

**CAPITAL SECURITIES CORPORATION**  
**BALANCE SHEETS**  
**September 30, 2012 and 2011**  
(New Taiwan Dollars in Thousands, Except Share Data)

ASSETS	(Unaudited) September 30, 2012		(Unaudited) September 30, 2011		LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) September 30, 2012		(Unaudited) September 30, 2011	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current Assets</b>					<b>Current Liabilities</b>				
Cash and cash equivalents (Notes 2 and 4(1))	\$ 2,192,889	4	3,163,218	6	Short-term borrowings (Note 4(10))	\$ 1,199,000	2	2,400,000	4
Financial assets measured at fair value through profit or loss - current (Notes 2, 4(2), 4(20), 5 and 6)	12,925,422	24	12,686,446	22	Bonds sold under repurchase agreements (Notes 4(12) and 5)	10,687,563	20	8,847,749	16
Bonds purchased under resale agreements (Notes 2, 4(3) and 6)	956,616	2	1,302,470	2	Financial liabilities measured at fair value through profit or loss - current (Notes 4(11) and 4(20))	1,082,708	2	2,192,904	4
Receivable for securities provided as collateral (net of allowance for doubtful accounts)	17,035,254	32	20,915,879	36	Guaranty deposited for securities lent	2,382,959	4	2,578,730	4
Refinancing margin	42,767	-	20,352	-	Proceeds payable from securities lent	3,066,556	6	3,234,861	5
Receivable on refinancing collateral	54,172	-	40,740	-	Securities lending refundable deposits	3,049,881	6	3,118,838	5
Receivable for securities lending and borrowing	816	-	-	-	Notes payable	1,284	-	127	-
Security borrowing collateral	262,294	-	-	-	Accounts payable	56,162	-	31,187	-
Security borrowing margin	1,663,966	3	1,854,118	3	Advance receipts	8,197	-	20,608	-
Notes receivable	5,415	-	6,446	-	Receipts under custody	136,676	-	176,611	-
Accounts receivable (Notes 4(4) and 5)	743,014	1	593,524	1	Other payables (Notes 2 and 4(13))	1,762,097	3	3,652,974	7
Prepayments	24,703	-	25,138	-	Deferred income tax liabilities - current (Notes 2 and 4(16))	33,257	-	-	-
Other receivables	106,603	-	217,215	-	Long-term liability - current portion (Note 4(14))	299,815	1	690,000	1
Pledged assets - current (Note 6)	416,000	1	428,000	1	Other financial liabilities - current (Note 4(20))	222,446	-	133,752	-
Deferred income tax assets - current (Notes 2 and 4(16))	-	-	361,044	1		<u>23,988,601</u>	<u>44</u>	<u>27,078,341</u>	<u>46</u>
Available-for-sale financial assets - current (Notes 2 and 4(2))	616,851	1	-	-					
	<u>37,046,782</u>	<u>68</u>	<u>41,614,590</u>	<u>72</u>	<b>Long-Term Liabilities</b>				
<b>Funds and Long-Term Investments</b>					Long-term borrowings (Note 4(14))	-	-	299,956	1
Long-term investments under equity method (Notes 2 and 4(5))	2,868,337	6	3,055,977	5	Other financial liabilities - non-current (Note 4(20))	675,012	1	2,518,702	4
Available-for-sale financial assets - non-current (Notes 2 and 4(2))	646,539	1	646,539	1	Other long-term liabilities	47,691	-	50,823	-
Held-to-maturity financial assets - non-current (Notes 2, 4(2) and 6)	-	-	290,101	-		<u>722,703</u>	<u>1</u>	<u>2,869,481</u>	<u>5</u>
