



**COTA Commercial Bank**

ANNUAL REPORT 2007



## CONTENTS

<b>1. To Our Shareholders</b>	<b>1</b>
<b>2. Corporate Profile</b>	<b>5</b>
<b>3. Corporate Governance Report</b>	<b>7</b>
<b>4. Capital Arrangement</b>	<b>27</b>
<b>5. Business Operation</b>	<b>33</b>
<b>6. Financial Status</b>	<b>49</b>
<b>7. Financial Status Analysis, Operation Performance Analysis, and Risk Management</b>	<b>101</b>
<b>8. The Particular Notes</b>	<b>113</b>
<b>Chronological Highlights</b>	<b>115</b>
<b>Head Office and Branches</b>	<b>121</b>



# 1. To Our Shareholders

## 1. To Our Shareholders

In 2007 year review, world economy continuing expanded at a steady pace despite the soaring price of energy and raw materials. According to the signal of OECD's leading economic indicators, the economic growth trends in G7 and BRICs have been driven in split moves. U.S. economy, the global leading economic locomotion, suffered from the impact of subprime credit crises have posted a halt to sixth consecutive years' economic expansion with a growth rate down to nearly 2.2% in 2007. Nevertheless, the developing countries' strong expansion still injected global economy with moving power, which sustained global economic growth rate to a level of 4.9%. For Taiwan's domestic economy, owing to the easing of "double-card shock" and the supporting of firm consumer spending, "Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC" evaluated round growth rate in GDP as 5.46% presenting a status of modest development.

Outlook 2008, world economy amid concern about U.S. subprime credit crises and constant surge in price of energy and raw materials would be likely to confront angst of stagflation and experience slowdown of economic expansion. Besides, the economy developing paces between individual countries will differ widely in dissimilar rate following a phenomenon of M-type tendency. From the view of IMF, while Europe and Japan carry on constant recovery, U.S. economy, in contrast, is expected to be weaker in growth. Emerging countries would remain mighty expansion so as to support ongoing motivation to world economic growth. Accordingly, the estimate of global economic growth rate comes in at 4.1%. Surrounding the same tide of global sluggish economic growth, Taiwan's domestic economy is inevitably constrained expansion in exports. Even so, the timely rising of internal demand could play a role to spark economic expansion momentum. According to the estimate of "Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC", Taiwan's domestic economy growth rate will be figured as 4.53%. For interest rate, as the interest rate spread between TWD and USD becomes reversed, monetary policy appears to approach a neutral position which is slowing the pace for interest rate uptrend adjustment. For foreign exchange rate, in order to avert sharp fluctuations, Central Bank of the Republic of China (Taiwan) is likely to adapt a stable self-motivated foreign exchange policy. Yet, as international hot money keeps valuing Asian economic growth and tends to increase the demand of TWD, the appreciation of TWD is predictable.

In regard to the aggressive supervision by "Financial Supervisory Commission, ROC (FSC)" with a great deal of financial reforms stressing on the development of diversified financial products, the establishment of financial holding companies, the protection of consumer rights, the risk management of financial institutions, and the government of corporate, Taiwan's financial market is displaying a new atmosphere of sound progress. Considering the intense competitive financial environment, COTA Bank shall strongly uphold corporate

management policy of stable development by emphasizing internal control and risk management, calling for obedience of law and regulation, and incorporating concept of risk control. Our business expansion strategy shall base on the principle of regional rooting, steady developing and service quality promoting as well to generate core competitive value and lasting competitive edge on which we rely to cater for a promising and challenging year ahead.

In 2007, COTA Bank contributed major achievements to (I) established Kaohsiung branch and Tainan Branch to accelerate deployment of urban branch channels. ; (II) set up wealth management web-site to enhance wealth management service quality; (III) established southern Consumer Banking Center to cultivate southern Taiwan market; (IV) increased wealth management specialists to aggressively promote wealth management; (V) built up net-meeting system to strengthen internal communication and proficiency training; (VI) set up risk management team to form risk management mechanism; (VII) registered as member of “The Overseas Chinese credit Guarantee Fund” to boost overseas service. For 2008, COTA Bank aim to (I) set up insurance brokerage company (subsidiary) ; (II) issue “Beijing 2008 Olympic Games” theme card; (III) develop online leave of absence system; (IV) move to reset Xinzhuang Branch and a new branch in central Taiwan; (V) set up risk-management framework and assessment function; (VI) scheme wealth management consultant room; (VII) aggressively attend community benefit activities.

For major business performances as of Dec 31, 2007, our deposits balance with sum of TWD93.6 billion(excluding deposits from banks) decreased by TWD2.1 billion compared to previous year; our loans balance with sum of TWD81.1 billion broadly unchanged from previous year. Our profit after tax figured as TWD63 million contributed earning of TWD0.18 per share. Earning ability slightly gained compared to previous year. Capital adequate ratio (BIS) was maintained a level of 11.55% which apparently witness our efforts on beefing up healthy organization, upgrading operating performance, and strengthening risk management have achieved decent valuation. Besides, Taiwan Ratings Corporation maintained our rating as ‘twBBB+’ for long-term counterparty credit and ‘twA-2’ for short-term credit with outlook ‘stable’ on their press releases of Dec 13, 2007.

Outlook for 2008, COTA Bank continues to offer an array of business products and endeavor for better customer service so as to create extreme benefits to shareholders. Overall, we would like to express our appreciation to our shareholders, directors, supervisor, and the elite in all fields. All COTA Bank’s staff would sustain the passion to realize the financial service goal of “all customers are equal matter and deserve best services”. We look forward to obtaining continued support and advice from all of you.

Chairman *Chun-Tse Liao*

# Cota Commercial Bank

## Tainan Branch grand opening

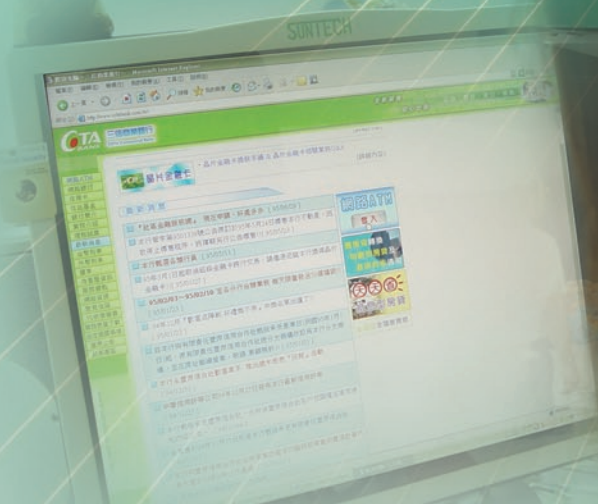


三信商業銀行台南分行開幕酒會



三信商業銀行

COTACommercial Bank 台南分行





## 2. Corporate Profile

## 2. Corporate Profile

### 2-1. Bank Features

<b>Bank Name</b>	COTA Commercial Bank, Ltd. (abbreviate as COTA Bank or “the Bank” herein)
<b>Chairman</b>	Chun-Tse Liao
<b>President</b>	Ying-Che Chang
<b>Date of Business Registration</b>	Jan. 1, 1999
<b>Date of Inauguration</b>	Jan. 1, 1999
<b>Location of Head Office</b>	No.32-1, Gongyuan Road, Central District, Taichung City 400, Taiwan, R.O.C.
<b>Number of Employee</b>	1,167
<b>Paid-in Capital</b>	TWD3,555,991,410
<b>Capital Shares</b>	Common Stock in 355,599,141 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 climate characterized by severe competition, as “Briskness, Innovation, Cordiality and Service”. In accordance with the promulgation of “Regulations and Criteria Governing Reorganization of Credit Cooperative into Commercial Banks”, COTA Bank started the reorganization task and launched reorganization in Dec 1995. On Jul 27, 1998, COTA Bank was officially approved by Ministry of Finance to be transformed into “COTA Commercial Bank”.

In 2005, COTA Bank requested Fengyuan Credit Cooperative to consider a merge proposal for mutual benefits to enhance competitive capacity by expanding business scale. After sincere bilateral negotiation and consideration, COTA Bank decided to wholly acquire Fengyuan Credit Cooperative. Approved by shareholder meeting of both parties, Fengyuan Credit Cooperative was formally merged with COTA Bank on Jan 1, 2006.

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

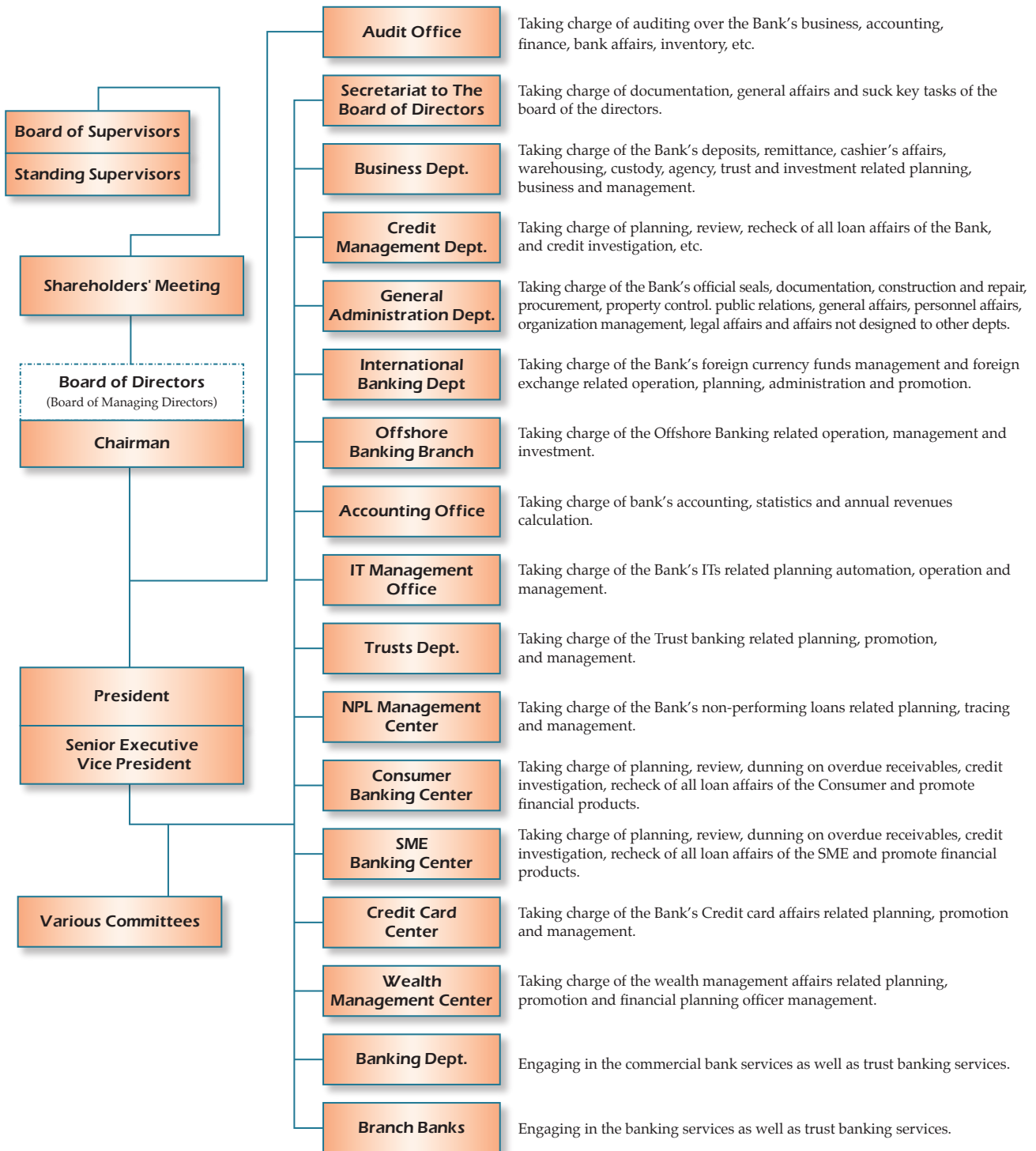




# 3. Corporate Governance Report

### 3. Corporate Governance Report

#### 3-1. Organization Chart



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

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

As of Dec. 31, 2007

Title	Name	Elected Date	Tenure	First Elected	Elected Shares Owned		Current Shares Owned		Shares Owned by Spouses and Minor children		Shares Held under Surrogate A/C		Education & Key Work Experience	Current Positions Held in this or other company
					No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%		
Chairman	Chun-Tse Liao	May 25, 2005	3	Jan. 1, 1999	4,293,451	1.32	4,648,209	1.31	11,041	-	-	-	The Society for Professional Management, UK Diploma in Professional Management (Business Management Dr. in P.I.U.) President, Senior Executive Vice President and Chairman of the board of Liability Taichung Third Credit Cooperative, Director of TACB Supervisor of FDU Personal Insurance Agent Co., Ltd.	
Managing Director	Chun-Chuan Wang	May 25, 2005	3	Jan. 1, 1999	677,280	0.21	836,740	0.24	55,709	0.02	-	-	Department of English, Tamkang University, President of COTA Bank	
Managing Director	Mu-Chuan Huang	May 25, 2005	3	Jan. 1, 2002	1,034,860	0.32	1,651,790	0.47	386	-	-	-	Shinmin Economics and Commercial Senior high school, Senior Executive Vice President of COTA Bank	
Managing Director	Yao-Ting Li	May 25, 2005	3	Jan. 1, 1999	1,464,210	0.45	1,585,193	0.45	210,363	0.06	-	-	Taiwan Provincial School of Commerce of Tai-Chung(Now call: National Taichung Institute of Technology), Chairman of Yuan Feng Dyeing & Weaving Co., Ltd., Managing director & President of Fu Shan Dyeing & Weaving Co., Ltd.	
Managing Director	Dong-Po Xie	May 25, 2005	3	Jan. 1, 2002	1,139,000	0.35	1,336,612	0.38	189,934	0.06	-	-	Post graduate of University of California in U.S.A., The Hong Kong College of Medicine, Representative of Liang Yow Biotechnology Inc.	Chairman of Cheng Shing Tai Biopharmaceutical Co., Ltd. Chairman of Da Chen Ent., Co., Ltd. Director of Yen Sheng Broadcasting Station Director of Tien Sheng Broadcasting Station Director of Feng Tzer Electronics Co., Ltd. Directors of Sicame Commercial Affairs Hotel Inc. Directors of Tung Kai An Leisure Development Inc.
Director & President	Ying-Che Chang	May 25, 2005	3	Jan. 1, 2002	1,088,156	0.34	1,309,842	0.37	18,196	0.01	-	-	Department of International Trade, Feng Chia University, Senior Executive Vice President of COTA Bank	President of COTA Bank
Director	Hsien-Teh Lai	May 25, 2005	3	May 25, 2005	1,092,624	0.34	1,182,904	0.33	66,256	0.02	-	-	National Chung Hsing University, Directors of Avis Management & Engineering Service Company	Chairman of Tung Yang Investment Co., Ltd. Chairman of Tung Yang Business Co., Ltd. Director of Yuan .Sheng Plastic Inc. Supervisor of Man Fu Lou Restaurant Co., Ltd. Director of Kuang Ching Plastic Corporation Managing Director of Taiwan Flour Mills Associate Representative of Jazzy Industrial Co., Ltd.
Director	Ying-Chieh Lai	May 25, 2005	3	Jan. 1, 1999	944,841	0.29	1,022,910	0.29	304,299	0.09	-	-	Murakami Youth School, Certificate of Administration management in Japan, President of Yu Li De Consultant Co., Ltd.	Chairman of Third Credit Cooperative educational foundation
Director	Song-Yue Liao	May 25, 2005	3	May 25, 2005	781,200	0.24	3,098,736	0.87	44,170	0.01	-	-	Hosei University of Tokyo, Japan Chairman of Chuan Cheng Hat Co., Ltd.	Chairman of Chuan Cheng Hat Co., Ltd. Chairman of Jephana Enterprise Co. Ltd. Director of New Zhung Zhuang Investment Co. Ltd., Director of CCH Plus Inc. Director of CCH investment Inc. Supervisor of Yuan Peing Applied Material Co., Ltd.

Title	Name	Elected Date	Tenure	First Elected	Elected Shares Owned		Current Shares Owned		Shares Owned by Spouses and Minor children		Shares Held under Surrogate A/C		Education & Key Work Experience	Current Positions Held in this or other company
					No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%		
Director	Chuan-Sheng Liao	May 25, 2005	3	Jan. 1, 1999	897,604	0.28	971,770	0.27	705,687	0.20	-	-	Ph.D. of Manchuria College of Medicine, Superintendent of Jen Ai Hospital, Chairman of Jen Ai Hospital Supervisor of Glowing Spring Enterprise Co., Ltd.	-
Director	Pi-Jung Hsieh	May 25, 2005	3	Jan 1, 1999	1,999,200	0.62	1,890,645	0.53	1,383,041	0.39	-	-	Taichung Industrial High School, Certification Examinations for Architect, Ministry of Examination, Engineer of Taiwan Railway Electrical Engineering Department. Director of Chung Hua Plastics Plywood Industrial Co., Ltd.	Architect of Hsieh Pi-jung Architectural Office Director of Ju Hsing International Co., Ltd. Director of Chung Hui Investment Co., Ltd. Director of Tseng Hsin Construction & Development Co., Ltd.
Director	Chan-Wen Lin	May 25, 2005	3	Jan. 1, 1999	1,423,909	0.44	1,541,562	0.43	-	-	-	-	Taiwan Provincial School of Commerce of Tai-Chung(Now call: National Taichung Institute of Technology), President of Liability Taichung Third Credit Cooperative Director of FDU Personal Insurance Agent Co., Ltd.	-
Director	Guo-Zhou Chen	May 25, 2005	3	May 25, 2005	1,528,510	0.47	1,758,858	0.49	-	-	-	-	Nan Ying Vocational High School of Business & Technology Direct of Sino-American Silicon Products Inc.	Director of Nan Hai toy Co., Ltd. Representative of Peng Chen Corp.
Director	Tien-Hsiang Lin	May 25, 2005	3	Jan. 1, 2002	990,011	0.30	1,175,312	0.33	144,006	0.04	-	-	Taiwan Provincial School of Commerce of Tai-Chung(Now call: National Taichung Institute of Technology), Chief Audit of COTA Bank	-
Director	Po-Ling Chiang	May 25, 2005	3	Jan. 1, 2002	664,468	0.20	719,370	0.20	78,645	0.02	-	-	Taiwan Provincial School of Commerce of Tai-Chung(Now call: National Taichung Institute of Technology), President of Liability Taichung Third Credit Cooperative Senior Executive Vice President of COTA Bank	-
Standing Supervisor	Lien-Kui Wang	May 25, 2005	3	Jan. 1, 2002	919,763	0.28	1,246,360	0.35	55,213	0.02	-	-	Civic Education and Leadership, National Taiwan Normal University, Executive vice President of Liability Taichung Third Credit Cooperative, Senior Executive Vice President of COTA Bank	-
Supervisor	Dhe-Chin Lai	May 25, 2005	3	Jan. 1, 2002	850,465	0.26	1,181,866	0.33	33,127	0.01	-	-	Shin Min Economics and Commercial Senior high school Executive vice President of Liability Taichung Third Credit Cooperative, Special Assistant of COTA Bank Direct of FDU Non-Life Insurance Agent Co., Ltd.	-
Supervisor	Yong-Zhi Wang	May 25, 2005	3	May 25, 2005	960,880	0.30	1,169,987	0.33	1,102	-	-	-	Nanya Institute of Technology, Direct of Sheng Ho Securities(IBTS) Company	-
Supervisor	Guo-Zhao Xiao	May 25, 2005	3	May 25, 2005	75,050	0.02	2,822,016	0.79	-	-	-	-	University of South California, USA, Supervisor of Taiwan Foundation Global Technology Co. Ltd.	-
Supervisor	Zhuang-Tai Wang	May 25, 2005	3	May 25, 2005	659,840	0.20	1,040,744	0.29	-	-	-	-	Shu-Te Institute of Technology, Supervisor of Forever Coampion Shoes Co., Ltd.	Chairman of Wang Jiang Property Co. Ltd Hui Hsin Enterprise Co., Ltd. Director of Tai Ho Cement Industry Corp. Director of Kun Ting Real Estate Agencies Co., Ltd. Chairman of Zhuang-Tai Wang Lane Administration office

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

Note:

During the two years before being elected or during the term office, directors or supervisors shall meet the following terms with mark "V".

1. Neither employees of Bank nor its affiliates.
2. Neither a director or a 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 percent of the voting shares.
3. Not an individual shareholder who holds shares, together with those held by the persons 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.
4. 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.
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 a spouse or relative within the second degree of kinship within directors.
9. Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.
10. Not elected in the capacity of a government agency, a juristic person, or a representative thereof, as provided in the Article 27 of the Company Act.

