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ANNUAL REPORT 2012

COTA COMMERCIAL BANK



COTA Commercial Bank



COTA Commercial Bank

**ANNUAL REPORT
2012**

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1. To Our Shareholders



1. To Our Shareholders

1. To Our Shareholders

1-1. Year 2012 Business Report

1-1-1 Financial Environment

In retrospect of year 2012, the global economic overall growing force weakened, due to European and American advanced economic body slow in employment improvement, sovereign debt and fiscal austerity curb growth momentum as well as international financial turmoil gradually spread to the development of emerging economics. However, since Oct. 2012, as U.S. and Mainland China's economy performed better than expected and Greek debt crisis eased temporarily which stabilized global economy, the growth rate for that reach a level of 3.2%. For domestic economy, the slow growing strength of global economy and weak domestic consumption dragged down the performance of Taiwan's trade and production. "Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC" published year 2012 domestic economic growth rate in GDP as 1.26%.

In prospect of the coming year, as European sovereign debt problem is not further deteriorated, U.S. economic fundamentals improve gradually, Mainland China restore their growth strength and Japan carry out loosen monetary and fiscal policy, the global economic recover stably under such stimuli. However, the subsequent development of U.S. fiscal cliff and European debt problems still bring significant uncertain impact on global economic growth. Consequently, IMF estimates year 2013 global economic growth rate will stand at 3.5%. For domestic, with the global economic anxiety fade out, domestic and international economic growth warm up increasingly, consumer spending confidence restore, and corporate is expected to increase their willingness to invest, except for short-term external environment remains challenging. Taiwan government would carry out "Economic Momentum Stimuli Program" and related short-term measures, including promote "Free Economic Demonstration Zone", fulfill "Taiwanese Merchant Homecoming Investment Enhancing Program" which shall exert the expected benefits and boost confidence in economy. "Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC" estimates year 2013 growth rate in GDP to be 3.59%. Regarding domestic interest rate, the monetary policy will continue to maintain a stable practice so that domestic interest rate will show a flat trend. For foreign exchange rate, in response to international currency devaluation racing pressure, TWD devaluation can also be observed. However, due to Taiwan's trade situation is not stable, forecasting of exchange rate will also sustain dynamic stability.

1-1-2. Organization Development

- No organization adjustment for year 2012.

1-1-3. Business Plans and Strategies Performance

1-1-3-1. Main Achievements

- Due to decent risk-management, cautious credit-policy and improvement in asset quality, as of the end of Dec. 2012, our



overdue loan ratio decreased to 0.37% along with non-performing loan coverage ratio increased to 500.72%. Both of them are superior to the average ratios of domestic banks, 0.4% and 274.09% respectively, in the same compared period.

- Obtained approval of foreign exchange licenses for branches of Xitun, Dazhi, Nantun, Fengyuan, Zhanghua, Yuanlin, Taipei, Taoyuan, Banciao and Tainan to raise competitive ability for foreign exchange business.
- Launched acquiring of China Unionpay Card in ATM.
- Received "Golden Security Award" recognized by JCIC the fifth times.
- Received "E-payment business Innovation Excellence Award" recognized by Financial Information Service Co., Ltd. for mobile banking services.

1-1-3-2. Budget Execution

As of Dec. 31, 2012, our deposits balance with sum of TWD117.5 billion (excluding deposits from banks) increased by TWD4.3 billion compared with previous year; meanwhile our loans balance with sum of TWD89.8 billion increased by TWD6.3 billion compared with previous year. We would urge ourselves to strengthen e-banking services, promote wealth management, foreign exchange and international banking business, develop new trust business, and provide flexible services with one-stop and diverse products in effects to achieve better structure of quality and quantity between deposits and loans and higher fee income.

Main business budget executions reported as follows:

- Final account of average deposits balance amounted to TWD112.8 billion, achieved 98.5% budgeting goal of TWD114.5 billion.
- Final account of average loans balance amounted to TWD86.9 billion, achieved 102.2% budgeting goal of TWD85 billion.
- Final account of trust assets balance amounted TWD4.59 billion, achieved 91.8% budgeting goal of TWD5 billion.

1-1-3-3. Financial Structure and Profitability

Our year 2012 earnings before income-tax figured as TWD260,923 thousand turned into EPS before income-tax as TWD0.61, while earning after income-tax figured as TWD207,104 thousand, turned into EPS after-income tax as TWD0.49. Our BIS ratio maintained at a level of 10.54% and net worth of per share stood at TWD12.95. Further, in order to strengthen asset quality and increase accumulated bad-debt reserve, we raised our non-performing loan coverage ratio to 500.72% as of Dec. 31, 2012 from 309.91% as of Dec. 31, 2011. Overdue loan ratio decreased to 0.37% as of Dec. 31, 2012 from 0.43% as of Dec. 31, 2011. Nevertheless, we would constant improve business effectiveness and risk control to boost operation capability and competitive edge.

1-1-3-4. Research and Development

To keep in line with critical issues of international and domestic political and economic environments and demands of banking business expansion, our H.O. departments compiled assorted analyses and reports regarding financial situations, banking business development, industrial insight and tendency periodically or non-periodically. Such analyses and reports would circulate to our staff for reference and application through our electronic official document system to prompt business development.

1. To Our Shareholders

2. Year 2012 Business Plans Outline

We endeavor to expand asset allocation of higher-profit products and extend diversified sale channels, and meanwhile, by achieving decent risk control and higher business momentum to improve profitability and business scale. Main business plans are outlined as follows.

2-1. Business Operating Policy

- Deeper cultivate SME loans and mitigate risk by utilizing SME Credit Guarantee Fund to provide necessary products and services for developing corporate. Expand corporate banking business momentum to increase effectiveness of capital allocation and diversify industrial risk.
- Continually review branches operating performance and regional development outlook, adjust and redeploy branch channels to increase effectiveness and efficiency of branch channels.
- Structure comprehensive trust and wealth management service and promote mutual funds and insurance products to create profit.
- Improve functions of internet banking platform and e-banking service to provide distance-free and timely financial services.
- Strengthen risk management mechanism, constantly enhance efficiency of capital utilization and asset quality to improve profitability.
- Strengthen proficiency and marketing ability training, enhance employee jobs skill and proficiency to meet the need of diverse business.
- Actively participate social activities for public welfare and prompt carbon-emission reduction to fulfill social responsibility and create niche in community banking.

2-2 Business Target

2-2-1 Main Operating Volume

- Deposits: set average deposits budgeting balance as TWD115 billion, increased by TWD2.2 billion at a year-on-year growth rate of 1.96%.
- Loans: set average loans budgeting balance as TWD90 billion, increased by TWD3.1 billion at a year-on-year growth rate of 3.61%.
- Wealth management (trust asset): set trust asset budgeting balance as TWD5 billion, increased by TWD0.41 billion at a year-on-year growth rate of 9.02%.

Unit: TWD thousand; %

Main Business	Budgeting of Year 2013	Budgeting of Year 2012	Increase volume	
			Amount	%
Average deposits	115,000,000	112,792,936	2,207,064	1.96
Average loans	90,000,000	86,861,609	3,138,391	3.61
Wealth management (Trust asset)	5,000,000	4,586,482	413,518	9.02

2-2-2. Schemed Targets

- Cultivate SME business relationship, provide comprehensive financial program, procure corporate cash management and extend corporate business.
- Develop branch channels edge, widen business scale and enhance profitability.
- Increase trust and wealth management business products and satisfy customers' asset allocation need.
- Provide convenient and multi-functional electronic financial services, strength suitable cash management, enhance service quality and lower cashier's operating cost.
- Enhance risk management methodology, fine-tune structure of asset and liability, and improve operating performance.
- Enhance proficiency training and career planning, effectively increase sales skill and ability to provide customer with more proficient service and build extraordinary business group.
- Commit to fulfilling corporate social responsibility to create better corporate value.



3. Long-term Development Strategy

- Raise weight of current deposits, higher loan/deposit ratio, expands interest spread to increase profitability.
- Expand loans business, wealth management, trust business, foreign exchange, international banking business, and e-banking, adjust structure and operating procedure, expand economic scale and improve operating efficiency to reduce cost and increase profit.
- Improve capital, enhance risk management capacity and corporate governance.
- Continually redeploy service locations to enlarge value of branch channels
- Manage loans asset quality, uphold overdue loans ratio, increase NPL coverage ratio, and emphasize entire product earnings.
- Set up satisfied sales channels, system platform and all-aspects wealth management business group to provide proficiency wealth management consulting services.
- Integrate multi-level financial services and information system, simplify operating process, and raise service efficiency, quality and customer satisfaction.
- Enhance asset and liability management, improve asset and liability operation, and increase operating efficiency to raise profitability.
- Strengthen staff training, education, career plan and development, job rotation to built-up extraordinary operating group.

1. To Our Shareholders

4. Impact of Competitive, Regulative and Banking Environments

With the increasingly easing of cross-strait policy, Taiwan's banks would face the competition brought by Mainland China owned banks and enter a new stage of competition and cooperation of Cross-strait banking. The entering of Mainland China owned banks will worsen over-banking in Taiwan banking market by their banking scale and is expected to widen the competitive territory from corporate banking to customer banking and wealth management. That will bring further challenges and opportunities in banking business.

In line with the risk-based monitoring policy and program requested by competent authorize of loan coverage ratio not less than 1% and first-tier normal loan asset reserve ratio not less than 0.5%, our Bank is self-schemed to raise loan coverage ratio to level of 2% in acceleration to enhance risk-taking capacity. With regards to IFRS, though it may, for corporate, lower capital-relative raising cost and also increase comparability between local corporate and international corporate, banks might account additional cost for employee-benefited savings and loss for real estate and financial asset revaluation. In order to compensate that additional cost or loss, our Bank shall increase profit by raising customer's earning contribution.

Considering rapid change of industrial tendency and financial environments, we shall maintain long-standing management policy of stable development by emphasizing internal control and risk management, requesting obedience to law and regulation and concept of risk control. Business expansion will base on the principle of regional rooting and steady growth in connection with increasing financial market openness and regulation reform. Also, new products innovation and combination will be kept developing together with service quality enhancement so as to satisfy needs for various industries and customers on which our business transform opportunity and creation of long-lasting competitive edge could rely.

5. Corporate Rating

Category	Rating Agent	Rating		Outlook	Released Date
		Long-term	Short-term		
Local	Taiwan Rating Corporate	twBBB+	twA-2	Stable	Jan.10, 2013

Outlook for year 2013, we would dedicate ourselves to constantly cultivating varied business aspects at a steady pace and endeavoring for better customer services in effects to advance business scale, service level, and benefit of shareholders. At last, we would like to express sincere appreciations to our shareholders, directors, supervisors, and the elites in all fields. All of our staff would sustain the enthusiasm to fulfill service motto of "all customers are equal matter and deserve best services". We look forward to obtaining continued support and advice from all of you.

Chairman *Kuo-Chao Hsiao*



2. Corporate Profile

2. Corporate Profile

2-1. Bank Features

Bank Name	COTA Commercial Bank, Ltd.
Chairman	Kuo-Chao Hsiao
President	Chin-Ting Chang
Date of Business Registration	Jan. 01, 1999
Date of Inauguration	Jan. 01, 1999
Location of Head Office	No.32-1, Gongyuan Road, Taichung City 400, Taiwan, R.O.C.
Number of Employee	1,114
Paid-in Capital	TWD4,247,338,330
Capital Shares	Common Stock in 424,733,833 Shares



2-2. Historical Highlights

COTA Bank was formerly named "Liability Taichung Third Credit Cooperative". Founded in 1915, we have consistently conveyed the corporate philosophy featuring, well-sustained to combat in the financial environment characterized by severe competition, as "Briskness, Innovation, Cordiality and Service". In accordance with the promulgation of "Regulations and Criteria Governing Reorganization of Credit Cooperative into Commercial Banks", COTA Bank started the reorganization task and launched reorganization in Dec. 1995. On Jul. 27, 1998, COTA Bank was officially approved by Ministry of Finance to be transformed into "COTA Commercial Bank".

In 2005, COTA Bank invited Fengyuan Credit Cooperative to consider a merge proposal for mutual benefits to enhance competitive capacity by expanding business scale. After sincere bilateral negotiation and consideration, COTA Bank decided to wholly acquire Fengyuan Credit Cooperative. Approved by shareholders' meeting of both parties, Fengyuan Credit Cooperative was formally merged into COTA Bank on Jan. 01, 2006.

Outlook for the future, COTA Bank is determined to become a full-array commercial bank in spite of quick-changing financial market. Under the support of shareholders and members of board, and the endeavor of all staffs, we are committed to providing all-aspect services for our customers by constant business growth, scale expansion and product diversification.



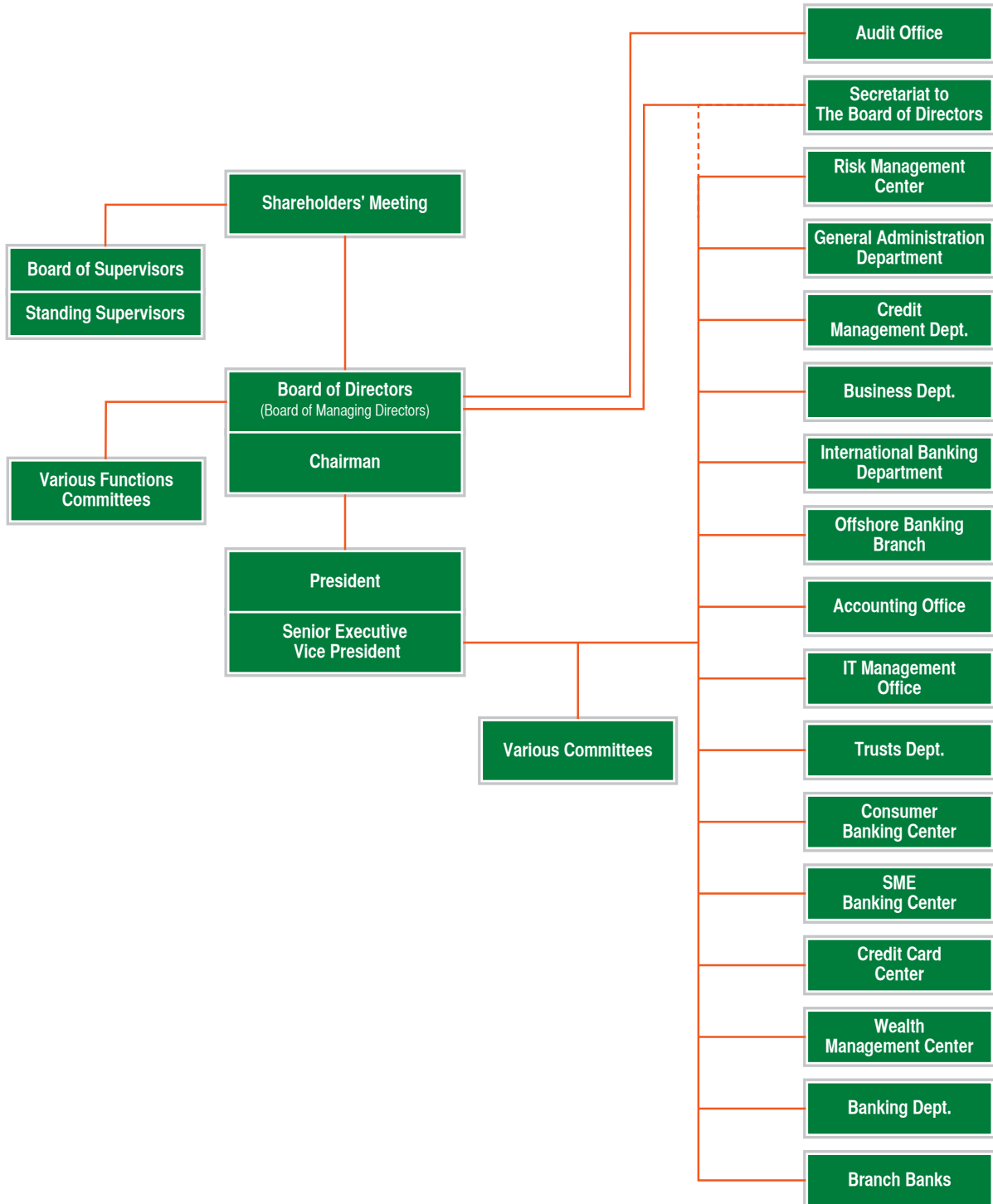
3. Corporate Governance

3

3. Corporate Governance

3-1. Organization

3-1-1. Organization Chart



3-1-2. Major Business of Each Division

3-1-2-1. Secretariat to the Board of Directors

Taking charge of such key tasks of the Board of the Directors and official seal keeping, bank affairs, corporate governance, convening of shareholders' meeting, the Board of the directors and related meetings, election for director and supervisor, etc.

3-1-2-2. General Administration Department

Taking charge of Bank's official seals, documentation, construction and repair, procurement, property control, public relations, general affairs, personnel affairs, organization management, legal affairs and affairs not designed to other departments.

3-1-2-3. Credit Management Department

Taking charge of planning, review and recheck of all loan affairs of Bank, credit investigation, promotion and management for corporate banking, etc.

3-1-2-4. Business Department

The Department takes charge of deposits, remittance, affairs of the cashier, warehousing, custody, agency, investment, safe protection, and the prevention of money laundry.

3-1-2-5. International Banking Department

Taking charge of the Bank's foreign currency funds management and foreign exchange related operation, planning, administration and promotion.

3-1-2-6. Offshore Banking Branch

Taking charge of the Offshore Banking related operation, management and investment.

3-1-2-7. Audit Office

Auditing over Bank's business, accounting, finance, bank affairs, and reserved inventory.

3-1-2-8. Accounting Office

Taking charge of bank's accounting, statistics, calculate annual revenues, and analyze financial statement.

3-1-2-9. IT Management Office

Taking charge of the Bank's ITs related planning automation, development, operation and management.

3-1-2-10. Banking Department

Engaging in the commercial bank services (Approved by the Central Bank of R.O.C.) as well as trust banking services.

3-1-2-11. Trusts Department

Planning, promoting, and managing the Trust banking related affairs.

3-1-2-12. Risk Management Center

Taking charge of formulation and revise for risk management policies, plan and design for risk management system, establishment and integration for risk management guidelines, monitoring the performance and others; the Bank's non-performing loans related planning, tracing and management.

3-1-2-13. Consumer Banking Center

Taking charge of planning, review, dunning on overdue receivables, credit investigation, recheck of all loan affairs of the consumer and promote financial products.

3-1-2-14. SME Banking Center

Taking charge of planning, review, dunning on overdue receivables, credit investigation, recheck of all loan affairs of the SME and promote financial products.

3-1-2-15. Credit Card Center

Taking charge of Bank's Credit card affairs related planning, promotion and management.

3-1-2-16. Wealth Management Center

Taking charge the business of the Wealth Management, planning the sales for Non-Wealth Management customers, and managing financial representatives.

Above-mentioned department, office or center may, based on business need, propose for Board of Directors' resolution to establish, dismiss or combine. Units of H.O. may institute north or south regional centers and their joint office.

3. Corporate Governance

3-2. Major Information of Directors, Supervisors, Executives and the Principal Officers

3-2-1. List of Directors and Supervisors

As of Dec. 31, 2012, Shares Held (%)

Title	Name	Elected Date	Tenure	First Elected	Elected Shares Owned		Current Shares Owned		Shares Owned by Spouses and Minor children		Shares Held under Surrogate A/C		Education & Key Work Experience	Current Positions Held in this or other company
					No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%		
Chairman	Kuo-Chao Hsiao	Aug. 31, 2011	3	Aug. 30, 2011	3,545,818	0.8482	3,668,591	0.8637	2,213,016	0.5210	-	-	University of South California, USA, Director of Taiwan Foundation Global Technology Co. Ltd. Chairman of Hong Cheng Construction Co., Ltd.	-
Managing Director	Ying-Che Chang	Aug. 31, 2011	3	Jan. 01, 2002	1,721,441	0.4118	1,748,984	0.4118	22,122	0.0052	-	-	Department of International Trade, Feng Chia University, President of COTA Bank	Director of COTA Culture and Education Foundation
Managing Director	Mu-Chuan Huang	Aug. 31, 2011	3	Jan. 01, 2002	1,918,629	0.4590	2,018,995	0.4754	454	0.0001	-	-	Shinmin Economics and Commercial Senior high school, Senior Executive Vice President of COTA Bank	-
Managing Director	Song-Yue Liao	Aug. 31, 2011	3	Aug. 30, 2011	15,475,488	3.7019	19,741,166	4.6479	193,790	0.0456	-	-	Hosei University of Tokyo, Japan Chairman of Chuan Cheng Hat Co., Ltd.	Chairman of Chuan Cheng Hat Co., Ltd. Chairman of Japana Enterprise Co. Ltd. Director of CCH Plus Inc. Director of CCH investment Inc., Supervisor of Yen Sign International Enterprise Co., Ltd., Supervisor of Opus High Technology Corporation
Managing (Independent) Director	Yen-Chun Wang	Aug. 31, 2011	3	Jun. 20, 2008	1,800,000	0.4306	1,828,800	0.4306	-	-	-	-	National Taiwan University Graduate Institute of Electrical Engineering Director of Tai Chiun Technology Co., Ltd. Director of China hsiu Tzu Co., Ltd. Chairman of Wei Hsin Co., Ltd.	Chairman of United Integrated Services Co., Ltd. Chairman of Han Tai Investment Co., Ltd. Director of Unimens Manufacturing Co., Ltd. Director of Jong ching Investment Co., Ltd. Director of Ablerex Electronics Co., Ltd.
Director	Chun-Tse Liao	Aug. 31, 2011	3	Aug. 30, 2011	5,500,000	1.3156	5,500,000	1.2949	13,029	0.0031	-	-	The Society for Professional Management, UK Diploma in Professional Management (Business Management Dr. in P.I.U.) Chairman of the board of Liability Taichung Third Credit Cooperative, Chairman of COTA Bank. Director of TACB Supervisor of FDU Personal Insurance Agent Co., Ltd.	Chairman of COTA Bank Insurance Broker Co., Ltd. Director of COTA Culture and Education Foundation
Director	Chan-Wen Lin	Aug. 31, 2011	3	Jan. 01, 1999	1,755,516	0.4199	1,783,604	0.4199	-	-	-	-	National Taichung Institute of Technology, President of Liability Taichung Third Credit Cooperative Director of FDU Personal Insurance Agent Co., Ltd.	-

Title	Name	Elected Date	Tenure	First Elected	Elected Shares Owned		Current Shares Owned		Shares Owned by Spouses and Minor children		Shares Held under Surrogate A/C		Education & Key Work Experience	Current Positions Held in this or other company
					No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%		
Director	Dong-Po Xie	Aug.31, 2011	3	Aug. 30, 2011	1,674,981	0.4007	1,874,500	0.4413	224,145	0.0528	-	-	Post graduate of University of California in U.S.A., The Hong Kong College of Medicine, Representative of Liang Yow Biotechnology Inc., Chairman of Magnistar International corp., Director of Feng Tzer Electronics Co., Ltd.	Chairman of Cheng ShingTai Biotechnology Co., Ltd. Chairman of Cheng Shing Tai Biopharmaceutical Co., Ltd. Chairman of Sicame Commercial Affairs Hotel Inc. Directors of Tung Kai An Leisure Development Inc. Director of Yen Sheng Broadcasting Station Director of Tien Sheng Broadcasting Station
Director	Pi-Jung Hsieh	Aug.31, 2011	3	Jan. 01, 1999	1,890,429	0.4498	1,910,515	0.4498	1,376,739	0.3241	-	-	Taichung Industrial High School, Certification Examinations for Architect, Ministry of Examination, Engineer of Taiwan Railway Electrical Engineering Department.	Architect of Hsieh Pi-jung Architectural Office Director of Ju Hsing International Co., Ltd. Director of Chung Hui Investment Co., Ltd. Director of Zenghsin Construction Co., Ltd. Director of China Plastic Plywood Co., Ltd. Supervisor of Bai Kou Biopharmaceutical Co., Ltd. Director of COTA Culture and Education Foundation
Director	Xian-De Lai	Aug.31, 2011	3	May 25, 2005	1,473,997	0.3526	1,497,580	0.3526	78,189	0.0184	-	-	National Chung Hsing University, Department of Public Finance and Taxation, President of Tung Yang Business Co., LTD.	Chairman of Tung Yang Investment Co., Ltd., Chairman of Tung Yang Business Co., Ltd., Director of Yuan .Sheng Plastic Inc., Representative of Jazzy Industrial Co., Ltd., Managing Director of Taiwan Flour Mills Associate Director-General of Taiwan Barley Products Industry Association, Director of China Grain Products Research and Development Institute, Supervisor of Taiwan Grains and Feeds Development Foundation Director of Hsiuping University of Science and Technology
Director	Ying-Chieh Lai	Aug.31, 2011	3	Jan. 01, 1999	1,178,711	0.2820	1,197,570	0.2820	319,988	0.0753	-	-	Murakami Youth School, Certificate of Administration management in Japan, President of Yu Li De Consultant Co., Ltd.	Chairman of COTA Culture and Education Foundation
Director	Chun-Chuan Wang	Aug.31, 2011	3	Jan. 01, 1999	1,171,911	0.2803	1,190,661	0.2803	65,742	0.0155	-	-	Department of English, Tamkang University, President of COTA Bank	
Director	Guo-Zhou Chen	Aug.31, 2011	3	May 25, 2005	2,042,995	0.4887	2,075,682	0.4887	-	-	-	-	Nan Ying Vocational High School of Business & Technology Supervisor of Yeh-Chiang Technology Corp. Supervisor of Sino-American Silicon Products Inc.	Chairman of Nan Hai Display Co., Ltd. Director of Peng Chen Corp. Supervisor of Sino-American Silicon Products Inc. Supervisor of Zhong Yang Guang Fu Co., Ltd.

3. Corporate Governance

Title	Name	Elected Date	Tenure	First Elected	Elected Shares Owned		Current Shares Owned		Shares Owned by Spouses and Minor children		Shares Held under Surrogate A/C		Education & Key Work Experience	Current Positions Held in this or other company
					No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%		
Independent Director	Kung-Cheng Lin	Aug.31, 2011	3	Jun. 20, 2008	-	-	-	-	27,432	0.0065	-	-	National Chengchi University, Department of Public Finance and Taxation PHD of Department of Economy in Iowa State University U.S.A Chairman of Department of Public Finance & Taxation in National Taichung Institute of Technology Chairman of Department of Public Finance in Feng Chia University Associate professor and Chairman of Department of Financial Management in Hsiuping Institute of Technology	Associate Professor of Department of Public Finance in National Taipei University
Independent Director	Po-Yao Chi	Aug.31, 2011	3	Jun. 20, 2008	1,465,722	0.3506	1,757,627	0.4138	-	-	-	-	Soochow University School, Department of Accounting Director of Cheng Loong Corporation TaiChung Factory	Managing Director of Shan Fu Corrugated Carton Co., Ltd. Director of Ming Foong Plastic Co., Ltd. Director of Ko Loong Industry Co., Ltd. Factory Director of Cheng Loong Corporation Miaoli Factory
Standing Supervisor	Lien-Kui Wang	Aug.31, 2011	3	Jan. 01, 2002	1,447,704	0.3463	1,470,867	0.3463	65,157	0.0153	-	-	Civic Education and Leadership, National Taiwan Normal University Executive Vice President of Liability Taichung Third Credit Cooperative, Senior Executive Vice President of COTA Bank	-
Supervisor	Yao-Ting Li	Aug.31, 2011	3	Aug. 30, 2011	1,841,274	0.4404	1,870,734	0.4404	248,254	0.0584	-	-	National Taichung Institute of Technology, Chairman of Yuan Feng Dyeing & Weaving Co., Ltd., Managing director & President of Fu Shan Dyeing & Weaving Co., Ltd.	-
Supervisor	Yong-Zhi Wang	Aug.31, 2011	3	May 25, 2005	1,561,897	0.3736	1,539,135	0.3624	1,299	0.0003	-	-	Nanya Institute of Technology, Director of Sheng Ho Securities (BTS) Company	-
Supervisor	Dhe-Chin Lai	Aug.31, 2011	3	Jan. 01, 2002	1,472,791	0.3523	1,496,355	0.3523	39,093	0.0092	-	-	Shin Min Economics and Commercial Senior high school Executive vice President of Liability Taichung Third Credit Cooperative, Special Assistant of COTA Bank Direct of FDU Non-life Insurance Agent Co., Ltd.	-
Supervisor	Zhuang-Tai Wang	Aug.31, 2011	3	May 25, 2005	2,500,664	0.5982	2,540,674	0.5982	-	-	-	-	Shu-Te Institute of Technology, Supervisor of Forever Coampion Shoes Co., Ltd. Supervisor of Hui Hsin Enterprise Co., Ltd. Director of Tai Ho Cement Industry Corp.	Chairman of Wang Jiang Property Co. Ltd Director of Kun Ting Real Estate Agencues Co., Ltd. Chairman of Zhuang-Tai Wang Land Administration office

As of Dec. 31, 2012

Title	Name	Qualifications	Directors or Supervisors shall meet one of the following professional requirements, together with at least five years work experience.			Independent status (Note)										Number of serve as an independent director of public companies.
			An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, or university.	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional capacity that is necessary for company business.	Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business.	1	2	3	4	5	6	7	8	9	10	
Chairman	Kuo-Chao Hsiao	-	-	V	V	-	-	V	V	V	V	V	V	V	V	-
Managing Director	Ying-Che Chang	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Managing Director	Mu-Chuan Huang	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Managing Director	Song-Yue Liao	-	-	V	V	-	-	V	-	V	V	V	V	V	V	-
Managing Director (Independent)	Yen-Chun Wang	-	-	V	V	V	V	V	V	V	V	V	V	V	V	-
Director	Chun-Tse Liao	-	-	V	V	-	-	V	V	V	V	V	V	V	V	-
Director	Chan-Wen Lin	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Director	Dong-Po Xie	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Director	Pi-Jung Hsieh	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Director	Xian-De Lai	-	-	V	V	-	V	V	-	V	V	V	V	V	V	-
Director	Ying-Chieh Lai	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Director	Chun-Chuan Wang	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Director	Guo-Zhou Chen	-	-	V	V	-	V	V	V	-	V	V	V	V	V	-
Independent Director	Kung-Cheng Lin	V	-	V	V	V	V	V	V	V	V	V	V	V	V	-
Independent Director	Po-Yao Chi	-	-	V	V	V	V	V	V	V	V	V	V	V	V	-
Standing Supervisor	Lien-Kui Wang	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Supervisor	Yao-Ting Li	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Supervisor	Yong-Zhi Wang	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Supervisor	Dhe-Chin Lai	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Supervisor	Zhuang-Tai Wang	-	-	V	V	-	-	V	V	V	V	V	V	V	V	-

Note:

During 2 years before being elected or the tenor, directors or supervisors who meet the following conditions shall mark with "V" in correspondent boxes.

- Neither employees of Bank nor its affiliates.
- Neither a director/supervisor of Bank nor its affiliates, unless the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares.
- Not an individual shareholder who holds shares, together with those held by the person spouse, minor children, or held under others' names, in an aggregate amount of 1% or more of the total outstanding shares of the company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.
- Not a spouse or relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
- Not directors, supervisors, or employees of a corporate shareholder that directly holds 5% or more of the total outstanding shares of the Bank or ranks among the top 5 corporate shareholders in the terms of share volume held.
- Not directors, supervisors, or executive officer, or shareholder holding 5% or more shares of a specific company or institution and who also has financial or business dealings with the company.
- Not a professional, or owner, partner, director, supervisor, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the Bank or to any affiliates.
- Not a spouse or relative within the second degree of kinship within directors.
- Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.
- Not elected in the capacity of government agency, legal entity, or its representative thereof, as provided in the Article 27 of the Company Act.

