Taishin Financial Holding Co., Ltd

2017 Annual Report

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Taishin Holdings
2017 Annual Report

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Taishin Holdings

Taishin Holdings

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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 economic recovery in 2016 not only continued into 2017, but moreover gained momentum. Major economies, including the United States, the eurozone, and China, reported excellent results, which in turn triggered simultaneous recovery in most emerging economies and led to a worldwide economic recovery rarely seen in the last twenty years. The International Monetary Fund (IMF) revised its world economic growth forecast up twice within the year; the final economic growth forecast was 3.7%, up by 0.5% compared to 2016. In particular, the forecast for advanced economies rose from 1.7% in 2016 to 2.3% in 2017, while that for emerging markets rose from 4.4% to 4.7%. In 2017, the U.S. economy and the eurozone achieved annual economic growth of 2.3% and 2.5%, respectively, while China waved a temporary goodbye to the economic stagnation that had remained for six consecutive years. The latter's annual economic growth rose by 0.2% compared to 2016 and reached 6.9%.

Taiwan's economy benefited from the global economic recovery in 2017. Export demand jumped and created a strong surge in economic growth. Total export value was US$317.4 billion with a 13% YOY growth while economic growth hit a three-year high with a preliminary estimate of 2.86%. The stock market turned bullish as the economy recovered. TWSE closed at 10,643 points at the end of 2017, up by 15% from 9,254 points at the end of 2016. Nevertheless, compared to strong foreign demand, domestic demand appeared relatively weak in Taiwan as it contributed only 0.83% to economic growth, a five-year low. The economy was a combination of strong external growth and internal stagnation, and the outlook signal fluctuated between green and yellow-blue light. Looking forward to Taiwan's economy in 2018, foreign demand will depend on the U.S.-China trade relationship, political development in the eurozone, political and geographic risks in the Korean Peninsula, and inflation expectations and the path of the Fed's rate hikes; domestic demand will be influenced by the effectiveness of the government's investment incentives in driving recovery of private investment.

Regarding the financial sector in Taiwan, continued improvement of economic conditions in 2017 helped domestic banks reverse the trend of falling overall profits. In total, domestic banks reported NT$305.9 billion in earnings before tax, which translated to a 2% YOY growth. Meanwhile, return on assets and return on equity fell slightly from 0.68% and 9.24%, respectively, in the previous year to 0.67% and 8.97%, respectively. Domestic banks maintained asset quality roughly at the same level. Overall average nonperforming loan ratio at the end of 2017 was 0.28% and debt coverage ratio 493%, comparable to the figures of 0.27% and 503%, respectively, in 2016.

We followed our operating budgets closely in 2017. Our core businesses grew at a steady pace, leading to consistent profit growth. Net profit after tax totaled NT$13.1 billion at a 14.6% YOY growth. This represented an after-tax EPS of NT$1.15, an ROE of 9.61%, and a net worth per ordinary share of NT$12.32. In terms of capital structure, our capital adequacy ratio was 124.9% and double leverage ratio was 112.9% at the end of 2017. The capital structure remained sound.

In October 2017, 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 2017, we were granted by Taiwan Ratings Corp. 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. The outlook was "Positive".

With respect to overseas expansion, the Brisbane Branch in Australia of our subsidiary Taishin Bank opened in July 2017. It is Taishin Bank's fourth overseas branch after the Hong Kong Branch, the Singapore Branch, and the Tokyo Branch. Meanwhile, we have also submitted our application for establishing our Long An Branch in Vietnam. With respect to local offices, we currently serve our customers through the Ho Chi Minh City office in Vietnam and the Yangon office in Myanmar. Furthermore, we have established financial leasing companies in Nanjing and Tianjin to provide leasing, trade, and factoring services across China. In the future, we will continue to expand our overseas presence by offering more comprehensive and higher quality international financial services to customers.

With respect to securities services, our subsidiary Taishin Securities finalized the merger with Ta Chong Securities in August 2017. The company's net worth is over NT$7 billion and its total assets exceeds NT$20 billion after the merger. With a share of over 1.4% in the brokerage market, Taishin Securities has become a competitive medium-sized securities dealer, and has formulated plans to expand its futures services and sub-brokerage services in the near future. Going forward, Taishin Securities will continue to expand its product line in response to changes in the banking environment and absorb advances in FinTech to provide customers with even better services.

Business performance of our banking, securities, and investment trust subsidiaries in the previous year is summarized as follows.

Retail Banking Services

As of the end of 2017, the size of Taishin Bank's mortgage portfolio stood at NT$455.2 billion, representing close to 9% in YOY growth; the auto loan balance amounted to NT$42.5 billion, representing a 13% YOY growth, again placing the bank at the top of the financial industry; it had 4.12 million credit cards outstanding, ranking 4th with a 10% market share; and lastly, Taishin Bank had 120,000 card accepting merchants nationwide, ranking first with a near 22% market share.

In response to the rise of FinTech, Taishin Bank was first among its peers to launch a new digital banking brand, Richart. The brand steadily holds a market share upwards of 60% in digital accounts and is well received by users. Meanwhile, the number of users of Internet or mobile banking services continued to grow. The total exceeded 1.74 million users in 2017, and the consistently growing transaction volume rose by 74% compared to 2016. Customer satisfaction regarding automated channels reached 80% or higher in the following criteria: "completeness of functionality", "transaction security", and "easy to navigate interface".

Mobile payment marketing campaigns: Taishin Bank was first to support Apple Pay, Android Pay, and Samsung Pay and the first bank in Taiwan to launch international mobile payment tools as well as host card emulation (HCE) based payment service. In addition, the CARDaily app (for credit cards), designed exclusively for Taishin cardholders, was downloaded 400,000 times soon after its launch. It offers users access to real-time transaction history as well as special offers. With respect to cross border online to offline (O2O) services, Taishin Bank is the only bank in Taiwan to support both Alipay and WeChat Pay. It is not only the first bank in Taiwan to collaborate with a South Korean bank by implementing cross-border payment services supported by KEB Hana Card, but also the exclusive provider of AR enabled coupons for 2018 PyeongChang Winter Olympics. Taiwanese consumers visiting South Korea were able to use LETSPAY or CARDaily to access the Global Loyalty Network (GLN) coupon mall and redeem coupons in local stores. In addition, Taishin Bank is investing in the development of a global GLN point exchange service. This is a breakthrough in blockchain technology and can be expected to be launched after FinTech innovative experiments are conducted. The bank will continue to provide global money services in the future.

Credit cards: Taishin Bank aims to cater to the needs of all customer groups. The Mercuries Life cobranded card, launched in 2016, has been issued to more than 150,000 cardholders so far. Meanwhile, Taishin Bank continued to introduce new

products in 2017, including the Yonghe Beyond Plaza cobranded card, which contributes to growth in shopping districts, and the Cathay Pacific Airways cobranded card, a product that targets airline customers. The Yonghe Beyond Plaza cobranded card targets the customers of a regional department store and has succeeded in building close ties in local shopping districts by offering the best shopping experience and credit card rebates. The Cathay Pacific Airways cobranded card is the first card to offer the best rebate at NT$5 per mile as part of the Double Miles program. Taishin Bank is also first to combine flying and wealth management by offering bonus miles to its cardholders who become members of the wealth management club. The combination offers cardholders a one-stop solution for flying, travel, and financial planning services. Launched this year, the FET friDay cobranded card offers a variety of benefits that include up to 3% cashback on telephone bills and a range of entertainment activities. Application for the card can be completed via mobile phone, adding a brand new experience to our everyday digital lifestyle. Taishin Bank offers a comprehensive line of cobranded cards that ranges from airline, telecommunication, department store, insurance, wholesale, consumer electronics, to duty free shopping.

Wealth management: Taishin Bank competes on three features, which are "a team of professional specialists, a diverse range of products, and excellent benefits for top customers". It utilizes data analysis to identify hidden customer needs and provide better financial planning services. In 2017, the net fee income from wealth management services achieved a 4.4% YOY growth. In particular, 74.3% and 25.7% of the fees came from bancassurance and fund investment, respectively. Taishin Bank is committed to developing closer ties with its wealth management customers and reaching out to potential customers by offering real benefits and personalized financial planning services.

Wholesale Banking Services

Corporate lending: Loans to state-owned and private enterprises totaled NT$239.6 billion at the end of 2017, 15th among the 39 domestic banks. In support of the government's credit extension policy for small and medium enterprises, the bank provides guarantees in compliance with the policy to help SMEs obtain operating capital. Taishin Bank's lending to SMEs rose to NT$131.4 billion by the end of 2016, which was a 22% YOY growth that exceeded the peer average of 6%. Taishin Bank will be working more closely with the Small and Medium Enterprise Credit Guarantee Fund in the future. In the meantime, the bank will support the government's flagship policies, such as the five-plus-two startup industries and the New Southbound Policy, aimed at helping SMEs establish and upgrade themselves. Such support so far is reflected in the SME Factory and Office Building Financing Program and the Solar Power Plant Financing Program, the latter of which supports government policies for the development of green energy technology.

Other wholesale banking services: Taishin Bank remained the market leader in factoring services with a volume totaling NT$240.8 billion in 2017. Taishin Bank provides share administration services to a total of 190 companies traded on the TWSE/TPEx and the Emerging Stock Market, ranking 4th among peers. Furthermore, Taishin Bank works with Taiwan Clearing House in providing fund allocation services to corporate clients.

Newly launched services: Taishin bank received the Central Bank's approval for offering foreign currency transactions as part of its corporate mobile banking services in December 2017, and launched the service in the same month to provide corporate and retail banking clients with a greater variety of investment instruments. As deregulation continues, Taishin Bank will endeavor to satisfy the investment needs of local and international customers.

System implementation: In response to a growing number of mobile payment tool users and online shoppers, Taishin Bank is working with Taiwan Clearing House to support electronic direct debit authorization (eDDA) enabled cardless authentication. Corporate clients will use the eDDA platform built specifically for the purpose, while average consumers are able to use their Taishin Bank Internet banking ID and password to set up a preauthorized payment plan without having to use their chip card or Citizen Digital Certificate to complete authentication. The service seamlessly connects the authentication process with e-commerce or payment platforms, and makes it possible for consumers to complete transactions by paying directly over the Internet.

Securities and Investment Trust Subsidiaries

Securities operations: The company will continue to work closely with various distributors to provide more a comprehensive range of services to individual and corporate clients. It is also committed to keep enhancing the functionality and accessibility of its electronic platforms in order to satisfy customer demand for easier and quicker e-trades. After its acquisition of Ta Chong Securities in 2017, Taishin Securities' market share at year-end exceeded 1.4% in brokerage services and 2.2% in margin trade balance. Taishin Securities handled a total of 20 securities underwriting cases as lead underwriter throughout the entire year. The bank was ranked 2nd in number of cases handled as lead underwriter and 5th in amount handled as lead underwriter. It is the leader in both total number of cases and total amount.

Investment trust operations: The size of assets under management by Taishin Securities Investment Trust (TSIT) reached NT$85.7 billion at the end of 2017 out of which NT$70.2 billion was in publicly offered funds, accounting for a 3% market share and enabling the company to rank 15th place among domestic investment trusts. Looking forward, TSIT's assets under management are expected to continue to advance toward the NT$100 billion mark. In addition to winning the tender for the Ministry of Labor NT$11 billion discretionary investment project for 2017, TSIT is optimistic about potential investment growth in Chinese and Taiwanese markets with regard to publicly offered funds. Given the absence of MSCI linked products among Taiwan's listed ETFs containing foreign constituents, TSIT entered a license agreement with world leading provider MSCI, and launched Taishin MSCI China ETF, Taishin MSCI Taiwan Daily Leveraged 2x ETF, and Taishin MSCI Taiwan Daily Inverse ETF in August 2017. TSIT was the first SITE in Taiwan to issue products of this kind.

In summary, we have received continuous acclaim for our excellence in various aspects of business, including banking, securities, and invest trust services. Richart, the digital banking brand launched by Taishin Bank ahead of all its peers, won a string of international awards and enabled Taishin Bank to become the first bank in Taiwan to win a Red Dot Award for Communication Design. Taishin Bank was also named "Credit Card Initiative of the Year in Taiwan" and "Best Retail Bank in Taiwan" by Asian Banking & Finance and "Best Private Bank in Taiwan" by Private Banker International (PBI). The bank received the "SMEG Partnership Award" from the Ministry of Economic Affairs for the sixth consecutive year and the "Award for Excellence in Successful eDDA Processing" from Taiwan Clearing House. Taishin Securities was named first place in "Underwriting Recommendations and Number of OTC Companies" by Taipei Exchange, and was the recipient of a number of awards, including the Smart Magazine Taiwan Fund Awards, Lipper Fund Awards Taiwan, and Best Fund Awards. Taishin Holdings received a total of 88 awards from domestic and international professional institutions in 2017, the largest number of awards for the company since its establishment.

Regarding the overall business environment in the financial sector, the Financial Supervisory Commission (FSC) is campaigning for "innovative financial services and effective financial governance" with the objective of maintaining stability in financial markets while facilitating development. Key aspects of the policy include: FinTech development, effective differentiated management, and optimized corporate governance in financial institutions. In addition to ongoing incentives such as deregulation and helping financial institutions expand their business or reduce operating costs, the competent authorities are making sure companies implement effective corporate governance and regulatory compliance. Enforcement in these two areas is intended to enhance the competitiveness of the financial sector and enable it to better contribute to the domestic economy, thereby triggering a positive cycle and securing sustainable development for the financial market.

In 2018, we will engage in all of our business activities in accordance with the principle of "rigorous risk management and aggressive expansion" while supporting government policies and complying with applicable regulations. Our business strategies and plans include: strengthening management of credit, market, and operational risks and ensuring effective compliance with the law and adherence to guidelines and regulations; implementing IT infrastructure, developing FinTech application scenarios, and improving customer satisfaction; engaging in product and service innovations, conducting integrated marketing, expanding our customer base, and increasing customer loyalty; actively seeking overseas expansion

and training pioneering and leadership talent for overseas businesses; creating a complete cross industry network under Taishin Holdings and increasing the scale of subsidiary operations to enhance profitability. In particular, the merger of Taishin Securities and Ta Chong Securities was completed in the second half of 2017. Signs of synergy are starting to show, and we will, as one of our key tasks this year, continue enhancing and accelerating the second profit driver of the financial holding group.

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 and has been rated Excellent in the CG6011 (2017) Corporate Governance Certification conducted by Taiwan Corporate Governance Association. The Taishin Holdings Corporate Social Responsibility (CSR) Report published this year received AA1000 Type 2 Accountability Principles and Performance Information certification for the first time. Certification by a certification agency contributes to the creditability and transparency of sustainability information and has helped the company become one of the first financial institutions to incorporate sustainability into their business practices. We have moreover established the Corporate Sustainability Committee to oversee six functional teams responsible for corporate sustainability, liability products, customer relations, employee care, green operations, and social inclusion. We and our subsidiaries as well as various affiliated foundations work together toward the same goals. The company was moreover included in December 2017 as one of the constituents of the TW ESG Index, which selects constituent stocks according to a comprehensive set of Environmental, Social, and Governance (ESG) factors and financial indicators. The Company will persist in 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 and continuous growth, Taishin has been able to demonstrate the innovation and customer-centric values that have helped shape Taiwan’s banking industry as a whole and embodied the group’ s fulfillment of its corporate social responsibility. Taishin will hereafter adhere to the same business philosophy while continuing to deliver comprehensive services and maximizing profits so as to benefit our shareholders, customers, employees and the greater community alike and to deliver on our promises to shareholders.

Chairman

Taishin Financial Holdings

April 2018

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.

The Brisbane Branch opened in Australia on July 31, 2017. It is Taishin's fourth overseas branch after Hong Kong, Singapore, and Tokyo, Japan. Taishin will continue to expand its overseas network in order to extend its reach further into international markets and provide international financial services for its clients.

The merger of Taishin Securities and Ta Chong Securities was completed on August 28, 2017. With the acquisition of Ta Chong Securities, Taishin Securities increased the number of its offices from 3 to 17 and the market share of its brokerage business to more than 1.4%. Meanwhile, the underwriting and other trading services have also grown significantly in size as the company gained a larger capital base and became a competitive medium-sized securities dealer with growth potential.

C. Honors of the Company-

2017.12	Taiwan Clearing House	ACH Direct Credit Excellence Award of Transaction Volume Growth – Taishin Bank
2017.12	Taiwan Clearing House	ACH Direct Debit Merit Award of Accumulated Transaction Volume – Taishin Bank
2017.12	Taiwan Clearing House	TCH Electronic Direct Debit Authorization Excellent Award of Year 2017 – Taishin Bank
2017.12	Taiwan Stock Exchange	Warrant Investor Number Award – Taishin Securities
2017.12	Taiwan Stock Exchange	Warrant Trading Growth Award – Taishin Securities
2017.12	Taiwan Stock Exchange	Warrant Issuance Growth Award – Taishin Securities
2017.12	RFPI and TRFP	Best Value Award – Wealth Management – Taishin Bank
2017.12	Ministry of Culture	Wen Xin Award – Corporate Culture Prize – Taishin Holdings
2017.12	MANAGER today Magazine	Top 100 MVP Managers – Taishin Bank
2017.11	Excellence Magazine	Best Service Quality Award – Taishin Securities
2017.11	Excellence Magazine	Best Potential Award – Taishin Securities
2017.11	International Data Corporation (IDC)	DX – Leader – Information Visionary in Asia/Pacific – Taishin Bank
2017.11	International Data Corporation (IDC)	DX – Leader – Information Visionary – Taishin Bank
2017.11	TAISE (Taiwan Institute for Sustainable Energy)	Growth through Innovation Award – Taishin Holdings
2017.11	TAISE (Taiwan Institute for Sustainable Energy)	Creativity in Communication Award – Taishin Holdings
2017.11	TAISE (Taiwan Institute for Sustainable Energy)	Top 50 Corporate Sustainability Award – Taishin Holdings
2017.11	TAISE (Taiwan Institute for Sustainable Energy)	Gold Award in Taiwan Top 50 Corporate Sustainability Report Awards – Taishin Holdings
2017.11	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award – First Prize in the Most Popular Brands – Taishin Bank (Richart)
2017.11	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award – The Most Popular Brands – Taishin Bank (Richart)
2017.11	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award – The Most Popular Brands – Taishin Bank (Wealth Management)
2017.11	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award – The Best Products – Taishin Bank (Richart)
2017.11	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award – The Best Products – Taishin Bank (Cardless Withdrawal Service)
2017.11	Republic of China National Enterprise Competitiveness Development Association	The National Brand Yushan Award – The Best Products – Taishin Bank (Wealth Management)
2017.11	Global Finance	Best Consumer Digital Bank in Taiwan – Taishin Bank
2017.11	BSI (British Standard Institution)	Sustainability Outstanding Award 2017 – Taishin Holdings
2017.10	Taiwan Stock Exchange	Best Progress in the Number of Account Opening – Taishin Securities
2017.10	The Banker and PWM	Highly Commended: Best Private Bank in Asia for Customer Service – Taishin Bank
2017.10	Taiwan Next Magazine	Top Service Award 2017 – Best Service Bank (3) – Taishin Bank
2017.10	Taiwan Futures Exchange	Futures Trading in Banking Sector – Diamond Award (2) – Taishin Bank
2017.10	Taiwan Futures Exchange	Futures Trading Growth in Banking Sector – Diamond Award (2) – Taishin Bank
2017.10	Wealth Magazine	Taiwan Financial Award: Best Digital Bank – Quality Award – Taishin Bank
2017.10	TCCDA (Taiwan Contact Center Development Association)	Best Customer Service Representative – Taishin Bank

2017.10	TCCDA (Taiwan Contact Center Development Association)	Best Systematic Application of Smart Robot – Taishin Bank
2017.10	TCCDA (Taiwan Contact Center Development Association)	Best Internet Service Provider – Taishin Bank
2017.10	PBI (Private Banker International)	Highly Commended: Best Next – Generation Offering – Taishin Bank
2017.10	PBI (Private Banker International)	Outstanding Wealth Manager – Customer Relationship Service and Engagement – Taishin Bank
2017.09	Asian Banker	Best Mobile Banking Project in Taiwan – Taishin Bank
2017.09	Asian Banker	Best Customer Relationship Management in Taiwan – Taishin Bank
2017.09	CEPI (Cards & Electronic Payments International)	Highly Commended: Best Card Design – Taishin Bank
2017.09	CEPI (Cards & Electronic Payments International)	Highly Commended: Best Brand Engagement Programme – Taishin Bank
2017.09	CEPI (Cards & Electronic Payments International)	Best Merchant Acquiring Initiative – Taishin Bank
2017.09	CEPI (Cards & Electronic Payments International)	Best Merchant CRM Program – Taishin Bank
2017.09	CEPI (Cards & Electronic Payments International)	Best Commercial Card Product for Asia – Pacific – Taishin Bank
2017.08	Red Dot	Red Dot Award: Communication Design 2017
2017.08	International Data Corporation (IDC)	DX – Leader – Information – Visionary – Taishin Bank
2017.08	International Data Corporation (IDC)	Digital Transformer – Taishin Bank – Taishin Bank
2017.07	Business Today	Best Wealth Management Award of Banks and Securities – Best Multitalented Investment Advisor second prize
2017.07	Business Today	Best Wealth Management Award of Banks and Securities – Best Consumer Digital Bank second prize
2017.07	Business Today	Best Wealth Management Award of Banks and Securities – Best Marketing Innovations
2017.07	Excellence	Excellence in Service Quality 2017
2017.07	Excellence	Excellence in Wealth Management 2017
2017.07	Economic Affairs	Outstanding Banks in Credit Guarantee Financing – Taishin Bank
2017.07	Asian Banking & Finance	Digital Banking Initiative of the Year – Taiwan – Taishin Bank
2017.07	Asian Banking & Finance	Mobile Banking Initiative of the Year – Taiwan – Taishin Bank
2017.07	Asian Banking & Finance	Credit Card Initiative of the Year – Taiwan – Taishin Bank
2017.07	Asian Banking & Finance	Domestic Retail Bank of the Year – Taiwan – Taishin Bank
2017.07	Asian Banking & Finance	Branch Innovation of the Year – Bronze – Taishin Bank
2017.06	Commercial Times	The Best Service in Taiwan: Silver Award in Best Domestic Bank – Taishin Bank
2017.06	Commercial Times	The Best Service in Taiwan: Best Call Center – Taishin Bank
2017.06	Asiamoney	Best Digital Bank – Taishin Bank
2017.06	Timetric	Highly Commended: Best Employee Engagement Initiative – Taishin Bank
2017.06	Timetric	Best Use of Data & Analytics – Taishin Bank
2017.06	PBI (Private Banker International)	Highly Commended : Most Effective Wealth Management Technology Platform in Greater China – Taishin Bank
2017.06	PBI (Private Banker International)	Best Private Bank in Taiwan – Taishin Bank
2017.04	Business Next	Critics' Choice Award – Taishin Bank
2017.04	Business Next	Best Management Innovation – Gold Award – Taishin Bank

2017.04	Business Next	Best Business Model – Gold Award – Taishin Bank
2017.04	Business Next	Best Product Innovation – Bronze Award – Taishin Bank
2017.04	Business Next	Best User Experience Innovation – Bronze Award – Taishin Bank
2017.04	Business Next	Best Technology Innovation – Silver Award – Taishin Bank
2017.04	RMiM (Risk Management, Insurance & Finance Foundation)	Most Admired Financial Holding Company by Graduating Finance/Insurance Students_Excellence – Taishin Holdings
2017.03	Wealth Magazine	Wealth Management Award – Best Video Marketing Award
2017.03	Wealth Magazine	Wealth Management Award – Best Financial Advisor Team
2017.03	Lipper	Lipper Fund Awards 2017 for Mixed Asset TWD Balanced, 5 year/ 10 year – Taishin Securities Investment Trust
2017.03	Lipper	Lipper Fund Awards 2017 for Equity Taiwan, 3 year – Taishin Securities Investment Trust
2017.03	Retail Banker International	Highly Commended : Best Digital Marketing Campaign – Taishin Bank
2017.03	Retail Banker International	Highly Commended : Excellence in Mass Affluent Banking – Taishin Bank
2017.03	International Data Corporation (IDC)	Asia/Pacific's Leader in Mobile Banking – Taishin Bank
2017.03	Taipei Foundation of Finance	TFF-Bloomberg Best Fund Award 2017 for Domestic Funds – Equity Funds General (3-year) – Taishin Securities Investment Trust
2017.03	Taipei Foundation of Finance	TFF-Bloomberg Best Fund Award 2017 for Domestic Funds – Equity Funds General (5-year) – Taishin Securities Investment Trust
2017.03	Taipei Foundation of Finance	TFF-Bloomberg Best Fund Award 2017 for Foreign Funds – REITs Funds (10-year) – Taishin Securities Investment Trust
2017.03	The Asset	Best Retail Mobile Banking Experience in Taiwan – Taishin Bank
2017.03	Smart Magazine/ Business Weekly Media Group	Smart Taiwan Fund Awards 2017 for Taiwan Equity Research – Taishin Securities Investment Trust
2017.03	Smart Magazine/ Business Weekly Media Group	Smart Taiwan Fund Awards 2017 for Taiwan Allocation – Taishin Securities Investment Trust
2017.03	Asian Banker	Excellence in Retail Financial Services International Awards – Best Social Media Initiative – Taishin Bank
2017.01	Outstanding Enterprise Manager Association	Golden Torch Award of the Innovative Design – Taishin Securities
2017.01	Outstanding Enterprise Manager Association	Golden Torch Award of the Outstanding Enterprises – Taishin Securities
2017.01	Taiwan Stock Exchange	The Number of Warrant Investors – Taishin Securities
2017.01	TAISE (Taiwan Institute for Sustainable Energy)	Taipei Golden Eagle Micro – movie Festival 2017 – Outstanding Social Inclusion Film – Taishin Holdings
2017.01	TAISE (Taiwan Institute for Sustainable Energy)	Taipei Golden Eagle Micro – movie Festival 2017 – Outstanding Creative Film – Taishin Holdings
2017.01	TAISE (Taiwan Institute for Sustainable Energy)	Taipei Golden Eagle Micro – movie Festival 2017 – Outstanding Film – Taishin Holdings

03

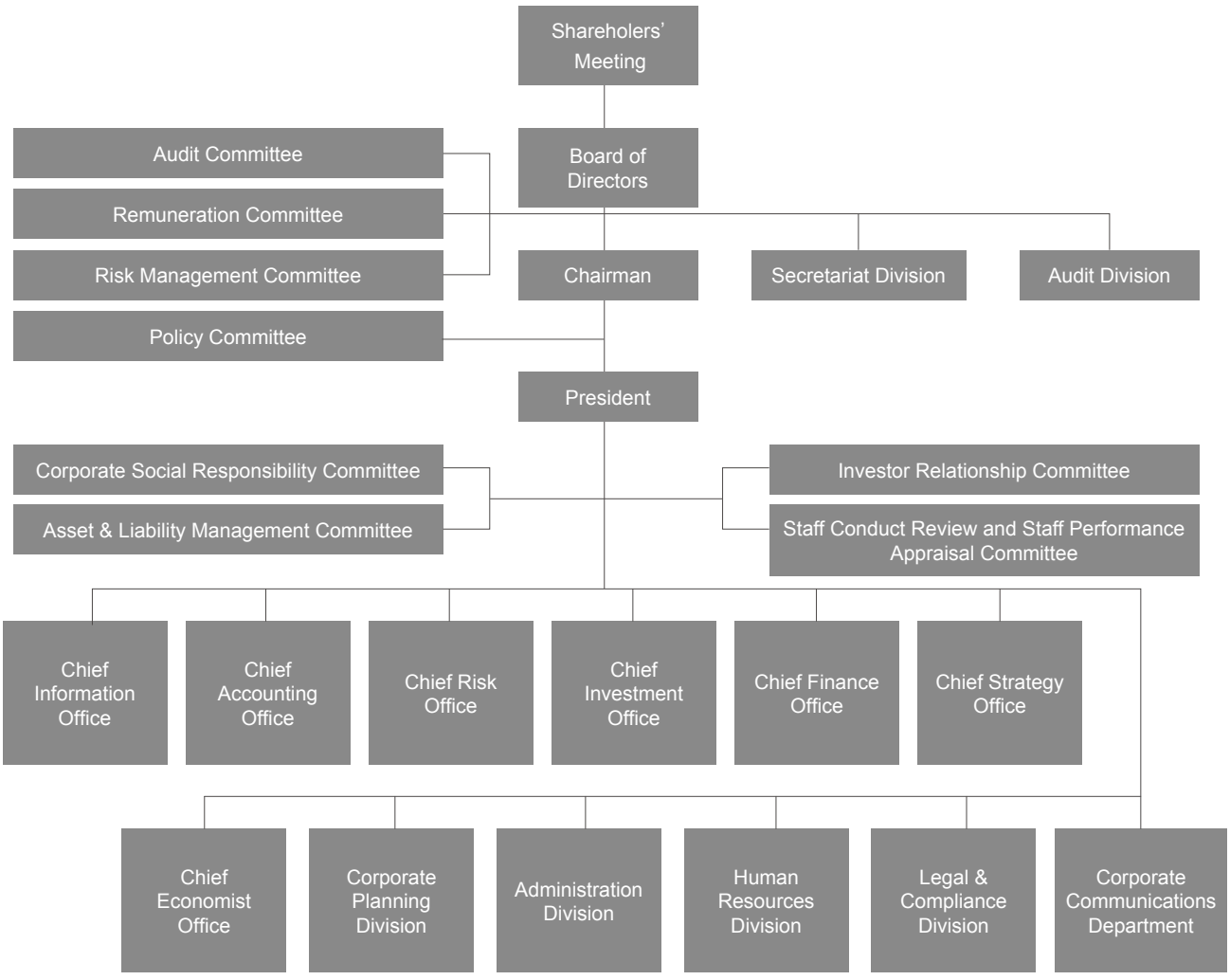
Corporate Governance

III. Corporate Governance

A. The organization of the financial holding firm

a. Organization chart

Base date: March 01, 2018



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) 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.

(3) 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.

(4) 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.

(5) 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.

(6) Chief Information Office

◆ Formulation of information policy.

◆ Application, integration, and proposal of new information technologies.

◆ Evaluation of major information investments.

(7) 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.

◆ 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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, and oversight and evaluation of subsidiaries.
- 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.
- 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.

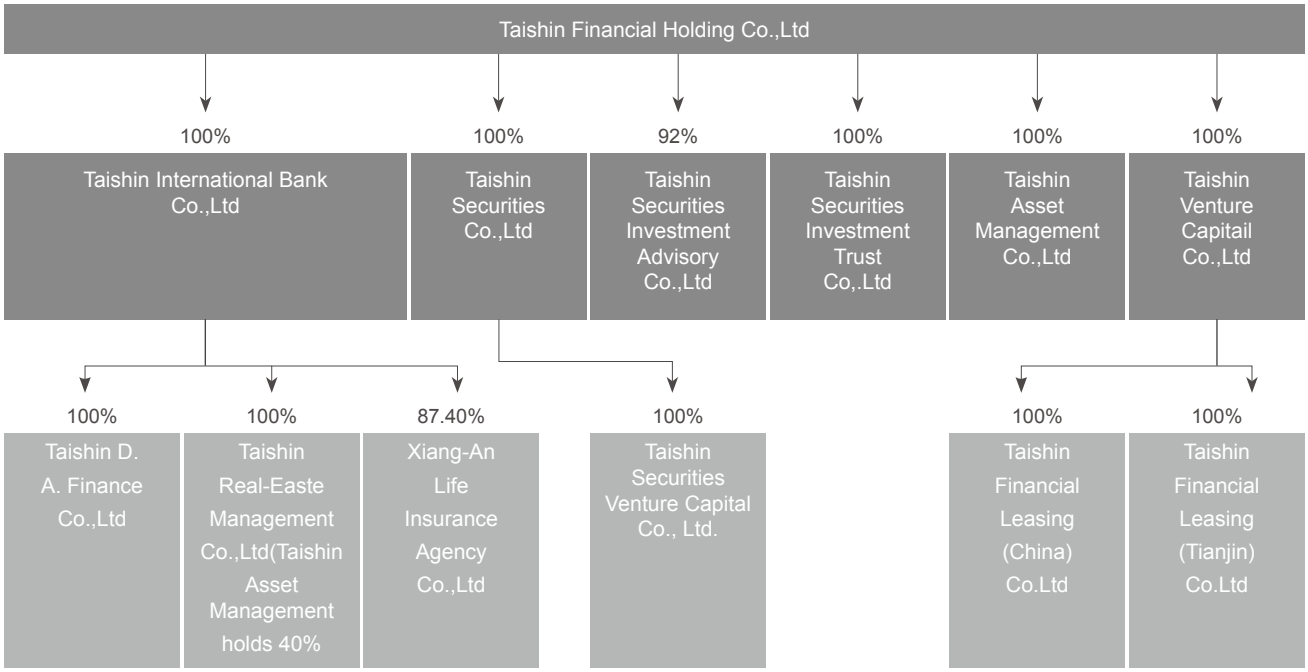
(12) Corporate Communications Department

- 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, 2017



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			
							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 (%)
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	8,572,555	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	125,184,121	1.25	1,600,000	0.20
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	50,817,270	0.51	1,849,350	0.23
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	16,776,576	0.17	610,536	0.08
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	16,776,576	0.17	610,536	0.08
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	5,020,876	0.05	182,720	0.02
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

Base date: Feb. 28, 2018

	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		
	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 (%)			Title	Name	Relationship
	16,532,638	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, Shin kong Insurance University of California, Los Angeles (UCLA), Master of Business Administration	Note 1	Director Director	Jui-Sung Kuo Long-Su Lin	Brother-in-law Brother-in-law
	1,942,578	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
	6,260,246	0.06	227,823	0.03	0	0.00	0	0.00	Managing Director, Director of Chang Hwa Bank Chairman and CEO of TASCO Chemical 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
	11,644,096	0.12	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
	5,421,215	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
	15,253,182	0.15	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
	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

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.	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 Shin Kong Co. Ltd., Director of Shin Kong Chao Feng, Director of Shin Sheng Company Ltd. ,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,.

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

Base date: Feb. 28, 2018

	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		
	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 (%)			Title	Name	Relationship
	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 Chairman of Monte Jade Taiwan/ Worldwide 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, Independent Director of Hua Eng Wire & Cable Co., Ltd., 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 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., Chairman of Jasper Villa Xinyi, 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 International Bank, Independent Director of Darfon Electronics, Director of Wistron NeWeb Corporation, Independent Director of AcBel Polytech Inc.; 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, Independent Director of Pan German Universal Motors Ltd., Director of Cheng Chin Trading Co., Ltd.,

Note 9: Por-Yuan Wang, is concurrently acting as Chairman of Sercomm Corporation, Independent Director of UPC Teconology Co.,Director of Taiwan Cement Co. and Prosperity Dielectrics Co., Ltd.,

Major shareholders of institutional shareholders

Base date: Feb. 28, 2018

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 32.79%, Li-Wan Chang 24.29%, Wei-Ren Wang 21.46%,Wei-Hao Wang 21.46%

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

Major shareholders of major institutional shareholders

Base date: Feb. 28, 2018

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 30.19%, Shang-Bin Wu 30.19%, Pei-Jyuan Wu 18.87%, Pei-Rong Wu 18.87%, Fong-He Development Co., Ltd. 1.88%
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. 28, 2018

Qualifiications / Name	Possession of over five-year working experience and the following professional qualifiications			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 certifiied 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 fiields related to the bank's operation	1	2	3	4	5	6	7	8	9	10	
Tong-Liang Wu			✓	✓				✓	✓	✓		✓		0
Jui-Sung Kuo	✓		✓	✓		✓		✓	✓	✓		✓		0
Cheng-Ching Wu			✓	✓	✓	✓			✓	✓	✓	✓		0
Tong-Shung Wu	✓	✓	✓			✓	✓	✓	✓	✓	✓	✓		1
Long-Su Lin	✓		✓	✓		✓		✓	✓	✓		✓		0
Chu-Chan Wang			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Neng-Pai Lin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Yi-Fu Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
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

Criteria of board member selection are not subject to 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.

The 6th board of directors was composed 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 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

Diversified evaluation items / 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			
					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 (%)
President	R.O.C.	Male	Welch Lin (interim)	2018.01.01	3,792,856	0.04	0	0.00	0	0.00	0	0.00
Chief Auditor	R.O.C.	Male	Howard Wu	2010.04.29	1,288,662	0.01	0	0.00	26,999	0.00	0	0.00
Chief Strategy Office	R.O.C.	Male	Daniel Tsai	2008.12.11	0	0.00	0	0.00	1,958	0.00	0	0.00
Chief Information Office	R.O.C.	Male	Steve sun	2017.03.01	0	0.00	0	0.00	0	0.00	0	0.00
Chief Financial Office	R.O.C.	Female	Carol Lai	2018.01.01	1,380,018	0.01	0	0.00	0	0.00	0	0.00
Chief Accounting Office	R.O.C.	Female	Ann Cheng	2005.09.05	505,446	0.01	158,444	0.02	511,485	0.01	37,538	0
Chief Risk Office	R.O.C.	Male	Jey Chen	2012.03.23	0	0.00	0	0.00	0	0.00	0	0.00
Senior Vice President	R.O.C.	Male	Frank Lin	2011.02.03	595,007	0.01	71,967	0.01	31,988	0.00	26,000	0.00
Senior Vice President	R.O.C.	Female	Adeline Jai	2011.09.23	253,246	0.00	40,000	0.01	0	0.00	0	0.00
Senior Vice President	R.O.C.	Male	David Chang	2012.08.17	1,695,176	0.02	0	0.00	199	0.00	0	0.00
Senior Vice President	R.O.C.	Male	Andy Chang	2018.02.12	757,167	0.01	0	0.00	0	0.00	0	0.00

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. / Tong-Liang Wu	60,902	85,704	0	0	117,651	117,651	1,429	7,428
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 2,050,000.

Note 2: All recipients of director remuneration, except for independent directors, are institutional directors. The actual amount of remuneration in 2017 was as decided by the board of directors.

Base date: Feb. 28, 2018

	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		
	Commom shares		Preferred shares						
	Amount of shares	Share of stake (%)	Amount of shares	Share of stake (%)			Title	Name	Relationship
	0	0.00	0	0.00	Chief Financial Offcer of Taishin Financial Holding Co.,Ltd. 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, Xiang-An Life Insurance Agency Co., Ltd., Taishin Financial Leasing(Tianjin),Yuantai Foreign Exchange Brokerage, San-Ding Biotech Co., Diamond Bio Fund& Diamond Capital Inc., Shin-yao Investment, Supervisor of Taishin Asset Management, Taishin Real Estate Management, Taishin D. A.Finance, Tehlin Co.,Ltd ,Tehlin Investment and An-Chieh Investment..	Nil		
	0	0.00	0	0.00	Vice President of Citi Bank Baker University, U.S.A., Master of Science in Management. Chief Auditor of Taishin Bank	-	Nil		
	0	0.00	0	0.00	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	0.00	0	0.00	Senior Vice president of IBM china, Department of computer science at Soochow University	Vice President of Taishin Bank	Nil		
	0	0.00	0	0.00	Chief Investment Officer of Taishin Financial Holding Co.,Ltd. Vice President of Chang Hwa Commercial Bank Chief Finance Officer of Taishin Financial Holding Co.,Ltd. Department of Accounting of College of Management, National Taiwan University	Senior Vice President of Taishin Bank. Director of Taishin Securities.	Nil		
	0	0.00	0	0.00	Vice president, ABN AMRO Bank University of New Haven, Master of Business Administration	Supervisor of of Taishin Securities. Senior Vice President of Taishin Bank.	Nil		
	0	0.00	0	0.00	Vice President of KGI The University of Texas At Austin, Doctor of Philosophy in Mathematics	Vice President of Taishin Bank	Nil		
	0	0.00	0	0.00	Vice President of Taishin Financial Holding Co.,Ltd. University of Southern California, USA, Master of Public Administration	Vice President of Taishin Bank	Nil		
	0	0.00	0	0.00	Vice President of Taishin Bank Department of Law, National Taiwan University	Vice President of Taishin Bank	Nil		
	0	0.00	0	0.00	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	0.00	0	0.00	Assistant to the chairman of Guangdong Nanyue Bank.(Vice President) Chairman of Second Credit Cooperative of Keelung. Vice President of Taishin Bank. Department of Accounting, Soochow University	-	Nil		

Base date: Dec 31, 2017; 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	The company	All companies in the financial statement	Cash dividend	Stock dividend	Cash dividend	Stock dividend	The company	All companies in the financial statement	
	1.38%	1.61%	0	16,805	0	0	0	0	0	0	1.38%	1.74%	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 an 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)	Chia Hao Co., Ltd.	Chia Hao Co., Ltd.	Chia Hao Co., Ltd.	Chia Hao Co., Ltd./ Tong-Shung Wu
NT$30 M. (inclusive)-NT$50 M. (exclusive)	Hsiang-Chao Co., Ltd. / Tong-Long Wu	Hsiang-Chao Co., Ltd.	Hsiang-Chao Co., Ltd. / Tong-Long Wu	Hsiang-Chao Co., Ltd.
NT$50 M. (inclusive)-NT$100 M. (exclusive)		Tong-Liang Wu		Tong-Liang Wu
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, 2017; 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	37,183	68,692	540	1,290	35,005	67,781	0	0	0	0	0.56%	1.06%	92
Chief Executive Officer	Oliver Shang													
Chief Auditor	Howard Wu													
Chief Information Officer	BR Ho (2017.03.01 relief of duty)													
Chief Financial Officer	Welch Lin													
Chief Information Officer	Steve sun (2017.03.01 on board)													
Chief Risk Officer	Jey Chen													
Chief Strategy Officer	Daniel Tsai													
Chief Accounting Officer	Ann Cheng													
Chief Investment Officer	Carol Lai (2017.01.20 on board)													
Senior Vice President	Frank Lin													
Senior Vice President	David Chang													
Senior Vice President	Janice Liang													
Senior Vice President	Lu-June Jai													

Note: The company has paid NT$0 in pension benefits and contributed NT$540,000 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$1,290,000 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.	BR Ho/ Steve sun/ Jey Chen/ Ann Cheng/ Carol Lai/ Frank Lin/ David Chang/ Janice Liang/ Lu-June Jai	BR Ho
NT$2 M. (inclusive)-NT$5 M. (exclusive)		
NT$5 M. (inclusive)-NT$10 M. (exclusive)	Howard Wu/ Daniel Tsai	Howard Wu/ Steve sun/ Jey Chen/ Daniel Tsai/ Ann Cheng/ Carol Lai/ Frank Lin/ David Chang/ Janice Liang/ Lu-June Jai
NT$10 M. (inclusive)-NT$15 M. (exclusive)		
NT$15 M. (inclusive)-NT$30 M. (exclusive)	Joseph Jao/ 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	14	14

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 2017, total compensations for directors, president, and vice presidents accounted for 1.93% of the after-tax net profit and the percentage in the consolidated financial statements was 2.8%. In 2016, total compensations for directors, supervisors, president, and vice presidents accounted for 2.06% of the after-tax net profit and the percentage in the consolidated financial statements was 2.88%.

2. The company's remuneration policy and reasonableness of pay are reviewed by the remuneration committee and the board of directors. In addition, the remuneration system is reviewed with respect to the company's business performance and relevant laws and regulations in order to maintain a balance between sustainable development for the company and risk management.

Position / Item	Directors	The management
Compensation policy	Article 40 of the Articles of Incorporation stipulates that 0.01% of any profit made by the company in a year shall be allocated as employee bonus, and the board of directors shall decide to distribute the employee 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 allocate no more than 1% of the aforesaid profit to director remuneration. The establishment of director remuneration shall be reviewed according to the Guidelines for Director Remuneration by considering the company's business performance, competition, experience of representative of institutional director, and involvement in management of the company and contribution to business results as well as the company's risk appetite and potential risks to be expected in the future in order to have directors and the company share future business risks. The company has established the Board Performance Appraisal Guidelines to ensure effective corporate governance and enhance functions of the board of directors. The scope of appraisal includes evaluation of the performance of directors and that of the board.	1. The company has established the Performance Evaluation and Bonus Guidelines to ensure a fair performance evaluation process. When setting performance targets, managers, in addition to financial and relative financial benchmarks, will include nonfinancial benchmarks, such as improvement of corporate image, maintenance of corporate reputation and other social benchmarks, for the purpose of creating an all-win situation for the company, its employees and shareholders. 2. The remuneration of managers is mainly based on responsibilities, business performance of the company, and personal performance, and takes into account industry averages and links to future risks in order to offer competitive remuneration to attract and retain talent.
Standard for actual allowances	According to Article 25 and Article 40 of the Articles of Incorporation, 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 roles and responsibilities and subject to market environment. 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 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 (2017), the board of directors convened 14 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	13	1	92.86	
Director	Tong Shan Investment Co., Ltd. Representative: Jui-Sung Kuo	11	3	78.57	
Director	Tai-Ho Investment Co., Ltd. Representative: Cheng-Ching Wu	12	2	85.71	
Director	Chia Hao Co., Ltd. Representative: Tong-Shung Wu	12	2	85.71	
Director	Chia Hao Co., Ltd. Representative: Long-Su Lin	14	0	100.00	
Director	Santo Arden Co., Ltd., Representative: Chu-Chan Wang	13	1	92.86	
Independent Director	Neng-Pai Lin	14	0	100.00	
Independent Director	Yi-Fu Lin	14	0	100.00	
Independent Director	Por-Yuan Wang	11	3	78.57	

Note1: 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.

Note2: The company called 14 board meetings in 2017. Independent directors Neng-Pai Lin and Yi-Fu Li were present in person in all meetings.

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 absenting themselves due to conflict of interest in 2017				
Date	Agenda	Director names	Reason for conflict of interest	Voting results
2017.01.19	Evaluation of remuneration of directors and supervisors and determination of number of months paid in 2016	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 direct shall excuse im/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.
2017.02.23	Evaluation of Senior Consultant Wu's performance in 2016	Tong-Shung Wu		Directors with conflict of interest and to be excused did not attend or appoint a proxy to attend meetings, and the remaining attending directors approved the proposals with a unanimous vote.
2017.04.06	Nomination of candidates for directors (and independent directors) of the 25th board of Chang Hwa Bank	Cheng-Ching 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.
2017.07.20	Appointment of institutional directors and institutional supervisors to the 6th Taishin AMC	Tong-Liang Wu 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 years and the evaluation of the 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 Board started to include two independent directors; and since late 2007, liability insurance policies have been bought for directors and key persons 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 with the approval of the board of directors on December 22, 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 From 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 2017 fulfilled the targets.

Internal board performance evaluation include self assessments for directors and board performance assessment. Items in the self assessment for directors include the following: A. Understanding of company goals and missions B. Understanding of director duties and functions C. Involvement in the company's business activities D. Internal relations management and communication E. Director expertise and continuing education F. Internal control. Items in the board performance assessment include the following: A. Involvement in the company's business activities B. Improving quality of the board's decisions C. Composition and structure of the board of directors D. Director expertise and continuing education E. Internal control.

All 2017 evaluation targets (for the period: July 1, 2016-June 30, 2017) were met, and the overall performance was deemed satisfactory. The results were presented to the directors for reference.

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 (2017) audit committee convened 10 times and status of attendance:

Title	Name	Actual number of attendance	Attendance by Proxy	Attendance rate (%)	Note
Independent Director	Neng-Pai Lin	10	0	100.00	
Independent Director	Yi-Fu Lin	10	0	100.00	
Independent Director	Por-Yuan Wang	8	2	80.00	

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
2017.02.23 22nd Session of 6th Board of Directors	2016 consolidated financial statements.	2017.02.23 Approved	The proposal was passed by a unanimous vote.
	Evaluation of Senior Consultant Wu's performance in 2016.	2017.02.23 Approved	The proposal was passed by a unanimous vote.
2017.03.23 23th Session of 6th Board of Directors	Submission of the company's 2016 audited financial statements.	2017.03.23 Approved	The proposal was passed by a unanimous vote.
	Appointment and remuneration of auditors of 2017 financial statements.	2017.03.23 Approved	The proposal was passed by a unanimous vote.
	Submission of the company's 2016 Statement on the Internal Control Statement.	2017.03.23 Approved	The proposal was passed by a unanimous vote.
	Passed subscription to all new ordinary shares issued by the subsidiary Taishin Venture Capital Investment Co., Ltd..	2017.03.23 Approved	The proposal was passed by a unanimous vote.
2017.04.06 24th Session of 6th Board of Directors	Nomination of candidates for directors (and independent directors) of the 25th board of Chang Hwa Bank.	2017.04.06 Approved	The proposal was passed by a unanimous vote.
2017.04.27 25th Session of 6th Board of Directors	Submission of the company's 2016 business report.	2017.04.27 Approved	The proposal was passed by a unanimous vote.
	The company's 2016 earnings distribution plan.	2017.04.27 Approved	The proposal was passed by a unanimous vote.
	The company's new issuance of common shares from earnings.	2017.04.27 Approved	The proposal was passed by a unanimous vote.
	Amendment of the Asset Acquisition or Disposal Procedures.	2017.04.27 Amendment approved	Proposal approved by the board of directors following the Audit Committee's opinions.
2017.06.29 27th Session of 6th Board of Directors	Amendment of the Internal Control Policies.	2017.06.29 Approved	The proposal was passed by a unanimous vote.
2017.07.20 28th Session of 6th Board of Directors	Passed subscription to all new ordinary shares issued by the subsidiary Taishin Venture Capital Investment Co., Ltd..	2017.07.20 Approved	The proposal was passed by a unanimous vote.
	Appointment of institutional directors and institutional supervisors to the 6th Taishin AMC.	2017.07.20 Approved	The proposal was passed by a unanimous vote.
	Decisions to set the ex-right date, ex-dividend date, record date of rights issue, and payment date for the company's 2016 earnings appropriation for ordinary shares.	2017.07.20 Approved	The proposal was passed by a unanimous vote.
2017.08.31 29th Session of 6th Board of Directors	Submission of the company's 2017 H1 consolidated financial statements.	2017.08.31 Approved	The proposal was passed by a unanimous vote.
	Amendment of the Organizational Rules for the Audit Committee.	2017.08.31 Approved	The proposal was passed by a unanimous vote.
	Application to issue the first unsecured subordinated corporate bond up to a total of NT$8 billion in Taiwan in 2017.	2017.08.31 Approved	The proposal was passed by a unanimous vote.
2017.12.28 33rd Session of 6th Board of Directors	Establishment of the Guidelines for Assessing Independence and Suitability of Financial Statement Auditors.	2017.12.28 Approved	The proposal was passed by a unanimous vote.
	Submission of the company's 2018 audit plan.	2017.12.28 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 2017

(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 neccessary.

