

Taishin Holdings 2016 Annual Report

Published date:
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Company website:
<http://www.taishinholdings.com.tw>

Market Observation Post System website:
<http://mops.twse.com.tw>





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

■ Taishin Financial Holding Co., Ltd.

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

■ Taishin International Bank Co., Ltd.

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

■ Taishin Securities Co., Ltd.

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Tel: 886-2-2181-5888
Website: <http://www.tssco.com.tw>

■ Taishin Asset Management Co., Ltd.

Address: 2F-3, No.9, Dehui St., Zhongshan 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>

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

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Tel: 886-2-2504-8125
Website: <http://www.taishinbank.com.tw>

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

Name: Fitch Ratings
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Website: <http://www.fitchratings.com.tw>
Tel: 886-2-8175-7600

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

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

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

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



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01

Message to Shareholders



I. Message to Shareholders

Dear Shareholders,

The global economy showed signs of a turnaround in 2016. Economic growth in the first half of 2016 was hampered by slowing international trade and diminishing effects of QE programs in major economies. Fortunately, the global economy showed positive signs in the second half of the year when the U.S. economy recovered, global commodity prices rose, and economic conditions improved in the eurozone. The annual GDP growth was 1.6% in the United States, 1.7% in the eurozone, and 1% in Japan. The annual GDP growth in China was 6.7%. Most countries had underperformed compared to last year.

Recovery is slowly taking place around the world while many challenges remain. Since the U.S. Federal Reserve started raising interest rates in late 2015, there has not been as many rate increases as expected. The market is watching closely to see if the Fed will pick up the pace. Meanwhile, China's gentle push for economic transformation with an emphasis on deleveraging and risk prevention continues with unabated momentum. Furthermore, the United Kingdom's Brexit vote and Trump winning the U.S. presidential election are sending shock waves through the political establishments. International markets reacted with short term shocks but managed to recover. However, everyone is still cautiously waiting to see the impact of rising anti-globalization sentiments and whether Asia exports would continue to grow in the face of China-U.S. trade issues.

Taiwan, also following the ups and downs of the global economy, appeared to be improving from the worst in 2016 with the second half of the year outperforming the first half. As of December 2016, the domestic economy flashed the 6th straight green light, signaling a recovery. The economic growth for the year was 1.5%. The latest in the string of rate cuts by the central bank in an attempt to stimulate the economy took place in June 2016. There had not been more since the effects started to show. The stock market, in response to the economic factors, fell before rising again, and closed at 9,254 at the end of the year, 11% up from 8,338 in the previous year.

Regarding the financial sector in Taiwan, RMB depreciation and penalties imposed by the U.S. government on one of Taiwan's state owned banks led to smaller profits for all overseas branches of Taiwan's state owned banks and OBUs in 2016. The earnings before tax of domestic fell to NT\$300.1 billion, a decrease of 6% compared to the previous year, while the return on assets (ROA) and the return on equity (ROE) were 0.68% and 9.24%, respectively. While domestic banks kept asset quality at the same level, the overall average nonperforming loan ratio at the end of 2016 was 0.27%, and the coverage ratio was 503%.

We followed our operating budgets closely in 2016. The core business grew at a steady pace, leading to consistent profit growth. The net profit after tax totaled NT\$11.4 billion. This represented an EPS of NT\$1.14, an ROE of 9.58%, and net worth per ordinary share of NT\$12.21. To build up the working capital and strengthen the capital structure, we raised NT\$25.0 billion by issuing Class E preferred shares in December 2016. The capital adequacy ratio was 128.5% and the double leverage ratio 110.9% at the end of 2016, reflecting a healthy capital structure.

In October 2016, we were granted global long- and short-term credit ratings of BBB and F3, respectively, in a report of the international credit rating agency Fitch Rating. The national long- and short-term credit ratings were A+(twn) and F1(twn), respectively, and the outlook was "Stable". In November 2016, we were granted international long- and short-term ratings of BBB- and A-3, respectively, and domestic long- and short-term ratings of twA and twA-1, respectively, in a report of the credit rating agency Taiwan Ratings.

With respect to overseas expansion, the Tokyo Branch in Japan of our subsidiary Taishin Bank celebrated its grand opening in October 2016. It is the first branch in an OECD member country. It is also Taishin Bank's third overseas branch after the Hong Kong Branch and the Singapore Branch. Looking forward, the Brisbane Branch in Australia is expected to open in 2017, and the application for the Long An Branch in Vietnam has been submitted to the local authorities. With respect to local offices, besides the Ho Chi Minh City office in Vietnam, the Yangon office in Myanmar was established in January 2016. Furthermore, we have established financial leasing companies in Nanjing and Tianjin to provide leasing, trade, and insurance agency services across China. In the future, we will continue to expand our overseas presence, offering more comprehensive and higher quality international financial services to customers.

With respect to securities services, our subsidiary Taishin Securities has finalized a contract with Ta Chong Securities. The two parties have announced together their upcoming merger in March 2017. Overall performance of the securities markets in Taiwan has not been favorable to securities dealers in the last few years. In particular, low volume forces brokers to try to increase their market shares in order to achieve economies of scale. While Taishin Securities has increased its market share in brokerage services from 0.02% to 0.5% or higher over the last few years, it is still a long way from becoming a largest securities dealer. Once it completes the acquisition of Ta Chong Securities, Taishin Securities may be able to increase its market share in brokerage services to more than 1% and the net value to more than NT\$7.0 billion. The scale will make it a competitive medium sized securities dealer able to provide futures services and sub-brokerage services. The prospect is consistent with Taishin FHC's long term business strategy for securities operations.

Business performance of the bank subsidiary in retail banking and wholesale banking services and operating performance of the securities and investment trust subsidiaries in 2016 are described as follows.

Retail Banking

As of the end of 2016, the size of Taishin Bank's mortgage portfolio stood at NT\$418.7 billion, representing more than 7% in YOY growth; the auto loan balance amounted to NT\$37.5 billion, representing a 10% YOY growth, placing it again on top of the financial industry; it had 3.78 million credit cards outstanding, ranking 4th with a 9% market share; lastly, Taishin Bank had 103,000 card accepting merchants nationwide, ranking first with a 21% market share.

In response to the rise of fintech, Taishin Bank had four new utility model patents granted for its innovative services. It was also the first bank to launch a new digital banking brand, Richart, to offer a range of friendly online financial services. The brand held a 60% market share in digital accounts in less than six months since its launch. Meanwhile, internet banking and mobile banking are advancing rapidly. The number of customers is growing at 13% per year given the range of services and the number of promotional campaigns. The transaction volume is also growing every year.

Regarding the investment in mobile payment services, Taishin Bank was first to be approved by the competent authority to support international mobile payment tools such as Apple Pay, Android Pay, and Samsung Pay. It was first to launch the service on March 29, 2017. Customers are now able to make payments with Taishin credit cards and Apple Pay. In addition, Taishin Bank offers SIM credit cards supported by host card emulation (HCE) technology that enable customers to use their mobile phones to quickly pay for their shopping. Taishin Bank has designed an app exclusively for Taishin cardholders. With the new CARDaily app (for credit cards), customers are able to check their credit card accounts in real time. Furthermore, Taishin Bank is going to introduce e-Payments that will offer a payment experience combining social media and payments. In addition to targeting micro or proprietary businesses, it will also team up with large merchants to promote the services. Regarding cross border O2O services, Taishin Bank is teaming up with Alipay of China. It currently has the large number of points of service accepting Alipay in Taiwan.



Taishin Bank's credit card services aim to cater to different customer groups at the same time. It has been introducing new products since 2016. Examples include the @GoGo VISA Signature card for online shoppers, the limited edition crystal encrusted Wealth Visa Infinite card, and the Mercuries Life cobranded card. The @GoGo card offers high cash back, and cash back is credited to a Richart digital banking account. This idea of saving while spending makes the card widely known as the best card for online shopping. Both the number of cards issued and the total card spending have exceeded expectations. The Wealth Visa Infinite card targets top-tier customers. The unprecedented Swarovski crystal encrusted design is more than a token of exclusivity as it is also accompanied by a range of benefits designed specifically for wealth management customers. The Mercuries Life cobranded card offers high cash back on preauthorized premium payments and a zero interest installment plan. It is a welcome addition to Taishin Bank's growing array of cobrand cards.

The wealth management services received international recognition and many awards in 2016. The list of awards includes Asian Banker's Best Wealth Management Business and Best Customer Relationship Management and Private Banker International's Highly Commended: Outstanding Private Bank, Asia Pacific. Taishin Bank offers a variety of services for different customer segments such as individuals, households, and business owners. The process always starts with understanding customers' needs and proceeds by utilizing its three advantages, which are a team of professional specialists, a diverse range of products, and excellent benefits for top-tier customers. Examples of this approach include the "Safeguarding Assets and Health Campaign", where it became the first bank to offer 5-star physical examinations for customers who had NT\$10 million or more in their portfolios with us. Taishin Bank works to develop closer ties with its wealth management customers and reach out to potential customers by offering real benefits and personalized financial planning services.

Wholesale Banking

With respect to corporate lending, loan balances owed from state-owned and private institutions totaled NT\$210.6 billion at the end of 2016, 15th among the 39 local banks. In support of the government's credit extension policy for small and medium enterprises and as a result of its success in expanding the customer base, Taishin Bank's lending to SMEs grew by 8.3% to NT\$107.6 billion by the end of 2016, which exceeded the peer average growth of 5%.

With respect to wholesale banking services, Taishin Bank remained in the lead in factoring services, with volume totaling NT\$213.0 billion in 2016. Taishin Bank provided share administration services to a total of 189 companies traded on the TWSE/TPEX and the Emerging Stock Market, which ranked it 4th among peers.

With respect to new services, domestic banking units (DBU and OBU) started offering foreign currency negotiable certificates of deposit (NCD) in August 2015 and May 2016 as another investment vehicle for corporations and individuals. As deregulation continues, Taishin Bank will endeavor to satisfy the investment needs of local and international customers.

With respect to system implementation, Taishin Bank's foreign currency systems are built around the "Foreign Currency Import/Export Trading and Loan System" and the "Deposit and Transfer System". Both have been serving the customers and operating with much improved efficiency since launch. In 2016, Taishin Bank received another two international awards, The Asset's Core Banking Project of the Year - Asia Pacific and Asian Banking & Finance's Domestic Technology & Operations Bank of the Year.

Furthermore, the Taishin Wholesale Internet Banking app (mobile version of the Wholesale Internet Banking Services) for wholesale banking clients was launched in August 2016. The app allows wholesale banking clients to link all accounts within the same group, check TWD and foreign currency accounts, look up interest rates and exchange rates,

change passwords, and set up push notification. Other features to be supported in the future include payment approval and release and push notification for account related activities. Wholesale banking clients will be able to access banking services on their mobile devices and monitor their accounts and cash flows at any time.

Securities and Investment Trust Subsidiaries

Securities subsidiary: It will continue working closely with various distributors to provide more comprehensive services to individual and corporate customers. It is also committed to keep refining the ease and convenience of its electronic platforms, in order to satisfy customer demand for easier and quicker e-trades. Taishin Securities handled a total of 17 securities underwriting cases, which accounted for a 10% market share, in 2016. It was able to grow the market share of its brokerage business from 0.36% in the previous year to 0.5% and margin trade balance by 18% over the previous year. Once it completes the acquisition of Ta Chong Securities, Taishin Securities may be able to increase its market share in brokerage services to more than 1%.

Investment trust subsidiary: The value of assets under management by Taishin Securities Investment Trust reached NT\$82.1 billion at the end of 2016. In particular, TSIT has NT\$71.0 billion in publicly offered funds, which accounts for a 3.3% market share and ranks ninth place among domestic investment trusts. Assets under management will continue to advance toward the NT\$100.0 billion mark. Operating performance: In addition to the recognition in the form of a NT\$5.0 billion domestic discretionary investment account awarded by the Public Service Pension Fund in 2016, the companies won quite a number of awards for fund performance. These awards included a Best Fund Award for Taishin Hi Div Yield Balanced Fund, an award in the 5-year category for Domestic Bond Stock Balance Fund, the Taiwan Multi-asset Fund Award from Smart Magazine Taiwan Fund Awards, and awards in both the 3-year and 5-year TWD balance fund categories from Lipper Fund Awards Taiwan.

Following China's structural reform, regional economic integration among the ASEAN countries, and rising popularity of Fintech, the government has responded by launching a campaign to call on the financial sector to support the real economy and by helping financial institutions explore expansion into Southeast Asia and offering financial support for Taiwanese businesses. The government encourages development of Fintech. It has also lowered the bar on investing in financial technology firms and startup industries for financial institutions. Furthermore, for the purpose of encouraging sound business practices and development in the financial sector, the government has included stricter anti-money laundering regulations and compliance on its list of priorities.

Looking forward to 2017, we will urge our subsidiaries to achieve business growth and keep driving the momentum in main lines of business while supporting government policies and complying with applicable regulations and risk management requirements. Consistent growth is expected in certain lines of business, including value-added mortgages, personal loans, corporate loans, SME loans, and wealth management services. Meanwhile, we will continue to expand our overseas network and invest in digital finance. In 2017, in addition to the Brisbane Branch in Australia, which is under preparation and expected to open this year, we will focus on developing new features on Richart, the digital banking brand that was launched only last year but has quickly established itself as the industry leader. We will also advance at full speed in mobile payment services. Furthermore, we look forward to the securities subsidiary becoming a competitive medium sized securities dealer through the merger between Taishin Securities and Ta Chong Securities.

With respect to corporate governance and corporate social responsibility, we have been ranked in the top 5% for three consecutive years since TWSE announced the first Corporate Governance Evaluation in 2015. The company is also one of the constituents of the TWSE Corporate Governance 100 Index. In addition, we have received CG6010(2015) Certification - Excellent. We have published the Taishin FHC CSR (Corporate Social Responsibility) Report and become



the first financial institution in Taiwan to be certified by both the AA1000 Assurance Standard and the International Standard on Assurance Engagements (ISAE) 3000. We are also the only financial institution to be certified by both institutions for three consecutive years. Moreover, we have the Corporate Sustainability Committee to oversee six functional teams, which are responsible for corporate sustainability, liability products, customer relations, employee relations, green operations, and social inclusion. We and our subsidiaries as well as various affiliated foundations work together toward the same goals as responsible corporate citizens. The Company will continue its commitment to good corporate governance and corporate social responsibility practices in order to fulfill the promise of maintaining sustainable business development.

Taishin employees have long dedicated themselves to delivering the best banking services with “integrity, commitment, innovation and cooperation” in mind. Even in the pursuit of profitability, Taishin has been able to demonstrate the innovation and customer-centric values that have helped shape Taiwan’s banking industry as a whole and reflected the corporate social responsibility. Taishin will adhere to the same mission while continuing to deliver comprehensive services and maximizing profits to benefit the shareholders, customers, the community and employees alike.

Chairman
Taishin Financial Holdings
April 2017



02

Brief Introduction to the Financial Holding Company



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 Holdings 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.

On June 24, 2014, the opening of Taishin Bank's Singapore Branch 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.

On January 21, 2016, the Taishin Bank Yangon Representative Office in Myanmar officially opened for business. It is the Bank's second overseas representative office following the establishment of the Ho Chi Minh City Representative Office in Vietnam. The Yangon Office will be upgraded to a branch location in the future when deemed appropriate.

On October 27, 2016, the Tokyo Branch opened. Together with the branches in two other financial hubs, Hong Kong and Singapore, the Tokyo Branch provides a financing platform for Taiwanese businesses and customers in China, Hong Kong, and Taiwan operating or investing in Japan.

**Honors of the Company-**

2016.12	[Taishin Holdings]	Winner of Best Value Wealth Management Award by Registered Financial Planners Institute (RFPI) Taiwan Management Office & Taiwan Registered Financial Planners (TRFP)
2016.12	[Taishin Holdings]	Winner of The Asset's Corporate Governance Award - Gold Award
2016.11	[Taishin Holdings]	Winner of CSR Practice Award by British Standards Institution (BSI)
2016.11	[Taishin Holdings]	Winner of Social Inclusion Awards by Taiwan Institute for Sustainable Energy
2016.11	[Taishin Holdings]	Winner of Creativity in Communication Award by Taiwan Institute for Sustainable Energy
2016.11	[Taishin Holdings]	Winner of Taiwan Top 50 Corporate Sustainability Report Awards – Financial Industry – Gold Award by Taiwan Institute for Sustainable Energy
2016.10	[Taishin Bank]	Winner of Best Online Deposit, Credit and Investment Product Offerings, Asia Pacific Awards by Global Finance
2016.10	[Taishin Bank]	Winner of Best Consumer Digital Bank in Taiwan by Global Finance
2016.10	[Taishin Bank]	Winner of Highly Commended: Outstanding Private Bank, Asia Pacific Award by PBI
2016.09	[Taishin Bank]	Named Best Social Media Initiative in Taiwan by The Asian Banker
2016.09	[Taishin Bank]	Named Best Customer Relationship Management in Taiwan by The Asian Banker
2016.09	[Taishin Bank]	Named Best Wealth Management Business in Taiwan by The Asian Banker
2016.09	[Taishin Bank]	Winner of Highly Commended: Best Digital Marketing Campaign by Cards & Electric Payments International
2016.09	[Taishin Bank]	Winner of Best Social Media Marketing Campaign by Cards & Electric Payments International
2016.09	[Taishin Bank]	Winner of Most Innovative Digital Solution – Consumer Award by Cards & Electric Payments International
2016.07	[Taishin Bank]	Winner of Credit Guarantee Partner Awards - MOEA
2016.07	[Taishin Bank]	Winner of Domestic Technology & Operations Bank of the Year by Asian Banking & Finance
2016.07	[Taishin Bank]	Winner of Domestic Retail Bank of the Year by Asian Banking & Finance
2016.07	[Taishin Bank]	Winner of Branch Innovation of the Year- Bronze in Asia by Asian Banking & Finance
2016.07	[Taishin Bank]	Winner of Credit Card Initiative of the Year-Taiwan by Asian Banking & Finance
2016.07	[Taishin Bank]	Winner of Social Media Initiative of the Year-Taiwan by Asian Banking & Finance
2016.07	[Taishin Bank]	Winner of Advertising Campaign of the Year-Taiwan by Asian Banking & Finance
2016.07	[Taishin Bank]	Winner of First Place in Best Wealth Management Team Award by Business Today
2016.06	[Taishin Bank]	Named Best Private Bank in Taiwan by PBI
2016.06	[Taishin Bank]	Winner of the Timetric Best Customer Experience – Wealth Management
2016.06	[Taishin Bank]	Winner of the Timetric Highly Commended: Best Use of Social Media Award

2016.04	[Taishin Bank]	Winner of the Asset's Core Banking Project of the Year in Asia Pacific Award
2016.04	[Taishin Bank]	Gold Award in Best Integrated Marketing Communications - Business Next
2016.03	[Taishin Bank]	Winner of the RBI Highly Commended: Excellence in Internet Banking – Overall Award
2016.03	[Taishin Bank]	Winner of the RBI Highly Commended: Innovation in Service Delivery – ATM Award
2016.03	[Taishin Bank]	Winner of the RBI Highly Commended: Best Social Media Marketing Campaign Award
2016.03	[Taishin Bank]	Winner of the RBI Highly Commended: Excellence in Mass Affluent Banking Award
2016.03	[Taishin Bank]	Winner of the RBI Excellence in Collection and Debt Management Award



03

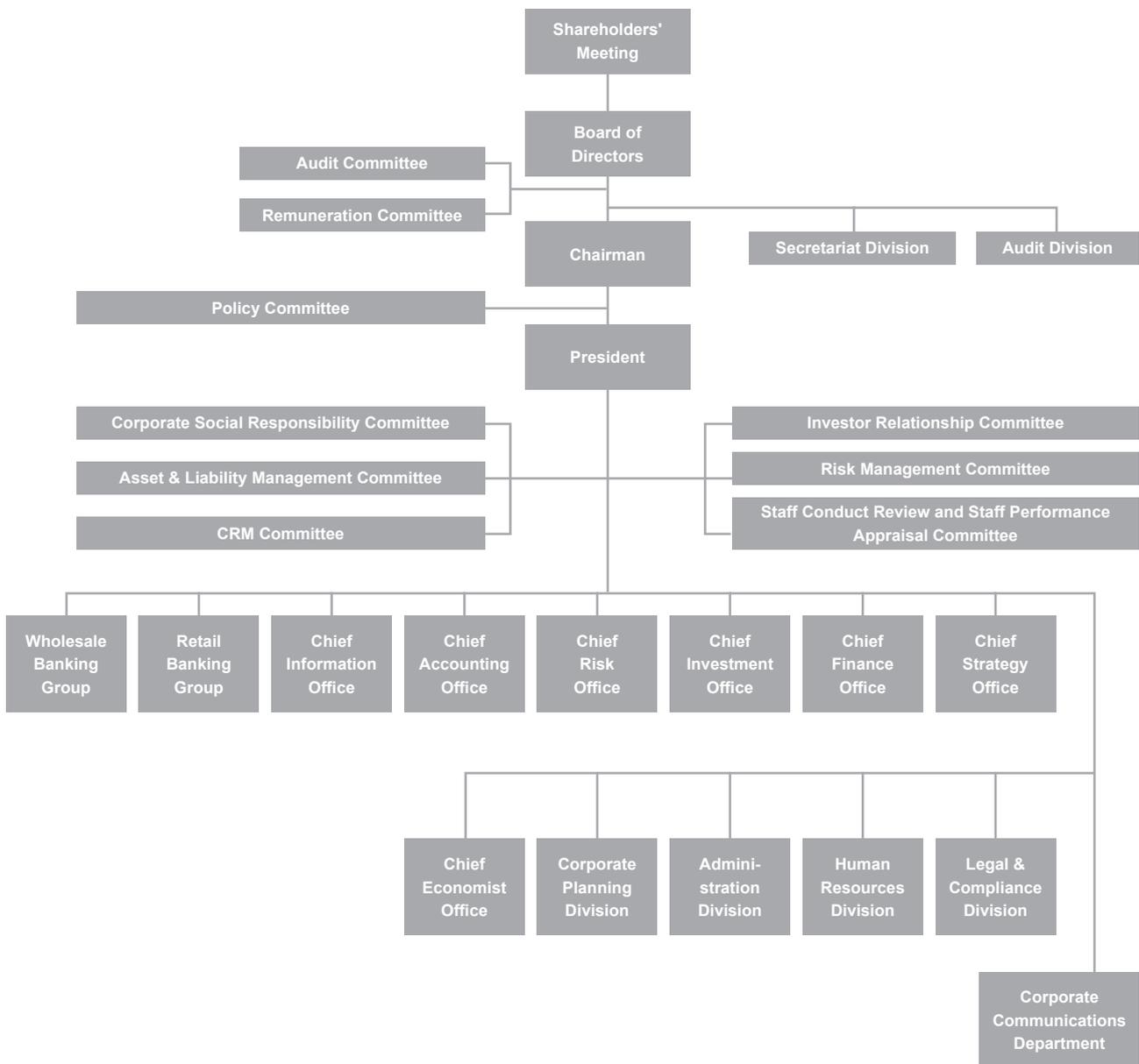
Corporate Governance

III. Corporate Governance

A. The organization of the financial holding firm

a. Organization chart

Base date: March 1, 2017





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

- Handling the credit rating procedures and providing assistance for subsidiaries in completing the credit rating procedures
- Handling investor relationship management and communications and building long term.

(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.
- Formulating and overseeing the anti-money laundering and counter terrorism financing program of the company and its subsidiaries as a whole.

(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 performance management information system (MIS), budget testing, and activity based costing/management system (ABC/M) of the Company and its subsidiaries and report preparation.
 - Design and evaluation of internal pricing rules based on the MIS system and activity based costing/management system (ABC/M) of the Company and its subsidiaries.
- 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.
 - 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) Chief Investment Office

- Planning, implementing, and managing the liquidity risk and the exchange rate and interest rate risks and overseeing and evaluating practices of the subsidiaries.
- Planning, implementing, and managing the asset and liability structure and fund utilization and overseeing and evaluating practices of the subsidiaries.
- Planning, implementing, and managing the asset securitization services and overseeing and evaluating practices of the subsidiaries.
- Planning, implementing, and managing long term investments and overseeing and evaluating practices of the subsidiaries.
- Providing assistance for subsidiaries in planning, implementing, and managing short term securities, bonds, bills, funds and other investments and overseeing and evaluating practices of the subsidiaries.
- Providing assistance for subsidiaries in evaluating, analyzing, and overseeing operations, performance, and risks of wealth management products, in formulating business decisions regarding wealth management products, and in studies of regulations.



(10) 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.

(11) 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.

(12) Legal & Compliance Division

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

(13) Corporate Planning Division

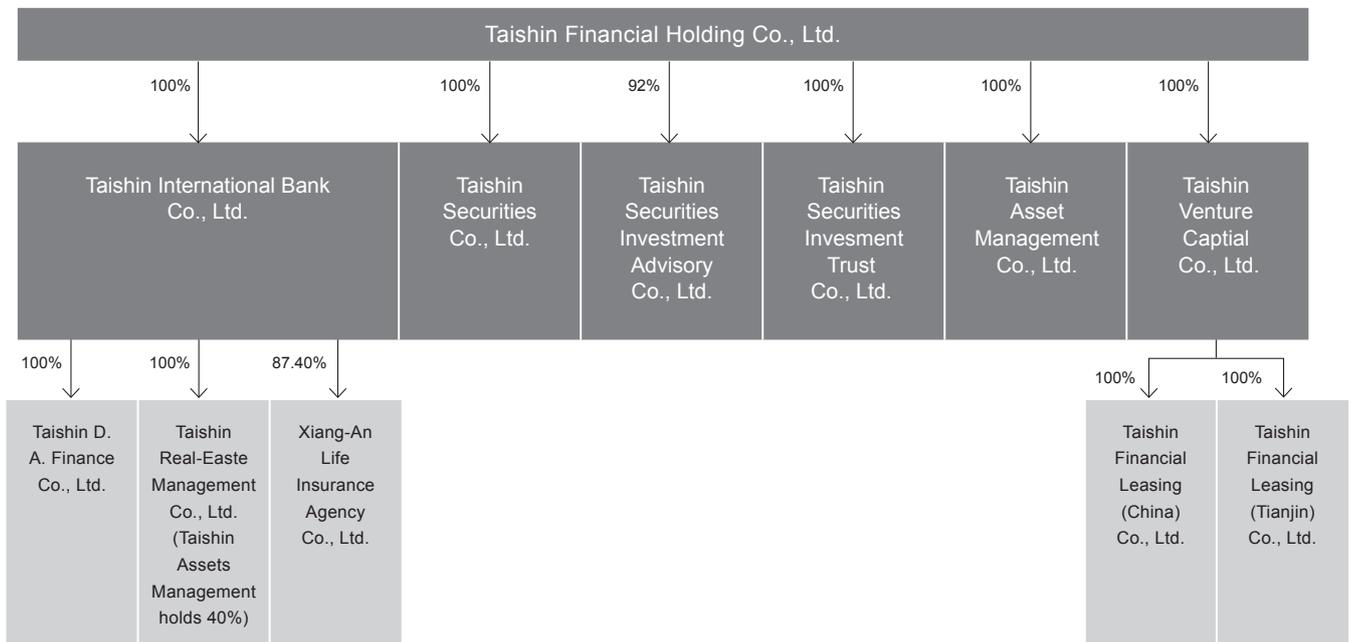
- Planning and execution of major strategic projects.
- Analysis and management of capital planning and BIS (Bank of International Settlement) ratio.
- Planning and management of long-term investments.
- Coordination and communications with the regulator.
- Business-related communications and coordination 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.

- Follow-up on progress of strategy implementation at the Company and its 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 Holdings and Its Affiliates

Base date: Dec. 31, 2016





B. Data of directors, president, senior vice presidents and department heads

a. Data of directors

Title	Country or place of registration	Name	Gender	Date of getting elected	Term	Date of first getting elected	Shareholding upon election				Current shareholding			
							Common shares		Preferred shares		Common shares		Preferred shares	
							Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)
Chairman	R.O.C.	Hsiang-Chao Co., Ltd. Representative: Tong-Liang Wu	Male	2015.06.12 (2015.07.01)	Three years	2007.06.15	7,664,755	0.09	0	0.00	8,219,395	0.09	311,973	0.04
Director	R.O.C.	Tong Shan Investment Co., Ltd. Representative: Jui-Sung Kuo	Male	2015.06.12 (2015.07.01)	Three years	2001.12.07	111,927,594	1.26	0	0.00	120,026,952	1.26	2,300,000	0.27
Director	R.O.C.	Tai-Ho Investment Co., Ltd. Representative: Cheng-Ching Wu	Male	2015.06.12 (2015.07.01)	Three years	2004.12.07	45,435,913	0.51	0	0.00	48,723,768	0.51	1,849,350	0.21
Director	R.O.C.	Chia Hao Co., Ltd. Representative: Tong-Shung Wu	Male	2015.06.12 (2015.07.01)	Three years	2015.06.12	15,000,000	0.17	0	0.00	16,085,437	0.17	610,536	0.07
Director	R.O.C.	Chia Hao Co., Ltd. Representative: Long-Su Lin	Male	2015.06.12 (2015.07.01)	Three years	2015.06.12	15,000,000	0.17	0	0.00	16,085,437	0.17	610,536	0.07
Director	R.O.C.	Santo Arden Co., Ltd. Representative: Chu-Chan Wang	Male	2015.06.12 (2015.07.01)	Three years	2013.06.21	2,889,185	0.03	0	0.00	4,814,033	0.05	182,720	0.02

Base date: Feb. 28, 2017

Stake of single, spouse and offspring before age of majority				Shareholding in the name of others				Education and working experience	Current jobs with the other companies	Spouse or relatives within second-degree kinship who serve managerial posts or seats of board directors/supervisors of the company		
Common shares		Preferred shares		Common shares		Preferred shares				Title	Name	Relationship
Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)					
15,851,549	0.17	368,835	0.04	0	0.00	0	0.00	Chairman of Taishin Bank, Shinkong Synthetic Fibers Corporation; Vice Chairman of TECO Electric and Machinery; Director of First Commercial Bank, Taipei Business Bank; Supervisor of Hua Nan Bank; Managing Director of Shin Kong Life Insurance, Shinkong Insurance MBA, University of California, LA	Note 1	Director Director	Jui-Sung Kuo Long-Su Lin	Brother-in-law Brother-in-law
1,862,551	0.02	0	0.00	0	0.00	0	0.00	Chairman of TECO Technology Foundation Director of Taishin Bank, International Bank of Taipei Professor, Department of Information Science, Business School, Soochow University, Ph.D. in Physics, New Hampshire University	Note 2	Chairman Director	Tong-Liang Wu Long-Su Lin	Brother-in-law Brother-in-law
6,002,345	0.06	227,823	0.03	0	0.00	0	0.00	Managing Director, Director of Chang Hwa Bank Chairman and CEO of TASCOCHEMICAL Corporation Managing Director of Petrochemical Industry Association of Taiwan Chairman of Taiwan Chemical Industry Association Advisor of China Youth Corps Director of Teacher Chang Foundation Ph.D. in Engineering, Tokyo University	Note 3	None	None	None
4,082,005	0.04	0	0.00	0	0.00	0	0.00	Practicing Accountant Chairman of Taishin Asset Management, Taishin Real-Estate Management, Taishin Venture Capital, and MITAC Construction and Development Supervisor of Taishin Securities, Taishin Insurance Brokers Resident Supervisor of TECO Image Systems Director of Taishin Bank, Shin Kong Wu Ho-Su Memorial Hospital Department of Accounting and Statistics, National Chengchi University	Note 4	None	None	None
5,197,880	0.05	0	0.00	0	0.00	0	0.00	Honorary Consul to Nicaragua, Delegate to the National Assembly Associated Professor of Institute of Biochemical Sciences, National Taiwan University Chairman of Konig Foods Director, Supervisor of Taishin Bank Ph.D. in Chemistry, Virginia State University	Note 5	Chairman Supervisor	Tong-Liang Wu Jui-Sung Kuo	Brother-in-law Brother-in-law
16,624,803	0.17	0	0.00	0	0.00	0	0.00	Director of Shin Kong Investment Trust, Taiwan Shin Kong Security, Jubang Venture Capital, and Taishin Bank Standing Supervisor of Taishin Bank Director and Supervisor of The Great Taipei Gas Co., Kaohsiung Medical College Pharmaceutical department	Note 6	None	None	None



Title	Country or place of registration	Name	Gender	Date of getting elected	Term	Date of first getting elected	Shareholding upon election				Current shareholding			
							Commom shares		Preferred shares		Commom shares		Preferred shares	
							Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)
Independent Director	R.O.C.	Neng-Pai Lin	Male	2015.06.12 (2015.07.01)	Three years	2007.06.15	0	0.00	0	0.00	0	0.00	0	0.00
Independent Director	R.O.C.	Yi-Fu Lin	Male	2015.06.12 (2015.07.01)	Three years	2015.06.12	0	0.00	0	0.00	0	0.00	0	0.00
Independent Director	R.O.C.	Por-Yuan Wang	Male	2015.06.12 (2015.07.01)	Three years	2015.06.12	0	0.00	0	0.00	0	0.00	0	0.00

Note 1: Representative Tong-Liang Wu, is concurrently acting as Chairman of Taishin International Bank, Chairman of Taishin Charity Foundation, Director of Taishin Real Estate Management, Director of Taishin Asset Management Co.,Ltd., 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 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, Supervisor of Bo-Rui, Supervisor of Shin Kong Agriculture & Animal husbandry, Supervisor of Shin Kong Hae-Yang, Supervisor of Chin-Shan Investment.

Note 2: Representative Jui-Sung Kuo, is concurrently acting as Chairman of Jui-Fang Co., Chairman of TECO Technology Foundation, Director of Taishin International Bank, Director of An-Long Enterprise, Director of TECO Image Systems, Director of Century Development, Director of Shin-Hai Gas Co., Ltd., Director of Xing An Enterprise, Supervisor of SerComm Co.

Note 3: Representative Cheng-Ching Wu, is concurrently acting as Chairman of TASCOCHEMICAL, 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.

Stake of single, spouse and offspring before age of majority				Shareholding in the name of others				Education and working experience	Current jobs with the other companies	Spouse or relatives within second-degree kinship who serve managerial posts or seats of board directors/supervisors of the company		
Common shares		Preferred shares		Common shares		Preferred shares				Title	Name	Relationship
Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)					
0	0.00	0	0.00	0	0.00	0	0.00	Chairman, Taiwan Power Co., Dean, College of Management at National Taiwan University Professor of Institute of Health Policy and Management, National Taiwan University National Policy Advisor to the President, Minister Without Portfolio of Executive Yuan Ph.D. in Business, Ohio State University	Note 7	None	None	None
0	0.00	0	0.00	0	0.00	0	0.00	Minister of Ministry of Economic Affairs, Standing Representative of WTO, Advisor of Chinese National Association of Industry and Commerce, Taiwan Minister Without Portfolio of Executive Yuan Department of Accounting and Statistics, National Chengchi University	Note 8	None	None	None
0	0.00	0	0.00	0	0.00	0	0.00	Chairman of SerComm, Pacific Venture Partners Director, Monte Jode Science & Teconology Associate of Taiwan Chairman of Taiwan Venture Capital Association Chairman and CEO of Sercomm USA Inc. Ph.D. in Physics, Carnegie Mellon University in U.S.A.	Note 9	None	None	None

Note 4: Representative Tong-Shung Wu, is concurrently acting as Chairman of Taishin Asset Management Co., Ltd., Chairman of Taishin Real-Estate Management Co., Ltd., Chairman of MiTAC Construction and Development, Director of Taishin International Bank, Director of AN-SIN Real Estate Management, Director of Xiang-An Life Insurance Agency Co., Ltd., Supervisor of Taishin Venture capital, Supervisor of Taishin Securities Co., Ltd., Supervisor of Tung-Yu Technology Co., Ltd.

Note 5: Representative Long-Su Lin, is concurrently acting as Chairman of Chun-Ying Interior Design, Director of Taishin International Bank, Director of MiTAC Construction and Development, 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.

Note 6: 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 7: Neng-Pai Lin, is concurrently acting as Independent Director of Taishin FHC, Independent Director of Darfon Electronics, Director of Wistron NeWeb Corporation, Director of TECO Image Systems.

Note 8: Yi-Fu Lin, is concurrently acting as Independent Director of Taishin International Bank, Swissray Global Healthcare Holding Limited, Nan Ya Plastics.

Note 9: Por-Yuan Wang, is concurrently acting as Chairman of Sercomm Corporation, Director of Monte Jode Science & Teconology Associate of Taiwan, Independent Director of UPC Teconology Co., Director of Taiwan Cement Co. and Prosperity Dielectrics Co., Ltd., Supervisor of Tung-Yu Technology Co., Ltd.



Major shareholders of institutional shareholders

Base date: Feb. 28, 2017

Names of Institutional shareholders	Major shareholders of institutional shareholders
Hsiang-Chao Co., Ltd.	Tong-Liang Wu 81.00%, Bo-Rui Co., Ltd. 19.00%
Tong Shan Investment Co., Ltd.	Ruey-Shin Enterprise Co., Ltd. 78.75%, Guei-Lan Wu (note) 3.125%, Eugene Wu 3.125%, Anthony Wu 3.125%, Tong-Liang 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.	Shang-Bin Wu 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%, Pei-Jyuan Wu 5.06%, Fong-He Invest Co.,Ltd. 2.50%, He-Fong Invest Co.,Ltd. 2.50%, Pei-Rong Wu 0.72%
Chia Hao Co., Ltd.	Tong-Liang Wu 98.97%, Hsueh-Fen Peng 1.03%
Santo Arden Co., Ltd.	Chu-Chan Wang 33.28%, Li-Wan Chang 24.76%, Wei-Ren Wang 20.98%, Wei-Hao Wang 20.98%

Note : Guei-Lan Wu passed away on March 30, 2016.

Major shareholders of major institutional shareholders

Base date: Feb. 28, 2017

Names of major Institutional Shareholders	Major shareholders of major institutional shareholders
Bo-Rui Co., Ltd.	Ching-Wei Co., Ltd. 51.92%, Hsi-Wei Wu 24.04%, Hsi-Hao Wu 24.04%
Ruey-Shin Enterprise Co., Ltd.	Chin Shan Investment Co., Ltd. 20.83%, Kuei-Yuan Investment Co., Ltd. 20.83%, Eugene Wu 16.67%, Tong-Liang Wu 13.28%, Anthony Wu 12.97%, Eric Wu 12.23%, Hsien-Hsien Hsu 1.04%, Ruo-Nan Sun 1.04%, Hsin-Hua Ho 1.04%, Ji Zhen Co., Ltd. 0.05%
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%, Shang-Bin Wu 17.31%, Pei-Jyuan Wu 17.31%, Pei-Rong Wu 4.65%
He-Cheng Invest Co., Ltd.	Su-Yue Yang 30.20%, Shang-Bin Wu 30.20%, Pei-Jyuan Wu 18.90%, Pei-Rong Wu 18.90%, Fong-He Development Co., Ltd. 1.80%
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%, Shang-Bin Wu 0.46%, Pei-Rong Wu 0.26%, Pei-Jyuan Wu 0.25%
Fong-He Investment Co., Ltd.	(BVI)ALL BEST Co.Ltd. 99.01%, Pei-Jyuan Wu 0.99%
He-Fong Investment Co., Ltd.	(BVI)PRECISION MASTER Co.Ltd. 99.01%, Pei-Juan Wu 0.99%



Information on directors and supervisors

Base date: Feb. 29, 2016

Qualifications	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		
Name															
Tong-Liang Wu			✓	✓				✓	✓	✓		✓			0
Jui-Sung Kuo	✓		✓	✓		✓		✓	✓	✓		✓			0
Cheng-Ching Wu			✓	✓	✓			✓	✓	✓	✓	✓			0
Tong-Shung Wu	✓	✓	✓			✓	✓	✓	✓	✓	✓	✓			0
Long-Su Lin	✓		✓	✓		✓		✓	✓	✓		✓			0
Chu-Chan Wang			✓	✓		✓	✓	✓	✓	✓	✓	✓			0
Neng-Pai Lin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		2
Yi-Fu Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		2
Por-Yuan Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1

Note: Mark with a check (✓) 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 share-holders 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. Board membership diversification policy and results

The board member selection criteria do not specify gender, age, race or nationality. According to Article 22 of the Corporate Governance Code of Conduct, the organization of the Company's board of directors shall be commensurate with the size and shareholding structure and be based on business needs. The appropriate number of directors shall be as determined by the law and the Articles of Incorporation.

Members of the 6th board of directors were selected with an emphasis on diversity. The membership consists of elite talents from banking, industries and the academia, including 5 Ph.D. degree holders and 1 Masters degree holder. The members have an extensive range of expertise from business administration, physics, engineering, accounting, chemistry, pharmaceuticals, commerce, electronics to venture capital. They possess the general knowledge, skills and competencies required to perform incumbent duties. To achieve an ideal level of corporate governance, the board of directors is equipped with the following abilities:

1. Ability to make sound business judgments
2. Ability to conduct accounting and financial analysis
3. Ability to manage a business
4. Ability to respond to a crisis
5. Industry knowledge
6. An understanding of international markets
7. Leadership ability
8. Decision making abilities
9. Risk management knowledge and skills

Name	Ability to make sound business judgments	Ability to conduct accounting and financial analysis	Ability to manage a business	Ability to respond to a crisis	Industry knowledge	An understanding of international markets	Leadership ability	Decision making abilities	Risk management knowledge and skills
Tong-Liang Wu	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jui-Sung Kuo	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cheng-Ching Wu	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tong-Shung Wu	✓	✓	✓	✓	✓	✓	✓	✓	✓
Long-Su Lin	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chu-Chan Wang	✓	✓	✓	✓	✓	✓	✓	✓	✓
Neng-Pai Lin	✓	✓	✓	✓	✓	✓	✓	✓	✓
Yi-Fu Lin	✓	✓	✓	✓	✓	✓	✓	✓	✓
Por-Yuan Wang	✓	✓	✓	✓	✓	✓	✓	✓	✓



c. President, Senior Vice-presidents and Department Heads

Title	Country	Gender	Name	Date of election (appointment)	Shareholding				Stake of spouse and offspring before age of majority			
					Common Shares		Preferred Shares		Common Shares		Preferred Shares	
					Amount of shares	Share of Stake (%)	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.	Male	Joseph Jao	2012.01.02	412,608	0	147,000	0.02	0	0	0	0
Chief Executive Officer, Retail Banking Group	R.O.C.	Male	Oliver Shang	2011.02.01	394,925	0	0	0	0	0	0	0
Chief Auditor	R.O.C.	Male	Howard Wu	2010.04.29	935,574	0.01	0	0	25,887	0	0	0
Chief Strategy Officer	R.O.C.	Male	Daniel Tsai	2008.12.11	757,632	0.01	0	0	1,878	0	0	0
Chief Information Officer	R.O.C.	Male	BR Ho	2009.02.01	2,672,105	0.03	20,000	0	0	0	0	0
Chief Financial Officer	R.O.C.	Male	Welch Lin	2009.12.25	3,617,400	0.04	0	0	0	0	0	0
Chief Accounting Officer	R.O.C.	Female	Ann Cheng	2005.09.05	688,444	0.01	158,444	0.02	988,992	0.01	37,538	0
Chief Risk Officer	R.O.C.	Male	Jey Chen	2012.03.23	0	0	0	0	0	0	0	0
Chief Investment Officer	R.O.C.	Female	Carol Lai	2017.01.20	1,323,166	0.01	0	0	0	0	0	0
Senior Vice President	R.O.C.	Male	Frank Lin	2011.02.03	570,495	0.01	71,967	0.01	30,671	0	26,000	0
Senior Vice President	R.O.C.	Female	Lu-June Jai	2011.09.23	172,814	0	40,000	0	0	0	0	0

Base date: Feb. 28, 2017

Shareholding in the name of others				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		
Common Shares		Preferred Shares				Title	Name	Relationship
Amount of shares	Share of Stake (%)	Amount of shares	Share of Stake (%)					
0	0	0	0	Governor of East West Bank (China) Co., Ltd. University of Missouri-Columbia, Master of Business Administration	Director of Taishin Securities, Taishin D. A. Finance, Taishin Bank Foundation for Arts and Culture Supervisor of Taishin Financial Leasing (China), Taishin Financial Leasing (Tianjin)			Nil
0	0	0	0	Chief Executive Officer, Chinatrust Financial Holding University of Delaware, Master of Business Administration	Director of Taishin Securities, Taishin D. A. Finance, Easy Card Corp., Taiwan Mobile Payment Co.			Nil
0	0	0	0	Vice President of Citi Bank Baker University, U.S.A., Master of Science	-			Nil
0	0	0	0	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
0	0	0	0	Vice president for technology and industrial consulting, SAP Taiwan Master of Management Information Systems, National Chengchi University	Senior Vice President of Taishin Bank			Nil
0	0	0	0	President, ABN AMRO Asia Limited, Taipei Branch University of California, Los Angeles (UCLA), Master Of Business Administration	Chairman of Taishin Securities, Director of Taishin Venture Capital, Taishin Asset Management Supervisor of Taishin Real Estate Management, Taishin D. A. Finance, Director of Xiang-An Life Insurance Agency Co., Ltd., Yuantai Foreign Exchange Brokerage, San-Ding Biotech Co., Diamond Bio Fund & Diamond Capital Inc., Shin-yao Investment, Supervisor of Tehlin Co., Ltd., Tehlin Investment and An-Chieh Investment			Nil
0	0	0	0	Vice president, ABN AMRO Bank University of New Haven, Master of Business Administration	Supervisor of Taishin Securities Senior Vice President of Taishin Bank			Nil
0	0	0	0	Vice President of KGI The University of Texas At Austin, Doctor of Philosophy in Mathematics	Vice President of Taishin Bank			Nil
0	0	0	0	Vice president, Chang Hwa Commercial Bank Chief Financial Officer, Taishin Financial Holdings. Department of Accounting, National Taiwan University	Senior Vice President of Taishin Bank Director of Taishin Securities			Nil
0	0	0	0	Assistant Vice President of Taishin Bank University of Southern California, USA, Master of Public Administration	Vice President of Taishin Bank			Nil
0	0	0	0	Vice President of Taishin Bank Department of Law, National Taiwan University	Vice President of Taishin Bank			Nil



Title	Country	Gender	Name	Date of election (appointment)	Shareholding				Stake of spouse and offspring before age of majority			
					Common Shares		Preferred Shares		Common Shares		Preferred Shares	
					Amount of shares	Share of Stake (%)	Amount of shares	Share of Stake (%)	Amount of shares	Share of Stake (%)	Amount of shares	Share of Stake (%)
Senior Vice President	R.O.C.	Male	David Chang	2012.08.17	1,625,341	0.02	0	0	191	0	0	0
Senior Vice President	R.O.C.	Female	Janice Liang	2014.03.28	275,100	0	0	0	136,053	0	0	0

d. Latest year compensations for directors, presidents, and vice presidents

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

Title	Name	Compensations for directors							
		Compensations(A)		Job-leaving and 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
Chairman	Hsiang-Chao Investment Co., Ltd.	55,168	76,432	0	0	109,757	109,757	1,288	6,888
	Tong-Liang Wu								
Director	Tong Shan Investment Co., Ltd.								
	Jui-Sung Kuo								
Director	Tai-Ho Investment Co., Ltd.								
	Cheng-Ching Wu								
Director	Chia Hao Co., Ltd.								
	Tong-Shung Wu								
Director	Chia Hao Co., Ltd.								
	Long-Su Lin								
Director	Santo Arden Co., Ltd.								
	Chu-Chan Wang								
Independent Director	Neng-Pai Lin								
Independent Director	Yi-Fu Lin								
Independent Director	Por-Yuan Wang								

Note 1: Compensations of the driver is NT 2,168,000.

Note 2: All recipients of director remuneration, except for independent directors, are institutional directors. The actual amount of remuneration in 2016 was as decided by the board of directors.

Shareholding in the name of others				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		
Common Shares		Preferred Shares				Title	Name	Relationship
Amount of shares	Share of Stake (%)	Amount of shares	Share of Stake (%)					
0	0	0	0	Vice President of Taishin Bank Department of Business MBA, National Chung Hsing University	Vice President of Taishin Bank, Director of Xiang-An Life Insurance Agency Co., Supervisor of Hsiang Chao Investment, Weifeng Investment, Chia- hao Investment, Yiheng Investment, Chingwei Co.,Ltd.	Nil		
0	0	0	0	Vice presidents of Taishin Bank University of Southern California, USA, Master of Science in Education	Vice President of Taishin Bank	Nil		

Base date: Dec 31, 2016; Unit: NT\$1,000

Share of combination of A,B,C and D in after-tax net profit		Remuneration as an employee								Share of combination of A.B.C.D. E.F and G in after-tax net profit		Any remuneration from ventures that are not subsidiaries of the Company
		Salary, bonus, and special allowance(E)		Job-leaving and retirement payment (F)		Employee dividend-sharing (G)						
		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			
1.46%	1.69%	1,127	14,847	0	0	0	0	0	0	1.47%	1.82%	Nil

Note 3: Neither the Company or any of the companies reported in the financial statements paid any pension benefits or contributed to the pension plan.

Note 4: Except as disclosed above, remuneration received by directors in the latest year for on-balance sheet services (e.g. acting as a non-employee consultant in the latest year) rendered to the Company: None.



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.	Cheng-Ching Wu	Cheng-Ching Wu	Cheng-Ching Wu	Cheng-Ching Wu
NT\$2 M. (inclusive)- NT\$5 M. (exclusive)	Jui-Sung Kuo/ Tong-Shung Wu / Long-Su Lin / Chu-Chan Wang	Jui-Sung Kuo / Long-Su Lin / Chu-Chan Wang	Jui-Sung Kuo / Tong-Shung Wu / Long-Su Lin / Chu-Chan Wang	Jui-Sung Kuo / Long-Su Lin / Chu-Chan Wang
NT\$5 M. (inclusive)- NT\$10 M. (exclusive)		Tong-Shung Wu		
NT\$10 M. (inclusive)- NT\$15 M. (exclusive)	Tong Shan Investment Co., Ltd./ Tai-Ho Investment Co., Ltd./ Santo Arden Co., Ltd. Neng-Pai Lin / Yi-Fu Lin / Por-Yuan Wang	Tong Shan Investment Co., Ltd./ Tai-Ho Investment Co., Ltd./ Santo Arden Co., Ltd. Neng-Pai Lin/ Yi-Fu Lin / Por-Yuan Wang	Tong Shan Investment Co., Ltd./ Tai-Ho Investment Co., Ltd./ Santo Arden Co., Ltd. Neng-Pai Lin / Yi-Fu Lin / Por-Yuan Wang	Tong Shan Investment Co., Ltd./ Tai-Ho Investment Co., Ltd./ Santo Arden Co., Ltd. Neng-Pai Lin / Yi-Fu Lin / Por-Yuan Wang
NT\$15 M. (inclusive)- NT\$30 M. (exclusive)	Tong-Liang Wu / Chia Hao Co., Ltd.	Chia Hao Co., Ltd.	Tong-Liang Wu / Chia Hao Co., Ltd.	Chia Hao Co., Ltd./ Tong-Shung Wu
NT\$30 M. (inclusive)- NT\$50 M. (exclusive)	Hsiang-Chao Co., Ltd.	Hsiang-Chao Co., Ltd./ Tong-Liang Wu	Hsiang-Chao Co., Ltd.	Hsiang-Chao Co., Ltd./ Tong-Liang 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 president and vice presidents

Base date: Dec.31, 2016; Unit: NT\$1,000

Title	Name	Salary(A)		Job-leaving or retirement payment (B)		Bonus and special allowance (C)		Employee dividend-sharing(D)				Share of the combined value of A.B. C and D in after-tax net profit(%)		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		The Company	All companies in the financial statement	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend			
President and Chief Executive Officer	Joseph Jao	36,943	64,724	648	1,188	29,875	54,666	0	0	0	0	0.59%	1.06%	88
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	David Chang													
Senior Vice President	Frank Lin													
Senior Vice President	Lu-June Jai													
Senior Vice President	Janice Liang													

Note: The company has paid NT\$0 in pension benefits and contributed NT\$648,000 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.

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

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.	Ann Cheng/ BR Ho/Jey Chen/ Frank Lin/ David Chang/ Lu-June Jai/ Janice Liang	
NT\$2 M. (inclusive)-NT\$5 M. (exclusive)		
NT\$5 M. (inclusive)-NT\$10 M. (exclusive)	Howard Wu/ Daniel Tsai	Howard Wu/ Ann Cheng/ Daniel Tsai/ BR Ho/ Jey Chen/ Frank Lin/ David Chang/ Lu-June Jai/ Janice Liang
NT\$10 M. (inclusive)-NT\$15 M. (exclusive)	Joseph Jao	
NT\$15 M. (inclusive)-NT\$30 M. (exclusive)	Oliver Shang/ Welch Lin	Joseph Jao/ Oliver Shang/ Welch Lin
NT\$30 M. (inclusive)-NT\$50 M. (exclusive)		
NT\$50 M. (inclusive)-NT\$100 M. (exclusive)		
Over NT\$100 M.		
Total	12	12

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



e. 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 2016, total compensations for directors, president, and vice presidents accounted for 2.06% of the after-tax net profit and the share listed in the consolidated financial statement was 2.88%. In 2015, total compensations for directors, supervisors, president, and vice presidents accounted for 2.03% of the after-tax net profit and the share listed in the consolidated financial statement was 3.03%.

2. The company's compensation policy

Position	Item	Directors/Supervisors	The management
Compensation policy		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.	The responsibilities of each manager, the company's results and each individual's performance, and the link between the market rates for similar positions and future risks are the main factors to be considered in order to attract top managers by providing competitive benefits and compensation.
Standard for actual allowances		Remuneration for directors and supervisors is described as follows: 1. Remuneration: to be received for performing the duties of a director or supervisor of the bank. 2. Business expenses: to be received to compensate for expenses incurred during business activities, including travel expenses for personally attending or be present at board meetings. 3. Bonus: to be received when the company makes a profit in the current year and the board of directors decides to pay no more than 1% of the profit to the directors as a bonus, which will be allocated by the degree of involvement and responsibility of each director.	Remuneration for managers is described as follows: 1. Remuneration: to be determined by responsibilities and market rates. 2. Bonuses: to be divided into a Chinese New Year bonus and a yearend bonus. The size of a bonus depends mainly on the company's results, the corresponding division's results, and the individual's performance evaluation. 3. Employee benefits: include the pension plan, the employee shareholding trust program, physical examinations and allowances. 4. Long term incentive plan: To avoid putting too much emphasis on short term performance and to encourage employees to develop long term relationships with the company and enjoy long term growth together, the company has designed a long term incentive plan that offers "employee stock options" and the "Taishin Stock Appreciation Rights Plan" as a means of employee retention.

C. Status of Corporate Governance

a. Information on the operation of the board of directors

1. In the recent fiscal year (2016), the board of directors convened 12 times and status of attendance by directors follows:

Title	Name	Attendance in Person	Attendance by proxy	Actual attendance rate (%)	Note
Chairman	Hsiang-Chao Co., Ltd. Representative: Tong-Liang Wu	10	2	83.33	
Director	Tong Shan Investment Co., Ltd. Representative: Jui-Sung Kuo	12	0	100.00	
Director	Tai-Ho Investment Co., Ltd. Representative: Cheng-Ching Wu	12	0	100.00	
Director	Chia Hao Co., Ltd. Representative: Tong-Shung Wu	10	2	83.33	
Director	Chia Hao Co., Ltd. Representative: Long-Su Lin	10	2	83.33	
Director	Santo Arden Co., Ltd., Representative: Chu-Chan Wang	10	2	83.33	
Independent Director	Neng-Pai Lin	12	0	100.00	
Independent Director	Yi-Fu Lin	12	0	100.00	
Independent Director	Por-Yuan Wang	10	0	83.33	

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:

(1) In the event of any of the circumstances occurring while the Board of Directors conducts its activities, details including the date, session, and agenda of the board meeting, all opinions of the independent directors, and the Company's responses to the independent directors' opinions should be provided.

A. Matters listed in Article 14-3 of the Securities and Exchange Act: Not applicable as the Company has established an audit committee.

B. In addition to matters above, other objections or qualified opinions from the independent directors to resolutions made by the Board of Directors on-record or in writing: None.



2. Details, including names of directors, resolutions, reasons for conflict of interest, and voting results, of circumstances where directors absented themselves due to conflict of interest:

Details of directors absented themselves due to conflict of interest in 2016				
Date	Agenda	Director names	Reason for conflict of interest	Voting results
2016.01.28	Evaluation of remuneration of directors and supervisors and determination of number of months paid in 2015	Tong-Liang Wu	Where there exists a conflict of interest between the agenda and a director, Article 206 of the Company Act shall apply and the director shall excuse him/herself from the meeting in accordance with Article 178 of the same act.	Directors with conflict of interest excused themselves in accordance with the law, and the remaining attending directors approved the proposals with a unanimous vote.
2016.02.25	Evaluation of Senior Consultant Wu's performance in 2015	Tong-Shung Wu		Directors with conflict of interest excused themselves in accordance with the law, and the remaining attending directors approved the proposals with a unanimous vote.
2016.04.28	Appointment of 11th institutional directors and institutional supervisors of Taishin Securities Co., Ltd.	Tong-Shung Wu		Directors with conflict of interest excused themselves in accordance with the law, and the remaining attending directors approved the proposals with a unanimous vote.

3. Targets for strengthening the function of the board of directors in current year and the recent year and the evaluation of their execution:

- (1) The Proceedings of Board Meetings have been established for the purpose of strengthening board governance. For better transparency on the Board of Directors, important resolutions of the Board of Directors will be published in the annual reports and on the corporate website. In addition, board meeting attendance will be disclosed on the Market Observation Post System.
- (2) In 2007, the Company started appointing two independent directors; and in late 2007, it started purchasing directors and key persons liability insurance policies to cover such persons while performing their duties during the terms of their offices. The Staff Performance Appraisal Committee was established in 2011. Three independent directors were elected and the Audit Committee established by the 2015 annual general meeting to replace the supervisors. The Organizational Rules for the Audit Committee were established in the same year.
- (3) The Board Performance Appraisal Guidelines were established in 2016, and requires a board performance evaluation be completed internally at least once a year and by a team of external experts at least once every three years. Results will be submitted to the directors. The Board Performance Appraisal Guidelines and the results will be disclosed on the corporate website. Internal board performance evaluation involves self-assessments of directors and assessments of overall board performance. The process begins with directors completing self-assessment forms, which will then be summarized based on self-assessment results and actual circumstance in the Board Performance Appraisal Form by the responsible unit. The form is submitted to the chairman. The board will be considered to have fulfilled the target if the overall score is 80% or more. All results in 2016 fulfilled the targets.

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

1. Information on the operation of audit committee:

(1) The authorities and responsibilities of the audit committee are as follows:

- A. To establish or amend the company's internal control policies pursuant to Article 14-1 of the Securities and Exchange Act.
- B. To evaluate the effectiveness of internal control policies.
- C. To pursuant to Article 36-1 of the Securities and Exchange Act, establish or amend procedures relating to asset acquisition/disposal, derivative transactions, and major financial conducts.
- D. Matters concerning the personal interests of directors.
- E. Major asset transactions or derivatives.
- F. Offering, issuance, or private placement of securities with equity characteristics.
- G. Appointment, dismissal, or compensation of the certifying CPAs.
- H. Appointment and removal of the financial, accounting, or internal auditing officers.
- I. Annual and semi-annual financial reports.
- J. Other significant issues regulated by the Company or competent authorities.

