funds	〃	〃
	ING Global Bond	〃	〃
	ING EMD & High Yield Bond Portfolio		
	Polaris De Li		
	Truswell Global Fixed Income Fund of Funds		
	Allianz Global Investors All Seasons Return Fund of Bond Funds		
Taishin AMC	**Mutual funds**		
	Asia Pacific Mage - Trade Fund	None	Financial assets at FVTPL - current
	Taishin China Selected Small and Mid Cap Fund	Fund issued by Taishin Investment Trust	
	Stock		
	Linkou Golf Country Club	None	Financial assets carried at cost
	Dah Chung Bills	〃	〃
	Taishin Real Estate	Equity-method investee	Investment accounted for by the equity method
	Shin Jui AMC	〃	〃
	Bond		
	PSC11	None	Financial assets at FVTPL - current
	E-Ton	〃	〃

(Concluded)

December 31, 2010				Note
Shares/Units/ Nominal	Carrying Amount	Percentage of Ownership	Market Value	
1,163,361.00	4,258	5.95	4,374	
7,206,059.00	85,176	3.03	86,617	
1,300,000.00	37,998	18.57	38,675	
1,000,000.00	25,000	2.67	25,000	
1,000,000.00	28,040	0.26	33,150	
12,500.00	79	0.03	162	
187,778.00	1,101	-	1,065	Preferred stock
733,354.00	8,420	-	8,418	Preferred stock
1,665,000.00	30,370	-	30,370	Preferred stock
242,550.00	8,926	-	8,926	
1,365,000.00	64,428	-	64,428	
200,000.00	2,128	-	2,128	
299,700.30	3,189	-	3,189	
2,196,193.30	32,460	-	32,460	
775,638.74	10,039	-	10,039	
700,000.00	6,965	-	6,965	
100,000.00	1,015	-	1,015	
2,447,399.70	29,332	-	29,332	
660,044.20	10,020	-	10,020	
1,856,480.58	19,800	-	19,800	
1,004,983.86	11,294	-	11,294	
2,732,380.28	30,105	-	30,105	
100,100.00	1,067	-	1,067	
1,100,000.00	10,967	-	10,967	
816,046.74	9,779	-	9,779	
1,000,000.00	$ 9,883	-	$ 9,883	
1,280,254.00	20,026	-	20,026	
388,687.60	5,121	-	5,121	
1,650,124.20	20,170	-	20,170	
1,085,870.60	16,049	-	16,049	
2,000,000.00	21,380	-	21,380	
3.00	1,800	-	1,800	
2,200,000.00	28,886	0.51	28,886	
8,000,000.00	125,830	40.00	125,830	
100,000.00	1,819	100.00	1,819	
1,000,000.00	27,054	-	27,054	
1,000,000.00	26,181	-	26,181	

VI. Financial Status

TABLE 4

TAISHIN FINANCIAL HOLDING CO., LTD

SECURITIES DEPARTMENT

BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010		2009	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Financial assets at fair value through profit or loss	$ 985,520	11	$ 3,678,005	31
Other current assets	119,058	1	171,669	1
Total current assets	1,104,578	12	3,849,674	32
FUNDS AND INVESTMENTS				
Available-for-sale financial assets - noncurrent, net	8,155,015	88	7,270,453	61
Held-to-maturity fixed assets	-	-	799,799	7
Total funds and long-term investments	8,155,015	88	8,070,252	68
OTHER ASSETS				
Refundable deposits	20,300	-	20,300	-
TOTAL	$ 9,279,893	100	$ 11,940,226	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2010 Amount	2010 %	2009 Amount	2009 %
CURRENT LIABILITIES				
Bonds and securities sold under repurchase agreements	$ 7,478,224	81	$ 7,239,422	61
Financial liabilities at fair value through profit or loss	52,486	-	-	-
Other current liabilities	1,302	-	6,205	-
Total current liabilities	7,532,012	81	7,245,627	61
OTHER LIABILITIES				
Reserve for trading loss	140,771	2	136,148	1
TRANSACTIONS BETWEEN HOME OFFICE AND BRANCHES	572,115	6	3,488,517	29
Total liabilities	8,244,898	89	10,870,292	91
STOCKHOLDER'S EQUITY				
Appropriated working capital	800,000	9	800,000	7
Retained earnings				
Unappropriated earnings	131,723	1	119,149	1
Unrealized gain on financial instruments	103,272	1	150,785	1
Total stockholder's equity	1,034,995	11	1,069,934	9
TOTAL	$ 9,279,893	100	$ 11,940,226	100

VI. Financial Status

TABLE 5

TAISHIN FINANCIAL HOLDING CO., LTD.

SECURITIES DEPARTMENT

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010		2009	
	Amount	%	Amount	%
REVENUES AND GAINS				
Revenue from underwriting business	$ 34,372	14	$ 31,246	11
Gain on sale of securities held for operations - dealing	1,045	-	6,902	3
Gain on sale of securities held for operations - underwriting	31,465	13	9,463	3
Interest income	160,540	64	195,472	68
Gain on valuation of securities held for operations - dealing	1,311	-	-	-
Gain on valuation of securities held for operations - underwriting	21,550	9	28,967	10
Nonoperating income	-	-	14,602	5
Total revenues and gains	250,283	100	286,652	100
EXPENSES AND LOSSES				
Loss on valuation of securities held for operations - dealing	-	-	(79,240)	(27)
Interest expense	(20,573)	(8)	(9,278)	(3)
Operating expenses	(77,726)	(31)	(27,966)	(10)
Nonoperating expenses	(4,623)	(2)	-	-
Total expenses and losses	(102,922)	(41)	(116,484)	(40)
INCOME BEFORE INCOME TAX OF CONTINUED OPERATIONS	147,361	59	170,168	60
INCOME TAX EXPENSE	(15,638)	(6)	(51,019)	(18)
NET INCOME	$ 131,723	53	$ 119,149	42

TABLE 6

CHANG HWA COMMERCIAL BANK, LTD.

SECURITIES DEPARTMENT

BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010		2009	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Financial assets at fair value through profit or loss - current	$ 2,705,502	10	$ 1,718,963	11
Bonds purchased under resell agreements	-	-	49,549	-
Margin loan receivables	531,503	2	429,404	3
Available-for-sale financial assets - current	23,805,185	86	13,075,895	82
Other current assets	642,685	2	618,804	4
Total current assets	27,684,875	100	15,892,615	100
PROPERTY AND EQUIPMENT				
Equipment	44,942	-	48,782	-
Accumulated depreciation	(38,372)	-	(37,827)	-
Property and equipment, net	6,570	-	10,955	-
INTANGIBLE ASSETS	13	-	38	-
OTHER ASSETS				
Settlement funds	39,850	-	45,603	-
Refundable deposits	300	-	300	-
Total other assets	40,150	-	45,903	-
DEBIT ITEM FOR CONSIGNED TRADES, NET	-	-	16,134	-
TOTAL	$ 27,731,608	100	$ 15,965,645	100

VI. Financial Status

LIABILITIES AND STOCKHOLDERS' EQUITY	2010 Amount	2010 %	2009 Amount	2009 %
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current	$ 1,121	-	$ -	-
Bonds sold under repurchase agreements	5,046,213	18	3,849,896	24
Deposits received from securities borrowers	752	-	2,655	-
Deposit payable for securities financing	831	-	2,916	-
Other current liabilities	362,025	1	489,112	3
Total current liabilities	5,410,942	19	4,344,579	27
OTHER LIABILITIES				
Reserve for default loss	50,231	-	47,548	1
Reserve for trading loss	200,000	1	200,000	1
Other liabilities	16,018	-	477	-
Transactions between home office and branches	19,858,109	72	9,107,322	57
Total other liabilities	20,124,358	73	9,355,347	59
CREDIT ITEM FOR CONSIGNED TRADES, NET	49,705	-	-	-
Total liabilities	25,585,005	92	13,699,926	86
STOCKHOLDER'S EQUITY				
Appropriated working capital	2,000,000	7	2,000,000	12
Retained earnings				
Unappropriated earnings	302,423	1	259,608	2
Unrealized gain on financial instruments	(155,820)	-	6,111	-
Total stockholder's equity	2,146,603	8	2,265,719	14
TOTAL	$ 27,731,608	100	$ 15,965,645	100

(Concluded)

TABLE 7
(Continued)

CHANG HWA COMMERCIAL BANK, LTD.

SECURITIES DEPARTMENT
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010		2009	
	Amount	%	Amount	%
REVENUES AND GAINS				
Brokerage handling fee revenue	$ 93,750	18	$ 92,194	23
Revenue from underwriting business	14,407	3	9,194	2
Gain on sale of securities held for operations	139,417	28	94,100	24
Interest income	256,808	51	200,691	51
Other commission on futures	416	-	341	-
Nonoperating income	816	-	533	-
Total revenues and gains	505,614	100	397,053	100
EXPENSES AND LOSSES				
Brokerage handling fee	5,668	1	4,820	1
Dealing handling fee	524	-	458	-
Interest expense	8,341	2	11,275	3
Loss on valuation of securities held for operations	2,300	-	20,061	5
Operating expenses	66,568	13	79,337	20
Nonoperating expenses	85,265	17	8,220	2
Total expenses and losses	168,666	33	124,171	31
INCOME BEFORE INCOME TAX OF CONTINUED OPERATIONS	336,948	67	272,882	69
INCOME TAX EXPENSE	(34,525)	(7)	(13,274)	(4)
NET INCOME	$ 302,423	60	$ 259,608	65

VI. Financial Status

TABLE 8

TAISHIN BILLS FINANCE CO., LTD.

SECURITIES DEPARTMENT

BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010		2009	
ASSETS	Amount	%	Amount	%
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS -CURRENT	$ 2,693,846	35	$ 2,420,725	23
BONDS PURCHASED UNDER RESELL AGREEMENTS	-	-	616,461	6
ACCOUNTS RECEIVABLE, NET	74,962	1	102,316	1
AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT	219,302	3	1,487,128	14
AVAILABLE-FOR-SALE FINANCIAL ASSETS - NONCURRENT	4,712,150	61	5,986,348	56
PROPERTY AND EQUIPMENT				
Property and equipment cost				
Equipment	900	-	900	-
Leasehold improvement	66	-	122	-
Total property and equipment cost	966	-	1,022	-
Accumulated depreciation	(900)	-	(900)	-
Property and equipment, net	66	-	122	-
OTHER ASSETS				
Refundable deposits	32,300	-	32,300	-
Other miscellaneous assets	764	-	411	-
Total other assets	33,064	-	32,711	-
TOTAL	$ 7,733,390	100	$ 10,645,811	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2010 Amount	2010 %	2009 Amount	2009 %
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	$ 353,387	5	$ 1,078,472	10
BONDS SOLD UNDER REPURCHASE AGREEMENTS	4,955,918	64	7,807,789	73
PAYABLES	3,064	-	10,296	-
OTHER LIABILITIES				
Reserve for trading loss	48,568	1	34,488	-
Other liabilities	1,423,196	18	585,796	6
Total other liabilities	1,471,764	19	620,284	6
Total liabilities	6,784,133	88	9,516,841	89
STOCKHOLDER'S EQUITY				
Appropriated working capital	660,000	8	660,000	6
Unappropriated earnings	245,641	3	353,079	4
Unrealized gain on financial instruments	43,616	1	115,891	1
Total stockholder's equity	949,257	12	1,128,970	11
TOTAL	$ 7,733,390	100	$ 10,645,811	100

TABLE 9

TAISHIN BILLS FINANCE CO., LTD.

SECURITIES DEPARTMENT
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010		2009	
	Amount	%	Amount	%
REVENUES AND GAINS				
Gain on sale of securities held for operations - dealing	$ 140,792	46	$ 87,126	13
Gain on trading derivative instruments - futures	41,625	14	-	-
Interest income	111,698	36	175,135	27
Gain on valuation of securities held for operations - dealing	13,445	4	391,138	60
Other handling fee	50	-	-	-
Nonoperating income	34	-	-	-
Total revenues and gains	307,644	100	653,399	100
EXPENSES AND LOSSES				
Interest expense	(20,747)	(7)	(20,179)	(3)
Operating expenses	(35,869)	(11)	(26,207)	(4)
Loss on trading derivative instruments - GTSM	-	-	(251,455)	(39)
Other handling expense	(3,011)	(1)	(2,261)	-
Nonoperating expenses	(2,376)	(1)	-	-
Total expenses and losses	(62,003)	(20)	(48,647)	(46)
NET INCOME	$ 245,641	80	$ 353,297	54

TABLE 10

INVESTMENTS IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2010

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1.

