

Taishin Holdings 2014 Annual Report

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Taishin Financial Holdings Co., Ltd.

2014 Annual Report



Taishin Holdings



I. Names, titles, phone numbers, and e-mail addresses of spokesman and acting Spokesman

Name of spokesman: Welch Lin
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Acting spokesman: Wilson Chou
Title: Senior Vice President
Tel: 886-2-5576-2568
E-mail address: spokesperson@taishinholdings.com.tw

II. Addresses and phone number of Taishin Financial Holding Company and subsidiaries

■ Taishin Financial Holding Co., Ltd.

Address: 9F, 12F, 13F, 16F, 20F~23F, No.118, Sec. 4, Ren-ai Rd., Da-an Dist., Taipei City 106, Taiwan (R.O.C.)
Tel: 886-2-2326-8888
Website: <http://www.taishinholdings.com.tw>

■ Taishin International Bank Co., Ltd.

Address: B1&1F, No.44, Sec. 2, Jhongshan N. Rd., Jhongshan Dist., Taipei City 104, Taiwan (R.O.C.)
Tel: 886-2-2568-3988
Website: <http://www.taishinbank.com.tw>

■ Taishin Securities Co., Ltd.

Address: 2F, No.44, Sec. 2, Jhongshan N. Rd., Jhongshan Dist., Taipei City 104, Taiwan (R.O.C.)
Tel: 886-2-2181-5888
Website: <http://www.tssco.com.tw>

■ Taishin Asset Management Co., Ltd.

Address: 2F-3, No.9, Dehui St., Jhongshan Dist., Taipei City 104, Taiwan (R.O.C.)
Tel: 886-2-2596-9388
Website: None.

■ Taishin Venture Capital Investment Co., Ltd.

Address: 18F, No.118, Sec. 4, Ren-ai Rd., Da-an Dist., Taipei City 106, Taiwan (R.O.C.)
Tel: 886-2-2706-6919
Website: None.

■ Taishin Securities Investment Trust Co., Ltd.

Address: 13F, No.96, Sec. 1, Jianguo N. Rd., Jhongshan Dist., Taipei City 104, Taiwan (R.O.C.)
Tel: 886-2-2501-1000
Website: <http://www.tsit.com.tw>

■ Taishin Securities Investment Advisory Co., Ltd.

Address: 16F, No.118, Sec. 4, Ren-ai Rd., Da-an Dist., Taipei City 106, Taiwan (R.O.C.)
Tel: 886-2-5589-9558
Website: <http://www.tss-c.com.tw>

■ Taishin Holdings Insurance Brokers Co., Ltd.

Address: 11F, No.44, Sec. 2, Jhongshan N. Rd., Jhongshan Dist., Taipei City 104, Taiwan (R.O.C.)
Tel: 886-2-2562-1867
Website: <http://www.thib.tw>

III. Name, address, website, and phone number of the institution for handling stock register

Name: Stock Affairs Agency Department of Taishin International commercial Bank
Address: B1, No. 96, Sec. 1, Jianguo N. Rd., Jhongshan Dist., Taipei city.
Website: <http://www.taishinbank.com.tw>
Tel: 886-2-2504-8125

IV. Names, addresses, and phone numbers of credit rating institutions

Name: Fitch Ratings
Address: 13F, No.205, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)
Website: <http://www.fitchratings.com.tw>
Tel: 886-2-8175-7600

Name: Taiwan Ratings
Address: 49F, Taipei 101 Tower, No.7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)
Website: <http://www.taiwanratings.com>
Tel: 886-2-8722-5800

V. Name, address, website, and phone number of certified public accountant and accounting firm for the financial statement in the recent year

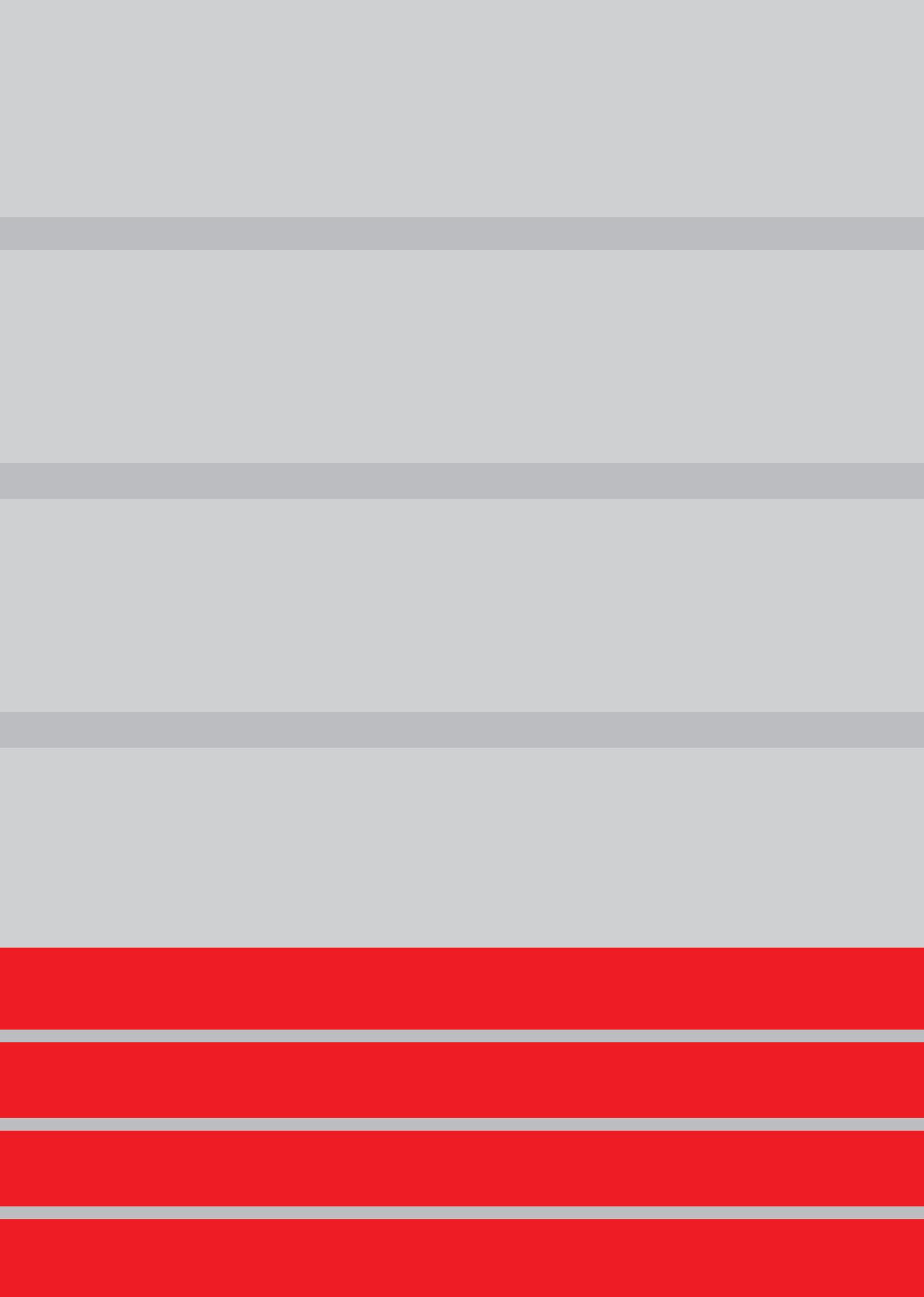
CPAs: Qinzhen Yang , Jerry Gung
Name of accounting firm: Deloitte & Touche Tax Consulting Co., Ltd.
Address: 12F, No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)
Website: <http://www.deloitte.com.tw>
Tel: 886-2-2545-9988

VI. Names of Exchanges Where Overseas Securities Are Listed and Methods of Inquiry: None.



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Message to Shareholders



01



I. Message to Shareholders

Dear shareholders,

The global economy as a whole exhibited mild recovery in 2014, despite significant diversity in the performances of major economies. The U.S. economy expanded by 2.4%, achieving its highest growth in nearly four years; the Eurozone, though undergoing recovery, posted a growth rate of only 0.8% due to structural problems and uneven competitiveness among EU members. The increase of consumption tax in Japan has had a direct impact on private consumption; although the country was able to avoid a recession by the 4th quarter, economic growth for the full year was marginal at 0.1%. China has posted a full-year growth of 7.4%, the lowest in 24 years. In light of the reforms and structural changes that the nation is going through, this slowdown should endure over the next few years.

Mass production of shale gas in the United States led to a series of price cuts from OPEC; furthermore, the dwindling demands for oil had caused oil prices to fall since the second half of the year, which significantly reduced global inflationary pressures. In an attempt to stabilize prices and avoid deflation, Europe and Japan had both stepped up their expansionary monetary policies, causing a major shift of capital that created more volatility to the financial market. As of today, more than 20 countries have reduced interest rates and joined the race in currency depreciation. Businesses will have to adapt to lower margins as the world enters the age of “New Mediocre” characterized by low interest rate, low growth and low inflation.

Taiwan’s economic performance is largely determined by the rest of the world. Although Europe, China and Japan had achieved lower than expected growth, growth in the U.S. had driven Taiwan’s export volume to a new height of US\$313.8 billion for the whole year. Meanwhile, sales of Trade and Food Service held steady and contributed to a total business revenue of NT\$14 trillion, which also set a new record. Driven by domestic and foreign demand, Taiwan achieved an economic growth of 3.74% in 2014, outperforming Korea, Hong Kong and Singapore for the first time since 1999. The stock market performed well, with the weighted average index closing at 9,307 at the end of 2014, up 8.1% from the previous year and set a new year-end record (the previous high was 9,624 in 1989). Apart from improved fundamentals, this performance was also contributed by the policies of Financial Supervisory Commission and an inflow of foreign capital.

With more competitive in global financial markets and further cross-strait banking deregulation underway, the Financial Supervisory Commission (FSC) has opened the banking industry to more offshore opportunities including OBU (offshore banking unit), OSU (offshore securities unit) and OIU (offshore insurance unit), and promote financial services and products import substitution that contributed to the growth of profitability in the local banking industry. In 2014, local banks as a whole produced cumulative pre-tax earnings of MT\$320.1 billion, ROA of 0.79%, and ROE of 11.65% while maintaining NPL ratio at 0.25% and coverage ratio at 516.4%; all the aforementioned metrics have shown improvement from the year before. In response to FSC’s ambition of building Taiwan’s stature as an Asia Pacific banking hub, local banks have been actively venturing into overseas market including China, and searching for merger opportunities as a quick means to grow.

A one-time loss of \$14.8 billion was recognized during the year following the company’s loss of control over Chang Hwa Bank. In 2014, consolidated after-tax profit amounted to NT\$9.648 billion, of which NT\$1.624 billion were attributable to shareholders of Taishin Financial Holdings. This represented an EPS of NT\$0.08, an ROE of 0.73%, and net worth per ordinary share of NT\$11.21. If the one-time loss was excluded, the company would have delivered record-high performance with consolidated after-tax profit amounting to NT\$24.423 billion, of which NT\$16.374 billion were

attributable to shareholders of Taishin Financial Holdings; this would have represented a growth of 18.7% and 18.3%, respectively, an EPS of NT\$1.78, an ROE of 14.74%, and net worth per share of NT\$12.89.

In November 2014, Fitch Ratings gave the company a long-term credit rating of A+(twn) and a short-term credit rating of F1(twn), while Taiwan Ratings Corp. gave the company a long-term rating of “twA “ and a short-term rating of “twA-1;” both rating agencies had concluded a “Stable” outlook for the company.

In terms of capital structure, the company was able to maintain its capital adequacy ratio at a healthy 122.70%, and reduce debt ratio from 23.4% at the end of 2013 to 21.5% at the end of 2014.

With regards to international banking businesses, the company has established one financial leasing company in Nanjing and one in Tianjin to provide leasing, trade and insurance agency services. Once the Cross-Strait Service Trade Agreement takes effect, the company will accelerate its branch and subsidiary deployments in Mainland China. Following its success with the Hong Kong Branch, Taishin Bank had opened its second overseas branch in June 2014 at one of the world’s most prominent financial hubs - Singapore. Meanwhile, the Brisbane, Tokyo and Myanmar Branches are currently in the midst of preparation, and an application for opening a Vietnam Branch is scheduled to be submitted in 2015. In the future, the company will continue to expand its overseas presence, offering more comprehensive and higher quality services to customers.

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

Retail Banking Group

As at the end of 2014, the size of Taishin Bank’s mortgage portfolio stood at NT\$346.7 billion, representing a 5.7% market share; its auto loan balance amounted to NT\$30.9 billion, ranking first in the market with a share of 26.5%; it had 3.5 million credit cards outstanding, ranking 4th with a 9.4% market share; total credit card purchases amounted to NT\$175.5 billion for the year, ranking 5th with an 8.5% market share; lastly, Taishin Bank had 74,000 credit card merchants nationwide, ranking 2nd with a 20.7% market share.

Payment services: This year marks the 20th anniversary of the Rose Card. For 20 years, Taishin Bank has continuously brought new values into the classic brand through innovative marketing; and now, Taishin Bank has targeted the consumption needs of general customers by launching an iPass co-brand card in partnership with Shinkong Mitsukoshi - Taiwan’s largest departmental store chain, and TKEC - a local retailer of tourism, telecommunication, and dining services. This all-in-one card gives customers exceptional value in transportation as well as entertainment. An Ever Rich Infinite Card was also introduced to offer values to premium customers who enjoy overseas travel and boutique shopping. To provide consumers with more convenient means of paying for online purchases, Taishin Bank has been working with Mastercard in launching the MasterPass service that enables Taishin customers to make online payments easily, conveniently and securely at 40,000 merchants in 21 countries worldwide. Taishin Bank is applying its creativity to the Internet online market in the meantime. The bank has partnered with two more payment institutions - “Neweb” and “Pay2go” in 2014 following its success with “PChomePay” and “AllPay” last year. Today, Taishin is the only bank that is concurrently working with all four major third-party payment institutions; it has reached a new milestone in terms of payment services, and is well-positioned to offer win-win solutions to consumers, sellers, payment institutions and acquiring banks.

Mobile banking: After being awarded “Excellence in Mobile Banking” by Retail Banker International in early 2014, the bank was later credited as the “Best Mobile Banking Platform” by MILSTE in November 2014.



Wealth management: Taishin Bank was named “Highly Commended Outstanding Private Bank Asia Pacific Regional Players” by Private Banker International (PBI) in October 2014, making it the only Taiwanese financial institution to receive this honor. On its latest innovation, Taishin Bank offers a wealth management solution that accommodates businesses and their owners, as well as a family membership scheme. This new solution aims to provide customers with the most suitable asset allocation through a number of services such as product customization, overseas asset planning, tax planning, and health checkups. It also involves the launch of a next-generation financial management system that delivers asset planning solutions with greater objectivity and professionalism. This one-stop shopping experience is what earned the bank its recognition from customers and professional institutions local and abroad.

Securities brokerage (Taishin Securities): The company will continue working closely with Taishin Bank to provide more comprehensive services to individual and corporate customers. It is also committed to refining the ease and convenience of its electronic platforms, in order to satisfy customer demand for easier and quicker e-trades. In 2014, Taishin Securities was able to grow the market share of its brokerage business by 56.5% and margin trade balance by 63.3% over the previous year. It continues to work towards becoming the market’s leading brand.

Wholesale Banking Group

Corporate lending: Loans to state-owned and private institutions totaled NT\$206.2 billion at the end of 2014, which ranked 14th among the 39 local banks and represented a 15.1% growth over the previous year, compared to the peer average growth of merely 3%. As a result of its support to the government’s SME credit extension policy and successes achieved in expanding its customer base, Taishin Bank’s lending to SMEs had grown by 28.9% to NT\$90.8 billion by the end of 2014, which far exceeded the peer average growth of merely 8.5%.

Other wholesale banking services: Taishin Bank continued to lead the market in factoring services, with volume totaling NT\$234.5 billion in 2014; financial derivatives amounted to US\$111.1 billion in terms of nominal terms, ranking third among market peers; lastly, Taishin Bank provided share administration services to a total of 192 companies traded on TSEC, GTSM and the Emerging Stock Market, ranking 4th among market peers.

In terms of new services, the offshore banking unit (OBU) opened foreign currency services over the Internet in September 2014, which enabled OBU customers to remit funds, issue LCs, and request for export/import collection in a timelier manner using Internet banking. Furthermore, Taishin Bank was licensed to underwrite international bonds by the Central Bank towards the end of September 2014; following the bank’s success underwriting its first international bond in November 2014, more efforts will be devoted to underwriting international bonds for foreign issuers.

Securities underwriting (Taishin Securities): Taishin Securities spearheaded 14 securities underwriting cases in 2014, ranking fourth in the market.

Asia has become the focus of global capitalism following the emergence of the Chinese economy. The Bank 3.0 initiative and various other policies introduced by the government at this critical juncture may help to guide banks into the next phase of transformation; they may also encourage deployment of branches throughout Asia as part of the banks’ effort to become regional banking institutions. Meanwhile, introduction of the “financial services and products import substitution” solution improves banks’ ability with regards to investment management and innovation; whereas availability of OBU, OSU and OIU helps establish Taiwan’s position as the financial hub in Asia Pacific. Lastly, the latest deregulations targeted at mobile Internet users will open up more opportunities for banks to deliver services online.

Going forward, the company will take advantage of ongoing deregulation to expand its business scope while committing to stringent risk management. We will research on and develop new financial products and establish a presence

throughout Asia to provide customers with a transnational banking experience. In the retail banking segment, the company will leverage on the latest Internet and mobile technologies to develop payment solutions and collaborate with third party payment institutions. In addition, the bank will continue exploring opportunities to co-operate with overseas and Chinese counterparts, while incorporating risk management into our operating platforms to minimize credit and operational risk as we provide our customers with optimal service quality and efficiency.

Every Taishin employee has long dedicated themselves to delivering the best banking services with “integrity, commitment, innovation and cooperation” in mind. Even in the pursuit of profitability, we have been able to demonstrate the innovation and customer-centric values that have helped shape Taiwan’s banking industry as a whole. Looking ahead, Taishin will continue to adhere to this mission and adopt a visionary approach to build up its competitiveness as a regional financial institution in Asia, while striving to deliver comprehensive services and maximizing profits to benefit customers, shareholders and employees alike.

Chairman
Taishin Financial Holding
April 2015





**Brief Introduction to the
Financial Holding Company**

02

II. Brief Introduction to the Financial Holding Company

A. Date of establishment

Feb. 18, 2002

B. Origin of the financial holding firm

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

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

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

On Oct. 3, 2005, the company obtained 22.5% controlling stake in Chang Hwa Bank at cost of NT\$36.5 billion before reshuffling the latter's board of directors and making the bank its subsidiary. The move boosted the company's total assets to NT\$2.35 trillion, the second largest among domestic financial holding 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 by private placement, strengthening the company's capital structure and boosting its capital adequacy ratio.

On March 18, 2009, the company's subsidiary Taishin Securities acquired a 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 efforts to seek the maximum synergy effect under the principle of "client first," in the hope of creating a win-win outcome for shareholders and clients.



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

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

On July 26, 2010, Taishin Investment Trust and Taishin Securities Investment Advisory were put into the fold of the financial holding company again, becoming its subsidiaries. On Dec.18, in the same year, 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 costs, effectively integrate the financial holding company's internal resources, and create high yield, making the company a financial holding company centering on a quality bank.

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

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

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

The opening of Taishin Bank's Singapore Branch on June 24, 2014 was not only a new milestone in Taishin group's overseas expansion, but also serves as an important gateway to the regional and global economy. The branch will be working closely with Singapore and Southeast Asian banks to actively participate in syndicated lending. It will also develop other banking services such as bilateral lending, trade financing, accounts receivable financing etc, and offer customers a broad range of wealth management solutions involving mutual funds and bond investments. The branch's future customer focus will be in China and Southeast Asia.

Honors of the Company-

- 2014.12 [Taishin Holdings] was awarded the Excellence in Management and Corporate Governance Award - Gold Award, by The Asset
- 2014.12 [Taishin Bank] was named by The Asset as Best in Financial Services – Retail Banking
- 2014.11 [Taishin Holdings] was awarded the Taiwan Top 50 Corporate Sustainability Report Awards – Financial Industry - Silver Award by Taiwan Institute for Sustainable Energy
- 2014.11 [Taishin Bank] was nominated by Taiwan Academy of Banking and Finance for the Taiwan Banking and Finance Best Practice Award- Best Human Resources Development Award
- 2014.11 [Taishin Bank] was awarded the Best Mobile Banking Platform – Taiwan by MILSTE
- 2014.10 [Taishin Bank] was named Highly Commended Outstanding Private Bank - Asia Pacific Regional Players, by Private Banker International (PBI)

- 2014.09 [Taishin Bank] was named one of the “Outstanding Banks in Credit Guarantee Financing” by the Ministry of Economic Affairs
- 2014.09 [Taishin Bank] was awarded Affinity/Co-Branded Card Programme of the Year by Cards & Electric Payments International
- 2014.09 [Taishin Bank] was awarded Card Benefits Programme of the Year by Cards & Electric Payments International
- 2014.07 [Taishin Bank] received the Best Product Award from Business Today
- 2014.07 [Taishin Bank] was named “Domestic Retail Bank of the Year - Taiwan” by Asian Banking & Finance
- 2014.07 [Taishin Bank] was awarded “Online Banking Initiative of the Year - Taiwan” by Asian Banking & Finance
- 2014.07 [Taishin Bank] was awarded “Website of the Year – Taiwan” by Asian Banking & Finance
- 2014.06 [Taishin Bank] was awarded “Best Loyalty Programme” in Taiwan by Asian Banker
- 2014.06 [Taishin Bank] was awarded “Best Customer Relationship Management” in Taiwan by Asian Banker
- 2014.06 [Taishin Bank] was awarded “Best Cloud Based Project” in Taiwan by Asian Banker
- 2014.05 [Taishin Bank] was named Best Private Bank in Taiwan by PBI
- 2014.04 [Taishin Bank] was awarded Best Mortgage and Home Loans Product Initiative by Asian Banker
- 2014.03 [Taishin Bank] was ranked by Finance Asia amongst the “Best Managed Companies” (10) in Taiwan
- 2014.03 [Taishin Bank] was ranked by Finance Asia amongst the “Best Corporate Governance” (10) in Taiwan
- 2014.03 [Taishin Bank] was ranked by Finance Asia amongst the “Best Corporate Social Responsibility” (9) in Taiwan
- 2014.03 [Taishin Bank] was awarded “Excellence in Mobile Banking” by RBI (Retail Banker International)
- 2014.02 [Taishin Holdings] was named Best Private Banking for Innovation in Asia by IAIR Awards
- 2014.02 [Taishin Bank] was recognized by The Asset as one of the winning companies in Best LBO/Best Privatization
- 2014.01 [Taishin Bank] was recognized by Finance Asia as one of the winning companies in Best Leveraged Loan



Corporate Governance



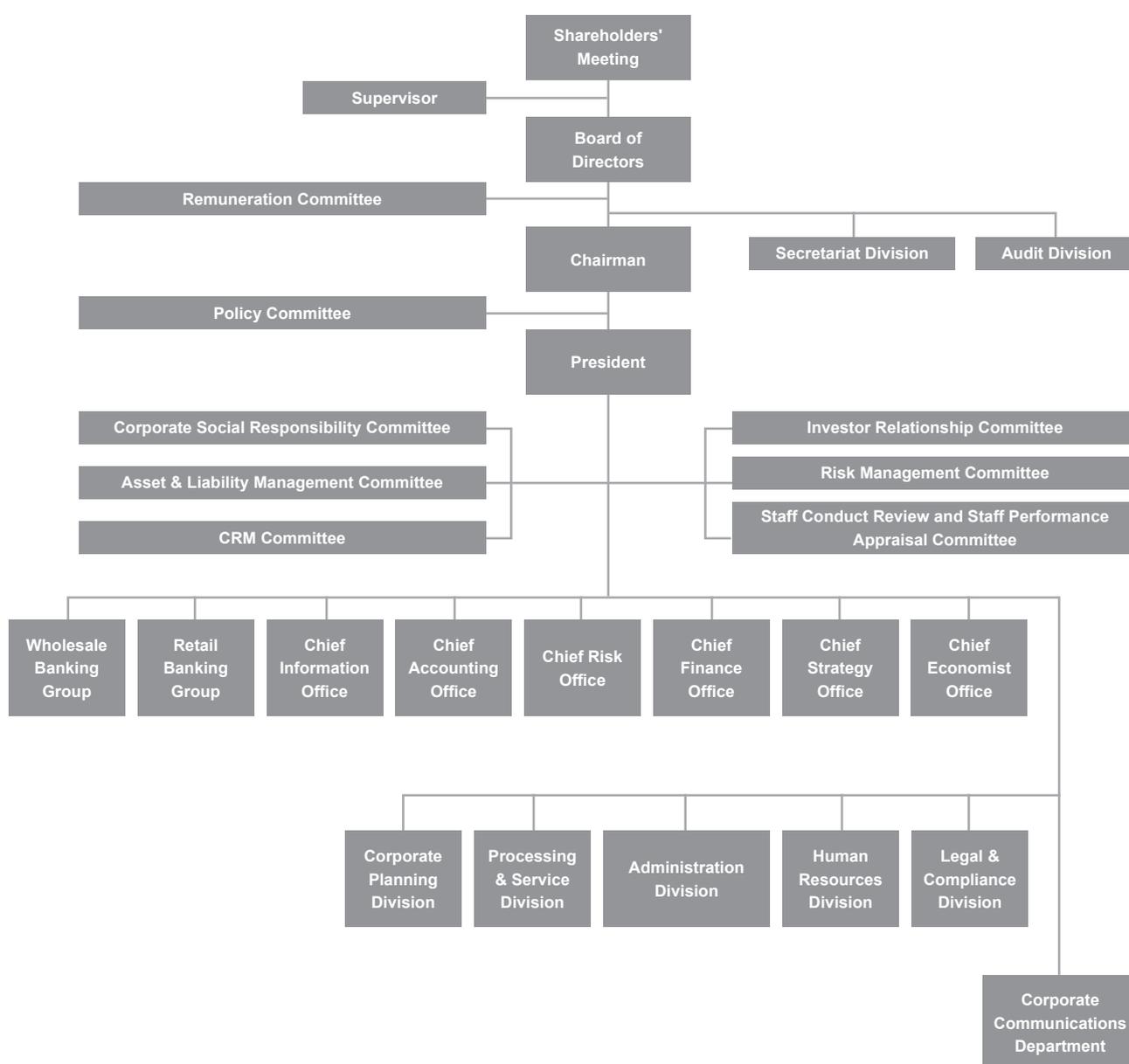
03

III. Corporate Governance

A. The organization of the financial holding firm

a. Organization chart

Base date: March 1, 2015





1. Responsibilities of major units

(1) Chief Economist Office

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

(2) Wholesale Banking Group

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

(3) Retail Banking Group

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

(4) Chief Strategy Office

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

(5) Chief Finance Office

- Planning and management of the bank's liquidity risk and bankbook interest risk , as well as supervision and evaluation of subsidiaries.
- Planning and management of the structural deployment of assets and liabilities and the deployment of fund utilization ◦
- Planning, implementation, and management of asset-based securities business , as well as supervision and evaluation of subsidiaries.
- Implementation of credit ranking , and assistance for subsidiaries to undertake credit rating.
- Planning, execution, and management of the company's non-strategic long-term investment; execution and management of strategic long-term investment; and supervision and evaluation of subsidiaries.

- Planning and management of short-term securities and mutual-fund investment business of subsidiaries and collection and analysis of dynamic information of short-term securities market.
 - Analysis and management of the operation, performance, and risk of subsidiaries' investment-type products, decision making for investment-type products, and study of the regulator's related regulations.
 - Communications, contact, and the setup of long-term relationship with institutional investors.
- (6) Chief Risk Office
- Planning and management of the management mechanism for credit risk, market risk, and operating risk.
 - Disclosure of the risk-management execution and risk-exposure position.
 - Planning and establishment of integrated risk-management platform.
- (7) Chief Accounting Office
- Performance management:
 - In charge of the compilation of the annual budget of the financial holding firm and the planning and management of annual business goals.
 - Analysis and evaluation of the performance in achieving budget and business goal (balanced scorecard).
 - Evaluation of the efficacy of marketing program and compensation system.
 - Planning and management of, as well as report compilation for, the management information system (MIS) of the financial holding company.
 - Design and evaluation of the internal pricing system of the management information system (MIS) of the financial holding company.
 - Accounting management:
 - In charge of the planning and management of the accounting policy of the financial holding company.
 - Research of and consulting for various financial issues.
 - Testing and evaluation of assets reduction.
 - Compilation, analysis, and reporting of the financial information of the financial holding company.
 - Handling of the accounting operation of the financial holding company.
- (8) Chief Information Office
- Formulation of information policy.
 - Application, integration, and proposal of new information technologies.
 - Evaluation of major information investments.
- (9) Human Resources Division
- Formulation, revision, organizational planning, and publication of the financial holding company's human-resources regulations and policy.
 - Management of personnel recruitment, appointment, and performance evaluation.
 - Employee compensations and welfare; the design, execution, and management of the communications channel with employees.
 - Research, planning, revision, compilation, and execution of staff-training courses and materials.
 - Formulation, execution, and management of human resources-related contracts and documents of the company and subsidiaries.
- (10) Administration Division
- Drafting, formulation, and execution of the regulations and system of the company's administrative and general affairs.
 - Acceptance and sending of official documents.
 - Evaluation and execution of the company's major general affairs, construction/improvement and procurement.
 - Formulation, execution, and management of external contracts and documents of the company's administrative affairs.



- Assistance for subsidiaries in the planning and management of administrative services.

(11) Legal Division

- Policy making:
 - Assists the company and its subsidiaries in devising, formulating and implementing policies in line with laws.
 - Offers consultation on legal affairs concerning the company and its subsidiaries.
 - Assists in reviewing and supervising various contracts and correspondences used by the company and its subsidiaries.
- Regulatory compliance:
 - 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.

(12) Processing & Service Division

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

(13) 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.
- Plans, manages, executes and analyzes balanced scorecards used by the company and subsidiaries.
- Coordinates and supervises corporate governance practices across the company and subsidiaries.

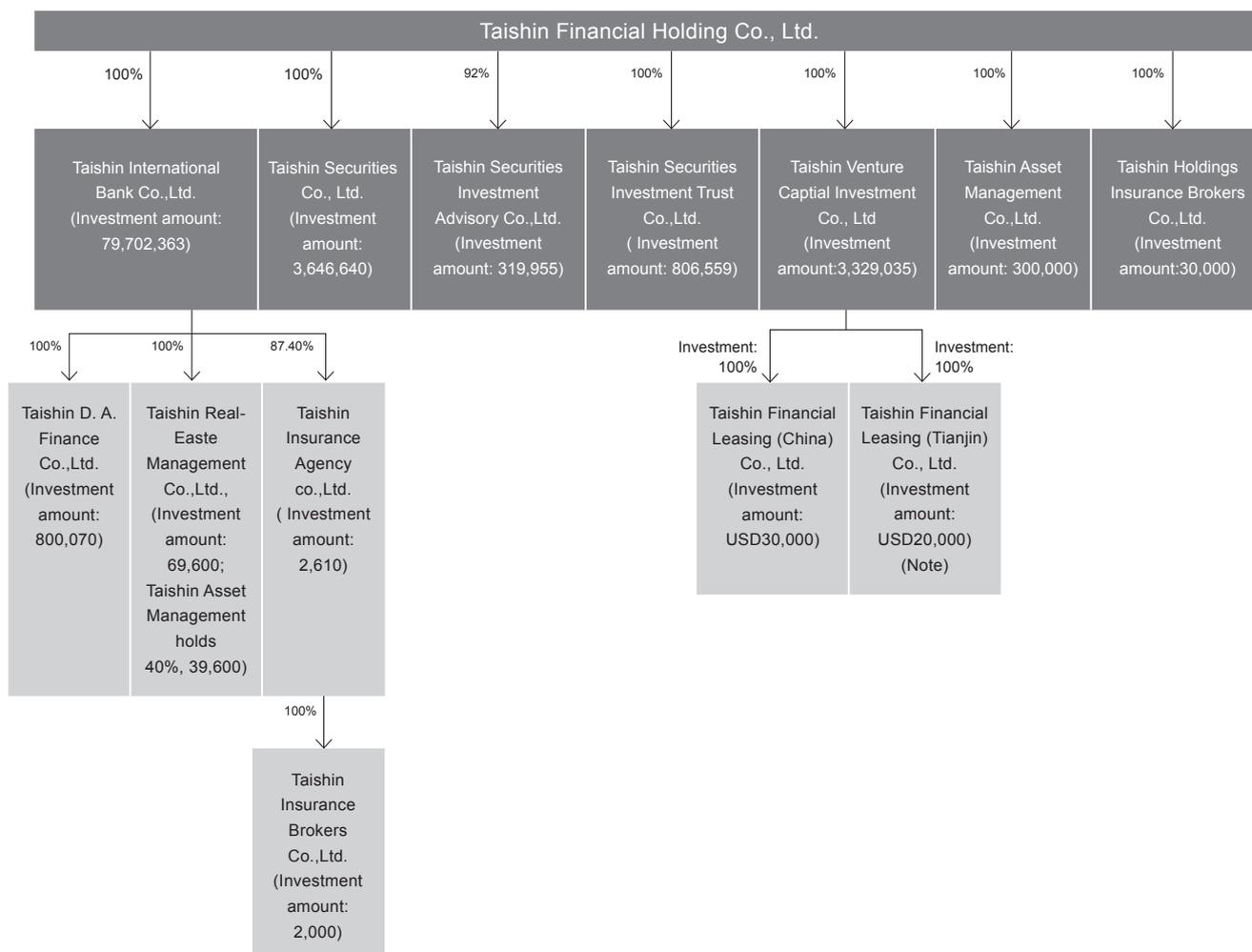
(14) Corporate Communications Department

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

2. Affiliated Companies

The Organizational Chart of Taishin Financial Holding and Its Affiliates

Base date: Dec.31, 2014; Unit: NT \$1,000



Note : Taishin Finance & Leasing (Tianjin) Co., Ltd. had completed a US\$10,000 cash issue in January 2015 that increased its share capital to US\$30,000.



B. Data of directors, supervisors, president, senior vice presidents and Department Heads

a. Data of directors and supervisors

Title	Country or place of registration	Name	Date of getting elected	Term	Date of first getting elected	Shareholding upon election		Current shareholding	
						Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)
Chairman	R.O.C.	Bo-Rui Co., Ltd. Representative: Thomas T.L. Wu	2013.06.21 (2013.07.01)	Three years	2001.12.07	52,166,888	0.68	65,484,603	0.68
Director	R.O.C.	Tong Shan Investment Co., Ltd. Representative: Jui-Sung Kuo	2013.06.21 (2013.07.01)	Three years	2001.12.07	89,164,688	1.17	111,927,594	1.17
Director	R.O.C.	Tai-Ho Investment Co., Ltd. Representative: Cheng-Ching Wu	2013.06.21 (2013.07.01)	Three years	2004.12.07	36,195,534	0.48	45,435,913	0.47
Director	R.O.C.	Hsiang-Chao Co., Ltd. Representative: Jeffrey T.S. Wu	2013.06.21 (2013.07.01)	Three years	2007.06.15	6,105,962	0.08	7,664,755	0.08
Director	R.O.C.	Santo Arden Co., Ltd., Representative: Chu-Chan Wang	2013.06.21 (2013.07.01)	Three years	2013.06.21	1,000	0.00	2,889,185	0.03
Director	R.O.C.	Bo-Rui Co., Ltd. Representative: Thomas K.H. Wu	2013.06.21 (2013.07.01)	Three years	2001.12.07	52,166,888	0.68	65,484,603	0.68
Director	R.O.C.	Hsiang-Chao Co., Ltd. Representative: Steve S.F. Shieh	2013.06.21 (2013.07.01)	Three years	2007.06.15	6,105,962	0.08	7,664,755	0.08
Independent Director	R.O.C.	Chih-Kang Wang	2013.06.21 (2013.07.01)	Three years	2007.06.15	0	0.00	0	0.00
Independent Director	R.O.C.	Neng-Pai Lin	2013.06.21 (2013.07.01)	Three years	2007.06.15	0	0.00	0	0.00
Standing Supervisor	R.O.C.	Chishung Co., Ltd. Representative: Jimmy Y.T. Tsay	2013.06.21 (2013.07.01)	Three years	2013.06.21	1,000	0.00	251,056	0.00
Supervisor	R.O.C.	Taishin International Investment & Development Co., Ltd. Representative: Long-Su Lin	2013.06.21 (2013.07.01)	Three years	2007.06.15	34,586,248	0.45	43,415,791	0.45
Supervisor	R.O.C.	Royal International Co., Ltd. Representative: Henry C.S.Kao	2013.06.21 (2013.07.01)	Three years	2004.12.07	5,538,958	0.07	6,429,082	0.07

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

Base date: Feb. 28, 2015

Stake of spouse and offspring before age of majority		Shareholding in the name of others		Education and working experience	Current jobs with the bank and other companies	Spouse or relatives within second-degree kinship who serve managerial posts or seats of board directors/ supervisors of the company		
Amount of shares	Share of stake	Amount of shares	Share of stake (%)			Title	Name	Relationship
0	0.00	0	0.00	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
0	0.00	0	0.00	Director, International Bank of Taipei, Professor, Department of Information Science, Business School, Soochow University, Ph.D. in Physics, New Hampshire University	Note 2	Chairman Supervisor	Thomas T.L. Wu Long-Su Lin	Brother-in-law Brother-in-law
0	0.00	0	0.00	Manging Director of Chang Hwa Commercial Bank, Chairman of TASCOS, Chemical Ph.D. in Engineering, Tokyo University	Note 3	None	None	None
0	0.00	0	0.00	Chairman of Taishin Asset Management, Supervisor of TECO Image System Co., Ltd., Department of Accounting and Statistics, National Chengchi University	Note 4	None	None	None
0	0.00	0	0.00	Standing Supervisor, Taishin Financial Holdings, Taishin Bank, Director and Supervisor of The Great Taipei Gas Co., Pharmaceutical department, Kaohsiung Medical College	Note 5	None	None	None
0	0.00	0	0.00	President, Taiwan Stock Exchange Corporation Chairman, Chairman of Taishin Securities, MBA, National ChengChi University	Note 6	None	None	None
0	0.00	0	0.00	President, Taishin Financial Holdings, Taishin Bank Accounting Department, National Cheng Kung University	Note 7	None	None	None
0	0.00	0	0.00	Minister of Ministry of Economic Affairs, Chairman of Taiwan External Trade Development Council, Ph.D. in Marketing, Texas A&M University	Note 8	None	None	None
0	0.00	0	0.00	Chairman, Taiwan Power Co. Dean, College of Management at National Taiwan University Ph.D. in Business, Ohio State University	Note 9	None	None	None
0	0.00	0	0.00	Standing Director, Bank of Taiwan Director, Graduate School of Accounting, National Taiwan University, Ph.D. in Business Management and Commerce, U. of Maryland	Note 10	None	None	None
0	0.00	0	0.00	Director, Taishin Financial Holding, 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
0	0.00	0	0.00	Standing Supervisor of Chang Hwa Commercial Bank, Chairman of I-Mei Food Co., Ltd. University of San Francisco, USA, Master of Public Administration	Note12	None	None	None

Note 2 : 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 Cheng Xin Development, Director of Century Development, Director of Shin-Hai Gas Co., Ltd., Director of Xing An Enterprise, Supervisor of Taiwan Shin Kong Security, Supervisor of SerComm, Supervisor of Chun-Hsiang Enterprise Consultants.

Note 3 : Representative Cheng-Ching Wu, is concurrently acting as Chairman of TASCOS Chemical, Chairman of EXCEL Chemical, Chairman of Ming-Xing Chemical, Chairman of Tuntex Petrochemical Inc., Chairman of SAFEWAY GAS Co., Chairman of Ho-Shin Co., Chairman of Chang-Fong Transportation, Chairman of TNS Logistics International Corp, Director of Chang Hwa Commercial Bank, Director of China Investment & Development, Director of CIDC Consultants, Director of Shun-Li-Tong Transportation.



- Note 4 : Representative Jeffrey T.S. Wu, is concurrently acting as Chairman of Taishin Venture capital, Chairman of Taishin Asset Management Co., Ltd., Chairman of Taishin Real-Estate Management Co., Ltd., Director of Taishin International Bank Co., Ltd., Director of An-Tung Asset Development Management Co., Ltd, Director of Taiwan Hotforg Co., Ltd, Supervisor of Taishin Securities Co., Ltd., Supervisor of Taishin Insurance Agency Co., Ltd., Supervisor of Taishin Insurance Brokers Co., Ltd., Supervisor of Tung-Yu Technology Co., Ltd.
- Note 5 : Representative Chu-Chan Wang, is concurrently acting as Chairman of Pan City Co., Chairman of Hsien-Shun Enterprise, Chairman of Santo Arden Co., Director of Taishin International Bank, Supervisor of Tai-Wa Co.and The Great Taipei Gas Co.
- Note 6 : Representative Thomas K.H. Wu, is concurrently acting as Chairman of Taishin Investment Advisory Co., Ltd.
- Note 7 : Representative Steve S.F. Shieh, is concurrently acting as Director of Taishin Holdings Insurance Brokers, Director of Taishin Insurance Agency, Director of Taishin D.A Finance Leasing Co., Director of PayEasy Travel Service.
- Note 8 : Chih-Kang Wang, is concurrently acting as Chairman of CTBC Investment, Chairman of The Shiner Education Foundation, Independent Director of Taishin Bank, Standing/Independent Director of Nan Ya Plastics, Independent Director of Formosa Sumco Technology.
- Note 9 : Neng-Pai Lin, is concurrently acting as Independent Director of Taishin Bank, Independent Director of Darfon Electronics, Director of TECO Image Systems.
- Note 10 : Representative Jimmy Y.T. Tsay is concurrently acting as Independent Director of E-Ton Solar Technology Corp., Independent Director of OBI Pharma, Inc., Standing supervisor of Taishin Bank, Supervisor of Shin Zu Shing Co.,Ltd., Supervisor of Coremax Corporation.
- Note 11 : Representative Long-Su Lin, is concurrently acting as Chairman of MITAC Construction and Development, Chairman of Chun-Ying Interior Design, Director of Nica-Orient Development, Director of Virgin Enterprise, Director of Gyu-Kaku, Director of International Advanced Music, Director of Music Duck, Chairman of Ennead Inc., Chairman of Ennead Leasing, Supervisor of Taishin Bank.
- Note 12 : Representative Henry C.S.Kao is concurrently the Chairman of Royal International Co., Ltd., Chairman of I-Mei Foods, Chairman of I-Mei Co., Ltd., Chairman of Fu May Co., Ltd., Chairman of Chi-tun Inc., Chairman of Golden Saddle Machinery, Chairman of Xiong May Food, Chairman of I-Mei Organic Food, Chairman of An-Sin Real Estate Management, Chairman of Motif Management, Chairman of Tai-Yue Technical Advising, Chairman of Ray Ten Asset Management, Chairman of Devel Dessert, Chairman of Mu-Kong Biotech, Chairman of San Ho May Enterprise, Chairman of Chi Yue Investment, Chairman of Yu Ching Investment, Director of Kun Chi Venture Capital, Director of Pizzavest, Director of An-Sin Real Estate Management, Supervisor of Formosa International Hotel, Supervisor of Van Den Invest, Supervisor of I-Mei Dairy, and Supervisor of Shang Ho Hsing Enterprise.

1. Major shareholders of institutional shareholders

Base date: Feb. 28, 2015

Names of Institutional shareholders	Major shareholders of institutional shareholders
Bo-Rui Co., Ltd.	Ching-Wei Co., Ltd. 51.92%, Hsi-Wei Wu 24.04%, Hsi-Hao Wu 24.04%
Tong Shan Investment Co., Ltd.	Ruey-Shin Enterprise Co., Ltd. 78.75%, Guei-Lan Wu 3.125%, Eugene Wu 3.125%, Anthony Wu 3.125%, Thomas T.L. Wu 3.125%, Hsien Hsien Hsu 2.50%, Ruo-Nan Sun 2.50%, Hsin Hua Ho 1.875%, Eric Wu 1.875%
Tai-Ho Investment Co., Ltd.	Wu Shang-Bin 26.09%, Fong-He Development Co.,Ltd. 19.96%, He-Cheng Invest Co.,Ltd.18.15%, Da-Jan Development Invest Co.,Ltd.18.00%, Su-Yue Yang 7.02%, Wu Pei-Jyuan 5.06%, Fong-He Invest Co.,Ltd. 2.50%, He-Fong Invest Co.,Ltd. 2.50%, Wu Pei-Rong 0.72%
Hsiang-Chao Co., Ltd.	Bo-Rui Co., Ltd.100.00%
Santo Arden Co., Ltd.	Chu-Chan Wang 34.03%, Li-Wan Chang 25.53%, Wei-Ren Wang 20.22%, Wei-Hao Wang 20.22%
Chishung Co., Ltd.	(BVI) Chishung Co., Ltd.100.00%
Taishin International Investment & Development Co., Ltd.	Taishin Leasing & Financing Co., Ltd.100.00%
Royal International Co., Ltd.	Henry C.S. Kao 68.41%, Fu-Mei Co., Ltd. 24.77%, Ruei-Yun Ou 6.82%

2. Major shareholders of major institutional shareholders

Base date: Feb. 28, 2015

Names of major Institutional Shareholders	Major shareholders of major institutional shareholders
Ching-Wei Co., Ltd.	Thomas T.L.Wu 96.58% , Peng ,Hsueh-Fen 3.42%
Ruey-Shin Enterprise Co., Ltd.	Chin Shan Investment Co., Ltd. 20.83%, Kuei-Yuan Investment Co., Ltd. 20.83%, Eugene Wu 16.67%, Thomas T.L. Wu 13.28%, Anthony Wu 13.02%, Eric Wu 12.24%, Hsien Hsien Hsu 1.04%, Ruo-Nan Sun 1.04%, Hsin Hua Ho 1.04%
Fong-He Development Co., Ltd.	Su-Yue Yang 21.15%, Tai-He Enterprise Invest Co.Ltd., 19.86%, He-Cheng Invest Co., Ltd. 19.72%, Wu Shang-Bin 17.31%, Wu Pei-Jyuan 17.31%, Wu Pei-Rong 4.65%
He-Cheng Invest Co., Ltd.	Su-Yue Yang 30.20%, Wu Shang-Bin 30.20%, Wu Pei-Jyuan 18.90%, Wu Pei-Rong 18.90%, Fong-He Development Co., Ltd. 1.80%

Names of major Institutional Shareholders	Major shareholders of major institutional shareholders
Da-Jan Investment Development Co., Ltd.	He-Cheng Invest Co., Ltd. 32.85%, Fong-He Development Co., Ltd. 19.64%, Fong-He Invest Co., Ltd. 19.41%, He-Fong Invest Co., Ltd. 19.41%, Su-Yue Yang 7.72%, Wu Shang-Bin 0.46%, Wu Pei-Rong 0.26%, Wu Pei-Jyuan 0.25%
Fong-He Investment Co., Ltd.	(BVI)ALL BEST Co.Ltd., 99.01%, Wu Pei-Jyuan 0.99%
He-Fong Investment Co., Ltd.	(BVI)PRECISION MASTER Co.Ltd., 99.01%, Wu Pei-Jyuan 0.99%
Bo-Rui Co., Ltd.	Ching-Wei Co., Ltd. 51.92%, Hsi-Wei Wu 24.04%, Hsi-Hao Wu 24.04%
Chishung Co., Ltd.	Wu, Min-Chun 100.00%
Taishin Leasing & Financing Co., Ltd.	Yun Ten Co., Ltd. 40.60%, Tong Shan Investment Co., Ltd. 26.00%, Pan Asian Plastics Corp. 22.20%, Ruey-Shin Enterprise Co., Ltd. 7.06%, Ruey-Shiang Invest Co., Ltd. 4.07%, Chao Heng Enterprise Co., Ltd. 0.07%
Fu-Mei Co., Ltd.	Hsiu-hsia Kao-Sung 27.92% , Henry.C.S. Kao 22.22%, Chih-Ming Kao 14.64%, Chih-Chen Kao 13.64%, Chih-Yuan Kao 11.89%, Ruei-Yun Ou 3.85%, Chih- hsiang Cheng 3.27%,Chih-Huei Chan 1.16%, I-Mei Food Co., Ltd. 1.40%

3. Information on directors and supervisors

Base date: Feb. 28, 2015

Qualifications Name	Possession of over five-year working experience and the following professional qualifications	Compliance with independence (Note)										Number of other companies of public offering where the board director or supervisor serves as independent director			
		Instructor or higher teaching positions at college departments of commerce, legal affairs, finance, accounting, or others related to the bank's operation	Judge, prosecutor, lawyers, public certified accountant, or other professionals or technicians with national licenses related to the bank's operation	Working experience in commerce, legal affairs, finance, accounting, or other fields related to the bank's operation	1	2	3	4	5	6	7		8	9	10
Thomas T.L. Wu			✓	✓				✓	✓				✓		0
Jui-Sung Kuo	✓		✓	✓		✓		✓	✓	✓			✓		0
Cheng-Ching Wu			✓	✓		✓		✓	✓	✓	✓	✓	✓		0
Jeffrey T.S. Wu	✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓		0
Chu-Chan Wang			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓		0
Thomas K.H.Wu			✓			✓	✓	✓	✓			✓	✓		0
Steve S.F. Shieh			✓			✓		✓	✓	✓	✓	✓	✓		0
Chih-Kang Wang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Neng-Pai Lin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Jimmy Y.T. Tasy	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓		2
Long-Su Lin			✓	✓		✓		✓	✓	✓			✓		0
Henry C.S. Kao			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓		0

Note: Mark with a check (v) under the code number for conformance to the following conditions:

- (1) Not an employee of another bank or its affiliates.
- (2) Not a director or supervisor of another bank or its affiliates.
- (3) Not owning, along with his/her spouse and offspring before the age of majority or in others' names, over 1% stake in another bank including stake in others' names, or one of the 10 largest individual shareholders in the bank.
- (4) Not a spouse, relative within second-degree kinship, or relative within fifth-degree kinship of direct lineage of the persons specified in the three items above.
- (5) Not a director, supervisor, or employee of an institutional shareholder with over 5% stake in another bank or being one of the five largest institutional shareholders in the bank.
- (6) Not a director, supervisor, manager, or shareholder with over 5% stake of a company or institution which has financial or business exchange with another bank.
- (7) Not a professional, or owner, partner, director, supervisor, manager, or spouse of one with such position of companies or institutions offering business, legal, financial, accounting, or consulting services to another bank or its affiliates; however, this excludes remuneration committee members who exercise their duties in accordance with Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8) Not a spouse or a relative within second-degree kinship of one of other directors.
- (9) Not an offender of items stipulated in article 30 of the Company Law.
- (10) Not a representative of government or corporate body elected via method specified in article 27 of Company Law.

**b. President, Senior Vice-presidents and Department Heads**

Title	Country	Name	Date of election (appointment)	Shareholding		Stake of spouse and offspring before age of majority		Shareholding in the name of others	
				Amount of shares	Share of Stake	Amount of shares	Share of Stake	Amount of shares	Share of Stake
President and Chief Executive Officer, Wholesale Banking Group	R.O.C.	Joseph Jao	2012.01.02	384,766	0.00%	0	0.00%	0	0.00%
Chief Executive Officer, Retail Banking Group	R.O.C.	Oliver Shang	2011.02.01	368,276	0.00%	0	0.00%	0	0.00%
Chief Auditor	R.O.C.	Howard Wu	2010.04.29	872,442	0.01%	24,141	0.00%	0	0.00%
Chief Strategy Officer	R.O.C.	Daniel Tsai	2008.12.11	706,508	0.01%	1,752	0.00%	0	0.00%
Chief Information Officer	R.O.C.	BR Ho	2009.02.01	1,525,533	0.02%	0	0.00%	0	0.00%
Chief Financial Officer	R.O.C.	Welch Lin	2009.12.25	3,341,844	0.03%	0	0.00%	0	0.00%
Chief Accounting Officer	R.O.C.	Ann Cheng	2005.09.05	641,989	0.01%	622,256	0.01%		0.00%
Chief Risk Officer	R.O.C.	Jey Chen	2012.03.23	0	0.00%	0	0.00%	0	0.00%
Senior Vice President	R.O.C.	Wilson Chou	2011.12.22	10,993	0.00%		0.00%		0.00%
Senior Vice President	R.O.C.	Frank Lin	2011.02.03	292,121	0.00%	28,602	0.00%	0	0.00%
Senior Vice President	R.O.C.	Jai, Lu-June	2011.09.23	161,153	0.00%	0	0.00%	0	0.00%
Vice President	R.O.C.	David Chang	2012.08.17	1,176,227	0.01%	3,849	0.00%	0	0.00%
Senior Vice President	R.O.C.	Janice Liang	2014.03.28	113,285	0.00%	48,541	0.00%	0	0.00%

Base date: Feb. 28, 2015

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
Governor of East West Bank (China) Co., Ltd. University of Missouri-Columbia, Master of Business Administration	Director of Taishin Securities, Taishin Financial Leasing (Tianjin), Taishin D. A. Finance, Taishin Bank Foundation for Arts and Culture	Nil		
Chief Executive Officer, Chinattust Financial Holding University of Delaware, Master of Business Administration	Chairman of Taishin Holdings Insurance Brokers Director of Taishin D. A. Finance, Easy Card Corp. and EASYCARD Investment Holdings Corporation, Taiwan Mobile Payment Co.	Nil		
Vice President of Citi Bank Baker University, U.S.A., Master of Science	-	Nil		
President of Taishin Bank EMBA, National Chiao Tung University	Chairman of Taishin Financial Leasing (Tianjin) Director of Taishin Financial Leasing (China) Shareholder of Chien-Lung Investment	Nil		
Vice president for technology and industrial consulting, SAP Taiwan Master of Management Information Systems, National Chengchi University	-	Nil		
President, ABN AMRO Asia Limited Taipei Branch University of California, Los Angeles (UCLA), Master of Business Administration	Vice Chairman of Taishin Investment Trust, Director of Taishin Venture Capital, Taishin Asset Management Supervisor of Taishin Holdings Insurance Brokers, Taishin Financial Leasing (Tianjin), Taishin Financial Leasing (China), Taishin Real Estate Management, Taishin D. A. Finance, Director of Taishin Insurance Agency, Taishin Insurance Broker, Yuantai Foreign Exchange Brokerage, Tengfeng Venture Capital, San-Ding Biotech Co., Diamond Bio Fund & Diamond Capital Inc. Supervisor of Tehlin Co., Ltd., Tehlin Investment and An-Chieh Investment	Nil		
Vice president, ABN AMRO BANK University of New Haven, Master of Business Administration	Supervisor of Taishin Securities Senior Vice President of Taishin Bank	Nil		
Vice President of KGI The University of Texas At Austin, Doctor of Philosophy	Vice President of Taishin Bank	Nil		
Vice president of Cosmos Bank University of Dallas, Master of Business Administration	Director of Taishin Securities Investment Advisory Senior Vice President of Taishin Bank	Nil		
Assistant Vice President of Taishin Bank University of Southern California, USA, Master of Public Administration	Vice President of Taishin Bank	Nil		
Vice President of Taishin Bank Department of Law, National Taiwan University	Vice President of Taishin Bank	Nil		
Vice President of Taishin Bank Department of Business MBA, National Chung Hsing University	Director of Taishin Insurance Agency Vice President of Taishin Bank Supervisor of Hsiang Chao Investment, Weifeng Investment, Chiahao Investment, Yiheng Investment, Chingwei Co., Ltd.	Nil		
Assist vice presidents of Taishin Bank University of Southern California, USA, Master of Science in Education	Vice President of Taishin Bank	Nil		



C. Latest year compensations for directors, supervisors, presidents, and vice presidents

1. Latest year compensations for directors (including independent directors)

Title	Name	Compensations for directors								Share of combination of A,B,C and D in after-tax net profit		Salary, bonus, and special allowance(E)	
		Compensations(A)		Job-leaving and retirement payment(B)		Compensations from distribution of earnings (C)		Expended for business execution(D)		The company	All companies in the financial statement	The company	All companies in the financial statement
		The company	All companies in the financial statement	The company	All companies in the financial statement	The company	All companies in the financial statement	The company	All companies in the financial statement				
Chairman	Bo-Rui Co., Ltd.	27,300	42,980	0	0	1,287	1,287	120	1,706			0	0
	Thomas T.L.Wu												
Director	Hsiang-Chao Co., Ltd.	26,880	34,921	0	0	1,930	1,930	981	3,621	3.60%	5.32%	1,000	35,330
	Steve S.F. Shieh												
Director	Tai-Ho Investment Co., Ltd.	26,880	34,921	0	0	1,930	1,930	981	3,621	3.60%	5.32%	1,000	35,330
	Cheng-Ching Wu												
Director	Pan City Co., Ltd./Santo Arden Co., Ltd	26,880	34,921	0	0	1,930	1,930	981	3,621	3.60%	5.32%	1,000	35,330
	Chu-Chan Wang												
Director	Hsiang-Chao Investment Co., Ltd.	26,880	34,921	0	0	1,930	1,930	981	3,621	3.60%	5.32%	1,000	35,330
	Jeffrey T.S. Wu												
Independent Director	Chih-Kang Wang												
Independent Director	Neng-Pai Lin												

Note 1: Compensations of the driver is NT 1,519,000.

Note 2: This director is subject to individual disclosure, according to the FSC's disclosure criteria.

Note 3: Directors entitled to receive the company's earnings distribution are all institutional directors; 2014 earnings appropriation has been proposed by the board of directors but is yet to be resolved in the shareholders' meeting.

Note 4: The company did not make any pension benefit payments or contribute to the defined benefit plan. None of the companies reported in the financial statements paid any pension benefits, but contributed NT\$196,000 to the defined benefit plan.

Base date: Dec 31, 2014; Unit: NT\$1,000

Remuneration as an employee										Share of combination of A、B、C、D、E、F and G in after-tax net profit		Compensations from invested companies other than subsidiaries
Job-leaving and retirement payment (F)		Employee dividend-sharing (G)				Amount of shares for employee warrants (H)		Amount of restricted stock units				
The company	All companies in the financial statement	The bank		All companies in the financial statement		The company	All companies in the financial statement	The company	All companies in the financial statement	The company	All companies in the financial statement	
		Cash dividend	Stock dividend	Cash dividend	Stock dividend							
0	0	0	0	0	0	30,000,000 shares	30,000,000 shares	0	0			6
0	196	0	0	0	0	39,780,000 shares	39,780,000 shares	0	0	3.66%	7.51%	0



Compensation brackets of directors

Compensation brackets of board directors	Names of directors			
	The combined compensation of (A+B+C+D)		The combined compensation of (A+B+C+D+E+F+G)	
	The company	All companies in the consolidated financial statement	The company	All companies in the consolidated financial statement
Lower than NT\$2 M.	Tong Shan Investment Co., Ltd./ Santo Arden Co., Ltd./ Jeffrey T.S. Wu/ Thomas K.H.Wu/ Cheng-Ching Wu/ Steve S.F. Shieh	Tong Shan Investment Co., Ltd./ Santo Arden Co., Ltd./ Thomas K.H.Wu/ Cheng-Ching Wu/ Steve S.F. Shieh	Tong Shan Investment Co., Ltd./ Santo Arden Co., Ltd./ Jeffrey T.S. Wu/ Thomas K.H.Wu/ Cheng-Ching Wu/ Steve S.F. Shieh	Tong Shan Investment Co., Ltd./ Santo Arden Co., Ltd./ Cheng-Ching Wu
NT\$2 M. (inclusive)-NT\$5 M. (exclusive)	Bo-Rui Co., Ltd./ Tai-Ho Investment Co., Ltd./ Jui-Sung Kuo/Chu-Chan Wang/ Chih-Kang Wang/ Neng-Pai Lin	Bo-Rui Co., Ltd./ Tai-Ho Investment Co., Ltd./ Jui-Sung Kuo/ Jeffrey T.S. Wu/Chu-Chan Wang	Bo-Rui Co., Ltd./ Tai-Ho Investment Co., Ltd./ Jui-Sung Kuo/Chu-Chan Wang/ Chih-Kang Wang/ Neng-Pai Lin	Bo-Rui Co., Ltd./ Tai-Ho Investment Co., Ltd./ Jui-Sung Kuo / Chu-Chan Wang/ Thomas K.H.Wu
NT\$5 M. (inclusive)-NT\$10 M. (exclusive)	Hsiang-Chao Co., Ltd.	Hsiang-Chao Co., Ltd. / Chih-Kang Wang/ Neng-Pai Lin	Hsiang-Chao Co., Ltd.	Hsiang-Chao Co., Ltd. / Chih-Kang Wang/ Neng-Pai Lin
NT\$10 M. (inclusive)-NT\$15 M. (exclusive)				
NT\$15 M. (inclusive)-NT\$30 M. (exclusive)	Thomas T.L. Wu		Thomas T.L. Wu	Jeffrey T.S. Wu / Steve S.F. Shieh
NT\$30 M. (inclusive)-NT\$50 M. (exclusive)		Thomas T.L. Wu		Thomas T.L. Wu
NT\$50 M. (inclusive)-NT\$100 M. (exclusive)				
Over NT\$100 M.				
Total	14	14	14	14

Note : Compensations in the table are different from incomes for income tax law.

Therefore, figures in the table are mainly for information disclosure and cannot be used as the basis for taxation.

2. Compensations for supervisors

Base date: Dec 31, 2014; Unit: NT\$1,000

Title	Name	Compensations for supervisors								Share of combination of A, B, C and D in after-tax net profit		Compensations from invested companies other than subsidiaries
		Compensation (A)		Job-leaving or retirement payment (B)		Compensations from distribution of earnings (C)		Expense for business execution (D)				
		The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement	
Standing Supervisor (Note 1)	Chishung Co., Ltd. Jimmy Y.T. Tsay	7,200	14,400	0	0	643	643	100	510			
Supervisor	Royal International Co., Ltd. Simon C.C. Cheng (2014.12.01 Leave off) Henry C.S. Kao (2014.12.01 On board)	5,760	7,381	0	0	643	643	210	462	0.90%	1.48%	None
Supervisor	Taishin International Investment & Development Co., Ltd. Long-Su Lin											

Note 1: This supervisor is subject to individual disclosure, according to the FSC's disclosure criteria.

Note 2: Supervisors entitled to receive the company's earnings distribution are all institutional supervisors; 2014 earnings appropriation has been proposed by the board of directors but hasn't been resolved in the shareholders' meeting yet.

Note 3: The company did not make any pension benefit payments or contribute to the defined benefit plan.

Compensation brackets for the company's supervisors

Base date: Dec 31, 2014

Compensation brackets for the company's supervisors	Names of supervisors	
	Combined amount of (A+B+C+ D)	
	The company	All companies in the financial statement
Under NT\$2 M.	Taishin International Investment & Development Co., Ltd./ Jimmy Y.T. Tsay/ Simon C.C.Cheng/Henry C.S. Kao	Taishin International Investment & Development Co., Ltd./ Simon C.C.Cheng /Henry C.S. Kao
NT\$2 M.(inclusive)-NT\$5 M. (exclusive)	Royal International Co., Ltd./Long-Su Lin	Royal International Co., Ltd./Long-Su Lin
NT\$5 M. (inclusive)-NT\$10 M. (exclusive)	Chishung Co., Ltd.	Chishung Co., Ltd./Jimmy Y.T. Tsay
NT\$10 M. (inclusive)-NT\$15 M. (exclusive)		
NT\$15 M. (inclusive)-NT\$30 M. (exclusive)		
NT\$30 M. (inclusive)-NT\$50 (exclusive)		
NT\$50 M. (inclusive)-NT\$100 M. (exclusive)		
Over NT\$100 M.		
Total	7	7

Note : Compensations in the table are different from incomes for income tax law and the figures are mainly for information disclosure and cannot be used as the basis for taxation.



3. Compensations for president and vice presidents

Title	Name	Salary(A)		Job-leaving or retirement payment (B)		Bonus and special allowance (C)	
		The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement
President and Chief Executive Officer	Joseph Jao	24,019	68,964	324	1,188	27,418	73,845
Chief Executive Officer	Oliver Shang						
Chief Auditor	Howard Wu						
Chief Strategy Officer	Daniel Tsai						
Chief Information Officer	BR Ho						
Chief Financial Officer	Welch Lin						
Chief Accounting Officer	Ann Cheng						
Chief Risk Officer	Jey Chen						
Senior Vice President	Wilson Chou						
Senior Vice President	David Chang						
Senior Vice President	Frank Lin						
Senior Vice President	Chao-Min Lin						
Senior Vice President	Lu-June Jai						
Senior Vice President	Janice Liang (2014.03.28 On board)						
Senior Vice President	Chris Chang (2014.03.28 Leave off)						

Note: The company has paid NT\$0 in pension benefits and contributed NT\$324,000 to the defined benefit plan. All companies reported in the financial statements paid NT\$0 in pension benefits in total, and contributed a total of NT\$1,188,000 to the defined benefit plan.

Base date: Dec.31, 2014; Unit: NT\$1,000

Employee dividend-sharing(D)				Share of the combined value of A.B. C and D in after-tax net profit(%)		Amount of employee warrants (shares)		Amount of restricted stock units		Compensations from invested companies other than subsidiaries
The Company		All companies in the financial statement		The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement	
Cash dividend	Stock dividend	Cash dividend	Stock dividend							
0	0	0	0	3.19	8.86	7,585,500 shares	7,585,500 shares	0	0	156



Compensation brackets for the company's President and senior vice presidents

Base date: Feb 28, 2015

Compensation brackets for the company's president and vice presidents	Names of president and vice presidents	
	The Company	All companies in the financial statement
Under NT\$2 M.	Daniel Tsai/ Welch Lin /Ann Cheng/ BR Ho/ Jey Chen/ Wilson Chou/ David Chang/ Frank Lin/ Chao-Min Lin/ Lu-June Jai/ Janice Liang/Chris Chang	Chris Chang
NT\$2 M.(inclusive)-NT\$5 M. (exclusive)		Chao-Min Lin/ Janice Liang
NT\$5 M. (inclusive)-NT\$10 M. (exclusive)	Howard Wu	Howard Wu /Daniel Tsai/ BR Ho/ Ann Cheng/Jey Chen/ Wilson Chou/ David Chang/ Frank Lin/ Lu-June Jai
NT\$10 M. (inclusive)-NT\$15 M. (exclusive)		
NT\$15 M. (inclusive)-NT\$30 M. (exclusive)	Joseph Jao / Oliver Shang	Joseph Jao/ Oliver Shang/ Welch Lin
NT\$30 M. (inclusive)-NT\$50 (exclusive)		
NT\$50 M. (inclusive)-NT\$100 M. (exclusive)		
Over NT\$100 M.		
Total	15	15

Note: Compensations in the table are different from incomes for income tax law and the figures are mainly for information disclosure and cannot be used as the basis for taxation.

4. Manager's name and the distribution of employee bonus payout: None.

d. Analytical comparisons of the shares of company's compensations for board directors, supervisors, president, and vice presidents in the after-tax net profits in the recent two years, as listed in the company's financial statement and the consolidated financial statement, and explanation of the compensation policy, standards, and makeup, the procedure for setting compensations, and their association with business performance and risk of future follow.

1. In 2014, total compensations for directors, supervisors, president, and vice presidents accounted for 7.75% of the after-tax net profit and the share listed in the consolidated financial statement was 17.85%. In 2013, total compensations for directors, supervisors, president, and vice presidents accounted for 1.71% of the after-tax net profit and the share listed in the consolidated financial statement was 2.85%.
2. The company's compensation policy
 - (1) Compensations for managerial staffers are determined according to the company's overall profit performance, the status of business divisions in achieving their goals, and personal performance evaluation.
 - (2) Various factors and reference points may be considered in determining the standards for actual allowances and remuneration of directors and supervisors on an annual basis. This includes the remuneration standards of managers, degree of salary adjustments, generally accepted industry practices, whether there have been any major changes in the company's business situation and/or performance level, the seniority of the corporate representative of the director or supervisor in question, technical ability, extent of participation in the management of the company's operations, and the value of their contributions and amount of assumed risk. Any adjustment to the aforesaid standards must be reviewed and approved by the board of directors before taking effect.

C. Status of Corporate Governance

a. Information on the operation of the board of directors

In the recent fiscal year (2014), the board of directors convened 13 times and status of attendance by directors and supervisors follows:

Title	Name	Attendance in Person	Attendance by proxy	Actual attendance rate (%)	Note
Chairman	Bo-Rui Co., Ltd. Representative: Thomas T.L. Wu	12	1	92.31	
Director	Tong Shan Investment Co., Ltd. Representative: Jui-Sung Kuo	9	4	69.23	
Director	Tai-Ho Investment Co., Ltd. Representative: Cheng-Ching Wu	11	2	84.62	
Director	Hsiang-Chao Co., Ltd. Representative: Jeffrey T.S. Wu	10	3	76.92	
Director	Santo Arden Co., Ltd., Representative: Chu-Chan Wang	13	0	100.00	
Director	Bo-Rui Co., Ltd. Representative: Thomas K.H. Wu	13	0	100.00	
Director	Hsiang-Chao Co., Ltd. Representative: Steve S.F. Shieh	12	1	92.31	
Independent Director	Chih-Kang Wang	11	2	84.62	
Independent Director	Neng-Pai Lin	13	0	100.00	
Standing Supervisor	Chishung Co., Ltd. Representative: Jimmy Y.T. Tsay	10	0	76.92	
Supervisor	Taishin International Investment & Development Co., Ltd. Representative: Long-Su Lin	12	0	92.31	
Supervisor (Removal)	Royal International Co., Ltd. Representative: Simon C.C. Cheng	8	0	66.67	Henry C.S. Kao took reassignment on 2014.12.01
Supervisor	Royal International Co., Ltd. Representative: Henry C.S. KAO	1	0	100.00	Assigned on 2014.12.01

Note: The attendance rate(%) of a director/supervisor is calculated by his/her actual number of attendance and the number of meetings of the board of directors during his/her term

Other items of mandatory registration:

- For items listed in Article 14-3, Securities Transaction Law and resolutions passed by the board of directors for which independent directors have opposing or reserved opinions on record or in written form, specify the date and number of the meeting of the board of directors, the contents of the case, and opinions of independent directors, and responses of the board of directors: None.
- For avoidance by directors for cases involving the interests of them, specify the name of the board director, contents of the case, reason for avoidance, and the status of their participation in voting: The company implements avoidance of interest for related cases according to related laws/regulations.
- Targets for strengthening the function of the board of directors in current year and the recent year (such as the setup of auditing committee and enhancement of information transparency) and the evaluation of their execution: In order to strengthen the governance of the board of directors, the company already formulated rules of order to the meeting of the board of directors, instituted independent directors since 2007, and took out liabilities insurance for board directors and key executives in the end of 2007. Due to the existence of supervisors, the company decides not to establish auditing committee for the time being. The company had assembled its Remuneration Committee in 2011; an Audit Committee will be assembled in 2015 to replace supervisors.



b. Operation of the auditing committee or the participation of supervisors in the operation of board of directors

1. Information on the operation of auditing committee: Not established yet.
2. Supervisors attendance the practice of Board of Directors

In the recent fiscal year (2014) the board of directors convened 13 times and status of attendance:

Title	Name	Actual number of attendance	Attendance rate (%)	Note
Standing Supervisor	Chishung Co., Ltd. Representative : Jimmy Y.T. Tsay	10	76.92	
Supervisor	Taishin International Investment & Development Co., Ltd. Representative: Long-Su Lin	12	92.31	
Supervisor (Removal)	Royal International Co., Ltd. Representative: Simon C.C. Cheng	8	66.67	Henry C.S. Kao took reassignment on 2014.12.01
Supervisor	Royal International Co., Ltd. Representative: Henry C.S. Kao	1	100.00	Assigned on 2014.12.01

Note: The attendance rate(%) of a director/supervisor is calculated by his/her actual number of attendance and the number of meetings of the board of directors during his/her term.

Other items which should be recorded :

1. The makeup and responsibilities of supervisors:

- (1) Communication between supervisors and employees/shareholders (such as communications channel and method)

Supervisors can communicate with employees anytime in the exercise of their duties and employee can reflect and express their opinions to the human resources division via the company's internal website.

- (2) Status of the communication of supervisors with in-house auditing chief and CPA

a. Status of the communication between supervisors and in-house auditing chief

- (a) The company's supervisors regularly hold communications meetings with the general auditor and minutes of the meeting are submitted to the board of directors.
- (b) Supervisors and chief auditor of the bank attend the meetings of the board of directors and communicate with directors during and before the meetings over various affairs of the bank.
- (c) The auditing reports for the company and its subsidiaries auditing division are submitted to supervisors for inspection.
- (d) The company's auditing division regularly submits "auditing report" in the meeting of the board of directors by quarterly, with the contents of the report including the conducting of auditing operation and major audited items, both internal and external ones. Attending supervisors, therefore, can also understand the contents of the report.
- (e) Investigation reports on major incidents of the company and its subsidiaries (such as irregularities, natural disaster, and major losses) are all submitted to supervisors.
- (f) Supervisors can communicate and discuss with chief auditor over the aforementioned affairs or other affairs anytime.

b. Status of the communications between supervisors and CPAs

The company's supervisors can discuss with CPAs over the holding company's finance, business status, and auditing findings of CPAs.

2. Opinions expressed by supervisors in the meetings of the board of directors which should be put on record, including the date and number of the meeting, contents of the case, resolutions of the meeting, and response of the board to the opinions: None.

c. Disclosure information in accordance with the guidelines of the practical corporate governance of the holding industry

Please refer to the company's website at: <http://www.taishinholdings.com.tw> .

d. Status of the Holding's corporate governance and its deviation from the guidelines for the practical corporate governance of the holdings industry and reasons

Item	Operating Status			Deviation from the guidelines of the practical corporate governance of the holding industry and reasons
	Yes	No	Summary Descriptions	
<p>1. Shareholding structure and shareholders' rights within the financial holding company</p> <p>(1) Has the financial holding company implemented a set of internal procedures to process shareholders' suggestions, queries, disputes and litigations?</p> <p>(2) Is the financial holding company constantly informed of the identities of its major shareholders and the controlling stakeholder?</p> <p>(3) Has the financial holding company established and implemented risk management and firewalls in affiliated companies?</p>		V	<p>The company has provided "IR Contact" and "Contact us" links on its website that shareholders may use to raise suggestions, queries, disputes and litigations.</p> <p>The shareholder services department is responsible for gathering information on the company's major shareholders. This information is also disclosed in the company's annual reports.</p> <p>Risk management practices and firewalls that the company has set up in affiliated companies: The company and its main subsidiaries (including Taishin Bank and Taishin Securities etc.) all have independent risk management units in place to perform risk controls within their fields of business. The company has established a "Related Party Transaction Policy" and rules of implementation to regulate transactions with stakeholders. The company and its main subsidiaries (including Taishin Bank and Taishin Securities etc.) have implemented security policies to protect their information systems. Access to sensitive information is protected by firewalls and is permitted only for risk management purposes and when instructed by the competent authority.</p>	<p>No internal procedures have been established, though several means of communication are available on the company website.</p> <p>No deviation</p> <p>No deviation</p>
<p>2. Constitution and obligations of the board of directors</p> <p>(1) Apart from the Remuneration Committee and Audit Committee, has the financial holding company assembled other functional committees at its own discretion?</p> <p>(2) Does the financial holding company conduct regular assessments on the independence of its financial statement auditors?</p>	V	V	<p>Taishin Financial Holding had assembled its own "Remuneration Committee" in accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter" on 2011/9/22. The committee had held seven meetings in total by the fourth quarter of 2014.</p> <p>Auditors' independence and suitability are reviewed each year by assessing a number of considerations such as the CPAs' background, whether they are stakeholders of the company, whether they have been penalized, and whether they have been auditing the company's financials for more than 5 years. Auditors are required to issue a declaration of independence and are appointed based on the board of directors' decision.</p>	<p>No deviation</p> <p>No deviation</p>



Item	Operating Status			Deviation from the guidelines of the practical corporate governance of the holding industry and reasons
	Yes	No	Summary Descriptions	
<p>3. Has the financial holding company established any communication channels with stakeholders?</p>	V		<p>1. The company has implemented a “Stakeholder Information System” in which the company and its subsidiaries create stakeholder profiles and make them available for inquiry. Stakeholders are also reminded on a regular basis to verify the correctness of their information.</p> <p>2. The company complies with laws in the disclosure of financial, business and material information in the Market Observation Post System. This information is made publicly available simultaneously on the company’s website. The company also has a designated spokesperson and investor relations mailbox available to serve as communication channels with stakeholders.</p> <p>3. The company will create a Stakeholders Section on its website in 2015 as a means to communicate and consolidate queries from stakeholders (e.g. employees, suppliers, consumers and customers), so that the company can gain a better understanding of stakeholders’ expectations and needs.</p>	No deviation
<p>4. Disclosure of information</p> <p>(1) Has the financial holding company established a website that discloses financial, business, and corporate governance-related information?</p> <p>(2) Has the financial holding company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?</p>	V		<p>The company has disclosed financial, business and other information relevant to its operations onto its website. This information has also been reported online according to related regulations on material disclosure. The company has established an English website and assigned various departments to gather and disclose information on a regular basis. In addition, a public information reporting system has also been created with personnel assigned to gather and disclose information via the system.</p> <p>The company has a spokesperson mechanism in place to facilitate external communications. All material information relevant to investors’ interests is announced using the Market Observation Post System and press releases. The spokesperson provides further elaboration where deemed necessary.</p> <p>The company prepares its corporate social responsibility report in both Chinese and English. This report has been made accessible at the company’s website and on Market Observation Post System (MOPS).</p> <p>The company holds quarterly investor conferences; conference proceedings are recorded and uploaded onto the company’s website and MOPS on the same day.</p>	No deviation

Item	Operating Status			Deviation from the guidelines of the practical corporate governance of the holding industry and reasons
	Yes	No	Summary Descriptions	
<p>5. Does the financial holding company have other information that enables a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, stakeholders' rights, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, insuring against liabilities of company directors and supervisors, and donation to political parties, stakeholders and charity organizations)</p>	V		<p>1. Employees' rights and concern for employees: The company places emphasis on the rights and interests of employees and on harmonious employer-employee relationships; for this reason, an employee relations unit has been created to respond to employee queries. Taishin Financial Holding believes that satisfied employees are the key to satisfied customers. The Chairman and the management have long dedicated themselves to building a working environment characterized by respect, care, support and self-motivated growth. By organizing various events and providing communication channels and learning resources, employees are given the chance to work in a humane, respectful and progressive environment and to grow in step with the company.</p> <p>(1) Offering of competitive remuneration and welfare packages</p> <p>a. Remuneration: Taishin Financial Holding offers competitive salary levels in order to recruit and retain top talents.</p> <p>b. Employee assistance program: The company engages specialists from Teacher Chang Foundation to help employees resolve their problems outside of work.</p> <p>c. Employee Welfare Committee The committee organizes a variety of events such as birthday celebrations, trips, hiking, ball games and competitions to enrich employees' lifestyles and enhance teamwork.</p> <p>d. Taishin Stress Relief Workshop: The company hires blind masseurs and masseuses to help employees relieve work stress, creating a happy and healthy work environment while contributing towards charity.</p> <p>(2) The company respects the opinions of its employees and has channels of communication in place.</p> <p>a. Group-wide surveys: All employees are invited to participate in online surveys as a means of formal communication; the survey also helps to raise the level of employee engagement within the company.</p> <p>b. Regular morning meetings: These meetings are organized to discuss the company's re-organization efforts, key projects, and to recognize employees who have displayed the values of Taishin in their work. Through the use of two-way communication, employees are able to align themselves with the corporate culture and values.</p>	No deviation



Item	Operating Status			Deviation from the guidelines of the practical corporate governance of the holding industry and reasons
	Yes	No	Summary Descriptions	
			<p>2. Investor relations: In addition to the quarterly investor conferences, the company also participates in investor forums and investment road shows both local and abroad. The IR Department addresses investors on issues of concern via email, telephone or face-to-face meeting, and makes relevant disclosures over the company's website.</p> <p>3. Protection of consumers' or customers' interests: The company and all its subsidiaries adopt stringent measures to protect customer information. The group has implemented personal information management policies, information security policies, firewalls, and customer information confidentiality measures in accordance with the Financial Holding Company Act, Guidelines for Cross Marketing among Subsidiaries of Financial Holding Company, Personal Information Protection Act and other relevant regulations stipulated by the competent authority.</p> <p>4. Risk management policies and risk assessment standards: The company and each of its subsidiaries have independent risk management units in place; they have also committed substantial resources to the development of risk management systems, and managing of credit, market and operational risks using both qualitative and quantitative means.</p> <p>5. Directors' and supervisors' ongoing training: The company's directors and supervisors have all satisfied the required training hours; the progress of their training has been updated onto MOPS.</p> <p>6. The company is insured against liabilities of its directors and supervisors. These insurance policies are reviewed on a yearly basis to ensure adequate coverage.</p>	No deviation
<p>6. Has the financial holding company prepared a corporate governance self-assessment report or commissioned a professional organization to compile a corporate governance assessment report?</p>	V		<p>The company is part of TSEC's (Taiwan Stock Exchange Corporation) corporate governance assessment program. The company has already submitted its self-assessment online, (The results had been announced in April 2015).</p> <p>In order to keep up with international practices and promote the concept of sustainable operations, the company is in midst of drafting and verifying its 2014 corporate social responsibility report.</p>	No deviation

e. Status of structure, responsibilities and operations of the Remuneration Committee**1. Members of the Remuneration Committee**

Position (Note 1)	Qualifications Name	More than 5 years work experience and the following qualifications			Compliance with independent status (Note 2)								Number of positions as Remuneration Committee member in other public listed companies	Note3
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects related to the company's operations in a public or private tertiary institution	Nationally certified judge, prosecutor, attorney, accountant, or holder of professional qualifications related to the company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8		
Independent director	Neng-Pai Lin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	2	N/A
Independent director	Ching-Tang Huang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	N/A
Independent director	Yu-Ti Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	N/A

Note 1: Please specify whether a director, independent director, or other.

