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web page: [www.cotabank.com.tw](http://www.cotabank.com.tw)

Taiwan Stock Exchange M.O.P.S web page:  
[mops.twse.com.tw](http://mops.twse.com.tw)

# ANNUAL REPORT 2015

**COTA COMMERCIAL BANK**



**COTA Commercial Bank**





**COTA Commercial Bank**

*ANNUAL REPORT 2015*



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# 1. To Our Shareholders

# 1. To Our Shareholders

## 1-1. Year 2015 Business Report

### 1-1-1. Financial Environment

In retrospect of year 2015, the global economic changed at high speed. Although economy in the U.S. turned to bright side, European area is still trying to stay afloat. Emerging markets encountered crises in currency depreciation, geopolitical risk and sharply dropping price in mass commodities. The global growth rate presented a level of 3.1% according to IMF, decreasing 0.2% in figure compared to previous year.

For domestic economy, affected by sluggish circumstance in world trade activities, investment and export showed gloomy performance. Further, the threat of red supply chain in china limited the rebound force in export. Domestic economy show growth rate in GDP as 0.75% for year 2015 released by “Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC”.

Looking forward into the coming year, the U.S. economy is expected to recovery gradually supported with the raising in FED rate after FED ending its seven-year long zero rates. Slow recovery in Euro area signals that continuing QE measures is inevitable. Excess production capacity, dropping earnings margin, local fiscal problem and increase in over-due loan pose China into the pressure of poor growth. As to Taiwan, “Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC” estimates year 2016 growth rate in GDP to be 1.47%. In private investment sector, Semiconductors and related supply chain suppliers, dealing with internet of things, big data and maintenance in leading production process, should keep investing in order to expand high-end production capacity. Year-end sales promotion and “short-term consumption stimulating measure” proposed by government inspire consumption spending. Overall, the economy has signaled its rebound from bottom, but still need to pay attention to global economic risks.

In response to domestic and international economic situations, not only have we set up Electronic Banking Department, Qiaotou Branch and Dadu Branch, launched mobile banking APP and internet banking transaction but also be committed to strengthening the implementation of financial structure, process reform and service quality, so as to maintain competitive edge and create notable brand image.

### 1-1-2. Organization Development

- Set up Electronic Banking Department to cater to era of Fintech and provide advanced service to customers.
- Set up Qiaotou Branch and Dadu Branch to expand channel, lift business scale and provide financial service to rural area.

### 1-1-3. Business Plans and Strategies Performance

#### 1-1-3-1. Main Achievements

- Set up Qiaotou Branch to Dadu Branch to expand service channel.
- Launched mobile internet banking APP to enlarge mobile banking service.
- Enhance digital banking business corresponding to Bank 3.0 policy to provide related services.
- Raise cash capital of TWD8 thousand million to strengthen capital structure and operation efficiency.
- Obtained approval of appointed foreign exchange banking licenses for branches of Guoguang, Linsen, Nanmen, Jinhua and Beitun to raise competitive ability for foreign exchange business.
- Received first place of “loans for innovation industry (group B)” recognized by FSC.

### 1-1-3-2. Budget Execution

As of Dec. 31, 2015, our deposits balance with sum of TWD135 billion (excluding deposits from banks) increased by TWD5.6 billion compared with previous year; our loans balance with sum of TWD107.2 billion increased by TWD3.7 billion compared with previous year. We would urge ourselves to build up fintech banking service environment, strengthen e-banking services, promote wealth management, develop new financial products, and provide flexible one-stop services and diverse products in effects to achieve better structure of quality and quantity between deposits and loans and higher multi-source income.

Main business budget executions reported as follows:

- Final account of average deposits balance amounted to TWD130.4 billion, achieved 100.3% budgeting goal of TWD130 billion.
- Final account of average loans balance amounted to TWD106 billion, achieved 100% budgeting goal of TWD106 billion.
- Final account of trust assets balance amounted TWD4.8 billion, achieved 88.9% budgeting goal of TWD5.4 billion.

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

Our year 2015 solo earnings before income-tax figured as TWD826,951 thousand turned into EPS before income-tax as TWD1.55; consolidated earnings before income-tax figured as TWD831,938 thousand turned into EPS before income-tax as TWD1.56. While earning after income-tax figured as TWD721,192 thousand, turned into EPS after income-tax as TWD1.35. Our BIS ratio maintained at a level of 10.20% and net worth of per share stood at TWD13.40. Further, we raised our non-performing loan coverage ratio to 960.60% as of Dec. 31, 2015 from 641.73% as of Dec. 31, 2014. Overdue loan ratio decreased to 0.21% as of Dec. 31, 2015 from 0.34% as of Dec. 31, 2014. 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.

## 1-2. Year 2016 Business Plans Outline

We have always held the spirit of "Integrity, Innovation, Affability, and Service" to meet customer's need by strengthening e-banking business and reduce cost of management and personnel. Main business plans are described as follows.

### 1-2-1. Business Operating Policy

- Build up digital banking service environment to provide convenient digital services.
- Develop operational system corresponding to e-banking business to promote operating effectiveness.
- Enhance asset quality, expand current deposit business and raise current deposit ratio to effectively lower working capital cost and strength financial structure.

# 1. To Our Shareholders

- Review regional development outlook to adjust and redeploy branch channels to increase effectiveness and efficiency of branch channels.
- Propel SME loans and control quality by utilizing credit guarantee mechanism to achieve fund allocation benefit and diverse credit risk.
- Strengthen proficiency of wealth management service team group to provide better consultative services.
- Streamline operating process and automation to lower operating cost and raise service efficiency by setting goal to paperless working environment.



## 1-2-2. Business Target

### 1-2-2-1. Main Operating Volume

Unit: TWD thousand: %

Main Business	Budget of Year 2016	Result of Year 2015	Increase volume	
			Amount	%
Average deposits	135,000,000	130,429,417	4,570,583	3.50
Average loans	110,000,000	106,010,746	3,989,254	3.76
Wealth management(Trust asset)	5,009,129	4,796,091	213,038	4.44

### 1-2-2-2. Schemed Targets

- Adjust asset structure by increasing current deposit ratio to lower cost of fund and widen core profitability.
- Expand corporate banking, cultivate SME business relationship, and provide differential products and services to satisfy corporate cash need in different stages to extend corporate banking momentum.
- Raise transaction ratio of e-banking by providing convenient and useful electronic financial services. Streamline operating process to upgrade operating mode and lower operation cost.
- Strengthen integration of on-line and off-line channel to provide convenient and living banking experience and increase momentum of growth.
- Cultivate domestic market, perform channel edge, and expand business scale to raise profitability.
- Execute personnel training and educating program, strengthen proficiency and sailing skill training to found base for e-banking business.
- Improve capital to strengthen financial structure, operating ability and profitability.

## 1-3. Long-term Development Strategy

- Reflect to speed-changing technology to develop on-line banking services complying with customer's need for convenient transaction.



- Enhance staff training and education to improve proficiency and ability for encountering development of Fintech.
- Continually redeploy service locations to enlarge value of branch channels and multiple sources of profit.
- Base on sustain business strategy of strong capital and steady profitability to strengthen capital quality, lower cost of fund, shape financial structure and stable growth of profitability.
- Enlarge interest spread and fee income by continually developing wealth management business to increase profitability.
- Consist with financial market dynamic condition to innovate consuming banking product, develop diverse and tailor-made program so as to improve value-add of product and scale of consuming banking.
- Adjust banking profit structure, enlarge scale of business and performance to lower cost and raise profitability.
- Pursuant to policy of competent authorities to continually develop SME loan, close to customer's need, enlarge customer base and scale to improve market share of corporate banking.
- Pursuant to government policies of economic development and industry upgrade to provide comprehensive corporate loan program to satisfy different-stage funds requirement.
- Enhance wealth management service team group training program to improve proficiency, sales skill, compliance of laws and rules, and risk control.
- Overview sources of fund and its optimal asset allocation to achieve best performance.
- Continually enhance auto-operating function and promotional flexibility to build up professional image of wealth management.
- Continually commit to public benefit activities and fulfill social responsibility.

## 1-4. Impact of Competitive, Regulative and Banking Environments

Along with development of Fintech and less difference in banking products, banks should face even more stringent competition and challenge. Key competition advantage should rely on innovation in banking product and service, training in proficiency talent, and improvement in organization efficiency. Further, high-speed development in Fintech and e-commerce is changing the traditional operation model in running business and bank. Electronized and digital banking apparently become new tendency in banking development. Customers are using mobile phone to open account, purchase mutual funds and apply loans instead of visiting the counter of branch. Hence, we should beef up digital business promotion group team, develop diverse banking products, and reform banking services pursuit to openness in laws, regulations and policies. Also, we should better know customer and realize their needs to turn ourselves into full-array digital bank.

Overviewed the banking laws and regulations environment, where we have observed the allowing bank to extend its business into insurance



# 1. To Our Shareholders

agent and broker poses notable impact that would bring benefits in reducing tax cost and increasing profit. As well, banks take the responsibility of direct sale which may increase efficiency in dealing with disputed insurance-product transactions. The new revised edition of "Financial Consumer Protection Act" urges banks to emphasize on consumer protection issues and make domestic financial market more health. Our reward system designed to salesperson is reported to and passed by board of director according to regulation in order to avoid improper sale because of chasing higher rewards.

In response to rapidly changing financial environments, and booming development of digital financial services, we will continue to foster the internet, mobile and digital financial services to improve service efficiency and strengthen the competitiveness. In the future, we will continue to uphold the business strategy of steady growth and also, coupled with the laws and regulations, technology progress, and financial policy openness, to develop diversified financial products, innovate financial services, construct more comprehensive services network so as to grasp developing opportunity, enhance profitability and expand the scale of operation.

## 1-5. Corporate Rating

Category	Rating Agent	Rating		Outlook	Released Date
		Long-term	Short-term		
Local	Taiwan Rating Corporate	twBBB+	twA-2	Stable	Jan.15, 2016

Heading for new coming year, we would hold practical spirits to cultivate varied business aspects develop new financial products and strengthen channel value so as to provide all-sort financial services and satisfy diverse financial needs to our customer. Also, by searching for growth of operating scale and service level, we would endeavor to lift asset quality and profitability and create better interest for all shareholders. At last, we would like to express sincere appreciations to our shareholders, directors, and the elites in all fields. All of our staff would sustain the enthusiasm to fulfill service motto of "sincerity, permanence, candidness, and frank". We look forward to obtaining continued support and advice from all of you.

Chairman *Song-Yie Liao*



## 2. Corporate Profile

## 2. Corporate Profile

### 2-1. Bank Features

Bank Name	COTA Commercial Bank, Ltd.
Chairman	Song-Yie Liao
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	1,133
Paid-in Capital	TWD5,998,771,420
Capital Shares	Common Stock in 599,877,142 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 “Integrity, Innovation, Cordiality and Service”, in response to the increasingly competitive financial market. 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 merger 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, introduce a broader range of online application service. We are committed to providing all-aspect services for our customers by constant business growth, scale expansion and product diversification.





### 3. Corporate Governance



## 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, 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.

### 3-1-2-17. Compliance and Legal Affairs Department

Taking charge the Compliance and Legal Affairs related planning, management and implement.

### 3-1-2-18. Electronic Banking Department

Taking charge the business of the Electronic Banking, and planning the marketing and Sales.

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

#### 3-2-1-1. List of Directors and Supervisors

As of Dec. 31, 2015, Shares Held (%)

Title	Nationality and Registry	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	R.O.C	Song-Yie Liao	Jan.23, 2015 (Director Dec.29,2014)	3	May. 25, 2005	35,761,115	7.1058	42,057,369	7.0110	602,772	0.1005	-	-	Department of Economics, Hosei University of Tokyo, Japan General manager of Chuan Cheng Hat Co., Ltd.	Director of Chuan Cheng Hat Co., Ltd. Director of CCH Plus Inc. Supervisor of Opus High Technology Corporation Supervisor of Japana Enterprise Co. Ltd.
Managing Director	R.O.C	Kuo-Chao Hsiao	Jan.23, 2015 (Director Dec.29,2014)	3	Jan. 01, 2002	13,968,050	2.7755	16,427,324	2.7384	3,046,276	0.5078	-	-	University of South California, USA Chairman of Hong Cheng Construction Co., Ltd. Supervisor of Chen-Ging Development Multimedia Co., Ltd. Director of TINP Corporation Vice Chairman of San Da CATV Co., Ltd.	
Managing Independent Director	R.O.C	Kun-Hsien Lin	Jan.23, 2015 (Director Dec.29,2014)	3	Dec. 29, 2014	-	-	2,870,908	0.4786	-	-	-	-	Collage of Low National Taiwan University Master's Program, Graduate Institute of Financial and Economic Law, Feng Chia University Director of Taichung BAR Association Members of Taiwan Bar Committee on the Discipline Chairman of Taichung NTU Alumni Association	Director of Kun Her Industrial Co., Ltd. Manager of Chan Hsin Law Firm Committee Chairman of Association for Victims Support Taichung Office
Managing Director	R.O.C	Ying-Che Chang	Jan.23, 2015 (Director Dec.29,2014)	3	Dec. 29, 2014	2,047,102	0.4068	2,407,523	0.4013	30,450	0.0051	-	-	Feng Chia University, Department of International Trade President of COTA Bank	Director of COTA Culture and Education Foundation Chairman of COTA Bank Insurance Broker Co., Ltd. ( Representative of a legal entity)
		(Representing: Deng Heng Enterprise Co., Ltd.)				919,207	0.1826	1,081,045	0.1802	-	-	-	-		
Managing Director	R.O.C	Chuan Cheng Hat Co., Ltd.	Jan.23, 2015 (Director Dec.29,2014)	3	Dec. 29, 2014	8,466,716	1.6823	9,957,401	1.6599	-	-	-	-		
		Representative: Chien-Chung Lai (Note 1)				-	-	2,736,412	0.4562	1,230,153	0.2051	-	-	Chinese Culture University, Department of French Overseas Chinese Affairs Committee of Overseas Community Affairs Council, R.O.C. President of The Council of Taiwan Chambers of Commerce In Vietnam Vice President of The Council of Asia Taiwanese Chambers Of Commerce President of Chiao Sang Footwears Inc. Supervisors of Lu Yueh Enterprise Co., Ltd.	Advisory Committee of Overseas Community Affairs Council, R.O.C. Consultant of World Taiwanese Chambers of Commerce Advisory Committee of Asia Taiwanese Chambers Of Commerce Consultant of Taiwan Association of Machinery Industry –Machinery for Shoe Consultant of Overseas Chinese Culture and Education Foundation
Independent Director	R.O.C	Po-Yao Chi	Dec.29, 2014	3	Jun. 20, 2008	2,343,659	0.4657	2,471,669	0.4120	533,496	0.0889	-	-	Soochow University School, Department of Accounting Taichung Factory Director of Cheng Loong Corporation	Director of Ming Foong Plastic Co., Ltd. Director of Ko Loong Industry Co., Ltd.
Independent Director	R.O.C	Sung-Cheng Huang	Dec.29, 2014	3	Dec.29, 2014	1,000	0.0002	1,176	0.0002	-	-	-	-	College of Law, National Cheng Chi University Investigator of the Investigation Bureau of the Ministry of Interior General Counsel of Far East Air Transport Corp.	General manager of Far East Air Transport Corp. Director of Far East Air Transport Corp. Supervisor of Le Chi Investment Co. Ltd. Supervisor of Yeh Hsiang Investment Co. Ltd. (Representative of a legal entity). Lawyer



Title	Nationality and Registry	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	R.O.C	Ho Chu Investment Co., Ltd.	Dec.29, 2014	3	Dec.29, 2014	37,186,063	7.3889	45,251,948	7.5435	-	-	-	-	Department of International Business, Fu Jen Catholic University Sales Deputy Manager of CTBC Securities	
		Representative: Szu-Tsung Cheng (Note 2)				-	-	-	-	-	-	-			
Director	R.O.C	Pi-Jung Hsieh	Dec.29, 2014	3	Jan. 01, 1999	1,987,681	0.3950	2,053,274	0.3423	1,479,613	0.2467	-	-	National Taichung Industrial High School, Department of Architecture. Certification Examinations for Architect, Ministry of Examination Engineer of Taiwan Railway Electrical Engineering Department	Architect of Hsieh Pi-Jung Architectural Office Director of Chu Hsin International Co., Ltd (Representative of a legal entity). Director of Tseng Hsin Construction Co., Ltd. Supervisor of Pai Ko Biopharmaceutical Co., Ltd. Director of COTA Culture and Education Foundation
Director	R.O.C	Xian-De Lai	Dec.29, 2014	3	May 25, 2005	2,839,319	0.5642	3,339,221	0.5567	107,626	0.0179	-	-	National Chung Hsing University, Department of Public Finance and Taxation President of Tung Yang Business Co., LTD.	Chairman of Tung Yang Business Co., Ltd. Chairman of Tung Yang Investment Co., Ltd. Representative of Jazzy Industrial Co., Ltd. Director of Yuan Sheng Plastic Inc. 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	R.O.C	Chi-Peng Yang	Dec.29, 2014	3	Dec.29, 2014	15,324,690	3.0450	17,220,569	2.8707	3,784,342	0.6309	-	-	Associate's Degree Tunghai University Executive Master of Business Administration Program Student.	Branch General Manager of COTA Bank
Director	R.O.C	Chun-Chieh Wang	Dec.29, 2014	3	Dec.29, 2014	3,570,255	0.7094	9,362,839	1.5608	-	-	-	-	Mingdao High School	Chairman of Mingdao High School Director of Hon Dao senior citizen welfare foundation
Director	R.O.C	Chia De Development and Investment Co., Ltd.	Dec.29, 2014	3	Dec.29, 2014	863,707	0.1716	892,209	0.1487	-	-	-	-	National Feng Yuan Commercial High School Mediators of Taichung City South District Mediation Committee(26 <sup>th</sup> )	Chairman of Hsin Kao Automobile Material Co.
		Representative: Kuo-Hao Chen (Note 3)				24,536	0.0049	28,855	0.0048	135	0.0000	-	-		
Director	R.O.C	Cheng Shing Tai Biopharmaceutical Co., Ltd.	Dec.29, 2014	3	Dec.29, 2014	348,647	0.0693	410,030	0.0684	-	-	-	-	Mingdao High School	President of Sicame Commercial Affairs Hotel President of Cheng Shing Tai Biopharmaceutical Co., Ltd. Business Department Director of Rodan (Taiwan) Ltd.
		Representative Ting-Lieh Huang				886,224	0.1761	1,042,255	0.1737	447,560	0.0746	-	-		
Director	R.O.C	Chin-Ting Chang	Dec.29, 2014	3	Dec.29, 2014	2,238,886	0.4449	2,660,934	0.4436	454,497	0.0758	-	-	NCHU's Continuing Education School, EMBA	President of COTA Bank
		Representing: KunYuan Investment Co., Ltd.				1,239,725	0.2463	1,457,995	0.2430	-	-	-	-		

NOTE 1: Director of Legal Entity (Chuan Cheng Hat Co., Ltd.) Representative Chiu-Hsiung Lin In Aug. 11, 2015 dismissal and reassign Chien-Chung Lai.

NOTE 2: Director of Legal Entity (Ho Chu Investment Co., Ltd.) Representative Chia-Hung Lin In Oct. 04, 2015 dismissal and reassign Suz-Tsung Cheng.

NOTE 3: Director of Legal Entity (Chia De Development and Investment Co., Ltd.) Representative Te-Ying Liao In Jun. 30, 2015 dismissal and reassign Kuo-Hao Chen.

## 3. Corporate Governance

### 3-2-1-2. Major Institutional Shareholder:

As of Dec. 31, 2015

Institutional Shareholder	Major Shareholders of Institutional Shareholders
Chuan Cheng Hat Co., Ltd.	Song-Yie Liao (68.35%), Ching-Ling Liu (12.36%), Po-Chi Liao (9.83%), Po-Chun Liao (9.46%)
Deng Heng Enterprise Co., Ltd.	Shih-Ying Hsieh (80%), Hsiu-Liu Chen (20%)
Ho Chu Investment Co., Ltd.	Chia-Hung Lin (100%)
Chia De Development and Investment Co., Ltd.	Hoarder Rich Limited (100%)
Cheng Shing Tai Biopharmaceutical Co., Ltd.	Tung-Po Hsieh (40%), Min-Ju Hsieh (15%), Ching-Jung Hsieh (11.5%), You-Che Hsieh (9%), Chia-Sheng Hsieh (8.5%), Chen Chin-Feng Hsieh (6%), Tsung-Chih Hsieh (5%), Tsung-Liang Hsieh (5%)
KunYuan Investment Co., Ltd.	Hui-Wen Lee (60%), Kuo-Wei Wang (20%), Kuo-Yu Wang (20%)

### 3-2-1-3. Major Shareholders of Major Institutional Shareholders of the Bank :

As of Dec. 31, 2015

Institutional Shareholder	Major Shareholders of Institutional Shareholders
Hoarder Rich Limited	Chen-Han Liu (100%)



3-2-1-4.

Name	Qualifications			Independent status (Note)										Number of serve as an independent director of public companies.	
	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.	1	2	3	4	5	6	7	8	9		10
Song-Yie Liao	-	-	V	V	-	-	V	-	V	V	V	V	V	V	-
Kuo-Chao Hsiao	-	-	V	V	-	-	V	V	V	V	V	V	V	V	-
Kun-Hsien Lin	-	V	V	V	V	V	V	V	V	V	V	V	V	V	-
Ying-Che Chang (Deng Heng Enterprise Co., Ltd)	-	-	V	V	-	V	V	V	V	V	V	V	V	-	-
Chuan Cheng Hat Co., Ltd. (Chien-Chung Lai)	-	-	V	V	-	V	V	V	V	V	V	V	V	-	-
Po-Yao Chi	-	-	V	V	V	V	V	V	V	V	V	V	V	V	-
Sung-Cheng Huang	-	V	V	V	V	V	V	V	V	V	V	V	V	V	-
Ho Chu Investment Co., Ltd. (Szu-Tsung Cheng)	-	-	V	V	-	V	V	-	V	V	V	V	V	-	-
Pi-Jung Hsieh	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Xian-De Lai	-	-	V	V	-	V	V	-	V	V	V	V	V	V	-
Chi-Peng Yang	-	-	V	-	-	-	V	V	V	V	V	V	V	V	-
Chun-Chieh Wang	-	-	V	V	-	-	V	V	V	V	V	V	V	V	-
ChiaDe Development and Investment Co., Ltd. (Kuo-Hao Chen)	-	-	V	V	-	V	V	V	V	V	V	V	V	-	-
Cheng Shing Tai Biopharmaceutical Co., Ltd. (Ting-Lieh Huang)	-	-	V	V	-	V	V	V	V	V	V	V	V	-	-
Chin-Ting Chang (KunYuan Investment Co., Ltd.)	-	-	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, 2015, 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	2,660,934	0.44	454,497	0.08	-	-	NCHU's Continuing Education School, EMBA Senior Executive Vice President of COTA Bank	
Senior Executive Vice President	Jung-Hsien Chiu	Jan. 01, 2004	1,052,299	0.18	-	-	-	-	Department of Industrial and Information Management, National Cheng Kung University, Master Executive Vice President of COTA Bank	
Senior Executive Vice President	Shih-Jung Chen	Sep. 15, 2015	533,215	0.09	-	-	-	-	Department of Oceanography, Chinese Culture University Executive Vice President of COTA Bank, Credit Management Department	
Senior Executive Vice President	Hsin-De Chang	Feb. 07, 2015	429,706	0.07	152,349	0.03	-	-	Department of Accounting, Chien Kuo College of Commerce Executive Vice President of COTA Bank, Risk Management Center	
Chief Auditor	Chih-Sheng Hsiao	Jan. 01, 2014	817,531	0.14	240,589	0.04	-	-	Department of Public Finance and Taxation Feng Chia University Executive Vice President of COTA Bank	
Executive Vice President (Department General Manager)	Yun-Ching Wang	Jan. 01, 2004	379,529	0.06	231,475	0.04	-	-	National Chung Hsing University, Master in Finance Chief officer of COTA Bank, IT Management Office	-
Executive Vice President (Department General Manager)	Shih-Chien Chin	Sep. 15, 2015	622,858	0.10	180,579	0.03	-	-	Department of Applied Math., University of North Texas, USA, Master Executive Vice President of COTA Bank, Business Department	-
Department General Manager	Kuang-Hsiung Huang	Mar. 03, 2006	291,025	0.05	313,816	0.05	-	-	Department of Economics, Feng Chia University Deputy General Manager of COTA Bank, General Administration Department	-
Department General Manager	Kuo-Chiu Chang	Oct. 15, 2013	158,774	0.03	-	-	-	-	Business Administration, Chaoyang University of Technology, Master Deputy General Manager of COTA Bank, Wealth Management Center and Credit Card Center	
Department General Manager	Wei-Bin Lin	Mar. 16, 2005	167,057	0.03	-	-	-	-	Graduate School of Management, University of California at Riverside, MasterAssistant Vice President of Bank Sinopac	
Department General Manager	Ming-Heng Chan	Sep. 01, 2013	184,197	0.03	25,845	0.00	-	-	Business Administration, Chaoyang University of Technology, Master Deputy General Manager of COTA Bank, Business Department	
Department General Manager	Chuan-Hung Yang	Feb. 07, 2015	117,379	0.02	-	-	-	-	Department of Finance, Chaoyang University of Technology Deputy General Manager of COTA Bank, Risk Management Center	
Department General Manager	Hung-Tsang Chiang	Oct. 15, 2013	210,811	0.04	120,931	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	161,716	0.03	12,628	0.00	-	-	Department of Chemical Engineering, Chung Yuan Christian University Deputy General Manager of COTA Bank, Risk Management Center	
Department General Manager	Chang-Chieh Lin	Oct. 15, 2013	205,094	0.03	-	-	-	-	Department of Economics, Tunghai University Branch General Manager of COTA Bank, Business Department.	
Department General Manager	Mei-Ling Shih	Oct. 08, 2010	248,830	0.04	350	0.00	-	-	Supplementary Junior College Deputy General Manager of COTA Bank, Jinhua Branch	
Department General Manager	Chih-Hung Huang	Jan. 08, 2014	302,830	0.05	124,795	0.02	-	-	Department of Applied Commerce, National Taichung Institute of Technology Branch General Manager of COTA Bank, Jinhua Branch	
Department General Manager	Yung-Hsieh Chen	Dec. 01, 2015	-	-	-	-	-	-	Department of Computer Science and Information Engineering (CSIE), National Taiwan University, Master Senior Engineer of ASUS	



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	%		
Executive Vice President (Branch General Manager)	Huan-Mou Cheng	Apr. 10, 2013	229,214	0.04	125,881	0.02			National Open College of Continuing Education Affiliated to NTIT, General Department Manager of COTA Bank, SME Banking Center	
Branch General Manager	Ling-Chen Ting	Oct. 08, 2010	565,610	0.09	-	-	-	-	Department of Banking and Insurance, National Taichung Institute of Technology Department General Manager of COTA Bank, Trusts Department	
Branch General Manager	Jui-Sen Liao	Apr. 01, 2010	183,736	0.03	6,679	0.00	-	-	Department of Public Finance and Taxation, Institute of Industrial & Business Administration, Tamsui Oxford College Manager of COTA Bank, SME Banking Center	
Branch General Manager	Cheng-Hsien Hsieh	Aug. 01, 2014	373,812	0.06	106,074	0.02			Department of Business, The National Open University Branch General Manager of COTA Bank, Dazhi Branch	
Branch General Manager	Kuo-Ho Chang	Jan. 01, 2014	126,977	0.02	-	-	-	-	Department of General Business, Shin Min Commercial and Industrial Vocational Senior High School Branch General Manager of COTA Bank, Beitun Branch	
Branch General Manager	Min-Chang Lin	Aug. 01, 2014	294,388	0.05	108,272	0.02	-	-	Department of General Business, Shin Min Commercial & Industrial Vocational Senior High School Branch General Manager of COTA Bank, Linsen Branch	
Branch General Manager	Mao-Sheng Huang	Aug. 01, 2014	213,026	0.04	52,199	0.01	-	-	Department of Finance Stock Practice, Chung Hua University Branch General Manager of COTA Bank, Xinzhu Branch	
Branch General Manager	Wen-Lung Chen	Dec. 08, 2014	279,142	0.05	53,195	0.01	-	-	Department of Business Administration, Chaoyang University of Technology Branch General Manager of COTA Bank, Tainan Branch	
Branch General Manager	Chi-Shen Huang	Jan. 08, 2014	461,123	0.08	53,809	0.01			Department of Banking and Insurance, National Taichung Institute of Technology Branch General Manager of COTA Bank, Banciao Branch	
Branch General Manager	Shih-Tsung Chou	Jul. 01, 2006	285,693	0.05	76,123	0.01	-	-	Department of Business Administration, The Overseas Chinese College Branch General Manager of COTA Bank, Zanghua Branch	
Branch General Manager	Chien-Cheng Hsu	Apr. 08, 2015	592,434	0.10	96,424	0.02	-	-	Department of Business Administration, Tunghai University, Chief Secretary of COTA Bank, Secretariat to The Board of Directors	
Branch General Manager	Hung-Chi Tung	Jan. 01, 2012	278,767	0.05	228,581	0.04	-	-	Department of International Trade, Supplementary Junior College Branch General Manager of COTA Bank, Fengxin Branch	
Branch General Manager	His-Tung Chang	Jul. 16, 2010	608,212	0.10	3,579	0.00	-	-	Department of Electrical Engineering, Kuang-Hwa Vocational High School of Technolog, Project Manager of COTA Bank, Credit Management Department	
Branch General Manager	Chia-Wen Ke	Dec. 08, 2014	178,432	0.03	-	0.00	-	-	Department of technology Management, Chung Hua University Project Manager of COTA Bank, Credit Management Department	
Branch General Manager	His-Hsien Wang	Nov. 21, 2005	164,173	0.03	-	-	-	-	Soochow University School of Law Manager of CTCB Bank Branch General Manager of COTA Bank, Banciao Branch	
Branch General Manager	Chung-Yi Hsu	Jul. 01, 2012	221,958	0.04	88,385	0.01	-	-	Department of Applied Business, National Taichung Institute of Technology Project Manager of COTA Bank, Credit Management Department	
Branch General Manager	Cheng-Hao Wu	Jan. 08, 2014	90,603	0.02	-	-	-	-	Department of Business Administration, Fujen Catholic University Deputy General Manager of COTA Bank, Banciao Branch	
Branch General Manager	Chang-Cheng Chen	Jan. 01, 2012	164,925	0.03	783	0.00			Department of General Business of Extension Business Vocational School, National Taichung Institute of Technology Branch General Manager of COTA Bank. Fengdong Branch	

### 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	Shih-Tsung Liu	Jun. 24, 2013	317,252	0.05	261,820	0.04	-	-	Department of Business, The National Open University Branch General Manager of COTA Bank, Fengle Branch	
Branch General Manager	Shu-Chen Shih	Jan. 01, 2012	418,334	0.07	-	-	-	-	Department of Social Science, The National Open University Deputy General Manager of COTA Bank, Guoguang Branch	
Branch General Manager	Chih-Peng Yang	Dec. 08, 2014	17,220,569	2.87	7,961,727	1.33	-	-	Department of Business Administration, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology Branch General Manager of COTA Bank, Nanmen Branch	
Branch General Manager	Chih-Yin Lin	Jan. 01, 2013	80,065	0.01	-	-	-	-	Department of Finance, National Yunlin University of Science and Technology, Master Deputy General Manager of COTA Bank, Nantun Branch	
Branch General Manager	Ching-Sung Chen	Oct. 15, 2007	201,786	0.03	130,241	0.02	-	-	Department of Accounting Statistics National Changhua Senior School of Commerce Project Manager of COTA Bank, Credit Management Department	
Branch General Manager	Ming-Yung Yu	Aug. 01, 2014	156,254	0.03	21,308	0.00	-	-	Department of Business Administration, Taiwan Provincial Taichung College of Business Project Manager of COTA Bank, Credit Management Department	
Branch General Manager	Ping-Hung Chuang	Oct. 01, 2012	62,946	0.01	-	-	-	-	The National Kaohsiung First University of Science and Technology, Graduate Institute of Business Management Senior Manager of Jih Sun International Bank	
Branch General Manager	Hsien-Hsun Chiang	Jun. 24, 2013	231,772	0.04	17,341	0.00	-	-	Department of Cooperative Economics, Tamkang University Branch General Manager of COTA Bank, Zhongshan Branch	
Branch General Manager	Ming-Feng Wu	Oct. 01, 2014	16,756	0.00	-	-	-	-	Department of Business Administration, Soochow University Branch General Manager of Sunny Bank, Hsiaokang Branch	
Branch General Manager	Tien-Long Yang	Jul. 01, 2014	149,433	0.02	35,839	0.01	-	-	Department of finance, Chaoyang University of Technology Deputy General Manager of COTA Bank, Taichung Branch	
Branch General Manager	Po-Hsun Chang	Oct. 01, 2015	22,595	0.00	-	-	-	-	Department of finance, Chaoyang University of Technology Project Manager of COTA Bank, Zhongshan Branch	
Branch General Manager	Yung-Hung Tsao	Mar. 01, 2015	77,549	0.01	-	-	-	-	Department of finance, Chaoyang University of Technology Project Manager of COTA Bank, Nantun Branch	

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

#### (1) Directors' Remuneration

Unit: TWD thousand

Title	Name	Compensation								Sum of A, B, C and D /after-tax profit (%)	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)			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	COTA		CON-SOLIDATION				COTA	CON-SOLIDATION	COTA	CON-SOLIDATION		
														Cash Dividend	Stock Dividends	Cash Dividend	Stock Dividends									
Chairman	Song-Yie Liao																									
Managing Director	Kuo-Chao Hsiao																									
Managing (Independent) Director	Kun-Hsien Lin																									
Managing Director	Ying-Che Chang (Representing: Deng Heng Enterprise Co., Ltd.)																									
Managing Director	Chuan Cheng Hat Co., Ltd. Representative: Chien-Chung Lai																									
Independent Director	Po-Yao Chi																									
Independent Director	Sung-Cheng Huang																									
Director	Ho Chu Investment Co., Ltd. Representative: Szu-Tsung Cheng	14,190	14,190	-	-	17,977	17,977	1,818	1,927	4.71%	4.73%	6,467	6,467	-	-	-	-	-	-	-	-	-	-	5.65%	5.67%	NIL
Director	Pi-Jung Hsieh																									
Director	Xian-De Lai																									
Director	Chi-Peng Yang																									
Director	Chun-Chieh Wang																									
Director	Chia De Development and Investment Co., Ltd. Representative: Kuo-Hao Chen																									
Director	Cheng Shing Tai Biopharmaceutical Co., Ltd. Representative: Ting-Lieh Huang																									
Director	Chin-Ting Chang Representing: KunYuan Investment Co., Ltd.																									

Note.: 1. Earnings after income tax amount to TWD721,192 thousand.

2. Director of Chih-Peng Yang is also branch general manager. Director of Chin-Ting Chang (Representing: Deng Heng Enterprise Co., Ltd.), is also the President.

### 3. Corporate Governance

#### 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	Kuo-Chao Hsiao	Te-Ying Liao	Kuo-Chao Hsiao	Te-Ying Liao	Kuo-Chao Hsiao	Te-Ying Liao	Kuo-Chao Hsiao	Te-Ying Liao
	Kun-Hsien Lin	Kuo-Hao Chen	Kun-Hsien Lin	Kuo-Hao Chen	Kun-Hsien Lin	Kuo-Hao Chen	Kun-Hsien Lin	Kuo-Hao Chen
	Ying-Che Chang	Ting-Lieh Huang	Ying-Che Chang	Ting-Lieh Huang	Ying-Che Chang	Ting-Lieh Huang	Ying-Che Chang	Ting-Lieh Huang
	Chiu-Hsiung Lin	Chin-Ting Chang	Chiu-Hsiung Lin	Chin-Ting Chang	Chiu-Hsiung Lin	Chin-Ting Chang	Chiu-Hsiung Lin	Chin-Ting Chang
	Chien-Chung Lai	Deng Heng Enterprise Co., Ltd.	Chien-Chung Lai	Deng Heng Enterprise Co., Ltd.	Chien-Chung Lai	Deng Heng Enterprise Co., Ltd.	Chien-Chung Lai	Deng Heng Enterprise Co., Ltd.
	Po-Yao Chi		Po-Yao Chi		Po-Yao Chi		Po-Yao Chi	
	Sung-Cheng Huang	Chuan Cheng Hat Co., Ltd.	Sung-Cheng Huang	Chuan Cheng Hat Co., Ltd.	Sung-Cheng Huang	Chuan Cheng Hat Co., Ltd.	Sung-Cheng Huang	Chuan Cheng Hat Co., Ltd.
	Chia-Hung Lin	Ho Chu Investment Co., Ltd.	Chia-Hung Lin	Ho Chu Investment Co., Ltd.	Chia-Hung Lin	Ho Chu Investment Co., Ltd.	Chia-Hung Lin	Ho Chu Investment Co., Ltd.
	Szu-Tsung Cheng	Chia De Development and Investment Co., Ltd.	Szu-Tsung Cheng	Chia De Development and Investment Co., Ltd.	Szu-Tsung Cheng	Chia De Development and Investment Co., Ltd.	Szu-Tsung Cheng	Chia De Development and Investment Co., Ltd.
	Pi-Jung Hsieh		Pi-Jung Hsieh		Pi-Jung Hsieh		Pi-Jung Hsieh	
Xian-De Lai	Cheng Shing Tai	Xian-De Lai	Cheng Shing Tai	Xian-De Lai	Cheng Shing Tai	Xian-De Lai	Cheng Shing Tai	
Chi-Peng Yang	Biopharmaceutical Co., Ltd.	Chi-Peng Yang	Biopharmaceutical Co., Ltd.	Chi-Peng Yang	Biopharmaceutical Co., Ltd.	Chi-Peng Yang	Biopharmaceutical Co., Ltd.	
Chun-Chieh Wang	KunYuan Investment Co., Ltd.	Chun-Chieh Wang	KunYuan Investment Co., Ltd.	Chun-Chieh Wang	KunYuan Investment Co., Ltd.	Chun-Chieh Wang	KunYuan Investment Co., Ltd.	
2,000,000 - 5,000,000	Song-Yie Liao		Song-Yie Liao		Song-Yie Liao Chi-Peng Yang Chin-Ting Chang		Song-Yie Liao Chi-Peng Yang Chin-Ting Chang	
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	24 (Persons)		24 (Persons)		24 (Persons)		24 (Persons)	

#### (2) President and Senior Executive Vice President Remuneration

As of Dec. 31, 2015, 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	
President	Chin-Ting Chang											NIL
Chief Auditor	Chih-Sheng Hsiao											
Senior Executive Vice President	Jung-Hsien Chiu											
Senior Executive Vice President	He-Shun Chang	8,295	8,295	8,005	8,005	9,042	9,042	908	0	3.6398%	3.6398%	
Senior Executive Vice President	Hsin-De Chang											
Senior Executive Vice President	Shih-Jung Chen											

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



### Classification of Remuneration

Unit: TWD

Classification of Remuneration for President and Senior Executive Vice President	Name of President and Senior Executive Vice President	
	Bank(Note 7)	Consolidation E
below 2,000,000	-	-
2,000,000 - 5,000,000	Chin-Ting Chang    Shih-Jung Chen Jung-Hsien Chiu    Hsin-De Chang Chih-Sheng Hsiao	Chin-Ting Chang    Shih-Jung Chen Jung-Hsien Chiu    Hsin-De Chang Chih-Sheng Hsiao
5,000,000 - 10,000,000	He-Shun Chang	-
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	-	-
<b>TOTAL</b>	<b>6 (Persons)</b>	<b>6 (Persons)</b>

Note 1: Remuneration paid to presidents and vice presidents should be disclosed aggregately with the names indicated for each remuneration range. Director should be listed in this table and table 1-1 or table 1-2 if he/she currently holds the position of presidents and vice presidents.

Note 2: Severance pay, additional pay and salary paid to presidents and vice presidents for the most recent fiscal year.

Note 3: Bonus, cash rewards, travel expenses, special disbursement, miscellaneous subsidies, house, vehicle and other pay and goods paid or provided to presidents and vice presidents. When house, vehicle is provided or exclusive pay is paid to presidents and vice presidents, the nature of the assets and the cost or market value of rent of houses and fuel expenses and miscellaneous should be disclosed. Salary of drivers, not to be included in remuneration, should be disclosed.

Note 4: The proposed amount of employee dividends, including stock dividends and cash dividends, paid to presidents and vice presidents approved by the board before shareholder's meeting. It should also fill in appendix table 1-3.

Note 5: The number of shares were subscribed (excluding exercise shares) by stock warrants hold by presidents and vice presidents for the most recent fiscal year up to the date of printing of the annual report. It should also fill in appendix table 15.

Note 6: Total remuneration paid by the all companies (including our company) in the consolidated report to presidents and vice presidents should be disclosed.

Note 7: Names of president and vice presidents must be disclosed in the suitable range based on the remuneration they received.

Note 8: Total remuneration paid by the all companies (including our company) in the consolidated report to presidents and vice presidents should be disclosed. And names of president and vice presidents must be disclosed in the suitable range based on the remuneration they received.

Note 9: Net income disclosed from latest financial statement of each company.

Note 10: a. Remuneration amount received by presidents and vice presidents from non-group affiliates.

b. For remuneration received by presidents and vice presidents from non-group affiliates, the amount must be shown in the Column E under the Remuneration Range Table. The Column must be renamed to —All Investment Businesses.

c. Remuneration refers to compensation, remuneration, employee dividends, and payments related to business execution expenses received by presidents and vice presidents of COTA serving as directors, supervisors or managers of non-group affiliates.

Note 11: Number of new restricted employee stock options granted to presidents and vice presidents up to the date of printing of the annual report. The same information must be disclosed in Table 16-1.

\* Remuneration shown under the chart is for disclosure purpose. It is not subject to "income" under the Income Tax Act, and thereby is not taxable.