2. In the recent fiscal year (2016) audit committee convened 11 times and status of attendance:

Title	Name	Actual number of attendance	Attendance by Proxy	Attendance rate (%)	Note
Independent Director	Neng-Pai Lin	11	0	100.00	
Independent Director	Yi-Fu Lin	11	0	100.00	
Independent Director	Por-Yuan Wang	10	1	90.91	

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

3. Other items which should be recorded:

(1) In the event of any of the circumstances occurring while the Audit Committee conducts its activities, details including the date, session, and agenda of the board meeting, all resolutions of the Audit Committee, and the Company's responses to the Audit Committee's opinions should be provided:

A. Matters listed in Article 14-5 of the Securities and Exchange Act

Board of directors	Agenda	Resolutions of Audit Committee	The Company's response to Audit Committee's opinions
2016.01.28 8th Session of 6th Board of Directors	Passed subscription to all new ordinary shares issued by the subsidiary Taishin Venture Capital Co., Ltd.	2016.01.28 Approved.	The proposal was passed by a unanimous vote.
2016.02.25 9th Session of 6th Board of Directors	Evaluation of Senior Consultant Wu's performance in 2015	2016.02.25 Approved.	The proposal was passed by a unanimous vote.
	Passed redemption of Class D preferred shares issued in a private placement and reduce the shares accordingly	2016.02.25 Amendment approved.	Proposal approved by the board of directors following the Audit Committee's opinions
2016.03.31 10th Session of 6th Board of Directors	2015 consolidated financial statements	2016.03.31 Approved.	The proposal was passed by a unanimous vote.
	Appointment and remuneration of auditors of 2016 financial statements	2016.03.31 Approved.	The proposal was passed by a unanimous vote.
	Submission of the company's 2015 Statement on the Internal Control Statement	2016.03.31 Approved.	The proposal was passed by a unanimous vote.



Board of directors	Agenda	Resolutions of Audit Committee	The Company's response to Audit Committee's opinions
2016.04.28 11th Session of 6th Board of Directors	Submission of the company's 2015 audited financial statements	2016.04.28 Approved.	The proposal was passed by a unanimous vote.
	Submission of the company's 2015 business report	2016.04.28 Approved.	The proposal was passed by a unanimous vote.
	The company's 2015 earnings distribution plan	2016.04.28 Approved.	The proposal was passed by a unanimous vote.
	The company's new issuance of common shares from earnings	2016.04.28 Approved.	The proposal was passed by a unanimous vote.
2016.04.28 11th Session of 6th Board of Directors	Partial amendments to the company's "Articles of Incorporation"	2016.04.28 Amendment approved.	Proposal approved by the board of directors following the Audit Committee's opinions
	The Company's plan to issue up to 1,000,000,000 Class E registered preferred shares by book building is hereby submitted to the shareholder meeting for a resolution to have existing shareholders waive pre-emption rights and to increase the percentage of public offering.	2016.04.28 Amendment approved.	Proposal approved by the board of directors following the Audit Committee's opinions
	The Company's plan to issue up to 1,500,000,000 Class F registered preferred shares by book building is hereby submitted to the shareholder meeting for a resolution to have existing shareholders waive pre-emption rights and to increase the percentage of public offering.	2016.04.28 Amendment approved.	Proposal approved by the board of directors following the Audit Committee's opinions
	The Company plans to subscribe to all new common shares issued by the subsidiary Taishin International Bank Co., Ltd. in a private placement.	2016.04.28 Approved.	The proposal was passed by a unanimous vote.
	Renewed appointment of Jeffrey T.S. Wu to represent the Company as a supervisor of Taishin Securities Co., Ltd.	2016.04.28 Approved.	The proposal was passed by a unanimous vote.
2016.07.28 14th Session of 6th Board of Directors	Decisions to set the ex-right date, ex-dividend date, record date of rights issue, and payment date for the company's 2015 earnings appropriation for ordinary shares	2016.07.28 Approved	The proposal was passed by a unanimous vote.
2016.08.25 15th Session of 6th Board of Directors	Submission of the company's 2016 H1 consolidated financial statements	2016.08.25 Approved	The proposal was passed by a unanimous vote.
2016.09.22 16th Session of 6th Board of Directors	Processing of 2016 cash issue of Class E registered preferred shares	2016.09.22 Amendment approved.	Proposal approved by the board of directors following the Amendment approved.
2016.11.10 17th Session of 6th Board of Directors	The Company plans to subscribe to all new common shares issued by the subsidiary Taishin International Bank Co., Ltd. in a private placement.	2016.11.10 Approved	The proposal was passed by a unanimous vote.
2016.11.24 18th Session of 6th Board of Directors	Rules for 2016 cash issue of Class E registered preferred shares	2016.11.24 Approved	The proposal was passed by a unanimous vote.
2016.12.22 19th Session of 6th Board of Directors	Submission of the company's 2017 audit plan	2016.12.22 Approved	The proposal was passed by a unanimous vote.

- B. In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors : None.
- (2) With respect to execution of cases in which the Independent Directors abstain themselves on the ground of conflict of interest, the name of the independent Directors, contents of motion, reasons for abstention and participation in voting should be clearly stated : None.
- (3) Between independent directors and internal auditors and CPAs
- A. Between independent directors and internal auditors in 2016
- (a) The committee consists of all independent directors, who have regular meetings with the chief auditor. Instructions made in such meetings will be implemented by the audit office. Minutes of the meetings will be submitted to the board of directors for review.
- (b) The board of directors and chief auditor will attend the meetings.
- (c) Independent directors and the chief auditor will exchange views on the agenda during board meetings or prior to their own meetings.
- (d) The audit office will present regular audit reports to the board of directors and the audit committee every quarter. The reports will contain information such as a summary of audit practices at the subsidiaries and key items in internal and external audits.
- (e) Each independent director will discuss the aforementioned item with chief auditor if necessary.

B. Between independent directors and CPAs

The company's CPAs report audit plans, findings and results to the audit committee and discuss the company's financial and general business conditions by meetings.

Summarized discussion results between independent directors and internal auditors and CPAs as follows:

Date	Medium	Party	Description	Result
2016.03.31	Forum	Auditors	1. Presented results of the 2015 financial statement audit. 2. Reported on legislative amendments, key audit items and other important issues.	Completed
		Chief Auditor	Disciplinary actions against the company and its subsidiaries in 2015 Q3 and Q4; major rare events; errors identified by the inspecting authority; and internal control errors discovered during internal audits.	Completed
2016.08.25	Forum	Auditors	1. Presented results of the 2016 H1 financial statement audit. 2. Reported on legislative amendments, key audit items and other important issues.	Completed
		Chief Auditor	Disciplinary actions against the company and its subsidiaries in 2016 Q1 and Q2; major rare events; errors identified by the inspecting authority; and internal control errors discovered during internal audits.	Completed
2016.12.29	Forum	Auditors	Presented the new audit report format and explained key audit items in the 2016 financial statements.	Completed

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	
1. Shareholding structure and shareholders' rights within the financial holding company				
(1) Has the financial holding company implemented a set of internal procedures to process shareholders' suggestions, queries, disputes and litigations?		V	The company has provided "IR Contact" and "Contactus" links on its website that shareholders may use to raise suggestions, queries, disputes and litigations.	No internal procedures have been established, though several means of communication are available on the company website.
(2) Is the financial holding company constantly informed of the identities of its major shareholders and the controlling stakeholder?	V		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.	No deviation
(3) Has the financial holding company established and implemented risk management and firewalls in affiliated companies?		V	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.	No deviation
2. Constitution and obligations of the board of directors				
(1) Apart from the remuneration committee and audit committee, has the financial holding company assembled other functional committees at its own discretion?		V	Taishin Financial Holdings 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 12 meetings in total by the fourth quarter of 2016. The Company created the audit committee on July 1, 2015. The audit committee is made up of three independent directors, and has held 17 meetings as of the end of December 2016. Furthermore, under the supervision of its board of directors, the company has established functional committees, including the policy committee, corporate sustainability committee, asset & liability management committee, CRM committee, investor relationship committee, risk management committee, and personnel review committee, to supervise and review various operational procedures within the company and for better corporate governance.	No deviation

Item	Operating Status			Deviation from the guidelines of the practical corporate governance of the holding industry and reasons																					
	Yes	No	Summary Descriptions																						
(2) Does the financial holding company conduct regular assessments on the independence of its financial statement auditors?	V		<p>The company conducts regular assessments on the independence of its financial statement auditors. Assessment results were submitted to the ninth meeting of the first audit committee and the tenth meeting of the sixth board of directors on March 31, 2016.</p> <p>Having completed an assessment and obtained declarations of impartiality and independence from the auditors, the company deems that CPA Tza-Li Gung and CPA Kwan-Chung Lai of Deloitte Taiwan meet the company's independence requirements (Note 1) and, having issued declarations of impartiality and independence, are sufficiently qualified to be the company's financial statement auditors.</p> <p>Note1</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Result</th> <th>Independence</th> </tr> </thead> <tbody> <tr> <td>Not a stakeholder under Article 44 or 45 of the Financial Holding Company Act.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>No significant financial interest between the Company and the person and family that may affect independence.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Not a former director or supervisor of the Company or has held any other key positions at the Company that may affect the audit services.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Not having served a term of more than five years as the Company's financial statement auditor.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Not having received any disciplinary action.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Not having violated the independence requirement in any other way.</td> <td>Yes</td> <td>Yes</td> </tr> </tbody> </table>	Item	Result	Independence	Not a stakeholder under Article 44 or 45 of the Financial Holding Company Act.	Yes	Yes	No significant financial interest between the Company and the person and family that may affect independence.	Yes	Yes	Not a former director or supervisor of the Company or has held any other key positions at the Company that may affect the audit services.	Yes	Yes	Not having served a term of more than five years as the Company's financial statement auditor.	Yes	Yes	Not having received any disciplinary action.	Yes	Yes	Not having violated the independence requirement in any other way.	Yes	Yes	No deviation
Item	Result	Independence																							
Not a stakeholder under Article 44 or 45 of the Financial Holding Company Act.	Yes	Yes																							
No significant financial interest between the Company and the person and family that may affect independence.	Yes	Yes																							
Not a former director or supervisor of the Company or has held any other key positions at the Company that may affect the audit services.	Yes	Yes																							
Not having served a term of more than five years as the Company's financial statement auditor.	Yes	Yes																							
Not having received any disciplinary action.	Yes	Yes																							
Not having violated the independence requirement in any other way.	Yes	Yes																							
3. For financial holding companies that are exchange-or OTC-listed, does the Company have a unit or staff that specializes (or is involved) in corporate governance (including but not limited to providing information necessary for directors and supervisors to perform their duties, organizing board meetings and general meetings, handling business registration and any change of registration, and compiling minutes of board meetings and general meetings)?	V		<p>The corporate sustainability committee was established with the president of the company as the convener responsible for supervising campaigns for corporate governance and corporate social responsibilities. In addition, the corporate planning division oversees all corporate governance matters and supervises planning and execution in all relevant units. The division also provides assistance for the units in the following areas.</p> <p>(1) Formulating the organizational structure and the business strategy and establishing the corporate governance code of conduct and rules regarding ethical management, corporate social responsibility best practice principles, and internal audits and internal control.</p> <p>(2) Providing information necessary for directors to perform their duties, convening meetings of the remuneration committee, the audit committee, the board of directors and the shareholders meeting, compiling minutes of said meetings, and handling business registration and change of registration.</p> <p>(3) Conducting annual director performance evaluations and having an independent external institution conduct an external evaluation at least once every three years.</p> <p>(4) Participating in corporate governance evaluations organized by the competent authority.</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>4. Has the financial holding company established any communication channels with stakeholders(including but not limited to shareholders, employees, and clients)?</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
5. Disclosure of information				
<p>(1) Has the financial holding company established a website that discloses financial, business, and corporate governance-related information?</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 (MOPS) and press releases. The spokesperson provides further elaboration where deemed necessary. 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 MOPS. 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
<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			

Item	Operating Status			Deviation from the guidelines of the practical corporate governance of the holding industry and reasons
	Yes	No	Summary Descriptions	
<p>6. 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 Holdings 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>A. Offering of competitive remuneration and welfare packages</p> <p>(a) Remuneration: Taishin Financial Holdings 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>B. 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>	No deviation



Item	Operating Status			Deviation from the guidelines of the practical corporate governance of the holding industry and reasons
	Yes	No	Summary Descriptions	
	V		<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> <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</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>7. Please described improvements in terms of the results of the Corporate Governance Evaluation System in recent years and propose areas to be given priority where improvement will be needed. Please described improvements in terms of the results of the Corporate Governance Evaluation System in recent years and propose areas and measures to be given priority where improvement will be needed.</p>	V		<p>A. The company is ranked among Top 5% of TWSE-listed companies by TWSE in the 2nd Corporate Governance Evaluation in April 2016. The company was selected and has been one of the constituent stocks of the "Corporate Governance 100 Index in Taiwan" since June 2015.</p> <p>B. The company continued its commitment to good corporate governance in 2016 in a number of aspects, including</p> <p>(a) To improve performance of the board of directors, the company passed the Taishin FHC Board Performance Appraisal Guidelines on December 22, 2016. Performance of the board of directors will be subjected to regular performance evaluation in the future.</p> <p>(b) In response to the need for stakeholder information, the company continues to strengthen transparency and disclosure of such information in 2016 by means including revamping the official website, making disclosure in both Chinese and English, and optimizing the compilation of financial statements. Starting in the 2017 fiscal year, certified financial statements will be released in two months after the end of a fiscal year.</p> <p>(c) The company, joined by Taishin Bank and Taishin Securities, participated on a voluntary basis in a corporate governance evaluation conducted by the Corporate Governance Association in Taiwan in 2016. The structure and culture of corporate governance at Taishin was examined in depth through a professional, unbiased evaluation process designed by the association. The Company subsequently received CG6010(2015) Certification-Excellent on December 22, 2016</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 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	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	4	N/A
Independent director	Yi-Fu Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	2	N/A
Independent director	Por-Yuan Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	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.

2. Status of Operations of the Remuneration Committee

- (1) The company's remuneration committee consists of three members.
- (2) Term of service: From July 1, 2015 until June 30, 2018. The remuneration committee held 5 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	5	0	100%	
Member	Yi-Fu Lin	5	0	100%	
Member	Por-Yuan Wang	5	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		Summary description	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No		
1. Implementation of corporate governance				
(1) Does the company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?		V	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.	No deviation
(2) Does the company organize social responsibility training on a regular basis?			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.	



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		The Company established the Guidelines for Establishing Corporate Sustainability Committee and the Corporate Sustainability Committee in 2014. The committee is responsible for making corporate social responsibility related decisions and overseeing the practices. The committee is chaired by the president of the Company. Five executive officers, including the CEO, are appointed the executive members to handle their respective duties. Six functional teams are created below the executive members by type of business. Team members consist of representatives from the Company, its subsidiaries, and various affiliated foundations working toward the same goals as responsible corporate citizens. The Corporate Sustainability Committee held four meetings in 2016 to discuss corporate governance and CSR related proposals. Being an attending member of the Board of Directors, the chairman therefore presents information on relevant businesses and proposals to the Board of Directors as needed.	No deviation
(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 Holdings 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		<ul style="list-style-type: none"> ■ 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". ■ Regarding green operations, in addition to the purchase of renewable energy in 2016, the company demonstrated its support for renewable energy by installing solar power panels on its own buildings in Neihu and contributing to environmental sustainability. Moreover, water, electricity, and gasoline needed to conduct business activities are measured regularly. Various action plans have been implemented to reduce consumption. Garbage and general waste are processed in compliance with the regulations. Resources are sorted and recycled to reduce the impact on the environment. Suppliers and other partners are united through green procurement in the pursuit of sustainability and the effort to save the earth. 	

Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason																														
	Yes	No	Summary description																															
	V		<p>Waste disposal: Taishin implements effective waste management. Waste is sorted, and bottles, paper, and equipment that can be recycled or reused are recycled and processed as appropriate by qualified professional cleaning service providers.</p> <p>Resource utilization: Regarding internal activities, in order to reduce the impact on the environment and the amount of waste, Taishin organizes environmental/educational campaigns and promotes environmental conservation measures. All employees are encouraged to get involved in ensuring waste is sorted and resource are recycled and reused so that the entire workforce develops good habits at home and at work and makes best efforts to ensure environmental sustainability. In terms of products and services, Taishin embraces the rise of green finance and campaigns for a number of fintech products and services in order to reduce paper and energy consumption. Examples of its efforts include issuing virtual credit cards and encouraging the switch to mobile statements. Taishin also encourage customers to use mobile banking services and online applications in order to make environmental conservation a part of business development and work with customers to achieve the goal of being an environmentally friendly bank.</p> <p>■ Fuel consumption in the last three years</p> <table border="1"> <thead> <tr> <th>Vehicle fuel</th> <th>2016</th> <th>2015</th> <th>2014</th> </tr> </thead> <tbody> <tr> <td>Total usage (liters)</td> <td>16,993.65</td> <td>14,608.56</td> <td>15,806.97</td> </tr> <tr> <td>Total usage (MJ)</td> <td>554,856.27</td> <td>476,981.17</td> <td>516,110.22</td> </tr> <tr> <td>CO2 emission (equivalent tonnage)</td> <td>40.12</td> <td>34.49</td> <td>37.32</td> </tr> </tbody> </table> <p>■ Greenhouse gas emission</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">2016</th> </tr> <tr> <th>Taishin Tower</th> <th>Neihu Building</th> </tr> </thead> <tbody> <tr> <td>Scope 1 emission (tonne equivalent CO2)</td> <td>711.92</td> <td>320.63</td> </tr> <tr> <td>Scope 2 emission (tonne equivalent CO2)</td> <td>2,893.02</td> <td>6,127.22</td> </tr> <tr> <td>Total emission (tonne equivalent CO2)</td> <td>3,604.94</td> <td>6,447.85</td> </tr> </tbody> </table> <p>Note: Taishin FHC implemented ISO 14064 standard for GHG emissions inventories in 2016, and so has data only from 2016 (and the external audit of related data is expected to be completed by April 27, 2016).</p>	Vehicle fuel	2016	2015	2014	Total usage (liters)	16,993.65	14,608.56	15,806.97	Total usage (MJ)	554,856.27	476,981.17	516,110.22	CO2 emission (equivalent tonnage)	40.12	34.49	37.32		2016		Taishin Tower	Neihu Building	Scope 1 emission (tonne equivalent CO2)	711.92	320.63	Scope 2 emission (tonne equivalent CO2)	2,893.02	6,127.22	Total emission (tonne equivalent CO2)	3,604.94	6,447.85	No deviation
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(2) Has the company developed an appropriate environmental management system, given its distinctive characteristics?			<p>■ 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.)</p>																															



Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No	Summary description	
	V		<ul style="list-style-type: none"> ■ Strategy for Climate Change e the launch of its campaign to practice "Environmental Protection through Energy Saving" in 2009, Taishin has been urging its employees to support environmental efforts and make a habit of caring for the environment and conserving energy in their everyday life. In addition to actively implementing international standards such as the ISO50001 energy management system and the ISO14064-1 GHG inventory system, Taishin has been demonstrating its commitment to international standards by participating in the Carbon Disclosure Project since 2016. ■ Introduction of environment-related systems Taishin took the initiative to implement the ISO50001 energy management system in 2015. An energy baseline was established by energy review, measuring and monitoring, and a five-year (with 2014 as the base year) plan was created to set a long term energy saving goal of a 1% or more energy saving per year on average. In addition to conducting energy conservation campaigns and training throughout the bank, Taishin installs energy efficient air conditioning units, lighting, and office equipment to reduce energy consumption and improve energy performance on an ongoing basis. Energy management plans proven to be effective in 2016 included the replacement of thermal interface materials in cooling towers and the addition of thermally insulation to the glass curtain walls at IT server rooms. As a result, Taishin attained dual certification for energy management systems from Taiwan Accreditation Foundation (TAF) and British Standard Institute (BSI) ISO 50001. In 2017, Taishin expects to team up with the Bureau of Energy of Ministry of Economic Affairs to implement the Smart Energy Performance Information Management System to ensure more effective implementation of ISO 50001 and stronger energy control. Furthermore, in response to the challenges of global climate change and in support of the growing international effort to reduce greenhouse gases, Taishin FHC started promoting the ISO14064-1 greenhouse gas inventory system in 2016 and providing expert training on greenhouse gas inventory by qualitative and quantitative methods and related areas. Greenhouse gas inventories were completed for Taishin Tower and Neihu Building, which had the largest number of employees. A comprehensive list of emissions and management procedures were established, and energy conservation measures were monitored and managed on an ongoing basis to reduce unnecessary emission and consumption. As part of the pursuit of environmental sustainability, the ISO 14064 independent third party verification is expected to be completed in early 2017. 	No deviation

Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No	Summary description	
			<p>Taishin operates in the financial service sector and is not directly involved in production of any physical goods. Compared to the manufacturing sector, the Company has a limited impact on the environment. Consequently, ISO 14001 in the Corporate Governance Evaluation and similar questions regarding environmental management system certification do not apply. Nevertheless, being a responsible corporate citizen, Taishin continues to invest in environmental conservation, and evaluate and plan the implementation of environmental management standards as a demonstration of its commitment to sustainability.</p> <p>Taishin, as part of its support for energy efficiency policies, purchases renewable energy and develops renewable energy sources.</p> <p>Taishin FHC, in support of the government's energy and carbon reduction policy, purchased 200,000 degrees of renewable energy in 2016 and obtained a green power label (Green Power Label No. 1051001810). Taishin FHC was also first to install solar panels on its own buildings in Neihu, which consumed the largest amount of electricity and had the largest number of office workers, to support the development of renewable energy sources. Generation is estimated at 19,929 degrees per year. When calculated at the emission factor for electricity generation as announced by the Bureau of Energy in Taiwan for 2015, the project is expected to reduce Scope 2 GHG emission by 10,522Kg. In addition, we joined the Voluntary Energy Conservation at Headquarters Project by the Bureau of Energy of Ministry of Economic Affairs in 2016. We chose energy use intensity (EUI) as the measurement of our voluntary energy conservation target and set it at 3% per year for three years. We also declared we would become an "active energy efficient enterprise" and take action to support the government's energy conservation policy and sustainability efforts.</p>	No deviation
(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?			<p>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, set air-conditioning temperature at 26 Celsius degrees and install solar panels on Neihu building. 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 to 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.</p>	



Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No	Summary description	
3. Uphold public benefits				
(1) Has the company developed its policies and procedures in accordance with laws and the International Bill of Human Rights?	V		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.	No deviation
(2) Does the company have means through which employees may raise complaints? Are employee complaints being handled properly?			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.	
(3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?			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.	
(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?			The company has appointed representatives as required by law to hold regular employer-employee meetings. In addition, it makes announcements at quarterly morning assemblies and 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.	
(5) Has the company implemented an effective training program that helps employees develop skills over the course of their career?			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.	

Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No	Summary description	
(6) Has the company implemented consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities?	V		<p>The company embodies subsidiaries involved in different business activities such as banking, securities, investment trust, and investment consultancy. 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> <ul style="list-style-type: none"> ■ Dedicated around-the-clock customer service line: (02)2655-3355 ■ 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 ■ Fax Number for Complaints: (02)5571-9396 	No deviation
(7) Has the company complied with laws and international standards with regards to the marketing and labeling of products and services?			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.	
(8) Does the company evaluate suppliers' environmental and social conducts before commencing business relationships?			<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>Regarding the selection of suppliers in major procurement projects, the Company may take into consideration a supplier's promise and fulfillment of its CSR commitments. In addition, the Company may ask suppliers to complete a self assessment questionnaire to provide a basis for evaluation. Only suppliers that conform with requirements can be certified and registered to provide services or products to the company. 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>	



Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No	Summary description	
			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. 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.	No deviation
(9) Is the company entitled to terminate the supply agreement at any timewith 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?	V		The Company has implemented a set of "Supplier Management Guidelines" to ensure that suppliers do comply and fulfill their corporate social responsibilities. Procurement contracts now include a Supplier's Declaration clause that require suppliers sign a CSR Declaration. Suppliers will be required to sign a CSR Declaration upon entering into a new contract or exchanging contracts in order to ensure suppliers' fulfillment of 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.	
4. Intensified information disclosure				
Has the company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	V		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.	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. the key information conducive to the understanding of the operation of corporate social responsibility. Please refer to Chapter Five - Business Overview, section " E. Corporate Responsibility and Ethical Behaviors" in P.127.				
7. Description of corporate social responsibility report which have been certified by international certification bodies: Taishin Holdings' latest CSR report had been certified by British Standards Institution (BSI) in May 2017 to pass AA1000 and GRI Standards guidelines, and was given an assurance level of A+. Deloitte Taiwan also issued an opinion of limited assurance in accordance with ISAE3000 standard for assurance in May 2017, making the Company the first financial institution in Taiwan to receive both assurance certification for three consecutive years .The Independent Limited Assurance Report was also disclosed in the Company's 2016 CSR Report.				

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

Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No	Summary description	
1. Policies and schemes established to ensure business integrity				
(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?	V		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.	No deviation
(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?			The Company adheres to its core values of "Integrity, Commitment, Innovation, and Cooperation" and observes the "Ethical Corporate Management Best Practice Principles" established by itself. 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. The personnel review committee handles disciplinary actions and complaints to ensure ethical management.	
(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			The company establishes guidelines for filing complaints against illegal and unethical conduct under the Employee Code of Conduct, which is disclosed on the corporate website in the corporate governance/internal guidelines section at: http://www.taishinholdings.com.tw/Investors/Investors_11_2.jsp	
2. Implementation of integrity management				
(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?	V		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.	No deviation



Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No	Summary description	
(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?	V		<p>The company, pursuant to Article 6 of the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries, have established legal compliance systems and designated the compliance division to handle the planning, management, and execution of all issues related to compliance and other matters pertaining to ethical corporate management. The compliance division also reports to the audit committee and the board of directors at least once every six months on matters pertaining to compliance and ethical corporate management.</p> <p>In addition to empowering the compliance division for the establishment, implementation and execution of the compliance policy, a compliance officer has been assigned to every unit within the company to promote employee awareness of financial regulations and business integrity. The presence of compliance officers helps improve the fairness and transparency of the company's financial activities, while ensuring that business practices are carried out in a manner that complies with laws.</p>	No deviation
(3) Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?			The company establishes guidelines for avoiding conflict of interest under the Employee Code of Conduct, and has reporting channels in place to accept verbal, written or electronic reports of violations.	
(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>Accounting System and Internal control system</p> <ul style="list-style-type: none"> ■ Accounting System <p>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> ■ Internal control system <p>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> 	

Item	Operating status		Summary description	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No		
	V		<ul style="list-style-type: none"> ▪ To enable a corporate culture of management supervision and control. ▪ To facilitate risk identification and assessment. ▪ To control activities and segregate duties. ▪ To facilitate information sharing and communication. ▪ To monitor and improve business activities. <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>The internal control system of Taishin Securities is based on regulations including Article 2 of the Regulations Governing Securities Firms, Article 9 of the Regulations Governing the Operation of Futures Introducing Broker Business by Securities Firms, and the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets.</p> <p>The system consists of management processes designed by the managers, passed by the Board of Directors, and implemented by the Board of Directors, managers, and other employees for purpose of promoting sound operations of the company, so as to reasonably ensure that the following objectives are achieved:</p> <ul style="list-style-type: none"> ■ Effectiveness and efficiency of operations. ■ Reliability, timeliness, transparency, and regulatory compliance of reporting. ■ Compliance with applicable laws, regulations, and bylaws. <p>The system comprises the following constituent elements:</p> <ul style="list-style-type: none"> ■ Control environment. ■ Risk assessment. ■ Control activities. ■ Monitoring activities. <p>Individual units will implement regulations and guidelines accordingly and conduct regular self assessments. The units also cooperate with the internal audit unit in completing regular audits.</p>	No deviation
(5) Does the company organize internal or external training on a regular basis to maintain business integrity?			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.	



Item	Operating status		Summary description	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No		
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?	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. ▪ Reporting hotline: (02)5576-3000 ▪ Reporting mailbox: er@taishinbank.com.tw ▪ 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)	No deviation
(2) Has the company implemented any standard procedures or confidentiality measures for handling reported malpractices?			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.	
(3) Does the company assure employees who reported on malpractices that they will not be prosecuted for making such reports?			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.	
4. Strengthen information disclosure				
Has the company disclosed its integrity principles and progress onto its website and MOPS?	V		Taishin holdings 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": No deviation.				
6. Other key information conducive to the understanding of the implementation of integrity management: None.				

Note 1: Provide details in the comments regardless of the answer to Practices.

Note 2: "Reasons for deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" are optional to financial holding companies that are not exchange or OTC listed.

Note 3: "Reasons for deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" are optional to banks that are not exchange or OTC listed.

- 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 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."



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

1. Internal Control Statement

To Financial Supervisory Commission:

March 23, 2017

On behalf of Taishin Financial Holding Co., Ltd.(the Company), we hereby declare that, for the fiscal year of 2016, the Company have established internal control system and implemented risk management system in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries". The system and practices were also inspected by the independent Audit Division which reported regularly to the Company's Board of Directors and Audit Committee. Following our prudent assessment, we concluded that the Company's internal control, legal and compliance practices for the fiscal year of 2016 were implemented effectively, except for the items listed on the attachment. This statement will constitute part of the Company's annual report and prospectus and will be publicly disclosed. We understand that we are legally bound to the "Securities and Exchange Act" Articles 20, 32, 171, and 174. of the Securities and Exchange Act.

Chairman



President



Chief Auditor



Compliance Officer



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

Base date: Dec. 31, 2016

Items needing improvement	Improvement measures	Schedule for completing the improvement
Taishin Bank		
Defects were present in the business operations of derivative transactions.	Improvement was made and filed with the Banking Bureau on December 26, 2016.	
The lending procedures did not contain control mechanisms on the borrower's actual purpose of financing, and failed to implement limit control as required.	The procedures were reviewed and controls implemented. Training was provided to raise employee awareness.	Full improvement was completed by January 2017.
Defects were present in the sales of investment products at the Hong Kong Branch.	A consulting firm was hired to audit the processes.	The consulting firm expects to complete the audit report by May 17, 2017. The schedule will be decided when the audit results become available.
Mis-selling of non-performing cash card loans was identified.	The procedures were improved.	

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
1. Indictment of executives or staffers by prosecutors for job-related crimes.	Nil
2. Fines inflicted by Financial Supervisory Commission (FSC) for violation of laws/regulations	(1) Taishin Bank The case involved misconduct in derivatives products, for which the bank was fined NT\$8 million dollars by FSC under Letter No. Financial-Supervisory-Banking-Control-10560005751 on 2016.12.02. (2) Taishin Holding Insurance Brokers The case involved mis-selling of financial products by telephone, for which the Company was given a warning and fined NTD\$ 600,000 by FSC under Letter No. Financial-Supervisory-Insurance-Comprehensive-10402567671 on July 9, 2015.
3. Defects being rectified by the FSC	Taishin Bank (1) Following 2.(1) where the case involved misconduct in derivatives products, for which the bank was corrected by FSC under Letter No. Financial-Supervisory-Banking-Control-10560005751 on 2016.12.02. The bank was also restricted from providing new derivatives products with embedded put options (including structured products) until the FSC deemed improvements had been made.



	Cases and values	Status of improvement
	(2) This case involved mis-selling of non-performing cash card loans, for which the bank was corrected by FSC under Letter No. Financial-Supervisory-Banking-Control-10500161550 dated 2016.12.05.	The relevant operating procedures have been improved and quarterly training will be provided.
	(3) This case involved loan related misconduct, for which the bank was corrected by FSC under Letter No. Financial-Supervisory-Banking-Control-10560005740 dated 2016.12.12.	The case has been fully investigated and corrected.
	(4) This case involved errors in the KYC procedure after fund subscriptions, for which the bank was corrected by FSC under Letter No. Financial-Supervisory-Banking-Control-10500312860 dated 2017.01.23.	The amended KYC Personal Information Form has been released to change the annual income levels and to require verification that transactions have been checked to be consistent with the customer's needs. Customers will be required to provide all details and sign the form when they update their KYC Personal Information Forms in order to ensure complete KYC records.
	(5) This case involved small loan related misconduct, for which the bank was corrected by FSC under Letter No. Financial-Supervisory-Banking-Control-10500229260 dated 2017.01.23.	Inspection mechanisms have been implemented, and the appropriateness of the loan procedures and their management as well as the risk management mechanisms for different products have been reviewed.
	(6) This case involved misconduct in loans to Ting Sing Trading or its affiliates, for which the bank was corrected by FSC under Letter No. Financial-Supervisory-Banking-Control-1050029666E dated 2017.02.09.	Effective KYC is reiterated in the credit check procedures to prevent similar incidents.
4. Penalized by the FSC according to item 1, article 54, of the law	Nil	Nil
5. 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
6. Other items mandated by the FSC for disclosure	Nil	Nil

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 2016 annual general meeting (dated 2016.06.08) and execution progress

Agenda	Result	Implementation status
(1) Discuss changes to the Company's "Articles of Incorporation"	Voted and approved as proposed.	The changes have been approved by the Minister of Economic Affairs on July 21, 2016 and September 29, 2016, and published on the company's website.
(2) Acknowledged the company's 2015 business report and financial statements.	Voted and acknowledged as proposed.	The documents and reports have been disclosed and filed with the competent authority in accordance with the Company Act and the Securities and Exchange Act.
(3) Acknowledged the company's 2015 earnings distribution.	Voted and acknowledged as proposed.	The record date was set at August 30, 2016 and the payment date (NT\$0.48 per share in cash) at September 14, 2016.
(4) Discussion new issuance of common shares from earnings	Voted and approved as proposed.	The record date was set at August 30, 2016 and the payment date (NT\$0.72 per share in cash) at September 14, 2016.
(5) Discuss the Company's plan to issue up to 1,000,000,000 Class E registered preferred shares by book building, which is hereby submitted to the shareholder meeting for a resolution to have existing shareholders waive pre-emption rights and to increase the percentage of public offering.	Voted and approved as proposed.	The 2016 cash issue of Class E registered preferred shares were issued by public offer. Book building did not take place.
(6) Discuss the Company's plan to issue up to 1,500,000,000 Class F registered preferred shares by book building, which is hereby submitted to the shareholder meeting for a resolution to have existing shareholders waive pre-emption rights and to increase the percentage of public offering.	Voted and approved as proposed.	The Class F registered preferred shares were not issued.

2. Major resolutions of the the board of directors on 2016

- 2016.01.28 Passed subscription to all new ordinary shares issued by the subsidiary Taishin Venture Capital Investment Co., Ltd.
- 2016.02.25 Passed the partial amendments to the "Articles of Incorporation."
- 2016.02.25 Passed the convening of the 2016 annual general meeting on 2016.06.08 (including Class D preferred shareholders).
- 2016.02.25 Passed redemption of Class D preferred shares issued in a private placement and reduce the shares accordingly.
- 2016.03.31 Passed distribution of directors' remuneration and employees' remuneration for 2015.
- 2016.03.31 Passed the 2015 consolidated financial statements.
- 2016.04.28 Passed the 2015 business report and the 2015 earnings distribution proposal, and paid cash dividends from capital surplus.
- 2016.04.28 Passed the partial amendments to the "Articles of Incorporation."
- 2016.04.28 Passed the proposal to issue up to 1,000,000,000 Class E registered preferred shares by book building. The proposal was submitted to the shareholder meeting for a resolution to have existing shareholders waive pre-emption rights and to increase the percentage of public offering. In addition, the proposal to issue up to 1,500,000,000 Class F registered preferred shares by book building was submitted to the shareholder meeting for a resolution to have existing shareholders waive pre-emption rights and to increase the percentage of public offering.



- 2016.04.28 Passed subscription of all new common shares issued by the subsidiary Taishin International Bank Co., Ltd. in a private placement.
- 2016.09.22 Passed the 2016 cash issue of Class E registered preferred shares.
- 2016.11.10 Passed subscription of all new common shares issued by the subsidiary Taishin International Bank Co., Ltd. in a private placement.
- 2016.12.22 Passed the 2017 operating plans and budgets.
- 2016.12.22 Passed the Board Performance Appraisal Guidelines.

3. Major resolutions of the the board of directors on 2017

- 2017.01.19 Passed the addition of the Office of the CIO to Taishin FHC and the appointment of Carol Lai as the Chief Investment Officer.
- 2017.02.23 Passed distribution of directors' remuneration and employees' remuneration for 2016.
- 2017.02.23 Passed the appointment of Steve Sun as the Chief Information Officer.
- 2017.02.23 Passed the convening of the 2017 annual general meeting on 2017.06.16 (including Class D and Class E preferred shareholders).

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	Tza-Li Gung	Kwan-Chung Lai	2016.01.01~ 2016.12.31	None

Note: If there is any change of CPA or CPA firm during the year, please specify the duration of their services separately and state the reason for making the change in the remarks field.

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				

Base Date: Dec. 31, 2016; 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	Tza-Li Gung	5,910		475		700	1,175	2016.01.01~2016.12.31	Non-audit remuneration - "Other" mainly comprises of charges for the preparation of the corporate social responsibility report and new issuance of common shares from earnings project.
	Kwan-Chung Lai								

Note 1: If the bank makes any change of CPA or CPA firm during the year, please specify the duration of their services separately and state the reason for making the change in the remarks field. Any audit and non-audit remuneration paid to CPAs should also be disclosed separately.

Note 2: Non-audit remuneration should be listed separately by service category. If the "Other" category amounts to 25% of total non-audit remuneration, the details of services rendered must be specified in the remarks column.

- a. 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.
- b. 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

Replacement date	Not applicable		
Reason for replacement and explanation	Not applicable		
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		
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

Unit: share

Title	Name	2016				As of Feb. 28, 2017			
		Common Shares		Preferred Shares		Common Shares		Preferred Shares	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Chairman	Hsiang-Chao Co., Ltd.	554,640	0	311,973	0	0	0	0	0
Representative	Tong-Liang Wu	655,731	0	368,835	0	0	0	0	0
Director (Major shareholder)	Tong Shan Investment Co., Ltd.	8,099,358	0	2,300,000	0	0	0	0	0
Representative	Jui-Sung Kuo	37,674	0	0	0	0	0	0	0
Director	Tai-Ho Investment Co., Ltd.	3,287,855	0	1,849,350	0	0	0	0	0
Representative	Cheng-Ching Wu	0	0	0	0	0	0	0	0
Director	Chia Hao Co., Ltd.	1,085,437	0	610,536	0	0	0	0	0
Representative	Tong-Shung Wu	140,492	0	0	0	2,000,000	0	0	0
Director	Chia Hao Co., Ltd.	1,085,437	0	610,536	0	0	0	0	0
Representative	Long-Su Lin	161,457	0	0	0	0	0	0	0
Director	Santo Arden Co., Ltd.	324,848	0	182,720	0	0	0	0	182,720
Representative	Chu-Chan Wang	680,150	0	0	0	0	0	0	0
Independent Director	Neng-Pai Lin	0	0	0	0	0	0	0	0
Independent Director	Yi-Fu Lin	0	0	0	0	0	0	0	0
Independent Director	Por-Yuan Wang	0	0	0	0	0	0	0	0

Title	Name	2016				As of Feb. 28, 2017			
		Common Shares		Preferred Shares		Common Shares		Preferred Shares	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
President and Chief Executive Officer, Wholesale Banking Group	Joseph Jao	27,842	0	147,000	0	0	0	0	0
Chief Executive Officer, Retail Banking Group	Oliver Shang	26,649	0	0	0	0	0	0	0
Chief Auditor	Howard Wu	63,132	0	0	0	0	0	0	0
Chief Strategy Officer	Daniel Tsai	51,124	0	0	0	0	0	0	0
Chief Information Officer	BR Ho	146,572	0	20,000	0	500,000	0	0	0
Chief Financial Officer	Welch Lin	275,556	0	0	0	0	0	0	0
Chief Accounting Officer	Ann Cheng	46,455	0	158,444	0	0	0	0	0
Chief Risk Officer	Jey Chen	0	0	0	0	0	0	0	0
Chief Investment Officer	Carol Lai	Incoming Chief Investment Officer				0	0	0	0
Senior Vice President	Frank Lin	178,374	0	71,967	0	0	0	0	0
Senior Vice President	Lu-June Jai	11,661	0	40,000	0	0	0	0	0
Senior Vice President	David Chang	85,114	0	0	0	364,000	0	0	0
Senior Vice President	Janice Liang	161,815	0	0	0	0	0	0	0
Vice President	David Lee	6,656	0	12,000	0	0	0	(6,000)	0
Assistant Vice President	Linda Chen	2,170	0	8,000	0	0	0	0	0

Note 1: Changes in shares held by the persons above are based on information filed while in office.

Note 2: The change in the number of shares held in 2016 was mainly caused by stock dividends or subscriptions to cash issues.

b. Information of shareholding transfer: None.

c. Information of shareholding pledge

Name	Reason for change of pledge	Date of change	Counterparty	Counterparty's relationship with the financial holding company, the directors, supervisors, and shareholders with more than 10% ownership interest.	Number of shares	Amount of pledge/redemption
Santo Arden Co., Ltd.	Pledge	2017.02.16	Yuanta Commercial Bank Co., Ltd.	Relatives by marriage within second degree of kinship of any supervisor of Taishin FHC's subsidiary serving as an independent director of the same subsidiary	182,720 Class E preferred shares	-



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 18, 2017

	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		Note
		Number of shares	Share of stake (%)	Number of shares	Share of stake (%)	Number of shares	Share of stake (%)	Name	Relationship	
1	Cathay Life Insurance Co., Ltd.	316,537,743	3.06	0	0	0	0	None	None	
2	Taishin Leasing & Financing Co., Ltd.	298,364,560	2.88	0	0	0	0	None	None	
3	TPP Asset Management Co., Ltd.	179,979,116	1.74	0	0	0	0	None	None	
4	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	163,503,694	1.58	0	0	0	0	None	None	
5	China Life Insurance Co., Ltd.	161,341,998	1.56	0	0	0	0	None	None	
6	TASCO Chemical Corporation	152,265,824	1.47	0	0	0	0	None	None	
7	Dimensional Emerging Markets Value Fund	133,379,480	1.29	0	0	0	0	None	None	
8	Shinkong Synthetic Fibers Corporation	126,407,363	1.22	0	0	0	0	No.9	Representative's relative within 2 tiers	
9	Tong Shan Investment Co., Ltd.	122,326,952	1.18	0	0	0	0	No.8	Representative's relative within 2 tiers	
10	Norqes Bank	111,561,767	1.08	0	0	0	0	None	None	

Note: Guei-Lan Wu passed away on March 30, 2016

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, 2016; 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.	6,884,598,317	100.00%	0	0.00%	6,884,598,317	100.00%
Taishin Securities Co., Ltd.	305,912,444	100.00%	0	0.00%	305,912,444	100.00%
Taishin Securities Investment Trust Co., Ltd.	75,454,545	100.00%	0	0.00%	75,454,545	100.00%
Taishin Securities Investment Advisory Co., Ltd.	27,599,513	92.00%	0	0.00%	27,599,513	92.00%
Taishin Asset Management Co., Ltd.	99,500,000	100.00%	0	0.00%	99,500,000	100.00%
Taishin Venture Capital Co., Ltd.	332,903,495	100.00%	0	0.00%	332,903,495	100.00%
Chang Hwa Commercial Bank, Co., Ltd.	2,021,212,165	22.55%	33,746,421	0.38%	2,054,958,586	22.92%
Chieh-Bon Co., Ltd.	220,000	4.40%	300,000	6.00%	520,000	10.40%

Note 1: Subsidiaries of Taishin FHC.

Note 2: Investments under Articles 36 and 37



04

Fund-Raising Activities



IV. Fund-Raising Activities

A. Capital and Shares

Sources of capital

Base date: Feb. 28, 2017; Units: 1,000 shares; NT\$ 1,000

Times	Issuing Prices	Authorized Capital		Paid-in Capital		Remarks	
		Number of Shares	Value	Amount of Shares	Value	Sources of Capital	Others
Feb. 2016	-	12,000,000	120,000,000	Common share 8,860,410 Preferred share D 725,136	Common share 88,604,410 preferred share D 7,251,368	Issuance of new shares for exercise of options by employees	MOEA, No. 10501027790 Feb. 18, 2016 (Note 1)
Mar. 2016	-	12,000,000	120,000,000	Common share 8,860,410 Preferred share D 362,568	Common share 88,604,410 Preferred share D 3,625,684	Redemption of Preferred share D	MOEA, No. 10501061560 Mar. 31, 2016 (Note 2)
May 2016	-	12,000,000	120,000,000	Common share 8,862,258 Preferred share D 362,568	Common share 88,622,585 Preferred share D 3,625,684	Issuance of new shares for exercise of options by employees	MOEA, No. 10501092160 May 6, 2016 (Note 3)
Aug. 2016	-	12,000,000	120,000,000	Common share 8,863,280 Preferred share D 362,568	Common share 88,632,800 Preferred share D 3,625,684	Issuance of new shares for exercise of options by employees	MOEA, No. 10501193170 Aug. 8, 2016 (Note 4)
Sep. 2016	-	12,000,000	120,000,000	Common share 9,504,921 Preferred share D 362,568	Common share 95,049,211 Preferred share D 3,625,684	Issuance of new shares from earnings	MOEA, No. 10501218470 Sep. 5, 2016 (Note 5)
Nov. 2016	-	12,000,000	120,000,000	Common share 9,513,098 Preferred share D 362,568	Common share 95,130,986 Preferred share D 3,625,684	Issuance of new shares for exercise of options by employees	MOEA, No. 10501268570 Nov. 18, 2016 (Note 6)
Jan. 2017	50	12,000,000	120,000,000	Common share 9,513,098 Preferred share D 362,568 Preferred share E 500,000	Common share 95,130,986 Preferred share D 3,625,684 Preferred share E 5,000,000	Issuance of new shares for Preferred share E	MOEA, No. 10501302230 Jan. 5, 2017 (Note 7)
Feb. 2017	-	12,000,000	120,000,000	Common share 9,520,747 Preferred share D 362,568 Preferred share E 500,000	Common share 95,207,476 Preferred share D 3,625,684 Preferred share E 5,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10601011650 Feb. 3, 2017 (Note 8)

Note 1: Exercise of options by employees for issuance of 467,500 common shares.

Note 2: The company redeemed Preferred shares D at 362,568,410 shares

Note 3: Exercise of options by employees for issuance of 1,845,105 common shares

Note 4: Exercise of options by employees for issuance of 1,021,500 common shares.

Note 5: The Company issued 641,641,100 ordinary shares from earnings.

Note 6: Exercise of options by employees for issuance of 8,177,500 common shares.

Note 7: The Company made a cash issue of 500,000,000 Class E registered preferred shares.

Note 8: Exercise of options by employees for issuance of 7,469,000 common shares.

Base date: Feb. 28, 2017 ; Unit: share

Share Categories	Authorized Capital			Notes
	Shares in circulation	Shares without issuance	Total shares	
Common Shares	9,520,747,633 (Note1)	9,616,683,957	20,000,000,000 (Note2)	Listed shares
Preferred Shares D	362,568,410			Unlisted shares
Preferred Shares E	500,000,000			Listed shares

Note 1: The number of outstanding common shares does not include, between January 1, 2017 and February 28, 2017, the number of new shares against the exercise of options by employee.

Note 2: As at February 28, 2017, the total number of shares registered with the Ministry of Economic Affairs is 12,000,000,000 shares.

B. Structure of Shareholders

Structure of Shareholders (Common shares)

Base date: April 18, 2017 ; Unit: share, %

Structure of Shareholders	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Quantity						
Number of Shareholders	11	165	617	229,446	863	231,102
Shares	113,271,208	865,743,245	2,122,414,742	3,926,890,907	2,542,619,268	9,570,939,370
Share of stake (%)	1.18	9.05	22.18	41.03	26.57	100.00

Structure of Shareholders (Preferred shares D)

Base date: April 18, 2017 ; Unit: share, %

Structure of Shareholders	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Quantity						
Number of Shareholders	0	1	15	0	0	16
Shares	0	103,590,973	186,463,755	0	0	290,054,728
Share of stake (%)	0.00	35.71	64.29	0.00	0.00	100.00

Structure of Shareholders (Preferred shares E)

Base date: April 18, 2017 ; Unit: share, %

Structure of Shareholders	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Quantity						
Number of Shareholders	0	28	143	20,390	24	20,585
Shares	0	289,966,120	147,498,571	61,936,376	598,933	500,000,000
Share of stake (%)	0.00	57.99	29.50	12.39	0.12	100.00



C. Distribution of Shareholding

Distribution of Shareholding (Common shares) (Par Value of NT\$10 per share)

Base date: April 18, 2017 ; unit: share, %

Classification of Shareholding	Number of Shareholders	Shares	share of stake (%)
1 ~ 999	73,174	21,011,973	0.22
1,000 ~ 5,000	74,641	174,599,999	1.82
5,001 ~ 10,000	26,958	194,294,009	2.03
10,001 ~ 15,000	15,234	185,594,802	1.94
15,001 ~ 20,000	8,716	149,919,651	1.57
20,001 ~ 30,000	10,208	250,665,338	2.62
30,001 ~ 50,000	8,337	318,183,858	3.32
50,001 ~ 100,000	6,716	467,364,105	4.88
100,001 ~ 200,000	3,554	486,338,798	5.08
200,001 ~ 400,000	1,787	491,826,183	5.14
400,001 ~ 600,000	593	290,932,497	3.04
600,001 ~ 800,000	253	174,838,940	1.83
800,001 ~ 1,000,000	189	169,564,045	1.77
1,000,001 ~	742	6,195,805,172	64.74
Total	231,102	9,570,939,370	100.00

Distribution of Shareholding (Preferred shares D) (Par Value of NT\$10 per share)

Base date: April 18, 2017 ; unit: share, %

Classification of Shareholding	Number of Shareholders	Shares	Share of stake (%)
1,000,001 ~	16	290,054,728	100.00
Total	16	290,054,728	100.00

Distribution of Shareholding (Preferred shares E) (Par Value of NT\$10 per share)

Base date: April 18, 2017 ; unit: share, %

Classification of Shareholding	Number of Shareholders	Shares	Share of stake (%)
1 ~ 999	12,596	2,611,930	0.52
1,000 ~ 5,000	6,174	13,101,674	2.62
5,001 ~ 10,000	771	5,834,188	1.17
10,001 ~ 15,000	210	2,705,898	0.54
15,001 ~ 20,000	258	4,887,274	0.98
20,001 ~ 30,000	158	3,986,027	0.80
30,001 ~ 50,000	156	6,164,447	1.23
50,001 ~ 100,000	120	8,983,699	1.80
100,001 ~ 200,000	45	7,213,850	1.44
200,001 ~ 400,000	30	8,877,446	1.78
400,001 ~ 600,000	7	3,738,288	0.75
600,001 ~ 800,000	5	3,364,008	0.67
800,001 ~ 1,000,000	12	11,729,731	2.35
1,000,001 ~	43	416,801,540	83.36
Total	20,585	500,000,000	100.00

D. Major Shareholders

Base date: April 18, 2017 ; unit: share,%

Major Shareholders	Shares	Shares (Including Common shares and preferred shares)	Share of Stake (%)
Cathay Life Insurance Co., Ltd.		316,537,743	3.06
Taishin Leasing & Financing Co., Ltd.		298,364,560	2.88
TPP Asset Management Co., Ltd.		179,979,116	1.74
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds		163,503,694	1.58
China Life Insurance Co., Ltd.		161,341,998	1.56
TASCO Chemical Corporation		152,265,824	1.47
Dimensional Emerging Markets Value Fund		133,379,480	1.29
Shinkong Synthetic Fibers Corporation		126,407,363	1.22
Tong Shan Investment Co., Ltd.		122,326,952	1.18
Norges Bank		111,561,767	1.08

Note: Specify top 10 shareholders.

E. Market Price, Net Worth, Earnings and Dividends per Share

Unit: NT\$1

Items		Year	2015	2016	As of Feb. 28, 2017 (Note 6)
Market Price Per Share	Highest		14.30	13.45	12.30
	Lowest		10.00	9.91	11.70
	Average		12.68	11.79	11.99
Net Worth Per Share	Before distribution (coverage of loss)		12.41	12.21	12.43
	After distribution (coverage of loss)		11.12	(Note 1)	NA
Earnings Per Share	Weighted Average Outstanding shares (thousand share)	Before Adjustment	8,857,770	9,507,915	9,530,860
		After Adjustment	9,499,013	9,507,915	NA
	Earnings per share	Before Adjustment	1.39	1.14	0.19
		After Adjustment	1.30	1.14	NA
Dividends Per Share	Cash Dividend		0.4827	(Note 1)	NA
	Stock Dividend	Dividends from Retained Earnings	0.7240	(Note 1)	NA
		Dividends from Capital Surplus	0	(Note 1)	NA
	Accumulated Undistributed Dividends (NT\$ thousand) (Note 2)		0	0	NA
Analysis for Return on Investment	Price to Earnings Ratio (Note 3)		9.08	10.32	NA
	Price to Dividends Ratio (Note 4)		26.15	(Note 1)	NA
	Cash Dividends Yield (Note 5)		3.82%	(Note 1)	NA

Note 1: The Earning distribution for year 2016 hasn't been approved by the General Shareholders' Meeting .

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

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

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

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

Note 6: Data exposed as of the date for the publication of the 2017 annual report.



F. Dividends policy and execution

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 shall be available for distribution of Class D preferred share dividends for the current year according to Article 8-2 of the Article of Incorporation. The remaining balance, if any, will be combined with special reserve reversal and initial cumulative undistributed earnings available for dividend distribution into the amount available for distribution on ordinary shares and preferred shares. In particular, cash dividends may not be lower than 10% of the total amount of dividend distribution in the same year. Earnings distribution proposals will be devised by the board of directors and submitted to the annual general meeting for acknowledgement. The rights and obligations and the priority, amount and method of distribution associated with preferred shares shall be governed by the preferred shares provisions in the Articles of Incorporation.

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 stock 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 in accordance with Article 40-1 of the Company's Articles of Incorporation.
2. The 2016 audited net profit after-tax of the company is NT\$11,399,433,835; after adjusting earning distribution reduction, the 2016 distributable earnings is NT\$10,830,150,339. The following distributions have been proposed according to the Articles of Incorporation :
 - (1) NT\$1,083,015,034 of 10% legal reserve and NT\$37,447,519 of special reserve is allocated according to Article 237 of the Company Act, Paragraph 1, Article 41 of Securities and Exchange Act and Article 40-1 of the Company's Articles of Incorporation;
 - (2) Next, NT\$556,939,892 and NT\$12,978,142 cash dividends is allocated to Class D and Class E preferred shareholders, respectively;
 - (3) And then, NT\$9,139,769,752 dividends is allocated to common shareholders (approximately NT\$0.95 per share), which consist of cash dividends NT\$5,026,873,752 (approximately NT\$0.52 per share) and stock dividends NT\$4,112,896,000 (approximately NT\$0.43 per share). In particular, NT\$4,112,896,000 in stock dividends shall be paid with new offering of 411,289,600 common shares with par value of NT\$10 per share. The rights and obligation of the new shares to be issued will be the same as the existing common shares. Aforementioned issuance of new common shares as stock dividend shall be discussed in a separate agenda item.
3. The amount of dividends distributed to each common share is based on 9,570,327,370 shares outstanding as at March 31, 2017; and however, the amount per share actually distributed will vary due to any treasury stock transactions, exercise of options by employee, and conversion of Class D preferred shares that occurs before the ex-dividend/ex-right date, while the total distributed dividends amounts will remain unchanged.

4. The Board of Directors has authorized the chairman to set the ex-dividend date and the payment date of cash dividends for Class D and Class E preferred shares. Otherwise, the ex-dividend/ex-right date and the payment date of the dividends for common shares will be determined by the Board of Directors.

G. Effect of resolution of the shareholders' meeting to issue stock dividend on 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 in accordance with Articles of Incorporation

0.01% of any profit made by the company in the current year shall be allocated as employee bonus, and the board of directors shall decide to distribute the bonus as shares or cash, which can also be distributed to employees of affiliated companies that meet the criteria specified in the Company Act. The company may have the board of directors allocated no more than 1% of the aforesaid profit to director remuneration.

A sum shall be set aside in advance to pay down any outstanding cumulative losses before employee bonus and director remuneration can be allocated according to the above percentage.

Employee bonus and director remuneration proposals shall be presented to the shareholders meeting.

The director remuneration referred to in the first paragraph includes supervisor remuneration until the establishment of the Audit Committee. The allocation of supervisor remuneration shall follow the same rules in the three preceding paragraphs.

- 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.

- 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 disclose the difference amount, the reason and the treatment.

- (1) Payment of NT\$1,155 thousand in cash bonus to employee and NT\$109,757 thousand in compensation to directors.

- (2) The estimated amount of remuneration of employees and directors for the current period deviated from the actual amount decided by the Board of Directors by NT\$4,392,076. The deviation was caused by changes in accounting estimates, and will be recognized in the 2017 profit and loss.

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.

- d. Remuneration report and results at the general meeting: Expected to be reported to the general meeting on June 16, 2017



- e. Any discrepancy between actual distribution of remuneration of employees, directors and supervisors in previous year (including the number of shares, amount and stock price) and the recognized actual dividends for employee bonus and compensations for board directors and supervisors of previous year

Employees' cash bonus was estimated at NT\$1,327 thousand and directors' remuneration at NT\$132,726 thousand in the last year. The actual amounts paid did not differ from the amounts estimated.

I. Buyback of the company's Treasury Stock : Nil.

J. Issuance of Corporate Bonds

a. Issuance of Corporate Bonds

Issuance of Corporate Bonds -1

Base date: Feb. 28, 2017

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
Issue price	According to the denomination of bonds full issue	According to the denomination of bonds full issue
Issue amount	NT\$5.3 Billion	NT\$2.7 Billion
Coupon rate	2.3%	Face interest rate is based on the flexible interest rate for one-year time savings deposit plus 0.7% of Chunghwa Postal Co., Ltd.
Tenor	7 years (December 17, 2017)	7 years (January 27, 2018)
Subordinate / Senior Ranking	Subordinated	Subordinated
Guarantor	None	None
Trustee	Sino Pac Bank	Sino Pac Bank
Underwriting institution	None	None
Certified lawyer	Modern Law office's lawyer: Hueiji Guo	Modern Law office's lawyer: Hueiji Guo
CPA-auditor of the financial report	Deloitte & Touche's CPAs: Hongxiang Tsai & Rongsui Weng	Deloitte & Touche's CPAs: Hongxiang Tsai & Rongsui Weng
Repayment method	Repayment at Maturity	Repayment at Maturity
Outstanding principle	NT\$5.3 Billion	NT\$2.7 Billion
The terms and conditions for redemption or early repayment	None	None
Restrictive clause	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.
Whether included as 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)

Type of Corporate Bonds		2010 Domestic 1st Unsecured Subordinated Corporate Bond	2010 Domestic 2nd Unsecured Subordinated Corporate Bond
Other rights	As of the printing date of this annual report, converted amount of (exchange or subscribed)ordinary shares, GDRs or other securities	None	None
	Issuance and conversion (exchange or subscription) method	None	None
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion of Corporate bonds, or due to exchange , subscription or issuance terms		None	None
Custodian		None	None

Issuance of Corporate Bonds -2

Base date: Feb. 28, 2017

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
Issue price	According to the denomination of bonds full issue	According to the denomination of bonds full issue
Issue amount	NT\$5.2 Billion	NT\$1.8 Billion
Coupon rate	2.2%	2.2%
Tenor	7 years (August 5, 2018)	7 years (October 5, 2018)
Subordinate / Senior Ranking	Subordinated	Subordinated
Guarantor	None	None
Trustee	Sino Pac Bank	Sino Pac Bank
Underwriting institution	None	None
Certified lawyer	Modern Law office's lawyer: Hueiji Guo	Modern Law office's lawyer: Hueiji Guo
CPA-auditor of the financial report	Deloitte & Touche's CPAs: Peter Tsai & Qinzhen Yang	Deloitte & Touche's CPAs: Peter Tsai & Qinzhen Yang
Repayment method	Repayment at maturity	Repayment at maturity
Outstanding principle	NT\$5.2 Billion	NT\$1.8 Billion
The terms and conditions for redemption or early repayment	None	None
Restrictive clause	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.
Wether included as 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	As of the printing date of this annual report, converted amount of (exchange or subscribed)ordinary shares, GDRs or other securities	None	None
	Issuance and conversion (exchange or subscription) method	None	None
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion of Corporate bonds, or due to exchange , subscription or issuance terms		None	None
Custodian		None	None

Issuance of Corporate Bonds -3

Base date: Feb. 28, 2017

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
Issue price		According to the denomination of bonds full issue
Issue amount		NT\$7.0 Billion
Coupon rate		2.0%
Tenor		7 years (May 15, 2019)
Subordinate / Senior Ranking		Subordinated
Guarantor		None
Trustee		Yuanta Bank
Underwriting institution		None
Certified lawyer		Modern Law office's lawyer: Hueiji Guo
CPA-auditor of the financial report		Deloitte & Touche's CPAs: Peter Tsai & Qinzen Yang
Repayment method		Repayment at maturity
Outstanding principle		NT\$7.0 Billion
The terms and conditions for redemption or early repayment		None
Restrictive clause		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.
Wether included as eligible capital		Yes
Credit rating agency, rating date and rating		S&P Taiwan, 2012.04.09, twBBB+
Other rights	As of the printing date of this annual report, converted amount of (exchange or subscribed)ordinary shares, GDRs or other securities	None
	Issuance and conversion (exchange or subscription)method	None

Type of Corporate Bonds	2012 Domestic 1st Unsecured Subordinated Corporate Bond
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion of Corporate bonds, or due to exchange , subscription or issuance terms	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

Issuance of Preferred Shares-1

Base date: Feb. 28, 2017

Item		Issuing Date	2006.03.22
		Private placement preferred share D	
Face value		NT\$10	
Issue 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.	
Issue amount		NT\$14,000,000,022	
Obligation & rights	Dividend	6.5%(non-accumulative)	
	Allotment of remaining properties	Class D preferred shareholders shall be given priority to claim on the company's remaining properties over ordinary shareholders and no more than the issuance amount of outstanding Class D preferred shares.	
	Voting or election rights	Not eligible for voting or election, but can be elected. Shareholders may vote during preferred D 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 issuance of new shares from cash injection.	
Preferred shares outstanding (Note 2)	Total amount of redemption or conversion	NT\$ 7,000,000,011	
	Total amount to be redeemed or converted	NT\$ 7,000,000,011	
Market Price (Note 1)	2014	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
	2015	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
	2016	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
	As of 2017.02.28	Highest	not applicable
		Lowest	not applicable
		Average	not applicable



Issuing Date		2006.03.22 Private placement preferred share D
Other rights	Total amount of conversion or subscription up to the published day	0
	Issuance and conversion (exchange or subscription) method	Refer to the Articles of Incorporation
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion of Corporate bonds, or due to exchange, subscription or issuance terms		None

Note 1: There is no reference market price for privately placed preferred shares; hence not applicable.

