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ANNUAL REPORT 2013

COTA COMMERCIAL BANK



COTA Commercial Bank



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ANNUAL REPORT

2013





CONTENTS

001 1. To Our Shareholders

007 2. Corporate Profile

009 3. Corporate Governance

039 4. Capital Arrangement

047 5. Business Operation

061 6. Financial Status

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

169 8. Special Notes

172 *Chronological Highlights

176 *Head Office and Branches



1

To Our Shareholders

1-1. Year 2013 Business Report

1-1-1. Financial Environment

In retrospect of year 2013, the global economic slow in growth due to stumble progress in advanced countries' debt problem and improvement in employment rate. Though, the remarkable easing in European debt crisis improved the EU economy from recession into stagnation, the overall economic recovery still in weak pace. Like the economic policy launched by Shinzo Abe, Japanese prime minister, help Japanese economy rebound in narrow degree, China's high economic growth but with the same magnitude as last year only support global economic growth in limit effect. Since improvement in the Japanese and the EU's economy hardly reverse the decline in the U.S., the global growth rate remained in downward path with a level of 3.0% according to IMF. For domestic economy, due to most of the advanced and emerging economic performed not as expected which contributed little to Taiwan's export expansion. Moreover, weak in business investment, sluggish in wage growth and limit in consumption rebound, domestic economic show growth rate in GDP as 2.11% for year 2013 released by "Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC"

Looking forward into the new year, due to steady expansion of the U.S. economy, bottom-up rebound of the European economy, firm growth of the Japanese economy as well as apparent preliminary effects of China's economic restructure, the international economy has grown optimistic. However, the turning point of the U.S. loose monetary policy and its scale, the magnitude of China's ongoing economic restructure and optimal balance point set by Japanese government between fiscal policy reform and economic growth impose significant impact on the trend of global economic development. Consequently, IMF estimates year 2014 global economic growth rate will stand at 3.7%. For domestic, accompanied with steady recovery in the major advanced countries, the improvement in domestic consumer atmosphere and confidence help boost exports, investment momentum and private consumption. Nevertheless, facing of international trend in regional economic integration, domestic government should speed up the pace of liberalization reforms and accelerate industrial restructure in order to maintain the export competitiveness and steady recovery in economy. "Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC" estimates year 2014 growth rate in GDP to be 2.82%. Regarding domestic interest rate, as the consumer price index reflects moderate growth, both of monetary and fiscal policy would keep in loose to endure the future change. For foreign exchange rate, in response to the reducing scale of the U.S. QE policy, Asian currencies appear in devaluation trend. In view of high influenced by the U.S. QE reducing schedule and scale, TWD exchange rate shall remain dynamic stability.

1-1-2. Organization Development

1-1-2-1. In order to expand channel value and business territory, we adjust our branches location as follows.

- Moved Zhongzheng mini Branch to location of Fengdong Branch and renamed as Fengdong mini Branch.
- Moved Fengdong Branch to Fengshan district of Kaohsiung City and renamed as Fengshan Branch.
- Combined Fongle Branch's business into Zhongshan Branch and moved Fongle Branch to Daya district and renamed as Daya Branch (in preparatory)

1-1-2-2. Increased cash capital by TWD600 million to strengthen capital structure and operating efficiency.

1-1-3. Business Plans and Strategies Performance

1-1-3-1. Main Achievements

- Set up Fengshan Branch to extend city-mode branch channel in southern Taiwan.

- Launched RMB business to provide additional foreign currency option for customer's foreign asset allocation.
- Increased cash capital by TWD600 million to strengthen capital structure and operating efficiency.
- Due to decent risk-management, cautious credit policy and improvement in asset quality, as of the end of Dec. 2013, our overdue loan ratio decreased to 0.36% along with non-performing loan coverage ratio increased to 571.37%. Both indexes are superior to the average ratios of domestic banks, 0.38% and 319.18% respectively, in the same compared period.
- Received "Best Awards of Creation" recognized by Financial Information Service Co., Ltd. for domestic USD clearing platform.
- Develop new version of internet banking system to strengthen functions and security for users.

1-1-3-2. Budget Execution

As of Dec. 31, 2013, our deposits balance with sum of TWD121.9 billion (excluding deposits from banks) increased by TWD4.4 billion compared with previous year; our loans balance with sum of TWD98.5 billion increased by TWD8.7 billion compared with previous year. We would urge ourselves to strengthen e-banking services, promote wealth management, develop new financial products, and provide flexible one-stop services and diverse products in effects to achieve better structure of quality and quantity between deposits and loans and higher multi-source income.

Main business budget executions reported as follows:

- Final account of average deposits balance amounted to TWD118.1 billion, achieved 102.7% budgeting goal of TWD115 billion.
- Final account of average loans balance amounted to TWD93.2 billion, achieved 103.6% budgeting goal of TWD90 billion.
- Final account of trust assets balance amounted TWD4.74 billion, achieved 94.8% budgeting goal of TWD5 billion.

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

Our year 2013 individual earnings before income-tax figured as TWD569,505 thousand turned into EPS before income-tax as TWD1.27; consolidated earnings before income-tax figured as TWD572,360 thousand turned into EPS before income-tax as TWD1.27. While earning after income-tax figured as TWD495,752 thousand, turned into EPS after income-tax as TWD1.10. Our BIS ratio maintained at a level of 10.41% and net worth of per share stood at TWD12.87. Further, we raised our non-performing loan coverage ratio to 571.37% as of Dec. 31, 2013 from 500.72% as of Dec. 31, 2012. Overdue loan ratio decreased to 0.36% as of Dec. 31, 2013 from 0.37% as of Dec. 31, 2012. Nevertheless, we would constant improve business effectiveness and risk control to heighten operation capability and competitive edge.

1-1-3-4. Research and Development

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



1-2. Year 2014 Business Plans Outline

We have long held the spirit of “value our customer with sincere service” to meet customer’s need by strengthening financial structure and constructing feasible capital allocation. Main business plans are described as follows.

1-2-1. Business Operating Policy

- Review regional development outlook to adjust and redeploy branch channels to increase effectiveness and efficiency of branch channels.
- Expand current deposit business and raise current deposit ratio to effectively lower working capital cost and further widen spread.
- Propel SME loans by procuring health local SME and control quality by utilizing SME Credit Guarantee Fund to mitigate credit risk.
- Improve functions of e-banking and provide better internet banking platform. Promote using rate to increase operating efficiency.
- Streamline operating process to lower operating risk, raise service efficiency and customer satisfaction.
- Strengthen proficiency and managerial skill training, structure wealth management service team group and provide all-array financial service to obtain stable profitability.
- Increase risk management mechanism and asset quality and enhance monitoring and management of all-sort risks to support BIS ratio.

1-2-2 Business Target

1-2-2-1 Main Operating Volume

- Deposits: set average deposits budgeting balance as TWD120 billion, increased by TWD1.9 billion at a year-on-year growth rate of 1.65%.
- Loans: set average loans budgeting balance as TWD98.25 billion, increased by TWD5 billion at a year-on-year growth rate of 5.38%.
- Wealth management (trust asset): set trust asset budgeting balance as TWD5 billion, increased by TWD0.26 billion at a year-on-year growth rate of 5.58%.

Unit: TWD thousand: %

Main Business	Budgeting of Year 2014	Budgeting of Year 2013	Increase volume	
			Amount	%
Average deposits	120,000,000	118,050,274	1,949,726	1.65
Average loans	98,250,000	93,230,594	5,019,406	5.38
Wealth management (Trust asset)	5,000,000	4,736,524	264,476	5.58

1-2-2-2. Schemed Targets

- Extend business service territory, advance branch channel utility and increase growth and profitability by deploying optimal business location
- Increase current deposit ratio to widen spread and income by adjusting deposit structure.
- Cultivate SME business relationship, provide comprehensive financial program, procure corporate cash management and extend corporate business.
- Streamline convenient and useful electronic financial services to lower labor-intensive operation and increase business relationship.
- Increase operating efficiency and lower operating cost to provide satisfactory service by reforming operating process.

- Collaborate cross-business financial products by introducing customer-driven and diversified wealth management products to satisfy customer's need.
- Enhance risk control and asset-liability management to improve capital operating efficiency and BIS ratio.

1-3. Long-term Development Strategy

- Strengthen capital quality, maintain sound financial structure, stabilize earning growing and increase return for shareholders under reliable business policy.
- Cultivate SME entrepreneur, expand corporate banking, and adjust capital allocation, diverse business risk to raise earning performance.
- Continually redeploy service locations to enlarge value of branch channels. Recruit regional aptitude employee, cultivate regional relationship to concrete regional business and market share.
- Fine-tune deposit structure, enlarge interest spread and fee income to increase profitability.
- Maintain low overdue loans ratio with health asset quality and higher NPL coverage ratio than average to sustain risk management.
- Enhance performance management, train competence manager and proficient employee and improve marketing ability for sales force.
- Stringently control business risks, lower loss ratio and uphold profitability.
- Integrate cross-field business cooperation, extend business territory and earning source.
- Enhance wealth management service team group, train proficient wealth management staff and provide professional consulting service.
- Raise application and safety of computer system and build up a saver transaction environment.
- Built up harmony corporate culture, fulfill social responsibility and make up a notable regional bank image.



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

With the increasingly easing and openness of cross-strait trade, financial market and related regulations, changes in banking market structure is expected to occur and will make banking environment even more stringent. As high similar financial products, competitions between banks become more severe and then restrain the profitability and potential risk absorption. The ability against the change of banking environment will be the key element for bank's endurance.

The new version of capital accord BASEL III took effect on Jan.01, 2013 and requested banks to raise common share capital ratio and tier 1 capital ratio by the following years phase by phase. As of the end of Dec. 2013, our BIS ratio calculated at common share capital and tier 1 capital complied to yearly standard, but still need endeavor to pursue the following year's requirement. Accordingly, we have raise cash capital for TWD600 million in 2013 to intensify internal capital on which we relay to increase risk-taking capacity and competitiveness, and sustain full operating performance as well. Besides, Personal Information Protection Act has hit the road for more than one year since its effective date of Oct. 01. 2012. As High volume of personal information process and storage double our operating risk, we not only set up related managerial rules for internal control but also scheme to implant e-mail examining system which embed personal information identified technique of active detecting and blocking in effects to meet essential personal information protection requirements.

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

1-5. Corporate Rating

Category	Rating Agent	Rating		Outlook	Released Date
		Long-term	Short-term		
Local	Taiwan Rating Corporate	twBBB+	twA-2	Stable	Jan.13, 2014

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

Chairman *Kuo-Chao Hsiao*



2

Corporate Profile

2-1. 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	1,123
Paid-in Capital	TWD4,919,543,080
Capital Shares	Common Stock in 491,954,308 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.



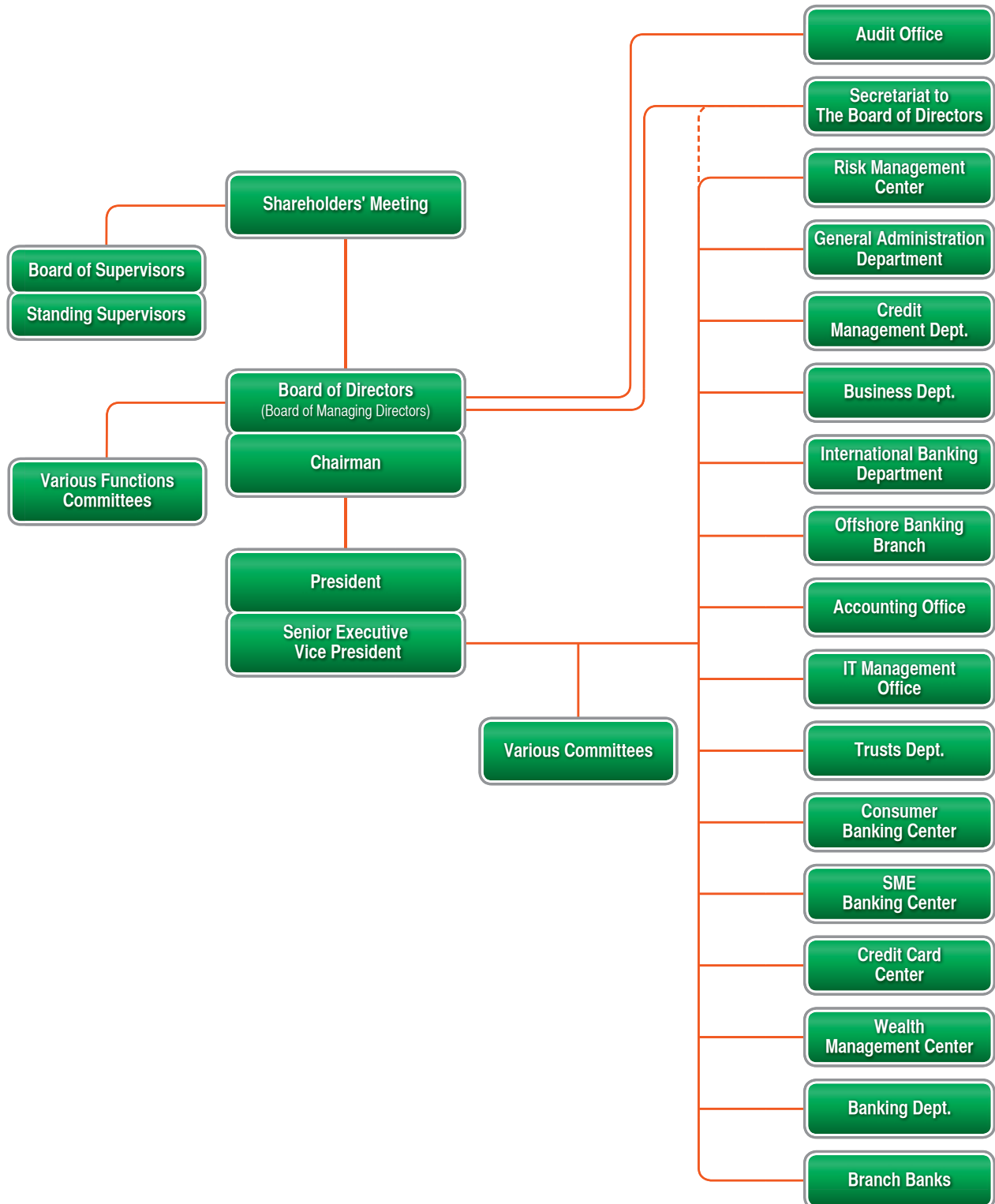
3

Corporate Governance



3-1. Organization

3-1-1. Organization Chart



3-1-2. Major Business of Each Division

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

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

3-1-2-2. General Administration Department

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

3-1-2-3. Credit Management Department

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

3-1-2-4. Business Department

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

3-1-2-5. International Banking Department

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

3-1-2-6. Offshore Banking Branch

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

3-1-2-7. Audit Office

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

3-1-2-8. Accounting Office

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

3-1-2-9. IT Management Office

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

3-1-2-10. Banking Department

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

3-1-2-11. Trusts Department

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

3-1-2-12. Risk Management Center

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

3-1-2-13. Consumer Banking Center

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

3-1-2-14. SME Banking Center

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

3-1-2-15. Credit Card Center

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

3-1-2-16. Wealth Management Center

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

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

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

3-2-1. List of Directors and Supervisors

As of Dec. 31, 2013, 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	13,654,008	2.7755	2,531,995	0.5147	-	-	University of South California, USA, Director of Taiwan Foundation Global Technology Co. Ltd. Chairman of Hong Cheng Construction Co., Ltd.	-
Managing Director	Ying-Che Chang	Aug.31, 2011	3	Jan. 01, 2002	1,721,441	0.4118	2,001,078	0.4068	25,310	0.0051	-	-	Department of International Trade, Feng Chia University, President of COTA Bank	Director of COTA Culture and Education Foundation
Managing Director	Mu-Chuan Huang	Aug.31, 2011	3	Jan. 01, 2002	1,918,629	0.4590	2,310,008	0.4696	518	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	34,957,102	7.1058	501,011	0.1018	-	-	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 Opus High Technology Corporation
Managing (Independent) Director	Yen-Chun Wang	Aug.31, 2011	3	Jun. 20, 2008	1,800,000	0.4306	2,092,399	0.4253	-	-	-	-	National Taiwan University Graduate Institute of Electrical Engineering Director of Tai Chiun Technology Co., Ltd. Director of China hsiu Tzu Co., Ltd. Chairman of Wei Hsin Co., Ltd.	Chairman of United Integrated Services Co., Ltd. Chairman of Han Tai Investment Co., Ltd. Director of Unimens Manufacturing Co., Ltd. Director of Jong ching Investment Co., Ltd. Director of Ablerex Electronics Co., Ltd.
Director	Chun-Tse Liao	Aug.31, 2011	3	Aug. 30, 2011	5,500,000	1.3156	6,292,760	1.2791	14,906	0.0030	-	-	The Society for Professional Management, UK Diploma in Professional Management (Business Management Dr. in P.I.U.) Chairman of the board of Liability Taichung Third Credit Cooperative, Chairman of COTA Bank. Director of TACB Supervisor of FDU Personal Insurance Agent Co., Ltd.	Chairman of COTA Bank Insurance Broker Co., Ltd. Director of COTA Culture and Education Foundation
Director	Chan-Wen Lin	Aug.31, 2011	3	Jan. 01, 1999	1,755,516	0.4199	2,033,925	0.4134	-	-	-	-	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	3,944,686	0.8018	256,452	0.0521	-	-	Post graduate of University of California in U.S.A., The Hong Kong College of Medicine, Representative of Liang Yow Biotechnology Inc., Chairman of Magnistar International corp., Director of Feng Tzer Electronics Co., Ltd.	Chairman of Cheng ShingTai Biotechnology Co., Ltd. Chairman of Cheng Shing Tai Biopharmaceutical Co., Ltd. Chairman of Sicame Commercial Affairs Hotel Inc. Directors of Tung Kai An Leisure Development Inc. Director of Yen Sheng Broadcasting Station Director of Tien Sheng Broadcasting Station
Director	Pi-Jung Hsieh	Aug.31, 2011	3	Jan. 01, 1999	1,880,429	0.4498	1,942,993	0.3950	1,400,143	0.2846	-	-	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 Zenghsin Construction Co., Ltd. Supervisor of Bai Kou Biopharmaceutical Co., Ltd. Director of COTA Culture and Education 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	2,775,483	0.5642	89,458	0.0182	-	-	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., Representative of Jazzy Industrial Co., Ltd., Director of Yuan .Sheng Plastic Inc., Managing Director of Taiwan Flour Mills Associate Director-General of Taiwan Barley Products Industry Association, Director of China Grain Products Research and Development Institute, Supervisor of Taiwan Grains and Feeds Development Foundation Director of Hsiuping University of Science and Technology
Director	Ying-Chieh Lai	Aug.31, 2011	3	Jan. 01, 1999	1,178,711	0.2820	1,009,969	0.2053	341,894	0.0695	-	-	Murakami Youth School, Certificate of Administration management in Japan, President of Yu Li De Consultant Co., Ltd.	Chairman of COTA Culture and Education Foundation
Director	Chun-Chuan Wang	Aug.31, 2011	3	Jan. 01, 1999	1,171,911	0.2803	1,210,902	0.2461	66,859	0.0136	-	-	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	2,374,866	0.4827	-	-	-	-	Nan Ying Vocational High School of Business & Technology Supervisor of Yeh-Chiang Technology Corp.	Chairman of Nan Hai Display Co., Ltd. Supervisor of Sino-American Silicon Products Inc.
Independent Director	Kung-Cheng Lin	Aug.31, 2011	3	Jun. 20, 2008	-	-	-	-	31,385	0.0064	-	-	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	2,290,967	0.4657	680,002	0.1382	-	-	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
Standing Supervisor	Lien-Kui Wang	Aug.31, 2011	3	Jan. 01, 2002	1,447,704	0.3463	1,495,871	0.3041	66,264	0.0135	-	-	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	2,392,954	0.4864	4,220	0.0009	-	-	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	1,760,982	0.3580	1,486	0.0003	-	-	Nanya Institute of Technology, Director of Sheng Ho Securities(IBTS) Company	
Supervisor	Zhuang-Tai Wang	Aug.31, 2011	3	May 25, 2005	2,500,664	0.5982	4,226,881	0.8592	-	-	-	-	Shu-Te Institute of Technology, Supervisor of Forever Coampion Shoes Co., Ltd. Supervisor of Hui Hsin Enterprise Co., Ltd. Director of Tai Ho Cement Industry Corp.	Chairman of Wang Jiang Property Co. Ltd Director of Kun Ting Real Estate Agencies Co., Ltd. Chairman of Zhuang-Tai Wang Land Administration office

NOTE 1: There is no legal entity as Corporate Director.

NOTE 2: Supervisor Dhe-Chin Lai retired as pass away on May 27, 2013.

As of Dec. 31, 2013

Title	Name	Qualifications	Directors or Supervisors shall meet one of the following professional requirements, together with at least five years work experience.			Independent status (Note)										Number of serve as an independent director of public companies.
			An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, or university.	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional capacity that is necessary for company business.	Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business.	1	2	3	4	5	6	7	8	9	10	
Chairman	Kuo-Chao Hsiao		-	-	V	V	-	-	V	V	V	V	V	V	V	-
Managing Director	Ying-Che Chang		-	-	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	-
Managing Director (Independent)	Yen-Chun Wang		-	-	V	V	V	V	V	V	V	V	V	V	V	-
Director	Chun-Tse Liao		-	-	V	V	-	-	V	V	V	V	V	V	V	-
Director	Chan-Wen Lin		-	-	V	V	-	V	V	V	V	V	V	V	V	-
Director	Dong-Po Xie		-	-	V	V	-	-	V	V	V	V	V	V	V	-
Director	Pi-Jung Hsieh		-	-	V	V	-	V	V	V	V	V	V	V	V	-
Director	Xian-De Lai		-	-	V	V	-	-	V	-	V	V	V	-	V	-
Director	Ying-Chieh Lai		-	-	V	V	-	V	V	V	V	V	V	V	V	-
Director	Chun-Chuan Wang		-	-	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	-
Independent Director	Po-Yao Chi		-	-	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	-
Supervisor	Yao-Ting Li		-	-	V	V	-	V	V	V	V	V	V	V	V	-
Supervisor	Yong-Zhi Wang		-	-	V	V	-	V	V	V	V	V	V	V	V	-
Supervisor	Zhuang-Tai Wang		-	-	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, 2013, Shares Held (%)

Title	Name	Date of Inauguration	Shares Owned		Shares Owned by Spouses and Minors		Shares Held under Surrogate A/C		Education & Key Past Positions	Other Positions Held Current
			No. of Shares	%	No. of Shares	%	No. of Shares	%		
President	Chin-Ting Chang	Oct. 01, 2008	2,188,550	0.44	354,157	0.07	-	-	NCHU's Continuing Education School, EMBA, Senior Executive Vice President of COTA Bank	Director of COTA Bank Insurance Broker Co., Ltd.
Senior Executive Vice President	Jung-Hsien Chiu	Jan. 01, 2004	808,878	0.16	-	-	-	-	Department of Industrial and Information Management, National Cheng Kung University, Master Executive Vice President of COTA Bank	Supervisor of COTA Bank Insurance Broker Co., Ltd.
Senior Executive Vice President	Chih-Sheng Hsiao	Oct. 01, 2008	603,345	0.12	189,976	0.04	-	-	Department of Public Finance and Taxation Feng Chia University, Executive Vice President of COTA Bank, Credit Management Department	Director of COTA Bank Insurance Broker Co., Ltd.
Senior Executive Vice President	Ho-Shun Chang	Oct. 08, 2010	209,097	0.04	16,204	0.00	-	-	Feng-Yuan Commercial & Vocational High School, Department General Manager of COTA Bank, Banking Department	-
Chief Auditor	Shih-Chien Chin	Oct. 15, 2009	479,646	0.10	18,988	0.00	-	-	Department of Applied Math., University of North Texas, USA, Master Executive Vice President of COTA Bank, Business Department	-
Executive Vice President (Department General Manager)	Yun-Ching Wang	Jan. 01, 2004	339,042	0.07	188,241	0.04	-	-	National Chung Hsing University, Master in Finance, Chief officer of COTA Bank, IT Management Office	-
Executive Vice President (Department General Manager)	Hsin-De Chang	Jan. 01, 2012	386,746	0.08	79,584	0.02	-	-	Department of Accounting, Chien Kuo College of Commerce, Branch General Manager of COTA Bank, Taichung Branch	-
Executive Vice President (Branch General Manager)	Tai-An Chen	Oct. 01, 2008	522,697	0.11	82,664	0.02	-	-	Ming Te Home Economics and Commercial Senior High School, Branch General Manager of COTA Bank, Situn Branch	-
Executive Vice President (Branch General Manager)	Shih-Jung Chen	Apr. 10, 2013	426,279	0.09	-	-	-	-	Department of Oceanography, Chinese Culture University, Branch General Manager of COTA Bank, Feng Yuan Branch	-
Department General Manager	Wei-Bin Lin	Mar. 16, 2005	90,945	0.02	-	-	-	-	Graduate School of Management, University of California at Riverside, Master Assistant Vice President of Bank Sinopac	-
Department General Manager	Kuang-Hsiung Huang	Mar. 03, 2006	227,782	0.05	260,838	0.05	-	-	Department of Economics, Feng Chia University, Deputy General Manager of COTA Bank, General Administration Department	-
Chief Secretary	Chien-Cheng Hsu	Mar. 03, 2006	350,774	0.07	80,147	0.02	-	-	Department of Business Administration, Tunghai University, Deputy General Manager of COTA Bank, General Administration Department	-
Department General Manager	Hung-Tsang Chiang	Oct. 15, 2013	121,502	0.02	100,517	0.02	-	-	Department of Public and Management, Supplementary Junior College of the National Open University, Project Manager of COTA Bank, Consumer Banking Center	-

Title	Name	Date of Inauguration	Shares Owned		Shares Owned by Spouses and Minors		Shares Held under Surrogate A/C		Education & Key Past Positions	Other Positions Held Current
			No. of Shares	%	No. of Shares	%	No. of Shares	%		
Department General Manager	Chun-Sheng Lin	Apr. 01, 2010	95,161	0.02	10,497	0.00	-	-	Department of Chemical Engineering, Chung Yuan Christian University, Deputy General Manager of COTA Bank, Risk Management Center	
Department General Manager	Chang-Chieh Lin	Oct. 15, 2013	123,359	0.03	-	-	-	-	Department of Economics, Tunghai University, Department General Manager of COTA Bank, Wealth Management Center	
Department General Manager	Mei-Ling Shih	Oct. 08, 2010	151,547	0.03	293	0.00	-	-	Supplementary Junior College, Deputy General Manager of COTA Bank, Jinhua Branch	
Department General Manager	Kuo-Chiu Chang	Oct. 15, 2013	75,860	0.02	-	-	-	-	Business Administration, Chaoyang University of Technology, Master Deputy General Manager of COTA Bank, Wealth Management Center	-
Department General Manager	Ming-Heng Chan	Sep. 01, 2013	101,901	0.02	12,778	0.00	-	-	Department of Accounting, Feng Chia University, Deputy General Manager of COTA Bank, Business Department	
Branch General Manager	Huan-Mou Cheng	Jan. 01, 2012	200,431	0.04	38,351	0.01	-	-	National Open College of Continuing Education Affiliated to NTIT, General Department Manager of COTA Bank, SME Banking Center	
Branch General Manager	Ling-Chen Ting	Oct. 08, 2010	406,168	0.08	-	-	-	-	Department of Banking and Insurance, National Taichung Institute of Technology, Department General Manager of COTA Bank, Trusts Department	
Branch General Manager	Jui-Sen Liao	Apr. 01, 2010	118,218	0.02	6,321	0.00	-	-	Department of Public Finance and Taxation, Aletheia University, Department General Manager of COTA Bank, SME Banking Center	-
Branch General Manager	Chung-Lung Tsai	Apr. 01, 2007	285,928	0.06	575,623	0.12	-	-	Department of Industrial Engineering and Management National Chin-Yi University of Technology, Master. Branch General Manager of COTA Bank, Zhongshan Branch	-
Branch General Manager	Cheng-Hsien Hsieh	Jan. 01, 2010	280,722	0.06	100,378	0.02	-	-	Department of Business, The National Open University, Deputy General Manager of COTA Bank, Credit Management Department	
Branch General Manager	Min-Chang Lin	Oct. 15, 2009	253,902	0.05	37,271	0.01	-	-	Department of General Business, Shin Min Commercial & Industrial Vocational Senior High School, Branch General Manager of COTA Bank, Dajhih Branch	-
Branch General Manager	Chih-Peng Yang	Jul. 16, 2010	14,767,669	3.00	4,538,339	0.92	-	-	Department of Business Administration, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology, Branch General Manager of COTA Bank, Changhua Branch	-
Department General Manager	Chih-Hung Huang	Jan. 01, 2012	228,437	0.05	118,093	0.02	-	-	Department of Applied Commerce, National Taichung Institute of Technology, Branch General Manager of COTA Bank, Linsen Branch	-
Branch General Manager	Shih-Tsung Chou	Jul. 01, 2006	270,349	0.05	72,036	0.01	-	-	Department of Business Administration, The Overseas Chinese College, Branch General Manager of COTA Bank, Changhua Branch	-

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	Kuo-Ho Chang	Sep. 15, 2008	88,775	0.02	-	-	-	-	Department of General Business, Shin Min Commercial and Industrial Vocational Senior High School, Deputy General Manager of COTA Bank, Dazhi Branch	-
Branch General Manager	Hung-Chi Tung	Jan. 01, 2012	178,631	0.04	154,701	0.03	-	-	Department of International Trade, Supplementary Junior College, Branch General Manager of COTA Bank, Fengxin Branch	
Branch General Manager	His-Tung Chang	Jul. 16, 2010	491,420	0.10	-	-	-	-	Department of Electrical Engineering, Kuang-Hwa Vocational High School of Technology, Project Manager of COTA Bank, Credit Management Department	
Branch General Manager	Sung-Yen Sung	Aug. 04, 2011	19,683	0.00	-	-	-	-	Department of International Trade, National Changhua Senior School of Commerce, Branch General Manager of COTA Bank, Yuanlin Branch	-
Branch General Manager	His-Hsien Wang	Nov. 21, 2005	82,858	0.02	-	-	-	-	Soochow University School of Law, Manager of CTCB, Branch General Manager of COTA Bank, Banciao Branch	
Branch General Manager	Chung-Yi Hsu	Jul. 01, 2012	136,761	0.03	73,465	0.01	-	-	Department of Applied Business, National Taichung Institute of Technology. Project Manager of COTA Bank, Credit Management Department	
Branch General Manager	Chi-Shen Huang	Mar. 03, 2006	300,240	0.06	44,727	0.01			Department of Banking and Insurance, National Taichung Institute of Technology, Deputy General Manager of COTA Bank, Banciao Branch	
Branch General Manager	Chang-Cheng Chen	Jan. 01, 2012	137,084	0.03	741	0.00			Department of General Business of Extension Business Vocational School, National Taichung Institute of Technology. Branch General Manager of COTA Bank. Fengxin Branch	
Branch General Manager	Hsien-Hsun Chiang	Jun. 24, 2013	138,215	0.03	14,415	0.00			Department of Cooperative Economics, Tamkang University, Deputy General Manager of COTA Bank, General Administration Department	
Branch General Manager	Shu-Chen Shih	Jan. 01, 2012	340,595	0.07	-	-			Department of Social Science, The National Open University. Deputy General Manager of COTA Bank, Guoguang Branch	
Branch General Manager	Shih-Tsung Liu	Apr. 01, 2010	262,601	0.05	207,470	0.04	-	-	Department of Business, The National Open University, Branch General Manager of COTA Bank, Fengdong Branch	
Branch General Manager	Wen-Jeng Chen	Jul. 01, 2006	163,792	0.03	29,105	0.01	-	-	Department of Business Administration, Chaoyang University of Technology, Deputy General Manager of COTA Bank, Nanmen Branch	
Branch General Manager	Chih-Yin Lin	Jan. 01, 2013	40,477	0.01	-	-	-	-	Department of Finance, National Yunlin University of Science and Technology, Master Deputy General Manager of COTA Bank, Nantun Branch	
Branch General Manager	Ching-Sung Chen	Oct. 15, 2007	154,589	0.03	94,327	0.02	-	-	Department of Accounting Statistics National Changhua Senior School of Commerce, Project Manager of COTA Bank, Credit Management Department	
Branch General Manager	Mao-Sheng Huang	Apr. 01, 2010	163,522	0.03	38,022	0.01	-	-	Department of Finance Stock Practice, Chung Hua University, Branch General Manager of COTA Bank, Chungcheng Mini Branch	
Branch General Manager	Ping-Hung Chuang	Oct. 10, 2012	-	-	-	-	-	-	The National Kaohsiung First University of Science and Technology, Graduate Institute of Business Management. Senior Manager of Jih Sun International Bank	

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

(1) Directors' Remuneration

Unit: TWD thousand

Title	Name	Compensation								Sum of A,B,C and D /after-tax profit (%)		Compensations received by part-time employees										Sum of A,B,C,D,E,F AND G / after-tax profit (%)		Whether or not any compensation is received from other reinvested businesses than subsidiaries	
		Rewards (A)		Pension and Superannuation (B)		Earning Distribution (C)		Professional Practice (D)				Salary, Bonus and Special Disbursement (E)		Pension and Superannuation (F)		Employee bonus Distribution (G)				Employee Share Subscription Warrants (H)					
		Bank	Con-Solidation	Bank	Con-Solidation	Bank	Con-Solidation	Bank	Con-Solidation	Bank	Con-Solidation	Bank	Con-Solidation	Bank	Con-Solidation	COTA		Consolidation		COTA	Con-Solidation	COTA	Con-Solidation		
																Cash Dividend	Stock Dividends	Cash Dividend	Stock Dividends						
Chairman	Kuo-Chao Hsiao																								
Managing Director	Ying-Che Chang																								
Managing Director	Mu-Chuan Huang																								
Managing Director	Song-Yue Liao																								
Managing (Independent) Director	Yen-Chun Wang																								
Director	Chun-Tse Liao																								
Director	Chan-Wen Lin																								
Director	Dong-Po Xie	11,040	11,184	-	-	5,977	5,977	1,332	1,338	3.70%	3.73%	-	-	-	-	-	-	-	-	-	-	3.70%	3.73%		NIL
Director	Pi-Jung Hsieh																								
Director	Xian-De Lai																								
Director	Ying-Chieh Lai																								
Director	Chun-Chuan Wang																								
Director	Guo-Zhou Chen																								
Independent Director	Kung-Cheng Lin																								
Independent Director	Po-Yao Chi																								

Note: Net income amount to TWD495,752 thousand.

Note: The total earnings of directors and supervisors' remuneration for the TWD7,571 thousand, the average allocation of 19 seats (Less Supervisor Dhe-Chin Lai pass away and retire), taken calculated.

Classification of Remuneration

Unit: TWD

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

(2) Supervisors' Remuneration

Unit: TWD thousand

Title	Name	Supervisors' Remuneration								Sum of A, B, C and D /after-tax profit (%)		Whether or not any compensation is received from other reinvested businesses than subsidiaries
		Rewards (A)		Pension and Superannuation (B)		Earning Distribution (C)		Professional Practice (D)				
		Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	Bank	Consolidation	
Managing Supervisor	Lien-Kui Wang	2,770	2,770	-	-	1,594	1,594	414	414	0.96%	0.96%	NIL
Supervisor	Yao-Ting Li											
Supervisor	Yong-Zhi Wang											
Supervisor	Dhe-Chin Lai(Note)											
Supervisor	Zhuang-Tai Wang											

Note: Supervisor Dhe-Chin Lai pass away and retire on May 27, 2013



Classification of Remuneration

Unit: TWD

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

President and Senior Executive Vice Presidents' Remuneration

As of Dec. 31, 2013, 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	7,126	7,142	0	0	6,720	6,720	365	0	365	0	2.8666%	2.8698%	-	-	NIL
Chief Auditor	Shih-Chien Chin															
Senior Executive Vice President	Jung-Hsien Chiu															
Senior Executive Vice President	Chih-Sheng Hsiao															
Senior Executive Vice President	Ho-Shun Chang															

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

Classification of Remuneration

Unit: TWD

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

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

As of Dec. 31, 2013; Unit: TWD thousand

	Title	Name	Stock dividends	Cash Dividends	Total Amount	Total Amount/ Net Income (%)
Manager	President	Chin-Ting Chang	-	2,260	2,260	0.4559%
	Chief Auditor	Shih-Chien Chin				
	Senior Executive Vice President	Jung-Hsien Chiu				
	Senior Executive Vice President	Chih-Sheng Hsiao				
	Senior Executive Vice President	Ho-Shun Chang				
	Executive Vice President	Yun-Ching Wang				
	Executive Vice President	Hsin-De Chang				
	Executive Vice President	Tai-An Chen				
	Executive Vice President	Shih-Jung Chen				
	Chief Secretary	Chien-Cheng Hsu				
	Department General Manager	Kuang-Hsiung Huang				
	Department General Manager	Wei-Bin Lin				
	Department General Manager	Hung-Tsang Chiang				
	Department General Manager	Chun-Sheng Lin				
	Department General Manager	Chang-Chieh Lin				
	Department General Manager	Mei-Ling Shih				
	Department General Manage	Kuo-Chiu Chang				
	Department General Manage	Ming-Heng Chan				
	Branch General Manager	Huan-Mou Cheng				
	Branch General Manager	Ling-Chen Ting				
	Branch General Manager	Jui-Sen Liao				
	Branch General Manager	Chung-Lung Tsai				
	Branch General Manager	Cheng-Hsien Hsieh				
	Branch General Manager	Min-Chang Lin				
	Branch General Manager	Chih-Peng Yang				
	Branch General Manager	Chi-Hung Huang				
	Branch General Manager	Shih-Tsung Chou				
	Branch General Manager	Kuo-Ho Chang				
	Branch General Manager	Hung-Chi Tung				
	Branch General Manager	His-Tung Chang				
	Branch General Manager	Sung-Yen Sung				
	Branch General Manager	His-Hsien Wang				
	Branch General Manager	Chung-Yi Hsu				
	Branch General Manager	Chi-Shen Huang				
	Branch General Manager	Chang-Cheng Chen				
	Branch General Manager	Shu-Chen Shih				
	Branch General Manager	Shih-Tsung Liu				
	Branch General Manager	Wen-Jeng Chen				
	Branch General Manager	Chih-Yin Lin				
	Branch General Manager	Ching-Sung Chen				
	Branch General Manager	Mao-Sheng Huang				
	Branch General Manager	Ping-Hung Chuang				
	Branch General Manager	Hsien-Hsun Chiang				

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

3-2-4. Ratio of Total Remuneration Paid to Directors, Supervisors, President and Senior Executive Vice President over Past 2 Years to Net Income, and Explain the Payment Policy, Standard and Assembly, Set up the Relationship between the Payment Procedure and Management Performance.