Financial assets measured at fair value through profit or loss - non-current (Notes 2, 4(2), 4(20) and 6)	223,466	-	239,364	-					
	<u>3,738,342</u>	<u>7</u>	<u>4,231,981</u>	<u>6</u>	<b>Other Liabilities</b>				
<b>Premises and Property (Notes 2, 4(6) and 6)</b>					Guarantee deposits received (Note 5)	18,190	-	18,608	-
Land	4,102,206	8	4,186,109	7	Accrued pension liabilities - non-current (Notes 2 and 4(15))	265,253	1	238,596	-
Buildings	2,173,671	4	2,191,149	4	Other liabilities (Notes 7(8))	88,533	-	173,000	-
Equipment	493,012	1	515,925	1		<u>371,976</u>	<u>1</u>	<u>430,204</u>	<u>-</u>
Prepayment for equipment	25,800	-	90,563	-	<b>Total Liabilities</b>	<u>25,083,280</u>	<u>46</u>	<u>30,378,026</u>	<u>51</u>
Leasehold improvements	239,939	-	238,315	-					
	<u>7,034,628</u>	<u>13</u>	<u>7,222,061</u>	<u>12</u>	<b>Stockholders' Equity</b>				
Less: Accumulated depreciation	(1,254,407)	(2)	(1,222,737)	(2)	Common stock, par value \$10 per share, 3,000,000 thousand shares authorized, 2,369,073 thousand shares issued and outstanding (Note 4(17))	23,690,730	44	23,690,730	41
	<u>5,780,221</u>	<u>11</u>	<u>5,999,324</u>	<u>10</u>	Capital surplus				
<b>Intangible Assets (Notes 2, and 4(7))</b>					Premium from stock issuance	1,940,208	4	1,940,208	3
Goodwill	3,126,698	6	3,126,698	5	Treasury stock transactions (Note 4(18))	107,031	-	107,031	-
Deferred pension cost	9,846	-	7,471	-	Long-term investments	29,534	-	29,534	-
Other intangible assets	402,241	1	405,658	1	Paid-in capital from merger (Note 1)	658,234	1	658,234	1
	<u>3,538,785</u>	<u>7</u>	<u>3,539,827</u>	<u>6</u>	Retained earnings				
<b>Other Assets</b>					Legal reserve	500,532	1	419,092	1
Guaranty deposited for business operations	1,244,948	2	990,181	2	Special reserve (Note 2)	1,277,967	2	1,136,038	2
Settlement fund	179,719	1	420,314	1	Unappropriated earnings (Notes 4(16) and 4(17))	900,112	2	632,245	1
Refundable deposits	116,979	-	100,422	-	Cumulative translation adjustments (Note 2)	(43,995)	-	8,366	-
Deferred debits	36,867	-	47,810	-	Net loss not recognized as pension cost	(33,664)	-	-	-
Other pledged assets - non-current (Note 6)	131,439	-	147,228	-	Unrealized gain or loss on financial instruments	(44,429)	-	(2,609)	-
Leased assets (net of accumulated depreciation) (Notes 2 and 6)	1,370,646	3	1,293,577	2		<u>28,982,260</u>	<u>54</u>	<u>28,618,869</u>	<u>49</u>
Idle assets - land (Note 2)	19,472	-	9,904	-	<b>Total Stockholders' Equity</b>				
Deferred income tax assets - non-current (Notes 2 and 4(16))	700,602	1	466,538	1	<b>Significant commitments and contingencies</b>				
Others (net of allowance for doubtful accounts) (Notes 2 and 4(8))	255	-	16,330	-					
	<u>3,800,927</u>	<u>7</u>	<u>3,492,304</u>	<u>6</u>					
<b>Brokerage accounts, net (Note 4(9))</b>	160,483	-	118,869	-					
	<u>\$ 54,065,540</u>	<u>100</u>	<u>58,996,895</u>	<u>100</u>	<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 54,065,540</u>	<u>100</u>	<u>58,996,895</u>	<u>100</u>