Note 2: The company redeemed NT\$ 7,000,000,011 of Class D preferred shares at 362,568,410 shares on March 23, 2016. And the outstanding amount to be redeemed is NT\$ 7,000,000,011 at 362,568,410 shares.

Issuance of Preferred Shares-2

Base date: Feb. 28, 2017

Issuing Date		2016.12.28 Publicly Class E preferred shares
Face value		NT\$10
Issue Price		NT\$50 per share
Number of shares issued		500,000,000 shares
Total monetary amount of the issue		NT\$25,000,000,000
Obligation & rights	Dividend Yield and Payment	<p>Dividend Yield: An annual dividend yield is set at "7-year IRS+ The fixed rate" per annum of the issue price at the pricing day. "The fixed rate" will be determined by the chairman, who was authorized by the board, within the range of [3.1375%~4.0375%]. 7-year IRS will be reset on the next business day after each seventh anniversary day after issuance thereafter. The pricing date for reset is the second business day of financial industry in Taipei immediately preceding each reset date. The 7-year IRS rate is the arithmetic mean of 7-year IRS rates appearing on Reuters pages "PYTWDFIX" and "COSMOS3" at 11:00 A.M. (Taipei time) on the relevant pricing date for reset. If such rate cannot be obtained, the company will determine the rate based on reasonable market price with good faith.</p> <p>Dividend Payment: The company has sole discretion on the distribution of Class E preferred share dividends. Earnings distribution proposals will be devised by the board of directors in accordance with Article 40-1 of the Articles of Incorporation and then submitted to the annual general meeting of shareholders for acknowledgment. Earnings available for distribution to preferred shares and ordinary shares under an acknowledged earnings distribution proposal will be distributed firstly to Class D preferred shares and then to Class E preferred shares, if any. Any remaining balance shall be distributed according to the Articles of Incorporation. In years when the company concludes insufficient or no surplus to fully pay off dividends for Class E preferred shareholders, the unpaid dividend will not be carried forward to years with earnings.</p> <p>Dividends on Class E preferred shares will be paid in cash. Once the company's financial statements have been acknowledged and earnings distribution approved during the annual general meeting, the board of directors shall be authorized to set the baseline date for the distribution of the Class E preferred share dividend. Distribution of dividends in the issuance year shall be calculated from the corresponding issuance date (record date) proportionally at the ratio of actual number of days after issuance to the total number of days in the year. Recovery of annual dividends shall be calculated proportionally at the ratio of actual number of days until the recovery and cancellation deadline to the total number of days in the year.</p>
	Allotment of remaining properties	Class E preferred shareholders shall be given priority to claim on the company's remaining properties over ordinary shareholders, but subordinate to Class D preferred shareholders, and no more than issuance amount of outstanding Class E preferred shares.

Issuing Date		2016.12.28	
Item		Publicly Class E preferred shares	
Obligation & rights	Voting or election rights	Class E preferred shareholders are not entitled to any voting rights or election rights in shareholders' meeting. However, they may vote in Class E preferred shareholder meetings and in general shareholder meetings with regard to agenda items concerning rights and obligations of Class E preferred shareholders.	
	Other rights	When the Company issues new shares for capital raising, Class E preferred shareholders shall be entitled equivalent preemptive rights on the new shares to ordinary shareholders and Class D preferred shareholders.	
Preferred shares outstanding	Total amount of redemption or conversion	None	
	Total amount to be redeemed or converted	NT\$25,000,000,000	
Market Price (Note 1)	2014	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
	2015	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
	2016	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
	As of 2017.02.28	Highest	52.4
		Lowest	51.6
		Average	51.91
Other rights	Total amount of conversion or subscription up to the published day	0	
	Issuance and conversion (exchange or subscription) method	Refer to the Articles of Incorporation	
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion of Corporate bonds, or due to exchange, subscription or issuance terms		None	

Note 1: Class E preferred shares were listed on February 10, 2017. The highest, lowest, and average market prices per share are based on daily closing prices between the listing date and February 28, 2017.

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

L. The Issuance of Global Depositary Receipts: Nil.



M. The Issuance of Employees' Stock Warrant

a. The status of utilization of outstanding employees' stock warrant

Base date: Feb. 28, 2017

Type of Employees' Stock Warrant	2007 Employees' Stock Warrant	2010-1st Employees' Stock Warrant	2010-2nd Employees' Stock Warrant
Date approved by authority	January 17, 2007	September 1, 2010	September 1, 2010
Issue date	March 15, 2007	October 13, 2010	August 31, 2011
Number of shares issued	150,000,000 shares	75,390,000 shares	1,610,000 shares
The amount of shares for warrants as a percentage of total amount of issued shares (%)	1.44%	0.73%	0.02%
Duration for stock warrants	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
Duration and percentage (%) for stock warrants	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	70,599,000	29,933,500	50,000
Value of shares obtained via execution of warrants (NT\$)	704,071,761	297,368,603	535,000
Amount of shares for warrants yet to be executed	38,358,000	27,197,000	1,457,000
Share price for warrants yet to be executed (NT\$/ per share)	9.0	8.4	8.5
Percentage of the amount of shares for warrants yet to be executed in the total amount of issued shares (%)	0.37%	0.26%	0.01%
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.

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

Base date: Feb. 28, 2017

Item	Position	Name	Convertible rights acquired (1,000 Shares)	Convertible rights as a percentage of total outstanding shares	Exercised				Not exercised													
					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	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										
Managers	President and Chief Executive Officer, Wholesale Banking Group	Joseph Jao	96 option 40,160	96 option 0.39%	96 option 27,131	96 option 9.6	96 option 259,803.3	96 option 0.26%	96 option 12,779	96 option 9	96 option 115,011	96 option 0.12%										
	Chief Executive Officer, Retail Banking Group	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											99 option-1st 7,760	99 option-1st 0.07%	99 option-1st 3,942.5	99 option-1st 9.8	99 option-1st 38,675.7	99 option-1st 0.04%	99 option-1st 8.4	99 option-1st 32,067	99 option-1st 0.04%	
	Chief Investment Officer	Carol Lai. (2017.01.20 on board)											99 option-2nd 104	99 option-2nd 0.00%	99 option-2nd -	99 option-2nd -	99 option-2nd -	99 option-2nd -	99 option-2nd 104	99 option-2nd 8.5	99 option-2nd 884	99 option-2nd 0.00%
	Senior Vice President	David Chang																				
	Senior Vice President	Frank Lin																				
	Senior Vice President	Lu-June Jai																				
Senior Vice President	Janice Liang																					
Employees	Chief Consultant	Tong-Shung Wu																				
	Executive Consultant	Steve S.F. Shieh																				
	Executive Consultant	Helena Kuo																				
	Senior Executive Officer	Andy Wu																				
	Audit Department Leader	Ching-yin Lin																				
	Manager	Szu-han Chen (2016.04.30 Leave off)																				

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



N. Mergers and acquisitions or transfer of other financial institutions

a. Taishin Financial Holding Co., Ltd.

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
On April 27, 2011, the company acquired Franklin Insurance Brokers Co., Ltd. (renamed as Taishin Holdings Insurance Brokers), Taishin Insurance Brokers Co., Ltd., the extinguished company, and Taishin Bank merged on April 24, 2016.
Methods of issuing new shares in such M&A or sale, and opinions issued by the leading underwriter : Not applicable.
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&A or sale that involves the issuance of new shares: Nil.

b. Taishin International Bank Co., Ltd.

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.
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.
Taishin Bank absorbed Taishin Insurance Brokers Co., Ltd. in a cash acquisition on April 24, 2016.
Methods of issuing new shares in such M&A or sale, and opinions issued by the leading underwriter : Not applicable.
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&A or sale that involves the issuance of new shares: Nil

O. The Execution of Fund Utilization Plan

a. Contents of the plan

2016 cash issue of Class E registered preferred shares

1. Fund utilization plan: To build up the working capital, strengthen the capital structure, and increase the capital adequacy ratio in preparation for investment in subsidiaries and business expansion in the future.
2. Date of Approval and Reference Number: The plan became effective under the Letter No. Financial-Supervisory-Securities-Development-1050041849 of the Financial Supervisory Commission dated October 26, 2016.
3. Total amount required: NT\$25,000,000,000.
4. Source of funding: To be paid by an issue of Class E registered preferred shares for NT\$25,000,000,000.

5. Planned timeline for fund utilization.

Plan	Date of completion	Amount needed (NT\$000)	2016 Planned timeline for fund utilization (NT\$000)			
			Q1	Q2	Q3	Q4
Strengthen the capital structure, and increase the capital adequacy ratio in preparation for investment in subsidiaries and business expansion in the future.	2016 Q4	25,000,000				25,000,000

6. Expected benefits: The fund, upon reaching a sufficient level, will be used to invest in subsidiaries and support business expansion toward the objectives of strengthening the capital structure and increasing the capital adequacy ratio.

b. Implementation description

Plan	Status		As of February 28, 2017	Description
	Amount spent (NT\$000)			
Strengthen the capital structure, and increase the capital adequacy ratio in preparation for investment in subsidiaries and business expansion in the future.	Amount spent (NT\$000)	Planned	25,000,000	The NT\$25.0 billion needed were raised in full in 2016 Q4, achieving the objectives of strengthening the capital structure and increasing the capital adequacy ratio. Regarding fund utilization, NT\$20.0 billion were invested in Taishin Bank, and the remaining NT\$5.0 billion would be invested in subsidiaries and for business expansion in the future.
		Actual	20,000,000	
	Progress	Planned	100%	
		Actual	80%	



05

Operating Status

V. Operating Status

A. Business Contents

Taishin Financial Holding Co., Ltd.

a. Business scope

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

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. Taking advantage of synergy within Taishin FHC, becoming more competitive in core businesses
Maintaining strengths of Taishin FHC, actively combining resources within Taishin FHC to achieve synergy. Provided there is a balance between risk management and business growth, becoming more competitive in core businesses and expanding the reach of the subsidiaries to create a complete cross industry network with multiple profit drivers.
2. Continuing to develop the international network and international business
By starting with Asian countries and Chinese communities and proceed to set up international business operations in China, Northeast Asia, and Southeast Asia. In addition, educating and training international business talent while exploring Asian markets, including the ASEAN countries.
3. Applying new technologies to build a new mobile banking brand, a perfect mobile payment tool and redesigning the business model
For more stable IT systems, creating the new Richart mobile banking brand and introducing international mobile payment tools, such as Apple Pay, Android Pay, and Samsung Pay. Creating the opportunity to secure a leading position by deploying an innovative business model that embraces new technologies.



4. Strengthening risk management, improving infrastructures and employee training

For better risk management capabilities on an ongoing basis, In addition, upgrading systems and improving the workforce and the processes in order to construct the ideal infrastructure and human resources for business development.

c. Industry status

1. Market status

Taiwan, following the ups and downs of the global economy, appeared to be improving from the worst in 2016 with the second half of the year outperforming the first half. As of December 2016, the domestic economy flashed the 6th straight green light, signaling a recovery. The economic growth for the year was 1.5%. The latest in the string of rate cuts by the central bank in an attempt to stimulate the economy took place in June 2016. There had not been more since the effects started to show. The stock market, in response to the economic factors, fell before rising again, and closed at 9,254 at the end of the year, 11% up from 8,338 in the previous year.

Regarding the financial sector in Taiwan, RMB depreciation and penalties imposed by the U.S. government on one of Taiwan's state owned banks led to smaller profits for all overseas branches of Taiwan's state owned banks and OBUs in 2016. The earnings before tax of Taiwan's state owned banks fell to NT\$300.1 billion, a decrease of 6% compared to the previous year, while the return on assets (ROA) and the return on equity (ROE) were 0.68% and 9.24%, respectively. While state owned banks kept asset quality at the same level, the overall average nonperforming loan ratio at the end of 2016 was 0.27%, and the debt coverage ratio was 503%.

2. Development trend of various financial products

Following China's structural reform, regional economic integration among the ASEAN countries, and rising popularity of Fintech, the government has responded by launching a campaign to call on the financial sector to support the real economy and by helping financial institutions explore expansion into Southeast Asia and offering financial support for Taiwanese businesses. The government encourages development of Fintech. It has also lowered the bar on investing in financial technology firms and startup industries for financial institutions, and is in the process of establishing the regulations necessary for a financial regulatory sandbox and finance experiments and innovations. Furthermore, for the purpose of encouraging sound business practices and development in the financial sector, the government has included stricter anti-money laundering regulations and compliance on its list of priorities.

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\$33,090,000 in 2015 and NT\$17,332,000 in 2016. (Related information please refer to P.98)

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

The company is a financial holding company that operates mainly in the areas of investing in and managing companies. The short term objectives are to better manage its stewardship responsibilities and to create profit drivers for Taishin FHC; whereas the long term objectives are to be a reliable financial institution that provides a full line of financial services for the global Chinese community. The company takes a three pronged approach to achieving its mission. They are described as follows: 1.increasing the scale of operation in all areas of business, raising profitability, and building up the capacity to operate internationally as a large financial institution; 2.expanding the overseas network, training international talent, and reaching into international business to broaden the horizon; and 3.strengthening management of credit, market, and operational risks while combining marketing and innovation of products and services.

Taishin International Bank Co.,Ltd.

a. Business contents

1. Growth and change in various business items

(1) Wealth Management

The bank's wealth management operation offers a variety of services for different customer segments such as individuals, households, and business owners. Tailored financial planning and consulting services are available as a combination of TWD and foreign currency deposits, investment products, short- and medium term insurance policies, and consumer loans and one-stop tax and asset allocation advisory services, all of which are aimed at building stronger customer relationships. Given its three advantages, "a team of professional specialists, a diverse range of products, and excellent benefits for top customers", the company is a leader of wealth management services with a steadily growing number of customers. The division has been winning awards year after year, including Asian Banker's Best Wealth Management Business, Private Banker International's Best Private Bank in Taiwan three years in a row, RBI's Service Excellence in Mass Affluent Banking two years in a row, and Timetric's Best Customer Experience - Wealth Management.

(2) Retail Banking

The bank's retail banking operations cover consumer loans (mortgage, auto loan, unsecured loan, and subordinated mortgage), micro corporate loans, and credit card for individual customers and e-money services for small and medium enterprises. The development of financial products follows market differentiation and the needs of various customer groups. The outstanding balance of retail loans increased by 8.1% in 2016, and the number of credit cards in circulation increased by 6%.

(3) Wholesale Banking

The bank's wholesale banking operation provides an array of financial products and services to various institutional clients, including corporations, small and medium enterprises, 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, merger and acquisition (M&A) consulting services, asset securitization, and discretionary assets management, etc.

(4) Digital Finance

In a constantly changing, perfectly competitive financial market, the bank was first in adopting the Agile Development Process. The new Richart digital financial services were launched in 2016 to provide



services that cater to the needs and preferences of younger customers. Richart is a range of digital financial services designed to combine deposit, expense, and investment under one account. A customer can sign up to the services simply by sliding a finger. The concept behind Richart is a simple, flexible and easy to use design that provides transparency and understands its customers. The new financial service model has turned the traditional banking model upside down. Richart, soon after it was launched, was named Most Innovative Digital Solution - Consumer and Best Digital Marketing Campaign by 2016 Cards & Electronic Payments International (CEPI) Asia Awards. The Richart launch ad had nearly 1.31 million views. Richart's LINE account also collected close to 3.2 million friends in three short months since its launch. Interaction with fans on Facebook was also 108% higher than the market average. Richart's interaction with customers and active presence on the internet has proved itself very popular.

While Richart wins over younger customers, the internet banking services have had new functions and campaigns added to drive the number of transactions up. In 2016, the number of users exceeded 1.45 million at an annual growth of 20%. Meanwhile, the number of mobile banking customers is growing at close to 20% a year and the number of transactions at 51%. To track user experience on an ongoing basis, the bank conducts satisfaction surveys every year. In 2016, customer satisfaction with "function availability", "transaction security", and "lag free screens" reached 80%. While reporting significant in the virtual channels, the bank also listens to customers' voices coming through the real channels. The bank was first in introducing the interbank deposit service on ATMs. Customers who wish to make deposits into their accounts, regardless of their banks, can do so in five easy steps on any Taishin Bank ATM that accepts deposits. The deposits will be credited instantly to the accounts, and the customers will receive text messages to confirm their transactions. With this service, consumers can make deposits without having to visit a branch during the banking hours. The service proved to be hugely popular with the customers when it was launched. Use of the service showed an explosive increase of 110% in 2016. Taishin ATMs have created synergy across real and virtual channels, and enabled the bank to make effective use of more than 2,700 ATMs in convenience stores and shopping malls across Taiwan. As part of its ongoing commitment to satisfy the needs of online customers, the bank launched the innovative card-free withdrawal service in 2016. Card-free withdrawal was well received as soon as it was launched. It also became the template for other banks. Customers who have linked their mobile devices to their accounts will be able to withdraw cash without a card at any time. In order to provide full interbank withdrawals, the bank is in the process of assessing the feasibility of card-free interbank withdrawal. The bank is constantly tracking the customer experience in order to introduce new services and make plans for digital services that satisfy real customer needs.

(5) Trust Financial Service

With respect to planning trust services, money trusts remain the star product for high net worth clients, and securities trust will serve to satisfy clients in need of tax planning or income generated by lending shares. In addition, Taishin Bank also offers property trusts that help to provide care for seniors and the physically challenged so that personal banking customers can have access to a complete line of trust planning services. To satisfy wholesale 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, employee stocks, restricted shares, and employee welfare and savings to help companies retain their top talents.

Regarding consolidated investment accounts, the Taishin Global Premium Portfolio Collective Trust Account has shifted its portfolio from focusing on bonds to adopting a portfolio allocation approach so that it is better equipped to make sound investment decisions in an increasingly volatile and fast

changing market. Regarding custody services, the custody services for foreign investors enable foreign individuals and institutions to gain access to growth opportunities in Taiwan's stock market. In addition, the custody services for foreign/Chinese employee investment accounts are available to companies looking to distribute stocks to reward employees of overseas branches. The services enable foreign/Chinese employees to open employee investment accounts and receive stocks distributed by TWSE/TPEX-listed parent companies.

Regarding fund services, the company continues to build a comprehensive product line. In response to a changing global economy and increasingly fast paced markets, the company has been first to introduce new and innovative funds with specific focuses for product diversification. Customers will have more options when markets are volatile and be able to construct core and opportunity assets. The company help customers create optimized portfolios and gain more flexibility and better protection in asset allocation.

Regarding fixed income products, international premium bank debentures and corporate bonds in various currencies (including RMB) and various terms and credit ratings will be offered on an ongoing basis to satisfy local/international customers who prefer to hold fixed income in their portfolios. Meanwhile, the bank continues to handle trade orders from professional investors for offshore structured products available only to professional investors. In addition to traditional long term principal protected products, the bank will keep launching short term equity linked products without principal protection to satisfy a wider range needs of high net worth professional investors.

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

Net income share	2015	2016
Retail Banking	59%	64%
Wealth Management	28%	33%
Consumer Finance	23%	23%
Credit Card	8%	8%
Wholesale Banking	41%	36%
Total	100%	100%

b. Business plan for the current year

1. Wealth Management

- (1) The Taishin Bank brand is built on "Dedication" and "Professionalism". The bank offers a diverse range of localized/personalized customer services. Taishin Bank is constantly in pursuit of innovation and stronger customer relationships, aided by its outstanding digital services that establish the bank as an Intelligent Partner of its customers.
- (2) As part of its commitment to sustainable development and customer-centric values, Taishin Bank offers appropriate asset allocation, regular investment checkups, and after-sales services in risk management and market analysis reports, all of which are designed to help customers achieve consistent returns and asset growth regardless of market outlook.
- (3) To meet the need for integrated services among customers, including personal accounts and household accounts, as well as client business, Taishin Bank has introduced the family-based wealth management service. The feature extends the scope of personal wealth management to include a household, and offers financial advice for members of the household at different stages and benefits for the entire household. It is an excellent choice for customers with inheritance concerns and integrated services are also available for business owners who wish to combine services under personal/wholesale banking accounts.



- (4) The wealth management operation is also investing in the development of automated channels and full integration of virtual channels (i.e. Internet banking, mobile banking, and ATMs) and branch services. The reach of virtual services is extended into the everyday life. For example, the Taishin mobile banking app offers a variety of everyday deals and services, transfer by cellphone number, and the Financial Advisor App, which helps financial advisors to work more efficiently. All of these elements are aimed to create a more user friendly and more relevant financial experience.

2. Consumer Finance

- (1) Applying database and data analysis to identify potential customer needs and to improve discrimination of the customer models for the purpose of increasing penetration of consumer banking products among Taishin FHC customers and utilizing the bank's resources to create synergy.
- (2) Continuing to optimize online access to loan applications and to launch new products under Richart : Richart loans.
- (3) Following deregulation to develop new products and services.
- (4) Increasing market penetration through product development and customer screening, stronger channel partnerships, and a greater emphasis on micro corporate loans.
- (5) Building a case submission system to optimize the processes of submission, review, and allocation for better performance.
- (6) Securing renewal of the existing cobrand license agreements while continuing to approach potential cobrand candidates; keeping building up the brand image of the Rose Card and Taishin credit cards by adding appeals (e.g. @GoGo card); and creating new premium credit cards (e.g. Wealth Visa Infinite card) to increase penetration of premium cards among wealth management customers.
- (7) Providing a diverse range of customized mobile payment services for merchants, and combining mobile marketing technologies (e.g. beacon) to help merchants with precision marketing in order to increase merchant stickiness.
- (8) Increasing the percentage of electronic payments and investing more in the development of contactless card terminals in response to progress in mobile payment tools.
- (9) By allowing credit cards to be linked to e-commerce platforms (e.g. 17 Life, Line Pay, JKOS, Pi mobile wallet and GOMAJI.).
- (10) Launching a separate credit card app (Card Daily) and a mobile website (mSite).

3. Wholesale Banking

- (1) Enrich product line through product innovation; anchor customer relationship by offering more variety of 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) Take advantage of local branches to develop close ties with local customers; trying to expand the SME customer base; and target high net worth customers in Taiwan, China and Hong Kong.
- (4) Target more on niche export businesses and high net worth enterprises with an emphasis on asset products and financial planning services in order to build an image of a regional bank.
- (5) Explore collaborative opportunities with Chinese banks on trade financing services. Actively establish a platform of cooperation with Chinese banks.
- (6) Increase the number of branches in China and Asia. Following the opening of the Singapore Branch in 2014, the Yangon Myanmar Representative Office opened in January 2016 and the Tokyo Branch in Japan in October 2016, while preparations are currently underway for the Brisbane Branch in Australia and the Long An Branch in Vietnam.

- (7) Optimize credit-extension 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. Digital Finance business

(1) Richart Digital Banking

The Richart brand and financial services continue to receive positive feedback from younger customers. A 60% market share in digital banking makes Richart the leader in digital services in the financial sector. The product, designed to be simple and easy to understand, has established a new blue ocean strategy in the business. To ensure the uniqueness of the brand and services, the brand is trademarked. In particular, there are three innovative features that have been granted new utility model patents by the Intellectual Property Office. The three features are "pre-login preview", which enables customers to quickly view their accounts and credit cards; "card free withdrawal", which is a breakthrough in convenience that replaces debit cards with mobile phones, and "money saving credit card", which is designed for small account holders as cash back is credited directly to a digital account to enjoy higher interest rates. Easy Transfer is a first-of-its-kind feature that is popular with customers. It makes interbank transfers easier and smarter by accepting mobile phone numbers or emails to complete the transactions. When a Richart user scans the other party's QR code while on the transfer screen, the other party's account number will be displayed automatically. The user has only to enter the amount to complete the transfer. To stay always one step ahead of its competitors, the bank will continue to invest in new services and apply for patents. In addition, the bank will be introducing financial services designed for social media platforms, financial planning robots, and different types of financial products, and working with startups in other industries. Always have an understanding of customer needs, and breaks down barriers in existing financial services to provide most suitable digital services.

(2) New payment service models

The bank plans to introduce Taishin e-Payments that will offer a payment experience combining social media and payments. In addition to targeting micro/proprietary businesses, the bank will also team up with large merchants to promote electronic wallets. Regarding cross-border payment services, the bank will continue to work with large chains and introduce the service to major shopping districts. The bank will also continue to partner with cross-border third party payment service providers. In addition to Alipay of China, the list is expected to include WeChat Pay in the future. Meanwhile, the bank is also exploring other opportunities in Japan and South Korea. Regarding mobile payment services, the bank takes an active approach to adopting mainstream payment models (e.g. Apple Pay, Android Pay, and Samsung Pay). It also forms strategic alliances with electronic commerce/third party/electronic payment service providers in developing money service tools.

(3) Electronic banking services

The nighttime foreign exchange services are made available via internet banking and mobile banking in order to provide more flexibility in the foreign exchange services. Customers who wish to purchase foreign currencies or make exchange as part of their portfolio planning will have real-time access to latest developments in global markets and foreign currencies so transactions can be made as needed. Furthermore, the bank has launched first-of-its-kind services, "Mobile Easy Transfer" and "Shake & Transfer". These services enable mobile banking users to initiate a transfer by choosing a preferred communication app (LINE or WhatsApp), mobile telephone number, or email. A transfers can be completed without the recipient's account number. What is more, when both the transferor and the transferee are mobile banking users, they can turn on bluetooth on their mobile phones and use "Shake



& Transfer” to complete transfers over short distances without having to enter any account number. Both features will save customers a trip to a branch or ATM and eliminate the need to know the recipient’s account number.

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 “planned 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) The employee welfare trust is developed for businesses looking to retain or reward their employees. It helps the bank develop stronger relationships with wholesale banking customers and adds to the diversity of trust products. It also offers a means to explore employees’ needs for wealth management services.
- (4) The bank offers custody services for foreign/Chinese employee investment accounts. Meanwhile, Taiwanese businesses are finding successes and expanding their networks to different places around the world. In response to the government’s policy to encourage overseas Taiwanese businesses to obtain primary listing in Taiwan and to the fact that more and more Taiwanese businesses are operating in more than one country, the bank is targeting these businesses and their foreign or Chinese employees around the world, and is working with the wholesale banking team to explore the target market of foreign/Chinese employee investment accounts.
- (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) The line of onshore/offshore funds has been extended to better reflect changes in market dynamics. Taishin Bank is the first to introduce long short equity funds that are required to be filed under new category in Taiwan to meet customer needs for asset allocation.
- (8) Fund apps are developed for digital banking, which also significantly lowers the investment threshold for certain funds, thereby attracting more customers with more user friendly functions.
- (9) Explore mutual fund opportunities through offshore banking units (OBU); introduce hedge funds not yet filed with the competent authority in the Republic of China.
- (10) Special discounts for certain funds are offered from time to time to attract more investors.
- (11) Introduce multi-themed ETFs, thereby offering customers suitable instruments to invest in under any market condition.
- (12) The bank is developing a real-time trading system for securities on foreign exchanges so to provide customers a more instant, easy to use, and more responsive trading platform.
- (13) Various types of bonds are available, including premium overseas bank debenture and corporate bonds in multiple currencies and maturities.
- (14) The bank continues to accept trade orders from professional investors for offshore structured products available only to professional investors. In addition to traditional long term principal protected products, the bank will keep launching short term equity linked products without principal protection to satisfy the needs of high net worth professional investors.

c. Industry status

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

d. R&D and business development

1. Major financial products and scale of Consumer Finance business

- (1) Home purchase and renovation loans have an outstanding balance of NTD 418.7 billion, representing a 7.2% YoY growth.
- (2) Car loans have an outstanding balance of NTD 37.5 billion, representing a 10% YoY growth, placing it again on top of the financial industry.
- (3) Other consumer loans have an outstanding balance of NTD 48.8 billion and is growing at 9% per year.
- (4) The outstanding balance of micro corporate loans reaches NT\$5.1 billion and is growing at 18.6% per year.
- (5) Credit cards:
 - 3.78million credit cards outstanding, ranking fourth with a 9.3% market share.
 - 2.64million active credit cards, ranking fourth with a 9.8% market share.
 - 210.3 billion in annual card purchases, ranking fifth with a 8.7% market share.
 - 100,000 card accepting merchants in total, ranking first with a market share of 20.5%.
 - There are 1.2 million premium credit cards, ranking third with a 11.2% market share. (Premium credit cards include World MasterCard, Titanium MasterCard and VISA Infinite and VISA Signature.)
 - (Credit card data source: FSC and National Credit Card Center, as of December 2016)

2. Major financial products and scale of Wholesale Banking in recent two years

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

With equal emphasis on risk management and business development, the bank’s outstanding of loans for state and private enterprises reached NT\$210.6 billion at the end of 2016, ranking 15th place among 39 domestic financial institutions. This represented an increase of 3.4% over the previous year, compared to an average growth of 3.6% among peers.
- (2) Outstanding of 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\$107.6 billion of outstanding loans to small and medium businesses as of the end of 2016, up 8.3% over a year earlier. This improvement had far exceeded the peer average of 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 export in 2016 reached US\$1.32 billion, declined 16% than previous year.
- (4) Factoring business

The bank is still a market leader for factoring business and undertook NT\$213 billion of such business in 2016, increased 0.2% than previous year, with equal emphasis on the maintenance of customer relationship, pricing and risk.

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

- (1) In 2016, the focus was on the customer group aged 20 to 40. Richart was launched to provide digital banking services. The mobile first app interface received a lot of positive feedback. A 60% market share in digital banking makes Richart the leader in digital services in the financial sector. The product,



designed to be simple and easy to understand, has established a new blue ocean strategy in the business.

- (2) With the addition of new functions and campaigns, in 2016, the number of users exceeded 1.45 million at an annual growth of 20%. The number of mobile banking customers is growing at close to 20% a year and the number of transactions at 51%. In 2016, the bank launched the innovative card-free withdrawal service.

4. Major financial products and scale of Trust Financial business in recent two years

Unit:NT\$ million

Year	2015 AUM	2016 AUM
Special-purpose money trusts investing in domestic/foreign securities	126,894	136,210
Collective investment trust account	1,219	720
Securities trust	28,952	32,769
Other money trusts	7,939	14,165
Real estate trust	16,433	19,000
Employee welfare trust	74	272
Securities investment trust funds under administration	44,208	57,936

5. R&D achievements in the recent two years

The R&D expenses in the recent two years: NT\$33,090,000 in 2015 and NT\$17,332,000 in 2016.

(1) Credit cards

- The Taishin 777 Campaign targets bank card customers and advertises on the exclusive availability to VIP customers. NT\$777 is the minimum credit card spending to participate in the campaign, which offers other incentives to spend more. The campaign takes place on an ongoing basis so to be memorable. 200,000 customers register for the campaign every year.
- Taishin credit cardholders enjoy 34% off movie tickets at seven major cinema chains across the country on Monday through Thursday. An online film competition on June 6 attracted media coverage and 70,000 internet users who cast votes, both of which created more exposure for the Taishin brand.
- Business Visa Platinum cards were upgraded to VISA Signature cards. Cash back on foreign transactions was raised to 2.5%.
- The Bank increased exposure of the Rose Card brand with the message “Dedication Makes a Woman Beautiful” .
- Taishin is the only bank to have its credit cards accepted to make tax/fee payments at FamilyMart. Card purchases at FamilyMart jumped by 971% as a result.
- Taishin Bank was first to take an innovative approach to bonus redemption by creating Richi, a program offering redemption for goods from other countries.
- The Bank worked with travel agencies and offered more card purchase gifts at the autumn travel fair. The campaign succeeded into creating the highest redemption number and an increase in spending.
- An interest-free installment plan up to 12 months is available on premium payments regardless of the insurance company. This plan breaks down the barrier usually imposed by credit cards cobranded with certain insurers.
- The @GoGo card was launched on April 13, 2016. It is a credit card tailored to customers preferring digital transactions. It offers up to 3.5% cash back on digital spending and 1.5% cash back on regular transactions. Cash back is credited to the cardholder’s Richart account to accumulate at preferred interest rates.

- The Wealth Visa Infinite card was launched on May 3, 2016 and is available exclusively to Taishin wealth management customers. Customers who apply for the card in the first year since its launch will be issued Swarovski crystal encrusted cards as a token of exclusivity for our wealth management customers.
- The mobile version of the credit card site (mSite) was launched on September 29, 2016. It provides information on the credit cards offered by the bank. The online card application screen is also optimized for a better experience.
- The Mercuries Life cobranded card was launched on October 26, 2016. It offers 1.2% cash back on premium payments made to Mercuries Life. An interest-free installment plan up to 12 months is provided. Four free door-to-door airport rides are available when the annual spending reaches NT\$180,000.
- Application for the iCash card was open on November 25, 2016. The first Taishin card to offer the iCash feature is the @GoGo VISA Signature card, which offers 3.5% cash back on digital spending. The card also comes with a LED design that lights up when the contactless feature is in use. The design has attracted a lot of attention.

(2) Digital finance

- Partner with Alipay to offer inbound cross border online services.
- Approved by the competent authority to offer electronic payment services.
- In 2016, the bank worked with 17Life to accept payments by prepaid account. Then in the same year, the bank teamed up with Chunghwa Telecom to provide smart payment services, which accept payments for water, electricity, and telephone bills.
- The first electronic wallet to combine payments and social media by supporting payment transfers/splits. It enables customers to pay by credit card at well known vendors. Taishin is also the first bank to team up with Taipei Medical University Hospital to allow outpatient charges to be paid by mobile payment tools.
- Partner with Alipay to offer inbound O2O services. The bank has the large number of points of service accepting Alipay in Taiwan.
- Work with TWMP to launch OTA credit cards and t wallet+. As of December 2016, the bank has issued more HCE credit cards than any of its peers in Taiwan.
- Work with MasterCard to launch the MasterPass, a payment service that makes online shopping easy.
- The bank was first to offer online card free transfer and payment services. It works with AllPay, an electronic payment service provider, to support the services in more than 20,000 stores across the country.

6. Future R&D plan

(1) Wealth Management

- The Bank combines resources under Taishin FHC and focuses on serving individuals, households, and business owners by providing a complete line of financial planning services and increasing customer satisfaction toward wealth management services.
- The bank invests in fintech and applies big data analytics and CRM techniques to provide customised services in order to manage customer relationships more effectively.

(2) Consumer Finance business

- Invest in the development of digital financial products and services; build up an online customer base; and provide online applications for mortgage and auto loans on the official website. In addition to online applications, mobile applications are also being developed in order to extend the reach of the loan services over the internet.



- Develop digital products and projects in support of Taishin FHC's policy. Provide different loan products to different customer groups as appropriate in order to better satisfy customer needs and make the bank more competitive.
 - The bank was first to explore and provide financial services for micro businesses.
 - Develop new card terminals to provide merchants a wider range of money services.
- (3) Wholesale Banking
- Expand pluralized treasury product lineup via combination of interest rate, exchange rate, bond, bulk commodities and equity.
 - Establish new financial trading system to accommodate the rollout of new diversified products in the future, and improve trading flow and enhance trading capability.
 - Focus on launching RMB business in light of current round of deregulations.
 - The bank received FSC approval for issuing foreign currency negotiable certificates of deposit (NCD) in May 2016.
 - Expand offshore financing and the number of overseas branches, strengthen the function of e-network trading platform, so as to satisfy customers' need for cross-border fund maneuvering.
- (4) Digital Finance business
- Expand the line of digital financial services by responding to market demand (e.g. Apple Pay, Android Pay, and Samsung Pay) and revolutionizing existing financial and payment services.
 - Design a smart customer services system and a robot financial planner to provide instant replies to customers' questions and applications and offer financial planning advice 24 hours a day

e. Short- and long-term business development plans

1. Wealth Management

(1) Short-term business development plan

- Apply precision data analysis and integrate resources throughout Taishin FHC 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.
- Serve the needs of individuals, households, and business owners with consistent financial planning across physical and digital channels; and provide a complete line of wealth management services.
- Build customer relationships as a local business and assign customers to nearby branches by work address. Observe customers' transactions on a regular basis and change the corresponding branches accordingly.
- The rise of a new generation makes it necessary to follow changes in younger customers' behaviors, revamp financial services and create a new customer service experience in order to effectively attract younger generations.
- An aging society prompts the bank to provide personalized wealth management advice and services for retired seniors with financial planning needs.

(2) Long-term business development plan

- A well established digital banking system is constructed by collecting external data from various sources, improving CRM modeling techniques, and achieving more precise segmentation with an integrated real and virtual platform.
- Integrate real and virtual channels, including internet banking services, mobile banking services, official websites, customer service centers, ATMs, and branches, to provide a premium financial service experience.
- Continue to build a stronger team and a wider range of products; provide premium benefits and one-stop wealth management services for VIP customers.

2. Consumer Finance business

(1) Short-term business development plan

- Approach customer relationship management by segmentation in order to increase the percentage of high margin customer segments and improve product profitability.
- Invest more to develop digital channels in order to increase the percentage of online loan applications; provide products and plans available exclusively through the digital channels.
- Combine resources across different departments and improve discrimination of the models for credit card and branch customers in order to increase penetration of consumer banking products.
- Strengthen risk management and combine channel resources within the bank to provide flexible quotes and standard operating procedures for faster growth in micro business accounts.
- The bank endeavors to ensure renewal of the existing cobrand license agreements while approaching potential cobrand candidates of certain sizes.
- Optimize and simplify the Sun/Rose Card customization mechanism to cater to digital customers.
- Design exclusive premium cards for wealth management customers.
- Taishin Bank credit cards can be linked to shopping accounts on more e-commerce platforms.
- Encourage high fee transactions in order to increase revenue from card transactions.
- Work with e-payment service providers, third party payment service providers, and POS service providers to gain a larger share of the merchant acquiring market.
- The bank is paying more attention to overseas transactions to increase its fee income and explore potential customers on new online shopping platforms.

(2) Long-term business development plan

- Continue to invest in digital finance and apply digital footprint analysis to develop new customer solicitation models on an ongoing basis; and assess the feasibility of partnering with online lending platforms.
- The Bank is a leader of micro corporate loans by keeping investing in product development, customer analysis, and distributor relationship management.
- Use electronic systems to redesign processes; build a complete case submission/review system; and improve data storage, analyze and apply to achieve the two-way benchmark for sales growth and risk management.
- The Rose Card and other card products are aligned to reinforce the image of Taishin Bank credit cards.
- Analyze a massive amount of data to help guide customers to affiliated merchants and increase stickiness with these merchants, which will lead to purchase of other financial products and generate more income for the bank.
- Increase penetration of premium cards among wealth management customers.
- Explore customer groups with medium to high purchasing power in an attempt to increase utilization of and spending on Taishin Bank credit cards in order to improve the bank's wallet share.
- Customers are encouraged to set up auto-debit of utility bills, which will contribute to long term customer stickiness and secure a basic level of spending.

3. Wholesale Banking

(1) Short-term business development plan

- Implement customer relationship management by segmentation, improve product dimensions, and strengthen relationships with customers.
- Enforce group-wide limit control to ensure optimal allocation of credit risk among subsidiaries.



- Expand cash flow services, promote demanding deposits projects and enhance relationship with securities customers, in order to increase the percentage of customers' demanding deposits for lower funding costs.
 - Combine channel resources within the bank; cater to local customers and expand the SME customer base; and focus equally on profitability and quality.
 - The Bank continues to increase the number of branches in China and Asia and build an integrated cross border platform that embodies the policy to serve Taiwanese businesses worldwide and position the bank as a global business.
 - Build the bank's overseas talent pool through regular job rotation and training, in order to accommodate growing businesses.
 - Support the government's "five plus two" innovative industries policy, which includes the Asian Silicon Valley project, intelligent machinery, biomedicine, green energy technology, national defense and aerospace, a circular economy, and a new agricultural paradigm, and provide financing for potential businesses, while in the meantime paying close attention to risk control.
- (2) Long-term business development plan
- Enhance service capabilities and product innovation; anchor customer relationship and aim to raise customers' satisfaction and contribution.
 - Allocate group resources with greater efficiency; deliver all-round financial services through synergistic use of existing product lines.
 - Actively explore overseas markets; increase profit contributions from overseas and broaden the bank's presence in China and the Asia Pacific region.
 - Continue recruitment and cultivation of overseas talents to support the medium- and long-term development of overseas business.
4. Digital Finance business
- (1) Short-term business development plan
- A number of financial/nonfinancial features have been added to the Richart App in response to internal and external customer demands. The process is also constantly being optimized.
 - In support of the FSC's strategies regarding Fintech, the bank is making plans to adopt Apple Pay, Android Pay, Samsung Pay and other token technologies.
 - Electronic payment services are made available to SMEs and micro or proprietary companies for fast, easy integrated payment solutions.
 - The bank tries to form stronger strategic alliances with electronic commerce/third party/electronic payment service providers in developing money service tools.
- (2) Long-term business development plan
- An automated sales and financial planning robot are being developed to help investors modify their portfolios in response to market changes according to their own personality types and traits. Such modification is made possible via secure biometrics and a complete line of innovative online financial planning services.
 - The bank works with startups to branch out into different industries.
 - Mobile payment technologies are researched actively according to customer needs and latest technologies.
5. Trust Financial services
- (1) Short-term business development plan
- The bank helps customers set up property trusts that provide care for seniors and the physically

challenged so that personal banking customers can have access to a diverse range of trust planning services.

- The bank tries to expand the wholesale banking customer base by offering wholesale banking customers money trust, employee stock trust, employee share trust, employee welfare trust, and restricted share trust. The bank will also incorporate restricted share trust services into custody services for foreign/Chinese employee investment accounts so that foreign companies seeking primary listing in Taiwan and overseas subsidiaries/branches of domestic companies listed in Taiwan will be able to provide better remuneration plans for foreign/Chinese employees.
 - Customers of planning trust services are provided with easy-to-use transactions and electronic services to suit every needs.
 - The employee welfare trust is developed as another trust option for wholesale banking customers and to explore employees' needs for wealth management services.
 - The bank has developed a digital banking environment with more convenient services such as electronic account opening and transaction services.
 - The bank increases product sales and total AUM by advertising the idea of asset allocation. Customers are encouraged to place limited overseas ETF orders via online banking, which can be made by number of shares. ETFs following specific sectors will be introduced regularly to help customers respond more quickly to market development.
 - International premium bank debentures and corporate bonds in various currencies (including RMB) will be offered on an ongoing basis to satisfy local/international customers who prefer to hold fixed income in their portfolios.
 - The bank will continue to offer offshore structured investments suited for professional investors and OBU customers as part of the commitment to improve customer service and provide more attractive investment products.
 - Potential customer bases are explored and offered financial publication and information. Investment seminars and promotional events are organized to increase AUM.
 - The bank, by careful screening, is the first to introduce new products with specific focuses to suit different financial planning and asset allocation needs.
 - A rich variety of online financial information is available for one-stop online financial planning services.
 - The idea of regular fixed-amount investment is matched to investment objectives of customers at various stages of their lives to encourage customers to accumulate wealth, thereby increasing AUM for the bank.
- (2) Long-term business development plan:
- 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.
 - The bank continues to work with the wholesale banking division, the payroll division, and Taishin Securities to design employee welfare trusts and construct a complete employee welfare trust platform. Another platform will be constructed at the same time to allow employee welfare trust holders to make investment choices in response to the Labor Pension Plan, now allowing workers to select their own investment options.
 - Continue concerning about change in regulations, so as to develop new trust business.
 - In promoting financial product, it is necessary to periodically review new or revised announced by the government.
 - Continue track and develop risk-management indices, so as to grasp product performance and risk for customers.



- Continue introducing pluralized new products and business, in order to bring steady returns to investors in both bullish and bearish markets.
- Promote the proper idea of asset allocation; aim to increase the number of products sold and the amount of assets under management.
- Track product performance regularly; develop risk indicators that can be used to monitor product performance and risks.
- Continue introducing a variety of new funds and innovative means of investment to deliver customers' expectations and efficiency in investment.

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	2015		2016	
		Amount	%	Amount	%
Brokerage		172,700	55	196,138	34
Dealing		42,439	14	146,710	26
Underwriting		95,784	31	230,971	40
Total		310,923	100	573,819	100

3. Various existing products and services

Items	Major contents
Brokerage	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 1. Buy/Sell stocks, bonds and other securities and perform hedging in the secondary and OTC markets in Taiwan. 2. Subscribe to onshore and offshore call (put) options. 3. Make outright purchases/sales and those with repurchase/resale agreements of domestic and foreign bonds, bills, beneficiary securities and other fixed income products; and perform trading and hedging of interest rate derivative products. 4. Conduct trading of domestic and foreign futures and options approved by the competent authority. 5. Design, issue, trade, and perform hedging of structured products, equity derivatives and other derivatives approved by the competent authority.
Underwriting	<ol style="list-style-type: none"> 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 online account opening, and enhance the convenience of customers.
- (2) Broaden virtual channels and cross-line alliance to increase customer's base from domestic and foreign markets.
- (3) Foreign futures arbitrages and transactions, foreign bond transactions and trading of interest rate products, conversion to electronic transactions for derivatives on TAIFEX and other services.

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

Help new investors grow their portfolios; strengthen existing relationships; and provide suitable products that cater to customers' investment needs and risk tolerance. Continue to increase the market share in warrants; apply for a proprietary futures trading license in order to reduce transaction costs; and extend the existing line of government and corporate bonds and other stable income in the form of bonds to overseas markets. Issue new derivatives, structured products, and domestic and foreign secondary market index arbitrage products to create a more diverse line of investment products and build on trade products to boost sales of financial products.

3. Underwriting

The company will focus on quality enterprises for underwriting business, actively acquiring IPO and fundraising businesses to increase market share. In addition to providing the provision of custom financial planning and developing the business of share listing by overseas enterprises, so as to increase sources for steady fee income.

c. Industrial status

1. Market status

Unit: NT\$ billion

Total transactions of the securities market in the recent three years			
Year	2014	2015	2016
TSE Market	23,043	22,505	18,915
OTC Market	56,969	58,085	52,292
Total	80,012	80,590	71,207
Weighted stock price index (year end)	9,307	8,338	9,253

Data Source: Securities and Futures Bureau website



Operating Status of Domestic securities			
Year	2014	2015	2016
EPS (NT\$)	0.88	0.82	0.63
ROA	2.28%	1.96%	1.39%
ROE	5.82%	5.31%	4.02%

Source: Key indicators of securities and futures markets in December 2015; domestic securities dealers, including general and specialized securities dealers.

2. Taiwan's stock market

The presidential election in Taiwan and stock market crashes around the world in early 2016 caused TWSE to fall, at one point, to 7,627, the lowest point of the year. However, quantitative easing in Japan, Europe, and the United States and rising oil prices gave TWSE a boost back to its previous level. Later, the Brexit vote and Trump winning the U.S. presidential election drove waves of hot money into the country, and TWSE reached 9,430, highest of the year, on December 12 and closed at 9,253 at the end of the year. The index rose by 11% over the year. Despite the increase, investor confidence was low in the country. While local investors chose to wait and see, the market became driven by foreign investors. The daily average volume fell below NT\$100.0 billion and the average margin trading fell from NT\$238.3 billion in 2015 to NT\$187.7 billion. To stimulate trading on TWSE, the government announced a series of favorable policies and engaged actively in discussions of a reform of transaction taxes.

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, branches).
- (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) Take an active approach toward playing a lead role in SPO projects, including customer relationship management plans for sales departments. Take the initiative to analyze customer reports and provide preliminary plans to create more business opportunities.
- (5) Work closely with the wholesale banking team to discuss potential partners; and hold monthly meetings on a regular basis and management meetings as needed to follow up on the progress.
- (6) Implement more risk management mechanisms and enhance case quality control to reduce application risk.
- (7) Improve accessibility to database services and develop trading strategies based on easier, faster access to data.
- (8) Establish links between databases, transactions and operating systems and continue to improve overall performance and quality.

- (9) Continue to issues call (put) options and increase market share by creative marketing.
 (10) Continue to develop and establish quantitative trading strategies to yield consistent profits.

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) Create more sales channels and improve caseload capacity.
 (5) Continue to build up the team of statistical and data analysis experts and create a more complete database.
 (6) Expand the lines of financial products and develop a full range of securities trading services.

Taishin Securities Investment Trust Co., Ltd.

a. Business scope

1. Major business contents

The company's client base consists mainly of domestic and foreign institutions and investors. The Company has three offices in Taiwan, and has specified money trust and sales agreements in place with banks, including Taishin Bank, Hua Nan Bank, Taiwan Cooperative Bank, Bank of Taiwan, Mega International Commercial Bank, E.SUN Bank, Taiwan Business Bank, Shanghai Commercial & Savings Bank, and Taichung Commercial Bank, and securities dealers, including KGI Securities, Yuanta Securities, and Mega Securities. Combined with agreements to be entered into with many more strong fund distributors in the future, the Company's network will have more than a thousand points of sale across the island.

2. Business shares

At the end of December 2016, Taishin Securities Investment Trust managed NT\$70.954 billion of public funds; 17.54% of which were nonmoney market funds while money market funds accounted for approximately 82.46%. Recently operating income for three years listed as shown in the table below.

Unit:NT\$ thousand

Items	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
Management fee income	274,118	97.69	284,094	93.80	286,048	97.48
Sales fee income	6,471	2.31	18,763	6.20	6,843	2.33
Service fee income	-	-	-	-	555	0.19
Total	280,589	100.00	302,857	100.00	293,446	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	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.

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. 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 2016, there were 38 domestic investment trust firms, with 725 funds under their management, totaling NT\$2,123.5 billion in scale, 1,348 contracts for discretionary account operations, totaling NT\$1,330.3 billion in management scale, and 50 private-equity funds, totaling NT\$33.4 billion in scale.

d. Research and development

Taishin Securities Investment Trust launched Taishin Global Multi-asset Fund of Funds, and issued both accumulation and monthly distributions at the same time in June 2016. Investors may subscribe to the fund in two currencies, TWD and USD. In addition, Taishin SITC launched Taishin European Dynamic Balanced Fund, available in two currencies, TWD and USD, in September 2016 and Taishin China-US Money Market Fund in November 2016. Investors may subscribe to the last in three currencies, TWD, USD, and RMB. Taishin SITC places a great emphasis on sharing experience and resources among members of the research management team. The existing research management team oversees the domestic equity division, the Asia Pacific

equity investment division, the financial product division, the fixed income division, and the discretionary management division. The research management team and the fund managers have extensive experience in research, including global economic conditions, investment strategies, and domestic/foreign equity and bond markets.

e. Short and long-term development plan

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

1. Short-term development plan

Maintain the stable performance of mutual funds, continue to expand the scale of mutual funds, so as to obtain the qualification for undertaking the outsourced operation for government funds and increase the number of customers.

2. Long-term development plan

Work actively to increase market share and assets under management; issue new funds and exchange traded funds (ETF) that are marketable to strengthen asset allocation capability and continue to extend brand reach and acceptance.

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 shares

In 2016, consulting fee of the Research and Analysis Division accounts for 87% of the company's total revenue, while general agency of the Jupiter Fund generates the remaining 13%.

2. General agency of the Jupiter Fund

(1) Business contents

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

(2) Sales channel shares

Various sales channels of Taishin group account for 68% of the total sales of the fund, while other channels account for 32%.

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 needs 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

1. Securities investment consulting companies are usually subsidiaries of securities dealers and offer a line of services limited to securities research. These companies are starting to see falling sales. Taishin Securities Investment Advisory has transformed itself into a think tank for Taishin FHC. Its clients now include the entire financial holding company and its subsidiaries. It provides a wider range of services and has a greater potential for business growth.
2. Taiwan “offshore-fund general agency” system hit the road in August 2006, the largest systematic change since the introduction of offshore mutual funds to Taiwan, which produces major impact on investors, agents, and domestic managers of offshore funds. The implementation of the general agency system makes the information on offshore funds more transparent and gives investors more protection. The general agent must publicize related fund information, such as the daily book value of funds, net value of subscription and redemption, and investment portfolio and scale. The general agent can also push offshore fund via advertisement and must solve any problem related to the fund wherever the place for subscription. In other words, after the implementation of the general agency system, investors have more channels to buy offshore funds and are entitled to more protection, due to the existence of transparent information.

d. Research and development : In accordance with the overall business expansion of Taishin Financial Holdings and its subsidiaries, the company actively research and develop related services to fulfill the various business solutions and requirements.

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 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 eying 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 August 2015 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.

5. Following the amendment of the Regulations Governing Sales of Non-performing Loans by Financial Institutions by the FSC in August 2015, the Company lifted the 3% limit on the average nonperforming loan ratio for sales of debts from default of construction work-in-process, and started assessing appropriate investment options.

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, 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 and required asset management companies to renegotiate borrowing terms with debtors according to the Statute for Consumer Debt Reform, resulted in the massive decline of non-performing loan sales to NT\$0.9 billion in 2014, NT\$0.5 billion in 2015 and NT\$0.6 billion in 2016. 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. 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.

We have been facing adverse conditions such as a sharp decrease in non-performing loans released by financial institutions and regulatory restrictions in recent years. Asset management companies (AMC) face difficult challenges in terms of sales growth and profit. Hence, AMCs have been modifying their business strategies and redirecting their attention from bidding for non-performing loans. To respond to the adverse conditions caused by suddenly falling NPLs and to create more revenue sources and maintain the business, some AMCs have crossed over to seek opportunities in real estate made available through court auctions. Therefore, it is expected that competition among AMCs will grow ever more fierce and the business will be more difficult to manage. Nevertheless, since it introduced the Luxury Tax in July 2011, the Central Bank's limit on construction loans, the Mansion Tax, the House Tax and the consolidated housing and land tax in 2015, the government has been able to suppress speculative activity in the real estate market. With housing prices showing clear signs of decline in 2016 after trade volume reaching historic lows while it is apparent that the interval between new projects lengthens, sales of existing property remain stagnant, and construction companies start lowering profits, it is likely that investors have left the real estate market, leaving significantly more opportunities in court-auctioned properties. In anticipation of effects of interest rate hikes following the scale back of QE in the United States, China's slowing economy, RMB depreciation, and deteriorating cross-strait relations will start rippling through Taiwan's economy before long. Reluctant sellers in the housing market will start changing their attitude. Actually lowering profits may push housing prices down or result in certain developments becoming non-performing debts. 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 a number of business activities, following the amendment of the Regulations Governing Sales of Non-performing Loans by Financial Institutions by the FSC in August 2015, the company lifted the 3% limit on the average nonperforming loan ratio for sales of debts from default of construction work-in-process, and started assessing appropriate investment options. This may be the key investment opportunities and sources of profit for AMC in the short term.



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 Standard Chartered Bank (for both wholesale banking and retail banking bad debt claims)
- (4) Continue bidding for bad-debt claims with peers in public bidding (for both wholesale banking and retail banking bad debt claims)
- (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 and non-performing loans consulting businesses.

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 August 2015 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. Besides, following the amendment of the Regulations Governing Sales of Non-performing Loans by Financial Institutions by the FSC in August 2015, the Company lifted the 3% limit on the average nonperforming loan ratio for sales of debts from default of construction work-in-process, and started assessing appropriate investment options.

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". 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 niche 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, the company will actively explore listed/OTC companies with underpriced 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 2011, 2012 and 2014, respectively. Share capital at the end of 2016 amounted to NT\$3,329,034,950.

In 2016, the company earned NT\$6,986,000 in revenue and incurred NT\$88,070,000 in losses and expenses, which resulted in an after-tax loss of NT\$81,084,000. The reasons for losses, in addition to NT\$ 7,890,000 in recognition of impairment losses on long-term investments, were mainly attributed to the fact that the subsidiaries, Taishin Financial Leasing (China) and Taishin Financial Leasing (Tianjin), the 811 exchange rate reform policy of the People's Bank of China in 2015 led to significant CNY devaluation, which caused losses in the form of exchange rate loss or gain on the financial statements of the two leasing subsidiaries. Therefore, a sum of NT\$59,285,000 was recognized as equity-accounted losses.

In 2016, the Company made additional investment in Delos Capital Fund, LP., Tanvex BioPharma, Inc., Great Agriculture and Contact Digital Integration, which totaled NT\$164,448,000. The investment projects generated a total cash inflow of NT\$19,466,000, which included NT\$6,639,000 in cash dividends and NT\$12,827,000 in refunds from capital reduction.

As at the end of 2016, the company had 26 investees on book.

In 2017, the Company is adopting an investment strategy that seeks to dispose TWSE/TPEX listed equities in response to market conditions in order to realize profits. In addition, once the rights issue is completed in 2017, the Company will proceed with the investment projects approved by the board of directors and continue to make investments as appropriate. The company will commit greater investment resources to the Greater China region, IPOs of Taiwanese companies in Taiwan, and industries in which Taiwan has a competitive advantage, such as hi-tech industries and biomedicine.



Furthermore, the financial leasing companies in which the company invests will speed up development of new products and channels, manage credit risks, and step up collection of non-performing loans. Positive returns are expected this year as the business grows at a steady pace.

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 from the Taiwan Venture Capital Association, the estimated balance available for investment for venture capital firms as a whole in 2016 was NT\$16.0 billion, or 11% of NT\$142.9 billion, the total paid-in capital. The amount of domestic investment was NT\$8.1 billion, 66% of the total investment; and the amount of foreign investment was NT\$4.2 billion, 34% of the total investment. The rankings by sector was led by biotech at 19%, followed by IT industries at 15%, cultural and creative industries at 13%, strategic manufacturing at 12%, and venture capital at 12%. The rankings by stage in ascending order was led by seed stage at 7%, startup stage at 24%, growth stage at 42%, and mature stage at 27%. In terms of exit, in 2016, of the 17 listed companies, 3 were supported by venture capitalists; of the 34 OTC listed companies, 6 were supported by venture capitalists; and of the 64 registered emerging stocks, 15 were supported by venture capitalists.

d. Research and development

Venture capital financing refers to an equity investment made by a venture capitalist in an unlisted startup in anticipation of selling the shares and receive capital gains at exit when the startup becomes mature or relatively mature. When a startup is building up a sound financial operation, it may look to a venture capitalist for investment before approaching a commercial bank for financing and then finding a securities underwriter to provide assistance with exchange/OTC listing. Offering one-stop services not only enables startups to find all the necessary services under one roof, but also creates stronger synergy for the financial holding company as a whole. In recent years, global excess capacity and relative low P/E ratios among IT companies are driving venture capitalists to explore new directions. Government policies in Taiwan have leaned toward supporting venture capital firms. The National Development Fund is offering models of cooperation including the Strategic Service Sector Fund, the Taiwan-New Zealand Fund, the Cultural and Creativity Fund, the Merger and Acquisition Fund, and the Taiwan-Silicon Valley Science and Technology Fund. Hence, venture capital firms are able to explore local and overseas opportunities involving new or advanced technologies or companies with a positive business outlook and try to create higher profits.

