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ANNUAL REPORT 2014

COTA COMMERCIAL BANK



COTA Commercial Bank



百年三信 · 世紀傳承

Since 1915



ANNUAL REPORT 2014

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1. To Our Shareholders

1. To Our Shareholders

1-1. Year 2014 Business Report

1-1-1. Financial Environment

In retrospect of year 2014, the global economic continued to rebound slowly. But the pace of recovery in the major economies step in different speed, mainly due to the euro area and Japan remained sluggish, and the Chinese economy go slow as well. However, the US economic recovery trend is clear becoming a driving engine of global economic growth. Meanwhile, oil prices have offset the economic downturn pressure of Europe, Japan and China, the overall international situation toward optimistic development. The global growth rate upholds a level of 3.3% according to IMF. For domestic economy, driving by improvement of local consumption and employment situation as well as blossom in stock market and tourist growth, private consumption growth was stable. Still, private investment and exports maintain improve, thanks to the international economy and major electronic products led the growth, pushing up the domestic economy performance. Domestic economy show growth rate in GDP as 3.74% for year 2014 released by "Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC".

Looking forward into the new year, the steady growth of the US economy and the positive affection of low oil prices, help sustain the global economic recovery. With the weak pace of recovery in different countries, international economy still faces many risky variables, such as the US spillover effects of monetary policy impact on the emerging market economy, the euro zone economy exist low inflation worries, QE trigger a global currency war, China and some emerging economies slow in growth, Japan Abe's three-arrow effectiveness is need to be observed and movements in oil prices is uncertain. Consequently, IMF estimates year 2015 global economic growth rate will stand at 3.5%. For domestic, due to improvement in corporate profits, labor demand driven expansion of employment and the decline in oil prices, there will help boost consumption and exports performance. "Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC" estimates year 2015 growth rate in GDP to be 3.78% reflecting continued recovery and mild growth.

In response to domestic and international economic situation, we not only has set up Daya branch but also delivered gold passbook business, and is committed to strengthening the implementation of risk management, asset quality management, so as to concrete customer base and improve asset quality and establish optimal capital allocation and financial structure. Looking ahead, we would fulfill the business plan and scheme of year 2014, and would also, with the fin-tuned channel policy, deepen and broaden channel performance, actively introduce new financial products, promote funds, insurance products and e-finance to balance business development, and develop diversity of revenue sources. We set our mind to uphold sustainable competitive advantage and create operational peak.

1-1-2. Organization Development

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

- Moved Fengle Branch to Daya district of Taichung City and renamed as Daya Branch.

1-1-3. Business Plans and Strategies Performance

1-1-3-1. Main Achievements

- Set up Daya Branch to expand city-type branch channel in central Taiwan.
- Launched Gold passbook business to provide additional asset allocation service for customer.
- Launched internet banking for foreign currency trusts business.

- Obtained approval of appointed foreign exchange banking licenses for branches of Banking dept., Chenggong, Xinzhung, Xinzhu, Fengshan to raise competitive ability for foreign exchange business.
- Pursuit to “measures for enhancing credit risk management for domestic banks”, we meet the standard requirements by strengthening coverage ratio of first-tier loan asset, lowering over-due loan ratio and raising BIS ratio
- Received “Golden Security Awards” recognized by JCIC the sixth times.

1-1-3-2. Budget Execution

As of Dec. 31, 2014, our deposits balance with sum of TWD129.4 billion (excluding deposits from banks) increased by TWD7.5 billion compared with previous year; our loans balance with sum of TWD103.5 billion increased by TWD5 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 TWD124 billion, achieved 103.3% budgeting goal of TWD120 billion.
- Final account of average loans balance amounted to TWD99.6 billion, achieved 101.4% budgeting goal of TWD98.25 billion.
- Final account of trust assets balance amounted TWD5.05 billion, achieved 101% budgeting goal of TWD5 billion.

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

Our year 2014 solo earning before income-tax figured as TWD529,952 thousand turned into EPS before income-tax as TWD1.05; consolidated earning before income-tax figured as TWD533,130 thousand turned into EPS before income-tax as TWD1.06. While earning after income-tax figured as TWD440,989 thousand, turned into EPS after income-tax as TWD0.88. Our BIS ratio maintained at a level of 9.45% and net worth of per share stood at TWD13.22. Further, we raised our non-performing loan coverage ratio to 641.73% as of Dec. 31, 2014 from 571.37% as of Dec. 31, 2013. Overdue loan ratio decreased to 0.34% as of Dec. 31, 2014 from 0.36% as of Dec. 31, 2013. Nevertheless, we would constant improve business effectiveness and risk control to boost operation capability and competitive edge.

1-1-3-4. Research and Development

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



1. To Our Shareholders

1-2. Year 2015 Business Plans Outline

We have always 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.
- Built up digital banking service environment to provide convenient digital services.
- Expand current deposit business and raise current deposit ratio to effectively lower working capital cost.
- Propel SME loans and control quality by utilizing credit guarantee mechanism to achieve fund allocation benefit and diverse credit risk.
- Streamline operating process and automation to lower operating risk, raise service efficiency and customer satisfaction.
- Strengthen proficiency and managerial skill training, structure wealth management and corporate banking service team group to enhance competition ability and stable profitability.
- Increase risk management ability, raise efficiency of using fund and asset quality to enhance profitability synergy.

1-2-2 Business Target

1-2-2-1 Main Operating Volume

Unit: TWD thousand: %

Main Business	Budget of Year 2015	Result of Year 2014	Increase volume	
			Amount	%
Average deposits	130,000,000	123,959,652	6,040,348	4.87
Average loans	106,000,000	99,612,816	6,387,184	6.41
Wealth management (Trust asset)	5,443,630	5,047,086	396,544	7.86

2-2-2. Schemed Targets

- Expand business scale and profitability by optimizing branch location and channel edge.
- Strengthen integration of financial product and digital technology to provide convenient and living banking experience and increase momentum of growth.
- Adjust deposit structure by increasing current deposit ratio to lower cost of fund and widen profitability.
- Cultivate SME business relationship, provide comprehensive financial program, and satisfy corporate cash need in different stages to extend corporate banking.
- Streamline convenient and useful electronic financial services to upgrade operating mode, lower operation cost and provide better financial services.
- Strengthen proficiency and sailing skill training, create customer-driven promotion culture and increase proficient service image to satisfy customer’s wealth management need in all aspects.
- Enhance risk control and asset-liability structure, improve capital operating efficiency to further increase business operating performance.

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.
- Develop new business, search for niche and diverse source of profit.
- Head for digital mobile banking to attract customer group of the youth and vivid business cycle to recreate one-hundred-year business foundation.
- Stringently pursuit to compliance issues, control business risks, lower loss ratio and uphold profitability.
- Cultivate Taiwan-base financial service and set view to global development.
- Expand corporate banking, 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.
- Raise interest spread and fee income by adjusting deposit structure, enlarge interest spread and fee income under narrow-spread environment 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.
- 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 safer transaction environment.
- Built up harmony corporate culture, fulfill social responsibility and make up a notable regional bank image.



1. To Our Shareholders

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

Under rapidly changing financial environment, FSC actively promote financial liberalization, create policies fitted into digital financial environment, and relax regulations. The banking industry will become more competitive. To nurture professionals, innovate financial products and services, and enhance organizational efficiency will be an important factor in increasing the competitive advantage. In addition, advances in technology and e-commerce have changed the traditional commercial banking business model. Apparently, electronic and digital financial services have become a new trend in bank development. How to adapt to this wave of digital financial services trends? A comprehensive electronization, diversification and more convenient accesses to digital financial services will be the key element to seize market opportunities.

Concerned the growing emphasis on issues of anti-money laundering and countering terrorism financing by international organizations and the evaluation for Taiwan's policy implementing situation responding to anti-money laundering and anti-terrorism, FSC has promulgated "Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Banking Sector" to strengthen mechanisms for anti-money laundering and countering terrorism financing and require financial institutions to complete the assessment, plan, and management measures at the end of year 2015. Pursuit to such requirement, we have scheduled to build up related measures and risk control mechanism, reduce the risk of anti-money laundering and countering terrorism financing in order to comply with legal regulations.

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

1-5. Corporate Rating

Category	Rating Agent	Rating		Outlook	Released Date
		Long-term	Short-term		
Local	Taiwan Rating Corporate	twBBB+	twA-2	Stable	Jan.15, 2015

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

Chairman *Song-Yie Liao*

2. Corporate Profile

2. Corporate Profile

2-1. Bank Features

Bank Name	COTA Commercial Bank, Ltd.
Chairman	Song-Yie Liao
President	Chin-Ting Chang
Date of Business Registration	Jan. 01, 1999
Date of Inauguration	Jan. 01, 1999
Location of Head Office	No.32-1, Gongyuan Road, Taichung City 400, Taiwan, R.O.C.
Number of Employee	1,131
Paid-in Capital	TWD5,032,692,570
Capital Shares	Common Stock in 503,269,257 Shares



2-2. Historical Highlights

COTA Bank was formerly named “Liability Taichung Third Credit Cooperative”. Founded in 1915, we have consistently conveyed the corporate philosophy featuring, well-sustained to combat in the financial environment characterized by severe competition, as “Integrity, Innovation, Cordiality and Service”, in response to the increasingly competitive financial market. In accordance with the promulgation of “Regulations and Criteria Governing Reorganization of Credit Cooperative into Commercial Banks”, COTA Bank started the reorganization task and launched reorganization in Dec. 1995. On Jan. 01, 1999, COTA Bank was officially transformed into “COTA Commercial Bank”.

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

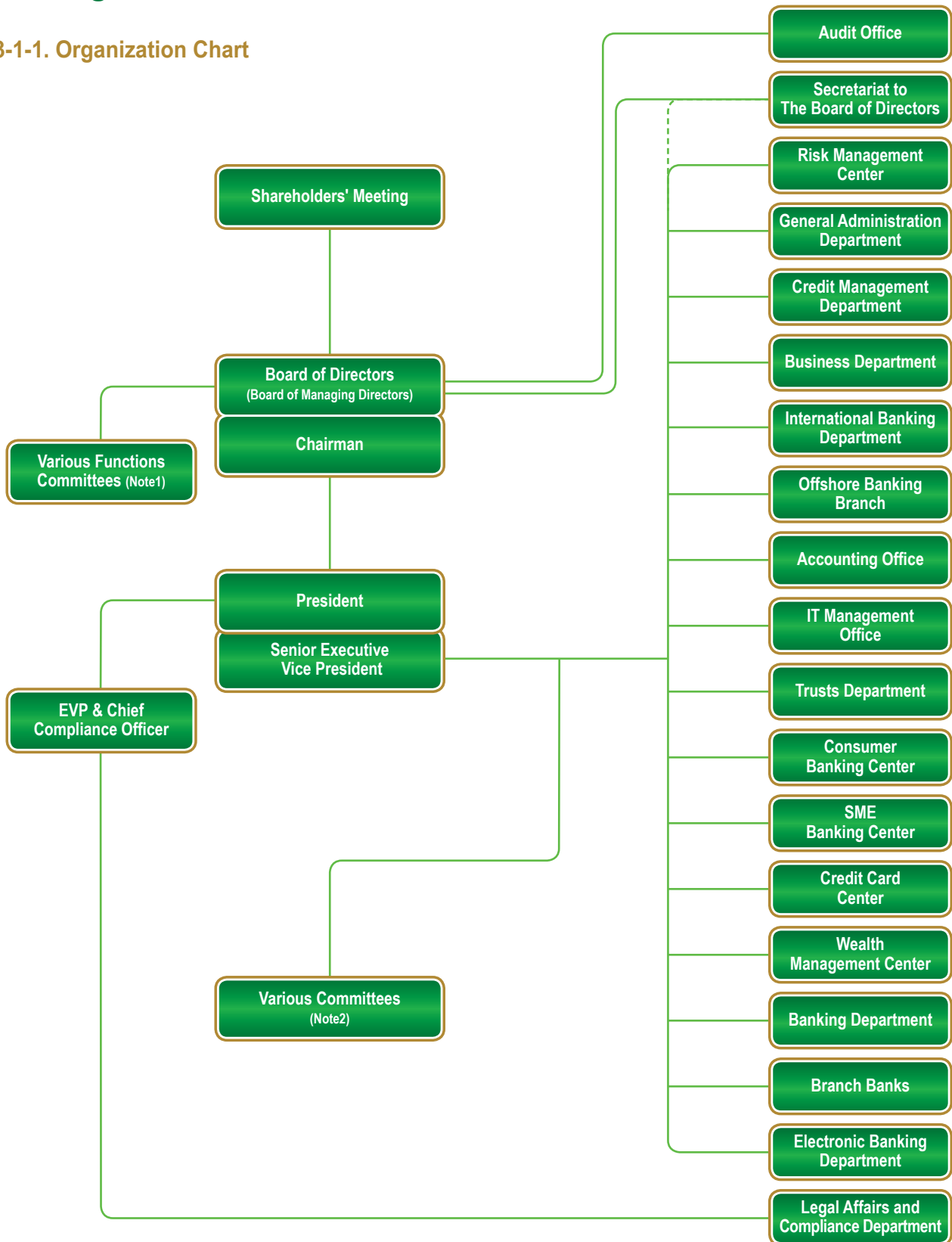
This year marks the centennial of the establishment of COTA Bank. Outlook for the future, COTA Bank is determined to become a full-array commercial bank in spite of quick-changing financial market. Under the support of shareholders and members of board, and the endeavor of all staffs, introduce a broader range of online application service to accommodate the arrival of “Bank 3.0”. We are committed to providing all-aspect services for our customers by constant business growth, scale expansion and product diversification.

3. Corporate Governance

3. Corporate Governance

3-1. Organization

3-1-1. Organization Chart



NOTE1. Audit Committee, Remuneration Committee, Nomination of Directors Committee, etc.

NOTE2. Loan Committee, Personnel Appraisal Committee, Trust Assets Screening Committee, Financial Product & Regulation Committee, Asset & Liability and Risk Management Committee, Security Council supervision Committee, TWD Securities Investment Committee, Foreign Securities Investment Committee, etc

3-1-2. Major Business of Each Division

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

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

3-1-2-2. General Administration Department

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

3-1-2-3. Credit Management Department

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

3-1-2-4. Business Department

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

3-1-2-5. International Banking Department

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

3-1-2-6. Offshore Banking Branch

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

3-1-2-7. Audit Office

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

3-1-2-8. Accounting Office

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

3-1-2-9. IT Management Office

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

3-1-2-10. Banking Department

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

3-1-2-11. Trusts Department

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

3-1-2-12. Risk Management Center

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

3-1-2-13. Consumer Banking Center

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

3-1-2-14. SME Banking Center

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

3-1-2-15. Credit Card Center

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

3-1-2-16. Wealth Management Center

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

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

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

3-1-2-18. Electronic Banking Department

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

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

3. Corporate Governance

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

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

As of Dec. 31, 2014, Shares Held (%)

Title	Nationality and Registry	Name	Elected Date	Tenure	First Elected	Elected Shares Owned		Current Shares Owned		Shares Owned by Spouses and Minor children		Chairman		Education & Key Work Experience	Current Positions Held in this or other company
						No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%		
Chairman	R.O.C	Song-Yie Liao	Jan.23, 2015 (Director Dec.29,2014)	3	May. 25, 2005	35,761,115	7.1058	35,761,115	7.1058	512,534	0.1018	-	-	Department of Economics, Hosei University of Tokyo, Japan General manager of Chuan Cheng Hat Co., Ltd.	Director of Chuan Cheng Hat Co., Ltd. Director of CCH Plus Inc. Supervisor of Opus High Technology Corporation. Supervisor of Japana Enterprise Co. Ltd.
Managing Director	R.O.C	Kuo-Chao Hsiao	Jan.23, 2015 (Director Dec.29,2014)	3	Jan. 01, 2002	13,968,050	2.7755	13,968,050	2.7755	2,590,230	0.5147	-	-	University of South California, USA, Chairman of Hong Cheng Construction Co., Ltd. Supervisor of Chen-Ging Development Multimedia Co., Ltd. Director of TINP Corporation. Vice Chairman of San Da CATV Co., Ltd.	
Managing (Independent) Director	R.O.C	Kun-Hsien Lin	Jan.23, 2015 (Director Dec.29,2014)	3	Dec. 29, 2014	-	-	-	-	-	-	-	-	Collage of Low National Taiwan University Master's Program, Graduate Institute of Financial and Economic Law, Feng Chia University Director of Taichung BAR Association. Members of Taiwan Bar Committee on the Discipline. Chairman of Taichung NTU Alumni Association Committee Chairman of Association for Victims Support Taichung Office.	Director of Kun Her Industrial Co., Ltd. Manager of Chan Hsin Law Firm
Managing Director	R.O.C	Ying-Che Chang	Jan.23, 2015 (Director Dec.29,2014)	3	Dec. 29, 2014	2,047,102	0.4068	2,047,102	0.4068	25,892	0.0051	-	-	Feng Chia University, Department of International Trade. President of COTA Bank	Director of COTA Culture and Education Foundation Chairman of COTA Bank Insurance Broker Co., Ltd.(Representative of a legal entity)
		(Representing: Deng Heng Enterprise Co., Ltd.)				919,207	0.1826	919,207	0.1826	-	-	-	-		
Managing Director	R.O.C	Chuan Cheng Hat Co., Ltd.	Jan.23, 2015 (Director Dec.29,2014)	3	Dec. 29, 2014	8,466,716	1.6823	8,466,716	1.6823	-	-	-	-		
		Representative: Chiu Hsiung Lin				1,105	0.0002	1,105	0.0002	1,204	0.0002	-	-	Shin Min Commercial & Industrial Vocational High School, The First Seminar of General Manager, TungHai University General Affairs Supervisor of Liability Taichung Third Credit Cooperative Senior Executive Officer of COTA Bank	Chairman of COTA Bank Insurance Broker Co., Ltd. Director of COTA Culture and Education Foundation
Independent Director	R.O.C	Po-Yao Chi	Dec.29, 2014	3	Jun. 20, 2008	2,343,659	0.4657	2,343,659	0.4657	695,642	0.1382	-	-	Soochow University School, Department of Accounting	Taichung Factory Director of Cheng Loong Corporation. Director of Shan Fu Corrugated Carton Co., Ltd. Director of Ming Foong Plastic Co., Ltd. Director of Ko Loong Industry Co., Ltd.
Independent Director	R.O.C	Sung-Cheng Huang	Dec.29, 2014	3	Dec.29, 2014	1,000	0.0002	1,000	0.0002	-	-	-	-	College of Law, National ChengChi University Investigator of the Investigation Bureau of the Ministry of Interior. General Counsel of Far East Air Transport Corp.	General manager of Far East Air Transport Corp. Supervisor of LeChi Investment Co. Ltd. Director of Klingon Aerospace Inc. Supervisor of YehHsiang Investment Co. Ltd(Representative of a legal entity). Lawyer.

Title	Nationality and Registry	Name	Elected Date	Tenure	First Elected	Elected Shares Owned		Current Shares Owned		Shares Owned by Spouses and Minor children		Chairman		Education & Key Work Experience	Current Positions Held in this or other company
						No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%		
Director	R.O.C	Ho Chu Investment Co., Ltd.	Dec.29, 2014	3	Dec.29, 2014	37,186,063	7.3889	37,186,063	7.3889	-	-	-	-	University of Aouthampton, Master of Science in the Social Sciences in International Banking and Financial Studies Chairman of Sakura Development Co., Ltd.	Chairman of HoFa Development Co., Ltd. Chairman of Ho Chu Investment Co., Ltd. Supervisor of HungWei Development Co., Ltd
		Representative: Chia-Hung Lin				-	-	-	-	-	-	-	-		
Director	R.O.C	Pi-Jung Hsieh	Dec.29, 2014	3	Jan. 01, 1999	1,987,681	0.3950	1,987,681	0.3950	1,432,346	0.2846	-	-	National Taichung Industrial High School, Department of Architecture... Certification Examinations for Architect, Ministry of Examination, Engineer of Taiwan Railway Electrical Engineering Department.	Architect of Hsieh Pi-jung Architectural Office Director of Chu Hsin International Co., Ltd (Representative of a legal entity). Director of TsengHsin Construction Co., Ltd. Supervisor of PaiKo Biopharmaceutical Co., Ltd. Director of COTA Culture and Education Foundation
Director	R.O.C	Xian-De Lai	Dec.29, 2014	3	May 25, 2005	2,839,319	0.5642	2,839,319	0.5642	91,515	0.0182	-	-	National Chung Hsing University, Department of Public Finance and Taxation, President of Tung Yang Business Co., LTD.	Chairman of Tung Yang Business Co., Ltd., Chairman of Tung Yang Investment Co., Ltd., Representative of Jazzy Industrial Co., Ltd., Director of Yuan Sheng Plastic Inc., Managing Director of Taiwan Flour Mills Associate Director-General of Taiwan Barley Products Industry Association, Director of China Grain Products Research and Development Institute, Supervisor of Taiwan Grains and Feeds Development Foundation Director of Hsiuping University of Science and Technology
Director	R.O.C	Chi-Peng Yang	Dec.29, 2014	3	Dec.29, 2014	15,324,690	3.0450	15,324,690	3.0450	7,721,563	1.5342	-	-	Associate's Degree TungHai University Executive Master of Business Administration Program Student.	Branch General Manager of Cota bank
Director	R.O.C	Chun-Chieh Wang	Dec.29, 2014	3	Dec.29, 2014	3,570,255	0.7094	3,570,255	0.7094	-	-	-	-	MingDao High School	Chairman of MingDao High School Director of HonDao senior citizen welfare foundation.
Director	R.O.C	ChiaDe Development and Investment Co., Ltd.	Dec.29, 2014	3	Dec.29, 2014	863,707	0.1716	863,707	0.1716	-	-	-	-	Soochow University School, Master Program of Accounting FengChia University, Department of Accounting. Certification Examinations for Accountant, Ministry of Examination. Certification Examinations for Auditor, Ministry of Examination. Certification Examinations for the Chinese Institute of Certificate Public Accountants. Certification Examinations for The Arbitration.	Accountant of Te-Ying Liao Accounting Firm. Chairman of KaiHsin Investment co., Ltd. Director of Ye Chime Co., Ltd. Vice Chairman of Durq Machinery Corp. Chairman of Ye Chime Co., Ltd In Thailand. Partner of Direction Trademark Patent Copyright Law.
		Representative: De-Ying Liao				-	-	-	-	-	-	-	-		
Director	R.O.C	Cheng Shing Tai Biopharmaceutical Co., Ltd.	Dec.29, 2014	3	Dec.29, 2014	348,647	0.0693	348,647	0.0693	-	-	-	-	MingDao High School	President of Sicame Commercial Affairs Hotel. President of Cheng Shing Tai Biopharmaceutical Co., Ltd. Business Department. Director of Rodan (Taiwan) Ltd.
		Representative Ting-Lieh Huang				886,224	0.1761	886,224	0.1761	380,558	0.0756	-	-		
Director	R.O.C	Chin-Ting Chang	Dec.29, 2014	3	Dec.29, 2014	2,238,886	0.4449	2,238,886	0.4449	386,456	0.0768	-	-	NCHU's Continuing Education School, EMBA	President of COTA Bank
		Representing: KunYuan Investment Co., Ltd.				1,239,725	0.2463	1,239,725	0.2463	-	-	-	-		

3. Corporate Governance

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

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

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

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



3-2-1-4.