Note 2: Place a "✓" if the member meets the following condition during the two years prior to election and at any time during service.

- (1) Not employed by the company or any of its affiliated companies.
- (2) Not a director or supervisor of the Company or its affiliated companies. This criterion does not apply to independent directors of the company, its parent company, or subsidiaries in which the company holds more than a 50% direct or indirect voting interest.
- (3) Does not hold more than 1% of the company's outstanding shares in own name or in other names such as spouse, minor children, nominee shareholders etc, and is not one of the company's ten largest natural-person shareholders.
- (4) Not a spouse, second degree kin or closer, or a direct blood relative of third degree or closer to anyone listed in the three preceding clauses.
- (5) Not a director, supervisor, or employee of a corporate shareholder that owns more than 5% of the company's outstanding shares, and is not a director, supervisor, or employee of any of the top five corporate shareholders.
- (6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any companies or institutions that have a financial or business relationship with the company.
- (7) Not a professional person, business owner, partner, director, supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies; nor a spouse of anyone listed herein.
- (8) Does not meet any of the descriptions stated in Article 30 of the Company Act.

Note 3: For members who have been identified as directors, please state whether they are subject to Article 6, Paragraph 5 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter."

2. Status of Operations of the Remuneration Committee

(1) The company's Remuneration Committee consists of three members.

(2) Term of service: From July 25, 2013 until June 30, 2016. The Remuneration Committee held 2 meeting (A) in the most recent year; details of members' attendance are as follows:

Title	Name	Actual Attendance (B)	Proxy Attendance	Actual attendance rate (%) (B/A)	Remarks
Convener	Neng-Pai Lin	2	0	100%	
Member	Ching-Tang Huang	2	0	100%	
Member	Yu-Ti Chen	2	0	100%	



Other remarks:

1. In the event where a Remuneration Committee proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the agenda, the board's resolution, and the way the company processed the Remuneration Committee's proposals (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None.
2. Should any member object or express qualified opinions to a resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the agenda, the entire members' opinions, and how their opinions were addressed: None.

f. Fulfillment of social responsibilities

Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No	Summary description	
<p>1. Implementation of corporate governance</p> <p>(1) Does the company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?</p> <p>(2) Does the company organize social responsibility training on a regular basis?</p>	V		<p>The company adheres to four principles in planning and administration of its corporate social responsibility: implementing corporate governance, contributing to the development of sustainable environment, supporting public interest and charity activities, and disclosing information on corporate social responsibility. The company had developed a corporate social responsibility code of conduct in 2014; it was approved by the board of directors and implemented with immediate effect. This policy applies to all operations of the holding company, the bank and other subsidiaries. Relevant campaigns encompass economic, societal, and eco-environmental aspects such as stakeholder communication, corporate social responsibility, arts promotion, energy conservation and carbon reduction, energy management, green space development, employee benefits, employee training, workplace health and safety, and supplier management. Details of implementation and results such as the establishment of the Corporate Sustainability Committee and various guidelines, the strengthened corporate governance practice, the addition CSR section on the company website, and plans for ISO50001 certification and IDP agreements can be found under p.34-36 of the annual reports and the company's 2014 Corporate Social Responsibility Report. In addition, the company had established a corporate governance code of conduct and integrity policy in 2014 to guide its corporate governance practices.</p> <p>The company arranges for its directors, supervisors, accounting, finance and audit personnel to attend corporate governance courses both on a regular and irregular basis. Courses on corporate ethics, banking regulations and code of conduct are mandatory to attend for all new recruits.</p>	<p>In accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies".</p>

Item	Operating status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies “ and reason
	Yes	No	Summary description	
(3) Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?	V		In 2014, the company had developed the Guidelines for Establishment of the Corporate Sustainability Committee and established the Corporate Sustainability Committee to specialize in the planning and making of corporate social responsibility decisions. The Corporate Sustainability Committee is to be chaired by the president and consists of executive managers serving as executive members. In addition, the company and its subsidiaries as well as foundations shall appoint CSR contacts to provide support and ensure fulfillment of corporate social responsibility. The committee convened four meetings to discuss corporate governance and corporate social responsibility related matters in 2014.	In accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies “.
(4) Has the company implemented a reasonable remuneration system that commensurates employees' performance appraisals with CSR? Is the remuneration system supported by an effective reward/discipline system?			The company offers comprehensive and competitive remuneration that aims to deliver higher corporate performance, shareholder returns, and employee welfare. Taishin Financial Holding was included as one of the initial compositions of “Taiwan High Compensation 100 Index;” this demonstrates the company's commitment to share its success with employees. In addition, the bank has included CSR as part of employees' appraisal criteria, and assesses it on a yearly basis to ensure that CSR policies are soundly implemented from the top-down.	
2. Development of sustainable environment				
(1) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	V		Meanwhile, push e-office and paperless office; install stationery collection boxes to achieve more efficient utilization of resources. Promote “using love as energy” event, urging employees to ride bicycles, take mass transportation vehicles, and embrace car pooling, so as to reduce carbon emission, enhance health, and fulfill the commitment to environmental protection. Demonstrate the respect of and care for the nature and actively rally employees, their families, and clients to “use love as energy and love the earth together”.	In accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies “.
(2) Has the company developed an appropriate environmental management system, given its distinctive characteristics?			In its formal organizational structure, the company has set up labor security and sanitation section, which adheres to the concept of “the premise for safety of environmental design and priority of precautionary measures,” in order to create a sanitary, safe, and healthy environment for Taishin Holding. The labor security and sanitation section is in charge of various tasks, including pushing of tobacco-hazard prevention law and maintenance of the quality of working environment via semiannual inspection of operating environment.(Note: The company's security measures include installing access control and security systems, as well as employing security guards in business premises. Workplace inspection is an inspection of carbon dioxide gas concentration and lighting in a workplace.)	



Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No	Summary description	
(3) Is the company aware of how climate changes affect its business activities? Are there any actions taken to measure and reduce greenhouse gas emission and energy use?	V		For environmental protection and anti-global warming, Taishin has dedicated to the environmental protection and energy conservation. During summertime, it pushes "Cool Biz" event, asking employees to shed garment during office time and set air-conditioning temperature at 26 Celsius degrees. In line with the measures of Taiwan power, terminate the function of air conditioning irregularly and regularly check the contract power capacity of various office buildings. During off hours, control the use of elevators t one side at various buildings, to cut power consumption. Install T5 energy-saving lighting fixtures for office lighting and regional power circuit, to reduce power consumption and achieve the goal of environmental protection.	In accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies".
<p>3. Uphold public benefits</p> <p>(1) Has the company developed its policies and procedures in accordance with laws and the International Bill of Human Rights?</p> <p>(2) Does the company have means through which employees may raise complaints? Are employee complaints being handled properly?</p> <p>(3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?</p> <p>(4) Does the company have channels to communicate with employees on a regular basis, and inform them of operational changes that may be of a significant impact?</p>	V		<p>The company's working rules have been approved by the regulator and publicized. The personnel rules are formulated according to the regulations of labor laws/decrees, for the purpose of protecting the labor rights of employees. In addition to offering fair compensation, recruitment, training and promotion opportunities and introducing safety measures for female employees, the company has issued declarations over the intranet with regards to workers' rights and human rights, and organized physical as well as online training to raise employees' awareness on work-life balance.</p> <p>The company has implemented mail boxes (physical and e-mail) and phone lines exclusively for processing employees' complaints. These complaints are handled by dedicated employee relations officers.</p> <p>The company has a safety and health policy in place that complies with relevant laws. Safety of the work place is inspected twice a year, fire equipment and exits are serviced yearly, and public safety is inspected every two years. First-aid kits, certified medical staff, as well as health and safety supervisors have been deployed throughout the business premises. With regards to regular health checks, the company offers benefits that exceed legal requirement standards, and subsidizes health checkups once every two years for general staff and once per year for managerial staff. In terms of training, all new recruits are required to undergo safety and health orientation upon arrival, whereas existing employees need to be re-trained once every three years.</p> <p>The company has appointed representatives as required by law to hold regular employer-employee meetings. In addition, it publishes details of internal communication onto the intranet to keep employees informed of management decisions that may be of significant impact to them. Meanwhile, employee mail boxes and hotlines have been made available as a private means to express opinions.</p>	In accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies".

Item	Operating status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies “ and reason
	Yes	No	Summary description	
<p>(5) Has the company implemented an effective training program that helps employees develop skills over the course of their career?</p> <p>(6) Has the company implemented consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities?</p> <p>(7) Has the company complied with laws and international standards with regards to the marketing and labeling of products and services?</p>	V		<p>New recruits are given a complete orientation upon arrival; Subsequently, each division will arrange respective courses and training that employees are expected to attend. For career development, the company has an individual development program (IDP) and a training credit system that employees may utilize to improve the skills required.</p> <p>The company embodies subsidiaries involved in different business activities such as banking, securities, investment trust, investment consultancy, and insurance agency. We adopt stringent practices to protect consumers'/customers' information when offering products to them.</p> <p>Necessary confidentiality measures have been taken to ensure the security of all consumers'/customers' information. Subsidiary - Taishin Bank has an entire chapter in its internal operations manual dedicated to confidentiality and protecting consumers' and customers' interests.</p> <p>All loan agreements have been drawn up according to the authority's standard terms, guidelines and the Consumer Protection Law, which state clearly all rights and obligations between the counterparties.</p> <p>The company has set up a consumer protection system supported by grievance procedures and a complaint department specialized in handling such affairs. They serve as channels through which consumers may communicate about products and services offered by the company.</p> <p>Below are the relevant disclosures:</p> <p>a. dedicated around-the-clock customer service line: (02)2655-3355</p> <p>b. Head office dedicated customer complaint line: (02)2700-3166 and 0800-079-885, Business hours Monday to Friday 09:00-12:00, 13:30-17:30</p> <p>c. Fax Number for Complaints: (02)5571-939</p> <p>The company has implemented Advertising, Solicitation and Promotion Policies to guide its operations since December 2011 based on the authority's "Guidelines on Advertising, Business Solicitation and Promotion for Financial Service Providers" introduced in Letter No. Financial-Supervisory-Law-10000707321.</p>	<p>In accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies “.</p>



Item	Operating status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies “ and reason
	Yes	No	Summary description	
(8) Does the company evaluate suppliers' environmental and social conducts before commencing business relationships?	V		<p>For the selection of suppliers and public bidding for various procurements, the company follows the “measures governing procurement and supplier management,” so as to assure products have stable quality and meet the requirements.</p> <p>When evaluating or auditing a particular supplier, the company may take into consideration the supplier's fulfillment of its CSR commitments, including: moral standards, workers' rights, environmental sustainability, and any other CSR aspects specified by law. Only suppliers that conform with requirements can be certified and registered to provide services or products to the company.</p> <p>The company has implemented a set of “Supplier Management Guidelines” to make sure that suppliers do comply and fulfill their corporate social responsibilities for the benefit of stakeholders. Meanwhile, priority will be accorded to local suppliers in order to avoid resources being wasted on transportation.</p> <p>When choosing suppliers, the company would take into consideration whether the prospect has duly complied with the Labor Standards Act particularly with regards to child labor, forced labor, work hours, compensation, discrimination, freedom of association, and negotiation. Health and safety have also been included as part of the assessment criteria.</p> <p>In addition to the above, suppliers are also evaluated on how their business activities impact the society and the environment, as well as the moral guidelines and risk management policies they have adopted.</p>	In accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies “.
(9) Is the company entitled to terminate the supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts to the environment or the society?			<p>The company has implemented a set of “Supplier Management Guidelines” and CSR commitments to ensure that suppliers comply and fulfill their corporate social responsibilities in terms of worker respects, law compliance, and environmental-friendly and sustainable production, which are all taken into consideration when the company is evaluating or auditing a particular supplier.</p>	
4. Intensified information disclosure Has the company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	V		<p>The company has created a CSR section on its website, where related activities and progresses have been disclosed. The CSR report has also been made available at the company's website and MOPS, where employees, customers, shareholders and the general public may download to learn about non-financial aspects of the company.</p>	In accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies “.
5. Description of deviation of the self-made guidelines for corporate social responsibilities from the “Guidelines for corporate social responsibilities of listed firms” : No deviation.				
6. Other key information conducive to the understanding of the operation of corporate social responsibility. Please refer to Chapter Five - Business Overview, section “V. Corporate responsibility and ethics” in P.110.				
7. Description of corporate social responsibility report which have been certified by international certification bodies: The company's latest CSR report has been certified by British Standards Institution (BSI) in 2014.05 to pass AA1000 and GRI G3.1. guidelines, and was given an assurance level of A+. The independent assurance statement is disclosed in the company's 2014 Corporate Social Responsibility Report.				

g. Status of the company in fulfilling management of integrity and measures

Item	Operating status			Deviations from “Ethical Corporate Management Best Practice Principal for TWSE/GTSM Listed Companies “ and reason
	Yes	No	Summary description	
<p>1. Policies and schemes established to ensure business integrity</p> <p>(1) Has the company stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment?</p> <p>(2) Does the company have any measures in place against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?</p> <p>(3) Has the company taken steps to prevent against occurrences listed in Article 7, Paragraph 2 of “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” or business conducts that are prone to integrity risks?</p>	V		<p>The company implements integrity management and uphold the core values of “Integrity, Commitment, Innovation, and Cooperation.” It formulates “criteria for employee behaviors,” to prevent dishonest behaviors of employees and manifests their duty and obligation for informing. The company periodically provides directors, supervisors, managerial staffers, employees, and actual controllers training courses on corporate governance, trend of financial market, legal norm, and countermeasures for corporate risks, so as to materialize integrity management. Meanwhile, to integrate the management policy of integrity and management strategy for human resources, the company incorporates the indicators of legal compliance in management, information of major abnormal incidents, business auditing, and financial status into the contents for performance evaluation.</p> <p>The Company adheres to its core values of “Integrity, Commitment, Innovation, and Cooperation” and observes the “Ethical Corporate Management Best Practice Principles” established by it self. In addition, the Company has fully implemented all relevant guidelines for preventing dishonest conduct, including operational procedures, code of conduct, disciplinary rules, and employee grievance systems.</p> <p>The “Taishin Financial Holding Co., Ltd. - Ethical Corporate Management Best Practice Principles” are accessible through as follows: http://www.taishinholdings.com.tw/Investors/Investors_11_2.jsp</p>	No deviation
<p>2. Implementation of integrity management</p> <p>(1) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> <p>(2) Does the company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis?</p>	V		<p>For the selection of suppliers and public bidding for various procurements, the company follows the “measures governing procurement and supplier management,” so as to assure products have stable quality and meet the requirements. Suppliers meeting the conditions can undertake evaluation and register as the company’s qualified suppliers to provide services or products to the company.</p> <p>The company has established a business integrity unit that reports to the board of directors at least every six months.</p>	No deviation



Item	Operating status			Deviations from "Ethical Corporate Management Best Practice Principal for TWSE/GTSM Listed Companies " and reason
	Yes	No	Summary description	
<p>(3) Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?</p> <p>(4) Has the company implemented effective accounting and internal control systems for maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?</p> <p>(5) Does the company organize internal or external training on a regular basis to maintain business integrity?</p>	V		<p>The company has reporting channels in place to accept verbal and written reports of violations.</p> <p>Accounting System and Internal control system</p> <p>a. Accounting System The company's accounting policies were drawn up in accordance with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies," laws, and generally accepted accounting principles. These accounting policies have been designed to record the company's business activities, and to present the company's financial and business performance in ways that are consistent with laws and generally accepted accounting principles, thereby achieving effective internal supervision and reflecting financial status and operational results so as to serve as a reference in strategic decisioning.</p> <p>b. Internal control system The company's internal control system has been created in accordance with Article 51 of the "Financial Holding Company Act" and Article 6 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and holding Industries." The system embodies five major principles:</p> <p>(a) To enable a corporate culture of management supervision and control. (b) To facilitate risk identification and assessment. (c) To control activities and segregate duties. (d) To facilitate information sharing and communication. (e) To monitor and improve business activities.</p> <p>The company has appropriate policies and operating procedures in place to guide its operations. Its rules of organization, management principles, business guidelines and manuals are amended whenever deemed necessary. The company's Audit Division has implemented a set of self-audit and assessment guidelines. It also supervises self-audit practices regularly within the company.</p> <p>Each year, the Company arranges regular or ad hoc training courses on corporate governance for its directors, supervisors, risk management, accounting/finance staff and auditors. Mandatory courses for new employees include corporate ethics, financing regulations and code of conduct, etc.</p>	No deviation

Item	Operating status			Deviations from "Ethical Corporate Management Best Practice Principal for TWSE/GTSM Listed Companies " and reason
	Yes	No	Summary description	
3. Reporting of malpractice (1) Does the company provide incentives and means for employees to report malpractices? Does the company assign dedicated personnel to investigate the reported malpractices? (2) Has the company implemented any standard procedures or confidentiality measures for handling reported malpractices? (3) Does the company assure employees who reported on malpractices that they will not be prosecuted for making such reports?	V		In its "Employee Code of Conduct", the Bank clearly delineates convenient channels and relevant procedures for reporting instances of malpractice. An informer may be rewarded by a designated business unit in accordance with the Company's "Employee Reward and Discipline Guidelines". Any employee of the company or external party who discovers any illegal or unethical conduct shall report the discovery to the management and relevant units of the company or through appropriate reporting channels provided by the company. (1) Reporting hotline: (02)5576-3000 (2) Reporting mailbox: er@taishinbank.com.tw (3) By mail: Complaints can be sent by mail or by email to the human resource unit. (Required details: name of complainant, unit and title/name of complaine, unit and title/date and description of incident) A designated business unit is responsible to submit the reported case to the Personnel Review Committee in accordance with the relevant procedural guidelines. The Personnel Review Committee will proceed with the disciplinary actions accordingly. The identity of the informer and the contents of the report will be kept in strict confidence. The Company will enforce protective measures to assure that the informer, as well as the employees engaged in the investigation process, will not be retaliated against.	No deviation
4. Strengthen information disclosure Has the company disclosed its integrity principles and progress onto its website and MOPS?	V		Taishin holding is a listed company (stock code No.2887), discloses its latest information on the Market Observation Post System of Taiwan Stock Exchange, and regularly files report on related financial figures. The "Taishin Financial Holding Co., Ltd. - Ethical Corporate Management Best Practice Principles" are accessible through MOPS & as follows: http:// www.taishinholdings.com.tw/Investors/Investors_11_2.jsp	No deviation
5. Description of deviation of the self-made guidelines for integrity management from the "Guidelines for corporate integrity management of listed firms": Nil.				
6. Other key information conducive to the understanding of the implementation of integrity management: None.				

h. The company with corporate-governance guidelines and related regulations must disclose their methods for inquiry

Please refer to the company's website at <http://www.taishinholdings.com.tw> or Taiwan Stock Exchange at <http://mops.twse.com.tw> .



i. Other important information conducive to the understanding of the corporate governance of the company

Please refer to the explanation of item g “status of the company’s governance and its deviation from the guidelines for the practical corporate governance of the company industry and reasons.”

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

1. Internal Control Statement

To Financial Supervisory Commission:

March 26, 2015

We hereby declare, on behalf of Taishin Financial Holding Co., Ltd., that the company did set up internal control system, carry out risk management, and have an independent auditing department undertake auditing works with the results being reported to the board of directors and supervisors regularly, in compliance with “enforcement measures for internal control and auditing systems of financial holding companies,” during the period from January 1, 2014 to December 31, 2014. In addition to items listed on the attached tables, careful review and evaluation confirms effective execution by various business units in internal control and compliance with laws and regulations. The statement will become a major component of the company’s publicized annual report and proxy statement. Any falsehood, concealment, or other irregularities for the aforementioned statement will be liable to legal responsibilities stipulated in article 20, article 32, article 171, and article 174 of the Securities Transaction Law.

Chairman



President



Chief Auditor



Compliance Officer



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

Base date: Dec. 31, 2014

Items needing improvement	Improvement measures	Schedule for completing the improvement
Taishin Bank		
The case involved mis-selling of financial products, for which the bank was fined NT\$4 million dollars by FSC in accordance with Article 129, Subparagraph 7 of the Banking Act on June 25, 2014.	Reviewed and revised all relevant procedures in accordance the principles of the Bankers Association, and enhanced supervision.	Taishin Bank has made the necessary improvements, and reported to the Banking Bureau on July 21, 2014.

2. Report of independent auditor appointed to conduct special audit on the company's internal control system: Nil.

k. 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	Nil
B. Fines inflicted by Financial Supervisory Commission (FSC) for violation of laws/regulations	1. Taishin Bank (1) The bank was fined NT\$6 million by the FSC in Letter No. Financial-Supervisory-Banking-Holding-10200167151 dated 2013.07.09, for mistakes made regarding its outsourced credit card transaction system, and outsourced data processing and data equipment purchasing.	(1) The bank is revising its policies as a means to enhance internal control over outsourced operations (expected to be completed by April 2014). (2) The bank has made plans to develop a proprietary credit card transaction system (expected to be completed by March 2016).
	(2) The case involved mis-selling of financial products, for which the bank was fined NT\$4 million dollars by FSC under Letter No. Financial-Supervisory-Banking-Control-10360002929 on 2014.06.25.	The bank has followed the Bankers Association's guidelines and made the necessary amendments to its compensation system, product concentration risk control, risk disclosures, KYC procedures, and review process for complex instruments.
C. Defects being rectified by the FSC	1. Taishin Bank (1) The bank was corrected by the Financial Supervisory Commission in Letter No. Financial-Supervisory-Banking-Holding-10200065290 dated 2013.04.24, for errors made by its ATMs.	The serial number checking system has been adjusted.
	(2) This case involved mis-selling of financial products (as described in (2)-(2)), for which the bank was corrected by FSC under Letter No. Financial-Supervisory-Banking-Control-10360002929 dated 2014.06.25.	The bank has followed the Bankers Association's guidelines and made the necessary amendments to its compensation system, product concentration risk control, risk disclosures, KYC procedures, and review process for complex instruments.
	2. Taishin Securities (1) On March 22, 2013, the company received a customer complaint filed against its Taichung Branch manager, and the investigation found the branch's business personnel in violation of securities regulations. The FSC later considered this incident to be the result of a lack of internal control, for which the company was corrected under Letter No. Financial-Supervisory-Securities-1020025840 dated 2013.08.27.	(1) The company has re-focused its internal training to prohibit any financing activities between employees and their customers, and to treat all wrongly executed trading instructions as out-trades. On 2013.05.7, the company announced its revised "Securities Brokers' Code of Conduct" which introduced new and increased penalties for violations. (2) Taichung Branch's internal auditors conducted a follow-up audit with regards to the above mistakes between 2013.6.13~26, and found the company in compliance with required practices.



	Cases and values	Status of improvement
	<p>(2) While auditing the company's business records, the FSC discovered the following conduct against securities regulations, for which the company was corrected according to Article 65 of the Securities and Exchange Act on 2013.12.30.</p> <p>① On 2012.5.8, the company received reports that former business personnel of its Taichung Branch had violated Article 18, Paragraph 2, Clauses 3, 18 and 19 of the Regulations Governing Responsible Persons and Associated Persons of Securities Firms, but did not take the initiative to report the matter to the Taiwan Stock Exchange Corporation or the competent authority according to its customer complaint policy.</p> <p>② The company had yet to establish an internal audit policy that takes into account defects of its internal control system (whether uncovered by the competent authority, third party agents, or through self-audit practices) as part of performance reviews. Also, the former head of the internal audit unit concurrently served as a member of the Underwriting Committee and was involved in the review of various agenda items.</p> <p>③ The head of the internal audit unit was a member of the Risk Management Committee, attending monthly meetings and making decisions on risk management-related affairs.</p> <p>④ A director appointed a proxy to attend a board meeting. The proxy form did not specify the scope of delegated authority, the date, or was incomplete in other details.</p>	<p>① The company reported the complaint to the Taiwan Stock Exchange Corporation on 2013.11.04 with relevant information attached.</p> <p>② The company has followed the Financial Examination Bureau's opinions to establish new internal performance review standards on 2013.11.18, and excluded the head of the internal audit unit from further involvement in the Underwriting Committee.</p> <p>③ The head of the internal audit unit no longer serves as a member of the Risk Management Committee from 2013.08.</p> <p>④ From 2013.08 onwards, board meeting participants are required to confirm that every proxy form contains all necessary details if a proxy attendant has been appointed by a director.</p>
	<p>3. Inadequate contents were provided in the Taishin -Rogers Global Resources Equity Index prospectus, which the FSC corrected in its Letter No. Financial-Supervisory-Securities-Investment-1020024458 dated 2013.07.24.</p>	<p>The company has completed prospectus review on all 17 funds offered, and reported to the FSC in 2013.08.</p>
D. Penalized by the FSC according to item 1, article 54, of the law	Nil	Nil

	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 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	Nil
G. Other items mandated by the FSC for disclosure	Taishin bank An application submitted by a DBU of the bank to the Central Bank to be a foreign exchange branch contained false information regarding employees' backgrounds, for which the Central Bank suspended foreign currency transactions between 2013.05.29 and 2013.11.28, in its Letter No. ROC-Central Bank-Foreign-VII-1020022757 dated 2013.05.27.	The relevant operating procedures and management practices have been adjusted.

I. Major resolutions of the shareholder's meeting and the board of directors in the recent year and as of the date of the publication of the annual report

1. Key resolutions of the 2014 annual general meeting (dated 2014.06.06) and execution progress

Resolution	Votes						Current progress
	Votes in favor	%	Votes against	%	Votes in favor	%	
1. Acknowledged the company's 2013 business report and financial statements.	4,438,174,170	83.95	593,483	0.01	848,080,614	16.04	Submitted to the authority for acknowledgment on 2014.06.13.
2. Acknowledged the company's 2013 earnings appropriation.	4,467,596,195	84.50	629,065	0.01	818,623,007	15.48	Cash and stock dividends distributed on 2014.09.05.
3. Discussion regarding issuance of new shares against capitalized earnings.	4,467,318,758	84.48	770,839	0.01	819,641,624	15.50	Resolution has been approved by and registered with the Ministry of Economic Affairs on 2014.08.29.
4. Changes to the company's "Articles of Incorporation."	4,459,958,952	84.35	7,069,344	0.13	820,702,925	15.52	Resolution has been approved by and registered with the Ministry of Economic Affairs on 2014.07.02.
5. Amendments to the company's "Asset Acquisition or Disposal Procedures."	4,466,316,423	84.47	725,010	0.01	820,689,788	15.52	Information was published onto the Market Observation Post System on 2014.06.06.



2. Major resolutions of the the board of directors on 2014

- 2014.01.23 Passed the company's 2014 operating plans and budgets.
- 2014.01.23 Passed the company's "Personal Information Security Policy."
- 2014.02.20 Passed to convene the 2014 annual general meeting on 2014.06.06 (including Class D preferred shareholders).
- 2014.03.27 Appointed Fu-Hui Liang as the head of the company's Human Resources Division.
- 2014.03.27 Passed the company's 2013 financial statements.
- 2014.04.24 Passed the company's 2013 audited financial statements.
- 2014.04.24 Passed the partial amendments made to the company's "Articles of Incorporation."
- 2014.04.24 Passed the company's 2013 business report.
- 2014.04.24 Passed the company's 2013 earnings appropriation.
- 2014.04.24 Passed the issuance of new shares against capitalized earnings.
- 2014.04.24 Passed amendments to the company's "Handling Procedures for Acquisition or Disposal of Assets."
- 2014.04.24 Passed to subscribe all new ordinary shares issued by subsidiary - Taishin Bank in a private placement.
- 2014.05.22 Made changes to the previous decision of subscribing all new ordinary shares issued by subsidiary - Taishin Bank in a private placement in 2014.
- 2014.07.24 Passed to set the ex-right date, ex-dividend date, cash issue date, and payment date for the company's 2013 earnings appropriation, for ordinary shares and preferred shares D.
- 2014.08.21 Passed to subscribe to new ordinary shares issued by subsidiary - Taishin Venture Capital, up to a maximum of NT\$500 million.
- 2014.10.30 Passed to subscribe to all new ordinary shares issued by subsidiary - Taishin Securities.
- 2014.10.30 Passed to subscribe to all new ordinary shares issued by subsidiary - Taishin Venture Capital.
- 2014.10.30 Passed to establish the company's "Corporate Governance Principles," "Business Integrity Principles," "Corporate Social Responsibility Principles," and "Regulatory Compliance Policy."
- 2014.11.13 Passed to appoint representatives to participate in Chang Hwa Bank's 24th board of directors election.
- 2014.11.27 Passed to establish the company's "Anti-money Laundering and Counter Terrorist Financing Policy."
- 2014.12.25 Passed to recognize NT\$14,775,666,267 of investment losses in Chang Hwa Bank.

3. Major resolutions of the the board of directors on 2015

- 2015.01.22 Passed the company's 2015 operating plans and budgets.
- 2015.03.05 Passed the company's statements and plans regarding its loss of control over Chang Hwa Bank.
- 2015.03.05 Passed to convene the 2015 annual general meeting on 2015.06.12 (including Class D preferred shareholders).
- 2015.03.26 Passed the company's 2014 financial statements.
- 2015.04.30 Passed 2014 financial statements, 2014 business report, 2014 dividend distribution proposal and cash dividends to be paid by capital surplus.
- 2015.04.30 Passed amendments to the company's "Articles of Incorporation," "Rules of Procedure for Shareholder Meetings," "Director and Supervisor Election Policy," and "Handling Procedures for Acquisition or Disposal of Assets."
- 2015.04.30 Passed a resolution to elect six directors and three independent directors (sixth board) during the shareholders meeting. Passed a resolution to submit proposals to the shareholders meeting to remove the non-competition restriction for directors (on the sixth board of directors) and to review qualifications of independent directors.

m. Different opinions of directors or supervisors on record or in written statement on major resolutions passed by the board of directors in the recent year and as of the date of the publication of the annual report: None.

n. Statement (including chairman, president, financial chief, accounting chief, and internal chief auditing) in the recent year and as of the date of the publication of the annual report: None.

D. Information on CPA's fee

Name of accounting firm	Name of CPA		Audit period	Note
Deloitte & Touche	Qinzhen Yang	Jerry Gung	2014.01.01~ 2014.12.31	None

Amount bracket		Items of fee	Auditing fee	Non-auditing fee	Total
1	Under NT\$2M				
2	NT\$2M(inclusive)~NT\$4M			✓	
3	NT\$4M(inclusive)~NT\$6M				
4	NT\$6M(inclusive)~NT\$8M		✓		
5	NT\$8M(inclusive)~NT\$10M				✓
6	Over NT\$10M				

a. Mandatory disclosure of the auditing and non-auditing fees and the contents of non-auditing service of CPAs, their accounting firms, and affiliates whose non-auditing fee exceeds one fourth of the auditing fee

Base Date: Dec. 31, 2014; Unit: NT1,000

Name of accounting firm	Name of CPA	Auditing fee	Non-auditing fee					Whether the auditing covers the entire fiscal year or not	Note
			System design	Business registration	Human resources	Others (Note2)	Sub-total		
Deloitte & Touche	Qinzhen Yang	6,310		437		2,461	2,898	2014.01.01~2014.12.31	Non-audit remuneration - "Other" mainly comprises of charges for the preparation of the corporate social responsibility report, investment review, and the FATCA project.
	Jerry Gung								

b. Replacement of accounting firm and the auditing fee for the replacement year decreases from the previous year which requires mandatory disclosure of the auditing fees of the two years and provision of reasons: Not applicable.

c. Auditing fee decrease over 15% from the previous year which requires mandatory disclosure of the reduction amount, percentage, and reason: Not applicable.



E. Replacement of CPA:

a. Concerning former CPA

Base Date: March 27, 2015

Replacement date	May 23, 2013		
Reason for replacement and explanation	In line with the job rotation of Deloitte & Touche Accounting Firm, the CPAs for the company's financial statement were changed from Peter Tsai and Qingzhen Yang to Qingzhen Yang and Jerry Gung since first quarter of 2013.		
Explain consigner or termination or refusal of consignment by CPA	status of related parties	CPA	consigner
	Active terminate consignment	Not applicable	Not applicable
	Refusal to accept (continue) consignment	Not applicable	Not applicable
Certification auditing report other than report without reserved opinions in the recent two years and reason	Not applicable		
Existence of different opinions with the bank	Yes	Not applicable	Accounting principle or practical affairs
		Not applicable	Disclosure of financial report
		Not applicable	Auditing scope or procedure
		Not applicable	Others
		Not applicable	
	No	Not applicable	
	Explanation: Not applicable due to In line with the job rotation of Deloitte & Touche Accounting Firm.		
Other disclosed items (Items which should be disclosed according to item 5-1-4, article 10 of the criteria)	Not applicable		

b. Concerning succeeding CPA: Not applicable.

c. Reply of former CPA to item 5-1 and item 5-2-3, article 10 of the criteria: Not applicable.

F. Chairman, presidents, and financial or accountant managers who served at the accounting firm of the CPAs or its affiliates within the recent year: None.

G. Changes in shareholding transfer or shareholding pledge by directors, supervisors, or managers, and all parties that are subject to reporting under Article 11 of Regulations Governing the Ownership of the Holding by Single Individuals or Stakeholders, in the recent year and as of the date of the publication of the annual report.

a. Changes in shareholdings

Title	Name	2014		As of Mar. 31, 2015	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Chairman	Bo-Rui Co., Ltd.	8,670,153	0	0	0
Representative	Thomas T.L. Wu	3,185,773	0	(15,000,000)	0
Director (Major shareholder)	Tong Shan Investment Co., Ltd.	14,819,200	(8,543,336)	0	(16,000,000)
Representative	Jui-Sung Kuo	68,931	0	0	0
Director	Tai-Ho Investment Co., Ltd.	6,015,709	0	0	0
Representative	Cheng-Ching Wu	0	0	0	0
Director	Hsiang-Chao Co., Ltd.	1,014,812	0	0	0
Representative	Jeffrey T.S. Wu	5,645,431	0	0	0
Director	Santo Arden Co., Ltd.	1,145,552	0	0	0
Representative	Chu-Chan Wang	1,244,454	616,922	0	0
Director	Bo-Rui Co., Ltd.	8,670,153	0	0	0
Representative	Thomas K.H. Wu	736,467	0	0	0
Director	Hsiang-Chao Co., Ltd.	1,014,812	0	0	0
Representative	Steve S.F. Shieh	3,907,304	0	0	0
Independent Director	Chih-Kang Wang	0	0	0	0
Independent Director	Neng-Pai Lin	0	0	0	0
Standing Supervisor	Chishung Co., Ltd.	33,238	0	0	0
Representative	Jimmy Y.T. Tsay	2,198,666	0	0	0
Supervisor	Taishin International Investment & Development Co., Ltd.	5,748,245	(500,478)	0	0
Representative	Long-Su Lin	(3,233,083)	(3,233,083)	0	0
Supervisor	Royal International Co., Ltd.	396,657	0	0	0
Representative	Henry C.S. Kao	0	0	0	0
President and Chief Executive Officer, Wholesale Banking Group	Joseph Jao	384,766	0	0	0
Chief Executive Officer, Retail Banking Group	Oliver Shang	368,276	0	0	0
Chief Auditor	Howard Wu	554,250	0	0	0
Chief Strategy Officer	Daniel Tsai	(1,920,847)	0	0	0
Chief Information Officer	BR Ho	411,812	0	0	0
Chief Financial Officer	Welch Lin	1,213,025	0	0	0
Chief Accounting Officer	Ann Cheng	(838,011)	0	560,000	0
Chief Risk Officer	Jey Chen	0	0	0	0
Senior Vice President	Wilson Chou	10,993	0	0	0
Senior Vice President	Frank Lin	243,592	0	0	0
Senior Vice President	Jai, Lu-June	33,791	0	50,000	0
Senior Vice President	David Chang	161,281	0	0	0
Senior Vice President	Janice Liang	57,918	0	0	0
Vice President	Lien-pin Shih	108,254	0	40,000	0
Assistant Vice President	David Lee	28,312	0	0	0
Assistant Vice President	Linda Chen	N/A	N/A	0	0

**b. Information of shareholding transfer**

Name	Reason for transferred	Dealing Date	Counterparty	Counterparty's relationship with the financial holding company, the directors, supervisors, and shareholders with more than 10% ownership interest	Shares	Dealing Price (NT\$)
Thomas T.L.Wu	Sold	104.03.25	Chiahao Investment	The spouse of a manager of a Taishin subsidiary serves as the responsible person for the related company	15,000,000	13.50

c. Information of shareholding pledge: None.**H. Information on the relationship of the 10 largest shareholders who are related parties according to Financial Accounting Criteria No.6****Information on the Relationship between the 10 largest Shareholders**

Base Date: April 14, 2015

Name	Own shareholding		Shareholding of spouse and offspring before the age of majority		Total shareholding in the names of others		Names and relationship of the 10 largest shareholders who are related parties according to Financial Accounting Criteria No.6 or who are spouses or relatives with second-degree or closer kinship		Note
	Number of shares	Share of stake (%)	Number of shares	Share of stake (%)	Number of shares	Share of stake (%)	Name	Relationship	
Cathay Life Insurance Co., Ltd. Representative : Hung-Tu Tsai	360,659,435	3.76	0	0	0	0	None	None	-
Taishin Leasing & Financing Co., Ltd. Representative: Chao-Nan Ku	272,635,948	2.85	0	0	0	0	None	None	-
Ching-Wei Co., Ltd. Representative:Chou, chun-chi	184,546,343	1.93	0	0	0	0	None	None	-
Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	150,791,607	1.57	0	0	0	0	None	None	-
TASCO Chemical Corporation Representative:Cheng-Ching Wu	145,409,494	1.52	0	0	0	0	None	None	-
Dimensional Emerging Markets Value Fund	135,938,491	1.42	0	0	0	0	None	None	-
Pan City Co., Ltd. Representative:Chu-Chan Wang	122,293,795	1.28	0	0	0	0	None	None	-
Shinkong Synthetic Fibers Corporation Representative:Tung-Sheng Wu	113,566,932	1.19	0	0	0	0	No.10	Representative's relative within 2 tiers	-
JPMorgan Chase Bank, N.A., Taipei Branch in custody for Norges Bank	112,961,299	1.18	0	0	0	0	None	None	-
Tong Shan Investment Co., Ltd. Representative: Kuei-Lan Wu	111,927,594	1.17	0	0	0	0	No.8	Representative's relative within 2 tiers	-

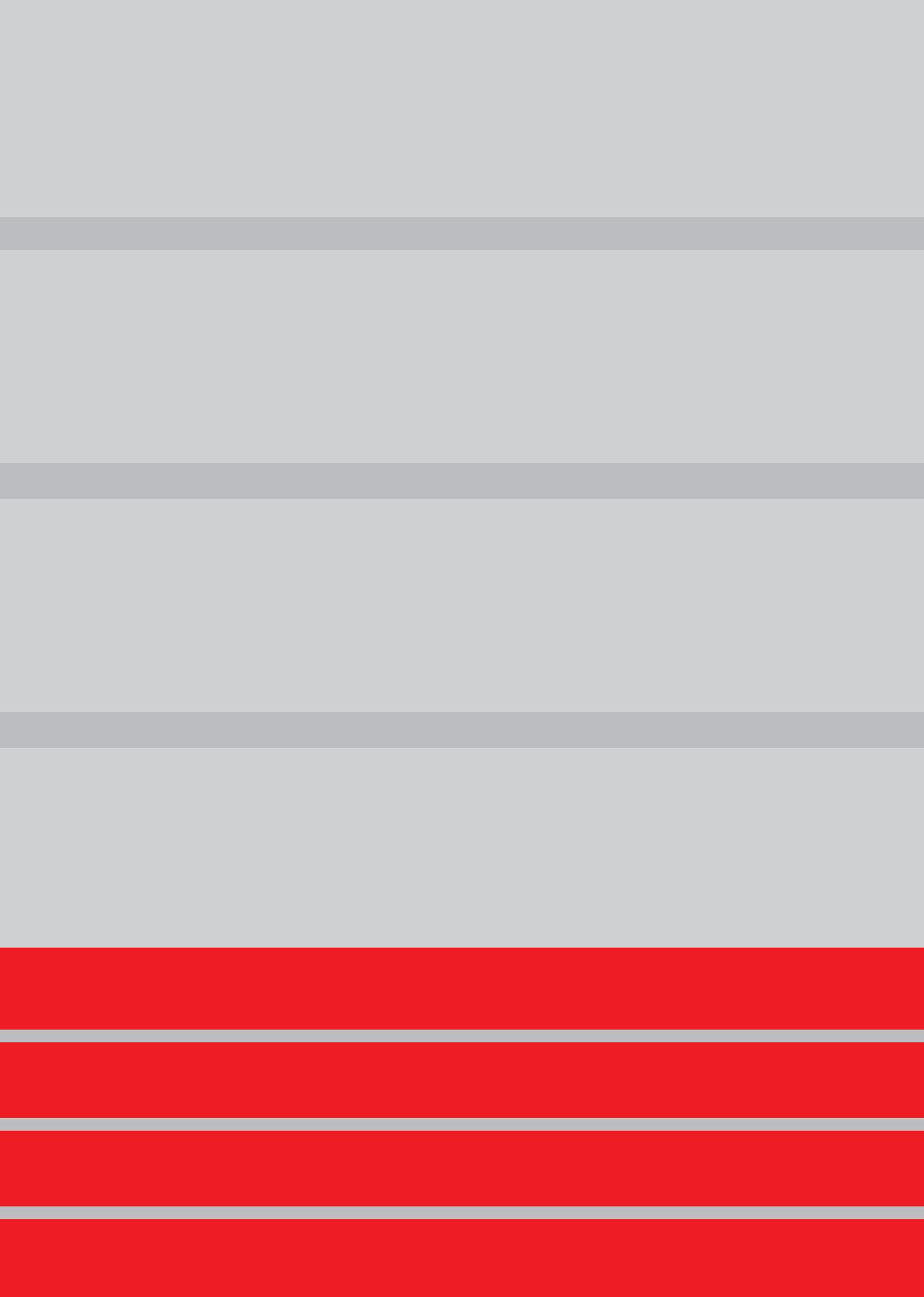
I. The amount of shares and total share of stake in the same invested company owned by the company directly or indirectly controlled by the company and the company's directors, supervisors, president, vice presidents and branch chiefs

Base date: Dec.31, 2014 ;unit:share

Equity investment (Note1)	Investment by the holding company (Note2)		Investment by the company directly or indirectly controlled by the holding company and the holding 's directors, supervisors, president, vice presidents and branch chiefs		General investment	
	Amount of shares	Share of stake %	Amount of shares	Share of stake	Amount of shares	Share of stake %
Taishin International Bank Co., Ltd.	5,202,562,622	100	0	0	5,202,562,622	100
Taishin Securities Co., Ltd.	306,125,000	100	0	0	306,125,000	100
Taishin Securities Investment Trust Co., Ltd.	75,454,545	100	0	0	75,454,545	100
Taishin Securities Investment Advisory Co., Ltd.	27,599,513	92	0	0	27,599,513	92
Taishin Holdings Insurance Brokers Co., Ltd.	3,000,000	100	0	0	3,000,000	100
Taishin Asset Management Co., Ltd.	99,500,000	100	0	0	99,500,000	100
Taishin Venture Capital Investment Co., Ltd.	332,903,495	100	0	0	332,903,495	100
Chang Hwa Commercial Bank,Ltd	1,782,059,748	22.55	29,366,671	0.37	1,811,426,419	22.92
Chieh-Bon Co., Ltd.	220,000	4.40	300,000	6.00	520,000	10.40

Note1: Invested by the holding company.

Note2: Pursuant to Article 36 of the Financial Holding Company Act.





Fund-Raising Activities



04



IV. Fund-Raising Activities

A. Shares and Dividend

Capital Sources

Base date: March 31, 2015; Units: 1,000 shares ; NT\$1,000

Times	Issuing Prices	Approved Capital		Paid-in Capital		Notes	
		Number of Shares	Value	Amount of Shares	Value	Sources of Capital	Others
Feb. 2014	-	12,000,000	120,000,000	Common share 7,528,158 Preferred share D 725,136	Common share 75,281,583 preferred share D 7,251,368	Issuance of new shares for exercise of options by employees	MOEA, No. 10301020390 Feb. 10, 2014 (note 1)
April 2014	12	12,000,000	120,000,000	Common share 8,028,158 Preferred share D 725,136	Common share 80,281,583 Preferred share D 7,251,368	Capital increase by earning	MOEA, No. 10301070520 April 18, 2014 (note 2)
May 2014	-	12,000,000	120,000,000	Common share 8,035,631 Preferred share D 725,136	Common share 80,356,313 Preferred share D 7,251,368	Issuance of new shares for exercise of options by employees	MOEA, No. 10301080660 May 1, 2014 (note 3)
Aug. 2014	-	12,000,000	120,000,000	Common share 8,038,704 Preferred share D 725,136	Common share 80,387,043 Preferred share D 7,251,368	Issuance of new shares for exercise of options by employees	MOEA, No. 10301157360 Aug. 1, 2014 (note 4)
Aug. 2014	10	12,000,000	120,000,000	Common share 8,837,405 Preferred share D 725,136	Common share 88,374,051 Preferred share D 7,251,368	Capital increase by earning	MOEA, No. 10301180500 Aug. 29, 2014 (note 5)
Nov. 2014	-	12,000,000	120,000,000	Common share 8,841,790 Preferred share D 725,136	Common share 88,417,901 Preferred share D 7,251,368	Issuance of new shares for exercise of options by employees	MOEA, No. 10301234510 Nov. 28, 2014 (note 6)
Feb. 2015	-	12,000,000	120,000,000	Common share 8,852,579 Preferred share D 725,136	Common share 88,525,791 Preferred share D 7,251,368	Issuance of new shares for exercise of options by employees	MOEA, No. 1040108270 Feb. 10, 2015 (note 7)

Note 1: Exercise of options by employees for issuance of 16,505,200 common shares.

Note 2: For cash capital increment, the company issued 500,000,000 common shares, at par value NT\$10 per share and premium price of NT\$12, thereby raising NT\$ 6,000,000,000 of fund.

Note 3: Exercise of options by employees for issuance of 7,473,000 common shares.

Note 4: Exercise of options by employees for issuance of 3,073,000 common shares.

Note 5: 798,700,800 new shares were issued for capital increment with the company's earnings.

Note 6: Exercise of options by employees for issuance of 4,385,000 common shares.

Note 7: Exercise of options by employees for issuance of 10,789,000 common shares.

Base date: April 14, 2015; Unit:share

Share Categories	Approved Capital			Notes
	Shares in circulation	Shares without issuance	Total shares	
Common Shares	8,856,913,928	2,417,949,252	12,000,000,000	Listed shares
Preferred Shares D	725,136,820			Unlisted shares

B. Structure of Shareholders

Structure of Shareholders (Common share)

Base date: April 14, 2015

Structure of Shareholders Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	13	164	563	217,555	808	219,103
Shares	175,574,428	628,595,945	1,700,073,770	3,422,227,894	2,930,441,891	8,856,913,928
Share of stake (%)	1.98	7.10	19.19	38.64	33.09	100.00

Structure of Shareholders (Preferred share D)

Base date: April 14, 2015

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

C. Distribution of Shareholding

Distribution of Shareholding (Common share)

Base date: April 14, 2015; Par Value NT\$10

Classification of Shareholding	Number of Shareholders	Shares	%
1~ 999	72,392	22,593,565	0.26
1,000~ 5,000	71,556	168,758,862	1.91
5,001~ 10,000	25,561	185,145,182	2.09
10,001~ 15,000	14,423	178,360,576	2.01
15,001~ 20,000	7,317	127,701,213	1.44
20,001~ 30,000	9,337	230,622,110	2.60
30,001~ 50,000	6,959	267,260,842	3.01
50,001~ 100,000	5,598	389,365,523	4.40
100,001~ 200,000	2,924	405,513,136	4.58
200,001~ 400,000	1,445	401,693,034	4.54
400,001~ 600,000	481	235,503,193	2.66



Classification of Shareholding	Number of Shareholders	Shares	%
600,001~ 800,000	224	154,020,620	1.74
800,001~ 1,000,000	162	144,820,607	1.64
1,000,001~	724	5,945,555,465	67.13
Total	219,103	8,856,913,928	100.00

Distribution of Shareholding (Preferred share D)

Base date: April 14, 2015; Par Value NT\$10

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

D. Major Shareholders

Base date: April 14, 2015

Major Shareholders	Shares	Shares (Including Common shares and preferred shares)	Share of Stake (%)
Cathay Life Insurance Co., Ltd.		360,659,435	3.76
Taishin Leasing & Financing Co., Ltd.		272,635,948	2.85
Ching-Wei Co., Ltd.		184,546,343	1.93
Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds		150,791,607	1.57
TASCO Chemical Corporation		145,409,494	1.52
Dimensional Emerging Markets Value Fund		135,938,491	1.42
Pan City Co., Ltd.		122,293,795	1.28
Shinkong Synthetic Fibers Corporation		113,566,932	1.19
JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank		112,961,299	1.18
Tong Shan Investment Co., Ltd.		111,927,594	1.17

Note: Specify top 10 shareholders.

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

UNIT: NT\$1

Items		Year	2013	2014	As of Mar. 31,2015 (Note 7)
Market Price Per Share (Note 1)	Highest		13.64	16.55	13.50
	Lowest		10.37	12.15	12.50
	Average		11.96	14.58	13.11
Net Assets per Share	Before distribution (coverage of loss)		12.81	11.21	11.72
	After distribution (coverage of loss)		11.17	(Note 2)	—
EPS (Note 1)	Average Outstanding Stock (Unit:1,000 share)	Before Adjustment	7,510,179	8,681,872	8,854,559
		After Adjustment	8,256,191	8,681,872	—
	EPS	Before Adjustment	1.72	0.08	0.49
		After Adjustment	1.57	0.08	—

Items		Year	2013	2014	As of Mar. 31,2015 (Note 7)
Dividends	Cash Dividend		0.4258	(Note 2)	—
	Stock grant	Allotment by Earning	0.9933	(Note 2)	—
		Allotment by Capital Surplus	0	(Note 2)	—
	Accumulated Undistributed Dividends (NT\$1,000) (Note 3)		0	0	0
Analysis for Return on Investment	Price to Earning Ratio (Note 4)		7.65	181.50	—
	Price to Profit Ratio (Note 5)		31.12	(Note 2)	—
	Yield Rate of Cash Dividend (Note 6)		3.21%	(Note 2)	—

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

Note 2 : The Earning distribution for year 2014 hasn't been approved by the 2015 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.

Note 7 : The financial data as of Mar. 31, 2015 has not been reviewed by CPA.

F. The Policy and Implementation of Dividends

a. Dividend Policy

Any earnings concluded in a financial year shall first make up for loss of previous years, right after statutory taxation and accounting adjustments. Any surplus is subject to provision of a 10% legal reserve and special reserve according to law. The remainder plus reversals of special reserves shall be available for distribution of a preferred share dividend according to the priority specified in the Articles of Incorporation, followed by a 0.01% provision for employee bonus and a 1% provision for directors' and supervisors' remuneration. The remaining balance plus undistributed earnings in begin of period are available for distribution as an ordinary share dividend, for which the board of directors may propose to distribute 30% to 100% of the available balance for approval in the shareholders' meeting. The board of directors is authorized to decide on distribution methods of employee bonus and actual percentage applied. Where employee bonuses are paid with shares, they can also be distributed to employees of affiliated companies that meet certain criteria.

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

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

b. Items on the agenda of the shareholders' meeting

1. Distribution of earnings according to Article 40 of the company's Articles of Incorporation.
2. The company's 2014 audited after-tax profit amounted to NT\$1,624,375,864; after adding on unappropriated earnings adjustments, earnings available for distribution for 2014 was totaled at NT\$1,511,460,766. The following distributions have been proposed according to the Articles of Incorporation:



- (1) A 10% legal reserve of totally NT\$151,146,077 has been provided according to the Company Act and the Articles of Incorporation;
 - (2) Next, a total of NT\$910,000,001 cash dividends shall be distributed to Class D preferred shareholders.
 - (3) And then, A total of NT\$450,314,688 cash dividends shall be distributed to common shareholders (approximately NT\$0.051 per share based on the 8,856,390,533 common shares outstanding as of March 31, 2015. The amount per share actually distributed will vary due to any treasury stock transactions, exercise of employee warrants, and conversion of Class D preferred shares. The final distribution of amount per share will be adjusted according to the actual number of outstanding common shares as of the ex-dividend date.)
3. The final distribution of cash dividends to common shareholders is based on the sum of cash dividends from 2014 earnings distribution and cash dividends distribution from the capital reserve and set at NT\$0.10 per share. Aforementioned cash dividends distribution from the capital reserve shall be discussed in a separate agenda item.
 4. The board of directors has authorized the chairman to determine the ex-dividend date and the date of payment on cash dividends.

G. Effect of resolution of the shareholders' meeting to issue stock dividend on the bank's business performance and earnings per share

Pursuant to Letter No. Taiwan-Finance-Securities-I-00371 dated February 1, 2000; the Company is not required to disclose this information because it does not publish financial forecasts.

H. Employee bonus and compensations for directors and supervisors

a. Percentages and scope of employee bonus and compensations for directors and supervisors

Please refer to the descriptions on "Dividend policy and execution," presented under the "Dividend policy" section.

b. Accounting treatment for the difference between accrual and actual payment for employee bonus and compensation for directors and supervisors

Employees' bonuses for the current period have been estimated based on the criteria laid out in the Articles of Incorporation. Should the actual amount differ from the amount estimated, the difference will be treated as changes in accounting estimates and recognized as an expense in the year of distribution. There is no difference between the estimated employee bonus and compensations for directors and supervisors and the actual amount of payout for the current period.

c. Information on proposal of the board of directors to issue employee bonus

1. Payout of cash bonus for employees, stock dividend, and compensations for board directors and supervisors. If there is a difference between accrual and actual payment, please explain the reason.
 - (1) Payment of NT\$45 thousand in cash bonus to employee and NT\$ 4,503 thousand in compensation to directors and supervisors.
 - (2) There is no difference between the estimated employee bonus and compensations for directors and supervisors and the actual amount of payout for the current period.
2. Amount of employees' bonus to be paid in stock, and as a percentage to net profit after tax plus employees' total bonus for the current period: Nil.

3. Earnings per share after the proposed payout of employee bonus and compensations for board directors and supervisors: EPS NT\$0.08.

d. Actual dividends for employee bonus and compensations for board directors and supervisors of previous year

Employees' cash bonus was estimated at NT\$ 1,147 thousand and directors' and supervisors remuneration at NT\$ 114,698 thousand in the last year. The actual amounts paid did not differ from the amounts estimated.

I. Buyback of the company's shares: Nil.

J. Issuance of Corporate Bonds

a. Issuance of Corporate Bonds

Issuance of Corporate Bonds -1

Base date: Feb. 28, 2015

Type of Corporate Bonds	2010 Domestic 1st Unsecured Subordinated Corporate Bond	2010 Domestic 2nd Unsecured Subordinated Corporate Bond
Date of Issuance	December 17,2010	January 27,2011
Par value	NT\$10,000,000	NT\$10,000,000
Issue & trade place	Republic of China	Republic of China
Offering price	100%	100%
Total Amount	NT\$5.3 Billion	NT\$2.7 Billion
Interest rate	2.3%	Face interest rate is based on the flexible interest rate for one-year time savings deposit plus 0.7% of Chunghwa Postal Co., Ltd.
Term	7 years (December 17, 2017)	7 years(January 27, 2018)
Priority	Subordinated	Subordinated
Guarantor	None	None
Trustee	Sino Pac Bank	Sino Pac Bank
Underwriting organization	None	None
Verification lawyer	Modern Law office's lawyer: Guo hueiji	Modern Law office's lawyer: Guo hueiji
CPA-auditor of the financial report	Deloitte & Touche's CPAs: Tsai Hongxiang & Weng Rongsui	Deloitte & Touche's CPAs: Tsai Hongxiang & Weng Rongsui
Settlement method	Redemption at Maturity	Redemption at Maturity
Outstanding	NT\$5.3Billion	NT\$2.7 Billion
The terms and conditions for redemption or early redemption	None	None
Restriction terms	Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement.	Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement.



Type of Corporate Bonds		2010 Domestic 1st Unsecured Subordinated Corporate Bond	2010 Domestic 2nd Unsecured Subordinated Corporate Bond
Included in eligible capital		Yes	Yes
Credit rating agency, rating date and rating		S&P Taiwan, 2010.12.09, twBBB+	Fitch Taiwan, 2012.03.08, BBB+(tw)
Other Rights	Amount converted or exchanged to common shares, GDR or others	None	None
	Terms and Conditions	None	None
Impact on shareholders' equity		None	None
Custodian		None	None

Issuance of Corporate Bonds -2

Base date: Feb. 28, 2015

Type of Corporate Bonds	2011 Domestic 1st Unsecured Subordinated Corporate Bond	2011 Domestic 2nd Unsecured Subordinated Corporate Bond
Date of Issuance	August 5, 2011	October 5, 2011
Par value	NT\$50,000,000	NT\$50,000,000
Issue & trade place	Republic of China	Republic of China
Offering price	100%	100%
Total Amount	NT\$5.2 Billion	NT\$1.8 Billion
Interest rate	2.2%	2.2%
Term	7 years (August 5, 2018)	7 years (October 5, 2018)
Priority	Subordinated	Subordinated
Guarantor	None	None
Trustee	Sino Pac Bank	Sino Pac Bank
Underwriting organization	None	None
Verification lawyer	Modern Law office's lawyer: Guo hueiji	Modern Law office's lawyer: Guo hueiji
CPA-auditor of the financial report	Deloitte & Touche's CPAs: Tsai Hongxiang & Weng Rongsui	Deloitte & Touche's CPAs: Tsai Hongxiang & Weng Rongsui
Settlement method	Redemption at Maturity	Redemption at Maturity
Outstanding	NT\$5.2 Billion	NT\$1.8 Billion
The terms and conditions for redemption or early redemption	None	None
Restriction terms	Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement.	Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement.
Included in eligible capital	Yes	Yes
Credit rating agency, rating date and rating	Fitch Taiwan, 2012.03.08, BBB+(tw)	Fitch Taiwan, 2012.03.08, BBB+(tw)

Type of Corporate Bonds		2011 Domestic 1st Unsecured Subordinated Corporate Bond	2011 Domestic 2nd Unsecured Subordinated Corporate Bond
Other Rights	Amount converted or exchanged to common shares, GDR or others	None	None
	Terms and Conditions	None	None
Impact on shareholders' equity		None	None
Custodian		None	None

Issuance of Corporate Bonds -3

Base date: Feb. 28, 2015

Type of Corporate Bonds		2012 Domestic 1st Unsecured Subordinated Corporate Bond
Date of Issuance		May 15, 2012
Par value		NT\$50,000,000
Issue & trade place		Republic of China
Offering price		100%
Proceed raised		NT\$7.0 Billion
Interest rate		2.0%
Term		7 years (May 15, 2019)
Priority		Subordinated
Guarantor		None
Trustee		Yuanta Bank
Underwriting organization		None
Verification lawyer		Modern Law office's lawyer: Guo hueiji
CPA-auditor of the financial report		Deloitte & Touche's CPAs: Tsai Hongxiang & Weng Rongsui
Settlement method		Redemption at Maturity
Outstanding		NT\$7.0 Billion
The terms and conditions for redemption or early redemption		None
Restriction terms		Interest and principle payments will be suspended if interest payments or return of principle on the company's debt cause the company's consolidated capital adequacy ratio to fall below the minimum requirement of the competent authority. Principle or interest (interests may be accumulated, interests on interests and principle rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the competent authority's requirement.
Included in eligible capital		Yes
Credit rating agency, rating date and rating		S&P Taiwan, 2012.04.09, twBBB+
Other Rights	Amount converted or exchanged to common shares, GDR or others	None
	Terms and Conditions	None
Impact on shareholders' equity		None
Custodian		None

b. Convertible Bonds: Nil.



c. Exchangeable corporate bonds: Nil.

d. A shelf registration to issue corporate bonds: Nil.

e. Bonds with warrant: Nil.

K. Issuance of Preferred Shares

a. Issuance of Preferred Shares

Base date: Feb. 28, 2015

Issuing Date		2006.03.22	
Item		Private placement preferred share D	
Face value		NT\$10	
Issued Price		NT\$18 per share	
Total shares		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\$14,000,000,022	
Obligation & Rights	Dividend	6.5%(non-accumulative)	
	Allotment of remaining properties	Prior to Common shares, but subsequence to Series C Preferred shares.	
	Voting Right	Not eligible for voting or election, but can be elected. Shareholders may vote during Class D preferred shareholders' meetings and on any agenda items that concern the interests of Class D preferred shareholders.	
	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	
	Total amount to be redeemed or converted	NT\$14,000,000,022	
Market Price (Note)	2012	Highest	-
		Lowest	-
		Average	-
	2013	Highest	-
		Lowest	-
		Average	-
	2014	Highest	-
		Lowest	-
		Average	-
	As of 2015.02.28	Highest	-
		Lowest	-
		Average	-
Others	Total amount of conversion shares up to the published day	0	
	Terms and conditions	Refer to the company's corporate charter	
Dilution; Impact on current shareholders and preferred shareholders		None	

Note : There is no reference market price for privately placed preferred shares; hence not applicable.

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

L. The Issuance of Global Depository Receipts: Nil.**M. The Issuance of Employees' Stock Warrant****a. The status of utilization of outstanding employee stock warrant**

Base date: Feb. 28, 2015

Type of Employees' Stock Warrant	2005 Employees' Stock Warrant	2007 Employees' Stock Warrant	2010--1st Employees' Stock Warrant	2010--2nd Employees' Stock Warrant
Date approved by authority	May 26,2005	January 17,2007	September 1,2010	September 1,2010
Issue date	August 2,2005	March 15,2007	October 13,2010	August 31,2011
Issuance amount	150,000,000 shares	150,000,000 shares	75,390,000 shares	1,610,000 shares
The amount of shares for warrants in the total amount of issued shares (%)	1.57%	1.57%	0.79%	0.02%
Duration for stock warrants	August 2,2005 ~ August 1,2015	March 15,2007 ~ March 14,2017	October 13,2010 ~ October 12,2020	August 31,2011 ~ August 30,2021
Converted from	New Common shares	New Common shares	New Common shares	New Common shares
Duration and percentage (%) for stock warrants	2007.08.02 ~ 2015.08.01 First to fifth issuance: 20% each	2009.03.15 ~ 2017.03.14 First to fifth issuance: 15-40% each	2012.10.13 ~ 2020.10.12 First to fifth issuance: 15-40% each	2013.08.31 ~ 2021.08.30 First to fifth issuance: 15-40% each
Amount of shares obtained via execution of warrants	3,210,000	28,355,763	21,376,000	50,000
Value of shares obtained via execution of warrants(NT\$)	43,656,000	316,873,128	220,751,103	535,000
Amount of shares for warrants yet to be executed	37,240,000	81,211,237	36,929,500	1,457,000
Share price for warrants yet to be executed (NT\$/ per share)	13.6	10.0	9.4	9.5
Percentage of the amount of shares for warrants yet to be executed in the total amount of issued shares (%)	0.39%	0.85%	0.39%	0.02%
Impact on shareholders' equities	The diluting effect on the interest of original shareholders is limited since stock warrants can be executed only two years after their issuance and within set period, thereby spreading the diluting effect.	The diluting effect on the interest of original shareholders is limited since stock warrants can be executed only two years after their issuance and within set period, thereby spreading the diluting effect.	The diluting effect on the interest of original shareholders is limited since stock warrants can be executed only two years after their issuance and within set period, thereby spreading the diluting effect.	The diluting effect on the interest of original shareholders is limited since stock warrants can be executed only two years after their issuance and within set period, thereby spreading the diluting effect.



b. Managers who have acquired employee stock warrants and the top ten employees with the highest number of convertible rights

Item	Position	Name	Convertible rights acquired (1,000 Shares)	Convertible rights as a percentage of total outstanding shares
Managers	President and Chief Executive Officer, Wholesale Banking Group	Joseph Jao		
	Chief Executive Officer, Retail Banking Group	Oliver Shang		
	Chief Auditor	Howard Wu	94 option	94 option
	Chief Strategy Officer	Daniel Tsai	37,400	0.39%
	Chief Information Officer	BR Ho		
	Chief Financial Officer	Welch Lin	96 option	96 option
	Chief Accounting Officer	Ann Cheng	39,390	0.41%
	Chief Risk Officer	Jey Chen	99 option-	99 option-
	Senior Vice President	Wilson Chou	1st	1st
	Senior Vice President	David Cheng	7,800	0.08%
	Senior Vice President	Frank Lin		
	Senior Vice President	Jai, Lu-June	99 option-	99 option-
	Senior Vice President	Janice Liang (2014.03.28 On board)	2nd	2nd
	Senior Vice President	Chao-Min Lin (2015.01.23 Leave off)	104	0.00%
	Senior Vice President	Chris Chang (2014.03.28 Leave off)		
Employees	Chief Consultant	Jeffrey T.S. Wu		
	Executive Consultant	Steve S.F. Shieh		
	Executive Consultant	Helena Kuo		
	Assistant Vice President	Lee,shying		
	Assistant Vice President	Lin ching yin		
	Manger	Chen szu han		

c. Issuance of restricted right shares for employees: Nil.

Base date: Feb. 28, 2015

Exercised				Not exercised			
Number of rights (1000 Shares)	Price of rights (NT\$/Per Share)	Value of rights (NT\$1,000)	Rights as a percentage of total outstanding shares	Number of rights (1,000 Shares)	Price of rights (NT\$/Per Share)	Value of rights (NT\$1,000)	Rights as a percentage of total outstanding shares
94 option 730	94 option 13.6	94 option 9,928	94 option 0.01%	94 option 4,470	94 option 13.6	94 option 60,792	94 option 0.05%
96 option 8,641	96 option 10.6	96 option 91,204.3	96 option 0.09%	96 option 30,499	96 option 10	96 option 304,990	96 option 0.32%
99 option- 1st 3,334.5	99 option- 1st 10	99 option- 1st 33,389.7	99 option- 1st 0.03%	99 option- 1st 4,321.5	99 option- 1st 9.4	99 option- 1st 40,622	99 option- 1st 0.05%
99 option- 2nd -	99 option- 2nd -	99 option- 2nd -	99 option- 2nd -	99 option- 2nd 104	99 option- 2nd 9.5	99 option- 2nd 988	99 option- 2nd 0.00%



N. Merger and acquisitions or transfer of other financial institutions

a. Taishin Holding

1. Any opinions by accountants that should be disclosed regarding the reasonable share swap ratio for mergers & acquisitions or sale of financial institutions over the past year: Not applicable.
2. State of mergers & acquisitions or sale of financial institutions over the past five years. Methods of issuing new shares in such M&A or sale, and opinions issued by the leading underwriter:
 - (1) 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.
 - (2) 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.
3. In the most recent financial year and up to the printing of this annual report, disclosure of the basic data of mergers & acquisitions or sale of other financial institutions in which the Board of Directors has approved such M&D or sale that involves the issuance of new shares: Not applicable.

b. Taishin Bank

1. Any opinions by accountants that should be disclosed regarding the reasonable share swap ratio for mergers & acquisitions or sale of financial institutions over the past year: Not applicable.
2. State of mergers & acquisitions or sale of financial institutions over the past five years. Methods of issuing new shares in such M&A or sale, and opinions issued by the leading underwriter:

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.
3. In the most recent financial year and up to the printing of this annual report, disclosure of the basic data of mergers & acquisitions or sale of other financial institutions in which the Board of Directors has approved such M&D or sale that involves the issuance of new shares: Not applicable.

c. Taishin Investment Trust

1. Any opinions by accountants that should be disclosed regarding the reasonable share swap ratio for mergers & acquisitions or sale of financial institutions over the past year: Not applicable.
2. State of mergers & acquisitions or sale of financial institutions over the past five years. Methods of issuing new shares in such M&A or sale, and opinions issued by the leading underwriter:

On Dec. 18, 2011 Taishin Investment Trust acquired Taiwan Industrial Bank Securities Investment Trust, further expanding the scale and market share of the assets under its management.
3. In the most recent financial year and up to the printing of this annual report, disclosure of the basic data of mergers & acquisitions or sale of other financial institutions in which the Board of Directors has approved such M&D or sale that involves the issuance of new shares: Not applicable.

O. The Execution of Fund Utilization Plan

a. Contents of the plan

1. Incomplete issue or private offering of securities: Nil.
2. Completed in last three years but without apparent benefits: Nil.

b. Implementation description: Nil.



Operating Status

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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.

The company is allowed to invest in the following businesses:

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

b. Business plan of the current year

1. Enhance core businesses and integrate resources throughout the financial holding company
Focus on growing core businesses such as wholesale banking and retail banking through a balanced risk approach, while in the meantime integrate resources throughout the financial holding company to expand the scale of securities subsidiaries and develop alternative profit sources.
2. Expand overseas presence for greater global competitiveness
As part of the company's goal to become a regional financial institution, more efforts will be devoted to expanding overseas presences, starting from China, Northeast Asia, Southeast Asia and the Asia Pacific. Meanwhile, the company will take initiative in developing global talents and aim to achieve early success in Asia.
3. Utilize new technologies to drive innovation and transformation in Banking 3.0
In addition to improving the stability of existing systems, the company will also be developing new systems with new technologies to introduce innovative services that open up whole new opportunities.
4. Infrastructure and talent development
The company will seek to reduce cost of capital by exercising greater risk control, and provide the best infrastructure and manpower by improving its existing talent management practices.

c. Industry status

1. Market status

Based on IMF's 2015 global economic forecast, the U.S. economy is expected to achieve a growth of 3.1%, whereas Japan and the Eurozone are likely to experience marginal growth of merely 0.8% and 1.3%, respectively, with China slowing down to 7.1%. Meanwhile, The Economist considered the plummet in oil prices, the Russian financial crisis, and weak economic growth in Germany and Japan to be similar to what the world had experienced towards the end of the 1990s, which signifies the upcoming of yet another global crisis in 2015.

The Economist has pointed out three recurring phenomenons that are of utmost concern at this point. Firstly, only the U.S. economy is experiencing rising growth rates while almost every other economy is slowing down. Although the U.S. is experiencing a rapid improvement to its unemployment problem, as well as increased consumer spending and commercial investments due to a fall in oil prices, the price fall may be just as likely to bankrupt many shale gas explorers, whereas the strengthening of the U.S. dollar coupled with weakening economies in other parts of the world will eventually hurt U.S. exports.

Secondly, the German and Japanese economies are facing pessimistic outlooks. Germany has seen its economic growth dropped to 1.3% and is currently suffering from a lack of investments, failure of its energy initiative, and the government's persistence on austerity measures. In the meantime, Japan has repeated the mistake it made in 1997, raising its consumption tax too early which has pushed the economy to the brink of recession.

Thirdly, emerging markets especially Russia are showing signs of decline, whereas countries that rely heavily on commodity exports, particularly Africa, are also in a fragile state. Companies in some of these countries are heavily burdened by debts denominated in U.S. dollar. This bankruptcy wave may not be as severe as what was experienced in the 1990s, but it will still cause panic to investors nonetheless and strengthen the U.S. dollar even further.

Taiwan, on the other hand, is showing signs of recovery after a strong performance in 2014. Driven by a rise in domestic demand, real GDP growth hit 3.64% in the first three quarters. According to Academia Sinica, Taiwan's economic growth for the full year of 2014 is estimated at 3.42%. As for 2015, the fall of commodity prices worldwide coupled with the strengthening of the U.S. dollar will favor growth in international trade in the coming year. However, Taiwan's growth potential will be limited by weakening trade demands from China, resulting in a slightly reduced growth rate of 3.38%.

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

1. R&D achievements in the recent two years

According to Article 36 of the Financial Holding Company Act, the business of a financial holding company



shall be limited to investment in, and management of, its invested enterprises. Related R&D expenses shall be as specified in the R&D projects by the Bank's subsidiaries.

The Bank's R&D expenses in the recent two years: NT\$4,588,150 in 2013 and NT\$28,556,500 in 2014. (Related information please refer to P.80)

2. Future R&D plan

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

e. Long- and short-term business development plans

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

Taishin International Bank Co.,Ltd.

a. Business contents

1. Growth and change in various business items

(1) Wealth Management

The bank's wealth management services mainly provide customized financial solutions to customers who maintain assets under management (AUM) of NT\$1 million or above, or have performed frequent transaction in salary account, retail banking, credit card or securities. For customers who have less than NT\$1 million, the bank provides them with professional information to build up business relationships.

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

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

(2) Retail banking

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

(3) Wholesale banking

The bank's wholesale banking operation provides an array of financial products and services to various institutional clients, including corporations, government-owned companies and financial institutions. The business scope includes the businesses of commercial and investment bank, such as deposits, short-

and long-term financing, guarantee, trade finance, syndicated loans, bond transaction, short-term paper, factoring, cash management, e-banking for corporate financial network, foreign exchange and interest-rate derivatives, financial advisory, asset securitization, and discretionary assets management, etc.

(4) E-financial business

In 2014, the Electronic Banking Department delivered stunning performances in all three banking services: ATM, Internet banking and mobile banking. With regards to the ATM, Taishin Bank not only has 2,600 units deployed throughout Taiwan, but has also taken the initiative to provide them with newer functionalities, faster withdrawal turnaround, and optimized interfaces and processes that have been designed to improve user experience as well as customer satisfaction. One of the new functions that Taishin Bank has introduced was allowing customers of Nanshan Life Insurance to borrow against insurance policies and repay loans over its ATM, making financial services more convenient and accessible.

As for Internet banking, the bank has been able to expand its customer base and increase transaction volume over previous years to a total of 1.15 million by 2014, which represented an annual growth of 12%. Taishin's Internet banking services have been able to attract and retain a larger number of customers mainly because of the user-friendly interface and its innovative marketing campaigns. As a result, transaction volume and fee income have increased by 138% year-on-year. In addition, Taishin Bank has utilized the cost advantage and wide coverage of the Internet to build a personalized investment platform, and introduced "investment preference analysis" ahead of other peers. Customers simply need to fill in basic information and the system will recommend a financial product that matches the customer's investment preference and risk tolerance. This gives customers the freedom of satisfying their investment needs in their own capacity.

Taishin Bank's mobile banking services have also experienced a quick surge in customer base and transaction volume, as a result of growing popularity in smartphone usage. The number of users in this regard has increased by nearly 54%, whereas transaction volume has increased by 94%. Given the growing range of cellphone applications, Taishin Bank has devised two main strategies in 2014 for its mobile banking services: 1. exploit cellphone portability to deliver customers with the most appropriate information at the right time that satisfies their needs; and 2. offer customer-exclusive information regarding their banking privileges. These strategies have led to the introduction of lifestyle banking services such as: taxi calling, movie information, food recommendations, petrol price update, and weather forecast. In addition, the bank has introduced functions such as fund transfer advice, city parking privileges etc to mobile banking. The bank has earned itself the recognition of "Best Mobile Banking Platform in Taiwan" from MILSTE. We are proud to say that 2014 has been the most fruitful year for mobile banking.

In an attempt to boost automated transaction volume, Taishin Bank has integrated ATM, Internet banking, mobile banking, web ATM, and TaishinPay platforms all under one reward point program since May 2013. Our sustained efforts in serving customers have rewarded us with higher profitability, customers' preference, and the recognition of "Best Loyalty Programme" by Asian Banker in 2014. In 2014, the bank surged ahead of its peers by launching credit card cashback among other concessions that reward customers' usage, which helped raise customers' loyalty to the bank.

(5) Trust Financial Service

For planned trust business, the bank continued to push "money trust" and assist customers to undertake tax saving and lend stock holding via "securities trust." To satisfy corporate banking customers' diverse needs for trust services, the bank has also been active in promoting trust services as solutions to employee remuneration, such as trusts for shares, bonuses and restricted shares. Furthermore, the bank expects to launch a new "Employee Welfare and Savings Trust" service towards the second half of 2014 to help companies retain their top talents.



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 2015/2020/2050 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.

The bank offers “overseas investor custodian” services which foreign individuals and institutions may utilize to gain exposure to the growth of Taiwan’s stock market. Furthermore, in order to capture opportunities on the return-listing of overseas Taiwanese enterprises, the bank has launched its “Foreign and Mainland Employee Consolidated Investment Account” service, which foreign and Mainland employees may use to acquire shares from their employers once they have been listed in Taiwan.

With regards to mutual fund services, the bank continued to broaden the diversity of its product line, introducing investments from different kinds of industries and different parts of the world to satisfy customers’ diverse needs. Meanwhile, we kept customers refreshed with new product varieties and themes, all differentiated to suit their profiles. In the meantime, the bank also allocates assets flexibly to take advantage of the changing market.

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

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

Net income share (%)	2013	2014
Retail banking	60	61
Wealth management	27	30
Consumption financing	23	22
Credit card	10	9
Wholesale banking	40	39
Total	100	100

b. Business plan for the current year

1. Wealth Management

- (1) Commit to our brand value of “professionalism and innovation”; take the utmost care of every asset that customers have entrusted to us, and aim to become the most preferred wealth management bank.
- (2) Introduce diverse and innovative products to complement our goals of becoming a sustainable, all-round asset manager, bringing consistent returns and wealth growth to investors regardless of which direction the market progresses.
- (3) Satisfy the needs of sub-segment customers by taking a customer-centric approach; develop efficient and robust business models that work with each sub-segment. Integrate resources from various parts of Taishin Financial Group to deliver the ultimate One-Stop-Shopping experience.
- (4) Raise employees’ service quality and customers’ satisfaction; exercise proper risk management and crisis management.
- (5) Maintain relationships with customers with AUM below NT\$1 million and treat them as potential wealth management customers. Increase the number of wealth management customers and improve product penetration among them.
- (6) Conduct continuous testing to develop the most effective sales model for the automated channels and the best customer communication system. Offer corresponding privileges to ensure the loyalty of customers.

- (7) Use precision data analysis to assist product sales to customers with extensive service relationships such as salary account, retail banking, credit cards and securities. Provide them with suitable products and services that increase wealth and satisfy their requirements.
- (8) Incorporate the use of investment preference scorecard in wealth management services (the Advisory system): offer portfolios that match customers' preference and risk tolerance, while helping them to review and adjust on a regular basis.
- (9) Introduce "family-based" wealth management service to accommodate customers' needs.
- (10) Develop an open platform that introduces the best products on the market complemented by Taishin's proprietary products such as securities lending trust, So Easy funds etc...
- (11) Introduce a broader product range for professional investors (PI) and attract high net worth customers with the availability of Free Economic Pilot Zones.
- (12) Maintain loyalty members: offer "wealth management reward points" for every transaction made, which customers can accumulate and spend on the various concessions the bank has to offer, therefore strengthening customer relations.