### 3. Corporate Governance

#### (4) List of Compensation Paid to President, Executive Vice Presidents and General Managers

As of Dec. 31, 2015; Unit: TWD thousand

	Title	Name	Stock dividends	Cash Dividends	Total Amount	Total Amount/Net Income (%)
Manager	President	Chin-Ting Chang				
	Chief Auditor	Chih-Sheng Hsiao				
	Senior Executive Vice President	Jung-Hsien Chiu				
	Senior Executive Vice President	Ho-Shun Chang				
	Senior Executive Vice President	Shih-Jung Chen				
	Senior Executive Vice President	Hsin-De Chang				
	Executive Vice President	Yun-Ching Wang				
	Executive Vice President	Shih-Tsung Chou				
	Executive Vice President	Shih-Chien Chin				
	Executive Vice President	Huan-Mou Cheng				
	Department General Manager	Kuang-Hsiung Huang				
	Department General Manager	Kuo-Chiu Chang				
	Department General Manager	Ming-Heng Chan				
	Department General Manager	Chuan-Hung Yang				
	Department General Manager	Mei-Ling Shih				
	Department General Manager	Chih-Huang Huang				
	Department General Manager	Wei-Bin Lin				
	Department General Manager	Yung-Hsieh Chen				
	Department General Manager	Hung-Tsang Chiang				
	Department General Manager	Chun-Sheng Lin				
	Branch General Manager	Chang-Chieh Lin				
	Branch General Manager	Ling-Chen Ting				
	Branch General Manager	Jui-Sen Liao				
	Branch General Manager	Cheng-Hsien Hsieh				
	Branch General Manager	Kuo-Ho Chang	-	5,337	5,337	0.74%
	Branch General Manager	Min-Chang Lin				
	Branch General Manager	Mao-Sheng Huang				
	Branch General Manager	Wen-Lung Chen				
	Branch General Manager	Chi-Shen Huang				
	Branch General Manager	Chien-Cheng Hsu				
	Branch General Manager	Hung-Chi Tung				
	Branch General Manager	His-Tung Chang				
	Branch General Manager	Chia-Wen Ke				
	Branch General Manager	His-Hsien Wang				
	Branch General Manager	Chung-Yi Hsu				
	Branch General Manager	Cheng-Hao Wu				
	Branch General Manager	Chang-Cheng Chen				
	Branch General Manager	Shih-Tsung Liu				
	Branch General Manager	Shu-Chen Shih				
	Branch General Manager	Chih-Peng Yang				
Branch General Manager	Chih-Yin Lin					
Branch General Manager	Ching-Sung Chen					
Branch General Manager	Ming-Yung Yu					
Branch General Manager	Ping-Hung Chuang					
Branch General Manager	Hsien-Hsun Chiang					
Branch General Manager	Ming-Feng Wu					
Branch General Manager	Tien-Long Yang					
Branch General Manager	Po-Hsun Chang					
Branch General Manager	Yung-Hung Tsao					

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

### 3-2-4. Analysis of Remuneration Paid to Directors, Supervisors, and Executive Officers of the Bank and All Companies in the Consolidated Financial Statements as a Percentage of Net Profit after Tax during the Past Two Years

Item	Total Amount / Net Income After Tax		
	Year 2015	Year 2014	%
Director	5.67%	4.72%	+0.95%
Supervisor	-	1.18%	-1.18%
Total	5.67%	5.90%	-0.23%

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.

Board of directors reelected on Dec.29,2014 and set up audit committee to replace supervisor.

Item	Total Amount / Net Income After Tax		
	Year 2015	Year 2014	%
President and Senior Executive Vice President	3.6398%	2.8790%	+0.7608%

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 of board of directors: 10 meetings were convened last year; and the records of attendance of directors and supervisors at the meetings are as below:**

Title	Name	Attendance in Person(B)	Attendance by Proxy	Actual Attendance Rate (%)	Annotations
Chairman	Song-Yie Liao	10	0	100	
Managing Director	Kuo-Chao Hsiao	10	0	100	
Managing (Independent) Director	Kun-Hsien Lin	9	1	90	
Managing Director	Ying-Che Chang (Representing Deng-Heng Ent. Co Ltd.)	10	0	100	
Managing Director	Chuan Cheng Hat Co., Ltd. Representative: Chiu Hsiung Lin	7	0	100	Resigned on Aug. 11 2015
	Chuan Cheng Hat Co., Ltd. Representative: Chien-Chung Lai	3	0	100	Appointed on Aug. 11 2015
Independent Director	Po-Yao Chi	10	0	100	
Independent Director	Sung-Cheng Huang	9	1	90	
Director	Xian-De Lai	10	0	100	
Director	Pi-Jung Hsieh	10	0	100	
Director	Chun-Chieh Wang	10	0	100	
Director	Chi-Peng Yang	9	0	90	
Director	HoChu Investment Ltd. Representative: Chia-Hung Lin	5	3	55.56	Resigned on Oct. 04 2015
	HoChu Investment Ltd. Representative: Szu-Tsung Cheng	1	0	100	Succeeded on Oct. 05 2015
Director	ChiaDe Development and Investment Co., Ltd. Representative: De-Ying Liao	5	1	83.33	Resigned on Jun. 30 2015
	ChiaDe Development and Investment Co., Ltd. Representative: Kuo-Hao Chen	4	0	100	Succeeded on Jul. 01 2015
Director	Cheng Shing Tai Biopharmaceutical Co., Ltd. Representative: Ting-Lieh Huang	10	0	100	
Director	KunYuan Investment Co., Ltd. Representative: Chih-Ting Chang	10	0	100	



Remarks:

1. 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.
2. Avoidance of Conflict of interest by directors:
  - ◆ The 2<sup>nd</sup> Meeting of the 7<sup>th</sup> Board of Directors on June 25, 2015:
    - Issue: Remuneration for the directors and supervisors of COTA Insurance Brokers Co., Ltd, subsidiary of COTA.  
Name of director: Ying-Che Chang (Representing Deng-Heng Ent. Co Ltd.)  
Reasons for avoidance: The Director of COTA Insurance Brokers.  
Participation and voting: Director Ying-Che Chang requested a leave of absence due to conflict of interest pertaining to the issue.
    - Issue: Director Chi-Peng Yang applying for monthly remuneration.  
Name of director: Chi-Peng Yang  
Reasons for avoidance: Applicant of remuneration.  
Participation and voting: Director Chi-Peng Yang requested a leave of absence due to conflict of interest pertaining to the issue.
    - Issue: Donation to COTA Culture and Education Foundation.  
Name of director: Pi-Jung Hsieh, Ying-Che Chang (Representing Deng-Heng Ent. Co Ltd.)  
Reasons for avoidance: The Director of COTA Culture and Education Foundation.  
Participation and voting: Director Pi-Jung Hsieh, Ying-Che Chang requested a leave of absence due to conflict of interest pertaining to the issue.
  - ◆ The 5<sup>th</sup> Interim Meeting of the 7<sup>th</sup> Board of Directors on July 01, 2015:
    - Issues: Proposal of recommendation concerning the public tender offer prospectus, offeror: Waterland Financial Holdings, for common share of COTA.  
Name of director: HoChu Investment Ltd. Appointed representative: Chia-Hung Lin  
Reasons for avoidance: A selling agreement was signed by and between Waterland Financial Holdings and HoChu Investment Ltd.  
Participation and voting: Representative of HoChu Investment Ltd., Chia-Hung Lin, did not attend the meeting due to conflict of interest pertaining to the issue.
  - ◆ The 3<sup>rd</sup> Meeting of the 7<sup>th</sup> Board of Directors on September 24, 2015:
    - Issues: Proposal of colocation service to COTA Insurance Brokers Co., Ltd, subsidiary of COTA  
Name of director: Ying-Che Chang (Representing Deng-Heng Ent. Co Ltd.)  
Reasons for avoidance: Director of COTA Insurance Brokers Co., Ltd.  
Participation and voting: Ying-Che Chang requested a leave of absence due to conflict of interest pertaining to the issue.
  - ◆ The 4<sup>th</sup> Meeting of the 7<sup>th</sup> Board of Directors on December 24, 2015:
    - Issues: Proposal of Establishing Insurance Department  
Name of director: Ying-Che Chang (Representing Deng-Heng Ent. Co Ltd.)  
Reasons for avoidance: Director of COTA Insurance Brokers Co., Ltd.  
Participation and voting: Ying-Che Chang requested a leave of absence due to conflict of interest pertaining to the issue.
    - Issues: Report of internal audit plan for 2016 and control form of internal audit system.  
Name of director: Chi-Peng Yang  
Reasons for avoidance: Adjunct manager of Tainan branch.  
Participation and voting: Chi-Peng Yang requested a leave of absence due to conflict of interest pertaining to the issue.
3. Goals to enhance the function of the Board of Directors and evaluation of the execution status in the current and most recent years:  
We established the Audit Committee to implement regulations and rules relevant to consolidate management of Board of Directors; and to proactively increase transparency of company information to secure shareholder's interest.

### 3-3-2. Operation of the auditing committee:

5 Meetings were convened last year; and the records of attendance of independent directors at the meetings are as below:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate (%)	Annotations
Independent Director	Po-Yao Chi	5	-	100	
Independent Director	Kun-Hsien Lin	5	-	100	
Independent Director	Sung-Cheng Huang	5	-	100	

Remarks:

1. Matters specified in Article 14-5 of the Securities Exchange Act, or matters not passed by the Audit Committee, which were then agreed upon by two-thirds or more of all membership of the Board of Directors.: None.

## 3. Corporate Governance

2. Avoidance of Conflict of interest by independent directors: None.

3. Communication among independent directors, the Chief Auditor and accountants:

(1) Communication between accountants and independent directors:

Accountants and independent directors are very well communicated when producing annual and semi-annual financial reports. Financial reports are presented to independent directors before meetings of audit committee. Accounting manager is invited to meetings of audit committee to report the certification of financial report and to ensure integrity of the certification, which is then audited by audit committee after approved by board resolution.

(2) Communication between the chief auditor and independent directors:

Director and independent directors are invited to semi-annual meetings discussing faults and issues listed in the report on internal audit and internal control. Other significant matters are also presented to the audit committee and the board of directors.

### 3-3-3. Compulsory Disclosure in Accordance with Corporate Governance Best-Practice Principles for Banks:

Disclosure Information in accordance with Corporate Governance Best-Practice Principles for Banks: Please refer to 3-3-4.

### 3-3-4. Current Status of the Bank's Corporate Governance Practices and Its Comparison against the Corporate Governance Best-Practice Principles for Banks

As of Dec. 31, 2015

Item	Status of Operation			Differences from "The Corporate Governance guidelines for banking industry" and Reasons
	Y	N	Summary	
<p>I. Ownership structure and Shareholders' equity of the Bank</p> <p>(1) Has the bank established procedures handling shareholders' suggestions, queries, disputes and litigations?</p> <p>(2) The ability of the Bank to identify its controlling shareholders and the ultimate person or persons behind such shareholders.</p> <p>(3) The ways the Bank establishes firewalls and risk management mechanisms with respect to its affiliates.</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) Shareholder's suggestions and litigations are handled immediately by appropriate department.</p> <p>(2) The bank has appropriate department compiling list of major shareholders monthly.</p> <p>(3) The bank and its affiliates are independent in financial, accounting, business and management aspect. Operation profit or loss and goals are regularly reported to Asset-Liability and Risk Management Committee for risk control.</p>	No difference
<p>II. Duties of Board of Directors</p> <p>(1) Besides setting up the Compensation Committee and Audit Committee according to law, does the Bank voluntarily set up other functional committees?</p> <p>(2) Does the Bank evaluate the independence of its CPAs on a regular basis?</p>	<p>✓</p> <p>✓</p>		<p>(1) The Bank also established Nomination Committee.</p> <p>(2) Assessment of the independency of appointed CPAs is conducted regularly.</p>	No difference.
<p>III. Has the Bank established avenues of communication with interested parties?</p>	<p>✓</p>		<p>Communications among interested parties in persons, by phone, or online. Directors are asked to update and confirm the information of interested parties regularly. Information of managers is updated every February and August. Operated according to San-Xin-Yin-Sheng-Zi-Di No.10403619 (Oct. 15 2015)</p>	No difference.

Item	Status of Operation		Summary	Differences from “The Corporate Governance guidelines for banking industry” and Reasons
	Y	N		
<p>VI. Disclosure of information</p> <p>(1) Has the Bank set up website for the disclosure of financial information and its corporate governance practices?</p> <p>(2) Any other methods adopted by the Bank for the disclosure of information (e.g., establishing English version website, appointing persons responsible for gathering and disclosing Bank information, implementing a spokesperson system, and placing the record of analyst meeting on its website)?</p>	✓		<p>(1) Disclose status of Financial information, Business operation and Corporate governance on the website (<a href="http://www.cotabank.com.tw">http://www.cotabank.com.tw</a>)</p> <p>(2) Status of Financial information and business operation are disclosed on our website. President of the Bank is the spokesperson of the Bank.</p>	No difference
<p>V. Has the Bank provided other important information to facilitate better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, purchasing insurance for directors and supervisors, political donation and donation to interested parties and public interested group)?</p>	✓		<p>1. Employee rights: Advocates the spirits of humanity. Ensure employee rights by complying with the labor standard law and establishing the Employees' Welfare Committee. Labor-Management conference is convened regularly.</p> <p>2. Employee wellness: Organize staff trips to ease the tension of life. Home visiting every year to understand the living condition of staff.</p> <p>3. Investors relations: Establish designated web-pages for shareholders providing relevant information of stock matters. The Bank formulated the code of practice and voting policy for legal person shareholders with higher privileges to ensure shareholders' equity.</p> <p>4. Rights of stakeholders and consumer's protection and the policy of corporate governance: the Bank has always emphasized customer service quality. It provides customer complain channel and has implemented a number of customer protection policies.</p> <p>5. Training and advanced studies of board members and supervisors: Taiwan Securities and Futures Institute and Taiwan Academy of Banking and Finance have arranged corporate governance courses for directors and supervisors (total of 12hrs in 2015). Various on-job trainings are instructed periodically.</p> <p>6. Implementation of risk management policies and risk evaluation measures: 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 banking operations and performances.</p> <p>7. Purchasing insurance for directors and supervisors: In order to round out the company's corporate governance mechanism and reduce risk exposed to directors and key staff members of the company, the Bank has taken out liability insurance for directors, supervisors and managers.</p>	No difference

## 3. Corporate Governance

Item	Status of Operation			Differences from "The Corporate Governance guidelines for banking industry" and Reasons
	Y	N	Summary	
			8. Political donation and donation to interested parties and public interested group in 2015 are stated as follow: a. Interested parties: COTA Culture and Education Foundation: 800 thousand dollars. b. Eden Social Welfare Foundation: 50 thousand dollars. c. Taichung Food Bank: 200 thousand dollars. d. Political Donation: None.	
VI. Has the bank described the results of any corporate governance self-appraisals by the Company or appraisal reports commissioned by the Company, any shortcomings or suggestions presented in the reports and measures to rectify such		✓	None.	

### 3-3-5. Organizational Structure, Responsibility and Operation of Remuneration Committee Established by the Bank

#### 3-3-5-1. Members

Position (Note 1)	Name	Directors or Supervisors shall meet one of the following professional requirements, together with at least five years work experience.			Independent status (Note 2)								Number s of serve as Remuneration Committee of Public Companies.	Annotations (Note 3)
		At least lecturer of business, law, finance or accounting departments or other relevant business departments/divisions of public and private colleges/universities as required by corporate business needs	Judge, prosecutor, attorney, certified public accountant, or other professionally qualified and technical person who possesses certificates of national examinations	Experience in business, law, finance, accounting or other work as required by corporate business needs.	1	2	3	4	5	6	7	8		
Chairman	Po-Yao Chi	-	-	V	V	V	V	V	V	V	V	V	N	
Member	Ying-Che Chang (Representing Deng-Heng Ent. Co Ltd.)	-	-	V	V	-	V	V	V	V	V	V	N	
Member	Pi-Jung Hsieh	-	-	V	V	-	V	V	V	V	V	V	N	
Member	Xian-De Lai	-	-	V	V	-	V	V	-	V	V	V	N	
Member	ChiaDe Development and Investment Co., Ltd. Representative: De-Ying Liao	-	V	V	V	-	V	V	V	V	V	V	N	See annotation
	ChiaDe Development and Investment Co., Ltd. Representative: Kuo-Hao Chen													



Remarks::

1. COTA Bank is a public company, not subject to Article 14-6 of Securities and Exchange Act.
2. COTA Bank voluntarily sets up remuneration committee and operation of which is according to the article of association of COTA Bank remuneration committee.

Note:

1. Position Explanation: Director, Independent Director or Others
2. In the preceding 2 years before being elected and 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 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".

**3-3-5-2. Operation of Remuneration Committee:**

- (1) The Bank's Remuneration Committee has 5 members.
- (2) The tenor of members of the 5<sup>th</sup> Remuneration Committee is from Feb. 6, 2015 to Dec. 28, 2017. The Remuneration Committee convened 3 meetings (A) in the recent year, and the records of attendance at the meetings are as below:

Title	Name	Attendance in Person (B)	Attendance By Proxy	Actual Attendance Rate (%) (B/A)	Annotation
Chairman	Po-Yao Chi	5	-	100	
Member	Ying-Che Chang (Representing Deng-Heng Ent. Co Ltd.)	5	-	100	
Member	Pi-Jung Hsieh	5	-	100	
Member	Xian-De Lai	5	-	100	
Member	Chia De Development and Investment Co., Ltd. Representative: De-Ying Liao	1	-	50	
	Chia De Development and Investment Co., Ltd. Representative: Kuo-Hao Chen	3	-	100	

Remarks::

1. Please state the meeting's date, session, agenda, resolution and result of execution regarding if the advice of the remuneration committee was declined or suggested to amend by the board: None.
2. Please state the meeting's date, session, agenda, resolution and result of execution regarding if there were members oppose or hold different opinions to the resolution of the remuneration committee: None.

Note1: The board of directors was reelected on December 29th 2014. The Compensation Committee was convened on February 6th 2015.

Note2: Independent director Kung-Cheng Lin resigned on December 25th 2014.

## 3. Corporate Governance

### 3-3-6. Status for fulfillment of social responsibility:

Item	Operating conditions			Deviation from the guidelines for the social responsibilities for TWSE/GTSM Listed Companies” and reasons
	Y	N	Summary	
<p>1. Implementation of corporate governance</p> <p>(1) Has the Bank had a corporate social responsibility policy or system in place and is the performance of such policy reviewed on a regular basis?</p> <p>(2) Does the bank organize social responsibility education for employee regularly?</p> <p>(3) Does the bank have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?</p> <p>(4) Has the bank implemented a reasonable remuneration system that commensurate employee' performance appraisals with CSR? Is the remuneration system supported by an effective reward/ discipline system?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Bank strives to fulfill its social responsibility by sponsoring COTA Culture and Education Foundation and other public interest groups, and it has been consistently fulfilling its social responsibility.</p> <p>(2) Regular education training and conferences emphasize on business ethics</p> <p>(3) No</p> <p>(4) The bank has not implemented a reasonable remuneration system that commensurate employee' performance appraisals with CSR.</p>	The Bank is not a listed company in TWSE or OTC
<p>2. Fostering a sustainable environment</p> <p>(1) Is the bank committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?</p> <p>(2) Has the bank developed an appropriate environmental management system, given its industry characteristics?</p> <p>(3) Is the bank aware of how climate changes affect its business activities? Are there any actions taken to measure and reduce greenhouse gas emission and energy use?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) Encourage employees to use double-side printing and recycle and reuse used printing papers. Encourage employees to use their own cups in meetings to reduce the use of paper cup.</p> <p>(2) Turn off the power when leaving the offices, set the air-conditioner temperature at 27 degree, and do recycle.</p> <p>(3) The Bank replaces high energy consumption lights with T5 or LED lights.</p>	
<p>3. Uphold public benefits</p> <p>(1) Has the Bank developed its policies and procedures in accordance with laws and the International Bill of Human Rights?</p> <p>(2) Has the Bank had employee grievance policy? Are grievances being handled properly?</p> <p>(3) Does the bank provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?</p> <p>(4) Does the bank have channels to communicate with employees on a regular basis, and inform them of operational changes that may be of a significant impact?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>Has the Bank developed its policies</p> <p>(1) No</p> <p>(2) Employee grievances are well handled by the human resources department.</p> <p>(3) The Bank has developed employee safety and health policies which complied with the Labor Health Protection Regulations.</p> <p>(4) Periodical meetings between labor and management.</p>	

Item	Operating conditions			Deviation from the guidelines for the social responsibilities for TWSE/GTSM Listed Companies” and reasons
	Y	N	Summary	
(5) Has the bank implemented an effective training program that helps employees develop skills over the course of their career?	✓		(5) Employee education and training is carried out according to job responsibilities and personal career development every year.	
(6) Has the bank implemented consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities?	✓		(6) The bank has developed consumer protection rules. Self-appraisals of consumer protection should be conducted when designing products, formulating contracts and providing services. Consumer grievances are taken cared according to internal directions for managing customer grievances. And a direct line is designed for consumer grievances.	
(7) Has the bank complied with laws and international standards with regards to the marketing and labeling of products and services?	✓		(7) With respect to advertising and promotional materials, the Bank has developed “Regulations on Soliciting of Business thru Advertisements and Business Promotion Activities” and “Regulations on Provision of Key Contractual Contents and Risk Disclosure before Providing Financial Products and Services” to ensure consumers’ interests.	
(8) Does the bank evaluate suppliers’ environmental and social conducts before commencing business relationships?	✓		(8) Bad records and derogatory information of suppliers are taken into consideration when selecting suppliers.	
(9) Is the bank entitled to terminate the supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts to the environment or the society?	✓		(9) The company has implemented a set of "Supplier Management Guidelines" and CSR commitments to ensure that suppliers comply and fulfill their corporate social responsibilities in terms of worker respects, law compliance, and environmental-friendly and sustainable production, which are all taken into consideration when the company is evaluating or auditing a particular supplier.	
4. Intensified information disclosure Has the bank disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	✓		CSR information is disclosed in annual report and website of the Bank ( <a href="http://www.cotabank.com.tw">www.cotabank.com.tw</a> )	
5. Description of deviation of the self-made guidelines for corporate social responsibilities from the “Guidelines for corporate social responsibilities of listed firms”: None (The Bank is not a listed company in TWSE or OTC)				
6. Other important information that helps to understand the best practices of corporate social responsibility : COTA Bank always has a philosophy of “We take from the society and we give back to the society” so that we think it’s our obligation to fulfill social responsibility. COTA bank cares about and contributes to the society thru various ways such as donation and holding activities among communities. The bank set up COTA Culture and Education Foundation to advocate lifelong learning. Some bank’s employees voluntarily participate in the education of finance knowledge to middle and primary school student national wide.				
7. The prescription of bank or corporate social responsibility report which have been certified by external certification institution: None				

## 3. Corporate Governance

### 3-3-7. Implementation of Ethical Corporate Management and Practices:

Item	Operating conditions			Deviation from the guidelines for the social responsibilities for TWSE/GTSM Listed Companies" and reasons
	Y	N	Summary	
<p>1. Establishment of ethical corporate management policies and programs.</p> <p>(1) Does the Bank adopt an explicit indication of its ethical corporate management policy in internal regulations and external documents; implementation of the pledge by its board of directors and management to enforce the policy rigorously and thoroughly?</p> <p>(2) Does the Bank adopt an unethical conduct prevention program in which operational procedures, behavioral guidelines, and a mechanism for punishment of appeals for alleged violations are clearly defined, and enforce it without fail?</p> <p>(3) Does the Bank adopt preventive measures against practices listed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies or other business activities with higher risk of being linked to unethical conduct?</p>		<p>✓</p> <p>✓</p> <p>✓</p>	<p>(1) Instead, the Bank established honesty and integrity rules in "Procedure for Board of Directors Meetings", "Regulation on Donation" and "Employee Code of Conduct".</p> <p>(2) The Bank established honesty and integrity rules in "Procedure for Board of Directors Meetings", "Regulation on Donation", "Employee Code of Conduct", "Directions on Internal Control and Risk Management in Wealth Management Business" and "Regulations on Soliciting of Business thru Advertisements and Business Promotion Activities".</p> <p>(3) For prevention of unethical behavior, the bank has established "Regulations on Personnel Management", "Employee Code of Conduct", "Regulation on Donation" and "Directions on credit extension and other transactions with interested parties".</p>	The Bank is not a listed company in TWSE or OTC
<p>2. Implementation of ethical corporate management</p> <p>(1) Does the Bank evaluate the records of ethical/unethical conduct of its business counterparties and include in such contract provision demanding ethical corporate management policy compliance?</p> <p>(2) Does the Bank establish a unit under the Board of Directors that is exclusively or concurrently responsible for promoting ethical management, and reports its status of implementation to the board on a regular basis?</p> <p>(3) Status of the Bank's promulgating policies for prevention of conflicts of interests and offering appropriate means for related personnel to voluntarily explain whether their interests would potentially conflict with those of the Bank.</p>		<p>✓</p> <p>✓</p> <p>✓</p>	<p>(1) The Bank avoids dealing with parties that have records of unethical conducts. When entering into contracts with other parties, the Bank shall include in such contract provision demanding ethical corporate management policy compliance. The Bank immediately stops business relation while acknowledging of unethical conducts of its counterparties.</p> <p>(2) The Bank established the compliance system, internal control systems, internal audit, risk management, and set functional committee by regulation to strengthen the function of decision-making and management of board of directors.</p> <p>(3) 1. The Bank established policies preventing conflict of interest: a. Clause of avoidance of conflict of</p>	

Item	Operating conditions		Deviation from the guidelines for the social responsibilities for TWSE/GTSM Listed Companies” and reasons
	Y	N	
(4) To enforce ethical management, does the Bank establish effective accounting and internal control systems that are subject to regular inspection of an internal auditing department or audit by externally engaged CPAs?	✓		interest is explicitly indicated in “Procedure for Board of Directors Meetings”.
(5) Does the Bank offer internal and external training with regard to ethical management on a regular basis?	✓		<p>b. Build a database of information of interested parties. The term of secured credit extensions to interested parties shall not be more favorable than those terms offered to other same category customers</p> <p>c. Establishing “Employee Code of Conduct” for prevention of unethical behavior of employee.</p> <p>d. Establishing “Directions on Internal Control and Risk Management in Wealth Management Business” regulating work ethics and disciplines of financial advisors.</p> <p>2. All relevant rules and procedures are on the website <a href="http://www.cotabank.com.tw">www.cotabank.com.tw</a>.</p> <p>(4) The Bank has established accounting system and accounting department. To ensure impartiality of financial statements, Bank’s financial statements has audited by CPAs. The Bank established internal audit control system which is subjected to reexamination and readjustment and an auditing division under the board of directors. Internal audit control system is implementing by regular and random internal auditing and by external auditing by CPAs.</p> <p>(5) The Bank undertakes training with regard to ethnical management and behavioral guidelines on a regular basis. All employees are required to attend. Employees are acknowledged of amendments of relevant regulations.</p>
<p>3. Status of the Bank’s implementation of its offence reporting system:</p> <p>(1) Does the Bank establish a mechanism that incentivizes prosecutors to step forward, put in place channels convenient for taking such action, and assign appropriate personnel to handle such cases?</p> <p>(2) Does the Bank set a standard operating procedure (SOP) for handling reports</p>		✓	<p>The bank has not established offence reporting system; nevertheless the Bank has established “Regulations on Personnel Management”, “Employee Code of Conduct” and has also established Personnel Evaluation committee governing rewards and penalties system for employee. Also, The Bank has established “Directions on Handling Customer Complaints”</p>



### 3. Corporate Governance

Item	Operating conditions		Deviation from the guidelines for the social responsibilities for TWSE/GTSM Listed Companies” and reasons
	Y	N	
from prosecutors and adopt a mechanism for keeping confidentiality? (3) Does the Bank adopt measures to make sure that prosecutors do not undergo improper treatment because of their stepping forward?			
4. Enforcement of information disclosure Does the Bank disclose the content and implementation status of its Principles for Ethical Management on its own website and the TSE’s Market Observation Post System website?	✓		(1) Information of financial, operating and corporate governance of the bank are accessible through website www.cotabank.com.tw (also available in English) (2) The Bank has designated persons to update and disclose company information.
5. If the Bank has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy in the Bank’s implementation of the principles and explain why : None (The Bank is not a listed company in TWSE or OTC)			
6. Other important information to facilitate better understanding of the Bank’s implementation of ethical corporate management (e.g., status of the Bank’s reviewing and amending its own ethical corporate management principles): In building an ethical management corporate culture, the Bank has set honesty and integrity rules in “Procedure for Board of Directors Meetings”, “Regulation on Donation” and “Employee Code of Conduct”. All directors and employees promote business with integrity and strong work ethic and to furthermore fulfill social responsibility. The Bank set the compliance system, internal control systems, internal audit, risk management, strengthening competency of the board and supervisors, functioning audit committee, respecting the right of interested parties, improving information transparency, continuing implementing policies that deepens the culture of ethical management in order to achieve sustainable development.			

#### 3-3-8. Corporate Governance Guidelines and Regulations

Please refer to the Bank’s website on [Http://www.cotabank.com.tw](http://www.cotabank.com.tw)

#### 3-3-9. Other Important Information Enhancing Understanding of the State of the Company’s Corporate Governance: None.



**3-3-10. Statement of Internal Control****COTA Commercial Bank Statement of Internal Control**

March 2, 2016

To Financial Supervisory Commission

On behalf of the COTA Commercial Bank, we declare that during the period of January 1, 2015 through December 31, 2015 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 (Audit Committee). 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 : Song-Yie Liao

President : Chin-Ting Chang

Chief Auditor : Chih-Sheng Hsiao

Compliance Officer : Hsin-De Chang

### 3. Corporate Governance

#### Items for Improvement and Plan Table of Internal control

As of Dec. 31, 2015

Items for Improvement	Improvement Measure	Target Date
<p>1. Dealing with construction loans should strengthen risk management of land mortgage, appraisal, approval process and controlling process of Central Bank of China.</p>	<p>1. Provision of Financial institution loans and purchase of residential land mortgage business by Central Bank should note:            (1) Borrower Guarantees for loans with city planning delimit Residential or Commercial land, Should have build plan include Construction reports, financial reports, payment reports..., for trace built as plan.            (2) Credit requirement is to get building permit in 6 months and trace the starting progress during the current year.            (3) If borrower with a declaration replace construction plan, should non-under investment, purchase immovable property or building houses.</p> <p>2. Appraisal: Diversified Appraisals</p> <p>3. Approval Process:            (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.</p> <p>4. Controlling Process of CBA:            (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.</p>	<p>Listed in main credit auditing items in 2014, update Improvement Measure 1 and will keep tracing for 2016.</p>
<p>2. The total amount of loans extended for residential construction and construction for business purposes by a Commercial Bank shall not exceed thirty percent (30%) of the aggregate of such Commercial Bank's deposits and Bank Debentures issued at the time such loans is extended; provided</p>	<p>1. New home acquisition or construction cases shall be subject to control.</p> <p>2. Incremental loans or loans transferred from other banks shall be subject to control if the purpose of the existing loan is to acquire real estate.</p> <p>3. Loans used to acquire commercial property, outstanding balance of building construction loan transferred to loans secured by unsold houses, loans secured by purchased land and buildings acquired but not yet registered shall be subject to control.</p> <p>4. Revolving loans granted to developers or construction companies shall be controlled according to the purpose of the loan.</p> <p>5. Loans for working capital interested party should control as building industry control.</p> <p>6. Should control that the loan for Purchase or build of industrial plants, but the build of industrial plants didn't for Increase productivity.</p>	<p>Listed in main credit auditing items in 2015, add Improvement Measure 5 and 6 and will keep tracing for 2016.</p>

Items for Improvement	Improvement Measure	Target Date
3. Dealing with agricultural land loans should evaluate the using plans and fund requirements of borrowers.	1. Dealing with agricultural land loans should evaluate the using plans prevent substance of transactions involving violations. 2. The Bank should implement to verify the actual fund requirements of borrowers.	Listed in main auditing items in 2015, and will keep tracing for 2016.
4. Dealing with land mortgage in industrial area should abide by Document Tai Yang Yeh1040008442 of Central Bank of Taiwan on Feb. 10, 2015.	1. List of idle lands: (1) The cases did not under construction: The land mortgages up to 55 percent; The Bank have to retake money step by step within a reasonable period, and raise the loan rates. The cases under construction: The conditions of land mortgages abide by the Rules of not listing idle lands of industrial area. (2) The new cases of land loan, the borrowers should submit plans of construction and development, and The Bank should double confirm after the loan has executed; Once the plans of construction and development did not execute, the conditions of loan should abide by the former. 2. Not in list of idle lands: Other land mortgage in industrial area should abide by the self-regulatory measures announced by Central Bank of Taiwan on December 23, 2013, including the borrowers should submit plans of construction and development, and The Bank should double confirm after the loan has executed.	Listed in main auditing items in 2015, and will keep tracing for 2016.
5. Banking foreign exchange business management approach No.11 (Central bank)	Qualifications of Foreign exchange operations person should meets the rule of Dec. 21,2016. (1) Pass the Foreign exchange operations personnel exam by Taiwan Academy of Banking And Finance, and Logon certificate to Management Dep. (2) Who been assignment to branch as Foreign exchange operations person Should had licenses and experience, and fill the application to International banking department for approve.	The Bank has implemented from Jan.1, 2016.
6. Ministry of Finance, R.O.C.NO16152 date 1981.5.27, Personal Large loan should be limit. If it's for Business operated, should loan by corporate.	For verify the use for fund and repayment ability, if personal credit is for business operated, should conduct customers loan by corporate or fund run to Unincorporated.	Listed in main credit auditing items from 2016.

### 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, 2015 through Dec. 31, 2015.

The audit report of the Certified Public Accountant 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).

## 3. Corporate Governance

### Independent Auditors' Report

March 24, 2016

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 January 01, 2015 through December 31, 2015 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.

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

Accountant

Shi-Hua, Guo



**Suggestion Statement**

Year 2015

NO	Matter of disclose	Suggestion	Opinion of Administration
1	Did not mark the date of logout on the signature cards when replacement and lost registration for signature of Nantun Branch, that disclosed by randomly audit.	It is recommended that the Bank should execute the regulation.	It has been corrected, and will note in future.
2	Did not mark the date of account on the application when new loan Cases and lost registration for signature of Qiaotou Branch, that disclosed by randomly audit.	It is recommended that the Bank should execute the regulation.	It has been corrected, and will note in future.
3	Did not mark the date of account on the application when new loan Cases and lost registration for signature of Qiaotou Branch, that disclosed by randomly audit.	It is recommended that the Bank should execute the regulation.	It has been corrected, and will note in future.
4	Did not mark the date on the account application when open an employee account of Qiaotou Branch, that disclosed by randomly audit.	When open an employee account should execute the regulation	It has been corrected, and will note in future.
5	Did not print the date on the back of Credit report when replacement and lost registration for signature of Changhua Branch, that disclosed by randomly audit.	Should comply with Interested parties Credit rule.	The Interested parties didn't have account, so didn't show up on the back of Credit report, will change program and print no data.
6	Mark the different date between Doubtful declarations and Doubtful register of Consumer Financial Dep. , that disclosed by randomly audit.	Set up serial number sop to avoid duplication.	It has been corrected, and made sure Doubtful declarations and Doubtful register as same serial number.
7	Software control issue Only when buying software filing at "personal computer asset management", Didn't set up software periodic inventory.	Suggest set up software periodic inventory, filing when and how many.	Will periodic inventory when annual inventory, and update management hand book.
8	Environmental of engine room After inspection engine room of IT Dep. Most Fire extinguishers are Carbon Dioxide Gas Type Extinguisher and few are dry chemical.	It is recommended to use the Carbon Dioxide Gas Type Extinguisher replace the dry chemical.	Dry chemical had been removed.

**3-3-11. Cases or Penalties due to Infliction of Laws and Regulations over the Past 2 Years:**

1. Any indictment of a responsible person or employee by a prosecutor for an offense related to the occupation: None
2. Any fine imposed by the FSC for violation of a law or regulation: None
3. Any matters in which sanctions were imposed by the FSC pursuant to Article 61-1 of the Banking Act:  
The former employee misappropriate fees paid by client, command to be corrected, and dismiss the former employee under the Document of FSC on September 23, 2014.  
The bank has taken remedial actions:  
(1) The Bank depose the employee on August 23, 2014, and the assistant manager of operation department has record three minor demerits.  
(2) The Bank modified the operational processes of cash collection, and strengthen the employee' education and training.
4. Any security incident arising from employee infidelity or material contingencies (e.g. fraudulent acquisition, theft, misappropriation, or robbery of assets; forgery of documents or securities; acceptance of a bribe; losses from natural disaster; losses from external causes; hacker attack, data theft, or leak of trade secrets or customer data; or other such material incidents) or failure to faithfully abide by the Directions for Maintenance of Security at Financial Institutions. If actual losses, whether singly or in aggregate, exceed TWD50 million in any given year, disclose the nature and amount of the loss: None
5. Other matters that must be disclosed pursuant to FSC designation: None

## 3. Corporate Governance

### 3-3-12. Major Resolutions of Shareholders Meeting or Board of Directors Meeting in Recent Year

#### 3-3-12-1. Shareholders Meeting

Year	Nature of Shareholders Meeting	Convoking Date	Major Resolutions
2015	Regular Shareholders' Meeting	June 10, 2015	1. The earnings distribution of year 2014 and capital increase by earnings and issuance of new shares. 2. Partial revision in articles of memorandum of association.

#### 3-3-12-2. Board of Directors Meeting

##### 3-3-12-2-1. Major Resolutions

- ◆ Elected the 7<sup>th</sup> term of Chairman of the Board and executive directors by the extraordinary meeting of Board of Directors on January 8, 2015 and January 23, 2015.
- ◆ Proposal of Capital Increase by earnings and issuance of new shares of 2014, and the baseline date by Board of Directors held on March 26, 2015.
- ◆ 800 million Capital Increase by cash by Board of Directors held on March 26, 2015.
- ◆ Proposal of Capital Increase by earnings and issuance of new shares of 2014, and the baseline date by Board of Directors held on June 25, 2015.
- ◆ Establishment of the Department of Insurance by Board of Directors held on December 24, 2015.
- ◆ Partial revision in articles of memorandum of association, about delete clause of Distribution of surplus with directors remuneration and employee bonus. Will decide by Regular Shareholders' Meeting 2016.
- ◆ "The bank will have recommendations to the shareholders of receiving public tender offer prospectus and notifications of Waterland Financial Holdings on June 26, 2015 in public acquisition of shares of the Bank." The resolution of the interim meeting of the Board on July 1, 2015:the Bank recommends the shareholders will not involve in selling shares.

3-3-12-2-2. The Directors or Supervisors have different opinions to the board of directors meeting through the major resolution, and has the record or announce by statement: None

##### 3-3-12-2-3. Corporate Governance Guidelines and Regulations

Please refer to the Bank's website on [Http://www.cotabank.com.tw/cotabank/announce/expose/expose.htm](http://www.cotabank.com.tw/cotabank/announce/expose/expose.htm)

### 3-3-13. Disclosures of the Resignation or Dismissal of Managerial Officers in Charge of Financial or Accounting Reports: None

Note: Managerial Officers means chairman, president, treasurer, accounting supervisor, and head of internal auditor.

### 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	Shi-Hua, Guo	Yuan-Chen, Mei	Year 2015	

Unit: TWD thousand

Tier	Item	Auditing Fee	Non-Auditing Fee	Total
1	Below 2,000 thousand	1,660	530	
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. Fees 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	Shi-Hua, Guo	Yuan-Chen, Mei	1,660		40		490	530	2015	

Note: non-auditing fee including financial investigation TWD280 thousand, BIS checking report TWD50 thousand, verification fee TWD30 thousand for write-off, surplus turned capital TWD50 thousand, Cash capital increase issuance of new shares TWD80 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.

3-4-2. Information of Accountants change: 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. Corporate Governance

### 3-5. Change in Shareholdings and Pledged

#### 3-5-1. Changes in Shareholdings of Directors, Supervisors, Executive Officers, and Shareholders conform to the Regulations Governing a Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank, Article 11

Title	Name	2015		Up To February 29, 2016	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman (major)	Song-Yie Liao	6,296,254	-	0	-
Managing Director (major)	Kuo-Chao Hsiao	2,459,274	-	0	-
Managing (Independent) Director	Kun-Hsien Lin	2,870,908	-	0	-
Managing Director	Ying-Che Chang (Delegate of DengHeng Enterprises Co.,Ltd.)	360,421	-	0	-
Managing Director	Chien-Chung Lai (Delegate of Chuan Cheng Hat Co., Ltd.)	2,736,412	-	0	-
Independent Director	Po-Yao Chi	128,010	-	0	-
Independent Director	Song-Cheng Huang	176	-	0	-
Director	Szu-Tsung Cheng (Delegate of Ho Chu Investment Co., Ltd.)	0	-	0	-
Director	Pi-Jung Hsieh	65,593	-	0	-
Director	Xien-De Lai	499,902	-	0	-
Director (Branch General Manager) (major)	Chih-Peng Yang	1,895,879	-	0	-
Director	Chun-Chieh Wang	5,792,584	-	0	-
Director	Kuo-Hao Chen (Delegate of Chia De Development and Investment Co., Ltd.)	4,319	-	0	-
Director	Ding-Lie Huang (Delegate of Cheng Shing Tai Biopharmaceutical Co., Ltd.)	156,031	-	0	-
Director (President)	Chin-Ting Chang (Delegate of Kun Yuan Investment Co., Ltd.)	422,048	-	0	-
Senior Executive Vice President	Jung-Hsien Chiu	224,817	-	0	-
Chief Auditor	Chih-Sheng Hsiao	200,310	-	0	-
Executive Vice President (Department General Manager)	Yun-Ching Wang	32,690	-	0	-
Senior Executive Vice President	Hsin-De Chang	34,065	-	0	-
Senior Executive Vice President	Shih-Jung Chen	97,132	-	0	-
Executive Vice President (Department General Manager)	Shi-Jian Zhang	132,181	-	0	-
Department General Manager	Ming-Heng Zhan	79,953	-	0	-
Department General Manager	Kuo-Chiu Chang	81,170	-	0	-

Title	Name	2015		Up To February 29, 2016	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Department General Manager	Wei-Bin Lin	74,021	-	0	-
Department General Manager	Kuang-Hsiung Huang	58,005	-	0	-
Department General Manager	Hung-Tsang Chiang	86,515	-	0	-
Department General Manager	Jun-Sheng Lin	64,367	-	0	-
Department General Manager	Chang-Chieh Lin	78,898	-	0	-
Department General Manager	Mei-Ling Shih	93,798	-	0	-
Department General Manager	Chih-Huang Huang	69,139	-	0	-
Department General Manager	Quan-Hong Yang	58,752	-	-	-
Department General Manager	Yun-Xie Chen	0	-	-	-
Executive Vice President (Department General Manager)	Huan-Mou Cheng	24,006	-	0	-
Branch General Manager	Ling-Chen Ting	15,101	-	0	-
Branch General Manager	Jui-Sen Liao	62,799	-	0	-
Branch General Manager	Zheng -Xian Xie	86,634	-	0	-
Branch General Manager	Kuo-Ho Chang	36,161	-	0	-
Branch General Manager	Min-Chang Lin	25,996	-	(130,000)	-
Branch General Manager	Mao-Sheng Huang	45,743	-	0	-
Branch General Manager	Wen-Jung Chen	111,346	-	0	-
Branch General Manager	Chi-Shen Huang	153,978	-	0	-
Executive Vice President (Department General Manager)	Shih-Tsung Chou	9,126	-	0	-
Branch General Manager	Jian-Chen xu	147,477	-	0	-
Branch General Manager	Hung-Chi Tung	96,028	-	0	-
Branch General Manager	Shi-Tung Chang	105,490	-	0	-
Branch General Manager	Chia-Wen Ke	86,583	-	0	-
Branch General Manager	Hsi-Hsien Wang	79,410	-	0	-
Branch General Manager	Chung-Yi Hsu	82,052	-	0	-
Branch General Manager	Chang-Cheng Chen	24,689	-	0	-
Branch General Manager	Shu-Chen Shih	62,662	-	0	-
Branch General Manager	Shih-Tsung Liu	48,612	-	0	-
Branch General Manager	Chih-Yin Lin	38,658	-	0	-
Branch General Manager	Ching-Sung Chen	43,642	-	0	-
Branch General Manager	Ming-Yung Yu	39,526	-	0	-
Branch General Manager	Ping-Hung Chuang	62,946	-	0	-
Branch General Manager	Hsien-Hsun Chiang	90,379	-	-	-
Branch General Manager	Cheng-Hao Wu	62,323	-	0	-
Branch General Manager	Tien-Long Yang	76,598	-	0	-
Branch General Manager	Po-Hsun Chang	15,558	-	0	-
Branch General Manager	Ming-Feng Wu	16,756	-	-	-
Branch General Manager	Yung-Hung Tsao	68,512	-	-	-
Branch General Manager	Shih-Chao Li	44,416	-	(12,305)	-

Note: Branch General Manager Shih-Chao Li appointed date on jan.09,2016



## 3. Corporate Governance

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

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

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

As of Dec. 31, 2015

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	
Ho Chu Investment Co., Ltd. (Chia-Hung Lin)	45,251,948	7.54							
Song-Yie Liao	42,057,369	7.01	602,772	0.10	-	-			-
Chih-Peng Yang	17,220,569	2.87	3,784,342	0.63					
Kuo-Chao Hsiao	16,427,324	2.74	3,046,276	0.51	-	-			-
Chuan Cheng Hat Co., Ltd. (Ching-Ling Liu)	9,957,401	1.66	-	-	-	-			-
Chun-Chieh Wang	9,362,839	1.56			-	-			-
Yuan Ta Chung Machinery Co., Ltd. (Chi-Cheng Huang)	9,265,720	1.54							
Chun-Tse Liao	6,649,930	1.11			-	-	-	-	-
Dong-Po Xie	6,065,834	1.01							
Chun Chuang Property Management Incorporated (Chu-LingLiao)	4,968,156	0.83							

### 3-5-3. Consolidated Shareholdings:

Unit: share, %

Investees (Note)	Direct Investment		Indirect Investment		Total	
	No. of Shares	Shares Held	No. of Shares	Shares Held	No. of Shares	Shares Held
Cota Bank insurance Brokers Co.,Ltd.	500,000	100%	0	0	500,000	100%
Taiwan Financial Asset Service Corp.	5,000,000	2.94%	0	0	5,000,000	2.94%
Taiwan Asset Management Corp.	7,500,000	0.57%	0	0	7,500,000	0.57%
Sunny Asset Management Corp.	25,302	0.42%	0	0	25,302	0.42%
Taiwan Depository & Clearing Corp.	278,405	0.08%	0	0	278,405	0.08%

Note: The Bank's investment pursuant to article 74 of the Banking Act.



