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

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

# ANNUAL REPORT 2009

COTA COMMERCIAL BANK

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2009



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# 1 To Our Shareholders



# 1. To Our Shareholders

## 1-1. Year 2009 Business Report

### 1-1-1 Financial Environment

In retrospect of year 2009, as impacted by global financial tsunami which caused shrinking of intrinsic demand and sudden reducing of world trade, countries around the world, one after another, undertook applicable monetary and fiscal policies to spur economic growth. Asian developing countries with their retained expanding momentum, together with China and India's leading economic performance, ascribed to aggressive expansion of internal demanding, and other countries' stable or mild rebound as well, played a role of locomotion to draw global economic toward recovery and therefore marked a level of minus 0.8% in global economic growth rate. For Taiwan, as supported by observable economic stimuli adopted by Taiwan government in due course to urge fluent liquidity, domestic economy was marching in the procession to firm recovery. "Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC" published year 2009 round domestic economic growth rate in GDP as minus 1.87%.

In prospect of the coming year, large-scale recovery stimuli enforced by major economic entities have brought significant effectiveness. U.S. economy begins to rally in the procession to recovery. Euro Zone's comprehensive economic indicators along with manufacturing, servicing and retailing confidence indexes reveal positive signals for economic growth. Japan's latest reports regarding leading indicators and consumer confidence indexes also demonstrate progress in recovery. Furthermore, emerging market of China and India withholds reasonably health growth pattern. All of these affirmative signals prove real growth after financial crisis and is expected to help restore energy of recovery. Consequently, IMF estimates global economic growth rate will fall at 3.9%. For domestic economy, following global economic recovery pattern, Taiwan's exports are also expected to enhance progressively which should provide sure support to economic growth. Besides, fundamental economic factors in increasingly stable status restore consumer spending confidence and improve public investment as well. It is believed that domestic economy will characterize both external and internal demanding in increasing heating patterns. "Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC" estimates year 2010 growth rate in GDP to be 4.72%. As regards domestic interest rate, with solid rebound and capital demand, Central Bank of the Republic of China (Taiwan) is likely to take up a neutral monetary policy as opposed to introduce lower interest rate strategy with view to stabilize consuming price and avoid distorting reasonable capital allocation by low interest rate. For foreign exchange rate, Central Bank of the Republic of China (Taiwan) is expected to maintain and provide strong uphold to TWD exchange rate corresponding to benefit-taking of export expansion and possible larger capital inflow after signing of ECFA. Exchange rate for TWD is likely to be in low possibility of huge fluctuation in the short term. Central Bank of the Republic of China (Taiwan) shall continue its long-standing position to maintain a dynamic and steady foreign exchange rate policy in order to shun vehement swing.

### 1-1-2. Organization Development

With effect from Apr 01, 2009, we renamed "NPL Management Center" as "Risk Management Center" designated to take in charge of designing, monitoring, controlling risk management systems and tracing non-performing loans.

## 1-1-3. Year 2009 Business Plans and Strategies Performance

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

- Established “Corporate Banking Finance Team” exclusively to enforce corporate loans and enlarge corporate banking market share.
- Continually built up electronized P.R. system to simplify and streamline P.R. management.
- Introduced consuming debit function of ATM card to enhance faithfulness of cardholder.
- Issued life-enjoy Visa Paywave platinum credit card and Visa Free-form credit card to develop potential higher spending consumer segment and extend various special offers of “Beijing 2008 Olympic Games” VISA theme card.
- Set up risk-management framework, assessment function and operational risk loss database to align with implementation of BASEL II.

### 1-1-3-2. Budget Performance

As of Dec 31, 2009, our deposits balance with sum of TWD100.9 billion (excluding deposits from banks) increased by TWD3.4 billion compared to previous year; our loans balance with sum of TWD76.4 billion decreased by TWD3 billion compared to previous year. We would urge ourselves to achieve better quality and quantity structure between deposits and loans and widen fee income.

Main business budget performances are reported as follows:

- Final account of average deposits balance is TWD95.6 billion, achieved 99% budgeting goal of TWD97 billion.
- Final account of average loans balance is TWD74.7 billion, achieved 93% budgeting goal of TWD80 billion.
- Final account of trust assets balance is TWD3.83 billion, achieved 137% budgeting goal of TWD2.8 billion.

### 1-1-3-3. Analysis of Income Status and Profitability

Our year 2009 earning after income tax figured as TWD31.01 million turned into EPS as TWD0.08. Our BIS ratio maintained a sound level of 11.37% and net value of per share stood at TWD12.72. Further, we raised our NPL coverage ratio to 54.16% as of Dec 31, 2009 from 47.87% as of Dec 31, 2008 to strengthen assets quality. Meanwhile, overdue ratio decreased to 2.13% as of Dec 31, 2009 from 2.68% as of Dec 31, 2008. We would constant improve business effectiveness and risk control to boost competitive edge.

### 1-1-3-4. Research and Development

Responding to rapid change of international and domestic economic environments and demands of banking business, our H.O. departments compiled diverse analyses and reports regarding financial situations, banking business development and industrial insight and tendency periodically or non-periodically. Such analyses and reports would circulate to our staff for reference through our electronic official document system.

## **1-2. Year 2010 Business Plans Outline**

The Bank has adhered to the never-changing spirit of “value our customer”. Driven by the need of customer, we persistently convert customers’ appeals into key concerns of service and operational process improvement, meanwhile strengthen financial structure and arrange feasible assets allotment. Main business plans are outlined as follows.

### **1-2-1. Business Operational Policy**

- To enhance SME loans and expand corporate banking business aggressively.
- Move to re-open Xinzhu branch and continually adjust and deploy branch channels.
- To set up comprehensive risk management to strengthen asset quality in line with internal IT process reform.
- To enhance functions of electronic transactions platform and its transaction volume to provide full-range service value and lower repeated manpower effort.
- To streamline operational procedure to discharge back office manpower and strengthen proficiency training to accelerate front-desk sales jobs reassignment
- To fulfill budgeting target and build up cost allocation system to increase profitability.
- To actively participate regional activities for public welfare to grasp niche of community banking.

### **1-2-2. Business Target**

#### **1-2-2-1 Main budgeting Targets**

- Deposits: set average deposits budgeting balance as TWD102.1 billion, increased by TWD6.5 billion compared to previous year budget at a growth rate of 6.82%.
- Loans: set average loans budgeting balance as TWD80 billion, increased by TWD5.3 billion compared to previous year budget at a growth rate of 7.07%.
- Wealth management (trust asset): set trust asset budgeting balance as TWD5 billion, increased by TWD1.17 billion compared to previous year budget at a growth rate of 30.38%.

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

- To segment marketing strategy and provide SME with wide-array product lines and safe, effective service procedure.
- To adjust and redeploy branch channels gradually to increase profitability and market share.
- To improve risk management methodology to reach an optimal point between profit gain and risk control.
- To install electronic banking services and deepen integration of e-banking cash flows to help individual and corporate reach practicable cash management.
- To enhance marketing proficiency training and sales skills to build up customer-driven service culture.
- To intensify budgeting control of business expense to lower operational cost effectively.
- To commit to corporate social responsibility to create better corporate value.

### **1-3. Long-term Development Strategy**

- To lift higher weight of current deposits, lower capital cost and increase profitability.
- To adjust loans structure, expand business scale of SME and individual loans.
- To develop wealth management, improve fee income ratio and diversify earnings source.
- To improve loans asset quality, lower over-due loans and raise NPL coverage ratio.
- To construct risk management methodology and strengthen risk management operating effect.
- To continue deploy service locations to enlarge value of branch channels
- To build up and integrate management information system and electronic information platform to maximize IT synergy.
- To promote internet banking transactions and provide time and location limit-free financial services.
- To continue expanding scale of business in line with market tendency and momentum to achieve well-sound and proficiency position of community bank.

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

With regard to development of domestic financial market, competitions in financial institutions are increasingly vehement as influencing through factors of service channels overran by financial holdings and foreign banks, product lines blurred by deregulation, and wealth management market took share by life insurance company and security house. It is believed that financial institutions would undertake continue reform to improve competitive ability under the supervision of "Financial Supervisory Commission, ROC (FSC)". Meanwhile, FSC announced that all deposit holders including foreign exchange deposit will be fully covered by Central Deposit Insurance Corp. till end of year 2010. Such policy brings strong support for stabilizing banking business and restoring market confidence. Further, ease of cross-strait policy and sign-up of MOU would bring new opportunity for higher possibility of cooperative cross strait.

Considering rapid change of industrial tendency and financial environment, The Bank shall uphold its long-standing management policy of stable development by emphasizing internal control and risk management, requesting obedience of law and regulation and concept of risk control. Business expansion will base on the principle of regional rooting and steady growth following increasing financial market openness and modification of regulation. Also, new products generation and combination will keep developing together with service quality enhancement so as to satisfy needs for various industries and customers on all of which business transform and lasting competitive edge could rely.



## 1-5. Corporate Rating

| Category | Rating Agent               | Rating    |            | Outlook | Released Date |
|----------|----------------------------|-----------|------------|---------|---------------|
|          |                            | Long-term | Short-term |         |               |
| Local    | Taiwan Ratings Corporation | twBBB+    | twA-2      | Stable  | Dec 29, 2009  |

Outlook for 2010, The Bank dedicates itself to continually cultivating varied business aspects at a steady pace and endeavoring for better customer services by which shall lead to advance of business scale, service level, and benefit to shareholders. On the whole, we would like to express our earnest appreciations to our shareholders, directors, supervisors, and the elite in all fields. All our staff would sustain the enthusiasm to realize service motto of “all customers are equal matter and deserve best services”. We look forward to obtaining continuous support and advice from all of you.



**Chairman Chun-Tse Liao**

## 2 Corporate Profile



## 2. Corporate Profile

### 2-1. Bank Features

|                                      |   |
|--------------------------------------|---|
| <b>Bank Name</b>                     | COTA Commercial Bank, Ltd.  |
| <b>Chairman</b>                      | Chun-Tse Liao   |
| <b>President</b>                     | Chin-Ting 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>            | 1,086   |
| <b>Paid-in Capital</b>               | TWD3,680,451,110  |
| <b>Capital Shares</b>                | Common Stock in 368,045,111 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 shareholders’ meeting of both parties, Fengyuan Credit Cooperative was formally merged with COTA Bank on Jan. 1, 2006.

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

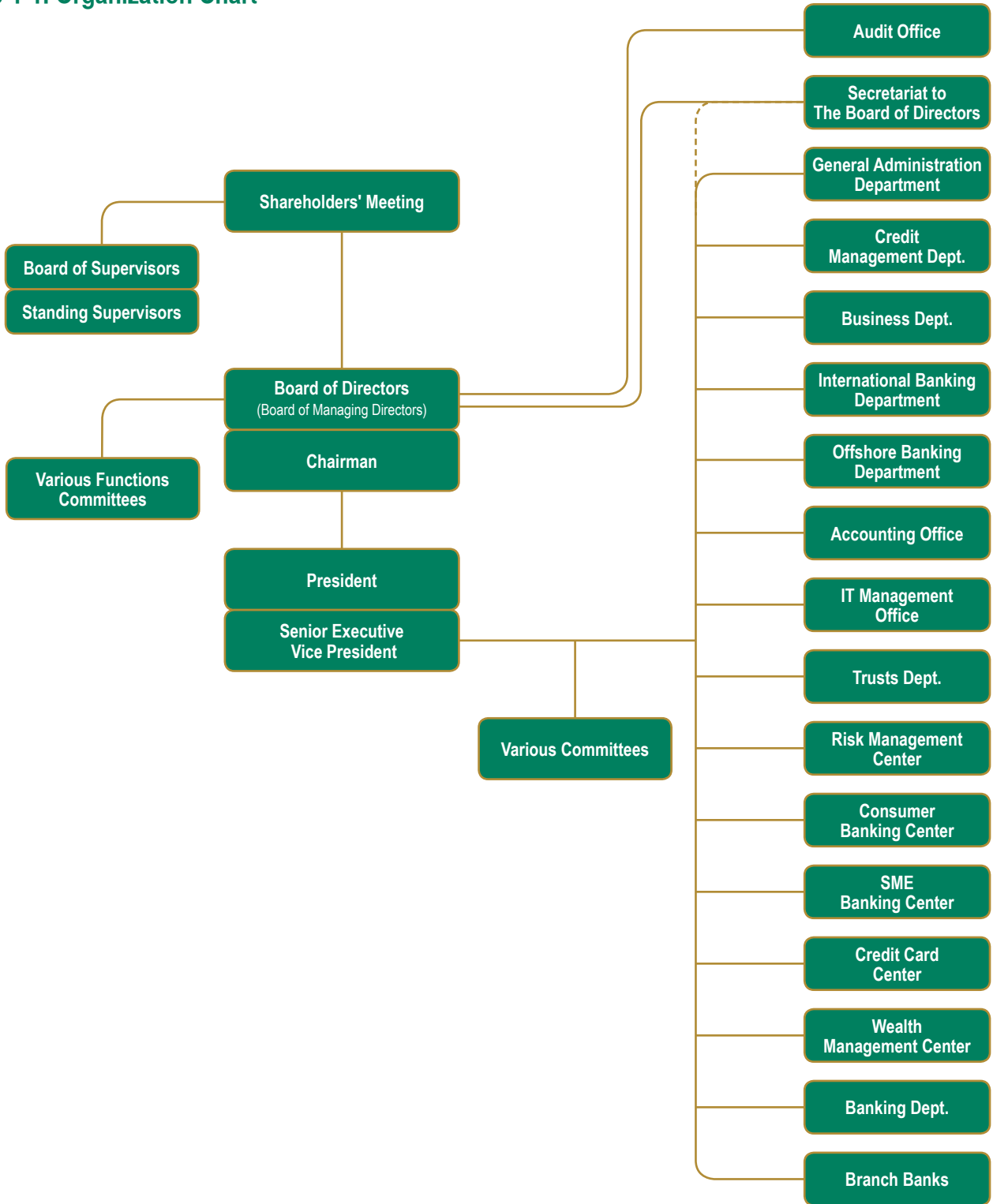
## 3 Corporate Governance



# 3. Corporate Governance

## 3-1. Organization

### 3-1-1. Organization Chart



## 3-1-2. Major Business of Each Division

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

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

### 3-1-2-2. General Administration Department

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

### 3-1-2-3. Credit Management Department

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

### 3-1-2-4. Business Department

Taking charge of the Bank's deposits, remittance, cashier's affairs, warehousing, custody, agency, trust and investment related planning, business and management.

### 3-1-2-5. International Banking Department

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

### 3-1-2-6. Offshore Banking Branch

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

### 3-1-2-7. Audit Office

Taking charge of auditing over Bank's business, accounting, financing, bank affairs and inventory, etc.

### 3-1-2-8. Accounting Office

Taking charge of bank's accounting, statistics and annual revenues calculation.

### 3-1-2-9. IT Management Office

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

### 3-1-2-10. Banking Department

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

### 3-1-2-11. Trusts Department

Taking charge of planning, promotion, and management of the Trust banking related affairs.

### 3-1-2-12. Risk Management Center

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

### 3-1-2-13. Consumer Banking Center

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

### 3-1-2-14. SME Banking Center

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

### 3-1-2-15. Credit Card Center

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

### 3-1-2-16. Wealth Management Center

Taking charge of planning, promotion, training of Wealth Management and Non-Wealth Management for selling financial commodity.

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

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

As of Dec 31, 2009, Shares Held (%)

| Title                           | Name           | Elected Date | Tenure | First Elected | Elected Shares Owned |        | Current Shares Owned |        | Shares Owned by Spouses and Minor children |        | Shares Held under Surrogate A/C |   | Education & Key Work Experience   | Current Positions Held in this or other company  |
|---------------------------------|----------------|--------------|--------|---------------|----------------------|--------|----------------------|--------|--|--------|---------------------------------|---|---|--|
|                                 |                |              |        |               | No. of Shares        | %      | No. of Shares        | %      | No. of Shares                              | %      | No. of Shares                   | % |   |  |
| Chairman                        | Chun-Tse Liao  | Jun 20, 2008 | 3      | Jan 1, 1999   | 4,648,209            | 1.3071 | 4,810,896            | 1.3071 | 11,427                                     | 0.0031 | -                               | - | 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. | Chairman of COTA Bank Insurance Broker Co., Ltd.   |
| Managing Director               | Ying-Che Chang | Jun 20, 2008 | 3      | Jan 1, 2002   | 1,309,842            | 0.3683 | 1,355,686            | 0.3683 | 19,402                                     | 0.0053 | -                               | - | Department of International Trade, Feng Chia University, Senior Executive Vice President of COTA Bank President of COTA Bank  |  |
| Managing Director               | Yao-Ting Li    | Jun 20, 2008 | 3      | Jan 1, 1999   | 1,585,193            | 0.4458 | 1,640,674            | 0.4458 | 217,725                                    | 0.0592 | -                               | - | 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    | Jun 20, 2008 | 3      | Jan 1, 2002   | 1,336,612            | 0.3759 | 1,403,393            | 0.3813 | 196,581                                    | 0.0534 | -                               | - | Post graduate of University of California in U.S.A., The Hong Kong College of Medicine, Representative of Liang Yow Biotechnology Inc., Chairman of Magnistar International corp., Director of Feng Tzer Electronics Co., Ltd.  | Chairman of Cheng Shing Tai Biopharmaceutical Co., Ltd.<br>Director of Yen Sheng Broadcasting Station<br>Director of Tien Sheng Broadcasting Station<br>Directors of Sicame Commercial Affairs Hotel Inc.<br>Directors of Tung Kai An Leisure Development Inc.   |
| Managing (Independent) Director | Yen-Chun Wang  | Jun 20, 2008 | 3      | Jun 20, 2008  | -                    | -      | -                    | -      | -  | -      | -                               | - | National Taiwan University Graduate Institute of Electrical Engineering<br>Director of Tai Chiun Technology Co., Ltd.<br>Director of China hsiu Tzu Co., Ltd.<br>Chairman of Wei Hsin Co., Ltd.   | Chairman of United Integrated Services Co., Ltd.<br>Chairman of Unimens Manufacturing Co., Ltd.<br>Director of Han Tai Investment Co., Ltd.<br>Director of Jong ching Investment Co., Ltd.<br>Director of Shin Cheng Investment Co., Ltd.<br>Director of Alerex Electronics Co., Ltd.                        |
| Director                        | Chan-Wen Lin   | Jun 20, 2008 | 3      | Jan 1, 1999   | 1,541,562            | 0.4335 | 1,595,516            | 0.4335 | -  | -      | -                               | - | National Taichung Institute of Technology, President of Liability Taichung Third Credit Cooperative<br>Director of FDU Personal Insurance Agent Co., Ltd.   |  |
| Director                        | Pi-Jung Hsieh  | Jun 20, 2008 | 3      | Jan 1, 1999   | 1,890,645            | 0.5317 | 1,880,429            | 0.5109 | 1,355,059                                  | 0.3682 | -                               | - | Taichung Industrial High School, Certification Examinations for Architect, Ministry of Examination, Engineer of Taiwan Railway Electrical Engineering Department.   | Architect of Hsieh Pi-jung Architectural Office<br>Director of Ju Hsing International Co., Ltd.<br>Director of Chung Hui Investment Co., Ltd.<br>Director of Tseng Hsin Construction & Development Co., Ltd.<br>Director of Chung Hua Plastics Plywood Industrial Co., Ltd.                                  |
| Director                        | Song-Yue Liao  | Jun 20, 2008 | 3      | May 25, 2005  | 3,174,423            | 0.8927 | 4,202,055            | 1.1417 | 45,715                                     | 0.0124 | -                               | - | Hosei University of Tokyo, Japan<br>Chairman of Chuan Cheng Hat Co., Ltd.   | Chairman of Chuan Cheng Hat Co., Ltd.<br>Chairman of Jepana Enterprise Co. Ltd.<br>Director of New Zhung Zhuang Investment Co. Ltd., Director of CCH Plus Inc.<br>Director of CCH investment Inc., Supervisor of Yen Sign International Enterprise Co., Ltd., Supervisor of Opus High Technology Corporation |
| Director                        | Ying-Chieh Lai | Jun 20, 2008 | 3      | Jan 1, 1999   | 1,022,910            | 0.2877 | 1,058,711            | 0.2877 | 314,949                                    | 0.0856 | -                               | - | Murakami Youth School, Certificate of Administration management in Japan,<br>President of Yu Li De Consultant Co., Ltd.   | Chairman of Third Credit Cooperative educational foundation  |

| 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             | Xian-De Lai     | Jun 20, 2008 | 3      | May 25, 2005  | 1,182,904            | 0.3327 | 1,224,305            | 0.3327 | 68,574                                     | 0.0186 | -                               | - | National Chung Hsing University Department of Public Finance and Taxation, President of Tung Yang Business Co., LTD.  | Chairman of Tung Yang Investment Co., Ltd., Chairman of Tung Yang Business Co., Ltd., Director of Yuan .Sheng Plastic Inc., Representative of Jazzy Industrial Co., Ltd., Managing Director of Taiwan Flour Mills Associate Director-General of Taiwan Barley Products Industry Association, Director of China Grain Products Research and Development Institute, Supervisor of Taiwan Grains and Feeds Development Foundation |
| Director             | Chun-Chuan Wang | Jun 20, 2008 | 3      | Jan 1, 1999   | 836,740              | 0.2353 | 866,025              | 0.2353 | 57,658                                     | 0.0157 | -                               | - | Department of English, Tamkang University, President of COTA Bank   |  |
| Director             | Guo-Zhou Chen   | Jun 20, 2008 | 3      | May 25, 2005  | 1,758,858            | 0.4946 | 1,820,418            | 0.4946 | -  | -      | -                               | - | Nan Ying Vocational High School of Business & Technology Supervisor of Yeh-Chiang Technology Corp. Supervisor of Sino-American Silicon Products Inc.  | Director of Nan Hai toy Co., Ltd. Representative of Peng Chen Corp. Director of Sino-American Silicon Products Inc.  |
| Director             | Mu-Chuan Huang  | Jun 20, 2008 | 3      | Jan 1, 2002   | 1,651,790            | 0.4645 | 1,709,602            | 0.4645 | 399  | 0.0001 | -                               | - | Shinmin Economics and Commercial Senior high school, Senior Executive Vice President of COTA Bank   |  |
| Independent Director | Po-Yao Chi      | Jun 20, 2008 | 3      | Jun 20, 2008  | 1,499,152            | 0.4216 | 1,551,622            | 0.4216 | -  | -      | -                               | - | Soochow University School Director of Cheng Loong Corporation TaiChung Factory  | Managing Director of Shan Fu Corrugated Carton Co., Ltd. Director of Ming Foong Plastic Co., Ltd. Director of Cheng Loong Corporation Miaoli Factory   |
| Independent Director | Kung-Cheng Lin  | Jun 20, 2008 | 3      | Jun 20, 2008  | -                    | -      | -                    | -      | -  | -      | -                               | - | National Chengchi University Department of Public Finance and Taxation PHD of Department of Economy in Iowa State University U.S.A Chairman of Department of Public Finance & Taxation in National Taichung Institute of Technology Chairman of Department of Public Finance in Feng Chia University Associate professor and Chairman of Department of Financial Management in Hsiuping Institute of Technology | Associate Professor of Department of Public Finance and Taxation in National Taipei University   |
| Standing Supervisor  | Lien-Kui Wang   | Jun 20, 2008 | 3      | Jan 1, 2002   | 1,246,360            | 0.3505 | 1,289,982            | 0.3505 | 57,145                                     | 0.0155 | -                               | - | 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    | Jun 20, 2008 | 3      | Jan 1, 2002   | 1,181,866            | 0.3324 | 1,223,231            | 0.3324 | 34,286                                     | 0.0093 | -                               | - | 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   | Jun 20, 2008 | 3      | May 25, 2005  | 1,169,987            | 0.3290 | 1,302,629            | 0.3539 | 1,140                                      | 0.0003 | -                               | - | Nanya Institute of Technology, Director of Sheng Ho Securities (IBTS) Company   |  |
| Supervisor           | Guo-Zhao Xiao   | Jun 20, 2008 | 3      | May 25, 2005  | 2,956,053            | 0.8313 | 3,159,514            | 0.8585 | -  | -      | -                               | - | University of South California, USA, Supervisor of Taiwan Foundation Global Technology Co. Ltd. Chairman of Hong Cheng Construction Co., Ltd.   | -  |
| Supervisor           | Zhuang-Tai Wang | Jun 20, 2008 | 3      | May 25, 2005  | 1,040,744            | 0.2927 | 1,337,172            | 0.3633 | -  | -      | -                               | - | Shu-Te Institute of Technology, Supervisor of Forever Coampion Shoes Co., Ltd. Hui Hsin Enterprise Co., Ltd. Director of Tai Ho Cement Industry Corp.   | Chairman of Wang Jiang Property Co. Ltd Director of Kun Ting Real Estate Agencies Co., Ltd. Chairman of Zhuang-Tai Wang Lane Administration office   |