Item	Total Amount / Net Income After Tax		
	Year 2013	Year 2012	%
Director	3.73%	7.55%	-3.82%
Supervisor	0.96%	2.19%	-1.23%
Total	4.69%	9.74%	-5.05%

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 2013	Year 2012	%
President and Senior Executive Vice President	2.8666%	5.9506%	-3.084%.

Remarks:

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



3-3. Operation of Corporate Governance

3-3-1. Operation status of board of directors: convened 7 meetings in the year 2013(A), and the records of attendance by directors and supervisors are shown as follows:

Title	Name	Attendance in Person(B)	Attendance by Proxy	Actual Attendance Rate (%)	Remark
Chairman	Kuo-Chao Hsiao	7	0	100	
Managing Director	Ying-Che Chang	7	0	100	
Managing Director	Song-Yue Liao	6	1	85.71	
Managing Director	Mu-Chuan Huang	7	0	100	
Managing (Independent) Director	Yen-Chun Wang	5	0	71.43	
Director	Chun-Tse Liao	7	0	100	
Director	Dong-Po Xie	7	0	100	
Director	Chan-Wen Lin	7	0	100	
Director	Chun-Chuan Wang	6	1	85.71	
Director	Ying-Chieh Lai	4	0	57.14	
Director	Pi-Jung Hsieh	7	0	100	
Director	Xian-De Lai	7	0	100	
Director	Guo-Zhou Chen	7	0	100	
Independent Director	Kung-Cheng Lin	5	2	71.43	
Independent Director	Po-Yao Chi	6	0	85.71	
Standing Supervisor	Lien-Kui Wang	7	0	100	
Supervisor	Yao-Ting Lee	7	0	100	
Supervisor	Dhe-Chin Lai	0	0	0	NOTE 1
Supervisor	Yong-Zhi Wang	7	0	100	
Supervisor	Zhuang-Tai Wang	7	0	100	

Remarks:

- Matters specified in Article 14-3 of the Securities Exchange Act, or board resolutions where independent directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing: none.
- Avoidance of Conflict of interest by directors:
 - ◆ The 8th Meeting of the 5th Board of Directors held on June 28, 2013:
 Name of director: Ying-Chieh Lai, Chun-Tse Liao, Pi-Jung Hsieh, Ying-Che Chang
 Issues: Donation to COTA Culture and Education Foundation for financial support.
 Reasons for avoidance: The Director of COTA Culture and Education Foundation.
 Results for attendance: Director Pi-Jung Hsieh had requested a leave of absence, and the other directors (Chun-Tse Liao, and Ying-Che Chang) who requested a leave of absence due to conflict of interest pertaining to the matters discussed.
 - ◆ The 8th Meeting of the 5th Board of Directors held on June 28, 2013:
 Name of director: Chun-Tse Liao who requested a leave of absence due to conflict of interest pertaining to the matters discussed.
 Issues: Re-signed rent contract with the reinvestment company of COTA Bank Insurance Broker Co., Ltd.
 Reasons for avoidance: The Chairman of COTA Bank Insurance Broker Co., Ltd.
 Results for attendance: Director Chun-Tse Liao
 - ◆ The 9th Meeting of the 5th Board of Directors held on September 27, 2013:
 Name of director: The Chairman of Kuo-Chao Hsiao
 Reasons for avoidance: interested party
 Results for attendance: Director Ying-Che Chang who requested a leave of absence due to conflict of interest pertaining to the matters discussed.

3. Assessment of objectives and implementation status in the area of strengthening the powers of the board of directors for the current and immediately past years will be carried out:

- ◆ Pursuant to the promulgated provisions of the regulations and rules, we formed the Audit Committee and proposed assessments on reorganization of the Remuneration Committee to implement relevant regulations and rules and consolidate management of Board of Directors.

NOTE 1: Supervisor Dhe-Chin Lai pass away and retired on May 27, 2013

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 7 meetings (A) in 2013, and the records of attendance by supervisors are shown as follows:

Title	Name	Attendance in Person (B)	Actual Attendance Rate (%) (B/A)	Remark
Standing Supervisor	Lien-Kui Wang	7	100	
Supervisor	Yao-Ting Lee	7	100	
Supervisor	Dhe-Chin Lai	0	0	Note 1
Supervisor	Yong-Zhi Wang	7	100	
Supervisor	Zhuang-Tai Wang	7	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 8th Meeting of the 5th Board of Directors held on June 28, 2013.

1> Proposal of cash capital raising of TWD600,000,000 approved by all directors in attendance.

2> Proposal of writing off bad debts of non-accrual loans, approved by all directors in attendance to continue collection and notify the supervisors.

- ◆ The 3rd Extraordinary Meeting of the 5th Board of Directors held on August 23, 2013.

1> Proposal of assigning account supervisor, approved by all directors in attendance.

2> Proposal of Financial Examination Bureau of FSC discovered the Bank did not verify the audit report and disclose relevant audit results, establish a team to supervise strictly by all directors in attendance.

- ◆ The 4th Extraordinary Meeting of the 5th Board of Directors held on August 28, 2013.

Proposal of following up under the Document Chu (Yin) no.102154165 of Financial Examination Bureau of FSC, agreed to record two demerits on Chief Auditor, one demerit on Department General Manager of Consumer Banking Center, and transferred to another post.

Reported audit report promptly to Financial Examination Bureau of FSC, and the supervision team will dismiss upon closing this file.

- ◆ The 9th Meeting of the 5th Board of Directors held on September 27, 2013.

Proposal of nominating managers and approved by all directors in attendance.

- ◆ The 5th Extraordinary Meeting of the 5th Board of Directors held on November 26, 2013.

Proposal of assigning chief auditor and approved by all directors in attendance.

- ◆ The 10th Meeting of the 5th Board of Directors held on December 26, 2013.

Proposal of budget for 2013, approved by all directors in attendance, and altered the ratio of exceeding reward.

Note 1: Supervisor Dhe-Chin Lai pass away and retired on May 27, 2013.

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

3-3-4. Status of COTA Bank's Corporate Governance and Comparison with "The Principal of Corporate Governance" of Banking

As of Dec. 31, 2013

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, report operating profit or loss and goal regularly to Asset-Liability and Risk Management Committee to carry out risk control.	(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.	Every half a year to directors and supervisors to confirm information maintenance and renewal of related parties in writing letter. Every February and August to confirm with managers using memorandum to archive and update data. Easy communication channels making 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.	The Bank established Nomination Committee of Directors and Supervisor and Compensation and Investigating Committee, designed independent director as the convener and chairman of the meeting, met at least once a year and may meet as often as necessary, to strengthen the decision-making functions and management mechanisms.	No difference.
VI. Please describe any difference between corporate governance system with "The Corporate Governance guidelines for banking industry" and why: The Bank has created independent director 3 seats in 2008 to complied with "The Corporate Governance guidelines for banking industry"		
VII. Other relevant information for better understanding the Bank's corporate governance operation:		
1. Employee rights: Advocates the human rights law spirit. According to labor standard law protect the staff rights and establishes the Employees' Welfare Committee, provides the staff welfare. 2. Employee care: Organize staff (including families) to stretch the physical and mental self-reliance activities, home visits each year to understand the staff of life situation. 3. Investors relationship: establish a shareholder specialty area, provide a related guidance and relevant provisions of the Stock change matters description and contact telephone numbers, the Bank developed with our ability to control the implementation of a code of practice corporate shareholders and voting policy to ensure equity. 4. Stakeholder rights and consumer's protection and the policy of corporate governance: Abided by standards of government of the Bank Association, we set up rules to follow the contract and provide complaint phone line and e-mail box to protect and satisfy consumers. In order to comply with the implementation of relevant laws and matters of Personal Information Protection Act, the Bank had set Regulations of Shield The Security of Personal Information to guard customer's rights. 5. Members of the board of directors and supervisors participate in training courses: Taiwan Securities and Futures Institute and Taiwan Academy of Banking and Finance have arranged (including 18-hr courses of the 5 th of director and supervisor as of end of 2013) 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 since June, 2005. 6. The policy of risk management and standard of risk management: Establish Risk Management Center, "Assets, Liabilities and Risk Management Committee" evaluate regularly operating risk and report to the board of directors. We obey rules of government and BIS to make policies of risk management to ensure our safety of administration and achievements. 7. Contracted for the independent directors and independent supervisors of duty insurance: The Bank have bought liability insurance for directors, supervisors and managers on February, 2007, and have been published in Corporate charter. 8. Donation to political parties, interested parties and public interest groups in 2013: Made a donation of 1million dollars to Small and Medium Enterprise Development Fund to help building a service platform for enterprise financial services; 700 thousand dollars to COTA Culture and Education Foundation (interested party); 98 thousand dollars to charity, and no donation to political parties.		
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		

3-3-5. Remuneration Committee Composition, Duties and Operation Status

3-3-5-1. Members

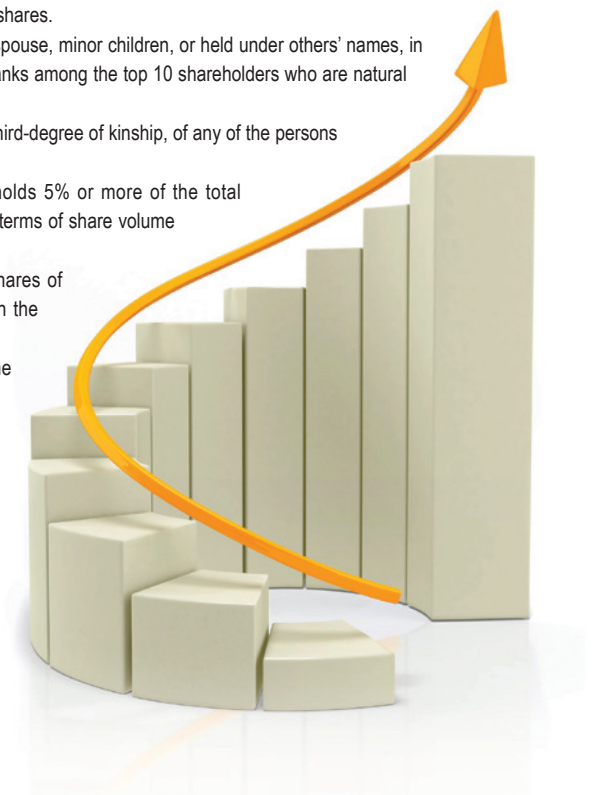
Position (Remark 1)	Qualifications	Directors or Supervisors shall meet one of the following professional requirements, together with at least five years work experience.			Independent status (Remark 2)								Number s of serve as Remuneration Committee of Public Companies.	Remark 3
		An instructor or 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		
Independent Director	Kung-Cheng Lin (convener)	V	-	V	V	V	V	V	V	V	V	V	N	
Independent Director	Po-Yao Chi	-	-	V	V	V	V	V	V	V	V	V	N	
Director	Ying-Che Chang	-	-	V	V	-	V	V	V	V	V	V	N	Note1
Director	Xian-De Lai	-	-	V	V	-	V	V	-	V	V	V	N	Note1
Director	Chun-Chuan Wang	-	-	V	V	-	V	V	V	V	V	V	N	Note1

Note 1:

- (1) The Committee has 3 members to be belong to Director (more than one-third), neither Convener nor Chairman.
 (2).COTA Bank is a public company, no subject to Article 14-6 of Securities and Exchange Act

Remark:

- Position Explanation: Director, Independent Director or Others
- During the 2 years before being elected or during the term of office, members who meet the following terms shall with "V" marks.
 - 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 10 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 third-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 any of the circumstances in the subparagraphs of Article 30 of the Company Act.
- If the position of the member is a Director, shall note if it comply with article 6-5 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock Is Listed on the Stock Exchange or Traded OTC".





3-3-5-2. Operation Status of the Remuneration Committee:

- (1) The Bank's Remuneration Committee has 5 members.
- (2) The tenor of members of the Remuneration Committee is from August 31, 2011 to August 30, 2014.

The Remuneration Committee convened 3 meetings (A) in the recent year, and the records of attendance by members are shown as follows:

Title	Name	Attendance in Person (B)	Attendance By Proxy	Actual Attendance Rate (%) (B/A)	Note
Convener	Kung-Cheng Lin	3	0	100	
Members	Po-Yao Chi	3	0	100	
Members	Ying-Che Chang	3	0	100	
Members	Xian-De Lai	3	0	100	
Members	Chun-Chuan Wang	3	0	100	

Other noteworthy matters:

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

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

Item	Operating conditions
<p>1. Exercising Corporate Governance</p> <p>(1) The bank declares its corporate social responsibility policy and examines the results of the implementation.</p> <p>(2) The bank establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies.</p> <p>(3) The bank organizes regular training on business ethics and promotion of matters prescribed in the preceding Article for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.</p>	<p>(1) The Bank strives to fulfill its social responsibility by sponsoring COTA Culture and Education Foundation and other public groups, and it has been consistently fulfilling its social responsibility.</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. Fostering a Sustainable Environment</p> <p>(1) The bank endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment.</p> <p>(2) The bank establishes proper environmental management systems based on the characteristics of their industries.</p> <p>(3) The bank establishes dedicated units or assigns dedicated personnel for environment management to maintain the environment.</p> <p>(4) The bank monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.</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. Preserving public welfare</p> <p>(1) The bank's compliance with labor regulations, respect for internationally accepted principles of basic labor rights, protection over employees legal rights, makes employment policies of no preferential treatment, establishment of appropriate management approaches and procedures, and implementation.</p> <p>(2) The bank offer employee safe and healthy working environment and organizes training on safety and health for its employees on a regular basis.</p> <p>(3) The Bank establishes the mechanism for employee's periodical communication, notifies employees, in reasonable ways, of any changes in operation that cause any significant influence.</p> <p>(4) The bank establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints.</p> <p>(5) The bank cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility.</p> <p>(6) The bank, through commercial activities, non-cash property endowments, volunteer services, participates in community development and charities events.</p>	<p>(1) The bank holds regular meetings for better communication of the labor and the management.</p> <p>(2) The bank obeys labor health protection rules.</p> <p>(3) The bank, establish a communication platform for labor and management through the periodical convention of labor-management meetings.</p> <p>(4) The bank offers customer call lines and message boards for customer complaints.</p> <p>(5) Cooperates with its suppliers to jointly foster a strong sense of environment protection and corporate social responsibility.</p> <p>(6) The bank actively participates in social welfare and education related events and activities such as Eden Social Welfare Foundation, Taiwan Fund for Children and Families, Chensenmei Social Welfare Foundation etc.</p>
<p>4. Improvement of information exposure</p> <p>(1) The bank expose relevance and reliability of corporate social responsibility</p> <p>(2) The bank produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy.</p>	<p>(1) The bank publishes corporate responsibility in its yearbook.</p> <p>(2) Not set yet</p>
<p>5. The bank state the difference between its operation and rules of corporate social responsibility if the bank set up corporate social responsibility rules according to code of practice: none</p>	
<p>6. Other important information for better understanding social responsibility operating conditions (such as environmental protection, community participation, society contribution, society service, social welfare, consumer rights, human rights, safety and sanitation, etc.)</p> <p>The bank set up COTA Culture and Education Foundation to advocate lifelong learning. The corporate spirit is "Taking from the society and giving back to the society" and it keeps contributing to social welfare, academic cultural and caring community activities. For example, Vienna New Year Concert, Children's Creative Painting Competition, International Car Free Day, Asian Cup Baseball Championship, Classical Orchestra Concert, children welfare center, Taiwan Foundation for the Blind, Eden Social Welfare Foundation, Taiwan Fund for Children and Families. The bank also sent employees of consumer finance center to help national-wide middle and primary school students to establish the correct financial management concepts. The bank takes actions to fulfill civic responsibility.</p>	
<p>7. If the bank products or corporate social responsibility reports pass any verification standards of certification bodies, they should be stated. None.</p>	

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

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

Item	Operating conditions
1. Develop ethical corporate management policies and solutions. (1) The bank clearly express its ethical corporate management policies in regulations and external documents and the promise made by Board of Directors and Management to fully execute these policies. (2) The bank establishes their own comprehensive programs to prevent unethical conduct and operational procedures, guidelines, and training. (3) When establishing the prevention program, the Bank shall include preventive measures against offering and acceptance of bribes and the providing of illegal political donations regarding business activities that involve a higher risk in unethical conduct.	(1) The Bank established honesty and integrity rules in board of directors' "Meeting Rules" and "Work Rules", etc. Ethical corporate management policies and solutions disclosed in the Bank's annual report. The board of directors of bank implement to the relevant provision of corporate governance with the attitude of pragmatic, integrity and professionalism. (2) Not set yet. To fully compliance with ethical principles in order to nurture the ethical and sincere corporate culture, the Bank established honesty and integrity rules in board of directors' "Meeting Rules", "Donation Rules" and "Work Rules", etc. And also disclosure on the website (3) Not set yet. The Bank established honesty and integrity rules in board of directors' "Meeting Rules" and "Work Rules" to prevent unethical conducts.
2. Fully execute ethical corporate management (1) The bank's business activities shall avoid any transaction involving those with any record of unethical conduct and clauses of ethical conduct shall be specified in the business contracts. (2) The bank designates fully (partly) dedicated units for promotion of ethical corporate management and the supervision of Board of Directors. (3) The bank develops preventive policies against conflict of interest and offers appropriate expressive channels. (4) The implementation of the effective accounting system, and the internal control system that the Bank establishes to fully execute ethical corporate management and the auditing of internal audit personnel.	(1) The Bank avoids transactions with any company with unethical records. Immediately stop the transactions while acknowledgement of any unethical conducts and specifying relevant ethical conducts clauses in the contract. (2) The Bank established the compliance system, internal control systems, internal audit, risk management, and set functional committeemen by regulation to strengthen the function of decision-making and management of board of directors. (3) The Bank established preventive policies against conflict of interest as below: Established the rules of procedure of the board of directors to specify clause of avoidance of conflict of interest. Established a stakeholder query system to require that no stakeholder conducting transactions have more favorable conditions than their peers. Established "Work Rules" to prevent unethical conduct of employees. Information on business ethic disclosed on the internal website. (4) The Bank established rigorous accounting system and accounting department. To ensure impartiality of annual financial statements, Bank's annual financial statements has audit by accountant. Internal audit personnel compliance with Rules of Internal Control System, conducting a routine business audit at least annually, and a target audit on its operation, finance, asset quality and information departments; a target audit at least annually on other management departments. Conducting a target audit on its subsidiaries' finance, risk management, and compliance with applicable acts and regulations at least semiannually. The Bank's internal audit report shall be delivered to the supervisors, and the independent directors for review, and within two months following completion of the audit, submitted to the competent authority by letter.
3. The operation of the disciplinary and complaint system that the Bank establishes for the violation of ethical corporate management and the operation of the reporting channels.	3. The Bank established Rules of Personnel, Works Rules, Personnel Evaluation committee, and Rules for meditative of customers' complaints and disputes.
4. Strengthen information disclosure (1) Establishment of website to disclose ethical corporate management. (2) Other information disclosure approaches (e.g. English website, assignment of specific personnel to collect and disclose the Bank's information and disclosing such information on the Bank's website.)	(1) www.cotabank.com.tw as our website to disclosure financial report, corporate governance. (2) The Bank established the website in Chinese and English and a designee has been specified to disclose the corporate information on Bank's website.
5. If the Bank has developed its practice principles of ethical management in accordance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-listed Companies, please explicate its implementation and any deviation from the principles: none	
6. Other important information enabling better understanding the Bank's implementation of ethical corporate management (such as the Bank manifests its determination and policies of ethical corporate management to its business partners and reviews and amends its practice principles of ethical corporate management.): The Bank set honesty and integrity rules in Board of directors' "Meeting rules", "Donations rules" and "Work rules", etc. All directors and employees are law-abiding to fulfill the social responsibility. The Bank set the compliance system, internal control systems, internal audit, risk management, strengthens the rules of duty for director and supervisors' responsibilities. To respect shareholders' benefit and based on incorruptibility, the bank set up good company management and risk control to create a business environment for sustainable development.	

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

3-3-8. Other required disclosure items of governance-related regulations have been shown on the Bank website: www.cotabank.com.tw

3-3-9. Other important information on the Bank's understanding of corporate governance: none

3-3-8. Statement of Internal Control

COTA Commercial Bank Statement of Internal Control

February 27, 2014

To Financial Supervisory Commission

On behalf of the COTA Commercial Bank, we declare that during the period of January 1, 2013 through December 31, 2013 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 : Chih-Sheng Hsiao

Compliance Officer : Hsin-De Chang

Items for Improvement and Plan Table of Internal control

As of Dec. 31, 2013

Items for Improvement	Improvement Measure	Target Date
1. Dealing with construction loans should strengthen risk management of land mortgage, appraisal, approval process and controlling process of Central Bank of China.	1. Land Mortgage Loan Risk: Make a specific evaluation for construction plan and trace the starting progress during the current year. 2. Appraisal: Diversified Appraisals 3. Approval Process: (1) Evaluate fund needs more than mortgage value. (2) After loaning for a long time has not been constructed or obtained a building permit, should appraise carefully as to agree to extend or on-lent. 4. Controlling Process of CBA: (1) Extending the case should not enhancement appraised value. (2) Loans should lower than 65% of land cost or appraised value. (3) 10% retention loan should drawdown after construction beginning.	List in main credit issue auditing item for 2014
2. The total amount of loans extended for residential construction and construction for business purposes by a Commercial Bank shall not exceed thirty percent (30%) of the aggregate of such Commercial Bank's deposits and Bank Debentures issued at the time such loans is extended; provided	1. New home acquisition or construction cases shall be subject to control. 2. Loan increase or loans transferred from other banks shall be subject to control if the purpose of the existing loan is to acquire real estate. 3. Loans used to acquire commercial property, outstanding balance of building construction loan transferred to loans secured by unsold houses, loans secured by purchased land and buildings acquired but not yet registered shall be subject to control. 4. Revolving loans granted to developers or construction companies shall be controlled according to the purpose of the loan.	Ensure that loans are classified into appropriate categories and are subject to appropriate assessment and reviews. Make improvements where required and conduct educational training and promotion. List in main credit issue auditing item for 2014
3. For risk control, the Bank should make effort to enhance "Bank's internal procedures to prevent from Agency Loans", management for account officers and execute prudent reporting procedure.	1. Strengthening analysis of pointer and causes. 2. Prosecuted or serious complaint cases should be clarified. 3. Once the bad Loan written off or credit default soon after loan by the same account officer, should raise caution if there are other common features, enhance authenticity verification and find out the reasonableness of default in order to review the responsibilities of person in charge.	List in main credit issue auditing item for 2014
4. The training and advertisement of three lines of defense on Bank Internal Controls	1. The business units shall bear the risks and are responsible for identifying, evaluating and control risks confronting the businesses. Such as: self-assessment. (risk monitoring) 2. Work closely with business units in the implementation of bank policy and procedures to ensure that "the risks confronting the business units are appropriately identified and managed". Such as: self-assessment of legal compliance and risk management (Risk monitoring). 3. Independently evaluate the effectiveness of the procedures set up for the first two lines of defense and provide assurance for the effectiveness of these policies and procedures. Such as: internal audit (independent supervision).	List in main training courses for 2014
5. Safe deposit box security checks	1. Check for Standard Form Contract of Safe deposit box rent 2. Maintenance work of safety deposit box 3. Building safety and fire safety	List in main auditing item for 2014
6. Credit Pricing Policy	Handle in accordance with the constructive measures of the loan pricing policy prescribed by the competent authority.	List in main credit issue auditing item for 2014

3-3-9. CPA Audit Report

Pursuant to ordinance article 28 of the "Guidelines for the Establishment of Internal Control and Internal Audit Systems", the Bank arranged KPMG certified public accountants to audit performance of internal control during the period of Jan. 01, 2013 through December 31, 2013.

The audit report of the Certified Public Accountant concluded as follows:

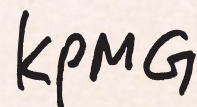
With the exception of suggested items to improve, no major deficit is found (attaching homepage of auditor's report and suggestion statement).

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 January 01, 2013 through December 31, 2013 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 KPMG logo is displayed in a stylized, handwritten font.

Accountant

Shi-Hua, Guo

March 11, 2014

Suggestion Statement

Year 2013

NO	Matter of disclose	Suggestion	Opinion of Administration
1.	Randomly selected the "Statements of Non-activated Bank Cards" of Taichung branch for audit. The inventory includes non-activated bank card that was prepared on December 10, 2012 but not yet activated: Account Number : 01-3-11XXXX4.	It is recommended that the responsible unit shall delete or cancel the card in the application system for information security considerations and to ensure the completeness of information.	1. Our audit revealed that the card linked to the audited account has not been activated as of the audit date. Pre-made bank cards do not have an expiry date. 2. For information security considerations, the card was destroyed on January 13, 2014.
2	We randomly audited the foreign exchange traders trading limit set-up system of the foreign department and found that the limits on "total cumulative overnight positions" are centrally controlled by the treasury department on a total-amount basis. As such, the system limit set-up is set by the most senior authority delegate(s) in the treasury department.	It is recommended that although the "total cumulative overnight positions" is controlled on a total-amount basis, system set up shall still be authorized by the respective levels of authority delegates in accordance with the "Enforcement Rules for Foreign Exchange Operations and Authorization".	The system limits were set up by the respective levels of authority delegates on March 13, 2014 in accordance with the "Enforcement Rules for Foreign Exchange Operations and Authorization".

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

1. Any indictment of a responsible person or employee by a prosecutor for an offense related to the occupation: None
2. Any fine imposed by the FSC for violation of a law or regulation: None
3. Any matters in which sanctions were imposed by the FSC pursuant to Article 61-1 of the Banking Act: None
4. Any security incident arising from employee infidelity or material contingencies (e.g. fraudulent acquisition, theft, misappropriation, or robbery of assets; forgery of documents or securities; acceptance of a bribe; losses from natural disaster; losses from external causes; hacker attack, data theft, or leak of trade secrets or customer data; or other such material incidents) or failure to faithfully abide by the Directions for Maintenance of Security at Financial Institutions. If actual losses, whether singly or in aggregate, exceed TWD50 million in any given year, disclose the nature and amount of the loss: None
5. Other matters that must be disclosed pursuant to FSC designation: None

3-3-12. Major Resolutions of Shareholders Meeting or Board of Directors Meeting in Recent Year**3-3-12-1. Shareholders Meeting**

Year	Nature of Shareholders Meeting	Convoking Date	Major Resolutions
2013	Regular Shareholders' Meeting	May 30, 2013	1. The earnings distribution of year 2012 and capital Increase by earnings and issuance of new shares 2. Partial revision in articles of memorandum of association
2014	Interim Shareholders Meeting	March 03, 2014	1. Partial revision in articles of memorandum of association 2. Rules for director and supervisor elections rename as rules for director elections

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

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

As of Feb.28, 2014

Year	Nature of Meeting	Holding Date	Major Resolutions
2013	The 7 th meeting of the 5 th Board of Directors	March 21, 2013	Capital increase by earnings in 2012 and approved by shareholders meeting
2013	The 8 th meeting of the 5 th Board of Directors	June 28, 2013	1. Capital increase by earnings in 2012 and issuing date of new shares. 2. Issuance of new shares for cash capital increase of 60 million shares of TWD 600 million.

3-3-11-2-2. The Directors or Supervisors have different opinions to the board of directors meeting through the major resolution, and has the record or the enunciator:: For capital increase issue, director Chen Guo Chou abstained but not declared opposition.

3-3-12. Disclosures of the Resignation or Dismissal of Managerial Officers in Charge of Financial or Accounting Reports:

Title	Name	Appointed Date	Dismissal Date	Reason
Department General Manager	A-Kuai Chen	2004.07.01	2013.08.31	Retirement
Department General Manager	Ming-Heng Zhan	2013.09.01		
Department General Manager	Chang-Chieh Lin	2012.01.01	2013.10.14	Position rotation
Department General Manager	Kuo-Chiu Chang	2013.10.15		
Chief Auditor	Shih-Chien Chin	2009.10.15	2013.12.31	Business consideration
Chief Auditor	Chih-Sheng Hsiao	2014.01.01		

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

3-4. Information on the Certified Public Accountant

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

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

Accountant Firm	Name of Accountant		Period of Audit	Remarks
KPMG	Shi-Hua, Guo	Yuan-Chen, Mei	Year 2013	

Unit: TWD thousand

Tier	Item	Auditing Fee	Non-Auditing Fee	Total
1	Below 2,000 thousand	1,660	530	
2	2,000 thousan ~ 4,000 thousand			2,190
3	4,000 thousand ~ 6,000 thousand			
4	6,000 thousand ~ 8,000 thousand			
5	8,000 thousand ~ 10,000 thousand			
6	10,000 thousand and above			

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

Unit: TWD thousand

Accountant Firm	Name of Accountant		Auditing Fee	Non-Auditing Fee					Period of Audit by Accountant	Remarks
				System Design	Corporate Registers	Human Resources	Others (note)	Sub-Total		
KPMG	Shi-Hua, Guo	Yuan-Chen, Mei	1,660		40		490	530	2013	

Note: non-auditing fee including financial investigation TWD280 thousand, BIS checking report TWD50 thousand, verification fee TWD30 thousand for write-off, surplus turned capital TWD50 thousand, cash turned capital TWD80 thousand.

3-4-1-3. Whether the Bank changes its accounting firm and the amount of fees paid for auditing services during the year in which the change is made are lower than for the previous year: None**3-4-1-4. Whether the amount of fees paid for auditing services is lower than for the previous year by 15% or above: None****3-4-2. Information of Accountants change****3-4-2-1. Former Accountants**

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

3-4-2-2. Succeeding Accountants:

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

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

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

3-5. Change in Shareholdings and Pledged

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

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

Title	Name	2013		Up To February 28, 2014	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Kuo-Chao Hsiao	9,985,417	-	0	-
Managing Director (major)	Song-Yue Liao	15,215,936	-	0	-
Managing Director	Ying-Che Chang	252,094	-	0	-
Managing Director	Mu-Chuan Huang	291,013	-	0	-
Managing Director	Yen-Chun Wang	263,599	-	0	-
Director (major)	Chun-Tse Liao	792,760	-	0	-
Managing Director	Dong-Po Xie	2,070,186	-	0	-
Director	Chan-Wen Lin	250,321	-	0	-
Director	Pi-Jung Hsieh	32,478	-	0	-
Director	Xien-De Lai	1,277,903	-	0	-
Director	Ying-Chieh Lai	(187,601)	-	0	-
Director	Chun-Chuan Wang	20,241	-	0	-
Director	Kuo-Chou Chen	299,184	-	0	-
Director	Po-Yao Chi	533,340	-	0	-
Director	Kung-Cheng Lin	0	-	0	-
Standing Supervisor	Lien-Kui Wang	25,004	-	0	-
Supervisor	Yao-Ting Li	522,220	-	10,000	-
Supervisor	Yung-Chih Wang	221,847	-	0	-
Supervisor	Chuang-Tai Wang	1,686,207	-	0	-
President	Chin-Ting Chang	386,135	-	0	-
Senior Executive Vice President	Jung-Hsien Chiu	13,521	-	0	-
Senior Executive Vice President	Chih-Sheng Hsiao	84,749	-	0	-
Senior Executive Vice President	Ho-Shun Chang	41,223	-	0	-
Chief Auditor	Shih-Chien Chin	102,319	-	0	-

Title	Name	2013		Up To February 28, 2014	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Executive Vice President	Yun-Ching Wang	56,721	-	0	-
Executive Vice President	Hsin-De Chang	62,597	-	0	-
Executive Vice President	Tai-An Chen	79,724	-	0	-
Department General Manager	Ming-Heng Zhan	44,896	-	0	-
Department General Manager	Wei-Bin Lin	23,353	-	0	-
Executive Vice President	Shih-Jung Chen	64,991	-	0	-
Department General Manager	Kuo-Chiu Chang	20,243	-	0	-
Department General Manager	Kuang-Hsiung Huang	39,822	-	0	-
Chief Secretary	Chien-Cheng Hsu	65,084	-	20,439	-
Department General Manager	Hung-Tsang Chiang	15,306	-	0	-
Department General Manager	Jun-Sheng Lin	12,595	-	0	-
Department General Manager	Mei-Ling Shih	29,169	-	0	-
Department General Manager	Chang-Chieh Lin	25,562	-	0	-
Branch General Manager	Huan-Mou Cheng	16,268	-	0	-
Branch General Manager	Ling-Chen Ting	61,677	-	0	-
Branch General Manager	Jui-Sen Liao	29,984	-	0	-
Branch General Manager	Chung-Lung Tsai	46,813	-	0	-
Branch General Manager	Zheng -Xian Xie	19,441	-	0	-
Branch General Manager	Min-Chang Lin	44,042	-	3,575	-
Branch General Manager (major)	Chih-Peng Yang	3,042,228	-	25,071	-
Branch General Manager	Chih-Huang Huang	16,428	-	0	-
Branch General Manager	Shih-Tsung Chou	31,198	-	0	-
Branch General Manager	Kuo-Ho Chang	33,001	-	0	-
Branch General Manager	Shi-Tung Chang	81,788	-	0	-
Branch General Manager	Sung-Yen Sung	2,479	-	0	-
Branch General Manager	Hsi-Hsien Wang	22,168	-	0	-
Branch General Manager	Chung-Yi Hsu	27,077	-	0	-
Branch General Manager	Chi-Shen Huang	58,249	-	0	-
Branch General Manager	Hung-Chi Tung	33,094	-	0	-
Branch General Manager	Hsien-Hsun Chiang	27,356	-	0	-
Branch General Manager	Chang-Cheng Chen	27,429	-	0	-
Branch General Manager	Shih-Tsung Liu	17,172	-	0	-
Branch General Manager	Shu-Chen Shih	42,907	-	0	-
Branch General Manager	Wen-Jung Chen	32,118	-	0	-
Branch General Manager	Chih-Yin Lin	14,301	-	0	-
Branch General Manager	Ching-Sung Chen	19,474	-	0	-
Branch General Manager	Mao-Sheng Huang	38,224	-	0	-
Branch General Manager	Ping-Hung Chuang	0	-	0	-
Branch General Manager	Feng-Jung Yeh	12,706	-	0	-
Branch General Manager	Cheng-Hao Wu	12,618	-	0	-

Note: Branch General Manager Feng-Jung Yeh appointed date on Jan.01, 2014; Branch General Manager Cheng-Hao Wu appointed date on Jan.08, 2014

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, 2013

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	34,957,102	7.11	501,011	0.10	-	-	Chuan Cheng Hat Co., Ltd.	Chairman	-
Chih-Peng Yang	14,767,669	3.00	4,443,261	0.90	-	-	Qing-Er Chang	Spouse	-
Kuo-Chao Hsiao	13,654,008	2.78	2,531,995	0.51	-	-	Shih-Ying Hsiao	First-degree Relative	-
Chuan Cheng Hat Co., Ltd. Song-Yue Liao	8,276,360	1.68	-	-	-	-	Song-Yue Liao	Chairman	-
Chun-Tse Liao	6,292,760	1.28	14,906	0	-	-	-	-	-
Chia Te Investment Development Limited	5,083,142	1.03	-	-	-	-	-	-	-
Qing-Er Chang	4,443,261	0.90	14,767,669	3.00	-	-	Chih-Peng Yang	Spouse	-
Zhuang-Tai Wang	4,226,881	0.86	-	-	-	-	-	-	-
Shih-Ying Hsiao	4,058,773	0.83	-	-	-	-	Kuo-Chao Hsiao	First-degree Relative	-
Dong-Po Xie	3,944,686	0.80	256,452	0.05	-	-	-	-	-

3-5-3. Consolidated Shareholdings:

Unit: share; %

Investees (Note)	Direct Investment		Indirect Investment		Total	
	No. of Shares	Shares Held	No. of Shares	Shares Held	No. of Shares	Shares Held
Taiwan Depository & Clearing Corp.	271,615	0.08%	0	0	271,615	0.08%
Sunny Asset Management Corp.	25,302	0.42%	0	0	25,302	0.42%
Cota Bank insurance Brokers Co., Ltd.	500,000	100%	0	0	500,000	100%
Taiwan Asset Management Corp.	7,500,000	0.57%	0	0	7,500,000	0.57%
Taiwan Financial Asset Service Corp.	5,000,000	2.94%	0	0	5,000,000	2.94%

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





4

Capital Arrangement



4

Capital Arrangement

4-1. Capital Shares and Dividends

4-1-1. Source of Capital

As of Feb. 28, 2014; Shares Held (%)

Month/ Year	Issuing price (TWD)	Registered Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Source	Other
July 2013	10	600,000,000	6,000,000,000	424,733,833	4,247,338,330	Increased from retained earnings of TWD66,887,220	Approved under the Document No.1020025407 of FSC Jul. 8, 2013
December 2013	10	600,000,000	6,000,000,000	491,954,308	4,919,543,080	Cash capital raising of TWD600,000,000	Approved under the Document No.1020036729 of FSC Sep.14,2013

As of Dec. 31, 2013

Type of Stock	Registered Stock Capital			Remark
	Outstanding Capital Stock	Un-issued Share	Total	
Common Stock	491,954,308	108,045,692	600,000,000	not on the list of TSEC/OTC

Information for comprehensive reporting: None

4-1-2. Shareholder Structure

As of Dec. 31, 2013

Category	Government Agency	Financial Institution	Other Institution	Individual	Foreign Institution and Foreigner	Total
Number of Shareholders	2	4	425	65,873	27	66,331
Number of Shares	1,595,803	12,487	34,625,086	455,121,566	599,366	491,954,308
Percentage	0.32%	-	7.03%	92.53%	0.12%	100%



4-1-3. Distribution of Shareholders' Equity

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

As of Dec. 31, 2013

Tier	Number of Shareholders	Number of Shares	Percentage (%)
1 - 999	47,821	10,335,101	2.10
1,000 - 5,000	10,537	18,918,618	3.85
5,001 - 10,000	1,382	9,194,630	1.87
10,001 - 15,000	3,721	46,366,607	9.42
15,001 - 20,000	288	4,986,709	1.01
20,001 - 30,000	607	15,036,856	3.06
30,001 - 50,000	525	21,587,798	4.39
50,001 - 100,000	773	52,659,400	10.70
100,001 - 200,000	384	53,403,499	10.86
200,001 - 400,000	173	46,965,508	9.55
400,001 - 600,000	44	20,929,026	4.25
600,001 - 800,000	20	13,680,627	2.78
800,001 - 1,000,000	6	5,353,125	1.09
1,000,001 and above	50	172,536,804	35.07
Total	66,331	491,954,308	100.00

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

4-1-4. List of Major Shareholders

As of Dec. 31, 2013

Name	Number of Shares	Percentage (%)
Song-Yue Liao	34,957,102	7.11%
Chih-Peng Yang	14,767,669	3.00%
Kuo-Chao Hsiao	13,654,008	2.78%
Chuan Cheng Hat Co., Ltd.	8,276,360	1.68%
Chun-Tse Liao	6,292,760	1.28%
Chia Te Investment Development Limited Co.	5,083,142	1.03%

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



4

Capital Arrangement

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

Unit: TWD

Item		Year	2013	2012	Up To Feb. 28, 2014
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		12.87	12.43	13.00
	After Distribution		(Note 4)	12.26	(Note 2)
Earnings	Weighted Average Shares		449,872,116	424,733,833	491,954,308
	Earnings per Share	Before Adjust	1.10	0.46	0.14
		After Adjust	(Note 4)	0.46	(Note 2)
Dividend (Note 1)	Cash Dividends		0.17	0.16	0
	Stock Dividends	Retained Earning	0.17	0.16	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 2014 hasn't ended.