3. Corporate Governance

3-2-2. List of Executives and Principal Officers

As of Dec. 31, 2012, Shares Held (%)

Title	Name	Date of Inauguration	Shares Owned		Shares Owned by Spouses and Minors		Shares Held under Surrogate A/C		Education & Key Past Positions	Other Positions Held Current
			No. of Shares	%	No. of Shares	%	No. of Shares	%		
President	Chin-Ting Chang	Oct. 01, 2008	1,802,415	0.42	309,541	0.07	-	-	NCHU's Continuing Education School, EMBA, Senior Executive Vice President of COTA Bank	Director of COTA Bank Insurance Broker Co., Ltd.
Senior Executive Vice President	Jung-Hsien Chiu	Jan. 01, 2004	795,357	0.19	-	-	-	-	Department of Industrial and Information Management, National Cheng Kung University, Master Executive Vice President of COTA Bank	Supervisor of COTA Bank Insurance Broker Co., Ltd.
Senior Executive Vice President	Chih-Sheng Hsiao	Oct. 01, 2008	518,596	0.12	155,433	0.04	-	-	Department of Public Finance and Taxation Feng Chia University, Executive Vice President of COTA Bank, Credit Management Department	Director of COTA Bank Insurance Broker Co., Ltd.
Senior Executive Vice President	Ho-Shun Chang	Oct. 08, 2010	167,874	0.04	14,164	0.00	-	-	Feng-Yuan Commercial & Vocational High School, Department General Manager of COTA Bank, Banking Department	-
Chief Auditor	Shih-Chien Chin	Oct. 15, 2009	377,327	0.09	149,354	0.04	-	-	Department of Applied Math., University of North Texas, USA, Master Executive Vice President of COTA Bank, Business Department	-
Executive Vice President (Department General Manager)	Yun-Ching Wang	Jan. 01, 2004	282,321	0.07	162,568	0.04	-	-	National Chung Hsing University, Master in Finance, Chief officer of COTA Bank, IT Management Office	-
Executive Vice President (Department General Manager)	Hsin-De Chang	Jan. 01, 2012	324,149	0.08	69,559	0.02	-	-	Department of Accounting, Chien Kuo College of Commerce, Branch General Manager of COTA Bank, Taichung Branch	-
Executive Vice President (Branch General Manager)	Tai-An Chen	Oct. 01, 2008	442,973	0.10	81,283	0.02	-	-	Ming Te Home Economics and Commercial Senior High School, Branch General Manager of COTA Bank, Situn Branch	-
Department General Manager	A-Kuai Chen	Feb. 21, 2000	259,380	0.06	-	-	-	-	Department of Social Sciences, The National Open University, Commissioner of COTA Bank	-
Department General Manager	Wei-Bin Lin	Mar. 16, 2005	67,592	0.02	-	-	-	-	Graduate School of Management, University of California at Riverside, Assistant Vice President of Bank Sinopac	-
Department General Manager	Huan-Mou Cheng	Sep. 15, 2008	184,163	0.04	13,029	0.00	-	-	National Open College of Continuing Education Affiliated to NIT, General Department Manager of COTA Bank, SME Banking Center	-
Department General Manager	Kuang-Hsiung Huang	Mar. 03, 2006	187,960	0.04	227,979	0.05	-	-	Department of Economics, Feng Chia University, Deputy General Manager of COTA Bank, General Administration Department	-
Chief Secretary	Chien-Cheng Hsu	Mar. 03, 2006	285,690	0.07	78,808	0.02	-	-	Department of Business Administration, Tunghai University, Deputy General Manager of COTA Bank, General Administration Department	-
Department General Manager	Hung-Tsang Chiang	Apr. 01, 2007	106,196	0.03	87,855	0.02	-	-	Department of Public and Management, Supplementary Junior College of the National Open University, Project Manager of COTA Bank, Consumer Banking Center	-
Department General Manager	Chun-Sheng Lin	Apr. 01, 2010	82,566	0.02	-	-	-	-	Department of Chemical Engineering, Chung Yuan Christian University, Deputy General Manager of COTA Bank, Risk Management Center	-

Title	Name	Date of Inauguration	Shares Owned		Shares Owned by Spouses and Minors		Shares Held under Surrogate A/C		Education & Key Past Positions	Other Positions Held Current
			No. of Shares	%	No. of Shares	%	No. of Shares	%		
Department General Manager	Chang-Chieh Lin	Jan. 01, 2012	97,797	0.02	-	-	-	-	Department of Economics, Tunghai University, Department General Manager of COTA Bank, Wealth Management Center	-
Department General Manager	Mei-Ling Shih	Oct. 08, 2010	122,378	0.03	257	0.00	-	-	Supplementary Junior College, Deputy General Manager of COTA Bank, Jinhua Branch	-
Department General Manager	Kuo-Chiu Chang	Oct. 01, 2010	55,617	0.01	-	-	-	-	Chaoyang University of Technology, Master in Business Administration Deputy General Manager of COTA Bank, Wealth Management Center	-
Branch General Manager	Shih-Jung Chen	Jan. 01, 2012	361,288	0.09	-	-	-	-	Department of Oceanography, Chinese Culture University, Branch General Manager of COTA Bank, Feng Yuan Branch	-
Branch General Manager	Ling-Chen Ting	Oct. 08, 2010	344,491	0.08	-	-	-	-	Department of Banking and Insurance, National Taichung Institute of Technology, Department General Manager of COTA Bank, Trusts Department	-
Branch General Manager	Ta-Tien Lin	Jan. 01, 2012	109,398	0.03	25,544	0.01	-	-	Department of Business Administration, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology, Deputy General Manager of COTA Bank, Feng Xin Branch	-
Branch General Manager	Jui-Sen Liao	Apr. 01, 2010	88,234	0.02	1,299	0.00	-	-	Department of Public Finance and Taxation, Aletheia University, Department General Manager of COTA Bank, SME Banking Center	-
Branch General Manager	Chung-Lung Tsai	Apr. 01, 2007	239,115	0.06	575,623	0.14	-	-	Department of Industrial Engineering and Management National Chin-Yi University of Technology, Branch General Manager of COTA Bank, Zhongshan Branch	-
Branch General Manager	Cheng-Hsien Hsieh	Jan. 01, 2010	261,281	0.06	98,701	0.02	-	-	Department of Business, The National Open University, Deputy General Manager of COTA Bank, Credit Management Department	-
Branch General Manager	Min-Chang Lin	Oct. 15, 2009	209,860	0.05	32,577	0.01	-	-	Department of General Business, Shin Min Commercial & Industrial Vocational Senior High School, Branch General Manager of COTA Bank, Dajih Branch	-
Branch General Manager	Chih-Peng Yang	Jul. 16, 2010	11,725,441	2.76	2,799,574	0.66	-	-	Department of Business Administration, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology, Branch General Manager of COTA Bank, Changhua Branch	-
Department General Manager	Chih-Hung Huang	Jan. 01, 2012	212,009	0.05	116,119	0.03	-	-	Department of Applied Commerce, National Taichung Institute of Technology, Branch General Manager of COTA Bank, Linsen Branch	-
Branch General Manager	Shih-Tsung Chou	Jul. 01, 2006	239,151	0.06	355,985	0.08	-	-	Department of Business Administration, The Overseas Chinese College, Branch General Manager of COTA Bank, Changhua Branch	-
Branch General Manager	Kuo-Ho Chang	Sep. 15, 2008	55,774	0.01	-	-	-	-	Department of General Business, Shin Min Commercial and Industrial Vocational Senior High School, Deputy General Manager of COTA Bank, Dazhi Branch	-
Branch General Manager	Hung-Chi Tung	Jan. 01, 2012	145,537	0.03	126,600	0.03	-	-	Department of International Trade, Supplementary Junior College, Branch General Manager of COTA Bank, Fengxin Branch	-
Branch General Manager	His-Tung Chang	Jul. 16, 2010	409,632	0.10	2,602	0.00	-	-	Department of Electrical Engineering, Kuang-Hwa Vocational High School of Technology, Project Manager of COTA Bank, Credit Management Department	-

3. Corporate Governance

Title	Name	Date of Inauguration	Shares Owned		Shares Owned by Spouses and Minors		Shares Held under Surrogate A/C		Education & Key Past Positions	Other Positions Held Current
			No. of Shares	%	No. of Shares	%	No. of Shares	%		
Branch General Manager	Sung-Yen Sung	Aug. 04, 2011	17,204	0.00	-	-	-	-	Department of International Trade, National Changhua Senior School of Commerce, Branch General Manager of COTA Bank, Yuanlin Branch	-
Branch General Manager	His-Hsien Wang	Nov. 21, 2005	60,690	0.01	-	-	-	-	Soochow University School of Law, Manager of CTCB, Branch General Manager of COTA Bank, Banciao Branch	-
Branch General Manager	Chung-Yi Hsu	Jul. 01, 2012	109,684	0.03	72,237	0.02	-	-	Department of Applied Business, National Taichung Institute of Technology, Project Manager of COTA Bank, Credit Management Department	-
Branch General Manager	Chi-Shen Huang	Mar. 03, 2006	241,991	0.06	39,093	0.01	-	-	Department of Banking and Insurance, National Taichung Institute of Technology, Deputy General Manager of COTA Bank, Banciao Branch	-
Branch General Manager	Chang-Cheng Chen	Jan. 01, 2012	109,655	0.03	648	0.00	-	-	Department of General Business of Extension Business Vocational School, National Taichung Institute of Technology, Branch General Manager of COTA Bank, Fengxin Branch	-
Branch General Manager	Hsien-Hsun Chiang	Jan. 01, 2010	110,859	0.03	14,175	0.00	-	-	Department of Cooperative Economics, Tamkang University, Deputy General Manager of COTA Bank, General Administration Department	-
Branch General Manager	Shu-Chen Shih	Jan. 01, 2012	297,688	0.07	-	-	-	-	Department of Social Science, The National Open University, Deputy General Manager of COTA Bank, Guoguang Branch	-
Branch General Manager	Shih-Tsung Liu	Apr. 01, 2010	245,429	0.06	181,334	0.04	-	-	Department of Business, The National Open University, Branch General Manager of COTA Bank, Fengdong Branch	-
Branch General Manager	Wen-Jeng Chen	Jul. 01, 2006	131,674	0.03	25,439	0.01	-	-	Department of Business Administration, Chaoyang University of Technology, Deputy General Manager of COTA Bank, Nanmen Branch	-
Branch General Manager	Ching-Hsu Hsu	Sep. 15, 2008	130,859	0.03	249,659	0.06	-	-	Department of General Business, National Changhua Senior School of Commerce, General Manager of COTA Bank, Fengle Branch	-
Branch General Manager	Ching-Sung Chen	Oct. 15, 2007	135,115	0.03	82,445	0.02	-	-	Department of Accounting Statistics National Changhua Senior School of Commerce, Project Manager of COTA Bank, Credit Management Department	-
Branch General Manager	Mao-Sheng Huang	Apr. 01, 2010	125,298	0.03	33,233	0.01	-	-	Department of Finance Stock Practice, Chung Hua University, Branch General Manager of COTA Bank, Chungcheng Mini Branch	-
Branch General Manager	Ping-Hung Chuang	Oct. 10, 2012	-	-	-	-	-	-	The National Kaohsiung First University of Science and Technology, Graduate Institute of Business Management, Senior Manager of Jih Sun International Bank	-

3-2-3. Directors, Supervisors, President and Executive Vice presidents' Remuneration in Recent Year

(1) Directors' Remuneration

Unit: TWD thousand

Title	Name	Compensation								Compensations received by part-time employees								Sum of A, B, C, D, E, F AND G / after-tax profit (%)	Whether or not any compensation is received from other reinvested businesses than subsidiaries								
		Rewards (A)		Pension and Superannuation (B)		Earning Distribution (C)		Professional Practice (D)		Sum of A, B, C and D / after-tax profit (%)		Salary, Bonus and Special Disbursement (E)		Pension and Superannuation (F)		Employee bonus Distribution (G)				Employee Share Subscription Warrants (H)							
		Bank	Con-Solidation	Bank	Con-Solidation	Bank	Con-Solidation	Bank	Con-Solidation	Bank	Con-Solidation	Bank	Con-Solidation	Bank	Con-Solidation	Bank	Con-Solidation			COTA		CON-SOLIDATION		COTA	CON-SOLIDATION	COTA	CON-SOLIDATION
																				Cash Dividend	Stock Dividends	Cash Dividend	Stock Dividends				
Chairman	Kuo-Chao Hsiao																										
Managing Director	Ying-Che Chang																										
Managing Director	Mu-Chuan Huang																										
Managing Director	Song-Yue Liao																										
Managing (Independent) Director	Yen-Chun Wang																										
Director	Chun-Tse Liao																										
Director	Chan-Wen Lin	11,040	11,040	-	-	3,262	3,262	1,185	1,335	7.48%	7.55%	-	-	-	-	-	-	-	-	-	-	-	-	-	7.48%	7.55%	NIL
Director	Dong-Po Xie																										
Director	Pi-Jung Hsieh																										
Director	Xian-De Lai																										
Director	Ying-Chieh Lai																										
Director	Chun-Chuan Wang																										
Director	Guo-Zhou Chen																										
Independent Director	Kung-Cheng Lin																										
Independent Director	Po-Yao Chi																										

Classification of Remuneration

Unit: TWD

Classification of Remuneration for Directors	Name of Directors			
	Aggregate amount of A, B, C and D		Aggregate amount of A, B, C, D, E, F and G	
	Bank	Consolidation	Bank	Consolidation
below 2,000,000	Mu-Chuan Huang, Ying-Che Chang, Yen-Chun Wang, Song-Yue Liao, Chan-Wen Lin, Chun-Tse Liao, Pi-Jung Hsieh, Dong-Po Xie, Ying-Chieh Lai, Xian-De Lai, Guo-Zhou Chen, Chun-Chuan Wang, Po-Yao Chi, Kung-Cheng Lin,	Mu-Chuan Huang, Ying-Che Chang, Yen-Chun Wang, Song-Yue Liao, Chan-Wen Lin, Chun-Tse Liao, Pi-Jung Hsieh, Dong-Po Xie, Ying-Chieh Lai, Xian-De Lai, Guo-Zhou Chen, Chun-Chuan Wang, Po-Yao Chi, Kung-Cheng Lin,	Mu-Chuan Huang, Ying-Che Chang, Yen-Chun Wang, Song-Yue Liao, Chan-Wen Lin, Chun-Tse Liao, Pi-Jung Hsieh, Dong-Po Xie, Ying-Chieh Lai, Xian-De Lai, Guo-Zhou Chen, Chun-Chuan Wang, Po-Yao Chi, Kung-Cheng Lin,	Mu-Chuan Huang, Ying-Che Chang, Yen-Chun Wang, Song-Yue Liao, Chan-Wen Lin, Chun-Tse Liao, Pi-Jung Hsieh, Dong-Po Xie, Ying-Chieh Lai, Xian-De Lai, Guo-Zhou Chen, Chun-Chuan Wang, Po-Yao Chi, Kung-Cheng Lin,
2,000,000 - 5,000,000	Kuo-Chao Hsiao	Kuo-Chao Hsiao	Kuo-Chao Hsiao	Kuo-Chao Hsiao
5,000,000 - 10,000,000	-	-	-	-
10,000,000 - 15,000,000	-	-	-	-
15,000,000 - 30,000,000	-	-	-	-
30,000,000 - 50,000,000	-	-	-	-
50,000,000 - 100,000,000	-	-	-	-
Above 100,000,000	-	-	-	-
TOTAL	15 (Person)	15 (Person)	15 (Person)	15(Person)

3. Corporate Governance

(2) Supervisors' Remuneration

Unit: TWD thousand

Title	Name	Supervisors' Remuneration								Sum of A, B, C and D /after-tax profit (%)		Whether or not any compensation is received from other reinvested businesses than subsidiaries
		Rewards (A)		Pension and Superannuation (B)		Earning Distribution (C)		Professional Practice (D)				
		Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	
Managing Supervisor	Lien-Kui Wang	3,120	3,120	-	-	1,087	1,087	327	327	2.19%	2.19%	NIL
Supervisor	Yao-Ting Li											
Supervisor	Yong-Zhi Wang											
Supervisor	Dhe-Chin Lai											
Supervisor	Zhuang-Tai Wang											

Classification of Remuneration

Unit: TWD

Classification of Remuneration for Supervisors	People of Supervisors			
	Aggregate amount of A, B, C and D			
	Bank		Consolidation D	
below 2,000,000	Lien-Kui wang, Yong-Zhi Wang, Zhuang-Tai Wang	Yao-Ting Li, Dhe-Chin Lai,	Lien-Kui wang, Yong-Zhi Wang, Zhuang-Tai Wang	Yao-Ting Li, Dhe-Chin Lai,
2,000,000 - 5,000,000		-		-
5,000,000 - 10,000,000		-		-
10,000,000 - 15,000,000		-		-
15,000,000 - 30,000,000		-		-
30,000,000 - 50,000,000		-		-
50,000,000 - 100,000,000		-		-
Above 100,000,000		-		-
TOTAL		5 (Person)		5 (Person)

President and Senior Executive Vice Presidents' Remuneration

As of Dec. 31, 2012, Unit: TWD thousand

Title	Name	Salary(A)		Pension and Superannuation		Bonus and Special Disbursement		Employee Bonus from Earning Distribution				Sum of A, B, C and D /after-tax profit (%)		Employee Share Subscription Warrants		Other Remuneration
		Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	
								Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend					
President	Chin-Ting Chang	6,857	6,879	0	0	5,258	5,258	209	0	209	0	5.9506%	5.9613%	-	-	NIL
Chief Auditor	Shih-Chien Chin															
Senior Executive Vice President	Jung-Hsien Chiu															
Senior Executive Vice President	Chih-Sheng Hsiao															
Senior Executive Vice President	Ho-Shun Chang															

Note: Not applied as the Bank is not a listing company.

Classification of Remuneration

Unit: TWD

Classification of President and Senior Executive Vice Presidents' Remuneration	People of President and Senior Executive Vice Presidents	
	Bank	Consolidation
below 2,000,000		
2,000,000 - 5,000,000	Chin-Ting Chang, Jung-Hsien Chiu, Chih-Sheng Hsiao, Ho-Shun Chang, Shih-Chien Chin	Chin-Ting Chang, Jung-Hsien Chiu, Chih-Sheng Hsiao, Ho-Shun Chang, Shih-Chien Chin
5,000,000 - 10,000,000	-	-
10,000,000 - 15,000,000	-	-
15,000,000 - 30,000,000	-	-
30,000,000 - 50,000,000	-	-
50,000,000 - 100,000,000	-	-
Above 100,000,000	-	-
TOTAL	5 (Person)	5 (Person)

3. Corporate Governance

List of Compensation Paid to President, Executive Vice Presidents and General Managers

As of Dec. 31, 2012; Unit: TWD thousand

	Title	Name	Stock dividends	Cash Dividends	Total Amount	Total Amount/Net Income (%)
Manager	President	Chin-Ting Chang	-	1,337	1,337	0.6456%
	Chief Auditor	Shih-Chien Chin				
	Senior Executive Vice President	Jung-Hsien Chiu				
	Senior Executive Vice President	Chih-Sheng Hsiao				
	Senior Executive Vice President	Ho-Shun Chang				
	Executive Vice President	Yun-Ching Wang				
	Executive Vice President	Hsin-De Chang				
	Executive Vice President	Tai-An Chen				
	Chief Secretary	Chien-Cheng Hsu				
	Department General Manager	Kuang-Hsiung Huang				
	Department General Manager	Wei-Bin Lin				
	Department General Manager	A-Kuai Chen				
	Department General Manager	Huan-Mou Cheng				
	Department General Manager	Hung-Tsang Chiang				
	Department General Manager	Chun-Sheng Lin				
	Department General Manager	Chang-Chieh Lin				
	Department General Manager	Mei-Ling Shih				
	Department General Manager	Kuo-Chiu Chang				
	Branch General Manager	Shih-Jung Chen				
	Branch General Manager	Ling-Chen Ting				
	Branch General Manager	Lu-Chen Liao				
	Branch General Manager	Ta-Tien Lin				
	Branch General Manager	Jui-Sen Liao				
	Branch General Manager	Chung-Lung Tsai				
	Branch General Manager	Cheng-Hsien Hsieh				
	Branch General Manager	Min-Chang Lin				
	Branch General Manager	Chih-Peng Yang				
	Branch General Manager	Chi-Hung Huang				
	Branch General Manager	Shih-Tsung Chou				
	Branch General Manager	Kuo-Ho Chang				
	Branch General Manager	Hung-Chi Tung				
	Branch General Manager	His-Tung Chang				
	Branch General Manager	Sung-Yen Sung				
	Branch General Manager	His-Hsien Wang				
	Branch General Manager	Chung-Yi Hsu				
	Branch General Manager	Chi-Shen Huang				
	Branch General Manager	Chang-Cheng Chen				
	Branch General Manager	Hsien-Hsun Chiang				
	Branch General Manager	Shu-Chen Shih				
	Branch General Manager	Shih-Tsung Liu				
	Branch General Manager	Wen-Jeng Chen				
	Branch General Manager	Ching-Hsu Hsu				
	Branch General Manager	Ching-Sung Chen				
Branch General Manager	Mao-Sheng Huang					
Branch General Manager	Ping-Hung Chuang					

Note: Not applied as the Bank is not a listing company.

3-2-4. Ratio of Total Remuneration Paid to Directors and Supervisors over Past 2 Years to Net Income

Item	Total Amount / Net Income After Tax		
	Year 2012	Year 2011	%
Director	7.55%	7.79%	-0.24%
Supervisor	2.19%	2.37%	-0.18%
Total	9.74%	10.16%	-0.42%

Remarks:

Transportation allowance and remuneration of director and supervisor is paid in accordance with guidelines of the Bank's articles of incorporate and the resolution of stockholders' meeting.

Item	Total Amount / Net Income After Tax		
	Year 2012	Year 2011	%
President and Senior Executive Vice President	5.9506%	5.5756%	0.375%.

Remarks:

1. Remuneration for president and vice-president is paid in accordance with rules approved by the board of directors.
2. Payment of employee salary is calculated by related by-laws.
3. Employee bonus is distributed by the resolution of the annual shareholders' general meeting and applicable rules.
4. Performance bonus is paid according to year earning status and rules of performance evaluation.



3. Corporate Governance

3-3. Operation of Corporate Governance

3-3-1. Operation status of board of directors: convened 5 meetings in the year 2012(A), and the records of attendance by directors and supervisors are shown as follows:

Title	Name	Attendance in Person(B)	Attendance by Proxy	Actual Attendance Rate (%)	Remark
Chairman	Kuo-Chao Hsiao	5	0	100	
Managing Director	Ying-Che Chang	5	0	100	
Managing Director	Song-Yue Liao	4	0	80	
Managing Director	Mu-Chuan Huang	5	0	100	
Managing (Independent) Director	Yen-Chun Wang	3	2	60	
Director	Chun-Tse Liao	5	0	100	
Director	Dong-Po Xie	5	0	100	
Director	Chan-Wen Lin	5	0	100	
Director	Ying-Chieh Lai	4	0	80	
Director	Pi-Jung Hsieh	5	0	100	
Director	Chun-Chuan Wang	5	0	100	
Director	Xian-De Lai	5	0	100	
Director	Guo-Zhou Chen	5	0	100	
Independent Director	Kung-Cheng Lin	5	0	100	
Independent Director	Po-Yao Chi	5	0	100	
Standing Supervisor	Lien-Kui Wang	4	0	80	
Supervisor	Yao-Ting Lee	5	0	100	
Supervisor	Dhe-Chin Lai	0	0	0	
Supervisor	Yong-Zhi Wang	4	0	80	
Supervisor	Zhuang-Tai Wang	5	0	100	

Remarks:

- Matters specified in Article 14-3 of the Securities Exchange Act, or board resolutions where independent directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing: none.
- Avoidance of Conflict of interest by directors:
 - ◆ The 3rd Meeting of the 5th Board of Directors held on Mar. 20, 2012:
Name of director: Ying-Chieh Lai, Chun-Tse Liao, Pi-Jung Hsieh, Ying-Che Chang
Issues: Donation to COTA Culture and Education Foundation for financial support.
Reasons for avoidance: The Director of COTA Culture and Education Foundation.
Results for attendance: Director Ying-Chieh Lai apologized for absence, and the other directors (Chun-Tse Liao, Pi-Jung Hsieh, and Ying-Che Chang) who requested a leave of absence due to conflict of interest pertaining to the matters discussed.
- Assessment of objectives and implementation status in the area of strengthening the powers of the board of directors for the current and immediately past years will be carried out:
 - ◆ Pursuant to the promulgated provisions of the regulations and rules, we formed the Audit Committee and proposed assessments on reorganization of the Remuneration Committee to implement relevant regulations and rules and consolidate management of Board of Directors.

3-3-2. Operation status of the auditing committee or supervisors' attendance the practice of Board of Directors:

Operation status of the Auditing Committee: Not established

Supervisors attend the practice of Board of Directors

Board of Directors convened 5 meetings (A) in 2012, and the records of attendance by supervisors are shown as follows:

Title	Name	Attendance in Person (B)	Actual Attendance Rate (%) (B/A)	Remark
Standing Supervisor	Lien-Kui Wang	4	80	
Supervisor	Yao-Ting Lee	5	100	
Supervisor	Dhe-Chin Lai	0	0	
Supervisor	Yong-Zhi Wang	4	80	
Supervisor	Zhuang-Tai Wang	5	100	

Remarks:

1. Supervisors and their responsibilities

Five supervisors set a term of three years, continuous election and continuous be in office. Supervisors must monitor the exercise of individual rights and responsibilities set by statute to exercise authority.

◆ Status of the supervisors communication with the Bank's employees and shareholders:

Supervisors may investigate the operational and financial condition of the Bank from time to time, and set up the directory of members for easy communicate.

◆ Communication between supervisors and internal auditors and accountants:

The internal and external audit reports are all submitted to supervisors for review.

Supervisors investigate financial reports annually and discuss with manager of Accounting Dept, CPAs.

◆ Standing supervisors regularly invited to participate in our banking and internal audit staff person in charge of the forum, and the board of directors made of record.

2. Supervisors participating in board meetings expressed opinions, meeting minutes shall record the response.

◆ The 3rd Meeting of the 5th Board of Directors held on Mar. 20, 2012.

Propose the donating to COTA Culture and Education Foundation for financial support. Of the 10 directors voting, 8 voted for the bill.

◆ Amend to the article of Regulations Governing the Capital Adequacy, approved by all directors in attendance, formed Special Committee of Strengthening BIS, and supervisors and related parties invited to participate in every meeting.

◆ Proposal of writing off bad debts of non-accrual loans.

Approved to by all directors in attendance to continue collection and notify the supervisors.

Regarding 5 of foregoing writing off bad debts' cases, the responsibility-investigated report should be made, presented at the meeting of the Board of Managing Directors within 15 days, and notified directors and supervisors at the same time by the Audit Office.

◆ The 5th Meeting of the 5th Board of Directors held on Sep. 20, 2012:

Discuss on establishing the Employees' Welfare Committee.

All directors in attendance approved to set aside 1% of total capital at once and 0.15% of monthly operating revenue at the time of the establishment.

◆ The 6th Meeting of the 5th Board of Directors held on Dec. 17, 2012

Credit Card Center: Regarding writing off bad debts of non-accrual loans for future reference.

The future reference was approved by all directors in attendance.

Credit Card Center running into loss over the years should be reviewed and improved.

Accumulated amount of writing off bad debts of non-accrual loans should be clearly listed.

3. Corporate Governance

3-3-3. Disclosure Information of Corporate Governance

Status of COTA Bank's Corporate Governance and Comparison with "The Principles of Corporate Governance" of Banking

As of Dec. 31, 2012

Item	Status of Operation	Differences from "The Corporate Governance guidelines for banking industry" and Reasons
<p>I. Structure of bank's equity and shareholder's right</p> <p>(1) The method for dealing with suggestions and disputes of shareholders.</p> <p>(2) Status of controlling the roster of major shareholders who own a relatively high percentage of shares and who have an actual control over the company, and of the ultimate controllers of those major shareholders.</p> <p>(3) Establishment of the firewalls and risk control with affiliated enterprises</p>	<p>(1) To entrust the appropriate corporate departments to handle matters pursuant to shareholder's suggestion immediately. Protected shareholder's equity. Justly dealing shareholder Court case accusation.</p> <p>(2) Trace the list of major shareholders monthly.</p> <p>(3) Our bank and related companies independently operate in financial, accounting, business and management aspect, report operating profit or loss and goal regularly to Asset-Liability and Risk Management Committee to carry out risk control.</p>	<p>(1) No difference.</p> <p>(2) No difference.</p> <p>(3) No difference.</p>
<p>II. The composition and duty of board of directors</p> <p>(1) Establishment of Independent director.</p> <p>(2) Status of regular evaluation of the independence of the auditing CPA.</p>	<p>(1) Board of directors of the Bank set up 15 director position with three-year term, re-elected, its terms of reference for the articles of association under our company.</p> <p>(2) Annual assessment.</p>	<p>(1) No difference.</p> <p>(2) No difference.</p>
<p>III. Status of communication with relative party.</p>	<p>Every half an hour in writing a letter to directors and supervisors to confirm information maintenance and renewal of related parties. Every February and August to confirm data with managers by use of linking receipts, and to archive and update.</p> <p>Easy communication channels go by face to face/telephone/written/Internet.</p>	<p>No difference.</p>
<p>VI. Public disclosure of information</p> <p>(1) Company website is set up by the Bank for disclosure of relevant information on financial status and corporate governance.</p> <p>(2) To fully disclose its information, a bank has a special group engaged on gathering and compiling the bank's information. The information is announces through the bank's spokesman, Web site, regularly held press conferences or the meetings with institution investors.</p>	<p>(1) www.cotabank.com.tw as our website to disclosure financial report, corporate governance.</p> <p>(2) Designed President as spokesperson represented the Bank in public issues. Various departments are equipped with the specialist to be responsible for collecting and disclosure the information.</p>	<p>(1) No difference.</p> <p>(2) No difference.</p>
<p>V. Operations of the nominating committee, compensation committee, or other functional committee of a bank.</p>	<p>The Bank established Nomination Committee of Directors and Supervisor and Compensation and Investigating Committee, designed independent director as the convener and chairman of the meeting, met at least once a year and may meet as often as necessary, to strengthen the decision-making functions and management mechanisms.</p>	<p>No difference.</p>
<p>VI. Please describe any difference between corporate governance system with "The Corporate Governance guidelines for banking industry" and why: The Bank has created independent director 3 seats in 2008 to complied with "The Corporate Governance guidelines for banking industry"</p>		

Item	Status of Operation	Differences from "The Corporate Governance guidelines for banking industry" and Reasons
<p>VII. Other relevant information for better understanding the Bank's corporate governance operation:</p> <ol style="list-style-type: none"> 1. Employee rights: Advocates the human rights law spirit. According to labor standard law protect the staff rights and establishes the Employees' Welfare Committee, provides the staff welfare. 2. Employee care: Organize staff (including families) to stretch the physical and mental self-reliance activities, home visits each year to understand the staff of life situation. 3. Investors relationship: establish a shareholder specialty area, provide a related guidance and relevant provisions of the Stock change matters description and contact telephone numbers, the Bank developed with our ability to control the implementation of a code of practice corporate shareholders and voting policy to ensure equity. 4. Stakeholder rights and consumer's protection and the policy of corporate governance: Abided by standards of government of the Bank Association, we set up rules to follow the contract and provide complaint phone line and e-mail box to protect and satisfy consumers. 5. Members of the board of directors and supervisors participate in training courses: Taiwan Securities and Futures Institute and Taiwan Academy of Banking and Finance have arranged (including 12-hr courses of the 5th of director and supervisor as of end of 2012) administration courses for us, and will arrange at least one director or supervisor every three years to participate in on-job education for trust manager. 6. The policy of risk management and standard of risk management: Establish Risk Management Center, "Assets, Liabilities and Risk Management Committee" evaluate regularly operating risk and report to the board of directors. We obey rules of government and BIS to make policies of risk management to ensure our safety of administration and achievements. 7. Contracted for the independent directors and independent supervisors of duty insurance: The Bank have bought liability insurance for directors, supervisors and managers on February, 2007, and have been published in Corporate charter. 8. Donation to political parties, interested parties and public interest groups in 2012: Made a donation of 650 thousand dollars to COTA Culture and Education Foundation (interested party), 62 thousand dollars to charity, and no donation to political parties. 		
<p>VIII. If there exist corporate governance evaluation reports done by the company itself or outsourced to professional services providers, clear descriptions of the evaluation results, major shortcomings (or recommendations) and improvement status shall be given: None</p>		



3. Corporate Governance

3-3-4. Remuneration Committee Composition, Duties and Operation Status

3-3-4-1. Members

Position (Remark 1)	Name	Qualifications Directors or Supervisors shall meet one of the following professional requirements, together with at least five years work experience. An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, or university.	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional capacity that is necessary for company business.	Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business.	Independent status (Remark 2)								Number s of serve as Remuneration Committee of Public Companies.	Remark 3
					1	2	3	4	5	6	7	8		
Independent Director	Kung-Cheng Lin (convener)	√	-	√	√	√	√	√	√	√	√	√	N	Y
Independent Director	Po-Yao Chi	-	-	√	√	√	√	√	√	√	√	√	N	Y
Director	Ying-Che Chang	-	-	√	√	-	√	√	√	√	√	√	N	Note1
Director	Xian-De Lai	-	-	√	√	-	√	√	-	√	√	√	N	Note1
Director	Chun-Chuan Wang	-	-	√	√	-	√	√	√	√	√	√	N	Note1

Note 1:

(1) The Committee has 3 members to be belong to Director (more than one-third), neither Convener nor Chairman.

(2) COTA Bank is listed on Public Company, no need to be limited to Article 14-6 of Securities and Exchange Act

Remark:

1. Position Explanation: Director, Independent Director or Others

2. During the 2 years before being elected or during the term of office, members who meet the following terms shall with "V" marks.

- (1) Neither employees of Bank nor its affiliates.
- (2) Neither a director/supervisor of Bank nor its affiliates, unless the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Not an individual shareholder who holds shares, together with those held by the person spouse, minor children, or held under others' names, in an aggregate amount of 1% or more of the total outstanding shares of the company or ranks among the top 10 shareholders who are natural persons in terms of the share volume held.
- (4) Not a spouse or relative within the second-degree of kinship, or lineal relative within the third-degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not directors, supervisors, or employees of a corporate shareholder that directly holds 5% or more of the total outstanding shares of the Bank or ranks among the top 5 corporate shareholders in the terms of share volume held.
- (6) Not directors, supervisors, or executive officer, or shareholder holding 5% or more shares of a specific company or institution and who also has financial or business dealings with the company.
- (7) Not a professional, or owner, partner, director, supervisor, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the Bank or to any affiliates.
- (8) Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.

3. If the position of the member is a Director, shall note if it comply with article 6-5 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 OTC".

3-3-4-2. Operation Status of the Remuneration Committee:

- (1) The Bank's Remuneration Committee has 5 members.
 (2) The terms of members of the Remuneration Committee were from Aug. 31, 2011 to Aug. 30, 2014.
 The Remuneration Committee convened 2 meetings (A) in the recent year, and the records of attendance by members are shown as follows:

Title	Name	Attendance in Person (B)	Attendance By Proxy	Actual Attendance Rate (%) (B/A)	Note
Convener	Kung-Cheng Lin	2	0	100	
Members	Po-Yao Chi	2	0	100	
Members	Ying-Che Chang	2	0	100	
Members	Xian-De Lai	2	0	100	
Members	Chun-Chuan Wang	2	0	100	

Other noteworthy matters:

- If there were the board of directors decline to adopt, or advise to modify the resolution of the remuneration committee, shall state meeting time, session, agenda, their resolution and result of execution regarding: None.
- If there were members hold opposite or different opinions to the resolution of the remuneration committee with record or statement, shall state meeting time, session, agenda, the opinion of other members and result of execution regarding: None.

3-3-5. Status for fulfillment of social responsibility:

Item	Operating conditions
1. Exercising Corporate Governance (1) The bank declares its corporate social responsibility policy and examines the results of the implementation. (2) The bank establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies. (3) The bank organizes regular training on business ethics and promotion of matters prescribed in the preceding Article for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.	(1) The Bank strives to fulfill its social responsibility by sponsoring COTA Culture and Education Foundation and other public groups, and it has been consistently fulfilling its social responsibility. (2) All relevant departments have been actively fulfilling the Bank's corporate social responsibility as per their respective duties. (3) Regular education training conferences emphasize on business ethics
2. Fostering a Sustainable Environment (1) The bank endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment. (2) The bank establishes proper environmental management systems based on the characteristics of their industries. (3) The bank establishes dedicated units or assigns dedicated personnel for environment management to maintain the environment. (4) The bank monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.	(1) Encourage employees to use double-side printing and recycle and reuse used printing papers. (2) Turn off the power when leaving the offices, set the air-conditioner temperature at 27 degree, and do garbage recycling. (3) Every department takes charge of protection of its own environment. (4) The bank develop electronic document system, use T5 or LED lights, and promote electronic bills hoping to encourage all the employees and clients to protect our earth.