Investee	Main Businesses and Products	Total Amount of Paid-in Capital (US$ in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2010 (US$ in Thousand)	Investment Flows (US$ in Thousand)		Accumulated Outflow of Investment from Taiwan as of December 31, 2010 (US$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses)	Carrying Value as of December 31, 2010	Accumulated Inward Remittance of Earnings as of December 31, 2010
					Outflow	Inflow					
Chang Hwa Commercial Bank, Ltd. Kunshan Branch	Banking	$2,202,168 (US$74,650)	Note 1.e.	$-	$2,202,168 (US$74,650)	$-	$2,202,168 (US$74,650)	-	$-	$-	$-

Accumulated Investment in Mainland China as of December 31, 2010 (US$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousand)	Upper Limit on Investment (US$ in Thousand) (Note 2)
US$74,650	US$74,650	$12,152,593

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.

TABLE 11

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND MATERIAL TRANSACTIONS IN CONSOLIDATION

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

Number (Note a)	Party	Counterparty	Relationship (Note b)	Transactions	
				Account	
	December 31, 2010				
3	Taishin Bills Finance	Taishin Bank	3	Financial assets at FVTPL	
		Taishin Bank	3	Cash and cash equivalents	
1	Taishin Bank	Taishin Bills Finance	3	Deposits	
		Taishin AMC	3	Deposits	
4	Taishin AMC	Taishin Bank	3	Cash and cash equivalents	
0	Taishin Financial Holding	Taishin Bank	1	Bonds and securities purchased under resell agreements	
1	Taishin Bank	Taishin Financial Holding	2	Bonds and securities purchased under repurchase agreements	
0	Taishin Financial Holding	Taishin Bank	1	Cash and cash equivalents	
1	Taishin Bank	Taishin Financial Holding	2	Deposits	
		Taishin Securities B	3	Deposits	
2	Taishin Securities B	Taishin Bank	3	Cash and cash equivalents	
		Taishin Bank	3	Refundable deposits	
		Taishin Bank	3	Operating deposits	
0	Taishin Financial Holding	Taishin Bank	1	Receivables, net	
1	Taishin Bank	Taishin Financial Holding	2	Payables	
0	Taishin Financial Holding	Taishin Bills Finance	1	Payables	
3	Taishin Bills Finance	Taishin Financial Holding	2	Receivables, net	
1	Taishin Bank	Taishin Investment Advisory	3	Deposits	
5	Taishin Investment Advisory	Taishin Bank	3	Cash and cash equivalents	
		Taishin Bank	3	Refundable deposits	
2	Taishin Securities B	Taishin Bills Finance	3	Cash and cash equivalents	
3	Taishin Bills Finance	Taishin Securities B	3	Bonds and securities purchased under repurchase agreements	
	December 31, 2009				
1	Taishin Bank	Taishin Bills finance	3	Financial assets at FVTPL	
3	Taishin Bills Finance	Taishin Bank	3	Financial liabilities at FVTPL	
1	Taishin Bank	Taishin Bills Finance	3	Call loans to banks	
3	Taishin Bills Finance	Taishin Bank	3	Call loans from banks	
1	Taishin Bank	Taishin AMC	3	Deposits	
4	Taishin AMC	Taishin Bank	3	Cash and cash equivalents	
0	Taishin Financial Holding	Taishin Bank	1	Bonds and securities sold under resell agreements	
1	Taishin Bank	Taishin Financial Holding	2	Bonds and securities sold under repurchase agreements	
0	Taishin Financial Holding	Taishin Bank	1	Cash and cash equivalents	
1	Taishin Bank	Taishin Financial Holding	2	Deposits	

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.

Transactions		
Amount	Terms	% of Consolidated Operating Revenues or Consolidated Total Assets (Note c)
$ 500,000	Under arm' s length terms	0.02%
23,343	Under arm' s length terms	0.00%
523,343	Under arm' s length terms	0.02%
125,651	Under arm' s length terms	0.01%
125,651	Under arm' s length terms	0.01%
1,877,201	Under arm' s length terms	0.08%
1,877,201	Under arm' s length terms	0.08%
19,875,925	Under arm' s length terms	0.80%
19,875,925	Under arm' s length terms	0.80%
180,859	Under arm' s length terms	0.01%
2,387	Under arm' s length terms	0.00%
3,472	Under arm' s length terms	0.00%
175,000	Under arm' s length terms	0.01%
546,304	Under arm' s length terms	0.02%
546,304	Under arm' s length terms	0.02%
172,787	Under arm' s length terms	0.01%
172,787	Under arm' s length terms	0.01%
139,251	Under arm' s length terms	0.01%
59,251	Under arm' s length terms	0.00%
80,000	Under arm' s length terms	0.00%
$ 176,820	Under arm' s length terms	0.01%
176,820	Under arm' s length terms	0.01%
111,508	Under arm' s length terms	0.00%
111,508	Under arm' s length terms	0.00%
1,000,000	Under arm' s length terms	0.04%
1,000,000	Under arm' s length terms	0.04%
126,822	Under arm' s length terms	0.01%
126,822	Under arm' s length terms	0.01%
2,795,303	Under arm' s length terms	0.12%
2,795,303	Under arm' s length terms	0.12%
22,557,438	Under arm' s length terms	0.95%
22,557,438	Under arm' s length terms	0.95%

VI. Financial Status

SCHEDULE 1

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars)

Financial Instrument Item	Summary	Face Value/Unit	Cost	Fair Value
Investment in bills	Commercial Paper	$ 20,320,400	$ 20,301,382	$ 20,299,692
	Negotiable certificate of deposits - banks	1,871,300	1,871,285	1,872,967
	Negotiable certificate of deposits - central banks	1,000,000	1,000,000	1,000,088
	Asset Based Commercial Paper	991,500	990,241	990,081
	Treasury Bills	300,000	299,177	299,129
		24,483,200	24,462,085	24,461,957
Mutual funds	Pimco Total Return Bond Fund	13,605	88,500	92,473
	Shin Kong Chi-Shin Money-Market Fund	5,527	71,984	82,130
	Capital Asia-Pacific Mega-Trend Balance Fund	3,282	44,985	48,509
	Paradigm Global High Yield Bond	2,732	28,021	30,105
	FSITC Global High Yield Bond	2,447	27,501	29,332
	Taishin Global ETFS Fund	2,127	20,000	23,298
	Taishin Equity Fund	2,325	23,322	21,411
	Taishin China Selected Small and Mid Cap Fund	2,000	20,000	21,380
	Allianz Global Investors All Seasons Return Fund of Bond Funds	1,650	20,020	20,170
	Polaris De Li Fund	1,280	20,000	20,026
	Others	16,166	171,320	183,484
		53,141	535,653	572,318
Domestic listed stocks	Kung Long Batteries Industrial	24,700	76,999	75,790
	Fubon Financial Holding Corp.	59,916	42,651	45,220
	Yuanta Financial Holding Corp.	15,000	28,772	32,700
	USI Corp.	14,430	32,169	32,412
	Taiwan Semiconductor Manufacturing Corp.	13,500	31,837	31,950
	Polaris Securities Investment Trust	14,000	27,635	27,258
	Media Tek Inc.	2,340	25,353	25,050
	King Yuan Electronics	53,200	20,659	20,860
	China General Plastic Corp.	21,000	19,852	19,725
	Unizyx Holding Corp.	42,600	18,294	17,760
	Others	516,577	398,886	400,430
		777,263	723,107	729,155
Domestic OTC stocks	ENG Electronic Corp.	27,000	215,816	252,450
	Microbio Corp.	13,650	38,220	64,428
	ACME Electronic Corp.	4,750	25,017	30,875
	Yung Zip Chemical Ind Corp.	1,950	11,771	11,400
	Highlight Tech Corp.	12,240	11,259	10,872

(Continued)

Financial Instrument Item	Summary	Face Value/Unit	Cost	Fair Value
	Firich Enterprises Co., Ltd.	2,700	9,550	8,910
	Capella Microsystems, Inc.	440	7,122	6,880
	Kung Sing Engineering Corp.	7,500	6,339	6,325
	Ablerex Electronics Corp.	204	4,530	4,267
	Leatec Fine Ceramics	1,600	2,344	2,290
	Others	920	3,604	3,672
		72,954	335,572	402,369
Government bonds	Treasury Bond 99-8	$ 1,400,000	$ 1,351,800	$ 1,348,194
	Treasury Bond 99-6	750,000	783,776	782,253
	Us Treasury Note	641,344	640,837	634,844
	Treasury Bond 96-3	450,000	472,449	467,998
	Treasury Bond 99-7	450,000	449,815	430,310
	Treasury Bond 95-3	150,000	156,622	154,261
	Treasury Bond 99-5	100,000	100,072	99,370
	Treasury Bond 95-2	100,000	103,575	98,638
	Other Domestic Bonds	55,200	54,294	54,170
	Transportation Construction 85-B2	20,300	25,807	20,593
	Others	9,800	12,359	9,308
		4,126,644	4,151,406	4,099,939
Public business corporate bonds	95 Nanya Technology 1	68,000	67,846	68,246
Convertible bonds	Hon Hai Precision Ind. Corp.	874,560	874,560	914,656
	United Microelectronics Corp.	542,227	542,227	640,179
	Acer Sertek Inc.	437,280	437,280	492,899
	AU Optronics Corp.	349,824	351,092	363,632
	Asia Cement Corp.	291,520	291,520	340,951
	LG Electronics	288,605	288,605	323,930
	Synnex 1	200,000	200,000	286,000
	Epistar 3	174,900	179,926	198,015
	I-Chiun 4	189,600	190,703	188,641
	Catcher Technology 1	125,700	126,931	140,656
	Others	1,739,400	1,857,240	2,002,737
		5,213,616	5,340,084	5,892,296
Trading securities - dealing	Domestic convertible bonds			
	Chainqui 2	78,600	86,669	94,910
	Taiwan Chinsan Electronic 2	77,800	82,217	85,891
	Tung Ho Steel 5	43,700	46,812	50,670
	C Sun MFG 1	23,400	31,824	46,800
	Chang Wah 3	39,500	42,439	44,042
	Elite 3	30,100	33,138	36,120
	HannStar Board 1	28,500	28,899	28,928

(Continued)

VI. Financial Status

Financial Instrument Item	Summary	Face Value/Unit	Cost	Fair Value
	USI Far East 3	16,600	21,580	21,040
	Shih Wei 3	17,400	18,518	18,444
	I-Chiun 4	16,500	16,929	16,418
	Others	182,500	53,745	54,250
		554,600	462,770	497,513
Trading securities - underwriting	Convertible bonds			
	Pan Jit 5	51,500	51,500	65,920
	Elite 3	40,000	40,000	48,000
	Jung Shing 2	38,900	38,900	47,458
	Emerging Display Technologies	26,400	26,400	29,700
	Glotech Industrial 3	21,300	21,300	23,856
	Yensun 3	14,500	14,500	16,936
	Sinbon 3	12,000	12,000	13,020
	Yensun 2	9,900	9,900	11,880
	HannStar Board 1	11,500	11,500	11,673
	Chang Wah 3	2,000	2,000	2,230
	Others	2,000	2,000	2,027
		230,000	230,000	272,700
	Domestic listed stocks			
	China Glaze	1,950	4,095	4,095
Financial debentures	Bank of America Corporation	$ 145,172	$ 142,778	$ 142,008
	Merrill Lynch Group	137,014	135,146	135,344
	95 EnTei 1	100,000	100,000	100,031
	SB Capital (Sber Bank)	88,500	88,500	91,592
	General Elec Cap Corp	87,456	84,071	85,428
	Royal Bank of Scotland	81,155	81,362	81,580
	Citigroup Inc.	58,304	57,828	58,268
	Industrial Bank of Korea	58,304	57,925	57,996
	HSBC Finance Corporation	29,152	28,518	28,694
		785,057	776,128	780,941
	Interest rate swaps	-	-	7,447,829
	Currency swaps	-	-	3,384,348
	Cross-currency swaps	-	-	2,055,506
	Convertible bond assets swaps	-	-	1,740,424
	Forward exchange contracts	-	-	1,919,333
	Currency options	-	-	897,251
	Equity-linked options	-	-	370,826
	Futures	-	-	286,960
	Purchased options	-	-	41,737
	Equity-linked swaps	-	-	26,897
	Interest rate options	-	-	19,260
	Credit default swaps	-	-	15,837
	Commodity options	-	-	2,819
	Others	-	-	59,512
		-	-	18,268,539
Designated as financial assets at fair value through profit or loss fair value through	Interest-rate combination instruments	-	1,604,979	1,600,638
		$ 36,366,425	$ 38,693,725	$ 57,650,706