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, including investing into 1-3 venture capital firms to broaden the scope and depth in indirect investing and 1-3 new businesses, or subscribing to cash issues offered by existing investees for direct investment. The company will invest into growth targets with good liquidity over the next 2 to 3 years, including IPOs of Taiwanese companies in Taiwan and industries in which Taiwan has a competitive advantage, such as Fintech, cultural and creative industries, and biomedicine. If Taishin Venture Capital receives a approval for capital increase, the total investment is expected to be NT\$1.5 billion.

For medium- and short-term strategy, the company will utilize the resources and network of Taishin Financial Holdings 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.

Moreover, the company's two financial leasing companies in China will be part of the medium term development strategy for Taishin Venture Capital. The financial leasing subsidiaries offer personal auto loans and in terms of equipment financing by financial leasing for Taiwanese businesses in China, accounts receivable financing - factoring services, and raw materials procurement - installment plans. The operating scale will increase gradually along with the market expansion, product development, and enhancement of operating efficacy.

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.,Ltd.” 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.,Ltd.” in September 2003. Furthermore, the company passed the Taishin FHC Customer Information Database Management Guidelines in July 2005. The guidelines include stricter regulation of cross selling or customer referral involving subsidiary or division employees and products not offered by their own units. The guidelines also allow supervision and management as needed. The scope extends to co-marketing, processing, shared customer information or business equipment, venues and personnel, and overall financial products or services in other industries. The goal is to ensure customers’ rights are protected in cross-selling as required by law. The service is expected to provide a wider range of friendly financial products and services and take advantage of optimal synergy offered by Taishin FHC.

C. Market and business status

Taishin Financial Holding Co., Ltd.

a. Market analysis

1. The qualitative change of the market

Deriving from the concept of cross-line management, financial holding companies are expected to manifest



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

2. Major domestic and foreign competitors

There are 16 financial holding companies in Taiwan now, with those boasting major banking subsidiaries including Taishin Financial Holdings, Taiwan Financial Holdings, First Financial Holdings, Hua Nan Financial Holdings, Chinatrust Financial Holdings, Fubon Financial Holdings, Yushan Financial Holdings, and SinoPac Financial Holdings, 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, bills, 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 Holdings puts under its auspices various subsidiaries, including Taishin International Bank, Taishin Securities and Taishin Investment Trust / Investment Advisory 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 Holdings boasts complete product lineup covering banking, securities, insurance, trust, 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 Holdings 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 trading, certification and underwriting, factoring, securities investment and underwriting, offshore banking, the issuance of financial bonds, wealth management and buy(or sell) gold or silver business.

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, the bank boasts 100 domestic branches and has been actively establishing overseas units, in compliance with the trend of financial internationalization, including offshore banking unit, Hong-Kong branch, Singapore branch and Tokyo branch, testifying to extensiveness of its service network.

b. Future supply and demand

Looking forward to 2017, the Directorate General of Budget, Accounting and Statistics has announced that the annual GDP growth is estimated at 1.87%, 1.40% higher the previous year. Domestic economic growth will continue to be affected by the global economy and different base periods.

c. Business goals

In 2017, we will devote our efforts to achieve business growth and keep driving the momentum in main lines of business while supporting government policies and complying with applicable regulations and risk management requirements. Consistent growth is expected in certain lines of business, including value-added mortgages, personal loans, corporate loans, SME loans, and wealth management services. Meanwhile, we will continue to expand our overseas network and invest in digital finance. In 2017, in addition to the Brisbane Branch in Australia, which is under preparation and expected to open this year, we will focus on developing new features on Richart, the digital banking brand that was launched only last year but has quickly established itself as the industry leader. We will also advance at full speed in mobile payment services. We will also advance at full speed in mobile payment services.

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) Combine the ability to analyze database and market information for precision marketing and risk control, and 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 holdings 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 setup of overseas 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 2016, the company had three business bases, in Taipei city, Taichung city, and Kaohsiung city. In addition, the company has set up 100 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 2016 there are 77 headquarters of securities dealers, 876 branches, 38 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 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.

c. Business goals

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 utilizes 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.

In brokerage operations, excluding providing manual transactions by physical operating points of sale, continue to extend the cross-selling partnership with Taishin Bank from offices to points of sale, and establish a differentiated e-trading platform, 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 continue to build on its image of an established financial holding company with the help of professional financial engineering capabilities to create low-risk income from arbitrage, product launches, and market-making services. The company will follow a set of clearly stated and strictly-enforced strategies regarding markets and the quality of market making while adhering to the principles of good faith in offering consistent issue prices and reasonable spreads and quotes. Hedging strategies will include the use of big data analytics, financial engineering theories, and statistical tools to identify reliable market information and hedging benchmarks.

e. 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) The growing electronic payment market makes the influence of mobile securities dealers more extensive.
- (3) 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.
- (4) The Taishin brand as an underwriter is well known in the market and sufficiently strong to turn negotiations in the brand's favor.
- (5) Government policies tend to adopt an open stance, and the regulators are leading the way to drive business growth.
- (6) With equal emphasis on all sectors, electronic, traditional manufacturing, and startup industries have come to grow at similar rates, which contribute to development of underwriting services in Taiwan.
- (7) As the market becomes increasingly competitive, companies are under extremely large pressure, and the number of mergers is on the rise.
- (8) The company invests in training professional traders and developing new niche products.
- (9) The brand and reputation as a warrant issuer have led to a bandwagon effect and the formation of a loyal customer base.

2. Unfavorable factors

- (1) The existence of cutting the price aggravates the competition and affect the space of securities firm for survival.
- (2) Horizontal mergers make big companies even bigger and thereby widen the gap between competitors.
- (3) China has been investing heavily to establish capital markets in the country. These markets also offer higher P/E ratios, which make Taiwanese companies operating in China less willing to seek listing in Taiwan.
- (4) It is difficult to deploy in China, one step ahead of competitors.
- (5) The total number of cases and total amount of subscriptions have not shown any apparent growth.
- (6) Taishin Securities have a relatively small number of offices, making its sales network less competitive.
- (7) Instability of the global economy is causing low visibility in the markets and potentially higher volatility.

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) To expand brokerage operations, the company will continue to extend the cross-selling partnership with Taishin Bank from offices to points of sale, and explore opportunities in middle class investors.
- (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) In response to market demand, special projects will require participation of all hands on board in order to increase fee income.
- (6) Broaden distribution channels local and abroad; increase the company's capacity to undertake cases.
- (7) The Capital Market Department will engage the Research Department and Corporate Department in organizing forums and seminars for greater exposure.



- (8) The company will continue to keep updated on the competent authority's policies regarding deregulation, provide a complete line of products and develop new types of services in order to create a balanced portfolio of stable income sources.
- (9) The company will continue to expand favorable operations and exercise its advantage as a medium sized dealer in responding to market changes.

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 and the pension fund market. Faced with gradual recovery of the global economy and the growth momentum of financial market, assets management companies, such as Taishin Investment Trust, still harbors a rosy outlook.

c. Business goals

Taishin Investment Trust's short-term goal includes maintenance of a stable performance, expand the scale of non-money funds, raise new- market funds, and obtain the qualification for the outsourcing operation of government funds. In the medium and long-term, it will actively enhance market share and management scale, increase fund clients, strengthen capability for assets allocation, and continue expanding the reach and good image of the brand. Taishin Securities Investment Trust takes a cautious, responsible approach to managing assets of its customers.

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 Holdings, Taishin Bank, Taishin Securities, and Taishin Investment Trust.

2. General agency for offshore funds

The company introduces offshore funds as the master agent of these offshore funds into Taiwan. Presently, the company has introduced a total of 24 funds, including Jupiter Unit Trust funds (registered in England) and Jupiter Global Fund (registered in Luxembourg) of Jupiter Assets Management of the U.K. In addition to Taishin Bank, these funds are also sold through other banking channels, insurance firms, securities firms, and investment trust firms.

b. Future supply and demand

1. Investment and 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 needs of the financial holding company.

2. General agency for offshore funds

Offshore funds have entered the Taiwanese market for 30 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 goals

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 Holdings 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 needs 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, innovation skills and products introduced.



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 goals

Meanwhile, in response to market changes, the company will actively bid for consumer bad-debt claims and at courthouse foreclosure auctions in order to create sources of profit. 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

Asset management companies in Taiwan compete against each other in a market with a limited supply of bad-debt claims. Apart from fiercely competitive bids, the regulators have been amending the regulatory restrictions in recent years, creating higher thresholds for financial institutions wanting to sell their claims and greater difficulty for investors wishing to acquire suitable targets. Moreover, relatively high market prices mean higher costs for buyers and an adverse impact on profits.

Taishin Venture Capital Co., Ltd.

a. Major products and services

The venture capital fund is used for strategic investment, and, in terms of regions, focuses mainly on Taiwan and regions where Taiwanese businesses may find strategic partners such as the United States or China.

b. Future supply and demand

Judging from the current trends in the venture capital industry in Taiwan, the capital market is heating up and investment projects are gaining in both number and size as economic conditions approach the bottom in Taiwan and in other countries. Looking forward to 2017 despite a global economy struggling with slow recovery, the global capital market will continue to grow, and more investment opportunities will start to appear. Now may be a relatively good 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 goals

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 listed on Emerging Stock). In terms of industry allocation, the company will primarily invest in venture capital firms, financial technology, electronic commerce, and biotechnology and healthcare companies. Unlisted startups in Taiwan will also be included in the portfolio. In addition, the company may also consider plans to encourage overseas Taiwanese businesses to return to Taiwan or to help European or U.S. startups seek growth opportunities in Taiwan and list on TWSE.

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) Global economy slackens, driving down investment willingness

The main factor affecting investment is the economic outlook. When the outlook is positive, stock markets perform well, making it easier to find funding and receive excellent returns on startup investment; otherwise, a negative outlook cuts investment returns down, making it more difficult to find funding. At present, global economic conditions are prompting investors to take a more cautious, conservative attitude. Meanwhile, the demand for high tech products is falling and corporate investment in expansion is slowing. Businesses are starting to adopt a more conservative approach to investment.

(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.



D. Employees of Taishin Financial Holdings

a. Employee information

Base date: Feb. 28, 2017

Year		2015	2016	As of Feb 28, 2017
Number of employees	Male	3,318	3,341	3,298
	Female	4,768	4,758	4,758
	Total	8,086	8,099	8,056
Average age		36.6	37.3	37.4
Average years of service		7.4	7.7	7.9
Academic qualification	Doctoral Degree	0.10%	0.11%	0.11%
	Masters Degree	17.67%	18.30%	18.33%
	Bachelors Degree	75.70%	74.81%	74.79%
	High school	6.37%	6.63%	6.62%
	Below high school	0.16%	0.15%	0.15%
Professional certificates held by employees	Trust-related certificates (including supervisors, managers, and sales)	3,819	3,990	3,974
	Basic internal control certification	3,314	3,478	3,472
	Certificate for property insurance representative	3,211	3,491	3,477
	Investment-linked policy representative	1,704	1,772	1,744
	Life insurance representative	3,631	3,752	3,711
	Futures specialist	561	545	602
	Securities investment analyst	29	31	32
	Senior securities specialist	668	700	690
	Securities investment trust and consulting professional	547	570	562
	Securities investment trust and consulting laws(including professional ethics)	1,815	1,913	1,901

b. Employee training and development

Taishin Financial Holdings has committed resources into talent training to ensure sustainability and growth. In 2016, the company had completed more than 311,000 training sessions across the entire organization, averaging 51.5 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."

As the corporate culture shifts toward a global focus, employees involved in overseas operations were tested for English proficiency in 2016. The information and corresponding training plans were given to middle and senior managers. In addition, several digital banking seminars and big data courses were offered as part of the digital finance campaign.

2. Talent bank program

The 360-degree program and a talent committee are available to assess the employees on a regular basis, and thereby identify prospective managers for various levels such as MA, AMA and TSP. The identified candidates are then assigned with job duties and goals that help build up skills to their intended positions.

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 holdings group in 2015 and 2016.

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, long-term engagement in the issues of charity and public service, culture/art, sports sponsorship, financial academics promotion and environmental protection, 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 FHC teamed up with the well known shopping website, PayEasy.com by Systems & Technology Corp., and launched the "Caring Taiwan" Project in 2002. The project has reached into Xinyi Township, Zhongliao Township, Yuchi Township, and Guoxing Township and utilized corporate resources to help disaster victims develop local economies. The idea is to teach them to fish instead of giving them fish. Online campaigns advertise local specialties of disadvantaged regions and tourist attractions and call on the general public to purchase local produce and make credit card donations. The project has succeeded in helping to rebuild the disaster areas and establishing a model of corporate citizenship.

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 2016, Taishin continued its sponsorship of Taiwanese athletes in representing Taiwan in Karate Youth World Cup in Croatia and major competitions, 2016 National High School Athletic Games and National Chung Cheng Cup Karate Tournament in Taiwan, with excellent performances. The sponsored athletes delivered stunning results, claiming a total of 60 medals (23 gold, 21 silver and 16 bronze) in various local and international competitions held throughout 2016. In particular, Zheng-Zhong Shi won gold in male cadet -63kg kumite at the Karate 1 Youth World Cup in Croatia, and Xiao-Shuang Gu won gold in female aged 16-17 -53kg kumite at the National Chung Cheng Cup Karate Tournament in Taiwan. In addition, the team swept four categories, which were male junior, female junior, male senior, and female senior, by winning 9 gold medals at the 2016 National High School Athletic Games. Taishin FHC was very proud and applauded such achievements.



In 2008, “Care for Taiwan” series extended its reach to rice plantation in Taiwan. In order to sustain Taiwan’s rice plantation and enable people to each pure Taiwanese rice, Taishin Financial Holdings 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 Holdings has sponsored rice procurement for over 137 units, equivalent to 70 hectares of rice paddies. It has given 66,000 rice gift boxes to over 10,000 Taishin customers and staffers, which have eaten over 240,000 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 1,817 proposals were received over the seven years it was held, and we invited public-service partners, such as Advantech Foundation, Chung-hwa Telecom Foundation, Yueh-Lan Wang Charitable Foundation, the Vision Project and the Doers Cultural and Educational Foundation to join the event, the scope of donation recipients were expanded from “social welfare” to “culture education”, “digital learning”, “cultural and creative social enterprises”, and “agricultural social enterprises”.

The 7th “your ballot decides the strength of love” event received overwhelming response as 320,000 online voters casted more than 1,200,000 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\$24.45 million and benefited a total of 554 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.

3. Emergency aid

Taishin Bank is a follower of the idea of “giving back to the community” and a socially responsible company. The bank is always quick to offer much needed support after major disasters. In February 2016, a major earthquake took place in Tainan, and Taishin promptly initiated a care project. In addition to a NT\$10 million donation to the Tainan City Government, Taishin mobilized branches in Tainan to help provide assistance for disaster victims and work with charitable organizations on supplies for the area. Furthermore, Taishin donated 10 million Japanese yens in support of disaster relief to the Kumamoto Prefecture in response to the local earthquake in April 2016. Other donations were made to disasters such as the Formosa Fun Coast explosion in 2015, the Kaohsiung gas explosion in 2014, the Typhoon Morakot in 2009, Typhoon

Jangmi in 2008, the Sichuan earthquake in 2008, the South Asian tsunami in 2005, the Typhoon Mindulle in 2004, and the 921 earthquake in 1999.

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: International Conference on Economics, Finance and Accounting, Cross-strait Banking Forum, 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, Cross-Strait Banking Forum, Conference on Cross-Strait Financial Development, FinTech Forum and NCTU International Finance Conference. 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. The Taishin Arts Award was created by the foundation and rewards modern artistic creativity in various fields in Taiwan that demonstrates growth potential and reflects the society and local cultures. The Award entered its 14th year in 2016. To encourage communication and exchange among artists, the Taishin Bank Foundation for Arts and Culture created the online commentary platform, ARTalks, in 2013. The platform is based on the idea, "A New Relationship with Art", and invites submissions in forms of short film and animation. Members of the public are welcome to showcase their interpretation of life and art and find inspiration in each other. Taishin Bank has also been sponsoring arts events for years in order to bring art closer to the public. Such events include "The Classics Berliner Philharmoniker - Beethoven's Symphony No. 9 Choral" in 2016. Taishin Bank also sponsored "Pixar: 30 Years of Animation", where visitors explored the creation process of well known characters, in the same year.

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, Taishin also invited Yani Tseng to support charitable causes so to bring celebrity inspiration to the campaign.

In an effort to nurture a greater number of sporting talents, Taishin has extended its sports sponsorship since September 2013 to new golf talents including Pei-Yun Chien, Pei-Ying Tsai, Meng-Chu Chen and Hsuan-Ping Chang.

d. Environmental protection

Taishin Financial Holdings has long advocated the importance of environmental protection and energy conservation, and committed through actions such as shared rides and light dress codes. Since the launch



of its campaign to practice "Environmental Protection through Energy Saving" in 2009, Taishin has been urging its employees to support environmental efforts. Moreover, the bank took the initiative to implement the ISO50001 energy management system in 2015 and promote the ISO14064-1 greenhouse gas inventory system in 2016. In addition to the purchase of renewable energy in 2016, the bank also demonstrated its support for renewable energy by installing solar power panels on its own buildings in Neihu. Meanwhile, the bank is investing in green services, and has incorporated processes, such as teller transactions, online loan application, and card terminal application for merchants, into the image process management system. The bank is also devoted to the development of digital finance with the aim of reducing paper use and carbon footprint at the same time.

F. Number of non-managerial staff, average annual employee welfare expenses, and differences from the previous year

Number of non-managerial staff		Average annual employee welfare expenses (unit: NT\$1,000)	
2016	2015	2016	2015
7,007	6,896	1,196	1,216

G. IT equipment

A. Key information technology 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 system ■ B@NCS NT\$ reports system
2	ATM front end processor (FEP)	■ IBM P750	■ IBM AIX ■ IBM MQ ■ ORACLE	■ ATM front end processor system ■ Clearing system
3	Integrated database system (ODS)	■ HP Superdome	■ HP-UX ■ ORACLE	■ Operational database system(ODS) ■ Data warehouse(DW/DM)
4	Sales force automation system (SFA)	■ HP Superdome ■ Oracle SUNT4-4 ■ MS Windows	■ HP-UX ■ Solaris ■ Weblogic ■ ORACLE ■ MS Windows ■ MS SQL	■ Sales force automation system(SFA) ■ Financial planning system
5	Personal finance (Internet banking)	■ Oracle SUN ■ T5- 2&T3-2 &T5-1	■ Solaris ■ Weblogic ■ ORACLE	NT\$/foreign currency transaction inquiries, funds, trust services, credit cards, insurance, shares
6	Digital banking system	■ IBM RS/6000 ■ X86 Server	■ IBM AIX ■ Weblogic ■ ORACLE	■ Richart digital banking ■ E-wallet system ■ OTP electronic platform
7	Corporate banking network (B2B)	■ IBMRS/6000	■ IBMAIX ■ IBMWebsphere ■ ORACLE	Corporate banking portal inquiries, NT\$/foreign currency transactions, collections (ACH/ convenience stores/post office), real-time batch transfers, gift voucher delivery guarantee, Cash Deposit Machine(coins-acceptable)
8	Mutual fund system (TIPS)	■ IBM X86Server	■ MS Windows ■ MS SQL	A trading system for funds, ETF, offshore structured instruments, offshore bonds, ADR, and preferred shares

Item number	System name	Hardware	Software	Name of service
9	Credit card merchant acquiring system (NCPS)	■ SUN M5000 ■ SUN T5240	■ SUN Solaris ■ ORACLE	Merchant acquisition of credit card transactions
10	Foreign currency system (WBS)	■ IBMRS/6000	■ IBMAIX ■ Weblogic ■ Oracle	■ Limit control, guarantor and collateral management ■ Import/export/loans/Deposits/ Remittance ■ Price negotiation/Media reporting
11	Image process management system (IPMS)	■ HP Unix ■ Oracle Solaris	■ Weblogic ■ Oracle SOA ■ Oracle UCM ■ Oracle	Management of imaged processes such as NTD services (account/remittance/applications/ account opening/negotiable instruments/ KYC/ CIF update/official correspondence), merchant acquiring application, debt collection (attestation letters/ property ownership/ household transcript/ overdue documents), retail mortgage/unsecured credit/ auto loans, case submission app, corporate banking (debt entitlement certificates/ scorecards) etc
12	Factoring management system (OAEFB)	■ IBM RS/6000	■ IBM AIX ■ Weblogic ■ Oracle	Accounts receivable system
13	Trade finance system (Murex)	■ Oracle Solaris Server	■ Unix Solaris ■ Murex ■ TAS ■ Oracle ■ MS SQL	■ Financial trading (FX and MM) system ■ Trading risk control system
14	Structured product sales system (SDS)	■ Dell 2950 Server	■ MS Windows ■ Oracle Forms and Reports server ■ Oracle	■ DCI/ELI transactions ■ SI transactions ■ Spot orders
15	Singapore trade finance system (SGFITAS)	■ IBM AS/400	■ IBM OS400 ■ FITAS	■ Import/Export/Currency exchange/Deposits/ Loans ■ SWIFT universal banking treasury system
16	Singapore wholesale banking system (SGWBS)	■ IBM RS/6000	■ IBM AIX ■ Weblogic ■ Oracle	CIF, limit control, guarantor and collateral management
17	Mobile office	■ HP Blade Server ■ HP X86 Server	■ MS Windows ■ Asus Omniapp ■ VMware	■ A mobile office based on cloud technology ■ Software development tools based on cloud technology
18	Japan wholesale banking system (JPWBS)	■ IBM RS/6000	■ IBM AIX ■ Weblogic ■ Oracle	■ Limit control, guarantor and collateral management ■ Import/Export/Loans/Deposits/Remittance
19	Bankwide anti-money laundering control system (AML)	■ HP DL380 Server	■ MS Windows ■ MS SQL ■ PATRIOT OFFICER	Anti-money laundering control systems for head office and overseas branches

b. Future development or procurement plans

1. Apply cloud technology to achieve resource integration; maximum use of IT resources to improve service quality.
2. Create a cloud-based mobile office and software development tools with enhanced data protection to effectively support business and management activities.



3. Assist with construction of IT systems for overseas branches - Brisbane Branch in Australia, Manila Branch in Philippines, and Long An Branch in Vietnam.
4. Construct the universal system, gWBS, for Hong Kong and overseas branches, and relocating the IT system at Hong Kong and related branches back to the head office for maintenance in order to keep the operations competitive and ensure stable system services.
5. Construct a new generation of wholesale banking website - The global digital banking network improves on the quality of online wholesale banking services, responds to market trends, and complies with internal and external IT regulations.
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. Build a dual core structure into NCPS to make the payment system more usable.
10. Acquire new ATM models and replace outdated equipment. Offer services such as foreign currency withdrawals and inter-bank cash deposits.
11. Continuous replacement and upgrade of customer service system; implement local and off-site support; improve efficiency and service capability of customer service personnel.
12. The operational data store (ODS) and data warehouse (DW) system are enhanced to build a high stability system.
13. The wholesale banking network is extended to include connection by mobile device.
14. Build a new credit card information system with an open structure in anticipation of new types of businesses and technological advancement in the future.
15. Make plans for features to accept applications for wholesale banking services and new credit card applications with images.
16. Implement offshore private banking systems.
17. Launch the 5-in-1 system service enhancement project for trust asset utilization and management systems.

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. Improve off-site support to accommodate business requirements.
5. Develop an information security action plan, promote each implement plan.
6. Implement Mobile Device Management for enhanced security in accessing business-related information.
7. Build network access control (NAC) for better network access security.
8. Create an ATM white list management system for better ATM security.
9. Taishin Bank assesses computer system security by following the security guidelines on computer systems for financial Institutions in order to improve security of its computer system and website.

10. The onsite and offsite backup facilities will be constantly reinforced, and a twin-server operations center will be constructed.

H. 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 employee stock ownership trust, 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.

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 offers employees leave days in accordance with the Labor Standards Act. The number of leave days are adjusted according to job grades, and exceed stipulated standards under the law.

5. The authority has not taken any disciplinary action against the company for results of labor inspections in the latest year or at time of printing of this annual report. However, disciplinary actions have been taken against its subsidiaries for results of labor inspections, which included violations of Article 24, Article 30, Paragraph 5, Article 32, and Article 36 of the Labor Standards Act. The subsidiaries were fined a total of NT\$230,000.

6. 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.

I. 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	Acer Inc.	2015.01.11~2017.12.31	Microsoft EA large account procurement	None
Procurement contract	CyberSoft Digital Services Corp.	2011.04.01~2016.03.31	Credit card information system and outsourced data processing	None
Procurement contract	CyberSoft Digital Services Corp.	2015.06.25~2017.03.31	Build up credit card information system	None
Procurement contract	Lian An Services Ltd. Anfeng Enterprise Ltd.	2017.01.16~2019.12.31	ATM cash security services	None
Procurement contract	Mercuries Data Systems Ltd.	2012.08.24~2017.08.23	Automated service equipment	None
Procurement contract	Mercuries Data Systems Ltd.	2015.07.01~2021.06.30	Automated service equipment	None
Procurement contract	Mercuries Data Systems Ltd.	2017.10.01~2022.06.30	Automated service equipment	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.



06

Financial Status

VI. Financial Status

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

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

Unit: NT\$1,000

Item \ Year	Financial data in the recent five years (Note 2)					Financial data for current year as of Feb 28, 2017
	2012	2013	2014	2015	2016	
Cash and cash equivalents due from the Central Bank and call loans to banks	187,259,476	185,669,402	57,586,123	69,091,364	97,172,542	(Note 3)
Financial assets at fair value through profit and or loss	86,282,256	102,817,889	83,294,027	119,742,250	89,814,395	
Available-for-sale financial assets	273,786,476	251,947,289	244,249,053	290,124,810	302,421,489	
Derivative financial assets for hedging	105,087	62,494	0	0	0	
Securities purchased under resell agreements	4,987,265	9,470,428	273,345	2,978,852	5,340,360	
Receivables, net	106,236,192	107,590,190	100,310,417	104,718,618	113,258,142	
Current tax assets	1,733,233	1,759,870	353,421	389,782	534,816	
Assets held for sale, net	0	0	0	0	0	
Loans, net	1,787,298,942	1,845,715,026	805,752,729	834,605,345	877,317,379	
Reinsurance contract assets	0	0	0	0	0	
Held-to-maturity financial assets	172,613,773	228,942,921	2,540	5,110	6,126	
Investments accounted for using the equity method, net	251,142	221,229	32,660,984	34,986,174	36,822,426	
Restricted assets	0	0	0	0	0	
Other financial assets, net	14,806,184	47,507,842	12,131,204	11,074,488	14,051,576	
Property and equipment, net	41,872,325	41,530,667	17,958,823	18,234,698	18,514,420	
Investment property, net	11,614,389	11,808,520	922,355	891,781	866,065	
Intangible assets, net	21,732,198	21,563,628	2,001,997	2,022,001	2,200,915	
Deferred tax assets, net	9,798,309	7,809,571	4,154,618	3,517,778	2,950,676	
Other assets	6,988,599	6,569,720	21,301,742	27,847,591	15,714,400	
Total assets	2,727,365,846	2,870,986,686	1,382,953,378	1,520,230,642	1,576,985,727	

Item	Year	Financial data in the recent five years (Note 2)					Financial data for current year as of Feb 28, 2017
		2012	2013	2014	2015	2016	
Due to the Central Bank and banks		152,894,925	176,662,165	56,003,848	64,689,878	46,966,461	(Note 3)
Funds borrowed from the Central Bank and banks		0	0	0	0	0	
Financial liabilities at fair value through profit or loss		11,027,012	16,237,369	34,921,514	49,915,794	35,815,311	
Derivative financial liabilities for hedging		0	0	0	0	0	
Securities sold under repurchase agreements		56,534,194	37,932,722	69,724,492	80,211,187	70,108,624	
Commercial paper issued		7,000	0	649,389	2,672,740	8,537,889	
Payables		54,451,474	46,370,940	22,598,658	21,115,147	30,162,981	
Current tax liabilities		2,602,123	4,248,028	1,699,781	625,188	1,123,810	
Liabilities directly associated with assets held for sale		0	0	0	0	0	
Deposits and remittances		2,139,646,174	2,250,576,346	965,328,658	1,040,466,391	1,104,139,089	
Bonds payable		97,151,937	90,322,818	55,000,000	75,000,000	75,000,000	
Preferred stock liabilities		0	0	0	0	0	
Other financial liabilities		15,615,340	35,090,818	58,979,710	56,635,336	51,606,593	
Reserve for liabilities		4,575,384	4,422,703	794,014	1,020,107	1,165,486	
Deferred tax liabilities		6,821,004	6,711,208	83,945	57,347	127,762	
Other financial liabilities		3,584,238	4,422,327	2,985,066	2,861,598	3,356,087	
Total liabilities	Pre-payout	2,544,910,805	2,672,997,444	1,268,769,075	1,395,270,713	1,428,110,093	
	Post-payout	2,547,744,476	2,677,390,268	1,270,564,881	1,400,458,320	(Note 1)	
Equity attributable to owners of parent		101,327,569	111,131,587	114,058,414	124,829,618	148,751,140	
Capital stock	Pre-payout	76,165,841	82,548,070	95,780,609	95,855,246	103,825,072	
	Post-payout	82,305,608	90,535,078	95,780,609	102,271,657	(Note 1)	
Capital surplus	Pre-payout	9,409,757	9,478,327	10,640,840	10,220,503	27,132,585	
	Post-payout	9,409,757	9,478,327	10,205,349	10,220,503	(Note 1)	
Retained earnings	Pre-payout	13,351,364	18,160,507	7,292,136	18,825,174	18,051,306	
	Post-payout	4,377,926	5,780,675	5,931,821	7,221,156	(Note 1)	
Other equity		2,400,607	944,683	344,829	-71,305	-257,823	
Treasury shares		0	0	0	0	0	
Non-controlling interest		81,127,472	86,857,655	125,889	130,311	124,494	
Total equity	Pre-payout	182,455,041	197,989,242	114,184,303	124,959,929	148,875,634	
	Post-payout	179,621,370	193,596,418	112,388,497	119,772,322	(Note 1)	

Note 1: Proposal for the coverage of 2016 profit has yet to be passed by shareholders' meeting.

Note 2: Financial statements 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. The 2012-2015 financial statements are certified by CPAs QinZhen Yang and Tza Li Gung, who issued auditing report for their authenticity without reservation. The 2016 financial statement is certified by CPAs Tza Li Gung and Kwan-Chung Lai, who issued auditing report for their authenticity without reservation.

Note 3: At the time this annual report was published, no audited financial data for 2017 were available.

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

Unit: NT\$1,000

Item	Year	2012	
Cash and cash equivalents due from the Central Bank and placement to other banks		190,290,983	
Financial assets stated as gain (loss) due to change in fair value		85,988,202	
Investment in RS bills and bonds		4,987,265	
Available-for-sale financial assets		270,722,899	
Accounts receivable		107,547,734	
Loans		1,787,298,942	
Financial assets held to maturity		172,613,773	
Equity investments under equity method		251,278	
Fixed assets (Note 1)		41,596,338	
Intangible assets		21,729,019	
Other financial assets		12,885,644	
Other assets		24,834,645	
Total assets		2,720,746,722	
Deposits by the Central Bank and other banks		152,894,925	
Deposits		2,139,646,174	
Financial liabilities stated as gain (loss) due to change in fair value		11,027,012	
RP bill and bond liabilities		56,534,194	
Accounts payable		57,162,211	
Financing from the Central Bank and other banks		0	
Bonds payable		97,151,937	
Special stock liabilities		0	
Reserve for operations and liabilities		806,938	
Other financial liabilities		15,622,340	
Other liabilities		9,907,860	
Total liabilities		2,540,753,591	
Equity of parent firm	Capital stock	Pre-payout	76,165,841
		Post-payout	82,305,608
	Additional paid-in capital		9,303,228
	Retained earnings	Pre-payout	13,157,682
		Post-payout	4,184,244
Other items of shareholders' equity		1,073,198	
Minority shareholding		80,293,182	
Total shareholders' equity	Pre-payout	179,993,131	
	Post-payout	177,159,460	

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

Note 2: The 2011 financial statement was certified by CPAs Peter Tsai and Qinzhen Yang, who issued auditing report for their authenticity without reservation.

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

Unit: NT\$1,000

Item	Year	Financial data in the recent five years (Note2)					Financial data for current year as of Feb 28, 2017
		2012	2013	2014	2015	2016	
Interest income		48,768,964	50,532,658	55,785,260	29,509,687	29,082,391	(Note 3)
Interest expenses		(19,207,071)	(19,252,887)	(22,087,679)	(11,712,867)	(11,078,256)	
Net interest income		29,561,893	31,279,771	33,697,581	17,796,820	18,004,135	
Net income other than net interest income		19,862,868	24,547,462	10,942,105	19,711,007	18,147,270	
Net revenue and gains		49,424,761	55,827,233	44,639,686	37,507,827	36,151,405	
Reversed allowance for bad debts expenses and guarantee liability provisions		1,549,930	546,409	750,255	(2,818,084)	(3,350,119)	
Net change in provisions for insurance liabilities		0	0	0	0	0	
Operating expenses		(30,307,392)	(30,970,190)	(32,221,529)	(19,793,219)	(19,831,493)	
Income before income tax from continuing operations		20,667,299	25,403,452	13,168,412	14,896,524	12,969,793	
Income tax (expense) benefit		(3,796,314)	(4,829,829)	(3,520,673)	(1,670,433)	(1,577,360)	
Net income from continuing operations		16,870,985	20,573,623	9,647,739	13,226,091	11,392,433	
Net income from discontinued operations		0	0	0	0	0	
Consolidated net income		16,870,985	20,573,623	9,647,739	13,226,091	11,392,433	
Other comprehensive income, net of tax		1,667,001	(1,958,354)	(325,670)	(744,461)	(453,287)	
Total comprehensive income		18,537,986	18,615,269	9,322,069	12,481,630	10,939,146	
Net income attributable to owners of parent		10,386,660	13,836,248	1,624,376	13,222,544	11,399,434	
Net income attributable to non-controlling interests		6,484,325	6,737,375	8,023,363	3,547	(7,001)	
Total comprehensive income attributable to owners of parent		11,686,867	12,326,139	911,607	12,477,225	10,944,967	
Total comprehensive income attributable to non-controlling interests		6,851,119	6,289,130	8,410,462	4,405	(5,821)	
Earnings per common share		1.03	1.46	0.07	1.30	1.14	

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 statements 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. The 2012-2015 financial statements are certified by CPAs QinZhen Yang and Tza Li Gung, who issued auditing report for their authenticity without reservation. The 2016 financial statement is certified by CPAs Tza Li Gung and Kwan-Chung Lai, who issued auditing report for their authenticity without reservation.

Note 3: At the time this annual report was published, no audited financial data for 2017 were available.



Brief Consolidated Income Statement of the Financial Holding Company and Subsidiaries: GAAP

Unit: NT\$1,000

Item	Year	2012
	Net interest income	
Net non-interest income		19,224,187
Bad-debt expense		1,549,930
Provisions of various insurance liabilities		0
Business expense		(29,436,788)
Pre-tax consolidated income of business department (continuation)		20,567,854
After-tax consolidated income of business department (continuation)		16,765,719
Income of extinct department (after-tax net value)		0
Extraordinary income (after-tax net value)		0
Accumulated extent of influence from changes in accounting principles (after-tax net value)		0
Total consolidated	Belong to shareholders of parent firm	10,261,680
	income	6,504,039
Earnings per common share		1.02

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: The 2011 financial statement was certified by CPAs Peter Tsai and Qinzhen Yang, who issued auditing report for their authenticity without reservation.

B. Financial Analysis for the Recent Five Years Financial Analysis

Financial Analysis: IFRS

Unit: NT\$1,000

Item	Year	Financial Analysis in the recent five years					Financial data for current year as of Feb. 28, 2017
		2012	2013	2014	2015	2016	
Management capability	Turnover rate of total assets (times)	0.02	0.02	0.02	0.03	0.02	(Note 3)
	Deposit/loan ratio of Taishin Bank (%)	80.62	80.90	83.81	81.30	80.07	
	Deposit/loan ratio of Chang Hwa Bank (%)	86.84	84.23	-	-	-	
	NPL ratio of Taishin Bank (%)	0.14	0.15	0.14	0.13	0.26	
	NPL ratio of Chang Hwa Bank (%)	0.33	0.32	-	-	-	
	Revenue per employee	3,670	4,031	2,833	4,601	4,423	
Profit-making capability	Profit per employee	1,253	1,486	206	1,622	1,394	
	Return on assets (%)	0.63	0.73	0.45	0.91	0.74	
	Return on common shareholders' equity (%)	11.15	14.19	0.73	11.78	9.58	
	Net profit rate (%)	34.13	36.85	21.61	35.26	31.51	
	Earning per share (NT\$)	1.03	1.46	0.07	1.30	1.14	

Item		Year	Financial Analysis in the recent five years					Financial data for current year as of Feb. 28, 2017
		2012	2013	2014	2015	2016		
Financial Structure	Liabilities/assets ratio (%)	93.31	93.10	91.74	91.78	90.56		
	Liabilities/book value ratio (%)	1394.82	1350.07	1111.16	1116.57	959.26		
	Double leverage ratio of the financial holding company (%)	119	115	109	108	111		
	Financial ratio of the financial holding company according to article 41 of the law	None	None	None	None	None		
Leverage extent	Business leverage extent	2.39	2.20	3.39	2.52	2.79		
	Financial leverage extent of financial holding company	1.08	1.03	1.31	1.04	1.04		
Growth rate	Assets growth (%)	3.74	5.27	(51.83)	9.93	3.73		
	Profit growth (%)	5.79	22.92	(48.16)	13.12	(12.93)		
Cash flow	Cash flow ratio (%)	17.73	(10.50)	(3.75)	(9.35)	8.45		
	Propriety ratio of cash flow (%)	784.55	162.87	51.51	(33.81)	21.33		
	Cash-flow satisfaction ratio (%)	(5157.45)	4835.98	5.30	1959.74	(904.19)		
Business scale	Market share of assets (%)	5.37	5.37	4.63	4.63	5.04		
	Market share of book value (%)	4.93	4.95	4.31	4.42	4.90		
	Market share of Taishin Bank's deposit (%)	2.90	2.90	3.02	3.03	3.13		
	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	3.32	3.40		
	Market share of Chang Hwa Bank's loan extension (%)	5.10	4.89	-	-	-	(Note 3)	
Capital Adequacy	Capital adequacy ratio	Taishin Bank	(Note 4)	10.94	11.01	12.49	14.21	
		Chang Hwa Bank	(Note 4)	11.11	-	-	-	
		Taishin Security	(Note 4)	424	496	452	404	
		Taishin AMC	(Note 4)	88.74	84.42	87.61	86.33	
		Taishin Securities Investment Trust	(Note 4)	91.33	90.89	90.28	89.22	
		Taishin Securities Investment Advisory	(Note 4)	93.75	93.17	93.95	94.02	
		Taishin Venture Capital	(Note 4)	99.89	99.90	96.82	91.45	
		Taishin Holdings Insurance Brokers	(Note 4)	77.85	70.28	70.29	-	
	Eligible self-owned capital	(Note 4)	224,391,885	115,890,595	143,458,486	169,318,748		
	Group's eligible capital	(Note 4)	116,028,828	140,091,194	158,536,344	177,446,837		
	Subsidiary's statutory capital requirement	(Note 4)	160,767,234	81,695,691	90,472,582	101,764,953		
	Group's statutory capital requirement	(Note 4)	90,736,937	114,175,677	125,097,968	138,109,590		
Group's capital adequacy ratio (%)	(Note 4)	127.87	122.70	126.73	128.48			
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	953,326	370,659	454,108	476,347	(Note 2)	



Item	Year	Financial Analysis in the recent five years					Financial data for current year as of Feb. 28, 2017
		2012	2013	2014	2015	2016	
Describe reasons for changes in various financial ratios in the recent two years (No need of analysis for change under 20%):							
(1) Increases in NPL ratio as at December 31, 2016 over December 31, 2015 were mainly due to the increases of nonperforming loans and loans.							
(2) Decreases in assets growth ratio as at December 31, 2016 over December 31, 2015 were mainly due to slowing assets growth.							
(3) Decreases in profit growth ratio as at December 31, 2016 over December 31, 2015 were mainly due to decreases in income before income tax.							
(4) Changes in the cash flow related financial ratios in 2016 are caused mainly by increases of net cash inflows from operating activities.							

Note 1: 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.

Note 2: Please see financial reports of the respective years for more details.

Note 3: At the time this annual report was published, no audited financial data for 2017 were available.

Note 4: 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

Financial Analysis: GAAP

Unit : NT\$1,000

Item		Year	2012
Management capability	Turnover rate of total assets (times)		0.02
	Deposit/loan ratio of Taishin Bank (%)		80.62
	Deposit/loan ratio of Chang Hwa Bank (%)		86.84
	NPL ratio of Taishin Bank (%)		0.14
	NPL ratio of Chang Hwa Bank (%)		0.33
	Overdue credit-extension ratio of Taishin Bills Finance (%)		0
	Revenue per employee		3,598
	Profit per employee		1,245
Profit-making capability	Return on assets (%)		0.63
	Return on common shareholders' equity (%)		11.19
	Net profit rate (%)		34.60
	Earning per share (NT\$)		1.02
Financial Structure	Liabilities/assets ratio (%)		93.38
	Liabilities/book value ratio (%)		1411.58
	Double leverage ratio of the financial holding company (%)		119
	Financial ratio of the financial holding company according to article 41 of the law		None
Leverage extent	Business leverage extent		2.36
	Financial leverage extent of financial holding company		1.08
Growth rate	Assets growth (%)		3.77
	Profit growth (%)		5.79
Cash flow	Cash flow ratio (%)		2.59
	Propriety ratio of cash flow (%)		1.85
	Cash-flow satisfaction ratio (%)		(6.19)
Business scale	Market share of assets (%)		5.28
	Market share of book value (%)		4.83
	Market share of Taishin Bank's deposit (%)		2.90
	Market share of Chang Hwa Bank's deposit (%)		4.61
	Market share of Taishin Bank's loan extension (%)		2.97
	Market share of Chang Hwa Bank's loan extension (%)		5.10
Capital Adequacy	Capital adequacyratio	Taishin Bank	13.19
		Chang Hwa Bank	11.52
		Taishin Security	753.28
		Taishin Bills Finance	-
		Taishin AMC	88.67
		Taishin Securities Investment Trust	93.27
		Taishin Securities Investment Advisory	96.24
		Taishin Marketing Consultant	96.02
		Taishin Venture Capital	99.94
		Taishin Holdings Insurance Brokers	74.10



Item		Year	2012
Capital Adequacy	Eligible self-owned capital		228,984,320
	Group's eligible capital		116,405,194
	Subsidiary's statutory capital requirement		148,448,708
	Group's statutory capital requirement		82,711,306
	Group's capital adequacy ratio		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)			953,243 (Note 2)

Note 1: The above financial analytical data are consolidated figures, except those with specification for the financial holding company or subsidiaries.

Note 2: For details, refer to the financial statement of various years.

Note 3: 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
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8. BIS ratio (capital adequacy ratio)

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

C. The Audit committee Report**Taishin Financial Holding Co., Ltd.****Audit Committee Report**

May 4, 2017

The board of directors has prepared the 2016 business report, financial statements and earnings distribution proposal for the Company. The financial statements have been audited and certified by CPA Tza Li Gung and CPA Kwan-Chung Lai of Deloitte Taiwan, who have also expressed an opinion. The above reports and statements compiled by the board of directors have been audited by the Audit Committee and considered in compliance with relevant rules and regulations. Please kindly note that the report hereby presented has been prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

Taishin Financial Holding Co., Ltd. 2017 Annual General Meeting

The convener of Audit Committee

Lin, Neng-Pai





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.

Opinion

We have audited the accompanying financial statements of Taishin Financial Holding Co., Ltd. ("Taishin Financial Holdings") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended 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, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following were the key audit matters in the audit of the consolidated financial statements of the Group for the year ended December 31, 2016:

Impairments of Loans and Receivables from Defaulted Financial Instruments

The core businesses of the Group are commercial lending and issuing of various financial instruments. Loans and receivables are significant accounts because they accounted for 56% of the Group's total assets at December 31, 2016. Financial instruments are also significant because they are susceptible to market exchange rate or interest rate volatility and are exposed to counterparty default risk. The Group assesses loans and receivables from defaulted financial instruments for impairment in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". Please refer to Notes 5, 11 and 12 to the consolidated financial statements for the relevant information. The above mentioned impairment assessment is made by management using judgments and assumptions. Please refer to Note 6 to the consolidated financial statements for additional information. Therefore, we consider impairment of loans and receivables from defaulted financial instruments as a key audit matter.

We tested the design and operating effectiveness of controls and procedures for identifying loans and advances exposed to impairment and for ensuring that provisions against those assets are made. We identified loans and checked from public information to see whether the borrowers were possibly problematic companies, or have already been included in the companies under evaluation for credit limits. We assessed the reasonableness of the effective interest rate used in estimating future cash flows and the value of collaterals to confirm whether the Group has properly evaluated the provision for bad debts of problematic credit loans. We also evaluated whether the assumptions used in the impairment assessment model of the Group were reasonable in view of the current economic condition and actual situation of the loans and based on the occurrence rate and recovery rate of impairment in the past. Simultaneously, we checked the Group's compliance with regulations on assessment of impairment and we verified consistency of impairment calculation models.

We tested the design and operating effectiveness of the related controls in the Group's valuation of receivables from defaulted financial instruments. We also reviewed sample data on impairment assessment of receivables from defaulted financial instruments. Moreover, we verified to see whether impairment loss was recognized in accordance with IAS 39 and related regulations and to see whether payments were received after the date of financial statements.

Accuracy of Loans' Interest Revenue Recognition

For the year ended December 31, 2016, loan interest income was \$21,728,258 thousand, representing 60% of net revenue and gains; thus, was considered as a highly significant account in the financial statements and a key audit matter. Please refer to Notes 5 and 32 to the consolidated financial statements for related information.

Loan interest income is mainly calculated by the information system which uses data inputs and system parameters and arithmetic logic. We tested the design and operating effectiveness of the related controls over the system. The audit procedures included tests of accuracy of loan interest income recognized, and tests on whether controls over the authorities of responsible personnel who operate the system are effective. We selected and recalculated one month data from the annual interest income recognized using the information system and confirmed the amount to the carrying amount in the books.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements 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, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China., and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related

disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tza-Li Gung and Kwan-Chung Lai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2017

Notice to Readers

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

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, 2016 AND 2015**

(In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 5 and 7)	\$ 20,274,849	1	\$ 22,250,463	2
Due from the Central Bank and call loans to banks (Note 8)	76,897,693	5	46,840,901	3
Financial assets at fair value through profit or loss (Notes 5 and 9)	89,814,395	6	119,742,250	8
Available-for-sale financial assets, net (Notes 5, 10 and 31)	302,421,489	19	290,124,810	19
Securities purchased under resell agreements (Note 5)	5,340,360	1	2,978,852	-
Receivables, net (Notes 5, 11 and 12)	113,258,142	7	104,718,618	7
Current tax assets (Notes 5 and 38)	534,816	-	389,782	-
Loans, net (Notes 5, 6 and 12)	877,317,379	56	834,605,345	55
Held-to-maturity financial assets, net (Notes 5 and 13)	6,126	-	5,110	-
Investments accounted for using the equity method, net (Notes 5 and 14)	36,822,426	2	34,986,174	2
OTHER FINANCIAL ASSETS, NET				
Financial assets carried at cost, net (Note 15)	2,756,335	-	2,711,186	-
Other miscellaneous financial assets, net (Notes 12 and 16)	11,295,241	1	8,363,302	1
Other financial assets, net	14,051,576	1	11,074,488	1
Investment property, net (Notes 5 and 17)	866,065	-	891,781	-
Property and equipment, net (Notes 5 and 18)	18,514,420	1	18,234,698	1
Intangible assets, net (Notes 5 and 19)	2,200,915	-	2,022,001	-
Deferred tax assets (Notes 5 and 38)	2,950,676	-	3,517,778	-
Other assets, net (Note 20)	15,714,400	1	27,847,591	2
TOTAL	\$ 1,576,985,727	100	\$ 1,520,230,642	100

	2016		2015	
LIABILITIES AND EQUITY				
Due to the Central Bank and banks (Note 21)	\$ 46,966,461	3	\$ 64,689,878	4
Financial liabilities at fair value through profit or loss (Notes 5 and 9)	35,815,311	2	49,915,794	3
Securities sold under repurchase agreements (Note 5)	70,108,624	4	80,211,187	5
Commercial papers issued, net (Note 22)	8,537,889	1	2,672,740	-
Payables (Note 23)	30,162,981	2	21,115,147	2
Current tax liabilities (Notes 5 and 38)	1,123,810	-	625,188	-
Deposits and remittances (Note 24)	1,104,139,089	70	1,040,466,391	69
Bonds payable (Note 25)	75,000,000	5	75,000,000	5
Other borrowings (Note 26)	7,485,844	1	9,455,210	1
Provisions (Notes 5 and 27)	1,165,486	-	1,020,107	-
Other financial liabilities (Note 28)	44,120,749	3	47,180,126	3
Deferred tax liabilities (Notes 5 and 38)	127,762	-	57,347	-
Other liabilities (Note 29)	3,356,087	-	2,861,598	-
Total liabilities	<u>1,428,110,093</u>	<u>91</u>	<u>1,395,270,713</u>	<u>92</u>
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Note 31)				
Capital stock				
Common stock	95,130,986	6	88,599,429	6
Preferred stock	8,625,684	-	7,251,368	-
Advance receipts for capital stock	68,402	-	4,449	-
Capital surplus	27,132,585	2	10,220,503	1
Retained earnings				
Legal reserve	6,755,788	-	5,466,453	-
Special reserve	465,368	-	465,368	-
Unappropriated earnings	10,830,150	1	12,893,353	1
Other equity				
Exchange differences on translation of foreign financial statements	(168,382)	-	117,513	-
Unrealized gains (losses) on available-for-sale financial assets	(89,441)	-	(188,818)	-
Equity attributable to owners of parent	148,751,140	9	124,829,618	8
NON-CONTROLLING INTERESTS	<u>124,494</u>	<u>-</u>	<u>130,311</u>	<u>-</u>
Total equity	<u>148,875,634</u>	<u>9</u>	<u>124,959,929</u>	<u>8</u>
TOTAL	<u>\$ 1,576,985,727</u>	<u>100</u>	<u>\$ 1,520,230,642</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, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
INTEREST INCOME (Notes 5 and 32)	\$ 29,082,391	81	\$ 29,509,687	78
INTEREST EXPENSES (Note 32)	(11,078,256)	(31)	(11,712,867)	(31)
NET INTEREST INCOME (Note 32)	18,004,135	50	17,796,820	47
NET INCOME OTHER THAN NET INTEREST INCOME (Note 5)				
Net service fee and commissions income (Note 33)	11,011,010	30	11,412,017	30
Gain on financial assets and liabilities at fair value through profit or loss (Note 34)	3,261,365	9	4,513,255	12
Realized gain on available-for-sale financial assets (Note 35)	287,547	1	393,784	1
Foreign exchange gains (losses)	25,821	-	(563,632)	(1)
Impairment loss on assets (Notes 15 and 19)	(23,830)	-	(22,807)	-
Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 14)	2,768,976	8	2,668,975	7
Net other non-interest income				
Net other miscellaneous income	816,381	2	1,309,415	4
Net income other than net interest income	18,147,270	50	19,711,007	53
NET REVENUE AND GAINS	36,151,405	100	37,507,827	100
(PROVISIONS) REVERSED ALLOWANCE FOR BAD DEBT EXPENSES AND GUARANTEE LIABILITY (Notes 5 and 12)	(3,350,119)	(9)	(2,818,084)	(7)
OPERATING EXPENSES				
Employee benefits expenses (Note 36)	(11,312,362)	(31)	(11,394,141)	(30)
Depreciation and amortization expenses (Note 37)	(1,005,596)	(3)	(900,543)	(3)
Other general and administrative expenses	(7,513,535)	(21)	(7,498,535)	(20)
Total operating expenses	(19,831,493)	(55)	(19,793,219)	(53)
INCOME BEFORE INCOME TAX	12,969,793	36	14,896,524	40
INCOME TAX EXPENSE (Notes 5 and 38)	(1,577,360)	(5)	(1,670,433)	(5)
NET INCOME	11,392,433	31	13,226,091	35
OTHER COMPREHENSIVE INCOME				
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax				
Gain (losses) on remeasurements of defined benefit plans	(266,193)	(1)	(295,148)	(1)
Share of other comprehensive loss of associates and joint ventures accounted for using equity method	(46,247)	-	(84,381)	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	45,671	-	51,196	-

	2016		2015	
	Amount	%	Amount	%
Components of other comprehensive income that will be reclassified to profit or loss, net of tax				
Exchange differences on translation of foreign financial statements	(\$ 116,221)	-	(\$ 29,498)	-
Unrealized loss on available-for-sale financial assets	114,462	-	(517,712)	(1)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(198,644)	-	123,436	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	13,885	-	7,646	-
Other comprehensive income (loss), net of tax	(453,287)	(1)	(744,461)	(2)
TOTAL COMPREHENSIVE INCOME	<u>\$ 10,939,146</u>	<u>30</u>	<u>\$ 12,481,630</u>	<u>33</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of parent	\$ 11,399,434	31	\$ 13,222,544	35
Non-controlling interests	(7,001)	-	3,547	-
	<u>\$ 11,392,433</u>	<u>31</u>	<u>\$ 13,226,091</u>	<u>35</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of parent	\$ 10,944,967	30	\$ 12,477,225	33
Non-controlling interests	(5,821)	-	4,405	-
	<u>\$ 10,939,146</u>	<u>30</u>	<u>\$ 12,481,630</u>	<u>33</u>
EARNINGS PER SHARE (Note 39)				
Basic	<u>\$ 1.14</u>		<u>\$ 1.30</u>	
Diluted	<u>\$ 1.14</u>		<u>\$ 1.29</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, 2016 AND 2015

(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
BALANCE AT JANUARY 1, 2015	\$ 88,417,902	\$ 7,251,368	\$ 111,339	\$ 8,251,746	\$ 2,075,475
Appropriation of 2014 earnings					
Legal reserve	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-
Cash dividends from capital surplus	-	-	-	(435,492)	-
Others	-	-	-	-	-
Net income for the year ended December 31, 2015	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2015, net of tax	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-
Share-based payments	181,527	-	(106,890)	25,599	-
BALANCE AT DECEMBER 31, 2015	88,599,429	7,251,368	4,449	7,841,853	2,075,475
Appropriation of 2015 earnings					
Legal reserve	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-
Stock dividends	6,416,411	-	-	-	-
Net income for the year ended December 31, 2016	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2016, net of tax	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-
Redemption of preferred stock D	-	(3,625,684)	-	(3,072,981)	-
Issue of preferred stock E	-	5,000,000	-	19,986,431	-
Share-based payments	115,146	-	63,953	21,286	-
BALANCE AT DECEMBER 31, 2016	\$ 95,130,986	\$ 8,625,684	\$ 68,402	\$ 24,776,589	\$ 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		
\$ 313,619	\$ 5,315,307	\$ 465,368	\$ 1,511,461	\$ 150,908	\$ 193,921	\$ 125,889	\$ 114,184,303
-	151,146	-	(151,146)	-	-	-	-
-	-	-	(450,315)	-	-	-	(450,315)
-	-	-	(910,000)	-	-	-	(910,000)
-	-	-	-	-	-	-	(435,492)
-	-	-	-	-	(6)	-	(6)
-	-	-	13,222,544	-	-	3,547	13,226,091
-	-	-	(329,191)	(33,395)	(382,733)	858	(744,461)
-	-	-	12,893,353	(33,395)	(382,733)	4,405	12,481,630
(10,444)	-	-	-	-	-	17	89,809
303,175	5,466,453	465,368	12,893,353	117,513	(188,818)	130,311	124,959,929
-	1,289,335	-	(1,289,335)	-	-	-	-
-	-	-	(4,277,607)	-	-	-	(4,277,607)
-	-	-	(910,000)	-	-	-	(910,000)
-	-	-	(6,416,411)	-	-	-	-
-	-	-	11,399,434	-	-	(7,001)	11,392,433
-	-	-	(267,949)	(285,895)	99,377	1,180	(453,287)
-	-	-	11,131,485	(285,895)	99,377	(5,821)	10,939,146
-	-	-	(301,335)	-	-	-	(7,000,000)
-	-	-	-	-	-	-	24,986,431
(22,654)	-	-	-	-	-	4	177,735
\$ 280,521	\$ 6,755,788	\$ 465,368	\$ 10,830,150	(\$ 168,382)	(\$ 89,441)	\$ 124,494	\$ 148,875,634

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 12,969,793	\$ 14,896,524
Adjustments:		
Adjustments to reconcile profit or loss		
Depreciation expenses	814,244	718,204
Amortization expenses	191,352	182,339
Provisions (reversed) allowance for bad debts expenses and guarantee liability	3,350,119	2,818,084
Net gain on financial assets and liabilities at fair value through profit or loss	(3,261,365)	(4,513,255)
Interest expenses	11,078,256	11,712,867
Interest income	(29,082,391)	(29,509,687)
Dividends income	(77,848)	(239,299)
Share-based payments	31,447	831
Share of profit of associates and joint ventures accounted for using equity method	(2,768,976)	(2,668,975)
Gain on disposal of investments	(298,482)	(269,612)
Impairment loss on financial assets	23,830	22,807
Other adjustments	1,958,161	773,580
Total adjustments	(18,041,653)	(20,972,116)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank	(16,449,556)	412,984
Decrease (increase) in financial assets at fair value through profit or loss	55,922,327	(5,159,007)
Increase in available-for-sale financial assets	(13,926,784)	(46,911,246)
Increase in securities purchased under resell agreements	(1,023,568)	(24,939)
Increase in receivables	(10,592,636)	(6,962,674)
Increase in loans	(44,199,715)	(29,340,363)
(Increase) decrease in other financial assets	(2,714,688)	979,602
Decrease (increase) in other assets	12,133,044	(6,546,702)
Decrease in due to the Central Bank and banks	(1,604,742)	(1,042,240)
Decrease in financial liabilities at fair value through profit or loss	(37,299,228)	(12,332,000)
(Decrease) increase in securities sold under repurchase agreements	(10,102,563)	10,486,695
Increase (decrease) in payables	9,094,343	(1,499,529)
Increase in deposits and remittances	63,672,698	75,137,733
Decrease in provisions	(159,422)	(11,460)
Decrease in other financial liabilities	(3,059,377)	(5,564,143)
Increase in other liabilities	450,030	71,376
Cash used in operations	(4,931,697)	(34,381,505)
Interest received	29,653,330	29,808,728
Dividend received	834,058	649,931
Interest paid	(11,175,427)	(11,684,231)

(Continued)

	2016	2015
Income taxes refund	\$ 51,138	\$ 99,481
Income taxes paid	(560,599)	(2,211,784)
Net cash generated from (used in) operating activities	<u>13,870,803</u>	<u>(17,719,380)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Decrease in debts investment without active market	-	300,000
Acquisition of financial assets at cost	(135,448)	(185,284)
Proceeds from disposal of financial assets at cost	-	34,211
Proceeds from capital reduction of financial assets at cost	31,677	33,688
Proceeds from disposal of subsidiaries	-	74,611
Acquisition of property and equipment	(1,112,032)	(986,318)
Proceeds from disposal of property and equipment	39,429	843
Acquisition of intangible assets	(385,444)	(201,737)
Proceeds from disposal of investment property	27,758	25,814
Net cash used in investing activities	<u>(1,534,060)</u>	<u>(904,172)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in due to the Central Bank and banks	(16,118,675)	9,728,270
Increase in commercial papers payable	5,865,836	2,023,351
Proceeds from issuing bank debentures	-	20,000,000
(Decrease) increase in other borrowings	(1,969,366)	3,219,769
Proceeds from issue of preferred stock E	24,986,431	-
Cash dividends distributed	(5,187,607)	(1,795,807)
Exercise of employee share options	172,421	76,260
Redemption of preferred stock D	(7,000,000)	-
Net cash generated from financing activities	<u>749,040</u>	<u>33,251,843</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(116,221)</u>	<u>(29,498)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,969,562	14,598,793
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>39,356,997</u>	<u>24,758,204</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 52,326,559</u>	<u>\$ 39,356,997</u>

Reconciliation of cash and cash equivalents:

	2016	2015
Cash and cash equivalents in consolidated balance sheets	\$ 20,274,849	\$ 22,250,463
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	27,759,857	14,152,621
Securities purchased under resell agreements qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	<u>4,291,853</u>	<u>2,953,913</u>
Cash and cash equivalents at the end of the year	<u>\$ 52,326,559</u>	<u>\$ 39,356,997</u>

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, 2016 AND 2015

(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 did not obtain more than half of the total in number of directors. Therefore, Taishin Financial Holding lost the control of Chang Hwa Bank and 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, 2016.

