

Code: 5830

web page: www.cotabank.com.tw

Taiwan Stock Exchange M.O.P.S web page:
newmops.tse.com.tw

ANNUAL REPORT 2011

COTA COMMERCIAL BANK



COTA Commercial Bank



COTA Commercial Bank

ANNUAL REPORT
2011



CONTENTS

- 001 1. To Our Shareholders
- 007 2. Corporate Profile
- 009 3. Corporate Governance
- 037 4. Capital Arrangement
- 045 5. Business Operation
- 059 6. Financial Status
- 109 7. Financial Status Analysis, Operation
Performance Analysis,
and Risk Management
- 125 8. Special Notes
- 128 *Chronological Highlights
- 131 *Head Office and Branches

1

To Our Shareholder



1. To Our Shareholder

1-1. Year 2011 Business Report

1-1-1. Financial Environment

In retrospect of year 2011, global economic recovery pattern remained solid in first quarter supporting domestic economy to maintain a stable growth. However, when it moved forward into second quarter, in the wake of Japan's massive earthquake and Europe's sovereign-debt crisis, emerging countries, like Mainland China, gradually reduced their monetary supply under pressure of inflation bringing slower pace in economic expansion. Three major credit rating agencies downgraded, after US credit rating, European banks' credit rating in consecutive times. Furthermore, high sovereign-debt to GDP ratio constraining economic recovery path led global economy growth rate to reach a 3.8% level only. For Taiwan, slowdown in global economic recovery affecting worldwide exports stifled domestic economic growing energy. Several local economic leading indicators were constantly observed in low figures. And corporate-sector's shrinking in investment or decreasing in working hours to stave off uncertain and gloomy economic environments lagged Taiwan's performance in trade and production. "Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC" published year 2011 domestic economic growth rate in GDP as 4.04%.

In prospect of the coming year, Europe's sovereign-debt crisis would still impact global economy and post a threat to its recovery pattern. Concern on stability of US fiscal system, slowdown in growth momentum of Mainland China and shock on volatility of oil price caused by Med-east turmoil situation raise uncertain risks in global economic growth. Global economy is compelled to enter into a short-term modification or even more a contracting situation. Consequently, IMF estimates year 2012 global economic growth rate will stand at 3.3%. For domestic, weak global trade's performances affecting by less demand deeply reduce Taiwan's exports momentum. However, thanks to sustainable economic growth in US, Asian emerging countries, led by Mainland China, still uphold a satisfied performance. Contribution under ECFA and zero customs tax in almost 90% of early harvest list is believed to urge exports momentum. Besides, aggressive approaches appealing foreign investment and prompting participating in public constructions would shore up positive growth rate in private-sector's real investment. "Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC" estimates year 2012 growth rate in GDP to be 3.91%. Regarding domestic interest rate, owing to gloomy growth, Central Bank of the Republic of China (Taiwan) is likely to adopt a neutral but loose monetary policy to weather unpredictable changes in economy environments. For foreign exchange rate, Central Bank of the Republic of China (Taiwan) is expected to maintain its basic tone with upholding a dynamic but stable TWD exchange rate on concern high short-term uncertain risk is still observable in global financial market.

1-1-2. Organization Development

In view of elevating value of branch channel, we upgrade Beitun Mini Branch into full-functional Beitun Branch to extend business function and provide higher service quality.

1-1-3. Year 2011 Business Plans and Strategies Performance

1-1-3-1. Main Achievements

- In view of enhancing operation capacity, issued subordinate bank debentures (1st term of 2011) for TWD1.5 billion and meanwhile early recall subordinate bank debentures (1st term of 2006) for TWD2.5 billion to strengthen capital structure, improve financial structure and uplift operating efficiency.
- Due to cautious risk-management and credit-policy, our asset quality constantly improved. As of end of Dec. 2011, overdue loan ratio decreased to 0.43% along with non-performing loan coverage ratio increased to 309.91%. Both of them are superior to the average ratios of domestic banks in the same compared period.
- In an effect to provide more convenient service, all of our branches extend business hours to 4 p.m. from Monday to Friday.
- Launched self-developed new-version specimen checking system to enhance the ability of verifying customers' specimen and personal identification at counters.

1-1-3-2. Budget Execution

As of Dec. 31, 2011, our deposits balance with sum of TWD113.2 billion (excluding deposits from banks) increased by TWD6.5 billion compared with previous year; meanwhile our loans balance with sum of TWD83.5 billion decreased by TWD2.1 billion compared with previous year. We would urge ourselves to strengthen e-banking services, promote wealth management, foreign exchange and international banking business, develop new trust business, and provide flexible services with one-stop and diverse products in effects to achieve better structure of quality and quantity between deposits and loans and higher fee income.

Main business budget executions reported as follows:

- Final account of average deposits balance amounted to TWD109.5 billion, achieved 105% budgeting goal of TWD104 billion.
- Final account of average loans balance amounted to TWD83.7 billion, achieved 102% budgeting goal of TWD82 billion.
- Final account of trust assets balance amounted TWD4.57 billion, achieved 91% budgeting goal of TWD5 billion.

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

Our year 2011 earnings before income-tax figured as TWD221,641 thousand turned into EPS before income-tax as TWD0.53, while earning after income-tax figured as TWD192,248 thousand, turned into EPS after-income tax as TWD0.46. Our BIS ratio maintained at a sound level of 11.27% and net worth of per share stood at TWD12.95. Further, in order to strengthen asset quality and increase accumulated bad-debt reserve, we raised our non-performing loan coverage ratio to 309.91% as of Dec. 31, 2011 from 116% as of Dec. 31, 2010. Meanwhile, overdue loan ratio decreased to 0.43% as of Dec. 31, 2011 from 0.82% as of Dec. 31, 2010. Still, we would constant improve business effectiveness and risk control to boost operation capability and 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, 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 2011 Business Plans Outline

We have always been driven toward the need of customers with endeavor to expand asset allocation of higher-profit products and extend diversified sale channels. Further, by achieving wider interest rate spread and higher business momentum to improve profitability and business scale. Main business plans are outlined as follows.

1-2-1. Business Operating Policy

- Continually review branches operating performance and regional environment status to adjust and redeploy branch channels to increase effectiveness and efficiency of branch channels.
- Deeper cultivate SME loans and mitigate risk by utilizing SME Credit Guarantee Fund to expand corporate banking business aggressively.
- Structure comprehensive trust and wealth management service and promote mutual funds and insurance products to create profit.
- Improve functions of internet banking platform and e-banking service to increase user's convenience and transaction security, prolong service hours and business opportunity, and lower transaction operational cost at counters.
- Strengthen risk management mechanism; implement asset portfolio management and optimal capital allocation to lift up effectiveness and efficiency of business operation.
- Strengthen management of human capital; constantly execute proficiency and front-desk sales jobs training to endure the challenge of increasingly competitive banking environment.
- Prompt carbon-emission reduction and actively participate social activities for public welfare to grasp niche in community banking.

1-2-2 Business Target

1-2-2-1 Main Operating Volume

- Deposits: set average deposits budgeting balance as TWD114.5 billion, increased by TWD5 billion at a year-on-year growth rate of 4.52%.
- Loans: set average loans budgeting balance as TWD85 billion, increased by TWD1.3 billion at a year-on-year growth rate of 1.60%.
- Wealth management (trust asset): set trust asset budgeting balance as TWD5 billion, increased by TWD0.43 billion at a year-on-year growth rate of 9.42%.

Unit: TWD thousand: %

Main Business	Budgeting of Year 2012	Budgeting of Year 2011	Increase volume	
			Amount	%
Average deposits	114,500,000	109,546,405	4,953,595	4.52
Average loans	85,000,000	83,657,433	1,342,567	1.60
Wealth management (Trust asset)	5,000,000	4,569,660	430,340	9.42

1-2-2-2. Schemed Targets

- By deploying optimal branch channels to constantly strengthen channel efficiency and aggregate profitability.
- Segment market and provide SME with comprehensive product lines to accelerate corporate banking growth momentum.
- Enhance trust and wealth management business service quality and provide diversified products to satisfy customers' need.
- Built safe and convenient working capital arrangement platform, widen integration of e-banking in cash flows and lower counter operating cost so as to increase profitability of demand account capital.
- Improve risk management methodology, widen efficiency of capital allocation, optimize structure of asset and liability to further improve operating performance.
- Enhance proficiency and sales skill training to increase image of proficient service to reach corporate and personal achievement of searching excellent.
- Commit to fulfilling corporate social responsibility to create better corporate value.

1-3. Long-term Development Strategy

1-3-1. Raise weight of current deposits, higher loan/deposit ratio, expands interest spread to increase profitability.

1-3-2. Expand loans business, wealth management, trust business, foreign exchange, international banking business, and e-banking, adjust structure and operating procedure, expand economic scale and improve operating efficiency to reduce cost and increase profit.

1-3-3. Continually redeploy service locations to enlarge value of branch channels.

1-3-4. Manage loans asset quality, lower overdue loans, increase NPL coverage ratio, and emphasize SME loans.

1-3-5. Improve operating capital and enhance risk management capacity and corporate government.

1-3-6. Build up and integrate management information system and electronic information platform to maximize IT synergy. Simplify operating process, raise efficiency of customer service, develop computer working system, and increase volume of auto-transaction and quality of service.

1-3-7. Enhance asset and liability management, improve asset and liability operation, and increase operating efficiency to raise profitability.

1-3-8. Strengthen staff training, education, career plan and development.

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

With the increasingly easing of cross-strait policy, Taiwan and Mainland China have signed MOU and ECFA, and FSC have published “Regulations Governing the Banking Activity and the Establishment and the Investment by Financial Institution between the Taiwan Area and the Mainland Area”. Under such, Taiwan and Mainland banks are allowed to set subsidiary branch or undertake equity investment each other. Domestic banks could not only fetch the business opportunity of Taiwan companies operating in Mainland, but however also face the competition generated by Mainland banks newly operate in Taiwan. It is expected that it will bring further challenges and opportunities in banking business.

Considering rapid change of industrial tendency and financial environments, we have successfully issued subordinate bank debentures of TWD1.5 billion to constantly strengthen capital adequacy and reinforce competitive ability in financial market. Still, we shall uphold long-standing management policy of stable development by emphasizing internal control and risk management, requesting obedience to law and regulation and concept of risk control. Business expansion will base on the principle of regional rooting and steady growth in connection with increasing financial market openness and regulation reform. Also, new products innovation and combination will be kept developing together with service quality enhancement so as to satisfy needs for various industries and customers on which our business transform opportunity and creation of long-lasting competitive edge could rely.

1-5. Corporate Rating

Category	Rating Agent	Rating		Outlook	Released Date
		Long-term	Short-term		
Local	Taiwan Rating Corporate	twBBB+	twA-2	Stable	Dec.13, 2011

Outlook for year 2012, we would dedicate ourselves to constant cultivating varied business aspects at a steady pace and endeavoring for better customer services in effects to advance business scale, service level, and benefit of shareholders. At last, we would like to express sincere appreciations to our shareholders, directors, supervisors, and the elite in all fields. All of 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 continued support and advice from all of you.

Chairman **Kuo-Chao Hsiao**

2

Corporate Profile



2. Corporate Profile

2-1. Bank Features

Bank Name	COTA Commercial Bank, Ltd.
Chairman	Kuo-Chao Hsiao
President	Chin-Ting Chang
Date of Business Registration	Jan. 01, 1999
Date of Inauguration	Jan. 01, 1999
Location of Head Office	No.32-1, Gongyuan Road, Taichung City 400, Taiwan, R.O.C.
Number of Employee	1,086
Paid-in Capital	TWD4,180,451,110
Capital Shares	Common Stock in 418,045,111 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 environment characterized by severe competition, as “Briskness, Innovation, Cordiality and Service”. In accordance with the promulgation of “Regulations and Criteria Governing Reorganization of Credit Cooperative into Commercial Banks”, COTA Bank started the reorganization task and launched reorganization in Dec. 1995. On Jul. 27, 1998, COTA Bank was officially approved by Ministry of Finance to be transformed into “COTA Commercial Bank”.

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

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

3

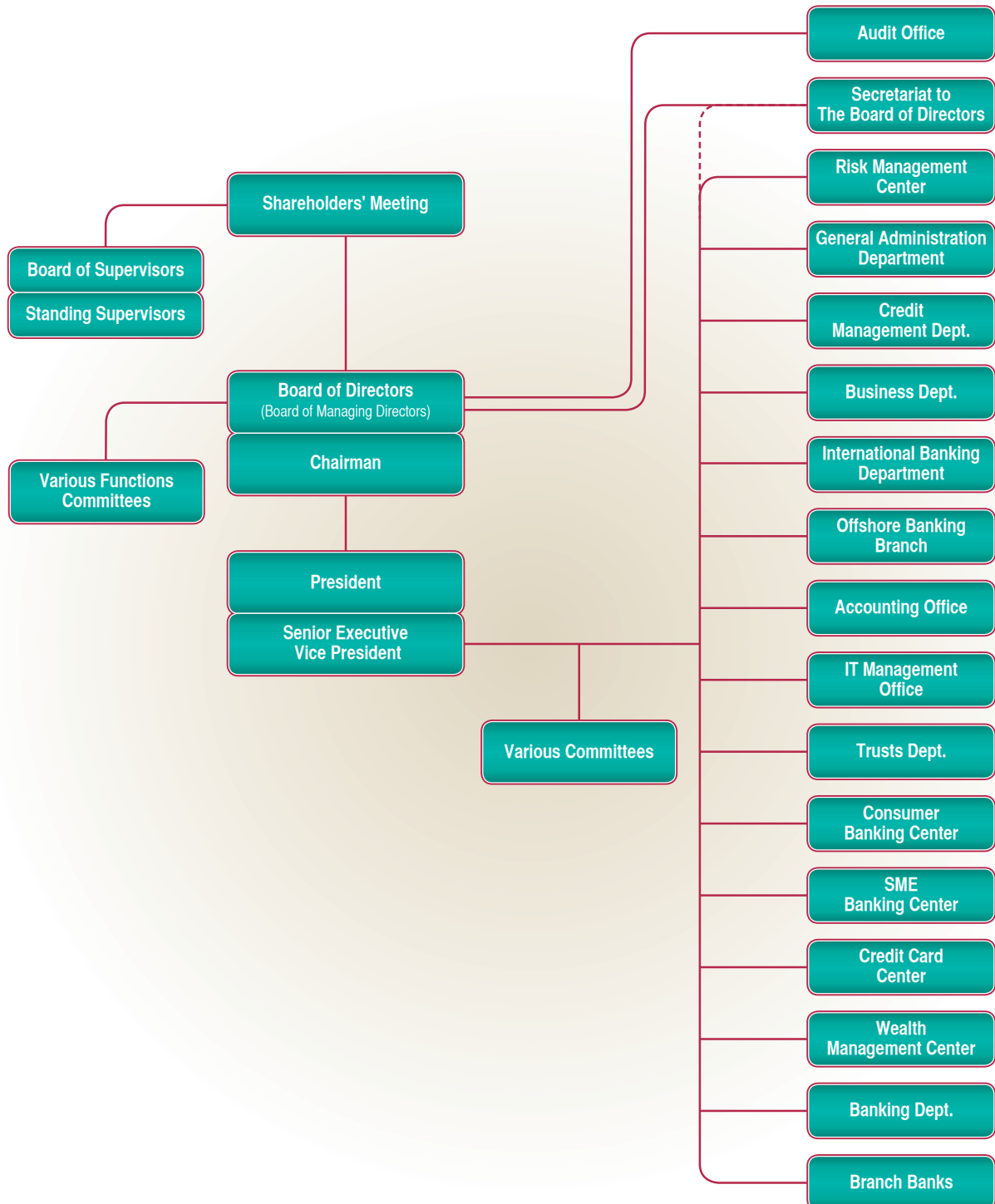
Corporate Governance



3. Corporate Governance

3-1. Organization

3-1-1. Organization Chart



3-1-2. Major Business of Each Division

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

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

3-1-2-2. General Administration Department

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

3-1-2-3. Credit Management Department

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

3-1-2-4. Business Department

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

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

3-1-2-8. Accounting Office

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

3-1-2-9. IT Management Office

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

3-1-2-10. Banking Department

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

3-1-2-11. Trusts Department

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

3-1-2-12. Risk Management Center

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

3-1-2-13. Consumer Banking Center

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

3-1-2-14. SME Banking Center

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

3-1-2-15. Credit Card Center

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

3-1-2-16. Wealth Management Center

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

Above-mentioned department, office or center may, based on business need, propose for Board of Directors' resolution to establish, dismiss or combine.

Units of H.O. may institute north or south regional centers and their joint office.

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

3-2-1. List of Directors and Supervisors

As of Dec. 31, 2011, Shares Held (%)

Title	Name	Elected Date	Tenure	First Elected	Elected Shares Owned		Current Shares Owned		Shares Owned by Spouses and Minor children		Shares Held under Surrogate A/C		Education & Key Work Experience	Current Positions Held in this or other company
					No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%		
Chairman	Kuo-Chao Hsiao	Aug.31, 2011	3	Aug. 30, 2011	3,545,818	0.8482	3,560,818	0.8518	2,178,166	0.5210	-	-	University of South California, USA, Supervisor of Taiwan Foundation Global Technology Co. Ltd. Chairman of Hong Cheng Construction Co., Ltd.	-
Managing Director	Ying-Che Chang	Aug.31, 2011	3	Jan. 01, 2002	1,721,441	0.4118	1,721,441	0.4118	21,774	0.0052	-	-	Department of International Trade, Feng Chia University, President of COTA Bank	Director of Third Credit Cooperative educational foundation
Managing Director	Mu-Chuan Huang	Aug.31, 2011	3	Jan. 01, 2002	1,918,629	0.4590	1,918,629	0.4590	447	0.0001	-	-	Shinmin Economics and Commercial Senior high school, Senior Executive Vice President of COTA Bank	-
Managing Director	Song-Yue Liao	Aug.31, 2011	3	Aug. 30, 2011	15,475,488	3.7019	18,068,839	4.3222	190,739	0.0456	-	-	Hosei University of Tokyo, Japan Chairman of Chuan Cheng Hat Co., Ltd.	Chairman of Chuan Cheng Hat Co., Ltd. Chairman of Jepana Enterprise Co. Ltd. Director of CCH Plus Inc. Director of CCH investment Inc., Supervisor of Yen Sign International Enterprise Co., Ltd., Supervisor of Opus High Technology Corporation
Managing (Independent) Director	Yen-Chun Wang	Aug.31, 2011	3	Jun. 20, 2008	1,800,000	0.4306	1,800,000	0.4306	-	-	-	-	National Taiwan University Graduate Institute of Electrical Engineering Director of Tai Chiun Technology Co., Ltd. Director of China hsiu Tzu Co., Ltd. Chairman of Wei Hsin Co., Ltd.	Chairman of United Integrated Services Co., Ltd. Chairman of Unimens Manufacturing Co., Ltd. Director of Han Tai Investment Co., Ltd. Director of Jong ching Investment Co., Ltd. Director of China hsiu Tzu Co., Ltd. Director of Ablerex Electronics Co., Ltd. Independent Director of Coretronic Corporation
Director	Chun-Tse Liao	Aug.31, 2011	3	Aug. 30, 2011	5,500,000	1.3156	5,500,000	1.3156	12,824	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. Director of Third Credit Cooperative educational foundation
Director	Chan-Wen Lin	Aug.31, 2011	3	Jan. 01, 1999	1,755,516	0.4199	1,755,516	0.4199	-	-	-	-	National Taichung Institute of Technology, President of Liability Taichung Third Credit Cooperative Director of FDU Personal Insurance Agent Co., Ltd.	-
Director	Dong-Po Xie	Aug.31, 2011	3	Aug. 30, 2011	1,674,981	0.4007	1,744,981	0.4174	220,616	0.0528	-	-	Post graduate of University of California in U.S.A., The Hong Kong College of Medicine, Representative of Liang Yow Biotechnology Inc., Chairman of Magnistar International corp., Director of Feng Tzer Electronics Co., Ltd.	Chairman of Cheng Shing Tai Biopharmaceutical Co., Ltd. Director of Yen Sheng Broadcasting Station Director of Tien Sheng Broadcasting Station Directors of Sicame Commercial Affairs Hotel Inc. Directors of Tung Kai An Leisure Development Inc. Chairman of Cheng ShingTai Biotechnology Co., Ltd.
Director	Pi-Jung Hsieh	Aug.31, 2011	3	Jan. 01, 1999	1,890,429	0.4498	1,880,429	0.4498	1,355,059	0.3241	-	-	Taichung Industrial High School, Certification Examinations for Architect, Ministry of Examination, Engineer of Taiwan Railway Electrical Engineering Department.	Architect of Hsieh Pi-jung Architectural Office Director of Ju Hsing International Co., Ltd. Director of Chung Hui Investment Co., Ltd. Supervisor of Bai Kou Biopharmaceutical 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	Aug.31, 2011	3	May 25, 2005	1,473,997	0.3526	1,473,997	0.3526	76,958	0.0184	-	-	National Chung Hsing University, Department of Public Finance and Taxation, President of Tung Yang Business Co., LTD.	Chairman of Tung Yang Investment Co., Ltd., Chairman of Tung Yang Business Co., Ltd., Director of Yuan . Sheng Plastic Inc., Representative of Jazzy Industrial Co., Ltd., Managing Director of Taiwan Flour Mills Associate Director-General of Taiwan Barley Products Industry Association, Director of China Grain Products Research and Development Institute, Supervisor of Taiwan Grains and Feeds Development Foundation Director of Hsiuping University of Science and Technology
Director	Ying-Chieh Lai	Aug.31, 2011	3	Jan. 01, 1999	1,178,711	0.2820	1,178,711	0.2820	314,949	0.0753	-	-	Murakami Youth School, Certificate of Administration management in Japan, President of Yu Li De Consultant Co., Ltd.	Chairman of Third Credit Cooperative educational foundation
Director	Chun-Chuan Wang	Aug.31, 2011	3	Jan. 01, 1999	1,171,911	0.2803	1,171,911	0.2803	64,707	0.0155	-	-	Department of English, Tamkang University, President of COTA Bank	
Director	Guo-Zhou Chen	Aug.31, 2011	3	May 25, 2005	2,042,995	0.4887	2,042,995	0.4887	-	-	-	-	Nan Ying Vocational High School of Business & Technology Supervisor of Yeh-Chiang Technology Corp. Supervisor of Sino-American Silicon Products Inc.	Chairman of Nan Hai toy Co., Ltd. Representative of Peng Chen Corp. Director of Sino-American Silicon Products Inc. Supervisor of Zhong Yang Guang Fu Co., Ltd.
Independent Director	Kung-Cheng Lin	Aug.31, 2011	3	Jun. 20, 2008	-	-	-	-	27,000	0.0065	-	-	National Chengchi University, Department of Public Finance and Taxation PHD of Department of Economy in Iowa State University U.S.A Chairman of Department of Public Finance & Taxation in National Taichung Institute of Technology Chairman of Department of Public Finance in Feng Chia University Associate professor and Chairman of Department of Financial Management in Hsiuping Institute of Technology	Associate Professor of Department of Public Finance in National Taipei University
Independent Director	Po-Yao Chi	Aug.31, 2011	3	Jun. 20, 2008	1,465,722	0.3506	1,729,948	0.4138	-	-	-	-	Soochow University School, Department of Accounting Director of Cheng Loong Corporation TaiChung Factory	Managing Director of Shan Fu Corrugated Carton Co., Ltd. Director of Ming Foong Plastic Co., Ltd. Director of Ko Loong Industry Co., Ltd. Director of Cheng Loong Corporation Miaoli Factory
Standing Supervisor	Lien-Kui Wang	Aug.31, 2011	3	Jan. 01, 2002	1,447,704	0.3463	1,447,704	0.3463	64,131	0.0153	-	-	Civic Education and Leadership, National Taiwan Normal University, Executive vice President of Liability Taichung Third Credit Cooperative, Senior Executive Vice President of COTA Bank	
Supervisor	Yao-Ting Li	Aug.31, 2011	3	Aug. 30, 2011	1,841,274	0.4404	1,841,274	0.4404	244,345	0.0584	-	-	National Taichung Institute of Technology, Chairman of Yuan Feng Dyeing & Weaving Co., Ltd., Managing director & President of Fu Shan Dyeing & Weaving Co., Ltd.	
Supervisor	Yong-Zhi Wang	Aug.31, 2011	3	May 25, 2005	1,561,897	0.3736	1,511,897	0.3717	1,279	0.0003	-	-	Nanya Institute of Technology, Director of Sheng Ho Securities(BTS) Company	
Supervisor	Dhe-Chin Lai	Aug.31, 2011	3	Jan. 01, 2002	1,472,791	0.3523	1,472,791	0.3523	38,478	0.0092	-	-	Shin Min Economics and Commercial Senior high school Executive vice President of Liability Taichung Third Credit Cooperative, Special Assistant of COTA Bank Direct of FDU Non-Life Insurance Agent Co., Ltd.	-
Supervisor	Zhuang-Tai Wang	Aug.31, 2011	3	May 25, 2005	2,500,664	0.5982	2,500,664	0.5982	-	-	-	-	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