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

As of Dec. 31, 2007

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	Ying-Che Chang	Jan. 1, 2000	1,309,842	0.37	18,196	0.00	-	-	Department of International Trade, Feng Chia University, Senior Executive Vice President of COTA Bank	-
Chief Auditor	Lu-Ku Wang	Apr. 1, 2007	161,358	0.05	1,102	0.00	-	-	Shin Min Commercial & Industrial Vocational Senior High School, Taichung branch General Manager of COTA Bank	-
Senior Executive Vice President	Chin-Ting Chang	Jan. 1, 2004	1,300,214	0.36	-	-	-	-	NCHU's Continuing Education School, EMBA, Executive Vice President of COTA Bank	-
Senior Executive Vice President	Jung-Hsien Chiu	Jan. 1, 2004	742,005	0.21	-	-	-	-	Department of Industrial and Information Management, National Cheng Kung University, Executive Vice President of COTA Bank	-
Senior Executive Vice President	Tsai-Hsiung Liao	Apr. 1, 2007	1,201,796	0.34	529,368	0.15	-	-	Ming Te home Economics and Commercial Senior high school, Xitun Branch General Manager of COTA Bank	-
Deputy Chief Auditor	Shu-Yuan Tsai	Jul. 10, 2002	350,220	0.10	-	-	-	-	Taiwan Provincial School of Commerce of Tai-Chung, Accounting Office Chief Secretary of COTA Bank	-
Executive Vice President	Shih-Chien Chin	Jan. 1, 2004	188,314	0.05	93,431	0.03	-	-	Department of Applied Math., University of North Texas, USA, Business Department General Manager of COTA Bank	-
Executive Vice President	Chih-Sheng Hsiao	Jan. 1, 2004	430,611	0.12	63,344	0.02	-	-	Department of Public Finance Feng Chia University, Credit Management Department General Manager of COTA Bank	-
Executive Vice President	Yun-Ching Wang	Jan. 1, 2004	239,493	0.07	154,598	0.04	-	-	Master of Finance, National Chung Hsing University, IT Management Office General Manager of COTA Bank	-
Department General Manager	Chih-Hui Chen	Sep. 27, 2004	7,387	0.00	325,761	0.09	-	-	Department of Computer Science, Feng Chia University, Shalu Branch General Manager of COTA Bank	-
Department General Manager	A-Kuai Chen	Feb. 21, 2000	234,731	0.07	-	-	-	-	Department of Science, The National Open University, Commissioner of COTA Bank	-
Department General Manager	Wei-Bin Lin	Mar. 16, 2005	45,431	0.01	-	-	-	-	Graduate School of Management, University of California at Riverside, Assistant Vice President of Bank Sinopac	-
Department General Manager	Sheng-Li Hung	Jul. 1, 2006	54,784	0.02	4,600	0.00	-	-	National Open College of Continuing Education Affiliated to National Taichung institute of Commerce, Nantun Branch General Manager of COTA Bank	-
Department General Manager	Huan-Mou Cheng	Jan. 1, 2006	154,215	0.04	11,041	0.00	-	-	National Open College of Continuing Education Affiliated to NTIT,NPL Management Center Project Manager of COTA Bank	-
Department General Manager	Hung-Tsang Chiang	Apr. 1, 2007	91,477	0.03	83,548	0.02	-	-	Department of Public and Management, Supplementary Junior College of the National Open University, Consumer Banking Project Manager of COTA Bank	-
Project Manager	Shun-Hsien Weng	Jan. 1, 2006	195,181	0.05	-	-	-	-	Department of Public Finance Feng Chia University, Credit Card Center Vice President of COTA Bank	-
Department General Manager	Chiu-Yun Huang	Jan. 1, 2006	35,435	0.01	5,519	0.00	-	-	Department of Finance, R.O.C. Military Academy, Credit Management Department Project Manager of COTA Bank	-
Department General Manager	Kuang-Hsiung Huang	Mar. 3, 2006	165,778	0.05	216,801	0.06	-	-	Department of Economics, Feng Chia University, Business Department Deputy General Manager of COTA Bank	-
Chief Secretary	Chien-Cheng Hsu	Mar. 3, 2006	298,947	0.08	52,863	0.01	-	-	Department of Business Administration, Tunghai University, Business Department Deputy General Manager of COTA Bank	-
Branch General Manager	Hsin-De Chang	Apr. 1, 2007	89,715	0.03	13,009	0.00	-	-	Department of Accounting, Chien Kuo College of Commerce, Linsen Branch General Manager of COTA Bank	-
Branch General Manager	Ho-Shun Chang	Apr. 21, 2003	147,084	0.04	13,470	0.00	-	-	Feng-Yuan Commercial & Vocational High School, Zhongzheng Branch General Manager of COTA Bank	-
Branch General Manager	Feng-Jung Yeh	Jul. 1, 2006	75,074	0.02	11,698	0.00	-	-	Department of Finance, Chaoyang University of Technology, Yuanlin Branch Deputy General Manager of COTA Bank	-
Branch General Manager	Pi-Li Hsu	Jul. 1, 2007	282,775	0.08	189,934	0.05	-	-	Shin Min Commercial and Industrial Vocational Senior High School, Fengyuan Branch General Manager of COTA Bank	-

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	Tai-An Chen	Apr. 1, 2007	424,436	0.12	77,298	0.02	-	-	Ming Te Home Economics and Commercial Senior High School, Jinhu Branch General Manager of COTA Bank	-
Branch General Manager	Chung-Lung Tsai	Apr. 1, 2007	202,619	0.06	333,491	0.09	-	-	Department of Business Administration, Lin Tung Institute of Commerce, Zhongshan branch General Manager of COTA Bank	-
Branch General Manager	Min-Chang Lin	Jul. 10, 2002	107,485	0.03	27,605	0.01	-	-	Shin Min Commercial & Industrial Vocational Senior High School, Zhongzheng Branch Deputy General Manager of COTA Bank	-
Branch General Manager	Chih-Hung Huang	Apr. 1, 2007	179,650	0.05	110,427	0.03	-	-	Department of Applied Commerce, National Taichung Institute of Technology, Fengdong Branch General Manager of COTA Bank	-
Branch General Manager	Chang-Lu Liu	Sep. 27, 2004	66,661	0.02	2,318	0.00	-	-	Tsao Tun Vocational School, Yuanlin Branch General Manager of COTA Bank	-
Branch General Manager	Hung-Ming Lai	Apr. 1, 2007	136,569	0.04	110,427	0.03	-	-	Department of Business Administration, National Taichung institute of Commerce, Beitun Branch General Manager of COTA Bank	-
Branch General Manager	Shih-Tsung Chou	Jul. 1, 2006	216,943	0.06	333,531	0.10	-	-	Department of Business Administration, The Overseas Chinese College, Zhenghua Branch General Manager of COTA Bank	-
Branch General Manager	Chia-Wen Ke	Apr. 1, 2007	63,474	0.02	258,570	0.07	-	-	Institute of Technology Management, Chung Hua University, Banking Vice President of COTA Bank.	-
Branch General Manager	Shih-Jung Chen	Jul. 10, 2002	296,941	0.08	-	-	-	-	Department of Oceanography, Chinese Culture University, Credit Management Department Deputy General Manager of COTA Bank	-
Branch General Manager	Chih-Peng Yang	Jul. 1, 2006	86,315	0.02	19,876	0.01	-	-	Department of Business Administration, National Open College of Continuing Education Affiliated to National Taichung Institute of Commerce, Zhenghua Branch Deputy General Manager of COTA Bank	-
Branch General Manager	Jung-Chieh Chang	Sep. 27, 2004	225,286	0.06	49,691	0.01	-	-	Department of Cooperative Economics, Tamkang University, Banking Department Deputy General Manager of COTA Bank	-
Branch General Manager	Kuo-Jung Lo	Mar. 11, 2003	109,615	0.03	-	-	-	-	Department of Public Communication, Shin Hsin University, Vice President of CTCB	-
Branch General Manager	Hsi-Hsien Wang	Nov. 21, 2005	42,306	0.01	-	-	-	-	Soochow University School of Law, Manager of CTCB, Panchiao Branch General Manager of COTA Bank	-
Branch General Manager	Chi-Shen Huang	Mar. 3, 2006	145,039	0.04	33,127	0.01	-	-	Department of Banking and Insurance, National Taichung Institute of Commerce, Panchiao Branch Deputy General Manager of COTA Branch	-
Branch General Manager	Chiang-Chung Chuang	Jul. 1, 2008	354,826	0.10	110,427	0.03	-	-	Hsin Sheng Economics and Commercial Senior High School, Chenggong Branch General Manager of COTA Bank	-
Branch General Manager	Chin-Tien Lai	Jan. 1, 2006	179,291	0.05	161,146	0.05	-	-	Department of International Trade, Chien Kuo College of Commerce, Taichung Branch Deputy General Manager of COTA Bank	-
Branch General Manager	Yun-Neng Chen	Jan. 1, 2006	193,804	0.05	140,741	0.04	-	-	Shin Min Commercial and Industrial Vocational Senior High School, Audit Office Researcher of COTA Bank	-
Branch General Manager	Jui-Sen Liao	Apr. 1, 2007	74,290	0.02	1,102	0.00	-	-	Department of Public, Aletheia University, Executive Deputy General Manager of COTA Bank	-
Branch General Manager	Shih-Tsung Liu	Apr. 1, 2007	217,305	0.06	163,988	0.05	-	-	Department of Business, The National Open University, SME Banking Center Deputy General Manager of COTA Bank	-
Branch General Manager	Jui-Tang Tai	Jan. 1, 2006	40,585	0.01	440	0.00	-	-	Hsin Sheng Economics & Commercial Senior High School, Xitun Branch Deputy General Manager of COAT Bank	-
Branch General Manager	Hung-Yi Hsu	Jul. 1, 2006	23,207	0.00	550	0.00	-	-	Department of Business Administration, Lin Tung Institute of Commerce, Dazhi Branch Deputy General Manager of COTA Bank	-
Branch General Manager	Wen-Jung Chen	Jul. 1, 2006	115,557	0.03	24,193	0.01	-	-	Department of Business Administration, Chaoyang University of Technology, Nanmen Branch Deputy General Manager of COTA Bank	-
Branch General Manager	Ching-Sung Chen	Oct. 15, 2007	119,079	0.03	78,403	0.02	-	-		

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

#### Directors' Remuneration

Unit: TWD as of Dec. 31, 2007

Title	Name	Compensation			Sum of A, B and C/after-tax profit (%)	Compensations received by part-time employees					Sum of A, B, C, D and E/after-tax profit (%)	Whether or not any compensation is received from other reinvested businesses than subsidiaries	
		Rewards	Earning Distribution	Professional Practice		Salary, Bonus and Special Disbursement	Employee bonus Distribution						Employee Share Subscription Warrants
							Cash Dividend	Stock Dividends	Cash Dividend	Stock Dividends			
Chairman	Chun-Tse Liao												
Director	Chun-Chuan Wang												
Director	Mu-Chuan Huang												
Director	Dong-Po Xie												
Director	Yao-Ting Li												
Director	Po-Ling Chiang												
Director	Chan-Wen Lin												
Director	Ying-Chieh Lai	-	911,989	10,992,000	18.94%	2,687,568	-	-	-	-	-	23.21%	NIL
Director	Tien-Hsiang Lin												
Director	Pi-Jung Hsieh												
Director	Chuan-Sheng Liao												
Director	Song-Yue Liao												
Director	Guo-Zhou Chen												
Director	Xian-De Lai												
Director & President	Ying-Che Chang												

Classification of Remuneration for Directors	People of Directors	
	Aggregate amount of A, B, and C	Aggregate amount of A, B, C, D, and E
Under 2,000,000	14	13
2,000,000-5,000,000	1	2
5,000,000-10,000,000	-	-
10,000,000-15,000,000	-	-
15,000,000-30,000,000	-	-
30,000,000-50,000,000	-	-
50,000,000-100,000,000	-	-
Above 100,000,000	-	-
TOTAL	15	15



## Supervisors' Remuneration

Unit: TWD as of Dec. 31, 2007

Title	Name	Supervisors' Remuneration			Sum of A, B and C /after-tax profit (%)	Whether or not any compensation is received from other reinvested businesses than subsidiaries
		Rewards (A)	Earning Distribution (B)	Professional Practice (C)		
Standing Supervisor	Lien-Kui Wang	-	279,421	3,288,000	5.67%	NIL
Supervisor	Dhe-Chin Lai					
Supervisor	Yong-Zhi Wang					
Supervisor	Guo-Zhao Xiao					
Supervisor	Zhuang-Tai Wang					

Classification of Remuneration for Supervisors	People of Supervisors
	Aggregate amount of A, B, and C
Under 2,000,000	5
2,000,000-5,000,000	-
5,000,000-10,000,000	-
10,000,000-15,000,000	-
15,000,000-30,000,000	-
30,000,000-50,000,000	-
50,000,000-100,000,000	-
Above 100,000,000	-
TOTAL	5

## President and Senior Executive Vice Presidents' Remuneration

Unit: TWD as of Dec. 31, 2007

Title	Name	Salary	Bonus and Special Disbursement	Employee Bonus from Earning Distribution			Aggregate Amount of the Aforesaid Items	Total /after-tax profit (%)	Employee Share Subscription Warrants	Other Remuneration
				Cash Dividend	Stock Dividends					
					Share	Price				
President	Ying-Che Chang	6,792,027	3,118,718	-	4,977	*	49,770	9,960,515	15.85	
Chief Auditor	Yi-Hsiung Lai									
Senior Executive Vice President	Chin-Ting Chang									
Senior Executive Vice President	Jung-Hsien Chiu									

Classification of President and Senior Executive Vice Presidents' Remuneration	People of President and Senior Executive Vice Presidents
	Year of 2007
Under 2,000,000	4
2,000,000-5,000,000	1
5,000,000-10,000,000	0
10,000,000-50,000,000	0
Above 50,000,000	0
TOTAL	5

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

Unit: TWD as of Dec. 31, 2007

Title	Name	Stock dividends			Cash Dividends	Total Amount	Total Amount/Net Income
		Shares	Price	Amount	Amount		
President	Ying-Che Chang						
Chief Auditor	Lu-Ku Wang						
Senior Executive Vice President	Chin-Ting Chang						
Senior Executive Vice President	Jung-Hsien Chiu						
Senior Executive Vice President	Tsai-Hsiung Liao						
Executive vice President	Shih-Chien Chin						
Executive vice President	Chih-Sheng Hsiao						
Executive vice President	Yun-Ching Wang						
Department General Manager	Chih-Hui Chen						
Department General Manager	A-Kuai Chen						
Department General Manager	Wei-Bin Lin						
Department General Manager	Sheng-Li Hung						
Department General Manager	Huan-Mou Cheng						
Department General Manager	Hung-Tsang Chiang						
Project Manage	Shun-Hsien Weng						
Department General Manager	Chiu-Yun Huang						
Department General Manager	Kuang-Hsiung Huang						
Chief Secretary	Chien-Cheng Hsu						
Branch General Manager	Hsin-De Chang						
Branch General Manager	Ho-Shun Chang						
Branch General Manager	Feng-Jung Yeh						
Branch General Manager	Pi-Li Hsu						
Branch General Manager	Tai-An Chen	42,047	*	420,470	-	420,470	0.67
Branch General Manager	Chung-Lung Tsai						
Branch General Manager	Chih-Hung Huang						
Branch General Manager	Min-Chang Lin						
Branch General Manager	Chang-Lu Liu						
Branch General Manager	Hung-Ming Lai						
Branch General Manager	Shih-Tsung Chou						
Branch General Manager	Chia-Wen Ke						
Branch General Manager	Shih-Jung Chen						
Branch General Manager	Chih-Peng Yang						
Branch General Manager	Jung-Chieh Chang						
Branch General Manager	His-Hsien Wang						
Branch General Manager	Kuo-Jung Lo						
Branch General Manager	Chi-Shen Huang						
Branch General Manager	Chiang-Chung Chuang						
Branch General Manager	Chin-Tien Lai						
Branch General Manager	Yun-Neng Chen						
Branch General Manager	Jui-Sen Liao						
Branch General Manager	Shih-Tsung Liu						
Branch General Manager	Jui-Tang Tai						
Branch General Manager	Wen-Jung Chen						
Branch General Manager	Hung-Yi Hsu						
Branch General Manager	Ching-Sung Chen						

### 3-2-4. Ratio of Total Remuneration Paid to Directors, Supervisors, President and Vice Presidents over Past Two Years to Net Income

Item	Total Amount / Net Income		
	Year 2007	Year 2006	%
Director	18.94%	26.39%	-7.45%
Supervisor	5.67%	7.63%	-1.96%
Total	24.61%	34.02%	-9.41%

Remarks:

Transportation allowance and remuneration of director and supervisor is paid in accordance with guidelines of the bank's articles of incorporate and the resolve of stockholder's meeting.

Item	Total Amount / Net Income		
	Year 2007	Year 2006	%
President and Vice President	15.8500%	17.1969%	-1.3469%

Remarks:

1. Remuneration for president and vice-president is paid by the resolve of the board of directors.
2. Payment of employee salary is calculated by relative regulations.
3. Employee bonus is distributed by the resolve of the annual general meeting and distributed regulation of employee bonus.
4. Performance bonus is paid by 2007's financial situation and regulations of performance evaluation.

## 3-3. Practice of Corporate Governance

3-3-1. Operation status of board of directors: convened 5 meetings in the year 2007, and the records of attendance by directors and supervisors are shown as follows:



Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Chairman	Chun-Tse Liao	5	0	100%	
Managing Director	Mu-Chuan Huang	5	0	100%	
Managing Director	Chun-Chuan Wang	5	0	100%	
Managing Director	Dong-Po Xie	5	0	100%	
Managing Director	Yao-Ting Li	5	0	100%	
Director	Hsien-Teh Lai	5	0	100%	
Director	Ying-Chieh Lai	1	0	20%	
Director	Song-Yue Liao	3	0	60%	
Director	Chuan-Sheng Liao	4	1	80%	
Director	Pi-Jung Hsieh	5	0	100%	
Director	Chan-Wen Lin	5	0	100%	
Director	Guo-Zhou Chen	5	0	100%	
Director	Tien-Hsiang Lin	5	0	100%	
Director	Po-Ling Chiang	5	0	100%	
Director	Ying-Che Chang	5	0	100%	
Standing Supervisor	Lien-Kui Wang	4	0	80%	
Supervisor	Dhe-Chin Lai	5	0	100%	
Supervisor	Yong-Zhi Wang	5	0	100%	
Supervisor	Guo-Zhao Xiao	5	0	100%	
Supervisor	Zhuang-Tai Wang	4	0	80%	

Other required notes:

- 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: Independent directors have not implemented in year of 2007.
- Avoidance of interest by directors (Jan. 1, 2007 – Dec. 31, 2007)  
 Name of director: Ying-Che Chang  
 Issues: extend president's term of office  
 Reasons for avoidance and attendance: President did not attend, vote or discuss.
- Assessment of objectives and implementation status in the area of strengthening the powers of the board of directors for the current and immediately past years will be carried out: Articles for "nominating committee of directors and supervisors" have been founded and disclosed on the bank's web site, and other functional committees will be founded according as the bank's business condition.

**3-3-2. Operation status of the auditing committee: The bank elected supervisors to execute the function of auditing committee.**

**3-3-3. Disclosure Information for Corporate Governance**

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

As of Dec. 31, 2007

Item	Status of Operation	Differences from General Guideline of Banking and Reasons
I. Bank's equity structure and shareholder's right (1) Method to deal with suggestion of shareholder or argument. (2) Status of controlling the roster of major shareholders who own a relatively high percentage of shares and who have an actual control over the company, and of the ultimate controllers of those major shareholders. (3) Establishment of the firewalls and risk control with affiliated enterprises	(1) To entrust the appropriate corporate departments to handle matters pursuant to shareholder's suggestion immediately. Protected shareholder's equity. Justly dealing shareholder Court case accusation. (2) Trace the list of major shareholders monthly. (3) No affiliated enterprise.	(1) No difference (2) No difference (3) Could not be compared
II. The composition and duty of board of directors (1) Establishment of Independent director. (2) Status of regular evaluation of the independence of the auditing CPA.	(1) Did not implemented on year of 2007. (15 directors) (2) Annual assessment.	The Bank has a plan to follow Articles 181-2 and 183 of the Securities Exchange Act by appointing when the term of the current directors expired.
III. The composition and duty of board of directors (1) Establishment of independent supervisor. (2) Status of communication among supervisors, shareholder and staff of the bank	(1) The bank didn't nominate independent directors, (5 supervisors now) and five current supervisors in the bank perform their supervisory rights. (2) Supervisors may investigate the operational and financial condition of the Bank from time to time, and set up the directory of members for easy communicate.	(1) No difference. (2) No difference
IV. Status of communication with relative party.	Easy communication channels go by face to face/ telephone/written/Internet.	No difference
V. Public disclosure of information (1) Set up website to disclose financial report and corporate governance information. (2) Other method of public disclosure of information adopted (ex. provide English versions of information website, appoint personnel exclusively responsible for gathering and disclosing information, and establish a spokesperson system, process of conference call record in website.)	(1) <a href="http://www.cotabank.com.tw">www.cotabank.com.tw</a> as our website to disclose financial report. (2) Designed Senior executive vice as spokesperson represented the Bank in public issues. Accounting Office is responsible for collecting and disclosure the information.	(1) No difference. (2) No difference
VI. Operations of the auditing committee and other functional committee of a bank.	Structural guidelines for "Nominating committee of directors and supervisors" have been set up, disclosed on the bank's web site and up to operate on 2008.	No difference and other functional committees will be founded according to the bank's business condition.
VII. Please describe any difference between corporate governance with "The Principles of Corporate Governance": Independent director will be founded in accordance with Article 181-2 and 183 of the Securities Exchange Act. Other item comply with "The Common Corporate Governance Requirements for The Banking Industry" when the terms of the current directors and supervisors expires and should be elected later.		
VIII. Please describe the social responsibility measure and implement situation: Advocates the human rights law spirit. According to labor standard law protect the staff rights and establishes the staff fraternity, provides the staff welfare. Responds the government environmental protection policy. Continues to participate in support society public welfare, academic culture and community concern activity and so on. Besides donates establishes three credit cooperative educational foundation implement the public welfare activity, insist on "Taken from the society, Benefit of community" the business spirit. For instance, assistance the children creative drawing competition in the Taichung, the car free day in Taichung, intercontinental cup baseball invitational tournament activity and so on.		
IX. Other information regarding corporate governance. (Members of the board of directors and supervisors participate in training courses, meeting record of Supervisors' and directors' attendance, policy of risk management and the status of standard of risk measurement, consumers protection and the policy of relationship management, the rights of and relationships between interested persons voluntarily refuse, contracted for the independent directors and independent supervisors of duty insurance. ) : 1. Members of the board of directors and supervisors participate in training courses: Since June, 2005, after board of directors meeting, Taiwan Securities and Futures Institute have arranged 24-hr administration courses for us. Also, they inform directors and supervisors of any related information. 2. Meeting record of supervisors' and directors' attendance: Besides extraordinary board meetings, we convene a quadrate conference every three months and invite supervisors to attend as observers. 3. The policy of risk management and standard of risk management: "Assets, Liabilities and Risk Management Committee" evaluate regularly operating risk and report to the board of directors. We obey rules of government and BIS to make policies of risk management to ensure our safety of administration and achievements. 4. Consumer's protection and the policy of corporate governance: Abided by standard of government of the Bank Association, we set up rules to follow the contract and provide complaint phone line and e-mail box to protect and satisfy consumers. 5. The rights of and relationships between interested persons voluntarily refuse: (1) Members of the board of directors should refuse to vote on interested persons. Meeting notice for the board of directors have been marked Articles of "avoidance for interest", and projects related to directors and their interests emphasized the mark once more. (2) The bank set up regularly and maintain at any time list of directors and interested parties. 6. Contracted for the independent directors and independent supervisors of duty insurance: The bank have bought liability insurance for directors, supervisors and managers on Fed. 1, 2007, and have been published in Corporate charter.		

### 3-3-4. Enquiry for bank's "Corporate Governance Best-Practice Principles for Banks":

The Bank supplemented Articles for "nominating committee of directors and supervisors" and disclosed on the Bank's web site ([www.cotabank.com.tw](http://www.cotabank.com.tw)).

### 3-3-5. Statement of Internal Control

Jan. 21, 2008

#### To Financial Supervisory Commission

On behalf of the COTA Commercial Bank, we declare that during the period of Jan. 1, 2007 through Dec. 31, 2007 the Bank did conform to the provisions of the “Guidelines for the establishment of internal control and internal audit systems” by establishing an internal control system and undertaking risk management, and by having auditing carried out by an impartial and independent auditing unit, with reports submitted on a regular basis to the Board of Directors and Supervisors. Careful assessment shows that with the exception of items listed in the attached chart, the internal control systems of and compliance with laws and regulations by the different units were all implemented effectively. This statement form part of the annual report and publicly disclosed. We understand that we are legally bound to SEC ordinance No.20, 32, 171 and 174.

#### Attested by

**Chairman : Chun-Tse Liao**

**President : Ying-Che Chang**

**Compliance Officer : Lu-Ku Wang  
and Chief Auditor**

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

As of Dec. 31, 2007

Items for Improvement	Improvement Measure	Target Date
1. Constant minimizing the ratios of NPL, expected the ratios to be less than 2.5%.	<ol style="list-style-type: none"> <li>1. NPL Management Center should actively superintend all branches to dun the overdue in haste.</li> <li>2. Strengthen credit preview and afterward management, training ability of credit review and preventing occurrence of overdue loans.</li> <li>3. Align credit review policies and develop diversified loan products, example as form SME Banking Center to enhance SME loan and finance management.</li> <li>4. Set up internal auditing procedures in line with new launched business. Firmly carry out internal auditing.</li> <li>5. Disperse risk and increase loan outstanding to lower the ratios of NPL.</li> </ol>	1. Launch active write-off to reach the general banking standards according to the plan of NPL management.
2. Move current branches to north metropolis to expand operating region, increase market share and expand business scale to over TWD 130 billion.	<ol style="list-style-type: none"> <li>1. Expand and move the branches to outer county city to diversified regional risk.</li> <li>2. Consider interest rate risk, control interest rate pricing policy and floating funds.</li> <li>3. Enhance training of the wealth management and account officer to expand new business and reduce risk of operation.</li> <li>4. Strengthen internal culture integration, quality of services and ceremonial training.</li> <li>5. Keep providing auditing training courses for personnel and strengthen concept of internal control and relative law.</li> </ol>	Carefully execute in the new business year.

### 3-3-6. Independent Audit Report

We conform to ordinance no.25 of the “guidelines for the establishment of internal control and internal audit systems”, and arranged KPMG certified public accountants to audit performance of internal control during the period of Jan. 1, 2007 through Dec. 31, 2007.

Certified public accountant’s audit report as follows:

With the exception of items by suggested to improve, no major deficit if found (including homepage of audit report and suggesting statement).

### Independent Auditors' Report

According to the article 25 promulgated by Ministry of Finance R.O.C. on "Implementation Rules for Bank Internal Audit and Internal Control System", 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 by article 28 of the same regulation during the period of Jan 01, 2007 through Dec 31, 2007 as attaching the range and result of audit report.

The audit report is intended only to present the "Financial Supervisory Commission Executive Yuan" and provide to authorize person.