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

Note 4: Year 2013 distribution number is to be confirmed after the approval of board of directors and the shareholder meeting.



4-1-6. Dividend Policy and Executive Status

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

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

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

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

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

The Bank’s Article pursuant to the FSC document No.1020004592 Feb.20,2013 and SEC ordinance No.14-4 to amend article of forced the Board substitute supervisors, and this article begin to apply upon the expiration of the 5th term of office of directors and supervisors.

The shareholders meeting has approved article 34 of the Bank’s Articles 13th amendment on Mar. 04, 2014, detail as following: earnings of fiscal year should pay taxes and offset prior year’s losses and appropriate 30% as legal reverse in turns, and prescribed by law or business needs appropriate the legal reverse. 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%.

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



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

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

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

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

4-1-8-2.

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

4-1-8-3.

The distributions of staff bonus and others approved by board of directors meeting as follows: I
Staff cash bonus: TWD25,236 thousand; director/supervisor remuneration: TWD7,571 thousand.
Staff stock bonus: None
EPS (deducted from planned staff bonus and director/supervisor remuneration): TWD1.1

4-1-8-4.

In 2012, the distribution amount of staff bonus was TWD14,497 thousand; director/supervisor remuneration: TWD4,349 thousand with no difference as resolution of the board of directors.

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 Document No.0990361150
Date of Issue	March 29, 2011
Denomination	500 thousand
Issue and transaction Place	Taiwan, R.O.C.
Currency	New Taiwan Dollar
Issue Price	100 dollars
Total Amount	1.5 billion
Interest Rate	Type A: Fixed rate 3.2% Type B: Current rate 1.65% plus the Bank's board index rate of time saving deposits.
Term	7 years, matured on March 29, 2018
Priority of Payment	The right to receive payment for sums due under the debenture (including principal and interest) takes precedence only over that of bank shareholders for distribution of surplus assets and is subordinate to the claims of all other creditors of the Bank.
Guaranteeing Institution	None
Trustee	None
Underwriter	None
Certifying Lawyers	Wen-Cheng Chiang
Certifying CPA	Shi-Hua Guo
Certifying Financial Institution	None
Method of Redemption	Principal paid upon maturity
Unredeemed Balance	1.5 billion
Preceding Year's Paid-in capital	4,180,451,110
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./ March 22, 2011 / twBBB

4-3. Preferred Stock: None**4-4. Issuance of Depositary Receipt: None****4-5. Employee Stock Option Plan: None****4-6. Status of employee restricted stock: None****4-7. Merging or Acquisition of Other Financial Institutions:**

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

4-8. Utilization of Capital Plan:

Cash capital raising by TWD600,000,000 / 60,000,000 Shares / Issuing Prices TWD10 that approved by the 8th meeting of the 5th board of directors held on Jun.28, 2013.

To comply with capital adequacy ratio, the Bank's consolidated capital adequacy ratio remained at 10.41% at the end of December 2013.





047

5-1. Business Report

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

5-1-1-1. Deposits

The amount of deposits at the end of 2013 totaled TWD121,931 million, increasing TWD4,397 million compared to year earlier at a rate of 3.74%. We intend to improve our quality and quantity of deposit structure, extend neighboring area to seek for new customers, actively develop new financial products, and upgrade the functions of the E-banking and automation services to improve efficacy of the services.

In deposits structure, our demand deposits stood at TWD48,997 million that was the 40.18% of the total deposits. Our time deposits stood at TWD72,934 million that was the 59.82% of the total deposits. Our deposit structure is fine and we will step forward to improving quality & quantity of total deposit through our sound corporate image and right operation strategies. Here follows deposit structure ratio analysis:

Structure of Deposits

Unit: TWD million; %

Items	Year	2013		2012		2011		2010		2009	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Checking Deposits		2,318	1.90	2,204	1.88	1,983	1.75	1,722	1.61	1,534	1.52
Demand Deposits		15,409	12.64	13,073	11.12	12,817	11.33	12,621	11.82	10,100	10.02
Demand Savings Deposits		31,253	25.63	29,584	25.17	28,019	24.77	28,274	26.49	25,560	25.34
Time Deposits		20,184	16.56	19,094	16.25	15,791	13.96	13,694	12.83	13,738	13.62
Time Savings Deposits		52,750	43.26	53,577	45.58	54,511	48.18	50,431	47.25	49,896	49.48
Remittances		17	0.01	2	0.00	9	0.01	4	0.00	25	0.02
Total		121,931	100.00	117,534	100.00	113,130	100.00	106,746	100.00	100,853	100.00



5-1-1-2 Loans

The amount of loans outstanding at the end of 2013 totaled TWD100,679 million, increasing 8,309 million compared with year 2012; here follows the loan ratio analysis.

Structure of Loans

Unit: TWD million; %

Items	2013		2012		2011		2010		2009	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Overdrafts	74	0.07	60	0.07	59	0.07	198	0.23	90	0.12
Bill Discount	88	0.09	104	0.11	94	0.11	122	0.14	227	0.29
Car Loans	13,532	13.44	12,647	13.69	12,528	14.54	11,970	13.68	11,539	14.77
Mortgage loans	23,746	23.59	22,681	24.56	21,236	24.65	21,642	24.72	19,993	25.60
Other Unsecured Loans	24,928	24.76	22,726	24.60	18,539	21.51	19,949	22.79	19,998	25.61
Other Secured Loans	36,116	35.87	31,600	34.21	31,001	35.98	31,715	36.23	24,562	31.45
Allowances for Bad Debt	-2,044	-2.03	-1,671	-1.81	-1,118	-1.30	-811	-0.93	-882	-1.13
Sub Total	96,440	95.79	88,147	95.43	82,339	95.56	84,785	96.86	75,527	96.71
Acceptance receivable	0	0	9	0.01	5	0.01	2	0.00	8	0.01
Guarantee receivable	2,195	2.18	2,543	2.75	2,699	3.13	1,937	2.21	1,676	2.15
Allowances for Bad Debt	2,044	2.03	1,671	1.81	1,118	1.30	811	0.93	882	1.13
Total	100,679	100.00	92,370	100.00	86,161	100.00	87,535	100.00	78,093	100.00

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

In order to restrain speculative funding demands, and avoid bubble on real estate market, the Central Bank focused on risk control on real estate loans and took some measures on financial examination. The Bank not only fulfills the government's policies, but also immediately plans related measures to response the requirements. While the Central Bank listed the prior items on financial examination such as the pricing strategies of the interest rates, the percentage amount of the loans, and the concentration of the loans on land financing, building financing, and mortgage loans, the Bank not only highly paid attention to the risk of the real estate loans, but also compiled "The Limit Controlling Table on Land Mortgage Loans", "The Analysis Table of the Classification on Housing Mortgage Loans" and "The Limit Controlling Table on Building, Housing, and Renovation Loans" regularly. The Risk Management Center strictly monitors and keeps the risks under control as follows:

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

According to the article 32 of the Bank's loan regulation, the limit control on land mortgage loans cannot exceed the 23% amount of total loans. The limit control lists on the report of the credit risk management and controls the risk concentration.

If the percentage of limit approaches 90%, the related units have to pay attention and report to "Asset, Liability and Risk Management Committee". If the percentage of limit approaches 95%, the business units have to propose improvement plans and measures and will report to "The Board of Directors".

At the end of 2013, the percentage of the land mortgage loans was 18.37% and under the limit.

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

According to the target limits of the Financial Supervisory Commission, the building loans cannot exceed the 15% amount of total loans and the housing and renovation loans cannot exceed 40% amount of total loans. At the end of 2013, the percentage of the building loans was 11.07% and the percentage of housing and renovation loans was 22.40%. Both qualified for the limit.

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

At the end of 2013, the percentage of the housing mortgage loans was 36.68%.

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

At the end of 2013, the percentage of the loans of aggregate deposits and debentures was 26.07% under the limit 30%. The Bank will select customers who have high quality and current account on the list of priority. In addition, the Bank will increase interest rate of loans to optimize the rest of limit.

5-1-1-3. 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; %

		2013		2012		2011		2010		2009	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Insurance	Life Insurance	3,366	41.40	4,373	48.65	2,903	38.70	3,078	41.09	2,379	38.13
	Property Insurance	30	0.37	29	0.32	28	0.37	27	0.36	26	0.42
Trust Funds	Overseas Trust Funds	1,334	16.41	1,313	14.61	1,444	19.25	1,526	20.37	1,627	26.07
	Domestic Trust Funds	3,255	40.03	3,155	35.10	3,066	40.87	2,772	37.00	2,137	34.25
Trusts	Money Trusts	146	1.79	95	1.06	60	0.8	88	1.17	23	0.37
	Real Estate Trusts	0	0.00	24	0.27	0	0.00	0	0.00	48	0.77
Total		8,131	100.00	8,989	100.00	7,501	100.00	7,491	100.00	6,240	100.00

5-1-2. Business Plans for Year 2014

5-1-2-1. Operation Plans

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

- Concerning future growth, the Bank considers relocate branches.
- Building up business on saving deposits, consumer banking, corporate loans, wealth management, trusts, foreign exchange, international banking, and e-banking. And adjusting structure, process for enlarging economy of scale and enhancing operating efficiency to reduce costs and increase profits.
- Maintaining relationship with customers, improving transaction channels to satisfy customers' demand, streamlining operational processes to enhance the quality and efficiency of the services.
- Strengthening risk management to maintain high quality of the loan assets.
- Enhancing efficiency of the channels to diversify the source of profits.
- Accumulating operating ability and tracking execution performance periodically.
- Strengthening capital structure, improving asset quality, implementing risk management and corporate governance, enhancing the ability to undertake long-term risks
- Developing convenient online transaction system to increase the frequency of usage and reduce transaction costs at the counter.

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

- Selecting target customers to provide specific benefits and services.
- Strengthening wealthy customers to recognize the Bank's consumer banking products.
- Strictly executing the standard operation processes of the loans, strengthening investigation functions, evaluating and controlling credit limits, tracking customers' operation and cash flows, strictly controlling NPL ratios, avoiding or reducing loss on loans, and maintaining the safety of the loan assets.
- Applying internal credit rating system and default data bases to analysis the time and reason of the default.
- 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.
- Strengthening ante-risk review and post-risk management by timely examining operational conditions and asset quality, and irregularly adjusting product pricing and loan policies.

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

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

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

- 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.
- Assisting Trust Department to plan the transaction of the foreign currency trust funds and enhancing related FX transaction services.

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

- Strengthening customized and comprehensive financial products, developing core businesses, and operating niche market to make profits stable.
- In order to execute marketing from entire staff, the Bank encourages staff to obtain related certificates.
- The Bank's affiliated company, COTA Bank Insurance Broker Co., Ltd., introduces various insurance products from national insurance companies to gain insurance business income.

- Continuously providing training courses to salespeople, improving the professional abilities of the salespeople, strengthening the processes of sales, and following regulation and risk control system.
- Planning every quarter marketing activities to promote financial management business and achieve the goal for the year fee income.
- The Bank observes related standard by education and training guidance to coordinate “Financial Consumer Protection Act” and “Personal Information Protection Act” execution.
- Holding the financial seminars irregularly for wealth management customers to share investment information, tax affairs plan, medicine general knowledge and health finance courses etc. to give them various finance news and correct finances and concept of risks.

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

- Last year (2013) the Bank handled capital increase by cash in TWD600 million to strengthen internal capital so that conformed to common equity ratio and Tier 1 capital ratio this year, respectively reached over the goals of 4% and 5.5%.
- Enhancing to control assets and liabilities in coordination to enable the management to be consistent and effective monitor risk on exposures.
- To strengthen inspection on various sources of funds and properties, dispose the most suitable distribution ratio to reach the goal of best income
- Tightly controlling source of funds and the usage of tenors and interest rates so as to reduce re-pricing risks and maximize net interest income to raise the Bank's profitability and value.
- To adjust fund on deposit/loan structure and reduce the wholesale deposits proportion, to save funding cost and increase petty deposits so that to spread risk
- To set up perfect risk management system in Balance Sheet and Off Balance Sheet Assets and carry out the execution, enabling the utilization of capital effectively and conforms to the principles of safety, liquidity and profitability.
- To promote of the Bank's credit and investment business, besides following the regulations of The Banking Act of The Republic of China and according to the business relevant provisions, and makes diversification of the risk in order to pursue the most effective utilization of capital, and observes the ceiling of industries, enterprise groups and countries to evade risks and losses.
- To carry out the plan and management of regulatory compliance to make sure comply with the law of banking operations.
- 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.
- Actively cultivates the core deposit client base, to obtain stable low cost funds, optimizes the liability structure, facilitates and increases the quantity of deposits for both sides effectiveness.
- Managing gaps of the sensibility of the interest rate of the assets and liabilities to reduce basis risks.
- Positively searches for the outlet of ample funds under no worries of stability, safety and liquidity to create profitability of assets by best allocation.
- Monitoring the limits of the market risk to balance returns against risks, to optimize asset allocation, and to maintain the safety and profitability of the capital.
- To Control the property quality strictly, adjust the investment portfolio flexible, grasp the interest rate trend any time to pursue the best income.

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

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

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

- Accumulation amount of consumption increased in TWD100 million in 2013. The Bank will treat the branches as the main force still in marketing in 2014 and bring the credit card business promotion into comparison of association examination and provide reward scheme to last the energy of business and promote the amount in paying by credit card.
- The reward scheme will provide in two ways for individuals and branches in order to strengthen the supervision for branches by management and colleagues may obtain the affirmation also get encouragement in fact.
- Continues to adopt the higher “cash back” plan to be the main axle for the credit card business, provides market segmentation with other banks to help branches in promoting.
- Branch managers review branch credit card achievement monthly in order to control branch promotion progress and result, and keep cares simultaneously on the credit card achievement to strengthen their promoting efforts.
- Continues to propose demand of computer programs to provide tools for branches to inquire the credit card promotion progress and actual consumption amount, and promotes actual accomplishments through colleagues by tracing the situation of cards using.
- Training employees to understand and be familiar with business, to handle customers’ queries with proficiency soon to maintain service and reduce error rate to be lowest.
- To implement staff work rotation to avoid influence on workmanship and may increase new skills of staff.
- Reviewing credit condition for revolving credit cardholders in half a year. If there is an unusual signal, the Bank will tighten credit line and track their payments every 1-3 months periodically to reduce risks.
- In connection with other departments of the Bank for the customers who have any record of housing loan to be extended in view, dishonored check and the risk notifies all carry on the risk control for terminating card, risk management and tracing procedure to reduce the possibility of loss.

5-1-2-2. Major Business Plans

The target of the Bank is to seek stable growth on profitability and scale. The Bank expects to offer convenient service channels and multi-financial services for local clients. Also, the Bank will actively strengthen to develop on-line financial system and the effectiveness of both physical and electronic internet financial service to manage the operation to be extended infinitely 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 order to improve operational conditions in 2014, the Bank plans to establish the branch of Da-Ya, and keeps enhancing a field of view on operation and relocate branches. In addition, the Bank will aim to strengthen items on risk management and the ability on assumption of risk, inspect on loan business operation and keep good quality of asset regularly to focus on low risk and competitive advantage, through diversification and customization to raise added value of various products so as to satisfy customers’ needs. The Bank will expand business to different market segmentation to gain new customers and niches for pursuing long-term balancing development and create sustainable operation.

The main business operation budget as follows:

Unit: TWD thousand; %

Business Item	2014 Budget	2013 Final	Increase Volume	
			Amount	%
Average Balance of Deposits	120,000,000	118,050,274	1,949,726	1.65
Average Balance of Loans	98,250,000	93,230,594	5,019,406	5.38
Wealth Management (Trust Amount)	5,000,000	4,735,524	264,476	5.58
Wealth Management (Insurance Broker Revenue)	71,565	84,675	-13,110	-15.48

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

5-1-2-3-1. Deposits

Budgeted average deposit balance in year 2014 is TWD120,000 million which is TWD1,950 million and 1.65% growth respectively higher than year 2013 mainly based on:

- To promote current deposit ratio, reduce funding cost and improve deposits structure.
- To keep simplifying operation procedures, lowering costs and raising efficiency in services.
- To implement customers visiting and strengthen development in communities, enhance the relationship with customers in order to consolidate the base of customers and expand the scale of current deposit.

5-1-2-3-2. Loans

Budgeted year 2014 average lending balance is TWD98,250 million which is TWD5,019 million and 5.38% growth respectively higher than year 2013. 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:

- To promote competition and effectively control quality of real estate, the Bank diversifies regions by grades and adopts method by differentiating the region classification and risk to distinguish loans ratio. Refers to real estate appraisal information platform of Joint Credit Information Center, the Bank valuation database and other relevant information platform of government to make appraisal become more transparent and rational.
- Monitoring various credit limits management, strengthening the risk supervising power, promoting property quality, enhancing the monitoring and management of various risks and to strengthen capital adequacy ratio of the Bank.
- Regular review pricing decision, loan-to-value and concentration degree of the Bank for land financing, construction financing and housing loan lending rate. So that the advantage carries out strengthened finance overseeing measure of the Central Bank on the real estate credit risk control.
- To simplify the operational procedure, displays efficiency and leads branches to develop the lending business.
- To execute SOP on credit investigation and loan management strictly, enhance the function of audit, take exact evaluation and control limits. Meanwhile, the Bank strengthens on tracing and management of loans and carries out review and audit of lending cases. To know well on the operation and cash flow of clients, supervise NPL ratio to prevent or reduce lending loss and keep safety on assets.
- The Bank adopts amortization on housing loan to prevent economic depression and the crisis of housing bubble. Also, to avoid extension on housing loan and reduce risks, the Bank treats the collaterals as second bottom line and obeys 5P rules in operation strictly.
- 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 strengthen obligation rights, raise coverage ratio and lower credit loan ratio. To deliver qualifications and make guarantee by Small and Medium Enterprise Credit Guarantee Fund of Taiwan to reduce the credit risk weight requirement.
- To coordinate government policy of promoting economic development and upgrading industries, the Bank provides overall credit plan and promotion strategy to enterprises to satisfy various call for fund of business
- In view of various finance demands of enterprise, the Bank plans to provide tailored-made products including investment, financial services from assets to liabilities.
- Credit personnel establish industrial profile analysis reports for relevant personnel regularly, with the aim of keeping up for various industries market trend.

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

Budgeted year 2014 trust asset balance is TWD5 billion, which is TWD260 million and 5.58% growth respectively higher than 2013. Budgeted revenue from insurance sales in 2014 is TWD71 million, which is downward adjustment 15.48% with 2013 due to environment-based and authority related policies influence. The Followings are status of the business:

- The Bank will set up Real Estate Trust Business to coordinate the performance bond agreement of presale house safety transaction of Ministry of the Interior.

- Enhancing promotion on Nursing and Pension Fund for covering with the elderly, children and underprivileged minority and program cash demand of the future to strengthen the quality of life.
- To hold trust seminars periodically to improve the quality and professional trust ability of staff to provide appropriate trust products to customers so as to achieve properties growth and goal of fee income increase of the Bank.
- To hold various wealth management seminars, strengthen education and training of the reserve finance advisors and promote professional skill of research writers for market investment information.
- To encourage staff transfer to be financial advisors to raise the ratio of employees and increase fee income of commission.
- To set up Fund APP system which including tools for financial advisors and customers each way to strengthen efforts in financial service and convenience for customers in investment and information acquisition.
- To hold financial related competition and activities to inspire financial advisors and all staff in developing business potential.

5-1-3. Market Analysis

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

The Bank primarily focuses on domestic market. Up to Dec. 31, 2013, the Bank owns 25 branches and 1 Offshore Banking Unit which spread over Taipei, New Taipei City, Taoyuan City, Hsinchu City, Taichung City, Changhua County, Changhua City, Tainan City and Kaohsiung City. The Bank will continue actively to develop the business foothold, so that to take advantage of expansion in market and service.

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

Under policy easing cross straits, financial industry was integrated into Free Economic Pilot Zones (FEPZ) and relating regulations have been relaxed, domestic banks business expand continually and bring many unprecedented opportunities. As Currency Liquidator Mechanism of the Cross-Strait established and many CNY related business have been opened which contributes much for trade finance and wealth management and makes growth for local banks.

In aware of Central Bank will continue stable and loose monetary policy in the short-term and according to competition of domestic financial market and thin spread in interest rate, financial institutions focus on lowering costs and raising loan coverage ratio to make adjustment and strengthen risk control by re-organization constantly.

5-1-3-3 Advantages in Competition

- Solid foundation of operation and customers accumulation, long-term faithful customers and has more advantages of small and medium financial institutions
- Based on innovative financial products in market coupled with advertising and marketing to expand market access. Combination of risk management and internal control, through workflow standardization, innovation and effectiveness, reduce operational risk and create core competitiveness and enhance our brand image and awareness rapidly.
- Flexible management system to explore niche actively in community banking market which including personal finance, corporate finance and wealth management business.
- To set up operation system and enhance marketing capability to improve banking profits.

5-1-3-4 Development prospects of advantages, adverseness and countermeasures

- Advantages
 - To improve structure of the Bank's deposits and assets quality continually to develop business more robust in the future.
 - Work hard in local region and control advantage of customer base to raise scale of loan & deposit business and expand operations

- Slow recovery in domestic economy is expected in 2014 will provide an impetus for enterprises in financing demand and consumption power that promotes the growth of lending and wealth management business
- Disadvantages
 - Expansion of cross-strait financial policies and financial liberalization to make market change rapidly and face increasing competition as well.
 - Overlapping and highly homogeneity in domestic financial business brings out price competition to result in lower profitability and asset quality
 - Small size asset and low bargaining ability in the competitive market will narrow spread in interest rate.
- Countermeasures
 - Focus on research and development in new financial products and keep existing customers closely, maintain long-term partnerships by differential integrated marketing and expand customer base.
 - To raise current deposit proportion and improve deposit structure to reduce funding cost.
 - To strengthen education and training continually for improving staff professionalism and service quality to promote all staff marketing ability
 - To manage sound operation system and strengthen capital structure, improve the ability of risk tolerance as well.

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: Major Financial Product include TWD and G7 currency deposit 、 consumer loan 、 corporate lending 、 import and export of foreign currency remittance 、 exchange 、 finances advisor 、 trust product and credit card services, please refer to this annual report part 5: Business Operation
- New-established Units:
 - A. April 19, 2013: Zhongzheng Mini Branch was incorporate into Banking Dept..
 - June 21, 2013: Fengle Mini Branch was incorporate into Zhongshan branch.
 - B. July 24, 2013: set up Fengshan 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 2012: TWD2,678 thousand ; Year 2013: TWD3,032 thousand.

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

- Increase firewall hardware, Source Code Analysis, Financial information service remittance and ATM host business system encrypt
- Use Microsoft's AD system to control computer permissions to observe to Personal Information Protection Law
- Update the computer and upgrade the system
- Re-develop internet banking program to enhance functions of use and safety
- Update passbook entry machine to increase customer satisfaction degree
- Replacement partial of ATM to build a good space for disabled persons
- To build consumer finance electronic management system, document warehouse management system
- To develop pad system of valuation
- Combined financial and insurance planning to enhance service efficiency

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

- Establish standard and simplify operating processes and enhance of IT system integrator
- Apply to the FSC for set up branch in rural areas to expand marketing channel
- Development of new financial product like mobile payment, third-party payment
- New open Gold business to provide customer more investment choices
- 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.
- Aggressive to create new trust product to enhance bank's competitive about the trust business
- To research by TSM (Trusted Service Manager) platform that makes the financial payment tools to combine to mobile phone via NFC (Near Field Communication) technology to pay near-end and develop the possibility of mobile payment service in the future.
- When entered the meager profit time, customer got more willing to put more focus on RMB-related business. In order to fulfill customer's requirement, we keep paying attention to develop customized product and services to provide best wealth management of service.
- To keep develop cross-board of cash flow service platform in order to get the latest financial market context and trends all the time.
- To construct sound risk management organizations and mechanisms to assess and monitor the efficiency of credit risk, market risk, operational risk and liquidity risk enhancing performance and asset quality.



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

5-1-5-1. For our Short Term Business Development Plan, please refer to our profile of Business Plans for Year 2014.

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

- To strengthen capital quality, improve finance structure and profit stability's strategy to upgrade ROE
- To deep work hard with middle market corporate clients to expand corporate banking business, adjust capital allocation and business diversification so as to increase profitability
- To keep adjusting presence to enhance value of channels, and to increase market share through increased local customers' involvement A
- To increase NII and fee income to push total performance. Also, in the era of micro profit, it is a must-do job to increase profitability through optimizing deposit structure, expanding NII and increasing risk-free fee income.
- To maintain lower non-performing loan and better-than-industry of coverage ratio so as to strengthen risk management.
- To enhance performance management, cultivate potential managers and upgrade staffs' quality in order to strengthen marketing capability.
- To tightly monitor all business risks so to reduce default probability and stabilize profitability.
- To apply strategy alliance to expand business opportunity and profit generation.
- To enhance wealth management team through professional training program so as to offer more professional service to clients.
- To upgrade MIS system to achieve a purpose of safer trading environment.
- To build up a harmonic corporate culture, and to react the aim of social responsibility.

5-2. Human Capital

Information of Educational Background for Employees in Recent 2 Years

Item	Year	2012	2013	Up to Feb. 28, 2014
Number of Employee		1,114	1,123	1,117
Average Age		38.58	39.15	39.30
Average Seniority		12.08	12.53	12.70
Structure of Education	PHD	1	1	1
	Master	52	63	63
	University/College	875	871	869
	Senior High School	183	185	181
	Below	3	3	3

Certificated Proficiency Tests of Employees	Total (Up to Feb. 28, 2014)
Basic Proficiency Test for Bank Lending Personnel	551
Advanced Proficiency Test for Bank Lending Personnel	33
Proficiency Test for Bank Collateral Appraisal Personnel	34
Basic Proficiency Test for International Banking Personnel	266
Proficiency Test for Foreign Exchange Trading Personnel	40
Proficiency Test for Financial Planning Personnel	344
Test for Small-Medium Business Financial Staff	144
Proficiency Test for Trust Operations Personnel	684
Proficiency Test for Obligation & Debt Collection Personnel	165
Proficiency Test for Bank Internal Control and Audit Personnel	732
Proficiency Test for Financial Risk Management Personnel	3
Securities Investment Analysts	9
Senior Securities Specialist	158
Securities Specialist	95
Future Specialist	132
Securities Investment Trust & Consulting Professionals	152
Qualified Test for Bill Finance Specialist	63
Proficiency Test for Bond Specialist	17
Proficiency Test for Stock Affair Specialist	9
Basic Ability Test for Asset Securitization	6
Personal Insurance Specialist	609
Test for Life Insurance Specialist (Foreign Currency Base) – Non Investing Insurance Products	359
Investing Insurance Specialist	400
Non-life Insurance Specialist	554
Personal Risk Manager	1
Financial Risk Management (FRM)	1
Accountant	1
Land Registry Agent	1
Non-life Insurance Agent	1
Personal Insurance Agent	1
Personal Insurance Broker	1
General English Placement Test – Advance	3
General English Placement Test – Basic	16
TOEIC score above 880	2
TOEIC score 750-880	3
TOEIC score 550-750	7
TOEIC score 350-550	7

5-3. Responsibility and Ethical Code

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

5-4. IT Equipment

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

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

In respond to the implementation Personal Information Protection Act, prevent data leakage, enhance with query, restriction on use data and record. Build up environment of AD (Active Directory), strengthen the management of Terminal computer equipment using and we built up LDP (Data Loss Prevention/Protection) system to intercept the possible leaking of personal information through Email or internet. On the safety of web page, we have purchased web page safety testing system to prevent from the leaking of program.

The Bank uses Mirror Disks to protect all transactions data completely and keeps duplicates of disc and magnetic film every working day. To enhance secure transactions, we set up strictly control and management of Internet banking platform. Main communication equipment applied HA framework so that on-line automatic replacement is available when it failed. There is a hard copy for surrounded equipments and with a system safety controlling mechanism so as to guarantee safety of transactions.

5-5. Labor-Management Relationship

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

5-5-1-1. Group Insurance

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

5-5-1-2. Bonus

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

5-5-1-3. Incentive Interest Rate

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

5-5-1-4. Security and Hygiene

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

5-5-1-5. Staff Proficiency Training

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

The Bank's pension fund is pursuant to old-version and updated version which based on Labor Law for "Staff Retirement Plan". The benefit payments and credits suit separately by the above-mentioned plans and based on the years of service and final salary. In accordance with Labor Law, we will calculate 15% of total salaried employees by month (exclude appointed managerial employee) to be retirement payment that was deposited in the pension account in the Bank of Taiwan. We have another account for appointed management that calculated 8% of their salary each month. Up to 31 Dec. 2013, there is 389 staff (34.9% of employees) choosing the old version, 725 staff (65.1% of employees) choosing new version. The Bank has no significant argument between employee and employer at present.

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

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

5-6. 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, 2013 to Apr. 1, 2014	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. Information of Approved Securitized Products in Recent Years: None

6

Financial Status

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

6-1-1. Condensed Balance Sheet and statement of comprehensive income under IFRS

Consolidated Condensed Balance Sheet

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years					Up to 2014/02/28
		2013	2012	2011	2010	2009	
Cash, Cash equivalents, due from the Central Bank, and call loan to other banks		24,155,762	25,034,337	N/A	N/A	N/A	23,794,349
Financial asset or Financial Liability at fair value through profit or loss		1,839,732	2,169,921	N/A	N/A	N/A	2,125,650
Available-for-sale financial assets		2,005,933	2,366,152	N/A	N/A	N/A	2,355,973
Derivative Financial Assets for Hedging		-	-	N/A	N/A	N/A	-
Bonds and bills purchased under resale agreements		699,901	1,649,290	N/A	N/A	N/A	799,303
Net Receivables		388,636	384,692	N/A	N/A	N/A	382,167
Current tax Assets		-	23,550	N/A	N/A	N/A	3,665
Assets Held for Sell		-	-	N/A	N/A	N/A	-
Net Discounts and Loans		96,230,478	87,964,356	N/A	N/A	N/A	95,587,819
Held-to-maturity financial assets		3,535,588	4,523,617	N/A	N/A	N/A	3,470,460
Long-term investments under equity method		-	-	N/A	N/A	N/A	-
Restricted assets		-	-	N/A	N/A	N/A	-
Other financial assets		182,484	205,909	N/A	N/A	N/A	183,186
Net property and equipment		1,364,750	1,358,417	N/A	N/A	N/A	1,362,636
Investment property		691,906	547,215	N/A	N/A	N/A	691,800
Intangible assets		109,246	110,300	N/A	N/A	N/A	108,841
Deferred tax assets		233,766	213,632	N/A	N/A	N/A	233,766
Other assets		78,482	94,587	N/A	N/A	N/A	389,307
Total Assets		131,516,643	126,645,052	N/A	N/A	N/A	131,488,922
Deposits to The Central Bank and other banks		114,090	652,003	N/A	N/A	N/A	109,934
Financing to The Central Bank and other banks		-	-	N/A	N/A	N/A	-
financial liability at fair value through loss		237	1,781	N/A	N/A	N/A	266
Hedging derivative financial liabilities		-	-	N/A	N/A	N/A	-
Bonds and bills held under repurchased agreements		-	-	N/A	N/A	N/A	-
Accounts Payable		721,644	714,472	N/A	N/A	N/A	781,478
Current tax liability		14,909	76,018	N/A	N/A	N/A	28,918

Descriptions	Year	Financial data during recent 5 years					Up to 2014/02/28
		2013	2012	2011	2010	2009	
Liabilities directly associated with assets held for sale		-	-	N/A	N/A	N/A	-
Deposits and remittances		121,910,933	117,510,391	N/A	N/A	N/A	121,772,654
Bond payable		1,500,000	1,500,000	N/A	N/A	N/A	1,500,000
preference share liabilities		-	-	N/A	N/A	N/A	-
Other financial liabilities		-	-	N/A	N/A	N/A	-
Provision		448,132	502,254	N/A	N/A	N/A	454,049
Deferred tax liabilities		116,757	111,412	N/A	N/A	N/A	116,757
Other liabilities		362,996	298,792	N/A	N/A	N/A	328,539
Total liabilities	Before allocation	125,189,698	121,367,123	N/A	N/A	N/A	125,092,595
	After allocation	Note. 1	121,439,328	N/A	N/A	N/A	N/A
Equity attributable to owners of the parent		6,326,945	5,277,929	N/A	N/A	N/A	6,396,327
Share capital		4,919,543	4,247,338	N/A	N/A	N/A	4,919,543
Capital reserve		892,589	884,333	N/A	N/A	N/A	892,589
Retained earnings	Before allocation	508,253	135,666	N/A	N/A	N/A	556,141
	After allocation	Note.1	-8,744(Note3)	N/A	N/A	N/A	N/A
Other components		6,560	10,592	N/A	N/A	N/A	28,054
Treasury Shares		-	-	N/A	N/A	N/A	-
non-controlling interests		-	-	N/A	N/A	N/A	-
Total Shareholders' equity	Before allocation	6,326,945	5,277,929	N/A	N/A	N/A	6,396,327
	After allocation	Note.1	5,205,724	N/A	N/A	N/A	N/A

Note:

1. The earnings distribution for 2013 has not been approved by the Shareholders' General Meeting in 2014.
2. 2013 Implementation evaluation Impairment of individual assets, Recognition Impairment of Assets and Reversal gains TWD145,327thousand.
3. 2013 Implementation IFRS, Retrospectively Recognition adjusted 2012 Retained earnings.
4. Financial information unaudited by Certified public accountants review on February 2, 2014.
5. Financial information included adjustment by Certified public accountants on February 2, 2014 and realized investment income 736 (in TWD thousand) in February 2014.