(Concluded)

SCHEDULE 2

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BONDS AND SECURITIES PURCHASED UNDER RESELL AGREEMENTS

DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars)

Item	Face Value	Amount
Commercial paper		
Issued by - Dragon Steel Corp.	$ 600,000	$ 599,879
Issued by - Hon Hai Precision IND. Co., Ltd.	300,000	299,852
Issued by - Grand Cathay Securities Corp.	250,000	249,976
Issued by - Hsin Yan Construction Co., Ltd.	241,000	240,907
Issued by - E. Sun Bank	200,000	200,142
Issued by - Chung Hsin Electric & Machinery Mfg. Corp. Ltd.	200,000	199,935
Issued by - I-Sheng Electronic Wire & Cable Co., Ltd.	200,000	199,907
Issued by - Capital Securities Corp.	150,000	149,986
Issued by - SinoPac Securities	150,000	149,981
Issued by - Dung Jia Construction	110,000	109,965
Others	540,000	539,491
	2,941,000	2,940,021
Government bonds		
Treasury bond 92-7	777,300	863,638
Treasury bond 92-4	279,700	310,757
Treasury bond 96-5	247,000	274,431
Treasury bond 93-8	196,100	217,868
Treasury bond 96-3	129,500	143,882
Taipei municipal bond 90-1	122,400	136,000
Treasury bond 91-8	119,200	132,432
Treasury bond 92-10	94,000	104,436
Treasury bond 94-4	90,000	99,992
Treasury bond 99-6	50,000	52,533
Treasury bond 90-1	47,000	52,220
	2,152,200	2,388,189
	$ 5,093,200	$ 5,328,210

SCHEDULE 3

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

AVAILABLE-FOR-SALE FINANCIAL ASSETS

DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars)

Item	Summary	Face Value	Amount
Investment in bills	Negotiable certificates of deposit - Central Bank	$ 138,900,000	$ 138,900,000
Listed stocks	MasterLink Securities Corp.	600,475	665,710
	Mediatek Inc.	6,911	334,776
	Chinatrust Financial Holding Co., Ltd.	204,558	230,625
	Chunghwa Telecom Co., Ltd.	28,000	147,410
	Yuanta Financial Holding Co., Ltd.	75,000	94,082
	Siliconware Precision Industries Co., Ltd.	25,750	104,944
	Lite-on Technology Corp.	18,750	80,568
	TSMC	13,000	70,823
	Shin Kong Financial Holding	77,010	78,461
	Young Fast Optoelectronic	2,210	83,184
	Others	197,425	940,207
		1,249,089	2,830,790
OTC stocks	Forcecon Tech. Co., Ltd.	2,750	21,481
	Soft-World International Corp.	1,200	17,579
	Chipbond Technology Corp.	3,000	15,595
	AVY Precision Technology Inc.	1,000	14,380
	Centerlab	1,250	6,575
		9,200	75,610
Government bonds	Treasury Bond 99-6	7,300,000	7,638,790
	Treasury Bond 96-3	4,000,000	4,181,332
	Treasury Bond 99-1	3,200,000	3,199,870
	Treasury Bond 99-8	3,250,000	3,202,902
	US Treasury N/B	2,157,248	2,141,809
	Treasury Bond 97-1	1,750,000	1,771,119
	Treasury Bond 95-3	1,700,000	1,767,104
	Treasury Bond 96-B1	1,500,000	1,497,000
	Treasury Bond 94-7	1,500,000	1,546,863
	Treasury Bond 97-4	1,400,000	1,435,458
	Others	15,574,555	15,423,777
		43,331,803	43,806,024

(Continued)

Accumulated Impairment	Adjustment	Fair Value	Note
$ -	$ 10,330	$ 138,910,330	
-	145,006	810,716	
-	(46,262)	288,514	
-	26,877	257,502	
-	790	148,200	
-	14,918	109,000	
-	(14,819)	90,125	
-	(5,381)	75,187	
-	177	71,000	
-	(11,078)	67,383	
-	(21,636)	61,548	
-	30,725	970,932	
-	119,317	2,950,107	
-	(1,599)	19,882	
-	(839)	16,740	
-	(325)	15,270	
-	(1,380)	13,000	
-	(1,312)	5,263	
-	(5,455)	70,155	
-	(23,967)	7,614,823	
-	(21,452)	4,159,880	
-	(18,705)	3,181,165	
-	(72,608)	3,130,294	
-	3,100	2,144,909	
-	38,521	1,809,640	
-	(18,856)	1,748,248	
-	54,037	1,551,037	
-	(11,083)	1,535,780	
-	3,530	1,438,988	
-	93,206	15,517,969	
-	25,723	43,832,733	

VI. Financial Status

Item	Summary	Face Value	Amount
Corporate bonds	99 Fubon Financial Holding 2A	$ 1,400,000	$ 1,399,496
	CITIGROUP Inc.	552,240	552,240
	99 Asia Cement Corp. 1	500,000	499,133
	99 Taipower 6A	500,000	499,669
	Export-Import BK Korea	433,650	433,650
	97 China Development Financial Holding 1A	400,000	400,000
	97 Nanya 2	400,000	405,640
	98 Nanya 3	400,000	399,495
	97 MEGA 1C	300,000	300,000
	97 Hon Hai Precision 1	300,000	299,851
	Others	6,590,005	6,639,953
		11,775,895	11,829,127
Financial debentures	Morgan Stanley	1,540,234	1,525,061
	Goldman Sachs Group Inc.	1,331,685	1,321,743
	Jpmorgan Chase Bank	1,160,530	1,152,631
	98 Central American Bond 2	1,000,000	1,000,000
	Commonwealth Bank of Australia	784,027	784,027
	Merrill Lynch & Co	721,833	725,631
	KFW	670,496	673,820
	Wells Fargo NA	638,070	635,596
	Bank of America Corporation	584,282	579,820
	CITIGROUP Inc.	484,087	482,653
	Others	6,952,886	6,950,576
		15,868,130	15,831,558
Beneficiary securities	Fnma Mbs Pool	2,060,692	2,096,609
	Fannie Mae	1,452,445	1,452,008
	Freddie Mac	1,426,655	1,426,570
	Government National Mortgage Association	1,253,846	1,266,639
	Freddie Mac	694,970	712,691
	Gnma Mbs Pool	497,995	509,508
	961Chailease 1	27,808	27,749
		7,414,411	7,491,774
Mutual funds	JPM US Aggregate Bond Fund	43,728	437,280
	EMD Global Emerging Markets Fund	43,728	437,280
	Hua Nan Small Mid Cap Fund	20,000	100,000
	Taishin Money Market Mutual Fund	5,000	50,000
	Fun Hwa Creater China Mid and Small Cap Fund	4,200	20,000
		116,656	1,044,560
		$ 218,665,184	$ 221,809,443

(Concluded)

Accumulated Impairment	Adjustment	Fair Value	Note
$ -	$ 13,738	$ 1,413,234	
-	(1,107)	551,133	
-	5,080	504,213	
-	(5,675)	493,994	
-	(52)	433,598	
-	14,248	414,248	
-	6,549	412,189	
-	3,862	403,357	
-	9,454	309,454	
-	4,475	304,326	
(474,986)	19,386	6,184,353	
(474,986)	69,958	11,424,099	
-	6,185	1,531,246	
-	5,266	1,327,009	
-	(223)	1,152,408	
-	20,252	1,020,252	
-	1,304	785,331	
-	(7,951)	717,680	
-	8,262	682,082	
-	6,373	641,969	
-	8,805	588,625	
-	(68)	482,585	
-	(62,629)	6,887,947	
-	(14,424)	15,817,134	
-	(6,297)	2,090,312	
-	(30,267)	1,421,741	
-	(20,604)	1,405,966	
-	(5,904)	1,260,735	
-	(275)	712,416	
-	(2,366)	507,142	
-	269	28,018	
-	(65,444)	7,426,330	
-	33,505	470,785	
-	5,046	442,326	
-	-	100,000	
-	226	50,226	
-	40	20,040	
-	38,817	1,083,377	
$ (474,986)	$ 178,822	$ 221,514,265	

SCHEDULE 4

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

HELD-TO-MATURITY FINANCIAL ASSETS

DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars)

Item	Summary	Face Value	Interest Rate (%)	Unamortized Premium (Discount)	Book Value	Note
Investment in bills	Negotiable certificates of deposit - Central Bank	$ 182,300,000	0.69-0.83	$ -	$ 182,300,000	
	Dah Sing Bank	273,462	0.57	-	273,462	
		182,573,462		-	182,573,462	
Government bonds	Korean National Housing Corp.	291,520	0.53	77	291,597	
		59,000	3M Libor+0.25%	(16)	58,984	
	Singapore T-Bill	205,846	-	(30)	205,816	
	Korea Water Resources	194,152	0.56	73	194,225	
	Hong Kong Mortgage Corp. (HKMTGC)	130,871	3.78	(107)	130,764	
		27,346	4.26	22	27,368	
		908,735		19	908,754	
Corporate bonds	97 CSC 2A	1,000,000	2.08	14,882	1,014,882	
	98 CPC 1A	700,000	1.20	(2,101)	697,899	
	97 CSC 1	500,000	2.42	11,723	511,723	
	97 Taipower 1A	450,000	2.60	11,572	461,572	
	98 Taipower 2A	300,000	0.97	-	300,000	
	Dib Sukuk Llc Cayman Island Inc.	147,500	3M Libor+0.33%	(18)	147,482	
	Cargill Inc.	147,500	3M Libor+1.25%	(115)	147,385	
	95 Yang Ming 1A	102,000	2.09	(264)	101,736	
	98 Solar Tech 1	50,000	2.00	(29)	49,971	
		3,397,000		35,650	3,432,650	
Financial debentures	Commonwealth Bank Australia	1,111,040	3M BBSW+0.8%	(18)	1,111,022	
	98 Central American Bank 1	550,000	2.60	-	550,000	

(Continued)

Item	Summary	Face Value	Interest Rate (%)	Unamortized Premium (Discount)	Book Value	Note
	Wachovia Corp.	557,550	3M Libor+0.15%	(10,446)	547,104	
	Wells Fargo Company	501,500	3M Libor+0.09%	(4,576)	496,924	
	Wells Fargo NA	437,280	3.75	(292)	436,988	
	Lloyds TSB Bank Plc.	409,959	3M Libor+1.2%	(263)	409,696	
	Bank of America Corporation	291,520	7.38	17,750	309,270	
		145,760	5.38	5,030	150,790	
	Hwa Nan Bank 67P1	300,000	-	(1,670)	298,330	
	Royal Bank of Scotland	291,520	4.88	3,232	294,752	
	National Bank of Dubai	295,000	3M Libor+0.27%	(2,622)	292,378	
	Others	4,921,918		(14,572)	4,907,346	
		9,813,047		(8,447)	9,804,600	
Beneficiary securities	942 E. SUN A2	17,942	1.70	(351)	17,591	
		$ 196,710,186		$ 26,871	$ 196,737,057	

(Concluded)