2. Retail Banking

- (1) Develop product competitiveness through differentiation; integrate resources throughout the bank to explore broader business opportunities.
- (2) Initiate Bank 3.0; establish online application systems for higher service efficiency.
- (3) Utilize database analysis techniques to enhance product penetration and customer attachment.
- (4) Develop new payment tools that enable customers to transact online and offline. Engage customers in more active interactions through the use of mobile marketing technology.

3. Wholesale Banking

- (1) Leverage the bank's innovativeness to enrich product lines and provide customers with financial solutions.
- (2) Introduce integrated NTD and foreign currency cash management; promote cash services (collection and payment) as means of sourcing current deposits; anchor customer relationship and minimize credit risks.
- (3) Extend the existing collaboration between retail and wholesale banking segments; utilize retail banking channels to explore export financing business; aim to achieve higher growth in SME financing; explore potential SME (small and medium enterprise) customers.
- (4) Explore collaborative opportunities with Chinese banks on trade financing services.
- (5) Expand branch presence in China and Asia. The Singapore Branch has begun operations since the middle of 2014, whereas the Brisbane Branch is scheduled to begin operations in 2015. Meanwhile, the Tokyo Branch is currently in midst of preparations and a representative office is being applied in Yangon, Myanmar.
- (6) Utilize Taishin Group's Chinese leasing platform to engage in RMB-denominated leasing and factoring services for lending spreads.
- (7) Optimize credit-extension underwriting procedures and enhance risk management to ensure sound asset quality.
- (8) Develop a comprehensive talent training system to support growing businesses; build the bank's overseas talent pool through regular job rotation.

4. E-financial business

To further improve user experience, the bank will be initiating a major upgrade to its Internet/mobile banking systems in the coming year. Apart from introducing a more intuitive interface, the bank will also revise its transaction flow so that customers can complete transactions in just three clicks. A graphical menu will be used to help customers choose the functions they need easily. The above features will be designed to support multiple operating systems and browsers.

This mobile banking upgrade is expected to be completed by the first half of this year, and will feature more user friendly interfaces designed from users' perspective. Apart from allowing customers to customize their



personal homepage, the upgrade also comes with a useful Account Assistant that helps customers to set goals on cash management.

Much expectation has been placed on Taishin Bank's mobile banking platform to serve as a bridge to its customers wherever they go. As a result, the mobile platform will be integrated with virtually all information and services the bank has to offer, from online applications, VIP upgrades, online advisors, transaction advices, to push messages. Given the mobility of modern cellphones, the mobile banking network can serve much more than just a transaction media, but also as a means through which customers may access Taishin Bank services wherever they go.

In the last few years, banks and convenience store chains have worked closely to incorporate ATMs into retail services, which not only brought about greater convenience to customers' lifestyles but also provided a win-win solution. In 2015, Taishin Bank will continue working closely with convenient store chains and deploy ATMs outside branch premise with broader features such as product application, foreign currency withdrawal, and coupon sales in collaboration with strategic allies. These value-adding services help blend ATM services into customers' lives.

Taishin Bank's Electronic Banking Department has become the link to customers' daily banking activities wherever they go. Apart from making banking services more flexible and accessible to users, the department has also been connecting automated banking to consumers' lifestyles. As Brett King mentioned in BANK 3.0: "Banking is no longer just somewhere you go to, it's something you do," and Taishin Bank has done just that by building an environment where customers are privileged to enjoy the best personalized banking experience.

5. Trust financial service

- (1) Push "yield-type securities" actively engage in securities lending market, and develop potential customer groups for securities-delivery deposits, so as to create securities lending income for clients.
- (2) Introduce "customized money trust" services that can be tailored to satisfy a broad variety of needs such as children's education, business ventures, retirement planning, and care of disadvantaged families.
- (3) Develop "employee welfare trust" business, so as to satisfy enterprises need for talent retention and strengthen the relationship with corporate customers.
- (4) Push the custodian business of "Collective Investment Account for foreign and Overseas Chinese employees" so as to tap the tremendous business potential connected with share listing of overseas enterprises on the local bourse and the growing internationalization of domestic listed companies.
- (5) Incorporate market information and product information services into the online trading platform, thereby offering customers greater convenience in fund selections.
- (6) Promote funds with a variety of themes; provide custom-tailored services to customers of different profiles and segments.
- (7) Modify the product line of domestic and offshore funds, so as to satisfy the customers' needs about asset allocation planning.
- (8) Introduce favorable price on certain fund subscriptions as means of exploring customers and anchoring banking relationship.
- (9) Explore mutual fund opportunities through offshore banking units (OBU); introduce RQFII funds, hedge funds and other funds that are not yet available in Taiwan.
- (10) Introduce multi-themed ETFs, thereby offering customers suitable instruments to invest in under any market condition.
- (11) Offer offshore bonds in greater varieties and currencies (including RMB).
- (12) Introduce professional investors to offshore structured investments through OBUs, thereby satisfying the requirements of high net worth investors.

c. Industry status

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

d. R&D and business development**1. Major financial products and new business units of retail banking in recent two years**

Item	2013	2014
Mortgage Loan	NT\$312.3 bn	NT\$346.7 bn
Auto Loan	NT\$24.49 bn	NT\$30.91 bn
Other consumer loan	NT\$33.67 bn	NT\$40.45 bn
Credit card	3.451 million cards	3.497 million cards

- (1) As of the end of 2014, outstanding mortgages reached NT\$346.7 billion, with market share of 5.7%; outstanding auto loans amounted to NT\$30.91 billion, with market share of 26.5%, ranking first place in the market; and outstanding amount of other consumer loans hit NT\$40.45 billion, with market share of 4.94%. Outstanding amount of overall consumer loans grew 20% in the year.
- (2) As of the end of 2014, the bank's credit cards in circulation numbered 3.50 million cards, with market share of 9.4%, ranking fourth place in the market. The number of effective cards amounted to 2.403 million cards, with 9.9% market share, ranking fifth place; in the year, total credit-card spending value topped NT\$175.5 billion, for market share of 8.5%, ranking fifth place. The bank currently has 74,000 merchants as its customers, representing a market share of 20.7%, ranking second place.

2. Major financial products of wholesale banking in the recent two years

- (1) Outstanding loans extended by domestic branches to state and private enterprises
With equal emphasis on risk management and business development, the bank's outstanding loans for state and private enterprises reached NT\$206.2 billion at the end of 2014, ranking 14th place among 39 domestic financial institutions, up 15.1% over a year earlier.
- (2) Outstanding loans for small and medium enterprises
In line with the government's policy of providing the assistance of loaning to small and medium businesses and the purpose of expanding the bank's customer group, the bank extended NT\$90.8 billion of outstanding loans to small and medium businesses as of the end of 2014, up 28.9% over a year earlier. This improvement had far exceeded the peer average of 8.5%.
- (3) L/C and export negotiation
Due to increasing varieties of trade financing options available and changes in commercial practices, the total amount of L/C issued in 2014 reached US\$2,15 billion, an increase of 21% over than the previous year.
- (4) Factoring business
The bank is still a market leader for factoring business and undertook NT\$234.5 billion of such business in 2014, declined 2% than previous year, with equal emphasis on the maintenance of customer relationship, pricing and risk.

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

Unit: NT\$ million

Year	2013 AUM	2014 AUM
So Easy target wealth-management plan	4,177	3,462
Planned money trust	6,137	6,559
Securities trust	21,594	27,336
Offshore Structured notes	17,677	22,156
offshore ETF	1,911	1,497
Overseas bonds	6,295	5,815
Domestic and overseas funds	94,157	92,676



4. R&D achievements in the recent two years

The Bank's R&D expenses in the recent two years: NT\$4,588,150 in 2013 and NT\$28,556,500 in 2014.

R&D results are described as follows:

- (1) Construct virtual server clouds to replace outdated servers.
- (2) Build servers to create a virtual local backup environment and improve application service quality.
- (3) Establish a virtual twin-center structure to effectively allocate virtual system resources.
- (4) Create a mobile office platform to help tellers perform normal office duties, such as sending/receiving office email via various equipment.
- (5) Implement an additional two-factor authentication protocol for the mobile office system to strengthen system security.
- (6) Access centrally controlled mobile equipment and operate business applications via mobile offices in response to progress in wholesale banking.
- (7) Reinforce protection of personal data on mobile office to prevent unauthorized disclosure of sensitive data.
- (8) Assign a software development cloud to reduce the cost of installing personal equipment under the development environment.
- (9) Results from the development environment are subject to a standard set of controls to prevent unauthorized disclosure of testing data and parameters.
- (10) Reduce the number of vendor employees stationed inside the company to avoid excessive use of office resources.

The other business results are described as follows:

- (1) The bank joined Chunghwa Telecom in a SIM-Based NFC mobile credit card trial project. Through the use of TSM (Trusted Service Launch of Taishin-TKEC co-brand card that combines banking and membership privileges all in one.
- (2) Upgraded cardholders' benefits with the launch of Mercedes-Benz signature card.
- (3) Taishin became the second bank to have credit cards accepted at PXMART.
- (4) The bank has been approved to engage in mPOS services, and is now able to venture into the acquirer market for mobile transactions.
- (5) Taishin became one of the first banks to be approved by NCCC for credit card online premium payments.
- (6) The bank worked with Master Card in launching the MasterPass service, giving customers a more convenient and safer means of making online payments.
- (7) After collaborating with Chunghwa Telecom on TSM (Trusted Service Management), Taishin Bank has further replicated this success with TWMP's TSM, offering cardholders the option to pay for transactions using OTA (Over the Air) technology.
- (8) Exercise card management to increase the number and percentage of active cards.
- (9) Rebuilt the Rose Card brand that conveyed the message - "Dedication makes a woman beautiful."
- (10) Replaced the old lead selection approach with advanced model analysis, and apply the analysis in behavioral forecasts and loss predictions to enable product customization and precision marketing.
- (11) Worked across departments to develop a sales model that incorporates unsecured loan, mortgage and auto loan all in one. Adopted a Test & Learn strategy to constantly align the bank's marketing approach to customers' needs, and improved operating procedures to reduce costs and maximize NPV.

5. Future R&D plan

- (1) Retail banking
 - (a) Continue optimizing loan application procedures in line with the authority's Bank 3.0 initiative and enhance customers' satisfaction.
 - (b) Apply differentiated customer management; develop a competitive edge by offering different types of retail banking products.

- (c) Utilize Big Data to enhance performance of developed models, and improve customer response and deal rates through diversified distribution channels.
 - (d) Actively develop mobile payment services (e.g. HCE Solution, Apple Pay) to provide customers with the most secured and innovative banking experience.
 - (e) Develop proprietary online payment solutions to capitalize on the rapid growth of online purchases, while in the meantime offer online merchants more diverse user interfaces through which they may conduct business.
- (2) Wholesale banking
- (a) Combine interest rate, exchange rate, bond, commodity and equity instruments into new product varieties.
 - (b) Develop a new banking system and improve existing process flow and transaction capacity to accommodate more product varieties.
 - (c) Launch RMB services in line with the ongoing external deregulation, while striking the right balance between risk and return.
 - (d) Taishin Bank was granted the license to underwrite international bonds by the Central Bank towards the end of September 2014; following the bank's success in underwriting its first international bond in November 2014, more efforts will be devoted to underwriting international bonds for foreign issuers.
 - (e) Explore offshore banking opportunities and expand the bank's overseas presence; enhance the electronic trading platform to satisfy customers' needs for cross-border fund transfers.

e. Short- and long-term business development plans

1. Wealth management

- (1) Short-term business development plan
- (a) Apply precision data analysis and integrate resources throughout Taishin Financial Group to enable customized marketing and maximize cost effectiveness. Provide customers with tailor-made finance and debt solutions which in turn result in greater satisfaction and higher AUM.
 - (b) Integrate resources across wholesale and retail banking to introduce a comprehensive product line and OBU exclusives, that completely address asset allocation and wealth management concerns of companies and their owners.
 - (c) Introduce family-oriented solutions to address customers' inheritance concerns.
 - (d) Promote wealth management loyalty programs; stimulate active banking relationships using the "wealth management reward points" program.
 - (e) Adopt a localized approach for customer management. Aim to provide "the best service" for higher customer satisfaction. Target neighboring residents, shops, SME entrepreneurs and salary account holders for opportunities.
 - (f) Maintain our customer-oriented service approach and stringent risk practices; eliminate inappropriate selling behaviors and provide wealth management customers with customized tax planning and asset allocation solutions.
 - (g) Offer enhanced privileges as rewards to wealth management customers.
 - (h) Strengthen the wealth management team, enhance employee's expertise.
 - (i) Develop standardized procedures for precision marketing; enhance customer analysis and offer products that address their specific needs.
- (2) Long-term business development plan
- (a) Offer comprehensive product ranges in line with the upcoming Free Economic Pilot Zones; utilize OBUs to assist corporate customers in their local and overseas capital planning.



- (b) Improve advisors' service efficiency with the use of the Advisory system.
- (c) Via segmented customer group management, enhance the performance of the bank and enhance customer satisfaction.
- (d) Achieve breakthrough in private banking business among domestic banks.
- (e) Actively develop overseas markets.

2. Retail banking

(1) Short-term business development plan

- (a) Attract new customers by offering exclusive privileges through co-brand cards. Offer customers the freedom to customize and choose between card packages; increase the number and percentage of active cards to achieve higher profitability.
- (b) Include features such as "electronic ticket and RFID IC" in the bank's credit card products, offering customers a more convenient form of payment.
- (c) Conduct branding for our new payment services and continuously engage merchants, online stores, and electronic payment institutions in developing innovative cash flow and payment tools.
- (d) Apply database marketing on physical and virtual channels to serve our existing customer base, raising satisfaction and profitability.
- (e) Develop cross-selling abilities among sales people and broaden the range of products they sell. Aim to enrich customers' product holding for higher revenue potentials.

(2) Long-term business development plan

- (a) Following the enactment of electronic payment regulations, the bank will be working closely with payment service providers to extend cash flow services to micro-size merchants.
- (b) Refine modeling and analysis techniques; explore new customers and new business opportunities through constant innovations and experiments.
- (c) Develop new retail banking products; explore profit margins and competitiveness through differentiation.
- (d) Make efficient use of capital; refine risk management practices; raise product profitability by striking the right balance between risk and revenue.

3. Wholesale Banking

(1) Short-term business development plan

- (a) Materialize segmented customer group management. Allocate group resources to deliver the most comprehensive financial services.
- (b) Enforce upper limit control throughout the group to ensure optimal allocation of credit risk among subsidiaries.
- (c) Expand relationships with securities customers through cash flow services and demand deposit privileges; increase the percentage of customers' demand deposits for lower funding costs.
- (d) Enhance collaboration between retail and wholesale banking segments; replicate successful experiences; explore potential SME customers.
- (e) Build the bank's overseas talent pool through regular job rotation, in order to accommodate growing businesses.
- (f) Finance potential businesses in response to the government's cultural and creativity policies, while paying close attention to risk control.

(2) Long-term business development plan

- (a) Consolidate the financial group's distribution channels and resources to offer the ultimate one-stop shopping experience, and aim to become customers' most preferred bank.
- (b) Allocate group resources with greater efficiency; deliver all-round financial services through synergistic use of existing product lines.

- (c) Actively explore overseas markets; increase profit contributions from overseas and broaden the bank's presence in China and the Asia Pacific region.
- (d) Continue focusing on product innovation. Increase product penetration by exploring new and differentiated forms of services/products.

4. Trust financial service

(1) Short-term business development plan

- (a) Organize Internet banking promotions to consolidated investment account holders, so as to develop massive online customer groups.
- (b) Actively strive for money and securities trust of corporate banking and the business of "Collective Investment Account for Mainland China or Overseas Foreign Employees", and restricted employees the right to new shares" so as to expand the channel for corporate banking.
- (c) Provide planning-type trust customers with systematized transaction and electronic services to satisfy customer's need.
- (d) Develop "employee welfare trust" business and provide corporate-banking customers diversified trust products, so as to develop personal wealth-management business for employees.
- (e) Develop a digital banking environment with more convenient services such as electronic account opening and transaction services.
- (f) Expand the sales volume of financial products and the scale of assets under management on the basis of asset allocation.
- (g) Develop an overseas ETF order placement platform where customers can place limit orders. Introduce 80 kinds of ETFs and preferred stock on a regular basis, giving customers the flexibility to respond to market changes.
- (h) Continue to provide quality overseas financial bonds and corporate bonds denominated in various foreign currencies (including RMB), introduce high-yield Dim Sum bonds and corporate bonds with the opening of the Free Economic Pilot Zones, to help with asset allocation of customers with preference for fixed yields.
- (i) Offer structured investments suited to professional investors and exclusive to OBU customers to enhance the bank's relations with high net worth customers.
- (j) Reach potential customers and increase the amount of assets under management by publishing periodicals, organizing investment seminars and marketing campaigns etc.
- (k) Carefully select and introduce new thematic funds ahead of the market; aim to satisfy customers' needs for variety and proper asset allocation.
- (l) Provide abundant financial information over the Internet, and aim to deliver the ultimate one-stop shopping experience via the Internet platform.
- (m) Consolidate customers' financial goals at various stages of their lives to introduce systematic investment plans, which help accumulate asset base over time.

(2) Long-term business development plan

- (a) Develop various "securities trust" to satisfy the multiple needs of customers for tax savings and revenue creation, so as to increase market share and gain leadership in the market.
- (b) 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.
- (c) Continue concerning about change in regulations, so as to develop new trust business.
- (d) In promoting financial product, it is necessary to periodically review new or revised announced by the government.
- (e) Continue track and develop risk-management indices, so as to grasp product performance and risk for customers.
- (f) Continue introducing pluralized new products and business, in order to bring steady returns to investors in both bullish and bearish markets.



- (g) Promote the proper idea of asset allocation; aim to increase the number of products sold and the amount of assets under management.
- (h) Track product performance regularly; develop risk indicators that can be used to monitor product performance and risks.
- (i) Continue introducing new fund varieties and innovative means of investment to deliver customers' expectations.

Taishin Securities Co., Ltd.

a. Business scope and business mix

1. Business scope

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

2. Business mix in terms of revenues

Unit: NT\$1,000

Item \ Year	2014		2013	
	Amount	%	Amount	%
Brokerage	146,190	29	100,468	18
Dealing	144,858	28	206,211	36
Underwriting	219,971	43	262,106	46
Total	511,019	100	568,785	100

3. Various existing products and services

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

4. New products and services under plan

- (1) Continuously upgrade and strengthen existing e-platform function, promote e-bills, and enhance the convenience of customers.
- (2) Expand virtual distribution channels and cross industry alliances and increase the width of domestic and overseas customer bases.
- (3) Issue call (put) options and launch treasury operations as an added source of profit.

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**

Work closely with banking distribution channels and raise employees' service standards. Enhance customer loyalty and adhesiveness via the upgrading of e-platform.

2. Dealing

Broaden the range of traded instruments while maintaining proper risk control. Obtain the license to issue options and play the role of an active market maker. Develop brand values as well as business models that produce consistent returns. Once options have been listed for trading, the bank will follow up with volume-based trade services.

3. Underwriting

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

4. Credit rating

In addition to pursuing operational efficiency, the company has also taken pro-active steps towards enhancing its overall financial structure. In 2014, Fitch Rating gave the company a domestic long-term rating of A+(twn), a domestic short-term rating of F1(twn) and a stable outlook. This assessment prompted the company to adopt a more stringent attitude towards its financial health, which should therefore be reflected in its 2015 credit ratings.

c. Industrial status**1. Market status**

NT\$1 b.

Total transactions of the securities market in the recent three years			
Year	2012	2013	2014
TSE Market	20,790	19,603	23,043
OTC Market	68,187	55,995	56,969
Total	88,977	75,598	80,012
Weighted stock price index (year end)	7,699	8,612	9,307

Operating Status of Domestic securities			
Year	2012	2013	2014
EPS (NT\$)	0.55	0.62	0.88
ROA	1.90%	1.99%	2.28%
ROE	3.78%	4.36%	5.82%

2. Taiwan's stock market

2014 had been a year full of incidents, starting from the nation-wide student movement in the first half of the year to the oil scandal, the ruling party's major defeat in the recent election, and the recurrence of flight accidents. Fortunately, the stock market had shown great resilience, gaining 8.08% in 2014 as respective



companies reported record-high earnings. The electronics sector was the top performer, having delivered a staggering gain of 22% that was far better than the financial sector's 6.07%. Non-electronics, on the other hand, had been stagnant in 2014.

Many of the government's policies will determine how the stock market performs in 2015. For example, suspension of capital gains tax addendum that works against the favor of large-volume traders since end of 2014 and the widening of daily gain/loss limits by the FSC at the end of February are likely to increase market trade volumes significantly and attract capital inflow. However, there is likely to be a 50% reduction in imputation credit coupled with increases in banking business taxes and wealth taxes in 2015 that will undermine stock market performance. The reduction of imputation credit is believed to have the largest impact.

Overall, the TWSE index closed at 9,307 at the end of 2014, with trade volume (TSEC & GTSM) increasing by 5% over 2013. For the electronics sector, much of that growth was attributed to Apple's new products, whereas for the financial sector, interest and fee income had accounted for much of the growth. However, earnings of conventional industries had slumped in 2014 due to the slowdown of the Chinese economy, and the fall of commodity prices especially oil. In 2015, corporate earnings are still expected to grow but at a slower rate, meaning that there is limited upside gain in the stock market.

d. Research and development

Securities is a licensed business. All securities firms require the approval of the competent authority for services and products offered before commencing business. As a result, the company will follow the direction of future deregulation to design products and services that best accommodate customers' needs.

e. Short- and long-term business development plan

1. Short-term business development plan

- (1) Actively capitalize on the financial holding's resources via cooperation with other units (such as wholesale banking unit, infinite-card unit).
- (2) Continue strengthening e-trading platform, upgrade the convenience and function of operating-platform interface, and steadily increase the share of e-trading.
- (3) Investment risks were placed under strict control to avoid losses.
- (4) Establish overseas underwriting business platform, so as to develop overseas underwriting business.
- (5) Strengthen partnerships with intermediaries to expand the sources for underwriting cases.
- (6) Issue call (put) options supported by volume-based trade services.

2. Long-term investment plan

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

- (7) Establish a futures operation and additional business offices at appropriate time as needed for the business.
- (8) Develop a platform that handles multiple trade strategies (e.g. algorithmic trading and high frequency trading); commence proprietary futures trading to complement business activities of an integrated securities firm.

Taishin Securities Investment Trust Co., Ltd.

a. Business scope

1. Major business contents

The scope of business for Taishin Securities Investment Trust is to establish securities trust funds by issuing beneficiary certificates, and to use the securities trust funds to invest in securities and other related vehicles. Most of the customers served by the company are local or foreign corporate entities and individual investors. There are 3 offices in Taiwan. The company signed non-discretionary monetary trust and marketing agreements with a number of banks, including Hua Nan Bank, Cooperative Bank, Bank of Taiwan, Mega International Commercial Bank, and Taishin Bank, and securities dealers, including KGI, Masterlink, JihSun, Polaris, Shin Kong, and President. Combined with the subsequent agreements with other strong sub-distributors, there are more than 1,000 points of sale in Taiwan.

2. Business shares

Taishin Securities Investment Trust managed NT\$68.495 billion of public funds; 18.59% of which were nonmoney market funds while money market funds accounted for approximately 81.41%.

Unit: NT\$1,000

Items	Year	2012		2013		2014	
		Amount	%	Amount	%	Amount	%
Management fee income		303,597	99.19	301,324	99.37	274,118	97.69
Sales fee income		945	0.31	963	0.32	6,471	2.31
Consult fee income		1,523	0.50	934	0.31	-	-
Total		306,065	100.00	303,221	100.00	280,589	100.00

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.
Offshore fund distribution	Distributing offshore funds that have been approved by the authority to offer in Taiwan.
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 SITC will continue to broaden its overseas product line, introduce quality offshore funds, and enhance electronic trading services particularly with regards to efficiency and security. In addition to trading convenience and online trading platform with complete information, it will also actively plan tailor-made service function for customers and improve the efficiency and security of online trading. Based on the blueprint of “take root on new China and deep-cultivate new economy,” the company will dedicate to “the discovery of new value and creation of new fortune” for clients, with the goal of tapping the markets of greater China, assets allocation, and pension funds, so as to create a quality brand, worthy of the trust of investors and the support of business partners.

b. Business plan of the current year

1. Offer premium fund selections and increase AUM

Enrich the existing portfolio of Taiwan equity funds and Greater China series, while in the meantime develop product lines in other overseas markets. Combine research resources to deliver consistent long-term returns. Focus on increasing the AUM of non-monetary funds and improving the company’s business performance.

2. Enhance customer management and reinforce business partnerships

Promote product awareness through the use of marketing and advertising campaigns. Apply effective relationship management and provide customers with better financial services, and in the meantime strengthen collaborative relationships with banks, securities firms and other business partners.

c. Industrial status

As of the end of December 2014, there were 37 domestic investment trust firms, with 646 funds under their management, totaling NT\$1,975 billion in scale, 1,377 contracts for discretionary account operations, totaling NT\$1,256.4 billion in management scale, and 59 private-equity funds, totaling NT\$13.2 billion in scale.

d. Technology and R&D Status

In June 2014, Taishin SITC introduced a new umbrella fund with two sub-funds that provide exposure to the Chinese market. These two sub-funds were namely Taishin CSI Leading Consumption and Services Index, which is an NTD-denominated fund that tracks the performance of CSI Leading Consumption and Services Index, and Taishin RMB Money Market Fund. Taishin SITC places great emphasis on consolidating and sharing the research team’s experience to deliver better performance. Its research team currently comprises of different niches such as domestic equities, great China equities, derivatives, fixed income, and discretionary investment. The research team and fund managers are all well-experienced in the field of investment, and their expertise covers everything from: global macroeconomics, investment strategies, to local/foreign equities and debts.

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

In 2014, consulting fee of the Research and Analysis Division accounts for 78% of the company's total revenue, while general agency of the Jupiter Fund generates the remaining 22%.

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 69% of the total sales of the fund, while other channels account for 31%.

b. Business Plan of the current year

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

c. Industrial status

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

d. Technological and R&D status: Nil.

e. Short- and long-term business development plans

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



Taishin Asset Management Co., Ltd.

a. Business scope

1. Business contents

The company's major business items include the purchase of money-debt claims from financial institutions, the appraisal and auctioning of money-debt claims of financial institutions, and the management of money-debt claims and overdue accounts receivables for financial institutions.

2. Business mix

The company focuses on the purchase and disposal of money-debt claims from financial institutions.

b. Business development plan of the current year

1. Bid for whole-package bad-debt claims of financial institutions
2. Negotiate with peers on a case-by-case basis for the purchase of bad-debt claims.
3. The company will be eyeing to buy foreclosed properties in Taipei City and New Taipei City at discounted prices, and invest small sums to improve property conditions before selling at a profit.
4. The company will follow FSC's resolutions dated December 2014 and make more valuable use of its existing real estate properties. The company also plans to make more efficient use of idle assets owned by other subsidiaries of Taishin Financial Group, and enable newly acquired properties to appreciate before selling for profit.

c. Industry status

For the domestic bad-debt claim market, along with the upturn of the general economy and plunge in non-performing loan ration, bad-debt claims released by the financial institutions plummeted to NT\$60 billion per year in 2008 and 2009, down from the peak of NT\$236.8 billion in 2007, which dropped further to NT\$58.4 billion in 2010, NT\$50.4 billion in 2011, NT\$40 billion in 2012 & NT\$9.3 billion in 2013 & NT\$0.9 billion in 2014. 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.

What was more challenging was the fact that the Financial Supervisory Commission issued an instruction in May 2013 to limit the sale of non-performing loans by financial institutions with overdue loan ratios above 3%. Later, in August 2013, the FSC announced that corporate debt would be treated in the same manner as non-corporate debt, so that debt entitlement cannot be transferred to third parties. Furthermore, the FSC also required asset management companies to renegotiate borrowing terms with debtors according to the Statute for Consumer Debt Reform. These measures have limited debt managers' abilities to acquire viable investments and dispose of under-performers, and therefore threaten the survival of the debt management business.

Competition among various assets management companies next year will become even fiercer next year, aggravating their business difficulty. However, with the introduction of the Luxury Tax in July 2011 accompanied by Central Bank limits on construction loans, taxes on luxury properties etc, the government has been able to suppress speculative activity in the real estate market. With housing prices showing signs of decline after prolonged periods of reduced trade volume and lengthened deal cycles, it is likely that investors may undergo a wave of foreclosures and increase the supply of court-auctioned properties. Interest rate hikes following the scale back of QE are also expected to affect Taiwan to a certain degree. The rise in market interest rates will eventually put financial pressure on constructors, and compel them to force-sell unsold properties resulting in a downturn in the real estate market; certain developments may even become non-performing debts as a result. Either way, Taishin Asset Management will follow up closely on market changes.

In an attempt to give AMCs more rooms to operate, the FSC held a meeting in November 2014 and later announced in December 2014 a number of business activities that have been allowed for AMCs. This deregulation may provide AMCs with added sources of income.

d. Research and development: Nil.

e. Short- and long-term business development plans

1. Bidding for bad-debt claims

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

2. Bidding at foreclosure auctions

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

3. The Others

The company will follow FSC's resolutions dated December 2014 and make more valuable use of its existing real estate properties. The company also plans to make more efficient use of idle assets owned by other subsidiaries of Taishin Financial Group, and enable newly acquired properties to appreciate before selling for profit.

Taishin Venture Capital Co., Ltd.

a. Business scope

1. Business contents

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

- (1) Venture capital industry
- (2) Information technology industry
- (3) Bio-tech industry
- (4) Traditional industry
- (5) service industry
- (6) 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. New financial products and services to be developed in the future

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

b. Business development plan of the current year

The company was incorporated towards the end of September 2003 with share capital of NT\$1 billion. In an attempt to strengthen its financial structure, the company underwent capital reduction of NT\$180,965,050 in 2010 to offset accumulated losses and subsequently raised capital of NT\$800,000,000, NT\$600,000,000 and NT\$1,110,000,000 in 2012, 2013 and 2014, respectively. Share capital at the end of 2014 amounted to NT\$3,329,034,950.

In 2014, the company earned NT\$30,734,000 in revenue and incurred NT\$75,602,000 in losses and expenses, which resulted in an after-tax loss of NT\$44,859,000. This loss was mainly attributed to the non-profitability of financial leasing subsidiaries established in Nanjing and Tianjin, as they were both in their initial stages, and the recognition of impairment losses on long-term investments.

In 2014, the company had increased investment and strengthened its holding position in Diamond BioFund Inc., Innostor Technology Corporation, and 5 offshore companies including China Financial Leasing Co., Ltd. and StemCyte for a total of NT\$867,790,000. The company generated cash inflows totaling NT\$98,494,000 from investments, of which NT\$3,910,000 were contributed by cash dividends, NT\$33,850,000 by liquidation and capital reduction, and NT\$60,734,000 by disposing of Zhongyang Venture Capital, Primax Electronics, Double Edge Entertainment, and Systems & Technology Corp.

As at the end of 2014, the company had 21 investees on book.

The company's investment strategies in 2015 will still largely involve disposing shares held by Taishin Venture Capital, and shifting focus towards the Greater China region, returning IPOs, and competitive high-tech, biotech and healthcare companies in Taiwan. The company expects to add 1~3 local/foreign investments into the portfolio, or subscribe to cash issues offered by companies of its existing portfolio in 2015. A sum between NT\$100 million ~ NT\$300 million is expected to be invested. This investment will mostly comprise of assets from the Greater China region, and partially from foreign countries.

The listed companies in the company's investment portfolio include: Li Kang Biomedical Co., Ltd. and Darfon Electronic Corp, Primax Technologies, BAFO Technologies, and Microbio. In addition, the finance leasing subsidiary in China in which the company invests will start to expand its operations this year, and is expected to create positive benefits. The company's portfolio comprises of several investments that are likely to be listed or become liquid over the next 1 to 3 years, including: StemCyte Inc., JHL Biotech Inc. and Innostor Technology Corporation. These investments should result in gains once they are openly traded on the market.

c. Industry Status

The first venture capital firm in Taiwan was established in 1984. In almost 30 years of development, according to a survey by the Taiwan Venture Capital Association, the industry invested more than NT\$260 billion in more than 14,000 projects in Taiwan, helping 400 companies become listed companies, and facilitated NT\$2.3 trillion in capital investment. However, the venture capital industry in Taiwan had faced challenges from the dot-com bubble in the United States, the global financial crisis, and the cancellation of investment credits for domestic venture capital investors since 2000. The venture capital industry is currently facing cash flows that are drying up at an alarming speed. According to statistics released by the Taiwan Venture Capital Association, the number of newly established venture capital firms between 2001 and 2007 was 48% of that between 1995 and 2000, and the new capital increase on average fell to only 80% of that between 1995 and 2000.

Based on the latest statistics published by Taiwan Venture Capital Association, a total of 14 new venture capital firms had been established between January and August 2014, representing NT\$8.911 billion in new share capital. Shengta Venture Capital was perhaps the most prominent establishment of all; founded by Huang Qing-Yuan (independent director of Cathay Financial Holding) and Gary Kuo (former Executive Director of Morgan Stanley Taiwan), the new venture capital firm has raised NT\$5 billion to invest in anything ranging from medical electronics, electric cars, healthcare, to e-commerce in the Greater China region. As at the end of August 2014, there were 233 venture capital companies still in operation.

According to a study published by U.S. research institution PitchBook, the world's venture capital industry as a whole had grown in the first three quarters of 2014, whether in terms of amounts raised or amounts invested. This growth shows that venture capital investment remains favorable to investors worldwide.

Amount of capital raised: In the first three quarters of 2014, a total of US\$25.1 billion had been raised by 153 venture capital funds, which more than doubled compared to last year's US\$11.15 billion. There were 5 venture capital funds that raised more than US\$1 billion on their own.

Amount of capital invested: In the first three quarters of 2014, the world's venture capital funds invested a sum of US\$43.47 billion in 3,879 investments, setting the highest record of amounts invested over Q1~Q3 since the Internet bubble in 2000. The most active venture capital companies were entirely of U.S. origin, including well-known names such as: Sequoia Capital, Andreessen Horowitz, Accel Partners, and Kleiner Perkins Caufield & Byers. 43% of investments were software-related, whereas 5% were associated with medicine and biotechnology.

Exits: The exodus of investments also reached its peak in the first three quarters of 2014, as US\$49.38 billion were withdrawn from a total of 609 cases, far exceeding the US\$34.51 billion a year ago. This was largely attributed to Facebook's acquisition of WhatsApp for US\$19 billion in the second quarter.

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

d. Research and Development

Venture capital can often serve as a pioneer of wholesale-banking business, first pinpointing startups with development potential for commercial bank to provide funding support later on and securities underwriting firm to assist them in share listing, thereby generating greater integrated benefits for financial holding firm. Over



the past five years, due to the over-supply of the global industry and low PE (price/earnings) ratio of tech firms, venture capital firms worldwide have been looking for new industrial direction. In recent years, thanks to the expansion of the investment scope of venture capital firms by the government, venture capital can actively pinpoint and invest in listed Taiwanese firms with undervalued stocks and good business prospects, thereby increasing their profit-making opportunities.

e. Short- and Long-term Business Development Plan

Investment strategy over the short term will be focused on disposal of shares held by Taishin Venture Capital, and investing into undervalued assets with good liquidity over the next 2-3 years. These may include IPOs of Taiwanese enterprises and industries in which Taiwan has a competitive advantage such as green energy, optoelectronics, biotech, and healthcare. The company plans to invest NT\$100 million - NT\$300 million into 1-3 new businesses, or subscribe to cash issues offered by existing investees.

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

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

Taishin Holdings Insurance Brokers Co., Ltd.

a. Business scope

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

1. Life insurance brokerage

- (1) Description: Including insurance products such as life and health insurance, annuities, and accident insurance.
- (2) Business sources: The commission income from life insurance brokerage in 2014 accounted for 99% of the total commission income.

2. Property and casualty insurance brokerage

- (1) Description: Including insurance products such as fire insurance, motor insurance, accident insurance, and liability insurance.
- (2) Business sources: The commission income from property and casualty insurance brokerage in 2014 accounted for 1% of the total commission income.

b. Current year business plan

1. Continue development of distinctive and innovative products that satisfy customers' needs.
2. Work in line with government policies to introduce long-term insurance products such as accidental coverage, nursing care, and retirement planning.

3. Enhance professional qualities and skills of the insurance sales team by introducing a variety of training courses.
4. Promote insurance awareness through the use of media. Familiarize employees with insurance regulations and ensure that their sales behaviors are compliant with laws.

c. Industry overview

According to statistics prepared by the Life Insurance Association of R.O.C, Taiwanese life insurance companies earned first year premiums totaling NT\$1,169.7 billion in 2014 (including amounts that have been classified as liabilities), which represented a 6% growth over 2013. After the FSC imposed more stringent regulations on surrender charges and premium collections of variable-interest annuity policies, the company shifted its sales focus from variable-interest annuity to variable-interest life insurance, only to be presented with a new regulation that stopped the sale of variable-interest policies altogether. As a result, premiums on life insurance policies increased by 27% over the previous year to NT\$923.6 billion, whereas premiums on annuity policies decreased by 41% from the previous year to NT\$201.4 billion. Premiums on health insurance policies increased by 15% over 2013 to NT\$34.1 billion. This was largely due to broader acceptance towards healthcare insurance, and longer life expectancy that gave rise to needs for medical care. Premiums on accidental insurance remained unchanged from 2013 at NT\$10.6 billion, largely because of the fact that such insurance policies offer relatively high coverage at low premiums. In terms of distribution channels, the life insurance company had accounted for 43% of total sales alone. Banking and the insurance brokerage subsidiary accounted for approximately 52% of sales, while conventional insurance brokers and agencies represented merely 5%. The amount of first year premiums delivered by the bank and the insurance brokerage subsidiary still surpassed what the life insurance company was able to achieve through its own channel, though they were the only channels that posted a negative growth.

According to Taiwan Insurance Institute, property insurance premiums totaled NT\$132.2 billion in Taiwan for the year of 2014, representing a growth of 6% over 2013. Driven by growth in new car sales, premiums on auto insurance increased 9% to NT\$70.2 billion, which accounted for 53% of total underwritten premiums. However, premiums on motorcycle insurance had fallen as regular license renewals were no longer required. Premiums on fire insurance and natural disaster insurance amounted to NT\$22.7 billion, representing a 4% growth over 2013. Healthcare and accidental insurance have also been a major part of the property insurance segment in recent years, contributing NT\$15.5 billion in revenues (5% growth over 2013). Premiums on accidental insurance grew merely 1% over 2013 to NT\$15.7 billion; this was largely caused by a reduction in public infrastructure projects. Lastly, premiums on marine insurance had fallen by 4% compared to 2013.

By the end of 2014, there had been more than 800 insurance brokerage companies and agencies in Taiwan hiring a sales force of more than 220,000 people. In an attempt to institute sound corporate governance practices and maintain discipline within the insurance profession, the FSC implemented its latest amendments of "Regulations Governing Insurance Agents" and "Regulations Governing Insurance Brokers" in 2014 that required significantly higher due diligence to run an insurance brokerage/agency company.

d. Research and development: Nil.

e. Long- and short-term business plans

1. Short-term business plan

- (1) Assist customers with their asset allocation and insurance plans.
- (2) Develop innovative product features and modularized portfolios as in order to increase customers' holding positions.



- (3) Increase the weight of protection policies in customers' portfolios and focus on introducing healthcare coverage to satisfy customers' needs in different stages of life.
- (4) Develop policies that aim to provide long-term nursing care, following the introduction of the latest government regulations.
- (5) Raise the intensity and depth of training to improve employees' professional standards and service quality.
- (6) Continuously promote employees' awareness towards regulatory compliance and protection of personal information.

2. Long-term business plan

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

B. Cross-line and Joint Marketing Efficacy

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

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

- a. Account opening for securities brokerage business.
- b. Agency for sales and redemption of domestic funds.
- c. Installation of terminals for online order placement, allowing investors to place orders with securities firms.
- d. Acceptance of stock-affairs documents for companies with public share offering.
- e. Acceptance of application forms for subscription to the public offering of securities.

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

C. Market and Business Status

Taishin Financial Holding Co., Ltd.

a. Market analysis

1. The qualitative change of the market

Deriving from the concept of cross-line management, financial holding companies are expected to manifest a system integrating the resources and services of business groups, leading to qualitative changes in the

financial markets, including the blurring of the borders among individual markets, the switch from product orientation to customer orientation in the operations of market competitors, and the creation of new integrated services and the expansion of market scale following the joining of new financial holding firms.

2. Major domestic and foreign competitors

There are 16 financial holding companies in Taiwan now, with those boasting major banking subsidiaries including Taishin Financial Holding, Taiwan Financial Holding, First Financial Holding, Hua Nan Financial Holding, Chinatrust Financial Holding, Fubon Financial Holding, Yushan Financial Holding, and SinoPac Financial Holding, which enjoy strong edge in business expansion.

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

b. Competitive strategy

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

1. Expanding business scope and creating synergy

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

2. Strengthen management and strictly control risk

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

3. Strengthen product and all-round services

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

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

Carry out in-depth management of client data, differentiate client groups, embrace client group-oriented operation, develop whole-package tailor-made products for different client groups, institute proprietary business teams for different client groups, train salesmen to obtain complete product knowledge, service clients via 3S(Simple, Sincere, Superior), and manage risk and create fortune for clients.

5. Strengthen human resources and cultivate talents

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



c. Competitive niches

1. Integrated channel

Taishin Financial Holding puts under its auspices various subsidiaries, including Taishin International Bank, Taishin Securities, Taishin Securities, Taishin Investment Trust / Investment Advisory and Taishin Holdings Insurance Brokers boasting different kinds of sales channels, whose integration can cover different client groups and offer more service points for the provision of related financial consulting.

2. Provision of plural products

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

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

- (1) Government's opening stance for cross-Strait financial service
- (2) Taishin Financial Holding boasts complete product lineup covering banking, securities, insurance, commercial paper (bond), and wealth management.
- (3) Taishin Bank can offer clients best services to meet their needs via their extensive channels.
- (4) Amid the financial-institution merger trend in the domestic market, Taishin Financial Holding can offer clients satisfactory services, meeting their demands for long-term partnership.

2. Unfavorable factors

- (1) There are 16 domestic financial holding companies, leading to acute competition, especially in view of their homogeneity in product development and packaging.
- (2) The expansion of operational scales via M&A (merger and acquisition) by some domestic financial holding firms and foreign banks, such as Taiwan Financial Holding, Yuanta Financial Holding, Citibank, Standard Chartered Bank, and HSBC, has posed rigorous challenges to other players. Foreign banks will become formidable competitors on the domestic market, adding their indigenous presence and channel to their international brand and expertise in business expansion.

Taishin International Bank Co.,Ltd.

a. Major products and services

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

Since its establishment, the bank has been constantly expanding business items and operating network, actively exercising the intermediary role for the supply and demand of funds in the society, so as to support economic prosperity. Regarding business network, the bank has set up branches in major cities in Taiwan and has been actively establishing overseas units, in compliance with the trend of financial internationalization, including offshore banking unit, the bank boasts 98 domestic branches, testifying to extensiveness of its service network.

b. Future supply and demand

Based on IMF's 2015 global economic forecast, the U.S. economy is expected to achieve a growth of 3.1%, whereas Japan and the Eurozone are likely to experience marginal growth of merely 0.8% and 1.3%, respectively, with China slowing down to 7.1%. Meanwhile, The Economist considered the plummet in oil prices, the Russian financial crisis, and weak economic growth in Germany and Japan to be similar to what the world had experienced towards the end of the 1990s, which signifies the upcoming of yet another global crisis in 2015.

The Economist has pointed out three recurring phenomenons that are of utmost concern at this point. Firstly, only the U.S. economy is experiencing rising growth rates while almost every other economy is slowing down. Although the U.S. is experiencing a rapid improvement to its unemployment problem, as well as increased consumer spending and commercial investments due to a fall in oil prices, the price fall may be just as likely to bankrupt many shale gas explorers, whereas the strengthening of the U.S. dollar coupled with weakening economies in other parts of the world will eventually hurt U.S. exports.

Secondly, the German and Japanese economies are facing pessimistic outlooks. Germany has seen its economic growth dropped to 1.3% and is currently suffering from a lack of investments, failure of its energy initiative, and the government's persistence on austerity measures. In the meantime, Japan has repeated the mistake it made in 1997, raising its consumption tax too early which has pushed the economy to the brink of recession.

Thirdly, emerging markets especially Russia are showing signs of decline, whereas countries that rely heavily on commodity exports, particularly Africa, are also in a fragile state. Companies in some of these countries are heavily burdened by debts denominated in U.S. dollar. This bankruptcy wave may not be as severe as what was experienced in the 1990s, but it will still cause panic to investors nonetheless and strengthen the U.S. dollar even further.

Taiwan, on the other hand, is showing signs of recovery after a strong performance in 2014. Driven by a rise in domestic demand, real GDP growth hit 3.64% in the first three quarters. According to Academia Sinica, Taiwan's economic growth for the full year of 2014 is estimated at 3.42%. As for 2015, the fall of commodity prices worldwide coupled with the strengthening of the U.S. dollar will favor growth in international trade in the coming year. However, Taiwan's growth potential will be limited by weakening trade demands from China, resulting in a slightly reduced growth rate of 3.38%.

c. Business goal

In 2015, the bank will continue pursue a steady growth emphasizing both quality and quantity, so as to achieve a balance between risk management and market profit. In addition to the provision of pluralized packaged products, subsidiaries of the financial holding company will carry out cross selling improve operating flow, and upgrade brand image, in order to strengthen their leading status on the market. Materialization of the "customer-centered" business model and continuation of launching innovative products and service to meet customer needs will also be a major goal for upgrading corporate value.

d. Favorable and unfavorable factors for development outlook

1. Competitive niches

- (1) Ability to integrate a multitude of products offered under the financial holding group; commitment to financial product/service innovation; attention to customers' multidimensional needs; and the ability to deliver one-stop financial shopping experience.



- (2) Comprehensive and diverse line of retail banking products that satisfy various customers' needs.
- (3) Optimized practices and digitized procedures that generate strong competitiveness.
- (4) Ability to collaborate with industry leaders and utilize resources within the financial holding group to capture market share.
- (5) Ability to analyze database and market information for precision marketing and risk control, and ability to serve customers through various channels available at its disposal.
- (6) Equipped with a stringent risk management system to help ensure sound asset quality.
- (7) Outstanding cash management and E-banking platforms that can be used to offer cash collection/ payment services.

2. Favorable factors

- (1) The rapid growth of online transactions brings new opportunities once electronic payment regulations are enacted.
- (2) Online application system provides consumers with a more convenient means of requesting the services they want. In return, the bank is able to save costs and improve efficiency through the use of simplified processes.
- (3) Given the ongoing liberalization and rapid growth of emerging Asian economies, there will be substantial growth in overseas banking services.
- (4) China's ongoing financial reforms and RMB internationalization will give rise to many innovative services and products, and the government's policy on featured financial services will help boost financial activity between China and Taiwan.
- (5) Possess plural product resources and development capability of the financial holding firm to provide one-stop-shopping financial services to customers.

3. Unfavorable factors

- (1) The authority has raised the doubtful debt provision rate on real estate properties and capped revolving interests at a lower level, directly affecting the bank's profitability.
- (2) The credit card market has become so competitive that the bank is forced to incur higher costs on privileges and campaigns just to secure its market share.
- (3) Electronic payment regulations also enable non-financial institutions to engage in electronic ticketing services, and hence generate intensive competition.
- (4) Taiwan has many banks that offer the same products and services. It is difficult to earn high margins on conventional banking services.
- (5) The bank has too few overseas branches; its global network remains sub-optimal.
- (6) Financial supervision has become more stringent than ever. The implementation of Basel III accord will put further strains on the bank's capital and liquidity, giving rise to additional costs and risks.

4. Response measures

- (1) Utilize database analysis in risk-based pricing. Adjust product strategies based on customer attributes, and offer customized solutions to create differentiation and secure profitability.
- (2) Prevent loss of customers through enhanced relationship management and product innovation; integrate marketing resources and create better competitiveness, and implement system optimizations to deliver higher service efficiency and quality, while reducing service costs.
- (3) Respond quickly to market changes and technological developments with new products; collaborate with business partners to offer brand new banking experiences.
- (4) Combine resources throughout the financial holding group to provide differentiated services and products based on customers' needs, and create service values along the way.
- (5) Take advantage of the leasing platform being established by the financial holding firm in mainland China, expand customer groups and consolidate existing customer relationship.

- (6) Deploy in the Asia-Pacific market by accelerating the upgrading of representative's office to Vietnam to branch and the preparation for the setup of Brisbane and Singaporean branches.

Taishin Securities Co., Ltd

a. Major products and services

The company's services target domestic and overseas institutional investors and general investing public. As of the end of 2014, the company had three business bases, in Taipei city, Taichung city, and Kaohsiung city. In addition, the company has set up 98 joint-marketing counters at the branches of Taishin Bank, providing the services of account opening, account cancellation, and change of customers' basis data.

b. Future supply and demand

1. Market overview

As of the end of 2014 there are 82 headquarters of securities dealers, 931 branches, 37 securities dealers that have been approved for margin trading and short selling of securities by the Securities and Futures Bureau of the Financial Supervisory Commission of the Executive Yuan, and 17 branches established in Taiwan by foreign securities dealers.

2. Market supply

The government's deregulation on the listing of foreign companies in Taiwan and simplified procedures for purchasing Formosa Bonds will present great potential in the securities underwriting service sector. As the securities trading services become more deregulated overseas, the government continues to promote expansion in the capital market and new financial products are being constantly introduced, all of which contribute to more activities in the issuing market. The fast growth of electronic commerce has driven the securities services and fundraising financial planning products to become more diversified. Securities dealers will be able to provide one-stop services for investors, the securities market will become more efficient, and the market will grow significantly in size. The outlook of the securities market continues to remain positive.

3. Market demand

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

4. Market growth

Although the first half of 2014 had been largely troubled by conflicts in Ukraine, collapse of F-share prices, and disputes regarding Taiwan's fourth nuclear plant, the stock market index was able to climb to its six-year high in light of strong economic performance in key parts of the world since the second quarter. However, the stock market was once again troubled by geopolitical concerns, falling oil prices, food safety scandals and loss of major investors in the second half of the year, until December when the upside momentum finally bore fruit following FED's assurance and the government's decision to postpone new regulations. Taiwan's stock market averaged a trade volume of NT\$119.9 billion per day in 2014, while margin trades averaged a balance of NT\$263.4 billion. The TWSE index closed 696 points or 8.08% up from the end of 2013, whereas the GTEX closed 10.81 points or 8.34% up from the end of 2013.



Since the start of 2015, the QE announcement by the European Union had given much incentive to stock markets around the world; however, the change of political regime in Greece and volatile oil prices still present an uncertain future. In Taiwan, FSC's stock market stimulative measures should be considered favorable to securities firms in developing new businesses. Furthermore, the FSC's decision to increase the issuance limit of Formosa Bonds for Chinese banks will give Taiwan the advantage to attract capital from all over the world, and give the banking industry much to expect in the coming year.

c. Business goal

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

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

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

In terms of derivatives, the company will actively issue call (put) options and play its role as a market maker to develop brand values as well as business models that produce consistent returns. In the future, Taishin Securities will aim to take the lead in derivative innovations by broadening its product lines and introducing volume-based trade services with risk awareness in mind.

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

- (1) Integrate the resources of the financial holding company to manifest brand value and upgrade overall competitiveness.
- (2) Government will actively push Cross-Strait exchanges, build up a platform of Securities, allow securities to investment in China, and open the domestic market to Chinese investors.
- (3) The regulator actively pushes the liberalization and internationalization of the securities market, successively opens up various businesses, and expands trading targets, thereby offering a broader development leeway for securities firms.
- (4) The capital market in Taiwan is made more compliant with international standards by issues of RMB denominated bonds via the monetary settlement mechanism.
- (5) It will be easier to explore the underwriting customer bases in China for financial holding companies that already have leasing operations.
- (6) The primary underwriters in the capital market in Taiwan are staffed with well experienced salespersons and underwriters.
- (7) The laws for foreign companies seeking primary and secondary listing/OTC listing in Taiwan are fully developed and help expand the underwriting customer base.
- (8) The transformation of mainstream industries from electronics to traditional industries facilitates the expansion of the domestic underwriting business.

- (9) High-tech and conventional industries are growing in a more balanced state, which is favorable to the company's securities underwriting services.
- (10) A fiercely competitive industry and a fast changing environment create more opportunities for mergers and acquisitions.
- (11) The options market has grown consistently to house a broader range of instruments, while investors have also become accustomed to derivatives. Both conditions favor the company's development of new derivatives.
- (12) The financial holding group now offers a vastly diverse range of products that can be cross-sold to provide customers the ultimate one-stop shopping experience.
- (13) By working closely with the wholesale banking segment, the company would be presented with great opportunities in capital market services.
- (14) Underwriting officers and specialists have had extensive experiences in their line of work, and have maintained good track records to convince new customers.

2. unfavorable factors

- (1) The existence of numerous business outlets and branches, cross-line operation of financial institutions, and the entry of major foreign securities into the market aggravate the competition and affect the space of securities firm for survival.
- (2) Successive opening up of derivatives entails high risks, which may greatly affect profits, should there lacks a good risk-management mechanism.
- (3) Many of the new services recently permitted by the authority (e.g. OSU) are more easily available to large securities firms. These sizable competitors also encounter less trouble when applying for new services and establishing overseas branches.
- (4) It is difficult to deploy in China, one step ahead of competitors.
- (5) The regulator gradually opens up various businesses which may overstrain the supply of talents.
- (6) The relatively small capital size is at a competitive disadvantage among competitors.
- (7) The company has yet to establish a bonds department, and hence is unable to serve customers in this regard.
- (8) Fierce competition in the industry prompts state owned banks create securities underwriting departments to exercise powerful competitive strength by wielding their financial resources.
- (9) The authority is still taking a conservative approach to open up underwriting services. It focuses more on fraud prevention than business potentials, and is limiting the growth of the industry.

3. Response measures

- (1) Utilize the bank's extensive channel to transfer quality and high-assets clients, to extend the reach of business scope.
- (2) Creating a differentiated e-trading platform to provide more accurate, real time mobile transactions.
- (3) For brokerage business, in addition to manual service at physical business outlets, continue strengthen the joint-marketing counters at Taishin Bank's outlets, so as to tap the business of medium-sized investors. Meanwhile, provide sophisticated online order placement service, via unique e-trading platform.
- (4) With regards to underwriting services, the company will be working closely with wholesale banking and venture capital entities within and outside the financial group to explore underwriting opportunities.
- (5) Visit Chinese securities firms and banks; search for opportunities to collaborate in business and sign MOU.
- (6) Improve the success rate of underwriting cases with well experienced underwriters and the corporate network system of Taishin bank.
- (7) Broaden distribution channels local and abroad; increase the company's capacity to undertake cases.
- (8) The Capital Market Department will engage the Research Department and Corporate Department in organizing forums and seminars for greater exposure.
- (9) The company will explore opportunities in new derivatives starting with the issuance of call (put) options.



Taishin Securities Investment Trust Co.,Ltd.

a. Major product and services

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

b. Future supply and demand

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

c. Business goal

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

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

Financial interactions between Taiwan and China have become more active than ever, as both sides have taken steps to deregulate and develop the financial environment. Investors have turned optimistic towards the economy, and a low-interest rate environment works in favor of securities investment trust enterprises when it comes to structuring fund products. Deregulation of pension services may present substantial business opportunities over the medium and long term.

2. Unfavorable factors

Intensive competition among local securities investment trust enterprises, causing larger firms to dominate the market. To compete with dominant channels and offshore fund issuers, Taishin SITC will respond by building a complete product line supported with disciplined practices and well-trained talents, and aims to increase the size of assets under management in order to achieve sustainability.

Taishin Securities Investment Advisory Co.,Ltd.

a. Major products and services

1. Investment and analytical division

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

2. General agency for offshore funds

Presently, the company has introduced 11 Jupiter-series funds of Jupiter Assets Management of the U.K. In addition to Taishin Bank, they are also sold via other banking channels, insurance firms, securities firms, and investment trust firms.

b. Future supply and demand

1. Investment analytical division

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

2. General agency for offshore funds

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

c. Business goal

1. Investment and analytical division

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

2. General agency for offshore funds:

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

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

With the government's ongoing efforts in financial liberalization, innovation, education and wealth/asset management, we expect more favorable prospects in the financial sector as deregulation continues.

2. Unfavorable factors

Given changing regulations, new business entrants need to continuously improve their competitive advantages and innovative abilities in order to overcome new challenges and opportunities.

Taishin Asset Management Co., Ltd.

a. Major products and services

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

b. Future supply and demand

With realty-mortgaged bad-debt claims having been mostly released, assets management companies have gradually switched their bidding targets from corporate-debt claims to consumer-debt claims. Due to the gradual shrinkage of the domestic market scale, quite a number of foreign peers have transformed their operations or



exit the domestic market, with some peers having begun to sell the bad-debt claims they purchased. The trend has led to the emergence of secondary-market trading, facilitating the division or combination of single or small bad-debt claims, conducive to the disposal of bad-debt claims and enhancement of investment returns.

c. Business goal

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

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

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

2. Unfavorable factors

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

Taishin Venture Capital Co., Ltd.

a. Major products and services

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

b. Future supply and demand

Judging from the current trends in the venture capital industry in Taiwan, there has been an overall increase in the number and size of investments as economic prospects turned favorable once again. Although the global economy is expected to see only slow recovery in 2014, Taiwan and China should be able to spark new opportunities with ECFA in play. Opportunities in new investment categories will start appearing soon and now may be the best time for venture capitalists focusing on medium and long term investments. The investment returns in the next few years will also be relatively high.

c. Business goal

With regards to use of capital, the venture capital fund aims to invest no more than 60% in new startup businesses, no more than 60% in growing businesses, and no more than 40% in matured businesses (including undervalued companies with potential listed on Emerging Stock, TSEC and GTSM boards). In terms of industry

allocation, the fund places its focus on the energy industry, the optoelectronics industry, communications, IT, IC, software, biotech and healthcare. In terms of company types, the fund will primarily invest in unlisted companies in Taiwan or new startups or growing companies incorporated in Taiwan or the U.S.; the fund may even introduce European or U.S. ventures into Taiwan and explore local IPO opportunities.

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, and open up new growth by allowing broader variety in portfolio and funding sources. Given the fact that technology remains the driving force behind the world's industrial development, the role of venture capitalists has become more essential than ever. With worldwide recovery and increased capital spending expected in the future, local venture capitalists should undergo yet another wave of growth.

2. Unfavorable factors

(1) Taiwanese economy slackens, driving down investment willingness

Investment activities hinge on economic performance, as a strong economy leads to a bullish market, facilitating fund raising and creating major returns for venture capital funds, while a sluggish economic dampens investment gains, making it difficult for fund raising. As the global economy gets ready to bounce back and the demand for hi-tech products has not expanded in any significant way, companies are slow in increasing capital and the industries are relatively conservative in their investment strategies.

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

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

Taishin Holdings Insurance Brokers Co., Ltd.

a. Major products and services

The key areas of business for Taishin Holdings Insurance Brokers are life and property and casualty insurance brokerage services. It has signed agreements with 16 life insurers and 15 property and casualty insurers, and sells insurance related products through Taishin Bank branches across Taiwan and by telemarketing.

b. Future supply and demand

Although sale of RMB-denominated life insurance policies has been underwhelming since the initial launch in April 2014, there is still potential in the product considering how locals have favored RMB deposits and the likelihood that RMB may be included by IMF as one of the international reserve currencies in 2015. Furthermore, with the introduction of Offshore Insurance Unit (OIU), there have been plans within the industry to package investment-linked policies that foreigners (including Chinese tourists) can purchase in Taiwan using foreign currencies, and hence gain exposure to a broader customer base. In light of the rapidly aging population in Taiwan, more and more people are expected to be in need of long-term nursing care. The nursing care package launched by the government is insufficient in bridging financial gaps over the long run. For this reason, insurance companies are actively offering nursing/quasi-nursing care and disability coverages to capitalize on the growing opportunity.



As for property insurance, 2015 is expected to be the end of a 10-year life cycle for many car owners, and new car purchases should give rise to a surge in auto insurance demands. The company has begun its online insurance services since August 2014; by making insurance coverages available online, there is likely to be a significant growth in sales of auto insurance, accidental insurance and housing insurance.

c. Business goal

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

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

- (1) Insurance has progressed to become one of the main asset planning tools used by locals; this level of acceptance is favorable to the sale of insurance products.
- (2) An aging society coupled with the authority’s move to open up foreign currency-denominated health insurance and include nursing care as part of the National Health Insurance Scheme may help improve acceptance of our health insurance products.
- (3) Consolidate channels within the financial holding group to produce synergies.

2. Unfavorable factors

- (1) Short-term coverages are subject to regulatory restrictions, which affect how customers allocate their assets.
- (2) Sale of long-term coverages is likely to pose competition or conflicts among sales people of the same side.
- (3) The Securities and Futures Bureau has allowed securities brokers to serve concurrently as financial advisors. While this creates new opportunities for securities firms, tens of thousands of securities brokers may turn into a competing sales force that works against banks’ favor.
- (4) The launch of BANK 3.0 will give customers fewer reasons to visit branches in person, and give banks lesser opportunities to sell insurance coverage.

D. Employees of Taishin Financial Holding

a. Employee information

Base date: Feb 28, 2015

Year		2013	2014	Current year as of the Feb 28, 2015
Number of employees	Male	2,974	3,124	3,106
	Female	4,398	4,566	4,600
	Total	7,372	7,690	7,706
Average age		36.3	36.6	36.7
Average years of service		7.3	7.4	7.5
Academic qualification	Doctoral Degree	0.11%	0.10%	0.09%
	Masters Degree	17.40%	17.44%	17.52%
	Bachelors Degree	75.78%	75.54%	75.56%
	High school	6.55%	6.71%	6.62%
	Below high school	0.16%	0.21%	0.21%

Year		2013	2014	Current year as of the Feb 28, 2015
Professional certificates held by employees	Trust-related certificates (including supervisors, managers, and sales)	3,428	3,613	3,641
	Basic internal control certification	3,332	3,318	3,332
	Certificate for property insurance representative	3,122	3,198	3,229
	Investment-linked policy representative	1,289	1,681	1,702
	Life insurance representative	3,532	3,637	3,654
	Futures specialist	565	559	566
	Securities investment analyst	32	30	31
	Senior securities specialist	646	658	668
	Securities investment trust and consulting professional	478	544	541
	Securities investment trust and consulting laws (including professional ethics)	1,671	1,812	1,834

b. Employee training and development

Taishin Financial Holding has committed resources into talent training to ensure sustainability and growth. In 2014, the company had completed more than 290,000 training sessions across the entire organization, averaging 56.9 training hours per person per year. The following talent training measures have been adopted to maintain the organization's competitiveness:

1. Taishin University

By integrating Taishin University with the CTMS, the company is able to incorporate managerial skill training with general education and other relevant courses, so that each employee may study on their own in a systematically structured course design. This combination achieves a number of advantages such as "learning transparency," "learning variety," and "integrated learning resources."

Taishin University has supported the company's global initiatives by offering TOEIC and English courses, in addition to developing and testing senior managers' language proficiency in 2014. Meanwhile, a number of digital courses have been implemented such that offshore employees could attend them without being physically present in the classroom.

2. Talent bank program

The company assesses its employees on a regular basis to identify prospective managers for various levels such as MA, AMA and TSP. The company has been working with National Taiwan University since 2010 to incorporate EMBA courses as part of its talent bank program. Through a combined use of case studies, lectures, theoretical and practical discussions, these courses were aimed to improve managers' existing skills.

By having several members of its management trained as internal facilitators, Taishin University was able to introduce the Management Training Program (MTP), developed by Japan Industrial Training Association (JITA), into the organization in 2014, which served as a complete management program exclusive to Taishin financial holding group.

3. Individual Development Program

By analyzing MBO and career goals, the company is able to identify skills that employees' lack. These gaps are then addressed through training, job rotation, mentoring, meeting participation, and project involvement with close guidance from managers. The company has implemented a training account system where each



employee is given 10,000 training points to spend each year; furthermore, employees are subsidized for their efforts in gaining professional qualifications, secondary skills, language and computer skills etc, so that their personal goals are congruent with those of the company.

E. Corporate Responsibility and Ethical Behaviors

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

a. Charity

1. "Care for Taiwan" series

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

From 2005, "Care for Taiwan" series has targeted "Kuohsing-village karate teenager team," helping those teenagers raise training fund via the establishment of theme website and the utilization of media reporting. In 2014, Tashin continued its sponsorship to the performance of Taiwanese athletes in Asian Pacific Shitoryu Karate Championship held in Singapore. The sponsored athletes delivered stunning results, claiming a total of 75 medals (33 gold, 21 silver and 21 bronze) in various local and international competitions held throughout 2014. Taishin Financial Holding was especially proud when Ku Tsui-Ping, one of the sponsored athletes, won her gold medal in women's 50kg class during the 2014 Incheon Asian Games, making her the youngest karate champion in the history of the Asian Games.

In 2008, "Care for Taiwan" series extended its reach to rice plantation in Taiwan. In order to sustain Taiwan's price plantation and enable people to each pure Taiwanese rice, Taishin Financial Holding and PayEasy.com established brand new platform for production and marketing of Taiwanese rice, pushing corporate sponsorship of "one-acre rice paddy" and family sponsorship of "one-acre rice paddy of my family" programs, so that Taiwan's good rice can penetrate local families. In addition to benefiting the health of local people and boosting the income of farmers, the program has created more working opportunities in Taiwan villages. In total, Taishin Financial Holding has sponsored rice procurement for over 120 units, equivalent to 60 hectares of rice paddies. It has given 50,000 rice gift boxes to over 10,000 Taishin customers and staffers, which have eaten over 200,000 kilos of quality Taiwanese rice. In addition to benefiting rice farmers, it has also carried out excellent marketing for good Taiwanese rice.

2. Taishin Charity Foundation

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

After its establishment, the foundation rolled out “your ballot decides the strength of love” event, the first online public-service event in Taiwan. Under the event, small and medium social-welfare institutions were invited to put forth proposals online for voting by online social groups, in deciding the recipients of donations. A total of 1,253 proposals were received over the four years it was held, and we invited public-service partners, such as Advantech Foundation and Chunghwa Telecom Foundation to join the event, the scope of donation recipients were expanded from “social welfare” to “cultural education” and “digital learning”.

The 5th “Your Ballot Decides the Strength of Love” event received overwhelming response as 300,000 online voters casted more than 1,140,000 votes in total. In addition to the public service partners mentioned above, the event also received donations from Taishin managers, employees, customers and the general public, which boosted the charity fund to NT\$16 million and benefited a total of 333 charity organizations.

In addition to running the “your ballot decides the strength of love” campaign, Taishin Charity Foundation has also reached out using the Internet to partners who were willing to provide resources to the cause. In 2014, Taishin Bank Foundation for Arts and Culture joined Taishin Charity Foundation in launching an “Arts for Charity” campaign that invited artists, advertising companies and students to participate in product designs, improvements and public art productions. In the future, the foundation will continue visiting welfare groups within each community, and try to match them with resources available in the society to become self-dependent.

b. Academics and Art

1. Academic promotion

Taishin is actively involved in major academic events. By engaging industry, government and academia representatives in discussions, we hope to contribute our efforts to the development of Taiwan’s financial environment. Academic events that we previously participated in include: AIESEC International Congress, Taiwan Finance Association Annual General Meeting & International Academic Forum, Corporate Governance Summit Forum, Conference on Theories and Practices of Securities and Financial Markets, Banking Policy Forum, Cross-Strait Conference on Turnaround Management, Conference on Cross-Strait Financial Development... Taishin also organizes cross-strait exchanges of academic talents, which help build financial expertise in Taiwan.

2. Art

Taishin Bank donated to establish “Taishin Bank Culture and Art Foundation” in 2001, with the theme of “promoting cultural life quality and strengthening artistic-development environment.” It supports arts as a nonprofit institution, intensifies exchanges between artistic innovation and private industry, and realizes the corporate social responsibility of payback to the society. 2014 marks the 12th anniversary of this event. Starting in 2013, an online commentary platform named ARTalks was developed to serve as a two-way communication between artists and to inspire creative energy. Meanwhile, Taishin Financial Holdings also arranges multi-functional performing and exhibition space at its headquarters building to invite artists and musicians to hold artistic exhibitions and noontime musical concerts.

c. Sports sponsorship

In 2011, Taishin sponsored Yani Tseng, LPGA female golfing champion, the first Taiwanese financial institution to do so. Taishin had also mobilized its customers and employees to cheer for the champion using banners, online messages etc, while some had even paid their visits to the LPGA Tour in Taiwan. It also invited Yani Tseng to become the endorser of Taishin Charity Foundation, to help with promoting the “your ballot decides the strength of love” event, so as to augment Taishin’s social influence.



In an attempt to nurture a greater number of sporting talents, Taishin has extended its sports sponsorship since September 2013 to new golf talents including Babe Liu, Chien Pei-Yun, Chen Szu-Han, Shih Huei-Ju, Chuang Hsin-Yun and Pan Yen-Ling, and in the meantime arranged for golf superstar Yani Tseng to provide personal guidance to these rising talents. Taishin also sponsors TLPGA in organizing women’s golf tournaments, giving players a place to compete their skills.

d. Environmental Protection

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

F. IT equipment

a. Key information systems

Item number	System name	Hardware	Software	Name of service
1	NT\$ core system (B@NCS)	■ HP Superdome	■ HP-UX ■ ORACLE	■ B@NCS NT\$ application ■ B@NCS NT\$ reports system
2	Foreign currency system (FITAS)	■ IBM AS/400	■ IBM OS400 ■ FITAS	■ Currency exchange/deposit ■ Reporting ■ SWIFT
3	ATM front end processor (FEP)	■ IBM RS/6000	■ IBM AIX ■ IBM MQ ■ ORACLE	■ ATM front end processor ■ Clearing system
4	Treasury system (SUNGARD)	■ IBM X86 Server	■ MS Windows ■ SunGard ■ MS SQL	■ Treasury transactions ■ Transaction risk monitoring system
5	Integrated database system (DAI)	■ HP Superdome	■ HP-UX ■ ORACLE	■ Operational database system (ODS) ■ Data warehouse (DW/DM)
6	Sales force automation system (SFA)	■ HP Superdome	■ HP-UX ■ ORACLE	■ Sales force automation system (SFA) ■ Financial planning system
7	Personal finance (Internet banking)	■ Oracle SUN E6900 & T5-1	■ Solaris ■ Weblogic ■ ORACLE	■ NT\$/foreign currency transaction inquiry, funds, trust services, credit cards, insurance, shares
8	Corporate banking network (B2B)	■ IBM RS/6000	■ IBM AIX ■ IBM Websphere ■ ORACLE	■ Corporate banking portal, inquiries, NT\$/foreign currency transactions, collections (ACH/convenience stores/post office), real-time batch transfers, gift voucher delivery guarantee
9	Mutual fund system (TIPS)	■ IBM X86 Server	■ MS Windows ■ MS SQL	■ A trading system for funds, ETF, offshore structured instruments, offshore bonds, ADR, and preferred shares
10	Credit card acquiring system (NCPS)	■ Oracle M5000 ■ Oracle T5240	■ Oracle Solaris ■ ORACLE	■ Acquisition of credit card transactions
11	Foreign currency system (WBS)	■ IBM RS/6000	■ IBM AIX ■ Weblogic ■ Oracle	■ NT\$/foreign currency transaction inquiry, limit control, guarantor and collateral management ■ Import/export/loan

Item number	System name	Hardware	Software	Name of service
12	Image process management system (IPMS)	<ul style="list-style-type: none"> ■ HP Unix ■ Oracle Solaris 	<ul style="list-style-type: none"> ■ Weblogic ■ Oracle SOA ■ Oracle UCM 	<ul style="list-style-type: none"> ■ Management of imaged processes such as NTD services (account/remittance/applications/ account opening/negotiable instruments/KYC/ CIF update/official correspondence), merchant application, debt collection (attestation letters/ property ownership/household transcript/ overdue documents), retail mortgage/unsecured credit, corporate banking (debt entitlement certificates/scorecards) etc
13	Factoring system (OAEFB)	<ul style="list-style-type: none"> ■ IBM RS/6000 	<ul style="list-style-type: none"> ■ IBM AIX ■ Weblogic ■ Oracle 	<ul style="list-style-type: none"> ■ Accounts receivable system
14	Corporate credit assessment system (OAECR)	<ul style="list-style-type: none"> ■ IBM X86 Server 	<ul style="list-style-type: none"> ■ MS Windows ■ MS SQL 	<ul style="list-style-type: none"> ■ Corporate credit assessment system
15	Trade Finance System (Murex)	<ul style="list-style-type: none"> ■ Oracle Solaris Server 	<ul style="list-style-type: none"> ■ Unix Solaris ■ Murex ■ TAS ■ MS SQL 	<ul style="list-style-type: none"> ■ Treasury, FX and MM transactions ■ Transaction risk monitoring system
16	Singapore Credit system (SGECR)	<ul style="list-style-type: none"> ■ IBM X86 Server 	<ul style="list-style-type: none"> ■ MS Windows ■ MS SQL 	<ul style="list-style-type: none"> ■ Credit assessment system used in Singapore
17	Singapore Trade Finance System (SGFITAS)	<ul style="list-style-type: none"> ■ IBM AS/400 	<ul style="list-style-type: none"> ■ IBM OS400 ■ FITAS 	<ul style="list-style-type: none"> ■ Import/export/currency exchange/deposits/ loans ■ SWIFT
18	Singapore Wholesale Banking System (SGWBS)	<ul style="list-style-type: none"> ■ IBM RS/6000 	<ul style="list-style-type: none"> ■ IBM AIX ■ Weblogic ■ Oracle 	<ul style="list-style-type: none"> ■ CIF, limit control, guarantor and collateral management
19	Cloud office	<ul style="list-style-type: none"> ■ HP Blade Server ■ HP X86 Server 	<ul style="list-style-type: none"> ■ MS Windows ■ Asus Omniapp ■ VMware 	<ul style="list-style-type: none"> ■ A mobile office based on cloud technology ■ Software development tools based on cloud technology

b. Future development or procurement plans

1. Apply cloud technology to achieve resource integration; maximum use of IT resources to improve service quality. Create a cloud-based mobile office and software development tools with enhanced data protection to effectively support business and management activities.
2. Aim to build new Tier III (international grade) computer servers for optimal stability and security.
3. Develop an overseas branch information system - for Brisbane, Singapore and Tokyo branches.
4. Increase use of global trade services by small and medium enterprises; improve local market share.
5. Implement a bank-wide foreign currency system and apply to overseas branches; optimize existing operations involving foreign currency deposits and loans, and the product platform.
6. Explore mobile banking applications for iPhone, iPad, Android and other mobile devices.
7. Integrate front-end, mid-end and back-end of the treasury system for greater competitiveness in treasury transactions.
8. Upgrade the customer credit risk assessment system for more effective control over customers' default risks.
9. Replace the existing ATM system (FEP) with one that offers greater stability.
10. Acquire new ATM models and replace outdated equipment. Offer services such as foreign currency withdrawals and inter-bank cash deposits.



11. Continue replacement of customer service system; implement local and off-site support; improve efficiency and service capability of customer service personnel.

c. Emergency backup and security

1. Implement standardized data management practices and systems in accordance with the Personal Information Protection Act for added protection.
2. Comply with ISO27001 ISMS standards. Ensure proper protection to data operations and information systems. Prevent incidents such as data corruption, theft, leakage, alteration, abuse, and infringement. Enhance the confidentiality, completeness and usability of stored information.
3. Introduce the use of infiltration tools to scan for network weaknesses.
4. Enhance current information protection mechanisms for better security management.
5. Enhance encryption mechanisms used for wireless transmissions of mobile devices for higher security.
6. Improve off-site support to accommodate business requirements.
7. Continually understand off-site support needs and make improvements accordingly.
8. Implement Mobile Device Management for enhanced security in accessing business-related information.
9. Follow instructions issued by the Bankers Association and conduct security assessments on all computer systems used.

G. Labor relations

a. Availability and execution of employee welfare and retirement policies. Elaborate on employer/employee agreements and protection of employee rights.

1. Employee insurance

- (1) Labor insurance: 70% of premium covered by the company while 20% is borne by the employee.
- (2) Health insurance: 60% of premium covered by the company while 30% is borne by the employee.
- (3) Group insurance: employees are covered by group life, accidental, healthcare, surgery, injury, cancer, and work hazard insurance; premiums are borne by the company.
- (4) Travel insurance: employees are covered by travel insurance when going on overseas business trips; premiums are borne by the company.

2. Employee welfare

The company has an "Employee Welfare Committee" in place to supervise the execution of welfare-related activities. The company also implements an "Employee Welfare Committee Subsidy Policy" that provides employees with subsidies for various occasions such as wedding, child birth, funeral, hospitalization, festivity, birthday, travel, private associations, and children's education.

In addition to the various subsidies offered by the Employee Welfare Committee, the company also subsidizes employees for health checkups, weddings, funerals, self-development (such as learning of foreign languages, computer classes, professional qualifications etc), and rewards them for long service.

With regards to employee assistance, the company is working with the Teacher Chang Foundation to provide "Employee Living Assistance," and has an "Employee Mailbox" and "Employee Hotline" in place as a means of communication.

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3. Retirement policy

The company has an "Employee Retirement Policy" in place; it contributes to employees' retirement funds according to applicable laws.

4. Leave of absence

The company complies with the Labor Standards Act and gives employees at least 7 days of annual leave after one year of service.

5. Other important agreements: Nil.

b. Losses arising as a result of employment disputes in the recent year up until the publishing date of this annual report; please quantify the estimated losses and state any response actions, or state any reasons why losses cannot be reasonably estimated:

The company has maintained harmonious employer-employee relationships; therefore there have been no losses due to employment disputes in the most recent year.

H. Important Contract**Taishin Financial Holding Co., Ltd.: Nil.****Taishin International Bank Co., Ltd.:**

Contract title	Parties involved	Contract beginning and ending date	Main contents	Restrictive terms
Procurement contract	Mercuries Data Systems Ltd.	Contract date: 2012.08.24	Purchase of banking equipment	None
Procurement contract	CyberSoft Digital Services Corp.	2011.04.01~ 2016.03.31	Credit card information system and outsourced data processing	None
Procurement contract	Lian An Services (Ltd.) Anfeng Enterprise (Ltd.)	2013.05.01~ 2014.04.30 2014.05.01~ 2014.12.31	ATM cash security services	None

Taishin Securities Co., Ltd.:

Contract title	Parties involved	Contract beginning and ending date	Main contents	Restrictive terms
Loan agreement	Between the company and a number of financial institutions including the Taiwan Cooperative Bank	Short-term, 1 year	As stated in the loan agreement	As stipulated in the agreement
Refinancing agreement	The company has established refinancing agreements with two securities financing companies including Yuanta Securities Finance	Effective from the date signed	Enables the company to approach the counterparty for securities financing/lending assistance if a need arises	Subject to compliance with Rules Governing Securities Financing and Lending by Securities Firms

Taishin Securities Investment Trust Co., Ltd.: Nil.