Consolidated Statement of Comprehensive Income

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years					Up to 2014/02/28
		2013	2012	2011	2010	2009	
Interest income		3,133,722	3,053,476	N/A	N/A	N/A	531,926
Interest expense (Minus)		1,065,307	1,044,144	N/A	N/A	N/A	177,490
Net Interest income		2,068,415	2,009,332	N/A	N/A	N/A	354,436
Other net interest income		495,781	334,790	N/A	N/A	N/A	72,600
Net income		2,564,367	2,344,122	N/A	N/A	N/A	427,036
Provision for bad debt expense and guarantees		402,713	503,331	N/A	N/A	N/A	66,321
Operating expense		1,589,294	1,589,168	N/A	N/A	N/A	277,573
Income from continuing operations before income taxes		572,360	251,623	N/A	N/A	N/A	83,142
Tax income (expense)		(76,608)	(54,748)	N/A	N/A	N/A	(14,009)
Net profit from continuing operations		495,752	196,875	N/A	N/A	N/A	69,133
profit or loss from discontinuing operations		-	-	N/A	N/A	N/A	-
Current net profit (or loss)		495,752	196,875	N/A	N/A	N/A	69,133
Current other comprehensive income (after taxes)		17,213	(64,870)	N/A	N/A	N/A	254
Current Total other comprehensive income		512,965	132,005	N/A	N/A	N/A	69,387
Net profit attributable to owners of the parent		495,752	196,875	N/A	N/A	N/A	69,133
Net profit to non-controlling interests		-	-	N/A	N/A	N/A	-
Current Total other comprehensive income to owners of the parent		512,965	132,005	N/A	N/A	N/A	69,387
Current Total other comprehensive income to non-controlling interests		-	-	N/A	N/A	N/A	-
Earnings per share		1.10	0.46	N/A	N/A	N/A	0.14

Note:

1. Certified public accountants:

Shi-Hua Guo and Yuan-Chen Mei for 2012~2013

2. Opinions:

No retained opinion in 2012, Standard Unqualified Opinion in 2013.

3. Financial information unaudited by Certified public accountants

review on February 28, 2014.

4. Financial information included adjustment by Certified public

accountants on February 28, 2014 and realized investment income

736 (in TWD thousand) in February 2014.



Entity Condensed Balance Sheet

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years					Up to 2014/02/28
		2013	2012	2011	2010	2009	
Cash, Cash equivalents, due from the Central Bank, and call loan to other banks		24,155,789	25,034,333	N/A	N/A	N/A	23,794,349
Financial asset or Financial Liability at fair value through profit or loss		1,839,732	2,169,921	N/A	N/A	N/A	2,125,650
Available-for-sale financial assets		2,005,933	2,366,152	N/A	N/A	N/A	2,355,973
Derivative Financial Assets for Hedging		-	-	N/A	N/A	N/A	-
Bonds and bills purchased under resale agreements		699,901	1,649,290	N/A	N/A	N/A	799,303
Net Receivables		388,636	384,692	N/A	N/A	N/A	384,356
Current tax Assets		-	23,550	N/A	N/A	N/A	3,665
Assets Held for Sell		-	-	N/A	N/A	N/A	-
Net Discounts and Loans		96,230,478	87,964,356	N/A	N/A	N/A	95,587,819
Held-to-maturity financial assets		3,535,588	4,523,617	N/A	N/A	N/A	3,470,460
Long-term investments under equity method		21,514	20,808	N/A	N/A	N/A	24,842
Restricted assets		-	-	N/A	N/A	N/A	-
Other financial assets		182,484	205,909	N/A	N/A	N/A	183,186
Net property and equipment		1,364,602	1,358,359	N/A	N/A	N/A	1,362,494
Investment property		691,906	547,215	N/A	N/A	N/A	691,800
Intangible assets		109,246	110,300	N/A	N/A	N/A	108,841
Deferred tax assets		233,766	213,632	N/A	N/A	N/A	233,766
Other assets		78,470	94,178	N/A	N/A	N/A	387,298
Total Assets		131,536,015	126,666,312	N/A	N/A	N/A	131,513,799
Deposits to The Central Bank and other banks		114,090	652,003	N/A	N/A	N/A	109,934
Financing to The Central Bank and other banks		-	-	N/A	N/A	N/A	-
financial liability at fair value through loss		237	1,781	N/A	N/A	N/A	266
Hedging derivative financial liabilities		-	-	N/A	N/A	N/A	-
Bonds and bills held under repurchased agreements		-	-	N/A	N/A	N/A	-
Accounts Payable		723,192	715,292	N/A	N/A	N/A	786,354
Current tax liability		13,577	73,620	N/A	N/A	N/A	27,586
Liabilities directly associated with assets held for sale		-	-	N/A	N/A	N/A	-
Deposits and remittances		121,930,708	117,533,609	N/A	N/A	N/A	121,794,647
Bond payable		1,500,000	1,500,000	N/A	N/A	N/A	1,500,000
preference share liabilities		-	-	N/A	N/A	N/A	-

Descriptions		Financial data during recent 5 years					Up to 2014/02/28
		2013	2012	2011	2010	2009	
Other financial liabilities		-	-	N/A	N/A	N/A	-
Provision		448,132	502,254	N/A	N/A	N/A	454,049
Deferred tax liabilities		116,757	111,412	N/A	N/A	N/A	116,757
Other liabilities		362,996	298,412	N/A	N/A	N/A	327,879
Total liabilities	Before allocation	125,209,070	121,388,383	N/A	N/A	N/A	125,117,472
	After allocation	Note. 1	121,460,588	N/A	N/A	N/A	N/A
Equity attributable to owners of the parent		6,326,945	5,277,929	N/A	N/A	N/A	6,396,327
Share capital		4,919,543	4,247,338	N/A	N/A	N/A	4,919,543
Capital reserve		892,589	884,333	N/A	N/A	N/A	892,589
Retained earnings	Before allocation	508,253	135,666	N/A	N/A	N/A	556,141
	After allocation	Note.1	-8,744(Note3)	N/A	N/A	N/A	N/A
Other components		6,560	10,592	N/A	N/A	N/A	28,054
Treasury Shares		-	-	N/A	N/A	N/A	-
non-controlling interests		-	-	N/A	N/A	N/A	-
Total Shareholders' equity	Before allocation	6,326,945	5,277,929	N/A	N/A	N/A	6,396,327
	After allocation	Note.1	5,205,724	N/A	N/A	N/A	N/A

Note:

1. The earnings distribution for 2013 has not been approved by the Shareholders' General Meeting in 2014.
2. 2013 Implementation evaluation Impairment of individual assets, Recognition Impairment of Assets and Reversal gains TWD145,327thousand.
3. 2013Implementation IFRS, Retrospectively Recognition adjusted 2012 Retained earnings.
4. Financial information unaudited by Certified public accountants review on February 2, 2014.
5. Financial information included adjustment by Certified public accountants on February 2, 2014 and realized investment income 736 (in TWD thousand) in February 2014.



Entity Statement of Comprehensive Income

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years					Up to 2014/02/28
		2013	2012	2011	2010	2009	
Interest income		3,133,722	3,053,476	N/A	N/A	N/A	531,926
Interest expense (Minus)		1,065,307	1,044,254	N/A	N/A	N/A	177,532
Net Interest income		2,068,415	2,009,222	N/A	N/A	N/A	354,394
Other net interest income		462,295	295,151	N/A	N/A	N/A	65,834
Net income		2,530,710	2,304,373	N/A	N/A	N/A	420,228
Provision for bad debt expense and guarantees		402,713	503,331	N/A	N/A	N/A	66,321
Operating expense		1,558,492	1,552,431	N/A	N/A	N/A	270,765
Income from continuing operations before income taxes		569,505	248,611	N/A	N/A	N/A	83,142
Tax income (expense)		(73,753)	(51,736)	N/A	N/A	N/A	(14,009)
Net profit from continuing operations		495,752	196,875	N/A	N/A	N/A	69,133
profit or loss from discontinuing operations		-	-	N/A	N/A	N/A	-
Current net profit (or loss)		495,752	196,875	N/A	N/A	N/A	69,133
Current other comprehensive income (after taxes)		17,213	(64,870)	N/A	N/A	N/A	254
Current Total other comprehensive income		512,965	132,005	N/A	N/A	N/A	69,387
Net profit attributable to owners of the parent		495,752	196,875	N/A	N/A	N/A	69,133
Net profit to non-controlling interests		-	-	N/A	N/A	N/A	-
Current Total other comprehensive income to owners of the parent		512,965	132,005	N/A	N/A	N/A	69,387
Current Total other comprehensive income to non-controlling interests		-	-	N/A	N/A	N/A	-
Earnings per share		1.10	0.46	N/A	N/A	N/A	0.14

1. Certified public accountants:

Shi-Hua Guo and Yuan-Chen Mei for 2012~2013

2. Opinions:

No retained opinion in 2012, Standard Unqualified Opinion in 2013.

3. Financial information unaudited by Certified public accountants review on February 2, 2014.

4. Financial information included adjustment by Certified public accountants on February 2, 2014 and realized investment income 736 (in TWD thousand) in February 2014.



6-1-2. Condensed Balance Sheet and statement of comprehensive income under ROC GAAP

Condensed Balance Sheet

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years					Up to 2014/02/28
		2013	2012	2011	2010	2009	
Cash, Cash equivalents, due from the Central Bank, and call loan to other banks		N/A	N/A	29,485,619	24,486,177	26,435,656	N/A
Financial assets measured at fair value through profit or loss		N/A	N/A	1,766,453	758,415	737,002	N/A
Bonds and bills purchased under resale agreements		N/A	N/A	600,004	-	-	N/A
Available-for-sale financial assets		N/A	N/A	2,388,593	1,603,087	1,934,258	N/A
Discounts and Loans		N/A	N/A	82,215,491	84,784,456	75,527,272	N/A
Receivables		N/A	N/A	496,407	433,779	469,463	N/A
Held-to-maturity financial assets		N/A	N/A	2,216,109	1,339,785	1,394,552	N/A
Long-term investments under equity method		N/A	N/A	11,399	8,465	6,313	N/A
Fixed assets		N/A	N/A	1,193,297	1,112,852	1,307,502	N/A
Intangible assets		N/A	N/A	110,183	111,557	166,205	N/A
Other financial assets		N/A	N/A	235,094	255,364	381,967	N/A
Other assets		N/A	N/A	865,413	946,561	749,059	N/A
Total Assets		N/A	N/A	121,584,062	115,840,498	109,109,249	N/A
Due to The Central Bank and other banks		N/A	N/A	229,915	21,441	17,372	N/A
Deposits and remittances		N/A	N/A	113,129,625	106,746,372	100,852,795	N/A
Financial liabilities measured at fair value through profit or loss		N/A	N/A	-	24,325	173	N/A
Bonds and bills held under repurchased agreements		N/A	N/A	-	-	-	N/A
Loans from banks and financial debentures		N/A	N/A	1,500,000	2,499,754	2,498,773	N/A
Preferred stock		N/A	N/A	-	-	-	N/A
Accrued pension liability		N/A	N/A	171,551	202,777	57,729	N/A
Other financial liabilities		N/A	N/A	-	-	-	N/A
Other liabilities		N/A	N/A	1,138,980	1,171,937	1,001,159	N/A
Total liabilities	Before allocation	N/A	N/A	116,170,071	110,666,606	104,428,001	N/A
	After allocation	N/A	N/A	116,236,957	110,729,313	104,449,348	N/A
Common stock		N/A	N/A	4,180,451	4,180,451	3,680,451	N/A
Capital reserve		N/A	N/A	884,299	884,299	878,099	N/A
Retained earnings	Before allocation	N/A	N/A	231,671	102,130	31,010	N/A
	After allocation	N/A	N/A	97,897	39,423	9,663	N/A
Unrealized gains on financial instruments		N/A	N/A	24,927	22,400	24,270	N/A

Descriptions	Year	Financial data during recent 5 years					Up to 2014/02/28
		2013	2012	2011	2010	2009	
Cumulative foreign currency translation adjustment		N/A	N/A	-	(2,087)	124	N/A
Other shareholder's equity		N/A	N/A	92,643	(13,301)	67,294	N/A
Total Shareholders' equity	Before allocation	N/A	N/A	5,413,991	5,173,892	4,681,248	N/A
	After allocation	N/A	N/A	5,347,105	5,111,185	4,659,901	N/A

Condensed Income Statement

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years					Up to 2014/02/28
		2013	2012	2011	2010	2009	
Net interest income		N/A	N/A	1,857,470	1,647,778	1,341,353	N/A
Other net interest income		N/A	N/A	245,685	309,668	427,550	N/A
Bad debt expense		N/A	N/A	428,190	472,606	428,213	N/A
Operating expense		N/A	N/A	1,453,324	1,347,005	1,279,361	N/A
Income from continuing operations before income taxes		N/A	N/A	221,641	137,835	61,329	N/A
Income from continuing operations after income taxes		N/A	N/A	192,248	92,467	31,010	N/A
Gain(loss) from discontinuing operations (after income taxes)		N/A	N/A	-	-	-	N/A
Extraordinary gain or loss (after income taxes)		N/A	N/A	-	-	-	N/A
Cumulative effect of changes in accounting principle Net income (after income taxes)		N/A	N/A	-	-	-	N/A
Net income		N/A	N/A	192,248	92,467	31,010	N/A
Earnings per share		N/A	N/A	0.46	0.24	0.08	N/A

1. Certified public accountants:

Jun-Man Chen and Shi-Hua Guo for 2009~2011

Shi-Hua Guo and Yuan-Chen Mei for 2012~2013

2. Opinions: no retained opinion in 2009~2010, modified no retained opinion in 2011, no retained opinion in 2012, standard unqualified opinion in 2013.



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

6-2-1. Under IFRS

Unit: TWD thousand; %

Descriptions		Year	Financial analysis during recent 5 years					Up to
			2013	2012	2011	2010	2009	2014/02/28
Operating Capability	Loans to deposits ratio (%)		80.78	76.43	N/A	N/A	N/A	N/A
	Overdue loan ratio (%)		0.36	0.37	N/A	N/A	N/A	N/A
	Interest expense to average balance of deposits ratio (%)		0.89	0.91	N/A	N/A	N/A	N/A
	Interest income to average balance of loans ratio (%)		3.24	3.41	N/A	N/A	N/A	N/A
	Total assets turnover (times)		0.02	0.02	N/A	N/A	N/A	N/A
	Average operating revenue per employee		2,224	2,051	N/A	N/A	N/A	N/A
	Average earnings per employee		430	172	N/A	N/A	N/A	N/A
Profitability	Return on first capital type assets (%)		10.26	4.93	N/A	N/A	N/A	N/A
	ROA (%)		0.38	0.16	N/A	N/A	N/A	N/A
	ROE (%)		8.54	3.75	N/A	N/A	N/A	N/A
	Net income ratio (%)		19.33	8.40	N/A	N/A	N/A	N/A
	EPS (loss)		1.10	0.46	N/A	N/A	N/A	N/A
Financial structure	Ratio of liabilities to assets		95.19	95.83	N/A	N/A	N/A	N/A
	Ratio of fix assets to shareholder's equity		21.57	25.74	N/A	N/A	N/A	N/A
Growth Rate	Asset growth rate (%)		3.85	4.10	N/A	N/A	N/A	N/A
	Profitability growth rate (%)		127.47	N/A	N/A	N/A	N/A	N/A
Cash flow	Cash flow ratio		-191.16	-336.18	N/A	N/A	N/A	N/A
	Cash flow adequacy ratio		N/A	N/A	N/A	N/A	N/A	N/A
	Ratio of cash flow for operating to cash flow from investing		4,837.33	16,484.84	N/A	N/A	N/A	N/A
Liquid Reserves Ratio (%)			16.40	20.07	N/A	N/A	N/A	N/A
Secured Loans to Related Parties			747,910	685,456	N/A	N/A	N/A	N/A
Secured Loans to Related Parties to Total Outstanding Loans Ratio (%)			0.74	0.74	N/A	N/A	N/A	N/A
Operation Scale	Market share of assets (%)		0.23	0.24	N/A	N/A	N/A	N/A
	Market share of net worth (%)		0.15	0.13	N/A	N/A	N/A	N/A
	Market share of deposits (%)		0.45	0.46	N/A	N/A	N/A	N/A
	Market share of loan (%)		0.46	0.43	N/A	N/A	N/A	N/A

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

1. Average profit per employee, first class return on capital, return on assets, return on equity, net profit margin, earnings per share, the rate of growth rate, the cash turnover, cash flow coverage ratio ... change has not reached 20% to exempt the analysis because Implementation evaluation Impairment of individual assets, Recognition Impairment of Assets and Reversal gains.

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

Unit: TWD thousand; %

Items			Year	Capital Adequacy Ratio of Recent Five Year					Up to
			2013	2012	2011	2010	2009	2014/02/28	
Net Capital	Common equity		5,996,666	N/A	N/A	N/A	N/A	N/A	
	Other non-common equity of Tier I Capital		-	N/A	N/A	N/A	N/A	N/A	
	Tier I Capital		2,167,578	N/A	N/A	N/A	N/A	N/A	
	Net Capital Base		8,164,244	N/A	N/A	N/A	N/A	N/A	
Total Weighted Risk Assets	Credit Risk	Standardized Approach	72,125,004	N/A	N/A	N/A	N/A	N/A	
		Internal-rating-based Approach	-	N/A	N/A	N/A	N/A	N/A	
		Securitization	-	N/A	N/A	N/A	N/A	N/A	
	Operational Risk	Basic Indicator Approach	-	N/A	N/A	N/A	N/A	N/A	
		Standardized Approach / Alternative Approach	4,209,427	N/A	N/A	N/A	N/A	N/A	
		Advanced Measurement Approach	-	N/A	N/A	N/A	N/A	N/A	
	Market Risk	Standardized Approach	2,098,803	N/A	N/A	N/A	N/A	N/A	
		Internal Model Approach	-	N/A	N/A	N/A	N/A	N/A	
	Total Risk-weighted Assets		78,433,234	N/A	N/A	N/A	N/A	N/A	
Capital Adequacy Ratio			10.41	N/A	N/A	N/A	N/A	N/A	
Tier I Capital to Risk Assets Ratio			7.65	N/A	N/A	N/A	N/A	N/A	
Common equity to Risk Assets Ratio			7.65	N/A	N/A	N/A	N/A	N/A	
Leverage rate			3.94	N/A	N/A	N/A	N/A	N/A	

Note:

1. Net Capital Base = Common equity + Other non-common equity of Tier I Capital + Tier II 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 = (Common equity + Other non-common equity of Tier I Capital) / Total Risk Asset
5. Common equity to Risk Assets Ratio = Common equity / Total Risk Asset
6. Leverage rate = Net Tier I Capital / Total risk exposure



6-2-2. Under ROC GAAP

Unit: TWD thousand; %

Descriptions		Financial analysis during recent 5 years					Up to 2014/02/28
		2013	2012	2011	2010	2009	
Operating Capability	Loans to deposits ratio (%)	80.77	76.42	N/A	N/A	N/A	N/A
	Overdue loan ratio (%)	0.36	0.37	N/A	N/A	N/A	N/A
	Interest expense to average balance of deposits ratio (%)	0.89	0.91	N/A	N/A	N/A	N/A
	Interest income to average balance of loans ratio (%)	3.24	3.41	N/A	N/A	N/A	N/A
	Total assets turnover (times)	0.02	0.02	N/A	N/A	N/A	N/A
	Average operating revenue per employee	2,216	2,032	N/A	N/A	N/A	N/A
	Average earnings per employee	434	174	N/A	N/A	N/A	N/A
Profitability	Return on first capital type assets (%)	10.21	4.87	N/A	N/A	N/A	N/A
	ROA (%)	0.38	0.16	N/A	N/A	N/A	N/A
	ROE (%)	8.54	3.75	N/A	N/A	N/A	N/A
	Net income ratio (%)	19.59	8.54	N/A	N/A	N/A	N/A
	EPS (loss)	1.10	0.46	N/A	N/A	N/A	N/A
Financial structure	Ratio of liabilities to assets	95.19	95.83	N/A	N/A	N/A	N/A
	Ratio of fix assets to shareholder's equity	21.57	25.74	N/A	N/A	N/A	N/A
Growth Rate	Asset growth rate (%)	3.84	4.11	N/A	N/A	N/A	N/A
	Profitability growth rate (%)	129.07	N/A	N/A	N/A	N/A	N/A
Cash flow	Cash flow ratio	-191.02	-336.01	N/A	N/A	N/A	N/A
	Cash flow adequacy ratio	N/A	N/A	N/A	N/A	N/A	N/A
	Ratio of cash flow for operating to cash flow from investing	5,113.17	16,726.06	N/A	N/A	N/A	N/A
Liquid Reserves Ratio (%)		16.40	20.07	N/A	N/A	N/A	N/A
Secured Loans to Related Parties		747,910	685,456	N/A	N/A	N/A	N/A
Secured Loans to Related Parties to Total Outstanding Loans Ratio (%)		0.74	0.74	N/A	N/A	N/A	N/A
Operation Scale	Market share of assets (%)	0.23	0.24	N/A	N/A	N/A	N/A
	Market share of net worth (%)	0.15	0.13	N/A	N/A	N/A	N/A
	Market share of deposits (%)	0.45	0.46	N/A	N/A	N/A	N/A
	Market share of loan (%)	0.46	0.43	N/A	N/A	N/A	N/A

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

1. Average profit per employee, first class return on capital, return on assets, return on equity, net profit margin, earnings per share, the rate of growth rate, the cash turnover, cash flow coverage ratio ... change has not reached 20% to exempt the analysis because Implementation evaluation Impairment of individual assets, Recognition Impairment of Assets and Reversal gains.

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

Unit: TWD thousand; %

Items			Year	Capital Adequacy Ratio of Recent Five Year					Up to
			2013	2012	2011	2010	2009	2014/02/28	
Net Capital	Common equity		5,996,666	N/A	N/A	N/A	N/A	N/A	
	Other non-common equity of Tier I Capital		-	N/A	N/A	N/A	N/A	N/A	
	Tier I Capital		2,167,578	N/A	N/A	N/A	N/A	N/A	
	Net Capital Base		8,164,244	N/A	N/A	N/A	N/A	N/A	
Total Weighted Risk Assets	Credit Risk	Standardized Approach	72,125,004	N/A	N/A	N/A	N/A	N/A	
		Internal-rating-based Approach	-	N/A	N/A	N/A	N/A	N/A	
		Securitization	-	N/A	N/A	N/A	N/A	N/A	
	Operational Risk	Basic Indicator Approach	-	N/A	N/A	N/A	N/A	N/A	
		Standardized Approach / Alternative Approach	4,209,427	N/A	N/A	N/A	N/A	N/A	
		Advanced Measurement Approach	-	N/A	N/A	N/A	N/A	N/A	
	Market Risk	Standardized Approach	2,098,803	N/A	N/A	N/A	N/A	N/A	
		Internal Model Approach	-	N/A	N/A	N/A	N/A	N/A	
	Total Risk-weighted Assets		78,433,234	N/A	N/A	N/A	N/A	N/A	
	Capital Adequacy Ratio			10.41	N/A	N/A	N/A	N/A	N/A
Tier I Capital to Risk Assets Ratio			7.65	N/A	N/A	N/A	N/A	N/A	
Common equity to Risk Assets Ratio			7.65	N/A	N/A	N/A	N/A	N/A	
Leverage rate			3.94	N/A	N/A	N/A	N/A	N/A	

Note:

1. Net Capital Base = Common equity + Other non-common equity of Tier I Capital + Tier II 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 = (Common equity + Other non-common equity of Tier I Capital) / Total Risk Asset
5. Common equity to Risk Assets Ratio = Common equity / Total Risk Asset
6. Leverage rate = Net Tier I Capital / Total risk exposure



6-2-3. Under ROC GAAP

Unit: TWD thousand; %

Descriptions		Year	Financial analysis during recent 5 years					Up to 2014/02/28
			2013	2012	2011	2010	2009	
Operating Capability	Loans to deposits ratio (%)		N/A	N/A	72.67	80.19	75.76	N/A
	Overdue loan ratio (%)		N/A	N/A	0.43	0.82	2.13	N/A
	Interest expense to average balance of deposits ratio (%)		N/A	N/A	0.90	0.77	1.08	N/A
	Interest income to average balance of loans ratio (%)		N/A	N/A	3.38	3.02	3.09	N/A
	Total assets turnover (times)		N/A	N/A	0.02	0.02	0.02	N/A
	Average operating revenue per employee		N/A	N/A	2,782	2,651	2,623	N/A
	Average earnings per employee		N/A	N/A	171	86	28	N/A
Profitability	Return on first capital type assets (%)		N/A	N/A	4.46	2.99	1.42	N/A
	ROA (%)		N/A	N/A	0.16	0.08	0.03	N/A
	ROE (%)		N/A	N/A	3.63	1.88	0.67	N/A
	Net income ratio (%)		N/A	N/A	9.14	4.72	1.75	N/A
	EPS (loss)		N/A	N/A	0.46	0.24	0.08	N/A
Financial structure	Ratio of liabilities to assets		N/A	N/A	95.55	95.53	95.71	N/A
	Ratio of fix assets to shareholder's equity		N/A	N/A	22.04	21.51	27.93	N/A
Growth Rate	Asset growth rate (%)		N/A	N/A	4.96	6.17	3.03	N/A
	Profitability growth rate (%)		N/A	N/A	60.80	124.75	108.82	N/A
Cash flow	Cash flow ratio		N/A	N/A	-63.68	114.37	231.68	N/A
	Cash flow adequacy ratio		N/A	N/A	1,369.46	1,504.76	1,074.23	N/A
	Ratio of cash flow for operating to cash flow from investing		N/A	N/A	8.52	(12.80)	(24.11)	N/A
Liquid Reserves Ratio (%)			N/A	N/A	23.01	17.55	22.24	N/A
Secured Loans to Related Parties			N/A	N/A	690,764	714,937	825,449	N/A
Secured Loans to Related Parties to Total Outstanding Loans Ratio (%)			N/A	N/A	0.80	0.82	1.06	N/A
Operation Scale	Market share of assets (%)		N/A	N/A	0.27	0.27	0.26	N/A
	Market share of net worth (%)		N/A	N/A	0.21	0.20	0.22	N/A
	Market share of deposits (%)		N/A	N/A	0.35	0.39	0.36	N/A
	Market share of loan (%)		N/A	N/A	0.43	0.41	0.43	N/A

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

Unit: TWD thousand; %

Items			Year	Capital Adequacy Ratio of Recent Five Year					Up to
			2013	2012	2011	2010	2009	2014/02/28	
Net Capital	Tier I Capital	Common Stocks	N/A	4,247,338	4,180,451	4,180,451	3,680,451	N/A	
		Non-cumulative Perpetual Preferred Stocks	N/A	-	-	-	-	N/A	
		Non-Cumulative Subordinated Debts Without Maturity Dates	N/A	-	-	-	-	N/A	
		Advanced Receipts For Capital Stocks	N/A	-	-	-	-	N/A	
		Capital Surplus(apart from fixed asset appreciation surplus)	N/A	884,333	884,299	884,299	878,099	N/A	
		Legal Reserves	N/A	94,717	37,043	9,303	-	N/A	
		Special Reserves	N/A	-	-	-	-	N/A	
		Retained Earnings	N/A	210,283	194,628	92,827	31,010	N/A	
		Minority Interests	N/A	-	-	-	-	N/A	
		Other of Equity	N/A	-85,974	-46,119	-82,682	124	N/A	
		Minus: Goodwill	N/A	102,289	102,289	102,289	154,027	N/A	
		Minus: Non-amortization of NPL Disposal Loss	N/A	-	-	-	-	N/A	
		Minus: Others	N/A	92,969	88,095	97,299	95,711	N/A	
		Total Tier I	N/A	5,155,440	5,059,918	4,884,610	4,339,946	N/A	
	Tier II Capital	Perpetual Cumulative Preferred Stocks	N/A	-	-	-	-	N/A	
		Cumulative Subordinated Debts Without Maturity Dates	N/A	-	-	-	-	N/A	
		Fixed Asset Appreciation Surplus	N/A	138,763	138,763	67,294	67,294	N/A	
		45% of Unrealized Gain of Financial Assets in Available-for-sale	N/A	4,773	11,217	10,080	10,921	N/A	
		Convertible Bonds	N/A	-	-	-	-	N/A	
		Operating Reserves and Loan Loss Provision	N/A	901,850	681,324	555,830	98,404	N/A	
		Long-term Subordinated Debts	N/A	1,500,000	1,500,000	1,500,000	1,500,000	N/A	
		Non-perpetual Preferred Stocks	N/A	-	-	-	-	N/A	
		The Average of Non-cumulative Perpetual Preferred Stocks and Non-cumulative Subordinated Debts Without a Maturity Date Exceed 15% of Total Tier I Capital	N/A	-	-	-	-	N/A	
		Minus: Others	N/A	92,969	88,095	97,299	95,710	N/A	
		Total Tier II	N/A	2,452,416	2,243,209	2,978,210	2,250,882	N/A	

Items			Year	Capital Adequacy Ratio of Recent Five Year					Up to 2014/02/28
			2013	2012	2011	2010	2009		
	Tier III Capital	Short-term Subordinated Debts	N/A	-	-	-	-	-	N/A
		Non-perpetual Preferred Stocks	N/A	-	-	-	-	-	N/A
		Total Tier III	N/A	-	-	-	-	-	N/A
	Net Capital		N/A	7,607,856	7,303,127	7,862,820	6,590,828		
Total Weighted Risk Assets	Credit Risk	Standardized Approach	N/A	65,405,914	58,605,855	58,608,437	52,781,703	N/A	
		Internal-rating-based Approach	N/A	-	-	-	-	N/A	
		Securitization	N/A	1,924	5,793	3,096	13,977	N/A	
	Operational Risk	Basic Indicator Approach	N/A	3,941,879	3,633,837	3,202,718	3,244,938	N/A	
		Standardized Approach / Alternative Approach	N/A	-	-	-	-	N/A	
		Advanced Measurement Approach	N/A	-	-	-	-	N/A	
	Market Risk	Standardized Approach	N/A	2,797,863	2,533,448	1,745,162	1,938,363	N/A	
		Internal Model Approach	N/A	-	-	-	-	N/A	
	Total Risk-weighted Assets		N/A	72,147,580	64,778,933	63,559,413	57,978,981	N/A	
Capital Adequacy Ratio			N/A	10.54	11.27	12.37	11.37	N/A	
Tier I Capital to Risk Assets Ratio			N/A	7.14	7.81	7.69	7.49	N/A	
Tier II Capital to Risk Assets Ratio			N/A	3.40	3.46	4.68	3.88	N/A	
Tier III Capital to Risk Assets Ratio			N/A	-	-	-	-	N/A	
Common Shares Equity to Total Assets Ratio			N/A	3.36	3.44	3.61	3.37	N/A-	

2013: (Not applicable)

Note:

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

6-3. Supervisors' Audit Report for Latest Year**COTA Commercial Bank Co., Ltd.,
Supervisor's Audit Report for Year 2012**

March 18, 2014

To: Shareholders' General Meeting of Year 2014

The Business Report, Financial Statement, Consolidated Financial Statement and Earning Distribution of fiscal year 2013, worked out and submitted by COTA Bank board of directors have been duly audited by KPMG Certified Public Accountants, and further verified by us. This Report duly submitted in accordance with Article 219 of the Company Law.

Standing Supervisor : Lien- Kui Wang

Supervisor : Yao-Ting Li

Supervisor : Yong-Zhi Wang

Supervisor : Zhuang-Tai Wang

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of COTA Commercial Bank Co., Ltd. (the Company) and its subsidiary as of December 31, 2013 and 2012, January 1 of 2012, and the related consolidated statements of income, changes in consolidated stockholders' equity and consolidated cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of COTA Commercial Bank Co., Ltd. and its subsidiary as of December 31, 2013 and 2012 and January 1 2012, along with its consolidated financial performance and cash flow for years ended December 31, 2013 and 2012, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Banks" and International Financial Reporting Standards (IFRS), International Accounting Standards, International Financial Reporting Interpretations Committee Interpretations, and Standing Interpretations Committee Interpretations accepted by the Financial Supervisory Commission.

March 11, 2014

KPMG

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.