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
2017.2.23	Forum	Auditors	1. Presented results of the 2016 financial statement audit. 2. Reported on key audit items.	Completed
		Chief Auditor	Penalties imposed by the competent authorities on the company and its subsidiaries between June 2016 and February 2017 and major extraordinary events in Q3 and Q4 2016, material shortcomings identified in inspection by the competent authorities, and material shortcomings in internal audit reports.	Completed
2017.6.22	Forum	Auditors	1. Reported of the H1 2017 key audit items 2. Other important audit items 3. H1 2016 summary of key audit items adopted by other financial institutions 4. New audit items in 2017	Completed
2017.8.31	Forum	Auditors	1. Presented results of the H1 2017 financial statement audit 2. key audit items 3. Subsequent events 4. 2017 H1 comparison with peers	Completed
		Chief Auditor	Penalties imposed by the competent authorities on the company and its subsidiaries between March 2017 and June 2017 and major extraordinary events in Q1 and Q2 2017, material shortcomings identified in inspection by the competent authorities, and material shortcomings in internal audit reports.	Completed
2017.12.21	Forum	Auditors	1. Presented results of the 2017 financial statement audit 2. H1 2017 summary of key audit items adopted by other financial institutions	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
	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?		✓	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?	✓		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?	✓		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?	✓		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 17 meetings in total by the fourth quarter of 2017. The Company created the audit committee on July 1, 2015. The audit committee is made up of three independent directors, and has held 27 meetings as of the end of December 2017. The Company created the Risk Management Committee on December 28, 2017. The Risk Management Committee is made up of two independent directors and one director, and has had 1 meetings as of the end of December 2017. 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, investor relationship committee and personnel review committee, to supervise and review various operational procedures within the company and for better corporate governance.	No deviation
(2) Does the financial holding company conduct regular assessments on the independence of its financial statement auditors?	✓		The company conducts regular assessments on the independence of its financial statement auditors. Assessment results were submitted to the nineteenth meeting of the first audit committee and the twenty-third meeting of the sixth board of directors on March 31, 2017. 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. The Board of Directors approved the Guidelines for Assessing Independence and Suitability of Financial Statement Auditors on December 28, 2017. The guidelines made changes to the company's independence assessment criteria (Note 2) and will be applicable to the auditor independence assessment in the 2018 fiscal year.	No deviation

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Operating Status</th><th rowspan="2">Deviation from the guidelines of the practical corporate governance</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Descriptions</th></tr>
<tr><td>(2) Does the financial holding company conduct regular assessments on the independence of its financial statement auditors?</td><td>✓</td><td></td><td>Note1<table><tr><th>Item</th><th>Result</th><th>Independence</th></tr><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>Not having significant financial interest in the company or any family member with significant financial interest in the company that may affect independence.</td><td>Yes</td><td>Yes</td></tr><tr><td>Not having served as a director or supervisor of the company or held any other key positions at the company that may affect the audit services in the last two years.</td><td>Yes</td><td>Yes</td></tr><tr><td>Not performing concurrently routine work for the company and receiving a regular salary.</td><td>Yes</td><td>Yes</td></tr><tr><td>Not receiving any business related commissions.</td><td>Yes</td><td>Yes</td></tr><tr><td>Not having served a term of more than seven years as the company's financial statement auditor and not having returned to same position in two years after rotation or resignation.</td><td>Yes</td><td>Yes</td></tr></table>Note2<table><tr><th>Item</th></tr><tr><td>Not a stakeholder under Article 44 or 45 of the Financial Holding Company Act.</td></tr><tr><td>Not having significant financial interest in the company or any family member with significant financial interest in the company that may affect independence.</td></tr><tr><td>Not having served as a director or supervisor of the company or held any other key positions at the company that may affect the audit services in the last two years.</td></tr><tr><td>Not performing concurrently routine work for the company and receiving a regular salary.</td></tr><tr><td>Not receiving any business related commissions.</td></tr><tr><td>Not having served a term of more than seven years as the company's financial statement auditor and not having returned to same position in two years after rotation or resignation.</td></tr></table></td><td>No deviation</td></tr>
<tr><td>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)?</td><td>✓</td><td></td><td>The company appoints David Chang, head of the Secretariat Division of the Board of Director, as the corporate governance officer responsible for providing directors (including independent directors) of the board with information necessary to perform their duties, assisting directors of the board in following the law, and conducting board meetings and shareholders meetings in accordance with the applicable laws and regulations in order to protect the shareholders' rights and make the board function more effectively. Mr. David Chang, current head of the Secretariat Division, has more than three years of experience in conducting business meetings in a management capacity in listed companies.
The 2018 business activities are (including but not limited to) as follows.
1. Assist independent directors and other directors in performing their duties; provide the necessary information; and make arrangements for directors to receive further training.
(1) Work with appropriate units to keep members of the board of directors informed regularly of latest changes and developments in laws and regulations regarding corporate governance and management.
(2) Review confidentiality levels of relevant information; provide directors with necessary company information; and keep an open communication channel between the directors and the business managers.
(3) Arrange meetings accordingly when independent directors, following the Corporate Governance Best-Practice Principles, find it necessary to meet individually with internal audit officers or certifying CPAs to get a better understanding of the company's financial needs.
(4) Assist independent directors and other directors in creating study plans or enrolling in courses based on the characteristics of the company's business activities and the education and experience of respective directors.</td><td>No deviation</td></tr>
</table>

Item	Operating Status			Deviation from the guidelines of the practical corporate governance
	Yes	No	Summary Descriptions	
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)?	✓		2. Facilitating agendas in board meetings and shareholders meetings and assisting in compliance related matters for subsequent resolutions. 3. Notify directors at least seven days prior to the final board meeting agenda; call meetings and provide information; send reminders where conflict of interest may require recusal; and complete board meeting minutes in twenty days after respective meetings. 4. Register shareholders meetings in advance as required by law; complete notice of meeting, agenda, and minutes by the statutory deadline; and complete change of registration in the event of an amendment of the Articles of Incorporation or an election of directors. 5. Handling business registration and any change of registration.	No deviation
4. Has the financial holding company established any communication channels with stakeholders (including but not limited to shareholders, employees, and clients)?	✓		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. 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. 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, A full-time unit will created to handle communications and feedback.	No deviation
5. Disclosure of information				
(1) Has the financial holding company established a website that discloses financial, business, and corporate governance-related information?	✓		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. 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.	No deviation
(2) Has the financial holding company adopted other means to disclose information (e.g. English website, assignment of specifiic personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	✓			
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)	✓		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. A. Offering of competitive remuneration and welfare packages (a) Remuneration: Taishin Financial Holdings offers competitive salary levels in order to recruit and retain top talents.	No deviation

Item	Operating Status			Deviation from the guidelines of the practical corporate governance
	Yes	No	Summary Descriptions	
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)	✓		(b) Employee assistance program: The company engages specialists from Teacher Chang Foundation to help employees resolve their problems outside of work. (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. (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. B. The company respects the opinions of its employees and has channels of communication in place. (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. (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. 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. 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. 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. 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. 6. The company is insured against liabilities of its directors and supervisors. These insurance policies are reviewed on a yearly basis to ensure adequate 7. The board of directors consist of members from diverse backgrounds. The board is made up of elite talents from banking, industries and the academia who are able to make sound business judgments and perform accounting and financial analysis, business management, crisis management, industry know-hows, understanding of international markets, leadership, decision making, and risk management. They also possess knowledge and skills of various professions and backgrounds. For the purpose of strengthening corporate governance practices, the company established the Board Membership Diversification Policy in accordance with Article 22 of the Corporate Governance Code of Conduct, and disclosed the policy and related information and implementation on the corporate website.	No deviation

Item	Operating Status			Deviation from the guidelines of the practical corporate governance
	Yes	No	Summary Descriptions	
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.	✓		1. The company is consistently ranked among top companies in the TWSE Corporate Governance Evaluation. The company has been selected as one of the constituent stocks of the "Corporate Governance 100 Index in Taiwan" since June 2015. 2. The company continued its commitment to good corporate governance in a number of aspects, including (1) To improve performance of the board of directors, the company passed the Taishin Holdings Board Performance Appraisal Guidelines on December 22, 2016. Performance of the board of directors will be subjected to regular performance evaluation in the future. (2) In response to the information need for stakeholders, 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. (3) The company, Taishin Bank and Taishin Securities, voluntarily participated in the 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, The validity period of the certificate is 2016.12.22 to 2018.12.21.	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	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	3	N/A
Independent director	Yi-Fu Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	3	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 7 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	7	0	100	
Member	Yi-Fu Lin	7	0	100	
Member	Por-Yuan Wang	7	0	100	

Other remarks:

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

f. Fulfillment of social responsibilities

Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No	Summary description	
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?	✓		For the purpose of creating long term value and enforcing corporate social responsibilities, Taishin Holdings established the Taishin Holdings Corporate Social Responsibility Best Practice Principles and created the CSR Committee in 2014. The committee is chaired by President of Taishin Holdings, and chairperson appoints a vice chairperson. The committee is made up of business group CEOs, subsidiary representatives, and foundation representatives. The committee is responsible for setting corporate social responsibility policies and overall goals, reviewing annual CSR plans, and evaluating progresses and results of CSR projects. In addition, the company had established a Corporate Governance Principles and Ethical Corporate Management Best Practice Principles 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 corporate governance courses for its directors, supervisors, accounting, finance and audit personnel on a regular and irregular basis. Courses on corporate ethics, banking regulations and code of conduct are mandatory to attend for all new recruits.	No deviation
(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?	✓		The company established the "Rules Governing the Establishment of Corporate Social Responsibility Committee" and the CSR Committee in 2014. The committee is chaired by President of Taishin Holdings, who appoints a Vice chairperson. The committee is made up of business group CEOs, subsidiary representatives, and foundation representatives. In late 2016, it was passed to create six CSR teams under executive committee members. The six teams are the Corporate Governance Team, the Customer Relations Team, the Responsible Products Team, the Employee Care Team, the Green Operations Team, and the Social Inclusion Team. Taishin Holdings and its subsidiaries and foundations are all participants in the teams, and follow the policies and goals decided by the CSR Committee to report and implement CSR related projects.	No deviation

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?	✓		Two CSR meetings were called in 2017. Each meeting was attended by executive officers from relevant departments/subsidiaries to confirm project statuses and discuss other CSR proposals. The chairperson presents business strategy reports to the board of directors and executive members are also regular attendees of board meetings, where they may will take the opportunity to engage the board of directors in CSR related discussions as needed. As part of the effort to achieve corporate sustainability, starting in 2018, the CSR Committee will present performance reports or major plans to the board of directors every year.	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. The size of a bonus depends mainly on the company's results, the corresponding division's results, and the individual's performance evaluation, and aims to create better performance, increase shareholders' values, and care for employees. 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.	No deviation
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?	✓		◆ The company has been promoting e-office and paperless office; setting up stationery collection boxes to achieve effiicient utilization of resources. Promote "using love as energy" event, encouraging employees to ride bicycles, take mass transportation vehicles, and embrace car pooling, so as to reduce carbon emission, enhance health, and fulfiill 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, 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. 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. 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.	No deviation

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Operating status</th><th rowspan="2">Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>(1) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?</td><td>✓</td><td></td><td>◆ Energy consumption at Taishin
<table>
<tr><th>Type of energy</th><th>Unit of consumption</th><th>Region</th><th>2014</th><th>2015</th><th>2016</th><th>2017</th></tr>
<tr><td rowspan="5">Purchased electricity</td><td rowspan="5">kWh</td><td>Taishin Tower</td><td>5,925,600</td><td>5,513,800</td><td>5,479,200 (including green electricity 200,000kWh)</td><td>5,346,200</td></tr>
<tr><td>Neihu Building</td><td>11,502,810</td><td>12,140,492</td><td>11,627,282</td><td>11,253,866</td></tr>
<tr><td>Other Branches</td><td>15,641,661</td><td>17,851,626</td><td>17,342,975</td><td>17,357,676</td></tr>
<tr><td>Total</td><td>33,070,071</td><td>35,505,918</td><td>34,449,457</td><td>33,957,742</td></tr>
<tr><td rowspan="4">Energy intensity</td><td rowspan="4">kWh/person</td><td>Taishin Tower</td><td>4,472.15</td><td>4,151.96</td><td>3,993.59</td><td>3,843.42</td></tr>
<tr><td>Neihu Building</td><td>7,746.00</td><td>8,066.77</td><td>7,467.75</td><td>7,195.57</td></tr>
<tr><td>Other Branches</td><td>2,919.31</td><td>3,064.66</td><td>3,016.17</td><td>2,708.33</td></tr>
<tr><td>Total</td><td>4,048.74</td><td>4,100.94</td><td>3,969.29</td><td>3,626.41</td></tr>
<tr><td rowspan="4">Gasoline</td><td rowspan="4">Liter</td><td>Taishin Tower</td><td>76,377.78</td><td>73,142.00</td><td>67,634.71</td><td>71,636.50</td></tr>
<tr><td>Neihu Building</td><td>8,938.82</td><td>11,783.63</td><td>9,507.86</td><td>10,877.30</td></tr>
<tr><td>Other Branches</td><td>125,284.40</td><td>126,779.37</td><td>124,991.43</td><td>111,372.20</td></tr>
<tr><td>Total</td><td>210,601.00</td><td>211,705.00</td><td>202,134.00</td><td>193,886.00</td></tr>
<tr><td rowspan="4">Diesel fuel</td><td rowspan="4">Liter</td><td>Taishin Tower</td><td>1,582.00</td><td>1,502.00</td><td>1,636.80</td><td>1,450.80</td></tr>
<tr><td>Neihu Building</td><td>6,245.00</td><td>5,280.00</td><td>7,246.40</td><td>4,870.40</td></tr>
<tr><td>Other Branches</td><td>12,453.00</td><td>11,602.00</td><td>14,192.80</td><td>9,642.80</td></tr>
<tr><td>Total</td><td>20,280.00</td><td>18,384.00</td><td>23,076.00</td><td>15,964.00</td></tr>
<tr><td>Natural gas</td><td>Liter</td><td></td><td colspan="4">No demand for natural gas</td></tr>
</table>
Note 1: Heat content conversion is based on the table "Heat Content of Energy Products" shown in the Energy Statistics Handbook 2016 published by the Bureau of Energy of Ministry of Economic Affairs. Purchased electricity is converted at 0.0036GJ/kWh, motor gasoline at 7,800kcal/L, and diesel fuel at 8,400kcal/L. Using the conversion factor from joule to calorie (4.186 kJ/kcal), the electricity consumption, included 20,253kWh in in-house generated solar power in 2017.
Note 2: The data above are based on existing statistics and extrapolated to Taishin Holdings as a whole.
In 2017, apart from continuing the existing energy saving measures, Taishin installed energy efficient air conditioning units and lighting, and implemented projects such as replacement of existing light bulbs with LED light bulbs, change of controllers in air conditioning systems, and installation of new air conditioning units and UPS systems in server rooms to reduce energy consumption. In 2017, Taishin Holdings as a whole is estimated to have saved a total of 491,715kWh in electricity and reduced greenhouse gas emissions by 260 tons CO2e.
◆ Greenhouse gas emission at Taishin
<table>
<tr><td>Year</td><td>2014</td><td>2015</td><td colspan="4">2016</td><td colspan="4">2017</td></tr>
<tr><td>Unit:</td><td colspan="9">area</td></tr>
<tr><td>Unit: tCO2e</td><td>Taishin Holdings</td><td>Taishin Holdings</td><td>Neihu Building</td><td>Taishin Tower</td><td>Other Branches</td><td>Taishin Holdings</td><td>Neihu Building</td><td>Taishin Tower</td><td>Other Branches</td><td>Taishin Holdings</td></tr>
<tr><td>Scope 1 emission</td><td>1,202</td><td>1,229</td><td>320.63</td><td>711.92</td><td>2,346.45</td><td>3,379</td><td>316.23</td><td>674.59</td><td>2,083.18</td><td>3,074</td></tr>
<tr><td>Scope 2 emission</td><td>16,349</td><td>17,582</td><td>6,127.22</td><td>2,893.02</td><td>8,341.76</td><td>17,362</td><td>5,953.30</td><td>2,828.14</td><td>8,295.56</td><td>17,077</td></tr>
<tr><td>Scope 1 and Scope 2 emissions</td><td>17,551</td><td>18,811</td><td>6,447.85</td><td>3,604.94</td><td>10,688.21</td><td>20,741</td><td>6,269.53</td><td>3,502.73</td><td>10,378.74</td><td>20,151</td></tr>
</table>
Note 1: The ISO 14064-1 standard for inventory quantification is used to establish operational boundaries by the concept of operational control. Greenhouse gas emissions include carbon dioxide (CO2), methane (CH4), and nitrous oxide (N2O). There is no biocarbon dioxide emission. Greenhouse gas emissions are calculated by IPCC 2007 global warming potentials (GWPs).
Note 2: The disclosure of Scope 2 greenhouse gas emissions is location-based. The emission factor for electricity generation is based on the latest factor released by the Bureau of Energy of the Ministry of Economic Affairs prior to publication of the report.
Note 3: Greenhouse gas emissions in Taishin Tower and Neihu Building in 2016 and 2017 have been verified by a third party.
Note 4: Total emissions for Taishin Holdings as a whole are extrapolated from domestic statistics.</td><td>No deviation</td></tr>
<tr><td>(2) Has the company developed an appropriate environmental management system, given its distinctive characteristics?</td><td>✓</td><td></td><td>◆ 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.)</td><td>No deviation</td></tr>
</table>

Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No	Summary description	
(2) Has the company developed an appropriate environmental management system, given its distinctive characteristics?	✓		◆ Strategy for Climate Change 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 continuing energy and cost saving measures and practices to encourage useful habits in the workplace, the company tries to incorporate a healthy corporate culture of economy into the everyday life. The goal is to encourage employees to be serious about environmental conservation and to follow energy saving practices at all times for the mutual benefit of commerce and nature. Energy management plans proven to be effective in 2017 included the adoption of energy saving air conditioning systems, lighting, and office equipment; the replacement of regular light bulbs by LED light bulbs; modified air conditioning system settings; the replacement of air conditioning units and UPS in IT server rooms and other measures that reduced energy consumption on an ongoing basis. As a result, Taishin attained dual certification for energy management systems from Taiwan Accreditation Foundation (TAF) and British Standard Institute (BSI) ISO 50001. In 2016, Taishin Holdings carried out the ISO 14064-1 greenhouse gas inventory plan in Taishin Tower and Neihu Office, two of the busiest office complexes. The company completed independent third party verification in early 2017. Greenhouse gas inventories were completed to monitor greenhouse gas emission. A number of energy saving, carbon reducing measures and related training courses were implemented to raise environmental awareness in the workplace. The goals were to reduce unnecessary emission and consumption and to encourage all employees to join the conservation effort to save energy and reduce carbon footprint. In 2018, the company took a step further and made plans to implement the ISO14001 environmental management system to identify potential impact of business activities on the environment and then proceed with management and improvement plans. The mission was to reduce the impact on the environment in all aspects and install ISO14064-1 throughout the bank in order to facilitate complete greenhouse gas inventories and ongoing performance improvement in the conservation effort.	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?	✓		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 offiice 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 offiice buildings. During off hours, control the use of elevators t one side at various buildings, to cut power consumption. Install T5 energy-saving lighting fiixtures for offiice lighting and regional power circuit, to reduce power consumption and achieve the goal of environmental protection.	No deviation

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?	✓		Taishin is committed to protection of human rights and values, compliance with the Universal Declaration of Human Rights, the International Labor Organization, the the UN Guiding Principles on Business & Human Rights, and the Equator Principles, and adherence to the laws of Republic of China as well as local laws and regulations applicable to different offices. In addition to complying with the conventions and recommendations of the International Labor Organization (ILO) on prohibition of forced or compulsory labor, minimum age of admission to employment, regulation of working time, and weekly rest periods, Taishin devises reasonable work rules and employment guidelines in accordance with the Labor Standards Act, the Act of Gender Equality in Employment, the Employment Service Act and other labor laws promulgated by the competent authorities, and disclose same rules after they are filed with the competent authorities in order to protect the rights of its employees. For overseas offices, Taishin takes the same care to comply with local labor laws and regulations and to devise reasonable terms of employment to protect the rights of local employees. Furthermore, Taishin not only ensures equality in pay, employment policy, training and promotion, but also implements measures to protect female employees and creates a friendly workplace of equality. In addition, Taishin takes action to support international human rights regulations by releasing employment and human right protection statements on its private and public websites and providing real or virtual training courses and aims to raise awareness of human rights and gender equality in the workplace.	No deviation
(2) Does the company have means through which employeesmay 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 Offices.	No deviation
(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. The workplace 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, new employees will be made to complete occupational health and safety training when joining the company, whereas existing employees need to be re-trained once every three years. For effective workplace inspection, indoor carbon dioxide concentration and illumination are checked every six months to ensure those working on the premises are not exposed to hazards over the limits. The company also continues to campaign for a smoke free workplace by prohibiting smoking on all premises for all employees and business partners. The occupational health and safety courses also serve to raise awareness of the Tobacco Hazards Prevention Act and the company's no-smoking policy.	No deviation No deviation
(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 signifiicant impact to them. Meanwhile, employee mail boxes and hotlines have been made available as a private means to express opinions.	No deviation

Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No	Summary description	
(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.	No deviation
(6) Has the company implemented consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities?	✓		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. 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. 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. 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. Below are the relevant disclosures: ◆ 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.	No deviation
(8) Does the company evaluate suppliers' environmental and social conducts before commencing business relationships?	✓		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. 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 fulfiill 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. 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

Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No	Summary description	
(9) Is the company entitled to terminate the supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts to the environment or the society?	✓		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.	No deviation
4. Intensifiied information disclosure				
Has the company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	✓		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:

Taishin Holdings, as a financial institution, is devoted to fulfilling its corporate social responsibility. It coordinates and combines resources from its subsidiaries, and has for years been offering support in four areas, which are charities, arts and culture, sport sponsorship, and financial education. As a responsible corporate citizen, Taishin Holdings tries to give back to the community and to support the disadvantaged.

a. Charity and Welfare

1. "Caring Taiwan" series

"My One Acre of Farm" for corporations and "My Family's One Acre of Farm" for households helped bring Taiwanese rice into households. Taishin Holdings purchased more than 145 units and funded close to 72 hectares of paddy field. It gave away more than 70,000 rice gift boxes, and as a result, more than 10,000 clients and employees consumed close to 253,000kg of premium Taiwanese rice. The total investment reached NT$25.89 million.

2. Power of Love

Total of 662 organizations benefited from the donations over the eight years. The charity fund has reached a cumulative total of NT$135.56 million.

b. Arts and Culture Development

1. Contemporary art

A total of 51 exhibits were organized in 2017. A professional website was built to help promote contemporary art. It received 57,267 visitors in 2017.

2. Public art

The Friday Noon Concerts, which started in 2006, take place 23 to 25 times a year.The concerts welcomed close to 7,000 people a year in the last three years. Beside, Taishin has invested close to NT$200 million in this area since 2006. The total spending on art and culture campaigns was NT$9.75 million in 2017.

c. Sports Sponsorship

Taishin started supporting the Nantou Teenage Karate Team in 2008,Raising more than NT$80 million.The women's golf sponsorship reaching NT$100 million in 2011. Taishin expanded the scope of its support for the first time in 2017 by extending its sponsorship to include basketball and baseball projects. Meanwhile, Taishin sponsored the World University Games in summer 2017. It worked with the Department of Social Welfare of Taipei City Government and used its entire sponsorship to invite 24,000 members of various social welfare organizations to attend the event in order to encourage more people to participate in the event.

d. Academic exchange

Taishin created the "Peking University Cross-strait Academic Fund" in 2012.The project has successfully invited 48 professors and students from Peking University to engage and share their ideas with their counterparts in Taiwan.In 2017, we provided internship opportunities for 377 students and 300 jobs and sponsored a total of NT$1.6 million in academic events.

For more details 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 certifiied by international certifiication bodies:

Taishin Holdings prepared its latest CSR report in accordance with the latest GRI Standards released by the Global Reporting Initiative (GRI). The report received British Standards Institution (BSI) AA1000 Type 2 accountability principles and performance information certification in May 2018. By having the report certified, Taishin Holdings improved the credibility and transparency of sustainability information, and made itself one of the first financial institutions to introduce sustainability into business activities. The independent assurance statement is disclosed in the company's 2017 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 polices and practices it implements to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment?	✓		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			To ensure full implementation of the "Ethical Corporate Management Best Practice Principles", the company has established relevant codes of conduct and prevention measures for business activities that are more likely to involve dishonest conduct, e.g., offering or taking of bribes; making illegal political donations, inadequate sponsorship or charity donations; and providing or receiving improper gifts, treatments, or other unjustified benefits. 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: https://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?	✓		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 qualifiied suppliers to provide services or products to the company.	No deviation
(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?			The company, pursuant to Article 6 of the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries, has 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. 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.	

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 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.	No deviation
(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?			Accounting System and Internal control system ◆ Accounting System The company's accounting policies were established 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. ◆ Internal control system The company's internal control system has been created in accordance with Article 51 of the "Financial Holding Company Act" and Article 6 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and holding Industries." The system embodies five major principles: ● To enable a corporate culture of management supervision and control. ● To facilitate risk identifiication and assessment. ● To control activities and segregate duties. ● To facilitate information sharing and communication. ● To monitor and improve business activities. 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. 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. 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: ◆ Effectiveness and efficiency of operations. ◆ Reliability, timeliness, transparency, and regulatory compliance of reporting. ◆ Compliance with applicable laws, regulations, and by laws. The system comprises the following constituent elements: ◆ Control environment. ◆ Risk assessment. ◆ Control activities. ◆ Monitoring activities. 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.	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. In 2017, 100% of the workforce attended courses on ethical corporate management or related topics. In total, 8,993 people finished their training in 4,197 hours.	

Item	Operating status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	No	Summary description	
3. Reporting of malpractice				
(1) Does the company provide incentives and means for employees to report malpractices? Does the company assign dedicated personnel to investigate the reported malpractices?	✓		In its "Employee Code of Conduct", the Company 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 complainee, 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 confiidence.	
(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?	✓		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 fiiles 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 conductive 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

Taishin Financial Holding Co., Ltd.

Statement of Internal Control System

March 29, 2018

Financial Supervisory Commission,

On behalf of Taishin Financial Holding Co., Ltd.(the Company), we hereby declare that, for the fiscal year of 2017, the Company has established internal control policies 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”. These policies 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 diligent assessment, we concluded that the Company’s internal control, legal and compliance practices for the fiscal year of 2017 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.

Sincerely yours,

Chairman:

President:

Chief Auditor:

Compliance Officer:

Taishin Financial Holding Co., Ltd.

Improvement Plan of Internal Control System

Base Date: 2017.12.31

Items for Improvement	Improvement Measures	Scheduled Date of Completion
Taishin International Bank(TSIB)		
Know Your Customer activity before selling mutual fund to customers was incomplete.	1. When updating "KYC Data and Investment Sheet", staffs are required to have customers fill out all the items in the "KYC Data and Investment Sheet" with duly signed confirmation. The documents shall be properly filed after being reviewed by supervisors. 2. Relevant audit and control systems were established and effective in March, 2017.	Completed
The procedures for granting personal loans should be improved.	The system of profit and loss estimates was launched in Dec, 2016.	Completed
The process for conducting Ting Sing Group credit extension should be improved.	1. RM's understanding on the group operation was strengthened and the management of bills collection was enhanced. Credit checking and KYC processes continued enhancing, to avoid similar from happening again. 2. An internal notice for improving credit administration has sent to relevant business units in March, 2017.	Completed
The process of conducting derivatives transactions was flawed.	1. An internal notice was sent in Apr.2017 to remind of requesting company's financial reports for derivatives transactions. 2. The deficiencies related to the board meeting records have been further addressed, in accordance with our internal regulations of credit extension.	Completed
The supervision and management for the subsidiary, Taishin D.A. Finance needs to be improved.	The plans for correcting the defects inspected by the Financial Supervisory Commission and plans for improving business operation and financial performance have been reviewed by the board. Shall there be a significant deterioration in its financial and business conditions, Taishin Bank will monitor its follow-up implementation according to the plans.	Completed
The system and control mechanism for conducting structured commodity transactions and AML/CFT operations need to be improved.	1. The revision of structured product risk assessment regulations was completed in Nov, 2016. 2. Improvements on anti-money laundering and countering the financing of terrorism operations: (1) AML/CFT team was established in Jan, 2017 and the team reports to the board of directors on "Money Laundering and financing of terrorism Risk Assessment Reports" on a semi-annual basis. The AML/CFT team is under the oversight of board of directors and senior management. (2) The newly released ML/FT typologies report has been closely examined, and "AML Suspicious Reporting System" was implemented in Dec, 2016. (3) AML trainings are provided to employees periodically, and all business units are required to conduct a complete KYC process in order to verify and determine the legitimacy of clients' transactions.	1.Completed. 2.Completed.
Taishin Securities Co., Ltd(TSS)		
Upon the special inspection of CB asset swap transactions made by Far Eastern International Bank, Financial Examination Bureau found a defect by Taishin Securities Co.,Ltd.	TSS amended related rules and internal control system. Strengthened internal management through reiterating regulations and conducting staff training.	Completed
The items of "customers unwilling to provide information", " the same address, telephone or e-mail address from different customers", "involved in negative reports ", " the total number of securities accounts including agency accounts"," identified as a company with dormant shareholders or issuing bearer share certificates "or" multiple trading accounts under the same person or enterprise group" are not included in the "Money Laundering and Terrorism Financing Risk Assessment Computation Table".	TSS amended the "Anti-Money Laundering and Countering Terrorism Financing Act" to include the mentioned suspected Money Laundering patterns as a basis for classification of customer risk.	Completed
Taishin Securities Investment Trust CO.,LTD(TSIT)		
The following issues related to internal control system of AML/CFT should be strengthened: 1. Defects on when accepting legal person's account opening, the financial institution shall check the legal person's real beneficiary and whether it has issued the bearer share certificate. 2. Without setting up the operating procedure of inspecting and monitoring people related to the negative news, and furthermore, without comprehensively analyzing whether this shall be reported or not.	1. Already adopted the reasonable measure to verify the real beneficiary and to realize if it has issued the bearer share certificate. 2. Already set up the major event operating procedure of inspecting media reports, and will determine whether to report or not based on comprehensive analysis after executing relative monitoring procedures.	1.Completed. 2.Completed.

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	Nil
2. Fines infllicted 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$8 million dollars by FSC under Letter No. Financial-Supervisory-Banking-Control-10560005751 on 2016.12.02.	Improvements have been made in compliance, protection of consumer rights, and risk management. Control mechanisms have also been reinforced. March 1, 2018 - The FSC agreed to remove restrictions on the bank in undertaking new derivative business involving embedded put options (including structured notes)
	(2) Taishin Holding Insurance Brokers The case involved mis-selling of financial products by telephone, for which the Company was given a warning and fined NTD$ 600,000 by FSC under Letter No. Financial-Supervisory-Insurance- Comprehensive-10402567671 on July 9, 2015.	Improvements have been made in compliance, protection of consumer rights, and risk management. Control mechanisms have also been reinforced. March 1, 2018 - The FSC agreed to remove restrictions on the bank in undertaking new derivative business involving embedded put options (including structured notes)
3. Defects being rectifiied by the FSC	1. 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.	Improvements were made in compliance, protection of consumer rights, and risk management. Control mechanisms were also reinforced.
	(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 is 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 definition of 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.
	(7) The company was given a warning for misconduct in the derivative business by the FSC under the Letter No. Financial-Supervisory-Banking-Control-10660002221 dated June 1, 2017.	1. Failure to provide financial statements was reiterated in the letter dated in April 2017. 2. Employee training was reinforced regarding irregularities in board meeting minutes and compliance with the internal credit administration notice.
	(8) Taishin D. A. Finance Co., Ltd., a subsidiary of Taishin Holdings, was given a warning for failure to implement effective supervisory and managerial mechanisms by the FSC under the Letter No. Financial-Supervisory-Banking-Control-10600053500 dated June 5, 2017.	Improvement of irregularities identified in the financial examination, business models and plans to improve losses were reviewed by the board of directors. In the event of significant deterioration of financial or business conditions, the bank will follow the proposed plans for improvement and monitor their execution.
	(9) The company was given a warning for inadequacies in derivative operations and anti-money laundering and counter terrorist financing systems and related managerial mechanisms by the FSC under the Letter No. Financial-Supervisory-Banking-Control-10600109940 dated November 3, 2017.	1. The risk assessment guidelines for structured products were amended in November 2016. 2. Improvement of irregularities in AML/CTF operations: (1) A full-time AML unit was created on January 1, 2017 and charged to make semiannual reports on "AML/CTF assessment" to the board of directors. (2) New patterns of suspected money laundering and terrorism financing were inspected individually, and the authorized users were entered into the AML reporting system in December 2017. (3) Education and training were provided and the local offices were required to provide details on client identity and transaction history in order to verify and determine reasonableness.

	Cases and values	Status of improvement
3. Defects being rectifiied by the FSC	2. Taishin Securities Investment Trust The company was given a warning for failure to take reasonable measures to verify ultimate beneficial owners of institutional clients and find out if they issued bearer stocks and for failure to implement review and monitoring procedures for persons involved in negative media coverage by the FSC under the Letter No. Financial-Supervisory-Banking-Control-1070303707 dated February 8, 2018.	1. Reasonable measures were taken to verify ultimate beneficial owners of institutional clients and find out if they issued bearer stocks. 2. Procedures were implemented to check media coverage on extraordinary events and monitor such events to determine if they needed to be reported.
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	Taishin Securities The company, as the lead underwriter of the 7th secured convertible corporate bond issued by Supreme Electronics Co. Ltd., was given a warning for working with Far Eastern International Bank in placement by the FSC under the Letter No. Financial-Supervisory-Securities-1060015774 dated June 14, 2017.	The company ordered that employees should be prohibited to give client lists or promise shares to buyers. The company also reiterated that the allocation would be decided strictly in accordance with the company's rules.

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 2017 annual general meeting (dated 2017.06.16) and execution progress

Agenda	Result	Implementation status
(1) Acknowledged the company's 2016 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.
(2) Acknowledged the company's 2016 earnings distribution.	Voted and acknowledged as proposed.	The record date was set at August 22, 2017 and the payment date (NT$0.52 per share in cash) at September 7, 2017.
(3) Discussion new issuance of common shares from earnings.	Voted and approved as proposed.	The record date was set at August 22, 2017 and the payment date (NT$0.43 per share in cash) at September 7, 2017.
(4) 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 June 30, 2017 and August 29,2017 and published on the company's website.
(5) Discussed changes to the Company's "Asset Acquisition or Disposal Procedures"	Voted and approved as proposed.	Currently operating under the amended "Asset Acquisition or Disposal Procedures"

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

106.01.19 Passed the addition of the Office of the CIO to Taishin Holdings and the appointment of Carol Lai as the Chief Investment Officer.

106.02.23 Passed distribution of directors' remuneration and employees' remuneration for 2016.

106.02.23 Passed the appointment of Steve Sun as the Chief Information Officer.

106.02.23 Passed the convening of the 2017 annual general meeting on 2017.06.16 (including Class D and Class E preferred shareholders).

106.02.23 Passed the 2016 consolidated financial statements.

106.04.27 Passed the 2016 business report and the 2016 earnings distribution proposal, and paid cash dividends from capital surplus.

106.04.27 Passed the partial amendments to the "Asset Acquisition or Disposal Procedures".

106.04.27 Passed the partial amendments to the "Articles of Incorporation."

106.08.31 Passed the application to issue the first unsecured subordinated corporate bond up to a total of NT$8 billion in Taiwan in 2017.

106.08.31 Passed the amendments to the "Proceedings of Board Meetings" and "Organizational Rules for the Audit Committee".

106.11.23 Passed the amendments to the "Corporate Governance Code of Conduct" and "Ethical Corporate Management Best Practice Principles".

106.12.28 Passed the establishment of the "Guidelines for Assessing Independence and Suitability of Financial Statement Auditors".

106.12.28 Passed the amendment to the "Organizational Charter".

106.12.28 Passed additional appointments and replacements of institutional directors to subsidiaries (Larry Chung to serve as institutional director to Taishin Bank, Joseph Jao as institutional director to Taishin Securities Investment Trust, Jerry Guo replacing Joseph Jao as institutional director to Taishin Securities).

106.12.28 Passed changes in the organization (removing "Retail Banking Division" and "Wholesale Banking Division" and responsibilities of certain managers (Welch Lin's appointment of President and Carol Lai's appointment of Chief Financial Officer).

3. Major resolutions of the the board of directors on 2018

107.02.01 Passed subscription to all 127,190,000 new ordinary shares issued by the subsidiary Taishin Venture Capital.

107.02.01 Passed subscription by the subsidiary Taishin Venture Capital to all US$10 million in registered capital increase for Taishin Financial Leasing (China).

107.02.22 Passed the 2017 consolidated financial statements.

107.02.22 Passed distribution of directors' remuneration and employees' remuneration for 2017.

107.02.22 Passed the appointment of Daniel Tsai as the Chief Auditor.

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:

Title	Name	Employment Start Date	Employment End Date	Reason for Resignation or Dismissal
President	Joseph Jao	2012.01.02	2018.01.01	Job adjustment

D. Information on CPA's fee

Name of accounting firm	Name of CPA		Audit period	Note
Deloitte &Touche	Tza-Li Gung	Kwan-Chung Lai	2017.01.01~ 2017.12.31	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, 2017; Unit: NT1,000

Name of accounting firm	Name of CPA	Auditing fee	Non-auditing fee					Whether the auditing covers the entire fiiscal year or not (Note1)	Note
			System design	Business registration	Human resources	Others (Note2)	Sub-total		
Deloitte & Touche	Tza-Li Gung Kwan-Chung Lai	5,810		539		764	1,303	2017.1.1 ~ 2017.12.31	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, issuance of Class E preferred shares, and review of unsecured subordinated bonds

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
Certifiication 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	2017				As of Feb. 28, 2018			
		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.	353,160	0	0	0	0	0	0	0
Representative	Tong-Liang Wu	417,529	0	0	0	0	0	0	0
Director (Major shareholder)	Tong Shan Investment Co., Ltd.	5,157,169	0	(700,000)	0	0	0	0	0
Representative	Jui-Sung Kuo	23,988	0	0	0	0	0	0	0
Director	Tai-Ho Investment Co., Ltd.	2,093,502	0	0	0	0	0	0	0
Representative	Cheng-Ching Wu	0	0	0	0	0	0	0	0
Director	Chia Hao Co., Ltd.	691,139	0	0	0	0	0	0	0
Representative	Tong-Shung Wu	9,562,091	0	0	0	0	0	0	0
Director	Chia Hao Co., Ltd.	691,139	0	0	0	0	0	0	0
Representative	Long-Su Lin	102,806	0	0	0	0	0	0	0
Director	Santo Arden Co., Ltd.	206,843	0	0	0	0	0	0	0
Representative	Chu-Chan Wang	433,077	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
President	Welch Lin (interim)	175,456	0	0	0	0	0	0	0
Chief Auditor	Howard Wu	353,088	0	0	0	0	0	0	0

Unit: share

Title	Name	2017				As of Feb. 28, 2018			
		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
Chief Strategy Officer	Daniel Tsai	(757,632)	0	0	0	0	0	0	0
Chief Information Officer	Steve Sun	0	0	0	0	0	0	0	0
Chief Financial Officer	Carol Lai	56,852	0	0	0	0	0	0	0
Chief Accounting Officer	Ann Cheng	(182,998)	0	0	0	0	0	0	0
Chief Risk Officer	Jey Chen	0	0	0	0	0	0	0	0
Senior Vice President	Frank Lin	24,512	0	0	0	0	0	0	0
Senior Vice President	Lu-June Jai	80,432	0	0	0	0	0	0	0
Senior Vice President	David Chang	433,835	0	0	0	0	0	0	0
Senior Vice President	Andy Chang	Not yet in office				0	0	0	0
Senior Vice President	Janice Liang	11,820	0	0	0	0	0	0	0
Vice President	David Lee	73,965	0	(12,000)	0	(9,000)	0	0	0
Vice President	Linda Chen	11,382	0	0	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 2017 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 Holdings's subsidiary serving as an independent director of the same subsidiary.	182,720 Class E preferred shares	-
Santo Arden Co., Ltd.	Redemption	2017.05.04	Yuanta Commercial Bank Co., Ltd.	Relatives by marriage within second degree of kinship of any supervisor of Taishin Holdings'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: Apirl 18, 2017

	Name	Own shareholding		Shareholding of spouse and offspring before the age of majority		Total hareholding 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	PJ Asset Management Co., Ltd. Chen-Hai Lin	761,692,651	7.11	0	0	0	0	No 4	Representative's relative within 2 tiers	
2	Taishin Leasing & Financing Co., Ltd. Yong-Hong Zhong	310,926,517	2.90	0	0	0	0	None	None	

Base Date: Apirl 18, 2017

	Name	Own shareholding		Shareholding of spouse and offspring before the age of majority		Total hareholding 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	
3	TASCO Chemical Corporation Cheng-Ching Wu	253,245,413	2.37	0	0	0	0	None	None	
4	Yuan Tong Investment Co., Ltd. Chia-Hung Lin	210,808,000	1.97	0	0	0	0	No 1	Representative's relative within 2 tiers	
5	Cathay Life Insurance Co., Ltd. Tiao-Kuei Huang	183,260,897	1.71	0	0	0	0	None	None	
6	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	164,323,954	1.53	0	0	0	0	None	None	
7	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund , a series of Vanguard Star Funds	129,880,433	1.21	0	0	0	0	None	None	
8	Shinkong Synthetic Fibers Corporation Tung-Sheng Wu	127,017,619	1.19	0	0	0	0	No 9	Representative's relative within 2 tiers	
9	Tong Shan Investment Co., Ltd. Guei-Lan Wu (Note)	126,784,121	1.18	0	0	0	0	No 8	Representative's relative within 2 tiers	
10	Norges Bank - internal - NBIM PF EQ INTERNAL CFD	124,671,813	1.16	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, 2017; unit:share

Equity investment (Note1)	Investment by the holding company (Note2)		Investment by the company directly or indirectly controlled by the holding companyand 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.	628,412,444	100.00%	0	0.00%	628,412,444	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 Investment Co., Ltd.	332,903,495	100.00%	0	0.00%	332,903,495	100.00%
Chang Hwa Commercial Bank, Co., Ltd.	2,122,272,773	22.55%	25,146,421	0.27%	2,147,419,194	22.81%
Chieh-Bon Co., Ltd.	220,000	4.40%	300,000	6.00%	520,000	10.40%

Note 1: Subsidiaries of Taishin Holdings.
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, 2018; 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 Capita	Others
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 1)
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 2)
Mar. 2017	-	12,000,000	120,000,000	Common share 9,520,747 Preferred share D 290,054 Preferred share E 500,000	Common share 95,207,476 Preferred share D 2,900,547 Preferred share E 5,000,000	Redemption of Preferred share D	MOEA, No. 10601040960 Mar. 30, 2017 (Note 3)
May. 2017	-	12,000,000	120,000,000	Common share 9,570,939 Preferred share D 290,054 Preferred share E 500,000	Common share 95,709,393 Preferred share D 2,900,547 Preferred share E 5,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10601057920 May. 4, 2017 (Note 4)
Jul. 2017	-	12,000,000	120,000,000	Common share 9,571,232 Preferred share D 290,054 Preferred share E 500,000	Common share 95,712,323 Preferred share D 2,900,547 Preferred share E 5,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10601108560 Jul. 28, 2017 (Note 5)
Aug. 2017	-	20,000,000	200,000,000	Common share 9,982,521 Preferred share D 290,054 Preferred share E 500,000	Common share 99,825,219 Preferred share D 2,900,547 Preferred share E 5,000,000	Issuance of new shares from earnings	MOEA, No. 10601124050 Aug. 29, 2017 (Note 6)
Nov. 2017	-	20,000,000	200,000,000	Common share 9,984,261 Preferred share D 290,054 Preferred share E 500,000	Common share 99,842,619 Preferred share D 2,900,547 Preferred share E 5,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10601150900 Nov. 3, 2017 (Note 7)
Feb. 2018	-	20,000,000	200,000,000	Common share 9,986,110 Preferred share D 290,054 Preferred share E 500,000	Common share 99,861,109 Preferred share D 2,900,547 Preferred share E 5,000,000	Issuance of new shares for exercise of options by employees	MOEA, No. 10701010230 Feb. 7, 2018 (Note 8)

Note 1: The Company made a cash issue of 500,000,000 Class E registered preferred shares.
Note 2: Exercise of options by employees for issuance of 7,649,000 common shares.
Note 3: The company redeemed Preferred shares D at 72,513,682 shares.
Note 4: Exercise of options by employees for issuance of 50,191,737 common shares.
Note 5: Exercise of options by employees for issuance of 293,000 common shares.
Note 6: The Company issued 411,289,600 ordinary shares from earnings.
Note 7: Exercise of options by employees for issuance of 1,740,000 common shares.
Note 8: Exercise of options by employees for issuance of 1,849,000 common shares.

Base date: Feb. 28, 2018 ; Unit: share

Share Categories	Authorized Capital			Notes
	Shares in circulation	Shares without issuance	Total shares	
Common Shares	9,986,110,970 (Note)	9,223,834,302	20,000,000,000	Listed shares
Preferred Shares D	290,054,728			Unlisted shares
Preferred Shares E	500,000,000			Listed shares

Note : The number of outstanding common shares does not include, between January 1, 2018 and February 28, 2018, the number of new shares against the exercise of options by employee.

B. Structure of Shareholders

Structure of Shareholders (Common shares)

Base date: April 10, 2018 ; Unit: share, %

Structure of Shareholders / Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	12	136	620	235,236	918	236,922
Shares	101,826,687	597,408,065	3,063,323,203	3,500,849,888	2,725,762,127	9,989,169,970
Share of stake (%)	1.02	5.98	30.67	35.05	27.29	100.00

Structure of Shareholders (Preferred shares D)

Base date: April 10, 2018 ; Unit: share, %

Structure of Shareholders / Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	0	1	15	0	0	16
Shares	0	77,693,229	139,847,817	0	0	217,541,046
Share of stake (%)	0.00	35.71	64.29	0.00	0.00	100.00

Structure of Shareholders (Preferred shares E)

Base date: April 10, 2018 ; Unit: share, %

Structure of Shareholders / Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	1	28	143	17,767	24	17,963
Shares	1,747,000	291,336,478	147,908,307	58,456,498	551,717	500,000,000
Share of stake (%)	0.35	58.27	29.58	11.69	0.11	100.00

C. Distribution of Shareholding

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

Base date: April 10, 2018 ; unit: share,%

Classification of Shareholding	Number of Shareholders	Shares	share of stake (%)
1 ~ 999	78,023	22,080,204	0.22
1,000 ~ 5,000	79,221	182,381,520	1.83
5,001 ~ 10,000	26,647	191,622,438	1.92
10,001 ~ 15,000	14,605	177,424,076	1.78
15,001 ~ 20,000	8,591	148,381,800	1.49
20,001 ~ 30,000	9,580	236,446,408	2.37
30,001 ~ 50,000	7,814	297,210,868	2.98
50,001 ~ 100,000	6,152	425,917,914	4.26
100,001 ~ 200,000	3,186	436,696,211	4.37
200,001 ~ 400,000	1,513	416,366,120	4.17
400,001 ~ 600,000	483	237,127,529	2.37
600,001 ~ 800,000	243	166,205,705	1.66
800,001 ~ 1,000,000	170	166,205,705	1.53
1,000,001 ~	694	6,898,828,425	69.06
Total	236,922	9,989,169,970	100.00

Distribution of Shareholding (Preferred shares D)

(Par Value of NT$10 per share)

Base date: April 10, 2018 ; unit: share,%

Classification of Shareholding	Number of Shareholders	Shares	Share of stake (%)
1,000,001 ~	16	217,541,046	100.00
Total	16	217,541,046	100.00

Distribution of Shareholding (Preferred shares E)

(Par Value of NT$10 per share)

Base date: April 10, 2018 ; unit: share,%

Classification of Shareholding	Number of Shareholders	Shares	Share of stake (%)
1 ~ 999	11,603	2,356,307	0.47
1,000 ~ 5,000	4,626	9,918,610	1.98
5,001 ~ 10,000	681	5,175,249	1.04
10,001 ~ 15,000	197	2,536,389	0.51
15,001 ~ 20,000	232	4,360,740	0.87
20,001 ~ 30,000	165	4,198,917	0.84
30,001 ~ 50,000	171	6,717,553	1.34
50,001 ~ 100,000	140	10,469,120	2.09
100,001 ~ 200,000	50	7,393,584	1.48
200,001 ~ 400,000	31	9,526,142	1.91
400,001 ~ 600,000	8	4,308,288	0.86
600,001 ~ 800,000	6	3,930,008	0.79
800,001 ~ 1,000,000	8	7,990,000	1.60
1,000,001 ~	45	421,119,093	84.22
Total	17,963	500,000,000	100.00

D. Major Shareholders

Base date: April 10, 2018 ; unit: share,%

Shares / Major Shareholders	Shares (Including Common shares and preferred shares)	Share of Stake (%)
PJ Asset Management Co., Ltd.	761,692,651	7.11
Taishin Leasing & Financing Co., Ltd.	310,926,517	2.90
TASCO Chemical Corporation	253,245,413	2.37
Yuan Tong Investment Co., Ltd.	210,808,000	1.97
Cathay Life Insurance Co., Ltd.	183,260,897	1.71
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	164,323,954	1.53
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund , a series of Vanguard Star Funds	129,880,433	1.21
Shinkong Synthetic Fibers Corporation	127,017,619	1.19
Tong Shan Investment Co., Ltd.	126,784,121	1.18
Norges Bank - internal - NBIM PF EQ INTERNAL CFD	124,671,813	1.16

Note: The list above discloses the top 10 shareholders, preferred shares included.