## 4. Capital Arrangement

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## 4. Capital Arrangement

### 4-1. Capital Shares and Dividends

#### 4-1-1. Source of Capital

As of Feb. 29, 2016; Shares Held (%)

Month/Year	Issuing price (TWD)	Registered Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Source	Other
July 2015	10	600,000,000	6,000,000,000	519,877,142	5,198,771,420	Increased from retained earnings of TWD166,078,850	Approved under the Document No.1040026148 of FSC Jul. 20, 2015
October 2015	10	600,000,000	6,000,000,000	599,877,142	5,998,771,420	Increased cash capital by TWD800,000,000	Approved under the Document No.1040029172 of FSC Aug.07, 2015

As of Feb. 29, 2016

Type of Stock	Registered Stock Capital			Remark
	Outstanding Capital Stock	Un-issued Share	Total	
Common Stock	599,877,142	122,858	600,000,000	not on the list of TSEC/OTC

Information for comprehensive reporting: None

#### 4-1-2. Shareholder Structure

As of Dec. 31, 2015

Category	Government Agency	Financial Institution	Other Institution	Individual	Foreign Institution and Foreigner	Total
Number of Shareholders	2	4	431	64,973	35	65,445
Number of Shares	1,716,219	13,193	107,222,571	490,070,351	854,808	599,877,142
Percentage	0.29%	-	17.88%	81.69%	0.14%	100%

### 4-1-3. Distribution of Shareholders' Equity

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

As of Dec. 31, 2015

Tier	Number of Shareholders	Number of Shares	Percentage (%)
1 – 999	47,624	10,961,779	1.83
1,000 - 5,000	10,237	19,364,360	3.23
5,001 - 10,000	1,470	10,212,601	1.70
10,001 - 15,000	2,616	33,831,101	5.64
15,001 - 20,000	1,105	18,769,772	3.13
20,001 - 30,000	532	13,411,616	2.24
30,001 - 50,000	505	19,910,176	3.32
50,001 - 100,000	709	50,553,455	8.43
100,001 - 200,000	350	49,609,309	8.27
200,001 - 400,000	162	44,304,655	7.39
400,001 - 600,000	36	17,511,294	2.92
600,001 - 800,000	18	12,096,042	2.02
800,001 - 1,000,000	15	12,953,849	2.16
1,000,001 and above	66	286,387,133	47.72
Total	65,445	599,877,142	100.00

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

### 4-1-4. List of Major Shareholders

As of Dec. 31, 2015

Name	Number of Shares	Percentage (%)
Ho Chu Investment Co., Ltd.	45,251,948	7.54%
Song-Yie Liao	42,057,369	7.01%
Chih-Peng Yang	17,220,569	2.87%
Kuo-Chao Hsiao	16,427,324	2.74%
Chuan Cheng Hat Co., Ltd.	9,957,401	1.66%
Chun-Chieh Wang	9,362,839	1.56%
Yuan Ta Chung Machinery Co., Ltd.	9,265,720	1.54%
Chun-Tse Liao	6,649,930	1.11%
Dong-Po Xie	6,065,834	1.01%

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

## 4. Capital Arrangement

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

Unit: TWD

Item		Year	2014	2015	Up To Feb. 29, 2016
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		13.22	13.40	13.55
	After Distribution		13.18	(Note 4)	(Note 2)
Earnings	Weighted Average Shares		519,877,142	534,342,895	599,877,142
	Earnings per Share	Before Adjust	0.88	1.35	0.22
		After Adjust	0.85	(Note 4)	(Note 2)
Dividend (Note 1)	Cash Dividends		0.23	0.33	0
	Stock Dividends	Retained Earning	0.23	0.33	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 2016 hasn't ended.

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

Note 4: Year 2015 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

In accordance with guidelines of the Bank's articles of incorporate, our dividend policy is carried out by the access of "assignable earning distribution. After appropriate legal reserves, we distribute the full earnings to the shareholders.

The employee bonus in article 235-2, 3, 4 of Company Act was deleted on May 20, 2015, the distribution of profits dose not include employee bonus and directors' and supervisor' remuneration.

In order to conform to relevant rules, our bank hereby proposes to amend the corporate charter: earnings of fiscal year should pay taxes and offset prior year's losses and appropriate 30% as legal reverse in turns. but the accumulated legal reserve equals or exceeds a Bank's paid-in capital or the Bank is sound in both its finance and business operations and have set aside legal reserve in compliance with the Company Law, the restrictions stipulated in the preceding paragraph shall not apply.; If there is still surplus, the company shall either provide a legal reserve and a special earnings reserve from the surplus, or reverse existing special earnings reserves into the opening balance of undistributed earnings, and the distribution of profits was proposed by Board of Directors and decided to distribute dividends to shareholders in the shareholders' meeting.

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



Dividend distributions include cash dividends but not less than 10%, and the rest of dividends are stock dividends. If cash dividends less than TWD0.1, they will not be distributed, except approval by the shareholder's meeting.

Resolution: Our bank has adopted a Proposal for Distribution of 2015: cash dividends TWD119,975,420, stock dividends TWD371,923,820

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

UNIT: Thousands of TWD

Year/Item		2016 (Estimate)
Beginning Paid-in capital (TWD)		5,998,771
Stock and Cash Dividends for Current	Cash dividends per share	0.20 (Note 2)
	Stock dividends per share for capital increment from retained earnings (Shares)	0.62 (Note 2)
	Stock dividends per share for capital increment from capital surplus (Shares)	-
Changes in Performance	Operating profit	N/A (Note 1)
	Change in operating profit compared with previous year	
	After-tax profit	
	Change in after-tax profit compared with previous year	
	Earnings per share (TWD)	
	Change in earnings per share compared with previous year	
	Average return on investment (Average annual EP ratio)	
Conjectural Earnings per Share and Price/Earnings Ratio	If retained earnings for capital increment all converted to cash dividends	Earnings per share (TWD)
		Average annual return on increment
	If no increment using capital surplus	Earnings per share (TWD)
		Average annual return on increment
	If no increment using capital surplus but switch to cash dividends	Earnings per share (TWD)
		Average annual return on increment

Note 1: According to the amendment by the Securities and futures commission, Ministry of Finance on Feb. 1, 2000 under Doc. No.00371, a public company that publishes a financial forecast in accordance with these Regulations may publicly disclose it on the company website.

Note 2: Cash and stock dividends of this year has not yet been approved by the Shareholders' Meeting ◦

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

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

- to appropriate 6% as employee remuneration.
- to appropriate the remuneration of the directors and supervisors do not exceed 2%

##### 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. Capital Arrangement



### 4-1-8-3.

The dividend distributions proposed at the shareholders' meeting as follows:

- employee cash remuneration: TWD53,932 thousand
- director/supervisor remuneration: TWD17,977, thousand
- employee stock remuneration: None

### 4-1-8-4

In 2014, the distribution amount of employee remuneration was TWD33,494 thousand (the original estimate was TWD33,452 thousand, difference was TWD42,772); director/supervisor remuneration: TWD10,048 thousand (the original estimate was TWD10,035 thousand, difference was TWD12,832)

### 4-1-9. Repurchase Stocks: None

## 4-2. Issuance of Bank Debentures

Type of Bank Debenture	First Issuance of Bank Debentures (1 <sup>st</sup> term of 2011)
Date Approved by Central Competent Authority, Document No.	Financial Supervisory Commission Executive Yuan, R.O.C. September. 10, 2010 Document No.0990361150
Date of Issue	March 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 March 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	4,180,451,110 (2010)
Preceding Year's Post-Audit Net Value	5,111,185,293 (2010)
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.	29.35%
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./ March 22, 2011 / twBBB

## 4. Capital Arrangement

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### 4-3. Preferred Stock: None

### 4-4. Issuance of Depositary Receipt: None

### 4-5. Employee Stock Option Plan: None

### 4-6. Status of employee restricted stock: None

### 4-7. Merging or Acquisition of Other Financial Institutions: None

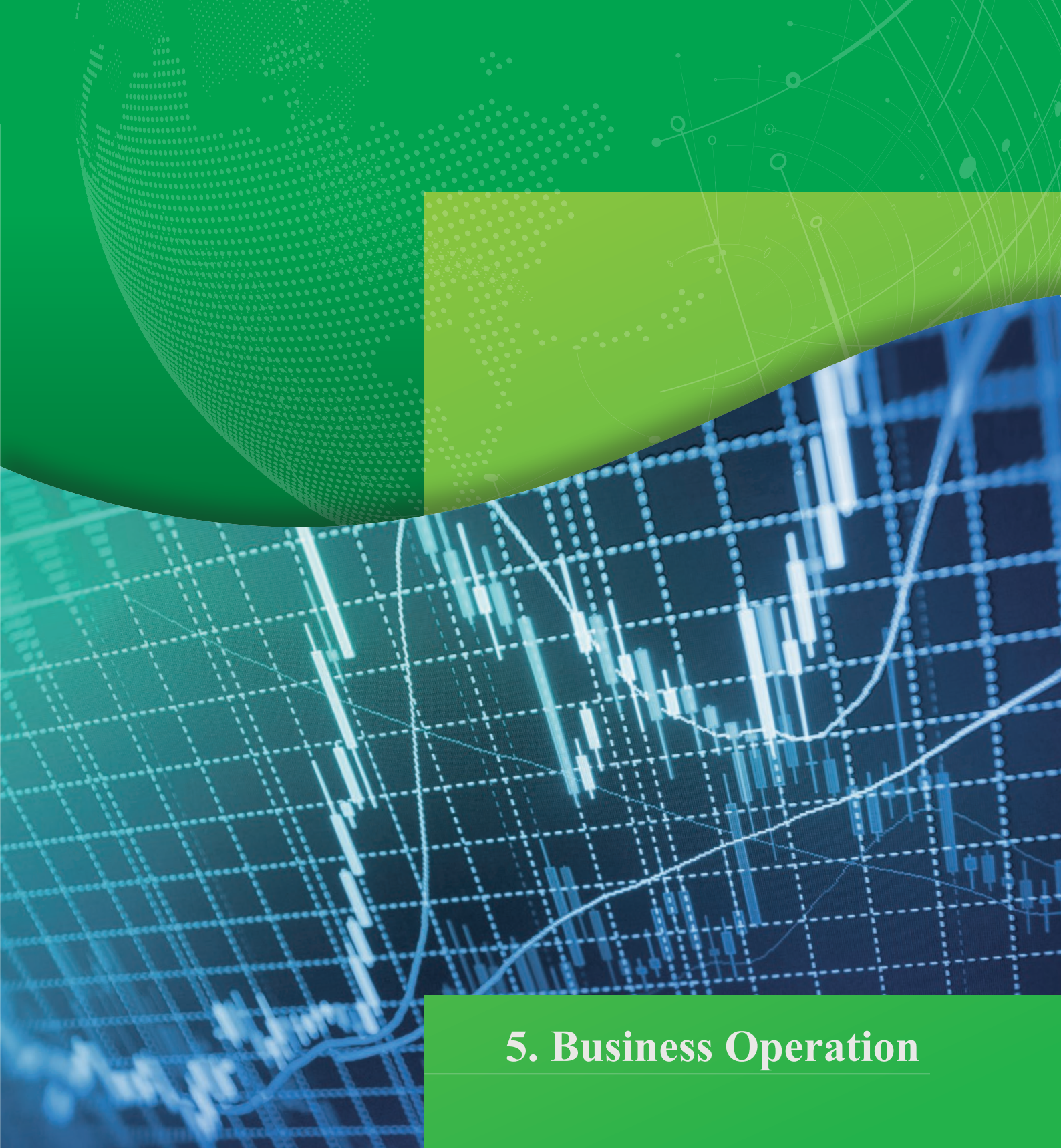
### 4-8. Utilization of Capital Plan:

Cash capital raised by TWD800,000,000 / 80,000,000 Shares / Issuing Prices TWD10 that approved by the 1th meeting of the 7th board of directors held on Mar.26, 2015.

The utilization of these funds was totally executed and used for loans in 2015 Q4, it could increase interest revenue in the future.







# 5. Business Operation

## 5. Business Operation

### 5-1. Business Report

#### 5-1-1. Business results

##### 5-1-1-1. Deposits

Unit: TWD thousand; %

Items	Year	2015		2014		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	%	Amount	%		
Checking Deposits		2,276,193	1.69%	2,038,386	1.57%	237,807	11.67%
Demand Deposits		15,276,392	11.31%	15,267,575	11.80%	8,817	0.06%
Foreign currency Demand Deposits		1,133,542	0.84%	823,806	0.64%	309,736	37.6%
Demand Savings Deposits		34,142,785	25.29%	33,355,158	25.77%	787,627	2.36%
Employees Demand Savings Deposits		755,895	0.56%	765,197	0.59%	(9,302)	(1.22)%
Time Deposits		25,504,037	18.89%	24,094,709	18.62%	1,409,328	5.85%
Foreign currency Time Deposits		112,000	0.08%	661,314	0.51%	(549,314)	(83.06)%
Negotiable Certificates of Deposit		697,506	0.52%	132,500	0.10%	565,006	426.42%
Time Savings Deposits		55,118,232	40.82%	52,178,430	40.32%	2,939,802	5.63%
Remittances		666	0.08%	97,088	0.08%	(96,422)	(99.31)%
Total		135,017,248	100.00%	129,414,163	100.00%	5,603,085	4.33%

##### 5-1-1-2 Loans

Unit: TWD thousand; %

Items	Year	2015		2014		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	%	Amount	%		
Export bills		9,739	0.01%	17,283	0.02%	(7,544)	(0.01)%
Overdraft		781	0.00%	2,568	0.00%	(1,787)	0.00%
Short-term Loan		2,931,572	2.74%	3,217,875	3.11%	(286,303)	(0.28)%
Guarantee overdraft		68,337	0.06%	88,991	0.09%	(20,654)	(0.02)%
Short-term secured lending		9,760,681	9.11%	8,770,273	8.47%	990,408	0.96%
Medium-term Loan		20,235,904	18.88%	20,360,583	19.68%	(124,679)	(0.12)%
Medium-term secured lending		43,686,812	40.77%	40,588,726	39.23%	3,098,086	3.00%
Long-term Loan		795,218	0.74%	920,472	0.89%	(125,254)	(0.12)%
Long-term secured lending		29,564,101	27.59%	29,275,754	28.29%	288,347	0.28%
Collection money		110,935	0.10%	230,283	0.22%	(119,348)	(0.12)%
Total		107,164,080	100.00%	103,472,808	100.00%	3,691,272	3.57%



### 5-1-1-3 Foreign exchange

Unit: TWD thousand; %

Items	Year	2015 Amount	2014 Amount	Increase (Decrease) Amount	Increase (Decrease) %
Foreign currency Deposit		55,376	45,307	10,069	22.22%
Foreign currency Loan		0,912	9,170	1,742	19.00%
Import and export business		28,611	34,215	(5,604)	(16.38)%
Exchange business		193,951	256,585	(62,634)	(24.41)%

### 5-1-1-4 Trust business

Unit: TWD thousand; %

Items	Year	2015 Balance	2014 Balance	Increase (Decrease) Balance	Increase (Decrease) %
Specific domestic and foreign securities investment trust money		4,670,489	4,982,548	(312,059)	8.57%
Other trust money		125,602	64,538	61,064	(55.84)%
Trust money (total)		4,796,091	5,047,086	(250,995)	6.58%
Real estate trust		0	0	0	0
Trust property (total)		4,796,091	5,047,086	(250,995)	6.58%
Other affiliated business		0	0	0	0.00%
Certified business		0	0	0	0.00%

### 5-1-1-5 Wealth management business

Unit: TWD thousand; %

Items	Year	2015 Amount	2014 Amount	Increase (Decrease) Amount	Increase (Decrease) %
Fund fee income		14,700	21,336	(6,636)	(31.10)%
Insurance fee income		152,707	109,693	43,014	39.21%
Total		167,407	131,029	36,378	27.76%

### 5-1-1-6 Credit card business

Unit: TWD thousand; %

Items	Year	2015 Volume	2014 Volume	Increase (Decrease) Volume	Increase (Decrease) %
Cumulative total number of issuers		92,195	89,749	2,446	2.73%
Circulation number		16,630	16,091	539	3.35%
Amount of consumption		1,368,777	1,391,920	(23,143)	(1.66)%
Revolving credit balance		31,659	34,273	(2,614)	(7.63)%

## 5. Business Operation

### 5-1-1-7 Investment in Bond and Bills

Unit: TWD thousand; %

Items	Year	2015 Balance	2014 Balance	Increase (Decrease) Balance	Increase (Decrease) %
Government Bond		254,477	156,131	98,346	62.99%
Short- term of Bills		3,654,787	1,848,138	1,806,649	97.76%
Financial Bonds and corporate Bonds		7,537,264	7,643,030	(105,766)	(1.38)%
Convertible Bond		1,897,400	1,813,800	83,600	4.61%
CBC certificates of Deposits (include NCD)		16,300,000	15,700,000	600,000	3.82%

### 5-1-1-8 Changes in the proportion of revenue to operating income

Unit: TWD thousand

Items	Year	2015		2014	
		Amount	%	Amount	%
INTN(Interest Income (net))		2,326,915	81.41%	2,186,250	85.68%
Service fee revenue (net)		251,982	8.82%	211,520	8.29%
FIAL(Gains or Losses on Financial Assets (Liabilities) at Fair Value through Profit or Loss)		30,073	1.05%	67,249	2.64%
REFI (Realized Gain or Loss on Available-for-sale Financial Assets)		0	0.00%	0	0.00%
ASSO (Share of Profit of Associates Accounted for Using Equity Method)		24,310	0.85%	15,514	0.61%
Reversal of impairment loss on assets		122,018	4.27%	-	0.00%
XGL (Foreign Exchange Gain or Loss)		67,592	2.36%	39,714	1.56%
OREV (Other Revenue except for Interest Income)		35,287	1.24%	31,276	1.22%
NREV (Net Revenue)		2,858,177	100.00%	2,551,523	100.00%

### 5-1-2. Business Plans for year 2014

#### 5-1-2-1. Operation Plans

- With the competent authorities Bank 3.0 and developing convenient online transaction system to increase the frequency of usage and reduce transaction costs at the counter.
- Enhance staff training and education to promote professional functions.
- With the Personal Data Protection Act, keep developing and building related hardware and software system include: new functions of mobile banking, simulate platform of Fund, the fourth stage Foreign Exchange platform-outward remittance, 24 hours online of FXML business banking, new version of attendance system to improve work efficiency.
- Strengthen margin fund management into safety financial products to increase ROE.
- Concerning to simplify the operation procedure and internal control, review and improve business regulations any time to

optimizing adjustment, promote service quality and work efficiency.

- Maintaining relationship with customers, improving transaction channels to satisfy customers' demand to keep expand 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 risk management to implementation reasonable pricing and uphold the principles of credit 5P in order to maintain high quality of the loan assets
- Concerning future growth, the Bank considers relocate branches.
- Enhancing efficiency of the channels to diversify the source of profits.
- 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
- Adjustment valuation method of internal transfer fund to improve efficiency between business and operational units.
- Implementation of paperless and save on photocopying to get costs down.

#### **5-1-2-2. Consumer Banking**

- Strict implementation of credit standard operating procedures, enhanced scrutiny function, detailed assessment and strictly controls the amount, strengthen tracking and assessment the credit after receiving loans, to understand exactly what the customer operating and movement of capital, control overdue loan ratio in case or reduce credit loss, keep maintain the security of credit assets.
- Monitoring the risk of each credit product, once the default rate is higher or profit can't cover the non-performing loans, timely decisions to adjustment related fee and interest rate conditions, or even closed the business.
- For promote the profession business competence and effectively control the real estate quality, Reference the JCIC, COTA BANK evaluation database, and government builds of related information platform, to differentiate the area by region loaned to the degree of risk to distinguish the number.
- To strengthen Relationship Managers' legal concept and internal auditing function aiming so as to realize breach notification.
- To upgrade quality of Relationship Managers so as to realize business strategy on customer differentiation, to expand low-risk lending base and on the other side, tightly monitor lending quality from high-risk groups. In addition, improved credit investigation and housing valuation procedure aim strengthen monitoring mechanism and strict management procedure.
- The use of electronic management to develop potential customer who use the online bank, screening excellent target customer base to provide exclusive benefits and services to reach consumer finance business expansion.
- Strengthening wealthy customers to recognize the Bank's consumer banking products.
- To initiate consumer products according to market momentum and, as the core of lower risk and advanced competition, to develop diversified and tailor-made projects so to enrich value-added of the products and expand scale of consumer loans.
- Plan to have a standardized, automatic, paperless back office to achieve more competitive and efficient lending procedure. At the same time, this aims to save operational cost and shorten operating time targeting to reach the purpose of economy of scales.
- To strengthen Relationship Managers' on-the-job training courses which focus on compliance, product positioning, marketing strategies and skills and manners accompanied by four principles of integrity, innovation, affability and service to upgrade team productivity.
- 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. Business Operation

- To create optimized business model to upgrade Bank's competition so as to cope with external changes on competition and regulations.

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

- 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 officer overview the industry and report to related person in order to grasp market trends.
- Wholly-owned and partnership of mid-cap corporations are as the target to expand business portfolio according to their business status, credit quality, lending purpose and repayment plan, and also to enhance debt strengths through SMEG and government-related policies.
- 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.
- To strengthen corporate credit issues beforehand so as to tight control and monitor lending limits by industry and its ratio for preventing from significant centralized risk considering pulse of macro.
- 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.
- To strengthen risk management mechanism based on Basel III principal so as to control debt ratio and upgrade credit quality.
- 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.

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

- With 2016 Guidelines Governing Money Laundering and Terrorist Financing Risks Assessment and Relevant Prevention Program, planning a system indent to national risk , control processes and blacklist check nuclear.
- Applying more domestic banking units to provide more extensive services.
- Continuing to strengthen international remittance network and promoting trading finance to create more profits from foreign exchange.
- Increasing fixed income investment allocation, seeking high-rating overseas securities and creating revenues from financial operation on foreign currency funds.
- Planning to develop a new FX system, including building import /export business, securities, and FX trading data mining.
- Continuing to enforce the professional knowledge and training for personnel in order to enhance ability to expand foreign exchange business.
- Applying new derivative financial products and strengthening relationship with peer domestic & foreign banks.
- Assisting to plan the E-banking of the corporation version and enhancing related FX transaction services.
- Assisting to develop the branch-linking system to Taiwan GIS Center for querying limit amount of TWD 500,000.

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

- For strengthening wealth management business, the Bank plans the trainings on the analysis of the economic trend and the explanation of the financial products in the morning meetings or off-operation time for all branches in order to enhance the professional abilities of the salespeople, strengthen the processes of sales, and implement regulatory compliance and risk control.

- In order to increase the sales amount of the mutual funds and maintain stable growing on fund balance, the Bank quarterly holds sales competitions to encourage branches to promote the business.
- Continuing to strengthen and implement regulatory compliance such as the risk classification of the financial products, investors' preferences, the customers' fitness for the financial products, implementation of the sales regulation, and control of the risk indicators of the sales. The bank takes into account the customers' needs, bank profits, the sales of the risk management, and internal and external regulatory compliance on wealth management. In addition, the bank strengthens business-related trading platform, automotive operation functions, and flexible marketing to build professional image and reputation.
- 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. And actively planning diversified financial products to meet customers' needs.
- Providing training courses to salespeople, improving the professional abilities of the salespeople, strengthening the processes of sales, and implementing regulatory compliance and risk control.
- In order to execute marketing from entire staffs, the Bank encourages staffs to obtain related certificates.
- Enhancing the bank's internal control through internal self-audit, external audit, and self-discipline.
- Through the bank's internal education and external training, strengthen professional training on trust personnel that will be able to asset allocation.
- Developing new types of trust products to clients and providing diversified options to achieve the purpose of the growth on assets, the transfer of property, and charitable trust.

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

- The Bank promotes the loan and investment business not only follows the Bank Act, related regulations, and the Bank's internal rules to diversify the risks and to obtain effective usage on funds but also comply the highest limit provisions by industry, corporate groups, and country categories to avoid risk losses.
- Tightly controlling source of funds and the usage of tenors and interest rates so as to reduce re-pricing risks and maximize net interest income to raise the Bank's profitability and value.
- Under the principle of the stability, safety and liquidity, the Bank actively searches available investment on excess funds and creates profitability on assets allocation.
- The Bank reviews the sources of the funds and optimizes asset allocation in order to achieve the target on the best earnings.
- The Bank will continuously monitor the credit limit management and risk management function, improve structure of the risk assets, and strength the Bank's capital adequacy ratio.
- In response to the implementation of the new Basel III, the bank will plan long-term capital allocation to improve common equity that will meet the minimum capital requirements based on international standards and to strengthen risk tolerance.
- Actively cultivating the core deposit client base, obtaining stable low funding cost, optimizing the liability structure, facilitating and increasing the quantity of deposits for both sides effectiveness.
- 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.
- Managing gaps of the sensibility of the interest rate of the assets and liabilities to reduce basis risks, to make pricing consistent, and to attain earning target.
- Strictly monitoring the limits of the market risk in order to balancing returns against risks, optimizing asset allocation, and maintaining the safety and profitability of the capital.

## 5. Business Operation

- In response to changes in the financial environment, handling all kinds of the operational testing to make improvement and closely watching global economic to take the safe strategies of the risk control.
- Progressively establishing operational strategies on risk-based, continuing to promote growth and improve the long-term goal of the sustainable development.
- The Bank will effectively use the fixed assets and disposal the idle assets to improve efficiency on assets.

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

- Controlling the manpower demand and condition, establishing the processes of the employee recruitment, deployment, layoff, and dismissal to ensure the Bank has adequate and appropriate personnel within a specified period.
- Implementing the counseling operation on staff with poor performance to adjust their attitude on job. If the bank makes sure they are not suitable for the bank, they will be eliminated that will fully effective usage on human resources and to improve the bank's performance.
- Assisting the Bank to encourage employee by reward that may increase their sense of belonging, enhance their morale and working efficiency.

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

- The Bank will increase the issuance volume of the credit cards by branch channels in 2016. The bank will appraise group performance in order to motivate branches to promote credit card business. In addition, providing reward scheme to last promotion energy and creating consumption amount by credit card.
- The Bank jointed "The Payment Platform of the Credit Cards in Official Departments" in 2016 and will plan to provide payment services of the credit cards at the counters of the official departments.
- Focusing on customers who need credit card loans, the Bank will flexibly adjust the credit limits to increase surcharge and revolving interests and will review risk control in a half year. If the customers approach warning limits, the Bank will reduce their loan limits and put on tracking list to avoid upcoming non-performing loans.
- The bank will provide reward program for individuals and branches in order to strengthen the supervision for branches by management and colleagues may obtain the affirmation also get encouragement in fact.
- In response to raising the percentage of the cash reward on issuing banks, the Bank will expand the industries of the free surcharge installments on LOHAS cards and avoid increasing operational costs.
- The Bank jointed "on-us Payment Platform" of the National Credit Card Center to gain the revenues from the payment at official counters that is a great convenience for cardholders and may expand payment channels.
- Continuously strengthening internal training for the staff of the credit card center that make them to understand and be familiar with business, to handle customers' queries with proficiency, to maintain the level of the service, and to reduce error probability.
- The Bank continuously optimizes the application of the credit cards online, coordinates the policy of the Bank 3.0, develops new services online step by step, and modifies operational processes from customers' and coworkers' feedback to enhance the sense of satisfaction of the customers and working efficiency.
- Reviewing credit condition for revolving credit cardholders in half a year. If there is an unusual signal, the Bank will tighten credit line and track their payments every 1-3 months periodically to reduce risks.
- The Bank downgraded the interest ceiling to 15% that may reduce risk premium on issuing cards. The Bank will upgrade the standard for new clients and review interest and credit condition for existing customers to control risks. If necessary the Bank will lock credit cards, raise interest rate, and establish tracking processes on high risk list in order to reduce the probability of the loss.



### 5-1-3. Market Analysis

#### 5-1-3-1. Business Operation Area of the Bank

The Bank primarily focuses on domestic market. Up to Dec. 31, 2015, the Bank owns 28 branches and 1 Offshore Banking Unit which spread over Taipei, New Taipei City, Taoyuan City, Hsinchu City, Taichung City, Changhua County, Changhua City, Tainan City and Kaohsiung City. The Bank will continue to expand the business location in order to establish the full financial service network.

#### 5-1-3-2. The Condition of Market Supply and Demand and Growth Potential in the Future

The global economy is still uncertainty in the future. In addition to regional political risk in the Eastern Europe and Middle East and the pressure on economy slowdown in China, we should pay attention to the Fed's monetary policy which may impact on the global financial markets. The emerging markets had already faced the pressure on capital outflows in the past quarters and will face severe challenge after the Fed into the cycle of interest rate raise.

After financing services digitized and virtualized and providing similar product services for every bank, it is import to deal with the challenges and how to take the chance to find new ways to gain more profits.

#### 5-1-3-3. Advantages in Competition and Prospects of Advantages, Disadvantages and Countermeasures

- Advantages

- With operating century, the Bank has stable financial condition and goodwill. It will create regional network and high quality services to gain reputation.
- By digital financial era coming, there are more market opportunities on mobile payment and online banking business.
- The bank will continuously develop wealth management and trust business to increase fee income and diversify profit resources.
- The future operating development of the bank will be more stable after the continuous improvement on the structure of deposits and loans and asset quality.

- Disadvantages

- The number of domestic banks is too high, businesses overlap, and operating business is similar that will result in highly "large-scale" competition.
- The bank slow started on developing mobile banking and digital operation while the progress of the information technology and the innovation of the digital financial services move quickly.
- The uncertainty of the economic environment increase, unpaid leaves and layoffs expanding that will affect the Bank's business.
- It is difficult to raise net profit after the Center Bank cut interest rates. In addition, the market has sufficiency funds and will create highly price competition.

- Countermeasures

- Enhancing electronic financial services, developing electronic financial transactions and online services.
- Increasing fee income on wealth management and actively expanding SME lending.
- Strengthening capital adequacy and risk tolerance, and improving operational quality.
- Raising current deposit proportion and improving deposit structure to reduce funding cost.
- Continuously providing training and functional transformation program to the staffs in order to adapt the digitalized era.

## 5. Business Operation

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

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

- Scale of Major Financial Product: Major Financial Product include TWD and G7 currency deposit \ consumer loan \ corporate lending \ import and export of foreign currency remittance \ exchange \ finances advisor \ trust product and credit card services, please refer to this annual report part 5: Business Operation
- New-established Units:
  - Apr. 20, 2015: Set up Qiaotou Branch
  - Oct. 27, 2015: Set up Dadu Branch
  - Dec. 1, 2015: Establish Electronic Banking Department officially

#### 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 2014: TWD3,331 thousand; Year 2015: TWD3,534 thousand

##### 5-1-4-2-2. Financial Products Research and Development Project in Recent 2 years:

- APP for Mobile E-banking officially online
- To build up online education and training system for employee
- To set up the Gold Passbook business (including over-the-counter service and internet online)
- Increase "Firewall Hardware", "Source Code Analysis", Financial information service remittance and ATM host business system encipher
- Use Microsoft's AD system to control computer permissions to observe to Personal Information Protection Law
- Update the computer and upgrade the system
- Re-develop internet banking program to enhance functions of use and safety
- Update passbook entry machine to increase customer satisfaction degree
- Replacement partial of ATM to build a good space for disabled persons
- To build consumer finance electronic management system \ document warehouse management system
- To develop pad system of valuation
- Combined financial and insurance planning to enhance service efficiency
- To build up the program of USB Write protector
- To set up accessible web and internet banking
- Bulk inquiries by JCIC loan service platform for SME operation online
- To start Foreign Currency Trust business
- Self remittance officially online
- Remittance redundant system online

##### 5-1-4-2-3. Research and Development Project in the Future:

- To start internet online business successively in response to Bank 3.0
- In accordance with the timing of process by authorities, the Bank develops plans of money laundry \ information risk assessment and risk control
- Establish standard and simplify operating processes and enhance of IT system integrator

- Development of new financial product like mobile payment \ third-party payment etc.
- 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.
- To strengthen working capitals and enhance sound financial structure in order to develop business
- Aggressive to create new trust products to enhance bank's competitive about the 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
- To keep develop cross-board of cash flow service platform in order to get the latest financial market context and trends all the time
- 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, details please refer to our profile of Business Plans for Year 2016**

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

- To follow Bank 3.0 policy by authorities and response to rapid progress in technology and generalization, the Bank develops convenient online financial services to improve customer utilization, reduce transaction cost over-the-counter and create a win-win situation for both sides.
- Under the purpose of sustainable development, the Bank strengthens capital quality, reduces capital cost and improves finance structure to upgrade ROE.
- Based on Fin-Tech development, the Bank strengthens staff training and education to promote professional skill
- To increase diversification of profit sources, the Bank adjusts the layout of locations to deepen and broaden channel efficiency.
- To create profits and enhance profitability, the Bank makes effort to expand interest spread, develop wealth management business and increase proportion of fees.
- According to the market of innovative consuming financial products, with low risk and advantages of competitiveness as the main shaft to develop diversified and tailor-made proposals to create additional value of products and expand services and scale of personal financial loans.
- Continuously develop current deposits, consumer finance, corporate business, wealth management business, trust business, foreign exchange business, OBU & electronic banking business to adjust the structure of profits, and expand banking scale and improve operational efficiency in order to reduce costs and increase profitability.
- To comply with authorities' policy and continue to promote SME loans, match customer demand and expand the base and scale to improve corporate market share.
- In line with government policy to push economic development and upgrade industries, provide enterprise credit facilities and promoting strategies to meet corporate capital needs.
- By providing training and sales expertise to strengthen procedures and implement legal compliance and risk control management
- Review funding source and optimal asset allocation ratio to achieve the best returns
- To strengthen product risk level, client investment suitability, fitness of investment product, wealth management regulation implementation and risk control. Through system resources to accomplish customer needs, bank profits, sales risk management and legal compliance for both inside and outside, strengthening related trading platform, workload automation and elastic marketing promotion to establish wealth management professional image and reputation
- To participate charitable activities and implement social responsibility

## 5. Business Operation

### 5-2. Human Capital

Information of Educational Background for Employees in Recent 2 Years

Item	Year	2014	2015	Up to Feb. 28, 2016
Number of Employee		1,132	1,133	1,130
Average Age		39.65	40.05	40.19
Average Seniority		13.02	13.31	13.43
Structure of Education	PHD	1	1	1
	Master	69	84	85
	University/College	862	852	845
	Senior High School	197	194	197
	Below	3	2	2

Certificated Proficiency Tests of Employees	Total (Up to Feb. 28, 2016)
Basic Proficiency Test for Bank Lending Personnel	576
Advanced Proficiency Test for Bank Lending Personnel	37
Proficiency Test for Bank Collateral Appraisal Personnel	47
Basic Proficiency Test for International Banking Personnel	324
Proficiency Test for Foreign Exchange Trading Personnel	42
Proficiency Test for Financial Planning Personnel	344
Test for Small-Medium Business Financial Staff	178
Proficiency Test for Trust Operations Personnel	709
Proficiency Test for Obligation & Debt Collection Personnel	164
Proficiency Test for Bank Internal Control and Audit Personnel	733
Proficiency Test for Financial Risk Management Personnel	3
Securities Investment Analysts	9
Senior Securities Specialist	196
Securities Specialist	110
Future Specialist	166
Securities Investment Trust & Consulting Professionals	188
Qualified Test for Bill Finance Specialist	84
Proficiency Test for Bond Specialist	18
Proficiency Test for Stock Affair Specialist	9
Basic Ability Test for Asset Securitization	7
Personal Insurance Representative	730
Test for Life Insurance Representative (Foreign Currency Base) – Non Investing Insurance Products	444
Investment-Orientated Insurance Representative	427
Property Insurance Representative	604
Personal Risk Manager	1

Certificated Proficiency Tests of Employees	Total (Up to Feb. 28, 2016)
Financial Risk Management (FRM)	1
Land Registry Agent	3
Property Insurance Agent	3
Personal Insurance Agent	1
Personal Insurance Broker	2
General English Placement Test –High-Intermediate	1
General English Placement Test – Intermediate	4
General English Placement Test – Elementary	21
TOEIC score above 880	2
TOEIC score 750-880	5
TOEIC score 550-750	16
TOEIC score 350-550	13

### 5-3. Responsibility and Ethical Code

To feedback society and implement social care, the Bank has donated park, swimming pool, tennis court, fire engines and bridge etc. and all along been upholding “what is taken from society, used for the community” to fulfill social responsibility. For many years the Bank also sponsored charity activities of Taichung Municipal City Huludun Culture Center, Eden Social Welfare Foundation, Chensenmei Social Welfare Foundation. Respond to the needs of social development, the Bank fully donated community chest TWD54.20 million of “Taichung Third Credit Cooperative” after restructuring to COTA Bank and set up “COTA Culture and Education Foundation” in Jul. 1999 to develop the public welfare like as lifelong learning lectures, sport competition for three generations, training elder persons to tell stories, arranging book club for senior citizens and COTA scholarships etc. Besides, the Bank donated TWD3 million to Kaohsiung City Government for people which bear gas explosion in Kaohsiung to rebuild hometown in Aug. 2014 and held activity of voluntary blood donation with Taichung Blood Center in Oct. 2015.



## 5. Business Operation

### 5-4. Number of non-supervisory positions employees, average annual welfare expenses and the difference between two years

Unit: TWD

Item	2014	2015
Non-supervisory Employee Welfare Expenses	1,050,342,718	1,092,514,541
Number of Non-supervisory Employees	1,086	1,085
Average Welfare Expense for each Non - supervisory Employee	967,166	1,006,926

Note:

1. Definition of "Employee" is that individual provides service for the Bank and under the supervision (irrespective of the nationality and foreigners) which does not contain only contacts with the Bank (ex. Insurance agents earn commission, after completion of agreed work to earn remuneration and without the act of employee rights), outsourcing or the temp as well as directors and supervisors.
2. "Non-Supervisory Position" is not responsible for the management of staff or with administrative responsibility of unit
3. "Employee Welfare Expense" is all forms of consideration of the Bank can offer in exchange for the staff to provide services according to IAS19. And follow the rule of Regulations Governing the Preparation of Financial Reports by Public Banks, "Employee Welfare Expense" includes employee salaries, Labor Insurance, Health Insurance, retirement pensions and other employee benefits (including commission and net income of fees etc.)

### 5-5. 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, Mobile 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 and Gold Passbook 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 and we built up LDP (Data Loss Prevention/Protection) system to intercept the possible leaking of personal information through email, internet or USB device. On the safety of web page, we have purchased web page safety testing system to prevent from the leaking of program.

The Bank uses Mirror Disks to protect all transactions data completely and keeps duplicates of disc and magnetic film every working day. Use two telecommunication circuits of lines and build 3G/4G wireless backup. Main communication equipment applied HA framework so that on-line automatic replacement is available when it failed. There is a hard copy for surrounded equipments and with a system safety controlling mechanism so as to guarantee safety of transactions.





## 5. Business Operation

### 5-6. Labor-Management Relationship

**5-6-1. In order 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.**

#### 5-6-1-1. 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.

#### 5-6-1-2. 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 bonus.

#### 5-6-1-3. Incentive Interest Rate

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

#### 5-6-1-4. 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.

#### 5-6-1-5. 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 Dec. 31 2015, there is 333 staff (29.94% of employees) choosing the old version, 779 staff (70.06% of employees) choosing new version. The Bank has no significant argument between employee and employer at present.