3. Corporate Governance

As of Dec. 31, 2011

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	Kuo-Chao Hsiao	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Managing Director	Ying-Che Chang	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Managing Director	Mu-Chuan Huang	-	-	V	V	-	-	V	V	V	V	V	V	V	V	-
Managing Director	Song-Yue Liao	-	-	V	V	-	-	V	-	V	V	V	V	V	V	-
Managing Director (Independent)	Yen-Chun Wang	-	-	V	V	V	V	V	V	V	V	V	V	V	V	1
Director	Chun-Tse Liao	-	-	V	V	-	-	V	V	V	V	V	V	V	V	-
Director	Chan-Wen Lin	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Director	Dong-Po Xie	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Director	Pi-Jung Hsieh	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Director	Xian-De Lai	-	-	V	V	-	V	V	-	V	V	V	V	V	V	-
Director	Ying-Chieh Lai	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Director	Chun-Chuan Wang	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Director	Guo-Zhou Chen	-	-	V	V	-	-	V	V	V	V	V	V	V	V	-
Independent Director	Kung-Cheng Lin	V	-	V	V	V	V	V	V	V	V	V	V	V	V	-
Independent Director	Po-Yao Chi	-	-	V	V	V	V	V	V	V	V	V	V	V	V	-
Standing Supervisor	Lien-Kui Wang	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Supervisor	Yao-Ting Li	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Supervisor	Yong-Zhi Wang	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Supervisor	Dhe-Chin Lai	-	-	V	V	-	V	V	V	V	V	V	V	V	V	-
Supervisor	Zhuang-Tai Wang	-	-	V	V	-	-	V	V	V	V	V	V	V	V	-

Note:

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

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

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

As of Dec. 31, 2011, Shares Held (%)

Title	Name	Date of Inauguration	Shares Owned		Shares Owned by Spouses and Minors		Shares Held under Surrogate A/C		Education & Key Past Positions	Other Positions Held Current
			No. of Shares	%	No. of Shares	%	No. of Shares	%		
President	Chin-Ting Chang	Oct. 01, 2008	1,770,883	0.42	41,243	0.01	-	-	NCHU's Continuing Education School, EMBA, Senior Executive Vice President of COTA Bank	Director of COTA Bank Insurance Broker Co., Ltd.
Senior Executive Vice President	Jung-Hsien Chiu	Jan. 01, 2004	782,832	0.19	0	0.00	-	-	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. 01, 2008	500,174	0.12	150,480	0.04	-	-	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.
Senior Executive Vice President	Ho-Shun Chang	Oct. 08, 2010	165,231	0.04	13,941	0.00	-	-	Feng-Yuan Commercial & Vocational High School, Banking Department General Manager of COTA Bank	-
Chief Auditor	Shih-Chien Chin	Oct. 15, 2009	329,565	0.08	147,002	0.04	-	-	Department of Applied Math., University of North Texas, USA, Business Department Executive Vice President of COTA Bank	-
Executive Vice President (Vice Chief Auditor)	Chang-Lu Liu	Jul. 16, 2010	89,638	0.02	2,692	0.00	-	-	Tsao Tun Vocational School, Nanmen Branch General Manager of COTA Bank	-
Executive Vice President (Department General Manager)	Yun-Ching Wang	Jan. 01, 2004	277,875	0.07	160,008	0.04	-	-	Master in Finance, National Chung Hsing University, IT Management Office Chief Secretary of COTA Bank	-
Executive Vice President (Branch General Manager)	Hsin-De Chang	Oct. 01, 2008	319,045	0.08	68,464	0.02	-	-	Department of Accounting, Chien Kuo College of Commerce, Taichung Branch General Manager of COTA Bank	-
Executive Vice President (Branch General Manager)	Tai-An Chen	Oct. 01, 2008	471,381	0.11	80,003	0.02	-	-	Ming Te Home Economics and Commercial Senior High School, Situn Branch General Manager of COTA Bank	-
Department General Manager	A-Kuai Chen	Feb. 21, 2000	255,296	0.06	-	-	-	-	Department of Social Sciences, The National Open University, Commissioner of COTA Bank	-
Department General Manager	Chiu-Yun Huang	Jan. 01, 2006	43,853	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	66,528	0.02	0	0.00	-	-	Graduate School of Management, University of California at Riverside, Assistant Vice President of Bank Sinopac	-
Department General Manager	Huan-Mou Cheng	Sep. 15, 2008	181,263	0.04	12,824	0.00	-	-	National Open College of Continuing Education Affiliated to NTIT, SME Banking Center General Manager of COTA Bank	-
Department General Manager	Kuang-Hsiung Huang	Mar. 03, 2006	185,000	0.04	224,389	0.05	-	-	Department of Economics, Feng Chia University, General Administration Department Deputy General Manager of COTA Bank	-
Chief Secretary	Chien-Cheng Hsu	Mar. 03, 2006	374,756	0.09	77,567	0.02	-	-	Department of Business Administration, Tunghai University, General Administration Department Deputy General Manager of COTA Bank	-
Department General Manager	Chih-Hung Huang	Oct. 15, 2009	208,671	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	Apr. 01, 2007	104,524	0.03	86,472	0.02	-	-	Department of Public and Management, Supplementary Junior College of the National Open University, Consumer Banking Center Project Manager of COTA Bank	-
Department General Manager	Chun-Sheng Lin	Apr. 01, 2010	81,266	0.02	0	0.00	-	-	Department of Chemical Engineering, Chung Yuan Christian University, Risk Management Center Deputy General Manager of COTA Bank	-
Department General Manager	Chang-Chieh Lin	Oct. 01, 2010	86,257	0.02	0	0.00	-	-	Department of Economics, Tunghai University, Wealth Management Center General Manager of COTA Bank	-
Department General Manager	Mei-Ling Shih	Oct. 08, 2010	120,451	0.03	253	0.00	-	-	Supplementary Junior College, Jinhua Branch Deputy General Manager of COTA Bank	-
Project Manager	Kuo-Chiu Chang	Oct. 01, 2010	54,173	0.01	0	0.00	-	-	Master in Business Administration, Chaoyang University of Technology, Wealth Management Center Deputy General Manager of COTA Bank	-

3. Corporate Governance

Title	Name	Date of Inauguration	Shares Owned		Shares Owned by Spouses and Minors		Shares Held under Surrogate A/C		Education & Key Past Positions	Other Positions Held Current
			No. of Shares	%	No. of Shares	%	No. of Shares	%		
Branch General Manager	Ling-Chen Ting	Oct. 08, 2010	339,066	0.08	-	-	-	-	Department of Banking and Insurance, National Taichung Institute of Technology, Trust Department General Manager of COTA Bank	
Branch General Manager	Lu-Chen Liao	Apr. 01, 2010	163,928	0.04	121,214	0.03	-	-	Shin Min Commercial and Industrial Vocational Senior High School , Fengle Branch General Manager of COTA Bank	
Branch General Manager	Jui-Sen Liao	Apr. 01, 2010	86,791	0.02	1,279	0.00	-	-	Department of Public Finance and Taxation, Aletheia University, SME Banking Center General Manager of COTA Bank	-
Branch General Manager	Chung-Lung Tsai	Apr. 01, 2007	235,350	0.06	345,163	0.08	-	-	Department of Industrial Engineering and Management National Chin-Yi University of Technology, Zhongshan branch General Manager of COTA Bank	-
Branch General Manager	Cheng-Hsien Hsieh	Jan. 01, 2010	257,167	0.06	97,147	0.02	-	-	Department of Business, The National Open University, Credit Management Department Deputy General Manager of COTA Bank	
Branch General Manager	Min-Chang Lin	Oct. 15, 2009	188,481	0.05	32,064	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-Peng Yang	Jul. 16, 2010	156,022	0.04	20,571	0.00	-	-	Department of Business Administration, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology, Changhua Branch General Manager of COTA Bank	-
Branch General Manager	Chih-Hui Chen	Jun. 25, 2009	20,115	0.00	337,786	0.08	-	-	Department of Computer Science, Feng Chia University, Trust Department General Manager of COTA Bank	-
Branch General Manager	Shih-Tsung Chou	Jul. 01, 2006	235,385	0.06	350,379	0.08	-	-	Department of Business Administration, The Overseas Chinese College, Changhua Branch General Manager of COTA Bank	-
Branch General Manager	Kuo-Ho Chang	Sep. 15, 2008	39,148	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	355,599	0.09	-	-	-	-	Department of Oceanography, Chinese Culture University, Credit Management Department Deputy General Manager of COTA Bank	-
Branch General Manager	His-Tung Chang	Jul. 16, 2010	403,182	0.10	2,562	0.00	-	-	Department of Electrical Engineering, Kuang-Hwa Vocational High School of Technology, Credit Management Department Project Manager of COTA Bank	
Branch General Manager	Song-Song Yan	Aug. 04, 2011	16,934	0.00	0	0.06	-	-	Department of International Trade, National Changhua Senior School of Commerce, Yuanlin Branch General Manager of COTA Bank	-
Branch General Manager	His-Hsien Wang	Nov. 21, 2005	59,735	0.01	0	0.00	-	-	Soochow University School of Law, Manager of CTCB, Panchiao Branch General Manager of COTA Bank	
Branch General Manager	Feng-Jung Yeh	Oct. 01, 2008	87,201	0.02	13,587	0.00	-	-	Department of Finance, Chaoyang University of Technology, Chungcheng Mini Branch General Manager of COTA Bank	
Branch General Manager	Chi-Shen Huang	Mar. 03, 2006	231,771	0.06	38,478	0.01	-	-	Department of Banking and Insurance, National Taichung Institute of Technology, Panchiao Branch Deputy General Manager of COTA Bank	
Branch General Manager	Hung-Chi Tung	Apr. 01, 2010	143,246	0.03	124,607	0.03	-	-	Department of International Trade, Supplementary Junior College, Shiqian Branch General Manager of COTA Bank	
Branch General Manager	Hsien-Hsun Chiang	Jan. 01, 2010	109,114	0.03	13,952	0.00	-	-	Department of Cooperative Economics, Tamkang University, General Administration Department Deputy General Manager of COTA Bank	
Branch General Manager	Chang-Cheng Chen	Apr. 01, 2010	107,929	0.03	638	0.00	-	-	Department of General Business of Extension Business Vocational School, National Taichung Institute of Technology, Fengxin Branch General Manager of COTA Bank	
Branch General Manager	Shih-Tsung Liu	Apr. 01, 2010	234,652	0.06	178,479	0.04	-	-	Department of Business, The National Open University, Fengdong Branch General Manager of COTA Bank	
Branch General Manager	Wen-Jeng Chen	Jul. 01, 2006	129,601	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	128,796	0.03	245,728	0.06	-	-	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	132,988	0.03	81,147	0.02	-	-	Department of Accounting Statistics National Changhua Senior School of Commerce, Credit Management Department Project Manager of COTA Bank	
Branch General Manager	Mao-Sheng Huang	Apr. 01, 2010	123,325	0.03	32,710	0.01	-	-	Department of Finance Stock Practice, Chung Hua University, Chungcheng Mini Branch General Manager of COTA Bank	

(2) Supervisors' Remuneration

Unit: TWD thousand

Title	Name	Supervisors' Remuneration										Whether or not any compensation is received from other reinvested businesses than subsidiaries	
		Rewards (A)		Pension and Superannuation (B)		Earning Distribution (C)		Professional Practice (D)		Sum of A, B, C and D /after-tax profit (%)			
		Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	Bank	Consolidation		
Managing Supervisor	Lien-Kui Wang												NIL
Supervisor	Yao-Ting Li												
Supervisor	Yong-Zhi Wang	3,200	3,200	-	-	1,009	1,009	345	345	2.37%	2.37%		
Supervisor	Dhe-Chin Lai												
Supervisor	Zhuang-Tai Wang												

Classification of Remuneration

Unit: TWD

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

President and Senior Executive Vice Presidents' Remuneration

As of Dec. 31, 2011, Unit: TWD thousand

Title	Name	Salary(A)		Pension and Superannuation		Bonus and Special Disbursement		Employee Bonus from Earning Distribution				Sum of A, B, C and D /after-tax profit (%)		Employee Share Subscription Warrants		Other Remuneration
		Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	
								Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend					
President	Chin-Ting Chang															
Chief Auditor	Shih-Chien Chin															
Senior Executive Vice President	Jung-Hsien Chiu	6,652	6,670	0	0	3,876	3,876	191	0	191	0	5.5756%	5.585%	-	-	NIL
Senior Executive Vice President	Chih-Sheng Hsiao															
Senior Executive Vice President	Ho-Shun Chang															

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

Classification of Remuneration

Unit: TWD

Classification of President and Senior Executive Vice Presidents' Remuneration	People of President and Senior Executive Vice Presidents	
	Bank	Consolidation
Under 2,000,000	Chih-Sheng Hsiao, Ho-Shun Chang, Shih-Chien Chin	Chih-Sheng Hsiao, Ho-Shun Chang, Shih-Chien Chin
2,000,000 - 5,000,000	Chin-Ting Chang, Jung-Hsien Chiu	Chin-Ting Chang, Jung-Hsien Chiu
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)

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

As of Dec. 31, 2011; Unit: TWD thousand

	Title	Name	Stock dividends	Cash Dividends	Total Amount	Total Amount/Net Income (%)	
Manager	President	Chin-Ting Chang					
	Chief Auditor	Shih-Chien Chin					
	Senior Executive Vice President	Jung-Hsien Chiu					
	Senior Executive Vice President	Chih-Sheng Hsiao					
	Senior Executive Vice President	Ho-Shun Chang					
	Executive Vice President and Vice Chief Auditor	Chang-Lu Liu					
	Executive Vice President	Yun-Ching Wang					
	Executive Vice President	Hsin-De Chang					
	Executive Vice President	Tai-An chen					
	Chief Secretary	Chien-Cheng Hsu					
	Department General Manager	Kuang-Hsiung Huang					
	Department General Manager	Chih-Hung Huang					
	Department General Manager	A-Kuai Chen					
	Department General Manager	Chiu-Yun Huang					
	Department General Manager	Huan-Mou Cheng					
	Department General Manager	Wei-Bin Lin					
	Department General Manager	Mei-Ling Shih					
	Department General Manager	Chang-Chieh Lin					
	Project Manage	Kuo-Chiu Chang					
	Department General Manager	Chun-Sheng Lin					
	Department General Manager	Hung-Tsang Chiang					
	Branch General Manager	Ling-Chen Ting		-	1,301	1,301	0.6767%
	Branch General Manager	Lu-Chen Liao					
	Branch General Manager	Jui-Sen Liao					
	Branch General Manager	Chung-Lung Tsai					
	Branch General Manager	Cheng-Hsien Hsieh					
	Branch General Manager	Min-Chang Lin					
	Branch General Manager	Chih-Peng Yang					
	Branch General Manager	Chih-Hui Chen					
	Branch General Manager	Shih-Tsung Chou					
	Branch General Manager	Kuo-Ho Chang					
	Branch General Manager	Shih-Jung Chen					
	Branch General Manager	His-Tung Chang					
	Branch General Manager	His-Hsien Wang					
Branch General Manager	Feng-Jung Yeh						
Branch General Manager	Chi-Shen Huang						
Branch General Manager	Hung-Chi Tung						
Branch General Manager	Hsien-Hsun Chiang						
Branch General Manager	Chang-Cheng Chen						
Branch General Manager	Shih-Tsung Liu						
Branch General Manager	Wen-Jeng Chen						
Branch General Manager	Ching-Hsu Hsu						
Branch General Manager	Ching-Sung Chen						
Branch General Manager	Mao-Sheng Huang						

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

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

Item	Total Amount / Net Income After Tax		
	Year 2011	Year 2010	%
Director	7.79%	14.23%	-6.44%
Supervisor	2.37%	4.14%	-1.77%
Total	10.16%	18.37%	-8.21%

Remarks:

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

Item	Total Amount / Net Income After Tax		
	Year 2011	Year 2010	%
President and Senior Executive Vice President	5.5756%	9.7905%	-4.2149%

Remarks:

1. Remuneration for president and vice-president is paid in accordance with rules approved by the board of directors.
2. Payment of employee salary is calculated by related by-laws.
3. Employee bonus is distributed by the resolution of the annual shareholders' general meeting and applicable rules.
4. Performance bonus is paid according to year 2010's earning status and rules of performance evaluation.



3-3. Operation of Corporate Governance

3-3-1. Operation status of board of directors: convened 11 meetings in the year 2011, 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	Kuo-Chao Hsiao	11	0	100.00%	Re-elected on the shareholders' extraordinary meeting held on Aug.30, 2011. (Ex-supervisor). Appointed as Chairman on extraordinary Board of Directors held on Aug.31,2011.
Managing Director	Ying-Che Chang	11	0	100.00%	Appointed as Managing Director on extraordinary Board of Directors held on Aug.31,2011.
Managing Director	Song-Yue Liao	11	0	100.00%	Appointed as Managing Director on extraordinary Board of Directors held on Aug.31,2011.
Managing Director	Mu-Chuan Huang	10	1	90.91%	Appointed as Managing Director on extraordinary Board of Directors held on Aug.31,2011.
Managing (Independent) Director	Yen-Chun Wang	6	3	54.55%	Appointed as Managing Director on extraordinary Board of Directors held on Aug.31,2011.
Director	Chun-Tse Liao	11	0	100.00%	Re-elected on the shareholders' extraordinary meeting held on Aug.30, 2011.
Director	Dong-Po Xie	9	0	81.82%	Re-elected on the shareholders' extraordinary meeting held on Aug.30, 2011.
Director	Chan-Wen Lin	11	0	100.00%	Re-elected on the shareholders' extraordinary meeting held on Aug.30, 2011.
Director	Ying-Chieh Lai	5	0	45.45%	Re-elected on the shareholders' extraordinary meeting held on Aug.30, 2011.
Director	Pi-Jung Hsieh	11	0	100.00%	Re-elected on the shareholders' extraordinary meeting held on Aug.30, 2011.
Director	Chun-Chuan Wang	8	3	72.73%	Re-elected on the shareholders' extraordinary meeting held on Aug.30, 2011.
Director	Xian-De Lai	11	0	100.00%	Re-elected on the shareholders' extraordinary meeting held on Aug.30, 2011.
Director	Guo-Zhou Chen	10	1	90.91%	Re-elected on the shareholders' extraordinary meeting held on Aug.30, 2011.
Independent Director	Kung-Cheng Lin	9	2	81.82%	Re-elected on the shareholders' extraordinary meeting held on Aug.30, 2011.
Independent Director	Po-Yao Chi	11	0	100.00%	Re-elected on the shareholders' extraordinary meeting held on Aug.30, 2011.
Standing Supervisor	Lien-Kui Wang	10	0	90.91%	Re-elected on the shareholders' extraordinary meeting held on Aug.30, 2011.
Supervisor	Yao-Ting Lee	9	2	81.82%	Re-elected on the shareholders' extraordinary meeting held on Aug.30, 2011.
Supervisor	Dhe-Chin Lai	10	0	90.91%	Re-elected on the shareholders' extraordinary meeting held on Aug.30, 2011.
Supervisor	Yong-Zhi Wang	11	0	100.00%	Re-elected on the shareholders' extraordinary meeting held on Aug.30, 2011.
Supervisor	Zhuang-Tai Wang	11	0	100.00%	Re-elected on the shareholders' extraordinary meeting held on Aug.30, 2011.

Remarks:

- Matters specified in Article 14.3 of the Securities Exchange Act, or board resolutions where independent directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing: none.
- Avoidance of Conflict of interest by directors:
 - The 10th Meeting of the 4th extraordinary Board of Directors held on Aug. 26, 2011:
Name of director: Ying-Chieh Lai
Issues: Proposal of Third Credit Cooperative Educational Foundation draft the tenancy agreement and the leasing premises are located at 2 Floor, No.580, Chin Hua Road, Taichung.
Reasons for avoidance: The Representative of Third Credit Cooperative Educational Foundation is Director Ying-Chieh Lai.
Results for attendance: Director Ying-Chieh Lai who requested a leave of absence due to conflict of interest pertaining to the matters discussed.
 - The 2nd Meeting of the 5th Board of Directors held on Dec.23, 2011:
Name of director: Ying-Chieh Lai, Chun-Tse Liao, Pi-Jung Hsieh, Ying-Che Chang
Issues: Donation to Third Credit Cooperative Educational Foundation for financial support.
Reasons for avoidance: The Director of Third Credit Cooperative Educational Foundation.
Results for attendance: Directors Ying-Chieh Lai, Chun-Tse Liao, Pi-Jung Hsieh, and Ying-Che Chang who requested a leave of absence due to conflict of interest pertaining to the matters discussed.
- Assessment of objectives and implementation status in the area of strengthening the powers of the board of directors for the current and immediately past years will be carried out:
 - Hold "Compensation Committee" to amend compensation packages, and consolidate management of board of directors.
 - In accordance with the corporate governance guidelines for banking industry, and was provided legal advices by appointed professional lawyers and consultants.