Consolidated Balance Sheets

December 31, 2013 and 2012 and January 1, 2012

(expressed in thousands of New Taiwan Dollars)

[illegible]

COTA Commercial Bank Co., Ltd.
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2013 and 2012

(expressed in thousands of New Taiwan Dollars)

	2013		2012		%
	Amount	%	Amount	%	Change
Interest income (note 26)	\$ 3,133,722	122	3,053,476	130	3
Less: Interest expense (note 26)	1,065,136	41	1,044,144	44	2
Net interest income	2,068,586	81	2,009,332	86	3
Non-interest income, net					
Service fees income, net (note 27)	236,041	9	240,576	10	1
Gain on financial assets or liabilities measured at fair value through profit and loss (note 28)	79,047	3	46,833	2	69
Realized gain on available-for-sale financial assets	29	-	13,799	-	(99)
Realized gain on held-to-maturity financial assets	-	-	1,034	-	(100)
Foreign exchange gains (loss), net	17,240	-	(1,305)	-	1,421
Gain on reversal of impairment loss	145,327	6	-	-	-
Other non-interest income, net (note 29)	18,097	1	33,853	2	(47)
Net revenue	2,564,367	100	2,344,122	100	10
Provisions for bad debt expenses and guarantee reserve (Note10)	402,713	16	503,331	21	(20)
Operating expense:					
Personnel expenses (notes 22 and 30)	1,141,633	45	1,153,331	49	(1)
Depreciation and amortization expenses (note 31)	36,636	1	42,997	2	(15)
Other general and administrative expense (note 32)	411,025	16	392,840	17	5
	1,589,294	62	1,589,168	68	-
Net Income Before Tax	572,360	22	251,623	11	127
Less: Income tax expenses (note 23)	(76,608)	(3)	(54,748)	(2)	(40)
Net Income	495,752	19	196,875	9	152
Other comprehensive income:					
Exchange differences of overseas subsidiaries' financial reports translation	6	-	(14)	-	143
Unrealized losses on available-for-sale financial instruments	(4,038)	-	(14,321)	-	72
Actuarial gains and losses on Defined benefit plans	25,596	1	(60,880)	(3)	142
Less: Income tax related to components of other comprehensive income (note 23)	(4,351)	-	10,345	-	(142)
Other comprehensive income, net of tax	17,213	1	(64,870)	(3)	128
Total Comprehensive Income	<u>\$ 512,965</u>	<u>20</u>	<u>132,005</u>	<u>6</u>	289
Earning per share (in NTD) (note 25)					
Basic earning per share	<u>\$ 1.10</u>		<u>0.46</u>		
Diluted earning per share	<u>\$ 1.10</u>		<u>0.45</u>		

COTA Commercial Bank Co., Ltd.
Consolidated Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2013 and 2012

(expressed in thousands of New Taiwan Dollars)

	Retained earnings			Other items in stockholders' equity			
	Common stock	Capital reserve	Statutory reserve	Undistributed earnings	Exchange differences of overseas subsidiaries' financial report/translation	Unrealized (losses) gains on available-for-sale financial assets	Total equity
Balance as of January 1, 2012	\$ 4,180,451	884,299	37,043	86,057	-	24,927	5,212,777
Earnings appropriation and distribution :							
Statutory reserve	-	-	57,674	(57,674)	-	-	-
Cash dividends	-	-	-	(66,887)	-	-	(66,887)
Stock dividends	66,887	-	-	(66,887)	-	-	-
	4,247,338	884,299	94,717	(105,391)	-	24,927	5,145,890
Net income	-	-	-	196,875	-	-	196,875
Other comprehensive income	-	-	-	(50,535)	(14)	(14,321)	(64,870)
Total comprehensive Income	-	-	-	146,340	(14)	(14,321)	132,005
Donated capital	-	34	-	-	-	-	34
Balance as of December 31, 2012	\$ 4,247,338	884,333	94,717	40,949	(14)	10,606	5,277,929
Balance as of January 1, 2013	\$ 4,247,338	884,333	94,717	40,949	(14)	10,606	5,277,929
Earnings appropriation and distribution:							
Statutory reserve	-	-	62,132	(62,132)	-	-	-
Cash dividends	-	-	-	(72,205)	-	-	(72,205)
Stock dividends	72,205	-	-	(72,205)	-	-	-
	4,319,543	884,333	156,849	(165,593)	(14)	10,606	5,205,724
Net income	-	-	-	495,752	-	-	495,752
Other comprehensive income	-	-	-	21,245	6	(4,038)	17,213
Total comprehensive Income	-	-	-	516,997	6	(4,038)	512,965
Issuance of common stock for cash	600,000	-	-	-	-	-	600,000
Change in other capital surplus:							
Cost of employee stock option	-	8,224	-	-	-	-	8,224
Donated capital	-	32	-	-	-	-	32
	600,000	8,256	-	-	-	-	608,256
Balance as of December 31, 2013	\$ 4,919,543	892,589	156,849	351,404	(8)	6,568	6,326,945

COTA Commercial Bank Co., Ltd.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012

(expressed in thousands of New Taiwan Dollars)

	2013	2012
Cash Flows from Operating Activities:		
Net Income Before Tax	\$ 572,360	251,623
Adjustments to Reconcile Net Income Before Tax to Net Cash Provided by Operating Activities:		
Income and expense items with no effect on cash flows		
Depreciation expenses	34,378	40,972
Amortization expenses	2,258	2,025
Provision for bad debt expenses	399,713	502,331
Interest expenses	1,065,136	1,044,144
Interest income	(3,133,722)	(3,053,476)
Dividends earned	(11,582)	(10,717)
change of provisions for bad debt expenses and guarantee reserve	3,000	(5,047)
Losses on disposal and retirement of premises and equipment	85	(1,689)
Gains on reversal of impairment loss on non-financial assets	(145,327)	-
Cost of employee stock option	8,224	-
Subtotal of income and expense items with no effect on cash flows	(1,777,837)	(1,481,457)
Changes in Operating Assets and Liabilities:		
Net Changes in Operating Assets:		
Increase in due from Central Bank and call loans to banks	(224,689)	(244,251)
Decrease (Increase) in financial assets measured at fair value through profit or loss	330,189	(403,468)
Decrease (Increase) in Securities purchased under resell agreements	949,389	(1,049,286)
Decrease (Increase) in receivables	(48,456)	39,436
Increase in discounts and loans	(8,658,695)	(6,242,959)
Decrease in available-for-sale financial assets	356,181	8,463
Decrease (Increase) in held-to-maturity financial assets	988,029	(2,306,240)
Decrease in other financial assets	23,425	2,333
Decrease in other assets	7,777	6,209
Net Changes in Operating Liabilities:		
Increase in deposits from Central Bank and banks	(537,913)	422,088
(Decrease) Increase in financial liabilities measured at fair value through profit or loss	(1,544)	1,781
Increase in payables	22,548	88,644
Increase in deposits and remittances	4,400,542	4,394,666
(Decrease) Increase in provisions for employee benefits	(31,530)	16,361
Increase in other liabilities	64,208	(136,893)
Cash Used in Operating Activities	(3,566,016)	(6,632,950)
Interest received	3,170,192	3,035,166
Interest paid	(1,080,512)	(1,040,444)
Dividends received	11,582	10,717
Income tax (paid) received	(133,307)	27,745
Net Cash Used in Operating Activities	(1,598,061)	(4,599,766)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(40,803)	(15,235)
Disposal of property and equipment	643	1,758
Purchase of intangible assets	(1,204)	(1,821)
Decrease (Increase) in other assets	8,328	(12,605)
Net Cash Used in Investing Activities	(33,036)	(27,903)
Cash Flows from Financing Activities:		
Issuance of common stock for cash	600,000	-
Donated capital	32	34
Payment of cash dividends	(72,205)	(66,887)
Net Cash Provided by (Used in) Financing Activities	527,827	(66,853)
Effect of exchange rate changes on cash and cash equivalents	6	(14)
Net Decrease in Cash and Cash Equivalents	(1,103,264)	(4,694,536)
Cash and Cash Equivalents, at the Beginning of the Period	21,537,967	26,232,503
Cash and Cash Equivalents, at the End of the Period	\$ 20,434,703	21,537,967
Components of cash and cash equivalents:		
Cash and cash equivalents recognized in the balance sheet	\$ 1,568,318	1,362,620
Due from Central Bank and call loans to banks which meet IAS 7 definition of cash and cash equivalents	18,866,385	20,175,347
Cash and Cash Equivalents, at the End of the Period	\$ 20,434,703	21,537,967

COTA Commercial Bank Co., Ltd.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

(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

2. Approval Date and procedures of the financial reports

The financial reports were presented to the board of directors on March 11, 2014.

3. New standards and interpretations

- (a) Newly issued and revised accounting standards and interpretations accepted by the Financial Supervisory Commission (FSC) and not yet adopted In November 2009 International Accounting Standards Board (IASB) issued IFRS 9 – “Financial Instruments”, effective January 1, 2013. (In December 2011, IASB postponed the effective date until January 1, 2015.) The FSC has accepted IFRS 9, but the standard cannot be adopted ahead of time. The 2009 version of IAS 39 – “Financial Instruments” should be adopted instead. The classification and measurement of financial instruments are expected to be changed when IFRS 9 is adopted by the banks.
- (b) Newly issued and revised accounting standards and interpretations not yet accepted by the FSC Listed below are the accounting standards and interpretations newly issued or revised by IASB and of likely relevance to the Company but not yet accepted by the FSC. Neither has the FSC announced the effective dates.

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

Issue date	New standards and amendments	Description	Effective dates per IASB
May 12, 2011 June 28, 2012	<ul style="list-style-type: none"> IFRS 10 Consolidated Financial Statements IFRS 12 Disclosure of Interests in Other Entities Amended IAS 27 Separate Financial Statements Amended IAS 28 Investments in Associates and Joint Ventures 	<ul style="list-style-type: none"> On May 12, 2011, a series of new standards and revisions related to consolidation, associates, and joint ventures were issued. They provide a control model by which to judge and analyze whether an investor has control of the investee, including a special purpose entity, while the consolidation process remains unchanged. On June 28, 2012, amendments were issued to elaborate on the transitional rules of those standards 	January 1, 2013
May 12, 2011	IFRS 13 Fair Value Measurement	Other standards will be replaced by IFRS 13, to consolidate fair value measurement of financial and non-financial items in one standard.	January 1, 2013
June 16, 2011	Amended IAS 1 Presentation of Financial Statements	Other comprehensive income items that can be reclassified to profit or loss and that cannot should be presented separately.	July 1, 2012
June 16, 2011	Amended IAS 19 Employee Benefits	Mainly to eliminate corridor method. Employers are no longer allowed to recognize in profit and loss all changes in defined benefits obligation and plan assets. Past service cost should no longer be amortized and should be recognized in profit and loss immediately.	January 1, 2013
November 19, 2013	Amended IAS 9 Financial instrument	Applies more principle-based regulations so the hedge accounting method represents risk management more closely. This includes amending , achieving, continuing and discontinuing the regulations of hedge accounting in order to make more types of risk exposure eligible for hedge items. If the aforementioned regulation is applied, the group may increase its hedge accounting transaction, and change the measurement used for hedge instruments and hedge items.	Unconfirmed, early adoption is permitted.

4. Summary of significant accounting policies

Significant accounting policies adopted in the financial reports are summarized as below. Unless stated otherwise, they apply consistently to all presentation periods in the financial reports and opening IFRS balance sheet as of January 1, 2012, prepared for the purpose of conversion to IFRSs accepted by the FSC.

(a) Assertion of compliance

The consolidated financial reports were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and International Financial Reporting Standards accepted by the FSC.

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

The consolidated financial reports are included in the period covered by the consolidated annual financial reports prepared following Regulations Governing the Preparation of Financial Reports and IFRSs accepted by the FSC, and follow IFRS 1 – “First-time Adoption of IFRSs” as accepted by the FSC. Please refer to Note 43 for information on the impact of the conversion to IFRSs accepted by the FSC on the financial position, financial performance, and cash flows of the Company and its subsidiaries.

(b) Basis of preparation

(1) Basis of measurement

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

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

(2) Functional currency

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

(c) Basis of consolidation

(1) Basis of compilation for consolidated financial reports

The consolidated financial reports encompass the Company itself and controlled entities (the Group). All significant intra-group transactions are written-off.

(2) Subsidiaries included in the consolidated financial reports

Name of investor company	Name of Subsidiary	Primary Business	percentage		
			December 31, 2013	December 31, 2013	January 1, 2012
COTA Commercial Bank Co., Ltd.	COTA Bank Insurance Brokers Co., Ltd.	Property and personal insurance broker	100%	100%	100%

(d) Foreign Currency

- (1) A foreign currency transaction that is denominated or requires settlement in a foreign currency, shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

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

- (2) At each balance sheet date, foreign currency monetary items shall be translated using the closing rate. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction.
- (3) Foreign currency differences arising on the settlement of a foreign currency transaction are recognised in current profit or loss. Foreign currency differences arising on the retranslation of monetary items are recognised in profit or loss when incurred.
- (4) 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 equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising thereon form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the exchange differences on translation of foreign financial statements in equity.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of twelve months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Time deposits with maturities of less than one year are used for short-term cash commitments instead of investment and are subject to an insignificant risk of changes in their fair value, are classified as cash and cash equivalents. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows

(f) Financial instruments

(I) Financial assets

Financial assets held by the Group are recorded on the trading date. Except for financial instruments classified as held for trading, other financial instruments are initially recognized at acquiring or issuing cost plus transaction costs. Upon disposition, the cost of sale of equity securities is determined by the moving-average method, and the cost of sale of debt securities is determined by the first-in, first-out (FIFO) method.

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

Financial assets are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term. The derivative financial instruments held by the Group, except for those designated as hedging instruments, are classified under these accounts. At each balance sheet date, the fair value is remeasured, and the resulting gain or loss from such remeasurement is recognized in current profit or loss.

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

(ii) Available-for-sale financial assets

At each balance sheet date, the fair value is remeasured, and the resulting gain or loss from such remeasurement is recognized directly in other comprehensive income. Interest on a debt instrument classified as available-for-sale is accrued; the relevant premium/discount is amortized by using the effective-interest-rate method. 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. If, in a subsequent period, the amount of the impairment loss of the available-for-sale equity securities decreases, the impairment loss recognized in profit or loss shall not be reversed through profit or loss. If, in a subsequent period, the amount of the impairment loss of the available-for-sale debt securities decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized. A gain or loss on available-for-sale financial assets is recognized directly in other comprehensive income, except for impairment losses and foreign exchange gains or losses arising from monetary financial assets, until the financial assets are derecognized, at which time the cumulative gain or loss previously recognized in other comprehensive income is charged to profit or loss.

(iii) Securities under repurchase/reverse repurchase agreements

Securities sold/purchased with a commitment to repurchase/reverse repurchase at predetermined price are treated as financing transactions. The difference between the cost and the repurchase/reverse repurchase price is treated as interest expenses/revenue and recognized over the term of the agreement. On the selling/purchasing date, these agreements are recognized as securities sold under repurchase agreements or securities purchased under reverse repurchase agreements.

(iv) Loans and receivables

At initial recognition, loans and receivables include incremental direct transaction costs, and the subsequent measurement recognizes interest revenues through the effective interest method on accrual basis, under which the loans and receivables are carried at amortized cost less impairment losses. Loans are reclassified as a non-accrual account if either of the following conditions is met, and interest collected while accruing of interest has been suspended is included in earnings only to the extent of cash actually received.

- A. Collection of payment of principal or interest accrued is considered highly unlikely; or
- B. Payment of principal or interest accrued is over 3 or 6 months past due; or
- C. Payment of principal, interest accrued and other suspense account of credit card is over 90 days past due.
- D. the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. If the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, it is not permissible to measure the instrument at fair value; instead, the instrument shall be carried at cost.

(v) Debt investments without active markets

The amortized cost and interest income of debt investments without an active market are determined by using the effective-interest rate method. When there is objective evidence that an impairment loss on financial assets has been

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

incurred, 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 previously recognized impairment loss is reversed through profit or loss. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

(vi) Financial assets initially classified as measured at fair value through profit or loss (other than derivative financial assets and those designated as assets measured at fair value through profit or loss) may be reclassified into other categories if those financial assets are no longer held for the purpose of selling and meet the criteria listed below; financial assets initially classified as available-for-sale that would have met the definition of loans and receivables may be reclassified out of the available-for-sale category to the loans and receivables. The accounting treatments on the date of reclassification are summarized as follows:

- A. When financial assets initially classified as measured at fair value through profit or loss have met the definition of loans and receivables and the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity, they shall be reclassified at their value on the date of reclassification, which will become their new cost or amortized cost, as applicable. Any previous gain or loss already recognized in profit or loss shall not be reversed.
- B. Financial assets initially classified as measured at fair value through profit or loss which do not meet the preceding criterion may be reclassified out of the fair value through profit or loss category only in rare circumstances and shall be reclassified at their fair value on the date of reclassification, which will become their new cost or amortized cost, as applicable. Any previous gain or loss already recognized in profit or loss shall not be reversed.
- C. When financial assets initially classified as available-for-sale have met the definition of loans and receivables and the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity, they shall be reclassified at their value on the date of reclassification, which will become their new cost or amortized cost, as applicable.
- D. For any previous gain or loss on a financial asset that has been recognized directly under owners' equity, if the financial asset has a fixed maturity, the gain or loss shall be amortized to current profit or loss over the remaining life of the financial asset; if not, the gain or loss remains under owners' equity.

(vii) Financial asset impairment

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

The aforesaid objective evidence includes:

- 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;

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

- E. The disappearance of an active market for that financial asset because of the issuer's financial difficulties;
- F. Adverse changes in the payment status of the borrower; and
- G. Changes in national or local economic conditions that correlate with defaults on the assets.

(viii) Derecognition of financial assets

The Group shall derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire or transfers substantially all the risks and rewards of ownership of the financial assets.

Securities lending agreement or repurchase transactions where bonds or stocks are taken as collateral shall not be derecognized because the Group have retained substantially all the risks and rewards of ownership. The transaction of asset backed securitization is applying to such situation when the Bank or its subsidiaries still retained partial risks.

(II) Financial liabilities

The financial liability held by the Group includes a financial liability measured at fair value through profit or loss (including the instruments designated as at fair value through profit or loss), amortized cost of a financial liability and hedge derivatives.

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

A financial liability is held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument, is classified as instrument held for trading as well. Financial liabilities held for trading include obligations to deliver financial assets borrowed by a short seller.

(ii) Amortized cost of a financial liability

Financial liabilities are classified at amortized cost of a financial liability, except for financial liabilities measured at fair value through profit or loss, hedged derivatives financial liability, financial bonds payable, financial guarantee contracts, commitments to provide a loan at a below-market interest rate and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

(iii) Derecognition of a financial liability

The Group shall remove a financial liability from its statement of financial position when, and only when, it is extinguished.

(g) Investment property

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

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

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

(h) Property, plant, and equipment

(I) Recognition and measurement accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

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

(II) Subsequent cost

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

(III) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

Leased assets are depreciated by using straight-line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

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

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

- (1) Buildings: 8 years~80 years
- (2) Operating equipment: 1 year~15 years
- (3) Transportation equipment: 4 years~10 years
- (4) Miscellaneous equipment: 1 year~21 years
- (5) The significant portion of buildings and their useful life are as follow:

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

Item	useful life
Buildings	
Main building	60 years~80 years
Premises Renovation	8 years

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

(IV) Reclassification to investment property

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

(i) Lease

A lease is classified as operating lease if it retains substantially all the risks and rewards of ownership. No matter the Company and its subsidiary are lessors or lessees, the rent is calculated over the lease term on a straight-line basis and recorded as rent revenue or rent expense respectively.

(j) Income tax

(1) Computer software

Computer software system expenses, which are recorded on the basis of the actual cost of acquisition, are amortized using a straight-line method over a period of 3 to 15 years. Its amortization method, useful life and residual value are referred to the regulation of properties and equipment. The Group use cost model to proceed subsequently measurement.

(2) Goodwill

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

(k) Impairment of non-financial assets

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

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

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

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

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

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

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

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

Reversal of an impairment loss for goodwill is prohibited.

(l) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation, which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation.

The Company shall not recognize provisions for future operating losses.

Where there are a number of similar obligations the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognised.

(m) Financial guarantee contract

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a contract between the holder and debtor.

When the Company and its subsidiary issue and not designate the financial guarantee contract as measured at fair value through profit and loss, it shall be assessed at fair value, less, the directly attributable transaction costs initially. After initial recognition, an issuer of such a contract shall measure it at the higher of:

- (1) the amount determined in accordance with IAS 37 "Provision, Contingent Liabilities and Contingent Assets" and
- (2) the amount initially recognized, less, when appropriate, cumulative amortization recognized in accordance with revenue accounting policy.

(n) Revenue recognition

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

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

(o) Employee benefits

(1) Short-term employee benefit:

The Group charges the short-term and non-discounted benefit expectedly paid in near future to current expenses over the periods services are rendered by employees.

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

(i) A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) A defined benefit plan is a post-employment benefit plan under which benefit is paid to an employee on the basis of their ages, service periods and compensated salaries at the date of retirement. The Group recognizes actuarial gains and losses which are incurred by the change of actual experience and actuarial assumption in other comprehensive income, and recognize pension asset or liability in balance sheet in which asset or liability is the amount of actuarial present value of defined benefit obligation deducting fair value of plan assets. The calculation of defined benefit obligation is performed annually by an actuary using the projected unit credit method. The actuarial present value of defined benefit obligation is calculated by discounting future cash flow at the yield rate on AA credit rated bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid. In accordance with the article 28 of the Regulations Governing the Preparation of Financial Reports by Public Bank's, when the interest incurred from retiree deposits with favorable rates exceed the interest generated from market rate, it should be considered the actuarial amount according to defined benefit plan regulated on IAS 19 "Employee Benefits" since the employee's retirement date. Otherwise, the parameter of actuarial assumption of competent authority should be followed (if have).

(p) Preferential interest deposits

(1) The Group provide their employees the preferential interest deposits, including that for current employees and retired employees. The difference between the preferential interest rate and the market rate belongs to the employee benefit.

(2) In accordance with the Regulations Governing the Preparation of Financial Reports by the Public Banks, if the preferential interest rate for retired employees exceeds the market rate, the Bank and its subsidiary shall calculate the excess interest using the actuarial method by adopting the IAS 19 when the employees retire. However the actuarial assumptions shall follow the government's related regulations. For the preferential interest deposits paid for current employees, the Group shall calculate the interest monthly on accrual basis. The different amount of the preferential interest rate and market interest rate is recognized under the preferential interest account in the comprehensive income statement.

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

(q) Business combination

(1) Acquisition after 1 January 2012 (inclusive)

For those acquisitions occurring after 1 January 2012 (inclusive), goodwill is measured as an aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter. If the business combination is achieved in stages, the Group shall measure any non-controlling equity interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

In a business combination achieved in stages, the Group shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group shall retrospectively adjust the provisional amounts recognized at the acquisition date, or recognize additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

All the transaction costs incurred for the business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

(2) Acquisition before 1 January 2012

Upon conversion to IFRSs endorsed by the Financial Supervisory Commission, R.O.C., the Group can choose to restate all business combinations that occurred after 1 January 2012 (inclusive). For those acquisitions that occurred prior to 1 January 2012, the amount of goodwill is recognized in accordance to the Regulations Governing the Preparation of Financial Reports issued by the Financial Supervisory Commission on 10 January 1999 and the "financial accounting standards and interpretation issued by the Accounting Research and Development Foundation" (Generally Accepted Accounting Policies).

(r) Share-based payment

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

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

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in profit or loss.

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

(s) Income taxes

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

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

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

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

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

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

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

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



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

(t) Earnings per share (EPS)

The Group disclose the basic and diluted earnings per share attributable to ordinary equity holders of the Company. Basic earnings per share is calculated on profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated on profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(u) Operating segment information

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

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

When preparing the financial reports, the management needs to make judgments, estimates, and assumptions that affect the adoption of accounting policies, reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates.

Continuously evaluation of estimates and assumption should be made by the management. A change of accounting estimate should be recognized in the period when it incurs and in the affected future periods.

Please refer to the following for accounting policies and management judgments for certain account items have significant impacts on financial reports of the Group and any information about any estimate and assumption that are uncertain, have significant risk and may have significant impact on the following year.

(a) Impairment loss on loans

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

(b) Valuation of financial instruments

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data, and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgment to calculate a fair value than those based wholly on observable inputs.

Valuation techniques used to calculate fair values are discussed in Note 33.

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

(c) Income tax

When estimating the deferred tax assets, the Company relies on significant accounting estimations regarding future operation. Determine the final amount need to go through numerous assumptions and calculations regarding to the estimate of profits in the future and economic trends. For the estimation of deferred tax items, please see note23.

(d) Post-employment benefits

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

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

Other significant assumptions of post-employment benefits obligation are based on current market conditions. Please refer to Note 22.

6. Cash and Cash Equivalents

	December 31, 2013	December 31, 2012	January 1, 2012
Cash	\$ 1,180,420	1,007,244	958,928
Checks awaiting clearance	227,121	232,138	203,366
Deposits in other banks	160,777	123,238	153,292
	<u>\$ 1,568,318</u>	<u>1,362,620</u>	<u>1,315,586</u>

The reconciliations of the amount of cash and cash equivalents in the statement of cash flows with the equivalent items reported in the balance sheets are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Cash and cash equivalents reported in the Balance Sheets	\$ 1,568,318	1,362,620	1,315,586
Due from Central Bank and call loans to bank following the definition of cash and cash equivalents under IAS 7 as accepted by FSC	18,866,385	20,175,347	24,916,917
Cash and cash equivalents reported in the Statement of Cash Flows	<u>\$ 20,434,703</u>	<u>21,537,967</u>	<u>26,232,503</u>

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

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

	December 31, 2013	December 31, 2012	January 1, 2012
Deposit reserve - checking accounts	\$ 2,015,470	1,642,259	1,944,307
Deposit reserve - demand accounts	3,434,462	3,270,137	3,136,398
Deposit reserve - foreign currency deposits	4,193	4,079	4,241
Certificate of deposits	16,800,000	18,300,000	22,300,000
Call loans to banks	50,915	233,088	672,610
Deposits with Financial Information Service Co., Ltd.	282,404	222,154	111,480
	\$ 22,587,444	23,671,717	28,169,036

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

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

	December 31, 2013	December 31, 2012	January 1, 2012
Call loans to banks	\$ 50,915	233,088	672,610
Certificate of deposits	16,800,000	18,300,000	22,300,000
Required reserve—Account A	2,015,470	1,642,259	1,944,307
	\$ 18,866,385	20,175,347	24,916,917



COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

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

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets at fair value through profit or loss:			
Held for trading			
Securities of listed companies	\$ 55,120	140,464	55,864
Beneficiary certificates	8,563	132,676	-
Forward contracts	28,119	482	8,914
Swap contracts	254	394	1,287
Sub-total	92,056	274,016	66,065
Designated as at fair value through profit or loss			
Convertible bonds	1,747,676	1,895,905	1,700,388
	\$ 1,839,732	2,169,921	1,766,453
Financial liabilities held for trading purpose:			
Forward contracts	\$ 231	1,777	-
Swap contracts	6	4	-
	\$ 237	1,781	-

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

The nominal amount information of outstanding derivative contracts as of December 31, 2013 and 2012 was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Forward contracts	\$ 2,125,432	1,632,319	47,699
Swap contracts	239,600	58,272	-

The net gains on financial assets held for trading for the years ended December 31, 2013 and 2012, were \$76,911 and \$56,536 thousands, respectively. The net gains (losses) on financial liabilities held for trading for the years ended December 31, 2013 and 2012 were \$2,136 and (\$9,703) thousands, respectively.

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

9. Receivable:

	December 31, 2013	December 31, 2012	January 1, 2012
Credit card accounts receivable	\$ 150,945	143,045	152,530
Interest receivable	191,966	228,436	210,126
Tax refund receivable	13,378	13,378	13,378
Acceptances receivable	-	9,381	4,884
Accrued income	1,123	950	732
Guarantee payments Receivable	59,329	13,827	23,790
Others	11,644	8,046	28,437
Sub-total	428,385	417,063	433,877
Less: allowance for doubtful accounts	(39,770)	(33,294)	(20,745)
	\$ 388,615	383,769	413,132

Please refer to Note 10 for changes in allowance for credit losses of receivables listed above.

10. Discounts and loans - net

	December 31, 2013	December 31, 2012	January 1, 2012
Exchanges and export bills negotiated	\$ 20,264	5,884	33,271
Overdrafts	74,193	59,900	59,380
Short-term loans	14,583,373	12,725,589	9,110,125
Medium-term loans	54,204,462	48,613,857	46,311,906
Long-term loans	29,367,213	28,200,125	27,661,282
Non-performing loans	234,048	212,577	281,379
Sub-total	98,483,553	89,817,932	83,457,343
Less: allowance for loan losses	(2,044,071)	(1,670,553)	(1,118,326)
discount	(209,004)	(183,023)	(123,526)
	\$ 96,230,478	87,964,356	82,215,491

The movements in allowance for loan losses for the years ended December 31, 2013 and 2012 were as follows:

	For the year ended December 31	For the year ended December 31
Beginning balance	\$ 1,703,949	1,139,475
Provision	399,713	502,331
Recovery of written-off credits	132,837	278,054
Write-offs	(152,425)	(215,837)
Effects of exchange rate changes	22	(74)
Ending balance	\$ 2,084,096	1,703,949

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

11. Available-for-sale financial assets - net

	December 31, 2013	December 31, 2012	January 1, 2012
Government bonds	\$ 51,867	52,664	52,925
Corporate bonds	1,954,066	2,313,488	2,326,333
Foreign securities	-	-	9,678
\$	2,005,933	2,366,152	2,388,936

12. Held-to-Maturity Financial Assets

	December 31, 2013	December 31, 2012	January 1, 2012
Government bonds	\$ 107,536	54,010	105,221
Corporate bonds	3,413,709	3,028,969	2,001,894
Financial debentures	13,343	39,638	109,262
NCD	-	1,400,000	-
Due from banks	1,000	1,000	1,000
\$	3,535,588	4,523,617	2,217,377

13. Other Financial Assets-net

	December 31, 2013	December 31, 2012	January 1, 2012
Overdue receivables	\$ 510	204	807
Less: allowance for bad debts	(255)	(102)	(404)
Net	255	102	403
Others	-	-	15
Financial assets carried at cost	129,892	154,892	154,892
Debts investment without active market	52,337	50,915	52,932
\$	182,484	205,909	208,242

(1) Financial assets carried at cost:

	December 31, 2013		December 31, 2012		January 1, 2012	
	Book Value	Ownership %	Book Value	Ownership %	Book Value	Ownership %
Taiwan Asset Management Corp.	\$ 75,000	0.57	100,000	0.57	100,000	0.57
Taiwan Financial Asset Service Corp.	50,000	2.94	50,000	2.94	50,000	2.94
Taiwan Depository & Clearing Corporation	4,639	0.08	4,639	0.08	4,639	0.08
Sunny Asset Management Corporation	253	0.42	253	0.42	253	0.42
\$	129,892		154,892		154,892	

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

(2) Debts investment without active market

	December 31, 2013	December 31, 2012	January 1, 2012
Auction Rate Security	\$ 59,900	58,272	60,580
Less: accumulated impairment	(7,563)	(7,357)	(7,648)
	<u>\$ 52,337</u>	<u>50,915</u>	<u>52,932</u>

14. Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group as of and for the years ended December 31, 2013 and 2012, were as follows:

	Land	Buildings	Operating equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Total
Cost:							
Balance at January 1, 2013	\$ 832,468	624,467	150,337	23,646	185,539	40,071	1,856,528
Additions	-	707	14,942	5,174	10,772	9,208	40,803
Disposals	-	-	(22,243)	(2,036)	(3,955)	(201)	(28,435)
Balance at December 31, 2013	<u>\$ 832,468</u>	<u>625,174</u>	<u>143,036</u>	<u>26,784</u>	<u>192,356</u>	<u>49,078</u>	<u>1,868,896</u>
Balance at January 1, 2012	\$ 826,752	552,552	147,430	21,002	187,681	39,837	1,775,254
Additions	-	-	8,137	3,970	2,249	879	15,235
Disposals	-	-	(5,230)	(1,326)	(4,391)	(645)	(11,592)
Reclassification	5,716	71,915	-	-	-	-	77,631
Balance at December 31, 2012	<u>\$ 832,468</u>	<u>624,467</u>	<u>150,337</u>	<u>23,646</u>	<u>185,539</u>	<u>40,071</u>	<u>1,856,528</u>
Depreciation and impairment losses							
Balance at January 1, 2013	\$ -	(233,581)	(101,471)	(8,098)	(138,415)	(16,546)	(498,111)
Depreciation for the period	-	(10,196)	(9,163)	(2,321)	(8,024)	(4,038)	(33,742)
Disposals	-	-	22,157	1,525	3,929	96	27,707
Balance at December 31, 2013	<u>\$ -</u>	<u>(243,777)</u>	<u>(88,477)</u>	<u>(8,894)</u>	<u>(142,510)</u>	<u>(20,488)</u>	<u>(504,146)</u>
Balance at January 1, 2012	\$ -	(207,440)	(93,238)	(7,234)	(132,389)	(13,017)	(453,318)
Depreciation for the period	-	(9,206)	(13,411)	(2,175)	(10,415)	(4,174)	(39,381)
Disposals	-	-	5,178	1,311	4,389	645	11,523
Reclassification	-	(16,935)	-	-	-	-	(16,935)
Balance at December 31, 2012	<u>\$ -</u>	<u>(233,581)</u>	<u>(101,471)</u>	<u>(8,098)</u>	<u>(138,415)</u>	<u>(16,546)</u>	<u>(498,111)</u>
Carrying amounts:							
Balance at December 31, 2013	<u>\$ 832,468</u>	<u>381,397</u>	<u>54,559</u>	<u>17,890</u>	<u>49,846</u>	<u>28,590</u>	<u>1,364,750</u>
Balance at December 31, 2012	<u>\$ 832,468</u>	<u>390,886</u>	<u>48,866</u>	<u>15,548</u>	<u>47,124</u>	<u>23,525</u>	<u>1,358,417</u>
Balance at January 1, 2012	<u>\$ 826,752</u>	<u>345,112</u>	<u>54,192</u>	<u>13,768</u>	<u>55,292</u>	<u>26,820</u>	<u>1,321,936</u>

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

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

15. Investment Property-net

	Land	Buildings	Toatl
Cost			
Balance at December 31, 2013 and January 1, 2013	<u>\$ 1,089,881</u>	<u>38,180</u>	<u>1,128,061</u>
Balance at January 1, 2012	\$ 1,095,597	110,095	1,205,692
Reclassification	(5,716)	(71,915)	(77,631)
Balance at December 31, 2012	<u>\$ 1,089,881</u>	<u>38,180</u>	<u>1,128,061</u>
Depreciation and impairment losses			
Balance at January 1, 2013	\$ 561,014	19,832	580,846
Depreciation for the period	-	636	636
Impairment loss	-	7,195	7,195
Impairment reversal	(152,522)	-	(152,522)
Balance at December 31, 2013	<u>\$ 408,492</u>	<u>27,663</u>	<u>436,155</u>
Balance at January 1, 2012	\$ 561,014	35,176	596,190
Reclassification	-	(16,935)	(16,935)
Depreciation for the period	-	1,591	1,591
Balance at December 31, 2012	<u>\$ 561,014</u>	<u>19,832</u>	<u>580,846</u>
Carrying amounts:			
Balance at December 31, 2013	<u>\$ 681,389</u>	<u>10,517</u>	<u>691,906</u>
Balance at December 31, 2012	<u>\$ 528,867</u>	<u>18,348</u>	<u>547,215</u>
Balance at January 1, 2012	<u>\$ 534,583</u>	<u>74,919</u>	<u>609,502</u>

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

The fair value as of December 31, 2013 and 2012 and January 1, 2012 is \$808,798, \$630,743 and \$630,748 thousands, respectively.

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

Related rent revenue and direct operating expenses are as below:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Rent revenue	<u>\$ 17,919</u>	<u>15,970</u>
Direct operating expenses	<u>\$ 636</u>	<u>1,591</u>

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

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

16. Intangible assets

The costs of intangible assets, amortisation, and the impairment loss of the Group as of and for the years ended December 31, 2013 and 2012, were as follows:

	Goodwill	Software	Total
Cost:			
Balance at January 1, 2013	\$ 102,289	34,338	136,627
Additions	-	1,204	1,204
Balance at December 31, 2013	<u>\$ 102,289</u>	<u>35,542</u>	<u>137,831</u>
Balance at January 1, 2012	\$ 102,289	32,517	134,806
Additions	-	1,821	1,821
Balance at December 31, 2012	<u>\$ 102,289</u>	<u>34,338</u>	<u>136,627</u>
Amortization :			
Balance at January 1, 2013	\$ -	26,327	26,327
Amortization for the period	-	2,258	2,258
Balance at December 31, 2013	<u>\$ -</u>	<u>28,585</u>	<u>28,585</u>
Balance at January 1, 2012	\$ -	24,302	24,302
Amortization for the period	-	2,025	2,025
Balance at December 31, 2012	<u>\$ -</u>	<u>26,327</u>	<u>26,327</u>
Carrying amounts:			
Balance at December 31, 2013	<u>\$ 102,289</u>	<u>6,957</u>	<u>109,246</u>
Balance at December 31, 2012	<u>\$ 102,289</u>	<u>8,011</u>	<u>110,300</u>
Balance at January 1, 2012	<u>\$ 102,289</u>	<u>8,215</u>	<u>110,504</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 Group 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.

17. Due to the Central Bank and Other Banks

	December 31, 2013	December 31, 2012	January 1, 2012
Due to other banks	\$ 28,620	32,927	82,525
Postal deposits accepted	85,470	117,100	117,100
Call loans from other banks	-	501,976	30,290
	<u>\$ 114,090</u>	<u>652,003</u>	<u>229,915</u>

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

18. Payables

	December 31, 2013	December 31, 2012	January 1, 2012
Interest payable	\$ 131,255	146,631	142,931
Tax payable	13,939	14,458	17,059
Collections payable	42,960	63,152	38,001
Accrued expenses	258,471	191,136	170,966
Dividends payable	823	728	620
Acceptance drafts	-	9,381	4,884
Checks awaiting clearance	227,121	232,138	203,366
Spot exchange payable - foreign currencies	541	-	-
Dividends payable	11,616	11,628	11,645
Others	34,918	45,220	32,656
	\$ 721,644	714,472	622,128

19. Deposits and Remittances

	December 31, 2013	December 31, 2012	January 1, 2012
Checking accounts	\$ 1,988,383	1,845,128	1,847,860
Cashiers' checks	329,413	358,994	135,311
Demand deposits	15,400,979	13,061,567	12,808,521
Time deposits	20,172,046	19,081,635	15,785,238
Demand savings deposits	31,253,465	29,584,093	28,019,098
Term savings deposits	52,749,946	53,576,850	54,510,375
Outward Remittance	6,506	131	-
Inward Remittance	10,195	1,993	9,322
	\$ 121,910,933	117,510,391	113,115,725

20. Subordinate Financial Debentures

	December 31, 2013	December 31, 2012	January 1, 2012
Subordinate financial debentures	\$ 1,500,000	1,500,000	1,500,000

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

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

The details were as follows:

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

21. Provisions

	December 31, 2013	December 31, 2012	January 1, 2012
Provision for guarantees	\$ 18,508	15,504	20,551
Provision for employee benefits	429,624	486,750	409,505
	\$ 448,132	502,254	430,056

22. Employee benefits

	December 31, 2013	December 31, 2012	January 1, 2012
Defined benefit plans	\$ 383,943	433,400	378,822
Employee Promotions Deposits plans	45,681	53,350	30,683
	\$ 429,624	486,750	409,505

1) Defined benefit plans:

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

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of unfunded obligations	\$ 383,943	433,400	378,822
Present value of funded obligations	579,659	543,295	531,521
Total present value of benefit obligations	963,602	976,695	910,343
Fair value of plan assets	(579,659)	(543,295)	(531,521)
Recognized liabilities for defined benefit obligations	\$ 383,943	433,400	378,822

(1) Composition of plan assets

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

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$579,659 thousands as of December 31, 2013. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

(2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Bank were as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Defined benefit obligation at January 1	\$ 976,695	910,343
Benefits paid by the plan assets	(25,312)	(48,738)
Current service costs and interest	40,474	59,943
Actuarial (losses) gains	(28,255)	55,147
Defined benefit obligation at December 31	<u>\$ 963,602</u>	<u>976,695</u>

(3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Fair value of plan assets at January 1	\$ 543,295	531,521
Contributions made	(25,313)	(48,738)
Expected return on plan assets	9,730	10,863
Benefits paid by the plan assets	54,606	55,382
Actuarial gains (losses)	(2,659)	(5,733)
Fair value of plan assets at December 31	<u>\$ 579,659</u>	<u>543,295</u>

(4) Expenses recognized in profit or loss

The expenses recognized in profit or loss of the Bank were as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Current service costs	\$ 23,612	42,066
Interest on obligation	16,862	17,878
Expected return on plan assets	(9,730)	(10,863)
	<u>\$ 30,744</u>	<u>49,081</u>
Actual return on assets	<u>\$ 7,071</u>	<u>5,130</u>

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

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

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

	For the year ended December 31, 2013	For the year ended December 31, 2012
Cumulative amount at January 1	\$ (60,880)	-
Recognized during the period	25,596	(60,880)
Cumulative amount at December 31	<u>\$ (35,284)</u>	<u>(60,880)</u>

(6) Actuarial assumptions

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

	2013	2012
Discount rate at December 31	2.00%	1.75%
Future salary increases	2.00%	2.00%
Expected return on plan assets	2.00%	1.75%

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

(7) Experience adjustments on historical information

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit plans	\$ 963,602	976,695	910,343
Fair value of plan assets	(579,659)	(543,295)	(531,521)
Net liabilities (assets) of defined benefit obligations	<u>\$ 383,943</u>	<u>433,400</u>	<u>378,822</u>
Experience adjustments arising on the present value of defined benefit plans	<u>\$ 3,031</u>	<u>395</u>	<u>-</u>
Experience adjustments arising on the fair value of the plan assets	<u>\$ 2,659</u>	<u>(5,733)</u>	<u>-</u>

The Group is expecting \$53,966 thousands worth of contributions shall be paid for its benefit plans within a year after the reporting date of December 31, 2013.