As of Dec 31, 2009

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

**Note:**

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

- Neither employees of Bank nor its affiliates.
- Neither a director/supervisor of Bank nor its affiliates, unless the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares.
- Not an individual shareholder who holds shares, together with those held by the person spouse, minor children, or held under others' names, in an aggregate amount of 1% or more of the total outstanding shares of the company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.
- Not a spouse or relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
- Not directors, supervisors, or employees of a corporate shareholder that directly holds 5% or more of the total outstanding shares of the Bank or ranks among the top 5 corporate shareholders in the terms of share volume held.
- Not directors, supervisors, or executive officer, or shareholder holding 5% or more shares of a specific company or institution and who also has financial or business dealings with the company.
- Not a professional, or owner, partner, director, supervisor, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the Bank or to any affiliates.
- Not a spouse or relative within the second degree of kinship within directors.
- Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.
- Not elected in the capacity of 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, 2009, Shares Held (%)

| Title                           | Name               | Date of Inauguration | Shares Owned  |      | Shares Owned by Spouses and Minors |      | Shares Held under Surrogate A/C |   | Education & Key Past Positions   | Other Positions Held Current                       |
|---------------------------------|--------------------|----------------------|---------------|------|------------------------------------|------|---------------------------------|---|--|--|
|                                 |                    |                      | No. of Shares | %    | No. of Shares                      | %    | No. of Shares                   | % |  |  |
| President                       | Chin-Ting Chang    | Oct 1, 2008          | 1,426,433     | 0.39 | 11,243                             | 0.00 | -                               | - | NCHU's Continuing Education School, EMBA, Senior Executive Vice President of COTA Bank   | Director of COTA Bank Insurance Broker Co., Ltd.   |
| Chief Auditor                   | Shih-Chien Chin    | Oct 15, 2009         | 194,904       | 0.05 | 130,987                            | 0.04 | -                               | - | Department of Applied Math., University of North Texas, USA, Business Department Executive Vice President of COTA Bank   | -  |
| Senior Executive Vice President | Jung-Hsien Chiu    | Jan 1, 2004          | 767,975       | 0.21 | -                                  | -    | -                               | - | Department of Industrial and Information Management, National Cheng Kung University, Executive Vice President of COTA Bank                                     | Supervisor of COTA Bank Insurance Broker Co., Ltd. |
| Senior Executive Vice President | Chih-Sheng Hsiao   | Oct 1, 2008          | 445,682       | 0.12 | 65,561                             | 0.02 | -                               | - | Department of Public Finance and Taxation Feng Chia University, Credit Management Department Executive Vice President of COTA Bank                             | Director of COTA Bank Insurance Broker Co., Ltd.   |
| Executive Vice President        | Yun-Ching Wang     | Jan 1, 2004          | 247,875       | 0.07 | 160,008                            | 0.04 | -                               | - | Master in Finance, National Chung Hsing University, IT Management Office Chief Secretary of COTA Bank  | -  |
| Executive Vice President        | Hsin-De Chang      | Oct 1, 2008          | 92,855        | 0.03 | 13,464                             | 0.00 | -                               | - | Department of Accounting, Chien Kuo College of Commerce, Taichung Branch General Manager of COTA Bank  | -  |
| Executive Vice President        | Chang-Lu Liu       | Oct 1, 2008          | 68,994        | 0.02 | 2,399                              | 0.00 | -                               | - | Tsao Tun Vocational School, Nanmen Branch General Manager of COTA Bank   | -  |
| Executive Vice President        | Tai-An Chen        | Oct 1, 2008          | 439,291       | 0.12 | 80,003                             | 0.02 | -                               | - | Ming Te Home Economics and Commercial Senior High School, Situn Branch General Manager of COTA Bank  | -  |
| Executive Vice President        | Ho-Shun Chang      | Oct 1, 2008          | 152,231       | 0.04 | 13,941                             | 0.00 | -                               | - | Feng-Yuan Commercial & Vocational High School, Banking Department General Manager of COTA Bank   | -  |
| Department General Manager      | A-Kuai Chen        | Feb 21, 2000         | 242,946       | 0.07 | -                                  | -    | -                               | - | Department of Science, The National Open University, Commissioner of COTA Bank   | -  |
| Department General Manager      | Chiu-Yun Huang     | Jan 1, 2006          | 36,675        | 0.01 | 5,712                              | 0.00 | -                               | - | Department of Finance, R.O.C. Military Academy, Credit Management Department Project Manager of COTA Bank  | -  |
| Department General Manager      | Wei-Bin Lin        | Mar 16, 2005         | 47,021        | 0.01 | -                                  | -    | -                               | - | Graduate School of Management, University of California at Riverside, Assistant Vice President of Bank Sinopac   | -  |
| Department General Manager      | Huan-Mou Cheng     | Sep 15, 2008         | 159,612       | 0.04 | 11,427                             | 0.00 | -                               | - | National Open College of Continuing Education Affiliated to NTIT, SME Banking Center General Manager of COTA Bank  | -  |
| Department General Manager      | Jui-Sen Liao       | Sep 15, 2008         | 76,890        | 0.02 | 1,140                              | 0.00 | -                               | - | Department of Public Finance and Taxation, Aletheia University, Zhongshan Branch General Manager of COTA Bank  | -  |
| Department General Manager      | Kuang-Hsiung Huang | Mar 3, 2006          | 171,580       | 0.05 | 224,389                            | 0.06 | -                               | - | Department of Economics, Feng Chia University, General Administration Department Deputy General Manager of COTA Bank   | -  |
| Chief Secretary                 | Chien-Cheng Hsu    | Mar 3, 2006          | 309,410       | 0.08 | 54,713                             | 0.01 | -                               | - | Department of Business Administration, Tunghai University, General Administration Department Deputy General Manager of COTA Bank                               | -  |
| Department General Manager      | Chih-Hung Huang    | Oct 15, 2009         | 185,937       | 0.05 | 114,291                            | 0.03 | -                               | - | Department of Applied Commerce, National Taichung Institute of Technology, Linsen Branch General Manager of COTA Bank  | -  |
| Department General Manager      | Hung-Tsang Chiang  | Jan 1, 2006          | 94,678        | 0.03 | 86,472                             | 0.02 | -                               | - | Department of Public and Management, Supplementary Junior College of the National Open University, Consumer Banking Center Deputy General Manager of COTA Bank | -  |
| Department General Manager      | Ling-Chen Ting     | Jun 25, 2009         | 302,126       | 0.08 | -                                  | -    | -                               | - | Department of Banking and Insurance, National Taichung Institute of Technology, Taichung Branch Deputy General Manager of COTA Bank                            | -  |
| Department General Manager      | Chang-Chieh Lin    | Oct 15, 2009         | 21,463        | 0.01 | -                                  | -    | -                               | - | Department of Economics, Tunghai University, Consumer Banking Center Deputy General Manager of COTA Bank   | -  |
| Project Manager                 | Shun-Hsien Weng    | Jan 1, 2006          | 202,012       | 0.05 | -                                  | -    | -                               | - | Department of Public Finance and Taxation, Feng Chia University, Credit Card Center Deputy Center Manager of COTA Bank   | -  |
| Branch General Manager          | Mao-Sheng Huang    | Sep 15, 2008         | 87,702        | 0.02 | 23,085                             | 0.01 | -                               | - | Department of Finance Stock Practice, Chung Hua University, Nantun Branch Deputy General Manager of COTA Bank  | -  |
| Branch General Manager          | Pi-Li Hsu          | Jul 1, 2007          | 292,672       | 0.08 | 196,581                            | 0.05 | -                               | - | Shin Min Commercial and Industrial Vocational Senior High School, Fengxin 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 | Chung-Lung Tsai  | Apr 1, 2007          | 209,710       | 0.06 | 345,163                            | 0.09 | -                               | - | Master in Department of Industrial Engineering and Management National Chin-Yi University of Technology, Zhongshan branch General Manager of COTA Bank  | -                            |
| Branch General Manager | Sheng-Li Hung    | Oct 15, 2009         | 56,701        | 0.02 | 4,761                              | 0.00 | -                               | - | National Open College of Continuing Education Affiliated to National Taichung Institute of Technology, Wealth Management Center General Manager of COTA Bank                                      | -                            |
| Branch General Manager | Min-Chang Lin    | Oct 15, 2009         | 111,246       | 0.03 | 28,571                             | 0.01 | -                               | - | Department of General Business, Shin Min Commercial & Industrial Vocational Senior High School, Dajhih Branch General Manager of COTA Bank  | -                            |
| Branch General Manager | Chih-Hui Chen    | Jun 25, 2009         | 7,645         | 0.00 | 337,786                            | 0.09 | -                               | - | Department of Computer Science, Feng Chia University, Trust Department General Manager of COTA Bank   | -                            |
| Branch General Manager | Shih-Tsung Chou  | Jul 1, 2006          | 224,536       | 0.06 | 350,379                            | 0.10 | -                               | - | Department of Business Administration, The Overseas Chinese College, Changhua Branch General Manager of COTA Bank   | -                            |
| Branch General Manager | Kuo-Ho Chang     | Sep 15, 2008         | 21,451        | 0.01 | -                                  | -    | -                               | - | Department of General Business, Shin Min Commercial and Industrial Vocational Senior High School, Dajhih Branch Deputy General Manager of COTA Bank   | -                            |
| Branch General Manager | Shih-Jung Chen   | Jul 10, 2002         | 307,333       | 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          | 89,336        | 0.02 | 20,571                             | 0.01 | -                               | - | Department of Business Administration, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology, Changhua Branch Deputy General Manager of COTA Bank | -                            |
| Branch General Manager | Chia-Wen Ke      | Sep 15, 2008         | 66,836        | 0.02 | 267,619                            | 0.07 | -                               | - | Master in Institute of Technology Management, Chung Hua University, Peitun Mini Branch General Manager of COTA Bank   | -                            |
| Branch General Manager | His-Hsien Wang   | Nov 21, 2005         | 43,786        | 0.01 | -                                  | -    | -                               | - | Soochow University School of Law, Manager of CTCB, Panchiao Branch General Manager of COTA Bank   | -                            |
| Branch General Manager | Feng-Jung Yeh    | Oct 1, 2008          | 77,701        | 0.02 | 12,107                             | 0.00 | -                               | - | Department of Finance, Chaoyang University of Technology, Chungcheng Mini Branch General Manager of COTA Bank   | -                            |
| Branch General Manager | Chi-Shen Huang   | Mar 3, 2006          | 194,286       | 0.05 | 34,286                             | 0.01 | -                               | - | Department of Banking and Insurance, National Taichung Institute of Technology, Panchiao Branch Deputy General Manager of COTA Bank   | -                            |
| Branch General Manager | Chang-Cheng Chen | Apr 1, 2009          | 87,632        | 0.02 | 569                                | 0.00 | -                               | - | Department of General Business of Extension Business Vocational School, National Taichung Institute of Technology, Fengyuan Branch Deputy General Manager of COTA Bank                            | -                            |
| Branch General Manager | Hung-Chi Tung    | Oct 1, 2008          | 133,504       | 0.04 | 116,815                            | 0.03 | -                               | - | Department of International Trade, Supplementary Junior College, Shiqian Branch Deputy General Manager of COTA Bank   | -                            |
| Branch General Manager | Chi-Sheng Chang  | Sep 15, 2008         | 815,230       | 0.22 | -                                  | -    | -                               | - | Department of Business, Ming Te Home Economics and Commercial Senior High School, Credit Management Project Manager of COTA Bank  | -                            |
| Branch General Manager | Shih-Tsung Liu   | Apr 1, 2007          | 224,910       | 0.06 | 169,727                            | 0.05 | -                               | - | Department of Business, The National Open University, SME Banking Center Deputy General Manager of COTA Bank  | -                            |
| Branch General Manager | Lu-Chen Liao     | Sep 15, 2008         | 137,175       | 0.04 | 168,009                            | 0.05 | -                               | - | Shin Min Commercial and Industrial Vocational Senior High School, Fengyuan Branch Project Manager of COTA Bank  | -                            |
| Branch General Manager | Wen-Jeng Chen    | Jul 1, 2006          | 119,601       | 0.03 | 25,039                             | 0.01 | -                               | - | Department of Business Administration, Chaoyang University of Technology, Nanmen Branch Deputy General Manager of COTA Bank   | -                            |
| Branch General Manager | Ching-Hsu Hsu    | Sep 15, 2008         | 113,454       | 0.03 | 245,728                            | 0.07 | -                               | - | Department of General Business, National Changhua Senior School of Commerce, Fengle Branch General Manager of COTA Bank   | -                            |
| Branch General Manager | Ching-Sung Chen  | Oct 15, 2007         | 123,246       | 0.03 | 81,147                             | 0.02 | -                               | - | Department of Accounting Statistics National Changhua Senior School of Commerce, Credit Management Department Project Manager of COTA Bank  | -                            |



### Classification of Remuneration

Unit: TWD

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

Note: including pension paid as ex-president of the Bank

### (2) Supervisors' Remuneration

Unit: TWD thousand

| Title               | Name            | Supervisors' Remuneration |               |                                |               |                          |               |                           |               | Sum of A, B, C and D /after-tax profit (%) |               | Whether or not any compensation is received from other reinvested businesses than subsidiaries |     |
|---------------------|-----------------|---------------------------|---------------|--------------------------------|---------------|--------------------------|---------------|---------------------------|---------------|--|---------------|--|-----|
|                     |                 | Rewards (A)               |               | Pension and Superannuation (B) |               | Earning Distribution (C) |               | Professional Practice (D) |               |  |               |  |     |
|                     |                 | Bank                      | Consolidation | Bank                           | Consolidation | Bank                     | Consolidation | Bank                      | Consolidation | Bank                                       | Consolidation |  |     |
| Managing Supervisor | Lien-Kui Wang   |                           |               |                                |               |                          |               |                           |               |  |               |  |     |
| Supervisor          | Dhe-Chin Lai    |                           |               |                                |               |                          |               |                           |               |  |               |  |     |
| Supervisor          | Yong-Zhi Wang   | -                         | -             | -                              | -             | 163                      | 163           | 3,300                     | 3,300         | 11.17%                                     | 11.17%        |  | NIL |
| Supervisor          | Guo-Zhao Xiao   |                           |               |                                |               |                          |               |                           |               |  |               |  |     |
| Supervisor          | Zhuang-Tai Wang |                           |               |                                |               |                          |               |                           |               |  |               |  |     |

### Classification of Remuneration

Unit: TWD

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

## President and Senior Executive Vice Presidents' Remuneration

As of Dec 31, 2009, Unit: TWD thousand

| Title                           | Name                                  | Salary | Pension and Superannuation     | 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 |   |                             |                                      |                    | Amount |
| President                       | Chin-Ting Chang                       |        |                                |                                |  |                 |       |   |                             |                                      |                    |        |
| Chief Auditor                   | Shu-Yuan Tsai<br>(98.12.1 retired)    |        |                                |                                |  |                 |       |   |                             |                                      |                    |        |
| Chief Auditor                   | Shih-Chien Chin                       |        | 28,307<br>(Note 2)<br>(Note 3) | 1,808                          | 26                                       | -               | -     | -                                       | 35,767                      | (Note 4)                             | -                  | NIL    |
| Senior Executive Vice President | Jung-Hsien Chiu                       | 5,626  |                                |                                |  |                 |       |   |                             |                                      |                    |        |
| Senior Executive Vice President | Tsai-Hsiung Liao<br>(98.3.15 retired) |        |                                |                                |  |                 |       |   |                             |                                      |                    |        |
| Senior Executive Vice President | Chih-Sheng Hsiao                      |        |                                |                                |  |                 |       |   |                             |                                      |                    |        |

Note 1: Not applied as the Bank is not a listing company.

Note 2: Actual amount of pension payable in 2009: TWD27,875 thousand (including ex-president Ying-Che Chang retired in 2008 but pension paid in 2009)

Note 3: Appropriated amount of pension expense in 2009: TWD450 thousand.

Note 4: The amount of pension in 2009 paid TWD28,307 thousand: a pension fund maintained with the Bank of Taiwan paid TWD20,522 thousand, independent pension fund of the Bank paid TWD7,295 thousand. The amount of pension expense was TWD460 thousand. The sum is 115.34% of after-tax profit.

## Classification of Remuneration

Unit: TWD

| Classification of President and Senior Executive Vice Presidents' Remuneration | People of President and Senior Executive Vice Presidents |                                    |                  |                                       |                                    |                  |
|--|--|------------------------------------|------------------|---------------------------------------|------------------------------------|------------------|
|  | Bank   |                                    |                  | Consolidation                         |                                    |                  |
| Under 2,000,000  | Jung-Hsien Chiu,<br>Tsai-Hsiung Liao,                    | Chih-Sheng Hsiao,<br>Shu-Yuan Tsai | Shih-Chien Chin, | Jung-Hsien Chiu,<br>Tsai-Hsiung Liao, | Chih-Sheng Hsiao,<br>Shu-Yuan Tsai | Shih-Chien Chin, |
| 2,000,000 - 5,000,000  | Chin-Ting Chang  |                                    |                  | Chin-Ting Chang                       |                                    |                  |
| 5,000,000 - 10,000,000   | -  |                                    |                  | -                                     |                                    |                  |
| 10,000,000 - 15,000,000  | -  |                                    |                  | -                                     |                                    |                  |
| 15,000,000 - 30,000,000  | -  |                                    |                  | -                                     |                                    |                  |
| 30,000,000 - 50,000,000  | -  |                                    |                  | -                                     |                                    |                  |
| 50,000,000 - 100,000,000   | -  |                                    |                  | -                                     |                                    |                  |
| Above 100,000,000  | -  |                                    |                  | -                                     |                                    |                  |
| TOTAL  | 6 (Person)   |                                    |                  | 6 (Person)                            |                                    |                  |

Note 1: Senior Executive Vice President Tsai-hsiung Liao was to retire upon reaching the statutory age on Mar. 15, 2009.

Note 2: Ex-Chief Auditor Shu-Yuan Tsai was to retire upon reaching the statutory age on Dec. 1, 2009. Executive Vice President Shih-Chien Chin was promoted to Chief Auditor on Oct. 15, 2009.

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

As of Dec 31, 2009; Unit: TWD thousand

|                        | Title                           | Name               | Stock dividends |       |        | Cash Dividends | Total Amount | Total Amount/Net Income (%) |
|------------------------|---------------------------------|--------------------|-----------------|-------|--------|----------------|--------------|-----------------------------|
|                        |                                 |                    | Shares          | Price | Amount | Amount         |              |                             |
| Manager                | President                       | Chin-Ting Chang    |                 |       |        |                |              |                             |
|                        | Chief Auditor                   | Shih-Chien Chin    |                 |       |        |                |              |                             |
|                        | Senior Executive Vice President | Jung-Hsien Chiu    |                 |       |        |                |              |                             |
|                        | Senior Executive Vice President | Chih-Sheng Hsiao   |                 |       |        |                |              |                             |
|                        | Executive vice President        | Yun-Ching Wang     |                 |       |        |                |              |                             |
|                        | Executive vice President        | Hsin-De Chang      |                 |       |        |                |              |                             |
|                        | Executive vice President        | Chang-Lu Liu       |                 |       |        |                |              |                             |
|                        | Executive vice President        | Tai-An chen        |                 |       |        |                |              |                             |
|                        | Executive vice President        | Ho-Shun Chang      |                 |       |        |                |              |                             |
|                        | Department General Manager      | A-Kuai Chen        |                 |       |        |                |              |                             |
|                        | Department General Manager      | Chiu-Yun Huang     |                 |       |        |                |              |                             |
|                        | Department General Manager      | Chih-Hui Chen      |                 |       |        |                |              |                             |
|                        | Department General Manager      | Wei-Bin Lin        |                 |       |        |                |              |                             |
|                        | Department General Manager      | Huan-Mou Cheng     |                 |       |        |                |              |                             |
|                        | Department General Manager      | Jui-Sen Liao       |                 |       |        |                |              |                             |
|                        | Department General Manager      | Kuang-Hsiung Huang |                 |       |        |                |              |                             |
|                        | Chief Secretary                 | Chien-Cheng Hsu    |                 |       |        |                |              |                             |
|                        | Department General Manager      | Chih-Hung Huang    |                 |       |        |                |              |                             |
|                        | Department General Manager      | Hung-Tsang Chiang  |                 |       |        |                |              |                             |
|                        | Branch General Manager          | Ling-Chen Ting     |                 |       |        |                |              |                             |
|                        | Branch General Manager          | Chang-Chieh Lin    |                 |       |        |                |              |                             |
|                        | Project Manage                  | Shun-Hsien Weng    | -               | note  | -      | 201            | 201          | 0.6468%                     |
|                        | Branch General Manager          | Mao-Sheng Huang    |                 |       |        |                |              |                             |
|                        | Branch General Manager          | Pi-Li Hsu          |                 |       |        |                |              |                             |
|                        | Branch General Manager          | Chung-Lung Tsai    |                 |       |        |                |              |                             |
|                        | Branch General Manager          | Sheng-Li Huang     |                 |       |        |                |              |                             |
|                        | Branch General Manager          | Min-Chang Lin      |                 |       |        |                |              |                             |
|                        | Branch General Manager          | Shih-Tsung Chou    |                 |       |        |                |              |                             |
|                        | Branch General Manager          | Ho-Kuo Chang       |                 |       |        |                |              |                             |
|                        | Branch General Manager          | Shih-Jung Chen     |                 |       |        |                |              |                             |
|                        | Branch General Manager          | Chih-Peng Yang     |                 |       |        |                |              |                             |
|                        | Branch General Manager          | Chia-Wen Ke        |                 |       |        |                |              |                             |
|                        | Branch General Manager          | His-Hsien Wang     |                 |       |        |                |              |                             |
|                        | Branch General Manager          | Feng-Jung Yeh      |                 |       |        |                |              |                             |
|                        | Branch General Manager          | Chi-Shen Huang     |                 |       |        |                |              |                             |
| Branch General Manager | Chang-Cheng Chen                |                    |                 |       |        |                |              |                             |
| Branch General Manager | Hung-Chi Tung                   |                    |                 |       |        |                |              |                             |
| Branch General Manager | Chi-Sheng Chang                 |                    |                 |       |        |                |              |                             |
| Branch General Manager | Shih-Tsung Liu                  |                    |                 |       |        |                |              |                             |
| Branch General Manager | Lu-Chen Liao                    |                    |                 |       |        |                |              |                             |
| Branch General Manager | Wen-Jeng Chen                   |                    |                 |       |        |                |              |                             |
| Branch General Manager | Ching-Hsu Hsu                   |                    |                 |       |        |                |              |                             |
| Branch General Manager | Ching-Sung Chen                 |                    |                 |       |        |                |              |                             |

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

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

| Item       | Total Amount / Net Income |           |   |
|------------|---------------------------|-----------|---|
|            | Year 2009                 | Year 2008 | %   |
| Director   | 39.10%                    | -         | Percentage ignored due to loss after tax in 2008. |
| Supervisor | 11.17%                    | -         |   |
| Total      | 50.27%                    | -         |   |

Remarks:

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

| Item  | Total Amount / Net Income |           |   |
|---|---------------------------|-----------|---|
|   | Year 2009                 | Year 2008 | %   |
| President and Senior Executive Vice President | 25.5070%                  | -         | Percentage ignored due to loss after tax in 2008. |

Remarks:

1. Remuneration for president and vice-president is paid by the resolution of the board of directors.
2. Payment of employee salary is calculated by relative by-laws.
3. Employee bonus is distributed by the resolution of the annual shareholders' general meeting and applicable rules of employee bonus.
4. Performance bonus is paid according to 2009's earning status and rules of performance evaluation.



### 3-3. Operation of Corporate Governance

#### 3-3-1. Operation status of board of directors: convened 5 meetings in the year 2009, 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                   | 100.00%                    |      |
| Managing Director               | Ying-Che Chang  | 5                    | 0                   | 100.00%                    |      |
| Managing Director               | Dong-Po Xie     | 5                    | 0                   | 100.00%                    |      |
| Managing Director               | Yao-Ting Li     | 5                    | 0                   | 100.00%                    |      |
| Managing (Independent) Director | Yen-Chun Wang   | 3                    | 2                   | 60.00%                     |      |
| Director                        | Chan-Wen Lin    | 5                    | 0                   | 100.00%                    |      |
| Director                        | Ying-Chieh Lai  | 3                    | 2                   | 60.00%                     |      |
| Director                        | Pi-Jung Hsieh   | 4                    | 1                   | 80.00%                     |      |
| Director                        | Song-Yue Liao   | 5                    | 0                   | 100.00%                    |      |
| Director                        | Chun-Chuan Wang | 5                    | 0                   | 100.00%                    |      |
| Director                        | Guo-Zhou Chen   | 5                    | 0                   | 100.00%                    |      |
| Director                        | Hsien-The Lai   | 5                    | 0                   | 100.00%                    |      |
| Director                        | Mu-Chuan Huang  | 5                    | 0                   | 100.00%                    |      |
| Independent Director            | Kung-Cheng Lin  | 5                    | 0                   | 100.00%                    |      |
| Independent Director            | Po-Yao Chi      | 4                    | 1                   | 80.00%                     |      |
| Standing Supervisor             | Lien-Kui Wang   | 5                    | 0                   | 100.00%                    |      |
| Supervisor                      | Dhe-Chin Lai    | 5                    | 0                   | 100.00%                    |      |
| Supervisor                      | Yong-Zhi Wang   | 5                    | 0                   | 100.00%                    |      |
| Supervisor                      | Guo-Zhao Xiao   | 5                    | 0                   | 100.00%                    |      |
| Supervisor                      | Zhuang-Tai Wang | 5                    | 0                   | 100.00%                    |      |
| Chairman                        | Chun-Tse Liao   | 5                    | 0                   | 100.00%                    |      |
| Managing Director               | Ying-Che Chang  | 5                    | 0                   | 100.00%                    |      |
| Managing Director               | Dong-Po Xie     | 5                    | 0                   | 100.00%                    |      |

Remarks:

- Matters specified in Article 14.3 of the Securities Exchange Act, or board resolutions where independent directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing: none.
- Avoidance of interest by directors  
 Name of director: Pi-Jung Hsieh  
 Issues: change guarantors for loans of Ju Hsing International Co., Ltd  
 Reasons for avoidance and attendance:  
 The 6th Meeting of the 4th Board of Directors held on Sep. 24, 2009: Directors did not attend, vote or discuss.  
 The 7th Meeting of the 4th Board of Directors held on Dec.18, 2009: Directors attend by proxy but did not vote.
- 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: Set up "Remuneration and Assessment Committee" to carry out the managerial powers of the board of directors. The Bank mandates professional lawyers annually as law consultant.

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

The Bank elected supervisors to execute the function of auditing committee.

Board of Directors convened 5 meetings (A) in 2009, and the records of attendance by supervisors are shown as follows:

| Title               | Name            | Attendance in Person (B) | Actual Attendance Rate (%) (B/A) | Note |
|---------------------|-----------------|--------------------------|----------------------------------|------|
| Standing Supervisor | Lien-Kui Wang   | 5                        | 100%                             |      |
| Supervisor          | Dhe-Chin Lai    | 5                        | 100%                             |      |
| Supervisor          | Yong-Zhi Wang   | 5                        | 100%                             |      |
| Supervisor          | Guo-Zhao Xiao   | 5                        | 100%                             |      |
| Supervisor          | Zhuang-Tai Wang | 5                        | 100%                             |      |

Remarks:

1. The composition and duty of Supervisors

- Status of communication among supervisors, shareholder and staff of the Bank:
- Supervisors may investigate the operational and financial condition of the Bank from time to time, and set up the directory of members for easy communicate.
- Communication between supervisors and internal auditors and accountants:
- The internal and external audit reports are all submitted to supervisors for review.
- Supervisors investigate financial reports annually and discuss with manager of Accounting Dept, CPAs.

2. Supervisors attendance the practice of Board of Director

- The 5th Meeting of the 4th Board of Directors held on Jun. 18, 2009 approved Fengxin branch to stop business temporarily.
- The 6th Meeting of the 4th Board of Directors held on Sep. 24, 2009 adopted the decision that Shih-Chien Chin being appointed as Chief Auditor.
- The 7th Meeting of the 4th Board of Directors held on Dec. 18, 2009 discussed the annual general and special audit reports, address of Xinzhu branch, and ex-manager of Wealth Management Center Sheng-Li Hung retirement.

### 3-3-3. Disclosure Information of Corporate Governance

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

As of Dec 31, 2009

| Item   | Status of Operation  | Differences from General Guideline of Banking and Reasons      |
|--|--|--|
| I. Bank's equity structure and shareholder's right<br>(1) Method to deal with suggestion of shareholder or argument.<br>(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.<br>(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.<br>(2) Trace the list of major shareholders monthly.<br>(3) Our bank and related companies independently operate in financial, accounting, business and management aspect, evaluate operating profit and loss, carry out risk control as reference of the firewall. | (1) No difference.<br>(2) No difference.<br>(3) No difference. |
| II. The composition and duty of board of directors<br>(1) Establishment of Independent director.<br>(2) Status of regular evaluation of the independence of the auditing CPA.  | (1) 2008 Reelection for director and supervisor in shareholders' meeting ( Implement 15 directors, including 3 independent directors )<br>(2) Annual assessment.   | (1) No difference.<br>(2) No difference.                       |
| III. Status of communication with relative party.  | Easy communication channels go by face to face/ telephone/written/Internet.  | No difference.   |
| VI. Public disclosure of information<br>(1) Set up website to disclosure financial report and corporate governance information.<br>(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 disclosure financial report, corporate governance.<br>(2) Designed Senior executive vice as spokesperson represented the Bank in public issues. Various departments are equipped with the specialist to be responsible for collecting and disclosure the information.   | (1) No difference.<br>(2) No difference.                       |
| V. Operations of the nominating or remunerating committee and other functional committee of a bank.  | Our bank picks the supervising mode and not implements auditing committee. Structural guidelines for "Nominating committee of directors and supervisors" and "Remunerating and Investigating committee" have been set up, others will regard operating condition to set up.  | No difference.   |
| VI. Please describe any difference between corporate governance with "The Principles of Corporate Governance":<br>2008 reelection for directors and supervisors in Shareholders' General Meeting, implement 5 supervisors and 15 directors (including 3 independent directors) has complied with "The Common Corporate Governance Requirements for The Banking Industry".  |  |  |
| VII. Please describe measures adopted by the bank in regard to social responsibility:<br>1. Employee rights: Advocates the human rights law spirit. According to labor standard law protect the staff rights and establishes the staff fraternity, provides the staff welfare.<br>2. Investors relationship: On the Bank's web site <a href="http://www.cotabank.com.tw">www.cotabank.com.tw</a> , establish a shareholder specialty area, provide a related information search.<br>3. Stakeholder rights and consumer's protection and the policy of corporate governance: Abided by standards of government of the Bank Association, we set up rules to follow the contract and provide complaint phone line and e-mail box to protect and satisfy consumers.<br>4. Members of the board of directors and supervisors participate in training courses: Since Jun, 2005, after board of directors meeting, Taiwan Securities and Futures Institute have arranged 42-hr (including 6-hr reelection courses of director and supervisor) administration courses for us, and will arrange at least one director or supervisor every three years to participate in on-job education for trust manager.<br>5. The policy of risk management and standard of risk management: Establish Risk Management Center, "Assets, Liabilities and Risk Management Committee" evaluate regularly operating risk and report to the board of directors. We obey rules of government and BIS to make policies of risk management to ensure our safety of administration and achievements.<br>6. Contracted for the independent directors and independent supervisors of duty insurance: The Bank have bought liability insurance for directors, supervisors and managers on February, 2007, and have been published in Corporate charter. |  |  |
| VIII. If there exist corporate governance evaluation reports done by the company itself or outsourced to professional services providers, clear descriptions of the evaluation results, major shortcomings (or recommendations) and improvement status shall be given: None  |  |  |

### 3-3-4. Enquiry for the Bank's "Corporate Governance Best-Practice Principles for Banks": Disclosed on the Bank's website ([www.cotabank.com.tw](http://www.cotabank.com.tw)).