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

Operation status of the Auditing Committee: Not established

Supervisors attend the practice of Board of Directors

Board of Directors convened 11 meetings (A) in 2011, 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	10	90.91%	
Supervisor Date of dismissed: Aug. 31, 2011	Guo-Zhao Hsiao	8	100%	Re-elected on the shareholders' extraordinary meeting held on Aug.30, 2011. Appointed as Chairman on extraordinary Board of Directors held on Aug.31, 2011.
Supervisor Date of appointed: Aug. 31, 2011	Yao-Ting Lee	3	100%	Appointed as supervisor on the shareholders' extraordinary meeting held on Aug.30, 2011.
Supervisor	Dhe-Chin Lai	10	90.91%	
Supervisor	Yong-Zhi Wang	11	100%	
Supervisor	Zhuang-Tai Wang	11	100%	

Remarks:

1. Supervisors and their responsibilities

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

- ◆ Status of the supervisors communication with the Bank's employees and shareholders:
Supervisors may investigate the operational and financial condition of the Bank from time to time, and set up the directory of members for easy communicate.
- ◆ Communication between supervisors and internal auditors and accountants:
The internal and external audit reports are all submitted to supervisors for review. Supervisors investigate financial reports annually and discuss with manager of Accounting Dept, CPAs.
- ◆ Standing supervisors regularly invited to participate in our banking and internal audit staff person in charge of the forum, and the board of directors made of record.

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

- ◆ The 12th Meeting of the 4th Board of Directors held on Mar. 18, 2011. Case discussion of eight guarantor of delinquent in loan in Chinhua Branch including Li-Hsing, Chen, who made a proposal of amortization and exempted from guarantee responsibilities. The board agreed to take in charge by original approved standards and set up mortgage with 100% amount.
- ◆ The 7th Meeting of the 4th Interim Board of Directors held on Jun. 3rd, 2011. Amendment to the bank's corporate charter and the Rules of Election. Unanimously recognized by all shareholders in attendance.
- ◆ The 13th Meeting of the 4th Board of Directors held on Jun. 17, 2011. Proposal of writing off 35 bad debts of non-accrual loans. Approved to by all directors in attendance to continue collection and notify the supervisors.
Proposal of no interest shall be deducted from the principal is applied for by a former employee of Bank, Ming-Chen Wu, and approved to by 12 directors in attendance, disapproved by 1 director.
Discuss the follow-up after shareholders' regular meeting. Unanimously recognized by all directors in attendance, and appointed lawyer to submit the case to judicial authority for investigation, report to Securities and Futures Bureau as well.

- ◆ The 9th Meeting of the 4th Interim Board of Directors held on Aug. 3rd, 2011: Nomination of Independent director candidate by director and shareholders holding 1% share of voting shares, whereas the nominate candidate by shareholders holding over 1% share of voting shares, who was disqualified with the Article 3-1-13 of "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks".
- ◆ The 10th Meeting of the 4th Interim Board of Directors held on Aug. 26, 2011
Proposal of loans applied for by a customer of Nanmen branch, Chih-Peng Yang. Not partnership investment with client or staff, regarded as a normal loan on personal investment basis without speculative, or commercial activities.
The 2nd Meeting of the 5th Board of Directors held on Dec. 23, 2011:
Propose the donating to Third Credit Cooperative Educational Foundation for financial support. Approve by all directors in attendance.
Amend to the Article 24 of "Rules of personnel", approved by all directors in attendance, and directors also recommend to amend the Article 50 of "Rules of Personnel", if necessary, relevant departments could take corresponding actions.
Propose the evaluation for influences of accommodating to the upcoming implementation of IFRS (International Financial Report Standards) by the competent authority. Further discussion need to Proposal of specific opinion and suggestion by relevant departments, which is approved by all directors in attendance, and interpreted by chief auditor.
Proposal of moving to appropriate site in adjacent areas of Yuanlin branch, and president took charge of relevant lease matters.
Proposal of where to establish business unit, Lingya Dist., is the best site of Kaohsiung approved by all directors.
- ◆ Nomination of Article 30, 31 of our memorandum and Article 5 of "Rules of personnel" approved by all directors in attendance, and effective on Jan. 1ST, 2011. Legal Compliance Systems is primary department of bank, whether Vice Chief Auditor exist or not. The bank will also endeavor to identify and retain talented employees to build up an outstanding team and realize the HR vision of "placing the right person at right place.

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, 2011

Item	Status of Operation	Differences from "The Corporate Governance guidelines for banking industry" and Reasons
I. Structure of bank's equity and shareholder's right (1) The method for dealing with suggestions and disputes of shareholders. (2) Status of controlling the roster of major shareholders who own a relatively high percentage of shares and who have an actual control over the company, and of the ultimate controllers of those major shareholders. (3) Establishment of the firewalls and risk control with affiliated enterprises	(1) To entrust the appropriate corporate departments to handle matters pursuant to shareholder's suggestion immediately. Protected shareholder's equity. Justly dealing shareholder Court case accusation. (2) Trace the list of major shareholders monthly. (3) Our bank and related companies independently operate in financial, accounting, business and management aspect, evaluate operating profit and loss, and carry out risk control as reference of the firewall.	(1) No difference. (2) No difference. (3) No difference.
II. The composition and duty of board of directors (1) Establishment of Independent director. (2) Status of regular evaluation of the independence of the auditing CPA.	(1) Board of directors of the Bank set up 15 director position with three-year term, re-elected, its terms of reference for the articles of association under our company. (2) Annual assessment.	(1) No difference. (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 (1) Company website is set up by the Bank for disclosure of relevant information on financial status and corporate governance. (2) To fully disclose its information, a bank has a special group engaged on gathering and compiling the bank's information. The information is announces through the bank's spokesman, Web site, regularly held press conferences or the meetings with institution investors.	(1) www.cotabank.com.tw as our website to disclosure financial report, corporate governance. (2) Designed President as spokesperson represented the Bank in public issues. Various departments are equipped with the specialist to be responsible for collecting and disclosure the information.	(1) No difference. (2) No difference.
V. Operations of the nominating committee, compensation committee, or other functional committee of a bank.	(1) Nomination Committee of directors and supervisors consists of five directors, independent directors by the convener and chairman of the meeting, the administration authorized the Board to assist the Board and seek to find and review candidates for nomination of directors and supervisors, construction and development of the Board Organizational structure to ensure proper composition of the Board, meets at least once a year and may meet as often as necessary. (2) Compensation and Investigating committee consists of five directors, independent directors by the convener and chairman of the meeting, whose main duties are to assist the board in assessing and monitoring the company's overall remuneration policy, evaluation and review system for directors and supervisors and managers salary structure Eighth grade and above as well as business personnel performance evaluation criteria and compensation standards, meets at least once a year and may meet as often as necessary.	No difference.
VI. Please describe any difference between corporate governance system with "The Corporate Governance guidelines for banking industry" and why: 2011 re-election for directors and supervisors on Interim Board of directors, implement 5 supervisors and 15 directors (including 3 independent directors) has complied with "The Corporate Governance guidelines for banking industry"		
VII. Other relevant information for better understanding the Bank's corporate governance operation: <ol style="list-style-type: none"> 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. Employee care: Organize staff (including families) to stretch the physical and mental self-reliance activities, home visits each year to understand the staff of life situation. Investors relationship: establish a shareholder specialty area, provide a related guidance and relevant provisions of the Stock change matters description and contact telephone numbers, the Bank developed with donor regulations and our ability to control the implementation of a code of practice corporate shareholders and voting policy to ensure equity. 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. 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 54-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. 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. 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. Other sufficient to improve corporate governance of banks of important information about the operation of the case: For more details, please visit Bank's web site www.cotabank.com.tw. 		
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. Status for fulfillment of social responsibility:

Item	Operating conditions
<p>1. Promote corporate governance and examine implementation</p> <p>(1) The bank legislate corporate social responsibility policy or system.</p> <p>(2) The bank set the section of carrying our social responsibility.</p> <p>(3) Regular education training and propaganda with the board of directors, supervisors, and employees combine with performance appraisal system. Set up an explicit system of rewards and penalties.</p>	<p>(1) The Bank strives to fulfill its social responsibility by sponsoring Third Credit Cooperative Educational Foundation and other public groups, and it has been consistently fulfilling its social responsibility.</p> <p>(2) All relevant departments have been actively fulfilling the Bank's corporate social responsibility as per their respective duties.</p> <p>(3) Regular education training conferences emphasize on business ethics</p>
<p>2. The development of a sustainable environment</p> <p>(1) The bank enhance the efficiency of using resources and use eco-friendly materials</p> <p>(2) The bank set up a system that suits its industry characteristics</p> <p>(3) The bank set up a section to take charge to protect the environment</p> <p>(4) The bank pay attention to the climate change and seek for ways of carbon reduction and energy conservation</p>	<p>(1) Encourage employees to use double-side printing and recycle and reuse used printing papers</p> <p>(2) Turn off the power when leaving the offices, set the air-conditioner temperature at 27 degree, and do garbage recycling.</p> <p>(3) Every department takes charge of protection of its own environment.</p> <p>(4) The bank develop electronic document system, use T5 or LED lights, and promote electronic bills hoping to encourage all the employees and clients to protect our earth.</p>
<p>3. Maintenance of social welfare</p> <p>(1) The bank obey labor laws to give employees legal rights</p> <p>(2) The bank offer employee safe and healthy working environment and hold safety drills</p> <p>(3) The bank set and make public its customer policy and effective ways for customers to plead for themselves</p> <p>(4) The bank work with suppliers to promote corporate social responsibility</p> <p>(5) The bank takes part in community development and public charity activities via business activities, donation, volunteers, and other free services.</p>	<p>(1) The bank hold regular meetings for better communication of the labor and the management</p> <p>(2) The bank obey labor health protection rules</p> <p>(3) The bank offer customer call lines and message boards for customer complaints</p> <p>(4) Cooperates with its suppliers to jointly foster a strong sense of environment protection and corporate social responsibility.</p> <p>(5) The bank actively participates in social welfare and education related events and activities such as Eden Social Welfare Foundation, Taiwan Fund for Children and Families, etc.</p>
<p>4. Improvement of information exposure</p> <p>(1) The bank expose relevance and reliability of corporate social responsibility</p> <p>(2) The bank produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy.</p>	<p>(1) The bank publishes corporate responsibility in its yearbook.</p> <p>(2) Not set yet</p>
<p>5. The bank state the difference between its operation and rules of corporate social responsibility if the bank set up corporate social responsibility rules according to code of practice: none</p>	
<p>6. Other important information for better understanding social responsibility operating conditions (such as environmental protection, community participation, society contribution, society service, social welfare, consumer rights, human rights, safety and sanitation, etc.)</p> <p>The bank set up Third Credit Cooperative Educational Foundation to advocate lifelong learning. The corporate spirit is "Taking from the society and giving back to the society" and it keeps contributing to social welfare, academic cultural and caring community activities. For example, Vienna New Year Concert, Children's Creative Painting Competition, International Car Free Day, Asian Cup Baseball Championship, Classical Orchestra Concert, Eden Social Welfare Foundation, Taiwan Fund for Children and Families. The bank also sent employees of consumer finance center to help national-wide middle and primary school students to establish the correct financial management concepts. The bank takes actions to fulfill civic responsibility.</p>	
<p>7. If the bank products or corporate social responsibility reports pass any verification standards of certification bodies, they should be stated. None.</p>	

3-3-5. Good faith implementation and measures adopted:

The Bank set honesty and integrity rules in Board of directors' "Meeting rules", "Donations rules" and "Work rules", etc. All directors and employees are law-abiding to fulfill the social responsibility. The Bank set the compliance system, internal control systems, internal audit, risk management, strengthens the rules of duty for director and supervisors' responsibilities. To respect shareholders' benefit and based on incorruptibility, the bank set up good company management and risk control to create a business environment for sustainable development.



3-3-6. Other governance-related regulations' required disclosure items have been shown on the Bank website: www.cotabank.com.tw

3-3-7. Statement of Internal Control

COTA Commercial Bank Statement of Internal Control

Feb. 17, 2012

To Financial Supervisory Commission

On behalf of the COTA Commercial Bank, we declare that during the period of Jan. 1, 2011 through Dec. 31, 2011 the Bank did conform to the provisions of the "Guidelines for the establishment of internal control and internal audit systems" by establishing an internal control system and undertaking risk management, and by having auditing carried out by an impartial and independent auditing unit, with reports submitted on a regular basis to the Board of Directors and Supervisors. Careful assessment shows that with the exception of items listed in the attached chart, the internal control systems of and compliance with laws and regulations by the different units were all implemented effectively. This statement form part of the annual report and publicly disclosed. We understand that we are legally bound to SEC ordinance No.20, 32, 171 and 174.

Attested by

Chairman : Kuo-Chao Hsiao

President : Chin-Ting Chang

Chief Auditor : Shih-Chien Chin

Compliance Officer : Hsin-De Chang

Items for Improvement and Plan Table of Internal control

As of Dec. 31, 2011

Items for Improvement	Improvement Measure	Target Date
1. When the customer carries out 'Withdrawal without Passbook' by relying only on faxed withdrawal slip or customer's calling, or transfer without passbook or remittance with lack of seal, risk control of above transactions were not rigorous.	Should make an 'Agreement for Carrying Out Transactions without Passbook' with customer, and establish internal operating regulations and management structure.	1. 'Regulations for Operations of Fax Instructions' have been established on Jul.13, 2011 and implemented on Aug.1, 2011. 2. Should strengthen customer's training to guide in the future.
2. 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.	Strengthen employee's training to guide and examine. The manager sternly inspects employee, and really examines subpoena's etc. to trade certificate.	Shall not carry out "name in order to withdrawal, physically is a transfer" of bargain. Business units will be reported in the earlier line of propaganda and strengthen staff training, in accordance with regulations.
3. All of our branches use same basic information whatever any business we do. Customer can feel free to change basic information in any of our branches. When the customer changes basic information of his checking account at the joint line, original account-opening Bank can continue follow-up and notify 'TWNCH'.	Have established 'Operations Flowchart for Change of Basic Information on behalf of the joint line' and 'Change Notifying Directions for Basic Information of Checking Account.	Have established Internal Control Structure and advised all of our branches.
4. Individual who was engaged in investing / purchasing real estate or house-building got loans in the name of Working Capital (I/O physically Land Mortgage Loan), and not to be requested to provide concrete building plan. Above disbursement was not obeyed relevant regulations of Central Bank of R.O.C.	Purpose of loan is investing in real estate purchasing or in house-building, debtor must provide concrete plan regardless of new or old loan. Otherwise, prohibited conduct for new loan, and old loan must be recovered.	1. Have letter to all of our units on Oct.25, 2011 and Nov.30, 2011 twice. 2. Should firmly obey to the rules and directions of Central Bank of R.O.C.
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.	Should track money flow of Loan to match application use. Strengthen employee to train ability of credit review.	Units have been invited to the right member of the Association in accordance with Republic Bank of the Republic of China Association of Banks, credit criteria and guidelines for the regulation of members of credit.

3-3-8. CPA Audit Report

Pursuant to ordinance article 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. 01, 2011 through Dec. 31, 2011.

Certified public accountant's audit report concluded as follows:

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

Independent Auditors' Report

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

On behalf of the KPMG, we accept being a consignor of COTA Commercial Bank to audit its internal control system and express opinion in accordance with regulations during the period of Jan. 01, 2011 through Dec. 31, 2011 as attaching the range and result of audit report.

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

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

Mar. 20, 2012

Suggestion Statement

Year 2011

NO	Matter of disclose	Suggestion	Opinion of Administration
1.	1. Selective examination to Nantun Branch: 'Application for Credit' was not marked as concerned party. (Case : Chang <u>x</u> Fire-fighting Enterprise Ltd. and Case : Chang <u>x</u> Cheng) 2. Concerned party credit file was marked as non-concerned party on 'Application for Credit' (Case : Lai <u>x</u> Chin)	Should firmly fill out relevant information of concerned party.	1. Have marked. 2. Raise caution over future transactions.
2.	Selective examination to SME Banking Center (Customer : HO <u>X</u> <u>X</u> , Loan A/C No.411832-04): Unit number was inconsistent between 'Register of Bad Loans' and 'Declaration Statement of the Loan Loss Transfer to Bad Loans'.	Should firmly obey to rule of case numbering.	1. Have rectified. 2. Raise caution over future transaction.
3.	Selective examination to Risk Management Center: Impairment assessing of Loans and Receivables pursuant to SFAS No.34 was found: Deadlines were inconsistent with Cash Flow during each period.	Deadlines should be consistent, and assessment should be firmly pursuant to SFAS No.34.	1. Recovery Rate of Current Samples was manual for Statistics. 2. Risk Management Center will finish computerization on Mar.31, 2012 and assess pursuant to SFAS No.34.
4.	Selective examination to Risk Management Center: Examine five years of reference samples for 'Mortgage Impairment Ratio' of 'Loans and Receivables without objective evidence of respective impairment'.	Should make reference to Q&A of Loans, Receivables and other financial products, and estimated incidence of Mortgage Loan should be amended to '7-10' years.	Risk Management Center will amend to 7 years on Mar.31, 2012 and modify relevant Directions on Impairment assessment.

3-3-9. Cases or Penalties due to Infliction of Laws and Regulations over the Past 2 Years: None



3-3-10. Major Resolutions of Shareholders Meeting or Board of Directors Meeting in Recent Year:

3-3-10-1 Shareholders Meeting

Year	Nature of Shareholders Meeting	Convoking Date	Major Resolutions
2011	General Shareholders' Meeting	Jun. 9, 2011	1. The earnings distribution of year 2010
2011	Provisional Shareholders' Meeting	Aug. 30, 2011	1. Partial revision in articles of memorandum of association 2. Partial revision in rules governing the election of directors and supervisors 3. the 5 th term re-election of directors and supervisors

3-3-10-2 Board of Directors Meeting

3-3-10-2-1 Major Resolutions

Year	Nature of Shareholders Meeting	Convoking Date	Major Resolutions
2011	The 13 th meeting of the 4 th Board of Directors	Jun. 17, 2011	Approved the extension of real estate for rent with reinvestment company ('COTA General Insurance Agent Co., Ltd.').
2011	The 10 th extraordinary session of the 4 th Board of Directors	Aug. 26, 2011	Approved the real estate lease renewal agreement with 'COTA Culture and Education Foundation'.
2011	The 1 st extraordinary session of the 4 th Board of Directors	Aug. 31, 2011	To elect Chairman and Managing Directors of the Fifth session of Board of Directors.

3-3-10-2-2 The Directors or the supervisor have the different opinions to the major resolution of the board of directors meeting with record or enunciation: None



3-3-11. Disclosures of the Resignation or Dismissal of Managerial Officers in Charge of Financial or Accounting Reports:

Title	Name	Date of Appointed	Date of Dismissed	Reasons for Resignation or Dismissal
Chairman	Chun-Tse, Liao	Jan. 2, 1999	Aug. 31, 2011	Re-election at the expiration of the director's and supervisor's terms of office
Chairman	Kuo-Chao, Hsiao	Sep. 1, 2011		

Note: Managerial officers in charge of financial or accounting reports refer to chairman, president, chief accounting officer and chief internal audit officer.

3-4. Information on the Certified Public Accountant

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

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

Accountant Firm	Name of Accountant		Period of Inspection	Remarks
KPMG	Jun-Man, Chen	Shi-Hua, Guo	Year 2011	

Unit: TWD thousand

Tier	Item	Auditing Fee	Non-Auditing Fee	Total
1	Below 2,000 thousand	1,530	600	
2	2,000 thousand ~ 4,000 thousand			2,130
3	4,000 thousand ~ 6,000 thousand			
4	6,000 thousand ~ 8,000 thousand			
5	8,000 thousand ~ 10,000 thousand			
6	10,000 thousand and above			

3-4-1-2. 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 Registers	Human Resources	Others (note)	Sub-Total	Yes	No	Inspection Period	
KPMG	Jun-Man, Chen	Shi-Hua, Guo	1,530				600	600	V		2011	

Note: non-auditing fee including financial investigation TWD280 thousand, BIS checking report TWD40 thousand, verification fee TWD70 thousand for write-off, IFRS service TWD200 thousand, Collects the financial bond service TWD10 thousand.