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 Holdings Insurance Brokers operations include property insurance broker service and life insurance broker service. In order to integrating group resources and effectively utilizing operational capital to advance operational performance, the Company planned to conduct group internal restructure. The

Company intended to have Taishin Bank merge Taishin Holdings Insurance Brokers. Therefore, on October 29, 2015, the board of Taishin Bank (acting as shareholders of Taishin Bank) resolved that the surviving company is Taishin Bank and the dissolved company is Taishin Holdings Insurance Brokers. On December 30, 2015, the merger was endorsed by the FSC. The merging base date is April 24, 2016. The consideration of Taishin Holding Insurance Brokers is its audited net value on the merging base date. Taishin Bank pays in cash and bears the overall assets, liabilities and operation of Taishin Holding Insurance Brokers.

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.

Xiang An Life Insurance Agency Co., Ltd. ("Xiang An Insurance Agency") was established in September 1996 and provides life insurance agent service. Xiang An Insurance Agency owned 100% equity interest of Taishin Insurance Brokers Co., Ltd. ("Taishin Insurance Brokers"). Taishin Insurance Brokers had dissolved in July 2015, and liquidated in March 2016.

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.

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 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.



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, and also International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (“FSC”).

3. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on February 23, 2017.

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

a. International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017 and not yet effective amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies.

Rule No. 1050026834 issued by the FSC endorsed the IFRS for application starting from 2017.

New, Amended or Revised Standards and Interpretations(the “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 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
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 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 or amended IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date 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: 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.

Rule No. 10510005570 issued by the FSC stipulated that the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies starting from the date of issuance.

The initial application of the above IFRSs and related amendments would not have any material impact on the Group's accounting policies.

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

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
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
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IFRS 15 "Explanation of IFRS 15"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

The initial application of the above IFRS and related amendments to the standards and interpretations would not have any material impact on the Group's accounting policies, except for the following:

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 impairment loss on financial assets to be 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.

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required.

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

According to Rule No. 1030029342 and No. 1030010325 issued by the FSC, the Group applied 2013 IFRSs version and related modified Regulations Governing the Preparation of Financial Reports by Securities Issuers approved by the FSC since 2015.

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 fair value (refer to the summary of 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 dollar. 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-endorsed 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 report. The Group believes that the consolidated financial report was prepared 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 44.



Basis of Consolidation

a. Principle of consolidated financial reports preparation

This consolidated financial report has included financial reports prepared by Taishin Financial Holding and entities controlled by Taishin Financial Holding.

The Group has control over its investees if it has all the following elements:

- 1) Power over the investee, voting or other rights.
- 2) Exposure, or rights, to variable returns from involvement with the investee;
- 3) The ability to use power over the investee to affect the amount of the investor's returns.

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.

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 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 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. 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 IFRS 3 “Business Combinations” endorsed by the FSC 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 IAS 39 “Financial Instruments: Recognition and Measurement” endorsed by the FSC.
- 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, 2016 and 2015 were as follows:

Investor	Subsidiary	Ownership Interest (%)	
		December 31 2016	December 31 2015
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 Venture Capital	100.00%	100.00%
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	- (Note 1)	100.00%
Taishin Bank	Taishin Real-Estate	60.00%	60.00%
Taishin Bank	Xiang An Insurance Agency (Note 2)	87.40%	87.40%
Taishin Bank	Taishin D.A. Finance	100.00%	100.00%
Taishin AMC	Taishin Real-Estate	40.00%	40.00%
Xiang An Insurance Agency	Taishin Insurance Brokers	- (Note 3)	100.00%
Taishin Venture Capital	Taishin Financial Leasing (China)	100.00%	100.00%
Taishin Venture Capital	Taishin Financial Leasing (Tianjin)	100.00%	100.00%

Note 1: Taishin Holding Insurance Brokers was merged with Taishin Bank and extinguished on April 24, 2016.

Note 2: Taishin Insurance Agency was established in September 1996, and changed the company name to Xiang An Insurance Agency on August 19, 2016.

Note 3: Taishin Insurance Brokers had dissolved in July 2015, and liquidated in March 2016.



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 IAS 7 endorsed by the FSC.

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 Group uses the equity method to recognize the investment in associates. 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 IAS 36 "Impairment of Assets" endorsed by the FSC 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-endorsed IAS 36 "Impairment of Assets" endorsed by the FSC 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 recognized accumulated depreciation and 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-endorsed 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-endorsed IAS 16 is adopted. Investment properties held to earn rentals or/and for capital appreciation are under the regulation of the FSC-endorsed 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 (Except Goodwill)

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-endorsed 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 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 44.

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 44.

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 asset 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 held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability.

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income. However, in the case of avoiding an accounting mismatch or the amount of changes in fair value is due to loan commitment and financial guarantee contracts, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 44.

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-endorsed IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and
- b) The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with FSC-endorsed 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-endorsed IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

- b) The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with FSC-endorsed 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.

Financial assets and financial liabilities offsetting

Financial assets and financial liabilities are allowed to be offset and expressed in net amount in consolidated balance sheets when amounts to be offset are 1) objects of legally enforceable right to offset, and 2) objects of intended net settlement, i.e. liquidation of assets for discharge of liabilities.

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.

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.

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.

Net defined benefit liability (asset) remeasurement comprises 1) actuarial gains and losses on the defined benefit obligation; 2) return on plan assets, excluding the net interest on the net defined benefit liability (asset); and 3) any changes in the effect of the limit involving surplus in a defined benefit plan, excluding the net interest on the net defined benefit liability (asset). Moreover, the net defined benefit liability (asset) remeasurements are recognized in other comprehensive income; these remeasurements should be transferred immediately to retained earnings, and will not be reclassified to profit or loss. Significant unrecognized past service cost is immediately recognized retrospectively in profit or loss. If the defined benefit retirement plan is curtailed or settled, the gain or loss on curtailment or settlement is recognized.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

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. The difference between the premium rate and the market rate is classified as employee benefits.

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-endorsed 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:

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, 2016 and 2015, the carrying amounts of loans are illustrated in Note 12.

7. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	\$ 9,692,286	\$ 8,413,180
Checks for clearing	1,931,711	715,279
Due from banks	5,691,765	9,942,180
Others	2,959,087	3,179,824
	<u>\$ 20,274,849</u>	<u>\$ 22,250,463</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 BANKS

	December 31	
	2016	2015
Deposit reserve in the Central Bank		
Reserve for checking account	\$ 22,024,238	\$ 7,524,570
Reserve for demand account	26,031,359	24,032,745
Reserve for foreign deposit	67,284	113,238
Deposit transferred to the Central Bank	14,873	17,418
	<u>48,137,754</u>	<u>31,687,971</u>
Call loans to other banks	27,759,857	14,152,621
Interbank clearing fund	1,000,082	1,000,309
	<u>\$ 76,897,693</u>	<u>\$ 46,840,901</u>

9. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
Financial assets held for trading		
Derivative instrument		
Futures	\$ 344,413	\$ 76,820
Forward exchange contracts	2,347,495	3,081,180
Currency swaps	14,277,945	15,829,491
Interest rate swaps	11,003,403	14,111,708
Cross-currency swaps	582,229	661,506
Foreign-exchange options	8,448,826	14,422,955
Asset-swap options	1,776	-
Equity-linked options	-	4,543
Commodity options	348	9,468
Equity-linked swaps	19,692	323,238
Commodity price swaps	-	30,932
Structured products	77	-
Non-derivative financial assets		
Investment in bills	28,140,542	25,117,908
Domestic and overseas stocks and beneficiary certificates	517,393	656,322
Government bonds	15,705,327	38,788,944
Corporate bonds, bank debentures and other bonds	3,766,150	4,450,906
Trading securities		
Dealing	3,695,898	1,168,105
Underwriting	658,428	719,651
Hedging	304,453	288,573
Financial assets at FVTPL	<u>\$ 89,814,395</u>	<u>\$ 119,742,250</u>
Financial liabilities held for trading		
Derivative instrument		
Futures	\$ 2,800	\$ 2,213
Forward exchange contracts	2,389,041	2,887,870
Currency swaps	12,301,154	16,436,370
Interest rate swaps	11,096,015	14,590,020
Cross-currency swaps	447,831	645,797
Foreign-exchange options	8,399,316	14,785,472
Asset-swap options	99,054	-
Commodity options	348	9,431
Equity-linked options	314,289	171,662
Equity-linked swaps	19,691	323,161
Commodity price swaps	-	31,197
Liabilities for issuance of call (put) warrants, net	27,539	32,601
Non-derivative financial liabilities		
Short sales of bonds and borrowing security payable	718,233	-
Financial liabilities at FVTPL	<u>\$ 35,815,311</u>	<u>\$ 49,915,794</u>

a. The Group engaged in various derivative instruments in the years ended December 31, 2016 and 2015 to fulfill customers' needs of Taishin Bank and Taishin Securities B as well as to manage assets and liabilities positions and risk of Taishin Bank.

**b. The nominal principal amounts of outstanding derivative contracts were as follows:**

	December 31	
	2016	2015
Futures	\$ 408,419	\$ 978,350
Forward exchange contracts	113,265,114	223,288,630
Currency swaps	1,188,153,140	1,326,457,441
Cross-currency swaps	16,800,076	27,517,129
Foreign-exchange options	342,720,614	834,915,748
Interest rate options	-	1,328,000
Asset-swap options	231,000	-
Equity-linked options	2,261,000	3,948,300
Commodity options	441,901	690,114
Interest rate swaps	1,055,933,654	689,859,436
Equity-linked swaps	508,247	2,059,884
Commodity price swaps	-	157,288
Fixed rate commercial papers	10,200,000	9,200,000
Structured products	6,000	-

c. Details of call (put) warrants and fair value of repurchased call (put) warrants were as follows:

	December 31	
	2016	2015
Call (put) warrants issued	\$ 1,397,570	\$ 1,379,725
Less: Gain on change in fair value	(567,730)	(773,660)
	<u>829,840</u>	<u>606,065</u>
Repurchased call (put) warrants	1,206,892	1,016,299
Less: Loss on change in fair value	(404,591)	(442,835)
	<u>802,301</u>	<u>573,464</u>
Net call (put) warrants issued	<u>\$ 27,539</u>	<u>\$ 32,601</u>

The call (put) warrants which were issued by Taishin Securities B, are exercisable within six to eight months from the date listed on market and will be settled in cash or in securities by Taishin Securities' choice.

The fair value of call (put) warrants was accounted by the closing price on the last transaction day of the balance sheet date.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
Investment in bills	\$ 207,400,055	\$ 182,544,058
Domestic and overseas stocks	3,496,516	2,310,270
Beneficiary certificates	156,873	850,376
Government bonds	37,863,851	48,581,490
Corporate bonds	23,584,415	27,707,263
Bank debentures	29,157,623	26,236,698
Beneficiary's securities	762,156	1,894,655
	<u>\$ 302,421,489</u>	<u>\$ 290,124,810</u>

- a. Please refer to Note 44 (financial instrument) for the determination of fair values of available-for-sale financial assets.
- b. Taishin Bank invested in asset securitization commodity of non-subsidary interests in structured entities in the aggregate amount of \$762,156 thousand and \$1,894,655 thousand as of December 31, 2016 and 2015. The funds used were provided by Taishin Bank and third parties. The objective of Taishin Bank's investment is to generate investment interests. The maximum amount of exposure can equal the carrying amount of the assets held. Taishin Bank did not offer any financial support relative to the asset securitization commodity of non-subsidary interests in structured entities for the years ended December 31, 2016 and 2015.
- c. Please refer to Note 46 for information relating to available-for-sale financial assets pledged as collaterals.

11. RECEIVABLES

	December 31	
	2016	2015
Notes and accounts receivable	\$ 70,138,201	\$ 67,751,724
Credit card receivable	41,743,767	36,789,967
Interest receivable	2,477,156	2,824,298
Securities margin loans receivable	1,556,635	1,340,040
Other receivables	1,812,856	1,608,792
Adjustment for discount	(1,975,744)	(2,240,301)
	115,752,871	108,074,520
Less: Allowance for receivables	(2,494,729)	(3,355,902)
	<u>\$ 113,258,142</u>	<u>\$ 104,718,618</u>

Please refer to Note 12 for the movements of allowance for receivables.

12. LOANS

- a. The details of loans were as follows:

	December 31	
	2016	2015
Negotiated	\$ 1,325,135	\$ 1,971,855
Overdrafts	1,822,509	1,016,939
Discounts	11,151	5,132
Short-term loans	195,632,072	193,167,913
Medium-term loans	293,813,213	279,863,197
Long-term loans	396,126,499	369,852,085
Delinquent loans	2,195,087	1,368,841
Adjustment for discount	(651,913)	(661,515)
	890,273,753	846,584,447
Less: Allowance for loan losses	(12,956,374)	(11,979,102)
	<u>\$ 877,317,379</u>	<u>\$ 834,605,345</u>

**b. Movements of allowance for loan losses were as follows:**

	For the Year Ended December 31, 2016			
	Receivables	Loans	Other Miscellaneous Financial Assets	Total
Balance, January 1, 2016	\$ 3,355,902	\$ 11,979,102	\$ 151,605	\$ 15,486,609
Provision for (reversal of) loan losses	1,963,233	1,487,681	(139,403)	3,311,511
Loans written off	(2,885,150)	(1,947,912)	(281,517)	(5,114,579)
Recovery of loans written off	70,533	1,437,503	458,993	1,967,029
Exchange differences and others	(9,789)	-	-	(9,789)
Balance, December 31, 2016	<u>\$ 2,494,729</u>	<u>\$ 12,956,374</u>	<u>\$ 189,678</u>	<u>\$ 15,640,781</u>

	For the Year Ended December 31, 2015			
	Receivables	Loans	Other Miscellaneous Financial Assets	Total
Balance, January 1, 2015	\$ 1,134,591	\$ 10,821,043	\$ 194,413	\$ 12,150,047
Provision for (reversal of) loan losses	2,508,607	487,747	(120,675)	2,875,679
Loans written off	(322,952)	(1,123,750)	(419,754)	(1,866,456)
Recovery of loans written off	38,193	1,794,062	497,621	2,329,876
Exchange differences and others	(2,537)	-	-	(2,537)
Balance, December 31, 2015	<u>\$ 3,355,902</u>	<u>\$ 11,979,102</u>	<u>\$ 151,605</u>	<u>\$ 15,486,609</u>

c. Details of provision for (reversal of) of allowance for loan losses and liability guarantee provisions for 2016 and 2015 were as follows:

	2016	2015
Provision for (reversal of) allowance for losses of receivables, loans and other miscellaneous financial assets	\$ 3,311,511	\$ 2,875,679
(Reversal of) provision for loss on guarantees	38,608	(57,595)
	<u>\$ 3,350,119</u>	<u>\$ 2,818,084</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, 2016	December 31, 2015
Objective evidence of impairment	Individual assessment of impairment	\$ 2,330,359	\$ 3,643,461
	Combined assessment of impairment	2,819,861	3,165,100
Nonobjective evidence of impairment	Combined assessment of impairment	112,880,386	103,825,734
Total		\$ 118,030,606	\$ 110,634,295

Item		Total Allowance	
		December 31, 2016	December 31, 2015
Objective evidence of impairment	Individual assessment of impairment	\$ 2,064,279	\$ 2,893,793
	Combined assessment of impairment	348,241	369,842
Nonobjective evidence of impairment	Combined assessment of impairment	271,887	243,872
Total		\$ 2,684,407	\$ 3,507,507

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, 2016	December 31, 2015
Objective evidence of impairment	Individual assessment of impairment	\$ 6,644,606	\$ 5,296,537
	Combined assessment of impairment	9,062,226	9,162,987
Nonobjective evidence of impairment	Combined assessment of impairment	875,218,834	832,786,438
Total		\$ 890,925,666	\$ 847,245,962

Item		Total Allowance	
		December 31, 2016	December 31, 2015
Objective evidence of impairment	Individual assessment of impairment	\$ 5,178,475	\$ 4,160,937
	Combined assessment of impairment	3,060,786	2,884,399
Nonobjective evidence of impairment	Combined assessment of impairment	4,717,113	4,933,766
Total		\$ 12,956,374	\$ 11,979,102

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

13. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2016	2015
Government bonds	\$ <u>6,126</u>	\$ <u>5,110</u>

Please refer to Note 46 for information relating to held-to-maturity financial assets pledged as collaterals.

14. 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, 2016		December 31, 2015	
	Carrying Value	Ownership Interest and Voting Rights (%)	Carrying Value	Ownership Interest and Voting Rights (%)
Listed company				
Chang Hwa Bank	\$ 36,746,008	22.81	\$ 34,909,121	22.81
Unlisted shares				
An Hsin Real-Estate Management Co., Ltd. ("An Hsin Real-Estate")	<u>76,418</u>	30.00	<u>77,053</u>	30.00
	<u>\$ 36,822,426</u>		<u>\$ 34,986,174</u>	

Fair value of investment in associate for which there are published price quotation are summarized as follows based on the closing price of the investment at the balance sheet date:

	December 31	
	2016	2015
Chang Hwa Bank	\$ <u>35,072,326</u>	\$ <u>30,289,649</u>



The summarized financial information in respect of the Group's associates was set out below:

	December 31	
	2016	2015
Total assets	\$ 2,005,421,250	\$ 1,907,328,573
Total liabilities	\$ 1,867,643,502	\$ 1,777,597,759

	December 31	
	2016	2015
Net income	\$ 12,126,328	\$ 11,689,419
Other comprehensive income	(\$ 1,077,376)	\$ 171,234
Total comprehensive income	\$ 11,048,952	\$ 11,860,653

The Group received dividends from Chang Hwa Bank in the amounts of \$675,247 thousand and \$360,613 thousand for the years ended December 31, 2016 and 2015, respectively.

b. The reconciliation of the material associates' summarized financial information and the carrying amount of the Group's interest.

	December 31	
	2016	2015
Chang Hwa Bank's net assets	\$ 137,523,525	\$ 129,474,959
Amount owned by the Group	\$ 31,371,743	\$ 29,535,706
Goodwill and other adjustments	5,374,265	5,373,415
Book value	\$ 36,746,008	\$ 34,909,121

c. On December 8, 2014 the Company filed a civil action against the Ministry of Finance for its default on obtaining more Chang Hwa Bank board seats than committed in the contract. On April 27, 2016 Taipei District Court ruled that the contractual relationship exists between the Ministry of Finance and the Company. However, Taipei District Court is not in favor of the Company to reassign the reprehensible of directors in the 24th session Chang Hwa Bank board.

On May 19, 2016, the Company has appealed to a Higher Court to protect the Company's interest.

d. The Group's equity-method investments were not pledged as collaterals as of December 31, 2016 and 2015.

15. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2016	2015
Domestic and overseas unlisted stocks	\$ 2,756,335	\$ 2,711,186
Classified according to financial asset measurement category		
Available-for-sale financial assets	\$ 2,756,335	\$ 2,711,186

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 Kuen Ji Venture Capital Co., Ltd., Innosor Technology Corporation, Li Yu Venture Capital Co., Ltd. and Youn Shin Artistic Co., Ltd. The investment value has been impaired and possibility of restoration was very small; thus, the Group had recognized impairment loss of \$9,460 thousand and \$22,807 thousand for 2016 and 2015, respectively.

Please refer to Note 46 for information relating to financial assets carried at cost pledged as collaterals.

16. OTHER MISCELLANEOUS FINANCIAL ASSETS

	December 31	
	2016	2015
Delinquent loans reclassified from other items (excluding loans)	\$ 301,990	\$ 319,196
Less: Allowance for bad debt	(189,678)	(151,605)
Time deposit with original maturity more than 3 months	9,967,463	7,997,644
Deposits for borrowing securities	894,851	-
Gold account	301,050	197,789
Guaranteed price deposits for securities borrowing	19,564	-
Purchase credit receivables	1	278
	<u>\$ 11,295,241</u>	<u>\$ 8,363,302</u>

Please refer to Note 12 for the movements of allowance for other miscellaneous financial assets. Please refer to Note 46 for the information relating to time deposit with original maturity more than 3 months pledged as collaterals.

17. INVESTMENT PROPERTY

	December 31	
	2016	2015
Investment property		
Land	\$ 596,444	\$ 600,964
Buildings		
Cost	322,251	336,952
Accumulated depreciation	(52,630)	(46,135)
	<u>269,621</u>	<u>290,817</u>
	<u>\$ 866,065</u>	<u>\$ 891,781</u>

	Land	Buildings	Total
<u>Cost</u>			
Balance, January 1, 2016	\$ 600,964	\$ 336,952	\$ 937,916
Disposals	(4,520)	(14,701)	(19,221)
Balance, December 31, 2016	<u>\$ 596,444</u>	<u>\$ 322,251</u>	<u>\$ 918,695</u>
Balance, January 1, 2015	\$ 619,716	\$ 340,277	\$ 959,993
Disposals	(18,752)	(3,325)	(22,077)
Balance, December 31, 2015	<u>\$ 600,964</u>	<u>\$ 336,952</u>	<u>\$ 937,916</u>
<u>Accumulated depreciation</u>			
Balance, January 1, 2016	\$ -	\$ 46,135	\$ 46,135
Depreciation	-	9,419	9,419
Disposals	-	(2,924)	(2,924)
Balance, December 31, 2016	<u>\$ -</u>	<u>\$ 52,630</u>	<u>\$ 52,630</u>
Balance, January 1, 2015	\$ -	\$ 37,638	\$ 37,638
Depreciation	-	9,796	9,796
Disposals	-	(1,299)	(1,299)
Balance, December 31, 2015	<u>\$ -</u>	<u>\$ 46,135</u>	<u>\$ 46,135</u>



The investment properties held by the Group are depreciated over the following estimated useful lives using the straight-line method.

Buildings 12-46 years

The rental incomes and direct operating expenses generated by the investment properties for 2016 and 2015 were as follows:

	For the Year Ended December 31	
	2016	2015
Rental income	\$ 29,264	\$ 29,694
Direct operating expenses of investment properties that generated rental income	\$ 8,201	\$ 8,921
Direct operating expenses of investment properties that did not generate rental income	3,004	3,010
	<u>\$ 11,205</u>	<u>\$ 11,931</u>

The fair values of the Group's investment properties as of December 31, 2016 and 2015 were all \$1,244,552 thousand, respectively. The fair values were determined by the Group's management based on the valuation models measured by the third level input value generally used by the market participants.

18. PROPERTY AND EQUIPMENT

	December 31	
	2016	2015
Land	\$ 10,960,309	\$ 10,983,239
Buildings	5,256,485	5,389,314
Machinery equipment	1,828,577	1,342,353
Transportation equipment	75,951	80,367
Miscellaneous equipment	66,269	70,248
Leasehold improvement	259,579	276,561
Leased assets	12,652	-
Prepayments for buildings, and equipment	54,598	92,616
	<u>\$ 18,514,420</u>	<u>\$ 18,234,698</u>

	Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Prepayment for Buildings and Equipment	Total
Balance, January 1, 2016	\$ 10,983,239	\$ 7,842,433	\$ 2,198,856	\$ 131,310	\$ 128,264	\$ 516,614	\$ -	\$ 92,616	\$ 21,893,332
Additions	4,619	36,828	888,292	17,609	18,598	49,963	16,443	79,680	1,112,032
Disposals	(27,549)	(55,775)	(260,113)	(8,506)	(17,307)	(64,813)	-	(706)	(434,769)
Reclassification	-	64,479	20,405	-	(5,635)	41,507	-	(116,992)	3,764
Effect of foreign currency exchange differences	-	-	(6,843)	-	-	(5,041)	-	-	(11,884)
Balance, December 31, 2016	<u>\$ 10,960,309</u>	<u>\$ 7,887,965</u>	<u>\$ 2,840,597</u>	<u>\$ 140,413</u>	<u>\$ 123,920</u>	<u>\$ 538,230</u>	<u>\$ 16,443</u>	<u>\$ 54,598</u>	<u>\$ 22,562,475</u>

	Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Prepayment for Buildings and Equipment	Total
Balance, January 1, 2015	\$ 10,983,239	\$ 7,812,859	\$ 1,657,443	\$ 91,659	\$ 126,559	\$ 453,964	\$ -	\$ 54,635	\$ 21,180,358
Additions	-	22,051	679,763	40,027	27,850	72,408	-	144,219	986,318
Disposals	-	(22,742)	(157,485)	(376)	(11,453)	(79,323)	-	-	(271,379)
Reclassification	-	30,265	20,095	-	(14,692)	70,283	-	(106,238)	(287)
Effect of foreign currency exchange differences	-	-	(960)	-	-	(718)	-	-	(1,678)
Balance, December 31, 2015	<u>\$ 10,983,239</u>	<u>\$ 7,842,433</u>	<u>\$ 2,198,856</u>	<u>\$ 131,310</u>	<u>\$ 128,264</u>	<u>\$ 516,614</u>	<u>\$ -</u>	<u>\$ 92,616</u>	<u>\$ 21,893,332</u>
Accumulated depreciation									
Balance, January 1, 2016	\$ -	\$ 2,453,119	\$ 856,503	\$ 50,943	\$ 58,016	\$ 240,053	\$ -	\$ -	\$ 3,658,634
Depreciation	-	228,203	419,495	22,023	20,100	111,213	3,791	-	804,825
Disposals	-	(53,055)	(259,284)	(8,504)	(17,039)	(64,812)	-	-	(402,694)
Reclassification	-	3,213	3,800	-	(3,426)	-	-	-	3,587
Effect of foreign currency exchange differences	-	-	(8,494)	-	-	(7,803)	-	-	(16,297)
Balance, December 31, 2016	<u>\$ -</u>	<u>\$ 2,631,480</u>	<u>\$ 1,012,020</u>	<u>\$ 64,462</u>	<u>\$ 57,651</u>	<u>\$ 278,651</u>	<u>\$ 3,791</u>	<u>\$ -</u>	<u>\$ 4,048,055</u>
Balance, January 1, 2015	\$ -	\$ 2,247,722	\$ 679,101	\$ 32,849	\$ 51,414	\$ 210,449	\$ -	\$ -	\$ 3,221,535
Depreciation	-	228,139	331,712	18,466	21,270	108,821	-	-	708,408
Disposals	-	(22,742)	(157,136)	(372)	(11,348)	(78,835)	-	-	(270,433)
Reclassification	-	-	3,320	-	(3,320)	-	-	-	-
Effect of foreign currency exchange differences	-	-	(494)	-	-	(382)	-	-	(876)
Balance, December 31, 2015	<u>\$ -</u>	<u>\$ 2,453,119</u>	<u>\$ 856,503</u>	<u>\$ 50,943</u>	<u>\$ 58,016</u>	<u>\$ 240,053</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,658,634</u>

The above items of property and equipment are depreciated on a straight-line basis at the following estimated useful lives.

Buildings	36-55 years
Machinery equipment	2-9 years
Transportation equipment	4-6 years
Miscellaneous equipment	3-10 years
Leasehold improvements	1-6 years
Leased assets	3-6 years

19. INTANGIBLE ASSETS

	December 31	
	2016	2015
Goodwill	\$ 1,567,391	\$ 1,581,761
Intangible assets - customer value	4,406	6,504
Intangible assets - computer software	629,118	433,736
	<u>\$ 2,200,915</u>	<u>\$ 2,022,001</u>



	Goodwill	Customer Value	Computer Software	Concession	Total
Balance, January 1, 2016	\$ 1,581,761	\$ 6,504	\$ 433,736	\$ -	\$ 2,022,001
Additions	-	-	385,444	-	385,444
Impairment loss	(14,370)	-	-	-	(14,370)
Amortization	-	(2,098)	(189,157)	-	(191,255)
Reclassification	-	-	516	-	516
Effect of foreign currency exchange differences	-	-	(1,421)	-	(1,421)
Balance, December 31, 2016	<u>\$ 1,567,391</u>	<u>\$ 4,406</u>	<u>\$ 629,118</u>	<u>\$ -</u>	<u>\$ 2,200,915</u>
Balance, January 1, 2015	\$ 1,581,761	\$ 31,034	\$ 385,758	\$ 3,444	\$ 2,001,997
Additions	-	-	201,737	-	201,737
Amortization	-	(24,530)	(153,518)	(3,444)	(181,492)
Effect of foreign currency exchange differences	-	-	(241)	-	(241)
Balance, December 31, 2015	<u>\$ 1,581,761</u>	<u>\$ 6,504</u>	<u>\$ 433,736</u>	<u>\$ -</u>	<u>\$ 2,022,001</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, 2016 and 2015 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, 2016 and 2015 was all \$4,187 thousand with no material impairment loss noted.

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, 2016 and 2015 was all \$267,336 thousand with no material impairment loss noted.

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 valued at \$425,300 thousand. Taishin Securities Investment Trust valued the recoverable amount of goodwill and recognized impairment loss for goodwill in the amount of \$14,370 thousand for the year ended December 31, 2016. The recoverable amount was valued on the basis of use value. The main reason of impairment is profitability of Taishin Securities Investment Trust. The unamortized amount as of December 31, 2016 and 2015 were \$410,930 thousand and \$425,300 thousand, respectively.

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. The customer value had been fully amortized in 2015.

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 \$4,406 thousand and \$6,504 thousand as of December 31, 2016 and 2015, 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. The concession had been fully amortized in 2015.

20. OTHER ASSETS, NET

	December 31	
	2016	2015
Prepayments	\$ 705,988	\$ 689,675
Refundable deposits	14,008,152	25,906,137
Operating guarantee deposits and settlement funds	157,321	154,664
Collaterals, net	439,161	439,161
Less: Accumulated impairment	(19,142)	(19,142)
Excess business tax paid	369,557	610,928
Others	53,363	66,168
	<u>\$ 15,714,400</u>	<u>\$ 27,847,591</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 \$5 million for each additional branch in the form of cash, government bonds, or financial debentures as operating deposits to be placed in designated banks. 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.

As of December 31, 2016 and 2015, the operating deposits were all \$180,000 thousand.

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 make an operating deposit of \$50 million where the paid-in capital of a SITE or a SICE is \$300 million



or more. Taishin Securities Investment Trust made an additional operating deposit of \$25 million based on Rule No. 09700189766 issued by the FSC on May 12, 2008. In addition, as stipulated in the Regulations Governing Offshore Funds Article 10, \$30 million of operating deposits should be made by Taishin Securities Investment Trust and Taishin Securities Investment Advisory as representatives of funds managed by one offshore fund manager, respectively. In conducting the business of selling offshore funds, Taishin Securities Investment Trust should make 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. Taishin Securities B has allocated adequate funds based on Rules Governing Securities Firms.

All dealers are required to deposit \$5 million as settlement fund to the Taiwan Stock Exchange before starting trading activities. Taishin Securities B has allocated adequate funds based on Rules Governing Securities Firms.

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. Taishin Securities B has allocated adequate funds based on Rules Governing Securities Firms.

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.

As of December 31, 2016 and 2015, the settlement funds were \$36,089 thousand and \$36,868 thousand, respectively.

21. DUE TO CENTRAL BANK AND BANKS

	December 31	
	2016	2015
Due to the Central Banks	\$ 118,853	\$ -
Due to other banks	76,781	72,404
Deposits transferred from the Postal Bureau	27,237,295	28,965,266
Call loans from other banks	19,014,342	34,517,789
Bank overdraft	519,190	1,134,419
	<u>\$ 46,966,461</u>	<u>\$ 64,689,878</u>

22. COMMERCIAL PAPER ISSUED

	December 31	
	2016	2015
Guarantee or acceptance institution		
Sunny Bills Finance	\$ 1,545,000	\$ 1,060,000
Union Bills Finance	1,444,000	735,000
Grand Bills Finance	1,450,000	100,000
China Bills Finance	912,000	30,000
Ta Ching Bills Finance	530,000	260,000
International Bills Finance	823,000	279,000
Taiwan Bills Finance	350,000	-
Mega Bills Finance	740,000	210,000
Bank SinoPac	747,000	-
Less: Discounts on commercial paper issued	(3,111)	(1,260)
	<u>\$ 8,537,889</u>	<u>\$ 2,672,740</u>

As of December 31, 2016 and 2015, the interest rates for commercial paper issued were 0.33%-1.81% and 0.40%-2.00%.

23. PAYABLES

	December 31	
	2016	2015
Notes and accounts payable	\$ 17,581,165	\$ 11,170,536
Accrued expenses	4,579,135	4,705,010
Interest payable	2,277,815	2,374,299
Check for clearance payable	1,929,388	693,633
Other tax payable	281,704	335,217
Collection payable	576,652	412,263
Other payables	2,937,122	1,424,189
	<u>\$ 30,162,981</u>	<u>\$ 21,115,147</u>

24. DEPOSITS AND REMITTANCES

	December 31	
	2016	2015
Checking deposits	\$ 6,642,190	\$ 5,035,680
Demand deposits	228,123,757	221,606,174
Time deposits	309,957,604	297,701,069
Negotiable certificates of deposit	12,632,400	1,010,074
Savings deposits	542,458,847	514,215,958
Public treasury deposits	3,066,204	-
Remittances	1,258,087	897,436
	<u>\$ 1,104,139,089</u>	<u>\$ 1,040,466,391</u>

25. BONDS PAYABLE

	December 31	
	2016	2015
Unsecured subordinated corporate bonds - par	\$ 22,000,000	\$ 22,000,000
Bank debentures	53,000,000	53,000,000
	<u>\$ 75,000,000</u>	<u>\$ 75,000,000</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	
	2016	2015
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	
	2016	2015
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	3,000,000
Subordinated Bank Debentures - 2014 (II)	2,000,000	2,000,000
Subordinated Bank Debentures - 2014 (III)	3,000,000	3,000,000
Subordinated Bank Debentures - 2015 (I)	9,100,000	9,100,000
Subordinated Bank Debentures - 2015 (II)	6,000,000	6,000,000
Subordinated Bank Debentures - 2015 (III)	4,900,000	4,900,000
	<u>\$ 53,000,000</u>	<u>\$ 53,000,000</u>



a. Taishin Bank made second issue of \$3,300 million in subordinated 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 subordinated 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 subordinated bank debentures on October 19, 2012, as follows:

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

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

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2012.12.14	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 subordinated 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) Interest payment

Taishin Bank may not 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, payment is allowed. The interest not paid 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 subordinated 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) Interest payment

Taishin Bank may not 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, payment is allowed. The interest not paid 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 subordinated 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.

- h. Taishin Bank made first issue of \$9,100 million in subordinated bank debentures in 2015 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2015.06.10	2025.06.10	10 years	\$4,250 million	2.15% 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	2015.06.10	2030.06.10	15 years	\$4,850 million	2.45% fixed rate		

- i. Taishin Bank made second issue of \$6,000 million in subordinated bank debentures in 2015 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2015, second issue	2015.09.18	2027.09.18	12 years	\$6,000 million	2.25% fixed interest 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.

- j. Taishin Bank made third issue of \$4,900 million in subordinated bank debentures in 2015 as follows:

Bank Debentures	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2015.09.22	2025.09.22	10 years	\$700 million	2.15% fixed interest 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	2015.09.22	2030.09.22	15 years	\$4,200 million	2.45% fixed interest rate		

26. OTHER BORROWINGS

	December 31	
	2016	2015
Short-term unsecured borrowings	\$ 5,098,407	\$ 8,076,668
Long-term borrowings	2,387,437	1,378,542
	<u>\$ 7,485,844</u>	<u>\$ 9,455,210</u>

As of December 31, 2016 and 2015, the interest rates on short-term unsecured borrowings ranged from 0.70% to 5.24% and from 1.17% to 5.84%, respectively.

As of December 31, 2016 and 2015, the interest rate of long-term borrowings ranged from 3.38% to 11.38% and 4.24% to 8.34%, respectively.

27. RESERVE FOR LIABILITIES

	December 31	
	2016	2015
Reserve for employee benefits (Note 30)	\$ 832,383	\$ 574,699
Reserve for guarantee liabilities	208,610	169,988
Other reserves	124,493	275,420
	<u>\$ 1,165,486</u>	<u>\$ 1,020,107</u>



	Reserve for Guarantee Liabilities	Other Reserves	Total
Balance, January 1, 2016	\$ 169,988	\$ 275,420	\$ 445,408
Provision (reverse)	38,608	(149,767)	(111,159)
Payment	-	(613)	(613)
Exchange differences	14	(547)	(533)
Balance, December 31, 2016	<u>\$ 208,610</u>	<u>\$ 124,493</u>	<u>\$ 333,103</u>
Balance, January 1, 2015	\$ 227,393	\$ 278,182	\$ 505,575
Provision (reverse)	(57,595)	252	(57,343)
Payment	-	(3,014)	(3,014)
Exchange differences	190	-	190
Balance, December 31, 2015	<u>\$ 169,988</u>	<u>\$ 275,420</u>	<u>\$ 445,408</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.

28. OTHER FINANCIAL LIABILITIES

	December 31	
	2016	2015
Principal of structured products	\$ 43,779,121	\$ 46,855,955
Gold account	306,346	195,196
Appropriations for loan fund	21,927	128,975
Lease payable	13,355	-
	<u>\$ 44,120,749</u>	<u>\$ 47,180,126</u>

29. OTHER LIABILITIES

	December 31	
	2016	2015
Unearned revenue	\$ 468,416	\$ 386,962
Unearned interest	248,594	204,135
Guarantee deposits	1,046,917	551,182
Deferred income	1,037,621	1,039,144
Temporary credits	413,854	613,261
Others	140,685	66,914
	<u>\$ 3,356,087</u>	<u>\$ 2,861,598</u>

30. 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.

Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year.

The plan assets are invested in domestic and 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 Group's plan assets and present values of defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of actuarial valuations were as follows:

	Valuation Date	
	December 31	
	2016	2015
Discount rate used in determining present values	0.875%~1.500%	1.375%~1.750%
Expected rate of salary increase	2.250%~3.250%	2.000%~3.250%

Amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

	For the Year Ended December 31	
	2016	2015
Current service cost	\$ 22,913	\$ 22,625
Interest cost	32,190	34,502
Expected return on plan assets	(24,449)	(29,916)
	<u>\$ 30,654</u>	<u>\$ 27,211</u>

Remeasurement of defined benefit plans (after-tax) recognized in other comprehensive loss for the years ended December 31, 2016 and 2015 was \$(220,522) thousand and \$(243,952) thousand, respectively. The cumulative amount of remeasurement of defined benefit plans recognized in other comprehensive loss as of December 31, 2016 and 2015 was \$(1,033,331) thousand and \$(812,809) 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	
	2016	2015
Present value of funded defined benefit obligation	(\$ 2,447,815)	(\$ 2,157,715)
Fair value of plan assets	1,645,684	1,610,702
Deficit	(802,131)	(547,013)
Prepaid pension cost	(30,252)	(27,686)
Net liability arising from defined benefit obligation	<u>(\$ 832,383)</u>	<u>(\$ 574,699)</u>

Movements in the present value of the defined benefit obligations were as follows:



	For the Year Ended December 31	
	2016	2015
Opening defined benefit obligation	\$ 2,157,715	\$ 1,841,446
Current service cost	22,913	22,625
Interest cost	32,190	34,502
Remeasurement		
Actuarial (gain) loss - changes in demographic assumptions	106,383	114,465
Actuarial (gain) loss - changes in financial assumptions	67,326	92,192
Actuarial (gain) loss - experience adjustments	83,001	100,513
Benefits paid	(21,713)	(48,028)
Closing defined benefit obligation	<u>\$ 2,447,815</u>	<u>\$ 2,157,715</u>

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2016	2015
Opening fair value of plan assets	\$ 1,610,702	\$ 1,575,097
Interest revenue	24,449	29,916
Remeasurement		
Expected return on plan assets	(9,483)	12,022
Contributions from the employer	41,729	41,695
Benefits paid	(21,713)	(48,028)
Closing fair value of plan assets	<u>\$ 1,645,684</u>	<u>\$ 1,610,702</u>

For information about the categories and percentages, etc. of the composition of the fair value of plan assets as of December 31, 2016 and 2015, please refer to the authorities' public information about Labor Pension Funds.

As of December 31, 2016, the significant actuarial assumptions used in the sensitivity analysis of the present value of the defined benefit obligation were as follows:

	Impact on the Present Value of the Defined Obligation		
	Change in Actuarial Assumptions %	Positive Change in Actuarial Assumptions	Negative Change in Actuarial Assumptions
Discount rate used in determining present value	0.25% increase/ decrease	2.52%-4.48% decrease in the present value of the defined obligation	2.61%-4.72% increase in the present value of the defined obligation
Expected rate of salary increase	0.25% increase/ decrease	2.52%-4.59% increase in the present value of the defined obligation	2.45%-4.38% decrease in the present value of the defined obligation

The sensitivity analysis presented above assumes that only a single actuarial assumption changes and other actuarial assumptions remain unchanged. Practically, the assumptions may not occur in isolation as the assumptions may be correlated. The calculation of the present value of defined benefit obligation adopted the projected unit credit method.

The Group expects to make a contribution of \$41,789 thousand to the defined benefit plans within one year beginning from 2016 and contributed \$39,028 thousand in 2015. The weighted average duration of the defined benefit plans is from 10 to 18.5 years.

31. EQUITY

	December 31	
	2016	2015
Number of shares authorized (in thousands)	12,000,000	12,000,000
Shares authorized	\$ 120,000,000	\$ 120,000,000
Number of shares issued and fully paid (in thousands)		
Common stock	9,513,099	8,859,943
Preferred stock	862,568	725,137
Shares issued	\$ 103,756,670	\$ 95,850,797

Common Stock and Preferred Stock

- a. As of December 31, 2016 and 2015, Taishin Financial Holding's authorized capital was all \$120,000,000 thousand (12,000,000 thousand shares) ; as of December 31, 2016, share issued was 10,375,667 thousand shares, divided into 9,513,099 thousand common shares and 862,568 thousand preferred shares at NT\$10.00 par value.
- b. Details of outstanding capital stock as of December 31, 2016 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	-	4,152,094	4,152,094
Issue of preferred stock - E	-	5,000,000	5,000,000
Stock dividends and employees' bonus in share distributed	45,509,449	-	45,509,449
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	691,518	-	691,518
Shares issued	\$ 95,130,986	\$ 8,625,684	\$ 103,756,670

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 \$6,416,411 thousand of earnings to common stock in the shareholders' meeting on June 8, 2016. The ex-dividend date was August 30, 2016.

Taishin Financial Holding's employees have executed stock options and had acquired Taishin Financial Holding's common stock which aggregated 11,515 thousand shares and 18,153 thousand shares in 2016 and 2015.

Taishin Financial Holding's group capital adequacy ratio was 128.48% and 126.73% as of December 31, 2016 and 2015.

- c. In accordance with Article 8-2 of the Articles of Incorporation of the Company, Taishin Financial Holding issued via private placement preferred stock - D totaling 777,778 thousand shares, with a par value of NT\$10, at NT\$18 per share in the total amount of \$14,000,000 thousand on March 22, 2006. Taishin Financial Holding has proposed to reduce the capital to make-up its accumulated deficit on December 4, 2009. In addition, Taishin Financial Holding's board of directors resolved to redeem half of the number of outstanding preferred stock - D or 362,568 thousand shares as of December 31, 2016. The record date of was set at March 23, 2016.

The rights and other important conditions of issuance of the stock - D are as follows:

- 1) In accordance with the Company Act and Article 40 of the Articles of Incorporation of the Company, if there are earnings for the fiscal year, earnings should be appropriated in the following order:
 - a) Payment of income taxes;
 - b) Offset of prior year's losses, if any;
 - c) Legal reserve and if needed, special reserve;
 - d) Dividends to holders of preferred stock - D;
- 2) The stock dividends are fixed at 6.5% per annum based on issue price and are distributed by cash in one payment. After the shareholders, in their meeting, approved the appropriation of the earnings of the fiscal year as proposed by the board of directors and resolved to distribute from the earnings cash dividends, the board of directors set the ex-dividend date of preferred stock - D for payment of dividends. Dividend is calculated based on the proportion of the number of days that the stocks are issued in a fiscal year, starting from the date of issuance to the record date of dividend.
- 3) If there is no surplus or insufficient earnings in the fiscal year to fully pay off dividends for the shareholders of the preferred stocks, the unpaid dividend will not be carried forward to years with earnings.
- 4) In addition to receiving dividends at the fixed rate of dividend, the shares of the preferred stock - D shall, subject to the resolution of the board of directors, be entitled to additional dividend. If dividends to common shares are distributed in the same way as the preferred stock - D and there are remaining earnings, for the purpose of dividend distribution, the preferred stock - D will be converted to common shares at the ratio 2:1 and participate in the distribution of dividends to common shares, but not for the distribution of capital surplus.
- 5) In the event of liquidation, the shareholders of preferred stock - D shall be given priority to claim on the Company's remaining assets over the shareholders of common stocks, but not more than the issuance amount of outstanding shares of preferred stock - D.
- 6) The capital surplus from preferred stock - D issued in excess of par cannot be used to increase its capital during the issuance of preferred stock - D.
- 7) The shareholders of the preferred stock - D are not entitled to any voting rights or election rights in shareholders' meeting. However, they can be elected as directors and have the right to vote in the shareholders' meeting and other agenda items concerning the preferred stock - D.
- 8) When the Company issues new shares in cash, the shareholders of preferred stock - D and the common stock shall be entitled to equivalent preemptive rights on the new shares.
- 9) Shareholders of the preferred stock - D will be entitled to convert a share of preferred stock - D into a share

of common stock after three years from the issue date. After ten years from the issue date, the Company may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock - S at any time at the issue price. When the Company redeems the issued preferred stock - D, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year to the redemption date to total days in a fiscal year.

- 10) The existing shareholders' equity of the preferred stock - D is based on original conditions of issuance. When the Company reduced capital to cover accumulated deficit, the issued shares of common stocks and all preferred stocks are cancelled in the same proportion. The shareholders' equity shall be adjusted accordingly to the same proportion of the cancelled shares in order to maintain the existing shareholders' equity of the preferred stock - D.
- d. In accordance with Article 8-4 of the Articles of Incorporation of the Company, Taishin Financial Holding issued preferred stock - E totaling 500,000 thousand shares, with a par value of NT\$10, at NT\$50 per share in the total amount of \$25,000,000 thousand on December 28, 2016. The issuance of shares has been approved by the FSC under Rule No. 1050041849 issued on October 26, 2016 and the change in registration has been approved by the Ministry of Economic Affairs under Rule No. 10501302230.

The rights and other important conditions of issuance of the preferred stock - E are as follows:

- 1) Tenor : Perpetual.
- 2) Dividend Yield: An annual dividend yield is set at 4.75% (7-year IRS 1.2175% + 3.5325%) per annum of the issue price at the pricing day. The 7-year IRS will be reset on the next business day after each seventh anniversary day after issuance thereafter. The pricing date for reset is the second business day of financial industry in Taipei immediately preceding each reset date. The 7-year IRS rate is the arithmetic mean of 7-year IRS rates appearing on Reuters pages "PYTWDFIX" and "COSMOS3" at 11:00 A.M. (Taipei time) on the relevant pricing date for reset. If such rate cannot be obtained, the Company will determine the rate based on reasonable market price with good faith.
- 3) Dividend Payment : The Company has sole discretion on the distribution of the dividends of preferred stocks - E. Earnings distribution proposals will be devised by the board of directors in accordance with Article 40-1 of the Articles of Incorporation of the Company and then submitted to the annual general meeting of shareholders for acknowledgment. Earnings available for distribution to preferred shares and ordinary shares under an acknowledged earnings distribution proposal will be distributed firstly to preferred stocks - D and then to preferred stocks - E, if any. Any remaining balance shall be distributed according to the Articles of Incorporation of the Company. If there is no surplus or earnings in the fiscal year are insufficient to fully pay off dividends to the shareholders of the preferred stocks, the unpaid dividend will not be carried forward to years with earnings. Restrictions on Payment of Dividends to Common Shares : Except for the dividends prescribed in the preceding subparagraphs herein, Class E preferred shareholders are not entitled to participate in the distribution of cash or stock dividends with regard of the ordinary shares and other preferred shares derived from earnings or capital reserves.
- 4) Restrictions on Payment of Dividends to Common Shares : Except for the dividends prescribed in the preceding subparagraphs herein, the shareholders of preferred stock - E are not entitled to participate in the distribution of cash or stock dividends with regard to the ordinary shares and other preferred shares derived from earnings or capital reserves.
- 5) Redemption : After seven years from the issue date, the Company may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock - E at any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock - E shall continue as specified herein.
- 6) Liquidation Preference : In the event of liquidation, the shareholders of preferred stock - E shall be given priority to claim on the Company's remaining assets over the shareholders of common stocks, but subordinate to the shareholders of preferred stock - D, and not more than the issuance amount of outstanding shares of preferred stock - E.



- 7) Voting Rights or Election Rights : The shareholders of preferred stock - E are not entitled to any voting rights or election rights in shareholders' meeting. However, they may vote in preferred stock - E shareholders' meetings and in general shareholder meetings with regard to agenda items concerning rights and obligations of the shareholders of preferred stock - E.
- 8) Preferred stock -E shall not be converted into common stocks. The shareholders of the preferred stocks shall not require the Company to redeem the rights of the preferred stocks - E.
- 9) When the Company issues new shares in cash, the shareholders of preferred stock - D and the common stock shall be entitled to equivalent preemptive rights on the new shares.

Advance Receipts for Capital Stock

As of December 31, 2016, advance receipts for capital stock amounted to \$68,402 thousand, representing the proceeds of the exercise of employee stock options to convert into 7,649 thousand shares of common stock, of which the registration of the conversion has not been completed.

Capital Surplus

As of December 31, 2016, the Company recognized a capital surplus of \$27,132,585 thousand, in which there's a part of investees' unappropriated retained earnings totaled \$414,706 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 and preferred stock - E issued in excess of par cannot expand its capital during the issuance of preferred stock - D and preferred stock - E.

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

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their annual regular meeting on June 8, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation, particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, whereas the Company makes profit in a fiscal year, the profit shall be first utilized for paying taxes, adjusted in accordance with accounting standards, offset losses of previous years, set aside 10% of the remaining profit as legal reserve, and set aside special reserve in accordance with the laws and regulations, distributed dividends to the preferred stock - D shareholders based on the Company's Articles of Incorporation clause 8-2; the dividend rate of the preferred stock - E should not be more than 8% and the distribution plan based on the Company's Articles of Incorporation clause 8-4 should be proposed by Company's board of directors in its meeting before its being resolved in the shareholders' meeting, and then any remaining profit together with the amount of reversed dividend or distributed-available special reserve and any undistributed earnings at the beginning of the fiscal year shall be resolved by the Company's board of directors in its meeting as the basis for proposing a distribution plan, of which cash dividends should not be less than 10% of total dividends distributed, to common shareholders and each class of preferred shareholders. The distribution plan should be resolved in the shareholders' meeting. However, under the requirements of the MOF, if the group's capital adequacy ratio is less than 100%, dividends cannot be distributed in cash or other assets. For the policies on distribution of employees' compensation and remuneration to directors and supervisors before and after amendment, please refer to employee benefits expense in Note 36.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no accumulated deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital stock or distributed in cash.

Under Rule No. 1010012865 issued by the FSC in 2013 and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”, the Company should appropriate or reverse amounts to a special reserve account accordingly.

Except for non-ROC resident shareholders, all other shareholders receiving dividends will be allocated a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2015 and 2014 have been approved in the shareholders’ meetings on June 8, 2016 and June 12, 2015, respectively. 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 2015	For Year 2014	For Year 2015	For Year 2014
Legal reserve	\$ 1,289,335	\$ 151,146		
Preferred stock - D cash dividends	910,000	910,000	\$ -	\$ -
Common stock cash dividends	4,277,607	450,315	0.48	0.05
Common stock dividends	6,416,411	-	0.72	-

In the meeting of shareholders of Taishin Financial Holding on June 12, 2015, the shareholders approved to distribute cash dividends from capital surplus. The actual amount of cash dividends was \$435,492 thousand due to variation of common shares outstanding as result of exercising employee stock options.

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	
	2016	2015
Beginning balance	\$ 117,513	\$ 150,908
Exchange differences arising on translating the net assets of foreign operations	(116,221)	(3,897)
Share of exchange difference of associates and joint ventures accounted for using the equity method	(169,674)	(29,498)
Ending balance	<u>(\$ 168,382)</u>	<u>\$ 117,513</u>

b. Unrealized gains (losses) on available-for-sale financial assets

	For the Year Ended December 31	
	2016	2015
Beginning balance	(\$ 188,818)	\$ 193,921
Unrealized gains (losses) on available-for-sale financial assets	291,426	(257,451)
Income tax relating to unrealized gains (losses) on available-for-sale financial assets	13,885	7,646
Cumulative gains (losses) reclassified to profit or loss on sale of available-for-sale financial assets	(176,964)	(260,261)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates and joint ventures accounted for using the equity method	(28,970)	127,333
Others	-	(6)
Ending balance	<u>(\$ 89,441)</u>	<u>(\$ 188,818)</u>

**Non-controlling Interests**

	For the Year Ended December 31	
	2016	2015
Beginning balance	\$ 130,311	\$ 125,889
Attributable to non-controlling interests		
Net income	(7,001)	3,547
Actuarial gain (loss) on defined benefit plans	1,163	865
Income tax related to actuarial gain (loss)	17	(7)
Non-controlling interest relating to outstanding vested share options held by the employees of subsidiaries	4	17
Ending balance	<u>\$ 124,494</u>	<u>\$ 130,311</u>

32. NET INTEREST INCOME

	For the Year Ended December 31	
	2016	2015
Interest income		
Loans	\$ 21,728,258	\$ 21,969,042
Due from and call loans to banks	628,858	598,391
Investment in marketable securities	2,723,666	2,989,621
Revolving interest of credit card	1,169,614	1,218,870
Others	2,831,995	2,733,763
	<u>29,082,391</u>	<u>29,509,687</u>
Interest expense		
Deposits	(7,092,765)	(7,940,968)
Due to the Central Bank and call loans from banks	(440,393)	(548,342)
Issuance of bonds and securities	(1,713,077)	(1,457,520)
Structured products	(978,600)	(993,965)
Others	(853,421)	(772,072)
	<u>(11,078,256)</u>	<u>(11,712,867)</u>
Net interest income	<u>\$ 18,004,135</u>	<u>\$ 17,796,820</u>

33. NET SERVICE FEE AND COMMISSIONS INCOME

	For the Year Ended December 31	
	2016	2015
Service fee and commissions income		
Fees from import and export	\$ 52,898	\$ 61,947
Remittance fees	53,695	53,283
Interbank fees	768,771	728,731
Loan and guarantees fees	668,896	583,979
Fees from certification, underwriting and brokerage	369,440	374,012
Fees from trustee business	1,553,407	1,898,682
Agency fees	524,666	525,485
Insurance commission fees	5,591,281	6,011,126
Fees from credit card and cash card	3,414,213	3,194,812
Others	879,099	934,266
	<u>13,876,366</u>	<u>14,366,323</u>
Service fee and commissions expense		
Interbank fees	(180,606)	(158,971)
Fees from trustee business	(19,998)	(38,310)
Marketing fees	(501,707)	(468,294)
Agency fees	(85,021)	(327,772)
Fees from credit card	(1,611,879)	(1,508,952)
Others	(466,145)	(452,007)
	<u>(2,865,356)</u>	<u>(2,954,306)</u>
Net service fee and commissions income	<u>\$ 11,011,010</u>	<u>\$ 11,412,017</u>

34. GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2016	2015
<u>Disposal gain (losses) on financial assets and liabilities at FVTPL</u>		
Securities		
Call (put) warrants issued	\$ 38,111	(\$ 277,074)
Trading securities - dealing	107,404	(7,378)
Trading securities - underwriting	44,018	8,039
Trading securities - hedging	(43,063)	(17,972)
Futures contracts	(31,507)	7,241
Borrowing securities	(7,194)	-
Options	289	-
Open-end funds	(180)	3,749
Derivative financial instruments	(16,678)	-
Structured products	(6)	-
Gains on corporation bonds conversion	53,987	-
	<u>145,181</u>	<u>(283,395)</u>
Bank		
Stocks and beneficiary certificates	5,092	3,024
Bills	(4,065)	7,159
Bonds	587,063	327,550
Derivative financial instruments	881,189	3,121,598
	<u>1,469,279</u>	<u>3,459,331</u>
Others		
Stocks and beneficiary certificates	(7,223)	21,425
Derivative financial instruments	(20,582)	-
	<u>27,805</u>	<u>21,425</u>
	<u>1,586,655</u>	<u>3,197,361</u>
<u>Valuation gain (loss) on financial assets and liabilities at FVTPL</u>		
Securities		
Call (put) warrants issued	38,244	330,825
Trading securities - dealing	34,618	(349)
Trading securities - underwriting	21,198	3,369
Trading securities - hedging	3,627	(9,330)
Futures contracts	1,393	40
Bonds	(3,858)	-
Open-end funds	-	(3,481)
Derivative financial instruments	4,846	-
Structured products	25	-
	<u>100,093</u>	<u>321,074</u>
Bank		
Stocks and beneficiary certificates	(7,448)	384
Bills	909	(2,687)
Bonds	(251,082)	256,479
Derivative financial instruments	1,197,851	212,596
	<u>940,230</u>	<u>466,772</u>
Others		
Stocks and beneficiary certificates	(2,727)	(22,271)
Derivative financial instruments	171,478	-
	<u>168,751</u>	<u>(22,271)</u>
	<u>1,209,074</u>	<u>765,575</u>
Net interest income	429,995	522,520
Dividend revenue	35,641	27,799
	<u>\$ 3,261,365</u>	<u>\$ 4,513,255</u>

**35. REALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	For the Year Ended December 31	
	2016	2015
Disposal gains		
Stock and beneficiary certificates	\$ 48,162	\$ 81,624
Bills	(15,157)	(18,709)
Bonds	143,959	197,346
	<u>176,964</u>	<u>260,261</u>
Dividends and bonuses	110,583	133,523
	<u>\$ 287,547</u>	<u>\$ 393,784</u>

36. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2016	2015
Short-term benefits		
Salary and wages	\$ 9,402,861	\$ 9,971,674
Labor and national health insurance	666,358	649,921
Post-employment benefits (Note 30)		
Defined contribution plans	373,283	357,201
Defined benefit plans	30,917	33,512
Share-based payment (Note 40)		
Equity-settled share-based payment	5,314	13,549
Cash-settled share-based payment	26,133	(12,718)
Other employee benefits expenses	807,496	381,002
	<u>\$ 11,312,362</u>	<u>\$ 11,394,141</u>

Employees' Compensation and Directors' Remuneration for the Years Ended December 31, 2016 and 2015

As of December 31, 2016 and 2015, Taishin Financial Holding and subsidiaries' total number of employees was 8,173 and 8,152. The definition of employee is provided in the FSC-endorsed IAS 19 "Employee Benefits".

In compliance with the Company Act as amended in May 2015, the shareholders held their meeting and resolved amendments to the Company's Articles of Incorporation in June 2016, which stipulate that the Company should distribute 0.01% of the net profit as employees' compensation and distribute no higher than 1% of the profit as remuneration to directors. For the years ended December 31, 2016 and 2015, the employees' compensation was \$1,142 thousand and \$1,327 thousand, and the directors' remuneration was \$114,163 thousand and \$132,726 thousand, respectively.

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

There was no difference between the amounts of the employees' compensation and the remuneration to directors and supervisors approved in the shareholders' meeting on June 8, 2016 and the amounts recognized in the financial statements for the year ended December 31, 2015.

Information on the compensation to employees and directors resolved by the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

Employees' Bonus and Directors' Remuneration for the Year Ended December 31, 2014

The amounts of the bonus to employees and the remuneration to directors and supervisors for 2014 approved in the shareholders' meeting on June 12, 2015 were \$45 thousand and \$4,503 thousand.