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

#### **COTA Commercial Bank Statement of Internal Control**

Mar. 09, 2010

To Financial Supervisory Commission

On behalf of the COTA Commercial Bank, we declare that during the period of Jan. 1, 2009 through Dec. 31, 2009 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 : Chin-Ting Chang

Compliance Officer : Shin-Chien Chin  
and Chief Auditor

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

As of Dec 31, 2009

| Items for Improvement  | Improvement Measure  | Target Date   |
|--|--|---|
| 1. The combination lock (or key) of the vaults front door and the key of iron palisades should be maintained respectively by the different personnel, and together open to match a dual control principle.   | 1. The Audit Office takes this imperfection into the point of audit item, improve by implementation.   | Have already carried out according to rules.  |
| 2. The implementation opening deposit account to examine and know customer operation situation, any matches "Guidelines for Anti-Money Laundering Noticeable Items" list like Money Laundering token bargain, should confirm customer identity and subsist a related record, judge whether must according to stipulate report the Investigation Bureau, Ministry of Justice. | 1. The implementation prevents the phony account Track to examine and strengthen an improvement to the branch office with more.<br>2. Authentically carry out according to the Guidelines for Anti-Money Laundering Noticeable Items   | Have already carried out according to rules.  |
| 3. When the customer carries out deposit and withdrawal, should in actual way reason trade process, can not carry out " name in order to withdrawal, physically is a transfer " of bargain.  | 1. Strengthen employee's training to guide and examine.<br>2. The manager sternly inspects employee, and really examines subpoena's etc. to trade certificate.   | Have already carried out according to rules.  |
| 4. According to "the security of the computer stamp system operation control important point "article 7 rules, the customer carries out a stamp reporting of loss, changing stamp's etc. should immediately create file at the system.   | 1. Strengthen employee to train and really obey rules, the manager should really improve according to the rules.   | Have already carried out according to rules.  |
| 5. The money flow of Loan business and should mutually match with original application use; Finance report with other related information anticoincidence, should find out reason and thoroughly list in the report.   | 1. Should track money flow of Loan to match application use.<br>2. Strengthen employee to train ability of credit review.  | Have already carried out according to rules.  |
| 6. Sep 13, 1999 Ministry of Finance under doc. no. Tai-Tsai-Jung 88737515 and the 6th of the work rule Article 10 strictly forbid the situation that employee and customer have funds contacts.  | 1. Strengthening to guide employee to the employee can not have the situation of funds contacts with customer.<br>2. Be included in to obey the item of the ordinance examination.<br>3. Request a manager to investigate the employee moral qualities life in response to the aggressive councilor. | Strengthen to examine whether employee has the situation of the funds contacts with customer or not, be juxtaposed for the internal audit of the Year 2010 a point. |

### 3-3-6. CPA Audit Report

Pursuant to ordinance Act 25 of the "Guidelines for the Establishment of Internal Control and Internal Audit Systems", the Bank arranged KPMG certified public accountants to audit performance of internal control during the period of Jan. 1, 2009 through Dec. 31, 2009.

Certified public accountant's audit report as follows:

With the exception of items by suggested to improve, no major deficit is found (attaching homepage of auditor's report and suggestion 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, 2009 through Dec. 31, 2009 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 authorized persons.

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

Mar. 3, 2010

### Suggestion Statement

As of 2009

| NO | Matter of disclose  | Suggestion  | Opinion of Administration   |
|----|---|---|---|
| 1. | While examining find to have an unnecessary account number can directly access the database of SQL of the credit card system (ex. Account number c02, guest).   | Should examine the aptness that the database account number opens, if have an out of character or unnecessary account number, should immediately give delete or stop using. | Through check c02 is provided to send out the account number of the message appropriation: the guest is to install SQL database automatically create, have already immediately deleted; Have already controlled all database account numbers and its use row magazine (The database account number change register, the data management account number password variations register, data management account number the user control register). It is also set one of the data management account number (sa) passwords part respectively by the Group 2 senior clerk of IT Management Office and supervisor in the Credit Card Center. |
| 2. | Find while examining that the logic access legal power of credit card host didn't control appropriately (ex. Personnel in the Credit Card Center can directly log on through the host's governor's account number). | Should limit the legal power of the logic access of credit card host; keep program or data of credit card system from encountering a person not appropriate change.         | After the mechanism establishment of the backup operation, it is had never set up by the user catcher to provide another the appropriation of the backup operation. Have already immediately built up another account number of user to provide backup operation appropriation. The credit card host governor's account number already change is been responsible for by the Group 2 senior clerk of IT Management Office.  |

### 3-3-7. Cases or Penalties due to Infliction of Laws and Regulations over the Past 2 Years:

|                |   |
|----------------|---|
| Date           | Nov. 12, 2009   |
| Case depiction | No approval obtained from FSC regarding the outsourcing of the credit card promotion and issuing business by directly placing the application form of virtual credit card at the particular contract shop. FSC proposed rectification notice. |
| Amount of fine | 0   |
| Rectification  | Terminate virtual credit card business.   |

### 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  |
|------|--------------------------------|----------------|--|
| 2009 | Shareholders' General Meeting  | May. 27, 2009  | 1. Approved to use legal reserve and capital reserve to make up loss of year 2008. No accumulated loss after such make-up.<br>2. Resolved no shareholder dividends and bonus, employee bonus, director and supervisor remuneration assignment for year 2008. |
| 2009 | Board of Directors             | Dec. 18, 2009  | 1. Approved the proposal of the cash capital increase by issuing the new stocks for year 2010.<br>2. Constituted "Remuneration and Assessment Committee" and passed the organization regulations.  |

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

| Title         | Name          | Dated of Appointed | Date of Dismissed | Reasons for Resignation or Dismissal |
|---------------|---------------|--------------------|-------------------|--------------------------------------|
| Chief Auditor | Shu-Yuan Tsai | Feb. 4, 2008       | Oct. 15, 2009     | Retirement                           |

Note: Managerial Officer in charge of Financial or Accounting Reports refers to chairman, president, accounting dept. manager, chief auditor, etc.

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

Unit: TWD thousand

| Accountant Firm | Name of Accountant |              | Auditing Fee | Non-Auditing Fee |                   |                 |               |           | Period of Inspection by Accountant Covering a complete fiscal year |    |                   | Remarks |
|-----------------|--------------------|--------------|--------------|------------------|-------------------|-----------------|---------------|-----------|--|----|-------------------|---------|
|                 |                    |              |              | System Design    | Corporate Regist. | Human Resources | Others (note) | Sub-Total | Yes  | No | Inspection Period |         |
| KPMG            | Jun-Man, Chen      | Shi-Hua, Guo | 1,480        |                  |                   |                 | 390           | 390       | V  |    | 2009              |         |

Note: non-auditing fee including financial investigation TWD280 thousand, BIS checking report TWD40 thousand verification fee TWD70 thousand for write-off.

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 15% or more: None

#### 3-4-2. Information on Change of Attesting CPA: None

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



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

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

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

| Title                           | Name             | 2009                       |                              | Up To Jan 31, 2010         |                              |
|---------------------------------|------------------|----------------------------|------------------------------|----------------------------|------------------------------|
|                                 |                  | Net Change in Shareholding | Net Change in Shares Pledged | Net Change in Shareholding | Net Change in Shares Pledged |
| Chairman (major share holder)   | Chun-Tse Liao    | 0                          | -                            | 0                          | -                            |
| Managing Director               | Ying-Che Chang   | 0                          | -                            | 0                          | -                            |
| Managing Director               | Yao-Ting Li      | 0                          | -                            | 0                          | -                            |
| Managing Director               | Dong-Po Xie      | 0                          | -                            | 0                          | -                            |
| Managing Director               | Yen-Chun Wang    | 0                          | -                            | 0                          | -                            |
| Director                        | Chan-Wen Lin     | 0                          | -                            | 0                          | -                            |
| Director                        | Pi-Jung Hsieh    | 0                          | -                            | 0                          | -                            |
| Director                        | Sung-Yueh Liao   | 884,837                    | -                            | 0                          | -                            |
| Director                        | Hsien-Te Lai     | 0                          | -                            | 0                          | -                            |
| Director                        | Ying-Chieh Lai   | 0                          | -                            | 0                          | -                            |
| Director                        | Chun-Chuan Wang  | 0                          | -                            | 0                          | -                            |
| Director                        | Kuo-Chou Chen    | 0                          | -                            | 0                          | -                            |
| Director                        | Mu-Chuan Huang   | 0                          | -                            | 0                          | -                            |
| Director                        | Po-Yao Chi       | 0                          | -                            | 0                          | -                            |
| Director                        | Kung-Cheng Lin   | 0                          | -                            | 0                          | -                            |
| Standing Supervisor             | Lien-Kui Wang    | 0                          | -                            | 0                          | -                            |
| Supervisor                      | Dhe-Chin Lai     | 0                          | -                            | 0                          | -                            |
| Supervisor                      | Yung-Chih Wang   | 0                          | -                            | 0                          | -                            |
| Supervisor                      | Kuo-Chao Hsiao   | 100,000                    | -                            | 0                          | -                            |
| Supervisor                      | Chuang-Tai Wang  | 0                          | -                            | 0                          | -                            |
| Director & President            | Chin-Ting Chang  | 70,362                     | -                            | 0                          | -                            |
| Senior Executive Vice President | Jung-Hsien Chiu  | 0                          | -                            | 0                          | -                            |
| Senior Executive Vice President | Chih-Sheng Hsiao | 0                          | -                            | 0                          | -                            |
| Chief Auditor                   | Shih-Chien Chin  | 0                          | -                            | 0                          | -                            |
| Executive Vice President        | Chih-Hung Huang  | 0                          | -                            | 0                          | -                            |
| Executive Vice President        | Yun-Ching Wang   | 0                          | -                            | 0                          | -                            |
| Department General Manager      | Huan-Mou Cheng   | 0                          | -                            | 0                          | -                            |
| Department General Manager      | Ling-chen Ting   | 0                          | -                            | 0                          | -                            |
| Department General Manager      | A-Kuai Chen      | 0                          | -                            | 0                          | -                            |

| Title                      | Name               | 2009                       |                              | Up To Jan 31, 2010         |                              |
|----------------------------|--------------------|----------------------------|------------------------------|----------------------------|------------------------------|
|                            |                    | Net Change in Shareholding | Net Change in Shares Pledged | Net Change in Shareholding | Net Change in Shares Pledged |
| Department General Manager | Wei-Bin Lin        | 0                          | -                            | 0                          | -                            |
| Department General Manager | Jui-Sen Liao       | 0                          | -                            | 0                          | -                            |
| Department General Manager | Hung-Tsang Chiang  | 0                          | -                            | 0                          | -                            |
| Project Manager            | Shun-Hsien Wong    | 0                          | -                            | 0                          | -                            |
| Department General Manager | Chiu-Yun Huang     | 0                          | -                            | 0                          | -                            |
| Department General Manager | Chang-Chieh Lin    | 0                          | -                            | 0                          | -                            |
| Department General Manager | Kuang-Hsiung Huang | 0                          | -                            | 0                          | -                            |
| Chief Secretary            | Chien-Cheng Hsu    | 0                          | -                            | 0                          | -                            |
| Executive Vice President   | Hsin-The Chang     | 0                          | -                            | 0                          | -                            |
| Executive Vice President   | Ho-Shun Chang      | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Mao-Sheng Huang    | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Pi-Li Hsu          | 0                          | -                            | 0                          | -                            |
| Executive Vice President   | Tai-An Chen        | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Chung-Lung Tsai    | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Sheng-Li Hung      | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Min-Chang Lin      | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Chang-Lu Liu       | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Chih-Hui Chen      | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Shih-Tsung Chou    | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Kuo-Ho Chang       | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Shih-Jung Chen     | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Chih-Peng Yang     | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Chia-Wen Ke        | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Feng-Jung Yeh      | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Hsi-Hsien Wang     | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Chang-Cheng Chen   | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Hung-Chi Tung      | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Chi-Shen Chang     | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Shih-Tsung Liu     | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Lu-Chen Liao       | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Chi-Shen Huang     | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Wen-Jung Chen      | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Ching-Hsu Hsu      | 0                          | -                            | 0                          | -                            |
| Branch General Manager     | Ching-Sung Chen    | 0                          | -                            | 0                          | -                            |

**3-5-1-2. Information of Shareholding Transfer: None**
**3-5-1-3. Shares Pledged Information: None**
**3-5-2. Related Party Transaction of First Ten Largest Shareholders**

As of Dec 31, 2009

| Name                                       | Shares Owned  |               | Shares Owned by Spouses and Minors |               | Shares Held under Surrogate A/C |               | Top ten shareholders who meet the related party disclosures term of FASC NO.6 shall disclose name and relationship |              | Remark |
|--|---------------|---------------|------------------------------------|---------------|---------------------------------|---------------|--|--------------|--------|
|  | No. of Shares | Shares Held % | No. of Shares                      | Shares Held % | No. of Shares                   | Shares Held % | Name   | Relationship |        |
| Chun-Tse Liao                              | 4,810,896     | 1.31          | 11,427                             | 0.00          | None                            | None          | None   | None         |        |
| Song-Yue Liao                              | 4,202,055     | 1.14          | 45,715                             | 0.01          |                                 |               |  |              |        |
| Tung Yang Business Co., Ltd<br>Xian-De Lai | 3,462,683     | 0.94          | -                                  | -             |                                 |               |  |              |        |
| Guo-Zhao Xiao                              | 3,159,514     | 0.86          | -                                  | -             |                                 |               |  |              |        |
| Shih-Ming Chuang                           | 2,211,569     | 0.60          | -                                  | -             |                                 |               |  |              |        |
| Chin-Chang Lin                             | 1,967,210     | 0.53          | -                                  | -             |                                 |               |  |              |        |
| Pi-Jung Hsieh                              | 1,880,429     | 0.51          | 1,355,059                          | 0.37          |                                 |               |  |              |        |
| Kuo-Chou Chen                              | 1,820,418     | 0.49          | -                                  | -             |                                 |               |  |              |        |
| Li-Chu Lee                                 | 1,779,228     | 0.48          | -                                  | -             |                                 |               |  |              |        |
| Mu-Chuan Huang                             | 1,709,602     | 0.46          | 399                                | 0.00          |                                 |               |  |              |        |

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

## 4 Capital Arrangement

## 4. Capital Arrangement

### 4-1. Capital Shares and Dividends

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

As of Dec 31, 2009; Shares Held (%)

| Month/Year | Issuing price (TWD) | Registered Capital |               | Paid-in Capital |               | Remark   |  |
|------------|---------------------|--------------------|---------------|-----------------|---------------|--|--|
|            |                     | Shares             | Amount        | Shares          | Amount        | Source   | Other  |
| Jan., 1999 | 10                  | 318,373,096        | 3,183,730,960 | 318,373,096     | 3,183,730,960 | Transform from the shares of former Credit Cooperative   | Approved under the Document No.87736717 of MOF   |
| Jul., 2004 | 10                  | 324,740,558        | 3,247,405,580 | 324,740,558     | 3,247,405,580 | Increased from retained earnings of 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 increased from retained earnings of 16,868,570<br>Shareholder stock dividend increased 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 increased from retained earnings of 17,803,800<br>Shareholder stock dividend increased 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 increased from retained earnings of 3,971,370<br>Shareholder stock dividend increased from capital reserve of 120,116,620   | Approved under the Document No.0960042314 of FSC |
| Aug., 2008 | 10                  | 600,000,000        | 6,000,000,000 | 368,045,111     | 3,680,451,110 | Increased from capital reserve of 124,459,700  | Approved under the Document No.0970038581 of FSC |

As of Dec 31, 2009

| Type of Stock | Authorized Stock Capital  |                 |             | Remark                      |
|---------------|---------------------------|-----------------|-------------|-----------------------------|
|               | Outstanding Capital Stock | Un-issued Share | Total       |                             |
| Common Stock  | 368,045,111               | 231,954,889     | 600,000,000 | not on the list of TSEC/OTC |

## 4-1-2. Shareholder Structure

As of Dec 31, 2009

| Category               | Government Agency | Financial Institution | Other Institution | Individual  | Foreign Institution and Foreigner | Total       |
|------------------------|-------------------|-----------------------|-------------------|-------------|-----------------------------------|-------------|
| Number of Shareholders | 2                 | 5                     | 436               | 67,225      | 16                                | 67,684      |
| Number of Shares       | 1,314,854         | 14,480                | 9,074,603         | 357,377,697 | 263,477                           | 368,045,111 |
| Percentage             | 0.36%             | -                     | 2.47%             | 97.10%      | 0.07%                             | 100%        |

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

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

As of Dec 31, 2009

| Tier                | Number of Shareholders | Number of Shares | Percentage (%) |
|---------------------|------------------------|------------------|----------------|
| 1 - 999             | 48,512                 | 9,948,934        | 2.7            |
| 1,000 - 5,000       | 11,090                 | 19,331,309       | 5.25           |
| 5,001 - 10,000      | 1,158                  | 7,447,396        | 2.02           |
| 10,001 - 15,000     | 4,004                  | 46,137,636       | 12.54          |
| 15,001 - 20,000     | 210                    | 3,563,078        | 0.97           |
| 20,001 - 30,000     | 603                    | 14,244,968       | 3.87           |
| 30,001 - 50,000     | 707                    | 29,201,285       | 7.93           |
| 50,001 - 100,000    | 753                    | 50,482,441       | 13.72          |
| 100,001 - 200,000   | 381                    | 52,417,136       | 14.24          |
| 200,001 - 400,000   | 179                    | 48,674,657       | 13.23          |
| 400,001 - 600,000   | 34                     | 15,929,496       | 4.33           |
| 600,001 - 800,000   | 16                     | 10,599,885       | 2.88           |
| 800,001 - 1,000,000 | 5                      | 4,285,531        | 1.16           |
| 1,000,001 and above | 32                     | 55,787,359       | 15.16          |
| Total               | 67,684                 | 368,045,111      | 100.00         |

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

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

As of Dec 31, 2009

| Name          | Number of Shares | Percentage (%) |
|---------------|------------------|----------------|
| Chun-Tse Liao | 4,810,896        | 1.31%          |
| Song-Yue Liao | 4,202,055        | 1.14%          |

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

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

| Item                  | Year                    | 2009             | 2008        | Up To Jan 31, 2010 |          |
|-----------------------|-------------------------|------------------|-------------|--------------------|----------|
| Market Value          | Highest                 | N/A              | N/A         | N/A                |          |
|                       | Lowest                  | N/A              | N/A         | N/A                |          |
|                       | Average                 | N/A              | N/A         | N/A                |          |
| Net Worth             | Before Distribution     | 12.72            | 12.58       | 12.73              |          |
|                       | After Distribution      | (Note 2)         | 12.58       | Note 3             |          |
| Earnings              | Weighted Average Shares | 368,045,111      | 368,045,111 | 368,045,111        |          |
|                       | Earnings per Share      | Before adjust    | 0.08        | (1.74)             | 0.003    |
|                       |                         | After adjust     | (Note 2)    | (1.74)             | (Note 3) |
| Dividend (Note 1)     | Cash dividends          | 0                | 0.1         | (Note 2)           |          |
|                       | Stock Dividends         | Retained earning | 0           | 0                  | (Note 2) |
|                       |                         | Capital reverse  | 0           | 0.35               | (Note 2) |
|                       | Dividends in Arrear     | 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: dividends of serial year present earnings assignment of previous year.

Note 2: year 2009 distribution number is to be confirmed after the approval of board of directors and the shareholder meeting.

Note 3: year 2010 hasn't ended.

Note 4: not applied as the Bank is not a listing company.

#### 4-1-6. Dividend Policy and Executive Status

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

Our dividend policy is carried out by the access of "assignable earning distribution". After appropriate legal reserves, we distribute the full earnings to the staff and the shareholders. Our shareholders used to acquire admirable dividends as good as other banks. But for the coming years, the operating capital becomes ultra essential resulting from the need for

opening new branches, developing new products, cutting NPL ratio, reducing the overdue loan and growing business scale. It is helpful for the Bank's long-term business expansion by taking use of the accumulative legal earnings reserves.

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

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

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

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

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

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

Assignment is in accordance to the article 34 of the Bank's Articles of Incorporation

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

### 4-2. Issuance of Bank Debentures

| Type of Bank Debenture                                     | First Issuance of Bank Debentures<br>(1 <sup>st</sup> term of 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  | Mar. 28, 2006   |
| Denomination   | 500 thousand, 1 million, 5 million and 10 million   |
| Issue and transaction Place                                | Taiwan, R.O.C.  |
| Currency   | New Taiwan Dollars  |
| Issue Price  | 100 dollars   |
| Total Amount   | 2.5 billion   |
| Interest Rate  | Type A: First 5 years 3.3%, Last 5 years 5%<br>Type B: First 5 years, 1.20% plus the Bank's Board's Index rate of time saving deposits.<br>Last 5 years, 2.50% plus 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./<br>Grand Cathay Securities Corporation  |
| Certifying Lawyers   | None  |
| Certifying CPA   | Chuan-Chuan Wu / Jun-Man Chen   |
| Certifying Financial Institution   | Hwa-Tai Commercial Bank, Trusts 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   | 2.5 billion   |
| 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,<br>Tier 2 Capital  |
| Name of Rating Institution<br>Date of Rating, and<br>Rating Given  | Taiwan Ratings Corporation Dec. 29, 2009<br>Long-term: twBBB+<br>Short-term: twA-2<br>Outlook: Stable   |

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

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

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

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

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

#### **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 2009 totaled TWD100,853 million, increasing TWD 3,399 million compared to year earlier at a rate of 3.49%. We intend to improve our quality and quantity of deposit structure, implement the entire-personnel marketing, enforce interaction with clients to develop business chances, and open up the prospects of the corporate salary remittance service. We also try to improve the functions of E-banking and phone banking, and to visit neighboring area to seek for new customers in the market.

In deposits structure, our demand deposits stood at TWD37,194 million that was the 36.88% of the total deposits. Our time deposits stood at TWD63,634 million that was the 63.10% of the total deposits. Our deposit structure is fine and we will step forward to improving quality & quantity of total deposit through our sound corporate image and right operation strategies. Here follows deposit structure ratio analysis:

#### Structure of Deposits

Unit: TWD million; %

| Items \ Year            | 2009    |        | 2008   |        | 2007   |        | 2006   |        | 2005   |        |
|-------------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                         | Amount  | %      | Amount | %      | Amount | %      | Amount | %      | Amount | %      |
| Checking Deposits       | 1,534   | 1.52   | 1,345  | 1.38   | 1,479  | 1.58   | 1,566  | 1.64   | 1,577  | 1.91   |
| Demand Deposits         | 10,100  | 10.02  | 8,725  | 8.95   | 8,311  | 8.88   | 8,260  | 8.63   | 6,036  | 7.31   |
| Demand Savings Deposits | 25,560  | 25.34  | 20,767 | 21.31  | 21,658 | 23.13  | 22,988 | 24.01  | 19,258 | 23.32  |
| Time Deposits           | 13,738  | 13.62  | 14,881 | 15.27  | 14,608 | 15.60  | 17,129 | 17.89  | 15,312 | 18.54  |
| Time Savings Deposits   | 49,896  | 49.48  | 51,733 | 53.09  | 47,570 | 50.80  | 45,770 | 47.81  | 40,396 | 48.92  |
| Remittances             | 25      | 0.02   | 3      | 0.00   | 6      | 0.01   | 24     | 0.02   | 3      | 0.00   |
| Total                   | 100,853 | 100.00 | 97,454 | 100.00 | 93,632 | 100.00 | 95,737 | 100.00 | 82,582 | 100.00 |

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

The amount of loans outstanding as the end of 2009 totaled TWD78,093 million; here follows the loan ratio analysis.

## Structure of Loans

Unit: TWD million; %

| Items                   | 2009   |        | 2008   |        | 2007   |        | 2006   |        | 2005   |        |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                         | Amount | %      | Amount | %      | Amount | %      | Amount | %      | Amount | %      |
| Overdrafts              | 90     | 0.12   | 132    | 0.16   | 167    | 0.20   | 155    | 0.19   | 40     | 0.06   |
| Bill Discount           | 227    | 0.29   | 273    | 0.34   | 367    | 0.45   | 345    | 0.42   | 296    | 0.43   |
| Car Loans               | 11,539 | 14.77  | 10,736 | 13.31  | 8,648  | 10.53  | 6,369  | 7.77   | 4,031  | 5.80   |
| Mortgage loans          | 19,993 | 25.60  | 19,114 | 23.69  | 22,051 | 26.84  | 24,581 | 30.00  | 19,168 | 27.58  |
| Other Unsecured Loans   | 19,998 | 25.61  | 26,481 | 32.82  | 26,445 | 32.18  | 26,986 | 32.94  | 27,157 | 39.07  |
| Other Secured Loans     | 24,562 | 31.45  | 22,669 | 28.09  | 23,431 | 28.52  | 22,738 | 27.75  | 12,720 | 25.49  |
| Allowances for Bad Debt | -882   | -      | -1,017 | -1.26  | -709   | -0.86  | -68    | -0.79  | -626   | -0.90  |
| Sub Total               | 75,527 |        | 78,388 | 97.15  | 80,400 | 97.86  | 80,526 | 98.28  | 67,786 | 97.53  |
| Acceptance receivable   | 8      | 0.01   | 35     | 0.04   | 4      | 0.00   | 22     | 0.03   | 11     | 0.11   |
| Guarantee receivable    | 1,676  | 2.15   | 1,251  | 1.55   | 1,053  | 1.28   | 734    | 0.90   | 1,081  | 1.56   |
| Allowances for Bad Debt | 882    |        | 1,017  | 1.26   | 709    | 0.86   | 648    | 0.79   | 626    | 0.9    |
| Total                   | 78,093 | 100.00 | 80,691 | 100.00 | 82,166 | 100.00 | 81,930 | 100.00 | 69,504 | 100.00 |

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

The most serious economic event in 2009 was the financial tsunami by sub-prime crisis, breaking down the global financial order. Due to the financial damage, enterprises run business in a more conservative way, withering civil investment and funds demand. The Bank still expanded vigorously our corporate loan business and promoted market shares. Our SME business loans amount increased around TWD800 million more than last year's.

Under the financial crisis attack, the government vigorously encouraged investment and supporting democratic business by asking banks to maintain normal accrediting function and help weak-credited SME business acquire operation funds. We viewed risk as a great concern and followed conservative credit policy, watching credit limit closely in order to increase secured or self-liquidating loans and also to decrease credit-related product.

The global governments cut interest rates to relieve financial crisis damage, attempting to stimulate investment and consumption. The Central Bank of China's rate cutting policy made Loan business profit wither and economic environment rigorous. The Bank will view loan-spread profit as a high priority mission by weighing funding cost and executing differential-pricing policy to secure earnings. We will also vigorously create service income to acquire income.

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

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

#### Wealth Management

Unit: TWD million; %

|             |                      | 2009   |      | 2008    |     | 2007    |     | 2006    |     | 2005   |     |
|-------------|----------------------|--------|------|---------|-----|---------|-----|---------|-----|--------|-----|
|             |                      | Amount | %    | Amount  | %   | Amount  | %   | Amount  | %   | Amount | %   |
| Insurance   | Life Insurance       | 2,379  | 38.1 | 1,111   | 29  | 135     | 4   | 136     | 9   | 314    | 36  |
|             | Property Insurance   | 26     | 0.4  | 1       | 0   | 0.8     | 0   | 0.1     | 0   | 0.9    | 0   |
| Trust Funds | Overseas Trust Funds | 1,627  | 26.1 | 1,360   | 36  | 1,656   | 43  | 464     | 32  | 469    | 53  |
|             | Domestic Trust Funds | 2,137  | 34.2 | 1,296   | 35  | 1,962   | 51  | 653     | 45  | 100    | 11  |
| Trusts      | Money Trusts         | 23     | 0.4  | 0.8     | 0   | 94      | 2   | 200     | 14  | -      | -   |
|             | Real Estate Trusts   | 48     | 0.8  | 27      | 0   | 20      | 0   | -       | -   | -      | -   |
| Total       |                      | 6240   | 100  | 3,795.8 | 100 | 3,867.8 | 100 | 1,453.1 | 100 | 883.9  | 100 |

### 5-1-2. Business Plans for year 2010

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

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

- To reallocate one branch in 2010
- To streamline operation process, building up computer operation system to improve service efficiency & quality
- To enhance in-house communication and track execution performance by periodically convening operation conference and establishing rating grade system.
- To increase new business competence via advancing IT service system for operation analysis.
- To advance IT security, maintaining IT operation's correctness, secret, completeness and usability.
- To conform to BASEL II with building quantity index for accredit system, risk capital requirement system and risk management operation improvement.
- To satisfy more clients' demand by creating new ATM function such as Foreign Exchange business.
- To modify and transfer the date columns for demand deposit and loan system for 24hr services, responding to the future coming year 2011.

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

- To sift out high-quality target clients and provide tailor-made services
- To enhance top-ranking investors' identification of our products
- To enlarge product service and private banking loan scale by innovating low-risk, value-added financial products following market trend
- To enhance the whole sales team's productivity by enforcing team members on-the-job training, focusing law compliance, product direction, marketing method, cold-call skill and service etiquette.