Feb. 2, 2008

#### 3-3-7. Cases or Penalties due to Infliction of Laws and Regulations over the Past Two Years: None

#### 3-3-8. Major Resolutions of Shareholders Meeting or Board of Directors Meeting in Recent Year:

Year	Nature of Shareholders Meeting	Convoking Date	Major Resolutions
2007	Shareholders' General Meeting	Jun. 6, 2007	1. 2006 surplus earnings increment to issue the new stocks assignment 2. Standing rules revised



### 3-3-9. Disclosures the Resignation or Dismissal of Managerial Officer in Charge of Financial or Accounting Matters

Title	Name	Dated of Appointed	Date of Dismissed	Reasons for Resignation or Dismissal
Chairman	Chun-Tse Liao	Jan. 1, 1999		
President	Ying-Che Chang	Jan. 1, 2000		
Chief Auditor	Lu-Ku Wang	Apr. 1, 2007	Feb. 3, 2008	Retirement
Chief Auditor	Shu-Yuan Tsai	Feb. 4, 2008		
Accounting Dept. General Manager	A-Kuai Chen	Feb. 21, 2000		

### 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. Non-auditing services account for a proportion equal to one-quarter or more of the fees paid for auditing: None

3-4-1-2. Whether the issuer 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

3-4-1-3. Whether the amount of fees paid for auditing services is lower than for the previous year by fifteen percent or more: None

#### 3-4-2. Information on Replacement of Certified Public Accountant:

Because KPMG accountant Chuan-Chuan Wu has retired, the certifying CPA has replaced by Chun-Man Chen / Yuan-Chen Mei this year.

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

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

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

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

Title	Name	2007		Up To Jan. 31, 2008	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Chun-Tse Liao	157,185	–	0	–
Managing Director	Chun-Chuan Wang	128,295	–	0	–
Managing Director	Mu-Chuan Huang	278,581	–	0	–
Managing Director	Yao-Ting Li	53,605	–	0	–
Managing Director	Dong-Po Xie	145,199	–	0	–
Director & President	Ying-Che Chang	73,279	–	0	–
Director	Hsien-Te Lai	40,001	–	0	–
Director	Ying-Chieh Lai	34,591	–	0	–
Director	Sung-Yueh Liao	1,473,488	–	0	–
Director	Chuan-Sheng Liao	32,861	–	0	–
Director	Pi-Jung Hsieh	(8,578)	–	0	–
Director	Chan-Wen Lin	52,130	–	0	–
Director	Kuo-Chou Chen	159,478	–	0	–
Director	Tien-Hsiang Lin	139,744	–	0	–
Director	Po-Ling Chiang	24,326	–	0	–
Standing Supervisor	Lien-Kui Wang	142,147	–	0	–
Supervisor	Dhe-Chin Lai	139,966	–	0	–
Supervisor	Yung-Chih Wang	120,615	–	0	–
Supervisor	Kuo-Chao Hsiao	433,303	–	134,037	–
Supervisor	Chuang-Tai Wang	145,194	–	0	–
Senior Executive Vice President	Chin-Ting Chang	660,596	–	0	–
Senior Executive Vice President	Jung-Hsien Chiu	26,360	–	0	–
Senior Executive Vice President	Tsai-Hsiung Liao	41,763	–	0	–
Chief Auditor	Lu-Ku Wang	11,934	–	0	–
Deputy Chief Auditor	Shu-Yuan Tsai	12,931	–	0	–
Executive Vice President	Chih-Sheng Hsiao	15,564	–	0	–
Executive Vice President	Shih-Chien Chin	7,371	–	0	–
Executive Vice President	Yun-Ching Wang	9,101	–	0	–
Department General Manager	Chih-Hui Chen	1,199	–	0	–
Department General Manager	A-Kuai Chen	9,011	–	0	–

Title	Name	2007		Up To Jan. 31, 2008	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Department General Manager	Wei-Bin Lin	2,440	–	0	–
Department General Manager	Sheng-Li Hung	12,927	–	0	–
Department General Manager	Huan-Mou Cheng	6,064	–	0	–
Department General Manager	Hung-Tsang Chiang	3,878	–	0	–
Project Manager	Shun-Hsien Wong	7,397	–	0	–
Department General Manager	Chiu-Yun Huang	2,225	–	0	–
Department General Manager	Kuang-Hsiung Huang	6,437	–	0	–
Chief Secretary	Chien-Cheng Hsu	10,888	–	0	–
Branch General Manager	Hsin-The Chang	4,068	–	0	–
Branch General Manager	Ho-Shun Chang	5,891	–	0	–
Branch General Manager	Feng-Jung Yeh	3,364	–	0	–
Branch General Manager	Pi-Li Hsu	10,472	–	0	–
Branch General Manager	Tai-An Chen	0	–	0	–
Branch General Manager	Chung-Lung Tsai	7,731	–	0	–
Branch General Manager	Min-Chang Lin	4,516	–	0	–
Branch General Manager	Chih Hung Huang	6,920	–	0	–
Branch General Manager	Chang-Lu Liu	3,275	–	0	–
Branch General Manager	Hung-Ming Lai	5,514	–	0	–
Branch General Manager	Shih-Tsung Chou	8,226	–	0	–
Branch General Manager	Chia-Wen Ke	2,938	–	0	–
Branch General Manager	Shih-Jung Chen	10,916	–	0	–
Branch General Manager	Chih-Peng Yang	3,744	–	0	–
Branch General Manager	Jung-Chieh Chang	8,470	–	0	–
Branch General Manager	Kuo-Jung Lo	4,619	–	0	–
Branch General Manager	Hsi-Hsien Wang	2,343	–	0	–
Branch General Manager	Chi-Shen Huang	58,060	–	0	–
Branch General Manager	Chiang-Chung Chuang	13,075	–	0	–
Branch General Manager	Chin-Tien Lai	6,915	–	0	–
Branch General Manager	Yun-Neng Chen	7,534	–	0	–
Branch General Manager	Jui-Sen Liao	3,310	–	0	–
Branch General Manager	Shih-Tsung Liu	8,146	–	0	–
Branch General Manager	Jui-Tang Tai	2,267	–	0	–
Branch General Manager	Hung-Yi Hsu	14,170	–	0	–
Branch General Manager	Wen-Jung Chen	4,733	–	0	–
Branch General Manager	Ching-Sung Chen	4,824	–	0	–

### 3-5-1-2. Information of Shareholding Transfer

Name	Shareholding Transfer Reason	Date	Counterparty	Relation between Counterparty and COTA Bank, Director, Supervisor and shareholder whose shareholding more than 10% of the issuing amount	Shares	Price
Pi-Jung Hsieh	Disposal	Nov. 29, 2007	Tsung-You Hsieh	Director Related Party	75,050	14.78
Tsai-Pao Hsieh Liu	Disposal	Nov. 29, 2007	Tsung-Hsien Hsieh	Director Related Party	75,050	14.78
Tai-An Chen	Disposal	Dec. 3, 2007	Yu-Min Chen	Manager Related Party	15,901	10.00

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

### 3-5-2. Related Party Transaction

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	%	No. of Shares	%	No. of Shares	%	name	relationship	
Chun-Tse Liao	4,648,209	1.31	11,041	0.00	None	None	None	None	
Tung Yang Business Co., Ltd Xian-De Lai	3,345,588	0.94	-	-					
Song-Yue Liao	3,098,736	0.87	44,170	0.01					
Guo-Zhao Xiao	2,822,016	0.79	-	-					
Shih-Ming Chuang	2,136,782	0.60	-	-					
Chiang-Te Hung	2,100,849	0.59	-	-					
Chin-Chang Lin	1,900,686	0.53	-	-					
Pi-Jung Hsieh	1,890,645	0.53	1,383,041	0.39					
Kuo-Chou Chen	1,758,858	0.49	-	-					
Li-Chu Lee	1,719,061	0.48	-	-					

### 3-5-3. Consolidated Shareholdings: None



## 4. Capital Arrangement

## 4. Capital Arrangement

### 4-1. Capital Shares and Dividends

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

Unit: TWD as of Dec. 31, 2007

Month/Year	Issuing price (TWD)	Registered Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source	Asset except cash mortgage stocks	Other
Jan., 1999	10	318,373,096	3,183,730,960	318,373,096	3,183,730,960	Transform from the shares of former Credit Cooperative	-	Approved under the Document No.87736717 of MOF
Jul., 2004	10	324,740,558	3,247,405,580	324,740,558	3,247,405,580	Increase from retained earnings of 63,674,620	-	Approved under the Document No.0938011008 of MOF
Jul., 2005	10	333,734,078	3,337,340,780	333,734,078	3,337,340,780	Staff stock dividend increase from retained earnings of 16,868,570 Shareholder stock dividend increase from retained earnings of 73,066,630	-	Approved under the Document No.0940125559 of FSC
Jul., 2006	10	600,000,000	6,000,000,000	343,190,342	3,431,903,420	Staff stock dividend increase from retained earnings of 17,803,800 Shareholder stock dividend increase from retained earnings of 76,758,840	-	Approved under the Document No.0950130685 of FSC
Aug., 2007	10	600,000,000	6,000,000,000	355,599,141	3,555,991,410	Staff stock dividend increase from retained earnings of 3,971,370 Shareholder stock dividend increase from retained earnings of 120,116,620	-	Approved under the Document No.0960042314 of FSC

As of Dec. 31, 2007

Type of Stock	Authorized Stock Capital			Remark
	Outstanding Capital Stock	Un-issued Share	Total	
Common Stock	355,599,141	244,400,859	600,000,000	not on the list of TSEC/OTC

## 4-1-2. Shareholder Structure

As of Dec. 31, 2007

Category	Government Agencies	Financial Institution	Other Institution	Individual	Foreign Institution and Foreigner	Total
Number of Shareholders	2	5	442	67,399	-	67,848
Number of Shares	481,952	13,993	8,710,349	346,392,847	-	355,599,141
Percentage	0.14%	-	2.45%	97.41%	-	100%

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

### 4-1-3-1. Common Stock : Par Value of TWD10

As of Dec. 31, 2007

Tier	Number of Shareholders	Number of Shares	Percentage (%)
1 ~ 999	48,637	9,692,250	2.73
1,000 ~ 5,000	11,131	18,857,259	5.30
5,001 ~ 10,000	1,122	7,090,582	1.99
10,001 ~ 15,000	4,044	45,047,721	12.67
15,001 ~ 20,000	214	3,584,784	1.01
20,001 ~ 30,000	585	13,531,350	3.81
30,001 ~ 50,000	725	29,293,653	8.24
50,001 ~ 100,000	749	48,982,482	13.77
100,001 ~ 200,000	394	54,046,983	15.20
200,001 ~ 400,000	166	45,537,093	12.81
400,001 ~ 600,000	34	16,420,818	4.62
600,001 ~ 800,000	14	9,816,144	2.76
800,001 ~ 1,000,000	4	3,679,486	1.03
1,000,001 and above	29	50,018,536	14.06
Total	67,848	355,599,141	100.00

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

## 4-1-4. Major Shareholders

As of Dec. 31, 2007

Name	Number of Shares	Percentage (%)
Chun-Tse Liao	4,648,209	1.31%

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

#### 4-1-5. Book Value per Share and Earnings per Share in Recent Two Years

Unit: TWD

Item		Year	2007	2006	Up To Jan. 31, 2008
Market Price	Highest		N/A	N/A	N/A
	Lowest		N/A	N/A	N/A
	Average		N/A	N/A	N/A
Book Value per Share	Before Distribution		14.92	15.47	14.93
	After Distribution		14.77 (Note 2)	15.37	Note 3
Earnings per Share	Weighted Average Shares		355,599,141	343,190,342	355,599,141
	Earnings per Share	before adjusted	0.18	0.17	0.02
		after adjusted	0.18 (Note 2)	0.16	(Note 3)
Dividend (Note 1)	Cash dividend		0.1	0.23	0.1 (Note 2)
	Stock Dividend	Earning	0	0.23	0 (Note 2)
		Capital Reserves	0.35	NONE	0.35 (Note 2)
	Dividend in Arrears		0	0	0
ROI Analysis (Note 4)	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. Dividend of series year means each year assigns the earnings of the year before.
2. Distribution number is to be confirmed after the approval of board of directors and the shareholder meeting.
3. 2008 year hasn't ended.
4. Our Company does not need for the non-listed and non-OTC-traded company.

#### 4-1-6. Dividend Policy

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

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



According to article 35 of COTA Bank's articles of incorporate, earnings of fiscal year should pay taxes and offset prior year's losses and appropriate 30 pct as legal reserve in turns. The remaining is regulated to distribute as follows:

1. Up to 10% as dividend to the shareholder.
2. Up to 3% as remuneration to the director and supervisor.
3. 10% as bonus to staff.
4. Shareholder bonus.
5. Special reserve.

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

#### 4-1-7. The influence of stock dividend to market price and earning per share:

As no financial forecast required being announced, no disclose is needed.

#### 4-1-8. Staff Bonus and Remuneration to Director and Supervisor:

In accordance to the article 34 of COTA Bank's Articles of Incorporate

#### 4-1-9. Buy Back Stock: None

## 4-2. Issuance of Bank Debentures

Type of Bank Debenture	First Issuance of Bank Debentures 2006
Date Approved by central Competent Authority, Document No.	Executive Yuan, Financial Supervisory Commission September 9, 2005 Chin Kuan Yin (3) No.0940024574
Date of Issue	March 28, 2006
Par Value	500 thousand, 1 million, 5 million, 10million
Issue and transaction Place	Taiwan, R.O.C.
Denomination	New Taiwan dollars
Issue Price	100
Total Amount	2,500,000,000,
Interest Rate	Type A: First 5 years 3.3%, Last 5 years 5% Type B: First 5 years, 1.20% over the Bank's Board's Index rate of time saving deposit. Last 5 years, 2.50% over the Bank's Board's Index rate of time saving deposit.
Term	10 years, maturing on Mar 28, 2016
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	Jih-Sun Securities Co., Ltd./ <b>Grand Cathay Securities Corporation</b>
Certifying Lawyers	None
Certifying CPA	Chuan-Chuan Wu / Chun-Man Chen
Certifying Financial Institution	Hwa-Tai Commercial Bank Trust Dept.
Method of redemption	Principal paid upon maturity or The Bank is entitled to redeem by an announcement from Feb 1, 2011 to Mar 28, 2011
Unredeemed Balance	2,500,000,000
Preceding Year's Paid-in capital	3,337,341,000
Preceding Year's Post-Audit Net Value	5,224,445,831
Performance Status	Normal
Sellback or Early Redemption conditions	The Bank is entitled to redeem by an announcement from Feb 1, 2011 to Mar 28, 2011 or Principal paid upon maturity
Rollover and Exchange Conditions	None
Restrictive Conditions	Subordinated
Capital Utilization plan	Raise the Bank's own capital and risk asset ratios
Amount of Registered Issuance Plus Outstanding Balance Already Issued as Ratio of Net Final Value of Issuance in Preceding Year.	47.85%
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 Corporation Dec. 13, 2007 Long-term: twBBB+ Short-term: twA-2 Prospect for rating: Stable

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

#### 4-4. Taiwan Depositary Receipt: None

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

#### 4-6. Take Over or Cede Financial Institution:

In recent year and up to the annual report is been printed, our bank do not take over or cede financial institution.

#### 4-7. Utilization of Capital Plan: None



## 5. Business Operation

## 5. Business Operation

### 5-1. Business Report

#### 5-1-1. Comparison over the Past Five Years

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

The amount of deposits as the end of 2007 totaled TWD93,632 million, decreased TWD2,105 million compared to year earlier for a less rate of -2.20%. In order to enhance the structure of quality and quantity, we intend to expand the deposits in the public and to focus on the corporate salary remittance service. We will not only to improve the functions of Internet banking and phone banking, but also to explore new customers in the market. In the deposits structure, our demand deposits stood at TWD31,454 million that was the 33.59% of the total deposits. Our time deposits stood at TWD62,178 million that was the 66.41% of the total deposits. In addition, we also have perspective business strategy and company appearance that can assist us to expand our business territory.

#### Structure of Deposits

Unit: TWD million: %

Items \ Year	2007		2006		2005		2004		2003	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Checking Deposits	1,479	1.58	1,566	1.64	1,577	1.91	1,348	1.83	1,279	1.97
Demand Deposits	8,311	8.88	8,260	8.63	6,036	7.31	5,211	7.09	4,569	7.02
Demand Savings Deposits	21,658	23.13	22,988	24.01	19,258	23.32	17,028	23.17	15,453	23.77
Time Deposits	14,608	15.60	17,129	17.89	15,312	18.54	13,069	17.78	9,102	14.00
Time Savings Deposits	47,570	50.80	45,770	47.81	40,396	48.92	36,843	50.13	34,620	53.24
Remittances	6	0.01	24	0.02	3	0.00	0	0.00	0	0.00
Total	93,632	100.00	95,737	100.00	82,582	100.00	73,499	100.00	65,023	100

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

The amount of loans outstanding as the end of 2007 totaled TWD82.166 billion, compared with the end of 2007; this was an increase of TWD236 million.

## Structure of Loans

Unit: TWD million: %

Items \ Year	2007		2006		2005		2004		2003	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Overdrafts	167	0.20	155	0.19	40	0.06	42	0.07	42	0.07
Bill Discount	367	0.45	345	0.42	296	0.43	285	0.45	210	0.36
Car Loans	8,648	10.53	6,369	7.77	4,031	5.80	1,814	2.88	1,175	2.03
Mortgage loans	22,051	26.84	24,581	30.00	19,168	27.58	14,660	23.26	23,287	22.92
Other Unsecured Loans	26,445	32.18	26,986	32.94	27,157	39.07	27,096	42.99	25,063	43.23
Other Secured Loans	23,431	28.52	22,738	27.75	12,720	25.49	17,635	27.98	17,029	29.37
Allowances for Bad Debt	-709	-0.86	-68	-0.79	-626	-0.90	-689	-1.09	-649	-1.12
Sub Total	80,400	97.86	80,526	98.28	67,786	97.53	60,843	96.54	56,157	96.86
Acceptance receivable	4	0.00	22	0.03	11	0.11	14	0.02	11	0.02
Guarantee receivable	1,053	1.28	734	0.90	1,081	1.56	1,477	2.35	1,162	2.00
Allowances for Bad Debt	709,	0.86	648	0.79	626	0.9	689	1.09	649	1.12
Total	82,166	100.00	81,930	100.00	69,504	100.00	63,023	100.00	57,979	100.00

Note: This column includes loan business and credit card business which are not collected

COTA Bank promoted loan business to take quality as a target on the 2007, control to expend superior quality and promote potential customs, reduce the impact of credit and cash card debts, and avoid the over-heated mortgage market. In the corporate section, in accordance with national economic development, we take the advantage of "Small and Medium Business Credit Guarantee Fund" to assist small and medium companies to control credit risk , enhance BIS ratio, develop their business and assist them to grow.

To improve COTA Bank's operated ability conforming to BASEL II, list risk management as a capital gradually. Ensure shareholder value and the rights of depositor. In order to improve the efficiency of our internal resources to meet customer demand, we will develop financial products combined with deposits and wealth management. Further, we will make use of a resource, create liberal profits.

### 5-1-1-3. Wealth Management

Wealth Management of COTA Bank primarily focused on providing customers as an agency with trust businesses such domestic/overseas trust funds, real estate trust funds, and non-discretionary investment in domestic/foreign securities and insurance as well.

#### Wealth Management

Unit: TWD million

		2007		2006		2005		2004		2003	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Insurance	Life Insurance	135	4	136	9	314	36	526	57	518	68
	Property Insurance	0.8	-	0.1	-	0.9	-	0.9	-	-	-
Trust Funds	Overseas Trust Funds	1,656	43	464	32	469	53	398	43	246	32
	Domestic Trust Funds	1,962	51	653	45	100	11	-	-	-	-
Trust	Money Trust	94	2	200	14	-	-	-	-	-	-
	Real Estate Trust	20	-	-	-	-	-	-	-	-	-
Total		3,867.8	100	1,453.1	100	883.9	100	924.9	100	764	100

### 5-1-2. Business Plans for 2008

#### 5-1-2-1. Operating Plans

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

1. To reallocate two Branches in 2007
2. To streamline operation process and develop to improve service efficiency
3. To enhance communication between Headquarter and branches to improve management performance, Establish year-end performance rating grade of market unit and management unit.
4. To establish operation analysis system and enhance control of financial market movement in order to promote business planning ability
5. To enhance data security protection mechanism in order to maintain IT operation's correctness, confidentiality, completeness and usability
6. To improve COTA Bank's risk management ability conforming to BASEL II
7. To develop web-bank service function continuity and set up corporate platform and foreign exchange trading platform to meet customer's satisfactions
8. To manage actively COTA Bank's fixed asset to improve resource-utility revenue
9. To implement budget execution system to improve the Bank's resource-utility efficiency

10. To propagate and deal with regulation and policies in relation to finance
11. To rebuild new server system in place of TANDEM server; integrate inter-bank remittance, ATM, IC-card function to IBM server
12. To develop trust structural goods, foreign derivatives, deposit prepayment with automatic shopping business, improve service efficiency
13. Respond 100 of the Republic of China, adjust the date of information system and transfer. Modify each business system providing to serve for 24 hours

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

1. To target VIP customer group and provide tailor-made services
2. Enhances pyramid top investors understanding of our Consumer Banking product
3. To innovate new consumer banking financial product and focus on risk-lowering and competitive advantages
4. To process an on-the-job training to the sales personnel, to launch obey an ordinance periodicity, product fixed position, the marketing direction, develops technique, service manner, raise a group productivity
5. To better loan platform, credit investigation procedure, and real estate appraise procedure
6. To target economic scale by standardizing and automating back office operation procedure to lower operation cost
7. To streamline personal credit investigating procedure and focus on balancing quantity & quality of credit under risk control first rule
8. To better pre-risk review and post-risk management to examine consumer banking credit investigation operation status and asset quality regularly
9. To maintain consumer banking center's optimal business model to adapt to external competence and the change of regulation
10. To enhance communication among business unit, loan department and credit department to strengthen case procedure and management

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

1. To provide enterprise with whole credit investigation project and strategy, machine guarantee loans to meet financing need in line of governmental economy developing policy
2. To accommodate regulatory policy to help small and medium business grow and also utilize credit guarantee scheme to lower credit risk, enhance BIS ratio
3. To cooperate with domestic known machine producer to help quality small and medium business with capital expenditure financing
4. In order to improve the efficiency of our internal resources to meet customer demand, we will develop

financial products combined with deposits and wealth management. Further, we will make use of a resource, create liberal profits.

5. To develop the revolving fund of the development operation and increase customer
6. To better Credit investor and believe the business personnel marketing ability with profession training
7. To better employee competence, marketing ability and servicing quality & performance with profession training
8. Match with an economy development and promote an industrial upgrading policy, provide the credit project and service to the enterprise. Satisfy its funds need

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

1. To enhance international financial activities and take part in international syndication loan in order to advance COTA Bank's reputation
2. To strengthen cross-strait and triangle trade financial business and expand OBU profit margin
3. To continue building global remittance network and promote trade financing business for higher profit
4. To allocate adequately foreign exchange investment exposure and target high-rating overseas securities for foreign exchange financial operation revenue
5. To enforce foreign exchange professional know-how and training due to new UCP rule change
6. To provide client with convenient E-financial service by building foreign exchange web bank trading function.
7. To establish the foreign exchange merchandise data and enhance a risk management confirming to BASEL II
8. To apply for a new kind derivative financial merchandise and establish foreign exchange relationship with the foreign bank in Taiwan and other domestic finance.