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

Unit: NT$1

Items \ Year			2016	2017	As of Feb. 28, 2018 (Note 6)
Market Price Per Share	Highest		13.45	14.45	14.85
	Lowest		9.91	11.70	13.35
	Average		11.79	13.14	14.21
Net Worth Per Share	Before distribution (coverage of loss)		12.21	12.32	12.51
	After distribution (coverage of loss)		12.20	(Note 1)	NA
Earnings Per Share	Weighted Average Outstanding shates (thousand share)	Before Adjustment	9,507,915	9,975,897	9,987,126
		After Adjustment	9,916,439	9,975,897	NA
	Earnings per share	Before Adjustment	1.14	1.15	0.21
		After Adjustment	1.09	1.15	NA
Dividends Per Share	Cash Dividend		0.5253	(Note 1)	NA
	Stock Divident	Dividends from Retained Earnings	0.4297	(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)		10.32	10.23	NA
	Price to Dividends Ratio (Note 4)		22.39	(Note 1)	NA
	Cash Dividends Yield (Note 5)		4.47%	(Note 1)	NA

Note 1: The Earning distribution for year 2017 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.

Shareholders shall be entitled to profit distributions. To protect stockholders' investment interests, Taishin Holdings allocates 50% or more of profits available for distribution to shareholder dividends. 80% or more of profits available for distribution were distributed as shareholder dividends in the last three years.

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. Taishin Holdings' 2017 audited after-tax profit amounted to NT$13,060,661,347; after deducting undistributed earning adjustments, the cumulative undistributed profits was NT$12,762,093,522. The following surplus allocation and dividend distribution have been proposed according to the laws and regulations and the Articles of Incorporation:

(1) NT$1,276,209,352 of 10% legal reserve and NT$69,299,481 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$384,194,521 and NT$1,187,500,000 cash dividends is allocated to Class D and Class E preferred shareholders, respectively;

(3) And then, NT$9,844,890,168 dividends is allocated to common shareholders (approximately NT$0.98 per share), which consist of cash dividends NT$5,414,689,168 (approximately NT$0.54 per share) and stock dividends NT$4,430,201,000 (approximately NT$0.44 per share). In particular, NT$4,430,201,000 in stock dividends shall be paid with new offering of 443,020,100 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 9,989,169,970 shares outstanding as at April 10, 2018; 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 Incoporation

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$1,307 thousand in cash bonus to employee and NT$117,651 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$9,046 thousand. The deviation was caused by changes in accounting estimates, and will be recognized in the 2018 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 8, 2018.

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$1,155 thousand and directors' remuneration at NT$109,757 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, 2018

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 05, 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 05, 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 & Qinzhen Yang	Deloitte & Touche's CPAs: Hongxiang 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+(twn)	Fitch Taiwan, 2012.03.08, BBB+(twn)
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, 2018

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 & Qinzhen 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,tw BBB+
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
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

Issuance of Corporate Bonds -3

Base date: Feb. 28, 2018

Type of Corporate Bonds		2017 Domestic 1st Unsecured Subordinated Corporate Bond
Date of issuance		October 26, 2017
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$8.0 Billion
Coupon rate		1.9%
Tenor		10 years (October 26, 2027)
Subordinate / Senior Ranking		Subordinated
Guarantor		None
Trustee		Taipei Fubon Bank
Underwriting institution		Taishin Securities
Certified lawyer		True Honesty InternaTional Law office's lawyer: Hueiji Guo
CPA-auditor of the financial report		Deloitte & Touche's CPAs: Tza-Li Gung & Kwan-Chung Lai
Repayment method		Repayment at maturity
Outstanding principle		NT$8.0 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		None
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
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, 2018

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$ 5,600,000,008
Market Price (Note 1)	2015	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
	2016	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
	2017	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
	As of 2018.02.28	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
Other rights	Total amount of conversion or subscrtiption 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 first repurchased 362,568,410 Class D preferred shares for NT$7,000,000,011 and canceled the shares on March 23, 2016. 72,513,682 Class D preferred shares were later repurchased for NT$1,400,000,002 and canceled on March 23, 2017. At time of printing, there are 290,054,728 outstanding Class D preferred shares for a total amount of NT$5,600,000,008.

Issuance of Preferred Shares-2

Base date: Feb. 28, 2018

Item \ 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		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. 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 distributedaccording 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. 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 cancelation deadline to the total number of days in the year.
	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.
	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)	2015	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
	2016	Highest	not applicable
		Lowest	not applicable
		Average	not applicable
	2017	Highest	53.2
		Lowest	51.5
		Average	52.2
	As of 2018.02.28	Highest	53.7
		Lowest	52.9
		Average	53.2

Item \ Issuing Date		2016.12.28 Publicly Class E preferred shares
Other rights	Total amount of conversion or subscrtiption 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 10, 2018.

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, 2018

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 (%)	1.39%	0.70%	0.01%
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	91,472,000	37,889,000	200,000
Value of shares obtained via execution of warrants (NT$)	891,928,761	361,528,703	1,810,000
Amount of shares for warrants yet to be executed	0	19,039,500	1,307,000
Share price for warrants yet to be executed (NT$/ per share)	9.0	7.8	7.9
Percentage of the amount of shares for warrants yet to be executed in the total amount of issued shares (%)	0%	0.18%	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, 2018

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	Welch Lin	96 option 40,930	96 option 0.38%	96 option 39,974	96 option 9.4	96 option 375,846	96 option 0.37%	96 option 0	96 option 9	96 option 0	96 option 0%
	Chief Audito	Howard Wu										
	Chief Strategy Officer	Daniel Tsai										
	Chief Information Officer	Steve sun (03.01.2017 on board)										
	Chief Accounting Officer	Ann Cheng										
	Chief Risk Officer	Jey Chen										
	Chief Financial Office	Carol Lai (01.01.2018 on board)										
	Senior Vice President	David Chang										
	Senior Vice President	Frank Lin										
	Senior Vice President	Lu-June Jai										
	Senior Vice President	Andy Chang (02.12.2018 on board)	99 option-1st 8,760	99 option-1st 0.08%	99 option-1st 4,352.5	99 option-1st 9.7	99 option-1st 42,083.7	99 option-1st 0.04%	99 option-1st 4,407.5	99 option-1st 7.8	99 option-1st 34,379	99 option-1st 0.04%
	President and Chief Executive Officer, Wholesale Banking Group	Joseph Jao (12.31.2017 Leave off)										
	Chief Executive Officer, Retail Banking Group	Oliver Shang (12.31.2017 Leave off)	99 option-2nd 1,104	99 option-2nd 0.01%	99 option-2nd -	99 option-2nd -	99 option-2nd -	99 option-2nd -	99 option-2nd 1,104	99 option-2nd 7.9	99 option-2nd 8,722	99 option-2nd 0.01%
	Chief Information Officer	BR Ho (03.01.2017 Leave off)										
	Senior Vice President	Janice Liang (02.12.2018 Leave off)										
Employees	Chief Consultant	Tong-Shung Wu										
	Executive Consultant	Steve S.F. Shieh										
	Executive Consultant	Helena Kuo										
	Senior Consultant	Larry chung										
	Audit Department Leader	Ching-yin Lin										
	Committee specialist	Andy Wu										

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:

Taishin Securities Co., Ltd., a subsidiary of Taishin Holdings, completed the acquisition of Ta Chong Securities Co., Ltd. by cash on August 28, 2017.

2. State of mergers & acquisitions or sale of financial institutions over the past five years

Taishin Bank absorbed Taishin Insurance Brokers Co., Ltd. in a cash acquisition on April 24, 2016.

Taishin Securities Co., Ltd., a subsidiary of Taishin Holdings, completed the acquisition of Ta Chong Securities Co., Ltd. by cash on August 28, 2017.

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:

Taishin Securities Co., Ltd., a subsidiary of Taishin Holdings, completed the acquisition of Ta Chong Securities Co., Ltd. by cash on August 28, 2017.

Unit: NT$1,000

Name of financial institution	Ta Chong Securities Co., Ltd.	
Address of financial institution	2F./3F., No.93, Shouchang Rd., Sanmin Dist., Kaohsiung City, Taiwan	
Responsible person	Ya-Bin Li	
Paid-in capital	3,777,618	
Primary scope of business	Securities dealer, futures dealer	
Key Products		
2016 Financial data	Total assets	10,606,381
	Total liabilities	5,885,913
	Total shareholder equity	4,720,468
	Operating income	577,312
	Operating expenses	576,460
	Operating income/loss	(80,310)
	Net profit after tax	949
	Earnings per share	0

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.

Taishin Insurance Brokers Co., Ltd., a subsidiary of Taishin Holdings and the extinguished company, and Taishin Bank merged on April 24, 2016.

Where a financial institution was merged or acquired by way of new share issuance, the lead underwriter's evaluation and opinions must be disclosed: 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, 2018	Description
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, NT$3.728 billion were invested in Taishin Securities, and the remaining NT$1.272 billion would be invested in subsidiaries and for business expansion in the future.
		Actual	20,000,000	
	Progress	Planned	100%	
		Actual	94.9%	

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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. Create a complete cross industry network under Taishin Holdings and increase the scale of subsidiary operations to raise profitability.
2. Continue to strengthen management of credit, market, and operational risks and reinforce compliance as well as guidelines and regulations to reduce losses and improve the corporate image and customer satisfaction.
3. Invest in product and service innovations and integrated cross-selling to expand the customer base and increase loyalty. Raise the percentage of demand deposits, reduce the cost of fund, modify the investment policy and asset allocation, and diversify sources of income to achieve more effective capital/asset utilization.
4. Invest in overseas expansion and training of pioneering and leadership talent for overseas businesses.
5. Implement IT infrastructure, develop FinTech scenarios, and improve system stability.

c. Industry status

1. Market status

The global economic recovery in 2016 not only continued into 2017, but moreover gained momentum. Major economies, including the United States, the eurozone, and China, reported excellent results, which in turn triggered simultaneous recovery in most emerging economies and led to a worldwide economic recovery rarely

seen in the last twenty years. The International Monetary Fund (IMF) revised its world economic growth forecast up twice within the year; the final economic growth forecast was 3.7%, up by 0.5% compared to 2016. In particular, the forecast for advanced economies rose from 1.7% in 2016 to 2.3% in 2017, while that for emerging markets rose from 4.4% to 4.7%. In 2017, the U.S. economy and the eurozone achieved annual economic growth of 2.3% and 2.5%, respectively, while China waved a temporary goodbye to the economic stagnation that had remained for six consecutive years. The latter's annual economic growth rose by 0.2% compared to 2016 and reached 6.9%.

Taiwan's economy benefited from the global economic recovery in 2017. Export demand jumped and created a strong surge in economic growth. Total export value was US$317.4 billion with a 13% YOY growth while economic growth hit a three-year high with a preliminary estimate of 2.86%. The stock market turned bullish as the economy recovered. TWSE closed at 10,643 points at the end of 2017, up by 15% from 9,254 points at the end of 2016. Nevertheless, compared to strong foreign demand, domestic demand appeared relatively weak in Taiwan as it contributed only 0.83%, a five-year low, to economic growth. The economy was a combination of strong external growth and internal stagnation, and the outlook signal fluctuated between green and yellow-blue light. Looking forward to Taiwan's economy in 2018, foreign demand will depend on the U.S.-China trade relationship, political development in the eurozone, political and geographic risks in the Korean Peninsula, and inflation expectations and the path of the Fed's rate hikes; domestic demand will be influenced by the effectiveness of the government's investment incentives in driving recovery of private investment.

Regarding the financial sector in Taiwan, continued improvement of economic conditions in 2017 helped domestic banks reverse the trend of falling overall profits. In total, domestic banks reported NT$305.9 billion in earnings before tax, which translated to a 2% YOY growth. Meanwhile, return on assets and return on equity fell slightly from 0.68% and 9.24%, respectively, in the previous year to 0.67% and 8.97%, respectively. Domestic banks maintained asset quality roughly at the same level. Overall average nonperforming loan ratio at the end of 2017 was 0.28% and debt coverage ratio 493%, comparable to the figures of 0.27% and 503%, respectively, in 2016.

2. Development trend of various financial products

Regarding the overall business environment in the financial sector, the Financial Supervisory Commission (FSC) is campaigning for "innovative financial services and effective financial governance" with the objective of maintaining stability in financial markets while facilitating development. Key aspects of the policy include: FinTech development, effective differentiated management, and optimized corporate governance in financial institutions. In addition to ongoing incentives such as deregulation and helping financial institutions expand their business or reduce operating costs, the competent authorities are making sure companies implement effective corporate governance and regulatory compliance. Enforcement in these two areas is intended to enhance the competitiveness of the financial sector and enable it to better contribute to the domestic economy, thereby triggering a positive cycle and securing sustainable development for the financial market.

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$17,332,000 in 2016 and NT$21,352,000 in 2017. (Related information please refer to P.83)

2. Future R&D plan

(1) Taishin Holdings will coordinate and combine resources across its subsidiaries, and apply data analysis to gain an insight into customers' needs in order to provide better financial services.

(2) Taishin Holdings will support the government's flagship policies, such as five-plus-two startup industries and the New Southbound Policy, to help SMEs establish and upgrade themselves.

(3) Taishin Holdings provides a variety of investment vehicles for corporations and individuals, and endeavors to satisfy the investment needs of local and international customers as deregulation continues.

(4) Taishin Holdings will continue working closely with various distributors to provide more comprehensive services to individual and corporate customers. Taishin Holdings 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.

e. Long- and short-term business development plans

The core businesses of Taishin Holdings grew at a steady pace last year, and performed well in net interest income, net fee income, and income from financial transactions by reporting a YOY growth of 4.1%, 4.5%, and 7.7%, respectively. The total after-tax net profit was NT$13.1 billion, which was a 14.6% YOY growth. Furthermore, the after-tax EPS was NT$1.15, the return on equity (ROE) was 9.61%, and the return on assets (ROA) was 0.8%, all of which were higher than they were in the previous year. In terms of capital structure and asset quality, Taishin Holdings's capital adequacy ratio was 124.9%, and Taishin Bank's was 14.2%. The capital structure remained sound. In addition, the subsidiary Taishin Bank reported a 9.1% YOY growth in lending. The nonperforming loan ratio fell from 0.26% in the previous year to 0.22%, and the coverage ratio rose from 548.5% to 578.7%. Credit asset quality remained good.

1. Short-term business development plan

(1) Better manage stewardship responsibilities and create profit drivers for Taishin Holdings while building up the second profit driver.

(2) Continue to campaign for mobile payment services.

(3) Take part in development of FinTech.

(4) Invest actively in offices in other countries; continue to expand the overseas presence; and offer more comprehensive and higher quality international financial services to customers.

2. Long-term business development plan

(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.

(3) strengthening management of credit, market, and operational risks while combining marketing and innovation of products and services.

(4) Be a reliable financial institution that provides a full line of financial services for the global Chinese community.

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 Private Banker International's Best Private Bank in Taiwan four years in a row, RBI's Service Excellence in Mass Affluent Banking two years in a row, and Asian Banker's Best Customer Relationship 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 8.9% in 2017, and the number of credit cards in circulation increased by 9.1%,The credit card spending increased by 15.3%.

(3) Wholesale Banking

Wholesale banking operation provides an array of financial products and services to various institutional clients, including transnationals, corporations, SMEs, government agencies 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, underwriting, stock affairs financial advisory, merger and acquisition (M&A) consulting service, asset securitization, and discretionary assets management, etc.

(4) Digital Finance

As part of its commitment to develop digital banking services, Taishin was first to launch a digital banking brand, Richart, that enabled customers to use a mobile app to complete transactions anytime. A simpler and more friendly experience was created to change customers' banking habits.

Taishin is an industry leader in FinTech and holds a number of first-in-industry to its name, including smart customer support by telephone, replacement of ID/password by facial recognition for mobile banking login, and cardless interbank ATM withdrawals. The number of Internet/mobile banking users exceeded 1.74 million in 2017, and transactions showed an overall YOY growth of 74%. Richart is the first bank to receive a Red Dot Award for Communication Design. The digital banking brand is also winner on 25 various international rankings. The percentage of active users is close to 100%. Richart's Facebook fan page has a fast growing fan base and double the average post growth among banks.

In addition, Taishin is Taiwan's largest acquiring bank and provides the latest payment services. It is the first issuing bank to support all four mobile payments (Apple Pay, Samsung Pay, Google Pay(Android Pay), and Taiwan Pay). In terms of cross border payment services, there are close to 28,000 points of service in duty shop stores, department stores, and shopping districts and night markets that support cross border payments by electronic wallets. Furthermore, the bank introduced KEB Hana Bank's payment tool from South Korea into the market, making Taishin Taiwan's first institution to work with KEB Hana Bank. Taishin will continue to provide global money services in the future.

(5) Trust Financial Service

With respect to structured 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 also takes an aggressive approach to expanding its customer base in employee benefit trust services and incentive plans, such as employee stock ownership trust, employee stock trust, and restricted share trust, and to help companies reward employee loyalty and motivate and retain talent. 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 employees to open employee investment accounts with the custodian bank and receive stocks distributed by TWSE listed or TPEx mainboard/emerging listed parent companies; and Chinese employees to open 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.

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

Net income share	2016	2017
Retail Banking	64%	66%
Wealth Management	33%	34%
Consumer Finance	23%	24%
Credit Card	8%	8%
Wholesale Banking	36%	34%
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.

2. Retail Banking

(1) Enhancing the online platform to reach into different customer segments, thereby expanding the customer base and improving the bank's overall performance.

(2) Achieving O2O integration to enable the bank to monitor all points of contact with customers; and, as the only bank to offer a personalized credit preview service, trying to make the bank a more competitive player in online lending.

(3) Strengthening existing customer relationships; deploying different marketing strategies through different channels to appeal to different customer segments; and achieving results such as increased penetration in consumer banking products, more efficient use of Taishin Holdings's resources, and synergy.

(4) Forming more strategic alliances with car dealerships to attract more auto loan customers and expand the auto loan business.

(5) Offering one-stop banking services for business owners and maintaining existing customer relationships while exploring new ones.

(6) Securing existing cobranded cards and continuing to seek opportunities for new cobranded cards that would bring new customers for Taishin Holdings.

(7) Continuing to develop the Rose brand and other bank cards and offer star product features (e.g. @GoGo card) and better means of communication.

(8) Continuing to strengthen relationships with high net worth customers through Visa Infinite/World Mastercard/ Visa Business Signature cards. The Cathay Pacific Airways cobranded card was introduced in 2017 to increase penetration in the wealth management customer base.

(9) Continuing to campaign for mobile payment services by combining electronic wallets and credit cards and creating incentives for using the services in order to facilitate growth in the mobile payment market.

(10) Campaigning for credit card specific apps (CARDaily) and the mobile version of the official website (mSite) for optimized communication. Implementing a mobile version of the online credit card application service and continuing to optimize the application process on the Internet.

(11) Monitoring latest developments in the retail market and invest in major credit card spending categories.

(12) Working with third party resources (e.g. international organization/affiliated merchants/mobile payment service providers) to improve overall charging and profit performance.

(13) Securing the market share in traditional acquiring services while incorporating new payment tools and business models into the system and campaigning for the transition from cash to electronic payments.

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) Increasing the number of branches in China and Asia Pacific. Following the opening of the Singapore Branch in 2014, the Yangon Branch in Myanmar opened in January 2016, the Tokyo Branch in Japan in October 2016, and the Brisbane Branch in Australia in July 2017. reparations are currently underway for the Long An Branch in Vietnam, and an application will be made for an Office in China as scheduled.

(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

(1) Richart Digital Banking

Taishin's digital banking brand, Richart, has the largest market share and offers the largest number of authentication methods. It is the brand of choice for 60% of digital account holders in Taiwan. Richart owes

its success in attracting new young customers to innovative product integration and a clear and simple interface that is easy to read and changes the public's impression of banks. New and trendy services will continue to be introduced from time to time.

- The first financial institution to adopt agile development, the first bank to give customers control over app design and features, and a 100% mobile app oriented digital banking brand.
- The only digital bank in the market to offer integrated products and services that combine "savings, payment, financial planning, foreign currency, insurance, and loan".
- The first financial institution to allow penny investments, which stand apart from the impressions of "investment = difficult jargons" and "high thresholds and large minimum fees".
- Richart has effectively established a social networking presence on Line. Customers are able to use LINE to receive payments, check transactions, and collect R Dollars in Richart. The puppy themed LINE stickers saw a million downloads on the first day and attracted 3.2 million new fans.
- Richart started supporting replacement of ID/password by Face ID in November 2017 as soon as the popular feature became available.

(2) New payment service models

- Supporting government policies to increase the percentage of electronic payment as a payment mode; and implementing a multi-payment service model to help traditional markets or merchants adopt digital services.
- Expanding acquiring services for affiliated merchants to create an all-in-one platform that supports various electronic wallets and makes it easier for merchants to handle different payment modes.
- Completely revamping the Taishin LETSPAY mobile wallet to create a more comprehensive electronic payment environment and to improve mobile payment services and acquiring services for micro or proprietary businesses with the aim to extend the reach of mobile wallets into all walks of life.
- As the only bank in Taiwan to support cross border payment services such as Alipay and WeChat Pay, continuing to work with large chain stores to provide cross border payment services and expanding the network to shopping districts.
- Continuing to work with offshore third party payment service providers and seeking potential partnerships in Hong Kong, Japan, South Korea, and Southeast Asia.
- Investing in the development of mobile payment services as Taiwan's first issuing bank to launch all three international payment services (Apple Pay, Samsung Pay, and Google Pay (Android Pay)) as well as HCE credit cards.

(3) Electronic banking services

The bank started making industry leading records in electronic banking, such as cardless withdrawal, in 2016. Since the service was launched, the number of users has been growing in multiples, and the amount of monthly withdrawal has exceeded NT$100 million. Customer satisfaction is more than 90%. To improve the smoothness of the cardless withdrawal service, the bank launched QR Code enabled withdrawal and NFC enable withdrawal in 2017. Customers have more ways to make a withdrawal. The bank was also awarded a new patent and named Best Brand at the 14th Annual National Brand Yushan Award in the same year. To start the age of cardless withdrawal in Taiwan, Taishin was first to launch cardless interbank ATM withdrawal in 2018 to allow customers of other banks to make cardless withdrawals on Taishin Bank ATMs and enjoy quick access to cash.

The bank was first to upgrade online customer service and incorporate AI into the system to create smart customer service in 2017. Customers can enter a questions by speaking it, and the smart customer service will find an answer in the shortest time.

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) Develop fund apps for digital banking, which also significantly lowers the investment threshold for certain funds, thereby attracting more customers with more user friendly functions.

(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) Attract more customers of custody services and secure AUMs of funds while generating more stable income for the AUM base.

(9) Promote funds with a variety of themes; provide custom-tailored services to customers of different profiles and segments.

(10) Explore mutual fund opportunities through offshore banking units (OBU); introduce hedge funds not yet filed with the competent authority in the Republic of China.

(11) Special discounts for certain funds are offered from time to time to attract more investors.

(12) Introduce multi-themed ETFs, thereby offering customers suitable instruments to invest in under any market condition

(13) 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.

(14) Various types of bonds are available, including premium overseas bank debenture and corporate bonds in multiple currencies and maturities.

(15) 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 retail banking

(1) Home purchase and renovation loans have an outstanding balance of NTD 455.2 billion, representing a 8.7% YoY growth.

(2) Car loans have an outstanding balance of NTD 42.5 billion, representing a 13.2% YoY growth, placing it again on top of the financial industry.

(3) Other consumer loans have an outstanding balance of NTD 53.4 billion and is growing at 9.3% per year.

(4) The outstanding balance of micro corporate loans reaches NT$5.1 billion and is growing at 1% per year.

(5) Credit cards:

4.12 million credit cards outstanding, ranking fourth with a 9.9% market share. 2.92 million active credit cards, ranking fourth with a 10.4% market share.

242.4 billion in annual card purchases, ranking fourth with a 9.2% market share.

120,000 card accepting merchants in total, ranking first with a market share of 21.6%.

There are 1.62 million premium credit cards, ranking fourth with a 12.6% 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 2017)

Date	R&D Project	R&D Project Results
2016.01	12-month interest-free installment plan for premium payments	An interest-free installment plan up to 12 months is available on premium payments regardless of the insurance company. The plan breaks down the barrier usually imposed by credit cards cobranded with certain insurers, and effectively creates a 37% YOY growth in premium spending compared to 2015.
2016.01	Seven major cinema	Taishin credit cardholders enjoy 34% off movie tickets at seven major cinema chains across the country on Monday through Thursday.
2016.03	Free Gudetama gifts for travel agency spending	The bank was the only bank to offer free Gudetama, a popular office mascot, gifts, and attracted public attention and received a record high number of registered participants in the campaign.
2016.04	@GoGo card	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.
2016.05	The Wealth Visa Infinite card	The Wealth Visa Infinite card was launched on May 3, 2016 and is available exclusively to Taishin wealth management customers. It offers benefits such as 1.2% cashback on insurance spending, 1.8% cashback on foreign spending, 0.5% cashback on domestic spending, and 2 airport pick-ups and 2 HSR upgrades per year. 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.
2016.07	The Rose Card brand	The bank built up brand recognition for the Rose Card brand with the message, "Dedication Makes a Woman Beautiful." 1. The campaign advertised on public media and strengthened the brand image. 2. Rose Women's Day: offering a large 17% cashback and working with e-commerce platforms in inviting Rose Card holders to pamper themselves without having to leave home.
2016.08	HCE mobile phone credit card	Host card emulation (HCE) credit cards were launched on August 4, 2016. As of December 2016, the bank has issued more HCE credit cards than any other bank in Taiwan.
2016.09	Mobile version of credit card website (mSite)	Launched on September 29, 2016, mSite provides an optimized mobile interface that makes it easier for customers to browse credit card information and apply for cards online so to entice customers to be more willing to use the services.
2016.10	MasterPass redesign	Launching a new MasterPass on October 7, 2016, the bank worked with MasterCard in promoting an advanced version of the electronic wallet. The new version is equipped with double layers of IT security as provided by the MasterCard global network and by Taishin Bank to protect personal data. Customers can make transactions quickly by completing three steps: register, link, and pay. It offers a payment tool for online shoppers.
2016.10	Mercuries Life cobranded card	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.
2016.11	Singles Day campaign	More bonuses were offered on online shopping platforms during the Singles Day campaign. Shopper could receive up to 10% for purchases above certain thresholds by using Taishin Bank credit cards.
2016.11	iCash card	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.
2017.01 ~ 2017.12	CPC campaign - open to all cardholders	Cashback was offered to all cardholders on gas spending above certain thresholds at CPC gas stations. The campaign effectively boosted Taishin credit card spending at CPC gas stations by 18%.
2017.01 ~2017.02	HSR campaign	Cashback was offered to all cardholders on HSR spending above certain thresholds at CPC gas stations during the Chinese New Year. The campaign effectively boosted Taishin credit card spending on HSR by 15%.
2017.04	@GoGo Card received new product patents	Transaction notification management system Cashback system (cashback on @GoGo Card is deposited directly into the matching Richart digital banking account)

Date	R&D Project	R&D Project Results
2017.04	Targeting 3C users	Campaigns were organized in stores in sync with latest hot topics. The card managed to deliver growth while the industry experienced decline. The spending growth was 11%.
2017.04	Targeting department store sales	The bank tried to offer bonuses at as many department store sales as possible and target medium- and high spending customers. The total spending was raised by 14%.
2017.04 ~2017.09	Simple Mart started accepting credit cards	Simple Mart started accepting all credit cards. Taishin won the right to start offering bonuses in the first three months, and secured an over 10% market share in card spending.
2017.04	Online shopping - exclusive VIP Day	Taishin Bank organized a PayEasy VIP Day, available exclusively to Taishin Bank credit cardholders.
2017.05	Integrating branch channels to increase insurance spending	A special offer was made available to customers when they purchase any of the specified life insurance products or unit linked insurance products and pay with a Taishin Bank credit card. As a result, average penetration of credit cards into the branch customer base reached 29%.
2017.05	Targeting opportunities in online restaurant reservation services	The bank targeted Taiwan's largest online restaurant reservation system and provided special offers for Taishin Bank credit cardholders, effectively rising spending by 116%.
2017.06	Award winning @GoGo Card	@GoGo was named the Credit Card Initiative of the Year by Asian Banking and Finance (AB&F) - Retail Banking Awards 2017.
2017.06	Accepting bill payments in FamilyMart and creating the topic "Use Taishin Bank cards to get most back on bill payments"	The campaign "Use Taishin Bank cards to get most back on bill payments" enticed cardholders to use a Taishin Bank credit card to pay all bills in FamilyMart. The campaign encouraged the habit of paying bills in FamilyMart. 120,000 people registered for the campaign without prompting.
2017.6 ~2017.09	Exclusive campaign, "Taishin Bank EasyCard in Carrefour"	The bank worked with the EasyCard Corporation and joined Carrefour in its stores for the Taishin Bank EasyCard in Carrefour campaign, which more than doubled contactless EasyCard spending at Carrefour.
2017.07	Beyond Plaza cobranded credit card	The bank joined Yonghe Beyond Plaza at the launch press conference on July 18, 2017. The product targets customers of regional department stores and aims to develop close relationships in the local shopping districts.
2017.07	The Rose Card brand	The bank will continue to invest in the Rose Card brand and form cross industry alliances to increase the number of cards and spending momentum, thereby making the brand more marketable.
2017.08	@GoGo Card	@GoGo Card received CEPI Asia Awards 1. Best Commercial Card Product for Asia-Pacific 2. Highly Commended: Best Card Design
2017.10	Cathay Pacific Airways cobranded card	Launched on October 26, 2017, this credit card offers accumulation of Asia Miles on card spending. It is also the first card in Taiwan to offer NT$5 per mile as part of the Double Miles program. The bank also offered free application for Marco Polo Club green membership, buy-one-get-one-free airline ticket offers in the same month of the cardholder's birthday, and 10% on ticket purchases on the official website.
2017.12	Online Shopping Day campaign	Following the Singles Day campaign on November 11, the bank launched the Online Shopping Day campaign on December 12 to continue the online spending spree.
2017.12	Smart all-purpose card terminals	Smart all-purpose card terminals can be used to swipe credit cards, scan QR codes, and process payments for merchants. It is currently the most versatile payment device in the market. It has been installed in the National Palace Museum.

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 2017, ranking 15th place among 39 domestic financial institutions. This represented an increase of 13.8% over the previous year, compared to an average growth of 3.4% 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$131.4 billion of outstanding loans to small and medium businesses as of the end of 2017, up 22.1% over a year earlier. This improvement had far exceeded the peer average of 6.4%.

(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 2017 reached US$1.02 billion, declined 22.7% than previous year.

(4) Factoring business

The bank is still a market leader for factoring business and undertook NT$240.8 billion of such business in 2017, increased 13.1% than previous year, with equal emphasis on the maintenance of customer relationship, pricing and risk.

3. Major financial products and scale of digital finance in recent two years

(1) Richart digital banking

In 2017, the focus was on the customer group aged 20 to 40. Insurance and loan products were added to the product line. To encourage more students and those with limited assets to start using Richart for financial planning, the bank started allowing customers aged 15 or above to apply for Richart accounts. In addition, the bank offers a more friendly new account application process and transfer procedure that enable customers to open an account with limited features online without having to visit a branch or insert a card for authentication.

(2) Electronic banking

Foreign currency ATM withdrawal was implemented in 2017 for a greater degree of O2O integration. Furthermore, Taishin Bank has combined its official website, mobile banking app, Richart website, and Richart App and launched the Smart Customer Service. The service delivers instant answers to simple questions through fun, friendly interaction. It has been well received and plays a part in full implementation of digital technologies in the financial sector.

(3) New payment service models

Date	Research and Development Project	Research and development achievements
2016.02	LETSPAY mobile wallet	It supports transfer between bank accounts and payment services. It can be used to pay with credit card in FamilyMart and other stores. It is the first electronic wallet in the market to combine payment services and social media. The bank is the first bank in Taiwan to team up with Taipei Medical University Hospital in accepting mobile payments.
2016.04	Cross border third-party payment services	The bank collaborate with Alipay in providing cross border inbound O2O services. It is the Alipay affiliated bank with the largest number of points of service in Taiwan. Locations include large channels such as SKM, Breeze, Ever Rich, Tasa Meng, and Taiwan Taxi as well as shopping districts in Jiufen, Hualien Dongdamen, and Kenting.
2016.10	Tokenized mobile phone credit cards	The bank was first to receive the competent authority's approval to support international payment tools, including Apple Pay, Android Pay, and Samsung Pay.
2016.12	(Account Link) Linked account debits	The bank was first in Taiwan to launch an online transfer/payment service that did not require the customer to insert a card. In addition to teaming up with allPay, the bank collaborates with Pay2go, ezPay, Gama Pay and other electronic payment operators and possesses more than 10,000 payment scenarios across the country.
2017.03	Apple Pay	One of first banks in Taiwan to support Apple Pay.
2017.04	LETSPAY mobile wallet	The bank worked with En Chu Kong Hospital in supporting LETSPAY so patients would be able to pay their hospital bills with a credit card or bank account.
2017.05	Cross border third-party payment services	The bank joined Alipay in launching the cross border cash outbound third party payment service, which would allow Taishin Bank debit cardholders to use a debit card to pay for their purchases on Taobao or Tmall.
2017.05	Samsung Pay	One of first banks in Taiwan to support Samsung Pay.
2017.07	Android Pay	One of first banks in Taiwan to support Android Pay.
2017.08	Cross border third-party payment services	The bank worked with Fu Jen Catholic University in allowing Chinese students to use Alipay to pay tuition fees and expenses.
2017.09	Integrated payment solutions	The bank was named the Best Merchant Acquiring Initiative at 2017 Cards & Electronic Payments International (CEPI) Asia Awards.
2017.09	Cross border third-party payment services	The bank teamed up with Tencent in launching the WeChat cross border payment (cash inbound) service in duty free shops to provide another payment option for Chinese tourists in Taiwan.
2017.10	More payment options in Hualien	Integrated payment devices are installed in shopping districts and night markets in Hualien to help merchants make the transition toward digital payment services.
2017.10	Global Loyalty Network (GLN)	The bank completed the world's first international reward point redemption test with KEB Hana Bank of South Korea. It was a major breakthrough in blockchain application, and made the bank the world's first in completing blockchain application testing in international reward point exchange.
2017.12	Tokenized debit cards	The bank is the first bank in Taiwan to support and start a trial period for using debit cards on Apple Pay, Android Pay, and Samsung Pay.

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

Unit:NT$ million

Year	2016 AUM	2017 AUM
Special-purpose money trusts investing in domestic/foreign securities	136,210	153,972
Securities investment trust funds under administration	57,936	58,135
Other money trusts	14,165	21,740
Employee welfare trust	272	522
Securities trust	32,769	29,096
Collective investment trust account	720	460
Discretionary investment services - specify separate accounts	-	11
Real estate trust	19,000	24,841

5. Future R&D plan

(1) Wealth Management

- The Bank combines resources under Taishin Holdings 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

- Develop digital products and projects in support of Taishin Holdings' policy. Provide different loan products to different customer groups as appropriate in order to make the bank more competitive.
- Design small Richart loans to fill in gaps in the digital loan line.
- Continue to upgrade iLoan, and provide customized loans to meet the needs of different stages in life and create the best customer experience.
- Explore potential cross industry alliances to share resources and uncover new customer bases.
- Strengthen customer segment analysis and use channel resources to attract new customers.
- Continue to improve processes and reduce application processing times.
- Combine traditional payment services and digital banking resources to better reflect developments in the industry and trends in technological advancements; and continue to offer safer and more friendly solutions for merchants and cardholders that push for a cashless society.

(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.
- On December 1, 2017, the bank received the central bank's approval for offering foreign currency transactions as part of the corporate mobile banking services. The bank then launched the service on December 29, 2017.
- 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

- Invest in expanding the line of digital banking services and continue to optimize platforms and implement innovations to facilitate more effective O2O integration.

- Work with various industry/government/academia partners and apply AI technologies, new payment tools, and big data to revolutionize banking and payment services and start a brand new digital age.

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 Holdings 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

- Follow the trend to digitalize and encourage channels to transform themselves in order to attract more potential online loan applicants.
- Analyze customer segments by digital footprints and continue to optimize the application process to reduce breakpoints, increase the success rate, and strengthen development of the digital customer base.
- Combine all points of contact within the bank, such as credit card bills, bank app, and ATMs, to change the bank's position from passive to actively triggering customers' needs and increasing loan disbursements.
- Secure existing cobranded cards and keep the benefits up-to-date; provide latest FinTech services to satisfy payment needs of cobranding partners; and engage potential new cobranding partners with the aim to fill in product gaps.
- Optimize and simplify the Sun/Rose Card customization mechanism to cater to digital customers.
- Differentiate benefits and offer premium services to expand the customer base for premium cards with annual fees.
- Seek actively to participate in various authentication platforms in order to provide a diverse range of easy-to-use credit card application mechanisms.

- Encourage high fee transactions in order to increase revenue from card transactions.
- Work with electronic payment service providers, third-party payment operators, and acquiring service providers to increase market share in acquiring services and generate more cash flow momentum.

(2) Long-term business development plan

- Continue to develop new products and create opportunities to undertake overseas loans and help customers with portfolio integration.
- Continue to invest in FinTech and shift toward digital channels; and construct a digital lending platform to provide a better borrowing experience and to build the best online loan brand.
- 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, analysis and application to achieve the two-way benchmark for sales growth and risk management.
- Analyze a massive amount of data to helps 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.

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 lending policy for SMEs and startups 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.
- While the Southeast Asian economies continue to grow, the need for financing infrastructure in the region grows. The government's New Southbound Policy offers benefits for investment and therefore benefits for the bank's operations in Southeast Asia.

(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 banking/nonbanking services will be developed based on feedback from internal and external customers, and the processes will be optimized.
- Campaigns will be organized to promote Apple Pay, Google Pay (Android Pay), Samsung Pay and other tokenized credit card services.
- Electronic payment services will be launched to offer fast, easy integrated payment solutions.
  - LETSPAY is a QR Code enabled payment solution for SMEs and micro or proprietary merchants. Merchants do not have to install additional devices, and only have to provide their QR Codes to customers. Consumers can use their mobile phones to scan QR Codes and enter amount and password to complete a payment. Merchants will then receive payment confirmation on their payment app.
  - The bank tries to form stronger strategic alliances with electronic commerce/third party/electronic payment service providers in developing money service tools.
- The bank will develop automated sales and social media remarketing.
- An active effort will be made to develop AI and biometric identification technologies.

(2) Long-term business development plan

- 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.
- 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 Brokers

(2) Securities Dealer

(3) Securities Underwriter

(4) Futures Commission Merchant

(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	196,138	34	554,243	47
Dealing	146,710	26	350,807	29
Underwriting	230,971	40	283,269	24
Total	573,819	100	1,188,319	100

3. Various existing products and services

Items	Major contents
Brokerage	1. Provide entrusted transaction service for shares listed on the centralized market, over-the-counter market, and emerging market, including e-trading, and undertake securities delivery for investors. 2. Provide investors the service of margin trading and short sales for securities transaction. 3. Operate concurrently futures brokerage and sub-brokerage services.
Dealing	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	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, equity trading and consulting for corporate restructuring.

4. New products and services under plan

(1) Continue to optimize functions of existing e-platforms, and work with Taishin Holdings in developing FinTech enabled services to provide easy access for customers.

(2) Apply to offer a wider range of unrestricted purpose loans.

(3) Foreign futures and equity arbitrages and transactions, foreign bond transactions and trading of interest rate products, conversion to electronic transactions for derivatives on TAIFEX, and integrated (domestic and international) stock/futures/warrant/bond trading system.

(4) Create OSU to provide underwriting of foreign securities.

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.

In addition, invest in expanding sub-brokerage services while providing futures services concurrently.

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	2015	2016	2017
TSE Market	22,505	18,915	25,799
OTC Market	58,085	54,875	53,725
Total	80,590	73,790	79,524
Weighted stock price index (year end)	8,338	9,253	10,643

Operating Status of Domestic securities			
Year	2015	2016	2017
EPS (NT$)	0.82	0.63	1.32
ROA	1.96%	1.39%	2.31%
ROE	5.31%	4.02%	7.56%

Source: Key indicators of securities and futures markets in December 2017; domestic securities dealers, including general and specialized securities dealers.

2. Taiwan's stock market

A weak dollar in the first half of 2017 and investors returning to emerging markets led to foreign investors buying more TWSE listed stocks than they were selling in June. The difference was NT$265.2 billion, which was the largest difference among Asian stock exchanges and triggered increases in both the stock market and the foreign exchange market in Taiwan. Regarding the second half of the year, political risks in Northeast Asia created by North Korea and a slowdown in foreign investor interest caused falling stock prices to start appearing on TWSE after reaching the peak in the year at 10,854.

On the whole, TWSE, responding to trends in major stock exchanges, delivered a satisfactory performance in both index and volume in 2017. The daily average volume for domestic stocks was NT$136.9 billion, and the average margin trading was NT$215.3 million. TWSE rose by 1,389 points, or 15.01%, compared to the end of 2016. The TPEX rose by 23.34 points, or 18.65% from the end of 2016.

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) Invest in expanding sub-brokerage services while providing futures and other services concurrently.

(4) Investment risks were placed under strict control to avoid losses.

(5) 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.

(6) 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.

(7) Implement more risk management mechanisms and enhance case quality control to reduce application risk.

(8) Improve accessibility to database services and develop trading strategies based on easier, faster access to data.

(9) Establish links between databases, transactions and operating systems and continue to improve overall performance and quality.

(10) Continue to issues call (put) options and increase market share by creative marketing.

(11) 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 expand the team of statistics and data analysis professionals.

(6) Expand the lines of financial products and develop a full range of securities trading services.

(7) Create a full time futures dealer to provide foreign futures 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 2017, Taishin Securities Investment Trust managed NT$70.166 billion of public funds; 26.97% of which were nonmoney market funds while money market funds accounted for approximately 73.03%. Recently operating income for three years listed as shown in the table below.

Unit:NT$ thousand

Year / Items	2015		2016		2017	
	Amount	%	Amount	%	Amount	%
Management fee income	284,094	93.80	286,048	97.48	305,975	96.66
Sales fee income	18,763	6.20	6,843	2.33	4,741	1.50
Service fee income	-	-	555	0.19	5,826	1.84
Total	302,857	100.00	293,446	100.00	316,542	100

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

There are 39 securities investment trust firms in Taiwan. As of the end of December 2017, there were 800 mutual funds, and the total investment was NT$2,318.5 billion. There were 854 discretionary investment services contracts investing a total of NT$1,486.1 billion. There were 52 private equity funds investing a total of NT$33.8 billion.

d. Research and development

Taishin Securities Investment Trust launched the Taishin Silk Road Opportunities High Yield Bond Fund, and issued both accumulation and monthly distributions at the same time in May 2017. Investors may subscribe to the fund in two currencies, TWD and USD. Furthermore, Taishin Securities Investment Trust launched the Taishin MSCI Emerging Countries ETF Fund in August 2017. It launched the Taishin Global Disruptive Innovation in two currencies, TWD and USD, in November 2017. 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 with growth potential to strengthen asset allocation capability and continue to extend brand reach and increase recognition.

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 2017, consulting fee of the Research and Analysis Division accounts for 85% of the company's total revenue, while general agency of the Jupiter Fund generates the remaining 15%.

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 73% of the total sales of the fund, while other channels account for 27%.

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 Holdings. 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

1.Short-term development plan

(1) Support short term business needs of Taishin Holdings and its subsidiaries, supply relevant research reports and information in a timely manner, and increase or adjust the size of research teams as needed.

(2) Develop and strengthen relationships with sales channels on an ongoing basis in order to increase total assets; and introduce new funds suitable in current market conditions as they develop.

2. Long-term development plan

(1) Given Taishin Holdings and its subsidiaries have come to depend more and more on research information when formulating sales and strategy related policies, the research department will follow the long term objectives of Taishin Holdings as a whole and start expanding its organization as well as its scope of business.

(2) Product lines will be expanded by actively pursuing opportunities as a master agent or in bulk transfer.

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. 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.

5. Following the correction of business principles under the FSC letter issued in December 2017, the Company made better use of existing real estate and sold a portion of the holding to realize profits.

6. Following the correction of business principles under the FSC letter issued in December 2017, the Company complied with the government's urban renewal policy, and injected cash into entities carrying out urban renewal projects and handled debt consolidation and advances in urban renewal projects or rebuilding of dangerous old buildings or so-called sea sand buildings.

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 and 2017 after trade volume reaches 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, most property investors have left the real estate market, leaving more opportunities in court-auctioned properties. Meanwhile, anticipation of effects of interest rate hikes in the United States and deteriorating cross-strait relations will start rippling through Taiwan's economy. Reluctant sellers in the housing market will start changing their attitude. Actually lowering profits may push housing prices gradually but steadily down or result in small 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 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.

Given the business principles in August 2015 still imposed quite a number of restrictions, AMCs under financial holding companies kept lobbying the FSC, and the FSC, as a result, amended said business principles again in

December 2017. The new business principles allow investment in government property for sale in addition to real estate made available through court auctions. In addition, to facilitate completion of urban renewal projects in Taiwan, the government now allows AMCs to inject cash into entities carrying out urban renewal projects involving general real estate, instead of only into those involving real estate owned by the same group. Furthermore, AMCs are allowed to handle debt consolidation and advances in urban renewal projects or rebuilding of dangerous old buildings or so-called sea sand buildings.

On the whole, AMCs, looking forward this year, will implement new profit models as they start operating new businesses, and become free of the constraint of having sales of nonperforming loans as the single profit source. Profits will be sure to increase in the future.

d. Research and development: Nil.

e. Short- and long-term business development plans

1. Short-term development plan

(1) Bidding for bad-debt claims

A. Continue handling bad-debt claims purchased from Taishin Bank (for both wholesale banking and retail banking bad debt claims).

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

C. Continue handling of bad-debt claims purchased from Standard Chartered Bank (for both wholesale banking and retail banking bad debt claims)

D. Continue bidding for bad-debt claims with peers in public bidding(for both wholesale banking and retail banking bad debt claims)

E. 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.

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

(2) 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

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.

2. Long-term development plan

(1) Urban renewal and advance services:

Following the correction of business principles under the FSC letter issued in December 2017, the Company complied with the government's urban renewal policy, and injected cash into entities carrying out urban renewal projects and handled debt consolidation and advances in urban renewal projects or rebuilding of dangerous old buildings or so-called sea sand buildings.

(2) Corporate restructuring and consulting services:

Consulting services in restructuring, debt consolidation, and nonperforming loans for nonperforming syndicated loans or companies in financial distress.

Taishin Venture Capital Investment Co., Ltd.

a. Business scope

1. Business contents

Taishin Venture Capital will carry out venture-capital business according to “measures for the scope of and assistances for venture capital business”. 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, specialmedicines, 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 2017 amounted to NT$3,329,034,950.

In 2017, the company earned NT$188,210,000 in revenue and NT$134,073,000 in net profit after tax. The revenue, except for a sum of NT$48,571,000 from disposal of long term investments and dividend income, was affected by the subsidiaries, Taishin Financial Leasing (China) and Taishin Financial Leasing (Tianjin), recognizing an investment gain of NT$138,984,000 using the equity method.

In 2017, the Company continued to invest in Delos Capital Fund, LP, and started investing in Delos Capital Fund II, LP, I.X and Power Master, which totaled NT$109,816,000. The investment projects generated a total cash inflow of NT$86,370,000, which included NT$15,612,000 for disposal of investment, NT$39,106,000 in cash dividends and NT$31,652,000 in refunds from capital reduction.

As at the end of 2017, the company had 26 investees on book.

In 2018, 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 2018, 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

An analysis by the international venture capital market report MoneyTree shows that the global venture capital industry as a whole invested a total of US$114.1 billion in 7,764 projects in the first three quarters of 2017. In terms of YOY growth, the amount rose by 34.87% and the number of projects by 6.47%. The U.S. venture capital industry as a whole was observed to invest a total of US$52.6 billion in 3,702 projects in the first three quarters of 2017. In terms of YOY growth, the amount rose by 8.68%, but the number of projects by 7.01% due to the average investment being significantly higher. The Asian venture capital industry as a whole was observed to invest a total of US$45.7 billion in 1,830 projects in the first three quarters of 2017. In terms of YOY growth, the amount rose by 82.80% and the number of projects by 35.96%. Meanwhile, the venture capital market in Taiwan continued to grow. As of the end of 2016, there were 244 venture capital firms generating an annual growth of 6.55% in Taiwan. The total paid-in capital was NT$148.4 billion at an annual growth of 2.34%. The total annual investment was NT$15.9 billion at an annual growth of 30.33%. The total number of investment projects was 593 for the year at an annual growth of 67.51%. In conclusion, the venture capital industry is growing in Taiwan as well as in other countries.

An investment analysis based on the venture capital firms in Taiwan and the statistics compiled by the Taiwan Venture Capital Association shows the percentages of investment as follows: 32.2% in biotechnology, 27.1% in IT industries, 14.7% in strategic manufacturing, 9.4% in culture and creativity, 7.7% in strategic services, 3.2% in venture capital firms, 2.9% in sophisticated agriculture, 1.6% in green energy, 1.0% in tourism, and 0.3% in others. The percentages were consistent with the government's policy to support "five plus two" industries. The government, by incentives or deregulation, encourages venture capital firms to invest tangible funds or intangible resources to drive industry upgrade and make industries more competitive.

Furthermore, the Securities and Futures Bureau's data show that there were 23 exchange listed companies, 38 OTC listed companies, and 66 emerging OTC listed companies in Taiwan in 2016. Meanwhile, the Taiwan Venture Capital Association's data show that the average percentages of companies entering capital markets on support of venture capital firms are 41.7%, which is divided into 43.5% of exchange listed companies, 39.5% of OTC listed companies, and 42.4% of emerging OTC listed companies. An observation of the capital markets in their present conditions shows that venture capital firms are equipped with a highly effective exit mechanism in the primary markets. It also shows that it would be much more likely for startups with venture capital support to complete exchange/OTC listing applications.

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.