### 5-6-2. 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.

## 5-7. Major Contracts

Nature of Contract	Concern Party	Contractual Period	Major Content	Restrictive Covenants
Deposit Insurance Contract	Central Deposit Insurance Corp.	Engaged on Aug. 15, 1995	To enhance protection of customer deposits	The same depositor maximum amount of compensation is up to TWD3 million
Bank Comprehensive Insurance	Chung Kuo Insurance Co., Ltd.	From Apr. 1, 2015 to Apr. 1, 2016	1. Staff unfaithful behavior 2. Asset of branches 3. Asset in transit 4. Forged drafts and securities 5. Forged cash 6. Damage of equipment 7. Fault of securities or contracts 8. Inadvertency of short banknotes	None
Outsourcing Contract	Yuen Foong Paper Co., Ltd.	From Jun. 7, 2015 to Jun. 7, 2016	Transaction statements	None
Outsourcing Contract	Han Yeh Office Supplies Company	From Jun. 7, 2015 to Jun. 7, 2016	Computer printing jobs and packages	None
Outsourcing Contract	Taiwan Security Co., Ltd. and Lian-An Co., Ltd.	From Jan. 1, 2015 to Dec. 31, 2016	Loading cash & troubleshooting of AMT	None
Outsourcing Contract	Taiwan Security Co., Ltd.	From Jun. 1, 2015 to May 31, 2016	Securities, cheques and cash delivery	None
Outsourcing Contract	Feng Tay Motor Co., Ltd.	From Jun. 27, 2015 to Jun. 27, 2016	To search cars for overdue payments of car loans	None
Outsourcing Contract	21Century Finance Service	From Jun. 27, 2015 to Jun. 27, 2016	To search cars for overdue payments of car loans	None
Outsourcing Contract	Sinjang Co., Ltd.	From Jun. 27, 2015 to Jun. 27, 2016	Authorization of vehicle auction	None
Outsourcing Contract	President Chain Store Corporation	From May 1, 2015 to Apr. 30, 2016	Collection for consumer loans	None
Outsourcing Contract	National Credit Card Center of R.O.C.	From Mar. 10, 2007 to either party in writing of termination and confirm the termination date	Credit card business (credit card payment system & support services)	None
Outsourcing Contract	President Chain Store Corporation	From Jun. 13, 2015 to Jun. 13, 2016	Collection for credit card payments	None
Outsourcing Contract	Taiwan Family Mart Co., Ltd.	From Apr 5, 2015 to Apr 5, 2016	Collection for credit card payments	None

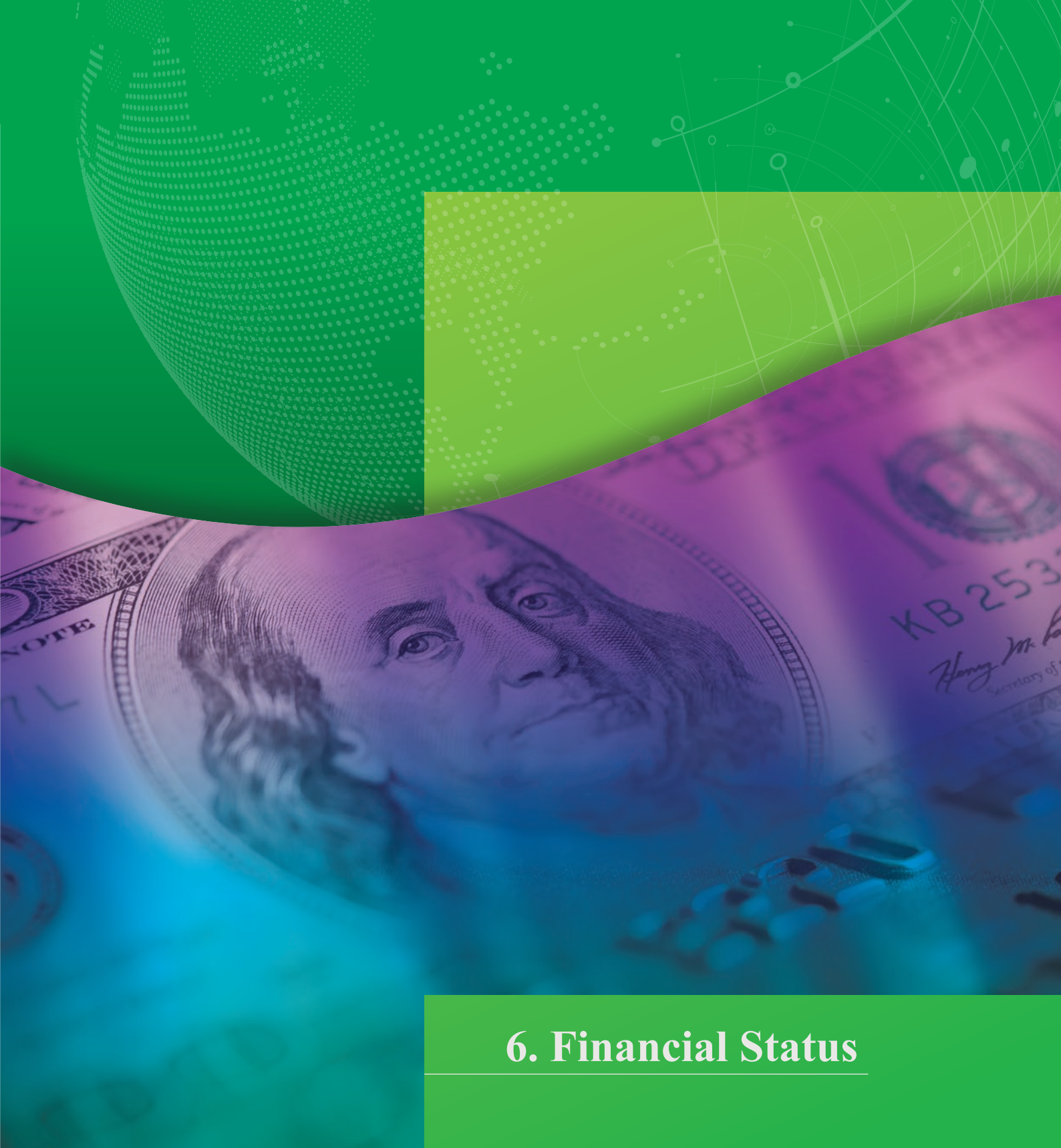


## 5. Business Operation

Nature of Contract	Concern Party	Contractual Period	Major Content	Restrictive Covenants
Outsourcing Contract	Hi-Life International Co., Ltd.	From Apr 5, 2015 to Apr 5, 2016	Collection for credit card payments	None
Outsourcing Contract	OK · Mart	From Apr 5, 2015 to Apr 5, 2016	Collection for credit card payments	None
Outsourcing Contract	Sparkle Collection Management Co., Ltd.	From Apr 1, 2015 to Apr 1, 2016	Collection of account receivables	None
Outsourcing Contract	Taiwan Name Plate Co., Ltd.	From Mar. 10, 2015 to Mar. 9, 2016	Chip-card processing, package and mailing	None
Outsourcing Contract	Chunghwa Post Co., Ltd.	From Nov. 20, 2015 to Nov. 19, 2016	Statements printing & package of full management accounts	None
Outsourcing Contract	Transnational Logistic Solutions Pte. Ltd.	From Dec. 1, 2015 to Nov. 30, 2016	Bank cheques, documents & securities collection & delivery	None

### 5-8. Information of Approved Securitization Products in Recent Years: None





# 6. Financial Status

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## 6. Financial Status

### 6-1. Condensed Balance Sheet and statement of comprehensive income over the Past Five Years

#### Consolidated Condensed Balance Sheet Under IFRS

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years					Up to 2016/02/29 (Note 4)
		2015	2014	2013	2012	2011	
Cash, Cash equivalents, due from the Central Bank, and call loan to other banks		24,937,444	23,535,092	24,155,762	25,034,337	N/A	24,052,200
Financial asset or Financial Liability at fair value through profit or loss		2,016,660	2,229,841	1,839,732	2,169,921	N/A	2,204,536
Available-for-sale financial assets		4,345,123	4,381,065	2,005,933	2,366,152	N/A	4,480,361
Derivative Financial Assets for Hedging		-	-	-	-	N/A	-
Bonds and bills purchased under resale agreements		3,654,787	1,848,138	699,901	1,649,290	N/A	4,307,024
Net Receivables		396,245	374,516	388,615	384,769	N/A	371,607
Current tax Assets		-	-	-	23,550	N/A	4,182
Assets Held for Sell		-	-	-	-	N/A	-
Net Discounts and Loans		104,728,135	100,969,801	96,230,478	87,964,356	N/A	103,996,770
Held-to-maturity financial assets		3,506,657	3,423,956	3,535,588	4,523,617	N/A	3,833,236
Long-term investments under equity method		-	-	-	-	N/A	-
Restricted assets		-	-	-	-	N/A	-
Other financial assets		187,701	185,432	182,484	205,909	N/A	188,451
Net property and equipment		1,328,977	1,359,122	1,364,750	1,358,417	N/A	1,324,185
Investment property		831,225	691,269	691,906	547,215	N/A	831,053
Intangible assets		107,588	109,972	109,246	110,300	N/A	107,316
Deferred tax assets		250,404	257,662	233,766	213,632	N/A	250,404
Other assets		66,915	69,790	78,482	94,587	N/A	80,494
<b>Total Assets</b>		<b>146,357,861</b>	<b>139,435,656</b>	<b>131,516,643</b>	<b>126,645,052</b>	<b>N/A</b>	<b>146,031,819</b>
Deposits to The Central Bank and other banks		64,470	111,139	114,090	652,003	N/A	64,470
Financing to The Central Bank and other banks		-	-	-	-	N/A	66,453
financial liability at fair value through loss		1,045	137	237	1,781	N/A	1,685
Hedging derivative financial liabilities		-	-	-	-	N/A	-
Bonds and bills held under repurchased agreements		-	-	-	-	N/A	-
Accounts Payable		839,543	791,664	721,644	714,472	N/A	399,254
Current tax liability		8,381	43,427	14,909	76,018	N/A	31,343
Liabilities directly associated with assets held for sale		-	-	-	-	N/A	-
Deposits and remittances		134,979,877	129,389,480	121,910,933	117,510,391	N/A	134,928,746
Bond payable		1,500,000	1,500,000	1,500,000	1,500,000	N/A	1,500,000
Preference share liabilities		-	-	-	-	N/A	-
Other financial liabilities		-	-	-	-	N/A	-
Provision		447,437	442,947	448,132	502,254	N/A	121,430



Descriptions	Year	Financial data during recent 5 years					Up to 2016/02/29 (Note 4)
		2015	2014	2013	2012	2011	
Deferred tax liabilities		121,430	114,904	116,757	111,412	N/A	326,893
Other liabilities		358,966	388,658	362,996	298,792	N/A	326,893
Total liabilities	Before allocation	139,321,149	132,782,356	125,189,698	121,367,123	N/A	137,884,285
	After allocation	Note. 1	132,948,435	125,302,847	121,439,328	N/A	
Equity attributable to owners of the parent		8,036,712	6,653,300	6,326,945	5,277,929	N/A	8,147,534
Share capital	Before allocation	5,998,771	5,032,692	4,919,543	4,247,338	N/A	5,998,771
	After allocation	Note. 1	5,198,771	5,032,692	4,319,543	N/A	
Capital reserve		898,204	892,620	892,589	884,333	N/A	898,204
Retained earnings	Before allocation	1,090,916	723,138	508,253	135,666	N/A	1,201,504
	After allocation	Note. 1	390,980	281,955	-8,744 Note.3	N/A	
Other components		48,821	4,850	6,560	10,592	N/A	49,056
Treasury Shares		-	-	-	-	N/A	-
non-controlling interests		-	-	-	-	N/A	-
Total Shareholders' equity	Before allocation	8,036,712	6,653,300	6,326,945	5,277,929	N/A	8,147,534
	After allocation	Note.1	6,487,221	6,213,796	5,205,724	N/A	

Note:

1. The earnings distribution for 2015 has not been approved by the 2016 Shareholders' General Meeting.
2. 2013 Implementation evaluation Impairment of individual assets, Recognition Impairment of Assets and Reversal gains TWD145, 327,000. 2015 Implementation evaluation Impairment of individual assets, Recognition Impairment of Investment property and Reversal gains TWD122, 018, 000.
3. 2013 Implementation IFRS, Retrospectively Recognition adjusted 2012 Retained earnings.
4. Not the end of the year 2016.
5. Certified public accountants: Shi-Hua Guo and Yuan-Chen Mei for 2012~2015
6. Opinions: No retained opinion for 2012, No standard retained opinion for 2013~2015.

### Entity Condensed Balance Sheet under IFRS

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years					Up to 2016/02/29 (Note 4)
		2015	2014	2013	2012	2011	
Cash, Cash equivalents, due from the Central Bank, and call loan to other banks		24,937,444	23,535,092	24,155,759	25,034,333	N/A	24,052,197
Financial asset or Financial Liability at fair value through profit or loss		2,016,660	2,229,841	1,839,732	2,169,921	N/A	2,204,536
Available-for-sale financial assets		4,345,123	4,381,065	2,005,933	2,366,152	N/A	4,480,361
Derivative Financial Assets for Hedging		-	-	-	-	N/A	-
Bonds and bills purchased under resale agreements		3,654,787	1,848,138	699,901	1,649,290	N/A	4,307,024
Net Receivables		396,919	379,357	388,636	384,692	N/A	382,195
Current tax Assets		-	-	-	23,550	N/A	4,182
Assets Held for Sell		-	-	-	-	N/A	-
Net Discounts and Loans		104,728,135	100,969,801	96,230,478	87,964,356	N/A	103,996,770
Held-to-maturity financial assets		3,506,657	3,423,956	3,535,588	4,523,617	N/A	3,833,236
Long-term investments under equity method		34,828	24,481	21,514	20,808	N/A	37,879
Restricted assets		-	-	-	-	N/A	-
Other financial assets		187,701	185,432	182,484	205,909	N/A	188,451

## 6. Financial Status

Descriptions	Year	Financial data during recent 5 years					Up to 2016/02/29 (Note 4)
		2015	2014	2013	2012	2011	
Net property and equipment		1,328,904	1,359,012	1,364,602	1,358,359	N/A	1,324,118
Investment property		831,225	691,269	691,906	547,215	N/A	831,053
Intangible assets		107,588	109,972	109,246	110,300	N/A	107,316
Deferred tax assets		250,404	257,662	233,766	213,632	N/A	250,404
Other assets		64,790	67,628	76,470	94,178	N/A	78,400
<b>Total Assets</b>		<b>146,391,165</b>	<b>139,462,706</b>	<b>131,536,015</b>	<b>126,666,312</b>	<b>N/A</b>	<b>146,078,122</b>
Deposits to The Central Bank and other banks		64,470	111,139	114,090	652,003	N/A	64,470
Financing to The Central Bank and other banks		-	-	-	-	N/A	66,453
financial liability at fair value through loss		1,045	137	237	1,781	N/A	1,685
Hedging derivative financial liabilities		-	-	-	-	N/A	-
Bonds and bills held under repurchased agreements		-	-	-	-	N/A	-
Accounts Payable		839,816	796,955	723,192	715,292	N/A	414,378
Current tax liability		5,010	41,696	13,577	73,620	N/A	27,660
Liabilities directly associated with assets held for sale		-	-	-	-	N/A	-
Deposits and remittances		135,017,248	129,414,163	121,930,708	117,533,609	N/A	134,964,249
Bond payable		1,500,000	1,500,000	1,500,000	1,500,000	N/A	1,500,000
preference share liabilities		-	-	-	-	N/A	-
Other financial liabilities		-	-	-	-	N/A	-
Provision		447,437	442,947	448,132	502,254	N/A	444,011
Deferred tax liabilities		121,430	114,904	116,757	111,412	N/A	121,430
Other liabilities		357,997	387,465	362,377	298,412	N/A	326,252
Total liabilities	Before allocation	138,354,453	132,809,406	125,209,070	121,388,383	N/A	137,930,588
	After allocation	Note.1	132,975,485	125,322,219	121,460,588	N/A	
Equity attributable to owners of the parent		8,036,712	6,653,300	6,326,945	5,277,929	N/A	8,147,534
Share capital	Before allocation	5,998,771	5,032,692	4,919,543	4,247,338	N/A	5,998,771
	After allocation	Note.1	5,198,771	5,032,692	4,319,543	N/A	
Capital reserve		898,204	892,620	892,589	884,333	N/A	898,204
Retained earnings	Before allocation	1,090,916	723,138	508,253	135,666	N/A	1,201,504
	After allocation	Note.1	390,980	281,955	-8,744 Note.3	N/A	
Other components		48,821	4,850	6,560	10,592	N/A	49,056
Treasury Shares		-	-	-	-	-	-
non-controlling interests		-	-	-	-	-	-
Total Shareholders' equity	Before allocation	8,036,712	6,653,300	6,326,945	5,277,929	N/A	8,147,534
	After allocation	Note.1	6,487,221	6,213,796	5,205,724	N/A	

Note:

1. The earnings distribution for 2015 has not been approved by the 2016 Shareholders' General Meeting.
2. 2013 Implementation evaluation Impairment of individual assets, Recognition Impairment of Assets and Reversal gains TWD145, 327, 000. 2015 Implementation evaluation Impairment of individual assets, Recognition Impairment of Investment property and Reversal gains TWD122, 018, 000.
3. 2013 Implementation IFRS, Retrospectively Recognition adjusted 2012 Retained earnings.
4. Not the end of the year 2016.
5. Certified public accountants: Shi-Hua Guo and Yuan-Chen Mei for 2012~2015
6. Opinions: No retained opinion for 2012, No standard retained opinion for 2013~2015.

Condensed Balance Sheet under ROC GAAP

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years					Up to 2016/02/29
		2015	2014	2013	2012	2011	
Cash, Cash equivalents, due from the Central Bank, and call loan to other banks		N/A	N/A	N/A	N/A	29,485,619	N/A
Financial assets measured at fair value through profit or loss		N/A	N/A	N/A	N/A	1,766,453	N/A
Bonds and bills purchased under resale agreements		N/A	N/A	N/A	N/A	600,004	N/A
Available-for-sale financial assets		N/A	N/A	N/A	N/A	2,388,593	N/A
Discounts and Loans		N/A	N/A	N/A	N/A	82,215,491	N/A
Receivables		N/A	N/A	N/A	N/A	496,407	N/A
Held-to-maturity financial assets		N/A	N/A	N/A	N/A	2,216,109	N/A
Long-term investments under equity method		N/A	N/A	N/A	N/A	11,399	N/A
Fixed assets		N/A	N/A	N/A	N/A	1,193,297	N/A
Intangible assets		N/A	N/A	N/A	N/A	110,183	N/A
Other financial assets		N/A	N/A	N/A	N/A	235,094	N/A
Other assets		N/A	N/A	N/A	N/A	865,413	N/A
<b>Total Assets</b>		N/A	N/A	N/A	N/A	121,584,062	N/A
Due to The Central Bank and other banks		N/A	N/A	N/A	N/A	229,915	N/A
Deposits and remittances		N/A	N/A	N/A	N/A	113,129,625	N/A
Financial liabilities measured at fair value through profit or loss		N/A	N/A	N/A	N/A	-	N/A
Bonds and bills held under repurchased agreements		N/A	N/A	N/A	N/A	-	N/A
Loans from banks and financial debentures		N/A	N/A	N/A	N/A	1,500,000	N/A
Preferred stock		N/A	N/A	N/A	N/A	-	N/A
Accrued pension liability		N/A	N/A	N/A	N/A	171,551	N/A
Other financial liabilities		N/A	N/A	N/A	N/A	-	N/A
Other liabilities		N/A	N/A	N/A	N/A	1,138,980	N/A
Total liabilities	N/A	N/A	N/A	N/A	N/A	116,170,071	N/A
	N/A	N/A	N/A	N/A	N/A	116,236,957	N/A
Common stock	Before allocation	N/A	N/A	N/A	N/A	4,180,451	N/A
	After allocation	N/A	N/A	N/A	N/A	4,247,338	N/A
Capital reserve		N/A	N/A	N/A	N/A	884,299	N/A
Retained earnings	Before allocation	N/A	N/A	N/A	N/A	231,671	N/A
	After allocation	N/A	N/A	N/A	N/A	97,897	N/A
Unrealized gains on financial instruments		N/A	N/A	N/A	N/A	24,927	N/A
Cumulative foreign currency translation adjustment		N/A	N/A	N/A	N/A	-	N/A
Other shareholder's equity		N/A	N/A	N/A	N/A	92,643	N/A
Total Shareholders' equity	N/A	N/A	N/A	N/A	N/A	5,413,991	N/A
	After allocation	N/A	N/A	N/A	N/A	5,347,105	N/A

1. Certified public accountants: Jun-Man Chen and Shi-Hua Guo for 2011.
2. Opinions: modified no retained opinion for 2011.

## 6. Financial Status

### Entity Consolidated Statement of Comprehensive Income under IFRS

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years					Up to 2016/02/29 (Note.3)
		2015	2014	2013	2012	2011	
Interest income		3,467,577	3,283,481	3,133,722	3,053,476	N/A	572,996
Interest expense(Minus)		1,140,481	1,097,041	1,065,136	1,044,144	N/A	180,587
Net Interest income		2,327,096	2,186,440	2,068,586	2,009,332	N/A	392,409
Other net interest income		576,993	406,865	495,781	334,790	N/A	66,264
Net income		2,904,089	2,593,305	2,564,367	2,344,122	N/A	458,673
Provision for bad debt expense and guarantees		151,443	292,273	402,713	503,331	N/A	4,831
Operating expense		1,920,708	1,767,902	1,589,294	1,589,168	N/A	320,289
Income from continuing operations before income taxes		831,938	533,130	572,360	251,623	N/A	133,553
Tax income (expense)		(110,746)	(92,141)	(76,608)	(54,748)	N/A	(22,965)
Net profit from continuing operations		721,192	440,989	495,752	196,875	N/A	110,588
profit or loss from discontinuing operations		-	-	-	-	N/A	-
Current net profit (or loss)		721,192	440,989	495,752	196,875	N/A	110,588
Current other comprehensive income (after taxes)		22,715	(1,516)	17,213	(64,870)	N/A	235
Current Total other comprehensive income		743,907	439,473	512,965	132,005	N/A	110,823
Net profit attributable to owners of the parent		721,192	440,989	495,752	196,875	N/A	110,588
Net profit to non-controlling interests		-	-	-	-	N/A	
Current Total other comprehensive income to owners of the parent		743,907	439,473	512,965	132,005	N/A	110,823
Current Total other comprehensive income to non-controlling interests		-	-	-	-	N/A	
Earnings per share		1.35	0.85	1.08	0.46	N/A	

1. Certified public accountants: Shi-Hua Guo and Yuan-Chen Mei for 2012~2015

2. Opinions: No retained opinion for 2012, No standard retained opinion for 2013~2015.

3. Not the end of the year 2016.

Entity Condensed of Comprehensive Income under IFRS

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years					Up to 2016/02/29 (Note.3)
		2015	2014	2013	2012	2011	
Interest income		3,467,577	3,283,481	3,133,722	3,053,476	N/A	572,996
Interest expense (Minus)		1,140,662	1,097,231	1,065,307	1,044,254	N/A	180,627
Net Interest income		2,326,915	2,186,250	2,068,415	2,009,222	N/A	392,369
Other net interest income		531,262	365,273	462,295	295,151	N/A	62,407
Net income		2,858,177	2,551,523	2,530,710	2,304,373	N/A	454,776
Provision for bad debt expense and guarantees		151,443	292,273	402,713	503,331	N/A	4,831
Operating expense		1,879,783	1,729,298	1,558,492	1,552,431	N/A	316,708
Income from continuing operations before income taxes		826,951	529,952	569,505	248,611	N/A	133,237
Tax income (expense)		(105,759)	(88,963)	(73,753)	(51,736)	N/A	(22,649)
Net profit from continuing operations		721,192	440,989	495,752	196,875	N/A	110,588
profit or loss from discontinuing operations		-	-	-	-	N/A	-
Current net profit (or loss)		721,192	440,989	495,752	196,875	N/A	110,588
Current other comprehensive income(after taxes)		22,715	(1,516)	17,213	(64,870)	N/A	235
Current Total other comprehensive income		743,907	439,473	512,965	132,005	N/A	110,823
Net profit attributable to owners of the parent		721,192	440,989	495,752	196,875	N/A	110,588
Net profit to non-controlling interests		-	-	-	-	N/A	-
Current Total other comprehensive income to owners of the parent		743,907	439,473	512,965	132,005	N/A	110,823
Current Total other comprehensive income to non-controlling interests		-	-	-	-	N/A	-
Earnings per share		1.35	0.85	1.08	0.46	N/A	

1. Certified public accountants: Shi-Hua Guo and Yuan-Chen Mei for 2012~2015
2. Opinions: No retained opinion for 2012, No standard retained opinion for 2013~2015.
3. Not the end of the year 2016.





## 6. Financial Status

### Condensed Income Statement under ROC GAAP

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years					Up to 2016/02/29
		2015	2014	2013	2012	2011	
Net interest income		N/A	N/A	N/A	N/A	1,857,470	N/A
Other net interest income		N/A	N/A	N/A	N/A	245,685	N/A
Bad debt expense		N/A	N/A	N/A	N/A	428,190	N/A
Operating expense		N/A	N/A	N/A	N/A	1,453,324	N/A
Income from continuing operations before income taxes		N/A	N/A	N/A	N/A	221,641	N/A
Income from continuing operations after income taxes		N/A	N/A	N/A	N/A	192,248	N/A
Gain (loss) from discontinuing operations (after income taxes)		N/A	N/A	N/A	N/A	-	N/A
Extraordinary gain or loss (after income taxes)		N/A	N/A	N/A	N/A	-	N/A
Cumulative effect of changes in accounting principle Net income (after income taxes)		N/A	N/A	N/A	N/A	-	N/A
Net income		N/A	N/A	N/A	N/A	192,248	N/A
Earnings per share		N/A	N/A	N/A	N/A	0.46	N/A

1. Jun-Man Chen and Shi-Hua Guo for 2011.

2. Opinions: modified no retained opinion for 2011.





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

Under IFRS Consolidated

Unit: TWD thousand; %

Descriptions (Note.3)	Year (Note.1)	Financial analysis during recent 5 years					Up to 2016/02/29
		2015	2014	2013	2012	2011	
Operating Capability	Loans to deposits ratio (%)	79.39	79.97	80.78	76.26	N/A	N/A
	Overdue loan ratio (%)	0.21	0.34	0.36	0.37	N/A	N/A
	Interest expense to average balance of deposits ratio (%)	0.82	0.83	0.89	0.91	N/A	N/A
	Interest income to average balance of loans ratio (%)	2.80	2.74	2.79	2.96	N/A	N/A
	Total assets turnover (times)	0.02	0.02	0.02	0.02	N/A	N/A
	Average operating revenue per employee	2,543	2,275	2,246	2,038	N/A	N/A
	Average earnings per employee	632	387	434	174	N/A	N/A
Profitability	Return on first capital type assets (%)	11.90	8.66	10.21	4.87	N/A	N/A
	ROA (%)	0.50	0.33	0.38	0.16	N/A	N/A
	ROE (%)	9.82	6.79	8.54	3.75	N/A	N/A
	Net income ratio (%)	24.83	17.00	19.59	8.54	N/A	N/A
	EPS (loss)	1.35	0.85	1.08	0.46	N/A	N/A
Financial structure	Ratio of liabilities to assets	94.49	95.22	95.19	95.83	N/A	N/A
	Ratio of fix assets to shareholder's equity	16.54	20.43	21.57	25.74	N/A	N/A
Growth Rate	Asset growth rate (%)	4.96	6.01	3.84	4.11	N/A	N/A
	Profitability growth rate (%)	56.05	-6.39	129.07	17.72	N/A	N/A
Cash flow	Cash flow ratio	67.27	Note7	Note7	Note7	N/A	N/A
	Cash flow adequacy ratio	N/A	N/A	N/A	N/A	N/A	N/A
	Ratio of cash flow for operating to cash flow from investing	Note7	Note7	Note7	Note7	N/A	N/A
Liquid Reserves Ratio (%)		18.99	17.43	16.40	20.07	N/A	N/A
Secured Loans to Related Parties		756,883	720,777	747,910	685,456	N/A	N/A
Secured Loans to Related Parties to Total Outstanding Loans Ratio (%)		0.71	0.70	0.77	0.77	N/A	N/A
Operation Scale	Market share of assets (%)	0.22	0.22	0.23	0.24	N/A	N/A
	Market share of net worth (%)	0.15	0.14	0.15	0.13	N/A	N/A
	Market share of deposits (%)	0.44	0.45	0.45	0.46	N/A	N/A
	Market share of loan (%)	0.47	0.47	0.47	0.44	N/A	N/A

The specify reasons of changes in financial ratios for the latest two years: (If the variation does not reach 20%, the analysis can be omitted.)

1. The average earnings per employee, relative ratio of profitability, profitability growth rate, and so on that change more than 20% because of continued to boost its businesses and enjoyed a constant grow of income, and the cash capital increase and Implementation evaluation Impairment of individual assets, Recognition Impairment of Assets and Reversal gains in 2015.

## 6. Financial Status

Note:

### 1. Calculation formula

#### (1) Operating ability

- (A) Ratio of loans to deposits = Total loans / deposits
- (B) Ratio of overdue = (Loans Overdue + Other Overdue) / Total Loans
- (C) Ratio of interest Cost to Annual Average Deposits = interest Cost / Annual Average Deposits
- (D) Ratio of interest income to Annual Average Loans Outstanding =  
Interest Income / Annual Average Loans Outstanding
- (E) Total Assets Turnover = Net Operating Revenue / Total Assets
- (F) Average Operation Revenue per Employee = Net Operating Revenue / Number of Employees
- (G) Average Profit per Employee = After-tax Income / Total Number of Employees

#### (2) Profitability

- (A) Return on Tier I Capital = Pretax Earnings or Losses / Total Average Tier I Capital
- (B) Return on Assets = Net Income / Average of Total Assets
- (C) Return on Shareholders' Equity = Net income / Average of Total Shareholders' Equities
- (D) Ratio of Net Income = Net Income / Total Revenue
- (E) Earning per Share = (Net Income – Preferred stock Dividend) / Average Weighted Outstanding Stock (Note.5)

#### (3) Financial Structure

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

#### (4) Growth Rate

- (A) Asset Growth Rate = (Total Assets of the Year - Total Assets of Previous Year) / Total Assets of Previous Year
- (B) 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 (Note.8)

- (A) 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)
- (B) 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
- (C) 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

- (A) Market Share of Asset = Total Asset / Total Asset of the major financial institutions (Note.6)
- (B) Market Share of Net Worth = Net Worth / Total Asset of the major financial institutions
- (C) Market Share of Deposit = Total Deposit / Total Asset of the major financial institutions
- (D) Market Share of Loan = Total Loan / Total Asset of the major financial institutions

### 2. Total liabilities do not contain Prepare guarantee responsibility and Accident liability reserve.

### 3. The following shall be noted in the equations of EPS of the preceding paragraph:

- (1) It is based on weighted average common stock shares instead of the issued stock shares at the end of year.
- (2) For cash capitalization or Treasury stock trade, the circulation period is to be considered for the calculation of weighted average stock shares.
- (3) For capitalized retained earnings or additional paid-in, for the calculation of earnings per share of previous years and semi-annual, it is to be adjusted retroactively and proportionally to the ratio of capitalization but not the issuance period of the capitalization.
- (4) If the preferred stock is non-convertible cumulative preferred stock, the dividend (distributed or not distributed) is to be deducted from Net Income or is to be added to Net Loss.
- (5) If the preferred stock is non-cumulative preferred stock; also, if there is Net income generated, preferred stock dividend is to be deducted from Net income; however, if there is net loss resulted, no adjustment is required.

### 4. Can apply for deposit and loan business: Local banks, Branches of foreign banks in Taiwan, Credit Cooperatives, Agriculture, Fisheries and credit department

### 5. The income means the total interest income and non-interest income.

### 6. The following shall be considered in measuring of cash flow analysis:

- (1) Net cash flow from operating activities means the net cash inflow from operating activities in the cash flow statement.
- (2) Capital expenditure means the cash outflow from capital investment per year.
- (3) Cash dividends include of common and preferred stocks.
- (4) Gross for real estate and equipment means the total real estate and equipment before deduction of accumulated depreciation.

### 7. Relevant ratio of cash flow is Negative, no disintegration.

Under IFRS Condensed

Unit: TWD thousand; %

Descriptions (Note.3)	Year (Note.1)	Financial analysis during recent 5 years					Up to 2016/02/29
		2015	2014	2013	2012	2011	
Operating Capability	Loans to deposits ratio (%)	79.37	79.95	80.77	76.42	N/A	N/A
	Overdue loan ratio (%)	0.21	0.34	0.36	0.37	N/A	N/A
	Interest expense to average balance of deposits ratio (%)	0.82	0.83	0.89	0.91	N/A	N/A
	Interest income to average balance of loans ratio (%)	2.80	2.74	2.79	2.96	N/A	N/A
	Total assets turnover (times)	0.02	0.02	0.02	0.02	N/A	N/A
	Average operating revenue per employee	2,523	2,254	2,216	2,032	N/A	N/A
	Average earnings per employee	637	390	434	174	N/A	N/A
Profitability	Return on first capital type assets (%)	11.83	8.60	10.21	4.87	N/A	N/A
	ROA (%)	0.50	0.33	0.38	0.16	N/A	N/A
	ROE (%)	9.82	6.79	8.54	3.75	N/A	N/A
	Net income ratio (%)	25.23	17.28	19.59	8.54	N/A	N/A
	EPS (loss)	1.35	0.85	1.08	0.46	N/A	N/A
Financial structure	Ratio of liabilities to assets	94.49	95.20	95.18	95.83	N/A	N/A
	Ratio of fix assets to shareholder's equity	16.54	20.43	21.57	25.74	N/A	N/A
Growth Rate	Asset growth rate (%)	4.97	6.03	3.84	4.11	N/A	N/A
	Profitability growth rate (%)	56.04	(6.95)	129.07	N/A	N/A	N/A
Cash flow	Cash flow ratio	67.25	Note7	Note7	Note7	N/A	N/A
	Cash flow adequacy ratio	Note7	N/A	N/A	N/A	N/A	N/A
	Ratio of cash flow for operating to cash flow from investing	Note7	Note7	Note7	N/A	N/A	N/A
Liquid Reserves Ratio (%)		18.99	17.43	16.40	20.07	N/A	N/A
Secured Loans to Related Parties		756,883	720,777	747,910	685,456	N/A	N/A
Secured Loans to Related Parties to Total Outstanding Loans Ratio (%)		0.71	0.70	0.77	0.77	N/A	N/A
Operation Scale	Market share of assets (%)	0.22	0.22	0.23	0.24	N/A	N/A
	Market share of net worth (%)	0.15	0.17	0.15	0.13	N/A	N/A
	Market share of deposits (%)	0.44	0.45	0.45	0.46	N/A	N/A
	Market share of loan (%)	0.47	0.47	0.47	0.44	N/A	N/A

The specify reasons of changes in financial ratios for the latest two years: (If the variation does not reach 20%, the analysis can be omitted.)

- The average earnings per employee, relative ratio of profitability, profitability growth rate, and so on that change more than 20% because of continued to boost its businesses and enjoyed a constant grow of income, and the cash capital increase and Implementation evaluation Impairment of individual assets, Recognition Impairment of Assets and Reversal gains in 2015.

Note:

1. Calculation formula

(1) Operating ability

(A) Ratio of loans to deposits = Total loans / deposits

## 6. Financial Status

- (B) Ratio of overdue = (Loans Overdue + Other Overdue) / Total Loans
- (C) Ratio of interest Cost to Annual Average Deposits = interest Cost / Annual Average Deposits
- (D) Ratio of interest income to Annual Average Loans Outstanding =  
Interest Income / Annual Average Loans Outstanding
- (E) Total Assets Turnover = Net Operating Revenue / Total Assets
- (F) Average Operation Revenue per Employee (Note.7)= Net Operating Revenue / Number of Employees
- (G) Average Profit per Employee = After-tax Income / Total Number of Employees
- (2) Profitability
  - (A) Return on Tier I Capital = Pretax Earnings or Losses / Total Average Tier I Capital
  - (B) Return on Assets = Net Income / Average of Total Assets
  - (C) Return on Shareholders' Equity = Net income / Average of Total Shareholders' Equities
  - (D) Ratio of Net Income = Net Income / Total Revenue
  - (E) Earning per Share = (Net Income – Preferred stock Dividend) / Average Weighted Outstanding Stock (Note.5)
- (3) Financial Structure
  - (A) Ratio of Liabilities to Assets = Liabilities / Total Assets
  - (B) Ratio of Fix Assets to Shareholders' Equity = Fix Assets / Shareholders' Equities
- (4) Growth Rate
  - (A) Asset Growth Rate = (Total Assets of the Year-Total Assets of Previous Year)/Total Assets of Previous Year
  - (B) 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 (Note.8)
  - (A) 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)
  - (B) 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
  - (C) 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
  - (A) Market Share of Asset= Total Asset/Total Asset of the major financial institutions (Note.6)
  - (B) Market Share of Net Worth= Net Worth/Total Asset of the major financial institutions
  - (C) Market Share of Deposit= Total Deposit/Total Asset of the major financial institutions
  - (D) Market Share of Loan= Total Loan/Total Asset of the major financial institutions
- 2. Total liabilities do not contain Prepare guarantee responsibility and Accident liability reserve.
- 3. The following shall be noted in the equations of EPS of the preceding paragraph:
  - (1) It is based on weighted average common stock shares instead of the issued stock shares at the end of year.
  - (2) For cash capitalization or Treasury stock trade, the circulation period is to be considered for the calculation of weighted average stock shares.
  - (3) For capitalized retained earnings or additional paid-in, for the calculation of earnings per share of previous years and semi-annual, it is to be adjusted retroactively and proportionally to the ratio of capitalization but not the issuance period of the capitalization.
  - (4) If the preferred stock is non-convertible cumulative preferred stock, the dividend (distributed or not distributed) is to be deducted from Net Income or is to be added to Net Loss.
  - (5) If the preferred stock is non-cumulative preferred stock; also, if there is Net income generated, preferred stock dividend is to be deducted from Net income; however, if there is net loss resulted, no adjustment is required.
- 4. Can apply for deposit and loan business: Local banks, Branches of foreign banks in Taiwan, Credit Cooperatives, Agriculture, Fisheries and credit department
- 5. The income means the total interest income and non-interest income.
- 6. The following shall be considered in measuring of cash flow analysis:
  - (1) Net cash flow from operating activities means the net cash inflow from operating activities in the cash flow statement.
  - (2) Capital expenditure means the cash outflow from capital investment per year.
  - (3) Cash dividends include of common and preferred stocks.
  - (4) Gross for real estate and equipment means the total real estate and equipment before deduction of accumulated depreciation.
- 7. Relevant ratio of cash flow is Negative, no disintegration.

Under ROC GAAP Condensed

Unit: TWD thousand; %

Descriptions (Note.3)	Year (Note.1)	Financial analysis during recent 5 years					Up to 2016/02/29
		2015	2014	2013	2012	2011	
Operating Capability	Loans to deposits ratio (%)	N/A	N/A	N/A	N/A	72.67	N/A
	Overdue loan ratio (%)	N/A	N/A	N/A	N/A	0.43	N/A
	Interest expense to average balance of deposits ratio (%)	N/A	N/A	N/A	N/A	0.90	N/A
	Interest income to average balance of loans ratio (%)	N/A	N/A	N/A	N/A	3.38	N/A
	Total assets turnover (times)	N/A	N/A	N/A	N/A	0.02	N/A
	Average operating revenue per employee	N/A	N/A	N/A	N/A	2,782	N/A
	Average earnings per employee	N/A	N/A	N/A	N/A	171	N/A
Profitability	Return on first capital type assets (%)	N/A	N/A	N/A	N/A	4.46	N/A
	ROA (%)	N/A	N/A	N/A	N/A	0.16	N/A
	ROE (%)	N/A	N/A	N/A	N/A	3.63	N/A
	Net income ratio (%)	N/A	N/A	N/A	N/A	9.14	N/A
	EPS (loss)	N/A	N/A	N/A	N/A	0.46	N/A
Financial structure	Ratio of liabilities to assets	N/A	N/A	N/A	N/A	95.55	N/A
	Ratio of fix assets to shareholder's equity	N/A	N/A	N/A	N/A	22.04	N/A
Growth Rate	Asset growth rate (%)	N/A	N/A	N/A	N/A	4.96	N/A
	Profitability growth rate (%)	N/A	N/A	N/A	N/A	60.80	N/A
Cash flow	Cash flow ratio	N/A	N/A	N/A	N/A	Note7	N/A
	Cash flow adequacy ratio	N/A	N/A	N/A	N/A	1,369.46	N/A
	Ratio of cash flow for operating to cash flow from investing	N/A	N/A	N/A	N/A	Note7	N/A
Liquid Reserves Ratio (%)		N/A	N/A	N/A	N/A	23.01	N/A
Secured Loans to Related Parties		N/A	N/A	N/A	N/A	690,764	N/A
Secured Loans to Related Parties to Total Outstanding Loans Ratio (%)		N/A	N/A	N/A	N/A	0.80	N/A
Operation Scale	Market share of assets (%)	N/A	N/A	N/A	N/A	0.27	N/A
	Market share of net worth (%)	N/A	N/A	N/A	N/A	0.21	N/A
	Market share of deposits (%)	N/A	N/A	N/A	N/A	0.35	N/A
	Market share of loan (%)	N/A	N/A	N/A	N/A	0.43	N/A

The specify reasons of changes in financial ratios for the latest two years: (If the variation does not reach 20%, the analysis can be omitted.)

Note:

1. It should be specified if the year without audited by CPA auditor.
2. Listed companies and companies' stock have been traded in the business places of securities should present the data as of the latest season before the day of annual report published; and the specify whether or not the financial statements have been audited or reviewed by CPA auditor.
3. Calculation formula  
(1) Operating ability

## 6. Financial Status

- (A) Ratio of loans to deposits = Total loans / deposits
  - (B) Ratio of overdue = (Loans Overdue + Other Overdue) / Total Loans
  - (C) Ratio of interest Cost to Annual Average Deposits = interest Cost / Annual Average Deposits
  - (D) Ratio of interest income to Annual Average Loans Outstanding =  
Interest Income / Annual Average Loans Outstanding
  - (E) Total Assets Turnover = Net Operating Revenue / Total Assets
  - (F) Average Operation Revenue per Employee (Note.7) = Net Operating Revenue / Number of Employees
  - (G) Average Profit per Employee = After-tax Income / Total Number of Employees
- (2) Profitability
- (A) Return on Tier I Capital = Pretax Earnings or Losses / Total Average Tier I Capital
  - (B) Return on Assets = Net Income / Average of Total Assets
  - (C) Return on Shareholders' Equity = Net income / Average of Total Shareholders' Equities
  - (D) Ratio of Net Income = Net Income / Total Revenue
  - (E) Earning per Share = (Net Income – Preferred stock Dividend) / Average Weighted Outstanding Stock (Note.5)
- (3) Financial Structure
- (A) Ratio of Liabilities to Assets = Liabilities / Total Assets
  - (B) Ratio of Fix Assets to Shareholders' Equity = Fix Assets / Shareholders' Equities
- (4) Growth Rate
- (A) Asset Growth Rate = (Total Assets of the Year - Total Assets of Previous Year) / Total Assets of Previous Year
  - (B) 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
- (A) 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)
  - (B) 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
  - (C) 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
- (A) Market Share of Asset = Total Asset / Total Asset of the major financial institutions (Note.6)
  - (B) Market Share of Net Worth = Net Worth / Total Asset of the major financial institutions
  - (C) Market Share of Deposit = Total Deposit / Total Asset of the major financial institutions
  - (D) Market Share of Loan = Total Loan / Total Asset of the major financial institutions
4. Total liabilities do not contain Prepare guarantee responsibility and Accident liability reserve.
5. The following shall be noted in the equations of EPS of the preceding paragraph:
- (1) It is based on weighted average common stock shares instead of the issued stock shares at the end of year.
  - (2) For cash capitalization or Treasury stock trade, the circulation period is to be considered for the calculation of weighted average stock shares.
  - (3) For capitalized retained earnings or additional paid-in, for the calculation of earnings per share of previous years and semi-annual, it is to be adjusted retroactively and proportionally to the ratio of capitalization but not the issuance period of the capitalization.
  - (4) If the preferred stock is non-convertible cumulative preferred stock, the dividend (distributed or not distributed) is to be deducted from Net Income or is to be added to Net Loss.
  - (5) If the preferred stock is non-cumulative preferred stock; also, if there is Net income generated, preferred stock dividend is to be deducted from Net income; however, if there is net loss resulted, no adjustment is required.
6. Can apply for deposit and loan business: Local banks, Branches of foreign banks in Taiwan, Credit Cooperatives, Agriculture, Fisheries and credit department
7. The income means the total interest income and non-interest income.
8. The following shall be considered in measuring of cash flow analysis:
- (1) Net cash flow from operating activities means the net cash inflow from operating activities in the cash flow statement.
  - (2) Capital expenditure means the cash outflow from capital investment per year.
  - (3) Cash dividends include of common and preferred stocks.
  - (4) Gross for real estate and equipment means the total real estate and equipment before deduction of accumulated depreciation.