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

**CAPITAL SECURITIES CORPORATION**  
**STATEMENTS OF INCOME**  
**Years Ended September 30, 2012 and 2011**  
(New Taiwan Dollars in Thousands, Except Earnings Per Share Data)

	(Unaudited)		(Unaudited)	
	Jan. 1~ Sept. 30, 2012		Jan. 1~ Sept. 30, 2011	
	Amount	%	Amount	%
<b>Revenues:</b>				
Brokerage commissions	\$ 1,793,590	38	2,101,711	37
Underwriting commissions	165,367	4	156,700	3
Gain on sale of trading securities - proprietary trading	-	-	-	-
Gain on sale of trading securities - underwriting	11,438	-	-	-
Securities management, distribution, and management fees	118,728	3	90,012	2
Interest revenue	938,971	20	1,196,385	21
Dividend revenue	162,395	3	210,971	4
Gain on valuation of trading securities	402,324	9	-	-
Gain on covering of borrowed securities and bonds with resale agreements	-	-	16,041	-
Gain on valuation of borrowed securities and bonds with resale agreements	-	-	39,856	1
Gain on stock warrants issued (Note 4(20))	506,802	11	980,614	17
Futures commission revenue (Note 5)	61,648	1	85,959	1
Gain on derivative financial instruments - futures (Note 4(20))	-	-	27,218	-
Gain on derivative financial instruments - OTC (Note 4(20))	-	-	323,412	6
Other operating revenue	206,882	4	212,775	4
Non-operating revenue (Note 5)	237,312	5	229,439	4
Investment income under the equity method (Note 4(5))	101,615	2	-	-
	<u>4,707,072</u>	<u>100</u>	<u>5,671,093</u>	<u>100</u>
<b>Expenses:</b>				
Brokerage fees	106,499	3	137,239	3
Brokerage and clearing fees - proprietary trading	5,209	-	9,950	-
Clearing and exchange fees - refinancing	2,003	-	1,203	-
Clearing and exchange fees - underwriting	2,220	-	4,705	-
Loss on sale of trading securities - proprietary trading	96,116	2	329,126	6
Loss on sale of trading securities - underwriting	-	-	2,100	-
Loss on sale of trading securities - hedging	125,725	3	341,502	6
Interest expense (Note 5)	110,413	2	194,874	4
Loss on valuation of trading securities	-	-	809,338	14
Loss on covering of borrowed securities and bonds with resale agreements	20,925	-	-	-
Loss on valuation of borrowed securities and bonds with resale agreements	24,882	1	-	-
Loss on borrowed securities	-	-	6,436	-
Stock warrant issuance expense	47,306	1	62,140	1
Securities commission expense (Note 5)	1,413	-	2,362	-
Loss on derivative financial instruments - futures (Note 4(20))	64,562	1	-	-
Loss on derivative financial instruments - OTC (Note 4(20))	174,846	4	-	-
Operating expenses (Note 5)	2,895,554	62	2,801,298	49
Other operating expenses	8,147	-	8,680	-
Non-operating expenses	15,652	-	10,640	-
Investment loss under the equity method (Note 4(5))	-	-	32,901	1
	<u>3,701,472</u>	<u>79</u>	<u>4,754,494</u>	<u>84</u>
<b>Continuing operations' income before tax</b>	<u>1,005,600</u>	<u>21</u>	<u>916,599</u>	<u>16</u>
<b>Income tax expense (Notes 2 and 4(16))</b>	<u>147,009</u>	<u>3</u>	<u>342,904</u>	<u>6</u>
<b>Net income</b>	<u>\$ 858,591</u>	<u>18</u>	<u>573,695</u>	<u>10</u>
	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
<b>Basic earnings per share (Note 4(19))</b>	<u>\$ 0.42</u>	<u>0.36</u>	<u>0.39</u>	<u>0.24</u>
<b>Diluted earnings per share (Note 4(19))</b>	<u>\$ 0.42</u>	<u>0.36</u>	<u>0.39</u>	<u>0.24</u>

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

**CAPITAL SECURITIES CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended September 30, 2012 and 2011**  
**(New Taiwan Dollars in Thousands)**