SCHEDULE 5

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CHANGES IN INVESTMENTS UNDER EQUITY METHOD

YEAR ENDED DECEMBER 31, 2010

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

	Beginning Balance		Increase	
Name	Shares	Amounts	Shares	Amounts
Non-listed corporate				
Dah An Leasing	19,800,000	$ 162,252	-	$ 2,407
PayEasy Travel	1,300,000	16,119	-	1,459
An-Hsin Real-Estate	3,024,000	45,819	276,000	18,178
Contect Digital Integration	480,000	1,274	-	-
Shin Jui AMC	100,000	(17)	-	1,836
		225,447		23,880
Add: Ending balance is listed under other liabilities	-	17		8,387
		$ 225,464		$ 32,267

Decrease		Ending Balance			Market Price or Equity	
Shares	Amounts	Shares	Ownership Interest (%)	Amounts	Unit Price	Total
-	$ -	19,800,000	99.00	$164,659	$8.32	$164,659
-	(2,471)	1,300,000	100.00	15,107	11.62	15,107
-	(4,657)	3,300,000	30.00	59,340	17.98	59,340
-	(9,661)	480,000	65.75	(8,387)	(17.47)	(8,387)
-	-	100,000	100.00	1,819	18.19	1,819
	(16,789)			232,538		232,538
	(17)	-		8,387		8,387
	$ (16,806)	-		$ 240,925		$ 240,925

SCHEDULE 6

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCIAL ASSETS CARRIED AT COST

DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars)

Items	Amount
Financial assets carried at cost	
Taiwan Asset Management Corp.	$ 2,100,000
Taiwan Power Co., Ltd.	1,872,923
Dah Chung Bills	913,641
VISA Inc.	777,033
CDIB & Partners Investment Holding Corp.	500,000
Chung Yang Venture Capital Co., Ltd.	176,000
Asia Pacific Telecom Co., Ltd.	150,000
Pacific Securities Co., Ltd.	112,030
Others	2,711,735
	$ 9,313,362

SCHEDULE 7

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CHANGES IN PROPERTY AND EQUIPMENT

YEAR ENDED DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Increase	Decrease	Reclassification	Ending Balance
Land	$ 27,794,896	$ -	$(720)	$(157)	$27,794,019
Buildings	16,682,347	107,666	-	(70,964)	16,719,049
Machinery equipment	8,997,885	442,180	(422,414)	76,769	9,094,420
Transportation equipment	936,185	28,883	(50,815)	2,938	917,191
Miscellaneous equipment	2,121,632	83,450	(69,595)	12,233	2,147,720
Leasehold equipment	1,762,378	146,161	(718,065)	8,732	1,199,206
Unfinished construction	447	19,012	-	(447)	19,012
Prepayment for buildings and equipment	34,076	106,451	-	(84,126)	56,401
	$ 58,329,846	$ 933,803	$ (1,261,609)	$ (55,022)	$ 57,947,018

SCHEDULE 8

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CHANGES IN ACCUMULATED DEPRECIATION

YEAR ENDED DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Increase	Decrease	Reclassification	Ending Balance
Buildings	$ 4,849,026	$ 474,431	$ -	$ (21,343)	$ 5,302,114
Machinery equipment	6,546,747	1,030,913	(416,992)	10,654	7,171,322
Transportation equipment	772,898	44,336	(49,465)	1,910	769,679
Miscellaneous equipment	1,816,735	97,917	(69,381)	6,536	1,851,807
Leasehold equipment	1,492,451	107,838	(716,546)	5,840	889,583
	$ 15,477,857	$ 1,755,435	$ (1,252,384)	$ 3,597	$ 15,984,505

SCHEDULE 9

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BONDS AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars)

Item	Face Value	Amount
Commercial paper		
Issued by - CPC Corp.	$ 1,450,000	$ 1,447,944
Issued by - SinoPac Leasing Co.	640,000	631,518
Issued by - Taiwan Mobile	500,000	499,856
Issued by - U-Ming Marine Transport Corp.	500,000	499,150
Issued by - Hung Sheng Construction Co., Ltd.	370,000	369,730
Issued by - Liau Jiu National Investment Co.	355,000	354,544
Issued by - Chimei Innolux Corporation	350,000	349,600
Issued by - Taipower	350,000	349,566
Issued by - Land Bank	290,000	289,632
Issued by - KGI Securities Corp.	250,000	249,882
Others	12,008,700	11,620,055
	17,063,700	16,661,477
Negotiable certificates of deposits		
Issued by - Standard Chartered	900,000	901,027
Issued by - Yuanta Bank	600,000	601,545
Issued by - Taishin Bank	500,000	501,751
Issued by - TC Bank	200,000	200,481
Issued by - EnTie Bank	150,000	150,204
Others	12,700	12,700
	2,362,700	2,367,708
Government bonds		
Treasury Bank 96-3	2,426,100	2,735,808
Treasury Bank 97-4	1,350,000	1,440,454
Treasury Bank 92-10	1,285,000	1,399,840
Treasury Bank 98-1	1,186,000	1,248,186
Treasury Bank 97-1	1,006,400	1,063,165
Treasury Bank 91-4	702,200	822,431
Treasury Bank 96 B1	708,200	744,488
Treasury Bank 92-4	647,900	717,327
97 Kaohsiung City Bond 2	600,000	601,044
99 Kaohsiung City Bond 2	500,000	502,592
Others	2,107,400	2,263,736
	12,519,200	13,539,071
Financial debentures		
US TRY 1.25 31 OCT 2015	641,344	618,969
FHR 3200 AD	457,037	432,324
US TRY 0.5 30 NOV 2012	437,280	431,722
WFC 3.75 10/01/14	437,280	415,197
JPM Float 05/11	437,280	371,711
FNR 2006-61 LA	333,692	349,241

(Continued)

VI. Financial Status

Item	Face Value	Amount
BAC 7 3/8 05/15/14	$ 291,520	$ 291,753
MS Float 01/18/11	320,672	274,305
FANNIE MAE 2.5 25 OCT 2040	291,520	270,277
FANNIE MAE 3 DUE 25 OCT 2025	291,520	263,802
Others	3,788,751	3,575,746
	7,727,896	7,295,047
Corporate bonds		
97 China Development Financial Holding 1A	300,000	301,338
TEMASE 4.5 09/15	233,216	217,041
97 Formosa Plastic Corp. 2	200,000	200,376
96 China Development Financial Holding 1	200,000	200,048
97 Nanya 2	200,000	200,016
96 THSRC 1A	199,000	199,125
SPOWER5 10/22/13	209,311	194,597
95 Yuan Ting3	150,000	150,000
96 Nanya Technology 1	134,000	142,010
HKMTGC 3.5 08/14	145,760	130,667
Others	636,000	643,172
	2,607,287	2,578,390
Mutual funds		
PRLM CS-3368 AH	381,253	348,983
FHR 3469 PC	291,520	280,442
FHR 3634 GE	240,391	223,435
FNR 2010-32 P	70,725	218,297
GNR 2009-20 AB	177,304	170,573
FNR 2008-55 DH	137,770	131,073
GNR 2010-10 KC	136,473	123,534
GNR 2009-66 AG	116,742	120,398
GNR 2009-10 AB	73,161	71,458
GNR 2003-34 PC	67,584	64,578
	1,692,923	1,752,771
	$ 43,973,706	$ 44,194,464

(Concluded)

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, 2010

(In Thousands of New Taiwan Dollars)

Item	Amount
Gain (loss) on disposal	
Stocks and funds	$ 76,296
Bills	3,459
Bonds	171,338
Asset based securities	13,618
Derivative financial instruments	1,481,917
Others	6
	1,746,634
Unrealized gain (loss)	
Stocks and funds	11,307
Bills	13,633
Bonds	119,173
Asset based securities	19,609
Derivative financial instruments	(2,738,419)
	(2,574,697)
Bonus	27,130
	$ (800,933)

SCHEDULE 11

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF FOREIGN EXCHANGE GAIN (LOSS)

YEAR ENDED DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars)

Item	Amount
Spot	$ 22,221,622
Forward	(20,657,478)
Margin	(132,801)
Self owned capital	(58,710)
Others	2,127,988
	$ 3,500,621

SCHEDULE 12

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF NET INCOME (LOSS) EXCLUDING INTEREST

YEAR ENDED DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars)

Item	Amount
Revenue excluding interest	
Realized gains through disposal of investments carried at cost	$ 371,165
Gain on hedge derivatives	69,930
Loans management revenue	138,458
Dividend revenue	119,512
Collection of bad debt and overdue amount	9,653,289
Gain on sales of NPL	1,445,856
Dealing and consignment revenue	2,911,092
Leasing revenue	274,854
Gain on property transactions	133,490
Other revenue	1,206,370
	16,324,016
Expense excluding interest	
Loss on hedge derivatives	(19,208)
Dealing and consignment costs	(1,986,389)
Lease payments	(46,069)
Other expenses	(326,036)
	(2,377,702)
	$ 13,946,314

SCHEDULE 13

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars)

Item	Amount
Salaries	$ 15,520,560
Leases	1,348,949
Stationeries	130,745
Postage and remittance fee	727,208
Advertisement fee	816,328
Insurance	847,511
Tax and levies	1,526,153
Depreciation	1,774,259
Amortization	370,824
Allowance for entertainment	155,908
Donation	187,624
Labor service fee	1,151,446
Freight	240,059
Others	2,432,188
	$ 27,229,762

VII

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	2009	2010	Change	
			Value	%
Cash and cash equivalent	22,557,438	19,875,925	(2,681,513)	(11.89)
Financial assets from changes in fair value included in income statement	4,582	0	(4,582)	(100.00)
Financial assets ready for sale	0	0	0	-
Accounts receivable	3,690,557	3,420,947	(269,610)	(7.31)
Financial assets held until maturity	0	0	0	-
Equity investments on equity method	100,563,220	112,838,085	12,274,865	12.21
Fixed assets	4,278	1,693	(2,585)	(60.43)
Intangible assets	0	0	0	-
Other financial assets	9,686,603	4,245,581	(5,441,022)	(56.17)
Other assets	712,563	667,907	(44,656)	(6.27)
Total assets	137,219,241	141,050,138	3,830,897	2.79
Financial liabilities from changes in fair value included in income statement	598,178	893,564	295,386	49.38
Accounts payable	2,939,734	3,115,797	176,063	5.99
Corporate bonds payable	40,105,826	37,808,989	(2,296,837)	(5.73)
Preferred-share liabilities	0	0	0	-
Other financial liabilities	0	0	0	-
Other liabilities	26,539	27,509	970	3.65
Total liabilities	43,670,277	41,845,859	(1,824,418)	(4.18)
Equity capital	65,151,162	71,009,688	5,858,526	8.99
Capital surplus	19,076,045	19,102,143	26,098	0.14
Retained earnings	9,074,633	8,981,537	(93,096)	(1.03)
Other items of shareholders' equity	247,124	110,911	(136,213)	(55.12)
Total value of shareholders' equity	93,548,964	99,204,279	5,655,315	6.05

Explanation for changes and variations:

(1) Financial assets covering loss/profit from change in fair value on Dec. 31, 2010 decreased from the amount on Dec. 31, 2009, due mainly to maturity of the interest rate-swap contract undertaken by the company.

(2) Fixed assets on Dec. 31, 2010 decreased from the amount on Dec. 31, 2009, mainly due to depreciation and amortization of fixed assets.

(3) Financial assets on Dec. 31, 2010 decreased from Dec. 31, 2009, due to the maturity of repo bonds undertaken by the company.

(4) Financial liabilities covering loss/profit from change in fair value on Dec. 31, 2010 decreased from the amount on Dec. 31, 2009, due to increased fair value of derivatives embedded in convertible bonds issued by the company.

(5) Other items of sharholders' equity on Dec. 31, 2010 decreased from the amount on Dec. 31, 2009, due to decrease in the unrealized benefits of financial assets ready for sales of the invested companies according to the calculation of equity method.