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings on June 12, 2015 and the amounts recognized in the financial statements for the year ended December 31, 2014.

Information on the bonus to employees and the remuneration to directors and supervisors resolved by the Company's board of directors in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

37. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2016	2015
Property and equipment	\$ 804,825	\$ 708,408
Investment property	9,419	9,796
Intangible assets and other deferred assets	191,352	182,339
	<u>\$ 1,005,596</u>	<u>\$ 900,543</u>

38. 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 and was excluded from the linked tax system due to extinguishment by merger in 2016.

Income Tax Recognized in Profit or Loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2016	2015
Current tax		
In respect of the current period	\$ 1,042,653	\$ 1,269,423
Adjustments for prior years	(17,854)	(45,579)
Offshore income tax expense	1,223	9,648
Land value increment tax	2,469	-
Others	296	(5)
Deferred tax		
In respect of the current period	503,249	436,946
Adjustments for prior years	45,324	-
Income tax expense recognized in profit or loss	<u>\$ 1,577,360</u>	<u>\$ 1,670,433</u>



Reconciliation of profit before income tax and income tax was as follows:

	For the Year Ended December 31	
	2016	2015
Income from continuing operation before income tax	\$ 12,969,793	\$ 14,896,524
Income tax expense calculated at the statutory rate 17%	\$ 2,204,864	\$ 2,532,409
Nondeductible expenses in determining taxable income	29,822	(12,029)
Tax-exempt income	(887,686)	(1,183,497)
Land value increment tax	2,469	-
Additional income tax under the Alternative Minimum Tax Act	69,760	218,125
Deferred tax effects of overseas branches	(3,212)	140,095
Unrecognized temporary differences	56,460	(95,870)
Unrecognized loss carryforwards	157,705	167,125
Others	(81,515)	(115,563)
Offshore income tax expense	1,223	9,648
Adjustments to prior years' tax	(17,854)	(50,076)
Adjustments to prior years' deferred tax	45,324	60,066
Income tax expense recognized in profit or loss	\$ 1,577,360	\$ 1,670,433

The Group's income tax statutory tax rate was 17% for the years ended December 31, 2016 and 2015. The subsidiaries in mainland China are subject to income tax rate of 25%.

Income Tax Recognized in Other Comprehensive Income

	December 31	
	2016	2015
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Unrealized gains (losses) on available-for-sale financial assets	(\$ 13,885)	(\$ 7,646)
Actuarial gains and losses on defined benefit plan	(45,671)	(51,196)
	(\$ 59,556)	(\$ 58,842)

Current Tax Assets and Liabilities

	December 31	
	2016	2015
Current tax assets		
Tax refund receivable	\$ 534,583	\$ 388,074
Prepaid income tax	233	1,708
	\$ 534,816	\$ 389,782
Current tax liabilities		
Income tax payable	\$ 1,123,810	\$ 625,188

Deferred Tax

Deferred tax assets and liabilities reported in consolidated financial statement were analyzed as follows:

	December 31	
	2016	2015
Deferred tax assets	\$ 2,950,676	\$ 3,517,778
Deferred tax liabilities	(127,762)	(57,347)
	\$ 2,822,914	\$ 3,460,431

For the Year Ended December 31, 2016					
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Ending Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for loans losses	\$ 1,982,150	\$ 58,998	\$ -	(\$ 134,536)	\$ 1,906,612
Others	819,361	(493,417)	59,556	(3,751)	381,749
	2,801,511	(434,419)	59,556	(138,287)	2,288,361
Loss carryforwards	716,267	(43,739)	-	(10,213)	662,315
	<u>\$ 3,517,778</u>	<u>(\$ 478,158)</u>	<u>\$ 59,556</u>	<u>(\$ 148,500)</u>	<u>\$ 2,950,676</u>
<u>Deferred tax liabilities</u>					
Land value increment tax	(\$ 53,552)	\$ -	\$ -	\$ -	(\$ 53,552)
Temporary differences	(3,795)	(70,415)	-	-	(74,210)
	<u>(\$ 57,347)</u>	<u>(\$ 70,415)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 127,762)</u>
For the Year Ended December 31, 2015					
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Ending Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for loans losses	\$ 1,673,479	\$ 309,040	\$ -	(\$ 369)	\$ 1,982,150
Others	314,847	445,672	58,842	-	819,361
	1,988,326	754,712	58,842	(369)	2,801,511
Loss carryforwards	2,166,292	(1,218,256)	-	(231,769)	716,267
	<u>\$ 4,154,618</u>	<u>(\$ 463,544)</u>	<u>\$ 58,842</u>	<u>(\$ 232,138)</u>	<u>\$ 3,517,778</u>
<u>Deferred tax liabilities</u>					
Land value increment tax	(\$ 53,552)	\$ -	\$ -	\$ -	(\$ 53,552)
Temporary differences	(30,393)	26,598	-	-	(3,795)
	<u>(\$ 83,945)</u>	<u>\$ 26,598</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 57,347)</u>

The Group's Loss Carryforwards as of December 31, 2016

Expiry Year	Unused Amount
2017	\$ 279,622
2018	293,510
2019	2,986
2020	72,746
2023	12,873
2024	578
	<u>\$ 662,315</u>

**Taishin Financial Holding's Information about Integrated Income Tax**

	December 31	
	2016	2015
Balance of ICA	\$ 62,134	\$ 1,548,363
Unappropriated earnings generated after January 1, 1998	\$ 10,830,150	\$ 12,893,353
	For the Year Ended December 31	
	2016	2015
Creditable ratio for distribution of earnings	0.56%	19.88%

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, 2016, the capital surplus of Taishin Financial Holding mentioned above amounted to \$322,170 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 2016 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

Assessments of The Group's Income Tax

- a. Taishin Financial Holding's income tax returns through 2010 had been assessed by the tax authorities.
- b. Taishin Bank's income tax returns through 2010 had been assessed by the tax authorities. The income tax returns of Taishin D.A. Finance and Taishin Insurance Brokers through 2013 had been assessed by the tax authorities. The income tax returns of Xiang An Insurance Agency and Taishin Real-Estate through 2014 had been assessed by the tax authorities.
- c. Taishin AMC's income tax returns through 2010 had been assessed by the tax authorities.
- d. Taishin Venture Capital's income tax returns through 2010 had been assessed by the tax authorities.
- e. Taishin Securities Investment Trust's returns through 2010 had been assessed by the tax authorities.
- f. Taishin Securities B's returns through 2010 had been assessed by the tax authorities.
- g. Taishin Securities Investment Advisory's returns through 2010 had been assessed by the tax authorities.
- h. Taishin Holdings Insurance Broker's returns through 2011 had been assessed by the tax authorities.

39. EARNINGS PER SHARE

	For the Year Ended December 31	
	2016	2015
Basic earnings per share	\$ 1.14	\$ 1.30
Diluted earnings per share	\$ 1.14	\$ 1.29

Unit: NT\$ Per Share

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 30, 2016. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2015 were as follows:

Unit: NT\$ Per Share

	For the Year Ended December 31, 2015	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	\$ 1.39	\$ 1.30
Diluted earnings per share	\$ 1.38	\$ 1.29

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	
	2016	2015
Net income for the periods attributable to owner of the parent	\$ 11,399,434	\$ 13,222,544
Less: Dividends on preferred stocks	(569,918)	(910,000)
Earnings used in computation of basic earnings per share	10,829,516	12,312,544
Effect of dilutive potential ordinary share:		
Convertible preferred stocks	-	910,000
Earnings used in computation of diluted earnings per share	\$ 10,829,516	\$ 13,222,544

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2016	2015
Weighted average number of ordinary shares in computation of basic earnings per share	9,507,915	9,498,741
Effect of dilutive potential ordinary shares:		
Convertible preferred stocks	-	725,137
Employees compensation/employees bonus	125	118
Employees stock options	22,793	25,328
Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share	9,530,833	10,249,324

Since the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or 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, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

40. 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 and March 15, 2007 (Plan of 2010 (II), 2010 (I) and Plan of 2007, respectively).

For vested share-based payment exercised before the transition date, the Group chose the exemption from the adoption of FSC-endorsed IFRS 2 "Share-Based Payment". Thus, only the employee share options unvested



on the transition date adopted the regulation of FSC-endorsed 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 and 2007, Taishin Financial Holding has to grant 77,000 units (first grant 75,390 units, second grant 1,610 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%

The quantity and weighted-average exercise price of the share options were as follows:

Plan of 2010 (II)	For the Year Ended December 31			
	2016		2015	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning balance	1,457	\$ 9.50	1,457	\$ 9.50
Exercise	-		-	
Outstanding, ending balance	1,457		1,457	
Exercisable, ending balance	1,216		900	

Plan of 2010 (I)	For the Year Ended December 31			
	2016		2015	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning balance	34,392	\$ 9.40	38,173	\$ 9.40
Exercise	(4,125)	9.00	(3,421)	9.40
Forfeited	(785)	9.17	(360)	9.40
Outstanding, ending balance	29,482		34,392	
Exercisable, ending balance	29,482		30,256	

Plan of 2007	For the Year Ended December 31			
	2016		2015	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning balance	78,206	\$ 10.00	82,756	\$ 10.00
Exercise	(14,571)	9.28	(4,410)	10.00
Forfeited	(330)	10.00	(140)	10.00
Outstanding, ending balance	63,305		78,206	
Exercisable, ending balance	63,305		78,206	

The weighted-average of stock price at the dates of exercise of share options exercised during the year ended December 31, 2016 was \$11.93.

The exercise price and expected weighted-average outstanding period of the share option warrants for the years ended December 31, 2016 and 2015 were as follows:

	For the Year Ended December 31			
	2016		2015	
	Exercise Price (Dollars)	Expected Weighted Average Outstanding Period (Years)	Exercise Price (Dollars)	Expected Weighted Average Outstanding Period (Years)
Plan of 2010 (II)	\$ 8.50	4.67	\$ 9.50	5.67
Plan of 2010 (I)	8.40	3.79	9.40	4.79
Plan of 2007	9.00	0.2	10.00	1.20

The valuation models of the share options for the year ended December 31, 2016 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

The amounts of the compensation costs recognized for the years ended December 31, 2016 and 2015 were \$5,314 thousand and \$13,549 thousand.

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.

	Plan of 2015	Plan of 2014	Plan of 2013	Plan of 2012
Balance sheet date share price	\$11.74	\$11.74	\$11.74	\$11.74
Exercise price	\$9.70	\$11.60	\$11.40	\$8.80
Outstanding period	2 years, 3 years			
Expected volatility	31.15%, 31.15%	31.15%, 31.15%	31.15%, 31.15%	31.15%, 31.15%
Risk-free interest rate	0.97%, 0.97%	0.97%, 0.97%	0.97%, 0.97%	0.97%, 0.97%

The movements in the appreciation rights plan were as follows:

Appreciation Rights Plan	Plan of 2015 For the Year Ended December 31			
	2016		2015	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	-	\$ 10.85	-	\$ -
Exercise	27,665	10.85	-	-
Ceased	(665)	10.85	(-)	-
Outstanding, ending	<u>27,000</u>		<u>-</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 2.6806</u>		<u>\$ -</u>	



Appreciation Rights Plan	2016		2015	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	29,474	\$ 12.94	-	\$ -
Exercise	-	12.94	30,159	12.94
Ceased	(860)	12.94	(685)	12.94
Outstanding, ending	<u>28,614</u>		<u>29,474</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 0.9169</u>		<u>\$ 1.0047</u>	

Appreciation Rights Plan	2016		2015	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	25,675	\$ 12.70	26,455	\$ 12.70
Exercise	(12,813)	12.70	-	-
Ceased	(525)	12.70	(780)	12.70
Outstanding, ending	<u>12,337</u>		<u>25,675</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 0.5066</u>		<u>\$ 0.4162</u>	

Appreciation Rights Plan	2016		2015	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	11,241	\$ 8.80	23,263	\$ 8.80
Exercise	(11,241)	8.80	(11,624)	8.80
Ceased	-		(398)	8.80
Outstanding, ending	<u>-</u>		<u>11,241</u>	
Weighted-average fair value of appropriation rights (NT\$)	<u>\$ 1.923</u>		<u>\$ 2.7886</u>	

As of December 31, 2016 and 2015, the related liabilities recognized amounted to \$52,229 thousand and \$47,683 thousand, respectively.

41. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of operating place which were tenanted by Taishin Bank with lease terms between 1 and 10 years.

As of December 31, 2016 and 2015, refundable deposits paid under operating leases amounted to \$225,284 thousand and \$222,454 thousand, respectively.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2016	2015
Not later than 1 year	\$ 488,821	\$ 469,273
Later than 1 year and not later than 5 years	1,174,009	1,194,443
Later than 5 years	384,680	350,053
	<u>\$ 2,047,510</u>	<u>\$ 2,013,769</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, 2016 and 2015, deposits received under operating leases amounted to \$7,022 thousand and \$7,176 thousand, respectively.

The future minimum lease payments of non-cancellable operating leases were as follows:

	December 31	
	2016	2015
Not later than 1 year	\$ 37,384	\$ 33,253
Later than 1 year and not later than 5 years	75,875	28,877
Later than 5 years	4,955	9,035
	<u>\$ 118,214</u>	<u>\$ 71,165</u>

42. 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, 2016		
	Ownership Interest (%)	Group Eligible Capital	Group's Statutory Capital Requirement
Taishin Financial Holding		\$ 153,491,140	\$ 165,037,851
Taishin Bank	100	161,020,053	97,703,387
Taishin Securities B	100	3,007,074	1,115,781
Taishin Venture Capital	100	2,680,650	1,465,717
Taishin AMC	100	1,436,958	832,259
Taishin Securities Investment Trust	100	820,764	459,957
Taishin Securities Investment Advisory	92	324,983	172,821
Exclusive items amounts subtracted		(145,334,785)	(128,678,183)
Total		177,446,837	138,109,590
Group's capital adequacy ratio (Note)			128.48%

Company \ Item	December 31, 2015		
	Ownership Interest (%)	Group Eligible Capital	Group's Statutory Capital Requirement
Taishin Financial Holding		\$ 133,911,147	\$ 134,512,748
Taishin Bank	100	133,546,086	85,566,009
Taishin Securities B	100	3,165,446	1,049,547
Taishin Venture Capital	100	2,786,267	1,438,867
Taishin AMC	100	1,421,880	811,506
Taishin Securities Investment Trust	100	856,371	474,296
Taishin Securities Investment Advisory	92	331,119	176,230
Taishin Holdings Insurance Brokers	100	1,322,518	940,799
Exclusive items amounts subtracted		(118,804,490)	(99,872,034)
Total		158,536,344	125,097,968
Group's capital adequacy ratio (Note)			126.73%

d. Financial holding company eligible capital

Item	December 31, 2016
Common stock	\$ 95,130,986
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates which comply with eligible Tier 1 capital	19,199,226
Other preferred stock and subordinated corporate bonds	17,225,870
Advance receipts for capital stock	68,402
Capital surplus	4,073,173
Legal reserve	6,755,788
Special reserve	465,368
Retained earnings	10,830,150
Equity adjustment	(257,823)

Item	December 31, 2016
Subtracted:	
Goodwill	-
Deferred assets	-
Treasury stock	-
Total	153,491,140

Item	December 31, 2015
Common stock	\$ 88,599,429
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	9,140,000
Advance receipts for capital stock	4,449
Capital surplus	4,074,542
Legal reserve	5,466,453
Special reserve	465,368
Retained earnings	12,893,353
Equity adjustment	(71,305)
Subtracted:	
Goodwill	-
Deferred assets	58,471
Treasury stock	-
Total	133,911,147

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.

43. 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, 2016 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	\$ 222,457,376	149.42%
US GOVT	6,845,923	4.60%
Taiwan Power Co., Ltd.	6,894,942	4.63%
AU Optronics Corp.	5,879,958	3.95%
CPC Corporation, Taiwan	6,847,698	4.60%
China Airline Co.	5,204,152	3.50%
Hon Hai Precision IND, Co., Ltd.	4,958,469	3.33%
Talent Premium Limited	3,550,690	2.39%
Sun Ray Company Ltd.	3,292,458	2.21%
SinoPac Securities Corporation	3,349,453	2.25%

(Continued)



Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
Catcher Technology Co., Ltd.	3,002,464	2.02%
Dragon Steel Corporation	3,138,527	2.11%
Total	275,422,110	
b. To the same person and spouse, the relative within the second degree and the person or the spouse's enterprise		
Individual A	3,950,750	2.65%
Individual B	3,332,280	2.24%
Individual C	3,074,035	2.06%
Individual D	3,053,456	2.05%
Total	13,410,521	
c. To the same related party enterprise		
Hon Hai Group	15,240,607	10.24%
CITIC Group	13,946,975	9.37%
Far Eastern Group	13,695,472	9.20%
Ruentex Group	9,117,780	6.12%
YFY Inc.	8,268,350	5.55%
AU Optronics (L) Corp.	8,218,874	5.52%
APL Group	7,272,071	4.88%
China Steel Group	6,105,224	4.10%
TOP Group	3,743,184	2.51%
Walsin Lihwa Corp.	3,580,502	2.41%
BOC Group	3,509,936	2.36%
Hungtai Group	3,495,820	2.35%
Chailease Group	3,278,400	2.20%
Ting Hsin Group	5,679,218	3.81%
Lin Yuan Group	5,636,990	3.79%
Formosa Plastics Group	5,572,691	3.74%
Fubon Group	5,464,102	3.67%
China Airline Co.	5,204,152	3.50%
Yuanta Group	4,836,592	3.25%
Evergreen Group	4,617,923	3.10%
TBC Group	4,588,319	3.08%
Yulon Group	4,309,647	2.89%
FCFC Group	4,122,729	2.77%
King's Town Group	4,100,748	2.75%
IDD Group	4,051,772	2.72%
Koos Group	3,866,777	2.60%
Gold East Trading Co., Ltd.	3,836,334	2.58%
Hsin-Han Development Group	3,332,280	2.24%
China Development Financial	3,268,413	2.20%
Mega Holding Group	3,215,951	2.16%
MiTAC-Synnex Group	3,153,284	2.12%
Tatung Group	3,091,293	2.08%
HNFH Group	3,089,442	2.08%
Catcher Technology Co., Ltd.	3,002,464	2.02%
Total	187,514,316	

(Concluded)

44. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

a. Summary

Fair value is the exchange price in the orderly transaction between market participants and is the amount to be received on the sale of an assets or the amount to be paid on the transfer of a liability.

Financial instruments are initially measured at fair value. In many cases, the transaction price will equal the fair value. Subsequently, the financial instruments are measured at fair value, unless the financial assets meet the criteria for being measured at amortized cost. A quoted price in an active market provides the most reliable evidence of fair value. If financial instruments have no quoted prices in an active market, the Group will use valuation techniques or refer to Bloomberg or Reuters' quotes or the fair value quoted by the counterparty.

b. The definition of three levels of fair value

- 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) the market is principal (or most advantageous), providing ease in finding buyers and sellers that are both able and willing to transact an asset sale or liability transfer; and (C) pricing information is readily available on an ongoing basis to the public.
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as price) or indirectly (i.e., 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).
- 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. Historical volatility typically does not represent current market participants' expectations about future volatility.

c. Financial instruments measured at fair value

- 1) The level information of fair value

The financial instruments of the Group measured at fair value on a recurring basis.

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:



Financial Assets and Liabilities	December 31, 2016			
	Total	Level 1	Level 2	Level 3
<u>Recurring fair value measurement</u>				
<u>Non-derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL				
Held-to-maturity financial assets				
Stocks and beneficial certificates	\$ 1,879,791	\$ 1,506,349	\$ 373,442	\$ -
Bond investments	22,762,288	10,152,176	12,610,112	-
Others	28,146,112	5,570	28,140,542	-
Available-for-sale financial assets				
Stocks and beneficial certificates	3,653,389	3,653,389	-	-
Bond investments	90,605,889	13,005,266	77,600,623	-
Others	208,162,211	336,511	207,063,544	762,156
Liabilities				
Financial liabilities at FVTPL	718,233	718,233	-	-
<u>Derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL	37,026,204	344,413	24,344,299	12,337,492
Liabilities				
Financial liabilities at FVTPL	35,097,078	30,340	22,390,524	12,676,214

Financial Assets and Liabilities	December 31, 2015			
	Total	Level 1	Level 2	Level 3
<u>Recurring fair value measurement</u>				
<u>Non-derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL				
Held-to-maturity financial assets				
Stocks and beneficial certificates	\$ 1,750,238	\$ 1,256,155	\$ 494,083	\$ -
Bond investments	44,311,625	10,478,917	33,832,708	-
Others	25,128,546	10,638	25,117,908	-
Available-for-sale financial assets				
Stocks and beneficial certificates	3,160,646	3,160,646	-	-
Bond investments	102,525,451	20,882,115	81,643,336	-
Others	184,438,713	344,021	183,184,461	910,231
<u>Derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL	48,551,841	76,820	23,398,003	25,077,018
Liabilities				
Financial liabilities at FVTPL	49,915,794	34,814	24,404,457	25,476,523

2) The valuation techniques based on fair value

Financial instruments are initially measured at fair value. In many cases the transaction price will equal the fair value. Subsequently, the financial instruments are measured at fair value, unless the financial assets meet the criteria for being measured at amortized cost. A quoted price in an active market provides the most reliable evidence of fair value. If financial instruments have no quoted prices in an active market, the Group will use valuation techniques or refer to Bloomberg or Reuters' quotes 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

- a) 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.
- b) Interest rate derivatives : The quoted price from Reuters is the fair value.
- c) 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 papers 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 of derivatives is based on valuation models consistent with those generally used by other market participants, such as the discount rate method or the option pricing models. Foreign exchange contracts are valued based at current foreign exchange rate.

Structured-interest financial instruments are evaluated using appropriate pricing model, such as the DCF method and options pricing model.



3) Adjustments of fair values

a) Limits of valuation models and indeterminate input value

Valuation models generate estimated approximate values. That is, valuation techniques may not be able to reflect all the factors relevant to the performance of the Group's financial instruments. Thus, results generated by valuation models are adjusted appropriately by using additional parameters, such as determinants of fair value (prevailing economic conditions, financial condition of counterparties to financial instruments, etc.) or assumptions and forecasts (future economic conditions, amount and pricing of future cash flows, etc.). Based on Taishin Financial Holding's valuation basis manual and model management policies, the price information and parameters used in the valuation process are carefully assessed and appropriately adjusted in accordance with actual market conditions.

b) Credit risk value adjustments

Credit risk value adjustments are mainly classified into credit value adjustments (CVA) and debit value adjustments (DVA), described as follows:

The CVA is an adjustment to the valuation of derivative contracts made in decentralized market, which is the Over the counter (OTC) market, to reflect within fair value the possibility that the counterparty may default and that the Group may not receive the full market value of the transactions.

The DVA is an adjustment to the valuation of derivative contracts made in decentralized market, which is the Over the counter (OTC) market, to reflect within fair value the possibility that the Group may default, and that the Group may not pay the full market value of the transactions.

The Group would calculate CVA by assessing probability of default (PD) and loss given default (LGD) of the counterparty before multiplying by exposure at default (EAD) of the counterparty. On the contrary, DVA is computed by applying probability of default of the Group and considering loss given default of the Group before being multiplied by exposure at default of the Group.

The Group manages PD through its regular internal rating review. After examining the experiences of foreign financial institutions, the Group adopted 60% as its LGD and chose the marking to market of OTC derivative instruments to determine EAD. In addition, in calculating the fair values of financial instruments, the Group took credit risk rating adjustments into consideration to reflect competitors' credit risk and the Group's credit quality, respectively.

4) The transfer between Level 1 and Level 2

Based on an internal risk control management policy, some of the New Taiwan dollar Central Government Bonds were determined as bond instrument investments with no active market. Thus, the bond amounts of \$512,990 thousand and \$2,893,941 thousand for the years ended December 31, 2016 and 2015, respectively, were transferred from Level 1 to Level 2.

5) Reconciliation of Level 3 financial assets

For the Year Ended December 31, 2016								
Item	Beginning Balance	Valuation Gains (Losses)		Increase		Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial assets at FVTPL	\$ 25,077,018	(\$ 5,306,875)	\$ -	\$ 2,626,524	\$ -	(\$ 10,059,175)	\$ -	\$ 12,337,492
Available-for-sale financial assets	910,231	(21,970)	2,300	1,002,143	-	(1,130,548)	-	762,156
Total	\$ 25,987,249	(\$ 5,328,845)	\$ 2,300	\$ 3,628,667	\$ -	(\$ 11,189,723)	\$ -	\$ 13,099,648

Note: No transfer from Level 3.

For the Year Ended December 31, 2015								
Item	Beginning Balance	Valuation Gains (Losses)		Increase		Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial assets at FVTPL	\$ 18,640,661	\$ 2,414,533	\$ -	\$ 9,095,450	\$ -	(\$ 5,073,626)	\$ -	\$ 25,077,018
Available-for-sale financial assets	474,002	20,058	(3,340)	1,321,327	-	(901,816)	-	910,231
Total	\$ 19,114,663	\$ 2,434,591	(\$ 3,340)	\$ 10,416,777	\$ -	(\$ 5,975,442)	\$ -	\$ 25,987,249

Note: No transfer from Level 3.

Valuation gains (losses) above recognized in current profits or losses in the amounts of \$(5,284,965) thousand and \$4,948,371 thousand were attributed to gains (losses) on assets owned for the years ended December 31, 2016 and 2015, respectively.

Valuation gains (losses) above recognized in other comprehensive income in the amounts of \$816 thousand and \$(2,405) thousand were attributed to gains (losses) on assets owned during years ended December 31, 2016 and 2015, respectively.

Reconciliation of Level 3 financial liabilities:

For the Year Ended December 31, 2016							
Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial liabilities at FVTPL	\$ 25,476,523	(\$ 5,971,931)	\$ 581,955	\$ -	(\$ 7,410,333)	\$ -	\$ 12,676,214

Note: No transfer from Level 3.

For the Year Ended December 31, 2015							
Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial liabilities at FVTPL	\$ 18,683,213	\$ 1,631,710	\$ 8,398,704	\$ -	(\$ 3,237,104)	\$ -	\$ 25,476,523

Note: No transfer from Level 3.

Valuation gains (losses) above recognized in current profits or losses in the amounts of \$5,609,967 thousand and \$(4,160,884) thousand were attributed to gains (losses) on liabilities owned during years ended December 31, 2016 and 2015, respectively.

- 6) The quantification information measured by fair value of significant unobservable inputs (Level 3)

The fair value attributed to Level 3 in the Group only has single significant unobservable input.

The quantification information of significant unobservable inputs was as follows:

	Fair Value on December 31, 2016	Valuation Technique	Significant Unobservable Inputs	Range of Estimate	Relationship Between Inputs and Fair Value
<u>Non-derivative financial instrument</u>					
<u>Available-for-sale financial assets</u>					
Beneficial securities	\$ 762,156	Cash flow discount method/ prepayment model	Discount for lack of marketability	0%~10 %	The higher the discount for lack of marketability, the lower the fair value.

(Continued)



	Fair Value on December 31, 2016	Valuation Technique	Significant Unobservable Inputs	Range of Estimate	Relationship Between Inputs and Fair Value
<u>Derivative financial instrument</u>					
Financial assets at FVTPL					
Interest rate swaps	1,270,167	Cash flow discount method	Discount for lack of marketability	0%~20%	The higher the discount for lack of marketability, the lower the fair value.
Equity-linked swaps	177	Option pricing model/cash flow discount method	Volatility rate	5%~40%	The higher the volatility rate, the higher the fair value.
Structured FXO	72	Option pricing model	Volatility rate	5%~25%	The higher the volatility rate, the higher the fair value.
<u>Derivative financial liabilities</u>					
Financial liabilities at FVTPL					
Interest rate swaps	1,266,372	Cash flow discount method	Discount for lack of marketability	0%~20%	The higher the discount for lack of marketability, the lower the fair value.

7) The assessment of fair value based on Level 3 inputs

The financial instrument assessment group of the Group's department of risk management is responsible for independently verifying fair value, using an impartial, reliable source of information, so that the evaluation results reflect market status closely, same with other resource and representing executable price calibrating the assessment model regularly, and updating input values, information and any other information needed to ensure that the assessment model results are reasonable.

The department of finance and the department of risk management set assessment policies and procedures for determining the fair values of financial instruments and ensure that these policies and procedures are in compliance with IFRS.

d. Not measured at fair value

1) Fair value information

In addition to the items listed below, the Group's assets that are not measured at fair value - such as cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, loans, due to the Central Bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, deposits and remittances, bonds payable, other borrowing and other financial liabilities - have carrying amounts that are equal to, or reasonably approximate, their fair values.

December 31, 2016

	2016		2015	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets				
Held-to-maturity financial assets	\$ 6,126	\$ 6,126	\$ 5,110	\$ 5,110

2) The level information of fair value

Assets and Liabilities	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	\$ 6,126	\$ -	\$ -	\$ 6,126

3) Valuation techniques

a) 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 as shown in the consolidated balance sheets since their maturities are very short or their future payments/receipts approximate their carrying amounts.

b) 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.

c) Held-to-maturity financial assets: Please refer to Note 44, c., for related information.

d) Financial assets carried at cost

Since the fair value of financial assets carried at cost cannot be reliably measured, the carrying amount is disclosed instead of fair value.

e) Deposits

Considering that most of the banking transactions are within one year of maturity, deposits are disclosed at their carrying amounts.

f) 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.

Financial Assets and Financial Liabilities Offsetting

Taishin Financial Holding signs net settlement contracts or similar agreements with counterparties. When both transaction parties choose to do netting, the Group can offset financial assets and financial liabilities after the signing of the net settlement agreement. If not, the Group would execute total settlement. However, if one of the transaction parties breaks a contract, the other party can choose to execute net settlement. The table below shows more information on the offset of financial assets and financial liabilities.

December 31, 2016						
Offset and Execution of Net Settlement or Similar Agreement on Financial Assets						
Interpretation	Realized Financial Assets (a)	Offset of Realized Financial Liabilities in Balance Sheet (b)	Net Financial Assets in Balance Sheet (c)=(a)-(b)	Amount of Offset Not Shown in Balance Sheet (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Received Cash Collaterals	
Derivative	\$ 21,195,529	\$ -	\$ 21,195,529	\$ 15,047,938	\$ 719,055	\$ 5,428,536

Note: Including net settlement and non-cash collaterals.

December 31, 2016						
Offset and Execution of Net Settlement or Similar Agreement on Financial Liabilities						
Interpretation	Realized Financial Assets (a)	Offset of Realized Financial Assets in Balance Sheet (b)	Net Financial Liabilities in Balance Sheet (c)=(a)-(b)	Amount of Offset Not Shown in Balance Sheet (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Received Cash Collaterals	
Derivative	\$ 30,547,358	\$ -	\$ 30,547,358	\$ 15,047,938	\$ 12,514,626	\$ 2,984,794

Note: Including net settlement and non-cash collaterals.



December 31, 2015						
Offset and Execution of Net Settlement or Similar Agreement on Financial Assets						
Interpretation	Realized Financial Assets (a)	Offset of Realized Financial Liabilities in Balance Sheet (b)	Net Financial Assets in Balance Sheet (c)=(a)-(b)	Amount of Offset Not Shown in Balance Sheet (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Received Cash Collaterals	
Derivative	\$ 19,258,158	\$ -	\$ 19,258,158	\$ 14,537,109	\$ 510,853	\$ 4,210,196

Note: Including net settlement and non-cash collaterals.

December 31, 2015						
Offset and Execution of Net Settlement or Similar Agreement on Financial Liabilities						
Interpretation	Realized Financial Assets (a)	Offset of Realized Financial Assets in Balance Sheet (b)	Net Financial Liabilities in Balance Sheet (c)=(a)-(b)	Amount of Offset Not Shown in Balance Sheet (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Received Cash Collaterals	
Derivative	\$ 46,011,912	\$ -	\$ 46,011,912	\$ 14,537,109	\$ 25,283,586	\$ 6,191,217

Note: Including net settlement and non-cash collaterals.

Transfer of Financial Assets

Taishin Financial Holding treats debt securities under repurchase agreements as transferred financial assets that do not qualify for full derecognition; thus, the Group will recognize debts on the transferred financial assets to be bought back at a confirmed price because of the transfer of cash on the debt security contracts. In addition, the Group should not use, sell or pledge the transferred financial assets during the transaction validity period. However, the Group still bears interest and credit risks although the financial assets will not be fully derecognized. The following table shows the amounts of the financial assets that did not qualify for full derecognition and information on the related financial liabilities.

December 31, 2016		
Financial Assets	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Financial assets at fair value through profit or loss repurchase agreement	\$ 25,522,019	\$ 25,533,000
Available-for-sale financial assets repurchase agreement	43,551,015	44,575,624

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. The board of directors authorizes risk Management Committee 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, such as self-run position or position produced by matched principal brokering or market making, 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" 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 DV01 to measure interest risk. DV01 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 Delta to measure the exchange rate risk of the first order change and applies Gamma 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. And the department calculates stress loss of risk position held. 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 calculates stress loss of risk position held, applies Delta 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, 2016			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 24,877	\$ 40,120	\$ 8,358	\$ 30,585
Interest rate VaR	60,664	94,871	23,294	30,883
Equity securities VaR	29,283	45,528	8,087	31,102
Value at risk	68,293	106,205	33,424	45,007

	For the Year Ended December 31, 2015			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 26,921	\$ 68,254	\$ 5,106	\$ 21,682
Interest rate VaR	45,437	73,748	22,815	68,266
Equity securities VaR	23,391	45,997	5,394	23,480
Value at risk	52,823	80,147	32,205	69,262

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 52.

Taishin Securities B

VaR is the potential highest loss for a period within certain confidence interval. For the years ended December 31, 2016 and 2015, Taishin Securities B's VaR factors were as follows:

	December 31, 2016			
	Average	Highest	Lowest	Ending Balance
Value at risk (VaR)	\$ 32,031	\$ 41,763	\$ 20,420	\$ 26,470

	December 31, 2015			
	Average	Highest	Lowest	Ending Balance
Value at risk (VaR)	\$ 34,251	\$ 27,629	\$ 24,766	\$ 30,150

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 debt 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 debt, 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 debt 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 Nonperforming 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 Nonperforming 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 debt 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.

d) Other credit enhancements

To reduce its credit risks, Taishin Bank stipulates in its credit contracts the terms for offsetting to state clearly that Taishin Bank reserves the right to offset the borrowers' debt against their deposits in Taishin Bank.

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, 2016 and 2015, 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	
	2016	2015
Guarantees	\$ 15,732,747	\$ 15,034,602
Letters of credit	2,902,726	3,853,744
Unused loan commitments (excluding credit card)	600,553,630	595,996,350
Unused loan commitments (credit card only)	14,120,357	13,340,999

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			
	2016		2015	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Manufacturing	\$ 121,689,439	14	\$ 112,354,885	13
Wholesale and retailing	50,275,504	6	61,566,474	7
Finance and insurance	89,444,644	10	92,018,197	11
Real estate and leasing	43,434,193	5	38,875,370	5
Service	15,110,538	2	12,594,185	1
Individuals	533,690,339	60	496,949,037	59
Others	37,323,009	3	32,897,814	4
	<u>\$ 890,967,666</u>		<u>\$ 847,255,962</u>	

Geographic Location	December 31			
	2016		2015	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Asia	\$ 808,335,514	91	\$ 782,515,969	92
Europe	3,557,697	-	1,210,153	-
America	340,979	-	475,220	-
Others	78,733,476	9	63,054,620	8
	<u>\$ 890,967,666</u>		<u>\$ 847,255,962</u>	

6) Financial assets credit quality and nonperforming 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)

Item	December 31, 2016										
	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	
In-balance-sheet items											
Receivables (including delinquent loans reclassified from other items)	\$ 81,297,951	\$ 10,044,056	\$ 603,136	\$ 10,495,812	\$ 102,440,955	\$ 203,900	\$ 4,404,058	\$ 107,048,913	\$ 2,315,237	\$ 199,454	\$ 104,534,222
Loans	691,444,894	175,153,368	8,311,458	-	834,909,720	351,116	15,706,830	890,967,666	8,239,261	4,717,113	878,011,292

Item	December 31, 2015										
	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	
In-balance-sheet items											
Receivables (including delinquent loans reclassified from other items)	\$ 71,999,794	\$ 10,259,546	\$ 398,643	\$ 9,133,119	\$ 91,791,102	\$ 158,319	\$ 5,821,913	\$ 97,771,334	\$ 3,182,951	\$ 151,417	\$ 94,436,966
Loans	653,569,406	161,444,397	16,838,396	-	831,852,199	944,239	14,459,524	847,255,962	7,045,336	4,933,766	835,276,860

b) Credit quality analysis of loans neither past due nor impaired based on credit ratings of clients

Item	December 31, 2016				
	Neither Past Due Nor Impaired				
	Excellent	Good	Acceptable	Non-ratings	Total
Consumer finance	\$ 498,086,775	\$ -	\$ 7,378,278	\$ -	\$ 505,465,053
Corporation finance	193,358,119	175,153,368	933,180	-	369,444,667
Total	\$ 691,444,894	\$ 175,153,368	\$ 8,311,458	\$ -	\$ 874,909,720

Item	December 31, 2015				
	Neither Past Due Nor Impaired				
	Excellent	Good	Acceptable	Non-ratings	Total
Consumer finance	\$ 459,712,987	\$ -	\$ 10,957,142	\$ -	\$ 470,670,129
Corporation finance	193,856,419	161,444,397	5,881,254	-	361,182,070
Total	\$ 653,569,406	\$ 161,444,397	\$ 16,838,396	\$ -	\$ 831,852,199



c) Credit quality analysis of non-credit financial assets

Item	December 31, 2016										
	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	\$ 27,759,857	\$ -	\$ -	\$ -	\$ 27,759,857	\$ -	\$ -	\$ 27,759,857	\$ -	\$ -	\$ 27,759,857
Securities purchased under resell agreements	5,286,859	-	-	-	5,286,859	-	-	5,286,859	-	-	5,286,859
Available-for-sale financial assets											
Stocks	-	-	-	-	-	-	-	-	-	-	-
Bills	207,400,055	-	-	-	207,400,055	-	-	207,400,055	-	-	207,400,055
Bonds and beneficiary securities	90,921,243	-	-	-	90,921,243	-	-	90,921,243	-	-	90,921,243
Held-to-maturity financial assets											
Bonds	-	-	-	6,126	6,126	-	-	6,126	-	-	6,126
Financial assets carried at cost											
Stocks	-	-	-	-	-	-	124,930	124,930	37,776	-	87,154

Item	December 31, 2015										
	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	\$ 14,152,621	\$ -	\$ -	\$ -	\$ 14,152,621	\$ -	\$ -	\$ 14,152,621	\$ -	\$ -	\$ 14,152,621
Securities purchased under resell agreements	2,951,852	-	-	-	2,951,852	-	-	2,951,852	-	-	2,951,852
Available-for-sale financial assets											
Stocks	-	-	-	-	-	-	-	-	-	-	-
Bills	182,544,058	-	-	-	182,544,058	-	-	182,544,058	-	-	182,544,058
Bonds and beneficiary securities	104,918,273	352,209	-	-	105,270,482	-	-	105,270,482	-	-	105,270,482
Held-to-maturity financial assets											
Bonds	-	-	-	5,110	5,110	-	-	5,110	-	-	5,110
Financial assets carried at cost											
Stocks	-	-	-	-	-	-	134,232	134,232	52,804	-	81,428

d) Aging analysis of financial assets that are past due but not impaired

Item	December 31, 2016				December 31, 2015			
	Past Due Up to Two Months	Past Due Two to Three Months	Past Due over Three Months	Total	Past Due Up to Two Months	Past Due Two to Three Months	Past Due over Three Months	Total
Receivables (including delinquent loans reclassified from other items)	\$ 170,023	\$ 33,877	\$ -	\$ 203,900	\$ 123,346	\$ 25,280	\$ 9,693	\$ 158,319
Consumer finance	45,896	23,302	-	69,198	34,445	18,704	-	53,149
Corporation finance	-	-	-	-	2,100	370	-	2,470
Others	124,127	10,575	-	134,702	86,801	6,206	9,693	102,700
Loans	304,449	46,667	-	351,116	816,962	127,277	-	944,239
Consumer finance	304,449	46,667	-	351,116	166,358	33,719	-	200,077
Corporation finance	-	-	-	-	650,604	93,558	-	744,162

e) Impairment analysis of loans and receivables

Receivables (including other miscellaneous financial assets)

Item		Gross Receivables	
		December 31, 2016	December 31, 2015
Objective evidence of impairment	Individual assessment of impairment	\$ 2,152,696	\$ 3,371,349
	Combined assessment of impairment	2,251,364	2,450,564
Non objective evidence of impairment	Combined assessment of impairment	102,644,847	91,949,421
Total		\$ 107,048,907	\$ 97,771,334

Item		Allowance	
		December 31, 2016	December 31, 2015
Objective evidence of impairment	Individual assessment of impairment	\$ 1,972,621	\$ 2,821,176
	Combined assessment of impairment	342,616	361,775
Non objective evidence of impairment	Combined assessment of impairment	199,454	151,417
Total		\$ 2,514,691	\$ 3,334,368

Loans

Item		Gross Loans	
		December 31, 2016	December 31, 2015
Objective evidence of impairment	Individual assessment of impairment	\$ 6,644,606	\$ 5,296,537
	Combined assessment of impairment	9,062,226	9,162,987
Non objective evidence of impairment	Combined assessment of impairment	875,260,834	832,796,438
Total		\$ 890,967,666	\$ 847,255,962

Item		Allowance	
		December 31, 2016	December 31, 2015
Objective evidence of impairment	Individual assessment of impairment	\$ 5,178,475	\$ 4,160,937
	Combined assessment of impairment	3,060,786	2,884,399
Non objective evidence of impairment	Combined assessment of impairment	4,717,113	4,933,766
Total		\$ 12,956,374	\$ 11,979,102

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:

- a) Inability to fulfill funding gap due to asymmetric time and amount in cash inflows and outflows.
- b) Liabilities paid off in advance before maturity, inability to maintain liabilities at maturity or inability to acquire funds from the market.
- c) 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 debt, 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:

- a) Principle of risk diversification: Taishin Bank should avoid excessively concentrating funds on the same maturity, instruments, currencies, regions, funding sources or counterparties.
- b) 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:

Financial Instruments Item	December 31, 2016									
	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 banks	\$ 22,501,196	\$ 5,308,198	\$ 12,671,704	\$ 6,485,363	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,966,461
Non-derivative financial liabilities at fair value through profit or loss	453,975	-	-	-	-	-	-	-	-	453,975
Securities sold under repurchase agreements	62,640,248	6,333,929	-	-	-	-	-	-	-	68,974,177
Payables	25,687,680	509,408	1,193,604	917,961	17,487	-	-	-	-	28,326,140
Deposits and remittances	128,130,316	263,581,265	127,556,449	245,181,632	344,673,262	3,470,245	8,631	-	-	1,112,601,800
Bank debentures	-	-	13,300,000	-	-	4,900,000	-	-	34,800,000	53,000,000
Other financial liabilities	4,382,198	1,445,284	681,321	3,692,304	1,377,735	1,236,068	326,308	29,338	34,938,783	48,109,339
	<u>\$ 243,795,613</u>	<u>\$ 277,178,084</u>	<u>\$ 155,403,078</u>	<u>\$ 256,277,260</u>	<u>\$ 346,068,484</u>	<u>\$ 9,606,313</u>	<u>\$ 334,939</u>	<u>\$ 29,338</u>	<u>\$ 69,738,783</u>	<u>\$ 1,358,431,892</u>

Financial Instruments Item	December 31, 2015									
	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 banks	\$ 38,022,041	\$ 6,834,198	\$ 12,722,940	\$ 7,082,699	\$ 28,000	\$ -	\$ -	\$ -	\$ -	\$ 64,689,878
Non-derivative financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Securities sold under repurchase agreements	80,133,946	12,999,451	350,883	-	-	-	-	-	-	93,484,280
Payables	18,843,985	879,012	654,533	461,081	8,212	-	-	-	-	20,846,823
Deposits and remittances	118,516,574	277,410,904	138,081,029	213,886,030	287,609,886	5,672,875	13,454	-	-	1,041,190,752
Bank debentures	-	-	-	-	13,300,000	-	4,900,000	-	34,800,000	53,000,000
Other financial liabilities	4,400,584	1,655,926	821,000	349,844	705,355	456,595	1,059,239	813,952	39,356,407	49,618,902
	<u>\$ 259,917,130</u>	<u>\$ 299,779,491</u>	<u>\$ 152,630,385</u>	<u>\$ 221,779,654</u>	<u>\$ 301,651,453</u>	<u>\$ 6,129,470</u>	<u>\$ 5,972,693</u>	<u>\$ 813,952</u>	<u>\$ 74,156,407</u>	<u>\$ 1,322,830,635</u>

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 \$507,931,540 thousand and \$469,311,836 thousand as of December 31, 2016 and 2015, 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:



Financial Instruments Item	December 31, 2016									
	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	\$ 34,970,485	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,970,485

Financial Instruments Item	December 31, 2015									
	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	\$ 49,883,193	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,883,193

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, 2016 and 2015, 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 \$15,732,747 thousand and \$15,034,602 thousand, respectively, for guarantees; \$2,902,726 thousand and \$3,834,744 thousand, respectively, for letters of credit; \$600,553,630 thousand and \$595,996,350 thousand, respectively, for loans commitments (excluding credit card); and \$14,120,357 thousand and \$13,340,999 thousand, respectively, for credit cards commitments.

Item	December 31, 2016					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 4,038,325	\$ 5,410,928	\$ 1,961,196	\$ 1,124,343	\$ 3,197,955	\$ 15,732,747
Letters of credit	812,895	1,970,058	94,861	24,912	-	2,902,726
Loans commitments (excluding credit cards)	5,330,834	145,805,643	128,632,988	316,250,255	4,533,910	600,553,630
Credit cards commitments	134	9,907	27,064	95,999	13,987,253	14,120,357

Item	December 31, 2015					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 4,032,742	\$ 4,262,994	\$ 1,721,245	\$ 2,060,549	\$ 2,957,072	\$ 15,034,602
Letters of credit	1,582,021	2,097,305	174,418	-	-	3,853,744
Loans commitments (excluding credit cards)	6,681,139	101,515,295	190,950,987	262,173,706	34,675,223	595,996,350
Credit cards commitments	68	18,860	21,290	48,836	13,251,945	13,340,999

45. RELATED-PARTY TRANSACTIONS

a. Names and relationships of related parties were as follows:

Name	Relationship
Taishin Bank	Fellow subsidiaries
Taishin AMC	Fellow subsidiaries
Taishin Venture Capital	Fellow subsidiaries
Taishin Securities B	Fellow subsidiaries
Taishin Securities Investment Trust	Fellow subsidiaries
Taishin Holdings Insurance Brokers	Fellow subsidiaries (merged with Taishin Bank on April 24, 2016)
Taishin Securities Investment Advisory	Fellow subsidiaries
Taishin D.A. Finance	Fellow subsidiaries

(Continued)

Name	Relationship
Xiang An Insurance Agency	Fellow subsidiaries (changed the company name on August 19, 2016)
Taishin Real-Estate	Fellow subsidiaries
Taishin Insurance Broker	Fellow subsidiaries (dissolved in July 2015, and liquidated in March 2016)
Taishin Financial Leases (China)	Fellow subsidiaries
Taishin Financial Leases (Tianjin)	Fellow subsidiaries
Taishin Bank Foundation for Arts and Culture ("Taishin Culture")	Others
An Hsin Real-Estate	Associates
Chang Hwa Bank ("CHB")	Associates
CHB Insurance Agency	Associates (merged with Chang Hwa Bank on April 1, 2016)
CHB Insurance Brokerage	Associates (merged with Chang Hwa Bank on April 1, 2016)
Shin Kong Life Insurance Co., Ltd. ("Shin Kong Life Insurance")	Others
Shinkong Synthetic Fibers Co., Ltd. ("Shin Kong Synthetic Fibers")	Others
Dah Chung Bills Finance Corp. ("Dah Chung Bills")	Others
Taiwan Shin Kong Commercial Bank Co., Ltd. ("Shin Kong Bank")	Others
Shin Kong Financial Holding Co., Ltd. ("Shin Kong Financial Holding")	Other
CyberSoft Digital Service Corp. ("CyberSoft Digital Service")	Others
Shin Kong Mitsukoshi Department Store Co., Ltd. ("Shin Kong Mitsukoshi")	Others
Shin Kong Insurance Co., Ltd. ("Shin Kong Insurance")	Others
Diamond Biotech Investment Corp. ("Diamond Biotech Investment")	Others
Ri Chang Electronics Co., Ltd. ("Ri Chang Electronics")	Others
Agricultural Credit Guarantee Fund ("ACGF")	Others
Delin Industrial Corp., Ltd. ("Delin Industrial")	Others
Nanya Technology Corp. ("Nanya Technology")	Others (become non-related party after the second quarter of 2016)
Peng Cheng Corp. ("Peng Cheng")	Others
OBI Pharma, Inc. ("OBI Pharma")	Others (become non-related party after the third quarter of 2016)
An Shin Construction Manager Corp. ("An Shin Construction Manager")	Others
EasyCard Corp. ("EasyCard")	Others
Ubright Optronics Corporation ("UBright")	Others
Fenghe Development Corp. ("Fenghe Development")	Others
International Bills Finance Corp. ("IBFC")	Others
Taiwan Mobile Payment Co., Ltd. ("TWMP")	Others
Contact Digital Integration Co., Ltd. (CDIC)	Others
Han-Hua Venture Capital Co., Ltd. ("Han-Hua Venture Capital")	Others
Sercomm Corp. ("Sercomm")	Others
Individual A	Key management personnel
Others	Including key management personnel and others

(Concluded)

**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
December 31, 2016	\$ 1,328,045
December 31, 2015	1,911,112

For the years ended December 31, 2016 and 2015, interest rates ranged from 0.0001% to 10.52% and from 0.0001% to 10.01%, and interest revenues were \$22,281 thousand and \$33,779 thousand, respectively.

December 31, 2016						
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Consumer loans</u>						
111 accounts	\$ 375,884	\$ 396,026	\$ 375,884	\$ -	Land, building, chattels	None
<u>Self-used residence mortgage loans</u>						
89 accounts	515,814	549,290	515,814	-	Land, building	None
<u>Other loans</u>						
Peng Cheng	154,000	154,000	154,000	-	Land, building	None
Others	282,347	458,734	282,347	-	Land, building, chattels, securities	None
	<u>\$ 1,328,045</u>		<u>\$ 1,328,045</u>			

December 31, 2015						
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Consumer loans</u>						
104 accounts	\$ 226,768	\$ 275,184	\$ 226,768	\$ -	Land, building, chattels	None
<u>Self-used residence mortgage loans</u>						
96 accounts	559,771	632,457	559,771	-	Land, building	None
<u>Other loans</u>						
Nanya Technology	400,000	400,000	400,000	-	Chattels	None
Shin Kong Synthetic Fibers	300,000	400,000	300,000	-	Securities	None
Delin Industrial	116,000	121,000	116,000	-	Land, building	None
Peng Cheng	107,000	107,000	107,000	-	Land, building	None
Others	201,573	263,964	201,573	-	Land, building, chattels, securities	None
	<u>\$ 1,911,112</u>		<u>\$ 1,911,112</u>			

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

Deposits

	Ending Balance
December 31, 2016	\$ 15,659,942
December 31, 2015	16,816,245

For the years ended December 31, 2016 and 2015, interest rates ranged from 0.00% to 5.08% and 0.00% to 5.95%, respectively, and interest expenses were \$192,278 thousand and \$114,271 thousand, respectively.

	December 31, 2016		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
IBFC	\$ 6,000,657	0.00-0.50	(\$ 6,667)
An Shin Construction Manager	1,923,865	0.63-0.80	(24,463)
Shin Kong Life Insurance	1,775,543	0.06-0.48	(6,372)
Shin Kong Mitsukoshi	1,452,177	0.00-0.13	(1,007)
Sing Kong Insurance	640,818	0.00-1.36	(1,901)
Dah Chung Bills	423,091	0.00-0.55	(2,146)
Ubright	187,810	0.00-0.32	(193)
Fenghe Development	171,569	0.01-1.30	(1,342)
Sercomm	158,852	0.00-0.13	(67)
Han-Hua Venture Capital	149,798	0.00-0.60	(203)
An Hsin Real-Estate	140,202	0.06-0.80	(1,412)
ACGF	130,000	0.16-1.38	(1,772)
TWMP	102,506	0.06-1.23	(613)
CDIC	100,649	0.00-0.75	(311)
Other	2,302,405		(143,809)
	<u>\$ 15,659,942</u>		<u>(\$ 192,278)</u>
	December 31, 2015		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
OBI Pharma	\$ 6,283,690	0.13-2.80	(\$ 34,273)
An Shin Construction Manager	3,778,593	0.13-0.94	(21,806)
Shin Kong Mitsukoshi	1,382,009	0.00-0.17	(1,958)
An Hsin Real-Estate	475,257	0.13-0.94	(14,620)
Dah Chung Bills	427,269	0.00-0.85	(3,201)
Shin Kong Synthetic Fibers	394,409	0.00-0.35	(85)
Shin Kong Insurance	380,037	0.00-1.36	(2,111)
Easy Card	200,239	0.13-0.17	(165)
ACGF	200,000	0.23-1.38	(2,778)
Ri Chang Electronics	185,067	0.13-1.36	(1,363)
Fenghe Development	146,032	0.02-1.28	(55)
Shin Kong Life Insurance	133,729	0.05-0.60	(215)
Ubright	121,135	0.00-0.35	(120)
Diamond Biotech Investment	117,176	0.02-1.22	(11,633)
Other	2,591,603		(19,888)
	<u>\$ 16,816,245</u>		<u>(\$ 114,271)</u>



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

2) Call loan to banks

		December 31, 2016		
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue for the Year Ended December 31
IBFC	Call loan to banks	\$ -	0.30-0.56	\$ 1,385
Dah Chung Bills	Call loan to banks	-	0.30-0.56	477

3) Due from banks and due to banks

Taishin Bank and subsidiaries

Due from banks

		December 31, 2016		
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue for the Year Ended December 31
Chang Hwa Bank	Due from banks	\$ 1,533	-	\$ -

		December 31, 2015		
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue for the Year Ended December 31
Chang Hwa Bank	Due from banks	\$ 1,480	-	\$ -

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

4) Trading securities

		December 31, 2016					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resell Agreements		
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)	
Individual A	\$ -	\$ -	\$ 20,000	0.28~0.36	\$ -	-	
Shin Kong Life Insurance	-	-	1,159,718	0.35~0.55	-	-	
IBFC	32,698,369	-	-	-	3,788,836	0.29~0.65	
Dah Chung Bills	499,823	-	-	-	-	-	
	<u>\$ 33,198,192</u>	<u>\$ -</u>	<u>\$ 1,179,718</u>		<u>\$ 3,788,836</u>		

		December 31, 2015					
	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	\$ 1,597,371	\$ 854,766	\$ -	-	\$ -	-	
Shin Kong Financial Holding	-	-	83,973	0.38~0.55	-	-	
Chang Hwa Bank	1,466,781	1,260,551	-	-	-	-	
Shin Kong Bank	252,997	-	-	-	-	-	
	<u>\$ 3,317,149</u>	<u>\$ 2,115,317</u>	<u>\$ 83,973</u>		<u>\$ -</u>		

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

5) Derivatives

December 31, 2016						
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
IBFC	Interest rate swaps	2016.04.13-2017.12.22	\$ 14,000,000	\$ 17	Financial assets at FVTPL	\$ 17
Dah Chung Bills	Interest rate swaps	2013.03.06-2021.07.01	900,000	6,138	Financial assets at FVTPL	3,997

December 31, 2016						
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Dah Chung Bills	Interest rate swaps	2011.02.24-2018.11.30	\$ 1,500,000	(\$ 2,086)	Financial liabilities at FVTPL	(\$ 2,086)

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					
2016			2015		
	Item	Amount		Item	Amount
Shin Kong Mitsukoshi	Fee income	\$ 324,073		Fee income	\$ 302,499
Shin Kong Mitsukoshi	Service charge and operating expense	361,110		Service charge and operating expense	375,864
CyberSoft Digital Service	Operating expense	589,606		Operating expense	565,757
Shin Kong Life Insurance	Commissions income	1,016,855		Commissions income	433,016
Taishin Culture	Donations	20,000		Donations	-

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, 2016 and 2015 included the following:

For the Year Ended December 31			
2016		2015	
Short-term benefits	\$ 218,126	\$ 269,262	
Post-employment benefits	1,188	1,286	
Share-based payments	7,617	560	
	<u>\$ 226,931</u>	<u>\$ 271,108</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

December 31, 2016						
Related Parties	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Other loans</u>						
Peng Cheng	\$ 154,000	\$ 154,000	\$ 154,000	\$ -	Land, building	None
December 31, 2015						
Related Parties	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Other loans</u>						
Nanya Technology	\$ 400,000	\$ 400,000	\$ 400,000	\$ -	Chattels	None
Shin Kong Synthetic Fibers	300,000	400,000	300,000	-	Securities	None
Delin Industrial	116,000	121,000	116,000	-	Land, building	None
Peng Cheng	107,000	107,000	107,000	-	Land, building	None

Deposits

December 31, 2016			
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Taishin Financial Holding	\$ 7,876,884	0.00-0.45	(\$ 10,523)
IBFC	6,000,657	0.00-0.50	(6,667)
An Shin Construction Manager	1,923,865	0.63-0.80	(24,463)
Shin Kong Life Insurance	1,775,543	0.06-0.48	(6,372)
Shin Kong Mitsukoshi	1,452,177	0.00-0.13	(1,007)
Shin Kong Insurance	640,818	0.00-1.36	(1,901)
Xiang An Insurance Agency	507,047	0.00-0.07	(1,588)
Dah Chung Bills	423,091	0.00-0.55	(2,146)
Taishin Securities B	301,859	0.06-1.36	(1,045)
Taishin Securities Investment Advisory	199,316	0.06-1.36	(1,712)
Ubright	187,810	0.00-0.32	(193)
Fenghe Development	171,569	0.01-1.30	(1,342)
Sercomm	158,852	0.00-0.13	(67)
Han-Hua Venture Capital	149,798	0.00-0.60	(203)
An Hsin Real-Estate	140,202	0.06-0.80	(1,412)
ACGF	130,000	0.16-1.38	(1,772)
TWMP	102,506	0.06-1.23	(613)
CDIC	100,649	0.00-0.75	(311)

	December 31, 2015		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
OBI Pharma	\$ 6,283,690	0.13-2.80	(\$ 34,273)
An Shin Construction Manager	3,778,593	0.13-0.94	(21,806)
Shin Kong Mitsukoshi	1,382,009	0.00-0.17	(1,958)
Taishin Holding Insurance Brokers	1,256,461	0.13-0.17	(1,754)
Taishin Insurance Agency	734,707	0.00-0.70	(1,517)
An Hsin Real-Estate	475,257	0.13-0.94	(14,620)
Dah Chung Bills	427,269	0.00-0.85	(3,201)
Shin Kong Synthetic Fibers	394,409	0.00-0.35	(85)
Shin Kong Insurance	380,037	0.00-1.36	(2,111)
Taishin Securities B	367,980	0.13-1.36	(1,483)
Taishin Securities Investment Advisory	263,214	0.05-1.36	(2,582)
Taishin Real-Estate	246,308	0.00-1.35	(619)
Easy Card	200,239	0.13-0.17	(165)
ACGF	200,000	0.23-1.38	(2,778)
Ri Chang Electronics	185,067	0.13-1.36	(1,363)
Fenghe Development	146,032	0.02-1.28	(55)
Shin Kong Life Insurance	133,729	0.05-0.60	(215)
Ubright	121,135	0.00-0.35	(120)
Diamond Biotech Investment	117,176	0.02-1.22	(11,633)

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

b) Trading securities

	December 31, 2016					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resell Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Shin Kong Life Insurance	\$ -	\$ -	\$ 1,159,718	0.35-0.55	\$ -	-
Taishin Financial Holding	-	-	206,736	0.30-0.42	-	-
Dah Chung Bills	499,823	-	-	-	-	-
IBFC	32,698,369	-	-	-	3,788,836	0.29~0.65

	December 31, 2015					
	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	\$ 1,597,371	\$ 854,766	\$ -	-	\$ -	-
Taishin Financial Holding	-	-	13,273,093	0.37-0.55	-	-
Chang Hwa Bank	1,466,781	1,260,551	-	-	-	-
Shin Kong Bank	252,997	-	-	-	-	-

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



c) Derivatives

December 31, 2016						
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
IBFC	Interest rate swaps	2016.04.13-2017.12.22	\$14,000,000	\$ 17	Financial assets at FVTPL	\$ 17
Dah Chung Bills	Interest rate swaps	2013.03.06-2021.07.01	900,000	6,138	Financial assets at FVTPL	3,997
December 31, 2015						
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Dah Chung Bills	Interest rate swaps	2011.02.24-2018.11.30	\$ 1,500,000	(\$ 2,086)	Financial liabilities at FVTPL	(\$ 2,086)

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

d) Other material transactions

For the Year Ended December 31				
2016		2015		
Item	Amount	Item	Amount	
Taishin Holding Insurance Brokers	Fee income	\$ - (Note)	Fee income	\$ 3,634,878
Taishin Holding Insurance Brokers	Receivables net	- (Note)	Receivables, net	353,649
Cyber Soft Digital Service	Operating expenses	586,622	Operating expenses	562,937
Shin Kong Mitsukoshi	Service charge and operating expenses	360,759	Service charge and operating expenses	374,915
Shin Kong Mitsukoshi	Fee income	324,073	Fee income	302,499
Shin Kong Life Insurance	Commission income	1,010,976	Commission income	- (Note)

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

Note: Since Taishin Holding Insurance Brokers was merged with Taishin Bank and extinguished on April 24, 2016, no related party transactions existed between the two parties.

e) Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2016 and 2015 included the following:

For the Year Ended December 31			
2016		2015	
Short-term employee benefits	\$ 448,345	\$ 444,898	
Post-employment benefits	8,818	8,062	
Termination benefits	11,938	11,094	
Share-based payment	12,336	3,136	
	<u>\$ 481,437</u>	<u>\$ 467,190</u>	

2) Taishin Securities B

Liability contracts with related parties:

Item	Name	December 31	
		2016	2015
Operating guarantee deposits	Taishin Bank	\$ 165,000	\$ 165,000
Other current assets - receipts under underwriting	Taishin Bank	47,891	189,270

3) Taishin AMC

Names and relationships of related parties were as follows:

a) Credit receivable

In June 2005, Taishin AMC bought 12 accounts of credit loans from Taishin Bank for \$986,000 thousand with book value of \$2,951,353 thousand. According to the contract, the receivables of \$986,000 thousand will be paid off in seven installments by October 31, 2006.