- To better accrediting personnel's performance and implement "client differential" strategy, enlarging low-risk clients' loan scale and closely watching high-risk clients' loan quality via improving credit investigation procedure, and real estate appraise procedure.
- To reach economic scale goal and smooth loan procedure, lowering operation cost by planning back office operation procedure standardized and automated
- To secure bank profit and enlarge private banking business by streamlining personal loan credit-investigating procedure and rebalancing on quantity & quality of credit
- To better ante-risk review and post-risk management by timely examining credit investigation operation status and asset quality, and irregularly adjusting product pricing and loan policies
- To build up consumer banking center's optimal business model & whole-competence to adapt to the external competence and the change of regulation

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

- To set up "Corporate Banking Finance Team" in charge of enterprise loan business, enlarging corporate banking market shares and satisfy enterprises financial need by providing investment advises from asset/liability side.
- To promote financing services for small-middle business enterprises by providing whole credit investigation project, including "joy loans" and "machine-collateralized loans" to meet the need of governmental economy developing policy
- To enhance BIS ratio by strengthening external guarantee of small and medium business, lowering credit risk and better the Bank's risk control in good use of "Small and Medium Enterprise Credit Guarantee Fund".
- To meet the need of clients and increase customer base and economic scale with strong credit analysis of operation revolving funding and financial innovation
- To benefit corporate banking business territory by enhancing professional personnel's training and marketing ability
- To better employee competence and bank profit by educating profession personnel with marketing ability and technology

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

- To strengthen cross-strait and triangle-trade financial business and expand OBU profit margin
- To continue building up global remittance network and promote trade financing business for higher foreign exchange business profit, and vigorously take part in international synthetic loans to raise bank's reputation
- To allocate adequately foreign exchange investment exposure and target high-rating overseas securities for higher foreign exchange business revenue
- To enforce profession personnel's foreign exchange know-how and training in order to sharpen skills for expanding business territory
- To provide clients with convenient internet banking foreign exchange service trading function.
- To apply new derivative financial products and strengthen relationship with peer domestic & foreign banks
- To build up a more efficient foreign exchange trade operation platform and strengthen risk management function by planning new system for FX product

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

- To aggressively transform internal personnel to financial consultants and weed out unqualified personnel by training and certificate acquirement
- To strengthen customer relationship by periodically holding wealth management seminars and product road shows.

- To raise internet banking utility rate in order to facilitate internet order placing and cost down
- To keep stable fee income resource via increasing property insurance commission income
- To progress market share via bond fund sale and fee income
- To actively develop new financial product, increasing product spectrum and make business multi-directions
- To examine financial consultant's internal control process and law compliance on an irregular time schedule
- To more precisely do know-your-customer process through customer's risk preference

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

- To enhance control and coordination between asset and liability so as to be consistent on management and effective monitor risk on exposure.
- To tightly control source of fund and the tenor and interest rate of the usage so as reduce re-pricing risk and maximize Bank's net interest profitability and value.
- Considering effectiveness liquidity safety and stability of fund, to build up sound asset liability mechanism makes Bank's risk within acceptable scope.
- To aggressively cultivate core clients in order to get stable and cheap funding cost, and beautify liability structure.
- To enhance ALM and gapping management in order to reduce basis risk and meet budget consistently.
- Under the principles of stability safety and liquidity, to search for allocation of found so as to optimize fund distribution.
- To adjust deposit structure and expand market share so as to reduce funding cost and to increase profitability and Bank's competition
- To tightly monitor limits on market risk so as to get balance between risk rewards and optimize asset allocation.
- In order to fully match JCIC lose event data on operational risk, to build up on-line reporting system is needed so as to save human resource.
- In order to match Pillar 2 (Basel II) credit risk quantitative benchmark based on JCIC's calculation, to measure 6 items of the stress testing based on concentration scenario testing (2 scenarios) and risk elements scenario testing (3 scenarios).
- To effectively build up "operational loss data base" can be the base of procedure planning revolution.
- To develop RCSA in order to found out main reasons and frequencies of operation risk, and develop KRI controlling system according to internal audit external investigation and account information.

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

- To continual execute a financial curriculum of the profession training, and promote employee's professional ability
- To reduce cost on staffs and properly adjust internal organization, and at the same time hire inter-bank players with stronger business capability and increase ratio of external sales.
- To continual construct E-personnel system and simplify human resource management process

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

- Following head office's policy and Visa's marketing activities and designing feedback project and credit card events to strengthen growth on consumer banking business.
- To set credit card incentives and adjusting credit card promotion target through staffs' sailing.
- To strengthen employees' marketing ability by increasing training
- To comply with the standards of the liability ratio (DBR < 22) and "358" monitoring policy set by competent authorities.

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

In order to be “professional and high quality of community bank”, the Bank dedicates to extend stable growth on profitability and scale. The Bank expects to offer convenient service channels and multi-financial services for local clients in the spirit of “pursuing outstanding and putting people first”.

By cautiously review possibility to improve operational status and upgrade business scope, the Bank planned to open new branches in Hsin-Chu district, and gradually adjust location of the channels. Also, the Bank will actively strengthen the effectiveness of both physical and electronic internet financial service and expects to offer convenient service and high quality of value-added so as to create win-win strategy between the Bank and client relationship.

In 2010, the Bank aims to strengthen items on risk management under the principle of “safety, liquidity, and profitability” in order to reduce the impact on risk. Base on the prerequisite “all the business can not beyond the risk” the Bank aims to pursue long-term equilibrium and development through product localization and product mix so as to satisfy customers’ needs and to deepen relationship of local clients.

Unit: TWD thousand; %

| Business Item                                   | 2010 Budget | 2009       | Increase Volume |       |
|---|-------------|------------|-----------------|-------|
|   |             |            | Amount          | %     |
| Average Balance of Deposits                     | 102,100,000 | 95,578,330 | 6,521,670       | 6.82  |
| Average Balance of Loans                        | 80,000,000  | 74,720,312 | 5,279,688       | 7.07  |
| Wealth Management<br>(Trust Amount)             | 5,000,000   | 3,835,000  | 1,165,000       | 30.38 |
| Wealth Management<br>(Insurance Broker Revenue) | 24,284      | 23,809     | 475             | 2.00  |

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

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

Budgeted average deposit balance in year 2010 is TWD102,100 million which is TWD6,522 million and 6.82 % growth respectively higher than year 2009 mainly based on:

- Enhancing Bank’s demand deposit ratio and decrease funding cost.
- Deepening clients’ adherence through diversified product mix and reduce funding cost through deepening relationship and service with clients and promoting corporate and authorities’ salary accounts.
- Strengthening Web-ATM function and introduce multiple customers’ payment platform so as to reduce on-counter service quality.
- Keeping simplifying operational procedure on deposit and remittance function and upgrading business unit service quality and customers’ satisfaction in order to reduce Bank’s operational cost.

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

Budgeted year 2010 average lending balance is TWD80,000 million which is TWD5,280 million and 7.07% growth respectively higher than year 2009. The Bank will keep tracking on NPL and on accelerating write-down on bad debt in order to effectively lower bad debt ratio and coverage ratio. The strategies are as follows:



- Tightly executing standard procedure on credit and lending, accurately evaluating limits, enhancing follow-up management on credit, and tightly monitoring funds movement and debt ratio so as to avoid or reduce loss on credit.
- Using internal credit rating system to properly adjust rating parameters and weighting based on sufficient data base, and concluded possible default schedule and reasons using post-lending default data base.
- Assisting client on asset allocation to satisfy their wealth planning, and upgrading Bank's revenue and wealth management Dept's target through multiple and diversified product mix.
- The loan files met qualification of SME credit guarantee fund will apply to this scheme so as to reduce credit risk weighting asset and to strengthen capital delinquency.
- Planning asset and liability tailor-made investment and financial products so as to meet corporate clients' requirement.
- In line with requirement of Basel II risk management mechanism, tightly controlling debt ratio, upgrading asset quality, and building up systematic risk management evaluation and pricing differentiation are fulfilled in order to pursue optimized asset mix and reasonable profit.

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

In order to satisfy diversified needs from clients and further to increase fee income, the Bank has set-up its insurance broker company and expects to strengthen product origination capability on both investment and insurance –related products. In addition, Bank plans to recruit more financial managers so as to benefit investors and directly increase sales revenue.

Budgeted year 2010 trust asset balance is TWD5,000 million, which is TWD1,165 million and 30.38 % growth respectively higher than year 2009. Budgeted revenue from insurance sales in year 2010 is TWD24 million, which is TWD0.5 million and 2.00 % growth respectively. The Followings are status of the business

- To choose stable insurance company as the main partner accompanying by trustable products to achieve stable asset growth.
- To promote Wed-Bank business to clients to reduce cost on staffs and facilitate client's order placing.
- To actively develop new products to achieve target of product diversification.
- To adjust income structure to balance fee income and management fee.
- In order to make growth on both trust asset and fee income, to promote, except special purpose trust, both money trust and real estate trust.

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

Concerning domestic financial market development, M&A in financial market is booming impacted by larger financial holding companies and foreign investors. The Bank believes that banking will keep upgrading their competition under the monitoring of FSC. Under the signing of MOU and policy easing cross straits, possible opportunities and cooperation will bring even more tough challenge and chances.

Given being tightly controlled on financial products and interest rate policy by local authorities, the impact on domestic financial market could be properly alleviated. Conservative investment behavior makes strongly growth on deposit in banking sectors, and at the same time result in thin spread given lower interest rate and market competition. Banking sectors therefore aim to adjust ratio among business units and upgrade operation performance by re-organization and systematic adjustment.

In order to cope with coming operational risk, local authorities is requesting banks to strengthen financial structures and reach higher bad-debt allowance. This might impact on short term profitability in banking sectors but expect to have a stable progress in the long run on market operation. Facing quick-changing financial market, the Bank will keep strengthening operational quality, internal control and risk management with long-run target to transform as a national bank. Top managers believe that the Bank is capable of expanding its advantage on consumer banking business through all staffs' efforts. And the Bank will still keep in a stable and conservative growth path and strategy taking into account the benefit of our customers, shareholders and staffs so as to maintain asset quality and profitability of the Bank.

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

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

- Scale of Major Financial Product: Please refer to this annual report part 5: Business Operation
- New-established Units
  - SDec. 16, 2008: Relocated Xinzhuang branch
  - Jul. 2008: Established subsidiary "COTA Bank Insurance Broker Co., Ltd."
  - Apr. 1, 2009: Set up Risk Management Center

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

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

- Expenditure and result of Financial Products Research and Development in recent 2 years. Year 2008: TWD4,172 thousand ; Year 2009: TWD1,969 thousand
- Cooperating with VISA international organizations sponsoring 2008 Beijing Olympic Games, issued the "Beijing 2008 Olympic Games" Visa pay-wave Inductive Platinum Card.
- Self-developed credit card accounting system, PC asset management system, consumer banking center documenting system, electronic check clearing system, and personnel leave/absence system.
- Replaced and phased out TANDEM mainframe, re-designed and migrated inter-bank remittance, ATM, and chip debit card to IBM mainframe.
- Promoted chip debit card's consumption debiting business.
- Promoted internet banking functions for foreign exchange transactions.
- Completed "cross-branch and ATM host business system" and off-site backup system, built up host-and-branch network with "3G wireless backup system" in order to enhance information system backup and disaster contingency capabilities.
- Accomplished the system of XML (Extensible Markup Language) payment collecting service.

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

- To construct sound risk management organizations and mechanisms to assess and monitor the efficiency of credit risk, market risk, operational risk and liquidity risk to enhance performance and asset quality.
- With the implementation of the new Basel II, to develop quantitative indicators of credit system, risk capital calculating system to enhance the risk management operations.

- To research and develop derivative financial products to provide customer with duly advice.
- To adjust the date-digit field for demand deposits and loans system to provide more product lines of 24 hour services.
- To scheme new system of foreign exchange products and build database of foreign exchange transactions, strengthen risk management function to establish efficient operating platform for foreign exchange.
- To self-develop the chop and seal identify system.
- To self-develop corporate banking internet system.

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

5-1-5-1. For our Short Term Business Development Plan, please refer to our profile of Business Plans for Year 2010.

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

- To raise the ratio of demand deposit and reduce working capital cost to enhance profit.
- To adjust the structure of loan business and promote the business scale of corporate banking and consumer banking.
- To develop the wealth management business by uplift the revenue ratio of fee income.
- To strengthen loan business quality, lower non-performing loan and raise coverage ratio.
- To enhance risk management system and strengthen the efficiency of risk management.
- To constantly set up the branches countrywide and raise the value of service channels.
- To build up IT management system and information platform to enlarge best synergy of IT system.
- To promote internet banking business to provide time- and location- unlimited financial service.
- To emphasize staff training and career planning to encourage employee morale and loyalty.

## 5-2. Human Capital

### Information of Educational Background for Employees in Recent 2 Years

| Item                   | Year               | 2008  | 2009  | Up to Jan. 31, 2010 |
|------------------------|--------------------|-------|-------|---------------------|
| Number of Employee     |                    | 1,141 | 1,095 | 1,086               |
| Average Age            |                    | 35.74 | 36.83 | 38.47               |
| Average Seniority      |                    | 9.96  | 11.05 | 12.87               |
| Structure of Education | PHD                | 0     | 1     | 1                   |
|                        | Master             | 40    | 45    | 45                  |
|                        | University/College | 868   | 842   | 835                 |
|                        | Senior High School | 227   | 203   | 201                 |
|                        | Below              | 6     | 4     | 4                   |

| Certificated Proficiency Tests of Employees   | Total (Up to Jan. 31, 2010) |
|---|-----------------------------|
| Basic Proficiency Test for Bank Lending Personnel   | 411                         |
| Advanced Proficiency Test for Bank Lending Personnel  | 27                          |
| Proficiency Test for Bank Collateral Appraisal Personnel                                      | 13                          |
| Basic Proficiency Test for International Banking Personnel                                    | 224                         |
| Proficiency Test for Foreign Exchange Trading Personnel                                       | 34                          |
| Proficiency Test for Financial Planning Personnel   | 305                         |
| Test for Small-Medium Business Financial Staff  | 22                          |
| Proficiency Test for Trust Operations Personnel   | 612                         |
| Proficiency Test for Obligation & Debt Collection Personnel                                   | 170                         |
| Proficiency Test for Bank Internal Control and Audit Personnel                                | 683                         |
| Proficiency Test for Financial Risk Management Personnel                                      | 2                           |
| Securities Investment Analysts  | 6                           |
| Senior Securities Specialist  | 110                         |
| Securities Specialist   | 90                          |
| Future Specialist   | 96                          |
| Securities Investment Trust & Consulting Professionals  | 94                          |
| Qualified Test for Bill Finance Specialist  | 37                          |
| Proficiency Test for Bond Specialist  | 17                          |
| Proficiency Test for Stock Affair Specialist  | 3                           |
| Basic Ability Test for Asset Securitization   | 4                           |
| Personal Insurance Specialist   | 592                         |
| Test for Life Insurance Specialist (Foreign Currency Base) – Non Investing Insurance Products | 173                         |
| Investing Insurance Specialist  | 313                         |
| Asset Insurance Specialist  | 478                         |
| Personal Risk Manager   | 1                           |
| Financial Risk Management (FRM)   | 2                           |
| Accountant  | 1                           |
| Real Estate Broker  | 1                           |
| Land Registry Agent   | 1                           |
| Asset Insurance Agent   | 1                           |
| Personal Insurance Agent  | 1                           |
| Personal Insurance Broker   | 1                           |
| General English Placement Test – Advance  | 3                           |
| General English Placement Test – Basic  | 9                           |

### **5-3. Responsibility and Ethical Code**

The Bank is a famous financial institution in central Taiwan, which has been set up around for 94 years. To response for social liabilities, we set up "COTA Culture & Education Foundation" to develop the public welfare of elder persons concern as well as be the sponsor of society welfare, arts appreciation and communities cares such as Children Creative Drawing Contest, Day of No-Driving, Centennial Activity of Taichung Train Station etc., we pay full intention to participate and support. In order to create higher value of bank and under the foundation of stable operation and seek for better turning point, The Bank merged Fen yuan Credit Cooperatives, we combine the sources of both parties not only break the limit of operation scale but also have better asset quality and ability of getting profit that earns highest value of shareholders, employees and customers.

### **5-4. IT Equipment**

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

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

The new development for Insurance Broker System of The Bank has been working from Oct. 2009. Meanwhile, the Bank internet banking system for foreign exchange transactions also been finished and decide to work online from Mar. 2010.

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

## **5-5. Labor-Management Relationship**

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

### **5-5-1-1. Group Insurance**

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

### **5-5-1-2. Bonus**

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

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

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

### **5-5-1-4. Security and Hygiene**

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

### **5-5-1-5. Staff Proficiency Training**

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

The Bank's pension fund is pursuant to old-version and updated version which based on Labor Law for "Staff Retirement Plan". The benefit payments and credits suit separately by the above-mentioned plans and based on the years of service and final salary. In accordance with Labor Law, we will calculate 15% of total salaried employees by month (exclude appointed managerial employee) to be retirement payment that was deposited in the pension account in the Bank of Taiwan. We have another account for appointed management that calculated 8% of their salary each month. Till end of Jan. 2010, under the survey of all employees, there are 432 staff (39.78% of employees) choosing the old version or didn't make decision temporarily, 654 staff (60.22% of employees) choosing new version. The Bank has no significant argument between employee and employer at present.

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

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

### 5-6. Major Contracts

| Nature of Contract           | Concern Party                   | Contractual Period                | Major Content   |
|------------------------------|---------------------------------|-----------------------------------|---|
| Deposit Insurance Contract   | Central Deposit Insurance Corp. | Engaged on Aug. 15, 1995          | To enhance protection of customer deposits  |
| Bank Comprehensive Insurance | Chung kuo Insurance Co., Ltd.   | From Apr. 1, 2009 to Apr. 1, 2010 | <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: TWD thousand

| Descriptions  | Year              | Financial data during recent 5 years |                    |                    |                    |                   |
|---|-------------------|--------------------------------------|--------------------|--------------------|--------------------|-------------------|
|   |                   | 2009                                 | 2008               | 2007               | 2006               | 2005              |
| Cash, Cash equivalents, due from banks, deposit with the Central Bank |                   | 26,435,656                           | 19,369,246         | 7,268,991          | 16,566,863         | 14,264,262        |
| Financial assets measured at fair value through profit or loss        |                   | 737,002                              | 1,474,982          | 605,084            | 476,169            | 190,835           |
| Bonds and bills purchased under resale agreements receivables         |                   | -                                    | 797,105            | 1,935,909          | 1,397,851          | 2,184,610         |
| Available-for-sale financial assets                                   |                   | 1,934,258                            | 1,750,932          | 1,268,543          | 889,701            | 509,130           |
| Bank draft, discounts and Loans                                       |                   | 75,527,272                           | 78,388,068         | 80,400,663         | 80,526,411         | 67,785,961        |
| Receivables   |                   | 469,463                              | 723,584            | 844,029            | 1,225,766          | 1,695,543         |
| Held-to-maturity financial assets                                     |                   | 1,394,552                            | 440,288            | 7,210,231          | 1,219,801          | 114,480           |
| Investments under equity method                                       |                   | 6,313                                | 5,606              | -                  | -                  | -                 |
| Fixed assets  |                   | 1,307,502                            | 1,343,527          | 2,096,518          | 1,430,028          | 1,017,724         |
| Goodwill  |                   | 166,205                              | 169,572            | 170,406            | 154,027            | -                 |
| Other financial assets  |                   | 381,967                              | 621,515            | 598,863            | 197,571            | 212,000           |
| Other assets  |                   | 749,059                              | 819,727            | 665,670            | 1,368,801          | 1,280,065         |
| <b>Total Assets</b>   |                   | <b>109,109,249</b>                   | <b>105,904,152</b> | <b>103,064,907</b> | <b>105,452,989</b> | <b>89,254,610</b> |
| Due to Central bank and other banks                                   |                   | 17,372                               | 42,560             | 424,020            | 662,901            | 407,993           |
| Deposits & remittance   |                   | 100,852,795                          | 97,454,023         | 93,632,443         | 95,736,553         | 82,581,945        |
| Financial liabilities measured at fair value through profit or loss   |                   | 173                                  | 1,004              | 270                | 311                | -                 |
| Bonds and bills purchased under repurchased agreements receivables    |                   | -                                    | -                  | -                  | -                  | -                 |
| Subordinate financial debentures                                      |                   | 2,498,773                            | 2,497,792          | 2,496,811          | 2,495,830          | -                 |
| Accrued pension liability   |                   | 57,729                               | 69,227             | 163,633            | 173,728            | 143,785           |
| Other liabilities   |                   | 1,001,159                            | 1,207,894          | 1,043,864          | 1,073,071          | 814,341           |
| Total liabilities   | Before allocation | 104,428,001                          | 101,272,500        | 97,761,041         | 100,142,394        | 83,948,064        |
|   | After allocation  | (Note)                               | 101,272,500        | 97,802,321         | 100,177,905        | 84,030,164        |
| Common stock  |                   | 3,680,451                            | 3,680,451          | 3,555,991          | 3,431,904          | 3,337,341         |
| Capital reserve   |                   | 878,099                              | 1,199,457          | 1,323,875          | 1,511,256          | 1,511,202         |
| Retained earnings   | Before allocation | 31,010                               | (321,358)          | 361,446            | 367,435            | 458,003           |
|   | After allocation  | (Note)                               | (321,358)          | 320,166            | 327,953            | 281,340           |
| Unrealized gains on financial instruments                             |                   | 24,270                               | 5,231              | 5,616              | 40,377             | -                 |
| Cumulative translation adjustment                                     |                   | 124                                  | 577                | (59)               | 10                 | -                 |
| Other shareholder's equity  |                   | 67,294                               | 67,294             | 56,997             | 56,268             | -                 |
| Total Shareholders' equity  | Before allocation | 4,681,248                            | 4,631,652          | 5,303,866          | 5,310,595          | 5,306,546         |
|   | After allocation  | (Note)                               | 4,631,652          | 5,262,586          | 5,275,084          | 5,224,446         |

Note: The earnings distribution for 2009 hasn't been approved by the 2010 Shareholders' General Meeting.

## Concise Income Statement

Unit: TWD thousand

| Descriptions   | Year | Financial data during recent 5 years |           |           |           |           |
|--|------|--------------------------------------|-----------|-----------|-----------|-----------|
|  |      | 2009                                 | 2008      | 2007      | 2006      | 2005      |
| Net interest income  |      | 1,341,353                            | 1,624,219 | 1,579,358 | 1,482,332 | 1,319,527 |
| Other net interest income  |      | 427,550                              | (194,483) | 448,140   | 520,725   | 529,832   |
| Bad debt expense   |      | 428,213                              | 678,683   | 610,366   | 612,984   | 295,151   |
| Operating expense  |      | 1,279,361                            | 1,446,034 | 1,340,924 | 1,314,820 | 1,247,633 |
| Income from continuing operations before income taxes                                |      | 61,329                               | (694,981) | 76,208    | 75,253    | 306,575   |
| Income from continuing operations after income taxes                                 |      | 31,010                               | (641,524) | 62,854    | 47,523    | 254,340   |
| 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) |      | -                                    | -         | -         | 9,211     | -         |
| Net income   |      | 31,010                               | (641,524) | 62,854    | 56,734    | 254,340   |
| Earnings per share   |      | 0.08                                 | (1.74)    | 0.18      | 0.17      | 0.76      |

## 1. Certified public accountants:

Chuan-Chuan Wu and Jun-Man Chen for 2005~2006,

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

Jun-Man Chen and Shi-Hua Guo for 2008~2009.

## 2. Opinions: no retained opinion for 2005, modified no retained opinion for 2006~2007 and no retained opinion for 2008~2009.

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

Unit: TWD thousand; %

| Descriptions         | Year  | Financial analysis during recent 5 years |         |       |       |       |
|----------------------|---|--|---------|-------|-------|-------|
|                      |   | 2009                                     | 2008    | 2007  | 2006  | 2005  |
| Operating Capability | Loans to deposits ratio (%)                               | 75.76                                    | 81.48   | 86.63 | 84.79 | 82.48 |
|                      | Overdue loan ratio (%)                                    | 2.13                                     | 2.68    | 2.92  | 2.95  | 2.78  |
|                      | Interest expense to average balance of deposits ratio (%) | 1.08                                     | 1.97    | 1.79  | 1.57  | 1.31  |
|                      | Interest income to average balance of loans ratio (%)     | 3.09                                     | 4.37    | 4.03  | 3.86  | 3.56  |
|                      | Total assets turnover (times)                             | 0.02                                     | 0.01    | 0.02  | 0.02  | 0.02  |
|                      | Average operating revenue per employee                    | 2,623                                    | 3,392   | 3,226 | 3,105 | 3,026 |
|                      | Average earnings per employee                             | 28                                       | (562)   | 54    | 51    | 265   |
| Profitability        | Return on first capital type assets (%)                   | 1.42                                     | (14.97) | 1.53  | 1.49  | 6.07  |
|                      | ROA (%)   | 0.03                                     | (0.61)  | 0.06  | 0.06  | 0.30  |
|                      | ROE (%)   | 0.67                                     | (12.91) | 1.18  | 1.07  | 4.88  |
|                      | Net income ratio (%)                                      | 1.75                                     | (44.87) | 3.10  | 2.83  | 13.75 |
|                      | EPS (loss)  | 0.08                                     | (1.74)  | 0.18  | 0.17  | 0.76  |

| Descriptions  |  | Year | Financial analysis during recent 5 years |           |         |         |         |
|---|--|------|--|-----------|---------|---------|---------|
|   |  |      | 2009                                     | 2008      | 2007    | 2006    | 2005    |
| Financial structure   | Ratio of liabilities to assets                               |      | 95.71                                    | 95.63     | 94.85   | 94.96   | 94.05   |
|   | Ratio of fix assets to shareholder's equity                  |      | 28.08                                    | 29.01     | 39.53   | 26.93   | 19.18   |
| Growth Rate   | Asset growth rate (%)  |      | 3.03                                     | 2.75      | (2.26)  | 18.15   | 11.73   |
|   | Profitability growth rate (%)                                |      | 108.82                                   | (1011.95) | (9.77)  | (72.45) | 9.41    |
| Cash flow   | Cash flow ratio  |      | 231.68                                   | N/A       | 92.21   | 45.41   | 52.69   |
|   | Cash flow adequacy ratio                                     |      | 1074.23                                  | 587.38    | 563.23  | 440.41  | 376.45  |
|   | Ratio of cash flow for operating to cash flow from investing |      | (24.11)                                  | N/A       | 159.72  | (7.33)  | (7.07)  |
| Liquid Reserves Ratio (%)   |  |      | 22.24                                    | 15.85     | 11.19   | 13.06   | 11.24   |
| Secured Loans to Related Parties                                      |  |      | 825,449                                  | 882,539   | 849,177 | 870,980 | 870,323 |
| Secured Loans to Related Parties to Total Outstanding Loans Ratio (%) |  |      | 1.06                                     | 1.09      | 1.03    | 1.06    | 1.25    |
| Operation Scale   | Market share of assets (%)                                   |      | 0.27                                     | 0.26      | 0.31    | 0.33    | 0.29    |
|   | Market share of net worth (%)                                |      | 0.20                                     | 0.22      | 0.27    | 0.28    | 0.28    |
|   | Market share of deposits (%)                                 |      | 0.35                                     | 0.36      | 0.44    | 0.45    | 0.41    |
|   | Market share of loan (%)                                     |      | 0.41                                     | 0.43      | 0.45    | 0.46    | 0.40    |

- The overdue loan ratio decreased by 21% mainly results from write-off bad debt and enhancement of asset quality.
- The deposit interest and loan interest drop by 45% and 29% of interest expense to average balance of deposits ratio and interest income to average balance of loans ratio mainly result from falling of deposits and loans interest.
- The total assets turnover increased by 100% mainly results from the inferior investment profits and recognition of TWD4,600 million assets impairment loss.
- Average operating revenue per employee decreased by 23% mainly results from interest income reducing.
- The average earnings per employee increased by 105%, ROA increased by 105%, ROE increased by 105%, net income ratio increased by 104% and EPS increased by 105% mainly result from inferior investment profits and recognition of assets impairment loss in 2008 so as to increase TWD700 million of net income in 2009.
- The return on first capital assets increased by 109% and profitability growth rate increased by 111% due to loss in 2008 and pre-tax income increased by 7,600 million in 2009.
- Cash flow adequacy ratio increase mainly results from operating cash flow increase and the capital expenditure and the dividend decrease in 2009.
- Liquid Reserves Ratio increased by 40% results from increasing of holding investment position.