As of Dec. 31, 2014

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	
Song-Yie Liao		-	-	V	V	-	-	V	-	V	V	V	V	V	-
Kuo-Chao Hsiao		-	-	V	V	-	-	V	V	V	V	V	V	V	-
Kun-Hsien Lin		-	V	V	V	V	V	V	V	V	V	V	V	V	-
Ying-Che Chang (Deng Heng Enterprise Co., Ltd)		-	-	V	V	-	V	V	V	V	V	V	V	-	-
Chuan Cheng Hat Co., Ltd. (Chiu Hsiung Lin)		-	-	V	V	-	V	V	V	V	V	V	V	-	-
Po-Yao Chi		-	-	V	V	V	V	V	V	V	V	V	V	V	-
Sung-Cheng Huang		-	V	V	V	V	V	V	V	V	V	V	V	V	-
Ho Chu Investment Co., Ltd. (Chia-Hung Lin)		-	-	V	V	-	V	V	-	V	V	V	V	-	-
Pi-Jung Hsieh		-	-	V	V	-	V	V	V	V	V	V	V	V	-
Xian-De Lai		-	-	V	V	-	V	V	-	V	V	V	V	V	-
Chi-Peng Yang		-	-	V	-	-	-	V	V	V	V	V	V	V	-
Chun-Chieh Wang		-	-	V	V	-	-	V	V	V	V	V	V	V	-
ChiaDe Development and Investment Co., Ltd. (De-Ying Liao)		-	V	V	V	-	V	V	V	V	V	V	V	-	-
Cheng Shing Tai Biopharmaceutical Co., Ltd. (Ting-Lieh Huang)		-	-	V	V	-	V	V	V	V	V	V	V	-	-
Chin-Ting Chang (KunYuan Investment Co., Ltd.)		-	-	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.

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

3. Corporate Governance

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

As of Dec. 31, 2014, 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	2,238,886	0.44	386,456	0.08	-	-	NCHU's Continuing Education School, EMBA, Senior Executive Vice President of COTA Bank	
Senior Executive Vice President	Jung-Hsien Chiu	Jan. 01, 2004	827,482	0.16	-	-	-	-	Department of Industrial and Information Management, National Cheng Kung University, Master Executive Vice President of COTA Bank	
Senior Executive Vice President	Ho-Shun Chang	Oct. 08, 2010	213,9067	0.04	16,576	0.00	-	-	Feng-Yuan Commercial & Vocational High School, Department General Manager of COTA Bank, Banking Department	
Chief Auditor	Chih-Sheng Hsiao	Jan. 01, 2014	617,221	0.12	194,345	0.04	-	-	Department of Public Finance and Taxation Feng Chia University, Executive Vice President of COTA Bank	
Executive Vice President (Department General Manager)	Yun-Ching Wang	Jan. 01, 2004	346,839	0.07	192,570	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	395,641	0.08	81,414	0.02	-	-	Department of Accounting, Chien Kuo College of Commerce, Branch General Manager of COTA Bank, Taichung Branch	-
Executive Vice President(Branch General Manager)	Shih-Jung Chen	Apr. 10, 2013	436,083	0.09	-	-	-	-	Department of Oceanography, Chinese Culture University, Branch General Manager of COTA Bank, Taichung Branch	-
Chief Secretary	Chien-Cheng Hsu	Mar. 03, 2006	444,957	0.09	81,990	0.02	-	-	Department of Business Administration , Tunghai University, Deputy General Manager of COTA Bank, General Administration Department	
Department General Manager	Kuang-Hsiung Huang	Mar. 03, 2006	233,020	0.05	266,837	0.05	-	-	Department of Economics, Feng Chia University, Deputy General Manager of COTA Bank, General Administration Department	
Department General Manager	Wei-Bin Lin	Mar. 16, 2005	93,036	0.02	-	-	-	-	Graduate School of Management, University of California at Riverside, Master Assistant Vice President of Bank Sinopac	-
Department General Manager	Ming-Heng Chan	Sep. 01, 2013	104,244	0.02	13,071	0.00	-	-	Department of Accounting, Feng Chia University, Deputy General Manager of COTA Bank, Business Department	
Department General Manager	Hung-Tsang Chiang	Oct. 15, 2013	124,296	0.02	102,828	0.02	-	-	Department of Public and Management, Supplementary Junior College of the National Open University, Project Manager of COTA Bank, Consumer Banking Center	-
Department General Manager	Chun-Sheng Lin	Apr. 01, 2010	97,349	0.02	10,738	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	126,196	0.03	-	-	-	-	Department of Economics, Tunghai University, Branch General Manager of COTA Bank, Business Department.	
Department General Manager	Mei-Ling Shih	Oct. 08, 2010	155,032	0.03	299	0.00	-	-	Supplementary Junior College, Deputy General Manager of COTA Bank, Jinhua Branch	
Department General Manager	Kuo-Chiu Chang	Oct. 15, 2013	77,604	0.02	-	-	-	-	Business Administration, Chaoyang University of Technology, Master Deputy General Manager of COTA Bank, Wealth Management Center	-
Department General Manager	Chih-Hung Huang	Jan. 08, 2014	233,691	0.05	120,809	0.02	-	-	Department of Applied Commerce, National Taichung Institute of Technology, Branch General Manager of COTA Bank, Jinhua Branch	
Branch General Manager	Huan-Mou Cheng	Apr. 10, 2013	205,208	0.04	39,233	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	415,509	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	120,937	0.02	6,466	0.00	-	-	Department of Public Finance and Taxation, Institute of Industrial & Business Administration, Tamsui Oxford College Manager of COTA Bank, SME 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	%		
Branch General Manager	Cheng-Hsien Hsieh	Aug. 01, 2014	287,178	0.06	102,686	0.02			Department of Business, The National Open University, Branch General Manager of COTA Bank, Dazhi Branch	
Branch General Manager	Kuo-Ho Chang	Jan. 01, 2014	90,816	0.02	-	-	-	-	Department of General Business, Shin Min Commercial and Industrial Vocational Senior High School, Branch General Manager of COTA Bank, Beitun Branch	
Branch General Manager	Min-Chang Lin	Aug. 01, 2014	268,392	0.05	38,128	0.01	-	-	Department of General Business, Shin Min Commercial & Industrial Vocational Senior High School, Branch General Manager of COTA Bank, Linsen Branch	-
Branch General Manager	Mao-Sheng Huang	Aug. 01, 2014	167,283	0.03	38,896	0.01	-	-	Department of Finance Stock Practice, Chung Hua University, Branch General Manager of COTA Bank, Xinzhu Branch	
Branch General Manager	Wen-Lung Chen	Dec. 08, 2014	167,796	0.03	29,774	0.01	-	-	Department of Business Administration, Chaoyang University of Technology, Branch General Manager of COTA Bank, Tainan Branch	
Branch General Manager	Chi-Shen Huang	Jan. 08, 2014	307,145	0.06	45,755	0.01			Department of Banking and Insurance, National Taichung Institute of Technology, Branch General Manager of COTA Bank, Banciao Branch	
Branch General Manager	Shih-Tsung Chou	Jul. 01, 2006	276,567	0.05	73,692	0.01	-	-	Department of Business Administration, The Overseas Chinese College, Branch General Manager of COTA Bank, Zanghua Branch	
Branch General Manager	Feng-Lung Yeh	Jan. 01, 2014	103,631	0.02	16,099	0.00	-	-	Department of finance, Chaoyang University of Technology,, Project Manager of COTA Bank, Beitun Branch	
Branch General Manager	Hung-Chi Tung	Jan. 01, 2012	182,739	0.04	158,259	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	502,722	0.10	3,044	0.00	-	-	Department of Electrical Engineering, Kuang-Hwa Vocational High School of Technology, Project Manager of COTA Bank, Credit Management Department	
Branch General Manager	Chia-Wen Ke	Dec. 08, 2014	91,849	0.02	-	0.00	-	-	Department of technology Management, Chung Hua University. Project Manager of COTA Bank, Credit Management Department	
Branch General Manager	His-Hsien Wang	Nov. 21, 2005	84,763	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	139,906	0.03	75,154	0.01	-	-	Department of Applied Business, National Taichung Institute of Technology. Project Manager of COTA Bank, Credit Management Department	
Branch General Manager	Cheng-Hao Wu	Jan. 08, 2014	28,280	0.01	-	0.01	-	-	Department of Business Administration, Fujen Catholic University. Deputy General Manager of COTA Bank, Banciao Branch	-
Branch General Manager	Chang-Cheng Chen	Jan. 01, 2012	140,236	0.03	758	0.00			Department of General Business of Extension Business Vocational School, National Taichung Institute of Technology. Branch General Manager of COTA Bank. Fengdong Branch	-
Branch General Manager	Shih-Tsung Liu	Jun. 24, 2013	268,640	0.05	212,241	0.04	-	-	Department of Business, The National Open University, Branch General Manager of COTA Bank, Fengle Branch	
Branch General Manager	Shu-Chen Shih	Jan. 01, 2012	355,672	0.07	-	-			Department of Social Science, The National Open University. Deputy General Manager of COTA Bank, Guoguang Branch	
Branch General Manager	Chih-Peng Yang	Dec. 08, 2014	15,324,690	3.05	7,721,563	1.53	-	-	Department of Business Administration, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology, Branch General Manager of COTA Bank, Nanmen Branch	
Branch General Manager	Chih-Yin Lin	Jan. 01, 2013	41,407	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	158,144	0.03	96,496	0.02	-	-	Department of Accounting Statistics National Changhua Senior School of Commerce, Project Manager of COTA Bank, Credit Management Department	-
Branch General Manager	Ming-Yung Yu	Aug. 01, 2014	116,728	0.02	18,119	0.00	-	-	Department of Business Administration, Taiwan Provincial Taichung College of Business. Project Manager of COTA Bank, Credit Management Department	

3. Corporate Governance

Title	Name	Date of Inauguration	Shares Owned		Shares Owned by Spouses and Minors		Shares Held under Surrogate A/C		Education & Key Past Positions	Other Positions Held Current
			No. of Shares	%	No. of Shares	%	No. of Shares	%		
Branch General Manager	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	-
Branch General Manager	Hsien-Hsun Chiang	Jun. 24, 2013	141,393	0.03	14,746	0.00			Department of Cooperative Economics, Tamkang University, Branch General Manager of COTA Bank, Zhongshan Branch	
Branch General Manager	Tien-Long Yang	Jul. 01, 2014	72,835	0.01	30,475	0.01			Department of finance, Chaoyang University of Technology,, Deputy General Manager of COTA Bank, Taichung Branch	-
Branch General Manager	Ming-Chih Lin	Sep. 01, 2014	63,064	0.01	50,144	0.01			Department of Applied Business, National Taichung Institute of Technology. Deputy General Manager of COTA Bank, Dazhi Branch	
Branch General Manager	Ming-Feng Wu	Oct. 01, 2014	-	-	-	-	-	-	Department of Business Administration, Soochow University Branch General Manager of Sunny Bank, Hsiaokang Branch	-

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

(1) Directors' Remuneration

Unit: TWD thousand

Title	Name	Compensation								Sum of A,B,C and D / after-tax profit (%)	Compensations received by part-time employees								Sum of A,B,C,D,E,F AND G / after-tax profit (%)		Whether or not any compensation is received from other reinvested businesses than subsidiaries		
		Rewards (A)		Pension and Superannuation (B)		Earning Distribution (C)		Professional Practice (D)			Salary, Bonus and Special Disbursement (E)		Pension and Superannuation (F)		Employee bonus Distribution (G)							Employee Share Subscription Warrants (H)	
		Bank	Con-Solida-tion	Bank	Con-Solida-tion	Bank	Con-Solida-tion	Bank	Con-Solida-tion		Bank	Con-Solida-tion	Bank	Con-Solida-tion	Bank	Con-Solida-tion	COTA		CON-SOLIDATION			COTA	CON-SOLIDA-TION
Chairman	Kuo-Chao Hsiao																						
Managing Director	Song-Yie Liao																						
Managing Director	Ying-Che Chang																						
Managing Director	Mu-Chuan Huang																						
Managing (Independent) Director	Yen-Chun Wang																						
Director	Chun-Tse Liao																						
Director	Chan-Wen Lin																						
Director	Dong-Po Xie	11,040	11,253	-	-	7,933	7,933	1,593	1,646	4.66%	4.72%	-	-	-	-	-	-	-	-	-	-	4.66%	4.72%
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: 1. Net income amount to TWD440,989 thousand. Directors' remuneration of Earning distribution amount to TWD10,048 thousand.

2. Kung-Cheng Lin Resignation of Managing Independent Director from Dec. 25, 2014.

3. The Bank on Dec. 29, 2014 interim shareholders meeting be held the re-election of directors, and held its first interim board of directors on Jan. 8, 2015.

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, Song-Yie Liao, Chun-Tse Liao, Dong-Po Xie, Xian-De Lai, Chun-Chuan Wang, Kung-Cheng Lin,	Mu-Chuan Huang, Yen-Chun Wang, Chan-Wen Lin, Pi-Jung Hsieh, Ying-Chieh Lai, Guo-Zhou Chen, Po-Yao Chi.	Ying-Che Chang, Song-Yie Liao, Chun-Tse Liao, Dong-Po Xie, Xian-De Lai, Chun-Chuan Wang, Kung-Cheng Lin,	Mu-Chuan Huang, Yen-Chun Wang, Chan-Wen Lin, Pi-Jung Hsieh, Ying-Chieh Lai, Guo-Zhou Chen, Po-Yao Chi.	Ying-Che Chang, Song-Yie Liao, Chun-Tse Liao, Dong-Po Xie, Xian-De Lai, Chun-Chuan Wang, Kung-Cheng Lin,	Mu-Chuan Huang, Yen-Chun Wang, Chan-Wen Lin, Pi-Jung Hsieh, Ying-Chieh Lai, Guo-Zhou Chen, Po-Yao Chi.	Ying-Che Chang, Song-Yie Liao, Chun-Tse Liao, Dong-Po Xie, Xian-De Lai, Chun-Chuan Wang, Kung-Cheng Lin,	Mu-Chuan Huang, Yen-Chun Wang, Chan-Wen Lin, Pi-Jung Hsieh, Ying-Chieh Lai, Guo-Zhou Chen, 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	2,520	2,520	-	-	2,115	2,115	528	571	1.17%	1.18%	NIL
Supervisor	Yao-Ting Li											
Supervisor	Yong-Zhi Wang											
Supervisor	Zhuang-Tai Wang											

Note: 1.Net income amount to TWD440,989 thousand. Directors' remuneration of Earning distribution amount to TWD10,048 thousand.

2.The Bank on Dec. 29, 2014 interim shareholders meeting be held the re-election of directors, and held its first interim board of directors on Jan. 8, 2015.

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,	Yao-Ting Li, Zhuang-Tai Wang	Lien-Kui Wang, Yong-Zhi Wang,	Yao-Ting Li, Zhuang-Tai Wang
2,000,000 - 5,000,000	-		-	
5,000,000 - 10,000,000	-		-	
10,000,000 - 15,000,000	-		-	
15,000,000 - 30,000,000	-		-	
30,000,000 - 50,000,000	-		-	
50,000,000 - 100,000,000	-		-	
Above 100,000,000	-		-	
TOTAL	4 (Person)		4 (Person)	

3. Corporate Governance

(3) President and Senior Executive Vice Presidents' Remuneration

As of Dec. 31, 2014, 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	5,812	5,812	0	0	6,483	6,483	401	0	401	0	2.8790%	2.8790%	-	-	NIL
Chief Auditor	Chih-Sheng Hsiao															
Senior Executive Vice President	Jung-Hsien Chiu															
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, Ho-Shun Chang, Chih-Sheng Hsiao,	Chin-Ting Chang, Jung-Hsien Chiu, Ho-Shun Chang, Chih-Sheng 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	4 (Person)	4 (Person)



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

As of Dec. 31, 2014; Unit: TWD thousand

	Title	Name	Stock dividends	Cash Dividends	Total Amount	Total Amount/Net Income (%)
Manager	President	Chin-Ting Chang	-	3,040	3,040	0.6894%
	Chief Auditor	Chih-Sheng Hsiao				
	Senior Executive Vice President	Jung-Hsien Chiu				
	Senior Executive Vice President	Ho-Shun Chang				
	Executive Vice President	Shih-Jung Chen				
	Executive Vice President	Yun-Ching Wang				
	Executive Vice President	Hsin-De Chang				
	Chief Secretary	Chien-Cheng Hsu				
	Department General Manager	Kuang-Hsiung Huang				
	Department General Manager	Kuo-Chiu Chang				
	Department General Manager	Ming-Heng Chan				
	Department General Manager	Mei-Ling Shih				
	Department General Manager	Chih-Hung Huang				
	Department General Manager	Wei-Bin Lin				
	Department General Manage	Hung-Tsang Chiang				
	Department General Manage	Chun-Sheng Lin				
	Branch General Manager	Chang-Chieh Lin				
	Branch General Manager	Huan-Mou Cheng				
	Branch General Manager	Ling-Chen Ting				
	Branch General Manager	Jui-Sen Liao				
	Branch General Manager	Cheng-Hsien Hsieh				
	Branch General Manager	Kuo-Ho Chang				
	Branch General Manager	Min-Chang Lin				
	Branch General Manager	Mao-Sheng Huang				
	Branch General Manager	Wen-Lung Chen				
	Branch General Manager	Chi-Shen Huang				
	Branch General Manager	Shih-Tsung Chou				
	Branch General Manager	Feng-Lung Yeh				
	Branch General Manager	Hung-Chi Tung				
	Branch General Manager	His-Tung Chang				
	Branch General Manager	Chia-Wen Ke				
	Branch General Manager	His-Hsien Wang				
	Branch General Manager	Chung-Yi Hsu				
	Branch General Manager	Cheng-Hao Wu				
	Branch General Manager	Chang-Cheng Chen				
	Branch General Manager	Shih-Tsung Liu				
	Branch General Manager	Shu-Chen Shih				
	Branch General Manager	Chih-Peng Yang				
	Branch General Manager	Chih-Yin Lin				
	Branch General Manager	Ching-Sung Chen				
	Branch General Manager	Ming-Yung Yu				
	Branch General Manager	Ping-Hung Chuang				
	Branch General Manager	Hsien-Hsun Chiang				
	Branch General Manager	Tien-Long Yang				
	Branch General Manager	Ming-Chih Lin				
	Branch General Manager	Ming-Feng Wu				

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

3. Corporate Governance

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 2014	Year 2013	%
Director	4.72%	3.73%	+0.99%
Supervisor	1.18%	0.96%	+0.22%
Total	5.90%	4.69%	+1.21%

Remarks:

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

Item	Total Amount / Net Income After Tax		
	Year 2014	Year 2013	%
President and Senior Executive Vice President	2.8790%	2.8666%	+0.0124%

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. Status of Corporate Governance

3-3-1. Operation status of board of directors: convened 14 meetings in the last year, 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 (Elected as Managing Director on Jan. 23 2015)	Kuo-Chao Hsiao	14	0	100	Re-elected on Dec. 29 2014
Managing Director (Elected as Chairman on Jan. 23 2015)	Song-Yie Liao	12	0	85.71	Re-elected on Dec. 29 2014
Managing Director	Ying-Che Chang (Representing Deng-Heng Ent. Co Ltd.)	14	0	100	Newly Appointed on Dec. 29 2014
Managing Director	Mu-Chuan Huang	2	1	14.29	Retired on Dec. 29 2014
Managing (Independent) Director	Yen-Chun Wang	1	2	7.14	Retired on Dec. 29 2014
Independent Director	Po-Yao Chi	12	1	85.71	Re-elected on Dec. 29 2014
Independent Director	Kung-Cheng Lin	7	5	50	Resigned on Dec. 29 2014
Director	Xian-De Lai	14	0	100	Re-elected on Dec. 29 2014
Director	Pi-Jung Hsieh	13	1	92.86	Re-elected on Dec. 29 2014
Director	Chun-Tse Liao	14	0	100	Retired on Dec. 29 2014
Director	Dong-Po Xie	11	1	78.57	Retired on Dec. 29 2014
Director	Chan-Wen Lin	14	0	100	Retired on Dec. 29 2014
Director	Chun-Chuan Wang	13	0	92.86	Retired on Dec. 29 2014
Director	Ying-Chieh Lai	0	0	0	Retired on Dec. 29 2014
Director	Guo-Zhou Chen	14	0	100	Retired on Dec. 29 2014
Standing Supervisor	Lien-Kui Wang	11	0	78.57	Retired on Dec. 29 2014
Supervisor	Yao-Ting Lee	12	0	85.71	Retired on Dec. 29 2014
Supervisor	Yong-Zhi Wang	14	0	100	Retired on Dec. 29 2014
Supervisor	Zhuang-Tai Wang	14	0	100	Retired on Dec. 29 2014
Managing (Independent) Director	Kun-Hsien Lin	-	-	-	Newly Appointed on Dec. 29 2014
Independent Director	Sung-Cheng Huang	-	-	-	Newly Appointed on Dec. 29 2014
Director	Chi-Peng Yang	-	-	-	Newly Appointed on Dec. 29 2014

3. Corporate Governance

Title	Name	Attendance in Person(B)	Attendance by Proxy	Actual Attendance Rate (%)	Remark
Director	Chun-Chieh Wang	-	-	-	Newly Appointed on Dec. 29 2014
Director	Chuan Cheng Hat Co., Ltd. Representative: Chiu Hsiung Lin	-	-	-	Newly Appointed on Dec. 29 2014
Director	HoChu Investment Ltd. Representative: Chia-Hung Lin	-	-	-	Newly Appointed on Dec. 29 2014
Director	ChiaDe Development and Investment Co., Ltd. Representative: De-Ying Liao	-	-	-	Newly Appointed on Dec. 29 2014
Director	Cheng Shing Tai Biopharmaceutical Co., Ltd. Representative: Ting-Lieh Huang	-	-	-	
Director	KunYuan Investment Co., Ltd. Representative: Chih-Ting Chang	-	-	-	

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:
 - ◆ Issues: Legal attest letter from ChanHeng Investment Co., Ltd., requesting board directors election in extraordinary shareholders meeting.
Resolution: Independent director Kung-Cheng Lin was absent and his waiver of voting rights was entrusted to Independent director Po-Yao Chi. All directors were unanimous in refusing this issue and instructed office of stock affairs replying ChanHeng Investment Co., Ltd., Chin-ChihTseng, and c.c. Ministry of Economic Affairs, Financial Supervisory Commission Banking Bureau and Financial Supervisory Commission Securities and Futures Bureau in accordance with the 8th conclusion of the opinion letter of attorney Kuang-Lung Chen.
 - Avoidance of Conflict of interest by directors:
 - ◆ The 11th Meeting of the 5th Board of Directors on March 31, 2014:
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 12th Meeting of the 5th Board of Directors on June 16, 2014:
Name of director: Ying-Chieh Lai, Chun-Tse Liao, Pi-Jung Hsieh, Ying-Che Chang.
Issues: Re-signed rent contract with COTA Culture and Education Foundation.
Reasons for avoidance: The Director of COTA Culture and Education Foundation.
Results for attendance: Director Chun-Tse Liao, Pi-Jung Hsieh and Ying-Che Chang requested a leave of absence due to conflict of interest pertaining to the matters discussed.
 - Assessment of objectives and implementation status in the area of strengthening the powers of the board of directors for the current and immediately past years will be carried out:
 - ◆ We formed the Audit Committee to implement relevant regulations and rules and consolidate management of Board of Directors and proactively increase transparency of company information to secure shareholder's equity.
- NOTE: Re-election of the board of directors was held in extraordinary shareholder's meeting on Dec. 29 2014. The first extraordinary board meeting was convened on Jan. 8th 2015 after the re-election.