3. Corporate Governance

Item	Operating conditions
<p>3. Preserving public welfare</p> <p>(1) The bank's compliance with labor regulations, respect for internationally accepted principles of basic labor rights, protection over employees legal rights, makes employment policies of no preferential treatment, establishment of appropriate management approaches and procedures, and implementation.</p> <p>(2) The bank offer employee safe and healthy working environment and organizes training on safety and health for its employees on a regular basis.</p> <p>(3) The Bank establishes the mechanism for employee's periodical communication, notifies employees, in reasonable ways, of any changes in operation that cause any significant influence.</p> <p>(4) The bank establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints.</p> <p>(5) The bank cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility.</p> <p>(6) The bank, through commercial activities, non-cash property endowments, volunteer services, participates in community development and charities events.</p>	<p>(1) The bank holds regular meetings for better communication of the labor and the management.</p> <p>(2) The bank obeys labor health protection rules.</p> <p>(3) The bank, establish a communication platform for labor and management through the periodical convention of labor-management meetings.</p> <p>(4) The bank offers customer call lines and message boards for customer complaints.</p> <p>(5) Cooperates with its suppliers to jointly foster a strong sense of environment protection and corporate social responsibility.</p> <p>(6) The bank actively participates in social welfare and education related events and activities such as Eden Social Welfare Foundation, Taiwan Fund for Children and Families, etc.</p>
<p>4. Improvement of information exposure</p> <p>(1) The bank expose relevance and reliability of corporate social responsibility</p> <p>(2) The bank produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy.</p>	<p>(1) The bank publishes corporate responsibility in its yearbook.</p> <p>(2) Not set yet</p>
<p>5. The bank state the difference between its operation and rules of corporate social responsibility if the bank set up corporate social responsibility rules according to code of practice: none</p>	
<p>6. Other important information for better understanding social responsibility operating conditions (such as environmental protection, community participation, society contribution, society service, social welfare, consumer rights, human rights, safety and sanitation, etc.)</p> <p>The bank set up COTA Culture and Education Foundation to advocate lifelong learning. The corporate spirit is "Taking from the society and giving back to the society" and it keeps contributing to social welfare, academic cultural and caring community activities. For example, Vienna New Year Concert, Children's Creative Painting Competition, International Car Free Day, Asian Cup Baseball Championship, Classical Orchestra Concert, children welfare center, Taiwan Foundation for the Blind, Eden Social Welfare Foundation, Taiwan Fund for Children and Families. The bank also sent employees of consumer finance center to help national-wide middle and primary school students to establish the correct financial management concepts. The bank takes actions to fulfill civic responsibility.</p>	
<p>7. If the bank products or corporate social responsibility reports pass any verification standards of certification bodies, they should be stated. None.</p>	

Note: The Bank is not a listed company in TWSE or OTC

3-3-6. Implementation of Ethical Corporate Management and Practices:

Item	Operating conditions
<p>1. Develop ethical corporate management policies and solutions.</p> <p>(1) The bank clearly express its ethical corporate management policies in regulations and external documents and the promise made by Board of Directors and Management to fully execute these policies.</p> <p>(2) The bank establishes their own comprehensive programs to prevent unethical conduct and operational procedures, guidelines, and training.</p> <p>(3) When establishing the prevention program, the Bank shall include preventive measures against offering and acceptance of bribes and the providing of illegal political donations regarding business activities that involve a higher risk in unethical conduct.</p>	<p>(1) The Bank established honesty and integrity rules in board of directors' "Meeting Rules" and "Work Rules", etc. Ethical corporate management policies and solutions disclosed in the Bank's annual report. The board of directors of bank implement to the relevant provision of corporate governance with the attitude of pragmatic, integrity and professionalism.</p> <p>(2) Not set yet. To fully compliance with ethical principles in order to nurture the ethical and sincere corporate culture, the Bank established honesty and integrity rules in board of directors' "Meeting Rules", "Donation Rules" and "Work Rules", etc. And also disclosure on the website</p> <p>(3) Not set yet. The Bank established honesty and integrity rules in board of directors' "Meeting Rules" and "Work Rules" to prevent unethical conducts.</p>
<p>1. Fully execute ethical corporate management</p> <p>(1) The bank's business activities shall avoid any transaction involving those with any record of unethical conduct and clauses of ethical conduct shall be specified in the business contracts.</p> <p>(2) The bank designates fully (partly) dedicated units for promotion of ethical corporate management and the supervision of Board of Directors.</p> <p>(3) The bank develops preventive policies against conflict of interest and offers appropriate expressive channels.</p> <p>(4) The implementation of the effective accounting system, and the internal control system that the Bank establishes to fully execute ethical corporate management and the auditing of internal audit personnel.</p>	<p>(1) The Bank avoids transactions with any company with unethical records. Immediately stop the transactions while acknowledgement of any unethical conducts and specifying relevant ethical conducts clauses in the contract.</p> <p>(2) The Bank established the compliance system, internal control systems, internal audit, risk management, and set functional committeemen by regulation to strengthen the function of decision-making and management of board of directors..</p> <p>(3) The Bank established preventive policies against conflict of interest as below: Established the rules of procedure of the board of directors to specify clause of avoidance of conflict of interest. Established a stakeholder query system to require that no stakeholder conducting transactions have more favorable conditions than their peers. Established "Work Rules" to prevent unethical conduct of employees. Information on business ethic disclosed on the internal website.</p> <p>(4) The Bank established rigorous accounting system and accounting department. To ensure impartiality of annual financial statements, Bank's annual financial statements has audit by accountant. Internal audit personnel compliance with Rules of Internal Control System, conducting a routine business audit at least annually, and a target audit on its operation, finance, asset quality and information departments; a target audit at least annually on other management departments. Conducting a target audit on its subsidiaries' finance, risk management, and compliance with applicable acts and regulations at least semiannually. The Bank's internal audit report shall be delivered to the supervisors, and the independent directors for review, and within two months following completion of the audit, submitted to the competent authority by letter.</p>

3. Corporate Governance

Item	Operating conditions
3. The operation of the disciplinary and complaint system that the Bank establishes for the violation of ethical corporate management and the operation of the reporting channels.	3. The Bank established Rules of Personnel, Works Rules, Personnel Evaluation committee, and Rules for meditative of customers' complaints and disputes.
4. Strengthen information disclosure (1) Establishment of website to disclose ethical corporate management. (2) Other information disclosure approaches (e.g. English website, assignment of specific personnel to collect and disclose the Bank's information and disclosing such information on the Bank's website.)	(1) www.cotabank.com.tw as our website to disclosure financial report, corporate governance. (2) The Bank established the website in Chinese and English, a designee has been specified to disclose the corporate information on Bank's website.
5. If the Bank has developed its practice principles of ethical management in accordance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-listed Companies, please explicate its implementation and any deviation from the principles: none	
6. Other important information enabling better understanding the Bank's implementation of ethical corporate management (such as the Bank manifests its determination and policies of ethical corporate management to its business partners and reviews and amends its practice principles of ethical corporate management.): The Bank set honesty and integrity rules in Board of directors' "Meeting rules", "Donations rules" and "Work rules", etc. All directors and employees are law-abiding to fulfill the social responsibility. The Bank set the compliance system, internal control systems, internal audit, risk management, strengthens the rules of duty for director and supervisors' responsibilities. To respect shareholders' benefit and based on incorruptibility, the bank set up good company management and risk control to create a business environment for sustainable development.	

Note: The Bank is not a listed company in TWSE or OTC

3-3-7. Other required disclosure items of governance-related regulations have been shown on the Bank website: www.cotabank.com.tw



3-3-8. Statement of Internal Control

COTA Commercial Bank Statement of Internal Control

Mar. 4, 2013

To Financial Supervisory Commission

On behalf of the COTA Commercial Bank, we declare that during the period of Jan. 1, 2012 through Dec. 31, 2012 the Bank did conform to the provisions of the "Guidelines for the establishment of internal control and internal audit systems" by establishing an internal control system and undertaking risk management, and by having auditing carried out by an impartial and independent auditing unit, with reports submitted on a regular basis to the Board of Directors and Supervisors. Careful assessment shows that with the exception of items listed in the attached chart, the internal control systems of and compliance with laws and regulations by the different units were all implemented effectively. This statement form part of the annual report and publicly disclosed. We understand that we are legally bound to SEC ordinance No.20, 32, 171 and 174.

Attested by

Chairman : Kuo-Chao Hsiao

President : Chin-Ting Chang

Chief Auditor : Shih-Chien Chin

Compliance Officer : Hsin-De Chang

3. Corporate Governance

Items for Improvement and Plan Table of Internal control

As of Dec. 31, 2012

Items for Improvement	Improvement Measure	Target Date
1. Dealing with construction loans should strengthen risk management of land mortgage, appraisal, approval process and controlling process of Central Bank of China.	<ol style="list-style-type: none"> 1. Land Mortgage Loan Risk: Make a specific evaluation for construction plan and trace the starting progress during the current year. 2. Appraisal: Diversified Appraisals 3. Approval Process: <ol style="list-style-type: none"> (1) Evaluate fund needs more than mortgage value. (2) After loaning for a long time has not been constructed or obtained a building permit, should appraise carefully as to agree to extend or on-lent. 4. Controlling Process of CBA: <ol style="list-style-type: none"> (1) Extending the case should not enhancement appraised value. (2) Loans should lower than 65% of land cost or appraised value. (3) 10% retention loan should drawdown after construction beginning. 	Listed in main audit-item for 2013 Credit Auditing
2. For Risk Management, should make efforts to enhance "Bank's internal procedures to prevent from Agency Loans", management for account officers and execute prudent reporting procedure.	<ol style="list-style-type: none"> 1. Strengthening analysis of pointer and causes. 2. Prosecuted or serious complaint cases should be clarified. 3. Once the bad Loan written off or credit default soon after loan by the same account officer, should raise caution if there are other common features, enhance authenticity verification and find out the reasonableness of default in order to review the responsibilities of person in charge. 	Listed in main audit-item for 2013 Credit Auditing

3-3-9. CPA Audit Report

Pursuant to ordinance article 28 of the "Guidelines for the Establishment of Internal Control and Internal Audit Systems", the Bank arranged KPMG certified public accountants to audit performance of internal control during the period of Jan. 01, 2012 through Dec. 31, 2012.

Certified public accountant's audit report concluded as follows:

With the exception of suggested items to improve, no major deficit is found (attaching homepage of auditor's report and suggestion statement).



Independent Auditors' Report

According to the article 28 promulgated by Financial Supervisory Commission Executive Yuan, R.O.C. on "Guidelines for the establishment of internal control and internal audit systems", when a bank engages an accountant to audit its annual financial statements, it shall also ask the same accountant to audit its internal control system and express opinion regarding the accuracy of information provided in the financial statements as well as the implementation of the Bank's internal control system, regulatory compliance system, and the appropriateness of bank's bad debt reserve policy.

On behalf of the KPMG, we accept being a consignor of COTA Commercial Bank to audit its internal control system and express opinion in accordance with regulations during the period of Jan. 01, 2012 through Dec. 31, 2012 as attaching the range and result of audit report.

The audit report is intended only to present the "Financial Supervisory Commission Executive Yuan, R.O.C." and provide authorized persons.

KPMG

Accountant

Shi-Hua, Guo

Mar. 21, 2013

3. Corporate Governance

Suggestion Statement

As of 2012

NO	Matter of disclose	Suggestion	Opinion of Administration
1.	Selective examination to details of allowance for loan losses in Oct., borrower pao x kuo x after foreclosure had no surplus property, but its account estimate as Category Three.	Case to allowance for loan losses properly classified according to related regulations issued by the Ministry of Finance	1. Bad debt write off on Dec. 26, 2012 2. Raise caution over future transactions.

3-3-10. Cases or Penalties due to Infliction of Laws and Regulations over the Past 2 Years: None

3-3-11. Major Resolutions of Shareholders Meeting or Board of Directors Meeting in Recent Year: None

3-3-11-1. Shareholders Meeting

Year	Nature of Shareholders Meeting	Convoking Date	Major Resolutions
2012	General Shareholders' Meeting	Jun.7, 2012	1. The earnings distribution of year 2011 and capital Increase by earning and issuance of new shares 2. Partial revision in articles of memorandum of association 3. Partial revision in articles of shareholders Meeting

3-3-11-2. Board of Directors Meeting

3-3-11-2-1. Major Resolutions

Year	Nature of Meeting	Holding Date	Major Resolutions
2012	The 3 th meeting of the 5 th Board of Directors	Mar. 20, 2012	Capital increase by earning in 2011 and approved by shareholders meeting
2012	The 4 th meeting of the 5 th Board of Directors	Jun. 19, 2012	Capital increase by earning in 2011 and issuing date of new shares.

3-3-11-2-2. The directors or the supervisor have the different opinions to the board of directors meeting through the major resolution, and has the record or the enunciator: None

3-3-12. Disclosures of the Resignation or Dismissal of Managerial Officers in Charge of Financial or Accounting Reports: None

3-4. Information on the Certified Public Accountant

3-4-1. Information on the Professional Fees of the Certified Public Accountant

3-4-1-1. Disclosure of the Accountant's Fee

Accountant Firm	Name of Accountant		Period of Audit	Remarks
KPMG	Yuan-Chen,Mei	Shi-Hua, Guo	Year 2012	

Unit: TWD thousand

Tier	Item	Auditing Fee	Non-Auditing Fee	Total
1	Below 2,000 thousand	1,610	580	
2	2,000 thousand~4,000 thousand			2,190
3	4,000 thousand~6,000 thousand			
4	6,000 thousand~8,000 thousand			
5	8,000 thousand~10,000 thousand			
6	10,000 thousand and above			

3-4-1-2. The fee paid for non-auditing services account for a proportion equal to one-quarter or above of auditing:

Unit: TWD thousand

Accountant Firm	Name of Accountant		Auditing Fee	Non-Auditing Fee					Period of Audit by Accountant	Remarks
				System Design	Corporate Registers	Human Resources	Others (note)	Sub-Total		
KPMG	Yuan-Chen,Mei	Shi-Hua, Guo	1,610		20		560	580	2012	

Note: non-auditing fee including financial investigation TWD280 thousand, BIS checking report TWD50 thousand, verification fee TWD30 thousand for write-off, IFRS service TWD150 thousand, surplus turned capital TWD50 thousand.

3-4-1-3. Whether the Bank changes its accounting firm and the amount of fees paid for auditing services during the year in which the change is made are lower than for the previous year: None

3-4-1-4. Whether the amount of fees paid for auditing services is lower than for the previous year by 15% or above: None

3. Corporate Governance

3-4-2. Information of Accountants change

3-4-2-1. Former Accountants

Date of change	Jun 13,2012		
Reasons for changes made and relevant explanations	Internal adjustment for administration by KPMG		
Service contract terminated by appointer or accountant / not accepting continued appointment	Event	person concerned	Accountant
	Termination of Appointment		None
	Not Accepting (continued) Appointment		None
Unqualified opinions in auditing reports certified within the recent 2 years and their reasons	None		
Any disagreement with the Bank's opinions	Yes	None	Accounting principles or practices
		None	Disclosure of financial statements
		None	Auditing scope or steps
		None	Others
	None	v	
remark: None			
Other things disclosed (Disclosure required by articles 10.5 1. 4 of this guideline)	None		

3-4-2-2. Succeeding Accountants:

Accounting firm	KPMG
Name of accountant	Yuan-Chen Mei
Date of appoint	Jun 13,2012
Consultations on accounting measure or principles concerning specific transactions or on likely opinions in financial statements	None
Written opinions by succeeding accountant over disagreements with former accountant	None

3-4-2-3. Response by former accountants regarding article 10, paragraph 5, item 1 and item2, point 3 of this guidelines: None

3-4-3. Whether the Bank's chairman, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: None

3-5. Change in Shareholdings and Pledged

3-5-1. Change in Shareholdings of Directors, Supervisors, Executives and Principal Officers

3-5-1-1. Chang in Shareholdings Information

Title	Name	2012		Up To Jan. 31, 2013	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Kuo-Chao Hsiao	107,773	-	0	-
Managing Director (major)	Song-Yue Liao	1,672,327	-	0	-
Managing Director	Ying-Che Chang	27,543	-	0	-
Managing Director	Mu-Chuan Huang	100,366	-	0	-
Managing Director	Yen-Chun Wang	28,800	-	0	-
Director (major)	Chun-Tse Liao	0	-	0	-
Managing Director	Dong-Po Xie	129,519	-	0	-
Director	Chan-Wen Lin	28,088	-	0	-
Director	Pi-Jung Hsieh	30,086	-	0	-
Director	Xien-De Lai	23,583	-	0	-
Director	Ying-Chieh Lai	18,859	-	0	-
Director	Chun-Chuan Wang	18,750	-	0	-
Director	Kuo-Chou Chen	32,687	-	0	-
Director	Po-Yao Chi	27,679	-	0	-
Director	Kung-Cheng Lin	0	-	0	-
Standing Supervisor	Lien-Kui Wang	23,163	-	0	-
Supervisor	Yao-Ting Li	29,460	-	0	-
Supervisor	Dhe-Chin Lai	23,564	-	(759,320)	-
Supervisor	Yung-Chih Wang	27,238	-	0	-
Supervisor	Chuang-Tai Wang	40,010	-	0	-
President	Chin-Ting Chang	31,532	-	0	-
Senior Executive Vice President	Jung-Hsien Chiu	12,525	-	0	-
Senior Executive Vice President	Chih-Sheng Hsiao	18,422	-	0	-
Senior Executive Vice President	Ho-Shun Chang	2,643	-	0	-
Chief Auditor	Shih-Chien Chin	47,762	-	0	-
Executive Vice President	Yun-Ching Wang	4,446	-	0	-
Executive Vice President	Hsin-De Chang	5,104	-	0	-

3. Corporate Governance

Title	Name	2012		Up To Jan. 31, 2013	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Executive Vice President	Tai-An Chen	(28,408)	-	0	-
Department General Manager	A-Kuai Chen	4,084	-	0	-
Department General Manager	Wei-Bin Lin	1,064	-	0	-
Department General Manager	Huan-Mou Cheng	2,900	-	0	-
Department General Manager	Chang-Chieh Lin	11,540	-	0	-
Department General Manager	Kuang-Hsiung Huang	2,960	-	0	-
Chief Secretary	Chien-Cheng Hsu	(89,066)	-	578	-
Department General Manager	Hung-Tsang Chiang	1,672	-	0	-
Department General Manager	Jun-Sheng Lin	1,300	-	0	-
Department General Manager	Mei-Ling Shih	1,927	-	0	-
Department General Manager	Kuo-Chiu Chang	1,444	-	0	-
Branch General Manager	Shih-Jung Chen	5,689	-	0	-
Branch General Manager	Ling-Chen Ting	5,425	-	0	-
Branch General Manager	Ta-Tien Lin	1,722	-	0	-
Branch General Manager	Jui-Sen Liao	1,443	-	0	-
Branch General Manager	Chung-Lung Tsai	3,765	-	0	-
Branch General Manager	Zheng -Xian Xie	4,114	-	0	-
Branch General Manager	Min-Chang Lin	21,379	-	0	-
Branch General Manager (major)	Chih-Peng Yang	11,569,419	-	567,092	-
Branch General Manager	Chih-Huang Huang	3,338	-	0	-
Branch General Manager	Shih-Tsung Chou	3,766	-	0	-
Branch General Manager	Kuo-Ho Chang	16,626	-	0	-
Branch General Manager	Shi-Tung Chang	6,450	-	0	-
Branch General Manager	Sung-Yen Sung	270	-	0	-
Branch General Manager	Hsi-Hsien Wang	955	-	0	-
Branch General Manager	Chung-Yi Hsu	2,000	-	2,000	-
Branch General Manager	Chi-Shen Huang	10,220	-	0	-
Branch General Manager	Hung-Chi Tung	2,291	-	0	-
Branch General Manager	Hsien-Hsun Chiang	1,745	-	0	-
Branch General Manager	Chang-Cheng Chen	1,726	-	0	-
Branch General Manager	Shih-Tsung Liu	10,777	-	0	-
Branch General Manager	Shu-Chen Shih	4,688	-	0	-

Title	Name	2012		Up To Jan. 31, 2013	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Branch General Manager	Wen-Jung Chen	2,073	-	0	-
Branch General Manager	Ching-Hsu Hsu	2,060	-	0	-
Branch General Manager	Ching-Sung Chen	2,127	-	0	-
Branch General Manager	Mao-Sheng Huang	1,973	-	7,007	-
Branch General Manager	Ping-Hung Chuang	0	-	0	-
Branch General Manager	Chih-Yin Lin	412	-	0	-

Note: Branch General Manager Chih-Yin Lin appointed date on Jan.01, 2013

3-5-1-2. Information of Shareholding Transfer: None

3-5-1-3. Shares Pledged Information: None



3. Corporate Governance

3-5-2. Related Party Transaction of First Ten Largest Shareholders

As of Dec. 31, 2012

Name	Shares Owned		Shares Owned by Spouses and Minors		Shares Held under Surrogate A/C		Top ten shareholders who meet the related party disclosures term of FASC NO.6 shall disclose name and relationship		Remark
	No. of Shares	Shares Held %	No. of Shares	Shares Held %	No. of Shares	Shares Held %	Name	Relationship	
Song-Yue Liao	19,741,166	4.65	193,790	0.05	-	-	Chuan Cheng Hat Co., Ltd.	Chairman	-
Chih-Peng Yang	11,725,441	2.76	2,799,574	0.66	-	-	Qing-Er Chang	Spouse	-
Chuan Cheng Hat Co., Ltd. Song-Yue Liao	7,233,707	1.70	-	-	-	-	Song-Yue Liao	Chairman	-
Chun-Tse Liao	5,500,000	1.29	13,029	0.003	-	-	-	-	-
Kuo-Chao Hsiao	3,668,591	0.86	2,213,016	0.52	-	-	Shih-Ying Hsiao	First-degree Relative	-
Tung Yang Business Co., Ltd Xian-De Lai	3,518,085	0.83	-	-	-	-	-	-	-
Shih-Ying Hsiao	3,417,318	0.80	-	-	-	-	Kuo-Chao Hsiao	First-degree Relative	-
Chun-Chieh Wang	3,050,319	0.72	-	-	-	-	-	-	-
Qing-Er Chang	2,799,574	0.66	11,725,441	2.76	-	-	Chih-Peng Yang	Spouse	-
Zhuang-Tai Wang	2,540,674	0.60	-	-	-	-	-	-	-

3-5-3. Consolidated Shareholdings: None





4. Capital Arrangement

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4. Capital Arrangement

4-1. Capital Shares and Dividends

4-1-1. Source of Capital

As of Dec. 31, 2012; Shares Held (%)

Month/ Year	Issuing price (TWD)	Registered Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Source	Other
Jan., 1999	10	318,373,096	3,183,730,960	318,373,096	3,183,730,960	Transform from the shares of former Credit Cooperative	Approved under the Document No.87736717 of MOF
Jul., 2004	10	324,740,558	3,247,405,580	324,740,558	3,247,405,580	Increased from retained earnings of TWD63,674,620	Approved under the Document No.0938011008 of MOF
Jul., 2005	10	333,734,078	3,337,340,780	333,734,078	3,337,340,780	Staff stock dividend increased from retained earnings of TWD16,868,570 Shareholder stock dividend increased from retained earnings of TWD73,066,630	Approved under the Document No.0940125559 of FSC
Jul., 2006	10	600,000,000	6,000,000,000	343,190,342	3,431,903,420	Staff stock dividend increased from retained earnings of TWD17,803,800 Shareholder stock dividend increased from retained earnings of TWD76,758,840	Approved under the Document No.0950130685 of FSC
Aug., 2007	10	600,000,000	6,000,000,000	355,599,141	3,555,991,410	Staff stock dividend increased from retained earnings of TWD3,971,370 Shareholder stock dividend increased from capital reserve of TWD120,116,620	Approved under the Document No.0960042314 of FSC
Aug., 2008	10	600,000,000	6,000,000,000	368,045,111	3,680,451,110	Increased from capital reserve of TWD124,459,700	Approved under the Document No.0970038581 of FSC
Oct., 2010	10	600,000,000	6,000,000,000	418,045,111	4,180,451,110	Cash capital raising of TWD500,000,000	Approved under the Document No.0990035926 of FSC
Jul., 2012	10	600,000,000	6,000,000,000	424,733,833	4,247,338,330	Increased from retained earnings of TWD66,887,220	Approved under the Document No.1010029707 of FSC

As of Dec. 31, 2012

Type of Stock	Registered Stock Capital			Remark
	Outstanding Capital Stock	Un-issued Share	Total	
Common Stock	424,733,833	175,266,167	600,000,000	not on the list of TSEC/OTC

Information for comprehensive reporting: None

4-1-2. Shareholder Structure

As of Dec. 31, 2012

Category	Government Agency	Financial Institution	Other Institution	Individual	Foreign Institution and Foreigner	Total
Number of Shareholders	2	4	425	66,288	26	66,745
Number of Shares	1,623,184	12,621	20,710,878	401,664,853	722,297	424,733,833
Percentage	0.38%	-	4.88%	94.57%	0.17%	100%

4-1-3. Distribution of Shareholders' Equity

4-1-3-1. Common Stock: par value of TWD10

As of Dec. 31, 2012

Tier	Number of Shareholders	Number of Shares	Percentage (%)
1 - 999	48,042	10,098,951	2.38
1,000 - 5,000	10,706	18,930,805	4.46
5,001 - 10,000	1,328	8,619,952	2.03
10,001 - 15,000	3,833	45,750,081	10.77
15,001 - 20,000	255	4,359,653	1.03
20,001 - 30,000	574	13,845,304	3.26
30,001 - 50,000	611	25,226,944	5.94
50,001 - 100,000	754	50,934,046	11.99
100,001 - 200,000	365	51,032,872	12.02
200,001 - 400,000	173	46,950,696	11.05
400,001 - 600,000	38	18,016,218	4.24
600,001 - 800,000	18	12,387,147	2.92
800,001 - 1,000,000	7	6,377,022	1.5
1,000,001 and above	41	112,204,142	26.41
Total	66,745	424,733,833	100.00

4-1-3-2. Preferred Stock: None

4. Capital Arrangement

4-1-4. List of Major Shareholders

As of Dec. 31, 2012

Name	Number of Shares	Percentage (%)
Song-Yue Liao	19,741,166	4.65%
Chih-Peng Yang	11,725,441	2.76%
Chuan Cheng Hat Co., Ltd.	7,233,707	1.70%
Chun-Tse Liao	5,500,000	1.29%

Note: Disclose the ratio of holding shares above 1%.

4-1-5. Market Value, Net Worth, Earnings, and Dividend per Share in Recent 2 Years

Unit: TWD

Item	Year	2012	2011	Up To Jan. 31, 2013	
Market Value	Highest	N/A	N/A	N/A	
	Lowest	N/A	N/A	N/A	
	Average	N/A	N/A	N/A	
Net Worth	Before Distribution	12.95	12.95	12.52	
	After Distribution	(Note 4)	12.79	(Note 2)	
Earnings	Weighted Average Shares	421,704,656	418,045,111	424,733,833	
	Earnings per Share	Before Adjust	0.49	0.46	0.09
		After Adjust	(Note 4)	0.45	(Note 2)
Dividend (Note 1)	Cash Dividends	0.16	0.15	0	
	Stock Dividends	Retained Earning	0.16	0	0
		Capital Reverse	0	0	0
	Dividends in Arrear	0	0	0	
ROI Analysis (Note 3)	P/E Ratio	N/A	N/A	N/A	
	P/D Ratio	N/A	N/A	N/A	
	Cash Dividend Yield	N/A	N/A	N/A	

Note 1: Dividends of serial year present earnings assignment of previous year.

Note 2: Year 2013 hasn't ended.

Note 3: Not applied as the Bank is not a listing company.

Note 4: Year 2012 distribution number is to be confirmed after the approval of board of directors and the shareholder meeting.

4-1-6. Dividend Policy and Executive Status

The Alternation of dividend policy will affect the market price of stock and the capability for future development. The advantages and disadvantages for that are even more difficult to be anticipated. The Bank, formerly a credit cooperative, used to pay out higher dividends. But nowadays, under intense competition banking environment, we would rather utilize dividend leverage to reach stable growth as well as increase marginal utility of capital. For the goal to align expansion of our business scale, profit and adequate capital ratio, we would adopt the residual dividend policy.

Our dividend policy is carried out by the access of "assignable earning distribution". After appropriate legal reserves, we distribute the full earnings to the staff and the shareholders. Our shareholders used to acquire admirable dividends as good as other banks. But for the coming years, the operating capital becomes ultra essential resulting from the need for opening new branches, developing new products, cutting NPL ratio, reducing the overdue loan and growing business scale. It is helpful for the Bank's long-term business expansion by taking use of the accumulative legal earnings reserves.

According to article 34 of the Bank's articles of incorporate, earnings of fiscal year should pay taxes and offset prior year's losses and appropriate 30% as legal reverse in turns. The remaining is regulated to distribute as follows:

- Up to 10% as dividend to the shareholders.
- Up to 3% as remuneration to the directors and supervisors.
- 10% as bonus to staff.
- Shareholder bonus.
- Special reserves.

Before the legal reserve is accumulated up to the total capital, the highest cash dividends are limited to not over 15%.



4. Capital Arrangement

4-1-7. The Impact of Stock Dividends to Market Value and Earnings Per Share:

As financial forecast is not required under stock dividends assigning proposal by shareholders' meeting, no disclosure is needed in accordance with related regulation.

4-1-8. Staff Bonus and Remuneration to Directors and Supervisors:

4-1-8-1. Pursuant to the article 34 of the Bank's articles distributes bonus and remuneration.

4-1-8-2.

The difference, if any, between the amount estimated in the current-year and the amount approved by stockholders in the subsequent year shall be accounted for as a change in accounting estimate, and charged to profit or loss in the current year.

4-1-8-3.

The distributions of staff bonus and others approved by board of directors meeting as follows: I

- Staff cash bonus: TWD14,497 thousand; director/supervisor remuneration: TWD4,349 thousand. Staff cash bonus estimated to be TWD14,500 thousand, actual differences is minus TWD3 thousand. director/supervisor remuneration estimated to be TWD4,300 thousand, actual differences is TWD49 thousand. After shareholders' meeting resolution, the difference between the actual amount and the estimated number treated as changes and adjust in profit and loss of 2013.
- Staff stock bonus: None
- EPS (deducted from planned staff bonus and director/supervisor remuneration): TWD0.48
- In 2011, the distribution amount of staff bonus was TWD13,457 thousand.

4-1-9. Repurchase Stocks: None



4-2. Issuance of Bank Debentures

Type of Bank Debenture	First Issuance of Bank Debentures (1 st term of 2011)
Date Approved by Central Competent Authority, Document No.	Financial Supervisory Commission Executive Yuan, R.O.C. Sep. 10, 2010 Chin Kuan Yin (Ho) No.0990361150
Date of Issue	Mar. 29, 2011
Denomination	500 thousand
Issue and transaction Place	Taiwan, R.O.C.
Currency	New Taiwan Dollar
Issue Price	100 dollars
Total Amount	1.5 billion
Interest Rate	Type A: Fixed rate 3.2% Type B: Current rate 1.65% plus the Bank's board index rate of time saving deposits.
Term	7 years, matured on Mar. 29, 2018
Priority of Payment	The right to receive payment for sums due under the debenture (including principal and interest) takes precedence only over that of bank shareholders for distribution of surplus assets and is subordinate to the claims of all other creditors of the Bank.
Guaranteeing Institution	None
Trustee	None
Underwriter	None
Certifying Lawyers	Wen-Cheng Chiang
Certifying CPA	Shi-Hua Guo
Certifying Financial Institution	None
Method of Redemption	Principal paid upon maturity
Unredeemed Balance	1.5 billion
Preceding Year's Paid-in capital	4,247,338,330
Preceding Year's Post-Audit Net Value	5,347,104,934
Performance Status	Normal
Sellback or Early Redemption conditions	None
Rollover and Exchange Conditions	None
Restrictive Conditions	Subordinated
Capital Utilization plan	Raise the Bank's owner's capital and BIS ratio
Amount of Registered Issuance Plus Outstanding Balance Already Issued as Ratio of Net Final Value of Issuance in Preceding Year.	28.05%
Whether or not recorded as qualified capital and type	Yes, Tier 2 Capital
Name of Rating Institution, Date of Rating, and Rating Given	Taiwan Ratings Corp./ Mar. 22, 2011 / twBBB

4. Capital Arrangement

4-3. Preferred Stock: None

4-4. Issuance of Depositary Receipt: None

4-5. Employee Stock Option Plan: None

4-6. Merging or Acquisition of Other Financial Institutions:

In recent year and up to the annual report is printed, the Bank do not merge or acquire other financial institutions.

4-7. Utilization of Capital Plan: None





5. Business Operation

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5. Business Operation

5-1. Business Report

5-1-1. Comparison over the past five years

5-1-1-1. Deposits

The amount of deposits at the end of 2012 totaled TWD117,534 million, increasing TWD4,404 million compared to year earlier at a rate of 3.89%. We intend to improve our quality and quantity of deposit structure, implement the entire-personnel marketing, enforce interaction with clients to develop business chances, and open up the prospects of the corporate salary remittance service. We also try to improve the functions of E-banking and phone banking, and to visit neighboring area to seek for new customers in the market.

In deposits structure, our demand deposits stood at TWD44,863 million that was the 38.17% of the total deposits. Our time deposits stood at TWD72,671 million that was the 61.83% of the total deposits. Our deposit structure is fine and we will step forward to improving quality & quantity of total deposit through our sound corporate image and right operation strategies. Here follows deposit structure ratio analysis:

Structure of Deposits

Unit: TWD million; %

Items	2012		2011		2010		2009		2008	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Checking Deposits	2,204	1.88	1,983	1.75	1,722	1.61	1,534	1.52	1,345	1.38
Demand Deposits	13,073	11.12	12,817	11.33	12,621	11.82	10,100	10.02	8,725	8.95
Demand Savings Deposits	29,584	25.17	28,019	24.77	28,274	26.49	25,560	25.34	20,767	21.31
Time Deposits	19,094	16.25	15,791	13.96	13,694	12.83	13,738	13.62	14,881	15.27
Time Savings Deposits	53,577	45.58	54,511	48.18	50,431	47.25	49,896	49.48	51,733	53.09
Remittances	2	0.00	9	0.01	4	0.00	25	0.02	3	0.00
Total	117,534	100.00	113,130	100.00	106,746	100.00	100,853	100.00	97,454	100.00

5-1-1-2 Loans

The amount of loans outstanding at the end of 2012 totaled TWD92,370 million, increasing 6,209 million compared with year 2011; here follows the loan ratio analysis.

Structure of Loans

Unit: TWD million; %

Items	2012		2011		2010		2009		2008	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Overdrafts	60	0.07	59	0.07	198	0.23	90	0.12	132	0.16
Bill Discount	104	0.11	94	0.11	122	0.14	227	0.29	273	0.34
Car Loans	12,647	13.69	12,528	14.54	11,970	13.68	11,539	14.77	10,736	13.31
Mortgage loans	22,681	24.56	21,236	24.65	21,642	24.72	19,993	25.60	19,114	23.69
Other Unsecured Loans	22,726	24.60	18,539	21.51	19,949	22.79	19,998	25.61	26,481	32.82
Other Secured Loans	31,600	34.21	31,001	35.98	31,715	36.23	24,562	31.45	22,669	28.09
Allowances for Bad Debt	-1,671	-1.81	-1,118	-1.30	-811	-0.93	-882	-1.13	-1,017	-1.26
Sub Total	88,147	95.43	82,339	95.56	84,785	96.86	75,527	96.71	78,388	97.15
Acceptance receivable	9	0.01	5	0.01	2	0.00	8	0.01	35	0.04
Guarantee receivable	2,543	2.75	2,699	3.13	1,937	2.21	1,676	2.15	1,251	1.55
Allowances for Bad Debt	1,671	1.81	1,118	1.30	811	0.93	882	1.13	1,017	1.26
Total	92,370	100.00	86,161	100.00	87,535	100.00	78,093	100.00	80,691	100.00

Note: This table includes discount, overdraft, common loan, trade finance, overdue, draft purchase, acceptance draft receivable, and guarantee.

While the Central Bank listed the prior items on financial examination such as the pricing strategies of the interest rates, the percentage amount of the loans, and the concentration of the loans on land financing, building financing, and mortgage loans, the Bank not only highly paid attention to the risk of the real estate loans, but also compiled "The Limit Controlling Table on Land Mortgage Loans", "The Analysis Table of the Classification on Housing Mortgage Loans" and "The Limit Controlling Table on Building, Housing, and Renovation Loans" regularly. The Risk Management Center strictly monitors and keeps the risks under control as follows:

5-1-1-2-1. The Limit Control on Land Mortgage Loans

According to the article 32 of the Bank's loan regulation, the limit control on land mortgage loans can not exceed the 20% amount of total loans. At the end of 2012, the percentage of the land mortgage loans was 16.24% and under the limit.