B. Business Performance

Unit: NT$1,000

Item	2009	2010	Change	
			Value	%
Investment income calculated according to equity method	2,681,297	10,052,586	7,371,289	274.92
Other incomes	7,835,796	118,502	(7,717,294)	(98.49)
Investment loss calculated according to equity method	(396)	(62,804)	(62,408)	15,759.60
Operating expense	(430,614)	(645,454)	(214,840)	49.89
Other expenses and loss	(1,975,367)	(1,976,958)	(1,591)	0.08
Pre-tax income (loss)	8,110,716	7,485,872	(624,844)	(7.70)
After-tax income (loss)	8,183,147	7,723,106	(460,041)	(5.62)

Explanation for changes and variations:
(1) Net investment loss/profit based on equity method in 2010 increased, due to increased profits of subsidiaries Taishin Bank and Chang Hwa Bank in 2010.
(2) Other incomes in 2010 decreased in 2010 from 2009, due to the listing of disposal benefits by the company for the merger of subsidiary Taishin Securities with KGI Securities.
(3) Operating cost in 2010 increased over 2009 due to increased personnel expense in 2010.

C. Cash flow

Analysis of cash flow in the coming one year

Unit: NT$1,000

Initial cash balance 1	Expected cash flow from business activities for the whole year 2	Expected cash outflow (inflow) for the whole year 3	Expected cash surplus (shortage) 1+2-3	Remedies for expected cash shortage	
				Investment plan	Financing plan
19,875,925	5,748,290	1,776,697	23,847,518	Nil	Nil

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

1. Status of major capital outlays and funding sources

Unit: NT$1,000

Items of plans	Actual or expected funding source	Actual or expected date of completion	Total fund needed	Actual or expected fund utilization
				2010
investment	Own fund or corporate-bond issuance	2010	3,773,153	3,773,153

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

E. Investment policy in the recent year, main reasons for income or loss, improvement plan, and investment plan in the coming one year

The company carries out investments according to article 36 and 37 of the Financial Holding Company Law, the assessment of investment returns rate, and joint-marketing benefits among subsidiaries, in the hope of augmenting the returns on equity. In response to the demand of clients for assets accumulation and wealth-management planning, the company will inevitably expand its business scope, on top of providing comprehensive professional financial services. Looking ahead, in the face of acute competition and a fast-changing financial environment, the company will continue, via own or external growth, expanding the scale and market shares in the operations of banking, securities, insurance, investment finance, commercial paper/bond, and other financial sectors, as well as overseas deployment, in order to tap the businesses of clients in various sections, strengthen competitive edge, and expand profit sources.

F. Assessment of risk management in the recent year and as of the date for the publication of the annual report by analyzing consolidated financial and business status

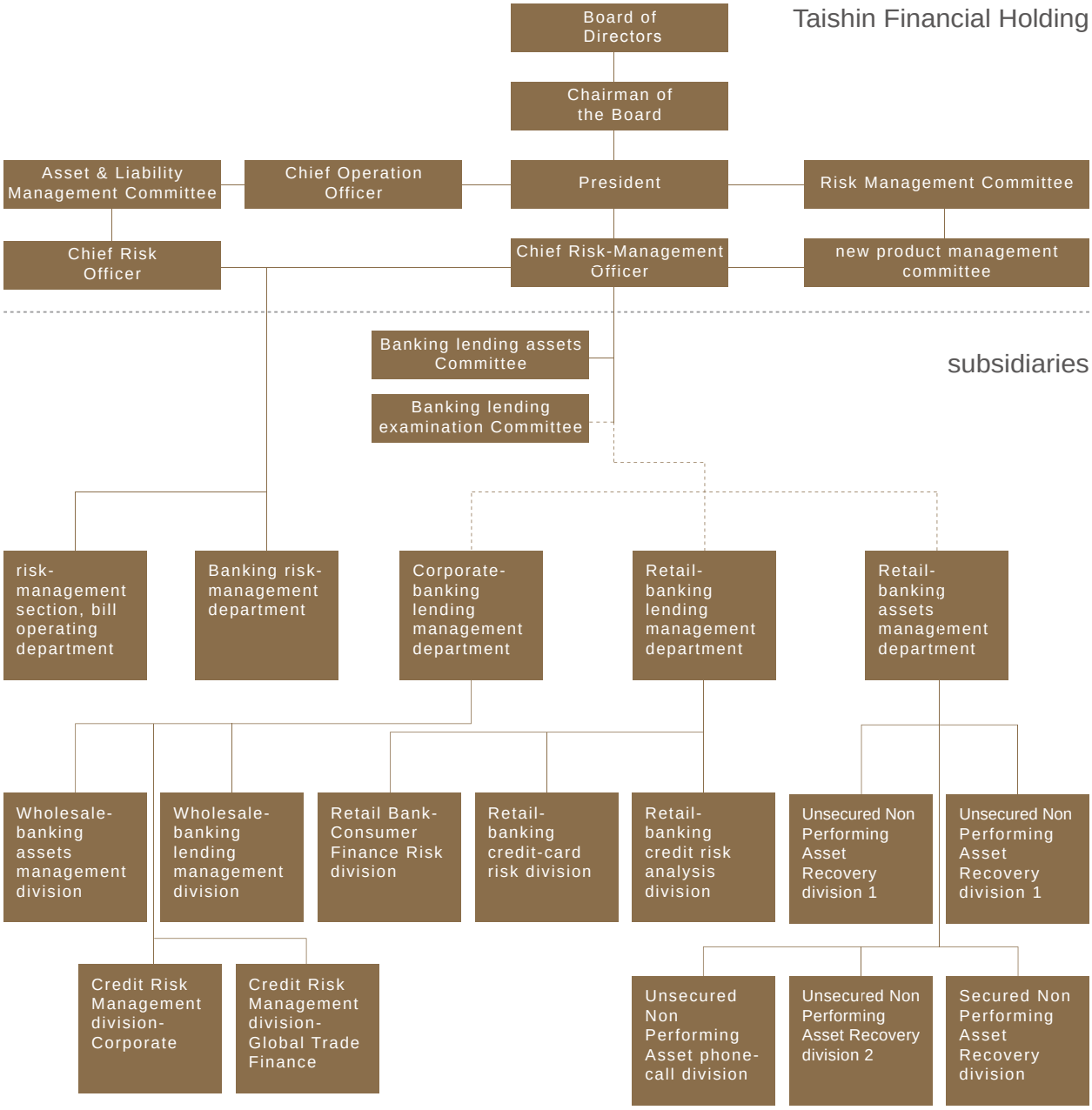
1. Risk-management framework and policy of the financial holding company and subsidiaries

To cope with its comprehensive business scope, the company needs efficient identification, assessment, consolidation, and management of risks, in addition to properly allocating capital to various business units. The company manages risks via a procedure closely associated with its risk-management policy, organizational framework, risk assessment, and business activities. According to overall risk-management planning, the financial holding company has instituted independent risk-management organizations, with their frameworks listed below:

Organization	Contents
Board of directors	1. Approval of risk-management policy and procedure 2. Approval of overall market risk, credit risk, and operational risk ceilings of the financial holding company
Risk Management Committee	1. The president of the financial holding company serves as the convener of the committee. 2. Review of the risk-management policy and procedure of the financial holding company 3.Ratification of the policy, measures, and guidelines for the market risk, credit risk, and operating risk of subsidiaries 4. Supervising the institution of market-risk, credit-risk, and operating-risk management mechanism 5. Reviewing performance report of the risk-management units of subsidiaries and the overall risk analytical report of the financial holding company 6. Reviewing and finalizing risk model, risk parameters and indicators, and pressure-test plan 7. The committee oversees a new product management committee, responsible for reviewing risks involving new products and complicated trading of subsidiaries' trading units. 8. Monitoring various risks undertaken by the company, adopting necessary measures for controlling large risk exposure 9. Report of other risk-related projects 10. Execution of risk management-related resolutions of the board of directors
Risk-Management Department	1. Vice convener of the Risk-Management Committee 2. Implementing risk-management strategy and instituting risk-management framework approved by the board of directors 3. Supervising Risk-Management Department and risk-management units of subsidiaries in executing related policy 4. Assuring effective cross-department communication and coordination for risk-management functions
Chief Risk-Management Officer	1. Formulation and institution of risk-management mechanism 2. Disclosure of risk-management implementation 3. Producing overall risk analytical report for the financial holding company 4. Coordination and contact for risk-management affairs with subsidiaries 5. Instituting integrated risk-management information system 6. Introducing the risk-management norm of Basel II Capital Accord, so as to institute a risk-management mechanism complying with international standards
Risk-management units of subsidiaries	1. Provision of risk management-related information 2. Implementing the financial holding company's risk-management policy

Risk-Management Functional Organization Chart of Taishin Financial Holding

Base date: March 31, 2010



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

a. Common regular disclosure

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

1. Credit-risk management

(1) Corporate banking

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

(2) Consumer banking

- Further enhancement of risk-management technique: Further introduction and deep-cultivation of rating model and policy-making model; the monitoring, adjustment, and upgrading of the models' efficacy;
- Core risk analytical team: Core professional talents with analytical capability, product design capability, risk-management capability, and execution capability.
- Lending policy based on client-group analysis: Analyze client risks according clients' external and internal behaviors, and flexibly adjust lending policy according to the risk levels of various client groups, so as to maintain proper client-group ratio.
- Prevention of NPL and fraud: Further track the behavioral modes of NPL and fraud cases and repayment status, thereby forging policy and credit-examination/lending flow, so as to institute a proactive preventive mechanism.
- Client management based on risk analysis, rating model, and policy model; debt collection, and case review system.
- Lending strategy based consolidated account management.
- The credit-extension strategy based on integrated single-client account management

2. Market-risk management

To consolidate the management of risks deriving from the price swings of interest rate, exchange rate, and equity securities, the company assesses via marked-to-market method the income or loss of trading positions for various financial products held by subsidiaries. Meanwhile, for derivatives, as a precautionary measure for the credit risk deriving from default of trading partners before delivery date due to trading loss, the company imposes a ceiling on trading volume so as to control possible loss within reasonable scope.

3. Operating-risk management

To achieve a consistent and complete operating-risk management system, assure the inclusion of operating-risk management into the company's daily operation and decision-making, and keep various operating risks within the company's endurable range, the company has formulated operating-risk management policy and operating-risk endurable extent. It has also established "operating-risk reporting procedure," "self evaluation and auditing operation procedure," "key risk indicator procedure," and risk-offsetting procedure, featuring mutually linked analysis to uphold operating-risk forecast capability.

a. Risk-management methods and quantified risk-exposure information of subsidiaries

1. Banking subsidiaries: Including Taishin Bank and Taishin Bills Finance Co., Ltd.

(1) Credit risk

The main goal of risk management is to pursue maximum profits under reasonable risk, so as to uphold shareholders' interest. Effectively grasp the trend of assets quality via regular monitoring of numerical changes in net flow and adjust lending policy and debt-collection strategy accordingly. Utilize internal credit rating system, midterm management and review, diversification and ceiling of credit extension/investment positions (customer groups), and other methods to monitor constantly risk level and changes in general economy and financial climate, on top of irregular review or adjustment of risk avoidance (diversification) and abatement strategy via internal procedure. Risk abatement is carried out mainly via the collection of collateral, which calls for different appraisal method and evaluation period according to their different nature, i.e., realty, or chattel.

(2) Consumer banking—Taishin Bank

- Credit-extension management is in the charge of Consumer-Banking Credit-Extension Management Division of Consumer Banking Group. Inspection and review of loan applications is undertaken by business units according to credit-extension policy. Management of and collection for NPLs is undertaken by Consumer-Banking Assets Management Division. Consumer-Banking Credit-Extension Management Division is parallel to business units.
- Formulate proper lending-risk management policy according to operating objective, such as application scoring system, behavior scoring system, collection scoring system, and global FICO score, which is used, along with the concept of product-profit model, to pinpoint optimal lending terms and banking profit model for different client groups with different loaning conditions.
- Flexibly adjust various risk-management indicators and segmentation management via periodical assets-quality analysis and default commonness analysis, so as to achieve operating objectives.