3-4-1-3. 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

3-4-1-4. 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	2011		Up To Jan. 31, 2012	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Kuo-Chao Hsiao	15,000	-	50,000	-
Managing Director	Song-Yue Liao	2,593,351	-	11,061	-
Managing Director	Ying-Che Chang	0	-	0	-
Managing Director	Mu-Chuan Huang	0	-	0	-
Managing Director	Yen-Chun Wang	0	-	0	-
Director	Chun-Tse Liao	0	-	0	-
Managing Director	Dong-Po Xie	70,000	-	100,000	-
Director	Chan-Wen Lin	0	-	-	-
Director	Pi-Jung Hsieh	0	-	0	-
Director	Xien-De Lai	0	-	0	-
Director	Ying-Chieh Lai	0	-	0	-
Director	Chun-Chuan Wang	0	-	0	-
Director	Kuo-Chou Chen	0	-	0	-
Director	Po-Yao Chi	(5,774)	-	0	-
Director	Kung-Cheng Lin	0	-	0	-
Standing Supervisor	Lien-Kui Wang	0	-	0	-
Supervisor	Yao-Ting Li	0	-	0	-
Supervisor	Dhe-Chin Lai	0	-	0	-
Supervisor	Yung-Chih Wang	(50,000)	-	0	-
Supervisor	Chuang-Tai Wang	0	-	0	-
President	Chin-Ting Chang	170,045	-	0	-
Senior Executive Vice President	Jung-Hsien Chiu	0	-	0	-
Senior Executive Vice President	Chih-Sheng Hsiao	0	-	0	-
Senior Executive Vice President	Ho-Shun Chang	0	-	0	-
Chief Auditor	Shih-Chien Chin	97,079	-	8,577	-
Executive Vice President and Vice Chief Auditor	Chang-Lu Liu	0	-	0	-
Executive Vice President	Yun-Ching Wang	0	-	0	-

3. Corporate Governance

Title	Name	2011		Up To Jan. 31, 2012	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Executive Vice President	Hsin-The Chang	0	-	0	-
Executive Vice President	Tai-An Chen	20,000	-	0	-
Department General Manager	A-Kuai Chen	0	-	0	-
Department General Manager	Chiu-Yun Huang	2,694	-	0	-
Department General Manager	Wei-Bin Lin	3,000	-	0	-
Department General Manager	Huan-Mou Cheng	0	-	0	-
Department General Manager	Kuang-Hsiung Huang	0	-	0	-
Chief Secretary	Chien-Cheng Hsu	569	-	0	-
Department General Manager	Chih-Hung Huang	0	-	0	-
Department General Manager	Hung-Tsang Chiang	0	-	0	-
Department General Manager	Jun-Sheng Lin	0	-	0	-
Department General Manager	Chang-Chieh Lin	0	-	0	-
Department General Manager	Mei-Ling Shih	0	-	0	-
Department General Manager	Kuo-Chiu Chang	0	-	0	-
Branch General Manager	Ling-Chen Ting	0	-	0	-
Branch General Manager	Lu-Chen Liao	0	-	0	-
Branch General Manager	Jui-Sen Liao	0	-	0	-
Branch General Manager	Chung-Lung Tsai	0	-	0	-
Branch General Manager	Zheng -Xian Xie	0	-	0	-
Branch General Manager	Min-Chang Lin	48,673	-	0	-
Branch General Manager	Chih-Peng Yang	0	-	226	-
Branch General Manager	Chih-Hui Chen	0	-	0	-
Branch General Manager	Shih-Tsung Chou	0	-	0	-
Branch General Manager	Kuo-Ho Chang	4,382	-	0	-
Branch General Manager	Shih-Jung Chen	0	-	0	-
Branch General Manager	Shi-Tung Chang	40,481	-	0	-
Branch General Manager	Sung-Yen Sung	0	-	0	-
Branch General Manager	Hsi-Hsien Wang	0	-	0	-
Branch General Manager	Feng-Jung Yeh	0	-	0	-
Branch General Manager	Chi-Shen Huang	4,068	-	0	-
Branch General Manager	Hung-Chi Tung	0	-	0	-
Branch General Manager	Hsien-Hsun Chiang	0	-	0	-

Title	Name	2011		Up To Jan. 31, 2012	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Branch General Manager	Chang-Cheng Chen	0	-	0	-
Branch General Manager	Shih-Tsung Liu	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	-
Branch General Manager	Mao-Sheng Huang	0			
Branch General Manager	Shu-Chen Shih	0			
Branch General Manager	Ta-Tien Lin	0	-	0	-

Note: Branch General Manager Shu-chen Shih and Ta-Tien Lin appointed date on Jan.01, 2012

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, 2011

Name	Shares Owned		Shares Owned by Spouses and Minors		Shares Held under Surrogate A/C		Top ten shareholders who meet the related party disclosures term of FASC NO.6 shall disclose name and relationship		Remark
	No. of Shares	Shares Held	No. of Shares	Shares Held	No. of Shares	Shares Held	Name	Relationship	
Song-Yue Liao	18,068,839	4.32	51,304	0.01	-	-	Chuan Cheng Hat Co., Ltd.	Chairman	
Chuan Cheng Hat Co., Ltd. Song-Yue Liao	7,119,791	1.70	-	-	-	-	Song-Yue Liao	Chairman	
Chun-Tse Liao	5,500,000	1.32	12,824	0.00	-	-	-	-	
Kuo-Chao Hsiao	3,560,818	0.85	2,178,166	0.52	-	-	-	-	
Tung Yang Business Co., Ltd Xian-De Lai	3,462,683	0.83	-	-	-	-	-	-	
Chun-Chieh Wang	3,002,283	0.72	-	-	-	-	-	-	
Chuang-Tai Wang	2,500,664	0.60	-	-	-	-	-	-	
Shih-Ming Chuang	2,211,569	0.53	-	-	-	-	-	-	
Shiou-Liou Chen	2,178,166	0.52	3,545,818	0.85	-	-	-	-	
Kuo-Chou Chen	2,042,995	0.49	-	-	-	-	-	-	

3-5-3. Consolidated Shareholdings: None



4

Capital Arrangement



4. Capital Arrangement

4-1-1. Source of Capital

As of Dec. 31, 2011; Shares Held (%)

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

As of Dec. 31, 2011

Type of Stock	Registered Stock Capital			Remark
	Outstanding Capital Stock	Un-issued Share	Total	
Common Stock	418,045,111	181,954,889	600,000,000	not on the list of TSEC/OTC

4-1-2. Shareholder Structure

As of Dec. 31, 2011

Category	Government Agency	Financial Institution	Other Institution	Individual	Foreign Institution and Foreigner	Total
Number of Shareholders	2	4	438	66,987	24	67,455
Number of Shares	1,552,464	12,424	20,902,031	395,078,116	500,076	418,045,111
Percentage	0.37%	-	5.00%	94.51%	0.12%	100%

4-1-3. Distribution of Shareholders' Equity

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

As of Dec. 31, 2011

Tier	Number of Shareholders	Number of Shares	Percentage (%)
1 - 999	48,264	10,052,786	2.40
1,000 - 5,000	10,869	19,011,584	4.55
5,001 - 10,000	1,344	8,667,136	2.07
10,001 - 15,000	3,985	46,902,392	11.22
15,001 - 20,000	251	4,315,077	1.03
20,001 - 30,000	609	14,576,504	3.49
30,001 - 50,000	660	27,011,858	6.46
50,001 - 100,000	789	52,549,877	12.57
100,001 - 200,000	394	54,751,424	13.10
200,001 - 400,000	188	50,844,533	12.16
400,001 - 600,000	39	18,303,860	4.38
600,001 - 800,000	16	10,819,932	2.59
800,001 - 1,000,000	8	7,251,217	1.73
1,000,001 and above	39	92,986,931	22.25
Total	67,455	418,045,111	100.00

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

4. Capital Arrangement

4-1-4. List of Major Shareholders

As of Dec. 31, 2011

Name	Number of Shares	Percentage (%)
Song-Yue Liao	18,068,839	4.32%
Chuan Cheng Hat Co., Ltd.	7,119,791	1.70%
Chun-Tse Liao	5,500,000	1.32%

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

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

Unit: TWD

Item		Year	2011	2010	Up To Feb 28, 2012
Market Value	Highest		N/A	N/A	N/A
	Lowest		N/A	N/A	N/A
	Average		N/A	N/A	N/A
Net Worth	Before Distribution		12.95	12.38	12.88
	After Distribution		(Note 4)	12.23	(Note 2)
Earnings	Weighted Average Shares		418,045,111	379,688,947	418,045,111
	Earnings per Share	Before Adjust	0.46	0.24	0.01
		After Adjust	(Note 4)	0.24	(Note 2)
Dividend (Note 1)	Cash Dividends		0.15	0.058	0
	Stock Dividends	Retained Earning	0	0	0
		Capital Reverse	0	0	0
	Dividends in Arrear		0	0	0
ROI Analysis (Note 3)	P/E Ratio		N/A	N/A	N/A
	P/D Ratio		N/A	N/A	N/A
	Cash Dividend Yield		N/A	N/A	N/A

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

Note 2: year 2012 hasn't ended.

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

Note 4: year 2011 distribution number is to be confirmed after the approval of board of directors and the shareholder meeting.

4-1-6. Dividend Policy and Executive Status

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

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

According to article 34 of the Bank's articles of incorporate, earnings of fiscal year should pay taxes and offset prior year's losses and appropriate 30% as legal reserve 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:

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

4-1-8-2.

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

4-1-8-3.

The distributions of staff bonus and others approved by Board of Directors meeting as follows: In 2011,

4. Capital Arrangement

- Staff cash bonus: TWD13,457 thousand; Director/Supervisor remuneration: TWD4,037 thousand. Staff cash bonus estimated to be TWD13,396 thousand, actual differences is TWD61 thousand. Director/Supervisor remuneration estimated to be TWD4,019 thousand, actual differences is TWD18 thousand. After shareholders' meeting resolution, the difference between the actual amount and the account booking number treated as changes in accounting estimates and adjust in profit and loss of 2012.
- Staff stock bonus: None
- EPS (deducted from planned staff bonus and Director/Supervisor remuneration): TWD0.46

4-1-8-4. In 2010, the distribution amount of Staff bonus as TWD6,473 thousand.

4-1-9. Repurchase Stocks: None



4-2. Issuance of Bank Debentures

Type of Bank Debenture	First Issuance of Bank Debentures (1 st term of 2011)
Date Approved by Central Competent Authority, Document No.	Financial Supervisory Commission Executive Yuan, R.O.C. September 10, 2010 Chin Kuan Yin (HO) No.0990361150
Date of Issue	Mar. 29, 2011
Denomination	500 thousand
Issue and transaction Place	Taiwan, R.O.C.
Currency	New Taiwan Dollar
Issue Price	100 dollars
Total Amount	1.5 billion
Interest Rate	Type A: Fixed rate 3.2% Type B: Current rate 1.65% plus the Bank's Board's Index rate of time saving deposits.
Term	7 years, mature on Mar. 29, 2018
Priority of Payment	The right to receive payment for sums due under the debenture (including principal and interest) takes precedence only over that of bank shareholders for distribution of surplus assets and is subordinate to the claims of all other creditors of the Bank.
Guaranteeing Institution	None
Trustee	None
Underwriter	None
Certifying Lawyers	Wen-Cheng Chiang
Certifying CPA	Shih-Hua Kuo
Certifying Financial Institution	None
Method of Redemption	Principal paid upon maturity
Unredeemed Balance	1.5 billion
Preceding Year's Paid-in capital	4,180,451,000
Preceding Year's Post-Audit Net Value	5,111,185,293
Performance Status	Normal
Sellback or Early Redemption conditions	None
Rollover and Exchange Conditions	None
Restrictive Conditions	Subordinated
Capital Utilization plan	Raise the Bank's owner's capital and BIS ratio
Amount of Registered Issuance Plus Outstanding Balance Already Issued as Ratio of Net Final Value of Issuance in Preceding Year.	29.35%
Whether or not recorded as qualified capital and type	Yes, Tier 2 Capital
Name of Rating Institution, Date of Rating, and Rating Given	Taiwan Ratings Corp./ Mar. 22, 2011 / twBBB

4-3. Preferred Stock: None

4-4. Issuance of Depositary Receipt: None

4-5. Employee Stock Option Plan: None

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

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

4-7. Utilization of Capital Plan: None



5

Business Operation



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 2011 totaled TWD 113,247 million, increasing TWD 6,501 million compared to year earlier at a rate of 6.09%. 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 TWD 42,828 million that was the 37.82% of the total deposits. Our time deposits stood at TWD 70,419 million that was the 62.18% 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	2011		2010		2009		2008		2007	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Checking Deposits	1,984	1.75	1,722	1.61	1,534	1.52	1,345	1.38	1,479	1.58
Demand Deposits	12,816	11.32	12,621	11.82	10,100	10.02	8,725	8.95	8,311	8.88
Demand Savings Deposits	28,019	24.74	28,274	26.49	25,560	25.34	20,767	21.31	21,658	23.13
Time Deposits	15,909	14.05	13,694	12.83	13,738	13.62	14,881	15.27	14,608	15.60
Time Savings Deposits	54,510	48.13	50,431	47.25	49,896	49.48	51,733	53.09	47,570	50.80
Remittances	9	0.01	4	0.00	25	0.02	3	0.00	6	0.01
Total	113,247	100.00	106,746	100.00	100,853	100.00	97,454	100.00	93,632	100.00

5-1-1-2 Loans

The amount of loans outstanding as the end of 2011 totaled TWD 86,161 million, decreasing 1,374 million compared with year 2010; here follows the loan ratio analysis.

Structure of Loans

Unit: TWD million; %

Items	2011		2010		2009		2008		2007	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Overdrafts	59	0.07	198	0.23	90	0.12	132	0.16	167	0.20
Bill Discount	94	0.11	122	0.14	227	0.29	273	0.34	367	0.45
Car Loans	12,528	14.54	11,970	13.68	11,539	14.77	10,736	13.31	8,648	10.53
Mortgage loans	21,236	24.65	21,642	24.72	19,993	25.60	19,114	23.69	22,051	26.84
Other Unsecured Loans	18,539	21.51	19,949	22.79	19,998	25.61	26,481	32.82	26,445	32.18
Other Secured Loans	31,001	35.98	31,715	36.23	24,562	31.45	22,669	28.09	23,431	28.52
Allowances for Bad Debt	-1,118	-1.30	-811	-0.93	-882	-1.13	-1,017	-1.26	-709	-0.86
Sub Total	82,339	95.56	84,785	96.86	75,527	96.71	78,388	97.15	80,400	97.86
Acceptance receivable	5	0.01	2	0.00	8	0.01	35	0.04	4	0.00
Guarantee receivable	2,699	3.13	1,937	2.21	1,676	2.15	1,251	1.55	1,053	1.28
Allowances for Bad Debt	1,118	1.30	811	0.93	882	1.13	1,017	1.26	709	0.86
Total	86,161	100.00	87,535	100.00	78,093	100.00	80,691	100.00	82,166	100.00

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

Cooperating with the government in housing policy, continuously executing “Regulations Governing the Extension of Housing Loans in Specific Areas and Land Loans by Financial Institutions”, and observing the Article 72-2 of “The Banking Act” for the limit on total amount of loans with residential and business construction, the Bank has actively urged business units to transfer housing loans to SME business loans to reduce the impact on the growth of the loan business. As the end of year 2011, SME loan business totaled TWD 14,451 million, increasing 2,367 million compared with year 2010 of TWD 12,084 million.

Concerning the risk policy, the Bank runs business in a more conservative way, such as strict limit-control to increase secured loan or self-liquidating loan, which is rule for credit product. The bank will apply for SME fund for security if any candidate is qualified and lower loan risk quotation. Our SME business loans amount increased around TWD 0.15 billion compared with previous year.

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; %

		2011		2010		2009		2008		2007	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Insurance	Life Insurance	2,903	38.7	3,078	41.1	2,379	38.1	1,111	29	135	4
	Property Insurance	28	0.4	27	0.3	26	0.4	1	0	0.8	0
Trust Funds	Overseas Trust Funds	1,444	19.3	1,526	20.4	1,627	26.1	1,360	36	1,656	43
	Domestic Trust Funds	3,066	40.8	2,772	37.0	2,137	34.2	1,296	35	1,962	51
Trusts	Money Trusts	60	0.8	88	1.2	23	0.4	0.8	0	94	2
	Real Estate Trusts	0	0	0	0	48	0.8	27	0	20	0
Total		7,501	100	7,491	100	6,240	100	3,795.8	100	3,867.8	100

5-1-2 Business Plans for year 2012

5-1-2-1 Operation Plans

5-1-2-1-1 Organization Development

- Relocating two branches in 2012.
- Building up business on deposits, loans, wealth management, trusts, foreign exchange, international banking, and e-banking. And adjusting structure, process for enlarging economic scale and enhancing operating efficiency to reduce costs and increase profits.
- Streamlining operation process, building up computer operation system to improve service efficiency & quality
- Accumulating operating ability for enhancing efficiency and profitability in each business and tracking execution performance periodically.
- Establishing the protective measures for customers' information safety and maintaining the correctness, secrecy, completeness, and usefulness of the information operation
- Strengthening capital structure, risk management and corporate governance.
- Enhancing employees' training and career planning.

5-1-2-1-2 Consumer Banking

- Scanning the target group of the customers and providing specific fee and service to develop consumer banking business.
- Focusing on new consumer banking products on the market with low risk and competitive advantage, developing diversified and customized projects to create the value of the products, and expanding the service of the products and increasing the amount of the personal loans.
- Keeping on-site proficiency training, especially in regulation compliance, product position, marketing direction, selling skills, service politeness, to aggregate team productivity.

- Improving lending personnel's performance and implement "client differential" strategy, enlarging the scale of the low-risk personal loans and closely watching the quality of the high-risk loans via improving the procedures of the credit investigation and real estate appraisal.
- Simplifying the procedures of the personal loans, focusing on quality, quantity, and risk control to enlarge the business of the personal finance and to ensure the profits of the Bank.
- Strengthening ante-risk review and post-risk management by timely examining operational conditions and asset quality, and irregularly adjusting product pricing and loan policies

5-1-2-1-3 Corporate Banking

- Following the policies of the government, continuously promoting SME loans to satisfy customers' needs, providing the solutions and strategies for small and medium enterprises to match their funding demands.
- Strictly controlling credit lines, increasing collateral loans, and decreasing credit loans to meet the requirement of the "Small and Medium Enterprise Credit Guarantee Fund" and to lower capital charge.
- Expanding upstream and downstream clients to track the condition of the customers' productions and sales.
- Focusing on the financial demands of the corporate clients to provide customized products.

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

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

5-1-2-1-5 Wealth Management

- Planning whole banking channels and setting full personal financial services and sales network.
- Aggressively transforming internal personnel to financial consultants and recruiting new trainees to achieve full-employee marketing.
- Holding seminars periodically for financial consultants to give them more sensibility on marketing activities.
- Raising the rate of the internet banking usage in order to facilitate internet order placing and cost down
- Progressing market share via bond fund sales and fee incomes; strengthening the sales of the bond funds and periodical funds for asset allocation demands.
- Actively providing various financial products to meet client's demands and create fee income sources.
- Strengthening internal control processes for whole business to follow law compliance and to decrease complaints about the services.

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

- Enhancing control and coordination between assets and liabilities so as to be consistent on management and effective monitor risk on exposures.

- Tightly controlling source of funds and the usage of tenors and interest rates so as reduce re-pricing risks and maximize Bank's net interest profitability and value.
- Considering the profitability, liquidity, and safety of the fund operation and stability of the source of funds, constructing integrated ALM system to get the risk under control.
- Managing gaps of the sensibility of the interest rate of the assets and liabilities to reduce basis risks.
- Adjusting the structure of the deposits and loans, lowering the ratio of the large amount deposits to save the funding costs, and attracting the small amount deposits to diversify the risks.
- Monitoring the limits of the market risk to balance returns against risks, to optimize asset allocation, and to maintain the safety and profitability of the capital.
- Introducing VAR to market risk calculation and controlling market risk by risk limits and stop loss limits.

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

- Continuously executing a financial curriculum of the profession training, and promote employee's professional ability; and strengthen employee's moral and integrity.
- Hiring inter-bank players with stronger business capability and increase ratio of external sales to increase profitability.

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

- Rewarding units and personals for their promoting efforts.
- Analyzing cardholders' behavior to design feedback projects and credit card events for cardholders with the consumption of top 20% to bring growth on consumer banking business.
- Training employees' for being familiar with the business, executing non-periodic job rotation to prevent turn over of the quality of work, and taking into account the requirements of internal audit. Asking employees to resolve customer problems effectively.
- Reviewing credit condition for revolving credit cardholders in half a year. If there is an unusual signal, the Bank will tighten credit line. If cardholders are potential high risk customers, the Bank will track their payments periodically to reduce risks.
- Surcharging annual fee for cardholders without any usage. If cardholders disagree with the surcharge, they may pay annual fee, begin to use credit cards, or return credit cards.

5-1-2-2 Major Business Plans

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

In 2012, the Bank will improve operational conditions, enhance a field of view on operation, and relocate branches. In addition, the Bank will aim to strengthen items on risk management under the principle of "safety, liquidity, and profitability" in order to reduce the impact on risk. Based on the prerequisite "all the business can not beyond the risk", focus on low risk and competitive advantage, through product localization and product mix so as to satisfy customers' needs. The Bank will expand business to different market segmentation to gain new customers and niches for pursuing long-term balancing development and create sustainable operation.

Unit: TWD thousand; %

Business Item	2012 Budget	2011	Increase Volume	
			Amount	%
Average Balance of Deposits	114,500,000	109,546,405	4,953,595	4.52
Average Balance of Loans	85,000,000	83,657,433	1,342,567	1.60
Wealth Management (Trust Amount)	5,000,000	4,569,660	430,340	9.42
Wealth Management (Insurance Broker Revenue)	46,904	47,000	0	0

5-1-2-3 Main Business Operation Target

5-1-2-3-1 Deposits

Budgeted average deposit balance in year 2012 is TWD114,500 million which is TWD4,954 million and 4.52% growth respectively higher than year 2011 mainly based on:

- Keep working to strengthen relations on local clients and collection, payment services which through the automate service, to improve efficiency and satisfaction, recruit the corporate or government's salary transfer function to active bank's to active deposit ratio and decrease funding cost.
- Strengthening Web-ATM functions and introduces 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 2012 average lending balance is TWD85,000 million which is TWD1,343 million and 1.6% growth respectively higher than year 2011. The Bank will keep tracking on NPL and on accelerating write-down on bad debt in order to effectively lower bad debt ratio and coverage ratio. The strategies are as follows:

- The Bank not only tightly executing standard procedure on credit and lending, accurately evaluating limits, enhancing follow-up management on credit, and strictly monitoring funds movement and debt ratio so as to avoid or reduce loss on credit and keep the safety of assets.
- To use well of internal credit rating system on loan business and adjust relative factors and weights properly. Meanwhile, use all loan business default database to collect reasons and locations of bad debts.
- To promote competition and effectively control quality of real estate, the Bank adopts method by differentiating the region classification and risk to distinguish loans ratio, appraisal staff can observe the variation by regions any time.
- To implement account officer system and promote market demand-oriented products to clients by specialization in order to realize performance and actuate growth and quality of business to make sure the Bank's obligation and raise profitability.
- In support of authority policy, the Bank keeps promoting loan business to SME which can match clients' demand and expand corporate foundation to increase market share in corporate credit business.
- In support of the restrictions and rules of real estate loans by authority and monitor the risks of credit concentration,

the Bank inducts all outstanding of land mortgage into limit of loan portfolio management and makes credit risk management reports periodically.

- By developing all kind of clients to grasp customers' sales priority and create new clients.
- In support of government policies to improve economic development and promote industrial upgrading, the Bank provides comprehensive loan projects and strategies to satisfy various demands of all business.
- After accurate measure of funding cost, the proper lending rate of credit business then is decided to maintain reasonable profit and increase non-interest but commission- based income.

5-1-2-3-3 Wealth Management

According to the upcoming maturity of European sovereign debts crisis in financial turmoil, global economic boom was brought to a downturn situation in Q3 and Q4 of 2011, the finance and investment market now watches carefully in FED low-interest policy which announced it will be last to the end of 2014 to enhance market recovering. The Bank provides insurance and mutual fund related products to satisfy the needs from clients to allocate their assets properly. Meanwhile, the Bank continues to improve financial personnel training to enhance the quality of customer services. Budgeted year 2012 trust asset balance is TWD5 billion, which is TWD430 million and 9.42% growth respectively higher than year 2011. Budgeted revenue from insurance sales in year 2012 is TWD47 million, which is about equal to 2011. The Followings are status of the business:

- Aggressively coach staff to be financial personnel and expand related recruitment to increase wealth management income of the Bank.
- To arrange diversified training courses for educating staff and assist staff be qualified by relevant licenses to enhance the marketing capabilities.
- To hold financial related competition and activities periodically to encourage staff to raise stable fee income in commission.
- To choose high grade and trustable insurance products to achieve stable asset growth for customers.
- To apply new trust business and cooperate with domestic and overseas financial institutions in order to set up multiple investment conduits for customers.
- To actively provide diversified financial products to satisfy clients and create the source of fee income.
- To improve utilization on internet banking to provide convenience for clients' orders.
- To follow up authority codes on sales and implement risk management, the Bank not only enhances management on business but also emphasizes the importance of advising to clients and revealing information of products by well using programming system to control and remind.
- To increase on selling future trust fund to provide clients multiple choices of investment and hedge strategies.
- Conforming to Security Mechanism for Pre-construction House Sale by Ministry of Interior, the Bank plans to start pre-construction house trade fund trust and real estate trust business.
- To develop Nursing and Pension Fund for covering with the elderly and children and program cash demand in each period of the future to make sure the quality of life.
- To reinforce professional knowledge of sales staff and fully understand function of tax planning to provide proper trust products to clients and increase their asset and match demand for tax savings.