5-1-1-2-2. The Limit Control on Building, Housing, and Renovation Loans

According to the target limits of the Financial Supervisory Commission, the building loans can not exceed the 15% amount of total loans and the housing and renovation loans can not exceed 40% amount of total loans. At the end of 2012, the percentage of the building loans was 11.74% and the percentage of housing and renovation loans was 23.82%. Both qualified for the limit.

5. Business Operation

5-1-1-2-3. The Analysis of the Classification on Housing Mortgage Loans

At the end of 2012, the percentage of the housing mortgage loans was 38.35%.

5-1-1-2-4. The Limit on the Article 72-2 of "The Banking Act"

At the end of 2012, the percentage of the loans of aggregate deposits and debentures was 25.96% under the limit 30%. The Bank will select customers who have high quality and current account on the list of priority. In addition, the Bank will increase interest rate of loans to optimize the rest of limit.

5-1-1-2-5. Risk Control System

If any loan ratios approach 90% of the limits, the related units have to submit analysis and measures to the Risk Management Center and then report to the Board meeting.

5-1-1-3. Wealth Management

The Bank primarily focused on providing customers with specified trust businesses such as domestic/overseas trust funds, real estate trust funds, and insurance agency service as well.

Wealth Management

Unit: TWD million; %

		2012		2011		2010		2009		2008	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Insurance	Life Insurance	4,373	48.6	2,903	38.7	3,078	41.1	2,379	38.1	1,111	29.3
	Property Insurance	29	0.3	28	0.4	27	0.3	26	0.4	1	0
Trust Funds	Overseas Trust Funds	1,313	14.6	1,444	19.3	1,526	20.4	1,627	26.1	1,360	35.8
	Domestic Trust Funds	3,155	35.1	3,066	40.8	2,772	37.0	2,137	34.2	1,296	34.2
Trusts	Money Trusts	95	1.1	60	0.8	88	1.2	23	0.4	0.8	0
	Real Estate Trusts	24	0.3	0	0	0	0	48	0.8	27	0.7
Total		8,989	100	7,501	100	7,491	100	6,240	100	3,795.8	100

5-1-2. Business Plans for year 2013

5-1-2-1. Operation Plans

5-1-2-1-1. Organization Development

- Concerning future growth, the Bank will relocate four branches in 2013.
- Building up business on saving deposits, consumer banking, corporate loans, wealth management, trusts, foreign exchange, international banking, and e-banking. And adjusting structure, process for enlarging economy of scale and enhancing operating efficiency to reduce costs and increase profits.
- Strengthening efficiency of the channels, streamlining operation process, and building up computer operation system to improve service efficiency & quality
- Accumulating operating ability and tracking execution performance periodically.

- Strengthening capital structure, improving asset quality, implementing risk management and corporate governance, enhancing the ability to undertake long-term risks
- Adjusting internal funds transfer pricing, enhancing efficiency and effectiveness of the business and managing units.
- Strengthening employees' training and career planning.

5-1-2-1-2. Consumer Banking

- Focusing on new consumer banking products on the market with low risk and competitive advantage, developing diversified and customized projects to create the value of the products, and expanding the service of the products and increasing the amount of the personal loans.
- Keeping business competitiveness and controlling the quality of the real estate, the Bank decided the percentage amount of the loan according to the risk of the location. While appraising real estate, the Bank will refer to the appraisal information platform of the real estate provided by Joint Credit Information Center (JCIC), the Bank's appraisal database, and other information platform established by government. It makes the appraisal clear and reasonable.
- Keeping on-site proficiency training, especially in regulation compliance, product position, marketing direction, selling skills, service politeness, to aggregate team productivity.
- Improving lending personnel's performance and implement "client differential" strategy, enlarging the scale of the low-risk personal loans and closely watching the quality of the high-risk loans via improving the procedures of the credit investigation and real estate appraisal.
- Simplifying the procedures of the personal loans, focusing on quality, quantity, and risk control to enlarge the business of the personal finance and to ensure the profits of the Bank.
- Strengthening ante-risk review and post-risk management by timely examining operational conditions and asset quality, and irregularly adjusting product pricing and loan policies.

5-1-2-1-3. Corporate Banking

- Following the policies of the government, continuously promoting SME loans to satisfy customers' needs, enlarging customers' base and economy of scale, and enhancing market share of the corporate financing.
- Ensuring claims, increasing secure percentage, and reducing the percentage of credit loans. If the loan met the requirement of the "Small and Medium Enterprise Credit Guarantee Fund", it should apply the Fund as a guarantor for reducing capital charge.
- Expanding upstream and downstream clients to track the condition of the customers' productions and sales.
- Cooperating with the government's policies on economy growth and industries upgrading, providing the whole programs on corporate loans, and satisfying the customers' funding needs in each level.
- Focusing on the financial demands of the corporate clients to provide customized products from investing assets to financing liabilities.
- Implementing account personnel system, actively searching new customers and maintaining old customers at the same time. The Bank holds the account personnel meeting on a regular time schedule. The meeting will discuss the business performance and educate the personnel to enhance the ability to determine the risk of the business operation that will increase competitiveness and profitability.
- Credit personnel write the industry analysis regularly to related persons for reference and they may understand the trend of the industries.

5. Business Operation

5-1-2-1-4. International Banking & Foreign Exchange Business

- Strengthening cross-strait and triangle-trade financial business and expanding OBU profit margin.
- Promoting trading finance to create more profits from foreign exchange.
- Allocating adequately investment exposures and target high-rating overseas securities for higher business revenues.
- Enforcing the professional knowledge for personnel and training in order to sharpen skills for expanding business territory.
- Applying new derivative financial products and strengthening relationship with peer domestic & foreign banks.
- Building more efficient operation platform, strengthening risk control system by co-operating with IT department in planning new FX system and FX product data mining.
- Applying the business of Renminbi (RMB) and providing more options on FX asset allocation for customers.
- Applying more domestic banking units to provide extensive services.

5-1-2-1-5. Wealth Management

- To implement regulation compliance lastingly, the Bank enhances related trade platforms to make processing automatically and provide customers more convenient and on-time deals and inquiry services to create professional image and reputation of wealth management.
- Positive work and develop retired market to provide proper and update financial products.
- To encourage staff obtain related certificates and serve with professional training to enhance ability and strengthen sales procedure and realize the mechanism of risk control.
- The Bank observes related standard by education and training guidance to coordinate “Financial Consumer Protection Act” and “Personal Information Protection Act” execution.
- Holding the financial seminars irregularly for wealth management customers to share investment information, tax affairs plan, medicine general knowledge and health finance courses etc. to give them various finance news and correct finances and concept of risks.
- Planning every quarter marketing activities to promote financial management business and achieve the goal for the year fee income.
- Actively providing various financial products to meet client’s demands and create fee income sources.

5-1-2-1-6. Asset & Liability Management, Risk Management and Funding

- Enhancing to control assets and liabilities management and effective monitor risk on exposures.
- To strengthen inspection on various sources of funds and properties, dispose the most suitable distribution ratio to reach the goal of best income
- Tightly controlling source of funds and the usage of tenors and interest rates so as to reduce re-pricing risks and raise the Bank’s net interest profitability and value.
- Considering the profitability, liquidity, and safety of the fund operation and stability of the source of funds, constructing integrated ALM system to get the risk under control.
- Enhancing overseeing of the lowest capital request in accordance to the update capital agreement to carry on the long-term capital plan, and strengthening the foundation of common share rights to make the lowest capital request conform to the international standard to strengthen the risk exposure ability.
- To plan and calculate Risk-Adjusted Return On Capital (PAROC) by the Legal Capital and Loan Loss

Coverage Ratio 1% to substitute economic capital and expected loss, and calculate PAROC of the Bank units separately to be another reference designator of performance management.

- Introducing VAR to market risk calculation and controlling market risk by risk limits and stop loss limits.
- Actively cultivates the core deposit client base, to obtain stable low cost funds, optimizes the liability structure, facilitates and increases the quantity of deposits for both sides effectiveness.
- Managing gaps of the sensibility of the interest rate of the assets and liabilities to reduce basis risks.
- Adjusting the structure of the deposits and loans, lowering the ratio of the large amount deposits to save the funding costs, and attracting the small amount deposits to diversify the risks.
- Monitoring the limits of the market risk to balance returns against risks, to optimize asset allocation, and to maintain the safety and profitability of the capital.
- To Control the property quality strictly, adjust the investment portfolio flexible, grasp the interest rate trend to pursue the best income.

5-1-2-1-7. Administration and Human Resource Management

- Continuously executing a financial curriculum of the profession training, and strengthen the responsible and cultivation of cadre personnel aggressively.
- New recruiting personnel of the Bank to be hired by the reserve associate way and hiring inter-bank players with stronger business capability and increase ratio of external sales to increase profitability.
- Strictly carries out the counseling of work performance unsatisfactory staff, so as to leads its work positive, such as not eligible person will eliminate firmly, enabling the human resources on the full effective utilization in order to promote the Bank achievements

5-1-2-1-8. Credit Card Business

- Besides branch individual performance reward and the association examination, provides encouragement in fact again for their promoting efforts.
- Analyzing cardholders' financial situation and power of consumption, maintaining customer loyalty effectively to promote actual accomplishments.
- Analyzing cardholders' behavior to design feedback projects and credit card events for cardholders with the consumption of top 20% to bring growth on consumer banking business.
- Training employees to provide clients the high-quality services.
- Reviewing credit condition for revolving credit cardholders in half a year. If there is an unusual signal, the Bank will tighten credit line. If cardholders are potential high risk customers, the Bank will track their payments periodically to reduce risks.
- In connection with other departments of the Bank for the customers who have any record of housing loan to be extended in view, dishonored check and the risk notifies all integrate in the risk control list, and carry on the risk control procedure while payment overdue to reduce the possibility of loss.

5-1-2-2. Major Business Plans

The target of the Bank is to seek stable growth on profitability and scale. The Bank expects to offer convenient service channels and multi-financial services for local clients. Also, the Bank will actively strengthen the effectiveness of both physical and electronic internet financial service and expects to offer convenient service and high quality of value-added so as to create win-win strategy between the Bank and client relationship.

5. Business Operation

In 2013, the Bank will improve operational conditions to migrate 4 branches, enhance a field of view on operation and relocate branches. In addition, the Bank will aim to strengthen items on risk management in order to reduce the impact on risk and focus on low risk and competitive advantage, through product localization and product mix so as to satisfy customers' needs. The Bank will expand business to different market segmentation to gain new customers and niches for pursuing long-term balancing development and create sustainable operation.

The main business operation budget as follows:

Unit: TWD thousand; %

Business Item	2013 Budget	2012 Final	Increase Volume	
			Amount	%
Average Balance of Deposits	115,000,000	112,792,936	2,207,064	1.96
Average Balance of Loans	90,000,000	86,861,609	3,138,391	3.61
Wealth Management (Trust Amount)	5,000,000	4,586,482	413,518	9.02
Wealth Management (Insurance Broker Revenue)	72,000	79,005	-7,005	-8.87

5-1-2-3. Main Business Operation Target

5-1-2-3-1. Deposits

Budgeted average deposit balance in year 2013 is TWD115,000 million which is TWD2,207 million and 1.96% growth respectively higher than year 2012 mainly based on:

- To expand current deposit customer base and promote line of current deposit ratio, reduce the fund cost continually.
- Hard working in communities and strengthen management for regional customers, to develop new source of clients, to promote deposit actual accomplishments and create profitable opportunity.
- Keeping inspecting and simplifying operational procedure on deposit and remittance function and upgrading business unit service quality and customers' satisfaction.

5-1-2-3-2. Loans

Budgeted year 2013 average lending balance is TWD90,000 million which is TWD3,138 million and 3.61% growth respectively higher than year 2011. The Bank will keep tracking on NPL and on accelerating write-down on bad debt in order to effectively lower bad debt ratio and coverage ratio. The strategies are as follows:

- Regular review pricing decision, loan-to-value and concentration degree of the Bank for land financing, construction financing and housing loan lending rate. So that the advantage carries out strengthened finance overseeing measure of the Central Bank on the real estate credit risk control.
- To promote competition and effectively control quality of real estate, the Bank adopts method by differentiating the region classification and risk to distinguish loans ratio. Refers to real estate appraisal information platform of Joint Credit Information Center, the Bank valuation database and other relevant information platform of government to make appraisal become more transparent and rational.
- Monitoring various credit limits management, strengthening the risk supervising power, promoting property quality, enhancing the monitoring and management of various risks and to strengthen capital adequacy ratio of the Bank.

- To simplify the operational procedure, displays efficiency and leads branches to develop the lending business.
- To use well of internal credit rating system on loan business and adjust relative factors and weights properly. Meanwhile, use all loan business default database to collect reasons and locations of bad debts.
- In support of authority policy, the Bank keeps promoting loan business to SME which can match clients' demand and expand corporate foundation to increase market share in corporate credit business.
- To strengthen obligation rights, raise coverage ratio and lower credit loan ratio. To deliver qualifications and make guarantee by Small and Medium Enterprise Credit Guarantee Fund of Taiwan to reduce the credit risk weight requirement.
- To implement account officer system and actively develop the new customers simultaneously to maintain existing customers. Headquarters holds account officer conference time to time to review achievements and regularly train relevant personnel, strengthen their judgment ability of enterprise operational risk, sharpen the line of business competitive ability and profitability
- Credit personnel establish industrial profile analysis reports for relevant personnel regularly, with the aim of keeping up for various industries market trend.

5-1-2-3-3. Wealth Management

Budgeted year 2013 trust asset balance is TWD5,000 million, which is TWD414 million and 9.02% growth respectively higher than year 2012. Budgeted revenue from insurance sales in year 2013 is TWD72 million, which is mildly downward adjustment 8.87% with 2012 due to environment-based influence. The Followings are status of the business:

- Aggressively coaches staff to be financial advisors and arrange diversified training courses for educating staff to make them get acquisition of new information and assist staff be qualified by relevant licenses, expand related recruitment to increase wealth management income of the Bank.
- To hold financial related competition and activities periodically to encourage staff and assist the Bank to promote financial management business to reach the goal of fee income in commission gradually and stably.
- To conduct the wealth management by lecture and seminar periodically and invited customers to participate to strengthen the relationship and management of customers and financial advisors.
- To apply new trust business such as ETF, insurance claims trust and to set up multiple investment conduits for customers and reach the purposes of taxation plan, growth of assets, property rights transfer and charitable trust.
- Electing steady growth insurance companies to be the cooperative partners to promote insurance business and choosing high grade and trustable insurance products to achieve stable asset growth for customers.
- Strengthening the fund network transaction function and promoting this service that may reduce the labor cost and raise e-banking utilization ratio to provide customers to attain more convenient and real time transaction and inquiry service
- Actively provides diversified financial products to satisfy clients and create the source of fee income.
- To increase on selling future trust fund to provide clients multiple choices of investment and hedge strategies.
- Enhancing promotion on Nursing and Pension Fund for covering with the elderly and children and program cash demand in each period of the future to make sure the quality of life.
- Strengthening professional trust ability of staff to provide appropriate trust products to customers so as to achieve properties growth and goal of fee income increase of the Bank.

5. Business Operation

5-1-3. Market Analysis

Concerning domestic financial market development and after policy easing cross straits, the local main banks go to Mainland China to set up the branches or Representative offices one after another, and China large banks also come to Taiwan to set up branches so that financial competition is getting strong between both banks day after day. The Bank anticipates that the competitive domain possibly extends from corporate business to individual financial business and wealth management in the future gradually which makes all banks operation will be more challenging and have more turning points.

According to competitive market and thin spread in interest rate, domestic banks obtain limited room for net interest margin and profit. Banks adjust the structure of profit to focus on non-interest based income of commission and revenue share among business units to upgrade operation performance by re-organization and systematic adjustment.

Facing quick-changing financial market, the Bank will keep strengthening operational quality, internal control and risk management with long-run target to transform as a national bank. Top managers believe that the Bank is capable of expanding its advantage on consumer banking business through all staffs' efforts. And the Bank will still keep in a stable and conservative growth path and strategy taking into account the benefit of our customers, shareholders and staffs so as to maintain asset quality and profitability of the Bank.

5-1-4. Financial Commodity Research and Development Overview

5-1-4-1. Major Financial Product and New-established Units in Recent 2 Years

- Scale of Major Financial Product: Please refer to this annual report part 5: Business Operation
- New-established Units: → Jan. 01, 2011: Beitun mini branch was upgraded to Beitun branch

5-1-4-2. Expenditure and result of Financial Products Research and Development in Recent 2 years

5-1-4-2-1. Expenditure and result of Financial Products Research and Development in Recent 2 years:

- Expenditure and result of Financial Products Research and Development in recent 2 years. Year 2011: TWD3,190 thousand ; Year 2012: TWD2,678 thousand.
- Completed "cross-branch and ATM host business system" and off-site backup system, built up host-and-branch network with "3G wireless backup system" in order to enhance information system backup and disaster contingency capabilities.
- To start nation-wide bulk payment (tax) immediate transit business.
- To redeem financial subordinated debenture for "first issue of 2006" in TWD2.5 billion.
- To issue financial subordinated debenture for "first issue of 2011" in TWD1.5 billion.
- To self-develop and accomplish the chop and seal identification system.
- To set up the Union-pay card in ATM acquiring service.

5-1-4-2-2. Financial Products Research and Development Project in the Future:

- To scheme new system of foreign exchange to establish efficient operating platform for foreign exchange.
- Aggressively develop wealth management business as well as enhance system control and promote new financial products to strengthen customer services.

- To reinforce electronic financial services by keeping R&D on website and internet banking business in order to provide better internet transaction platform to match varied demands.
- Aggressively develop new trust business and carry out products to match customer demand and to provide full range investment financial trust business.
- To research by TSM (Trusted Service Manager) platform that makes the financial payment tools to combine to mobile phone via NFC (Near Field Communication) technology to pay near-end and develop the possibility of mobile payment service in the future.
- According to market trend to innovate consumer finance commodities, and take the low risk and competitiveness as the main axle to develop multiple and tailor-made special cases that enhances the value add in various products and extends service as well as promotes individual financial loan scale.
- Credit personnel establish industrial profile analysis reports for relevant personnel regularly, with the aim of keeping up for various industries market trend.
- To simplify procedure and develop various computer operating system to promote service quality, efficiency and customer satisfaction.
- In accordance with different clients, we research to devise deposit, loan and investment financial products to provide complete, diversified and flexible customer services.
- To construct sound risk management organizations and mechanisms to assess and monitor the efficiency of credit risk, market risk, operational risk and liquidity risk enhancing performance and asset quality.

5-1-5. Long/Short Term Business Development Plan

5-1-5-1. For our Short Term Business Development Plan, please refer to our profile of Business Plans for Year 2013.

5-1-5-2. Long Term Business Development Plan

- To raise the ratio of demand deposit and spread interest rates difference to enhance profit.
- To develop deposits, loan business, wealth management business, trust business, foreign exchange and OBU business and electronic financial business which can expand economic scale to raise effect of operations and reduce working capital cost as well as increase revenue by adjusting business structure and processes.
- Enrich the working capital to raise the ability of risk management and bank governance.
- To constantly set up the branches countrywide and raise the value of service channels to enhance the Bank's competitiveness and raise effect on business.
- To strengthen loan business quality, lower non-performing loan, raise coverage ratio and product returns.
- Build sales pipelines and systems platform and full range of wealth management practice group; provide customers professional financial management advisory services.
- Integration diversified financial service and information system, to streamline processes, improves service efficiency, quality and customer satisfaction.
- To enhance management and activation the use of asset and liability to conduct into performance and improve profitability.
- To emphasize staff training, education, career planning and development, increase team work experience to build good business team.

5. Business Operation

5-2. Human Capital

Information of Educational Background for Employees in Recent 2 Years

Item	Year	2011	2012	Up to Jan. 31, 2013
Number of Employee		1,122	1,114	1,113
Average Age		37.86	38.58	38.68
Average Seniority		11.75	12.08	12.17
Structure of Education	PHD	1	1	1
	Master	51	52	52
	University/College	879	875	875
	Senior High School	188	183	182
	Below	3	3	3

Certificated Proficiency Tests of Employees	Total (Up to Jan. 31, 2013)
Basic Proficiency Test for Bank Lending Personnel	509
Advanced Proficiency Test for Bank Lending Personnel	30
Proficiency Test for Bank Collateral Appraisal Personnel	28
Basic Proficiency Test for International Banking Personnel	257
Proficiency Test for Foreign Exchange Trading Personnel	37
Proficiency Test for Financial Planning Personnel	341
Test for Small-Medium Business Financial Staff	124
Proficiency Test for Trust Operations Personnel	664
Proficiency Test for Obligation & Debt Collection Personnel	169
Proficiency Test for Bank Internal Control and Audit Personnel	727
Proficiency Test for Financial Risk Management Personnel	2
Securities Investment Analysts	7
Senior Securities Specialist	160
Securities Specialist	101
Future Specialist	133
Securities Investment Trust & Consulting Professionals	141
Qualified Test for Bill Finance Specialist	55
Proficiency Test for Bond Specialist	18
Proficiency Test for Stock Affair Specialist	7
Basic Ability Test for Asset Securitization	2
Personal Insurance Specialist	636
Test for Life Insurance Specialist (Foreign Currency Base) – Non Investing Insurance Products	323
Investing Insurance Specialist	387

Certificated Proficiency Tests of Employees	Total (Up to Jan. 31, 2013)
Non-life Insurance Specialist	536
Personal Risk Manager	1
Financial Risk Management (FRM)	1
Accountant	1
Land Registry Agent	1
Non-life Insurance Agent	1
Personal Insurance Agent	1
Personal Insurance Broker	1
General English Placement Test – Advance	3
General English Placement Test – Basic	18
TOEIC score above 880	1
TOEIC score 750-880	4
TOEIC score 550-750	8
TOEIC score 350-550	4

5-3. Responsibility and Ethical Code

The Bank is a famous financial institution in central Taiwan, which has been set up around for 97 years and kept ideas of “active, creativeness, friendliness and service” to protect customer rights and create the maximum value for all shareholders. To response for social liabilities, we set up “COTA Culture and Education Foundation” to develop the public welfare of elder persons concern as well as be the sponsor of society welfare, arts appreciation and communities cares such as Children Creative Drawing Contest, Day of No-Driving, Centennial Activity of Taichung Train Station etc., we pay full intention to participate and support.



5. Business Operation

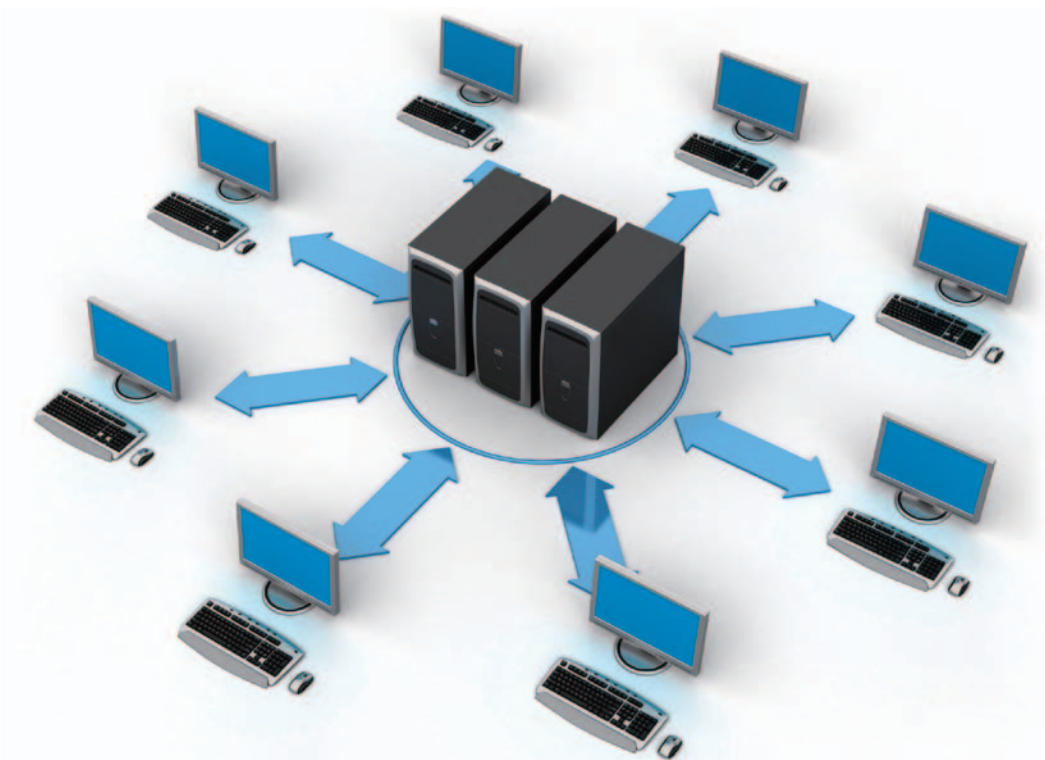
5-4. IT Equipment

The Bank uses IBM UNIX server for Business System, Testing System, Inter-bank Business and Utility System separately. Furthermore, we also uses Windows server and Linux server depend on different business lines.

Up to date, our working software includes Demand Deposits System, Time Deposit System, Comprehensive Deposit System, Bill Collection System, Financial Consultants System, Credit System, Trust Business System, Checks Clearing System, ATM & Chip-Card System, Internet Banking System, Automatic Phone Voice Service System, Correspondent System, Credit Checking System, Chops System, Staff Field System (including E-Document System, Staff Management System, Personnel & Wages System, Operation Analysis System, Credit Review System, Messaging System, Information Transmitting System, Consuming Business System, SME Banking Business System, Wealth Management Business System, Joint-Credit MQ Information System, Teaching film Platform, Field of Staff and Banking Business...), Accounting System, Safe System, Foreign Exchange System (DBU and OBU), Credit Card System etc.

In respond to the implementation Personal Information Protection Act, prevent data leakage, enhance with query, restriction on use data and record. Build up environment of AD (Active Directory), strengthen the management of Terminal computer equipment using.

The Bank uses Mirror Disks to protect all transactions data completely and keeps duplicates of disc and magnetic film every working day also for CD-ROM periodically. To enhance secure transactions, we set up strictly control and management of Internet banking platform. Furthermore, we dispose another control room and backup system to prevent any damage from disaster.



5-5. Labor-Management Relationship

5-5-1. To stabilize the quality of staff life and improve the working efficiency, the Bank takes care of the welfare for staff with regard to give birth, marriage and funeral events, medical treatment and accidents.

5-5-1-1. Group Insurance

In accordance with laws and regulations, the Bank applies Labor Insurance and National Health Insurance for all staff. We will give cash and medical payment through Bureau of Labor Insurance and Bureau of National Health Insurance separately if any accident caused. Moreover, we cover accident insurance with Shin Kong Life for all staff.

5-5-1-2. Bonus

Based on revenue performance, the Bank provides extra bonus at Lunar New Year, Dragon Boat Festival and Mid-Autumn Festival each year. The net earnings by fix ratio are assigned to be bonus for staff with good performance after covering prior years' deficits, income tax, and legal reserves and distribute dividends.

5-5-1-3. Incentive Interest Rate

The Bank provides favorable interest rate of deposits or loans for all staff.

5-5-1-4. Security and Hygiene

To prevent occupational disaster and ensure staff health, the Bank takes care of security and hygiene in accordance with related laws of worker safety sanitation.

5-5-1-5. Staff Proficiency Training

To enhance the level of our employee of profession, we are holding training courses and professional lessons.

The Bank's pension fund is pursuant to old-version and updated version which based on Labor Law for "Staff Retirement Plan". The benefit payments and credits suit separately by the above-mentioned plans and based on the years of service and final salary. In accordance with Labor Law, we will calculate 15% of total salaried employees by month (exclude appointed managerial employee) to be retirement payment that was deposited in the pension account in the Bank of Taiwan. We have another account for appointed management that calculated 8% of their salary each month. Up to 31 Dec. 2012, there are 389 staff (34.9% of employees) choosing the old version, 725 staff (65.1% of employees) choosing new version. The Bank has no significant argument between employee and employer at present.

5-5-2. Damage from Argument between Labor and Capital in Recent 2 Years

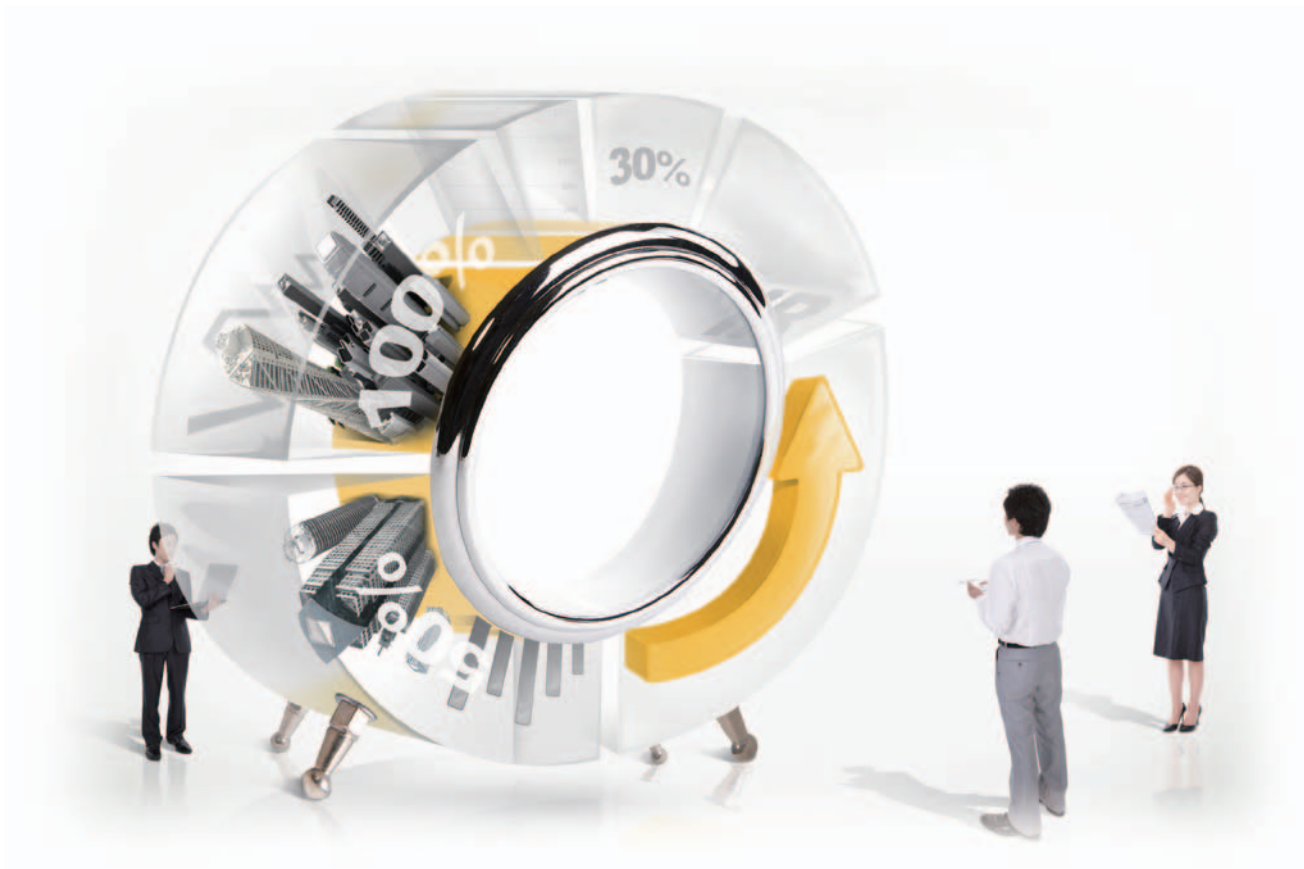
All personnel management and staff welfares of the Bank are conformed to Labor Law. We retain agreeable labor-capital relationship and never suffered damage from arguments and wish so for future.