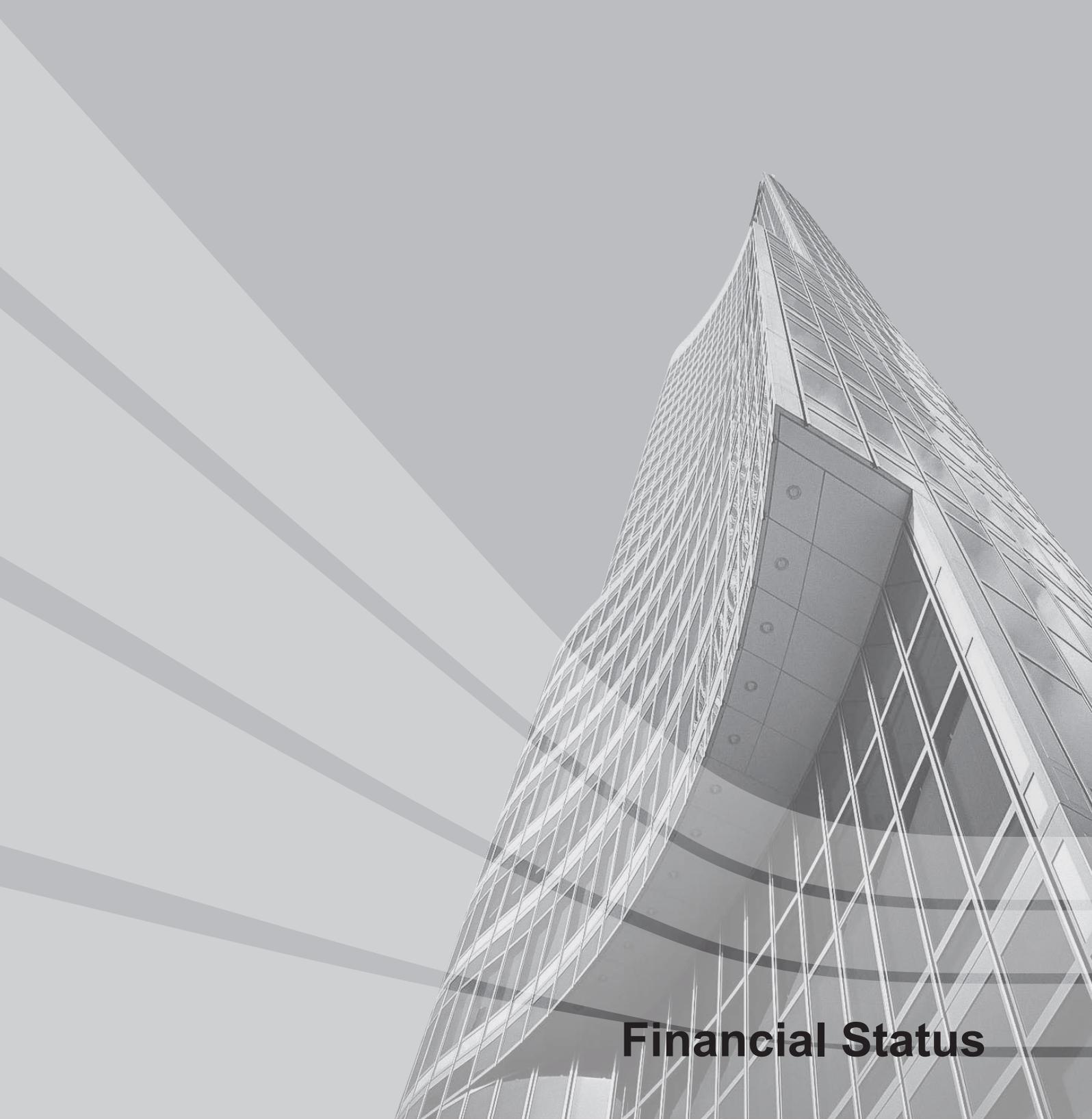


Taishin Securities Investment Advisory Co., Ltd.: Nil.

Taishin Asset Management Co., Ltd.: Nil.

Taishin Venture Capital Investment Co., Ltd.: Nil.

Taishin Holdings Insurance Brokers Co., Ltd.: Nil.



Financial Status

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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: IFRS

Unit: NT\$1,000

Item	Financial data in the recent five years			Financial data for current year as of March 31, 2015
	2012	2013	2014	
Cash and cash equivalents Due from the Central Bank and call loans to banks	187,259,476	185,669,402	57,586,123	56,655,751
Financial assets at fair value through profit and or loss	86,282,256	102,817,889	83,294,027	98,404,253
Available-for-sale financial assets	273,786,476	251,947,289	244,249,053	270,968,706
Derivative financial assets for hedging	105,087	62,494	0	0
Securities purchased under resell agreements	4,987,265	9,470,428	273,345	231,026
Receivables, net	106,236,192	107,590,190	100,310,417	93,604,788
Current tax assets	1,733,233	1,759,870	353,421	246,435
Assets held for sale, net	0	0	0	0
Loans, net	1,787,298,942	1,845,715,026	805,752,729	820,963,992
Reinsurance contract assets	0	0	0	0
Held-to-maturity financial assets	172,613,773	228,942,921	2,540	2,534
Investments accounted for using the equity method, net	251,142	221,229	32,660,984	33,335,073
Restricted assets	0	0	0	0
Other financial assets, net	14,806,184	47,507,842	12,131,204	3,844,836
Property and equipment, net	41,872,325	41,530,667	17,958,823	17,919,200
Investment property, net	11,614,389	11,808,520	922,355	919,825
Intangible assets, net	21,732,198	21,563,628	2,001,997	2,002,981
Deferred tax assets, net	9,798,309	7,809,571	4,154,618	3,589,441
Other assets	6,988,599	6,569,720	21,301,742	18,333,862
Total assets	2,727,365,846	2,870,986,686	1,382,953,378	1,421,022,703
Due to the Central Bank and banks	152,894,925	176,662,165	56,003,848	68,915,480
Funds borrowed from the Central Bank and banks	0	0	0	0
Financial liabilities at fair value through profit or loss	11,027,012	16,237,369	34,921,514	30,627,336
Derivative financial liabilities for hedging	0	0	0	0
Securities sold under repurchase agreements	56,534,194	37,932,722	69,724,492	77,301,599
Commercial paper issued	7,000	0	649,389	879,158
Payables	54,451,474	46,370,940	22,598,658	17,810,271
Current tax liabilities	2,602,123	4,248,028	1,699,781	1,606,867

Item	Year	Financial data in the recent five years			Financial data for current year as of March 31, 2015
		2012	2013	2014	
Liabilities directly associated with assets held for sale		0	0	0	0
Deposits and remittances		2,139,646,174	2,250,576,346	965,328,658	986,386,758
Bonds payable		97,151,937	90,322,818	55,000,000	55,000,000
Preferred stock liabilities		0	0	0	0
Other financial liabilities		15,615,340	35,090,818	58,979,710	59,853,373
Reserve for liabilities		4,575,384	4,422,703	794,014	798,892
Deferred tax liabilities		6,821,004	6,711,208	83,945	53,994
Other financial liabilities		3,584,238	4,422,327	2,985,066	2,758,235
Total liabilities	Pre-payout	2,544,910,805	2,672,997,444	1,268,769,075	1,301,991,963
	Post-payout	2,547,744,476	2,677,390,268	(Note 1)	-
Equity attributable to owners of parent		101,327,569	111,131,587	114,058,414	118,901,992
Capital stock	Pre-payout	76,165,841	82,548,070	95,780,609	95,814,304
	Post-payout	82,305,608	90,535,078	(Note 1)	-
Capital surplus		9,409,757	9,478,327	10,640,840	10,648,428
Retained earnings	Pre-payout	13,351,364	18,160,507	7,292,136	11,842,214
	Post-payout	4,377,926	5,780,675	(Note 1)	-
Other equity		2,400,607	944,683	344,829	597,046
Treasury shares		0	0	0	0
Non-controlling interest		81,127,472	86,857,655	125,889	128,748
Total equity	Pre-payout	182,455,041	197,989,242	114,184,303	119,030,740
	Post-payout	179,621,370	193,596,418	(Note 1)	-

Note1: Proposal for the coverage of 2014 profit has yet to be passed by shareholders' meeting.

Note2: Financial data of 2012-2014 are in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidance translated by the ARDF and issued by the FSC, and certified by CPAs QinZhen Yang and Jerry Gung, who issued review report for their authenticity without reservation. The financial statement of March 31, 2015 has not been reviewed by CPAs.



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

Unit:NT\$1,000

Item	Year				
	2010	2011	2012		
Cash and cash equivalents due from the Central Bank and placement to other banks	173,815,849	174,005,940	190,290,983		
Financial assets stated as gain (loss) due to change in fair value	57,650,706	67,515,650	85,988,202		
Investment in RS bills and bonds	5,328,210	9,734,993	4,987,265		
Available-for-sale financial assets	221,514,265	248,786,716	270,722,899		
Accounts receivable	126,326,832	110,761,564	107,547,734		
Loans	1,577,700,288	1,723,226,715	1,787,298,942		
Financial assets held to maturity	196,737,057	182,797,810	172,613,773		
Equity investments under equity method	240,925	252,698	251,278		
Fixed assets (Note 1)	41,962,513	41,204,451	41,596,338		
Intangible assets	22,113,932	21,951,779	21,729,019		
Other financial assets	21,125,873	18,005,451	12,885,644		
Other assets	24,615,976	23,734,229	24,834,645		
Total assets	2,469,132,426	2,621,977,996	2,720,746,722		
Deposits by the Central Bank and other banks	152,360,876	174,583,880	152,894,925		
Deposits	1,918,169,580	2,024,212,177	2,139,646,174		
Financial liabilities stated as gain (loss) due to change in fair value	21,586,408	10,388,922	11,027,012		
RP bill and bond liabilities	44,194,464	52,249,552	56,534,194		
Accounts payable	50,038,751	57,275,084	57,162,211		
Financing from the Central Bank and other banks	0	0	0		
Bonds payable	91,302,139	97,146,086	97,151,937		
Special stock liabilities	0	0	0		
Reserve for operations and liabilities	1,309,483	779,673	806,938		
Other financial liabilities	14,820,619	15,327,948	15,622,340		
Other liabilities	8,908,066	9,671,492	9,907,860		
Total liabilities	2,302,690,386	2,441,634,814	2,540,753,591		
Equity of parent firm	Capital stock	Pre-payout	71,009,688	75,163,436	76,165,841
		Post-payout	75,147,569	80,827,436	82,305,608
	Additional paid-in capital		19,102,143	19,217,299	9,303,228
	Retained earnings	Pre-payout	8,981,537	11,749,407	13,157,682
		Post-payout	2,049,066	3,234,407	4,184,244
Other items of shareholders' equity		110,911	88,787	1,073,198	
Minority shareholding		67,237,761	74,124,253	80,293,182	
Total shareholders' equity	Pre-payout	166,442,040	180,343,182	179,993,131	
	Post-payout	163,647,450	177,492,182	177,159,460	

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

Note 2: The 2010 financial statement was audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2011 financial statement was certified by CPAs Tsai Hongxiang and Yang Qinzhen, who issued auditing report for their authenticity without reservation. The 2012 financial statement was certified by CPAs Tsai Hongxiang and Yang Qinzhen, who issued auditing report for their authenticity without reservation.

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

Unit : NT\$1,000

Item	Financial data in the recent five years			Financial data for current year as of March 31, 2015
	2012	2013	2014	
Interest income	48,768,964	50,532,658	55,785,260	7,205,317
Interest expenses	(19,207,071)	(19,252,887)	(22,087,679)	(2,870,050)
Net interest income	29,561,893	31,279,771	33,697,581	4,335,267
Net income other than net interest income	19,862,868	24,547,462	10,942,105	5,575,311
Net revenue and gains	49,424,761	55,827,233	44,639,686	9,910,578
Reversed allowance for bad debts expenses and guarantee liability provisions	1,549,930	546,409	750,255	57,957
Net change in provisions for insurance liabilities	0	0	0	0
Operating expenses	(30,307,392)	(30,970,190)	(32,221,529)	(4,839,614)
Income before income tax from continuing operations	20,667,299	25,403,452	13,168,412	5,128,921
Income tax (expense) benefit	(3,796,314)	(4,829,829)	(3,520,673)	(576,000)
Net income from continuing operations	16,870,985	20,573,623	9,647,739	4,552,921
Net income from discontinued operations	0	0	0	0
Consolidated net income	16,870,985	20,573,623	9,647,739	4,552,921
Other comprehensive income, net of tax	1,667,001	(1,958,354)	(325,670)	252,217
Total comprehensive income	18,537,986	18,615,269	9,322,069	4,805,138
Net income attributable to Owners of parent	10,386,660	13,836,248	1,624,376	4,550,079
Net income attributable to Non-controlling interests	6,484,325	6,737,375	8,023,363	2,842
Total comprehensive income attributable to Owners of parent	11,686,867	12,326,139	911,607	4,802,297
Total comprehensive income attributable to Non-controlling interests	6,851,119	6,289,130	8,410,462	2,841
Earnings per common share	1.10	1.57	0.08	0.49

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

Note 2: Financial data of 2012-2014 are in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidance translated by the ARDF and issued by the FSC, and certified by CPAs QinZhen Yang and Jerry Gung, who issued review report for their authenticity without reservation. The financial statement of March 31, 2015 has not been reviewed by CPAs.

**Brief Consolidated Income Statement of the Financial Holding Company and Subsidiaries**

Unit : NT\$1,000

Item	Year	Financial Analysis in the recent five years		
		2010	2011	2012
Net interest income		23,251,856	28,824,055	29,230,525
Net non-interest income		30,182,543	17,213,155	19,224,187
Bad-debt expense		(5,965,444)	2,266,419	1,549,930
Provisions of various insurance liabilities		0	0	0
Business expense		(27,401,299)	(28,861,408)	(29,436,788)
Pre-tax consolidated income of business department (continuation)		20,067,656	19,442,221	20,567,854
After-tax consolidated income of business department (continuation)		13,915,327	16,282,516	16,765,719
Income of extinct department (after-tax net value)		0	0	0
Extraordinary income (after-tax net value)		0	0	0
Accumulated extent of influence from changes in accounting principles (after-tax net value)		0	0	0
Total consolidated income	Belong to shareholders of parent firm	7,723,106	9,431,836	10,261,680
	Belong to minority shareholding	6,192,221	6,850,680	6,504,039
Earnings per common share		0.76	0.97	1.09

Note1: Earnings per share for common shares is based on the unit of NT\$1 and the effect of capital increase by earning has been taken into account retroactively in the calculation of the figure.

Note2: The 2010 financial statement was audited by CPAs Tsai Hongxiang and Weng Rongsui, who issued auditing report for their authenticity without reservation. The 2011 financial statement was certified by CPAs Tsai Hongxiang and Yang Qinzheng, who issued auditing report for their authenticity without reservation. The 2012 financial statement was certified by CPAs Tsai Hongxiang and Yang Qinzheng, who issued auditing report for their authenticity without reservation.

B. Financial Analysis for the Recent Five Years**Financial Analysis-IFRS**

Unit : NT\$1,000

Item	Year	Financial Analysis in the recent five years			Financial data for current year as of March 31, 2015 (Note 2)
		2012	2013	2014	
Management capability	Turnover rate of total assets(times)	0.02	0.02	0.02	0.01
	Deposit/loan ratio of Taishin Bank (%)	80.62	80.90	83.81	84.12
	Deposit/loan ratio of Chang Hwa Bank (%)	86.84	84.23	-	-
	NPL ratio of Taishin Bank (%)	0.14	0.15	0.14	0.16
	NPL ratio of Chang Hwa Bank (%)	0.33	0.32	-	-
	Revenue per employee	3,670	4,031	2,833	1,271
	Profit per employee	1,253	1,486	206	584

Item		Year	Financial Analysis in the recent five years			Financial data for current year as of March 31, 2015 (Note 2)
		2012	2013	2014		
Profit-making capability	Return on assets (%)	0.63	0.73	0.45	0.32	
	Return on common shareholders' equity (%)	11.15	14.19	0.73	4.26	
	Net profit rate (%)	34.13	36.85	21.61	45.94	
	Earning per share (NT\$)	1.10	1.57	0.08	0.49	
Financial Structure	Liabilities/assets ratio (%)	93.31	93.10	91.74	91.62	
	Liabilities/book value ratio (%)	1,394.82	1,350.07	1,111.16	1,093.83	
	Double leverage ratio of the financial holding company (%)	119	115	109	109	
	Financial ratio of the financial holding company according to article 41 of the law	None	None	None	None	
Leverage extent	Business leverage extent	2.39	2.20	3.39	1.93	
	Financial leverage extent of financial holding company	1.08	1.03	1.31	1.03	
Growth rate	Assets growth (%)	3.74	5.27	(51.83)	(Note 3)	
	Profit growth (%)	5.79	22.92	(48.16)	(Note 3)	
Cash flow	Cash flow ratio (%)	17.73	(10.50)	(3.75)	-	
	Propriety ratio of cash flow (%)	784.55	162.87	51.51	(Note 3)	
	Cash-flow satisfaction ratio (%)	(5,157.45)	4,835.98	5.30	-	
Business scale	Market share of assets (%)	5.37	5.37	4.63	(Note 5)	
	Market share of book value (%)	4.93	4.95	4.31		
	Market share of Taishin Bank's deposit (%)	2.90	2.90	3.02		
	Market share of Chang Hwa Bank's deposit (%)	4.61	4.52	-		
	Market share of Taishin Bank's loan extension (%)	2.97	3.01	3.28		
	Market share of Chang Hwa Bank's loan extension (%)	5.10	4.89	-		
Capital Adequacy	Capital adequacy ratio	Taishin Bank	(Note 6)	10.94	11.01	Disclosure Unnecessary
		Chang Hwa Bank		11.11	-	
		Taishin Security		423.56	496.05	
		Taishin AMC		88.74	84.42	
		Taishin Securities Investment Trust		91.33	90.89	
		Taishin Securities Investment Advisory		93.75	93.17	
		Taishin Venture Capital		99.89	99.90	
		Taishin Holdings Insurance Brokers		77.85	70.28	
	Eligible self-owned capital	(Note 6)	224,391,885	115,890,595	Disclosure Unnecessary	
	Group's eligible capital		116,028,828	140,091,194		
	Subsidiary's statutory capital requirement		160,767,234	81,695,691		
	Group's statutory capital requirement		90,736,937	114,175,677		
Group's capital adequacy ratio(%)	127.87		122.70			



Item	Year	Financial Analysis in the recent five years			Financial data for current year as of March 31, 2015 (Note 2)
		2012	2013	2014	
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 (NT\$1Million)		953,243 (Note 4)	953,326 (Note 4)	370,659 (Note 4)	(Note 3)
Describe reasons for changes in various financial ratios in the recent two years (No need of analysis for change under 20%): Changes to financial ratios concerning the bank's operating efficiency, profitability, leverage, growth, and cash flow in 2014 were mainly attributed to the loss of control over Chang Hwa Bank.					

Note1: With the exception of profitability growth and capital adequacy ratios as of 2012, which were prepared according to the Statement of Financial Accounting Standards of the Republic of China, all other ratios have been prepared in accordance with FSC-approved International Financial Reporting Standards, International Accounting Standards, and any relevant interpretations and announcements thereof. All ratios have been based on consolidated figures, except as otherwise specified to be attributable to certain subsidiaries of the financial holding company.

Note2: The rate of return of March 31, 2015 has not been annualized and without reservation by CPAs.

Note3: Not applicable for Q1 2015.

Note4: Please see financial reports of the respective years for more details.

Note5: Business scale has not been calculated on March 31, 2015 because of the lack of the overall market size informations.

Note6: The 2012 figures have been prepared according to the Statement of Financial Accounting Standards of the Republic of China. For details, please refer to the following table titled "Financial Analysis - R.O.C.SFAS."

Note7: Calculation formulas as follow:

1. Management capability

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

2. Profit-making capability

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

3. Financial structure

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

4. Leverage extent

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

5. Growth rate

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

6. Cash flow

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

7. Business scale

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

8. BIS ratio (capital adequacy ratio)

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

Financial Analysis

Unit : NT\$1,000

Item		Year	2010	2011	2012
Management capability	Turnover rate of total assets(times)		0.02	0.02	0.02
	Deposit/loan ratio of Taishin Bank (%)		76.88	80.44	80.62
	Deposit/loan ratio of Chang Hwa Bank (%)		85.54	88.34	86.84
	NPL ratio of Taishin Bank (%)		0.33	0.16	0.14
	NPL ratio of Chang Hwa Bank (%)		0.54	0.37	0.33
	Overdue credit-extension ratio of Taishin Bills Finance (%)		0	0	0
	Revenue per employee		3,936	3,340	3,598
Profit per employee		1,025	1,181	1,245	
Profit-making capability	Return on assets (%)		0.57	0.64	0.63
	Return on common shareholders' equity (%)		9.57	11.06	11.19
	Net profit rate (%)		26.04	35.37	34.60
	Earning per share (NT\$)		0.76	0.97	1.09
Financial Structure	Liabilities/assets ratio (%)		93.26	93.12	93.38
	Liabilities/book value ratio (%)		1,383.48	1,353.88	1,411.58
	Double leverage ratio of the financial holding company (%)		114	105	119
	Financial ratio of the financial holding company according to article 41 of the law		None	None	None
Leverage extent	Business leverage extent		2.66	2.37	2.36
	Financial leverage extent of financial holding company		1.21	1.11	1.08
Growth rate	Assets growth (%)		3.97	6.19	3.77
	Profit growth (%)		24.90	(3.12)	5.79
Cash flow	Cash flow ratio (%)		4.43	11.60	2.59
	Propriety ratio of cash flow (%)		6.60	3.21	1.85
	Cash-flow satisfaction ratio (%)		(11.05)	(18.73)	(6.19)
Business scale	Market share of assets (%)		7.43	6.69	5.28
	Market share of book value (%)		6.08	5.73	4.83
	Market share of Taishin Bank's deposit (%)		2.67	2.77	2.90
	Market share of Chang Hwa Bank's deposit (%)		4.73	4.73	4.61
	Market share of Taishin Bank's loan extension (%)		2.69	2.83	2.97
Market share of Chang Hwa Bank's loan extension (%)		5.31	5.29	5.10	
Capital Adequacy	Capital adequacy ratio	Taishin Bank	13.58	12.76	13.19
		Chang Hwa Bank	10.75	11.54	11.52
		Taishin Security	544.47	482.10	753.28
		Taishin Bills Finance	28.39	—	—
		Taishin AMC	62.33	74.88	88.67
		Taishin Securities Investment Trust	92.11	92.22	93.27
		Taishin Securities Investment Advisory	92.34	93.99	96.24
		Taishin Marketing Consultant	93.86	95.40	96.02
		Taishin Venture Capital	99.87	99.86	99.94
		Taishin Holdings Insurance Brokers	—	59.07	74.10



Item	Year	2010	2011	2012
	Eligible self-owned capital		199,134,139	212,950,539
Group's eligible capital		86,696,180	99,057,227	116,405,194
Subsidiary's statutory capital requirement		131,422,874	140,696,738	148,448,708
Group's statutory capital requirement		72,648,689	76,384,847	82,711,306
Group's capital adequacy ratio		119.34	129.68	140.74
Mandatory disclosure by the financial holding company of the total value of credit extension, endorsement, or other trading extended by its subsidiaries to the same person, related party, or affiliate according to article 46 of the law (NT\$1Million)		865,150 (Note 2)	971,161 (Note 2)	953,243 (Note 2)

Note1: The above financial analytical data are consolidated figures, except those with specification for the financial holding company or subsidiaries.

Note2: For details, refer to the financial statement of various years.

Note3: Calculation formulas as follow:

1. Management capability

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

2. Profit-making capability

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

3. Financial structure

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

4. Leverage extent

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

5. Growth rate

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

6. Cash flow

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

7. Business scale

- (1) Market share of assets=Total assets/total assets of financial holding companies
- (2) Market share of book value=Book value/total book values of financial holding companies
- (3) Market share of banking subsidiary's deposit=Total deposits/total deposits of financial institutions capable of undertaking deposit/loan business
- (4) Market share of banking subsidiary's loan extension=Total loans /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 2014 Supervisors' Audit Report

Taishin Financial Holding Co., Ltd. Supervisors' Audit Report

May 7, 2015

The company's 2014 business report, financial statements and earnings distribution have been approved by the board of directors. The financial statements have been audited by CPAs Yang Ching-Cheng and Jerry Gung of Deloitte Taiwan, which they considered to present a fair view of the company's 2014 financial performance and cash flows, and financial position as at December 31, 2014.

The supervisors have audited the three items stated above according to Articles 219 and 228 of the Company Act, and found no inconsistencies.

To:

Taishin Financial Holding Co., Ltd. 2015 Annual General Meeting

Standing Supervisor: Jimmy Y.T. Tsay



Supervisor: Long-Su Lin



Supervisor: Henry C.S. Kao





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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Taishin Financial Holding Co., Ltd. ("Taishin Financial Holding") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2014 and December 31, 2013, and the related consolidated statements of comprehensive income, and changes in equity and cash flows for the years ended December 31, 2014 and 2013. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taishin Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2014 and December 31, 2013, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

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 27, 2015

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 independent 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 independent auditors' report and consolidated financial statements shall prevail.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

ASSETS	2014		2013	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 5 and 7)	\$ 23,089,267	2	\$ 61,516,953	2
Due from the central bank and call loans to other banks (Note 8)	34,496,856	3	124,152,449	4
Financial assets at fair value through profit or loss (Notes 5 and 9)	83,294,027	6	102,817,889	4
Available-for-sale financial assets, net (Notes 5, 10 and 33)	244,249,053	18	251,947,289	9
Derivative financial assets for hedging (Notes 5 and 11)	-	-	62,494	-
Securities purchased under resell agreements (Note 5)	273,345	-	9,470,428	-
Receivables, net (Notes 5, 12 and 13)	100,310,417	7	107,590,190	4
Current tax assets (Notes 5 and 40)	353,421	-	1,759,870	-
Loans, net (Notes 5, 6 and 13)	805,752,729	58	1,845,715,026	64
Held-to-maturity financial assets, net (Notes 5 and 14)	2,540	-	228,942,921	8
Investments accounted for using the equity method, net (Notes 5 and 15)	32,660,984	2	221,229	-
OTHER FINANCIAL ASSETS, NET				
Financial assets carried at cost, net (Note 16)	2,608,976	-	7,334,016	-
Debt investments without active market (Note 17)	300,000	-	4,111,523	-
Other miscellaneous financial assets, net (Notes 13 and 18)	9,222,228	1	36,062,303	2
Other financial assets, net	12,131,204	1	47,507,842	2
Investment property, net (Notes 5 and 19)	922,355	-	11,808,520	-
Property and equipment, net (Notes 5 and 20)	17,958,823	1	41,530,667	2
Intangible assets, net (Notes 5 and 21)	2,001,997	-	21,563,628	1
Deferred tax assets (Notes 5, 6 and 40)	4,154,618	-	7,809,571	-
Other assets, net (Note 22)	21,301,742	2	6,569,720	-
TOTAL	\$ 1,382,953,378	100	\$ 2,870,986,686	100
LIABILITIES AND EQUITY	Amount	%	Amount	%
Due to the Central Bank and banks (Note 23)	\$ 56,003,848	4	\$ 176,662,165	6
Financial liabilities at fair value through profit or loss (Notes 5 and 9)	34,921,514	3	16,237,369	1
Securities sold under repurchase agreements (Note 5)	69,724,492	5	37,932,722	1
Commercial papers issued, net (Note 24)	649,389	-	-	-
Payables (Note 25)	22,598,658	2	46,370,940	2
Current tax liabilities (Notes 5 and 40)	1,699,781	-	4,248,028	-
Deposits and remittances (Note 26)	965,328,658	70	2,250,576,346	79
Bonds payable (Note 27)	55,000,000	4	90,322,818	3
Other borrowings (Note 28)	6,235,441	-	2,287,315	-

	2014		2013	
Reserve for liabilities (Notes 5 and 29)	794,014	-	4,422,703	-
Other financial liabilities (Note 30)	52,744,269	4	32,803,503	1
Deferred tax liabilities (Notes 5 and 40)	83,945	-	6,711,208	-
Other liabilities (Note 31)	2,985,066	-	4,422,327	-
Total liabilities	<u>1,268,769,075</u>	<u>92</u>	<u>2,672,997,444</u>	<u>93</u>
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Note 33)				
Capital stock				
Common stock	88,417,902	6	75,116,532	3
Preferred stock	7,251,368	1	7,251,368	-
Advanced receipts for capital stock	111,339	-	180,170	-
Capital surplus	10,640,840	1	9,478,327	-
Retained earnings				
Legal reserve	5,315,307	-	3,939,770	-
Special reserve	465,368	-	465,368	-
Unappropriated earnings	1,511,461	-	13,755,369	1
Other equity				
Exchange differences on translation of foreign financial statements	150,908	-	68,688	-
Unrealized gains (losses) on available-for-sale financial assets	193,921	-	875,995	-
Equity attributable to owners of parent	<u>114,058,414</u>	<u>8</u>	<u>111,131,587</u>	<u>4</u>
NON-CONTROLLING INTERESTS	<u>125,889</u>	<u>-</u>	<u>86,857,655</u>	<u>3</u>
Total equity	<u>114,184,303</u>	<u>8</u>	<u>197,989,242</u>	<u>7</u>
TOTAL	<u>\$ 1,382,953,378</u>	<u>100</u>	<u>\$ 2,870,986,686</u>	<u>100</u>

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

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

	2014		2013	
	Amount	%	Amount	%
INTEREST INCOME (Notes 5 and 34)	\$ 55,785,260	125	\$ 50,532,658	91
INTEREST EXPENSES (Note 34)	(22,087,679)	(50)	(19,252,887)	(35)
NET INTEREST INCOME (Note 34)	<u>33,697,581</u>	<u>75</u>	<u>31,279,771</u>	<u>56</u>
NET INCOME OTHER THAN NET INTEREST INCOME (Note 5)				
Net service fee and commissions income (Note 35)	14,717,574	33	13,280,922	24
Gain on financial assets and liabilities at fair value through profit or loss (Note 36)	7,938,189	18	9,943,519	18
Realized gain on available-for-sale financial assets (Note 37)	1,192,640	3	2,956,234	5
Foreign exchange gains (losses)	(576,368)	(1)	(2,846,198)	(5)
Impairment loss on assets (Note 16)	(22,363)	-	(236,284)	(1)
Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 15)	131,470	-	1,565	-
Net other non-interest income				
Net gain on sale of non-performing loans	719,705	1	-	-
Other loss (Notes 5 and 43)	(14,775,666)	(33)	-	-
Net other miscellaneous income	<u>1,616,924</u>	<u>4</u>	<u>1,447,704</u>	<u>3</u>
Net income other than net interest income	<u>10,942,105</u>	<u>25</u>	<u>24,547,462</u>	<u>44</u>
NET REVENUE AND GAINS	<u>44,639,686</u>	<u>100</u>	<u>55,827,233</u>	<u>100</u>
REVERSED ALLOWANCE FOR BAD DEBTS EXPENSES AND GUARANTEE LIABILITY PROVISIONS (Notes 5 and 13)	<u>750,255</u>	<u>2</u>	<u>546,409</u>	<u>1</u>

	2014		2013	
	Amount	%	Amount	%
OPERATING EXPENSES				
Employee benefits expenses (Note 38)	(19,910,494)	(45)	(19,834,522)	(35)
Depreciation and amortization expenses (Note 39)	(1,561,738)	(3)	(1,480,964)	(3)
Other general and administrative expenses	(10,749,297)	(24)	(9,654,704)	(17)
Total operating expenses	(32,221,529)	(72)	(30,970,190)	(55)
INCOME BEFORE INCOME TAX	13,168,412	30	25,403,452	46
INCOME TAX EXPENSE (Notes 5 and 40)	(3,520,673)	(8)	(4,829,829)	(9)
NET INCOME	<u>9,647,739</u>	<u>22</u>	<u>20,573,623</u>	<u>37</u>
OTHER COMPREHENSIVE INCOME				
Exchange differences on translation of foreign financial statements	318,491	1	351,249	1
Unrealized gains (losses) on available-for-sale financial assets	(619,158)	(2)	(2,430,501)	(4)
Actuarial gain and loss arising from defined benefit plans	(77,523)	-	(222,260)	(1)
Share of the other comprehensive income of associates and joint ventures	97,586	-	(230)	-
Income tax relating to the components of other comprehensive income (loss)	(45,066)	-	343,388	-
Other comprehensive income (loss), net of tax	(325,670)	(1)	(1,958,354)	(4)
TOTAL COMPREHENSIVE INCOME	<u>\$ 9,322,069</u>	<u>21</u>	<u>\$ 18,615,269</u>	<u>33</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of parent	\$ 1,624,376	4	\$ 13,836,248	25
Non-controlling interests	<u>8,023,363</u>	<u>18</u>	<u>6,737,375</u>	<u>12</u>
	<u>\$ 9,647,739</u>	<u>22</u>	<u>\$ 20,573,623</u>	<u>37</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of parent	\$ 911,607	2	\$ 12,326,139	22
Non-controlling interests	<u>8,410,462</u>	<u>19</u>	<u>6,289,130</u>	<u>11</u>
	<u>\$ 9,322,069</u>	<u>21</u>	<u>\$ 18,615,269</u>	<u>33</u>
EARNINGS PER SHARE (Note 41)				
Basic	<u>\$ 0.08</u>		<u>\$ 1.57</u>	
Diluted	<u>\$ 0.08</u>		<u>\$ 1.54</u>	

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

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

	Capital Stock			Additional Paid-in Capital in Excess of Par	Capital Surplus
	Common Stock	Preferred Stock	Advance Receipts for Capital Stock		Treasury Stock Transactions
BALANCE AT JANUARY 1, 2013	\$ 68,914,473	\$ 7,251,368	\$ -	\$ 7,005,072	\$ 2,075,475
Special reserve under Rule No. 1010012865 is issued by FSC	-	-	-	-	-
Special reserve under Rule No. 1010045494 is issued by FSC	-	-	-	-	-
Appropriation of 2012 earnings					
Legal reserve	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-
Stock dividends	6,139,767	-	-	-	-
Net income for the year ended December 31, 2013	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2013, net of tax	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-
Share-based payments	62,292	-	180,170	72,499	-
Subsidiary cash dividends	-	-	-	-	-
BALANCE AT DECEMBER 31, 2013	75,116,532	7,251,368	180,170	7,077,571	2,075,475
Appropriation of 2013 earnings					
Legal reserve	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-
Stock dividends	7,987,008	-	-	-	-
Net income for the year ended December 31, 2014	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2014, net of tax	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-
Lose control of subsidiary	-	-	-	-	-
Issue of common shares for cash	5,000,000	-	-	988,154	-
Share-based payments	314,362	-	(68,831)	186,021	-
Subsidiary cash dividends	-	-	-	-	-
BALANCE AT DECEMBER 31, 2014	\$ 88,417,902	\$ 7,251,368	\$ 111,339	\$ 8,251,746	\$ 2,075,475

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

Equity Attributable to Owners of the Parent

Stock-based Compensation	Retained Earnings			Other Equity		Non-controlling Interests	Total Equity
	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available- for-sale Financial Assets		
\$ 329,210	\$ 2,942,721	\$ 244,474	\$ 10,164,169	(\$ 58,334)	\$ 2,458,941	\$ 81,127,472	\$ 182,455,041
-	-	220,376	(220,376)	-	-	-	-
-	-	518	-	-	-	-	518
-	997,049	-	(997,049)	-	-	-	-
-	-	-	(1,534,942)	-	-	-	(1,534,942)
-	-	-	(1,298,729)	-	-	-	(1,298,729)
-	-	-	(6,139,767)	-	-	-	-
-	-	-	13,836,248	-	-	6,737,375	20,573,623
-	-	-	(54,185)	127,022	(1,582,946)	(448,245)	(1,958,354)
-	-	-	13,782,063	127,022	(1,582,946)	6,289,130	18,615,269
(3,929)	-	-	-	-	-	58	311,090
-	-	-	-	-	-	(559,005)	(559,005)
325,281	3,939,770	465,368	13,755,369	68,688	875,995	86,857,655	197,989,242
-	1,375,537	-	(1,375,537)	-	-	-	-
-	-	-	(3,423,308)	-	-	-	(3,423,308)
-	-	-	(969,516)	-	-	-	(969,516)
-	-	-	(7,987,008)	-	-	-	-
-	-	-	1,624,376	-	-	8,023,363	9,647,739
-	-	-	(112,915)	82,220	(682,074)	387,099	(325,670)
-	-	-	1,511,461	82,220	(682,074)	8,410,462	9,322,069
-	-	-	-	-	-	(91,553,576)	(91,553,576)
-	-	-	-	-	-	-	5,988,154
(11,662)	-	-	-	-	-	158	420,048
-	-	-	-	-	-	(3,588,810)	(3,588,810)
\$ 313,619	\$ 5,315,307	\$ 465,368	\$ 1,511,461	\$ 150,908	\$ 193,921	\$ 125,889	\$ 114,184,303



TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 13,168,412	\$ 25,403,452
Adjustments:		
Non-cash (revenues and gains) or expenses and losses		
Depreciation expenses	1,171,127	1,178,241
Amortization expenses	390,611	302,723
Reversed allowance for bad debts expenses and guarantee liability provisions	(750,255)	(546,409)
Net gain on financial assets and liabilities at fair value through profit or loss	(7,938,189)	(10,480,790)
Interest expenses	22,087,679	19,252,887
Interest income	(55,785,260)	(50,532,658)
Dividends income	(552,955)	(508,512)
Share-based payments	207,221	105,484
Share of profit of associates and joint ventures accounted for using equity method	(131,470)	(1,565)
Gain on disposal of investments	(962,327)	(2,758,603)
Impairment loss on financial assets	25,735	236,284
Reversal of impairment loss on non-financial assets	(3,372)	-
Other loss	14,775,666	-
Other adjustments	(1,304,400)	612,348
Total adjustments	(28,770,189)	(43,140,570)
Changes in operating assets and liabilities		
Increase in due from the Central Bank	(788,598)	(8,022,402)
Decrease in financial assets at fair value through profit or loss	18,723,975	19,700,128
(Increase) decrease in available-for-sale financial assets	(38,800,066)	22,799,549
Decrease (increase) in securities purchased under resell agreements	747,606	(747,606)
Increase in receivables	(15,264,995)	(1,446,237)
Increase in loans	(177,604,489)	(57,953,631)
Decrease (increase) in held-to-maturity financial assets	45,590,001	(56,292,882)
Increase in other financial assets	(43,184,173)	(33,384,319)
(Increase) decrease in other assets	(15,163,238)	422,370
Decrease in due to the Central Bank and banks	(14,448,879)	(3,198,813)
Decrease in financial liabilities at fair value through profit or loss	(4,776,472)	(21,794,604)
Increase (decrease) in securities sold under repurchase agreements	37,250,290	(18,601,472)
Increase (decrease) in payables	12,229,031	(7,647,627)
Increase in deposits and remittances	152,413,086	110,930,172
Decrease in reserve for liabilities	(63,580)	(370,784)
Increase in other financial liabilities	20,611,162	17,768,159
Increase in other liabilities	1,162,935	747,831
Cash used in operations	(36,968,181)	(54,829,286)
Interest received	54,592,691	50,575,411
Dividend received	599,663	554,231

(Continued)

Interest paid	(20,376,775)	(19,737,249)
Income taxes refund	543,050	271,789
Income taxes paid	(4,152,659)	(1,260,020)
Net cash flows used in operating activities	(5,762,211)	(24,425,124)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital reduction of financial assets carried at cost	\$ 39,439	\$ 656,652
Acquisition of property and equipment	(1,151,162)	(953,057)
Proceeds from disposal of property and equipment	1,432	6,731
Acquisition of intangible assets	(720,408)	(127,951)
Cash received through merger	145,448	-
Acquisition of investment property	(133)	(124,757)
Proceeds from disposal of investment property	83,500	37,311
Other investing activities - effect on losing control of subsidiary, net	(107,063,045)	-
Net cash used in investing activities	(108,664,929)	(505,071)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and call loans from banks	21,435,703	26,966,053
Increase (decrease) in commercial papers payable	499,389	(7,000)
Proceeds from issuance of bank debentures	18,000,000	4,879,000
Repayments of bank debentures	(5,000,000)	(11,700,000)
Increase in other borrowings	3,898,166	1,707,319
Cash dividends distributed	(4,392,824)	(2,833,671)
Issuance of common stock for cash	5,988,154	-
Exercise of employee stock options	278,880	249,331
Cash dividends distributed from subsidiary	(3,588,810)	(559,005)
Net cash flows generated from financing activities	37,118,658	18,702,027
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	318,491	351,249
NET INCREASE IN CASH AND CASH EQUIVALENTS	(76,989,991)	(5,876,919)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	101,748,195	107,625,114
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 24,758,204	\$ 101,748,195

Reconciliation of cash and cash equivalents:

	2014	2013
Cash and cash equivalents in consolidated balance sheet	\$ 23,089,267	\$ 61,516,953
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	1,395,592	31,508,420
Securities purchased under resell agreements qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	273,345	8,722,822
Cash and cash equivalents at end of period	\$ 24,758,204	\$ 101,748,195

(Concluded)

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



TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

1. GENERAL INFORMATION

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

Taishin Bank and Dah An Bank established Taishin Financial Holding through a share swap. In forming the holding company, Taishin Bank merged with Dah An Bank, with Taishin Bank as the survivor company. In addition, Taishin Securities Co., Ltd. (“Taishin Securities A”) and Taishin Bills Finance Co., Ltd. (“Taishin Bills Finance”) became wholly-owned subsidiaries of Taishin Financial Holding through a share swap effective on December 31, 2002.

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

In the fourth quarter of 2005, Taishin Financial Holding acquired 1,400,000 thousand shares of preferred stock - B issued by Chang Hwa Commercial Bank, Ltd. (“Chang Hwa Bank”) through private placements. The 22.55% ownership interest with voting rights allows Taishin Financial Holding to take over half of the seats in the Board of Directors of Chang Hwa Bank. Accordingly, Taishin Financial Holding had controlling power over Chang Hwa Bank. On October 3, 2008, this preferred stock - B had been converted into 1,400,000 thousand shares of common stock. Chang Hwa Bank held the election of its directors on December 8, 2014. Taishin Financial Holding obtained only two directors in the election. Therefore, Taishin Financial Holding did not account Chang Hwa Bank as its subsidiary in accordance with the Financial Holding Company Act. The ownership interest with voting rights in Chang Hwa Bank held by Taishin Financial Holding and subsidiaries was 22.81% as of December 31, 2014.

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

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

Taishin Financial Holding acquired 100% equity interest of Franklin Insurance Brokers Co., Ltd. (“Franklin Insurance Brokers”) by cash investments on April 27, 2011. Franklin Insurance Brokers became a subsidiary of Taishin Financial Holding and changed the company name to Taishin Holdings Insurance Brokers Co., Ltd. (“Taishin Holdings Insurance Brokers”). Taishin Financial Holding invested in Taishin Holdings Insurance Brokers \$29,500 thousand on April 29, 2011.

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

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

Taishin Insurance Agency Co., Ltd. ("Taishin Insurance Agency") was established in September 1996 and provides life insurance agent service. Taishin Insurance Agency owned 100% equity interest of Taishin Insurance Brokers Co., Ltd. ("Taishin Insurance Brokers").

Taishin D.A. Finance was established in October 1997. Its operations include the lease, wholesale and retail sale of machinery, precision machinery, motor vehicle, aircraft, and vessel and its components.

Chang Hwa Bank was established on March 1, 1947 and got licensed by 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 Insurance Agency Co., Ltd. ("CHB Insurance Agency") was established on October 3, 2001 to provide life insurance agent service.

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

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

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

Taishin Marketing Consultant Co., Ltd. ("Taishin Marketing") was established on November 20, 1998. Its operations include investment and enterprise consulting, agent services, acquisition of accounts receivable, real estates and leasing. Taishin Financial Holding had approved to dissolve its subsidiary Taishin Marketing in the board meeting on March 21, 2013 and Taishin Marketing had been liquidated in September 2013.

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

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

Taishin Financial Leasing (Tianjin) Co., Ltd. ("Taishin Financial Leasing (Tianjin)") was approved to establish on March 1, 2012 to provide financial leasing service.



Taishin Securities Investment Advisory was established in March 1989 and its operations include accepting a mandate from a customer and providing analytical opinions or recommendations on securities investment, acting as an agent for investment consultancy of offshore funds, issuing publications or holding lectures about securities investment and other relevant business permitted by the competent authority.

Taishin Securities Investment Trust, approved by the Securities and Future Bureau, was established on May 31, 2004. Its operations include offering securities investment trust funds and issuing beneficial interest certificates and investing in or trading securities, securities-related products, or other items approved by the competent authority. In addition, Taishin Securities Investment Trust was approved to operate full fiduciary discretionary investment business in 2005.

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

The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, and Interpretations permitted by the Financial Supervisory Commission ("FSC-recognized IFRSs").

3. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on March 26, 2015.

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

- a. The amendments to the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of FSC-recognized IFRSs in issue but not yet effective.

Rule No. 1030010325 and Rule No 1030006010 issued by the FSC, stipulated that Taishin Financial Holding and entities controlled by Taishin Financial Holding (the "Group") should apply the 2013 version of FSC-recognized IFRSs and the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Based on the Group's assessment, the future initial application of the above 2013 IFRSs version and the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Securities Issuers is not expected to have any material impact on the Group's accounting policies.

b. New IFRSs in issue but not yet endorsed by FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018



New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions for which the grant date is on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations for which the acquisition date is on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, the impending initial application of the above "New IFRSs", whenever applied, would not have any material impact on the Group's accounting policies:

IFRS 9 "Financial Instruments"

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- 1) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- 2) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

IFRS 9 requires that impairment loss on financial assets is recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

As of the date the consolidated financial statements were authorized for issue, the Group is continually assessing the possible impact that the application of the above New IFRSs will have on the Group’s financial position and operating result, and will disclose the relevant impact when the assessment is complete.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The functional currency of Taishin Financial Holding is New Taiwan dollars. Thus, the consolidated financial statements are presented in New Taiwan dollars.

The Group categorized economic activities into operating, investing, and financing activities. The consolidated statements of cash flows reported the change of cash and cash equivalents in the current period based on operating, investing, and financing activities. Please refer to Note 7 for the components of cash and cash equivalents.

The cash flow of operating activities was reported by using indirect method. Under the indirect method, profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Interest paid and interest and dividends received are classified as operating cash flows. Dividends paid are classified as financing cash flow because they are cost of obtaining financial resources.

When preparing the financial statements in accordance with the FSC-recognized IFRSs, the Group has to make certain significant accounting assumptions and estimates based on professional judgments to determine its accounting policies. Change in assumptions may result in significant effects on financial statements. The Group believes that the consolidated financial statements are reported based on appropriate assumptions. For items that required management’s most difficult or complex judgments, or assumptions and estimates that significantly affect the financial statements, please refer to Note 6.



Classification of Current/Noncurrent Assets and Liabilities

Since the banking companies account for a substantial portion of the consolidated statements and because of banking business characteristics, classification of consolidated assets and liabilities according to the nature and the sequence of liquidity can provide more reliable and relevant information. Therefore, those assets and liabilities are not classified as current or noncurrent, but classified according to the nature and sequence of liquidity. In addition, maturity analysis of liabilities was disclosed in Note 47.

Basis of Consolidation

a. Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of Taishin Financial Holding and the entities controlled by Taishin Financial Holding. Control is achieved when Taishin Financial Holding has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by Taishin Financial Holding.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Non-controlling interests are presented in the consolidated balance sheets within equity, separate from the equity of the owners of Taishin Financial Holding.

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of Taishin Financial Holding and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests should be adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of Taishin Financial Holding.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. If the Group loses control of a subsidiary, the Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities (i.e. reclassifies to profit or loss, or transfers directly to retained earnings if required in accordance with other IFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement".

b. Business combinations

Only when business combinations are in conformity with the FSC-recognized IFRS 3 “Business Combinations” can acquisitions of businesses be accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group and the equity interests issued by the Group, plus other expenses that could be directly attributed to the acquisition.

The identifiable assets acquired and the liabilities or contingent liabilities assumed as the result of business combinations are recognized at their fair value at the acquisition-date and it is not necessary to consider non-controlling interests.

Goodwill is measured as the excess of the sum of the consideration transferred over the net fair value amounts of the identifiable assets owned by the Group. If the net of the fair value amounts of the identifiable assets owned by the Group exceeds the sum of the consideration transferred, the excess is recognized immediately in profit or loss.

When the combinations do not meet the definition of “business combinations”, the Group will allocate the acquisition costs over separate identifiable assets and liabilities. The recognition bases for assets and liabilities acquired are as follows:

- 1) Financial assets and liabilities are recognized at acquisition-date fair value, according to the FSC-recognized IFRS 39 “Financial Instruments: Recognition and Measurement”.
- 2) The remaining amounts after deducting from the acquisition costs the recognition costs of financial assets and liabilities are allocated to other assets and liabilities based on the relative proportion of the acquisition-date fair value of the other assets and liabilities.

c. Subsidiaries included in the consolidated financial statements as of December 31, 2014 and 2013 were as follows:

Investor	Subsidiary	Ownership Interest (%)		Note
		December 31, 2014	December 31, 2013	
Taishin Financial Holding	Taishin Bank	100.00	100.00	
Taishin Financial Holding	Taishin Securities B	100.00	100.00	
Taishin Financial Holding	Taishin AMC	100.00	100.00	
Taishin Financial Holding	Taishin Marketing	-	-	(1)
Taishin Financial Holding	Taishin Venture Capital	100.00	100.00%	
Taishin Financial Holding	Chang Hwa Bank	22.55	22.5	(3)
Taishin Financial Holding	Taishin Securities Investment Advisory	92.00	92.00	
Taishin Financial Holding	Taishin Securities Investment Trust	100.00	100.00	
Taishin Financial Holding	Taishin Holdings Insurance Brokers	100.00	100.00	
Taishin Bank	Chang Hwa Bank	0.27	0.27	(3)
Taishin Bank	Taishin Real-Estate	60.00	60.00	
Taishin Bank	Taishin Insurance Agency	87.40	87.40	
Taishin Bank	Taishin D.A. Finance	100.00	100.00	(2)
Taishin AMC	Taishin Real-Estate	40.00	40.00	
Taishin Insurance Agency	Taishin Insurance Brokers	100.00	100.00	
Chang Hwa Bank	CHB Insurance Agency	100.00	100.00	(3)
Chang Hwa Bank	CHB Insurance Brokerage	100.00	100.00	(3)
Taishin Venture Capital	Taishin Financial Leasing (China)	86.96	100.00	
Taishin Venture Capital	Taishin Financial Leasing (Tianjin)	100.00	100.00	
Taishin D.A. Finance	Taishin Financial Leasing (China)	13.04	-	



d. Subsidiaries not included in the consolidated financial statements as of December 31, 2014 and 2013 were as follows:

Investor	Subsidiary	Ownership Interest (%)		Note
		December 31, 2014	December 31, 2013	
Taishin Bank	Taishin D.A. Finance	100.00	100.00	(2)
Taishin Financial Holding	Chang Hwa Bank	22.55	22.55	(3)
Taishin Bank	Chang Hwa Bank	0.27	0.27	(3)
Chang Hwa Bank	CHB Insurance Agency	100.00	100.00	(3)
Chang Hwa Bank	CHB Insurance Brokerage	100.00	100.00	(3)

Note:

- 1) Taishin Financial Holding had approved to dissolve its subsidiary Taishin Marketing in the board meeting on March 21, 2013 and Taishin Marketing had been liquidated in September 2013.
- 2) Taishin D.A. Finance was an equity-method investee of Taishin Bank in 2013. Its capital was less than 0.24% of the consolidated capital, and its total assets were less than 0.01% of the consolidated total assets on December 31, 2013; thus, it was not included in the consolidated financial statements.
- 3) Chang Hwa Bank held the election of its directors on December 8, 2014. Taishin Financial Holding lost control of Chang Hwa Bank since Taishin Financial Holding can not obtain more than half of Chang Hwa Bank's directors. Therefore, Taishin Financial Holding did not consolidate Chang Hwa Bank as subsidiary since December 8, 2014.

Foreign Currencies

In preparing the financial statements of each individual group entity, the currency of the primary economic environment in which the entity operates (the "functional currency") is used. Transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. When several exchange rates are available, the rate used is that at which the future cash flows, represented by the transaction amount or balance, could have been settled if those cash flows had occurred at the measurement date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising from settlement are recognized in profit or loss in the period in which they arise. Exchange differences on monetary items arising from translation are recognized in profit or loss in the period in which they arise except items that qualify as hedging instruments in a cash flow hedge are recognized initially in other comprehensive income to the extent that the hedge is effective.

Exchange differences arising on the retranslation of non-monetary assets (such as equity investment) or liabilities measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy but different from the presentation currency are translated into the presentation currency using the following procedures:

- a. Assets and liabilities are translated at the closing rate at the date of the consolidated balance sheets;
- b. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used; and
- c. All resulting exchange differences are recognized in other comprehensive income.

Exchange differences arising from the above procedures are recognized as “Exchange differences from translation of foreign operation” in equity. Exchange differences arising from net investments in foreign operation and hedge of a monetary item regarded as part of the net investments are recognized as other comprehensive income. When the foreign operation or part of the foreign operation is disposed of, exchange differences are recognized initially in other comprehensive income and reclassified from equity to profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Thus, they are expressed in the functional currency of the foreign operation and translated at the closing rate.

Cash and Cash Equivalents

Cash and cash equivalents are cash in vault, cash in banks, short-term time deposits and short-term financial instruments that must be readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the consolidated statement of cash flows, cash and cash equivalents are cash and cash equivalents on the consolidated balance sheet, due from the Central Bank and call loans to banks and securities purchased under resell agreements that are in conformity with the definition of cash and cash equivalents in the FSC-recognized IFRS 7.

Investment in Associates

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

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

When the Group subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.



The requirements of FSC-recognized IAS 36 “Impairment of Assets” are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group’s investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with FSC-recognized IAS 36 “Impairment of Assets” to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date it ceases to have significant influence over the associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group’ consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Property and Equipment

Property and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss. Cost is capitalized when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis in accordance with FSC-recognized IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

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

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

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation and are not owned by other corporations in the Group. Investment properties include office buildings or land held for operating lease.

The investment properties comprise a portion that is self-used by the Group and another portion that is held to earn rentals or for capital appreciation. If a portion of a property owned by the Group can be sold separately, the Group accounts for that portion separately. For self-used properties, the FSC-recognized IAS 16 is adopted. Investment

properties held to earn rentals or/and for capital appreciation are under the regulation of the FSC-recognized IAS 40. If portions of a property can not be sold separately, the property is investment property only if an insignificant portion is held as self-used asset.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the asset. Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis which is in accordance with FSC-recognized IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

b. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial



recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment loss.

c. Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gain or loss on the derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Impairment of Non-financial Assets (Except Goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Bonds and Securities Purchased/Sold under Specific Agreements

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

Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. Measurement category

Financial assets are classified into the following specified categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The categories of financial assets held by the Group are financial assets at fair value through profit or loss, held-to-maturity investment, available-for-sale financial assets and loans and receivables.

1) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- a) It has been acquired principally for the purpose of selling it in the near term; or
- b) On initial recognition it is part of a portfolio of identified financial instruments that a company manages together and has a recent actual pattern of short-term profit-taking; or
- c) It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

In addition, if a contract contains one or more embedded derivatives, the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses line item. Fair value is determined in the manner described in Note 47.

2) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, or designates as available for sale, or meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Fair value is determined in the manner described in Note 47.

Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on



available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss that was previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets.

4) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including receivables, loans, delinquent loans and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment. In accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks" Rule No. 10 Item 7 and Item 10, if the effect of discount is insignificant, loans and receivables can be measured at their original amounts.

According to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, loans or other extensions of credit which are overdue but not repaid, and have been authorized by the board, shall be transferred to the non-accrual loans item together with interest accrued.

The non-accrual loans transferred from loans are reported under loan whereas those not transferred from loans are reported under other miscellaneous financial assets.

b. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- 1) Significant financial difficulty of the issuer or obligor;
- 2) A breach of contract, such as a default or delinquency in interest or principal payments;
- 3) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- 4) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- 5) The disappearance of an active market for that financial asset because of financial difficulties; or
- 6) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - a) Adverse changes in the payment status of borrowers in the group; or
 - b) National or local economic conditions that correlate with defaults on the assets in the group.

For certain categories of financial assets, such as loans and receivables, assets are assessed for impairment on a collective basis even if they were assessed as not impaired individually.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The assessment procedures above classified loans in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans. Normal credit assets are classified as "Category One" and provided allowance for loss at 1% of the outstanding balance (excluding assets that represent claims against an ROC government agency). Loans other than "Category One" are classified into "special mentioned (Category Two)", "substandard (Category Three)", "doubtful (Category Four)" and "losses (Category Five)" based on the status of credit, the length of time overdue, and the status of the loan collaterals. Loss provision should be made at 2%, 10%, 50% and 100% for each loan category, respectively.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

c. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.



An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

a. Subsequent measurement

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

1) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- a) It has been acquired principally for the purpose of repurchasing it in the near term; or
- b) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- c) It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

In addition, if a contract contains one or more embedded derivatives, the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. Fair value is determined in the manner described in Note 47.

2) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the following and should be coped with based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans:

- a) The amount of the obligation under the contract, as determined in accordance with FSC-recognized IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and
- b) The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with FSC-recognized IAS 18 the revenue recognition policies.

3) Commitments to provide a loan at a below-market interest rate

Commitments to provide a loan at a below-market interest rate issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- a) The amount of the obligation under the contract, as determined in accordance with FSC-recognized IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and
- b) The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with FSC-recognized IAS 18 the revenue recognition policies.

b. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are recognized as host contracts and embedded derivative instruments, respectively, when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss, unless the hybrid contracts are designated as assets or liabilities at fair value through profit or loss.

Securities Trading Margin Purchase and Short Sale

Margin loans extended to customer by the Group conducting securities trading margin purchase and short sale business are recognized as securities margin loans receivable. Customers provide all the stocks purchased in trading margin operations as collaterals, which the Group records by using memorandum entries. Stocks are returned when customers pay back money.

Margins received from short selling customers by the Group conducting securities trading margin purchase and short sale business are recognized as short sale margins. In addition, short sale proceeds (less securities transaction taxes, handling fees for execution of customer orders and short sale handling fees) received as collateral from short selling customers by the Group conducting securities trading margin purchase and short sale business are recognized as payable for short sale collateral received.

The interest on the payable for short sale collateral received and short sale margins under the preceding paragraph is accrued and paid to customers. The stocks lent to customers are recorded by using memorandum entries. Short sale margins and payable for short sale collateral received are reimbursed when customers return stocks.

Hedge Accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges. Hedges of foreign exchange risk on firm commitments are accounted for as fair value hedges.



At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting the exposure of changes in fair values or cash flows of the hedged item attributable to the hedged risk. Note 11 sets out details of the fair values of the derivative instruments used for hedging purposes.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The fair value adjustment to the carrying amount of the hedged instrument arising from the hedged risk for which the effective interest method is used is amortized to profit or loss from the date the hedge accounting is discontinued. The adjustment is amortized based on the effective interest rate recalculated at the date the amortization begins and is amortized fully by maturity of the financial instrument.

Provisions, Contingent Liabilities and Contingent Assets

A provision shall be recognized when:

- a. An entity has a present obligation (legal or constructive) as a result of a past event;
- b. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- c. A reliable estimate can be made of the amount of the obligation.

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

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

A contingent liability is:

- a. A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b. A present obligation that arises from past events but is not recognized because:
 - 1) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - 2) The amount of the obligation cannot be measured with sufficient reliability.

The Group does not recognize a contingent liability but disclose it appropriately in accordance with related guidelines.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Group does not recognize a contingent asset. A contingent asset is disclosed appropriately in accordance with related guidelines, where an inflow of economic benefits is probable.

Income Recognition

a. Interest income

Except for financial assets at FVTPL, interest income of all financial instruments is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, and recognized in the consolidated statements of comprehensive income. When the loans become past due and are considered uncollectible, the principal and interest receivable are transferred to delinquent loan accounts and the accrual of interest income is stopped. Interest income will be recognized when the delinquent interest is collected. If the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue and recognized as income when collected. Interest income from securities trading margin purchase and short sale is accrued according to the terms stated in the financing and trading contract.

b. Service fee and commissions income

Service revenue and real estate management service revenue are recognized at once after providing loans or other services. If the service revenue belongs to several significant items, it is recognized when the significant items accomplished, such as the service revenue which the lead arranger bank of syndication loan received. If the service revenue is for further loan service and of significant amount, it is allocated during the period of the service or included in the base of calculation the effective interest rate of loans and receivables.

The Group's customer loyalty program provides customers with award credits, which are handled through diverse factors of revenue transactions. The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the award credits and the other components of the sale. The consideration allocated to the award credits shall be measured by reference to their fair value, i.e. the amount for which the award credits could be sold separately. The consideration is not recognized as income in the initial sale and is deferred. The Group shall recognize the consideration allocated to award credits as income when award credits are redeemed and it fulfills its obligations to supply awards.

Brokerage commission is recognized on the trading day. Purchasing commission is recognized when the commission is received; underwriting commission is recognized at the completion of the underwriting contracts. The Group engages in futures introducing broker business and receives commission from its mandating futures commission merchants. The commission received is recognized as futures commission income in the consolidated statements of comprehensive income.

Leasing

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

a. The Group as lessor

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



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

b. The Group as lessee

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

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

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

c. Leasehold land for own use

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

Employee Benefits

a. Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

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

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

b. High-yield savings account for employee

The Group provides employees with high-yield savings account. The premium interest rate applies to a fixed amount of principal and the interest is paid to present employees (within employment and retirement) and retired employees. The difference between the premium rate and the market rate is classified as employee benefits.

According to the “Regulations Governing the Preparation of Financial Reports by Public Banks” Rule No. 28, the premium interest resulting from the yield between the premium rate and the general market rate shall immediately be actuarially calculated based on the FSC-recognized IAS 19 when employees retire. However, if there are authorized regulations from the government regarding the actuarial assumption parameters, the regulations shall prevail.

Share-based Payment Arrangements

Equity-settled share-based payment

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the employee share options is recognized as an expense in full at the grant date when the share options granted vest immediately.

The grant date of employee share options, which are reserved when the Company issues new shares, is the date when the number of employee subscription is confirmed. The Company recognized an expense and capital surplus at the fair value of the share options determined at the grant date.

Cash-settled share-based payment

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Land revaluation increment tax accrued from the Group’s land revaluation increment in accordance with related regulations is a taxable temporary difference and shall be recognized as a deferred tax liability. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforward, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.



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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group does not offset deferred tax assets and deferred tax liabilities from different taxation authorities.

c. Current and deferred tax for the period

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

d. 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.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group's accounting policies, accounting assumptions and estimates have significant impact on the consolidated financial statements. Accordingly, the management exercised appropriate professional judgment in the preparation of the consolidated financial statements.

The assumptions and estimates involve significant risks that significant adjustments might result in changes in the carrying amounts of assets and liabilities in the next fiscal year. The assumptions and estimates made were the best estimates based on the FSC-recognized IFRSs. The estimates and assumptions are based on historical experience and other factors, including future expectations and are continuously assessed. The accounting policies and management's judgment that could have significant impact on the consolidated financial statements were as follows:

a. Impairment of loans

Occurrence of objective evidence of impairment loss on loans will impact the assumptions on cash flows. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit loss that had not yet happened) discounted at its original effective interest rate.

As of December 31, 2014 and 2013, the carrying amounts of loans are illustrated in Note 13.

b. Income taxes

The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such reversal takes place.

c. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The calculation of value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

d. Retirement benefit costs

The present value of retirement benefit obligations is calculated based on actuarial results using many assumptions. Any change in these assumptions will affect the carrying amount of retirement benefit obligations.

The assumptions in determining the net pension cost (revenue) include discount rates. In order to determine appropriate discount rates, rates of high-quality corporate bonds or government bonds are taken into consideration. The currency to pay retirement benefits is the same as that of the corporate bonds or government bonds. And the maturity of the corporate bonds or government bonds should be the same as the period of pension liability.

7. CASH AND CASH EQUIVALENTS

	December 31	
	2014	2013
Cash on hand	\$ 8,032,043	\$ 17,762,028
Checks for clearing	1,286,900	8,172,651
Due from banks	10,692,268	32,956,554
Others	3,078,056	2,625,720
	<u>\$ 23,089,267</u>	<u>\$ 61,516,953</u>

Due from banks include time deposits that have a maturity of three months or less from the date of acquisition, are readily convertible to a known amount of cash, and are subject to an insignificant risk of change in value; these were held for the purpose of meeting short-term cash commitments.

8. DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS

	December 31	
	2014	2013
Deposit reserve in the Central Bank		
Reserve for checking account	\$ 9,948,292	\$ 29,271,924
Reserve for demand account	22,082,660	56,286,658
Reserve for foreign deposit	45,632	362,630
Deposit transferred to central bank	24,478	5,722,025
	<u>32,101,062</u>	<u>91,643,237</u>
Call loans to other banks	1,395,592	31,508,420
Interbank clearing fund	1,000,202	1,000,792
	<u>\$ 34,496,856</u>	<u>\$ 124,152,449</u>



9. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2014	2013
Financial assets designated as at FVTPL		
Interest-rate combination instruments	\$ -	\$ 3,676,994
Financial assets held for trading		
Derivative instrument		
Futures	32,230	60,848
Forward exchange contracts	1,039,905	2,197,620
Currency swaps	13,039,142	4,670,432
Cross-currency swaps	271,212	906,828
Foreign-exchange options	15,463,774	2,892,427
Equity-linked options	14,003	20,251
Interest rate swaps	5,170,598	4,927,699
Equity-linked swaps	167,485	582,731
Credit default swaps	2,117	3,436
Commodity price swaps	32,395	31,769
Non-derivative financial assets		
Investment in bills	20,863,757	54,263,030
Domestic and overseas stocks and beneficiary certificates	664,974	999,899
Government bonds	19,342,768	19,381,159
Corporate bonds, bank debentures and other bonds	5,142,550	6,578,965
Trading securities		
Dealing	1,035,498	1,063,866
Underwriting	1,011,619	559,935
Financial assets at FVTPL	<u>\$ 83,294,027</u>	<u>\$ 102,817,889</u>
Financial liabilities held for trading		
Derivative instrument		
Forward exchange contracts	\$ 1,084,756	\$ 2,156,783
Currency swaps	12,376,763	4,499,493
Cross-currency swaps	\$ 129,639	\$ 787,058
Foreign-exchange options	15,585,514	2,618,768
Interest rate options	-	13
Equity-linked options	249,633	259,379
Interest rate swaps	5,293,212	4,996,459
Equity-linked swaps	167,485	582,708
Credit default swaps	2,117	3,436
Commodity price swaps	32,395	31,769
Non-derivative financial liabilities		
Securities borrowing	-	301,503
Financial liabilities at FVTPL	<u>\$ 34,921,514</u>	<u>\$ 16,237,369</u>

- a. Taishin Bank engaged in various derivative instruments in the years ended December 31, 2014 and 2013 to fulfill customers' needs, as well as to manage Taishin Bank's asset and liability positions and risk.**

Chang Hwa Bank engaged in various derivative instruments in the year ended December 31, 2013 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.

- b. The par values of those financial assets at FVTPL provided for transactions with repurchase agreements were as follows:**

	December 31	
	2014	2013
Par values	\$ <u>17,417,900</u>	\$ <u>12,404,900</u>

- c. Please refer to Note 49 for information relating to financial assets at FVTPL pledged as collaterals.**

- d. The nominal principal amounts of outstanding derivative contracts were as follows:**

	December 31	
	2014	2013
Futures	\$ -	\$ 18,429
Forward exchange contracts	154,967,460	214,252,756
Currency swaps	912,663,350	688,324,443
Cross-currency swaps	10,158,903	89,181,370
Foreign-exchange options	1,704,576,911	1,539,199,910
Interest rate options	80,000	230,000
Equity-linked options	4,242,714	4,216,800
Commodity options	-	49,597
Interest rate swaps	696,707,298	1,139,528,961
Equity-linked swaps	1,205,362	7,555,562
Credit default swaps	1,193,440	1,126,917
Commodity price swaps	528,982	1,268,048
Fixed rate commercial papers	10,050,000	8,500,000
Commodity forward contracts	-	86,627

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2014	2013
Investment in bills	\$ 153,767,268	\$ 149,915,156
Domestic and overseas stocks	468,660	5,780,458
Beneficiary certificates	2,772,906	438,335
Government bonds	49,241,924	50,750,944
Corporate bonds	18,729,980	21,183,073
Bank debentures	17,602,156	21,628,401
Beneficiary's securities	1,666,159	2,102,208
Bonds issued by international organization	-	148,714
	\$ <u>244,249,053</u>	\$ <u>251,947,289</u>



- a. Please refer to Note 47 (financial instrument) for the determination of fair values of available-for-sale financial assets.
- b. The par values of bond investments in available-for-sale financial assets provided for transactions with repurchase agreements were as follows:

	December 31	
	2014	2013
Par values	\$ <u>51,730,916</u>	\$ <u>22,863,024</u>

- c. In 2013, the Group disposed 609,144 shares of Visa and 13,517 shares of Master Card stocks, which were originally under available for sale financial assets. The proceeds from the disposal were \$3,270,928 thousand. The total gain on disposal was \$2,483,550 thousand and was reclassified from other comprehensive income to net income.
- d. BAFO Technologies Corp., a company held by the Group, proposed to effect a 73.22% capital reduction, which was approved in the shareholders' meeting of BAFO Technologies Corp. on October 30, 2013. The record date of which was January 27, 2014. The Group had recognized impairment loss of \$6,330 thousand according to the capital reduction in 2013.
- e. Please refer to Note 49 for information relating to available-for-sale financial assets pledged as collaterals.

11. DERIVATIVE FINANCIAL ASSETS FOR HEDGING

	December 31	
	2014	2013
Assets		
Fair value hedging - interest rate swap	\$ <u>-</u>	\$ <u>62,494</u>

Chang Hwa Bank used interest rate swaps to minimize its exposure to fair value changes of its fixed-rate borrowings by swapping a portion of the fixed-rate borrowings from fixed rates to floating rates. The interest swaps and the corresponding borrowings had the same terms and management believed the interest rate swaps were highly effective hedge instruments. The nominal amounts of outstanding interest rate swap contracts of Chang Hwa Bank were \$2,000,000 thousand as of December 31, 2013.

The fixed-to-floating interest swaps were designated and effective fair value hedge instruments. During 2013, the swaps were 100% effective in hedging the fair value exposure to interest rate movements and as a result the carrying amount of the fixed-rate borrowings was adjusted by \$59,818 thousand as of December 31, 2013, these amounts were included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

The information of hedging transaction was as follows:

- a. **Hedging type: Fair value hedging.**

b. Hedging objective: To minimize risks of Chang Hwa Bank from the variation of fair value due to fluctuation of interest rate, by converting fixed-rate note to floating-rate note.

c. Hedging method: By signing interest swap contract.

d. Hedging effect: The actual offset result is considered highly effective since the variation of the fair value of the hedged instrument and of the hedging instrument is within 80%-125%, which has met the hedging accounting criterion suggested in IFRSs. The realized gain of fair-value hedging was \$43,921 thousand, accounted as net other non-interest income, for 2013.

12. RECEIVABLES

	December 31	
	2014	2013
Notes and accounts receivable	\$ 61,527,789	\$ 60,550,318
Credit card receivable	35,401,568	34,615,829
Acceptance receivable	1,426,514	7,169,741
Interest receivable	2,589,547	4,505,209
Revenue receivable	182,955	304,832
Securities margin loans receivable	1,034,119	859,532
Other receivables	809,243	1,404,604
Adjustment for discount	(1,526,727)	(397,534)
	101,445,008	109,012,531
Less: Allowance for receivables	(1,134,591)	(1,422,341)
	<u>\$ 100,310,417</u>	<u>\$ 107,590,190</u>

Please refer to Note 13 for the movements of allowance for receivables.

13. LOANS

a. The details of loans were as follows:

	December 31	
	2014	2013
Negotiated	\$ 2,063,231	\$ 5,243,309
Overdrafts	1,994,749	3,515,566
Discounts	-	6,310,230
Short-term loans	196,631,039	456,046,554
Medium-term loans	264,949,399	573,077,655
Long-term loans	349,912,676	819,393,820
Delinquent loans	1,556,319	5,252,713
Adjustment for discount	(533,641)	(544,312)
	816,573,772	1,868,295,535
Less: Allowance for loan losses	(10,821,043)	(22,580,509)
	<u>\$ 805,752,729</u>	<u>\$ 1,845,715,026</u>

**b. Movements of allowance for loan losses were as follows:**

	For the Year Ended December 31, 2014			
	Receivables	Loans	Other Miscellaneous Financial Assets	Total
Balance, January 1, 2014	\$ 1,422,341	\$ 22,580,509	\$ 543,208	\$ 24,546,058
Provision for (reverse of) loan losses	116,991	(501,345)	(593,796)	(978,150)
Loans written off	(33,180)	(914,293)	(270,876)	(1,218,349)
Recovery of loans written off	5,720	3,815,372	557,103	4,378,195
Combined individual effects	(79,965)	45,200	-	(34,765)
Exchange differences and others	(297,316)	(14,204,400)	(41,226)	(14,542,942)
Balance, December 31, 2014	<u>\$ 1,134,591</u>	<u>\$ 10,821,043</u>	<u>\$ 194,413</u>	<u>\$ 12,150,047</u>

	For the Year Ended December 31, 2013			
	Receivables	Loans	Other Miscellaneous Financial Assets	Total
Balance, January 1, 2013	\$ 1,328,936	\$ 21,350,050	\$ 404,728	\$ 23,083,714
Provision for (reverse of) loan losses	112,482	(462,453)	(192,281)	(542,252)
Loans written off	(37,478)	(3,337,186)	(287,874)	(3,662,538)
Recovery of loans written off	15,410	4,998,788	618,635	5,632,833
Reclassified from reserve for guarantees	-	410	-	410
Exchange differences and others	2,991	30,900	-	33,891
Balance, December 31, 2013	<u>\$ 1,422,341</u>	<u>\$ 22,580,509</u>	<u>\$ 543,208</u>	<u>\$ 24,546,058</u>

c. Details of reversed allowance for loan losses and liability guarantee provisions for 2014 and 2013 were as follows:

	December 31	
	2014	2013
Reversed allowance for losses of receivables, loans and other miscellaneous financial assets	\$ 978,150	\$ 542,252
(Provision for) reverse of loss on guarantees	(227,895)	4,157
	<u>\$ 750,255</u>	<u>\$ 546,409</u>

d. Details of assessed impairment of receivables (including other miscellaneous financial assets) and loans were as follows:

Receivables (including other miscellaneous financial assets)

Item		Total Receivable	
		December 31, 2014	December 31, 2013
Objective evidence of impairment	Individual assessment of impairment	\$ 950,184	\$ 792,164
	Combined assessment of impairment	3,357,999	3,249,980
Nonobjective evidence of impairment	Combined assessment of impairment	99,029,380	106,008,984
Total		\$ 103,337,563	\$ 110,051,128

Item		Total Allowance	
		December 31, 2014	December 31, 2013
Objective evidence of impairment	Individual assessment of impairment	\$ 692,336	\$ 683,977
	Combined assessment of impairment	356,060	553,734
Nonobjective evidence of impairment	Combined assessment of impairment	280,608	727,838
Total		\$ 1,329,004	\$ 1,965,549

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

Loans

Item		Total Loans	
		December 31, 2014	December 31, 2013
Objective evidence of impairment	Individual assessment of impairment	\$ 7,206,816	\$ 26,269,476
	Combined assessment of impairment	9,688,148	13,039,249
Nonobjective evidence of impairment	Combined assessment of impairment	800,212,449	1,829,531,122
Total		\$ 817,107,413	\$ 1,868,839,847

Item		Total Allowance	
		December 31, 2014	December 31, 2013
Objective evidence of impairment	Individual assessment of impairment	\$ 3,918,665	\$ 8,272,075
	Combined assessment of impairment	2,406,513	2,530,574
Nonobjective evidence of impairment	Combined assessment of impairment	4,495,865	11,777,860
Total		\$ 10,821,043	\$ 22,580,509

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

14. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2014	2013
Investment in bills	\$ -	\$ 215,841,649
Government bonds	2,540	-
Corporate bonds	-	7,210,933
Bank debentures	-	5,890,339
	<u>\$ 2,540</u>	<u>\$ 228,942,921</u>

a. The par values of bond investments in held-to-maturity financial assets provided for transactions with repurchase agreements were as follows:

	December 31, 2014	December 31, 2013
Par values	\$ <u>-</u>	\$ <u>1,647,250</u>

b. Please refer to Note 49 for information relating to held-to-maturity financial assets pledged as collaterals.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a. The Group's associates and joint ventures accounted for using the equity method were listed below:

	December 31, 2014		December 31, 2013	
	Carrying Value	Ownership Interest and Voting Rights	Carrying Value	Ownership Interest and Voting Rights
Listed company				
Chang Hwa Bank	\$ 32,575,808	22.81	\$ -	-
Unlisted shares				
Taishin D.A. Finance	-	-	142,860	100.00
An Hsin Real-Estate Management Co., Ltd. ("An Hsin Real-Estate")	85,176	30.00	78,369	30.00
	<u>\$ 32,660,984</u>		<u>\$ 221,229</u>	

Fair value of investment in associate for which there are published price quotation are summarized as follow, based on the closing price of this investment at the balance sheet date:

	December 31	
	2014	2013
Chang Hwa Bank	\$ <u>32,725,586</u>	\$ <u>-</u>

Please refer to Note 43 for information relating to the losing of control of Chang Hwa Bank.

The summarized financial information in respect of the Group's associates was set out below:

	2014	2013
Total assets	\$ <u>1,816,836,245</u>	\$ <u>753,658</u>
Total liabilities	\$ <u>1,697,311,224</u>	\$ <u>311,453</u>

	For the Year Ended December 31	
	2014	2013
Revenue	\$ <u>2,539,375</u>	\$ <u>324,391</u>
Net income	\$ <u>550,320</u>	\$ <u>61,106</u>
Other comprehensive income	\$ <u>88,543</u>	(\$ <u>767</u>)

b. The amounts of investment income (loss) recognized under equity method were as follows:

	For the Year Ended December 31	
	2014	2013
	Investment Income (Loss) Recognized	Investment Income (Loss) Recognized
Chang Hwa Bank	\$ 106,840	\$ -
Taishin D.A. Finance	-	(24,526)
An Hsin Real-Estate	24,630	26,295
Youn Shin Artistic	-	(204)
	<u>\$ 131,470</u>	<u>\$ 1,565</u>

- c. The Group's equity-method investments were not pledged as collaterals as of December 31, 2014 and 2013.
- d. The Group lost their holding percentage and did not have significant influence on Youn Shin Artistic due to giving up the preemptive right of Youn Shin Artistic in December 2013. Therefore, the Group reclassified investments accounted for using equity method to financial assets carried at cost.

16. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2014	2013
Domestic and overseas unlisted stocks	\$ <u>2,608,976</u>	\$ <u>7,334,016</u>
Classified according to financial asset measurement category		
Available-for-sale financial assets	\$ <u>2,608,976</u>	\$ <u>7,334,016</u>

Management believed that the fair value of the above unlisted equity investments held by the Group cannot be reliably measured due to the very wide range of reasonable fair value estimates; therefore, they were measured at cost less impairment at the end of reporting period.

The Group's domestic and overseas unlisted stocks were financial assets carried at cost, including investments in stocks of Kaohsiung Rapid Transit Corporation, Han-Shin Venture Capital Inc., Han-Hua Venture Capital Inc., PayEasy Digital Integration Co., Ltd., Pacific Securities Co., Ltd., United Venture Capital Co., Ltd., Chung-Yang Special Return Venture Capital Co., Ltd., Solar PV Corporation and Innostor Technology Corporation. The investment value has been impaired and possibility of restoration was very small; thus, The Group had recognized impairment loss of \$25,735 thousand and \$229,954 thousand for 2014 and 2013, respectively.

Please refer to Note 49 for information relating to financial assets carried at cost pledged as collaterals.

17. DEBT INVESTMENTS WITHOUT ACTIVE MARKET

	December 31	
	2014	2013
Domestic unlisted preferred stocks	\$ 300,000	\$ 1,600,000
Beneficiary securities and asset-based securities	-	224,114
Corporate bonds and bank debentures	-	2,287,409
	\$ <u>300,000</u>	\$ <u>4,111,523</u>

18. OTHER MISCELLANEOUS FINANCIAL ASSETS

	December 31	
	2014	2013
Inward remittance	\$ -	\$ 22,055
Purchase credit receivables	31,648	130,506
Delinquent loans reclassified from other items (excluding loans)	334,180	495,009
Less: Allowance for bad debt	(194,413)	(543,208)
Time deposit with original maturity more than 3 months	8,860,830	35,748,015
Gold account	189,983	209,926
	\$ <u>9,222,228</u>	\$ <u>36,062,303</u>

Please refer to Note 13 for the movements of allowance for other miscellaneous financial assets. Please refer to Note 49 for the information relating to time deposit with original maturity more than 3 months pledged as collaterals.