(3) Corporate Banking—Taishin Bank and Taishin Bills Finance

- Regarding the risk management strategy for corporate banking, the company focuses its attention on sources for repayment and the obtain of adequate risk premium. The credit-extension risk management of the Corporate Banking Business Group is handled by the corporate banking Credit-Administration Division, which overseas under its jurisdiction corporate banking Credit-Administration Department, Credit-Risk Management Department-Corporate(North District), Credit-Risk Management Department-Trade Finance(North District),Credit-Risk Management Department- Corporate (South District)and Special Assets Management Department. Each District of the Credit-Risk Management Department take charge of the management of normal credit-extension cases, while the Special Assets Management Department is responsible for NPL (non-performing loan) collection.
- The evaluation and management of credit risk is undertaken via the use of internal credit rating system. In addition to credit rating undertaken upon application, all credit-extension cases are subject to follow-up tracking and management. The internal credit rating system consists of two aspects, one is the credit rating of borrowers, mainly for the evaluation of their capability to fulfill financial commitment, which is undertaken via the use of statistical model and an evaluation table as assistant tools. The second aspect is credit-line rating, which is undertaken according to the factors of the existence of collateral, the order of lien, and type of products. The level of risk is reduced in sync with the provision of collateral, which is appraised in different manners for different kinds of collateral, including real estate, chattel, and securities, so as to effectively cut risks.
- Regular analysis of rating migration is carried out every year, to ascertain the stability of the existing rating system. Migration risk analysis and stress/scenario testing is also undertaken, in order to delineate risk exposure with more sensitive risk analysis and ascertain capital adequacy.

(4) Quantified information on risk exposure

- Taishin Bank

Risk exposure after deducting risk on credit-risk method and risk-based capital requirement

Dec. 31, 2010; Unit: NT$1,000

Kinds of risk exposure	Risk exposure after deduction	Risk-based capital requirement
Sovereign state	182,712,898	81,468
non-central government public sector	161,071	2,577
Bank (including multilateral development bank)	46,522,596	1,402,468
Enterprise (including securities and insurance companies)	293,576,124	23,496,521
Retail debt claim	139,964,742	8,769,485
Housing realty	222,578,880	8,020,642
Equity investment	767,822	221,269
Other assets	34,074,313	2,154,103
Total	920,358,446	44,148,533

- Taishin Bills Finance

Credit-risk weighted risk-based assets (standard method)

Dec. 31, 2010; Unit: NT$1,000

Types of risk exposure	Risk-based assets
Sovereign state	0
Non-central government public sector	0
Banks (including multi-lateral banks)	95,607
Enterprise (including securities and insurance firms)	6,300,510
retail of debt claim	1,687
total	6,397,804

Table Items—Table for Calculation of Credit-Risk Weighted Risk-Based Assets

Dec. 31, 2010; Unit: NT$1,000

Types of risk exposure	Risk weighted ratio	Paper value	Bad-debt reserve	Exposed risk after deducting bad-debt reserve	Exposed risk without risk-offsetting instrucment	Risk exposure with networth settlement and collateral		Exposed risk with credit protection		Credit-risk weighted risk-based assets
						Risk exposure with networth settlement and collateral	risk exposure without net worth settlement and collateral	Risk exposure without credit protection	Risk exposure with credit protection	
Sovereign state	0%	1,002,120		1,002,120	1,002,120					0
	10%			0	0					0
	20%			0	0					0
	50%			0	0					0
	100%			0	0					0
	150%			0	0					0
	Subtotal	1,002,120	0	1,002,120	1,002,120	0	0	0	0	0
Non central-government public sector	0%			0	0					0
	10%			0	0					0
	20%			0	0					0
	50%			0	0					0
	100%			0	0					0
	150%			0	0					0
	Subtotal	0	0	0	0	0	0	0	0	0
Banks (including development banks)	0%			0	0					0
	10%			0	0					0
	20%	205,882		205,882	205,882					41,176
	50%	0		0	0					0
	100%			0	0					0
	150%			0	0					0
	Subtotal	205,882	0	205,882	205,882	0	0	0	0	41,176
Enterprises (including securities and insurance firms)	0%									0
	10%			0	0					0
	20%			0	0					0
	50%			0	0					0
	100%			0	0					0
	150%			0	0					0
	Subtotal	0	0	0	0	0	0	0	0	0
retail debt claims	0%			0	0					0
	10%			0	0					0
	20%			0	0					0
	50%			0	0					0
	75%			0	0					0
	100%			0	0					0
	150%			0	0					0
	Subtotal	0	0	0	0	0	0	0	0	0
Equity securities investment	300%			0	0					0
	400%			0	0					0
	Subtotal	0	0	0	0	0	0	0	0	0
Other assets	0%			0	0					0
	20%			0	0					0
	50%			0	0					0
	100%	1,491,265		1,491,265	1,491,265					1,491,265
	150%			0	0					0
	Subtotal	1,491,265	0	1,491,265	1,491,265	0	0	0	0	1,491,265
Total		2,699,267	0	2,699,267	2,699,267	0	0	0	0	1,532,441

Outside Table Items—
Table for Calculation of Credit Risk Weighted Risk-Based Assets for Outside-Table Transactions

Dec. 31, 2010; Unit: NT$1,000

Types of risk exposure	Risk weighted ratio	Credit equivalent ratio	Risk exposure without risk-offsetting instrument	Risk exposure with networth settlement and collateral		Exposed risk with credit protection		Credit-risk weighted risk-based assets
				Risk exposure without collateral	risk exposure with collateral	Risk exposure without credit protection	risk exposure with credit protection	
Types of risk exposure Sovereign state	0%	0						0
	10%	0						0
	20%	0						0
	50%	0						0
	100%	0						0
	150%	0						0
	Subtotal	0	0	0	0	0	0	0
Non-central government public sector	0%	0		0	0			0
	10%	0		0	0			0
	20%	0		0	0			0
	50%	0		0	0			0
	100%	0		0	0			0
	150%	0		0	0			0
	Subtotal	0	0	0	0	0	0	0
Banks (including multilateral development banks)	0%	0		0	0			0
	10%	0		0	0			0
	20%	0		0	0			0
	50%	80,737	80,737	0	0			40,369
	100%	621,545	1,750	619,795	12,312			14,062
	150%	0		0	0			0
	Subtotal	702,282	82,487	619,795	12,312	0	0	54,431
Enterprises (including securities and insurance firms)	0%	0		0	0			0
	10%	0		0	0			0
	20%	0		0	0			0
	50%	666	666	0	0			333
	100%	21,237,590	4,164,086	17,073,504	2,136,091			6,300,177
	150%	0		0	0			0
	Subtotal	21,238,256	4,164,752	14,133,984	732,791	0	0	6,300,510
Retail of debt claims	0%	0		0	0			0
	10%	0		0	0			0
	20%	0		0	0			0
	50%	0		0	0			0
	75%	0		0	0			0
	100%	741,853		741,853	1,687			1,687
	150%	0		0	0			0
	Subtotal	741,853	0	741,853	1,687	0	0	1,687
Other assets	0%	0						0
	20%	0						0
	50%	0						0
	100%	0						0
	150%	0						0
	Subtotal	0	0	0	0	0	0	0
total		22,682,391	4,247,239	15,495,632	746,790	0	0	6,356,628

2. Liquidity risk

Manage well liquidity position for basic operating and growth need, so as to assure adequate liquidity. Assets/ Liabilities Management Commission formulates liquidity-risk management policy and oversees its execution, with the fund management units of subsidiaries undertaking the execution and reporting to the Assets/ Liabilities Management Commission monthly.

(1) Taishin Bank

Analysis for the Structure of NT-dollar Due Dates

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

	Total	Value for balance period before due dates				
		One to 30 days	31 to 90 days	91 to 180 days	181 days to one year	Over one year
Main fund inflow due	770,074,334	237,483,195	89,050,617	26,826,242	25,910,246	390,804,034
Main fund outflow due	865,518,809	116,563,606	123,150,966	162,037,638	176,984,707	286,781,892
Expected gap	(95,444,475)	120,919,589	(34,100,349)	(135,211,396)	(151,074,461)	104,022,142

Note: The table only contains NT-dollar funds of the headquarters and domestic branches.

Analysis for the Structure of U.S.-dollar Due Dates

Dec. 31, 2010; Unit: NT$1,000

	Total	Value for balance period before due dates				
		One to 30 days	31 to 90 days	91 to 180 days	181 days to one year	Over one year
Main fund inflow due	9,599,997	4,346,156	1,569,387	907,250	796,198	1,981,006
Main fund outflow due	9,596,624	3,046,733	1,060,168	2,891,581	551,292	2,046,850
Expected gap	3,373	1,299,423	509,219	(1,984,331)	244,906	(65,844)

Note: The table contains U.S.-dollar funds of the headquarters, domestic branches, and OBU (offshore banking unit).

3. Market risk

(1) Strategy and flow

- The bank’s risk management strategy calls for setting restrictions on capital according to risk-adjusted returns rate, whereby seeking maximum value for shareholders. Accordingly, various business units have to seek approved quota before trading and independent risk-management units assess income or loss for trading positions daily, in addition to reporting income/loss and risk exposure of trading position to executives regularly.
- The scope and features of risk report and assessment system
  Risk report is meant to disclose risk as an important reference for executives in formulating countermeasure and adjusting investment portfolio for achieving business objectives. The bank dedicates to integrating trading management systems for various products, in order to reporting income/loss and risk exposure of trading position immediately.

(2) Trading and risk management system

- Quality-wise:
  The bank stresses the formulation and implementation of risk-management policy and norms, as well

as the establishment of risk-management culture. Risk-management units are independent from risk-undertaking units and responsible for assessing and analyzing risk exposure and reporting the results to executives for use in policy making, in addition to instituting assessment flow, the flow for new-product launch, and certification procedure model, in the hope of complying with the regulations of the regulator, precisely assess risking, and standardizing operating and risk-management flows.

■ Quantity-wise:

The bank sets price-sensitivity quota for various products with different risk factors as criteria for risk assessment. In compliance with the regulations of Basel Capital Accord and the regulator, it plans to calculate integrated VaR (Value-at-Risk) for investment portfolio with internal model and set up VaR ceiling, so as to control the impact of market swings on the bank' s positions.

■ Quantitative information on risk exposure

Taishin Bank

Capital requirement for market risk

Dec. 31, 2010; Unit: NT$1,000

kinds of risks	Capital requirement
Interest rate risk	1,298,618
Equity securities risk	201,229
Orex risk	169,219
Commodity risk	0
Total	1,669,066

Taishin Bills Finance

Market risk capital requirement and risk-based assets

Dec. 31, 2010; Unit: NT$1,000

Types of risk	Capital requirement	Risk-based assets
Interest rate risk	704,263	8,803,288
equity securities risk	117,882	1,473,525
simple method for handling options	-	-
total	822,145	10,276,813

4. Operating risk

(1) Taishin Bank

■ Operating-risk management policy and framework

To attain effective operating-risk management, the bank has formulated its operating-risk management policy, according to the norms set by the Basel Committee on Banking Supervision, the Bank for International Settlements, and the Financial Supervisory Commission (FSC), the Executive Yuan (the Cabinet). The policy covers operating-risk management framework, operating-risk management principles, risk identification and assessment technique, and risk reporting/supervision, in order to foster consistent operating-risk awareness inside the bank, establish operating-risk management culture, and implement risk management system, in addition to specifying the operating-risk tolerability

of the bank. To assure consistency between the bank's operating-risk management mechanism and corporate strategy, the company has established independent risk-management units, further consolidating the bank's operating-risk management.

■ Identification of operating risk

The company defines operating risk as "Risk of loss triggered by the impropriety or mistake involving internal flow, staffers, system, or external incidents, including legal risk but excluding strategic or credit-standing risks." In order to identify existing and potential risks, the bank has formulated various operating-risk management flow, as well as company-wide risk glossary, loss incidence reporting system, risk self-evaluation system, key risk indicators, and risk reporting/disclosure procedure, so as to establish operating-risk identification, assessment, and supervision method. Meanwhile, for the purpose of controlling various operating risks within endurable range, enhance operating efficacy, and create corporate value, the bank carries out regular analysis of existing and potential operating risk, thereby putting forward action plan to cut related operating risks.

■ Operating-risk assessment and supervision

- Taishin Bank has made trial calculation itself of the chance and exposure value of operating risk with information in loss database, a practice which will be applied to other subsidiaries to grasp the operating risk value of the entire company.
- To strengthen the management of operating-risk loss of Taishin Bank and Taishin Securities, the company already set up operating-risk ceilings for various units of the companies by the end of 2010 and incorporated the ceilings into annual KPI (key performance index), so as to include operating risk in daily management.
- The company also gradually pushes scenario analysis seminars according to the nature of various business groups, so as to strengthen the capability for the evaluation and monitoring of operating risk.