The government's latest policy encourages combined development in the "five plus two" startup industries and the digital economy, which encompass five innovative industries, which are the Asian Silicon Valley project, biomedicine, green energy technology, intelligent machinery, and national defense, and a new agricultural paradigm and a circular economy. Hence, Taishin Venture Capital Investment will assess opportunities in these fields and 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

The short term strategies will be focusing on startups with liquidity in 2 to 3 years and high growth potential, including competitive new drugs, medical equipment, network communications, green energy, and optoelectronics industries in Taiwan or in other countries as well as niche F-listing companies returning to be listed in Taiwan. The plan involves start one to three new investment projects every year, or participating in capital increases under existing projects.

The medium- and long-term strategies are aimed at increasing capital investment in financial leasing subsidiaries in China. Taishin Venture Capital Investment has established Taishin Financial Leasing (China) in Nanjing and Taishin Financial Leasing (Tianjin) in Tianjin. Both operate mainly in equipment financing by financial leasing and auto leasing. As the market expands, more products are developed, and operational efficiency improves, the scale of operation is expected to start rising. In response to the needs of a growing market, Taishin Venture Capital Investment has made plans for capital increases for its leasing subsidiaries to raise the working capital.

The resources and networks of Taishin Holdings in Taiwan and in Greater China as well as its expert knowledge and experience in financial investments and capital markets will be utilized as appropriate to seek and explore sound investment opportunities. Increased synergy within Taishin Holdings and various business relationships among subsidiaries make it possible to satisfy the subsidiaries' needs for financing, underwriting, shareholder affair administration, leasing, and financial consulting. Assistance is provided to help the subsidiaries to set out on a path to success and profits.

B. Cross-line and joint marketing efficacy

The list of Taishin Holdings subsidiaries contains Taishin Bank, Taishin Securities, Taishin Securities Investment Trust, and Taishin Securities Investment Advisory. Taishin Securities had set up and shared points of sale across 101 Taishin Bank branches since May 2010. These shared points of sale conduct cross selling in the branches and are permitted to conduct the following business activities:

a. Securities services:

1. Account opening for securities brokerage business.

2. Agency for sales and redemption of domestic funds.

3. **Installation of terminals for online order placement, allowing investors to place orders with securities firms.**

4. **Acceptance of securities related applications on behalf of third parties.**

b. Futures services:

1. **Account opening for futures brokerage services or futures trading introduction.**

2. **Implementation of an online trading terminal for futures traders to place orders with futures dealers or futures trading introducing brokers.**

3. **Acceptance of futures related applications on behalf of third parties.**

A referral system is in place to provide one-stop services. The number of new securities accounts opened through the referral system showed a 32% YOY increase in 2017.

The business strategy will continue to be customer oriented. Products and distribution channels will be made more aligned with each other in order to satisfy the need for personalization and improve the quality of financial services. The aim is to provide the most suitable products and services when they are needed and achieve optimal synergy in the financial holding group.

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 are16 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 101 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, Tokyo branch and Brisbane 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 2.42%, up by 0.13 percentage point from 2.29% in November 2017. Domestic economic growth will continue to be affected by the global economy and different base periods.

c. Business goals

In 2018, we will engage in all of our business activities in accordance with the principle of "rigorous risk management and aggressive expansion" while supporting government policies and complying with applicable regulations. Our business strategies and plans include: strengthening management of credit, market, and operational risks and ensuring effective compliance with the law and adherence to guidelines and regulations; implementing IT infrastructure, developing FinTech application scenarios, and improving customer satisfaction; engaging in product and service innovations, conducting integrated marketing, expanding our customer base, and increasing customer loyalty; actively seeking overseas expansion and training pioneering and leadership talent for overseas businesses.

d. Favorable and unfavorable factors for development outlook

1. Favorable factors

(1) Wealth Management

- A growing range of big data applications helps with monitoring market trends and understanding customers' needs.

- Technology is utilized to combine virtual channels and real branches, thereby enhancing the advantage in customer relationship management and make the processes more efficient.

(2) Consumer Finance

- The competent authorities have started adopting a more open attitude to FinTech. As a result, the number of products available over the Internet is growing, and so is the number of online customers. Taishin's online loan application platform makes it possible to achieve fast expansion in online loan products and create more exposure for the products.
- The arrival of the big data era means both public information and internal data are growing at an exploding rate. Data analysis makes it possible to lock quickly onto specific customer segments and increase the success rate.
- The government is in favor of financial institutions lending to micro enterprises. There is still room for improvement in terms of Taishin Bank's market share in this area. The bank will continue to try and expand in the business.
- The government has announced the goal to double use of electronic payment services (including credit cards and e-ticketing) from currently 26% to 52% in five years.
- 90% of Taiwan's population own a smartphone. Cellphones have become an essential tool in the everyday life.
- The bank will try to expand in acquiring services for proprietary or micro merchants in order to increase the use of electronic payment services.

(3) Wholesale Banking

- RMB internationalization and financial reform in China will lead to innovations and new products.
- Given the ongoing liberalization and rapid economic growth of Asian emerging markets, there is going to be substantial growth in demand for overseas banking services.
- A wide variety of product related resources and development capabilities in the financial holding group support one-stop financial services for customers.
- The government encourages financial institutions to adopt new technologies and expand overseas, both of which contribute to the scope of business.

(4) Digital Finance business

- Implement effective agile development to enable the bank to launch new financial services ahead of competitors.
- The bank received five new patents in 2017: money saving credit card, login preview, cardless withdrawal, Proximity Transfer, and Easy Transfer. Patented features were actually implemented in the financial services. For example, withdrawal can be made by using a mobile phone and ATM without a real card.

(5) Trust Financial service

- The competent authority is actively supporting the digital finance policy. The younger generations are having more influence and depending more on social media, leading to the growth of automated channels and a higher frequency of self directed investing.
- An increasingly diversified and aging society and policy support will contribute to development of structured trust services.

2. Unfavorable factors

(1) Wealth Management

- Customers at the top of the pyramid are the targeted base for wealth management services. Their needs are complex and unpredictable, making it more challenging to manage the business.

- Competitors are investing more and more resources, such as technology, big data analytics, and data mining, into the area, creating an rapidly rising demand for professional talent and difficulties in recruitment.

(2) Consumer Finance.

- Taiwan's economy is undergoing slow growth with the housing market struggling with adjustments. It is expected that the trend of a growing volume and falling prices in 2017 will continue.
- Financing/Leasing companies try to gain market share with flexible interest rates and loose credit policies in the auto loan market. In addition, fundraising platforms and p2p fundraising are growing with progress in FinTech, making the loan market even more competitive.
- Volatile foreign exchange rates in international markets have a negative effect on exports, and micro businesses are more prone to create credit risk during such volatility due their disadvantages in financial position and scale of operation.
- Margins on the credit card business are falling constantly due to market saturation. Certain competitive products continue to add benefits and discounts.
- A lack of mobile payment integration in Taiwan makes the life cycle of any product shorter. Financial service providers have to invest in more IT and mobile resources than they do in traditional payment services.
- The risk in merchant management increases as the number of competitors increases. Fees appear to be falling due to market competition, which hampers fee income growth.

(3) Wholesale Banking

- An excessively large number of banks and homogeneous competition in Taiwan make it difficult for excess profit to be made on traditional financial products.
- The bank still has only a few branches overseas; its global network remains sub-optimal.
- Financial supervision has become more stringent than ever. All efforts to strengthen compliance and internal control systems present added costs and risks.

(4) Digital Finance business

- The entry barrier to copying financial services is low and the sandbox policy for the banking sector is still in the early stage. There has not been much major development in the area.
- There are currently a large number of payment programs (e.g. NFC, barcode, bluetooth, voice recognition, and biometrics) and the product life cycle is getting shorter. It is not yet clear which will become mainstream in the future, and so more resources have to be invested in IT development and marketing.

(5) Trust Financial service

- Products are highly similar with little differentiation. Competitors continue to open more overseas branches to gain larger market shares.
- The demand for financial professionals will continue to grow while the cost of training and employee turnover will be higher.
- Persistent low oil prices and China's slowing economic growth create unfavorable conditions for international financial markets this year. This year is expected to be a year of low interest rates, low growth, and low inflation. Increased volatility in international financial markets is creating a more challenges in investing.
- Structured trust services cannot be offered without an investment of trained professionals and systems, but generate limited fee income.

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 2017, the company has a total of 17 offices. In addition, the company operates 100 shared points of sale inside Taishin Bank branches across the island, 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 2017 there are 74 headquarters of securities dealers, 851 branches, and 37 securities dealers that have been approved for margin trading and short selling of securities by the Securities and Futures Bureau of the Financial Supervisory Commission of the Executive Yuan.

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.

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 allround 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. The futures brokerage and sub-brokerage services will be strengthened to provide a wider line of services.

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, a fast changing financial market often cause equally fast changing consumer behaviors. Premium quality is the key to success. Taishin Holdings are equipped with extensive resources under various business divisions and similarly extensive networks. The resources can be combined with financial engineering know-hows of the trading department to achieve steady, risk management oriented growth in the scale of operation. Arbitrage algorithms can be utilized to create low risk returns from differential arbitrage and product launch. Clear and rigorously enforced strategies are implemented for markets and market making quality. Big data, financial engineering theories and statistical tools are applied to formulate hedging strategies and 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) Financial engineers more skilled than those employed by competitors can achieve greater speed and accuracy in backtesting and simulation of trading strategies.

(9) Taishin Holdings's large capital base works in favor of expanding the existing niche 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) Risk management in terms of exchange rates and interest spreads will be more costly as the U.S. enters a cycle of balance sheet reduction and rate hikes and international markets face more uncertainties.

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, investing more in overseas wholesale banking offices and establishing OSUs, and collaborating with venture capital firms to expand the underwriting services in Taiwan and in other countries.

(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 26 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 Investment 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, economies are improving across the world and the capital market is heating up as a result. Investment projects are gaining in both number and size. Looking forward to 2018 and given a global economy set on 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. In December 2016, the FSC announced that the maximum percentage of shareholding in venture capital firms for banks would be raised from 5% to 100%. For venture capital subsidiaries under financial holding groups, if only the venture capital subsidiary is involved in the investment project and invests no more than a certain threshold (NT$150 million for investment in five-plus-two industries and cultural and creative industries; or NT$50 million for others), the 15% maximum will not apply. With worldwide recovery and increased capital spending expected in the future, local venture capitalists should undergo yet another wave of growth.

2. Unfavorable factors

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. However, when the economic outlook is relatively positive, startups tend to be overpriced in a heated capital market. As a result, the gap between prices set by investors and those seeking funding is often larger, which actually makes it harder to close investment deals.

D. Employees of Taishin Financial Holdings

a. Employee information

Base date: Feb. 28, 2018

Year		2016	2017	As of Feb 28, 2018
Number of employees	Male	3,341	3,562	3,548
	Female	4,758	5,239	5,219
	Total	8,099	8,801	8,767
Average age		37.3	38.0	38.2
Average years of service		7.7	8.0	8.1
Academic qualification	Doctoral Degree	011%	0.10%	0.10%
	Masters Degree	18.30%	18.36%	18.68%
	Bachelors Degree	74.81%	73.93%	73.83%
	High school	6.63%	7.52%	7.30%
	Below high school	0.15%	0.09%	0.09%
Professional certificates held by employees	Trust-related certificates (including supervisors, managers, and sales)	3,990	4,080	4,060
	Basic internal control certification	3,478	3,543	3,541
	Certificate for property insurance representative	3,491	3,586	3,592
	Investment-linked policy representative	1,772	1,831	1,824
	Life insurance representative	3,752	3,934	3,903
	Futures specialist	545	903	902
	Securities investment analyst	31	36	36
	Senior securities specialist	700	918	921
	Securities investment trust and consulting professional	570	657	651
	Securities investment trust and consulting laws(including professional ethics)	1,913	1,968	1,972

b. Employee training and development

Taishin Financial Holdings has committed resources into talent training to ensure sustainability and growth. In 2017, the company had completed more than 362,000 training sessions across the entire organization, averaging 57 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."

Furthermore, a number of digital banking and language courses were provided in 2017 in support of the trends in FinTech and the company's overseas expansion strategies.

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.

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 employ-

ee 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

Taishin Holdings, as a financial institution, is devoted to fulfilling its corporate social responsibility. It coordinates and combines resources from its subsidiaries, and has for years been offering support in four areas, which are charities, arts and culture, sport sponsorship, and financial education. As a responsible corporate citizen, Taishin Holdings tries to give back to the community and to support the disadvantaged.

a. Charity and Welfare

1. "Caring Taiwan" series

Taishin Holdings 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.

In 2008, the "Caring Taiwan" Project extended its reach into rice production in Taiwan. To ensure the continuity of Taiwan's agriculture and the population's access to 100% locally grown rice, Taishin Holdings and PayEasy.com created an innovative platform for the production and marketing of Taiwanese rice. The programs "My One Acre of Farm" for corporations and "My Family's One Acre of Farm" for households helped bring Taiwanese rice into households. They not only provided healthy choices for consumers, but generated income for rice farmers, which in turn created more jobs on rice farms in Taiwan. In total, Taishin Holdings purchased more than 145 units and funded close to 72 hectares of paddy field. It gave away more than 70,000 rice gift boxes, and as a result, more than 10,000 clients and employees consumed close to 253,000kg of premium Taiwanese rice. The total investment reached NT$25.89 million, which benefited rice farmers and provided excellent advertising for Taiwanese rice.

2. Power of love

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 "Power 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. Taishin supports diversity and a wide range of issues. For the 8th annual event, it invited its charity partners, including "Yueh-Lan Wang Charitable Foundation", "Our City Love Social Enterprise", "Advantech Foundation", "Chunghwa Telecom Foundation", "Vision Project", "Doers Cultural and Educational Foundation", "Welfare Organization for the Elderly", and Sinyi Charity Foundation, to join the effort to provide assistance in social welfare as well as culture and education, digital learning, cultural and creative social enterprises, and agricultural social enterprises. "Assistive technology social enterprises" and "senior communities" were also included in 2017 to provide physiotherapy and healthcare for the elderly and meet the challenges of an aging society.

The 8th "Power of Love" event received overwhelming response. In addition to charity partners, the event also received donations from Taishin managers, employees, clients, and the general public. The fund contributed more than NT$27.36 million, and a total of 662 organizations benefited from the donations over the eight years. The charity fund has reached a cumulative total of NT$135.56 million. In addition to running the “Power of love” campaign, Taishin Charity Foundation has also reached out using the network to partners who were willing to provide resources to the cause. A series of extension events were organized. They included Financial Education Camp, festive gift boxes in support of charitable causes, Charity Art Programs, Power of Love Workshop, Minority Project, Campus Charity, and matching resources to needs, and try to match them with resources available in the society to become self-dependent.

b. Arts and Culture Development

1. Contemporary 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. Now in its 15th year, the foundation has produced 52 arts award winners. The award not only plays an important role in recognizing professional artists in Taiwan, but also strives to connect contemporary artists in Taiwan and the rest of the world. Furthermore, we take advantage of the open space in the main lobby on the ground floor of Taishin headquarter by organizing regular contemporary art exhibits since 2006. These exhibits turns Taishin into an ideal venue for customers, members of the community, and employees to enjoy art. A total of 51 exhibits were organized in 2017. A professional website was built to help promote contemporary art. It received 57,267 visitors in 2017. All enticed the audience to reflect on different aspects of contemporary art.

2. Public art

To encourage communication and exchange among artists, the Taishin Bank Foundation for Arts and Culture created the online commentary platform, ARTalks, in 2013. Artists are able to use the website to advertise their works and release news; and members of the public are able to use the website to find information on art exhibits and send messages to interact with the artists and with each other. Since its launch, the website has received more than 1.8 million visitors as of the end of 2017, suggesting a success in extending the reach of art outside the elite class and into the life of an average person. The Friday Noon Concerts, which started in 2006, take place 23 to 25 times a year. As a medium to introduce music in to the community and into the relationships with clients and customers, the concerts welcomed close to 7,000 people a year in the last three years. For years, Taishin has been providing sizable sponsorships for arts and cultural events in Taiwan and abroad. It has invested close to NT$200 million in this area since 2006. In addition to trying to secure charity seats for members of minority groups in various events, which benefited close to 2,000 people in total, Taishin works hard to combine CRM events and charities in order to invite more people to join the campaign and learn to appreciate art. The total spending on art and culture campaigns was NT$9.75 million in 2017.

c. Sports sponsorship

Taishin is a long term supporter of sports. It started supporting the Nantou Teenage Karate Team in 2008 (calling upon its customers through PayEasy, one of its affiliates, to join the campaign and raising more than NT$80 million in small donations/receipts).

The women’s golf sponsorship reaching NT$100 million in 2011 Taishin expanded the scope of its support for the first time in 2017 by extending its sponsorship to include basketball and baseball projects. Meanwhile, Taishin sponsored the World University Games in summer 2017. It worked with the Department of Social Welfare of Taipei City Government and used its entire sponsorship to invite 24,000 members of various social welfare

organizations to attend the event in order to encourage more people to participate in the event. We follow the same strategy that facilitates a virtuous circle of charity and sport as did our predecessors. Projects are always executed in a manner that would involve certain charitable causes as much as possible in order to reach the ultimate goal of the strongest support with the farthest reach.

d. Academic exchange

Taishin is always keen to get involved in major academic communities with the hope that through communications and exchanges between industry professionals, government officials, and academics sound development of Taiwan's financial sector and the financial market as a whole can be facilitated. To encourage cross strait exchange between top performing students, we have signed a memorandum of understanding (MOU) with Guanghua School of Management, Peking University and created the "Peking University Cross-strait Academic Fund" in 2012. The two institutions have been arranging academic and practical exchanges on a yearly basis. In 2017, the topic of discussion was "digital transformation of traditional branches". The project has successfully invited 48 professors and students from Peking University to engage and share their ideas with their counterparts in Taiwan.

Regarding industry-academia cooperation, we, since 2002, have been working with a number of universities, technology institutions and vocational schools to design industry-academia cooperation programs that would provide professional training outside school and internship. In 2017, we provided internship opportunities for 377 students and 300 jobs.

In response to the growing popularity of FinTech, we have launched internship programs in fields such as digital banking, data mining, data analysis, and FinTech development in order to identify talent in an early stage.

Furthermore, Taishin continued to sponsor finance related academic activities. It sponsored 10 events in 2017 for a total of NT$1.6 million in sponsorship.

e. 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.

In 2017, in addition to continuing increase compliance with the ISO50001 energy management system and the ISO14064-1 greenhouse gas inventory system, Taishin installed high performance flow controllers in the air conditioning system in Renai Building and replaced dated air conditioning units and UPS equipment for server rooms in 5 branches. Moreover, Taishin followed the government's policy and replaced existing light bulbs with LED light bulbs to improve performance and achieve energy efficiency and environmental conservation. In 2018, Taishin will continue with the policy to promote ISO14064-1 implementation in all of its branches in Taiwan and support the ongoing development of ISO14001 environmental management system and sustainable corporate governance.

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)	
2017	2016	2017	2016
7,320	7,007	1,214	1,196

G. IT equipment

a. Key information technology systems

Item number	System name	Hardware	Software	Name of service
1	NT$ core system (B@NCS)	◆ HP Superdome2	◆ HP-UX ◆ ORACLE	◆ B@NCS NT$ application system ◆ B@NCS NT$ reports system ◆ General ledger
2	ATM front end processor (FEP)	◆ IBM P750	◆ IBM AIX ◆ IBM MQ	◆ ATM front end processor system ◆ Clearing system
3	Integrated database system (ODS)	◆ HP BL870C ◆ HP BL890C	◆ 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 ◆ X86 Server	◆ Solaris ◆ Weblogic ◆ ORACLE	◆ NT$/foreign currency transaction inquiries, funds, trust services, credit cards, insurance, shares
6	Digital banking system	◆ IBM S822 ◆ IBM S814 ◆ X86 Server	◆ IBM AIX ◆ Weblogic ◆ ORACLE	◆ Richart digital banking ◆ E-wallet system ◆ OTP electronic platform
7	Corporate banking network (B2B)	◆ IBM P570	◆ IBMAIX ◆ IBMWebsphere ◆ ORACLE	◆ Corporate banking portal inquiries, NT$/ foreign currency transactions, collections (ACH/ convenience stores/post office), real- time batch transfers, gift voucher delivery guarantee, Cash Deposit Machine(coins- acceptable)
8	Trust Investment Platform system (TIPS)	◆ IBM X86Server	◆ MS Windows ◆ MS SQL	◆ A trading system for funds, ETF, offshore structured instruments, offshore bonds, ADR, and preferred shares
9	Credit card merchant acquiring system (NCPS)	◆ IBM S814 ◆ IBM S822	◆ IBM AIX ◆ ORACLE	◆ Merchant acquisition of credit card transactions
10	Foreign currency system (WBS)	◆ IBM S814 ◆ IBM S822 ◆ IBM P6-550	◆ 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 RX2800 ◆ HP RP4440 ◆ Oracle T4-1 ◆ racle S7-2	◆ Solaris ◆ HP/Unix ◆ Weblogic ◆ SOA/UCM	◆ 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

Item number	System name	Hardware	Software	Name of service
12	Factoring management system (OAEFB)	◆ IBM P710	◆ IBM AIX ◆ Oracle ◆ IBM ebsphere	◆ Accounts receivable system
13	Trade finance system (Murex)	◆ Oracle SUN X3-2 ◆ Oracle SUN X5-2	◆ 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	◆ 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 P710	◆ 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 P720	◆ 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
20	Brisbane wholesale banking system (AUWBS)	◆ IBMP720	◆ IBM AIX ◆ Weblogic ◆ Oracle	◆ Limit control, guarantor and collateral management ◆ Import/Export/Loans/Deposits/Remittance

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 - Hong Kong Branch 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 transations.
8. Upgrade the customer credit risk assessment system for more effective control over customers' default risks.
9. Continue to replace network equipment and firewalls in IT centers and various buildings to improve network performance and security.
10. Continue to implement network access control (NAC) to enhance network access control and prevent unauthorized connections.

11. Acquire new ATM models and replace outdated equipment. Offer services such as foreign currency withdrawals and inter-bank cash deposits.
12. Continuous replacement and upgrade of customer service system; implement local and off-site support; improve efficiency and service capability of customer service personnel.
13. The operational data store (ODS) and data warehouse (DW) system are enhanced to build a high stability system.
14. The wholesale banking network is extended to include connection by mobile device.
15. Build a new credit card information system with an open structure in anticipation of new types of businesses and technological advancement in the future.
16. Implement review of wholesale banking service application and review of new credit card application in the system. Establish an offsite recovery system for the image processing and management system to provide a stable system that ensures business as usual.
17. Build a platform for high net worth clients in other countries.
18. Launch the 5-in-1 system service enhancement project for trust asset utilization and management systems.
19. Complete the project that will enhance the smart welcome system in branch and the queue management system.

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. Install distributed denial-of-service (DDoS) attack prevention mechanisms so that all network traffic will be filtered through DDoS protection to ensure proper functioning of Taishin Bank's network.
11. Install double advanced persistent threat (APT) detection mechanisms that are capable of detecting unknown attacks and preventing hacker attacks on internal trading systems.

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

Pursuant to the laws and regulations, the company, on July 1, 2005, started making monthly contributions at 6% of basic monthly salary into personal pension accounts for new employees and existing employees who have opted for the new pension plan under the Labor Pension Act. Meanwhile, the company also allocates an adequate reserve for benefits under the old pension plan to the pension plan account at the Bank of Taiwan for existing employees who are covered by the old pension plan under the Labor Standards Act and for the years of service that existing employees, who have opted for the new pension plan, choose to keep under the old pension plan. The company will allow employees who are reassigned to affiliated enterprises to continue to accumulate their years of service in order to provide better protection and ensure the success of talent rotation. Overseas subsidiaries are covered by defined contribution plans. Monthly contributions to social security programs, such as old age pension and health care, are made in accordance with local regulations.

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 the subsidiaries, Taishin Bank and Taishin D. A. Finance, for results of labor inspections, which included violations of Article 24, Article 30, Paragraph 5, and Article 70 of the Labor Standards Act, respectively. The subsidiaries were fined a total of NT$120,000.

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.	2016.04.01~2018.03.31	Credit card information system and outsourced data processing	None
Procurement contract	CyberSoft Digital Services Corp.	2015.06.25~2019.03.31	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.	2016.10.01~2022.06.30	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.

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Financial Status

VI. Financial Status

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

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

Unit: NT$1,000

Item \ Year		Financial data in the recent five years (Note 2)				
		2013	2014	2015	2016	2017
Cash and cash equivalents due from the Central Bank and call loans to banks		185,669,402	57,586,123	69,091,364	97,172,542	78,867,310
Financial assets at fair value through profit and or loss		102,817,889	83,294,027	119,742,250	89,814,395	106,153,738
Available-for-sale financial assets		251,947,289	244,249,053	290,124,810	302,421,489	307,885,507
Derivative financial assets for hedging		62,494	0	0	0	0
Securities purchased under resell agreements		9,470,428	273,345	2,978,852	5,340,360	7,615,565
Receivables, net		107,590,190	100,310,417	104,718,618	113,258,142	135,089,033
Current tax assets		1,759,870	353,421	389,782	534,816	357,417
Assets held for sale, net		0	0	0	0	0
Loans, net		1,845,715,026	805,752,729	834,605,345	877,317,379	959,618,741
Reinsurance contract assets		0	0	0	0	0
Held-to-maturity financial assets		228,942,921	2,540	5,110	6,126	6,095
Investments accounted for using the equity method, net		221,229	32,660,984	34,986,174	36,822,426	38,521,283
Restricted assets		0	0	0	0	0
Other financial assets, net		47,507,842	12,131,204	11,074,488	14,051,576	11,718,711
Property and equipment, net		41,530,667	17,958,823	18,234,698	18,514,420	19,143,108
Investment property, net		11,808,520	922,355	891,781	866,065	769,694
Intangible assets, net		21,563,628	2,001,997	2,022,001	2,200,915	2,283,808
Deferred tax assets, net		7,809,571	4,154,618	3,517,778	2,950,676	2,480,967
Other assets		6,569,720	21,301,742	27,847,591	15,714,400	7,009,339
Total assets		2,870,986,686	1,382,953,378	1,520,230,642	1,576,985,727	1,677,520,316
Due to the Central Bank and banks		176,662,165	56,003,848	64,689,878	46,966,461	64,252,429
Funds borrowed from the Central Bank and banks		0	0	0	0	0
Financial liabilities at fair value through profit or loss		16,237,369	34,921,514	49,915,794	35,815,311	18,467,718
Derivative financial liabilities for hedging		0	0	0	0	0
Securities sold under repurchase agreements		37,932,722	69,724,492	80,211,187	70,108,624	76,695,065
Commercial paper issued		0	649,389	2,672,740	8,537,889	15,298,649
Payables		46,370,940	22,598,658	21,115,147	30,162,981	29,096,110
Current tax liabilities		4,248,028	1,699,781	625,188	1,123,810	1,464,131
Liabilities directly associated with assets held for sale		0	0	0	0	0
Deposits and remittances		2,250,576,346	965,328,658	1,040,466,391	1,104,139,089	1,194,493,789
Bonds payable		90,322,818	55,000,000	75,000,000	75,000,000	64,400,000
Preferred stock liabilities		0	0	0	0	0
Other financial liabilities		35,090,818	58,979,710	56,635,336	51,606,593	51,703,941
Reserve for liabilities		4,422,703	794,014	1,020,107	1,165,486	1,485,384
Deferred tax liabilities		6,711,208	83,945	57,347	127,762	96,839
Other financial liabilities		4,422,327	2,985,066	2,861,598	3,356,087	4,744,152
Total liabilities	Pre-payout	2,672,997,444	1,268,769,075	1,395,270,713	1,428,110,093	1,522,198,207
	Post-payout	2,677,390,268	1,270,564,881	1,400,458,320	1,433,706,885	(Note 1)
Equity attributable to owners of parent		111,131,587	114,058,414	124,829,618	148,751,140	155,188,265
Capital stock	Pre-payout	82,548,070	95,780,609	95,855,246	103,825,072	107,757,589
	Post-payout	90,535,078	95,780,609	102,271,657	107,937,968	(Note 1)
Capital surplus	Pre-payout	9,478,327	10,640,840	10,220,503	27,132,585	26,453,556
	Post-payout	9,478,327	10,205,349	10,220,503	27,132,585	(Note 1)
Retained earnings	Pre-payout	18,160,507	7,292,136	18,825,174	18,051,306	21,103,712
	Post-payout	5,780,675	5,931,821	7,221,156	8,341,618	(Note 1)
Other equity		944,683	344,829	-71,305	-257,823	-126,592
Treasury shares		0	0	0	0	0
Non-controlling interest		86,857,655	125,889	130,311	124,494	133,844
Total equity	Pre-payout	197,989,242	114,184,303	124,959,929	148,875,634	155,322,109
	Post-payout	193,596,418	112,388,497	119,772,322	143,278,842	(Note 1)

Note 1: Proposal for the coverage of 2017 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 2013 -2015 financial statements are certified by CPAs QinZhen Yang and Tza Li Gung, who issued auditing report for their authenticity without reservation. The 2016-2017 financial statement is certified by CPAs Tza Li Gung and Kwan-Chung Lai, who issued auditing report for their authenticity without reservation.

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

Item \ Year	Financial data in the recent five years (Note2				
	2013	2014	2015	2016	2017
Interest income	50,532,658	55,785,260	29,509,687	29,082,391	30,621,256
Interest expenses	(19,252,887)	(22,087,679)	(11,712,867)	(11,078,256)	(11,886,687)
Net interest income	31,279,771	33,697,581	17,796,820	18,004,135	18,734,569
Net income other than net interest income	24,547,462	10,942,105	19,711,007	18,147,270	19,067,332
Net revenue and gains	55,827,233	44,639,686	37,507,827	36,151,405	37,801,901
Reversed allowance for bad debts expenses and guarantee liability provisions	546,409	750,255	(2,818,084)	(3,350,119)	(1,851,058)
Net change in provisions for insurance liabilities	0	0	0	0	0
Operating expenses	(30,970,190)	(32,221,529)	(19,793,219)	(19,831,493)	(21,141,214)
Income before income tax from continuing operations	25,403,452	13,168,412	14,896,524	12,969,793	14,809,629
Income tax (expense) benefit	(4,829,829)	(3,520,673)	(1,670,433)	(1,577,360)	(1,739,463)
Net income from continuing operations	20,573,623	9,647,739	13,226,091	11,392,433	13,070,166
Net income from discontinued operations	0	0	0	0	0
Consolidated net income	20,573,623	9,647,739	13,226,091	11,392,433	13,070,166
Other comprehensive income, net of tax	(1,958,354)	(325,670)	(744,461)	(453,287)	(107,224)
Total comprehensive income	18,615,269	9,322,069	12,481,630	10,939,146	12,962,942
Net income attributable to owners of parent	13,836,248	1,624,376	13,222,544	11,399,434	13,060,662
Net income attributable to non-controlling interests	6,737,375	8,023,363	3,547	(7,001)	9,504
Total comprehensive income attributable to owners of parent	12,326,139	911,607	12,477,225	10,944,967	12,953,592
Total comprehensive income attributable to non-controlling interests	6,289,130	8,410,462	4,405	(5,821)	9,350
Earnings per common share	1.40	0.07	1.24	1.09	1.15

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 2013 -2015 financial statements are certified by CPAs QinZhen Yang and Tza Li Gung, who issued auditing report for their authenticity without reservation. The 2016-2017 financial statement is certified by CPAs Tza Li Gung and Kwan-Chung Lai, 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					
				2013	2014	2015	2016	2017	Financial data for current year as of Feb. 28, 2018
Management capability	Turnover rate of total assets (times)			0.02	0.02	0.03	0.02	0.02	(Note 3)
	Deposit/loan ratio of Taishin Bank (%)			80.90	83.81	81.30	80.07	81.32	
	Deposit/loan ratio of Chang Hwa Bank (%)			84.23	-	-	-	-	
	NPL ratio of Taishin Bank (%)			0.15	0.14	0.13	0.26	0.22	
	NPL ratio of Chang Hwa Bank (%)			0.32	-	-	-	-	
	Revenue per employee			4,031	2,833	4,601	4,423	4,257	
	Profit per employee			1,486	206	1,622	1,394	1,472	
Profit-making capability	Return on assets (%)			0.73	0.45	0.91	0.74	0.80	
	Return on common shareholders' equity (%)			14.19	0.73	11.78	9.58	9.61	
	Net profit rate (%)			36.85	21.61	35.26	31.51	34.58	
	Earning per share (NT$)			1.40	0.07	1.24	1.09	1.15	
Financial Structure	Liabilities/assets ratio (%)			93.10	91.74	91.78	90.56	90.74	
	Liabilities/book value ratio (%)			1350.07	1111.16	1116.57	959.26	980.03	
	Double leverage ratio of the financial holding company (%)			115	109	108	111	113	
	Financial ratio of the financial holding company according to article 41 of the law			None	None	None	None	None	
Leverage extent	Business leverage extent			2.20	3.39	2.52	2.79	2.55	
	Financial leverage extent of financial holding company			1.03	1.31	1.04	1.04	1.04	
Growth rate	Assets growth (%)			5.27	(51.83)	9.93	3.73	6.38	
	Profit growth (%)			22.92	(48.16)	13.12	(12.93)	14.19	
Cash flow	Cash flow ratio (%)			(10.50)	(3.75)	(9.35)	8.45	8.27	
	Propriety ratio of cash flow (%)			162.87	51.51	(33.81)	21.33	(56.01)	
	Cash-flow satisfaction ratio (%)			4835.98	5.30	1959.74	(904.19)	(306.50)	
Business scale	Market share of assets (%)			5.37	4.63	4.63	5.04	4.82	
	Market share of book value (%)			4.95	4.31	4.42	4.90	4.71	
	Market share of Taishin Bank's deposit (%)			2.90	3.02	3.03	3.13	3.22	
	Market share of Chang Hwa Bank's deposit (%)			4.52	-	-	-	-	
	Market share of Taishin Bank's loan extension (%)			3.01	3.28	3.32	3.40	3.59	
	Market share of Chang Hwa Bank's loan extension (%)			4.89	-	-	-	-	
Capital Adequacy	Capital adequacy ratio	Taishin Bank		10.94	11.01	12.49	14.21	14.23	
		Chang Hwa Bank		11.11	-	-	-	-	
		Taishin Security		424	496	452	404	418	
		Taishin AMC		88.74	84.42	87.61	86.33	86.94	
		Taishin Securities Investment Trust		91.33	90.89	90.28	89.22	90.04	
		Taishin Securities Investment Advisory		93.75	93.17	93.95	94.02	93.58	
		Taishin Venture Capital		99.89	99.90	96.82	91.45	89.21	
		Taishin Holdings Insurance Brokers		77.85	70.28	70.29	-	-	
	Eligible self-owned capital			224,391,885	115,890,595	143,458,486	169,318,748	174,779,716	
	Group's eligible capital			116,028,828	140,091,194	158,536,344	177,446,837	186,506,222	
	Subsidiary's statutory capital requirement			160,767,234	81,695,691	90,472,582	101,764,953	111,343,687	
	Group's statutory capital requirement			90,736,937	114,175,677	125,097,968	138,109,590	149,361,020	
	Group's capital adequacy ratio (%)			127.87	122.70	126.73	128.48	124.87	
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)				953,326 (Note 2)	370,659 (Note 2)	454,108 (Note 2)	476,347 (Note 2)	532,089 (Note 2)	

(Continued)

Item \ Year	Financial Analysis in the recent five years					
	2013	2014	2015	2016	2017	Financial data for current year as of Feb. 28, 2018
Describe reasons for changes in various financial ratios in the recent two years (No need of analysis for change under 20%): (1) Increase in assets growth ratio as at December 31, 2017 over December 31, 2016 was mainly due to higher discount and increased lending. (2) Increase in profit growth ratio as at December 31, 2017 over December 31, 2016 was mainly due to a higher pre-tax net profit. (3) Decrease in cash flow adequacy ratio as at December 31, 2017 over December 31, 2016 was mainly due to increased net cash inflows from operating activities. (4) Increase in cash flow satisfaction ratio as at December 31, 2017 over December 31, 2016 was mainly due to increased net cash outflows from investment activities.						

Note 1: All 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 2018 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 banning subsidiary's deposit=Total deposits/total deposits of financial institutions capable of undertaking deposit/ loan business
   (4) Market share of banking subsidiary's loan extension=Total loans /total deposits of financial institutions capable of undertaking deposit/ loan business
8. BIS ratio (capital adequacy ratio)
   (1) Qualified net capital of the group=financial holding company's qualified capital+ (shareholding ration of financial holding company x qualified capital of subsidiaries)-designated deductible items
   (2) Total required legal capital of the group=required legal capital of financial holding company+sharedholding ratio of financial holding company x required legal capital of subsidiaries
   (3) BIS ratio of the group=Net qualified capital of the group/legal capital requirement of the group

C. The Audit committee Report

Taishin Financial Holding Co., Ltd.

Audit Committee Report

May. 4, 2018

The board of directors has prepared the 2017 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 theCompany Act.

To:

Taishin Financial Holding Co., Ltd. 2018 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 Holding") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, 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, 2017 and 2016, 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 Futures Commission Merchants, 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, 2017. 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, 2017:

Impairments of Loans and Receivables

One of core businesses of the Group is credit granting business. Loans and receivables are significant accounts because they accounted for 65% of the Group's total assets at December 31, 2017. The Group assesses loans and receivables 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 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 receivables 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.

Business Combination

As mentioned in Note 41 and in order to expand the scale of its securities business and effectively utilize resources, Taishin Securities B acquired 100% equity interest of Tachong Securities Co., Ltd. ("Tachong Securities") and Tachong Venture Capital Co., Ltd. ("Tachong Venture Capital"), originally a subsidiary of Tachong Securities, by the cash consideration transferred in the amount of $4,230,932 thousand on August 28, 2017. After completing the merger, the surviving company is Taishin Securities B and Tachong Securities was dissolved accordingly. The gain from bargain purchase of the business combination recognized for the year ended December 31, 2017 was $106,747 thousand. The related accounting policies, critical accounting estimates and judgment on the business combination are disclosed in Note 5 and Note 6 to the consolidated financial statements. We considered the acquisition transaction as a significant event of the Group this year. The gain from bargain purchase was measured based on the fair value assessment of acquired company's identifiable assets acquired and liabilities assumed as provided in the purchase price allocation report. Because the valuation methods and related assumptions used in the preparation of the purchase price allocation report ("PPAR") involved critical management judgments and accounting estimations, we considered the recognition of the business combination as a key audit matter.

We obtained the business combination agreement and checked the supporting documents of acquisition price, reviewed and tested accounting treatments of fair value recognition of assets and liabilities at acquisition-date in accordance with IFRS 3 "business combination". We evaluated the qualification of the external experts engaged by Taishin Securities B. We also reviewed the PPAR issued by the external experts and tested on a sample basis to assess the appropriateness of the valuation methods and relevant assumptions used for evaluating the fair value of identifiable assets acquired and liabilities assumed of Tachong Securities and its subsidiary in the PPAR. Moreover, we recalculated the amount of the gain from bargain purchase of the transaction.

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 Futures Commission Merchants, 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 audit committee, 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, 2017 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 22, 2018

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, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	Amount	%	Amount	%
Cash and cash equivalents (Notes 5 and 7)	$ 22,034,918	1	$ 20,274,849	1
Due from the Central Bank and call loans to banks (Note 8)	56,832,392	4	76,897,693	5
Financial assets at fair value through profit or loss (Notes 5 and 9)	106,153,738	6	89,814,395	6
Available-for-sale financial assets, net (Notes 5, 10 and 31)	307,885,507	18	302,421,489	19
Securities purchased under resell agreements (Note 5)	7,615,565	1	5,340,360	1
Receivables, net (Notes 5, 11 and 12)	135,089,033	8	113,258,142	7
Current tax assets (Notes 5 and 38)	357,417	-	534,816	-
Loans, net (Notes 5, 6 and 12)	959,618,741	57	877,317,379	56
Held-to-maturity financial assets, net (Notes 5 and 13)	6,095	-	6,126	-
Investments accounted for using the equity method, net (Notes 5 and 14)	38,521,283	2	36,822,426	2
OTHER FINANCIAL ASSETS, NET				
Financial assets carried at cost, net (Note 15)	3,006,159	-	2,756,335	-
Other miscellaneous financial assets, net (Notes 12 and 16)	8,712,552	1	11,295,241	1
Other financial assets, net	11,718,711	1	14,051,576	1
Investment property, net (Notes 5 and 17)	769,694	-	866,065	-
Property and equipment, net (Notes 5 and 18)	19,143,108	1	18,514,420	1
Intangible assets, net (Notes 5 and 19)	2,283,808	-	2,200,915	-
Deferred tax assets (Notes 5 and 38)	2,480,967	-	2,950,676	-
Other assets, net (Note 20)	7,009,339	1	15,714,400	1
TOTAL	$ 1,677,520,316	100	$ 1,576,985,727	100

(Continued)

LIABILITIES AND EQUITY	2017 Amount	2017 %	2016 Amount	2016 %
Due to the Central Bank and banks (Note 21)	$ 64,252,429	4	$ 46,966,461	3
Financial liabilities at fair value through profit or loss (Notes 5 and 9)	18,467,718	1	35,815,311	2
Securities sold under repurchase agreements (Note 5)	76,695,065	5	70,108,624	4
Commercial papers issued, net (Note 22)	15,298,649	1	8,537,889	1
Payables (Note 23)	29,096,110	2	30,162,981	2
Current tax liabilities (Notes 5 and 38)	1,464,131	-	1,123,810	-
Deposits and remittances (Note 24)	1,194,493,789	71	1,104,139,089	70
Bonds payable (Note 25)	64,400,000	4	75,000,000	5
Other borrowings (Note 26)	10,315,076	1	7,485,844	1
Provisions (Notes 5 and 27)	1,485,384	-	1,165,486	-
Other financial liabilities (Note 28)	41,388,865	2	44,120,749	3
Deferred tax liabilities (Notes 5 and 38)	96,839	-	127,762	-
Other liabilities (Note 29)	4,744,152	-	3,356,087	-
Total liabilities	1,522,198,207	91	1,428,110,093	91
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Note 31)				
Capital stock				
Common stock	99,842,620	6	95,130,986	6
Preferred stock	7,900,547	-	8,625,684	-
Advance receipts for capital stock	14,422	-	68,402	-
Capital surplus	26,453,556	2	27,132,585	2
Retained earnings				
Legal reserve	7,838,803	-	6,755,788	-
Special reserve	502,815	-	465,368	-
Unappropriated earnings	12,762,094	1	10,830,150	1
Other equity				
Exchange differences on translation of foreign financial statements	(463,546)	-	(168,382)	-
Unrealized gains (losses) on available-for-sale financial assets	336,973	-	(89,441)	-
Changes of amount from credit default designated as financial liability at fair value through profit or loss	(19)	-	-	-
Equity attributable to owners of parent	155,188,265	9	148,751,140	9
NON-CONTROLLING INTERESTS	133,844	-	124,494	-
Total equity	155,322,109	9	148,875,634	9
TOTAL	$ 1,677,520,316	100	$ 1,576,985,727	100

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

(Concluded)

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	2017		2016	
	Amount	%	Amount	%
INTEREST INCOME (Notes 5 and 32)	$ 30,621,256	81	$ 29,082,391	81
INTEREST EXPENSES (Note 32)	(11,886,687)	(31)	(11,078,256)	(31)
NET INTEREST INCOME (Note 32)	18,734,569	50	18,004,135	50
NET INCOME OTHER THAN NET INTEREST INCOME (Note 5)				
Net service fee and commissions income (Note 33)	11,510,076	30	11,011,010	30
Gain on financial assets and liabilities at fair value through profit or loss (Note 34)	3,219,009	9	3,261,365	9
Realized gain on available-for-sale financial assets (Note 35)	458,002	1	287,547	1
Foreign exchange gains (losses)	399,465	1	25,821	-
Impairment loss on assets (Notes 15 and 19)	(38,939)	-	(23,830)	-
Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 14)	2,764,943	7	2,768,976	8
Net other non-interest income				
Gains from bargain purchase (Note 41)	106,747	-	-	-
Net other miscellaneous income	648,029	2	816,381	2
Net income other than net interest income	19,067,332	50	18,147,270	50
NET REVENUE AND GAINS	37,801,901	100	36,151,405	100
(PROVISIONS) REVERSED ALLOWANCE FOR BAD DEBT EXPENSES AND GUARANTEE LIABILITY (Notes 5 and 12)	(1,851,058)	(5)	(3,350,119)	(9)
OPERATING EXPENSES				
Employee benefits expenses (Note 36)	(12,163,656)	(32)	(11,312,362)	(31)
Depreciation and amortization expenses (Note 37)	(1,067,232)	(3)	(1,005,596)	(3)
Other general and administrative expenses	(7,910,326)	(21)	(7,513,535)	(21)
Total operating expenses	(21,141,214)	(56)	(19,831,493)	(55)
INCOME BEFORE INCOME TAX	14,809,629	39	12,969,793	36
INCOME TAX EXPENSE (Notes 5 and 38)	(1,739,463)	(5)	(1,577,360)	(5)
NET INCOME	13,070,166	34	11,392,433	31
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	(191,918)	-	(266,193)	(1)
Share of other comprehensive loss of associates and joint ventures accounted for using equity method	(78,779)	-	(46,247)	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	32,223	-	45,671	-

(Continued)

	2017		2016	
	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	(12,373)	-	(116,221)	-
Unrealized loss on available-for-sale financial assets	295,094	1	114,462	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(126,615)	(1)	(198,644)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(24,856)	-	13,885	-
Other comprehensive income (loss), net of tax	(107,224)	-	(453,287)	(1)
TOTAL COMPREHENSIVE INCOME	$ 12,962,942	34	$ 10,939,146	30
NET INCOME ATTRIBUTABLE TO:				
Owners of parent	13,060,662	34	11,399,434	31
Non-controlling interests	9,504	-	(7,001)	-
	$ 13,070,166	34	$ 11,392,433	31
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of parent	$ 12,953,592	34	$ 10,944,967	30
Non-controlling interests	9,350	-	(5,821)	-
	$ 12,962,942	34	$ 10,939,146	30
EARNINGS PER SHARE (Note 39)				
Basic	$ 1.15		$ 1.09	
Diluted	$ 1.15		$ 1.09	

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

(Concluded)

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent					
	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, 2016	$ 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	95,130,986	8,625,684	68,402	24,776,589	2,075,475	280,521
Appropriation of 2016 earnings						
Legal reserve	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-
Stock dividends	4,112,896	-	-	-	-	-
Special reserve under Order No. 1010012865 issued by the FSC	-	-	-	-	-	-
Net income for the year ended December 31, 2017	-	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2017, net of tax	-	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	-
Redemption of preferred stock D	-	(725,137)	-	(614,596)	-	-
Share-based payments	598,738	-	(53,980)	44,880	-	(109,313)
BALANCE AT DECEMBER 31, 2017	$ 99,842,620	$ 7,900,547	$ 14,422	$ 24,206,873	$ 2,075,475	$ 171,208

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

Equity Attributable to Owners of the Parent							
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	Effects of Changes from Credit Default Designated as Financial Liability at Fair Value	Non-controlling Interests	Total Equity
$ 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
-	-	-	-	-	-	4	177,735
6,755,788	465,368	10,830,150	(168,382)	(89,441)	-	124,494	148,875,634
1,083,015	-	(1,083,015)	-	-	-	-	-
-	-	(5,026,874)	-	-	-	-	(5,026,874)
-	-	(569,918)	-	-	-	-	(569,918)
-	-	(4,112,896)	-	-	-	-	-
-	37,447	(37,447)	-	-	-	-	-
-	-	13,060,662	-	-	-	9,504	13,070,166
-	-	(238,301)	(295,164)	426,414	(19)	(154)	(107,224)
-	-	12,822,361	(295,164)	426,414	(19)	9,350	12,962,942
-	-	(60,267)	-	-	-	-	(1,400,000)
-	-	-	-	-	-	-	480,325
$ 7,838,803	$ 502,815	$ 12,762,094	($ 463,546)	$ 336,973	($ 19)	$ 133,844	$ 155,322,109

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 14,809,629	$ 12,969,793
Adjustments:		
Adjustments to reconcile profit or loss		
Depreciation expenses	841,683	814,244
Amortization expenses	225,549	191,352
Provisions (reversed) allowance for bad debts expenses and guarantee liability	1,851,058	3,350,119
Net gain on financial assets and liabilities at fair value through profit or loss	(3,219,009)	(3,261,365)
Interest expenses	11,886,687	11,078,256
Interest income	(30,621,256)	(29,082,391)
Dividends income	(273,558)	(77,848)
Share-based payments	118,939	31,447
Share of profit of associates and joint ventures accounted for using equity method	(2,764,943)	(2,768,976)
Gain on disposal of investments	(338,423)	(298,482)
Impairment loss on financial assets	38,939	23,830
Gain from bargain purchase	(106,747)	-
Other adjustments	1,956,521	1,958,161
Total adjustments	(20,404,560)	(18,041,653)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank	6,271,959	(16,449,556)
Decrease in financial assets at fair value through profit or loss	6,475,461	55,922,327
Increase in available-for-sale financial assets	(6,799,659)	(13,926,784)
Increase in securities purchased under resell agreements	1,048,507	(1,023,568)
Increase in receivables	(18,548,807)	(10,592,636)
Increase in loans	(82,613,975)	(44,199,715)
Decrease (increase) in other financial assets	2,843,947	(2,714,688)
Decrease in other assets	9,623,221	12,133,044
Decrease in due to the Central Bank and banks	(1,738,265)	(1,604,742)
Decrease in financial liabilities at fair value through profit or loss	(34,578,154)	(37,299,228)
Increase (decrease) in securities sold under repurchase agreements	4,082,202	(10,102,563)
(Decrease) increase in payables	(3,651,098)	9,094,343
Increase in deposits and remittances	90,354,700	63,672,698
Decrease in provisions	(69,024)	(159,422)
Decrease in other financial liabilities	(2,911,702)	(3,059,377)
Increase in other liabilities	1,336,859	450,030
Cash used in operations	(34,468,759)	(4,931,697)
Interest received	31,096,412	29,653,330
Dividend received	1,223,972	834,058
Interest paid	(11,806,271)	(11,175,427)
Income taxes refund	192,763	51,138
Income taxes paid	(961,832)	(560,599)
Net cash generated from (used in) operating activities	(14,723,715)	13,870,803

(Continued)

	2017	2016
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of financial assets at cost	(222,586)	(135,448)
Proceeds from disposal of financial assets at cost	5,570	-
Proceeds from capital reduction of financial assets at cost	38,751	31,677
Acquisition of property and equipment	(1,240,533)	(1,112,032)
Proceeds from disposal of property and equipment	7,475	39,429
Acquisition of intangible assets	($ 308,444)	($ 385,444)
Proceeds from disposal of investment property	128,412	27,758
Cash outflows from business combination (Note 41)	(3,212,533)	-
Net cash used in investing activities	(4,803,888)	(1,534,060)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to the Central Bank and banks	19,024,233	(16,118,675)
Increase in commercial papers payable	6,092,901	5,865,836
Corporate bond issued	8,000,000	-
Corporate bond repayment	(5,300,000)	-
Bank debentures repayment	(13,300,000)	-
Increase (decrease) in other borrowings	2,863,145	(1,969,366)
Proceeds from issue of preferred stock E	-	24,986,431
Cash dividends distributed	(5,596,792)	(5,187,607)
Exercise of employee share options	480,114	172,421
Redemption of preferred stock D	(1,400,000)	(7,000,000)
Net cash generated from financing activities	10,863,601	749,040
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(45,559)	(116,221)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,709,561)	12,969,562
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	52,326,559	39,356,997
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 43,616,998	$ 52,326,559

Reconciliation of cash and cash equivalents:

	2017	2016
Cash and cash equivalents in consolidated balance sheets	$ 22,034,918	$ 20,274,849
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	13,966,515	27,759,857
Securities purchased under resell agreements qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	7,615,565	4,291,853
Cash and cash equivalents at the end of the year	$ 43,616,998	$ 52,326,559

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

(Concluded)

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 surviving 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 record date of merger was January 22, 2011. Taishin Bank acquired total assets, and, assumed all 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 board directors on December 8, 2014, whereas Taishin Financial Holding did not obtain more than half of Chang Hwa Bank's board seats. Therefore, Taishin Financial Holding lost its control over Chang Hwa Bank and afterwards did not account for 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, 2017.