19. INVESTMENT PROPERTY

	December 31		
	2014		2013
Investment property			
Land	\$ 619,716		\$ 11,323,944
Buildings			
Cost	340,277		777,405
Accumulated depreciation	(37,638)		(292,829)
	<u>302,639</u>		<u>484,576</u>
	<u>\$ 922,355</u>		<u>\$ 11,808,520</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost			
Balance, January 1, 2014	\$ 11,323,944	\$ 777,405	\$ 12,101,349
Additions	-	133	133
Disposals	(60,000)	-	(60,000)
Combined individual effects	(10,724,896)	(439,008)	(11,163,904)
Reclassification	80,668	1,747	82,415
Balance, December 31, 2014	<u>\$ 619,716</u>	<u>\$ 340,277</u>	<u>\$ 959,993</u>
Balance, January 1, 2013	\$ 11,166,462	\$ 706,074	\$ 11,872,536
Additions	71,790	52,967	124,757
Disposals	(31,205)	(3,541)	(34,746)
Reclassification	116,897	21,905	138,802
Balance, December 31, 2013	<u>\$ 11,323,944</u>	<u>\$ 777,405</u>	<u>\$ 12,101,349</u>
Accumulated depreciation			
Balance, January 1, 2014	\$ -	\$ 292,829	\$ 292,829
Depreciation	-	15,892	15,892
Combined individual effects	-	(272,770)	(272,770)
Reclassification	-	1,687	1,687
Balance, December 31, 2014	<u>\$ -</u>	<u>\$ 37,638</u>	<u>\$ 37,638</u>
Balance, January 1, 2013	\$ -	\$ 258,147	\$ 258,147
Depreciation	-	16,036	16,036
Disposals	-	(966)	(966)
Reclassification	-	19,612	19,612
Balance, December 31, 2013	<u>\$ -</u>	<u>\$ 292,829</u>	<u>\$ 292,829</u>

The investment properties held by the Group were depreciated on the following estimated useful lives using the straight-line method.

Buildings	
Main buildings	12-60 years
Equipment	3-10 years

The rental incomes and direct operating expenses generated by the investment properties for 2014 and 2013 were as follows:

	For the Year Ended December 31	
	2014	2013
Rental incomes	\$ 192,687	\$ 187,835
Direct operating expenses	80,218	81,878

The fair values of the Group's investment properties as of December 31, 2014 and 2013 were \$1,223,055 thousand and \$16,653,357 thousand, respectively. The fair values had been arrived at on the basis of valuation procedures carried out at those dates by the management of the Group which used the valuation model that market participants usually use in determining fair value. The valuation amounts were arrived at by reference to market evidence of transaction prices for similar properties.

20. PROPERTY AND EQUIPMENT

	December 31	
	2014	2013
Land	\$ 10,983,239	\$ 28,296,400
Buildings	5,565,137	10,887,245
Machinery equipment	978,342	1,410,033
Transportation equipment	58,810	153,436
Miscellaneous equipment	75,145	228,045
Leasehold improvement	243,515	376,775
Leased assets	-	118,371
Prepayments for buildings, equipment and property under construction	54,635	60,362
	<u>\$ 17,958,823</u>	<u>\$ 41,530,667</u>

	Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Prepayment for Buildings, Equipment and Property under Construction	Total
Cost									
Balance, January 1, 2014	\$ 28,296,400	\$ 16,604,699	\$ 6,639,065	\$ 640,062	\$ 1,548,916	\$ 1,237,817	\$ 168,860	\$ 60,362	\$ 55,196,181
Additions	-	83,259	722,868	34,588	59,887	91,018	-	163,701	1,155,321
Disposals	-	(45,140)	(347,327)	(33,338)	(27,189)	(53,134)	-	-	(506,128)
Reclassification	(80,668)	12,216	93,833	47	4,528	78,120	-	(113,570)	(5,494)
Combined individual effects	(17,232,493)	(8,842,175)	(5,473,120)	(550,080)	(1,458,248)	(904,311)	(168,860)	(55,858)	(34,685,145)
Effect of foreign currency exchange differences	-	-	22,124	380	(1,335)	4,454	-	-	25,623
Balance, December 31, 2014	<u>\$ 10,983,239</u>	<u>\$ 7,812,859</u>	<u>\$ 1,657,443</u>	<u>\$ 91,659</u>	<u>\$ 126,559</u>	<u>\$ 453,964</u>	<u>\$ -</u>	<u>\$ 54,635</u>	<u>\$ 21,180,358</u>
Balance, January 1, 2013	\$ 28,415,580	\$ 16,496,450	\$ 6,400,093	\$ 609,525	\$ 1,539,843	\$ 1,089,171	\$ 168,275	\$ 24,024	\$ 54,742,961
Additions	-	89,157	409,573	58,387	69,154	111,494	585	214,707	953,057
Disposals	(2,284)	(22,296)	(203,463)	(32,599)	(61,941)	(32,152)	-	-	(354,735)
Reclassification	(116,896)	41,388	33,352	4,790	1,499	66,253	-	(1 78,330)	(147,944)
Effect of foreign currency exchange differences	-	-	(490)	(41)	361	3,051	-	(39)	2,842
Balance, December 31, 2013	<u>\$ 28,296,400</u>	<u>\$ 16,604,699</u>	<u>\$ 6,639,065</u>	<u>\$ 640,062</u>	<u>\$ 1,548,916</u>	<u>\$ 1,237,817</u>	<u>\$ 168,860</u>	<u>\$ 60,362</u>	<u>\$ 55,196,181</u>



	Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Prepayment for Buildings, Equipment and Property under Construction	Total
Accumulated depreciation									
Balance, January 1, 2014	\$ -	\$ 5,717,454	\$ 5,229,032	\$ 486,626	\$ 1,320,871	\$ 861,042	\$ 50,489	\$ -	\$ 13,665,514
Depreciation	-	381,195	513,575	40,147	64,111	139,008	17,199	-	1,155,235
Disposals	-	(44,025)	(344,986)	(33,200)	(26,768)	(49,589)	-	-	(498,568)
Combined individual effects	-	(3,806,902)	(4,719,918)	(461,038)	(1,307,343)	(741,230)	(67,688)	-	(11,104,119)
Effect of foreign currency exchange differences	-	-	1,398	314	543	1,218	-	-	3,473
Balance, December 31, 2014	\$ -	\$ 2,247,722	\$ 679,101	\$ 32,849	\$ 51,414	\$ 210,449	\$ -	\$ -	\$ 3,221,535
Balance, January 1, 2013	\$ -	\$ 5,359,664	\$ 4,912,255	\$ 479,360	\$ 1,318,112	\$ 769,496	\$ 31,749	\$ -	\$ 12,870,636
Depreciation	-	396,784	521,584	38,421	64,284	122,392	18,740	-	1,162,205
Disposals	-	(19,383)	(202,935)	(31,140)	(61,779)	(32,152)	-	-	(347,389)
Reclassification	-	(19,611)	(21)	-	-	-	-	-	(19,632)
Effect of foreign currency exchange differences	-	-	(1,851)	(15)	254	1,306	-	-	(306)
Balance, December 31, 2013	\$ -	\$ 5,717,454	\$ 5,229,032	\$ 486,626	\$ 1,320,871	\$ 861,042	\$ 50,489	\$ -	\$ 13,665,514

The above items of property and equipment were depreciated on a straight-line basis at the following estimated useful lives.

Buildings

Main buildings	20-60 years
Air conditioning	5-10 years
Machinery equipment	3-16 years
Transportation equipment	2-10 years
Miscellaneous equipment	3-10 years
Leasehold improvements	1.5-5 years
Leased assets	9 years

21. INTANGIBLE ASSETS

	December 31	
	2014	2013
Goodwill	\$ 1,581,761	\$ 21,012,047
Intangible assets - customer value	31,034	167,726
Intangible assets - computer software	385,758	366,635
Intangible assets - concession	3,444	17,220
	<u>\$ 2,001,997</u>	<u>\$ 21,563,628</u>

	Goodwill	Customer Value	Computer Software	Concession	Others	Total
Balance, January 1, 2014	\$ 21,012,047	\$ 167,726	\$ 366,635	\$ 17,220	\$ -	\$ 21,563,628
Additions	-	-	720,408	-	-	720,408
Amortization	-	(136,692)	(237,964)	(13,776)	-	(388,432)
Reclassification	-	-	14,127	-	-	14,127
Combined individual effects	(19,430,286)	-	(478,276)	-	-	(19,908,562)
Effect of foreign currency exchange differences	-	-	828	-	-	828
Balance, December 31, 2014	<u>\$ 1,581,761</u>	<u>\$ 31,034</u>	<u>\$ 385,758</u>	<u>\$ 3,444</u>	<u>\$ -</u>	<u>\$ 2,001,997</u>
Balance, January 1, 2013	\$ 21,012,047	\$ 304,418	\$ 378,662	\$ 30,997	\$ 6,074	\$ 21,732,198
Additions	-	-	127,951	-	-	127,951
Amortization	-	(136,692)	(143,584)	(13,777)	(6,074)	(300,127)
Reclassification	-	-	2,917	-	-	2,917
Effect of foreign currency exchange differences	-	-	689	-	-	689
Balance, December 31, 2013	<u>\$ 21,012,047</u>	<u>\$ 167,726</u>	<u>\$ 366,635</u>	<u>\$ 17,220</u>	<u>\$ -</u>	<u>\$ 21,563,628</u>

Goodwill

Taishin Bank merged with Dah An Bank through a share swap in February 2002, in which Taishin Bank issued new shares to acquire the total assets and liabilities of Dah An Bank. The difference between the fair value of the new shares issued by Taishin Bank and the fair value of net assets acquired was recognized as goodwill. The unamortized amount as of December 31, 2014 and 2013 was all \$884,938 thousand with no material impairment loss noted.

Taishin AMC acquired 40% 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, 2014 and 2013 was all \$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, 2014 and 2013 was all \$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 acquired was recognized as goodwill. The related information was as follows:

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



The goodwill was amortized over 20 years by the straight-line method and subject to impairment test before December 31, 2005. Goodwill was no longer amortized since January 1, 2006, but was tested for impairment regularly each year. The amortization for 2005 was \$245,953 thousand, and unamortized balance was \$21,112,875 thousand as of December 31, 2006. In the second quarter of 2007, Taishin Financial Holding sold 2.58% interest in net assets of Chang Hwa Bank originally acquired in the second quarter of 2006, resulting in a decrease in consolidated goodwill amount by \$1,682,589 thousand. The unamortized balance was \$19,430,286 thousand on December 31, 2013. Taishin Financial Holding did not consolidate Chang Hwa Bank as subsidiary due to the losing of control of Chang Hwa Bank in 2014. Therefore, there was no goodwill at December 31, 2014.

According to February 24, 2010 ARDF Interpretation 2010-0000000061 and the instructions given by the Financial Supervisory Commission, Executive Yuan, ROC, the assets of Chang Hwa Bank which belongs to Taishin Financial Holding and Taishin Bank due to holding interest, are subject to asset impairment test. Taishin Financial Holding then used business valuation models to calculate the recoverable amount used in the impairment test. The recoverable amounts were based on the value in use which is calculated by the estimation of discounted free cash flow generated from the operating assets of Chang Hwa Bank, plus fair market value of non-operating assets minus the value of subordinated corporate bonds. The assumptions of the growth rate to estimate the future cash flows were based on the data issued by domestic and overseas research institutes and the long term growth rate issued by the Directorate General of Budget, Accounting and Statistics (DGBAS). The discount rate was determined by free cash flow. Based on the result of the test, there was no material impairment of assets.

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

Taishin Securities Investment Trust merged with IBT Securities Investment Trust Co., Ltd. on December 18, 2010, in which Taishin Securities Investment Trust acquired the total assets and liabilities of IBT Securities Investment Trust Co., Ltd. The difference between the purchase price and the net assets acquired was recognized as goodwill. The unamortized amount as of December 31, 2014 and 2013 was all \$425,300 thousand.

Intangible Assets - Customer Value

To increase the number of customers, credit card usage, revolving balance, and increase profits by enhancing the operation efficiency, Taishin Bank acquired the net assets of Chinfon Bank's credit card business valued at \$3,425,031 thousand and the related customer value stated at \$672,969 thousand as of the base date, March 6, 2010 for the price of \$4,098,000 thousand. The customer value recognized as intangible asset was amortized; the amount of monthly amortization was \$11,216 thousand and the unamortized amount was \$22,435 thousand and \$157,027 thousand as of December 31, 2014 and 2013, respectively.

Taishin Securities Investment Trust acquired all the net assets of IBT Securities Investment Trust Co., Ltd., and the related customer value that amounted to \$16,994 thousand as of the base date, December 18, 2010. The amount of monthly amortization was \$175 thousand and the unamortized amount was \$8,599 thousand and \$10,699 thousand as of December 31, 2014 and 2013, respectively.

Intangible Assets - Concession

To maintain the framework of Taishin Financial Holding, it acquired 100% equity interest of Taishin Securities B and the related concession amounted to \$68,881 thousand in 2010. The concession value recognized as intangible asset was amortized; the amount of monthly amortization was \$1,148 thousand and the unamortized amounts were \$3,444 thousand and \$17,220 thousand as of December 31, 2014 and 2013, respectively.

22. OTHER ASSETS, NET

	December 31	
	2014	2013
Prepayments	\$ 590,154	\$ 2,745,906
Refundable deposits	19,471,891	3,008,659
Operating guarantee deposits and settlement funds	153,614	162,614
Collaterals, net	439,160	472,590
Less: Accumulated impairment	(19,142)	(48,173)
Others	666,065	228,124
	<u>\$ 21,301,742</u>	<u>\$ 6,569,720</u>

Operating Guarantee Deposits

Taishin Securities B

As stipulated in the Regulations Governing Securities Firms, underwriters, dealers, and brokers should provide \$40 million, \$10 million, \$50 million, respectively, and \$10 million for each additional branch 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 each as operating deposits in accordance with the Regulation Governing Margins and Stock Loans by Securities Firms.

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

Taishin Securities Investment Trust and Taishin Securities Investment Advisory

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

Settlement Funds

Taishin Securities B

As stipulated in the Regulations Governing Securities Firms, all brokers should place \$15 million as settlement funds with the Taiwan Stock Exchange before starting trading transactions in the first year of trading and contribute a certain percentage of the transaction amounts to the fund within 10 days after the end of each quarter. In the second year, the settlement funds need to reach only \$3.5 million, including the previous year's contribution. If the funds accumulated until the previous year are more or less than \$3.5 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 \$5 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 \$0.5 million from the second year.

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

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

23. DUE TO CENTRAL BANK AND BANKS

	December 31	
	2014	2013
Due to Central Bank	\$ -	\$ 24,598
Due to other banks	106,330	9,952,204
Deposits transferred from the Postal Bureau	29,973,580	34,551,988
Call loans from other banks	25,226,365	128,082,410
Bank overdraft	697,573	4,050,965
	<u>\$ 56,003,848</u>	<u>\$ 176,662,165</u>

24. COMMERCIAL PAPER ISSUED

Guarantee or acceptance institution	December 31	
	2014	2013
China Bills Finance	\$ 50,000	\$ -
Ta Ching Bills Finance	50,000	-
International Bills Finance	50,000	-
Grand Bills Finance	100,000	-
Taiwan Bills Finance	50,000	-
Mega Bills Finance	50,000	-
E.Sun Bank	100,000	-
Industrial Bank of Taiwan	150,000	-
The shanghai Commercial & Savings Bank	50,000	-
Less: Discounts on commercial paper issued	(611)	-
	<u>\$ 649,389</u>	<u>\$ -</u>

As of December 31, 2014, the interest rates for commercial paper issued were 1.401%-1.700%.

25. PAYABLES

	December 31	
	2014	2013
Notes and accounts payable	\$ 10,262,290	\$ 13,478,296
Accrued expenses	4,630,602	6,060,544
Interest payable	2,345,663	3,640,598
Acceptance payable	1,426,514	7,252,081
Check for clearance payable	1,272,159	12,004,800
Other tax payable	333,430	289,526
Collection payable	535,162	759,281
Other payables	1,792,838	2,885,814
	<u>\$ 22,598,658</u>	<u>\$ 46,370,940</u>

26. DEPOSITS AND REMITTANCES

	December 31	
	2014	2013
Checking deposits	\$ 5,744,671	\$ 40,586,728
Demand deposits	180,852,961	458,643,172
Time deposits	294,117,743	551,986,863
Negotiable certificates of deposit	1,482,838	6,390,900
Savings deposits	482,482,371	1,191,904,484
Remittances	648,074	1,064,199
	<u>\$ 965,328,658</u>	<u>\$ 2,250,576,346</u>

27. BONDS PAYABLE

	December 31	
	2014	2013
Unsecured subordinated corporate bonds - par	\$ 22,000,000	\$ 22,000,000
Bank debentures	33,000,000	68,322,818
	<u>\$ 55,000,000</u>	<u>\$ 90,322,818</u>

Subordinated Corporate Bonds Issued By Taishin Financial Holding

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

	December 31	
	2014	2013
Unsecured Subordinated Corporate Bonds - 2010 (I)	\$ 5,300,000	\$ 5,300,000
Unsecured Subordinated Corporate Bonds - 2010 (II)	2,700,000	2,700,000
Unsecured Subordinated Corporate Bonds - 2011 (I)	5,200,000	5,200,000
Unsecured Subordinated Corporate Bonds - 2011 (II)	1,800,000	1,800,000
Unsecured Subordinated Corporate Bonds - 2012 (I)	7,000,000	7,000,000
	<u>\$ 22,000,000</u>	<u>\$ 22,000,000</u>



- a. 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 (interests could be cumulative and interest of principal in extension period could be calculated at coupon rate).
- b. Domestic Unsecured Subordinated Corporate Bonds - 2010 (II)
 - 1) Issue amount: \$2,700,000 thousand.
 - 2) Denomination: \$10,000 thousand.
 - 3) Issue date: January 27, 2011.
 - 4) Issue price: 100% of the principal amount of the bonds.
 - 5) Maturity: 7 years from the issue date.
 - 6) Coupon rate: "Floating rate of one-year time deposit of Chunghwa Post Co., Ltd." plus 0.70%.
 - 7) Interest payment: Simple interest per annum from the issue date.
 - 8) Redemption on maturity: In cash.
 - 9) Other: Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (interests could be cumulative and interest of principal in extension period could be calculated at coupon rate).
- c. Domestic Unsecured Subordinated Corporate Bonds - 2011 (I)
 - 1) Issue amount: \$5,200,000 thousand.
 - 2) Denomination: \$50,000 thousand.
 - 3) Issue date: August 5, 2011.
 - 4) Issue price: 100% of the principal amount of the bonds.
 - 5) Maturity: 7 years from the issue date.
 - 6) Coupon rate: 2.2% per annum.
 - 7) Interest payment: Simple interest per annum from the issue date.
 - 8) Redemption on maturity: In cash.
 - 9) Other: Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (interests could be cumulative and interest of principal in extension period could be calculated at coupon rate).
- d. Domestic Unsecured Subordinated Corporate Bonds - 2011 (II)
 - 1) Issue amount: \$1,800,000 thousand.
 - 2) Denomination: \$50,000 thousand.
 - 3) Issue date: October 5, 2011.
 - 4) Issue price: 100% of the principal amount of the bonds.
 - 5) Maturity: 7 years from the issue date.
 - 6) Coupon rate: 2.2% per annum.
 - 7) Interest payment: Simple interest per annum from the issue date.
 - 8) Redemption on maturity: In cash.

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

Bank Debentures Issued By Taishin Bank

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

	December 31	
	2014	2013
Subordinated Bank Debentures - 2005 (II)	\$ 3,300,000	\$ 3,300,000
Subordinated Bank Debentures - 2010.04.12	10,000,000	10,000,000
Subordinated Bank Debentures - 2012 (I)	5,600,000	5,600,000
Subordinated Bank Debentures - 2012 (II)	6,100,000	6,100,000
Subordinated Bank Debentures - 2014 (I)	3,000,000	-
Subordinated Bank Debentures - 2014 (II)	2,000,000	-
Subordinated Bank Debentures - 2014 (III)	3,000,000	-
	<u>\$ 33,000,000</u>	<u>\$ 25,000,000</u>

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

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



1) Put option and redemption policies:

On the seventh, eighth, ninth, tenth and eleventh anniversaries of the debentures issue, if the 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 expire 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 the 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 the 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.

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

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

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

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

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

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

- e. Taishin Bank made first issue of \$3,000 million in unsecured, no-maturity, non-cumulative bank debentures in 2014 as follows:

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

1) Dividend distribution

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

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

2) Redemption policy

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

- f. Taishin Bank made second issue of \$2,000 million in unsecured, no-maturity, non-cumulative bank debentures in 2014 as follows:

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

1) Dividend distribution

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



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

2) Redemption policy

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

g. Taishin Bank made third issue of \$3,000 million in unsecured bank debentures in 2014 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2014, third issue	2014.05.16	2024.05.16	10 years	\$3,000 million	1.95% fixed interest rate	\$50 million	Interest is accrued according to nominal interest rate and actual days, and calculated at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Principal will be repaid on maturity date.

Bank Debentures Issued By Chang Hwa Bank

On September 26, 2007, May 19, 2008, December 15, 2008, September 15, 2009, June 29, 2010, March 11, 2011 and April 18, 2011, Chang Hwa Bank issued subordinated bank debentures and senior bank debentures on May 29, 2013, to enhance its capital adequacy ratio and raise medium to long-term operating funds. The details of subordinated bank debentures were as follows:

	December 31, 2013
Fair value hedged	
Subordinated Bank Debentures - 2008 (I)	\$ 2,000,000
Valuation adjustment	59,818
	<u>2,059,818</u>
Non-hedged	
Subordinated Bank Debentures - 2007 (I)	5,000,000
Subordinated Bank Debentures - 2008 (I)	3,000,000
Subordinated Bank Debentures - 2008 (II)	8,350,000
Subordinated Bank Debentures - 2009 (I)	5,000,000
Subordinated Bank Debentures - 2010 (I)	5,000,000
Subordinated Bank Debentures - 2011 (I)	3,300,000
Subordinated Bank Debentures - 2011 (II)	6,700,000
Subordinated Bank Debentures - 2013 (I)	4,913,000
	<u>41,263,000</u>
	<u>\$ 43,322,818</u>

The details of subordinated bank debentures were as follows:

a. Subordinated Bank Debentures - 2007 (I)

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

- 6) Interest payment: Interest payable annually from the issue date.
- b. Subordinated Bank Debentures - 2008 (I)
 - 1) Issue amount: \$5,000,000 thousand.
 - 2) Issue date: May 19, 2008.
 - 3) Issue price: 100% of the principal amount of the bonds.
 - 4) Maturity: 7 years from the issue date.
 - 5) Coupon rate: 3.10 % per annum.
 - 6) Interest payment: Interest payable annually from the issue date.
 - 7) Other: To avoid loss on fair value changes of its fixed-rate borrowings, Chang Hwa Bank engaged in interest rate swaps derivative as hedging instruments under derivative financial instruments for hedging.
- c. Subordinated Bank Debentures - 2008 (II)
 - 1) Issue amount: \$8,350,000 thousand.
 - 2) Issue date: December 15, 2008.
 - 3) Issue price: 100% of the principal amount of the bonds.
 - 4) Maturity: 7 years from the issue date.
 - 5) Coupon rate: 3.05% per annum.
 - 6) Interest payment: Interest payable annually from the issue date.
- d. Subordinated Bank Debentures - 2009 (I)
 - 1) Issue amount: \$5,000,000 thousand.
 - 2) Issue date: September 15, 2009.
 - 3) Issue price: 100% of the principal amount of the bonds.
 - 4) Maturity: 7 years from the issue date.
 - 5) Coupon rate: 2.30% per annum.
 - 6) Interest payment: Interest payable annually from the issue date.
- e. Subordinated Bank Debentures - 2010 (I)
 - 1) Issue amount: \$5,000,000 thousand.
 - 2) Issue date: June 29, 2010.
 - 3) Issue price: 100% of the principal amount of the bonds.
 - 4) Maturity: None.
 - 5) Coupon rate: From first to tenth year: 3.15% per annum.
After tenth year: 4.15% per annum.
 - 6) Interest payment: Interest payable annually from the issue date.
- f. Subordinated Bank Debentures - 2011 (I)
 - 1) Issue amount: \$3,300,000 thousand and divided into Bank Debenture A \$2,200,000 thousand and Bank Debenture B \$1,100,000 thousand.
 - 2) Issue date: March 11, 2011.
 - 3) Issue price: 100% of the principal amount of the bonds.
 - 4) Maturity: Bank Debenture A matures 7 years from the issue date and Bank Debenture B matures 10 years from the issue date.
 - 5) Coupon rate: 1.65% per annum for Bank Debenture A and 1.72% per annum for Bank Debenture B.
 - 6) Interest payment: Interest payable annually from the issue date.
- g. Subordinated Bank Debentures - 2011 (II)
 - 1) Issue amount: \$6,700,000 thousand.
 - 2) Issue date: April 18, 2011.
 - 3) Issue price: 100% of the principal amount of the bonds.
 - 4) Maturity: 10 years from the issue date.
 - 5) Coupon rate: The 90-day commercial paper fixed rate in the secondary market plus 0.20%, provided by Reuters Limited.
 - 6) Interest payment: Interest payable annually from the issue date.



h. The details of senior bank debentures 2013 (I) were as follows:

- 1) Issue amount: RMB1,000,000 thousand.
- 2) Issue date: May 29, 2013.
- 3) Issue price: 100% of the principal amount of the bonds.
- 4) Maturity: 3 years from the issue date.
- 5) Coupon rate: Fixed rate 2.90% per annum.
- 6) Interest payment: Interest payable annually from the issue date.

28. OTHER BORROWINGS

	December 31	
	2014	2013
Short-term unsecured borrowings	\$ 5,999,223	\$ 2,156,539
Long-term borrowings	<u>236,218</u>	<u>130,776</u>
	<u>\$ 6,235,441</u>	<u>\$ 2,287,315</u>

As of December 31, 2014 and 2013, the interest rates on short-term unsecured borrowings ranged from 0.97% to 6.72% and from 1.99% to 2.76%, respectively.

As of December 31, 2014 and 2013, the interest rate of long-term borrowings ranged from 2.73% to 6.16% and 6.46%, respectively.

29. RESERVE FOR LIABILITIES

	December 31	
	2014	2013
Reserve for employee benefits	\$ 288,439	\$ 3,663,483
Reserve for guarantee liabilities	227,393	451,131
Other reserves	<u>278,182</u>	<u>308,089</u>
	<u>\$ 794,014</u>	<u>\$ 4,422,703</u>

	Reserve for Guarantee Liabilities	Other Reserves	Total
Balance, January 1, 2014	\$ 451,131	\$ 308,089	\$ 759,220
Provision	227,895	264	228,159
Transfers of reserve for guarantee liabilities	10,000	-	10,000
Payment	-	(30,171)	(30,171)
Combined individual effects	(462,207)	-	(462,207)
Exchange differences	574	-	574
Balance, December 31, 2014	<u>\$ 227,393</u>	<u>\$ 278,182</u>	<u>\$ 505,575</u>
Balance, January 1, 2013	\$ 456,450	\$ 350,488	\$ 806,938
Provision (reverse)	(4,157)	194	(3,963)
Transfers of reserve for guarantee liabilities	(410)	-	(410)
Write-off	(1,050)	-	(1,050)
Payment	-	(42,593)	(42,593)
Exchange differences	298	-	298
Balance, December 31, 2013	<u>\$ 451,131</u>	<u>\$ 308,089</u>	<u>\$ 759,220</u>

Referring to the result of the review of structured notes by the Association of Banks and based on other cases, Taishin Bank has provided reserve for compensation of consigned structured notes issued by international institutions.

30. OTHER FINANCIAL LIABILITIES

	December 31	
	2014	2013
Principal of structured products	\$ 51,892,631	\$ 31,484,193
Appropriations for loan fund	660,908	1,023,936
Lease payable	-	81,017
Gold account	190,730	214,357
	<u>\$ 52,744,269</u>	<u>\$ 32,803,503</u>

31. OTHER LIABILITIES

	December 31	
	2014	2013
Unearned revenue	\$ 383,901	\$ 888,536
Unearned interest	398,979	297,102
Guarantee deposits	407,691	1,706,699
Deferred income	1,060,065	1,107,335
Temporary credits	666,198	286,028
Others	68,232	136,627
	<u>\$ 2,985,066</u>	<u>\$ 4,422,327</u>

32. POST-EMPLOYMENT BENEFIT PLANS

Defined Contribution Plans

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

Defined Benefit Plans

The Group also have defined benefit plan under the Labor Standards Law (the "LSL"). Under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of six months before retirement. The Group contributes amounts equal to 2% to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Enforcement Rules of the Labor Pension Act, the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.



a. The principal assumptions used for the purposes of actuarial valuations were as follows:

	Valuation Date	
	2014	2013
Discount rate used in determining present values	1.625%~2.00%	1.750%~2.125%
Expected rate of return on plan assets	1.625%~2.00%	1.75%~2.00%
Long-term expected rate of average salary increase	2.00%~3.00%	2.00%~3.00%

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

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

	For the Year Ended December 31	
	2014	2013
Current service cost	\$ 22,687	\$ 290,968
Interest cost	32,555	152,711
Expected return on plan assets	(29,117)	(124,166)
	<u>\$ 26,125</u>	<u>\$ 319,513</u>

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2014 and 2013 was \$64,674 thousand and \$183,859 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2014 and 2013 was \$568,857 thousand and \$504,183 thousand, respectively.

The amount included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit plans was as follows:

	December 31	
	2014	2013
Present value of funded defined benefit obligation	(\$ 1,841,446)	(\$ 10,296,194)
Fair value of plan assets	1,575,097	7,924,230
Deficit	(266,349)	(2,371,964)
Prepaid pension cost	(22,090)	(14,477)
Others	-	(8,747)
Net liability arising from defined benefit obligation	<u>(\$ 288,439)</u>	<u>(\$ 2,395,188)</u>

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

	For the Year Ended December 31	
	2014	2013
Opening defined benefit obligation	\$ 1,743,909	\$ 10,221,094
Current service cost	22,687	290,968
Interest cost	32,555	152,711
Actuarial losses (gains)	84,495	196,682
Liabilities extinguished on settlements	-	(325,545)
Benefits paid	(42,201)	(239,716)
Closing defined benefit obligation	<u>\$ 1,841,446</u>	<u>\$ 10,296,194</u>

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

	For the Year Ended December 31	
	2014	2013
Opening fair value of plan assets	\$ 1,538,499	\$ 7,751,473
Expected return on plan assets	29,117	123,251
Actuarial losses (gains)	6,972	(25,579)
Contributions from the employer	41,933	637,669
Benefits paid	(41,424)	(237,039)
Assets distributed on settlements	-	(325,545)
Closing fair value of plan assets	<u>\$ 1,575,097</u>	<u>\$ 7,924,230</u>

The fair values percentage of the main categories of the plan assets at the end of the reporting period were as follows:

	December 31	
	2014	2013
Cash	18.82%	22.86%
Short-term bills	2.50%	4.10%
Bonds	11.53%	9.37%
Monetary fund	1.04%	-
Fixed revenue	14.68%	18.11%
Equity securities	48.46%	44.77%
Others	2.97%	0.79%
	<u>100.00%</u>	<u>100.00%</u>

The Group chose to disclose the history of experience adjustments, as determined for each accounting period, prospectively from the date of transition to IFRSs:

	December 31	
	2014	2013
Present value of defined benefit obligation	(\$ <u>1,841,446</u>)	(\$ <u>10,296,194</u>)
Fair value of plan assets	<u>\$ 1,575,097</u>	<u>\$ 7,924,230</u>
Deficit	(\$ <u>266,349</u>)	(\$ <u>2,371,964</u>)
Experience adjustment of plan liabilities	(\$ <u>118,234</u>)	(\$ <u>314,970</u>)
Experience adjustment of plan assets	<u>\$ 6,972</u>	(\$ <u>25,579</u>)

The Group expects to make a contribution of \$43,530 thousand and \$468,125 thousand to the defined benefit plans within one year beginning from 2014 and 2013, respectively.

b. Plan of high-yield savings account for employee

Chang Hwa Bank has the obligation to pay premium interest on the high-yield savings account of its present employees and retired employees. Such obligation is recognized based on its internal guidelines in the Rules of Employee Preferential Deposit for Retired Employees. Please refer to Note 38 for the related information on expense.

1) Reconciliation of assets and liabilities at the end of the reporting period with the present value of defined benefit obligation and the fair value of plan assets was as follows

	December 31, 2013
Present value of defined benefit obligation	\$ 1,268,295
Less: Fair value of defined benefit plan assets	-
Assets and liabilities at the end of the reporting period	<u>\$ 1,268,295</u>



2) Analysis of defined benefit obligation:

	December 31, 2013
All or part of defined benefit obligation contributed	\$ -
Defined benefit obligation not contributed	1,268,295
	<u>\$ 1,268,295</u>

3) Movements of the present value of defined benefit obligation:

	December 31, 2013
Balance, January 1	\$ 1,276,935
Interest cost	48,522
Actuarial gains and losses	201,027
Benefits paid	(258,189)
Balance, December 31	<u>\$ 1,268,295</u>

4) Movements of the fair value of plan assets

	December 31, 2013
Balance, January 1	\$ -
Contribution by employers	258,189
Benefits paid	(258,189)
Balance, December 31	<u>\$ -</u>

5) Details of gains and losses recognized in expenses:

	December 31, 2013
Current service cost	\$ -
Interest cost	48,522
Expected return on plan assets	-
Prior service cost	-
Effects of curtailment and settlement	-
Actuarial gains and losses recognized in current year	201,027
	<u>\$ 249,549</u>

6) Main actuarial assumptions:

	December 31, 2013
Discount rate of high-yield savings account for employee	4.00%
Return rate of funds deposited	2.00%
Account balance decrease rate per year	1.00%
Probability of future high-yield savings account system change	50.00%
Mortality rate	Based on Taiwan Life Insurance Industry Fifth Mortality Tables
Rate provided to ordinary clients for similar deposit	0.32%-1.45%

33. EQUITY

	December 31	
	2014	2013
Numbers of shares authorized (in thousands)	<u>12,000,000</u>	<u>12,000,000</u>
Shares authorized	<u>\$ 120,000,000</u>	<u>\$ 120,000,000</u>
Numbers of shares issued and fully paid (in thousands)		
Common stock	<u>8,841,790</u>	<u>7,511,653</u>
Preferred stock	<u>725,137</u>	<u>725,137</u>
Shares issued	<u>\$ 95,669,270</u>	<u>\$ 82,367,900</u>

Common Stock and Preferred Stock

As of December 31, 2014 and 2013, Taishin Financial Holding's authorized capital was all \$120,000,000 thousand (12,000,000 thousand shares); share issued was all 9,566,927 thousand shares, divided into 8,841,790 thousand common shares and 725,137 thousand preferred shares at NT\$10.00 par value. Details of outstanding capital stock as of December 31, 2014 were as follows:

	Common Stock	Preferred Stock	Total
First share swap	\$ 23,000,000	\$ -	\$ 23,000,000
Second share swap	13,316,236	-	13,316,236
Capital infusion with cash	13,222,223	-	13,222,223
Convertible bonds converted to common stock	5,989,867	-	5,989,867
Issue of preferred stock - D	-	7,777,778	7,777,778
Stock dividends distributed	39,093,038	-	39,093,038
Less: Cancellation of treasury stock	(2,733,505)	-	(2,733,505)
Less: Capital reduction to recover loss	(3,864,802)	(526,410)	(4,391,212)
Employee stock options converted to new shares	394,845	-	394,845
Shares issued	<u>\$ 88,417,902</u>	<u>\$ 7,251,368</u>	<u>\$ 95,669,270</u>

On February 18, 2002, Taishin Financial Holding issued 2,300,000 thousand shares of common stock of Taishin Bank through a share swap at a 1:1 ratio to exchange for the whole common stock owned by Taishin Bank's stockholders after consolidation.

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.

On March 22, 2006, Taishin Financial Holding issued through private placement common stock totaling \$10,000,000 thousand for 555,556 thousand shares at NT\$18.00 per share. The rights and obligations are the same as those of the common stock outstanding. The mentioned common stock has been published in open market by the approval of FSC on May 17, 2011.

On December 27, 2006, Taishin Financial Holding issued through private placement common stock totaling \$4,000,000 thousand for 266,667 thousand shares at NT\$15.00 per share. The rights and obligations are the same as those of the common stock outstanding. The mentioned common stock has been published in open market by the approval of FSC on May 17, 2011.

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

On December 31, 2013, Taishin Financial Holding's board of directors resolved to issue 500,000 thousand ordinary shares, with a par value of NT\$10 each, for consideration of NT\$12 per share. On January 17, 2014, the above transaction was approved by the FSC, and the subscription base date was set by board of directors at April 14, 2014.

Taishin Financial Holding's shareholders had resolved the transfer of \$7,987,008 thousand and \$6,139,767 thousand and of earnings to common stock in the shareholders' meeting on June 6, 2012 and June 21, 2013. The ex-dividend date was August 18, 2012 and August 25, 2013.



Taishin Financial Holding's group capital adequacy ratio was 122.70% and 127.87% as of December 31, 2014 and 2013.

On March 22, 2006, Taishin Financial Holding issued via private placement preferred stock - D totaling 777,778 thousand shares at NT\$18 per share in the total amount of \$14,000,000 thousand. The stock dividends are fixed at 6.5% per annum based on issue price, participating, but non-cumulative. Taishin Financial Holding's shareholders should approve the financial statements and appropriation of earnings every year. Then, the Board of Directors set the ex-dividend date of preferred stock - D. Preferred stock - D has preference over common stock but inferior to preferred stock - B and preferred stock - C. The stockholders of preferred stock - D may request to convert the preferred stock - D to common stock at ratio of 1:1 three years from the issue date. Taishin Financial Holding may redeem part or all outstanding preferred stock - D at issue price. Taishin Financial Holding has proposed to effect capital reduction by cancelling 52,641 thousand outstanding preferred shares on December 4, 2009.

Advance receipts for common stock

As of December 31, 2014, advance receipts for capital stock amounted to \$111,339 thousand, representing the proceeds of the exercise of employee stock options to convert into 10,789 thousand shares of common stock, of which the registration of the conversion has not been completed.

Capital surplus

The Company recognized a capital surplus of \$10,640,840 thousand, in which there's a part of investees' unappropriated retained earnings totaled \$850,198 thousand. In addition to regulations, Financial Holding Company Act No. 47 (d) stipulates that the appropriation is not limited by company Act No. 241 (a). Furthermore, the capital surplus from preferred stock - D issued in excess of par cannot expand its capital during the issuance of preferred stock - D.

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

Retained earnings and dividend policy

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

- a. Legal reserve and, if needed, special reserve;
- b. Dividends to holders of preferred stock;
- c. 0.01% of the remainder as bonuses to employees and 1% of the remainder as remuneration to directors and supervisors;
- d. The remainder, together with the unappropriated retained earnings of previous years, as dividends.

Taishin Financial Holding's Board of Directors should prepare a proposal on above item (d) for approval in the stockholders' regular annual meeting. However, under the requirements of the 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, 2014 and 2013, the bonus to employees was \$45 thousand and \$1,147 thousand, respectively, and the remuneration to directors and supervisors was \$4,503 thousand and \$114,698

thousand, respectively. The bonus to employees and remuneration to directors, and supervisors were calculated based on the rates described above (percentage of net income net of the bonus to employees, directors, and supervisors) and based on the Articles of Incorporation. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the shareholders' meeting.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", on the first-time adoption of IFRSs, a company should appropriate to a special reserve the total amount of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Company's use of exemptions under IFRS 1. However, at the date of transition to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not enough, i.e. smaller than the total revaluation and translation differences, only the increase in retained earnings that resulted from all IFRSs adjustments is appropriated to special reserve. The special reserve appropriated as above may be reversed to retained earnings in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated at the first-time adoption of IFRSs may be used to offset deficit in subsequent years. No appropriation of earnings shall be made until the aforementioned special reserve used to offset deficit shall have been appropriated back in subsequent years when the Company has earnings, unless the requirement to appropriate for special reserve is eliminated.

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

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

The appropriations of earnings for 2013 and 2012 had been approved in the shareholders' meetings on June 6, 2014 and June 21, 2013. Where the actual number of common shares outstanding has changed because of exercise of employee share options, the actual appropriation is as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	For Year 2013	For Year 2012	For Year 2013	For Year 2012
Legal reserve	\$ 1,375,537	\$ 997,049	\$ -	\$ -
Preferred stock - C cash dividends	-	388,729	-	-
Preferred stock - D cash dividends	969,516	910,000	-	-
Common stock cash dividends	3,423,308	1,534,942	0.42575	0.22273
Common stock dividends	7,987,008	6,139,767	0.99334	0.89092

The bonus to employees and remuneration to directors and supervisors for 2013 and 2012, which were approved by the shareholders in their meetings on June 6, 2014 and June 21, 2013, respectively, were as follows:

	For Year 2013	For Year 2012
Bonus to employees	\$ 1,147	\$ 767
Remuneration to directors and supervisors	114,698	76,747



The appropriations of earnings for 2012 were proposed according to Taishin Financial Holding's financial statements for the year ended December 31, 2013, which were prepared in accordance with the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies and ROC GAAP, and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies (revised) and IFRSs.

There were no differences between the approved amounts of the bonus to employees and the remuneration to directors and supervisors and the accrual amounts reflected in the financial statements for the year ended December 31, 2013 and 2012.

Information about the earnings appropriation, the bonus to employees, directors and supervisors proposed by Taishin Financial Holding's Board of Directors and shareholders' meeting is available at the Market Observation Post System website of the Taiwan Stock Exchange.

Special reserves

The increase in retained earnings that resulted from all IFRSs adjustments was not enough, i.e. smaller than the total revaluation and translation differences; therefore, Taishin Financial Holding appropriated to special reserve the amount of \$220,376 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transition to IFRSs.

Other equity items

a. Exchange differences on translation of foreign financial statements

	For the Year Ended December 31	
	2014	2013
Beginning balance	\$ 68,688	(\$ 58,334)
Exchange differences arising on translating the net assets of foreign operations	82,220	133,355
Income tax relating to exchange differences arising on translating the net assets of foreign operations	-	(6,333)
Ending balance	\$ 150,908	\$ 68,688

b. Unrealized gains (losses) on available-for-sale financial assets

	For the Year Ended December 31	
	2014	2013
Beginning balance	\$ 875,995	\$ 2,458,941
Unrealized gains (losses) on available-for-sale financial assets	466,792	686,197
Income tax relating to unrealized gains (losses) on available-for-sale financial assets	1,054	334,056
Cumulative gains (losses) reclassified to profit or loss on sale of available-for-sale financial assets	(1,149,920)	(2,603,199)
Ending balance	\$ 193,921	\$ 875,995

Non-controlling interests

	For the Year Ended December 31	
	2014	2013
Beginning balance	\$ 86,857,655	\$ 81,127,472
Attributable to non-controlling interests		
Net income	8,023,363	6,737,375
Exchange differences on translation of foreign financial statements	271,207	217,894
Income tax relating to exchange differences arising on translating the foreign operations	(59,913)	(21,756)
Unrealized gains (losses) on available-for-sale financial assets	174,848	(513,499)
Income tax relating to unrealized gains (losses) on available-for-sale financial assets	943	(980)
Actuarial gain (loss) on defined benefit plans	11	(156,505)
Income tax related to actuarial gain (loss)	3	26,601
Non-controlling interest relating to outstanding vested share options held by the employees of subsidiaries	158	58
Cash dividends	(3,588,810)	(559,005)
Combined individual effects	(91,553,576)	-
Ending balance	\$ <u>125,889</u>	\$ <u>86,857,655</u>

34.NET INTEREST INCOME

	For the Year Ended December 31	
	2014	2013
Interest income		
Loans	\$ 42,519,826	\$ 41,340,537
Due from and call loans to banks	4,528,122	1,533,115
Investment in marketable securities	4,767,270	4,746,430
Revolving interest of credit card	1,289,125	1,361,221
Others	<u>2,680,917</u>	<u>1,551,355</u>
	<u>55,785,260</u>	<u>50,532,658</u>
Interest expense		
Deposits	(16,414,198)	(14,985,922)
Due to the Central Bank and call loans from banks	(1,845,086)	(1,252,727)
Issuance of bonds and securities	(2,206,470)	(1,971,323)
Structured products	(1,010,434)	(630,664)
Others	(611,491)	(412,251)
	<u>(22,087,679)</u>	<u>(19,252,887)</u>
Net interest income	\$ <u>33,697,581</u>	\$ <u>31,279,771</u>

35. NET SERVICE FEE AND COMMISSIONS INCOME

	For the Year Ended December 31	
	2014	2013
Service fee and commissions income		
Fees from import and export	\$ 332,790	\$ 361,681
Remittance fees	548,807	592,130
Interbank fees	798,245	728,049
Loan and guarantees fees	1,296,475	954,647
Fees from certification, underwriting and brokerage	413,074	331,620
Fees from trustee business	3,052,571	2,911,802
Agency fees	5,856,600	6,570,047
Fees from credit card and cash card	3,131,380	2,957,347
Others	2,718,336	1,000,110
	<u>18,148,278</u>	<u>16,407,433</u>
Service fee and commissions expense		
Interbank fees	(251,610)	(272,972)
Fees from trustee business	(106,974)	(169,118)
Marketing fees	(458,628)	(385,638)
Agency fees	(568,071)	(456,815)
Fees from credit card	(1,261,473)	(1,061,769)
Others	(783,948)	(780,199)
	<u>(3,430,704)</u>	<u>(3,126,511)</u>
Net service fee and commissions income	\$ <u>14,717,574</u>	\$ <u>13,280,922</u>

36. GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2014	2013
Disposal gains (losses) on financial assets and liabilities at FVTPL		
Stocks and beneficiary certificates	\$ 208,925	\$ 218,136
Bills	6,574	21,535
Bonds	181,293	42,171
Derivative financial instruments	4,612,893	5,288,638
	<u>5,009,685</u>	<u>5,570,480</u>
Valuation gains (losses) on financial assets and liabilities at FVTPL		
Stocks and beneficiary certificates	(30,952)	16,399
Bills	2,938	(10,378)
Bonds	(85,383)	222,188
Derivative financial instruments	2,440,236	3,474,701
	<u>2,326,839</u>	<u>3,702,910</u>
Net interest income	572,780	647,006
Dividend revenue	28,885	23,123
	<u>\$ 7,938,189</u>	<u>\$ 9,943,519</u>

37. REALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the Year Ended December 31	
	2014	2013
Disposal gains		
Stock and beneficiary certificates	\$ 791,860	\$ 2,682,352
Bills	(12,181)	(677)
Bonds	187,745	92,714
Other	-	(21,713)
	<u>967,424</u>	<u>2,752,676</u>
Dividends and bonuses	225,216	203,558
	<u>\$ 1,192,640</u>	<u>\$ 2,956,234</u>

38. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2014	2013
Short-term benefits		
Salary expenses	\$ 17,311,293	\$ 17,657,578
Labor and health insurance expenses	444,554	514,091
Post-employment benefits (Note 32)		
Defined contribution plans	457,591	442,392
Defined benefit plans	447,644	325,513
High-yield savings account for employees	284,774	249,549
Other post-employment benefits	143,029	198,372
Share-based payment		
Equity-settled share-based payment	141,168	61,769
Cash-settled share-based payment	66,053	43,715
Other employee benefits expenses	614,388	341,543
	<u>\$ 19,910,494</u>	<u>\$ 19,834,522</u>

Taishin Financial Holding and subsidiaries' total number of employees is 7,758. The definition of employee is provided in IAS 19 "Employee Benefits" issued by the FSC.

39. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2014	2013
Property and equipment	\$ 1,155,235	\$ 1,162,205
Investment property	15,892	16,036
Intangible assets and other deferred assets	390,611	302,723
	<u>\$ 1,561,738</u>	<u>\$ 1,480,964</u>

40. 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, Taishin Bills Finance and Taishin Marketing were excluded from the linked tax system in 2009, in 2011 and in 2013, respectively. Taishin Securities B, Taishin Securities Investment Trust and Taishin Securities Investment Advisory were included in this tax system in 2011. Taishin Holdings Insurance Brokers was included in this tax system in 2012.

Income Tax Recognized in Profit or Loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2014	2013
Current tax		
In respect of the current period	\$ 2,844,465	\$ 1,915,526
Additional income tax on unappropriated earnings	-	13,584
Adjustments for prior years	(267,142)	221,306
Offshore income tax expense	5,798	173,198
Others	-	426,749
Deferred tax		
In respect of the current period	937,683	2,079,806
Adjustments for prior years	(131)	(340)
Income tax expense recognized in profit or loss	<u>\$ 3,520,673</u>	<u>\$ 4,829,829</u>

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

	For the Year Ended December 31	
	2014	2013
Income from continuing operation before income tax	<u>\$ 13,168,412</u>	<u>\$ 25,403,452</u>
Income tax expense calculated at the statutory rate 17%	\$ 2,239,145	\$ 4,307,156
Nondeductible expenses in determining taxable income	63,557	84,934
Tax-exempt income	1,145,096	(767,230)
Additional income tax on unappropriated earnings	-	13,584
Unrecognized temporary differences	(100,313)	123,134
Unrecognized loss carryforwards	100,172	149,886
Others	374,841	524,201
Offshore income tax expense	88,144	173,198
Adjustments to prior years' tax	(390,955)	221,306
Adjustments to prior years' deferred tax	986	(340)
Income tax expense recognized in profit or loss	<u>\$ 3,520,673</u>	<u>\$ 4,829,829</u>

The Group's income tax statutory tax rate was 17% for the years ended December 31, 2014 and 2013. The subsidiaries in Mainland China income tax rate was 25%.

Income Tax Recognized in Other Comprehensive Income

	For the Year Ended December 31	
	2014	2013
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Exchange differences on translation of foreign financial statements	\$ 59,913	\$ 28,089
Unrealized gains (losses) on available-for-sale financial assets	(1,998)	(333,076)
Actuarial gains and losses on defined benefit plan	(12,849)	(38,401)
	<u>\$ 45,066</u>	<u>(\$ 343,388)</u>

Current Tax Assets and Liabilities

	December 31	
	2014	2013
Current tax assets		
Tax refund receivable	\$ 343,437	\$ 1,751,083
Prepaid income tax	9,984	8,787
	<u>\$ 353,421</u>	<u>\$ 1,759,870</u>
Current tax liabilities		
Income tax payable	\$ 1,699,781	\$ 4,248,028

Deferred Tax

Deferred tax assets and liabilities reported in consolidated financial statement were analyzed as follows:

	December 31	
	2014	2013
Deferred tax assets	\$ 4,154,618	\$ 7,809,571
Deferred tax liabilities	(83,945)	(6,711,208)
	<u>\$ 4,070,673</u>	<u>\$ 1,098,363</u>

	For the Year Ended December 31, 2014					
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Combined Individual Effects	Ending Balance
<u>Deferred tax assets</u>						
Temporary differences						
Allowance for loans losses	\$ 3,090,484	\$ 729	\$ -	\$ 562	(\$ 1,418,296)	\$ 1,673,479
Others	1,073,787	(92,505)	12,849	(179,038)	(500,246)	314,847
	4,164,271	(91,776)	12,849	(178,476)	(1,918,542)	1,988,326
Loss carryforwards	3,645,300	(812,848)	-	(670,841)	4,681	2,166,292
	<u>\$ 7,809,571</u>	<u>(\$ 904,624)</u>	<u>\$ 12,849</u>	<u>(\$ 849,317)</u>	<u>\$ 1,913,861</u>	<u>\$ 4,154,618</u>
<u>Deferred tax liabilities</u>						
Land value increment tax	(\$ 6,210,244)	\$ -	\$ -	\$ -	\$ 6,156,692	(\$ 53,552)
Temporary differences	(500,964)	(32,928)	(57,915)	207,432	353,982	(30,393)
	<u>(\$ 6,711,208)</u>	<u>(\$ 32,928)</u>	<u>(\$ 57,915)</u>	<u>\$ 207,432</u>	<u>\$ 6,510,674</u>	<u>(\$ 83,945)</u>



	For the Year Ended December 31, 2013				Ending Balance
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	
Deferred tax assets					
Temporary differences					
Allowance for loans losses	\$ 2,952,330	\$ 137,637	\$ -	\$ 517	\$ 3,090,484
Others	957,517	7,136	38,401	70,733	1,073,787
	3,909,847	144,773	38,401	71,250	4,164,271
Loss carryforwards	5,888,462	(2,255,335)	-	12,173	3,645,300
	<u>\$ 9,798,309</u>	<u>(\$ 2,110,562)</u>	<u>\$ 38,401</u>	<u>\$ 83,423</u>	<u>\$ 7,809,571</u>
Deferred tax liabilities					
Land value increment tax	(\$ 6,210,244)	\$ -	\$ -	\$ -	(\$ 6,210,244)
Temporary differences	(610,760)	31,096	304,987	(226,287)	(500,964)
	<u>(\$ 6,821,004)</u>	<u>\$ 31,096</u>	<u>\$ 304,987</u>	<u>(\$ 226,287)</u>	<u>(\$ 6,711,208)</u>

The Group's Loss Carryforwards as of December 31, 2014

Expiry Year	Unused Amount
2016	\$ 1,305,689
2017	423,056
2018	416,252
2019	3,287
2020	3,938
2023	4,681
2024	9,389
	<u>\$ 2,166,292</u>

Taishin Financial Holding's Information about Integrated Income Tax

	December 31	
	2014	2013
Balance of ICA	\$ <u>153,181</u>	\$ <u>61,421</u>
Unappropriated earnings generated after January 1, 1998	\$ <u>1,511,461</u>	\$ <u>13,755,369</u>

	For the Year Ended December 31	
	2014	2013
Creditable ratio for distribution of earnings	6.75%	20.18%

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, 2014, the capital surplus of Taishin Financial Holding mentioned above amounted to \$757,662 thousand.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credit allocated to ROC resident shareholders of Taishin Financial Holding was calculated based on the creditable ratio as of the date of dividend distribution.

The actual imputation credit allocated to shareholders of Taishin Financial Holding was based on the balance of the ICA as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2013 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of IFRSs, the cumulative distributable earnings should include the net increase or decrease in retained earnings arising from first-time adoption of IFRSs.

Assessments of The Group's Income Tax

- a. Taishin Financial Holding's income tax returns through 2009 had been assessed by the tax authorities.
- b. Taishin Bank's income tax returns through 2009 had been assessed by the tax authorities. The income tax returns of Taishin Insurance Agency, Taishin Real-Estate, Taishin D.A. Finance, and Taishin Insurance Brokers through 2012, 2012, 2012, and 2013 had been assessed by the tax authorities.

In regard to the amortization of \$758,518 thousand, \$758,518 thousand, \$758,518 thousand and \$758,518 thousand of goodwill from the merger of Dah An Bank reported in the 2004, 2005, 2006 and 2007 income tax returns of Taishin Bank, the tax authorities had disapproved the amortization as deductible because the goodwill resulted from the negotiations of the dealing parties rather than from a purchase in active market. Taishin Bank had filed appeals and litigations to the tax authorities and the administrative courts. In June 2014, National Taxation Bureau of Taipei, Ministry of Finance has agreed part of the recognition of the amortization of the goodwill. The Company had adjusted the estimated income tax expense for the year ended December 31, 2014.

In regard to the amortization of \$18,109 thousand, \$71,577 thousand, \$71,405 thousand, \$71,405 thousand and \$71,405 thousand on goodwill from the acquisition of the 10th Credit Cooperative of Hsin-Chu in the 2004, 2005, 2006, 2007 and 2008 income tax returns of Taishin Bank, the tax authorities had disapproved the related expense due to the reason that the goodwill was not assessed by applying professional valuation procedures and the identifiable assets and liabilities were not analyzed by fair value. Taishin Bank is filing appeals to the tax authorities. In June 2014, National Taxation Bureau of Taipei, Ministry of Finance has agreed part of the recognition of the amortization of the goodwill. Taishin Bank had adjusted the estimated income tax expense for the year ended December 31, 2014.

- c. Taishin AMC's income tax returns through 2009 had been assessed by the tax authorities. Although Taishin AMC had filed appeals and litigations to the tax authorities and the administrative courts on the income tax returns through 2009, Taishin AMC had recognized income tax expense based on conservative estimate.
- d. Taishin Marketing's income tax returns through 2009 had been assessed by the tax authorities.
- e. Taishin Venture Capital's income tax returns through 2009 had been assessed by the tax authorities.
- f. Taishin Securities Investment Trust's returns through 2010 had been assessed by the tax authorities.
- g. Taishin Securities B's returns through 2010 had been assessed by the tax authorities.
- h. Taishin Securities Investment Advisory's returns through 2010 had been assessed by the tax authorities.
- i. Taishin Holdings Insurance Broker's returns through 2011 had been assessed by the tax authorities.

41. EARNINGS PER SHARE

The earnings per share computation was retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on August 25, 2014. The basic and diluted after-tax earnings per share were adjusted retrospectively as followings:

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2014	2013
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	\$ <u>1.72</u>	\$ <u>1.57</u>
Diluted earnings per share	\$ <u>1.68</u>	\$ <u>1.54</u>

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

Net Income for the Periods

	For the Year Ended December 31	
	2014	2013
Net income for the periods attributable to owner of the parent	\$ 1,624,376	\$ 13,836,248
Less: Dividends on preferred stocks	(910,000)	(910,000)
Earnings used in computation of basic earnings per share	714,376	12,926,248
Effect of dilutive potential ordinary share:		
Convertible preferred stocks	-	910,000
Earnings used in computation of diluted earnings per share	\$ <u>714,376</u>	\$ <u>13,836,248</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2014	2013
Weighted average number of ordinary shares in computation of basic earnings per share	8,681,872	8,256,191
Effect of dilutive potential ordinary shares:		
Convertible preferred stocks	-	725,137
Employees bonus	41	109
Employees stock options	41,468	20,313
Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share	<u>8,723,381</u>	<u>9,001,750</u>

If the Group could settle the bonus to employees by cash or shares, the Group presumed that the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the shares had a dilutive effect. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolved the number of shares to be distributed to employees at their meeting in the following year.

42. SHARE-BASED PAYMENT ARRANGEMENTS

a. Equity-settled share-based payments of employee share option plan

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

For vested share-based payment exercised before the transition date, the Group chose the exemption from the adoption of FSC-recognized IFRS 2 "Share-Based Payment". Thus, only the employee share options unvested on the transition date adopted the regulation of FSC-recognized IFRS 2 "Share-Based Payment". All the employee share options were measured at fair value at grant date. Options were priced using the appropriate pricing model.

Under the Plan of 2010, 2007 and 2005, Taishin Financial Holding has to grant 77,000 units (first grant 75,390 units, second grant 1,610 units), 150,000 units and 150,000 units, respectively, of stock warrant to its qualified employees. Each unit represents the right to obtain 1,000 shares of Taishin Financial Holding's common stock, and the exercise price is equal to the stock closing price on the Taiwan Stock Exchange on the grant date.

The exercise price of the employee share options is subject to adjustments based on certain situations specified in the compensation plan.

Share options under the Plan of 2010 and 2007 can be exercised in two years from the grant date and will expire in ten years from the grant date. The exercisable percentages were as follows:

Share Options 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%

Share options under the Plan of 2005 can be exercised in two years from the grant date and will expire in ten years from the grant date. The exercisable percentages were as follows:

Share Options 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 share options were as follows:

Plan of 2010 (II)	For the Year Ended December 31, 2014		For the Year Ended December 31, 2013	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning balance	1,507	\$ 10.70	1,507	\$ 11.80
Exercise	(50)	10.70	-	-
Outstanding, ending balance	1,457		1,507	
Exercisable, ending balance	583		317	



Plan of 2010 (I)	For the Year Ended December 31, 2014		For the Year Ended December 31, 2013	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning balance	48,306	\$ 10.60	61,710	\$ 11.70
Exercise	(9,106)	10.10	(11,096)	10.61
Forfeited	(1,027)	-	(2,308)	11.64
Outstanding, ending balance	<u>38,173</u>		<u>48,306</u>	
Exercisable, ending balance	<u>27,116</u>		<u>19,129</u>	

Plan of 2007	For the Year Ended December 31, 2014		For the Year Ended December 31, 2013	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning balance	96,260	\$ 11.30	109,118	\$ 12.50
Exercise	(13,354)	10.69	(11,638)	11.31
Forfeited	(150)		(1,220)	12.34
Outstanding, ending balance	<u>82,756</u>		<u>96,260</u>	
Exercisable, ending balance	<u>82,756</u>		<u>96,260</u>	

Plan of 2005	For the Year Ended December 31, 2014		For the Year Ended December 31, 2013	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning balance	40,450	\$ 15.30	40,450	\$ 17.20
Exercise	(3,210)	13.60	-	
Outstanding, ending balance	<u>37,240</u>		<u>40,450</u>	
Exercisable, ending balance	<u>37,240</u>		<u>40,450</u>	

The weighted-average of stock prices at the dates of exercise of share options exercised during the year ended December 31, 2014 was \$14.27.

The exercise price and expected weighted-average outstanding period of the share option warrants for the years ended December 31, 2014 and 2013 were as follows:

	For the Year Ended December 31, 2014		For the Year Ended December 31, 2013	
	Exercise Price (Dollars)	Expected Weighted Average Outstanding Period (Years)	Exercise Price (Dollars)	Expected Weighted Average Outstanding Period (Years)
Plan of 2010 (II)	\$ 9.50	6.67	\$ 10.70	7.67
Plan of 2010 (I)	9.40	5.79	10.60	6.79
Plan of 2007	10.00	2.20	11.30	3.20
Plan of 2005	13.60	0.58	15.50	1.58

The valuation models of the share options for the year ended December 31, 2014 were as follows:

Valuation Model	Black-Scholes Options Valuation Model	Plan of 2010 (II)	Plan of 2010 (I)	Plan of 2007
Assumption	Dividend yield	-	-	7.00%
	Expected price volatility	37.71%-39.71%	38.02%-38.73%	33.26%
	Risk-free interest rate	1.22%-1.52%	1.06%-1.23%	2.15%
	Expected outstanding periods	10 years	10 years	10 years

b. Cash-settled share-based payment of Taishin appreciation rights plan

The Group issued to employees share appreciation rights (the SARs) that require the Group to pay the intrinsic value of the SAR to the qualified people at the date of exercise since 2013. The fair value of the SARs was determined using the Black-Scholes pricing model based on the following assumptions.

	December 31, 2013	December 31, 2012
Balance sheet date share price	\$14.25	\$14.25
Exercise price	\$12.70	\$8.80
Outstanding period	2 years, 3 years	2 years, 3 years
Expected volatility	31.15%, 31.15%	31.15%, 31.15%
Risk-free interest rate	0.97%, 0.97%	0.97%, 0.97%

The movements in the appreciation rights plan were as follows:

Appreciation Rights Plan	Plan of 2012			
	For the Years Ended December 31			
	2014		2013	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	23,743	\$ -	-	\$ -
Granted	-	-	24,323	10.97
Forfeited	(480)	8.80	(580)	10.75
Outstanding, ending	<u>23,263</u>		<u>23,743</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 4.8088</u>		<u>\$ 4.9384</u>	
	Plan of 2013			
	For the Years Ended December 31			
	2014		2013	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	-	\$ -	-	\$ -
Granted	26,695	14.50	-	-
Forfeited	(240)	12.70	-	-
Outstanding, ending	<u>26,455</u>		<u>-</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 2.1393</u>		<u>\$ -</u>	

43. LOSING CONTROL OF SUBSIDIARY

Taishin Financial Holding held 22.55% equity in Chang Hwa Bank. In addition, Taishin Financial Holding was represented by more than half of the total number of directors until the election of directors in late 2014. In December 2014, Chang Hwa Bank held an interim shareholders' meeting to elect directors and Taishin Financial Holding did not obtain more than half of the total number of directors. Therefore, Taishin Financial Holding lost the control of Chang Hwa Bank. Taishin Financial Holding still owned 22.81% voting share and able to exercise significant influence on Chang Hwa Bank. The calculation of gain or loss from losing control of Chang Hwa Bank is illustrated below in b. loss on losing control of subsidiary, and the loss is accounted under net other non-interest income (loss).

**a. Analysis of asset and liabilities on the date control was lost**

	Chang Hwa Bank
Cash and cash equivalents	\$ 51,688,385
Due from the central bank and call loans to other banks	115,706,023
Financial assets at fair value through profit or loss	34,916,246
Available-for-sale financial assets, net	47,257,516
Derivative financial assets for hedging	63,186
Receivables, net	24,595,029
Current tax assets	877,045
Loans, net	1,218,066,713
Held-to-maturity financial assets, net	183,458,311
Other financial assets, net	79,052,218
Investment property, net	11,012,957
Property, plant and equipment, net	23,780,947
Intangible assets, net	478,276
Deferred tax assets	1,919,238
Other assets, net	443,281
Total assets	<u>\$ 1,793,315,371</u>
Deposits from the central bank and banks	\$ 126,823,927
Due to the Central Bank and banks	927,300
Financial liabilities at fair value through profit or loss	3,319,218
Securities sold under repurchase agreements	5,458,520
Payables	37,799,571
Current tax liabilities	350,270
Deposits	1,437,660,774
Bonds payable	48,417,582
Provisions	3,870,527
Other financial liabilities	670,397
Deferred tax liabilities	6,510,674
Other liabilities	2,794,510
Total liabilities	<u>\$ 1,674,603,270</u>

b. Loss on losing control of subsidiary

Consideration received	\$ 32,455,127
Net assets disposed of	(27,080,498)
Difference between cost and value of acquired net assets	(20,187,305)
The reclassification of other comprehensive income in respect of subsidiary	37,010
	<u>(\$ 14,775,666)</u>

c. Please refer to Note 58 for the Pro Forma financial information on the losing of control of subsidiary.**44. OPERATING LEASE ARRANGEMENTS****a. The Group as lessee**

Operating leases relate to leases of operating place which were tenanted by Taishin Bank, Chang Hwa Bank with lease terms between 1 and 10 years.

As of December 31, 2014 and 2013, refundable deposits paid under operating leases amounted to \$224,881 thousand and \$263,959 thousand, respectively.

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

	December 31, 2014	December 31, 2013
Not later than 1 year	\$ 452,491	\$ 976,806
Later than 1 year and not later than 5 years	1,021,151	1,895,610
Later than 5 years	<u>409,897</u>	<u>349,138</u>
	<u>\$ 1,883,539</u>	<u>\$ 3,221,554</u>

b. The Group as lessor

Operating leases relate to the investment property owned by the Group with lease terms from 0.5 to 10 years.

As of December 31, 2014 and 2013, deposits received under operating leases amounted to \$7,110 thousand and \$51,733 thousand, respectively.

The future minimum lease payments of non-cancellable operating leases were as follows:

	December 31, 2014	December 31, 2013
Not later than 1 year	\$ 38,807	\$ 229,830
Later than 1 year and not later than 5 years	40,284	483,164
Later than 5 years	<u>13,297</u>	<u>74,197</u>
	<u>\$ 92,388</u>	<u>\$ 787,191</u>

45. CAPITAL RISK MANAGEMENT

a. Summary

To efficiently control the capital adequacy of the Group and its subsidiaries on the premise of balancing the Group's business development and risk control, Taishin Financial Holding had codified its "principles of capital adequacy management" and compiles related information reported to the Asset and Liability Management Committee periodically.

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

- 1) To ensure the Group and its subsidiaries conform to related capital adequacy regulations and minimum basic criteria set by each industry administration.
- 2) To ensure every subsidiary is able to meet the capital needs of operating plan and the capital requirement, as well as to reach the optimization of capital allocation within the Group.
- 3) To implement capital management, Taishin Financial Holding and its significant subsidiaries should assess capital adequacy periodically and make proper arrangement of capital structure and application of capital instruments and adjustments of asset portfolio.

b. Capital management procedures

In order to meet the Group's capital adequacy goals, Taishin Financial Holding established the Asset and Liability Committee to review capital performance of Taishin Financial Holding and its significant subsidiaries' every month. If there is concern that the Group's capital adequacy may be below the legal standard, the Committee would immediately find measures to increase the Group's net qualified capital or to reduce the Group's legal capital requirement so as to improve the Group's performance and meet capital adequacy ratio.



The Group's capital adequacy is calculated based on the accounting reports and related data of capital adequacy provided by Taishin Financial Holding and its subsidiaries. Taishin Financial Holding and each of its subsidiaries should respectively report to local administrations using the calculation formula and forms according to the regulations before deadline.

c.

Company \ Item	December 31, 2014		
	Ownership Interest (%)	Group Eligible Capital	Group's Statutory Capital Requirement
Taishin Financial Holding		\$ 127,481,472	\$ 124,931,261
Taishin Bank	100	105,775,325	76,832,433
Taishin Securities B	100	3,168,559	958,145
Taishin Venture Capital	100	3,099,868	1,551,409
Taishin AMC	100	1,547,785	916,675
Taishin Securities Investment Trust	100	843,456	463,976
Taishin Securities Investment Advisory	92	329,124	176,620
Taishin Holdings Insurance Brokers	100	1,097,852	781,071
Exclusive items amounts subtracted		(103,252,247)	(92,435,913)
Total		140,091,194	114,175,677
Group's capital adequacy ratio (Note)			122.70%.

Company \ Item	December 31, 2013		
	Ownership Interest (%)	Group Eligible Capital	Group's Statutory Capital Requirement
Taishin Financial Holding		\$ 128,950,996	\$ 127,499,631
Taishin Bank	100.00	90,295,339	66,037,993
Chang Hwa Bank	22.55	28,399,433	20,444,920
Taishin Securities B	100.00	2,182,995	773,097
Taishin Venture Capital	100.00	1,985,115	993,671
Taishin AMC	100.00	1,883,796	1,061,427
Taishin Securities Investment Trust	100.00	832,027	455,496
Taishin Securities Investment Advisory	92.00	324,076	172,843
Taishin Holdings Insurance Brokers	100.00	899,216	577,510
Exclusive items amounts subtracted		(139,724,165)	(127,279,651)
Total		116,028,828	90,736,937
Group's capital adequacy ratio (Note)			127.87%

d. Financial holding company eligible capital

Item	December 31, 2014
Common stock	\$ 88,417,902
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates which comply with eligible Tier 1 capital	13,397,329
Other preferred stock and subordinated corporate bonds	13,540,000
Advance receipts for capital stock	111,339

Item	December 31, 2014
Capital surplus	4,494,879
Legal reserve	5,315,307
Special reserve	465,368
Retained earnings	1,511,461
Subtracted:	
Equity adjustment	344,829
Goodwill	-
Deferred assets	116,942
Treasury stock	-
Total	127,481,472

Item	December 31, 2013
Common stock	\$ 75,116,532
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates which comply with eligible Tier 1 capital	13,397,329
Other preferred stock and subordinated corporate bonds	17,940,000
Advance receipts for capital stock	180,170
Capital surplus	3,332,366
Legal reserve	3,939,770
Special reserve	465,368
Retained earnings	13,755,369
Equity adjustment	944,683
Subtracted:	
Goodwill	120,591
Deferred assets	-
Treasury stock	128,950,996

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 ratio = Group's eligible capital ÷ Group's statutory capital requirement.

46. 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, 2014 were as follows:

(In Thousands of New Taiwan Dollars; %)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
a. To the same person or the same enterprise		
Central Bank	\$ 207,317,055	181.56%
Taiwan Power Co., Ltd.	4,152,498	3.64%



Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
Chunghwa Post Co., Ltd.	3,974,182	3.48%
CPC Corporation, Taiwan	5,354,676	4.69%
US GOVT	11,451,057	10.03%
Innolux Corporation	3,425,920	3.00%
AU Optronics Corp.	5,776,393	5.06%
JCDecaux Landmark First Co.	3,214,588	2.82%
JCDecaux Landmark Secord Co.	3,214,532	2.82%
Catcher Technology Co., Ltd	3,011,093	2.64%
United Asia Finance Ltd.	3,454,697	3.03%
China Airline Co.	3,453,453	3.02%
Total	257,800,144	
b. To the same person and spouse, the relative within the second degree and the person or the spouse's enterprise		
Individual A	4,423,015	3.87%
Individual B	3,080,561	2.70%
Total	7,503,576	
c. To the same related party enterprise		
TBC Group	3,058,287	2.68%
APL Group	8,666,397	7.59%
MiTAC-Synnex Group	3,355,815	2.94%
AU Optronics (L) Corp.	11,881,307	10.41%
Gold East Trading Company Limited	4,841,090	4.24%
Far Eastern Group	5,886,932	5.16%
Lin Yuan Group	6,110,304	5.35%
Ruentex Group	7,279,756	6.38%
Sun Hung Kai Financial	3,764,816	3.30%
CITIC Group	12,883,993	11.28%
Innolux Corporation	3,806,536	3.33%
Chang Jiang Seamless Steel Tube Group	3,242,227	2.84%
Hon Hai Group	9,482,082	8.30%
Catcher Technology Co., Ltd.	3,061,327	2.68%
YFY Inc.	3,472,181	3.04%
Fubon Group	3,180,022	2.78%
Walsin Lihwa Corp.	4,554,338	3.99%
China Development Financial	3,374,210	2.96%
China Airline Co.	3,453,453	3.02%
Total	105,355,073	

47. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

	December 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Cash and cash equivalents	\$ 23,089,267	\$ 23,089,267	\$ 61,516,953	\$ 61,516,953
Due from the Central Bank and call loans to banks	34,496,856	34,496,856	124,152,449	124,152,449
Financial assets at FVTPL	83,294,027	83,294,027	102,817,889	102,817,889
Available-for-sale financial assets	244,249,053	244,249,053	251,947,289	251,947,289
Derivative financial assets for hedging	-	-	62,494	62,494
Securities purchased under resell agreements	273,345	273,345	9,470,428	9,470,428
Receivables	100,310,417	100,310,417	107,590,190	107,590,190
Loans	805,752,729	805,752,729	1,845,715,026	1,845,715,026
Held-to-maturity financial assets	2,540	2,540	228,942,921	228,986,269
Financial assets carried at cost	2,608,976	2,608,976	7,334,016	7,334,016
Debt investments without active market	300,000	300,000	4,111,523	4,142,161
Other miscellaneous financial assets	9,222,228	9,222,228	36,062,303	36,062,303
<u>Financial liabilities</u>				
Due to the Central Bank and banks	56,003,848	56,003,848	176,662,165	176,662,165
Financial liabilities at FVTPL	34,921,514	34,921,514	16,237,369	16,237,369
Securities sold under repurchase agreements	67,724,492	67,724,492	37,932,722	37,932,722
Commercial paper	649,389	649,389	-	-
Payables	22,598,658	22,598,658	46,370,940	46,370,940
Deposits and remittances	965,328,658	965,328,658	2,250,576,346	2,250,576,346
Bonds payable	55,000,000	55,000,000	90,322,818	91,638,159
Other borrowings	6,235,441	6,235,441	2,287,315	2,287,315
Other financial liabilities	52,744,269	52,744,269	32,803,503	32,803,503

a. Financial instruments disclosed at carrying amounts

The Group disclosed the following financial assets at carrying amount:

- 1) Financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, other miscellaneous financial assets, due to the Central Bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, other borrowings and other miscellaneous financial liabilities, are disclosed at their carrying amounts in the consolidated balance sheet since the maturity is very short or the amount of future payment/receipt approximates their carrying amount.
- 2) Loans (including delinquent loans)
The Group's loan interest rate is usually determined based on the prime rate plus or minus basic points (i.e. the floating rate), which reflects the market interest rate. The expected recovery of loans is taken into consideration. Therefore, loans are disclosed at their carrying amounts.
Medium and long-term loans, which are determined at fixed rates and account for a minor proportion of loans, are disclosed at their carrying amounts.
- 3) Deposits
Considering that most of the banking transactions are within one year of maturity, deposits are disclosed at their carrying amounts.



4) Bonds payable

Except that Chang Hwa Bank's fair-value-hedge bonds payable is disclosed at fair value, the rest are disclosed at their carrying amounts. Those bonds were issued to enhance liquidity or capital management instead of earning short-term profits.

5) Financial assets carried at cost

Since the fair value of financial assets carried at cost can not be reliably measured, the carrying amount is disclosed instead of fair value.

b. Financial instruments measured at fair value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(In Thousands of New Taiwan Dollars)

Fair Value Measurement of Financial Instruments	December 31, 2014			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 1,330,945	\$ 752,562	\$ 578,383	\$ -
Bond investments	25,866,464	11,549,144	14,317,320	-
Others	20,863,757	-	20,863,757	-
Available-for-sale financial assets				
Stocks and beneficial certificates	3,241,566	3,241,566	-	-
Bond investments	85,574,060	13,807,590	71,766,470	-
Others	155,433,427	335,430	154,623,995	474,002
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	35,232,861	32,231	16,559,969	18,640,661
Liabilities				
Financial liabilities at FVTPL	34,921,514	-	16,238,301	18,683,213

(In Thousands of New Taiwan Dollars)

Fair Value Measurement of Financial Instruments	December 31, 2013			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficiary certificates	\$ 1,622,851	\$ 1,128,744	\$ 494,107	\$ -
Bond investments	26,960,973	13,839,329	13,121,644	-
Others	54,263,030	-	54,263,030	-
Financial assets designated as at FVTPL	3,676,994	-	124,067	3,552,927
Available-for-sale financial assets				
Stocks and beneficiary certificates	6,218,793	6,218,793	-	-
Bond investments	93,711,132	14,624,401	79,086,731	-
Others	152,017,364	-	151,284,596	732,768
Liabilities				
Financial liabilities at FVTPL	301,503	301,503	-	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	16,294,041	60,848	11,105,254	5,127,939
Derivative financial assets for hedging	62,494	-	62,494	-
Liabilities				
Financial liabilities at FVTPL	15,935,866	-	11,029,673	4,906,193

Note 1: Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Active markets must have the following attributes: (A) assets or liabilities traded in the market are identical, (B) easiness of finding buyers and sellers in the principal (or most advantageous) market for the asset or liability that are both able and willing to transact, (C) pricing information are readily available to the public.

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

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

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

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

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

Note 3: Level 3 inputs are inputs that are not available in the market. Unobservable inputs are inputs such as historical volatilities used in option pricing model since historical volatilities are not representative of the expectation of volatilities of market participants.

c. Reconciliation of Level 3 fair value measurements of financial assets

(In Thousands of New Taiwan Dollars)

For the Year Ended December 31, 2014									
Item	Beginning Balance	Combined Individual Effects	Valuation Gains (Losses)		Increase		Decrease		Ending Balance
			In Net Income	In Other Comprehensive Income	Buy or Issue	Transfer in	Sell, Disposal	Transfer out	
Financial assets at FVTPL	\$ 8,680,866	(\$ 3,552,927)	\$ 6,489,950	\$ -	\$ 8,864,273	\$ -	(\$ 1,841,501)	\$ -	\$ 18,640,661
Available-for-sale financial assets	732,768		42,852	(531)	-	-	(301,087)	-	474,002
Total	\$ 9,413,634	(\$ 3,552,927)	\$ 6,532,802	(\$ 531)	\$ 8,864,273	\$ -	(\$ 2,142,588)	\$ -	\$ 19,114,663

(In Thousands of New Taiwan Dollars)

For the Year Ended December 31, 2013									
Item	Beginning Balance	Valuation Gains (Losses)		Increase		Decrease		Ending Balance	
		In Net Income	In Other Comprehensive Income	Buy or Issue	Transfer in	Sell, Disposal	Transfer out		
Financial assets at FVTPL	\$ 2,772,644	\$ 511,744	\$ -	\$ 6,193,533	\$ -	(\$ 797,055)	\$ -	\$ 8,680,866	
Available-for-sale financial assets	2,056,021	50,240	2,739	18,447	-	(1,394,679)	-	732,768	
Total	\$ 4,828,665	\$ 561,984	\$ 2,739	\$ 6,211,980	\$ -	(\$ 2,191,734)	\$ -	\$ 9,413,634	

Valuation gains (losses) above recognized in current profits or losses in the amounts of \$(266,204) thousand and \$244,709 thousand were attributed to gains (losses) on assets owned during the years ended December 31, 2014 and 2013, respectively.

Valuation gains (losses) above recognized in other comprehensive income in the amounts of \$(531) thousand and \$2,331 thousand were attributed to gains (losses) on assets owned during the years ended December 31, 2014 and 2013, respectively.