Consolidated Capital Adequacy Ratio under IFRS

Unit: TWD thousand; %

Items	Year (Note.1)	Capital Adequacy Ratio of Recent Five Year (Note.2)					Up to 2016/02/29 (Note.4)	
		2015	2014	2013	2012	2011		
Net Capital	Common equity	7,659,153	6,322,519	5,996,666	N/A	N/A	N/A	
	Other non-common equity of Tier I Capital	-	-	-	N/A	N/A	N/A	
	Tier I Capital	1,721,351	1,949,132	2,167,578	N/A	N/A	N/A	
	Net Capital Base	9,380,504	8,271,651	8,164,244	N/A	N/A	N/A	
Total Weighted Risk Assets	Credit Risk	Standardized Approach	83,437,336	78,829,506	72,125,004	N/A	N/A	N/A
		Internal-rating-based Approach	-	-	-	N/A	N/A	N/A
		Securitization	-	-	-	N/A	N/A	N/A
	Operational Risk	Basic Indicator Approach	4,795,648	4,477,977	4,209,427	N/A	N/A	N/A
		Standardized Approach / Alternative Approach	-	-	-	N/A	N/A	N/A
		Advanced Measurement Approach	-	-	-	N/A	N/A	N/A
	Market Risk	Standardized Approach	3,757,382	4,247,874	2,098,803	N/A	N/A	N/A
		Internal Model Approach	-	-	-	N/A	N/A	N/A
	Total Risk-weighted Assets		91,990,366	87,555,357	78,433,234	N/A	N/A	N/A
	Capital Adequacy Ratio		10.20	9.45	10.41	N/A	N/A	N/A
Tier I Capital to Risk Assets Ratio		8.33	7.22	7.65	N/A	N/A	N/A	
Common equity to Risk Assets Ratio		8.33	7.22	7.65	N/A	N/A	N/A	
Leverage rate		4.61	3.98	3.94	N/A	N/A	N/A	

Note:

- It should be specified if the year without audited by CPA auditor.
- The definition of Self-Owned Capital, Risk-Weighted Assets and exposure measure hereby shall be in compliance with the "Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks" and "Methods for calculation the Self-Owned Capital and Risk-Weighted Assets of Banks."
- Calculation formula:
  - Net Capital Base = Common equity + Other non-common equity of Tier I Capital + Tier II Capital
  - Total Weighted Risk Asset = Credit Risk Weighted Risk Asset + (Operational Risk + Market Risk) Capital Requirement × 12.5
  - Capital Adequacy Ratio = Net Capital Base / Total Risk Asset
  - Ratio of Tier I Capital to Risk Asset = (Common equity + Other non-common equity of Tier I Capital) / Total Risk Asset
  - Common equity to Risk Assets Ratio = Common equity / Total Risk Asset
  - Leverage rate = Net Tier I Capital / Total risk exposure
- Listed companies and companies' stock have been traded in the business places of securities should present the data as of the latest season before the day of annual report published; and the specify whether or not the financial statements have been audited or reviewed by CPA auditor.

## 6. Financial Status

### Entity Capital Adequacy Ratio under IFRS

Unit: TWD thousand; %

Items	Year(Note.1)	Capital Adequacy Ratio of Recent Five Year (Note.2)					Up to 2016/02/29 (Note.4)	
		2015	2014	2013	2012	2011		
Net Capital	Common equity	7,659,153	6,322,519	5,996,666	N/A	N/A	N/A	
	Other non-common equity of Tier I Capital	-	-	-	N/A	N/A	N/A	
	Tier I Capital	1,721,351	1,949,132	2,167,578	N/A	N/A	N/A	
	Net Capital Base	9,380,504	8,271,651	8,164,244	N/A	N/A	N/A	
Total Weighted Risk Assets	Credit Risk	Standardized Approach	83,437,336	78,829,506	72,125,004	N/A	N/A	N/A
		Internal-rating-based Approach	-	-	-	N/A	N/A	N/A
		Securitization	-	-	-	N/A	N/A	N/A
	Operational Risk	Basic Indicator Approach	4,795,648	4,477,977	4,209,427	N/A	N/A	N/A
		Standardized Approach / Alternative Approach	-	-	-	N/A	N/A	N/A
		Advanced Measurement Approach	-	-	-	N/A	N/A	N/A
	Market Risk	Standardized Approach	3,757,382	4,247,874	2,098,803	N/A	N/A	N/A
		Internal Model Approach	-	-	-	N/A	N/A	N/A
	Total Risk-weighted Assets		91,990,366	87,555,357	78,433,234	N/A	N/A	N/A
	Capital Adequacy Ratio		10.20	9.45	10.41	N/A	N/A	N/A
Tier I Capital to Risk Assets Ratio		8.33	7.22	7.65	N/A	N/A	N/A	
Common equity to Risk Assets Ratio		8.33	7.22	7.65	N/A	N/A	N/A	
Leverage rate		4.61	3.98	3.94	N/A	N/A	N/A	

Note:

- It should be specified if the year without audited by CPA auditor.
- The definition of Self-Owned Capital, Risk-Weighted Assets and exposure measure hereby shall be in compliance with the "Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks" and "Methods for calculation the Self-Owned Capital and Risk-Weighted Assets of Banks."
- Calculation formula:
  - Net Capital Base = Common equity + Other non-common equity of Tier I Capital + Tier II Capital
  - Total Weighted Risk Asset = Credit Risk Weighted Risk Asset + (Operational Risk + Market Risk) Capital Requirement × 12.5
  - Capital Adequacy Ratio = Net Capital Base / Total Risk Asset
  - Ratio of Tier I Capital to Risk Asset = (Common equity + Other non-common equity of Tier I Capital) / Total Risk Asset
  - Common equity to Risk Assets Ratio = Common equity / Total Risk Asset
  - Leverage rate = Net Tier I Capital / Total risk exposure
- Listed companies and companies' stock have been traded in the business places of securities should present the data as of the latest season before the day of annual report published; and the specify whether or not the financial statements have been audited or reviewed by CPA auditor.

Capital Adequacy Ratio under ROC GAAP

Unit: TWD thousand; %

Items	Year (Note.1)	Capital Adequacy Ratio of Recent Five Year (Note.2)					Up to 2016/02/29 (Note.5)
		2015	2014	2013	2012	2011	
Tier I Capital	Common Stocks	N/A	N/A	N/A	4,247,338	4,180,451	N/A
	Non-cumulative Perpetual Preferred Stocks	N/A	N/A	N/A	-	-	N/A
	Non-Cumulative Subordinated Debts Without Maturity Dates	N/A	N/A	N/A	-	-	N/A
	Advanced Receipts For Capital Stocks	N/A	N/A	N/A	-	-	N/A
	Capital Surplus(apart from fixed asset appreciation surplus)	N/A	N/A	N/A	884,333	884,299	N/A
	Legal Reserves	N/A	N/A	N/A	94,717	37,043	N/A
	Special Reserves	N/A	N/A	N/A	-	-	N/A
	Retained Earnings	N/A	N/A	N/A	210,283	194,628	N/A
	Minority Interests	N/A	N/A	N/A	-	-	N/A
	Other of Equity	N/A	N/A	N/A	(85,974)	(46,119)	N/A
	Minus: Goodwill	N/A	N/A	N/A	102,289	102,289	N/A
	Minus: Non-amortization of NPL Disposal Loss	N/A	N/A	N/A	-	-	N/A
	Minus: Others	N/A	N/A	N/A	92,969	88,095	N/A
	Total Tier I	N/A	N/A	N/A	5,155,440	5,059,918	N/A
Tier II Capital	Perpetual Cumulative Preferred Stocks	N/A	N/A	N/A	-	-	N/A
	Cumulative Subordinated Debts Without Maturity Dates	N/A	N/A	N/A	-	-	N/A
	Fixed Asset Appreciation Surplus	N/A	N/A	N/A	138,763	138,763	N/A
	45% of Unrealized Gain of Financial Assets in Available-for-sale	N/A	N/A	N/A	4,773	11,217	N/A
	Convertible Bonds	N/A	N/A	N/A	-	-	N/A
	Operating Reserves and Loan Loss Provision	N/A	N/A	N/A	901,850	681,324	N/A
	Long-term Subordinated Debts	N/A	N/A	N/A	1,500,000	1,500,000	N/A
	Non-perpetual Preferred Stocks	N/A	N/A	N/A	-	-	N/A
	The Average of Non-cumulative Perpetual Preferred Stocks and Non-cumulative Subordinated Debts Without a Maturity Date Exceed 15% of Total Tier I Capital	N/A	N/A	N/A	-	-	N/A
	Minus: Others	N/A	N/A	N/A	92,969	88,095	N/A
Total Tier II	N/A	N/A	N/A	2,452,416	2,243,209	N/A	
Tier III Capital	Short-term Subordinated Debts	N/A	N/A	N/A	-	-	N/A
	Non-perpetual Preferred Stocks	N/A	N/A	N/A	-	-	N/A
	Total Tier III	N/A	N/A	N/A	-	-	N/A
Net Capital		N/A	N/A	N/A	7,607,856	7,303,127	N/A

## 6. Financial Status

Items			Year (Note.1)		Capital Adequacy Ratio of Recent Five Year (Note.2)					Up to 2016/02/29 (Note.5)
			2015	2014	2013	2012	2011			
Total Weighted Risk Assets	Credit Risk	Standardized Approach	N/A	N/A	N/A	65,405,914	58,605,855	N/A		
		Internal-rating-based Approach	N/A	N/A	N/A	-	-	N/A		
		Securitization	N/A	N/A	N/A	1,924	5,793	N/A		
	Operational Risk	Basic Indicator Approach	N/A	N/A	N/A	3,941,879	3,633,837	N/A		
		Standardized Approach / Alternative Approach	N/A	N/A	N/A	-	-	N/A		
		Advanced Measurement Approach	N/A	N/A	N/A	-	-	N/A		
	Market Risk	Standardized Approach	N/A	N/A	N/A	2,797,863	2,533,448	N/A		
		Internal Model Approach	N/A	N/A	N/A	-	-	N/A		
	Total Risk-weighted Assets			N/A	N/A	N/A	72,147,580	64,778,933	N/A	
	Capital Adequacy Ratio			N/A	N/A	N/A	10.54	11.27	N/A	
Tier I Capital to Risk Assets Ratio			N/A	N/A	N/A	7.14	7.81	N/A		
Tier II Capital to Risk Assets Ratio			N/A	N/A	N/A	3.40	3.46	N/A		
Tier III Capital to Risk Assets Ratio			N/A	N/A	N/A	-	-	N/A		
Common Shares Equity to Total Assets Ratio			N/A	N/A	N/A	3.36	3.44	N/A		

The specify reasons of changes in financial ratios for the latest two years: (If the variation does not reach 20%, the analysis can be omitted.)

Note:

1. It should be specified if the year without audited by CPA auditor.
2. The definition of Self-Owned Capital, Risk-Weighted Assets and exposure measure hereby shall be in compliance with the "Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks" and "Methods for calculation the Self-Owned Capital and Risk-Weighted Assets of Banks.
3. The banks calculated credit risk by transition period provisions, please fill in the risk assets under the standardized approach of credit risk.
4. Calculation formula:
  - (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
5. Listed companies and companies' stock have been traded in the business places of securities should present the data as of the latest season before the day of annual report published; and the specify whether or not the financial statements have been audited or reviewed by CPA auditor.
6. If the year the bank implements Basel I:
  - (1) Basel I capital deducted fifty percents classified as deduction item of Tier I, another fifty percents classified as deduction item of Tier II.
  - (2) The capital requirements of credit risk in Basel I classified as the capital requirements of standardized approach if credit risk.

### 6-3. Auditing committee Report for Latest Year

**COTA Commercial Bank Co., Ltd.,  
Auditing committee Report for Year 2016**

March 24, 2016

To: Shareholders' General Meeting of Year 2015

The Business Report, Financial Statement, Consolidated Financial Statement and Earning Distribution of fiscal year 2015, 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.

Independent Director : Po-Yao Chi

Independent Director : Sung-Cheng Huang

Independent Director : Kun-Hsien Lin



## 6. Financial Status

### 6-4. Consolidated Financial Report of Accountants' Examinations for Latest Year

#### **COTA Commercial Bank Co., Ltd., Statement**

March 24, 2016

On behalf of the COTA Commercial Bank, we declare that during the period of January 1, 2015 through December 31, 2015, COTA Commercial Bank required to be included in the consolidated financial statements of affiliates under these Criteria are all the same as the consolidated financial statements of parent and subsidiary companies as provided in IFRS No. 10. COTA Commercial Bank shall not be required to prepare separate consolidated financial statements of affiliates or produce the Declaration referred to in the preceding paragraph by Rules of Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises.

Bank name : COTA Commercial Bank Co., Ltd.

Chairman : Song-Yie Liao

**COTA Commercial Bank Co., Ltd.**  
**Consolidated Financial Statements**  
**December 31, 2015 and 2014**  
(With Independent Auditors' Report Thereon)

**Independent Auditors' Report**

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

We have audited the accompanying consolidated balance sheets of COTA Commercial Bank Co., Ltd. (the Company) and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in consolidated stockholders' equity and consolidated cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of COTA Commercial Bank Co., Ltd. and its subsidiaries as of December 31, 2015 and 2014, along with its consolidated financial performance and cash flows for the years then ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Banks" and International Financial Reporting Standards (IFRS), International Accounting Standards, International Financial Reporting Interpretations Committee Interpretations, and Standing Interpretations Committee Interpretations accepted by the Financial Supervisory Commission.

March 24, 2016

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

The auditors' report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.



**COTA Commercial Bank Co., Ltd.**  
**Consolidated Statements of Comprehensive Income**  
**For the Years Ended December 31, 2015 and 2014**

(Expressed in thousands of New Taiwan Dollars)

	2015		2014		% Change
	Amount	%	Amount	%	
<b>Interest income</b> (note 26)	\$ 3,467,577	120	3,283,481	127	6
Less: Interest expense (note 26)	<u>1,140,481</u>	<u>39</u>	<u>1,097,041</u>	<u>42</u>	4
<b>Net interest income</b>	2,327,096	81	2,186,440	85	6
<b>Non-interest income, net</b>					
Service fees income, net (note 27)	322,309	11	268,944	10	20
Gain on financial assets or liabilities measured at fair value through profit and loss (note 28)	30,073	1	67,249	3	(55)
Foreign exchange gains (loss), net	67,592	2	39,714	1	70
Gain on reversal of impairment loss	122,018	4	-	-	-
Other non-interest income, net (note 29)	<u>35,001</u>	<u>1</u>	<u>30,958</u>	<u>1</u>	13
<b>Net revenue</b>	<u>2,904,089</u>	<u>100</u>	<u>2,593,305</u>	<u>100</u>	12
<b>Provisions for bad debt expenses and guarantee reserve</b> (Note10 and 30)	<u>151,443</u>	<u>5</u>	<u>292,273</u>	<u>11</u>	(48)
<b>Operating expense:</b>					
Personnel expenses (notes 22 and 31)	1,321,169	45	1,255,164	48	5
Depreciation and amortization expenses (note 32)	43,347	2	39,816	2	9
Other general and administrative expenses (note 33)	<u>556,192</u>	<u>19</u>	<u>472,922</u>	<u>18</u>	18
	<u>1,920,708</u>	<u>66</u>	<u>1,767,902</u>	<u>68</u>	-
<b>Net Income Before Tax</b>	831,938	29	533,130	21	56
<b>Less: Income tax expenses</b> (note 23)	<u>110,746</u>	<u>4</u>	<u>92,141</u>	<u>4</u>	20
<b>Net Income</b>	<u>721,192</u>	<u>25</u>	<u>440,989</u>	<u>17</u>	64
<b>Other comprehensive income:</b>					
<b>Not be reclassified to profit or loss (net of tax)</b>					
Actuarial gains and losses on Defined benefit plans	(25,610)	(1)	234	-	(11,044)
Less: Income tax related to components of other comprehensive income (note 23)	<u>4,354</u>	<u>-</u>	<u>(40)</u>	<u>-</u>	(10,985)
	<u>(21,256)</u>	<u>(1)</u>	<u>194</u>	<u>-</u>	(11,057)
<b>Item that may be reclassified subsequently to profit or loss (net of tax)</b>					
Exchange differences of overseas subsidiaries' financial reports translation	(16)	-	(3)	-	433
Unrealized losses on available-for-sale financial instruments	<u>43,987</u>	<u>2</u>	<u>(1,707)</u>	<u>-</u>	2,677
	<u>43,971</u>	<u>2</u>	<u>(1,710)</u>	<u>-</u>	(2,671)
<b>Other comprehensive income, net of tax</b>	<u>22,715</u>	<u>-</u>	<u>(1,516)</u>	<u>-</u>	(1,598)
<b>Total Comprehensive Income</b>	<u>\$ 743,907</u>	<u>26</u>	<u>439,473</u>	<u>17</u>	69
<b>Earnings per share (in NTD)</b> (note 25)					
<b>Basic earnings per share</b>	<u>\$ 1.35</u>		<u>0.85</u>		
<b>Diluted earnings per share</b>	<u>\$ 1.34</u>		<u>0.84</u>		

See accompanying notes to the consolidated financial statements.

## 6. Financial Status

### COTA Commercial Bank Co., Ltd. Consolidated Statements of Changes in Equity For the Years Ended December 31, 2015 and 2014

(Expressed in thousands of New Taiwan Dollars)

	Retained earnings		Other items in stockholders' equity			Total equity
	Common stock	Statutory reserve	Undistributed earnings	Exchange differences of overseas subsidiaries' financial reports translation	Unrealized (losses) gains on available-for-sale financial assets	
<b>Balance - January 1, 2014</b>	\$ 4,919,543	156,849	351,404	(8)	6,568	6,326,945
Earnings appropriation and distribution:						
Statutory reserve	-	99,048	(99,048)	-	-	-
Cash dividends	-	-	(113,149)	-	-	(113,149)
Stock dividends	113,149	-	(113,149)	-	-	-
Donated capital	-	31	-	-	-	31
	<u>5,032,692</u>	<u>255,897</u>	<u>26,058</u>	<u>(8)</u>	<u>6,568</u>	<u>6,213,827</u>
Net income	-	-	440,989	-	-	440,989
Other comprehensive income	-	-	194	(3)	(1,707)	(1,516)
Total comprehensive income	-	-	441,183	(3)	(1,707)	439,473
<b>Balance - December 31, 2014</b>	<u>\$ 5,032,692</u>	<u>255,897</u>	<u>467,241</u>	<u>(11)</u>	<u>4,861</u>	<u>6,653,300</u>
<b>Balance - January 1, 2015</b>	\$ 5,032,692	255,897	467,241	(11)	4,861	6,653,300
Earnings appropriation and distribution:						
Statutory reserve	-	132,297	(132,297)	-	-	-
Cash dividends	-	-	(166,079)	-	-	(166,079)
Stock dividends	166,079	-	(166,079)	-	-	-
Issuance of common stock for cash	800,000	-	-	-	-	800,000
Change in other capital surplus:						
Cost of employee stock option	-	5,558	-	-	-	5,558
Donated capital	-	26	-	-	-	26
	<u>5,998,771</u>	<u>388,194</u>	<u>2,786</u>	<u>(11)</u>	<u>4,861</u>	<u>7,292,805</u>
Net income	-	-	721,192	-	-	721,192
Other comprehensive income	-	-	(21,256)	(16)	43,987	22,715
Total comprehensive income	-	-	699,936	(16)	43,987	743,907
<b>Balance - December 31, 2015</b>	<u>\$ 5,998,771</u>	<u>388,194</u>	<u>702,722</u>	<u>(27)</u>	<u>48,848</u>	<u>8,036,712</u>

See accompanying notes to the consolidated financial statements.



**COTA Commercial Bank Co., Ltd.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2015 and 2014**

(Expressed in thousands of New Taiwan Dollars)

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities:</b>		
<b>Net Income Before Tax</b>	\$ 831,938	533,130
<b>Adjustments to Reconcile Net Income Before Tax to Net Cash Provided by Operating Activities:</b>		
Income and expense items with no effect on cash flows		
Depreciation expenses	40,623	37,110
Amortization expenses	2,724	2,705
Provision for bad debt expenses	153,943	274,773
Interest expenses	1,140,481	1,097,041
Interest income	(3,467,577)	(3,283,481)
Dividends earned	(17,315)	(23,978)
Change of provisions for bad debt expenses and guarantee reserve	(2,500)	17,500
Losses on disposal and retirement of premises and equipment	(91)	5,489
Gains on reversal of impairment loss on non-financial assets	(122,018)	-
Cost of employee stock option	5,558	-
Subtotal of income and expense items with no effect on cash flows	<u>(2,266,172)</u>	<u>(1,872,841)</u>
<b>Changes in Operating Assets and Liabilities:</b>		
<b>Changes in Operating Assets:</b>		
Increase in due from Central Bank and call loans to banks	(223,521)	(391,657)
Decrease (Increase) in financial assets measured at fair value through profit or loss	213,181	(390,109)
Decrease (Increase) in Securities purchased under resell agreements	(1,806,649)	(1,148,237)
Decrease (Increase) in receivables	(12,553)	40,470
Increase in discounts and loans	(3,911,687)	(5,005,105)
Decrease (Increase) in available-for-sale financial assets	79,929	(2,376,840)
Decrease in held-to-maturity financial assets	(82,701)	111,632
Decrease (Increase) in other financial assets	(2,269)	(2,948)
Decrease in other assets	6,131	9,719
Total net change in operating assets	<u>(5,740,139)</u>	<u>(9,153,075)</u>
<b>Changes in Operating Liabilities:</b>		
Increase in deposits from Central Bank and banks	(46,669)	(2,951)
Decrease in financial liabilities measured at fair value through profit or loss	908	(100)
Increase in payables	40,275	70,211
Increase in deposits and remittances	5,590,397	7,478,547
Decrease in provisions for employee benefits	(18,639)	(22,459)
Increase in other liabilities	(29,673)	25,670
Total net change in operating liabilities	<u>5,536,599</u>	<u>7,548,918</u>
Total change in operating assets and liabilities	<u>(203,540)</u>	<u>(1,604,157)</u>
Total Adjustments	<u>(2,469,712)</u>	<u>(3,476,998)</u>
Cash outflow generated from operations	(1,637,774)	(2,943,868)
Interest received	3,457,811	3,248,119
Dividends received	17,315	23,978
Interest paid	(1,132,877)	(1,097,232)
Income tax paid	(127,654)	(89,412)
<b>Net Cash flows from used in Operating Activities</b>	<u>576,821</u>	<u>(858,415)</u>
<b>Cash Flows from (used in) Investing Activities:</b>		
Purchase of property and equipment	(28,702)	(37,071)
Disposal of property and equipment	377	737
Purchase of intangible assets	(340)	(3,431)
Decrease (Increase) in other assets	(3,256)	(1,026)
<b>Net Cash flows from (used in) Investing Activities</b>	<u>(31,921)</u>	<u>(40,791)</u>
<b>Cash Flows from (used in) Financing Activities:</b>		
Issuance of common stock for cash	800,000	-
Donated capital	26	31
Payment of cash dividends	(166,079)	(113,149)
<b>Net Cash Provided from (used in) Financing Activities</b>	<u>633,947</u>	<u>(113,118)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(16)	(3)
<b>Net Decrease in Cash and Cash Equivalents</b>	1,178,831	(1,012,327)
<b>Cash and Cash Equivalents, at the Beginning of the Period</b>	19,422,376	20,434,703
<b>Cash and Cash Equivalents, at the End of the Period</b>	<u>\$ 20,601,207</u>	<u>19,422,376</u>
<b>Components of cash and cash equivalents:</b>		
Cash and cash equivalents recognized in the balance sheet	\$ 1,665,636	1,582,775
Due from Central Bank and call loans to banks which meet IAS 7 definition of cash and cash equivalents	18,935,571	17,839,601
<b>Cash and Cash Equivalents, at the End of the Period</b>	<u>\$ 20,601,207</u>	<u>19,422,376</u>

See accompanying notes to the consolidated financial statements.

## 6. Financial Status

### COTA Commercial Bank Co., Ltd. Notes to Consolidated Financial Statements December 31, 2015 and 2014

(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 28 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

#### 2. Approval Date and procedures of the Consolidated Financial Statements

The Consolidated Financial Statements were approved and announced by the board of directors on March 24, 2016.

#### 3. New standards and interpretations

##### (a) Effect of applying new International Financial Reporting Standards (IFRS) recognized by the Financial Supervisory Commission (FSC)

Starting from 2015, the Company and its subsidiaries have fully adopted the 2013 version of IFRS (excluding IFRS 9 "Financial Instruments") accepted by the FSC in compiling consolidated financial reports. The newly issued and revised accounting standards and interpretations are as follows:

(Continued)

New standards and amendments	Effective date per IASB
Amended IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amended IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amended IFRS 1 "Government Loans"	January 1, 2013
Amended IFRS 7 "Disclosure - Transfers of Financial Assets"	July 1, 2011
Amended IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
IFRS10 "Consolidated Financial Statements"	January 1, 2013 (Investment Entities amendments, effective January 1, 2014)
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amended IAS 1 "Presentation of Items of Other Comprehensive Income"	July 1, 2012
Amended IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
Amended IAS 19 "Employee Benefits"	January 1, 2013
Amended IAS 27 "Separate Financial Statements"	January 1, 2013
Amended IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC20 - "Stripping Costs in the Production Phase of a Surface Mine"	January 1, 2013

Except for the following listed items, the adoption of the 2013 version of IFRS by the Company and its subsidiaries would have no significantly impact on consolidated financial statement:

A. IFRS 13 – Fair Value Measurement

This standard defines the fair value, set out a framework for measuring fair value, and requires disclosures about fair value measurements. The Banks will disclose additional information about the fair value measurement accordingly.

B. IAS 1 – Presentation of Financial Statements

The amendment to IAS 1 requires items of other comprehensive income to be grouped into to those items that (1) will not be reclassified subsequently to profit or loss; And (2) will be classified subsequently to profit or loss when specific conditions are met. Income taxes on the related items of other comprehensive income are grouped on the same basis. Accordingly, the Banks will apply the above amendments in presenting the statement of comprehensive income.

- (a) The new standards and amendments issued by the IASB that may have an impact to the consolidated financial statements not yet approved by the FSC.

A summary of the new standards and amendments to IFRSs 2013 issued by the IASB that has not yet approved by the FSC are as following:

(Continued)

## 6. Financial Status

New standards and amendments	Effective date per IASB
IFRS 9 Financial instruments	January 1, 2018
Amended IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet approved by the IASB
Amended IFRS 10, IFRS 12 and IFRS28 "The application of the investment entities exceptions"	January 1, 2016
Amended IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 Regulatory Deferral Accounts	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amended IAS1 "Disclosure-Initiative"	January 1, 2016
Amended IAS7 "Disclosure-Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred tax assets for unrealized Losses"	January 1, 2017
Amended IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amended IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amended IAS 19 "Define Benefit Plans: Employee Contributions"	July 1, 2014
Amended IAS 27 Equity in Method Separate Financial Statements	January 1, 2016
Amended IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amended IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements:2010-2012 and 2011-2013 cycles	January 1, 2014
Annual Improvements to IFRS: 2012-2014 cycles	January 1, 2016
Amended IFRIC 21 "Levies"	January 1, 2014

As the standards and amendments above have not been endorsed by the FSC, the Bank is in the process of assessing the impact on the financial position and the results of operations. Related impact will be disclosed following the completion of its assessments.

### 4. Summary of significant accounting policies

Significant accounting policies which consistently adopted by the company and its subsidiaries in accounting period of consolidated financial statements are summarized as below.

#### (a) Assertion of compliance

The consolidated financial reports were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks (hereinafter referred to the Regulations).

#### (B) Basis of Compilation

(Continued)

(1) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial:

- (i) Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative financial instruments);
- (ii) Available-for-sale financial assets measured at fair value;
- (iii) Defined Benefit liabilities, which are recognized at the present value of defined benefit obligation plus (minus) fair value of pension plan liabilities (assets), unrecognized actuarial losses (gains), and unrecognized service cost.

(2) Functional currency

The functional currency of the Bank is the currency of the primary economic environment in which it operates. The consolidated financial reports are presented in New Taiwan Dollars, the functional currency of the Company.

**(c) Basis of consolidation**

(1) Basis of compilation for consolidated financial reports

The consolidated financial statements encompass the Company itself and controlled entities (the Group). The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases.

Intra-group balances, and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The financial statements of subsidiaries have been adjusted to conformity of consistency in accounting policies.

(2) Subsidiaries included in the consolidated financial reports

Name of investor company	Name of Subsidiary	Primary Business	percentage	
			December 31, 2015	December 31, 2014
COTA Commercial Bank Co., Ltd.	COTA Bank Insurance Brokers Co., Ltd.	Property and personal insurance broker	100%	100%

**(d) Foreign Currency**

- (1) A foreign currency transaction that is denominated or requires settlement in a foreign currency, is recognized in functional currency with spot exchange rate on date of transaction.
- (2) Non-monetary items measured on historical cost basis are exchanged with exchange rate on transaction date. As for non-monetary items measured in fair value, exchange rate on valuation date is implemented.
- (3) Exchange differences arising from translation are recognized in current profit or loss, except for the exchange differences arising from translation of available-for-sale equity investment are recognized in other comprehensive income.

(Continued)

## 6. Financial Status

(4) Regarding offshore banking unit (OBU), the assets and liabilities reported in functional currencies are translated into New Taiwan dollars at the exchange rates on reporting date; the income and expenses, excluding in hyperinflationary economic situation, are translated into New Taiwan dollars at the rate of exchange prevailing on the date of the transaction date. Exchange differences are recognized as other comprehensive income.

When the settlement of monetary receivables/payables to OBU is neither planned nor likely to happen in the foreseeable future, gains and losses arising from currency exchange are valued as part of net investment and are recognized as other comprehensive income.

### (e) Cash and cash equivalents

Cash comprises cash on hand, checks for clearance, checking and demand deposits due from other banks and money deposited in other financial institutions without designated purposes or with unrestricted access. Cash equivalents consist of time deposits due from other banks that are readily convertible to a known amount of cash, subject to an insignificant risk of changes in value, and held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents reported in the statement of cash flows are assets that reported in the statement of financial positions, due from central bank and call loans to bank following the definition of cash and cash equivalents under IAS 7 as accepted by FSC, and securities purchased under resell agreements.

Time deposits with maturities less than one year are aimed for short-term cash commitments instead of investment purposes, subjected to insignificant risk in changes of fair value, and hence are classified as cash and cash equivalents.

### (f) Securities under repurchase/resell agreement

Securities sold/purchased with a commitment are treated as financing transactions, which are recorded at cost. The difference between the cost and the repurchase/resell price is treated as interest expenses/revenue and recognized over the term of the agreement.

### (g) Financial instruments

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

#### (l) Financial assets

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss (FVTPL), available-for-sale financial assets, held-to-maturity financial assets, loans and receivables, financial assets carried at costs, and investment in debt securities without active market.

##### (i) Financial assets measured at FVTPL

A financial asset is classified in this category if it is held-for-trading or is designated as financial assets at FVTPL. Financial assets held-for-trading are acquired principally for the purpose of selling or repurchasing in the short term. The Group designates investment in fair value as financial assets measured at FVTPL.

At initial recognition, financial assets of this category are measured at fair value. Attributable transaction costs are

(Continued)



recognized in profit or loss as incurred. Subsequent valuation is measured at fair value and changes therein, which takes into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, trade date accounting is used.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on monetary financial instruments are recognized in other comprehensive income and unrealized gains (losses) on available-for-sale financial assets in equity. When an available-for-sale investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, under other income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, trade date accounting is used.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost less any impairment loss, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date when the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other comprehensive income.

(iii) Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Interest income is included in statement of comprehensive income account.

(iv) Financial assets carried at cost

Equity instruments with no quote market price and whose fair value cannot be reliably measured are stated at cost. If there is objective evidence that financial assets carried at cost are impaired, the carrying amount of the assets is reduced, and impairment loss is recognized. However, the impairment losses may not be reversed subsequently. The transactions of financial assets carried at cost are recorded on the trading date. The financial instruments are initially recognized at fair value plus transaction costs.

(v) Loans and receivables

Loans and receivables are financial assets that have no quoted market price with fixed or determinable payment, including receivables, other receivables and debts investment without active market. At initial recognition, these

(Continued)

## 6. Financial Status

assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables.

Interest income is recognized in profit or loss, and it is included in statement of comprehensive income account.

Loans and receivables shall be transferred to overdue loans account if either of the following situation qualifies:

- A. Collection of payment of principal or interest accrued is considered highly unlikely; or
- B. Payment of principal or interest accrued is over 3 or 6 months past due; or

According to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans", non-performing loans with interest accrued shall be transferred to overdue loans After 6-month-additional extension of overdue payment. However, the reclassification does not apply to those of agreed installment payments, consultative consumer credit, and cases executed by the "Statute for Consumer Debt Clearance".

Reclassified overdue loans are assorted into discounts and loans, while other overdue receivables reclassified from guarantees, acceptances, factoring accounts receivable, and receivables-other credit card are classified as other financial assets.

Outstanding balances of overdue loans' unrecoverable parts are written-off under approval of board of directors.

### (vi) Financial asset impairment

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

Objective evidence of financial assets impairment includes indications of debtors' (issuers') bankruptcy restructuring, financial crisis, and disappearance of securities' active market. In addition, significant or prolonged decline in fair value of equity-measured investment available-for-sale is accounted for as objective evidence of impairment.

#### A. Available-for-sale financial assets

When impairment loss of available-for-sale financial assets are recognized, the accumulated gains and losses exist in other comprehensive income are reclassified to profit or loss. Impairment losses of available-for-sale equity security cannot be reversed through profit or loss. Any subsequent recovery in fair value from impairment is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss.

#### B. Held-to-maturity financial assets

Impairment loss in respect of financial assets measured at amortized cost is the difference between its carrying amount and present value of the estimated future cash flows discounted at the asset's original effective interest rate.

(Continued)

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

#### C. Loans and receivables

The ending balance of the allowance for bad debts and the guarantee liability provision on all credit assets on and off the balance sheets is in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, with consideration given to the status of loan collateral and the length of time overdue. The Group of balance classifies credit assets into normal credit assets, assets that require special mention, assets that are substandard, assets that are doubtful, and assets for which there is a loss. The allowance for doubtful debt for each category of credit assets is 1%, 2%, 10%, 50% and 100%, respectively. The allowance for doubtful debt on credit card receivables is in accordance with the "Regulations Governing Institutions Engaging in Credit Card Business". The abovementioned regulations are the minimum standards on allowance for bad debts for credit assets on and off the balance sheets.

For loans and receivables, the objective evidence should be identified first to reveal any impairment existing for financial assets that are individually significant, and individual or collective impairment for financial assets that are individually insignificant. If no objective evidence of impairment exists in an individually assessed financial asset, it should be included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. For assets with recognized impairment losses already, the aforementioned assessment method is not required. For loans and receivables with objective evidence of impairment but without incurred impairment loss, they are not required to be included in portfolio of similar credit risk characteristics for collective assessment after considering all significant risks exists in the current situation.

If there any objective evidence that an impairment loss on financial assets has incurred, the amount of the loss is shows the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate; the amount of the loss shall be recognized in profit or loss in the current period. The estimation of future cash flows includes the recoverable amount of collateral and related insurance when determining the amount of the loss.

The aforesaid objective evidence includes:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract, such as a default or delinquency in interest or principal payments;
- (3) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (5) The disappearance of an active market for that financial asset because of the issuer's financial difficulties;
- (6) Adverse changes in the payment status of the borrower; and
- (7) Changes in national or local economic conditions that correlate with defaults on the assets.

#### D. Financial assets carried at costs

An impairment loss in respect of a financial asset measured at amortized cost is the difference between its carrying

(Continued)

## 6. Financial Status

amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. Such impairment loss is not reversible in subsequent periods.

### (vii) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the group transfers substantially the ownership of all risks rewards of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity account unrealized gains or losses from available for sale financial assets is recognized as profit or loss under "other gains and losses, net".

### (II) Financial liabilities

#### (i) Classification of debt or equity

Debt or equity instruments issued by the Bank are classified as financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

#### (ii) Financial liabilities measured at FVTPL

Financial liabilities are classified as held-for-trading if they are acquired principally for the purpose of selling or repurchasing in a short term.

Attributable transaction costs are recognized in profit or loss as incurred; Subsequent changes in value, including interest expense, are measured at FVTPL through profit or loss.

#### (iii) Other financial liabilities

At initial recognition, Those financial liabilities which were not held-for-trading or designated as ones measured at FVTPL are valued by the sum of fair value and any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost calculated by the effective interest method. Uncapitalized interest expense is recognized in profit or loss under non-operating income and expenses.

#### (iv) Derecognition of a financial liability

A financial liability is derecognized when its contractual obligation has been discharged or cancelled or expired.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in "non-operating income and expenses".

#### (v) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Bank has the legally enforceable rights

(Continued)

to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

### (III) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate fluctuation exposures. At initial recognition, derivatives are recognized at fair value; and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein, are recognized in profit or loss. When a derivative is designated as a hedging instrument, the timing for recognizing gain or loss is determined on the nature of the hedge. When the fair value of a derivative instrument is positive, it is classified as a financial asset; otherwise, it is classified as a financial liability.

### (h) Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

#### (i) Property, plant, and equipment

##### (I) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized under net other income and expenses of profit or loss.

##### (II) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

(Continued)

## 6. Financial Status

### (III) Depreciation

Depreciation is calculated based on the depreciable amount of an asset using the straight-line basis over its useful life. The depreciable amount of an asset is determined based on the cost less its residual value. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period is recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- (1) Buildings : 8 years ~ 80 years
- (2) Operating equipment : 1 year ~ 20 years
- (3) Transportation equipment : 5 years ~ 12 years
- (4) Miscellaneous equipment : 3 year ~ 50 years
- (5) The significant portion of buildings and their useful life are as follow :

<u>Item</u>	<u>useful life</u>
Buildings	
Main building	60 years ~ 80 years
Premises Renovation	8 years

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

### (IV) Reclassification to investment property

When the use of an Property, plant, and equipment changes such that it is reclassified as investment property, its book value at the date of reclassification becomes its cost for subsequent Accounting.

## (j) Lease

### (I) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. In order to earn lease income, incurred costs would be recognized as expense, such as depreciation.

### (II) Lessee

Leases which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present of the

(Continued)



minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and are not recognized in the Group's statement of financial position.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

### **(k) Intangible assets**

#### **(I) Computer software**

Computer software system expenses, which are recorded on the basis of the actual cost of acquisition, are amortized using a straight-line method over a period of 3 to 10 years. Its amortization method, useful life and residual value are referred to the regulation of properties and equipment. The Bank use cost model to proceed subsequently measurement.

#### **(II) Goodwill**

Goodwill is measured at cost less accumulated impairment losses. Impairment loss on equity investment in investees accounted for under the equity method is not allocated to any asset, including goodwill that forms part of the carrying amount of such investment.

### **(l) Impairment of non-financial assets**

The carrying amounts of the Bank non-financial assets, other than assets arising from construction contracts, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Bank determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The excess of carrying amount of the asset over its recoverable amount is recognized as an impairment loss which is charged to profit or loss.

An assessment is made at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been an improvement in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

(Continued)

## 6. Financial Status

If the carrying amount of each of the cash-generating units exceeds the recoverable amount of the unit, impairment loss is recognized and is allocated to reduce the carrying amount of each asset in the unit.

Reversal of an impairment loss for goodwill is prohibited.

### (m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and an outflow of economic benefits is possibly required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

The amount of a provision is measured subsequently as the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### (n) Financial guarantee contract

The Bank recognized financial guarantee liabilities initially at their fair value at the date of providing guarantee. The Bank receives commission income with non-arm's-length transaction at contract date; this is, the income could represent the fair value of financial guarantee contract. The advanced service fee is recognized as deferred item and amortized by straight-line method over the contract period of the financial guarantee.

### (o) Revenue recognition

Interest revenue arising from credits are estimated on an accrual basis. All interest accrued shall be suspended from the date the loans are classified as nonperforming loans. Interest earned from nonperforming loans shall be recognized as interest income when the interest has been collected by the Bank. If the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue, classified into other liability and recognized as income when collected.

Service fee income is recognized when collected or when the majority of project is completed. Service fee income is received when loans and receivables are recognized. The service fee income which is caused by loans or receivables shall be recognized as interest revenue when they meet a suggested policy announced by the Bankers Association of the Republic of China. This policy requires an individual loan that meets the materiality criteria to have its effective interest rate be consistent with its interest revenue. Overall, the service fees shall be adjusted from the original agreed interest rate to the effective interest rate.

Rental income of a property is incurred during the lease term. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

### (p) Employee benefits

#### (1) Short-term employee benefit

Short-term employee benefit obligations are measured on an undiscounted basis and expensed as the related services are provided.

(Continued)

A liability is recognized at expected amount of short-term cash bonus or profit-sharing plans if present legal or constructive obligations resulted from past service provided by the employee can be estimated reliably.

(2) Post-employment benefit: The Companies pension plan comprises defined contribution plan and defined benefit plan.

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation to separate defined benefit pension plans is estimated by the amount of future benefit earned by employees in return for their service in the current and prior periods. The present value of benefit obligation is calculated by discounting future cash flow at the yield rate on government bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid, with any fair value of plan assets deducted.

The calculation is performed annually by a qualified actuary using the projected unit credit method. Recognized amount of planned assets is restricted to the sum present value of future refunds, decrease in allocation to benefit plans, and any other forms of economical benefit.

Economical benefit requires fulfillment covered by the plan's duration, and consideration of minimum needs in funds for applicable plans.

When the benefits of a plan are improved, expenses realized with the portion of past service by employees is recognized in profit or loss.

The Company's defined benefit pension plan follows the Labor Standards Act. Pension payments to employees are calculated based on years of service and average salary upon retirement. The Company will make monthly contributions to the employees' pension accounts, which are managed by the Employee Pension Fund Committee, and the contributions are deposited in the employees' pension accounts with Bank of Taiwan. The pension fund for management is contributed 8% of salaries to individual pension accounts.

Remeasurements of a net defined benefit liability or asset including (1) Actuarial gains and losses; (2) Return on plan assets excluding net interest of net defined benefit liability or asset; and (3) Changes in the effect of the asset ceiling excluding net interest of net defined benefit liability or asset. Remeasurements of the net defined benefit liability or asset recognize in other comprehensive income. The Group recognizes remeasurements of defined benefits plan in retained earnings.

(3) Deposits with favorable rate

The Company provides deposits with favorable rate to employees, which include fix amount deposits with favorable rate for current employees and post-employment fix amount deposits with favorable rate for retired and current employees. The rate difference between the favorable rate and the market rate is considered employee benefit.

(Continued)

## 6. Financial Status

According to article 30 of "Regulations Governing the Preparation of Financial Report by Public Banks", the additional interests resulted from the difference between deposit with favorable rate and the deposits with market interest rate need actuary per the regulations related to defined benefit plan in IAS 19 . The parameters of actuarial assumptions should obey the competent authority if any regulation is applicable.

### (q) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee salary expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards, the grant-date fair value of the share-based payment considers such non-vesting conditions and there is no true-up for differences between expected and actual outcomes.

### (r) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (1) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (2) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (3) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. The taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
  - 1) levied by the same taxing authority; or
  - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

(Continued)

A deferred tax asset is recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

#### (s) Earnings per share (EPS)

The Bank discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee bonuses that have not yet been authorized by the stockholders' meeting.