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 Financial Supervisory Commission ("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.

Taishin Insurance Agency Co., Ltd. ("Taishin Insurance Agency") was established in September 1996 and changed the Company name as Xiang An Life Insurance Agency Co., Ltd. ("Xiang An Insurance Agency") on August 19, 2016, which provide life insurance agent service. Taishin Insurance Agency owned 100% equity interest of Taishin Insurance Brokers Co., Ltd. ("Taishin Insurance Brokers"). Taishin Insurance Brokers had dissolved in July 2015, and audited 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 Securities B acquired 100% equity interest of Tachong Securities Co., Ltd. ("Tachong Securities") via cash merger, and assumed the net assets and operation of Tachong Venture Capital Co., Ltd. ("Tachong Venture Capital"), originally the subsidiary of Tachong Securities, on August 28, 2017. After completing the aforementioned cash merger, the surviving company is Taishin Securities B and Tachong Securities was dissolved accordingly. See Note 41 for details.

Tachong Venture Capital was established in February 2013 and changed the company name to Taishin Securities Venture Capital Co., Ltd. ("Taishin Securities Venture Capital") on October 2, 2017. Its operations mainly engages in making investments in start-up entities and in providing consultancy service.

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 Investment 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 FSC. In addition, Taishin Securities Investment Trust was approved to operate full fiduciary discretionary investment business in 2005.

Taishin Financial Holding and subsidiaries mentioned above are called the Group.

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 Futures Commission Merchants, 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 of Taishin Financial Holding and its subsidiaries (together, the "Group") were approved by the Company's board of directors and authorized for issue on February 22, 2018.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Statements by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and the 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 FSC

The initial application in 2017 of the above IFRSs and related amendments did not have any material impact on the Group's accounting policies.

b. The Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and the IFRSs endorsed by the FSC for application starting from 2018

Rule No. 1060025773 issued by the FSC endorsed the IFRS for application starting from 2018.

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
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
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.

Rule No. 10610003940 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 January 1, 2018.

IFRS 9 "Financial Instruments and related amendments" Classification, measurement and impairment of financial assets

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.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

1) Equity instruments and mutual funds classified as available-for-sale or at cost will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding; In order to reflect operation performance, some equity instruments which are held for long-term not for transaction will be designated as at fair value through other comprehensive income;

2) Debt instruments classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and

3) Debt investments classified as held-to-maturity debt instruments will be classified as measured at amortized cost under IFRS 9 because the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

Items	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018	Items
Financial assets at fair value through profit or loss	$ 106,153,738	$ 11,753,228	$ 117,906,966	Financial assets at fair value through profit or loss
Available-for-sale financial assets, net	307,885,507	(307,885,507)	-	
	-	299,468,032	299,468,032	Financial assets at fair value through other comprehensive income
Held-to-maturity financial assets, net	6,095	(6,095)	-	
	-	6,095	6,095	Financial assets measured at amortized cost
Investments accounted for using the equity method, net	38,521,283	(348,219)	38,173,064	Investments accounted for using the equity method, net
Financial assets carried at cost, net	3,006,159	(3,006,159)	-	
Deferred tax assets	2,480,967	790	2,481,757	Deferred tax assets
Allowance for loan losses and guarantee liability	(15,326,130)	(54,979)	(15,381,109)	Allowance for loan losses and guarantee liability and loan commitment provision
Total effect on assets and liabilities		($ 72,814)		
Retained earnings	$ 21,103,712	($ 249,170)	$ 20,854,542	Retained earnings
Other Equity	(126,592)	176,356	49,764	Other Equity
Total effect on equity		($ 72,814)		

As of the date the consolidated financial statements were authorized for issue, the Group has completed the assessment of the application of other standards and interpretations and, except for the above impact, no other material impact is anticipated on the Group's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect 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 16 starting January 1, 2019. 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)
Amendments to IFRS 9 "Prepayments Features with Negative Compensation"	January 1, 2019
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 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 2)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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 Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

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:

1) 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. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

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.

2) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

3) IFRIC 23 "Uncertainty Over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

The Group may elect to apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 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. 1050050021 and No. 1050026834 issued by the FSC, the Group applied IFRSs and related modified Regulations Governing the Preparation of Financial Reports by Securities Issuers approved by the FSC since 2017.

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 45.

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.

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, 2017 and 2016 were as follows:

		Ownership Interest (%)	
		December 31	
Investor	Subsidiary	2017	2016
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)	- (Note 1)
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%
Taishin Venture Capital	Taishin Financial Leasing (China)	100.00%	100.00%
Taishin Venture Capital	Taishin Financial Leasing (Tianjin)	100.00%	100.00%
Taishin Securities B	Taishin Securities Venture Capital Co. (Note 3)	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 Securities B acquired 100% equity interest of Tachong Securities via cash merger, and assumed the net assets and operations of Tachong Venture Capital, originally the subsidiary of Tachong Securities on August 28, 2017. Subsequently, Tachong Venture Capital changed its company name to Taishin Securities Venture Capital on October 2, 2017. ◦

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. Impairment loss is recognized in profit or loss.

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 45.

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 45.

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.

If contingent liabilities from business combination belongs to present obligation of past event and its fair value can be measured, fair value will be recognized as original cost on acquisition-date. After balance sheet date, contingent liabilities is measured by amortised amount. If it may pay present obligation amount after evaluation, it will be measured at higher of present obligation amount and amortised amount.

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

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.

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, 2017 and 2016, the carrying amounts of loans are illustrated in Notes 11 and 12.

Measurement of Gains from Bargain Purchase

Decision of gains from bargain purchase and evaluation of fair value of assets and liabilities on the date that Taishin Securities B acquired Tachong Securities use prices distribution report from experts as foundation and involve many financial model assumptions, setting of parameter and related accounting estimates. Those may affect realized gains from bargain purchase significantly. Please refer to Note 41.

7. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	$ 8,577,600	$ 9,692,286
Checks for clearing	2,130,232	1,931,711
Due from banks	8,547,159	5,691,765
Others	2,779,927	2,959,087
	$ 22,034,918	$ 20,274,849

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	
	2017	2016
Deposit reserve in the Central Bank	$ 12,882,791	$ 22,024,238
Reserve for checking account	28,811,858	26,031,359
Reserve for demand account	157,983	67,284
Reserve for foreign deposit	13,005	14,873
Deposit transferred to the Central Bank	41,865,637	48,137,754
	13,966,515	27,759,857
Call loans to other banks	1,000,240	1,000,082
Interbank clearing fund	$ 56,832,392	$ 76,897,693

9. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
Financial assets held for trading		
Derivative instrument		
Futures	$ 501,698	$ 344,413
Forward exchange contracts	1,577,781	2,347,495
Currency swaps	9,860,871	14,277,945
Interest rate swaps	5,654,956	11,003,403
Cross-currency swaps	239,881	582,229
Foreign-exchange options	407,779	8,448,826
Asset-swap options	27,530	1,776
Equity-linked options	7,375	-
Commodity options	966	348
Equity-linked swaps	7,355	19,692
Structured products	-	77
Non-derivative financial assets		
Investment in bills	31,694,991	28,140,542
Domestic and overseas stocks and beneficiary certificates	746,644	517,393
Government bonds	27,776,228	15,705,327
Corporate bonds, bank debentures and other bonds	17,101,467	3,766,150
Trading securities		
Dealing	9,148,464	3,695,898
Underwriting	592,833	658,428
Hedging	806,919	304,453
Financial assets at FVTPL	$ 106,153,738	$ 89,814,395
Financial liabilities held for trading		
Derivative instrument		
Futures	$ 6,870	$ 2,800
Forward exchange contracts	1,164,821	2,389,041
Currency swaps	9,229,018	12,301,154
Interest rate swaps	5,761,126	11,096,505
Cross-currency swaps	364,537	447,831
Foreign-exchange options	389,719	8,399,316
Interest rate options	160	-
Asset-swap options	468,106	98,564
Commodity options	1,338	348
Equity-linked options	271,037	314,289
Equity-linked swaps	7,354	19,691
Credit default swaps	13,707	-
Liabilities for issuance of call (put) warrants, net	130,694	27,539

(Continued)

	December 31	
	2017	2016
Non-derivative financial liabilities		
Short sales of bonds and borrowing security payable	659,231	718,233
Financial liabilities at FVTPL	$ 18,467,718	$ 35,815,311

(Concluded)

a. Taishin Bank engaged in various derivative instruments in the years ended December 31, 2017 and 2016 to fulfill customers' needs of Taishin Bank and Taishin Securities B as well as to manage Taishin Bank's asset and liability positions and risk of Taishin Bank.

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

	December 31	
	2017	2016
Futures	$ 4,130,668	$ 1,046,242
Forward exchange contracts	171,553,955	113,265,114
Currency swaps	1,304,734,585	1,188,153,140
Interest rate swaps	$ 1,127,311,474	$ 1,055,933,654
Cross-currency swaps	17,709,816	16,800,076
Foreign-exchange options	60,757,297	342,720,614
Interest rate options	1,039,544	-
Asset-swap options	2,032,900	231,000
Equity-linked options	2,642,292	2,261,000
Commodity and futures options	289,330	441,901
Equity-linked swaps	245,968	508,247
Credit default swaps	895,440	-
Fixed rate commercial papers	9,360,000	10,200,000
Structured products	-	6,000

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

	December 31	
	2017	2016
Call (put) warrants issued	$ 3,088,022	$ 1,397,570
Less: Gain on change in fair value	(763,707)	(567,730)
	2,324,315	829,840
Repurchased call (put) warrants	2,678,511	1,206,892
Less: Loss on change in fair value	(484,890)	(404,591)
	2,193,621	802,301
Net call (put) warrants issued	$ 130,694	$ 27,539

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' discretions.

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	
	2017	2016
Investment in bills	$ 205,285,544	$ 207,400,055
Domestic and overseas stocks	4,091,865	3,496,516
Beneficiary certificates	1,903,411	156,873
Government bonds	30,746,254	37,863,851
Corporate bonds	20,355,559	23,584,415
Bank debentures	45,502,874	29,157,623
Beneficiary securities	-	762,156
	$ 307,885,507	$ 302,421,489

a. Please refer to Note 45 (financial instrument) for the determination of fair values of available-for-sale financial assets.

b. Taishin Bank invested in asset securitization commodity of non-subsidiary interests in structured entities in the aggregate amount of $0 and $762,156 thousand as of December 31, 2017 and 2016. 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-subsidiary interests in structured entities for the years ended December 31, 2017 and 2016.

c. Please refer to Note 47 for information relating to available-for-sale financial assets pledged as collaterals.

11. RECEIVABLES

	December 31	
	2017	2016
Notes and accounts receivable	$ 79,409,533	$ 70,138,201
Credit cards receivable	48,148,963	41,743,767
Interests receivable	2,961,082	2,477,156
Securities margin loans receivable	5,333,850	1,556,635
Delivery accounts receivable	3,729,161	846,870
Other receivables	1,439,902	965,986
Adjustment for discount	(3,710,028)	(1,975,744)
	137,312,463	115,752,871
Less: Allowance for receivables	(2,223,430)	(2,494,729)
	$ 135,089,033	$ 113,258,142

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

12. LOANS

a. The details of loans were as follows:

	December 31	
	2017	2016
Negotiated	$ 3,018,108	$ 1,325,135
Overdrafts	1,051,780	1,822,509
Discounts	-	11,151
Short-term loans	237,114,364	195,632,072
Medium-term loans	299,930,199	293,813,213
Long-term loans	429,507,871	396,126,499
Delinquent loans	2,187,763	2,195,087
Adjustment for discount	(548,469)	(651,913)
	972,261,616	890,273,753
Less: Allowance for loan losses	(12,642,875)	(12,956,374)
	$ 959,618,741	$ 877,317,379

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

	For the Year Ended December 31, 2017			
	Receivables	Loans	Other Miscellaneous Financial Assets	Total
Balance, January 1, 2017	$ 2,494,729	$ 12,956,374	$ 189,678	$ 15,640,781
Provision for (reversal of) loan losses	1,616,887	312,613	(81,251)	1,848,249
Loans written off	(1,837,281)	(1,643,036)	(311,616)	(3,791,933)
Recovery of loans written off	85,044	1,201,572	452,280	1,738,896
Exchange differences and others	(135,949)	(184,648)	(41)	(320,638)
Balance, December 31, 2017	$ 2,223,430	$ 12,642,875	$ 249,050	$ 15,115,355

	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	$ 2,494,729	$ 12,956,374	$ 189,678	$ 15,640,781

c. Details of provision for (reversal of) of allowance for loan losses and liability guarantee provisions for 2017 and 2016 were as follows:

	2017	2016
Provision for (reversal of) allowance for losses of receivables, loans and other miscellaneous financial assets	$ 1,848,249	$ 3,311,511
(Reversal of) provision for loss on guarantees	2,809	38,608
	$ 1,851,058	$ 3,350,119

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, 2017	December 31, 2016
Objective evidence of impairment	Individual assessment of impairment	$ 3,803,620	$ 2,330,359
	Combined assessment of impairment	3,032,790	2,819,861
Nonobjective evidence of impairment	Combined assessment of impairment	134,489,878	112,880,386
Total		$ 141,326,288	$ 118,030,606

Item		Total Allowance	
		December 31, 2017	December 31, 2016
Objective evidence of impairment	Individual assessment of impairment	$ 1,381,290	$ 2,064,279
	Combined assessment of impairment	394,138	348,241
Nonobjective evidence of impairment	Combined assessment of impairment	697,052	271,887
Total		$ 2,472,480	$ 2,684,407

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, 2017	December 31, 2016
Objective evidence of impairment	Individual assessment of impairment	$ 4,813,554	$ 6,644,606
	Combined assessment of impairment	8,856,009	9,062,226
Nonobjective evidence of impairment	Combined assessment of impairment	959,140,522	875,218,834
Total		$ 972,810,085	$ 890,925,666

Item		Total Allowance	
		December 31, 2017	December 31, 2016
Objective evidence of impairment	Individual assessment of impairment	$ 3,192,455	$ 5,178,475
	Combined assessment of impairment	3,167,313	3,060,786
Nonobjective evidence of impairment	Combined assessment of impairment	6,283,107	4,717,113
Total		$ 12,642,875	$ 12,956,374

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	
	2017	2016
Government bonds	$ 6,095	$ 6,126

Please refer to Note 47 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			
	2017		2016	
	Carrying Value	Ownership Interest and Voting Rights (%)	Carrying Value	Ownership Interest and Voting Rights (%)
Listed company				
Chang Hwa Bank	$ 38,441,737	22.81	$ 36,746,008	22.81
Unlisted shares				
An Hsin Real-Estate Management Co., Ltd. ("An Hsin Real-Estate")	79,546	30.00	76,418	30.00
	$ 38,521,283		$ 36,822,426	

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	
	2017	2016
Chang Hwa Bank	$ 35,537,571	$ 35,072,326

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

	December 31	
	2017	2016
Total assets	$ 2,036,544,290	$ 2,005,389,392
Total liabilities	$ 1,891,330,570	$ 1,867,642,463

	For the Year Ended December 31	
	2017	2016
Net income	$ 12,141,503	$ 12,095,313
Other comprehensive income	($ 903,586)	($ 1,077,376)
Total comprehensive income	$ 11,237,917	$ 11,017,937

The Group received dividends from Chang Hwa Bank in the amounts of $858,914 thousand and $675,247 thousand for the years ended December 31, 2017 and 2016, respectively.

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

	December 31	
	2017	2016
Chang Hwa Bank's net assets	$ 144,947,564	$ 137,523,525
Amount owned by the Group	$ 33,065,308	$ 31,371,743
Goodwill and other adjustments	5,376,429	5,374,265
Book value	$ 38,441,737	$ 36,746,008

c. On December 8, 2014, the Company filed a civil action against the ROC Ministry of Finance ("the MOF") for its default in assisting the Company to obtain more seats in the board of Chang Hwa Bank than what the MOF committed in the contract. On April 27, 2016, the Taipei District Court ruled that there is a contractual relationship existing between the MOF and the Company. However, the Taipei District Court is not in favor of the Company's reassignment of the representative directors in the 24th session of the Chang Hwa Bank board.

On May 19, 2016, the Company appealed to the Taiwan High Court to claim its interests in the directorship of Chang Hwa Bank. On May 17, 2017, the Taiwan High Court ruled that the MOF should support the representatives appointed by the Company to be elected to have the majority of board seats of Chang Hwa Bank, excluding its independent directors, as long as the MOF holds the shares of Chang Hwa Bank and the Company remains the largest shareholder of Chang Hwa Bank; the Taiwan High Court made the ruling knowing that the aforementioned high court ruling is appealed to the Supreme Court by the MOF for its further judgment.

d. The Group's equity-method investments were not pledged as collaterals as of December 31, 2017 and 2016.

15.FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2017	2016
Domestic and overseas unlisted stocks	$ 2,716,837	$ 2,538,928
Others	289,322	217,407
	3,006,159	2,756,335
Classified according to financial asset measurement category		
Available-for-sale financial assets	$ 3,006,159	$ 2,756,335

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 Fund Rich Securities Co., Ltd., Cyberheart Inc. common stock and preferred stock, Contact Digital Integration Co., Ltd., Youn Shin Artistic Co., Ltd., Innostor Technology Co., Ltd., Alliance Digital Tech. Co., Ltd., Kuen Ji Venture Capital Co., Ltd. and Li Yu Venture Capital Co., Ltd. The investment value has been impaired and possibility of restoration was very small; thus, the Group had recognized impairment loss of $38,939 thousand and $9,460 thousand for the years ended December 31, 2017 and 2016, respectively.

16.OTHER MISCELLANEOUS FINANCIAL ASSETS

	December 31	
	2017	2016
Delinquent loans reclassified from other items (excluding loans)	$ 305,678	$ 301,990
Purchase credit receivables	1	1
Less: Allowance for bad debt	(249,050)	(189,678)
Due from banks	7,265,482	9,967,463
Deposits for borrowing securities	860,686	894,851
Gold account	284,220	301,050
Customer margin account	184,133	-
Guaranteed price deposits for securities borrowing	60,541	19,564
Others	861	-
	$ 8,712,552	$ 11,295,241

Please refer to Note 12 for the movements of allowance for other miscellaneous financial assets. The due from banks under other miscellaneous financial assets held by the Group are non-expendable and time deposit with original maturity of more than 3 months and were pledged as collaterals. Please refer to Note 47 for the information relating to the time deposit with original maturity of more than 3 months and were pledged as collaterals.

17.INVESTMENT PROPERTY

	December 31	
	2017	2016
Investment property		
Land	$ 514,904	$ 596,444
Buildings		
Cost	314,975	322,251
Accumulated depreciation	(60,185)	(52,630)
	254,790	269,621
	$ 769,694	$ 866,065

	Land	Buildings	Total
Cost			
Balance, January 1, 2017	$ 596,444	$ 322,251	$ 918,695
Disposals	(86,010)	(29,781)	(115,791)
Reclassification	4,470	22,505	26,975
Balance, December 31, 2017	$ 514,904	$ 314,975	$ 829,879
Balance, January 1, 2016	$ 600,964	$ 336,952	$ 937,916
Disposals	(4,520)	(14,701)	(19,221)
Balance, December 31, 2016	$ 596,444	$ 322,251	$ 918,695
Accumulated depreciation			
Balance, January 1, 2017	$ -	$ 52,630	$ 52,630
Depreciation	-	8,935	8,935
Reclassification	-	1,794	1,794
Disposals	-	(3,174)	(3,174)
Balance, December 31, 2017	$ -	$ 60,185	$ 60,185
Balance, January 1, 2016	$ -	$ 46,135	$ 46,135
Depreciation	-	9,419	9,419
Disposals	-	(2,924)	(2,924)
Balance, December 31, 2016	$ -	$ 52,630	$ 52,630

Except for the depreciation recognized, the Group had no significant addition, disposal, and impairment of investment properties during years ended December 31, 2017 and 2016. The investment properties 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 December 31, 2017 and 2016 were as follows:

	December 31	
	2017	2016
Rental income	$ 26,732	$ 29,264
Direct operating expenses of investment properties that generated rental income	$ 7,553	$ 8,201
Direct operating expenses of investment properties that did not generate rental income	2,862	3,004
	$ 10,415	$ 11,205

The fair values of the Group's investment properties as of December 31, 2017 and 2016 were $1,098,448 thousand and $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	
	2017	2016
Land	$ 11,021,428	$ 10,960,309
Buildings	5,247,799	5,256,485
Machinery equipment	2,413,068	1,828,577
Transportation equipment	59,842	75,951
Miscellaneous equipment	70,599	66,269
Leasehold improvement	248,685	259,579
Leased assets	9,004	12,652
Prepayments for buildings and equipment	72,683	54,598
	$ 19,143,108	$ 18,514,420

	Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Prepayment for Buildings, Equipment and Property under Construction	Total
Cost									
Balance, January 1, 2017	$ 10,960,309	$ 7,887,965	$ 2,840,597	$ 140,413	$ 123,920	$ 538,230	$ 16,443	$ 54,598	$ 22,562,475
Additions	-	3,825	1,080,642	6,530	25,353	48,471	-	75,712	1,240,533
Disposals	-	(638,414)	(222,446)	(7,078)	(14,760)	(42,976)	-	-	(925,674)
Reclassification	(4,469)	(16,305)	7,350	-	-	34,658	-	(57,660)	(36,426)
Acquisition through business combinations	65,588	214,684	122,372	-	-	55,005	-	33	457,682
Effect of foreign currency exchange differences	-	-	(817)	-	-	(553)	-	-	(1,370)
Balance, December 31, 2017	$ 11,021,428	$ 7,451,755	$ 3,827,698	$ 139,865	$ 134,513	$ 632,835	$ 16,443	$ 72,683	$ 23,297,220
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	$ 10,960,309	$ 7,887,965	$ 2,840,597	$ 140,413	$ 123,920	$ 538,230	$ 16,443	$ 54,598	$ 22,562,475
Accumulated depreciation									
Balance, January 1, 2017	$ -	$ 2,631,480	$ 1,012,020	$ 64,462	$ 57,651	$ 278,651	$ 3,791	$ -	$ 4,048,055
Depreciation	-	165,688	518,920	22,636	20,873	100,983	3,648	-	832,748
Disposals	-	(638,414)	(218,033)	(7,075)	(14,610)	(42,159)	-	-	(920,291)
Reclassification	-	(1,794)	-	-	-	-	-	-	(1,794)
Acquisition through business combinations	-	46,996	102,210	-	-	47,075	-	-	196,281
Effect of foreign currency exchange differences	-	-	(487)	-	-	(400)	-	-	(887)
Balance, December 31, 2017	$ -	$ 2,203,956	$ 1,414,630	$ 80,023	$ 63,914	$ 384,150	$ 7,439	$ -	$ 4,154,112
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	$ -	$ 2,631,480	$ 1,012,020	$ 64,462	$ 57,651	$ 278,651	$ 3,791	$ -	$ 4,048,055

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

Buildings	35-56 years
Machinery equipment	2-10 years
Transportation equipment	4-6 years
Miscellaneous equipment	3-20 years
Leasehold improvements	1-50 years
Leased assets	3-6 years

19.INTANGIBLE ASSETS

	December 31	
	2017	2016
Goodwill	$ 1,567,391	$ 1,567,391
Intangible assets - customer value	2,308	4,406
Intangible assets - computer software	714,109	629,118
	$ 2,283,808	$ 2,200,915

	Goodwill	Customer Value	Computer Software	Total
Balance, January 1, 2017	$ 1,567,391	$ 4,406	$ 629,118	$ 2,200,915
Additions	-	-	308,444	308,444
Disposal	-	-	(11,253)	(11,253)
Amortization	-	(2,098)	(220,658)	(222,756)
Reclassification	-	-	8,701	8,701
Effect of foreign currency exchange differences	-	-	(243)	(243)
Balance, December 31, 2017	$ 1,567,391	$ 2,308	$ 714,109	$ 2,283,808
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	$ 1,567,391	$ 4,406	$ 629,118	$ 2,200,915

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, 2017 and 2016 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, 2017 and 2016 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, 2017 and 2016 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, 2017 and 2016 was all $410,930 thousand.

Intangible Assets - Customer Value

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 $2,308 thousand and $4,406 thousand as of December 31, 2017 and 2016, respectively.

20.OTHER ASSETS, NET

	December 31	
	2017	2016
Prepayments	$ 1,014,795	$ 705,988
Refundable deposits	4,611,073	14,008,152
Operating guarantee deposits and settlement funds	227,653	157,321
Collaterals, net	482,261	439,161
Less: Accumulated impairment	(19,142)	(19,142)
Input tax to be credited	528,526	369,557
Others	164,173	53,363
	$ 7,009,339	$ 15,714,400

Operating Guarantee Deposits

As stipulated in the Regulations Governing Securities Firms, the Regulation Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises (SITE) and Securities Investment Consulting Enterprises (SICE), the Group should make operating deposits in designated one financial institution, as of December 31, 2017 and 2016, the operating deposits were all $114,634 thousand and $121,232 thousand.

Settlement Funds

As stipulated in the Regulations Governing Securities Firms, the Taipei Exchange Rules for Administration of the Joint Responsibility System Clearing and Settlement Fund, the Group should deposit reserve legal fund in Taiwan Stock Exchange and GTSM, as of December 31, 2017 and 2016, the settlement funds were $113,019 thousand and $36,089 thousand, respectively.

21.DUE TO CENTRAL BANK AND BANKS

	December 31	
	2017	2016
Due to other banks	$ 127,973	$ 76,781
Deposits transferred from the Postal Bureau	25,451,609	27,237,295
Call loans from other banks	38,340,464	19,014,342
Bank overdraft	217,302	519,190
Due to the Central Banks	115,081	118,853
	$ 64,252,429	$ 46,966,461

22.COMMERCIAL PAPER ISSUED

	December 31	
	2017	2016
Sunny Bills Finance	$ 1,700,000	$ 1,545,000
Union Bills Finance	850,000	1,444,000
Grand Bills Finance	3,290,000	1,450,000
China Bills Finance	990,000	912,000
Ta Ching Bills Finance	1,730,000	530,000
International Bills Finance	600,000	823,000
Taiwan Bills Finance	1,000,000	350,000
Mega Bills Finance	690,000	740,000
Bank SinoPac	1,235,000	747,000
Hua Nan Bank	500,000	-
KGI Bank	2,545,000	-
Taiwan Cooperative Bills Finance	200,000	-
Less: Discounts on commercial paper issued	(31,351)	(3,111)
	$ 15,298,649	$ 8,537,889

As of December 31, 2017 and 2016, the interest rates of commercial paper issued were 0.40%-1.81% and 0.33%-1.81%.

23.PAYABLES

	December 31	
	2017	2016
Notes and accounts payable	$ 11,465,662	$ 17,581,165
Collection payable	443,952	576,652
Delivery accounts payable	4,075,028	648,101
Accrued expenses	5,495,526	4,579,135
Interest payable	2,329,991	2,277,815
Check for clearance payable	2,123,320	1,929,388
Other tax payable	311,970	281,704
Other payable	2,850,661	2,289,021
	$ 29,096,110	$ 30,162,981

24.DEPOSITS AND REMITTANCES

	December 31	
	2017	2016
Checking deposits	$ 5,849,875	$ 6,642,190
Demand deposits	243,992,832	228,123,757
Time deposits	348,939,913	309,957,604
Negotiable certificates of deposit	5,946,900	12,632,400
Savings deposits	583,758,058	542,458,847
Public treasury deposits	4,736,817	3,066,204
Remittances	1,269,394	1,258,087
	$ 1,194,493,789	$ 1,104,139,089

25.BONDS PAYABLE

	December 31	
	2017	2016
Unsecured subordinated corporate bonds - par	$ 24,700,000	$ 22,000,000
Bank debentures	39,700,000	53,000,000
	$ 64,400,000	$ 75,000,000

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	
	2017	2016
Unsecured Subordinated Corporate Bonds - 2010 (I)	$ -	$ 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
Unsecured Subordinated Corporate Bonds - 2017 (I)	8,000,000	-
	$ 24,700,000	$ 22,000,000

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).

f. Domestic Unsecured Subordinated Corporate Bonds - 2017 (I)

1) Issue amount: $8,000,000 thousand.

2) Denomination: $1,000 thousand.

3) Issue date: October 26, 2017.

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

5) Maturity: 10 years from the issue date.

6) Coupon rate: 1.9% per annum.

7) Interest payment: Simple interest per annum from the issue date.

8) Redemption on maturity: In cash.

9) Other: Taishin Financial Holding should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (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	
	2017	2016
Subordinated Bank Debentures - 2005 (II)	$ -	$ 3,300,000
Subordinated Bank Debentures - 2010.04.12	-	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
	$ 39,700,000	$ 53,000,000

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	2015.6.10	2025.6.10	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	2015.6.10	2030.6.10	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	2027.9.18	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	
	2017	2016
Short-term unsecured borrowings	$ 6,778,401	$ 5,098,407
Long-term borrowings	3,536,675	2,387,437
	$ 10,315,076	$ 7,485,844

As of December 31, 2017 and 2016, the interest rates on short-term unsecured borrowings ranged from 1.15% to 6.76% and from 0.70% to 5.24%, respectively.

As of December 31, 2017 and 2016, the interest rate of long-term borrowings ranged from 3.30% to 7.00% and from 3.38% to 11.38%, respectively.

27.RESERVE FOR LIABILITIES

	December 31	
	2017	2016
Reserve for employee benefits (Note 30)	$ 1,203,703	$ 832,383
Reserve for guarantee liabilities	210,775	208,610
Other reserves	70,906	124,493
	$ 1,485,384	$ 1,165,486

	Reserve for Guarantee Liabilities	Other Reserves	Total
Balance, January 1, 2017	$ 208,610	$ 124,493	$ 333,103
Provision (reverse)	2,809	(51,888)	(49,079)
Payment	-	(5,190)	(5,190)
Acquisitions through business combinations	-	5,182	5,182
Exchange differences	(644)	(1,690)	(2,334)
Balance, December 31, 2017	$ 210,775	$ 70,907	$ 281,682
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	$ 208,610	$ 124,493	$ 333,103

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	
	2017	2016
Principal of structured products	$ 40,852,848	$ 43,779,121
Gold account	273,780	306,346
Futures traders' equity	239,866	-
Appropriations for loan fund	13,046	21,927
Lease payable	9,325	13,355
	$ 41,388,865	$ 44,120,749

29.OTHER LIABILITIES

	December 31	
	2017	2016
Unearned revenue	$ 341,072	$ 468,416
Unearned interest	269,672	248,594
Guarantee deposits	2,444,269	1,046,917
Deferred income	1,031,656	1,037,621
Temporary credits	549,827	413,854
Others	107,656	140,685
	$ 4,744,152	$ 3,356,087

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	
	2017	2016
Discount rate used in determining present values	1.000% ~ 1.625%	0.875% ~ 1.500%
Expected rate of salary increase	2.50% ~ 3.25%	2.25% ~ 3.25%

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

	For the Year Ended December 31	
	2017	2016
Current service cost	$ 23,653	$ 22,913
Interest cost	30,601	32,190
Expected return on plan assets	(20,884)	(24,449)
	$ 33,370	$ 30,654

Remeasurement of defined benefit plans (after-tax) recognized in other comprehensive loss for the years ended December 31, 2017 and 2016 was $(159,695) thousand and $(220,522) thousand, respectively. The cumulative amount of remeasurement of defined benefit plans recognized in other comprehensive loss as of December 31, 2017 and 2016 was $(1,193,026) thousand and $(1,033,331) 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	
	2017	2016
Present value of funded defined benefit obligation	($ 2,782,777)	($ 2,447,815)
Fair value of plan assets	1,607,290	1,645,684
Deficit	(1,175,487)	(802,131)
Prepaid pension cost	(28,216)	(30,252)
Net liability arising from defined benefit obligation	($ 1,203,703)	($ 832,383)

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

	For the Year Ended December 31	
	2017	2016
Opening defined benefit obligation	$ 2,447,815	$ 2,157,715
Current service cost	23,653	22,913
Interest cost	30,601	32,190
Remeasurement		
Actuarial (gain) loss - changes in demographic assumptions	123,335	106,383
Actuarial (gain) loss - changes in financial assumptions	150	67,326
Actuarial (gain) loss - experience adjustments	61,373	83,001
Liabilities from business combination (Note)	241,454	-
Benefits paid	(145,604)	(21,713)
Closing defined benefit obligation	$ 2,782,777	$ 2,447,815

Note: The liabilities for employees' benefit included the defined benefit pension liabilities transferred from Tachong Securities and special retention remuneration liabilities according to the purchase and sale agreement. These amounts are recognized based on the actuarial report.

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

	For the Year Ended December 31	
	2017	2016
Opening fair value of plan assets	$ 1,645,684	$ 1,610,702
Interest revenue	20,884	24,449
Remeasurement		
Expected return on plan assets	(7,060)	(9,483)
Contributions from the employer	40,945	41,729
Benefits paid	(145,604)	(21,713)
Assets from business combination	52,441	-
Closing fair value of plan assets	$ 1,607,290	$ 1,645,684

For information about the categories and percentages, etc. of the composition of the fair value of plan assets as of December 31, 2017 and 2016, please refer to the authorities' public information about Labor Pension Funds.

As of December 31, 2017 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	2.19%-4.24% decrease in the present value of the defined obligation	2.27%-4.46% increase in the present value of the defined obligation
Expected rate of salary increase	0.25% increase/ decrease	2.20%-4.34% increase in the present value of the defined obligation	2.13%-4.15% 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 $41,162 thousand to the defined benefit plans within one year beginning from 2017 and contributed $41,789 thousand in 2016. The weighted average duration of the defined benefit plans is from 8.9 to 17.5 years.

31. EQUITY

Capital Stock

	December 31	
	2017	2016
Number of shares authorized (in thousands)	20,000,000	12,000,000
Shares authorized	$ 200,000,000	$ 120,000,000
Number of shares issued and fully paid (in thousands)		
Common stock	9,984,262	9,513,099
Preferred stock	790,055	862,568
Shares capital issued and outstanding	$ 107,743,167	$ 103,756,670

a. As of December 31, 2017 and 2016, Taishin Financial Holding's authorized capital were $200,000,000 thousand (20,000,000 thousand shares) and $120,000,000 thousand (12,000,000 thousand shares); as of December 31, 2017, share issued was 10,774,317 thousand shares, divided into 9,984,262 thousand common shares and 790,055 thousand preferred shares at NT$10.00 par value.

b. Details of outstanding capital stock as of December 31, 2017 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	-	3,426,957	3,426,957
Issue of preferred stock - E	-	5,000,000	5,000,000
Stock dividends and employees' bonus in share distributed	49,622,345	-	49,622,345
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	1,290,256	-	1,290,256
Shares issued	$ 99,842,620	$ 7,900,547	$ 107,743,167

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 $4,112,896 thousand of earnings to common stock in the shareholders' meeting on June 8, 2016. The ex-dividend date was August 22, 2017.

Taishin Financial Holding's employees have executed stock options and had acquired Taishin Financial Holding's common stock which aggregated 59,874 thousand shares and 11,515 thousand shares in 2017 and 2016.

Taishin Financial Holding's group capital adequacy ratio was 124.87% and 128.48% as of December 31, 2017 and 2016.

c. In accordance with Article 8-2 of its Articles of Incorporation, the Company issued, via private placements, 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. The Company proposed to reduce its issued and outstanding capital to make-up its accumulated deficit on December 4, 2009. In addition, the Company's board of directors resolved to redeem 72,513 thousand shares and 362,568 thousand shares of outstanding preferred stock - D on March 23, 2017 and 2016, respectively. The shares of outstanding preferred stock - D were 290,055 thousand shares (in the total amount of $5,600,000 thousand) as of December 31, 2017.

The rights and other important terms 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) Make-up 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, approve the appropriation of the earnings of the fiscal year as proposed by the board of directors and resolve to distribute from the earnings cash dividends, the board of directors set the record 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 the original terms 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 according 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 its Articles of Incorporation, the Company 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 Order No. 1050041849 issued on October 26, 2016 and the change in registration has been approved by the ROC Ministry of Economic Affairs under Order No. 10501302230. The preferred stock - E was listed on Taiwan Stock Exchange on February 10, 2017.

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, 2017 and 2016, advance receipts for capital stock amounted to $14,422 thousand, representing the proceeds of the exercise of employee stock options to convert into 1,849 thousand shares of common stock, respectively, of which the registration of the conversion has not been completed.

Capital Surplus

As of December 31, 2017, the Company recognized a capital surplus of $26,453,556 thousand, in which there's a part of investees' unappropriated retained earnings totaling $414,706 thousand. In addition to the other regulations, Article 47 (d) of Financial Holding Company Act stipulates that the appropriation is not restricted by Article 241 (a) of the Company Act. Furthermore, the capital surplus from preferred stock - D and preferred stock - E issued in excess of par cannot be transferred to its capital during the outstanding issuance periods of preferred stock - D and preferred stock - E.

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 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 Order 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 2016 and 2015 have been resolved in the shareholders' meetings on June 16, 2017 and June 8, 2016, 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 2016	For Year 2015	For Year 2016	For Year 2015
Legal reserve	$ 1,083,015	$ 1,289,335		
Special reserves	37,447	-		
Preferred stock - D cash dividends	556,940	910,000	$ -	$ -
Preferred stock - E cash dividends	12,978	-	-	-
Common stock cash dividends	5,026,874	4,277,607	0.53	0.48
Common stock dividends	4,112,896	6,416,411	0.43	0.72

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.

Taishin Financial Holding appropriated retained earnings to special reserves in accordance with Order No. 1010012865 issued by the FSC and the Q&A on appropriation to special reserves after its adoption of IFRSs.

Other Equity Items

a. Exchange differences on translation of foreign financial statements

	For the Year Ended December 31	
	2017	2016
Beginning balance	($ 168,382)	$ 117,513
Exchange differences arising on translating the net assets of foreign operations	(12,373)	(116,221)
Share of exchange difference of associates and join ventures accounted for using the equity method	(282,791)	(169,674)
Ending balance	($ 463,546)	($ 168,382)

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

	For the Year Ended December 31	
	2017	2016
Beginning balance	($ 89,441)	($ 188,818)
Unrealized gains (losses) on available-for-sale financial assets	633,517	291,426
Income tax relating to unrealized gains (losses) on available-for-sale financial assets	(24,856)	13,885
Cumulative gains (losses) reclassified to profit or loss on sale of available-for-sale financial assets	(338,423)	(176,964)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates and joint ventures accounted for using the equity method	156,176	(28,970)
Ending balance	$ 336,973	($ 89,441)

c. Effects of changes from credit default designated as financial liability at fair value

	For the Year Ended December 31	
	2017	2016
Beginning balance	$ -	$ -
Share of profit of associates accounted for using the equity method	(19)	-
Ending balance	($ 19)	$ -

Non-controlling Interests

	For the Year Ended December 31	
	2017	2016
Beginning balance	$ 124,494	$ 130,311
Attributable to non-controlling interests		
Net income	9,504	(7,001)
Actuarial gain (loss) on defined benefit plans	(159)	1,163
Income tax related to actuarial gain (loss)	5	17
Non-controlling interest relating to outstanding vested share options held by the employees of subsidiaries	-	4
Ending balance	$ 133,844	$ 124,494

32.NET INTEREST INCOME

	For the Year Ended December 31	
	2017	2016
Interest income		
Loans	$ 22,659,124	$ 21,728,258
Due from and call loans to banks	672,746	628,858
Investment in marketable securities	2,850,049	2,723,666
Revolving interest of credit card	1,177,120	1,169,614
Others	3,262,217	2,831,995
	30,621,256	29,082,391
Interest expense		
Deposits	(7,824,569)	(7,092,765)
Due to the Central Bank and call loans from banks	(576,207)	(440,393)
Issuance of bonds and securities	(1,493,774)	(1,713,077)
Structured products	(1,042,003)	(978,600)
Others	(950,134)	(853,421)
	(11,886,687)	(11,078,256)
Net interest income	$ 18,734,569	$ 18,004,135

33.NET SERVICE FEE AND COMMISSIONS INCOME

	For the Year Ended December 31	
	2017	2016
Service fee and commissions income		
Interbank fees	$ 830,959	$ 768,771
Loan and guarantees fees	690,013	668,896
Fees from certification, underwriting and brokerage	626,150	369,440
Fees from trustee business	2,019,529	1,553,407
Agency fees	479,874	524,666
Insurance commission fees	5,366,832	5,591,281
Fees from credit card and cash card	3,773,381	3,414,213
Others	951,760	985,692
	14,738,498	13,876,366
Service fee and commissions expense		
Interbank fees	(238,606)	(180,606)
Fees from trustee business	(29,618)	(19,998)
Marketing fees	(569,419)	(501,707)
Agency fees	(75,773)	(85,021)
Fees from credit card	(1,775,766)	(1,611,879)
Others	(539,240)	(466,145)
	(3,228,422)	(2,865,356)
Net service fee and commissions income	$ 11,510,076	$ 11,011,010

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

	For the Year Ended December 31	
	2017	2016
Disposal gain (losses) on financial assets and liabilities at FVTPL		
Securities		
Call (put) warrants issued	($ 100,533)	$ 38,111
Trading securities - dealing	445,115	107,404
Trading securities - underwriting	88,477	44,018
Trading securities - hedging	73,725	(43,063)
Futures contracts	(70,344)	(31,507)
Borrowing securities	(58,765)	(7,194)
Gains on corporation bonds conversion	73,941	53,987
Options	(775)	289
Open-end funds	184	(180)
Structured products	167	(6)
Derivative financial instruments	(166,785)	(16,678)
	284,407	145,181
Bank		
Stocks and beneficiary certificates	67,343	5,092
Bills	(5,420)	(4,065)
Bonds	109,260	587,063
Derivative financial instruments	1,764,730	881,189
	1,935,913	1,469,279
Others		
Stocks and beneficiary certificates	7,046	(7,223)
Derivative financial instruments	36,978	(20,582)
	44,024	(27,805)
	2,264,344	1,586,655
Valuation gain (loss) on financial assets and liabilities at FVTPL		
Securities		
Call (put) warrants issued	115,678	38,244
Trading securities - dealing	87,949	34,618
Trading securities - underwriting	11,785	21,198
Trading securities - hedging	(8,115)	3,627
Futures contracts	(9,909)	1,393
Bonds	7,726	(3,858)
Open-end funds	(10)	-
Structured products	(26)	25
Derivative financial instruments	(45,237)	4,846
	159,841	100,093
Bank		
Stocks and beneficiary certificates	$ 12,154	($ 7,448)
Bills	300	909
Bonds	32,353	(251,082)
Derivative financial instruments	382,849	1,197,851
	427,656	940,230
Others		
Stocks and beneficiary certificates	(2,133)	(2,727)
Derivative financial instruments	(224,718)	171,478
	(226,851)	168,751
	360,646	1,209,074
Net interest income	504,297	429,995
Dividend revenue	89,722	35,641
	$ 3,219,009	$ 3,261,365

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

	For the Year Ended December 31	
	2017	2016
Disposal gains		
Stock and beneficiary certificates	$ 121,863	$ 48,162
Bills	(9,365)	(15,157)
Bonds	225,925	143,959
	338,423	176,964
Dividends and bonuses	119,579	110,583
	$ 458,002	$ 287,547

36. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2017	2017
Short-term benefits		
Salary and wages	$ 10,434,580	$ 9,402,861
Labor and national health insurance	732,095	666,358
Post-employment benefits (Note 30)		
Defined contribution plans	393,127	373,283
Defined benefit plans	33,461	30,917
Share-based payment (Note 40)		
Equity-settled share-based payment	211	5,314
Cash-settled share-based payment	118,728	26,133
Other employee benefits expenses	451,454	807,496
	$ 12,163,656	$ 11,312,362

Employees' Compensation and Directors' Remuneration

As of December 31, 2017 and 2016, Taishin Financial Holding and subsidiaries' total number of employees was 8,879 and 8,173. The definition of employee is provided in the FSC-endorsed IAS 19 "Employee Benefits".

The Company accrued employees' compensation and the remuneration of directors at the rate of no less than 0.01% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The appropriations of employees' compensation and remuneration of directors for 2017 and 2016 having been resolved by the board of directors on February 22, 2018 and February 23, 2017, respectively, were as below:

	Cash	
	For the Year Ended December 31	
	2017	2016
Employees' compensation	$ 1,307	$ 1,155
Remuneration of directors	117,651	109,757

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

The actual amounts of the employees' compensation and remuneration of directors paid for 2016 differ from the amounts recognized in the consolidated financial statements for the year ended December 31, 2016. The differences were adjusted to profit and loss for the year ended December 31, 2017.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2015.

	For the Year Ended December 31			
	2016		2015	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amounts approved at the board of directors' meeting	$ 1,155	$ 109,757	$ 1,327	$ 132,726
Amounts recognized in the annual financial statements	$ 1,142	$ 114,163	$ 1,327	$ 132,726

Information on the compensation to employees and the remuneration to directors resolved by the Company's board of directors in 2018 and 2017 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	
	2017	2016
Property and equipment	$ 832,748	$ 804,825
Investment property	8,935	9,419
Intangible assets and other deferred assets	225,549	191,352
	$ 1,067,232	$ 1,005,596

38.INCOME TAX

In 2003, Taishin Financial Holding adopted the linked tax system for tax filing (similar to a consolidated tax filling) with its subsidiaries including 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 its dissolution under a 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	
	2017	2016
Current tax		
In respect of the current period	$ 1,627,290	$ 1,042,653
Additionally levied on unappropriated earnings	2,723	-
Adjustments for prior years	(78,713)	(17,854)
Offshore income tax expense	909	1,223
Land value increment tax	1,759	2,469
Others	-	296
Deferred tax		
In respect of the current period	184,479	503,249
Adjustments for prior years	1,016	45,324
Income tax expense recognized in profit or loss	$ 1,739,463	$ 1,577,360

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

	For the Year Ended December 31	
	2017	2016
Income from continuing operation before income tax	$ 14,809,629	$ 12,969,793
Income tax expense calculated at the statutory rate 17%	$ 2,517,637	$ 2,204,864
Nondeductible expenses in determining taxable income	7,408	29,822
Tax-exempt income	(937,665)	(887,686)
Land value increment tax	1,759	2,469
Additional income tax under the Alternative Minimum Tax Act	-	69,760
Deferred tax effects of overseas branches	(6,860)	(3,212)
Unrecognized temporary differences	77,682	56,460
Unrecognized loss carryforwards	161,941	157,705
Additionally levied on unappropriated earnings	2,723	-
Others	(8,374)	(81,515)
Offshore income tax expense	909	1,223
Adjustments to prior years' tax	(78,713)	(17,854)
Adjustments to prior years' deferred tax	1,016	45,324
Income tax expense recognized in profit or loss	$ 1,739,463	$ 1,577,360

The Group's income tax statutory tax rate was 17% for the years ended December 31, 2017 and 2016. The subsidiaries in mainland China are subject to income tax rate of 25%.

Government announced to modify Income Tax Law in February 2018 to adjust income tax rate from 17% to 20% and to implement in 2018. In addition, tax rate for unappropriated earning will decline from 10% to 5%. Realized deferred tax assets and realized deferred tax liabilities as of December 31, 2017 increase to $422,930 thousand and $7,639 thousand because of the changes of tax rate.