Reconciliation of Level 3 financial liabilities

For the Year Ended December 31, 2014							
Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer out	
Financial liabilities at FVTPL	\$ 4,906,193	\$ 6,692,105	\$ 8,808,770	\$ -	(\$ 1,723,855)	\$ -	\$18,683,213

For the Year Ended December 31, 2013							
Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer out	
Financial liabilities at FVTPL	\$ 1,016,527	\$ 615,388	\$ 3,970,797	\$ -	(\$ 696,519)	\$ -	\$ 4,906,193

Valuation gains (losses) above recognized in current profits or losses in the amounts of \$(219,898) thousand and \$300,912 thousand were attributed to gains (losses) on liabilities owned during the years ended December 31, 2014 and 2013, respectively.

d. Valuation techniques and assumptions adopted for measuring fair value

Fair value is the price that would be received to exchange an asset in an orderly transaction between willing market participants with full understanding.

Financial instruments at FVTPL are initially measured at fair value, which usually means transaction price. Subsequent measurement of financial instruments is measured at fair value except for part of financial instruments being measured at amortized costs. The best evidence for fair value is the trading price or the quoted price in the active market. If financial instruments are not in an active market, the Group will adopt valuation techniques or refer to Bloomberg or the fair value quoted by the counterparty.

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

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

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

Foreign currency products

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

Government bonds and part of interest rate derivatives

1) New Taiwan Dollar Central Government Bonds: If there is a trading price on the measurement date, then the last trading price is the fair value. If there is no trading price for reference and the subordinated bond

fair price provided by the GreTai Securities Market is not in the market quoted price interval, then the median price of the market quoted prices is the fair value. If the subordinated bond fair price is in the market quoted price interval, then the fair price is the fair value.

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

Stock-related products

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

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

When measuring financial instruments that are not standardized and with low complexity such as options without active market, the Group will adopt valuation techniques consistent with those generally used by other market participants to price financial instruments. Parameters applied for the valuation models for this type of financial instruments are observable in the market.

With regard to financial instruments with high complexity, the Group will adopt self-developed valuation techniques and methods consistent with those generally used by other market participants and valuation models to measure fair values. This type of valuation models are often applied to derivatives, embedded bond instrument or securitized products, etc. Part of parameters applied for the valuation models for this type of financial instruments are not observable in the market. Therefore, the Group makes appropriate estimates based on assumptions.

Valuation models generate estimated approximate values. However, valuation techniques may not be able to reflect all the relevant factors of the Group's financial instruments. Expected values from valuation models are adjusted appropriately by additional parameters, such as model risks, liquidity risks or the counterparty's credit risks. According to Taishin Financial Holding's valuation basis manual and model management principles, the price information and parameters used in the valuation process are cautiously assessed and appropriately adjusted based on the market status.

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

e. 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	\$ -
Debt investments without active market	-	14,246,193
	<u>\$ 14,246,193</u>	<u>\$ 14,246,193</u>



During the third quarter of 2008, the international economic condition changed a lot and resulted in global financial crisis which caused the value of financial assets to collapse, Chang Hwa Bank decided not to sell parts of the available-for-sale financial assets in a short period of time, and reclassified them to debt investments without active market.

The reclassified financial assets have matured on January 30, 2014.

The carrying amount and fair value after reclassification as of December 31, 2013 were as follows:

	December 31, 2013	
	Carrying Amount	Fair Value
Debt investment without active market	\$ 246,564	\$ 251,192

The investment income and pro forma adjustment to stockholders' equity if the reclassification had not been taken were as follows:

	For the Year Ended December 31, 2013	
	Investment Income (Loss)	Pro Forma Adjustment to Stockholders' Equity
Available-for-sale financial assets	\$ 1,446	\$ 13,475

Financial Risk Management Objectives and Policies

a. Summary

The Group's goal in risk management is to balance the risks and returns by giving consideration to business operation, overall risk taken, and external legal restrictions. The major risks the Group sustains includes in- and off-balance-sheet credit risks, market risks (including interest rate, exchange rate, equity security prices and commodity price risks) and liquidity risks.

Taishin Financial Holding has rules for risk management policies and risk control procedures, which had been approved by the Board of Directors or Risk Management Committee, in order to effectively identify, measure, supervise and control credit risks, market risks and liquidity risks.

b. Organizational structure of risk management function

The Board of Directors is the highest level in the risk management function in the company and takes the full responsibility for risk management issues. Risk Management Committee is formed under the Board of Directors to examine policies and standards and establish risk management system. The chairman of Risk Management Committee takes charge of risk management and reports to the Board of Directors periodically.

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

c. Market risk

1) The source and definition of market risk

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

The major market risks of the Group are equity securities price risks, interest rate risks, and exchange rate risks. The main position of equity securities risk includes domestic public, OTC, and emerging market

stocks, domestic stock index options and stock index futures. The main position of interest rate risk includes bonds and interest derivative instruments, such as interest rate swap. The main position of exchange rate risk includes the Group's investments denominated in foreign currencies, such as foreign currency spots and foreign currency options.

2) Market risk management policy

Taishin Financial Holding's risk management policy was approved by the Board of Directors and is the highest guidance and principle of risk management.

Risk management policy clearly defines the risk management procedures for risk identifying, risk measuring, risk controlling and risk reporting, which are executed by risk management department independent of trading and other departments. The risk management department develops management principles for different businesses and for various aspects of market risk management based on the risk management policy. It establishes market risk management system and regulates market risks, risk limits and stress tests of various financial assets.

3) Market risk management procedures

a) Identifying risks and measuring possible effects

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

b) Controlling of risk and reporting of issues

The Group controls market risk by managing risk limits. The risk management department sets various trading limits, such as position limits, stop-loss limits, and maximum potential loss. The trading limits are implemented only after they are reported to and approved by the Board of Directors.

The risk management department calculates exposures and estimated gains and losses on positions daily to make sure that the positions held and losses do not exceed the limits approved by the Board of Directors and prepares reports to the high-level management and the Board of Directors periodically for their sufficient understanding of the implementation of the market risk management work and, if necessary, issuance of additional guidance.

The risk management department reports important market risk issues, such as discovery of possible loss on positions in each trading book or identification of weakness in the market risk management system, to the Risk Management Committee in order to improve the effectiveness of the market risk management.

4) Trading book market risk management

Based on the related risk management standards, the Group classifies financial instruments into trading books and banking books according to the purpose of holding the instruments and manages them with different methods. Trading book position consists of trading purpose financial instruments or commodities held to hedge positions in trading books. A position is for trading purpose if it is intended to be sold within a short period; profit can be earned from actual or expected short-term price fluctuations which are the reasons for dealing, matched principal brokering or market making position.

Principles of trading book market risk management are as follows:

a) Management strategy

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

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



- b) Management principles
The Group stipulated “Principles of Market Risk Limit Management”, “Regulations Governing Market Risk Management”, “Procedures for Operating Derivative Assets Transactions” and operating principles for various financial instruments to manage trading book limits.
 - c) Valuation gains and losses
If objective prices of financial instruments in various trading books exist in open market, such as trading prices, gains and losses on positions are valued in accordance with the market prices by the risk management department. If fair value data is inaccessible, the risk management department will cautiously adopt verified mathematical models to value gains and losses and review the assumptions and parameters of the valuation models periodically.
 - d) Risk measuring methods
The methods applied by the risk management department in measuring market risks are as follows:
 - i. Measure the price sensitivity of various risk factors (i.e. Greeks), such as the effect on the valuations of foreign currency position of a 1% change in exchange rate or the effect on option position valuation due to changes in Greeks.
 - ii. Please refer to item 9 for the risk assumptions and calculation methods.
 - iii. Measure potential losses resulting from extreme market volatility in order to assess capital adequacy and essential position adjustments.
- 5) Trading book interest rate risk management
- a) Definition of interest rate risk
Interest rate risk is fair value changes in interest rate risk position held by the Group due to interest rate changes. The risks are mainly in debt securities and interest rate derivatives.
 - b) Measuring methods
The risk management department applies sensitivity analysis or Value at Risk to measure interest rate risk and calculates stress loss of risk position held. In sensitivity analysis, the interest rate factor sensitivity is measured by DV01, which is the change in the value of interest rate risk positions when the yield curve moves upward by one basis point (1bp). Please refer to item 9 for the risk assumptions and calculation methods.
 - c) Management procedures
The risk management department defines the interest rate related products that can be undertaken among trading book investment portfolio and set the total limit of DV01, the limit of DV01 in each time band and the stop-loss limits in order to control exposure risks on position losses. If the losses reach the stop-loss limit, then the trading department should decrease risk exposure positions so as to control losses.
- 6) Exchange rate risk management
- a) Definition of exchange rate risk
Exchange rate risk is the gain or loss resulting from exchange or translation of two different foreign currencies at different times. The Group’s exchange rate risk mainly comes from spot and forward exchange positions and forward exchange options.
 - b) Measuring methods
The risk management department applies sensitivity analysis or Value at Risk to measure exchange rate risk and calculates stress loss of risk position held. In sensitivity analysis, Delta is applied to measure the exchange rate risk of the first order change and Gamma is applied to measure the exchange rate risk of the second order change. In addition, Vega is used to measure the first order risk of implied volatility rate. Please refer to item 9 for the risk assumptions and calculation methods.

- c) Management procedures
The risk management department sets the position limit and stop-loss limit of trading book investment combinations in order to control exchange rate risk. If the losses reach the stop-loss limit, the trading department should decrease risk exposure positions so as to control losses.
- 7) Equity security price risk management
- a) Definition of equity security price risk
Equity security price risk is the valuation effect on the position held by the Group when the equity security price changes. The Group's equity security price risk mainly comes from public and OTC stocks, index futures and options.
- b) Measuring methods
The risk management department applies sensitivity analysis or Value at Risk to measure equity security price risk and calculates stress loss of risk position held. In sensitivity analysis, Delta is applied to measure the independent equity security price risk of the first order change, or market value is applied to indicate the exposure risks on positions of stocks. Please refer to item 9 for the risk assumptions and calculation methods.
- c) Management procedures
The risk management department sets the position limit and stop-loss limit of trading book investment portfolio in order to control equity security price risk. If the losses reach the stop-loss limit, then the trading department should decrease risk exposure position so as to control losses.
- 8) Banking book interest rate risk management
- Taishin Bank
Banking book interest rate risk involves bonds and bills and their hedge position, which are held to manage the Bank's liquidity risk and the interest rate risk of deposits and loans undertaken by business departments. The interest rate risk is transferred to banking book management department for centralized management through internal fund transfer pricing (FTP) system. Banking book interest rate risk is the effect on net interest income of risk exposure positions held due to changes in interest rate. There is no secondary market for loan transactions and the purpose of holding banking book investment position is to establish deposit reserve. This is different from short-term holding for pursuing profit in trading book. Banking book interest rate risks are regulated separately by the risk management department.
- a) Management strategy
The goal of banking book interest rate risk management is to control interest rate risk position and pursue stability and growth of banking book net interest income under the circumstances that liquidity is appropriate.
- b) Management principles
Taishin Bank stipulated "The Principles of Banking Book Interest Rate Risk Management" as the important control regulations for banking book interest rate risk management.
- c) Measuring methods
The banking book interest rate risk is the risk of quantitative or repricing term differences due to the differences in amounts and maturity or repricing dates of banking book assets, liabilities and off-balance-sheet items. Taishin Bank measures the effect on net interest income when the yield curve moves upward by 1bp.
- d) Management procedures
Taishin Bank defines the instruments of banking book interest rate management and sets the limit of interest rate risk in order to avoid severe recession of net interest income when the interest rate changes unfavorably. The banking book management unit sets limits and keeps the interest rate risk within the limits.



9) Methods for measuring market risk

Taishin Bank

a) Stress test

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

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

b) Value at risk, "VaR"

Taishin Bank uses variety of methods to control market risk; the VaR is one of them. Taishin Bank is using risk model to assess the value of trading portfolios and potential loss amount of holding positions. VaR is Taishin Bank's important internal risk control system, and the board of directors reviews and establishes trading portfolio's limits annually. Actual exposures of Taishin Bank are monitored daily by risk management.

VaR is used to estimate adverse market potential loss of existing positions. The VaR model uses historical simulation method, a one-year historical observation period, the estimate of 99% confidence interval, the maximum possible amount of loss holding positions for one day, and the probability that actual losses may exceed the estimate.

	For the Year Ended December 31, 2014			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 14,715	\$ 57,436	\$ 8,986	\$ 12,977
Interest rate VaR	23,893	37,345	14,644	12,276
Equity securities VaR	22,744	33,225	14,007	19,226
Value at risk	31,873	65,583	22,600	38,832

	For the Year Ended December 31, 2013			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 9,968	\$ 106,580	\$ 2,936	\$ 9,783
Interest rate VaR	18,291	27,316	10,922	22,008
Equity securities VaR	19,786	32,803	11,692	22,540
Value at risk	32,899	122,749	11,767	27,294

c) Information of exchange rate risk concentration

For information regarding Taishin Bank's non-functional currency financial assets and liabilities on the balance sheet date, please refer to Note 55.

Taishin Securities B

VaR is the potential highest loss for a period within certain confidence interval. For the year ended December 31, 2014, Taishin Securities B's VaR factors were as follows:

	December 31, 2014			
	Highest	Average	Lowest	Ending Balance
Value at risk (VaR)	\$ 38,110	\$ 33,603	\$ 28,968	\$ 32,404

d. Credit risk

1) Source and definition

Credit risk means the possible loss due to failure of debtors or counterparties to fulfill their contractual obligations or their ability of fulfill contractual obligations is impaired. Credit risk arises from the operation, on- and off-balance-sheet items, including credit loans, derivatives transactions and securities investment, etc. Because the business becomes more complex, the credit risk is often generated with other risks that affect one another. For example, exchange rate risk also exists in foreign currency debt investment. Secured loans will be affected by the price volatility on the collaterals and market liquidity risk of the collaterals.

Credit risk can be divided into the following categories based on the object and nature of business:

a) Credit risk

Credit risk is the risk that a borrower is unable to pay its debts or fulfill its debt commitments in credit loans operation.

b) Issuer (guarantor) risk of the underlying issue

It is the credit risk that stock issuers go into liquidation or are unable to pay back money when debts, bills and other securities mature.

c) Counterparty risk

It is the credit risk that the counterparty undertaking OTC derivatives or RP/RS transactions are unable to fulfill settlement obligations.

Counterparty risk is also divided into settlement risk and pre-settlement risk.

i. Settlement risk

It is the loss resulting from the counterparty failing to deliver goods or other money on the settlement date when the Group had fulfilled settlement obligations.

ii. Pre-settlement risk

It is the loss resulting from the counterparty failing to fulfill settlement or pay the obligations and from changes in market prices before the settlement date.

d) Other credit risks

Country risk, custodian risk and brokers risk, etc.

2) Credit risk management policies

Taishin Bank

To ensure its credit risk under control within the tolerable range, Taishin Bank has stipulated in the guidelines for risk management that for all the products provided and businesses conducted, including all on- and off-balance-sheet transactions in the banking and trading books, Taishin Bank should make detailed analyses to identify existing and potential credit risks. Before launching new products or businesses, Taishin Bank ensures compliance with all applicable rules and regulations and identifies relevant credit risks. For sophisticated credit extensions, such as accounts receivable factoring and credit derivative instruments, Taishin Bank also establishes risk management system described in the related rules and guidelines.

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

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

a) Credit granting business (including loans and guarantees)

Classification of credit assets and level of credit quality are summarized as follows:

i. Classification of credit assets

Taishin Bank's credit assets are classified into five categories. Except for normal credit assets classified as "Category One", the remaining unsound credit assets are evaluated based on the status of the loan collaterals and the length of time overdue. Assets that require special mention



are classified as “Category Two”, assets that are substandard are classified as “Category Three”, assets that are doubtful are classified as “Category Four”, and assets with existing loss are classified as “Category Five”. In order to manage the problematic credit loans, the reorganization of loan loss provisions, allowance for bad debts or guarantee liability provisions, measures are adopted for overdue loans and procedures and for collecting default loans. In the management of credit assets, Taishin Bank is also guided by the “Regulations Governing the Procedures for Corporation Credit Business to Evaluate Assets and Deal with Non-performing Assets”, “Measures for Corporation Credit Business to Be Taken When Credit Extensions Become Past Due and Regulations Governing Collection Procedures”, “Regulations Governing the Procedures for Consumer Business to Evaluate Assets and Deal with Non-performing Assets”, “Regulations Governing the Procedures for Overdue Loan, Non-accrual Loans and Doubtful Loans”.

ii. Credit risk rating

For risk management purposes, Taishin Bank rates credit qualities (by using internal rating models for credit risk or credit score tables) in accordance with the nature and scale of a business.

The credit risk rating system is internal rating based on the definition of Basel II of internal rating method (IRB). It covers operation procedures, methodology, control mechanism, information system and data collection, which is used to assist risk assessment, rating approval and loss assessment.

The corporate finance department’s internal rating adopts two aspects. One is obligor risk rating (ORR) and the other is Facility Risk Rating (FRR). ORR is used to assess the possibility of the debtor performing financial commitments, which is a quantitative value based on the probability of default (PD) within one year. FRR is used to assess the effect of rating structures and collateral conditions on credit rating, which is a quantitative value based on loss given default (LGD). At the same time, experts also engage in judging and adjusting the rating overrides of statistic models to make up the shortage of the model.

The consumer finance department’s internal rating system adopts product characteristic and debtor condition (such as new case or behavior grading) as the basis of segmentation. It is to ensure that the same pools of debtors and risk exposure are homogeneous. At the same time, review of loans based on experts’ override is complemented to make up the shortage of the model.

b) Due from and call loans to banks

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

c) Security Investment and financial derivatives transaction

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

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

3) Credit risk hedging or mitigation policies

Taishin Bank

a) Collaterals

Taishin Bank has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collaterals from the borrowers. To secure the loans, Taishin Bank manages and assesses the collaterals following the procedures that suggest the scope of collateralization and valuation of collaterals

and the process of disposition. In credit contracts, Taishin Bank stipulates the security mechanism for loans and the conditions and terms for collaterals and offsetting to state clearly that Taishin Bank reserves the right to reduce granted limit, to reduce repayment period, to demand immediate settlement or to offset the debts of the borrowers with their deposits in Taishin Bank in order to reduce the credit risks.

The requirements for collaterals for other non-credit businesses depend on the nature of the financial instruments. Asset-backed securities and similar financial instruments are required to provide a pool of underlying financial assets as collaterals.

b) Credit risk concentration limits and control

To avoid the concentration of credit risks, Taishin Bank has included credit limits for the same person (entity) and for the same related-party corporation (group) based on the credit risk arising from loans, securities investment and derivatives transactions.

Meanwhile, for trading and banking book investments, Taishin Bank has set a ratio, which is the credit limit of a single issuer in relation to the total security position. Taishin Bank has also included credit limits for a single counterparty and a single group.

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

c) Net settlement

Taishin Bank settles most of its transactions at gross amounts. For further reduction of credit risks, settlement netting is used for some counterparties or some circumstances where the transactions with counterparties are terminated due to defaults.

4) Maximum exposure to credit risk

The maximum credit risk exposures of various financial instruments held by the Group are the same as per book amounts. Please refer to the notes to the consolidated financial statements.

As of December 31, 2014 and 2013, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrevocable maximum amount of exposure) were as follows:

Taishin Bank

Financial Instrument Type	December 31, 2014	December 31, 2013
Guarantees	\$ 13,177,389	\$ 15,506,129
Letters of credit	4,019,437	3,020,095
Unused loan commitments (excluding credit card)	575,665,609	549,602,755
Unused loan commitments (credit card only)	13,516,066	13,491,204

Chang Hwa Bank

Financial Instrument Type	December 31, 2013
Loan commitments (excluding credit card)	\$ 136,682,789
Unused issued letters of credit	24,074,108
Guarantees in guarantee business	28,761,247

5) Situation of credit risk concentration

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics of concentration of credit risks include the nature of business activities engaged by debtors. The Group has not engaged in transactions that involved a prominent concentration to one client or one transaction party, but has engaged in transaction parties of similar industry type or from similar region.



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

Taishin Bank

Industry Type	December 31, 2014		December 31, 2013	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Manufacturing	\$ 119,966,703	15	\$ 125,911,128	18
Wholesale and retailing	74,623,764	9	47,684,051	7
Finance and insurance	72,086,050	9	63,480,151	9
Real estate and leasing	45,102,434	6	26,504,943	4
Service	9,535,439	1	7,443,049	1
Individuals	461,187,556	56	411,959,640	58
Others	34,605,467	4	29,780,750	3
	<u>\$ 817,107,413</u>		<u>\$ 712,763,712</u>	

Chang Hwa Bank

Industry Type	December 31, 2013	
	Carrying Amount	Percentage of Item (%)
Finance and insurance	\$ 52,337,795	5
Manufacturing	319,034,125	27
Wholesale and retailing	104,835,224	9
Real estate and leasing	71,807,021	6
Service	19,520,424	2
Individuals	411,181,778	36
Others	177,661,267	15
	<u>\$ 1,156,377,634</u>	

Taishin Bank

Geographic Location	December 31, 2014		December 31, 2013	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Asia	\$ 762,302,992	93	\$ 674,378,089	95
Europe	980,225	-	1,437,279	-
America	1,937,363	-	585,240	-
Others	51,886,833	7	36,363,104	5
	<u>\$ 817,107,413</u>		<u>\$ 712,763,712</u>	

Chang Hwa Bank

Geographic Location	December 31, 2013	
	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,104,891,801	96
America	31,487,029	3
Europe	18,614,242	1
Others	1,384,562	-
	<u>\$ 1,156,377,634</u>	

6) Financial assets credit quality and non-performing impairment analysis

Part of financial assets held by the Group, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, securities purchased under resell agreement, deposit refunds, operating deposits, and settlement deposits are exposed to low credit risks because the counterparties have rather high credit ratings.

Except for those mentioned above, the credit quality of Taishin Banks and Chang Hwa Bank's remaining financial assets were analyzed as follows:

Taishin Bank

a) Credit quality analysis of loans and receivables (including delinquent loans reclassified from other items)

(In Thousands of New Taiwan Dollars)

Item	December 31, 2014											
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)			
	Excellent	Good	Acceptable	Non-ratings	Subtotal (A)				Objective Evidence of Impairment	Nonobjective Evidence of Impairment	Net (A)+(B)+(C)-(D)	
<i>In-balance-sheet items</i>												
Receivables (including delinquent loans reclassified from other items)	\$ 77,967,263	\$ 5,700,090	\$ 247,371	\$ 6,316,056	\$ 90,230,780	\$ 68,712	\$ 3,550,300	\$ 93,849,792	\$ 1,056,897	\$ 126,377	\$ 92,666,518	
Loans	615,041,199	168,793,055	16,180,334	-	800,014,588	197,862	16,894,963	817,107,413	6,325,178	4,495,665	806,286,370	

(In Thousands of New Taiwan Dollars)

Item	December 31, 2013										
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		
	Excellent	Good	Acceptable	Non-ratings	Subtotal (A)				Objective Evidence of Impairment	Nonobjective Evidence of Impairment	Net (A)+(B)+(C)-(D)
<i>In-balance-sheet items</i>											
Receivables (including delinquent loans reclassified from other items)	\$ 57,481,393	\$ 15,906,588	\$ 1,582,641	\$ 5,727,387	\$ 80,698,009	\$ 54,647	\$ 3,715,308	\$ 84,467,964	\$ 1,012,774	\$ 312,429	\$ 83,142,761
Loans	541,046,898	144,519,192	8,319,060	-	693,885,150	198,998	18,679,564	712,763,712	5,451,650	3,618,390	703,693,672

b) Credit quality analysis of loans neither past due nor impaired based on credit ratings of clients

(In Thousands of New Taiwan Dollars)

Item	December 31, 2014				
	Neither Past Due Nor Impaired				
	Excellent	Good	Acceptable	Non-ratings	Total
Consumer finance	\$ 427,014,630	\$ -	\$ 8,840,959	\$ -	\$ 435,855,589
Corporation finance	188,026,569	168,793,055	7,339,375	-	364,158,999
Total	\$ 615,041,199	\$ 168,793,055	\$ 16,180,334	\$ -	\$ 800,014,588

(In Thousands of New Taiwan Dollars)

Item	December 31, 2013				
	Neither Past Due Nor Impaired				
	Excellent	Good	Acceptable	Non-ratings	Total
Consumer finance	\$ 378,051,404	\$ -	\$ 7,595,401	\$ -	\$ 385,646,805
Corporation finance	162,995,494	144,519,192	723,659	-	308,238,345
Total	\$ 541,046,898	\$ 144,519,192	\$ 8,319,060	\$ -	\$ 693,885,150

c) Credit quality analysis of non-credit financial assets

(In Thousands of New Taiwan Dollars)

Item	December 31, 2014										
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
	Excellent	Good	Acceptable	Non-ratings	Subtotal (A)				Objective Evidence of Impairment	Nonobjective Evidence of Impairment	
Call loans to banks	\$ 1,395,592	\$ -	\$ -	\$ -	\$ 1,395,592	\$ -	\$ -	\$ 1,395,592	\$ -	\$ -	\$ 1,395,592
Securities purchased under resell agreements	-	-	-	-	-	-	-	-	-	-	-
Available-for-sale financial assets											
Stocks	-	-	-	-	-	-	-	-	-	-	-
Bills	153,767,268	-	-	-	153,767,268	-	-	153,767,268	-	-	153,767,268
Bonds and beneficiary securities	86,894,524	345,695	-	-	87,240,219	-	-	87,240,219	-	-	87,240,219
Held-to-maturity financial assets											
Bonds	-	-	-	2,540	2,540	-	-	2,540	-	-	2,540
Financial assets carried at cost											
Stocks	-	-	-	-	-	-	138,748	138,748	54,429	-	84,319



(In Thousands of New Taiwan Dollars)

Item	December 31, 2013										
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
	Excellent	Good	Acceptable	Non-ratings	Subtotal (A)				Objective Evidence of Impairment	Nonobjective Evidence of Impairment	
Call loans to banks	\$ 5,110,570	\$ -	\$ -	\$ -	\$ 5,110,570	\$ -	\$ -	\$ 5,110,570	\$ -	\$ -	\$ 5,110,570
Securities purchased under resell agreements	1,942,716	-	-	-	1,942,716	-	-	1,942,716	-	-	1,942,716
Available-for-sale financial assets											
Stocks	-	-	-	-	-	-	150,000	150,000	135,000	-	15,000
Bills	149,915,156	-	-	-	149,915,156	-	-	149,915,156	-	-	149,915,156
Bonds and beneficiary securities	59,350,750	346,043	-	-	59,696,793	-	-	59,696,793	-	-	59,696,793
Held-to-maturity financial assets											
Bonds	1,953,739	-	-	-	1,953,739	-	-	1,953,739	-	-	1,953,739
Financial assets carried at cost											
Stocks	-	-	-	-	-	-	183,218	183,218	93,197	-	90,021

d) Aging analysis of financial assets that are past due but not impaired

(In Thousands of New Taiwan Dollars)

Item	December 31, 2014			December 31, 2013		
	Past Due Up to Two Months	Past Due Two to Three Months	Total	Past Due Up to Two Months	Past Due Two to Three Months	Total
Receivables (including delinquent loans reclassified from other items)	\$ 48,862	\$ 19,850	\$ 68,712	\$ 33,268	\$ 21,379	\$ 54,647
Consumer finance	24,889	17,045	41,934	33,063	21,376	54,439
Corporation finance	-	10	10	205	3	208
Others	23,973	2,795	26,768	-	-	-
Loans	139,791	58,071	197,862	168,289	30,709	198,998
Consumer finance	139,791	56,472	196,263	147,672	30,661	178,333
Corporation finance	-	1,599	1,599	20,617	48	20,665

e) Impairment analysis of loans and receivables

Receivables (including delinquent loans reclassified from other items)

Item		Gross Receivables	
		December 31, 2014	December 31, 2013
Objective evidence of impairment	Individual assessment of impairment	\$ 765,564	\$ 517,542
	Combined assessment of impairment	2,784,736	3,197,766
Non objective evidence of impairment	Combined assessment of impairment	90,299,492	80,752,656
Total		\$ 93,849,792	\$ 84,467,964

Item		Allowance	
		December 31, 2014	December 31, 2013
Objective evidence of impairment	Individual assessment of impairment	\$ 708,624	\$ 481,408
	Combined assessment of impairment	348,273	531,366
Non objective evidence of impairment	Combined assessment of impairment	126,377	312,429
Total		\$ 1,183,274	\$ 1,325,203

Loans

Item		Gross Loans	
		December 31, 2014	December 31, 2013
Objective evidence of impairment	Individual assessment of impairment	\$ 7,206,816	\$ 8,282,971
	Combined assessment of impairment	9,688,148	10,396,595
Non objective evidence of impairment	Combined assessment of impairment	800,212,449	694,084,146
Total		\$ 817,107,413	\$ 712,763,712

Item		Allowance	
		December 31, 2014	December 31, 2013
Objective evidence of impairment	Individual assessment of impairment	\$ 3,918,665	\$ 3,644,166
	Combined assessment of impairment	2,406,513	1,807,484
Non objective evidence of impairment	Combined assessment of impairment	4,495,865	3,618,390
Total		\$ 10,821,043	\$ 9,070,040

Chang Hwa Bank

a) Credit quality analysis of loans and receivables

(In Thousands of New Taiwan Dollars)

Item	December 31, 2013										
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
	High	Medium	Weak	Non-ratings	Subtotal (A)				Objective Evidence of Impairment	Nonobjective Evidence of Impairment	
In-balance-sheet items											
Receivables	\$ 6,952,565	\$ 6,852,011	\$ 99,640	\$ 6,338,132	\$ 20,242,348	\$ 8,053	\$ 326,836	\$ 20,577,237	\$ 224,937	\$ 150,073	\$ 20,202,227
Credit cards	-	-	-	1,176,886	1,176,886	-	17,049	1,193,935	8,325	3,833	1,181,777
Other	6,952,565	6,852,011	99,640	5,161,246	19,065,462	8,053	309,787	19,383,302	216,612	146,240	19,020,450
Loans	258,771,754	423,895,645	25,273,628	425,183,626	1,133,124,653	2,623,822	20,629,159	1,156,377,634	5,350,999	8,159,470	1,142,867,165

b) Credit quality analysis of loans neither past due nor impaired based on credit ratings of clients

(In Thousands of New Taiwan Dollars)

Item	December 31, 2013				
	Neither Past Due Nor Impaired				
	High	Medium	Weak	Non-ratings	Total
Consumer finance	\$ -	\$ -	\$ -	\$ 407,294,032	\$ 407,294,032
Corporation finance	258,771,754	423,895,645	25,273,628	17,889,594	725,830,621
Total	\$ 258,771,754	\$ 423,895,645	\$ 25,273,628	\$ 425,183,626	\$ 1,133,124,653

c) Credit quality analysis of non-credit financial assets

(In Thousands of New Taiwan Dollars)

Item	December 31, 2013										
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
	High	Medium	Weak	Non-ratings	Subtotal (A)				Objective Evidence of Impairment	Nonobjective Evidence of Impairment	
Available-for-sale financial assets	\$ 37,755,819	\$ -	\$ -	\$ 98,292	\$ 37,854,111	\$ -	\$ 150,000	\$ 38,004,111	\$ 120,000	\$ -	\$ 37,884,111
Bonds	36,018,255	-	-	98,292	36,116,547	-	-	36,116,547	-	-	36,116,547
Stocks	1,737,564	-	-	-	1,737,564	-	150,000	1,887,564	120,000	-	1,767,564
Held-to-maturity financial assets	226,989,182	-	-	-	226,989,182	-	-	226,989,182	-	-	226,989,182
Bonds	11,147,533	-	-	-	11,147,533	-	-	11,147,533	-	-	11,147,533
Bills	215,841,649	-	-	-	215,841,649	-	-	215,841,649	-	-	215,841,649
Other financial assets	2,570,678	-	-	1,240,845	3,811,523	-	137,578	3,949,101	137,578	-	3,811,523
Bonds	2,570,678	-	-	1,240,845	3,811,523	-	137,578	3,949,101	137,578	-	3,811,523

Note: Cost on the reclassification date.

d) Aging analysis of financial assets that are past due but not impaired

(In Thousands of New Taiwan Dollars)

Item	December 31, 2013		
	Past Due Up to One Month	Past Due Over One Month	Total
Loans			
Consumer finance	\$ 2,019,418	\$ 473,743	\$ 2,493,161
Corporation finance	118,370	11,291	129,661



e) Impairment analysis of loans and receivables

Receivables

Item		December 31, 2013	
		Gross Receivable	Allowance
Objective evidence of impairment	Individual assessment of impairment	\$ 274,622	\$ 202,569
	Combined assessment of impairment	52,214	22,368
Non objective evidence of impairment	Combined assessment of impairment	20,250,401	150,073
Total		\$ 20,577,237	\$ 375,010

Note: The amount of gross receivables excluded the amount of allowance for receivables and adjustments for discount (premium).

Loans

Item		December 31, 2013	
		Gross Loans	Allowance
Objective evidence of impairment	Individual assessment of impairment	\$ 17,986,505	\$ 4,627,909
	Combined assessment of impairment	2,642,654	723,090
Non objective evidence of impairment	Combined assessment of impairment	1,135,748,475	8,159,470
Total		\$ 1,156,377,634	\$ 13,510,469

Note: The amount of gross loans excluded the amount of allowance for loans and adjustment for discount (premium).

e. Liquidity risk

1) The source and definition of liquidity risk

Liquidity risk is the potential loss that the Group may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth. Sources of liquidity risk are as follows:

- Inability to fulfill funding gap due to asymmetric time and amount in cash inflows and outflows.
- Liabilities paid off in advance before maturity, inability to maintain liabilities at maturity or inability to acquire funds from the market.
- Inability to liquidate current assets at reasonable price or raising funds to fulfill funding gap with price higher than the reasonable one.

Except for the liquidity risks arising from normal operation, the Group's liquidity might be affected by events such as credit ratings being downgraded, credibility seriously damaged, financial system's system risk, causing customers to lack confidence and canceling deposits before maturity, call loans from banks being suspended, RS or RP transactions being deterred and liquidity of financial assets decreasing.

2) Liquidity risk management policy

Taishin Bank

The objective of liquidity risk management is to ensure that Taishin Bank can acquire funds at reasonable price to pay off debts, perform obligations and contingent liabilities and satisfy demands required by business growth either in normal operation or under sudden, serious and unusual circumstances. Taishin Bank has established policies on assets and liabilities management that stipulate related liquidity risk management rules and principles, stipulate clear distinction between accountability and responsibility of Asset and Liability Committee and management departments and regulate the limits of liquidity risk, risk measuring, risk monitoring and the scope and procedures of reporting to ensure that overall liquidity risk is within the limits of liquidity risk approved by the Board of Directors.

Basic principles of liquidity risk management policy are as follows:

- Principle of risk diversification: Taishin Bank should avoid excessively concentrating funds on the same maturity, instruments, currencies, regions, funding sources or counterparties.
- Principle of stability: Taishin Bank should follow stable strategies and pay attention to market and internal funding liquidity. For example, Taishin Bank should absorb the core deposits at appropriate time in order

to prevent market volatility from affecting funding sources and thus lower dependence on unstable fund sources.

- c) Principle of maintaining appropriate asset liquidity: Market liquidity will indirectly affect funding liquidity. Therefore, Taishin Bank should make sure total assets can pay off total liabilities and maintain certain proportion of assets with high liquidity or collaterals in order to finance funds and pay off current liabilities in critical and urgent time.
- d) Principle of matching asset and liability maturity: Taishin Bank should pay attention to the spread of maturity and liquidity of liquid assets and current assets should be sufficient to pay off current liabilities. For urgent or sudden liquidity events, Taishin Bank has stipulated urgent fund dispatching handling plan as the highest principle for urgent events in order to integrate the Bank's resources quickly to resolve emergencies efficiently.

Taishin Securities B

Taishin Securities B's funding liquidity risk management incorporates funding sources, funding application and gap management. Key control points are as follows:

- a) Funding sources: Other than ensuring stability and risk diversification of funding sources, Taishin Securities B maintains sufficient credit limits in order to cope with volatility risk from unexpected funding supply.
- b) Funding application: When assessing investment income, Taishin Securities B ensures its liquidity and safety in order to cope with liquidity risk from unexpected funding needs.
- c) Gap management: Taishin Securities B implements funding gap management of various term structures in order to efficiently control unexpected fund dispatching

Market liquidity risk includes on- and off-balance-sheet transactions. To make sure that market liquidity of positions with low liquidity is within tolerable range, Taishin Securities B stipulated in its risk management rules that it should carefully analyze and efficiently identify existing and potential market liquidity risk in order to operate in coordination with Taishin Securities B's business development and Taishin Financial Holding's overall risk appetite. Before promoting new products and business, Taishin Securities B should also scrutinize related operation rules and confirm related market liquidity risk.

The market liquidity management procedures and measuring methods of Taishin Securities B's major business are as follows:

- a) When closeout of a position with low amount of market transactions and low liquidity occurs, impairment is generated due to increase of bid-ask premium and extension of covered time. Therefore, liquidity reserve is drawn based on product categories in internal assessment to avoid biased assessment.
 - b) The proportion limit is calculated as the sum of position, which is the amount of quoted and OTC stocks over one-day average volume, of the investment portfolio. The ratio is set to implement control.
 - c) The volume of holding a single stock and the volume of accounting for investment portfolio is limited to a certain amount in order to implement control.
 - d) The proportion of the volume of a single convertible bond issued to the volume of outstanding portfolio is limited to a certain amount in order to implement control.
- 3) Financial assets held to manage liquidity risk and maturity analysis

Financial assets held to manage liquidity risk:

The Group holds cash and cash equivalents, due from the Central Bank and banks and available-for-sale and held-to-maturity financial assets held for the purpose of managing liquidity risk, in order to perform contracted obligations when due and meet the needs of urgent fund dispatching.

Maturity analysis:

Taishin Bank

- a) Maturity analysis of non-derivative financial liabilities

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



(In Thousands of New Taiwan Dollars)

Financial Instruments Item	December 31, 2014									
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	Total
Due to the Central Bank and other banks	\$ 28,327,697	\$ 6,838,355	\$ 11,722,940	\$ 9,086,856	\$ -	\$ 28,000	\$ -	\$ -	\$ -	\$ 56,003,848
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Securities sold under repurchase agreements	72,983,362	2,035,520	22,000	-	-	-	-	-	-	75,040,882
Payables	19,412,154	395,923	289,075	1,003,371	76,231	-	-	-	-	21,176,754
Deposits and remittances	125,818,254	222,505,102	155,131,100	206,031,530	261,522,437	3,180,183	9,859	19,034	-	974,217,499
Bank debentures	-	-	-	-	-	13,300,000	-	4,900,000	14,800,000	33,000,000
Other financial liabilities	7,999,859	3,102,081	1,330,280	610,098	1,230,162	468,029	1,253,620	1,544,472	36,106,059	53,644,660
	\$ 254,541,326	\$ 234,876,981	\$ 168,495,395	\$ 216,731,855	\$ 262,828,830	\$ 16,976,212	\$ 1,263,479	\$ 6,463,506	\$ 50,906,059	\$ 1,213,083,643

(In Thousands of New Taiwan Dollars)

Financial Instruments Item	December 31, 2013									
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	Total
Due to the Central Bank and other banks	\$ 21,615,966	\$ 7,058,032	\$ 8,919,940	\$ 12,240,533	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,834,471
Financial liabilities at fair value through profit or loss	301,503	-	-	-	-	-	-	-	-	301,503
Securities sold under repurchase agreements	29,202,114	4,221,742	10,000	-	-	-	-	-	-	33,433,856
Payables	17,070,853	307,280	489,607	1,572,251	136,013	-	-	-	-	19,576,004
Deposits and remittances	118,989,020	213,173,415	134,562,057	185,279,124	225,143,727	2,367,394	332	-	-	879,515,069
Bank debentures	-	-	-	-	-	-	13,300,000	-	11,700,000	25,000,000
Other financial liabilities	3,694,148	3,209,644	267,645	1,146,598	1,996,033	353,714	1,336,351	2,620,233	17,507,109	32,131,475
	\$ 190,873,604	\$ 227,970,113	\$ 144,249,249	\$ 200,238,506	\$ 227,275,773	\$ 2,721,108	\$ 14,636,683	\$ 2,620,233	\$ 29,207,109	\$ 1,039,792,378

The maturity analysis of time deposits in “deposits and remittances” is allocated to each time band based on Taishin Bank’s historical experience. If all the time deposits were required to be paid off in recent period, the funds outflows in less than one-month time band would have been \$420,519,168 thousand and \$369,734,112 thousand as of December 31, 2014 and 2013, respectively.

b) Maturity analysis of derivative financial liabilities

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

(In Thousands of New Taiwan Dollars)

Financial Instruments Item	December 31, 2014									
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	Total
Derivative financial liabilities at fair value through profit or loss	\$ 34,921,514	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,921,514

(In Thousands of New Taiwan Dollars)

Financial Instruments Item	December 31, 2013									
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	Total
Derivative financial liabilities at fair value through profit or loss	\$ 14,220,502	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,220,502

c) Maturity analysis of off-balance-sheet items

Below are the amounts of Taishin Bank’s off-balance-sheet items presented based on the residual maturities from the balance sheet date to the maturity date of irrevocable loan commitments, guarantees or letters of credit. As of December 31, 2014 and 2013, assuming that all amounts, including the amounts in the longest time band, were due in the less than one-month time band, the amounts would have been \$13,177,389 thousand and \$15,506,129 thousand, respectively, for guarantees; \$4,019,437 thousand and \$3,020,095 thousand, respectively, for letters of credit; \$575,665,609 thousand and \$549,602,755 thousand, respectively, for loans commitments (excluding credit card); and \$13,516,066 thousand and \$13,491,204 thousand, respectively, for credit cards commitments.

(In Thousands of New Taiwan Dollars)

Item	December 31, 2014					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 4,102,990	\$ 2,407,773	\$ 1,526,131	\$ 1,692,852	\$ 3,447,643	\$ 13,177,389
Letters of credit	1,362,522	2,449,065	183,945	23,905	-	4,019,437
Loans commitments (excluding credit cards)	8,461,879	161,982,519	117,107,569	285,003,574	3,110,068	575,665,609
Credit cards commitments	490	208,738	823,659	546,262	11,936,917	13,516,066

(In Thousands of New Taiwan Dollars)

Item	December 31, 2013					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 6,016,711	\$ 2,684,669	\$ 1,573,253	\$ 2,035,920	\$ 3,195,576	\$ 15,506,129
Letters of credit	630,954	2,166,499	180,589	42,053	-	3,020,095
Loans commitments (excluding credit cards)	4,908,861	176,183,013	123,508,316	241,727,361	3,275,204	549,602,755
Credit cards commitments	140	130,087	342,741	1,419,452	11,598,784	13,491,204

Chang Hwa Bank

a) Maturity analysis of non-derivative financial assets and liabilities

Chang Hwa Bank adopted appropriate grouping methods, which are based on the nature of non-derivative financial assets and liabilities, to do maturity analysis in order to assess liquidity. The maturity analysis is presented as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2013					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Major maturity funds inflows						
Cash and cash equivalents	\$ 17,393,099	\$ -	\$ -	\$ -	\$ -	\$ 17,393,099
Due from the Central Bank and call loans to other banks	20,748,292	8,409,207	5,202,987	8,124,137	15,730,936	58,215,559
Financial assets at fair value through profit or loss	52,119,328	-	-	-	-	52,119,328
Receivables	10,562,533	1,016,109	137,745	156,408	226,057	12,098,852
Loans	74,317,277	92,692,524	66,746,798	106,989,256	603,767,894	944,513,749
Available-for-sale financial assets	-	-	-	411,746	26,203,607	26,615,353
Held-to-maturity financial assets	164,400,000	9,300,000	700,000	2,199,495	10,949,691	187,549,186
Debts instrument without active market	-	-	-	-	2,100,000	2,100,000
Financial assets carried at cost	-	-	-	-	4,181,203	4,181,203
Other maturity funds inflow items	-	-	-	-	11,781,786	11,781,786
	<u>339,540,529</u>	<u>111,417,840</u>	<u>72,787,530</u>	<u>117,881,042</u>	<u>674,941,174</u>	<u>1,316,568,115</u>
Major maturity funds outflows						
Due to the Central Bank and banks	558,566	1,236,782	446,529	2,665,931	-	4,907,808
Funds borrowed from the Central Bank and banks	2,310,000	15,000	-	-	-	2,325,000
Securities sold under repurchase agreements	3,002,855	1,501,736	-	-	-	4,504,591
Payables	19,690,304	1,681,329	413,391	1,245,530	790,679	23,821,233
Deposits and remittances	135,795,522	133,131,512	117,539,333	257,874,397	499,327,588	1,143,668,352
Bank debentures	-	-	-	5,000,000	33,350,000	38,350,000
Other maturity funds outflows items	12,064	32,956	5,226	138,902	4,462,458	4,651,606
	<u>161,369,311</u>	<u>137,599,315</u>	<u>118,404,479</u>	<u>266,924,760</u>	<u>537,930,725</u>	<u>1,222,228,590</u>
Gap	\$ 178,171,218	(\$ 26,181,475)	(\$ 45,616,949)	(\$ 149,043,718)	\$ 137,010,449	\$ 94,339,525

Note: The amounts listed above were the position in N.T. dollars of Chang Hwa Bank.



(In Thousands of United States Dollars)

Item	December 31, 2013					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Major maturity funds inflows						
Cash and cash equivalents	\$ 318,562	\$ 49,000	\$ -	\$ -	\$ -	\$ 367,562
Due from the Central Bank and call loans to other banks	612,215	135,909	43,590	10,627	3,159	805,500
Financial assets at fair value through profit or loss	146,575	-	-	-	-	146,575
Receivables	448,244	151,562	151,098	7,472	2,789	761,165
Loans	962,226	1,025,466	677,377	302,328	2,869,181	5,836,578
Available-for-sale financial assets	16,512	2,002	48,086	2,007	45,861	114,468
Held-to-maturity financial assets	2,000	16,000	19,998	2	5,998	43,998
Debts instrument without active market	-	-	-	-	7,526	7,526
Other maturity funds inflows items	16,500	70,000	30,000	-	249	116,749
	<u>2,522,834</u>	<u>1,449,939</u>	<u>970,149</u>	<u>322,436</u>	<u>2,934,763</u>	<u>8,200,121</u>
Major maturity funds outflows						
Due to the Central Bank and banks	447,651	55,388	354	489	16,232	520,114
Funds borrowed from the Central Bank and banks	1,852,776	635,000	35,000	-	17,000	2,539,776
Payables	530,561	18,676	2,753	728	6,000	558,718
Deposits and remittances	1,428,866	737,573	553,487	886,777	1,981,319	5,588,022
Other maturity funds outflows items	35,894	814	421	137	1,368	38,634
	<u>4,295,748</u>	<u>1,447,451</u>	<u>592,015</u>	<u>888,131</u>	<u>2,021,919</u>	<u>9,245,264</u>
Gap	<u>(\$ 1,772,914)</u>	<u>\$ 2,488</u>	<u>\$ 378,134</u>	<u>(\$ 565,695)</u>	<u>\$ 912,844</u>	<u>(\$ 1,045,143)</u>

Note: The amounts listed above were the position in U.S. dollars of Chang Hwa Bank.

b) Maturity analysis of derivative financial assets and liabilities

The derivative instruments held by Chang Hwa Bank, 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.

(New Taiwan Dollars and Foreign Currencies Combined In Thousands of New Taiwan Dollars)

Item	December 31, 2013					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 72,864,393	\$ 79,662,239	\$ 25,970,245	\$ 19,155,795	\$ 6,849	\$ 197,659,521
Inflows	73,136,049	79,780,500	26,043,694	19,236,377	6,787	198,203,407
Interest rate derivative instruments						
Outflows	5,062,786	7,311,740	8,229,789	15,428,332	30,221,683	66,254,330
Inflows	5,012,074	7,292,387	8,195,182	15,486,422	30,450,667	66,436,732
Total outflows	\$ 77,927,179	\$ 86,973,979	\$ 34,200,034	\$ 34,584,127	\$ 30,228,532	\$ 263,913,851
Total inflows	\$ 78,148,123	\$ 87,072,887	\$ 34,238,876	\$ 34,722,799	\$ 30,457,454	\$ 264,640,139

c) Maturity analysis of off-balance-sheet items

Chang Hwa Bank's off-balance-sheet items - irrevocable loans, guarantees, letters of credit - presented based on the residual time from the balance sheet date to the maturity date were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2013					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Loan commitments (excluding credit card)	\$ 98,059,723	\$ 1,876,721	\$ 5,671,705	\$ 7,451,285	\$ 23,623,355	\$ 136,682,789
Unused loan commitments (credit card only)	23,894,227	164,143	3,553	12,185	-	24,074,108
Guarantees in guarantee business	27,383,180	13,139	34,050	757,440	573,438	28,761,247
	\$ 149,337,130	\$ 2,054,003	\$ 5,709,308	\$ 8,220,910	\$ 24,196,793	\$ 189,518,144

48. RELATED-PARTY TRANSACTIONS

a. Names and relationships of related parties were as follows:

Name	Relationship
Taishin Bank	Wholly owned by Taishin Financial Holding
Taishin AMC	Same as above
Taishin Marketing	Wholly owned by Taishin Financial Holding (it had been liquidated by the end of September 2013)
Taishin Venture Capital	Wholly owned by Taishin Financial Holding
Taishin Securities B	Same as above
Taishin Securities Investment Trust	Same as above
Taishin Holdings Insurance Brokers	Same as above
Taishin Securities Investment Advisory	Owned by Taishin Financial Holding
Chang Hwa Bank	Owned by Taishin Financial Holding (become equity-method investee in December 2014)
Taishin D.A. Finance	Wholly owned by Taishin Bank
Taishin Insurance Agency	Owned by Taishin bank
Taishin Real-Estate	Same as above
An Hsin Real-Estate	Equity-method investee by Taishin bank
Youn Shin Artistic	Its corporate director is Taishin Venture Capital
Shin Kong Life Insurance Co., Ltd. ("Shin Kong Life Insurance")	Its director is the person in charge of Taishin Financial Holding's corporate director
Shinkong Synthetic Fibers Co., Ltd. ("Shin Kong Synthetic Fibers")	Its director is the person in charge of Taishin Financial Holding's corporate director
Taishin Insurance Broker	Wholly owned by Taishin Insurance Agency
CHB Insurance Agency	Wholly owned by Chang Hwa Bank
CHB Insurance Brokerage	Wholly owned by Chang Hwa Bank
Dah Chung Bills Finance Corp. ("Dah Chung Bills")	Its corporate director is Taishin Bank
Taiwan Shin Kong Commercial Bank Co., Ltd. ("Shin Kong Bank")	Related party in substance
MasterLink Securities Corp. ("MasterLink Securities")	MasterLink Securities Corp. ("MasterLink Securities") (become non-related party after the fourth quarter of 2014)
Taishin Financial Leases (China)	Wholly owned by Taishin Venture Capital
Taishin Financial Leases (Tianjin)	Wholly owned by Taishin Venture Capital



Name	Relationship
CyberSoft Digital Service Corp. ("CyberSoft Digital Service")	Related party in substance
Shin Kong Mitsukoshi Department Store Co., Ltd. ("Shin Kong Mitsukoshi")	Its director is Taishin Financial Holding's chairman
Central Reinsurance Corporation ("Central Re")	Its director is Chang Hwa Bank's corporate director (become non-related party after the fourth quarter of 2014)
Vanguard International Semiconductor Corp. ("Vanguard International Semiconductor")	Its director is Chang Hwa Bank's corporate supervisor (become non-related party after the fourth quarter of 2014)
Scino Pharm Taiwan, Ltd. ("Scino Pharm Taiwan")	Same as above
Taiwan High Speed Rail Corp. ("Taiwan High Speed Rail")	Same as above
Kai Fa International Investment Co., Ltd. ("Kai Fa International Investment")	Its corporate director is Chang Hwa Bank (become non-related party after the fourth quarter of 2014)
Shin Kong Insurance Co., Ltd. ("Shin Kong Insurance")	Its director is Financial Holding's chairman's spouse
Diamond Biotech Investment Corp. ("Diamond Biotech Investment")	Its director is Taishin Financial Holding's senior vice general manager
Dongan Asset Development and Management Co., Ltd. ("Dongan Asset Development and Management")	Its director is Taishin Financial Holding's director
China Airlines Co., Ltd. ("China Airlines")	Its director is Chang Hwa Bank's corporate supervisor (become non-related party after the fourth quarter of 2014)
Nan Ya Plastics Corp. ("Nan Ya Plastics")	Its director is Taishin Financial Holding's independent director
Darfon Corp. ("Darfon")	Its independent director is Taishin Financial Holding's independent director
Mega International Commercial Bank ("Mega Bank")	Its director is Chang Hwa Bank's vice general manager's spouse (become non-related party after the third quarter of 2014)
Taiwan Business Bank Co., Ltd. ("Taiwan Business Bank")	Its director is Chang Hwa Bank's corporate director (become non-related party after the fourth quarter of 2014)
Kaohsiung Rapid Transit Corp. ("KRTC")	Its director is Chang Hwa Bank's corporate supervisor (become non-related party after the fourth quarter of 2014)
Land Bank of Taiwan ("Land Bank")	Its director is Chang Hwa Bank's corporate director (become non-related party after the fourth quarter of 2014)
Taiwan Finance Corp. ("TFC")	Its director is Chang Hwa Bank's vice general manager's spouse (become non-related party after the third quarter of 2014)
Sercomm Corp. ("Sercomm")	Its supervisor is Taishin Financial Holding's director
Ri Chang Electronics Co., Ltd. ("Ri Chang Electronics")	Its director is Taishin Bank's senior manager
Wan Hai Lines Ltd. ("Wan Hai Lines")	Its director is Chang Hwa Bank's director (become non-related party after the fourth quarter of 2014)
Aero Win Technology Corp. ("Aero Win Technology")	Its supervisor is Taishin Securities B's independent director
The Export-Import Bank of the ROC ("The Export-Import Bank")	Its director is Chang Hwa Bank's corporate director (become non-related party after the third quarter of 2014)
Formosa International Hotels Corporation ("GFRT")	Its supervisor is the chairman of Taishin Financial Holding's corporate director
Ubright Optronics Corporation ("UBright")	Related party in substance
Agricultural Credit Guarantee Fund ("ACGF")	Its general manager is Taishin Securities B's independent director
Individual A	The chairman of Taishin Financial Holding
Individual B	The person in charge of Taishin Financial Holding's corporate director
Others	Other related parties based on the FSC-recognized IAS 24 "Disclosures of Related Parties"

(Continued)

b. Material transactions with related parties were as follows:

1) Loans, Deposits and Guaranteed Loans

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

Loans

	Ending Balance	Percentage of Loans (%)
December 31, 2014	\$ 1,421,216	0.17%
December 31, 2013	4,061,831	0.57%

For the years ended December 31, 2014 and 2013, interest ranged from 0.0001% to 18.25% and from 0.0001% to 20.00%, and interest revenues were \$28,245 thousand and \$85,139 thousand, respectively.

	December 31, 2014					The Different Terms with Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	
<u>Consumer loans</u>						
103 accounts	\$ 236,269	\$ 294,743	\$ 236,269	\$ -	Land, building, chattels	None
<u>Self-used residence mortgage loans</u>						
93 accounts	561,892	693,193	561,892	-	Land building	None
<u>Other loans</u>						
Shin Kong Synthetic Fibers	400,000	400,000	400,000	-	Securities	None
Others	<u>223,055</u>	745,906	<u>217,701</u>	5,354	Land, building, chattels, securities	None
	<u>\$ 1,421,216</u>		<u>\$ 1,415,862</u>			
	December 31, 2013					The Different Terms with Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	
<u>Consumer loans</u>						
114 accounts	\$ 237,965	\$ 311,178	\$ 237,965	\$ -	Land, building, chattels	None
<u>Self-used residence mortgage loans</u>						
99 accounts	614,847	727,305	614,847	-	Land, building	None
<u>Other loans</u>						
Nan Ya Plastics	2,001,499	2,904,479	2,001,499	-	Land, building, chattels, securities	
China Airlines	1,000,000	1,000,000	1,000,000	-	Credit	None
Others	<u>207,520</u>	769,453	<u>202,166</u>	5,354	Land, building, chattels, securities	None
	<u>\$ 4,061,831</u>		<u>\$ 4,056,477</u>			

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

Deposits

	<u>Ending Balance</u>	<u>Percentage of Deposits (%)</u>
December 31, 2014	\$ 14,192,382	1.47%
December 31, 2013	16,356,029	1.93%

For the years ended December 31, 2014 and 2013, interest rates ranged from 0.00% to 4.10% and 0.00% to 4.00%, respectively, and interest expenses were \$87,474 thousand and \$163,574 thousand, respectively.

	<u>December 31, 2014</u>		
	<u>Ending Balance</u>	<u>Interest Rate (Per Annum %)</u>	<u>Interest Expense</u>
An Hsin Real-Estate	\$ 4,856,536	0.00-0.94	(\$ 40,548)
Diamond Biotech Investment	3,333,416	0.04-1.22	(15,580)
Shin Kong Mitsukoshi	1,697,180	0.00-0.17	(1,949)
Dah Chung Bills	431,195	0.00-0.85	(3,321)
Dongon Asset Development and Management	300,000	0.80-0.80	(92)
Shin Kong Insurance	261,811	0.00-1.50	(4,602)
ACGF	200,000	0.27-1.38	(2,778)
Shin Kong Life Insurance	176,831	0.05-0.60	(173)
Shin Kong Synthetic Fibers	162,947	0.00-0.35	(56)
Individual A	139,337	0.04-0.38	(172)
Ri Chang Electronics	138,112	0.17-1.86	(1,625)
Ubright	137,571	0.00-0.35	(41)
Sercomm	119,019	0.01-0.17	(46)
Others	<u>2,238,427</u>		<u>(16,491)</u>
	<u>\$ 14,192,382</u>		<u>(\$ 87,474)</u>

	<u>December 31, 2013</u>		
	<u>Ending Balance</u>	<u>Interest Rate (Per Annum %)</u>	<u>Interest Expense</u>
An Hsin Real-Estate	\$ 3,574,866	0.17-1.36	(\$ 26,490)
Taiwan High Speed Rail	1,955,070	0.01-1.05	(17,142)
Shin Kong Mitsukoshi	1,563,149	0.00-0.17	(1,253)
Central Re	1,098,946	0.05-1.00	(9,917)
Vanguard International Semiconductor	1,017,849	0.17-1.22	(10,174)
Diamond Biotech Investment	914,433	0.05-1.22	(14,981)
Shin Kong Insurance	829,320	0.00-1.36	(6,432)
Scino Pharm Taiwan	714,383	0.00-0.94	(7,774)
Dah Chung Bills	425,567	0.00-0.90	(3,552)
Kai Fa International Investment	408,652	0.17-0.96	(3,575)
Wan Hai Lines	329,850	0.01-1.30	(1,991)
GFRT	300,212	0.00-0.77	(1,385)
Shin Kong Synthetic Fibers	234,669	0.00-0.35	(60)
Ri Chang Electronics	170,988	0.00-1.86	(1,225)
Taishin D.A. Finance	142,440	0.00-1.36	(875)
Ubright	106,321	0.00-0.17	(33)
Others	<u>2,569,314</u>		<u>(56,715)</u>
	<u>\$ 16,356,029</u>		<u>(\$ 163,574)</u>

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

Guaranteed loans

	December 31, 2013				
	Ending Balance	Highest Amount	Interest Rate (Per Annum %)	Reserve for Guarantee Liabilities	Collateral
Scino Pharm Taiwan	\$ 6,889	\$ 6,914	-	\$ -	-
Darfon	600	600	0.70	-	Certificate of deposit

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

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

Loans

	Ending Balance	Percentage of Loans (%)
December 31, 2013	\$ 38,417,445	3.36%

For the year ended December 31, 2013, interest rates ranged from all 0.00% to 3.88%, and interest income amounted to \$688,773 thousand.

	December 31, 2013					The Different Terms with Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non- performing Loans	Collateral	
<u>Consumer loans</u>						
27 accounts	\$ 8,910	\$ 9,500	\$ 8,910	\$ -	Credit	None
<u>Self-used residence mortgage loans</u>						
222 accounts	1,117,505	1,181,098	1,117,505	-	Real estate	None
<u>Other loans</u>						
Taiwan High Speed Rail	33,688,317	33,809,373	33,688,317	-	Equipment	None
China Airlines	1,622,500	2,085,000	1,622,500	-	Credit, aircraft	None
KRTC	715,000	715,000	715,000	-	Credit	None
Nan Ya Plastics	317,192	317,192	317,192	-	Credit, plant, equipment	None
Aero Win Technology	252,492	259,693	252,492	-	Credit, plant, equipment	None
Cybersoft Digital service	194,000	204,000	194,000	-	Real estate	None
11 corporate accounts	492,798	567,141	492,798	-	Credit, equipment, real estate	None
15 individual accounts	8,731	9,713	8,731	-	Deposit	None
	<u>\$ 38,417,445</u>		<u>\$ 38,417,445</u>			

Others: Individual accounts less than 1% of the total ending balance were summarized and disclosed in aggregate.

Chang Hwa Bank's mortgage loans with balance below \$8,000 thousand and consumer loans with balance below \$800 thousand to natural persons such as managers had interest rate of 1.54% as of December 31, 2013. Regular interest rates are used for ordinary loan borrowers.

Deposits

	Ending Balance	Percentage of Deposits (%)
December 31, 2013	\$ 3,752,791	0.27%

For the year ended December 31, 2013, the interest rates ranged from 0%-13% and interest expense was \$60,178 thousand.

	December 31, 2013		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense for the Year Ended December 31
Wan Hai Lines	\$ 154,128	0.05-3.10	(\$ 620)
Individual B	108,443	0.05-1.39	(720)
Others	3,490,220	0.00-13.00	(58,838)
	<u>\$ 3,752,791</u>		<u>(\$ 60,178)</u>

Chang Hwa Bank provides interest rate at 13% per annum to managers of the above affiliates for their savings deposits with a balance below \$480 thousand. For any excess amount, the interest is calculated at the rate given to regular savings deposits. The rest is the same as regular depositors.

Guaranteed loans

	December 31, 2013				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Taiwan High Speed Rail	\$ 448,541	\$ 779,854	-	0.775-0.80	Equipment

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

2) Call loans to banks and call loans from banks

Taishin Bank and subsidiariesCall loans from banks

	December 31, 2013		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense for the Year Ended December 31
Mega Bank	\$ 3,144,750	0.10-7.00	(\$ 7,716)
Taiwan Business Bank	737,901	0.27-7.00	(3,050)
Land Bank	599,000	0.19-11.00	(2,399)

Chang Hwa Bank and subsidiariesCall loans to banks

(In Thousands of Original Currencies)

December 31, 2013					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Land Bank	DBU	TWD	\$ 5,000	0.388-0.89	\$ 2,346
	Singapore Branch	USD	30,000	0.30-0.82	74
Taiwan Business Bank	Singapore Branch	USD	20,000	0.80-0.85	67
	London Branch	USD	10,000	0.25-0.85	90
	Hong Kong Branch	USD	10,000	0.20-0.85	94
Mega Bank	Singapore Branch	AUD	22,200	2.75-3.24	1,304
	London Branch	USD	10,000	0.20-0.86	77
	Hong Kong Branch	USD	40,000	0.14-0.95	115
The Export-Import Bank	London Branch	USD	10,000	0.51-0.84	28

Call loans from banks

(In Thousands of Original Currencies)

Name	Department	Currency	December 31, 2013		
			Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Land Bank	DBU	TWD	\$ 5,000	0.388-0.88	(\$ 1,943)
Taiwan Business Bank	London Branch	EUR	19,000	0.15-0.88	(148)
Mega Bank	Singapore Branch	USD	40,000	0.30-1.45	(267)
	New York Branch	USD	20,000	0.23-0.81	(128)
	Los Angeles Branch	USD	10,000	0.27-0.78	(42)
	London Branch	USD	16,000	0.30-0.90	(390)
	Hong Kong Branch	USD	64,000	0.79-1.60	(138)

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

3) Due from Banks and Due to Banks

Taishin Bank and subsidiaries
Due from banks

Item	December 31, 2014			
	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue for the Year Ended December 31	
Chang Hwa Bank	Due from banks	\$ 1,176	-	\$ -

Item	December 31, 2013			
	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue for the Year Ended December 31	
Chang Hwa Bank	Due from banks	\$ 1,338	-	\$ -
Mega Bank		35,259	0.00-0.15	194

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

Chang Hwa Bank and subsidiaries
Due from banks

(In Thousands of Original Currencies)

Name	December 31, 2013		
	Department	Currency	Ending Balance
Land Bank	DBU	TWD	\$ 58
Taiwan Business Bank	DBU	TWD	70
Mega Bank	DBU	TWD	21,724
	DBU	USD	369
	DBU	AUD	688
	DBU	CAD	140
	DBU	JPY	16,110
	New York Branch	USD	1
Los Angeles Branch	USD	21	



Due to banks

(In Thousands of Original Currencies)

Name	December 31, 2013		
	Department	Currency	Ending Balance
The Export-Import Bank	DBU	TWD	\$ 641
Land Bank	DBU	TWD	277
Taiwan Business Bank	DBU	TWD	124
Mega Bank	DBU	TWD	6

Bank overdraft

(In Thousands of Original Currencies)

Name	December 31, 2013		
	Department	Currency	Ending Balance
Mega Bank	DBU	USD	\$ 572

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

4) Trading securities

	December 31, 2014					
	Purchase		Repurchase Agreements		Resell Agreements	
	Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Dah Chung Bills	\$ 3,719,845	\$ 1,648,277	\$ -	-	\$ -	-
Shin Kong Insurance	-	-	300,719	0.60~0.65	-	-
Chang Hwa Bank	603,655	700,590	-	-	-	-
Shin Kong Bank	-	49,985	-	-	-	-
	<u>\$ 4,323,500</u>	<u>\$ 2,398,852</u>	<u>\$ 300,719</u>		<u>\$ -</u>	

	December 31, 2013					
	Purchase		Repurchase Agreements		Resell Agreements	
	Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Dah Chung Bills	\$ 1,942,224	\$ 1,713,954	\$ -	-	\$ -	-
MasterLink Securities	4,865,662	4,522,456	952,218	0.13-0.73	-	-
China Airlines	35,000	-	299,552	0.60-0.70	-	-
Taiwan High Speed Rail	-	-	920,000	0.65-0.74	-	-
TFC	6,506,098	-	-	-	-	-
Shin Kong Insurance	-	-	49,956	0.62-0.76	-	-
Land Bank	203,715	307,338	-	-	-	-
Taiwan Business Bank	1,899,342	149,024	1,397,692	0.60-0.76	-	-
Shin Kong Bank	-	49,479	-	-	-	-
	<u>\$ 15,452,041</u>	<u>\$ 6,742,251</u>	<u>\$ 3,619,418</u>		<u>\$ -</u>	

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

5) Derivatives

Related Parties	Derivative Contracts	Period	December 31, 2014			
			Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Dah Chung Bills	Interest rate swaps	2010.11.09- 2018.11.30	1,800,000	\$ 451	Financial liabilities at FVTPL	(\$ 1,505)
Shin Kong Synthetic Fibers	Foreign exchange contracts	2014.12.31- 2015.02.10	31,718	(60)	Financial liabilities at FVTPL	(60)

December 31, 2013						
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Taiwan Business Bank	Currency swaps and interest rate swaps	2007.08.15-2015.09.17	\$ 1,999,500	(\$ 22,847)	Financial assets at FVTPL	\$ 26,627
Dah Chung Bills	Interest rate swaps	2010.11.09-2018.11.30	1,800,000	(966)	Financial liabilities at FVTPL	(1,956)
Mega Bank	Currency swaps and interest rate swaps	2007.11.05-2017.05.09	1,399,000	(10,950)	Financial assets at FVTPL	15,906
China Airlines	Interest rate swaps	2012.05.23-2015.06.22	1,000,000	234	Financial assets at FVTPL	168
Vanguard International Semiconductor	Currency swaps	2013.11.04-2014.02.24	703,825	1,042	Financial assets at FVTPL	5,456
Scino Pharm Taiwan	Foreign exchange contracts	2013.12.05-2014.03.07	82,662	212	Financial assets at FVTPL	212

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

6) Other material transactions

For the Year Ended December 31					
2014			2013		
	Item	Amount		Item	Amount
Shin Kong Mitsukoshi	Fee income	\$ 325,947		Fee income	\$ 312,168
Shin Kong Mitsukoshi	Operating expense	385,405		Operating expense	350,509
Cyber Soft Digital Service	Operating expense	568,565		Operating expense	528,468
Diamond Biotech Investment	Financial assets carried at cost	450,000		Financial assets carried at cost	450,000

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

c. Compensation of key management personnel:

The remuneration of directors and other members of key management personnel for the years ended December 31, 2014 and 2013 included the following:

For the Year Ended December 31				
	2014		2013	
Short-term benefits	\$	287,399	\$	270,407
Post-employment benefits		1,539		11,639
Share-based payments		18,999		16,263
	\$	<u>307,937</u>	\$	<u>298,309</u>

d. Related-party transactions of subsidiaries with amounts more than \$100,000 thousand.

1) Taishin Bank

Material transactions with related parties were as follows:



a) Loans, deposits and guaranteed loans

Loans

Related Parties	December 31, 2014					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
Other loans						
Shin Kong Synthetic Fibers	\$ 400,000	\$ 400,000	\$ 400,000	\$ -	Securities	None
Related Parties	December 31, 2013					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
Other loans						
Nan Ya Plastics	\$ 2,001,499	\$ 2,904,497	\$ 2,001,499	\$ -	Land, building, chattels, securities	None
China Airline	1,000,000	1,000,000	1,000,000	-	-	None

Deposit

	December 31, 2014		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Taishin Financial Holding	\$ 6,854,458	0.17-1.36	(\$ 23,327)
An Hsin Real-Estate	4,856,536	0.00-0.94	(40,548)
Diamond Biotech Investment	3,333,416	0.04-1.22	(15,580)
Shin Kong Mitsukoshi	1,697,180	0.00-0.17	(1,949)
Taishin Holding Insurance Brokers	1,085,159	0.00-0.17	(1,625)
Taishin Insurance Agency	660,514	0.00-0.17	(1,348)
Dah Chung Bills	431,195	0.00-0.85	(3,321)
Taishin Venture Capital	390,082	0.04-0.35	(52)
Taishin Securities Investment Advisory	318,730	0.05-1.36	(2,689)
Dongan Asset Development and Management	300,000	0.80	(92)
Shin Kong Insurance	261,811	0.00-1.50	(4,602)
ACGF	200,000	0.27-1.38	(2,778)
Taishin Securities B	185,651	0.17-1.36	(1,559)
Shin Kong Life Insurance	176,831	0.05-0.60	(173)
Shin Kong Synthetic Fibers	162,947	0.00-0.35	(56)
Individual A	139,337	0.04-0.38	(172)
Ri Chang Electronics	138,112	0.17-1.86	(1,625)
Ubright	137,571	0.00-0.35	(41)
Sercomm	119,019	0.01-0.17	(46)

	December 31, 2013		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
An Hsin Real-Estate	\$ 3,574,866	0.17-1.36	(\$ 26,490)
Taiwan High Speed Rail	1,955,070	0.01-1.05	(17,142)
Shin Kong Mitsukoshi	1,563,149	0.00-0.17	(1,253)
Central Re	1,098,946	0.05-1.00	(9,917)
Vanguard International Semiconductor	1,017,849	0.17-1.22	(10,174)
Taishin Insurance Agency	1,016,563	0.00-0.17	(1,661)
Taishin Holding Insurance Brokers	928,958	0.00-0.17	(1,386)
Diamond Biotech Investment	914,433	0.05-1.22	(14,981)
Shin Kong Insurance	829,320	0.00-1.36	(6,432)
Scino Pharm Taiwan	714,383	0.00-0.94	(7,774)
Dah Chung Bills	425,567	0.00-0.90	(3,552)
Kai Fa International Investment	408,652	0.17-0.96	(3,575)
Wan Hai Lines	329,850	0.01-1.30	(1,991)
Taishin Securities Investment Advisory	309,926	0.05-1.36	(2,743)
GFRT	300,212	0.00-0.77	(1,385)
Shin Kong Synthetic Fibers	234,669	0.00-0.35	(60)
Taishin Securities B	212,040	0.17-1.36	(2,288)
Taishin Financial Holding	183,391	0.17-1.36	(2,108)
Ri Chang Electronics	170,988	0.00-1.86	(1,225)
Taishin AMC	165,168	0.00-0.88	(990)
Taishin D.A. Finance	142,440	0.00-1.36	(875)
Ubright	106,321	0.00-0.17	(33)

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

b) Call loans to banks and call loans from banks

	Item	December 31, 2013		
		Ending Balance	Interest Rate (Per Annum %)	Interest Revenue (Expense)
Mega Bank	Call loans from banks	\$ 3,144,750	0.10-7.00	(\$ 7,716)
Taiwan Business Bank		737,901	0.27-7.00	(3,050)
Land Bank		599,000	0.19-11.00	(2,399)

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

c) Trading securities

	December 31, 2014					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resell Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Dah Chung Bills	\$ 3,719,845	\$ 1,648,277	\$ -	-	\$ -	-
Taishin Financial Holding	-	-	5,316,390	0.54-0.58	-	-
Shin Kong Life Insurance	-	-	300,719	0.60-0.65	-	-
Chang Hwa Bank	603,655	700,590	-	-	-	-



	December 31, 2013					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resell Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Dah Chung Bills	\$ 1,942,224	\$ 1,713,954	\$ -	-	\$ -	-
MasterLink Securities	4,865,662	4,522,456	952,218	0.13-0.73	-	-
China Airlines	35,000	-	299,552	0.60-0.70	-	-
Taiwan High Speed Rail	-	-	920,000	0.65-0.74	-	-
TFC	6,506,098	-	-	-	-	-
Chang Hwa Bank	799,514	961,809	-	-	-	-
Land Bank	203,715	307,338	-	-	-	-
Taiwan Business Bank	1,899,342	149,024	1,397,692	0.60-0.76	-	-

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

d) Derivatives

Related Parties	Derivative Contracts	Period	December 31, 2014			
			Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Dah Chung Bills	Interest rate swaps	2010.11.09- 2018.11.30	\$ 1,800,000	\$ 451	Financial liabilities at FVTPL	(\$ 1,505)

Related Parties	Derivative Contracts	Period	December 31, 2014			
			Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Taiwan Business Bank	Currency swaps and interest rate swaps	2007.08.15- 2015.09.17	\$ 1,999,500	(\$ 22,847)	Financial assets at FVTPL	\$ 26,627
Dah Chung Bills	Interest rate swaps	2010.11.09- 2018.11.30	1,800,000	(966)	Financial liabilities at FVTPL	(1,956)
Mega Bank	Currency swaps and interest rate swaps	2007.11.05- 2017.05.09	1,399,000	(10,950)	Financial assets at FVTPL	15,906
China Airlines	Interest rate swaps	2012.05.23- 2015.06.22	1,000,000	234	Financial assets at FVTPL	168
Vanguard International Semiconductor	Currency swaps	2013.11.04- 2014.02.24	703,825	1,042	Financial assets at FVTPL	5,456

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

e) Other material transactions

	For the Year Ended December 31			
	2014		2013	
	Item	Amount	Item	Amount
Taishin Holding Insurance Brokers	Fee income	\$ 3,001,813	Fee income	\$ 2,303,047
Taishin Holding Insurance Brokers	Receivables, net	251,014	Receivables, net	150,595
Shin Kong Mitsukoshi	Fee income	325,947	Fee income	312,168
Shin Kong Mitsukoshi	Operating expenses	384,931	Operating expenses	347,800
Cybers Soft Digital Service	Operating expenses	560,676	Operating expenses	521,395

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

f) Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2014 and 2013 included the following:

	For the Year Ended December 31	
	2014	2013
Short-term employee benefits	\$ 339,074	\$ 322,861
Post-employment benefits	23,841	5,179
Share-based payment	30,218	25,179
	<u>\$ 393,133</u>	<u>\$ 353,219</u>

2) Chang Hwa Bank

Material transactions with related parties were as follows:

a) Loan

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

Related Parties	December 31, 2013					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
Other loans						
Taiwan High Speed Rail	\$33,688,317	\$33,809,373	\$33,688,317	\$ -	Equipment	None
China Airlines	1,622,500	2,085,000	1,622,500	-	Credit, aircraft	None
KRTC	715,000	715,000	715,000	-	Credit	None
Nan Ya Plastics	317,192	317,192	317,192	-	Credit, plant, equipment	None
Aero Win Technology	252,492	259,693	252,492	-	Credit, plant, equipment	None
Cyber Soft Digital Service	194,000	204,000	194,000	-	Real estate	None

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

b) Guarantees

Related Party	December 31, 2013				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Taiwan High Speed Rail	\$ 448,541	\$ 779,854	-	0.775-0.80	Equipment

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

c) Deposits

	December 31, 2013		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
CHB Insurance Agency	\$ 667,506	0.00-0.41	(\$ 2,089)
Wan Hai Lines	154,128	0.05-3.10	(620)
Individual B	108,443	0.05-1.39	(720)



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 deposits with a balance below \$480 thousand. For any excess amount, the interest is calculated at the rate given to regular savings deposits. The rest is the same as regular depositors.

d) Call loans to banks and call loans from banks

Call loans to banks

(In Thousands of Original Currencies)

Name	Department	Currency	December 31, 2013		
			Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Land Bank	Singapore Branch	USD	\$ 30,000	0.30-0.82	\$ 74
Taiwan Business Bank	Singapore Branch	USD	20,000	0.80-0.85	67
	London Branch	USD	10,000	0.25-0.85	90
	Hong Kong Branch	USD	10,000	0.20-0.85	94
Mega Bank	Singapore Branch	AUD	22,200	2.75-3.24	1,304
	London Branch	USD	10,000	0.20-0.86	77
	Hong Kong Branch	USD	40,000	0.14-0.95	115
The Export-Import Bank	London Branch	USD	10,000	0.51-0.84	28

Call loans from banks

(In Thousands of Original Currencies)

Name	Department	Currency	December 31, 2013		
			Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Taiwan Business Bank	London Branch	EUR	\$ 19,000	0.15-0.88	(\$ 148)
Mega Bank	Singapore Branch	USD	40,000	0.30-1.45	(267)
	New York Branch	USD	20,000	0.23-0.81	(128)
	Los Angeles Branch	USD	10,000	0.27-0.78	(42)
	London Branch	USD	16,000	0.30-0.90	(390)
	Hong Kong Branch	USD	64,000	0.79-1.60	(138)

e) Others

Chang Hwa Bank provided CHB Insurance Agency with personnel resources and distribution channels, and recognized service revenue of \$1,021,861 thousand for the year ended December 31, 2013.

f) Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the year ended December 31, 2013 included the following:

	For the Year Ended December 31, 2013
Short-term employee benefits	\$ 123,612
Post-employment benefits	1,281
	<u>\$ 124,893</u>

The remuneration of directors and other members of key management personnel is determined by Remuneration Committee according to personal achievements and market trends.