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

1. Board of Directors convened 14 meetings (A) in 2014, 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	11	78.57	Retired on Dec. 29 2014
Supervisor	Yao-Ting Lee	12	85.71	Retired on Dec. 29 2014
Supervisor	Yong-Zhi Wang	14	100	Retired on Dec. 29 2014
Supervisor	Zhuang-Tai Wang	14	100	Retired on Dec. 29 2014

Remarks:

1. Supervisors and their responsibilities

Supervisors exercise authority set by statute.

◆ 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 communication.

◆ Communication among supervisors, internal auditors and external accountants:

1> The internal and external audit reports are all submitted to supervisors and independent directors for review.

2> With attendance of CPAs and the manager of accounting dept., meeting of supervisors is convened regularly to investigate financial reports.

3> Standing supervisor and managing directors are regularly invited to participate in the conferences of representative of the Bank and internal audit personnel, and the conference minutes were submitted to the board of directors.

2. The process state of Supervisors' opinion stated in the board meeting:

◆ The 11th Meeting of the 5th Board of Directors on March 28, 2014.

1> 2014 operational risk matters report

Opinion and processing state: credit cards should be encrypted and the Bank should notify existing customers to come back and get their cards encrypted.

→Approved by the president during meeting.

2> Donation to COTA Culture and Education Foundation.

Opinion and processing state: Budget planned.

◆ The 8th Extraordinary Meeting of the 5th Board of Directors on April 3rd 2014: Discussion of Nomination of Candidates of directors.

Opinion and processing state: Legality of the documents of nominations was to be clarified, suggesting referencing the letter from FSC on March 27, 2014.

◆ The 9th Extraordinary Meeting of the 5th Board of Directors on May 13, 2014: 10 shareholders petitioned to Taichung District Court to compulsory executed provisional injunction board election.

Opinion and processing state: Suggesting increase the number of attorney. →As per the proposal.

◆ The 12th Meeting of the 5th Board of Directors on June 16, 2014: Public tender of Bank-owned building.

Opinion and processing state: Property rights of building s should be surveyed before public tender. →As per the proposal forwarding to appropriate department.

◆ The 10th Extraordinary Meeting of the 5th Board of Directors on July 11, 2014: ChanHeng Investment Co., Ltd., in accordance with Company Act, by letter noticed the board convene extraordinary meeting of the shareholders.

Opinion and processing state: Should explain to the authority concerned that litigation is undergoing. Outside rumors are to be clarified.

◆ The 14th Extraordinary Meeting of the 5th Board of Directors on December 25, 2014: Reporting significant and unforeseeable contingencies.

Opinion and processing state: Suggesting improving operation procedure and providing background information of involving parties. →Answered by Chief Audit and forward to appropriate department.

2. Audit committee, a substitution for supervisors, was composed of 3 independent directors which were elected in the Extraordinary meeting of shareholders on December 29th 2014. There was no Audit committee in the year of 2014 until the reelection of the board.

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

3. Corporate Governance

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
	Y	N	Summary	
I. Ownership structure and Shareholders' equity of the Bank (1) Has the bank established procedures handling shareholders' suggestions, queries, disputes and litigations? (2) The ability of the Bank to identify its controlling shareholders and the ultimate person or persons behind such shareholders. (3) The ways the Bank establishes firewalls and risk management mechanisms with respect to its affiliates.		✓	(1) Shareholder's suggestions and litigations are handled immediately by appropriate department. (2) The bank has appropriate department compiling list of major shareholders monthly. (3) The bank and its affiliates are independent in financial, accounting, business and management aspect. Operation profit or loss and goals are regularly reported to Asset-Liability and Risk Management Committee for risk control.	No difference
II. Duties of Board of Directors (1) Besides setting up the Compensation Committee and Audit Committee according to law, does the Bank voluntarily set up other functional committees? (2) Does the Bank evaluate the independence of its CPAs on a regular basis?	✓		(1) The Bank also established Nomination Committee. (2) Assessment of the independency of appointed CPAs is conducted regularly.	No difference
III. Has the Bank established avenues of communication with interested parties?	✓		Communications among interested parties in persons, by phone, or online. Directors are asked to update and confirm the information of interested parties every 6 months. Information of managers is updated every February and August.	No difference
IV. Disclosure of information (1) Has the Bank set up website for the disclosure of financial information and its corporate governance practices? (2) Any other methods adopted by the Bank for the disclosure of information (e.g., establishing English version website, appointing persons responsible for gathering and disclosing Bank information, implementing a spokesperson system, and placing the record of analyst meeting on its website)?	✓	✓	(1) Disclose status of Financial information, Business operation and Corporate governance on the website (http://www.cotabank.com.tw) (2) Status of Financial information and business operation are disclosed on our website. President of the Bank is the spokesperson of the Bank.	No difference

Item	Status of Operation			Differences from "The Corporate Governance guidelines for banking industry" and Reasons
	Y	N	Summary	
V. Has the Bank provided other important information to facilitate better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, purchasing insurance for directors and supervisors, political donation and donation to interested parties and public interested group)?	✓		<p>1. Employee rights: Advocates the spirits of humanity. Ensure employee rights by complying with the labor standard law and establishing the Employees' Welfare Committee. Labor-Management conference is convened regularly.</p> <p>2. Employee wellness: Organize staff trips to ease the tension of life. Home visiting every year to understand the living condition of staff.</p> <p>3. Investors relations: Establish designated web-pages for shareholders providing relevant information of stock matters. The Bank formulated the code of practice and voting policy for legal person shareholders with higher privileges to ensure shareholders' equity.</p> <p>4. Rights of stakeholders and consumer's protection and the policy of corporate governance: the Bank has always emphasized customer service quality. It provides customer complain channel and has implemented a number of customer protection policies.</p> <p>5. Training and advanced studies of board members and supervisors: Taiwan Securities and Futures Institute and Taiwan Academy of Banking and Finance have arranged corporate governance courses for directors and supervisors (total of 24hrs till the end of 2014). Various on-job trainings are instructed periodically.</p> <p>6. Implementation of risk management policies and risk evaluation measures: Establish Risk Management Center, "Assets, Liabilities and Risk Management Committee" evaluate regularly operating risk and report to the board of directors. We obey rules of government and BIS to make policies of risk management to ensure our safety of banking operations and performances.</p> <p>7. Purchasing insurance for directors and supervisors: In order to round out the company's corporate governance mechanism and reduce risk exposed to directors and key staff members of the company, the Bank has taken out liability insurance for directors, supervisors and managers.</p> <p>8. Political donation and donation to interested parties and public interested group in 2014 are stated as follow:</p> <p>a. Interested parties: COTA Culture and Education Foundation: 700 thousand dollars.</p> <p>b. Public interested group:</p> <ol style="list-style-type: none"> 1. Eden Social Welfare Foundation: 50 thousand dollars. 2. Chensenmei Social Welfare Foundation: 5 thousands. 3. Trust account of social assistance of Social Affair Bureau of Kaohsiung City: 3 million. <p>c. Political Donation: None.</p>	No difference
VI. Has the bank described the results of any corporate governance self-appraisals by the Company or appraisal reports commissioned by the Company, any shortcomings or suggestions presented in the reports and measures to rectify such	✓		None.	

3. Corporate Governance

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

3-3-5-1. Members

Position (Note 1)	Name	Directors or Supervisors shall meet one of the following professional requirements, together with at least five years work experience.			Independent status (Note 2)								Number s of serve as Remuneration Committee of Public Companies.	Remark (Note 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	See additional
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	
Director	Xian-De Lai	-	-	V	V	-	V	V	-	V	V	V	N	
Director	Chun-Chuan Wang	-	-	V	V	-	V	V	V	V	V	V	N	

Additional: 1. Independent director Kung-Cheng Lin resigned on December 25th 2014.

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

3. COTA Bank is a public company, not subject to Article 14-6 of Securities and Exchange Act.

Note:

1. Position Explanation: Director, Independent Director or Others

2. In the preceding 2 years before being elected and during the term of office, members who meet the following terms shall with "V" marks.

(1) Neither employees of Bank nor its affiliates.

(2) Neither a director/supervisor of Bank nor its affiliates, unless the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares.

(3) Not an individual shareholder who holds shares, together with those held by the person spouse, minor children, or held under others' names, in an aggregate amount of 1% or more of the total outstanding shares of the company or ranks among the top 10 shareholders who are natural persons in terms of the share volume held.

(4) Not a spouse or relative within the second-degree of kinship, or lineal relative within the third-degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not directors, supervisors, or employees of a corporate shareholder that directly holds 5% or more of the total outstanding shares of the Bank or ranks among the top 5 corporate shareholders in the terms of share volume held.

(6) Not directors, supervisors, or executive officer, or shareholder holding 5% or more shares of a specific company or institution and who also has financial or business dealings with the company.

(7) Not a professional, or owner, partner, director, supervisor, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the Bank or to any affiliates.

(8) Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.

3. If the member is a Director, shall note if it comply with article 6-5 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock Is Listed on the Stock Exchange or Traded OTC".

3-3-5-2. Operation 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.(note 1)

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)	Remark
Convener	Kung-Cheng Lin	3	0	100	Note 2
Members	Po-Yao Chi	2	1	66.67	
Members	Ying-Che Chang	3	0	100	
Members	Xian-De Lai	3	0	100	
Members	Chun-Chuan Wang	3	0	100	

Other required matters:

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

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

Note2: 1. Independent director Kung-Cheng Lin resigned on December 25th 2014.



3. Corporate Governance

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

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

and inform them of significant impact? (5) Has the bank implemented an effective training program that helps employees develop skills over the course of their career? (6) Has the bank implemented consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities? (7) Has the bank complied with laws and international standards with regards to the marketing and labeling of products and services? (8) Does the bank evaluate suppliers' environmental and social conducts before commencing business relationships? (9) Is the bank entitled to terminate the supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts to the environment or the society?	✓ ✓ ✓ ✓ ✓	(5) Employee education and training is carried out according to job responsibilities and personal career development every year. (6) The bank has developed consumer protection rules. Self-appraisals of consumer protection should be conducted when designing products, formulating contracts and providing services. Consumer grievances are taken cared according to internal directions for managing customer grievances. And a direct line is designed for consumer grievances. (7) With respect to advertising and promotional materials, the Bank has developed "Regulations on Soliciting of Business thru Advertisements and Business Promotion Activities" and "Regulations on Provision of Key Contractual Contents and Risk Disclosure before Providing Financial Products and Services" to ensure consumers' interests. (8) Bad records and derogatory information of suppliers are taken into consideration when selecting suppliers. (9) The company has implemented a set of "Supplier Management Guidelines" and CSR commitments to ensure that suppliers comply and fulfill their corporate social responsibilities in terms of worker respects, law compliance, and environmental-friendly and sustainable production, which are all taken into consideration when the company is evaluating or auditing a particular supplier.	
4. Intensified information disclosure Has the bank disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	✓	CSR information is disclosed in annual report and website of the Bank (www.cotabank.com.tw)	
5. Description of deviation of the self-made guidelines for corporate social responsibilities from the "Guidelines for corporate social responsibilities of listed firms": None (The Bank is not a listed company in TWSE or OTC)			
6. Other important information to facilitate better understanding of the Bank's implementation of ethical corporate management: The bank set up COTA Culture and Education Foundation to advocate lifelong learning. The corporate spirit is "Taken from society, give back to society" and it keeps contributing to social welfare, academic cultural and caring community activities. For example, Children's Creative Painting Competition, Eden Social Welfare Foundation, donation to Kaohsiung gas explosions. Some bank's employees were selected to participate in the education of finance knowledge to middle and primary school student national wide.			
7. The prescription of bank or corporate social responsibility report which have been certified by external certification institution: None			

3. Corporate Governance

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

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

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

3. Corporate Governance

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

3-3-8. Corporate Governance Guidelines and Regulations

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

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

3-3-10. Statement of Internal Control

COTA Commercial Bank Statement of Internal Control

March 3, 2015

To Financial Supervisory Commission

On behalf of the COTA Commercial Bank, we declare that during the period of January 1, 2014 through December 31, 2014 the Bank did conform to the provisions of the “Guidelines for the establishment of internal control and internal audit systems” by establishing an internal control system and undertaking risk management, and by having auditing carried out by an impartial and independent auditing unit, with reports submitted on a regular basis to the Board of Directors and Supervisors (Audit Committee). Careful assessment shows that with the exception of items listed in the attached chart, the internal control systems of and compliance with laws and regulations by the different units were all implemented effectively. This statement form part of the annual report and publicly disclosed. We understand that we are legally bound to SEC ordinance No.20, 32, 171 and 174.

Attested by

Chairman : Song-Yie Liao

President : Chin-Ting Chang

Chief Auditor : Chih-Sheng Hsiao

Compliance Officer : Hsin-De Chang

3. Corporate Governance

Items for Improvement and Plan Table of Internal control

As of Dec. 31, 2014

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.	<ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> (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: <ol style="list-style-type: none"> (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. 	Listed in main credit issue auditing item in 2014, and kept tracing for 2015.
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	<ol style="list-style-type: none"> 1. New home acquisition or construction cases shall be subject to control. 2. Incremental loans or loans transferred from other banks shall be subject to control if the purpose of the existing loan is to acquire real estate. 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. 	<p>Ensure that loans are classified into appropriate categories and conduct educational training and promotion in 2014.</p> <p>List in keep tracing issue item for 2015.</p>
3. Dealing with agricultural land loans should evaluate the using plans and fund requirements of borrowers.	<ol style="list-style-type: none"> 1. Dealing with agricultural land loans should evaluate the using plans prevent substance of transactions involving violations. 2. The Bank should implement to verify the actual fund requirements of borrowers. 	List in main credit issue auditing item for 2015

Items for Improvement	Improvement Measure	Target Date
4. Dealing with credit loans should control and manage DBR 22.	1. The Bank dealing with credit loans should control and manage DBR 22 according to income information from clients.	List in main training courses for 2015
5. Strengthen on modifying the workflow of fees receiving.	System operations need to confirm, verify, and control by two executive officers to prevent malpractices.	The Bank has conducted from Nov.03, 2014.
6. Dealing with land mortgage in industrial area should abide by Document Tai Yang Yeh1040008442 of Central Bank of Taiwan on Feb. 10, 2015.	1. List of idle lands: (1) The cases did not under construction: The land mortgages up to 55 percent; The Bank have to retake money step by step within a reasonable period, and raise the loan rates. The cases under construction: The conditions of land mortgages abide by the Rules of not listing idle lands of industrial area. (2) The new cases of land loan, the borrowers should submit plans of construction and development, and The Bank should double confirm after the loan has executed; Once the plans of construction and development did not execute, the conditions of loan should abide by the former. 2. Not in list of idle lands: Other land mortgage in industrial area should abide by the self-regulatory measures announced by Central Bank of Taiwan on December 23, 2013, including the borrowers should submit plans of construction and development, and The Bank should double confirm after the loan has executed.	List in main credit issue auditing item from March, 2015.

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, 2014 through Dec. 31, 2014.

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

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

3. Corporate Governance

Independent Auditors' Report

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, 2014 through December 31, 2014 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 26, 2015

Suggestion Statement

Year 2014

NO	Matter of disclose	Suggestion	Opinion of Administration
1.	Did not mark the date of logout on the signature cards when replacement and lost registration for signature of Dazhi branch, that disclosed by randomly audit. Account Number: 07-3-07xxxx9, 07-3-10xxxx4, 07-3-09xxxx2, 07-3-11xxxx0, 07-3-09xxxx4.	It is recommended that the Bank should execute the regulation.	1. Marked the date of logout on the signature cards when auditors re-checked on March 09, 2015. 2. The Bank announced to execute carefully for every branch by document on March 04, 2015 and listed in main issue auditing item for 2015.
2.	Credit files between OO, Ling of Chenggong branch and OO, Sun of Daya branch did not mark as interested parties on credit checking report, that disclosed by randomly audit.	It is recommended that the Bank should mark as interested parties on credit checking report.	1. Marked the date of logout on the signature cards when auditors re-checked on March 09, 2015. 2. The Bank announced to execute carefully for every branch by document on March 04, 2015 and listed in main issue auditing item for 2015.
3.	Did not disclose the same related parties sheet of the account folder under OO, Lin of Dazhi branch, that disclosed by randomly audit.	It is recommended that the Bank should execute the regulation, and obtain credit relative documents for future reference.	1. Marked the date of logout on the signature cards when auditors re-checked on March 09, 2015. 2. The Bank announced to execute carefully for every branch by document on March 04, 2015 and listed in main issue auditing item for 2015.
4.	Did not print the same affiliated enterprises' information on the reverse of credit instruction letter, that disclosed by randomly audit.	It is recommended that the Bank should execute the regulation whether beyond the limit quota or not by Regulation of Loan Business and Other with Same Concerned Parties.	1. Marked the date of logout on the signature cards when auditors re-checked on March 09, 2015. 2. The Bank announced to execute carefully for every branch by document on March 04, 2015 and listed in main issue auditing item for 2015.

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

1. Any indictment of a responsible person or employee by a prosecutor for an offense related to the occupation: None
2. Any fine imposed by the FSC for violation of a law or regulation: None
3. Any matters in which sanctions were imposed by the FSC pursuant to Article 61-1 of the Banking Act:
The former employee misappropriate fees paid by client, command to be corrected, and dismiss the former employee under the Document of FSC on September 23, 2014.
The bank has taken remedial actions:
(1) The Bank deposed the employee on August 27, 2014, and the assistant manager of operation department has record three minor demerits.
(2) The Bank modified the operational processes of cash collection, and strengthen the employee' education and training.
4. Any security incident arising from employee infidelity or material contingencies (e.g. fraudulent acquisition, theft, misappropriation, or robbery of assets; forgery of documents or securities; acceptance of a bribe; losses from natural disaster; losses from external causes; hacker attack, data theft, or leak of trade secrets or customer data; or other such material incidents) or failure to faithfully abide by the Directions for Maintenance of Security at Financial Institutions. If actual losses, whether singly or in aggregate, exceed TWD50 million in any given year, disclose the nature and amount of the loss: None
5. Other matters that must be disclosed pursuant to FSC designation: None

3. Corporate Governance

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

3-3-12-1. Shareholders Meeting

Year	Nature of Shareholders Meeting	Convoking Date	Major Resolutions
2014	Interim Shareholders Meeting	March 04, 2014	1. Partial revision in articles of memorandum of association. 2. Rules for director and supervisor elections rename as rules for the election of directors, and partial revision.
2014	Regular Shareholders' Meeting	May 05, 2014	1. The earnings distribution of year 2013 and capital increase by earnings and issuance of new shares. 2. Partial revision in articles of processing procedure for acquisition or disposal of asset. 3. Partial revision in articles of the rules of procedure of the shareholders.
2014	Interim Shareholders Meeting	December 29, 2014	1. Election of the 7 th term of directors.

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

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

- ◆ Proposal of Regulations for Extending Loans to Interested Parties, approved by the Extraordinary meeting of Board of Directors held on May 13, 2014, and The meeting of Board of Directors held on December 26, 2014.
- ◆ Proposal of capital Increase by earnings and issuance of new shares of 2013, and the baseline date by Board of Directors held on June 16, 2014.
- ◆ Chang Heng Investment Co., Ltd. on behalf of 128 shareholders including Lin Guan Rui, who filing a written proposal setting forth therein the subjects for discussion and the reasons, request the board of directors to call a special meeting of shareholders by Article 173, paragraph 1 of the Company Act. Decide to not to hold the Extraordinary meeting by the Extraordinary meeting of Board of Directors on July 11, 2014.
- ◆ Proposed appeal regarding completing and registration for election of directors and supervisors before December 31, 2014 under the Document No.10301186630 of MOEA on September 9, 2014 by Board of Directors held on September 25, 2014.
- ◆ Chang Heng Investment Co., Ltd. on behalf of 19 shareholders, who file a written proposal setting the subjects of election for directors, and request the board of directors to call a special meeting of shareholders by the Company Act. Decide to not to hold the Extraordinary meeting by the Extraordinary meeting of Board of Directors on November 5, 2014.
- ◆ Approved the resolution to elect the 7th term of directors (including independent directors) under the Document of MOEA and FSC by the extraordinary meeting of Board of Directors on November 20, 2014, and elected on December 29, 2014.
- ◆ Elected the 7th term of Chairman of the Board and executive directors by the extraordinary meeting of Board of Directors on January 8, 2014 and January 23, 2014.

3-3-12-2-2. The Directors or Supervisors have different opinions to the board of directors meeting through the major resolution, and has the record or announce by statement:

The 12th extraordinary meeting of Board of Directors held on November 5, 2014:

- ◆ Chang Heng Investment Co., Ltd. on behalf of 19 shareholders, who file a written proposal setting the subjects of election for directors, and request the board of directors to call a special meeting of shareholders by the Company Act.
Resolution matters: Agreed to not to hold the Extraordinary meeting, and stock affairs department replied Chang Heng Investment Co., Ltd. the 8th conclusion of suggestion report of lawyer Guang- Lung Chen, and informed MOEA, Banking Bureau, Securities

and Futures Bureau of FSC (Published the news within the prescribed period.) by the Extraordinary meeting of Board of Directors on November 5, 2014 without objection by all directors in attendance. (Absent Independent director Kung-Cheng Lin, who appointed Independent director Po-Yao chi to attend in his behalf, issued a written proxy and stated "waive his right to vote".)

3-3-13. Disclosures of the Resignation or Dismissal of Managerial Officers in Charge of Financial or Accounting Reports:

As of Feb.28, 2015

Title	Name	Appointed Date	Dismissal Date	Reason
Chairman	Kuo-Chao Hsiao	Sep. 01, 2011	Dec. 29, 2014	Expiration of the term. Re-election of directors and supervisors.
Chairman	Song-Yie Liao	Jan. 23, 2015	-	-

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 2014	

Unit: TWD thousand

Tier \ Item		Auditing Fee	Non-Auditing Fee	Total
1	Below 2,000 thousand	1,660	430	
2	2,000 thousand ~ 4,000 thousand			2,090
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		20		410	430	2014	

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.