Income Tax Recognized in Other Comprehensive Income

	December 31	
	2017	2016
Deferred tax		
Recognized in other comprehensive income		
Unrealized gains (losses) on available-for-sale financial assets	$ 24,856	($ 13,885)
Actuarial gains and losses on defined benefit plan	(32,223)	(45,671)
	($ 7,367)	($ 59,556)

Current Tax Assets and Liabilities

	December 31	
	2017	2016
Current tax assets		
Tax refund receivable	$ 357,385	$ 534,583
Prepaid income tax	32	233
	$ 357,417	$ 534,816
Current tax liabilities		
Income tax payable	$ 1,464,131	$ 1,123,810

Deferred Tax

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

	December 31	
	2017	2016
Deferred tax assets	$ 2,480,967	$ 2,950,676
Deferred tax liabilities	(96,839)	(127,762)
	$ 2,384,128	$ 2,822,914

	For the Year Ended December 31, 2017				
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Ending Balance
Deferred tax assets					
Temporary differences					
Allowance for loans losses	$ 1,906,612	$ 143,188	$ -	($ 451)	$ 2,049,349
Others	381,749	22,729	7,367	(24,813)	387,032
	2,288,361	165,917	7,367	(25,264)	2,436,381
Loss carryforwards	662,315	(382,335)	-	(235,394)	44,586
	$ 2,950,676	($ 216,418)	$ 7,367	($ 260,658)	$ 2,480,967
Deferred tax liabilities					
Land value increment tax	($ 53,552)	$ -	$ -	$ -	($ 53,552)
Temporary differences	(74,210)	30,923	-	-	(43,287)
	($ 127,762)	$ 30,923	$ -	$ -	($ 96,839)

	For the Year Ended December 31, 2016				
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Ending Balance
Deferred tax assets					
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
	$ 3,517,778	($ 478,158)	$ 59,556	($ 148,500)	$ 2,950,676
Deferred tax liabilities					
Land value increment tax	($ 53,552)	$ -	$ -	$ -	($ 53,552)
Temporary differences	(3,795)	(70,415)	-	-	(74,210)
	($ 57,347)	($ 70,415)	$ -	$ -	($ 127,762)

The Group's Loss Carryforwards as of December 31, 2017

Expiry Year	Unused Amount
2020	$ 44,586

Taishin Financial Holding's Information about Integrated Income Tax

	December 31	
	2017	2016
Balance of ICA	$ 36,162	$ 62,134
Unappropriated earnings generated after January 1, 1998	$ 12,730,059	$ 10,830,150

	For the Year Ended December 31	
	2017 (Expected)	2016
Creditable ratio for distribution of earnings	Note	11.23%

Note: Because the amendment to Income Tax Law announced in February 2018 abolished integrated income tax system, it is not appropriate to use the creditable ratio when company expect distribution of earnings of 2018.

Assessments of The Group's Income Tax

a. Taishin Financial Holding's income tax returns through 2012 had been assessed by the tax authorities.

b. Taishin Bank's income tax returns through 2012 had been assessed by the tax authorities. The income tax returns of Taishin Real-Estate through 2015 had been assessed by the tax authorities. The income tax returns of Taishin D.A. Finance through 2015 had been assessed by the tax authorities. The income tax returns of Xiang An Insurance Agency through 2014 had been assessed by the tax authorities.

c. Taishin AMC's income tax returns through 2012 had been assessed by the tax authorities.

d. Taishin Venture Capital's income tax returns through 2012 had been assessed by the tax authorities.

e. Taishin Securities Investment Trust's returns through 2012 had been assessed by the tax authorities.

f. Taishin Securities B's returns through 2012 had been assessed by the tax authorities. Taishin Securities Venture Capital's returns through 2015 had been assessed by the tax authorities.

g. Taishin Securities Investment Advisory's returns through 2012 had been assessed by the tax authorities.

h. Taishin Holdings Insurance Broker's returns through 2012 had been assessed by the tax authorities.

39.EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	2016
Basic earnings per share	$ 1.15	$ 1.09
Diluted earnings per share	$ 1.15	$ 1.09

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 22, 2017. The basic and diluted earnings per share adjusted retrospectively for the three months and year ended December 31, 2016 were as follows:

Unit: NT$ Per Share

	For the Year Ended December 31, 2016	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	$ 1.14	$ 1.09
Diluted earnings per share	$ 1.14	$ 1.09

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	
	2017	2016
Net income for the periods attributable to owner of the parent	$ 13,060,662	$ 11,399,434
Less: Dividends on preferred stocks	(1,571,695)	(569,918)
Earnings used in computation of basic earnings per share	11,488,967	10,829,516
Earnings used in computation of diluted earnings per share	$ 11,488,967	$ 10,829,516

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

	For the Year Ended December 31	
	2017	2016
Weighted average number of ordinary shares in computation of basic earnings per share	9,975,950	9,916,523
Effect of dilutive potential ordinary shares:		
Employees bonus	108	125
Employees stock options	8,939	22,793
Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share	9,984,997	9,939,441

Since the Group offered to settle compensation or bonus 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:

	For the Year Ended December 31			
	2017		2016	
Plan of 2010 (II)	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning balance	1,457	$ 8.50	1,457	$ 9.50
Exercise	(150)	8.50	-	-
Outstanding, ending balance	1,307		1,457	
Exercisable, ending balance	1,307		1,216	

	For the Year Ended December 31			
	2017		2016	
Plan of 2010 (I)	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning balance	29,482	$ 8.40	34,392	$ 9.40
Exercise	(8,244)	8.21	(4,125)	9.00
Forfeited	(302)	8.28	(785)	9.17
Outstanding, ending balance	20,936		29,482	
Exercisable, ending balance	20,936		29,482	

	For the Year Ended December 31			
	2017		2016	
Plan of 2007	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning balance	63,305	$ 9.00	78,206	$ 10.00
Exercise	(45,680)	9.00	(14,571)	9.28
Forfeited	(17,625)	9.00	(330)	10.00
Outstanding, ending balance	-		63,305	
Exercisable, ending balance	-		63,305	

The weighted-average of stock price at the dates of exercise of share options exercised during the year ended December 31, 2017 was $12.26.

The exercise price and expected weighted-average outstanding period of the share option warrants for the year ended December 31, 2017 were as follows:

	For the Year Ended December 31			
	2017		2016	
	Exercise Price (Dollars)	Expected Weighted Average Outstanding Period (Years)	Exercise Price (Dollars)	Expected Weighted Average Outstanding Period (Years)
Plan of 2010 (II)	$ 7.90	3.67	$ 8.50	4.67
Plan of 2010 (I)	7.80	2.78	8.40	3.79
Plan of 2007	-	-	9.00	0.2

The valuation models of the share options for the year ended December 31, 2017 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 were $211 thousand and $5,314 thousand for the year ended December 31, 2017 and 2016.

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 2016	Plan of 2015	Plan of 2014	Plan of 2013
Average price (Note)	$13.64	$13.64	$13.64	$13.64
Exercise price	$10.9	$9.0	$10.7	$11.4
Outstanding period	2 years, 3 years	2 years, 3 years	2 years, 3 years	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%

Note: Average price is calculated based on the average closing price of ordinary shares of the Company for the 30 business days before the balance sheet date

The movements in the appreciation rights plan were as follows:

	For the Year Ended December 31, 2017	
Appreciation Rights Plan of 2016	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	-	$ -
Grant	18,801	11.84
Ceased	(470)	10.90
Outstanding, ending	18,331	
Weighted-average fair value of appropriation rights (NT$)	$ 3.37	

	For the Year Ended December 31			
	2017		2016	
Appreciation Rights Plan of 2015	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	27,000	$ 9.70	-	$ 10.85
Exercise	-	9.70	27,665	10.85
Ceased	(690)	9.00	(665)	10.85
Outstanding, ending	26,310		27,000	
Weighted-average fair value of appropriation rights (NT$)	$ 4.72		$ 2.68	

Appreciation Rights Plan of 2014	For the Year Ended December 31			
	2017		2016	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	28,614	$ 11.60	29,474	$ 12.94
Exercise	(14,282)	11.60	-	12.94
Ceased	(375)	10.70	(860)	12.94
Outstanding, ending	13,957		28,614	
Weighted-average fair value of appropriation rights (NT$)	$ 2.95		$ 0.92	

Appreciation Rights Plan of 2013	For the Year Ended December 31			
	2017		2016	
	Unit	Weighted Average Exercise Price (Dollars)	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	12,338	$ 11.40	25,675	$ 12.70
Exercise	(12,338)	11.40	(12,813)	12.70
Ceased	-	-	(525)	12.70
Outstanding, ending	-		12,337	
Weighted-average fair value of appropriation rights (NT$)	$ 0.44		$ 0.51	

Appreciation Rights Plan of 2012	For the Year Ended December 31, 2016	
	Unit	Weighted Average Exercise Price (Dollars)
Outstanding, beginning	11,241	$ 8.80
Exercise	(11,241)	8.80
Outstanding, ending	-	
Weighted-average fair value of appropriation rights (NT$)	$ 1.92	

As of December 31, 2017 and 2016, the related liabilities recognized amounted to $162,987 thousand and $52,229 thousand, respectively.

41. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Tachong Securities Co., Ltd.	Securities Firms	August 28, 2017	100%	$ 4,230,932

Note: The difference between the consideration transferred as stated in the purchase and sale agreement in the amount of $4,230,932 thousand and the cash paid at the acquisition-date in the amount of $4,113,646 thousand was $117,286 thousand. The main reason for the difference is the amount of treasury stock that Tachong Securities bought in advance from dissenters before the acquisition-date.

On August 28, 2017, Taishin Securities B acquired Tachong Securities via a cash merger in order to expand its security business scale, effectively utilize resources and enhance its market competitiveness. After completing the merger, the surviving company is Taishin Securities B and Tachong Securities was dissolved accordingly.

b. Considerations transferred

	Tachong Securities Co., Ltd.
Cash	$ 4,230,932

c. Assets acquired and liabilities assumed at the date of acquisition

	Tachong Securities Co., Ltd.	Tachong Venture Capital Co., Ltd.
Current assets		
Cash	$ 884,323	$ 16,790
Financial assets at fair value through profit or loss - current	3,106,192	9,763
Margin loans receivables	2,811,369	-
Refinancing margin	1,732	-
Refinancing guarantees receivable	1,853	-
Customer margin account	179,968	-
Accounts receivable	1,951,617	-
Other receivables	80,224	-
Current tax assets	$ 3,003	$ -
Other current assets	419,864	-
Total current assets	9,440,145	26,553
Noncurrent assets		
Financial assets carried at cost - noncurrent	61,348	45,112
Investment accounted for using equity method (Note)	71,963	-
Property, plant and equipment	260,542	827
Deferred tax assets	8,523	-
Other noncurrent assets	500,039	333
Total noncurrent assets	902,415	46,272
Current liabilities		
Commercial papers issued	(639,619)	-
Current financial liabilities at fair value through profit or loss	(156,702)	-
Bonds sold under repurchase agreements	(2,504,239)	-
Deposits on short sales	(162,004)	-
Financing guarantees payable	(175,413)	-
Futures traders' equity	(179,818)	-
Accounts payable	(2,002,503)	-
Other payable	(72,571)	(833)
Current tax liabilities	(5,005)	-
Other current liabilities	(29,841)	(29)
Total current liabilities	(5,927,715)	(862)
Noncurrent liabilities		
Provisions - noncurrent	(5,182)	-
Net defined benefit liabilities - noncurrent	(189,013)	-
Guarantee deposits received	(257)	-
Total noncurrent liabilities	(194,452)	-
	$ 4,220,393	$ 71,963

Note: Investment accounted for using equity method is Tachong Venture Capital, a wholly-owned subsidiary of the Group after merging Tachong Securities. When preparing the Group's consolidated financial statements, all inter-company assets and liabilities were eliminated.

d. Gains from bargain purchase

	Tachong Securities Co., Ltd. and Subsidiaries
Consideration transferred	$ 4,230,932
Less: Treasury stock that Tachong Securities bought in advance from dissenters before the acquisition-date	(117,286)
Less: Fair value of acquired net identifiable assets	(4,220,393)
Gain from bargain purchase	($ 106,747)

Gain from bargain purchase from the acquisition is the difference of considerations transferred and fair value of acquired net identifiable assets. The gain from bargain purchase is recognized in profit or loss in the period. The fair value of net identifiable assets above is from report which external experts consultant proposed.

e. Net cash outflow on acquisition of subsidiaries

	Tachong Securities Co., Ltd. and Subsidiaries
Consideration paid in cash	$ 4,113,646
Less: Cash and cash equivalent balances acquired	(901,113)
	$ 3,212,533

f. Impact of acquisitions on the results of the Group

Tachong Securities was merged into Taishin Securities B after the acquisition and was no longer a segment of the Group. All operations of Tachong Securities were merged into each of the operation departments of Taishin Securities B at the date of acquisition. Therefore, the performance of the acquired entity cannot be singly measured from the date of acquisition.

Since Taishin Securities B could not simulate and determine the relevant financial assumptions and decisions of Tachong Securities before the business combination, the Group could not prepare the pro-forma revenue and profit of Taishin Securities B for the year ended December 31, 2017 assuming Tachong Securities was acquired at the beginning of the current reporting period in which the business combination occurred.

42. 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, 2017 and 2016, refundable deposits paid under operating leases amounted to $231,842 thousand and $225,284 thousand, respectively.

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

	December 31	
	2017	2016
Not later than 1 year	$ 503,096	$ 488,821
Later than 1 year and not later than 5 years	1,218,352	1,174,009
Later than 5 years	598,881	384,680
	$ 2,320,329	$ 2,047,510

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, 2017 and 2016, deposits received under operating leases amounted to $7,184 thousand and $7,022 thousand, respectively.

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

	December 31	
	2017	2016
Not later than 1 year	$ 38,797	$ 37,384
Later than 1 year and not later than 5 years	54,038	75,875
Later than 5 years	854	4,955
	$ 93,689	$ 118,214

43.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 to be 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 regulatory agencies.

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 (the "Committee") to review capital performance of Taishin Financial Holding and its significant subsidiaries' every month. If there is any 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 ratio 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 the relevant regulatory agencies using the calculation formulas and forms according to the regulations before deadline.

c.

Item / Company	December 31, 2017		
	Ownership Interest (%)	Group Eligible Capital	Group's Statutory Capital Requirement
Taishin Financial Holding		$ 164,588,265	$ 175,282,926
Taishin Bank	100	163,318,169	106,144,174
Taishin Securities B	100	6,111,554	2,193,686
Taishin Venture Capital	100	2,747,656	1,539,975
Taishin AMC	100	1,423,204	818,517
Taishin Securities Investment Trust	100	824,895	458,062
Taishin Securities Investment Advisory	92	325,893	174,128
Exclusive items amounts subtracted		(152,833,414)	(137,250,448)
Total		186,506,222	149,361,020
Group's capital adequacy ratio (Note)			124.87%

Item / Company	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%

d. Financial holding company eligible capital

Item	December 31, 2017
Common stock	$ 99,842,620
Non-cumulative perpetual preferred stocks and non-cumulative subordinated debts without maturity dates which comply with eligible Tier 1 capital	20,013,476
Other preferred stock and subordinated corporate bonds	19,731,887
Advance receipts for capital stock	14,422
Capital surplus	4,008,740
Legal reserve	7,838,803
Special reserve	502,815
Retained earnings	12,762,094
Equity adjustment	(126,592)
Subtracted:	
Goodwill	-
Deferred assets	-
Treasury stock	-
Total	164,588,265

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)
Subtracted:	
Goodwill	-
Deferred assets	-
Treasury stock	-
Total	153,491,140

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.

44. 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, 2017 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	$ 233,810,135	150.53%
Hon Hai Precision IND, Co., Ltd.	7,508,092	4.83%
Taiwan Power Co., Ltd.	6,684,512	4.30%
Sprinta Inc. Taiwan Branch	5,010,000	3.23%
Tatung Co., Ltd.	4,898,313	3.15%
Bank of China	4,735,135	3.05%
HNFH Co., Ltd.	4,312,444	2.78%
CPC Corporation, Taiwan	4,217,528	2.72%
AU Optronics Corp.	4,174,528	2.69%
China Bills Finance Corporation	4,143,721	2.67%
US GOVT	4,047,187	2.61%
Hon-Han Investment Co., Ltd.	3,974,265	2.56%
Far Eastern New Century Co., Ltd.	3,525,775	2.27%
De-Kao Land First Co., Ltd.	3,202,117	2.06%
De-Kao Land Second Co., Ltd.	3,202,117	2.06%
Catcher Technology Co., Ltd.	3,059,274	1.97%
Sun Ray Company Ltd.	3,044,496	1.96%
Total	303,549,639	
b. To the same person and spouse, the relative within the second degree and the person or the spouse's enterprise		
Individual A	5,305,151	3.42%
Individual B	3,743,552	2.41%
Total	9,048,703	
c. To the same related party enterprise		
Hon Hai Group	21,128,965	13.60%
Far Eastern Group	16,201,927	10.43%
CITIC Group	14,327,560	9.22%
APL Group	9,566,018	6.16%
YFY Inc.	9,502,086	6.12%
AU Optronics (L) Corp.	9,086,889	5.85%
Ting Hsin Group	7,263,584	4.68%
Fubon Group	7,187,865	4.63%
Taiwan Power Co., Ltd.	6,684,512	4.30%
Lin Yuan Group	6,484,180	4.17%
Ruentex Group	6,200,754	3.99%
Chailease Group	5,772,226	3.72%
Yulon Group	5,737,556	3.69%
HNFH Group	5,581,177	3.59%
China Development Financial	5,524,211	3.56%
O-Bank Group	5,497,429	3.54%
Formosa Plastics Group	5,497,148	3.54%
Tatung Group	5,426,470	3.49%
BOC Group	5,294,762	3.41%
Gold East Trading Co., Ltd.	5,210,708	3.35%

(Continued)

(In Thousands of New Taiwan Dollars; %)

Transaction Party	Credit, Endorsement and Other Transaction	As Proportion of Financial Holding's Net Equity
Walsin Technology Corp.	$ 4,577,650	2.95%
Koos Group	4,546,088	2.93%
China Steel Group	4,339,372	2.79%
CPC Group	4,217,528	2.72%
CMP Group	4,142,561	2.67%
MS Group	3,911,361	2.52%
King's Town Group	3,750,294	2.41%
RGE Group	3,666,348	2.36%
Walsin Technology Corp.	3,600,871	2.32%
Shanyuan Group	3,480,125	2.24%
TOP Group	3,444,408	2.22%
Hotai Corp.	3,376,897	2.17%
CBA Group	3,124,118	2.01%
Yuan Lih Group	3,077,882	1.98%
Catcher Technology Co., Ltd.	3,059,274	1.97%
Total	219,490,804	

(Concluded)

45.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, 2017			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurement				
Non-derivative assets and liabilities				
Assets				
Financial assets at FVTPL				
Held-to-maturity financial assets				
Stocks and beneficial certificates	$ 3,803,858	$ 3,473,823	$ 330,035	$ -
Bond investments	52,325,309	24,562,496	27,613,515	149,298
Others	31,738,379	43,388	31,694,991	-
Available-for-sale financial assets				
Stocks and beneficiary certificates	5,995,276	5,995,276	-	-
Bond investments	96,604,687	41,894,563	54,710,124	-
Others	205,285,544	425,595	204,859,949	-
Liabilities				
Financial liabilities at FVTPL	659,231	659,231	-	-
Derivative assets and liabilities				
Assets				
Financial assets at FVTPL	18,286,192	501,698	14,097,321	3,687,173
Liabilities				
Financial liabilities at FVTPL	17,808,487	137,935	13,803,371	3,867,181

Financial Assets and Liabilities	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurement				
Non-derivative assets and liabilities				
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	-	-
Derivative assets and liabilities				
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

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. These types 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.

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 $6,446,554 thousand and $512,990 thousand for the years ended December 31, 2017 and 2016, respectively, were transferred from Level 1 to Level 2.

5) Reconciliation of Level 3 financial assets

For the Year Ended December 31, 2017								
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	$ 12,337,492	($ 5,097,005)	$ -	$ 268,549	$ -	($ 3,672,565)	$ -	$ 3,836,471
Available-for-sale financial assets	762,156	(478)	(5,322)	-	-	(756,356)	-	-
Total	$ 13,099,648	($ 5,097,483)	($ 5,322)	$ 268,549	$ -	($ 4,428,921)	$ -	$ 3,836,471

Note: No transfer from Level 3.

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.

Valuation gains (losses) above recognized in current profits or losses in the amounts of $(5,033,160) thousand and $(5,284,965) thousand were attributed to gains (losses) on assets owned for the years ended December 31, 2017 and 2016, respectively.

Valuation gains (losses) above recognized in other comprehensive income in the amounts of $0 thousand and $816 thousand were attributed to gains (losses) on assets owned during years ended December 31, 2017 and 2016, respectively.

Reconciliation of Level 3 financial liabilities:

For the Year Ended December 31, 2017							
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	$ 12,676,214	($ 5,197,365)	$ 60,140	$ -	($ 3,671,808)	$ -	$ 3,867,181

Note: No transfer from Level 3.

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.

Valuation gains (losses) above recognized in current profits or losses in the amounts of $5,165,813 thousand and $5,609,967 thousand were attributed to gains (losses) on liabilities owned during years ended December 31, 2017 and 2016, 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, 2017	Valuation Technique	Significant Unobservable Inputs	Range of Estimate	Relationship Between Inputs and Fair Value
Non-derivative financial instrument					
Available-for-sale financial assets					
Credit-linked bonds	$ 149,298	Credit spread default model/cash flow discount method	Credit spread	0% ~ 2%	The higher the credit spread, the lower the fair value.
Derivative financial instrument					
Financial assets at FVTPL					
Interest rate swaps	755,122	Cash flow discount method	Discount for lack of marketability	0% ~ 20%	The higher the discount for lack of marketability, the lower the fair value.

(Continued)

	Fair Value on December 31, 2017	Valuation Technique	Significant Unobservable Inputs	Range of Estimate	Relationship Between Inputs and Fair Value
Equity-linked options	7,375	Option pricing model	Volatility rate	5% ~ 40%	The higher the volatility rate, the higher the fair value.
Equity-linked swaps	411	Option pricing model/ cash flow discount method	Volatility rate	5% ~ 40%	The higher the volatility rate, the higher the fair value.
Derivative financial liabilities					
Financial liabilities at FVTPL					
Interest rate swaps	855,411	Cash flow discount method	Discount for lack of marketability	0% ~ 20%	The higher the discount for lack of marketability, the lower the fair value.
Credit default swaps	13,707	Credit spread default model/cash flow discount method	Credit spread	0% ~ 2%	The higher the credit spread, the lower the fair value.

(Concluded)

	Fair Value on December 31, 2016	Valuation Technique	Significant Unobservable Inputs	Range of Estimate	Relationship Between Inputs and Fair Value
Non-derivative financial instrument					
Available-for-sale financial assets					
Credit-linked bonds					
Derivative financial instrument	$ 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.
Financial assets at FVTPL					
Interest rate swaps					
Equity-linked options	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.
Derivative financial liabilities	72	Option pricing model	Volatility rate	5% ~ 25%	The higher the volatility rate, the higher the fair value.
Financial liabilities at FVTPL					
Interest rate swaps					
Credit default 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			
	2017		2016	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets				
Held-to-maturity financial assets	$ 6,095	$ 6,115	$ 6,126	$ 6,098

2) The level information of fair value

Assets and Liabilities	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 6,115	$ -	$ 6,115	$ -

Assets and Liabilities	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 6,098	$ -	$ 6,098	$ -

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 45. 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

The bonds issued by the Group are intended to enhance liquidity or for capital management purpose instead of earning short-term profits; therefore, the bonds are disclosed at carrying amounts.

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, 2017						
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	$ 12,045,587	$ -	$ 12,045,587	$ 8,600,678	$ 1,705,377	$ 1,739,532

Note: Including net settlement and non-cash collaterals.

December 31, 2017						
Offset and Execution of Net Settlement or Similar Agreement on Financial Liabilities						
Interpretation	Realized Financial Liabilities (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)	Pledged Cash Collaterals	
Derivative	$ 15,053,483	$ -	$ 15,053,483	$ 8,600,678	$ 3,638,329	$ 2,814,476

Note: Including net settlement and non-cash collaterals.

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 Liabilities (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)	Pledged 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.

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, 2017		
Financial Assets	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value
Financial assets at fair value through profit or loss repurchase agreement	$ 30,505,669	$ 30,327,153
Available-for-sale financial assets repurchase agreement	52,490,950	46,367,912

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 and 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 shareholders' 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, 2017			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	$ 11,542	$ 33,884	$ 3,565	$ 9,248
Interest rate VaR	66,808	120,284	27,207	106,934
Equity securities VaR	22,461	35,690	9,700	10,276
Value at risk	66,187	117,349	33,638	105,728

	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

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 53.

Taishin Securities B

VaR is the potential highest loss for a period within certain confidence interval. For the years ended December 31, 2017 and 2016, Taishin Securities B's VaR factors were as follows:

	December 31, 2017			
	Average	Highest	Lowest	Ending Balance
Value at risk (VaR)	$ 30,281	$ 39,969	$ 17,351	$ 34,167

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

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, 2017 and 2016, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrepealable maximum amount of exposure) were as follows:

Taishin Bank

Financial Instrument Type	December 31	
	2017	2016
Guarantees	$ 19,163,136	$ 15,732,747
Letters of credit	3,370,379	2,902,726
Unused loan commitments (excluding credit card)	551,044,307	600,553,630
Unused loan commitments (credit card only)	15,111,619	14,120,357

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			
	2017		2016	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Manufacturing	$ 130,271,321	13	$ 121,689,439	14
Wholesale and retailing	52,639,076	5	50,275,504	6
Finance and insurance	87,017,168	9	89,444,644	10
Real estate and leasing	74,459,011	8	43,434,193	5
Service	15,644,664	2	15,110,538	2
Individuals	579,970,518	60	533,690,339	60
Others	32,868,327	3	37,323,009	3
	$ 972,870,085		$ 890,967,666	

Industry Type	December 31			
	2017		2016	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Asia	$ 897,039,195	92	$ 808,335,514	91
Europe	2,362,066	-	3,557,697	-
America	162,558	-	340,979	-
Others	73,306,266	8	78,733,476	9
	$ 972,870,085		$ 890,967,666	

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 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 and inward remittances)

(In Thousands of New Taiwan Dollars)

Item	December 31, 2017									
	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)	$ 86,865,373	$ 9,731,059	$ 477,517	$ 16,644,013	$ 113,717,962	$ 655,798	$ 5,917,605	$ 120,291,365	$ 1,732,857	$ 595,496	$ 117,963,012
Loans	757,644,402	193,711,013	7,585,213	-	958,940,628	259,894	13,669,563	972,870,085	6,359,768	6,283,107	960,227,210

(In Thousands of New Taiwan Dollars)

Item	December 31, 2017									
	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	$ 10,495,804	$ 102,440,947	$ 203,900	$ 4,404,060	$ 107,048,907	$ 2,315,237	$ 199,454	$ 104,534,216
Loans	691,444,894	175,153,368	8,311,456	-	874,909,718	351,116	15,706,832	890,967,666	8,239,261	4,717,113	878,011,292

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

Item	December 31, 2017				
	Neither Past Due Nor Impaired				
	Excellent	Good	Acceptable	Non-ratings	Total
Consumer finance	$ 543,973,802	$ -	$ 7,372,213	$ -	$ 551,346,015
Corporation finance	213,670,600	193,711,013	213,000	-	407,594,613
Total	$ 757,644,402	$ 193,711,013	$ 7,585,213	$ -	$ 958,940,628

Item	December 31, 2016				
	Neither Past Due Nor Impaired				
	Excellent	Good	Acceptable	Non-ratings	Total
Consumer finance	$ 498,086,775	$ -	$ 7,378,276	$ -	$ 505,465,051
Corporation finance	193,358,119	175,153,368	933,180	-	369,444,667
Total	$ 691,444,894	$ 175,153,368	$ 8,311,456	$ -	$ 874,909,718

c) Credit quality analysis of non-credit financial assets

Item	December 31, 2017										
	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	$ 13,966,515	$ -	$ -	$ -	$ 13,966,515	$ -	$ -	$ 13,966,515	$ -	$ -	$ 13,966,515
Securities purchased under resell agreements	7,114,843	-	-	-	7,114,843	-	-	7,114,843	-	-	7,114,843
Available-for- sale financial assets											
Stocks	-	-	-	-	-	-	-	-	-	-	-
Bills	205,285,544	-	-	-	205,285,544	-	-	205,285,544	-	-	205,285,544
Bonds and beneficiary securities	97,371,971	-	-	-	97,371,971	-	-	97,371,971	-	-	97,371,971
Held-to- maturity financial assets											
Bonds	-	-	-	6,095	6,095	-	-	6,095	-	-	6,095
Financial assets carried at cost											
Stocks	-	-	-	-	-	-	104,494	104,494	20,949	-	83,545

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

7) Aging analysis of financial assets of Taishin Bank that are past due but not impaired

Item	December 31, 2017		
	Past Due Up to Two Months	Past Due Two to Three Months	Total
Receivables (including delinquent loans reclassified from other items)	$ 590,488	$ 65,310	$ 655,798
Consumer finance	42,510	20,248	62,758
Corporation finance	-	-	-
Others	547,978	45,062	593,040
Loans	230,708	29,186	259,894
Consumer finance	230,708	29,186	259,894
Corporation finance	-	-	-

Item	December 31, 2016		
	Past Due Up to Two Months	Past Due Two to Three Months	Total
Receivables (including delinquent loans reclassified from other items)	$ 170,023	$ 33,877	$ 203,900
Consumer finance	45,896	23,302	69,198
Corporation finance	-	-	-
Others	124,127	10,575	134,702
Loans	304,449	46,667	351,116
Consumer finance	304,449	46,667	351,116
Corporation finance	-	-	-

8) Impairment analysis of loans and receivables of Taishin Bank

Receivables (including delinquent loans reclassified from other items and inward remittances)

Item		Gross Receivables	
		December 31, 2017	December 31, 2016
Objective evidence of impairment	Individual assessment of impairment	$ 3,753,495	$ 2,152,696
	Combined assessment of impairment	2,164,110	2,251,364
Nonobjective evidence of impairment	Combined assessment of impairment	114,373,760	102,644,847
Total		$ 120,291,365	$ 107,048,907

Item		Allowance	
		December 31, 2017	December 31, 2016
Objective evidence of impairment	Individual assessment of impairment	$ 1,346,545	$ 1,972,621
	Combined assessment of impairment	386,312	342,616
Nonobjective evidence of impairment	Combined assessment of impairment	595,496	199,454
Total		$ 2,328,353	$ 2,514,691

Loans

Item		Gross Loans	
		December 31, 2017	December 31, 2016
Objective evidence of impairment	Individual assessment of impairment	$ 4,813,554	$ 6,644,606
	Combined assessment of impairment	8,856,009	9,062,226
Nonobjective evidence of impairment	Combined assessment of impairment	959,200,522	875,260,834
Total		$ 972,870,085	$ 890,967,666

Item		Allowance	
		December 31, 2017	December 31, 2016
Objective evidence of impairment	Individual assessment of impairment	$ 3,192,455	$ 5,178,475
	Combined assessment of impairment	3,167,313	3,060,786
Nonobjective evidence of impairment	Combined assessment of impairment	6,283,107	4,717,113
Total		$ 12,642,875	$ 12,956,374

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, 2017									
	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	$ 24,904,670	$ 19,881,053	$ 14,742,753	$ 4,702,953	$ -	$ 21,000	$ -	$ -	$ -	$ 64,252,429
Non-derivative financial liabilities at fair value through profit or loss	151,124	-	-	-	-	-	-	-	-	151,124
Securities sold under repurchase agreements	68,121,160	8,500,295	-	-	-	-	-	-	-	76,621,455
Payables	17,854,607	1,252,375	185,892	3,767,248	12,440	2,063	-	-	-	23,074,625
Deposits and remittances	143,328,998	263,501,359	135,747,246	267,999,477	382,384,839	2,930,209	13,645	41	-	1,195,905,814
Bank debentures	-	-	-	-	4,900,000	-	-	6,800,000	28,000,000	39,700,000
Other financial liabilities	3,373,079	2,905,371	3,763,084	5,079,010	1,175,548	4,944,553	28,317	194,905	29,465,656	50,929,523
	$ 257,733,638	$ 296,040,453	$ 154,438,975	$ 281,548,688	$ 388,472,827	$ 7,897,825	$ 41,962	$ 6,994,946	$ 57,465,656	$1,450,634,970

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
	$ 243,795,613	$ 277,178,084	$ 155,403,078	$ 256,277,260	$ 346,068,484	$ 9,606,313	$ 334,939	$ 29,338	$ 69,738,783	$1,358,431,892

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 $570,151,138 thousand and $507,931,540 thousand as of December 31, 2017 and 2016, 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, 2017									
	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	$ 17,107,990	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,107,990

Financial Instruments Item	December 31, 2017									
	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

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, 2017 and 2016, 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 $19,163,136 thousand and $15,732,747 thousand, respectively, for guarantees; $3,370,379 thousand and $2,902,726 thousand, respectively, for letters of credit; $551,044,307 thousand and $600,553,630 thousand, respectively, for loans commitments (excluding credit card); and $15,111,619 thousand and $14,120,357 thousand, respectively, for credit cards commitments.

Item	December 31, 2017					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	$ 6,503,926	$ 5,505,626	$ 1,596,954	$ 1,745,813	$ 3,810,817	$ 19,163,136
Letters of credit	714,102	2,259,257	345,261	51,759	-	3,370,379
Loans commitments (excluding credit cards)	9,571,829	142,233,001	120,915,502	274,365,789	3,958,186	551,044,307
Credit cards commitments	175	55,803	62,125	210,470	14,783,046	15,111,619

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

46.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 Securities Investment Advisory	Fellow subsidiaries
Taishin Securities Investment Advisory	Fellow subsidiaries
Taishin D.A. Finance	Fellow subsidiaries
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 Securities Venture Capital	Fellow subsidiaries (become related party after August 28, 2017)
An Hsin Real-Estate	Associates
Chang Hwa Bank	Associates
Chang Hwa Bank Insurance Agency	Associates (merged with Chang Hwa Bank on April 1, 2016)
Chang Hwa Bank Insurance Brokerage	Associates (merged with Chang Hwa Bank on April 1, 2016)
Shin Kong Life Insurance Co., Ltd. ("Shin Kong Life Insurance")	Others

(Continued)

Name	Relationship
Shinkong Synthetic Fibers Co., Ltd. (“Shin Kong Synthetic Fibers”)	Others
Dah Chung Bills Finance Corp. (“Dah Chung Bills”)	Others
Shin Kong Bank	Others
Shin Kong Financial Holding Co., Ltd. (“Shin Kong Financial Holding”)	Others
Shin Kong Insurance Co., Ltd. (“Shin Kong Insurance”)	Others
CyberSoft Digital Service Corp. (“CyberSoft Digital Service”)	Others
Shin Kong Mitsukoshi Department Store Co., Ltd. (“Shin Kong Mitsukoshi”)	Others
Diamond Biotech Investment Co., Ltd. (“Diamond Biotech”)	Others
Agricultural Credit Guarantee Fund (“ACGF”)	Others
Peng Cheng Corp. (“Peng Cheng”)	Others
An Shin Construction Manager Corp. (“An Shin Construction Manager”)	Others
Ubright Optronics Corporation (“UBright”)	Others
Fenghe Development Corp. (“Fenghe Development”)	Others
International Bills Finance Corp. (“IBFC”)	Others (become non-related party after the third quarter of 2017)
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 (become non-related party after the second quarter of 2017)
Sercomm Corp. (“Sercomm”)	Others
Yi Huan Co., Ltd. (“Yi Huan”)	Others
Chin Wei Corp. (“Chin Wei”)	Others
Yuanta Commercial Bank Co., Ltd. (“Yuanta Bank”)	Others
MasterLink Securities Corp. (“MasterLink Securities”)	Others
First Securities Inc. (“First Securities”)	Others
Individual A	Key management personnel
Others	Including key management personnel and others

(Concluded)

b. Material transactions with related parties:

1) Loans, deposits and guaranteed loans

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

Loans

	Ending Balance	
December 31, 2017	$	1,380,491
December 31, 2016		1,328,045

For the years ended December 31, 2017 and 2016, interest revenues were $23,143 thousand and $22,281 thousand, respectively. Interest rates ranged from 1.06% to 11.44% and from 0.0001% to 10.52%, respectively.

	December 31, 2017					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
Consumer loans						
120 accounts	$ 482,546	$ 518,821	$ 478,946	$ 3,600	Land, building, chattels	None
Self-used residence mortgage loans						
94 accounts	536,906	597,885	536,906	-	Land, building	None
Other loans						
Peng Cheng	154,000	154,000	154,000	-	Land, building	None
Others	207,039	307,473	207,039	-	Land, building, securities - stocks	None
	$ 1,380,491		$ 1,376,891	$ 3,600		

	December 31, 2016					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
Consumer loans						
111 accounts	$ 375,884	$ 396,026	$ 375,884	$ -	Land, building, chattels	None
Self-used residence mortgage loans	515,814	547,290	515,814	-	Land, building	None
89 accounts						
Other loans	154,000	154,000	154,000	-	Land, building	None
Peng Cheng	282,347	458,734	282,347	-	Land, building, securities - stocks	None
Others	$ 1,328,045		$ 1,328,045			

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

Deposits

	Ending Balance
December 31, 2017	$ 6,139,442
December 31, 2016	15,659,942

For the years ended December 31, 2017 and 2016, interest expenses were $29,075 thousand and $192,278 thousand, respectively and interest rates ranged from 0.00% to 4.90% and 0.00% to 5.08%, respectively.

	December 31, 2017		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Shin Kong Mitsukoshi	$ 1,163,839	0.00 ~ 0.06	($ 661)
An Shin Construction Manager	804,877	0.63 ~ 0.63	(10,932)
Dah Chung Bills	425,139	0.00 ~ 0.70	(1,983)
Shin Kong Insurance	356,744	0.00 ~ 1.21	(1,220)
Diamond Biotech	228,784	0.01 ~ 0.14	(31)
Sercomm	162,228	0.00 ~ 0.14	(148)
ACGF	130,001	0.16 ~ 1.23	(1,404)
UBright	117,734	0.00 ~ 0.32	(269)
Shin Kong Synthetic Fibers	104,287	0.00 ~ 0.32	(579)
Others	2,645,809		(11,848)
	$ 6,139,442		($ 29,075)

	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)
Shin 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)
Others	2,302,405		(143,809)
	$ 15,659,942		($ 192,278)

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, 2017		
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
IBFC	Call loan to banks	$ -	0.30 ~ 0.44	$ 4,912
Dah Chung Bills	Call loan to banks	1,600,000	0.30 ~ 0.44	3,409

		December 31, 2016		
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
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, 2017		
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Chang Hwa Bank	Due from banks	$ 1,715	-	$ -

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

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

4) Trading securities

	December 31, 2017					
			Repurchase Agreements		Resell Agreements	
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Chin Wei	$ -	$ -	$ 10,109	0.31 ~ 0.32	$ -	-
Yi Huan	-	-	5,011	0.31 ~ 0.32	-	-
Yuanta Bank	-	2,585,930	-	-	-	-
First Securities	99,868	-	-	-	-	-
Shin Kong Bank	149,774	50,770	-	-	-	-
Shin Kong Life Insurance	-	-	300,000	0.40 ~ 0.45	-	-
IBFC	40,301,147	950,705	-	-	-	-
Dah Chung Bills	1,101,407	651,716	-	-	-	-
Chang Hwa Bank	702,794	952,546	-	-	-	-
	$ 42,354,990	$ 5,191,667	$ 315,120		$ -	

	December 31, 2016					
			Repurchase Agreements		Resell Agreements	
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	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	-	-	-	-	-
	$ 33,198,192	$ -	$ 1,179,718		$ 3,788,836	

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

5) Derivatives

	December 31, 2017					
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Dah Chung Bills	Interest rate swaps	2013.03.06-2022.06.20	$ 1,200,000	($ 3,899)	Financial assets at FVTPL	$ 97
Yuanta Bank	Interest rate swaps	2013.07.03-2018.07.05	600,000	2,108	Financial liabilities at FVTPL	(2,775)
	Currency swaps	2017.10.31-2018.02.02	596,960	1,772	Financial liabilities at FVTPL	(4,668)

	December 31, 2016					
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
IBFC	Interest rate swaps	2016.4.13-2017.12.22	$ 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

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			
	2017		2016	
	Item	Amount	Item	Amount
Shin Kong Mitsukoshi	Fee income	$ 325,776	Fee income	$ 324,073
Shin Kong Mitsukoshi	Service charge and operating expenses	360,846	Service charge and operating expenses	361,110
CyberSoft Digital Service	Operating expenses	511,308	Operating expenses	589,606
Shin Kong Life Insurance	Commission income	850,488	Commission income	1,016,855

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, 2017 and 2016 included the following:

	For the Year Ended December 31	
	2017	2016
Short-term benefits	$ 218,695	$ 218,126
Post-employment benefits	1,290	1,188
Share-based payments	27,716	7,617
	$ 247,701	$ 226,931

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, 2017					
Related Parties	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
Other loans						
Peng Cheng	$ 154,000	$ 154,000	$ 154,000	$ -	Land, building	None

	December 31, 2016					
Related Parties	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
Other loans						
Peng Cheng	$ 154,000	$ 154,000	$ 154,000	$ -	Land, building	None

Deposits

	December 31, 2017		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Shin Kong Mitsukoshi	$ 1,163,839	0.00 ~ 0.06	($ 661)
Taishin Securities B	1,036,029	0.01 ~ 1.13	(1,961)
An Shin Construction Manager	804,877	0.63 ~ 0.63	(10,932)
Xiang An Insurance Agency	791,832	0.00 ~ 0.50	(757)
Dah Chung Bills	425,139	0.00 ~ 0.70	(1,983)
Shin Kong Insurance	356,744	0.00 ~ 1.21	(1,220)
Taishin Securities Investment Advisory	242,407	0.06 ~ 1.73	(1,956)
Diamond Biotech	228,784	0.01 ~ 0.14	(31)
Sercomm	162,228	0.00 ~ 0.14	(148)
ACGF	130,001	0.16 ~ 1.23	(1,404)
Ubright	117,734	0.00 ~ 0.32	(269)
Taishin Construction Manager	113,626	0.00 ~ 1.07	(6,473)
D.A. Finance	105,461	0.00 ~ 1.03	(76)
Shin Kong Synthetic Fibers	104,287	0.00 ~ 0.32	(579)

	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)

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

b) Due from and call loans to banks

	December 31, 2017			
	Item	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Yuanta Bank	Call loans to banks	$ 1,600,000	0.30 ~ 0.44	$ 3,409

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

c) Trading securities

	December 31, 2017					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resell Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Yuanta Bank	$ -	$ 2,585,930	$ -	-	$ -	-
Shin Kong Bank	149,774	50,770	-	-	-	-
Shin Kong Life Insurance	-	-	300,000	0.40 ~ 0.45	-	-
Taishin Financial Holdings	-	-	5,690,312	0.31 ~ 0.36	-	-
Dah Chung Bills	1,101,407	651,716	-	-	-	-
IBFC	40,301,147	950,705	-	-	-	-
Taishin Securities B	199,536	351,748	-	-	-	-
Chang Hwa Bank	702,794	952,546	-	-	-	-

	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

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

d) Derivatives

		December 31, 2017				
Related Parties	Derivative Contracts	Period	Nominal Principal Amount	Valuation Gain (Loss)	Account	Balance
Dah Chung Bills	Interest rate swaps	2013.03.06- 2022.06.20	$ 1,200,000	($ 3,899)	Financial assets at FVTPL	$ 97
Yuanta Bank	Interest rate swaps	2013.07.03- 2018.07.05	600,000	2,108	Financial liabilities at FVTPL	(2,775)
	Currency swaps	2017.10.31- 2018.02.02	596,960	1,772	Financial liabilities at FVTPL	(4,668)

		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

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

e) Other material transactions

	For the Year Ended December 31			
	2017		2016	
	Item	Amount	Item	Amount
Shin Kong Mitsukoshi	Service charge and operating expenses	$ 360,565	Service charge and operating expenses	360,759
Shin Kong Mitsukoshi	Fee income	325,776	Fee income	324,073
Cyber Soft Digital Service	Operating expenses	507,526	Operating expenses	586,622
Shin Kong Life Insurance	Commission income	846,128	Commission income	1,010,976

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

f) Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2017 and 2016 included the following:

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	$ 287,668	$ 448,345
Post-employment benefits	7,694	8,818
Termination benefits	-	11,938
Share-based payment	31,698	12,336
	$ 327,060	$ 481,437

2) Taishin Securities B

a) Liability contracts with related parties

		For the Year Ended December 31	
Item	Name	2017	2016
Cash	Taishin Bank	$ 439,511	$ 49,964
Other current assets - receipts under underwriting	Taishin Bank	180,000	30,000
Operating guarantee deposits	Taishin Bank	345,000	165,000

b) Financial assets at fair value through profit or loss - current

		December 31			
		2017		2017	
Item	Name	Ending Shares (In Thousands)	Ending Balance	Ending Shares (In Thousands)	Ending Balance
Trading Securities - dealing	Shin Kong Financial Holding	2,630	203,933	677	67,860

c) Trading securities

	December 31, 2017					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Agreements		Resell Agreements	
			Ending Balance	Interest Rate (Per Annum %)	Ending Balance	Interest Rate (Per Annum %)
Taishin Financial Holding	$ 3,500,000	$ -	$ -	-	$ -	-
Taishin Bank	351,748	199,536	-	-	-	-
MasterLink Securities	1,253,392	1,055,511	-	-	-	-

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 December 31, 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, 2017			
	Beginning Balance	Purchased	Collected	Ending Balance
Loans with transferred ownership	$ 15,377,563	$ -	($ 151,287)	$ 15,226,276

	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

4) Taishin Venture Capital

There were no related party transactions with amounts more than $100,000 thousand for the year ended December 31, 2017.

5) Taishin Securities Investment Trust

There were no related party transactions with amounts more than $100,000 thousand for the year ended December 31, 2017.