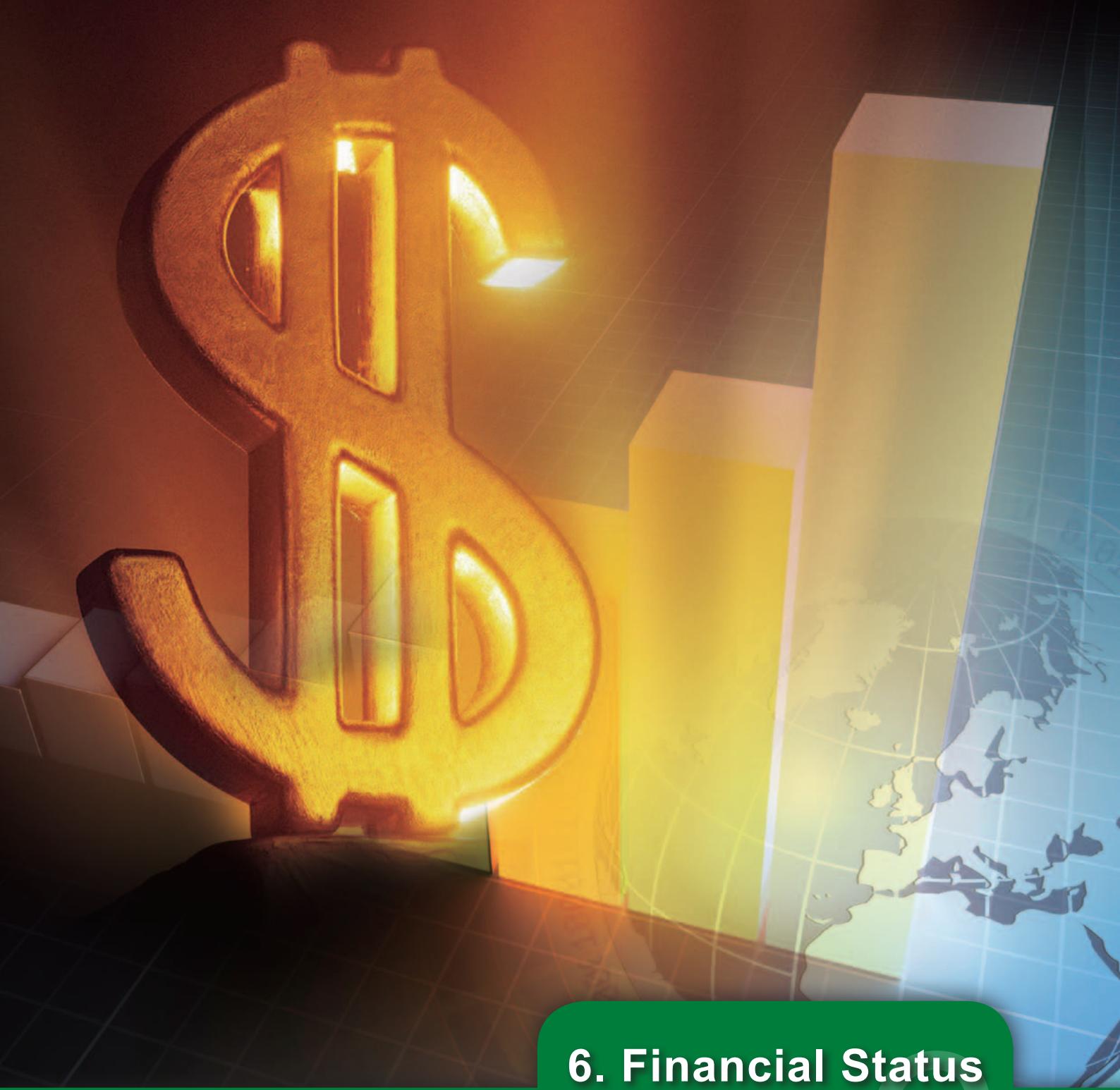
5. Business Operation

5-6. Major Contracts

Nature of Contract	Concern Party	Contractual Period	Major Content
Deposit Insurance Contract	Central Deposit Insurance Corp.	Engaged on Aug. 15, 1995	To enhance protection of customer deposits
Bank Comprehensive Insurance	Chung Kuo Insurance Co., Ltd.	From Apr. 1, 2012 to Apr. 1, 2013	<ol style="list-style-type: none"> 1. Staff unfaithful behavior 2. Asset of branches 3. Asset in transit 4. Forged cash 5. Damage of equipment 6. Fault of securities or contracts

5-7. Information of Approved Securized Products in Recent Years: None





6. Financial Status

6

6. Financial Status

6-1. Summarized Balance Sheet and Income Statement over the Past Five Years

Condensed Balance Sheet

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years				
		2012	2011	2010	2009	2008
Cash, Cash equivalents, due from the Central Bank, and call loan to other banks		25,035,333	29,485,619	24,486,177	26,435,656	19,369,246
Financial assets measured at fair value through profit or loss		2,169,921	1,766,453	758,415	737,002	1,474,982
Bonds and bills purchased under resale agreements		1,649,290	600,004	-	-	797,105
Available-for-sale financial assets		2,365,873	2,388,593	1,603,087	1,934,258	1,750,932
Discounts and Loans		87,964,356	82,215,491	84,784,456	75,527,272	78,388,068
Receivables		408,242	496,407	433,779	469,463	723,584
Held-to-maturity financial assets		4,522,347	2,216,109	1,339,785	1,394,552	440,288
Long-term investments under equity method		20,808	11,399	8,465	6,313	5,606
Fixed assets		1,242,591	1,193,297	1,112,852	1,307,502	1,343,527
Intangible assets		109,788	110,183	111,557	166,205	169,572
Other financial assets		244,965	235,094	255,364	381,967	621,515
Other assets		832,673	865,413	946,561	749,059	819,727
Total Assets		126,566,187	121,584,062	115,840,498	109,109,249	105,904,152
Due to The Central Bank and other banks		652,003	229,915	21,441	17,372	42,560
Deposits and remittances		117,533,609	113,129,625	106,746,372	100,852,795	97,454,023
Financial liabilities measured at fair value through profit or loss		1,781	-	24,325	173	1,004
Bonds and bills held under repurchased agreements		-	-	-	-	-
Loans from banks and financial debentures		1,500,000	1,500,000	2,499,754	2,498,773	2,497,792
Preferred stock		-	-	-	-	-
Accrued pension liability		213,635	171,551	202,777	57,729	69,227
Other financial liabilities		-	-	-	-	-
Other liabilities		1,165,093	1,138,980	1,171,937	1,001,159	1,207,894
Total liabilities	Before allocation	121,066,121	116,170,071	110,666,606	104,428,001	101,272,500
	After allocation	(Note)	116,236,957	110,729,313	104,449,348	101,272,500
Common stock		4,247,338	4,180,451	4,180,451	3,680,451	3,680,451
Capital reserve		884,333	884,299	884,299	878,099	1,199,457
Retained earnings	Before allocation	305,001	231,671	102,130	31,010	(321,358)
	After allocation	(Note)	164,785	39,423	9,663	(321,358)
Unrealized gains on financial instruments		10,606	24,927	22,400	24,270	5,231
Cumulative foreign currency translation adjustment		(14)	-	(2,087)	124	577
Other shareholder's equity		52,802	92,643	(13,301)	67,294	67,294
Total Shareholders' equity	Before allocation	5,500,066	5,413,991	5,173,892	4,681,248	4,631,652
	After allocation	(Note)	5,347,105	5,111,185	4,659,901	4,631,652

Note: The earnings distribution for 2012 has not been approved by the 2013 Shareholders' General Meeting.

Condensed Income Statement

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years				
		2012	2011	2010	2009	2008
Net interest income		1,977,732	1,857,470	1,647,778	1,341,353	1,624,219
Other net interest income		293,327	245,685	309,668	427,550	(194,483)
Bad debt expense		502,331	428,190	472,606	428,213	678,683
Operating expense		1,507,805	1,453,324	1,347,005	1,279,361	1,446,034
Income from continuing operations before income taxes		260,923	221,641	137,835	61,329	(694,981)
Income from continuing operations after income taxes		207,104	192,248	92,467	31,010	(641,524)
Gain(loss) from discontinuing operations(after income taxes)		-	-	-	-	-
Extraordinary gain or loss (after income taxes)		-	-	-	-	-
Cumulative effect of changes in accounting principle Net income(after income taxes)		-	-	-	-	-
Net income		207,104	192,248	92,467	31,010	(641,524)
Earnings per share		0.49	0.46	0.24	0.08	(1.74)

1. Certified public accountants:

Jun-Man Chen and Shi-Hua Guo for 2008~2011

Shi-Hua Guo and Yuan-Chen Mei for 2008~2011

2. Opinions: no retained opinion for 2008~2010, modified no retained opinion for 2011, no retained opinion for 2012



6. Financial Status

6-2. Analysis on Major Financial Ratios for Recent Five Years

Unit: TWD thousand; %

Descriptions	Year	Financial analysis during recent 5 years				
		2012	2011	2010	2009	2008
Operating Capability	Loans to deposits ratio (%)	76.42	72.67	80.19	75.76	81.48
	Overdue loan ratio (%)	0.37	0.43	0.82	2.13	2.68
	Interest expense to average balance of deposits ratio (%)	0.93	0.90	0.77	1.08	1.97
	Interest income to average balance of loans ratio (%)	3.42	3.38	3.02	3.09	4.37
	Total assets turnover (times)	0.02	0.02	0.02	0.02	0.01
	Average operating revenue per employee	2,947	2,782	2,651	2,623	3,392
	Average earnings per employee	186	171	86	28	(562)
Profitability	Return on first capital type assets (%)	5.11	4.46	2.99	1.42	(14.97)
	ROA (%)	0.17	0.16	0.08	0.03	(0.61)
	ROE (%)	3.80	3.63	1.88	0.67	(12.91)
	Net income ratio (%)	9.12	9.14	4.72	1.75	(44.87)
	EPS (loss)	0.49	0.46	0.24	0.08	(1.74)
Financial structure	Ratio of liabilities to assets	95.65	95.55	95.53	95.71	95.63
	Ratio of fix assets to shareholder's equity	22.59	22.04	21.51	27.93	29.01
Growth Rate	Asset growth rate (%)	4.10	4.96	6.17	3.03	2.75
	Profitability growth rate (%)	17.72	60.80	124.75	108.82	(1,011.95)
Cash flow	Cash flow ratio	28.16	N/A	114.37	231.68	N/A
	Cash flow adequacy ratio	795.03	1,369.46	1,504.76	1,074.23	587.38
	Ratio of cash flow for operating to cash flow from investing	(7.82)	N/A	(12.80)	(24.11)	N/A
Liquid Reserves Ratio (%)		20.07	23.01	17.55	22.24	15.85
Secured Loans to Related Parties		685,456	690,764	714,937	825,449	882,539
Secured Loans to Related Parties to Total Outstanding Loans Ratio (%)		0.74	0.80	0.82	1.06	1.09
Operation Scale	Market share of assets (%)	0.27	0.27	0.27	0.27	0.26
	Market share of net worth (%)	0.20	0.21	0.21	0.20	0.22
	Market share of deposits (%)	0.36	0.36	0.35	0.39	0.36
	Market share of loan (%)	0.41	0.40	0.43	0.41	0.43

Please explain the recent two year each financial ratio change reason (If the fluctuation change has not reached 20% to exempt the analysis)

1. Profit growth rate decreased by 71%, mainly resulted from 2010 to 2011 profit growth rate in high base.
2. Cash flow adequacy ratio decreased by 42%, mainly resulted from 2012 high interbank lending

Note:

1. Operating ability

- (1) Ratio of loans to deposits = Total loans / deposits
- (2) Ratio of overdue = (Loans Overdue + Other Overdue) / Total Loans
- (3) Ratio of interest Cost to Annual Average Deposits = interest Cost / Annual Average Deposits
- (4) Ratio of interest income to Annual Average Loans Outstanding =
Interest Income / Annual Average Loans Outstanding
- (5) Total Assets Turnover = Net Operating Revenue / Total Assets
- (6) Average Operation Revenue per Employee = Net Operating Revenue / Number of Employees
- (7) Average Profit per Employee = After-tax Income / Total Number of Employees

2. Profitability

- (1) Return on Tier I Capital = Pretax Earnings or Losses / Total Average Tier I Capital
- (2) Return on Assets = Net Income / Average of Total Assets
- (3) Return on Shareholders' Equity = Net income / Average of Total Shareholders' Equities
- (4) Ratio of Net Income = Net Income / Total Revenue
- (5) Earning per Share = (Net Income – Preferred stock Dividend) / Average Weighted Outstanding Stock

3. Financial Structure

- (1) Ratio of Liabilities to Assets = Liabilities / Total Assets
- (2) Ratio of Fix Assets to Shareholders' Equity = Fix Assets / Shareholders' Equities

4. Growth Rate

- (1) Asset Growth Rate = (Total Assets of the Year - Total Assets of Previous Year) / Total Assets of Previous Year
- (2) Profit Growth Rate = (Pretax Earnings or Losses of the Year - Before-tax Earnings or Losses of Previous Year) / Pretax Earnings or Losses of Previous Year

5. Cash Flow

- (1) Ratio of Cash Flow = Net cash flow from business activities / (call loans and overdrafts from banks + commercial paper payable + financial liabilities measured at fair value through profit or loss + bonds and bills sold under repurchase agreement + current portion of payables)
- (2) Ratio of Net Cash Flow Adequacy = Net cash flow from business activities for the past five years / (capital expenditures + cash dividends) for the past five years
- (3) Ratio of Cash Flow for operating to cash flow from investing = Net cash flow from business activities / Net cash flow from investing activities

6. Liquidity Reserves Ratio = Liquid Assets Stipulated by CBC / Reserves Appropriated for various Types of Deposits

7. Operating Scale

- (1) Market Share of Asset = Total Asset / Total Asset of the major financial institutions
- (2) Market Share of Net Worth = Net Worth / Total Asset of the major financial institutions
- (3) Market Share of Deposit = Total Deposit / Total Asset of the major financial institutions
- (4) Market Share of Loan = Total Loan / Total Asset of the major financial institutions

6. Financial Status

Unit: TWD thousand; %

Items		Year	Capital Adequacy Ratio of Recent Five Year				
			2012	2011	2010	2009	2008
Tier I Capital	Common Stocks		4,247,338	4,180,451	4,180,451	3,680,451	3,555,991
	Non-cumulative Perpetual Preferred Stocks		-	-	-	-	-
	Non-Cumulative Subordinated Debts Without Maturity Dates		-	-	-	-	-
	Advanced Receipts For Capital Stocks		-	-	-	-	-
	Capital Surplus (apart from fixed asset appreciation surplus)		884,333	884,299	884,299	878,099	1,323,875
	Legal Reserves		94,717	37,043	9,303	-	294,927
	Special Reserves		-	-	-	-	-
	Retained Earnings		210,283	194,628	92,827	31,010	66,519
	Minority Interests		-	-	-	-	-
	Other of Equity		-85,974	(46,119)	(82,682)	124	(10,356)
	Minus: Goodwill		102,289	102,289	102,289	154,027	154,027
	Minus: Non-amortization of NPL Disposal Loss		-	-	-	-	-
	Minus: Others		92,969	88,095	97,299	95,711	97,446
	Total Tier I		5,155,440	5,059,918	4,884,610	4,339,946	4,979,483
Tier II Capital	Perpetual Cumulative Preferred Stocks		-	-	-	-	-
	Cumulative Subordinated Debts Without Maturity Dates		-	-	-	-	-
	Fixed Asset Appreciation Surplus		138,763	138,763	67,294	67,294	67,294
	45% of Unrealized Gain of Financial Assets in Available-for-sale		4,773	11,217	10,080	10,921	2,527
	Convertible Bonds		-	-	-	-	-
	Operating Reserves and Loan Loss Provision		901,850	681,324	555,830	98,404	1,284
	Long-term Subordinated Debts		1,500,000	1,500,000	2,442,305	2,169,973	2,489,741
	Non-perpetual Preferred Stocks		-	-	-	-	-
	The Average of Non-cumulative Perpetual Preferred Stocks and Non-cumulative Subordinated Debts Without a Maturity Date Exceed 15% of Total Tier I Capital		-	-	-	-	-
	Minus: Others		92,969	88,095	97,299	95,710	97,446
Total Tier II		2,452,416	2,243,209	2,978,210	2,250,882	2,463,400	
Tier III Capital	Short-term Subordinated Debts		-	-	-	-	-
	Non-perpetual Preferred Stocks		-	-	-	-	-
	Total Tier III		-	-	-	-	-
Net Capital			7,607,856	7,303,127	7,862,820	6,590,828	6,435,606

Items		Year	Capital Adequacy Ratio of Recent Five Year				
			2012	2011	2010	2009	2008
Total Weighted Risk Assets	Credit Risk	Standardized Approach	65,405,914	58,611,648	58,608,437	52,781,703	58,639,906
		Internal-rating-based Approach	-	-	-	-	-
		Securitization	1,924	5,793	3,096	13,977	-
	Operational Risk	Basic Indicator Approach	3,941,879	3,633,837	3,202,718	3,244,938	3,563,313
		Standardized Approach / Alternative Approach	-	-	-	-	-
		Advanced Measurement Approach	-	-	-	-	-
	Market Risk	Standardized Approach	2,797,863	2,533,448	1,745,162	1,938,363	2,891,763
		Internal Model Approach	-	-	-	-	-
	Total Risk-weighted Assets		72,147,580	64,778,933	63,559,413	57,978,981	60,791,729
	Capital Adequacy Ratio		10.54	11.27	12.37	11.37	10.59
Tier I Capital to Risk Assets Ratio		7.14	7.81	7.69	7.49	7.08	
Tier II Capital to Risk Assets Ratio		3.40	3.46	4.68	3.88	3.51	
Tier III Capital to Risk Assets Ratio		-	-	-	-	-	
Common Shares Equity to Total Assets Ratio		3.36	3.44	3.61	3.37	3.48	

Note:

1. Net Capital Base = Tier I Capital + Tier II Capital + Tier III Capital
2. Total Weighted Risk Asset = Credit Risk Weighted Risk Asset + (Operational Risk + Market Risk) Capital Requirement × 12.5
3. Capital Adequacy Ratio = Net Capital Base / Total Risk Asset
4. Ratio of Tier I Capital to Risk Asset = Tier I Capital / Total Risk Asset
5. Ratio of Tier II Capital to Risk Asset = Tier II Capital / Total Risk Asset
6. Ratio of Tier III Capital to Risk Asset = Tier III Capital / Total Risk Asset
7. Ratio of Common Share Equity to Total Asset = Common Share Equity / Total Asset



6-3. Supervisors' Audit Report for Latest Year

**COTA Commercial Bank Co., Ltd.,
Supervisor's Audit Report for Year 2012**

Mar. 27, 2013

To: Shareholders' General Meeting of Year 2013

The Business Report, Financial Statement, Consolidated Financial Statement and Earning Distribution of fiscal year 2012, worked out and submitted by COTA Bank board of directors have been duly audited by KPMG Certified Public Accountants, and further verified by us. This Report duly submitted in accordance with Article 219 of the Company Law.

Standing Supervisor : Lien- Kui Wang

Supervisor : Yao-Ting Lee

Supervisor : Dhe-Chin Lai

Supervisor : Yong-Zhi Wang

Supervisor : Zhuang-Tai Wang

Independent Auditors' Report

The Board of Directors
COTA Commercial Bank Co., Ltd.:

We have audited the balance sheets of COTA Commercial Bank Co., Ltd. (the Company) as of December 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of COTA Commercial Bank Co., Ltd. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Banks" and Republic of China generally accepted accounting principles.

March 21, 2012

The logo for KPMG, consisting of the letters 'KPMG' in a stylized, bold, black font.

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the 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 financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

6. Financial Status

COTA Commercial Bank Co., Ltd. Balance Sheets December 31, 2012 and 2011

(expressed in thousands of New Taiwan Dollars)

	2012	2011	Change of percentage
Assets			
Cash and cash equivalents (note 4)	\$ 1,363,616	1,316,583	4
Due from the Central Bank and call loans to other banks (note 5)	23,671,717	28,169,036	(16)
Financial assets measured at fair value through profit or loss (note 6)	2,169,921	1,766,453	23
Securities purchased under resell agreements	1,649,290	600,004	175
Receivables, net (notes 7 and 25)	408,242	496,407	(18)
Loans, net (note 8)	87,964,356	82,215,491	7
Available-for-sale financial assets, net (notes 9 and 26)	2,365,873	2,388,593	(1)
Held-to-maturity financial assets, net (notes 10 and 26)	4,522,347	2,216,109	104
Long-term investments under equity method (note 11)	20,808	11,399	83
Other financial assets (note 12)	244,965	235,094	4
Premises and equipment, net (note 13)	1,242,591	1,193,297	4
Intangible assets (note 14)	109,788	110,183	-
Deferred tax assets (note 22)	122,804	72,639	69
Other assets (note 15)	709,869	792,774	(10)
Total Assets	\$ 126,566,187	121,584,062	4
Liabilities and Stockholders' Equity			
Liabilities:			
Due to the Central Bank and other banks (note 16)	\$ 652,003	229,915	184
Financial liabilities measured at fair value through profit or loss (note 6)	1,781	-	-
Payables (note 17)	767,378	599,677	28
Deposits and remittances (note 18 and 25)	117,533,609	113,129,625	4
Subordinate financial debentures (note 19)	1,500,000	1,500,000	-
Accrued pension liability (note 20)	213,635	171,551	25
Other liabilities	397,715	539,303	(26)
Total liabilities	121,066,121	116,170,071	4
Stockholders' equity (note 21):			
Common stock	4,247,338	4,180,451	2
Capital reserve	884,333	884,299	-
Retained earnings:			
Statutory reserve	94,717	37,043	156
Undistributed earnings	210,284	194,628	8
	305,001	231,671	32
Equity adjustments			
Land revaluation increments (note 13)	138,763	138,763	-
Cumulative foreign currency translation adjustments (14)	(14)	-	-
Unrealized gains on financial instruments	10,606	24,927	(57)
Unrecognized pension cost	(85,961)	(46,120)	86
	63,394	117,570	(46)
Total stockholders' equity	5,500,066	5,413,991	2
Commitments and contingencies (note 27)			
Total Liabilities and Stockholders' Equity	\$ 126,566,187	121,584,062	4

See accompanying notes to financial statements.

COTA Commercial Bank Co., Ltd.
Statements of Income
For the Years Ended December 31, 2012 and 2011

(expressed in thousands of New Taiwan Dollars, except for earning per share)

	2012	2011	Change of percentage
Interest income (note 25)	\$ 3,053,537	2,852,838	7
Less: interest expense (note 25)	<u>1,075,805</u>	<u>995,368</u>	8
Net interest income	1,977,732	1,857,470	6
Non-interest income, net			
Service fees income, net (note 25)	186,006	151,521	23
Gain on financial assets or liabilities measured at fair value through profit and loss (note 6)	46,833	57,329	(18)
Realized gain on available-for-sale financial assets	13,799	2,977	364
Realized gain on held-to-maturity financial assets (note 10)	1,034	1,321	(22)
Investment income recognized under equity method (note 11)	14,706	5,885	150
Foreign exchange gains (loss), net	(1,305)	2,217	159
Rent income (note 25)	16,192	21,706	(25)
Other non-interest income, net (note 13)	<u>16,062</u>	<u>2,729</u>	489
Net revenue	<u>2,271,059</u>	<u>2,103,155</u>	8
Bad debt expense (note 8)	<u>502,331</u>	<u>428,190</u>	17
Operating expense:			
Personnel expenses (note 20 and 25)	1,043,392	1,013,472	3
Depreciation and amortization expenses (note 14)	34,624	38,956	(11)
Other general and administrative expense	<u>429,789</u>	<u>400,896</u>	7
Total operating expense	<u>1,507,805</u>	<u>1,453,324</u>	4
Income before income taxes	260,923	221,641	18
Income tax expense (note 22)	<u>53,819</u>	<u>29,393</u>	83
Net income	<u>\$ 207,104</u>	<u>192,248</u>	8

	2012		2011	
	Before income tax	Before income tax	Before income tax	After income tax
Earning per share (in NTD) (note 23)				
Basic earning per share	\$ <u>0.61</u>	<u>0.49</u>	<u>0.53</u>	<u>0.46</u>
Basic earning per share-retroactive adjusted			\$ <u>0.52</u>	<u>0.45</u>
Diluted earning per share	\$ <u>0.61</u>	<u>0.49</u>	<u>0.53</u>	<u>0.46</u>
Diluted earning per share-retroactive adjusted			\$ <u>0.52</u>	<u>0.45</u>

See accompanying notes to financial statements.

6. Financial Status

COTA Commercial Bank Co., Ltd. Statements of Changes in Stockholders' Equity For the Years Ended December 31, 2012 and 2011

(expressed in thousands of New Taiwan Dollars)

	Common stock	Capital reserve	Retained earnings Statutory reserve	Undistributed earnings (Accumulated Deficit)	Land revaluation increments	Cumulative foreign currency translation adjustments	Unrealized gains on financial instruments	Unrecognized pension cost	Total
Balance as of January 1, 2011	\$ 4,180,451	884,299	9,303	92,827	67,294	(2,087)	22,400	(80,595)	5,173,892
Appropriation and distribution of 2010 earnings:									
Statutory reserve	-	-	27,740	(27,740)	-	-	-	-	-
Cash dividends	-	-	-	(62,707)	-	-	-	-	(62,707)
Unrealized loss on available-for- sale financial assets	-	-	-	-	-	-	2,527	-	2,527
Increase of land revaluation increments	-	-	-	-	71,469	-	-	-	71,469
Unrecognized pension costs	-	-	-	-	-	-	-	34,475	34,475
Changes in cumulative foreign currency translation adjustments	-	-	-	-	-	2,087	-	-	2,087
Net Income for 2011	-	-	-	192,248	-	-	-	-	192,248
Balance as of December 31, 2011	4,180,451	884,299	37,043	194,628	138,763	-	24,927	(46,120)	5,413,991
Appropriation and distribution of 2011 earnings:									
Statutory reserve	-	-	57,674	(57,674)	-	-	-	-	-
Cash dividends	-	-	-	(66,887)	-	-	-	-	(66,887)
Stock dividends	66,887	-	-	(66,887)	-	-	-	-	-
Unrealized loss on available-for- sale financial assets	-	-	-	-	-	-	(14,321)	-	(14,321)
Unrecognized pension costs	-	-	-	-	-	-	-	(39,841)	(39,841)
Changes in cumulative foreign currency translation adjustments	-	-	-	-	-	(14)	-	-	(14)
Others	-	34	-	-	-	-	-	-	34
Net Income for 2012	-	-	-	207,104	-	-	-	-	207,104
Balance as of December 31, 2012	\$ 4,247,338	884,333	94,717	210,284	138,763	(14)	10,606	(85,961)	5,500,066

Note: The remuneration to directors and supervisors of \$4,037 and \$1,942 thousands and bonuses to employees of \$13,457 and \$6,473 thousands were deducted from the Income Statement of 2012 and 2011.

See accompanying notes to financial statements.

COTA Commercial Bank Co., Ltd.
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

(expressed in thousands of New Taiwan Dollars)

	2012	2011
Cash flows from operating activities:		
Net income	\$ 207,104	192,248
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	25,601	26,541
Amortization	9,822	14,300
Provision for loan losses and other reserves	503,331	447,590
Amortization of discount on subordinate financial debentures	-	246
Investment income recognized under the equity method, net of cash dividends received	(9,409)	(2,934)
Loss (gain) on disposal of properties and non-operating assets, net	(1,670)	510
Provision for pension costs	69,975	69,561
Pension payment	(57,972)	(56,552)
Increase in financial assets measured at fair value through profit or loss	(403,468)	(1,008,038)
Decrease (increase) in receivables	79,928	(70,628)
Decrease (increase) in deferred tax assets	(50,165)	29,393
Decrease in other assets	4,660	5,506
Increase (decrease) in financial liabilities measured at fair value through profit or loss	1,781	(24,325)
Increase (decrease) in payables	167,701	(137,642)
Increase (decrease) in other liabilities	(147,085)	60,520
Net cash provided by (used in) operating activities	<u>400,134</u>	<u>(453,704)</u>
Cash flows from investing activities:		
Decrease (increase) in available-for-sale financial assets	8,399	(782,979)
Increase in held-to-maturity financial assets	(2,306,238)	(876,324)
Purchase of property and equipment	(13,489)	(10,406)
Proceeds from sale of properties and non-operating assets	1,758	862
Increase in deferred charges	(615)	(3,839)
Purchase of intangible assets	(1,821)	(971)
Decrease (increase) in due from the Central Bank and call loans to other banks	4,497,319	(5,246,305)
Decrease (increase) in loans	(6,242,959)	2,151,401
Increase in bonds and bills purchased under resale agreements	(1,049,286)	(600,004)
Decrease in other financial assets	2,334	44,496
Increase in refundable deposits	(12,205)	(364)
Net cash used in investing activities	<u>(5,116,803)</u>	<u>(5,324,433)</u>
Cash flows from financing activities:		
Issuance of financial debentures	-	1,500,000
Repayment of financial debentures	-	(2,500,000)
Increase in deposits received	4,497	167
Cash dividends paid	(66,887)	(62,707)
Increase in due to the Central Bank and other banks	422,088	91,374
Increase in deposits and remittances	4,403,984	6,500,353
Others	34	-
Net cash provided by financing activities	<u>4,763,716</u>	<u>5,529,187</u>
Effect of exchange rate changes	<u>(14)</u>	<u>2,087</u>
Net increase (decrease) in cash and cash equivalents	47,033	(246,863)
Cash and cash equivalents at beginning of year	1,316,583	1,563,446
Cash and cash equivalents at end of year	<u>\$ 1,363,616</u>	<u>1,316,583</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 1,072,105	985,628
Income tax	\$ 30,300	23,550
Non-cash investing activities:		
Reclassification of leased assets to land	\$ 60,695	-

See accompanying notes to financial statements.

6. Financial Status

COTA Commercial Bank Co., Ltd. Notes to Financial Statements December 31, 2012 and 2011

(expressed in thousands of NTD, unless otherwise stated)

1. Organization and operations

COTA Commercial Bank Co., Ltd. (the Company) was established in 1915 as a credit cooperative. Effective from January 1, 1999, the Company changed its status to commercial bank and its name to COTA Commercial Bank Co., Ltd. in accordance with the Company Law and the Banking Law. Pursuant to a stockholders' resolution on September 17, 2005 and as approved by the regulatory authorities, the Company merged Fengyuan Credit Cooperative on January 1, 2006. The Company currently has 26 domestic branches and one offshore banking unit.

The Company is engaged in:

- **Receiving deposits, extending loans, investing in bills and bonds, processing funds remittance, acceptances and guarantees, issuing letters of credit and providing other agency business (except for issuing foreign letters of credit and providing foreign guarantees);**
- **Buying and selling foreign currencies and traveler's checks;**
- **Credit card related services;**
- **Trust and fiduciary services;**
- **Foreign exchange service as authorized by the Central Bank;**
- **Commercial banking business related to international trade**

As of December 31, 2012 and 2011, the Company employed 1,114 and 1,122 persons, respectively.

2. Summary of Significant Accounting Policies

The accompanying financial statements were prepared in accordance with the "Guidelines Governing the Preparation of Financial Reports by Banks" and generally accepted accounting principles of the Republic of China. Significant accounting policies are summarized as below:

(a) Basis of financial statements

The financial statements include accounts of the headquarters, the OBU and all branches. All inter-office account balances and transactions have been eliminated while preparing the financial statements.

As required by the Banking Law and the Rules Governing Trust and Investment Companies and for the purpose of internal management, the Company maintains separate accounts and prepares separate sets of financial statements for its own funds and for the funds it administers on behalf of trustees. All the entrusted assets are booked in the memo account.

(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
(expressed in thousands of New Taiwan Dollars, unless otherwise stated)

(b) Accounting Estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Foreign currency transactions

The transactions of the Company are recorded in NT dollars. Non-derivative foreign currency transactions of the Company are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Resultant exchange differences are included in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange ruling at the balance sheet date. Any exchange differences resulting from fair value variation through profit and loss are included in the income statement, and exchange differences resulting from fair value variation through equity are accounted for under equity adjustments.

The assets and liabilities of offshore banking unit reported in functional currencies are translated into New Taiwan dollars at the exchange rates prevailing on the balance sheet date, and revenues, costs and expenses are translated at the rate of exchange prevailing on the date of the transaction. Translation differences resulting from the translation of these financial statements into New Taiwan Dollars, net of income taxes, are recorded as foreign currency translation adjustment, a separate component of stockholders' equity.

(d) Asset impairment

The Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount. The Company reverses an impairment loss recognized in prior periods for assets other than goodwill, if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior period.

(e) Financial assets or liabilities

Financial assets or liabilities which the Company held or issued are classified into the following

(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
(expressed in thousands of New Taiwan Dollars, unless otherwise stated)

categories in accordance with the purpose of holding or issuing after the initial recognition:

(i) Financial assets or liabilities measured at fair value through profit or loss:

Financial assets and liabilities are classified as held for trading if they are acquired or incurred principally for the purpose of selling or being repurchased in the near term. Except for the derivatives that the Company held for hedging purposes and the hedging results are considered effective, the Company's derivatives are classified into this account. Financial assets or liabilities at FVTPL are initially measured at fair value. At each balance sheet date subsequent to the initial recognition, financial assets or financial liabilities at FVTPL are re-measured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. On de-recognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. For debt commodities, the Company uses settlement date accounting in recording related transactions.

(ii) Available-for-sale financial assets:

Available-for-sale financial assets are carried at fair value plus transaction costs that are directly attributed to the acquisition. Unrealized gains or losses on available-for-sale financial assets are reported in equity attributed to the Company's stockholders. On disposal of an available for-sale-financial asset, the accumulated, unrealized gain or loss in equity attributable to the Company's stockholders is transferred to net profit and loss for the period. For debt commodities, the Company uses settlement date accounting in recording related transactions. The Company adopted settlement date accounting for financial instrument transactions. The fair value is measured and the resulting gain or loss from such measurement is recognized directly in equity. If there is objective evidence that an available-for-sale financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. Impairment loss recognized in profit and loss for an investment in equity instrument classified as available-for-sale is not reversed through profit and loss. 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 previous recognized impairment loss is reversed through the profit and loss.

(iii) Held-to-maturity financial assets:

Held-to-maturity financial assets are carried at amortized cost, which are valued by the effective interest method. On initial recognition, the costs of the financial assets are valued at their fair value plus the acquisition costs. The net gain or loss on held-to-maturity financial assets is derecognized upon asset disposal, impairment or amortization. For debt commodities, the Company uses settlement date accounting in recording related transactions. The amortized cost, interest income and interest expense of held-to-maturity

(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

financial assets are determined by using the effective interest rate method. If there is objective evidence that a held-to-maturity financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. 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 previous recognized impairment loss is reversed through the profit and loss. The carrying value after the reversal should not exceed the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

(iv) Financial assets carried at cost:

Equity instruments with no quoted market price and whose fair value that cannot be reliably measured are stated at cost. If there is objective evidence that financial assets carried at cost is impaired, the carrying amount of the assets is reduced and impairment loss is recognized. The impairment losses may not be reversed subsequently.

(v) Debts investment without active market:

The amortized cost and interest income of debt investments without an active market are determined by using the effective-interest-rate method. On initial recognition, the costs of the financial assets are valued at their fair value plus the acquisition costs. For debt commodities, the Company uses settlement date accounting in recording related transactions. If there is objective evidence that an impairment loss has been incurred on the balance sheet date, impairment loss is recognized. 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 previous recognized impairment loss is reversed through the profit and loss. The carrying value after the reversal shall not exceed the amortized balance of the assets assuming no impairment loss was recognized in prior period.

(f) Deposit in the Central Bank

Deposit in the Central Bank includes statutory deposits and certificate deposits. Statutory deposits are made according to relevant reserve regulations prescribed by the government.

(g) Repurchase and resale agreements

Investment securities with repurchase or resale agreements are accounted for using the financing method. Interest income or expenses on the trading of these securities are determined based on the difference between the cost and the price stated on repurchase or resale agreements.

(h) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market including due from the Central Bank, call loans to other banks, loans and receivables.

(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
(expressed in thousands of New Taiwan Dollars, unless otherwise stated)

According to related regulations issued by the Ministry of Finance, the Company shall classify credit assets on and off balance sheet. Normal credit assets shall be classified as "Category One" The remaining unsound credit assets shall be evaluated based on the status of the loan collaterals and the length of period overdue. Assets that require special mention shall be classified as "Category Two," assets that are substandard shall be classified as "Category Three," assets that are doubtful shall be classified as "Category Four," and assets for which there is loss shall be classified as "Category Five."

The Company shall evaluate credit assets on and off balance sheet and shall allocate sufficient loan loss provision and reserves against liability on guarantees. The minimum standard for loan loss provision shall be the sum of 0.5% of the balance of Category One credit assets, 2% of the balance of Category Two credit assets, 10% of the balance of Category Three credit assets, 50% of the balance of Category Four credit assets, and the full balance of Category Five credit assets.

In addition, the loss provision of credit card receivables shall be the sum of 2%, 50% and 100% of the current minimum payment overdue for the periods within three months, six months, and over six months, respectively.

The write-off of non-performing loans and non-accrual loans shall be authorized by a resolution approved by the Board of Directors. The amount provided under the loan loss provision shall be used to offset, and, if such amount is insufficient, the deficiency shall be recognized as a loss in the current year.

Effective from January 1, 2011, the Company adopted the 3rd amended SFAS No. 34 "Financial Instruments: Recognition and Measurement", and loans and receivables originated by the Company are within the scope of the amended SFAS No. 34. In accordance with the amended SFAS No. 34, the Company shall first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If there is any objective evidence of impairment, the Company shall recognize impairment losses or bad debt expenses. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against assets. In determining the amount of impairment losses, the Company shall also take the recoverable value of its collateral into consideration when estimating the expected future cash flow. If, in a subsequent period, the amount of the impairment loss decreases and the

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COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

Those objective evidences include:

- (a) Significant financial difficulty of the issuer or obligor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) 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;
- (d) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) The disappearance of an active market for that financial asset because of the issuer's financial difficulties;

In accordance with Business Tax Law, the Company provides 3% of operating revenue as allowance for bad debts with a view to writing off the default accounts starting July 1, 1999, and for the following years until the NPL (non-performing loan) ratio is lower than 1%.