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

1. To establish the insurance broker co., ltd., introduce merit insurance merchandise
2. To enhance relationship with clients by holding periodical wealth management seminars to lift the bank's image
3. To train manage finance consultants and holds a training and strengthen tax saving, bequest planning ability, create liberal profits
4. To plan purchases the financial merchandise related information software and provide the customer with immediately financial message and suggestion, help customer to control invests risk
5. To provide exclusive service to the high profit customer and to make the portfolio suggestion
6. To raise convenience and utilization rate of the net of the fund finance manage, reduce cost of labor
7. By the media publicly operate and expand the profession wealth management image, with reach a business target



8. To match with season festival and customer's account contribution degree to draft a special project, strengthen customer's relationship
9. To develop wealth management of corporate employee and account of the salary transfer

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

1. To match with a business diversification, keep on adjusting each kind of Asset & Liabilities to classify substantial income and cost, promote efficiency
2. To control risks, add management index to build up a risk early-warning mechanism, promote decision quality
3. To advance savings & loan market shares to secure funding resource
4. To review funding cost, modulate financial structure, and exalt profit with hedge instruments
5. To accommodate operating plan, hold sales promotion and savings to contest, extend savings quantity, and stabilize funds source
6. To research the derivatives merchandise, develop and expand, provide the customer with more diversified service
7. To construct risk management system, valuation credit risk, market risk, operation risk and mobility risk, carry out various quota provisions, build up internal risk management culture, and promote management results to enhance property quality
8. To build the structure of the operation risk management and risk valuation mechanism and build up the database of the operation risk loss confirming to BASEL II

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

1. To start a financial curriculum of the profession training, promote employee professional ability
2. To match with a business demand, appropriately adjust to organize structure, promote efficiency
3. To continuously construct electronic personnel system, simplify human resource management
4. To complete on-line leave of absence system, build VOIP and the system of the network video conference, reduce cost and promote efficiency

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

1. To cohere with authorization regulation of "Credit Card NPL ratio" to enhance bad debt recovering
2. To observance the standard of the examining liability ratio (DBR < 22)
3. To review liabilities ratio of customers every half year, adjusts interest rate and uncertain expect to check excrescent payment or consumption situation

4. Credit card cash advance ratio 50% adjusts to 20% from the credit limit
5. To reduce not- good savings and loans customer that exceed the credit limit and time of authorization
6. To review debt of installments special contract store and representative director's, in order to prevent management not influence customer payment
7. To stop the credit card that no usage with customers and installments special contract store, enhance a bank account management, and reduce cost
8. To match with visa Inc. activities, promote consumption, maintain to usage credit card amount growth
9. To match with visa Inc. to sponsor 2008 Olympics in Beijing, redact credit card promotion

### 5-1-2-2. Major Business Plans

COTA Bank plans to form two branches in 2007 with anticipation to extend scope in southern Taiwan expand service breadth & depth. To establish the insurance broker co., Ltd., introduce merit insurance merchandise Promoting service efficiency and developing high-quality customers as diligent directions. To think about profits and finance structure and liquidity also enhance a risk management and reduce impact confirming to BASEL II. Make use of under the customer foundation pushes loan business, Wealth Management and the electronics bank waits for a finance service, by crossing sell promotion to advice, to operate with an outstanding target to move forward.

Unit: TWD thousand: %

Business Item	2008 Budget	2007	Increase Volume	
			Amount	%
Average Balance of Deposits	102,845,000	93,088,200	9,756,800	10.48
Average Balance of Loans	84,521,000	78,098,819	6,422,181	8.22
Wealth Management (Trust Amount)	4,000,000	3,732,037	267,963	7.18
Wealth Management (Insurance Revenue)	250,000	242,119	7,881	3.25

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

#### 5-1-2-3-1. Deposits

The amount of deposits and remittances in the bank totaled TWD102,845 million, increase by TWD9,756 million for a growth of 10.48%. Main strategies are as follows:

1. Develop low interest rate deposit and salary account transfer from government agencies and corporate to reduce funding cost and advance volume of bank's demand deposit;
2. Strengthen on E-trade platform for multiple-choice money transfer and provide much better automated services to clients;

3. Simplify work procedures to exalt satisfaction of clients;
4. Continue developing dispersible investment products to enhance business of Wealth Management that can get rid of high-cost deposit and increase service fee profit.

#### 5-1-2-3-2. Loans

For 2008, loans budget average amount as TWD84,521 million, increased by TWD6,422 million in 2007 for a growth rate of 8.22%. We will make efforts in tracing bad debts and write-off NPL as soon as possible to decrease Delinquency Ratio and increase Coverage Ratio as well in the purpose of maintaining good quality of bank assets. Main strategy as follows:

1. Follow up government policy to help small and medium business and promote convenience of financing with capital expenditure loan;
2. To simplify the procedure of loan business and exalt the specialized quality of examination personnel;
3. Launch various project loans in coincidence with governmental policy;
4. To satisfy different demand of clients with diversified loan products ceaselessly;
5. Combine real estate trust and aggressively expand building loan and OBU loan business;
6. To coordinate with BASEL II regulation and strengthen risk management;
7. To consolidate the communication of branches, regional centers and Credit Management Dept. in order to intensify the management of loan business;
8. To extend the different industry cooperation and market shares, furthermore, to promote housing loan, car loan and credit card related business;
9. To develop new and various products actively, create multiple routes in business and reinforce in database marketing.

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

COTA Bank started insurance agency company not only to meet client investment need and increase commission revenue but also to strengthen the abilities of managing money and developing insurance products. The bank also planed to expand scope by training financial consultants and increasing framing. At the end of Dec 2007, trust asset revenue budget totaled TWD4,000 million that increased TWD268 million for a growth rate of 7.18%. For insurance agency, average premium totaled TWD250 million, increase by TWD8 million for a growth of 3.25%. Main strategies are as follows:

1. To raise the accounts of high-valued and wealthy clients.
2. To meet the demand and satisfied clients through completed information by system database.
3. To provide various products and enhance wealth-finance platform. Moreover, under consideration of safety and liquidity to assist clients dispose their assets.

4. To set up insurance agency company to provide professional suggestions and make sure client's wealth management.
5. To adjust the revenue structure to value both of commissions and management fees.
6. To consider both of trust asset and fees income will sustain to develop monetary trust and real-estate trust.
7. To enhance the competition and performance, the bank will expand the range of investment by providing structured products.

### **5-1-3. Market Analysis**

Observed from overseas financial market, due to dual-card effect and American subprime mortgage impact are getting smooth recently, we believe that under the management of FSC and financial institutions merger action, the environment of financial market will has much competition and soundness. To face the quickly change of financial market, we will enhance internal control and risk management, at the same time, take stable growth strategy with hope to keep ongoing competence and help to build whole island channel. Moreover, we still not only continue to strengthen our competitive ability, but also develop a more comprehensive and effective local bank in Taiwan. Besides, our business strategy in the future is conservative. We are not going to merge and acquisition unless our customers, stockholders and staffs gain better advantage.

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

#### **5-1-4-1. Major Financial Product and New-created Units in Recent Two Years**

##### **5-1-4-1-1. Scale of Major Financial Product: Please refer to 5-1**

##### **5-1-4-1-2. New-created Units**

1. Set up SME Banking Center in Jan., 2006
2. Acquired Fengyuan Cooperative on Jan., 2006, increasing 6 branches as Fenghsin, Chungshan, Fenglo, Fengdung, Shichan and Sanmin
3. Set up Wealth Management Center and Offshore Banking Branch in Jul., 2006
4. Set up Kaohsiung branch and Southern Consuming Regional Center in Jan., 2007
5. Set up Tainan branch in Jul., 2007

#### **5-1-4-2. Financial Product Research and Development**

1. Promote and develop small and medium company loans and guarantees business to help client's competitive advantage.

2. Build up database to help analyzing customer consuming behavior and support the full services to clients to raise the profits and revenues of the bank.
3. Cooperate with IT programming to provide E-trade and plan FX internet banking system.
4. Set up insurance agency company and lead in outstanding products to provide various services.
5. Set up completely control rules of risk management and oversee any credit risk, market risk, operation risk and liquidity risk to enhance the performance of administration and quality of assets.
6. Accomplish the E-system for any kind of leaves, set up VOIP (Voice over IP) and internet meeting system to save the bank cost and raise efficiency.
7. Develop structured products and derivative instrument to provide clients many choices.
8. Market the bank's credit cards and cope with VISA that sponsor of the Beijing 2008 Olympic Games.
9. Complete the website of mutual fund investment in 2007

### **5-1-5. Long/Short Term Business Development Plans**

#### **5-1-5-1. Orientation and Aspiration**

With the vision to strengthen competitive edge and conform to ever-lasting operating niche, COTA Bank commit itself to expand the business scale, raise market share, increase return of equity in order to become a concise and sophisticated professional commercial bank.

#### **5-1-5-2. Short Term Business Development Plans**

1. To train professional wealth and trust specialist consultant to provide diversified investment and wealth management services.
2. To aggressively promote fee income business lines to raise percentage of fee income to business revenue.
3. To apply to investment insurance agency company and bring in outstanding products to enhance financial service mix.
4. To create and develop consumer banking products in line with market movement and meet seasonal funds need.
5. To expand services into the communities
6. To establish internet banking for FX trade to provide E-service for clients.
7. Plan to set up 2 branches in 2008
8. Accomplish the E-system for any kind of leaves, set up VOIP (Voice over IP) and internet meeting system to save the bank cost and raise efficiency.
9. Market the bank's credit cards and cope with VISA that sponsor of the Beijing 2008 Olympic Games.

### 5-1-5-3. Long Term Business Development Plans

1. To expand product services, promote the business scale of corporate banking and consumer banking.
2. To implement the appraisal management of individual performance, enhance team work building as well as business revenue.
3. To streamline work flow, simplify processing reform, improve efficiency of operation and cut down operating costs and expenses.
4. To align the structure of organization continuously, build up operating function of professional division of work and effective services.
5. To build up management information system and electronic information platform to integrate IT system into complete effect as a whole.
6. To build up financial service network and cultivate in the communities.
7. To increase the market share in lending and saving market in order to ensure the resources of fund is stable and perform effectively.
8. To reduce the cost of operation standardized the operation procedure in the back office operation.
9. To enhance working capital by issuing subordinated debentures.
10. To set up the sole unit of the risk management of controlling operation risk.
11. To strengthen business in international finance service by increasing earning share of OBU.
12. To set up completely control rules of risk management and oversee any credit risk, market risk, operation risk and liquidity risk enhancing the performance of administration and quality of assets.

## 5-2. Human Capital

### Information of Educational Background for Employee in Recent Two Years

Items		Year	Up to Jan. 31, 2008	2007	2006
Number of Employee			1171	1170	1117
Average Age			35.89	34.96	34.66
Average Seniority			10.15	9.16	8.92
Structure of Education	PHD		0	0	0
	Graduate		37	37	29
	University/College		879	878	799
	Senior High School		248	248	284
	Below		7	7	5

<b>Certificated Proficiency Tests of Employees</b>	<b>Total (Up to Jan. 31, 2008)</b>
Basic Proficiency Test for Bank Lending Personnel	346
Advanced Proficiency Test for Bank Lending Personnel	25
Proficiency Test for Bank Collateral Appraisal Personnel	9
Basic Proficiency Test for International Banking Personnel	193
Basic Proficiency Test for Foreign Exchange Trading	30
Proficiency Test for Financial Planning Personnel	291
Proficiency Test for Trust Operations Personnel	562
Proficiency Test for Obligation & Debt Collection Personnel	158
Proficiency Test for Bank Internal Control Personnel	655
Proficiency Test for Financial Risk Management Personnel	2
Securities Investment Analysts	2
Senior Securities Specialist	99
Securities Specialist	93
Future Specialist	78
Securities Investment Trust & Consulting Professionals	74
Bill Finance Specialist	25
Bond Specialist	11
Stock Affair Specialist	4
the Asset Securitization Basic Ability	2
Life Insurance Specialist	503
Investing Insurance Specialist	246
Asset Insurance Specialist	342
Personal Risk Management	1
Financial Risk Management (FRM)	1
Accountant	1
Real Estate Broker	1
Land Registry Agent	1
Asset Insurance Broker	1
Asset Insurance Agent	2
Life Insurance Broker	1
Life Insurance Agent	2
General English Placement Test-Advance	2
General English Placement Test-Basic	5

### 5-3. Responsibility and Ethical Code

COTA Bank, now a famous financial institution in central Taiwan, was set up around 92 years and upgraded from Taichung Third Credit Cooperatives. Accumulating experience from long term and stable operation, we built great image and sound reputation in central Taiwan. In order to repay for society support, we set up “COTA Culture & Education Foundation” to develop the public welfare of senior citizenry, taking the responsibility as a sponsor of society welfare, arts appreciation and communities care such as: Children’s Creative Drawing Contest, Day of No-Driving, Asian Cup Baseball Game, Terry-Fox Charity Road-running, Classic Sting Orchestra Concert and Family-support Activities etc., we pay full intention to participate and support. In order to create more valuable entrepreneur and seek for better turning point under the foundation of stable operation, COTA Bank merged Fen-Yuan Credit Cooperatives, combining the synergy of breaking the limit of operation scale and gaining better asset quality to get profit that earns “tri-party win situation” of shareholders, employees and customers.

### 5-4. IT Equipment

COTA Bank uses IBM UNIX server for Business System, Testing System and Utility System separately and Internet banking system will replace IBM UNIX for TANDEM. Software includes Demand Deposits System, Time Deposit System, Multifunctional Deposit System, Bill Payments System, Financial Planning System, Credit System, Trust Business System, Checks Clearing System, ATM & Chip-Card System, Internet Banking System, Automatic Phone Voice Service System, Correspondent System, Credit Checking System, Chops System, Messaging System, Information Transmitting System, Personnel & Wages System, E-Document System, Online System (Appraisal, Credit Information, Expense Analysis, Report Management, Staff Card Management), Consumer Banking System, Business Financial System, Wealth Management System, Credit MQ System, E-learning Platform System, Accounting System, Safe System, Foreign Exchange System of both DBU and OBU, and Credit Card System. COTA Bank uses Mirror Disks to protect all transactions data completely and keeps duplicates of disc and magnetic film every working day also for CD-ROM periodically. To enhance secure transactions, we set up strictly control and management of Internet banking platform. Furthermore, we arrange another control room and backup system to prevent any damage from disaster.



## 5-5. Labor-Capital Relation

### 5-5-1. The Labor-Capital Agreement & Implementation situation at present

To stabilize the quality of staff life and improve the efficiency, COTA Bank takes care of the welfare for staff with regard to give birth, marriage and funeral affairs, medical treatment and accidents.

#### 1. Group Insurance

In accordance with laws and decrees, COTA 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. Moreover, we have accident insurance with Shin Kong Life too.

#### 2. Bonus

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

#### 3. Incentive Interest Rate

COTA Bank provides favorable interest rate of deposits or loan for all staff.

#### 4. Security and Hygiene

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

#### 5. Staff Proficiency Training

To enhance the level of our employee of profession, we are holding in-house training courses and professional lessons. We send quality employees for outside training to improve their know-how.

COTA Bank pension fund is pursuant to old version and updated version (from Mar. 1, 1998) of "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 Central Trust of China. We have another account for appointed management that calculated 8% of their salary each month. Till end of January 2007, under the survey of all employees, there are 455 staff (38.92% of employees) chose the old system or didn't make decision temporarily, 714 staff (61.08% of employees) chose new system. COTA Bank has no any argument between labors and capital at present.

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

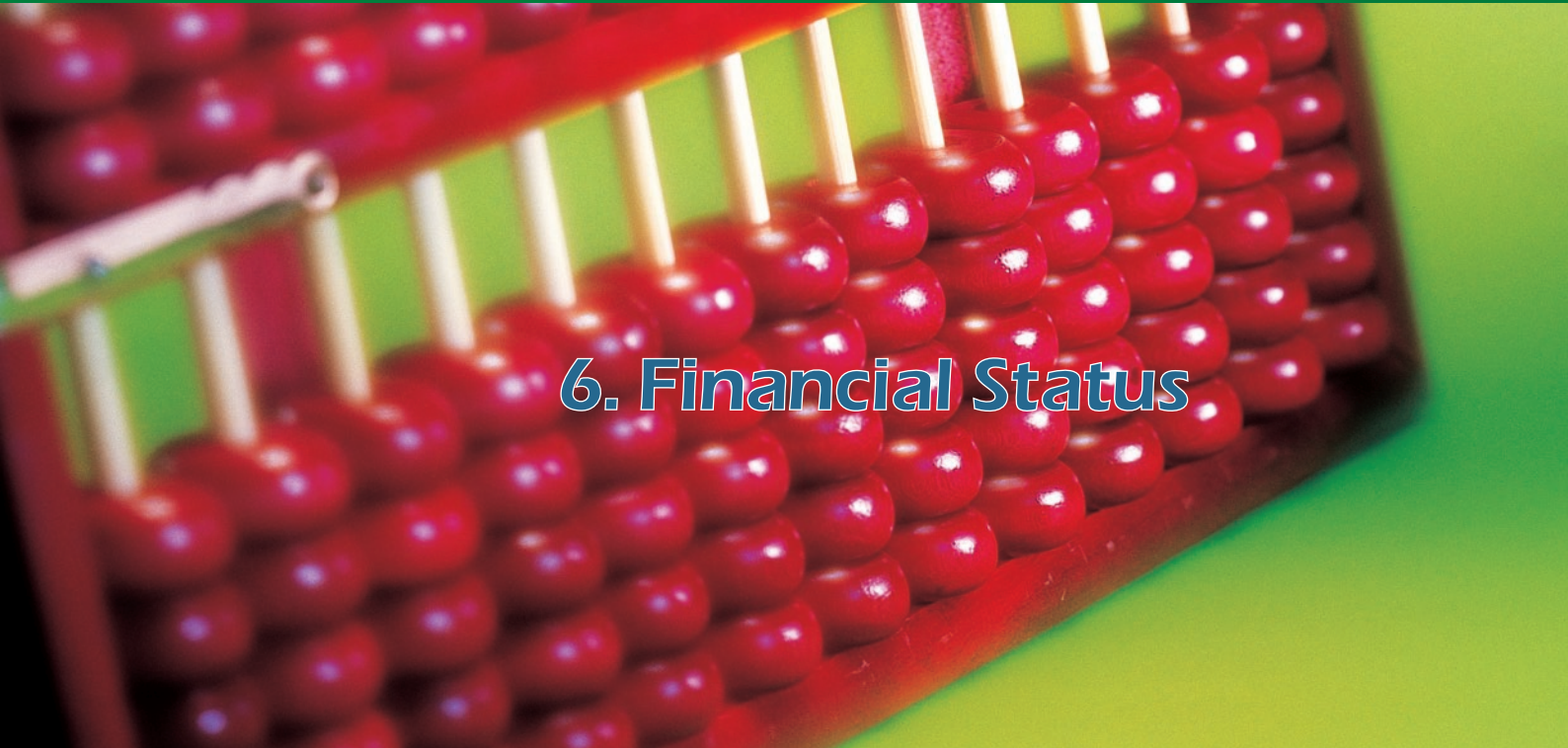
All personnel management and staff welfares of COTA Bank are conformed to Labor Law. We retain agreeable labor-capital relationship and never suffered damage from arguments and wish so for future.

### 5-6. Significant Contract

Nature of Contract	Concern Party	Contractual Period	Major Content
Deposit Insurance Contract	Central Deposit Insurance Corp.	Engaged on Aug. 15, 1995	To enhance protection of customer deposits
Bank Comprehensive Insurance	Fubon Insurance Co., Ltd.	From Apr. 1, 2007 to Apr. 1, 2008	<ol style="list-style-type: none"> <li>1. Staff unfaithful behavior</li> <li>2. Asset of branches</li> <li>3. Asset in transit</li> <li>4. Forged drafts and securities</li> <li>5. Forged cash</li> <li>6. Damage of equipment</li> <li>7. Fault of securities or contracts</li> </ol>

### 5-7. Apply for Securitization and Related Information in Recent Year: None





## 6. Financial Status

## 6. Financial Status

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

#### Balance Sheet

Unit: USD thousand

Descriptions	Year	Financial data during 2003~2007				
		2007	2006	2005	2004	2003
Cash, Cash equivalents, due from banks, deposit with the Central Bank		223,730	507,408	434,092	293,800	277,555
Marketable securities		-	-	-	194,565	8,878
Financial assets measured at fair value through profit or loss		18,624	14,584	5,808	-	-
Bonds and bills purchased under resale agreements receivables		59,585	42,813	66,482	-	-
Available-for-sale financial assets		39,044	27,250	15,494	-	-
Bank draft, discounts and Loans		2,474,628	2,466,353	2,062,872	1,906,294	1,652,738
Receivables		25,978	37,543	51,599	23,425	12,130
Held-to-maturity financial assets		221,922	37,360	3,484	-	-
Long-term investments		-	-	-	5,759	5,410
Fixed assets		64,528	43,799	30,972	32,186	28,429
Goodwill		4,741	4,741	-	-	-
Other financial assets		18,432	6,051	6,452	-	-
Other assets		20,993	41,923	38,955	46,779	45,627
<b>Total Assets</b>		<b>3,172,204</b>	<b>3,229,801</b>	<b>2,716,208</b>	<b>2,502,808</b>	<b>2,110,584</b>
Due to Central bank and other banks		13,051	20,303	12,416	14,703	13,977
Deposits & remittance		2,881,885	2,932,207	2,513,145	2,302,825	1,913,692
Financial liabilities measured at fair value through profit or loss		8	10	-	-	-
Bonds and bills purchased under repurchased agreements receivables		-	-	-	-	11,772
Subordinate financial debentures		76,849	76,442	-	-	-
Accrued pension liability		5,036	5,321	4,376	5,242	4,804
Other liabilities		32,129	32,867	24,781	25,110	25,364
Total liabilities	Before allocation	3,008,958	3,067,149	2,554,718	2,342,638	1,964,784
	After allocation	(Note)	3,068,236	2,557,217	2,345,086	1,967,222
Common stock		109,449	105,112	101,562	101,745	93,700
Capital reserve		42,818	46,287	45,989	46,778	46,778
Retained earnings	Before allocation	10,979	11,254	13,938	11,647	8,160
	After allocation	(Note)	10,045	8,562	6,381	3,847
Unrealized gains on financial instruments		173	1,237	-	-	-
Cumulative translation adjustment		(2)	-	-	-	-
Other shareholder's equity		11,754	1,723	-	-	-
Total Shareholders' equity	Before allocation	163,246	162,652	161,490	160,170	145,800
	After allocation	(Note)	161,565	158,991	157,722	143,362

Note: Allocation of 2007 profits is pending subject to the approval in the 2008 Shareholders' general meeting

## Concise Income Statement

Unit: USD thousand

Descriptions	Year	Financial data during 2003~2007				
		2007	2006	2005	2004	2003
Net interest income		48,611	45,401	40,156	-	-
Other net interest income		13,793	15,949	16,124	-	-
Bad debt expense		18,786	18,774	8,982	-	-
Operating expense		41,272	40,270	37,968	-	-
Operating income		-	-	-	71,573	69,818
Operating expense		-	-	-	63,860	61,976
Net income (loss)		258	1,359	7,002	7,713	7,842
Non-operating income		2,201	1,386	2,453	1,191	523
Non-operating expenditures		113	157	125	124	859
Income from continuing operations before income taxes		2,346	2,305	9,330	8,780	7,506
Income from continuing operations after income taxes		1,935	1,456	7,740	7,550	6,203
Gain(loss) from discontinuing operations (after income taxes)		-	-	-	-	-
Extraordinary gain or loss (after income taxes)		-	-	-	-	-
Cumulative effect of changes in accounting principle Net income (after income taxes)		-	282	-	-	-
Net income		1,935	1,738	7,740	7,550	6,203
Earnings per share		0.0055	0.0049	0.0219	0.0213	0.0174

1. Certified public accountants:

Chuan-Chuan Wu and Chun-Man Chen for 2003~2006,

Chun-Man Chen and Yuan-Chen Mei for 2007.