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.

b) Loans with transferred ownership

	For the Year Ended December 31, 2016			
	Beginning Balance	Purchased	Collected	Ending Balance
Loans with transferred ownership	\$ 15,569,657	\$	(\$ 192,094)	\$ 15,377,563

	For the Year Ended December 31, 2015			
	Beginning Balance	Purchased	Collected	Ending Balance
Loans with transferred ownership	\$ 15,779,407	\$ -	(\$ 209,750)	\$ 15,569,657

4) Taishin Venture Capital

Other material transactions:

Item	Related Party	December 31	
		2016	2015
Investments accounted for using the equity method	Taishin Financial Leases (Tianjin)	\$ -	\$ 319,920

**5) Taishin Securities Investment Trust**

There were no related party transactions with amounts more than \$100,000 thousand for the year ended December 31, 2016.

6) Taishin Securities Investment Advisory

Liability contracts with related parties:

Item	Related Party	December 31	
		2016	2015
Other financial assets	Taishin Bank	\$ 160,373	\$ 198,250

7) Taishin Holding Insurance Brokers

Liability contracts with related parties:

Item	Related Party	December 31, 2015	
Bank deposits	Taishin Bank	\$	1,256,461
Accounts payable	Taishin Bank		353,649
Service fee	Taishin Bank		3,634,878
Commissions income	Shin Kong Life Insurance		433,016

Note: Taishin Holding Insurance Brokers was merged with Taishin Bank and extinguished on April 24, 2016. For the year ended December 31, 2016, related party transactions were disclosed in Taishin Bank.

46. PLEDGED ASSETS

Pledged Assets	Description	December 31	
		2016	2015
Refundable deposits	Cash and certificates of time deposits	\$ 14,008,152	\$ 25,906,137
Operating deposits and settlement funds	Cash and cash paid to stock exchange	157,321	154,664
Available-for-sale financial assets	Bills and bonds	15,388,965	15,344,150
Held-to-maturity financial assets	Bonds	5,900	3,600
Time deposit with original maturity more than 3 months	Certificates of time deposits	107,724	-

47. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to those mentioned in Note 9 and Note 44, Taishin Financial Holding and subsidiaries have the following contingent liabilities and commitments as of December 31, 2016 and 2015:

	December 31	
	2016	2015
Trust liabilities	\$ 261,072,298	\$ 225,718,181
Unpaid equipment purchase contracts	2,101,118	2,097,446

48. FINANCIAL INFORMATION BY BUSINESS

The financial information by business for the years ended December 31, 2016 and 2015 was as follows:

Item	For the Year Ended December 31, 2016			
	Bank Business	Securities Business	Other Business	Total
Net interest income	\$ 17,584,760	\$ 64,204	\$ 355,171	\$ 18,004,135
Net income other than net interest income	14,396,180	480,895	3,270,195	18,147,270
Net revenue and gains	31,980,940	545,099	3,625,366	36,151,405
Provision for allowance for bad debts expenses and guarantee liability	(3,137,392)	(111)	(212,616)	(3,350,119)
Total operating expenses	(17,799,366)	(535,400)	(1,496,727)	(19,831,493)
Income (loss) before income tax of continued operations	11,044,182	9,588	1,916,023	12,969,793
Income tax expense	(1,533,153)	714	(44,921)	(1,577,360)
Income (loss) after income tax of continued operations	9,511,029	10,302	1,871,102	11,392,433

Item	For the Year Ended December 31, 2016			
	Bank Business	Securities Business	Other Business	Total
Net interest income	\$ 17,390,753	\$ 58,961	\$ 347,106	\$ 17,796,820
Net income other than net interest income	10,961,784	239,875	8,509,348	19,711,007
Net revenue and gains	28,352,537	298,836	8,856,454	37,507,827
Provision for allowance for bad debts expenses and guarantee liability	(2,550,270)	(2,778)	(265,036)	(2,818,084)
Total operating expenses	(17,769,637)	(432,142)	(1,591,440)	(19,793,219)
Income (loss) before income tax of continued operations	8,032,630	(136,084)	6,999,978	14,896,524
Income tax expense	(1,542,140)	(3,607)	(124,686)	(1,670,433)
Income (loss) after income tax of continued operations	6,490,490	(139,691)	6,875,292	13,226,091



49. FINANCIAL STATEMENTS OF TAISHIN FINANCIAL HOLDING

TAISHIN FINANCIAL HOLDING CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

ASSETS	2016	2015
CASH AND CASH EQUIVALENTS	\$ 7,876,884	\$ 5,682
SECURITIES PURCHASED UNDER RESELL AGREEMENTS	206,736	13,273,093
RECEIVABLES	472,457	154,707
CURRENT TAX ASSETS	361,395	377,205
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	164,995,814	134,375,729
OTHER FINANCIAL ASSETS		
Financial assets carried at cost	2,200	2,200
PROPERTY AND EQUIPMENT, NET	8,414	7,433
DEFERRED TAX ASSETS	-	58,471
OTHER ASSETS	16,945	126,195
TOTAL	\$ 173,940,845	\$ 148,380,715
LIABILITIES AND EQUITY	2016	2015
LIABILITIES		
Commercial papers issued	\$ 1,499,313	\$ -
Payables	824,483	1,125,680
Current tax liabilities	860,939	425,417
Bonds payable	22,000,000	22,000,000
Other liabilities	4,970	-
Total liabilities	25,189,705	23,551,097
EQUITY		
Capital stock		
Common stock	95,130,986	88,599,429
Preferred stock	8,625,684	7,251,368
Advance receipts for capital stock	68,402	4,449
Capital surplus	27,132,585	10,220,503
Retained earnings		
Legal reserve	6,755,788	5,466,453
Special reserve	465,368	465,368
Unappropriated earnings	10,830,150	12,893,353
Other equity		
Exchange differences on translation of foreign financial statements	(168,382)	117,513
Unrealized gains (losses) on available-for-sale financial assets	(89,441)	(188,818)
Total equity	148,751,140	124,829,618
TOTAL	\$ 173,940,845	\$ 148,380,715

TAISHIN FINANCIAL HOLDING CO., LTD.**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

	2016	2015
INCOME		
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	\$ 12,451,888	\$ 14,164,832
Interest income	22,689	70,302
Other income	<u>19,970</u>	<u>254,813</u>
Total income	<u>12,494,547</u>	<u>14,489,947</u>
EXPENSES AND LOSSES		
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	(114,918)	(465,093)
Operating expenses	(472,833)	(416,337)
Interest expenses	<u>(468,693)</u>	<u>(469,928)</u>
Total expenses and losses	<u>(1,056,444)</u>	<u>(1,351,358)</u>
INCOME BEFORE INCOME TAX	11,438,103	13,138,589
INCOME TAX BENEFIT	<u>(38,669)</u>	<u>83,955</u>
NET INCOME	11,399,434	13,222,544
OTHER COMPREHENSIVE INCOME		
Components of other comprehensive income that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	(5,650)	(375)
Share of the other comprehensive income of associates and joint ventures accounted for using equity method	(262,299)	(328,816)
Components of other comprehensive income that will be reclassified to profit or loss		
Share of the other comprehensive income of associates and joint ventures accounted for using equity method	<u>(186,518)</u>	<u>(416,128)</u>
Other comprehensive income, net of tax	<u>(454,467)</u>	<u>(745,319)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 10,944,967</u>	<u>\$ 12,477,225</u>
EARNINGS PER SHARE		
Basic	<u>\$ 1.14</u>	<u>\$ 1.30</u>
Diluted	<u>\$ 1.14</u>	<u>\$ 1.29</u>

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(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 AT JANUARY 1, 2015	\$88,417,902	\$ 7,251,368	\$ 111,339	\$ 8,251,746	\$ 2,075,475	\$ 313,619
Appropriation of 2014 earnings						
Legal reserve	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-
Cash dividends from capital surplus	-	-	-	(435,492)	-	-
Others	-	-	-	-	-	-
Net income for the year ended December 31, 2015	-	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2015, net of tax	-	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	-
Share-based payments	181,527	-	(106,890)	25,599	-	(10,444)
BALANCE AT DECEMBER 31, 2015	88,599,429	7,251,368	4,449	7,841,853	2,075,475	303,175
Appropriation of 2015 earnings						
Legal reserve	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-
Stock dividends	6,416,411	-	-	-	-	-
Net income for the year ended December 31, 2016	-	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2016, net of tax	-	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	-
Redemption of preferred stock D	-	(3,625,684)	-	(3,072,981)	-	-
Issue of preferred stock E	-	5,000,000	-	19,986,431	-	-
Share-based payments	115,146	-	63,953	21,286	-	(22,654)
BALANCE AT DECEMBER 31, 2016	<u>\$95,130,986</u>	<u>\$ 8,625,684</u>	<u>\$ 68,402</u>	<u>\$24,776,589</u>	<u>\$ 2,075,475</u>	<u>\$ 280,521</u>

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 Equity
\$ 5,315,307	\$ 465,368	\$ 1,511,461	\$ 150,908	\$ 193,921	\$ 114,058,414
151,146	-	(151,146)	-	-	-
-	-	(450,315)	-	-	(450,315)
-	-	(910,000)	-	-	(910,000)
-	-	-	-	-	(435,492)
-	-	-	-	(6)	(6)
-	-	13,222,544	-	-	13,222,544
-	-	(329,191)	(33,395)	(382,733)	(745,319)
-	-	<u>12,893,353</u>	(<u>33,395</u>)	(<u>382,733</u>)	<u>12,477,225</u>
-	-	-	-	-	<u>89,792</u>
<u>5,466,453</u>	<u>465,368</u>	<u>12,893,353</u>	<u>117,513</u>	(<u>188,818</u>)	<u>124,829,618</u>
1,289,335	-	(1,289,335)	-	-	-
-	-	(4,277,607)	-	-	(4,277,607)
-	-	(910,000)	-	-	(910,000)
-	-	(6,416,411)	-	-	-
-	-	11,399,434	-	-	11,399,434
-	-	(<u>267,949</u>)	(<u>285,895</u>)	<u>99,377</u>	(<u>454,467</u>)
-	-	<u>11,131,485</u>	(<u>285,895</u>)	<u>99,377</u>	<u>10,944,967</u>
-	-	(301,335)	-	-	(7,000,000)
-	-	-	-	-	24,986,431
-	-	-	-	-	<u>177,731</u>
<u>\$ 6,755,788</u>	<u>\$ 465,368</u>	<u>\$ 10,830,150</u>	(<u>\$ 168,832</u>)	(<u>\$ 89,441</u>)	<u>\$ 148,751,140</u>

**TAISHIN FINANCIAL HOLDING CO., LTD.****STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 11,438,103	\$ 13,138,589
Depreciation expenses	3,219	2,596
Interest expense	468,693	469,928
Interest revenue	(22,689)	(70,302)
Dividend revenue	(86)	(99)
Share-based payments	4,827	796
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(12,336,970)	(13,699,739)
Changes in operating assets and liabilities		
Net changes in operating assets		
Decrease in receivables	146,307	967,761
Decrease in other assets	103,600	160,331
Net changes in operating liabilities		
Decrease in payables	(342,371)	(268,075)
Increase in other liabilities	4,970	-
Interest received	23,216	72,245
Dividend received	8,755,255	9,429,350
Interest paid	(474,184)	(470,979)
Income taxes refund	51,138	98,464
Income taxes paid	(2,315)	(794,124)
Net cash generated from operating activities	<u>7,820,713</u>	<u>9,036,742</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	(28,000,000)	(6,206,000)
Capital reduction of investments accounted for using equity method	517,087	-
Acquisition of property and equipment	(4,200)	(3,268)
Net cash used in investing activities	<u>(27,487,113)</u>	<u>(6,209,268)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial papers issued	1,500,000	-
Exercise of employee share options	172,421	76,260
Redemption of preferred stock D	(7,000,000)	-
Issue of preferred stock E	24,986,431	-
Cash dividends distributed	(5,187,607)	(1,795,807)
Net cash (used in) generated from financing activities	<u>14,471,245</u>	<u>(1,719,547)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(5,195,155)	1,107,927
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>13,278,775</u>	<u>12,170,848</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 8,083,620</u>	<u>\$ 13,278,775</u>
CASH AND CASH EQUIVALENTS IN BALANCE SHEET		
CASH AND CASH EQUIVALENTS IN BALANCE SHEET	\$ 7,876,884	\$ 5,682
SECURITIES PURCHASED UNDER RESELL AGREEMENTS QUALIFYING AS CASH AND CASH EQUIVALENTS UNDER THE DEFINITION OF IAS 7 PERMITTED BY THE FINANCIAL SUPERVISORY COMMISSION	<u>206,736</u>	<u>13,273,093</u>
	<u>\$ 8,083,620</u>	<u>\$ 13,278,775</u>

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

Stand-alone

Item		For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
Return on total assets	Pretax	7.10%	9.16%
	After tax	7.07%	9.21%
Return on net equity - common stock	Pretax	9.61%	11.70%
	After tax	9.58%	11.78%
Profit margin		91.24%	91.25%

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 2016 and 2015.

Consolidated

Item		For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
Return on total assets	Pretax	0.84%	1.03%
	After tax	0.74%	0.91%
Return on net equity - common stock	Pretax	10.97%	13.38%
	After tax	9.58%	11.78%
Profit margin		31.51%	35.26%

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 2016 and 2015.

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

Taishin Bank

a. Balance sheet

	December 31	
	2016	2015
Assets		
Cash and cash equivalents	\$ 18,576,538	\$ 20,626,538
Due from Central Bank and call loans to banks	76,897,693	46,840,901
Financial assets at FVTPL	84,377,363	117,151,300
Securities purchased under resell agreements	5,286,859	2,951,852
Receivables, net	99,160,343	90,856,182
Current tax assets	528,014	645,698
Loans, net	877,369,739	834,625,647
Available-for-sale financial assets, net	301,621,372	290,112,152

(Continued)



	December 31	
	2016	2015
Investments accounted for using the equity method, net	\$ 2,083,553	\$ 2,085,112
Other financial assets, net	11,127,387	9,470,121
Property and equipment, net	18,144,670	17,861,834
Intangible assets, net	1,726,210	1,529,378
Deferred tax assets	2,730,930	3,250,685
Other assets, net	14,540,215	26,335,185
	<u>\$ 1,514,170,886</u>	<u>\$ 1,464,342,585</u>
Liabilities		
Due to the Central Bank and banks	\$ 46,966,461	\$ 64,689,878
Financial liabilities at FVTPL	35,424,460	49,883,193
Securities sold under repurchase agreements	68,974,177	93,484,280
Payables	28,187,912	20,741,461
Current tax liabilities	636,309	314,486
Deposits and remittances	1,113,184,637	1,042,220,301
Bank debentures	53,000,000	53,000,000
Other financial liabilities	44,114,738	47,180,126
Provisions	1,119,680	990,150
Deferred tax liabilities	125,121	53,552
Other liabilities	2,400,744	2,048,640
	<u>1,394,134,239</u>	<u>1,374,606,067</u>
Equity		
Capital stock	68,845,983	56,118,710
Capital surplus	23,974,285	8,698,829
Retained earnings	27,493,301	25,232,822
Other equity	(276,922)	(313,843)
	<u>120,036,647</u>	<u>89,736,518</u>
	<u>\$ 1,514,170,886</u>	<u>\$ 1,464,342,585</u>

(Concluded)

b. Statements of comprehensive income

	For the Year Ended December 31	
	2016	2015
Interest income	\$ 27,401,213	\$ 28,211,330
Interest expense	(10,197,247)	(11,070,553)
Net interest income	17,203,966	17,140,777
Net income other than net interest income	14,404,606	15,928,280
Net revenue and gains	31,608,572	33,069,057
(Provisions) reversed allowance for bad debts expenses and guarantee liability	(3,036,866)	(2,500,896)
Operating expenses	(17,528,778)	(17,487,376)
Income before income tax	11,042,928	13,080,785
Income tax expense	(1,507,302)	(1,774,323)
Net income	9,535,626	11,306,462
Other comprehensive income	(164,691)	(749,173)
Total comprehensive income	<u>\$ 9,370,935</u>	<u>\$ 10,557,289</u>
Basic earnings per share (dollar)	<u>\$ 1.64</u>	<u>\$ 2.06</u>
Diluted earnings per share (dollar)	<u>\$ 1.64</u>	<u>\$ 2.06</u>

c. Key financial and business highlights

1) Profitability

Item		For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
Return on total assets	Pretax	0.74%	0.93%
	After tax	0.64%	0.81%
Return on net equity	Pretax	10.53%	15.23%
	After tax	9.09%	13.16%
Profit margin		30.17%	34.19%

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

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

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 2016 and 2015.

2) Asset quality

Nonperforming loans and receivables

Business Type		Item	December 31, 2016					December 31, 2015				
			Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance For Loan Losses	Coverage Ratio (Note c)
Corporate finance	Secured		\$ 1,031,279	\$ 179,549,663	0.57%	\$ 1,911,651	185.37%	\$ 582,617	\$ 182,954,736	0.32%	\$ 3,866,065	663.57%
	Unsecured		475,494	201,960,724	0.24%	4,412,193	927.92%	49,610	189,102,069	0.03%	1,681,022	3,388.47%
Consumer finance	Mortgage loans (Note d)		350,220	236,623,690	0.15%	3,532,066	1,008.53%	175,850	230,362,765	0.08%	3,542,581	2,014.55%
	Cash cards		23,543	2,192,299	1.07%	80,840	343.37%	36,192	2,842,408	1.27%	92,135	254.57%
	Credit loans (Note e)		94,061	49,703,886	0.19%	676,365	719.07%	105,228	45,946,238	0.23%	750,604	713.31%
	Others (Note f)	Secured	378,521	220,118,478	0.17%	2,303,531	608.56%	178,238	193,753,934	0.09%	2,005,543	1,125.21%
		Unsecured	6,993	818,926	0.85%	29,368	419.96%	10,352	2,293,812	0.45%	30,850	298.01%
Subtotal			2,360,111	890,967,666	0.26%	12,946,014	548.53%	1,138,087	847,255,962	0.13%	11,968,800	1,051.66%
Credit card			99,061	42,040,545	0.24%	399,615	403.40%	96,522	37,103,286	0.26%	364,556	377.69%
Accounts receivable factoring with no recourse (Note g)			-	49,980,906	-	100,977	-	-	46,810,927	-	96,909	-

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 August 24, 2005 (Ref. No. Jin-Guan-Yin 09850003180), 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, 2016		December 31, 2015	
		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)		\$ 1,107,574	\$ 331,241	\$ 1,546,091	\$ 463,397
Loans executed in accordance with debt clearing and renewal regulations (Note b)		1,688,633	1,242,510	1,700,220	1,267,837
Total		2,796,207	1,573,751	3,246,311	1,731,234

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, 2016			December 31, 2015			
	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 (other financial service activities not elsewhere classified industry)	\$12,812,891	10.67%	B Group (other financial intermediary not elsewhere classified industry)	\$11,019,105	12.28%
2		B Group (other financial service activities not elsewhere classified industry)	12,161,446	10.13%	C Group (liquid crystal panel and components manufacturing industry)	10,803,728	12.04%
3		C Group (liquid crystal panel and components manufacturing industry)	9,896,584	8.24%	E Group (other financial intermediary not elsewhere classified industry)	9,669,735	10.78%
4		D Group (manufacture of cement)	8,564,968	7.14%	A Group (other financial intermediary not elsewhere classified industry)	9,422,740	10.50%
5		E Group (other financial service activities not elsewhere classified industry)	7,272,071	6.06%	K Group (manufacture of audio and video equipment)	6,037,831	6.73%
6		F Group (other financial service activities not elsewhere classified industry)	6,944,813	5.79%	F Group (other financial intermediary not elsewhere classified industry)	5,946,079	6.63%
7		G Group (property insurance)	5,838,735	4.86%	L Group (ocean freight transportation forwarding services)	5,714,446	6.37%
8		H Group (activities of other holding companies)	5,552,304	4.63%	M Group (property insurance)	5,307,458	5.91%
9		I Group (smelting and refining of iron and steel)	5,110,995	4.26%	N Group (other specialized wholesale)	5,137,474	5.72%
10		J Group (manufacture of computers)	4,681,118	3.90%	O Group (other financial intermediary not elsewhere classified industry)	4,691,558	5.23%

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

Item	December 31, 2016				
	1-90 Days	91-180 Days	181 Days 1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 685,859,149	(\$ 101,125,405)	\$ 49,377,141	\$ 137,183,804	\$ 771,294,689
Interest-sensitive liabilities	185,147,931	(28,070,004)	187,296,919	380,562,795	724,937,641
Interest sensitivity gap	500,711,218	(73,055,401)	(137,919,778)	(243,378,991)	46,357,048
Net equity					120,248,052
Ratio of interest-sensitive assets to liabilities					106.39%
Ratio of interest sensitivity gap to net equity					38.55%

Item	December 31, 2015				
	1-90 Days	91-180 Days	181 Days 1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,049,299,830	\$ 158,469,905	\$ 55,956,517	\$ 165,270,744	\$ 1,428,996,996
Interest-sensitive liabilities	594,387,700	196,857,526	224,441,331	289,966,550	1,305,653,107
Interest sensitivity gap	454,912,130	(38,387,621)	(168,484,814)	(124,695,806)	123,343,889
Net equity					86,746,460
Ratio of interest-sensitive assets to liabilities					109.45%
Ratio of interest sensitivity gap to net equity					142.19%

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, 2016				
	1-90 Days	91-180 Days	181 Days 1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 9,409,002	\$ 6,645,164	\$ 7,365,532	\$ 1,350,057	\$ 24,769,755
Interest-sensitive liabilities	7,047,040	5,022,854	8,758,920	3,427,668	24,256,482
Interest sensitivity gap	2,361,962	1,622,310	(1,393,388)	(2,077,611)	513,273
Net equity					(1,330)
Ratio of interest-sensitive assets to liabilities					102.12%
Ratio of interest sensitivity gap to net equity					(38,591.95%)

(In Thousands of U.S. Dollars)

Item	December 31, 2015				
	1-90 Days	91-180 Days	181 Days 1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 3,320,557	\$ 278,586	\$ 217,749	\$ 1,864,136	\$ 5,681,028
Interest-sensitive liabilities	3,104,091	3,404,779	446,001	286,574	7,241,445
Interest sensitivity gap	216,466	(3,126,193)	(228,252)	1,577,562	(1,560,417)
Net equity					119,952
Ratio of interest-sensitive assets to liabilities					78.45%
Ratio of interest sensitivity gap to net equity					(1,300.87%)

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

Note b: Interest-sensitive assets and liabilities are interest-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) = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$



5) Maturity analysis of assets and liabilities

	Total	December 31, 2016				
		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	\$1,565,786,073	\$ 512,529,369	\$ 203,322,035	\$ 118,162,681	\$ 124,800,062	\$ 606,971,926
Major maturity cash outflow	1,907,497,207	307,546,427	306,755,904	280,042,345	362,282,108	650,870,423
Gap	(341,711,134)	204,982,942	(103,433,869)	(161,879,664)	(237,482,046)	(43,898,497)

	Total	December 31, 2015				
		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	\$1,467,939,185	\$477,414,641	\$178,221,672	\$126,375,612	\$118,743,488	\$567,183,772
Major maturity cash outflow	1,839,640,131	293,965,610	313,603,152	316,285,200	373,428,106	542,358,063
Gap	(371,700,946)	183,449,031	(135,381,480)	(189,909,588)	(254,684,618)	24,825,709

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, 2016				
		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	\$ 29,640,795	\$ 6,764,523	\$ 5,783,562	\$ 7,146,448	\$ 5,173,698	\$ 4,772,564
Major maturity cash outflow	29,437,817	5,956,678	6,121,748	9,332,673	4,321,409	3,705,309
Gap	202,978	807,845	(338,186)	(2,186,225)	852,289	1,067,255

(In Thousands of U.S. Dollars)

	Total	December 31, 2015				
		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	\$ 36,848,593	\$ 11,849,165	\$ 7,937,604	\$ 5,900,150	\$ 6,277,285	\$ 4,884,389
Major maturity cash outflow	36,688,039	10,206,714	7,440,001	7,548,284	6,986,844	4,506,196
Gap	160,554	1,642,451	497,603	(1,648,134)	(709,559)	378,193

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, 2016
Self-owned capital	Common equity Tier I		\$ 95,432,638
	Other Tier I capital		25,144,114
	Tier II capital		40,443,301
	Self-owned capital		161,020,053
Risk-weighted assets	Credit risk	Standardized approach	1,037,487,856
		IRB	-
		Securitization	152,514
	Operation risk	Basic indicator approach	-
		Standardized approach/optional standard	52,386,025
		Advanced internal-rating based approach	-
	Market price risk	Standardized approach	42,766,500
		Internal model approach	-
	Total		1,132,792,895
	Capital adequacy ratio		
Common equity Tier I to risk-weighted assets ratio			8.42%
Tier I capital to risk-weighted assets ratio			10.64%
Leverage ratio			7.34%

Item		Period	December 31, 2015
Self-owned capital	Common equity Tier I		\$ 84,258,268
	Other Tier I capital		6,056,885
	Tier II capital		43,230,933
	Self-owned capital		133,546,086
Risk-weighted assets	Credit risk	Standardized approach	979,838,822
		IRB	-
		Securitization	379,345
	Operation risk	Basic indicator approach	-
		Standardized approach/optional standard	50,385,625
		Advanced internal-rating based approach	-
	Market price risk	Standardized approach	38,971,325
		Internal model approach	-
	Total		1,069,575,117
	Capital adequacy ratio		
Common equity Tier I to risk-weighted assets ratio			7.88%
Tier I capital to risk-weighted assets ratio			8.44%
Leverage ratio			5.66%

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

7) Securities department balance sheet: Table 4.

Securities department statements of income: Table 5.

**Taishin Securities B****a. Balance sheet**

	December 31	
	2016	2015
Assets		
Current assets	\$ 9,193,842	\$ 4,382,051
Financial assets carried at cost - noncurrent	4,630	4,630
Property and equipment	55,089	41,470
Intangible assets	26,766	28,266
Deferred tax assets	7,011	4,586
Other noncurrent assets	231,564	227,894
	<u>\$ 9,518,902</u>	<u>\$ 4,688,897</u>
Liabilities		
Current liabilities	\$ 6,095,210	\$ 1,235,683
Other noncurrent liabilities	43,982	30,332
	<u>6,139,192</u>	<u>1,266,015</u>
Equity		
Capital stock	3,059,125	3,059,125
Capital surplus	302,725	302,703
Retained earnings	19,435	61,054
Other equity	(1,575)	-
	<u>3,379,710</u>	<u>3,422,882</u>
	<u>\$ 9,518,902</u>	<u>\$ 4,688,897</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2016	2015
Revenue	\$ 573,819	\$ 310,923
Expense	(606,921)	(487,394)
Non-operating income and expense	2,609	4,081
(Loss) income before income tax	(30,493)	(172,390)
Income tax expense	714	(3,607)
Net (loss) income	(29,779)	(175,997)
Other comprehensive income	(13,415)	(6,291)
Total comprehensive income	<u>(\$ 43,194)</u>	<u>(\$ 182,288)</u>
Basic earnings per share (dollar)	<u>(\$ 0.10)</u>	<u>(\$ 0.61)</u>

c. Key financial and business highlights

· Profitability

Item		For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
Return on total assets	Pretax	(0.43%)	(3.91%)
	After tax	(0.42%)	(3.99%)
Return on net equity	Pretax	(0.90%)	(5.03%)
	After tax	(0.88%)	(5.13%)
Profit margin		(5.19%)	(56.60%)

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 = $\frac{\text{Income after tax}}{\text{Revenue}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2016 and 2015.

d. Capital adequacy

Item	December 31	
	2016	2015
Eligible capital		
Tier I capital	\$ 3,379,710	\$ 3,422,882
Tier I capital - minus assets	199,701	145,997
Tier II capital - minus assets in excess of Tier II capital	172,935	117,730
Tier I capital, net	<u>3,007,074</u>	<u>3,159,155</u>
Tier II capital	-	-
Tier II capital - minus assets	-	-
Tier II capital, net	-	-
Tier III capital	-	-
Total net of eligible capital	<u>\$ 3,007,074</u>	<u>\$ 3,159,155</u>
Equivalent amount of operating risk		
Equivalent amount of credit risk	\$ 108,085	\$ 64,638
Equivalent amount of operation risk	81,475	89,187
Equivalent amount of market risk	<u>554,294</u>	<u>545,874</u>
	<u>\$ 743,854</u>	<u>\$ 699,699</u>
Capital adequacy ratio	404%	452%

- 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			
	2016		2015	
	Amount	Percentage of Item (%)	Amount	Percentage of Item (%)
Common stock	\$ 3,059,125	90	\$ 3,059,125	89
Capital surplus	302,725	9	302,703	9
Retained earnings	61,054	2	237,051	7
Unrealized losses on available-for-sale financial assets	(1,575)	-	-	-
Losses on remeasurements of defined benefit plans (Note)	(11,840)	-	-	-
Income (loss) for the year ended December 31	(29,779)	(1)	(175,997)	(5)
	<u>\$ 3,379,710</u>	<u>100</u>	<u>\$ 3,422,882</u>	<u>100</u>

Note: According to rule No. 1050026834 issued by the FSC, gains (losses) on remeasurements of defined benefit plans were attributed to Tier I capital when filing.

b) Tier II: None.

c) Tier III: None.



d) Minus assets

	December 31			
	2016		2015	
	Amount	Percentage of Item (%)	Amount	Percentage of Item (%)
Intangible assets	\$ 26,766	7	\$ 28,266	11
Prepayments	2,596	1	2,870	1
Domestic unlisted stocks	1,630	-	1,630	1
Investment	107,753	29	-	-
Operating guarantee deposits	180,000	48	180,000	67
Settlements funds	36,089	10	36,868	14
Refundable deposits	10,378	3	9,226	3
Deferred expenses	183	-	281	1
Deferred tax assets	7,011	2	4,586	2
Others	230	-	-	-
	<u>\$ 372,636</u>	<u>100</u>	<u>\$ 263,727</u>	<u>100</u>

2) Equivalent amount of operating risk

a) Equivalent amount of market risk

	December 31			
	2016		2015	
	Amount	Percentage of Item (%)	Amount	Percentage of Item (%)
Interest rate risks	\$ 200,161	36	\$ 94,233	17
Equity security risks	326,600	59	451,641	83
Foreign exchange risks	24,723	4	-	-
Special concentration risks - Tier I	2,810	1	-	-
	<u>\$ 554,294</u>	<u>100</u>	<u>\$ 545,874</u>	<u>100</u>

b) Equivalent amount of credit risk

	December 31			
	2016		2015	
	Amount	Percentage of Item (%)	Amount	Percentage of Item (%)
Client's position and credit transactions	\$ 76,726	71	\$ 61,321	95
Repurchase agreements transactions	26,441	25	-	-
OTC derivatives	511	-	-	-
In-balance-sheet transactions	4,407	4	3,317	5
	<u>\$ 108,085</u>	<u>100</u>	<u>\$ 64,638</u>	<u>100</u>

c) Equivalent amount of operation risk

	December 31			
	2016		2015	
	Amount	Percentage of Item (%)	Amount	Percentage of Item (%)
Operation risk	\$ 81,475	100	\$ 89,187	100

Taishin AMC

a. Balance sheet

	December 31	
	2016	2015
Assets		
Current assets	\$ 303,711	\$ 241,019
Financial assets carried at cost	130,686	130,686
Investments accounted for using the equity method	145,218	140,846
Property and equipment	181,028	183,651
Investment property	682,948	705,927
Deferred tax assets	30,364	30,795
Other noncurrent assets	190,562	190,562
	<u>\$ 1,664,517</u>	<u>\$ 1,623,486</u>
Liabilities		
Current liabilities	\$ 223,271	\$ 197,165
Other noncurrent liabilities	4,288	4,441
	<u>227,559</u>	<u>201,606</u>
Equity		
Capital stock	995,000	995,000
Capital surplus	4,141	4,065
Retained earnings	437,817	422,815
	<u>1,436,958</u>	<u>1,421,880</u>
	<u>\$ 1,664,517</u>	<u>\$ 1,623,486</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2016	2015
Operating revenue	\$ 326,388	\$ 312,235
Operating cost and expenses	(150,549)	(152,661)
Operating income	175,839	159,574
Non-operating income	50,399	59,792
Non-operating expenses	(10,104)	(2,708)
Income before income tax	216,134	216,658
Income tax expense	(32,924)	(30,251)
Net income	183,210	186,407
Other comprehensive income	(862)	(467)
Total comprehensive income	<u>\$ 182,348</u>	<u>\$ 185,940</u>
Basic earnings per share (dollar)	<u>\$ 1.84</u>	<u>\$ 1.87</u>

c. Profitability

Item		For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
Return on total assets	Pretax	13.15%	12.54%
	After tax	11.14%	10.78%
Return on net equity	Pretax	15.12%	14.59%
	After tax	12.82%	12.55%
Profit margin		48.62%	50.11%

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 2016 and 2015.

**Taishin Venture Capital****a. Balance sheet**

	December 31	
	2016	2015
Assets		
Current assets	\$ 81,029	\$ 87,145
Financial asset measured at cost	1,306,236	1,254,601
Available-for-sale financial assets	196,443	12,658
Investments accounted for using the equity method	1,346,878	1,522,384
Property and equipment	409	512
Other noncurrent assets	439	438
	<u>\$ 2,931,434</u>	<u>\$ 2,877,738</u>
Liabilities		
Current liabilities	\$ 250,784	\$ 91,471
Equity		
Capital stock	3,329,035	3,329,035
Capital surplus	871	871
Retained earnings	(683,924)	(602,839)
Other equity	34,668	59,200
	<u>2,680,650</u>	<u>2,786,267</u>
	<u>\$ 2,931,434</u>	<u>\$ 2,877,738</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2016	2015
Revenue	\$ 6,986	\$ 11,014
Expense	(88,070)	(296,665)
Loss before income tax	(81,084)	(285,651)
Net loss	(81,084)	(285,651)
Other comprehensive income	(24,533)	(27,992)
Total comprehensive income	<u>(\$ 105,617)</u>	<u>(\$ 313,643)</u>
Basic loss per share (dollar)	<u>(\$ 0.24)</u>	<u>(\$ 0.86)</u>

c. Profitability

Item		For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
Return on total assets	Pretax	(2.79%)	(9.55%)
	After tax	(2.79%)	(9.55%)
Return on net equity	Pretax	(2.97%)	(9.71%)
	After tax	(2.97%)	(9.71%)
Profit margin		(1,160.66%)	(2,593.53%)

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 2016 and 2015.

Taishin Securities Investment Trust

a. Balance sheet

	December 31	
	2016	2015
Assets		
Current assets	\$ 389,315	\$ 412,344
Financial assets carried at cost	3,000	-
Property and equipment	6,421	4,442
Goodwill	410,930	425,300
Intangible assets	7,823	9,048
Deferred tax assets	269	-
Other noncurrent assets	102,169	97,717
	<u>\$ 919,927</u>	<u>\$ 948,851</u>
Liabilities		
Current liabilities	\$ 80,682	\$ 73,761
Other noncurrent liabilities	18,481	18,719
	<u>99,163</u>	<u>92,480</u>
Equity		
Capital stock	754,545	754,545
Capital surplus	47,856	47,856
Retained earnings	18,363	53,970
	<u>820,764</u>	<u>856,371</u>
	<u>\$ 919,927</u>	<u>\$ 948,851</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2016	2015
Operating revenue	\$ 293,446	\$ 302,857
Operating expenses	(270,442)	(253,295)
Operating income	23,004	49,562
Nonoperating income	5,542	22,275
Nonoperating expenses	(17,783)	(16,366)
Income before income tax	10,763	55,471
Income tax expenses	(4,152)	(9,296)
Net income	6,611	46,175
Other comprehensive income	(757)	(107)
Total comprehensive income	<u>\$ 5,854</u>	<u>\$ 46,068</u>
Basic earnings per share (dollar)	<u>\$ 0.09</u>	<u>\$ 0.61</u>

c. Profitability

Item		For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
Return on total assets	Pretax	1.15%	5.91%
	After tax	0.71%	4.92%
Return on net equity	Pretax	1.28%	6.53%
	After tax	0.79%	5.43%
Profit margin		2.21%	14.20%

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 2016 and 2015.



Taishin Securities Investment Advisory

a. Balance sheet

	December 31	
	2016	2015
Assets		
Current assets	\$ 337,369	\$ 325,718
Property and equipment	1,850	1,334
Deferred tax assets	4,702	4,431
Other noncurrent assets	31,832	51,832
	<u>\$ 375,753</u>	<u>\$ 383,315</u>
Liabilities		
Current liabilities	\$ 18,144	\$ 20,214
Deferred tax liabilities	-	203
Other noncurrent liabilities	4,360	2,980
	<u>22,504</u>	<u>23,397</u>
Equity		
Capital stock	300,000	300,000
Capital surplus	55,065	55,065
Retained earnings	(1,816)	4,853
	<u>353,249</u>	<u>359,918</u>
	<u>\$ 375,753</u>	<u>\$ 383,315</u>

b. Statements of comprehensive income

	For the Year Ended December 31	
	2016	2015
Operating revenue	\$ 87,852	\$ 86,954
Operating expenses	(89,560)	(89,196)
Operating (loss) income	(1,708)	(2,242)
Nonoperating income	2,260	4,152
Nonoperating expenses	(6,413)	(177)
Income before income tax	(5,861)	1,733
Income tax expenses	256	(62)
Net income	(5,605)	1,671
Other comprehensive income	(1,065)	498
Total comprehensive income	<u>(\$ 6,670)</u>	<u>\$ 2,169</u>
Basic earnings per share (dollar)	<u>(\$ 0.19)</u>	<u>\$ 0.06</u>

c. Profitability

Item		For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
Return on total assets	Pretax	(1.54%)	0.45%
	After tax	(1.48%)	0.44%
Return on net equity	Pretax	(1.64%)	0.48%
	After tax	(1.57%)	0.47%
Profit margin		(6.22%)	1.83%

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 2016 and 2015.

Taishin Holding Insurance Brokers

a. Balance sheet

Taishin Holding Insurance Brokers was merged with Taishin Bank and extinguished on April 24, 2016. Financial statements for the year ended December 31, 2016 were disclosed in Taishin Bank.

	December 31, 2015
Assets	
Current assets	\$ 1,871,987
Property and equipment	2,623
Intangible assets	1,020
Deferred tax assets	1,792
Other noncurrent assets	4,176
	<u>\$ 1,881,598</u>
Liabilities	
Current liabilities	\$ 548,536
Other noncurrent liabilities	10,544
	<u>559,080</u>
Equity	
Capital stock	30,000
Capital surplus	373
Retained earnings	1,292,145
	<u>1,322,518</u>
	<u>\$ 1,881,598</u>

b. Statements of comprehensive income

	For the Year Ended December 31, 2015
Operating revenue	\$ 5,400,107
Operating cost	(3,705,553)
Operating expenses	(250,779)
Operating income	1,443,775
Nonoperating income	2,334
Income before income tax	1,446,109
Income tax expenses	(246,005)
Net income	1,200,104
Other comprehensive income	(3,739)
Total comprehensive income	<u>\$ 1,196,365</u>
Basic earnings per share (dollar)	<u>\$ 400.03</u>

c. Profitability

Item		For the Year Ended December 31, 2015
Return on total assets	Pretax	83.98%
	After tax	69.70%
Return on net equity	Pretax	119.49%
	After tax	99.17%
Profit margin		22.21%

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 2016 and 2015.

52. 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, 2016			December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
AUD	\$ 111,841	23.31	\$ 2,067,034	\$ 50,541	24.16	\$ 1,220,977
RMB	5,303,021	4.62	24,511,525	4,486,376	5.02	22,519,396
EUR	143,141	33.93	4,856,331	92,270	36.14	3,335,039
HKD	1,785,215	4.16	7,430,590	1,520,719	4.27	6,488,020
JPY	19,923,009	0.28	5,494,188	11,794,762	0.27	3,239,655
USD	5,734,179	32.28	185,093,556	5,777,757	33.07	191,047,320
Non-monetary items						
AUD	326,883	23.31	7,619,738	891,865	24.16	21,545,704
RMB	1,069,511	4.62	4,943,475	2,362,112	5.02	11,856,639
GBP	34,687	39.63	1,374,670	32,893	49.03	1,612,645
HKD	371,082	4.16	1,544,553	55,344	4.27	236,120
JPY	11,694,257	0.28	3,224,937	5,564,351	0.27	1,528,355
NZD	36,067	22.43	808,951	112,039	22.67	2,539,939
USD	18,256,986	32.28	589,317,245	21,072,178	33.07	696,772,651
ZAR	7,373,540	2.37	17,462,252	6,467,059	2.13	13,747,332
<u>Financial liabilities</u>						
Monetary items						
AUD	424,115	23.31	9,886,236	387,843	24.16	9,369,518
RMB	6,641,625	4.62	30,698,792	7,098,277	5.02	35,629,849
EUR	129,021	33.93	4,377,292	97,779	36.14	3,534,185
HKD	1,688,637	4.16	7,028,601	1,045,816	4.27	4,461,885
JPY	18,229,567	0.28	5,027,186	12,920,784	0.27	3,548,939
NZD	32,748	22.43	734,506	72,294	22.67	1,638,906
USD	7,645,675	32.28	246,794,746	7,944,963	33.07	262,708,159
ZAR	5,546,750	2.37	13,135,991	6,308,622	2.13	13,410,534
Non-monetary items						
AUD	2,745	23.31	63,987	600,560	24.16	14,508,340
RMB	61,508	4.62	284,303	285,247	5.02	1,431,797
EUR	43,198	33.93	1,465,566	31,371	36.14	1,133,885
HKD	495,899	4.16	2,064,077	762,849	4.27	3,254,631
PY	13,459,642	0.28	3,711,779	14,324,618	0.27	3,934,528
NZD	2,077	22.43	46,582	50,549	22.67	1,145,955
USD	16,638,199	32.28	537,064,410	19,404,329	33.07	641,623,552
ZAR	1,961,866	2.37	4,646,153	150,439	2.13	319,795

53. 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	Note
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 44

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 47
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.



54. 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 operation departments of Taishin Financial Holding are subsidiaries of bank business, securities business and other business, respectively. 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, 2016						
	Taishin Bank (Consumer Business)	Taishin Bank (Corporation Credit Business)	Taishin Financial Holding	Others	Total	Adjustments and Eliminations	Total
Net interest income (expense)	\$ 10,873,903	\$ 7,952,801	(\$ 446,004)	(\$ 376,565)	\$ 18,004,135	\$ -	\$ 18,004,135
Net income other than net interest income	9,164,360	3,504,716	2,744,866	2,929,470	18,343,412	(196,142)	18,147,270
Net revenue and gains	20,038,263	11,457,517	2,298,862	2,552,905	36,347,547	(196,142)	36,151,405
Reversed allowance for bad debts expenses and guarantee liability provisions	658,924	(4,198,314)	-	189,271	(3,350,119)	-	(3,350,119)
Operating expenses	(12,186,786)	(3,556,912)	(472,833)	(3,793,582)	(20,010,113)	178,620	(19,831,493)
Income (loss) before income tax	\$ 8,510,401	\$ 3,702,291	\$ 1,826,029	(\$ 1,051,406)	\$ 12,987,315	(\$ 17,522)	\$ 12,969,793
Total assets	\$ 524,013,083	\$ 408,005,373	\$ 173,940,845	\$ 609,413,232	\$ 1,715,372,533	(\$ 138,386,806)	\$ 1,576,985,727

	For the Year Ended December 31, 2015						
	Taishin Bank (Consumer Business)	Taishin Bank (Corporation Credit Business)	Taishin Financial Holding	Others	Total	Adjustments and Eliminations	Total
Net interest income (expense)	\$ 10,360,561	\$ 7,803,393	(\$ 399,626)	\$ 32,492	\$ 17,796,820	\$ -	\$ 17,796,820
Net income other than net interest income	7,689,051	5,000,696	2,879,947	4,334,363	19,904,057	(193,050)	19,711,007
Net revenue and gains	18,049,612	12,804,089	2,480,321	4,366,855	37,700,877	(193,050)	37,507,827
Reversed allowance for bad debts expenses and guarantee liability provisions	161,237	(2,276,780)	-	(702,541)	(2,818,084)	-	(2,818,084)
Operating expenses	(11,687,729)	(3,460,768)	(416,338)	(4,399,028)	(19,963,863)	170,644	(19,793,219)
Income (loss) before income tax	\$ 6,523,120	\$ 7,066,541	\$ 2,063,983	(\$ 734,714)	\$ 14,918,930	(\$ 22,406)	\$ 14,896,524
Total assets	\$ 489,686,630	\$ 403,408,536	\$ 148,380,715	\$ 595,225,307	\$ 1,636,701,188	(\$ 116,470,546)	\$ 1,520,230,642

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.



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, 2016

(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	5,611,871,043	\$ 89,698,401

Note: Others means investment income, cash dividends, recognition of employee stock options and 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
1,272,727,274	\$ 28,000,000	-	\$ -	\$ -	\$ -	-	\$ 2,300,130	6,884,598,317	\$ 119,998,531

TABLE 2
TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTEEES' NAMES, LOCATIONS, ETC.
FOR THE YEAR ENDED DECEMBER 31, 2016

(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	100.00
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	100.00
Taishin AMC	80341022	2F-3, No. 9, Dehuei St., Zhongshan District, Taipei, Taiwan	Acquisition of delinquent loans, evaluation, auction, and management	100.00
Taishin Securities Investment Trust	27326178	13F, No. 96, Jianguo N. Rd., Sec. 1, Zhong Shan District, Taipei, Taiwan	Investment trust	100.00
Taishin Securities Investment Advisory	23285289	16F, No. 118, Ren-Ai Rd., Sec. 4, Taipei, Taiwan	Investment trust, advisory, and publication	92.00
Nonfinancial business				
Taishin Venture Capital	80031342	18F, No. 118, Ren-Ai Rd., Sec. 4, Taipei, Taiwan	Investment start-up	100.00
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 1: Shares or pro forma shares held by the Bank, directors, supervisors, president, vice president and affiliates in accordance with the Company Law have been included.

Note 2: a. Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts.

b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of the "Securities and Exchange Law Enforcement Rules."

c. Derivative contracts, such as those on stock options, are those conforming to the definition of derivatives in International Accounting Standards No. 39 - "Financial Instruments."

Investment Book Value	Recognized Investment Income (Loss) of Current Period	Percentage Share of the Company and Its Affiliates in Investees (Note 1)				Note
		Current Shares	Pro Forma Shares (Note 2)	Total Shares	Ownership Interest (%)	
\$ 119,998,531	\$ 9,534,281	6,884,598,317		6,884,598,317	100.00%	Investments accounted for using equity method
36,317,631	2,724,897	2,054,958,586		2,054,958,586	22.92%	"
3,412,307	(29,779)	305,912,444		305,912,444	100.00%	"
1,439,847	186,099	99,500,000		99,500,000	100.00%	"
820,764	6,611	75,454,545		75,454,545	100.00%	"
326,084	(4,055)	27,599,513		27,599,513	92.00%	"
2,680,650	(81,084)	332,903,495		332,903,495	100.00%	"
2,200	-	520,000		520,000	10.40%	Financial assets carried at cost

TABLE 3
TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2016

(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	<u>Stock</u> Metro Consulting Service Ltd.	Taishin Real Estate is the director of the Metro Consulting Service	Financial assets carried at cost
Xiang An Insurance Agency	<u>Stock</u> Chi-Long Technology Co., Ltd.	None	Financial assets carried at cost
Taishin D.A. Finance	<u>Stock</u> Yuan Tai Forex Brokerage Co., Ltd.	Taishin D.A. Finance is the director of Yuan Tai Forex Brokerage	Financial assets carried at cost
	Bon-Li International Technology Co., Ltd.	None	//
	<u>Bonds</u> Government Bonds 99-5	//	Held to maturity financial assets
Taishin Venture Capital	<u>Stock</u> Darfon Electronics Corp.	Its independent director is Taishin Financial Holding's independent director	Available-for-sale financial assets
	Li Kang Biomedical Co.	None	//
	JHL Biotech, Inc.	//	//
	Taxven BioPharma, Inc.	//	//
	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.	//	//
	Century Development Corp.	Its corporate supervisor is Taishin Venture Capital	//
	Cyberheart Inc.	None	//
	Cyberheart Inc. A-1	//	//
	Celestial Talent Limited	//	//
	Innostor Technology Corporation	//	//
	Youn Shin Artistic Co., Ltd.	Its corporate director is Taishin Venture Capital	//
	Winking Entertainment Ltd.	None	//
	Diamond Biotech Investment Corp.	Its director is Taishin Financial Holding's senior vice general manager	Financial assets carried at cost

December 31, 2016				Note
Shares/Units/ Nominal	Carrying Amount	Percentage of Ownership (%)	Market Value	
300,000.00	\$ 3,000	6.00	\$ -	
619,590.00	971	4.13	-	
600,000.00	6,000	5.00	-	
125,000.00	-	1.50	-	Go out of business
6,000.00	6,126	-	6,126	
242,550.00	5,178	0.08	5,178	
193,188.00	9,215	0.87	9,215	
2,105,264.00	144,042	0.96	144,042	
250,000	38,008	0.13	38,008	
1,478,527.00	10,625	5.56	-	
1,656,521.00	16,565	1.30	-	
42,000.00	420	1.54	-	
9,278,699.00	85,176	3.03	-	
12,500.00	79	0.05	-	
285,958.00	1,659	Preferred stock	-	
1,457,152.00	18,954	2.41	-	
68,818.00	1,490	0.81	-	
1,000,000.00	6,820	12.69	-	
709,178.00	29,626	1.93	-	
45,000,000.00	450,000	10.00	-	

(Continued)



Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account
Taishin AMC	Stem Cyte International Ltd.	None	//
	Bio Key Inc.	//	//
	VM Discovery Inc.	//	//
	RevMAB Biosciences Inc.	//	//
	Delos Capital Fund, LP	//	//
	Jen Chung Venture Capital Investment Co., Ltd.	Its corporate director is Taishin Venture Capital	//
	Shin Yao Biomedical Venture Capital Investment Co., Ltd.	Its director is Taishin Financial Holding's senior vice general manager	//
	Microbio Co., Ltd.	None	Financial assets at FVTPL
	TECO Nanotech Inc.	//	Financial assets carried at cost
	Sim2 Travel Inc. Preferred A	//	//
	United Investments Fund	//	//
	Solar PV Corporation	//	//
	PC Home Online Investment Inc.	//	//
	CC Media Co., Ltd.	//	//
	Twin MOS Technologies Inc.	//	//
	First International Telecom Corp.	//	//
	Great Agricultural Technology Co., Ltd.	//	//
	Contact Digital Integration Co., Ltd.	//	//
	<u>Stock</u>		
	Linkou Golf Country Club	//	//
	Dah Chung Bills	//	//
	Diamond Biotech Investment Corp.	Its director is Taishin Financial Holding's senior vice general manager	//
	Shin Yao Biomedical Venture Capital Investment Co., Ltd.	//	//
	Taishin Real Estate	Equity-method investee	Investment accounted for using equity method
	<u>Beneficiary certificates</u>		
	Taishin Lucky Money Market	Issued by Taishin Securities Investment Trust	Financial assets at FVTPL

December 31, 2016				Note
Shares/Units/ Nominal	Carrying Amount	Percentage of Ownership (%)	Market Value	
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	-	
-	217,407	7.64	-	
750,000.00	7,500	15.00	-	
35,000,000.00	350,000	10.00	-	
1,709,150.00	39,396	0.40	39,396	
119,323.00	-	0.48	-	
350,000.00	-	Preferred stock	-	
1,300,000.00	-	18.57	-	
1,665,000.00	-	1.09	-	
78,540.00	-	3.03	-	Liquidated
400,000.00	-	0.48	-	
275,712.00	-	0.13	-	Go out of business
2,554,411.00	-	0.57	-	Bankrupt
550,000.00	9,500	3.33	-	
2,600,000.00	52,000	9.12	-	
3.00	1,800	-	-	
2,290,200.00	28,886	0.51	-	
5,625,000.00	56,250	1.25	-	
4,375,000.00	43,750	1.25	-	
8,000,000.00	145,218	40.00	-	
4,587,745.20	50,556	-	50,556	

TABLE 4
**TAISHIN INTERNATIONAL BANK CO., LTD.
SECURITIES DEPARTMENT**
**BALANCE SHEETS
DECEMBER 31, 2016 AND 2015**

(In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Financial assets at fair value through profit or loss - current	\$ 16,320,154	24	\$ 38,810,006	40
Available-for-sale financial assets - current	46,693,194	68	40,786,800	42
Other current assets	981,898	1	766,346	1
Total current assets	<u>63,995,246</u>	<u>93</u>	<u>80,363,152</u>	<u>83</u>
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent	4,569,029	7	15,980,066	17
Refundable deposits	21,972	-	21,706	-
Total noncurrent assets	<u>4,591,001</u>	<u>7</u>	<u>16,001,772</u>	<u>17</u>
TOTAL	<u>\$ 68,586,247</u>	<u>100</u>	<u>\$ 96,364,924</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Securities sold under repurchase agreements	\$ 453,975	1	\$ -	-
Bond loans under repurchase agreements	39,252,376	57	62,510,470	65
Other current liabilities	83,826	-	193,453	-
Total current liabilities	<u>39,790,177</u>	<u>58</u>	<u>62,703,923</u>	<u>65</u>
TRANSACTIONS BETWEEN HOME OFFICE AND BRANCHES				
Total liabilities	<u>66,772,505</u>	<u>97</u>	<u>93,628,122</u>	<u>97</u>
EQUITY				
Appropriated working capital	800,000	1	800,000	1
Retained earnings				
Special reserve	189,339	-	189,339	-
Unappropriated earnings	613,694	1	1,239,204	2
Unrealized gains (losses) on available-for-sale financial asset	210,709	1	508,259	-
Total equity	<u>1,813,742</u>	<u>3</u>	<u>2,736,802</u>	<u>3</u>
TOTAL	<u>\$ 68,586,247</u>	<u>100</u>	<u>\$ 96,364,924</u>	<u>100</u>

TABLE 5

**TAISHIN INTERNATIONAL BANK CO., LTD.
SECURITIES DEPARTMENT**
**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015**

(In Thousands of New Taiwan Dollars)

	2016		2015	
	Amount	%	Amount	%
REVENUES AND GAINS				
Securities underwriting services income	\$ 3,959	-	\$ 10,637	1
Gain on sale of securities held for operations - dealing	518,673	53	372,206	22
Interest income	911,184	93	970,437	57
(Loss) gain on valuation of securities held for operations - dealing	(447,426)	(46)	342,483	20
Loss on financial derivatives	(3,129)	-	(1,744)	-
Total revenues and gains	<u>983,261</u>	<u>100</u>	<u>1,694,019</u>	<u>100</u>
EXPENSES AND LOSSES				
Interest expense	(194,421)	(20)	(308,941)	(18)
Employee benefit expense	(34,167)	(3)	(13,323)	(1)
Depreciation and amortization expenses	(518)	-	(509)	-
Other operating expenses	(29,357)	(3)	(24,611)	(2)
Total expenses and losses	<u>(258,463)</u>	<u>(26)</u>	<u>(347,384)</u>	<u>(21)</u>
INCOME BEFORE INCOME TAX	724,798	74	1,346,635	79
INCOME TAX EXPENSE	(111,104)	(11)	(107,431)	(6)
NET INCOME	<u>613,694</u>	<u>63</u>	<u>1,239,204</u>	<u>73</u>
OTHER COMPREHENSIVE INCOME				
Unrealized (loss) gain on available-for-sale financial assets	(297,550)	(31)	367,528	22
TOTAL COMPREHENSIVE INCOME	<u>\$ 316,144</u>	<u>32</u>	<u>\$ 1,606,732</u>	<u>95</u>

TABLE 6
TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
**INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016**

(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, 2016 (US\$ in Thousand)
Taishin Venture Capital	Taishin Financial Leasing (China)	Financial leasing	\$ 894,049 (USD 30,000)	Note 1.a.	\$ 898,339 (USD 30,000)
	Taishin Financial Leasing (Tianjin)	Financial leasing	920,748 (USD 30,000)	Note 1.a.	920,748 (USD 30,000)

Investor	Accumulated Investment in Mainland China as of December 31, 2016 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
Taishin Venture Capital	\$ 1,819,087 (USD 60,000)	\$ 1,819,087 (USD 60,000)	\$ 14,875,114

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.
 - 1) Financial statement audited (reviewed) by international accounting firms that cooperate with accounting firms in ROC.
 - 2) Financial statements audited (reviewed) by Taiwan parent company's CPA.
 - 3) Others.