(i) Long - term investment under equity method

Equity investments are accounted for under the equity method when the percentage of ownership, including direct investments by the Company and by its subsidiaries, exceeds 20%, or is less than 20% but the Company and its subsidiaries have significant influence over the investee. The Company obtains control over an investee when it directly or indirectly owns more than one half of the voting rights of the investee. The aforementioned investees are accounted for using the equity method. Consolidated financial statements included the aforementioned investees are prepared at the end of each June and December.

(j) Premises and equipment

Premises and equipment are stated at cost except that certain lands have been revalued in accordance with relevant laws and regulations. Revaluation increment is recorded as an addition to the carrying amount of the land and a corresponding equity item is recorded after the consideration of applicable reserve for taxes. Major additions, improvement, and replacement are capitalized, while maintenance and repairs are charged to current earnings. Interests incurred in acquisition of property before they are ready for the intended use are capitalized as part of the acquisition costs.

Depreciation is provided on the straight-line method using government-announced useful lives that approximate the economic lives of the assets. Premises and equipment still in use after full

(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
(expressed in thousands of New Taiwan Dollars, unless otherwise stated)

depreciation may continue to be depreciated over estimated remaining useful lives. Useful lives of major premises and equipment are as follows:

Buildings and premises	11 to 60 years
Operating equipment	1 to 9 years
Transportation equipment	4 to 10 years
Miscellaneous equipment	1 to 21 years

Gain or loss on disposal of premises and equipment is recorded as other non-interest income or expenses.

(k) Assets under operating lease

Assets leased to other parties under operating lease are stated at cost. Depreciation is provided on the straight-line method and is recognized as other non-interest income or expenses.

(l) Idle assets

Idle assets are stated at the lower of historical cost or net realizable value and recognized as other assets. Depreciation is recognized as other non-interest income or expenses.

(m) Intangible assets

Goodwill represents the excess of costs over the net fair value of acquired tangible assets, identifiable intangible assets and liabilities of assumed in the acquisition of Fengyuan Credit Cooperative on January 1, 2006. Goodwill acquired in a purchase business combination is not amortized, but instead tested for impairment at least annually in accordance with the amended SFAS No.1 "Conceptual Framework of Financial Accounting and Preparation of Financial Statement".

The Company assesses the cash-generating unit of goodwill on an annual basis and recognizes an impairment loss on the excess of carrying value over the recoverable amount.

The Company had reassessed the useful lives and the amortization method of its recognized intangible assets at the effective date.

(n) Deferred charges

Capital expenditures for equipment repair and software expenses are amortized over a period of 3 to 5 years using the straight-line method.

(o) Subordinate financial debentures

The Company issued subordinate financial debentures at discount with a lump-sum payment at maturity, and the interest expenses are computed and recorded at face value multiplied by the stated interest rate on a monthly basis. The discount is amortized over the estimated outstanding

(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

period of bonds issuance using the straight-line method and recognized as current interest expense. The related annual fee paid is recognized as an operating expense.

(p) Employee retirement plans

The Company has established a non-contributory defined benefit employee retirement plan covering all regular employees. According to the plan, employees are eligible for retirement or are required to retire after meeting certain age or service requirements. The retirement benefits are lump-sum payments and are based on the years of service and the level of pay at retirement.

The Company contributes, on the monthly basis, an amount equal to 15% of payroll of non-management employees to a pension fund maintained with the Bank of Taiwan (formerly the Central Trust of China) to cover the pension obligation for the employees. On the other hand, the Company contributes, on the monthly basis, an amount equal to 8% of payroll of management level employees to another independent fund to cover pension obligation for such employees.

Under the defined benefit plan, the Company follows ROC Statement of Financial Accounting Standards No. 18 (SFAS No. 18), "Accounting for Pensions", in accounting for its employee retirement obligation; therefore, pension costs are actuarially determined and include current service cost and amortization of transition obligation at initial adoption of SFAS No. 18, and, under certain circumstances, of actuarial gains and losses. If the accumulated benefit obligation exceeds the fair value of plan assets at the balance sheet date, a minimum liability is recognized based on the actuarial report as of that date.

Starting July 1, 2005, the Company, in accordance with a new labor pension system prescribed by the government, contributes 6% of salaries to individual pension accounts managed by the Bureau of Labor Insurance. This new system is a defined contribution plan where the contribution amount is recognized as periodic pension cost. The new plan applies to all employees that elect for the new pension system and all employees hired after July 1, 2005.

(q) Reserve for guarantee liability

Reserve for guarantee liability is provided by evaluating the status of guarantees outstanding and acceptances receivable at year end.

(r) Revenue recognition

Interest income is recognized under the accrual basis. Accrual of interest is suspended for overdue receivables and is not recognized until collected.

(s) Income tax

Income taxes are calculated based on accounting income. The amounts for deferred income tax liabilities and assets are calculated by applying the provisions of enacted tax law to

(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
(expressed in thousands of New Taiwan Dollars, unless otherwise stated)

determine the amount of tax payable or refundable, currently or in future years. The income tax effects of taxable temporary differences are recorded as deferred income tax liabilities. The income tax effects of deductible temporary differences, loss carry-forwards, and income tax credits are recognized as deferred income tax assets. The realization of deferred income tax assets is evaluated, and if it is considered more likely than not that the asset will not be realized, a valuation allowance is recognized accordingly.

The Company recalculated the deferred tax assets and liabilities by the new tax rate on the date the Income Tax Law was modified. The difference between the original and recalculated amount of deferred tax assets and liabilities is accounted for as income tax expense or benefit in the current period.

Tax credits generated from personnel training expenditure are recognized in the current period.

According to the revised Income Tax Law that became effective January 1, 2006, undistributed earnings are subject to an additional 10% corporate income surtax. The surtax payable is recorded as the Company's income tax expense in the year when the earnings are resolved to be retained by the stockholders.

(f) Employee bonuses, Directors' and Supervisors' remuneration

Employee bonuses and directors' emoluments appropriated after January 1, 2008 are accounted for by Interpretation (96) 052 issued by the Accounting Research and Development Foundation (ARDF). The Company estimates the amount of employee bonuses and directors' emoluments according to the Interpretation and recognizes it as expenses. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss.

(u) Earnings per share (EPS)

Earnings per share of common stock are the net income available to common stockholders divided by the weighted-average number of outstanding shares of common stock. The effect on earnings per share from an increase in stock through the issuance of stock dividends from un-appropriated earnings, capital surplus, or employee stock bonuses approved in the annual stockholders' meetings held before and in 2011 is computed retroactively. If these changes occur after the balance sheet date but before the issuance date of the financial statements, the earnings per share calculations shall also be adjusted retroactively.

Stock warrants issued to employees by the Company, convertible bonds, and employee stock bonuses not yet authorized by the stockholders' meeting are potential common shares. Basic net income per share will be disclosed if there is no dilution effect. Otherwise, both basic and diluted net income per share will be disclosed. For the purpose of calculating diluted net income per share, the potential common shares should be deemed to have been converted into common stock at the beginning of the period, and the effect on the net income attributable to additional

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COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

common shares outstanding should be considered accordingly. The number of shares of the dividend distribution to be approved in the annual stockholders' meeting held after 2008 is based on closing price of the day before the stockholders' meeting. However, when preparing the interim financial statements, the number of shares of the dividend distribution is based on closing price of the balance sheet date.

The Company adopted the Interpretation (97) 169 and (96) 052 issued by the ARDF. According to the interpretations, employee bonuses issued by stock were deemed as dilutive share equivalent. Before resolved by the shareholders' annual meeting, the effect of diluted share equivalent related to employee bonuses is calculated based on the quoted value on the balance sheet date.

(v) Commitments and contingencies

When losses from commitments and contingencies are deemed probable and the amount can be reasonably estimated, such losses are recorded currently; other commitments and contingencies are disclosed with regard to the nature and the range of possible losses, if any.

(w) Operating segment information

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). The segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions pertaining to the allocation of the resources to the segment and to assess its performance for which discrete.

3. Changes in Accounting Policies:

Effective January 1, 2011, the Company adopted the 3rd amended SFAS No. 34 "Financial Instruments: Recognition and Measurement". In accordance with the amended SFAS No. 34, loans and receivables originated by the Company shall be measured, subsequently evaluated, and assessed for impairment. Troubled debt restructuring and new contracts or term modifications negotiated for debt instruments shall also proceed in accordance with the standards specified in the amended statement from January 1, 2011. The effect of adoption of the newly released accounting principle was not significant for after-tax income and EPS for 2011.

Effective from January 1, 2011, the Company adopted SFAS No. 41 "Operating Segments," which supersedes SFAS No. 20 "Segment Reporting." In accordance with SFAS No. 41, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. The Company determines and presents operating segments based on the information that internally is provided to the chief operating decision maker. There were no influences on the profit or loss for 2011.

(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

4. Cash and Cash Equivalents

	December 31, 2012	December 31, 2011
Cash	\$ 1,007,240	958,925
Checks awaiting clearance	232,138	203,366
Deposits in other banks	124,238	154,292
	<u>\$ 1,363,616</u>	<u>1,316,583</u>

5. Due from the Central Bank and Call Loans to Other Banks

	December 31, 2012	December 31, 2011
Deposit reserve - checking accounts	\$ 1,642,259	1,944,307
Deposit reserve - demand accounts	3,270,137	3,136,398
Deposit reserve - foreign currency deposits	4,079	4,241
Certificate of deposits	18,300,000	22,300,000
Call loans to banks	233,088	672,610
Deposits with Financial Information Service Co., Ltd.	222,154	111,480
	<u>\$ 23,671,717</u>	<u>28,169,036</u>

According to the statutory reserve requirement, the Company deposits funds with the Central Bank. Deposits in checking account are interest-free and can be withdrawn without restriction; interest is accrued on demand account which cannot be withdrawn except for the monthly adjustment on the required level of deposit reserve.

6. Financial Assets Measured at Fair Value Through Profit or Loss:

	December 31, 2012	December 31, 2011
Financial assets held for trading purpose:		
Quoted stocks	\$ 140,464	55,864
Beneficiary certificates	132,676	-
Forward contracts	482	8,914
Swap contracts	394	1,287
	<u>274,016</u>	<u>66,065</u>
Financial assets measured at fair value through profit or loss		
Convertible bonds	1,895,905	1,700,388
	<u>\$ 2,169,921</u>	<u>1,766,453</u>

(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

	December 31, 2012	December 31, 2011
Financial liabilities held for trading purpose:		
Forward contracts	\$ 1,777	-
Swap contracts	4	-
	<u>\$ 1,781</u>	<u>-</u>

The Company engages in derivative transactions to mitigate exchange rate risks and interest rate risks. The Company's financial hedging policy is to minimize its market price or cash flow exposures.

The nominal amount information of outstanding derivative contracts as of December 31, 2012 and 2011 was as follows:

	December 31, 2012	December 31, 2011
Forward contracts	\$ 58,272	-
Swap contracts	1,632,319	47,699
	<u>\$ 1,690,591</u>	<u>47,699</u>

The net gains on financial assets held for trading for the years ended December 31, 2012 and 2011, were \$47,805 and \$31,804 thousands, respectively. The net gains (losses) on financial liabilities held for trading for the years ended December 31, 2012 and 2011 were \$(972) and \$25,525 thousands, respectively.

7. Receivable:

	December 31, 2012	December 31, 2011
Credit card accounts receivable	\$ 143,045	152,530
Interest receivable	228,436	210,126
Tax refund receivable	36,928	95,650
Acceptances receivable	9,381	4,884
Accrued income	6,592	6,252
Guarantee payments Receivable	13,827	23,790
Others	3,327	23,920
	441,536	517,152
Less: allowance for loan losses	(33,294)	(20,745)
	<u>\$ 408,242</u>	<u>496,407</u>

Impairment assessment of the Company and its subsidiaries' receivables as of December 31, 2012 and 2011 is analyzed as follows:

(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

Item		Loan amount		Allowance for doubtful accounts	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
With existing objective evidence of individual impairment	Individual assessment	236	278	97	52
	Group assessment	171,718	2,143	30,427	910
Without existing objective evidence of individual impairment	Group assessment	232,858	419,888	2,872	20,187
Total		404,812	422,309	33,396	21,149

8. Loans

	December 31, 2011	December 31, 2011
Exchanges and export bills negotiated	\$ 5,884	33,271
Overdrafts	59,900	59,380
Short-term loans	12,725,589	9,110,125
Medium-term loans	48,613,857	46,311,906
Long-term loans	28,200,125	27,661,282
Non-performing loans	212,577	281,379
	<u>89,817,932</u>	<u>83,457,343</u>
Less: allowance for loan losses discount	(1,670,553)	(1,118,326)
	<u>(183,023)</u>	<u>(123,526)</u>
	\$ 87,964,356	82,215,491

Impairment assessment of the Company and its subsidiaries' receivables loans as of December 31, 2012 and 2011 is analyzed as follows:

Item		Loan amount		Allowance for doubtful accounts	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
With existing objective evidence of individual impairment	Individual assessment	67,270	136,258	28,825	51,694
	Group assessment	505,856	459,838	499,672	348,980
Without existing objective evidence of individual impairment	Group assessment	89,244,806	82,861,247	1,142,056	717,652
Total		89,817,932	83,457,343	1,670,553	1,118,326

(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

The movements in allowance for loan losses for the years ended December 31, 2012 and 2011 were as follows:

	2012	2011
Beginning balance	\$ 1,139,475	817,702
Provision	502,331	428,190
Recovery of written-off credits	278,054	225,231
Write-offs	(215,837)	(331,822)
Effects of exchange rate changes	(74)	174
Ending balance	<u>\$1,703,949</u>	<u>1,139,475</u>

Non-performing loans amounted to \$212,577 and \$281,379 thousands as of December 31, 2012 and 2011. The unrecognized interest revenues were \$13,215 and \$15,605 thousands in 2012 and 2011, respectively.

9. Available-for-Sale Financial Assets

	December 31, 2012	December 31, 2011
Government bonds	\$ 52,608	52,868
Corporate bonds	2,313,265	2,326,047
Foreign securities	-	9,678
	<u>\$ 2,365,873</u>	<u>2,388,593</u>

10. Held-to-Maturity Financial Assets

	December 31, 2012	December 31, 2011
Government bonds	\$ 53,784	104,978
Corporate bonds	3,028,925	2,001,877
Financial debentures	39,638	109,254
NCD	1,400,000	-
	<u>\$ 4,522,347</u>	<u>2,216,109</u>

(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

11. Long-term Investments under Equity Method

	2012			
	Original Cost	Percentage of ownership	Investment income recognized under equity method	Book Value as of December 31, 2012
COTA Bank Insurance Brokers Co., Ltd.	\$ <u>5,000</u>	100%	<u>14,706</u>	<u>20,808</u>

	2011			
	Original Cost	Percentage of ownership	Investment income recognized under equity method	Book Value as of December 31, 2011
COTA Bank Insurance Brokers Co., Ltd.	\$ <u>5,000</u>	100%	<u>5,885</u>	<u>11,399</u>

12. Other Financial Assets

	December 31, 2012	December 31, 2011
Overdue receivables	\$ 204	807
Less: allowance for bad debts	<u>(102)</u>	<u>(404)</u>
	102	403
Others	-	15
Financial assets carried at cost	154,892	154,892
Debts investment without active market	50,915	52,932
Refundable deposits	<u>39,056</u>	<u>26,852</u>
	<u>\$ 244,965</u>	<u>235,094</u>

(a) Financial assets carried at cost:

Such assets represented the following equity investments:

	December 31, 2012		December 31, 2011	
	Book Value	Ownership %	Book Value	Ownership %
Taiwan Asset Management Corp.	\$ 100,000	0.57	100,000	0.57
Taiwan Financial Asset Service Corp.	50,000	2.94	50,000	2.94
Taiwan Depository & Clearing Corporation	4,639	0.08	4,639	0.08
Sunny Asset Management Corporation	<u>253</u>	0.42	<u>253</u>	0.42
	<u>\$ 154,892</u>		<u>154,892</u>	

(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

(b) Debts investments without active market

	December 31, 2012	December 31, 2011
Auction Rate Security	\$ 58,272	60,580
Less: accumulated impairment	(7,357)	(7,648)
	\$ 50,915	52,932

13. Premises and Equipment

(a) Cost

	December 31, 2012	December 31, 2011
Land	\$ 623,081	617,366
Buildings	612,024	540,109
Operating equipment	150,336	147,430
Transportation equipment	23,646	21,002
Miscellaneous equipment	172,845	172,325
Leasehold improvements	264	-
Revaluation increment of land	205,499	205,499
	1,787,695	1,703,731
Less: accumulated depreciation	(545,104)	(511,565)
Prepayments for equipment	-	1,131
	\$ 1,242,591	1,193,297

(b) Revaluation of property

The Company revalued all the held, respectively land in 1965, 1983 and 2011. The net amount of land value increment after provision for land value increment tax is recorded as an equity item. As of December 31, 2012 and 2011, such land revaluation increment was reflected in the financial statements as follows:

	December 31, 2012	December 31, 2011
Land revaluation increment	\$ 222,562	222,562
Less: provision for land revaluation increment tax	(83,799)	(83,799)
	\$ 138,763	138,763

(c) Other

No premise or equipment was pledged as a security or a lien.

(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
(expressed in thousands of New Taiwan Dollars, unless otherwise stated)

14. Intangible Assets

	December 31, 2012	December 31, 2011
Goodwill	\$ 102,289	102,289
Computer software	7,499	7,894
	\$ 109,788	110,183

Goodwill represents the excess of costs over the net fair value of acquired tangible assets, identifiable intangible assets and liabilities of assumed in the acquisition of Fengyuan Credit Cooperative on January 1, 2006.

In conformity with SFAS No. 25, "Accounting for Asset Impairment," the Company identified the business of Fengyuan Credit Cooperative as the smallest identifiable Company of cash-generating unit for goodwill impairment test. The recoverable value of the CGU is based on the key assumptions such as operating revenues, operating costs, operating expenses and discount rate.

Intangible assets consisted of computer software. The movements during 2012 and 2011 were as follows:

Original cost

	2012	2011
Beginning balance	\$ 32,517	31,546
Additions	1,821	971
Ending balance	\$ 34,338	32,517

Accumulated amortization

	2012	2011
Beginning balance	\$ 24,623	22,278
Amortization	2,216	2,345
Ending balance	\$ 26,839	24,623

The amortization expenses of \$2,216 and \$2,345 thousands in 2012 and 2011 were recorded as operating expense, respectively.

15. Other Assets

	December 31, 2012	December 31, 2011
Office supplies	\$ 3,740	4,139
Prepaid expenses	50,476	55,409

(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

Idle assets, net of depreciation	172,417	172,974
Assets under lease, net of depreciation and impairment	373,628	434,565
Deferred pension cost	97,594	107,354
Deferred charges	11,109	18,100
Others	905	233
	\$ 709,869	792,774

The impairment loss for the idle asset was recognized by \$450,552 thousands in 2008 due to the decline of market value which was assessed by the Company. The land was then reclassified as asset under lease in 2009 because of its changed nature of use and also reversed the accumulated impairment loss by \$101,706 in 2012 and 2012 in profit and loss for the appreciation of its market value which was assessed from an independent appraisal report.

16. Due to the Central Bank and Other Banks

	December 31, 2012	December 31, 2011
Due to other banks	\$ 32,927	82,525
Postal deposits accepted	117,100	117,100
Call loans from other banks	501,976	30,290
	\$ 652,003	229,915

17. Payables

	December 31, 2012	December 31, 2011
Interest payable	\$ 146,631	142,931
Tax payable	14,458	16,197
Collections payable	63,152	38,001
Accrued expenses	170,422	149,377
Income tax payable	73,620	-
Dividends payable	728	620
Acceptance drafts	9,381	4,884
Checks awaiting clearance	232,138	203,366
Dividends payable	11,628	11,645
Others	45,220	32,656
	\$ 767,378	599,677

(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

18. Deposits and Remittances

	December 31, 2012	December 31, 2011
Checking accounts	\$ 1,845,128	1,847,860
Cashiers' checks	358,994	135,311
Demand deposits	13,072,785	12,816,421
Time deposits	19,093,635	15,791,238
Demand savings deposits	29,584,093	28,019,098
Term savings deposits	53,576,850	54,510,375
Remittances	2,124	9,322
	\$ 117,533,609	113,129,625

The interest rates of the above deposits ranged from 0.14% to 1.33% and from 0.11% to 1.71% in 2012 and in 2011, respectively.

19. Subordinate Financial Debentures

	December 31, 2012	December 31, 2011
Subordinate financial debentures	\$ 1,500,000	1,500,000
Less: Amortization discount	-	-
Net	\$ 1,500,000	1,500,000

In order to increase the capital adequacy and raise medium-term and long-term operating funds, the board of directors of the Company resolved to issue subordinate financial debentures in a total amount of \$1,500,000 thousands on June 24, 2010, which was approved by the regulation authorities on September 10, 2010. The Company issued these debentures on March 29, 2011, and the subscription was completed during the year.

The details were as follows:

- (a) Issue price: At face value.
- (b) Issue period: From March 29, 2011 to March 29, 2018.
- (c) Interest rate: The interest rate 100-1A is 3.2%. 100-1B interest base on the Company's term savings deposits regular rate plus 1.65%.
- (d) Interest accrual: Annual interest accrual and payments since the issued date.
- (e) Repayment of principal: Full repayment of principal at maturity.

(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

20. Pension

The Company performed an actuarial assessment of its employee pension liability on December 31, 2012 and 2011, according to the original labor pension system of a defined benefit plan. The reconciliation between the funded status of the plan and accrued pension liability is as follows:

	December 31, 2012	December 31, 2011
Benefit obligation:		
Vested benefit obligation	\$ (658,161)	(589,464)
Non-vested benefit obligation	(98,769)	(113,608)
Accumulated benefit obligation	(756,930)	(703,072)
Additional benefits based on future level of salaries	(219,766)	(207,271)
Projected benefit obligation	(976,696)	(910,343)
Fair value of plan assets	543,295	531,521
Funded status	(433,401)	(378,822)
Unrecognized loss	305,726	253,391
Unrecognized net transition obligation	97,594	107,354
Additional minimum liability	(183,554)	(153,474)
Accrued pension liabilities	\$ (213,635)	(171,551)

The components of net periodic pension cost for 2012 and 2011 are as follows:

	2012	2011
Service cost	\$ 44,655	44,058
Interest cost	17,877	15,811
Expected return on plan assets	(5,130)	(6,004)
Amortization and deferral	12,573	15,696
Net pension cost	\$ 69,975	69,561

Actuarial assumptions for 2012 and 2011 were as follows:

	2012	2011
Discount rate	1.75%	2.00%
Rate of increase in future compensation	2.00%	2.00%
Expected long-term rate of return on plan assets	1.75%	2.00%

As of December 31, 2012 and 2011, the vested benefits for retirement amounted to \$943,509 and \$908,972 thousands, respectively.

In addition, pension expense under the new labor pension system as a defined contribution plan of the Company amounted to \$21,412 and \$19,978 thousands for the years ended December 31, 2012 and 2011, respectively.

(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

21. Stockholders' Equity

(a) Common stock

As of December 31, 2012 and 2011, the Company's authorized capital both was \$6,000,000 thousands, with par value of \$10. Total outstanding shares were 424,734 and 418,045 thousands, respectively.

It was resolved in the stockholders' meeting on June 7, 2012 to increase capital through a capitalization of retained earnings amounting to \$66,887 thousands. This had been registered and approved by the government authorities as well.

(b) Capital reserve

Capital reserve as of December 31, 2012 and 2011 was as follows:

	December 31, 2012	December 31, 2011
Statutory reserve and special reserve transferred in	\$ 742,056	742,056
Additional paid-in capital	136,043	136,043
Share-based compensation	6,200	6,200
Others	34	-
	\$ 884,333	884,299

In accordance with the ROC Company Law, capital reserve is exclusively used for offsetting prior losses and conversion to capital, and cannot be distributed as cash dividends. According to the ROC Company Law and relevant securities exchange regulations, a capital increase using capital reserve has to be reserves arisen from issuing stock or donated assets received and cannot exceed 10% of a company's paid-in capital in any year. Capital reserve arisen from long-term equity investments cannot be used to offset prior losses or converted to capital.

(c) Statutory reserve and earnings distribution

The Company's articles of incorporation stipulate that net income should be distributed in sequence order as follows:

- to pay income tax;
- to offset prior years' deficit, if any;
- to appropriate 30% as statutory reserve;
- to appropriate stockholders' regular dividends that do not exceed 10% of earnings;
- to appropriate directors' and supervisor' remuneration do not exceed 3% of earnings;
- to appropriate 10% as employee profit sharing;
- stockholders bonuses;

(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
(expressed in thousands of New Taiwan Dollars, unless otherwise stated)

The remaining balance is retained or appropriated based on change of the resolution by the Company's stockholders.

According to the Banking Law, cash dividends are limited to 15% of total capital until the balance of statutory reserve reaches the amount of capital.

In accordance with the Company's Articles of Incorporation, employee bonuses and remuneration to directors and supervisors in 2012 and 2011 were computed at an expected distribution rate of 10% and 3%, respectively, and based on the Company's net income for the year ended December 31, 2012 and 2011, after setting aside legal reserve. Accordingly, in 2012 and 2011, the company recorded the bonus to employees of \$14,500 thousands and \$13,395 thousands, respectively, and the remuneration to directors and supervisors of \$4,300 thousands and \$4,019 thousands, respectively. The difference, if any, between the amount approved by stockholders in the subsequent year and the amount estimated in the current-year financial statements shall be accounted for as a change in accounting estimate, and charged to profit or loss in the period during which stockholders' approval is obtained.

The distributions of earnings for 2011 and 2010 were resolved in the stockholders' meeting held on June 7, 2012 and June 9, 2011, respectively. The details were as follows:

	2011	2010
Cash dividends(in NT dollar)	\$ 0.16	0.15
Common Stock dividends(in NT dollar)	0.16	-
	\$ 0.32	0.15
Employees' profit sharing – cash	\$ 13,457	6,473
Directors' and supervisors' remuneration	4,037	1,942
	\$ 17,494	8,415

There is no difference between the board's resolution and the actual earnings distribution resolved by the stockholders' meeting for 2011.

A resolution on 2011 earnings distribution of the Company was approved by the stockholders' meeting on June 7, 2012, and the distribution of employee bonuses and remuneration to directors and supervisors amounted to \$13,457 and \$4,037 thousands, respectively. However, the distribution of employee bonuses and remuneration to directors and supervisors disclosed in the 2011 financial statements amounted to \$13,395 and \$4,019 thousands, respectively, the differences were accounted as a change in accounting estimate and recognized in the income statement of 2012.

The proposal for the distribution of 2012 earnings has not yet to be presented to the stockholders' meeting. The information regarding earnings distribution will be posted on the Market Observation Posting System after the meeting.

(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

22. Income Tax

The Company is subject to income tax at the current rate of 17% for both 2012 and 2011. The components of income tax expense for 2012 and 2011 were summarized as follows:

	2012	2011
Current	\$ 103,984	-
Deferred	(50,165)	29,393
	\$ 53,819	29,393

The income tax calculated on pretax financial income at a statutory income tax rate was reconciled with the income tax expense as reported in the accompanying financial statements for the years ended December 31, 2012 and 2011 as follows:

	2012	2011
Expected income tax expense	\$ 44,357	37,679
Investment tax credits	80	202
Tax effect of tax-exempt gains from sale of marketable securities and land	(1,826)	(5,215)
Under accrual of prior year's income tax	83	-
Adjustment to prior year's deferred tax assets	1,099	313
Allowance for deferred tax assets	14,500	-
Other adjustments	(4,474)	(3,586)
Income tax expense	\$ 53,819	29,393

Deferred income tax expense (benefit) for 2012 and 2011 were the tax consequences of the following temporary differences and credits:

	2012	2011
Unrealized exchange loss variable	\$ 565	2,380
Gain (loss) carryforwards	23,477	39,479
Amortization and impairment of goodwill	2,619	2,618
Increase in allowance for loans and receivables	(85,133)	(13,205)
Pension reserves	(2,040)	(2,212)
Employee welfare fund	(5,777)	-
Investment tax credits	1,624	333
Reversal of allowance for deferred tax assets	14,500	-
	\$ (50,165)	29,393

(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

Deferred tax assets and liabilities as of December 31, 2012 and 2011, represented the tax effects of the following temporary differences, loss carry forwards and investment tax credit:

	December 31, 2012	December 31, 2011
Amortization of goodwill	\$ (9,534)	(6,915)
Reversal of allowance for bad debts in excess of tax limit	136,338	51,205
Unrealized loss on foreclosed properties	19,251	19,251
Unrealized exchange loss	4,904	5,469
Loss carryforwards	-	23,477
Investment tax credits	-	1,624
Pension reserves	4,252	2,212
Others	8,593	2,816
Valuation allowance	(41,000)	(26,500)
	\$ 122,804	72,639

As of December 31, 2012, the ROC tax authorities had examined and assessed the Company's income tax returns for all years through 2010.

Imputation credit account (ICA) and creditable ratio

Beginning in 1998, the imputed income tax system was implemented by the ROC government. Under the system, the income tax paid at the corporate level can be used to offset the ROC resident stockholders' individual income tax. The Company is required to establish an Imputation Credit Account (ICA) to maintain a record of the corporate income tax paid and imputation credit it has allocated to each stockholder. The credit available to ROC resident stockholders is calculated by multiplying the dividends by the creditable ratio. The creditable ratio is calculated by dividing the balance of ICA by earnings retained since January 1, 1998.

Undistributed retained earnings:

	December 31, 2012	December 31, 2011
Undistributed retained earning - 1998 and after	\$ 210,284	194,628
Imputation credit account (ICA)	\$ 31,347	27,793
	2012	2011
The creditable ratio on retained earnings	20.71% (Expected)	15.44% (Actual)

(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

23. Earnings per Share

	2012		2011	
	Before income tax	After income tax	Before income tax	After income tax
Basic earnings per share:				
Net Income	\$ <u>260,923</u>	<u>207,104</u>	<u>221,641</u>	<u>192,248</u>
Weighted-average outstanding shares	<u>424,734</u>	<u>424,734</u>	<u>418,045</u>	<u>418,045</u>
Basic earnings per share (in NT dollar)	\$ <u>0.61</u>	<u>0.49</u>	<u>0.53</u>	<u>0.46</u>
Basic earnings per share-retroactive adjusted:				
Weighted-average outstanding shares-retroactive adjusted			<u>424,734</u>	<u>424,734</u>
Basic earnings per share-retroactive adjusted (in NT dollar)			\$ <u>0.52</u>	<u>0.45</u>
Diluted earnings per share:				
Net profit used to calculate diluted EPS	\$ <u>260,923</u>	<u>207,104</u>	<u>221,641</u>	<u>192,248</u>
Weighted-average outstanding shares	424,734	424,734	418,045	418,045
Effect of common stock with dilution potential:				
Employee bonuses	<u>1,916</u>	<u>1,916</u>	<u>1,263</u>	<u>1,263</u>
Average outstanding shares	<u>426,650</u>	<u>426,650</u>	<u>419,308</u>	<u>419,308</u>
Diluted earnings per share (in NT dollar)	\$ <u>0.61</u>	<u>0.49</u>	<u>0.53</u>	<u>0.46</u>
Diluted earnings per share-retroactive adjusted:				
Weighted-average outstanding shares-retroactive adjusted			<u>425,997</u>	<u>425,997</u>
Diluted earnings per share-retroactive adjusted (in NT dollar)			\$ <u>0.52</u>	<u>0.45</u>

(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

24. Disclosure of Financial Instruments

(a) Fair value of financial instruments:

Financial instruments	December 31, 2012		December 31, 2011	
	Book value	Fair value	Book value	Fair value
Assets:				
Fair value represented by book value	\$ 115,057,221	115,057,221	112,797,521	112,797,521
Financial assets measured at fair value through profit or loss	2,169,921	2,169,921	1,766,453	1,766,453
Available-for-sale financial assets	2,365,873	2,365,873	2,388,593	2,388,593
Held-to-maturity financial assets	4,522,347	4,539,123	2,216,109	2,231,822
Other financial assets	244,965	244,965	235,094	235,094
Liabilities:				
Fair value represented by book value	118,952,990	118,952,990	113,959,217	113,959,217
Financial liabilities measured at fair value through profit or loss	1,781	1,781	-	-
Subordinate financial debentures	1,500,000	1,500,000	1,500,000	1,500,000

(b) Assumptions used to estimate the fair market value of financial instruments are categorized as follows:

- (i) Fair value of short-term financial instruments was estimated in accordance with the carrying amount. Since the expiration date of the short-term financial instrument was relatively short, its carrying value is adopted as a reasonable basis in estimating the fair value. The method was applied to cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, payables, loans, due to the Central Bank and other banks, and deposits and remittances.
- (ii) Fair value of financial assets measured at fair value through profit or loss, available-for-sale and held-to-maturity financial assets is determined by transaction price quoted in an active market, when available; if otherwise, valuation techniques are applied. The estimates and assumptions applied in valuation techniques are consistent with available information about the estimates and assumptions that market participants would use in setting a price for the financial instrument.
- (iii) Deposits and loans are classified as interest-bearing financial assets or liabilities. Most of these financial assets and liabilities have floating interest rate, their book value are equivalent to the fair value.
- (iv) Financial assets carried at cost under the classification of other financial assets

(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
(expressed in thousands of New Taiwan Dollars, unless otherwise stated)

are investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Because debt investments without active market have no quoted market price, its fair value is represented by its carrying value.

- (v) The subordinate debenture was financial liability with floating interest rate, their fair value equal to their carrying value.
- (vi) The Company computed the fair value of each individual forward foreign currency contracts by using the expected exchange rate at the future maturity date, and whose rate was generated from Reuters (or Associated Press), a quoted pricing system.
- (c) The fair value of financial assets and liabilities evaluated under the quoted market price or other valuation techniques by the Company were as follows:

	December 31, 2012		December 31, 2011	
	Based on quoted market prices	Determined value by using valuation techniques	Based on quoted market prices	Determined value by using valuation techniques
Financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 273,140	1,896,781	55,864	1,710,589
Securities purchased under resell agreements	-	1,649,290	-	600,004
Available-for-sale financial assets	2,365,873	-	2,388,593	-
Held-to-maturity financial assets	3,099,484	1,439,638	2,172,600	59,222
Other financial assets	-	244,965	-	235,904
Liabilities:				
Financial liabilities measured at fair value through profit or loss	-	1,781	-	-
Subordinate financial debentures	-	1,500,000	-	1,500,000

For the year ended December 31, 2012 and 2011 gain (loss) arising from the fair value evaluation of financial instruments by using valuation techniques amounted to \$(20,438) thousands and \$31,480 thousands, respectively.

(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
(expressed in thousands of New Taiwan Dollars, unless otherwise stated)

(d) (i) Information of fair value hierarchy of financial assets and liabilities measured.