6) Taishin Securities Investment Advisory

Liability contracts with related parties:

		December 31	
Item	Related Party	2017	2016
Other miscellaneous financial assets	Taishin Bank	$ 211,179	$ 160,373

47.PLEDGED ASSETS

Pledged Assets	Description	December 31 2017	December 31 2016
Refundable deposits	Cash and certificates of time deposits	$ 4,611,073	$ 14,008,152
Operating deposits and settlement funds	Cash, certificates of time deposits and cash paid to stock exchange	227,653	157,321
Available-for-sale financial assets	Securities and bonds	15,309,791	15,388,965
Held-to-maturity financial assets	Bonds	5,300	5,900
Time deposit with original maturity more than 3 months	Bank deposits and certificate of time deposits	123,078	107,724
Pledged time deposits	Bank deposits and certificate of time deposits	295,000	-

48.CONTINGENT LIABILITIES AND COMMITMENTS

In addition to those mentioned in Note 9 and Note 45, Taishin Financial Holding and subsidiaries have the following contingent liabilities and commitments as of December 31, 2017 and 2016:

	December 31 2017	December 31 2016
Trust liabilities	$ 288,744,977	$ 261,072,298
Unpaid equipment purchase contracts	2,569,077	2,101,118

49.FINANCIAL INFORMATION BY BUSINESS

The financial information by business for the years ended December 31, 2017 and 2016 was as follows:

Bank Business / Item	For the Year Ended December 31, 2017			
	Bank Business	Securities Business	Other Business	Total
Net interest income	18,427,763	132,720	174,086	18,734,569
Net income other than net interest income	14,633,835	1,111,682	3,321,815	19,067,332
Net revenue and gains	33,061,598	1,244,402	3,495,901	37,801,901
Provision for of allowance for bad debts expenses and guarantee liability	(1,842,594)	(5,834)	(2,630)	(1,851,058)
Total operating expenses	(18,940,326)	(825,872)	(1,375,016)	(21,141,214)
Income before income tax of continued operations	12,278,678	412,696	2,118,255	14,809,629
Income tax (expense) benefit	(1,729,960)	(44,519)	35,016	(1,739,463)
Income after income tax of continued operations	10,548,718	368,177	2,153,271	13,070,166

Bank Business / 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 before income tax of continued operations	11,044,182	9,588	1,916,023	12,969,793
Income tax (expense) benefit	(1,533,153)	714	(44,921)	(1,577,360)
Income after income tax of continued operations	9,511,029	10,302	1,871,102	11,392,433

50.FINANCIAL STATEMENTS OF TAISHIN FINANCIAL HOLDING

TAISHIN FINANCIAL HOLDING CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017	2016
CASH AND CASH EQUIVALENTS	$ 18,088	$ 7,876,884
SECURITIES PURCHASED UNDER RESELL AGREEMENTS	5,690,312	206,736
RECEIVABLES	942,923	472,457
CURRENT TAX ASSETS	229,092	361,395
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	175,242,626	164,995,814
OTHER FINANCIAL ASSETS		
Financial assets carried at cost	2,200	2,200
PROPERTY AND EQUIPMENT, NET	5,280	8,414
OTHER ASSETS	18,504	16,945
TOTAL	$ 182,149,025	$ 173,940,845

LIABILITIES AND EQUITY	2017	2016
LIABILITIES		
Commercial papers issued, net	$ -	$ 1,499,313
Payables	1,065,030	824,483
Current tax liabilities	1,195,730	860,939
Bonds payable	24,700,000	22,000,000
Other liabilities	-	4,970
Total liabilities	26,960,760	25,189,705
EQUITY		
Capital stock		
Common stock	99,842,620	95,130,986
Preferred stock	7,900,547	8,625,684
Advance receipts for capital stock	14,422	68,402
Capital surplus	26,453,556	27,132,585
Retained earnings		
Legal reserve	7,838,803	6,755,788
Special reserve	502,815	465,368
Unappropriated earnings	12,762,094	10,830,150
Other equity		
Exchange differences on translation of foreign financial statements	(463,546)	(168,382)
Unrealized gains (losses) on available-for-sale financial assets	336,973	(89,441)
Changes of amount from credit default designated as financial liabilities at fair value through profit or loss	(19)	-
Total equity	155,188,265	148,751,140
TOTAL	$ 182,149,025	$ 173,940,845

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	2017	2016
INCOME		
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	$ 13,891,551	$ 12,451,888
Interest income	19,229	22,689
Other income	21,214	19,970
Total income	13,931,994	12,494,547
EXPENSES AND LOSSES		
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	-	(114,918)
Operating expenses	(497,504)	(472,833)
Interest expenses	(490,189)	(468,693)
Total expenses and losses	(987,693)	(1,056,444)
INCOME BEFORE INCOME TAX	12,944,301	11,438,103
INCOME TAX BENEFIT	116,361	(38,669)
NET INCOME	13,060,662	11,399,434
OTHER COMPREHENSIVE INCOME		
Components of other comprehensive income that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	(1,688)	(5,650)
Share of the other comprehensive income of associates and joint ventures accounted for using equity method	(236,632)	(262,299)
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	131,250	(186,518)
Other comprehensive income, net of tax	(107,070)	(454,467)
TOTAL COMPREHENSIVE INCOME	$ 12,953,592	$ 10,944,967
EARNINGS PER SHARE		
Basic	$ 1.15	$ 1.09
Diluted	$ 1.15	$ 1.09

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(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, 2016	$ 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	95,130,986	8,625,684	68,402	24,776,589	2,075,475	280,521
Appropriation of 2016 earnings						
Legal reserve	-	-	-	-	-	-
Cash dividends on common stock	-	-	-	-	-	-
Cash dividends on preferred stock	-	-	-	-	-	-
Share dividends on common stock	4,112,896	-	-	-	-	-
Special reserve under Order No. 1010012865 issued by the FSC	-	-	-	-	-	-
Net income for the year ended December 31, 2017	-	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2017, net of tax	-	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	-
Redemption of preferred stock D	-	(725,137)	-	(614,596)	-	-
Share-based payments	598,738	-	(53,980)	44,880	-	(109,313)
BALANCE AT DECEMBER 31, 2017	$ 99,842,620	$ 7,900,547	$ 14,422	$ 24,206,873	$ 2,075,475	$ 171,208

	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	Effects of Changes from Credit Default Designated as Foreign Liability at Fair Value	Total Equity
$ 5,466,453	$ 465,368	$ 12,893,353	$ 117,513	($ 188,818)	$ -	$ 124,829,618
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
-	-	(267,949)	(285,895)	99,377	-	(454,467)
-	-	11,131,485	(285,895)	99,377	-	10,944,967
-	-	(301,335)	-	-	-	(7,000,000)
-	-	-	-	-	-	24,986,431
-	-	-	-	-	-	177,731
6,755,788	465,368	10,830,150	(168,382)	(89,441)	-	148,751,140
1,083,015	-	(1,083,015)	-	-	-	-
-	-	(5,026,874)	-	-	-	(5,026,874)
-	-	(569,918)	-	-	-	(569,918)
-	-	(4,112,896)	-	-	-	-
-	37,447	(37,447)	-	-	-	-
-	-	13,060,662	-	-	-	13,060,662
-	-	(238,301)	(295,164)	426,414	(19)	(107,070)
-	-	12,822,361	(295,164)	426,414	(19)	12,953,592
-	-	(60,267)	-	-	-	(1,400,000)
-	-	-	-	-	-	480,325
$ 7,838,803	$ 502,815	$ 12,762,094	($ 463,546)	$ 336,973	($ 19)	$ 155,188,265

TAISHIN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 12,944,301	$ 11,438,103
Depreciation expenses	2,405	3,219
Interest expense	490,189	468,693
Interest revenue	(19,229)	(22,689)
Dividends income	(57)	(86)
Share-based payments	14,276	4,827
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(13,891,551)	(12,336,970)
Changes in operating assets and liabilities		
Net changes in operating assets		
Decrease in receivables	616,491	146,307
(Increase) decrease in other assets	(2,497)	103,600
Net changes in operating liabilities		
Increase (decrease) in payables	534,665	(342,371)
(Decrease) increase in other liabilities	(4,970)	4,970
Interest received	22,006	23,216
Dividend received	7,267,725	8,755,255
Interest paid	(992,701)	(474,184)
Income taxes refund	138,907	51,138
Income taxes paid	(450,381)	(2,315)
Net cash generated from operating activities	6,669,579	7,820,713
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	(3,728,100)	(28,000,000)
Proceeds from disposal of investments accounted for using the equity method.	-	517,087
Acquisition of property and equipment	(21)	(4,200)
Net cash used in investing activities	(3,728,121)	(27,487,113)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in commercial papers issued	(1,500,000)	1,500,000
Corporate bond issued	8,000,000	-
Corporate bond repayment	(5,300,000)	-
Exercise of employee share options	480,114	172,421
Redemption of preferred stock D	(1,400,000)	(7,000,000)
Issue of preferred stock E	-	24,986,431
Cash dividends distributed	(5,596,792)	(5,187,607)
Net cash (used) generated in financing activities	(5,316,678)	14,471,245
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,375,220)	(5,195,155)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	8,083,620	13,278,775
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 5,708,400	$ 8,083,620
CASH AND CASH EQUIVALENTS IN BALANCE SHEET	$ 18,088	$ 7,876,884
SECURITIES PURCHASED UNDER RESELL AGREEMENTS QUALIFYING AS CASH AND CASH EQUIVALENTS UNDER THE DEFINITION OF IAS 7 PERMITTED BY THE FINANCIAL SUPERVISORY COMMISSION	5,690,312	206,736
	$ 5,708,400	$ 8,083,620

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

Stand-alone

Item		For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Return on total assets	Pretax	7.27%	7.10%
	After tax	7.34%	7.07%
Return on net equity - common stock	Pretax	9.51%	9.61%
	After tax	9.61%	9.58%
Profit margin		93.75%	91.24%

Note a: Return on total assets = Income before (after) tax / Average assets

Note b: Return on net equity - common stock = Income before (after) tax / Average net equity - common stock

Note c: Profit margin = Income after tax / Total income

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2017 and 2016.

Consolidated

Item		For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Return on total assets	Pretax	0.91%	0.84%
	After tax	0.80%	0.74%
Return on net equity - common stock	Pretax	11.06%	10.97%
	After tax	9.61%	9.58%
Profit margin		34.58%	31.51%

Note a: Return on total assets = Income before (after) tax / Average assets

Note b: Return on net equity - common stock = Income before (after) tax (of the parent company's shareholders) / Average net equity - common stock

Note c: Profit margin = Income after tax / Total income

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2017 and 2016.

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

Taishin Bank

a. Balance sheet

	December 31	
	2017	2016
Assets		
Cash and cash equivalents	$ 19,152,152	$ 18,576,538
Due from Central Bank and call loans to banks	56,832,392	76,897,693
Financial assets at FVTPL	94,888,085	84,377,363
Securities purchased under resell agreements	7,114,843	5,286,859
Receivables, net	106,063,763	99,160,343
Current tax assets	674,454	528,014
Loans, net	959,689,092	877,369,739
Available-for-sale financial assets, net	306,613,777	301,621,372
Investments accounted for using the equity method, net	2,213,409	2,083,553

(Continued)

	December 31	
	2017	2016
Other financial assets, net	$ 8,366,153	$ 11,127,387
Property and equipment, net	18,544,488	18,144,670
Intangible assets, net	1,800,478	1,726,210
Deferred tax assets	2,288,288	2,730,930
Other assets, net	5,240,371	14,540,215
	$ 1,589,481,745	$ 1,514,170,886
Liabilities		
Due to the Central Bank and banks	$ 64,252,429	$ 46,966,461
Financial liabilities at FVTPL	17,259,114	35,424,460
Securities sold under repurchase agreements	76,621,455	68,974,177
Payables	22,990,803	28,187,912
Current tax liabilities	1,044,221	636,309
Deposits and remittances	1,196,916,733	1,113,184,637
Bank debentures	39,700,000	53,000,000
Other financial liabilities	41,148,999	44,114,738
Provisions	1,255,615	1,119,680
Deferred tax liabilities	88,190	125,121
Other liabilities	3,709,567	2,400,744
	1,464,987,126	1,394,134,239
Equity		
Capital stock	68,845,983	68,845,983
Capital surplus	23,974,496	23,974,285
Retained earnings	31,632,229	27,493,301
Other equity	41,911	(276,922)
	124,494,619	120,036,647
	$ 1,589,481,745	$ 1,514,170,886

(Concluded)

b. Statements of comprehensive income

	For the Year Ended December 31	
	2017	2016
Interest income	$ 28,757,626	$ 27,401,213
Interest expense	(10,964,692)	(10,197,247)
Net interest income	17,792,934	17,203,966
Net income other than net interest income	14,708,945	14,404,606
Net revenue and gains	32,501,879	31,608,572
Provisions for allowance for bad debts expenses and guarantee liability	(1,556,546)	(3,036,866)
Operating expenses	(18,700,101)	(17,528,778)
Income before income tax	12,245,232	11,042,928
Income tax expense	(1,694,898)	(1,507,302)
Net income	10,550,334	9,535,626
Other comprehensive income	156,836	(164,691)
Total comprehensive income	$ 10,707,170	$ 9,370,935
Basic earnings per share (dollar)	$ 1.53	$ 1.64
Diluted earnings per share (dollar)	$ 1.53	$ 1.64

c. Key financial and business highlights

1) Profitability

Item		For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Return on total assets	Pretax	0.79%	0.74%
	After tax	0.68%	0.64%
Return on net equity - common stock	Pretax	10.02%	10.53%
	After tax	8.63%	9.09%
Profit margin		32.46%	30.17%

Note a: Return on total assets = Income before (after) tax / Average assets

Note b: Return on net equity = Income before (after) tax / Average net equity

Note c: Profit margin = Income after tax / Net revenue and gains

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2017 and 2016.

2) Asset quality

Non-performing loans and receivables

Item / Business Type			December 31, 2017					December 31, 2016				
			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		968,657	196,719,425	0.49%	2,564,050	264.70%	1,031,279	179,549,663	0.57%	1,911,651	185.37%
	Unsecured		100,143	220,895,008	0.05%	2,897,405	2893.27%	475,494	201,960,724	0.24%	4,412,193	927.92%
Consumer finance	Mortgage loans (Note d)		544,167	252,608,869	0.22%	3,775,542	693.82%	350,220	236,623,690	0.15%	3,532,066	1,008.53%
	Cash cards		15,610	1,712,730	0.91%	59,036	378.19%	23,543	2,192,299	1.07%	80,840	343.37%
	Credit loans (Note e)		90,407	54,079,513	0.17%	695,730	769.55%	94,061	49,703,886	0.19%	676,365	719.07%
	Others (Note f)	Secured	456,865	246,437,939	0.19%	2,613,618	572.08%	378,521	220,118,478	0.17%	2,303,531	608.56%
		Unsecured	7,262	416,601	1.74%	27,143	373.77%	6,993	818,926	0.85%	29,368	419.96%
Subtotal			2,183,111	972,870,085	0.22%	12,632,524	578.65%	2,360,111	890,967,666	0.26%	12,946,014	548.53%
Credit card			98,589	48,336,991	0.20%	453,454	459.94%	99,061	42,040,545	0.24%	399,615	403.40%
Accounts receivable factoring with no recourse (Note g)			43,880	51,110,371	0.09%	1,123,475	2560.34%	-	49,980,906	-	100,977	-

Note a: Non-performing 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: Non-performing loans ratio = Non-performing loans ÷ Loans
Non-performing loans of credit card ratio = Non-performing loans of credit cards ÷ Accounts receivable

Note c: Coverage ratio of allowances for loan losses = Allowances for loan losses ÷ Non-performing loans
Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Non-performing 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, 2009 (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 three months.

Exempted from report as non-performing loans and receivables

Item / Business Type	December 31, 2017		December 31, 2016	
	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)	$ 825,847	$ 249,508	$ 1,107,574	$ 331,241
Loans executed in accordance with debt clearing and renewal regulations (Note b)	1,703,408	1,222,071	1,688,633	1,242,510
Total	2,529,255	1,471,579	2,796,207	1,573,751

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) and September 20, 2016 (Ref. No. Jin-Guan-Yin 10500134790).

3) Concentration of credit risk

Year	December 31, 2017			December 31, 2016		
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 (activities of other holding companies)	$15,636,757	12.56%	A Group (other financial service activities not elsewhere classified industry)	$12,812,891	10.67%
2	B Group (activities of other holding companies)	11,952,965	9.60%	B Group (other financial service activities not elsewhere classified industry)	12,161,446	10.13%
3	C Group (manufacture of cement)	11,790,979	9.47%	D Group (liquid crystal panel and manufacturing industry)	9,896,584	8.24%
4	D Group (liquid crystal panel and components manufacturing industry)	10,698,569	8.59%	C Group (manufacture of cement)	8,564,968	7.14%
5	E Group (real estate activities for sale and rental with own or leased property)	9,566,018	7.68%	E Group (other financial service activities not elsewhere classified industry)	7,272,071	6.06%
6	F Group (wireless telecommunications)	7,108,629	5.71%	K Group (other financial service activities not elsewhere classified industry)	6,944,813	5.79%
7	G Group (manufacture of computers)	6,494,313	5.22%	L Group (property insurance)	5,838,735	4.86%
8	H Group (manufacture of audio and video equipment)	5,580,901	4.48%	F Group (activities of other holding companies)	5,552,304	4.63%
9	I Group (smelting and refining of iron and steel)	5,372,640	4.32%	I Group (smelting and refining of iron and steel)	5,110,995	4.26%
10	J Group (property insurance)	5,121,741	4.11%	G Group (manufacture of computers)	4,681,118	3.90%

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, 2017				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	996,195,270	31,641,412	42,486,392	123,987,190	1,194,310,264
Interest-sensitive liabilities	392,057,659	140,420,260	181,313,270	421,281,215	1,135,072,404
Interest sensitivity gap	604,137,611	(108,778,848)	(138,826,878)	(297,294,025)	59,237,860
Net equity					121,597,795
Ratio of interest-sensitive assets to liabilities					105.22%
Ratio of interest sensitivity gap to net equity					48.72%

Item	December 31, 2017				
	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%

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, 2017				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	7,345,313	730,850	2,485,706	537,505	11,099,374
Interest-sensitive liabilities	5,118,278	1,368,327	961,204	3,011,143	10,458,952
Interest sensitivity gap	2,227,035	(637,477)	1,524,502	(2,473,638)	640,422
Net equity					538
Ratio of interest-sensitive assets to liabilities					106.12%
Ratio of interest sensitivity gap to net equity					(119,037.55%)

(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%)

Note a: The amounts listed above include amounts in U.S. dollars only for domestic branches, OBU, and overseas branches, excluding contingent assets and contingent liabilities.
Note b: Interest-sensitive assets and liabilities are interest-bearing assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.
Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities
Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities (U.S. dollars only) = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$

5) Maturity analysis of assets and liabilities

	Total	December 31, 2017				
		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	$ 1,723,716,737	$ 554,328,005	$ 317,783,550	$ 129,548,718	$ 113,958,108	$ 608,098,356
Major maturity cash outflow	2,074,292,634	335,812,680	374,156,760	280,425,179	410,093,795	673,804,220
Gap	(350,575,897)	218,515,325	(56,373,210)	(150,876,461)	(296,135,687)	(65,705,864)

	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)

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, 2017				
		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	$ 32,517,071	$ 11,045,108	$ 11,429,160	$ 5,245,582	$ 2,267,632	$ 2,529,589
Major maturity cash outflow	32,796,782	11,047,221	10,788,482	4,328,600	2,907,704	3,724,775
Gap	(279,711)	(2,113)	640,678	916,982	(640,072)	(1,195,186)

(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

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, 2017
Self-owned capital	Common equity Tier I		100,313,388
	Other Tier I capital		24,863,514
	Tier II capital		38,141,267
	Self-owned capital		163,318,169
Risk-weighted assets	Credit risk	Standardized approach	1,037,690,568
		IRB	-
		Securitization	-
	Operation risk	Basic indicator approach	-
		Standardized approach/optional standard	53,326,700
		Advanced internal-rating based approach	-
	Market price risk	Standardized approach	56,487,313
		Internal model approach	-
	Total		1,147,504,581
Capital adequacy ratio			14.23%
Common equity Tier I to risk-weighted assets ratio			8.74%
Tier I capital to risk-weighted assets ratio			10.91%
Leverage ratio			7.20%

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			14.21%
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%

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			
	2017		2016	
Assets				
Current assets	$	24,589,815	$	9,193,842
Available-for-sale financial assets - noncurrent		29,040		-
Financial assets carried at cost - noncurrent		65,978		4,630
Investments accounted for using the equity method		68,384		-
Property and equipment		300,657		55,089
Investment property		25,078		-
Intangible assets		39,908		26,766
Deferred tax assets		14,157		7,011
Other noncurrent assets		513,034		231,564
	$	25,646,051	$	9,518,902
Liabilities	$	17,672,625	$	6,095,210
Current liabilities		533,727		43,982
Other noncurrent liabilities		18,206,352		6,139,192
Equity				
Capital stock		6,284,124		3,059,125
Capital surplus		805,825		302,725
Retained earnings		342,331		19,435
Other equity		7,419	(	1,575)
		7,439,699		3,379,710
	$	25,646,051	$	9,518,902

b. Statements of comprehensive income

	For the Year Ended December 31	
	2017	2016
Revenue	$ 1,188,319	$ 573,819
Expense	(970,936)	(606,921)
Gains from bargain purchase	106,747	-
Non-operating income and expense	43,284	2,609
Profit (loss) before income tax	367,414	(30,493)
Income tax (expense) benefit	(44,519)	714
Net income (loss)	322,895	(29,779)
Other comprehensive income	8,994	(13,415)
Total comprehensive income	$ 331,889	($ 43,194)
Basic earnings (loss) per share (dollar)	$ 0.64	($ 0.10)

c. Key financial and business highlights

Item		For the Year Ended December 31	
		2017	2016
Return on total assets	Pretax	2.09%	(0.43%)
	After tax	1.84%	(0.42%)
Return on net equity	Pretax	6.79%	(0.90%)
	After tax	5.97%	(0.88%)
Profit margin		27.17%	(5.19%)

Note a: Return on total assets = Income before (after) tax / Average assets

Note b: Return on net equity = Income before (after) tax / Average net equity

Note c: Profit margin = Income after tax / Total income

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2017 and 2016.

d. Capital adequacy

Item	December 31	
	2017	2016
Eligible capital		
Tier I capital	$ 7,432,281	$ 3,377,285
Tier I capital - minus assets	682,198	199,701
Tier II capital - minus assets in excess of Tier II capital	638,529	172,935
Tier I capital, net	6,111,554	3,004,649
Tier II capital	$ 3,761	$ -
Tier II capital - minus assets	3,761	-
Tier II capital, net	-	-
Tier III capital	-	-
Total net of eligible capital	$ 6,111,554	$ 3,004,649
Equivalent amount of operating risk		
Equivalent amount of credit risk	$ 400,384	$ 108,085
Equivalent amount of operation risk	206,083	81,475
Equivalent amount of market risk	855,990	554,294
	$ 1,462,457	$ 743,854
Capital adequacy ratio	418%	404%

- 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

e. Futures department balance sheet: Table 6.

f. Futures department income statement: Table 7.

Taishin AMC

a. Balance sheet

	December 31	
	2017	2016
Assets		
Current assets	$ 400,828	$ 303,711
Financial assets carried at cost	130,686	130,686
Investments accounted for using the equity method	141,926	145,218
Property and equipment	178,433	181,028
Investment property	564,236	682,948
Deferred tax assets	30,364	30,364
Other noncurrent assets	190,561	190,562
Liabilities	$ 1,637,034	$ 1,664,517
Current liabilities	209,543	223,271
Other noncurrent liabilities	4,287	4,288
Equity	213,830	227,559
Capital stock	995,000	995,000
Capital surplus	4,141	4,141
Retained earnings	424,063	437,817
	1,423,204	1,436,958
	$ 1,637,034	$ 1,664,517

b. Statements of comprehensive income

	For the Year Ended December 31	
	2017	2016
Operating revenue	$ 272,221	$ 326,388
Operating cost and expenses	(132,306)	(150,549)
Operating income	139,915	175,839
Non-operating income	37,573	50,399
Non-operating expenses	-	(10,104)
Income before income tax	177,488	216,134
Income tax expense	(26,952)	(32,924)
Net income	150,536	183,210
Other comprehensive income	(177)	(862)
Total comprehensive income	$ 150,359	$ 182,348
Basic earnings per share (dollar)	$ 1.51	$ 1.84

c. Profitability

Item		For the Year Ended December 31	
		2017	2016
Return on total assets	Pretax	10.75%	13.15%
	After tax	9.12%	11.14%
Return on net equity	Pretax	12.41%	15.12%
	After tax	10.53%	12.82%
Profit margin		48.59%	48.62%

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

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

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2017 and 2016.

Taishin Venture Capital

a. Balance sheet

	December 31	
	2017	2016
Assets		
Current assets	$ 119,945	$ 81,029
Financial asset measured at cost	1,350,164	1,306,236
Available-for-sale financial assets	135,603	196,443
Investments accounted for using the equity method	1,473,489	1,346,878
Property and equipment	310	409
Other noncurrent assets	439	439
Liabilities	$ 3,079,950	$ 2,931,434
Current liabilities	$ 332,294	$ 250,784
Equity	332,294	250,784
Capital stock	3,329,035	3,329,035
Capital surplus	871	871
Retained earnings	(549,851)	(683,924)
Other equity	(32,399)	34,668
	2,747,656	2,680,650
	$ 3,079,950	$ 2,931,434

b. Statements of comprehensive income

	For the Year Ended December 31	
	2017	2016
Revenue	$ 188,210	$ 6,986
Expense	(54,138)	(88,070)
Income (loss) before income tax	134,072	(81,084)
Net income (loss)	134,072	(81,084)
Other comprehensive income	(67,066)	(24,533)
Total comprehensive income	$ 67,006	($ 105,617)
Basic earnings (loss) per share (dollar)	$ 0.40	($ 0.24)

c. Profitability

Item		For the Year Ended December 31	
		2017	2016
Return on total assets	Pretax	4.46%	(2.79%)
	After tax	4.46%	(2.79%)
Return on net equity	Pretax	4.94%	(2.97%)
	After tax	4.94%	(2.97%)
Profit margin		71.24%	(1,160.66%)

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

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

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2017 and 2016.

Taishin Securities Investment Trust

a. Balance sheet

	December 31	
	2017	2016
Assets		
Current assets	$ 363,397	$ 389,315
Financial assets carried at cost	2,274	3,000
Property and equipment	4,450	6,421
Goodwill	410,930	410,930
Intangible assets	5,425	7,823
Deferred tax assets	3	269
Other noncurrent assets	130,065	102,169
Liabilities	$ 916,544	$ 919,927
Current liabilities	$ 91,649	$ 80,682
Other noncurrent liabilities	-	18,481
Equity	91,649	99,163
Capital stock	754,545	754,545
Capital surplus	47,856	47,856
Retained earnings	22,494	18,363
	824,895	820,764
	$ 916,544	$ 919,927

b. Statements of comprehensive income

	For the Year Ended December 31	
	2017	2016
Operating revenue	$ 316,542	$ 293,446
Operating expenses	(308,292)	(270,442)
Operating income	8,250	23,004
Nonoperating income	7,141	5,542
Nonoperating expenses	(4,298)	(17,783)
Income before income tax	11,093	10,763
Income tax expenses	(1,852)	(4,152)
Net income	9,241	6,611
Other comprehensive income	126	(757)
Total comprehensive income	$ 9,367	$ 5,854
Basic earnings per share (dollar)	$ 0.12	$ 0.09

c. Profitability

Item		For the Year Ended December 31	
		2017	2016
Return on total assets	Pretax	1.21%	1.15%
	After tax	1.01%	0.71%
Return on net equity	Pretax	1.35%	1.28%
	After tax	1.12%	0.79%
Profit margin		2.85%	2.21%

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 $= \frac{\text{Income after tax}}{\text{Operating income + Nonoperating income}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2017 and 2016.

Taishin Securities Investment Advisory

a. Balance sheet

	December 31	
	2017	2017
Assets		
Current assets	$ 340,486	$ 337,369
Property and equipment	1,240	1,850
Deferred tax assets	4,989	4,702
Other noncurrent assets	31,831	31,832
Liabilities	$ 378,546	$ 375,753
Current liabilities	$ 19,448	$ 18,144
Other noncurrent liabilities	4,860	4,360
Equity	24,308	22,504
Capital stock	300,000	300,000
Capital surplus	55,065	55,065
Retained earnings	(827)	(1,816)
	354,238	353,249
	$ 378,546	$ 375,753

b. Statements of comprehensive income

	For the Year Ended December 31	
	2017	2016
Operating revenue	$ 96,561	$ 87,852
Operating expenses	(96,957)	(89,560)
Operating income	(396)	(1,708)
Non-operating income	5,555	2,260
Non-operating expenses	(3,890)	(6,413)
Income (loss) before income tax	1,269	(5,861)
Income tax expenses	55	256
Net income (loss)	1,324	(5,605)
Other comprehensive income	(335)	(1,065)
Total comprehensive income	$ 989	($ 6,670)
Basic earnings (loss) per share (dollar)	$ 0.04	($ 0.19)

c. Profitability

Item		For the Year Ended December 31	
		2017	2016
Return on total assets	Pretax	0.34%	(1.54%)
	After tax	0.35%	(1.48%)
Return on net equity	Pretax	0.36%	(1.64%)
	After tax	0.37%	(1.57%)
Profit margin		1.30%	(6.22%)

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

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

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2017 and 2016.

53. 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					
	2017			2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
AUD	$ 254,891	23.26	$ 5,929,653	$ 111,841	23.31	$ 2,067,034
RMB	3,776,385	4.58	17,290,354	5,303,021	4.62	24,511,525
EUR	242,534	35.69	8,656,229	143,141	33.93	4,856,331
HKD	2,787,902	3.82	10,648,236	1,785,215	4.16	7,430,590
JPY	34,716,755	0.26	9,198,239	19,923,009	0.28	5,494,188
USD	5,940,468	29.85	177,311,097	5,734,179	32.28	185,093,556
Non-monetary items						
AUD	1,033,331	23.26	24,038,928	326,883	23.31	7,619,738
RMB	32,593,870	4.58	149,232,622	1,069,511	4.62	4,943,475
EUR	311,614	35.69	11,121,753	23,848	33.93	809,076
GBP	179,327	40.22	7,212,015	34,687	39.63	1,374,670
HKD	393,833	3.82	1,504,221	371,082	4.16	1,544,553
JPY	7,223,684	0.26	1,913,922	11,694,257	0.28	3,224,937
NZD	66,810	21.20	1,416,448	36,067	22.43	808,951
USD	23,183,029	29.85	691,991,528	18,256,986	32.28	589,317,245
ZAR	12,670,044	2.42	30,657,584	7,373,540	2.37	17,462,252
Financial liabilities						
Monetary items						
AUD	508,081	23.26	11,819,765	424,115	23.31	9,886,236
CAD	46,308	23.78	1,101,085	39,770	23.93	951,665
RMB	4,801,465	4.58	21,983,730	6,641,625	4.62	30,698,792
EUR	123,957	35.69	4,424,116	129,021	33.93	4,377,292
HKD	2,405,994	3.82	9,189,560	1,688,637	4.16	7,028,601
JPY	21,714,204	0.26	5,753,200	18,229,567	0.28	5,027,186
USD	8,988,118	29.85	268,277,351	7,645,675	32.28	246,794,746
ZAR	5,333,459	2.42	12,903,814	5,546,750	2.37	13,135,991
Non-monetary items						
AUD	777,611	23.26	18,089,985	2,745	23.31	63,987
RMB	31,484,689	4.58	144,154,187	61,508	4.62	284,303
EUR	431,760	35.69	15,409,832	43,198	33.93	1,465,566
GBP	162,761	40.22	6,545,807	23,849	39.63	945,130
HKD	678,216	3.82	2,590,406	495,899	4.16	2,064,077
JPY	20,846,636	0.26	5,523,337	13,459,642	0.28	3,711,779
USD	20,211,609	29.85	603,300,495	16,638,199	32.28	537,064,410
ZAR	7,326,733	2.42	17,729,935	1,961,866	2.37	4,646,153

54.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 9
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 45

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 8
2	Significant commitments and contingencies	Note 48
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 9.

55.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, 2017						
	Taishin Bank (Consumer Business)	Taishin Bank (Corporation Credit Business)	Taishin Financial Holding	Others	Total	Adjustments and Eliminations	Total
Net interest income (expense)	$ 11,528,124	$ 7,511,821	($ 470,960)	$ 165,584	$ 18,734,569	$ -	$ 18,734,569
Net income other than net interest income	9,540,366	3,270,192	2,748,457	3,728,454	19,287,469	(220,137)	19,067,332
Net revenue and gains	21,068,490	10,782,013	2,277,497	3,894,038	38,022,038	(220,137)	37,801,901
Reversed allowance for bad debts expenses and guarantee liability provisions	126,912	(1,682,979)	-	(294,991)	(1,851,058)	-	(1,851,058)
Operating expenses	(12,998,390)	(3,634,734)	(497,504)	(4,208,279)	(21,338,907)	197,693	(21,141,214)
Income (loss) before income tax	$ 8,197,012	$ 5,464,300	$ 1,779,993	($ 609,232)	$ 14,832,073	($ 22,444)	$ 14,809,629
Total assets	$ 569,836,822	$ 452,895,549	$ 182,149,025	$ 618,784,926	$ 1,823,666,322	($ 146,146,006)	$ 1,677,520,316

	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

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.

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, 2017

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

Buyer or Seller	Type and Name of Marketable Security	Account Recorded	Transaction Party	Issuer's Relationship to the Buyer or Seller	Beginning of the Period		
					Shares (Units)	Amount	
Taishin Financial	Stock Taishin Securities B	Investments accounted for using the equity method	Taishin Securities B	Parent and subsidiary	305,912,444	$ 3,412,307	

Note: Others means investment income, cash dividends, recognition of employee stock options and others.

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES' NAMES, LOCATIONS, ETC.

FOR THE YEAR ENDED DECEMBER 31, 2017

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

Investees' Names	Unified Business No.	Investees' Location	Principal Business Activities	
Financial business				
Taishin Bank	86519539	B1, 1F, No. 44, Jungshan N. Rd., Sec. 2, Taipei, Taiwan	Commercial bank business, trust, and bills discounting	
Chang Hwa Bank	51811609	No. 38, Tsu Yu Rd., Sec. 2, Taichung, Taiwan	Commercial bank business, trust, and offshore banking unit	
Taishin Securities B	23534956	2F, No. 44, Jungshan N. Rd., Sec. 2, Taipei, Taiwan	Multiple securities and future transaction assistant	
Taishin AMC	80341022	2F-3, No. 9, Dehuei St., Zhongshan District, Taipei, Taiwan	Acquisition of delinquent loans, evaluation, auction, and management	
Taishin Securities Investment Trust	27326178	13F, No. 96, Jianguo N. Rd., Sec. 1, Zhong Shan District, Taipei, Taiwan	Investment trust	
Taishin Securities Investment Advisory	23285289	16F, No. 118, Ren-Ai Rd., Sec. 4, Taipei, Taiwan	Investment trust, advisory, and publication	
Nonfinancial business				
Taishin Venture Capital	80031342	18F, No. 118, Ren-Ai Rd., Sec. 4, Taipei, Taiwan	Investment start-up	
Metro Consulting Service Ltd.	27974096	B1, No. 7, Jungshan N. Rd., Sec. 2, Lane 48, Taipei, Taiwan	Consultancy, information service and human resource dispatch	

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."

TABLE 1

	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
	322,500,000	$ 3,728,100	-	$ -	$ -	$ -	-	$ 331,890	628,412,444	$ 7,472,297

TABLE 2

	Ownership Interest (%) at Ending Balance	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 (%)	
	100%	$ 124,456,503	$ 10,550,334	6,884,598,317	-	6,884,598,317	100%	Investments accounted for using equity method
	22.55%	37,992,178	2,727,243	2,147,419,194	-	2,147,419,194	22.81%	〃
	100%	7,472,297	322,895	628,412,444	-	628,412,444	100%	〃
	100%	1,423,204	147,648	99,500,000	-	99,500,000	100%	〃
	100%	824,895	9,241	75,454,545	-	75,454,545	100%	〃
	92%	325,893	118	27,599,513	-	27,599,513	92%	〃
	100%	2,747,656	134,072	332,903,495	-	332,903,495	100%	〃
	4.40%	2,200	-	520,000	-	520,000	10.40%	Financial assets carried at cost

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars; in Thousands of U.S. Dollars)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	
Taishin Real Estate	Stock			
	Metro Consulting Service Ltd.	Taishin Real Estate is the director of the Metro Consulting Service	Financial assets carried at cost	
Taishin D.A. Finance	Stock			
	Yuan Tai Forex Brokerage Co., Ltd.	Taishin D.A. Finance is the director of Yuan Tai Forex Brokerage	〃	
	Bon-Li International Technology Co., Ltd.	None	〃	
	Bonds			
	Government Bonds 99-5	〃	Held to maturity financial assets	
Taishin Venture Capital	Stock			
	Taishin Financial Leasing (China)	Subsidiary of Taishin Venture Capital	Investment accounted for using equity method	
	Taishin Financial Leasing (Tianjin)	〃	〃	
	Microbio Co., Ltd.	None	Financial assets at FVTPL	
	JHL Biotech, Inc.	〃	Available-for-sale financial assets	
	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.	〃	〃	
	Celestial Talent Limited	〃	〃	
	Innostor Technology Corporation	〃	〃	
	Youn Shin Artistic Co., Ltd.	〃	〃	
	Winking Entertainment Ltd.	〃	〃	
	Diamond Biotech Investment Corp.	Its director is Taishin Financial Holding's senior vice general manager	〃	
	Stem Cyte International Ltd.	None	〃	
	Bio Key Inc.	〃	〃	
	VM Discovery Inc.	〃	〃	
	RevMAB Biosciences, Inc.	〃	〃	
	Delos Capital Fund, LP	〃	〃	
	Delos Capital Fund II, 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	〃	
	TECO Nanotech Inc.	None	〃	
	Sim2 Travel Inc.	〃	〃	
	United Investments Fund	〃	〃	

	December 31, 2017				Note
	Shares/Units/ Nominal	Carrying Amount	Percentage of Ownership (%)	Market Value	
	300,000.00	$ 3,000	6.00	$ -	
	600,000.00	6,000	5.00	-	
	125,000.00	-	1.50	-	Go out of business
	6,000.00	6,095	-	6,095	
	-	712,168	100.00	-	
	-	761,321	100.00	-	
	1,709,150.00	37,943	0.40	37,943	
	2,105,264.00	116,678	0.96	116,678	
	250,000.00	18,925	0.12	18,925	
	1,360,245.00	9,442	5.56	-	
	1,004,347.00	10,043	1.30	-	
	42,000.00	420	1.54	-	
	9,645,207.00	85,176	3.03	-	
	12,500.00	-	0.05	-	
	285,958.00	-	Preferred stock	-	
	1,457,152.00	18,954	2.41	-	
	68,818.00	63	0.81	-	
	1,000,000.00	1,750	12.69	-	
	709,178.00	29,626	1.93	-	
	45,000,000.00	450,000	10.00	-	
	500,000.00	30,328	0.56	-	
	200,000.00	6,029	Preferred stock	-	
	95,238.00	6,029	Preferred stock	-	
	400,000.00	6,029	Preferred stock	-	
	-	237,708	7.64	-	
	-	47,654	7.47	-	
	750,000.00	$7,500	15.00	-	
	35,000,000.00	350,000	10.00	-	
	119,323.00	-	0.48	-	
	350,000.00	-	Preferred stock	-	
	1,300,000.00	-	18.57	-	

(Continued)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	
	Solar PV Corporation	〃	〃	
	PC Home Online Investment Inc.	〃	〃	
	CC Media Co., Ltd.	〃	〃	
	Twin MOS Technologies Inc.	〃	〃	
	Great Agricultural Technology Co., Ltd.	〃	〃	
	Power Master Co., Ltd.	〃	〃	
	I.X	〃	〃	
	Contact Digital Integration Co., Ltd.	Other	〃	
Taishin AMC	Stock			
	Linkou Golf Country Club	None	〃	
	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	
	Beneficiary certificates			
	Taishin Lucky Money Market	Issued by Taishin Securities Investment Trust	Financial assets at FVTPL	
	Taishin Global Disruptive Innovation Fund	〃	〃	
Taishin Venture Capital	Stock			
	KSG	None	〃	
	Geniron.com.inc	〃	Financial assets carried at cost	
	Julien's Group	〃	〃	
	Le Day Multimedia Co., Ltd.	〃	〃	
	Excelsior Bio-system Inc.	〃	〃	
	Rich Healthy Fruits & Vegetable Corp.	〃	〃	
	Power Master Co., Ltd.	〃	〃	
	Investment agreement			
	Movie - Phoenix Lights	〃	〃	

	December 31, 2017				Note
	Shares/Units/ Nominal	Carrying Amount	Percentage of Ownership (%)	Market Value	
	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
	577,500.00	9,500	3.33	-	
	200,000.00	9,600	0.89	-	
	1,941,930.00	8,312	Preferred stock	-	
	1,300,000.00	26,000	7.22	-	
	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	141,926	40.00	-	
	4,587,745.20	50,752	-	50,752	
	1,000,000.00	9,990	-	9,990	
	283,457.00	8,967	0.71	8,967	
	619,590.00	5,570	4.13	-	
	852,264.00	18,341	4.13	-	
	458,800.00	1,679	3.83	-	
	262,983.00	358	0.75	-	
	287,500.00	20,775	1.67	-	
	150,000.00	7,200	7.27	-	
	-	3,959	-	-	

(Concluded)

TABLE 4

TAISHIN INTERNATIONAL BANK CO., LTD.

SECURITIES DEPARTMENT

BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	%	**Amount**	%
CURRENT ASSETS				
Financial assets at fair value through profit or loss - current	$ 29,093,585	40	$ 16,320,154	24
Available-for-sale financial assets - current	16,832,638	23	46,693,194	68
Other current assets	594,329	1	981,898	1
Total current assets	46,520,552	64	63,995,246	93
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent	25,979,223	36	4,569,029	7
Refundable deposits	29,219	-	21,972	-
Total noncurrent assets	26,008,442	36	4,591,001	7
TOTAL	$ 72,528,994	100	$ 68,586,247	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Securities sold under repurchase agreements	$ 151,124	-	$ 453,975	1
Bond loans under repurchase agreements	32,302,559	44	39,252,376	57
Other current liabilities	1,231,873	2	83,826	-
Total current liabilities	33,685,556	46	39,790,177	58
TRANSACTIONS BETWEEN HOME OFFICE AND BRANCHES	36,817,031	51	26,982,328	39
Total liabilities	70,502,587	97	66,772,505	97
EQUITY				
Appropriated working capital	800,000	1	800,000	1
Retained earnings				
Special reserve	189,339	1	189,339	-
Unappropriated earnings	835,205	1	613,694	1
Unrealized gains (losses) on available-for-sale financial asset	201,863	-	210,709	1
Total equity	2,026,407	3	1,813,742	3
TOTAL	$ 72,528,994	100	$ 68,586,247	100

TAISHIN INTERNATIONAL BANK CO., LTD.

SECURITIES DEPARTMENT

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	2017		2016	
	Amount	%	Amount	%
REVENUES AND GAINS				
Securities underwriting services income	$ 5,030	-	$ 3,959	-
Gain on sale of securities held for operations - dealing	291,753	26	518,673	53
Interest income	678,218	60	911,184	93
Gain (loss) on valuation of securities held for operations - dealing	159,138	14	(447,426)	(46)
Loss on financial derivatives	-	-	(3,129)	-
Total revenues and gains	1,134,139	100	983,261	100
EXPENSES AND LOSSES				
Interest expense	(152,573)	(13)	(194,421)	(20)
Employee benefit expense	(32,842)	(3)	(34,167)	(3)
Depreciation and amortization expenses	(626)	-	(518)	-
Other operating expenses	(34,178)	(3)	(29,357)	(3)
Total expenses and losses	(220,219)	(19)	(258,463)	(26)
INCOME BEFORE INCOME TAX	913,920	81	724,798	74
INCOME TAX EXPENSE	(78,715)	(7)	(111,104)	(12)
NET INCOME	835,205	74	613,694	62
OTHER COMPREHENSIVE INCOME				
Unrealized loss on available-for-sale financial assets	(8,846)	(1)	(297,550)	(30)
TOTAL COMPREHENSIVE INCOME	$ 826,359	73	$ 316,144	32

TABLE 6

TAISHIN SECURITIES CO., LTD.

FUTURES DEPARTMENT

BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	%	**Amount**	%
CURRENT ASSETS				
Cash and cash equivalents	$ 761,250	64	$ -	-
Customer margin account	240,208	21	-	-
Other receivables	143	-	-	-
Other financial assets - current	60,000	5	-	-
Other current assets	196	-	-	-
Total current assets	1,061,797	90	-	-
NONCURRENT ASSETS				
Property and equipment	1,052	-	-	-
Other non-current assets	122,793	10	-	-
Total noncurrent assets	123,845	10	-	-
TOTAL	$ 1,185,642	100	$ -	-
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Future traders' equity	$ 239,866	20	$ -	-
Payables	977	-	-	-
Other payables	1,607	-	-	-
Other current liabilities	222	-	-	-
Total current liabilities	242,672	20	-	-
NONCURRENT LIABILITIES				
Net defined benefit liabilities - noncurrent	43	-	-	-
Total liabilities	242,715	20	-	-
EQUITY				
Appropriated working capital	940,000	80	-	-
Retained earning	2,927	-	-	-
Total equity	942,927	80	-	-
TOTAL	$ 1,185,642	100	$ -	-

TABLE 7

TAISHIN SECURITIES CO., LTD.

FUTURES DEPARTMENT

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	2017		2016	
	Amount	%	Amount	%
REVENUES				
Service fee - brokering	$ 10,746	100	$ -	-
EXPENSES				
Service charge - brokerage	1,734	16	-	-
Interest expense	26	-	-	-
Other operating expenses	1,373	13	-	-
Employee benefit expense	3,604	33	-	-
Depreciation and amortization expenses	395	4	-	-
Other operating expenses	1,500	14	-	-
Total expenses	8,632	80	-	-
OPERATING INCOME	2,114	20	-	-
OTHER INCOME AND LOSSES	813	7	-	-
INCOME BEFORE INCOME TAX	2,927	27	-	-
INCOME TAX	-	-	-	-
NET INCOME	2,927	27	-	-
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME	$ 2,927	27	$ -	-

TABLE 8

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2017

(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, 2017 (US$ in Thousand)	Investment Flows (US$ in Thousand)		Accumulated Outflow of Investment from Taiwan as of December 31, 2017 (US$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of December 31, 2017	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
						Outflow	Inflow						
Taishin Venture Capital	Taishin Financial Leasing (China)	Financial leasing	$ 894,049 (USD 30,000)	Note 1.a.	$ 898,339 (USD 30,000)	$ -	$ -	$ 898,339 (USD 30,000)	$ 96,211	100%	$ 96,211 (Note2.b.1)	$ 712,168	$ -
	Taishin Financial Leasing (Tianjin)	Financial leasing	(USD 920,748 30,000)	Note 1.a.	(USD 920,748 30,000)	-	-	(USD 920,748 30,000)	42,772	100%	42,772 (Note2.b.1)	761,321	-

Investor	Accumulated Investment in Mainland China as of December 31, 2017 (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)	$ 15,518,827

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.

TABLE 9

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND MATERIAL TRANSACTIONS IN CONSOLIDATION

FOR THE YEAR ENDED DECEMBER 31, 2017

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

Number (Note a)	Main Party	Counterparty	Relationship (Note b)	Subject			
				Account	Amount	Terms	% of Consolidated Operating Revenues or Consolidated Total Assets (Note c)
1	Taishin Bank	Taishin Securities B	3	Deposits and remittances	$ 1,036,029	Under arm's length terms	0.06%
1	Taishin Bank	Taishin Securities Investment Advisory	3	Deposits and remittances	242,407	Under arm's length terms	0.01%
0	Taishin Financial Holding	Taishin Bank	1	Securities purchased under resell agreements	5,690,312	Under arm's length terms	0.34%
0	Taishin Financial Holding	Taishin Bank	1	Accounts payable, net	558,621	Under arm's length terms	0.03%
0	Taishin Financial Holding	Taishin Bank	1	Accounts receivable, net	865,401	Under arm's length terms	0.05%

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, 2017

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, 2017

(In Thousands of New Taiwan Dollars)

Financial Instrument Items	Summary	Face Value/Unit	Cost	Fair Value
Investment in bills				
	Commercial paper - other banks guarantees	29,173,000	$ 29,134,995	$ 29,130,480
	Commercial paper - Taishin Bank's guarantee	2,567,100	2,564,698	2,564,511
		31,740,100	31,699,693	31,694,991
Domestic listed stocks		9,204	353,892	364,025
Domestic OTC stocks		1,775	48,555	55,897
Domestic emerging stock		283	7,583	8,967
Foreign listed stocks		207	22,443	21,767
Beneficiary certificates - fund		23,467	292,878	295,988
Government bonds				
	Treasury Bond 105 I-1	2,900,000	2,898,430	2,899,152
	Treasury Bond 106 I-9	2,750,000	2,758,777	2,762,849
	Treasury Bond 105 I-13	1,850,000	1,851,112	1,850,912
	Treasury Bond 104 I-6	1,750,000	1,770,524	1,769,675
	Treasury Bond 106 I-7	1,650,000	1,650,671	1,651,182
	Treasury Bond 106 I-5	1,450,000	1,449,906	1,456,236
	Treasury Bond 105 I-4	1,400,000	1,378,746	1,385,796
	Treasury Bond 103 I-9	1,350,000	1,365,344	1,363,503
	Treasury Bond 105 I-11	1,400,000	1,363,116	1,362,372

(Continued)

Financial Instrument Items	Summary	Face Value/Unit	Cost	Fair Value
	Treasury Bond 104 I-13	1,100,000	1,122,632	1,121,663
	Treasury Bond 100 I-9	850,000	870,412	870,150
	Treasury Bond 105 I-8	800,000	796,662	797,963
	Treasury Bond 99-4	700,000	759,037	768,062
	Treasury Bond 104 I-9	750,000	759,001	758,961
	Treasury Bond 100 I-8	700,000	755,565	752,680
	Treasury Bond 102 I-1	700,000	723,680	726,269
	Treasury Bond 99-8	700,000	711,671	711,216
	Treasury Bond 106 I-1	600,000	600,650	600,994
	Treasury Bond 106 I-3	500,000	529,381	529,450
	Treasury Bond 104 I-8	350,000	409,044	413,595
	Treasury Bond 106 I-11	300,000	298,082	308,638
	Treasury Bond 106 I-2	300,000	301,454	301,536
	Others (Note)	2,526,808	2,594,521	2,613,374
		27,376,808	27,718,418	27,776,228
Bank debentures				
	AGRBK 2.5 09/19/20	1,044,680	1,043,781	1,034,380
	BNS Float 09/08/22	628,115	628,115	629,855
	CITNAT 2.875 03/25/23	477,568	475,066	470,154
	SCBTB 2.75 05/16/23	477,568	472,874	467,795
	SDBC 2.75 11/16/22	447,720	446,722	443,657
	KDB 2.75 03/19/23	447,720	447,608	439,918
	BZLNZ 2.65 11/03/22	417,872	417,405	412,619
	BCHINA Float 11/22/22	358,176	358,176	358,421
	NAB Float 01/10/22	298,480	301,841	302,757
	WSTP Float 06/28/22	298,480	299,766	300,719
	Other (Note)	4,386,555	4,386,585	4,372,660
		9,282,934	9,277,939	9,232,935
Corporate bonds				
	02 Hon Hai 1A	750,000	$ 752,182	$ 750,532
	Highwealth 5	591,400	594,378	611,508
	Eva airways 3	535,400	538,408	573,413
	VZ Float 02/17/23	465,271	465,271	469,288
	P06 FENC 1	400,000	401,592	402,023
	STSP 3.25 08/23/22	348,953	348,433	351,602
	Other (Note)	4,361,268	4,399,599	4,560,868
		7,452,292	7,499,863	7,719,234
Other bonds		149,240	149,240	149,298
Trading securities - dealing				
	Domestic listed stocks	32,894	1,232,880	1,263,828
	Domestic OTC stocks	2,656	144,836	146,841
	Domestic emerging stocks	6,979	287,248	260,505
	Corporate bonds	1,900,000	1,907,623	1,912,015
	Convertible bonds	4,590,303	4,997,860	5,084,944
	Domestic listed funds	10,746	216,226	214,870
	Domestic emerging funds	11	213	329
	Foreign stocks	3,788	184,019	175,344
	Global depositary receipts	253	88,392	89,788
			9,059,297	9,148,464

(Continued)

Financial Instrument Items	Summary	Face Value/Unit	Cost	Fair Value
Trading securities - underwriting	Domestic listed stocks	288	6,336	6,753
	Domestic OTC stocks	1,518	66,170	69,383
	Foreign stocks	1,871	13,755	5,479
	Convertible bonds	4,119,000	412,669	452,340
	Global depositary receipts	10,055	147,809	58,878
			646,739	592,833
Trading securities - hedging	Domestic listed stocks	11,915	661,422	653,502
	Domestic OTC stocks	698	81,910	78,406
	Domestic listed funds	1,243	31,896	31,621
	Domestic listed warrants	29,806	37,266	35,070
	Domestic OTC warrants	6,621	8,243	8,320
			820,737	806,919
Derivative financial instrument	Currency exchange	-	-	9,860,871
	Interest rate swaps	-	61,839	5,654,956
	Forward exchange	-	-	1,577,781
	Futures	-	301,890	501,698
	Foreign-exchange options	-	-	407,779
	Cross-currency swaps	-	-	239,881
	Asset-swap options	-	39,993	27,530
	Equity-linked options	-	-	7,375
	Equity-linked swaps	-	-	7,355
	Commodity options	-	-	966
			403,722	18,286,192
			$ 88,000,999	$ 106,153,738

Note: "Others" means the aggregated disclosure of items under $300,000 thousand.