#### Note:

##### 1. Operating ability

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

##### 2. Profitability

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

## 3. Financial Structure

(1) Ratio of Liabilities to Assets = Liabilities / Total Assets

(2) Ratio of Fix Assets to Shareholders' Equity = Fix Assets / Shareholders' Equities

## 4. Growth Rate

(1) Asset Growth Rate = (Total Assets of the Year-Total Assets of Previous Year)/Total Assets of Previous Year

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

## 5. Cash Flow

(1) Ratio of Cash Flow= Net cash flow from business activities /(call loans and overdrafts from banks + commercial paper payable +financial liabilities measured at fair value through profit or loss + bonds and bills sold under repurchase agreement + current portion of payables)

(2) Ratio of 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; %

| Descriptions                  | Year   | Capital Adequacy Ratio of Recent Five Year |           |           |           |           |
|-------------------------------|--|--|-----------|-----------|-----------|-----------|
|                               |  | 2009                                       | 2008      | 2007      | 2006      | 2005      |
| Net Capital<br>Tier I Capital | Common Stocks  | 3,680,451                                  | 3,680,451 | 3,555,991 | 3,431,904 | 3,337,341 |
|                               | 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) | 878,099                                    | 1,199,457 | 1,323,875 | 1,443,962 | 1,443,908 |
|                               | Legal Reserves   | -  | 313,783   | 294,927   | 277,907   | 201,605   |
|                               | Special Reserves   | -  | -         | -         | -         | -         |
|                               | Retained Earnings  | 31,010                                     | (635,140) | 66,519    | 60,167    | 256,398   |
|                               | Minority Interests   | -  | -         | -         | -         | -         |
|                               | Other of Equity  | 124  | 577       | (10,356)  | 29,361    | -         |
|                               | Minus: Goodwill  | 154,027                                    | 154,027   | 154,027   | 154,027   | -         |
|                               | Minus: Non-amortization of NPL Disposal Loss                 | -  | -         | -         | -         | -         |
|                               | Minus: Others  | 95,711                                     | 102,248   | 97,446    | 120,492   | 96,910    |
| Total Tier I                  | 4,339,946  | 4,302,853                                  | 4,979,483 | 4,968,782 | 5,142,342 |           |

| Items                                      |                  | Year  | Capital Adequacy Ratio of Recent Five Year |            |            |            |            |
|--|------------------|---|--|------------|------------|------------|------------|
|  |                  |   | 2009                                       | 2008       | 2007       | 2006       | 2005       |
| Net Capital                                | Tier II Capital  | Perpetual Cumulative Preferred Stocks   | -  | -          | -          | -          | -          |
|  |                  | Cumulative Subordinated Debts Without Maturity Dates  | -  | -          | -          | -          | -          |
|  |                  | Fixed Asset Appreciation Surplus  | 67,294                                     | 67,294     | 67,294     | 67,294     | 67,294     |
|  |                  | 45% of Unrealized Gain of Financial Assets in Available-for-sale  | 10,921                                     | 2,354      | 2,527      | -          | -          |
|  |                  | Convertible Bonds   | -  | -          | -          | -          | -          |
|  |                  | Operating Reserves and Loan Loss Provision  | 98,404                                     | 13,925     | 1,284      | 2,212      | 15,095     |
|  |                  | Long-term Subordinated Debts  | 2,169,973                                  | 2,151,427  | 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   | 95,710                                     | 102,247    | 97,446     | 120,491    | 96,910     |
|  | Total Tier II    | 2,250,882   | 2,132,753                                  | 2,463,400  | 2,449,015  | (14,521)   |            |
|  | Tier III Capital | Short-term Subordinated Debts   | -  | -          | -          | -          | -          |
|  |                  | Non-perpetual Preferred Stocks  | -  | -          | -          | -          | -          |
|  |                  | Total Tier III  | -  | -          | -          | -          | -          |
| Net Capital                                |                  | 6,590,828   | 6,435,606                                  | 7,442,883  | 7,417,797  | 5,127,821  |            |
| Total Weighted Risk Assets                 | Credit Risk      | Standardized Approach   | 52,781,703                                 | 54,553,316 | 58,639,906 | 62,652,619 | 53,197,335 |
|  |                  | Internal-rating-based Approach  | -  | -          | -          | -          | -          |
|  |                  | Securitization  | 13,977                                     | -          | -          | -          | -          |
|  | Operational Risk | Basic Indicator Approach  | 3,244,938                                  | 3,346,650  | 3,563,313  | -          | -          |
|  |                  | Standardized Approach / Alternative Approach  | -  | -          | -          | -          | -          |
|  |                  | Advanced Measurement Approach   | -  | -          | -          | -          | -          |
|  | Market Risk      | Standardized Approach   | 1,938,363                                  | 2,891,763  | 2,257,538  | 2,306,750  | 1,261,025  |
|  |                  | Internal Model Approach   | -  | -          | -          | -          | -          |
| Total Risk-weighted Assets                 |                  | 57,978,981  | 60,791,729                                 | 64,460,757 | 64,959,369 | 54,458,360 |            |
| Capital Adequacy Ratio                     |                  | 11.37   | 10.59                                      | 11.55      | 11.42      | 9.42       |            |
| Tier I Capital to Risk Assets Ratio        |                  | 7.49  | 7.08                                       | 7.72       | 7.65       | 9.44       |            |
| Tier II Capital to Risk Assets Ratio       |                  | 3.88  | 3.51                                       | 3.82       | 3.77       | (0.03)     |            |
| Tier III Capital to Risk Assets Ratio      |                  | -   | -  | -          | -          | -          |            |
| Common Shares Equity to Total Assets Ratio |                  | 3.37  | 3.48                                       | 3.45       | 3.25       | 3.74       |            |

**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 x 12.5
3. Capital Adequacy Ratio = Net Capital Base / Total Risk Asset
4. Ratio of Tier I Capital to Risk Asset = Tier I Capital / Total Risk Asset
5. Ratio of Tier II Capital to Risk Asset = Tier II Capital / Total Risk Asset
6. Ratio of Tier III Capital to Risk Asset = Tier III Capital / Total Risk Asset
7. Ratio of Common Share Equity to Total Asset = Common Share Equity / Total Asset

### 6-3 Supervisors' Audit Report for Latest Year

#### COTA Commercial Bank Co., Ltd., Supervisor's Audit Report for Year 2009

Mar. 19, 2010

To: Shareholders' General Meeting of Year 2010

The Business Report, Financial Statement, Consolidated Financial Statement and Earning Distribution of Fiscal 2009, 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 : Dhe-Chin Lai

Supervisor : Guo-Zhao Xiao

Supervisor : Zhuang-Tai Wang

Supervisor : Yong-Zhi Wang

**COTA Commercial Bank Co., Ltd.**  
**Financial Statements**  
**December 31, 2009 and 2008**  
(With Auditors' Report Thereon)

**Independent Auditors' Report**

The Board of Directors

COTA Commercial Bank Co., Ltd.:

We have audited the balance sheets of COTA Commercial Bank Co., Ltd. (the Company) as of December 31, 2009 and 2008, 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, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Bank," "Guidelines Governing the Preparation of Financial Reports by Securities Issuers," 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.

**KPMG**

February 22, 2010

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.

## COTA Commercial Bank Co., Ltd. Balance Sheets December 31, 2009 and 2008

(expressed in thousands of New Taiwan Dollars)

|   | 2009                  | 2008               | Change of<br>percentage |
|---|-----------------------|--------------------|-------------------------|
| <b>Assets</b>   |                       |                    |                         |
| Cash and cash equivalents (note 4)  | \$ 1,293,477          | 2,004,880          | (35)                    |
| Due from the Central Bank and call loans to other banks (note 5)              | 25,142,179            | 17,364,366         | 45                      |
| Financial assets measured at fair value through profit or loss (note 6)       | 737,002               | 1,474,982          | (50)                    |
| Bonds and bills purchased under resale agreements                             | -                     | 797,105            | (100)                   |
| Receivables, net (notes 7 and 26)   | 469,463               | 723,584            | (35)                    |
| Loans, net (note 8)   | 75,527,272            | 78,388,068         | (4)                     |
| Available-for-sale financial assets, net (notes 9 and 27)                     | 1,934,258             | 1,750,932          | 10                      |
| Held-to-maturity financial assets, net (notes 10 and 27)                      | 1,394,552             | 440,288            | 217                     |
| Long-term investments under equity method (note 11)                           | 6,313                 | 5,606              | 13                      |
| Other financial assets (note 12)  | 381,967               | 621,515            | (39)                    |
| Premises and equipment, net (note 13)   | 1,307,502             | 1,343,527          | (3)                     |
| Intangible assets (note 14)   | 166,205               | 169,572            | (2)                     |
| Deferred income tax assets (note 23)  | 147,127               | 179,026            | (18)                    |
| Other assets (note 15)  | 601,932               | 640,701            | (6)                     |
| <b>Total Assets</b>   | <b>\$ 109,109,249</b> | <b>105,904,152</b> | <b>3</b>                |
| <b>Liabilities and Stockholders' Equity</b>                                   |                       |                    |                         |
| <b>Liabilities:</b>   |                       |                    |                         |
| Due to the Central Bank and other banks (note 16)                             | \$17,372              | 42,560             | (59)                    |
| Financial liabilities measured at fair value through profit or loss (note 17) | 173                   | 1,004              | (83)                    |
| Payables (note 18)  | 543,031               | 742,021            | (27)                    |
| Deposits and remittances (note 19)  | 100,852,795           | 97,454,023         | 3                       |
| Subordinate financial debentures (note 20)                                    | 2,498,773             | 2,497,792          | -                       |
| Accrued pension liability (note 21)   | 57,729                | 69,227             | (17)                    |
| Other liabilities (note 14)   | 458,128               | 465,873            | (2)                     |
| <b>Total liabilities</b>  | <b>104,428,001</b>    | <b>101,272,500</b> | <b>3</b>                |
| <b>Stockholders' equity (note 22):</b>  |                       |                    |                         |
| Common stock  | 3,680,451             | 3,680,451          | -                       |
| Capital reserve   | 878,099               | 1,199,457          | (27)                    |
| <b>Retained earnings:</b>   |                       |                    |                         |
| Statutory reserve   | -                     | 313,783            | (100)                   |
| Undistributed earnings (Accumulated deficit)                                  | 31,010                | (635,141)          | (105)                   |
|   | 31,010                | (321,358)          | (110)                   |
| <b>Equity adjustments</b>   |                       |                    |                         |
| Land revaluation increments (note 13)   | 67,294                | 67,294             | -                       |
| Cumulative foreign currency translation adjustments                           | 124                   | 577                | (79)                    |
| Unrealized gains on financial instruments                                     | 24,270                | 5,231              | 364                     |
|   | 91,688                | 73,102             | 25                      |
| <b>Total stockholders' equity</b>   | <b>4,681,248</b>      | <b>4,631,652</b>   | <b>1</b>                |
| <b>Commitments and contingencies (note 28)</b>                                |                       |                    |                         |
| <b>Total Liabilities and Stockholders' Equity</b>                             | <b>\$ 109,109,249</b> | <b>105,904,152</b> | <b>3</b>                |

*See accompanying notes to financial statements.*



## COTA Commercial Bank Co., Ltd. Statements of Income For the Years Ended December 31, 2009 and 2008

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

|   | 2009             | 2008             | Change of percentage |
|---|------------------|------------------|----------------------|
| Interest income (note 26)   | \$ 2,409,886     | 3,504,369        | (31)                 |
| Less: interest expense (note 26)  | <u>1,068,533</u> | <u>1,880,150</u> | (43)                 |
| <b>Net interest income</b>  | 1,341,353        | 1,624,219        | (17)                 |
| <b>Non-interest income, net</b>   |                  |                  |                      |
| Service fees income, net (note 26)  | 233,952          | 253,425          | (8)                  |
| Gain (loss) on financial assets or liabilities measured at fair value through profit and loss | 85,454           | (66,208)         | 229                  |
| Realized gain on available-for-sale financial assets  | 5,136            | -                | -                    |
| Investment income recognized under equity method (note 11)                                    | 1,247            | 606              | 106                  |
| Foreign exchange gains, net   | 5,708            | 23,965           | (76)                 |
| Reversal of impairment loss (Impairment loss) (notes 12 and 15)                               | 50,865           | (458,891)        | (111)                |
| Other non-interest income, net  | <u>45,188</u>    | <u>52,620</u>    | (14)                 |
| <b>Net revenue</b>  | <u>1,768,903</u> | <u>1,429,736</u> | 24                   |
| <b>Bad debt expense</b> (note 8)  | <u>428,213</u>   | <u>678,683</u>   | (37)                 |
| <b>Operating expense:</b>   |                  |                  |                      |
| Personnel expenses  | 865,209          | 990,659          | (13)                 |
| Depreciation and amortization expenses (note 14)  | 61,396           | 65,634           | (6)                  |
| Other general and administrative expense  | <u>352,756</u>   | <u>389,741</u>   | (9)                  |
| <b>Total operating expense</b>  | <u>1,279,361</u> | <u>1,446,034</u> | (12)                 |
| <b>Income (Loss) before income taxes</b>  | 61,329           | (694,981)        | 109                  |
| <b>Income tax expense (benefit)</b> (note 23)   | <u>30,319</u>    | <u>(53,457)</u>  | 157                  |
| <b>Net income (loss)</b>  | <u>\$ 31,010</u> | <u>(641,524)</u> | 105                  |

|   | 2009                 |                     | 2008                 |                     |
|---|----------------------|---------------------|----------------------|---------------------|
|   | Before<br>income tax | After<br>income tax | Before<br>income tax | After<br>income tax |
| <b>Basic Earning per Share (in NTD)</b> (note 24) | \$ <u>0.17</u>       | <u>0.08</u>         | <u>(1.89)</u>        | <u>(1.74)</u>       |
| <b>Diluted Earning Per Share</b>                  | \$ <u>0.17</u>       | <u>0.08</u>         | <u>(1.89)</u>        | <u>(1.74)</u>       |

*See accompanying notes to financial statements.*

## COTA Commercial Bank Co., Ltd. Statements of Changes in Stockholders' Equity For the Years Ended December 31, 2009 and 2008

(expressed in thousands of New Taiwan Dollars)

|  | Common stock        | Capital reserve  | Retained earnings<br>Statutory reserve | Undistributed earnings<br>(Accumulated Deficit) | Land revaluation increments | Cumulative foreign currency translation adjustments | Unrealized gains on financial instruments | Unrecognized pension cost | Total            |
|--|---------------------|------------------|--|---|-----------------------------|---|---|---------------------------|------------------|
| <b>Balance as of January 1, 2008</b>                           | \$ 3,555,991        | 1,323,875        | 294,927                                | 66,519  | 67,294                      | (59)  |   | (10,297)                  | 5,303,866        |
| Appropriation and distribution of 2007 earnings:               |                     |                  |  |   |                             |   |   |                           |                  |
| Statutory reserve  | -                   | -                | 18,856                                 | (18,856)  | -                           | -   | -   | -                         | -                |
| Remuneration to directors and supervisors                      | -                   | -                | -                                      | (1,320)   | -                           | -   | -   | -                         | (1,320)          |
| Employee profit  | -                   | -                | -                                      | (4,400)   | -                           | -   | -   | -                         | (4,400)          |
| Cash dividends   | -                   | -                | -                                      | (35,560)  | -                           | -   | -   | -                         | (35,560)         |
| Capital reserve capitalized                                    | 124,460             | (124,460)        | -                                      | -   | -                           | -   | -   | -                         | -                |
| Unrealized loss on available-for-sale financial assets         | -                   | -                | -                                      | -   | -                           | -   | (385)                                     | -                         | (385)            |
| Changes in cumulative foreign currency translation adjustments | -                   | -                | -                                      | -   | -                           | 636   | -   | -                         | 636              |
| Unrecognized pension cost                                      | -                   | -                | -                                      | -   | -                           | -   | -   | 10,297                    | 10,297           |
| Miscellaneous overpayment by shareholders                      | -                   | 42               | -                                      | -   | -                           | -   | -   | -                         | 42               |
| Net loss for 2008  | -                   | -                | -                                      | (641,524)                                       | -                           | -   | -   | -                         | (641,524)        |
| <b>Balance as of December 31, 2008</b>                         | <u>3,680,451</u>    | <u>1,199,457</u> | <u>313,783</u>                         | <u>(635,141)</u>                                | <u>67,294</u>               | <u>577</u>  | <u>5,231</u>                              | <u>-</u>                  | <u>4,631,652</u> |
| Appropriation and distribution of 2008 earnings:               |                     |                  |  |   |                             |   |   |                           |                  |
| Statutory reserve used to absorb losses in prior years         | -                   | -                | (313,783)                              | 313,783   | -                           | -   | -   | -                         | -                |
| Capital reserve used to absorb losses in prior years           | -                   | (321,358)        | -                                      | 321,358   | -                           | -   | -   | -                         | -                |
| Unrealized gain on available-for-sale financial assets         | -                   | -                | -                                      | -   | -                           | -   | 19,039                                    | -                         | 19,039           |
| Changes in cumulative foreign currency translation adjustments | -                   | -                | -                                      | -   | -                           | (453)   | -   | -                         | (453)            |
| Net Income for 2009  | -                   | -                | -                                      | 31,010  | -                           | -   | -   | -                         | 31,010           |
| <b>Balance as of December 31, 2009</b>                         | <u>\$ 3,680,451</u> | <u>878,099</u>   | <u>-</u>                               | <u>31,010</u>                                   | <u>67,294</u>               | <u>124</u>  | <u>24,270</u>                             | <u>-</u>                  | <u>4,681,248</u> |

*See accompanying notes to financial statements.*

## COTA Commercial Bank Co., Ltd.

### Statements of Cash Flows

#### For the Years Ended December 31, 2009 and 2008

(expressed in thousands of New Taiwan Dollars)

|   | 2009                | 2008               |
|---|---------------------|--------------------|
| <b>Cash flows from operating activities:</b>  |                     |                    |
| <b>Net income (loss)</b>  | \$ 31,010           | (641,524)          |
| <b>Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:</b> |                     |                    |
| Depreciation and amortization   | 63,105              | 67,777             |
| Provision for loan losses and other reserves  | 428,213             | 678,683            |
| Investment income recognized under equity method  | (707)               | (606)              |
| Accrued pension cost  | 54,779              | 60,710             |
| Amortization of discount on subordinate financial debentures  | 981                 | 981                |
| Impairment loss (Reversal of impairment loss)   | (50,865)            | 458,891            |
| Loss (gain) on disposal of properties and idle assets, net  | 1,559               | (587)              |
| Gain on disposal of foreclosed properties, net  | -                   | (1,644)            |
| Decrease (increase) in financial assets measured at fair value through profit or loss                     | 737,980             | (869,898)          |
| Increase (decrease) in financial liabilities measured at fair value through profit or loss                | (831)               | 734                |
| Decrease in receivables   | 247,791             | 128,586            |
| Decrease (increase) in deferred income tax asset  | 31,899              | (78,653)           |
| Decrease in other assets  | 21,450              | 24,364             |
| Increase (decrease) in payables   | (198,990)           | 119,255            |
| Pension payment   | (58,001)            | (58,728)           |
| Increase (decrease) in other liabilities  | (10,647)            | 49,072             |
| <b>Net cash provided by (used in) operating activities</b>  | <u>1,298,726</u>    | <u>(62,587)</u>    |
| <b>Cash flows from investing activities:</b>  |                     |                    |
| Increase in due from the Central Bank and call loans to other banks                                       | (7,777,813)         | (11,956,728)       |
| Decrease in loans   | 2,438,089           | 1,325,403          |
| Increase in available-for-sale financial assets   | (164,287)           | (482,774)          |
| Decrease (increase) in held-to-maturity financial assets  | (954,264)           | 6,769,943          |
| Decrease in bonds and bills purchased under resale agreements   | 797,105             | 1,138,804          |
| Decrease (increase) in other financial assets   | 240,582             | (30,623)           |
| Increase in long-term investment under equity method  | -                   | (5,000)            |
| Purchase of property and equipment  | (5,176)             | (10,118)           |
| Proceeds from sale of properties and idle assets  | 41,662              | 23,136             |
| Increase in deferred expense  | (11,209)            | (3,413)            |
| Purchase of computer software   | (48)                | (2,708)            |
| Proceeds from sale of foreclosed properties   | -                   | 21,443             |
| Decrease in other assets  | 9,407               | 23,528             |
| <b>Net cash used in investing activities</b>  | <u>(5,385,952)</u>  | <u>(3,189,107)</u> |
| <b>Cash flows from financing activities:</b>  |                     |                    |
| Decrease in due to the Central Bank and other banks   | (25,188)            | (381,460)          |
| Increase in deposits and remittances  | 3,398,772           | 3,821,580          |
| Increase (decrease) in other liabilities  | 2,692               | (4,297)            |
| Odd lot trading to overpay  | -                   | 42                 |
| Cash dividends paid   | -                   | (35,560)           |
| Remuneration to directors and supervisors   | -                   | (1,320)            |
| Employee profit paid  | -                   | (4,400)            |
| <b>Net cash provided by financing activities</b>  | <u>3,376,276</u>    | <u>3,394,585</u>   |
| <b>Effect of exchange rate changes</b>  | (453)               | 636                |
| <b>Net (decrease) increase in cash and cash equivalents</b>   | <u>(711,403)</u>    | <u>143,527</u>     |
| <b>Cash and cash equivalents at beginning of year</b>   | 2,004,880           | 1,861,353          |
| <b>Cash and cash equivalents at end of year</b>   | <u>\$ 1,293,477</u> | <u>2,004,880</u>   |
| <b>Supplemental disclosures of cash flow information:</b>   |                     |                    |
| Cash paid during the period for:  |                     |                    |
| Interest  | \$ 1,187,379        | <u>1,870,725</u>   |
| Income tax  | \$ 26,052           | <u>36,446</u>      |

*See accompanying notes to financial statements.*

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements December 31, 2009 and 2008

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

The Company is engaged in:

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

As of December 31, 2009 and 2008, the Company employed 1,095 and 1,141 persons, respectively.

### 2. Summary of Significant Accounting Policies

The accompanying financial statements were prepared in accordance with the "Guidelines Governing the Preparation of Financial Reports by Banks", the "Guidelines Governing the preparation of Financial Reports by Securities Issuers", 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.

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 trustors. All the entrusted assets are booked in the memo account.

*(Continued)*

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

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

**(b) Accounting Estimates**

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

**(c) Foreign currency transactions**

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

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

**(d) Asset impairment**

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

**(e) Financial 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:

(i) 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 hold for

*(Continued)*

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

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

hedging purposes and the hedging results are considered effective, the Company's derivatives are classified into this account.

(ii) 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.

(iii) 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.

(iv) Financial assets carried at cost:

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

(v) Debts investment without active market:

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 the Central Bank**

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

**(g) Repurchase and resale agreements**

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

*(Continued)*

**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 period overdue. Assets that require special mention shall be classified as "Category Two," assets that are substandard shall be classified as "Category Three," assets that are doubtful shall be classified as "Category Four," and assets for which there is loss shall be classified as "Category Five."

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

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

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

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

**(i) Long - term investment under equity method**

Equity investments are accounted for under the equity method when the percentage of ownership, including direct investments by the Company and by its subsidiaries, exceeds 20%, or is less than 20% but the Company and its subsidiaries have significant influence over the investee.

The Company obtains control over an investee when it directly or indirectly owns more than one half of the voting rights of the investee. The aforementioned investees are accounted for using the equity method. Consolidated financial statements included the aforementioned investees are prepared at the end of each June and December.

**(j) Premises and equipment**

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

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

*(Continued)*

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

|                          |                |
|--------------------------|----------------|
| Buildings and premises   | 14 to 68 years |
| Operating equipment      | 3 to 11 years  |
| Transportation equipment | 4 to 8 years   |
| Miscellaneous equipment  | 3 to 20 years  |

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

**(k) Assets under operating lease**

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

**(l) Idle assets**

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

**(m) Intangible assets**

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

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

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

**(n) Deferred charges**

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

**(o) 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.

**(p) 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 an operating expense.

*(Continued)*



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

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

**(q) Employee retirement plans**

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

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

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

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

**(r) Reserve for guarantee liability**

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

**(s) Revenue recognition**

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

**(t) Income tax**

Income taxes are calculated based on accounting income. The amounts for deferred income tax liabilities and assets are calculated by applying the provisions of enacted tax law to determine the amount of tax payable or refundable, currently or in future years. The income tax effects of taxable temporary differences are recorded as deferred income tax liabilities. The income tax effects of deductible temporary differences, loss carry-forwards, and income tax credits are recognized as deferred income tax assets. The realization of deferred income tax assets is evaluated, and if it is considered more likely than not that the asset will not be realized, a valuation allowance is recognized accordingly. Deferred income tax assets and liabilities are classified as current or non-current based on the classification of the asset or liability that resulted in the deferred item or, for certain transactions not directly related to an asset or liability, based on the timing of the expected reversal date.

*(Continued)*

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

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

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

Tax credits generated from personnel training expenditure are recognized in the current period. According to the revised Income Tax Law that became effective January 1, 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.

**(u) Employee bonuses, Directors' and Supervisors' remuneration**

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

**(v) Earnings per share (EPS)**

Earnings per share of common stock are the net income available to common stockholders divided by the weighted-average number of outstanding shares of common stock. The effect on earnings per share from an increase in stock through the issuance of stock dividends from un-appropriated earnings, capital surplus, or employee stock bonuses approved in the annual stockholders' meetings held before and in 2008 is computed retroactively. If these changes occur after the balance sheet date but before the issuance date of the financial statements, the earnings per share calculations shall also be adjusted retroactively.

Stock warrants issued to employees by the Company, convertible bonds, and employee stock bonuses not yet authorized by the stockholders' meeting are potential common shares. Basic net income per share will be disclosed if there is no dilution effect. Otherwise, both basic and diluted net income per share will be disclosed. For the purpose of calculating diluted net income per share, the potential common shares should be deemed to have been converted into common stock at the beginning of the period, and the effect on the net income attributable to additional common shares outstanding should be considered accordingly. The number of shares of the dividend distribution to be approved in the annual stockholders' meeting held after 2008 is based on closing price of the day before the stockholders' meeting. However, when preparing the interim financial statements, the number of shares of the dividend distribution is based on closing price of the balance sheet date.

Effective from January 1, 2008, the Company adopted the Interpretation (97)169 and (97)052 issued by the ARDF. According to the interpretations, employee bonuses issued by stock were deemed as dilutive share equivalent. Before resolved by the shareholders' annual meeting, the effect of diluted share equivalent related to employee bonuses is calculated based on the quoted value on the balance sheet date.

**(w) Commitments and contingencies**

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

*(Continued)*

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

### 3. Changes in Accounting Policies

Starting from January 1, 2008, the Company adopted R.O.C. SFAS No. 39 "Share-based Payment" and Interpretation (96)052 issued by the ARDF. The Company classifies, measures, and discloses a share-based payment transaction, employee bonuses, and regular compensation for directors and supervisors in accordance with the aforementioned standards. The change in accounting principle does not have a significant impact on the net income for the year ended December 31, 2008. According to Interpretation (97)169 issued by the ARDF, the basic EPS and diluted EPS shall not be retroactively adjusted if capital increases from employee profit-sharing. If employee profit-sharing is distributed in shares with dilutive potential, such shares should be included in the calculation of diluted EPS.