3. Corporate Governance

3-4-1-3. Whether the Bank changes its accounting firm and the amount of fees paid for auditing services during the year in which the change is made are lower than for the previous year: None

3-4-1-4. Whether the amount of fees paid for auditing services is lower than for the previous year by 15% or above: None.

3-4-2. Information of Accountants change: None.

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

3-5. Change in Shareholdings and Pledged

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

Title	Name	2014		Up To February 28, 2015	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman (major)	Song-Yie Liao	804,013	-	0	-
Managing Director (major)	Kuo-Chao Hsiao	314,042	-	0	-
Managing (Independent) Director	Kun-Hsien Lin	0	-	0	-
Managing Director	Ying-Che Chang (Delegate of DengHeng Enterprises Co., Ltd.)	46,024	-	0	-
Managing Director	Chiu-Hsiung Lin (Delegate of Chuan Cheng Hat Co., Ltd.)	24	-	0	-
Independent Director	Po-Yao Chi	52,692	-	0	-
Independent Director	Song-Cheng Huang	1,000	-	0	-
Director	Chia-Hung Lin (Delegate of Ho Chu Investment Co., Ltd.)	0	-	0	-
Director	Pi-Jung Hsieh	44,688	-	0	-
Director	Xien-De Lai	63,836	-	0	-
Director (Branch General Manager) (major)	Chih-Peng Yang	557,021	-	0	-
Director	Chun-Chieh Wang	80,269	-	0	-
Director	De-Ying Liao (Delegate of Chia De Development and Investment Co., Ltd.)	0	-	0	-
Director	Ding-Lie Huang (Delegate of Cheng Shing Tai Biopharmaceutical Co., Ltd.)	(320,884)	-	0	-
Director (President)	Chin-Ting Chang (Delegate of Kun Yuan Investment Co., Ltd.)	50,336	-	0	-
Senior Executive Vice President	Jung-Hsien Chiu	18,604	-	0	-

Title	Name	2014		Up To February 28, 2015	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Senior Executive Vice President	Ho-Shun Chang	4,809	-	0	-
Chief Auditor	Chih-Sheng Hsiao	13,876	-	0	-
Executive Vice President (Department General Manager)	Yun-Ching Wang	7,797	-	0	-
Executive Vice President	Hsin-De Chang	8,895	-	0	-
Executive Vice President	Shih-Jung Chen	9,804	-	0	-
Department General Manager	Ming-Heng Zhan	2,343	-	0	-
Department General Manager	Kuo-Chiu Chang	1,744	-	0	-
Department General Manager	Wei-Bin Lin	2,091	-	0	-
Department General Manager	Kuang-Hsiung Huang	5,238	-	0	-
Chief Secretary	Chien-Cheng Hsu	94,183	-	0	-
Department General Manager	Hung-Tsang Chiang	2,794	-	0	-
Department General Manager	Jun-Sheng Lin	2,188	-	0	-
Department General Manager	Chang-Chieh Lin	2,837	-	0	-
Department General Manager	Mei-Ling Shih	3,485	-	0	-
Branch General Manager	Chih-Huang Huang	5,254	-	0	-
Branch General Manager	Huan-Mou Cheng	4,777	-	0	-
Branch General Manager	Ling-Chen Ting	9,341	-	0	-
Branch General Manager	Jui-Sen Liao	2,719	-	0	-
Branch General Manager	Zheng -Xian Xie	6,456	-	0	-
Branch General Manager	Kuo-Ho Chang	2,041	-	2,412	-
Branch General Manager	Min-Chang Lin	14,490	-	0	-
Branch General Manager	Mao-Sheng Huang	3,761	-	0	-
Branch General Manager	Wen-Jung Chen	4,004	-	0	-
Branch General Manager	Chi-Shen Huang	6,905	-	0	-
Branch General Manager	Shih-Tsung Chou	6,218	-	0	-
Branch General Manager	Feng-Lung Yeh	2,329	-	0	-
Branch General Manager	Hung-Chi Tung	4,108	-	0	-
Branch General Manager	Shi-Tung Chang	11,302	-	0	-
Branch General Manager	Chia-Wen Ke	2,065	-	0	-
Branch General Manager	Hsi-Hsien Wang	1,905	-	0	-
Branch General Manager	Chung-Yi Hsu	3,145	-	0	-
Branch General Manager	Chang-Cheng Chen	3,152	-	0	-
Branch General Manager	Hsien-Hsun Chiang	3,178	-	0	-
Branch General Manager	Shu-Chen Shih	15,077	-	0	-
Branch General Manager	Shih-Tsung Liu	6,039	-	0	-
Branch General Manager	Chih-Peng Yang	557,021	-	0	-
Branch General Manager	Chih-Yin Lin	930	-	0	-
Branch General Manager	Ching-Sung Chen	3,555	-	0	-
Branch General Manager	Ming-Yung Yu	2,624	-	0	-
Branch General Manager	Ping-Hung Chuang	0	-	0	-
Branch General Manager	Cheng-Hao Wu	635	-	0	-
Branch General Manager	Tien-Long Yang	1,637	-	0	-
Branch General Manager	Ming-Chih Lin	15,581	-	0	-
Branch General Manager	Ming-Feng Wu	0	-	0	-

3. Corporate Governance

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

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

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

As of Dec. 31, 2014

Name	Shares Owned		Shares Owned by Spouses and Minors		Shares Held under Surrogate A/C		Top ten shareholders who meet the related party disclosures term of FASC NO.6 shall disclose name and relationship		Remark
	No. of Shares	Shares Held %	No. of Shares	Shares Held %	No. of Shares	Shares Held %	Name	Relationship	
Ho Chu Investment Co., Ltd. (Chia-Hung Lin)	37,186,063	7.39							
Song-Yie Liao	35,761,115	7.11	512,534	0.10	-	-			-
Chih-Peng Yang	15,324,690	3.05	7,721,563	1.53			Qing-Er Chang	Spouse	
Kuo-Chao Hsiao	13,968,050	2.78	2,590,230	0.51	-	-	Shih-Ying Hsiao	First-degree Relative	-
Chuan Cheng Hat Co., Ltd. (Ching-Ling Liu)	8,466,716	1.68	-	-	-	-			-
Qing-Er Chang	7,721,563	1.53	15,324,690	3.05	-	-	Chih-Peng Yang	Spouse	-
Chun-Tse Liao	6,437,493	1.28			-	-	-	-	-
Zhuang-Tai Wang	5,368,172	1.07	-	-	-	-	-	-	-
Shih-Ying Hsiao	4,176,332	0.83	-	-	-	-	Kuo-Chao Hsiao	First-degree Relative	-
Dong-Po Xie	4,035,413	0.80							

3-5-3. Consolidated Shareholdings:

Unit: share; %

Investees (Note)	Direct Investment		Indirect Investment		Total	
	No. of Shares	Shares Held	No. of Shares	Shares Held	No. of Shares	Shares Held
Cota Bank insurance Brokers Co.,Ltd.	500,000	100%	0	0	500,00	100%
Taiwan Financial Asset Service Corp.	5,000,000	2.94%	0	0	5,000,000	2.94%
Taiwan Asset Management Corp.	7,500,000	0.57%	0	0	7,500,000	0.57%
Sunny Asset Management Corp.	25,302	0.42%	0	0	25,302	0.42%
Taiwan Depository & Clearing Corp.	278,405	0.08%	0	0	278,405	0.08%

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

4. Capital Arrangement

4. Capital Arrangement

4-1. Capital Shares and Dividends

4-1-1. Source of Capital

As of Feb. 28, 2015; Shares Held (%)

Month/ Year	Issuing price (TWD)	Registered Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Source	Other
July 2014	10	600,000,000	6,000,000,000	503,269,257	5,032,692,570	Increased from retained earnings of TWD113,149,490	Approved under the Document No.1030022689 OF FSC Jun. 23, 2014

As of Feb. 28, 2015

Type of Stock	Registered Stock Capital			Remark
	Outstanding Capital Stock	Un-issued Share	Total	
Common Stock	503,269,257	96,730,743	600,000,000	not on the list of TSEC/OTC

Information for comprehensive reporting: None

4-1-2. Shareholder Structure

As of Dec. 31, 2014

Category	Government Agency	Financial Institution	Other Institution	Individual	Foreign Institution and Foreigner	Total
Number of Shareholders	2	4	426	65,372	31	65,805
Number of Shares	1,670,767	12,773	68,159,530	432,663,919	762,268	503,269,257
Percentage	0.33%	-	13.54%	85.97%	0.15%	100%



4-1-3. Distribution of Shareholders' Equity

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

As of Dec. 31, 2014

Tier	Number of Shareholders	Number of Shares	Percentage (%)
1 - 999	47,692	10,475,176	2.08
1,000 - 5,000	10,440	19,095,464	3.79
5,001 - 10,000	1,393	9,376,875	1.86
10,001 - 15,000	3,231	40,195,874	7.99
15,001 - 20,000	647	10,432,603	2.07
20,001 - 30,000	567	13,987,562	2.78
30,001 - 50,000	524	21,239,323	4.22
50,001 - 100,000	719	49,626,527	9.86
100,001 - 200,000	338	47,054,037	9.35
200,001 - 400,000	137	37,846,455	7.52
400,001 - 600,000	52	25,061,660	4.98
600,001 - 800,000	14	9,649,595	1.92
800,001 - 1,000,000	7	6,207,473	1.23
1,000,001 and above	44	203,020,633	40.35
Total	65,805	503,269,257	100.00

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

4-1-4. List of Major Shareholders

As of Dec. 31, 2014

Name	Number of Shares	Percentage (%)
Ho Chu Investment Co., Ltd.	37,186,063	7.39%
Song-Yie Liao	35,761,115	7.11%
Chih-Peng Yang	15,324,690	3.05%
Kuo-Chao Hsiao	13,968,050	2.78%
Chuan Cheng Hat Co., Ltd.	8,466,716	1.68%
Qing-Er Chang	7,721,563	1.53%
Chun-Tse Liao	6,437,493	1.28%
Zhuang-Tai Wang	5,368,172	1.07%

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		13.22	12.86	13.41
	After Distribution		(Note 4)	12.63	(Note 2)
Earnings	Weighted Average Shares		503,269,257	460,219,175	503,269,257
	Earnings per Share	Before Adjust	0.88	1.10	0.19
		After Adjust	(Note 4)	1.08	(Note 2)
Dividend (Note 1)	Cash Dividends		0.23	0.17	0
	Stock Dividends	Retained Earning	0.23	0.17	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 2015 hasn't ended.

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

Note 4: Year 2014 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%.

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:

UNIT: TWD Thousand

Year/Item		2015 (estimated)
Beginning Paid-in capital		5,032,692
Stock and Cash Dividends for Current	Cash dividends per share	0.33 (Note 2)
	Stock dividends per share for capital increment from retained earnings (Shares)	0.33 (Note 2)
	Stock dividends per share for capital increment from capital surplus (Shares)	-
Changes in Performance	Operating profit	N/A (Note 1)
	Change in operating profit compared with previous year	
	After-tax profit	
	Change in after-tax profit compared with previous year	
	Earnings per share (NT \$)	
	Change in earnings per share compared with previous year	
	Average return on investment (Average annual EP ratio)	
Conjectural Earnings per Share and Price/Earnings Ratio	If retained earnings for capital increment all converted to cash dividends	Earnings per share (NT \$)
		Average annual return on increment
	If no increment using capital surplus	Earnings per share (NT \$)
		Average annual return on increment
	If no increment using capital surplus but switch to cash dividends	Earnings per share (NT \$)
		Average annual return on increment

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

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

4. Capital Arrangement

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: TWD33,494,402.
- Staff stock bonus: None
- EPS deducted from planning staff bonus and director/supervisor remuneration: TWD0.88

4-1-8-4

In 2013, the distribution amount of staff bonus was TWD25,236 thousand; director/supervisor remuneration: TWD7,571 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 (2010)
Preceding Year's Post-Audit Net Value	5,111,185,293 (2010)
Performance Status	Normal
Sellback or Early Redemption conditions	None
Rollover and Exchange Conditions	None
Restrictive Conditions	Subordinated
Capital Utilization plan	Raise the Bank's owner's capital and BIS ratio
Amount of Registered Issuance Plus Outstanding Balance Already Issued as Ratio of Net Final Value of Issuance in Preceding Year.	29.35%
Whether or not recorded as qualified capital and type	Yes, Tier 2 Capital
Name of Rating Institution, Date of Rating, and Rating Given	Taiwan Ratings Corp./ March 22, 2011 / twBBB

4. Capital Arrangement

4-3. Preferred Stock: None

4-4. Issuance of Depositary Receipt: None

4-5. Employee Stock Option Plan: None

4-6. Status of employee restricted stock: None

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

4-8. Utilization of Capital Plan: None



5. Business Operation

5. Business Operation

5-1. Business Report

5-1-1. Business results

5-1-1-1. Deposits

Unit: TWD thousand; %

Items \ Year	2014		2013		Increase (Decrease) Amount	Increase (Decrease) %
	Amount	%	Amount	%		
Checking Deposits	2,038,386	1.57%	2,317,796	1.90%	(279,410)	(12.05)%
Demand Deposits	15,267,575	11.80%	14,681,052	12.04%	586,523	4.00%
Foreign currency Demand Deposits	823,806	0.64%	727,702	0.60%	96,104	13.21%
Demand Savings Deposits	33,355,158	25.77%	30,593,527	25.09%	2,761,631	9.03%
Employees Demand Savings Deposits	765,197	0.59%	659,938	0.54%	105,259	15.95%
Time Deposits	24,094,709	18.62%	19,173,386	15.73%	4,921,323	25.67%
Foreign currency Time Deposits	661,314	0.51%	665,159	0.55%	(3,845)	(0.58)%
Negotiable Certificates of Deposit	132,500	0.10%	345,500	0.28%	(213,000)	(61.65)%
Time Savings Deposits	52,178,430	40.32%	52,749,946	43.26%	(571,516)	(1.08)%
Remittances	97,088	0.08%	16,701	0.01%	80,387	481.33%
Total	129,414,163	100.00%	121,930,707	100.00%	7,483,456	6.14%

5-1-1-2. Loans

Unit: TWD thousand; %

Items \ Year	2014		2013		Increase (Decrease) Amount	Increase (Decrease) %
	Amount	%	Amount	%		
Export bills	17,283	0.02%	20,264	0.02%	(2,981)	0.00%
Overdraft	2,568	0.00%	3,184	0.00%	(616)	0.00%
Short-term Loan	3,217,875	3.11%	6,894,311	7.00%	(3,676,436)	(3.73)%
Guarantee overdraft	88,991	0.09%	71,009	0.07%	17,982	0.02%
Short-term secured lending	8,770,273	8.47%	7,689,062	7.81%	1,081,211	1.10%
Medium-term Loan	20,360,583	19.68%	19,517,853	19.82%	842,730	0.85%
Medium-term secured lending	40,588,726	39.23%	34,686,609	35.22%	5,902,117	5.99%
Long-term Loan	920,472	0.89%	1,040,546	1.06%	(120,074)	(0.12)%
Long-term secured lending	29,275,754	28.29%	28,326,667	28.76%	949,087	0.96%
Collection money	230,283	0.22%	234,048	0.24%	(3,765)	0.00%
Total	103,472,808	100.00%	98,483,553	100.00%	4,989,255	5.07%

5-1-1-3. Foreign exchange (including OBU)

Unit: TWD thousand; %

Items \ Year	2014 Amount	2013 Amount	Increase (Decrease) Amount	Increase (Decrease) %
Foreign currency Deposit	45,307	48,182	(2,875)	(5.97)%
Foreign currency Loan	9,170	8,293	877	10.58%
Import and export business	34,215	35,711	(1,496)	(4.19)%
Exchange business	256,585	240,810	15,775	6.55%

5-1-1-4. Trust business

Unit: TWD thousand; %

Items \ Year	2014 Amount	2013 Amount	Increase (Decrease) Amount	Increase (Decrease) %
Specific domestic and foreign securities investment trust money	4,982,548	4,589,376	393,172	8.57%
Other trust money	64,538	146,148	(81,610)	(55.84)%
Trust money (total)	5,047,086	4,735,524	311,562	6.58%
Real estate trust	0	0	0	0
Trust property (total)	5,047,086	4,735,524	311,562	6.58%
Other affiliated business	0	0	0	0.00%
Certified business	0	0	0	0.00%

5-1-1-5. Wealth management business

Unit: TWD thousand; %

Items \ Year	2014 Amount	2013 Amount	Increase (Decrease) Amount	Increase (Decrease) %
Fund fee income	21,336	18,798	2,538	13.50%
Insurance fee income	109,693	84,675	25,018	29.55%
Total	131,029	103,473	27,556	26.63%

5-1-1-6. Credit card business

Unit: TWD thousand; %

Items \ Year	2014 Amount	2013 Amount	Increase (Decrease) Amount	Increase (Decrease) %
Cumulative total number of issuers	89,749	87,248	2,501	2.87%
Circulation number	16,091	15,383	708	4.6%
Amount of consumption	1,391,920	1,359,737	32,183	2.37%
Revolving credit balance	34,273	40,265	(5,992)	(14.88)%

5. Business Operation

5-1-1-7. Investment Bond and Bills business

Unit: TWD thousand; %

Items \ Year	2014 Amount	2013 Amount	Increase (Decrease) Amount	Increase (Decrease) %
Government Bond	156,131	158,114	(1,983)	(0.01)%
Short- term of Bills	1,848,138	699,901	1,148,237	1.64%
Financial Bonds and corporate Bonds	7,643,030	5,362,497	2,280,533	0.43%
Convertible Bond	1,813,800	1,744,000	69,800	0.04%
CBC certificates of Deposits (include NCD)	15,700,000	16,800,000	(1,100,000)	(0.07)%

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

Unit: TWD thousand

Items \ Year	2014	2013
Interest Revenue	3,283,481	3,133,722
Interest Expense	(1,097,231)	(1,065,307)
Interest Income	2,186,250	2,068,415
Others Revenue except for Interest Income		
Service fee revenue (net)	211,520	188,344
Gains or Losses on Financial Assets (Liabilities) at Fair Value through Profit or Loss	67,249	79,047
Realized Gain or Loss on Available-for-sale Financial Assets	-	29
Share of Profit of Associates Accounted for Using Equity Method	15,514	13,941
Reversal of impairment loss on assets	-	145,327
Foreign Exchange Gain or Loss	39,714	17,240
Other Revenue except for Interest Income	31,276	18,367
Net Revenue	2,551,523	2,530,710
Bad Debt Expense and Guarantee Liability Provisions	(292,273)	(402,713)
Operating Expenses	(1,729,298)	(1,558,492)
Pre-Tax Income	529,952	569,505
Income Tax Expense	(88,963)	(73,753)
Net Income	440,989	495,752

5-1-2. Business Plans for year 2014

5-1-2-1. Operation Plans

- Concerning future growth, the Bank considers relocate branches.
- Cut costs, organization restructuring to cope with internal policy and goals.
- Create a better management team to strengthen the overall service, customer-oriented, cohesion centripetal force.
- Strength digital action service to follow the technology trends and customer needs.
- Concerning to simplify the operation procedure and internal control, review and improve business regulations any time to optimizing adjustment, promote service quality and work efficiency.
- Strengthen margin fund management into safety financial products to increase ROE.
- Maintaining relationship with customers, improving transaction channels to satisfy customers' demand to keep expand saving deposits, consumer banking, corporate loans, wealth management, trusts, foreign exchange, international banking, and e-banking. And adjusting structure, process for enlarging economy of scale and enhancing operating efficiency to reduce costs and increase profits.
- Strengthening risk management to implementation reasonable pricing and uphold the principles of credit 5P in order to maintain high quality of the loan assets
- 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
- Enhancing efficiency of the channels to diversify the source of profits.
- Developing convenient online transaction system to increase the frequency of usage and reduce transaction costs at the counter.
- Enhance staff training and education to promote professional functions.

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

- To initiate consumer products according to market momentum and, as the core of lower risk and advanced competition, to develop diversified and tailor-made projects so to enrich value-added of the products and expand scale of consumer loans.
- Selecting target customers to provide specific benefits and services.
- Strengthening wealthy customers to recognize the Bank's consumer banking products.
- To upgrade quality of Relationship Managers so as to realize business strategy on customer differentiation, to expand low-risk lending base and on the other side, tightly monitor lending quality from high-risk groups. In addition, improved credit investigation and housing valuation procedure aim strengthen monitoring mechanism and strict management procedure.
- To strengthen Relationship Managers' on-the-job training courses which focus on compliance, product positioning, marketing strategies and skills and manners accompanied by four principles of honest, creation, kindness and service to upgrade team productivity.
- Plan to have a standardized, automatic, paperless back office to achieve more competitive and efficient lending procedure. At the same time, this aims to save operational cost and shorten operating time targeting to reach the purpose of economy of scales.
- Strengthening ante-risk review and post-risk management by timely examining operational conditions and asset quality, and irregularly adjusting product pricing and loan policies
- To create optimized business model to upgrade Bank's competition so as to cope with external changes on competition and regulations.
- To expand personal business to ensure Bank's revenue through E-credit procedure based on higher quality and quantity of risk control.
- To strengthen Relationship Managers' legal concept and internal auditing function aiming so as to realize breach notification.

5. Business Operation

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

- Wholly-owned and partnership of mid-cap corporations are as the target to expand business portfolio according to their business status, credit quality, lending purpose and repayment plan, and also to enhance debt strengthens through SMEG and government-related policies.
- Ensuring claims, increasing secure percentage, and reducing the percentage of credit loans. If the loan met the requirement of the “Small and Medium Enterprise Credit Guarantee Fund”, it should apply the Fund as a guarantor for reducing capital charge.
- To strengthen corporate credit issues beforehand so as to tight control and monitor lending limits by industry and its ratio for preventing from significant centralized risk considering pulse of macro.
- 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
- To strengthen risk management mechanism based on Basel III principal so as to control debt ratio and upgrade credit quality.
- 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.
- Focusing on the financial demands of the corporate clients to provide customized products from investing assets to financing liabilities.
- Cooperating with the government’s policies on economy growth and industries upgrading, providing the whole programs on corporate loans, and satisfying the customers’ funding needs in each level.

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

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

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

- Continuing to strengthen and implement regulatory compliance such as the risk classification of the financial products, investors’ preferences, the customers’ fitness for the financial products, implementation of the sales regulation, and control of the risk indicators of the sales. The bank takes into account the customers’ needs, bank profits, the sales of the risk management, and internal and external regulatory compliance on wealth management. In addition, the bank strengthens business-related trading platform, automotive operation functions, and flexible marketing to build professional image and reputation.
- The Bank observes related standard by education and training guidance to coordinate “Financial Consumer Protection Act” and “Personal Information Protection Act” execution.