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

As of December 31, 2013, the Group's accrued pension liabilities were \$383,943 thousands. If the discount rate had increased or decreased by 0.25%, the Group's accrued pension liabilities would have decreased by \$29,934 or increased by \$31,286 thousands, respectively.

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

2) Employee Promotions Deposits plans

	December 31, 2013	December 31, 2012	January 1, 2012
present value of Defined benefit obligation	\$ 45,681	53,350	30,683

(1) Expenses recognized in profit or loss

As of December 31, 2013, the Group's expenses recognized in profit or loss were \$908 and \$838 thousands, respectively.

(2) Actuarial assumptions

	For the year ended December 31, 2013	For the year ended December 31, 2012
Interest rate of Employee Promotions Deposits plans	9.15%	9.15%
Return on funds deposited	2.00%	2.00%
Account balance annual decline rate	1.00%	1.00%
Chance of future changes in the system of Employee Promotions Deposits plans	50.00%	50.00%

(3) Historical information

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit plans	\$ 45,681	53,350	30,683

3) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations. The Group's pension costs under the defined contribution method were \$21,654 and \$21,579 thousands for 2013 and 2012, respectively. Payment was made to the Bureau of the Labor Insurance.

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

23. Income taxes expenses

1) The components of income tax in the years 2013 and 2012 were as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Current tax expense		
Current	\$ 95,692	106,999
10% surtax on undistributed earnings	56	-
	<u>\$ 95,748</u>	<u>106,999</u>
Deferred tax expense		
Origination and reversal of temporary difference	(19,140)	(52,251)
Income tax expense	<u>\$ 76,608</u>	<u>54,748</u>

The amount of tax income expense recognized in other comprehensive income for the years ended December 31, 2013 and 2012 were as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Actuarial gains (losses) on Defined benefit plans	<u>\$ 4,351</u>	<u>(10,345)</u>

The income tax calculated on pre-tax financial income was reconciled to income tax expense for 2013 and 2012 is as follows:

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	Tax Rate	Amount	Tax Rate	Amount
Profit excluding income tax		\$ 572,360		251,623
Income tax calculated on pre-tax financial income at a statutory tax rate applied by subsidiaries	17%	97,301	17%	42,776
Investment tax credits	17%	-	17%	80
Tax effect of tax-exempt gains from sale of marketable securities and land	17%	(7,390)	17%	(1,826)
Changes in unrecognized temporary differences	17%	15,000	17%	15,599
Other adjustments	17%	(28,275)	17%	(1,964)
Prior years income tax adjustment	17%	(84)	17%	83
10% surtax on undistributed earnings		56		-
		<u>\$ 76,608</u>		<u>54,748</u>

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

2) Deferred tax asset and liability

(1) Unrecognized Deferred Tax Assets

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

	December 31, 2013	December 31, 2012	January 1, 2012
Tax effect of deductible Temporary Differences	\$ <u>56,000</u>	<u>41,000</u>	<u>26,500</u>

(2) Recognized Deferred Tax Assets and Liabilities

Changes in the amount of deferred tax assets and liabilities for 2013 and 2012 were as follows:

	accrued liabilities for land tax revaluation increment	Profit from Fair Value Changes	Others	Total
Deferred Tax Liabilities:				
Balance at January 1, 2013	\$ 83,799	-	27,613	111,412
Recognized in profit or loss	-	3,524	1,821	5,345
Balance at December 31, 2013	\$ <u>83,799</u>	<u>3,524</u>	<u>29,434</u>	<u>116,757</u>
Balance at January 1, 2012	\$ 83,799	-	26,277	110,076
Recognized in profit or loss	-	-	1,336	1,336
Balance at December 31, 2012	\$ <u>83,799</u>	<u>-</u>	<u>27,613</u>	<u>111,412</u>

	Defined Benefit Plans	Loss from Fair Value Changes	Allowance of impairment loss	Others	Total
Deferred Tax Assets:					
Balance at January 1, 2013	\$ 81,886	25,553	95,338	10,855	213,632
Recognized in profit or loss	(5,361)	(3,681)	34,937	(1,410)	24,485
Recognized in other comprehensive income	(4,351)	-	-	-	(4,351)
Balance at December 31, 2013	\$ <u>72,174</u>	<u>21,872</u>	<u>130,275</u>	<u>9,445</u>	<u>233,766</u>
Balance at January 1, 2012	\$ 68,754	26,118	24,705	30,123	149,700
Recognized in profit or loss	2,787	(565)	70,633	(19,268)	53,587
Recognized in other comprehensive income	10,345	-	-	-	10,345
Balance at December 31, 2012	\$ <u>81,886</u>	<u>25,553</u>	<u>95,338</u>	<u>10,855</u>	<u>213,632</u>

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

3) As of December 31, 2013, the ROC tax authorities had examined and assessed the Company's income tax returns for all years through 2011.

4) Imputation credit account (ICA) and creditable ratio

	December 31, 2013	December 31, 2012	January 1, 2012
Undistributed retained earning - 1998 and after	\$ 351,404	40,949	86,057
Imputation credit account (ICA)	\$ 144,225	31,347	27,793

	2012(Expected)	2012(Actual)
The creditable ratio on retained earnings	20.48%	20.48%

According to the amendment by the Ministry of Finance on October 17, 2013 under Decree No. 10204562810, the Company's integrated income tax should be covering the disclosed information of imputation tax credit as above.

24. Share capital and other equity accounts

1) Share capital

As of December 31, 2013, and 2012 and January 1, 2012, the Company's authorized capital consisted of 6,000,000 thousand shares and issued shares worth \$4,919,543, \$4,247,338, and \$4,180,451 thousands, respectively, with par value of \$10 (NT dollars) per share.

Outstanding shares reconciliation as below:

	Common Stock	
	For the year ended December 31, 2013	For the year ended December 31, 2012
(thousand shares)		
Balance at January 1	\$ 424,734	418,045
Issuance of common stock for cash	60,000	-
common stock dividend	7,220	6,689
Balance at December 31	\$ 491,954	424,734

It was resolved in the stockholders' meeting on May 30, 2013 to increase capital through a capitalization of retained earnings amounting to \$72,205 thousands. This had been registered and approved by the government authorities on July 15, 2013.

It was resolved in the directors' meeting on June 28, 2013 to increase capital through a cash injection amounting to \$600,000 thousands. This had been registered and approved by the government authorities.

It was resolved in the stockholders' meeting on June 7, 2012 to increase capital through a capitalization of retained earnings amounting to \$66,887 thousands. This had been registered and approved by the government authorities on July 18, 2012.

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

2) Capital reserve

The components of capital reserve were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Statutory reserve and special reserve transferred in	\$ 742,056	742,056	742,056
Additional paid-in capital	136,043	136,043	136,043
Share-based compensation	14,424	6,200	6,200
Others	66	34	-
Additional paid-in capital	<u>\$ 892,589</u>	<u>884,333</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.

3) Retained earnings

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

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

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

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

(1) Legal reserve

In accordance with the Company Act, 30 percent of net income should be set aside after offsetting accumulated deficits, if any, as legal reserve, until it is equal to issued common stock. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the legal reserve either by new shares or by cash of up to 25 percent of the paid-in capital.

(2) Special reserve

In accordance with Permit No. 1010012865 as issued by the Financial Supervisory Commission on April 6, 2012, a special reserve equal to the debit balance of unrealized loss on financial instruments in the stockholders' equity, is appropriated from unappropriated retained earnings pursuant to Article No.41 of the Securities and Exchange Act. When appropriating a special reserve for the first time, it is initially appropriated from current earnings and any deficiency is appropriated from the

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

undistributed earnings of prior years. For the second year and years thereafter, the increase or decrease in the balance of unrealized loss on financial instruments in subsequent year, as shown in the statement of changes in stockholders' equity, is either subject to further appropriation for special reserve, or reversed to retained earnings.

(3) Appropriator of earnings

In accordance with the Company's Articles of Incorporation, employee bonuses and remuneration to directors and supervisors in 2013 and 2012 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, 2013 and 2012, after setting aside legal reserve. Accordingly, in 2013 and 2012, the company recorded the bonus to employees of \$25,236 thousands and \$14,500 thousands, respectively, and the remuneration to directors and supervisors of \$7,570 thousands and \$4,300 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 2012 and 2011 were resolved in the stockholders' meeting held on May 30, 2013 and June 7, 2012, respectively. The details were as follows:

	2012	2011
Cash dividends(in NT dollar)	\$ 0.17	0.16
Common Stock dividends(in NT dollar)	0.17	0.16
	\$ 0.34	0.32
Employees' profit sharing – cash	\$ 14,497	13,457
Directors' and supervisors' remuneration	4,349	4,037
	\$ 18,846	17,494

The proposal for the distribution of 2013 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.

4) Other equity accounts

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Others
Balance, January1, 2013	\$ (14)	10,606	10,592
Unrealized gains (losses) on available-for-sale financial assets, net of tax:	-	(4,038)	(4,038)
Foreign currency translation differences (net of tax):	6	-	6
Balance, December 31, 2013	\$ (8)	6,568	6,560
Balance, January1, 2012	\$ -	24,927	24,927
Unrealized gains (losses) on available-for-sale financial assets, net of tax:	-	(14,321)	(14,321)
Foreign currency translation differences (net of tax):	(14)	-	(14)
Balance, December 31, 2012	\$ (14)	10,606	10,592

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

25. Earnings per share

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

	2013	2012
Basic earnings per share		
Profit attributable to common shareholders	\$ 495,752	196,875
Weighted average number of common shares	449,873	424,734
Basic Earnings per share (In New Taiwan Dollars)	\$ 1.10	0.46
Weighted-average outstanding shares-retroactive adjusted		431,955
Basic earnings per share-retroactive adjusted (in NT dollar)		\$ 0.46
Diluted earnings per share:		
Profit attributable to common shareholders	\$ 495,752	196,875
Weighted average number of common shares	449,873	431,955
Effect of common stock with dilution potential:		
Employee bonuses	2,453	1,916
Average outstanding shares	452,326	433,871
Diluted earnings per share (in NT dollar)	\$ 1.10	0.45

26. Net interest income

	For the year ended December 31, 2013	For the year ended December 31, 2012
Interest income		
Discount and loans	\$ 2,695,524	2,643,613
Due from Banks	181,227	183,557
Short-term bills and bonds	108,280	116,005
Other	148,691	110,301
Sub-total	3,133,722	3,053,476
Interest expense		
Deposit	1,012,363	995,950
Due to other Central Bank and banks and call loans to banks	3,717	485
Financial bonds	47,559	47,493
Other	1,497	216
Sub-total	1,065,136	1,044,144
	\$ 2,068,586	2,009,332

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

27. Service fee income

	For the year ended December 31, 2013	For the year ended December 31, 2012
Consumer financial center service fee	\$ 23,435	25,403
Guarantee service fee	22,151	25,457
Remittance service fee	13,177	13,421
Trust service fee	7,947	23,881
Insurance agency service fee	56,976	64,237
Other	132,400	106,776
Sub-total	256,086	259,175
Service fee expense	20,045	18,599
	\$ 236,041	240,576

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

	For the year ended December 31, 2013	For the year ended December 31, 2012
<u>Disposal gains (losses)</u>		
Convertible bonds	\$ 31,591	37,690
Listed and OTC securities	16,828	12,387
Beneficiary certificates	1,233	293
Derivative financial instruments	592	809
Subtotal	50,244	51,179
<u>Valuation (losses) gains</u>		
Convertible bonds	(629)	(283)
Listed and OTC securities	(1,082)	2,178
Beneficiary certificates	(2,512)	2,676
Convertible bonds	29,040	(11,105)
Subtotal	24,817	(6,534)
<u>Dividend and interest income</u>	3,986	2,188
	\$ 79,047	46,833



COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

29. Other net non-interest income

	For the year ended December 31, 2013	For the year ended December 31, 2012
Dividend income	\$7,596	8,529
Rental income	17,919	15,970
Net (losses) gains on disposal of premises and equipment	(85)	1,689
Others	(7,333)	7,665
	\$ 18,097	33,853

30. Employee benefits expenses

	For the year ended December 31, 2013	For the year ended December 31, 2012
Salary expenses	\$ 972,461	959,451
Insurance expenses	70,329	64,727
Retirement expenses	53,306	71,498
Other employee benefits	45,537	57,655
	\$ 1,141,633	1,153,331

31. Depreciation and amortization expenses

	For the year ended December 31, 2013	For the year ended December 31, 2012
Depreciation of Property and equipment	\$ 33,742	39,381
Depreciation of investment Property	636	1,591
Amortization of intangible assets	2,258	2,025
	\$ 36,636	42,997

32. Other general and administrative expenses

	For the year ended December 31, 2013	For the year ended December 31, 2012
Taxes and fees	\$ 99,764	99,377
Insurance expense	60,777	59,382
Rental expense	47,903	46,328
Occupational group membership fee	25,788	19,486
Advertising and printing expense	26,640	23,639
Security fees	18,682	18,774
Other	131,471	125,854
	\$ 411,025	392,840

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

33. Financial instruments

1) Fair value of financial instruments

	December 31, 2013		December 31, 2012		January 1, 2012	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets						
Cash and cash equivalents	1,568,315	1,568,315	1,362,620	1,362,620	1,315,586	1,315,586
Due from Central Bank and call loans to bank	22,587,444	22,587,444	23,671,717	23,671,717	28,169,036	28,169,036
Non-Derivative Financial assets measured at fair value through profit or loss	1,811,359	1,811,359	2,169,045	2,169,045	1,756,252	1,756,252
Derivative Financial assets measured at fair value through profit or loss	28,373	28,373	876	876	10,201	10,201
Available-for-sale financial assets - net	2,005,933	2,005,933	2,366,152	2,366,152	2,388,936	2,388,936
Securities purchased under reverse repurchase agreements	699,901	699,901	1,649,290	1,649,290	600,004	600,004
Receivables - net	388,615	388,615	383,769	383,769	413,132	413,132
Loans - net	96,230,478	96,230,478	87,964,356	87,964,356	82,215,491	82,215,491
Held-to-maturity financial assets - net	3,535,588	3,543,603	4,523,617	4,539,123	2,217,377	2,231,822
Other financial assets - net	182,484	182,484	205,909	205,909	208,242	208,242
Refundable deposits	31,129	31,129	39,456	39,456	27,252	27,252
Financial liabilities						
Deposits from Central Bank and other banks	114,090	114,090	652,003	652,003	229,915	229,915
Financial liabilities measured at fair value through profit or loss	237	237	1,781	1,781	-	-
Payables	721,644	721,644	714,472	714,472	622,128	622,128
Deposits and remittances	121,910,933	121,910,933	117,510,391	117,510,391	113,115,725	113,125,725
Financial debentures	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
deposits received	8,078	8,078	12,779	12,779	8,282	8,282

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

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

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

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

3) Fair value hierarchy information on financial instruments and the statements of changes in fair value of Level 3

		2013.12.31			
Fair value measurement for financial instruments		Total	Level 1 (Note 1)	Level 2 (Note 2)	Level 3 (Note 3)
Non-Derivative Financial Instruments					
Assets:					
Financial assets measured at fair value through profit or loss					
Investment in stocks	\$ 55,120	55,120	-	-	
Investment in bonds	1,747,676	-	1,747,676	-	
Others	8,563	8,563	-	-	
Available-for-sale financial assets - net					
Investment in bonds	2,005,933	2,005,933	-	-	
Fair value measurement for financial instruments		Total	Level 1 (Note 1)	Level 2 (Note 2)	Level 3 (Note 3)
Derivative Financial Instruments					
Assets:					
Financial assets measured at fair value through profit or loss		\$ 28,373	-	28,373	-
Liabilities:					
Financial liabilities measured at fair value through profit or loss		237	-	237	-
		2012.12.31			
Fair value measurement for financial instruments		Total	Level 1 (Note 1)	Level 2 (Note 2)	Level 3 (Note 3)
Non-Derivative Financial Instruments					
Assets:					
Financial assets measured at fair value through profit or loss					
Investment in stocks	\$ 140,464	140,464	-	-	
Investment in bonds	1,895,905	-	1,895,905	-	
Others	132,676	132,676	-	-	
Available-for-sale financial assets - net					
Investment in bonds	2,366,152	2,366,152	-	-	
Derivative Financial Instruments					
Assets:					
Financial assets measured at fair value through profit or loss		876	-	876	-
Liabilities:					
Financial liabilities measured at fair value through profit or loss		1,781	-	1,781	-

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

Fair value measurement for financial instruments	2012.1.1			
	Total	Level 1 (Note 1)	Level 2 (Note 2)	Level 3 (Note 3)
Non-Derivative Financial Instruments				
Assets:				
Financial assets measured at fair value through profit or loss				
Investment in stocks	\$ 55,864	55,864	-	-
Investment in bonds	1,700,388	-	1,700,388	-
Available-for-sale financial assets - net				
Investment in bonds	52,925	52,925	-	-
Corporate bonds	2,326,333	2,326,333	-	-
Others	9,678	9,678	-	-
Derivative Financial Instruments				
Assets:				
Financial assets measured at fair value through profit or loss	10,201	-	10,201	-

Note 1: Fair value measurement for a financial instrument classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market. The definition of active market has all of the following conditions: (1) the products traded in the market are homogeneous, (2) willing parties are available anytime in the market, and (3) price information is available for the public.

Note 2: Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than quoted price in an active market including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The examples of observable price are as follows:

A. The quoted price for an identical financial instrument in an active market means the fair value from the market transaction prices for an identical financial instrument. An identical financial instrument should be determined by its characteristics and terms of transaction. The fair value of a financial instrument has to be adjusted according to the observable market price of the identical financial instrument. The reasons for adjustments include time lag of the occurring market transaction prices for an identical financial instrument (the quoted prices do not represent fair value at the measurement date), the difference in transaction terms for financial instruments, transaction prices involving related parties, and the correlation between the observable transaction prices of identical financial instruments and the market prices of held financial instruments.

B. The quoted market price of the same or identical financial instruments in an inactive market.

C. The fair value is estimated on the basis of the results of a valuation technique, and the market inputs used (i.e., interest rate, yield curve, and fluctuation rate) are based on obtainable data from the market (an observable input means an input can be derived from market data and can reflect the expectation of market participants when the inputs were used in evaluating the prices of financial instruments).

D. A majority of inputs are derived from observable market data, or the input correlation can be tested based on observable market data.

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

Note 4: For the year ended December 31, 2013 and 2012, unrealized (losses) gains due to the estimated change of fair value recognized by the Group were \$28,411 and (\$11,388) thousands, respectively.

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

34. Financial risk information

1) Risk management

The Group established a risk management framework which consist the Board, Assets, Liability and Risk Management Committee, Risk Management Center and Internal Auditor as well as the operating units.

The Board reviews and assesses overall risks of the Group. It formulates high level risk management policy, exercises delegated risk authorities and oversees the implementation of risk appetite and controls. It monitors all categories of risk, receives reports on performance and emerging issues, determines actions to be taken to mitigate any negative effects to the business, and to adjust risk management directions where appropriate in response to changes in the market condition and / or business strategy.

2) Credit risk

(1) Risk Identification

Credit risk comes from the default risk of a credit client, significant decline in credit quality, collateral devaluation or the default risk of derivatives counterparty. Credit risk factors identification shall consider not only internal business operations but also external environmental changes.

(2) Risk Measurement

In order to appropriately evaluate and monitor obligor's credit risk, the Group implements the internal rating system factored in the characteristics of obligors and products to quantify it. The corresponding policies and procedures are established and the regular model validation mechanism is executed to ensure the appropriateness and effectiveness of the model. Credit risk management policy and experienced credit officers' judgment supplement the credit rating application on credit approval, facility management and performance analysis, etc.

(3) Mitigation of Credit Risk

a. Collateral Management

In assessing the credit extension, the business prospect, future cash flow, and repayment ability and willingness of an obligor are the main factors for determining the repayment capability. However, for the creditor's sake, the Bank and its subsidiaries, under government regulations, could ask the obligor or a third party to deliver pledge of real estate, chattel, or securities as collateral which could be disposed for recovering the creditor's right if the obligor defaults. The Bank and its subsidiaries established several guidelines with respect to loan to value, collateral types, appraisalment, and collateral insurance, so that we can maintain good standing value in case of disposing collaterals timely.

b. Pre-settlement risk mitigation

For pre-settlement risk, the Bank and its subsidiaries might take mitigation actions such as calling for additional collateral (or margin), signing a netting agreement or signing an early determination agreement so as to reduce the credit loss.

c. Post-lending loan review mechanisms

Post-lending loan review mechanism refers that the Bank and its subsidiaries periodically monitor customer's usage of

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

fund, performance and repayment capability so as to control the change of customer's risk. The review frequency and review content depend on the grade of customers. The Bank and its subsidiaries stipulated Guideline for Loan Reviews based on the lending principle issued by The Bankers Association of The Republic of China and Credit Officer System established by the Bank and its subsidiaries. Loan review items cover change of borrower's business, relationship with banks, change of operation condition, change of the collateral value, change of bank debt, and change of repayment sources and so on. If there is significant change of obligor's credit risk profile, the credit grade will be re-rated and unused facility might be adjusted depending on the situation.

d. Credit risk assurance review

In order to ensure the adequacy of entire credit risk management and control mechanisms, credit risk portfolio and credit risk management process are assessed, reviewed, monitored and examined periodically by the Bank and its subsidiaries, to assist the Bank and its subsidiaries in their stable growth of long-term operation.

e. The maximum credit exposure to the credit risk of off balance sheet items (without considering the allowance for bad debt, collaterals and guarantees)

	2013.12.31	2012.12.31	2012.1.1
Irrevocable loan commitment	\$ 9,808,842	10,485,876	8,992,014
Credit card commitment	1,511,801	1,439,750	1,352,221
Letter of credit commitment	2,381,700	2,743,122	2,873,344

(4) Concentrations of credit risk

Significant concentrations of credit risk occur when there are exposures, significant enough to threaten a bank's security or its ability to maintain core businesses, to an individual counterparty to a transaction or a number of related counterparties engage in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentrations of credit risk originate from assets, liabilities, and off-balance-sheet items by means of performing an obligation to deliver products or service, execution of a trade, or combination of cross-classification exposures. The Group have proper internal policies, systems, and controls to recognize, measure, monitor, and control concentrations of credit risk. The following table illustrates the diversification of the loan portfolio among industry sectors, geographical regions and collateral types of the Group.

(a) Industry

	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
Private enterprise	\$ 18,817,051	19.11	17,497,403	19.48	16,186,154	19.40
Government-owned businesses	2,650,000	2.69	2,340,000	2.61	500,000	0.60
Public Sector	8,211,086	8.34	6,481,019	7.22	4,196,628	5.03
Non-profit organization	523,320	0.53	327,108	0.36	295,463	0.35
Individuals	68,282,096	69.33	63,172,402	70.33	62,279,098	74.62
	<u>\$ 98,483,553</u>	<u>100.00</u>	<u>89,817,932</u>	<u>100.00</u>	<u>83,457,343</u>	<u>100.00</u>

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

(b) Region

Not applicable since the Group conducts its business domestically.

(c) Collateral

	2013.12.31		2012.12.31		2012.1.1	
	Amount	%	Amount	%	Amount	%
Non-secured	\$ 25,105,573	25.49	22,758,175	25.34	18,572,274	22.25
Securities	166,941	0.17	127,842	0.14	118,112	0.14
Bond	227,068	0.23	191,427	0.21	239,208	0.29
Real estate	54,213,239	55.05	49,038,257	54.60	47,434,937	56.84
Chattel	13,808,159	14.02	12,919,911	14.38	12,914,103	15.48
Notes receivables	88,398	0.09	103,985	0.12	93,913	0.11
Guarantee	4,874,175	4.95	4,678,335	5.21	4,084,796	4.89
	<u>\$ 98,483,553</u>	<u>100.00</u>	<u>89,817,932</u>	<u>100.00</u>	<u>83,457,343</u>	<u>100.00</u>

(5) Credit Quality Analysis for Discounts and Loans and Receivables

2013.12.31	Neither past due nor impaired (A)	Past due not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowance (D)		Net (A)+(B)+(C)-(D)
					With objective evidence	Without objective evidence	
Receivables							
- Credit card	149,777	885	792	151,454	219	23,630	127,605
- Revenue	1,123	-	-	1,123	-	-	1,123
- Interest	188,611	-	3,355	191,966	1,159	514	190,293
- Others	9,986	-	60,987	70,973	2,069	12,433	56,471
Subtotal	349,497	885	65,134	415,516	3,447	36,577	375,492
Discounts and loans	97,041,612	199,489	1,242,452	98,483,553	739,382	1,304,689	96,439,482
Off balance sheet items							
- Guarantee	1,995,457	-	140,336	2,135,793	-	-	2,135,793
- Letter of credit	245,907	-	-	245,907	-	-	245,907
Subtotal	2,241,364	-	140,336	2,381,700	-	-	2,381,700

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

2012.12.31	Neither past due nor impaired (A)	Past due not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowance (D)		Net (A)+(B)+(C)-(D)
					With objective evidence	Without objective evidence	
Receivables							
- Credit card	142,285	545	419	143,249	17,455	703	125,091
- Revenue	950	-	-	950	-	-	950
- Interest	225,941	-	2,495	228,436	3,630	1,052	223,754
- Others	6,225	-	15,648	21,873	9,439	1,117	11,317
Subtotal	375,401	545	18,562	394,508	30,524	2,872	361,112
Discounts and loans	89,078,327	161,627	577,978	89,817,932	528,497	1,142,056	88,147,379
Off balance sheet items							
- Guarantee	2,503,990	-	25,111	2,529,101	-	-	2,529,101
- Letter of credit	214,021	-	-	214,021	-	-	214,021
- Acceptance	9,381	-	-	9,381	-	-	9,381
Subtotal	2,727,392	-	25,111	2,752,503	-	-	2,752,503

2012.1.1	Neither past due nor impaired (A)	Past due not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowance (D)		Net (A)+(B)+(C)-(D)
					With objective evidence	Without objective evidence	
Receivables							
- Credit card	151,306	1,224	807	153,337	151	11,035	142,151
- Revenue	732	-	-	732	-	-	732
- Interest	208,512	-	1,614	210,126	122	6,560	203,444
- Others	26,068	-	26,159	52,227	689	2,592	48,946
Subtotal	386,618	1,224	28,580	416,422	962	20,187	395,273
Discounts and loans	82,653,435	207,812	596,096	83,457,343	400,674	717,652	82,339,017
Off balance sheet items							
- Guarantee	2,662,394	-	12,445	2,674,839	-	-	2,674,839
- Letter of credit	198,506	-	-	198,506	-	-	198,506
- Acceptance	4,884	-	-	4,884	-	-	4,884
Subtotal	2,865,784	-	12,445	2,878,229	-	-	2,878,229

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

(6) Credit Quality Analysis for Discounts and Loans and Receivables Neither past due nor impaired

	Amount				
2013.12.31	Very Good	Good	Medium	None	Total
Consumers' financing					
- Automobile	5,894,055	6,507,916	406	3,534	12,405,911
- Real estate	600,062	12,166,380	6,457,850	2,928,893	22,153,185
- Credit loans	5,195,939	2,195,864	17,287	163,591	7,572,681
- Deposit collateral	-	9,249	6,093	105,315	120,657
- Other secured	8,155	587,622	206,735	36,031	838,543
- Other non-secured	91,032	17,727,017	5,766,607	662,118	24,246,774
Corporate financing					
- Government	-	-	-	10,861,086	10,861,086
- Other secured	1,454,429	7,556,856	4,487,942	208,306	13,707,533
- Other non-secured	482,345	2,975,507	1,527,012	150,378	5,135,242
Total	13,726,017	49,726,411	18,469,932	15,119,252	97,041,612

	Amount				
2012.12.31	Very Good	Good	Medium	None	Total
Consumers' financing					
- Automobile	1,554	25,868	18,704	11,334,578	11,380,704
- Real estate	1,452,889	6,102,519	2,607,877	11,705,790	21,869,075
- Credit loans	9,203	16,517	29,079	7,661,064	7,715,863
- Deposit collateral	1,660	15,566	2,748	92,067	112,041
- Other secured	1,333,351	11,133,849	6,910,081	1,024,038	20,401,319
- Other non-secured	84,128	505,522	378,514	118,627	1,086,791
Corporate financing					
- Government	-	-	-	8,821,019	8,821,019
- Other secured	1,630,580	5,568,358	4,192,484	1,428,648	12,820,070
- Other non-secured	403,226	1,921,019	1,993,813	553,387	4,871,445
Total	4,916,591	25,289,218	16,133,300	42,739,218	89,078,327

	Amount				
2012.1.1	Very Good	Good	Medium	None	Total
Consumers' financing					
- Automobile	1,571	24,481	17,497	11,263,002	11,306,551
- Real estate	1,602,590	5,497,404	1,986,869	11,592,268	20,679,131
- Credit loans	10,473	19,176	16,954	7,956,335	8,002,938
- Deposit collateral	160	14,054	2,025	92,519	108,758
- Other secured	1,583,719	10,416,527	6,842,222	1,470,012	20,312,480
- Other non-secured	104,741	597,080	320,935	153,609	1,176,365
Corporate financing					
- Government	-	7,000	-	4,689,628	4,696,628
- Other secured	1,425,761	4,855,528	3,961,369	1,657,257	11,899,915
- Other non-secured	416,031	1,724,975	1,663,317	666,346	4,470,669
Total	5,145,046	23,156,225	14,811,188	39,540,976	82,653,435

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

(7) Credit Quality Analysis for Security Investments

2013.12.31	Neither past due nor impaired				Past due Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Allowance (D)	Net (A)+(B)+ (C)-(D)
	Very Good	Good	Normal	Total(A)					
Available for sale									
- Bond	2,005,933	-	-	2,005,933	-	-	2,005,933	-	2,005,933
Held-to-maturity									
- Bond	3,534,588	-	-	3,534,588	-	-	3,534,588	-	3,534,588
- Other	1,000	-	-	1,000	-	-	1,000	-	1,000
Other									
- Bond	-	-	-	-	-	59,900	59,900	7,563	52,337
Total	5,541,521	-	-	5,541,521	-	59,900	5,601,421	7,563	5,593,858

2012.12.31	Neither past due nor impaired				Past due Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Allowance (D)	Net (A)+(B)+ (C)-(D)
	Very Good	Good	Normal	Total(A)					
Available for sale									
Bond	2,366,153	-	-	2,366,153	-	-	2,366,153	-	2,366,153
Held-to-maturity									
- Bond	3,122,617	-	-	3,122,617	-	-	3,122,617	-	3,122,617
- Other	1,401,000	-	-	1,401,000	-	-	1,401,000	-	1,401,000
Other									
- Bond	-	-	-	-	-	58,272	58,272	7,357	50,915
Total	6,889,770	-	-	6,889,770	-	58,272	6,948,042	7,357	6,940,685

2012.1.1	Neither past due nor impaired				Past due Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment Allowance (D)	Net (A)+(B)+ (C)-(D)
	Very Good	Good	Normal	Total(A)					
Available for sale									
- Bond	2,379,258	-	-	2,379,258	-	-	2,379,258	-	2,379,258
Held-to-maturity	9,678	-	-	9,678	-	-	9,678	-	9,678
- Bond									
- Other	2,216,377	-	-	2,216,377	-	-	2,216,377	-	2,216,377
Other	1,000	-	-	1,000	-	-	1,000	-	1,000
- Bond									
Total	-	-	-	-	-	60,580	60,580	7,648	52,932
Available for sale	4,606,313	-	-	4,606,313	-	60,580	4,666,893	7,648	4,659,245

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

(8) Ageing analysis of days past due but not impaired gross financial assets

Past due but not impaired loans are those for which the customer is in the early stages of delinquency and has failed to make payment, or a partial payment in accordance with the contractual terms of the loan agreement. This is typically where a loan is less than 90 days past due and there are no other indicators of impairment.