### 4. Cash and Cash Equivalents

|                           | December 31,<br>2009 | December 31,<br>2008 |
|---------------------------|----------------------|----------------------|
| Cash                      | \$ 941,747           | 972,322              |
| Checks awaiting clearance | 180,992              | 196,099              |
| Deposits in other banks   | <u>170,738</u>       | <u>836,459</u>       |
|                           | <b>\$ 1,293,477</b>  | <b>2,004,880</b>     |

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

|   | December 31,<br>2009 | December 31,<br>2008 |
|---|----------------------|----------------------|
| Deposit reserve - checking accounts                   | \$ 1,569,728         | 1,331,036            |
| Deposit reserve - demand accounts                     | 2,718,300            | 2,566,664            |
| Deposit reserve - foreign currency deposits           | 2,896                | 2,950                |
| Certificate of deposits                               | 19,850,000           | 12,350,000           |
| Call loans to banks                                   | 919,467              | 1,061,159            |
| Deposits with Financial Information Service Co., Ltd. | <u>81,788</u>        | <u>52,557</u>        |
|   | <b>\$ 25,142,179</b> | <b>17,364,366</b>    |

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

*(Continued)*

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

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

|  | December 31,<br>2009 | December 31,<br>2008 |
|--|----------------------|----------------------|
| Financial instruments held for trading purpose:                |                      |                      |
| Quoted stocks  | \$ 49,096            | 70,722               |
| Beneficiary certificates                                       | 135,211              | 760,955              |
| Forward contracts  | 1,806                | 2,308                |
| Futures margin deposit   | -                    | 1,252                |
| Call options   | -                    | 22                   |
|  | <u>186,113</u>       | <u>835,259</u>       |
| Financial assets measured at fair value through profit or loss |                      |                      |
| Convertible bonds  | 550,889              | 639,723              |
|  | <u>\$ 737,002</u>    | <u>1,474,982</u>     |

### 7. Receivables

|                                 | December 31,<br>2009 | December 31,<br>2008 |
|---------------------------------|----------------------|----------------------|
| Credit card accounts receivable | \$ 256,261           | 393,772              |
| Interest receivable             | 144,438              | 223,490              |
| Tax refund receivable           | 51,060               | 57,697               |
| Acceptances receivable          | 8,040                | 35,468               |
| Accrued income                  | 3,271                | 4,927                |
| Others                          | 11,792               | 13,776               |
|                                 | <u>474,862</u>       | <u>729,130</u>       |
| Less: allowance for loan losses | (5,399)              | (5,546)              |
|                                 | <u>\$ 469,463</u>    | <u>723,584</u>       |

### 8. Loans

|                                       | December 31,<br>2009 | December 31,<br>2008 |
|---------------------------------------|----------------------|----------------------|
| Exchanges and export bills negotiated | \$ 19,455            | 22,509               |
| Overdrafts                            | 90,049               | 132,285              |
| Short-term loans                      | 11,742,626           | 17,778,391           |
| Medium-term loans                     | 35,980,873           | 34,554,117           |
| Long-term loans                       | 27,175,769           | 25,163,059           |
| Non-performing loans                  | 1,400,636            | 1,754,707            |
|                                       | <u>76,409,408</u>    | <u>79,405,068</u>    |
| Less: allowance for loan losses       | (882,136)            | (1,017,000)          |
|                                       | <u>\$ 75,527,272</u> | <u>78,388,068</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, 2009 and 2008 were as follows:

|  | Unrecovery risk                         |   |                  |
|--|---|---|------------------|
|  | Unrecovery risk<br>for particular loans | for the overall loan<br>portfolio (excluding<br>particular loans) | Total            |
| <b>2009</b>                                |   |   |                  |
| Balance at beginning of year               | \$ 1,011,047                            | 12,779  | 1,023,826        |
| Current provisions                         | 343,944                                 | 84,269  | 428,213          |
| Recoveries of loans previously charged-off | 121,172                                 | -   | 121,172          |
| Loans charged-off                          | (685,430)                               | -   | (685,430)        |
| Balance at end of year                     | <b>\$ 790,733</b>                       | <b>97,048</b>   | <b>887,781</b>   |
| <b>2008</b>                                |   |   |                  |
| Balance at beginning of year               | \$723,397                               | 641   | 724,038          |
| Current provisions                         | 666,545                                 | 12,138  | 678,683          |
| Recoveries of loans previously charged-off | 124,883                                 | -   | 124,883          |
| Loans charged-off                          | (503,778)                               | -   | (503,778)        |
| Balance at end of year                     | <b>\$ 1,011,047</b>                     | <b>12,779</b>   | <b>1,023,826</b> |

Accrual of interest that has been suspended for non-performing loans amounted to \$0 and \$1,118 thousands, respectively as of December 31, 2009 and 2008. In addition, the Company had not written off any loans without launching a legal action.

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

|                  | December 31,<br>2009 | December 31,<br>2008 |
|------------------|----------------------|----------------------|
| Government bonds | \$ 70,298            | 69,061               |
| Corporate bonds  | 1,863,960            | 1,681,871            |
|                  | <b>\$ 1,934,258</b>  | <b>1,750,932</b>     |

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

|  | December 31,<br>2009 | December 31,<br>2008 |
|--|----------------------|----------------------|
| Government bonds                         | \$ 111,964           | 415,144              |
| Corporate bonds                          | 1,004,200            | 25,144               |
| Financial debentures                     | 78,388               | -                    |
| Negotiable certificates of time deposits | 200,000              | -                    |
|  | <b>\$ 1,394,552</b>  | <b>440,288</b>       |

(Continued)

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

### 11. Long-term Investments under Equity Method

|                                       | Original Cost   | Percentage of ownership | Investment income recognized under equity method | Book Value as of December 31, 2009 |
|---------------------------------------|-----------------|-------------------------|--|------------------------------------|
| COTA Bank Insurance Brokers Co., Ltd. | <u>\$ 5,000</u> | 100%                    | <u>1,247</u>                                     | <u>6,313</u>                       |

|                                       | Original Cost   | Percentage of ownership | Investment income recognized under equity method | Book Value as of December 31, 2008 |
|---------------------------------------|-----------------|-------------------------|--|------------------------------------|
| COTA Bank Insurance Brokers Co., Ltd. | <u>\$ 5,000</u> | 100%                    | <u>606</u>                                       | <u>5,606</u>                       |

### 12. Other Financial Assets

|  | December 31, 2009 | December 31, 2008 |
|--|-------------------|-------------------|
| Overdue receivables                    | \$ 2,028          | 2,079             |
| Less: allowance for bad debts          | (246)             | (1,280)           |
|  | 1,782             | 799               |
| Remittances purchased                  | -                 | 175               |
| Financial assets carried at cost       | 184,892           | 184,892           |
| Debts investment without active market | 195,293           | 435,649           |
|  | <u>\$ 381,967</u> | <u>621,515</u>    |

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

Such assets represented the following equity investments:

|  | December 31, 2009 |             | December 31, 2008 |             |
|--|-------------------|-------------|-------------------|-------------|
|  | 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               | 0.42        | 253               | 0.42        |
|  | <u>\$ 184,892</u> |             | <u>184,892</u>    |             |

#### (b) Debts investments without active market

|                                     | December 31, 2009 | December 31, 2008 |
|-------------------------------------|-------------------|-------------------|
| Mortgage - Backed Security          | \$69,887          | 268,416           |
| Auction Rate Security               | 133,530           | 165,509           |
| Financial debentures - Panhsin Bank | -                 | 10,000            |
| Less: accumulated impairment        | (8,124)           | (8,276)           |
|                                     | <u>\$ 195,293</u> | <u>435,649</u>    |

In 2008, the Company recognized an impairment loss of \$8,339 thousands for the debts investments without active market.

(Continued)

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

### 13. Premises and Equipment

#### (a) Cost

|                                | December 31,<br>2009       | December 31,<br>2008    |
|--------------------------------|----------------------------|-------------------------|
| Land                           | \$ 684,850                 | 684,850                 |
| Buildings                      | 568,666                    | 568,666                 |
| Operating equipment            | 189,559                    | 189,615                 |
| Transportation equipment       | 21,370                     | 21,273                  |
| Miscellaneous equipment        | 174,560                    | 175,648                 |
| Revaluation increment of land  | <u>199,971</u>             | <u>199,971</u>          |
|                                | 1,838,976                  | 1,840,023               |
| Less: accumulated depreciation | (532,678)                  | (501,976)               |
| Prepayments for equipment      | <u>1,204</u>               | <u>5,480</u>            |
|                                | <b><u>\$ 1,307,502</u></b> | <b><u>1,343,527</u></b> |

#### (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 an equity item. As of December 31, 2009 and 2008, such land revaluation increment was reflected in the financial statements as follows:

|  | December 31,<br>2009    | December 31,<br>2008 |
|--|-------------------------|----------------------|
| Land revaluation increment                         | \$ 126,495              | 126,495              |
| Less: provision for land revaluation increment tax | <u>(59,201)</u>         | <u>(59,201)</u>      |
|  | <b><u>\$ 67,294</u></b> | <b><u>67,294</u></b> |

#### (c) Other

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

### 14. Intangible Assets

|                   | December 31,<br>2009     | December 31,<br>2008  |
|-------------------|--------------------------|-----------------------|
| Goodwill          | \$ 154,027               | 154,027               |
| Computer software | <u>12,178</u>            | <u>15,545</u>         |
|                   | <b><u>\$ 166,205</u></b> | <b><u>169,572</u></b> |

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 as of December 31, 2009 and 2008.

*(Continued)*

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

Intangible assets consisted of computer software. The movements during 2009 and 2008 were as follows:

Original cost

|                   | 2009             | 2008          |
|-------------------|------------------|---------------|
| Beginning balance | \$ 31,498        | 28,790        |
| Additions         | 48               | 2,708         |
| Ending balance    | <u>\$ 31,546</u> | <u>31,498</u> |

Accumulated amortization

|                   | 2009             | 2008          |
|-------------------|------------------|---------------|
| Beginning balance | \$ 15,953        | 12,411        |
| Amortization      | 3,415            | 3,542         |
| Ending balance    | <u>\$ 19,368</u> | <u>15,953</u> |

The amortization expenses of \$3,415 and \$3,542 thousands in 2009 and 2008 were recorded as operating expense, respectively.

## 15. Other Assets

|  | December 31,<br>2009 | December 31,<br>2008 |
|--|----------------------|----------------------|
| Office supplies  | \$ 2,959             | 2,430                |
| Prepaid expenses                                       | 70,323               | 102,243              |
| Idle assets, net of depreciation                       | 4,653                | 300,657              |
| Assets under lease, net of depreciation and impairment | 386,786              | 83,272               |
| Refundable deposits                                    | 39,919               | 49,326               |
| Deferred pension cost                                  | 52,027               | 60,303               |
| Deferred charges                                       | 34,487               | 41,633               |
| Others   | 10,778               | 837                  |
|  | <u>\$ 601,932</u>    | <u>640,701</u>       |

The impairment loss for the idle asset was recognized by \$450,552 thousands in 2008 due to the decline of market value which was assessed by the Company. The land was then reclassified as asset under lease in 2009 because of its changed nature of use and also reversed the accumulated impairment loss by \$50,865 thousands in profit and loss for the appreciation of its market value which was assessed from an independent appraisal report.

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

|               | December 31,<br>2009 | December 31,<br>2008 |
|---------------|----------------------|----------------------|
| Bank deposits | \$ 17,372            | 42,560               |

(Continued)



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

**17. Financial Liabilities Measured at Fair Value Through Profit or Loss**

|                   | December 31,<br>2009 | December 31,<br>2008 |
|-------------------|----------------------|----------------------|
| Forward contracts | \$45                 | 734                  |
| Futures margin    | 128                  | -                    |
| Put option        | -                    | 270                  |
|                   | <u>\$173</u>         | <u>1,004</u>         |

**18. Payables**

|                                      | December 31,<br>2009 | December 31,<br>2008 |
|--------------------------------------|----------------------|----------------------|
| Interest payable                     | \$ 128,963           | 247,809              |
| Tax payable                          | 12,806               | 17,135               |
| Collections payable                  | 52,555               | 64,873               |
| Accrued expenses                     | 94,216               | 108,473              |
| Dividends payable                    | 727                  | 1,200                |
| Acceptance drafts                    | 9,038                | 38,368               |
| Foreign currencies payable - current | -                    | 296                  |
| Checks awaiting clearance            | 180,992              | 196,099              |
| Others                               | 63,734               | 67,768               |
|                                      | <u>\$ 543,031</u>    | <u>742,021</u>       |

**19. Deposits and Remittances**

|                              | December 31,<br>2009  | December 31,<br>2008 |
|------------------------------|-----------------------|----------------------|
| Checking accounts            | \$ 1,421,362          | 1,255,791            |
| Cashiers' checks             | 112,148               | 89,427               |
| Check guaranteed for payment | 535                   | 135                  |
| Demand deposits              | 10,099,819            | 8,725,070            |
| Time deposits                | 13,583,440            | 14,715,577           |
| Postal deposits accepted     | 154,690               | 165,625              |
| Demand savings deposits      | 25,559,389            | 20,766,496           |
| Term savings deposits        | 49,896,129            | 51,733,161           |
| Remittances                  | 25,283                | 2,741                |
|                              | <u>\$ 100,852,795</u> | <u>97,454,023</u>    |

The interest rates of the above deposits ranged from 0.10% to 1.88% and from 0.11% to 3.16% in 2009 and in 2008, respectively.

*(Continued)*

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
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## 20. Subordinate Financial Debentures

In order to increase the capital adequacy and raise medium-term and long-term operating funds, the board of directors of the Company resolved to issue subordinate financial debentures in a total amount of \$2,500,000 thousands on August 12, 2005, which was approved by the regulation authorities 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, 2009   | December 31, 2008 |
|----------------------------|--|---------------------|-------------------|
| 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           |
| 95-1 B                     | 10-year term, interest payable annually, base on the Company's term savings deposits regular rate plus 1.2% for the first 5 years, and plus 2.5% for the last 5 years, maturity date: March 28, 2016 | 1,532,000           | 1,532,000         |
| Less: unamortized discount |  | (1,227)             | (2,208)           |
|                            |  | <b>\$ 2,498,773</b> | <b>2,497,792</b>  |

## 21. Pension

The Company performed an actuarial assessment of its employee pension liability on December 31, 2009 and 2008, 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, 2009  | December 31, 2008 |
|---|--------------------|-------------------|
| Benefit obligation:                                   |                    |                   |
| Vested benefit obligation                             | \$ (429,813)       | (413,409)         |
| Non-vested benefit obligation                         | (97,219)           | (93,509)          |
| Accumulated benefit obligation                        | (527,032)          | (506,918)         |
| Additional benefits based on future level of salaries | (198,619)          | (187,568)         |
| Projected benefit obligation                          | (725,651)          | (694,486)         |
| Fair value of plan assets                             | 469,303            | 437,690           |
| Funded status   | (256,348)          | (256,796)         |
| Unrecognized loss                                     | 123,772            | 111,237           |
| Unrecognized net transition obligation                | 126,874            | 136,635           |
| Additional minimum liability                          | (52,027)           | (60,303)          |
| Accrued pension liabilities                           | <b>\$ (57,729)</b> | <b>(69,227)</b>   |

The components of net periodic pension cost for 2009 and 2008 are as follows:

|                                | 2009             | 2008          |
|--------------------------------|------------------|---------------|
| Service cost                   | \$ 36,965        | 37,909        |
| Interest cost                  | 18,859           | 19,900        |
| Expected return on plan assets | (3,086)          | (14,606)      |
| Amortization and deferral      | 2,041            | 17,507        |
| Net pension cost               | <b>\$ 54,779</b> | <b>60,710</b> |

(Continued)

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

Actuarial assumptions for 2009 and 2008 were as follows:

|  | 2009  | 2008  |
|--|-------|-------|
| 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% |

As of December 31, 2009 and 2008, the vested benefits for retirement amounted to \$757,273 and \$699,529, respectively.

In addition, pension expense under the new labor pension system as a defined contribution plan of the Company amounted to \$18,147 and \$17,668 thousands for the years ended December 31, 2009 and 2008, respectively.

## 22. Stockholders' Equity

### (a) Common stock

As of December 31, 2009 and 2008, the Company's authorized capital both was \$6,000,000 thousands, with par value of \$10. Total outstanding shares were 368,045 thousands.

It was resolved in the stockholders' meetings on June 19, 2008 to increase capital through a capitalization of capital reserve amounting to \$124,460 thousands. The increases had been approved by the government authority.

### (b) Capital reserve

Capital reserve as of December 31, 2009 and 2008 was as follows:

|  | December 31,<br>2009 | December 31,<br>2008 |
|--|----------------------|----------------------|
| Statutory reserve and special reserve transferred in | \$ 742,056           | 1,061,892            |
| Additional paid-in capital                           | 136,043              | 136,043              |
| Other  | -                    | 1,522                |
|  | <u>\$ 878,099</u>    | <u>1,199,457</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. On May 27, 2009, the shareholders' meeting of the Company resolved to use capital reserve in the amount of \$321,358 thousands for absorbing prior losses.

### (c) Statutory reserve and earnings distribution

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

*(Continued)*

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

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

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

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

In accordance with the Company's Articles of Incorporation, employee bonuses and remuneration to directors and supervisors in 2009 were computed at an expected distribution rate of 10% and 3%, respectively, and based on the Company's net income for the year ended December 31, 2009, after setting aside legal reserve. Accordingly, the Company recorded employee bonuses and remuneration to directors and supervisors of \$2,171 thousand and \$651 thousand, respectively. The difference, if any, between the amount approved by stockholders in the subsequent year and the amount estimated in the current-year financial statements shall be accounted for as a change in accounting estimate, and charged to profit or loss in the period during which stockholders' approval is obtained.

For the year ended December 31, 2008, no employees' profit sharing or directors' and supervisors' remuneration were provided because of the accumulated deficit status of the Company.

On May 27, 2009, the shareholders' meeting of the Company resolved to use statutory reserve in the amount of \$313,783 thousands for absorbing prior losses.

The distributions of earnings for 2007 was resolved in the stockholders' meeting held on June 19, 2008, respectively. The details were as follows:

|  | 2007                   |
|--|------------------------|
| Dividend per share (in NT dollar)        | \$ <u>0.10</u>         |
| Employees' profit sharing - cash         | \$ 4,400               |
| Directors' and supervisors' remuneration | <u>1,320</u>           |
|  | <b>\$ <u>5,720</u></b> |

Actual earnings distribution for 2007 had no difference to the board's resolution. For the year ended December 31, 2008, no stockholders' regular dividends or stockholders bonuses or employees' profit sharing or directors' and supervisors' remuneration were provided because of the accumulated deficit status of the Company.

The proposal for the distribution of 2009 earnings has not yet to be presented to the stockholders' meeting. The information regarding earnings distribution will be posted on the Market Observation Posting System after the meeting.

*(Continued)*

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
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### 23. Income Tax

The Company is subject to an income tax rate of 25% and the Alternative Minimum Tax Act. According to the amended tax law issued on May 27, 2009, the Company will be subject to a 20% income tax rate from 2010. The components of income tax expense for 2009 and 2008 were summarized as follows:

|          | 2009             | 2008            |
|----------|------------------|-----------------|
| Current  | \$ (1,580)       | 25,196          |
| Deferred | 31,899           | (78,653)        |
|          | <b>\$ 30,319</b> | <b>(53,457)</b> |

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:

|  | 2009             | 2008            |
|--|------------------|-----------------|
| Expected income tax expense (benefit)                                      | \$ 15,332        | (173,745)       |
| 10% surtax on undistributed earnings                                       | -                | 136             |
| Impairment loss (reversal)   | (12,716)         | 110,582         |
| Investment tax credits   | 1,235            | (1,129)         |
| Tax effect of tax-exempt gains from sale of marketable securities and land | (15,904)         | 15,834          |
| Tax on interest income separately taxed                                    | (90)             | (6,081)         |
| Under(Over) accrual of prior year's income tax                             | (1,938)          | 739             |
| Adjustment to prior year's deferred tax assets                             | 1,133            | 2,072           |
| Allowance for deferred tax assets  | 7,000            | -               |
| Other adjustments  | (5,603)          | (1,865)         |
| Effect on deferred tax of the change in statutory tax rate                 | 41,870           | -               |
| Income tax expense (benefit)   | <b>\$ 30,319</b> | <b>(53,457)</b> |

Deferred income tax expense (benefit) for 2009 and 2008 were the tax consequences of the following temporary differences and credits:

|   | 2009             | 2008            |
|---|------------------|-----------------|
| Gain on reversal of unrealized exchange loss                    | \$ -             | 1,046           |
| Unrealized exchange gain (loss) variable                        | (5,212)          | 2,294           |
| Loss carryforwards  | (12,830)         | (24,578)        |
| Amortization of goodwill  | 3,080            | 3,851           |
| Investment tax credits  | 1,235            | -               |
| Unrealized loss on assets impairment                            | -                | (4,140)         |
| Reversal of allowance for deferred tax assets                   | 7,000            | -               |
| Reversal of allowance for bad debts in excess of tax limit      | -                | (55,883)        |
| Change in deferred tax effect resulting from change of tax rate | 38,229           | -               |
| Others  | 397              | (1,243)         |
|   | <b>\$ 31,899</b> | <b>(78,653)</b> |

*(Continued)*

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

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

Deferred income tax assets and liabilities as of December 31, 2009 and 2008, represented the tax effects of the following temporary differences, loss carry forwards and investment tax credit:

|  | December 31,<br>2009 | December 31,<br>2008 |
|--|----------------------|----------------------|
| Amortization of goodwill                                   | \$ (12,322)          | (11,552)             |
| Unrealized loss on foreclosed properties                   | 22,648               | 28,310               |
| Reversal of allowance for bad debts in excess of tax limit | 44,706               | 55,883               |
| Unrealized exchange loss(gain)                             | 3,377                | (2,294)              |
| Loss carryforwards   | 105,543              | 116,162              |
| Investment tax credits                                     | 2,646                | 3,881                |
| Others   | 3,529                | 4,636                |
| Valuation allowance  | (23,000)             | (16,000)             |
| Deferred income tax assets, net                            | <u>\$ 147,127</u>    | <u>179,026</u>       |

In accordance with ROC Income Tax Law, assessed net losses can be carried forward for ten years. As of December 31, 2009, the unused loss carryforwards 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        | 2016                                |
| 2007         | 98,470            | 2017                                |
| 2008         | 86,633            | 2018                                |
| 2009         | 68,681            | 2019                                |
|              | <u>\$ 527,715</u> |                                     |

The ROC tax authorities had examined and assessed the Company's income tax returns for all years through 2007.

Imputation credit account (ICA) and creditable ratio

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

Undistributed retained earnings:

|   | December 31, 2009       | December 31, 2008 |
|---|-------------------------|-------------------|
| Undistributed retained earning - 1998 and after | \$ <u>31,010</u>        | <u>(635,141)</u>  |
| Imputation credit account (ICA)                 | \$ <u>23,596</u>        | <u>4,752</u>      |
|   | <b>2009</b>             | <b>2008</b>       |
| The creditable ratio on retained earnings       | <b>33.33%(Expected)</b> | <b>Note</b>       |

Note: For the year ended December 31, 2009, the Company has no distributable earnings.

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**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
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**24. Earnings per Share**

|   | 2009              |                  | 2008              |                  |
|---|-------------------|------------------|-------------------|------------------|
|   | Before income tax | After income tax | Before income tax | After income tax |
| Basic earnings per share:                       |                   |                  |                   |                  |
| Net Income (loss)                               | \$ <u>61,329</u>  | <u>31,010</u>    | <u>(694,981)</u>  | <u>(641,524)</u> |
| Weighted-average outstanding shares             | <u>368,045</u>    | <u>368,045</u>   | <u>368,045</u>    | <u>368,045</u>   |
| Basic earnings per share (in NT dollar)         | \$ <u>0.17</u>    | <u>0.08</u>      | <u>(1.89)</u>     | <u>(1.74)</u>    |
| Diluted earnings per share:                     |                   |                  |                   |                  |
| Net profit used to calculate diluted EPS        | \$ <u>61,329</u>  | <u>31,010</u>    | <u>(694,981)</u>  | <u>(641,524)</u> |
| Weighted-average outstanding shares             | 368,045           | 368,045          | 368,045           | 368,045          |
| Effect of common stock with dilution potential: |                   |                  |                   |                  |
| Employee bonuses                                | 171               | 171              | -                 | -                |
| Average outstanding shares                      | <u>368,216</u>    | <u>368,216</u>   | <u>368,045</u>    | <u>368,045</u>   |
| Diluted earnings per share (in NT dollar)       | \$ <u>0.17</u>    | <u>0.08</u>      | <u>(1.89)</u>     | <u>(1.74)</u>    |

**25. Disclosure of Financial Instruments**
**(a) Fair value of financial instruments:**

| Financial instruments   | December 31, 2009 |             | December 31, 2008 |            |
|---|-------------------|-------------|-------------------|------------|
|   | Book value        | Fair value  | Book value        | Fair value |
| Assets:   |                   |             |                   |            |
| Fair value represented by book value                                | \$ 102,472,310    | 102,472,310 | 99,327,329        | 99,327,329 |
| Financial assets measured at fair value through profit or loss      | 737,002           | 737,002     | 1,474,982         | 1,474,982  |
| Available-for-sale financial assets                                 | 1,934,258         | 1,934,258   | 1,750,932         | 1,750,932  |
| Held-to-maturity financial assets                                   | 1,394,552         | 1,394,552   | 440,288           | 440,288    |
| Other financial assets  | 381,967           | 381,967     | 621,515           | 621,515    |
| Liabilities:  |                   |             |                   |            |
| Fair value represented by book value                                | 101,413,198       | 101,413,198 | 98,238,604        | 98,238,604 |
| Financial liabilities measured at fair value through profit or loss | 173               | 173         | 1,004             | 1,004      |
| Subordinate financial debentures                                    | 2,498,773         | 2,498,773   | 2,497,792         | 2,497,792  |

**(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

*(Continued)*

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

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

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.
- (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 (or Associated Press), a quoted pricing system.

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

| Financial instruments   | December 31, 2009             |  | December 31, 2008             |  |
|---|-------------------------------|--|-------------------------------|--|
|   | Based on quoted market prices | Determined value by using valuation techniques | Based on quoted market prices | Determined value by using valuation techniques |
| <b>Assets:</b>  |                               |  |                               |  |
| Financial assets measured at fair value through profit or loss      | \$ 184,307                    | 552,695  | 831,677                       | 643,305  |
| Available-for-sale financial assets                                 | 1,934,258                     | -  | 1,750,932                     | -  |
| Held-to-maturity financial assets                                   | -                             | 1,394,552                                      | -                             | 440,288  |
| Other financial assets  | -                             | 381,967  | -                             | 621,515  |
| <b>Liabilities:</b>   |                               |  |                               |  |
| Financial liabilities measured at fair value through profit or loss | -                             | 173  | -                             | 1,004  |
| Subordinate financial debentures                                    |                               | 2,498,773                                      |                               | 2,497,792                                      |

For the year ended December 31, 2009 and 2008 gain (loss) arising from the fair value evaluation of financial instruments by using valuation techniques amounted to \$(2,603)thousands and \$3,373 thousands, respectively.

(Continued)



**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements (Continued)**  
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**(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\$2,130 thousands because of its foreign currency position on December 31, 2009.