2. Opinions: unqualified opinion for 2003~2005 and modified unqualified opinion for 2006~2007.

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

Descriptions	Year	Financial analysis during 2003~2007				
		2007	2006	2005	2004	2003
Operating Capability	Loans to deposits ratio (%)	86.63	84.79	82.48	83.72	86.73
	Overdue loan ratio (%)	2.92	2.95	2.78	2.68	3.78
	Interest expense to average balance of deposits ratio (%)	1.79	1.57	1.31	1.18	1.51
	Interest income to average balance of loans ratio (%)	4.03	3.81	3.68	3.51	4.00
	Total assets turnover (times)	0.02	0.02	0.02	0.03	0.03
	Average operating revenue per employee (USD thousands)	139.83	134.12	92.09	83.75	96.62
	Average earnings per employee (USD thousand)	1.66	1.56	8.06	8.68	8.53
Profitability	Return on first capital type assets (%)	1.26	1.64	5.95	5.62	5.23
	ROA (%)	0.06	0.06	0.36	0.37	0.38
	ROE (%)	1.18	1.07	5.89	5.57	5.18
	Net income ratio (%)	3.10	2.83	13.75	12.27	10.75
	EPS (loss)(USD)	0.18	0.16	0.72	0.68	0.59
Financial structure	Ratio of liabilities to assets	94.85	94.96	94.05	93.6	93.09
	Ratio of fix assets to shareholder's equity	39.53	26.93	19.18	20.09	19.5
Growth Rate	Asset growth rate (%)	(2.26)	18.15	11.72	11.39	14.97
	Profitability growth rate (%)	(9.77)	(72.45)	9.41	9.87	36.78
Cash flow	Cash flow ratio	92.21	45.41	52.69	41.74	32.24
	Cash flow adequacy ratio	563.23	440.41	376.45	368.18	324.26
	Ratio of cash flow for operating to cash flow from investing	159.72	(7.33)	(7.07)	(7.21)	(5.15)
Liquid Reserves Ratio (%)	11.19	13.06	11.24	13.32	10.52	
Secured Loans to Related Parties (USD thousand)	28,169	29,295	26,485	17,277	18,952	
Secured Loans to Related Parties to Total Outstanding Loans Ratio (%)	1.11	1.17	1.25	0.88	1.11	
Operation Scale	Market share of assets (%)	0.31	0.33	0.29	0.27	0.26
	Market share of net worth (%)	0.27	0.28	0.28	0.29	0.31
	Market share of deposits (%)	0.44	0.45	0.41	0.38	0.36
	Market share of loan (%)	0.45	0.46	0.40	0.39	0.40

1. The increase 46.79% of Ratio of fix assets to shareholder's equity, main causes the 21 million assets from leased to self used in 2007
2. The assets growth rate decrease 112.45%, due to the merger with Fengyuan Credit Cooperative and the issuance of subordinate financial debentures result in assets growth dramatically, and bound to deposits scale decrease about 6.13 million result in total assets glimmering decrease.
3. Profitability growth rate decreases, due to the decrease 6.13 million of net income (before taxes), net income (before taxes) in 2007 decrease 8 million.
4. Cash flow ratio increase 103.06%, due to cash provided by operating activities increase 9.23 million, but from banks deposit and payables decrease 12.31 million.
5. Cash flow adequacy ratio increase 27.89%, due to net cash provided by operating activities in 2003~2007 increase 21.55 million.
6. Ratio of cash flow for operating to cash flow from investing decrease 2278.99%, due to net cash used in investing activities for 275.65 million in 2006, but cash provided in investing activities for 18.47 million in 2007.

Note:

1. Operating ability

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

2. Profitability

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

3. Financial Structure

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

4. Growth Rate

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

5. Cash Flow

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

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

7. Operating Scale

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

Unit: TWD thousand, %

Items		Year	Capital Adequacy Ratio of Recent Five Year				
			2007	2006	2005	2004	2003
Net Capital	Tier I Capital	Common Stocks	3,555,991	3,431,904	3,337,341	3,247,406	3,183,731
		Non-cumulative Perpetual Preferred Stocks	-	-	-	-	-
		Non-Cumulative Subordinated Debts Without Maturity Dates	-	-	-	-	-
		Advanced Receipts For Capital Stocks	-	-	-	-	-
		Capital Surplus(apart from fixed asset appreciation surplus)	1,323,875	1,443,962,	1,443,908	1,443,908	1,443,908
		Legal Reserves	294,927	277,907	201,605	129,311	66,080
		Special Reserves	-	-	-	-	-
		Retained Earnings	66,519	60,167	256,398	242,414	211,196
		Minority Interests	-	-	-	-	-
		Other of Equity	-10,356	29,361	-	-	-
		Minus: Goodwill	154,027	154,027	-	-	-
		Minus: Non-amortization of NPL Disposal Loss	-	-	-	-	-
		Minus: Others	97,446	120,492	96,910	96,910	96,910
	Total Tier I	4,979,483	4,968,782	5,142,342	4,966,129	4,813,005	
	Tier II Capital	Perpetual Cumulative Preferred Stocks	-	-	-	-	-
		Cumulative Subordinated Debts Without Maturity Dates	-	-	-	-	-
		Fixed Asset Appreciation Surplus	67,294	67,294	67,294	49,099	49,099
		45% of Unrealized Gain of Financial Assets in Available-for-sale	2,527	-	-	-	-
		Convertible Bonds	-	-	-	-	-
		Operating Reserves and Loan Loss Provision	1,284	2,212	15,095	40,312	12,384
Long-term Subordinated Debts		2,489,741	2,500,000	-	-	-	
Non-perpetual Preferred Stocks		-	-	-	-	-	
The Average of Non-cumulative Perpetual Preferred Stocks and Non-cumulative Subordinated Debts Without a Maturity Date Exceed 15% of Total Tier I Capital		-	-	-	-	-	
Minus: Others		97,446	120,491	96,910	96,910	91,910	
Total Tier II	2,463,400	2,449,015	-14,521	-7,499	-30,427		
Tier III Capital	Short-term Subordinated Debts	-	-	-	-	-	
	Non-perpetual Preferred Stocks	-	-	-	-	-	
	Total Tier III	-	-	-	-	-	
Net Capital		7,442,883	7,417,797	5,127,821	4,958,630	4,782,578	



Items			Year	Capital Adequacy Ratio of Recent Five Year				
				2007	2006	2005	2004	2003
Total Weighted Risk Assets	Credit Risk	Standardized Approach	58,639,906	62,652,619	53,197,335	44,236,706	37,172,153	
		Internal-rating-based Approach	-	-	-	-	-	
		Securitization	-	-	-	-	-	
	Operational Risk	Basic Indicator Approach	3,563,313	-	-	-	-	
		Standardized Approach / Alternative Approach	-	-	-	-	-	
		Advanced Measurement Approach	-	-	-	-	-	
	Market Risk	Standardized Approach	2,257,538	2,306,750	1,261,025	629,475	524,613	
		Internal Model Approach	-	-	-	-	-	
	Total Risk-weighted Assets			64,460,757	64,959,369	54,458,360	44,866,181	37,696,766
Capital Adequacy Ratio			11.55	11.42	9.42	11.05	12.69	
Tier I Capital to Risk Assets Ratio			7.72	7.65	9.44	11.07	12.77	
Tier II Capital to Risk Assets Ratio			3.82	3.77	-0.03	-0.02	-0.08	
Tier III Capital to Risk Assets Ratio			-	-	-	-	-	
COE to Total Assets Ratio			3.45	3.25	3.74	4.07	4.44	

Reasons for changes of capital adequacy ratios for the last two years: None

Note

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

## 6-3 Supervisors' Audit Report

### COTA Commercial Bank Co., Ltd., Supervisor's Audit Report for Year 2007

Mar. 28, 2008

To: Shareholders' General Meeting of Year 2008

The Business Report, Financial Statement and Proposal on Profit Allocation of Fiscal 2007, worked out and submitted by COTA Bank board of directors have been duly audited by KPMG Certified Public Accountants and further verified by us. This Report duly submitted in accordance with Article 219 of the Company Law.

**Standing Supervisor : Lien- Kui Wang**

**Supervisor : Yong-Zhi Wang**

**Supervisor : Dhe-Chin Lai**

**Supervisor : Guo-Zhao Xiao**

**Supervisor : Zhuang-Tai Wang**

## 6-4. Independent Auditors' Report

### To The Board of Directors

#### COTA Commercial Bank Co., Ltd.:

We have audited the balance sheets of COTA Commercial Bank Co., Ltd. (the Company) as of Dec 31, 2007 and 2006, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of COTA Commercial Bank Co., Ltd. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with the "Guidelines Governing the Preparation of Financial Report by Bank," "Regulations Governing Financial Reporting for Financial Institutions," the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling," and Republic of China generally accepted accounting principles.

As described in Note 3 to the financial statements, commencing January 1, 2006, the Company adopted statement of Financial Accounting Standards No. 34 (SFAS 34) "Accounting for Recognition and Measurement of Financial Instruments" and No. 36 (SFAS 36) "Disclosure and Presentation of Financial Instruments". In accordance with SFAS No. 34, the financial assets and liabilities at the beginning of 2006 were revalued based on either fair value or net amortized cost. As the result of adoption of SFAS No. 34, the revaluation differences, which were accounted for either as cumulative effect of change in accounting principle or adjustment to shareholders' equity, amounted to \$9,211 and \$71,486 thousands, respectively.



Feb 2, 2008

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

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

See accompanying notes to financial statements.

## COTA Commercial Bank Co., Ltd.

### Balance Sheets

**December 31, 2007 and 2006**

(Expressed in thousands of New Taiwan Dollars)

	2007	2006	Change of percentage
<b>Assets</b>			
Cash and cash equivalents (note 4)	\$ 1,861,353	2,678,385	(31)
Due from Central Bank and call loans to other banks (note 5)	5,407,638	13,888,478	(61)
Financial assets measured at fair value through profit or loss (note 6)	605,084	476,169	27
Bonds and bills purchased under resale agreements	1,935,909	1,397,851	38
Receivables, net (note 7)	844,029	1,225,766	(31)
Loans, net (note 8)	80,400,663	80,526,411	-
Available-for-sale financial assets, net (notes 9 and 26)	1,268,543	889,701	43
Held-to-maturity financial assets, net (notes 10 and 26)	7,210,231	1,219,801	491
Other financial assets (note 11)	598,863	197,571	203
Premises and equipment, net (note 12)	2,096,518	1,430,028	47
Goodwill (notes 13 and 30)	154,027	154,027	-
Deferred income tax (note 22)	100,373	92,668	8
Other assets (note 14)	581,676	1,276,133	(54)
Total Assets	<u>\$ 103,064,907</u>	<u>105,452,989</u>	(2)
<b>Liabilities and Stockholders' Equity</b>			
<b>Liabilities:</b>			
Due to Central Bank and other banks (note 15)	\$ 424,020	662,901	(36)
Financial liabilities measured at fair value through profit or loss (note 16)	270	311	(13)
Payables (note 17)	622,766	782,689	(20)
Deposits and remittances (note 18)	93,632,443	95,736,553	(2)
Subordinate financial debentures (note 19)	2,496,811	2,495,830	-
Accrued pension liability (note 20)	163,633	173,728	(6)
Other liabilities	421,098	290,382	45
Total liabilities	<u>97,761,041</u>	<u>100,142,394</u>	(2)
<b>Stockholders' equity (note 21):</b>			
Common stock	3,555,991	3,431,904	4
Capital reserve	1,323,875	1,443,962	(8)
<b>Retained earnings:</b>			
Statutory reserve	294,927	277,907	6
Undistributed earnings	66,519	60,167	11
	<u>361,446</u>	<u>338,074</u>	7
<b>Equity adjustments</b>			
Land revaluation increments (note 12)	67,294	67,294	-
Cumulative foreign currency translation adjustments	(59)	10	(690)
Unrealized gains on financial instruments	5,616	40,377	(86)
Unrecognized pension cost	(10,297)	(11,026)	(7)
	<u>62,554</u>	<u>96,655</u>	(35)
Total stockholders' equity	<u>5,303,866</u>	<u>5,310,595</u>	-
Commitments and contingencies (note 27)			
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 103,064,907</u>	<u>105,452,989</u>	(2)

See accompanying notes to financial statements.

**COTA Commercial Bank Co., Ltd.**  
**Statements of Income**  
**For the Years Ended December 31, 2007 and 2006**

(Expressed in thousands of New Taiwan Dollars, except for per share data)

	2007	2006	Change of percentage
Interest income (note 25)	\$ 3,273,720	2,885,453	13
Less: interest expense (note 25)	<u>1,694,362</u>	<u>1,403,121</u>	21
Net interest income	1,579,358	1,482,332	7
Non-interest income, net			
Service fees income, net	296,228	357,889	(17)
Gain on financial assets or liabilities measured at fair value through profit and loss	21,312	33,020	(35)
Realized gain on available-for-sale financial assets	33,674	71,974	(53)
Foreign exchange gains	13,361	6,497	106
Losses on sale of non-performing loans	-	(2,864)	(100)
Other non-interest income, net	<u>83,565</u>	<u>54,209</u>	54
Net revenue	<u>2,027,498</u>	<u>2,003,057</u>	1
Bad debt expense (note 8)	<u>610,366</u>	<u>612,984</u>	-
Operating expense:			
Personnel expenses	858,114	853,563	1
Depreciation and amortization expenses	64,914	64,872	-
Other general and administrative expense	<u>417,896</u>	<u>396,385</u>	5
Total operating expense	<u>1,340,924</u>	<u>1,314,820</u>	2
Income from continuing operations before income taxes	76,208	75,253	1
Income tax expense (note 22)	<u>13,354</u>	<u>27,730</u>	(52)
Income from continuing operations	62,854	47,523	32
Cumulative effect of changes in accounting principle (note 3)	<u>-</u>	<u>9,211</u>	(100)
Net income	<u>\$ 62,854</u>	<u>56,734</u>	11

	2007		2006	
	Before income tax	After income tax	Before income tax	After income tax
Basic EPS (in NTD) (note 23)				
Income from continuing operations	\$ 0.21	0.18	0.22	0.14
Cumulative effect of changes in accounting principle	<u>-</u>	<u>-</u>	<u>0.03</u>	<u>0.03</u>
	<u>\$ 0.21</u>	<u>0.18</u>	<u>0.25</u>	<u>0.17</u>
Basic EPS – retroactively adjusted			<u>\$ 0.24</u>	<u>0.16</u>

See accompanying notes to financial statements.

**COTA Commercial Bank Co., Ltd.**  
**Statements of Changes in Stockholders' Equity**  
**For the Years Ended December 31, 2007 and 2006**  
 (Expressed in thousands of New Taiwan Dollars)

	Common stock	Capital reserve	Retained earnings Statutory reserve	Undistributed earnings	Provision for Land revaluation increment	Cumulative foreign currency translation adjustments	Unrealized gains on financial instruments	Unrecognized pension cost	Total
Balance as of January 1, 2006	\$ 3,337,341	1,511,202	201,605	256,398	-	-	-	-	5,306,546
Appropriation and distribution of 2005 earnings:									
Statutory reserve	-	-	76,302	(76,302)	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	(5,341)	-	-	-	-	(5,341)
Cash dividends	-	-	-	(76,759)	-	-	-	-	(76,759)
Stock dividends	76,759	-	-	(76,759)	-	-	-	-	-
Employee profit sharing capitalized	17,804	-	-	(17,804)	-	-	-	-	-
Miscellaneous overpayment by shareholder	-	54	-	-	-	-	-	-	54
Unrealized gains on available-for-sale financial assets	-	-	-	-	-	-	40,377	-	40,377
Changes in cumulative foreign currency translation adjustments	-	-	-	-	-	10	-	-	10
Unrecognized pension cost	-	-	-	-	-	-	-	(11,026)	(11,026)
Provision for land revaluation increment	-	(67,294)	-	-	67,294	-	-	-	-
Net income for 2006	-	-	-	56,734	-	-	-	-	56,734
Balance as of December 31, 2006	3,431,904	1,443,962	277,907	60,167	67,294	10	40,377	(11,026)	5,310,595
Appropriation and distribution of 2006 earnings:									
Statutory reserve	-	-	17,020	(17,020)	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	(1,192)	-	-	-	-	(1,192)
Cash dividends	-	-	-	(34,319)	-	-	-	-	(34,319)
Employee profit sharing capitalized	3,971	-	-	(3,971)	-	-	-	-	-
Capital reserve capitalized	120,116	(120,116)	-	-	-	-	-	-	-
Unrealized gains on available-for-sale financial assets	-	-	-	-	-	-	(34,761)	-	(34,761)
Changes in cumulative foreign currency translation adjustments	-	-	-	-	-	(69)	-	-	(69)
Unrecognized pension cost	-	-	-	-	-	-	-	729	729
Miscellaneous overpayment by shareholder	-	29	-	-	-	-	-	-	29
Net income for 2007	-	-	-	62,854	-	-	-	-	62,854
Balance as of December 31, 2007	<u>\$ 3,555,991</u>	<u>1,323,875</u>	<u>294,927</u>	<u>66,519</u>	<u>67,294</u>	<u>(59)</u>	<u>5,616</u>	<u>(10,297)</u>	<u>5,303,866</u>

See accompanying notes to financial statements.

**COTA Commercial Bank Co., Ltd.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2007 and 2006**

(Expressed in thousands of New Taiwan Dollars)

	2007	2006
Cash flows from operating activities:		
Net income	\$ 62,854	56,734
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64,914	64,872
Provision for loan losses and other reserves	610,366	612,984
Accrued pension cost	60,345	53,362
Amortization of discount on subordinate financial debentures	981	-
Loss on asset impairment	1,530	-
Loss on disposal of properties, net	-	136
Gain on disposal of foreclosed properties, net	-	(7,540)
Loss on disposal of non-performing loans	-	2,864
Increase in financial assets measured at fair value through profit or loss	(128,915)	(285,334)
Increase (decrease) in financial liabilities measured at fair value through profit or loss	(41)	311
Decrease in receivables	390,289	180,480
Decrease (increase) in deferred income tax	(7,705)	17,972
Increase in other assets	(8,468)	(15,585)
Increase (decrease) in payables	(159,923)	31,702
Pension payment	(59,951)	(61,392)
Increase in other liabilities	139,249	5,015
Net cash provided by operating activities	<u>965,525</u>	<u>656,581</u>
Cash flows from investing activities:		
Decrease (increase) in due from Central Bank and call loans to other banks	8,480,840	(2,378,362)
Increase in loans	(493,451)	(9,618,036)
Increase in available-for-sale financial assets	(413,603)	(312,304)
Purchase of held-to-maturity financial assets	(5,990,430)	(1,097,621)
Decrease (increase) in bonds and bills purchased under resale agreements	(538,058)	786,759
Decrease (increase) in other financial assets	(401,011)	15,108
Purchase of property and equipment	(12,299)	(24,051)
Proceeds from sale of foreclosed properties	-	20,210
Decrease in certificate of deposit-restricted	-	100,000
Increase in other assets	(27,470)	(42,138)
Net cash provided by acquiring Fengyuan Credit Cooperative (note 30)	-	3,592,100
Net cash provided by (used in) investing activities	<u>604,518</u>	<u>(8,958,335)</u>
Cash flows from financing activities:		
Increase (decrease) in deposits and remittances	(2,104,110)	5,347,717
Increase in subordinate financial debentures	-	2,495,830
Increase (decrease) in other liabilities	(8,533)	40,029
Increase (decrease) in due to Central Bank and other banks	(238,881)	254,908
Odd lot trading to overpay	29	54
Cash dividends paid	(34,319)	(76,759)
Remuneration to directors and supervisors	(1,192)	(5,341)
Net cash provided by (used in) financing activities	<u>(2,387,006)</u>	<u>8,056,438</u>
Effect of exchange rate changes	(69)	10
Net decrease in cash and cash equivalents	(817,032)	(245,306)
Cash and cash equivalents at beginning of year	2,678,385	2,923,691
Cash and cash equivalents at end of year	<u>\$ 1,861,353</u>	<u>2,678,385</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 1,688,718	1,306,259
Income tax	<u>\$ 26,447</u>	<u>24,935</u>

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**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements**  
**December 31, 2007 and 2006**

(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 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 stockholder's resolution on September 17, 2005 and as approved by the regulatory authorities, the Company merged Fengyuan Credit Cooperative on January 1, 2006. The Company has 26 domestic branches and an offshore banking unit currently.

The Company is engaged in:

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

As of December 31, 2007 and 2006, the Company employed 1,167 and 1,117 people, respectively.

## 2. Summary of Significant Accounting Policies

The accompanying financial statements were prepared in accordance with "Regulations Governing Financial Reporting for Financial Institutions", the "Business Entity Accounting Act," the "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles of the Republic of China. Significant accounting policies are summarized as below:

### (a) Basis of financial statements

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

The 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 financial statements, the Chinese version shall prevail.

(Continued)



**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

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

**(b) Accounting Estimates**

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

**(c) Foreign currency transactions**

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

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

**(d) Asset impairment**

The Company assesses at each balance sheet date whether there is any indication that an asset

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## COTA Commercial Bank Co., Ltd. Notes to Financial Statements (Continued)

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

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

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

### (e) Financial instruments

The Company adopted settlement date accounting for financial instrument transactions. Upon initial recognition, financial instruments are evaluated at fair value. Except for trading-purpose financial instruments, acquisition cost or issuance cost is added to the original recognized amount.

Financial instruments which the Company held or issued are classified into the following categories in accordance with the purpose of holding or issuing after the initial recognition:

1. Financial instruments measured at fair value through profit or loss:

Financial instruments are classified as held for trading if they are acquired or incurred principally for the purpose of selling or being repurchased in the near term. Except for the derivatives that the Company held for hedging purposes and the hedging results are considered effective, the Company's derivatives are classified into this account.

2. Available-for-sale financial assets:

The fair value is measured and the resulting gain or loss from such measurement is recognized directly in equity. If there is objective evidence that an available-for-sale financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. Impairment loss recognized in profit and loss for an investment in equity instrument classified as available-for-sale is not reversed through profit and loss. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit and loss.

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**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

3. Held-to-maturity financial assets:

The amortized cost, interest income and interest expense of held-to-maturity financial assets are determined by using the effective interest rate method. If there is objective evidence that a held-to-maturity financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit and loss. The carrying value after the reversal should not exceed the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

4. Financial assets carried at cost:

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

5. Debts investment without active market:

Debt investments not quoted in an active market are carried at amortized cost using the effective interest method. If there is objective evidence that an impairment loss has been incurred on the balance sheet date, impairment loss is recognized. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit and loss. The carrying value after the reversal shall not exceed the amortized balance of the assets assuming no impairment loss was recognized in prior period.

**(f) Deposit in Central Bank**

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

**(g) Repurchase and resale agreements**

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

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## COTA Commercial Bank Co., Ltd. Notes to Financial Statements (Continued)

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

### (h) Allowance for loan losses

According to related regulations issued by the Ministry of Finance, the Company shall classify credit assets on and off balance sheet. Normal credit assets shall be classified as "Category One." The remaining unsound credit assets shall be evaluated based on the status of the loan collaterals and the length of time overdue. Assets that require special mention shall be classified as "Category Two," assets that are substandard shall be classified as "Category Three," assets that are doubtful shall be classified as "Category Four," and assets for which there is loss shall be classified as "Category Five." The Company shall evaluate credit assets on and off balance sheet and shall allocate sufficient loan loss provision and reserves against liability on guarantees. The minimum standard for loan loss provision shall be the sum of 2% of the balance of Category Two credit assets, 10% of the balance of Category Three credit assets, 50% of the balance of Category Four credit assets, and the full balance of Category Five credit assets.

In addition, the loss provision of credit card receivables shall be the sum of 2%, 50% and 100% of the current minimum payment overdue for the periods within three months, six months, and over six months, respectively. The write-off of non-performing loans and non-accrual loans shall be authorized by a resolution passed by the Board of Directors. The amount provided under the loan loss provision shall be used to offset, and, if such amount is insufficient, the deficiency shall be recognized as a loss in the current year.

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

### (i) Premises and equipment

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

Depreciation is provided on the straight-line method using government-announced useful lives that approximate the economic lives of the assets. Premises and equipment still in use after full depreciation may continue to be depreciated over estimated remaining useful lives. Useful lives of major premises and equipment are as follows:

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**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

Buildings and premises	11 to 60 years
Operating equipment	1 to 5 years
Transportation equipment	3 to 5 years
Miscellaneous equipment	3 to 15 years

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

**(j) Assets under operating lease**

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

**(k) Idle assets**

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

**(l) Deferred charges**

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

**(m) Foreclosed assets**

Foreclosed assets are stated at the estimated net realizable value and are re-assessed on balance sheet date. The excess of cost over market is recognized as current loss. Under Article 76 of the Banking Law, foreclosed assets should be disposed of within four years.

**(n) Goodwill**

Goodwill represents the excess of costs over the net fair value of acquired tangible assets, identifiable intangible assets and liabilities of assumed in the acquisition of Fengyuan Credit Cooperative on January 1, 2006. Goodwill acquired in a purchase business combination is not amortized, but instead

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## COTA Commercial Bank Co., Ltd. Notes to Financial Statements (Continued)

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

tested for impairment at least annually in accordance with the amended SFAS No.1 "Conceptual Framework of Financial Accounting and Preparation of Financial Statement".