- Providing training courses to salespeople, improving the professional abilities of the salespeople, strengthening the processes of sales, and following regulation and risk control system.
- In order to execute marketing from entire staff, the Bank encourages staff to obtain related certificates
- 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 and increase the sources of the fee income, the bank encourages staff to obtain related certificates and gives the normal professional training.
- Planning quarterly marketing activities to promote wealth management business and achieve the goal of the annual fee income.
- The Bank's affiliated company, COTA Bank Insurance Broker Co., Ltd., introduces various insurance products from national insurance companies to gain insurance business income.
- Holding the financial seminars irregularly for wealth management customers to share investment information, tax affairs plan, medicine general knowledge and health finance courses etc. to give them various finance news and correct finances and concept of risks. And actively planning diversified financial products to meet customers' needs.
- Through the bank's internal education and external training, strengthen professional training on trust personnel that will be able to asset allocation.
- Developing new kinds of trust products to clients, providing diversified options to achieve the purpose of the tax planning, asset growth, property transfer, and charitable trust.
- Enhancing the bank's internal control through internal self-audit, external audit, and self-discipline.

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

- Strengthening 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.
- 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 cultivating the core deposit client base, obtaining stable low funding cost, optimizing the liability structure, facilitating and increasing the quantity of deposits for both sides effectiveness
- Managing gaps of the sensibility of the interest rate of the assets and liabilities to reduce basis risks, to make pricing consistent, and to attain earning target.
- Considering the principle of the stability, safety and liquidity to positively search for the outlet of ample funds and creating profitability of assets by best allocation.
- Increasing the amount of the demand deposits and improving deposit structure to reduce funding cost, and adjusting the ratio of the core deposits to large deposits to enhance stability of deposit.
- Strictly monitoring the limits of the market risk in order to balancing returns against risks, optimizing asset allocation, and maintaining the safety and profitability of the capital.
- In response to changes in the financial environment, handling all kinds of the operational testing to make improvement and closely watching global economic to take the safe strategies of the risk control.
- Progressively establishing operational strategies on risk-based, continuing to promote growth and improve the long-term goal of the sustainable development.
- In response to the implementation of the new Basel III, the bank will plan long-term capital allocation to improve common equity that will meet the minimum capital requirements based on international standards and to strengthen risk tolerance.

5. Business Operation

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

- Implementing the counseling operation on staff with poor performance to adjust their attitude on job. If the bank makes sure they are not suitable for the bank, they will be eliminated that will fully effective usage on human resources and to improve the bank's performance.
- Continuously offering financial knowledge training courses to enhance staff's professional skills, and actively strengthening the training on executive officers and cadres.
- Offering preferential retirement program to employee within certain cost to reduce the average age of the employee, to improve efficiency, and to reduce payroll costs

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

- Accumulation amount of consumption increased in TWD 64 million in 2014. The bank will increase the issuance volume of the credit cards by branch channels in 2015. The bank will appraise group performance in order to motivate branches to promote credit card business. In addition, providing reward scheme to last promotion energy and creating consumption amount by credit card,
- Focusing on high "cash back" marketing program that make effective market deference from other banks and help to promote credit cards
- The bank will provide reward program for individuals and branches in order to strengthen the supervision for branches by management and colleagues may obtain the affirmation also get encouragement in fact.
- Continuously strengthening internal training for the staff of the credit card center that make them to understand and be familiar with business, to handle customers' queries with proficiency, to maintain the level of the service, and to reduce error probability.
- 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.
- The bank's credit cards joined the ACS system of the National Credit Card Center on May 2014. After joining the system, the bank has been drastically reduced nearly TWD 65 thousand loss on the network of the fraudulence compared to the year 2013. The bank will continue to use the system in order to improve the safety of the credit cards.
- The bank implements the job rotation on staff irregularly that will avoid affecting the quality of the work on staff's resignation. In addition, the staff will learn new skills and meet the requirement of the audit.
- 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.
- 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.

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, 2014, the Bank owns 26 branches and 1 Offshore Banking Unit which spread over Taipei City, New Taipei City, Taoyuan City, Hsinchu City, Taichung City, Changhua County, Changhua City, Tainan City and Kaohsiung City. The Bank will continue to expand the business location in order to establish the full financial service network.

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

The international economic will be optimistic about the future year. Because of oil price downside, the profits will improve on domestic corporations and will help boost private consumption that will create more revenue of the bank. By digital financial era coming, network and mobile equipment more popular, and new type of consumption growing, they will continuously impact on banking industry. How to respond to the challenges of financial digitization, and how to take the opportunity for traditional banks? Banks will strengthen digital financial service functions for convenience. The real banking entities will be affected by digital finance in the future.

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

● Advantages

- The future operating development of the bank will be more stable after the continuous improvement on the structure of deposits and loans and asset quality.
- With the value of century brand, the bank is good at services for regional customers and will look for its core loyal customers.
- The fast development on electronic cash flow and mobile banking will create market opportunities.
- Moderate recovery in domestic economy is expected in 2015 will provide an impetus for enterprises in financing demand and consumption power that promotes the growth of lending and wealth management business

● Disadvantages

- The bank didn't have high market share on deposit and loan businesses and the branches didn't have the superiority of the economic scale.
- The number of domestic banks is too high, businesses overlap, and operating business is similar that will result in price competition frequently.
- The bank slow started on developing mobile banking and digital operation while the progress of the information technology and the innovation of the digital financial services move quickly.
- The bank has less business channels with a small size of the assets. It's not easy recognizable from highly competitive banking industry.

● Countermeasures

- Increasing non-lending revenue on wealth management and trust services will enlarge the business scale on fee income.
- Continuously investing on the research and development of the new financial products, enhancing diversity of products, searching new E-business opportunities, and enlarging the scale of customers.
- Raising current deposit proportion and improving deposit structure to reduce funding cost.
- Continuously providing training to improve the professional skills of the staff, competitiveness, and the quality of the services that will strengthen the relationship with customers.
- Improving risk tolerance, strengthening capital adequacy, and managing operation system.

5. Business Operation

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:
May 26, 2014: set up Daya 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 2013: TWD3,032 thousand ; Year 2014: TWD3,331 thousand

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

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

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

- Establish standard and simplify operating processes and enhance of IT system integrator
- To research related measures for the finance act under initial trial
- To start internet online business successively in response to BANK 3.0
- Development of new financial product like mobile payment 、 third-party payment etc.
- To reinforce electronic financial services by keeping R&D on website and internet banking business in order to provide better

internet transaction platform to match varied demands.

- In accordance with the timing of process by authorities, the Bank develops plans of money laundry 、information risk assessment and risk control
- Aggressive to create new trust products to enhance bank's competitive about the trust business
- To research by TSM (Trusted Service Manager) platform that makes the financial payment tools to combine to mobile phone via NFC (Near Field Communication) technology to pay near-end and develop the possibility of mobile payment service in the future.
- To keep develop cross-board of cash flow service platform in order to get the latest financial market context and trends all the time
- To construct sound risk management organizations and mechanisms to assess and monitor the efficiency of credit risk, market risk, operational risk and liquidity risk enhancing performance and asset quality
- To strengthen working capitals and enhance sound financial structure in order to develop business.

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

5-1-5-1. For our Short Term Business Development Plan, details please refer to our profile of Business Plans for Year 2015

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

- To strengthen capital quality, improve finance structure and profit stability's strategy to upgrade ROE
- Aggressively develop new business to expand the niche and spread the risk of profit
- Forward to digitalized mobile banking to attract young generation customers and build solid foundation
- Compliance with regulations and tightly monitor all business risks so to reduce default probability and stabilize profitability
- Deep working in financial service of Taiwan and looking forward at global development gradually
- To expand corporate banking business, adjust capital allocation and business diversification so as to increase profitability
- To keep adjusting present locations to enhance value of channels, select outstanding talent and increase market shares in the ground through strengthening local customer relationships and involvement
- 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 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. Business Operation

5-2. Human Capital

Information of Educational Background for Employees in Recent 2 Years

Item \ Year		2013	2014	Up to Feb. 28, 2015
Number of Employee		1,123	1,132	1,131
Average Age		39.15	39.65	39.75
Average Seniority		12.53	13.02	13.11
Structure of Education	PHD	1	1	1
	Master	63	69	70
	University/College	871	862	860
	Senior High School	185	197	197
	Below	3	3	3

Certificated Proficiency Tests of Employees	Total (Up to Feb. 28, 2015)
Basic Proficiency Test for Bank Lending Personnel	564
Advanced Proficiency Test for Bank Lending Personnel	35
Proficiency Test for Bank Collateral Appraisal Personnel	44
Basic Proficiency Test for International Banking Personnel	278
Proficiency Test for Foreign Exchange Trading Personnel	43
Proficiency Test for Financial Planning Personnel	344
Test for Small-Medium Business Financial Staff	161
Proficiency Test for Trust Operations Personnel	700
Proficiency Test for Obligation & Debt Collection Personnel	164
Proficiency Test for Bank Internal Control and Audit Personnel	739
Proficiency Test for Financial Risk Management Personnel	3
Securities Investment Analysts	9
Senior Securities Specialist	184
Securities Specialist	105
Future Specialist	153
Securities Investment Trust & Consulting Professionals	171
Qualified Test for Bill Finance Specialist	72
Proficiency Test for Bond Specialist	18
Proficiency Test for Stock Affair Specialist	9
Basic Ability Test for Asset Securitization	3
Personal Insurance Representative	731
Test for Life Insurance Representative (Foreign Currency Base) – Non Investing Insurance Products	390
Investment-Orientated Insurance Representative	409
Property Insurance Representative	589
Personal Risk Manager	1
Financial Risk Management (FRM)	1
Land Registry Agent	3
Property Insurance Agent	1
Personal Insurance Agent	1

Certificated Proficiency Tests of Employees	Total (Up to Feb. 28, 2015)
Personal Insurance Broker	1
General English Placement Test –High-Intermediate	1
General English Placement Test – Intermediate	4
General English Placement Test – Elementary	19
TOEIC score above 880	1
TOEIC score 750-880	4
TOEIC score 550-750	11
TOEIC score 350-550	11

5-3. Responsibility and Ethical Code

The Bank is a famous financial institution in central Taiwan, which has been set up for 100 years and kept ideas of “Integrity, Creativeness, Friendliness and Service”. To implement public service and charity activities, 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, Eden Social Welfare Foundation etc. and help those people which bear gas explosion in Kaohsiung to rebuild hometown, we all 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 and Gold Passbook etc.

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

5-5. Labor-Management Relationship

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

5-5-1-1. 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. 2014, there are 364 staff (32.00% of employees) choosing the old version, 768 staff (68.00% 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	Restrictive Covenants
Deposit Insurance Contract	Central Deposit Insurance Corp.	Engaged on Aug. 15, 1995	To enhance protection of customer deposits	The same depositor maximum amount of compensation is up to NTD3 million dollar
Bank Comprehensive Insurance	Chung Kuo Insurance Co., Ltd.	From Apr. 1, 2014 to Apr. 1, 2015	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	None
Outsourcing Contract	Yuen Foong Paper Co., Ltd.	From Jun. 7, 2014 to Jun. 7, 2015	Transaction statements	None
Outsourcing Contract	Han Yeh Office Supplies Company	From Jun. 7, 2014 to Jun. 7, 2015	Computer printing jobs and packages	None
Outsourcing Contract	Taiwan Security Co., Ltd. and Lian-An Co., Ltd.	From Jan. 1, 2014 to Dec. 31, 2015	Loading cash & troubleshooting of AMT	None
Outsourcing Contract	Taiwan Security Co., Ltd.	From Jun. 1, 2014 to May 31, 2015	Securities, cheques and cash delivery	None
Outsourcing Contract	Feng Tay Motor Co., Ltd.	From Jun. 27, 2014 to Jun. 27, 2015	To search cars for overdue payments of car loans	None
Outsourcing Contract	21Century Finance Service	From Jun. 27, 2014 to Jun. 27, 2015	To search cars for overdue payments of car loans	None
Outsourcing Contract	Sinjang Co., Ltd.	From Jun. 27, 2014 to Jun. 27, 2015	Authorization of vehicle auction	None
Outsourcing Contract	President Chain Store Corporation	From May 1, 2014 to Apr. 30, 2015	Collection for consumer loans	None
Outsourcing Contract	National Credit Card Center of R.O.C.	From Mar. 10, 2014 to either party in writing of termination and confirm the termination date	Credit card business (credit card payment system & support services)	None
Outsourcing Contract	President Chain Store Corporation	From Jun. 13, 2014 to Jun. 13, 2015	Collection for credit card payments	None

5. Business Operation

Nature of Contract	Concern Party	Contractual Period	Major Content	Restrictive Covenants
Outsourcing Contract	Taiwan Family Mart Co., Ltd.	From Apr 5, 2014 to Apr 5, 2015	Collection for credit card payments	None
Outsourcing Contract	Hi-Life International Co., Ltd.	From Apr 5, 2014 to Apr 5, 2015	Collection for credit card payments	None
Outsourcing Contract	OK · Mart	From Apr 5, 2014 to Apr 5, 2015	Collection for credit card payments	None
Outsourcing Contract	Sparkle Collection Management Co., Ltd.	From Apr 1, 2014 to Apr 1, 2015	Collection of account receivables	None
Outsourcing Contract	Taiwan Name Plate Co., Ltd.	From Mar. 10, 2014 to Mar. 9, 2015	Chip-card processing, package and mailing	None
Outsourcing Contract	Chunghwa Post Co., Ltd.	From Nov. 20, 2014 to Nov. 19, 2015	Statements printing & package of full management accounts	None
Outsourcing Contract	Transnational Logistic Solutions Pte. Ltd.	From Dec. 1, 2014 to Nov. 30, 2015	Bank cheques, documents & securities collection & delivery	None

5-7. Information of Approved Securization Products in Recent Years: None



6. Financial Status

6. Financial Status

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

Consolidated Condensed Balance Sheet Under IFRS

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years				
		2014	2013	2012	2011	2010
Cash, Cash equivalents, due from the Central Bank, and call loan to other banks		23,535,092	24,155,762	25,034,337	N/A	N/A
Financial asset or Financial Liability at fair value through profit or loss		2,229,841	1,839,732	2,169,921	N/A	N/A
Available-for-sale financial assets		4,381,065	2,005,933	2,366,152	N/A	N/A
Derivative Financial Assets for Hedging		-	-	-	N/A	N/A
Bonds and bills purchased under resale agreements		1,848,138	699,901	1,649,290	N/A	N/A
Net Receivables		374,516	388,615	384,769	N/A	N/A
Current tax Assets		-	-	23,550	N/A	N/A
Assets Held for Sell		-	-	-	N/A	N/A
Net Discounts and Loans		100,969,801	96,230,478	87,964,356	N/A	N/A
Held-to-maturity financial assets		3,423,956	3,535,588	4,523,617	N/A	N/A
Long-term investments under equity method		-	-	-	N/A	N/A
Restricted assets		-	-	-	N/A	N/A
Other financial assets		185,432	182,484	205,909	N/A	N/A
Net property and equipment		1,359,122	1,364,750	1,358,417	N/A	N/A
Investment property		691,269	691,906	547,215	N/A	N/A
Intangible assets		109,972	109,246	110,300	N/A	N/A
Deferred tax assets		257,662	233,766	213,632	N/A	N/A
Other assets		69,790	78,482	94,587	N/A	N/A
Total Assets		139,435,656	131,516,643	126,645,052	N/A	N/A
Deposits to The Central Bank and other banks		111,139	114,090	652,003	N/A	N/A
Financing to The Central Bank and other banks		-	-	-	N/A	N/A
financial liability at fair value through loss		137	237	1,781	N/A	N/A
Hedging derivative financial liabilities		-	-	-	N/A	N/A
Bonds and bills held under repurchased agreements		-	-	-	N/A	N/A
Accounts Payable		791,664	721,644	714,472	N/A	N/A
Current tax liability		43,427	14,909	76,018	N/A	N/A
Liabilities directly associated with assets held for sale		-	-	-	N/A	N/A
Deposits and remittances		129,389,480	121,910,933	117,510,391	N/A	N/A
Bond payable		1,500,000	1,500,000	1,500,000	N/A	N/A
preference share liabilities		-	-	-	N/A	N/A
Other financial liabilities		-	-	-	N/A	N/A

Descriptions		Year	Financial data during recent 5 years				
			2014	2013	2012	2011	2010
Provision			442,947	448,132	502,254	N/A	N/A
Deferred tax liabilities			114,904	116,757	111,412	N/A	N/A
Other liabilities			388,658	362,996	298,792	N/A	N/A
Total liabilities	Before allocation		132,782,356	125,189,698	121,367,123	N/A	N/A
	After allocation	Note. 1		125,302,847	121,439,328	N/A	N/A
Equity attributable to owners of the parent			6,653,300	6,326,945	5,277,929	N/A	N/A
Share capital	Before allocation		5,032,692	4,919,543	4,247,338	N/A	N/A
	After allocation	Note. 1		5,032,692	4,319,543	N/A	N/A
Capital reserve			892,620	892,589	884,333	N/A	N/A
Retained earnings	Before allocation		723,138	508,253	135,666	N/A	N/A
	After allocation	Note. 1		281,955	-8,744 Note.3	N/A	N/A
Other components			4,850	6,560	10,592	N/A	N/A
Treasury Shares			-	-	-	N/A	N/A
non-controlling interests			-	-	-	N/A	N/A
Total Shareholders' equity	Before allocation		6,653,300	6,326,945	5,277,929	N/A	N/A
	After allocation	Note.1		6,213,796	5,205,724	N/A	N/A

Note:

1. The earnings distribution for 2014 has not been approved by the 2015 Shareholders' General Meeting.
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. Certified public accountants: Shi-Hua Guo and Yuan-Chen Mei for 2012~2014
5. Opinions: No retained opinion for 2012, No standard retained opinion for 2013~2014.

Entity Condensed Balance Sheet Under IFRS

Unit: TWD thousand

Descriptions		Year	Financial data during recent 5 years				
			2014	2013	2012	2011	2010
Cash, Cash equivalents, due from the Central Bank, and call loan to other banks			23,535,092	24,155,759	25,034,333	N/A	N/A
Financial asset or Financial Liability at fair value through profit or loss			2,229,841	1,839,732	2,169,921	N/A	N/A
Available-for-sale financial assets			4,381,065	2,005,933	2,366,152	N/A	N/A
Derivative Financial Assets for Hedging			-	-	-	N/A	N/A
Bonds and bills purchased under resale agreements			1,848,138	699,901	1,649,290	N/A	N/A
Net Receivables			379,357	388,636	384,692	N/A	N/A
Current tax Assets			-	-	23,550	N/A	N/A
Assets Held for Sell			-	-	-	N/A	N/A
Net Discounts and Loans			100,969,801	96,230,478	87,964,356	N/A	N/A
Held-to-maturity financial assets			3,423,956	3,535,588	4,523,617	N/A	N/A
Long-term investments under equity method			24,481	21,514	20,808	N/A	N/A
Restricted assets			-	-	-	N/A	N/A
Other financial assets			185,432	182,484	205,909	N/A	N/A

6. Financial Status

Descriptions		Year	Financial data during recent 5 years				
			2014	2013	2012	2011	2010
Net property and equipment			1,359,012	1,364,602	1,358,359	N/A	N/A
Investment property			691,269	691,906	547,215	N/A	N/A
Intangible assets			109,972	109,246	110,300	N/A	N/A
Deferred tax assets			257,662	233,766	213,632	N/A	N/A
Other assets			67,628	76,470	94,178	N/A	N/A
Total Assets			139,462,706	131,536,015	126,666,312	N/A	N/A
Deposits to The Central Bank and other banks			111,139	114,090	652,003	N/A	N/A
Financing to The Central Bank and other banks			-	-	-	N/A	N/A
financial liability at fair value through loss			137	237	1,781	N/A	N/A
Hedging derivative financial liabilities			-	-	-	N/A	N/A
Bonds and bills held under repurchased agreements			-	-	-	N/A	N/A
Accounts Payable			796,955	723,192	715,292	N/A	N/A
Current tax liability			41,696	13,577	73,620	N/A	N/A
Liabilities directly associated with assets held for sale			-	-	-	N/A	N/A
Deposits and remittances			129,414,163	121,930,708	117,533,609	N/A	N/A
Bond payable			1,500,000	1,500,000	1,500,000	N/A	N/A
preference share liabilities			-	-	-	N/A	N/A
Other financial liabilities			-	-	-	N/A	N/A
Provision			442,947	448,132	502,254	N/A	N/A
Deferred tax liabilities			114,904	116,757	111,412	N/A	N/A
Other liabilities			387,465	362,377	298,412	N/A	N/A
Total liabilities	Before allocation		132,809,406	125,209,070	121,388,383	N/A	N/A
	After allocation		Note. 1	125,322,219	121,460,588	N/A	N/A
Equity attributable to owners of the parent			6,653,300	6,326,945	5,277,929	N/A	N/A
Share capital	Before allocation		5,032,692	4,919,543	4,247,338	N/A	N/A
	After allocation		Note. 1	5,032,692	4,319,543	N/A	N/A
Capital reserve			892,620	892,589	884,333	N/A	N/A
Retained earnings	Before allocation		723,138	508,253	135,666	N/A	N/A
	After allocation		Note. 1	281,955	(8,744) Note.3	N/A	N/A
Other components			4,850	6,560	10,592	N/A	N/A
Treasury Shares			-	-	-	N/A	N/A
non-controlling interests			-	-	-	N/A	N/A
Total Shareholders' equity	Before allocation		6,653,300	6,326,945	5,277,929	N/A	N/A
	After allocation		Note.1	6,213,796	5,205,724	N/A	N/A

Note:

1. The earnings distribution for 2014 has not been approved by the 2015 Shareholders' General Meeting.
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. Certified public accountants: Shi-Hua Guo and Yuan-Chen Mei for 2012~2014
5. Opinions: No retained opinion for 2012, No standard retained opinion for 2013~2014.