(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, 2009, the ratio of secured loans to total outstanding loans granted is approximately 63.40%. 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:**

| 2009.12.31 |   |                  |                 |
|------------|---|------------------|-----------------|
| Rank       | Transaction Party                             | Outstanding loan | % of net assets |
| 1          | Dinli Metal Industrial Co., Ltd.              | \$ 391,900       | 8.37            |
| 2          | Rage motel Co., Ltd.                          | 324,728          | 6.94            |
| 3          | Feng Lin Construction Co., Ltd.               | 300,000          | 6.41            |
| 4          | Future-Heir Bilingual Elementary School       | 287,000          | 6.13            |
| 5          | UBus Co., Ltd.                                | 264,449          | 5.65            |
| 6          | YiLi Construction Co., Ltd.                   | 210,227          | 4.49            |
| 7          | Jung-Shin Hotels.                             | 202,535          | 4.33            |
| 8          | Wei Mon Industry Co., Ltd.                    | 200,561          | 4.28            |
| 9          | Tong Hsing Integrated & Development Co., Ltd. | 196,299          | 4.19            |
| 10         | Asia University.                              | 175,000          | 3.74            |
|            | Total   | 2,552,699        |                 |

| 2008.12.31 |   |                  |                 |
|------------|---|------------------|-----------------|
| Rank       | Transaction Party                               | Outstanding loan | % of net assets |
| 1          | Rage motel Co., Ltd.                            | \$ 350,000       | 7.56            |
| 2          | UBus Co., Ltd.                                  | 307,280          | 6.63            |
| 3          | Future-Heir Bilingual Elementary Scholl         | 306,000          | 6.61            |
| 4          | Ruentex Group.                                  | 298,044          | 6.43            |
| 5          | Tair Yu Enterprise Corp.                        | 258,500          | 5.58            |
| 6          | Asia University.                                | 200,000          | 4.32            |
| 7          | Tong Hsing Integrated & Development Co., Ltd.   | 182,702          | 3.94            |
| 8          | Jung-Shin Hotels.                               | 182,400          | 3.94            |
| 9          | Shyang Yun Tools Co., Ltd.                      | 180,000          | 3.89            |
| 10         | Kuang-Hwa Vocational High School of Technology. | 175,000          | 3.78            |
|            | Total   | 2,439,926        |                 |

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

|   | December 31,<br>2009 | December 31,<br>2008 |
|---|----------------------|----------------------|
| Unused lines of credit                    | \$ <u>10,071,431</u> | <u>8,719,912</u>     |
| Credit commitment on credit cards         | \$ <u>1,495,363</u>  | <u>1,458,797</u>     |
| Guarantee on loans and unused L/C balance | \$ <u>1,882,192</u>  | <u>1,395,337</u>     |

(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 ratio for the Company were 22.24% and 15.85% as of December 31, 2009 and 2008, 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, 2009, 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 |
|-------------------------------------|--------------|------------|-------------|-------------|------------------|-------------|
| <b>(in thousands of NT dollars)</b> |              |            |             |             |                  |             |
| Capital inflow                      | 108,666,612  | 11,055,199 | 10,958,248  | 14,696,950  | 11,825,366       | 60,130,849  |
| Capital outflow                     | 120,021,560  | 10,728,473 | 14,087,760  | 18,153,413  | 38,768,118       | 38,283,796  |
| Maturity gap                        | (11,354,948) | 326,726    | (3,129,512) | (3,456,463) | (26,942,752)     | 21,847,053  |

|                                     | Total  | 0~30 days | 31~90 days | 91~180 days | 181 days~ 1 year | Over 1 year |
|-------------------------------------|--------|-----------|------------|-------------|------------------|-------------|
| <b>(in thousands of US dollars)</b> |        |           |            |             |                  |             |
| Capital inflow                      | 55,817 | 34,383    | 15,784     | 3,478       | -                | 2,172       |
| Capital outflow                     | 55,817 | 45,997    | 6,706      | 1,499       | 1,383            | 232         |
| Maturity gap                        | -      | (11,614)  | 9,078      | 1,979       | (1,383)          | 1,940       |

(Continued)

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

As of December 31, 2008, 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 |
|-------------------------------------|-------------|------------|------------|-------------|-----------------|-------------|
| <b>(in thousands of NT dollars)</b> |             |            |            |             |                 |             |
| Capital inflow                      | 105,693,781 | 12,394,471 | 13,733,010 | 11,289,774  | 13,911,846      | 54,364,680  |
| Capital outflow                     | 115,680,843 | 10,477,996 | 13,710,305 | 18,006,177  | 39,409,072      | 34,077,293  |
| Maturity gap                        | (9,987,062) | 1,916,475  | 22,705     | (6,716,403) | (25,497,226)    | 20,287,387  |

|                                     | Total  | 0~30 days | 31~90 days | 91~180 days | 181 days~1 year | Over 1 year |
|-------------------------------------|--------|-----------|------------|-------------|-----------------|-------------|
| <b>(in thousands of US dollars)</b> |        |           |            |             |                 |             |
| Capital inflow                      | 64,311 | 43,003    | 9,294      | 3,824       | -               | 8,190       |
| Capital outflow                     | 64,311 | 56,912    | 4,220      | 1,474       | 1,477           | 228         |
| Maturity gap                        | -      | (13,909)  | 5,074      | 2,350       | (1,477)         | 7,962       |

(iv) Cash flow risk from interest rate fluctuation

As of December 31, 2009, 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       |
|---|------------|--------------|-----------------|-------------|-------------|
| <b>(in thousands of NT dollars)</b>               |            |              |                 |             |             |
| Interest-sensitive assets                         | 68,429,193 | 12,542,755   | 2,131,000       | 18,368,611  | 101,471,559 |
| Interest-sensitive liabilities                    | 19,033,125 | 48,372,692   | 28,988,366      | 4,263,604   | 100,657,787 |
| Gap   | 49,396,068 | (35,829,937) | (26,857,366)    | 14,105,007  | 813,772     |
| Stockholders' equity                              |            |              |                 |             | 4,681,248   |
| Ratio of interest-sensitive assets to liabilities |            |              |                 |             | 100.81      |
| Ratio of gap to stockholders' equity              |            |              |                 |             | 17.38       |

|   | 1~90 days | 91~180 days | 181 days~1 year | Over 1 year | Total    |
|---|-----------|-------------|-----------------|-------------|----------|
| <b>(in thousands of US dollars)</b>               |           |             |                 |             |          |
| Interest-sensitive asset                          | 28,438    | 3,472       | -               | 2,172       | 34,082   |
| Interest-sensitive liability                      | 14,904    | 1,495       | 1,380           | -           | 17,779   |
| Gap   | 13,534    | 1,977       | (1,380)         | 2,172       | 16,303   |
| Stockholders' equity                              |           |             |                 |             | 232      |
| Ratio of interest-sensitive assets to liabilities |           |             |                 |             | 191.70   |
| Ratio of gap to stockholders' equity              |           |             |                 |             | 7,027.16 |

(Continued)

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

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

As of December 31, 2008, 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      |
|---|------------|--------------|-----------------|-------------|------------|
| <b>(in thousands of NT dollars)</b>               |            |              |                 |             |            |
| Interest-sensitive assets                         | 68,896,910 | 8,147,565    | 3,886,360       | 16,071,154  | 97,001,989 |
| Interest-sensitive liabilities                    | 18,957,554 | 42,805,217   | 30,974,984      | 4,718,542   | 97,456,297 |
| Gap   | 49,939,356 | (34,657,652) | (27,088,624)    | 11,352,612  | (454,308)  |
| Stockholders' equity                              |            |              |                 |             | 4,631,652  |
| Ratio of interest-sensitive assets to liabilities |            |              |                 |             | 99.53      |
| Ratio of gap to stockholders' equity              |            |              |                 |             | (9.81)     |

|   | 1~90 days | 91~180 days | 181 days~1 year | Over 1 year | Total  |
|---|-----------|-------------|-----------------|-------------|--------|
| <b>(in thousands of US dollars)</b>               |           |             |                 |             |        |
| Interest-sensitive asset                          | 25,930    | 3,801       | -               | 8,190       | 37,921 |
| Interest-sensitive liability                      | 12,439    | 1,433       | 1,500           | -           | 15,372 |
| Gap   | 13,491    | 2,368       | (1,500)         | 8,190       | 22,549 |
| Stockholders' equity                              |           |             |                 |             | 228    |
| Ratio of interest-sensitive assets to liabilities |           |             |                 |             | 246.69 |
| Ratio of gap to stockholders' equity              |           |             |                 |             | 98.90  |

(v) Risk management and hedge strategies

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

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

*(Continued)*

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

## 26. Related-party Transactions

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

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

### (b) Significant transactions with related parties

#### (i) Loans

As of December 31, 2009 and 2008, loans to related parties amounted to approximately \$92,651 and \$112,596 thousands, respectively, representing 0.12% and 0.14% of total loans at each date. Interest resulting from such loans was \$2,162 and \$2,913 thousands, respectively, representing 0.09% and 0.08% of total interest income for 2009 and 2008. The range of interest rates was approximately 1.62%~2.95% and 1.88%~3.85% p.a., respectively.

#### (ii) Deposits

As of December 31, 2009 and 2008, deposits from related parties were approximately \$240,419 and \$317,946 thousands, respectively, representing 0.24% and 0.33% of total deposits at each date. Interest resulting from such deposits was \$4,629 and \$6,195 thousands, respectively, representing 0.43% and 0.33% of total interest expense for 2009 and 2008. The range of interest rate was approximately 0.1%~1.88% and 0.11%~3.16%, respectively. The range of interest rate for employee demand savings deposits was approximately 8.8%~10.75% and 10.49%~10.75% p.a., respectively.

#### (iii) Service fees income

|                                       | 2009             |                   | 2008          |                   |
|---------------------------------------|------------------|-------------------|---------------|-------------------|
|                                       | Service fees     | December 31, 2009 | Service fees  | December 31, 2008 |
|                                       | income           | Accrued income    | income        | Accrued income    |
| COTA Bank Insurance Brokers Co., Ltd. | \$ <u>23,802</u> | <u>2,521</u>      | <u>10,506</u> | <u>4,030</u>      |

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

#### (v) Rentals income

|                                       | 2009          | 2008       |
|---------------------------------------|---------------|------------|
| COTA Bank Insurance Brokers Co., Ltd. | \$ <u>221</u> | <u>111</u> |

The rental income was for rental of office and both were fully collected as of December 31, 2009 and 2008.

*(Continued)*

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

**(c) Compensation of directors, supervisors and management personnel**

|                         | 2009             | 2008          |
|-------------------------|------------------|---------------|
| Salaries                | \$ 6,944         | 6,758         |
| Incentives              | 1,437            | 3,320         |
| Profession compensation | 14,934           | 14,749        |
| Bonus                   | 25               | -             |
|                         | <u>\$ 23,340</u> | <u>24,827</u> |

**27. Pledged Assets**

|   | December 31,<br>2009 | December 31,<br>2008 |
|---|----------------------|----------------------|
| <b>Pledged for:</b>   |                      |                      |
| Guarantee deposits for provisional actions against defaulted loans and deposit for trust business (recorded as available-for-sale financial assets and Held-to-maturity financial assets) | \$ <u>56,700</u>     | <u>70,600</u>        |

**28. Significant Commitment and Contingencies**

**(a) As of December 31, 2009 and 2008, the Company's significant commitments and contingent liabilities were as follows:**

|   | December 31,<br>2009 | December 31,<br>2008 |
|---|----------------------|----------------------|
| Collections received                              | \$ 9,093,070         | 10,630,998           |
| Guarantees  | 1,882,192            | 1,395,338            |
| Bonds and bills purchased under resale agreements | -                    | 797,105              |
| Travelers' checks held on consignment             | 40,670               | 38,712               |

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

**Balance Sheet**  
**December 31, 2009 and 2008**

| Trust Assets              | December 31,<br>2009 | December 31,<br>2008 | Trust Liabilities       | December 31,<br>2009 | December 31,<br>2008 |
|---------------------------|----------------------|----------------------|-------------------------|----------------------|----------------------|
| Deposit in bank           | \$ 23,049            | 763                  | Trust capital           |                      |                      |
| Investment in mutual fund | 3,764,733            | 2,655,663            | Money                   | 3,787,782            | 2,656,426            |
| Investment in real estate | 47,571               | 27,771               | Real estate             | 47,571               | 27,771               |
| Total trust assets        | <u>\$ 3,835,353</u>  | <u>2,684,197</u>     | Total trust liabilities | <u>3,835,353</u>     | <u>2,684,197</u>     |

*(Continued)*

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

**Statement of Income**  
**December 31, 2009 and 2008**

|                                    | December 31,<br>2009 | December 31,<br>2008 |
|------------------------------------|----------------------|----------------------|
| Trust Income                       |                      |                      |
| Interest income                    | \$ 3                 | 116                  |
| Cash dividends income              | -                    | 32,832               |
| Beneficiary stock dividends income | -                    | 6,327                |
|                                    | <u>3</u>             | <u>39,275</u>        |
| Trust Expense                      |                      |                      |
| Service fees                       | 222                  | 14,588               |
| Management fees                    | 75                   | 3,970                |
|                                    | <u>297</u>           | <u>18,558</u>        |
| Income (loss) before income taxes  | (294)                | 20,717               |
| Income tax expense                 | -                    | (33)                 |
| Net income (loss)                  | <u>\$ (294)</u>      | <u>20,684</u>        |

**(c) Operating leases**

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

As of December 31, 2009 the estimated rental commitments for the next five years are as follows:

| Fiscal Year | Amount            |
|-------------|-------------------|
| 2010        | \$ 36,544         |
| 2011        | 36,308            |
| 2012        | 27,203            |
| 2013        | 17,281            |
| 2014        | 7,288             |
|             | <u>\$ 124,624</u> |

**29. Significant Disaster Loss: None**

**30. Significant Subsequent Events: None**

**31. Other Matters**

**(a) Personnel expenses, depreciation, and amortization for the years ended December 31, 2009 and 2008, were summarized as follows:**

*(Continued)*



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

| Function                   | 2009            |                    |         | 2008            |                    |         |
|----------------------------|-----------------|--------------------|---------|-----------------|--------------------|---------|
|                            | Operating Costs | Operating Expenses | Total   | Operating Costs | Operating Expenses | Total   |
| Personnel Expenses:        |                 |                    |         |                 |                    |         |
| Salaries                   | -               | 728,965            | 728,965 | -               | 848,474            | 848,474 |
| Labor and health insurance | -               | 54,056             | 54,056  | -               | 51,569             | 51,569  |
| Pension                    | -               | 72,926             | 72,926  | -               | 78,378             | 78,378  |
| Other personnel expenses   | -               | 9,262              | 9,262   | -               | 12,238             | 12,238  |
| Depreciation expenses      | -               | 39,412             | 39,412  | -               | 43,494             | 43,494  |
| Amortization expenses      | -               | 21,984             | 21,984  | -               | 22,140             | 22,140  |

**(b) Capital Adequacy ratio:**

| Item                                    |                  | Year   | December 31, 2009 | December 31, 2008 |
|---|------------------|--|-------------------|-------------------|
| Capital                                 | Tier I Capital   |  | 4,339,946         | 4,302,853         |
|   | Tier II Capital  |  | 2,250,882         | 2,132,753         |
|   | Tier III Capital |  | -                 | -                 |
|   | Total            |  | 6,590,828         | 6,435,606         |
| Risk-weighted assets                    | Credit risk      | Standardized approach                        | 52,781,703        | 54,553,316        |
|   |                  | Internal-rating-based approach               | -                 | -                 |
|   |                  | Secularizations                              | 13,977            | -                 |
|   | Operational risk | Basic indicator approach                     | 3,244,938         | 3,346,650         |
|   |                  | Standardized approach / alternative approach | -                 | -                 |
|   |                  | Advanced measurement approach                | -                 | -                 |
|   | Market risk      | Standardized approach                        | 1,938,363         | 2,891,763         |
|   |                  | Internal model approach                      | -                 | -                 |
| Total risk-weighted assets              |                  |  | 57,978,981        | 60,791,729        |
| Capital adequacy ratio                  |                  |  | 11.37%            | 10.59%            |
| Tier I capital / risk-weighted assets   |                  |  | 7.49%             | 7.08%             |
| Tier II capital / risk-weighted assets  |                  |  | 3.88%             | 3.51%             |
| Tier III capital / risk-weighted assets |                  |  | - %               | - %               |
| Common stock / total assets             |                  |  | 3.37%             | 3.48%             |
| Leverage Ratio                          |                  |  | 4.04%             | 4.12%             |

*(Continued)*

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

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

|   | 2009          |                           | 2008          |                           |
|---|---------------|---------------------------|---------------|---------------------------|
|   | Average value | Average interest rate (%) | Average value | Average interest rate (%) |
| <b>Assets</b>                                     |               |                           |               |                           |
| Deposits in other banks                           | \$ 290,662    | 4.27                      | 592,384       | 4.03                      |
| Call loans to other banks                         | 583,042       | 1.28                      | 1,141,972     | 3.33                      |
| Due from Central Bank                             | 18,659,353    | 0.79                      | 6,692,433     | 1.93                      |
| Bonds and bills purchased under resale agreements | 453,838       | 0.31                      | 2,010,443     | 1.97                      |
| Available-for-sale financial assets               | 2,513,585     | 2.30                      | 1,417,234     | 2.65                      |
| Held-to-maturity financial assets                 | 906,953       | 1.92                      | 5,030,648     | 2.23                      |
| Loans   | 74,720,312    | 2.79                      | 77,302,602    | 3.89                      |
| <b>Liabilities</b>                                |               |                           |               |                           |
| Banks deposits                                    | 38            | -                         | -             | -                         |
| Call loans from banks                             | 45,224        | 0.36                      | 235,425       | 2.62                      |
| Subordinate financial debentures                  | 2,500,000     | 2.60                      | 2,500,000     | 3.64                      |
| Demand deposits                                   | 8,067,520     | 0.10                      | 7,236,706     | 0.14                      |
| Demand savings deposits                           | 21,885,945    | 0.27                      | 19,988,156    | 0.58                      |
| Time deposits                                     | 65,805,544    | 1.36                      | 64,601,109    | 2.48                      |
| Staff savings deposits                            | 584,805       | 7.12                      | 576,240       | 8.50                      |

**(d) Primary foreign currency assets**

| December 31, 2009 |                       |         | December 31, 2008 |                       |         |
|-------------------|-----------------------|---------|-------------------|-----------------------|---------|
| Original currency | Equivalent NTD amount |         | Original currency | Equivalent NTD amount |         |
| USD 21,303        | \$                    | 685,456 | USD 21,870        | \$                    | 716,794 |
| EUR 315           |                       | 14,546  | AUD 221           |                       | 4,993   |
| CNY 1,407         |                       | 6,632   | CNY 812           |                       | 3,899   |
| JPY 11,501        |                       | 4,002   | CAD 117           |                       | 3,150   |
| GBP 62            |                       | 3,196   | GBP 56            |                       | 2,697   |

(Continued)

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

(e) As of December 31, 2009 and 2008, details of loans or guarantees that involved related parties were as follows:

| Classification                             | December 31, 2009 |           |                         |
|--|-------------------|-----------|-------------------------|
|  | Accounts          | Amount    | Expected potential loss |
| Consumer loan borrowers                    | 94                | \$ 38,181 | None                    |
| Employee mortgage loan borrowers           | 110               | 262,118   | 384                     |
| Other loan borrowers                       | 137               | 564,576   | None                    |
| Related parties as guarantors for loans    | 50                | 209,946   | None                    |
| Related parties as providers of collateral | 28                | 107,315   | None                    |

| Classification                             | December 31, 2008 |           |                         |
|--|-------------------|-----------|-------------------------|
|  | Accounts          | Amount    | Expected potential loss |
| Consumer loan borrowers                    | 90                | \$ 37,813 | None                    |
| Employee mortgage loan borrowers           | 115               | 263,554   | 108                     |
| Other loan borrowers                       | 124               | 640,033   | None                    |
| Related parties as guarantors for loans    | 68                | 211,008   | None                    |
| Related parties as providers of collateral | 37                | 133,863   | None                    |

*(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                     |             | 2009.12.31          |                            |                     |                                |                      |        |
|----------------------------|-------------|---------------------|----------------------------|---------------------|--------------------------------|----------------------|--------|
| Product                    | Item        | Overdue loan amount | Loan Balance               | Overdue rate        | Allowance for loans losses     | Covering rate        |        |
| Corporate Banking          | Secured     | 114,487             | 8,930,164                  | 1.28%               | 61,385                         | 53.62%               |        |
|                            | Unsecured   | 196,633             | 9,635,132                  | 2.04%               | 192,689                        | 97.99%               |        |
| Consumer Banking           | Mortgage    | 278,151             | 17,468,459                 | 1.59%               | 37,455                         | 13.47%               |        |
|                            | Cash card   | -                   | 6,655                      | -                   | 20                             | -                    |        |
|                            | Credit loan | 169,921             | 15,148,975                 | 1.12%               | 142,907                        | 84.10%               |        |
|                            | Other       | Secured             | 589,472                    | 22,743,441          | 2.59%                          | 180,829              | 30.68% |
|                            |             | Unsecured           | 280,180                    | 2,476,582           | 11.31%                         | 266,851              | 95.24% |
| Total                      |             | 1,628,844           | 76,409,408                 | 2.13%               | 882,136                        | 54.16%               |        |
|                            |             | <b>Overdue</b>      | <b>Account receivables</b> | <b>Overdue rate</b> | <b>Allowance for bad debts</b> | <b>Covering rate</b> |        |
| Credit card                |             | 2,067               | 258,289                    | 0.80%               | 3,903                          | 188.82%              |        |
| Without recourse factoring |             | -                   | -                          | -                   | -                              | -                    |        |

| Period                     |             | 2008.12.31          |                            |                     |                                |                      |        |
|----------------------------|-------------|---------------------|----------------------------|---------------------|--------------------------------|----------------------|--------|
| Product                    | Item        | Overdue loan amount | Loan Balance               | Overdue rate        | Allowance for loans losses     | Covering rate        |        |
| Corporate Banking          | Secured     | 97,728              | 7,846,924                  | 1.25%               | 67,149                         | 68.70%               |        |
|                            | Unsecured   | 220,658             | 14,583,751                 | 1.51%               | 182,431                        | 82.67%               |        |
| Consumer Banking           | Mortgage    | 298,769             | 16,570,947                 | 1.80%               | 29,375                         | 9.83%                |        |
|                            | Cash card   | -                   | 9,133                      | -                   | 20                             | -                    |        |
|                            | Credit loan | 254,363             | 15,915,241                 | 1.60%               | 151,270                        | 59.46%               |        |
|                            | Other       | Secured             | 698,638                    | 20,218,751          | 3.46%                          | 162,584              | 23.27% |
|                            |             | Unsecured           | 554,181                    | 4,260,321           | 13.01%                         | 424,171              | 76.53% |
| Total                      |             | 2,124,337           | 79,405,068                 | 2.68%               | 1,017,000                      | 47.87%               |        |
|                            |             | <b>Overdue</b>      | <b>Account receivables</b> | <b>Overdue rate</b> | <b>Allowance for bad debts</b> | <b>Covering rate</b> |        |
| Credit card                |             | 2,213               | 393,968                    | 0.56%               | 6,709                          | 303.16%              |        |
| Without recourse factoring |             | -                   | -                          | -                   | -                              | -                    |        |

(Continued)

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

**(g) Concentration of credit extension: please refer to note 25-(d) (ii).**

**(h) Information of interest sensitivity: please refer to note 25-(d) (iv).**

**(i) Profitability analysis**

|   | December 31,<br>2009 | December 31,<br>2008 |
|---|----------------------|----------------------|
| The ratio of return before income tax on assets               | 0.06%                | (0.67)%              |
| The ratio of return on assets, net of tax                     | 0.03%                | (0.61)%              |
| The ratio of return before income tax on shareholders' equity | 1.32%                | (13.99)%             |
| The ratio of return on shareholders' equity, net of tax       | 0.67%                | (12.91)%             |
| Net income ratio  | 1.75%                | (44.87)%             |

**(j) The maturity analysis of assets and liabilities: please refer to note 25-(d) (iii).**

### **32. Segment Information**

**(a) Operations in different industries.**

The Company operates principally as a commercial bank.

**(b) Operations in different geographic areas.**

The offshore business unit of the Company does not reach the 10% total asset or revenue corridor to disclose related segment information.

**(c) Export sale: Not applicable.**

**(d) Major customers: Not applicable.**

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



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

### 7-1. Financial Status

Unit: TWD thousand

| Item                       | Year | 2009        | 2008        | Difference |      |
|----------------------------|------|-------------|-------------|------------|------|
|                            |      |             |             | Amount     | %    |
| Total Asset                |      | 109,109,249 | 105,904,152 | 3,205,097  | 3.03 |
| Total Liability            |      | 104,428,001 | 101,272,500 | 3,155,501  | 3.12 |
| Total Shareholders' Equity |      | 4,681,248   | 4,631,652   | 49,596     | 1.07 |

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

### 7-2. Operation Performance

Unit: TWD thousand

| Item                     | Year | 2009      | 2008      | Difference Amount | Increase/Decrease Ratio (%) |
|--------------------------|------|-----------|-----------|-------------------|-----------------------------|
|                          |      |           |           |                   |                             |
| Interest expense         |      | 1,068,533 | 1,880,150 | (811,617)         | (43.17)                     |
| Non-interest income, net |      | 427,550   | (194,483) | 622,033           | 319.84                      |
| Net revenue              |      | 1,768,903 | 1,429,736 | 339,167           | 23.72                       |
| Bad debt expense         |      | 428,213   | 678,683   | (250,470)         | (36.91)                     |
| Operating expense        |      | 1,279,361 | 1,446,034 | (166,673)         | (11.53)                     |
| Income before income tax |      | 61,329    | (694,981) | 756,310           | 108.82                      |
| Net income               |      | 31,010    | (641,524) | 672,534           | 104.83                      |

Remarks of Ratio Changes Disclosure:

- The decrease in interest income by TWD1,094,483 thousand compared with previous year is due largely to the interest rates of loans fall.
- The decrease in interest expense by TWD811,617 thousand compared with previous year is due largely to the interest rates of deposits fall.
- The increase in net non-interest income by TWD622,033 thousand compared with previous year is due largely to the recognition of an impairment loss of TWD450,522 thousand in 2008 and the market value recover caused to recognition of an gain of TWD102,142 thousand in 2009 on recovery of impairment and increase in the financial assets measured at fair value through profit or loss.
- The decrease in bad debt expense by TWD250,470 thousand compared with previous year is due largely to decrease in bad debt expense.

### 7-3. Cash Flow

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

Unit: TWD thousand

| Initial Cash Residual (1) | Yearly Operating Cash Flow (2) | Yearly Cash Inflow (3) | Residual Cash Amount (deficiency) (1)+(2)+(3) | Cash Deficiency Contingency Plan |                |
|---------------------------|--------------------------------|------------------------|---|----------------------------------|----------------|
|                           |                                |                        |   | Investment Plan                  | Financial Plan |
| 2,004,880                 | 1,298,726                      | (2,010,129)            | 1,293,477                                     | -                                | -              |

Remarks:

## 1. Cash Flow Analysis

- (1) Operating activities: The net cash inflow from operating activities due primarily to a decrease in financial assets measured at fair value through profit or loss.
- (2) Investing activities: The net cash outflow from investing activities results from an increase in due from Central Bank and call loans to other banks together with a decrease in discount and loans.
- (3) Financial activities: The net cash inflow from financial activities is produced by an increase in deposits.

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

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

Unit: TWD thousand

| Initial Cash Residual (1) | Estimated Yearly Operating Cash Flow (2) | Estimated Yearly Cash Inflow (3) | Estimated Residual Cash Amount(deficiency) (1)+(2)+(3) | Cash Deficiency Contingency Plan |                |
|---------------------------|--|----------------------------------|--|----------------------------------|----------------|
|                           |  |                                  |  | Investment plan                  | Financial Plan |
| 1,293,477                 | 108,378                                  | 547,770                          | 1,949,625  | -                                | -              |

Remarks:

The Bank estimates about a cash inflow of TWD108,378 thousand produced by operating activities in 2010. The estimated cash inflow about TWD547,770 thousand in 2010 mainly due cash outflow from investment activities about TWD2,387,727 thousand to decrease deposits with the Central Bank and call loan to other banks and increase the investment of financial merchandise together with increase deposits and remittance caused to net inflow from financial activities about TWD2,935,497 thousand.

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

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

#### 7-4-2. Expected potential benefit: None

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

#### 7-5-1. Reinvestment Policy

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

#### 7-5-2. Source of Profit

In 2009, the source of profit growth is according to economic cycle, as well, the dividend of reinvest companies by Taiwan Financial Asset Service Corp., Taiwan Asset Management Corp., Sunny Asset Management Corp., and COTA Bank Insurance Broker Co., Ltd.

#### 7-5-3 Improvement Plan

COTA Bank Insurance Broker Co., Ltd. will create insurance incomes in cooperation with the Bank's wealth management business.

#### 7-5-4 Investment Plan in Next Year

The Bank's main business operation target major in profit of financial business and don't make new reinvestment plan in next year.