Investment Flows (US\$ in Thousand)		Accumulated Outflow of Investment from Taiwan as of December 31, 2016 (US\$ in Thousand)	Investee's Net Income	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
Outflow	Inflow						
\$	\$ -	\$ 898,339 (USD 30,000)	(\$ 16,574)	100%	(\$ 16,574) (Note 2.b.1)	\$ 621,276	\$ -
	-	920,748 (USD 30,000)	(45,234)	100%	(42,711) (Note 2.b.1)	725,602	-



TABLE 7

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**BUSINESS RELATIONSHIPS AND MATERIAL TRANSACTIONS IN CONSOLIDATION
FOR THE YEAR ENDED DECEMBER 31, 2016**

(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	\$ 301,859	Under arm's length terms	0.02
1	Taishin Bank	Taishin Securities Investment Advisory	3	Deposits and remittances	199,316	Under arm's length terms	0.01
0	Taishin Financial Holding	Taishin Bank	1	Securities purchased under resell agreements	206,736	Under arm's length terms	0.01
0	Taishin Financial Holding	Taishin Bank	1	Accounts receivable, net	425,883	Under arm's length terms	0.03
0	Taishin Financial Holding	Taishin Bank	1	Accounts payable, net	363,306	Under arm's length terms	0.02
0	Taishin Financial Holding	Taishin Bank	1	Cash and cash equivalents	7,876,884	Under arm's length terms	0.50

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.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SCHEDULES OF MAJOR ACCOUNTING ITEMS FOR THE YEAR ENDED DECEMBER 31, 2016

Items	Index
Schedules of Asset, Liability and Equity	
Financial assets at fair value through profit or loss	Schedule 1
Securities purchased under resell agreements	Schedule 2
Available-for-sale financial assets	Schedule 3
Held-to-maturity financial assets	Schedule 4
Changes in investments accounted for using equity method	Schedule 5
Other financial assets	Schedule 6
Changes in investment properties	Note 17
Changes in accumulate depreciation of investment properties	Note 17
Changes in property and equipment	Note 18
Changes in accumulated depreciation	Note 18
Securities sold under repurchase agreements	Schedule 7
Schedules of Profit and Loss	
Detailed schedule of gain (loss) on financial assets and liabilities at fair value through profit or loss	Note 34
Detailed schedule of foreign exchange gain (loss)	Schedule 8
Detailed schedule of net other non-interest income (loss)	Schedule 9
Detailed schedule of operating expenses	Schedule 10
Detailed schedule of employee benefit expenses	Note 36

SCHEDULE 1
TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Financial Instrument Items	Summary	Face Value/Unit	Cost	Fair Value
Investment in bills	Commercial paper - other banks guarantees	24,136,000	\$ 24,110,839	\$ 24,105,848
	Commercial paper - Taishin Bank's guarantee	4,039,200	4,034,705	4,034,694
		<u>28,175,200</u>	<u>28,145,544</u>	<u>28,140,542</u>
Domestic listed stocks		<u>6,075</u>	<u>138,326</u>	<u>137,188</u>
Domestic OTC stocks		<u>1,907</u>	<u>59,300</u>	<u>66,518</u>
Mutual funds		<u>21,468</u>	<u>312,777</u>	<u>313,687</u>
Government bonds	Treasury Bond 105 I-12	2,300,000	2,295,286	2,276,749
	Treasury Bond 105 I-11	1,800,000	1,711,714	1,707,662
	Treasury Bond 105 I-3	1,700,000	1,698,648	1,696,900
	Treasury Bond 105 I-1	1,600,000	1,592,672	1,590,323
	Treasury Bond 105 I-13	1,050,000	1,048,121	1,036,041
	Treasury Bond 104 I-10	1,000,000	1,001,613	1,000,736
	Treasury Bond 102 I-2	850,000	852,741	852,803
	Treasury Bond 101 I-5	750,000	772,878	761,370
	Treasury Bond 103 I-2	700,000	706,760	705,510
	Treasury Bond 99-5	600,000	610,888	610,372
	Treasury Bond 102 I-11	500,000	506,015	505,774
	Treasury Bond 104 I-9	500,000	506,319	501,466
	Treasury Bond 99-8	450,000	458,596	451,995
	Treasury Bond 100 I-5	400,000	409,605	406,590
	Treasury Bond 103 I-4	350,000	352,603	352,521
	Treasury Bond 101 I-6	300,000	302,504	302,458
	Others (Note)	950,000	968,832	946,057
	<u>15,800,000</u>	<u>15,795,795</u>	<u>15,705,327</u>	
Corporate bonds, bank debentures and other bonds		<u>3,360,200</u>	<u>3,477,176</u>	<u>3,766,150</u>
Trading securities - dealing	Domestic listed stocks	3,403	166,908	168,299
	Domestic OTC stocks	403	11,990	12,310
	Domestic emerging stocks	7,258	400,768	373,442
	Government bonds	50,000	49,904	49,227
	Convertible bonds	2,486,100	2,607,727	2,608,288
	Domestic listed funds	13,972	189,621	192,463
	Domestic emerging funds	11	212	242
	Foreign stocks	5,800	281,776	291,627
			<u>3,708,906</u>	<u>3,695,898</u>

(Continued)

Financial Instrument Items	Summary	Face Value/Unit	Cost	Fair Value
Trading securities - underwriting	Domestic listed stocks	325	\$ 4,339	\$ 4,241
	Domestic OTC stocks	1,712	20,120	20,891
	Convertible bonds	596,700	597,040	633,296
			<u>621,499</u>	<u>658,428</u>
Trading securities - hedging	Domestic listed stocks	5,677	247,534	243,493
	Domestic OTC stocks	365	19,121	18,991
	Domestic listed funds	1,812	38,013	36,399
	Domestic listed warrants	5,095	4,883	4,962
	Domestic OTC warrants	669	605	608
			<u>310,156</u>	<u>304,453</u>
Derivative financial instrument	Currency exchange	-	-	14,277,945
	Interest rate swaps	-	-	11,003,403
	Foreign-exchange options	-	-	8,448,826
	Forward exchange	-	-	2,347,495
	Cross-currency swaps	-	-	582,229
	Futures	-	-	344,413
	Equity-linked swaps	-	-	19,692
	Asset-swap options	-	-	1,776
	Commodity options	-	-	348
Structured products	-	-	77	
			<u>-</u>	<u>37,026,204</u>
			<u>\$ 52,569,479</u>	<u>\$ 89,814,395</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, 2016

(In Thousands of New Taiwan Dollars)

Items	Face Value	Amount
Government bonds	\$ 49,500	\$ 53,502
Commercial paper		
IBFC	3,400,000	3,397,284
Mega Bills	1,150,000	1,148,581
Waterland Zhongshan	392,000	391,552
China Bills Taipei	350,000	349,441
	<u>\$ 5,341,500</u>	<u>\$ 5,340,360</u>



SCHEDULE 3

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

AVAILABLE-FOR-SALE FINANCIAL ASSETS

DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Items	Summary	Face Value	Cost
Investment in bills	Negotiable certificates of deposit - Central Bank	178,020,000	\$ 178,020,000
	Commercial paper - other banks guarantees	28,670,600	28,650,742
	Treasury bill	336,844	336,562
	Others (Note)	559,447	560,313
		<u>207,586,891</u>	<u>207,567,617</u>
Stocks	TCC	50,240	1,999,847
	Others (Note)	46,937	1,748,229
		<u>97,177</u>	<u>3,748,076</u>
Government bonds	Treasury Bond 102 I-11	10,700,000	10,758,439
	US Treasury N/B	5,943,975	5,911,119
	Treasury Bond 103 I-2	4,100,000	4,108,467
	Treasury Bond 103 I-9	2,550,000	2,554,486
	Treasury Bond 105 I-5	2,150,000	2,145,362
	Hong Kong Exchange Fund Note	1,796,362	1,769,373
	Treasury Bond 103 I-10	1,200,000	1,211,332
	Treasury Bond 97-6	1,000,000	1,018,744
	Treasury Bond 88-2	750,000	811,573
	Treasury Bond 102 I-2	800,000	799,733
	Treasury Bond 97-3	600,000	608,815
	Treasury Bond 105 I-12	600,000	599,273
	Treasury Bond 89 II-1	500,000	576,034
	Treasury Bond 102 I-10	500,000	526,156
	Treasury Bond 98-3	450,000	453,201
	Treasury Bond 103 I-6	400,000	417,179
	T 1.375 02/28/19	267,690	389,056
	Treasury Bond 103 I-13	350,000	368,767
	Treasury Bond 105 I-1	350,000	348,984
	China Government Bond	323,553	323,553
Others (Note)	1,938,068	2,108,168	
	<u>37,269,648</u>	<u>37,807,814</u>	
Corporate bonds	02 FCFC 2A	900,000	899,561
	P03 CPC 2A	750,000	755,697
	02 UMC 1A	750,000	750,137
	00 Taipower 3A	700,000	704,225
	01 Fubon 1B	600,000	603,959
	01 TSMC 1B	600,000	603,482
	00 CPC 1B	600,000	603,212
	P04 Hon Hai 4B	600,000	600,000
	99 Taipower 1C	600,000	601,390

Accumulated Impairment	Adjustment	Fair Value	Note
\$ -	(\$ 171,074)	\$ 177,848,926	
-	1,915	28,652,657	
-	(51)	336,511	
-	1,648	561,961	
-	(167,562)	207,400,055	
-	(233,911)	1,765,936	
(16,168)	(1,481)	1,730,580	
(16,168)	(235,392)	3,496,516	
-	65,121	10,823,560	
-	434	5,911,553	
-	23,804	4,132,271	
-	19,943	2,574,429	
-	(34,597)	2,110,765	
-	(9,799)	1,759,574	
-	66	1,211,398	
-	7,580	1,026,324	
-	7,290	818,863	
-	2,905	802,638	
-	4,303	613,118	
-	(5,338)	593,935	
-	5,451	581,485	
-	(5,931)	520,225	
-	3,645	456,846	
-	(7,211)	409,968	
-	(800)	388,256	
-	(6,625)	362,142	
-	(1,101)	347,883	
-	(4,854)	318,699	
-	(8,249)	2,099,919	
-	56,037	37,863,851	
-	4,748	904,309	
-	6,931	762,628	
-	5,354	755,491	
-	6,178	710,403	
-	4,826	608,785	
-	5,278	608,760	
-	3,598	606,810	
-	3,138	603,138	
-	878	602,268	

(Continued)



Items	Summary	Face Value	Cost
	01 Taipower 4A	500,000	\$ 506,961
	00 Taipower 2B	500,000	501,877
	01 CPC 1B	500,000	500,625
	P04 FENC 2	500,000	501,091
	P04 Hon Hai 2B	450,000	450,200
	99 Taipower 4B	400,000	401,711
	02 Far Eastone 3B	400,000	400,228
	01 Taipower 3A	350,000	355,332
	01 FENC 1	350,000	350,071
	98 Taipower 5C	300,000	306,329
	01 UMC 1B	300,000	300,912
	P03 Hon Hai 4B	300,000	304,108
	02 Taipower 5B	300,000	301,654
	P04 Fubon 1	300,000	300,000
	02 Fubon 1A	300,000	300,303
	02 FCFC 1A	300,000	301,115
	02 Chailease 1	300,000	300,337
	P03 Yuan Ding 1	300,000	299,959
	02 Hon Hai 1A	300,000	300,156
	99 Taipower 3B	300,000	300,938
	P04 KGI 1	300,000	300,000
	Others (Note)	9,685,887	9,729,947
		<u>23,335,887</u>	<u>23,435,517</u>
Bank debentures	BCHINA 3.125 01/23/19	774,696	789,216
	BOCOM 2.5 01/16/18	742,417	744,975
	TD Float 12/22/20	722,619	725,694
	BCHINA 2.125 06/30/18	729,505	728,967
	Morgan Stanley	648,143	647,201
	Goldman Sachs Group	643,180	640,597
	RABOBK Float 03/04/21	606,067	609,284
	RBC SYDNEY Float 02/10/20	606,067	606,067
	Bank of America Corp.	607,507	577,534
	WFC Float 07/27/21	536,136	537,594
	EIBKOR Float 03/17/21	484,185	484,185
	WSTP Float 10/28/20	466,206	466,306
	Commonwealth Bank of Australia	466,721	466,516
	Australia and New Zealand Banking Group Ltd.	466,765	466,558
	WFC Float 08/08/19	466,206	465,875
	CITIGROUP INC	456,697	457,658
	AGRBK 2.875 12/18	448,033	450,876
	CCB 3.25 07/02/19	355,069	363,475
	ANZ Float 04/07/21	349,654	351,007
	NAB Float 05/19	349,654	350,617
	MIZUHO Float 05/28/20	349,654	347,390
	RY Float 02/03/21	337,999	338,327
	WESTPAC BANKING CORPORATION	322,790	322,790
	P16KDB2 (F09004)	322,790	322,790
	BANK OF COMMUNICATIONS, HK	323,769	322,772
	BANK OF CHINA HONG KONG	322,145	322,296
	SUMIBK Float 12/03/18	303,034	303,310
	KOFCOR Float 17	303,034	303,013

Accumulated Impairment	Adjustment	Fair Value	Note
\$ -	(\$ 121)	\$ 506,840	
-	4,588	506,465	
-	5,342	505,967	
-	4,663	505,754	
-	2,847	453,047	
-	982	402,693	
-	2,132	402,360	
-	15	355,347	
-	281	350,352	
-	5,270	311,599	
-	4,602	305,514	
-	754	304,862	
-	2,740	304,394	
-	4,206	304,206	
-	2,977	303,280	
-	2,074	303,189	
-	2,063	302,400	
-	2,441	302,400	
-	1,947	302,103	
-	838	301,776	
-	1,592	301,592	
-	55,736	9,785,683	
-	148,898	23,584,415	
-	(889)	788,327	
-	445	745,420	
-	3,988	729,682	
-	338	729,305	
-	3,931	651,132	
-	(954)	639,643	
-	3,892	613,176	
-	(400)	605,667	
-	(167)	577,367	
-	1,277	538,871	
-	6,287	490,472	
-	1,142	467,448	
-	(266)	466,250	
-	(555)	466,003	
-	(1,371)	464,504	
-	516	458,174	
-	2,703	453,579	
-	69	363,544	
-	298	351,305	
-	(753)	349,864	
-	787	348,177	
-	2,202	340,529	
-	2,884	325,674	
-	158	322,948	
-	28	322,800	
-	(900)	321,396	
-	481	303,791	
-	465	303,478	

(Continued)



Items	Summary	Face Value	Cost
	ANZ 4.31 06/07/19	305,064	305,064
	Others (Note)	15,039,206	15,356,947
		<u>28,855,012</u>	<u>29,174,901</u>
Beneficiary's securities	Government National Mortgage Association	658,018	657,003
	Others (Note)	98,480	99,353
		<u>756,498</u>	<u>756,356</u>
Beneficiary certificate	BGF Asian Tiger Bond	160,000	160,000
			<u>\$ 302,650,281</u>

Note: "Others" means the aggregated disclosure of items under \$300,000 thousand.

SCHEDULE 4

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

HELD-TO-MATURITY FINANCIAL ASSETS

DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Items	Summary	Amount	Interest Rate (%)	Unamortized Premium (Discount)	Book Value	Note
Government bonds	Treasury Bond 99-5	<u>\$ 6,000</u>		<u>\$ 126</u>	<u>\$ 6,126</u>	

Accumulated Impairment	Adjustment	Fair Value	Note
\$ -	(\$ 4,107)	\$ 300,957	
-	(38,807)	15,318,140	
-	(17,278)	29,157,623	
-	4,554	661,557	
-	1,246	100,599	
-	5,800	762,156	
-	(3,127)	156,873	
<u>(\$ 16,168)</u>	<u>(\$ 212,624)</u>	<u>\$ 302,421,489</u>	



SCHEDULE 5

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Name	Beginning Balance		Increase	
	Shares	Amounts	Shares	Amounts
Unlisted shares				
An-Hsin Real-Estate	4,500,000	\$ 77,053	-	\$ 11,952
Listed company				
Chang Hwa Bank	1,929,276,975	<u>34,909,121</u>	115,756,617	<u>2,757,024</u>
		<u>\$ 34,986,174</u>		<u>\$ 2,768,976</u>

Decrease		Ending Balance			Market Price or Equity	
Shares	Amounts	Shares	Ownership Interest (%)	Amounts	Unit Price	Total
-	(\$ 12,587)	4,500,000	30.00	\$ 76,418	16.97	\$ 76,418
-	(920,137)	2,045,033,592	22.81	<u>36,746,008</u>	17.15	<u>35,072,326</u>
	<u>(\$ 932,724)</u>			<u>\$ 36,822,426</u>		<u>\$ 35,148,744</u>

SCHEDULE 6
TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
OTHER FINANCIAL ASSETS, NET
DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Items	Amount
Financial assets carried at cost	
Dah Chung Bills	\$ 942,528
Diamond Biotech Investment	506,250
Hsin-yao Biotech Investment	393,750
Others (Note)	<u>913,807</u>
	<u>2,756,335</u>
Other miscellaneous financial assets	
Time deposit with original maturity more than 3 months	9,967,463
Deposits for borrowing securities	894,851
Delinquent loans reclassified from other items (excluding loans)	301,990
Less: Allowance for bad debt	(189,678)
Gold account	301,050
Others	<u>19,565</u>
	<u>11,295,241</u>
	<u>\$ 14,051,576</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, 2016

(In Thousands of New Taiwan Dollars)

Items	Face Value	Amount
Commercial paper		
Issued by - Chang Gung Memorial Hospital	\$ 2,600,000	\$ 2,598,233
Issued by - Chunghwa Telecom	2,100,000	2,096,474
Issued by - Land Bank Short-term Commercial Papers Account	1,810,000	1,807,181
Issued by - Bank SinoPac	1,650,000	1,649,554
Issued by - Taipei Fubon Bank	1,580,000	1,578,883
Issued by - KGI Securities	932,000	931,627
Issued by - Nan Ya Printed Circuit Board	827,000	826,197
Issued by - Fubon Chi-Hsiang Money Market	800,000	799,635
Issued by - Yuanta De-Li Money Market Fund	800,000	799,612
Issued by - Hotai Motor	750,000	749,429
Issued by - ING Bank	750,000	749,198
Issued by - TWSE	720,000	719,659
Issued by - National Health Insurance Administration	680,000	679,599
Issued by - Fubon Holding	500,000	499,362
Issued by - Formosa Petrochemical	400,000	399,810
Issued by - Nomura Taiwan Money Market	400,000	399,802
Issued by - Fubon Life Insurance	400,000	399,688
Issued by - Shin Kong Life Insurance	360,000	359,719
Issued by - HSBC Public Service Pension Fund 103	350,000	349,882
Issued by - FEIB	350,000	349,535
Others (Note)	6,795,000	6,789,920
	<u>25,554,000</u>	<u>25,532,999</u>
Government bonds		
Treasury Bond 102 I-11	8,860,000	9,070,752
Treasury Bond 103 I-9	1,905,200	1,920,683
Treasury Bond 103 I-2	1,642,000	1,676,516
Treasury Bond 105 I-5	1,488,300	1,516,452
Treasury Bond 103 I-10	1,000,000	1,040,000
Treasury Bond 97-6	977,900	1,025,375
Treasury Bond 88-2	700,000	724,512
Treasury Bond 105 I-12	600,000	620,537
Treasury Bond 89 II-1	500,000	545,070
Treasury Bond 102 I-10	498,200	525,919
Treasury Bond 97-3	358,000	359,034
Treasury Bond 103 I-13	300,000	302,000
Treasury Bond 103 I-6	300,000	300,000
Others (Note)	1,486,800	1,583,464
	<u>20,616,400</u>	<u>21,210,314</u>

(Continued)



Items	Face Value	Amount
Corporate bonds		
00 Taipower 3A	\$ 700,000	\$ 700,018
99 Taipower 1C	600,000	600,023
02 FCFC 2A	550,000	551,735
P04 Hon Hai 4B	500,000	500,061
01 TSMC 1B	500,000	500,017
00 Taipower 2B	500,000	500,000
01 Taipower 4A	494,000	494,041
02 UMC 1A	450,000	451,530
P03 CPC 2A	450,000	450,057
P04 Hon Hai 2B	450,000	450,000
00 CPC 1B	420,000	420,469
P04 FENC 2	400,000	400,037
02 Far Eastone 3B	400,000	400,000
01 Fubon 1B	350,000	350,022
01 FENC 1	340,000	340,109
01 Taipower 3A	294,200	304,026
02 Chailease 1	300,000	300,986
01 UMC 1B	300,000	300,521
02 Fubon 1A	300,000	300,054
02 Hon Hai 1A	300,000	300,022
P04 KGI 1	300,000	300,015
P03 Yuan Ding 1	300,000	300,008
99 Taipower 4B	300,000	300,005
99 Taipower 3B	300,000	300,000
98 Taipower 5C	300,000	300,000
02 Taipower 5B	300,000	300,000
Others (Note)	<u>8,109,532</u>	<u>8,141,600</u>
	<u>18,507,732</u>	<u>18,555,356</u>
Bank debentures		
BCHINA 2.125 06/30/18	225,953	556,821
AGRBK 2.875 12/18	448,033	437,123
BOCOM 2.5 01/16/18	322,790	310,944
Others (Note)	<u>2,891,224</u>	<u>2,825,043</u>
	<u>3,888,000</u>	<u>4,129,931</u>
Convertible bonds		
	<u>680,000</u>	<u>680,024</u>
	<u>\$ 69,246,132</u>	<u>\$ 70,108,624</u>

Note: "Others" means the aggregated disclosure of items under \$300,000 thousand.

SCHEDULE 8

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIESDETAILED SCHEDULE OF FOREIGN EXCHANGE GAIN (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Items	Amount
Spot	\$ 233,520
Forward	(108,665)
Self-owned capital	(29,333)
Others	(69,701)
	<u>\$ 25,821</u>

SCHEDULE 9

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIESDETAILED SCHEDULE OF NET OTHER NON-INTEREST INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Items	Amount
Revenue excluding interest	
Leasing revenue	\$ 81,556
Loans management revenue	300,546
Gains on financial assets carried at cost	88,783
Gain on disposal of property	9,085
Other revenue	<u>748,366</u>
	<u>1,228,336</u>
Expense excluding interest	
Loans manage cost	(32,404)
Expenses arising from issuance of call (put) warrants	(15,963)
Other expenses	<u>(363,588)</u>
	<u>(411,955)</u>
	<u>\$ 816,381</u>

SCHEDULE 10

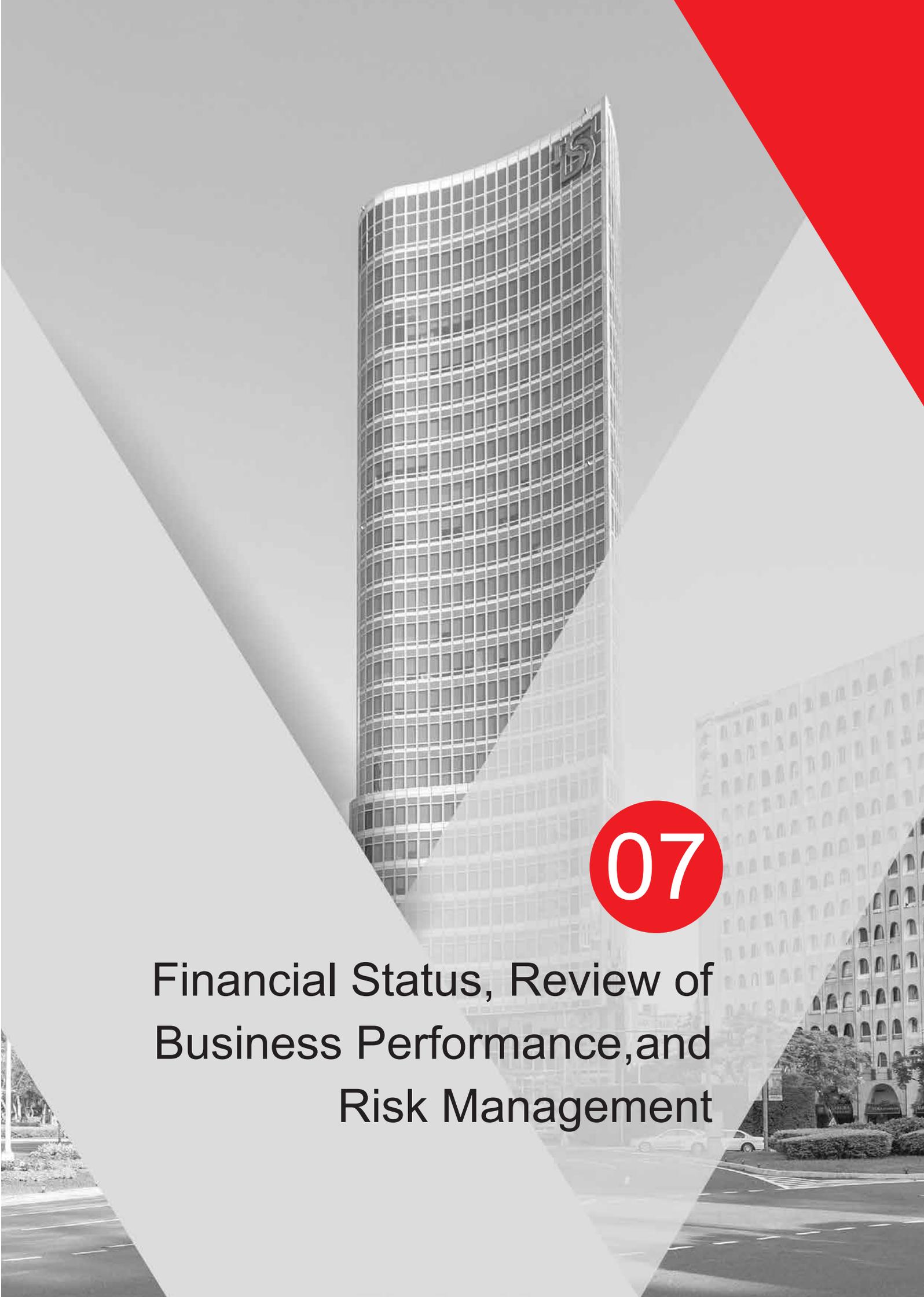
TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Items	Amount
Employee benefits expenses	\$ 11,312,362
Depreciation	814,244
Amortization	191,352
Leases	748,847
Stationeries	150,318
Postage and remittance fee	622,131
Advertisement fee	946,841
Insurance	268,892
Tax and levies	1,867,821
Allowance for entertainment	89,253
Donation	100,398
Labor service fee	1,099,197
Freight	88,656
Others	1,531,181
	<u>\$ 19,831,493</u>

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



07

Financial Status, Review of
Business Performance, and
Risk Management



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

A. Financial Status

Unit: NT\$1,000

Item	2015	2016	Variation	
			Amount	(%)
Cash and cash equivalent	5,682	7,876,884	7,871,202	138,528.72
Financial assets at fair value through profit or loss	13,273,093	206,736	(13,066,357)	(98.44)
Receivables, net	154,707	472,457	317,750	205.39
Current tax assets	377,205	361,395	(15,810)	(4.19)
Investments accounted for using the equity method, net	134,375,729	164,995,814	30,620,085	22.79
Other financial assets	2,200	2,200	0	-
Property and equipment, net	7,433	8,414	981	13.20
Deferred tax assets, net	58,471	0	(58,471)	(100.00)
Other assets	126,195	16,945	(109,250)	(86.57)
Total assets	148,380,715	173,940,845	25,560,130	17.23
Commercial paper issued	0	1,499,313	1,499,313	-
Payables	1,125,680	824,483	(301,197)	(26.76)
Current tax liabilities	425,417	860,939	435,522	102.38
Bonds payable	22,000,000	22,000,000	0	-
Reserve for liabilities	0	0	0	-
Other liabilities	0	4,970	4,970	-
Total liabilities	23,551,097	25,189,705	1,638,608	6.96
Capital stock	95,855,246	103,825,072	7,969,826	8.31
Capital surplus	10,220,503	27,132,585	16,912,082	165.47
Retained earnings	18,825,174	18,051,306	(773,868)	(4.11)
Other equity	(71,305)	(257,823)	(186,518)	261.58
Total equity	124,829,618	148,751,140	23,921,522	19.16

Explain of variations:

- (1) Decreases in cash and cash equivalents as at December 31, 2016 over December 31, 2015 were mainly due to the redemption of preferred stock D during 2016.
- (2) Increases in receivables as at December 31, 2016 over December 31, 2015 were mainly due to higher consolidated taxes receivable from subsidiaries.
- (3) Increases in investments accounted for using the equity method as at December 31, 2016 over December 31, 2015 were mainly due to increases in investments on subsidiaries.
- (4) Decreases in other assets as at December 31, 2016 over December 31, 2015 were mainly due to lower Operating guarantee deposits and settlement funds.
- (5) Decreases in payables as at December 31, 2016 over December 31, 2015 were mainly due to lower consolidated taxes receivable from subsidiaries.
- (6) Increases in current income tax liabilities as at December 31, 2016 over December 31, 2015 were mainly due to increases in tax payable.
- (7) Increases in capital surplus as at December 31, 2016 over December 31, 2015 were mainly due to the issuance of preferred stock E during 2016.
- (8) Decreases in other equities as at December 31, 2016 over December 31, 2015 were mainly due to recognition of exchange differences on translation of foreign financial statement.

B. Business Performance

Unit: NT\$1,000

Item	2015	2016	Variation	
			Amount	(%)
Realized gain on available-for-sale financial assets	13,699,739	12,336,970	(1,362,769)	(9.95)
Other income	325,115	42,659	(282,456)	(86.88)
Operating expenses	(416,337)	(472,833)	(56,496)	13.57
Other expenses and losses	(469,928)	(468,693)	1,235	(0.26)
Pre-tax income (loss)	13,138,589	11,438,103	(1,700,486)	(12.94)
Income tax (expense) benefit	83,955	(38,669)	(122,624)	(146.06)
Net Income	13,222,544	11,399,434	(1,823,110)	(13.79)
Other comprehensive income (loss), net of tax	(745,319)	(454,467)	290,852	(39.02)
Total comprehensive income	12,477,225	10,944,967	(1,532,258)	(12.28)

Explanation of variations:

- (1) Decreases in other income as of 2016 over 2015 were mainly due to decreases of other miscellaneous income.
- (2) Increases in income tax expense as at 2016 over 2015 were mainly due to reverse of estimates of income tax payable in previous years and increase in basic taxable income.
- (3) Increases in other comprehensive income (loss) as at 2016 over 2015 were mainly due to recognition of exchange differences on translation of foreign financial statement and increases in unrealized gains and losses on available for sale.

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
8,083,620	6,363,721	5,973,050	8,474,291	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 2016.

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

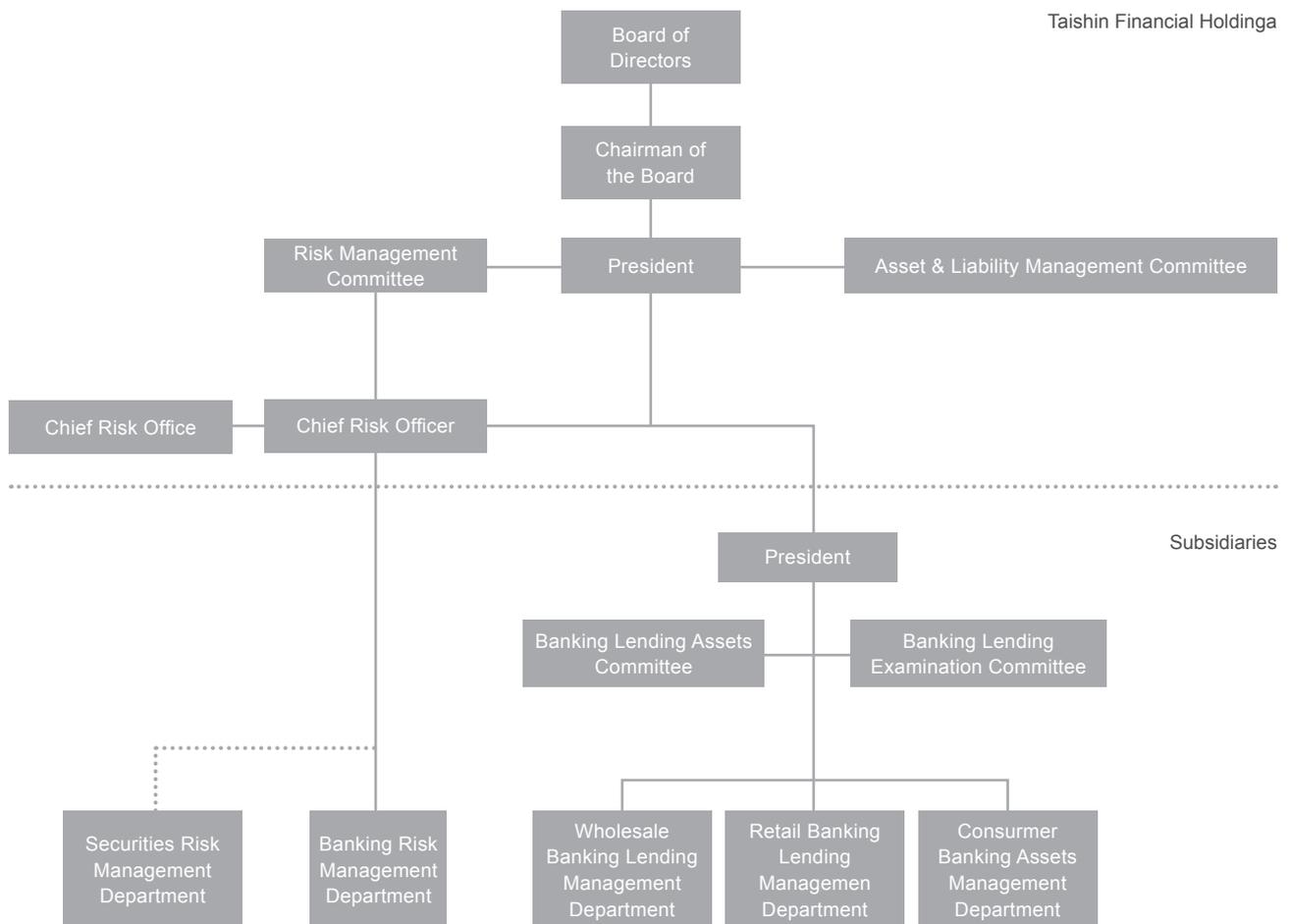
a. Risk management framework and policy of the financial holding company and subsidiaries

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. Monitoring various risks undertaken by the company, adopting necessary measures for controlling large risk exposure. 8. Report of other risk related projects. 9. 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.

Base date: Dec. 31, 2016

Risk Management Organizational Chart of Taishin Financial Holdings



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' efficiency.
- (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, 2016; Unit: NT\$1,000

Kinds of Risk Exposure	Risk Exposure After Deduction	Risk Based Capital Requirement
Sovereign state	268,419,485	9,733
Non-central Government Public Sector	206,210	3,754
Bank (Including Multilateral Development Bank)	110,279,640	3,402,276
Enterprise (Including Securities and Insurance Companies)	488,370,949	36,982,733
Retail Debt Claim	191,996,038	11,832,347
Housing Realty	405,199,397	27,379,161
Equity Investment	3,629,503	914,992
Other Assets	41,423,193	2,312,968
Total	1,509,524,415	82,837,964

(b) Liquidity risk

I. Management principle

Risk management for fund liquidity is to assure that under any circumstance at present or in the future, the bank's liquid fund can meet the fund need resulting from assets growth or fulfilling mature obligations.

(i) Finance Division should monitor and manage the following items:

- Under normal market change or emergent situation, possess sufficient fund to meet due obligations and fulfill guarantee and commitment for credit extension.
- Carry out fund maneuvering at reasonable market prices.
- Meet liquidity need for business growth.

(ii) Basic principles for funding liquidity-risk management include:

- Principle of diversification: Finance division must avoid over-concentration in fund maneuvering, in terms of maturity date, maneuvering tools, currency, place, funding source, and trading partners.
- Principle of stability: Finance division follows the strategy of fund stability to reduce the reliance on unstable funding sources and avoid the effect of market swing on funding sources.
- Principle of maintaining adequate assets liquidity: As the status of market liquidity will indirectly affect funding liquidity, the bank must assure that total assets are sufficient to cover total liabilities and keep a certain share of assets with good liquidity or good for use as collaterals, capable of meeting need of working capital in emergency and short-term liabilities.
- Principle of matching assets and liabilities on maturity.
- Pay attention to payment commitment resulting from credit-extension business.

II. Risk assessment of fund liquidity

Assessment of liquidity risk mainly includes estimate of shortfall for short-term cash flow and accumulated shortfall. The calculation of accumulated fund shortfall should include items inside and outside balance sheet.

For utilization of trading-book fund, the financial management division should reach an agreement with management unit of trading-book management unit concerning ceilings for monthly and accumulated fund utilizations. Should there be exceptional cases, notify the financial management division before undertaking trading, so as to lower fluctuation and risk of fund need.

III. Assumption for calculating fund-liquidity risk

In order to correctly assess liquidity risk and establish complete monitoring and control procedure, the financial management division should carry out liquidity-risk management assumption for banking book, scenario emulation, and the evaluation and establishment of customer behavior and pricing assumption, which should be recorded in detail in document. The aforementioned assumptions and verification of models should be carried out by risk management division.

IV. Setup of quota for fund liquidity risk

Liquidity risk quota is formulated by financial risk division and along with related business assumption and the logic for trial calculation, is subject to review by risk management division, which will then report to the risk management commission of the financial holding company and the board of directors for approval. Changes during the year are first verified by the Risk Management Division then escalated by the Financial Management Division to the proper level of approval authority.

V. Quantified information

Analysis for the Structure of NTD Due Dates

Dec. 31, 2016; 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	1,565,786,073	255,333,986	257,195,383	203,322,035	118,162,681	124,800,062	606,971,926
Main Fund Outflow Due	1,907,497,207	130,688,768	176,857,659	306,755,904	280,042,345	362,282,108	650,870,423
Expected Gap	(341,711,134)	124,645,218	80,337,724	(103,433,869)	(161,879,664)	(237,482,046)	(43,898,497)

Analysis for the Structure of USD Due Dates

Dec. 31, 2016; 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	29,640,795	6,764,523	5,783,562	7,146,448	5,173,698	4,772,564
Main fund Outflow Due	29,437,817	5,956,678	6,121,748	9,332,673	4,321,409	3,705,309
Expected Gap	202,978	807,845	(338,186)	(2,186,225)	852,289	1,067,255

(c) Market risk

I. Strategy and flow

(i) The bank's risk management strategy calls for setting restrictions on capital according to risk adjusted returns rate, whereby seeking maximum value for shareholders. Accordingly, various business units have to seek approved quota before trading and independent risk management units assess income or loss for trading positions daily, in addition to reporting income/loss and risk exposure of trading position to executives regularly.

(ii) The scope and features of risk report and assessment system

Risk report is meant to disclose risk as an important reference for executives in formulating countermeasure and adjusting investment portfolio for achieving business objectives. The



bank dedicates to integrating trading management systems for various products, in order to reporting income/loss and risk exposure of trading position immediately.

II. Trading and risk management system

(i) Quality

The bank stresses the formulation and implementation of risk management policy and norms, as well as the establishment of risk management culture. Risk management units are independent from risk undertaking units and responsible for assessing and analyzing risk exposure and reporting the results to executives for use in policy making, in addition to instituting assessment flow, the flow for new product launch, and certification procedure model, in the hope of complying with the regulations of the regulator, precisely assess risk, and standardizing operating and risk management flows.

(ii) Quantity

The bank sets price sensitivity quota for various products with different risk factors as criteria for risk assessment. In compliance with the regulations of Basel Capital Accord and the regulator, it plans to calculate integrated VaR (Value at Risk) for investment portfolio with internal model and set up VaR ceiling, so as to control the impact of market swings on the bank's positions.

III. Quantitative information on risk exposure

Capital Requirement for Market Risk

Dec. 31, 2016; Unit: NT\$1,000

Kinds of risks	Capital requirement
Interest Rate Risk	2,563,671
Equity Securities Risk	177,976
Currency Risk	679,673
Commodity Risk	0
Total	3,421,320

(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 bank's operating risk management mechanism and corporate strategy, the company has established independent risk management units, further consolidating the bank's operating risk management.

II. Identification of operating risk

The company defines operating risk as "Risk of loss triggered by the impropriety or mistake involving internal flow, staffers, system, or external incidents, including legal risk but excluding strategic or credit standing risks." In order to identify existing and potential risks, the bank has formulated various operating risk management flow, as well as 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, existing and potential risks should be analyzed and action plans be proposed in order to keep operational risks within acceptable ranges to the bank.

III. Operating risk assessment and supervision

To strengthen the control of loss amounts associated with operational risks in Taishin Bank and other subsidiaries, operational risk limits are established every year for individual units and included in the annual key performance indicators (KPIs) as part of the effort to incorporate operational risk management into routine business management.

IV. Quantitative information on risk exposure

Operating Risk Accrued Capital

Dec. 31, 2016; Unit: NT\$1,000

Year	Gross Profit	Capital Requirement
2014	29,500,101	
2015	30,972,014	
2016	31,581,724	
Total	92,053,839	4,190,882

(2) Taishin Securities Co., Ltd. (Market risk, counterparty risk, fundamental risks, and business risks.)

(a) Risk management method

As of 2015, 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 Holdings, 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:

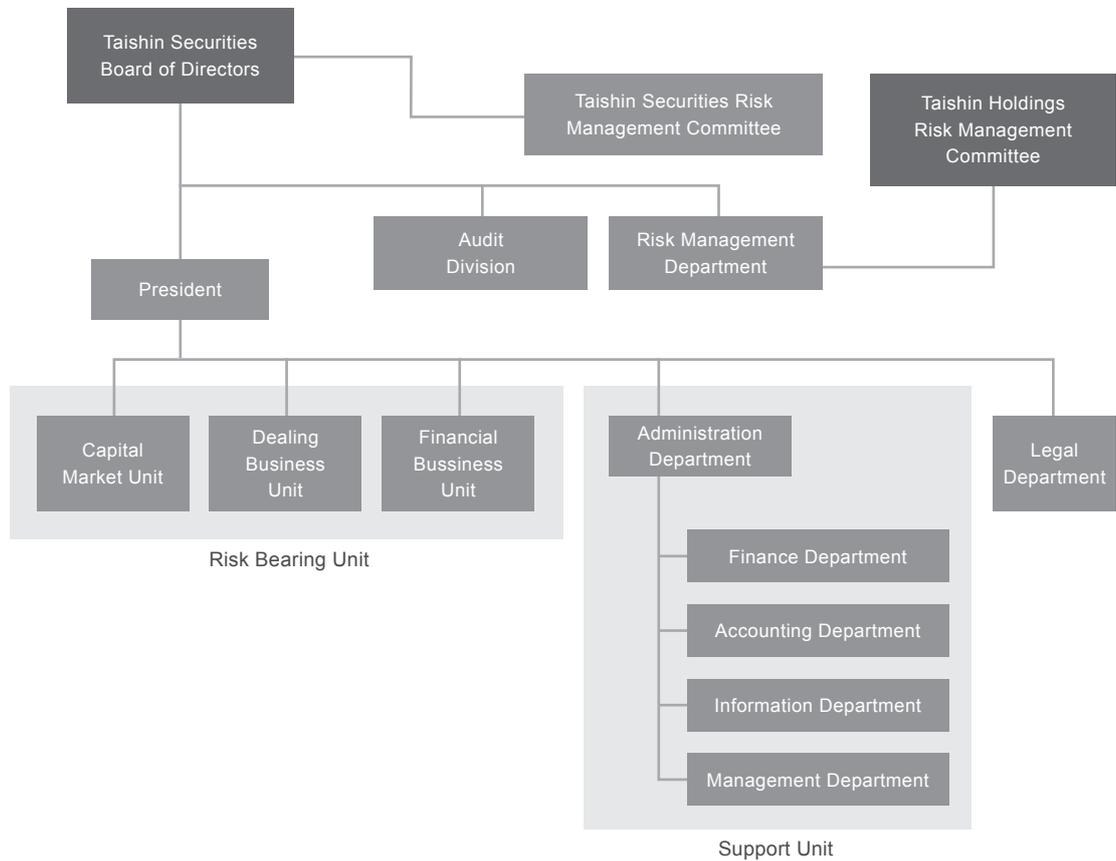
- Establish a risk evaluation mechanism to grasp the company's diversified risks and form the basis of the company's sustainable development.
- Emphasize the efficacy of the company's risk based assets.
- Emphasize related risks in the pursuit of maximum returns, thereby incorporating risk factors into 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:

- Ensure validity of the risk management practice and be ultimately responsible for 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 the "Risk Management Committee" to effectively integrate the Company's various risk functions, including market risk, credit risk, operational risk, liquidity risk and legal risk, 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 reports on overall risk in order to report timely the execution of risk management to the board of directors and propose necessary improvement suggestions.

- A new Product Management Committee was created directly under this committee to review the risks involved in new products undertaken by the sales units.

(iii) Risk bearing units:

The risk bearing units conduct business and undertake risk within the limits allocated by the board of directors and the appropriate levels of authority for the purpose of generating profits and achieving business targets. According to the risk management structure, these units are the first line of defense in risk management and should ensure compliance of their business activities with the law and internal guidelines.

(iv) 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.

- The second line of defense in risk management.
- To help devise risk management policies, measures, and limits.
- To ensure implementation of risk management policies approved by the board of directors.
- To build a risk management information system.
- To inspect derivative valuation models used by the risk bearing units.
- Appointment and dismissal of the head of the risk management unit shall be passed by the board of directors. The head shall be responsible for heading operations in risk measurement, monitoring, evaluation, reporting, and disclosure.

(v) Audit Division

The audit unit is the third line of defense in the risk management structure. It is responsible for regularly inspecting compliance of the risk management policy and related guidelines and making recommendations for improvement as needed in order to facilitate the board of directors and the management in performing their management duties.

(vi) Legal Department

- Planning, management, and execution of the compliance system.
- Review and refinement of legal documents.
- Conducting litigation and non-litigation matters.
- Providing legal advice, collecting and studying laws and regulations relevant to the business.
- Managing debt collection.

(vii) 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 tolerance, and fund maneuvering capability.

(viii) 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.



(d) Risk management method

Kinds of Risk	Management Method
Market risk	<ol style="list-style-type: none"> 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. 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"> 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 Holdings, which regularly examine the period for credit rating granting, to assure the effectiveness of credit rating. 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. 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. 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"> 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. Set up fund maneuvering mechanism by the financial division according to "guidelines for management of liquid fund shortfall," to manage fund liquidity risk.
Operating risk	According to the definition of Basel II Capital Accord, operating risk is classified into seven types of loss and eight kinds of businesses, which are identified by various units of the company and reported to risk management unit for arrangement and establishment of operating risk loss database by the financial holding company.

(e) Quantitative information for risk exposure

Equivalent Value for Management Risk

Dec. 31, 2016 ; Unit: NT\$1,000

Kinds of Risk	Equivalent Value of Risks
Market risk	554,294
Credit risk	108,085
Operating risk	81,475
Total	743,854

c. Influence of important domestic and foreign policy and legal changes on the finance of the financial holding company and countermeasures

Law	Impact	Response measures
Electronic Banking Security Guidelines	Regarding expansion of eligibility for online loan services, in addition to existing deposit account holders and loan account holders, credit cardholders and customers of other banks are now also eligible. The expansion will strengthen existing customer relationships while extending the reach of the loan services.	Systems and business practices are modified in response to deregulation.
The FSC has allowed beneficiary rights to special-purpose money trusts provided by banks to be pledged for interbank loans.	More opportunities to undertake new businesses and more variety in loan products.	The Bank works quickly to develop the systems and introduce beneficiary rights to TWD or foreign currency denominated special-purpose money trusts provided by banks to be pledged for interbank loans. The feature offers greater financing flexibility and is able to reach more borrowers.
Digital Finance 3.0	A number of services offered by the Bank can be completed online. While the initial investment on the systems is large, the services offer diversity and convenience, which can entice new customers to make transactions with the Bank and thereby create stronger relationships between the Bank and existing customers.	Building new systems for new services The existing forms, receipts and regulations are modified in response to new systems and new processes.
Organization for Economic Co-operation and Development Common Report Standard (OECD Common Report Standard)	While Taiwan has not promised to comply with the OECD Common Report Standard, all countries/regions in which the banking subsidiary has established overseas branches are complying with the standard and have amended their regulations accordingly. The overseas branches are required to examine their forms and receipts and modify their regulations and guidelines as well as system implementation to comply with the regulations of respective countries/regions in which they operate.	Outside consulting firms were hired to help the banking subsidiary's overseas branches to implement appropriate measures to comply with the regulations of respective countries/regions in which they operate.
Labor Standards Act	In response to the amendment of the Labor Standards Act, one fixed day off and one flexible day off each week will come into effect on December 23, 2016. A sharp increase in overtime pay on vacation days is driving the company's overtime expenses up. Starting in 2017, in addition to the increase in the number of vacation days and the addition of the rules for converting unused vacation days to cash, changes are made to the right to negotiate and the right to initiate vacation days, and the Company will raise the management cost of vacation days.	To ensure compliance with the applicable labor laws, the Company made an announcement to inform the workforce in late 2016, and the human resources guidelines have been amended according to the law. The human resources system have been modified by a hired outside vendor.



d. Effects of technological and industrial changes on the finance of the financial holding firm and countermeasures

As more and more people have mobile phones and access to mobile broadband, more and more people are starting to use mobile phone apps, which in turn fuels progress in new payment tools. According to the FSC's Fintech White Paper, the government will proceed in multiple directions to promote electronic payment services. The target is to increase the percentage of electronic payments out of total spending in Taiwan to 52% by 2020. In particular, the FSC will focus its campaign for electronic payment services on government departments, hospitals and other medical institutions, night markets and other small vendors. The support of government policy will have a positive effect on the development of new payment tools. Taishin will continue to invest in the R&D and system design in the area. The Bank plans to introduce Taishin e-Payments that will offer a payment experience combining social media and payments. In addition to targeting micro/proprietary businesses, the bank will also team up with large merchants to promote electronic wallets. Regarding cross-border payment services, the bank will continue to work with large chains and introduce the service to major shopping districts. Regarding mobile payment services, the Bank takes an active approach to adopting mainstream payment models (e.g. Apple Pay, Android Pay, and Samsung Pay). It also forms strategic alliances with electronic commerce/third party/electronic payment service providers in developing money service tools and seeking new opportunities in the mobile payment market.

Furthermore, to win over younger customers who prefer digital channels, Taishin launched Richart digital banking. It offers a range of digital financial services designed to combine deposit, expense, and investment under one account. The concept behind Richart is a simple, flexible and easy to use design that provides transparency and understands its customers, which has turned the traditional banking model upside down. In particular, the three innovative features, "pre-login preview", "card free withdrawal", and "money saving credit card" have been granted patents. In addition, Easy Transfer is a first-of-its-kind feature that is popular with customers. The innovative services offered by Richart, in addition to responding to customer needs, adopt two-factor authentication and biometrics for better transaction security and peace of mind for the customers. The Bank will continue to introduce different digital financial services and endeavor to stay always ahead of the competition in the digital era.

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 Holdings 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's business and profit performance.
- (2) Inadequate integration of information systems may affect business operation, deferring the appearance of merger synergy.
- (3) Inadequate integration of human resources may lead to loss of talents, indirectly affecting business and management performance.

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 affect company's business development and profit performance.
- (2) Change in management right may cause panic among employees, leading to high turnover and thereby affecting company's regular operation.



- (3) Change in management strategy may affect company's business development and Shareholder rights.
 (4) Change in management right may trigger concern among investors over company's management stability, driving down stock price.

j. Litigation and non-litigation incidents

1. Taishin Financial Holdings

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 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.	500,571.6 (Appealed to court of the second instance)	2014.12.09	Ministry of Finance	<p>1. The case was ruled by the Taiwan Taipei District Court on April 27, 2016. The company filed an appeal to raise certain objections on May 19, 2016, and limited the scope of damages claim to the loss of control interest in the 24th shareholders meeting. In other words, the claim was reduced from NT\$16.558 billion in the original case to NT\$500 million. To focus on the claim of confirmed continuation of contractual relationship, on January 16, 2017, the company withdrew the claims regarding "the claim for 3 board seats instead" and "the claim for the loss of control interest in Chang Hwa Commercial Bank's 24th shareholders meeting." The case is currently being reviewed by the Taiwan High Court.</p> <p>2. Regarding the application for provisional disposition, it was rejected by the Taiwan Taipei District Court and the Taiwan High Court. The company objected to the rulings and filed an appeal, and the case was remanded by the Taiwan High Court. However, the Taiwan High Court continued to reject the company's application. The company filed another appeal on April 28, 2016. The ruling of the Taiwan Taipei District Court had recognized that a contractual relationship existed between the Ministry of Finance and the company. It should provide a basis for the company to continue to try to engage the ministry. Therefore, the company withdrew the appeal to the provisional disposition on June 13, 2016.</p>

2. Taishin International Bank:

Unappealable judgment, or under litigation	The facts of the dispute	Value of Claim	The initiation of Litigation	The involved parties	The current status
Promissory note adjudication	KIFA COMPANY LIMITED (KIFA) failed to perform its obligations regarding financial products, and the bank filed an application for adjudication of promissory notes issued by KIFA.	USD30 million in promissory notes	2016.12.08	KIFA COMPANY LIMITED	The bank received the result of promissory notes adjudication on December 16, 2016, but has not received the final confirmation.

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.****k. Other key risks and countermeasures:**

Following the pace of overseas expansion and implementation of international standards, Taishin reiterates its risk based approach and the extension of its anti-money laundering and counter terrorist financing practices into new areas as businesses expand. In 2016, Taishin refined its outsourced anti-money laundering system. Databases are linked to facilitate monitoring and ensure effective management mechanisms.

Regarding overseas branches, the Singapore Branch and the Japan Branch are now open. The anti-money laundering controls have been incorporated into the daily routines. The Hong Kong Branch is in the process of upgrading its system. A project has been created to hire professional consultants to perform an institutional risk assessment. Anti-money laundering guidelines will be established for other regions as new branches open.

In addition, Taishin complied with the competent authority's requirement and created a full-time unit to check risk data for more coordinated management. Taishin's anti-money laundering practices are improved with a risk analysis oriented management style.

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.



08

Special Notes

VIII. Special Notes

A. Information regarding the company's subsidiaries

a. Basic information

Date: Dec. 31, 2016; 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, Sec. 2, Zhongshan N. Rd., Taipei City	68,845,983	<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 26. Agency for personal insurance 27. Agency for property insurance



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.	2003.09.25	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, Sec. 2, Jhongshan N. Rd., Taipei City	3,059,125	<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, Sec. 4, Jenai Rd. 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
Xiang-An Life Insurance Agency Co., Ltd. (Note)	1996.09.19	3rd fl., No. 44, Sec. 2, Jhongshan N. Rd. Taipei	30,000	Agency for personal insurance
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

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
Taishin Real-Estate Management Co., Ltd.	1995.08.17	2nd-4 fl., No. 9, Dehui Street, Taipei City	200,000	1. Construction management 2. Residence and building development and lease 3. Factory construction and lease 4. Specific professional area development 5. Investment and construction of public construction 6. New town and new community development 7. Area expropriation and urban land rezoning 8. Urban renewal 9. Realty transaction 10. Realty lease 11. Business investigation 12. Other industry and commerce services not elsewhere classified
Taishin Financial Leasing (China) Co., Ltd.	2011.07.12	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	920,748	Leasing, Factoring, Installment Sales

Note : Taishin Insurance Agency Co., Ltd. change the name into Xiang-An Life Insurance Agency Co., Ltd. on August 2, 2016.

b. Directors, supervisors and major managers of the company's subsidiaries

Date: Dec.31, 2016

Name of enterprise	Position	Representative	Shareholding	
			Share	(%)
Taishin International Bank Co., Ltd.	Chairman	Tong-Liang Wu	Taishin holding company owns 6,884,598,317 shares (100%).	
	Director	Tong-Shung Wu		
	Director	The-Nan Hsu		
	Director	Jui-Sung Kao		
	Director	Shang-Pin Wu		
	Director	Chu-Chan Wang		
	Director	Long-Su Lin		
	Independent Director	Neng-Pai Lin		
	Independent Director	YI-Fu Lin		
	Standing Supervisor	Yang-Tzong Tsay		
	Supervisor	Chih-Shang Kao		
	Supervisor	Chia-Chung Cheng		
	President	Larry Chung		
Taishin Asset Management Co., Ltd.	Chairman	Tong-Shung Wu	Taishin holding company owns 99,500,000 shares (100%).	
	Director	Tong-Liang Wu		
	Director	Frank Liaw		
	Supervisor	Welch Lin		
	President	Frank Liaw		



Name of enterprise	Position	Representative	Shareholding	
			Share	(%)
Taishin Venture Capital Investment Co., Ltd.	Chairman	Steve Hsieh	Taishin holding company owns 332,903,495 shares (100%).	
	Director	Welch Lin		
	Director	Larry Chung		
	Supervisor	Tong-Shung Wu		
	President	Yu-Sheng Lin		
Taishin Securities Co., Ltd.	Chairman	Welch Lin	Taishin holding company owns 305,912,444 shares (100%).	
	Director	Po Yung Lu		
	Director	Joseph Jao		
	Director	Oliver Shang		
	Director	Ming-Chih Hsieh		
	Director	Carol Lai		
	Independent Director	Cin-Tan Huang		
	Independent Director	Yu-Ti Chen		
	Supervisor	Tong-Shung Wu		
	Supervisor	Ann Cheng		
	President	Hsien-Chun Lin		
Taishin Securities Investment Trust Co., Ltd.	Chairman	Andy Wu	Taishin holding company owns 75,454,545 shares (100%).	
	Director	Kevin Lin		
	Director	Sam Lin		
	Director	Wilson Chou		
	Director	Larry Chung		
	Supervisor	Ada Chen		
	President	Cheng-Yu Yan		
Taishin Securities Investment Advisory Co., Ltd.	Chairman	Thomas K.H. Wu	Taishin holding company owns 27,599,513 shares (92%).	
	Director	Spike Wu		
	Director	John Chiou		
	Supervisor	Steve Chiu		
	President	Chen-Yu Li		

c. Directors, supervisors and major managers on affiliates

Date: Dec.31, 2016

Name of enterprise	Position	Company's Name	Shareholding (Share)	(%)
		Representative		
Xiang-An Life Insurance Agency Co., Ltd.	Chairman	Taishin International Bank	2,622,040	87.4
		Steve Hsieh	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
		Tong-Shung Wu	0	0
	Supervisor	Spike Wu	0	0
	President	Kuo-Ming Tai	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
		Tong-Shung Wu	0	0
	Director	Taishin International Bank	12,000,000	60
		Tong-Liang Wu	0	0
	Director	Taishin International Bank	12,000,000	60
		Frank Liaw	0	0
	Supervisor	Taishin Asset Management	8,000,000	40
Welch Lin		0	0	
President	Frank 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	
	Joseph Jao		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
		Goldin Wang		0
	Director	Taishin Venture Capital Investment		100
		Eric Chen		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	
	Joseph Jao		0	
President	Goldin Wang		0	

**d. Operation overview on affiliates**

Date: Dec. 31, 2016; 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.	68,845,983	1,514,170,886	1,394,134,239	120,036,647	31,608,572	31,608,572	9,535,626	1.64
Taishin Asset Management Co., Ltd.	995,000	1,664,517	227,559	1,436,958	326,388	175,839	183,210	1.84
Taishin Venture Capital Investment Co., Ltd.	3,329,035	2,931,434	250,784	2,680,650	6,639	(72,839)	(81,084)	(0.24)
Taishin Securities Co., Ltd.	3,059,125	9,518,902	6,139,192	3,379,710	573,819	(33,102)	(29,779)	(0.10)
Taishin Securities Investment Trust Co., Ltd.	754,545	919,927	99,163	820,764	293,446	23,004	6,611	0.09
Taishin Securities Investment Advisory Co., Ltd.	300,000	375,753	22,504	353,249	87,852	(1,079)	(5,605)	(0.19)
Xiang-An Life Insurance Agency Co., Ltd. (Note)	30,000	844,944	81,905	763,039	111,197	30,473	27,234	9.08
Taishin Real - Estate Management Co., Ltd.	200,000	616,740	260,485	356,255	86,813	61,080	55,395	2.77
Taishin D.A. Finance Co., Ltd.	800,000	4,799,203	4,097,938	701,265	394,828	13,668	8,367	0.1
Taishin Financial Leasing (China) Co., Ltd.	894,049	4,784,426	4,163,150	621,276	656,213	(43,693)	(16,574)	-
Taishin Financial Leasing (Tianjin) Co., Ltd.	920,748	4,344,587	3,618,985	725,602	115,756	(61,003)	(45,234)	-

Note : Taishin Insurance Agency Co., Ltd. change the name into Xiang-An Life Insurance Agency Co., Ltd. on August 2, 2016.

e. The Organizational Chart of Taishin Financial Holdings and Its Affiliates : Please refer to P.19 “A. The organization of the financial holding firm a. Organization chart 2. Affiliated Companies ”.**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.**



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Items with major effect on shareholders' benefits or securities prices in 2016 and as of the date for the publication of the annual report



IX. Items with major effect on shareholders' benefits or securities prices in 2016 and as of the date for the publication of the annual report: Nil.

Taishin Financial Holding Co., Ltd.



Chairman

A handwritten signature in black ink, appearing to read "Thomas Wu". The signature is fluid and cursive, written over a light blue horizontal line.



Taishin Holdings

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