	2013.12.31			2012.12.31			2012.1.1		
	Overdue less than 1 month	Overdue 1 to 3 months	Total	Overdue less than 1 month	Overdue 1 to 3 months	Total	Overdue less than 1 month	Overdue 1 to 3 months	Total
Receivables									
- credit card	\$ 816	69	885	-	545	545	-	1,224	1,224
Discounts and loans									
Consumers									
- automobile	1,225	11,260	12,485	-	9,214	9,214	-	11,233	11,233
- real estate	2,678	35,146	37,824	176	34,190	34,366	232	60,977	61,209
- credit line	51,803	46,216	98,019	47,525	38,190	85,715	51,596	36,254	87,850
- other secured	1,449	90	1,539	2,464	277	2,741	2,617	3,617	6,234
- other non-secured	6	10,507	10,513	3,808	6,054	9,862	10	14,849	14,859
Corporate									
- other secured	-	29,124	29,124	3,478	11,643	15,121	6,539	14,079	20,618
- other non-secured	-	9,985	9,985	870	3,738	4,608	2,135	3,674	5,809
Total	\$ 57,977	142,397	200,374	58,321	103,851	162,172	63,129	145,907	209,036

(9) Asset quality of non-performing loans and overdue receivables

Item		Discounts and loans (gross)		
		2013.12.31	2012.12.31	2012.1.1
There is objective evidence of impairment on individual asset	Individual impairment	556,616	67,270	136,258
	Collective impairment	685,836	505,856	459,838
There is no objective evidence of impairment on individual asset	Collective impairment	97,241,101	89,244,806	82,861,247
Total		98,483,553	89,817,932	83,457,343

Item		Allowance for doubtful accounts		
		2013.12.31	2012.12.31	2012.1.1
There is objective evidence of impairment on individual asset	Individual impairment	110,492	28,825	51,694
	Collective impairment	628,891	499,672	348,980
There is no objective evidence of impairment on individual asset	Collective impairment	1,304,688	1,142,056	717,652
Total		2,044,071	1,670,553	1,118,326

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

Item		Receivables (gross)		
		2013.12.31	2012.12.31	2012.1.1
There is objective evidence of impairment on individual asset	Individual impairment	894	236	278
	Collective impairment	3,253	171,718	2,143
There is no objective evidence of impairment on individual asset	Collective impairment	411,391	231,935	418,885
Total		415,538	403,889	421,306

Item		Allowance for doubtful accounts		
		2013.12.31	2012.12.31	2012.1.1
There is objective evidence of impairment on individual asset	Individual impairment	194	97	52
	Collective impairment	3,254	30,427	910
There is no objective evidence of impairment on individual asset	Collective impairment	36,577	2,872	20,187
Total		40,025	33,396	21,149

3) Liquidity risk

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

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

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

(1) Maturity date analysis of non derivative financial liabilities

2013.12.31	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year	Total
Due from the Central Bank and Call Loans to Other Banks	28,620	25,670	38,800	21,000	-	114,090
Receivables	593,217	60,192	14,286	41,105	12,844	721,644
Deposit and remittance	12,810,476	14,979,701	18,450,000	42,134,427	33,536,329	121,910,933
Financial debentures	-	-	-	-	1,500,000	1,500,000
TOTAL	13,432,313	15,065,563	18,503,086	42,196,532	35,049,173	124,246,667

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

2012.12.31	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year	Total
Due from the Central Bank and Call Loans to Other Banks	534,903	25,670	-	91,430	-	652,003
Receivables	614,318	59,542	17,311	12,618	13,081	716,870
Deposit and remittance	12,115,967	14,630,689	18,470,948	39,869,036	32,423,751	117,510,391
Financial debentures	-	-	-	-	1,500,000	1,500,000
TOTAL	13,265,188	14,715,901	18,488,259	39,973,084	33,936,832	120,379,264

2012.1.1	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year	Total
Due from the Central Bank and Call Loans to Other Banks	112,815	25,670	-	91,430	-	229,915
Receivables	519,939	52,901	18,882	16,737	13,669	622,128
Deposit and remittance	12,074,643	14,440,534	18,241,137	37,949,809	30,409,602	113,115,725
Financial debentures	-	-	-	-	1,500,000	1,500,000
TOTAL	12,707,397	14,519,105	18,260,019	38,057,976	31,923,271	115,467,768

(2) Maturity analysis of derivatives

	2013.12.31					Total
	0-30 days	31-90 days	91-180 days	180-365 days	Over 365 days	
Financial assets measured at fair value through profit or loss, Derivative instruments (Foreign exchange)	\$ <u>237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>237</u>

	2012.12.31					Total
	0-30 days	31-90 days	91-180 days	180-365 days	Over 365 days	
Financial liabilities measured at fair value through profit or loss, Derivative instruments (Foreign exchange)	\$ <u>3,447</u>	<u>(1,666)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,781</u>

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

(3) Maturity analysis for off balance sheet items

2013.12.31	0~30 days	31~90 days	91~180 days	181~365 days	Over 365 days	Total
Commitment of loans	483,576	967,152	1,450,728	2,901,455	4,005,931	9,808,842
Commitment for letter of credit	720	12,686	18,231	89,669	1,390,495	1,511,801
Total	484,296	979,838	1,468,959	2,991,124	5,396,426	11,320,643

2012.12.31	0~30 days	31~90 days	91~180 days	181~365 days	Over 365 days	Total
Commitment of loans	312,479	624,958	937,437	1,874,875	6,736,127	10,485,876
Commitment for letter of credit	-	-	-	-	1,439,750	1,439,750
Total	312,479	624,958	937,437	1,874,875	8,175,877	11,925,626

2012.1.1	0~30 days	31~90 days	91~180 days	181~365 days	Over 365 days	Total
Commitment of loans	263,466	526,932	790,398	1,580,796	5,830,422	8,992,014
Commitment for letter of credit	-	-	-	-	1,352,221	1,352,221
Total	263,466	526,932	790,398	1,580,796	7,182,643	10,344,235

(4) Maturity analysis for operating lease

2013.12.31	Less than 1 year	1-5 year	Over 5 year	Total
Lease commitments				
Operating lease payments (Lessee)	37,911	103,045	335	141,291
Operating lease income (Lessor)	18,325	18,558	-	36,883
Total	56,236	121,603	335	178,174

2012.12.31	Less than 1 year	1-5 year	Over 5 year	Total
Lease commitments				
Operating lease payments (Lessee)	36,306	69,712	-	106,018
Operating lease income (Lessor)	15,742	38,820	-	54,562
Total	52,048	108,532	-	160,580

2012.1.1	Less than 1 year	1-5 year	Over 5 year	Total
Lease commitments				
Operating lease payments (Lessee)	32,612	42,363	-	74,975
Operating lease income (Lessor)	16,260	26,175	-	42,435
Total	48,872	68,538	-	117,410

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

4) Financial risk information

(1) Market risk

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

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

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

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

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

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

2013.12.31			
Main risk	Range	Amount influence	
		Equity	Gain or loss
Exchange rate risk	USD/NTD, EUR/NTD increase 3%	-	(6,083)
Exchange rate risk	USD/NTD, EUR/NTD decrease 3%	-	6,083
Interest rate risk	Interest rate curve rise 100BPS	-	(59,446)
Interest rate risk	Interest rate curve fall 100BPS	-	59,446
Price of equity stock risk	Price of equity stock rise 15%	-	9,552
Price of equity stock risk	Price of equity stock fall 15%	-	(9,552)

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

2012.12.31			
Main risk	Range	Amount influence	
		Equity	Main risk
Exchange rate risk	USD/NTD, EUR/NTD increase 3%	-	(1,611)
Exchange rate risk	USD/NTD, EUR/NTD decrease 3%	-	1,611
Interest rate risk	Interest rate curve rise 100BPS	-	(77,849)
Interest rate risk	Interest rate curve fall 100BPS	-	77,849
Price of equity stock risk	Price of equity stock rise 15%	-	40,159
Price of equity stock risk	Price of equity stock fall 15%	-	(40,159)

2012.1.1			
Main risk	Range	Amount influence	
		Equity	Main risk
Exchange rate risk	USD/NTD, EUR/NTD increase 3%	-	(11,142)
Exchange rate risk	USD/NTD, EUR/NTD decrease 3%	-	11,142
Interest rate risk	Interest rate curve rise 100BPS	-	(92,780)
Interest rate risk	Interest rate curve fall 100BPS	-	92,780
Price of equity stock risk	Price of equity stock rise 15%	-	8,346
Price of equity stock risk	Price of equity stock fall 15%	-	(8,346)

(2) Exchange rate risk concentration information

All held foreign financial assets and liabilities are classified by currencies and represented using the carrying amounts. The following tables are the information of December 31, 2013 and December 31, and January 1, 2012, respectively.

2013.12.31	USD	EUR	JPY	AUD	NZD	Total
Assets						
Cash and equivalent	22,898	9,340	13,599	-	-	45,837
Deposits of other banks	55,108	-	-	-	-	55,108
Available-for-sale assets	52,338	-	-	13,343	-	65,681
Discounts and loans	209,118	48,388	327	-	-	257,833
Receivables	264,016	10,982	3	68,149	-	343,150
Others	2,770,795	41,709	24,120	106,890	70,065	3,013,579
Total	3,374,273	110,419	38,049	188,382	70,065	3,781,188
Liabilities						
Deposits and remittances	1,042,283	37,226	30,159	120,567	57,800	1,288,035
Payables	363,368	2,498	977	175	7,448	374,466
Others	1,963,084	73,497	6,913	67,639	4,817	2,115,950
Total	3,368,735	113,221	38,049	188,381	70,065	3,778,451

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

(unit: Thousands of NTD)

2012.12.31	USD	EUR	JPY	AUD	NZD	Total
Assets						
Cash and equivalent	19,268	8,116	19	1,058	272	28,733
Deposits of other banks	245,176	-	25	-	-	245,201
Available-for-sale assets	62,577	-	-	27,679	-	90,256
Discounts and loans	335,485	42,291	2,199	-	-	379,975
Receivables	493,868	32,673	9,378	566,584	-	1,102,503
Others	3,534,069	82,168	9,058	42,978	70,381	3,738,654
Total	4,690,443	165,248	20,679	638,299	70,653	5,585,322
Liabilities						
Deposits and remittances	1,082,359	286,789	6,834	5,283	64,701	1,445,966
Payables	88,921	11,368	-	65,836	-	166,125
Others	175,058	95,659	37,015	1,163	-	308,895
Total	1,346,338	393,816	43,849	72,282	64,701	1,920,986

2012.1.1	USD	EUR	JPY	AUD	NZD	Total
Assets						
Cash and equivalent	30,248	9,139	27,105	-	-	66,492
Deposits of other banks	276,850	-	-	-	-	276,850
Available-for-sale assets	81,897	-	-	30,255	-	112,152
Discounts and loans	249,977	56,546	8,135	-	-	314,658
Receivables	24,817	2	1,351	622	-	26,792
Others	2,600,337	48,794	18,993	20,238	84,540	2,772,902
Total	3,264,126	114,481	55,584	51,115	84,540	3,569,846
Liabilities						
Deposits and remittances	497,015	54,332	1,667	291	83,838	637,143
Payables	156,894	46	-	50,825	149	207,914
Others	941,573	39,788	56,418	-	-	1,037,779
Total	1,595,482	94,166	58,085	51,116	83,987	1,882,836

35. Capital management

1) Capital management goal and procedure

The Target of capital management is to achieve the authority's requirements for the BIS Capital Adequacy Ratio and to improve the efficiency of capital usage through capital management procedures.

The Group considers the short-term and long-term capital demand, operating plans and the lowest requirement to the BIS ratio to draft the capital plan. The Group conducts the stress testing, the simulation analysis periodically, consider the external

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

conditions and other factors, such as potential risks, environment changes of the financial market and other events that will affect the risk tolerable ability to ensure the company can maintain sufficient capital while unfavorable events and significant changes to the market occur.

2) Definition and regulation

The Company's authority is the Financial Supervisory Commission (the FSC). The Bank follows the "Regulations Governing the Capital Adequacy and Capital Category of Banks" issued by the FSC.

The term "Ratio of Regulatory Capital to Risk-weighted Assets" shall mean Common Equity Tier 1 Ratio, Tier 1 Capital Ratio, and Total Capital Adequacy Ratio. Except computing the Company's own ratios, it also calculates the ratios using the consolidated financial information according to the IAS 27. All mentioned ratios should be in conformity with article 5 of the regulations.

3) Regulatory capital

The Company's regulatory capital is divided into net Tier 1 Capital and net Tier 2 Capital following the "Regulations Governing the Capital Adequacy and Capital Category of Bank's":

- (a) Net Tier 1 Capital: The aggregate amount of net Common Equity Tier 1 and net additional Tier 1 Capital. - Net common equity tier 1 capital: Primarily consists of the aggregate amount of Common stock and additional paid-in capital in excess of par - common stock, Capital collected in advance, Capital reserves, Statutory surplus reserves, Special reserves, accumulated profit or loss, Non-controlling interests, and Other items of interest, minus intangible assets (including goodwill), deferred tax assets due to losses from the previous year, the insufficiency of operation reserves and loan loss provisions, the revaluation surplus of real estate, unamortized losses on sales of non-performing loans, and statutory adjustment items calculated in accordance with "the Methods for calculating Bank's regulatory capital and Risk Weighted Assets". - Net additional Tier 1 capital: Consists of the aggregate amount of non-cumulative perpetual preferred stock and its capital stock premium, non-cumulative perpetual subordinated debts, additional tier 1 capital issued by banks' subsidiaries and not directly or indirectly held by banks, minus statutory adjustment items calculated in accordance with "the Methods for calculating Bank's regulatory capital and Risk Weighted Assets".
- (b) Net tier 2 capital: Consist of the aggregate amount of cumulative perpetual preferred stock and its capital stock premium, cumulative perpetual subordinated debts, convertible subordinated debts, long-term subordinated debts, non-perpetual preferred stock and its capital stock premium, the increase in retained earnings when fair value or re-estimated value is adopted as deemed cost for the first-time adoption of IFRSs on premises, 45% of unrealized gains on available-for-sale financial assets, operational reserves and loan-loss provisions, and tier 2 capital issued by banks' subsidiaries and not directly or indirectly held by banks, minus statutory adjustment items calculated in accordance with "the Methods for calculating Bank's regulatory capital and Risk Weighted Assets". The Bank issues different capital instrument via versatile venues to maintain a sound capital structure. The Bank does not provide holders of such capital instruments with relevant financing. Subsidiaries of the financial holding company, to which the Bank belongs, do not own such capital instruments. conducts regular filing of capital adequacy self-assessment and various risks management every year in accordance with regulatory mandate.

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

4) Capital Adequacy ratio:

Item		Year	2013.12.31	2012.12.31	2012.1.1
Capital	Common stock capital		5,996,666	5,155,439	5,059,918
	Other tier 1 capital		-	-	-
	Tier II Capital		2,167,578	2,452,416	2,243,209
	Total		8,164,244	7,607,855	7,303,127
Risk-weighted assets	Credit risk	Standardized approach	72,125,004	65,405,914	58,605,855
		Internal-rating-based approach	-	-	-
		Secularizations	-	1,924	5,793
	Operational risk	Basic indicator approach	4,209,427	3,941,879	3,633,837
		Standardized approach / alternative approach	-	-	-
		Advanced measurement approach	-	-	-
	Market risk	Standardized approach	2,098,803	2,797,863	2,533,448
		Internal model approach	-	-	-
	Total risk-weighted assets		78,433,234	72,147,580	64,778,933
	Capital adequacy ratio		10.41 %	10.54 %	11.27 %
Common stock / risk-weighted assets		7.65 %	7.14 %	7.81 %	
Tier I capital / risk-weighted assets		7.65 %	7.14 %	7.81 %	
Leverage Ratio		3.94 %	4.16 %	4.27 %	

36. Related-Party transactions

1) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

2) Significant transactions with related parties

(a) Loans

As of December 31, 2013 and 2012, loans to related parties amounted to approximately \$171,102 and \$92,787 thousands, respectively, representing 0.18% and 0.11% of total loans at each date. Interest resulting from such loans was \$767 and \$1,786 thousands, respectively, representing 0.02% and 0.06% of total interest income for 2013 and 2012, respectively. The range of interest rates were 1.70%~2.70% and 1.70%~2.75%, respectively.

As of December 31, 2013 and 2012, loans to key management amounted to approximately \$90 and \$5,325 thousands, respectively. Interest resulting from such loans was \$2 and \$369 thousands, respectively. The range of interest rates were 1.86%~1.90% and 1.86%~2.75%, respectively.

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

(b) Deposits

As of December 31, 2013 and 2012, deposits from related parties were approximately \$133,617 and \$275,426 thousands, respectively, representing 0.11% and 0.23% of total deposits at each date. Interest resulting from such deposits was \$4,785 and \$5,711 thousands, respectively, representing 0.45% and 0.55% of total interest expense for 2013 and 2012. The range for employee demand savings deposits interest rate was approximately 9.15%. The range of interest rate was approximately 0.14%~1.36% and 0.14%~1.33% p.a., respectively.

As of December 31, 2013 and 2012, deposits from key management were approximately \$55,667 and \$173,911 thousands, respectively, representing 0.05% and 0.15% of total deposits at each date. Interest resulting from such deposits was \$2,350 and \$2,865 thousands, respectively, representing 0.22% and 0.27% of total interest expense for 2013 and 2012. The range for employee demand savings deposits interest rate was approximately 9.15%. The range of interest rate was approximately 0.14%~1.36% and 0.14%~1.33% p.a., respectively.

3) Key management personnel compensation

	2013	2012
Salary and other short-term employee benefits	\$ 28,742	25,383
Post-employment benefits	570	536
Share-based payment	137	-
	<u>\$ 29,449</u>	<u>25,919</u>

37. Pledged assets

	December 31, 2013	December 31, 2012	January 1, 2012
Pledged for:			
Guarantee deposits for provisional actions against defaulted loans and deposit for trust business (recorded as available-for-sale financial assets and Held-to-maturity financial assets)	<u>\$ 121,400</u>	<u>73,500</u>	<u>58,800</u>

38. Significant commitments and contingencies

	December 31, 2013	December 31, 2012	January 1, 2012
Collections received	\$ 9,529,803	10,621,908	11,146,198
Guarantees	2,135,793	2,529,101	2,674,838
Travelers' checks held on consignment	16,795	26,529	30,320
Loan commitments	11,320,643	11,925,626	10,344,235
Letter of credit commitments	245,907	214,021	198,506

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

39. Significant Disaster Loss: None

40. Significant Subsequent Events: None

41. Other Matters

1) Personnel expenses, depreciation, and amortization for the years ended December 31, 2013 and 2012, were summarized as follows:

Function	2012			2011		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel Expenses:						
Salaries	-	972,461	972,461	-	959,451	959,451
Labor and health insurance	-	70,329	70,329	-	64,727	64,727
Pension	-	53,306	53,306	-	71,498	71,498
Other personnel expenses	-	45,537	45,537	-	57,655	57,655
Depreciation expenses	-	34,378	34,378	-	40,972	40,972
Amortization expenses	-	2,258	2,258	-	2,025	2,025

2) Balance sheet and trust property under the Company's trust accounts are disclosed as follows:

Balance Sheet
December 31, 2013

Trust Assets		Trust Liabilities	
Deposit in bank	\$ 146,148	Trust capita - money	\$ 4,735,524
Investment in mutual fund	4,589,376	Trust capita - real estate	-
Total trust assets	<u>\$ 4,735,524</u>	Total trust liabilities	<u>\$ 4,735,524</u>

Balance Sheet
December 31, 2012

Trust Assets		Trust Liabilities	
Deposit in bank	\$ 94,901	Trust capita - money	\$ 4,586,482
Investment in mutual fund	4,468,000	Trust capita - real estate	-
Total trust assets	<u>\$ 4,586,482</u>	Total trust liabilities	<u>\$ 4,586,482</u>

Property list of trust account
December 31, 2013

Items	Amount
deposits	\$ 146,148
Investment in mutual fund	4,589,376
	<u>\$ 4,735,524</u>

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

December 31, 2012

Items	Amount
deposits	\$ 94,901
Investment in mutual fund	4,468,000
Real estate - trust	23,581
	<u>\$ 4,586,482</u>

Income Statement of Trust Accounts

For the year ended December 31, 2013

Trust Income	
Interest income	\$ 37
Trust Expense	
Service fees	15
Management fees	1,187
Income loss before income taxes	(1,165)
Income tax expense	-
Net loss	<u>\$ (1,165)</u>

For the year ended December 31, 2012

Trust Income	
Interest income	\$ 39
Trust Expense	
Service fees	4
Management fees	890
Income loss before income taxes	(855)
Income tax expense	-
Net loss	<u>\$ (855)</u>

3) Profitability

Unit: %

Items		December 31, 2013	December 31, 2012
Return on assets ratio (annual)	Before income tax	0.44	0.20
	After income tax	0.38	0.16
Return on equity ratio (annual)	Before income tax	9.86	4.74
	After income tax	8.54	3.95
income		19.59	8.40

Note 1: Return on assets ratio = Net income before/after income tax ÷ average total assets

Note 2: Return on equity ratio = Net income before/after income tax ÷ average total stockholders' equity.

Note 3: Net income ratio = Net income after income tax ÷ Net revenue.

Note 4: Net income before/after tax represented accumulated income of current year

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

42. Segment Information:

The Group has three segments need to be disclosed (consumers' financing, branches, and others). Each department provides different services and products, and managed separately based on their diverse techniques and marketing tactic. The higher level managements of the Group review each department's internal management report every quarter. The information of asset and income disclose by segments all follow the significant accounting policies stated above. The operation businesses of the segments which need to be disclosed were as follow:

2013	Consumers' financing	Branches	Others	Elimination	Total
Revenue					
Net interest income	\$ 1,119,481	593,684	355,421	-	2,068,586
Net service income	17,496	56,154	162,391	-	236,041
Other income-net	-	46,826	227,125	(14,211)	259,740
Income between segments	(366,994)	596,000	(229,006)	-	-
Total	769,983	1,292,664	515,931	(14,211)	2,564,367
Expenses					
Bad debt	194,362	163,964	44,387	-	402,713
Operating expenses	275,686	636,886	676,992	(270)	1,589,294
Total	470,048	800,850	721,379	(270)	1,992,007
Income before tax	\$ 299,935	491,814	(205,448)	(13,941)	572,360
2013.12.31	Consumers' financing	Branches	Others	Elimination	Total
Assets	\$ 29,106,656	68,222,116	34,237,655	(49,784)	131,516,643
Liabilities	\$ 28,806,720	64,856,747	31,554,501	(28,270)	125,189,698

2012	Consumers' financing	Branches	Others	Elimination	Total
Revenue					
Net interest income	\$ 1,126,644	462,542	420,146	-	2,009,332
Net service income	22,714	57,107	160,755	-	240,576
Other income-net	-	(11,445)	120,586	(14,927)	94,214
Income between segments	(371,255)	640,512	(269,257)	-	-
Total	778,103	1,148,716	432,230	(14,927)	2,344,122
Expenses					
Bad debt	287,372	261,605	(45,646)	-	503,331
Operating expenses	269,388	544,800	775,201	(221)	1,589,168
Total	556,760	806,405	729,555	(221)	2,092,499
Income before tax	\$ 221,343	342,311	(297,325)	(14,706)	251,623
2013.12.31	Consumers' financing	Branches	Others	Elimination	Total
Assets	\$ 28,702,990	60,148,540	37,843,280	(49,668)	126,645,142
Liabilities	\$ 28,481,560	58,097,837	4,837,394	(49,668)	121,367,123

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

1) Service segment information

Services	2013	2012
Interest income for loans	\$ 2,692,271	2,643,613
Other interest income	441,451	409,863
Service income	256,086	259,175
	\$ 3,389,808	3,312,651

2) Geographic segment information:

The Group's interest income and service fee income are both from the customers in Taiwan. The Group's non-current assets are all located in Taiwan.

3) Information on major customers: For the years ended December 31, 2013 and 2012, no individual customer of the Group accounted for 10% or more of the Bank and its subsidiaries' revenue in the statements of income. Therefore, disclosure of information on major customers is not required.

43. First-time adoption of IFRSs

The consolidated financial statements as of December 31, 2012 were prepared in conformity with the generally accepted accounting principles of the Republic of China as mentioned in Note 4. These are the Group's first consolidated financial statements prepared under Guidelines and IFRS endorsed by the FSC, and IFRS 1 "First-time Adoption of International Financial Reporting Standards" has already been applied.

The preparation of the consolidated financial statements for the year ended December 31, 2012 and the consolidated balance sheets as of December 31, 2012 and January 1, 2012 (conversion date) adopted the IFRS Accounting Policies.

For purposes of preparing the first financial reports in 2012 under IFRS, the Group regarded the amounts in the financial reports under the R.O.C. GAAP as the initial point for adjustments. An explanation of how the transition to IFRS has affected the reported financial position, financial performance, and cash flows of the Group is provided in the following statements and notes.



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

The significant differences of preparing financial statements which the Company evaluated between current GAAP and IFRSs are listed below:

1. Assets, liabilities and equity adjustments

(1) Adjustments for consolidated statement of financial position on January 1, 2012

General accepted accounting principles in the Republic of China (R.O.C GAAP)		IFRS conversion's impact		IFRSs accepted by the FSC		Note
Item	Amount	Difference in recognition and measurement	Difference in Presentation	Amount	Item	
Cash and cash equivalents	\$ 1,316,586	-	(1,000)	1,315,586	Cash and cash equivalents	H
Due from Central Bank and call loans to bank	28,169,036	-	-	28,169,036	Due from Central Bank and call loans to bank	
Financial assets measured at fair value through profit or loss	1,766,453	-	-	1,766,453	Financial assets measured at fair value through profit or loss	
Securities purchased under resell agreements	600,004	-	-	600,004	Securities purchased under resell agreements	
Receivables, net	495,404	-	(82,272)	413,132	Receivables, net	D
		-	82,272	82,272	Current income tax assests	D
Loans, net	82,215,491	-	-	82,215,491	Loans, net	
Available-for-sale financial assets, net	2,388,593	343	-	2,388,936	Available-for-sale financial assets, net	K
Held-to-maturity financial assets, net	2,216,109	268	1,000	2,217,377	Held-to-maturity financial assets, net	H.K
Other financial assets	208,242	-	-	208,242	Other financial assets-net	
Premises and equipment, net	1,193,358	106,995	21,583	1,321,936	Premises and equipment - net	F.I.J
		6,578	602,924	609,502	Investment Property - net	F.I
Intangible assets	110,183	321	-	110,504	Intangible assets - net	I
Deferred tax assets	72,639	70,146	6,915	149,700	Deferred income tax assets - net	D
Other assets	820,052	(107,354)	(624,507)	88,191	Other assets - net	F.C.J
Total Assets	\$ 121,572,150	77,297	6,915	121,656,362		

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

General accepted accounting principles in the Republic of China (R.O.C GAAP)		IFRS conversion's impact		IFRSs accepted by the FSC		Note
Item	Amount	Difference in recognition and measurement	Difference in Presentation	Amount	Item	
LIABILITIES:						
Deposits from Central Bank and other banks	\$ 229,915	-	-	229,915	Deposits from Central Bank and other banks	
Payables	600,933	21,195	-	622,128	Payables	B
Deposits and remittances	113,115,725	-	-	113,115,725	Deposits and remittances	
Subordinate financial debentures	1,500,000	-	-	1,500,000	Subordinate financial debentures	
Accrued pension liability	171,551	(153,474)	(18,077)	-		C
		391,428	38,628	430,056	Provisions	A.C.G
		19,362	90,714	110,076	Deferred income tax liabilities	D
Other liabilities	540,035	-	(104,350)	435,685	Other liabilities	D.G
Total liabilities	116,158,159	278,511	6,915	116,443,585		
Stockholders' equity:						
Common stock	4,180,451	-	-	4,180,451	Common stock	
Capital reserve	884,299	-	-	884,299	Capital reserve	
Retained earnings:					Retained earnings:	
▮ Statutory reserve	37,043	-	-	37,043	Statutory reserve	
Undistributed earnings	194,628	(108,571)	-	86,057	Undistributed earnings	A.B.C.D. E.I.K
Other items in stockholders' equity					Other items in stockholders' equity	
Land revaluation increments	138,763	(138,763)	-	-		E
Cumulative translation adjustments	-	-	-	-		
Unrealized gains on financial instruments	24,927	-	-	24,927		
Net loss not recognized as pension cost	(46,120)	46,120	-	-		C
Total stockholders' equity	5,413,991	(201,214)	-	5,212,777		
Total Liabilities and Stockholders' Equity	\$ 121,572,150	77,297	6,915	121,656,362		

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

(2) Adjustments for consolidated statement of financial position on December 31, 2012

General accepted accounting principles in the Republic of China (R.O.C GAAP)		IFRS conversion's impact		IFRSs accepted by the FSC		Note
Item	Amount	Difference in recognition and measurement	Difference in Presentation	Amount	Item	
Cash and cash equivalents	\$ 1,363,620	-	(1,000)	1,362,620	Cash and cash equivalents	H
Due from Central Bank and call loans to bank	23,671,717	-	-	23,671,717	Due from Central Bank and call loans to bank	
Financial assets measured at fair value through profit or loss	2,169,921	-	-	2,169,921	Financial assets measured at fair value through profit or loss	
Securities purchased under resell agreements	1,649,290	-	-	1,649,290	Securities purchased under resell agreements	
Receivables, net	407,319	-	(23,550)	383,769	Receivables, net	D
		-	23,550	23,550	Current income tax assets	D
Loans, net	87,964,356	-	-	87,964,356	Loans, net	
Available-for-sale financial assets, net	2,365,873	279	-	2,366,152	Available-for-sale financial assets, net	K
Held-to-maturity financial assets, net	4,522,347	270	1,000	4,523,617	Held-to-maturity financial assets, net	H.K
Other financial assets	205,909	-	-	205,909	Other financial assets	
Premises and equipment, net	1,242,649	100,266	15,502	1,358,417	Premises and equipment, net	F.I.J
		5,565	541,650	547,215	Investment Property net	F.I
Intangible assets	109,788	512	-	110,300	Intangible assets net	I
Deferred tax assets	122,804	81,293	9,535	213,632	Deferred income tax assets net	D
Other assets	749,334	(97,594)	(557,153)	94,587	Other assets net	C.F.J
Total Assets	\$ 126,544,927	90,591	9,534	126,645,052		
LIABILITIES:						
Deposits from Central Bank and other banks	\$652,003	-	-	652,003	Deposits from Central Bank and other banks	
Financial liabilities measured at fair value through profit or loss	1,781	-	-	1,781	Financial liabilities measured at fair value through profit or loss	
Payables	768,956	21,534	(76,018)	714,472	Payables	B.D

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

General accepted accounting principles in the Republic of China (R.O.C GAAP)		IFRS conversion's impact		IFRSs accepted by the FSC		Note
Item	Amount	Difference in recognition and measurement	Difference in Presentation	Amount	Item	
		-	76,018	76,018	Current income tax liabilities	D
Deposits and remittances	117,510,391	-	-	117,510,391	Deposits and remittances	
Subordinate financial debentures	1,500,000	-	-	1,500,000	Subordinate financial debentures	
Accrued pension liability	213,635	(183,555)	(30,080)	-		C.G
		456,670	45,584	502,254	Provisions	A.B.C.G
		18,079	93,333	111,412	Deferred income tax liabilities	D
Other liabilities	398,095	-	(99,303)	298,792	Other liabilities	D.G
Total liabilities	121,044,861	312,728	9,534	121,367,123		
Stockholders' equity:						
Common stock	4,247,338	-	-	4,247,338	Common stock	
Stock dividends to be distributed	-	-	-	-	Stock dividends to be distributed	
Capital reserve	884,333	-	-	884,333	Capital reserve	
Retained earnings:					Retained earnings:	
Statutory reserve	94,717	-	-	94,717	Statutory reserve	
Undistributed earnings	210,284	(169,335)	-	40,949	Undistributed earnings	A.B.C.D. E.I.K
Other items in stockholders' equity					Other items in stockholders' equity	
Land revaluation increments	138,763	(138,763)	-	-		E
Cumulative translation adjustments	(14)	-	-	(14)		
Unrealized gains on financial instruments	10,606	-	-	10,606		
Net loss not recognized as pension cost	(85,961)	85,961	-	-		C
Total stockholders' equity	5,500,066	(222,137)	-	5,277,929		
Total Liabilities and Stockholders' Equity	\$ 126,544,927	90,591	9,534	126,645,052		

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

(3) Adjustments of consolidated comprehensive income statement for the year ended December 31, 2012

General accepted accounting principles in the Republic of China (R.O.C GAAP)		IFRS conversion's impact		IFRSs accepted by the FSC		Note
Item	Amount	Difference in recognition and measurement	Difference in Presentation	Amount	Item	
Interest income	\$ 3,053,537	(61)	-	3,053,476	Interest income	K
Less: Interest expenses	1,075,695	-	(31,551)	1,044,144	Less: Interest expenses	A
Net interest income	1,977,842	(61)	31,551	2,009,332	Net interest income	
Non-interest income					Non-interest income	
Service fee and commission income	240,576	-	-	240,576	Service fee and commission income	
Gains and losses on financial assets or liabilities measured at fair value through profit or loss	46,833	-	-	46,833	Gains and losses on financial assets or liabilities measured at fair value through profit or loss	
Realized gains or losses on available-for-sale financial assets	13,799	-	-	13,799	Realized gains or losses on available-for-sale financial assets	
Realized gains or losses on held-to-maturity financial assets	1,034	-	-	1,034	Realized gains or losses on held-to-maturity financial assets	
Foreign exchange gains	(1,305)	-	-	(1,305)	Foreign exchange gains	
Gain on reversal of impairment loss	15,970	-	-	15,970	Gain on reversal of impairment loss	
Other non-interest income, net	16,059	-	1,824	17,883	Other non-interest income, net	F
Net revenue	2,310,808	(61)	33,375	2,344,122		
Provisions for bad debt expenses and guarantee reserve	502,331	-	1,000	503,331	Provisions for bad debt expenses and guarantee reserve	
Operating expenses					Operating expenses	
Personnel expenses	1,074,710	4,702	73,919	1,153,331	Employee benefits expenses	A.B.C
Depreciation and amortization expenses	34,641	7,549	807	42,997	Depreciation and amortization expenses	F.I
Other general and administrative expenses	435,191	-	(42,351)	392,840	Other general and administrative expenses	
Total expenses	1,544,542	12,251	32,375	1,589,168	Total expenses	

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

General accepted accounting principles in the Republic of China (R.O.C GAAP)		IFRS conversion's impact		IFRSs accepted by the FSC		Note
Item	Amount	Difference in recognition and measurement	Difference in Presentation	Amount	Item	
Net Income Before Tax from Continuing Operations	263,935	(12,312)	-	251,623	Net Income Before Tax from Continuing Operations	D
Income tax expenses	56,831	(2,083)	-	54,748	Income tax expenses	
Consolidated Gross Income	<u>\$ 207,104</u>	<u>(10,229)</u>	<u>-</u>	<u>196,875</u>	Consolidated Gross Income	
					Other comprehensive income:	
		\$ -	(14)	(14)	Exchange differences of overseas subsidiaries' financial reports translation	
		-	(14,321)	(14,321)	Unrealized valuation gains (losses) on available-for-sale financial assets	
		(60,880)	-	(60,880)	Actuarial losses on defined benefits plan	C
		10,345	-	10,345	Income tax related to components of other comprehensive income	D
		<u>(50,535)</u>	<u>(14,335)</u>	<u>(64,870)</u>	Consolidated other comprehensive income (Net Amount After Tax)	
		<u>\$ (75,099)</u>	<u>-</u>	<u>132,005</u>	Comprehensive Income	

2. Equity adjustment

	Reference	2012.12.31	2012.1.1
Equity under ROC GAAP		\$ 5,500,066	5,413,991
Adjustments:			
Pension liability	4(A)(B)(C)	(392,247)	(366,503)
Premise and equipment	4(I)	106,345	113,894
Financial instruments	4(K)	549	611
Income tax	4(D)	63,216	50,784
Equity under IFRS		<u>\$ 5,277,929</u>	<u>5,212,777</u>

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

3. Material adjustment to statement of cash flows

Under R.O.C. GAAP, the Group prepared the consolidated statement of cash flows using indirect method and classified the interests/ dividends received and tax/interests paid as part of operating cash flows and were not asked to show them as separate items. Following IAS 7 "Statement of Cash Flows" as accepted by the FSC, however, for the year ended December 31, 2012, the Group showed them as separate items under operating cash flows, and the amount was as follows: interests received amounted to \$3,035,166 thousands; interests paid amounted to \$1,040,444 thousands; tax refunded amounted to \$27,745 thousands.

Except for those stated above, the consolidated statement of cash flows prepared in accordance with IFRSs as accepted by the FSC and with R.O.C. GAAP had no significant differences.

4. Adjustment notes

(A) Employee benefits such as retiree deposits with favorable rates

According to IAS 19 and the Regulations Governing the Preparation of Financial Reports by Public Banks, effective from year 2013, when recognizing the post-employment benefits, such as retiree deposits with favorable rates, the Group should consider the actuarial amount and recognize it accordingly. On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for provisions, an increase of \$30,683 and \$53,350, respectively; for retained earnings, a decrease of \$30,683 and \$53,350, respectively.

For current employees, the benefit of deposits with favorable rates resulted an adjustment of reclassification in profit and loss from interest expense to personnel cost amounted to \$31,551 thousands.

(B) Benefit of paid leave

Following IAS 19, the Group recognized the paid leave for the period employees providing services. On January 1 and December 31, 2012 the effect of this adjustment on related accounts is as follows: for payables, an increase of \$21,195 and \$21,534 thousands, respectively; for retained earnings, a decrease of \$21,195 and \$21,534 thousands, respectively. Also, for the consolidated income statement for the year ended 2012, this adjustment increase employee benefits expenses by \$340 thousands.



COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

(C) Adjustments to pension actuarial gains and losses and pension obligations

Following the instructions related to employee benefits in IFRS 1, the Group elect to apply the exemption provided therein and retrospectively apply IAS 19 to adjust (1) items related to unrecognized transitional net benefit obligation recognized under R.O.C. GAAP, (2) items related to supplementary pension liability recognition adjustments recognized under R.O.C. GAAP, and (3) part of the actuarial assumptions. On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for provisions, an increase of \$360,745 and \$403,320, respectively; for retained earnings, a decrease of \$360,745 and \$403,320, respectively; for other assets, a decrease of \$107,354 and \$97,594, respectively; for other adjustments to stockholders' equity, an increase of \$46,120 and \$85,961, respectively. Also, for the consolidated income statement for the year ended 2012, this adjustment increase employee benefits expenses by \$4,362.

(D) Income tax

Following IFRS 1 and the Regulations Governing the Preparation of Financial Reports by Public Banks, effective from year 2013, the Group reclassify current tax assets, current tax liabilities and deferred tax assets. On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for deferred tax assets and deferred tax liabilities, both an increase of \$6,915 and \$9,535 thousands; for current tax assets, an increase of \$82,272 and 23,550 thousands, respectively; for current tax liabilities, an increase of \$0 and \$73,620 thousands, respectively; for receivables, a decrease of \$82,272 and \$23,550 thousands, respectively; for payables, a decrease of \$0 and \$73,620 thousands, respectively.

Following IAS 12 and SIC 21, the temporary difference of the land revaluation increments tax payable under taxable should be reclassified to deferred tax liabilities. On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for other liabilities, a decrease of both \$83,799 thousands and for deferred income tax liabilities, an increase of both \$83,799 thousands.



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

The employee benefit obligation adjustments mentioned in notes (A)(B)(C) and depreciation adjustments mentioned in notes (I) incur income tax effects. On January 1 and December 31, 2012, the influence of the income tax effects on related accounts is as follows: for deferred tax assets, an increase of \$70,146 and \$81,293 thousands, respectively; for deferred tax liabilities, an increase of \$19,362 and \$18,079 thousands, respectively, for retained earnings, an increase of \$50,784 and \$63,216 thousands, respectively. Also, for the consolidated income statement for the year ended 2012, the income tax effects increase income tax expenses by \$10,345 thousands.