### (o) Subordinate financial debentures

The Company issued subordinate financial debentures at discount with a lump-sum payment at maturity, and the interest expenses are computed and recorded at face value multiplied by the stated interest rate on a monthly basis. The discount is amortized over the estimated outstanding period of bonds issuance using the straight-line method and recognized as current interest expense. The related annual fee paid is recognized as operating expense.

### (p) Employee retirement plans

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

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

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

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

The 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 financial statements, the Chinese version shall prevail.

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

**(q) Reserve for guarantee liability**

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

**(r) Revenue recognition**

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

**(s) Income tax**

Income tax is calculated based on accounting income. Under the asset and liability approach of ROC SFAS No. 22, the amount of deferred tax liabilities or assets is calculated by applying the provisions of enacted tax law to determine the amount of tax payable or refundable, currently or in future years. The tax effect of taxable temporary differences is recorded as deferred tax liability. The tax effects of deductible temporary differences, operating loss carry-forwards and tax credits are recognized as deferred tax assets. An allowance is provided on deferred tax assets that may not be realized in the future. Deferred income tax assets and liabilities are classified as current or non-current based on the classification of the asset or liability related to the deferred item or, for items not directly related to an asset or liability, the timing of recognition of the deferred item for income tax purposes.

Tax credits generated from personnel training expenditure are recognized in the current period. According the revised Income Tax Law that became effective January 1, 1998, undistributed earnings are subject to an additional 10% corporate income surtax. The surtax payable is recorded as the Company's income tax expense in the year when the earnings are resolved to be retained by the stockholders.

The R.O.C. government enacted the Alternative Minimum Tax Act ("AMT Act") on January 1, 2006. The alternative minimum tax imposed under AMT Act is a supplement tax levied at a rate of 10% when the income tax payable determined pursuant to the Income Tax Law is below the minimum amount computed under the AMT Act.

**(t) Commitments and contingencies**

When losses from commitments and contingencies are deemed probable and the amount can be reasonably estimated, such losses are recorded currently; other commitments and contingencies are

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(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

disclosed with regard to the nature and the range of possible losses, if any.

**(u) Earnings per share (EPS)**

Earnings per share (EPS) are computed based on the weighted-average number of common shares outstanding during the period. Retroactively computed EPS for the previous year is also presented if there is capitalization of retained earnings in current year.

**3. Changes in Accounting Policies**

Effective January 1, 2006, the Company adopted ROC SFAS No. 34 "Accounting for Financial Instruments", SFAS No. 36 "Disclosure and Presentation of Financial Instruments", and the amended SFAS No. 1 "Conceptual Framework of Financial Accounting and Preparation of Financial Statements". In accordance with SFAS No. 34, the financial assets and liabilities at the beginning of 2006 were revalued based on either fair value or net amortized cost. As the result of adoption of SFAS No. 34, the revaluation differences, which were accounted for either as cumulative effect of change in accounting principle or adjustment to shareholders' equity, amounted to \$9,211 and \$71,486 thousands, respectively. The reclassified financial instruments were further explained in Note 6.

Effective January 1, 2007, the Company adopted ROC SFAS No. 37 "Accounting for Intangible Assets". In accordance with SFAS No. 37, the useful lives and amortized methods of intangible assets at the beginning of 2007 were revalued. The Company determined there was no indication of revaluation of the intangible assets. There was no impact on net income for the year ended December 31, 2007.

**4. Cash and Cash Equivalents**

	December 31, 2007	December 31, 2006
Cash	\$ 1,023,597	1,026,763
Checks awaiting clearance	181,039	287,182
Deposits in other banks	656,717	1,364,440
	<b>\$ 1,861,353</b>	<b>2,678,385</b>

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(Continued)



**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

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

	December 31, 2007	December 31, 2006
Deposit reserve - checking accounts	\$ 935,805	442,494
Deposit reserve - demand accounts	2,497,682	2,504,478
Deposit reserve - foreign currency deposits	61,395	1,306
Certificate of deposits	100,000	7,105,000
Call loans to banks	1,603,309	3,597,800
Deposits with Financial Information Service Co., Ltd.	209,447	237,400
	<u>\$ 5,407,638</u>	<u>13,888,478</u>

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

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

	December 31, 2007	December 31, 2006
Financial instruments held for trading purpose:		
Stock shares	\$ 117,176	111,133
Beneficiary certificates	345,385	364,936
Forward contracts	2,004	98
Call options	-	2
	<u>464,565</u>	<u>476,169</u>
Financial assets measured at fair value through profit or loss		
Convertible bonds	140,519	-
	<u>\$ 605,084</u>	<u>476,169</u>

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

**7. Receivables**

	December 31, 2007	December 31, 2006
Credit card accounts receivable	\$ 547,195	922,646
Interest receivable	238,440	240,873
Tax refund receivable	43,025	31,128
Acceptances receivable	4,059	21,631
Foreign currencies receivable-current	2,096	3,545
Accrued income	935	1,007
Other	21,966	27,175
	<u>857,716</u>	<u>1,248,005</u>
Less: allowance for loan losses	(13,687)	(22,239)
	<u><b>\$ 844,029</b></u>	<u><b>1,225,766</b></u>

**8. Loans**

	December 31, 2007	December 31, 2006
Exchanges and export bills negotiated	\$ 17,987	19,429
Overdrafts	166,811	154,558
Short-term loans	17,256,905	15,074,367
Medium-term loans	33,958,178	34,416,222
Long-term loans	27,685,677	29,530,163
Nonperforming loans	2,023,808	1,979,470
	<u>81,109,366</u>	<u>81,174,209</u>
Less: allowance for loan losses	(708,703)	(647,798)
	<u><b>\$ 80,400,663</b></u>	<u><b>80,526,411</b></u>

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

The movements in allowance for loan losses for the years ended December 31, 2007 and 2006 were as follows:

	Unrecovery risk for particular loans	Unrecovery risk for the overall loan portfolio (excluding particular loans)	Total
2007			
Balance at beginning of year	\$ 614,340	57,626	671,966
Current provisions	667,351	(56,985)	610,366
Recoveries of loans previously charged-off	106,274	-	106,274
Loans charged-off	(664,568)	-	(664,568)
Balance at end of year	<u>\$ 723,397</u>	<u>641</u>	<u>724,038</u>
2006			
Balance at beginning of year	\$609,347	25,686	635,033
Current provisions	581,044	31,940	612,984
Allowance related to acquisition of the Fengyuan Credit Cooperative	55,655	-	55,655
Recoveries of loans previously charged-off	78,756	-	78,756
Loans charged-off	(710,462)	-	(710,462)
Balance at end of year	<u>\$ 614,340</u>	<u>57,626</u>	<u>671,966</u>

Accrual of interest that has been suspended for nonperforming loans amounted to \$1,166 and \$1,245 thousands, respectively as of December 31, 2007 and 2006. In addition, the Company had not written off any loans without launching a legal action.

**9. Available-for-Sale Financial Assets**

	December 31, 2007	December 31, 2006
Stock	\$ -	44,091
Government bonds	71,179	174,290
Corporate bonds	1,197,364	671,320
	<u>\$ 1,268,543</u>	<u>889,701</u>

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

### 10. Held-to-Maturity Financial Assets

	December 31, 2007	December 31, 2006
Government bonds	\$ 417,718	437,230
Corporate bonds	442,513	612,804
Negotiable certificates of time deposits	6,350,000	2,000
Short-term notes and bills	-	167,767
	<u>\$ 7,210,231</u>	<u>1,219,801</u>

### 11. Other Financial Assets

	December 31, 2007	December 31, 2006
Overdue receivables	\$ 2,440	2,585
Less: allowance for bad debts	(1,648)	(1,929)
	792	656
Remittances purchased	-	23
Financial assets carried at cost	184,892	186,892
Debts investment without active market	413,179	10,000
	<u>\$ 598,863</u>	<u>197,571</u>

#### (a) Financial assets carried at cost:

Such assets represented the following equity investments:

Imitate	2007		2006	
	Book Value	Ownership %	Book Value	Ownership %
Taiwan Asset Management Corp.	\$ 100,000	0.57	100,000	0.57
Taiwan Financial Asset Service Corp.	50,000	2.94	50,000	2.94
Bank of Panhsin - Preferred Stock	30,000	-	30,000	-
Taiwan Depository & Clearing Corporation	4,639	0.08	4,639	0.08
Sunny Asset Management Corporation	253	-	253	-
Bank-Union Life Insurance Agent Co., Ltd.	-	-	1,000	19.99
Banks-Union General Insurance Agent Co., Ltd.	-	-	1,000	20.00
Total	<u>\$ 184,892</u>		<u>186,892</u>	

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

The Company previously held the shares of Debt Instruments Depository and Clearing Co., Ltd. which was merged into Taiwan Securities Central Depository Co., Ltd. in 2006. The merged company was thereafter renamed as Taiwan Depository & Clearing Corporation (TDCC). The Company received a refund of investment amounting to \$15,361 thousands as a result of re-organization of TDCC in 2006 and currently holds 230 thousand shares of TDCC.

The Company sold to Sunny Asset Management Corporation certain non-performing loans at book value of \$3,121 thousands for \$4 thousands in cash accompanied with Sunny Asset Management Corporation 25.3 thousand shares with a value of \$253 thousands.

**(b) Bond portfolios with no active market**

	December 31, 2007	December 31, 2006
Financial debentures- Panhsin Bank	\$ 10,000	10,000
Structured bond -citibank	403,179	-
	<u>\$ 413,179</u>	<u>10,000</u>

**12. Premises and Equipment**

**(a) Cost**

	December 31, 2007	December 31, 2006
Land	\$ 1,607,324	690,424
Buildings	572,009	572,009
Operating equipment	250,148	245,422
Transportation equipment	20,639	19,392
Miscellaneous equipment	179,074	175,995
Revaluation increment of land	212,782	212,782
	2,841,976	1,916,024
Less: accumulated depreciation	(530,429)	(488,112)
Prepayments for equipment	5,363	2,116
Allowance for reduction of premises and equipment to market	(220,392)	-
	<u>\$ 2,096,518</u>	<u>1,430,028</u>

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

**(b) Revaluation of property**

The Company revalued all the held, respectively land in 1965 and 1983. The net amount of land value increment after provision for land value increment tax is recorded as capital reserve. As of December 31, 2007 and 2006, such capital reserve was reflected in the financial statements as follows:

	December 31, 2007	December 31, 2006
Land revaluation increment	\$ 130,692	130,692
Less: provision for land revaluation increment tax	(63,398)	(63,398)
	<u>\$ 67,294</u>	<u>67,294</u>

**(c) Other**

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

**13. Goodwill**

Goodwill represents the excess of costs over the net fair value of acquired tangible assets, identifiable intangible assets and liabilities of assumed in the acquisition of Fengyuan Credit Cooperative on January 1, 2006. Goodwill acquired in a purchase business combination is not amortized amounting to \$154,027 thousands.

**14. Other Assets**

	December 31, 2007	December 31, 2006
Deferred pension cost	\$ 146,394	156,154
Deferred charges	72,650	63,479
Idle assets, net of depreciation	55,302	55,904
Assets under lease, net of depreciation and impairment	84,803	782,842
Foreclosed assets, net of impairment	19,799	21,329
Office supplies	2,965	3,308
Prepaid expenses	128,215	119,404
Refundable deposits	70,936	67,383
Other	612	6,330
	<u>\$ 581,676</u>	<u>1,276,133</u>

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

**15. Due to Central Bank and Other Banks**

	December 31, 2007	December 31, 2006
Bank deposits	\$ 86,187	325,551
Call loans from banks	337,833	337,350
	<u>\$ 424,020</u>	<u>662,901</u>

**16. Financial Liabilities Measured at Fair Value through Profit or Loss**

	December 31, 2007	December 31, 2006
Forward contracts	\$ 132	253
Sell option	138	58
	<u>\$ 270</u>	<u>311</u>

**17. Payables**

	December 31, 2007	December 31, 2006
Interest payable	\$ 238,384	233,721
Collections payable	50,365	63,458
Checks awaiting clearance	181,039	287,182
Accrued expenses	81,527	111,687
Dividends payable	1,324	1,182
Acceptance drafts	10,727	24,760
Other	59,400	60,699
	<u>\$ 622,766</u>	<u>782,689</u>

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

## 18. Deposits and Remittances

	December 31, 2007	December 31, 2006
Checking accounts	\$ 1,386,403	1,481,731
Cashiers' checks	93,084	83,530
Check guaranteed for payment	135	135
Demand deposits	8,310,701	8,260,199
Time deposits	14,436,048	16,964,668
Postal deposits accepted	171,965	164,370
Demand savings deposits	21,658,051	22,987,891
Term savings deposits	47,570,157	45,770,093
Remittances	5,899	23,936
	<u>\$ 93,632,443</u>	<u>95,736,553</u>

The interest rates of the above deposits ranged 0.15%~2.60% and 0.13%~2.28% in 2007 and in 2006, respectively.

## 19. Subordinate Financial Debentures

In order to increase the capital adequacy and raise medium- and long-term operating funds, the board of directors of the Company resolved to issue subordinate financial debentures in a total amount of \$2,500,000 thousands on August 12, 2005, which was approved by the authority on September 9, 2005. The Company issued these debentures on March 28, 2006, and the subscription was completed during the year. The details were as follows:

Bond	Issue conditions	December 31, 2007	December 31, 2006
95-1 A	10-year term, interest payable annually, annual interest rate for the first 5 years is 3.3%, and 5% for the last 5 years, maturity date: March 28, 2016	\$ 968,000	968,000
951- B	10-year term, interest payable annually, base on the Company's term savings deposits regular rate+0.12% for the first 5 years, and +0.25% for the last 5 years, maturity date: March 28, 2016	1,532,000	1,532,000
Less: unamortized discount		(3,189)	(4,170)
		<u>\$ 2,496,811</u>	<u>2,495,830</u>

(Continued)



**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

**20. Pension**

The Company performed an actuarial assessment of its employee pension liability on December 31, 2007 and 2006, according to the original system of a defined benefit plan. The reconciliation between the funded status of the plan and accrued pension liability is as follows:

	December 31, 2007	December 31, 2006
Benefit obligation:		
Vested benefit obligation	\$ (410,328)	(378,960)
Non-vested benefit obligation	(157,831)	(152,848)
Accumulated benefit obligation	(568,159)	(531,808)
Additional benefits based on future level of salaries	(164,608)	(159,404)
Projected benefit obligation	(732,767)	(691,212)
Fair value of plan assets	404,526	358,080
Funded status	(328,241)	(333,132)
Unrecognized loss	174,905	170,430
Unrecognized net transition obligation	146,394	156,154
Additional minimum liability	(156,691)	(167,180)
Accrued pension liabilities	<u>\$ (163,633)</u>	<u>(173,728)</u>

The components of net periodic pension cost for 2007 and 2006 are as follows:

	2007	2006
Service cost	\$ 37,872	33,527
Interest cost	18,543	20,597
Expected return on plan assets	(10,258)	(8,116)
Amortization and deferral	14,188	7,354
Net pension cost	<u>\$ 60,345</u>	<u>53,362</u>

Actuarial assumptions for 2007 and 2006 were as follows:

	2007	2006
Discount rate	2.75%	2.75%
Rate of increase in future compensation	2.00%	2.00%
Expected long-term rate of return on plan assets	2.75%	2.75%

In addition, pension expense under the new labor pension system as a defined contribution plan of the Company amounted to \$18,925 thousands and \$14,724 thousands for the years ended December 31, 2007 and 2006, respectively.

(Continued)

## COTA Commercial Bank Co., Ltd.

### Notes to Financial Statements (Continued)

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

## 21. Stockholders' Equity

### (a) Common stock

As of December 31, 2007 and 2006, the Company's authorized capital both were \$6,000,000 thousands, with \$10 par value. Total outstanding shares were 355,599 and 343,190 thousands, respectively.

It was resolved in the stockholders' meetings on June 6, 2007 to increase capital through a capitalization of capital reserve and retained earnings amounting to \$120,116 and \$3,971 thousands, respectively. The increases had been approved by the government authority.

It was resolved in the stockholders' meetings on June 9, 2006 to increase capital through a capitalization of retained earnings amounting to \$94,563 thousands. The increases had been approved by the government authority.

### (b) Capital reserve

Capital reserve as of December 31, 2007 and 2006 was as follows:

	December 31, 2007	December 31, 2006
Statutory reserve and special reserve transferred in	\$ 1,061,892	1,061,892
Additional paid-in capital	260,503	380,620
Other	1,480	1,450
	<u>\$ 1,323,875</u>	<u>1,443,962</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.

### (c) Statutory reserve and earnings distribution

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

- to pay income tax;
- to offset prior years' deficit, if any;

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

- to appropriate 30% as statutory reserve;
- to appropriate stockholders' regular dividends that do not exceed 10% of capital;
- to appropriate 10% as employee profit sharing.

The remaining balance is retained or appropriated based on 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.

The distributions of earnings for 2006 and 2005 were resolved in the stockholders meeting held on June 6, 2007 and June 9, 2006, respectively. The details were as follows:

	2006	2005
Dividend per share (in NT dollar)		
Cash	\$ 0.10	0.23
Stock	-	0.23
	<u>\$ 0.10</u>	<u>0.46</u>
Employees' profit sharing - stock	\$ 3,971	17,804
Directors' and supervisors' remuneration	1,192	5,341
	<u>\$ 5,163</u>	<u>23,145</u>

The proposal for the distribution of 2007 earnings has yet to be presented to the stockholders meeting. The information regarding earnings distribution will be posted on the market observation posting system after the meeting.

## 22. Income Tax

The Company is subject to an income tax rate of 25%. The components of income tax expense for 2007 and 2006 were summarized as follows:

	2007	2006
Current	\$ 21,059	9,758
Deferred	(7,705)	17,972
	<u>\$ 13,354</u>	<u>27,730</u>

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

The differences between “expected” income tax expense calculated at the statutory income tax rate and the income tax expense in the accompanying financial statements were reconciled as follows:

	2007	2006
Expected income tax expense	\$ 19,052	18,813
10% surtax on undistributed earnings	12	138
Alternative minimum tax	-	6,240
Investment tax credits	(1,157)	(1,676)
Tax effect of tax-exempt gains from sale of marketable securities and land	(15,463)	(31,014)
Tax on interest income separately taxed	(5,288)	(131)
Under accrual of prior year’s income tax	464	2,573
Adjustment to prior year’s deferred tax assets	7,295	73,632
Allowance for deferred tax assets	5,500	(41,162)
Other adjustments	2,939	317
Income tax expense	<u>\$ 13,354</u>	<u>27,730</u>

Deferred income tax expense (benefit) for 2007 and 2006 were the tax consequences of the following temporary differences and credits:

	2007	2006
Unrealized gain (loss) on exchange	\$ 289	(9,427)
Loss carry-forwards	(82,811)	65,094
Amortization of goodwill	3,851	3,850
Reversal of pension cost	-	1,155
Reversal of allowance for deferred tax assets	5,500	(41,162)
Reversal of allowance for bad debts in excess of tax limited	67,052	-
Other	(1,586)	(1,538)
	<u>\$ (7,705)</u>	<u>17,972</u>

Deferred income tax assets and liabilities as of December 31, 2007 and 2006, represented the tax effects of the following temporary differences and credits:

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

	December 31, 2007	December 31, 2006
Amortization of goodwill	\$ (7,701)	(3,850)
Allowance for loan losses	-	67,052
Unrealized loss on foreclosed properties	28,692	28,310
Loss carry-forwards	91,584	8,773
Investment tax credits	2,752	1,538
Unrealized exchange loss	1,046	1,345
Valuation allowance	(16,000)	(10,500)
Deferred income tax assets, net	<u>\$ 100,373</u>	<u>92,668</u>

In accordance with ROC Income Tax Law, assessed net losses can be carried forward for five years. As of December 31, 2007, the unused loss carry-forwards available to offset future taxable income and the expiry dates were as follows:

Year of loss	Amount	Last year in which loss can be used
2006	\$ 273,931	2011
2007	<u>92,404</u>	2012
	<u>\$ 366,335</u>	

The ROC tax authorities had examined and assessed the Company's income tax returns for all years through 2005.

**Imputation credit account (ICA) and creditable ratio**

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

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

Undistributed retained earnings:

	December 31,	
	2007	2006
Undistributed retained earning - 1998 and after	\$ 66,519	60,167
Imputation credit account (ICA)	\$ 9,461	7,954
	2007	2006
The creditable ratio on retained earnings	14.22%(Expected)	16.41%(Actual)

### 23. Earnings Per Share

	2007		2006	
	Before income tax	After income tax	Before income tax	After income tax
Primary earnings per share:				
Income from continuing operations	\$76,208	62,854	75,253	47,523
Cumulative effect of change in accounting principle	\$ -	-	9,211	9,211
Net income	76,208	62,854	84,464	56,734
Weighted-average outstanding shares	355,599	355,599	343,190	343,190
Primary earnings per share (in dollar)	\$ 0.21	0.18	0.25	0.17
Earnings per share retroactively adjusted:				
Net income			84,464	56,734
Weighted-average outstanding shares			355,599	355,599
Primary earnings per share (in dollar)			\$ 0.24	0.16

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

**24. Disclosure of Financial Instruments**

**(a) Fair value of financial instruments:**

Financial instruments	December 31, 2007		December 31, 2006	
	Book value	Fair value	Book value	Fair value
Assets:				
Fair value represented by book value	\$ 90,520,528	90,520,528	99,784,274	99,784,274
Financial assets measured at fair value through profit or loss	605,084	605,084	476,169	476,169
Available-for-sale financial assets	1,268,543	1,268,543	889,701	889,701
Held-to-maturity financial assets	7,210,231	7,210,231	1,219,801	1,219,801
Other financial assets	598,863	598,863	197,571	197,571
Liabilities:				
Fair value represented by book value	94,679,229	94,679,229	97,182,143	97,182,143
Financial liabilities measured at fair value through profit or loss	270	270	311	311
Subordinate financial debentures	2,496,811	2,496,811	2,495,830	2,495,830

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

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

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

- (iv) Financial assets carried at cost under the classification of other financial assets are investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Because debt investments without active market have no quoted market price, its fair value is represented by its carrying value.
- (v) The subordinate debenture was financial liability with floating interest rate, their fair value equal to their carrying value.
- (vi) The Company computed the fair value of each individual forward foreign currency contracts by using the expected exchange rate at the future maturity date, and whose rate was generated from Reuters (Associated Press), a quoted pricing system.

**(c) The fair value of financial assets and liabilities evaluated under the quoted market price or other valuation techniques by the Company were as follows:**

	December 31, 2007		December 31, 2006	
	Based on quoted market prices	Determined value by using valuation techniques	Based on quoted market prices	Determined value by using valuation techniques
<b>Financial instruments</b>				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 603,080	2,004	476,069	100
Available-for-sale financial assets	1,268,543	-	889,701	-
Held-to-maturity financial assets	-	7,210,231	-	1,219,801
Other financial assets	-	598,863	-	197,571
Liabilities:				
Financial liabilities measured at fair value through profit or loss	-	270	-	311
Subordinate financial debentures	-	2,496,811	-	2,495,830

For the year ended December 31, 2007 and 2006, gain arising from the fair value evaluation of financial instruments by using valuation techniques amounted to \$441 thousands and \$162 thousands, respectively.

(Continued)



**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

**(d) Financial risk information:**

(i) Market risk

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

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

The Company's foreign currency position mainly was in United States dollars. When the New Taiwan dollar appreciates one tenth of an NT dollar, the Company would incur a loss of NT\$2,624 thousands because of its foreign currency position on December 31, 2007.

(ii) Credit risk

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

Strict credit assessment is conducted when the Company issues loan commitments, financial guarantees and letter of credits. The Company's practice is to require appropriate collaterals as necessary before granting of loans depending on the credit assessment. As of December 31, 2007, the ratio of secured loans to total outstanding loans granted is approximately 61.77%. Most of the collaterals provided for loans, financial guarantees and letter of credits are real estate properties, cash, marketable securities or other properties. In the event of customer defaults, the Company can forcibly execute its rights on the collaterals or rights on other guarantees to protect its creditor's right which in return, helps to minimize the Company's credit risk.