Financial instruments measured at fair value through profit or loss	December 31, 2012			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss:				
Quoted stocks	\$ 140,464	140,464	-	-
Fund	132,676	132,676	-	-
Convertible bonds	1,895,905	-	1,895,905	-
Available-for-sale financial assets:				
Government bonds	52,608	52,608	-	-
Corporate bonds	2,313,265	2,313,265	-	-
Other financial assets:				
Debts investments without active market	50,915	-	-	50,915
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss				
Forward contracts	482	-	482	-
Swap contracts	394	-	394	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Forward contracts	1,777	-	1,777	-
Swap contracts	4	-	4	-

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6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

<u>Financial instruments measured at fair value through profit or loss</u>	December 31, 2011			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss:				
Quoted stocks	\$ 55,864	55,864	-	-
Convertible bonds	1,700,388	-	1,700,388	-
Available-for-sale financial assets:				
Government bonds	52,868	52,868	-	-
Corporate bonds	2,326,047	2,326,047	-	-
Foreign securities	9,678	9,678	-	-
Other financial assets:				
Debts investments without active market	52,932	-	-	52,932
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss:				
Forward contracts	8,914	-	8,914	-
Swap contracts	1,287	-	1,287	-

a) Level 1: if the market for the financial instrument is active, the fair value of the financial instrument is represented by the quoted prices of the same instruments. An active market refers to a market that meets all of the following conditions:

1. the goods traded in the market are homogeneous;
2. willing sellers and buyers can be found at the same time;
3. the price information is available to the public.

b) Level 2: observable prices other than the quoted prices in an active market comprise direct (e.g. prices) or indirect (e.g. introduced by prices) observable inputs obtained from an active market.

c) Level 3: the inputs adapted to measure fair value at this level are not based on available data from the markets.

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COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

(ii) Movements of financial assets and liabilities classified into Level 3 of fair value are as follows:

Item	December 31, 2012						Ending balance
	Beginning balance	Valuation gain (loss) recognized as gain (loss) of the period or as stockholders' equity	Addition		Reduction		
			Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Other financial assets Debts investments without active market	\$ 52,932	-	-	-	2,017	-	50,915
Total	\$ 52,932	-	-	-	2,017	-	50,915

(e) Financial risk information:

(i) Market risk

The market risk refers to the fluctuation in market indicators, e.g., fluctuation in interest rate, exchange rate, stock market index, and commodity price. The Company manages market risk through its risk management system and believes that the system is effective.

The Company held government bonds of fix rate that fair value changes with market rate.

The Company's foreign currency position mainly was in United States dollars. When the New Taiwan dollar appreciates one tenth of an NT dollar, the Company would incur a loss of NT\$2,646 thousands because of its foreign currency position on December 31, 2012.

(ii) Credit risk

The financial instruments acquired or issued by the Company are subject to risk of financial loss resulting from the failure of a customer or counterparty to settle their contractual obligations as and when they fall due. The implementation and execution of credit risk management is assigned and supervised by credit operating units in order to evaluate and control the potential credit risk from various transactions

Strict credit assessment is conducted when the Company issues loan commitments, financial guarantees and letter of credits. The Company's practice is to require appropriate collaterals as necessary before granting of loans depending on the credit assessment. As of December 31, 2012, the ratio of secured loans to total outstanding loans granted is approximately 72.06%. Most of the collaterals provided for loans, financial guarantees and letter of credits are real estate properties, cash, marketable securities or other properties. In the event of customer defaults, the Company can forcibly execute its rights on the collaterals or rights on other guarantees to protect its creditor's right which in return, helps to minimize the Company's credit risk.

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6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

Concentration of credit risk exists when the counterparties to financial instrument transactions are individuals or groups engaged in similar activities with similar economic characteristics, which would cause their ability to meet contractual obligations to be simultaneously affected by changes in economic or other conditions. The Company implements the maximum credit limit for a customer or counterparty in various industries, enterprises and territories to avoid inappropriate concentration of risk.

■ Concentration of credit extensions:

2012.12.31			
Rank	Transaction Party	Outstanding loan	% of net assets
1	B Company-Construction	\$ 297,500	5.41
2	D Company-Transportation	270,838	4.92
3	A Company- Accommodation	267,583	4.87
4	F Company- Wholesale	230,909	4.20
5	U Company-Construction	201,280	3.66
6	J Company-Textile Industry	180,661	3.28
7	E Company-Real Estate	176,260	3.20
8	T Company- Wholesale	165,260	3.00
9	G Company-Manufacturing	163,202	2.97
10	W School-Construction	162,000	2.95
	Total	2,115,493	

2011.12.31			
Rank	Transaction Party	Outstanding loan	% of net assets
1	A Company- Accommodation	\$ 299,958	5.54
2	B Company-Construction	298,700	5.52
3	G Company-Manufacturing	261,182	4.82
4	E Company-Real Estate	256,000	4.73
5	D Company-Transportation	225,278	4.16
6	J Company-Textile Industry	192,042	3.55
7	S Company-Construction	176,200	3.25
8	T Company- Wholesale	161,360	2.98
9	L Company- Non-profit Organization	158,000	2.92
10	F Company- Wholesale	151,708	2.80
	Total	2,180,428	

(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

- The Company's contracted amounts of financial instruments with off-balance-sheet credit risks were as follows:

	December 31, 2012	December 31, 2011
Unused lines of credit	\$ 10,485,876	8,992,014
Credit commitment on credit cards	\$ 1,439,750	1,352,221
Guarantee on loans and unused L/C balance	\$ 2,743,122	2,873,344

(iii) Liquidity risk

Liquidity risk includes market liquidity risk and fund liquidity risk. Because there is an active market for the Company's holding of stock, beneficiary certificates, government bonds and corporate bonds which can be sold at fair value readily, the Company is able to manage liquidity risk effectively.

The basic principle in managing liquidity risk is to match the time-to-maturity for assets and liabilities and to monitor the duration gap. The liquidity reserve ratio for the Company was 20.07% and 23.01% as of December 31, 2012 and 2011, and the operating capital of the Company is sufficient to meet cash needs for all contractual obligations. The management therefore expects that there is no liquidity risk concerning inability to raise capital to meet existing contractual obligations.

As of December 31, 2012, analysis for time-to-maturity of the Company's assets and liabilities was as follows: (classified into NT dollar and US dollar assets/liabilities)

	Total	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
(in thousands of NT dollars)						
Capital inflow	\$ 127,465,525	26,748,454	7,248,310	7,930,667	11,845,706	73,692,388
Capital outflow	138,379,399	13,026,764	14,889,950	19,337,880	41,626,642	49,498,163
Maturity gap	(10,913,874)	13,721,690	(7,641,640)	(11,407,213)	(29,780,936)	24,194,225

	Total	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
(in thousands of US dollars)						
Capital inflow	\$ 76,677	25,248	48,372	2,753	-	304
Capital outflow	76,677	54,735	13,137	2,483	6,289	33
Maturity gap	-	(29,487)	35,235	270	(6,289)	271

As of December 31, 2011, analysis for time-to-maturity of the Company's assets and liabilities was as follows: (classified into NT dollar and US dollar assets/liabilities)

(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

	Total	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
(in thousands of NT dollars)						
Capital inflow	\$ 121,970,517	13,755,507	11,719,994	14,860,787	11,301,541	70,332,688
Capital outflow	131,848,251	12,466,861	14,644,573	18,910,356	39,531,455	46,295,006
Maturity gap	(9,877,734)	1,288,646	(2,924,579)	(4,049,569)	(28,229,914)	24,037,682

	Total	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
(in thousands of US dollars)						
Capital inflow	\$ 69,128	36,134	29,393	2,645	-	956
Capital outflow	69,128	51,440	11,046	4,069	2,536	37
Maturity gap	-	(15,306)	18,347	(1,424)	(2,536)	919

(iv) Cash flow risk from interest rate fluctuation

As of December 31, 2012, the Company's analysis of interest-sensitive assets and liabilities were as follows:

	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
(in thousands of NT dollars)					
Interest-sensitive assets	\$ 94,288,767	5,246,319	1,836,621	20,005,203	121,376,910
Interest-sensitive liabilities	22,451,401	57,103,354	33,160,422	2,868,094	115,583,271
Gap	71,837,366	(51,857,035)	(31,323,801)	17,137,109	5,793,639
Stockholders' equity					5,500,066
Ratio of interest-sensitive assets to liabilities					105.01%
Ratio of gap to stockholders' equity					105.34%

	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
(in thousands of US dollars)					
Interest-sensitive asset	\$ 15,533	2,751	-	304	18,588
Interest-sensitive liability	30,668	2,478	6,282	-	39,428
Gap	(15,135)	273	(6,282)	304	(20,840)
Stockholders' equity					33
Ratio of interest-sensitive assets to liabilities					47.14%
Ratio of gap to stockholders' equity					(63,151.52)%

(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

As of December 31, 2011, the Company's analysis of interest-sensitive assets and liabilities were as follows:

	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
(in thousands of NT dollars)					
Interest-sensitive assets	\$ 81,647,359	12,021,363	199,000	21,780,663	115,648,385
Interest-sensitive liabilities	22,147,199	54,972,102	31,250,303	3,081,363	111,450,967
Gap	59,500,160	(42,950,739)	(31,051,303)	18,699,300	4,197,418
Stockholders' equity					5,413,991
Ratio of interest-sensitive assets to liabilities					103.77%
Ratio of gap to stockholders' equity					77.53%

	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
(in thousands of US dollars)					
Interest-sensitive asset	\$ 16,357	2,637	-	956	19,950
Interest-sensitive liability	24,416	4,224	4,790	-	33,430
Gap	(8,059)	(1,587)	(4,790)	956	(13,480)
Stockholders' equity					37
Ratio of interest-sensitive assets to liabilities					59.68%
Ratio of gap to stockholders' equity					(36,432.43)%

(v) Risk management and hedge strategies

The risk management structure of the Company takes the Board of Directors as the decision making body and the effective operation of the Company's risk management policies as the ultimate objective to optimize its earnings and return for stockholders.

Strategies and policies are continuously monitored and reviewed to ensure that all major risks in various aspects of the Company's operation are effectively managed.



(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

25. Related-party Transactions

(a) Related parties and relationship with the Company

Parties	Relationship
Management (each individual deposit and loans not exceeding 1% of total deposits and loans)	Including directors, supervisors, managers and their spouses and immediate family members
COTA Bank Insurance Brokers Co., Ltd.	Subsidiary of the Company
The Bank's directors, supervisors, general manager and vice general manager	The Company's main management echelon

(b) Significant transactions with related parties

(i) Loans

As of December 31, 2012 and 2011, loans to related parties amounted to approximately \$92,787 and \$88,588 thousands, respectively, representing 0.10% and 0.11% of total loans at each date. Interest resulting from such loans was \$1,786 and \$1,756 thousands, respectively, representing 0.06% of total interest income for 2012 and 2011. Both ranges of interest rates were 1.70%~2.75%.

(ii) Deposits

As of December 31, 2012 and 2011, deposits from related parties were approximately \$298,644 and \$309,005 thousands, respectively, representing 0.25% and 0.27% of total deposits at each date. Interest resulting from such deposits was \$5,821 and \$4,876 thousands, respectively, representing 0.54% and 0.49% of total interest expense for 2012 and 2011. The range of interest rate was approximately 9.15% and 9.06%~9.15%, respectively. The range of interest rate for employee demand savings deposits was approximately 0.14%~1.33% and 0.11%~1.71% p.a., respectively.

(iii) Service fees income

	2012		2011	
	Service fees income	December 31, 2012 Accrued income	Service fees income	December 31, 2011 Accrued income
COTA Bank Insurance Brokers Co., Ltd.	\$ <u>79,005</u>	<u>5,642</u>	<u>47,000</u>	<u>5,521</u>

The above-mentioned income was mainly from commission resulting from sale of insurance.

(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

(v) Rentals income

	2012	2011
COTA Bank Insurance Brokers Co., Ltd.	\$ <u>221</u>	<u>221</u>

The rental income was for rental of office and both were fully collected as of December 31, 2012 and 2011.

(c) Compensation of directors, supervisors and management personnel

	2012	2011
Salaries	\$ 23,938	23,609
Incentives	3,789	2,917
Profession compensation	1,512	1,326
Bonus	174	158
	\$ <u>29,413</u>	<u>28,010</u>

26. Pledged Assets

	December 31, 2012	December 31, 2011
Pledged for:		
Guarantee deposits for provisional actions against defaulted loans and deposit for trust business (recorded as available-for-sale financial assets and Held-to-maturity financial assets)	\$ <u>73,500</u>	<u>58,800</u>

27. Significant Commitment and Contingencies

(a) As of December 31, 2012 and 2011, the Company's significant commitments and contingent liabilities were as follows:

	December 31, 2012	December 31, 2011
Collections received	\$ 10,621,908	11,146,198
Guarantees	2,743,122	2,873,344
Securities purchased under resell agreements	1,649,290	600,004
Travelers' checks held on consignment	26,529	30,320

(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

(b) In accordance with Article 17 of the Trust Enterprise Law, balance sheet and trust property under the Company's trust accounts are disclosed as follows:

Balance Sheet
December 31, 2012 and 2011

Trust Assets	December 31, 2012	December 31, 2011	Trust Liabilities	December 31, 2012	December 31, 2011
Deposit in bank	\$ 94,901	59,828	Trust capital		
Investment in mutual fund	4,468,000	4,509,832			
Real Estate Trust	23,581	-	Money	4,586,482	4,569,600
Total trust assets	\$ 4,586,482	4,569,660	Total trust liabilities	4,586,482	4,569,660

Statement of Income
December 31, 2012 and 2011

	December 31, 2012	December 31, 2011
Trust Income		
Interest income	\$ 39	39
	39	39
Trust Expense		
Service fees	890	1,242
Management fees	4	18
	894	1,260
Income loss before income taxes	(855)	(1,245)
Income tax expense	-	-
Net loss	\$ (855)	(1,245)

(c) Operating leases

The Company has entered into various operating lease agreements for domestic banking premises.

As of December 31, 2012 the estimated rental commitments for the next five years are as follows:

Fiscal Year	Amount
2013	\$ 36,306
2014	26,306
2015	18,300
2016	16,181
2017	8,925
	\$ 106,018

(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

28. Significant Disaster Loss: None

29. Significant Subsequent Events: None

30. Other Matters

(a) Personnel expenses, depreciation, and amortization for the years ended December 31, 2012 and 2011, were summarized as follows:

Function	2012			2011		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel Expenses:						
Salaries	-	872,390	872,390	-	845,216	845,216
Labor and health insurance	-	64,448	64,448	-	60,953	60,953
Pension	-	91,387	91,387	-	89,539	89,539
Other personnel expenses	-	15,167	15,167	-	17,764	17,764
Depreciation expenses	-	24,802	24,802	-	24,656	24,656
Amortization expenses	-	9,822	9,822	-	14,300	14,300



6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

(b) Capital Adequacy ratio:

Item		Year	December 31, 2012	December 31, 2011	
Capital	Tier I Capital		5,155,439	5,059,918	
	Tier II Capital		2,452,416	2,243,209	
	Tier III Capital		-	-	
	Total		7,607,855	7,303,127	
Risk-weighted assets	Credit risk	Standardized approach	65,405,914	58,605,855	
		Internal-rating-based approach	-	-	
		Secularizations	1,924	5,793	
	Operational risk	Basic indicator approach	3,941,879	3,633,837	
		Standardized approach / alternative approach	-	-	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	2,797,863	2,533,448	
		Internal model approach	-	-	
	Total risk-weighted assets			72,147,580	64,778,933
	Capital adequacy ratio			10.54%	11.27%
Tier I capital / risk-weighted assets			7.14%	7.81 %	
Tier II capital / risk-weighted assets			3.40%	3.46 %	
Tier III capital / risk-weighted assets			- %	- %	
Common stock / total assets			3.36%	3.44%	
Leverage Ratio			4.16%	4.27%	

(c) Average values and average interest rates of the Company's interest-bearing assets and liabilities were as follows:

	2012		2011	
	Average value	Average interest rate (%)	Average value	Average interest rate (%)
Assets				
Deposits in other banks	\$ 88,666	0.08	\$ 106,885	0.07
Call loans to other banks	180,708	0.77	543,119	0.88
Due from Central Bank	18,692,301	0.92	23,487,176	0.89
Securities purchased under resell agreements	675,937	0.84	74,894	0.73
Available-for-sale financial assets	2,648,526	1.51	1,778,091	1.87

(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

Held-to-maturity financial assets	5,439,142	1.26	1,748,226	1.90
Loans	86,861,609	2.94	83,657,433	3.00
Liabilities				
Banks deposits	-	-	184	-
Call loans from banks	117,524	0.41	64,094	0.52
Subordinate financial debentures	1,500,000	3.16	1,731,507	2.99
Demand deposits	12,108,732	0.14	11,884,072	0.13
Demand savings deposits	27,310,530	0.31	27,106,240	0.29
Time deposits	71,098,996	1.23	68,350,602	1.18
Staff savings deposits	691,807	6.77	646,328	6.75

(d) Primary foreign currency assets

Foreign currencies having significant effect on the company and subsidiaries financial assets and liabilities are follows:

	2012.12.31			2011.12.31		
	Original currency	Exchange rate	Equivalent NTD amount	Original currency	Exchange rate	Equivalent NTD amount
Financial assets:						
Monetary items:						
USD	\$ 19,670	29.136	573,105	21,225	30.2900	642,905
HKD	4,289	3.7586	16,121	3,206	3.8985	12,499
JPY	83,315	0.3375	28,119	100,355	0.3907	39,209
AUD	1,030	30.2665	31,174	1,060	30.7413	32,586
EUR	920	38.6081	35,519	1,157	39.2013	45,356
CNY	2,071	4.6757	9,683	2,381	4.8081	11,448
Financial liabilities:						
Monetary items:						
USD	39,435	29.136	1,148,978	32,738	30.2900	991,634
HKD	3,078	3.7586	11,569	3,820	3.8985	14,892
CAD	297	29.2971	8,701	329	29.6815	9,765
JPY	22,429	0.3375	7,570	4,269	0.3907	1,668
AUD	2,359	30.2665	71,399	1,653	30.7413	50,815
NZD	2,749	23.9352	65,798	3,583	23.3990	83,839
GBP	378	46.9789	17,758	499	46.7466	23,327
EUR	1,244	38.6081	48,028	1,386	39.2013	54,333
ZAR	16,334	3.429	56,009	7,626	3.7225	28,388

(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

(e) As of December 31, 2012 and 2011, details of loans or guarantees that involved related parties were as follows:

Classification	December 31, 2012		
	Accounts	Amount	Expected potential loss
Consumer loan borrowers	130	\$ 56,549	None
Employee mortgage loan borrowers	92	212,043	56
Other loan borrowers	147	416,864	None
Related parties as guarantors for loans	23	102,976	3
Related parties as providers of collateral	12	59,393	3

Classification	December 31, 2011		
	Accounts	Amount	Expected potential loss
Consumer loan borrowers	123	\$ 55,819	13
Employee mortgage loan borrowers	98	207,676	29
Other loan borrowers	159	427,269	None
Related parties as guarantors for loans	26	127,833	1,504
Related parties as providers of collateral	13	55,321	4



(Continued)

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

(f) Asset quality

Period		2012.12.31				
Product	Item	Overdue loan amount	Loan Balance	Overdue rate	Allowance for loans losses	Covering rate
Corporate Banking	Secured	81,258	12,971,380	0.63%	227,933	280.51%
	Unsecured	25,255	13,674,150	0.18%	155,283	614.86%
Consumer Banking	Mortgage	59,656	19,155,058	0.31%	325,255	545.22%
	Cash card	41	3,108	1.32%	101	246.34%
	Credit loan	74,686	10,618,469	0.70%	311,944	417.67%
	Other	Secured	70,740	32,747,247	0.22%	551,912
Unsecured		21,994	648,520	3.39%	98,125	446.14%
Total		333,630	89,817,932	0.37%	1,670,553	500.72%
		Overdue	Account receivables	Overdue rate	Allowance for bad debts	Covering rate
Credit card		421	143,249	0.29%	18,235	4,331.35%
Without recourse factoring		-	-	- %	-	- %

Period		2011.12.31				
Product	Item	Overdue loan amount	Loan Balance	Overdue rate	Allowance for loans losses	Covering rate
Corporate Banking	Secured	41,241	12,031,592	0.34%	133,758	324.33%
	Unsecured	44,217	9,146,653	0.48%	104,840	237.10%
Consumer Banking	Mortgage	81,062	18,339,304	0.44%	205,563	253.59%
	Cash card	-	3,920	- %	75	- %
	Credit loan	55,102	10,790,092	0.51%	191,085	346.78%
	Other	Secured	95,291	32,355,956	0.29%	367,125
Unsecured		43,941	789,826	5.56%	115,880	263.72%
Total		360,854	83,457,343	0.43%	1,118,326	309.91%
		Overdue	Account receivables	Overdue rate	Allowance for bad debts	Covering rate
Credit card		807	153,336	0.53%	11,355	1,407.06%
Without recourse factoring		-	-	- %	-	- %

(Continued)

6. Financial Status

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements (Continued)
 (expressed in thousands of New Taiwan Dollars, unless otherwise stated)

(g)	December 31, 2012		December 31, 2011	
	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables
Pursuant to a contract under a debt negotiation plan	47,305	14,150	65,170	19,851
Pursuant to a contract under a debt liquidation plan and a debt relief plan	186,735	4,970	183,188	5,854
Total	234,040	19,120	248,358	25,705

(h) Concentration of credit extension: please refer to note 24-(d) (ii).

(i) Information of interest sensitivity: please refer to note 24-(d) (iv).

(j) Profitability analysis

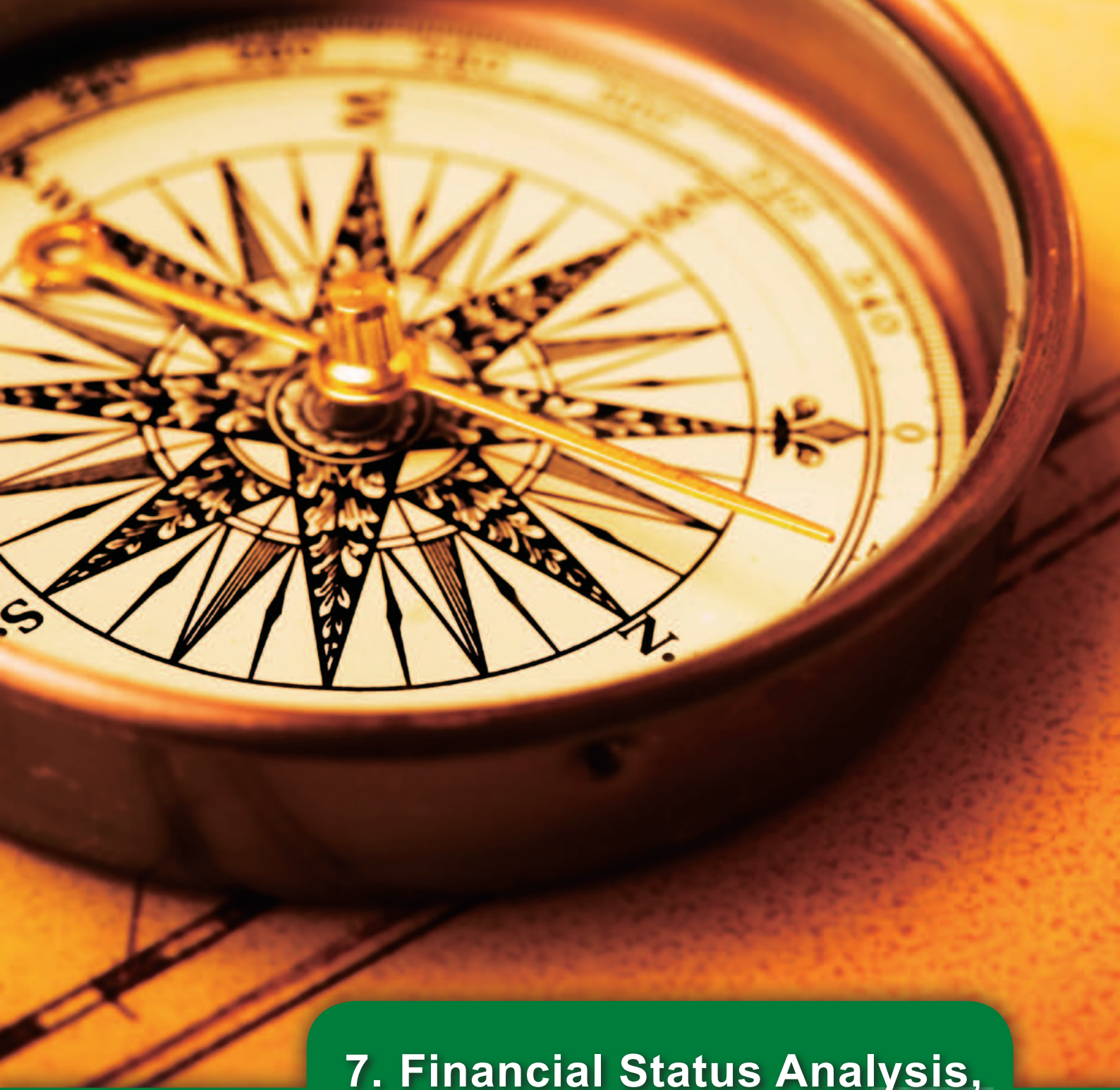
	December 31, 2012	December 31, 2011
The ratio of return before income tax on assets	0.21%	0.19%
The ratio of return on assets, net of tax	0.17%	0.16%
The ratio of return before income tax on shareholders' equity	4.78%	4.19%
The ratio of return on shareholders' equity, net of tax	3.80%	3.63%
Net income ratio	9.12%	9.14%

(k) The maturity analysis of assets and liabilities: please refer to note 24-(d) (iii).

(l) Account reclassification

Certain accounts in the financial statements for the year ended December 31, 2011, have been reclassified to be consistent with the presentation of the current-period financial statements.





7. Financial Status Analysis, Operation Performance Analysis and Risk Management

7. Financial Status Analysis, Operation Performance Analysis and Risk Management

7-1. Financial Status

Unit: TWD thousand

Item \ Year	2012	2011	Difference	
			Amount	%
Total Asset	126,566,187	121,584,062	4,981,125	4.10
Total Liability	121,066,121	116,170,071	4,896,050	4.21
Total Equity	5,500,066	5,413,991	86,075	1.59

Remarks: No analysis presented due to changes less than 20%

7-2. Operation Performance

Unit: TWD thousand

Item \ Year	2012	2011	Increase/Decrease Amount	Increase/Decrease Ratio (%)
Interest expense	1,075,805	995,368	80,437	8.08
Non-interest income, net	293,327	245,685	47,642	19.39
Net revenue	2,271,059	2,103,155	167,904	7.98
Bad debt expense	502,331	428,190	74,141	17.31
Operating expense	1,507,805	1,453,324	54,481	3.75
Income before income tax	260,923	221,641	39,282	17.72
Net income	207,104	192,248	14,856	7.73

Remarks of Ratio Changes analysis:

1. Interest income increased by TWD200,699 thousand was due to average loans and interest rates increase.
2. Interest expense increased by TWD80,473 thousand was due to the average deposits and interest rates are higher than 2011, making the interest expense increase.
3. Net non-interest income: Net fee income increased by TWD34,485 thousand due to financial income increase.
4. Bad debt expense increased was due to Loans and allowance for bad debts increase.

7-3. Cash Flow

7-3-1. Cash Flow Analysis for the Past Year and Remedy for Shortage of Liquidity:

Unit: TWD thousand

Initial Cash Residual (1)	Yearly Operating Cash Flow (2)	Yearly Cash Inflow (3)	Residual Cash Amount (deficiency) (1)+(2)+(3)	Cash Deficiency Contingency Plan	
				Investment Plan	Financial Plan
1,316,583	400,134	(353,101)	1,363,616	-	-

Remarks:

1. Cash Flow Analysis

- (1) Operating activities: The net cash inflow from operating activities due primarily to increase in payables.
- (2) Investing activities: The net cash outflow from investing activities due primarily to increase in loans.
- (3) Financial activities: The net cash inflow from financial activities due primarily to increase in deposits and remittances.

2. Remedy for shortage of liquidity: Not applicable as no occurrence of shortage.

7-3-2. Cash Flow Analysis for Next Year

Unit: TWD thousand

Initial Cash Residual (1)	Estimated Yearly Operating Cash Flow (2)	Estimated Yearly Cash Inflow (3)	Estimated Residual Cash Amount (deficiency) (1)+(2)+(3)	Cash Deficiency Contingency Plan	
				Investment plan	Financial Plan
1,363,616	554,229	516,790	2,434,635	-	-

Remarks:

The Bank estimates cash inflow about TWD554,229 thousand generated from operating activities in 2013. The estimated cash inflow about minus TWD1,071,019 thousand in 2013 mainly due from investment activities about TWD1,831,354 thousand owing to in deposits with the Central Bank and loans to banks and increase in discount loans. Increasing in deposits and remittance caused to net inflow from financial activities about TWD2,348,152 thousand.

7-4. Impact of Major Capital Expenditures in Recent Year

7-4-1. Utilization of major capital expenditures and sources of Funds: None

7-4-2. Expected potential benefit: None

7. Financial Status Analysis, Operation Performance Analysis and Risk Management

7-5. Reinvestment Policy, Improvement Plan and Investment Plan in Next Year

7-5-1. Reinvestment Policy

The reinvestment items major in financial business of COTA Bank and the goal of holding long-term earned dividends. Regarding new reinvestment, the authorized unit shall submit proposal to "Asset, Liability and Risk Management Committee" for discussion and then get approval from standing committee of board. The authorized unit shall closely monitor operation and financial condition of invested companies and report to "Asset, Liability and Risk Management Committee" in timely basis to ensure investment performance.

7-5-2. Source of Profit

1. The cash dividend from reinvest companies:

Taiwan depository and clearing corporation; Taiwan Financial Asset Service Corp.; Taiwan Asset Management Corp.; Sunny Asset Management Corp.

2. Investment income recognized under equity method:

COTA Bank Insurance Broker Co., Ltd.

7-5-3. Improvement Plan

In recent years, domestic economy with high-speed growth has promoted the nations to higher living quality, not only pursuing material aspect, but also desiring to make better future by effective wealth-management plan. COTA Bank Insurance Broker Co., Ltd., holly-owned by the Bank, will actively cooperate with the major life/non-life insurance to introducing insurance products to meet customer need. We look forward to increasing premium by utilizing proper insurance planning to assist customer to be aware of their practical demand of life insurance and promoting through wealth-management channels through the financial management business with marketing to increase insurance premium income.

7-5-4. Investment Plan in Next Year

The Bank set its main operation target in banking business, therefore no new reinvestment plan undertaking for coming year.