#### (t) 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.

## 5. Primary sources of significant accounting judgments, estimates and assumptions uncertainty

When preparing the financial reports, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Bank, the management needs to make judgments, estimates, and assumptions that affect the adoption of accounting policies, reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates. Continuously evaluation of estimates and assumption should be made by the management. A change of accounting estimate should be recognized in the period when it incurs and in the affected future periods.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

#### (a) Impairment loss on loans

When the Group decides whether to recognize impairment loss, they mainly assess if there are any observable evidence indicating possible impairment. The evidence may include observable information indicating unfavorable changes in debtor payment status, or sovereign or local economic situation related to debt payment in arrears. When analyzing expected cash flow, the estimates by the management are based on past losses experience on assets of similar credit risk characteristics. The Group periodically reviews methods and assumptions behind the amount and schedule of expected cash flow, to reduce the difference between expected and actual loss. Please refer to Note 10 for impairment loss on loans.

(Continued)

## 6. Financial Status

### (b) Income tax

When estimating the deferred tax assets, the Company relies on significant accounting estimations regarding future operation. Determine the final amount need to go through numerous assumptions and calculations regarding to the estimate of profits in the future and economic trends. For the estimation of deferred tax items.

### (c) Post-employment benefits

The present value of post-employment benefits obligation is based on actuarial results of multiple assumptions. Any assumption changes will affect the carrying amount of post-employment benefits obligation.

The assumptions that determine net pension cost (revenue) include discount rate. The Bank and its subsidiaries determine an appropriate discount rate at the end of each year, and use the discount rate to calculate the present value of future cash outflow needed to cover the post-employment benefits obligation. To determine an appropriate discount rate, the Bank and its subsidiaries should take into account the interest rate of high-quality corporate bond or government bond, which should be issued in the same currency as that of post-employment benefits payments. The maturity of the bonds should match that of pension liability.

Other significant assumptions of post-employment benefits obligation are based on current market conditions.

### (d) Fair value of financial instruments

The fair value of non-active market or non-quoted financial instruments is determined using valuation techniques. Such fair value is based on observable data of similar financial instruments or valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. If fair value is determined by the valuation model, the model is calibrated to ensure that all output data and the results are reflected in the actual market price. This valuation model use only observable data as much as possible. As for credit risk (self-owned and the contractual parties), the managements shall estimate its correlations and its fluctuations.

Please refer to Note 35 and Note 36 for information on financial instruments sensitivity analyses.

## 6. Cash and Cash Equivalents

	December 31, 2015	December 31, 2014
Cash	\$ 1,280,469	1,216,398
Checks on hand for clearance	206,903	205,606
Deposits from other banks	178,264	160,771
	<u>\$ 1,665,636</u>	<u>1,582,775</u>

The cash and cash equivalents presented in the statement of cash flows had the following components, please refer to note7.

	December 31, 2015	December 31, 2014
Cash and cash equivalents in the statement of financial position	\$ 1,665,636	1,582,775
Due from Central Bank and call loans to bank following the definition of cash and cash equivalents under IAS 7 as accepted by FSC	18,935,571	17,839,601
Cash and cash equivalents reported in the Statement of Cash Flows	<u>\$ 20,601,207</u>	<u>19,422,376</u>

(Continued)



## 7. Due from the Central Bank and Call Loans to Banks

	December 31, 2015	December 31, 2015
Deposit reserve - checking accounts	\$ 2,635,571	2,044,447
Deposit reserve - demand accounts	3,812,019	3,636,960
Deposit reserve - foreign currency deposits	4,629	4,441
Certificate of deposits	16,300,000	15,700,000
Call loans to banks	-	95,154
Deposits with Financial Information Service Co., Ltd.	519,589	471,315
	<b>\$ 23,271,808</b>	<b>21,952,317</b>

The reserves for deposits are calculated at prescribed rates, using the average monthly balances of various deposit accounts, and are appropriated and deposited in the reserve account of the Central Bank of the Republic of China (Taiwan). Deposits in "Required reserve - Account A" are interest-free and can be withdrawn at any time; deposits in "Required reserve - Account B" are interest-bearing and cannot be withdrawn except for the monthly adjustment to the required reserve permitted by relevant regulations.

Due from Central Bank and call loans to bank following the definition of cash and cash equivalents under IAS 7 as accepted by FSC are as follows:

	December 31, 2015	December 31, 2014
Call loans to banks	\$ -	95,154
Certificate of deposits	16,300,000	15,700,000
Required reserve - Account A	2,635,571	2,044,447
	<b>\$ 18,935,571</b>	<b>17,839,601</b>

## 8. Financial Assets (Liabilities) Measured at Fair Value Through Profit or Loss

	December 31, 2015	December 31, 2014
Financial assets		
Held for trading		
Securities of listed companies	\$ 31,318	23,876
Beneficiary certificates	42,835	337,940
Derivatives	36,685	50,304
Sub-total	110,838	412,120
Designated as measured at fair value through profit or loss		
Convertible bonds	1,905,822	1,817,721
	<b>\$ 2,016,660</b>	<b>2,229,841</b>
Financial liabilities held for trading		
Derivatives	\$ 1,045	137

(Continued)

## 6. Financial Status

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, 2015 and 2014 was as follows:

	December 31, 2015	December 31, 2014
Derivative contracts	\$ <u>2,884,788</u>	<u>2,214,690</u>

The net gains on financial assets held for trading for the years ended December 31, 2015 and 2014, were \$30,904 and \$66,974 thousands, respectively. The net gains (losses) on financial liabilities held for trading for the years ended December 31, 2015 and 2014 were \$(831) and \$275 thousands, respectively.

## 9. Receivables, net

	December 31, 2015	December 31, 2014
Credit card accounts receivable	\$ 148,405	148,331
Interest receivable	237,094	227,328
Tax refund receivable	13,378	13,378
Accrued income	1,274	1,548
Guarantee payments Receivable	21,872	21,038
Others	<u>27,746</u>	<u>15,958</u>
Sub-total	449,769	427,581
Less: allowance for doubtful accounts	<u>(53,524)</u>	<u>(53,065)</u>
	<b>\$ <u>396,245</u></b>	<b><u>374,516</u></b>

Please refer to Note 36 for the assessment of allowance for possible losses on receivables.

## 10. Discounts and loans - net

	December 31, 2015	December 31, 2014
Exchanges and export bills negotiated	\$ 9,738	17,283
Overdrafts	69,118	91,559
Short-term loans	12,692,253	11,988,147
Medium-term loans	63,922,716	60,949,309
Long-term loans	30,359,320	30,196,226
Overdue loans	<u>110,935</u>	<u>230,283</u>
Sub-total	107,164,080	103,472,807
Less: allowance for loan losses	(2,203,377)	(2,275,211)
discount	<u>(232,568)</u>	<u>(227,795)</u>
	<b>\$ <u>104,728,135</u></b>	<b><u>100,969,801</u></b>

Please refer to Note 36 for the assessment of allowance for possible losses on discounts and loans.

(Continued)

The change in allowance for loan losses for the years ended December 31, 2015 and 2014 was as follows:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Beginning balance	\$ 2,328,389	2,084,096
Provision	153,943	274,773
Recovery of written-off credits	142,609	109,970
Write-offs	(368,532)	(140,497)
Effects of exchange rate changes	518	47
Ending balance	<u>\$ 2,256,927</u>	<u>2,328,389</u>

## 11. Available-for-sale financial assets - net

	December 31, 2015	December 31, 2014
Government bonds	\$ 50,524	51,123
Corporate bonds	4,294,599	4,329,942
	<u>\$ 4,345,123</u>	<u>4,381,065</u>

Government bonds provided and deposited as trust compensation reserve as of December 31, 2015 and 2014 were \$50,000 thousands, respectively.

## 12. Held-to-Maturity Financial Assets

	December 31, 2015	December 31, 2014
Government bonds	\$ 204,365	105,783
Corporate bonds	3,291,102	3,317,173
Financial debentures	10,190	-
Time deposits due from banks	1,000	1,000
	<u>\$ 3,506,657</u>	<u>3,423,956</u>

Government bonds placed as deposits in courts as of December 31, 2015 and 2014 were \$51,000 and \$47,300 thousands, respectively.

## 13. Other Financial Assets-net

	December 31, 2015	December 31, 2014
Overdue receivables	\$ 52	226
Less: allowance for bad debts	(26)	(113)
Net	26	113
Financial assets carried at cost	129,892	129,892
Debts investment without active market	57,783	55,427
	<u>\$ 187,701</u>	<u>185,432</u>

(Continued)

## 6. Financial Status

(1) Financial assets carried at cost:

	December 31, 2015		December 31, 2014	
	Book Value	Ownership %	Book Value	Ownership %
Taiwan Asset Management Corp.	\$ 75,000	0.57	75,000	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	253	0.42	253	0.42
	<u>\$ 129,892</u>		<u>129,892</u>	

(2) Debts investment without active market

	December 31, 2015	December 31, 2014
Auction Rate Security	\$ 66,132	63,436
Less: accumulated impairment	(8,349)	(8,009)
	<u>\$ 57,783</u>	<u>55,427</u>

## 14. Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group as of and for the years ended December 31, 2015 and 2014, were as follows:

	Land	Buildings	Operating equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Total
<b>Cost:</b>							
Balance at January 1, 2015	\$ 832,468	625,174	127,069	31,567	196,663	57,304	1,870,245
Additions	-	-	7,355	2,626	3,297	15,424	28,702
Disposals	-	-	(1,692)	(1,277)	(1,282)	-	(4,251)
Reclassification	(3,650)	(23,825)	-	-	-	-	(27,475)
Balance at December 31, 2015	<u>\$ 828,818</u>	<u>601,349</u>	<u>132,732</u>	<u>32,916</u>	<u>198,678</u>	<u>72,728</u>	<u>1,867,221</u>
Balance at January 1, 2014	\$ 832,468	625,174	143,036	26,784	192,356	49,078	1,868,896
Additions	-	-	14,908	7,877	6,060	8,226	37,071
Disposals	-	-	(30,875)	(3,094)	(1,753)	-	(35,722)
Balance at December 31, 2014	<u>\$ 832,468</u>	<u>625,174</u>	<u>127,069</u>	<u>31,567</u>	<u>196,663</u>	<u>57,304</u>	<u>1,870,245</u>

(Continued)

	Land	Buildings	Operating equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Total
<b>Depreciation and impairment losses</b>							
Balance at January 1, 2015	\$ -	(254,025)	(73,629)	(8,934)	(149,194)	(25,341)	(511,123)
Depreciation for the period	-	(9,850)	(11,974)	(3,201)	(8,670)	(5,895)	(39,590)
Disposals	-	-	1,690	993	1,282	-	3,965
Reclassification	-	8,504	-	-	-	-	8,504
Balance at December 31, 2015	<u>\$ -</u>	<u>(255,371)</u>	<u>(83,913)</u>	<u>(11,142)</u>	<u>(156,582)</u>	<u>(31,236)</u>	<u>(538,244)</u>
Balance at January 1, 2014	\$ -	(243,777)	(88,477)	(8,894)	(142,510)	(20,488)	(504,146)
Depreciation for the period	-	(10,248)	(10,284)	(2,651)	(8,437)	(4,853)	(36,473)
Disposals	-	-	25,132	2,611	1,753	-	29,496
Balance at December 31, 2014	<u>\$ -</u>	<u>(254,025)</u>	<u>(73,629)</u>	<u>(8,934)</u>	<u>(149,194)</u>	<u>(25,341)</u>	<u>(511,123)</u>
<b>Carrying amounts:</b>							
Balance at December 31, 2015	<u>\$ 828,818</u>	<u>345,978</u>	<u>48,819</u>	<u>21,774</u>	<u>42,096</u>	<u>41,492</u>	<u>1,328,977</u>
Balance at January 1, 2014	<u>\$ 832,468</u>	<u>381,397</u>	<u>54,559</u>	<u>17,890</u>	<u>49,846</u>	<u>28,590</u>	<u>1,364,750</u>
Balance at December 31, 2014	<u>\$ 832,468</u>	<u>371,149</u>	<u>53,440</u>	<u>22,633</u>	<u>47,469</u>	<u>31,963</u>	<u>1,359,122</u>

No premise or equipment was pledged as collateral.

## 15. Investment Property-net

	Land	Buildings	Total
<b>Cost:</b>			
Balance at January 1, 2015	\$ 1,089,881	38,180	1,128,061
Reclassification	3,650	23,825	27,475
Balance at December 31, 2015	<u>\$ 1,093,531</u>	<u>62,005</u>	<u>1,155,536</u>
Balance at December 31, 2014 and January 1, 2014	<u>\$ 1,089,881</u>	<u>38,180</u>	<u>1,128,061</u>
<b>Depreciation and impairment losses:</b>			
Balance at January 1, 2015	\$ (415,687)	(21,105)	(436,792)
Depreciation for the period	-	(1,033)	(1,033)
Gain on reversal of impairment Loss	122,018	-	122,018
Reclassification	-	(8,504)	(8,504)
Balance at December 31, 2015	<u>\$ (293,669)</u>	<u>(30,642)</u>	<u>(324,311)</u>
Balance at January 1, 2014	\$ (415,687)	(20,468)	(436,155)
Depreciation for the period	-	(637)	(637)
Balance at December 31, 2014	<u>\$ (415,687)</u>	<u>(21,105)</u>	<u>(436,792)</u>
<b>Carrying amounts:</b>			
Balance at December 31, 2015	<u>\$ 799,862</u>	<u>31,363</u>	<u>831,225</u>
Balance at January 1, 2014	<u>\$ 674,194</u>	<u>17,712</u>	<u>691,906</u>
Balance at December 31, 2014	<u>\$ 674,194</u>	<u>17,075</u>	<u>691,269</u>

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of one to five years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

(Continued)

## 6. Financial Status

The fair value of investment property (as disclosed in the financial statements) is based on a valuation by an internal or independent external value who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of investment property as of December 31, 2015 and 2014 are \$1,010,028 and \$887,548 thousands, respectively.

Based on the results of the Group's assessment, a \$122,018 thousands reversal gain of impairment loss on investment property is recognized for the year ended December 31, 2015.

Related rent revenue and direct operating expenses are as below:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Rent revenue	\$ <u>19,881</u>	<u>18,627</u>
Direct operating expenses	\$ <u>1,033</u>	<u>637</u>

No investment property was pledged as collateral.

## 16. Intangible assets

The costs of intangible assets, amortization, and the impairment loss of the Group as of and for the years ended December 31, 2015 and 2014, were as follows:

	Goodwill	Software	Total
<b>Cost:</b>			
Balance at January 1, 2015	\$ 154,027	24,610	178,637
Additions	-	340	340
Decreases	-	(7,900)	(7,900)
Balance at December 31, 2015	\$ <u>154,027</u>	<u>17,050</u>	<u>171,077</u>
Balance at January 1, 2014	\$ 154,027	35,542	189,569
Additions	-	3,431	3,431
Decreases	-	(14,363)	(14,363)
Balance at December 31, 2014	\$ <u>154,027</u>	<u>24,610</u>	<u>178,637</u>
<b>Amortization:</b>			
Balance at January 1, 2015	\$ 51,738	16,927	68,665
Amortization for the period	-	2,724	2,724
Decreases	-	(7,900)	(7,900)
Balance at December 31, 2015	\$ <u>51,738</u>	<u>11,751</u>	<u>63,489</u>
Balance at January 1, 2014	\$ 51,738	28,585	80,323
Amortization for the period	-	2,705	2,705
Decreases	-	(14,363)	(14,363)
Balance at December 31, 2014	\$ <u>51,738</u>	<u>16,927</u>	<u>68,665</u>
<b>Carrying amounts:</b>			
Balance at December 31, 2015	\$ <u>102,289</u>	<u>5,299</u>	<u>107,588</u>
Balance at January 1, 2014	\$ <u>102,289</u>	<u>6,957</u>	<u>109,246</u>
Balance at December 31, 2014	\$ <u>102,289</u>	<u>7,683</u>	<u>109,972</u>

(Continued)



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

Fengyuan Credit Cooperative's original business and goodwill are identified as one cash-generating unit (CGU) in 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.

The Group's goodwill has been tested for impairment, where the recoverable amount is determined based on the value in use. The goodwill impairment loss cumulative amounted to \$51,738 thousands.

No intangible assets were pledged as collateral.

## 17. Due to the Central Bank and Other Banks

	December 31, 2015	December 31, 2014
Due to other banks	\$ -	25,669
Postal deposits accepted	64,470	85,470
	<u>\$ 64,470</u>	<u>111,139</u>

## 18. Payables

	December 31, 2015	December 31, 2014
Interest payable	\$ 138,668	131,064
Tax payable	32,380	32,186
Collections payable	44,849	53,462
Accrued expenses	342,818	299,579
Checks awaiting clearance	206,903	205,605
Others	73,925	69,768
	<u>\$ 839,543</u>	<u>791,664</u>

## 19. Deposits and Remittances

	December 31, 2015	December 31, 2014
Checking accounts	\$ 1,866,988	1,715,775
Cashiers' checks	409,205	322,611
Demand deposits	16,384,563	16,078,698
Time deposits	26,301,543	24,876,523
Demand savings deposits	34,898,680	34,120,355
Term savings deposits	55,118,232	52,178,430
Inward Remittance	666	97,088
	<u>\$ 134,979,877</u>	<u>129,389,480</u>

(Continued)

## 6. Financial Status

### 20. Subordinate Financial Debentures

	December 31, 2015	December 31, 2014
Subordinate financial debentures	\$ <u>1,500,000</u>	<u>1,500,000</u>

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: For 100-1A, 3.2%. For 100-1B, based on the Company's term deposits regular rate plus 1.65%.
- (d) Interest accrual: Annually accrued and paid since the issued date.
- (e) Repayment of principal: Outright repayment of principal at maturity.

### 21. Provisions

	December 31, 2015	December 31, 2014
Provision for guarantees	\$ 33,535	36,016
Provision for employee benefits	<u>413,902</u>	<u>406,931</u>
	<u>\$ 447,437</u>	<u>442,947</u>

### 22. Employee benefits

	December 31, 2015	December 31, 2014
Defined benefit plans	\$ 359,318	359,581
Employee Promotions Deposits plans	<u>54,584</u>	<u>47,350</u>
	<u>\$ 413,902</u>	<u>406,931</u>

#### 1) Defined benefit plans:

The reconciliation in the present value of defined benefit obligations and fair value of plan assets as follows:

	December 31, 2015	December 31, 2014
Total present value of obligations	\$ 1,001,464	981,070
Fair value of plan assets	<u>(642,146)</u>	<u>(621,489)</u>
Recognized liabilities for defined benefit obligations	<u>\$ 359,318</u>	<u>359,581</u>

The Company makes defined benefit plan contributions to the pension fund account in the Bank of Taiwan. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on the years of service and the average monthly salary for six months prior to retirement.

(Continued)

(1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$642,146 thousands as of December 31, 2015. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

(2) Change in present value of defined benefit obligations

The change in present value of defined benefit obligations were as follows:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Defined benefit obligation at January 1	\$ 981,070	963,602
Current service costs and interest	40,754	41,816
Actuarial (losses) gains	29,302	1,462
Benefits paid by the plan assets	(49,662)	(25,810)
Defined benefit obligation at December 31	<u>\$ 1,001,464</u>	<u>981,070</u>

(3) Change in fair value of defined benefit plan assets

The change in the fair value of defined benefit plan assets were as follows:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Fair value of plan assets at January 1	\$ 621,489	579,659
Expected return on plan assets	12,642	11,883
Actuarial gains (losses)	3,692	1,696
Benefits paid by the plan assets	53,985	54,017
Contributions made	(49,662)	(25,766)
Fair value of plan assets at December 31	<u>\$ 642,146</u>	<u>621,489</u>

(4) Expenses recognized in profit or loss

The expenses recognized in profits or losses were as follows:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Current service costs	\$ 21,456	22,794
Net Interest on the defined benefit liability (asset)	6,656	7,139
	<u>\$ 28,112</u>	<u>29,933</u>
Administrative expenses	<u>\$ 28,112</u>	<u>29,933</u>
Actual return on assets	<u>\$ 16,334</u>	<u>13,579</u>

(Continued)

## 6. Financial Status

### (5) Actuarial gains and losses recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive income were as follows:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Cumulative amount at January 1	\$ (35,050)	(35,284)
Recognized during the period	(25,610)	234
Cumulative amount at December 31	<u>\$ (60,660)</u>	<u>(35,050)</u>

### (6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follow:

	2015	2014
Discount rate at December 31	1.875%	2.00%
Future salary increases	2.00%	2.00%

Actuarial assumptions in deciding cost of defined benefit plans:

	2015	2014
Discount rate at December 31	2.00%	2.00%
Future salary increases	2.00%	2.00%

The expected allocation amount of defined benefit plans for one year period after the reporting date is \$53,628 thousands.

The weighted average duration of the defined benefit plan is 16.07 years.

### (7) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Bank uses judgments and estimations to determine the actuarial assumptions, including discount rate and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

If the actuarial assumptions had changed, the impact on present value of defined benefit obligation shall be as follows:

	<u>The impact on defined benefit obligation</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2015	\$ 293	1,873
Discount rate	(28,122)	29,294
Future salary increase (decrease)	28,415	(27,421)

The sensitivity analysis above is based on the static risk structure of discount rate against the constant status of other assumed factors. However, the changes in assumptions are linked in practice. The calculation methodology of sensitivity analysis is the same as the net defined benefit obligations of the balance sheet.

The method and the assumption of the current sensitivity analysis is the same as the previous period.

(Continued)

2) Employee Promotions Deposits plans

The Bank was obligated to pay present employees and retired employees fixed preferential interest rate for their deposits in conformity with “Rules Employee Preferential Deposit for Retired Employees for COTA commercial Bank”. If the Bank’s preferential deposit interest rate for an employee as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 “Employee Benefits” upon the employees’ retirement.

	December 31, 2015	December 31, 2014
Present value of defined benefit obligation	\$ <u>54,584</u>	<u>47,350</u>

(1) Expenses recognized in profit or loss

As of December 31, 2015, the Company’s expenses recognized in profit or loss were \$16,766 and \$10,591 thousands, respectively.

(2) Actuarial assumptions

	For the year ended December 31, 2015	For the year ended December 31, 2014
Interest rate of Employee Promotions Deposits plans	8.985%	9.15%
Return on funds deposited	2.00%	2.00%
Account balance annual decline rate	1.00%	1.00%
Chance of future changes in the system of Employee Promotions Deposits plans	50.00%	50.00%

(3) Historical information

	December 31, 2015	December 31, 2014
Present value of defined benefit plans	\$ <u>54,584</u>	<u>47,350</u>

3) Defined contribution plans

The Group contributes 6% of each employee’s monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Group’s pension costs under the defined contribution method were \$24,219 and \$23,051 thousands for 2015 and 2014, respectively. Payment was made to the Bureau of the Labor Insurance.

(Continued)

## 6. Financial Status

### 23. Income tax expenses

1) The components of income tax in the years 2015 and 2014 were as follows:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Current income tax expense		
Current	\$ 91,456	113,869
Adjustment of prior periods	1,152	1,455
10% surtax on undistributed earnings	-	2,606
	<u>92,608</u>	<u>117,930</u>
Deferred income tax expense		
Recognition and reversal of temporary differences	18,138	(25,789)
Income tax expense	<u>\$ 110,746</u>	<u>92,141</u>

The amount of income tax recognized in other comprehensive income for the years ended December 31, 2015 and 2014 were as follows:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Items not to be reclassified into profit or loss		
Remeasurements of defined benefit plans	\$ (4,354)	40

Reconciliation of income tax and net income before tax for 2015 and 2014 is as follows:

	For the year ended December 31, 2015 Amount	For the year ended December 31, 2014 Amount
Profit before income tax	\$ 831,938	533,130
Estimated income tax based on financial income before tax at the Group's statutory tax rate	141,429	90,632
Tax effect of tax-exempt gains from sale of marketable securities and land	2,369	(1,669)
Changes in unrecognized deductible temporary differences	(6,000)	10,000
Other adjustments	(28,204)	(10,883)
Prior years income tax adjustment	1,152	1,455
10% surtax on undistributed earnings	-	2,606
	<u>\$ 110,746</u>	<u>92,141</u>

2) Deferred tax asset and liability

(1) Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2015	December 31, 2014	January 1, 2014
Tax effect of deductible Temporary Differences	\$ <u>60,000</u>	<u>66,000</u>	<u>56,000</u>

(Continued)



(2) Recognized Deferred Tax Assets and Liabilities

Changes in the amount of deferred tax assets and liabilities for 2015 and 2014 were as follows:

	Defined Benefit Plans	Loss from Fair Value Changes	Allowance of impairment loss	Others	Total
<b>Deferred Tax Assets:</b>					
Balance at January 1, 2015	\$ 72,222	21,872	153,258	10,310	257,662
Recognized in profit or loss	1,230	-	(12,436)	(406)	(11,612)
Recognized in other comprehensive income	4,354	-	-	-	4,354
Balance at December 31, 2015	<u>\$ 77,800</u>	<u>21,872</u>	<u>140,822</u>	<u>9,904</u>	<u>250,404</u>
Balance at January 1, 2014	\$ 72,174	21,872	130,275	9,445	233,766
Recognized in profit or loss	88	-	22,983	865	23,936
Recognized in other comprehensive income	(40)	-	-	-	(40)
Balance at December 31, 2014	<u>\$ 72,222</u>	<u>21,872</u>	<u>153,258</u>	<u>10,310</u>	<u>257,662</u>

	Accrued liabilities for land tax revaluation increment	Profit from Fair Value Changes	Others	Total
<b>Deferred Tax Liabilities:</b>				
Balance at January 1, 2015	\$ 83,799	599	30,506	114,904
Recognized in profit or loss	-	5,729	797	6,526
Balance at December 31, 2015	<u>\$ 83,799</u>	<u>6,328</u>	<u>31,303</u>	<u>121,430</u>
Balance at January 1, 2014	\$ 83,799	3,524	29,434	116,757
Recognized in profit or loss	-	(2,925)	1,072	(1,853)
Balance at December 31, 2014	<u>\$ 83,799</u>	<u>599</u>	<u>30,506</u>	<u>114,904</u>

3) The income tax returns for the year 2013 have been assessed by the Tax Authorities.

4) Imputed tax credits are summarized as follows:

	December 31, 2015	December 31, 2014
Unappropriated earning	\$ <u>702,722</u>	<u>467,241</u>
Balance at deductible tax account	\$ <u>206,233</u>	<u>172,960</u>
	<b>2015 (Expected)</b>	<b>2014 (Actual)</b>
Tax deduction ratio for earnings distribution to ROC residents	<u>20.53%</u>	<u>21.23%</u>

The abovementioned, information was prepared in accordance with the information letter NO.1024562810 announced by Ministry of Finance of ROC on October 17, 2013.

(Continued)

## 6. Financial Status

### 24. Share capital and other equity accounts

#### 1) Share capital

As of December 31, 2015, and 2014, the Company's authorized capital consisted of 6,000,000 thousand shares and issued shares worth \$5,998,771 and \$5,032,692 thousands, respectively, with par value of \$10 (NT dollars) per share.

Outstanding shares reconciliation as below:

(thousand shares)	Common Stock	
	For the year ended December 31, 2015	For the year ended December 31, 2014
Balance at January 1	\$ 503,269	491,954
Issuance of common stock for cash	80,000	-
Common stock dividend	16,608	11,315
Balance at December 31	<u>\$ 599,877</u>	<u>503,269</u>

It was resolved in the stockholders' meeting on May 15, 2014 to increase capital through a capitalization of retained earnings amounting to \$113,149 thousands. This had been registered and approved by the government authorities on July 16, 2014.

It was resolved in the stockholders' meeting on June 10, 2015 to increase capital through a capitalization of retained earnings amounting to \$166,079 thousands. This had been registered and approved by the government authorities on July 27, 2015.

It was resolved in the directors' meeting on March 26, 2015 to increase capital through a cash injection amounting to \$800,000 thousands divided into 80,000 thousands shares at \$10 par value. This had been registered and approved by the government authorities on October 27, 2015.

#### 2) Capital reserve

The components of capital reserve were as follows:

	December 31, 2015	December 31, 2014
Statutory reserve and special reserve transferred in	\$ 742,056	742,056
Additional paid-in capital	136,043	136,043
Share-based compensation	19,982	14,424
Others	123	97
Additional paid-in capital	<u>\$ 898,204</u>	<u>892,620</u>

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.

(Continued)

### 3) Retained earnings

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.

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. Cash dividend shall not be lower than 10% of the total dividend distributed. If the cash dividend distributed per share is lower than NTD\$0.1, expect for otherwise resolved by the shareholder's meeting, it is not distributed.

#### (1) Legal reserve

Under the ROC Bank Act, the Company must retain 10% of its earnings as legal reserve until such retention equals the amount of the total capital. According to the amendment of the ROC Bank Act as of January 2012, legal reserve is limited to the extent of 25% of the share capital. In addition, under the ROC Bank Act, the Bank shall retain 30% of its after-tax earnings as the legal reserve before distributing them. Before the amount of legal reserves reaches the amount of the total capital, the maximum amount of distributing earnings in cash shall not exceed 15% of the total capital. The restriction is not applied if the amount of legal reserves equals the amount of the total capital, or if the Bank is in a sound financial condition and when it complies the ROC Bank Act.

#### (2) Special reserve

In accordance with Permit No. 1010012865 as issued by the Financial Supervisory Commission on April 6, 2013, a special reserve equal to the debit balance of unrealized loss on financial instruments in the stockholders' equity, is appropriated from unappropriated retained earnings pursuant to Article No.41 of the Securities and Exchange Act. When appropriating a special reserve for the first time, it is initially appropriated from current earnings and any deficiency is appropriated from the undistributed earnings of prior years. For the second year and years thereafter, the increase or decrease in the balance of unrealized loss on financial instruments in subsequent year, as shown in the statement of changes in stockholders' equity, is either subject to further appropriation for special reserve, or reversed to retained earnings.

#### (3) Appropriation of earnings

In 2014 was computed at an expected distribution rate of 10%, and based on the Company's net income for the year ended December 31, 2015 and 2014, after setting aside legal reserve. Accordingly, in 2014, the company recorded the bonus to employees of \$33,452 thousands, and the remuneration to directors and supervisors of \$10,035 thousands.

(Continued)

## 6. Financial Status

The accounting estimate of appropriation funds on the ground of each period's after-tax earnings multiplying the portion belonging to employees, directors and supervisors. The bonuses and remuneration are recognized as expense.

The distributions of earnings for 2014 and 2013 were resolved in the stockholders' meeting held on June 10, 2015 and May 15, 2014, respectively. The details were as follows:

	2014		2013	
Cash dividends (in NT dollar)	\$ 0.33	166,079	0.23	113,149
Common Stock dividends (in NT dollar)	0.33	<u>166,079</u>	0.23	<u>113,149</u>
		<u><b>332,158</b></u>		<u><b>226,298</b></u>

The 2014 actual distribution amount paid to the employee bonuses and remuneration to directors and supervisors was different from those recognized in the financial statements. The different treated as a change in accounting estimate and accounted as profit or loss for 2015. The different were as follows:

	Amounts Approved in Shareholders' Meetings	2014 Amounts Recognized in Financial Statements	Difference
Employee bonuses	\$ 33,494	33,452	42
Remuneration to directors and supervisors	<u>10,048</u>	<u>10,035</u>	<u>13</u>
	<u><b>\$ 43,542</b></u>	<u><b>43,487</b></u>	<u><b>55</b></u>

#### 4) Other equity accounts

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Others
Balance, January1, 2015	\$ (11)	4,861	4,850
Unrealized losses on available-for-sale financial assets, net of tax:	-	43,987	43,987
Foreign currency translation differences (net of tax):	<u>(16)</u>	<u>-</u>	<u>(16)</u>
Balance, December 31, 2015	<u><b>\$ (27)</b></u>	<u><b>48,848</b></u>	<u><b>48,821</b></u>
Balance, January1, 2014	\$ (8)	6,568	6,560
Unrealized losses on available-for-sale financial assets, net of tax:	-	(1,707)	(1,707)
Foreign currency translation differences (net of tax):	<u>(3)</u>	<u>-</u>	<u>(3)</u>
Balance, December 31, 2014	<u><b>\$ (11)</b></u>	<u><b>4,861</b></u>	<u><b>4,850</b></u>

(Continued)

## 25. Earnings per share

The basic and diluted earnings per share were calculated as follows:

	2015	2014
<b>Basic earnings per share:</b>		
Profit attributable to common shareholders	\$ <u>721,192</u>	<u>440,989</u>
Weighted average number of common shares	<u>534,343</u>	<u>519,877</u>
Basic Earnings per share (in NT dollars)	\$ <u>1.35</u>	<u>0.85</u>
<b>Diluted earnings per share:</b>		
Profit attributable to common shareholders	\$ <u>721,192</u>	<u>440,989</u>
Weighted average number of common shares	534,343	519,877
Effect of common stock with dilution potential:		
Employee bonuses	<u>5,203</u>	<u>3,280</u>
Average outstanding shares	<u>539,546</u>	<u>523,157</u>
Diluted earnings per share (in NT dollar)	\$ <u>1.34</u>	<u>0.84</u>

## 26. Net interest income

	For the year ended December 31, 2015	For the year ended December 31, 2014
<b>Interest income</b>		
Discount and loans	\$ 3,001,170	2,828,758
Due from Banks	174,673	189,364
Short-term bills and bonds	118,462	103,993
Other	<u>173,272</u>	<u>161,366</u>
Sub-total	<u>3,467,577</u>	<u>3,283,481</u>
<b>Interest expense</b>		
Deposit	1,088,063	1,045,711
Due to other Central Bank and banks and call loans to banks	3,926	2,670
Financial bonds	47,295	47,394
Other	<u>1,197</u>	<u>1,266</u>
Sub-total	<u>1,140,481</u>	<u>1,097,041</u>
	\$ <u>2,327,096</u>	<u>2,186,440</u>

(Continued)

## 6. Financial Status

### 27. Service fee income

	For the year ended December 31, 2015	For the year ended December 31, 2014
Insurance agency service fee	\$ 227,258	162,299
Fund service fee	27,747	32,830
Guarantee service fee	19,752	21,176
Consumer financial center service fee	16,291	15,386
Remittance service fee	13,264	13,460
Trust service fee	12,971	13,177
Other	31,285	28,761
Sub-total	348,568	287,089
Service fee expense	26,259	18,145
	<b>\$ 322,309</b>	<b>268,944</b>

### 28. Gains and losses on financial assets or liabilities measured at fair value through profit or loss

	For the year ended December 31, 2015	For the year ended December 31, 2014
<b>Disposal gains (losses)</b>		
Convertible bonds	\$ 33,223	29,484
Listed and OTC securities	(5,663)	6,103
Beneficiary certificates	524	(46)
Derivative financial instruments	77	176
Subtotal	28,161	35,717
<b>Valuation(losses) gains</b>		
Convertible bonds	4,500	246
Listed and OTC securities	(192)	(1,354)
Beneficiary certificates	1,345	(1,823)
Derivative financial instruments	(14,527)	22,030
Subtotal	(8,874)	19,099
<b>Dividend and interest income</b>	10,786	12,433
	<b>\$ 30,073</b>	<b>67,249</b>

### 29. Other net non-interest income

	For the year ended December 31, 2015	For the year ended December 31, 2014
Dividend income	\$ 6,529	11,545
Rental income	19,563	18,309
Net losses on disposal of premises and equipments	91	(5,489)
Others	8,818	6,593
	<b>\$ 35,001</b>	<b>30,958</b>

(Continued)



### 30. Bad debt expenses and provision for guarantee reserve

	For the year ended December 31, 2015	For the year ended December 31, 2014
Discounts and loans	\$ 153,352	265,782
Receivables	591	8,991
Guarantee reserve	(2,500)	17,500
	<u>\$ 151,443</u>	<u>292,273</u>

### 31. Employee's and directors' compensation

According to the Company's Article of Incorporation which is approved by the Board of Directors but not yet resolute by the meeting of shareholders, if the Company has profit (which means income before tax excluding the amounts of employees' and directors' compensation) shall be contributed by the following rules. However, if the amount Company have accumulated deficit, it shall reserve the amount for offsetting deficit.

1. No less than 6% of profit as employees' compensation. The Company may distributed in the form of shares or in cash, and the qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirement shall be determined by the Board of Directors.
2. No more than 2% of profit as the compensation in cash to the Directors.

The company accrued and recognized employees' and directors' compensation amounted to \$53,932 thousands and \$ 17,977 thousands, respectively, basing on the net income before tax which excluding the amounts of employees' and directors' compensation and the ratio stipulated in the Company's Article of Incorporation. The above are both accounted for under cost of sales and operating expense for the year ended December 31, 2015.

The difference between the amounts of employees' and directors' compensation approved in the shareholders' meeting and those recognized in the financial statements, if any, will be accounted for as a change in accounting estimation and recognized in profit or loss in the following year.

### 32. Employee benefits expenses

	For the year ended December 31, 2015	For the year ended December 31, 2014
Salary expenses	\$ 1,109,190	1,046,499
Insurance expenses	75,032	77,110
Retirement expenses	52,331	52,984
Other employee benefits	84,616	78,571
	<u>\$ 1,321,169</u>	<u>1,255,164</u>

(Continued)

## 6. Financial Status

### 33. Depreciation and amortization expenses

	For the year ended December 31, 2015	For the year ended December 31, 2014
Depreciation of Property and equipment	\$ 39,590	36,474
Depreciation of investment Property	1,033	637
Amortization of intangible assets	2,724	2,705
	<u>\$ 43,347</u>	<u>39,816</u>

### 34. Other general and administrative expenses

	For the year ended December 31, 2015	For the year ended December 31, 2014
Taxes and fees	\$ 218,106	157,502
Insurance expense	50,323	48,350
Rental expense	51,430	49,854
Occupational group membership fee	44,592	32,297
Advertising and printing expense	37,533	25,577
Security fees	19,375	18,858
Other	134,833	140,484
	<u>\$ 556,192</u>	<u>472,922</u>

## 35. Financial instruments

### 1) Fair value Measurement

#### (1) Overview

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments are measured at fair value on initial recognition, which, in most of the situations, refers to the entry price. Subsequent valuation is on the fair value basis except for financial instruments measured at amortized cost. The optimal evidence in deciding fair value is the exit price of active market. Considering those financial instruments without active market, the Group adopts valuation techniques or references of the exit price offered by Bloomberg, Reuters and counterparties in fair value valuation.

#### (2) Definition of three - level fair value hierarchy

##### A) Level 1

Fair value measurement for a financial instrument classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market. The definition of active market has all of the following conditions: the products traded in the market are homogeneous, willing parties are available anytime in the market, and price information is available for the public. The Company and its subsidiaries' investments in listed and TPEX securities, beneficiary certificates, popular Taiwan central government bonds and derivative financial instruments which had the quoted price in an active market are classified to Level 1.

##### B) Level 2

Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than quoted price in an active market including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The Company and its subsidiaries' investments in government bonds not in popular demand, corporate bonds, financial debentures, convertible bonds and majority derivative instruments are classified to Level 2.

##### C) Level 3

Input for a fair value measurement for a financial instrument classified in Level 3 is not based on obtainable data from the market (an unobservable input, such as volatility for a share option derived from the share's historical prices, as it does not generally represent current market expectations about future volatility).

(continued)

## 6. Financial Status

### (3) Fair value hierarchy

A) The table below analyses recurring financial instruments carried at fair value

Fair value measurement for financial instruments	December 31, 2015			
	Total	Level 1	Level 2	Level 3
<b>Non-Derivative Financial Instruments</b>				
<b>Assets:</b>				
Financial assets measured at fair value through profit or loss				
Investment in stocks	\$ 31,318	31,318	-	-
Investment in bonds	1,905,822	-	1,905,822	-
Others	42,835	42,835	-	-
Available-for-sale financial assets - net				
Investment in bonds	4,345,123	4,345,123	-	-

Fair value measurement for financial instruments	December 31, 2015			
	Total	Level 1	Level 2	Level 3
<b>Derivative Financial Instruments</b>				
<b>Assets:</b>				
Financial assets measured at fair value through profit or loss	\$ 36,685	-	36,685	-
<b>Liabilities:</b>				
Financial liabilities measured at fair value through profit or loss	1,045	-	1,045	-

Fair value measurement for financial instruments	December 31, 2014			
	Total	Level 1	Level 2	Level 3
<b>Non-Derivative Financial Instruments</b>				
<b>Assets:</b>				
Financial assets measured at fair value through profit or loss				
Investment in stocks	\$ 23,876	23,876	-	-
Investment in bonds	1,817,721	-	1,817,721	-
Others	337,940	337,940	-	-
Available-for-sale financial assets - net				
Investment in bonds	4,381,065	4,381,065	-	-

(Continued)

Fair value measurement for financial instruments	December 31, 2014			
	Total	Level 1	Level 2	Level 3
<b>Derivative Financial Instruments</b>				
<b>Assets:</b>				
Financial assets measured at fair value through profit or loss	\$ 50,304	-	50,304	-
<b>Liabilities:</b>				
Financial liabilities measured at fair value through profit or loss	137	-	137	-

B) Valuation techniques of financial assets and liabilities measured by fair value

If there is a quoted price in an active market for non-derivative financial assets and liabilities measured at fair value through profit or loss and available-for-sale financial assets, the quoted price is regarded as its fair value. Financial instruments with public market prices (except for stocks and depositary receipt) such as government bonds use the latest trade price TPEX Electronic Bond Trading System (EBTS) or reference theory price under as fair value. Foreign currency bonds use latest trade price as fair value. If no quoted price referable by, the fair value is estimated valuation techniques of which the assumptions and estimates are in conformity with those information (available for the Group) used in pricing the financial instruments. Financial derivative instruments with active market price use market value as fair value. When there is no active market price, valuation model is mainly adopted in evaluation. Derivative instruments—non-option use discounted cash flow method; Derivative instruments—options mainly use Black—Scholes Model in evaluation.

C) Fair value adjustment

a) Limitations to Evaluation Models and uncertain inputs

The outputs of evaluation models are estimated, while the model is possibly incapable of reflecting all relevant factors relating to financial instruments held by the group. In such circumstances, the estimates are hence adjusted according to suitable extra parameters such as model risk or liquidity risk. The Group's operation process of financial instrument evaluation policy considers the adjustment to evaluation is adequate and necessary so as to fairly present the financial instrument's fair value in statement of financial position. In the evaluation process, the pricing information and parameters are deliberately assessed and modulated in light of market situation.

b) Credit risk valuation adjustment

Credit risk valuation adjustment can be classified into Credit value adjustments and Debit value adjustments. The adjustments reflect the possibility of delayed repayment by the counterparty or the Group in fair value and of failure in transaction's entire market value collected (paid) by the Group.

For the year ended December 31, 2015 and 2014, unrealized gains due to the estimated change of fair value recognized by the Group were \$(10,026) and \$22,276 thousands, respectively.

(4) Methods and assumptions used by the Group for fair value evaluation of financial instruments were as follows:

A) Fair value of short-term financial instruments is estimated by their book value on the balance sheet date. Since these instruments have short maturities, the book value is adopted as a reasonable basis in estimating the fair value. The

(Continued)

## 6. Financial Status

method is applied to cash and cash equivalents, due from Central Bank and call loans to banks, securities purchased under reverse repurchase agreements, receivables, current tax assets, other financial assets, deposits from Central Bank and other banks, due to Central Bank and other banks, securities sold under repurchase agreements, payables, current tax liabilities, remittances, and other financial liabilities.