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

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

■ Concentration of credit extensions:

2007.12.31			
Rank	Group Company	Outstanding loan	% of net assets
1	Ruentex Group	284,054	5.36
2	First International Computer, Inc.	47,192	0.89
3	Hotai Group	20,361	0.38

2006.12.31			
Rank	Group Company	Outstanding loan	% of net assets
1	Ruentex Group	224,342	4.22
2	Ho Tung Chemical Group	124,000	2.33
3	Hotai Group	60,358	1.14
4	Compal Electronics ,Inc.	50,000	0.94
5	First International Computer, Inc.	10,825	0.20

	December 31, 2007		December 31, 2006	
Credit extensions to interested parties	915,200		956,476	
Ratio of credit extensions to interested parties	1.11%		1.17%	
Ratio of credit extensions secured by pledges of stock shares	0.14%		0.16%	
Industry concentration(the biggest tree industries of lending)	<b>Industry</b>	<b>Ratio</b>	<b>Industry</b>	<b>Ratio</b>
	Transportation, warehousing and communication	6.52%	Manufacturing	6.28%
	Manufacturing	6.40%	Transportation, warehousing and communication	3.02%
	Wholesale and retail	3.21%	Constructions	2.53%

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

	December 31, 2007	December 31, 2006
Unused lines of credit	\$ 6,077,375	9,697,963
Credit commitment on credit cards	\$ 3,357,531	2,952,210
Guarantee on loans and unused L/C balance	\$ 1,616,450	929,067

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

(iii) Liquidity risk

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

The basic principle in managing liquidity risk is to match the time-to-maturity for assets and liabilities and to monitor the duration gap. The liquidity reserve ratios for the Company were 11.19% and 13.06% as of December 31, 2007 and 2006, and the operating capital of the Company is sufficient to meet cash needs for all contractual obligations. The management therefore expects that there is no liquidity risk concerning inability to raise capital to meet existing contractual obligations.

As of December 31, 2007, analysis for time-to-maturity of the Company's assets and liabilities was as follows: (classified into NT dollar and US dollar assets/liabilities)

	Total	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
(in thousands of NT dollars)						
Capital inflow	\$ 102,047,357	14,324,146	6,752,475	6,614,498	10,905,552	63,450,686
Capital outflow	106,662,474	11,539,279	12,287,434	15,570,417	35,663,335	31,602,009
Maturity gap	(4,615,117)	2,784,867	(5,534,959)	(8,955,919)	(24,757,783)	31,848,677

	Total	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
(in thousands of US dollars)						
Capital inflow	\$ 80,024	38,521	24,704	4,387	-	12,412
Capital outflow	80,024	62,617	8,230	7,281	1,734	162
Maturity gap	-	(24,096)	16,474	(2,894)	(1,734)	12,250

As of December 31, 2006, analysis for time-to-maturity of the Company's assets and liabilities was as follows: (classified into NT dollar and US dollar assets/liabilities)

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

	Total	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
(in thousands of NT dollars)						
Capital inflow	\$ 102,447,000	9,149,000	9,992,000	9,169,000	10,164,000	63,973,000
Capital outflow	114,200,000	13,914,000	10,464,000	13,664,000	30,228,000	45,930,000
Maturity gap	(11,753,000)	(4,765,000)	(472,000)	(4,495,000)	(20,064,000)	18,043,000

	Total	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
(in thousands of US dollars)						
Capital inflow	\$ 135,729	65,586	55,135	15,008	-	-
Capital outflow	135,729	91,872	32,672	7,887	3,298	-
Maturity gap	-	(26,286)	22,463	7,121	(3,298)	-

(iv) Cash flow risk from interest rate fluctuation

As of December 31, 2007, the Company's analysis of interest-sensitive assets and liabilities were as follows:

	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
(in thousands of NT dollars)					
Interest-sensitive assets	\$ 63,749,461	5,463,641	4,733,584	18,888,379	92,835,065
Interest-sensitive liabilities	18,541,534	42,077,471	28,412,811	4,165,845	93,197,661
Gap	45,207,927	(36,613,830)	(23,679,227)	14,722,534	(362,596)
Stockholders' equity					5,303,866
Ratio of interest-sensitive assets to liabilities					99.61%
Ratio of gap to stockholders' equity					(6.84%)

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
(in thousands of US dollars)					
Interest-sensitive asset	\$ 46,095	4,385	-	12,412	62,892
Interest-sensitive liability	29,966	7,215	1,715	-	38,896
Gap	16,129	(2,830)	(1,715)	12,412	23,996
Stockholders' equity					-
Ratio of interest-sensitive assets to liabilities					161.69%
Ratio of gap to stockholders' equity					-

As of December 31, 2006, the Company's analysis of interest-sensitive assets and liabilities were as follows:

	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
(in thousands of NT dollars)					
Interest-sensitive assets	\$ 61,610,000	8,348,000	2,785,000	21,623,000	94,366,000
Interest-sensitive liabilities	17,598,000	44,312,000	29,483,000	4,293,000	95,686,000
Gap	44,012,000	(35,964,000)	(26,698,000)	17,330,000	(1,320,000)
Stockholders' equity					5,310,595
Ratio of interest-sensitive assets to liabilities					98.62%
Ratio of gap to stockholders' equity					(24.86%)

	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
(in thousands of US dollars)					
Interest-sensitive asset	\$ 106,719	14,809	-	-	121,528
Interest-sensitive liability	80,895	7,820	3,199	-	91,914
Gap	25,824	6,989	(3,199)	-	29,614
Stockholders' equity					-
Ratio of interest-sensitive assets to liabilities					132.22%
Ratio of gap to stockholders' equity					-

(Continued)

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

**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

(v) Risk management and hedge strategies

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

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

**25. Related-party Transactions**

**(a) Related parties and relationship with the Company**

Parties	Relationship
Management (each individual deposit and loans not exceeding 1% of total deposits and loans)	Including directors, supervisors, managers and their spouses and immediate family members

**(b) Significant transactions with related parties**

(i) Loans

As of December 31, 2007 and 2006, loans to related parties amounted to approximately \$98,761 and \$128,476 thousands, respectively, representing 0.12% and 0.16% of total loans at each date. Interest resulting from such loans was \$2,519 and \$2,482 thousands, respectively, representing 0.08% and 0.09% of total interest income for 2007 and 2006. The range of interest rates was approximately 2.45%~4.00% and 2.11%~4.90% p.a., respectively.

(ii) Deposits

As of December 31, 2007 and 2006, deposits from related parties were approximately \$283,440 and \$240,888 thousands, respectively, representing 0.30% and 0.25% of total deposits at each date. Interest resulting from such deposits was \$3,509 and \$4,178 thousands, respectively, representing 0.20% and 0.30% of total interest expense for 2007 and 2006. The range of interest rate was approximately 0.17%~2.43% and 0.13%~2.28%, respectively. The range of interest rate for employee demand savings deposits was approximately 10.16%~10.49% and 9.90%~10.16% p.a., respectively.

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

(iii) As of December 31, 2007 and 2006, details of loans or guarantees that involved related parties were as follows:

Classification	December 31, 2007		
	Accounts	Amount	Potential loss
Consumer loan borrowers	68	\$ 27,563	-
Employee mortgage loan borrowers	106	227,293	111
Other loan borrowers	132	660,334	None
Related parties as guarantors for loans	73	209,082	"
Related parties as providers of collateral	36	108,833	"

Classification	December 31, 2006		
	Accounts	Amount	Potential loss
Consumer loan borrowers	72	\$ 28,915	1
Employee mortgage loan borrowers	104	233,669	148
Other loan borrowers	146	693,892	None
Related parties as guarantors for loans	32	75,609	"
Related parties as providers of collateral	16	40,259	"

## 26. Pledged Assets

Pledged for:

Guarantee deposits for provisional actions against defaulted loans and deposit for trust business (recorded as available-for-sale financial assets and Held-to-maturity financial assets)

December 31, 2007	December 31, 2006
<u>\$ 80,200</u>	<u>96,200</u>

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

**27. Significant Commitment and Contingencies**

As of December 31, 2007 and 2006, the Company's significant commitments and contingent liabilities were as follows:

	December 31, 2007	December 31, 2006
Collections received	\$ 10,223,907	\$ 11,057,803
Guarantees	1,627,177	953,827
Bonds and bills purchased under resale agreements	1,935,909	1,397,851
Traveler's checks held on consignment	49,552	87,870

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

<b>Balance Sheet</b>					
<b>December 31, 2007</b>					
<b>Trust Assets</b>	December 31, 2007	December 31, 2006	<b>Trust Liabilities</b>	December 31, 2007	December 31, 2006
Deposit in bank	\$ 94,083	\$ 1,900	Trust capital		
Investment in mutual fund	3,617,629	1,299,099	money	3,711,712	1,300,999
Investment in real estate	20,325	0	Real estate	20,325	0
<b>Total trust assets</b>	<b>\$ 3,732,037</b>	<b>\$ 1,300,999</b>	<b>Total trust liabilities</b>	<b>3,732,037</b>	<b>1,300,999</b>

**Operating leases**

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

As of December 31, 2007 the estimated rental commitments for the next five years are as follows:

<b>Fiscal Year</b>	<b>Amount</b>
2008	\$ 31,352
2009	25,453
2010	13,616
2011	17,117
2012	5,068
	<u>\$ 92,606</u>

(Continued)



**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

**28. Significant Disaster Loss: None**

**29. Significant Subsequent Events: None**

**30. Other Matters**

(a) Personnel expenses, depreciation, and amortization for the years ended December 31, 2007 and 2006, were summarized as follows:

Function	2007			2006		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel Expenses:						
Salaries	-	\$ 717,756	717,756	-	725,623	725,623
Labor and health insurance	-	49,732	49,732	-	49,151	49,151
Pension	-	79,270	79,270	-	68,086	68,086
Other personnel expenses	-	11,356	11,356	-	10,703	10,703
Depreciation expenses	-	42,317	42,317	-	41,960	41,960
Amortization expenses	-	22,597	22,597	-	22,912	22,912

(b) The Company acquired the business of Fengyuan Credit Cooperative on January 1, 2006 by paying cash to its members, assets acquired and liabilities assumed were as follows:

Due from Central Bank	\$169,545
Cash and due from other bank	3,922,503
Held-to-maturity financial assets	7,700
Receivables	29,061
Loans, net	3,417,719
Available-for-sale financial assets	27,890
Foreclosed properties	33,999
Premises and equipment, net	430,349
Other assets	126,485
Payables	(139,816)
Deposits and remittances	(7,806,891)
Other liabilities	(42,168)
Net assets	176,376
Goodwill	154,027
Total purchase amount	\$330,403

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

**(c) Capital Adequacy ratio:**

Item		Year	December 31, 2007	December 31, 2006
Capital	Tier I Capital		4,979,483	4,968,782
	Tier II Capital		2,463,400	2,449,015
	Tier III Capital		-	-
	Total		7,442,883	7,417,797
Risk-weighted assets	Credit risk	Standardized approach	58,639,906	62,652,619
		Internal-rating-based approach	-	-
		Securitized assets	-	-
	Operational risk	Basic indicator approach	3,563,313	-
		Standardized approach / alternative approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	2,257,538	2,306,750
		Internal model approach	-	-
	Total risk-weighted assets		64,460,757	64,959,369
	Capital adequacy ratio			11.55%
Tier I capital / risk-weighted assets			7.72%	7.65%
Tier II capital / risk-weighted assets			3.82%	3.77%
Tier III capital / risk-weighted assets			-%	-%
Common stock / total assets			3.45%	3.25%

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

	2007		2006	
	Average value	Average interest rate (%)	Average value	Average interest rate (%)
Assets				
Deposits in other banks	\$649,874	2.13	1,078,940	1.66

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

Call loans to other banks	1,693,095	5.09	1,696,332	3.50
Due from Central Bank	5,085,493	1.61	9,283,343	1.62
Bonds and bills purchased under resale agreements	1,420,397	1.83	1,417,544	1.49
Available-for-sale financial assets	876,689	2.32	967,924	2.24
Held-to-maturity financial assets	5,799,635	0.45	773,422	1.88
Loans	78,098,819	3.60	74,330,022	3.38
Liabilities				
Banks deposits	177,253	-	375,341	-
Call loans from banks	305,084	5.13	572,576	1.08
Subordinate financial debentures	2,500,000	3.45	1,910,959	3.28
Demand deposits	7,124,051	0.18	6,151,867	0.19
Demand savings deposits	20,964,048	0.59	20,407,391	0.60
Time deposits	63,085,106	2.21	60,947,375	1.89
Staff savings deposits	588,151	7.61	561,737	7.78

**(e) Primary foreign currency assets**

December 31, 2007		December 31, 2006	
Original currency	Equivalent NTD amount	Original currency	Equivalent NTD amount
USD	\$ 852,356	USD	826,230
EUR	17,564	JPY	13,360
NZD	7,623	EUR	12,408
AUD	7,567	NZD	1,486
HKD	4,393	CAD	1,322

(Continued)

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**

(Expressed in thousands of New Taiwan Dollars, unless otherwise stated)

**(f) Asset quality**

Period		2007					
Product	Item	Overdue loan amount	Loan Balance	Overdue rate	Allowance for loans losses	Covering rate	
Corporate Banking	Secured	126,764	8,207,769	1.54%	11,749	9.27%	
	Unsecured	255,044	12,757,342	2.00%	133,578	52.37%	
Consumer Banking	Mortgage	347,330	19,051,446	1.82%	27,232	7.84%	
	Cash card	148	11,780	1.26%	40	27.03%	
	Credit loan	148,200	10,980,978	1.35%	41,733	28.16%	
	Other	Secured	843,497	23,701,560	3.56%	115,645	13.71%
		Unsecured	643,519	6,398,491	10.06%	378,726	58.85%
Total		2,364,502	81,109,366	2.92%	708,703	29.97%	
		<b>Overdue</b>	<b>Account receivables</b>	<b>Overdue rate</b>	<b>Allowance for bad debts</b>	<b>Covering rate</b>	
Credit card		13,492	549,635	2.45%	13,103	37.17%	
Without recourse factoring		-	-	-	-	-	

Period		2006					
Product	Item	Overdue loan amount	Loan Balance	Overdue rate	Allowance for loan losses	Covering rate	
Corporate Banking	Secured	133,767	7,876,425	1.70%	50,633	37.85%	
	Unsecured	234,339	12,386,645	1.89%	98,206	41.91%	
Consumer Banking	Mortgage	257,755	18,773,826	1.37%	24,064	9.34%	
	Cash card	342	16,270	2.10%	57	16.70%	
	Credit loan	26,160	6,132,514	0.43%	7,288	27.86%	
	Other	Secured	1,097,183	26,589,873	4.13%	182,167	16.60%
		Unsecured	643,272	9,398,656	6.84%	285,383	44.36%
Total		2,392,818	81,174,209	2.95%	647,798	27.07%	
		<b>Overdue</b>	<b>Account receivables</b>	<b>Overdue rate</b>	<b>Allowance for bad debts</b>	<b>Covering rate</b>	
Credit card		22,284	925,231	2.41%	18,342	30.37%	
Without recourse factoring		-	-	-	-	-	

(Continued)

Note:

1. Overdue loans are in accordance with the Regulation of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by MOF. Overdue loans of Credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005. (Ref. No. Jin-Guan-Yin (4)0944000378).
2. Overdue loans rate = Overdue loans ÷ Loans  
Overdue loans of credit card rate = Overdue loans of credit cards ÷ Account receivables
3. Covering rate of allowance for loans losses = Allowances for loan losses ÷ Overdue loans  
Covering rate of allowance for bad debts of credit cards = Allowance for bad debts of credit cards ÷ Overdue loans of credit cards
4. Mortgage loans are for borrowers to build or repair buildings, providing the borrowers, spouse or minor children to fully collateralize their buildings and install the right on mortgage to financial institutions.
5. Credit loans are to fit the Letter issued by the Banking Bureau on December 19, 2005(Ref. No. Jin-Guan-Yin (4)09440010950), excluding credit loans of credit cards and cash cards.
6. The other consumer banking businesses are defined as secured or unsecured consumer banking businesses, excluding mortgage loans, cash cards, credit loans and credit cards.
7. In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5)0944000494), without recourse factorings are not defined as overdue loans until compensation from factors or insurance companies are ascertained to be non-recoverable.

**6-4-10-7. Concentration of credit extension: please refer to note (d)-(ii)**

**6-4-10-8. Information of interest sensitivity: please refer to note (d)-(iv)**

**6-4-10-9. Profitability**

	Dec 31, 2007	Dec 31, 2006
The ratio of return before income tax on assets	0.07%	0.09%
The ratio of return on assets, net of tax	0.06%	0.06%
The ratio of return before income tax on Shareholders' equity	1.44%	1.59%
The ratio of return on shareholders' equity, net of tax	1.18%	1.07%
Net income ratio	3.10%	2.83%

**6-4-10-10. The maturity analysis of assets and liabilities: please refer to note 4(21)4.(3).**

**6-4-10-11. Reclassification**

Certain accounts in the end of 2006 financial statements have been reclassified to conform to the presentations adopted in 2007. This reclassification did not have significant influence on the 2006 financial statements.

## 6-4-11. Disclosures under statutory requirements

### 6-4-11-1. Related information on material transaction items:

1. Accumulated purchases or sales balance of specific marketable security over TWD300 million or 10% of the Bank's paid-in capital: None
2. Acquisition of fixed assets over TWD300 million or 10% of the Bank's paid-in capital: None
3. Disposal of fixed assets over TWD300 million or 10% of the Bank's paid-in capital: None
4. Discount on fees income from related parties over TWD5 million: None
5. Receivables from related parties over TWD300 million or 10% of the Bank's paid-in capital: None
6. Information regarding selling non-performing loans: None
7. Securitized instruments and related assets which are approved by the authority pursuant to the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization: None
8. Other material transaction items which were significant to the users of the financial statements: None

### 6-4-11-2 Information on the Bank's investees: None

## 6-4-12 Segments and geographic information

### 6-4-12-1 Financial information by business segments: None

### 6-4-12-2 Financial information by geographic area: None

### 6-4-12-3 Information by foreign sales: None

### 6-4-12-4 Information on major customers: None

## 6-5. CPA-audited consolidated financial statement for 2007: None

## 6-6. Effect of financial difficulties experienced by the Bank and related enterprises on the Bank's financial status: None



## 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: USD thousand

Item \ Year	2007	2006	Difference	
			Amount	%
Total Asset	3,172,790	3,229,801	(57,011)	(2.26)
Total Liability	3,009,514	3,067,147	(57,633)	(2.38)
Total Shareholders' Equity	163,276	162,652	(662)	(0.13)

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

### 7-2. Operation Performance

Unit: USD thousand

Item \ Year	2007	2006	Difference Amount	Increase/Decrease Ratio (%)
Interest expense	52,160	42,975	9,185	20.76
Non-interest income, net	13,796	15,949	(2,153)	(13.94)
Net revenue	62,415	61,349	1,066	1.22
Bad debt expense	18,789	18,774	15	(0.43)
Operating revenues	41,280	40,270	1,009	1.99
Income before income tax	2,346	2,305	41	1.27
Cumulative effect of changes in accounting principle	0	282	(282)	(100)
Net income	1,935	1,738	197	10.79

Note: Ratio Changes Disclosure

1. Interest revenues increased compared with previous year due primarily to raise the ratio of loan and the interest revenues of NCD.
2. Interest expenses increased compared with previous year due to raise the ratio of deposit.
3. Net non-interest income decreased compared with previous year due primarily to the handle charge revenues of consumer financial, credit card business and dispose the profit of stock.
4. Cumulative effect of changes in accounting principle of 2006 due primarily to adopted ROC SFAS No.34 "Accounting for Financial Instruments", The financial assets and liabilities at the beginning of 2007 were revalued based on either fair value or net amortized cost.



## 7-3. Cash Flow

### 7-3-1. Cash Flow Analysis over the Past Two Years:

Item \ Year	2007	2006	Increase/ Decrease Ratio (%)
cash flow ratio	92.21%	45.41%	103.06
cash flow adequacy ratio	563.23%	440.41%	27.89
cash reinvestment ratio	159.72%	(7.33)	(2278.99)

Note:

1. The increase of cash flow ratio in 2007 is due to the larger operations cash flow in year 2007
2. The increase of cash flow adequacy ratio is due to business operation cash flow in last five years.
3. The decrease of cash reinvestment ratio is due to the large investment activities cash flow in year 2007.

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

Unit: USD thousand

Initial Cash Residual	Estimated Yearly Operating Cash Flow	Estimated Yearly Cash Outflow	Estimated Residual Cash Amount (deficiency)	Cash Deficiency Contingency Plan	
				Investment plan	Financial Management Plan
(1)	(2)	(3)	(1)+(2)+(3)		
57,300	16,314	173,745	247,360	-	-

Note:

1. COTA Bank estimate about USD16,314 thousand from cash flow from operating activities of year.
2. The estimation cash inflow about USD173,745 thousands in 2007, due to decrease in cash used of deposits/loan to other banks about USD287,524 and capital expenditure and bills purchased about USD113,779

## 7-4. Impact of Capital Expenditure in Recent Year

### 7-4-1. Funding source and utilization of capital expenditure: None

### 7-4-2. Expected benefit from capital expenditure: None

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

### 7-5-1. Reinvestment Policy and Improvement Plan

Regarding new reinvestment, the authorized unit shall submit proposal to Asset and Liability and Risk Management Committee for discussion and then get approval from Standing Committee of Board. The authorized unit shall closely monitor operation and financials of invested companies and report to Asset and Liability and Risk Management Committee in timely basis to ensure investment performance. COTA bank prepare to reinvest "Life and General Insurance Agent Co., Ltd" in 2008. Hence, was sold shareholder "Bank-Union Life Insurance Agent Co., Ltd." and "Banks-Union General Insurance Agent Co., Ltd". Meanwhile, it get the profit TWD6.08 million. Besides, another reinvestment of Taiwan Cooperative Bank shareholder 1,311 pieces. Among which, the profit TWD21.86 million was sold at the end of 2007 because it has reached our target price.

### 7-5-2. Investment Plan in Next Year

In 2008, economic growth rate is expected to down lower then last year. There will be a national president election in 2008; the new ruling party will adopt some actions to stimulus economy. The trough of economic cycle is still moderately. COTA Bank will dynamically adjust equities and mutual fund position according to financial market change and industry situation. As for domestic bonds, the interest rate differentials between foreign and local market is curtailed. There is still some room for local interest rate hike. COTA Bank will increase bond portfolio gradually to mitigate market risk. Also, we will continuously search good investment target for boosting investment income.