■ 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.

Taishin Securities Co., Ltd.

1. Risk management method

As of 2010, Taishin Securities have effectively evaluated and rigorously control flow, in the hope of effectively control risk. The strategy, organization, and evaluation of the company's risk management follow;

2. Risk management strategy and flow

(1) 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:
- The establishmen 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.
- Upgrade assets quality.
- Upgrade the efficacy of capital allocation, so as to maximize returns after risk adjustment.

(2) Flow for formulation and approval of risk policy

1) Formulation principle

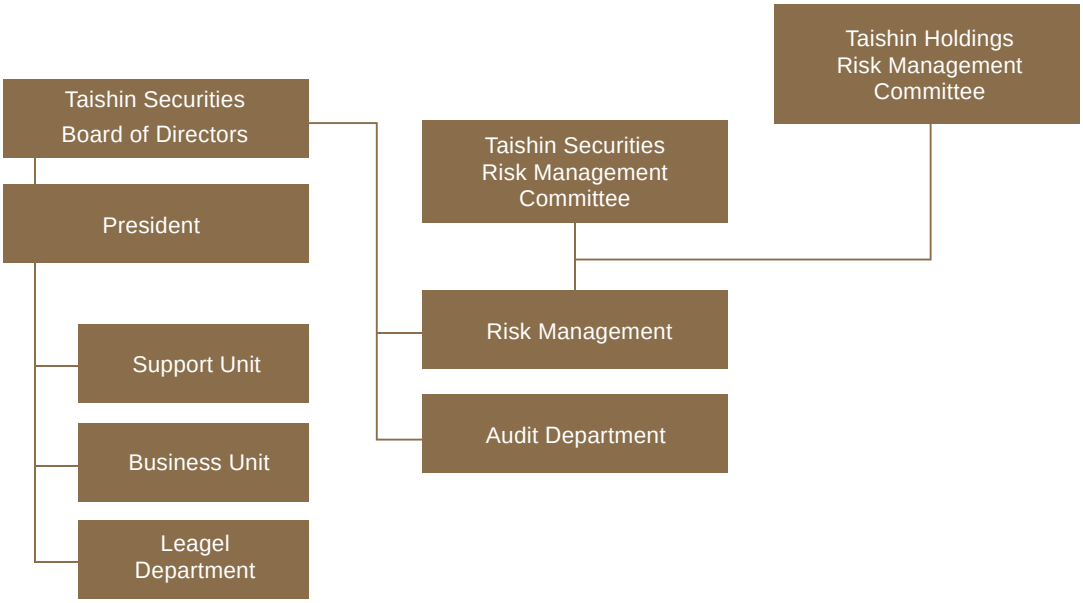
- The company' s risk management policy is formulated according to the following three principles:
- Establish a risk-evaluation mechanism to grasp the company' s diversified risks and form the basis of the company' s sustainable development.
- Emphasize the efficacy of the company' s risk-based assets.
- Emphasize related risks in the pursuit of maximum returns, thereby incorporating risk factors into performance evaluation.

2) Approval flow

The company' s risk management policy is formulated by risk management unit and approved by the board of directors before its implementation.

(3) Organization and framework of related risk-management system

(a) Chart for overall risk management system framework:



(b) Rights and obligations of various risk management units

1) 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 liquity risk.

2) Risk management committee

- Set up "risk management committee" to effectively and timely integrate the company's various risk functions, with the board of directors dispatching at least one director to take part and dispatch persons to be the convenor and chairperson of its meetings.
- Review the company's risk management policy and procedure.
- Review various risk-related measures and guidelines.
- Establish various risk management mechanism.
- Review analytical report on overall risk, report the execution of risk management to the board of directors timely, and propose necessary improvement suggestions.
- Set up management meeting for new businesses and review he risk of new products undertaken by business unit.
- Execute risk management-related resolutions of the board of directors.

3) Risk Management Division

Risk management division is in charge of monitoring the company's overall risk and the riks 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.

4) Auditing Department

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.

5) Legal Affairs Division

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.

6) Financial Division

In charge of the management of the company's fund liquidity risk, establish emergent response mechanism for liquidity crisis, formulate fund risk limit, in consideration of market environment, the company's financial structure, risk endurability, and fund maneuvering capability.

7) Information Division

In chargeof the planning, promotion, and management of the company's information security, assure the continuity and correctness of various systems.

8) Business unit

Undertake business operation according to the quota granted by the board of directors and materialize the execution of various risk-management measures.

(4) The scope and features of risk management report and evaluation system

(a) The evaluation of various risk management

Kinds of risk management	Management method
Market risk	1. Set up treading book and non-treading risk quoa according to the company's risk endurability, evaluate price risk exposure according market value and delta quota, and 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 loss	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 Hodling, which regularly examine the period for credit-rating granting, to assure the effectiveness of credit rating. 2. Risk management of spot stock concentration and set up ceiling for single stock holding, to avoid concentration of large position on specific issuing companies. 3. Organize credit risk position for the same person and the same related party in a group, and submit the position to risk-management unit of the financial holding firm for unified management. 4. Risk management for margin trading and short sale of brokerage business, compliance with the company's internal control system for credit-account opening, and management of quota for margin trading and short sale, as well as maintenance rate, according to legal requirement.
Liquidity risk	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.

(b) Information, frequency, and flow of risk management report

Information	Frequency	Flow
Compilation of market risk management table for established position Outstanding amount of position Loss/profit	daily	Daily market risk management tool for risk management unit
Compile credit-risk management table for established position, including: Risk exposure information of issuer and trading counterparty	daily	Daily credit-risk management tool of risk management unit
Compilation of risk-based assets report	Monthly	Submit to risk management committee
compilation of various quantitative risk indices report	Monthly	Submit to risk management committee
Compilation of non stop-loss tracking report	Monthly	Submit to risk management committee
Compilation of stress test report	Monthly	Submit to risk management committee
Evaluation of liquidity reserves	Monthly	Submit to the president and provide to financial/accounting unit as reference for performance evaluation
Report for various business risk evaluation	Quarterly	Submit to the board of directors
Evaluation of loss value for operating risk	Quarterly	Monitoring tool for operating risk of risk management unit

(5) Quantitative information for risk exposure

Equivalent value for management risk

Dec. 31, 2010, Unit: NT$1

Kinds of management risk	Equivalent value of risks
Market risk	390,796,554
Credit risk	30,672,686
Operating ris,	3,404,621
Total of management risk	424,873,861

Chang Hwa Commercial Bank Co., Ltd.

■ arious risk assessment and management methods and quantified information on risk exposure

(1) Credit risk

■ Strategy

To suit the characteristics of the Bank and meet the risk management requirements of Basel II, the Bank's risk management mechanism continues to be improved in order to effectively identify, measure, monitor and communicate various risks, as well as to raise risk management performance.

■ Policy and Process

(a) Continuing to examine the formulating and revision of various risk management policies, standards and rules pursuant to the "Overall Risk Management Policies".
(b) Continuing to improve the corporate loan application management system and various risk management techniques and efficiency in order to meet the risk management requirements.
(c) 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.
(d) 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.
(e) Establishing a knowledge database to facilitate learning and evaluation. Providing lectures and training in risk management to raise employees' risk awareness.
(f) 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.
(g) Effectively evaluating the Bank's capital adequacy and carrying out rigorous and proactive stress test to cope with possible adverse events or changes.
(h) 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.
(i) 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.
(j) 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.
(k) 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.
(l) 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.
(m) 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.

(n) Develop mortgage loan application scorecards, behavior scorecards, and related Probability of Default (PD) models so as to provide objective parameters and references for approval and pricing. This could effectively lower the probability of bad loans and improve the asset quality of the Bank's mortgage loan assets.

(o) To enhance the quality of loan assets through the organization of lectures and trainings on risk management and also through effective ongoing communications.

(2) Risk of financial-trading partner

■ Policy and Process

(a) The bank embraces external credit rating for financial-trading partners, as the basis for internal credit-risk classification and rating.

(b) 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.

(c) 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.

(d) Effectively manage the risks of the bank's financial-trading partners via monitoring and reporting procedure.

(3) Market risk

■ Policy and Process

Strategy:

- Plan the management procedure for market risk, to assure effective discerning, evaluation, monitoring, and reporting of market risks.
- Evaluate and monitor market risk, thereby containing risk within risk appetite, in the hope of lowering unexpected loss from market risk.
- Formulate and execute norms for market-risk management in compliance with the regulations of the regulator and Basel Capital Accord.
- Establish and develop market-risk management system and procedure for economic capital allocation.

Process:

- Market-risk management flow is divided into discerning, evaluation, monitoring, reporting, and management execution; it is implemented according to the bank's "guidelines for market-risk management.
- Scope and features of the risk reporting and evaluation system

Internal reporting:

(a) Regularly report the status of market-risk monitoring to the risk management committee, so as to provide sufficient information for perusal by senior management.

(b) Make timely report on the exceeding of limits and exceptional situations (market crisis and abnormal

changes) to management at proper level and adopt proper countermeasures to offset risks.

(c) Regularly report the risk status of the bank's investment portfolio, along with its concentration extent, to the board of directors and risk management committee helping them decide whether to adjust the bank's strategy.

External disclosure:

(a) Disclose the market risk confronting the bank fully, facilitating the evaluation of the bank's market-risk management by market participants.

(b) The extent of information disclosure should conform to the scale of the bank's business activities and the status and complication of risk exposure.

(4) Operating risk

Policy and Process

Manage the banking operating risk according to clear-cut definition, including formulating risk-management methods in various business guidelines and the development of application tools by risk-management units to assist staffers carrying out the risk-management procedure of identifying, evaluating, controlling, supervising, and reporting risks.

The organization and framework of risk-management system

(a) The Bank collects operational risk loss events through systems, and then categorizes the risks according to regulator regulations and type of loss. This helps the Bank to understand the loss situation internally.

(b) The risk control and self-assessment(RCSA) system of the Bank begin at the business management units at the headquarter, where they conduct self-assessment according to the risks and controls of their respective businesses, compile and edit their self-assessment tables, and review the rules and regulations of their respective businesses. Execution units then conduct self-assessments and register the results in the system for the bank to analysis potential operation risk exposures.

(c) 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.

(d) The Bank integrates risk related items and compile them into operational risk management reports for the board of directors, senior management, and divisions of management so that they fully understand the situation and can make decisions accordingly.

(5) National risk

Policy and Process

- Use country credit rating information from Moody's, S&P, and Fitch to develop the Bank's own country risk ratings.
- To use the net worth figure disclosed in our latest annual financial report for the calculation of the total country risk limit that will serve as the ceiling of our bank's exposure to country risk.
- Within the total country risk limit, the individual limits for various countries for the next year are determined based on each country's political and economic situations, as well as the actual needs of relevant business units.

- Risk exposure is constantly measured and monitored. For countries that are experiencing political and economic instability, or whose ratings have been downgraded due to defaults, their country risk limits will be either frozen or eliminated.
- On a monthly basis, country risk exposure data will be gathered, analyzed and compiled into a Country Risk Management Report.

3. Influence of important domestic and foreign policy and legal changes on the finance of the financial holding company and countermeasures

To bolster economic growth and enhance financial competitiveness, the government is gradually liberalizing cross-Taiwan Strait financial policy, as evidenced by the revision of "Measures for the Permission of Financial Exchanges Between Taiwan and Mainland Areas." The company will formulate related development program according to the stipulations of law/regulation, with the goal of pursuing the optimal interest of shareholders, customers, and employees in the long run.

4. 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.

5. Effect of change in the corporate images of the financial holding company and its subsidiaries on the company and countermeasures

Taishin Financial Holding obtained 1.4 billion preferred shares of Chang Hwa Bank in 2005 via open bidding and took part in the operation of the latter's board of directors. The special investigation task force of the Ministry of Justice started to probe the second financial reform in 2009 and searched the company's office in early February. The widespread publicity of the event by the media jeopardized the reputation of the company and the confidence of customers, tarnishing the company's image in the social public.

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.