	(Unaudited) Jan. 1~ Sept. 30, 2012	(Unaudited) Jan. 1~ Sept. 30, 2011
<b>Cash flows from operating activities:</b>		
<b>Net income</b>	\$ 858,591	573,695
<b>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</b>		
Depreciation expense	138,439	128,145
Amortization	28,107	23,371
Amortization of discount on commercial paper payable - long term	(44)	-
Investment loss (gain) under the equity method	(101,615)	32,901
Cash dividend received from long-term investments under equity method	149,497	25,748
Loss (gain) on disposal of premises and property	486	(60)
Loss (gain) on disposal of long term investment under equity method	(143)	(638)
Investment loss on available-for-sale financial assets - non-current	-	(4,586)
Loss (gain) on valuation of trading securities	(402,324)	809,338
<b>Net changes of operating assets and liabilities:</b>		
<b>Net changes of operating assets:</b>		
Decrease in financial assets measured at fair value through profit or loss - current	2,444,743	2,617,853
Decrease (increase) in bonds purchased under resale agreements	46,718	273,089
Decrease (increase) in receivable for securities provided as collateral	661,545	9,001,852
Decrease (increase) in refinancing margin	(38,132)	(18,137)
Decrease (increase) in receivable on refinancing collateral	(41,454)	(27,051)
Decrease (increase) in receivable for securities borrowing and lending	(816)	1,464
Decrease (increase) in security borrowing collateral	(262,294)	-
Decrease (increase) in security borrowing margin	(729,182)	(1,708,192)
Decrease (increase) in notes receivable	(5)	(267)
Decrease (increase) in accounts receivable	617,625	409,394
Decrease in prepayments	6,171	16,302
Decrease (increase) in other receivables	110,334	69,024
Decrease in pledged assets	12,000	494,500
Deferred income tax assets and liabilities, net	134,574	338,686
Increase in available-for-sale financial assets - current	(661,879)	-
Decrease (increase) in other assets	7,974	(15,985)
Brokerage accounts , net	207,761	15,176
<b>Changes in operating assets:</b>	<u>2,515,683</u>	<u>11,467,708</u>
<b>Net changes of operating liabilities:</b>		
Increase (decrease) in bonds sold under repurchase agreements	(906,539)	496,593
Increase (decrease) in financial liabilities measured at fair value through profit or loss - current	(130,088)	480,121
Increase (decrease) in guaranty deposited for securities lent	(346,726)	715,436
Increase (decrease) in proceeds payable from securities lent	(187,103)	1,044,230
Increase (decrease) in securities lending refundable deposits	529,889	1,868,612
Increase (decrease) in notes payable	419	(23,747)
Increase (decrease) in accounts payable	(30,871)	(234,926)
Increase (decrease) in advance receipts	(4,948)	7,650
Increase (decrease) in receipts under custody	2,297	(22,591)
Increase (decrease) in other payables	(1,371,687)	(2,052,397)
Increase in accrued pension liabilities - non-current	377	811
Increase (decrease) in other financial liabilities	(1,155,232)	1,084,050
Increase (decrease) in guarantee deposits received	(377)	2,099
Increase (decrease) in other liabilities	(75,013)	-
<b>Changes in operating liabilities:</b>	<u>(3,675,602)</u>	<u>3,365,941</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(488,925)</u>	<u>16,421,563</u>

**CAPITAL SECURITIES CORPORATION**  
**STATEMENTS OF CASH FLOWS (CONT'D)**  
**Years Ended Sept. 30, 2012 and 2011**  
**(New Taiwan Dollars in Thousands)**

	(Unaudited) Jan. 1~ Sept. 30, 2012	(Unaudited) Jan. 1~ Sept. 30, 2011
<b>Cash flows from investing activities:</b>		
Proceeds from capital reduction of Available-for-sale financial assets	\$ -	4,929
Repayment from maturity of held-to-maturity financial assets	290,000	500,784
Purchase of long term investments under the equity method	-	(146)
Proceeds from capital reduction of investments under the equity method	93,388	56,101
Purchase of premises and property	(34,551)	(114,271)
Proceeds from sale of premises and property	150	60
Decrease (increase) in leased asset	(120)	-
Decrease (increase) in guaranty deposited for business operations	(259,656)	(275,976)
Decrease (increase) in settlement fund	240,595	62,055
Decrease (increase) in refundable deposits	(16,755)	3,362
Purchase of deferred debits	(2,341)	(12,541)
Cash transfer from merge	-	205,915
Cash payment for merge	-	(861,861)
<b>Net cash provided used in investing activities</b>	<b>310,710</b>	<b>(431,589)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	44,000	(1,402,027)
Decrease in commercial paper payable	-	(9,058,325)
Reimburse in long-term borrowings	-	(3,709,911)
Cash dividends	(592,268)	-
<b>Net cash provided by financing activities</b>	<b>(548,268)</b>	<b>(14,170,263)</b>
Increase (decrease) in cash and cash equivalents	(726,483)	1,819,711
Cash and cash equivalents, beginning of the year	2,919,372	1,343,507
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 2,192,889</b>	<b>3,163,218</b>
<b>Supplemental disclosures of cash flows information:</b>		
Cash paid during the nine months period for interest	<b>\$ 104,428</b>	<b>156,533</b>
Cash paid during the nine months period for income taxes	<b>\$ 1,200,874</b>	<b>1,543,501</b>
<b>Material item not affecting investing and financing activities</b>		
Long-term liabilities - current portion	<b>\$ 299,815</b>	<b>690,000</b>
Cash dividend payment	<b>\$ -</b>	<b>700,218</b>

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