5-1-3 Market Analysis

Concerning domestic financial market development and after signing of MOU, ECFA and policy easing cross straits that be allowed to set up branches or participate shares by each other for both banks from Mainland area or Taiwan under the “Regulations Governing the Banking Activity and the Establishment and the Investment by Financial Institution Between the Taiwan Area and the Mainland Area” by FSC, local banks not only can win over business opportunity for westbound Taiwanese companies but also need to face competition of China banks from mainland area which makes all banks operation will be more challenging and have more turning points.

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

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

5-1-4 Financial Commodity Research and Development Overview

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

- Scale of Major Financial Product: Please refer to this annual report part 5: Business Operation
- New-established Units
 - Jun. 14, 2010: Set up Hsinchu Branch
 - Jan. 01, 2011: Beitun Mini Branch was upgraded to Beitun full-functional Branch

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

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

- Expenditure and result of Financial Products Research and Development in recent 2 years. Year 2010: TWD1,908 thousand ; Year 2011: TWD3,190 thousand.
- 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.
- To start nation-wide bulk payment (tax) immediate transit business.
- To self-develop and accomplish the chop and seal identification system.

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

- Establish related database to analysis customers' situation and get more realization to enhance the services and increase transaction volumes and revenue.
- Promoting chip debit card's consumption on debiting business.

- In accordance with different clients, we research to devise deposit, loan and investment financial products to provide complete, diversified and flexible customer services.
- To construct sound risk management organizations and mechanisms to assess and monitor the efficiency of credit risk, market risk, operational risk and liquidity risk enhancing performance and asset quality.
- 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.
- Aggressively develop wealth management business as well as enhance system control and promote new financial products to strengthen customer services.
- To reinforce electronic financial services by keeping R&D on website and internet banking business in order to provide better internet transaction platform to match varied demands.
- Aggressively develop new trust business and carry out products to match customer demand and to provide full range investment financial trust business.

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 2012.

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

- To raise the ratio of demand deposit and spread interest rates difference to enhance profit.
- To develop deposits, loan business, wealth management business, trust business, foreign exchange and OBU business and electronic financial business which can expand economic scale to raise effect of operations and reduce working capital cost as well as increase revenue by adjusting business structure and processes.
- To constantly set up the branches countrywide and raise the value of service channels to enhance the Bank's competitiveness and raise effect on business and track the implementation of results periodically.
- To strengthen loan business quality, lower non-performing loan, raise coverage ratio and develop loans of SME.
- Enrich the working capital to raise the ability of risk management and bank governance.
- To build up IT management system and information platform to enlarge best synergy of IT system and research simplified procedures to improve efficiency on services. In addition to develop various kinds of computer operation systems to increase the volume of automatic business and enhance service quality with clients' satisfaction.
- To enhance management and activation the use of asset and liability to conduct into performance and improve profitability.
- To emphasize staff training, education, career planning and development.

5-2 Human Capital

Information of Educational Background for Employees in Recent 2 Years

Item	Year	2010	2011	Up to Jan. 31, 2012
Number of Employee		1,078	1,122	1,121
Average Age		37.57	37.86	37.97
Average Seniority		11.56	11.75	11.84

Item		Year	2010	2011	Up to Jan. 31, 2012
Structure of Education	PHD		1	1	1
	Master		42	51	49
	University/College		837	879	880
	Senior High School		195	188	188
	Below		3	3	3

Certificated Proficiency Tests of Employees	Total (Up to Jan. 31, 2012)
Basic Proficiency Test for Bank Lending Personnel	480
Advanced Proficiency Test for Bank Lending Personnel	29
Proficiency Test for Bank Collateral Appraisal Personnel	24
Basic Proficiency Test for International Banking Personnel	248
Proficiency Test for Foreign Exchange Trading Personnel	37
Proficiency Test for Financial Planning Personnel	340
Test for Small-Medium Business Financial Staff	97
Proficiency Test for Trust Operations Personnel	666
Proficiency Test for Obligation & Debt Collection Personnel	172
Proficiency Test for Bank Internal Control and Audit Personnel	730
Proficiency Test for Financial Risk Management Personnel	2
Securities Investment Analysts	7
Senior Securities Specialist	142
Securities Specialist	88
Future Specialist	113
Securities Investment Trust & Consulting Professionals	133
Qualified Test for Bill Finance Specialist	44
Proficiency Test for Bond Specialist	18
Proficiency Test for Stock Affair Specialist	5
Basic Ability Test for Asset Securitization	2
Personal Insurance Specialist	596
Test for Life Insurance Specialist (Foreign Currency Base) – Non Investing Insurance Products	299
Investing Insurance Specialist	381
Asset Insurance Specialist	541
Personal Risk Manager	1
Financial Risk Management (FRM)	2
Accountant	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	16

5-3 Responsibility and Ethical Code

The Bank is a famous financial institution in central Taiwan, which has been set up around for 96 years and kept ideas of “active, creativeness, friendliness and service” to protect customer rights and create the maximum value for all shareholders. To response for social liabilities, we set up “COTA Culture & Education Foundation” to develop the public welfare of elder persons concern as well as be the sponsor of society welfare, arts appreciation and communities cares such as Children Creative Drawing Contest, Day of No-Driving, Centennial Activity of Taichung Train Station etc., we pay full intention to participate and support.

5-4 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 self-developed chop and seal identification system already worked online and overall transferred. To strengthen the network security, the Bank not only enhanced protective equipment but also purchased Intrusion Prevention System (IPS). For the growing popularity of smart phone and tablet computer, the Bank has developed the related internet banking services.

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

5-5 Labor-Management Relationship

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

5-5-1-1 Group Insurance

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

5-5-1-2 Bonus

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

5-5-1-3 Incentive Interest Rate

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

5-5-1-4 Security and Hygiene

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

5-5-1-5 Staff Proficiency Training

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

The Bank's pension fund is pursuant to old-version and updated version which based on Labor Law for "Staff Retirement Plan". The benefit payments and credits suit separately by the above-mentioned plans and based on the years of service and final salary. In accordance with Labor Law, we will calculate 15% of total salaried employees by month (exclude appointed managerial employee) to be retirement payment that was deposited in the pension account in the Bank of Taiwan. We have another account for appointed management that calculated 8% of their salary each month. Till 31 Dec. 2011, there is 410 staff (36.5% of employees) choosing the old version, 712 staff (63.5% 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, 2011 to Apr. 1, 2012	<ol style="list-style-type: none"> 1. Staff unfaithful behavior 2. Asset of branches 3. Asset in transit 4. Forged drafts and securities 5. Forged cash 6. Damage of equipment 7. Fault of securities or contracts

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				
		2011	2010	2009	2008	2007
Cash, Cash equivalents, due from the Central Bank, and call loan to other banks		29,485,619	24,486,177	26,435,656	19,369,246	7,268,891
Financial assets measured at fair value through profit or loss		1,766,453	758,415	737,002	1,474,982	605,084
Bonds and bills purchased under resale agreements		600,004	-	-	797,105	1,935,909
Available-for-sale financial assets		2,388,593	1,603,087	1,934,258	1,750,932	1,268,543
Discounts and Loans		82,215,491	84,784,456	75,527,272	78,388,068	80,400,663
Receivables		496,407	433,779	469,463	723,584	844,029
Held-to-maturity financial assets		2,216,109	1,339,785	1,394,552	440,288	7,210,231
Long-term investments under equity method		11,399	8,465	6,313	5,606	-
Fixed assets		1,193,297	1,112,852	1,307,502	1,343,527	2,096,518
Intangible assets		110,183	111,557	166,205	169,572	170,406
Other financial assets		235,094	255,364	381,967	621,515	598,863
Other assets		865,413	946,561	749,059	819,727	665,670
Total Assets		121,584,062	115,840,498	109,109,249	105,904,152	103,064,907
Due to The Central Bank and other banks		112,815	21,441	17,372	42,560	424,020
Deposits and remittances		113,246,725	106,746,372	100,852,795	97,454,023	93,632,443
Financial liabilities measured at fair value through profit or loss		-	24,325	173	1,004	270
Bonds and bills held under repurchased agreements		-	-	-	-	-
Loans from banks and financial debentures		1,500,000	2,499,754	2,498,773	2,497,792	2,496,811
Preferred stock		-	-	-	-	-
Accrued pension liability		171,551	202,777	57,729	69,227	163,633
Other financial liabilities		-	-	-	-	-
Other liabilities		1,138,980	1,171,937	1,001,159	1,207,894	1,043,864
Total liabilities	Before allocation	116,170,071	110,666,606	104,428,001	101,272,500	97,761,041
	After allocation	(Note)	110,729,313	104,449,348	101,272,500	97,802,321
Common stock		4,180,451	4,180,451	3,680,451	3,680,451	3,555,991
Capital reserve		884,299	884,299	878,099	1,199,457	1,323,875
Retained earnings	Before allocation	231,671	102,130	31,010	(321,358)	361,446
	After allocation	(Note)	39,423	9,663	(321,358)	320,166
Unrealized gains on financial instruments		24,927	22,400	24,270	5,231	5,616
Cumulative foreign currency translation adjustment		-	(2,087)	124	577	(59)
Other shareholder's equity		92,643	(13,301)	67,294	67,294	56,997
Total Shareholders' equity	Before allocation	5,413,991	5,173,892	4,681,248	4,631,652	5,303,866
	After allocation	(Note)	5,111,185	4,659,901	4,631,652	5,262,586

Note: The earnings distribution for 2011 has not been approved by the 2012 Shareholders' General Meeting.

Concise Income Statement

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years				
		2011	2010	2009	2008	2007
Net interest income		1,857,470	1,647,778	1,341,353	1,624,219	1,579,358
Other net interest income		265,085	309,668	427,550	(194,483)	448,140
Bad debt expense		447,590	472,606	428,213	678,683	610,366
Operating expense		1,453,324	1,347,005	1,279,361	1,446,034	1,340,924
Income from continuing operations before income taxes		221,641	137,835	61,329	(694,981)	76,208
Income from continuing operations after income taxes		192,248	92,467	31,010	(641,524)	62,854
Gain(loss) from discontinuing operations(after income taxes)		-	-	-	-	-
Extraordinary gain or loss (after income taxes)		-	-	-	-	-
Cumulative effect of changes in accounting principle Net income(after income taxes)		-	-	-	-	-
Net income		192,248	92,467	31,010	(641,524)	62,854
Earnings per share		0.46	0.24	0.08	(1.74)	0.18

1. Certified public accountants:

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

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

2. Opinions: modified no retained opinion for 2007 and no retained opinion for 2008~2010, modified no retained opinion for 2011





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

Unit: TWD thousand; %

Descriptions	Year	Financial analysis during recent 5 years				
		2011	2010	2009	2008	2007
Operating Capability	Loans to deposits ratio (%)	73.70	80.19	75.76	81.48	86.63
	Overdue loan ratio (%)	0.43	0.82	2.13	2.68	2.92
	Interest expense to average balance of deposits ratio (%)	0.90	0.77	1.08	1.97	1.79
	Interest income to average balance of loans ratio (%)	3.38	3.02	3.09	4.37	4.03
	Total assets turnover (times)	0.02	0.02	0.02	0.01	0.02
	Average operating revenue per employee	2,782	2,651	2,623	3,392	3,226
	Average earnings per employee	171	86	28	(562)	54
Profitability	Return on first capital type assets (%)	4.46	2.99	1.42	(14.97)	1.53
	ROA (%)	0.16	0.08	0.03	(0.61)	0.06
	ROE (%)	3.63	1.88	0.67	(12.91)	1.18
	Net income ratio (%)	9.06	4.72	1.75	(44.87)	3.10
	EPS (loss)	0.46	0.24	0.08	(1.74)	0.18
Financial structure	Ratio of liabilities to assets	95.55	95.53	95.71	95.63	94.85
	Ratio of fix assets to shareholder's equity	22.04	21.51	27.93	29.01	39.53
Growth Rate	Asset growth rate (%)	4.96	6.17	3.03	2.75	(2.26)
	Profitability growth rate (%)	60.80	124.75	108.82	(1,011.95)	(9.77)
Cash flow	Cash flow ratio	N/A	114.37	231.68	N/A	92.21
	Cash flow adequacy ratio	1,369.46	1,504.76	1,074.23	587.38	563.23
	Ratio of cash flow for operating to cash flow from investing	N/A	(12.80)	(24.11)	N/A	159.72
Liquid Reserves Ratio (%)		23.01	17.55	22.24	15.85	11.19
Secured Loans to Related Parties		690,764	714,937	825,449	882,539	849,177
Secured Loans to Related Parties to Total Outstanding Loans Ratio (%)		0.80	0.82	1.06	1.09	1.03
Operation Scale	Market share of assets (%)	0.27	0.27	0.27	0.26	0.31
	Market share of net worth (%)	0.21	0.21	0.20	0.22	0.27
	Market share of deposits (%)	0.36	0.35	0.35	0.36	0.44
	Market share of loan (%)	0.40	0.43	0.41	0.43	0.45

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

- The overdue loan ratio decreased by 48%, mainly results from write-off bad debt and enhancement of asset quality.
- The average earnings per employee increased by 100%, ROA increased by 97%, ROE increased by 94%, net income ratio increased by 92% and EPS increased by 92%, mainly result from deposit interest and loan interest spread increased in 2011 causes net profit after tax to increase.
- The return on first capital assets increased by 49% mainly result from deposit interest and loan interest spread increased in 2011 causes the pretax net profit to increase.
- Asset growth rate decreased by 20%, Profit growth rate decreased by 51%, mainly resulted from loans decrease cause the asset growth and profit rate decreased.
- Cash flow adequacy ratio decreased by 35%, mainly resulted from the 2011 operating activities fair value through profit or loss financial assets increase.
- Liquidity reserves ratio increased by 31%, mainly result from Liquidity reserves increase due to loan growth slow than deposit causes the expendable fund increased in 2010.

Note:

1. Operating ability

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

2. Profitability

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

3. Financial Structure

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

4. Growth Rate

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

5. Cash Flow

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

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

7. Operating Scale

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

6. Financial Status

Unit: TWD thousand; %

Items	Year	Capital Adequacy Ratio of Recent Five Year					
		2011	2010	2009	2008	2007	
Tier I Capital	Common Stocks	4,180,451	4,180,451	3,680,451	3,555,991	3,555,991	
	Non-cumulative Perpetual Preferred Stocks	-	-	-	-	-	
	Non-Cumulative Subordinated Debts Without Maturity Dates	-	-	-	-	-	
	Advanced Receipts For Capital Stocks	-	-	-	-	-	
	Capital Surplus(apart from fixed asset appreciation surplus)	884,299	884,299	878,099	1,323,875	1,323,875	
	Legal Reserves	37,043	9,303	-	294,927	294,927	
	Special Reserves	-	-	-	-	-	
	Retained Earnings	194,628	92,827	31,010	66,519	66,519	
	Minority Interests	-	-	-	-	-	
	Other of Equity	(46,119)	(82,682)	124	(10,356)	(10,356)	
	Minus: Goodwill	102,289	102,289	154,027	154,027	154,027	
	Minus: Non-amortization of NPL Disposal Loss	-	-	-	-	-	
	Minus: Others	88,095	97,299	95,711	97,446	97,446	
Total Tier I	5,059,918	4,884,610	4,339,946	4,979,483	4,979,483		
Net Capital	Tier II Capital	Perpetual Cumulative Preferred Stocks	-	-	-	-	-
		Cumulative Subordinated Debts Without Maturity Dates	-	-	-	-	-
		Fixed Asset Appreciation Surplus	138,763	67,294	67,294	67,294	67,294
		45% of Unrealized Gain of Financial Assets in Available-for-sale	11,217	10,080	10,921	2,527	2,527
		Convertible Bonds	-	-	-	-	-
		Operating Reserves and Loan Loss Provision	681,324	555,830	98,404	1,284	1,284
		Long-term Subordinated Debts	1,500,000	2,442,305	2,169,973	2,489,741	2,489,741
		Non-perpetual Preferred Stocks	-	-	-	-	-
		The Average of Non-cumulative Perpetual Preferred Stocks and Non-cumulative Subordinated Debts Without a Maturity Date Exceed 15% of Total Tier I Capital	-	-	-	-	-
		Minus: Others	88,095	97,299	95,710	97,446	97,446
	Total Tier II	2,243,209	2,978,210	2,250,882	2,463,400	2,463,400	
	Tier III Capital	Short-term Subordinated Debts	-	-	-	-	-
		Non-perpetual Preferred Stocks	-	-	-	-	-
Total Tier III		-	-	-	-	-	
Net Capital	7,303,127	7,862,820	6,590,828	6,435,606	7,442,883		

Items			Year	Capital Adequacy Ratio of Recent Five Year				
				2011	2010	2009	2008	2007
Total Weighted Risk Assets	Credit Risk	Standardized Approach	58,611,648	58,608,437	52,781,703	58,639,906	58,639,906	
		Internal-rating-based Approach	-	-	-	-	-	
		Securitization	5,793	3,096	13,977	-	-	
	Operational Risk	Basic Indicator Approach	3,633,837	3,202,718	3,244,938	3,563,313	3,563,313	
		Standardized Approach / Alternative Approach	-	-	-	-	-	
		Advanced Measurement Approach	-	-	-	-	-	
	Market Risk	Standardized Approach	2,533,448	1,745,162	1,938,363	2,891,763	2,257,538	
		Internal Model Approach	-	-	-	-	-	
	Total Risk-weighted Assets			64,778,933	63,559,413	57,978,981	60,791,729	64,460,757
Capital Adequacy Ratio			11.27	12.37	11.37	10.59	11.55	
Tier I Capital to Risk Assets Ratio			7.81	7.69	7.49	7.08	7.72	
Tier II Capital to Risk Assets Ratio			3.46	4.68	3.88	3.51	3.82	
Tier III Capital to Risk Assets Ratio			-	-	-	-	-	
Common Shares Equity to Total Assets Ratio			3.44	3.61	3.37	3.48	3.45	

Note:

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



6-3 Supervisors' Audit Report for Latest Year

**COTA Commercial Bank Co., Ltd.,
Supervisor's Audit Report for Year 2011**

Mar. 23, 2012

To: Shareholders' General Meeting of Year 2012

The Business Report, Financial Statement, Consolidated Financial Statement and Earning Distribution of fiscal year 2011, 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 : Yao-Ting Lee

Supervisor : Zhuang-Tai Wang

Supervisor : Yong-Zhi Wang

COTA Commercial Bank Co., Ltd. Financial Statements December 31, 2011 and 2010

(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, 2011 and 2010, 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.

Effective January 1, 2011, the Company adopted the 3rd amended SFAS No. 34 "Financial Instruments: Recognition and Measurement". In accordance with the amended SFAS No. 34, loans and receivables originated by the Company shall be measured, subsequently evaluated, and assessed for impairment. The effect of adoption of the newly released accounting principle was not significant for after-tax income and EPS for 2011.

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, 2011 and 2010, 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," and Republic of China generally accepted accounting principles.



March 20, 2012

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, 2011 and 2010

(expressed in thousands of New Taiwan Dollars)

	2011	2010	Change of percentage
Assets			
Cash and cash equivalents (note 4)	\$ 1,316,583	1,563,446	(16)
Due from the Central Bank and call loans to other banks (note 5)	28,169,036	22,922,731	23
Financial assets measured at fair value through profit or loss (note 6)	1,766,453	758,415	133
Securities purchased under resell agreements	600,004	-	-
Receivables, net (notes 7 and 26)	496,407	433,779	14
Loans, net (note 8)	82,215,491	84,784,456	(3)
Available-for-sale financial assets, net (notes 9 and 27)	2,388,593	1,603,087	49
Held-to-maturity financial assets, net (notes 10 and 27)	2,216,109	1,339,785	65
Long-term investments under equity method (note 11)	11,399	8,465	35
Other financial assets (note 12)	235,094	281,852	(17)
Premises and equipment, net (note 13)	1,193,297	1,112,852	7
Intangible assets (note 14)	110,183	111,557	(1)
Deferred income tax assets (note 23)	72,639	102,032	(29)
Other assets (note 15)	792,774	818,041	(3)
Total Assets	\$ 121,584,062	115,840,498	5
Liabilities and Stockholders' Equity			
Liabilities:			
Due to the Central Bank and other banks (note 16)	\$112,815	21,441	426
Financial liabilities measured at fair value through profit or loss (note 17)	-	24,325	(100)
Payables (note 18)	599,677	737,319	(19)
Deposits and remittances (note 19)	113,246,725	106,746,372	6
Subordinate financial debentures (note 20)	1,500,000	2,499,754	(40)
Accrued pension liability (note 21)	171,551	202,777	(15)
Other liabilities (note 14)	539,303	434,618	24
Total liabilities	116,170,071	110,666,606	5
Stockholders' equity (note 22):			
Common stock	4,180,451	4,180,451	-
Capital reserve	884,299	884,299	-
Retained earnings:			
Statutory reserve	37,043	9,303	298
Undistributed earnings	194,628	92,827	110
	231,671	102,130	127
Equity adjustments			
Land revaluation increments (note 13)	138,763	67,294	106
Cumulative foreign currency translation adjustments	-	(2,087)	(100)
Unrealized gains on financial instruments	24,927	22,400	11
Unrecognized pension cost	(46,120)	(80,595)	(43)
	117,570	7,012	1,577
Total stockholders' equity	5,413,991	5,173,892	5
Commitments and contingencies (note 28)			
Total Liabilities and Stockholders' Equity	\$ 121,584,062	115,840,498	5

COTA Commercial Bank Co., Ltd.

Statements of Income

For the Years Ended December 31, 2011 and 2010

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

	2011	2010	Change of percentage
Interest income (note 26)	\$ 2,852,838	2,443,131	17
Less: interest expense (note 26)	<u>995,368</u>	<u>795,353</u>	25
Net interest income	1,857,470	1,647,778	13
Non-interest income, net			
Service fees income, net (note 26)	151,521	277,335	(45)
Gain on financial assets or liabilities measured at fair value through profit and loss	57,329	15,482	270
Realized gain on available-for-sale financial assets	2,977	-	-
Realized gain on held-to-maturity financial assets	1,321	-	-
Investment income recognized under equity method(note 11)	5,885	3,280	79
Foreign exchange gains (loss), net	2,217	(24,671)	(109)
Reversal of impairment loss (notes 12 and 15)	-	(897)	(100)
Rent income	21,706	16,097	35
Other non-interest income, net	<u>22,129</u>	<u>23,042</u>	(4)
Net revenue	<u>2,122,555</u>	<u>1,957,446</u>	8
Bad debt expense (note 8)	<u>447,590</u>	<u>472,606</u>	(5)
Operating expense:			
Personnel expenses	1,013,472	937,906	8
Depreciation and amortization expenses(note 14)	38,956	51,044	(24)
Other general and administrative expense	<u>400,896</u>	<u>358,055</u>	12
Total operating expense	<u>1,453,324</u>	<u>1,347,005</u>	8
Income before income taxes	221,641	137,835	61
Income tax expense (note 23)	<u>29,393</u>	<u>45,368</u>	(35)
Net income	\$ <u>192,248</u>	<u>92,467</u>	108
	2011	2010	
Earning per share (note 24)	Before income tax	Before income tax	Before income tax After income tax
Basic Earning per Share (in NTD)	\$ <u>0.53</u>	<u>0.46</u>	<u>0.36</u> <u>0.24</u>
Diluted Earning Per Share (in NTD)	\$ <u>0.53</u>	<u>0.46</u>	<u>0.36</u> <u>0.24</u>

COTA Commercial Bank Co., Ltd.

Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2011 and 2010

(expressed in thousands of New Taiwan Dollars)

	Common stock	Capital reserve	Retained earnings Statutory reserve	Undistributed earnings (Accumulated Deficit)	Land revaluation increments	Cumulative foreign currency translation adjustments	Unrealized gains on financial instruments	Unrecognized pension cost	Total
Balance as of January 1, 2010	3,680,451	878,099	-	31,010	67,294	124	24,270	-	4,681,248
Common stock issued for cash	500,000	6,200	-	-	-	-	-	-	506,200
Appropriation and distribution of 2010 earnings:									
Statutory reserve	-	-	9,303	(9,303)	-	-	-	-	-
Cash dividends	-	-	-	(21,347)	-	-	-	-	(21,347)
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(1,870)	-	(1,870)
Unrecognized pension costs	-	-	-	-	-	-	-	(80,595)	(80,595)
Changes in cumulative foreign currency translation adjustments	-	-	-	-	-	(2,211)	-	-	(2,211)
Net Income for 2010	-	-	-	92,467	-	-	-	-	92,467
Balance as of December 31, 2010	\$ 4,180,451	884,299	9,303	92,827	67,294	(2,087)	22,400	(80,595)	5,173,892
Appropriation and distribution of 2011 earnings:									
Statutory reserve	-	-	27,740	(27,740)	-	-	-	-	-
Cash dividends	-	-	-	(62,707)	-	-	-	-	(62,707)
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	2,527	-	2,527
Increase of land revaluation increments	-	-	-	-	71,469	-	-	-	71,469
Unrecognized pension costs	-	-	-	-	-	-	-	34,475	34,475
Changes in cumulative foreign currency translation adjustments	-	-	-	-	-	2,087	-	-	2,087
Net Income for 2011	-	-	-	192,248	-	-	-	-	192,248
Balance as of December 31, 2011	\$ 4,180,451	884,299	37,043	194,628	138,763	-	24,927	(46,120)	5,413,991

Note : The remuneration to directors and supervisors of \$1,942 and \$651 thousands and bonuses to employees of \$6,473 and \$2,171 thousands were deducted from the Income Statement of 2011 and 2010.

COTA Commercial Bank Co., Ltd.

Statements of Cash Flows

For the Years Ended December 31, 2011 and 2010

(expressed in thousands of New Taiwan Dollars)

	2011	2010
Cash flows from operating activities:		
Net income	\$ 192,248	92,467
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	26,541	33,685
Amortization	14,300	19,133
Provision for loan losses and other reserves	447,590	472,606
Amortization of discount on subordinate financial debentures	246	981
Share-based compensation	-	6,200
Investment income recognized under the equity method, net of cash dividends received	(2,934)	(2,152)
Loss (gain) on disposal of properties and non-operating assets, net	510	(630)
Impairment loss	-	897
Provision for pension costs	69,561	56,291
Pension payment	(56,552)	(56,925)
Increase in financial assets measured at fair value through profit or loss	(1,008,038)	(21,413)
Decrease (increase) in receivables	(70,628)	35,198
Decrease in deferred income tax asset	29,393	45,095
Decrease in other assets	5,506	18,773
Increase (decrease) in financial liabilities measured at fair value through profit or loss	(24,325)	24,152
Increase (decrease) in payables	(137,642)	194,288
Increase (decrease) in other liabilities	60,520	(23,017)
Net cash provided by operating activities	<u>(453,704)</u>	<u>895,629</u>
Cash flows from investing activities:		
Decrease (increase) in available-for-sale financial assets	(782,979)	329,301
Decrease (increase) in held-to-maturity financial assets	(876,324)	54,767
Purchase of property and equipment	(10,406)	(6,397)
Proceeds from sale of properties and non-operating assets	862	997
Increase in deferred charges	(3,839)	(8,101)
Purchase of intangible assets	(971)	-
Decrease (increase) in due from the Central Bank and call loans to other banks	(5,246,305)	2,219,448
Decrease (increase) in loans	2,151,401	(9,729,058)
Increase in bonds and bills purchased under resale agreements	(600,004)	-
Decrease in other financial assets	44,496	126,357
Decrease (increase) in refundable deposits	(364)	13,431
Net cash used in investing activities	<u>(5,324,433)</u>	<u>(6,999,255)</u>
Cash flows from financing activities:		
Issuance of financial debentures	1,500,000	-
Repayment of financial debentures	(2,500,000)	-
Increase (decrease) in deposits received	167	(493)
Cash dividends paid	(62,707)	(21,347)
Common stock issued for cash	-	500,000
Increase in due to the Central Bank and other banks	91,374	4,069
Increase in deposits and remittances	6,500,353	5,893,577
Net cash provided by financing activities	<u>5,529,187</u>	<u>6,375,806</u>
Effect of exchange rate changes	<u>2,087</u>	<u>(2,211)</u>
Net increase (decrease) in cash and cash equivalents	(246,863)	269,969
Cash and cash equivalents at beginning of year	1,563,446	1,293,477
Cash and cash equivalents at end of year	<u>\$ 1,316,583</u>	<u>1,563,446</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 985,628	791,125
Income tax	<u>\$ 23,550</u>	<u>21,311</u>

COTA Commercial Bank Co., Ltd. Notes to Financial Statements December 31, 2010 and 2010

(expressed in thousands of NTD, unless otherwise stated)

1. Organization and operations

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

The Company is engaged in:

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

As of December 31, 2011 and 2010, the Company employed 1,122 and 1,078 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" and generally accepted accounting principles of the Republic of China. Significant accounting policies are summarized as below:

(a) Basis of financial statements

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

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

(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

(Continued)

liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Foreign currency transactions

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

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

(d) Asset impairment

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

(e) Financial assets or liabilities

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

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

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

(Continued)

(ii) Available-for-sale financial assets:

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

(iii) Held-to-maturity financial assets:

Held-to-maturity financial assets are carried at amortized cost, which are valued by the effective interest method. On initial recognition, the costs of the financial assets are valued at their fair value plus the acquisition costs. The net gain or loss on held-to-maturity financial assets is derecognized upon asset disposal, impairment or amortization. For debt commodities, the Company uses settlement date accounting in recording related transactions. The amortized cost, interest income and interest expense of held-to-maturity financial assets are determined by using the effective interest rate method. If there is objective evidence that a held-to-maturity financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit and loss. The carrying value after the reversal should not exceed the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

(iv) Financial assets carried at cost:

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

(v) Debts investment without active market:

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

(Continued)

(f) Deposit in the Central Bank

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

(g) Repurchase and resale agreements

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

(h) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market including due from the Central Bank, call loans to other banks, loans and receivables. Effective from January 1, 2011, the Company adopted the 3rd amended SFAS No. 34 "Financial Instruments: Recognition and Measurement", and loans and receivables originated by the Company are within the scope of the amended SFAS No. 34. In accordance with the amended SFAS No. 34, the Company shall first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If there is any objective evidence of impairment, the Company shall recognize impairment losses or bad debt expenses. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against assets. In determining the amount of impairment losses, the Company shall also take the recoverable value of its collateral into consideration when estimating the expected future cash flow. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

Those objective evidences include:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) the disappearance of an active market for that financial asset because of the issuer's financial difficulties;

(Continued)

(i) 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 0.5% of the balance of Category One credit assets, 2% of the balance of Category Two credit assets, 10% of the balance of Category Three credit assets, 50% of the balance of Category Four credit assets, and the full balance of Category Five credit assets.

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

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

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%.

(j) 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.

(k) 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)

Buildings and premises	11 to 60 years
Operating equipment	1 to 8 years
Transportation equipment	4 to 10 years
Miscellaneous equipment	1 to 21 years

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

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(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.

(p) Employee retirement plans

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

(Continued)

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.

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

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

According to the revised Income Tax Law that became effective January 1, 1998, undistributed earnings are subject to an additional 10% corporate income surtax. The surtax payable is recorded as the Company's income tax

(Continued)

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 2010 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.

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.

(x) Operating segment information

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

(Continued)

3. Changes in Accounting Policies:

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

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

4. Cash and Cash Equivalents

	December 31, 2011	December 31, 2010
Cash	\$ 958,925	1,030,731
Checks awaiting clearance	203,366	370,899
Deposits in other banks	154,292	161,816
	<u>\$ 1,316,583</u>	<u>1,563,446</u>

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

	December 31, 2011	December 31, 2010
Deposit reserve - checking accounts	\$ 1,944,307	2,414,650
Deposit reserve - demand accounts	3,136,398	2,918,678
Deposit reserve - foreign currency deposits	4,241	4,130
Certificate of deposits	22,300,000	16,700,000
Call loans to banks	672,610	824,500
Deposits with Financial Information Service Co., Ltd.	111,480	60,773
	<u>\$ 28,169,036</u>	<u>22,922,731</u>

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

(Continued)

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

	December 31, 2011	December 31, 2010
Financial instruments held for trading purpose:		
Quoted stocks	\$ 55,864	50,883
Beneficiary certificates	-	172,998
Forward contracts	10,201	5,381
	<u>66,065</u>	<u>229,262</u>
Financial assets measured at fair value through profit or loss		
Convertible bonds	1,700,388	529,153
	<u>\$ 1,766,453</u>	<u>758,415</u>

7. Receivables

	December 31, 2011	December 31, 2010
Credit card accounts receivable	\$ 152,530	188,008
Interest receivable	210,126	169,390
Tax refund receivable	95,650	72,100
Acceptances receivable	4,884	1,623
Accrued income	6,252	3,884
Guarantee payments Receivable	23,790	212
Others	23,920	4,447
	517,152	439,664
Less: allowance for loan losses	(20,745)	(5,885)
	<u>\$ 496,407</u>	<u>433,779</u>

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

		December 31, 2011	
		Loan amount	Allowance for doubtful accounts
With existing objective evidence of individual impairment	Individual assessment	278	52
	Group assessment	2,143	910
Without existing objective evidence of individual impairment	Group assessment	419,888	20,187
Total		422,309	21,149

(Continued)

8. Loans

	December 31, 2011	December 31, 2010
Exchanges and export bills negotiated	\$ 33,271	18,811
Overdrafts	59,380	197,784
Short-term loans	9,110,125	11,212,639
Medium-term loans	46,311,906	44,663,367
Long-term loans	27,661,282	28,960,356
Non-performing loans	<u>281,379</u>	<u>542,824</u>
	83,457,343	85,595,781
Less: allowance for loan losses	(1,118,326)	(811,325)
discount	<u>(123,526)</u>	<u>-</u>
	<u>\$ 82,215,491</u>	<u>84,784,456</u>

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

		December 31, 2011	
Item		Loan amount	Allowance for doubtful accounts
With existing objective evidence of individual impairment	Individual assessment	136,258	51,694
	Group assessment	459,838	348,980
Without existing objective evidence of individual impairment	Group assessment	82,861,247	717,652
Total		83,457,343	1,118,326

The movements in allowance for loan losses for the years ended December 31, 2011 and 2010 were as follows:

	2011	2010
Beginning balance	\$ 817,702	887,781
Provision	428,190	472,606
Recovery of written-off credits	225,231	184,606
Write-offs	(331,822)	(727,291)
Effects of exchange rate changes	<u>174</u>	<u>-</u>
Ending balance	<u>\$ 1,139,475</u>	<u>817,702</u>

Non-performing loans amounted to \$281,379 and \$542,824 thousands as of December 31, 2011 and 2010. The unrecognized interest revenue was \$15,605 and \$96,080 thousands in 2011 and 2010, respectively.

(Continued)

9. Available-for-Sale Financial Assets

	December 31, 2011	December 31, 2010
Government bonds	\$ 52,868	69,637
Corporate bonds	2,326,047	1,533,450
Foreign securities	9,678	-
	<u>\$ 2,388,593</u>	<u>1,603,087</u>

In 2011, the Company reclassified the shares of VISA Inc. from other financial assets to available-for-sale financial assets. Please refer to Note 4(12) for more detailed information.

10. Held-to-Maturity Financial Assets

	December 31, 2011	December 31, 2010
Government bonds	\$ 104,978	108,471
Corporate bonds	2,001,877	1,151,766
Financial debentures	109,254	79,548
	<u>\$ 2,216,109</u>	<u>1,339,785</u>

11. Long-term Investments under Equity Method

	2011			
	Original Cost	Percentage of ownership	Investment income recognized under equity method	Book Value as of December 31, 2011
COTA Bank Insurance Brokers Co., Ltd.	\$ <u>5,000</u>	100%	<u>5,885</u>	<u>11,399</u>
	2010			
	Original Cost	Percentage of ownership	Investment income recognized under equity method	Book Value as of December 31, 2010
COTA Bank Insurance Brokers Co., Ltd.	\$ <u>5,000</u>	100%	<u>3,280</u>	<u>8,465</u>

(Continued)

12. Other Financial Assets

	December 31, 2011	December 31, 2010
Overdue receivables	\$ 807	983
Less: allowance for bad debts	<u>(404)</u>	<u>(492)</u>
	403	491
Others	15	-
Financial assets carried at cost	154,892	184,892
Debts investment without active market	52,932	69,981
Refundable deposits	<u>26,852</u>	<u>26,488</u>
	<u>\$ 235,094</u>	<u>281,852</u>

During 2008, the Company received 3 thousand shares of VISA Inc's common stock through the National Credit Card Center of the R.O.C. In 2011, the Company reclassified the 3 thousand shares as available-for-sale financial assets since these investments can be traded in an active market. Please refer to Note 4(9) for more information.

(a) Financial assets carried at cost:

Such assets represented the following equity investments:

	December 31, 2011		December 31, 2010	
	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	-
Taiwan Depository & Clearing Corporation	4,639	0.08	4,639	0.08
Sunny Asset Management Corporation	<u>253</u>	0.42	<u>253</u>	0.42
	<u>\$ 154,892</u>		<u>184,892</u>	

(b) Debts investments without active market

	December 31, 2011	December 31, 2010
Mortgage - Backed Security	\$ -	15,480
Auction Rate Security	60,580	61,950
Less: accumulated impairment	<u>(7,648)</u>	<u>(7,449)</u>
	<u>\$ 52,932</u>	<u>69,981</u>

(Continued)

13. Premises and Equipment

(a) Cost

	December 31, 2011	December 31, 2010
Land	\$ 617,366	617,366
Buildings	540,109	540,109
Operating equipment	147,430	190,427
Transportation equipment	21,002	19,681
Miscellaneous equipment	172,325	174,259
Revaluation increment of land	<u>205,499</u>	<u>109,432</u>
	1,703,731	1,651,274
Less: accumulated depreciation	(511,565)	(538,422)
Prepayments for equipment	<u>1,131</u>	<u>-</u>
	<u>\$ 1,193,297</u>	<u>1,112,852</u>

(b) Revaluation of property

The Company revalued all the held, respectively land in 1965, 1983 and 2011. The net amount of land value increment after provision for land value increment tax is recorded as an equity item. As of December 31, 2011 and 2010, such land revaluation increment was reflected in the financial statements as follows:

	December 31, 2011	December 31, 2010
Land revaluation increment	\$ 222,562	126,495
Less: provision for land revaluation increment tax	<u>(83,799)</u>	<u>(59,201)</u>
	<u>\$ 138,763</u>	<u>67,294</u>

(c) Other

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

14. Intangible Assets

	December 31, 2011	December 31, 2010
Goodwill	\$ 102,289	102,289
Computer software	<u>7,894</u>	<u>9,268</u>
	<u>\$ 110,183</u>	<u>111,557</u>

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

In conformity with SFAS No. 35, "Accounting for Asset Impairment," the Company identified the business of Fengyuan Credit Cooperative as the smallest identifiable Company of cash-generating unit for goodwill impairment test. The recoverable value of the CGU is based on the key assumptions such as operating revenues, operating costs, operating expenses and discount rate.

(Continued)

6. Financial Status

Intangible assets consisted of computer software. The movements during 2011 and 2010 were as follows:

Original cost

	2011	2010
Beginning balance	\$ 31,546	31,546
Additions	971	-
Ending balance	<u>\$ 32,517</u>	<u>31,546</u>

Accumulated amortization

	2011	2010
Beginning balance	\$ 22,278	19,368
Amortization	2,345	2,910
Ending balance	<u>\$ 24,623</u>	<u>22,278</u>

The amortization expenses of \$2,345 and \$2,910 thousands in 2011 and 2010 were recorded as operating expense, respectively.

15. Other Assets

	December 31, 2011	December 31, 2010
Office supplies	\$ 4,139	2,107
Prepaid expenses	55,409	62,877
Idle assets, net of depreciation	172,974	173,328
Assets under lease, net of depreciation and impairment	434,565	436,096
Deferred pension cost	107,354	117,114
Deferred charges	18,100	26,216
Others	233	303
	<u>\$ 792,774</u>	<u>818,041</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 \$50,841 in 2010 and 2010 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, 2011	December 31, 2010
Bank deposits	\$ <u>112,815</u>	<u>21,441</u>

(Continued)

17. Financial Liabilities Measured at Fair Value through Profit or Loss

	December 31, 2011	December 31, 2010
Forward contracts	\$ <u>-</u>	<u>24,325</u>

18. Payables

	December 31, 2011	December 31, 2010
Interest payable	\$ 142,931	133,191
Accrued payable	-	183
Tax payable	16,197	13,114
Collections payable	38,001	33,536
Accrued expenses	149,377	123,966
Dividends payable	620	640
Acceptance drafts	4,884	2,569
Checks awaiting clearance	203,366	370,899
Dividends payable	11,645	11,667
Rejected account payable	7,092	17,699
Others	<u>25,564</u>	<u>29,855</u>
	\$ <u>599,677</u>	<u>737,319</u>

19. Deposits and Remittances

	December 31, 2011	December 31, 2010
Checking accounts	\$ 1,847,860	1,576,733
Cashiers' checks	135,311	143,985
Check guaranteed for payment	-	735
Demand deposits	12,816,421	12,621,070
Time deposits	15,791,238	13,553,396
Postal deposits accepted	117,100	140,690
Demand savings deposits	28,019,098	28,274,453
Term savings deposits	54,510,375	50,430,835
Remittances under custody	-	1,895
Remittances outstanding	<u>9,322</u>	<u>2,580</u>
	\$ <u>113,246,725</u>	<u>106,746,372</u>

The interest rates of the above deposits ranged from 0.11% to 1.71% and from 0.09% to 1.74% in 2011 and in 2010, respectively.

(Continued)

20. Subordinate Financial Debentures

	December 31, 2011	December 31, 2010
Subordinate financial debentures	\$ 1,500,000	2,500,000
Less: Amortization discount	-	(246)
Net	<u>\$ 1,500,000</u>	<u>2,499,754</u>

1. 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 detail were as follows:

- (a) Issue price: At face value.
- (b) Issue period: From March 28, 2006 to March 28, 2016.
- (c) Interest rate: The interest rate 95-1A interest rate for the first 5 years is 3.3%, and 5% for the last 5 years.95-1B interest base on the Company's term savings deposits regular rate plus 1.2% for the first 5 years.
- (d) Interest accrual: Annual interest accrual and payments since the issued date.
- (e) Repayment of principal: Full repayment of principal at maturity or the Company has right to publically call back during February 1, 2011 to March 28, 2011.

2. The Company has fully prepaid the subordinate financial debentures on March 28, 2011.

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

The details were as follows:

- (a) Issue price: At face value.
- (b) Issue period: From March 29, 2011 to March 29, 2018.
- (c) Interest rate: The interest rate 100-1A is 3.2%. 100-1B interest base on the Company's term savings deposits regular rate plus 1.2%.
- (d) Interest accrual: Annual interest accrual and payments since the issued date.
- (e) Repayment of principal: Full repayment of principal at maturity.

(Continued)

21. Pension

The Company performed an actuarial assessment of its employee pension liability on December 31, 2011 and 2010, according to the original labor pension system of a defined benefit plan. The reconciliation between the funded status of the plan and accrued pension liability is as follows:

	December 31, 2011	December 31, 2010
Benefit obligation:		
Vested benefit obligation	\$ (589,464)	(566,610)
Non-vested benefit obligation	(113,608)	(122,248)
Accumulated benefit obligation	(703,072)	(688,858)
Additional benefits based on future level of salaries	(207,271)	(214,641)
Projected benefit obligation	(910,343)	(903,499)
Fair value of plan assets	531,521	486,081
Funded status	(378,822)	(417,418)
Unrecognized loss	253,391	295,236
Unrecognized net transition obligation	107,354	117,114
Additional minimum liability	(153,474)	(197,709)
Accrued pension liabilities	\$ (171,551)	(202,777)

The components of net periodic pension cost for 2011 and 2010 are as follows:

	2011	2010
Service cost	\$ 44,058	38,052
Interest cost	15,811	19,955
Expected return on plan assets	(6,004)	(7,558)
Amortization and deferral	15,696	5,842
Net pension cost	\$ 69,561	56,291

Actuarial assumptions for 2011 and 2010 were as follows:

	2011	2010
Discount rate	2.00%	1.75%
Rate of increase in future compensation	2.00%	2.00%
Expected long-term rate of return on plan assets	2.00%	1.75%

As of December 31, 2011 and 2010, the vested benefits for retirement amounted to \$908,972 and \$847,936 thousands, respectively.

In addition, pension expense under the new labor pension system as a defined contribution plan of the Company amounted to \$19,978 and \$19,436 thousands for the years ended December 31, 2011 and 2010, respectively.

(Continued)

22. Stockholders' Equity

(a) Common stock

The shareholders on August 25, 2010 resolved to increase capital by issuing common stock of 50,000 thousands shares. The capital increase had been approved by the regulatory authorities.

As of December 31, 2011 and 2010, the Company's authorized capital both was \$6,000,000 thousands, with par value of \$10. Total outstanding shares were \$418,045 thousands shares, respectively.

(b) Capital reserve

Capital reserve as of December 31, 2011 and 2010 was as follows:

	December 31, 2011	December 31, 2010
Statutory reserve and special reserve transferred in	\$ 742,056	742,056
Additional paid-in capital	136,043	136,043
Share-based compensation	6,200	6,200
	<u>\$ 884,299</u>	<u>884,299</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.