Condensed Balance Sheet Under ROC GAAP

Unit: TWD thousand

Descriptions		Year	Financial data during recent 5 years				
			2014	2013	2012	2011	2010
Cash, Cash equivalents, due from the Central Bank, and call loan to other banks			N/A	N/A	N/A	29,485,619	24,486,177
Financial assets measured at fair value through profit or loss			N/A	N/A	N/A	1,766,453	758,415
Bonds and bills purchased under resale agreements			N/A	N/A	N/A	600,004	-
Available-for-sale financial assets			N/A	N/A	N/A	2,388,593	1,603,087
Discounts and Loans			N/A	N/A	N/A	82,215,491	84,784,456
Receivables			N/A	N/A	N/A	496,407	433,779
Held-to-maturity financial assets			N/A	N/A	N/A	2,216,109	1,339,785
Long-term investments under equity method			N/A	N/A	N/A	11,399	8,465
Fixed assets			N/A	N/A	N/A	1,193,297	1,112,852
Intangible assets			N/A	N/A	N/A	110,183	111,557
Other financial assets			N/A	N/A	N/A	235,094	255,364
Other assets			N/A	N/A	N/A	865,413	946,561
Total Assets			N/A	N/A	N/A	121,584,062	115,840,498
Due to The Central Bank and other banks			N/A	N/A	N/A	229,915	21,441
Deposits and remittances			N/A	N/A	N/A	113,129,625	106,746,372
Financial liabilities measured at fair value through profit or loss			N/A	N/A	N/A	-	24,325
Bonds and bills held under repurchased agreements			N/A	N/A	N/A	-	-
Loans from banks and financial debentures			N/A	N/A	N/A	1,500,000	2,499,754
Preferred stock			N/A	N/A	N/A	-	-
Accrued pension liability			N/A	N/A	N/A	171,551	202,777
Other financial liabilities			N/A	N/A	N/A	-	-
Other liabilities			N/A	N/A	N/A	1,138,980	1,171,937
Total liabilities	N/A		N/A	N/A	N/A	116,170,071	110,666,606
	N/A		N/A	N/A	N/A	116,236,957	110,729,313
Common stock	Before allocation		N/A	N/A	N/A	4,180,451	4,180,451
	After allocation		N/A	N/A	N/A	4,247,338	4,180,451
Capital reserve			N/A	N/A	N/A	884,299	884,299
Retained earnings	Before allocation		N/A	N/A	N/A	231,671	102,130
	After allocation		N/A	N/A	N/A	97,897	39,423
Unrealized gains on financial instruments			N/A	N/A	N/A	24,927	22,400
Cumulative foreign currency translation adjustment			N/A	N/A	N/A	-	(2,087)
Other shareholder's equity			N/A	N/A	N/A	92,643	(13,301)
Total Shareholders' equity	N/A		N/A	N/A	n/a	5,413,991	5,173,892
	After allocation		N/A	N/A	N/A	5,347,105	5,111,185

1. Jun-Man Chen and Shi-Hua Guo for 2010~2011

2. Opinions: no retained opinion for 2010, modified no retained opinion for 2011.

6. Financial Status

Entity Consolidated statement of comprehensive income Under IFRS

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years				
		2014	2013	2012	2011	2010
Interest income		3,283,481	3,133,722	3,053,476	N/A	N/A
Interest expense (Minus)		1,097,041	1,065,136	1,044,144	N/A	N/A
Net Interest income		2,186,440	2,068,586	2,009,332	N/A	N/A
Other net interest income		406,865	495,781	334,790	N/A	N/A
Net income		2,593,305	2,564,367	2,344,122	N/A	N/A
Provision for bad debt expense and guarantees		292,273	402,713	503,331	N/A	N/A
Operating expense		1,767,902	1,589,294	1,589,168	N/A	N/A
Income from continuing operations before income taxes		533,130	572,360	251,623	N/A	N/A
Tax income (expense)		(92,141)	(76,608)	(54,748)	N/A	N/A
Net profit from continuing operations		440,989	495,752	196,875	N/A	N/A
profit or loss from discontinuing operations		-	-	-	N/A	N/A
Current net profit (or loss)		440,989	495,752	196,875	N/A	N/A
Current other comprehensive income(after taxes)		(1,516)	17,213	(64,870)	N/A	N/A
Current Total other comprehensive income		439,473	512,965	132,005	N/A	N/A
Net profit attributable to owners of the parent		440,989	495,752	196,875	N/A	N/A
Net profit to non-controlling interests		-	-	-	N/A	N/A
Current Total other comprehensive income to owners of the parent		439,473	512,965	132,005	N/A	N/A
Current Total other comprehensive income to non-controlling interests		-	-	-	N/A	N/A
Earnings per share		0.88	1.08	0.46	N/A	N/A

1. Certified public accountants: Shi-Hua Guo and Yuan-Chen Mei for 2011~2014

2. Opinions: No retained opinion for 2012, No standard retained opinion for 2013~2014.



Entity Condensed of comprehensive income Under IFRS

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years				
		2014	2013	2012	2011	2010
Interest income		3,283,481	3,133,722	3,053,476	N/A	N/A
Interest expense (Minus)		1,097,231	1,065,307	1,044,254	N/A	N/A
Net Interest income		2,186,250	2,068,415	2,009,222	N/A	N/A
Other net interest income		365,273	462,295	295,151	N/A	N/A
Net income		2,551,523	2,530,710	2,304,373	N/A	N/A
Provision for bad debt expense and guarantees		292,273	402,713	503,331	N/A	N/A
Operating expense		1,729,298	1,558,492	1,552,431	N/A	N/A
Income from continuing operations before income taxes		529,952	569,505	248,611	N/A	N/A
Tax income (expense)		(88,963)	(73,753)	(51,736)	N/A	N/A
Net profit from continuing operations		440,989	495,752	196,875	N/A	N/A
profit or loss from discontinuing operations		-	-	-	N/A	N/A
Current net profit (or loss)		440,989	495,752	196,875	N/A	N/A
Current other comprehensive income(after taxes)		(1,516)	17,213	(64,870)	N/A	N/A
Current Total other comprehensive income		439,473	512,965	132,005	N/A	N/A
Net profit attributable to owners of the parent		440,989	495,752	196,875	N/A	N/A
Net profit to non-controlling interests		-	-	-	N/A	N/A
Current Total other comprehensive income to owners of the parent		439,473	512,965	132,005	N/A	N/A
Current Total other comprehensive income to non-controlling interests		-	-	-	N/A	N/A
Earnings per share		0.88	1.08	0.46	N/A	N/A

1. Certified public accountants: Shi-Hua Guo and Yuan-Chen Mei for 2011~2014

2. Opinions: No retained opinion for 2012, No standard retained opinion for 2013~2014.



6. Financial Status

Condensed Income Statement Under ROC GAAP

Unit: TWD thousand

Descriptions	Year	Financial data during recent 5 years				
		2014	2013	2012	2011	2010
Net interest income		N/A	N/A	N/A	1,857,470	1,647,778
Other net interest income		N/A	N/A	N/A	245,685	309,668
Bad debt expense		N/A	N/A	N/A	428,190	472,606
Operating expense		N/A	N/A	N/A	1,453,324	1,347,005
Income from continuing operations before income taxes		N/A	N/A	N/A	221,641	137,835
Income from continuing operations after income taxes		N/A	N/A	N/A	192,248	92,467
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	N/A	192,248	92,467
Earnings per share		N/A	N/A	N/A	0.46	0.24

Jun-Man Chen and Shi-Hua Guo for 2010~2011

Opinions: no retained opinion for 2010, modified no retained opinion for 2011.



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

Under IFRS Consolidated

Unit: TWD thousand; %

Descriptions		Financial analysis during recent 5 years				
		2014	2013	2012	2011	2010
Operating Capability	Loans to deposits ratio (%)	79.97	80.78	76.43	N/A	N/A
	Overdue loan ratio (%)	0.34	0.36	0.37	N/A	N/A
	Interest expense to average balance of deposits ratio (%)	0.87	0.89	0.91	N/A	N/A
	Interest income to average balance of loans ratio (%)	3.18	3.24	3.41	N/A	N/A
	Total assets turnover (times)	0.02	0.02	0.02	N/A	N/A
	Average operating revenue per employee	2,247	2,224	2,051	N/A	N/A
	Average earnings per employee	382	430	172	N/A	N/A
Profitability	Return on first capital type assets (%)	8.66	10.26	4.93	N/A	N/A
	ROA (%)	0.33	0.38	0.16	N/A	N/A
	ROE (%)	6.79	8.54	3.75	N/A	N/A
	Net income ratio (%)	17.00	19.33	8.40	N/A	N/A
	EPS (loss)	0.88	1.08	0.46	N/A	N/A
Financial structure	Ratio of liabilities to assets	95.22	95.19	95.83	N/A	N/A
	Ratio of fix assets to shareholder's equity	20.43	21.57	25.74	N/A	N/A
Growth Rate	Asset growth rate (%)	6.02	3.85	4.10	N/A	N/A
	Profitability growth rate (%)	-6.85	127.47	N/A	N/A	N/A
Cash flow	Cash flow ratio	Note7	Note7	Note7	N/A	N/A
	Cash flow adequacy ratio	N/A	N/A	N/A	N/A	N/A
	Ratio of cash flow for operating to cash flow from investing	Note7	Note7	Note7	N/A	N/A
Liquid Reserves Ratio (%)		17.43	16.40	20.07	N/A	N/A
Secured Loans to Related Parties		720,777	747,910	685,456	N/A	N/A
Secured Loans to Related Parties to Total Outstanding Loans Ratio (%)		0.68	0.74	0.74	N/A	N/A
Operation Scale	Market share of assets (%)	0.22	0.23	0.24	N/A	N/A
	Market share of net worth (%)	0.14	0.15	0.13	N/A	N/A
	Market share of deposits (%)	0.45	0.45	0.46	N/A	N/A
	Market share of loan (%)	0.47	0.46	0.43	N/A	N/A

The recent two year each financial ratio change reason:

1. Return on Shareholders' Equity, Profit Growth Rate change more than 20% because of 2013 the cash capital increase and Implementation evaluation Impairment of individual assets, Recognition Impairment of Assets and Reversal gains
2. Asset Growth Rate change more than 20% because of loans 2014 had more than 2013 almost 50 hundred million.

6. Financial Status

Note:

1. Calculation formula

(1) Operating ability

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

(2) Profitability

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

(3) Financial Structure

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

(4) Growth Rate

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

(5) Cash Flow

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

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

(7) Operating Scale

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

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

3. Calculation formula of Earning per Share note : Weighted average common shares considered Cash capital increase and Treasury Share Transactions.

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

5. Revenue is interest income.

6. Note of cash flow : Net cash flow from business activities is net Inflow . Capital of expenses is net Outflow.

7. Net cash flow from business activities is Negative , no disintegration.

Under IFRS Entity

Unit: TWD thousand; %

Descriptions		Financial analysis during recent 5 years				
		2014	2013	2012	2011	2010
Operating Capability	Loans to deposits ratio (%)	79.95	80.77	76.42	N/A	N/A
	Overdue loan ratio (%)	0.34	0.36	0.37	N/A	N/A
	Interest expense to average balance of deposits ratio (%)	0.87	0.89	0.91	N/A	N/A
	Interest income to average balance of loans ratio (%)	3.18	3.24	3.41	N/A	N/A
	Total assets turnover (times)	0.02	0.02	0.02	N/A	N/A
	Average operating revenue per employee	2,225	2,216	2,032	N/A	N/A
	Average earnings per employee	384	434	174	N/A	N/A
Profitability	Return on first capital type assets (%)	8.60	10.21	4.87	N/A	N/A
	ROA (%)	0.33	0.38	0.16	N/A	N/A
	ROE (%)	6.79	8.54	3.75	N/A	N/A
	Net income ratio (%)	17.28	19.59	8.54	N/A	N/A
	EPS (loss)	0.88	1.08	0.46	N/A	N/A
Financial structure	Ratio of liabilities to assets	95.20	95.18	95.83	N/A	N/A
	Ratio of fix assets to shareholder's equity	20.43	21.57	25.74	N/A	N/A
Growth Rate	Asset growth rate (%)	6.03	3.84	4.11	N/A	N/A
	Profitability growth rate (%)	(6.95)	129.70	N/A	N/A	N/A
Cash flow	Cash flow ratio	Note7	Note7	Note7	N/A	N/A
	Cash flow adequacy ratio	N/A	N/A	N/A	N/A	N/A
	Ratio of cash flow for operating to cash flow from investing	Note7	Note7	Note7	N/A	N/A
Liquid Reserves Ratio (%)		17.43	16.40	20.07	N/A	N/A
Secured Loans to Related Parties		720,777	747,910	685,456	N/A	N/A
Secured Loans to Related Parties to Total Outstanding Loans Ratio (%)		0.68	0.74	0.74	N/A	N/A
Operation Scale	Market share of assets (%)	0.22	0.23	0.24	N/A	N/A
	Market share of net worth (%)	0.14	0.15	0.13	N/A	N/A
	Market share of deposits (%)	0.45	0.45	0.46	N/A	N/A
	Market share of loan (%)	0.47	0.46	0.43	N/A	N/A

The recent two year each financial ratio change reason:

1. Return on Shareholders' Equity , Profit Growth Rate change more than 20% because of 2013 the cash capital increase and Implementation evaluation Impairment of individual assets, Recognition Impairment of Assets and Reversal gains
2. Asset Growth Rate change more than 20% because of loans 2014 had more than 2013 almost 50 hundred million.

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(2) Profitability

- (A) Return on Tier I Capital = Pretax Earnings or Losses / Total Average Tier I Capital
- (B) Return on Assets = Net Income / Average of Total Assets
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- (A) Ratio of Liabilities to Assets = Liabilities / Total Assets
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- (A) Asset Growth Rate = (Total Assets of the Year - Total Assets of Previous Year) / Total Assets of Previous Year
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Under ROC GAAP

Unit: TWD thousand; %

Descriptions		Year	Financial analysis during recent 5 years					Up to
			2014	2013	2012	2011	2010	2015/02/28
Operating Capability	Loans to deposits ratio (%)		N/A	N/A	N/A	72.67	80.19	N/A
	Overdue loan ratio (%)		N/A	N/A	N/A	0.43	0.82	N/A
	Interest expense to average balance of deposits ratio (%)		N/A	N/A	N/A	0.90	0.77	N/A
	Interest income to average balance of loans ratio (%)		N/A	N/A	N/A	3.38	3.02	N/A
	Total assets turnover (times)		N/A	N/A	N/A	0.02	0.02	N/A
	Average operating revenue per employee		N/A	N/A	N/A	2,782	2,651	N/A
	Average earnings per employee		N/A	N/A	N/A	171	86	N/A
Profitability	Return on first capital type assets (%)		N/A	N/A	N/A	4.46	2.99	N/A
	ROA (%)		N/A	N/A	N/A	0.16	0.08	N/A
	ROE (%)		N/A	N/A	N/A	3.63	1.88	N/A
	Net income ratio (%)		N/A	N/A	N/A	9.14	4.72	N/A
	EPS (loss)		N/A	N/A	N/A	0.46	0.24	N/A
Financial structure	Ratio of liabilities to assets		N/A	N/A	N/A	95.55	95.53	N/A
	Ratio of fix assets to shareholder's equity		N/A	N/A	N/A	22.04	21.51	N/A
Growth Rate	Asset growth rate (%)		N/A	N/A	N/A	4.96	6.17	N/A
	Profitability growth rate (%)		N/A	N/A	N/A	60.80	124.75	N/A
Cash flow	Cash flow ratio		N/A	N/A	N/A	Note7	114.37	N/A
	Cash flow adequacy ratio		N/A	N/A	N/A	1,369.46	1,504.76	N/A
	Ratio of cash flow for operating to cash flow from investing		N/A	N/A	N/A	Note7	(12.80)	N/A
Liquid Reserves Ratio (%)			N/A	N/A	N/A	23.01	17.55	N/A
Secured Loans to Related Parties			N/A	N/A	N/A	690,764	714,937	N/A
Secured Loans to Related Parties to Total Outstanding Loans Ratio (%)			N/A	N/A	N/A	0.80	0.82	N/A
Operation Scale	Market share of assets (%)		N/A	N/A	N/A	0.27	0.27	N/A
	Market share of net worth (%)		N/A	N/A	N/A	0.21	0.20	N/A
	Market share of deposits (%)		N/A	N/A	N/A	0.35	0.39	N/A
	Market share of loan (%)		N/A	N/A	N/A	0.43	0.41	N/A

6. Financial Status

Note:

1. Calculation formula

(1) Operating ability

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Consolidated Capital Adequacy Ratio Under IFRS

Unit: TWD thousand; %

Items			Year	Capital Adequacy Ratio of Recent Five Year					Up to 2015/02/28
			2014	2013	2012	2011	2010		
Net Capital	Common equity		6,322,519	5,996,666	N/A	N/A	N/A	N/A	
	Other non-common equity of Tier I Capital		-	-	N/A	N/A	N/A	N/A	
	Tier I Capital		1,949,132	2,167,578	N/A	N/A	N/A	N/A	
	Net Capital Base		8,271,651	8,164,244	N/A	N/A	N/A	N/A	
Total Weighted Risk Assets	Credit Risk	Standardized Approach	78,829,506	72,125,004	N/A	N/A	N/A	N/A	
		Internal-rating-based Approach	-	-	N/A	N/A	N/A	N/A	
		Securitization	-	-	N/A	N/A	N/A	N/A	
	Operational Risk	Basic Indicator Approach	-	-	N/A	N/A	N/A	N/A	
		Standardized Approach / Alternative Approach	4,477,977	4,209,427	N/A	N/A	N/A	N/A	
		Advanced Measurement Approach	-	-	N/A	N/A	N/A	N/A	
	Market Risk	Standardized Approach	4,247,874	2,098,803	N/A	N/A	N/A	N/A	
		Internal Model Approach	-	-	N/A	N/A	N/A	N/A	
	Total Risk-weighted Assets		87,555,357	78,433,234	N/A	N/A	N/A	N/A	
	Capital Adequacy Ratio			9.45	10.41	N/A	N/A	N/A	N/A
Tier I Capital to Risk Assets Ratio			7.22	7.65	N/A	N/A	N/A	N/A	
Common equity to Risk Assets Ratio			7.22	7.65	N/A	N/A	N/A	N/A	
Leverage rate			N/A	N/A	N/A	N/A	N/A	N/A	

Reason of Capital Adequacy Ratio change in this two years is 2014 Available-for-sale financial assets Corporate bonds is more than 2013 about 24 hundred million

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. Financial Status

Entity Capital Adequacy Ratio Under IFRS

Unit: TWD thousand; %

Unit: RMB thousand

Items \ Year			Capital Adequacy Ratio of Recent Five Year					Up to 2015/02/28
			2014	2013	2012	2011	2010	
Net Capital	Common equity		6,322,519	5,996,666	N/A	N/A	N/A	N/A
	Other non-common equity of Tier I Capital		-	-	N/A	N/A	N/A	N/A
	Tier I Capital		1,949,132	2,167,578	N/A	N/A	N/A	N/A
	Net Capital Base		8,271,651	8,164,244	N/A	N/A	N/A	N/A
Total Weighted Risk Assets	Credit Risk	Standardized Approach	78,829,506	72,125,004	N/A	N/A	N/A	N/A
		Internal-rating-based Approach	-	-	N/A	N/A	N/A	N/A
		Securitization	-	-	N/A	N/A	N/A	N/A
	Operational Risk	Basic Indicator Approach	-	-	N/A	N/A	N/A	N/A
		Standardized Approach / Alternative Approach	4,477,977	4,209,427	N/A	N/A	N/A	N/A
		Advanced Measurement Approach	-	-	N/A	N/A	N/A	N/A
	Market Risk	Standardized Approach	4,247,874	2,098,803	N/A	N/A	N/A	N/A
		Internal Model Approach	-	-	N/A	N/A	N/A	N/A
	Total Risk-weighted Assets		87,555,357	78,433,234	N/A	N/A	N/A	N/A
	Capital Adequacy Ratio			9.45	10.41	N/A	N/A	N/A
Tier I Capital to Risk Assets Ratio			7.22	7.65	N/A	N/A	N/A	N/A
Common equity to Risk Assets Ratio			7.22	7.65	N/A	N/A	N/A	N/A
Leverage rate			N/A	N/A	N/A	N/A	N/A	N/A

Reason of Capital Adequacy Ratio change in this two years is 2014 Available-for-sale financial assets Corporate bonds is more then 2013 about 24 hundred million

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
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5. Common equity to Risk Assets Ratio = Common equity / Total Risk Asset
6. Leverage rate = Net Tier I Capital / Total risk exposure

Capital Adequacy Ratio Under ROC GAAP

Unit: TWD thousand; %

Items			Year	Capital Adequacy Ratio of Recent Five Year					Up to
			2014	2013	2012	2011	2010	2015/02/28	
Net Capital	Tier I Capital	Common Stocks	N/A	N/A	4,247,338	4,180,451	4,180,451	N/A	
		Non-cumulative Perpetual Preferred Stocks	N/A	N/A	-	-	-	N/A	
		Non-Cumulative Subordinated Debts Without Maturity Dates	N/A	N/A	-	-	-	N/A	
		Advanced Receipts For Capital Stocks	N/A	N/A	-	-	-	N/A	
		Capital Surplus(apart from fixed asset appreciation surplus)	N/A	N/A	884,333	884,299	884,299	N/A	
		Legal Reserves	N/A	N/A	94,717	37,043	9,303	N/A	
		Special Reserves	N/A	N/A	-	-	-	N/A	
		Retained Earnings	N/A	N/A	210,283	194,628	92,827	N/A	
		Minority Interests	N/A	N/A	-	-	-	N/A	
		Other of Equity	N/A	N/A	(85,974)	(46,119)	(82,682)	N/A	
		Minus: Goodwill	N/A	N/A	102,289	102,289	102,289	N/A	
		Minus: Non-amortization of NPL Disposal Loss	N/A	N/A	-	-	-	N/A	
		Minus: Others	N/A	N/A	92,969	88,095	97,299	N/A	
		Total Tier I	N/A	N/A	5,155,440	5,059,918	4,884,610	N/A	
	Tier II Capital	Perpetual Cumulative Preferred Stocks	N/A	N/A	-	-	-	N/A	
		Cumulative Subordinated Debts Without Maturity Dates	N/A	N/A	-	-	-	N/A	
		Fixed Asset Appreciation Surplus	N/A	N/A	138,763	138,763	67,294	N/A	
		45% of Unrealized Gain of Financial Assets in Available-for-sale	N/A	N/A	4,773	11,217	10,080	N/A	
		Convertible Bonds	N/A	N/A	-	-	-	N/A	
		Operating Reserves and Loan Loss Provision	N/A	N/A	901,850	681,324	555,830	N/A	
		Long-term Subordinated Debts	N/A	N/A	1,500,000	1,500,000	1,500,000	N/A	
		Non-perpetual Preferred Stocks	N/A	N/A	-	-	-	N/A	
		The Average of Non-cumulative Perpetual Preferred Stocks and Non-cumulative Subordinated Debts Without a Maturity Date Exceed 15% of Total Tier I Capital	N/A	N/A	-	-	-	N/A	
		Minus: Others	N/A	N/A	92,969	88,095	97,299	N/A	
		Total Tier II	N/A	N/A	2,452,416	2,243,209	2,978,210	N/A	
		Tier III Capital	Short-term Subordinated Debts	N/A	N/A	-	-	-	N/A
			Non-perpetual Preferred Stocks	N/A	N/A	-	-	-	N/A
			Total Tier III	N/A	N/A	-	-	-	N/A
	Net Capital			N/A	N/A	7,607,856	7,303,127	7,862,820	N/A

6. Financial Status

Items			Year	Capital Adequacy Ratio of Recent Five Year					Up to
			2014	2013	2012	2011	2010	2015/02/28	
Total Weighted Risk Assets	Credit Risk	Standardized Approach	N/A	N/A	65,405,914	58,605,855	58,608,437	N/A	
		Internal-rating-based Approach	N/A	N/A	-	-	-	N/A	
		Securitization	N/A	N/A	1,924	5,793	3,096	N/A	
	Operational Risk	Basic Indicator Approach	N/A	N/A	3,941,879	3,633,837	3,202,718	N/A	
		Standardized Approach / Alternative Approach	N/A	N/A	-	-	-	N/A	
		Advanced Measurement Approach	N/A	N/A	-	-	-	N/A	
	Market Risk	Standardized Approach	N/A	N/A	2,797,863	2,533,448	1,745,162	N/A	
		Internal Model Approach	N/A	N/A	-	-	-	N/A	
	Total Risk-weighted Assets		N/A	N/A	72,147,580	64,778,933	63,559,413	N/A	
Capital Adequacy Ratio			N/A	N/A	10.54	11.27	12.37	N/A	
Tier I Capital to Risk Assets Ratio			N/A	N/A	7.14	7.81	7.69	N/A	
Tier II Capital to Risk Assets Ratio			N/A	N/A	3.40	3.46	4.68	N/A	
Tier III Capital to Risk Assets Ratio			N/A	N/A	-	-	-	N/A	
Common Shares Equity to Total Assets Ratio			N/A	N/A	3.36	3.44	3.61	N/A	

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. Auditing committee Report for Latest Year

COTA Commercial Bank Co., Ltd., Auditing committee Report for Year 2012

March 26, 2015

To: Shareholders' General Meeting of Year 2015

The Business Report, Financial Statement, Consolidated Financial Statement and Earning Distribution of fiscal year 2014, worked out and submitted by COTA Bank board of directors have been duly audited by KPMG Certified Public Accountants, and further verified by us. This Report duly submitted in accordance with Article 219 of the Company Law.