6. Anticipated benefits and possible risks from acquisition and countermeasures

(1) Anticipated benefits:

- Expand financial scope, enhance the scale of assets and market-share ranking, and boost business competitiveness.
- Expand marketing-channel network and provide clients more convenient and pluralized service channels.
- Create the business synergy of acquisition and maximize the profits for shareholders.
- Provide all-round services and deep-cultivate the relationship with clients.
- Diversify business risks and expand the scope of business development.

(2) Possible risks:

- Inadequate business integration can lead to business loss, affecting the company' business and profit performance.
- Inadequate integration of information systems may affect business operation, deferring the appearance of merger synergy.
- Inadequate integration of human resources may lead to loss of talents, indirectly affecting business and management performance.
- Mistake in the judgment of acquisition strategy will affect the overall prospects of the company.
- The effect of misjudgment in acquisition strategy on the overall development outlook of the company.

7. 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 of 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.

8. 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.

9. Influence of management right on the financial holding company, risk, and countermeasures

Change in the management right of financial holding company may result from the replacement of management by shareholders due to bad performance, hostile takeover, or own initiative of the original management wishing to look for new management to take over their position. Change in management may produce the following influence and risks on financial holding company:

(1) Possible benefits:

- Create new management direction and value for the company.
- Renovate corporate culture and organizational framework, bringing new business momentum and profit performance to the company.
- Inject new idea and financial resources, creating triple wins for shareholders, clients, and employees.

(2) Possible risks:

- Change in business strategy may affects company' s business development and profit performance.
- Change in management right may cause panic among employees, leading to high turnover and thereby affecting company' s regular operation.
- Change in management strategy may affects company' s business development and Shareholder rights.
- Change in management right may trigger concern among investors over company' s management stability, driving down stock price.

10. Litigation and non-litigation incidents

(1) Taishin Financial Holding(nil)

(2) Chang Hwa Bank

The bank engaged in a law suit with the ministry of defense of Iran involving US$15 million of "requested wired payment" in 1991, which was won by bank according to the verdict of the supreme court on Aug. 1, 2002. The Iran party filed another suit for "surrogate request for the return of the wired payment" in 1997, which was also won by the bank according to the ruling of the Taipei district court on Sept. 10, 2004. The Iran party, though, appealed the court with Taiwan high court on Oct. 6, 2004 and the case is still being tried.

(3) Taishin International Bank (nil)

(4) Taishin Securities (nil)

(5) Taishin Bills Finance

On Jan. 9, 2008, Taishin Bills Finance received a letter from Ms. Chang Chi-han requesting 30% of compensation for discovering and giving back a lost promissory note of NT$200 million belonged to Taishin Bills Finance. In 2009, she filed a suit with Taipei district court against Taishin Bill Finance for the payment of the compensation and raised the compensation amount to NT$200 million in 2010.

Handling status: The company has entrusted laywer to handle the case, while Taishin Bank's business proceeds normally.

(6) Taishin Asset Management (nil)

(7) Taishin Marketing Consultant (nil)

(8) Taishin Venture Capital (nil)

(9) Taishin Securities Investment Trust

The company merged with Taiwan Industrial Bank Investment Trust on Dec. 18, 2010 and takes over all the rights, obligations, and legal duties related to the mutual funds managed by the latter. Litigation and non-litigation cases of Taiwan Industrial Bank Investment Trust follows:

(Case A)

Description of the case:

Lin Shu-chen, a client of Taiwan Industrial Bank Investment Trust, faxed a request on Nov. 1, 2007 to switch her investment from Tachung bond fund to global balanced fund via fax via Polaris Securities. The plaintiff denied the existence of the transaction and filed a suit with Taipei district court for compensation of loss against Taiwan Industrial Bank Investment Trust and Polaris Securities in July 2009.

Request value:

Taiwan Industrial Bank Investment,Yang Ming-yu, Yang Ming-na (two former staffers), Polaris Securties, and Tsai Su-o (a Polaris staffer) should jointly pay the plaintiff NT$18,481,350, Taiwan Industrial Bank Investment Trust should pay the plaintiff another NT$18,481,350, and Polaris should pay the plaintiff NT$18,481,350, as well as 5% interest from June 11, 2009 until the date of payment.

Handling status:

(1) The plaintiff also filed criminal charge against Tsai Su-o, Yang Ming-na, and Yang Ming-yu for forgery of document. Yang Ming-na and Yang Ming-yu have been aquitted of the charge,while Tsai Su-o has bee prosecuted by the prosecutor. Civil litigation has been suspended pending the outcome of criminal charge.

(2) Tsai Su-o was found guilty of the crimical charge by Taipei district court on Dec. 22, 2010 and the civil suit will continue after the arrival of the notice for the ruling.

(Case B)

Description of the case: Chen Yi-hsiung, chairman of CytoPharm, and Li Chin-yuan, president of the company, filed a civil suit against Taiwan Industrial Bank Investment Trust for compensation of loss for investing in mutual fund.

Handling status: The lawyer of the plaintiffs revoked the charge during the court trial on March 23, 2010. In June 210, Li Chin-yuan filed charge against Lu Lung-hua and Liu Kun-ju, former staffers of Taiwan Industrial Bank Investment Trust for fraud but both were aquitted of the charge. The plaintiff appealed the case and the case is still under investigation.

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 BCP (business contingency plan), specifying the definition of emergent incidents, grading risks, and pinpointing responsibilities, and related handling procedure. Following the outbreak of emergent incidents, the chiefs of responsible units must handle the incidents immediately and notify superiors at various levels according to the extents of influence. For third-grade emergent incidents, the president should take charge, convening the headquarters' emergency responding task force and activate BCP, directing the Risk-Management Department and supporting units to adopt contingent measures and plan for the resumption of operation.

H. Other important items: nil

VII

Special Events on Record

VIII. Special Events on Record

A. Information on affiliates

1. Basic information on affiliates

Dec. 31, 2010; Unit: NT$1,000

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Taishin Bank	1992.02.25	1st,fl. and 1st basement, No. 44, Zhongshan N. Rd. Sec. 2, Taipei	49,157,526	1. Deposit reception (reception of check deposit, demand deposit, time deposit, and savings deposit originally listed in its business license are included in the item) 2. Issuance of financial bonds. 3. Loan extension (short-, medium- and long-term loan extension, loan mortgaged by certificates of time deposit, consumption loan originally listed in its business license are included in the item. 4. Securities investment (investments in government bonds, short-term bills, corporate bonds, financial bond, and company stocks originally listed in its business license are included in this item) 5. Currency conversion 6. Cashing of banker's acceptance 7. Issuance of domestic L/C 8. Guarantee for corporate-bond issuance 9. Provision of domestic guarantee (guarantee business originally listed in the business license is included in the item) 10. Surrogate collection/payment 11. Underwriting securities (The undertaking of government bonds, treasury notes, corporate bonds, and corporate stocks originally listed in the business license is included in the item) 12. Custody and warehouse business 13. Lease of safe 14. Agency services related to the various businesses listed in the business license and approved by the regulator 15. Credit card (credit card and cash advance businesses originally listed in the businesses license is included in the item) 16. Trading in gold ingots, gold coins, and silver coins 17. Export/import forex, common outward and inward remittance, foreign-currency deposit, foreign-currency loan, and guarantee for secured foreign-currency payment 18. Derivatives approved by the regulator 19. Businesses permitted by Trust Industry 20. Dealer business in government bonds 21. Brokerage, dealing, certification, and underwriting of short-term bills
Taishin Bills Financial (Note1)	1998.01.19	10th fl., No. 118, Jenai Rd. Sec. 4, Taipei City	5,140,000	1. Certification and underwriting of short-term bills 2. Brokerage of and dealing in short-term bills 3. Guarantee and endorsement of short-term bills 4. Brokerage for inter-peer call loans 5. Corporate financial consulting 6. Brokerage of and dealing in government bonds 7. Certification and underwriting of financial bonds 8. Brokerage of and dealing in financial bonds 9. Brokerage of and dealing in corporate bonds 10.Derivatives approved by the regulator
Taishin Assets Management	2002.08.19	2nd-3 fl., No. 9, Dehui Street, Taipei City	1,345,000	Purchase, appraisal, auction of bad-debt claims of financial institutions

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Payeasy Digital Integration Co.,Ltd	2000.04.27	13th fl., No. 11, Zhongshan N. Road, Sec. 1, Taipei City	434,500	1. Investment consulting, 2. Management consulting, 3. Information software, 4. Information processing, 5. Provision of e-information, 6. Common advertisement service, 7. Other general retail, 8. Department store, 9. Brokerage, 10. Online certification, 11, wholesale of medical instrument, 12. Retail of medical instrument, 13. Storeless retail.
Taishin Insurance Agency	1996.09.19	3rd,fl., No. 44, Zhongshan N. Rd. Sec. 2, Taipei	3,000	Agency for personal insurance
Taishin Insurance Borkers	2002.07.24	3rd,fl., No. 44, Zhongshan N. Rd. Sec. 2, Taipei	60,000	Agency for property insurance
Dah An Leasing	1997.10.13	2nd-2 fl., No. 9, Dehui Street, Taipei City	200,000	1. Leasing 2. Wholesale for machinery equipment 3. Retail for machinery and apparatuses 4. Wholesale for precision equipment 5. Retail for precision equipment 6. Auto retail 7. Retail for ships and parts 8. Retail for aircrafts and parts.
Taishin Real Estate Management	1995.08.17	2nd fl., No. 9, Dehui Street, Taipei City	200,000	1.Construction management, 2. Residence and building development and lease, 3. Factory construction and lease, 4. Specific professional area development, 5. Investment and construction of public construction, 6. New town and new community development, 7. Area expropriation and urban land rezoning, 8. Urban renewal,9.realty transaction,10.realty lease, 11. Business investigation, 12. Other businesses not legally banned or restricted
Shin Jui Assets Management	2008.7.14	2nd-3 fl., No. 9, Dehui Street, Taipei City	1,000	Realty trading, realty leasing, factoring for the money-debt claims of financial institutions, and evaluation or auction of the money-debt claims of financial institutions.
PayEasy Travel Service	2005.06.06	13th-1 fl., No. 11, Zhongshan N. Road, Sec. 1, Taipei City	13,000	Travel service
Contect Digital Integration Co., Ltd	2008.12.29	12th fl., No. 11, Sec. 1, Zhongshan N. Road, Taipei City	7,300	1.Investment consulting; 2. Management consulting; 3. Information software service; 4. Information processing service; 5. Electronic information supply service; 6. Common advertisement service; 7. Internet certification service; 8. Department store; 9. Storeless retailing; 10. Other general retailing business; 11. Brokerage service.
CHB Life Insurance Agency	2001.6.28	6th fl., No. 57, Zhongshan N. Road, Taipei City	5,000	Agency for personal insurance
CHB Life Insurance Brokerage	2003.4.1	6th fl., No. 57, Zhongshan N. Road, Taipei City	5,000	Agency for property insurance
Chang Hwa Bank	1950.7.1	No. 38, Ziyou Road, Taichung City	62,094,756	Deposit/loan, guarantee, acceptance, Forex, bills dealing, and credit card

Note 1. Taishin Bills Finance already merged with Taishin International Bank on Jan. 22, 2011.
Note 2: Taishin Venture Capital obtained the approval of the regulator on March 31, 2011 to change its address to 18th fl., No. 118, Renai Road, Sec. 4, Daan District Taipei City.
Note 3: Xinrui Assets Management was approved to be closed down by shareholders' meeting and the last operating date was Sept. 21, 2010.

IX

Items with major effect on shareholders' benefits or securities prices in 2010 and as of the date for the publication of the annual report

XI. Items with major effect on shareholders' benefits or securities prices in 2010 and as of the date for the publication of the annual report

A. The company obtained 98.93% stake in Tung Hsing Securities after receiving the approval of the regulator for the investment on April 6, 2010 and subsequently renamed it Taishin Securities Co., Ltd.

B. On July 26, 2010, Taishin Investment Trust and Taishing 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.

C. On Jan. 22, 2011, subsidiary Taishin Bank took over Taishin Bills Finance.

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

Taishin Financial Holdings Co., Ltd. 2010 Annual Report

Taishin Holdings

118 Ren-ai Road, Section 4, Taipei Taiwan R.O.C.

Tel：886-2-2326-8888

http://www.taishinholdings.com.tw