The share-based compensation for the capital increase subscribed by the employees was computed at the fair value of the measurement date amounted to \$6,200 thousands and recorded as an equity item respectively.

(c) Statutory reserve and earnings distribution

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

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

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

(Continued)

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 2011 and 2010 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, 2011 and 2010, after setting aside legal reserve. Accordingly, in 2011 and 2010, the company recorded the bonus to employees of \$13,395 thousands and \$6,473 thousands, respectively, and the remuneration to directors and supervisors of \$4,019 thousands and \$1,942 thousands, respectively. The difference, if any, between the amount approved by stockholders in the subsequent year and the amount estimated in the current-year financial statements shall be accounted for as a change in accounting estimate, and charged to profit or loss in the period during which stockholders' approval is obtained.

The distributions of earnings for 2010 and 2009 were resolved in the stockholders' meeting held on June 9, 2011 and May 27, 2010, respectively. The details were as follows:

	2010	2009
Dividend per share (in NT dollar)	\$ <u>0.15</u>	<u>0.058</u>
Employees' profit sharing – cash	\$ 6,473	2,171
Directors' and supervisors' remuneration	<u>1,942</u>	<u>651</u>
	\$ <u>8,415</u>	<u>2,822</u>

Actual earnings distribution for 2010 and 2009 had no difference to the board's resolution.

The proposal for the distribution of 2011 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.

23. Income Tax

The Company is subject to income tax at the current rate of 17% for both 2011 and 2010. The components of income tax expense for 2011 and 2010 were summarized as follows:

	2011	2010
Current	\$ -	273
Deferred	<u>29,393</u>	<u>45,095</u>
	\$ <u>29,393</u>	<u>45,368</u>

The income tax calculated on pretax financial income at a statutory income tax rate was reconciled with the income tax expense as reported in the accompanying financial statements for the years ended December 31, 2011 and 2010 as follows:

(Continued)

6. Financial Status

	2011	2010
Expected income tax expense	\$ 37,679	23,432
10% surtax on undistributed earnings	-	18
Investment tax credits	202	689
Tax effect of tax-exempt gains from sale of marketable securities and land	(5,215)	1,513
Adjustment to prior year's deferred tax assets	313	3,076
Impairment reversal	-	(8,643)
Allowance for deferred tax assets	-	3,500
Other adjustments	(3,586)	(3,339)
Effect on deferred tax of the change in statutory tax rate	-	25,122
Income tax expense	<u>\$ 29,393</u>	<u>45,368</u>

Deferred income tax expense (benefit) for 2011 and 2010 were the tax consequences of the following temporary differences and credits:

	2011	2010
Unrealized exchange loss variable	\$ 2,380	(4,978)
Gain (loss) carryforwards	39,479	26,939
Amortization and impairment of goodwill	2,618	(6,177)
Increase in allowance for loans and receivables	(13,205)	-
Pension reserves	(2,212)	-
Investment tax credits	333	689
Reversal of allowance for deferred tax assets	-	3,500
Change in deferred tax effect resulting from change of tax rate	-	25,122
	<u>\$ 29,393</u>	<u>45,095</u>

Deferred income tax assets and liabilities as of December 31, 2011 and 2010, represented the tax effects of the following temporary differences, loss carry forwards and investment tax credit:

	December 31, 2011	December 31, 2010
Amortization of goodwill	\$ (6,915)	(4,297)
Reversal of allowance for bad debts in excess of tax limit	51,205	38,000
Unrealized loss on foreclosed properties	19,251	19,251
Unrealized exchange loss	5,469	7,849
Loss carryforwards	23,477	62,956
Investment tax credits	1,624	1,957
Pension reserves	2,212	-
Others	2,816	2,816
Valuation allowance	(26,500)	(26,500)
Deferred income tax assets, net	<u>\$ 72,639</u>	<u>102,032</u>

(Continued)

In accordance with ROC Income Tax Law, assessed net losses can be carried forward for ten years. As of December 31, 2011, 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
2008	\$ 84,873	2018
2009	53,230	2019
	\$ 138,103	

As of December 31, 2011, 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, 2011	December 31, 2010
Undistributed retained earning - 1998 and after	\$ 194,628	92,827
Imputation credit account (ICA)	27,793	9,542
	2011	2010
The creditable ratio on retained earnings	14.28%(Expected)	20.63% (Actual)

24. Earnings per Share

	2011		2010	
	Before income tax	After income tax	Before income tax	After income tax
Basic earnings per share:				
Net Income	\$ 221,641	192,248	137,835	92,467
Weighted-average outstanding shares	418,045	418,045	379,689	379,689
Basic earnings per share (in NT dollar)	\$ 0.53	0.46	0.36	0.24
Diluted earnings per share:				
Net profit used to calculate diluted EPS	\$ 221,641	192,248	137,835	92,467
Weighted-average outstanding shares	418,045	418,045	379,689	379,689
Effect of common stock with dilution potential:				
Employee bonuses	1,263	1,263	594	594
Average outstanding shares	419,308	419,308	380,283	380,283
Diluted earnings per share (in NT dollar)	\$ 0.53	0.46	0.36	0.24

(Continued)

25. Disclosure of Financial Instruments

(a) Fair value of financial instruments:

Financial instruments	December 31, 2011		December 31, 2010	
	Book value	Fair value	Book value	Fair value
Assets:				
Fair value represented by book value	\$ 112,797,521	112,797,521	109,704,412	109,704,412
Financial assets measured at fair value through profit or loss	1,766,453	1,766,453	758,415	758,415
Available-for-sale financial assets	2,388,593	2,388,593	1,603,087	1,603,087
Held-to-maturity financial assets	2,216,109	2,231,822	1,339,785	1,355,499
Other financial assets	235,094	235,094	281,852	281,852
Liabilities:				
Fair value represented by book value	113,959,217	113,959,217	107,505,132	107,505,132
Financial liabilities measured at fair value through profit or loss	-	-	24,325	24,325
Subordinate financial debentures	1,500,000	1,500,000	2,499,754	2,499,754

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

- (i) Fair value of short-term financial instruments was estimated in accordance with the carrying amount. Since the expiration date of the short-term financial instrument was relatively short, its carrying value is adopted as a reasonable basis in estimating the fair value. The method was applied to cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, payables, loans, due to the Central Bank and other banks, and deposits and remittances.
- (ii) Fair value of financial assets measured at fair value through profit or loss 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.

(Continued)

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

	December 31, 2011		December 31, 2010	
	Based on quoted market prices	Determined value by using valuation techniques	Based on quoted market prices	Determined value by using valuation techniques
Financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 55,864	1,710,589	223,881	534,534
Available-for-sale financial assets	2,388,593	-	1,603,087	-
Held-to-maturity financial assets	2,172,600	59,222	1,326,175	29,324
Other financial assets	-	235,094	-	281,852
Liabilities:				
Financial liabilities measured at fair value through profit or loss	-	-	-	24,325
Subordinate financial debentures	1,500,000	1,500,000		2,499,754

For the year ended December 31, 2011 and 2010 gain (loss) arising from the fair value evaluation of financial instruments by using valuation techniques amounted to \$31,480 thousands and \$(19,836) thousands, respectively.

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

Financial instruments measured at fair value through profit or loss	December 31, 2011			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss-trading:				
Quoted stocks	\$ 55,864	55,864		
Convertible bonds	1,700,388	1,700,388		
Available-for-sale financial assets:				
Government bonds	52,868	52,868		
Corporate bonds	2,326,047	2,326,047		
Foreign securities	9,678	9,678		
Other financial assets:				
Debts investments without active market	52,932			52,932
Derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss-trading Forward contracts	10,201		10,201	

(Continued)

- a) Level 1: if the market for the financial instrument is active, the fair value of the financial instrument is represented by the quoted prices of the same instruments. An active market refers to a market that meets all of the following conditions:
1. the goods traded in the market are homogeneous;
 2. willing sellers and buyers can be found at the same time;
 3. the price information is available to the public;
- b) Level 2: observable prices other than the quoted prices in an active market comprise direct (e.g. prices) or indirect (e.g. introduced by prices) observable inputs obtained from an active market.
- c) Level 3: the inputs adopted to measure fair value at this level are not based on available data from the markets.

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

Item	December 31, 2011						Ending balance
	Beginning balance	Valuation gain (loss) recognized as gain (loss) of the period or as stockholders' equity	Addition		Reduction		
			Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Other financial assets							
Debts investments without active market	\$ 69,981	-	-	-	17,049	-	52,932
Total	\$ 69,981	-	-	-	17,049	-	52,932

(e) Financial risk information:

(i) Market risk

The market risk refers to the fluctuation in market indicators, e.g., fluctuation in interest rate, exchange rate, and 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\$2,518 thousands because of its foreign currency position on December 31, 2011.

(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, 2011, the ratio of secured loans to total outstanding loans granted is approximately 75.00%. 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.

(Continued)

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

■ Concentration of credit extensions:

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

2010.12.31			
Rank	Transaction Party	Outstanding loan	% of net assets
1	D Company-Transportation	\$ 307,546	5.94
2	B Company- Construction	299,900	5.80
3	A Company-Accommodation	298,370	5.77
4	C Company- Construction	280,000	5.41
5	G Company- Manufacturing	266,840	5.16
6	E Company-Real Estate	256,000	4.95
7	L Company- Non-profit Organization	207,000	4.00
8	J Company-Textile Industry	196,633	3.80
9	R Company- Construction	175,000	3.38
10	O Company- Construction	174,940	3.38
	Total	2,462,229	

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

	December 31, 2011	December 31, 2010
Unused lines of credit	\$ 8,992,014	8,853,720
Credit commitment on credit cards	\$ 1,352,221	1,377,816
Guarantee on loans and unused L/C balance	\$ 2,873,344	2,098,346

(Continued)

(iii) Liquidity risk

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

The basic principle in managing liquidity risk is to match the time-to-maturity for assets and liabilities and to monitor the duration gap. The liquidity reserve ratio for the Company was 23.01% and 17.55% as of December 31, 2011 and 2010, 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, 2011, analysis for time-to-maturity of the Company's assets and liabilities was as follows: (classified into NT dollar and US dollar assets/liabilities)

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

	Total	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
(in thousands of US dollars)						
Capital inflow	69,128	36,314	29,393	2,645	-	956
Capital outflow	69,128	51,440	11,046	4,069	2,536	37
Maturity gap	-	(15,306)	18,347	(1,424)	(2,536)	919

As of December 31, 2010, analysis for time-to-maturity of the Company's assets and liabilities was as follows: (classified into NT dollar and US dollar assets/liabilities)

	Total	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
(in thousands of NT dollars)						
Capital inflow	114,998,687	10,464,362	10,177,622	12,468,069	13,705,252	68,183,382
Capital outflow	125,903,944	11,337,048	14,773,702	17,226,929	38,471,837	44,094,428
Maturity gap	(10,905,257)	(872,686)	(4,596,080)	(4,758,860)	(24,766,585)	24,088,954

	Total	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
(in thousands of US dollars)						
Capital inflow	77,505	30,248	43,204	3,528	-	525
Capital outflow	77,505	58,668	11,853	4,250	2,596	138
Maturity gap	-	(28,420)	31,351	(722)	(2,596)	387

(Continued)

(iv) Cash flow risk from interest rate fluctuation

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

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

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

As of December 31, 2010, the Company's analysis of interest-sensitive assets and liabilities were as follows:

	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
(in thousands of NT dollars)					
Interest-sensitive assets	81,376,692	9,028,089	698,212	17,343,810	108,446,803
Interest-sensitive liabilities	20,225,334	52,468,741	29,264,267	3,869,305	105,827,647
Gap	61,151,358	(43,440,652)	(28,566,055)	13,474,505	2,619,156
Stockholders' equity					5,173,892
Ratio of interest-sensitive assets to liabilities					102.47%
Ratio of gap to stockholders' equity					50.62%

	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
(in thousands of US dollars)					
Interest-sensitive asset	17,099	3,523	-	525	21,147
Interest-sensitive liability	26,852	4,245	2,592	-	33,689
Gap	(9,753)	(722)	(2,592)	525	(12,542)
Stockholders' equity					138
Ratio of interest-sensitive assets to liabilities					62.77%
Ratio of gap to stockholders' equity					(9,088.41)%

(Continued)

(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.

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, 2011 and 2010, loans to related parties amounted to approximately \$88,588 and \$120,153 thousands, respectively, representing 0.11% and 0.14% of total loans at each date. Interest resulting from such loans was \$1,756 and \$1,718 thousands, respectively, representing 0.06% and 0.07% of total interest income for 2011 and 2010. The range of interest rates was approximately 1.70%~2.75% and 1.70%~2.70% p.a., respectively.

(ii) Deposits

As of December 31, 2011 and 2010, deposits from related parties were approximately \$309,005 and \$175,540 thousands, respectively, representing 0.27% and 0.16% of total deposits at each date. Interest resulting from such deposits was \$4,876 and \$5,093 thousands, respectively, representing 0.49% and 0.64% of total interest expense for 2011 and 2010. The range of interest rate was approximately 0.11%~1.71% and 0.09%~1.74%, respectively. The range of interest rate for employee demand savings deposits was approximately 9.06%~9.15% and 8.80%~9.06% p.a., respectively.

(iii) Service fees income

	2011		2010	
	Service fees income	December 31, 2011 Accrued income	Service fees income	December 31, 2010 Accrued income
COTA Bank Insurance Brokers Co., Ltd.	\$ 47,000	5,521	31,491	3,022

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

(Continued)

(v) Rentals income

	2011	2010
COTA Bank Insurance Brokers Co., Ltd.	\$ 221	221

The rental income was for rental of office and both were fully collected as of December 31, 2011 and 2010.

(c) Compensation of directors, supervisors and management personnel

	2011	2010
Salaries	\$ 23,609	20,435
Incentives	2,917	1,916
Profession compensation	1,326	879
Bonus	158	76
	<u>\$ 28,010</u>	<u>23,306</u>

27. Pledged Assets

	December 31, 2011	December 31, 2010
Pledged for:		
Guarantee deposits for provisional actions against defaulted loans and deposit for trust business (recorded as available-for-sale financial assets and Held-to-maturity financial assets)	\$ 58,800	57,800

28. Significant Commitment and Contingencies

(a) As of December 31, 2011 and 2010, the Company's significant commitments and contingent liabilities were as follows:

	December 31, 2011	December 31, 2010
Collections received	\$ 11,146,198	10,132,927
Guarantees	2,873,344	2,098,346
Securities purchased under resell agreements	600,004	-
Travelers' checks held on consignment	30,320	36,200

(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, 2011 and 2010

	December 31, 2011	December 31, 2010		December 31, 2011	December 31, 2010
Trust Assets			Trust Liabilities		
Deposit in bank	\$ 59,828	88,184	Trust capital		
Investment in mutual fund	4,509,832	4,298,111	Money	\$ 4,569,600	\$ 4,386,295
Total trust assets	<u>\$ 4,569,660</u>	<u>\$ 4,386,295</u>	Total trust liabilities	<u>\$ 4,569,660</u>	<u>\$ 4,386,295</u>

(Continued)

Statement of Income
December 31, 2011 and 2010

	December 31, 2011	December 31, 2010
Trust Income		
Interest income	\$ 15	\$ 16
	<u>15</u>	<u>16</u>
Trust Expense		
Service fees	1,242	1,202
Management fees	<u>18</u>	<u>86</u>
	<u>1,260</u>	<u>1,288</u>
Income loss before income taxes	(1,245)	(1,272)
Income tax expense	<u>-</u>	<u>-</u>
Net loss	<u>\$ (1,245)</u>	<u>\$ (1,272)</u>

(c) Operating leases

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

As of December 31, 2011 the estimated rental commitments for the next five years are as follows:

Fiscal Year	Amount
2012	\$ 32,261
2013	22,719
2014	12,867
2015	4,634
2016	<u>2,144</u>
	<u>\$ 74,625</u>

29. Significant Disaster Loss: None

30. Significant Subsequent Events: None

(Continued)

31. Other Matters

(a) Personnel expenses, depreciation, and amortization for the years ended December 31, 2011 and 2010, were summarized as follows:

Function	2011			2010		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel Expenses:						
Salaries	-	845,216	845,216	-	797,001	797,001
Labor and health insurance	-	60,953	60,953	-	56,908	56,908
Pension	-	89,539	89,539	-	75,727	75,727
Other personnel expenses	-	17,764	17,764	-	8,270	8,270
Depreciation expenses	-	24,656	24,656	-	31,911	31,911
Amortization expenses	-	14,300	14,300	-	19,133	19,133

(b) Capital Adequacy ratio:

Item		Year	December 31, 2011	December 31, 2010
Capital	Tier I Capital		5,059,918	4,884,610
	Tier II Capital		2,243,209	2,978,210
	Tier III Capital		-	-
	Total		7,303,127	7,862,820
Risk-weighted assets	Credit risk	Standardized approach	58,605,855	58,608,437
		Internal-rating-based approach	-	-
		Secularizations	5,793	3,096
	Operational risk	Basic indicator approach	3,633,837	3,202,718
		Standardized approach / alternative approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	2,533,448	1,745,162
		Internal model approach	-	-
Total risk-weighted assets			64,778,933	63,559,412
Capital adequacy ratio			11.27 %	12.37 %
Tier I capital / risk-weighted assets			7.81 %	7.68 %
Tier II capital / risk-weighted assets			3.46 %	4.68 %
Tier III capital / risk-weighted assets			- %	- %
Common stock / total assets			3.44%	3.61%
Leverage Ratio			4.27%	4.35%

(Continued)

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

	2011		2010	
	Average value	Average interest rate (%)	Average value	Average interest rate (%)
Assets				
Deposits in other banks	\$ 106,885	0.07	105,030	0.08
Call loans to other banks	543,119	0.88	423,207	0.55
Due from Central Bank	23,487,176	0.89	21,752,213	0.69
Securities purchased under resell agreements	74,894	0.73	55,031	0.28
Available-for-sale financial assets	1,778,091	1.87	1,782,071	2.17
Held-to-maturity financial assets	1,748,226	1.90	1,310,854	1.99
Loans	83,657,433	3.00	78,210,710	2.76
Liabilities				
Banks deposits	184	-	-	-
Call loans from banks	64,094	0.52	45,845	0.34
Subordinate financial debentures	1,731,507	2.99	2,500,000	2.60
Demand deposits	11,884,072	0.13	10,164,485	0.10
Demand savings deposits	27,106,240	0.29	25,666,060	0.24
Time deposits	68,350,602	1.18	63,939,764	0.96
Staff savings deposits	646,328	6.75	598,120	6.82

(d) Primary foreign currency assets

(i) Foreign currency assets

	December 31, 2011		December 31, 2010		
	Original currency	Equivalent NTD amount	Original currency	Equivalent NTD amount	
USD	25,177	\$ 762,613	USD	24,454	721,396
JPY	47,572	18,586	HKD	3,858	14,624
CNY	2,381	11,446	EUR	302	11,864
EUR	230	9,006	JPY	24,538	8,887
ZAR	2,043	7,607	CNY	1,777	7,939

(Continued)

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

	2011.12.31			2010.12.31		
	Original currency	Exchange rate	Equivalent NTD amount	Original currency	Exchange rate	Equivalent NTD amount
Financial assets:						
Monetary items:						
USD	\$ 21,225	30.2900	642,905	22,060	29.5000	650,770
HKD	3,206	3.8985	12,499	3,253	3.7900	12,329
CAD	85	29.6815	2,523	36	29.5118	1,062
JPY	100,355	0.3907	39,209	89,486	0.3622	32,412
AUD	1,060	30.7413	32,586	992	30.0281	29,788
NZD	53	23.3990	1,240	41	22.7593	933
GBP	52	46.7466	2,431	44	45.5510	2,004
EUR	1,157	39.2013	45,356	530	39.2468	20,801
CNY	2,381	4.8081	11,448	1,778	4.4664	7,941
ZAR	106	3.7225	395	89	4.4426	395
Financial liabilities:						
Monetary items:						
USD	32,738	30.2900	991,634	33,711	29.5000	994,475
HKD	3,820	3.8985	14,892	4,000	3.7900	15,160
CAD	329	29.6815	9,765	459	29.5118	13,546
JPY	4,269	0.3907	1,668	6,236	0.3622	2,259
AUD	1,653	30.7413	50,815	965	30.0281	28,977
NZD	3,583	23.3990	83,839	5,216	22.7593	118,713
GBP	499	46.7466	23,327	568	45.5510	25,873
EUR	1,386	39.2013	54,333	2,133	39.2468	83,713
CNY	-	4.8081	-	-	4.4664	-
ZAR	7,626	3.7225	28,388	1,543	4.4426	6,855

(Continued)

(e) As of December 31, 2011 and 2010, details of loans or guarantees that involved related parties were as follows:

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

Classification	December 31, 2010		
	Accounts	Amount	Expected potential loss
Consumer loan borrowers	109	\$ 45,282	None
Employee mortgage loan borrowers	102	211,052	32
Other loan borrowers	143	458,603	None
Related parties as guarantors for loans	48	236,151	1,505
Related parties as providers of collateral	28	79,228	5



(Continued)

(f) Asset quality

Period		2011.12.31					
Product	Item	Overdue loan amount	Loan Balance	Overdue rate	Allowance for loans losses	Covering rate	
Corporate Banking	Secured	41,241	12,031,592	0.34%	133,758	324.33%	
	Unsecured	44,217	9,146,653	0.48%	104,840	237.10%	
Consumer Banking	Mortgage	81,062	18,339,304	0.44%	205,563	253.59%	
	Cash card	-	3,920	- %	75	- %	
	Credit loan	55,102	10,790,092	0.51%	191,085	346.78%	
	Other	Secured	95,291	32,355,956	0.29%	367,125	385.27%
		Unsecured	43,941	789,826	5.56%	115,880	263.72%
Total		360,854	83,457,343	0.43%	1,118,326	309.91%	
		Overdue	Account receivables	Overdue rate	Allowance for bad debts	Covering rate	
Credit card		807	153,336	0.53%	11,355	1,407.06%	
Without recourse factoring		-	-	- %	-	- %	

Period		2010.12.31					
Product	Item	Overdue loan amount	Loan Balance	Overdue rate	Allowance for loans losses	Covering rate	
Corporate Banking	Secured	26,009	11,167,691	0.23%	13,285	51.08%	
	Unsecured	46,495	10,245,456	0.45%	114,478	246.22%	
Consumer Banking	Mortgage	136,140	18,912,729	0.72%	46,492	34.15%	
	Cash card	-	4,950	- %	53	- %	
	Credit loan	51,894	12,249,463	0.42%	118,240	227.85%	
	Other	Secured	328,432	31,724,070	1.04%	143,792	43.78%
		Unsecured	110,431	1,291,422	8.55%	374,985	339.56%
Total		699,401	85,595,781	0.82%	811,325	116.00%	
		Overdue	Account receivables	Overdue rate	Allowance for bad debts	Covering rate	
Credit card		983	188,991	0.52%	5,072	515.97%	
Without recourse factoring		-	-	- %	-	- %	