## 7-6. Risk Management

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

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

#### Credit Risk Management System

Year 2009

| Items   | Contents  |
|---|---|
| 1. Strategies, Objectives, Policies, and Processes                          | <p>The Bank's credit risk policies and processes comply with Basel II and supervisory regulations. The Bank also created credit risk guidelines in written form such as the code of credit, the 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. At the same time, since the change in economic cycle will affect the quality of the loan portfolio, the Bank will execute credit policies to ensure credit exposures under control.</p> <p>The Bank will consider developing the internal credit scoring system. The system will identify and estimate risks from all credit exposures.</p> <p>The Bank established a framework for managing credit risk. The framework may execute risk analysis and monitor risk process. It also may discover potential risks that the Bank may response adequately. In addition, it may assess the relation between risk and return to ensure the goal of the Bank's business.</p>  |
| 2. The Structure, and Organization of the Risk Relevant Management Function | <p>(1) The Board of Directors:<br/>The Bank's board of directors is the supervisor of credit risk management. The board is responsible for the Bank's business strategies and operation guidelines, and is responsible for reviewing credit risk framework and policies. It also authorizes management to execute credit risk management.</p> <p>(2) Asset and Liability Management Committee:<br/>The committee executes the board's risk polices and reports risk profile to the board.</p> <p>(3) Credit Reviewing Committee:<br/>The committee reviews the large amount of loans, specific non-performing loans, and the appointed loans.</p> <p>(4) Risk Management Center:<br/>The subcommittee integrates credit risk strategies, designs processes, and introduces credit identification, measurement, monitor, and reporting systems.</p> <p>(5) Other Bank's Units:<br/>They should understand credit risks under any circumstances, should deal with the assignment of risk management, and should assist risk management subcommittee in risk monitor.</p> <p>(6) Auditing Office:<br/>The office should establish audit plan and process, and should review the Bank's credit and investment risks at least once a year.</p> |
| 3. The Scope and Nature of the Risk Reporting and/or Measurement Systems    | <p>The Bank adjusts credit risk system to produce enough information according as the change of loan portfolio. The information includes: statistics of pass due loans, evaluation of non-performing loans, and statistics of large amount credit exposure. The board and senior management will receive the information periodically, and will make appropriate</p>  |

| Items   | Contents  |
|---|---|
|   | <p>business and credit risk decision. In addition, the credit risk measurement to the Bank considers the following factors:</p> <ol style="list-style-type: none"> <li>(1) Loan characteristics, contract contents, and customers' financial conditions</li> <li>(2) The possible effect of the exposures from market change</li> <li>(3) Collateral and guarantee</li> <li>(4) The possible future risk change of the customers or counterparties</li> <li>(5) Besides specific trading risks, measuring loan portfolio risks</li> </ol> <p>The Bank gradually establishes internal rating framework in accordance with long or medium term schedule and measures and analyzes loan risks through quantitative indexes and qualitative methods.</p>  |
| 4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations | <p>The Bank follows the diversified principal on loans and complies with loan limit regulations such as the same person, the same party, relative corporation, stakeholder, and stocks as collateral for the loan. To avoid credit concentration risk, the Bank reviews and adjusts credit exposures regularly. For controlling the quality of the loan assets and mitigating credit risks, the Bank depends on the credit condition of the borrowers and uses a number of techniques to mitigate the credit risks. For example, the Bank demands collateral and guarantee, signs two-side offsetting agreement, terminates contract early, and buys credit derivatives to offset various forms of credit risk.</p> <p>The Bank had formulated "The Directions of the Loan Reviewing Operation" which reviews and follows the cases of the loan and strengthens after-loan management. If the Bank discovers the doubtful loans in the process, it should take necessary measures to protect debt obligations. In order to maintain an effectively monitors hip over credit risk, the Bank had established the indexes of the risk evaluation that regularly monitor the change of them and help to estimate the potential reasons of the future risk occurrence.</p> |
| 5. Approach the Bank Qualifies for  | Standardized approach   |

**Exposure amount after risk mitigation and capital requirement of the standard approach  
Dec. 31, 2009**

Unit: TWD thousand

| Category  | Exposure amount after risk mitigation | Capital Requirement |
|---|---------------------------------------|---------------------|
| Sovereigns  | 0                                     | 0                   |
| Non central government public sector entities       | 959,469                               | 76,758              |
| Banks (multilateral development banks)              | 276,032                               | 22,083              |
| Corporate (Securities firm and insurance companies) | 8,091,724                             | 647,338             |
| Regulatory retail portfolios                        | 34,973,302                            | 2,797,864           |
| Secured by residential property                     | 6,415,025                             | 513,202             |
| Equities investment                                 | 0                                     | 0                   |
| Other assets  | 2,066,151                             | 165,292             |
| <b>Total</b>  | <b>52,781,703</b>                     | <b>4,222,537</b>    |

**7-6-1-2. Securitization Risk**
**Securitization Risk Management System**

Year 2009

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

## Remarks:

The undertaking of securitization: None

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

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

As a credit enhancement agency or liquidating assets agency: None

As a guarantee agency or financial liquidity provider: None

**Securitization exposures and capital requirements**  
**Dec. 31, 2009**

Unit: TWD thousand

| Type of Exposures  | Non-Originating Bank                                       |                      | Originating Bank                  |   |           |   |                               |                      |
|--------------------|--|----------------------|-----------------------------------|---|-----------|---|-------------------------------|----------------------|
|                    | Risk Exposures of the Purchasing or Holding Securitization | Capital Requirements | Exposures                         |   |           |   |                               | Capital Requirements |
|                    |  |                      | Non-Asset-Backed Commercial Paper |   |           |   | Asset-Backed Commercial Paper |                      |
|                    |  |                      | Traditional                       |   | Synthetic |   |                               |                      |
| Holding Positions  | Non-holding Positions                                      | Holding Positions    | Non-holding Positions             |   |           |   |                               |                      |
| Mortgage Loans-MBS | 69,887   | 1,118                | 0                                 | 0 | 0         | 0 | 0                             | 0                    |
| Total              | 69,887   | 1,118                | 0                                 | 0 | 0         | 0 | 0                             | 0                    |

**Securitized product investment summary**  
**Dec. 31, 2009**

Unit: TWD thousand

| Items               | Accounting Title                                       | Original Cost | Accumulated Evaluation on Profit or Loss | Accumulated Impairment Loss | Book Value |
|---------------------|--|---------------|--|-----------------------------|------------|
| Mortgage Loans -MBS | Debt investment without quoted price in active markets | 69,887        | 0  | 0                           | 69,887     |
| Student Loans -ABS  | Debt investment without quoted price in active markets | 133,530       | 0  | 8,124                       | 125,406    |

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

#### Operational Risk Management System

Year 2009

| Items  | Contents   |
|--|--|
| 1. Strategies and Processes  | The Bank's operational strategies and processes are restrained the division of labor, employees training, effective control framework, and internal control procedure of each level. In aspect of internal control, the Bank had fully formulated the system of the internal audit, self-audit, law obedience, and business operational rules that may to search on the internal website for employees' real time operation. The Bank reduces operational loss by internal and external audit to monitor and trace the risks.  |
| 2. The Structure and Organization of the Relevant Risk Management Function | <p>(1) The Board of Directors:<br/>The Bank's board of directors is the supervisor for risk management. The board is responsible for the Bank's business strategies, and is responsible for reviewing significant decisions.</p> <p>(2) Asset and Liability Management Committee:<br/>The committee follows risk management policies and procedures that the board of directors had approved. In addition, the committee is responsible to review the guidelines and policies of the operational risk, controls indicators, and coordinates assignments relative to risk management.</p> |

| Items   | Contents   |
|---|--|
|   | <p>(3) Risk Management Center:<br/>The subcommittee draws strategies and processes of the operational risk, designs and introduces risk identification, measurement, monitor, and reporting system. Moreover, the subcommittee develops the loss event databases of operational risk, gathers risk information from all Banks' units, and reports to ALM committee and the board of the directors regularly.</p> <p>(4) Headquarters' Units<br/>They should totally understand the risk that they are facing. When they codify operational regulations, they should consider operational risk management. They also should assist risk management subcommittee to accomplish all kinds of risk monitor.</p> <p>(5) Other Bank's Units:<br/>Everyone should comply with the Bank's regulations and should control operational risk. If risk event occurs, everyone should deal with the event immediately and should report to management.</p> <p>(6) Auditing Office:<br/>The office should execute auditing processes independently and should provide improvement suggestion timely.</p> |
| 3. The Scope and Nature of the Risk Reporting and/or Measurement Systems  | The Bank had established the operational processes for business practices. The processes have been executed on daily operation management and to reduce the occurrence of the operational risk. The executive circumstance of the internal and external audit, self-audit, and the system of law obedience regularly reports to the board. The Bank adopts Supervisory regulation to classify loss event types and executes reporting system of the loss data of the operational risk and establishes whole bank's loss database of the operational risk.  |
| 4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations | The Bank hedges and mitigates risks through strengthening internal control system, implementing operational risk monitor, training employees, insurance, and outsourcing. The Bank's emergency center and crisis subcommittee had formulated the strategic manual of the disasters and the contingency measures of the operating crisis to ensure every business that may continue to operate normally when the crisis occurs and to protect significant loss of the Bank.   |
| 5. Approach the Bank Qualifies for  | Basic indicator approach   |

**The Operational Risk Capital Charge  
Dec. 31, 2009**

Unit: TWD thousand

| Year  | Annual Gross Income | Capital Charge |
|-------|---------------------|----------------|
| 2007  | 1,993,824           |                |
| 2008  | 1,432,384           |                |
| 2009  | 1,765,687           |                |
| Total | 5,191,895           | 259,595        |

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

## Market Risk Management System

Year 2009

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

**The Market Risk Capital Charge  
Dec. 31, 2009**

Unit: TWD thousand

| Risk Category         | Capital Charge |
|-----------------------|----------------|
| Interest Rate Risk    | 72,816         |
| Equity Position Risk  | 26,864         |
| Foreign Exchange Risk | 55,389         |
| Option Position       | 0              |
| Total                 | 155,069        |

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

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

**Analysis for Time-to-Maturity of the Bank's TWD Assets and Liabilities as of  
Dec. 31, 2009**

Unit: TWD 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                   | 108,666,612  | 11,055,199                                      | 10,958,248  | 14,696,950  | 11,825,366      | 60,130,849   |
| Liability               | 120,021,560  | 10,728,473                                      | 14,087,760  | 18,153,413  | 38,768,118      | 38,283,796   |
| Maturity Gap            | (11,354,948) | 326,726   | (3,129,512) | (3,456,463) | (26,942,752)    | 21,847,053   |
| Cumulative Maturity Gap |              | 326,726   | (2,802,786) | (6,259,249) | (33,942,752)    | (11,354,948) |

**Analysis for Time-to-Maturity of the Bank's USD Assets and Liabilities as of  
Dec. 31, 2009**

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                   | 55,817 | 34,383  | 15,784     | 3,478       | 0               | 2,172       |
| Liability               | 55,817 | 45,997  | 6,706      | 1,499       | 1,383           | 232         |
| Maturity Gap            | 0      | (11,614)  | 9,078      | 1,979       | (1,383)         | 1,940       |
| Cumulative Maturity Gap | 0      | (11,614)  | (2,536)    | (557)       | (1,940)         | 0           |

## 7-6-2. The Influence of Alterations in Domestic and Foreign Major Polices and Laws on the Bank's Financial Operations and Adopting Measures

### 7-6-2-1. Statements of Financial Accounting Standards (SFAS) No.34 (Revision)

- Summary
 

Because of connecting with international accounting standard, the new vision of the SFAS No.34 regulates banks should measure their loans and receivables by fair value and estimate the loss on loans and receivables, therefore, banks will appraise overdue loans strictly.
- Effect
 

Financial institutions will directly to use recognized loss that causes the impairment of the fair value for the standard to estimate the loans and receivables. The scope of the impairment loss will include performing loans and potential losing receivables. The new version of SFAS No.34 will become effective for the fiscal year beginning on Jan 1, 2011. We expect the Bank will increase the operating costs.
- Taking Measures
 

The Bank will take the following measures to enhance risk control and reduce the impact on the new vision of the SFAS No.34:

  - Strengthen lending 5P and the risk measurement of the managing system
  - Segment target market by credit scoring system and experiences
  - Analyze the difference between return and risk and test the result of the execution

### 7-6-2-2. The Banking Bureau prescribed the criteria of finance and business operations as stipulated

- Summary
 

The main contents include the criteria of capital adequacy ratio, asset quality and compliance. The clauses are as follows:

  - In the latest year, capital adequacy ratio should exceed 10% and Tier 1 Capital should exceed 8%.
  - At the latest financial examination, banks should not have following conditions: the amount of loan loss reserves is insufficient, classified non-performing loans are improper, and the amount of reserves of the non-credit asset loss is insufficient.
  - On a monthly basis report before the board of directors approved earning distribution, non-performing loans ratio should not exceed the average of all banks and not exceed 1.5%, the coverage ratio of allowances for bad debts should exceed the average of all banks and exceed 80%.
  - In the latest year before the board of directors approved earning distribution; banks were not fined over TWD2 million by the Banking Bureau.
- Effect
 

Banks which conform to the requirement have flexible annual earning distribution.
- Taking Measures
 

In order to conform to the Tier I Capital requirement, the Bank will target on capital injection. In addition,



the Bank will accelerate to deal with non-performing loans, increase the amount of reserves, and actively recover non-accrual loans. These measures will improve the Bank's assets quality and enhance the ability of the risk taken.

#### **7-6-2-3. The period of the protection for all deposits extends for one more year.**

- Summary

In order to ensure the stability of the financial market, the Banking Bureau announced that the protection for all deposits will extend to Dec 31, 2010.

- Effect

It may prevent the occurrence of the liquidity risk, strengthen the function of the supervision, and assist the stability of the financial system.

- Taking Measures

The Bank will adjust operating strategies, raise the market share of the deposits, and enlarge operating scale.

#### **7-6-2-4. Taiwan, China sign financial MOU (Memorandum of Understanding)**

- Summary

In the MOU, both sides agreed to take steps to enhance the exchange of financial information, establishment of financial institutions on both sides, a mechanism dealing with possible financial crises, personnel training and other interchange activities.

- Effect

The banking industry is over-banking in Taiwan. After signing MOU, the banking market will become keen competition. If the scale of the banks is not large enough, they might be acquired by Chinese banks.

- Taking Measures

The Bank is considering merging financial institution to enlarge the operating scale. In addition, the Bank actively constructs full financial service group to maintain long-term customers' relationship.

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

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

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

The Bank holds the spirit of "take resource from society and contribute to community" to take the responsibility of the enterprise citizen. Facing keen competition, the Bank still maintains the spirit of "be respectful to customers" to provide the professional financial services to customers. The Bank hopes to maintain long-term stable relationship with customers by clear and professional image and to create a win-win situation between enterprise and clients.

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

Currently, there is no plan to merger or acquire any others.

#### **7-6-6. Expected Benefits and Potential Risks of Business Location Expansion and Adopting Measures**

To expand the scale of customer service, increase business efficiency, and create brand awareness and market share, the Bank cautiously evaluates to expand business location every year. There is no business location expansion in 2009.

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

The Bank had formulated risk limit regulations such as the same person, the same party, Relative Corporation, and every industry on loan and investment businesses. In addition, the Bank controls concentration of all bank's businesses through information management system. This can diversify risks, keep assets' quality and stabilize the profits.

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

There have been no changes in operating rights.

#### **7-6-9. Lawsuits: None**

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

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

## **7-7. Crisis Handling System:**

7-7-1. In order to manage crisis handling system, the Bank formulated some related rules, taking measures, and adopting manual of disasters to effectively reduce damage and protect customers' rights. The Bank also established contingent task team to execute taking measures.

7-7-2. In order to rapidly deal with disasters, the Bank established the emergency call and reporting system in the ordinary time. The management of each unit charges with contact mission.

7-7-3. When the significant and unforeseeable events occur, the Bank will take emergency measures, in addition, the Bank will report the event to Banking Bureau quickly.

7-7-4. When disasters occur, the Bank will follow the rules which were formulated by supervisory institution as "The Operating Directions of the Averting Disasters for Financial Institutions" and "The Operating Directions of Closed Business as Disasters occurring for Financial Institutions".

## **7-8. Other Significant Matters: None**

## 8. Special Notes

### 8-1. Data of Affiliated Company

#### 8-1-1. Organization Chart of Affiliated Company



#### 8-1-2. Profile of Affiliated Company

Unit: TWD thousand

| Company name                         | Established date | Address  | Paid-in capital | Major business item                                |
|--------------------------------------|------------------|--|-----------------|--|
| COTA Bank Insurance Broker Co., Ltd. | Apr 16, 2008     | 6F.,580 Jinhua Road, North District, Taichung City 404, Taiwan | 5,000           | Property insurance broker<br>Life insurance broker |

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

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

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

#### 8-1-5. Business Operation of Affiliated Company

Unit: TWD thousand

| Firm's Name                          | Capital | Asset  | Liability | Net Income | Operating Income | Operating Margin | Net Income After Tax | EPS After Tax |
|--------------------------------------|---------|--------|-----------|------------|------------------|------------------|----------------------|---------------|
| COTA Bank Insurance Broker Co., Ltd. | 5,000   | 11,335 | 5,022     | 6,313      | 37,423           | 1,598            | 1,247                | 2.49          |

#### 8-1-6. Consolidated Financial Statement of Affiliated Company Details please see consolidated financial statement

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

### 8-2. Private Placement of Securities: None

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

### 8-4. Other Matters for Supplementary Explanation: None

## Chronological Highlights

|                   |  |
|-------------------|--|
| <b>1999.01.01</b> | COTA Commercial Bank Co., Ltd. officially inaugurated business services.   |
| <b>1999.01.02</b> | 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. |
| <b>1999.01.03</b> | Started up foreign exchange services with trading of USD, JPY, HKD in cash and traveler checks.  |
| <b>1999.02.05</b> | Started up comprehensive deposit services.   |
| <b>1999.03.16</b> | Totally replaced stock certificates of Taichung Third Credit Cooperative into common share certificates of COTA Commercial Bank Co., Ltd.  |
| <b>1999.03.25</b> | 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.   |
| <b>1999.03.25</b> | Started up guarantee services  |
| <b>1999.03.30</b> | Signed a contract to team up with Chinatrust Commercial Bank to jointly promote foreign exchange services.   |
| <b>1999.04.14</b> | Relocated head office, approved by Ministry of Finance under doc. no. Tai-Tsai-Jung 88112588, to 32~1 Park Avenue, Taichung on Jul 1.  |
| <b>1999.06.10</b> | Signed a contract to team up with Shanghai Commercial Savings Bank to jointly promote foreign exchange services.   |
| <b>1999.07.01</b> | Banking Dept. and Savings Dept. moved address.   |
| <b>1999.07.28</b> | Allied with Bank of PanShin, Sunny Commercial Bank, HwaTai Commercial Bank and Kaohsin Commercial Bank to jointly set up "Financial Development Alliance"  |
| <b>1999.09.03</b> | 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.  |
| <b>1999.09.17</b> | Director and president Wang Chun-chuan resigned from the concurrent post of president.   |
| <b>1999.11.29</b> | The board of directors appointed Mr. Chang Ying-Che as president in its 6 <sup>th</sup> extraordinary meeting of the first term.   |
| <b>2000.01.01</b> | President Chang Ying-Che inaugurated   |
| <b>2000.01.01</b> | Passed the Y2K testing   |
| <b>2000.04.26</b> | Set up Fengyuan Branch   |
| <b>2000.05.10</b> | Held 2000 shareholders' regular meeting.   |
| <b>2000.05.19</b> | Set up Zhanghua Branch.  |
| <b>2000.07.07</b> | Set up Yuanlin Branch.   |
| <b>2000.10.21</b> | Chairman, MR. Liao Chun-Tse, was conferred an Outstanding Enterprise Leader and honorary administrator of Committee on Outstanding Enterprise Manager.   |
| <b>2000.11.01</b> | Chairman, Mr. Liao Chun-Tse, was conferred an award of Golden Merchant   |
| <b>2000.11.03</b> | Wenhsin Branch spin into 2 mini branches as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung 89759294.   |
| <b>2001.01.05</b> | Started business for Credit card.  |

|                   |   |
|-------------------|---|
| <b>2001.04.02</b> | Set up Wenhsin Mini Branch and Beitun Mini Branch.  |
| <b>2001.04.12</b> | Beitun Branch moved to Shalu Town, Taichung country and renamed as Shalu Branch.  |
| <b>2001.05.28</b> | Savings Dept. renamed Taichung Branch as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung 90192708.   |
| <b>2001.06.01</b> | Started business of insurance broker.   |
| <b>2001.06.19</b> | Held 2001 shareholders' regular meeting and elected second term of directors and supervisors.   |
| <b>2001.06.21</b> | Started Trust business as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung (3)-Tze 90746774.  |
| <b>2001.07.17</b> | Started internet banking services as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 90234040.  |
| <b>2001.07.25</b> | Special Assistant Mr. Lai Dhe-Chin retired.   |
| <b>2001.08.01</b> | Established Taipei Branch as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung (3) 90303504.   |
| <b>2001.08.23</b> | Started Internet Banking services.  |
| <b>2001.09.17</b> | Senior executive vice president Wang Lien-Kuei retired.   |
| <b>2001.09.24</b> | Savings Dept. renamed Taichung Branch.  |
| <b>2001.09.28</b> | Added Hsinchu city and Hsinchu Hsien to be business area as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung (3) 90721973.  |
| <b>2001.12.10</b> | Supervisor Mr. Lai Su-Lang passed away.   |
| <b>2001.12.31</b> | Senior Executive Vice President Mr. Chiang Po-Ling retired.<br>Chief Auditor Mr. Lin Tien-Hsiang retired  |
| <b>2002.01.01</b> | 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.                                       |
| <b>2002.02.01</b> | Set up Consumer Banking Center and NPL Management Center.   |
| <b>2002.03.11</b> | Set up Taipei Branch.   |
| <b>2002.03.11</b> | Chairman, Mr. Liao Chun-Tse, was conferred an honorary consultant of The Republic of Honduras Honduras consulate general Taipei office.   |
| <b>2002.05.09</b> | Held 2002 shareholders' regular meeting.  |
| <b>2002.06.27</b> | Added Taoyuan Hsien to be business area as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 0913000230.  |
| <b>2002.08.12</b> | Chairman, Mr. Liao Chun-Tse, was conferred an Outstanding Businessman in the 3rd session.   |
| <b>2002.10.02</b> | Started Trusts business.  |
| <b>2003.02.17</b> | 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. |
| <b>2003.03.27</b> | Chairman, Mr. Liao Chun-Tse, was conferred the Exp. And Imp. Top Ten Man of the Time in the 8 <sup>th</sup> session of the R.O.C.   |

|                   |  |
|-------------------|--|
| <b>2003.04.18</b> | President, Mr. Chang Ying-Che, was conferred an Outstanding Enterprise Manager.  |
| <b>2003.04.21</b> | Zhongzheng Mini Branch reopened for business.  |
| <b>2003.05.06</b> | Held 2003 shareholders' regular meeting.   |
| <b>2003.05.31</b> | Director Lin Ping-Chih demised.  |
| <b>2003.06.19</b> | Ex-Standing Supervisor Ms. Lin Chia-Chu pass away.   |
| <b>2003.07.25</b> | Set up Taoyuan Branch.   |
| <b>2003.09.16</b> | Added Taipei and Taipei hsien to be business area as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 0920033399.   |
| <b>2003.10.20</b> | Direct Mr. Liao Chun-Chao pass away.   |
| <b>2003.12.26</b> | COTA Bank was selected as the director of Taiwan cooperative bank.   |
| <b>2004.01.01</b> | Started up chip ATM card services.   |
| <b>2004.05.07</b> | Held 2004 shareholders' regular meeting.   |
| <b>2004.07.05</b> | Renewed core computer systems.   |
| <b>2004.07.06</b> | Added Taipei city as business area as approved by FSC under doc. no. (3)0930022905.  |
| <b>2004.07.15</b> | Set up the day as the base day for COTA Bank 2003 fiscal year surplus earnings increment to issue the new stocks assignment.   |
| <b>2004.07.27</b> | Relocated Shalu branch to Banciao branch as approved by FSC under doc. no. (3)0930023291.  |
| <b>2004.08.01</b> | Senior executive vice president Huang Mu-Chuan retired.  |
| <b>2004.11.04</b> | The 58 <sup>th</sup> Financial Commerce Champion was made award to General Manager Chang Ying-Che.   |
| <b>2004.11.05</b> | President, Ying-Che Chang on promoted to the 8 <sup>th</sup> Chairman of The Bankers Association of the Republic of China.   |
| <b>2004.11.09</b> | Director Wu Wen-Hua relieved the responsibility.   |
| <b>2004.11.11</b> | Banciao branch opened  |
| <b>2004.11.24</b> | FSC approved COTA Bank to set up International Banking Department.   |
| <b>2005.03.16</b> | Established International Banking Department   |
| <b>2005.05.06</b> | Issued century anniversary chip credit card of Taichung train station.   |
| <b>2005.05.24</b> | Held 2005 shareholders' regular meeting and elected 3rd term of directors and supervisors  |
| <b>2005.05.25</b> | 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.<br>Mr. Liao Chun-Tse was elected as the chairman |
| <b>2005.09.09</b> | Issued subordinated bank debenture for TWD2.5 billion as approved by FSC under doc. no. (3)0940024574  |
| <b>2005.09.17</b> | Held 2005 shareholders' extraordinary meeting and approved to acquired Fengyuan Credit Cooperative   |
| <b>2005.11.04</b> | Joint as member of SMEG (Small and Medium Enterprise Credit Guarantee Fund)  |
| <b>2005.11.17</b> | Acquired Fengyuan Credit Cooperative as approved by FSC under doc. no. (3)0943001682.  |

|                   |   |
|-------------------|---|
| <b>2005.12.12</b> | Relocated Credit Card Center to 339, Dazhi Road., Taichung City.  |
| <b>2006.01.01</b> | The effective day of Fengyuan Credit Cooperative merged into COTA Bank.<br>Added six branches: Fengxin branch, Zhongshan branch, Fengle branch, Fengdong branch, Shiqian branch and Sanmin branch.              |
| <b>2006.01.03</b> | Launched Electronic Official Document System  |
| <b>2006.02.17</b> | Six Branches in Fengyuan started up foreign exchange services in cash and traveler checks.  |
| <b>2006.04.01</b> | Established North Area Office of Credit Management Dept.  |
| <b>2006.06.09</b> | Held 2006 shareholder's regular meeting.  |
| <b>2006.06.14</b> | FSC approved COTA Bank to set up wealth management banking business.  |
| <b>2006.07.01</b> | Established Wealth Management Center.   |
| <b>2006.07.06</b> | FSC approved COTA Bank to set up OBU.   |
| <b>2006.09.22</b> | Trusts Dept .moved to 2F. No.339, Dajih Rd., East District, Taichung City 401, Taiwan   |
| <b>2007.01.17</b> | Set up Kaohsiung Branch.  |
| <b>2007.06.06</b> | Held 2007 shareholder's regular meeting.  |
| <b>2007.07.06</b> | Set up Tainan Branch.   |
| <b>2008.05.26</b> | Sanmin Branch moved to Xinzhuang City and renamed Xinzhuang Branch as approved by FSC under doc. no. Chin-Kuan-Yin-(3)-Tze 09700201230  |
| <b>2008.06.19</b> | Held 2008 shareholder's regular meeting and elected 4 <sup>th</sup> term of Director and Supervisor.  |
| <b>2008.06.20</b> | Mr. Liao Chun-Tse, Mr. Chang Ying-Che, Mr. Xie Dong-Po, Mr. Li Yao-Ting, and Mr. Wang Yen-Chun were elected as managing directors in board of directors meeting. Mr. Liao Chun-Tse was elected as the chairman. |
| <b>2008.07.21</b> | Set up subsidiary "COTA Bank Insurance Broker Co., Ltd."  |
| <b>2008.09.30</b> | President Mr. Chang Ying-Che retired.<br>Mr. Chang Chin-Ting was appointed as President   |
| <b>2008.10.01</b> | President Chang Chin-Ting inaugurated.  |
| <b>2008.12.06</b> | Sep up Xinzhuang Branch.  |
| <b>2009.05.27</b> | Held 2009 shareholder's regular meeting.  |
| <b>2009.06.23</b> | Issued Visa payWave Card and Visa freeform Card   |
| <b>2009.12.11</b> | Launched Foreign-exchange business with transaction amount more than TWD500,000 in internet banking   |
| <b>2009.12.18</b> | Set up "Remuneration and Assessment Committee" and formulated such committee regular activities of an organization in board of directors meeting.   |
| <b>2009.12.29</b> | Taiwan Ratings Corporation latest Rating<br>Long-term Rating: twBBB+<br>Short-term Rating: twA-2<br>Outlook: 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 |
| Trusts Dept.                | 2F., .339, Dazhi Road., East District, Taichung City 401, Taiwan        | 886-4-22807366 | 886-4-22809021 |
| International Banking Dept. | 2F., .246 Yangguang Street, Neihu District, Taipei City 114, Taiwan     | 886-2-87533599 | 886-2-87533573 |
| Offshore Banking Branch     | 2F., .246 Yangguang Street, Neihu District, Taipei City 114, Taiwan     | 886-2-87533599 | 886-2-87533573 |
| Consumer Banking Center     | 10F, 580 Jinhua Road, North District, Taichung City 404, Taiwan         | 886-4-22384596 | 886-4-22379115 |
| SME Banking Center          | 11F, 580 Jinhua Road, North District, Taichung City 404, Taiwan         | 886-4-22370028 | 886-4-22372595 |
| Wealth Management Center    | 2F., .339, Dazhi Road., East District, Taichung City 401, Taiwan        | 886-4-22800361 | 886-4-22809747 |
| Credit Card Center          | 2F., .339, Dazhi Road., East District, Taichung City 401, Taiwan        | 886-4-22805288 | 886-4-22807688 |
| Taichung Branch             | 59 Shihfu Road, Central District, Taichung City 400, Taiwan             | 886-4-22245161 | 886-4-22234491 |
| Banking Dept.               | 32-1 Gongyuan Road, Central District, Taichung City 400, Taiwan         | 886-4-22211186 | 886-4-22229536 |
| Zhongzheng Mini Branch      | 330 Zhongzheng Road, Central District, Taichung City 400, Taiwan        | 886-4-22241115 | 886-4-22229359 |
| Chenggong Branch            | 580 Jinhua Road, North District, Taichung City 404, Taiwan              | 886-4-22304100 | 886-4-22304701 |
| Xitun Branch                | 458 Sec. 2, Henan Road, Xitun District, Taichung City 407, Taiwan       | 886-4-27062968 | 886-4-27063816 |
| Guoguang Branch             | 333 Sec. 3, Fusing Road, South District, Taichung City 402, Taiwan      | 886-4-22245111 | 886-4-22229281 |
| Dazhi Branch                | 339 Dazhi Road, East District, Taichung City 401, Taiwan                | 886-4-22815998 | 886-4-22815977 |
| Linsen Branch               | 99 Linsen Road, West District, Taichung City 403, Taiwan                | 886-4-23725151 | 886-4-23723024 |
| Nanmen Branch               | 75 Nanmen Road, South District, Taichung City 402, Taiwan               | 886-4-22871146 | 886-4-22862412 |
| Jinhua Branch               | 255 Jinhua North Road, North District, Taichung City 404, Taiwan        | 886-4-22333550 | 886-4-22335164 |
| Nantun Branch               | 410 Nantun Road, Nantun District, Taichung City 408, Taiwan             | 886-4-24718500 | 886-4-24758522 |
| Beitun 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  |
| Banciao 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 |
| 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  | 886-7-3506711  |
| Tainan Branch               | 438, Sec 2, Datung Rd., Tainan City 702, Taiwan                         | 886-6-2130966  | 886-6-2149088  |
| Xinzhuang Branch            | 287, Chung Ping Rd., Xinzhuang City, Taipei, Taiwan                     | 886-2-22768887 | 886-2-22768611 |