(E) Deemed costs of premises and equipment

According to the exemption about deem cost of property and equipment, the revaluation of land in accordance with the ROC GAAP was transferred to retained earnings. On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for other equities, a decrease of both \$138,763 thousands and an increase of retained earnings of both \$138,763 thousands.

(F) Investment property

Following IAS 16 and IAS 40, the Group reclassify the premise for rent or capital appreciation from other assets, property to investment property, on January 1 and December 31, 2012, the effect of this adjustment is as follows: for other assets, a decrease of \$607,359 and \$546,045 thousand, respectively; for premise and equipment, an increase of \$4,615 and \$4,395 thousands, respectively; for investment property, an increase of \$602,924 and \$541,650 thousands, respectively. Also, the related depreciation of \$221 thousands was reclassified from other non-interest revenue to depreciation expense in the consolidated comprehensive income statement.



(G) Provisions

According to IFRS 1, provisions should be recognized separately and accrued pension liabilities would be eliminated. On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for accrued pension liabilities, a decreased of \$18,077 and \$30,080 thousands, respectively; for other liabilities, a decrease of \$20,551 and \$15,504 thousands, respectively, and for provisions, an increase of \$38,628 and \$45,284 thousands, respectively.

(H) Time deposit reclassification to other financial assets

The Group reclassifies the time deposit due over one year from cash to other financial asset, on January 1 and December 31, 2012, the effect is both \$1,000 thousands.

COTA Commercial Bank Co., Ltd.

Notes to Consolidated Financial Statements (Continued)

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

(I) Depreciation of property and equipment

Following IAS 16, the Group reassess the residual value and estimated useful lives for depreciation of components, on January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: a increase of premise and equipment, \$106,995 and \$100,266 thousands, respectively; for investment property, an increase of \$6,578 and \$5,565 thousands, respectively; for intangibles, an increase of \$321 and \$512 thousands; for retained earnings, an increase of \$113,894 and \$106,345 thousands, respectively. Also, for the consolidated comprehensive income statement for the year 2012, this adjustment reduced the depreciation expenses by \$7,549 thousand.

(J) Deferred charges

Following IAS 16, the Group reclassifies certain deferred charges to premise and equipment under other assets. On January 1 and December 31, 2012, the effect of this adjustment is as follows: for premise and equipment, an increase of \$16,968 and \$11,107 thousands, respectively.

(K) Effective interest rate method

According to IAS No. 39 accepted by FSC, the amortization of financial assets will be calculated by using the effective interest rate method rather than straight line method. On January 1 and December 31, 2012, the effect of this adjustment on related accounts is as follows: for available-for-sale financial assets of \$343 and \$279 thousands, respectively; for held-to-maturity financial assets of \$268 and \$270 thousands, respectively; for retained earnings, an increase of \$611 and \$549 thousands, respectively. Also, for the consolidated comprehensive income statement for the year 2012, this adjustment reduces the interest income by \$61 thousands.





7

Financial Status Analysis, Operation Performance Analysis and Risk Management

7-1. Financial Status

Unit: TWD thousand

Item \ Year	Year	2013	2012	Difference	
				Amount	%
Total Asset		131,536,015	126,666,312	4,869,703	3.84
Total Liability		125,209,070	121,388,383	3,820,687	3.15
Total Equity		6,326,945	5,277,929	1,049,016	19.88

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

7-2. Operation Performance

Unit: TWD thousand

Item \ Year	Year	2013	2012	Increase/Decrease	
				Amount	Ratio (%)
Interest income		3,133,722	3,053,476	80,246	2.63
Interest expense		1,065,307	1,044,254	21,053	2.02
Non-interest income, net		462,295	295,151	167,144	56.63
Net revenue		2,530,710	2,304,373	226,337	9.82
Bad debt expense		402,713	503,331	(100,618)	(19.99)
Operating expense		1,558,492	1,552,431	6,061	0.39
Income before income tax		569,505	248,611	320,894	129.07
Net income		495,752	196,875	298,877	151.81

Remarks of Ratio Changes analysis:

1. Interest income increased by TWD80,246 thousand was due to loans increase.
2. Interest expense increased by TWD21,053 thousand was due to deposits increase.
3. Net non-interest income: Due to investment income increase and Asset Impairment Reversal.
4. Bad debt expense decreased was due to Asset quality increase.
5. Pre-Tax Income and Net Income increased was due to investment income increase, Asset Impairment Reversal and Bad debt expense decreased.

7-3. Cash Flow

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

Unit: TWD thousand

Initial Cash Residual (1)	Yearly Operating Cash Flow (2)	Yearly Cash Inflow (3)	Residual Cash Amount (deficiency) (1)+(2)+(3)	Cash Deficiency Contingency Plan	
				Investment Plan	Financial Plan
21,537,963	(1,599,808)	496,545	20,434,700	-	-

Remarks:

1. Cash Flow Analysis
 - (1) Operating activities: The net cash inflow from operating activities due primarily to increase in discounts ,loans, deposits and remittances
 - (2) Investing activities: The net cash outflow from investing activities due primarily to increase in property and equipment.
 - (3) Financial activities: The net cash inflow from financial activities due primarily to increase in Capital Increased by Cash.
2. Remedy for shortage of liquidity: Not applicable as no occurrence of shortage.

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

Unit: TWD thousand

Initial Cash Residual (1)	Estimated Yearly Operating Cash Flow (2)	Estimated Yearly Cash Inflow (3)	Estimated Residual Cash Amount (deficiency) (1)+(2)+(3)	Cash Deficiency Contingency Plan	
				Investment plan	Financial Plan
20,434,700	(2,877,455)	(133,691)	17,423,554	-	-

Remarks:

The Bank estimates cash outflow about TWD2,887,445 generated from operating activities in 2014. The estimated cash outflow (investment and financial activities) about minus TWD133,691 thousand in 2014 mainly due from property ,equipment and Cash Dividend.

7-4. Impact of Major Capital Expenditures in Recent Year**7-4-1. Utilization of major capital expenditures and sources of Funds: None****7-4-2. Expected potential benefit: None****7-5. Reinvestment Policy, Improvement Plan and Investment Plan in Next Year****7-5-1. Reinvestment Policy**

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

7-5-2. Source of Profit

1. The cash dividend from reinvest companies:

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

2. Investment income recognized under equity method:

COTA Bank Insurance Broker Co., Ltd.

7-5-3. Improvement Plan

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

7-5-4. Investment Plan in Next Year

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

7-6. Risk Management

7-6-1. Financial Risk Information

7-6-1-1. Credit Risk

Credit Risk Management System

Year 2013

Items	Contents
1. Strategies, Objectives, Policies, and Processes	<p>The Bank's credit risk policies and processes comply with Basel II and supervisory regulations. The Bank also created credit risk guidelines in written form such as the code of credit, the bylaws of credit information, the law of the credit responsibility and accountability, the bylaws of handle collateral, the business strategy and law of financial derivatives and all kinds of operation handbooks. They provide strict standard on loans, monitor credit risk, and manage non-performing loans. At the same time, since the change in economic cycle will affect the quality of the loan portfolio, the Bank will execute credit policies to ensure credit exposures under control.</p> <p>The Bank will consider developing the internal credit scoring system. The system will identify and estimate risks from all credit exposures.</p> <p>The Bank established a framework for managing credit risk. The framework may execute risk analysis and monitor risk process. It also may discover potential risks that the Bank may response adequately. In addition, it may assess the relation between risk and return to ensure the goal of the Bank's business.</p>
2. The Structure, and Organization of the Risk Relevant Management Function	<p>(1) The Board of Directors: The Bank's board of directors is the supervisor of credit risk management. The board is responsible for the Bank's business strategies and operation guidelines, and is responsible for reviewing credit risk framework and policies. It also authorizes management to execute credit risk management.</p> <p>(2) Asset, Liability and Risk Management Committee: The committee executes the board's risk policies 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> <ul 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, 2013

Unit: TWD thousand

Category	Exposure amount after risk mitigation	Capital Requirement
Sovereigns	24,088,743	-
Non central government public sector entities	11,129,751	178,076
Banks (multilateral development banks)	263,977	5,361
Corporate (Securities firm and insurance companies)	11,891,286	871,448
Regulatory retail portfolios	56,724,744	3,558,484
Secured by residential property	18,587,737	934,945
Equities investment	-	-
Other assets	2,419,446	221,608
Total	125,105,684	5,769,922

7-6-1-2. Assets Securitization Risk

Assets Securitization Risk Management System

Year 2013

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

Items	Contents
(2) Other risks associated with securitized assets(e.g. liquidity risk) (3) The different roles played by the Bank Asset securitization and the level of participation in every stage (4) Describe the monitoring procedures adopted for credit risk and market risk exposures associated with asset securitization (5) Risk management policies adopted by the Bank to mitigate credit risks associated with securitization and re-securitization	
7. Provide an overall description of the Bank's accounting policies on securitization	Not applicable
8. The name of the external Credit Assessment Institution(ECAI) engaged for asset securitization within the Banking book and the ECAI's involvement in every type of securitized asset	Not applicable
9. Describe any material changes of quantitative information since the last reporting period (e.g. shift of asset balances between the Banking book and the trading book)	Not applicable

Remarks:

Item6-9 only applicable to Originating Banks which there is flow in the external position

The undertaking of securitization: None

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

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

As a credit enhancement agency or liquidating assets agency: None

As a guarantee agency or financial liquidity provider: None

Assets securitization exposures and capital requirements**Dec. 31, 2013**

Unit: TWD thousand

Type of Exposures		Type of Assets	Synthetic	
			Risk Exposures	Capital Requirements
			Purchasing or Holding Securitization	
Non-Originating Bank	Banking Book	-	-	-
	Trading Book	-	-	-
-	Total	-	-	-

7-6-1-3. Operational Risk

Operational Risk Management System

Year 2013

Items	Contents
1. Strategies and Processes	The Bank's operational strategies and processes are restrained the division of labor, employees training, effective control framework, and internal control procedure of each level. In aspect of internal control, the Bank had fully formulated the system of the internal audit, self-audit, law obedience, and business operational rules that may to search on the internal website for employees' real time operation. The Bank reduces operational loss by internal and external audit to monitor and trace the risks. In order to assist all employees executing the processes of the operational risk, Risk Management Center is developing applied implements for managing operational.
2. The Structure and Organization of the Relevant Risk Management Function	<p>(1) The Board of Directors: The Bank's board of directors is the supervisor for risk management. The board is responsible for the Bank's business strategies, and is responsible for reviewing significant decisions.</p> <p>(2) Asset, Liability and Risk Management Committee: The committee follows risk management policies and procedures that the board of directors had approved. In addition, the committee is responsible to review the guidelines and policies of the operational risk, controls indicators, and coordinates assignments relative to risk management.</p> <p>(3) Risk Management Center: The subcommittee draws strategies and processes of the operational risk, designs and introduces risk identification, measurement, monitor, and reporting system. Moreover, the subcommittee develops the loss event databases of operational risk, gathers risk information from all Banks' units, and reports to ALM committee and the board of the directors regularly.</p> <p>(4) Headquarters' Units They should totally understand the risk that they are facing. When they codify operational regulations, they should consider operational risk management. They also should assist risk management subcommittee to accomplish all kinds of risk monitor.</p> <p>(5) Other Bank's Units: Everyone should comply with the Bank's regulations and should control operational risk. If risk event occurs, everyone should deal with the event immediately and should report to management.</p> <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, 2013

Unit: TWD thousand

Year	Annual Gross Income	Capital Charge
2011	2,110,298	
2012	2,247,026	
2013	2,377,758	
Total	6,735,082	336,754

7-6-1-4. Market Risk**Market Risk Management System**

Year 2013

Items	Contents
1. Strategies and Processes	<p>In order to establish effective market risk management system, the Bank formulated market risk managing standard and other related regulations for the benchmark of the market risk management. To ensure the Bank's market risk under control, the functional responsibility divides into trading and settlement, and will involve in risk control system. The system is responsible for the risk identification, measurement, monitor, and reporting procedure.</p> <p>The strategies of the Bank's market risk are as follows: considering the characteristic of each instrument and market condition, regularly measuring endurable risks, expecting balance of returns and risks, optimizing investment allocation. The purpose of all strategies is to improve performance. On the other hand, the Bank formulated a limit system to effectively control risks and reduce exposures.</p>
2. The Structure and Organization of the Relevant Risk Management Function	<p>(1) The Board of Directors: The Bank's board of directors is the supervisor for risk management. The board is responsible to review market risk management system and market risk strategies, and to ensure the system reflects the Bank's business strategies.</p> <p>(2) Asset, Liability and Risk Management Committee: The committee executes risk management strategies and frameworks that the board of directors had approved. In addition, the committee is responsible to review the principals, strategies, and monitoring indexes of the risk managing system and to coordinate and monitor each risk management relative to matters.</p> <p>(3) Investment Subcommittee: The subcommittee plans investment strategies and makes decision what the positions should be sold or hold.</p> <p>(4) Risk Management Center: The subcommittee draws strategies and processes of the market risk management, designs and introduces risk identification, measurement, monitor, and reporting system.</p> <p>(5) Related Units: They execute necessary duties of the risk management such monitoring traders and cooperate with Risk Management Center to finish each item of the risk monitor.</p> <p>(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>Market risk information system should be able to control exposures and provide appropriate risk measurement results. For the purpose of the evaluation, the positions divide into trading book and banking book. The banking book positions evaluate once a month, the trading book positions evaluate on a daily basis. The information about gain/loss and exposures will deliver to management which includes market risk management reporting, derivative financial instruments</p>

Items	Contents
	gain/loss assessment. As close to gain/loss the stop-loss warning of pointers would keep attention to the market changes and take measure to avoid over-limit. Related Units monitor the position of TWD and foreign currency assets, gain/loss and stop-loss alert system for keep the market risk within the limits of the bank strength. In the future, the Bank will introduce VAR calculation system in 2014. It provides realistic possible loss amount in order to measure tolerance of exposures.
4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	The Bank's hedging strategy of the financial products include to use spots or derivatives to evade market price risks and to review each risk limit regularly such as trading position limits, traders' position limits, and stop loss limits. If the assessment indicates the risk overloaded, the Bank will transfer risks and reduce exposures. If dealers exceed their position limits, Risk Management Center should inform the facts and procedures to management and report daily until under limits. If dealers exceed their stop loss limits, they are required to execute positions.
5. Approach for calculating the Bank's capital requirement	Standardized approach

The Market Risk Capital Charge Dec. 31, 2013

Unit: TWD thousand

Risk Category	Capital Charge
Interest Rate Risk	95,192
Equity Position Risk	10,189
Foreign Exchange Risk	62,523
Option Position	0
Total	167,904

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, 2013

Unit: TWD thousand

	Total	Volumes during the period prior to the due date					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Major inflows of matured funds	133,358,675	13,088,100	13,022,631	5,113,766	7,017,093	15,340,773	79,776,312
Major outflows of Matured funds	143,325,320	5,055,757	8,398,774	15,528,171	19,881,570	45,036,079	49,424,969
Maturity Gap	(9,966,645)	8,032,343	4,623,857	(10,414,405)	(12,864,477)	(29,695,306)	30,351,343

**Analysis for Time-to-Maturity of the Bank's USD Assets and Liabilities as of
Dec. 31, 2013**

Unit: USD thousand

	Total	Volumes during the period prior to the due date				
		0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Major inflows of matured funds	88,109	54,095	28,014	6,000	0	0
Major outflows of Matured funds	88,109	68,346	14,034	2,273	3,432	24
Maturity Gap	0	(14,251)	13,980	3,727	(3,432)	(24)

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

7-6-2-1. Personal Data Protection Act

- Change in regulations:

The Personal Information Protection Act had become effective since Oct. 1, 2012. It expanded the scope of non-corporate entity and individuals and increased the manager liability.

- Impact and Adopting Measures:

In response to the implementation of the Personal Information Protection Act, the Bank has adjusted relevant operation on the business and management and legal side. For implementing the Government's protection of consumer intent, the Bank promote legal awareness at various business departments and provide training to employees.

7-6-2-2. Basel III

- Change in regulations:

The Basel III requirements begin to take effect from the beginning of 2013. The Bank progressive increases in the minimum common equity requirement and Tier 1 capital ratio under the framework.

- Impact and adopting measures:

The Bank's BIS ratio is 10.41%, Tier 1 capital ratio and common equity ratio are 7.65% at the end of 2013. For strengthening internal capital, enhance risk tolerance and competition, the bank increased capital by cash TWD600 million in 2013.

Related ratio of "Regulations Governing the Capital Adequacy and Capital Category of Banks" amended by Financial Supervisory Commission on Nov. 26, 2012:

Items \ Year	2013	2014	2015	2016	2017	2018	2019
Capital adequacy ratio	8.0	8.0	8.0	8.625	9.25	9.875	10.5
Tier 1 capital ratio	4.5	5.5	6.0	6.625	7.25	7.785	8.5
Common equity ratio	3.5	4.0	4.5	5.125	5.75	6.375	7.0

7-6-2-3. The impact of the Foreign Account Tax Compliance Act

- Change in regulations:

The United States will carry out FATCA in July 2014, then requesting financing institutions in all countries must sign FFI (Foreign Financial Institution) agreement with American government, and obey FATCA each rules and provide the US citizenship the income data of the customer or investor to be provided for it to check a tax of use.

- Impact and adopting measures:

If refuse to join, will not permit to establish branch in the U.S., investment income obtain from inshore the U.S. or obtain from the financial institution of other participation FFI, will fine 30% punishment amount of tax.

The future will see the details of IGA between FSC and IRS and concerned lows modification to set up follow-up preventive measure.

7-6-2-4. Impact of Cross-Strait Agreement on Trade in Service:

- Change in regulations:

Cross-Strait Agreement on Trade in Service (CSSTA) is a treaty between mainland China and Taiwan, signed in June 2013.

Opening Commitments of the Financial Service Sectors are as follow:

Taiwan R.O.C.	Mainland China
<p>(1) Cancel the OECD conditions for the Mainland Banks coming to Taiwan to establish branches, participate in stocks and make investment as soon as possible. The Mainland banks already having branches in Taiwan and meeting the conditions can apply to add branches.</p> <p>(2) The stock ownership proportion of the single Mainland bank applying to invest on the listed banks and financial holding companies in Taiwan increases to 10%(15% if the Mainland qualified domestic institutional investors are counted); the stock ownership proportion for investing on the unlisted banks and financial holding companies in Taiwan increases to 15%; the stock ownership proportion for participating in stocks and investing in the subsidiary banks of the financial holding companies in Taiwan can reach 20%. For participating in stocks and investing on the financial holding companies or their subsidiary banks and maintaining the current two, select one provision.</p> <p>(3) To establish branches in Taiwan, the Mainland UnionPay companies shall submit application.</p>	<p>(1) When engaging in the overseas money management agency service business, the Mainland commercial banks can invest on the Taiwan financial products meeting the conditions.</p> <p>(2) The Taiwan banks meeting the conditions can apply to establish village and town banks in the Mainland according to the current provisions. The branches of the Taiwan banks established in Fujian Province can bring forward the application of establishing remote (different from the cities where the branches are located) sub-branched in Fujian Province by reference to the provisions on establishing sub-branches of the Mainland.</p> <p>(3) Under the precondition of complying with the related provisions, the banking industry of Taiwan and the Mainland are supported to conduct the related equity investment cooperation.</p> <p>(4) When the operating institutions of the Taiwan banks in the Mainland operate RMB business of Taiwan funded enterprises after approval, the service object can include the enterprises established by the third place investors regarded as Taiwan investors in the Mainland according to the provisions.</p>

- Impact and Adopting Measures:

The Taiwan banks in the Mainland already established branches in Fujian Province, the branches can bring forward the application of establish remote sub-branched in Fujian Province. It can add the number of branches in order to the change of business for Taiwan bank. Mainland China bank will add the number of branches in Taiwan in the future. It will be more competitive of financial market in Taiwan. The Trade in Services Agreement will help providers of related services in Taiwan to expand in the Mainland market. It also contains favorable terms for the protection of business ownership, expansion of business scope and market facilitation, creating more business opportunities.

In the near future, CSSTA is no influence on the Bank due to have no new expanding business plan in Mainland China. The Agreement will also attract more Mainland bank investment in Taiwan, it cause competitive financial market in Taiwan. the Bank could establish strategically league with others bank in order to expand business market in Mainland China.

7-6-2-5 Impact and measure of bank prohibit outsourcing institution process of loan affaires

- Change in regulations:

FSC announces the measure of Bank prevent from Agency Loans process of loan affaires, the Bank should strengthen the management of bank's sales and establish under the supervision of internal audit, in the meantime, enable internal notification system of bank and risk management mechanism.

- Impact and adopting measures:

To strengthen training and regular propaganda for all banks' staff, meanwhile, request all staff make declaration to abide by the regularities. The supervise should be double recheck the exceptional situation (the overdue loan ratio more than 1% and get the bonus top ten sales including of Credit management department, Consumer banking center and SME banking center).

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. Impact on the Bank of Changes in the Bank's Image and Adopting Measures

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

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

Currently, no merger or acquisition plan.

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

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

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

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

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

There have been no changes in operating control.

7-6-9. The Influence and Risk Posed by Mass Shares Transfer of Directors, Supervisors or Major Shareholders with Shares holding over 1% and Adopting Measures: None

7-6-10. Lawsuits: None

7-6-11. Other Significant Risks and Adopting Measures:

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

7-7. Crisis Handling System:

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

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

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

7-7-4. In the event of natural disasters, the Bank will obey "The operating directions of the averting disasters for financial institutions" and "The operating directions of closed business as disasters occurring for financial institutions" formulated by competent authority. For check cleaning and dishonored check information filing, the Bank will obey "The operating directions of check cleaning and dishonored check information filing for partly office terminate area" formulated by the Taiwan Cleaning House.

7-8. Other Significant Matters: None



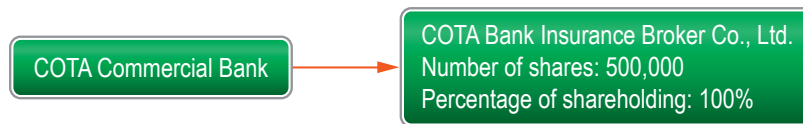


8

Special Notes

8-1. Data of Affiliated Company

8-1-1. Organization Chart of Affiliated Company



8-1-2. Profile of Affiliated Company

Unit: TWD thousand

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

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

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

As of Jan.1, 2014

Company name	Title	Name or Represent	Shares	
			Number of shares	Percentage of shareholding (%)
COTA Bank Insurance Broker Co., Ltd.	Chairman	Chun-Tse Liao	500,000	100.00
	Director	Chin-Ting Chang		
	Director	Ho-Shun Chang		
	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	30,413	8,899	21,514	130,945	16,627	13,941	27.88

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 Subsidies: None

8-4. Other Matters for Supplementary Explanation: None

8-5. Pursuant to Item2, Paragraph 2, Article 36 of Security and Exchange Act, the Incidence Exerting Material Influence on Shareholders' Rights or Security Prices: None



1999.01.01	COTA Commercial Bank Co., Ltd. officially inaugurated business services.
1999.01.02	Mr. Liao Chun-Tse, Mr. Yen Chun-chi, Mr. Lin Ping-Chih, Mr. Yang Chao-Hui and Mr. Wu Wen-Hua were elected the managing directors in the first board of directors meeting of the first session, Mr. Liao Chun-Tse elected the chairman and Mr. Wang Chun-chuan appointed the General Manager.
1999.01.03	Started up foreign exchange services with trading of USD, JPY, and HKD in cash and traveler checks.
1999.02.05	Started up comprehensive deposit services.
1999.03.16	Totally replaced stock certificates of Taichung Third Credit Cooperative into common share certificates of COTA Commercial Bank Co., Ltd.
1999.03.25	Donated the TWD 54.2 million Taichung Third Credit Cooperative public welfare fund to COTA Culture and Education Foundation in full, and duly elected directors and supervisors of the Foundation.
1999.03.25	Started up guarantee services.
1999.03.30	Signed a contract to team up with Chinatrust Commercial Bank to jointly promote foreign exchange services.
1999.04.14	Relocated head office, approved by Ministry of Finance under doc. no. Tai-Tsai-Jung 88112588, to 32~1 Park Avenue, Taichung on Jul 1.
1999.07.01	Banking Dept. and Savings Dept. moved address.
1999.07.28	Allied with Bank of PanShin, Sunny Commercial Bank, HwaTai Commercial Bank and Kaohsin Commercial Bank to jointly set up "Financial Development Alliance"
1999.09.03	Set up three additional branches, Zhonghua 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 Zhonghua 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.
2001.09.05	Set up Trusts Department.

2001.09.24	Savings Dept. renamed Taichung Branch.
2001.09.28	Added Xinzhu city and Xinzhu Hsien to be business area as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung (3) 90721973.
2002.01.01	Mr. Liao Chun-Tse, Mr. Wang Chun-chuan, Mr. Wu Wen-Hua, Mr. Chiang Po-ling and Mr. Lin Ping-Chih were elected as managing directors in the board of directors meeting. Mr. Liao Chun-Tse elected as the chairman.
2002.02.01	Set up Consumer Banking Center and NPL Management Center.
2002.03.11	Set up Taipei Branch.
2002.05.09	Held 2002 shareholders' regular meeting.
2002.06.27	Added Taoyuan Hsien to be business area as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 0913000230.
2003.02.17	Zhongzheng Branch moved to Taoyuan city and renamed Taoyuan Branch, Wenhsin Mini Branch moved to old Zhongzheng Branch address and renamed Zhongzheng Mini Branch as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 0920005698.
2003.04.21	Zhongzheng Mini Branch reopened for business.
2003.05.06	Held 2003 shareholders' regular meeting.
2003.07.25	Set up Taoyuan Branch.
2003.09.16	Added Taipei and Taipei hsien to be business area as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 0920033399.
2004.01.01	Started up chip ATM card services.
2004.05.07	Held 2004 shareholders' regular meeting.
2004.07.05	Renewed core computer systems.
2004.07.06	Added Taipei city as business area as approved by FSC under doc. no. (3)0930022905.
2004.07.27	Relocated Shalu branch to Banciao branch as approved by FSC under doc. no. (3)0930023291.
2004.11.11	Banciao branch opened.
2004.11.24	FSC approved COTA Bank to set up International Banking Department.
2005.03.16	Established International Banking Department.
2005.05.24	Held 2005 shareholders' regular meeting and elected 3rd term of directors and supervisors.
2005.05.25	Mr. Liao Chun-Tse, Mr. Hang Mu-Chuan, Mr. Wang Chun-Chuan, Mr. Hsieh Tung-Po, and Mr. Li Yao-Ting were elected as the managing directors in the board of directors. Mr. Liao Chun-Tse was elected as the chairman.
2005.09.09	Issued subordinated bank debenture for TWD2.5 billion as approved by FSC under doc. no. (3)0940024574.
2005.09.17	Held 2005 shareholders' extraordinary meeting and approved to acquired Fengyuan Credit Cooperative.
2005.11.04	Joint as member of SMEG (Small and Medium Enterprise Credit Guarantee Fund)
2005.11.17	Acquired Fengyuan Credit Cooperative as approved by FSC under doc. no. (3)0943001682.
2005.12.12	Relocated Credit Card Center to 339, Dazhi Road., Taichung City.
2006.01.01	The effective day of Fengyuan Credit Cooperative merged into COTA Bank. Added six branches: Fengxin branch, Zhongshan branch, Fengle branch, Fengdong branch, Shiqian branch and Sanmin branch.
2006.01.03	Launched Electronic Official Document System.

2006.02.17	Six Branches in Fengyuan started up foreign exchange services in cash and traveler checks.
2006.04.01	Established North Area Office of Credit Management Dept.
2006.06.09	Held 2006 shareholder's regular meeting.
2006.06.14	FSC approved COTA Bank to set up wealth management banking business.
2006.07.01	Established Wealth Management Center.
2006.07.06	FSC approved COTA Bank to set up OBU.
2006.09.22	Trusts Dept. moved to 2F. No.339, Dajhih Rd., East District, Taichung City 401, Taiwan
2007.01.17	Set up Kaohsiung Branch.
2007.06.06	Held 2007 shareholder's regular meeting.
2007.07.06	Set up Tainan Branch.
2008.05.26	Sanmin Branch moved to Xinzhuang City and renamed Xinzhuang Branch as approved by FSC under doc. no. Chin-Kuan-Yin-(3)-Tze 09700201230.
2008.06.19	Held 2008 shareholder's regular meeting and elected 4 th term of Director and Supervisor.
2008.06.20	Mr. Liao Chun-Tse, Mr. Chang Ying-Che, Mr. Xie Dong-Po, Mr. Li Yao-Ting, and Mr. Wang Yen-Chun were elected as managing directors in board of directors meeting. Mr. Liao Chun-Tse was elected as the chairman.
2008.07.21	Set up subsidiary "COTA Bank Insurance Broker Co., Ltd."
2008.09.30	President Mr. Chang Ying-Che retired. Mr. Chang Chin-Ting was appointed as President.
2008.10.01	President Chang Chin-Ting inaugurated.
2008.12.06	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 new shares offering in 2010.
2010.10.04	COTA Bank was conferred an award of e-Bill Business and two awards of Financial XML Business for best system stability and business promote from The Bankers Association of the R.O.C.
2010.12.24	COTA Bank was conferred "Chin-An award" from Joint Credit Information Center.
2011.01.01	Beitun Mini Branch renamed Beitun Branch and reopened for business.
2011.01.12	Launched new self-developed specimen checking system.

2011.02.21	Redemption notice of 2006 1 st subordinated bank debentures.
2011.02.24	Issued 2011 1 st subordinated bank debentures.
2011.06.09	Held 2011 shareholder's regular meeting.
2011.07.01	Local branches extended banking hours to 4:00 pm on Monday to Friday.
2011.08.30	Held 2011 shareholders' extraordinary meeting and elected fifth term of directors and supervisors.
2011.08.31	Mr. Hsiao Kuo-Chao, Mr. Liao Sung-Yue, Mr. Chang Ying-Che, Mr. Huang Mu-Chuan, Mr. Wang Yen-Chun were elected as managing directors in board of directors meeting. Mr. Hsiao Kuo-Chao was elected as the chairman.
2011.10.01	Beitun Branch started up credit business.
2012.02.01	Launched business of regular variable special-purpose money trust funds investing in foreign securities and domestic securities investment trust funds.
2012.06.07	Held 2012 shareholder's regular meeting.
2012.08.01	Distribution of 2012 cash dividends.
2012.08.10	Obtained approval of foreign exchange licenses for branches of Xitun, Dazhi, Nantun, Fengyuan, Zhanghua, Yuanlin, Taipei, Taoyuan, Banciao and Tainan.
2012.09.05	Publically announced new shares offering in 2012.
2012.09.13	Fengdong Branch moved to Fengshan and renamed Fengshan Branch, Zhongzheng Mini Branch moved to Fengyuan and renamed Fengdong Mini Branch as approved by FSC under doc. no.Chin-Kuan-Yin-He-Tze 10100292650.
2012.10.09	Launched business of pre-construction real estate escrow account trust
2012.11.01	COTA Bank was conferred "E-payment business Innovation Excellence Award" from FISC mobile banking business.
2012.11.15	Launched UnionPay card acquiring in ATMs.
2012.12.26	COTA Bank was conferred "Golden Security Award" from Joint Credit Information Center.
2013.02.21	Launched business of RMB.
2013.03.18	Zhongshan Branch moved, Fengle Branch moved and renamed Daya Branch as approved by FSC under doc. no.Chin-Kuan-Yin-He-Tze 10200065840.
2013.04.22	Zhongzheng Mini Branch moved to Fengyuan and renamed Fengdong Mini Branch and reopened for business.
2013.05.30	Held 2013 shareholder's regular meeting.
2013.06.24	Zhongshan Branch moved to 36, Daming Road, Fengyuan District, Taichung City and reopened for business.
2013.07.24	Fengshan Branch grand opening.
2013.08.20	Received "Best Awards of Creation" recognized by Financial Information Service Co., Ltd. for domestic USD clearing platform.
2013.09.27	Publically announced new shares offering in 2013.

Unit	Address	Tel	Fax
Head Office	59 Shihfu Road, Central District, Taichung City 400, Taiwan	886-4-22245171	886-4-22275237
Trusts Dept.	2F., .339, Dazhi Road, East District, Taichung City 401, Taiwan	886-4-22807366	886-4-22809021
International Banking Dept.	2F., 246 Yangguang Street, Neihu District, Taipei City 114, Taiwan	886-2-87533599	886-2-87533573
Offshore Banking Branch	2F., 246 Yangguang Street, Neihu District, Taipei City 114, Taiwan	886-2-87533599	886-2-87533573
Consumer Banking Center	10F, 580 Jinhua Road, North District, Taichung City 404, Taiwan	886-4-22384596	886-4-22378150
SME Banking Center	11F, 580 Jinhua Road, North District, Taichung City 404, Taiwan	886-4-22370028	886-4-22372595
Wealth Management Center	2F., .339, Dazhi Road, East District, Taichung City 401, Taiwan	886-4-22800361	886-4-22809747
Credit Card Center	2F., .339, Dazhi Road, East District, Taichung City 401, Taiwan	886-4-22805288	886-4-22807688
Taichung Branch	59 Shihfu Road, Central District, Taichung City 400, Taiwan	886-4-22245161	886-4-22234491
Banking Dept.	32-1 Gongyuan Road, Central District, Taichung City 400, Taiwan	886-4-22211186	886-4-22229536
Chenggong Branch	580 Jinhua Road, North District, Taichung City 404, Taiwan	886-4-22304100	886-4-22304701
Xitun Branch	458 Sec. 2, Henan Road, Xitun District, Taichung City 407, Taiwan	886-4-27062968	886-4-27063816
Guoguang Branch	333 Sec. 3, Fusing Road, South District, Taichung City 402, Taiwan	886-4-22245111	886-4-22229281
Dazhi Branch	339 Dazhi Road, East District, Taichung City 401, Taiwan	886-4-22815998	886-4-22815977
Linsen Branch	99 Linsen Road, West District, Taichung City 403, Taiwan	886-4-23725151	886-4-23723024
Nanmen Branch	75 Nanmen Road, South District, Taichung City 402, Taiwan	886-4-22871146	886-4-22862412
Jinhua Branch	255 Jinhua North Road, North District, Taichung City 404, Taiwan	886-4-22333550	886-4-22335164
Nantun Branch	410 Nantun Road, Nantun District, Taichung City 408, Taiwan	886-4-24718500	886-4-24758522
Beitun Branch	751 Sec. 4, Wunsin Road, Beitun District, Taichung City 406, Taiwan	886-4-22426565	886-4-22417153
Fengyuan Branch	214 Yuanhuan E. Road, Fengyuan District, Taichung City 420, Taiwan	886-4-25151788	886-4-25151895
Zhanghua Branch	181 Sec. 2, Zhongzheng Road, Zhanghua City, Zhanghua County 520, Taiwan	886-4-7298686	886-4-7298585
Yuanlin Branch	189 Sec. 1, Datong Road, Yuanlin Town, Zhanghua County 510, Taiwan	886-4-8383888	886-4-8383666
Taipei Branch	246 Yangguang Street, Neihu District, Taipei City 114, Taiwan	886-2-87512588	886-2-87512788
Taoyuan Branch	9 Sec. 2, Chenggong Road, Taoyuan City, Taoyuan County 330, Taiwan	886-3-3470505	886-3-3357373
Panchiao Branch	260 Minzu Road, Panchiao City, New Taipei City 220, Taiwan	886-2-89536001	886-2-89536011
Fengxin Branch	353, Zhongshan Road, Fengyuan District, Taichung City 420, Taiwan	886-4-25261181	886-4-25269540
Zhongshan Branch	9, Daming Road, Fengyuan District, Taichung City 420, Taiwan	886-4-25277155	886-4-25269553
Fengdong Mini Branch	330, Xiangyang Road, Fengyuan District, Taichung City 420, Taiwan	886-4-25225072	886-4-25269550
Kaohsiung Branch	1, Wenfu Road, Zuoying District, Kaohsiung City 813, Taiwan	886-7-3505685	886-7-3506711
Tainan Branch	438, Sec 2, Datung Road, South District, Tainan City 702, Taiwan	886-6-2130966	886-6-2149088
Xinzhuang Branch	287, Chung Ping Road, Xinzhuang District, New Taipei City 242, Taiwan	886-2-22768887	886-2-22768611
Xinzhu Branch	196, Minsheng Road, East District, Hsinchu City 300, Taiwan	886-3-5313225	886-3-5323611
Fengshan Branch	478, Wenheng Road, Fengshan District, Kaohsiung City 830, Taiwan	886-7-7676772	886-7-7678719



COTA Commercial Bank

2013