Independent Director : Po-Yao Chi

Independent Director : Kun-Hsien Lin

Independent Director : Sung-Cheng Huang

6. Financial Status

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

COTA Commercial Bank Co., Ltd., Statement

March 26, 2015

On behalf of the COTA Commercial Bank, we declare that during the period of January 1, 2014 through December 31, 2014, COTA Commercial Bank required to be included in the consolidated financial statements of affiliates under these Criteria are all the same as the consolidated financial statements of parent and subsidiary companies as provided in IFRS No. 27. COTA Commercial Bank shall not be required to prepare separate consolidated financial statements of affiliates or produce the Declaration referred to in the preceding paragraph by Rules of Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises.

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

Chairman : Song-Yie Liao

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of COTA Commercial Bank Co., Ltd. (the Company) and its subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in consolidated stockholders' equity and consolidated cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of COTA Commercial Bank Co., Ltd. and its subsidiaries as of December 31, 2014 and 2013, along with its consolidated financial performance and cash flows for the years then ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Banks" and International Financial Reporting Standards (IFRS), International Accounting Standards, International Financial Reporting Interpretations Committee Interpretations, and Standing Interpretations Committee Interpretations accepted by the Financial Supervisory Commission.

March 26, 2015

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

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

6. Financial Status

COTA Commercial Bank Co., Ltd.

Consolidated Balance Sheets

December 31, 2014 and 2013 and January 1, 2013

(expressed in thousands of New Taiwan Dollars)

	December 31, 2014		December 31, 2013			December 31, 2014		December 31, 2013	
	Amount	%	Amount	%		Amount	%	Amount	%
ASSETS					LIABILITIES AND EQUITY				
Cash and cash equivalents (note 6)	\$ 1,582,775	1	1,568,318	1	Liabilities:				
Due from Central Bank and call loans to bank (note 7)	21,952,317	17	22,587,444	17	Due to the Central Bank and other banks (note 17)	\$ 111,139	-	114,090	-
Financial assets measured at fair value through profit or loss (note 8)	2,229,841	2	1,839,732	1	Financial liabilities measured at fair value through profit or loss (note 8)	137	-	237	-
Securities purchased under resell agreements	1,848,138	1	699,901	1	Payables (note 18)	791,664	1	721,644	1
Receivables, net (note 9)	374,516	-	388,615	-	Current income tax liabilities (note 23)	43,427	-	14,909	-
Loans, net (note 10)	100,969,801	72	96,230,478	73	Deposits and remittances (note 19)	129,389,480	93	121,910,933	93
Available-for-sale financial assets, net (notes 11 and 37)	4,381,065	3	2,005,933	2	Subordinate financial debentures (note 20)	1,500,000	1	1,500,000	1
Held-to-maturity financial assets, net (notes 12 and 37)	3,423,956	2	3,535,588	3	Provisions (notes 21 and 22)	442,947	-	448,132	-
Other financial assets (note 13)	185,432	-	182,484	-	Deferred income tax liabilities (note 23)	114,904	-	116,757	-
Property and equipment-net (note 14)	1,359,122	1	1,364,750	1	Other liabilities	388,658	-	362,996	-
Investment Property-net (note 15)	691,269	1	691,906	1	Total liabilities	132,782,356	95	125,189,698	95
Intangible assets-net (note 16)	109,972	-	109,246	-	Stockholders' equity (note 24):				
Deferred income tax assets (note 23)	257,662	-	233,766	-	Common stock	5,032,692	4	4,919,543	4
Other assets	69,790	-	78,482	-	Capital reserve	892,620	1	892,589	1
					Retained earnings:				
					Statutory reserve	255,897	-	156,849	-
					Undistributed earnings	467,241	-	351,404	-
					Other items in stockholders' equity	723,138	-	508,253	-
						4,850	-	6,560	-
					Total stockholders' equity	6,653,300	5	6,326,945	5
TOTAL ASSETS	\$ 139,435,656	100	131,516,643	100	Total Liabilities and Stockholders' Equity	\$ 139,435,656	100	131,516,643	100

See accompanying notes to financial statements.

COTA Commercial Bank Co., Ltd.
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2014 and 2013
(expressed in thousands of New Taiwan Dollars)

	2014		2013		%
	Amount	%	Amount	%	Change
Interest income (note 26)	\$ 3,283,481	127	3,133,722	122	5
Less: Interest expense (note 26)	1,097,041	42	1,065,136	41	3
Net interest income	2,186,440	85	2,068,586	81	6
Non-interest income, net					
Service fees income, net (note 27)	268,944	10	236,041	9	14
Gain on financial assets or liabilities measured at fair value through profit and loss (note 28)	67,249	3	79,047	3	(15)
Realized gain on available-for-sale financial assets	-	-	29	-	(100)
Foreign exchange gains (loss), net	39,714	1	17,240	-	130
Gain on reversal of impairment loss	-	-	145,327	6	(100)
Other non-interest income, net (note 29)	30,958	1	18,097	1	71
Net revenue	2,593,305	100	2,564,367	100	1
Provisions for bad debt expenses and guarantee reserve (Note10 and 30)	292,273	11	402,713	16	(27)
Operating expense:					
Personnel expenses (notes 22 and 31)	1,255,164	48	1,141,633	45	10
Depreciation and amortization expenses (note 32)	39,816	2	36,636	1	9
Other general and administrative expenses (note 33)	472,922	18	411,025	16	15
	1,767,902	68	1,589,294	62	-
Net Income Before Tax	533,130	21	572,360	22	(7)
Less: Income tax expenses (note 23)	92,141	4	76,608	3	20
Net Income	440,989	17	495,752	19	(11)
Other comprehensive income:					
Exchange differences of overseas subsidiaries' financial reports translation	(3)	-	6	-	(150)
Unrealized losses on available-for-sale financial instruments	(1,707)	-	(4,038)	-	58
Actuarial gains and losses on Defined benefit plans	234	-	25,596	1	(99)
Less: Income tax related to components of other comprehensive income (note 23)	40	-	(4,351)	-	(99)
Other comprehensive income, net of tax	(1,516)	-	17,213	1	(109)
Total Comprehensive Income	\$ 439,473	17	512,965	20	(14)
Earnings per share (in NTD) (note 25)					
Basic earnings per share	\$ 0.88		1.08		
Diluted earnings per share	\$ 0.87		1.07		

See accompanying notes to the consolidated financial statements.

6. Financial Status

COTA Commercial Bank Co., Ltd. Consolidated Statements of Changes in Stockholders' Equity For the Years Ended December 31, 2014 and 2013

(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 reports translation	Unrealized (losses) gains on available-for-sale financial assets
Balance—January 1, 2013	\$ 4,247,338	884,333	94,717	40,949	(14)	10,606
Earnings appropriation and distribution:						
Statutory reserve	-	-	62,132	(62,132)	-	-
Cash dividends	-	-	-	(72,205)	-	(72,205)
Stock dividends	72,205	-	-	(72,205)	-	-
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
Net income	4,919,543	892,589	156,849	(165,593)	(14)	10,606
Other comprehensive income	-	-	-	495,752	-	495,752
Total comprehensive Income	-	-	-	21,245	6	(4,038)
Balance—December 31, 2013	4,919,543	892,589	156,849	351,404	(8)	6,568
Balance—January 1, 2014	\$ 4,919,543	892,589	156,849	351,404	(8)	6,568
Earnings appropriation and distribution:						
Statutory reserve	-	-	99,048	(99,048)	-	-
Cash dividends	-	-	-	(113,149)	-	(113,149)
Stock dividends	113,149	-	-	(113,149)	-	-
Change in other capital surplus:						
Donated capital	-	31	-	-	-	31
Net income	5,032,692	892,620	255,897	26,058	(8)	6,568
Other comprehensive income	-	-	-	440,989	-	-
Total comprehensive Income	-	-	-	194	(3)	(1,707)
Balance—December 31, 2014	5,032,692	892,620	255,897	467,241	(11)	4,861
						6,653,300

See accompanying notes to the consolidated financial statements.

COTA Commercial Bank Co., Ltd.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013
(expressed in thousands of New Taiwan Dollars)

	2014	2013
Cash Flows from Operating Activities:		
Net Income Before Tax	\$ 533,130	572,360
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	37,110	34,378
Amortization expenses	2,705	2,258
Provision for bad debt expenses	274,773	399,713
Interest expenses	1,097,041	1,065,136
Interest income	(3,283,481)	(3,133,722)
Dividends earned	(23,978)	(11,582)
Change of provisions for bad debt expenses and guarantee reserve	17,500	3,000
Losses on disposal and retirement of premises and equipment	5,489	85
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	(1,872,841)	(1,777,837)
Changes in Operating Assets and Liabilities:		
Net Changes in Operating Assets:		
Increase in due from Central Bank and call loans to banks	(391,657)	(224,689)
Decrease (Increase) in financial assets measured at fair value through profit or loss	(390,109)	330,189
Decrease (Increase) in Securities purchased under resell agreements	(1,148,237)	949,389
Decrease (Increase) in receivables	40,470	(48,456)
Increase in discounts and loans	(5,005,105)	(8,658,695)
Decrease (Increase) in available-for-sale financial assets	(2,376,840)	356,181
Decrease in held-to-maturity financial assets	111,632	988,029
Decrease (Increase) in other financial assets	(2,948)	23,425
Decrease in other assets	9,719	7,777
Net Changes in Operating Liabilities:		
Increase in deposits from Central Bank and banks	(2,951)	(537,913)
Decrease in financial liabilities measured at fair value through profit or loss	(100)	(1,544)
Increase in payables	70,211	22,548
Increase in deposits and remittances	7,478,547	4,400,542
Decrease in provisions for employee benefits	(22,459)	(31,530)
Increase in other liabilities	24,670	64,208
Cash Used in Operating Activities	(2,943,868)	(3,566,016)
Interest received	3,248,119	3,170,192
Interest paid	(1,097,232)	(1,080,512)
Dividends received	23,978	11,582
Income tax paid	(89,412)	(133,307)
Net Cash Used in Operating Activities	(858,415)	(1,598,061)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(37,071)	(40,803)
Disposal of property and equipment	737	643
Purchase of intangible assets	(3,431)	(1,204)
Decrease (Increase) in other assets	(1,026)	8,328
Net Cash Used in Investing Activities	(40,791)	(33,036)
Cash Flows from Financing Activities:		
Issuance of common stock for cash	-	600,000
Donated capital	31	32
Payment of cash dividends	(113,149)	(72,205)
Net Cash Provided by (Used in) Financing Activities	(113,118)	527,827
Effect of exchange rate changes on cash and cash equivalents	(3)	6
Net Decrease in Cash and Cash Equivalents	(1,012,327)	(1,103,264)
Cash and Cash Equivalents, at the Beginning of the Period	20,434,703	21,537,967
Cash and Cash Equivalents, at the End of the Period	\$ 19,422,376	20,434,703
Components of cash and cash equivalents:		
Cash and cash equivalents recognized in the balance sheet	\$ 1,582,775	1,568,318
Due from Central Bank and call loans to banks which meet IAS 7 definition of cash and cash equivalents	17,839,601	18,866,385
Cash and Cash Equivalents, at the End of the Period	\$ 19,422,376	20,434,703

See accompanying notes to the consolidated financial statements.

6. Financial Status

COTA Commercial Bank Co., Ltd. Notes to Consolidated Financial Statements December 31, 2014 and 2013

(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 26, 2015.

3. New standards and interpretations

(a) Impact of the 2013 version of the International Financial Reporting Standard ("IFRS") endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not effective

According to the official letter No.1030010325 issued on April 3, 2014 by the FSC, listed, over-the-counter, and emerging stock companies are required to conform to the 2013 version of the 2013 version of IFRS endorsed by the FSC (IFRS 9 Financial instruments is excluded) in preparing financial statements.

The new standards and amendments issued by the International Accounting Standards Board ("IASB") were as follows:

(Continued)

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

The Bank had assessed that the 2013 version of the IFRS may not have significant impact on the consolidated financial statements except the following:

A. IAS 1 "Presentation of Financial Statements"

This standard requires the presentation in other comprehensive income section the line items which are classified according to their nature, and grouped between those items that will or will not be reclassified to profit and loss in subsequent periods. Allocation of income tax to two groups of items of other comprehensive is also required. The Group is expecting to change the presentation of comprehensive income statements in accordance with the standard.

B. IFRS 13 "Fair value measurement"

The standard defines fair value and provides a framework for measuring fair value and requires disclosures on fair value measurement. Based on its assessment, the Bank is not expecting that the adoption of this standard to have significant impact on the financial position and the results of operations, but is expecting to increase the disclosures relating to fair value measurement.

(b) Impact of IFRSs issued by IASB but not yet endorsed by the FSC

The 2013 version of the IFRS issued by the IASB but not yet endorsed by the FSC were as follows:

(Continued)

6. Financial Status

New standards and amendments	Effective date per IASB
IFRS 9 Financial instruments	January 1, 2018
Amended IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016
Amended IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRIC 14 Regulatory Deferral Accounts	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2017
Amended IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amended IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amended IAS 19 "Define Benefit Plans: Employee Contributions"	July 1, 2014
Amended IAS 27 Consolidated and Separate Financial Statements	January 1, 2016
Amended IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amended IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Amended IFRIC 21 "Levies"	January 1, 2014

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

4. Summary of significant accounting policies

Significant accounting policies adopted in the financial reports are summarized as below. They apply consistently to all presentation periods in the consolidated financial reports.

(a) Assertion of compliance

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

(b) Basis of 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

(Continued)

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

(c) Basis of consolidation

(1) Basis of compilation for consolidated financial reports

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

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

(2) Subsidiaries included in the consolidated financial reports

Name of investor company	Name of Subsidiary	Primary Business	percentage	
			December 31, 2014	December 31, 2013
COTA Commercial Bank Co., Ltd.	COTA Bank Insurance Brokers Co., Ltd.	Property and personal insurance broker	100%	100%

(d) Foreign Currency

- (1) A foreign currency transaction that is denominated or requires settlement in a foreign currency, 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.
- (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 retranslation are recognized in current profit or loss. Except for the foreign currency differences arising on the retranslation of available-for-sale equity investment are recognized in other comprehensive income.
- (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. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated into New Taiwan dollars at the rate of exchange prevailing on the date of the transaction. Foreign currency differences are recognized in other comprehensive income.

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.

(Continued)

6. Financial Status

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, checks awaiting clearance, deposits in other banks, 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. Cash and cash equivalents reported in the statement of cash flows are assets that reported in the balance sheets, due from central bank and call loans to bank following the definition of cash and cash equivalents under IAS 7 as accepted by FSC, and securities purchased under resell agreements.

Time deposits with maturities 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.

(f) Securities under repurchase/resell agreement

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

(g) Financial instruments

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

(I) Financial assets

The Bank classifies financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, loans and receivables, financial assets carried at costs, and debts investment without active market.

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

A financial asset is classified in this category if it is held-for-trading or is designated as financial assets at fair value through profit or loss. Financial assets classified as held-for-trading if it is acquired principally for the purpose of selling in the short term.

The investment management financial instruments held by the Group is classified as held-for-trading if it is evaluated on a fair value basis.

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

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified

(Continued)

in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on monetary financial instruments are recognized in other comprehensive income and unrealized gains (losses) on available-for-sale financial assets in equity. When an available-for-sale investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, under other income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, trade date accounting is used.

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

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

(iii) Held-to-maturity financial assets

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

Interest income is included in statement of comprehensive income account.

(iv) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and investment in debt security with no active market. At initial recognition, these assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables.

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

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

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

According to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans", Non-performing loans and interest shall be transferred to non-accrual loans within six months after the end of the payment period expect for the loans repaid in installments by agreements.

(Continued)

6. Financial Status

However, loan collection shall continue as per the terms of the relevant agreement, consumer unsecured loans consultative, and regulated by “Statute for Consumer Debt Clearance”.

Overdue loans (except other credits) are classified as discounts and loans, and the remaining are classified as other financial assets.

Unrecoverable overdue loans and bad debts, which are not able to be recovered after the overdue collection process, are written-off after deducting the recoverable portion, approval by the board of directors.

(v) Financial asset impairment

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

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Bank on terms that the Bank would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

A. Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. Impairment losses recognized on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then impairment loss is reversed against profit or loss.

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

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

B. Loans and receivables

The ending balance of the allowance for bad debts and the guarantee liability provision on all credit assets on and off the balance sheets is in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, with consideration given to the status of loan

(Continued)

collateral and the length of time overdue. The Bank classifies credit assets into normal credit assets, assets that require special mention, assets that are substandard, assets that are doubtful and assets for which there is a loss. The allowance for doubtful debt for each category of credit assets is 1%, 2%, 10%, 50% and 100%, respectively. The allowance for doubtful debt on credit card receivables is in accordance with the Regulations Governing Institutions Engaging in Credit Card Business. The abovementioned regulations are the minimum standards on allowance for bad debts for credit assets on and off the balance sheets.

For loans and receivables, the objective evidence should be identified first to reveal any impairment existing for financial assets that are individually significant, and individual or collective impairment for financial assets that are not individually significant. If no objective evidence of impairment exists in an individually assessed financial asset, it should be included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. For assets which have recognized impairment losses or continue to recognize impairment losses, the aforementioned assessment method is not required. If there is an objective evidence of impairment loss on loans and receivables but no impairment loss has incurred, the loans and receivables are not required to be included in portfolio of similar credit risk characteristics for collective assessment after considering all significant risks exists in the current situation.

If there 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:

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

C. Financial assets carried at costs

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. Such impairment loss is not reversible in subsequent periods.

(vi) Derecognition of financial assets

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

(Continued)

6. Financial Status

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

(II) Financial liabilities

(i) Classification of debt or equity

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

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

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

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any interest expense, are recognized in profit or loss.

(iii) Other financial liabilities

At initial recognition, financial liabilities not classified as held-for-trading, or designated as at fair value through profit or loss, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss under non-operating income and expenses.

(iv) Derecognition of a financial liability

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

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

(v) Offsetting of financial assets and liabilities

The Bank presents financial assets and liabilities on a net basis when the Bank has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(Continued)

(III) Derivative financial instruments

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

(h) Investment property

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

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

(i) Property, plant, and equipment

(I) Recognition and measurement

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

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

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

(II) Subsequent cost

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

(Continued)

6. Financial Status

(III) Depreciation

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

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

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

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

- (1) Buildings : 8 years ~ 80 years
- (2) Operating equipment : 3 year ~ 15 years
- (3) Transportation equipment : 8 years ~ 10 years
- (4) Miscellaneous equipment : 5 year ~ 50 years
- (5) Leased Improvements : 5 year ~ 12 years
- (6) The significant portion of buildings and their useful life are as follow :

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.

(j) Lease

(I) Lessor

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

(Continued)

(II) Lessee

Leases which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

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

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

(k) Intangible assets

(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 10 years. Its amortization method, useful life and residual value are referred to the regulation of properties and equipment. The Bank use cost model to proceed subsequently measurement.

(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.

(l) Impairment of non-financial assets

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

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

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

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

(Continued)

6. Financial Status

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.

(m) Provisions

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

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

(n) Financial guarantee contract

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

(o) Revenue recognition

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

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

(Continued)

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

(p) Employee benefits

(1) Short-term employee benefit:

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

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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

(i) Defined contribution plans

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

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Bank's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. Present value of defined benefit plans is calculated without any unrecognized past service costs and fair value of plan assets which is used for settle the obligation. Present value of defined benefit plans are recognized as pension liability in the statement of financial position.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

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

(Continued)

6. Financial Status

All actuarial gains and losses on January 1, 2012, the date of transition to IFRS approved by the FSC, were recognized in retained earnings. The Bank recognizes all actuarial gains and losses arising subsequently from defined benefit plans in other comprehensive income.

(3) Deposits with favorable rate

The Bank provides deposits with favorable rate to employees, which include current employee fix amount deposits with favorable rate and retired employee fix amount deposits with favorable rate. The rate difference between the favorable rate and the market rate belongs to the category of employee benefit.

According to article 28 of "Regulations Governing the Preparation of Financial Report by Public Banks", the additional interests result from the difference between deposit with favorable rate and the deposits with market interest rate shall be calculated by actuary per the regulations related to defined benefit plan in IAS 19. The parameters of actuarial assumptions shall follow the regulations of the competent authority.

(q) Share-based payment

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

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

(r) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss. Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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

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

(Continued)

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.

(s) Earnings per share (EPS)

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

(t) Operating segment information

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

(Continued)

6. Financial Status

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

When preparing the financial reports, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Bank, the management needs to make judgments, estimates, and assumptions that affect the adoption of accounting policies, reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates.

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

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

(a) Impairment loss on loans

When the Group 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) Income tax

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

(c) Post-employment benefits

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

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

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

(Continued)

6. Cash and Cash Equivalents

	December 31, 2014	December 31, 2013
Cash	\$ 1,216,398	1,180,420
Checks awaiting clearance	205,606	227,121
Deposits in other banks	160,771	160,777
	<u>\$ 1,582,775</u>	<u>1,568,318</u>

The cash and cash equivalents presented in the statement of cash flows had the following components, please refer to note 7.