- B) If there is a quoted price in an active market for the financial asset, including financial instruments measured at fair value through profit or loss, available-for-sale, held-to-maturity financial assets, and hedging derivative financial instruments, the quoted price is regarded as its fair value. If there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique that refers to quoted prices provided by financial institutions. The discounted cash flow technique is used to estimate the fair value of a debt instrument where an active market does not exist. The estimates, hypotheses and discount rates for valuation refer to quoted prices, from financial institutions, of financial instruments having substantially the same terms and characteristics, including the credit quality of debtors, the remaining term over which the contractual interest rate is fixed, the remaining term to repayment of the principal, and the currency in which the payments are to be made. Fair value of debt investments without an active market accounted for under other financial assets is determined by the methods described above, and recorded in accordance with the “Regulations Governing the Preparation of Financial Reports by Public Bank’s” at amortized cost. Fair value for an equity investment is determined based on either the price calculated using a valuation technique or its book value.
- C) Loans and deposits are both classified as interest-bearing financial assets; therefore, the book value of financial assets is equivalent to their fair value. The net book value of the non-accrual account, after deducting provision for credit loss, is adopted as the fair value.
- D) Other Financial Assets: Financial Assets Carried at Cost: Because there is no quoted price in the active market and the interval of estimated fair values is significant or it is not reasonable to evaluate the probability of each estimated fair value within the interval, therefore, the fair value cannot be measured reliably. Hence, the Group used the cost method for fair value disclosure.
- E) Financial Bonds Payable: It refers to the financial bonds issued by the Company. Their coupon rates are almost equal to the market interest rate, so it is reasonable to using the discounted present values of the expected future cash flow to estimate their fair values. The present values are almost equal to the carrying amounts.
- F) Except those with quoted price in an active market, the fair values of the other financial instruments are attained by valuation techniques or quoted prices from countered parties. The fair value calculated using valuation techniques can refer to the present fair values of financial instruments with similar conditions and characteristics, the discounted cash flow method or other valuation techniques, including the modular valuation method of which the calculated values are computed using attainable market information (such as the commercial paper fixing rates of Reuters.)

(Continued)



## 36. Financial risk information

### 1) Overview

The main risks that the Bank faced and the management strategies are as follows:

#### (1) Management of capital adequacy ratio

The Bank risk management considers the Bank as a continuous operation and is being based on the best practice of Basel III, to develop a complete risk management structure and capital adequacy management to ensure the Bank fulfills the minimum capital requirements and enable to bear pressure of capital shock.

#### (2) Credit risk management

Credit strategy includes returns and risk diversification. The asset portfolio includes qualified retail bonds, corporate credit and mortgages. It is also distinguished based on the level of client risk to control the acceptable range of the overall credit risk. The Bank also made use of the risk transfer in credit guarantee fund to strengthen the collateral of small-and-medium enterprises, reduce breach of contract risk and accomplish benefits of risk capital at the same time. To effectively maintain the asset quality and risk return, the Bank has improved its credit investigation and review procedures. It has also managed its collateral and strengthened the development use of risk management instruments and credit risk management schemes.

#### (3) Liquidity risk and market risk management

Assets and liabilities committee is responsible of the liquidity, security and profitability of assets and liabilities. The committee not only conducts regular assessment on the duration and the maturity analysis of assets and liabilities but also set limit structure and the related liquidity limits to control index, adjust capital gap in order to conform with the objective of risk appetite. Profitability is strengthened through the optimization of assets and liabilities structure. Market risk management includes investment in trading book and banking book. To prevent financial instruments from suffering from excessive fluctuations in market price, management measures and restrictions on investment are set, sensitivity index on market risk factors.

#### (4) Operational risk management

In order to integrate risk management culture with employees, the Bank not only restricts employees by undertaking regulations, discipline and incentive and penalty measures, but also adopts standard operating procedures and internal control systems to enhance capability of information systems control and the timeliness and accuracy of information on risk management. Risk is controlled and reviewed regularly through the risk appetite, key risk indicator and warning system of risk events for early planning to improve measures.

The Bank has set the risk management policies and risk management procedures, which have been approved by the BOD for effective recognition, measurement, monitoring and control of credit risk, market risk and liquidity risk.

### 2) Organizational structure of risk management

The organizational structure of risk management includes BOD, Risk Committee, Risk Management Committee, Assets and

(Continued)

## 6. Financial Status

Liabilities Committee, Loan Review Committee, Department of Risk Management, Department of Audit, Department of Law, Credit Management Headquarter and Department of Credit Analysis and Appraisal and other management departments, with BOD as the ultimate responsible unit. The risk committee is subordinated to the BOD, and the member of risk committee is elected from the board of directors, who monitor risks on behalf of the BOD. The BOD and risk committee will delegate authorities to the general manager and committees in setting management rules as regards to risk identification, measurement, disclosure, report, monitoring and offsetting. The Bank also established independent risk management department to monitor the credit risk, market risk, operational risk and liquidity risk. At the same time, the Bank promotes the framework of new Basel capital agreement that identifies measures, discloses and reports management system and proposes each risk management report for management decision on a regular basis. Also, the law department is set up to carry out law risk management and procedures on review of legal compliance. The business units, which are subordinated to the general manager, ensure the coordination of each risk management policies; establish appropriate internal control and standard operating procedures and support the risk management project based on the business needs. The audit department is responsible for auditing the compliance of all internal and external business norms in all units, as well as the implementation of internal control in practice.

### 3) Credit risk

#### (1) The source and definition of credit risk

Credit risk is the risk of financial loss to the Bank if a creditor or counterparty fails to meet its contractual obligations. Credit risk management should be adopted in all operating activities that involved in credit risk, including loans, investment in banking book, financial derivatives, transactions in repurchase agreement and other operating activities in relation to the credit risk.

#### (2) Management policy of credit risk

The Bank has set standard control procedures on credit risk identification, measurement, and information on disclosures and reports to conduct rational identification, measurement, disclosures and effective control on credit risk. The Bank also deliberates the fluctuation in economics and adjusts the credit risk structure accordingly to control the risks in credit portfolio within the risk appetite. These procedures include criteria for targeted client, credit investigation, credit approval or rejection, approval on exceptions, risk control and management, credit review, management on non-performing loans and requests and control of all related documents and information. Based on the risk management policies, the illustration of management process carried out by the competent authority is as follows:

##### A. Credit investigation

With respect to the criteria for targeted client, the Bank should ask for all necessary documents from the clients in order to filter client accurately and control credit portfolio within the acceptable range.

##### B. Credit approval

Cases that have passed through the credit investigation are reviewed by the credit authority of each level. The credit authorities authorize credits in compliance with the credit limitation structure and authorization policies of the Bank. The credit limitation structure and authorization policies of the Bank are not only based on banking act and the rules stipulated by the authority, concerning the credit extended to same person or same affiliated enterprises/groups, stock collateral, industry and country, but also based on the professionalism of the credit authorities and the quality of asset control. The amounts of credit authorized are reviewed by the credit authorities on occasional basis.

(Continued)

C. Post-lending loan review mechanisms

The corporate banking business of the Bank strengthens the tracking control of the financial and business conditions on creditors, carry out risk assessment report of credit asset portfolio on a regular basis, set-up warning system and adjust business development strategy to cope with economic conditions and changes in asset quality through the account management scheme and regular reassessment system. As regards to delinquent loans, the Bank uses concentration management method, together with information systems and analysis model to conduct regular review to improve the performance on overdue to expedite the collection of nonperforming loans.

D. Development, application and verification of risk information system

The Bank has actively developed quantify risk assessment model as a reference for credit decision. The Bank develops the credit rating model based on products and characteristics of counterparties and use the results from the model to filter new clients, risk pricing and limit management, to analyze and develop overdue management strategy on overdue loans based on client behavior pattern. To improve the effectiveness of credit investigation and ensure the consistency with the investigation standards, the Bank built a credit investigation operating system, which not only strengthen the effectiveness of the Bank operation and information system, but also improve the development of model for quantifying risk. The Bank conducts verification on the risk assessment model on a regular basis and evaluates the effectiveness of the model and made necessary amendments.

The methods of risk measurement in the main operating departments are as follows:

a. Loans (including credit commitment and guarantee)

Classifications in credit assets and level of credit quality are illustrated as follows:

(A) Classification of credit assets

The credit assets are classified into 5 categories, where the normal credit assets are classified as Category 1. After nonperforming credit assets are evaluated by assessing the status of the loan collaterals and the length of time overdue, they are classified under Category 2 assets that require special mention. Assets that are substandard are classified as Category 3, assets that are doubtful are classified as Category 4 and assets for which incurred a loss are classified as Category 5. The Bank has set "Regulations Governing the Procedures to Evaluate Credit Assets, Set Aside Loss Reserves and Handle Non-performing Credit, Non-accrual Loans and Bad Debts" as management for doubtful loans and as a basis for handling overdue loans.

(B) Level of credit quality

The level of credit quality is set to accommodate the characteristics and the scale of operating business, and conduct risk management.

b. Due from the Central Banks and call loans to banks, investments in debt instruments and financial derivatives instruments

The Bank always assesses the credit situation of the counterparty before entering into a transaction. The counterparty's rating and information on financial condition from domestic and international credit rating agency are being considered and different credit risk limits are set. The credit risk limits are approved by the BOD or the authority level. Overall, most of the investments are above investment grade ratings.

(Continued)

## 6. Financial Status

### (3) Mitigation or hedging of risk

Based on the risk assessment of the credit counterparty and transactions, the Bank requires high liquidity and sufficient collateral or transfer of credit guarantee and guarantee association (for instance, Small and Medium Enterprise Credit Guarantee Fund) to strengthen the guarantee of loans. In order to avoid and control risks, the Bank not only requires the provision of necessary legal documents, but also conducts field survey on the status of collateral and determines whether to reassess the value of collateral and demand for additional collateral or adjust the credit amount. The lists of management conduct by the Bank are as follows:

- A. Setting the value of collateral and management measures, including types of acceptable collateral, valuation process, frequency of revaluation, market assessment and law enforcement procedures.
- B. The liquidity and value of collateral and the degree of law enforcement should be assessed by independent party.
- C. The selection of appraise or appraisal institute, the requirements of appraisal and its related fees should be in compliance with the internal management procedures.
- D. Transfer of collateral, authority setting and other insurance procedures should be completed before being appropriated, and the amount set, insured and other legal aspects should be complied with the Bank regulations.

### (4) Maximum exposure credit risk

Without taking collateral or other credit enhancement mitigation effect into account, the maximum exposure to credit risk of on-balance sheet financial assets is equal to their carrying values and the maximum exposure of credit risk of off-balance sheet financial instruments were as follows:

	December 31, 2015	December 31, 2014
Irrevocable loan commitment	\$ 18,350,297	18,060,909
Credit card commitment	22,090	20,562
Letter of credit commitment	1,587,408	2,308,648

The Bank believe the adopting stringent selection processes and conducting regular review afterwards are the reasons why they can continuously control and minimize the credit risk exposure of their off-balance sheet items.

### (5) Concentrations of credit risk

Concentrations of credit risk arise when a number of counterparties or exposure have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

Credit risk concentration can arise in a bank's assets, liabilities, or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credit, loan and deposits, call loan to banks, investment, receivables and derivatives. The Bank maintains a diversified portfolio, limits its exposure on a continuous basis. The Bank's most significant concentrations of credit risk are summarized as follows:

(Continued)

(a) By Industry

	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Private enterprise	\$ 23,990,248	22.39	21,357,258	20.64
Government-owned businesses	15,000	0.01	491,752	0.48
Public Sector	5,147,542	4.80	6,032,974	5.83
Non-profit organization	117,318	0.11	553,173	0.53
Individuals	77,728,642	72.53	75,037,650	72.52
Financial institutions	165,330	0.16	-	-
	<b>\$ 107,164,080</b>	<b>100.00</b>	<b>103,472,807</b>	<b>100.00</b>

(b) By Area

Not applicable since the Bank conducts its business domestically.

(c) By Collateral

	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Non-secured	\$ 20,419,238	19.05	21,440,479	20.72
Securities	131,027	0.12	144,411	0.14
Bond	153,554	0.14	148,420	0.14
Real estate	63,054,521	58.84	59,597,028	57.60
Chattel	18,543,960	17.30	17,260,467	16.68
Notes receivables	53,455	0.05	93,300	0.09
Guarantee	4,749,588	4.43	4,783,179	4.62
Other	58,737	0.07	5,523	0.01
	<b>\$ 107,164,080</b>	<b>100.00</b>	<b>103,472,807</b>	<b>100.00</b>

(6) Credit quality and overdue impairment loss of financial assets of the Bank

Part of the financial assets, such as cash and cash equivalent, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, bills and bonds purchased under resell agreement, guarantee deposits paid and operation guarantee deposits and settlement funds are considered of minimum credit risk due to the good credit ratings of the trade counterparties.

Expect for the abovementioned items, the credit quality analysis of the rest of the financial assets are as follows:

(Continued)

## 6. Financial Status

(a) Credit Quality Analysis of Discounts and Loans as well as Receivables

2015.12.31	Neither past due nor impaired (A)	Past due not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowance (D)		Net (A)+(B)+(C)-(D)
					With objective evidence	Without objective evidence	
Receivables							
- Credit card	147,081	995	381	148,457	187	31,947	116,323
- Revenue	1,274	-	-	1,274	-	-	1,274
- Interest	234,009	-	3,085	237,094	1,462	5,662	229,970
- Promissory fare	992	-	-	992	-	-	992
- Others	25,722	-	22,904	48,626	14,292	-	34,334
Subtotal	409,078	995	26,370	436,443	15,941	37,609	382,893
Discounts and loans	105,782,311	313,112	1,068,657	107,164,080	921,640	1,281,737	104,960,703
Off balance sheet items							
- Guarantee	1,380,907	-	29,312	1,410,219	-	-	1,410,219
- Letter of credit	177,189	-	-	177,189	-	-	177,189

2014.12.31	Neither past due nor impaired (A)	Past due not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowance (D)		Net (A)+(B)+(C)-(D)
					With objective evidence	Without objective evidence	
Receivables							
- Credit card	147,643	451	463	148,557	217	27,837	120,503
- Revenue	1,548	-	-	1,548	-	-	1,548
- Interest	224,424	-	2,904	227,328	2,731	7,278	217,319
- Others	14,908	-	22,088	36,996	15,115	-	21,881
Subtotal	388,523	451	25,455	414,429	18,063	35,115	361,251
Discounts and loans	102,129,743	259,042	1,084,022	103,472,807	705,654	1,569,557	101,197,596
Off balance sheet items							
- Guarantee	2,099,315	-	31,245	2,130,560	-	-	2,130,560
- Letter of credit	178,088	-	-	178,088	-	-	178,088

(Continued)



(b) Client-credit-quality-based Credit Quality Analysis on None Past Due and None impaired Discount and Loans

2015.12.31	Neither past due nor impaired				
	Very Good	Good	Medium	None	Total
Consumers' financing					
- Automobile	7,992,824	8,528,026	833	171,520	16,693,203
- Real estate	1,030,974	13,085,465	5,913,143	2,328,111	22,357,693
- Credit loans	4,950,317	1,814,490	23,051	50,045	6,837,903
- Deposit collateral	-	2,198	9,845	86,570	98,613
- Land as collateral	1,920	12,691,779	3,803,574	430,200	16,927,473
- Other secured	89,206	9,292,886	2,944,680	846,604	13,173,376
- Other non-secured	5,410	406,219	143,999	89,572	645,200
Corporate financing					
- Government	-	-	-	5,162,543	5,162,543
- PP&E as collateral	1,374,854	6,686,224	2,507,130	281,719	10,849,927
- Insurance policies as collateral	-	28,295	16,269	17	44,581
- Other secured	617,361	2,865,444	2,131,871	69,282	5,683,958
- Other non-secured	448,806	3,820,949	1,977,078	1,061,008	7,307,841
Total	16,511,672	59,221,975	19,471,473	10,577,191	105,782,311

2014.12.31	Neither past due nor impaired				
	Very Good	Good	Medium	None	Total
Consumers' financing					
- Automobile	7,762,706	7,809,719	300	554	15,573,279
- Real estate	774,200	13,220,762	6,079,006	2,150,236	22,224,204
- Credit loans	5,268,796	1,923,556	19,292	75,802	7,287,446
- Deposit collateral	-	2,719	2,817	97,996	103,532
- Other secured	100,989	21,616,478	6,030,788	477,696	28,225,951
- Other non-secured	20,880	480,936	139,139	47,987	688,942
Corporate financing					
- Government	-	-	-	6,524,726	6,524,726
- Other secured	1,748,608	9,067,499	4,119,463	265,938	15,201,508
- Other non-secured	264,307	3,848,129	1,625,571	562,148	6,300,155
Total	15,940,486	57,969,798	18,016,376	10,203,083	102,129,743

(Continued)

## 6. Financial Status

### (c) Credit Quality Analysis of Security Investments

2015.12.31	Neither past due nor impaired				Past due Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Allowance (D)	Net (A)+(B)+(C)-(D)
	Very Good	Good	Normal	Total (A)					
Available for sale									
- Bond	4,345,123	-	-	4,345,123	-	-	4,345,123	-	4,345,123
Held-to-maturity									
- Bond	3,505,657	-	-	3,505,657	-	-	3,505,657	-	3,505,657
- Other	1,000	-	-	1,000	-	-	1,000	-	1,000
Other									
- Equity	129,892	-	-	129,892	-	-	129,892	-	129,892
- Bond	-	-	-	-	-	66,132	66,132	8,349	57,783

2014.12.31	Neither past due nor impaired				Past due Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Allowance (D)	Net (A)+(B)+(C)-(D)
	Very Good	Good	Normal	Total (A)					
Available for sale									
- Bond	4,381,065	-	-	4,381,065	-	-	4,381,065	-	4,381,065
Held-to-maturity									
- Bond	3,422,956	-	-	3,422,956	-	-	3,422,956	-	3,422,956
- Other	1,000	-	-	1,000	-	-	1,000	-	1,000
Other									
- Equity	129,892	-	-	129,892	-	-	129,892	-	129,892
- Bond	-	-	-	-	-	63,436	63,436	8,009	55,427



(Continued)

(7) Ageing Analysis on Past Due but Not Impaired Financial Assets

Past due but not impaired loans might result from some temporary administration reasons so the customer is in the early stages of delinquency but no actual impairment occurs yet. According to the internal credit risk assets impairment evaluation guideline, unless there are other objective evidences shown the potential loss, a less than 90-day past due loan is typically not to be treated as impairment.

The aging analysis on past due but not impaired financial assets is as follows:

	2015.12.31			2014.12.31		
	Overdue within 1 month	Overdue Between 1 and 3 months	Total	Overdue within 1 month	Overdue Between 1 and 3 months	Total
Receivables						
- credit card	\$ 524	471	995	\$330	121	451
Discounts and loans						
Consumers						
- automobile	-	10,542	10,542	1,488	9,616	11,104
- real estate	-	40,801	40,801	5,254	72,978	78,232
- credit line	56,733	41,599	98,332	63,421	40,452	103,873
- land as collateral	-	27,892	27,892	10,950	-	10,950
- other secured	2	78,341	78,343	4	13,837	13,841
- other non-secured	698	1,785	2,483	1,020	2,968	3,988
Corporate						
- other secured	-	35,650	35,650	8,119	17,672	25,791
- other non-secured	-	19,069	19,069	3,574	7,689	11,263
<b>Total</b>	<b>\$ 57,957</b>	<b>256,150</b>	<b>314,107</b>	<b>\$94,160</b>	<b>165,333</b>	<b>259,493</b>

(Continued)

## 6. Financial Status

### (8) Analysis of Impairment for Financial Assets

Analysis of impairment for discounts, loans and receivables and accumulated impairment are as follows:

Item		Discounts and loans (Note1)	
		December 31,2015	December 31,2014
With objective evidence of impairment	Individual impairment	319,883	466,940
	Collective impairment	748,774	617,082
Without objective evidence of impairment	Collective impairment	106,095,423	102,388,785
<b>Total</b>		<b>107,164,080</b>	<b>103,472,807</b>

Item		Allowance for doubtful accounts	
		December 31,2015	December 31,2014
With objective evidence of impairment	Individual impairment	309,324	126,632
	Collective impairment	612,316	579,022
Without objective evidence of impairment	Collective impairment	1,281,737	1,569,557
<b>Total</b>		<b>2,203,377</b>	<b>2,275,211</b>

Item		Receivables (Note2)	
		December 31,2015	December 31,2014
With objective evidence of impairment	Individual impairment	23,276	22,942
	Collective impairment	3,093	2,513
Without objective evidence of impairment	Collective impairment	410,074	388,974
<b>Total</b>		<b>436,443</b>	<b>414,429</b>

Item		Allowance for doubtful accounts	
		December 31,2015	December 31,2014
With objective evidence of impairment	Individual impairment	12,848	15,550
	Collective impairment	3,093	2,513
Without objective evidence of impairment	Collective impairment	37,609	35,115
<b>Total</b>		<b>53,550</b>	<b>53,178</b>

Note 1: Total loan is the original amount without the adjustments of premium or discounts and the allowance for doubtful accounts.

Note 2: Total receivable is the original amount without the adjustments of the allowance for doubtful accounts.

Note 3: As of December 31, 2015 and 2014, tax refund receivables not applied to IAS 39 were \$13,378 thousands, respectively.

(Continued)

(9) Management of Foreclosed Collateral

Foreclosed collateral is recorded at cost, using lower-at-cost or market approach as at balance sheet date. If collateral is not disposed of within the statutory period, the Bank should apply for an extension of the disposal period and increase its provision for possible losses if necessary.

(10) Disclosures required in the Regulations Governing the Preparation of Financial Reports by Public Banks

A. Asset quality of nonperforming loan and overdue credits

Period		December 31, 2015					
		Nonperforming Loans (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	
Items							
Corporate Banking	Secured	48,116	16,861,134	0.29%	350,958	729.40%	
	Unsecured	25,942	12,574,303	0.21%	184,878	712.66%	
Consumer Banking	Mortgage loans(Note 4)	40,166	19,187,886	0.21%	397,664	990.05%	
	Cash card	-	1,252	-	32	-	
	Small-scale credit loans (Note 5)	49,784	10,854,680	0.46%	265,506	533.32%	
	Other (Note6)	Secured	53,682	47,122,434	0.11%	971,318	1,809.39%
		Unsecured	11,685	562,391	2.08%	33,021	282.59%
Total loans		229,375	107,164,080	0.21%	2,203,377	960.60%	
		Overdue Receivables	Receivables	Delinquency Ratio	Allowance for Possible Losses	Coverage Ratio	
Credit cards		381	148,457	0.26%	32,134	8,434.12%	
Accounts receivable factoring without recourse (Note 7)		-	-	-	-	-	

Period		December 31, 2014					
		Nonperforming Loans (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	
Items							
Corporate Banking	Secured	104,990	15,475,705	0.68%	341,248	325.03%	
	Unsecured	53,922	12,959,452	0.42%	207,780	385.33%	
Consumer Banking	Mortgage loans(Note 4)	41,559	19,198,966	0.22%	413,875	995.87%	
	Cash card	-	1,846	-	49	-	
	Small-scale credit loans (Note 5)	73,772	11,010,357	0.67%	323,303	438.25%	
	Other (Note6)	Secured	67,317	44,242,851	0.15%	947,093	1,406.91%
		Unsecured	12,981	583,630	2.22%	41,863	322.50%
Total loans		354,541	103,472,807	0.34%	2,275,211	641.73%	
		Overdue Receivables	Receivables	Delinquency Ratio	Allowance for Possible Losses	Coverage Ratio	
Credit cards		463	148,557	0.31%	28,054	6,059.18%	
Accounts receivable factoring without recourse (Note 7)		-	-	-	-	-	

(Continued)

## 6. Financial Status

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming / Non-accrued Loans."

Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business:  $NPL\ ratio = \frac{Nonperforming\ loans}{Total\ loan\ balance}$ .

For credit card business:  $Delinquency\ ratio = \frac{Overdue\ credit\ card\ receivables}{Credit\ card\ receivables\ balance}$ .

Note 3: Coverage ratio of loans:  $\frac{Allowance\ for\ possible\ losses\ for\ loans}{Nonperforming\ loans}$ .

Coverage ratio of credit card receivables:  $\frac{Allowance\ for\ possible\ losses\ for\ credit\ card\ receivables}{Overdue\ credit\ card\ receivables}$ .

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower or the spouse or the minor children of the borrower.

Note 5: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts, and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude mortgages, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), accounts receivable factoring without recourse are reported as overdue receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

### B. Exemption of nonperforming loans and overdue receivables

	December 31, 2015		December 31, 2014	
	Amount exempted from reporting as non-performing loans	Amount exempted from reporting as overdue account receivable	Amount exempted from reporting as non-performing loans	Amount exempted from reporting as overdue account receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	15,498	5,247	24,087	7,519
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	195,087	3,189	202,118	3,557
<b>Total</b>	<b>210,585</b>	<b>8,4361</b>	<b>226,205</b>	<b>11,076</b>

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreements is based on the Banking Bureau letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau letter dated September 15, 2008 (Ref. No. 09700318940).

(Continued)



C. Concentration of credit extensions

December 31, 2015			
Rank	Business Groups' Standard Industrial Classification and Symbol	Total Amount of Credit Endorsement or Other Transactions	Percentage of the Bank's Equity (%)
1	D Group-Transportation	405,153	5.05
2	h Group-Real Estate	376,370	4.69
3	l Group-Civil Engineering	312,607	3.90
4	W Group-Real Estate	277,280	3.46
5	c Group-Private Wholesale	232,400	2.90
6	b Group-Private Wholesale	227,286	2.83
7	h Group-Private Service	222,800	2.78
8	i Group-Private Pulp, Paper and Paper Products Manufacturing	206,000	2.57
9	j Group-Private Pulp, Paper and Paper Products Manufacturing	195,000	2.43
10	f Group-Private Machinery and Equipment Manufacturing	193,108	2.41

December 31, 2014			
Rank	Business Groups' Standard Industrial Classification and Symbol	Total Amount of Credit Endorsement or Other Transactions	Percentage of the Bank's Equity (%)
1	D Group-Transportation	530,061	7.97
2	E Group-Real Estate	404,477	6.08
3	d Group-Private Machinery and Equipment Manufacturing	399,170	6.00
4	l Group-Civil Engineering	275,800	4.15
5	B Group-Construction Industry	252,400	3.79
6	b Group-Private Service	240,800	3.62
7	W Group-Real Estate	214,400	3.22
8	A Group-Stay Service	201,447	3.03
9	e Group-Non-profit Organization	180,000	2.71
10	T Group-Wholesale	176,687	2.66

Note 1: The top ten enterprise groups other than government or state-owned enterprises are ranked according to their total outstanding credit amount. If the borrowers belong to an enterprise group, the aggregate credit balance of the enterprise should be calculated and disclosed as a code number for each such borrower together with an indication of the borrowers' line of business. In addition, if the borrowers are enterprise groups, the enterprise group's industry sector with the maximum exposure to credit risk in its main industry sector should be disclosed, along with the "class" of the industry, in compliance with the Standard Industrial Classification System of the R.O.C. posted by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.

Note 2: Enterprise group is as defined in Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings".

Note 3: Consists of loans (foreign currency imports financing, foreign currency export financing, notes discounted, customer overdrafts, short-term unsecured loans, short-term secured loans, receivables from securities lending, medium-term unsecured loans, medium-term secured loans, long-term unsecured loans, long-term secured loans, non-performing loans), foreign currency long positions, accounts receivable-factoring discount, bankers' acceptance receivable, guarantees receivable.

(Continued)

## 6. Financial Status

### 4) Liquidity risk

#### (1) Causes and definition of liquidity risk

The Bank's definition for liquidity risk is the risk the Bank encounter difficulty in meeting the obligations with its financial liabilities and cause the losses, for example, a saving account cancels its saving ahead of time, the ways or conditions to call loans to banks drop, creditors' credit become worsen and cause an exceptional condition, financial instruments cannot be financed and etc. The situation mentioned above may reduce the money for lending, trading, and investing activities. In some extreme situation, the lack of liquidity may decrease the level of balance sheet, sale assets, or the possibility of could not fulfill the promise of loan. Liquidity risk is containing in the inherent risk of bank operating, and could be affected by every industry individual or whole market's incident, which are included but not only as: credit event, consolidation or merger and acquisition, system shock, and natural disaster.

#### (2) Management policy of liquidity risk

The Bank carries out its management procedures respectively and is monitored by their respective independent risk management department. The procedures include:

- (a) Daily capital movement: monitoring future cash flows in order to ensure all requirements are fulfilled.
- (b) Maintain adequate stock of liquid assets to buffer unexpected events that may interrupt cash flows.
- (c) Monitor liquidity ratios of balance sheets in accordance with the internal management purposes and external regulatory requirements. The monitoring and reporting procedures are based on the estimation of future 1 month, 1-3 months, 3-6 months, 6-12 months and one-year capital flow. The estimation of future cash flow is based on the contract maturity date of financial liabilities and the estimated collection date of financial assets. The Bank monitors the interest rate risk, structure of assets and liabilities, and the liquidity conditions based on the related report and indices in ALCO and set alert and limits or MAT based on the key indices. Related information is regularly provided to the risk management committee and BOD.

#### (3) To manage liquidity risk of financial assets hold and non-derivative financial liabilities maturity analysis

##### A. To manage liquidity risk of financial assets held

The financial assets include cash and assets that are of highly liquid and high quality for the purpose of paying liabilities and capital movement during emergency. The assets held for managing liquidity risk include cash and cash equivalents, due from the central bank and call loans to banks, financial assets at FVTPL, discounts and loans, available-for-sale financial assets, and held-to-maturity financial assets.

##### B. Maturity analysis for non-derivative financial liabilities

The Bank's non-derivative financial liabilities are based both on the maturing of assets and liabilities, and the corresponding interest rate and controlled gaps that do not match. As the transaction conditions are uncertain and are of different types, the maturity of assets and liabilities usually does not match. This may result in gains or losses. The following table shows the maturity analysis of liquidity based on liabilities.

(Continued)

December 31, 2015	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Due from the Central Bank and Call Loans to Other Banks	-	25,670	-	38,800	-	64,470
Receivables	423,871	271,561	11,420	85,060	47,631	839,543
Deposit and remittance	13,056,312	18,021,654	19,393,810	44,110,769	40,397,332	134,979,877
Financial debentures	-	-	-	-	1,500,000	1,500,000

December 31, 2014	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Due from the Central Bank and Call Loans to Other Banks	8,556	17,113	25,670	-	59,800	111,139
Receivables	423,770	285,360	7,200	58,409	16,925	791,664
Deposit and remittance	13,433,197	17,485,808	20,392,305	41,892,756	36,185,414	129,389,480
Financial debentures	-	-	-	-	1,500,000	1,500,000

(4) The maturity analysis of lease agreement

The derivative instruments of the Bank's possession which are settled by net amount include foreign derivative instruments, such as non-delivery forward contracts, foreign exchange options settled by net amount. After evaluation the Bank concluded that the maturity date is the basic element to comprehend all the derivative financial instruments listed in the consolidated financial statement.

The maturity analysis of derivative financial liabilities settled by net amount is as follows:

	2015.12.31					Total
	0-30 days	31-90 days	91-180 days	180-365 days	Over 365 days	
Financial assets measured at fair value through profit or loss, Derivative instruments - Foreign exchange	\$ <u>951</u>	<u>27</u>	<u>67</u>	<u>-</u>	<u>-</u>	<u>1,045</u>

	2014.12.31					Total
	0-30 days	31-90 days	91-180 days	180-365 days	Over 365 days	
Financial assets measured at fair value through profit or loss, Derivative instruments - Foreign exchange	\$ <u>59</u>	<u>2</u>	<u>76</u>	<u>-</u>	<u>-</u>	<u>137</u>

(Continued)

## 6. Financial Status

### (5) Maturity analysis for off balance sheet items

The table below shows the maturity analysis of the off-balance-sheet items of the Bank based on the remaining days from the consolidated financial statement date to the contract maturity date. For the financial guarantee contracts issued, the maximum amount of the guarantee is listed in the earliest time zone that the guarantee may be executed. The amount disclosed is based on the cash flows of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the consolidated financial statement.

December 31, 2015	0~30 days	31~90 days	91~180 days	181~365 days	Over 365 days	Total
Commitment of loans	2,137,712	4,262,634	6,402,320	5,547,631	-	18,350,297
Commitment for letter of credit	-	7	205	446	21,432	22,090
Guarantees	3,362	19,513	20,900	30	-	43,805

December 31, 2014	0~30 days	31~90 days	91~180 days	181~365 days	Over 365 days	Total
Commitment of loans	2,210,241	4,410,977	6,630,813	4,808,878	-	18,060,909
Commitment for letter of credit	-	178	328	1,268	18,788	20,562
Guarantees	30	9,565	-	2,030	-	11,625

### (6) The maturity analysis of lease agreement

The lease contracts of the Bank are operating lease and financial lease. Operating lease commitment is the future minimum rental payment under irrevocable operating lease condition.

The maturity analysis of lease agreement is as follows:

December 31, 2015	Less than 1 year	1-5 year	Over 5 year	Total
Lease commitments				
Operating lease payments (Lessee)	46,536	100,429	1,393	148,358
Operating lease income(Lessor)	17,790	50,532	1,521	69,843

December 31, 2014	Less than 1 year	1-5 year	Over 5 year	Total
Lease commitments				
Operating lease payments (Lessee)	42,758	120,034	2,341	165,133
Operating lease income(Lessor)	18,744	9,962	3,043	31,749

(Continued)

(7) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

A. Maturity analysis of assets and liabilities in New Taiwan Dollars

(in thousands of New Taiwan dollars)

December 31, 2015							
	Total	Amount for each remaining period to maturity					
		0~10days	11~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Main capital inflow on maturity	148,064,018	15,027,063	13,963,074	7,578,964	10,439,469	20,111,436	80,944,012
Main capital outflow on maturity	165,367,324	6,301,836	10,025,852	23,019,257	25,945,199	49,658,536	50,416,644
Gap	(17,303,306)	8,725,227	3,937,222	(15,440,293)	(15,505,730)	(29,547,100)	30,527,368

(in thousands of New Taiwan dollars)

December 31, 2014							
	Total	Amount for each remaining period to maturity					
		0~10days	11~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Main capital inflow on maturity	140,708,670	12,390,534	12,736,571	6,655,928	10,313,900	18,718,225	79,893,512
Main capital outflow on maturity	157,447,059	5,807,024	10,439,555	22,653,679	27,074,921	46,689,995	44,781,885
Gap	(16,738,389)	6,583,510	2,297,016	(15,997,751)	(16,761,021)	(27,971,770)	35,111,627

B. Maturity analysis of assets and liabilities in US Dollars

December 31, 2015						
	Total	Amount for each remaining period to maturity				
		0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Main capital inflow on maturity	104,979	52,793	38,241	8,945	-	5,000
Main capital outflow on maturity	104,996	82,085	18,187	2,459	2,265	-
Gap	(17)	(29,292)	20,054	6,486	(2,265)	5,000

December 31, 2014						
	Total	Amount for each remaining period to maturity				
		0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Main capital inflow on maturity	77,467	32,997	35,889	8,581	-	-
Main capital outflow on maturity	77,467	58,282	14,592	1,997	2,596	-
Gap	-	(25,285)	21,297	6,584	(2,596)	-

(Continued)

## 6. Financial Status

### 5) Financial risk information

#### (1) Market risk

Market risk means the changes in market price that lead to the fair value and future cash flow volatility risk of the held financial instruments, even if it is not included in the financial statements. The risk factors usually refer to interest rate, exchange rate, equity investment and price. When the factors change, the Group's net operating income and the value of investment portfolio will have volatility risk.

The main market risks of the Company and its subsidiary are interest rate risk, exchange rate risk and equity investment risk. The main position of interest rate risk includes transactions with conditions, bonds, securities investments, interest rate swaps and so on. The main position of exchange risks includes forward exchange, foreign exchange swaps, and FX options and so on. The main position of equity investment risk includes stocks, funds, and stock market index futures and so on.

The major objective of the risk management of the Group is to control the risk under the scope approved by the board of directors by using effective management methods to utilize resource and create maximum economic profit. For major risks, the Group had established the risk management policies to serve as its primary principle, which covers managerial objective, organizational structure, accountability, and risk management procedures, and by implementing these mechanisms, operational risks can be controlled at an acceptable level.

Market risk is the risk that the Group's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level, volatility or correlation of market risk factors, such as interest rate (including credit spread), foreign exchange rate, securities price and commodity price. The market correlation and liquidity of these types of instruments are also covered.

The Group divides market risk exposures into either trading or non-trading portfolios. The trading portfolio includes positions arising from trading activities, which aim at benefiting from short-term price movements, such as proprietary trading and market making. The non-trading portfolio includes positions not held for the purpose of earning capital gains.

Sensitivity analysis for exchange rate risk, interest rate risk and equity security price risk is as follows:

2015.12.31			
Main risk	Range	Amount influence	
		Equity	Gain or loss
Exchange rate risk	USD/NTD, EUR/NTD increase 3%	-	22,220
Exchange rate risk	USD/NTD, EUR/NTD decrease 3%	-	(22,220)
Interest rate risk	Interest rate curve rise 100BPS	-	(127,495)
Interest rate risk	Interest rate curve fall 100BPS	-	127,495
Price of equity stock risk	Price of equity stock rise 15%	-	11,123
Price of equity stock risk	Price of equity stock fall 15%	-	(11,123)

2014.12.31			
Main risk	Range	Amount influence	
		Equity	Gain or loss
Exchange rate risk	USD/NTD, EUR/NTD increase 3%	-	61,079
Exchange rate risk	USD/NTD, EUR/NTD decrease 3%	-	(61,079)
Interest rate risk	Interest rate curve rise 100BPS	-	(154,169)
Interest rate risk	Interest rate curve fall 100BPS	-	154,169
Price of equity stock risk	Price of equity stock rise 15%	-	54,272
Price of equity stock risk	Price of equity stock fall 15%	-	(54,272)

(Continued)



(2) Exchange rate risk concentration information

All held foreign financial assets and liabilities are classified by currencies and represented using the carrying amounts.

(in thousands of New Taiwan dollars)

2015.12.31	USD	EUR	JPY	AUD	CNY	Total
Foreign currency Financial assets						
Cash and cash equivalents	32,641	7,345	22,412	-	12,495	74,893
Due from Central Bank and call loans to bank	4,629	-	-	-	-	4,629
Available-for-sale financial assets	57,783	-	-	-	10,190	67,973
Loans	350,967	-	618	-	-	351,585
Receivables	549,692	-	4,267	-	-	553,959
Others	3,161,405	22,994	39,468	305,516	62,767	3,592,150
<b>Total assets</b>	<b>4,157,117</b>	<b>30,339</b>	<b>66,765</b>	<b>305,516</b>	<b>85,452</b>	<b>4,645,189</b>
Foreign currency Financial liabilities						
Deposits and remittances	1,286,639	24,145	60,699	182,879	-	1,554,362
Payables	694,824	16	200	19,715	28	714,783
Others	2,168,228	165,691	5,866	102,921	-	2,442,706
<b>Total liabilities</b>	<b>4,149,691</b>	<b>189,852</b>	<b>66,765</b>	<b>305,515</b>	<b>28</b>	<b>4,711,851</b>

Note: As of December 31, 2015, USD/TWD:33.066; EUR/TWD:36.1478; JPY/TWD:0.2747; AUD/TWD:24.1712; CNY/TWD:5.0937.

(in thousands of New Taiwan dollars)

2014.12.31	USD	EUR	JPY	AUD	NZD	Total
Foreign currency Financial assets						
Cash and cash equivalents	22,560	7,314	20,003	-	16,883	66,760
Due from Central Bank and call loans to bank	99,595	-	-	-	-	99,595
Available-for-sale financial assets	55,427	-	-	106,454	-	161,881
Loans	308,544	10,303	513	-	-	319,360
Receivables	135,641	1,380	70	-	244	137,335
Others	2,688,623	71,883	33,530	95,879	38,352	2,928,267
<b>Total assets</b>	<b>3,310,390</b>	<b>90,880</b>	<b>54,116</b>	<b>202,333</b>	<b>55,479</b>	<b>3,713,198</b>
Foreign currency Financial liabilities						
Deposits and remittances	1,148,108	70,823	53,461	116,970	-	1,389,362
Payables	138,079	9	1	201	111	138,401
Others	1,231,218	20,048	654	85,162	-	1,337,082
<b>Total liabilities</b>	<b>2,517,405</b>	<b>90,880</b>	<b>54,116</b>	<b>202,333</b>	<b>111</b>	<b>2,864,845</b>

Note: As of December 31, 2014, USD/TWD:31.718; EUR/TWD:38.5501; JPY/TWD:0.2651; AUD/TWD:25.9644; CNY/TWD:5.1153.

(Continued)

## 6. Financial Status

(3) Disclosure required by the Regulations Governing the Preparation of Financial Reports by Public Banks.

A. The analysis table of interest rate sensitivity in New Taiwan Dollars

December 31, 2015

(in thousands of New Taiwan dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	\$ 106,137,602	4,493,579	2,312,762	37,222,408	140,166,351
Interest-rate-sensitive liabilities	25,873,331	65,743,691	37,168,113	3,424,794	132,209,929
Interest rate sensitivity gap	80,264,271	(61,250,112)	(34,855,351)	23,797,614	7,956,422
Net worth					8,036,712
Ratio of interest-rate-sensitive assets to liabilities (%)					106.02
Ratio of interest rate sensitivity gap to net worth (%)					99.00

December 31, 2014

(in thousands of New Taiwan dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	\$ 101,429,586	4,145,529	1,757,044	26,446,366	133,778,525
Interest-rate-sensitive liabilities	25,187,165	65,252,226	33,343,981	3,266,501	127,140,873
Interest rate sensitivity gap	76,242,421	(61,106,697)	(31,677,937)	23,179,865	6,637,652
Net worth					6,653,300
Ratio of interest-rate-sensitive assets to liabilities (%)					105.22
Ratio of interest rate sensitivity gap to net worth (%)					99.76

Note 1: The above amount included only new Taiwan dollar amounts held by the Bank, and excluded contingent assets and contingent liabilities.

Note 2: Interest rate sensitivity assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues and costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap=Interest-rate-sensitivity assets – Interest-rate-sensitivity liabilities.

Note 4: Ratio of interest-rate-sensitivity assets to liabilities=Interest-rate-sensitivity assets/Interest-rate-sensitivity liabilities.

B. The analysis table of interest rate sensitivity in US Dollars

December 31, 2015

(in thousands of U.S. dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	\$ 5,711	1,940	-	5,000	12,651
Interest-rate-sensitive liabilities	34,190	2,456	2,265	-	38,911
Interest rate sensitivity gap	(28,479)	(516)	(2,265)	5,000	(26,260)
Net worth					17
Ratio of interest-rate-sensitive assets to liabilities (%)					32.51
Ratio of interest rate sensitivity gap to net worth (%)					154,470.59

(Continued)

December 31, 2013

(in thousands of U.S. dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	\$ 9,159	5,596	-	-	14,755
Interest-rate-sensitive liabilities	28,557	1,993	2,596	-	33,146
Interest rate sensitivity gap	(19,398)	3,603	(2,596)	-	(18,391)
Net worth					1
Ratio of interest-rate-sensitive assets to liabilities (%)					44.52
Ratio of interest rate sensitivity gap to net worth (%)					(1,839,100.00)

Note 1: The above amount included only new Taiwan dollar amounts held by the Bank, and excluded contingent assets and contingent liabilities.

Note 2: Interest rate sensitivity assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues and costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap=Interest-rate-sensitivity assets – Interest-rate-sensitivity liabilities.

Note 4: Ratio of interest-rate-sensitivity assets to liabilities=Interest-rate-sensitivity assets/Interest-rate-sensitivity liabilities.