7-6. Risk Management

7-6-1. Financial Risk Information

7-6-1-1. Credit Risk

Credit Risk Management System

Year 2012

Items	Contents
<p>1. Strategies, Objectives, Policies, and Processes</p>	<p>The Bank's credit risk policies and processes comply with Basel II and supervisory regulations. The Bank also created credit risk guidelines in written form such as the code of credit, the bylaws of credit information, the law of the credit responsibility and accountability, the bylaws of handle collateral, the business strategy and law of financial derivatives and all kinds of operation handbooks. They provide strict standard on loans, monitor credit risk, and manage non-performing loans. At the same time, since the change in economic cycle will affect the quality of the loan portfolio, the Bank will execute credit policies to ensure credit exposures under control.</p> <p>The Bank will consider developing the internal credit scoring system. The system will identify and estimate risks from all credit exposures.</p> <p>The Bank established a framework for managing credit risk. The framework may execute risk analysis and monitor risk process. It also may discover potential risks that the Bank may response adequately. In addition, it may assess the relation between risk and return to ensure the goal of the Bank's business.</p>
<p>2. The Structure, and Organization of the Risk Relevant Management Function</p>	<p>(1) The Board of Directors: The Bank's board of directors is the supervisor of credit risk management. The board is responsible for the Bank's business strategies and operation guidelines, and is responsible for reviewing credit risk framework and policies. It also authorizes management to execute credit risk management.</p> <p>(2) Asset, Liability and Risk Management Committee: The committee executes the board's risk polices and reports risk profile to the board.</p> <p>(3) Credit Reviewing Committee: The committee reviews the large amount of loans, specific non-performing loans, and the appointed loans.</p> <p>(4) Risk Management Center: The subcommittee integrates credit risk strategies, designs processes, and introduces credit identification, measurement, monitor, and reporting systems.</p> <p>(5) Other Bank's Units: They should understand credit risks under any circumstances, should deal with the assignment of risk management, and should assist risk management subcommittee in risk monitor.</p> <p>(6) Audit Office: The office should establish audit plan and process, and should review the Bank's credit and investment risks at least once a year.</p>
<p>3. The Scope and Nature of the Risk Reporting and/or Measurement Systems</p>	<p>The Bank adjusts credit risk system to produce enough information according as the change of loan portfolio. The information includes: statistics of pass due loans, evaluation of non-performing loans, and statistics of large amount credit exposure. The board and senior management will receive the information periodically, and will make appropriate business and credit risk decision. In addition, the credit risk measurement to the Bank considers the following factors:</p> <p>(1) Loan characteristics, contract contents, and customers' financial conditions (2) The possible effect of the exposures from market change (3) Collateral and guarantee (4) The possible future risk change of the customers or counterparties (5) Besides specific trading risks, measuring loan portfolio risks</p> <p>The Bank gradually establishes internal rating framework and measures and analyzes loan risks through quantitative indexes and qualitative methods.</p>

7. Financial Status Analysis, Operation Performance Analysis and Risk Management

Items	Contents
4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	<p>The Bank follows the diversified principal on loans and complies with loan limit regulations such as the same person, the same party, relative corporation, stakeholder, and stocks as collateral for the loan. To avoid credit concentration risk, the Bank reviews and adjusts credit exposures regularly. For controlling the quality of the loan assets and mitigating credit risks, the Bank depends on the credit condition of the borrowers and uses a number of techniques to mitigate the credit risks. For example, the Bank demands collateral and guarantee...etc.</p> <p>The Bank had formulated "The Directions of the Loan Reviewing Operation" which reviews and follows the cases of the loan and strengthens after-loan management. If the Bank discovers the doubtful loans in the process, it should take necessary measures to protect debt obligations. In order to maintain an effectively monitors hip over credit risk, the Bank had established the indexes of the risk evaluation that regularly monitor the change of them and help to estimate the potential reasons of the future risk occurrence.</p>
5. Approach for calculating the Bank's capital requirement	Standardized approach

Exposure amount after risk mitigation and capital requirement of the standard approach Dec. 31, 2012

Unit: TWD thousand

Category	Exposure amount after risk mitigation	Capital Requirement
Sovereigns	26,219,238	-
Non central government public sector entities	9,186,683	147,237
Banks (multilateral development banks)	364,680	6,757
Corporate (Securities firm and insurance companies)	10,660,314	807,362
Regulatory retail portfolios	50,762,307	3,204,544
Secured by residential property	19,230,060	895,856
Equities investment	-	-
Other assets	2,133,968	170,717
Total	118,557,250	5,232,473

7-6-1-2. Assets Securitization Risk

Assets Securitization Risk Management System Year 2012

Items	Contents
1. Strategies and Processes	<p>The Bank does not play the role such originator, service, credit enhance agency, or financial liquidity provider and expects to be an investor. The internal regulations for securitizations concentrate on the investor field. If there is necessary on originator field, it will be created in the future.</p> <p>Not only the Bank obeys article 74-1 of the Banking Act, but also it had formulated some investment limits such as total position limit, underlying instrument limit, and internal authorized limit.</p>
2. The Structure, and Organization of the Risk Relevant Management Function	<p>(1) The Board of Directors: The Bank's board of directors is the supervisor for securitization risk management. The board is responsible for the Bank's business strategies, and is responsible for reviewing securitization decisions. It also monitors effective operation for managing framework.</p> <p>(2) Asset, Liability and Risk Management Committee: The committee reviews the guidelines and policies of the securitization, controls indicators, and coordinates assignments relative to risk management.</p> <p>(3) Investment Subcommittee: For strengthening portfolio management and trading quality of the securitization, the subcommittee depends on the market condition to plan investment strategies.</p> <p>(4) Risk Management Center: The subcommittee draws strategies and processes of the securitization, designs and introduces risk identification, measurement, monitor, and reporting system.</p> <p>(5) Audit Office: The office should establish audit plan and process, and should review the Bank's risk management at least once a year.</p>
3. The Scope and Nature of the Risk Reporting and/or Measurement Systems	<p>The Bank reports the periodic information of the securitization exposures to the senior management. It also disclosures in the annual report and on the website. The principal of the valuation should confirm the criteria of methodology and the fairness of the data. Furthermore, the managing reports should effectively control exposure positions and should provide appropriate measurement results to assist risk management processes.</p>
4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	<p>The Bank regularly accesses the effectiveness of the strategies of the hedge positions and reviews the limits of the securitizations investment according to the volatility of the market prices.</p> <p>Both of the strategies and limits will report to Investment Subcommittee and make decision. Mitigations such as collaterals, guarantee, and credit derivatives apply to the standardized approach of the credit risk.</p>
5. Approach for calculating the Bank's capital requirement	Standardized approach

Remarks:

The undertaking of securitization: None

The original cost of the investing securitization product over TWD300 million in single deal: None

The holding positions due to credit enhancement purpose as an originator: None

As a credit enhancement agency or liquidating assets agency: None

As a guarantee agency or financial liquidity provider: None

7. Financial Status Analysis, Operation Performance Analysis and Risk Management

Assets securitization exposures and capital requirements

Dec. 31, 2012

Unit: TWD thousand

Type of Exposures		Type of Assets	Synthetic	
			Risk Exposures	Capital Requirements
			Purchasing or Holding Securitization	
Non- Originating Bank	BankingBook	-	-	-
	Trading Book	Mortgage Loans-MBS	9,618	154
-	Total	-	9,618	154

7-6-1-3. Operational Risk

Operational Risk Management System

Year 2012

Items	Contents
1. Strategies and Processes	The Bank's operational strategies and processes are restrained the division of labor, employees training, effective control framework, and internal control procedure of each level. In aspect of internal control, the Bank had fully formulated the system of the internal audit, self-audit, law obedience, and business operational rules that may to search on the internal website for employees' real time operation. The Bank reduces operational loss by internal and external audit to monitor and trace the risks. In order to assist all employees executing the processes of the operational risk, Risk Management Center is developing applied implements for managing operational.
2. The Structure and Organization of the Relevant Risk Management Function	<p>(1) The Board of Directors: The Bank's board of directors is the supervisor for risk management. The board is responsible for the Bank's business strategies, and is responsible for reviewing significant decisions.</p> <p>(2) Asset, Liability and Risk Management Committee: The committee follows risk management policies and procedures that the board of directors had approved. In addition, the committee is responsible to review the guidelines and policies of the operational risk, controls indicators, and coordinates assignments relative to risk management.</p> <p>(3) Risk Management Center: The subcommittee draws strategies and processes of the operational risk, designs and introduces risk identification, measurement, monitor, and reporting system. Moreover, the subcommittee develops the loss event databases of operational risk, gathers risk information from all Banks' units, and reports to ALM committee and the board of the directors regularly.</p> <p>(4) Headquarters' Units They should totally understand the risk that they are facing. When they codify operational regulations, they should consider operational risk management. They also should assist risk management subcommittee to accomplish all kinds of risk monitor.</p> <p>(5) Other Bank's Units: Everyone should comply with the Bank's regulations and should control operational risk. If risk event occurs, everyone should deal with the event immediately and should report to management.</p>

Items	Contents
	(6) Audit Office: The office should execute auditing processes independently and should provide improvement suggestion timely.
3. The Scope and Nature of the Risk Reporting and/or Measurement Systems	The Bank had established the operational processes for business practices. The processes have been executed on daily operation management and to reduce the occurrence of the operational risk. The executive circumstance of the internal and external audit, self-audit, and the system of law obedience regularly reports to the board. The Bank adopts Supervisory regulation to classify loss event types and executes reporting system of the loss data of the operational risk and establishes whole bank's loss database of the operational risk. The Bank reports the periodic information of the operational risk to the Asset and Liability Management Committee and The Board of Directors. Currently, the Bank is developing the self-assessment of the operational events, compliance system, internal audit system, and self-inspection system to manage and reduce operational risk.
4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	The Bank hedges and mitigates risks through strengthening internal control system, implementing operational risk monitor, training employees, insurance, and outsourcing. The Bank's emergency center and crisis subcommittee had formulated the strategic manual of the disasters and the contingency measures of the operating crisis to ensure every business that may continue to operate normally when the crisis occurs and to protect significant loss of the Bank.
5. Approach for calculating the Bank's capital requirement	Basic indicator approach

The Operational Risk Capital Charge Dec. 31, 2012

Unit: TWD thousand

Year	Annual Gross Income	Capital Charge
2010	1,949,682	
2011	2,110,298	
2012	2,247,026	
Total	6,307,006	315,350

7. Financial Status Analysis, Operation Performance Analysis and Risk Management

7-6-1-4. Market Risk

Market Risk Management System Year 2012

Items	Contents
1. Strategies and Processes	<p>In order to establish effective market risk management system, the Bank formulated market risk managing standard and other related regulations for the benchmark of the market risk management. To ensure the Bank's market risk under control, the functional responsibility divides into trading and settlement, and will involve in risk control system. The system is responsible for the risk identification, measurement, monitor, and reporting procedure.</p> <p>The strategies of the Bank's market risk are as follows: considering the characteristic of each instrument and market condition, regularly measuring endurable risks, expecting balance of returns and risks, optimizing investment allocation. The purpose of all strategies is to improve performance. On the other hand, the Bank formulated a limit system to effectively control risks and reduce exposures.</p>
2. The Structure and Organization of the Relevant Risk Management Function	<p>(1) The Board of Directors: The Bank's board of directors is the supervisor for risk management. The board is responsible to review market risk management system and market risk strategies, and to ensure the system reflects the Bank's business strategies.</p> <p>(2) Asset, Liability and Risk Management Committee: The committee executes risk management strategies and frameworks that the board of directors had approved. In addition, the committee is responsible to review the principals, strategies, and monitoring indexes of the risk managing system and to coordinate and monitor each risk management relative to matters.</p> <p>(3) Investment Subcommittee: The subcommittee plans investment strategies and makes decision what the positions should be sold or hold.</p> <p>(4) Risk Management Center: The subcommittee draws strategies and processes of the market risk management, designs and introduces risk identification, measurement, monitor, and reporting system.</p> <p>(5) Related Units: They execute necessary duties of the risk management such monitoring traders and cooperate with Risk Management Center to finish each item of the risk monitor.</p> <p>(6) Audit Office: The office should establish audit plan and process, and should review the Bank's risk management at least once a year.</p>
3. The Scope and Nature of the Risk Reporting and/or Measurement Systems	<p>Market risk information system should be able to control exposures and provide appropriate risk measurement results. For the purpose of the evaluation, the positions divide into trading book and banking book. The banking book positions evaluate once a month, the trading book positions evaluate on a daily basis. The information about gain/loss and exposures will deliver to management which includes market risk management reporting, derivative financial instruments gain/loss assessment. As close to gain/loss the stop-loss warning of pointers would keep attention to the market changes and take measure to avoid over-limit. Related Units monitor the position of TWD and foreign currency assets, gain/loss and stop-loss alert system for keep the market risk within the limits of the bank strength. In the future, the Bank will introduce VAR calculation system in 2014. It provides realistic possible loss amount in order to measure tolerance of exposures.</p>
4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	<p>The Bank's hedging strategy of the financial products include to use spots or derivatives to evade market price risks and to review each risk limit regularly such as trading position limits, traders' position limits, and stop loss limits. If the assessment indicates the risk overloaded, the Bank will transfer risks and reduce exposures. If dealers exceed their position limits, Risk Management Center should inform the facts and procedures to management and report daily until under limits. If dealers exceed their stop loss limits, they are required to execute positions.</p>
5. Approach for calculating the Bank's capital requirement	Standardized approach

The Market Risk Capital Charge Dec. 31, 2012

Unit: TWD thousand

Risk Category	Capital Charge
Interest Rate Risk	118,222
Equity Position Risk	42,867
Foreign Exchange Risk	62,740
Option Position	-
Total	223,829

7-6-1-5. Liquidity Risk

According to operating cash flow, market movement, and minimum requirement of the liquidity reserves ratio, the Bank diversifies funding resources and maintains funding stability. Short-term investment considers the safety of the underlying assets, marketable on the secondary market, and lower liquidity risk such as NCDs, treasury bonds, corporate bonds, and bank debentures. The Bank takes some steps to manage liquidity, for example, monitoring the structural change of assets and liabilities in each period, editing "The Gapping Report of the TWD Cash Flow" weekly, making the reporting sheets of the risk management every month and reporting to Asset and Liability Management Committee, and transferring and operating funds effectively.

Analysis for Time-to-Maturity of the Bank's TWD Assets and Liabilities as of Dec. 31, 2012

Unit: TWD thousand

	Total	Volumes during the period prior to the due date					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Major inflows of matured funds	127,465,525	10,122,173	16,626,281	7,248,310	7,930,667	11,845,706	73,692,388
Major outflows of Matured funds	138,379,399	4,708,611	8,318,153	14,889,950	19,337,880	41,626,642	49,498,163
Maturity Gap	(10,913,874)	5,413,562	8,308,128	(7,641,640)	(11,407,213)	(29,780,936)	24,194,225

Analysis for Time-to-Maturity of the Bank's USD Assets and Liabilities as of Dec. 31, 2012

Unit: USD thousand

	Total	Volumes during the period prior to the due date				
		0~30 days	31~90 days	91~180 days	181 days - 1 year	Over 1 year
Major inflows of matured funds	76,677	25,248	48,372	2,753	0	304
Major outflows of Matured funds	76,677	54,735	13,137	2,483	6,289	33
Maturity Gap	0	(29,487)	35,235	270	(6,289)	271

7. Financial Status Analysis, Operation Performance Analysis and Risk Management

7-6-2. Impact of Alterations in Domestic and Foreign Major Policies and Laws on the Bank's Financial Operations and Adopting Measures

7-6-2-1. Impact of Regulations Governing to Raise the Ratio of Loan Coverage:

- Change in regulations:
FSC announced to assist the financial institution has the effective management capability for economic recession in the future. The domestic bank and credit co-operative associations will be required to hold the goal of the minimum 1% for the amount of allowances for bad debt divide total loan (referred as loan coverage ratio). After taking into practice in 2012, 0.2% should increase by each year after. The loan coverage ratio will achieve 2% after 5 years.
- Impact and Adopting Measures:
FSC announced to assist the bank has the effective management capability for economic recession. FSC will request all domestic banks catch the minimum 1% for loan coverage ratio, meanwhile regular the bank the minimum standard for loan loss provision shall be the sum of 0.5% of the balance of Category One credit assets. According to the international large bank the range of loan coverage ratio is from 2% to 2.5%, as a result, the domestic bank will be required to reach the goal of the minimum 1% for the loan coverage ratio in next five years. By December 2012, the loan coverage reserve is TWD1,670,553 thousand, total the amount of loan is TWD83,336,913 thousand, loan coverage ratio is 2%, higher than FSC requirement of 1%. In order to strengthen risk tolerance and follow the international standard, the Bank will aggressively to maintain the loan coverage ratio above 2%.

7-6-2-2. Group of Governors and Heads of Supervision Announces Higher Global Minimum Capital Standards

- Change in regulations:
The Committee's package of reforms will increase the minimum common equity requirement from 2% to 4.5%. In addition, banks will be required to hold a capital conservation buffer of 2.5% to withstand future periods of stress bringing the total common equity requirements to 7%. As of 1 January 2013, banks will be required to meet the following new minimum requirements in relation to risk-weighted assets (RWAs): 3.5% common equity/RWAs; 4.5% Tier 1 capital/RWAs, and 8.0% total capital/RWAs. The Basel Committee on Banking Supervision provides a forum for regular cooperation on banking supervisory matters. It seeks to promote and strengthen supervisory and risk management practices globally.
- Impact and adopting measures:
Considering long-term capital plan, the Bank had been mapped out seasoned equity offering, and will adjust dividend policy to pay more stock dividends that may improve common equity requirements. The Bank's Tier 1 Capital and Total Capital ratios are 7.15% and 10.54% on Dec. 31, 2012. It satisfies the treatment on Jan. 01, 2013. However, there is a minor gap between the treatments in 2013 and 2019. The Bank will modify dividend policy next year and continually monitor capital ratios every year to achieve requirements.

7-6-2-3. Personal Data Protection Act

- Change in regulations:

Taking effect on Oct 01, 2012, when collecting the personal data directly or indirectly, the collector has to receive a written consent made by the person. Also, when using personal information, the user should take the responsibility to inform the person.

- Impact and adopting measures:

For the personal data which is not provided by the Party before the amendment of the Law and, the personal data controller should fulfill its notice duty within one year after the effective date of this Law Amendment, otherwise the information cannot be used anymore.

The main representative, manager or other representative of a non-government agency who should be imposed of an administrative fine due to the violation of the Articles of the agency should be subject to the same amount of the fine, unless the obligation of the representative has been proved to be fulfilled.

The collection of personal information moves high level on the Bank's list of priorities. The Bank will review the operation of the information safety protection, adjust the procedure of the data control, increase the level of the protection, and establish overall personal data protection system to reduce operational risk and enhance the bank governs.

7-6-2-4. The impact of the luxury tax implementation

- Change in regulations:

Luxury tax came into effect on Jun 1, 2011.

- Impact and adopting measures:

Under the influence of domestic metropolitan areas of high housing prices, and Asian countries have to implement to blast real estate speculation policy,

Government in order to effectively curb the metropolitan areas of real estate prices have skyrocketed, implementation of variety of financial policies are still unable to stop house prices soaring repeatedly, therefore, put forward the economic policies to levy the luxury tax for specific products, because of speculative investors require a higher tax rate, virtually inhibited spread of investment, and raises the risk of speculators, stop house prices soaring repeatedly, inhibition of the current real estate boom and affect the trend of building stocks.

Really caused a relatively significant impact on the domestic real estate market transactions within the quarter the implementation levied on luxury tax, also have an impact on the price and volume changes of the builders' shares.

However, changes in the stock market are affected by various factors, the housing market turnover slightly shrinking due to the imposition of luxury tax. But other factors affect the trend of house prices and builders' shares.

7. Financial Status Analysis, Operation Performance Analysis and Risk Management

7-6-3. The Impact of Technological and Industrial Changes on the Bank's Financial Operations and Adopting Measures

The Bank had provided e-bank service to reduce cost and enhance business efficiency. Although it brings convenience and cost-down, it still had some risks of the information safety such as program errors, system crashes, or hacker attacks. They will therefore create unpredictable losses and operational risks. To avoid the occurrence of the loss events, the Bank will train employees to recognize the information safety and to deal with emergent events. This will reduce the probability of the risk occurrence. In order to enhance the Bank's assets quality and reduce loan risks, the related loan departments provide industrial research reports without a fix schedule and observe the industrial changes at any time.

7-6-4. The Impact on the Bank of Changes in the Bank's Image and Adopting Measures

The Bank holds the spirit of "take resource from society and contribute to community" to take the responsibility of the enterprise citizen. Participating active social welfare activities through founded "COTA Culture and Education Foundation". Facing keen competition, the Bank still maintains the spirit of "being respectful to customers" to provide the professional financial services to customers. The Bank hopes to maintain long-term stable relationship with customers by clear and professional image and to create a win-win situation between enterprise and clients.

7-6-5. Expected Benefits and Potential Risks of Mergers and Acquisitions and Adopting Measures

Currently, no merger or acquisition plan.

7-6-6. Expected Benefits and Potential Risks of Branches Location Expansion and Adopting Measures

To expand the scale of customer service, increase business efficiency, and create brand awareness and market share, the Bank cautiously evaluates to expand business location every year cause of the business unit might create operating risk and credit risk.

7-6-7. Risk Arising from the Concentration of Business and Adopting Measures

The Bank had formulated risk limit regulations such as the same person, the same party, affiliates and all kind of industries on loan and investment businesses. In addition, the Bank controls concentration of all bank's business lines through information management system. This can diversify risk, keep assets' quality and assured operating moderate.

7-6-8. The Influence and Risk Posed by Changes in Operating Control Rights and Adopting Measures:

There have been no changes in operating control.

7-6-9. Lawsuits: None

7-6-10. Other Significant Risks and Adopting Measures:

Other risks such as strategically risk, goodwill risk, and the risk of the obedience of laws, the Bank will adjust the business policy in accordance with the change of the market condition and the modification of the laws to enhance business flexibility and competition.



7-7. Crisis Handling System:

- 7-7-1. In order to manage crisis handling system, the Bank formulated some related rules, taking measures, and adopting manual of disasters to effectively reduce damage and protect customers' rights. The Bank also established contingent task team to execute contingency solving measures.
- 7-7-2. In order to rapidly deal with disasters, the Bank established the emergency call and reporting system in the ordinary time. The management of each unit charges with contact mission.
- 7-7-3. In the event of significant and unforeseeable contingencies, the Bank will report the event to competent authority in addition to inform police department or related institution to take emergency remedy approaches.
- 7-7-4. In the event of natural disasters, the Bank will obey "The Operating Directions of the Averting Disasters for Financial Institutions" and "The Operating Directions of Closed Business as Disasters occurring for Financial Institutions" formulated by competent authority. For check cleaning and dishonored check information filing, the Bank will obey "The operating directions of check cleaning and dishonored check information filing for partly office terminate area" formulated by the Taiwan Cleaning House.

7-8. Other Significant Matters: None



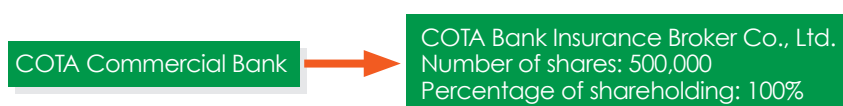
8. Special Notes

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8. Special Notes

8-1. Data of Affiliated Company

8-1-1. Organization Chart of Affiliated Company



8-1-2. Profile of Affiliated Company

Unit: TWD thousand

Company name	Established date	Address	Paid-in capital	Major business item
COTA Bank Insurance Broker Co., Ltd.	Apr 16, 2008	3F., No.339, Dazhi Rd., East Dist., Taichung City 401, Taiwan (R.O.C.)	5,000	Property insurance broker Life insurance broker

8-1-3. Infer Controller and Subsidiary Own the Same Shareholders' Data: None

8-1-4. Data of Affiliated Company's Director and Supervisor

Company name	Title	Name or Represent	Shares	
			Number of shares	Percentage of shareholding (%)
COTA Bank Insurance Broker Co., Ltd.	Chairman	Chun-Tse Liao	500,000	100.00
	Director	Chin-Ting Chang		
	Director	Chih-Sheng Hsiao		
	Supervisor	Jung-Hsien Chiu		

8-1-5. Business Operation of Affiliated Company

Unit: TWD thousand

Firm's Name	Capital	Asset	Liability	Net Income	Operating Income	Operating Margin	Net Income After Tax	EPS After Tax (dollar)
COTA Bank Insurance Broker Co., Ltd.	5,000	28,408	7,600	20,808	132,492	17,610	14,706	29.41

8-1-6. Consolidated Financial Statement of Affiliated Company Details

Please see consolidated financial statement.

8-1-7. Affiliated Statement: N/A

8-2. Private Placement of Securities: None

8-3. Holdings or Disposal the Stock of COTA Bank by Subsidiaries: None

8-4. Other Matters for Supplementary Explanation: None

1999.01.01	COTA Commercial Bank Co., Ltd. officially inaugurated business services.
1999.01.02	Mr. Liao Chun-Tse, Mr. Yen Chun-chi, Mr. Lin Ping-Chih, Mr. Yang Chao-Hui and Mr. Wu Wen-Hua were elected the managing directors in the first board of directors meeting of the first session, Mr. Liao Chun-Tse elected the chairman and Mr. Wang Chun-chuan appointed the General Manager.
1999.01.03	Started up foreign exchange services with trading of USD, JPY, and HKD in cash and traveler checks.
1999.02.05	Started up comprehensive deposit services.
1999.03.16	Totally replaced stock certificates of Taichung Third Credit Cooperative into common share certificates of COTA Commercial Bank Co., Ltd.
1999.03.25	Donated the TWD 54.2 million Taichung Third Credit Cooperative public welfare fund to COTA Culture and Education Foundation in full, and duly elected directors and supervisors of the Foundation.
1999.03.25	Started up guarantee services
1999.03.30	Signed a contract to team up with Chinatrust Commercial Bank to jointly promote foreign exchange services.
1999.04.14	Relocated head office, approved by Ministry of Finance under doc. no. Tai-Tsai-Jung 88112588, to 32~1 Park Avenue, Taichung on Jul 1.
1999.07.01	Banking Dept. and Savings Dept. moved address.
1999.07.28	Allied with Bank of PanShin, Sunny Commercial Bank, HwaTai Commercial Bank and Kaohsin Commercial Bank to jointly set up "Financial Development Alliance"
1999.09.03	Set up three additional branches, Zhanghua Branch, Yuanlin Branch and Fengyuan Branch as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung-Tze 88744410.
1999.11.29	The board of directors appointed Mr. Chang Ying-Che as president in its 6 th extraordinary meeting of the first term.
2000.01.01	President Chang Ying-Che inaugurated
2000.04.26	Set up Fengyuan Branch
2000.05.10	Held 2000 shareholders' regular meeting.
2000.05.19	Set up Zhanghua Branch.
2000.07.07	Set up Yuanlin Branch.
2000.11.03	Wenhsin Branch spin into 2 mini branches as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung 89759294.
2001.01.05	Started business for Credit card.
2001.04.02	Set up Wenhsin Mini Branch and Beitun Mini Branch.
2001.04.12	Beitun Branch moved to Shalu Town, Taichung country and renamed as Shalu Branch.
2001.05.28	Savings Dept. renamed Taichung Branch as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung 90192708.
2001.06.01	Started business of insurance broker.
2001.06.19	Held 2001 shareholders' regular meeting and elected second term of directors and supervisors.
2001.06.21	Started Trust business as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung (3)-Tze 90746774.
2001.07.17	Started internet banking services as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 90234040.
2001.08.01	Established Taipei Branch as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung (3) 90303504.
2001.08.23	Started Internet Banking services.
2001.09.24	Savings Dept. renamed Taichung Branch.
2001.09.28	Added Xinzhu city and Xinzhu Hsien to be business area as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung (3) 90721973.
2002.01.01	Mr. Liao Chun-Tse, Mr. Wang Chun-chuan, Mr. Wu Wen-Hua, Mr. Chiang Po-ling and Mr. Lin Ping-Chih were elected as managing directors in the board of directors meeting. Mr. Liao Chun-Tse elected as the chairman.
2002.02.01	Set up Consumer Banking Center and NPL Management Center.
2002.03.11	Set up Taipei Branch.

Chronological Highlights

2002.05.09	Held 2002 shareholders' regular meeting.
2002.06.27	Added Taoyuan Hsien to be business area as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 0913000230.
2002.10.02	Started Trusts business.
2003.02.17	Zhongzheng Branch moved to Taoyuan city and renamed Taoyuan Branch, Wenhsin Mini Branch moved to old Zhongzheng Branch address and renamed Zhongzheng Mini Branch as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 0920005698.
2003.04.21	Zhongzheng Mini Branch reopened for business.
2003.05.06	Held 2003 shareholders' regular meeting.
2003.07.25	Set up Taoyuan Branch.
2003.09.16	Added Taipei and Taipei hsien to be business area as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 0920033399.
2004.01.01	Started up chip ATM card services.
2004.05.07	Held 2004 shareholders' regular meeting.
2004.07.05	Renewed core computer systems.
2004.07.06	Added Taipei city as business area as approved by FSC under doc. no. (3)0930022905.
2004.07.27	Relocated Shalu branch to Banciao branch as approved by FSC under doc. no. (3)0930023291.
2004.11.11	Banciao branch opened
2004.11.24	FSC approved COTA Bank to set up International Banking Department.
2005.03.16	Established International Banking Department
2005.05.24	Held 2005 shareholders' regular meeting and elected 3rd term of directors and supervisors
2005.05.25	Mr. Liao Chun-Tse, Mr. Hang Mu-Chuan, Mr. Wang Chun-Chuan, Mr. Hsieh Tung-Po, and Mr. Li Yao-Ting were elected as the managing directors in the board of directors. Mr. Liao Chun-Tse was elected as the chairman
2005.09.09	Issued subordinated bank debenture for TWD2.5 billion as approved by FSC under doc. no. (3)0940024574
2005.09.17	Held 2005 shareholders' extraordinary meeting and approved to acquired Fengyuan Credit Cooperative
2005.11.04	Joint as member of SMEG (Small and Medium Enterprise Credit Guarantee Fund)
2005.11.17	Acquired Fengyuan Credit Cooperative as approved by FSC under doc. no. (3)0943001682.
2005.12.12	Relocated Credit Card Center to 339, Dazhi Road., Taichung City.
2006.01.01	The effective day of Fengyuan Credit Cooperative merged into COTA Bank. Added six branches: Fengxin branch, Zhongshan branch, Fengle branch, Fengdong branch, Shiqian branch and Sanmin branch.
2006.01.03	Launched Electronic Official Document System
2006.02.17	Six Branches in Fengyuan started up foreign exchange services in cash and traveler checks.
2006.04.01	Established North Area Office of Credit Management Dept.
2006.06.09	Held 2006 shareholder's regular meeting.
2006.06.14	FSC approved COTA Bank to set up wealth management banking business.
2006.07.01	Established Wealth Management Center.
2006.07.06	FSC approved COTA Bank to set up OBU.
2006.09.22	Trusts Dept .moved to 2F. No.339, Dajhih Rd., East District, Taichung City 401, Taiwan
2007.01.17	Set up Kaohsiung Branch.
2007.06.06	Held 2007 shareholder's regular meeting.
2007.07.06	Set up Tainan Branch.
2008.05.26	Sanmin Branch moved to Xinzhuang City and renamed Xinzhuang Branch as approved by FSC under doc. no. Chin-Kuan-Yin-(3)-Tze 09700201230
2008.06.19	Held 2008 shareholder's regular meeting and elected 4 th term of Director and Supervisor.

2008.06.20	Mr. Liao Chun-Tse, Mr. Chang Ying-Che, Mr. Xie Dong-Po, Mr. Li Yao-Ting, and Mr. Wang Yen-Chun were elected as managing directors in board of directors meeting. Mr. Liao Chun-Tse was elected as the chairman.
2008.07.21	Set up subsidiary "COTA Bank Insurance Broker Co., Ltd."
2008.09.30	President Mr. Chang Ying-Che retired. Mr. Chang Chin-Ting was appointed as President
2008.10.01	President Chang Chin-Ting inaugurated.
2008.12.06	Set up Xinzhuang Branch.
2009.05.27	Held 2009 shareholder's regular meeting.
2009.12.18	Set up "Remuneration and Assessment Committee" and formulated such committee regular activities of an organization in board of directors meeting.
2010.01.20	Fengxin Branch moved to Xinzhu City and renamed as Xinzhu Branch, meanwhile renamed Shiqian Branch as Fengxin Branch as approved by FSC under doc. no. Chin-Kuan-Yin-He-Tze 09900016600
2010.01.27	Started up 「Financial XML Collection service」
2010.03.22	Launched Foreign-exchange business with transaction amount more than TWD500,000 in internet banking
2010.04.01	Shiqian Branch renamed as Fengxin Branch
2010.05.14	Been named the winner of special award under "The Program to Encourage Lending by Domestic Bank to SME" recognized by the FSC
2010.05.27	Held 2010 shareholder's regular meeting.
2010.06.14	Set up Xinzhu Branch.
2010.08.11	Publically announced new shares offering in 2010.
2010.10.04	COTA Bank was conferred an award of e-Bill Business and two awards of Financial XML Business for best system stability and business promote from The Bankers Association of the R.O.C.
2010.12.24	COTA Bank was conferred "Chin-An award" from Joint Credit Information Center.
2011.01.01	Beitun Mini Branch renamed Beitun Branch and reopened for business.
2011.01.12	Launched new self-developed specimen checking system
2011.02.21	Redemption notice of 2006 1 st subordinated bank debentures.
2011.02.24	Issued 2011 1 st subordinated bank debentures.
2011.06.09	Held 2011 shareholder's regular meeting.
2011.07.01	Local branches extended banking hours to 4:00 pm on Monday to Friday.
2011.08.30	Held 2011 shareholders' extraordinary meeting and elected fifth term of directors and supervisors.
2011.08.31	Mr. Hsiao Kuo-Chao, Mr. Liao Sung-Yue, Mr. Chang Ying-Che, Mr. Huang Mu-Chuan, Mr. Wang Yen-Chun were elected as managing directors in board of directors meeting. Mr. Hsiao Kuo-Chao was elected as the chairman.
2011.10.01	Beitun Branch started up credit business.
2012.02.01	Launched business of regular variable special-purpose money trust funds investing in foreign securities and domestic securities investment trust funds.
2012.06.07	Held 2012 shareholder's regular meeting.
2012.08.01	Distribution of 2012 cash dividends
2012.08.10	Obtained approval of foreign exchange licenses for branches of Xitun, Dazhi, Nantun, Fengyuan, Zhanghua, Yuanlin, Taipei, Taoyuan, Banciao and Tainan.
2012.09.05	Publically announced new shares offering in 2012.
2012.10.09	Launched business of pre-construction real estate escrow account trust
2012.11.01	COTA Bank was conferred "E-payment business Innovation Excellence Award" from FISC mobile banking business.
2012.11.15	Launched UnionPay card acquiring in ATMs.
2012.12.26	COTA Bank was conferred "Golden Security Award" from Joint Credit Information Center.

Head Office and Branches

Unit	Address	Tel	Fax
Head Office	59 Shihfu Road, Central District, Taichung City 400, Taiwan	886-4-22245171	886-4-22275237
Trusts Dept.	2F., .339, Dazhi Road., East District, Taichung City 401, Taiwan	886-4-22807366	886-4-22809021
International Banking Dept.	2F., 246 Yangguang Street, Neihu District, Taipei City 114, Taiwan	886-2-87533599	886-2-87533573
Offshore Banking Branch	2F., 246 Yangguang Street, Neihu District, Taipei City 114, Taiwan	886-2-87533599	886-2-87533573
Consumer Banking Center	10F, 580 Jinhua Road, North District, Taichung City 404, Taiwan	886-4-22384596	886-4-22378150
SME Banking Center	11F, 580 Jinhua Road, North District, Taichung City 404, Taiwan	886-4-22370028	886-4-22372595
Wealth Management Center	2F., .339, Dazhi Road., East District, Taichung City 401, Taiwan	886-4-22800361	886-4-22809747
Credit Card Center	2F., .339, Dazhi Road., East District, Taichung City 401, Taiwan	886-4-22805288	886-4-22807688
Taichung Branch	59 Shihfu Road, Central District, Taichung City 400, Taiwan	886-4-22245161	886-4-22234491
Banking Dept.	32-1 Gongyuan Road, Central District, Taichung City 400, Taiwan	886-4-22211186	886-4-22229536
Zhongzheng Mini Branch	330 Zhongzheng Road, Central District, Taichung City 400, Taiwan	886-4-22241115	886-4-22229359
Chenggong Branch	580 Jinhua Road, North District, Taichung City 404, Taiwan	886-4-22304100	886-4-22304701
Xitun Branch	458 Sec. 2, Henan Road, Xitun District, Taichung City 407, Taiwan	886-4-27062968	886-4-27063816
Guoguang Branch	333 Sec. 3, Fusing Road, South District, Taichung City 402, Taiwan	886-4-22245111	886-4-22229281
Dazhi Branch	339 Dazhi Road, East District, Taichung City 401, Taiwan	886-4-22815998	886-4-22815977
Linsen Branch	99 Linsen Road, West District, Taichung City 403, Taiwan	886-4-23725151	886-4-23723024
Nanmen Branch	75 Nanmen Road, South District, Taichung City 402, Taiwan	886-4-22871146	886-4-22862412
Jinhua Branch	255 Jinhua North Road, North District, Taichung City 404, Taiwan	886-4-22333550	886-4-22335164
Nantun Branch	410 Nantun Road, Nantun District, Taichung City 408, Taiwan	886-4-24718500	886-4-24758522
Beitun Branch	751 Sec. 4, Wunsin Road, Beitun District, Taichung City 406, Taiwan	886-4-22426565	886-4-22417153
Fengyuan Branch	214 Yuanhuan E. Road, Fengyuan City, Taichung County 420, Taiwan	886-4-25151788	886-4-25151895
Zhanghua Branch	181 Sec. 2, Zhongzheng Road, Zhanghua City, Zhanghua County 520, Taiwan	886-4-7298686	886-4-7298585
Yuanlin Branch	189 Sec. 1, Datong Road, Yuanlin Town, Zhanghua County 510, Taiwan	886-4-8383888	886-4-8383666
Taipei Branch	246 Yangguang Street, Neihu District, Taipei City 114, Taiwan	886-2-87512588	886-2-87512788
Taoyuan Branch	9 Sec. 2, Chenggong Road, Taoyuan City, Taoyuan County 330, Taiwan	886-3-3470505	886-3-3357373
Banciao Branch	260 Minzu Road, Panchiao City, Taipei County 220, Taiwan	886-2-89536001	886-2-89536011
Fengxin Branch	353, Zhongshan Rd., Fengyuan City, Taichung County 420, Taiwan	886-4-25261181	886-4-25269540
Zhongshan Branch	9, Daming Road., Fengyuan City, Taichung County 420, Taiwan	886-4-25277155	886-4-25269553
Fengdong Branch	330, Xiangyang Road., Fengyuan City, Taichung County 420, Taiwan	886-4-25225072	886-4-25269550
Fengle Branch	693, Zhongzheng Road., Fengyuan City, Taichung County 420, Taiwan	886-4-25287055	886-4-25269562
Kaohsiung Branch	1, Wenfu Rd., Zuoying District, Kaohsiung City 813, Taiwan	886-7-3505685	886-7-3506711
Tainan Branch	438, Sec 2, Datung Rd., Tainan City 702, Taiwan	886-6-2130966	886-6-2149088
Xinzhuan Branch	287, Chung Ping Rd., Xinzhuan City, Taipei, Taiwan	886-2-22768887	886-2-22768611
Xinzhun Branch	196, Minsheng Road., East Dist., Hsinchu City 300, Taiwan	886-3-5313225	886-3-5323611



COTA Commercial Bank

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