3) Taishin Securities B

Liability contracts with related parties:

Item	Name	December 31, 2014		December 31, 2013	
		Amount	% to Total	Amount	% to Total
Operating guarantee deposits	Taishin Bank	\$ 175,000	92	\$ 175,000	92

4) Taishin AMC

Names and relationships of related parties were as follows:

a) Liability contracts with related parties:

Item	Related Party	December 31, 2014		December 31, 2013	
		Amount	% to Total	Amount	% to Total
Bank deposits	Taishin Bank	\$ 22,840	7	\$ 165,168	28

b) Other material transactions

Item	Related Party	December 31, 2014		December 31, 2013	
		Amount	% to Total	Amount	% to Total
Acquisition of financial assets carried at cost	Diamond Biotech Investment	\$ -	-	\$ 100,000	75

c) Credit receivable

In July 2006, Taishin AMC bought non-performing loans that resulted from cash card, credit card and small consumer loans from Taishin Bank for \$546,697 thousand with book value of \$9,494,153 thousand. According to the contract, June 30, 2006 was determined as the basic measurement date of this transaction, and the receivables of \$546,697 thousand will be paid off in two installments by September 15, 2006. In September 2006, Taishin AMC bought non-performing loans that resulted from cash card, credit card and small consumer loans from Taishin Bank for \$158,000 thousand with book value of \$5,490,584 thousand. According to the contract, August 31, 2006 was determined as the basic measurement date of this transaction, and the receivables of \$158,000 thousand will be paid off in two installments by October 31, 2006. Also defined in the contract, 5 years from measurement date, Taishin AMC authorized Taishin Bank the rights to collect payments from debtors and will pay the 30% of loans collected as service fee and 40% of remaining 70% of loan collected paid as commission. The service contracts mentioned were terminated on June 30, 2011 and August 31, 2011, respectively. From July 1, 2011 and September 1, 2011, Taishin AMC authorized Taishin Bank the rights to collect payments from debtors and will pay 32.5% of loans collected as service fee.

d) Loans with transferred ownership

	For the Year Ended December 31, 2014			
	Beginning Balance	Purchased	Collected	Ending Balance
Loans with transferred ownership	\$ <u>16,249,111</u>	\$ <u>-</u>	(\$ <u>469,704</u>)	\$ <u>15,779,407</u>
	For the Year Ended December 31, 2013			
	Beginning Balance	Purchased	Collected	Ending Balance
Loans with transferred ownership	\$ <u>16,643,138</u>	\$ <u>-</u>	(\$ <u>394,027</u>)	\$ <u>16,249,111</u>

5) Taishin Venture Capital

a) Liability contracts with related parties:

Item	Related Party	December 31, 2014		December 31, 2013	
		Amount	% to Total	Amount	% to Total
Bank deposits	Taishin Bank	\$ 390,082	99	\$ 14,409	92

b) Other material transactions:

Item	Related Party	December 31, 2014		December 31, 2013	
		Amount	% to Total	Amount	% to Total
Financial assets measured at cost	Diamond Biotech Investment	\$ 450,000	40	\$ 350,000	54



6) Taishin Securities Investment Trust

There were no related party transactions with amounts more than \$100,000 thousand for the year ended December 31, 2014.

7) Taishin Securities Investment Advisory

Liability contracts with related parties:

Item	Related Party	December 31, 2014		December 31, 2013	
		Amount	% to Total	Amount	% to Total
Other financial assets	Taishin Bank	\$ 260,870	100	\$ 250,290	100

8) Taishin Holdings Insurance Brokers

Liability contracts with related parties:

Item	Related Party	December 31, 2014		December 31, 2013	
		Amount	% to Total	Amount	% to Total
Bank deposits	Taishin Bank	\$ 1,085,159	100	\$ 928,958	100
Accounts payable	Taishin Bank	251,014	100	150,595	100
Service fee	Taishin Bank	3,001,813	100	2,303,047	100
Commissions income	Shin Kong Life Insurance	354,050	100	4,887	-

49. PLEDGED ASSETS

Pledged Assets	Description	December 31, 2014	December 31, 2013
Refundable deposits	Cash and certificates of time deposits	\$ 19,471,891	\$ 3,008,659
Operating deposits and settlement funds	Cash and cash paid to stock exchange	150,614	162,614
Financial assets at FVTPL	Convertible corporate bonds and stocks	580,392	238,370
Available-for-sale financial assets	Certificates of time deposits, bonds and stocks	14,479,272	8,620,427
Held-to-maturity financial assets	Certificates of time deposits and bonds	1,100	37,238,183
Deposit with original maturity more than 3 months	Time deposit	7,884	2,456,500
Financial assets measured at cost	Stocks	460,316	-

50. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to those mentioned in Note 9 and Note 47, Taishin Financial Holding and subsidiaries have the following contingent liabilities and commitments as of December 31, 2014 and 2013:

	December 31	
	2014	2013
Repayment note and time deposit held for custody	\$ -	\$ 7,065,533
Liabilities on joint loans	-	1,127,218
Trust liabilities	216,279,252	457,605,055
Unpaid equipment purchase contracts	1,008,752	259,645

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

51. FINANCIAL INFORMATION BY BUSINESS

The financial information by business for the years ended December 31, 2014 and 2013 was as follows:

Item	Bank Business	December 31, 2014		
	Bank Business	Securities Business	Other Business	Total
Net interest income	\$ 33,626,424	\$ 39,707	\$ 31,450	\$ 33,697,581
Net income other than net interest income (loss)	19,793,644	464,641	(9,316,180)	10,942,105
Net revenue and gains (expense and loss)	53,420,068	504,348	(9,284,730)	44,639,686
Reversed allowance for bad debts expenses and guarantee liability provisions	759,158	(1,633)	(7,270)	750,255
Total operating expenses	(30,410,895)	(405,179)	(1,405,455)	(32,221,529)
Income (loss) before income tax of continued operations	23,768,331	97,536	(10,697,455)	13,168,412
Income tax expense	(3,260,044)	(23,604)	(237,025)	(3,520,673)
Income (loss) after income tax of continued operations	20,508,287	73,932	(10,934,480)	9,647,739

Item	Bank Business	December 31, 2013		
	Bank Business	Securities Business	Other Business	Total
Net interest income (expense)	\$ 31,541,191	\$ 29,112	(\$ 290,532)	\$ 31,279,771
Net income other than net interest income	19,861,453	539,051	4,146,958	24,547,462
Net revenue and gains	51,402,644	568,163	3,856,426	55,827,233
Reversed allowance for bad debts expenses and guarantee liability provisions	524,446	(748)	22,711	546,409
Total operating expenses	(29,247,322)	(391,746)	(1,331,122)	(30,970,190)
Income before income tax of continued operations	22,679,768	175,669	2,548,015	25,403,452
Income tax expense	(4,076,908)	(2,915)	(750,006)	(4,829,829)
Income after income tax of continued operations	18,602,860	172,754	1,798,009	20,573,623

52. FINANCIAL STATEMENTS OF TAISHIN FINANCIAL HOLDING

TAISHIN FINANCIAL HOLDING CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

ASSETS	2014	2013
Cash and cash equivalents	\$ 6,854,458	\$ 183,391
Securities purchased under resell agreements	5,316,390	7,435,522
Receivables	1,064,931	1,057,882
Current tax assets	342,315	803,305
Investments accounted for using the equity method	124,632,264	127,277,451
OTHER FINANCIAL ASSETS		
Financial assets carried at cost	2,200	2,200
Property and equipment, net	6,761	9,257
Deferred tax assets	116,942	120,591
Other assets	286,901	209,531
TOTAL	\$ 138,623,162	\$ 137,099,130
LIABILITIES AND EQUITY	2014	2013
LIABILITIES		
Payables	\$ 1,099,883	\$ 762,690
Current tax liabilities	1,464,865	3,204,575
Bonds payable	22,000,000	22,000,000
Other liabilities	-	278
Total liabilities	24,564,748	25,967,543
EQUITY		
Capital stock		
Common stock	88,417,902	75,116,532
Preferred stock	7,251,368	7,251,368
Advance receipts for capital stock	111,339	180,170
Capital surplus	10,640,840	9,478,327
Retained earnings		
Legal reserve	5,315,307	3,939,770
Special reserve	465,368	465,368
Unappropriated earnings	1,511,461	13,755,369
Other equity		
Exchange differences on translation of foreign financial statements	150,908	68,688
Unrealized gains (losses) on available-for-sale financial assets	193,921	875,995
Total equity	114,058,414	111,131,587
TOTAL	\$ 138,623,162	\$ 137,099,130

TAISHIN FINANCIAL HOLDING CO., LTD.**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

	2014	2013
INCOME		
Share of profit of subsidiaries associates and joint ventures accounted for using equity method	\$ 16,891,545	\$ 15,356,975
Interest income	72,518	38,650
Other revenue	62,879	42,933
Total income	<u>17,026,942</u>	<u>15,438,558</u>
EXPENSES AND LOSSES		
Share of loss of subsidiaries associated and joint ventures accounted for using equity method	(44,859)	(168,711)
Operating expenses	(238,850)	(431,219)
Interest expenses	(470,980)	(471,120)
Other expenses and losses	(14,754,447)	-
Total expenses and losses	<u>(15,509,136)</u>	<u>(1,071,050)</u>
INCOME BEFORE INCOME TAX	1,517,806	14,367,508
INCOME TAX (EXPENSE) BENEFIT	<u>106,570</u>	<u>(531,260)</u>
NET INCOME	1,624,376	13,836,248
OTHER COMPREHENSIVE INCOME (NET OF TAX)	<u>(712,769)</u>	<u>(1,510,109)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 911,607</u>	<u>\$ 12,326,139</u>
EARNINGS PER SHARE		
Basic	<u>\$ 0.08</u>	<u>\$ 1.57</u>
Diluted	<u>\$ 0.08</u>	<u>\$ 1.54</u>

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

	Capital Stock			Capital Surplus		
	Common Stock	Preferred Stock	Advance Receipts for Capital Stock	Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions	Stock-based Compensation
BALANCE, JANUARY 1, 2013	\$ 68,914,473	\$ 7,251,368	\$ -	\$ 7,005,072	\$ 2,075,475	\$ 329,210
Special reserve under Rule No. 1010012865 is issued by FSC	-	-	-	-	-	-
Special reserve under Rule No. 1010045494 is issued by FSC	-	-	-	-	-	-
Appropriation of 2012						
Legal reserve	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-
Stock dividend	6,139,767	-	-	-	-	-
Net income for the year ended December 31, 2013	-	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2013, net of tax	-	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	-
Share-based payments	62,292	-	180,170	72,499	-	(3,929)
BALANCE, DECEMBER 31, 2013	75,116,532	7,251,368	180,170	7,077,571	2,075,475	325,281
Appropriation of 2013						
Legal reserve	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-
Stock dividend	7,987,008	-	-	-	-	-
Net income for the year ended December 31, 2014	-	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2014, net of tax	-	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	-
Issue of common stocks for cash	5,000,000	-	-	988,154	-	-
Share-based payments	314,362	-	(68,831)	186,021	-	(11,662)
BALANCE, DECEMBER 31, 2014	\$ 88,417,902	\$ 7,251,368	\$ 111,339	\$ 8,251,746	\$ 2,075,475	\$ 313,619

Retained Earnings			Other Equity		
Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available- for-sale Financial Assets	Total
\$ 2,942,721	\$ 244,474	\$ 10,164,169	(\$ 58,334)	\$ 2,458,941	\$ 101,327,569
-	220,376	(220,376)	-	-	-
-	518	-	-	-	518
997,049	-	(997,049)	-	-	-
-	-	(1,534,942)	-	-	(1,534,942)
-	-	(1,298,729)	-	-	(1,298,729)
-	-	(6,139,767)	-	-	-
-	-	13,836,248	-	-	13,836,248
-	-	(54,185)	127,022	(1,582,946)	(1,510,109)
-	-	13,782,063	127,022	(1,582,946)	12,326,139
-	-	-	-	-	311,032
3,939,770	465,368	13,755,369	68,688	875,995	111,131,587
1,375,537	-	(1,375,537)	-	-	-
-	-	(3,423,308)	-	-	(3,423,308)
-	-	(969,516)	-	-	(969,516)
-	-	(7,987,008)	-	-	-
-	-	1,624,376	-	-	1,624,376
-	-	(112,915)	82,220	(682,074)	(712,769)
-	-	1,511,461	82,220	(682,074)	911,607
-	-	-	-	-	5,988,154
-	-	-	-	-	419,890
\$ 5,315,307	\$ 465,368	\$ 1,511,461	\$ 150,908	\$ 193,921	\$ 114,058,414

**TAISHIN FINANCIAL HOLDING CO., LTD.****STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

(In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 1,517,806	\$ 14,367,508
Depreciation expenses	2,504	2,007
Interest expense	470,980	471,120
Interest revenue	(72,518)	(38,650)
Dividend revenue	(99)	(110)
Share-based payments	7,586	10,981
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(16,846,686)	(15,188,264)
Other items	14,754,447	-
Net changes in operating assets and liabilities		
Net changes in operating assets		
Decrease in receivables	1,492,201	342,376
(Increase) decrease in other assets	(78,195)	14,132
Net changes in operating liabilities		
(Decrease) increase in payables	(287,155)	118,306
Decrease in reserve for employee benefits	-	(14,848)
(Decrease) increase in reserve for other liabilities	(278)	278
Interest received	70,558	38,907
Dividend received	9,343,262	7,021,349
Interest paid	(470,980)	(471,131)
Income taxes refunded	339,947	271,789
Income taxes paid	(2,385,669)	(138,496)
Net cash flows generated from operating activities	<u>7,857,711</u>	<u>6,807,254</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Acquisition) disposal of investments accounted for using equity method	(5,630,000)	3,633
Capital reduction of investments accounted for using equity method	450,000	-
Acquisition of property and equipment	(8)	(5,468)
Net cash used in investing activities	<u>(5,180,008)</u>	<u>(1,835)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock for cash	5,988,154	-
Exercise of employee share options	278,902	249,331
Cash dividends distributed	(4,392,824)	(2,833,671)
Net cash flows generated (used) in financing activities	<u>1,874,232</u>	<u>(2,584,340)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,551,935	4,221,079
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,618,913	3,397,834
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 12,170,848</u>	<u>\$ 7,618,913</u>
CASH AND CASH EQUIVALENTS IN BALANCE SHEET	\$ 6,854,458	\$ 183,391
SECURITIES PURCHASED UNDER RESELL AGREEMENTS QUALIFYING FOR CASH AND CASH EQUIVALENTS UNDER THE DEFINITION OF IAS 7 PERMITTED BY THE FINANCIAL SUPERVISORY COMMISSION	<u>5,316,390</u>	<u>7,435,522</u>
	<u>\$ 12,170,848</u>	<u>\$ 7,618,913</u>

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

Stand-alone

Item		For the Year Ended December 31	
		2014	2013
Return on total assets	Pretax	1.10%	10.93%
	After tax	1.18%	10.52%
Return on net equity - common stock	Pretax	0.62%	14.77%
	After tax	0.73%	14.19%
Profit margin		9.54%	89.62%

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 = $\frac{\text{Income after tax}}{\text{Total Income}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2014 and 2013.

Consolidated

Item		For the Year Ended December 31	
		2014	2013
Return on total assets	Pretax	0.62%	0.91%
	After tax	0.45%	0.73%
Return on net equity - common stock	Pretax	2.95%	17.85%
	After tax	0.73%	14.19%
Profit margin		21.61%	36.85%

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2014 and 2013.

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

Taishin Bank

a. Balance sheet

	December 31	
	2014	2013
Assets		
Cash and cash equivalents	\$ 21,833,277	\$ 13,582,195
Due from Central Bank and call loans to banks	34,496,856	39,353,726
Financial assets at FVTPL	80,831,117	40,717,742
Securities purchased under resell agreements	-	1,942,716



Receivables, net	90,722,938	83,029,535
Current tax assets	571,874	174,636
Loans, net	805,759,004	703,149,360
Available-for-sale financial assets, net	244,237,901	214,044,825
Held-to-maturity financial assets, net	-	1,953,739
Investments accounted for using the equity method, net	2,054,542	1,692,659
Other financial assets, net	10,388,063	6,214,295
Property and equipment, net	17,587,386	17,404,330
Intangible assets, net	1,505,828	1,541,000
Deferred tax assets	3,900,771	4,454,289
Other assets, net	19,898,649	3,427,580
	<u>\$ 1,333,788,206</u>	<u>\$ 1,132,682,627</u>
Liabilities		
Due to the Central Bank and banks	\$ 56,003,848	\$ 49,834,471
Financial liabilities at FVTPL	34,921,514	14,522,005
Securities sold under repurchase agreements	75,040,882	33,433,856
Payables	20,825,562	19,290,731
Current tax liabilities	985,450	1,822,269
Deposits and remittances	975,005,037	880,624,807
Bonds payable	33,000,000	25,000,000
Reserve for liabilities	764,993	722,565
Other financial liabilities	52,744,269	32,131,475
Deferred tax liabilities	83,425	249,439
Other liabilities	2,329,919	1,616,824
	<u>1,251,704,899</u>	<u>1,059,248,442</u>
Equity		
Capital stock	52,025,626	49,157,526
Capital surplus	5,412,397	3,362,989
Retained earnings	24,448,993	19,921,242
Other equity	196,291	992,428
	<u>82,083,307</u>	<u>73,434,185</u>
	<u>\$ 1,333,788,206</u>	<u>\$ 1,132,682,627</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2014	2013
Interest income	\$ 25,928,721	\$ 22,967,849
Interest expense	(10,074,023)	(8,551,868)
Net interest income	15,854,698	14,415,981
Net income other than net interest income	<u>14,793,303</u>	<u>15,125,084</u>
Net revenue and gains	30,648,001	29,541,065
Reversed allowance for bad debts expenses and guarantee liability provisions	328,611	(114,212)
Operating expenses	(16,431,117)	(15,124,609)
Income before income tax	14,545,495	14,302,244
Income tax expense	(1,502,657)	(2,120,971)
Net income	13,042,838	12,181,273
Other comprehensive income	(857,221)	(1,464,616)
Total comprehensive income	<u>\$ 12,185,617</u>	<u>\$ 10,716,657</u>
Basic earnings per share (dollar)	<u>\$ 2.54</u>	<u>\$ 2.46</u>
Diluted earnings per share (dollar)	<u>\$ 2.54</u>	<u>\$ 2.42</u>

c. Key financial and business highlights

1) Profitability

Item		For the Year Ended December 31	
		2014	2013
Return on total assets	Pretax	1.18%	1.29%
	After tax	1.06%	1.10%
Return on net equity	Pretax	18.71%	20.12%
	After tax	16.77%	17.14%
Profit margin		42.56%	41.24%

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

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

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Net revenue and Gains}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2014 and 2013.

2) Asset quality

Nonperforming loans and receivables

Business Type / Item		December 31, 2014					December 31, 2013				
		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	643,464	195,389,954	0.33%	3,621,590	562.83%	652,640	170,287,594	0.38%	3,584,207	549.19%
	Unsecured	60,290	179,091,264	0.03%	1,805,494	2,994.68%	29,120	148,425,225	0.02%	1,100,426	3,778.94%
Consumer finance	Mortgage loans (Note d)	123,191	228,732,126	0.05%	2,915,384	2,366.56%	156,581	218,171,588	0.07%	2,127,890	1,358.97%
	Cash cards	39,307	3,673,046	1.07%	124,270	316.15%	47,799	4,747,282	1.01%	248,734	520.37%
	Credit loans (Note e)	95,451	40,931,686	0.23%	620,128	649.68%	87,906	34,187,468	0.26%	616,120	700.89%
	Others (Note f)	133,319	166,261,895	0.08%	1,625,105	1,218.96%	104,147	135,618,420	0.08%	1,255,058	1,205.08%
	Unsecured	11,324	3,027,442	0.37%	102,797	907.78%	18,731	1,326,135	1.41%	137,605	734.64%
Subtotal		1,106,346	817,107,413	0.14%	10,814,768	977.52%	1,096,924	712,763,712	0.15%	9,070,040	826.86%
Credit card		84,071	35,732,551	0.235%	388,024	461.543%	88,727	33,806,072	0.26%	614,463	692.53%
Accounts receivable factoring with no recourse (Note g)		-	48,356,735	-	62,964	-	-	41,710,904	-	229,882	-

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 assign the right on mortgage to financial institutions.

Note e: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

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

Note g: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 094000494), accounts receivable without recourse are classified as non-performing loans if not compensated by the factor or insurance company within year.

Exempted from report as nonperforming loans and receivables

Business Type / Item	December 31, 2014		December 31, 2013	
	Exempted from Report as Non-performing Loans	Exempted from Report as Non-performing Receivables	Exempted from Report as Non-performing Loans	Exempted from Report as Non-performing Receivables
Amounts negotiated in accordance with the agreement (Note a)	2,138,536	649,145	2,868,309	881,173
Loans executed in accordance with debt clearing and renewal regulations (Note b)	1,765,004	1,321,181	1,807,038	1,373,205
Total	3,903,540	1,970,326	4,675,347	2,254,378

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

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



3) Concentration of credit risk

Year	December 31, 2014			December 31, 2013			
	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 (manufacture of liquid crystal panel and components)	13,031,825	15.88%	A Group (manufacture of liquid crystal panel and components)	12,535,811	17.07%
	2	B Group (other financial intermediaries not elsewhere classified)	11,143,761	13.58%	B Group (other financial intermediaries not elsewhere classified)	9,798,950	13.34%
	3	C Group (other financial intermediaries not elsewhere classified)	9,101,422	11.09%	C Group (other financial intermediaries not elsewhere classified)	8,531,168	11.62%
	4	D Group (real estate rental and leasing)	8,666,397	10.56%	F Group (other financial intermediaries not elsewhere classified)	5,778,290	7.87%
	5	E Group (other financial intermediaries not elsewhere classified)	6,079,905	7.41%	K Group (manufacture of liquid crystal panel and components)	5,431,253	7.40%
	6	F Group (other financial intermediaries not elsewhere classified)	5,484,830	6.68%	E Group (other financial intermediaries not elsewhere classified)	4,985,890	6.79%
	7	G Group (manufacture of computer)	5,413,301	6.59%	I Group (manufacture of printed circuit board)	4,784,622	6.52%
	8	H Group (monitors and terminals manufacturing)	5,117,378	6.23%	L Group (visual electronic products manufacturing industry)	4,713,113	6.42%
	9	I Group (other financial intermediaries not elsewhere classified)	4,575,409	5.57%	G Group (manufacture of computer)	4,518,622	6.15%
	10	J Group (whole sale of other specialized products not elsewhere classified)	4,325,651	5.27%	M Group (whole sale of other specialized products not elsewhere classified)	4,412,999	6.01%

Note a: Sorted by the balance of loans, excluding government or state-owned business. If borrowers belong to the same business group, the aggregated credit amount of the business group is disclosed, and code and industry additionally disclosed. If the borrower is a business group, the industry with the largest risk exposures in the business group is disclosed. The industry disclosure should follow the guidelines of Directorate-General of Budget, Accounting and Statistics.

Note b: Transaction party is in accordance with Article 6 of the Supplementary Provisions of the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

4) Interest rate sensitivity

(In Thousands of New Taiwan Dollars)

Item	December 31, 2014				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	919,677,859	64,435,464	83,265,235	153,529,394	1,220,907,952
Interest-sensitive liabilities	523,290,577	188,052,546	183,463,753	294,100,260	1,188,907,136
Interest sensitivity gap	396,387,282	(123,617,082)	(100,198,518)	(140,570,866)	32,000,816
Net equity					77,202,397
Ratio of interest-sensitive assets to liabilities					102.69%
Ratio of interest sensitivity gap to net equity					41.45%

(In Thousands of New Taiwan Dollars)

Item	December 31, 2013				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	768,884,539	25,062,166	55,597,848	137,629,623	987,174,176
Interest-sensitive liabilities	419,177,557	131,568,517	155,083,996	253,139,545	958,969,615
Interest sensitivity gap	349,706,982	(106,506,351)	(99,486,148)	(115,509,922)	28,204,561
Net equity					73,413,877
Ratio of interest-sensitive assets to liabilities					102.94%
Ratio of interest sensitivity gap to net equity					38.42%

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

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

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

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

(In Thousands of U.S. Dollars)

Item	December 31, 2014				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	12,795,237	3,200,647	2,361,037	2,448,778	20,805,699
Interest-sensitive liabilities	12,152,462	5,094,991	2,752,891	557,186	20,557,530
Interest sensitivity gap	642,775	(1,894,344)	(391,854)	1,891,592	248,169
Net equity					67,067
Ratio of interest-sensitive assets to liabilities					101.21%
Ratio of interest sensitivity gap to net equity					370.03%

(In Thousands of U.S. Dollars)

Item	December 31, 2013				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	7,354,199	980,707	765,386	1,410,509	10,510,801
Interest-sensitive liabilities	7,098,162	2,763,073	877,210	338,396	11,076,841
Interest sensitivity gap	256,037	(1,782,366)	(111,824)	1,072,113	(566,040)
Net equity					51,707
Ratio of interest-sensitive assets to liabilities					94.89%
Ratio of interest sensitivity gap to net equity					(1,094.71%)

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

5) Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2014				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	1,292,585,800	413,181,461	154,684,671	86,454,661	127,666,989	510,598,018
Major maturity cash outflow	1,675,729,378	287,314,345	201,555,516	224,068,106	262,918,051	699,873,360
Gap	(383,143,578)	125,867,116	(46,870,845)	(137,613,445)	(135,251,062)	(189,275,342)



(In Thousands of New Taiwan Dollars)

	Total	December 31, 2013				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	1,055,068,277	326,413,537	131,784,204	43,660,415	93,510,548	459,699,573
Major maturity cash outflow	1,144,636,734	208,732,167	188,331,987	181,763,908	214,554,351	351,254,321
Gap	(89,568,457)	117,681,370	(56,547,783)	(138,103,493)	(121,043,803)	108,445,252

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

(In Thousands of U.S. Dollars)

	Total	December 31, 2014				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	27,654,570	10,692,273	6,556,587	3,797,725	3,063,887	3,544,098
Major maturity cash outflow	27,521,357	9,651,033	6,640,975	5,666,376	3,524,698	2,038,275
Gap	133,213	1,041,240	(84,388)	(1,868,651)	(460,811)	1,505,823

(In Thousands of U.S. Dollars)

	Total	December 31, 2013				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	17,066,621	8,547,858	3,644,430	1,722,612	1,085,675	2,066,046
Major maturity cash outflow	17,020,565	7,094,779	3,574,226	3,428,455	1,328,172	1,594,933
Gap	46,056	1,453,079	70,204	(1,705,843)	(242,497)	471,113

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

6) Capital adequacy

Item		Period	December 31, 2014
Self-owned capital	Common equity Tier I		76,554,993
	Other Tier I capital		6,122,272
	Tier II capital		23,098,060
	Self-owned capital		105,775,325
Risk-weighted assets	Credit risk	Standardized approach	882,414,626
		IRB	-
		Securitization	333,499
	Operation risk	Basic indicator approach	-
		Standardized approach/optional standard	46,129,500
		Advanced internal-rating based approach	-
	Market price risk	Standardized approach	31,527,788
		Internal model approach	-
Total		960,405,413	
Capital adequacy ratio			11.01%
Common equity Tier I to risk-weighted assets ratio			7.97%
Tier I capital to risk-weighted assets ratio			8.61%
Leverage ratio			4.28%

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

Note b: Formula:

1) Self-owned capital = Common equity Tier I + Other Tier I capital + Tier II capital

2) Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) x 12.5

3) Capital adequacy = Self-owned capital/Risk-weighted assets

4) Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital/Risk-weighted assets

5) Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital)/Risk-weighted assets

6) Leverage ratio = Tier I capital/Adjusted average assets

Item		Period	December 31, 2013
Self-owned capital	Common equity Tier I		67,391,696
	Other Tier I capital		1,173,025
	Tier II capital		21,730,618
	Self-owned capital		90,295,339
Risk-weighted assets	Credit risk	Standardized approach	753,873,729
		IRB	-
		Securitization	420,834
	Operation risk	Basic indicator approach	-
		Standardized approach/optional standard	42,494,713
		Advanced internal-rating based approach	-
	Market price risk	Standardized approach	28,685,638
		Internal model approach	-
Total		825,474,914	
Capital adequacy ratio			10.94%
Common equity Tier I to risk-weighted assets ratio			8.16%
Tier I capital to risk-weighted assets ratio			8.31%
Leverage ratio			4.08%

Note a: The ratios are calculated in accordance with the Letters issued by the MOF on both November 26, 2012 (Ref. No. Jin-Guan-Yin 10110007010 and 10110007011).

Note b: Formula:

- 1) Self-owned capital = Tier I capital + Tier II capital + Tier III capital
- 2) Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) x 12.5
- 3) Capital Adequacy = Self-owned capital/Risk-weighted assets
- 4) Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital/Risk-weighted assets
- 5) Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital)/Risk-weighted assets
- 6) Leverage ratio = Tier I capital/Adjusted average assets
- 7) Securities department balance sheet: Table 4.
Securities department statements of income: Table 5.

Chang Hwa Bank (Taishin Financial Holding did not consolidate Chang Hwa Bank as subsidiary since December 8, 2014)

a. Balance sheet

	December 31, 2013	
Assets		
Cash and cash equivalents	\$	46,802,004
Due from Central Bank and call loans to banks		84,798,723
Financial assets at FVTPL, net		60,001,473
Derivative financial assets for hedging		62,494
Receivables, net		20,270,254
Current tax assets		780,220
Loans, net		1,142,867,165
Available-for-sale financial assets, net		37,884,111
Held-to-maturity financial assets, net		226,989,182
Investments accounted for using the equity method, net		590,974
Other financial assets, net		39,272,679
Property and equipment, net		23,932,468
Investment property, net		10,937,868
Intangible assets, net		80,006
Deferred tax assets		3,107,599
Other assets, net		2,322,770
	\$	<u>1,700,699,990</u>

(Continued)



Liabilities	
Due to the Central Bank and banks	\$ 126,829,032
Financial liabilities at FVTPL	1,715,364
Securities sold under repurchase agreements	4,504,591
Payables	25,169,989
Current tax liabilities	76,190
Deposits and remittances	1,373,647,685
Bonds payable	43,322,818
Other financial liabilities	672,028
Reserve for liabilities	3,673,201
Deferred tax liabilities	6,461,749
Other liabilities	2,224,013
	<u>1,588,296,660</u>
Equity	
Capital stock	77,490,592
Retained earnings	35,279,846
Other equities	(367,108)
	<u>112,403,330</u>
	<u>\$ 1,700,699,990</u>

(Continued)

b. Statements of comprehensive income

	For the Year Ended December 31, 2013
Interest income	\$ 27,321,411
Interest expense	(10,243,358)
Net interest income	17,078,053
Net income other than net interest income	6,565,361
Net revenue and gains	<u>23,643,414</u>
Reversed allowance for bad debts expenses and guarantee liability provisions	637,773
Operating expenses	(13,618,490)
Income before income tax	10,662,697
Income tax expense	(1,844,448)
Net income	8,818,249
Total other comprehensive income	(586,318)
Total comprehensive income	<u>\$ 8,231,931</u>
Basic earnings per share (dollar)	<u>\$ 1.14</u>
Diluted earnings per share (dollar)	<u>\$ 1.13</u>

c. Key financial and business highlights

1) Profitability

Item		For the Year Ended December 31, 2013
Return on total assets	Pretax	0.64%
	After tax	0.53%
Return on net equity	Pretax	9.81%
	After tax	8.12%
Profit margin		37.30%

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

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

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Net revenue and gains}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2013.

2) Asset quality

Business Type \ Item		December 31, 2013					
		Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)	
Corporate finance	Secured	2,405,097	337,381,910	0.71%	8,207,555	341.26%	
	Unsecured	159,173	407,812,214	0.04%	2,674,310	1,680.13%	
Consumer finance	Mortgage loans (Note d)	693,182	286,783,204	0.24%	1,647,005	237.60%	
	Cash cards (Note h)	-	-	-	-	-	
	Credit loans (Note e)	5,212	1,593,904	0.33%	22,743	436.34%	
	Others (Note f)	Secured	398,447	121,101,252	0.33%	918,309	230.47%
		Unsecured	16,407	1,705,150	0.96%	40,547	247.14%
Total		3,677,518	1,156,377,634	0.32%	13,510,469	367.38%	
Credit card		3,072	1,127,237	0.27%	13,823	449.97%	
Accounts receivable factoring with no recourse (Note g)		-	9,691,225	-	85,236	-	

Business Type \ Item	December 31, 2013	
	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)	516	5,242
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note j)	8,840	7,288
Total	9,356	12,530

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 the 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 assign the right on mortgage to financial institutions.

Note e: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

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

Note g: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 094000494), accounts receivable without recourse are classified as non-performing loans if not compensated by the factor or insurance company within year.

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 the 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 the Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 09700318940).



3) Concentration of credit risk

Year	December 31, 2013		
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity
1	A Co. (railway transportation industry)	34,578,191	30.65%
2	B Group (other chemical products manufacturing industry)	32,993,746	29.24%
3	C Group (air transportation industry)	17,412,359	15.43%
4	D Group (liquid crystal panel and components manufacturing industry)	9,263,092	8.21%
5	E Group (ocean freight industry)	8,533,283	7.56%
6	F Group (architecture industry)	7,952,032	7.05%
7	G Group (iron and steel smelting industry)	7,136,485	6.33%
8	H Group (liquid crystal panel and components manufacturing industry)	6,643,097	5.89%
9	I Group (computer manufacturing industry)	6,639,490	5.88%
10	J Group (other financial intermediation not elsewhere classified industry)	6,208,180	5.50%

Note a: Sorted by the balance of loans, excluding government or state-owned business.

Note b: Transaction party is in accordance with Article 6 of the Supplementary Provisions of the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

Note d: Ratio of loans to net equity = Loans ÷ Net equity (the head office's net equity of domestic banks or the local branches' net equity of foreign banks)

4) Interest rate sensitivity

(In Thousands of New Taiwan Dollars)

Item	December 31, 2013				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	1,168,378,854	23,426,906	5,843,217	90,293,017	1,287,941,994
Interest-sensitive liabilities	351,416,200	679,283,165	93,022,340	33,499,025	1,157,220,730
Interest sensitivity gap	816,962,654	(655,856,259)	(87,179,123)	56,793,992	130,721,264
Net equity					105,205,918
Ratio of interest-sensitive assets to liabilities					111.30%
Ratio of interest sensitivity gap to net equity					124.25%

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

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

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

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

(In Thousands of U.S. Dollars)

Item	December 31, 2013				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	8,551,732	868,616	64,043	65,159	9,549,550
Interest-sensitive liabilities	9,770,760	334,531	529,045	-	10,634,336
Interest sensitivity gap	(1,219,028)	534,085	(465,002)	65,159	(1,084,786)
Net equity					69,681
Ratio of interest-sensitive assets to liabilities					89.80%
Ratio of interest sensitivity gap to net equity					(1,556.79%)

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

5) Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2013					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflow	1,444,031,044	224,709,214	134,150,085	166,187,363	84,145,257	125,890,202	708,948,923
Major maturity cash outflow	1,548,525,231	76,899,117	123,777,611	201,658,227	150,616,248	310,053,027	685,521,001
Gap	(104,494,187)	147,810,097	10,372,474	(35,470,864)	(66,470,991)	(184,162,825)	23,427,922

Note: The above data included only accounts denominated in New Taiwan dollars of Chang Hwa Bank and its branches.

(In Thousands of U.S. Dollars)

	Total	December 31, 2013				
		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	14,784,255	5,588,825	2,560,836	1,755,876	1,224,695	3,654,023
Major maturity cash outflow	16,383,306	7,303,441	2,679,150	1,167,692	1,513,972	3,719,051
Gap	(1,599,051)	(1,714,616)	(118,314)	588,184	(289,277)	(65,028)

Note: The above data included only accounts denominated in U.S. dollars of the head office, domestic branches and OBU.



6) Capital adequacy

Item		Period	December 31, 2013
Self-owned capital	Common equity Tier I capital		96,516,072
	Other Tier I capital		3,453,503
	Tier II capital		25,991,559
	Self-owned capital		125,961,134
Risk-weighted assets	Credit risk	Standardized approach	1,073,505,460
		IRB	-
		Real estate securitization	59,772
	Operation risk	Basic indicator approach	-
		Standardized approach/optional standard	39,393,925
		Advanced internal-rating based approach	-
	Market price risk	Standardized approach	20,542,888
		Internal model approach	-
	Total		1,133,502,045
	Capital adequacy ratio		
Common equity Tier I capital to risk weighted assets ratio			8.51%
Tier I capital to risk weighted assets ratio			8.82%
Gearing ratio			3.66%

Note a: The ratios are calculated in accordance with the Letters issued by the MOF (Ref. No. Jin-Guan-Yin 0961000025) and (Ref. No. Jin-Guan-Yin 10110007010).

Note b: Capital adequacy should be disclosed current and same period for the years ended December 31.

Note c: Formula:

1) Self-owned capital = Common equity Tier I capital + Other Tier I capital + Tier II capital

2) Risk-weighted assets = Credit risk-weighted assets + (Operation risk Capital + Market price risk Capital) × 12.5

3) Capital Adequacy = Self-owned capital ÷ Risk-weighted assets

4) Common equity Tier I capital to risk weighted assets ratio = Common equity Tier I capital ÷ Risk-weighted assets

5) Tier I capital to risk weighted assets ratio = (Common equity Tier I capital + Other Tier I capital) ÷ Risk-weighted assets

6) Gearing ratio = Tier I capital ÷ Average-assets adjusted

Taishin Securities B

a. Balance sheet

	December 31	
	2014	2013
Assets		
Current assets	\$ 3,835,549	\$ 2,844,345
Financial assets carried at cost - noncurrent	4,630	6,470
Property and equipment	26,988	31,539
Intangible assets	28,089	31,311
Deferred tax assets	3,549	3,755
Other noncurrent assets	232,829	230,684
	<u>\$ 4,131,634</u>	<u>\$ 3,148,104</u>
Liabilities		
Current liabilities	\$ 675,359	\$ 667,654
Other noncurrent liabilities	19,679	18,835
	<u>695,038</u>	<u>686,489</u>
Equity		
Capital stock	3,061,250	2,280,000
Capital surplus	297,639	74,034
Retained earnings	77,707	107,581
	<u>3,436,596</u>	<u>2,461,615</u>
	<u>\$ 4,131,634</u>	<u>\$ 3,148,104</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2014	2013
Revenue	\$ 511,019	\$ 568,785
Expense	(448,144)	(427,995)
Non-operating income	8,200	7,227
Non-operating expense	(721)	(15)
Income before income tax	70,354	148,002
Income tax (expense) benefit	(23,604)	(2,916)
Net income	46,750	145,086
Other comprehensive income	(1,317)	2,650
Total comprehensive income	\$ 45,433	\$ 147,736
Basic earnings per share (dollar)	\$ 0.20	\$ 0.64

c. Key financial and business highlights

1) Profitability

Item	For the Year Ended December 31		
	2014	2013	
Return on total assets	Pretax	1.93%	5.12%
	After tax	1.28%	5.02%
Return on net equity	Pretax	2.39%	6.20%
	After tax	1.59%	6.08%
Profit margin	9.00%	25.19%	

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 = $\frac{\text{Income after tax}}{\text{Operating income} + \text{Nonoperating income}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2014 and 2013.

d. Capital adequacy

Item	December 31	
	2014	2013
Eligible capital		
Tier I capital	\$ 3,436,596	\$ 2,458,966
Tier I capital - minus assets	147,264	153,641
Tier II capital - minus assets in excess of Tier II capital	120,773	122,330
Tier I capital, net	3,168,559	2,182,995
Tier II capital	-	-
Tier II capital - minus assets	-	-
Tier II capital, net	-	-
Tier III capital	-	-
Total net of eligible capital	\$ 3,168,559	\$ 2,182,995
Equivalent amount of operating risk		
Equivalent amount of credit risk	\$ 47,529	\$ 35,594
Equivalent amount of operation risk	71,817	52,075
Equivalent amount of market risk	519,417	427,729
Capital adequacy ratio	\$ 638,763	\$ 515,398
	496.00%	424.00%



- Capital adequacy ratio = Net of eligible capital ÷ Equivalent amount of operating risk
- Net of eligible capital = Tier I capital + Tier II capital + Tier III capital - Minus assets
- Equivalent amount of operating risk = Equivalent amount of market risk + Equivalent amount of credit risk + Equivalent amount of operation risk

1) Net of eligible capital

a) Tier I capital

	December 31, 2014		December 31, 2013	
	Amount	Percentage of Item (%)	Amount	Percentage of Item (%)
Common stock	\$ 3,061,250	89	\$ 2,280,000	93
Capital surplus	297,639	9	74,034	3
Retained earnings	30,957	1	(40,155)	(2)
Income for the year ended December 31	46,750	1	145,087	6
	<u>\$ 3,436,596</u>	<u>100</u>	<u>\$ 2,458,966</u>	<u>100</u>

b) Tier II: None

c) Tier III: None

d) Minus assets

	December 31, 2014		December 31, 2013	
	Amount	Percentage of Item (%)	Amount	Percentage of Item (%)
Intangible assets	\$ 28,089	10	\$ 31,311	11
Prepayments	3,076	2	2,615	1
Domestic unlisted stocks	1,630	1	3,470	1
Investment in a finance-related enterprise	-	-	6,040	2
Operating guarantee deposits	190,000	70	190,000	69
Settlements funds	31,922	12	27,451	10
Refundable deposits	8,645	3	8,645	3
Deferred expenses	1,126	1	2,688	1
Deferred tax assets	3,549	1	3,751	2
	<u>\$ 268,037</u>	<u>100</u>	<u>\$ 275,971</u>	<u>100</u>

2) Equivalent amount of operating risk

a) Equivalent amount of market risk

	December 31, 2014		December 31, 2013	
	Amount	Percentage of Item (%)	Amount	Percentage of Item (%)
Interest rate risks	\$ 105,127	20	\$ 62,882	15
Equity security risks	412,046	79	364,847	85
Foreign exchange risks	2,244	1	-	-
	<u>\$ 519,417</u>	<u>100</u>	<u>\$ 427,729</u>	<u>100</u>

b) Equivalent amount of credit risk

	December 31, 2014		December 31, 2013	
	Amount	Percentage of Item (%)	Amount	Percentage of Item (%)
Client's position and credit transactions	\$ 45,311	95	\$ 33,055	93
Repurchase agreements transactions	59	-	16	-
In-balance-sheet transactions	2,159	5	2,523	7
	<u>\$ 47,529</u>	<u>100</u>	<u>\$ 35,594</u>	<u>100</u>

c) Equivalent amount of operation risk

	December 31, 2014		December 31, 2013	
	Amount	Percentage of Item (%)	Amount	Percentage of Item (%)
Operation risk	\$ 71,817	100	\$ 52,075	100

Taishin AMC

a. Balance sheet

	December 31	
	2014	2013
Assets		
Current assets	\$ 421,780	\$ 688,258
Investments accounted for using the equity method	139,327	131,119
Property and equipment	181,165	183,700
Investment property	733,764	741,147
Deferred tax assets	36,066	53,690
Other noncurrent assets	321,248	324,940
	<u>\$ 1,833,350</u>	<u>\$ 2,122,854</u>
Liabilities		
Current liabilities	\$ 281,163	\$ 234,656
Other noncurrent liabilities	4,402	4,402
	<u>285,565</u>	<u>239,058</u>
Equity		
Capital stock	995,000	1,445,000
Capital reserve	3,886	3,085
Retained earnings	548,899	435,711
	<u>1,547,785</u>	<u>1,883,796</u>
	<u>\$ 1,833,350</u>	<u>\$ 2,122,854</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2014	2013
Operating revenue	\$ 531,255	\$ 452,340
Operating cost and expenses	(180,137)	(180,570)
Operating income	351,118	271,770
Non-operating income	127,243	83,556
Non-operating expenses	(3,493)	(40,927)
Income before income tax	474,868	314,399
Income tax expense	(130,174)	(58,081)
Net income	344,694	256,318
Other comprehensive income	(1,118)	(664)
Total comprehensive income	<u>\$ 343,576</u>	<u>\$ 255,654</u>
Basic earnings per share (dollar)	<u>\$ 2.59</u>	<u>\$ 1.77</u>

c. Profitability

Item	For the Year Ended December 31	
	2014	2013
Return on total assets	Pretax	24.01%
	After tax	17.43%
Return on net equity	Pretax	27.68%
	After tax	20.09%
Profit margin		52.35 %
		47.83%

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

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

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2014 and 2013.



Taishin Venture Capital

a. Balance sheet

	December 31	
	2014	2013
Assets		
Current assets	\$ 465,001	\$ 179,627
Financial asset measured at cost	1,129,470	654,125
Available-for-sale financial assets	11,152	6,269
Investments accounted for using the equity method	1,496,696	1,146,807
Property and equipment	66	92
Other noncurrent assets	439	439
	<u>\$ 3,102,824</u>	<u>\$ 1,987,359</u>
Liabilities		
Current liabilities	\$ 2,956	\$ 2,244
Equity	2,956	2,244
Capital stock	3,329,035	2,219,035
Capital surplus	829	604
Retained earnings	(317,189)	(269,548)
Other equity	87,193	35,024
	<u>3,099,868</u>	<u>1,985,115</u>
	<u>\$ 3,102,824</u>	<u>\$ 1,987,359</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2014	2013
Revenue	\$ 30,743	\$ 28,198
Expense	(75,602)	(196,797)
Loss before income tax	(44,859)	(168,599)
Income tax expense	-	-
Net loss	(44,859)	(168,599)
Other comprehensive income	49,167	68,353
Total comprehensive income	<u>\$ 4,308</u>	<u>(\$ 100,246)</u>
Basic loss per share (dollar)	<u>(\$ 0.19)</u>	<u>(\$ 0.76)</u>

c. Profitability

Item	For the Year Ended December 31		
	2014	2013	
Return on total assets	Pretax	(1.76%)	(8.28%)
	After tax	(1.76%)	(8.28%)
Return on net equity	Pretax	(1.76%)	(8.28%)
	After tax	(1.76%)	(8.28%)
Profit margin	(145.92%)	(597.91%)	

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 = $\frac{\text{Income after tax}}{\text{Operating income} + \text{Nonoperating income}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2014 and 2013.

Taishin Securities Investment Trust
a. Balance sheet

	December 31	
	2014	2013
Assets		
Current assets	\$ 388,280	\$ 383,703
Property and equipment	4,883	6,018
Intangible assets	437,121	441,010
Deferred tax assets	60	162
Other noncurrent assets	97,869	80,366
	<u>\$ 928,213</u>	<u>\$ 911,259</u>
Liabilities		
Current liabilities	\$ 65,958	\$ 60,751
Other noncurrent liabilities	18,799	18,481
	<u>84,757</u>	<u>79,232</u>
Equity		
Capital stock	754,545	754,545
Capital surplus	47,856	46,955
Retained earnings	41,055	30,527
	<u>843,456</u>	<u>832,027</u>
	<u>\$ 928,213</u>	<u>\$ 911,259</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2014	2013
Operating revenue	\$ 280,589	\$ 303,221
Operating cost and expenses	(255,706)	(277,162)
Operating income	24,883	26,059
Nonoperating income	17,758	8,101
Nonoperating expenses	(102)	(102)
Income before income tax	42,539	34,058
Income tax expenses	(5,626)	(6,517)
Net income	36,913	27,541
Other comprehensive income	(76)	81
Total comprehensive income	<u>\$ 36,837</u>	<u>\$ 27,622</u>
Basic earnings per share (dollar)	<u>\$ 0.49</u>	<u>\$ 0.37</u>

c. Profitability

Item	For the Year Ended December 31		
	2014	2013	
Return on total assets	Pretax	4.63%	3.82%
	After tax	4.01%	3.09%
Return on net equity	Pretax	5.08%	4.14%
	After tax	4.41%	3.35%
Profit margin	12.37%	8.85%	

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

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

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2014 and 2013.

**Taishin Securities Investment Advisory**

a. Balance sheet

	December 31	
	2014	2013
Assets		
Current assets	\$ 325,885	\$ 317,211
Property and equipment	1,982	1,482
Deferred tax assets	4,534	5,507
Other noncurrent assets	51,832	51,833
	<u>\$ 384,233</u>	<u>\$ 376,033</u>
Liabilities		
Current liabilities	\$ 22,774	\$ 20,582
Deferred tax liabilities	203	20
Other noncurrent liabilities	3,506	3,168
	<u>26,483</u>	<u>23,770</u>
Equity		
Capital stock	300,000	300,000
Capital surplus	55,066	54,486
Retained earnings	2,684	(2,223)
	<u>357,750</u>	<u>352,263</u>
	<u>\$ 384,233</u>	<u>\$ 376,033</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2014	2013
Operating revenue	\$ 94,700	\$ 96,680
Operating cost and expenses	(92,622)	(87,141)
Operating income	2,078	9,539
Nonoperating income	4,449	3,553
Nonoperating expenses	(170)	(162)
Income before income tax	6,357	12,930
Income tax expenses	(1,207)	(2,258)
Net income	5,150	10,672
Other comprehensive income	(244)	(239)
Total comprehensive income	<u>\$ 4,906</u>	<u>\$ 10,433</u>
Basic earnings per share (dollar)	<u>\$ 0.17</u>	<u>\$ 0.36</u>

c. Profitability

Item	For the Year Ended December 31		
	2014	2013	
Return on total assets	Pretax	1.67%	3.53%
	After tax	1.35%	2.91%
Return on net equity	Pretax	1.79%	3.73%
	After tax	1.45%	3.08%
Profit margin		5.19%	10.65%

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

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

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2014 and 2013.

Taishin Holdings Insurance Brokers

a. Balance sheet

	December 31	
	2014	2013
Assets		
Current assets	\$ 1,551,556	\$ 1,141,390
Property and equipment	2,103	3,538
Intangible assets	2,782	4,544
Deferred tax assets	992	839
Other noncurrent assets	4,708	4,708
	<u>\$ 1,562,141</u>	<u>\$ 1,155,019</u>
Liabilities		
Current liabilities	\$ 458,454	\$ 250,868
Other noncurrent liabilities	5,835	4,935
	<u>464,289</u>	<u>255,803</u>
Equity		
Capital stock	30,000	30,000
Capital surplus	358	-
Retained earnings	1,067,494	869,216
	<u>1,097,852</u>	<u>899,216</u>
	<u>\$ 1,562,141</u>	<u>\$ 1,155,019</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2014	2013
Operating revenue	\$ 4,524,674	\$ 3,492,021
Operating cost	(3,073,210)	(2,372,953)
Operating expenses	(277,507)	(184,284)
Operating income	1,173,957	934,784
Nonoperating income	1,879	1,534
Income before income tax	1,175,836	936,318
Income tax expenses	(199,965)	(159,178)
Net income	975,871	777,140
Other comprehensive income	(606)	(193)
Total comprehensive income	<u>\$ 975,265</u>	<u>\$ 776,947</u>
Basic earnings per share (dollar)	<u>\$ 325.29</u>	<u>\$ 259.05</u>

c. Profitability

Item	For the Year Ended December 31	
	2014	2013
Return on total assets	Pretax	86.55%
	After tax	71.83%
Return on net equity	Pretax	117.76%
	After tax	97.73%
Profit margin		21.56%
		22.24%

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

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

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2014 and 2013.

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

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

Taishin Bank

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2014			December 31, 2013		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
<u>Monetary items</u>						
AUD	\$ 53,126	25.96	\$ 1,379,371	\$ 76,327	26.72	\$ 2,039,211
RMB	4,847,661	5.10	24,739,837	3,008,019	4.94	14,870,048
EUR	67,193	38.55	2,590,306	60,371	41.28	2,492,216
HKD	2,045,699	4.09	8,366,383	1,980,964	3.86	7,651,766
JPY	13,062,779	0.27	3,463,818	13,431,474	0.29	3,829,891
USD	5,785,155	31.72	183,493,540	5,167,127	29.95	154,755,447
<u>Non-monetary items</u>						
AUD	424,037	25.96	11,009,841	298,319	26.72	7,970,157
RMB	1,661,780	5.10	8,480,826	4,983,529	4.94	24,635,918
EUR	19,814	38.55	763,817	262,447	41.28	10,834,229
GBP	5,209	49.36	257,146	25,016	49.53	1,238,912
HKD	500,133	4.09	2,045,415	153,842	3.86	594,237
JPY	39,151,307	0.27	10,381,635	6,935,646	0.29	1,977,651
THB	1,317,372	0.96	1,270,043	322,292	0.91	294,198
USD	12,109,673	31.72	384,094,596	6,320,568	29.95	189,300,399
ZAR	7,063,783	2.74	19,354,618	6,247,420	2.86	17,877,910
<u>Financial liabilities</u>						
<u>Monetary items</u>						
AUD	393,692	25.96	10,221,961	366,038	26.72	9,779,401
RMB	6,220,334	5.10	31,745,221	3,114,275	4.94	15,395,321
EUR	110,464	38.55	4,258,411	54,027	41.28	2,230,328
HKD	940,892	4.09	3,848,008	1,183,778	3.86	4,572,516
JPY	11,498,595	0.27	3,049,048	15,141,366	0.29	4,317,455
USD	6,748,076	31.72	214,035,460	6,152,182	29.95	184,257,853
ZAR	6,382,695	2.74	17,488,451	5,745,774	2.86	16,442,378
<u>Non-monetary items</u>						
AUD	84,287	25.96	2,188,462	4,400	26.72	117,543
RMB	63,368	5.10	323,396	4,714,427	4.94	23,305,620
EUR	4,064	38.55	156,664	308,090	41.28	12,718,449
GBP	14,708	49.36	725,992	25,227	49.53	1,249,374
HKD	1,608,571	4.09	6,578,640	937,590	3.86	3,621,580
JPY	46,954,068	0.27	12,450,669	71,018	0.29	20,250
THB	1,317,073	0.96	1,269,755	-	-	-
USD	11,562,933	31.72	366,753,102	5,384,363	29.95	161,261,671
ZAR	709,681	2.74	1,944,511	558,602	2.86	1,598,520

Chang Hwa Bank

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2013		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 5,404,324	29.78	\$ 160,940,769
GBP	81,587	49.14	4,009,185
AUD	695,630	26.59	18,493,324
HKD	1,858,439	3.84	7,136,406
CAD	51,687	27.98	1,446,202
ZAR	236,019	2.86	675,014
JPY	49,284,378	0.28	13,996,763
EUR	349,304	41.12	14,363,380
NZD	51,662	24.50	1,265,719
RMB	12,942,152	4.91	63,584,793
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	6,217,419	29.78	185,154,738
GBP	127,283	49.14	6,254,687
AUD	832,273	26.59	22,125,978
HKD	1,394,370	3.84	5,354,381
CAD	66,764	27.98	1,868,057
ZAR	1,668,055	2.86	4,770,637
JPY	52,689,808	0.28	14,963,905
EUR	368,134	41.12	15,137,670
NZD	134,493	24.50	3,295,079
RMB	9,443,643	4.91	46,396,618

56. 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 7
5	Sales of NPL from subsidiaries	None
6	Authorities securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
7	Other transactions that may have significant impact on the decision made by the financial statement users	None

**b. Information on Taishin Financial Holding's investees:**

No.	Item	Explanation
1	Names, locations, and related information of investees	Table 2
2	Financings provided	Note
3	Endorsements/guarantees provided	Note
4	Marketable securities held	Table 3 (Note)
5	Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital	Table 1
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	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 9 and 47

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 6
2	Significant commitments and contingencies	Note 50
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 7.**57. SEGMENT INFORMATION****a. General information**

The report of Taishin Financial Holding and subsidiaries is the same as the report for internal use of policy makers. Main policy makers distribute the resources to the operation department and evaluate its efficiency. Taishin Financial Holding's main policy makers are the Board of Directors.

Interdepartmental transactions are normal transactions. Taishin Financial Holding consolidates all its subsidiaries, and writes off interdepartmental transaction gains and losses. The subsidiaries evaluate their own operation efficiency.

The Board of Directors, the main policy maker, reviews company operation result, distributes resources, and evaluates operation efficiency.

Financial information of departments:

	For the Year Ended December 31, 2014						
	Taishin Bank (Consolidated)	Chang Hwa Bank (Consolidated)	Taishin Financial Holding	Others	Total	Adjustments and Eliminations	Total
Net interest income (expense)	\$ 15,919,310	\$ 17,631,088	(\$ 398,462)	\$ 545,645	\$ 33,697,581	\$ -	\$ 33,697,581
Net income other than net interest income	15,529,266	7,411,661	(14,585,974)	2,787,649	11,142,602	(200,497)	10,942,105
Net revenue and gains	31,448,576	25,042,749	(14,984,436)	3,333,294	44,840,183	(200,497)	44,639,686
Reversed allowance for bad debts expenses and guarantee liability provisions	292,747	466,411	-	(8,903)	750,255	-	750,255
Operating expenses	(17,204,792)	(13,322,312)	(238,850)	(1,591,165)	(32,357,119)	135,590	(32,221,529)
Income (loss) before income tax	14,536,531	12,186,848	(15,223,286)	1,733,226	13,233,319	(64,907)	13,168,412
Income tax expense	(1,502,029)	(1,758,015)	106,570	(367,199)	(3,520,673)	-	(3,520,673)
Net income (loss)	\$ 13,034,502	\$ 10,428,833	(\$ 15,116,716)	\$ 1,366,027	\$ 9,712,646	(\$ 64,907)	\$ 9,647,739
Total assets	\$ 1,334,763,997	\$ -	\$ 138,623,162	\$ 18,236,043	\$ 1,491,623,202	(\$ 108,669,824)	\$ 1,382,953,378
Total liabilities	\$ 1,252,448,285	\$ -	\$ 24,564,749	\$ 7,852,735	\$ 1,284,865,769	(\$ 16,096,694)	\$ 1,268,769,075

Note: Consolidation information of gain and loss was from Chang Hwa Bank's operation department on the date when Taishin Financial Holding lost control of Chang Hwa Bank.

	For the Year Ended December 31, 2013					
	Taishin Bank (Consolidated)	Chang Hwa Bank (Consolidated)	Others	Total	Adjustments and Eliminations	Total
Net interest income (expense)	\$ 14,418,623	\$ 17,080,428	(\$ 219,280)	\$ 31,279,771	\$ -	\$ 31,279,771
Net income other than net interest income	15,693,419	6,742,781	2,366,668	24,802,868	(255,406)	24,547,462
Net revenue and gains	30,112,042	23,823,209	2,147,388	56,082,639	(255,406)	55,827,233
Reversed allowance for bad debts expenses and guarantee liability provisions	(113,327)	637,773	21,963	546,409	-	546,409
Operating expenses	(15,672,185)	(13,713,262)	(1,720,300)	(31,105,747)	135,557	(30,970,190)
Income before income tax	14,326,530	10,747,720	449,051	25,523,301	(119,849)	25,403,452
Income tax expense	(2,147,437)	(1,929,471)	(752,921)	(4,829,829)	-	(4,829,829)
Net income (loss)	\$ 12,179,093	\$ 8,818,249	(\$ 303,870)	\$ 20,693,472	(\$ 119,849)	\$ 20,573,623
Total assets	\$ 1,132,408,782	\$ 1,700,055,541	\$ 149,234,898	\$ 2,981,699,221	(\$ 110,712,535)	\$ 2,870,986,686
Total liabilities	\$ 1,058,723,701	\$ 1,587,652,211	\$ 29,689,278	\$ 2,676,065,190	(\$ 3,067,746)	\$ 2,672,997,444

Pro forma financial information is shown below. Please refer to Note 58 for related information.

	For the Year Ended December 31, 2014				
	Taishin Bank (Consumer Business)	Taishin Bank (Corporation Credit Business)	Others (Including Investment of Chang Hwa Bank)	Adjustments and Eliminations	Total
Net interest income (expense)	\$ 9,793,618	\$ 6,640,914	(\$ 368,038)	\$ -	\$ 16,066,494
Net income other than net interest income	7,871,124	4,964,392	8,022,393	(172,785)	20,685,124
Net revenue and gains	17,664,742	11,605,306	7,654,355	(172,785)	36,751,618
Reversed allowance for bad debts expenses and guarantee liability provisions	630,133	(286,449)	(59,839)	-	283,845
Operating expenses	(10,889,359)	(3,414,385)	(4,731,061)	135,590	(18,899,215)
Income (loss) before income tax	\$ 7,405,516	\$ 7,904,472	\$ 2,863,455	(\$ 37,195)	\$ 18,136,248
Total assets	\$ 455,286,583	\$ 409,639,030	\$ 641,510,265	(\$ 108,669,824)	\$ 1,397,766,054



	For the Year Ended December 31, 2013				
	Taishin Bank (Consumer Business)	Taishin Bank (Corporation Credit Business)	Others (Including Investment of Chang Hwa Bank)	Adjustments and Eliminations	Total
Net interest income (expense)	\$ 9,168,899	\$ 5,820,581	(\$ 790,136)	\$ -	\$ 14,199,344
Net income other than net interest income	6,722,064	4,970,911	8,338,794	(177,646)	19,854,123
Net revenue and gains	15,890,963	10,791,492	7,548,658	(177,646)	34,053,467
Reversed allowance for bad debts expenses and guarantee liability provisions	953,885	(963,063)	(82,186)	-	(91,364)
Operating expenses	(9,975,839)	(3,205,696)	(4,210,949)	154,205	(17,238,279)
Income (loss) before income tax	\$ 6,869,009	\$ 6,622,733	\$ 3,255,523	(\$ 23,441)	\$ 16,723,824
Total assets	\$ 405,801,391	\$ 347,955,370	\$ 527,886,920	(\$ 85,012,950)	\$ 1,196,630,731

b. Financial information by region

The operating income of Taishin Financial Holding and subsidiaries' overseas departments is not over 10% of consolidated operating income. In addition, their assets are not over 10% of consolidated total assets either. Thus, no financial information by region is required.

c. Information of foreign sales

The revenue from foreign sales made by the domestic departments of Taishin Financial Holding and subsidiaries to individuals is not over 10% of consolidated total operating income.

d. Information of important customers

Taishin Financial Holding and subsidiaries do not have important customers contributing revenue more than 10% of consolidated operating income.

58. PRO FORMA FINANCIAL INFORMATION

Taishin Financial Holding obtained only two seats in the board of directors of Chang Hwa Bank in the election of the board directors on December 8, 2014. According to the Financial Holding Company Act, Chang Hwa Bank is not a subsidiary of Taishin Financial Holding. Therefore, Taishin Financial Holding did not include Chang Hwa Bank in the consolidated financial report prepared in accordance with International Financial Reporting Standards permitted by the FSC.

For convenience in making corporation analysis, the pro forma consolidated balance sheets as of December 31, 2014 and 2013 and the pro forma consolidated statements of comprehensive income for the years ended December 31, 2014 and 2013 that accounted Chang Hwa Bank under the equity method and excluded \$14,775,666 thousand loss from losing control of Chang Hwa Bank in 2014.

TAISHIN FINANCIAL HOLDING CO., LTD.**PRO FORMA BALANCE SHEETS
DECEMBER 31, 2014 AND 2013**

(In Thousands of New Taiwan Dollars)

ASSETS	2014	2013
Cash and cash equivalents	\$ 23,089,267	\$ 14,716,699
Due from the central bank and call loans to other banks	34,496,856	39,353,727
Financial assets at fair value through profit or loss	83,294,027	42,816,417
Available-for-sale financial assets, net	244,249,053	214,051,093
Securities purchased under resell agreements	273,345	9,470,428
Receivables, net	100,310,417	87,079,957
Current tax assets	353,421	979,650
Loans, net	805,752,729	703,149,361
Held-to-maturity financial assets, net	2,540	1,953,739
Investments accounted for using the equity method, net	47,473,660	46,049,887
OTHER FINANCIAL ASSETS, NET		
Financial assets carried at cost, net	2,608,976	2,167,393
Debt investments without active market	300,000	300,000
Other miscellaneous financial assets, net	9,222,228	4,782,350
Other financial assets, net	12,131,204	7,249,743
Investment property, net	922,355	992,474
Property and equipment, net	17,958,823	17,770,344
Intangible assets, net	2,001,997	2,053,336
Deferred tax assets	4,154,618	4,701,973
Other assets, net	21,301,742	4,241,903
TOTAL	\$ 1,397,766,054	\$ 1,196,630,731
LIABILITIES AND EQUITY	2014	2013
Due to the Central Bank and banks	\$ 56,003,848	\$ 49,834,472
Financial liabilities at fair value through profit or loss	34,921,514	14,522,005
Securities sold under repurchase agreements	69,724,492	33,428,131
Commercial papers issued, net	649,389	-
Payables	22,598,658	21,137,053
Current tax liabilities	1,699,781	4,122,694



LIABILITIES AND EQUITY	2014	2013
Deposits and remittances	965,328,658	877,686,669
Bonds payable	55,000,000	47,000,000
Other borrowings	6,235,441	2,287,315
Reserve for liabilities	794,014	749,502
Other financial liabilities	52,744,269	32,131,474
Deferred tax liabilities	83,945	249,459
Other liabilities	2,985,066	2,198,220
Total liabilities	<u>1,268,769,075</u>	<u>1,085,346,994</u>
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT		
Capital stock		
Common stock	88,417,902	75,116,532
Preferred stock	7,251,368	7,251,368
Advanced receipts for capital stock	111,339	180,170
Capital surplus	10,640,840	9,478,327
Retained earnings		
Legal reserve	5,315,307	3,939,770
Special reserve	465,368	465,368
Unappropriated earnings	16,287,127	13,755,369
Other equity		
Exchange differences on translation of foreign financial statements	253,495	68,688
Unrealized gains (losses) on available-for-sale financial assets	128,344	875,995
Equity attributable to owners of parent	<u>128,871,090</u>	<u>111,131,587</u>
NON-CONTROLLING INTERESTS	<u>125,889</u>	<u>152,150</u>
Total equity	<u>128,996,979</u>	<u>111,283,737</u>
TOTAL	<u>\$ 1,397,766,054</u>	<u>\$ 1,196,630,731</u>

TAISHIN INTERNATIONAL BANK CO., LTD. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

	2014	2013
INTEREST INCOME	\$ 26,677,778	\$ 23,211,248
INTEREST EXPENSES	(10,611,284)	(9,011,904)
NET INTEREST INCOME	<u>16,066,494</u>	<u>14,199,344</u>
NET INCOME OTHER THAN NET INTEREST INCOME		
Net service fee and commissions income	10,298,163	9,086,676
Gain on financial assets and liabilities at fair value through profit or loss	6,941,759	8,878,940
Realized gain on available-for-sale financial assets	1,077,211	2,709,938
Foreign exchange gains	(1,257,691)	(3,585,631)
Impairment loss on assets	(25,736)	(236,284)
Share of profit (loss) of associates and joint ventures accounted for using equity method	2,510,486	1,996,484
Net other non-interest income	<u>1,140,932</u>	<u>1,004,000</u>
Net income other than net interest income	<u>20,685,124</u>	<u>19,854,123</u>
NET REVENUE AND GAINS	<u>36,751,618</u>	<u>34,053,467</u>
REVERSED ALLOWANCE FOR BAD DEBTS EXPENSES AND GUARANTEE LIABILITY PROVISIONS	<u>283,845</u>	(91,364)
OPERATING EXPENSES		
Employee benefits expenses	(10,939,602)	(10,326,361)
Depreciation and amortization expenses	(906,615)	(812,718)
Other general and administrative expenses	(7,052,998)	(6,099,200)
Total operating expenses	<u>(18,899,215)</u>	<u>(17,238,279)</u>
INCOME BEFORE INCOME TAX	18,136,248	16,723,824
INCOME TAX EXPENSE	(1,762,658)	(2,900,358)
NET INCOME	<u>\$ 16,373,590</u>	<u>\$ 13,823,466</u>
NET INCOME ATTRIBUTABLE TO:		
Owners of parent	\$ 16,400,042	\$ 13,836,248
Non-controlling interests	(26,452)	(12,782)
	<u>\$ 16,373,590</u>	<u>\$ 13,823,466</u>

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
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Buyer or Seller	Type and Name of Marketable Security	Account Recorded	Transaction Party	Issuer's Relationship to the Buyer or Seller	Beginning of the Period	
					Shares (Units)	Amount
Taishin Financial Holding	Stock					
	Taishin Bank	Investments accounted for using the equity method	Taishin Bank	Parent and subsidiary	4,915,752,571	\$ 73,396,067
	Taishin Venture Capital	Investments accounted for using the equity method	Taishin Venture Capital	Parent and subsidiary	221,903,495	1,985,115
	Taishin Securities B	Investments accounted for using the equity method	Taishin Securities B	Parent and subsidiary	228,000,000	2,511,434
Taishin Venture Capital	Stock					
	Diamond Biotech Investment	Financial assets carried at cost	Diamond Biotech Investment	Its director is Taishin Venture Capital's director	35,000,000	350,000

Note: Others means investment income, cash dividends, recognition of employee stock options, others.

Purchases		Sales				Others		End of the Period	
Shares (Units)	Amount	Shares (Units)	Selling Price	Carrying Value	Disposal Gain (Loss)	Shares (Units)	Amount (Note)	Shares (Units)	Amount
160,000,000	\$ 3,520,000	-	\$ -	\$ -	\$ -	-	\$ 5,129,123	5,075,752,571	\$ 82,045,190
111,000,000	1,110,000	-	-	-	-	-	4,753	332,903,495	3,099,868
78,125,000	1,000,000	-	-	-	-	-	(38,796)	306,125,000	3,472,638
45,000,000	450,000	-	-	-	-	-	-	80,000,000	800,000

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

INFORMATION ON INVESTEEES' NAMES, LOCATIONS, ETC.
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Investees' Names	Unified Business No.	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance
Financial business				
Taishin Bank	86519539	B1, 1F, No. 44, Jungshan N. Rd., Sec. 2, Taipei, Taiwan	Commercial bank business, trust, and bills discounting	100%
Chang Hwa Bank	51811609	No. 38, Tsu Yu Rd., Sec. 2, Taichung, Taiwan	Commercial bank business, trust, and offshore banking unit	22.55%
Taishin Securities B	23534956	2F, No. 44, Jungshan N. Rd., Sec. 2, Taipei, Taiwan	Multiple securities and future transaction assistant	100%
Taishin AMC	80341022	2F-3, No. 9, Dehuei St., Zhongshan district, Taipei, Taiwan	Acquisition of delinquent loans, evaluation, auction, and management	100%
Taishin Securities Investment Trust	27326178	13F, No. 96, Jianguo N. Rd., Sec. 1, Zhong Shan District, Taipei, Taiwan	Investment trust	100%
Taishin Securities Investment Advisory	23285289	16F, No. 118, Ren-Ai Rd., Sec. 4, Taipei, Taiwan	Investment trust, advisory, and publication	92%
Taishin Holdings Insurance Brokers	29030974	11F, No. 44, Jungshan N. Rd., Sec. 2, Taipei, Taiwan	Property insurance manager, life insurance manager	100%
Nonfinancial business				
Taishin Venture Capital	80031342	18F, No. 118, Ren-Ai Rd., Sec. 4, Taipei, Taiwan	Investment start-up	100%
Nonfinancial business				
Metro Consulting Service Ltd.	27974096	6F-2, No. 3-1, Yuancyu St. Nangang Dist., Taipei, Taiwan	Consultancy, information service and human resource dispatch	4.40%

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.

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

MARKETABLE SECURITIES HELD
DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars; in Thousands of U.S. Dollars)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account
Taishin Real Estate	Stock		
	Metro Consulting Service Ltd.	Taishin Real Estate is the director of the Metro Consulting Service	Financial assets carried at cost
	Beneficiary certificates		
	Taishin 1699 Money Market Fund	Fund issued by Taishin Securities Investment Trust	Financial assets at FVTPL - current

Investment Book Value	Recognized Investment Income (Loss) of Current Period	Sum of Ownership				Note
		Current Shares	Imputed Shares (Note)	Total		
				Total Shares	Ownership Interest (%)	
\$ 82,045,190	\$ 13,039,457	5,202,562,622		5,202,562,622	100.00%	Investments accounted for using equity method
32,196,350	2,456,898	1,782,059,748		1,811,426,419	22.92%	"
3,472,638	32,974	306,125,000		306,125,000	100.00%	"
1,547,785	344,694	99,500,000		99,500,000	100.00%	"
843,456	36,913	75,454,545		75,454,545	100.00%	"
329,124	4,738	27,599,513		27,599,513	92.00%	"
1,097,852	975,871	3,000,000		3,000,000	100.00%	"
3,099,868	(44,859)	332,903,495		332,903,495	100.00%	"
2,200		220,000		520,000	10.40%	Financial assets carried at cost

December 31, 2014				Note
Shares/Units/Nominal	Carrying Amount	Percentage of Ownership (%)	Market Value	
300,000.00	\$ 3,000	6.00	\$ -	
870,448.00	11,564	-	11,564	

(Continued)



Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account
Taishin Insurance Agency	Stock		
	Taishin Insurance Broker	Parent and subsidiary	Investment accounted for using equity method
Taishin D.A. Finance	Chi-Long Technology Co., Ltd. Stock	None	Financial assets carried at cost
	Yuan Tai Forex Brokerage Co., Ltd.	Taishin D.A. Finance is the director of Yuan Tai Forex Brokerage	Financial assets carried at cost - noncurrent
	Bon-Li International Technology Co., Ltd. Bonds	None	"
	Government Bonds 99-5	"	Held to maturity financial assets - noncurrent
Taishin Venture Capital	Stock		
	Darfon Electronics Corp.	Its independent director is Taishin Financial Holding's independent director	Available-for-sale financial assets - noncurrent
	Li Kang Biomedical Co.	None	"
	Kwan-Hwa Venture Capital Corp.	Its corporate director is Taishin Venture Capital	Financial assets carried at cost
	Chi-Ting Venture Capital Investment Co., Ltd.	None	"
	Hwei-Yang Venture Capital Investment Co., Ltd.	"	"
	CC Media Co., Ltd.	"	"
	Century Development Corp.	Its corporate supervisor is Taishin Venture Capital	"
	Cyberheart Inc.	None	Financial assets carried at cost
	Cyberheart Inc. A-1	"	"
	Celestial Talent Limited	"	"
	Innostar Technology Corporation	"	"
	Youn Shin Artistic Co., Ltd.	Its corporate director is Taishin Venture Capital	"
	Winking Entertainment Ltd. B-2	None	"
	Diamond Biotech Investment Corp.	Its director is Taishin Financial Holding's senior vice general manager	"
	Yuan Shan Biotech Corp.	None	"
	Bio Key Inc.	"	"
	VM Discovery Inc.	"	"
	RevMAB Biosciences Inc.	"	"
	JHL Biotech Inc	"	"
	Microbio Co., Ltd.	"	Financial assets at FVTPL - current
Taishin AMC	Stock		
	Linkou Golf Country Club	"	Financial assets carried at cost
	Dah Chung Bills	"	"
	Diamond Biotech Investment Corp.	Its director is Taishin Financial Holding's senior vice general manager	"
	Taishin Real Estate	Equity-method investee	Investment accounted for using equity method
	Beneficiary certificates		
	Taishin Latin America Fund	Issued by Taishin Securities Investment Trust	Financial assets at FVTPL - current
	Taishin Emerging Europe Fund	"	"
	Taishin Lucky Money Market	"	"

December 31, 2014				Note
Shares/Units/Nominal	Carrying Amount	Percentage of Ownership (%)	Market Value	
6,000,000.00	74,958	100.00	-	
950,000.00	4,275	4.13	-	
600,000.00	6,000	5.00	-	
125,000.00	-	1.50	-	Go out of business
2,500,000.00	2,540	-	2,540	
242,550.00	4,330	0.08	4,330	
174,044.00	6,823	0.87	6,823	
2,720,000.00	23,040	5.56	-	
3,000,000.00	30,000	1.30	-	
420,000.00	4,200	1.54	-	
400,000.00	164	0.48	-	
8,249,495	85,176	3.03	-	
12,500.00	79	0.05	-	
285,958.00	1,659	-	-	Preferred stock
1,457,152.00	18,954	6.85	-	
756,408	19,411	2.71	-	
1,000,000.00	8,650	12.69	-	
709,178.00	29,626	-	-	Preferred stock
80,000,000.00	800,000	10.00	-	
500,000.00	30,328	0.56	-	
200,000.00	6,029	-	-	Preferred stock
95,238.00	6,029	-	-	Preferred stock
400,000.00	6,029	-	-	Preferred stock
1,052,632.00	60,097	-	-	Preferred stock
1,709,150.00	48,882	0.40	48,882	
3.00	1,800	0.30	-	
2,200,000.00	28,886	0.51	-	
10,000,000.00	100,000	1.25	-	
8,000,000.00	139,327	40.00	-	
1,000,000.00	6,480	-	6,480	
1,000,000.00	5,660	-	5,660	
4,587,745.20	50,176	-	50,176	

(Concluded)

TABLE 4
TAISHIN INTERNATIONAL BANK CO., LTD.

SECURITIES DEPARTMENT
BALANCE SHEETS
DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

ASSETS	2014		2013	
	Amount	%	Amount	%
CURRENT ASSETS				
Financial assets at fair value through profit or loss - current	\$ 20,018,616	27	\$ 5,281,841	12
Other current assets	615,156	1	587,471	1
Total current assets	<u>20,633,772</u>	<u>28</u>	<u>5,869,312</u>	<u>13</u>
NONCURRENT ASSETS				
Financial assets at fair value through profit or loss - noncurrent	7,005	-	7,105	-
Available-for-sale financial assets - noncurrent	52,168,668	72	38,821,957	87
Refundable deposits	22,362	-	22,317	-
Total noncurrent assets	<u>52,198,035</u>	<u>72</u>	<u>38,851,379</u>	<u>87</u>
TOTAL	<u>\$ 72,831,807</u>	<u>100</u>	<u>\$ 44,720,691</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current	\$ -	-	\$ 301,492	1
Securities sold under repurchase agreements	50,996,018	70	18,977,462	42
Other current liabilities	276,770	-	336,274	1
Total current liabilities	<u>51,272,788</u>	<u>70</u>	<u>19,615,228</u>	<u>44</u>
TRANSACTIONS BETWEEN HOME OFFICE AND BRANCHES				
Total liabilities	<u>19,987,289</u>	<u>28</u>	<u>24,000,710</u>	<u>54</u>
EQUITY				
Appropriated working capital	800,000	1	800,000	2
Retained earnings				
Special reserve	189,340	-	189,340	-
Unappropriated earnings	441,659	1	225,317	1
Unrealized gains (losses) on available-for-sale financial asset	140,731	-	(109,904)	(1)
Total equity	<u>1,571,730</u>	<u>2</u>	<u>1,104,753</u>	<u>2</u>
TOTAL	<u>\$ 72,831,807</u>	<u>100</u>	<u>\$ 44,720,691</u>	<u>100</u>

TABLE 5

 TAISHIN INTERNATIONAL BANK CO., LTD.
 SECURITIES DEPARTMENT
 STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

	2014		2013	
	Amount	%	Amount	%
REVENUES AND GAINS				
Gain (loss) on sale of securities held for operations - dealing	\$ 61,911	9	(\$ 11,368)	(2)
Interest income	659,377	89	447,673	96
Gain on valuation of securities held for operations - dealing	4,406	1	21,808	5
Gain (loss) on financial derivatives	10,072	1	6,937	1
Securities underwriting services income	2,802	-	-	-
Total revenues and gains	<u>738,568</u>	<u>100</u>	<u>465,050</u>	<u>100</u>
EXPENSES AND LOSSES				
Interest expense	(253,194)	(34)	(214,769)	(46)
Employee benefit expense	(19,137)	(3)	(10,199)	(2)
Other operating expenses	(24,577)	(3)	(14,765)	(3)
Total expenses and losses	<u>(296,908)</u>	<u>(40)</u>	<u>(239,733)</u>	<u>(51)</u>
INCOME BEFORE INCOME TAX	441,660	60	225,317	49
INCOME TAX EXPENSE	(63,808)	(9)	(36,529)	(8)
NET INCOME	<u>\$ 377,852</u>	<u>51</u>	<u>\$ 188,788</u>	<u>41</u>

TABLE 6
TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
**INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

Investor	Investee	Main Businesses and Products of Investee	Total Amount of Paid-in Capital of Investee (US\$ in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2014 (US\$ in Thousand)
Taishin Venture Capital	Taishin Financial Leasing (China)	Financial leasing	(USD 894,049 30,000)	Note 1.a.	(USD 591,240 20,000)
	Taishin Financial Leasing (Tianjin)	Financial leasing	(USD 600,828 20,000)	Note 1.a.	(USD 600,828 20,000)
Taishin D.A. Finance	Taishin Financial Leasing (China)	Financial leasing	(USD 894,049 30,000)	Note 1. a.	-

Investor	Accumulated Investment in Mainland China as of December 31, 2014 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
Taishin Venture Capital	(USD 1,499,167 50,000)	(USD 1,499,167 50,000)	11,405,841
Taishin D.A. Finance	(USD 90,099 3,000)	(USD 90,099 3,000)	12,312,496

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

- a. Direct investment in Mainland China.
- b. Investment in Mainland China through reinvestment in existing enterprise in a third area.
- c. Others.

Note 2: Equity in the profits (losses):

- a. If the entity is still in preparation stage and there is no equity in profits (losses), the condition should be noted.
- b. The basis of recognizing equity in profits (losses) is categorized in the following three types and each entity should be noted according to its condition.

Note 3: Taishin D.A. Finance sold Taishin Financial Leasing (China) to Taishin Venture Capital for US\$3,000 thousand in cash in December 2014.