## 37. Capital management

### 1) Introduction

In accordance with the “Regulations Governing the Capital Adequacy and Capital Category of Banks” announced by FSC, regular calculation and preparation of related reports and report to the authorities for review are required in order to perform financial disclosures and conduct internal capital adequacy management. In accordance with the operation plans and budget targets, also considering the Bank’s development strategy, capital adequacy, liabilities ratios, and increased of return on equity.

### 2) Regulatory capital

Based on the “Regulations Governing the Capital Adequacy and Capital Category of Banks” announced by FSC, self-owned capital is classified into Tier 1 capital and Tier 2 capital:

(1) Tier 1 capital: includes common equity and other Tier 1 capital.

A. Common equity: Common equity includes common stock, capital surplus (excluding premium on preference shares issuance), accumulated surplus and equity adjustments, less the following items: intangible assets (including goodwill), unamortized loss on disposal of non-performing loans, major investments, deferred tax assets, deferred pension costs and the items originally deducted from Tier 1 capital and Tier 2 capital.

B. Other Tier 1 capital including non-cumulative perpetual preferred stock and non-cumulative perpetual subordinated debts.

(2) Tier 2 capital: includes cumulative perpetual preferred stock, cumulative perpetual subordinated debts, revaluation appreciation, convertible debt, operational provisions and loan-loss reserves.

(Continued)

## 6. Financial Status

### 3) Capital Adequacy ratio:

Item		Year	2015.12.31	2014.12.31	
Eligible Capital	Common stock capital		7,659,153	6,322,519	
	Other tier 1 capital		-	-	
	Tier 2 Capital		1,721,351	1,949,132	
	Eligible capital		9,380,504	8,271,651	
Risk-weighted Assets	Credit risk	Standardized approach	83,437,336	78,829,506	
		Internal-rating-based approach	-	-	
		Secularizations	-	-	
	Operational risk	Basic indicator approach	4,795,648	4,477,977	
		Standardized approach / alternative approach	-	-	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	3,757,382	4,247,874	
		Internal model approach	-	-	
	Total Risk-weighted assets			91,990,366	87,555,357
	Capital adequacy ratio			10.20%	9.45%
Ratio of common stock equity to risk-weighted assets (%)			8.33%	7.22%	
Ratio of tier 1 capital to risk-weighted assets (%)			8.33%	7.22%	
Leverage Ratio%			4.61%	3.98%	

Note 1: Eligible capital, risk-weighted assets and risk exposure are calculated under the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and the "Explanation of Methods for Calculating the Eligible Capital and Risk-Weighted Assets of Banks."

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity capital + Other tier 1 capital excluding common stock equity + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted assets for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of tier 1 capital to risk-weighted assets = (Common equity capital + additional tier 1 capital) ÷ Risk-weighted assets.
- 5) Ratio of common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- 6) Leverage = Tier 1 capital ÷ Exposure measurement.

(Continued)

### 38. Related-Party transactions

1) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

2) Significant transactions with related parties

(a) Loans

December 31, 2015							
Type	Account Volume (Number of Names)	Highest Balance	Ending Balance	Loan classification		Collateral (note2)	Differences in Transaction Terms from Those for Unrelated Parties
				Normal Loans	Non-performing loans		
Consumer loans for employees	5	\$1,800	1,800	1,800	-	Credit etc.	None
Private housing mortgage loan	7	15,960	11,117	11,117	-	Real estate	None
Other loans	16	241,694	180,464	180,464	-	Time deposits etc.	None

December 31, 2014							
Type	Account Volume (Number of Names)	Highest Balance	Ending Balance	Loan classification		Collateral (note2)	Differences in Transaction Terms from Those for Unrelated Parties
				Normal Loans	Non-performing loans		
Consumer loans for employees	6	\$2,438	1,278	1,278	-	Credit etc.	None
Private housing mortgage loan	7	12,770	12,146	12,146	-	Real estate	None
Other loans	11	227,229	137,258	137,258	-	Time deposits etc.	None

(b) Deposits

Name of related parties	2015.12.31		
	Ending Balance	%	The range of interest rate
The sum of separate accounts balances related parties' is lower than 10% of total deposits.	\$ 252,735	0.19	0.14~1.41

Name of related parties	2014.12.31		
	Ending Balance	%	The range of interest rate
The sum of separate accounts balances related parties' is lower than 10% of total deposits.	\$ 151,443	0.12	0.14~1.37

Interest resulting from such deposits was \$5,014 and \$3,019 thousands for 2015 and 2014. The range for employee demand savings deposits interest rate was approximately 8.985%.

(Continued)

## 6. Financial Status

### 3) Compensation information for main management

	2015	2014
Salary and other short-term employee benefits	\$ 47,082	30,383
Post-employment benefits	484	428
Termination benefits	-	-
Other long-term employee benefits	-	-
Share-based payment	-	-
	<b>\$ 47,566</b>	<b>30,811</b>

## 39. Pledged assets

Government bonds provided and deposited as trust compensation and placed as deposits in courts please refer to note 11 and 12.

## 40. Significant commitments and contingencies

### (1) Significant commitments and contingencies of COTA Commercial Bank Co., Ltd

	December 31, 2015	December 31, 2014
Collections received	\$ 9,499,010	1,091,422
Handled several guarantees	1,410,219	2,130,560
Entrusted with the sale of travelers checks	10,684	11,822
Letter of credit	177,189	178,088
Undrawn loan commitments	18,416,192	18,093,096

### (2) Other

Charge raised by Jan-Heng Corporation and others on result of board of directors' qualification review against the Company was filed in the Taichung District Court. The lawsuit was settled according to judgment court's on January 30, 2015, by ruling the resolutions of the Company's board of directors invalid.

The plaintiff filed another charge against the company in the Taichung District Court, appealing against the 6th election of directors and independent directors in 2014 shareholders' meeting. The Taichung District Court adjudicated the plaintiff as winning party. The litigation stated above was assessed no material impact on the company's business operation and strategy after the company's recruitment on December 29, 2014 for the year's 2nd shareholders' meeting, of which the agenda includes the re-election of directors and supervisors.

## 41. Significant Disaster Loss: None

## 42. Significant Subsequent Events: None

(Continued)



### 43. Other Matters

1) Personnel expenses, depreciation, and amortization for the years ended December 31, 2015 and 2014, were summarized as follows:

Function	2015			2014		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel Expenses:						
Salaries	-	1,109,190	1,109,190	-	1,046,499	1,046,499
Labor and health insurance	-	75,032	75,032	-	77,110	77,110
Pension	-	52,331	52,331	-	52,984	52,984
Other personnel expenses	-	84,616	84,616	-	78,571	78,571
Depreciation expenses	-	40,623	40,623	-	37,111	37,111
Amortization expenses	-	2,724	2,724	-	2,705	2,705

The Group had 1,142 and 1,140 employees, respectively, as of December 31, 2014 and 2015.

2) Balance sheet and trust property under the Company's trust accounts are disclosed as follows:

#### Trust Balance Sheets December 31, 2015

Trust Assets		Trust Liabilities	
Cash in bank	\$ 125,602	Trust capita - money	\$ 4,796,091
Investment in mutual fund	4,670,489	Trust capita - PP&E	-
Total trust assets	<u>\$ 4,796,091</u>	Total trust liabilities	<u>\$ 4,796,091</u>

#### December 31, 2014

Trust Assets		Trust Liabilities	
Cash in bank	\$ 64,538	Trust capita - money	\$ 5,047,086
Investment in mutual fund	4,982,548	Trust capita - PP&E	-
Total trust assets	<u>\$ 5,047,086</u>	Total trust liabilities	<u>\$ 5,047,086</u>

#### Trust Property list of trust account December 31, 2015

Investment Items	Amount
Cash in bank	\$ 125,602
Investment in mutual fund	4,670,489
	<u>\$ 4,796,091</u>

#### December 31, 2014

Investment Items	Amount
Cash in bank	\$ 64,538
Investment in mutual fund	4,982,548
	<u>\$ 5,047,086</u>

(Continued)

## 6. Financial Status

### Trust Income Statement For the year ended December 31, 2015

Investment Items		
Trust Income		
Interest income		\$ 26
Trust Expense		
Management fees		(714)
Income loss before income taxes		(688)
Income tax expense		-
Net loss		<u>\$ (688)</u>

### For the year ended December 31, 2014

Investment Items		
Trust Income		
Interest income		\$ 26
Trust Expense		
Management fees		1,254
Income loss before income taxes		(1,228)
Income tax expense		-
Net loss		<u>\$ (1,228)</u>

### 3) Profitability

Unit: %

Items		December 31, 2015	December 31, 2014
Return on assets ratio	Before income tax	0.58	0.39
	After income tax	0.50	0.33
Return on equity ratio	Before income tax	11.33	8.21
	After income tax	9.82	6.79
Net Income ratio		24.83	17.00

Note 1: Return on assets ratio = Net income before/after income tax ÷ average total assets

Note 2: Return on equity ratio = Net income before/after income tax ÷ average total stockholders' equity.

Note 3: Net income ratio = Net income after income tax ÷ Net revenue.

Note 4: Net income before/after tax represented accumulated income of current year

Note 5: The above profitability ratios are at annual rates.

(Continued)

## 44. Disclosures Required

### 1) Information on significant transactions:

Following the principle of financial report for public bank, the disclosure of information on significant transaction of the Bank and its Subsidiary were as follow:

- (1) Information regarding securities where the accumulated purchase or sale amounts for the period exceeded NT\$300 million or 10% of the Bank's paid in capital: None.
- (2) Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- (3) Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- (4) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded \$5 million: None.
- (5) Information regarding receivables from related parties for which the amount exceeded \$300 million or 10% of the Bank's paid-in capital: None.
- (6) Information regarding selling non-performing loans: None.
- (7) Approved securitization instrument types and related information according to "asset backed securitization" or "mortgage backed securitization": None.
- (8) Information on significant transactions between parent and subsidiary company were as follow:

No.	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Transaction Amount	Transaction Item	Percentage of Consolidated Revenue/ Assets
0	COTA Commercial Bank	COTA Bank Insurance Brokers	1	Service fees	152,707	Same as regular transaction	5.26%
1	COTA Bank Insurance Brokers	COTA Commercial Bank	2	Commission expenses	152,707	Same as regular transaction	5.26%
0	COTA Commercial Bank	COTA Bank Insurance Brokers	1	Receivables	11,454	Same as regular transaction	0.01%
1	COTA Bank Insurance Brokers	COTA Commercial Bank	2	Accrued Expenses	11,454	Same as regular transaction	0.01%

(Continued)

## 6. Financial Status

No.	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Transaction Amount	Transaction Item	Percentage of Consolidated Revenue/ Assets
0	COTA Commercial Bank	COTA Bank Insurance Brokers	1	Service fees	109,693	Same as regular transaction	4.23%
1	COTA Bank Insurance Brokers	COTA Commercial Bank	2	Commission expenses	109,693	Same as regular transaction	4.23%
0	COTA Commercial Bank	COTA Bank Insurance Brokers	1	Receivables	14,269	Same as regular transaction	0.01%
1	COTA Bank Insurance Brokers	COTA Commercial Bank	2	Accrued Expenses	14,269	Same as regular transaction	0.01%

Note 1: Number is based on the following rules:

The parent company is 0.

Subsidiaries are numbered by company from 1.

Note 2: The relation with trader is numbered as follow:

The parent company to its subsidiary is 1.

The subsidiary to its parent company is 2.

The subsidiary to subsidiary company is 3.

Note 3: The transactions mentioned above have already write-off when building the financial report.

(9) Other material transaction items which were significant to people who use the information in the financial statements:

None.

2) Related information on investee companies:

(In Thousands of New Taiwan Dollars/Thousands of shares)

Names of investee company	Location	Main business scope	Shareholding ratio	Carrying value	Gain(Loss) recognized during the period	Aggregate shareholding of the Bank and its subsidiaries				Remark
						No. of shares	No. of pro- forma shares	Total		
								Number of shares	Shareholding ratio	
COTA Bank Insurance Brokers Co., Ltd.	Taiwan	Financial Service	100 %	34,828	24,310	500,000	-	500,000	100%	-

3) Information regarding investment in China: None.

(Continued)

## 45. Segment Information:

The Group has three segments need to be disclosed (consumers' financing, branches, and others). Each department provides different services and products, and managed separately based on their diverse techniques and marketing tactic. The higher level managements of the Group review each department's internal management report every quarter. The information of asset and income disclose by segments all follow the significant accounting policies stated above.

The operation businesses of the segments which need to be disclosed were as follow:

<u>2015</u>	<u>Consumers' financing</u>	<u>Branches</u>	<u>Others</u>	<u>Elimination</u>	<u>Total</u>
<b>Revenue</b>					
Net interest income	\$ 1,180,997	755,002	391,097	-	2,327,096
Net service income	13,496	53,672	255,141	-	322,309
Other income-net	-	336	278,976	(24,628)	254,684
Income between segments	<u>(424,540)</u>	<u>653,172</u>	<u>(228,632)</u>	<u>-</u>	<u>-</u>
Total	<u>769,953</u>	<u>1,462,182</u>	<u>696,582</u>	<u>(24,628)</u>	<u>2,904,089</u>
<b>Expenses</b>					
Bad debt	120,634	158,950	(128,141)	-	151,443
Operating expenses	<u>315,572</u>	<u>730,767</u>	<u>874,688</u>	<u>(319)</u>	<u>1,920,708</u>
Total	<u>436,206</u>	<u>889,717</u>	<u>746,547</u>	<u>(319)</u>	<u>2,072,151</u>
Income before tax	<u>\$ 333,747</u>	<u>572,465</u>	<u>(49,965)</u>	<u>(24,309)</u>	<u>831,938</u>
<b>2015.12.31</b>					
Assets	<u>\$ 33,444,996</u>	<u>83,688,313</u>	<u>29,308,205</u>	<u>(83,653)</u>	<u>146,357,861</u>
Liabilities	<u>\$ 33,111,249</u>	<u>83,116,430</u>	<u>22,142,295</u>	<u>(48,825)</u>	<u>138,321,149</u>
<b>2014</b>					
<b>Revenue</b>					
Net interest income	\$ 1,131,784	686,437	368,219	-	2,186,440
Net service income	12,279	60,029	196,636	-	268,944
Other income-net	-	61,433	95,321	(18,833)	137,921
Income between segments	<u>(396,159)</u>	<u>613,007</u>	<u>(216,848)</u>	<u>-</u>	<u>-</u>
Total	<u>747,904</u>	<u>1,420,906</u>	<u>443,328</u>	<u>(18,833)</u>	<u>2,593,305</u>
<b>Expenses</b>					
Bad debt	157,819	175,488	(41,034)	-	292,273
Operating expenses	<u>297,908</u>	<u>689,827</u>	<u>780,486</u>	<u>(319)</u>	<u>1,767,902</u>
Total	<u>455,727</u>	<u>865,315</u>	<u>739,452</u>	<u>(319)</u>	<u>2,060,175</u>
Income before tax	<u>\$ 292,177</u>	<u>555,591</u>	<u>(296,124)</u>	<u>(18,514)</u>	<u>533,130</u>
<b>2014.12.31</b>					
Assets	<u>\$ 32,389,480</u>	<u>69,429,023</u>	<u>37,680,586</u>	<u>(63,433)</u>	<u>139,435,656</u>
Liabilities	<u>\$ 32,097,302</u>	<u>68,929,078</u>	<u>31,794,928</u>	<u>(38,952)</u>	<u>132,782,356</u>

(Continued)

## 6. Financial Status

### 1) Service segment information

<b>Services</b>	<b>2015</b>	<b>2014</b>
Interest income for loans	\$ 3,001,170	2,828,758
Other interest income	466,407	454,723
Service income	348,568	287,089
	<b>\$ 3,816,145</b>	<b>3,570,570</b>

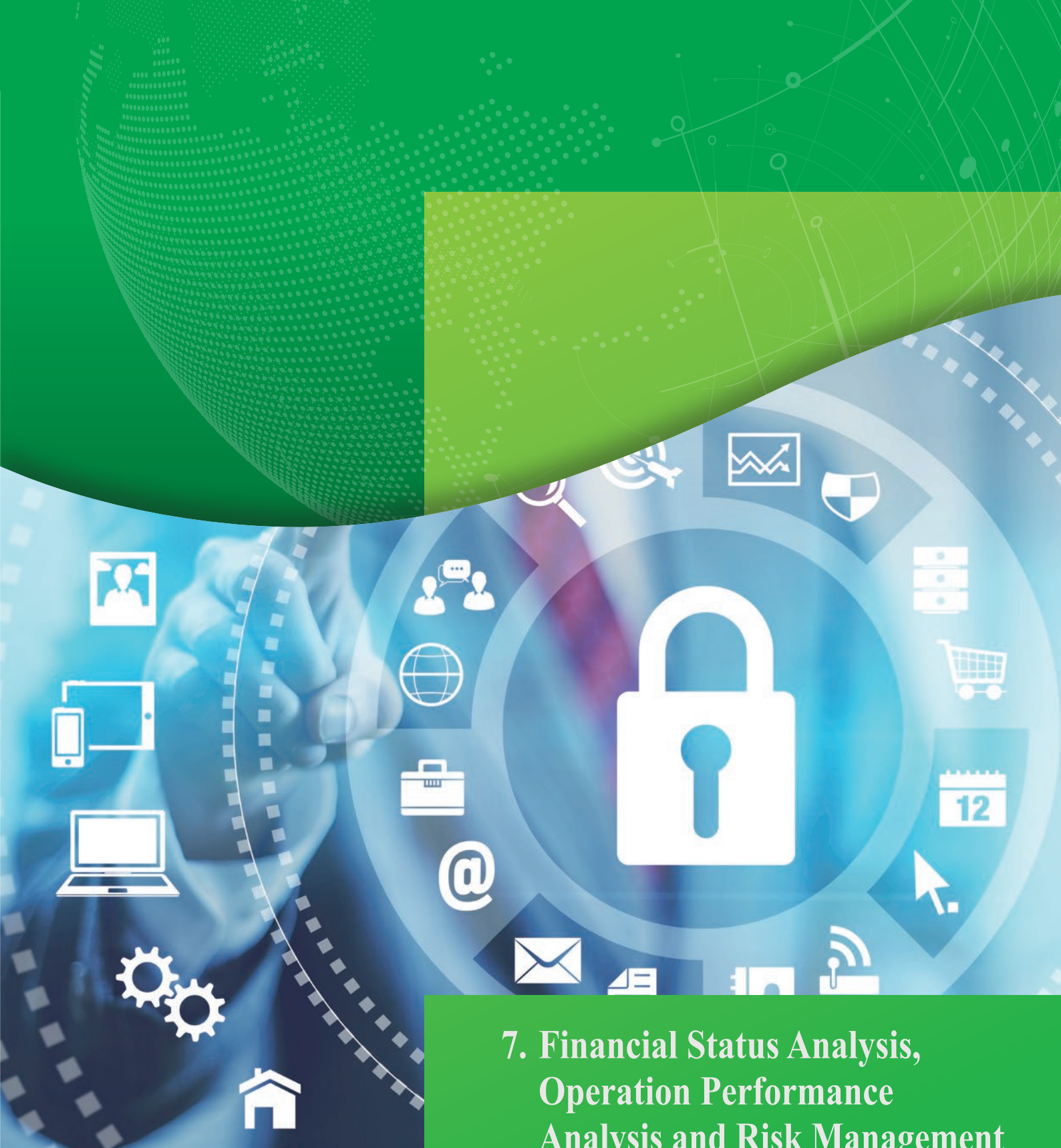
### 2) Geographic segment information:

The Group's interest income and service fee income are both from the customers in Taiwan. The Group's non-current assets are all located in Taiwan.

### 3) Information on major customers:

For the years ended December 31, 2015 and 2014, no individual customer of the Group accounted for 10% or more of the Bank and its subsidiaries' revenue in the statements of income.





## 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	2015	2014	Difference	
				Amount	%
Total Asset		146,391,165	139,462,706	6,928,459	4.97
Total Liability		138,354,453	132,809,406	5,545,047	4.18
Total Equity		8,036,712	6,653,300	1,383,412	20.79

Remarks: No analysis presented due to changes less than 20%, due primarily to increase in capital Increased by cash TWD800 million in 2016.

### 7-2. Operation Performance

Unit: TWD thousand

Item	Year	2015	2014	Increase/Decrease Amount	Increase/Decrease Ratio (%)
Interest expense		1,140,662	1,097,231	43,431	3.96
Non-interest income, net		531,262	365,276	165,989	45.44
Net revenue		2,858,177	2,551,523	306,654	12.02
Bad debt expense		151,443	292,273	(140,830)	(48.18)
Operating expense		1,879,783	1,729,298	150,485	8.70
Income before income tax		826,951	529,952	296,999	56.04
Net income		721,192	440,989	280,203	63.54

Remarks of Ratio Changes analysis:

- Interest income increased by TWD184,096 thousand was due to loans increase.
- Interest expense increased by TWD43,431 thousand was due to deposits increase.
- Net non-interest income increased by TWD165,989 thousand was Due to investment income increase and Asset Impairment Reversal.
- Bad debt expense decreased was due to Asset quality increase.
- Pre-Tax Income and Net Income increased was due to business volume.

### 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
19,422,376	576,821	602,010	20,601,207	-	-

Remarks:

- Cash Flow Analysis
  - Operating activities: The net cash outflow from operating activities due primarily to increase in discounts ,loans, deposits and remittances
  - Investing activities: The net cash outflow from investing activities due primarily to increase in property and equipment.
  - Financial activities: The net cash outflow from financial activities due primarily to increase in capital Increased by cash and cash dividend.
- Improvement plan on shortage of liquidity: Not applicable as an occurrence of shortage.

### 7-3-2. Cash Flow Analysis for Coming 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
20,601,207	(173,095)	1,629,401	22,057,513	-	-

Remarks:

The Bank estimates cash outflow about TWD173,095 generated from operating activities in 2016. The estimated cash outflow (investment and financial activities) about minus TWD1,629,401 thousand in 2016 mainly due from issued subordinated, increase in property ,equipment and cash dividend.

## 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

## 7-5. 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

Jan.22, 2015 Legislative Yuan pass a finance five the methods draft amendment. Pass a finance five the methods draft amendment, Insurance Act add the bank to allow to establish an insurance section, Bank may operate either one of the insurance agent or insurance broker business concurrently upon approval of the competent authority, Strengthen the bank sale insurance responsibility

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

COTA Bank Insurance Broker Co., Ltd., 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 2015

Items	Contents
1. Strategies, Objectives, Policies, and Processes	<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>
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 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>

Items	Contents
	(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.
3. The Scope and Nature of the Risk Reporting and/or Measurement Systems	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: (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 The Bank gradually establishes internal rating framework and measures and analyzes loan risks through quantitative indexes and qualitative methods.
4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/ Mitigations	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.  The Bank had formulated "The Directions of lending rate pricing". The standard of lending rate considered the market rate, capital cost, operating cost, risk expected loss cost, reasonable profit. For market competition, the customer integral contribution will be the factor of lending pricing.  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.
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, 2015

Unit: TWD thousand

Category	Exposure amount after risk mitigation	Capital Requirement
Sovereigns	25,154,226	13,200
Non central government public sector entities	5,208,547	83,337
Banks (multilateral development banks)	469,018	13,918
Corporate (Securities firm and insurance companies)	12,917,647	955,584
Regulatory retail portfolios	67,863,412	4,309,581
Secured by residential property	18,969,352	1,069,478
Equities investment	-	-
Other assets	2,496,338	229,756
<b>Total</b>	<b>133,078,540</b>	<b>6,674,854</b>



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

## 7-6-1-2. Assets Securitization Risk

### Assets Securitization Risk Management System

Year 2015

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
6. General periodic disclosures including : (1) The purpose of securitization and the types of risks borne and retained by the Bank for re-securitization	Not applicable



Items	Contents
(2) Other risks associated with securitized assets(e.g. liquidity risk) (3) The different roles played by the Bank Asset securitization and the level of participation in every stage (4) Describe the monitoring procedures adopted for credit risk and market risk exposures associated with asset securitization (5) Risk management policies adopted by the Bank to mitigate credit risks associated with securitization and re-securitization	Not applicable
7. Provide an overall description of the Bank's accounting policies on securitization	Not applicable
8. The name of the external Credit Assessment Institution(ECAI) engaged for asset securitization within the Banking book and the ECAI's involvement in every type of securitized asset	Not applicable
9. Describe any material changes of quantitative information since the last reporting period (e.g. shift of asset balances between the Banking book and the trading book)	Not applicable

Remarks:

Item6-9 only applicable to Originating Banks which there is flow in the external position

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

**Assets securitization exposures and capital requirements**

**Dec. 31, 2015**

Unit: TWD thousand

Type of Exposures		Type of Assets	Synthetic		
			Risk Exposures		Capital Requirements
			Purchasing or Holding Securitization		
Non- Originating Bank	Banking Book	-	-	-	
	Trading Book	-	-	-	
-	Total	-	-	-	

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

## 7-6-1-3. Operational Risk

### Operational Risk Management System

Year 2015

Items	Contents
1. Strategies and Processes	<p>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.</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 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> <p>(6) Audit Office: The office should execute auditing processes independently and should provide improvement suggestion timely.</p>
3. The Scope and Nature of the Risk Reporting and/or Measurement Systems	<p>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. The Bank conducts the self-assessment of the operational events before the end of May every year, compliance system, internal audit system, and self-inspection system to manage and reduce operational risk.</p>

Items	Contents
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, 2015**

Unit: TWD thousand

Year	Annual Gross Income	Capital Charge
2013	2,385,354	
2014	2,551,524	
2015	2,736,159	
Total	7,673,037	383,652

**7-6-1-4. Market Risk**

**Market Risk Management System**

Year 2015

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>

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

Items	Contents
	<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>(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	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 2015, the Bank will use the PIRS system established by TEJ to pricing Bonds, CBAS, Option to reflect the real market price and compliance with regulations.
4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	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.
5. Approach for calculating the Bank's capital requirement	Standardized approach

### The Market Risk Capital Charge Dec. 31, 2015

Unit: TWD thousand

Risk Category	Capital Charge
Interest Rate Risk	220,255
Equity Position Risk	11,865
Foreign Exchange Risk	68,471
Option Position	0
Total	300,591



#### 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.

According to “Standards Implementing the Liquidity Coverage Ratio of Banks” promulgated on Dec. 29, 2014 took effective on Jan. 1, 2015. Our bank Liquidity Coverage Ratio (LCR) was 253.82% that achieved the minimum required 70%.

#### Analysis for Time-to-Maturity of the Bank's TWD Assets and Liabilities as of Dec. 31, 2015

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	148,064,018	15,027,063	13,963,074	7,578,964	10,439,469	20,111,436	80,944,012
Major outflows of Matured funds	165,367,324	6,301,836	10,025,852	23,019,257	25,945,199	49,658,536	50,416,644
Maturity Gap	(17,303,306)	8,725,227	3,937,222	(15,440,293)	(15,505,730)	(29,547,100)	30,527,368

#### Analysis for Time-to-Maturity of the Bank's USD Assets and Liabilities as of Dec. 31, 2015

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	104,979	52,793	38,241	8,945	0	5,000
Major outflows of Matured funds	104,996	82,085	18,187	2,459	2,265	0
Maturity Gap	(17)	(29,292)	20,054	6,486	(2,265)	5,000

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

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

#### 7-6-2-1. Impact on Financial Act

- Change in Regulations

The Legislative Yuan of the Republic of China announced "The Banking Act of The Republic of China", "Offshore Banking Act", "Financial Consumer Protection Act", "Insurance Act", "The Act Governing Electronic Payment Institutions" on Jan. , 2015.

- Impact and Adopting Measures

COTA can add the business of insurance agent and broker, beside, it can increase bank's gain and reduce cost of tax; meanwhile, it can effectively handle financial consumer disputes. The amendment of " Financial Consumer Protection Act" , reinforcing the confidence of financial consumers in markets and promoting sound development of financial markets.

#### 7-6-2-2. Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Banking Sector

- Change in Regulations

The risk control mechanism or the internal control system of a bank should include identification, evaluation, management carried out for risks of money laundering and financing of terrorism, relevant written policies and procedures setup before Dec.31,2015. Financial institutions shall accomplish appropriate measures to identify and evaluate its risks of money laundering and financing of terrorism, and formulate specific risk assessment projects based on the risk identified to further control, reduce or prevent the risk on Jun.30,2016.

- Impact and Adopting Measures

COTA will establish a regular and comprehensive risk assessment of money laundering and financing of terrorism for the management to be able to timely and effectively understand the overall risks faced by banks in money laundering and financing of terrorism, and decide the mechanism which should be established and develop appropriate measures to risk reduction.

#### 7-6-2-3. Impact on the Foreign Account Tax Compliance Act (FATCA)

- Change in Regulations

The government of the United States implemented FATCA, providing income information for US citizens on tax inspection purposes, in July 2014.

- Impact and Adopting Measures

If banks refuse to follow FATCA, it will result in punishment withholding tax of 30% on investment income from the US territory or financial institutions of the FFI (Foreign Financial Institution) agreement. The bank has assigned a task group to deal with FATCA and hired KPMG to provide professional consulting services and to assist the bank in practices. The bank has identified current clients, analyzed account information, and adjusted information system for future reporting. The bank has completed registration and obtained a global intermediary identification number (GIIN) on IRS website on April 22, 2014. The bank will continuously track the related regulations and measures from national government.



#### 7-6-2-4. Impact of Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries:

- Change in Regulations

Financial holding companies and banks should set up a legal affairs and compliance unit under President. The unit is responsible for regulatory compliance planning, management and implementation. In addition, the bank should appoint a senior manager as a head of the unit to deal with legal affairs and report to the Board of Directors and Audit Committee once a half year.

- Impact and Adopting Measures:

The bank adjusted related operation to meet the requirement of the regulation on business, management, and legislation. On February 7, 2015, the bank established the Legal Affairs and Compliance Department under President and appointed a senior manager as a Department General Manager to deal with legal affairs and report to the Board of Directors and Audit Committee once a half year.

#### 7-6-2-5. Impact on Basel III

- Change in Regulations

Financial Supervisory Commission and Central Bank of the Republic of China promulgated “Standards Implementing the Liquidity Coverage Ratio of Banks” on Dec. 29, 2014.

- Impact and Adopting Measures

The Basel III made a great impact on Asian banks is the strict regulations on liquidity assets. The reason is parts of banks to lack of the high-quality current assets, the operator must also adopt new science and technology or upgrade the internal system to manage the mobility risk and obey the mobility new standard

The Basel III and before inspect institutional of the main difference is a banking to want with the Liquidity Coverage Ratio (LCR) and the net stable funding ratio (NSFR) quantification mobility risk.

(LCR) requires the banks should own high-quality liquidity assets to meet net cash outflow under severe situation within 30 days.

The (NSFR) encouragement bank uses more stable funds source and strengthens the tenacity for banking to face long-term pressure and make use of medium and long-term margin strategy, rather than use more short-term assets

The bank's LCR is 258.82% for the first trial calculation based on January 2015 data which has already passed the minimum requirement of the 70%.

The LCR implements a schedule, each year not get is lower than the following ratio:

	2015	2016	2017	2018	2019
Min LCR(%)	60	70	80	90	100

The (NSFR) anticipates formal implementation carry out in 2018

#### 7-6-3. 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

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

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. 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. The Influence and Risk Posed by Mass Shares Transfer of Directors, Supervisors or Major Shareholders with Shares holding over 1% and Adopting Measures: None

### 7-6-10. Lawsuits

The bank had lawsuits with the shareholder of the Zhang Heng Investment Co., Ltd as follows: Zhang Heng Investment Co., Ltd. and 9 other companies took administrative action for revocation of board resolution and this action is ongoing in jure. The Taiwan Taichung District Court decided for the plaintiff, the bank decided not to appeal. The shareholder provisional committee selects the 7th board director; therefore, the judgment doesn't influence the operation of the bank.

### 7-6-11. 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 managers of each unit charges with contact assignment.

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

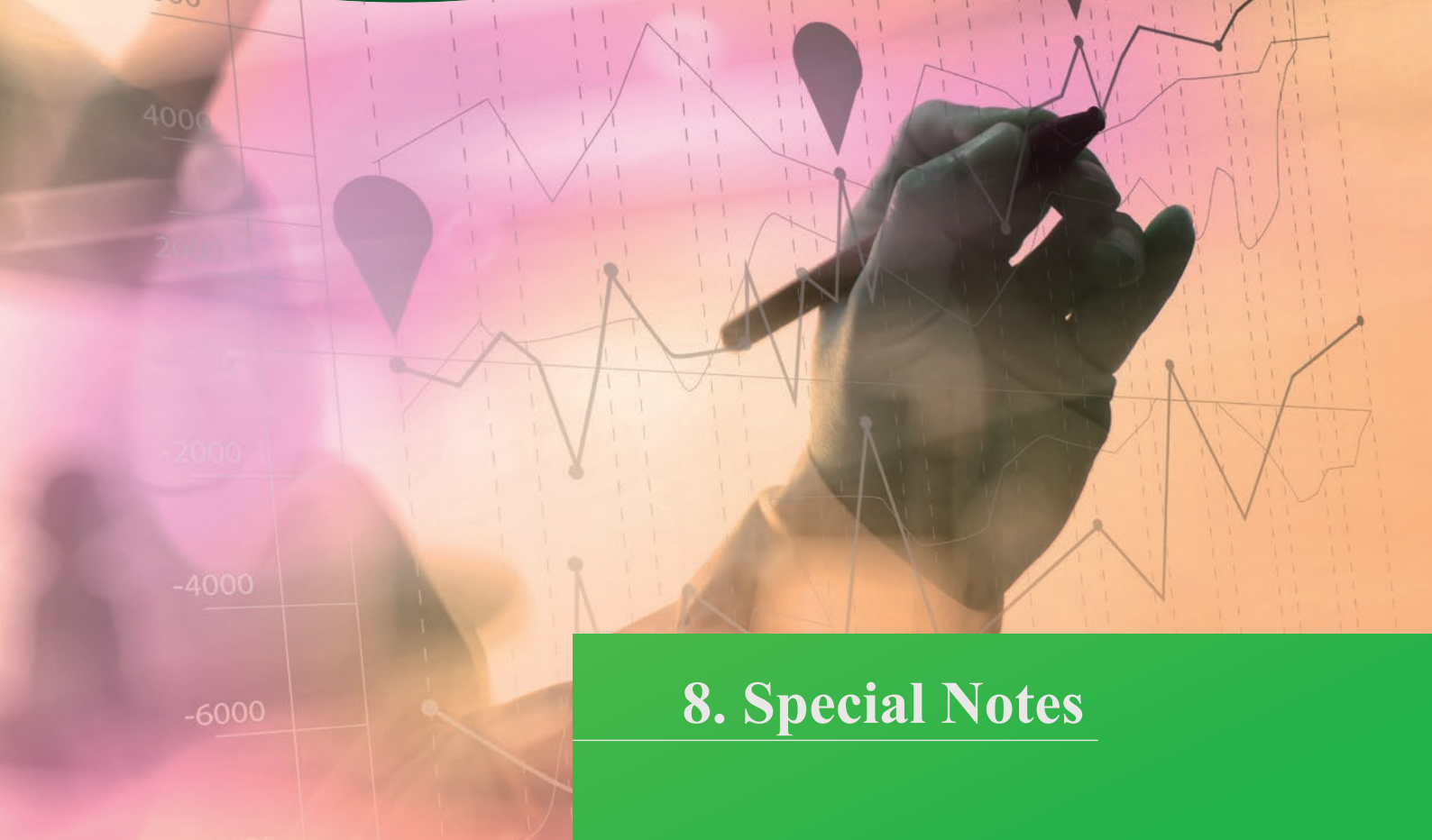




COTA  
BANK





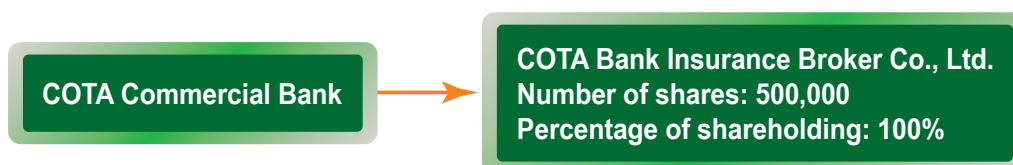


# 8. Special Notes

## 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	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

As of Jan.1, 2014

Company name	Title	Name or Represent	Shares	
			Number of shares	Percentage of shareholding (%)
COTA Bank Insurance Broker Co., Ltd.	Chairman	Chan-wen Lin	500,000	100.00
	Director	Yong-Zhi Wang		
	Director	Ying-Che Chang		
	Director	Cai-Xiong Liao		
	Director	Lien-Kui Wang		
	Director	Yao-Ting Li		
	Supervisor	Jun-ChuanWang		

#### 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	50,349	15,521	34,828	227,258	29.084	24,310	48.62



**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**

**8-5. Pursuant to Item 2, Paragraph 2, Article 36 of Security and  
Exchange Act, the Incidence Exerting Material Influence on  
Shareholders' Rights or Security Prices: None**



## \* Chronological Highlights

### 1999

- 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 6th extraordinary meeting of the first term.

### 2000

- 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 Wenhshin Branch spin into 2 mini branches as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung 89759294.

### 2001

- 2001.01.05 Started business for Credit card.
- 2001.04.02 Set up Wenhshin 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.
- 2001.09.05 Set up Trusts Department.
- 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

- 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.
- 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.

## 2003

- 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

- 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

- 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

- 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

- 2007.01.17 Set up Kaohsiung Branch.
- 2007.06.06 Held 2007 shareholder's regular meeting.
- 2007.07.06 Set up Tainan Branch.

## 2008

- 2008.05.26 Sanmin Branch moved to Xinzhuang City and renamed

## \* Chronological Highlights

- 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 4th 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 Sep up Xinzhuang Branch.

### 2009

- 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

- 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 Sep 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

- 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 1st subordinated bank debentures.
- 2011.02.24 Issued 2011 1st 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 Song-Yie, 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

- 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.
- 2012.09.13 Fengdong Branch moved to Fengshan and renamed Fengshan Branch, Zhongzheng Mini Branch moved to Fengyuan and renamed Fengdong Mini Branch as approved by FSC under doc. no. Chin-Kuan-Yin-He-Tze 10100292650.
- 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.

## 2013

- 2013.02.21 Launched business of RMB.
- 2013.03.18 Zhongshan Branch moved, Fengle Branch moved and renamed Daya Branch as approved by FSC under doc. no.Chin-Kuan-Yin-He-Tze 10200065840.
- 2013.04.22 Zhongzheng Mini Branch moved to Fengyuan and renamed Fengdong Mini Branch and reopened for business.
- 2013.05.30 Held 2013 shareholder's regular meeting.
- 2013.06.24 Zhongshan Branch moved to 36, Daming Road, Fengyuan District, Taichung City and reopened for business.
- 2013.07.24 Fengshan Branch grand opening.
- 2013.08.20 Received “Best Awards of Creation” recognized by Financial Information Service Co., Ltd. for domestic USD clearing platform.
- 2013.09.27 Publically announced new shares offering in 2013.

## 2014

- 2014.03.04 Held 2014 shareholder's extraordinary meeting.
- 2014.04.22 COTA Bank have registered with the IRS and obtained GIINs.
- 2014.05.15 Held 2014 shareholder's regular meeting
- 2014.05.16 Launched Pre-Construction Real Estate Trust
- 2014.05.26 Daya Branch opened
- 2014.07.01 Launched business of Gold Passbook
- 2014.12.17 Obtained approval of foreign exchange licenses for branches of Banking Dept., Chenggong, Xinzhuang, Xinzhu and Fengshan.
- 2014.12.22 COTA Bank was conferred “Golden Security Award” from Joint Credit Information Center.
- 2014.12.29 Held 2014 shareholder's 2nd extraordinary meeting for voting directors.

## 2015

- 2015.01.08 Mr. Liao Song-Yie and Chuan Cheng Hat Co., Ltd. were elected as managing directors in board of directors of the 7th Session of 1st extraordinary meeting.
- 2015.01.23 Mr. Kun-Hsien Lin, Mr. Kuo-Chao Hsiao and Ying-Che Chang-Corporation Representative of Deng Heng Enterprise Co., Ltd. were elected as managing directors in board of directors, Mr. Liao Sung-Yie was elected as Chairman in board of directors of the 7th Session of 3rd extraordinary meeting.
- 2015.02.07 Legal & Compliance Department founded
- 2015.04.01 Obtained approval of foreign exchange licenses for branches of Guoguang, Linsen, Nanmen, Jinhua and Beitun.
- 2015.04.20 Qiaotou Branch opened
- 2015.04.29 Received ‘The best performance of creative industries loan’ recognized by FSC
- 2015.05.06 Gift cards advance payment trust and dealing trust launched
- 2015.06.10 Held 2015 shareholder's regular meeting.
- 2015.06.13 For celebrating COTA Bank 100 years of history, ‘Living in affluence forever - COTA 100’ a hiking event held
- 2015.07.01 Mobile banking foreign exchange business approved by CBC Foreign Bureaus
- 2015.07.21 Fengdong Mini-Branch upgraded to Fengdong Branch at the same address as approved by FSC under Doc. No.Chin-Kuan-Yin-He-Tze 10400174980.
- 2015.08.27 Publically announced cash capital increase issuance of new shares in 2015.
- 2015.09.01 Trust business online account opened for common customer / wealth management customer launched
- 2015.10.01 Fengdong Mini-Branch upgraded to Fengdong Branch
- 2015.10.24 For celebrating COTA Bank 100 years of history, ‘Love connection Hot blood - COTA 100’ a blood donation charitable event held at SKM Hui-An Parking lot
- 2015.10.27 Dadu Branch opened
- 2015.11.27 Fengdong Branch moved to Taiping Dist., Taichung and renamed Taiping Branch as approved by FSC under Doc. No.Chin-Kuan-Yin-He-Tze 10400282100, which self-executing from 2015.11.27
- 2015.12.01 Electronic Banking Department founded



## 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
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 District, Taichung City 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
Panchiao Branch	260 Minzu Road, Panchiao City, New Taipei City 220, Taiwan	886-2-89536001	886-2-89536011
Fengxin Branch	353, Zhongshan Road, Fengyuan District, Taichung City 420, Taiwan	886-4-25261181	886-4-25269540
Zhongshan Branch	9, Daming Road, Fengyuan District, Taichung City 420, Taiwan	886-4-25277155	886-4-25269553
Kaohsiung Branch	1, Wenfu Road, Zuoying District, Kaohsiung City 813, Taiwan	886-7-3505685	886-7-3506711
Tainan Branch	438, Sec 2, Datung Road, South District, Tainan City 702, Taiwan	886-6-2130966	886-6-2149088
Xinzhung Branch	287, Chung Ping Road, Xinzhung District, New Taipei City 242, Taiwan	886-2-22768887	886-2-22768611
Xinshu Branch	196, Minsheng Road, East District, Hsinchu City 300, Taiwan	886-3-5313225	886-3-5323611
Fengshan Branch	478, Wenheng Road, Fengshan District, Kaohsiung City 830, Taiwan	886-7-7676772	886-7-7678719
Daya Branch	336, Yahuan Road, Daya District, Taichung City 428, Taiwan	886-4-25692549	886-4-25693431
Qiaotou Branch	55, Chenggong Road, Qiaotou District, Kaohsiung City 825, Taiwan	886-7-6116860	886-7-6112208
Dadu Branch	426-7, Sec.1, Shatian Road, Dadu District, Taichung City 432, Taiwan	886-4-26930289	886-4-26930293







COTA Commercial Bank

2015