## 7-6. Risk Management

### 7-6-1. Financial Risk Information

#### 7-6-1-1. Credit Risk

#### Credit Risk Management System

Year 2007

Items	Contents
Strategies, Objectives, Policies, and Processes	<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 can response adequately. In addition, it may assess the relation between risk and return to ensure the goal of the Bank's business.</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'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 law of the credit responsibility and accountability, the law of the assessment for collateral, and all kinds of operation handbooks. They provide strict standard on loans, monitor credit risk, and manage non-performing loans.</p>

Items	Contents
The Structure, and Organization of the Risk Relevant Management Function	<ol style="list-style-type: none"> <li>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.</li> <li>2. Asset and liability management committee: The committee executes the board's risk policies and reports risk profile to the board.</li> <li>3. Credit reviewing committee: The committee reviews the large amount of loans, specific non-performing loans, and the appointed loans.</li> <li>4. Risk management subcommittee: The subcommittee integrates credit risk strategies, designs processes, and introduces credit identification, measurement, monitor, and reporting systems.</li> <li>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.</li> <li>6. Auditing office: The office should establish audit plan and process, and should review the Bank's credit and investment risks at least once a year.</li> </ol>
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.
Policies for Hedging and/ or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	<p>The Bank follows the diversified principal on loans. To avoid credit concentration risk, the Bank reviews and adjusts credit exposures regularly on the sector and large amount of borrowers. For the specific loans, the Bank depends on the credit condition of the borrowers to sign the netting settlement agreement and demand collateral for credit mitigation.</p> <p>The Bank uses a number of techniques to mitigate the credit risks. For example, the Bank demands collateral and guarantee, signs two- side offsetting agreement, terminates contract early, and buys credit derivatives to offset various forms of credit risk.</p>
Approach the Bank Qualifies for	Standardized approach

### Exposure amount after risk mitigation and capital requirement of the standard approach

Unit: USD thousand

Category	Exposure amount after risk mitigation	Capital Requirement
Sovereigns	0	0
Non-central government public sector entities	94,691	7,537
Banks (multilateral development banks)	18,493	1,472
Corporate (Securities firm and insurance companies)	243,235	19,360
Regulatory retail portfolios	1,135,363	90,367
Secured by residential property	221,539	17,633
Equities investment	1	0
Other assets	91,872	7,312
Total	1,805,194	143,681

## 7-6-1-2. Securitization Risk

### Securitization Risk Management System

Year 2007

Items	Contents
Strategies and Processes	Up to the present, the Bank does not play the role of originator and expects to be an investor. The internal regulations for securitization will be created in the future. Not only the Bank obeys The Banking Act, but also it has some investment limits such as total position limit, underlying instrument limit, and internal authorized limit.
The Structure, and Organization of the Risk Relevant Management Function	<ol style="list-style-type: none"> <li>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.</li> <li>2. Asset and liability management committee: The committee reviews the guidelines and policies of the securitization, controls indicators, and coordinates assignments relative to risk management.</li> <li>3. Investment subcommittee: For strengthening portfolio management and trading quality of the securitization, the subcommittee depends on the market condition to plan investment strategies.</li> <li>4. Risk management subcommittee: The subcommittee draws strategies and processes of the securitization, designs and introduces risk identification, measurement, monitor, and reporting system.</li> <li>5. Auditing office: The office should establish audit plan and process, and should review the Bank's risk management at least once a year.</li> </ol>
The Scope and Nature of the Risk Reporting and/or Measurement Systems	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.
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 strategies of the hedge positions according to the volatility of the market prices. The procedure of the exceptional management and violating regulation as follows:</p> <ol style="list-style-type: none"> <li>1. If it is possible over authority, the dealer should have manager's approval before trading.</li> <li>2. If the dealer violates regulation, the risk controller should report to section manager or senior manager if necessary.</li> </ol>
Approach the Bank Qualifies for	Standardized approach

The undertaking of securitization: None

Securitization exposures and capital requirements: None

### 7-6-1-3. Operational Risk

## Operational Risk Management System

Year 2007

Items	Contents
Strategies and Processes	<p>The major consideration of the Bank's operational risk control is frequency and degree of the loss events. After necessary analysis, the Bank codified the feasible strategies, including risk avoidance, risk mitigation, risk transfer, and risk allowance.</p> <p>The procedure of the operational risk management should effectively identify, measure, monitor, and report all possible operational activities and risks. The Bank has established operational risk framework of the loss events.</p>
The Structure and Organization of the Relevant Risk Management Function	<ol style="list-style-type: none"> <li>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. It also monitors effective operation for managing framework.</li> <li>2. Asset and liability management committee: The committee follows risk management policies and procedures that the board of directors has 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.</li> <li>3. Risk management subcommittee: 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 Bank's all units, and reports to ALM committee and the board of the directors regularly.</li> <li>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.</li> <li>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.</li> <li>6. Auditing office: The office should execute audit processes independently and should provide improvement suggestion timely.</li> </ol>
The Scope and Nature of the Risk Reporting and/or Measurement Systems	<p>The scope of the operational risk contains daily operational activities and each element of management procedure. They may include system errors, operation faults, violations, frauds, and disasters. The management of the loss events contains four dimensions there are operation procedure, employees, system, and external events.</p> <p>The Bank adopts Supervisory regulation to classify loss event types.</p>
Policies for Hedging and/ or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	<p>For managing operational risk, Bank's all units should take actions to reduce real loss and event of frequent occurrence.</p> <ol style="list-style-type: none"> <li>1. Risk avoidance For the events with high frequent occurrence and great loss, the Bank should not take the business even quit to avoid possible loss.</li> <li>2. Risk transfer or mitigation For the events with low frequent occurrence and great loss, the Bank should take measures to transfer or mitigate risks. The Bank may use insurance and outsourcing to reduce the effect on loss. When Bank's all units take measures to transfer or mitigate risks, they should pay attention to the result of measures and should assess possible new risk.</li> <li>3. Risk control For the events with high frequent occurrence and minor loss, the Bank should take measures to control risks and to reduce the possibility of risk occurrence.</li> <li>4. Risk allowance For the events with low frequent occurrence and minor loss, the Bank is able to take possible loss.</li> </ol>
Approach the Bank Qualifies for	Basic indicator approach

### The Operational Risk Capital Charge December 31, 2007

Unit: TWD thousand

Year	Annual Gross Income	Capital Charge
2005	1,776,393	
2006	1,931,083	
2007	1,993,824	
Total	5,701,300	285,065

#### 7-6-1-4. Market Risk

#### Market Risk Management System

Year 2007

Items	Contents
Strategies and Processes	The Bank uses the standardized approach to calculate capital charge for interest rate risk, equity position risk, foreign exchange risk, and commodity risk. The trading limits and stop loss limits are approved by the board of directors and set by the risk management subcommittee and trading sectors according to annual budget and the use of limits. The Bank follows business strategies and risk condition to establish market risk limit system. 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.
The Structure and Organization of the Relevant Risk Management Function	<ol style="list-style-type: none"> <li>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.</li> <li>Asset and liability management committee: The committee executes risk management strategies and frameworks that the board of directors has approved. In addition, the committee is responsible to report the risk control information to the board of directors..</li> <li>Investment subcommittee: The subcommittee plans investment strategies and makes decision what the positions should be sold or hold.</li> <li>Risk management subcommittee: The subcommittee draws strategies and processes of the market risk management, designs and introduces risk identification, measurement, monitor, and reporting system.</li> <li>Auditing office: The office should establish audit plan and process, and should review the Bank's risk management at least once a year.</li> </ol>
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. If the exposures have exceeded their limits, risk controller should report to division manager immediately.
Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	The Bank has clearly risk limits such as trading position limits, dealers' limits, and stop loss limits. If dealers exceed their position limits, market risk personnel should inform the facts and procedures to management. If dealers exceed their stop loss limits, they are required to execute positions.
Approach the Bank Qualifies for	Standardized approach

### The Market Risk Capital Charge December 31, 2007

Unit: TWD thousand

Risk Category	Capital Charge
Interest Rate Risk	37,979
Equity Position Risk	72,682
Foreign Exchange Risk	69,920
Commodity Risk	0
Option Position	22
Total	180,603

#### 7-6-1-5. Liquidity Risk

##### 7-6-1-5-1. Maturity Analysis of the Assets and Liabilities

Besides a perfect balance of safety and profit, asset management should concern about liquidity. Most of assets of the Bank are medium-term and long-term loans, and most of liabilities are saving and time deposits. The liquidity gaps that are more than 30 days and less than one year are negative, which means short-term liabilities are more than short-term assets. On the other hand, the gaps are less than 30 days and are positive for more than one year. The amount of accumulated liquidity gaps is TWD4.6 billions; including commitment credit line TWD4.9 billions. The Bank expects 80% time deposits will be rollover, and the balance of saving deposits will change less than 20%. They are able to fill in the liability gaps. The resources of the Bank are abundant in funds; therefore, the surplus of funds will invest in reverse repurchase agreements. In terms of short-term assets and liabilities management, the Bank is qualified for stability. Moreover, a good reputation also supports the resource of Bank's long-term funds.

#### Analysis for Time-to-maturity of the Company's TWD Assets and Liabilities as of Dec. 31, 2007

Unit: TWD million

	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
Asset	102,047	14,324	6,752	6,614	10,906	63,451
Liability	106,661	11,539	12,287	15,570	35,663	31,602
Maturity gap	(4,614)	2,785	(5,535)	(8,956)	(24,757)	31,849
Cumulative maturity gap	(4,614)	2,785	(2,750)	(11,706)	(36,463)	(4,614)

## Analysis for Time-to-maturity of the Company's USD Assets and Liabilities as of Dec. 31, 2007

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
Asset	80,024	38,521	24,704	4,,387	0	12,412
Liability	80,024	62,617	8,230	7,281	1,734	162
Maturity gap	0	(24,096)	16,474	(2,894)	(1,734)	12,250
Cumulative maturity gap	0	(24,096)	(7,622)	(10,516)	(12,250)	0

### 7-6-1-5-2. Liquidity and Gap Management

To ensure adequate liquidity, the Bank keeps the legal and liquidity reserves for all kinds of deposits, and pays attention to the impact of liquidity gap on the Bank's operation. At the end of 2007, the Bank's average liquidity ratio which is higher than supervisor's minimum requirement of 7% was 11.42%. For preventing the occurrence from liquidity risk, the Bank has set indicators on liquidity risk. If the indicators approach to a warning point, the Bank should take measures that may avoid liquidity difficulty as follows:

1. Borrowing short-term loans: interbank borrowing, repurchase agreement, or discount window.
2. Issuing NCDs or bank debentures
3. Attracting deposits by adjusting interest rate of deposits and inter-branch rate
4. Selling short-term securities which can not be reserves
5. Suspending new loans and reclaiming mature loans
6. Selling loan assets

To deal with fluctuating global economic and financial markets, the Bank has established Assets, Liabilities, and Risk Management Committee to adjust business strategies timely for effectively managing fund resource operations. The Bank uses various ratios such as loan to deposit ratio, current to total asset ratio, current asset to total deposit ratio, and maturity analysis to measure liquidity positions and to adjust asset/liability structure.



### 7-6-2. Internal and External Facts Affecting the Bank and Measures against Risk

From the last second half of the year, the global banking industry was much affected by recession and credit crisis. Many banks faced asset devaluation and systematic risk. Because of the change in banking environment, the national banks gained a little profit from a violent fluctuation in financial markets. The asset quality of all domestic banks has been improved step by step from customer banking crisis. At the end of 2007, the average ratio, collecting from all national banks, of past due loans declined to 1.84%. However, the keen competition from over-banking and similar product services will lower profitable business and will take more uncertain risks. In order to improve the situation, banking industry is continuing mergers and diversifies sales from different business lines. Recently, the banking industry is trying to develop wealth management and offshore business on a big scale. There are good solutions to pursue more profits and reduce risks.

When the domestic banks wrote off bad debts and dealt with non-performing loans, the new challenge followed. From year-end 2006, the first pillar-minimum capital requirement was implemented under the new Basel Capital Accord (Basel II). To comply with Basel II and supervisory review process, the Bank plan to develop a fundamental risk management system.

From asset scale and organization viewpoint, the Bank is medium-sized bank. The main purpose of the implementation of Basel II is to develop risk environment and framework. The Bank will consider using advanced approach for regulatory capital in the future when assets enlarge to vast scale. Therefore, the Bank planned four dimensions of risk management to adopt Basel II as follows:

1. Developing internal regulations and organizations, and developing new risk management culture from up to bottom.
2. Using the standardized approach to calculate regulatory capital, and will developing
  - (1) Internal credit rating system
  - (2) Value at risk (VaR) calculation
  - (3) Loss event database
3. Developing internal capital adequacy assessment process (ICAAP)
4. Independency of risk management and internal auditing systems

### 7-6-3. Lawsuits: None

### 7-6-4. Other Significant Risks and Measures: None

## 7-7. Major Guidelines for Unforeseeable Events Handling

### 7-7-1. Purpose

To prevent the Bank from or reduce damage of unforeseeable events, a guideline of contingency plan is set up to obtain prompt recovery.

### 7-7-2. Organization

1. Contingency task force is organized to handle unforeseeable events. President is the chief convener of this task force.
2. Auditing Office is processed as a report center of unforeseeable events.
3. Chief Auditor is designed to be emergency contact person of head office; branch general manager is designed to be emergency contact person of branches.

### 7-7-3. Process

Emergency contact person should immediately report the situation and processing flow of unforeseeable events to head office report center.

Head office report center should conduct

1. Report to the convener of contingency task force.
2. Recall related offices to draw contingency plan to process unforeseeable event.
3. Report to the authorities concerned.

## 7-8. Other Significant Items: None



## 8. The Particular Notes

## **8. The Particular Notes**

**8-1. Data of Affiliated Firms: None**

**8-2. The Conditions of Private Securities Place in the Recent Year:  
None**

**8-3. The Conditions of Subsidiaries hold or Disposal the Stock of  
COTA Bank in the Recent Year: None**

**8-4. Others: None**



# Chronological Highlights

## Chronological Highlights

- 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, HKD in cash and traveler checks.
- 1999.01.14 Held a press conference for COTA Bank's officially opening.
- 1999.01.15 Hosted COTA Commercial Bank grand opening cocktail party.
- 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 TWD54.2 million Taichung Third Credit Cooperative public welfare fund to COTA Cultural & Educational Foundation in full, and duly elected directors and supervisors of the Foundation.
- 1999.03.25 Started up guarantee 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.
- 1999.05.05 Held preparatory meeting for COTA Cultural & Educational Foundation.
- 1999.05.25 Held the member representative banquet for Taichung Third Credit Cooperative.
- 1999.06.10 Signed a contract to team up with Shanghai Commercial Savings Bank to jointly promote foreign exchange services
- 1999.07.28 allied with Bank of Panhsin, Yanghsin Commercial Bank, Hua Tai 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.
- 1999.09.17 Director and General Manager Wang Chun-chuan resigned from the concurrent post of General Manager.
- 1999.11.29 The board of directors appointed Mr. Chang Ying-Che as the General Manager in its 6th extraordinary meeting of the first session.
- 2000.01.01 General manager Chang Ying-Che inaugurated
- 2000.01.01 Passed the Y2K testing
- 2000.04.26 Set up Fengyuan Branch
- 2000.05.10 Held 2000 shareholders' general meeting.
- 2000.05.19 Set up Zhanghua Branch.
- 2000.07.07 Set up Yuanlin Branch.

- 2000.10.21 Chairman, MR. Liao Chun-Tse, was conferred an Outstanding Enterprise Leader and honorary administrator of Committee on Outstanding Enterprise Manager.
- 2000.11.01 Chairman, Mr. Liao Chun-Tse, was conferred an award of Golden Merchant
- 2000.11.03 Wenhsin Branch spin into two mini branches as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung 89759294.
- 2001.01.05 Started business for Credit card.
- 2001.04.02 Set up Wenhsin Mini Branch and Beitun Mini Branch.
- 2001.04.12 Beitun Branch moved to Shalu Town, Taichung country and renamed as Shalu Branch.
- 2001.05.28 Savings Dept. renamed Taichung Branch as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung 90192708.
- 2001.06.01 Started business of insurance agency.
- 2001.06.19 Held 2001 shareholders' general meeting and elected second session 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.
- 2001.07.25 Special Assistant Lai Te-Chiang retired.
- 2001.08.01 Established Taipei Branch as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung (3) 90303504.
- 2001.08.23 Stared Internet Banking services.
- 2001.09.17 Senior executive vice president Wang Lien-Kuei retired.
- 2001.09.24 Savings Dept. renamed Taichung Branch.
- 2001.09.24 Business of Corporate Banking centralized.
- 2001.09.28 Added Hsinchu city and Hsinchu Hsien to be business area as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung (3) 90721973.
- 2001.10.26 COTA Bank was rated by Taiwan Ratings co.
- 2001.11.09 Yuanlin Branch was achieved TWD1 billion for business of loan.
- 2001.12.10 Supervisor Mr. Lai Su-Lang passed away.
- 2001.12.31 Senior executive vice president Chiang Po-ling retired, Chief auditor Lin Tien-Hsiang retired.
- 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.
- 2002.02.01 Credit Card center was combined into Consumer Banking center.
- 2002.03.11 Set up Taipei Branch.

- 2002.03.11 Chairman, Mr. Liao Chun-Tse, was conferred an honorary consultant of The Republic of Honduras Honduras consulate general Taipei office.
- 2002.04.01 Started car loans by Consumer banking center.
- 2002.05.09 Held 2002 shareholders' general meeting.
- 2002.06.27 Added Taoyuan hsien to be business area as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 0913000230.
- 2002.08.12 Chairman, Mr. Liao Chun-Tse, was conferred an Outstanding Businessman in the 3rd session.
- 2002.09.01 Stared index-linked home loan services
- 2002.09.16 Started Cash card services by Consumer Banking center.
- 2002.10.02 Started Trust business.
- 2003.02.17 Zhongzheng Branch moved to Taoyuan city and renamed Taohyuan 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.
- 2003.02.19 Started phone selling by Trust Dept.
- 2003.04.18 General Manager, Mr. Chang Ying-Che, was conferred an Outstanding Enterprise Manager.
- 2003.04.21 Zhongzheng Mini Branch reopened for business.
- 2003.05.06 Held 2003 shareholders' general meeting.
- 2003.05.31 Director Lin Ping-Chih demised.
- 2003.06.19 Standing Supervisor Lin Chia-Chu passed away.
- 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.
- 2003.10.20 Director Liao Chun-Chao passed away.
- 2003.11.21 COTA Bank was rated by Taiwan Ratings co.
- 2003.12.08 Stared offset interest-free home loans.
- 2003.12.20 Held ocean concert in highway rest-station of Qingshui.
- 2003.12.26 COTA Bank was selected as the director of Taiwan cooperative bank.
- 2003.12.31 The profit in business of insurance agency was achieved TWD10 million.
- 2004.01.01 Started up chip ATM card services.
- 2004.01.14 Launched credit card consuming statement on-line enquiry service in Internet banking.
- 2004.01.15 Launched re-circulating ATM.
- 2004.02.16 Launched broadband transmission intra bank network.
- 2004.05.04 Provided personnel training for account officer.



- 2004.05.07 Held 2004 shareholders' general meeting.
- 2004.07.01 Established consultants of wealth management.
- 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.
- 2004.07.15 Set up the day as the base day for COTA Bank 2003 fiscal year surplus earnings increment to issue the new stocks assignment.
- 2004.07.27 Relocated Shalu branch to Panchiao branch as approved by FSC under doc. no. (3)0930023291.
- 2004.08.01 Senior executive vice president Huang Mu-Chuan retired.
- 2004.09.01 Centralized collateral re-pricing to Credit Management Dept. Set up on-line newsletter service operation system.
- 2004.10.01 Launched TAIEX Index Fund Transaction System by Trust Dept.
- 2004.10.26 The latest credit rating of COTA Bank was issued by Moody's Investors Service:  
Long term rating of banking deposit is from Baa2.tw to A3.tw; Short term rating of banking deposit as tw-2.
- 2004.11.04 The 58th Financial Commerce Champion was made award to General Manager Chang Ying-Che.
- 2004.11.09 Director Wu Wen-Hua relieved the responsibility.
- 2004.11.11 Panchiao branch opened
- 2004.11.24 FSC approved COTA Bank to set up International Banking Department.
- 2004.12.22 The latest credit rating of COTA Bank was issued by Taiwan Ratings Company  
Long term rating of liabilities is from twBB+ to twBBB+  
Short term rating of liabilities is from twB to twA-2  
Prospect for rating: Stable
- 2004.12.30 All ATMs, matched with the next generation chip ATM card specification, were completed changing.
- 2005.03.16 Established International Banking Department
- 2005.05.06 Issued century anniversary chip credit card of Taichung train station.
- 2005.05.24 Held 2005 shareholders' general meeting and elected 3rd session 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 Business 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.

- 2005.12.27 The latest credit rating of COTA Bank was issued by Taiwan Ratings Company  
Long term rating of liabilities: twBBB+  
Short term rating of liabilities: twA-2  
Prospect for rating: Stable
- 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
- 2006.01.03 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' general 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
- 2006.12.08 The latest credit rating of COTA was issued by Taiwan Ratings Company  
Long term rating of liabilities: twBBB+  
Short term rating of liabilities: twA-2  
Prospect for rating: Stable
- 2007.01.17 Set up Kaohsiung Branch.
- 2007.03.15 Chief Auditor Yi-Hsiung Lai retired.
- 2007.04.03 Closing business transactions statement on-line enquiry service in internet banking.
- 2007.06.06 Held 2007 shareholder's general meeting.
- 2007.07.06 Set up Tainan Branch.
- 2007.10.01 Fee collection setting on-line service in internet banking.
- 2007.12.10 Established wealth management services with fund in internet banking.
- 2007.12.24 The latest credit rating of COTA BANK was issued by Taiwan Rating Company  
Long term rating of liabilities: twBBB+  
Short term rating of liabilities: twA-2  
Prospect for rating: Stable

## 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
Trust 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	886-4-22384591
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	886-4-22805099
Taichung Branch	59 Shihfu Road, Central District, Taichung City 400, Taiwan	886-4-22245161	886-4-22234491
Banking Dept.	32-1 Gongyuan Road, Central District, Taichung City 400, Taiwan	886-4-22211186	886-4-22229536
Zhongzheng Mini Branch	330 Zhongzheng Road, Central District, Taichung City 400, Taiwan	886-4-22241115	886-4-22229359
Chenggong Branch	580 Jinhua Road, North District, Taichung City 404, Taiwan	886-4-22304100	886-4-22304701
Xitun Branch	458 Sec. 2, Henan Road, Xitun District, Taichung City 407, Taiwan	886-4-27062968	886-4-27063816
Guoguang Branch	333 Sec. 3, Fusing Road, South District, Taichung City 402, Taiwan	886-4-22245111	886-4-22229281
Dazhi Branch	339 Dazhi Road, East District, Taichung City 401, Taiwan	886-4-22815998	886-4-22815977
Linsen Branch	99 Linsen Road, West District, Taichung City 403, Taiwan	886-4-23725151	886-4-23723024
Nanmen Branch	75 Nanmen Road, South District, Taichung City 402, Taiwan	886-4-22871146	886-4-22862412
Jinhua Branch	255 Jinhua North Road, North District, Taichung City 404, Taiwan	886-4-22333550	886-4-22335164
Nantun Branch	410 Nantun Road, Nantun District, Taichung City 408, Taiwan	886-4-24718500	886-4-24758522

Unit	Address	TEL	FAX
Beitun Mini Branch	751 Sec. 4, Wunsin Road, Beitun District, Taichung City 406, Taiwan	886-4-22426565	886-4-22417153
Fengyuan Branch	214 Yuanhuan E. Road, Fengyuan City, Taichung County 420, Taiwan	886-4-25151788	886-4-25151895
Zhanghua Branch	181 Sec. 2, Zhongzheng Road, Zhanghua City, Zhanghua County 520, Taiwan	886-4-7298686	886-4-7298585
Yuanlin Branch	189 Sec. 1, Datong Road, Yuanlin Town, Zhanghua County 510, Taiwan	886-4-8383888	886-4-8383666
Taipei Branch	246 Yangguang Street, Neihu District, Taipei City 114, Taiwan	886-2-87512588	886-2-87512788
Taoyuan Branch	9 Sec. 2, Chenggong Road, Taoyuan City, Taoyuan County 330, Taiwan	886-3-3470505	886-3-3357373
Panchiao Branch	260 Minzu Road, Panchiao City, Taipei County 220, Taiwan	886-2-89536001	886-2-89536011
Fengxin Branch	151, Zhongzheng Road., Fengyuan City, Taichung County 420, Taiwan	886-4-25224281	886-4-25269539
Sanmin Branch	58, Zhongxiao Street., Fengyuan City, Taichung County 420, Taiwan	886-4-25234894	886-4-25269559
Shiqian Branch	353, Zhongshan Rd., Fengyuan City, Taichung County 420, Taiwan	886-4-25261181	886-4-25269540
Zhongshan Branch	9, Daming Road., Fengyuan City, Taichung County 420, Taiwan	886-4-25277155	886-4-25269553
Fengdong Branch	330, Xiangyang Road., Fengyuan City, Taichung County 420, Taiwan	886-4-25225072	886-4-25269550
Fengle Branch	693, Zhongzheng Road., Fengyuan City, Taichung County 420, Taiwan	886-4-25287055	886-4-25269562
Kaohsiung Branch	1, Wenfu Rd., Zuoying District, Kaohsiung City 813, Taiwan	886-7-3505685	886-7-3506733
Tainan Branch	438, Sec 2, Datung Rd., Tainan City 702, Taiwan	886-6-2130966	886-6-2149088