(Continued)

(g)

	December 31, 2011		December 31, 2010	
	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables
Pursuant to a contract under a debt negotiation plan	65,170	19,851	87,768	27,462
Pursuant to a contract under a debt liquidation plan and a debt relief plan	183,188	5,854	197,495	6,113
Total	248,358	25,705	285,263	33,575

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

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

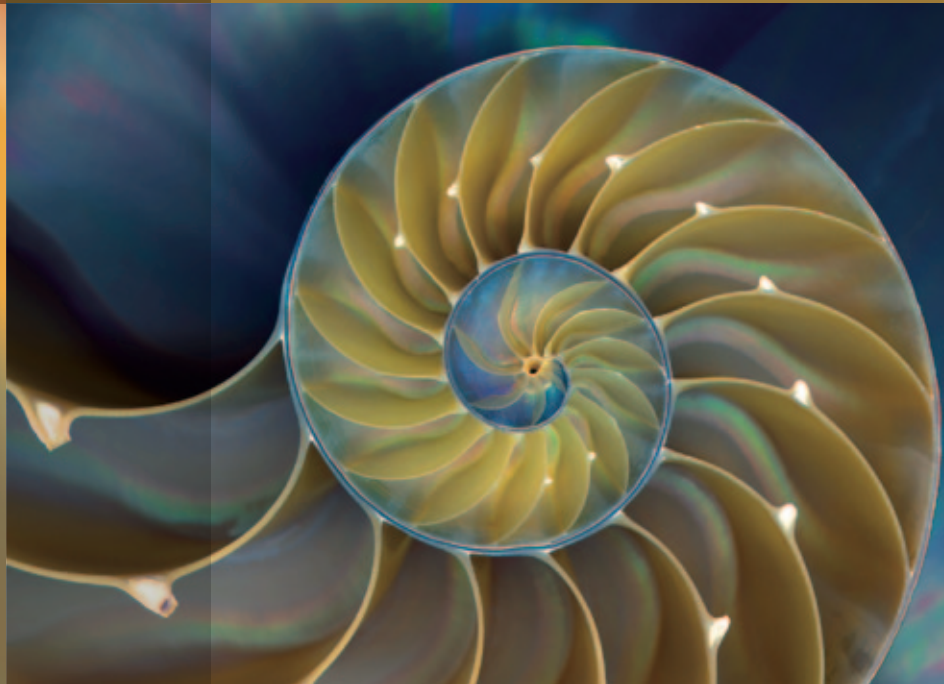
(j) Profitability analysis

	December 31, 2011	December 31, 2010
The ratio of return before income tax on assets	0.19%	0.12%
The ratio of return on assets, net of tax	0.16%	0.08%
The ratio of return before income tax on shareholders' equity	4.19%	2.80%
The ratio of return on shareholders' equity, net of tax	3.63%	1.88%
Net income ratio	9.06%	4.72%

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

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	2011	2010	Difference	
				Amount	%
Total Asset		121,584,062	115,840,498	5,743,564	4.96
Total Liability		116,170,071	110,666,606	5,503,465	4.97
Total Shareholders' Equity		5,413,991	5,173,892	240,099	4.64

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

7-2. Operation Performance

Unit: TWD thousand

Item	Year	2011	2010	Increase/Decrease	
				Amount	Ratio (%)
Interest income		2,852,838	2,443,131	409,707	16.77
Interest expense		995,368	795,353	200,015	25.15
Non-interest income, net		265,085	309,668	(44,583)	(14.40)
Net revenue		2,122,555	1,957,446	165,109	8.43
Bad debt expense		447,590	472,606	(25,016)	(1.18)
Operating expense		1,453,324	1,347,005	106,319	7.89
Income before income tax		221,641	137,835	83,806	60.80
Net income		192,248	92,467	99,781	107.91

Remarks of Ratio Changes explanation:

- Interest income increased by TWD409,707 thousand was due to average loans and interest rates increase, making the secured loan interest increase by TWD371,975 thousand, and with Statements of Financial Accounting Standard (SFAS) No.34 loan fee according to the straight-line method are recognized in interest income increased by TWD45,718 thousand.
- Interest expense increased by TWD200,015 thousand was due to the average deposits and interest rates are higher than 2010, making the interest expense increased.
- Net non-interest income: Net fee income decreased by TWD125,814 thousand was due to financial income decrease and with Statements of Financial Accounting Standard (SFAS) No.34 loan fee according to the straight-line method are recognized in interest income; compared with previous year the financial assets and liabilities at fair value through income statement increase TWD41,847 thousand, Net foreign exchange gain or loss increase TWD26,888 thousand. To conclude above, Net non-interest income decreased than 2010.
- Bad debt expense less than 2010 due to Loans-Overdue ratio and loan quality improved.

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	Yearly Operating Cash Flow	Yearly Cash Inflow	Residual Cash Amount (deficiency)	Cash Deficiency Contingency Plan	
				Investment Plan	Financial Plan
(1)	(2)	(3)	(1)+(2)+(3)		
1,563,446	(453,704)	206,841	1,316,583	-	-

Remarks:

1. Cash Flow Analysis

- (1) Operating activities: The net cash outflow from operating activities due primarily to increase in the financial assets at fair value through income statement.
- (2) Investing activities: The net cash outflow from investing activities due primarily to increase in due from the Central Bank and call loan to other banks.
- (3) Financial activities: The net cash inflow from financial activities due primarily to increase in deposits.

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

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

Unit: TWD thousand

Initial Cash Residual	Estimated Yearly Operating Cash Flow	Estimated Yearly Cash Inflow	Estimated Residual Cash Amount(deficiency)	Cash Deficiency Contingency Plan	
				Investment plan	Financial Plan
(1)	(2)	(3)	(1)+(2)+(3)		
1,316,583	331,737	(167,178)	1,481,142	-	-

Remarks:

The Bank estimates cash inflow about TWD331,737 thousand generated from operating activities in 2012. The estimated cash inflow about minus TWD167,178 thousand in 2012 mainly due from investment activities about TWD5,100,701 thousand owing to in deposits with the Central Bank and loans to banks and increase in discount loans. Increasing in deposits and remittance caused to net inflow from financial activities about TWD4,933,523 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 2011, the source of profit growth is according to 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 actively cooperate with the introduction goods of the major non-life insurance and life insurance companies to meet customer demand through the financial management business with marketing to increase insurance premium income.

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 2011

Items	Contents
1. Strategies, Objectives, Policies, and Processes	<p>The Bank's credit risk policies and processes comply with Basel II and supervisory regulations. The Bank also created credit risk guidelines in written form such as the code of credit, the bylaws of credit information, the law of the credit responsibility and accountability, the bylaws of handle collateral, the business strategy and law of financial derivatives and all kinds of operation handbooks. They provide strict standard on loans, monitor credit risk, and manage non-performing loans. At the same time, since the change in economic cycle will affect the quality of the loan portfolio, the Bank will execute credit policies to ensure credit exposures under control. In addition, the managing procedure of the credit risk on counterparty operates under the authorized standard by the Board of Directors.</p> <p>The Bank will consider developing the internal credit scoring system. The system will identify and estimate risks from all credit exposures.</p> <p>The Bank established a framework for managing credit risk. The framework may execute risk analysis and monitor risk process. It also may discover potential risks that the Bank may response adequately. In addition, it may assess the relation between risk and return to ensure the goal of the Bank's business.</p>
2. The Structure, and Organization of the Risk Relevant Management Function	<p>(1) The Board of Directors: The Bank's board of directors is the supervisor of credit risk management. The board is responsible for the Bank's business strategies and operation guidelines, and is responsible for reviewing credit risk framework and policies. It also authorizes management to execute credit risk management.</p> <p>(2) Asset, Liability and Risk Management Committee: The committee executes the board's risk polices and reports risk profile to the board.</p> <p>(3) Credit Reviewing Committee: The committee reviews the large amount of loans, specific non-performing loans, and the appointed loans.</p> <p>(4) Risk Management Center: The subcommittee integrates credit risk strategies, designs processes, and introduces credit identification, measurement, monitor, and reporting systems.</p> <p>(5) Other Bank's Units: They should understand credit risks under any circumstances, should deal with the assignment of risk management, and should assist risk management subcommittee in risk monitor.</p> <p>(6) Audit Office: The office should establish audit plan and process, and should review the Bank's credit and investment risks at least once a year.</p>



Items	Contents
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 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"> (1) Loan characteristics, contract contents, and customers' financial conditions (2) The possible effect of the exposures from market change (3) Collateral and guarantee (4) The possible future risk change of the customers or counterparties (5) Besides specific trading risks, measuring loan portfolio risks <p>The Bank gradually establishes internal rating framework 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...etc.</p> <p>The Bank had formulated "The Directions of the Loan Reviewing Operation" which reviews and follows the cases of the loan and strengthens after-loan management. If the Bank discovers the doubtful loans in the process, it should take necessary measures to protect debt obligations. In order to maintain an effectively monitors hip over credit risk, the Bank had established the indexes of the risk evaluation that regularly monitor the change of them and help to estimate the potential reasons of the future risk occurrence.</p>
5. Approach for calculating the Bank's capital requirement	Standardized approach

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

Dec. 31, 2011

Unit: TWD thousand

Category	Exposure amount after risk mitigation	Capital Requirement
Sovereigns	28,950,349	0
Non central government public sector entities	5,040,033	80,940
Banks (multilateral development banks)	894,816	18,760
Corporate (Securities firm and insurance companies)	9,920,705	697,255
Regulatory retail portfolios	53,226,969	3,116,531
Secured by residential property	18,401,870	604,034
Equities investment	0	0
Other assets	2,136,852	170,948
Total	118,571,594	4,688,468

7-6-1-2. Assets Securitization Risk

Assets Securitization Risk Management System

Year 2011

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

Remarks:

The undertaking of securitization: None

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

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

As a credit enhancement agency or liquidating assets agency: None

As a guarantee agency or financial liquidity provider: None



Assets securitization exposures and capital requirements

Dec. 31, 2011

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	28,966	463	0	0	0	0	0		0
Total	28,966	463	0	0	0	0	0	0	

Securitized product investment summary

Dec. 31, 2011

Unit: TWD thousand

Items	Accounting Title	Original Cost	Accumulated Evaluation on Profit or Loss	Accumulated Impairment Loss	Book Value
Mortgage Loans -MBS	Held-to-Maturity Financial Assets	28,966	0	0	28,966
Student Loans -ABS	Debt investment without quoted price in active markets	60,580	0	7,648	52,932

7-6-1-3. Operational Risk

Operational Risk Management System

Year 2011

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

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

The Operational Risk Capital Charge

Dec. 31, 2011

Unit: TWD thousand

Year	Annual Gross Income	Capital Charge
2009	1,754,159	
2010	1,949,682	
2011	2,110,298	
Total	5,814,139	290,707



7-6-1-4. Market Risk

Market Risk Management System

Year 2011

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

The Market Risk Capital Charge

Dec. 31, 2011

Unit: TWD thousand

Risk Category	Capital Charge
Interest Rate Risk	131,527
Equity Position Risk	8,888
Foreign Exchange Risk	62,261
Option Position	0
Total	202,676

7-6-1-5. Liquidity Risk

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

Analysis for Time-to-Maturity of the Bank's TWD Assets and Liabilities as of

Dec. 31, 2011

Unit: TWD thousand

	Total	Volumes during the period prior to the due date				
		1~30 days	31~90 days	91~180 days	181 days - 1 year	Over 1 year
Asset	121,970,517	13,755,507	11,719,994	14,860,787	11,301,541	70,332,688
Liability	131,848,251	12,466,861	14,644,573	18,910,356	39,531,455	46,295,006
Maturity Gap	(9,877,734)	1,288,646	(2,924,579)	(4,049,569)	(28,229,914)	24,037,682

Analysis for Time-to-Maturity of the Bank's USD Assets and Liabilities as of

Dec. 31, 2011

Unit: USD thousand

	Total	Volumes during the period prior to the due date				
		0~30days	31~90days	91~180days	181 days - 1 year	Over 1 year
Asset	69,128	36,134	29,393	2,645	0	956
Liability	69,128	51,440	11,046	4,069	2,536	37
Maturity Gap	0	(15,306)	18,347	(1,424)	(2,536)	919
Cumulative Maturity Gap	0	(15,306)	3,041	1,617	(919)	0



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

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

- Change in regulations:

FSC announced to assist the financial institution has the effective management capability for economic recession in the future. The domestic bank and credit co-operative associations will be required to hold the goal of the minimum 1% for the amount of allowances for bad debt division total loan (loan coverage ratio).

- Impact and Adopting Measures:

FSC will request all domestic banks catch the minimum 2% for loan coverage ratio, effective in 2012. According to the international large bank the range of loan coverage ratio is from 2% to 2.5%, as a result, the domestic bank will be required to get the goal of the minimum 2% for the loan coverage ratio in next five years. By December 2011, the loan reserve is TWD1,118,326 thousand, loan coverage is 1.41%, higher than FSC requirement of 1%. In order to strengthen risk tolerance and follow the international standard, the Bank will aggressively to increase the loan coverage ratio to 2%.

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

- Change in regulations:

The Committee's package of reforms will increase the minimum common equity requirement from 2% to 4.5%. In addition, banks will be required to hold a capital conservation buffer of 2.5% to withstand future periods of stress bringing the total common equity requirements to 7%.

- Impact and adopting measures:

Considering long-term capital plan, the Bank had been mapped out seasoned equity offering, and will adjust dividend policy to pay more stock dividends that may improve common equity requirements. The Bank's Tier 1 Capital and Total Capital ratios are 7.86% and 11.22% on Sep. 30, 2011. It satisfies the treatment on Jan. 01, 2013. However, there is a minor gap between the treatments in 2013 and 2019. The Bank will modify dividend policy next year and continually monitor capital ratios every year to achieve requirements.

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

- Change in regulations:

Taking effect on May 26, 2010, when collecting the personal data directly or indirectly, the collector has to receive a written consent made by the person. Also, when using personal information, the user should take the responsibility to inform the person.

- Impact and adopting measures:

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

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

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

7-6-2-4. The impact of the FATCA implementation

- Change in regulations:

U.S. "Foreign Account Tax Compliance Act" (FATCA), signed into law on March 18, 2010, and will be came into effect on January 1, 2013, significantly amplified the scope of foreign financial account declare requirements of foreign Financial institutions and enterprises, any profits in the United States, must be compatible with honest disclose.

Account holders who are unwilling to provide the required information, the U.S. will be sanctions, direct to withhold 30 percent of the institution in the United States "withhold payment of the project" as a punishment.

- Impact and adopting measures:

The policy implications of the financial institutions to adjust its overseas investment positions, Our Bank may suffer form the erosion of the bank's overseas investment earnings.

7-6-2-5. The impact of the luxury tax implementation

- Change in regulations:

Luxury tax came into effect on Jun 1, 2011.

- Impact and adopting measures:

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

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

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

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



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

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

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

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

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

Currently, no merger or acquisition plan.

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

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

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

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

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

There have been no changes in operating control.

7-6-9. Lawsuits: None

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

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

7-7. Crisis Handling System:

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

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

7-7-3. In the event of significant and unforeseeable contingencies, the Bank will report the event to competent authority in addition to inform police department or related institution to take emergency remedy approaches.

7-7-4. In the event of natural disasters, the Bank will obey "The Operating Directions of the Averting Disasters for Financial Institutions" and "The Operating Directions of Closed Business as Disasters occurring for Financial Institutions" formulated by competent authority. For check cleaning and dishonored check information filing, the Bank will obey "The operating directions of check cleaning and dishonored check information filing for partly office terminate area" formulated by the Taiwan Cleaning House.



7-8. Other Significant Matters: None



8

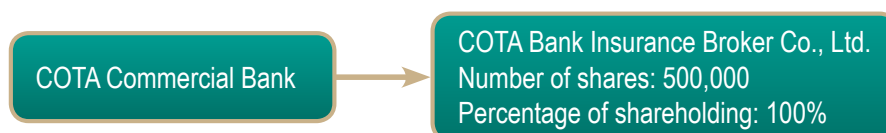
Special Notes



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 Life insurance broker

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

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

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

8-1-5. Business Operation of Affiliated Company

Unit: TWD thousand

Firm's Name	Capital	Asset	Liability	Net Income	Operating Income	Operating Margin	Net Income After Tax	EPS After Tax (dollar)
COTA Bank Insurance Broker Co., Ltd.	5,000	18,908	7,509	11,399	72,071	7,005	5,885	11.77

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

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

2002.01.01	Mr. Liao Chun-Tse, Mr. Wang Chun-chuan, Mr. Wu Wen-Hua, Mr. Chiang Po-ling and Mr. Lin Ping-Chih were elected as managing directors in the board of directors meeting. Mr. Liao Chun-Tse elected as the chairman.
2002.02.01	Set up Consumer Banking Center and NPL Management Center.
2002.03.11	Set up Taipei Branch.
2002.05.09	Held 2002 shareholders' regular meeting.
2002.06.27	Added Taoyuan Hsien to be business area as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 0913000230.
2002.10.02	Started Trusts business.
2003.02.17	Zhongzheng Branch moved to Taoyuan city and renamed Taoyuan Branch, Wenhsin Mini Branch moved to old Zhongzheng Branch address and renamed Zhongzheng Mini Branch as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 0920005698.
2003.04.21	Zhongzheng Mini Branch reopened for business.
2003.05.06	Held 2003 shareholders' regular meeting.
2003.07.25	Set up Taoyuan Branch.
2003.09.16	Added Taipei and Taipei hsien to be business area as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 0920033399.
2004.01.01	Started up chip ATM card services.
2004.05.07	Held 2004 shareholders' regular meeting.
2004.07.05	Renewed core computer systems.
2004.07.06	Added Taipei city as business area as approved by FSC under doc. no. (3)0930022905.
2004.07.27	Relocated Shalu branch to Banciao branch as approved by FSC under doc. no. (3)0930023291.
2004.11.11	Banciao branch opened
2004.11.24	FSC approved COTA Bank to set up International Banking Department.
2005.03.16	Established International Banking Department
2005.05.24	Held 2005 shareholders' regular meeting and elected 3rd term of directors and supervisors
2005.05.25	Mr. Liao Chun-Tse, Mr. Hang Mu-Chuan, Mr. Wang Chun-Chuan, Mr. Hsieh Tung-Po, and Mr. Li Yao-Ting were elected as the managing directors in the board of directors. Mr. Liao Chun-Tse was elected as the chairman
2005.09.09	Issued subordinated bank debenture for TWD2.5 billion as approved by FSC under doc. no. (3)0940024574
2005.09.17	Held 2005 shareholders' extraordinary meeting and approved to acquired Fengyuan Credit Cooperative
2005.11.04	Joint as member of SMEG (Small and Medium Enterprise Credit Guarantee Fund)
2005.11.17	Acquired Fengyuan Credit Cooperative as approved by FSC under doc. no. (3)0943001682.
2005.12.12	Relocated Credit Card Center to 339, Dazhi Road., Taichung City.
2006.01.01	The effective day of Fengyuan Credit Cooperative merged into COTA Bank. Added six branches: Fengxin branch, Zhongshan branch, Fenge branch, Fengdong branch, Shiqian branch and Sanmin branch.
2006.01.03	Launched Electronic Official Document System
2006.02.17	Six Branches in Fengyuan started up foreign exchange services in cash and traveler checks.
2006.04.01	Established North Area Office of Credit Management Dept.
2006.06.09	Held 2006 shareholder's regular meeting.
2006.06.14	FSC approved COTA Bank to set up wealth management banking business.

Chronological Highlights

2006.07.01	Established Wealth Management Center.
2006.07.06	FSC approved COTA Bank to set up OBU.
2006.09.22	Trusts Dept .moved to 2F. No.339, Dajhih Rd., East District, Taichung City 401, Taiwan
2007.01.17	Set up Kaohsiung Branch.
2007.06.06	Held 2007 shareholder's regular meeting.
2007.07.06	Set up Tainan Branch.
2008.05.26	Sanmin Branch moved to Xinzhuang City and renamed Xinzhuang Branch as approved by FSC under doc. no. Chin-Kuan-Yin-(3)-Tze 09700201230
2008.06.19	Held 2008 shareholder's regular meeting and elected 4 th term of Director and Supervisor.
2008.06.20	Mr. Liao Chun-Tse, Mr. Chang Ying-Che, Mr. Xie Dong-Po, Mr. Li Yao-Ting, and Mr. Wang Yen-Chun were elected as managing directors in board of directors meeting. Mr. Liao Chun-Tse was elected as the chairman.
2008.07.21	Set up subsidiary "COTA Bank Insurance Broker Co., Ltd."
2008.09.30	President Mr. Chang Ying-Che retired. Mr. Chang Chin-Ting was appointed as President
2008.10.01	President Chang Chin-Ting inaugurated.
2008.12.06	Sep up Xinzhuang Branch.
2009.05.27	Held 2009 shareholder's regular meeting.
2009.12.18	Set up "Remuneration and Assessment Committee" and formulated such committee regular activities of an organization in board of directors meeting.
2010.01.20	Fengxin Branch moved to Xinzhu City and renamed as Xinzhu Branch, meanwhile renamed Shiqian Branch as Fengxin Branch as approved by FSC under doc. no. Chin-Kuan-Yin-He-Tze 09900016600
2010.01.27	Started up Financial XML Collection service
2010.03.22	Launched Foreign-exchange business with transaction amount more than TWD500,000 in internet banking
2010.04.01	Shiqian Branch renamed as Fengxin Branch
2010.05.14	Been named the winner of special award under "The Program to Encourage Lending by Domestic Bank to SME" recognized by the FSC
2010.05.27	Held 2010 shareholder's regular meeting.
2010.06.14	Sep up Xinzhu Branch.
2010.08.11	Publically announced cash capital raising in 2010.
2010.10.04	COTA Bank was conferred an award of e-Bill Business and two awards of Financial XML Business for best system stability and business promote from The Bankers Association of the R.O.C.
2010.12.24	COTA Bank was conferred "Chin-An award" from Joint Credit Information Center.
2011.01.01	Beitun Mini Branch renamed Beitun Branch and reopened for business.
2011.01.12	Launched new self-developed specimen checking system
2011.02.21	Redemption notice of 2006 1 st subordinated bank debentures.
2011.02.24	Issued 2011 1 st subordinated bank debentures.
2011.06.09	Held 2011 shareholder's regular meeting.
2011.07.01	Local branches extended banking hours to 4:00 pm on Monday to Friday.
2011.08.30	Held 2011 shareholders' extraordinary meeting and elected fifth term of directors and supervisors.
2011.08.31	Mr. Hsiao Kuo-Chao, Mr. Liao Sung-Yue, Mr. Chang Ying-Che, Mr. Huang Mu-Chuan, Mr. Wang Yen-Chun were elected as managing directors in board of directors meeting. Mr. Hsiao Kuo-Chao was elected as the chairman.
2011.10.01	Beitun Branch started up credit business.

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



COTA Commercial Bank

2011