(Concluded)

SCHEDULE 2

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SECURITIES PURCHASED UNDER RESELL AGREEMENTS

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Items	Face Value	Amount
Government bonds	$ 47,100	$ 51,000
Commercial paper		
Mega Bills	1,560,000	1,558,817
IBFC	1,866,100	1,864,000
China Bills Taipei	4,000,000	3,991,936
China Bills	150,000	149,812
	$ 7,623,200	$ 7,615,565

SCHEDULE 3

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

AVAILABLE-FOR-SALE FINANCIAL ASSETS

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Items	Summary	Face Value	Cost	Accumulated Impairment	Adjustment	Fair Value	Note
Investment in bills	Negotiable certificates of deposit - Central Bank	180,380,000	$180,380,000	$ -	($ 79,254)	$180,300,746	
	Commercial paper - other banks guarantees	24,577,700	24,560,660	-	(1,456)	24,559,204	
	Treasury bill	426,512	425,766	-	(172)	425,594	
		205,384,212	205,366,426	-	(80,882)	205,285,544	
Stocks	TCC	50,240	1,999,847	-	(168,599)	1,831,248	
	Others (Note)	53,318	2,278,056	-	(17,439)	2,260,617	
		103,558	4,277,903	-	(186,038)	4,091,865	
Government bonds	Treasury Bond 105 I-8	4,500,000	4,457,065	-	31,477	4,488,542	
	Treasury Bond 105 I-5	4,000,000	3,981,112	-	9,027	3,990,139	
	Treasury Bond 105 I-13	3,050,000	3,033,749	-	17,754	3,051,503	
	Treasury Bond 101 I-5	2,100,000	2,144,937	-	8,964	2,153,901	
	Treasury Bond 102 I-10	1,800,000	1,903,871	-	280	1,904,151	
	Treasury Bond 102 I-6	1,750,000	1,788,208	-	1,374	1,789,582	
	T 2.25 01/31/24	1,522,248	1,544,095	-	(26,842)	1,517,253	
	Treasury Bond 103 I-2	1,450,000	1,451,529	-	9,411	1,460,940	
	Hong Kong Exchange Fund Note	1,222,222	1,230,034	-	6,187	1,236,221	
	Treasury Bond 101 I-9	1,050,000	1,070,931	-	2,119	1,073,050	
	Treasury Bond 103-10	950,000	954,856	-	4,947	959,803	
	T 1.25 07/31/23	895,440	855,548	-	(7,748)	847,800	
	Treasury Bond 103 I-9	650,000	650,682	-	5,820	656,502	
	T 2.125 03/31/24	596,960	589,838	-	430	590,268	
	Treasury Bond 89 II-1	500,000	553,168	-	8,234	561,402	
	Treasury Bond 106 I-2	550,000	547,754	-	5,063	552,817	
	Treasury Bond 100 I-9	450,000	459,580	-	1,088	460,668	
	T 1.375 02/28/19	358,176	359,025	-	(2,808)	356,217	
	China Government Bond	320,498	320,498	-	(5,437)	315,061	
	Treasury Bond 106 I-1	300,000	299,679	-	818	300,497	
	Others (Note)	2,453,708	2,479,092	-	845	2,479,937	
		30,469,252	30,675,251	-	71,003	30,746,254	
Corporate bonds	P05 FENC 3	700,000	692,098	-	733	692,831	
	01 Fubon 1B	600,000	602,450	-	4,300	606,750	
	CNOOC 4.25 01/26/21	582,036	605,497	-	(60)	605,437	
	01 TSMC 1B	600,000	601,762	-	3,542	605,304	
	P06 UMC 1A	600,000	600,000	-	3,982	603,982	
	P04 Hon Hai 4B	600,000	600,000	-	1,952	601,952	
	01 CPC 1B	500,000	500,297	-	3,202	503,499	
	P06 Taipower 2A	500,000	500,000	-	2,610	502,610	
	P06 FENC 1	500,000	500,000	-	2,530	502,530	
	00 Taipower 2B	500,000	500,607	-	1,866	502,473	
	P06 Uni-president 1	500,000	500,000	-	2,105	502,105	
	P06 CPC 1A	450,000	450,000	-	42	450,042	
	P04 Hon Hai 5D	400,000	402,734	-	1,710	404,444	
	SINOPE 2 09/29/21	402,948	391,007	-	(89)	390,918	
	03 Taipower 1C	350,000	358,248	-	2,226	360,474	
	P03 CPC 2A	350,000	353,750	-	1,266	355,016	
	00 Taipower 3A	350,000	350,735	-	1,374	352,109	
	P04 Hon Hai 2B	350,000	350,040	-	651	350,691	
	01 TSMC 4	300,000	309,057	-	(124)	308,933	
	98 Taipower 5C	300,000	304,225	-	4,475	308,700	
	01 CPC 1C	300,000	$ 306,884	$ -	$ 624	$ 307,508	
	P03 Hon Hai 4B	300,000	302,627	-	1,259	303,886	

(Continued)

Items	Summary	Face Value	Cost	Accumulated Impairment	Adjustment	Fair Value	Note
	01 UMC 1B	300,000	300,535	-	3,127	303,662	
	P04 China Development Financial Holding Corporation 2	300,000	301,070	-	2,498	303,568	
	01 Taipower 4A	300,000	302,783	-	730	303,513	
	P06 Taipower 1A	300,000	300,000	-	3,380	303,380	
	02 Taipower 5B	300,000	300,777	-	1,668	302,445	
	02 Fubon 1A	300,000	300,118	-	1,458	301,576	
	P04 KGI 1	300,000	300,000	-	726	300,726	
	02 UMC 1A	300,000	300,006	-	459	300,465	
	Others (Note)	7,739,493	7,777,491	-	36,539	7,814,030	
		20,174,477	20,264,798	-	90,761	20,355,559	
Bank debentures	EIB 9 12/21/18	1,366,966	1,387,661	-	240	1,387,901	
	CBAAU Float 01/17/22	1,000,332	1,005,616	-	10,131	1,015,747	
	ABNANV Float 07/19/22	984,984	984,984	-	6,836	991,820	
	TD Float 12/22/20	790,960	794,530	-	14,132	808,662	
	BCHINA 3.125 01/23/19	716,352	723,318	-	(3,352)	719,966	
	KEBHNB Float 09/14/22	716,352	716,093	-	248	716,341	
	BOCOM 2.5 01/16/18	686,504	686,599	-	(30)	686,569	
	BCHINA 2.125 06/30/18	674,565	674,401	-	(585)	673,816	
	Goldman Sachs Group	614,600	616,831	-	3,771	620,602	
	RABOBK Float 03/04/21	604,852	607,320	-	13,040	620,360	
	WFC Float 07/27/21	604,852	606,658	-	8,997	615,655	
	Morgan Stanley	596,960	598,002	-	5,249	603,251	
	MIZUHO Float 08/23/19	581,588	582,875	-	3,168	586,043	
	ICBCAS Float 02/21/22	567,112	569,274	-	155	569,429	
	WSTP Float 02/07/22	553,672	555,465	-	6,836	562,301	
	NAB Float 10/21/21	498,933	500,816	-	4,777	505,593	
	KOOKMIN BANK	479,060	481,573	-	(1,135)	480,438	
	Australia and New Zealand Banking Group Ltd	465,271	465,540	-	3,250	468,790	
	Commonwealth Bank of Australia	465,271	465,473	-	3,299	468,772	
	RABOBK Float 02/11/20	462,944	463,883	-	4,297	468,180	
	WFC Float 08/08/19	465,271	465,059	-	2,635	467,694	
	CBAAU Float 09/18/22	462,644	464,470	-	520	464,990	
	EIBKOR Float 03/17/21	447,720	447,720	-	2,964	450,684	
	CDB (170206)	457,855	451,832	-	(7,529)	444,303	
	RY Float 02/03/21	429,864	430,730	-	7,248	437,978	
	WESTPAC BANKING CORPORATION	414,798	414,798	-	5,429	420,227	
	BCHINA Float 04/20/20	417,872	418,058	-	71	418,129	
	AGRBK 2.875 12/18	414,290	415,573	-	(134)	415,439	
	BCHINA Float 06/06/19	407,112	407,454	-	1,880	409,334	
	MUFG Float 09/30/19	395,480	395,341	-	2,941	398,282	
	KEB HANA BANK	388,024	388,024	-	(259)	387,765	
	OCBCSP Float 03/17/20	381,522	382,086	-	5,015	387,101	
	BANK OF CHINA HONG KONG	388,024	387,910	-	(1,076)	386,834	
	KOREA DEVELOPMENT BANK	388,024	386,977	-	(193)	386,784	
	BCHINA Float 05/11/20	358,176	358,338	-	39	358,377	
	BOCOM Float 05/15/20	358,176	358,495	-	(274)	358,221	
	ANZ Float 04/07/21	348,953	349,998	-	4,938	354,936	
	SUMIBK Float 07/19/19	348,953	349,330	-	2,615	351,945	
	MIZUHO Float 05/28/20	348,953	347,332	-	4,285	351,617	
	Bank of Queensland Ltd	346,627	348,936	-	1,266	350,202	

(Continued)

Items	Summary	Face Value	Cost	Accumulated Impairment	Adjustment	Fair Value	Note
	GS Float 08/21/19	302,426	$ 303,406	$ -	$ 2,046	$ 305,452	
	SUMIBK Float 12/03/18	302,426	302,548	-	1,825	304,373	
	ANZ 4.31 06/07/19	302,184	302,184	-	(1,538)	300,646	
	P16KDB2 (F09004)	298,480	298,480	-	1,706	300,186	
	Others (Note)	22,614,299	22,675,342	-	45,797	22,721,139	
		45,220,283	45,337,333	-	165,541	45,502,874	
Beneficiary certificate							
	Fidelity Funds - Asian High Yield Fund	1,528	626,808	-	2,312	629,120	
	Allianz Flexi Asia Bond Fund	17	596,960	-	4,693	601,653	
	PIMCO Funds: Global Investors Series plc -Global Bond Fund	760	447,720	-	1,664	449,384	
	Others (Note)	20,014	210,000	-	13,254	223,254	
		22,319	1,881,488	-	21,923	1,903,411	
			$307,803,199	$ -	$ 82,308	$307,885,507	

Note: "Others" means the aggregated disclosure of items under $300,000 thousand.

(Concluded)

SCHEDULE 4

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

HELD-TO-MATURITY FINANCIAL ASSETS

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Items	Summary	Amount	Interest Rate (%)	Unamortized Premium (Discount)	Book Value	Note
Government bonds	Treasury Bond 99-5	$ 6,000		$ 95	$ 6,095	

SCHEDULE 5

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2017

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

	Beginning Balance		Increase		Decrease		Ending Balance			Market Price or Equity	
Name	Shares	Amounts	Shares	Amounts	Shares	Amounts	Shares	Ownership Interest (%)	Amounts	Unit Price	Total
Unlisted shares											
An-Hsin Real-Estate	4,500,000	$ 76,418	-	$ 4,822	-	($ 1,694)	4,500,000	30.00	$ 79,546	17.74	$ 79,546
Listed company											
Chang Hwa Bank	2,045,033,592	36,746,008	102,251,679	2,760,808	-	(1,065,079)	2,147,285,271	22.81	38,441,737	16.55	35,537,571
		$ 36,822,426		$ 2,765,630		($ 1,066,773)			$ 38,521,283		$ 35,617,117

SCHEDULE 6

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

OTHER FINANCIAL ASSETS, NET

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Items	Amount
Financial assets carried at cost	
Dah Chung Bills	$ 942,527
Diamond Biotech Investment	506,250
Hsin-yao Biotech Investment	393,750
Others (Note)	1,163,632
	3,006,159
Other miscellaneous financial assets	
Call loans to other banks	7,265,482
Deposits for borrowing securities	860,686
Delinquent loans reclassified from other items (excluding loans)	305,678
Less: Allowance for bad debt	(249,050)
Others	529,756
	8,712,552
	$ 11,718,711

Note: "Others" means the aggregated disclosure of items under $300,000 thousand.

SCHEDULE 7

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Items	Face Value	Amount
Commercial paper		
Issued by - Chang Gung Memorial Hospital	$ 2,465,400	$ 2,464,399
Issued by - Chunghwa Telecom	2,050,000	2,047,799
Issued by - Taiwan Business Bank	2,000,000	1,999,203
Issued by - TAIRILITE	1,766,800	1,764,672
Issued by - National Health Insurance Administration	1,650,000	1,647,983
Issued by - Hon Hai Precision Industry	1,500,000	1,498,842
Issued by - Nan Ya Printed Circuit Board	1,027,800	1,025,416
Issued by - Taipei Fubon Bank	1,000,000	999,266
Issued by - Hotai Motor	1,000,000	999,195
Issued by - ING Bank	950,000	948,739
Issued by - Yuanta De- Bao Money	600,000	599,881
Issued by - Land Bank Short-term Commercial Papers Account	600,000	599,511
Issued by - HSBC Public Service Pension Fund 103	550,000	549,712
Issued by - Taichung Commercial Bank	450,000	449,817
Issued by - TWSE	450,000	449,745
Issued by - Paradigm Pion Fund	435,000	434,562
Issued by - KGI Bank	400,000	399,597
Issued by - Tachan Securities	320,000	319,685
Issued by - JPMorgan (Taiwan) Taiwan First Money	305,000	304,766
Issued by - Cathay new 1031	300,000	299,722
Issued by - Nomura Taiwan Money Market	300,000	299,516
Others (Note)	5,568,200	5,563,022

(Continued)

Items	Face Value	Amount
	25,688,200	25,665,050
Government bonds		
Treasury Bond 105 I-8	$ 4,198,000	$ 4,316,234
Treasury Bond 105 I-5	3,193,000	3,164,001
Treasury Bond 105 I-13	2,242,800	2,327,517
Treasury Bond 102 I-10	1,646,000	1,645,458
Treasury Bond 101 I-5	1,385,000	1,411,771
Treasury Bond 103 I-2	1,125,000	1,126,190
Treasury Bond 102 I-6	1,068,000	1,077,046
T 2.25 01/31/24	955,136	911,482
Treasury Bond 101 I-9	$738,000	$750,934
Treasury Bond 103 I-10	700,000	696,897
Treasury Bond 103 I-9	650,000	668,627
T 1.25 07/31/23	596,960	541,025
Others (Note)	2,041,100	2,082,445
	20,538,996	20,719,627
Corporate bonds		
P04 Hon Hai 4B	500,000	500,037
P06 Taipower 2A	500,000	500,000
VZ Float 02/17/23	465,271	441,954
00 Taipower 2B	410,000	410,009
P06 FENC 1	400,000	400,021
STSP 3.25 08/23/22	348,953	332,460
01 TSMC 1B	330,000	330,168
P03 CPC 2A	320,000	320,000
P06 Shinruenn 1	300,000	302,029
P06 Uni-president 1	300,000	300,000
Others (Note)	7,668,360	7,694,621
	11,542,584	11,531,299
Bank debentures		
AGRBK 2.5 09/19/20	1,044,680	989,766
CBAAU Float 01/17/22	884,014	855,575
BOCOM Float 05/15/20	656,656	624,838
BNS Float 09/08/22	628,115	596,841
RABOBK Float 03/04/21	604,852	591,671
WFC Float 07/27/21	604,852	586,676
NAB Float 01/10/22	507,416	490,438
NAB Float 10/21/21	498,933	481,570
CBAAU FLOAT 10/18/19 CORP.	465,271	456,187
ANZ FLOAT 11/11/19 CORP.	465,271	455,826
KDB 2.75 03/19/23	447,720	423,633
CBAAU Float 09/18/22	417,872	398,566
BZLNZ 2.65 11/03/22	417,872	394,200
ABNANV Float 07/19/22	388,024	372,235
BCHINA Float 04/20/20	388,024	370,097
BCHINA Float 11/22/22	358,176	340,928
ICBCAS Float 04/24/22	$343,252	$328,046
MIZUHO Float 08/23/19	325,689	312,128
Others (Note)	7,308,065	7,001,462
	16,754,754	16,070,683
Convertible bonds		
Taiwan mobile III	426,400	426,796
Others (Note)	2,280,400	2,281,610
	2,706,800	2,708,406
	$ 77,231,334	$ 76,695,065

Note: "Others" means the aggregated disclosure of items under $300,000 thousand.

(Concluded)

SCHEDULE 8

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF FOREIGN EXCHANGE GAIN (LOSS)

FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Items	Amount
Spot	($ 18,787,399)
Forward	19,281,965
Spot margin	(85,085)
Self-owned capital	(10,042)
Others	26
	$ 399,465

SCHEDULE 9

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF NET OTHER NON-INTEREST INCOME (LOSS)

FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Items	Amount
Revenue excluding interest	
Leasing revenue	$ 94,876
Loans management revenue	246,528
Gains on financial assets carried at cost	158,259
Other revenue	378,811
	878,474
Expense excluding interest	
Loans manage cost	(28,718)
Expenses arising from issuance of call (put) warrants	(29,914)
Other expenses	(171,813)
	(230,445)
	$ 648,029

SCHEDULE 10

TAISHIN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Items	Amount
Employee benefits expenses	$ 12,163,656
Depreciation	841,683
Amortization	225,549
Leases	794,868
Stationeries	152,253
Postage and remittance fee	680,088
Advertisement fee	1,176,632
Insurance	292,912
Tax and levies	1,798,406
Allowance for entertainment	94,239
Donation	15,074
Labor service fee	1,166,396
Freight	78,989
Others	1,660,469
	$ 21,141,214

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	2016	2017	Variation	
			Amount	(%)
Cash and cash equivalent	7,876,884	18,088	(7,858,796)	(99.77)
Financial assets at fair value through profit or loss	206,736	5,690,312	5,483,576	2,652.45
Receivables, net	472,457	942,923	470,466	99.58
Current tax assets	361,395	229,092	(132,303)	(36.61)
Investments accounted for using the equity method, net	164,995,814	175,242,626	10,246,812	6.21
Other financial assets	2,200	2,200	0	-
Property and equipment, net	8,414	5,280	(3,134)	(37.25)
Deferred tax assets, net	0	0	0	-
Other assets	16,945	18,504	1,559	9.20
Total assets	173,940,845	182,149,025	8,208,180	4.72
Commercial paper issued	1,499,313	0	(1,499,313)	(100.00)
Payables	824,483	1,065,030	240,547	29.18
Current tax liabilities	860,939	1,195,730	334,791	38.89
Bonds payable	22,000,000	24,700,000	2,700,000	12.27
Reserve for liabilities	0	0	0	-
Other liabilities	4,970	0	(4,970)	(100.00)
Total liabilities	25,189,705	26,960,760	1,771,055	7.03
Capital stock	103,825,072	107,757,589	3,932,517	3.79
Capital surplus	27,132,585	26,453,556	(679,029)	(2.50)
Retained earnings	18,051,306	21,103,712	3,052,406	16.91
Other equity	(257,823)	(126,592)	131,231	(50.90)
Total equity	148,751,140	155,188,265	6,437,125	4.33

Explan of variations:

(1) Decreases in cash and cash equivalents as at December 31, 2017 over December 31, 2016 were mainly due to the redemption of preferred stock D during 2017.

(2) Increases in receivables as at December 31, 2017 over December 31, 2016 were mainly due to higher consolidated taxes receivable from subsidiaries.

(3) Decreases in current income tax assets as at December 31, 2017 over December 31, 2016 were mainly due to lower tax refunds received for the year.

(4) Decreases in commercial paper payables as at December 31, 2017 over December 31, 2016 were mainly due to commercial paper repayments.

(5) Increases in accounts payable as at December 31, 2017 over December 31, 2016 were mainly due to higher consolidated taxes receivable from subsidiaries.

(6) Increases in current income tax liabilities as at December 31, 2017 over December 31, 2016 were mainly due to increases in tax payable.

(7) Increases in other equities as at December 31, 2017 over December 31, 2016 were mainly due to increases in subsidiaries' unrealized gains on available-for-sale assets.

B. Business Performance

Unit: NT$1,000

Item	2016	2017	Variation	
			Amount	%
Realized gain on available-for-sale financial assets	12,336,970	13,891,551	1,554,581	12.60
Other income	42,659	40,443	(2,216)	(5.19)
Operating expenses	(472,833)	(497,504)	(24,671)	5.22
Other expenses and losses	(468,693)	(490,189)	(21,496)	4.59
Pre-tax income (loss)	11,438,103	12,944,301	1,506,198	13.17
Income tax (expense) benefit	(38,669)	116,361	155,030	400.92
Net Income	11,399,434	13,060,662	1,661,228	14.57
Other comprehensive income (loss), net of tax	(454,467)	(107,070)	347,397	(76.44)
Total comprehensive income	10,944,967	12,953,592	2,008,625	18.35

Explanation of variations:

(1) Increases in income tax expense as at 2017 over 2016 were mainly due to reverse of estimates of income tax payable in previous years and increase in basic taxable income.

(2) Increases in other comprehensive income (loss) as at 2017 over 2016 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
5,708,400	7,654,672	4,229,139	9,133,933	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 2017.

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.

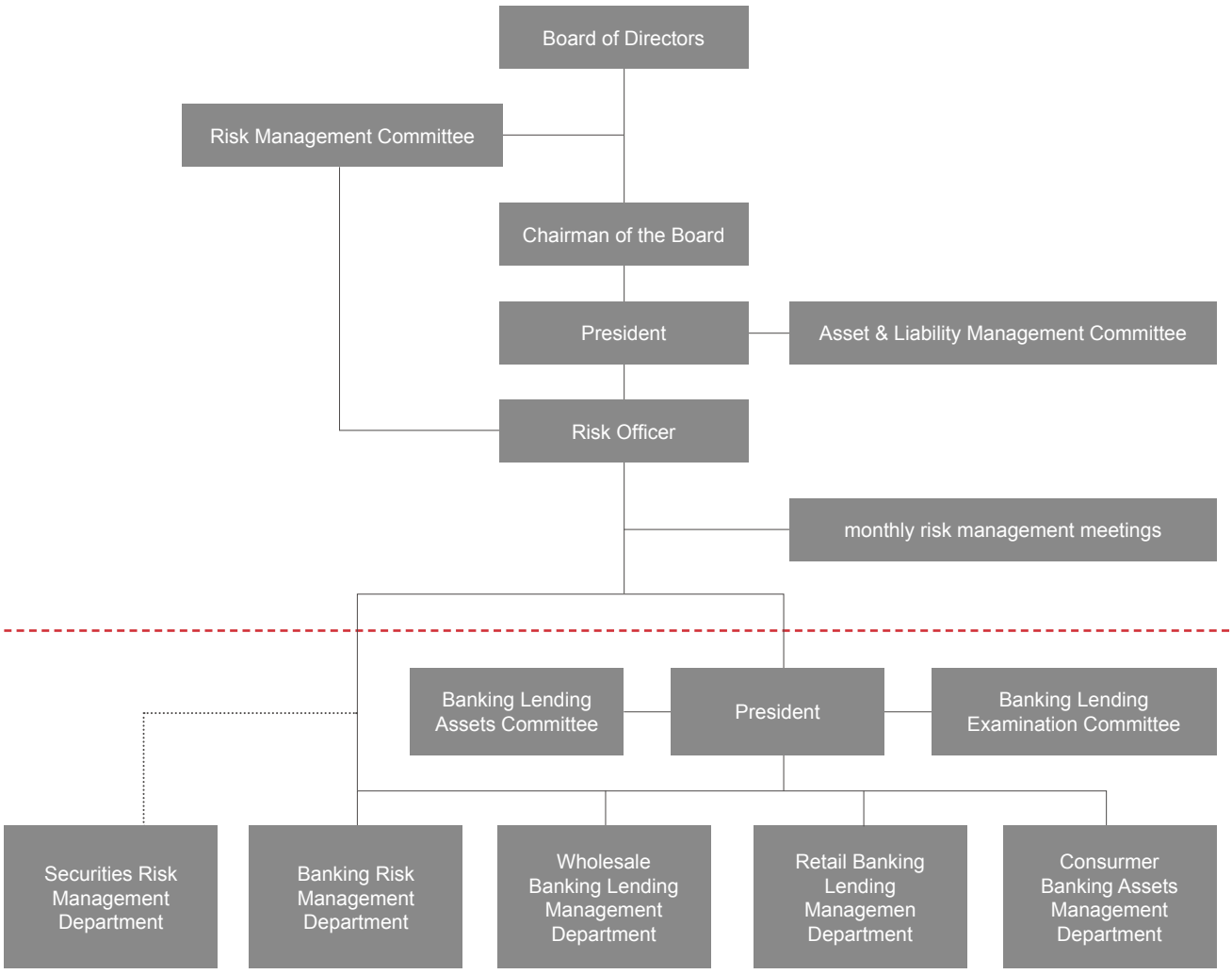
F. Assessment of risk management

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	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	1. Members of the committee authorizes the chairman of the board to select three or more members of the board, more than half of whom shall be independent directors. Members of the committee will then elect one person among them to be the convener and chair the meetings. Committee members shall serve the same term as those of them do concurrently on the board of directors. 2. Review of the risk management policy and procedure of the financial holding company. 3. Review of the financial holding company's risk appetite and limits. 4. Inspection of the financial holding company's regular integrated risk management reports. 5. Review of other material risk management matters as defined by the company or by the competent authority.
monthly risk management meetings.	1. The chief risk officer will serve as the convener. 2. Review of the risk management policy and procedure of the financial holding company. 3. Review or filing with the authorities of policies and regulations regarding market risks, credit risks, and operational risks in 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. Establishment of committees as needed or specifically for certain key issues. 8. Monitoring various risks undertaken by the company, adopting necessary measures for controlling large risk exposure. 9. Report of other risk related projects.
Chief Risk Officer	1. Convener of monthly risk management meetings. 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	1. Formulation and institution of risk management mechanism. 2. Disclosure of risk management implementation. 3. Producing overall risk analytical report for the financial holding company. 4. Coordination and contact for risk management affairs with subsidiaries. 5. Instituting integrated risk management information system. 6. Introducing the risk management norm of Basel II Capital Accord, so as to institute a risk management mechanism complying with international standards.
Risk management units of subsidiaries	1. Provision of risk management related information. 2. Implementing the financial holding company's risk management policy.

Risk Management 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 anagement.

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 loses, 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 volatility in interest rate, exchange rate, credit spread 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.

Limits on VaR, position, and stop loss and MAT alerts are set for investment portfolios to keep maximum losses under control.

(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 endurable extent. It has also established "operating risk reporting procedure," "self-evaluation and auditing operation procedure," "key risk indicator procedure," and risk offsetting procedure, featuring mutually linked analysis to uphold operating risk forecast capability.

2. Risk management methods and quantified risk exposure information of subsidiaries

(1) Taishin Bank

(a) Credit risk

The main goal of risk management is to pursue maximum profits under reasonable risk, so as to uphold shareholders' interest. Effectively grasp the trend of assets quality via regular monitoring of numerical changes in net flow and adjust lending policy and debt collection strategy accordingly.

Utilize internal credit rating system, midterm management and review, diversification and ceiling of credit extension/ investment positions (customer groups), and other methods to monitor constantly risk level and changes in general economy and financial climate, on top of irregular review or adjustment of risk avoidance (diversification) and abatement strategy via internal procedure. Risk abatement is carried out mainly via the collection of collateral, which calls for different appraisal method and evaluation period according to their different nature, i.e., realty, or chattel, 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

Credit Risk Exposure and Capital Requirement after Mitigation on Standardized Method.

Dec. 31, 2017; Unit: NT$1,000

Type of Risk Exposure	Risk Exposure after Mitigation	Capital Requirement
Sovereigns	257,671,324	8,098
Non-central government public sector entities	5,373	430
Banks (including multilateral development bank)	110,934,498	3,714,864
Corporates	507,414,810	39,095,963
Retails	394,016,227	25,573,590
Residential properties	250,820,585	11,667,991
Equities	5,875,688	470,055
Other Assets	39,087,680	2,350,116
Total	1,565,826,185	82,881,107

(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 rices.
- 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

Value for balance period before due dates

Dec. 31, 2017; 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	1,723,716,737	244,550,909	309,777,096	317,783,550	129,548,718	113,958,108	608,098,356
Main fund Inflow Due	2,074,292,634	138,173,665	197,639,015	374,156,760	280,425,179	410,093,795	673,804,220
Expected Gap	(350,575,897)	106,377,244	112,138,081	(56,373,210)	(150,876,461)	(296,135,687)	(65,705,864)

Analysis for the Structure of USD Due Dates

Dec. 31, 2017; 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	32,517,071	11,045,108	11,429,160	5,245,582	2,267,632	2,529,589
Main fund Inflow Due	32,796,782	11,047,221	10,788,482	4,328,600	2,907,704	3,724,775
Expected Gap	(279,711)	(2,113)	640,678	916,982	(640,072)	(1,195,186)

(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 risking, 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, 2017; Unit: NT$1,000

Kinds of risks	Capital requirement
Interest Rate Risk	4,149,442
Equity Securities Risk	187,710
Currency Risk	181,833
Commodity Risk	0
Total	4,518,985

(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 balanced scorecards for better management and 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, 2017; Unit: NT$1,000

Year	Gross Profit	Capital Requirement
2015	30,972,013	-
2016	31,581,724	
2017	32,667,721	
Total	95,221,459	4,266,136

(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:

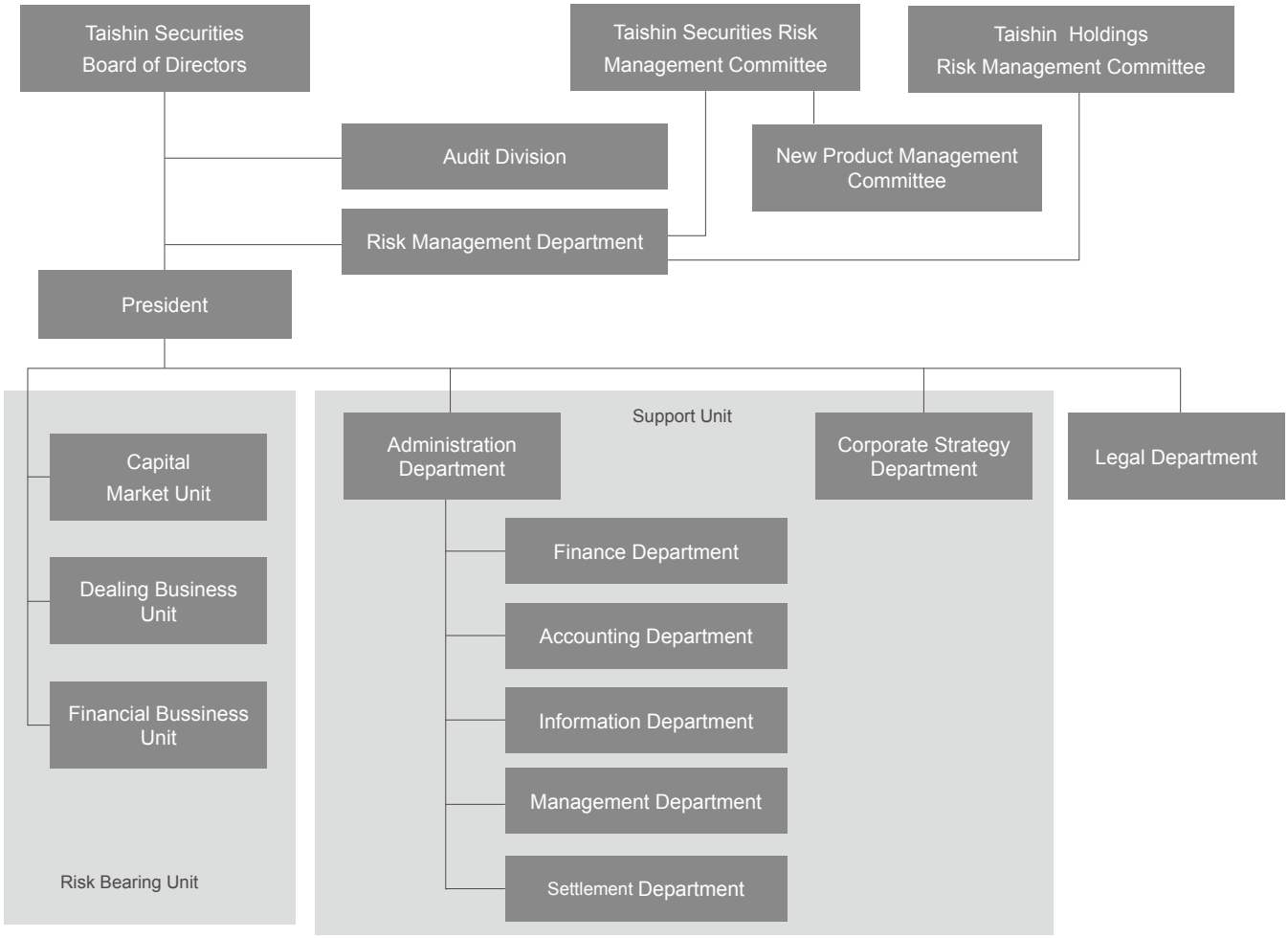
- Establish a risk evaluation mechanism to grasp the company's diversified risks and form the basis of the company's sustainable development.
- Emphasize the efficacy of the company's risk based assets.
- Emphasize related risks in the pursuit of maximum returns, thereby incorporating riskfactors into 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	1. The company has imposed VaR (Value at Risk) limits based on its risk tolerance. Portfolio risks are monitored in terms of VaR, market value and losses. In addition, the company has measures in place to control losses, holding periods, liquidity and concentration of individual investments. 2. Set up stress scenarios for various financial products, conduct stress testing to calculate stress loss, so as to evaluate possible loss to be endured by the company under extreme market status and manifest the risk status of existing position, as reference for the company in capital allocation.
Credit risk	1. In charge of the credit risk of issuer risk and counterparty credit risk, distinguish liquid and illiquid positions, and set up quotas according to the nature of financial trading and credit rating. Credit rating is based on the internal credit rating granted by Taishin Financial Holdings, which regularly examine the period for credit rating granting, to assure the effectiveness of credit rating. 2. Risk measures have been implemented to mitigate risks arising from concentration on any particular type of share/industry. By imposing limits on company/industry exposure, the company has been able to avoid excessive concentration to any particular issuer/industry. 3. Organize credit risk position for the same person and the same related party in a group, and submit the position to risk management unit of the financial holding firm for unified management. 4. Risk management for margin trading and short sale of brokerage business, compliance with the company's internal control system for credit account opening, and management of quota for margin trading and short sale, as well as maintenance rate, according to legal requirement. Effective enforcement of KYC procedures, establishment of margin trading limits based on internal/external regulations, adjustment of margin trading percentages for individual stocks in response to changes in financial markets, and daily monitoring of account maintenance ratios. 5. Regarding management of operational risks in options offered by the brokerage service, classification guidelines for trading accounts subject to different "additional collateral benchmarks", application for higher limits and assessment methods, and re-assessment mechanisms have been established so that the company may require additional collaterals based on a trading account's credit standing and other risks involved in the transaction when collaterals are collected in advance of futures trading. If the trading account's equity amount is below the required maintenance collateral, the company will promptly issue a notice of payment to the account holder. If the account holder fails to provide the shortfall, the company may offset the positions on behalf of the account holder in accordance with the applicable internal control procedures.
Liquidity risk	1. Market liquidity management: Due to limited trading volume and insufficient liquidity position, there may result in value reduction when clearing position, due to expanded gap between buying and selling prices and prolonged time for offsetting position, leading to reserves for liquidity risk, to avoid deviation of price evaluation. 2. Set up fund maneuvering mechanism by the financial division according to "guidelines for management of liquid fund shortfall," to manage fund liquidity risk. Perform liquidity risk stress testing, monitor the overall supply of funds and changes in gaps, and manage liquidity risks.
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, 2017 ; Unit: NT$1,000

Kinds of Risk	Equivalent Value of Risks
Market risk	855,990
Credit risk	400,384
Operating risk	206,083
Total	1,462,457

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
Organization for Economic Cooperation and Development Common Report Standard (OECD Common Report Standard)	The Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions were promulgated in Taiwan on November 16, 2017. Taishin Bank is required to file account details, where applicable, regularly with the tax authorities. The tax treaty authority will then, in accordance with the applicable tax treaties, exchange said account details automatically with other authorities in respective tax treaties every year.	A team of expert consultants has been engaged to assist the Bank (and its overseas branches) in responding to CRS. In addition to reviewing existing forms and contracts, amending internal policies, developing new systems, and building application processes and compliance procedures, the Bank has also organized training courses on many occasions to familiarize employees with CRS requirements.
Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions	For the purposes of following increased information transparency in international business, maintaining fair taxation and protecting adequacy in taxation, the Ministry of Finance followed the common reporting standards and due diligence procedures in the OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters and promulgated these regulations on November 16, 2017. Taishin Bank is required to examine and combine forms and receipts, modify guidelines and regulations, and implement systems in order to comply with the information exchange requirements in the regulations.	External consultants were hired to assist the bank in completing implementation and integration of related measures to ensure compliance with the regulations.
Statute for Fintech Development and Innovation Experiment (passed the third reading at the Legislative Yuan on December 29, 2017)	Allowing natural persons, proprietorships or partnerships, and juridical entities to operate financial innovation experiments without being subject to criminal or administrative penalties for violating regulations on financial services requiring special licenses will lead to more competition for the company and change its existing business models.	The company has created the Digital Finance Division to play an active role in FinTech innovation and to make financial services more efficient, while reducing the costs of operation and utilization or providing more benefits for financial consumers and the company itself.
Labor Standards Act	Changes in response to the amendment of the Labor Standards Act by Presidential Executive Order on January 31, 2018, effective on March 1 of the same year, include the following: mandatory conversion into cash payments for unused vacation days for overtime and availability of deferred paid leaves by employer-employee negotiation. The company will assess the degree of impact in terms of increased costs and flexibility in manpower allocation.	To ensure full compliance with the labor laws and regulations, the company has started amending its human resources guidelines and hired external service providers to modify and implement related human resources systems.
Anti-money laundering	For the purpose of preventing money laundering, combating crime, and upholding order in financial markets, the FSC is facilitating cash flow transparency and strengthening international cooperation with other agencies. In response to the APG Third Round Mutual Evaluation later this year, the FSC is reinforcing regulation on money laundering prevention practices implemented by financial institutions. The goals are to make AML/CFT practices more effective in Taiwan and to enhance Taiwan's reputation in the world so to ease the way for Taiwanese financial institutions seeking international expansion or for other businesses trying to establish presence in other countries.	The bank is equipped with a full time AML unit to enforce money laundering prevention.
New Southbound Policy	The FSC has raised the limits on overseas lending for banks, causing to a surge of lending activities in all banks. The result is favorable to businesses seeking to participate in major infrastructure projects in ASEAN countries and creates more opportunities for Taiwanese banks trying to expand overseas.	Taishin Bank also supports the government's New Southbound Policy and takes an aggressive approach to expansion in Southeast Asian and Asian Pacific markets by providing financing for local Taiwanese businesses.
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.	Guidelines and regulations are checked to ensure compliance with the laws after deregulation. Branch and digital services are reviewed and optimized to reflect current regulations.

d. Effects of technological and industrial changes on the finance of the financial holding firm and countermeasures

Mobile payment is rising to global dominance in the digital economy. Meanwhile, smartphone penetration is higher in Taiwan than in any other Asian Pacific countries, suggesting great growth potential in the country's mobile payment industry. Taishin continues to invest in R&D and system implementation in related fields in order to extend the reach of mobile payment services and increase utilization. In addition, it is forming cross industry alliances with telecommunications service operators and transportation related stored value card issuers in order to expand the customer base. Meanwhile, Taishin actively engages medium and large merchants in development of different payment services, such as QR code payment and direct debit payment. Digital wallets from other countries, such as Alipay and WeChat Pay, are introduced into the market. Taishin is the first bank in Taiwan to team up with KEB Hana Bank of South Korea in providing cross border payment services, thereby expanding the range of everyday payment scenarios.

Furthermore, Taishin implements biometric technologies for authentication purpose. It is the first bank in Taiwan to support fingerprint login on its mobile banking app and digital banking service, Richart. For mobile phones that do not support fingerprint recognition, "pattern password" is provided for authentication. In addition, the rising popularity of "facial recognition" has prompted the bank to be first to implement "facial recognition" in replacement of ID and password. Customers are able to use new technology while enjoying the same level of security. The bank will continue to introduce different digital financial services and endeavor to stay always ahead of the competition in the digital era.

Fast technological advances are fueling accelerated transformation in the financial sector. Innovation of banking services has become one of the keys to the future of banking. It is inevitable for more banks to start forming cross industry alliances but also a potential source for more opportunities. Taishin Bank will continue to develop cross industry alliances and provide a wide range of innovative services in the future.

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' 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 plan for integrated business management practices will continue to be followed, which covers emergency response mode for venue, system, and personnel, as well as disaster recovery plan.

Processing and service departments of the subsidiaries have also implemented their own business continuity plans. The plans are tested on a yearly basis while data is backed up regularly to the off-site.

2. Document delivery

In the wake of operating concentration, internal transmission or delivery of original copies of document may result in information leakage of 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

The company's paid-in capital is large and its share ownership widely dispersed. Transfer or change of share ownership is not likely to have a material impact on the company's shareholding structure or cause any major impact or risk to the company.

i. Influence of management right on the financial holding company, risk, and countermeasures

Change in the management right of financial holding company may result from the replacement of management by shareholders due to bad performance, hostile takeover, or own initiative of the original management wishing to look for new management to take over their position. Change in management may produce the following influence and risks on financial holding company:

1. Possible benefits

(1) Create new management direction and value for the company.

(2) Renovate corporate culture and organizational framework, bringing new business momentum and profit performance to the company.

(3) Inject new idea and financial resources, creating triple wins for shareholders, clients, and employees.

2. Possible risks

(1) Change in business strategy may affects company's business development and profit performance.

(2) Change in management right may cause panic among employees, leading to high turnover and thereby affecting company's regular operation.

(3) Change in management strategy may affect company's business development and Shareholder rights.

(4) Change in management right may trigger concern among investors over company's management stability, driving down stock price.

j. Litigation and non-litigation incidents

1. Taishin Financial 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 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.	confirmed continuation of contractual relationship	2014.12.09	Ministry of Finance	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 Taiwan High Court confirmed on May 17, 2017 that a contractual relationship existed between the Ministry of Finance and Taishin in the matter where "while the shares in Chang Hwa Bank held by the Ministry of Finance are not sold and Taishin Holdings remains the largest shareholder of Chang Hwa Bank, the Ministry of Finance shall support Taishin Holdings's representative in securing a majority vote for a seat on Chang Hwa Bank's board of directors." The Ministry of Finance, however, objected to the ruling and filed an appeal with the Supreme Court on June 12, 2017. The case is currently being heard by the Supreme Court. 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.

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
Lawsuit to challenge certain resolutions of shareholders meeting	The resolution to elect the representatives of the Ministry of Finance, Ming-Daw Chang and Ching-Hwa Juan, and the representative of the National Development Fund of Executive Yuan, Chih-Hsien Lin, to directors and the method of passing the resolution to elect Kuo-Yuan Liang and Chi-Chang Yu to independent directors in the fourth item, "Election of the 25th Board of Directors (and Independent Directors)", on the discussion and election agenda of the Chang Hwa Bank shareholders meeting on June 16, 2017 were in violation of the law (Article 25 and Article 25-1 of the Banking Act of the Republic of China). Therefore, Taishin hired attorneys to file a lawsuit in the Taipei District Court of Taiwan to challenge certain resolutions of the Chang Hwa Bank shareholders meeting and have them withdrawn.	challenged and withdrawn certain resolutions of the Chang Hwa Bank shareholders meeting	2017.07.04	Chang Hwa Commercial Bank Ltd.	The case is currently being heard by Taiwan Taipei District Court.

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 ruling was confirmed on August 17, 2017and a debt certificated was received.

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:

As the bank expands its overseas branches, Taishin, for the purpose of complying with local regulations and international conventions, remains committed to observing anti-money laundering and counter terrorist financing practices and building risk oriented detection and prevention systems to ensure effective AML/CTF results. In 2017, Taishin continued to inspect AML/CTF policies in the group and oversaw compliance of its subsidiaries with the latest requirements of respective competent authorities to establish policies and guidelines. Taishin also ensured effective execution of management mechanisms in the systems and took a risk oriented approach to apply different models to managing its subsidiaries:

(I) Banking is an inherently high risk business. Since Taishin Bank's subsidiaries have set up several overseas branches, the Anti-Money Laundering and Counter Terrorism Financing Committee is created to assist the board of directors and executives in fulfilling their duties to oversee compliance in order to ensure the bank maintains effective controls.

(II) The nature of the securities business is unlike that of banking. Taishin Securities, based on the nature of its business activities, has a risk management committee that oversees AML/CTF operations and assists the board of directors and executives in fulfilling their duties to oversee compliance in order to ensure the bank and all of its business units across the world maintain effective controls.

(III) Given relatively few risks exist in their business activities, other subsidiaries are tasked with the responsibility to comply with requirements of respective competent authorities and present regular reports to assist the board of directors and executives in fulfilling their duties to ensure the bank maintains effective controls.

Taishin Bank always places a great emphasis on risk management and has been following the three lines of defense in risk management for years. All business units adhere strictly to AML/CTF programs and have AML/CTF procedures incorporated into daily management routines. The units operating the second line of defense are constantly investing resources in examining and analyzing risks. Meanwhile, the audit office, also the third line of defense, establish audit items based on internal control measures and perform regular audits to ensure risk management practices remain effective.

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. Regarding emergency response measures against threats to the business activities of financial institutions, the subsidiaries of the bank have implemented Contingency Funding Plan that establish appropriate response procedures and responsibility assignments to effectively reduce the impact of such incidents.

H. Other Important items: Nil.

08

Special Notes

VIII. Special Notes

A. Information regarding the company's subsidiaries

a. Basic information

Date: Dec. 31, 2017; 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, Jhongshan N. Rd., Taipei City	68,845,983	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
Taishin Asset Management Co., Ltd.	2002.08.19	2nd-3 fl., No. 9, Dehui Street, Taipei City	995,000	institutionsPurchase, appraisal, auction of bad-debt claims of financial
Taishin Venture Capital Investment Co., Ltd.	2003.9.25	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	6,284,124	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	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	1. Securities-investment consulting business 2. General agency of Jupiter fund of the U.K 3. Other businesses approved by the Financial Supervisory Commission

Date: Dec. 31, 2017; Unit: NT$1,000

Name of enterprise	Date of establishment	Address	Paid-in capital	Major business or production items
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	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 14. In addition to the licensed activities, Taishin Holdings may also engage in other business activities that are not prohibited or restricted by law.
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. In addition to the licensed activities, Taishin Holdings may also engage in other business activities that are not prohibited or restricted by law.
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
Taishin Securities Venture Capital Co., Ltd.	2013.12.31	17F, No. 118, Section 4, Renai Road, Daan District, Taipei City, Taiwan	200,000	1. Venture capital business 2. Investment consulting services 3. Management consulting services

Note1 : Taishin Insurance Agency Co., Ltd. change the name into Xiang-An Life Insurance Agency Co., Ltd. on August 2, 2016.

Note2: Taishin Securities Co., Ltd. acquired Ta Chong Securities Co., Ltd. on August 28, 2017. Taishin Securities Venture Capital Co., Ltd. was a wholly owned subsidiary of Ta Chong Securities Co., Ltd. It was formerly known as Ta Chong Venture Capital Co., Ltd. and renamed Taishin Securities Venture Capital Co., Ltd. on October 2, 2017.

b. Directors, supervisors and major managers of the company's subsidiaries

Date: Dec.31, 2017

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		
	Director	Larry Chung		
	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	-	-
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 628,412,444 shares (100%).	
	Director	Po Yung Lu		
	Director	Jerry Guo		
	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	Ada Chen		
	Director	Larry Chung		
	Director	Joseph Jao		
	Supervisor	Vincent Tsai		
	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 affilities

Date: Dec.31, 2017

Name of enterprise	Position	Company's Name / Representative	Shareholding (Share)	(%)
Xiang-An Life Insurance Agency	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
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	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
		Joseph Jao		0
	Supervisor	Taishin Venture Capital Investment		100
		Shawn C.L.Teng		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
Taishin Venture Capital Investment Co., Ltd.	Chairman	Taishin Securities	20,000,000	100
		Zhi-Da Wei	0	0
	Director	Taishin Securities	20,000,000	100
		Qi-Bin Shi	0	0
	Director	Taishin Securities	20,000,000	100
		Li-Guo Chen	0	0
	Supervisor	Taishin Securities	20,000,000	100
		Yen Chen	0	0
	President	Li-Guo Chen	0	0

d. Operation overview on affilites

Date: Dec. 31, 2017; 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	1,589,481,745	1,464,987,126	124,494,619	32, 501,879	32,501,879	10,550,334	1.53
Taishin Asset Management Co., Ltd.	995,000	1,637,034	213,830	1,423,204	272,221	139,915	150,536	1.51
Taishin Venture Capital Investment Co., Ltd.	3,329,035	3,079,950	332,294	2,747,656	187,960	139,304	134,073	0.40
Taishin Securities Co., Ltd.	6,284,125	25,646,051	18,206,352	7,439,699	1,188,319	217,383	322,895	0.64
Taishin Securities Investment Trust Co., Ltd.	754,545	916,545	91,650	824,895	316,542	8,249	9,240	0.12
Taishin Securities Investment Advisory Co., Ltd.	300,000	378,987	26,662	352,325	96,561	(2,864)	(589)	(0.02)
Xiang-An Life Insurance Agency Co., Ltd. (Note) (None 1)	30,000	856,302	18,918	837,384	51,027	2,259	15,358	5.12
Taishin Real – Estate Management Co., Ltd.	200,000	591,731	243,076	348,655	67,966	44,117	41,159	2.06
Taishin D.A. Finance Co., Ltd.	800,000	10,669,011	9,925,570	743,441	908,634	66,181	42,176	0.53
Taishin Financial Leasing (China) Co.,Ltd.	894,049	6,618,752	5,906,584	712,168	662,799	128,409	97,485	-
Taishin Financial Leasing (Tianjin) Co.,Ltd.	920,748	5,764,487	5,003,166	761,321	451,316	61,036	43,420	-
Taishin Securities Venture Capital Co., Ltd. (Note 2)	200,000	69,661	1,277	68,384	(121,007)	(131,177)	(131,691)	(6.58)

Note1 : Taishin Insurance Agency Co., Ltd. change the name into Xiang-An Life Insurance Agency Co., Ltd. on August 2, 2016.

Note2 : Taishin Securities Co., Ltd. acquired Ta Chong Securities Co., Ltd. on August 28, 2017. Taishin Securities Venture Capital Co., Ltd. was a wholly owned subsidiary of Ta Chong Securities Co., Ltd. It was formerly known as Ta Chong Venture Capital Co., Ltd. and renamed Taishin Securities Venture Capital Co., Ltd. on October 2, 2017.

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. Organitation 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 2017 and as of the date for the publication of the annual report

IX. Items with major effect on shareholders' benefits or securities prices in 2017 and as of the date for the publication of the annual report: Nil.

Taishin Financial Holding Co., Ltd.

Chairman

Taishin Holdings

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