Investment Flows (US\$ in Thousand)		Accumulated Outflow of Investment from Taiwan as of December 31, 2014 (US\$ in Thousand)	Investee's Net Income	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of December 31, 2014	Accumulated Inward Remittance of Earnings as of December 31, 2014
Outflow	Inflow						
307,099 (USD 10,000)	-	898,339 (USD 30,000)	20,360	100%	18,852 (Note 2.b.1)	907,953	-
-	-	600,828 (USD 20,000)	(20,565)	100%	(20,565) (Note 2.b.1)	588,742	-
90,099 (USD 3,000)	94,389 (USD 3,000) (Note 3)	-	18,838	-	1,509 (Note 2.b.1)	-	-

TABLE 7
TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
**BUSINESS RELATIONSHIPS AND MATERIAL TRANSACTIONS IN CONSOLIDATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

Number (Note a)	Main Party	Counterparty	Relationship (Note b)	Transactions			
				Account	Amount	Terms	% of Consolidated Operating Revenues or Consolidated Total Assets (Note c)
1	Taishin Bank	Taishin Securities B	3	Deposits and remittances	\$ 185,651	Under arm's length terms	0.01%
1	Taishin Bank	Taishin Securities Investment Advisory	3	Deposits and remittances	318,730	Under arm's length terms	0.02%
0	Taishin Financial Holding	Taishin Bank	1	Securities purchased under resell agreements	5,316,390	Under arm's length terms	0.38%
0	Taishin Financial Holding	Taishin Bank	1	Accounts receivable, net	851,436	Under arm's length terms	0.06%
0	Taishin Financial Holding	Taishin Holding Insurance Brokers	1	Accounts receivable, net	149,733	Under arm's length terms	0.01%
0	Taishin Financial Holding	Taishin Bank	1	Accounts payable, net	560,872	Under arm's length terms	0.04%
1	Taishin Bank	Taishin Holding Insurance Brokers	3	Accounts receivable, net	251,014	Under arm's length terms	0.02%
1	Taishin Bank	Taishin Holding Insurance Brokers	3	Deposits and remittances	1,085,159	Under arm's length terms	0.08%
1	Taishin Bank	Taishin Holding Insurance Brokers	3	Fee income	3,001,813	Under arm's length terms	0.22%
0	Taishin Financial Holding	Taishin Bank	1	Cash and cash equivalents	6,854,458	Under arm's length terms	0.50%
1	Taishin Bank	Taishin Venture Capital	3	Deposits and remittances	390,082	Under arm's length terms	0.03%

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 main party and the counterparty is numbered as follows:

1. Parent to subsidiary
2. Subsidiary to parent
3. One subsidiary to another subsidiary

Note c: Percentage of consolidated operating revenues or consolidated total assets: If the account is a balance sheet account, it was calculated by dividing the ending balance into consolidated total assets; if the account is an income statement account, it was calculated by dividing the interim cumulative balance into consolidated operating revenues.

SCHEDULE 1

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

Financial Instrument Items	Summary	Face Value/Unit	Cost	Fair Value
Derivative financial instrument				
	Currency options	\$ -	\$ -	\$ 15,463,774
	Currency swaps contracts	-	-	13,039,142
	Interest rate swaps	-	-	5,170,598
	Forward exchange contracts	-	-	1,039,905
	Equity-linked swaps	-	-	167,485
	Equity-linked options	-	-	14,003
	Credit default swaps	-	-	2,117
	Commodity price swaps	-	-	32,395
	Cross-currency swaps	-	-	271,212
	Futures	-	-	32,230
		-	-	35,232,861
Investment in bills				
	Commercial paper - other banks guarantees	17,888,600	17,850,124	17,847,890
	Negotiable certificate of deposits - banks	2,100,000	2,100,167	2,099,251
	Commercial paper - Taishin Bank's guarantee	918,000	916,689	916,616
		20,906,600	20,866,980	20,863,757
Domestic listed stocks				
Domestic OTC stocks				
Mutual funds				
Government bonds				
	Treasury Bond 103 I-15	3,200,000	3,216,913	3,223,006
	Treasury Bond 103 I-1	2,900,000	2,899,195	2,903,942
	Treasury Bond 101 I-1	1,800,000	1,811,187	1,811,113
	Treasury Bond 103 I-13	1,800,000	1,804,297	1,802,443
	Treasury Bond 102 I-7	1,800,000	1,797,122	1,800,861
	Treasury Bond 103 I-10	1,800,000	1,796,200	1,800,645
	Treasury Bond 103 I-2	1,600,000	1,602,541	1,606,857
	Treasury Bond 100-I-6	1,350,000	1,388,747	1,379,023
	Treasury Bond 102-I-11	900,000	907,876	908,517
	Treasury Bond 103-I-4	750,000	747,103	748,899
	Treasury Bond 102-I-2	650,000	648,825	649,209



Financial Instrument Items	Summary	Face Value/Unit	Cost	Fair Value
	Others (Note)	\$ 700,000	\$ 709,784	\$ 708,253
		<u>19,250,000</u>	<u>19,329,790</u>	<u>19,342,768</u>
Convertible bonds				
	Acer II	681,500	\$ 681,414	\$ 679,456
	AGV Products III	409,700	410,091	419,943
	TPKHOL 0 10/01/17	412,334	412,334	401,430
	AUOPT 0 10/13/15	317,180	317,180	355,210
	WPG Holding Ltd. I	312,900	313,050	313,056
	Yang Ming Marine Transport Corp. IV	260,800	261,590	304,354
	Others (Note)	<u>2,490,900</u>	<u>2,566,695</u>	<u>2,669,101</u>
		<u>4,885,314</u>	<u>4,962,354</u>	<u>5,142,550</u>
Trading securities - dealing	Domestic listed stocks	<u>200</u>	<u>3,200</u>	<u>3,240</u>
Trading securities - dealing	Domestic OTC stocks	<u>606</u>	<u>87,914</u>	<u>41,591</u>
Trading securities - dealing	Convertible bonds	<u>4,007</u>	<u>416,546</u>	<u>411,925</u>
Trading securities - dealing	Domestic emerging stock	<u>9,644</u>	<u>575,116</u>	<u>578,742</u>
Trading securities - underwriting	Domestic listed stocks	<u>499</u>	<u>32,732</u>	<u>33,282</u>
Trading securities - underwriting	Domestic OTC stocks	<u>590</u>	<u>6,490</u>	<u>9,116</u>
Trading securities - underwriting	Convertible bonds	<u>9,600</u>	<u>960,034</u>	<u>969,221</u>
		<u>\$ 45,099,972</u>	<u>\$ 47,864,578</u>	<u>\$ 83,294,027</u>

Note: "Others" means the aggregated disclosure of items under \$300,000 thousand.

SCHEDULE 2

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SECURITIES PURCHASED UNDER RESELL AGREEMENTS

DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

Items	Face Value	Amount
Government bonds	\$ 7,700	\$ 8,500
Commercial paper	<u>265,000</u>	<u>264,845</u>
	<u>\$ 272,700</u>	<u>\$ 273,345</u>



SCHEDULE 3

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

AVAILABLE-FOR-SALE FINANCIAL ASSETS

DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

Items	Summary	Face Value	Amount
Investment in bills			
	Negotiable certificates of deposit - Central Bank	\$ 152,060,000	\$ 152,060,000
	SDBC Float 12/15	475,770	475,645
	Treasury bill	335,792	335,461
	BCHINA Float 16	311,572	311,310
	Others (Note)	603,345	649,080
		<u>153,786,479</u>	<u>153,831,496</u>
Domestic listed stocks		<u>16,288</u>	<u>471,516</u>
Domestic OTC stocks		<u>174</u>	<u>2,315</u>
Mutual funds			
	Eastspring Investments - Asian Bond Fund	63,436	634,360
	Schroder ISF Euro Corp. Bond Fund	57,825	578,251
	Allianz Europazins A EUR Fund	38,550	385,501
	Legg Mason Wa Asian Fund	31,718	317,180
	JPM Emerging Mkts Opps Fund	31,718	317,180
	Others (Note)	41,951	493,632
		<u>265,198</u>	<u>2,726,104</u>
Government bonds			
	US Treasury N/B	8,904,685	9,196,903
	Treasury Bond 102 I-11	8,000,000	8,058,243
	Treasury Bond 101 I-6	6,300,000	6,463,250
	Treasury Bond 103 I-2	5,400,000	5,409,832
	Treasury Bond 103 I-9	2,800,000	2,791,357
	Treasury Bond 102 I-2	1,900,000	1,898,135
	Treasury Bond 98-3	1,450,000	1,463,754
	Hong Kong Exchange Fund Note	1,354,277	1,351,876
	Treasury Bond 97-6	1,200,000	1,247,189
	Treasury Bond 97-3	1,100,000	1,142,802
	Treasury Bond 88-2	750,000	875,802
	Treasury Bond 100 I-6	750,000	762,213
	Treasury Bond 90 I-6	650,000	678,826
	Treasury Bond 103 I-4	650,000	645,074
	T 2.125 06/30/21	634,360	635,487
	T 0.75 12/31/17	634,360	628,778
	Treasury Bond 89 II-1	500,000	621,108
	Treasury Bond 90 I-7	500,000	522,199
	Treasury Bond 90 I-3	500,000	520,502
	99 Kaohsiung City Government bond II	500,000	495,401
	Treasury Bond 96-3	400,000	406,946

Accumulated Impairment	Adjustment	Fair Value	Note
\$ -	(\$ 66,142)	\$ 151,993,858	
-	2,378	478,023	
-	(30)	335,431	
-	250	311,560	
-	(684)	648,396	
-	(64,228)	153,767,268	
(16,168)	6,489	461,837	
-	4,508	6,823	
-	(3,955)	630,405	
-	30,348	608,599	
-	3,391	388,892	
-	(6,341)	310,839	
-	(9,718)	307,462	
-	33,077	526,709	
-	46,802	2,772,906	
-	17,061	9,213,964	
-	17,467	8,075,710	
-	27,264	6,490,514	
-	13,310	5,423,142	
-	10,853	2,802,210	
-	(448)	1,897,687	
-	2,628	1,466,382	
-	(5,397)	1,346,479	
-	1,676	1,248,865	
-	1,176	1,143,978	
-	(515)	875,287	
-	3,911	766,124	
-	3,148	681,974	
-	3,971	649,045	
-	5,712	641,199	
-	(1,778)	627,000	
-	(10,345)	610,763	
-	2,976	525,175	
-	3,066	523,568	
-	2,216	497,617	
-	3,151	410,097	

(Continued)



Items	Summary	Face Value	Amount
	Treasury Bond 95-6	\$ 400,000	\$ 406,326
	China Government Bond	393,839	404,007
	T 1.375 01/31/20	317,180	313,147
	Treasury Bond 94-5	300,000	315,916
	Others (Note)	1,895,360	1,892,066
		<u>48,184,061</u>	<u>49,147,139</u>
Corporate bonds			
	01 FPCC 2A	850,000	850,332
	00 TSMC 1A	750,000	751,122
	01 TSMC 1A	700,000	701,222
	02 FCFC 2A	700,000	699,045
	99 Taipower 3B	500,000	507,341
	00 Taipower 2B	450,000	453,673
	00 Hon Hai 2A	450,000	451,128
	02 UMC 1A	450,000	450,200
	95 Taipower 1B	400,000	404,187
	00 Taipower 3A	400,000	404,163
	99 CPC Corp. 1B	400,000	399,419
	00 Hon Hai 1	400,000	400,464
	02 Far Eastone 3B	400,000	400,703
	01 FPC 1A	400,000	400,144
	SUNHUN 3.5 11/16	348,898	358,664
	Brave Rise Investments Ltd.	346,844	357,242
	HUWHY 7.625 04/19	285,462	342,690
	01 UMC 1B	300,000	301,651
	00 Hon Hai 3	300,000	299,771
	00 Taipower 5A	300,000	300,555
	Others (Note)	9,374,255	9,441,122
		<u>18,505,459</u>	<u>18,674,838</u>
Bank debentures			
	IFC 5.75 01/15/15	917,893	917,556
	ASIA 0.5 03/15	635,675	627,222
	11 EXIM 11 (110311)	561,380	568,897
	KDB Float 12/15	415,430	415,534
	INTNED Float 16	363,501	365,780
	IBRD 0.5 04/15	363,047	356,861
	KOFCOR Float 17	337,537	337,529
	Woori Bank	276,127	321,521
	BK TOK-MIT UFJ Float 09/18	311,572	311,572
	ICBCAS 3.2 04/16	306,208	306,290
	Others (Note)	12,897,034	13,030,615
		<u>17,385,404</u>	<u>17,559,377</u>
Beneficiary's securities			
	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	975,115	1,044,238
	Others (Note)	2,891,442	617,564
		<u>3,866,557</u>	<u>1,661,802</u>
		<u>\$ 242,009,620</u>	<u>\$ 244,074,587</u>

Note: "Others" means the aggregated disclosure of items under \$300,000 thousand.

Accumulated Impairment	Adjustment	Fair Value	Note
\$ -	\$ 1,890	\$ 408,216	
-	(7,142)	396,865	
-	(675)	312,472	
-	(4,355)	311,561	
-	3,964	1,896,030	
-	94,785	49,241,924	
-	2,656	852,988	
-	5,180	756,302	
-	3,294	704,516	
-	(327)	698,718	
-	19	507,360	
-	1,448	455,121	
-	2,115	453,243	
-	727	450,927	
-	1,864	406,051	
-	1,730	405,893	
-	2,867	402,286	
-	1,259	401,723	
-	125	400,828	
-	240	400,384	
-	918	359,582	
-	-	357,242	
-	1,697	344,387	
-	1,122	302,773	
-	2,812	302,583	
-	1,457	302,012	
-	23,939	9,465,061	
-	55,142	18,729,980	
-	116	917,672	
-	272	627,494	
-	1,477	570,374	
-	1,273	416,807	
-	2,948	368,728	
-	4	356,865	
-	2,429	339,958	
-	436	321,957	
-	(543)	311,029	
-	(1,901)	304,389	
-	36,268	13,066,883	
-	42,779	17,602,156	
-	2,191	1,046,429	
-	2,166	619,730	
-	4,357	1,666,159	
(\$ 16,168)	\$ 190,634	\$ 244,249,053	

(Concluded)



SCHEDULE 4

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

HELD-TO-MATURITY FINANCIAL ASSETS

DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

Items	Summary	Amount	Interest Rate (%)	Unamortized Premium (Discount)	Book Value	Note
Government bonds	Treasury Bond 99-5	\$ <u>2,500</u>	1.38%	\$ <u>40</u>	\$ <u>2,540</u>	

SCHEDULE 5

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2014

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

Name	Beginning Balance		Increase	
	Shares	Amounts	Shares	Amounts
Unlisted shares				
Taishin D.A. Finance (Note 1)	20,000,000	\$ 142,860	-	\$ -
An-Hsin Real-Estate	3,900,000	78,369	-	24,630
Listed company				
Chang Hwa Bank (Note 2)	-	-	1,803,062,594	32,575,808
		\$ <u>221,229</u>		\$ <u>32,600,438</u>

Note 1: Taishin Financial Holding has consolidated Taishin D.A. Finance as subsidiary cause the decrease of Taishin D.A. Finance.

Note 2: Chang Hwa Bank is accounted for using equity method after Taishin Financial Holding lost controls of Chang Hwa Bank.

Decrease		Ending Balance			Market Price or Equity	
Shares	Amounts	Shares	Ownership Interest (%)	Amounts	Unit Price	Total
(20,000,000)	(\$ 142,860)	-	-	\$ -	-	\$ -
-	(17,823)	3,900,000	30.00	85,176	18.93	85,176
-	-	1,803,062,594	22.81	<u>32,575,808</u>	18.07	<u>32,575,808</u>
	<u>(\$ 160,683)</u>			<u>\$ 32,660,984</u>		<u>\$ 32,660,98</u>

SCHEDULE 6
TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
OTHER FINANCIAL ASSETS, NET
DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

Items	Amount
Financial assets carried at cost	
Dah Chung Bills	\$ 942,527
Diamond Biotech Investment	900,000
Others (Note)	<u>766,449</u>
	<u>2,608,976</u>
Debt investments without active market	
Class A Convertible Preferred Stock of Taiwan High Speed Rail Corp.	<u>300,000</u>
Other miscellaneous financial assets	
Time deposit with original maturity more than 3 months	8,760,830
Others	<u>461,398</u>
	<u>9,222,228</u>
	<u>\$ 12,131,204</u>

Note: "Others" means the aggregated disclosure of items under \$300,000 thousand.

SCHEDULE 7

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIESSECURITIES SOLD UNDER REPURCHASE AGREEMENTS
DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

Items	Face Value	Amount
Commercial paper		
Issued by - Chunghwa Telecom	\$ 3,300,000	\$ 3,295,367
Issued by - China Development Industrial Bank	2,600,000	2,595,589
Issued by - Taipei Fubon Bank	1,550,000	1,547,835
Issued by - National Health Insurance Administration	1,155,000	1,154,223
Issued by - Taiwan Business Bank	700,000	698,489
Issued by - Taiwan Stock Exchange	550,000	549,296
Issued by - Bank of Taiwan	400,000	399,702
Issued by - Yuan Yi Venture Capital Co., Ltd.	390,000	389,541
Issued by - Shin Kong Life Insurance	300,000	300,719
Issued by - Pension Fund Management Board	300,000	300,151
Issued by - Labor Pension, New System	300,000	300,093
Others (Note)	5,872,900	5,867,205
	<u>17,417,900</u>	<u>17,398,210</u>
Government bonds		
Treasury Bond 102 I-11	7,952,800	8,008,858
Treasury Bond 101 I-6	6,021,600	6,204,363
Treasury Bond 103 I-2	3,863,500	3,945,547
Treasury Bond 103 I-9	2,098,500	2,118,477
Treasury Bond 98-3	1,285,500	1,327,247
Treasury Bond 102 I-2	1,140,500	1,183,641
Treasury Bond 97-3	1,092,000	1,126,594
Treasury Bond 100 I-6	689,500	756,286
Treasury Bond 88-2	700,000	752,158
Treasury Bond 90 I-6	563,000	582,409
Treasury Bond 89 II-1	480,200	559,931
Treasury Bond 90 I-3	500,000	526,533
Treasury Bond 103 I-4	450,000	455,200
Treasury Bond 95-6	400,000	402,456
Treasury Bond 90 I-7	330,000	353,500
Treasury Bond 96-3	343,300	345,853
Treasury Bond 94-5	300,000	319,512
Others (Note)	894,900	911,721
	<u>29,105,300</u>	<u>29,880,286</u>

(Continued)



Items	Face Value	Amount
Bank debentures		
KDB Float 12/15	415,430	397,212
Others (Note)	6,063,890	5,864,376
	<u>6,479,320</u>	<u>6,261,588</u>
Corporate bonds		
01 FPCC. 2A	850,000	850,861
00 TSMC 1A	750,000	750,000
02 FCFC 2A	700,000	700,034
00 TSMC 1A	700,000	700,019
99 Taipower 3B	500,000	500,000
00 Taipower 2B	450,000	450,031
00 Hon Hai 2A	450,000	450,000
00 Taipower 3A	400,000	400,259
01 TPC 1A	400,000	400,107
00 Hon Hai 1	400,000	400,066
02 Far Eastone 3B	400,000	400,056
99 CPC Corp. 1B	400,000	400,028
99 Kaohsiung City Government bond II	396,200	397,955
02 UMC 1A	394,000	394,680
95 Taipower 1B	359,000	360,494
00 Hon Hai 3	300,000	300,013
00 Taipower 5A	300,000	300,010
01 UMC 1B	300,000	300,000
Others (Note)	7,697,096	7,729,795
	<u>16,146,296</u>	<u>16,184,408</u>
	<u>\$ 69,148,816</u>	<u>\$ 69,724,492</u>

Note: "Others" means the aggregated disclosure of items under \$300,000 thousand.

(Concluded)

SCHEDULE 8

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF FOREIGN EXCHANGE GAIN (LOSS) FOR THE YEAR ENDED DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

Items	Amount
Spot	\$ 23,951,625
Forward	(24,852,019)
Margin	136,648
Self-owned capital	74,868
Others	<u>112,510</u>
	<u>(\$ 576,368)</u>

SCHEDULE 9

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF NET OTHER NON-INTEREST INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

Items	Amount
Revenue excluding interest	
Gains on sale of non-performing loans	\$ 719,705
Leasing revenue	296,847
Loans management revenue	502,927
Gains on financial assets carried at cost	329,068
Gain on hedge derivatives	65,840
Other revenue	587,243
	<u>2,501,630</u>
Expense excluding interest	
Loans manage cost	(44,954)
Lease payments	(44,061)
Other expenses	(14,775,666)
Others	(75,986)
	<u>(14,940,667)</u>
	(\$ <u>12,439,037</u>)

SCHEDULE 10

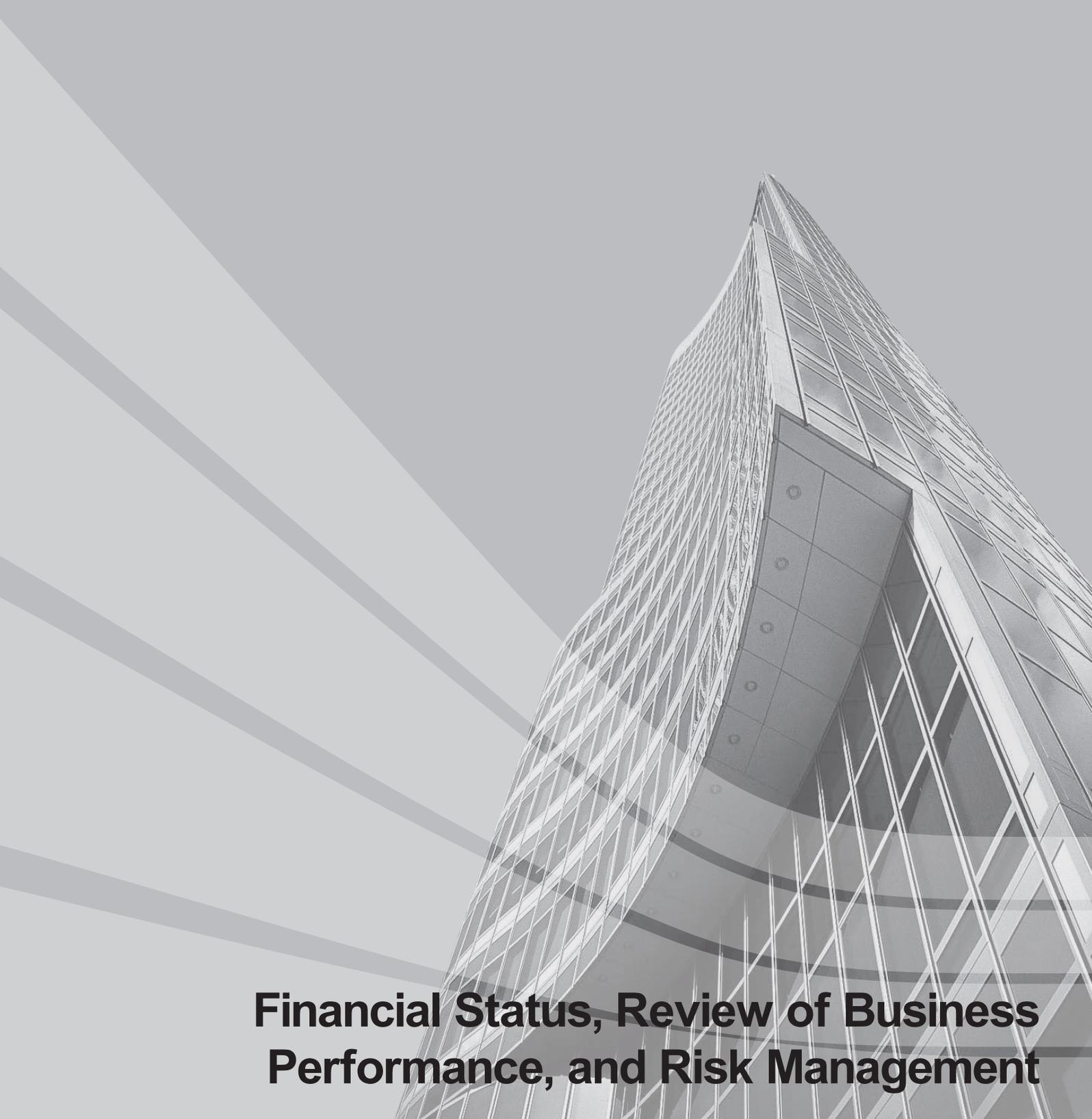
TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

Items	Amount
Employee benefits expenses	\$ 19,910,494
Depreciation	1,171,127
Amortization	390,611
Leases	1,436,951
Stationeries	126,133
Postage and remittance fee	713,915
Advertisement fee	833,207
Insurance	708,878
Tax and levies	2,783,022
Allowance for entertainment	179,467
Donation	136,005
Labor service fee	1,099,548
Freight	41,470
Others	2,690,701
	<u>\$ 32,221,529</u>

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



**Financial Status, Review of Business
Performance, and Risk Management**



07

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

A. Financial Status

Unit: NT\$1,000

Item	2013	2014	Variation	
			Amount	%
Cash and cash equivalent	183,391	6,854,458	6,671,067	3637.62
Financial assets at fair value through profit or loss	7,435,522	5,316,390	(2,119,132)	(28.50)
Available-for-sale financial assets	1,057,882	1,064,931	7,049	0.67
Receivables	803,305	342,315	(460,990)	(57.39)
Held-to-maturity financial assets	127,277,451	124,632,264	(2,645,187)	(2.08)
Investments accounted for by the equity method	2,200	2,200	0	-
Property and Equipment	9,257	6,761	(2,496)	(26.96)
Intangible assets	120,591	116,942	(3,649)	(3.03)
Other financial assets	209,531	286,901	77,370	36.93
Other assets	137,099,130	138,623,162	1,524,032	1.11
Total assets	762,690	1,099,883	337,193	44.21
Financial liabilities at fair value through profit or loss	3,204,575	1,464,865	(1,739,710)	(54.29)
Payables	22,000,000	22,000,000	0	-
Bonds payable	0	0	0	-
Preferred-share liabilities	278	0	(278)	(100.00)
Other financial liabilities	25,967,543	24,564,748	(1,402,795)	(5.40)
Other liabilities	82,548,070	95,780,609	13,232,539	16.03
Total liabilities	9,478,327	10,640,840	1,162,513	12.26
Capital stock	18,160,507	7,292,136	(10,868,371)	(59.85)
Capital surplus	944,683	344,829	(599,854)	(63.50)
Retained earnings	111,131,587	114,058,414	2,926,827	2.63

Note: The above financial statements have been prepared according to FSC-recognized International Financial Reporting Standards, international accounting standards and any interpretations thereof.

Explan of variations:

- (1) Increase in cash, cash equivalents, bond resales and bond investments as of December 31, 2014, over December 31, 2013, were mainly the result of cash issues, subsidiary investments, and cash dividends collected in 2014.
- (2) Decrease in current income tax assets as of December 31, 2014, over December 31, 2013, was mainly due to lower tax refunds incurred for the year.
- (3) Decrease in real estate properties and equipment as of December 31, 2014, over December 31, 2013, were mainly the result of depreciation expenses recognized on real estate properties and equipment.
- (4) Increase in other assets as of December 31, 2014, over December 31, 2013, mainly comprised of additional guaranteed deposits paid and advanced pension contributions made.
- (5) Increase in payables as of December 31, 2014, over December 31, 2013, mainly comprised of consolidated taxes payable to subsidiaries, interests recognized on business income tax payable following the loss of administrative remedies, and decrease in cash dividends and bonus payables.
- (6) Decrease in current income tax liabilities as of December 31, 2014, over December 31, 2013, was mainly due to lower tax payable incurred for the year.
- (7) Decrease in retained earnings as of December 31, 2014 over December 31, 2013, was mainly the result of lesser net profits earned in the current year.
- (8) Decrease in other equities as of December 31, 2014, over December 31, 2013, were mainly due to lower unrealized gains on available-for-sale financial assets.

B. Business Performance

Unit: NT\$1,000

Item	2013	2014	Variation	
			Amount	%
Realized gain on available-for-sale financial assets	15,356,975	16,891,545	1,534,570	9.99
Other gains	81,583	135,397	53,814	65.96
Realized loss on available-for-sale financial assets	(168,711)	(44,859)	123,852	(73.41)
Operating expenses	(431,219)	(238,850)	192,369	(44.61)
Other expenses and losses	(471,120)	(15,225,427)	(14,754,307)	3,131.75
Pre-tax income (loss)	14,367,508	1,517,806	(12,849,702)	(89.44)
After-tax income (loss)	(531,260)	106,570	637,830	(120.06)
Net Income	13,836,248	1,624,376	(12,211,872)	(88.26)
Other comprehensive income(loss), net of tax	(1,510,109)	(712,769)	797,340	(52.80)
Total comprehensive income	12,326,139	911,607	(11,414,532)	(92.60)

Note: The above financial statements have been prepared according to FSC-recognized International Financial Reporting Standards, international accounting standards and any interpretations thereof.

Explain of variations :

- (1) Increase in other gains in 2014 over 2013 was mainly attributed to higher interest income.
- (2) Decrease in operating expenses in 2014 over 2013 was mainly attributed to lower employee welfare expenses.
- (3) Increase in other expenses and losses in 2014 over 2013 was mainly due to the loss of control over Chang Hwa Bank.
- (4) Decrease in income tax expenses in 2014 over 2013 was mainly due to the new tax treatments agreed between the company and the tax authority on previous operating and interest expenses.
- (5) Increase in other overall incomes in 2014 over 2013 was mainly due to the fact that subsidiaries' losses on disposal of available-for-sale assets were reclassified from other overall incomes into main income categories.

C. Cash flow

Analysis of cash flow in the coming 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
12,170,848	9,261,296	7,815,093	13,617,051	Nil	Nil

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

The company did not incur any major capital outlay in 2014.

E. Investment policy in the recent year

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



top of providing comprehensive professional financial services. Looking ahead, in the face of acute competition and a fast changing financial environment, the company will continue, via own or external growth, expanding the scale and market shares in the operations of banking, securities, insurance, investment finance, commercial paper/bond, and other financial sectors, as well as overseas deployment, in order to tap the businesses of clients in various sections, strengthen competitive edge, and expand profit sources.

F. Assessment of risk management

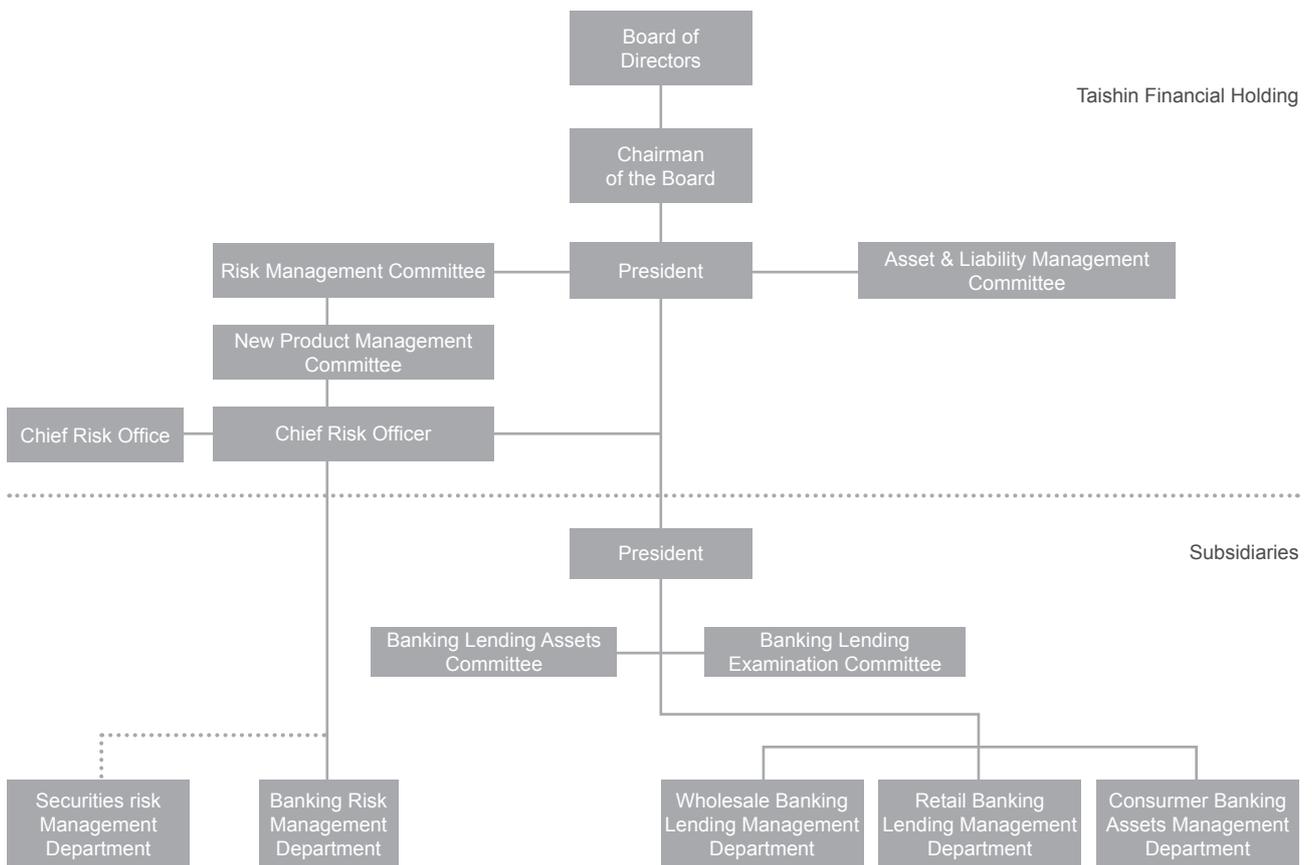
a. Risk management framework and policy of the financial holding company and subsidiaries

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

Organization	Contents
Board	<ol style="list-style-type: none"> 1. Approval of risk management policy and procedure. 2. Approval of market risk, credit risk, and operational risk of the financial holding company.
Risk Management Committee	<ol style="list-style-type: none"> 1. The president of the financial holding company serves as the convener of the committee. 2. Review of the risk management policy and procedure of the financial holding company. 3. Ratification of the policy, measures, and guidelines for the market risk, credit risk, and operating risk of subsidiaries. 4. Supervising and establish market risk, credit risk, and operating risk mechanism. 5. Reviewing performance report of the risk management units of subsidiaries and the overall risk analytical report of the financial holding company. 6. Reviewing and finalizing risk model, risk parameters and indicators, and pressure test plan. 7. The committee oversees a new product management committee, responsible for reviewing risks involving new products and complicated trading of subsidiaries' trading units. 8. Monitoring various risks undertaken by the company, adopting necessary measures for controlling large risk exposure. 9. Report of other risk related projects. 10. Execution of risk management related resolutions of the board.
Chief Risk Officer	<ol style="list-style-type: none"> 1. Vice convener of the Risk Management Committee. 2. Implementing risk management strategy and instituting risk management framework approved by the board. 3. Supervising Risk Management Department and risk management units of subsidiaries in executing related policy. 4. Assuring effective cross department communication and coordinate risk management functions.
Chief Risk Office	<ol style="list-style-type: none"> 1. Formulation and institution of risk management mechanism. 2. Disclosure of risk management implementation. 3. Producing overall risk analytical report for the financial holding company. 4. Coordination and contact for risk management affairs with subsidiaries. 5. Instituting integrated risk management information system. 6. Introducing the risk management norm of Basel II Capital Accord, so as to institute a risk management mechanism complying with international standards.
Risk management units of subsidiaries	<ol style="list-style-type: none"> 1. Provision of risk management related information. 2. Implementing the financial holding company's risk management policy.

Risk Management Organizational Chart of Taishin Financial Holding

Base date: Dec 31, 2014



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

1. Holdings common regular disclosure

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

(1) Credit risk management

Wholesale banking

- (a) Pinpoint target loan clients, enhance profit margin, and expand low risk business, so as to strengthen risk enduring capability and reduce overall risks.
- (b) Ascertain credit analytical report and strengthen the training of credit officers.
- (c) Further strengthen internal credit rating mechanism.
- (d) Further strengthen post lending management and review system.



- (e) Institute the evaluation system for individual risks and overall credit risk involving securities underwriting and investment position.
- (f) Strengthen the management of credit risk concentration associated with loaning, investment, and trading of various financial products such as derivatives.
- (g) Institute individual management measures for businesses involving specific risk (such as ceiling for loans mortgaged with specific stocks, tracking the price threshold for margin calls, and the undertaking and post management of realty financing).
- (h) Institute the system for the alert, notification, and control of abnormal accounts.
- (i) Centralized NPL management.

Retail banking

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

(2) Market risk management

To consolidate the management of risks deriving from interest rate, exchange rate, and equity securities, the company assesses via marked-to-market method the income or loss of trading positions for various financial products held by subsidiaries.

(3) Operating risk management

To achieve a consistent and complete operating risk management system, the company's daily operation and decision making, the company has formulated operating risk management policy and operating risk enduring extent. It has also established "operating risk reporting procedure," "self-evaluation and auditing operation procedure," "key risk indicator procedure," and risk offsetting procedure, featuring mutually linked analysis to uphold operating risk forecast capability.

2. Risk management methods and quantified risk exposure information of subsidiaries

(1) Taishin Bank

(a) Credit risk

The main goal of risk management is to pursue maximum profits under reasonable risk, so as to uphold shareholders' interest. Effectively grasp the trend of assets quality via regular monitoring of numerical changes in net flow and adjust lending policy and debt collection strategy accordingly. Utilize internal credit rating system, midterm management and review, diversification and ceiling of credit extension/ investment positions (customer groups), and other methods to monitor constantly risk level and changes in general economy and financial climate, on top of irregular review or adjustment of risk avoidance

(diversification) and abatement strategy via internal procedure. Risk abatement is carried out mainly via the collection of collateral, which calls for different appraisal method and evaluation period according to their different nature, i.e., realty, or chattel, or securities.

I. Wholesale banking

(i) Wholesale Credit Administration Division is the credit risk management unit for Wholesale Banking Group. It consists of credit management, screening, global trade, and asset management departments. Credit extension management department is in charge of the planning of internal credit evaluation system, the monitoring of credit extension position, the diversification of credit extension risk, the planning and formulation of management measures, the appraisal of the value of mortgaged properties, and the review and credit examination after the extension of loans. Various auditing departments are in charge of the review of credit extension cases, the property management department is in charge of the statistics of credit extension assets for wholesale banking, the evaluation of the provisions for bad debts, and collection of overdue loans, non-performing loans, and bad debts.

(ii) The evaluation and management of credit risk is undertaken by using internal credit rating system. In addition to credit rating undertaken upon application, all credit extension cases are subject to follow up tracking and management. The internal credit rating system consists of two aspects; one is the credit rating of borrowers, mainly for the evaluation of their capability to fulfill financial commitment, which is undertaken via the use of statistical model and an evaluation table as assistant tools. The second aspect is credit line rating, which is undertaken according to the factors of the existence of collateral, the order of lien, and type of products.

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

II. Retail banking

(i) Retail business units evaluate and review cases based on the credit policy. Retail Banking Non Performing Asset Recovery Division is responsible for collection and management of delinquent cases.

(ii) Formulate proper lending risk management policy by using Application Scoring System, Behavior Scoring System, Collection Scoring System and Credit Bureau Scoring System, along with the product profit model, to pinpoint optimal lending terms to provide profit model for different client groups with different loaning conditions.

(iii) Flexibly adjust various risk management indicators and segmentation management via periodical assets analysis and default analysis, so as to achieve operating objectives.

III. Quantified information on risk exposure

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

Dec. 31, 2014; Unit: NT\$1,000

Kinds of Risk Exposure	Risk Exposure After Deduction	Risk Based Capital Requirement
Sovereign state	237,982,171	40
Non-central Government Public Sector	693,293	11,125
Bank (Including Multilateral Development Bank)	54,513,268	1,489,124
Enterprise (Including Securities and Insurance Companies)	453,487,399	33,914,790
Retail Debt Claim	169,093,810	10,414,943
Housing Realty	346,696,713	21,523,058
Equity Investment	1,802,424	547,723
Other Assets	205,718,453	2,209,608
Total	1,469,987,531	70,110,411



(b) Liquidity risk

Manage well liquidity position for basic operating and growth need, so as to assure adequate liquidity. Assets/Liabilities Management Committee formulates liquidity risk management policy and oversees its execution, with the fund management units of subsidiaries undertaking the execution and reporting to the Assets/Liabilities Management Committee monthly.

I. Analysis for the Structure of NTD Due Dates

Dec. 31, 2014; Unit: NT\$1,000

	Total	Value for Balance Period Before Due Dates					
		0 to 10days	11 to 30 days	31 to 90 days	91 to 180 days	181 days to one year	Over one year
Main Fund Inflow Due	1,292,585,800	203,292,148	209,889,313	154,684,671	86,454,661	127,666,989	510,598,018
Main Fund Outflow Due	1,675,729,378	94,328,168	192,986,177	201,555,516	224,068,106	262,918,051	699,873,360
Expected Gap	(383,143,578)	108,963,980	16,903,136	(46,870,845)	(137,613,445)	(135,251,062)	(189,275,342)

Note: The table only contains NTD funds of the headquarters and domestic branches.

II. Analysis for the Structure of USD Due Dates

Dec. 31, 2014; Unit: US\$1,000

	Total	Value for balance period before due dates				
		0 to 30 days	31 to 90 days	91 to 180 days	181 days to one year	Over one year
Main fund Inflow Due	27,654,570	10,692,273	6,556,587	3,797,725	3,063,887	3,544,098
Main fund Outflow Due	27,521,357	9,651,033	6,640,975	5,666,376	3,524,698	2,038,275
Expected Gap	133,213	1,041,240	(84,388)	(1,868,651)	(460,811)	1,505,823

(c) Market risk

I. Strategy and flow

(i) The bank's risk management strategy calls for setting restrictions on capital according to risk adjusted returns rate, whereby seeking maximum value for shareholders. Accordingly, various business units have to seek approved quota before trading and independent risk management units assess income or loss for trading positions daily, in addition to reporting income/loss and risk exposure of trading position to executives regularly.

(ii) The scope and features of risk report and assessment system

(iii) Risk report is meant to disclose risk as an important reference for executives in formulating countermeasure and adjusting investment portfolio for achieving business objectives. The bank dedicates to integrating trading management systems for various products, in order to reporting income/loss and risk exposure of trading position immediately.

II. Trading and risk management system

(i) Quality

The bank stresses the formulation and implementation of risk management policy and norms, as well as the establishment of risk management culture. Risk management units are independent from risk undertaking units and responsible for assessing and analyzing risk exposure and reporting the results to executives for use in policy making, in addition to instituting assessment flow, the flow for new product launch, and certification procedure model, in the hope of complying with the regulations of the regulator, precisely assess risk, and standardizing operating and risk management flows.

(ii) Quantity

The bank sets price sensitivity quota for various products with different risk factors as criteria for risk assessment. In compliance with the regulations of Basel Capital Accord and the regulator, it plans to calculate integrated VaR (Value at Risk) for investment portfolio with internal model and set up VaR ceiling, so as to control the impact of market swings on the bank's positions.

III. Quantitative information on risk exposure

Capital Requirement for Market Risk

Dec. 31, 2014; Unit: NT\$1,000

Kinds of risks	Capital requirement
Interest Rate Risk	2,161,435
Equity Securities Risk	176,192
Orex Risk	184,596
Commodity Risk	0
Total	2,522,223

(d) Operating risk

I. Operating risk management policy and framework

To attain effective operating risk management, the bank has formulated its operating risk management policy, according to the norms set by the Basel Committee on Banking Supervision, the Bank for International Settlements, and the Financial Supervisory Commission (FSC). The 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 banks's operating risk management mechanism and corporate strategy, the company has established independent risk management units, further consolidating the bank's operating risk management.

II. Identification of operating risk

The company defines operating risk as "Risk of loss triggered by the impropriety or mistake involving internal flow, staffers, system, or external incidents, including legal risk but excluding strategic or credit standing risks." In order to identify existing and potential risks, the bank has formulated various operating risk management flow, as well as companywide risk glossary, loss incidence reporting system, risk self-evaluation system, key risk indicators, and risk reporting/disclosure procedure, so as to establish operating risk identification, assessment, and supervision method. Meanwhile, for the purpose of controlling various operating risks within endurable range, enhance operating efficacy, and create corporate value, the bank carries out regular analysis of existing and potential operating risk, thereby putting forward action plan to cut related operating risks.

III. Operating risk assessment and supervision

(i) Taishin Bank has made trial calculation itself of the chance and exposure value of operating risk with information in loss database, a practice which will be applied to other subsidiaries to grasp the operating risk value of the entire company.

(ii) To strengthen the management of operating risk loss of Taishin Bank and Taishin Securities, the company already set up operating risk ceilings for various units of the companies by the end of 2010 and incorporated the ceilings into annual KPI (key performance index), so as to include operating risk in daily management.



IV. Operating risk reporting and disclosure

The company has formulated operating risk reporting and disclosure mechanism, in order to help executives grasp the company's overall operating risk and make key decisions properly with the timely provision of key operating risk information and help market participants make proper decisions with the timely provision of key market information, thereby augmenting the company's responsive capability for operating risk and upholding the confidence of investors.

V. Quantitative information on risk exposure

Operating Risk Accrued Capital

Dec. 31, 2014; Unit: NT\$1,000

Year	Gross Profit	Capital Requirement
2012	23,942,523	
2013	26,826,662	
2014	29,500,101	
Total	80,269,286	3,690,360

(2) Taishin Securities Co., Ltd. (Market risk, counterparty risk, fundamental risks, and business risks.)

(a) Risk management method

As of 2014, Taishin Securities have effectively evaluated and rigorously control flow, in the hope of effectively control risk. The strategy, organization, and evaluation of the company's risk management as follows.

(b) Risk management strategy and flow

I. Purpose for risk management

The company's risk management policy is formulated according to the risk management policy of Taishin Financial Holding, in order to achieve the following goals:

- (i) The establishment and operation of the integrated risk management mechanism for market risk, credit risk, operating risk, liquidity risk, and legal risk, to attain effective risk management via centralized management and diversified risks.
- (ii) Upgrade assets quality.
- (iii) Upgrade the efficacy of capital allocation, so as to maximize returns after risk adjustment.

II. Flow for formulation and approval of risk policy

(i) Formulation principle

The company's risk management policy is formulated according to the following three principles:

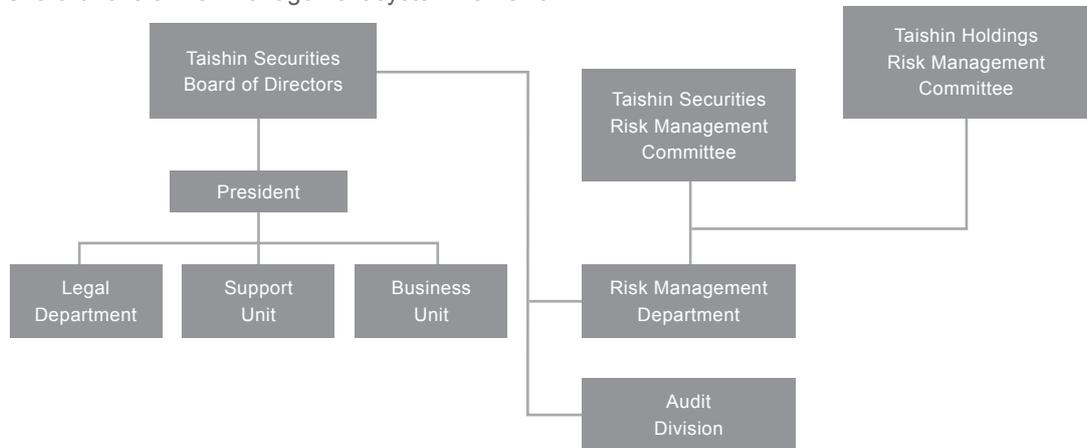
- Establish a risk evaluation mechanism to grasp the company's diversified risks and form the basis of the company's sustainable development.
- Emphasize the efficacy of the company's risk based assets.
- Emphasize related risks in the pursuit of maximum returns, thereby incorporating risk factors into performance evaluation.

(ii) Approval flow

The company's risk management policy is formulated by risk management unit and approved by the board of directors before its implementation.

(c) Organization and framework of risk management system

I. Chart for overall risk management system framework



II. Rights and obligations of various risk management units

(i) Board of directors : The highest guiding unit of the company's risk management

- Approve the company's risk management policy and procedure.
- Approve yearly quota for market risk, credit risk, operating risk, and liquidity risk.

(ii) Risk management committee

- Set up "Risk Management Committee" to effectively and timely integrate the company's various risk functions, with the board of directors dispatching at least one director to take part and dispatch persons to be the convener and chairperson of its meetings.
- Review the company's risk management policy and procedure.
- Review various risk related measures and guidelines.
- Establish various risk management mechanism.
- Review analytical report on overall risk, report the execution of risk management to the board of directors timely, and propose necessary improvement suggestions.
- Set up management meeting for new businesses and review his risk of new products undertaken by business unit.
- Execute risk management related resolutions of the board of directors.

(iii) Risk Management Department

- Risk management Department is in charge of monitoring the company's overall risk and the risk of various divisions and regularly reports the status of loss/benefits and financial risk exposure to the risk management division. It is independent from various profits centers and is directly responsible to the board of directors, in charge of the company's various risks.
- To devise risk management policies, measures, and limits.
- To implement risk measurement methods.
- To monitor risk limit usage.
- To implement risk management information system.
- To report and disclose the status of risk management practices.
- To handle other risk management related matters.

(iv) Audit Division

Carry out operating auditing according the company's internal control system, regularly understand compliance of various units with various measures and systems, notify the existence of defects and abnormal items timely, and track follow up improvements.



(v) Legal Department

In charge of the management of the company's legal risk; planning, management, and execution of various legal compliances, revision of legal affairs, and collection and study of business related affairs.

(vi) Finance Department

In charge of the management of the company's fund liquidity risk, establish emergent response mechanism for liquidity crisis, formulate fund risk limit, in consideration of market environment, the company's financial structure, risk durability, and fund maneuvering capability.

(vii) Information Technology Department

In charge of the planning, promotion, and management of the company's information security, assures the continuity and correctness of various systems.

(viii) Business units

Undertake business operation according to the quota granted by the board of directors and materialize the execution of various risk management measures.

(d) The scope and features of risk management report and evaluation system

I. The evaluation of various risk management

Kinds of Risk	Management Method
Market risk	<ol style="list-style-type: none"> 1. The company has imposed VaR (Value at Risk) limits based on its risk tolerance. Portfolio risks are monitored in terms of VaR, market value and losses. In addition, the company has measures in place to control losses, holding periods, liquidity and concentration of individual investments. 2. Set up stress scenarios for various financial products, conduct stress testing to calculate stress loss, so as to evaluate possible loss to be endured by the company under extreme market status and manifest the risk status of existing position, as reference for the company in capital allocation.
Credit risk	<ol style="list-style-type: none"> 1. In charge of the credit risk of issuer risk and counterparty credit risk, distinguish liquid and illiquid positions, and set up quotas according to the nature of financial trading and credit rating. Credit rating is based on the internal credit rating granted by Taishin Financial Holding, which regularly examine the period for credit rating granting, to assure the effectiveness of credit rating. 2. Risk measures have been implemented to mitigate risks arising from concentration on any particular type of share/industry. By imposing limits on company/industry exposure, the company has been able to avoid excessive concentration to any particular issuer/industry. 3. Organize credit risk position for the same person and the same related party in a group, and submit the position to risk management unit of the financial holding firm for unified management. 4. Risk management for margin trading and short sale of brokerage business, compliance with the company's internal control system for credit account opening, and management of quota for margin trading and short sale, as well as maintenance rate, according to legal requirement.
Liquidity risk	<ol style="list-style-type: none"> 1. Market liquidity management: Due to limited trading volume and insufficient liquidity position, there may result in value reduction when clearing position, due to expanded gap between buying and selling prices and prolonged time for offsetting position, leading to reserves for liquidity risk, to avoid deviation of price evaluation. 2. Set up fund maneuvering mechanism by the financial division according to "guidelines for management of liquid fund shortfall," to manage fund liquidity risk.
Operating risk	<p>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.</p>

II. Information, frequency, and flow of risk management report

Information	Frequency	Flow
Compilation of market risk management table for established position 1.Outstanding amount of position 2.Loss/profit 3.Liquidity 4.Duration	Daily Daily Daily Monthly	Daily market risk management tool for risk management unit
Compile credit risk management table for established position, including Risk exposure information of issuer and trading counterparty	Daily	Daily credit risk management tool of risk management unit
Compilation of risk based assets report 1.Key Risk Indicator 2.Self-evaluation operation	Monthly Half Year	Submit to risk management committee
Compilation of non-stop loss tracking report	Monthly	Submit to risk management committee
Compilation of various quantitative risk indices report 1. Indicator of Market risk (1) Operational limit MV ∙ Delta (2) Stress test report 2. Indicator of Credit risk (1) Bonds and notes in a single issuer (2) Single file limit (3) The same credit rating (4) Company/industry concentration 3. Operational risk (1) Operational risk event (2) Key risk indicators	Monthly	Submit to risk management committee
Compilation of exception report	Monthly	Submit to risk management committee
Evaluation of liquidity reserves	Monthly	Submit to the president and provide to financial/accounting unit as reference for performance evaluation
Report for various business risk evaluation	Quarterly	Submit to the board of directors

(e) Quantitative information for risk exposure

Equivalent Value for Management Risk

Dec. 31, 2014, Unit: NT\$1,000

Kinds of Risk	Equivalent Value of Risks
Market risk	519,416
Credit risk	47,529
Operating risk	71,817
Total	638,762



c. Influence of important domestic and foreign policy and legal changes on the finance of the financial holding company and countermeasures

For the purpose of stimulating economic growth and boosting the competitiveness of the financial sector, the government has been loosening its cross strait financial policies and has amended the Regulations for Financial Transaction Permit between the Taiwan Area and the Mainland Area. The company will be committed to seeking maximum long term benefits for its shareholders, customers, and employees and formulating development plans in accordance with the law.

Law	Impact	Response measures
Foreign Account Tax Compliance Act, USA	The holding company and its subsidiaries need to assess whether it should change the current account opening procedures, trading flows, and system configurations. Furthermore, the bank and subsidiaries need to conduct impact assessments on products and counterparties that are possibly affected by the law.	A team of expert consultants has been engaged to assist the company and its subsidiaries in response to FATCA. In addition to reviewing existing forms and contracts, amending internal policies and developing new systems, the company has also organized training courses on many occasions to familiarize employees with FATCA requirements.
Article 43 of the Financial Holding Company Act and Article 11 of the Guidelines for Cross Marketing among Subsidiaries of Financial Holding Company	Customers' names and addresses are the only information that the company and its subsidiaries may use in cross marketing activities; all other information is subject to the Personal Information Protection Act. This limits the scope through which subsidiaries can market their services and grow their business.	Once the new amendment has been implemented, the company will encourage new customers to give their written consents on having their personal information used for cross marketing, and thus minimize potential impacts.

d. Effects of technological and industrial changes on the finance of the financial holding firm and countermeasures

1. Cloud technology based services

Taishin Bank has been implementing its service platforms on virtual private servers since 2009 as a more cost effective solution. From 2012 onwards, the bank began introducing cloud technologies that provide VIP customers with more convenient ways to communicate and interact with the bank.

To meet the needs of the bank's offshore branches and China offices, the IT Department has been integrating resources within the bank since 2013 for the purpose of enhancing customer information management, and in the meantime achieve simplified work flows and resource sharing that improves the bank's productivity, competitiveness, and management efficiency as a whole, and accomplishes our goal of smart corporate management without boundaries.

2. Mobile payment

In light of the latest Internet and cellphone technologies, the bank has committed more resources into developing platforms, apps, and new ideas that can be used for mobile payments, thereby giving the bank the ability to serve customers anytime, anywhere.

e. Effect of change in the corporate images of the financial holding company and its subsidiaries on the company and countermeasures

Apart from its financial businesses, Taishin Financial Holding has long dedicated itself to caring for society and has devoted itself to charitable work and environmental protection. Taishin is well-aware of the responsibilities a company owes to society, and therefore actively supports environmental protection, charitable, cultural and

artistic activities, in the hope of bringing about social change and real benefits for the socially disadvantaged, and fulfilling its role as a member of society.

f. Anticipated benefits and possible risks from acquisition and countermeasures

1. Anticipated benefits

- (1) Expand financial scope, enhance the scale of assets and market share ranking, and boost business competitiveness.
- (2) Expand marketing channel network and provide clients more convenient and pluralized service channels.
- (3) Create the business synergy of acquisition and maximize the profits for shareholders.
- (4) Provide all round services and deep cultivate the relationship with clients.
- (5) Diversify business risks and expand the scope of business development.

2. Possible risks

- (1) Inadequate business integration can lead to business loss, affecting the company' business and profit performance.
- (2) Inadequate integration of information systems may affect business operation, deferring the appearance of merger synergy.
- (3) Inadequate integration of human resources may lead to loss of talents, indirectly affecting business and management performance.
- (4) The integration of corporate culture and organization did not proceed as expected, and hence the synergies expected from the merger were not delivered.
- (5) The effect of misjudgment in acquisition strategy on the overall development outlook of the company.

g. Possible risks from business concentration and countermeasures

1. Back up mechanism

The concentration of operation has led to sharing of resources and manpower, a status which could magnify the effect of emergent incidents on the bank. To cope with possible risk, the Risk Management Division of the financial holding company has formulated integrated business continuity plan, which covers emergency response mode for venue, system, and personnel, as well as disaster recovery plan. The integration of corporate culture and organization did not proceed as expected, and hence the synergies expected from the merger were not delivered.

2. Document delivery

In the wake of operating concentration, internal transmission or delivery of original copies of document may result in information leakage or loss of documents, thereby causing serious consequence on the customers and the bank. To prevent the problems, the bank keeps the track for signed reception and formulates complete delivery rules for the delivery of key documents.

h. Influence of massive share transfer or exchange by board directors, supervisors, or major shareholders with over 1% stake, risk, and countermeasures

Due to the diversified shareholding of the company and low stake of a single shareholder, massive shareholding transfer or exchange would not impact the makeup of the company's shareholders or produce major influence or risk.



i. Influence of management right on the financial holding company, risk, and countermeasures

Change in the management right of financial holding company may result from the replacement of management by shareholders due to bad performance, hostile takeover, or own initiative of the original management wishing to look for new management to take over their position. Change in management may produce the following influence and risks on financial holding company:

1. Possible benefits

- (1) Create new management direction and value for the company.
- (2) Renovate corporate culture and organizational framework, bringing new business momentum and profit performance to the company.
- (3) Inject new idea and financial resources, creating triple wins for shareholders, clients, and employees.

2. Possible risks

- (1) Change in business strategy may affects company's business development and profit performance.
- (2) Change in management right may cause panic among employees, leading to high turnover and thereby affecting company's regular operation.
- (3) Change in management strategy may affect company's business development and Shareholder rights.
- (4) Change in management right may trigger concern among investors over company's management stability, driving down stock price.

j. Litigation and non litigation incidents

1. Taishin Financial Holding

Unappealable judgment, or under litigation	The facts of the dispute	Value of Claim (NT\$1,000)	The initiation of Litigation	The involved parties	The current status
Litigation involving dispute over contractual relationship	The Ministry of Finance and its person-in-charge had reneged on their commitments previously made in a number of official correspondences issued in 2005, causing the company to secure only 2 directorships and 1 nomination of independent director in Chang Hwa Bank, during the shareholder meeting held on December 8, 2014. Since the company represents less than half of the 9 directors on board, Chang Hwa Bank is no longer treated as a subsidiary according to the Financial Holding Company Act. Furthermore, the FSC-approved IFRS requires the company and its subsidiary - Taishin International Bank Co., Ltd. to recognize a loss of NT\$14,775,670,000 on their investment in Chang Hwa Bank. In response to the actions taken by the Ministry of Finance that cost the company its control over Chang Hwa Bank and significant losses suffered in the process, the company has engaged legal attorneys to pursue civil actions against the Ministry of Finance at Taipei District Court, and has resolved to undertake provisional measures as a temporary remedy.	10,000,000	2014.12.09	Ministry of Finance	Taipei District Court had rejected the company's request for provisional measures on January 15, 2015, for which the company had responded with an appeal on January 23, 2015, to protect the interests of the company and its shareholders.

2. Taishin International Bank: Nil.
3. Taishin Securities: Nil.
4. Taishin Asset Management: Nil.
5. Taishin Venture Capital: Nil.
6. Taishin Securities Investment Trust: Nil.
7. Taishin Securities Investment Advisory: Nil.
8. Taishin Holdings Insurance Brokers: Nil.

k. Other key risks and countermeasures: Nil.

G. Crisis management and response mechanism

To assure the uninterrupted operation of the company's major business activities, strengthen the company's responsive capability for emergent incidents, and minimize the influence of disaster and resume normal operation within the shortest time possible, the company has formulated the BCM (Business Contingency Management), specifying the definition of emergent incidents, grading risks, and pinpointing responsibilities, and related handling procedure.

H. Other Important items: Nil.



Special Notes

08

VIII. Special Notes

A. Information regarding the company's subsidiaries

a. Basic information

Date: Dec. 31, 2014; Unit: NT\$1,000

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Taishin International Bank Co., Ltd.	1992.02.25	1st,fl. and 1st basement, No. 44, Jhongshan N. Rd. Sec. 2, Taipei City	52,025,626	<ol style="list-style-type: none"> 1. Deposit reception (reception of check deposit, demand deposit, time deposit, and savings deposit originally listed in its business license are included in the item). 2. Issuance of financial bonds. 3. Loan extension (short-, medium- and long-term loan extension, loan mortgaged by certificates of time deposit, consumption loan originally listed in its business license are included in the item). 4. Discounting negotiable instruments. 5. Securities investment (investments in government bonds, short-term bills, corporate bonds, financial bond, and company stocks originally listed in its business license are included in this item). 6. Currency conversion. 7. Cashing of banker's acceptance. 8. Issuance of domestic L/C. 9. Guarantee for corporate-bond issuance. 10. Provision of domestic guarantee. (Guarantee business originally listed in the business license is included in the item). 11. Surrogate collection/payment. 12. Securities Underwriting (The undertaking of government bonds, treasury notes, corporate bonds, and corporate stocks originally listed in the business license is included in the item). 13. Custody and warehouse business. 14. Lease of safe. 15. Agency services related to the various businesses listed in the business license and approved by the regulator. 16. Credit card (credit card and cash advance businesses originally listed in the businesses license is included in the item). 17. Trading in gold ingots, gold coins, and silver coins. 18. Export/import forex, common outward and inward remittance, foreign-currency deposit, foreign-currency loan, and guarantee for secured foreign-currency payment. 19. Derivatives approved by the regulator. 20. Businesses permitted by Trust Industry. 21. Dealer business in government bonds. 22. Brokerage, dealing, certification, and underwriting of short-term bills. 23. Wealth Management. 24. Prepaid cash cards issued. 25. Concurrently securities investment consulting business.



Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Taishin Asset Management Co., Ltd.	2002.08.19	2nd-3 fl., No. 9, Dehui Street, Taipei City	995,000	Purchase, appraisal, auction of bad-debt claims of financial institutions
Taishin Venture Capital Investment Co., Ltd.	2002.12.25	18th fl., No. 118, Jenai Rd. Sec. 4, Taipei City	3,329,035	Ventral capital
Taishin Securities Co., Ltd.	1990.01.15	2nd fl., No. 44, Jhongshan N. Rd. Sec. 2, Taipei City	3,061,250	<ol style="list-style-type: none"> 1. Consigned trading in securities at the centralized market 2. Deal in securities at the centralized market 3. Accept consignment for securities trading at its business units 4. Deal in securities at its business units 5. Securities underwriting 6. Margin trading and short sale business for securities 7. Introducing brokerage for futures 8. Other businesses approved by the regulator
Taishin Securities Investment Trust Co., Ltd.	2004.06.03	13th fl., No.96, Sec. 1, Jianguo N. Rd., Taipei City	754,545	<ol style="list-style-type: none"> 1. Raise mutual funds via issuance of certificates of benefits 2. Invest in securities and other related products with mutual funds raised from issuance of certificates of benefits 3. Undertake other related businesses approved by the regulator 4. Undertake discretionary-account operation for clients
Taishin Securities Investment Advisory Co., Ltd.	1989.03.21	16th fl., No. 118, Jenai Rd. Sec. 4, Taipei City	300,000	<ol style="list-style-type: none"> 1. Securities-investment consulting business 2. General agency of Jupiter fund of the U.K 3. Other businesses approved by the Financial Supervisory Commission
Taishin Holdings Insurance Brokers Co., Ltd.	2008.05.22	11th fl., No. 44, Jhongshan N. Rd. Sec. 2, Taipei City	30,000	<ol style="list-style-type: none"> 1. Agency for personal insurance 2. Agency for property insurance
Taishin Insurance Agency Co., Ltd.	1996.09.19	3rd fl., No. 44, Jhongshan N. Rd. Sec. 2, Taipei	3,000	Agency for personal insurance
Taishin Insurance Brokers Co., Ltd.	2002.07.24	3rd, fl., No. 44, Jhongshan N. Rd. Sec. 2, Taipei	60,000	Brokerage for property insurance

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Taishin D.A. Finance Co., Ltd.	1997.10.13	1F fl., No.211, Sec. 2, Jiuzong Rd., Taipei City	800,000	<ol style="list-style-type: none"> 1. Leasing 2. Wholesale for machinery equipment 3. Retail for machinery and apparatuses 4. Wholesale for precision equipment 5. Retail for precision equipment 6. Auto retail 7. Retail for ships and parts 8. Retail for aircrafts and parts 9. Financial institution creditor's right purchase 10. Management consulting services 11. Software design services 12. Data processing services 13. Other industry and commerce services not elsewhere classified
Taishin Real-Estate Management Co., Ltd.	1995.08.17	2nd-1 fl., No. 9, Dehui Street, Taipei City	200,000	<ol style="list-style-type: none"> 1. Construction management 2. Residence and building development and lease 3. Factory construction and lease 4. Specific professional area development 5. Investment and construction of public construction 6. New town and new community development 7. Area expropriation and urban land rezoning 8. Urban renewal 9. Realty transaction 10. Realty lease 11. Business investigation
Taishin Financial Leasing (China) Co., Ltd.	2011.09.20	42th Fl., No.188, Sunnyworld Center, Lushan Road, Jianye District, Nanjing, China	894,049	Leasing
Taishin Financial Leasing (Tianjin) Co., Ltd. (Note)	2012.03.01	2203 Room, TEDA MSD-C1 Tower, No.79, First Avenue, TEDA, Tianjin, China	600,828	Leasing, Factoring, Installment Sales

Note: Taishin Finance & Leasing (Tianjin) Co., Ltd. had completed a NT\$319,920,000 cash issue in January 2014 that increased its share capital to NT\$920,748,000.



b. Directors, supervisors and major managers of the company's subsidiaries

Date: Dec.31, 2014

Name of enterprise	Position	Representative	Shareholding	
			Share	(%)
Taishin International Bank Co., Ltd.	Chairman	Thomas Wu	Taishin holding company owns 5,202,562,622 shares (100%).	
	Director	Jeffrey T.S. Wu		
	Director	The-Nan Hsu		
	Director	Jui-Sung Kao		
	Director	Shang-Pin Wu		
	Director	Chu-Chan Wang		
	Independent Director	Chin-Kang Wang		
	Independent Director	Neng-Pai Lin		
	Standing Supervisor	Yang-Tzong Tsay		
	Supervisor	Toney Chen		
	Supervisor	Long-Su Lin		
	President	Larry Chung	-	-
Taishin Asset Management Co., Ltd.	Chairman	Jeffrey T.S. Wu	Taishin holding company owns 99,500,000 shares (100%).	
	Director	Welch Lin		
	Director	Frank Shean-Yng Liaw		
	Supervisor	Shawn C.L. Teng		
	President	Frank Shean-Yng Liaw	-	-
Taishin Venture Capital Investment Co., Ltd.	Chairman	Jeffrey T.S. Wu	Taishin holding company owns 332,903,495 shares (100%).	
	Director	Welch Lin		
	Director	Larry Chung		
	Supervisor	Shawn C.L. Teng		
	President	Yu-Sheng Lin	-	-
Taishin Securities Co., Ltd.	Chairman	William L. Huang	Taishin holding company owns 306,125,000 shares (100%).	
	Director	Po Yung Lu		
	Director	Joseph Jao		
	Director	Spike Wu		
	Director	Ming Chih Hsieh		
	Independent Director	Cintan Huang		
	Independent Director	Yu Ti Chen		
	Supervisor	Jeffrey T.S. Wu		
	Supervisor	Ann Cheng		
	President	Lin, Hsien-Chun	-	-
Taishin Securities Investment Trust Co., Ltd.	Chairman	Andy Wu	Taishin holding company owns 75,454,545 shares (100%).	
	Vice Chairman	Welch Lin		
	Director	Sam Lin		
	Director	Wilson Chou		
	Director	Shang-Ming Chai		
	Supervisor	Li-Tzu Chen		
	President	Rebecca Lee	-	-

Name of enterprise	Position	Representative	Shareholding	
			Share	(%)
Taishin Securities Investment Advisory Co., Ltd.	Chairman	Wu Kwang Hsiung	Taishin holding company owns 27,599,513 shares (92%).	
	Director	Ming-Shu Chuang		
	Director	Chiou, Jyr-Shing		
	Supervisor	Chieh-Shun Hong	-	-
	President	Ming-Shu Chuang	-	-
Taishin Holdings Insurance Brokers Co., Ltd.	Chairman	Oliver Shang	Taishin holding company owns 3,000,000 shares (100%).	
	Director	Jack Su		
	Director	Spike Wu		
	Director	Steve S.F. Hsieh		
	Supervisor	Welch Lin		
	President	Yu-Ching, Hsuan	-	-

c. Directors, supervisors and major managers on affiliates

Date: Dec.31, 2014

Name of enterprise	Position	Company's Name	Shareholding (Share)	(%)
		Representative		
Taishin Insurance Agency Co., Ltd.	Chairman	Taishin International Bank	2,622,040	87.4
		Jack Su	0	0
	Director	Taishin International Bank	2,622,040	87.4
		Welch Lin	0	0
	Director	Taishin International Bank	2,622,040	87.4
		David Chang	0	0
	Director	Taishin International Bank	2,622,040	87.4
		Spike Wu	0	0
	Supervisor	Jeffrey T.S. Wu	0	0
	President	Andy An	0	0
Taishin Insurance Brokers Co., Ltd.	Chairman	Taishin Insurance Agency	6,000,000	100
		Jack Su	0	0
	Director	Taishin Insurance Agency	6,000,000	100
		Welch Lin	0	0
	Director	Taishin Insurance Agency	6,000,000	100
		Spike Wu	0	0
	Director	Taishin Insurance Agency	6,000,000	100
		Steve S.F. Shieh	0	0
	Supervisor	Taishin Insurance Agency	6,000,000	100
		Jeffrey T.S. Wu	0	0
President	Andy An	0	0	



Name of enterprise	Position	Company's Name	Shareholding (Share)	(%)
		Representative		
Taishin Real Estate Management Co.,Ltd.	Chairman	Taishin International Bank	12,000,000	60
		Jeffrey T.S. Wu	0	0
	Director	Taishin International Bank	12,000,000	60
		Thomas Wu	0	0
	Director	Taishin International Bank	12,000,000	60
		Shawn C.L.Teng	0	0
	Supervisor	Taishin Asset Management	8,000,000	40
		Welch Lin	0	0
President	Frank Shean-Yng Liaw	0	0	
Taishin D.A. Finance Co., Ltd.	Chairman	Taishin International Bank	80,000,000	100
		Eric Chen	0	0
	Director	Taishin International Bank	80,000,000	100
		Oliver Shang	0	0
	Director	Taishin International Bank	80,000,000	100
		Joseph Jao	0	0
	Director	Taishin International Bank	80,000,000	100
		Steve Hsieh	0	0
Supervisor	Taishin International Bank	80,000,000	100	
	Welch Lin	0	0	
President	Emily Tsai	0	0	
Taishin Financial Leasing (China) Co.,Ltd.	Chairman	Taishin Venture Capital Investment	-	100
		Eric Chen	-	0
	Vice Chairman	Taishin Venture Capital Investment	-	100
		Daniel Tsai	-	0
	Director	Taishin Venture Capital Investment	-	100
		Goldin Wang	-	0
	Director	Taishin Venture Capital Investment	-	100
		Shawn C.L.Teng	-	0
Supervisor	Taishin Venture Capital Investment	-	100	
	Welch Lin	-	0	
President	Goldin Wang	-	0	
Taishin Financial Leasing (Tianjin) Co.,Ltd.	Chairman	Taishin Venture Capital Investment	-	100
		Daniel Tsai	-	0
	Director	Taishin Venture Capital Investment	-	100
		Ted Wang	-	0
	Director	Taishin Venture Capital Investment	-	100
		Joseph Jao	-	0
	Director	Taishin Venture Capital Investment	-	100
		Archie Chen	-	0
Director	Taishin Venture Capital Investment	-	100	
	Shawn C.L.Teng	-	0	
Supervisor	Taishin Venture Capital Investment	-	100	
	Welch Lin	-	0	
President	Ted Wang	-	0	

d. Operation overview on affiliates

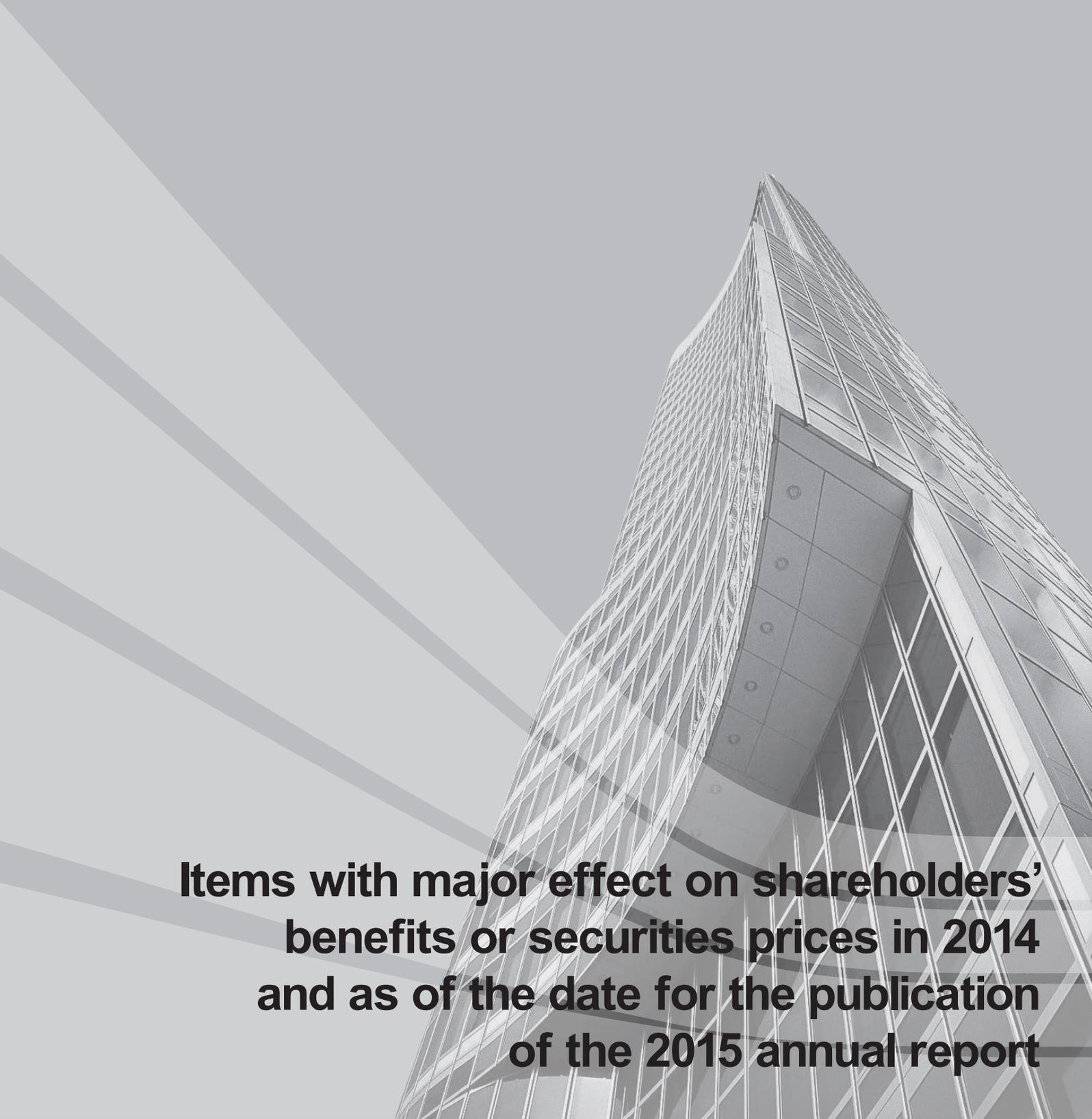
Date: Dec. 31, 2014; Unit: NT\$1,000

Name of enterprise	Capital	Total Assets	Total Liability	Equity	Operating Revenue	Operating Profit	Income (After Tax)	EPS (After Tax; NT\$)
Taishin International Bank Co., Ltd.	52,025,626	1,333,788,206	1,251,704,899	82,083,307	0	30,648,001	13,042,838	2.54
Taishin Asset Management Co., Ltd.	995,000	1,833,350	285,564	1,547,786	531,255	351,118	344,694	2.59
Taishin Venture Capital Investment Co., Ltd.	3,329,035	3,102,824	2,956	3,099,868	30,420	(22,774)	(44,859)	(0.19)
Taishin Securities Co., Ltd.	3,061,250	4,131,634	695,038	3,436,596	511,019	62,875	46,750	0.20
Taishin Securities Investment Trust Co., Ltd.	754,545	928,213	84,757	843,456	280,589	24,883	36,912	0.49
Taishin Securities Investment Advisory Co., Ltd.	300,000	384,233	26,483	357,750	94,700	2,079	4,906	0.17
Taishin Holdings Insurance Brokers Co., Ltd.	30,000	1,562,141	464,289	1,097,852	4,524,674	1,173,957	975,871	325.29
Taishin Insurance Agency Co., Ltd.	30,000	1,089,970	317,947	772,023	797,086	90,210	86,759	28.92
Taishin Real - Estate Management Co., Ltd.	200,000	612,651	274,800	337,851	55,329	27,099	46,126	2.31
Taishin D.A. Finance Co., Ltd.	800,000	1,657,444	945,004	712,440	102,983	(86,539)	(68,648)	(3.27)
Taishin Insurance Brokers Co., Ltd.	60,000	75,058	100	74,958	(20)	(457)	(154)	(0.03)
Taishin Financial Leasing (China) Co., Ltd.	894,049	5,972,471	5,064,730	907,741	433,750	29,218	19,485	-
Taishin Financial Leasing (Tianjin) Co., Ltd.	600,828	1,408,897	820,157	588,740	73,726	(25,481)	(21,404)	-

e. The Organizational Chart of Taishin Financial Holding and Its Affiliates : Please refer to P.17 "A.The organization of the financial holding firm c. The Organizational Chart ".



- B. Progress of private placement of securities during the latest year and up to the date of annual report publication: Nil.**
- C. The Company's subsidiaries' shareholding or disposal of the Company's share during the latest year and up to the date of annual report publication: Nil.**
- D. Additional Disclosure: Nil.**



**Items with major effect on shareholders'
benefits or securities prices in 2014
and as of the date for the publication
of the 2015 annual report**



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IX. Items with major effect on shareholders' benefits or securities prices in 2014 and as of the date for the publication of the 2015 annual report

The company was only able to secure 2 directorships and 1 nomination of independent director during Chang Hwa Bank's shareholder meeting held on December 8, 2014. Since the company represents less than half of the 9 directors on board, Chang Hwa Bank is no longer treated as a subsidiary according to Article 4 of the Financial Holding Company Act. Furthermore, the FSC-approved IFRS requires the company and its subsidiary - Taishin International Bank Co., Ltd. to recognize a loss of NT\$14,775,670,000 on their investment in Chang Hwa Bank.

In response to the actions taken by the Ministry of Finance that cause the company to lose its control over Chang Hwa Bank and suffer significant losses in the process, the company has engaged legal attorneys to pursue civil actions against the Ministry of Finance at Taipei District Court, and has made an application for an injunction maintaining a temporary status quo.

Taishin Financial Holding Co., Ltd.



Chairman
Thomas T.L. Wu

A handwritten signature in black ink, appearing to read "Thomas Wu".



Taishin Holdings

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