	December 31, 2014	December 31, 2013
Cash and cash equivalents reported in the Balance Sheets	\$ 1,582,775	1,568,318
Due from Central Bank and call loans to bank following the definition of cash and cash equivalents under IAS 7 as accepted by FSC	17,839,601	18,866,385
Cash and cash equivalents reported in the Statement of Cash Flows	<u>\$ 19,422,376</u>	<u>20,434,703</u>

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

	December 31, 2014	December 31, 2013
Deposit reserve - checking accounts	\$ 2,044,447	2,015,470
Deposit reserve - demand accounts	3,636,960	3,434,462
Deposit reserve - foreign currency deposits	4,441	4,193
Certificate of deposits	15,700,000	16,800,000
Call loans to banks	95,154	50,915
Deposits with Financial Information Service Co., Ltd.	471,315	282,404
	<u>\$ 21,952,317</u>	<u>22,587,444</u>

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, 2014	December 31, 2013
Call loans to banks	\$ 95,154	50,915
Certificate of deposits	15,700,000	16,800,000
Required reserve - Account A	2,044,447	2,015,470
	<u>\$ 17,839,601</u>	<u>18,866,385</u>

(Continued)

6. Financial Status

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

	December 31, 2014	December 31, 2013
Financial assets at fair value through profit or loss:		
Held for trading		
Securities of listed companies	\$ 23,876	55,120
Beneficiary certificates	337,940	8,563
Derivatives	50,304	28,373
Sub-total	412,120	92,056
Designated as at fair value through profit or loss		
Convertible bonds	1,817,721	1,747,676
	<u>\$ 2,229,841</u>	<u>1,839,732</u>
Financial liabilities held for trading purpose:		
Derivatives	\$ 137	237

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, 2014 and 2013 was as follows:

	December 31, 2014	December 31, 2013
Derivative contracts	\$ <u>2,214,690</u>	<u>2,365,032</u>

The net gains on financial assets held for trading for the years ended December 31, 2014 and 2013, were \$66,974 and \$76,911 thousands, respectively. The net gains on financial liabilities held for trading for the years ended December 31, 2014 and 2013 were \$275 and \$2,136 thousands, respectively.

9. Receivables, net

	December 31, 2014	December 31, 2013
Credit card accounts receivable	\$ 148,331	150,945
Interest receivable	227,328	191,966
Tax refund receivable	13,378	13,378
Accrued income	1,548	1,123
Guarantee payments Receivable	21,038	59,329
Others	15,958	11,644
Sub-total	427,581	428,385
Less : allowance for doubtful accounts	(53,065)	(39,770)
	<u>\$ 374,516</u>	<u>388,615</u>

Please refer to Note 34 for the assessment of allowance for possible losses on receivables.

(Continued)

10. Discounts and loans - net

	December 31, 2014	December 31, 2013
Exchanges and export bills negotiated	\$ 17,283	20,264
Overdrafts	91,559	74,193
Short-term loans	11,988,147	14,583,373
Medium-term loans	60,949,309	54,204,462
Long-term loans	30,196,226	29,367,213
Non-performing loans	230,283	234,048
Sub-total	103,472,807	98,483,553
Less: allowance for loan losses discount	(2,275,211)	(2,044,071)
	(227,795)	(209,004)
	<u>\$ 100,969,801</u>	<u>96,230,478</u>

Please refer to Note 34 for the assessment of allowance of possible losses on discounts and loans.

The movements in allowance for loan losses for the years ended December 31, 2014 and 2013 were as follows:

	For the year ended December 31, 2014	For the year ended December 31, 2013
Beginning balance	\$ 2,084,096	1,703,949
Provision	274,773	399,713
Recovery of written-off credits	109,970	132,837
Write-offs	(140,497)	(152,425)
Effects of exchange rate changes	47	22
Ending balance	<u>\$ 2,328,389</u>	<u>2,084,096</u>

11. Available-for-sale financial assets - net

	December 31, 2014	December 31, 2013
Government bonds	\$ 51,123	51,867
Corporate bonds	4,329,942	1,954,066
	<u>\$ 4,381,065</u>	<u>2,005,933</u>

Government bonds provided and deposited as trust compensation reserve as of December 31, 2014 and 2013 were \$50,000 thousands, respectively.

(Continued)

6. Financial Status

12. Held-to-Maturity Financial Assets

	December 31, 2014	December 31, 2013
Government bonds	\$ 105,783	107,536
Corporate bonds	3,317,173	3,413,709
Financial debentures	-	13,343
Due from banks	1,000	1,000
	<u>\$ 3,423,956</u>	<u>3,535,588</u>

Government bonds placed as deposits in courts as of December 31, 2014 and 2013 were \$47,300 and \$71,400 thousands, respectively.

13. Other Financial Assets-net

	December 31, 2014	December 31, 2013
Overdue receivables	\$ 226	510
Less: allowance for bad debts	(113)	(255)
Net	113	255
Financial assets carried at cost	129,892	129,892
Debts investment without active market	55,427	52,337
	<u>\$ 185,432</u>	<u>182,484</u>

(1) Financial assets carried at cost:

	December 31, 2014		December 31, 2013	
	Book Value	Ownership %	Book Value	Ownership %
Taiwan Asset Management Corp.	\$ 75,000	0.57	75,000	0.57
Taiwan Financial Asset Service Corp.	50,000	2.94	50,000	2.94
Taiwan Depository & Clearing Corporation	4,639	0.08	4,639	0.08
Sunny Asset Management Corporation	253	0.42	253	0.42
	<u>\$ 129,892</u>		<u>129,892</u>	

(2) Debts investment without active market

	December 31, 2014	December 31, 2013
Auction Rate Security	\$ 63,436	59,900
Less: accumulated impairment	(8,009)	(7,563)
	<u>\$ 55,427</u>	<u>52,337</u>

(Continued)

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, 2014 and 2013, were as follows:

	Land	Buildings	Operating equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Total
Cost:							
Balance at January 1, 2014	\$ 832,468	625,174	143,036	26,784	192,356	49,078	1,868,896
Additions	-	-	14,908	7,877	6,060	8,226	37,071
Disposals	-	-	(30,875)	(3,094)	(1,753)	-	(35,722)
Balance at December 31, 2014	\$ 832,468	625,174	127,069	31,567	196,663	57,304	1,870,245
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	\$ 832,468	625,174	143,036	26,784	192,356	49,078	1,868,896
Depreciation and impairment losses							
Balance at January 1, 2014	\$ -	(243,777)	(88,477)	(8,894)	(142,510)	(20,488)	(504,146)
Depreciation for the period	-	(10,248)	(10,284)	(2,651)	(8,437)	(4,853)	(36,473)
Disposals	-	-	25,132	2,611	1,753	-	29,496
Balance at December 31, 2014	\$ -	<u>(254,025)</u>	<u>(73,629)</u>	<u>(8,934)</u>	<u>(149,194)</u>	<u>(25,341)</u>	<u>(511,123)</u>
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>(243,777)</u>	<u>(88,477)</u>	<u>(8,894)</u>	<u>(142,510)</u>	<u>(20,488)</u>	<u>(504,146)</u>
Carrying amounts:							
Balance at December 31, 2014	\$ <u>832,468</u>	<u>371,149</u>	<u>53,440</u>	<u>22,633</u>	<u>47,469</u>	<u>31,963</u>	<u>1,359,122</u>
Balance at January 1, 2013	\$ <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 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>

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

(Continued)

6. Financial Status

15. Investment Property-net

	Land	Buildings	Total
Cost:			
Balance at December 31, 2014 and January 1, 2014	\$ <u>1,089,881</u>	<u>38,180</u>	<u>1,128,061</u>
Balance at December 31, 2013 and January 1, 2013	\$ <u>1,089,881</u>	<u>38,180</u>	<u>1,128,061</u>
Depreciation and impairment losses:			
Balance at January 1, 2014	\$ 415,687	20,468	436,155
Depreciation for the period	-	637	637
Balance at December 31, 2014	\$ <u>415,687</u>	<u>21,105</u>	<u>436,792</u>
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>415,687</u>	<u>20,468</u>	<u>436,155</u>
Carrying amounts:			
Balance at December 31, 2014	\$ <u>674,194</u>	<u>17,075</u>	<u>691,269</u>
Balance at January 1, 2013	\$ <u>528,867</u>	<u>18,348</u>	<u>547,215</u>
Balance at December 31, 2013	\$ <u>674,194</u>	<u>17,712</u>	<u>691,906</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 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.

The fair value as of December 31, 2014 and 2013 is \$887,548 and \$808,798 thousands, respectively.

Based on the results of the Group's assessment, impairment loss (reversal gain) of \$7,195 and (\$152,522) thousands are recognized investment property for the years ended December 31, 2013.

Related rent revenue and direct operating expenses are as below:

	For the year ended December 31, 2014	For the year ended December 31, 2013
Rent revenue	\$ <u>18,308</u>	<u>17,919</u>
Direct operating expenses	\$ <u>636</u>	<u>636</u>

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

(Continued)

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, 2014 and 2013, were as follows:

	Goodwill	Software	Total
Cost:			
Balance at January 1, 2014	\$ 102,289	35,542	137,831
Additions	-	3,431	3,431
Decreases	-	(14,363)	(14,363)
Balance at December 31, 2014	<u>\$ 102,289</u>	<u>24,610</u>	<u>126,899</u>
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>
Amortization:			
Balance at January 1, 2014	\$ -	28,585	28,585
Amortization for the period	-	2,705	2,705
Decreases	-	(14,363)	(14,363)
Balance at December 31, 2014	<u>\$ -</u>	<u>16,927</u>	<u>16,927</u>
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>
Carrying amounts:			
Balance at December 31, 2014	<u>\$ 102,289</u>	<u>7,683</u>	<u>109,972</u>
Balance at January 1, 2013	<u>\$ 102,289</u>	<u>8,011</u>	<u>110,300</u>
Balance at December 31, 2013	<u>\$ 102,289</u>	<u>6,957</u>	<u>109,246</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 Bank 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.

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

No intangible assets was pledged as a security or a lien.

17. Due to the Central Bank and Other Banks

	December 31, 2014	December 31, 2013
Due to other banks	\$ 25,669	28,620
Postal deposits accepted	85,470	85,470
	<u>\$ 111,139</u>	<u>114,090</u>

(Continued)

6. Financial Status

18. Payables

	December 31, 2014	December 31, 2013
Interest payable	\$ 131,064	131,255
Tax payable	32,186	13,939
Collections payable	53,462	42,960
Accrued expenses	299,579	258,471
Checks awaiting clearance	205,605	227,121
Others	69,768	47,898
	<u>\$ 791,664</u>	<u>721,644</u>

19. Deposits and Remittances

	December 31, 2014	December 31, 2013
Checking accounts	\$ 1,715,775	1,988,383
Cashiers' checks	322,611	329,413
Demand deposits	16,078,698	15,400,979
Time deposits	24,876,523	20,172,046
Demand savings deposits	34,120,355	31,253,465
Term savings deposits	52,178,430	52,749,946
Outward Remittance	-	6,506
Inward Remittance	97,088	10,195
	<u>\$ 129,389,480</u>	<u>121,910,933</u>

20. Subordinate Financial Debentures

	December 31, 2014	December 31, 2013
Subordinate financial debentures	<u>\$ 1,500,000</u>	<u>1,500,000</u>

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

The details were as follows:

- (a) Issue price: At face value.
- (b) Issue period: From March 29, 2011 to March 29, 2018.
- (c) Interest rate: 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.

(Continued)

21. Provisions

	December 31, 2014	December 31, 2013
Provision for guarantees	\$ 36,016	18,508
Provision for employee benefits	406,931	429,624
	\$ 442,947	448,132

22. Employee benefits

	December 31, 2014	December 31, 2013
Defined benefit plans	\$ 359,581	383,943
Employee Promotions Deposits plans	47,350	45,681
	\$ 406,931	429,624

1) Defined benefit plans:

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

	December 31, 2014	December 31, 2013
Present value of unfunded obligations	\$ 359,581	383,943
Present value of funded obligations	621,489	579,659
Total present value of benefit obligations	981,070	963,602
Fair value of plan assets	(621,489)	(579,659)
Recognized liabilities for defined benefit obligations	\$ 359,581	383,943

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

(1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$621,489 thousands as of December 31, 2014. 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.

(Continued)

6. Financial Status

(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, 2014	For the year ended December 31, 2013
Defined benefit obligation at January 1	\$ 963,602	976,695
Benefits paid by the plan assets	(25,810)	(25,312)
Current service costs and interest	41,816	40,474
Actuarial (losses) gains	1,462	(28,255)
Defined benefit obligation at December 31	<u>\$ 981,070</u>	<u>963,602</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, 2014	For the year ended December 31, 2013
Fair value of plan assets at January 1	\$ 579,659	543,295
Contributions made	(25,766)	(25,313)
Expected return on plan assets	11,883	9,730
Benefits paid by the plan assets	54,017	54,606
Actuarial gains (losses)	1,696	(2,659)
Fair value of plan assets at December 31	<u>\$ 621,489</u>	<u>579,659</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, 2014	For the year ended December 31, 2013
Current service costs	\$ 22,794	23,612
Interest on obligation	19,022	16,862
Expected return on plan assets	(11,883)	(9,730)
	<u>\$ 29,933</u>	<u>30,744</u>
Administrative expenses	<u>\$ 29,933</u>	<u>30,744</u>
Actual return on assets	<u>\$ 13,579</u>	<u>7,071</u>

(Continued)

(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, 2014	For the year ended December 31, 2013
Cumulative amount at January 1	\$ (35,284)	(60,880)
Recognized during the period	234	25,596
Cumulative amount at December 31	<u>\$ (35,050)</u>	<u>(35,284)</u>

(6) Actuarial assumptions

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

	2014	2013
Discount rate at December 31	2.00%	2.00%
Future salary increases	2.00%	2.00%
Expected return on plan assets	2.00%	2.00%

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, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit plans	\$ 981,070	963,602	976,695	910,343
Fair value of plan assets	(621,489)	(579,659)	(543,295)	(531,521)
Net liabilities of defined benefit obligations	<u>\$ 359,581</u>	<u>383,943</u>	<u>433,400</u>	<u>378,822</u>
Experience adjustments arising on the present value of defined benefit plans	<u>\$ 1,462</u>	<u>3,031</u>	<u>395</u>	<u>-</u>
Experience adjustments arising on the fair value of the plan assets	<u>\$ (1,696)</u>	<u>2,659</u>	<u>(5,733)</u>	<u>-</u>

The Group is expecting \$53,506 thousands worth of contributions shall be paid for its benefit plans within a year after the reporting date of December 31, 2014.

(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, 2014, the Group's accrued pension liabilities were \$359,581 thousands. If the discount rate had increased or decreased by 0.25%, the Group's accrued pension liabilities would have decreased by \$28,813 or increased by \$30,062 thousands, respectively.

(Continued)

6. Financial Status

2) Employee Promotions Deposits plans

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

	December 31, 2014	December 31, 2013
present value of Defined benefit obligation	\$ <u>47,350</u>	<u>45,681</u>

(1) Expenses recognized in profit or loss

As of December 31, 2014, the Group's expenses recognized in profit or loss were \$10,591 and \$908 thousands, respectively.

(2) Actuarial assumptions

	For the year ended December 31, 2014	For the year ended December 31, 2013
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, 2014	December 31, 2013
Present value of defined benefit plans	\$ <u>47,350</u>	<u>45,681</u>

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 \$23,051 and \$21,654 thousands for 2014 and 2013, respectively. Payment was made to the Bureau of the Labor Insurance.

(Continued)

23. Income tax expenses

1) The components of income tax in the years 2014 and 2013 were as follows:

	For the year ended December 31, 2014	For the year ended December 31, 2013
Current tax expense		
Current	\$ 115,324	95,692
10% surtax on undistributed earnings	2,606	56
	<u>117,930</u>	<u>95,748</u>
Deferred tax expense		
Origination and reversal of temporary difference	(25,789)	(19,140)
Income tax expense	<u>\$ 92,141</u>	<u>76,608</u>

The amount of tax income expense recognized in other comprehensive income for the years ended December 31, 2014 and 2013 were as follows:

	For the year ended December 31, 2014	For the year ended December 31, 2013
Actuarial gains on Defined benefit plans	\$ <u>40</u>	<u>4,351</u>

The income tax calculated on pre-tax financial income was reconciled to income tax expense for 2014 and 2013 is as follows:

	For the year ended December 31, 2014		For the year ended December 31, 2013	
	Tax Rate	Amount	Tax Rate	Amount
Profit excluding income tax		\$ <u>533,130</u>		<u>572,360</u>
Income tax calculated on pre-tax financial income at a statutory tax rate applied by subsidiaries	17%	90,632	17%	97,301
Tax effect of tax-exempt gains from sale of marketable securities and land	17%	(1,669)	17%	(7,390)
Changes in unrecognized temporary differences	17%	10,000	17%	15,000
Other adjustments	17%	(10,883)	17%	(28,275)
Prior years income tax adjustment		1,455		(84)
10% surtax on undistributed earnings		2,606		56
		<u>\$ 92,141</u>		<u>76,608</u>

2) Deferred tax asset and liability

(1) Unrecognized Deferred Tax Assets

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

	December 31, 2014	December 31, 2013
Tax effect of deductible Temporary Differences	\$ <u>66,000</u>	<u>56,000</u>

(Continued)

6. Financial Status

(2) Recognized Deferred Tax Assets and Liabilities

Changes in the amount of deferred tax assets and liabilities for 2014 and 2013 were as follows:

	Defined Benefit Plans	Loss from Fair Value Changes	Allowance of impairment loss	Others	Total
Deferred Tax Assets:					
Balance at January 1, 2014	\$ 72,174	21,872	130,275	9,445	233,766
Recognized in profit or loss	88	-	22,983	865	23,936
Recognized in other comprehensive income	(40)	-	-	-	(40)
Balance at December 31, 2014	<u>\$ 72,222</u>	<u>21,872</u>	<u>153,258</u>	<u>10,310</u>	<u>257,662</u>
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>

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

3) As of December 31, 2014, the ROC tax authorities had examined and assessed the Company's income tax returns for all years through 2012.

4) Imputation credit account (ICA) and creditable ratio

	December 31, 2014	December 31, 2013
Undistributed retained earning - 1998 and after	<u>\$ 467,241</u>	<u>351,404</u>
Imputation credit account (ICA)	<u>\$ 172,960</u>	<u>144,225</u>
	2014(Expected)	2013(Actual)
The creditable ratio on retained earnings	<u>21.23%</u>	<u>20.48%</u>

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.

(Continued)

24. Share capital and other equity accounts

1) Share capital

As of December 31, 2014, and 2013, the Company's authorized capital consisted of 6,000,000 thousand shares and issued shares worth \$5,032,692 and \$4,919,543 thousands, respectively, with par value of \$10 (NT dollars) per share.

Outstanding shares reconciliation as below :

	Common Stock	
	For the year ended December 31, 2014	For the year ended December 31, 2013
(thousand shares)		
Balance at January 1	491,954	424,734
Issuance of common stock for cash	-	60,000
Common stock dividend	11,315	7,220
Balance at December 31	503,269	491,954

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

It was resolved in the directors' meeting on June 28, 2013 to increase capital through a cash injection amounting to \$600,000 thousands divided into 60,000 thousands shares at \$10 par value. This had been registered and approved by the government authorities on July 15, 2013.

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.

2) Capital reserve

The components of capital reserve were as follows:

	December 31, 2014	December 31, 2013
Statutory reserve and special reserve transferred in	\$ 742,056	742,056
Additional paid-in capital	136,043	136,043
Share-based compensation	14,424	14,424
Others	97	66
Additional paid-in capital	\$ 892,620	892,589

In accordance with the ROC Company Law, capital reserve is exclusively used for offsetting prior losses and conversion to capital, and cannot be distributed as cash dividends. According to the ROC Company Law and relevant securities exchange regulations, a capital increase using capital reserve has to be reserves arisen from issuing stock or donated assets received and cannot exceed 10% of a company's paid-in capital in any year. Capital reserve arisen from long-term equity investments cannot be used to offset prior losses or converted to capital.

(Continued)

6. Financial Status

3) Retained earnings

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

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

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

According to the Banking Law, cash dividends are limited to 15% of total capital until the balance of statutory reserve reaches the amount of capital. Cash dividend shall not be lower than 10% of the total dividend distributed. If the cash dividend distributed per share is lower than NTD\$0.1, expect for otherwise resolved by the shareholder's meeting, it is not distributed.

(1) Legal reserve

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

(3) Appropriator of earnings

In accordance with the Company's Articles of Incorporation, employee bonuses and remuneration to directors and supervisors in 2014 and 2013 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, 2014 and 2013, after setting aside legal reserve. Accordingly, in 2014 and 2013, the company recorded the bonus to employees of \$33,452 thousands and \$25,236 thousands, respectively, and the remuneration to directors and supervisors of \$10,035 thousands and \$7,570 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 2013 and 2012 were resolved in the stockholders' meeting held on May 15, 2014 and May 30, 2013, respectively. The details were as follows:

(Continued)

	2013		2012	
Cash dividends (in NT dollar)	\$	0.23 113,149	0.17	72,205
Common Stock dividends (in NT dollar)		0.23 <u>113,149</u>	0.17	<u>72,205</u>
		<u>226,298</u>		<u>144,410</u>

There was no difference between the amounts of the employee bonuses and remuneration to directors and supervisors recognized in the consolidated financial statements for the years ended December 31, 2013.

The 2012 actual distribution amount paid to the employee bonuses and remuneration to directors and supervisors was different from those recognized in the financial statements. The different treated as a change in accounting estimate and accounted as profit or loss for 2013. The different were as follows:

	2012		
	Amounts Approved in Shareholders' Meetings	Amounts Recognized in Financial Statements	Difference
Employee bonuses	\$ 14,497	14,500	(3)
Remuneration to directors and supervisors	<u>4,349</u>	<u>4,300</u>	<u>49</u>
	<u>\$ 18,846</u>	<u>18,800</u>	<u>46</u>

4) Other equity accounts

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Others
Balance, January1, 2014	\$ (8)	6,568	6,560
Unrealized losses on available-for-sale financial assets, net of tax:	-	(1,707)	(1,707)
Foreign currency translation differences (net of tax):	<u>(3)</u>	<u>-</u>	<u>(3)</u>
Balance, December 31, 2014	<u>\$ (11)</u>	<u>4,861</u>	<u>4,850</u>
Balance, January1, 2013	\$ (14)	10,606	10,592
Unrealized losses on available-for-sale financial assets, net of tax:	-	(4,038)	(4,038)
Foreign currency translation differences (net of tax):	<u>6</u>	<u>-</u>	<u>6</u>
Balance, December 31, 2013	<u>\$ (8)</u>	<u>6,568</u>	<u>6,560</u>

(Continued)

6. Financial Status

25. Earnings per share

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

	2014	2013
Basic earnings per share:		
Profit attributable to common shareholders	\$ <u>440,989</u>	<u>495,752</u>
Weighted average number of common shares	<u>503,269</u>	<u>460,220</u>
Basic Earnings per share (in NT dollars)	\$ <u>0.88</u>	<u>1.08</u>
Diluted earnings per share:		
Profit attributable to common shareholders	\$ <u>440,989</u>	<u>495,752</u>
Weighted average number of common shares	503,269	460,220
Effect of common stock with dilution potential:		
Employee bonuses	3,280	2,453
Average outstanding shares	<u>506,549</u>	<u>462,673</u>
Diluted earnings per share (in NT dollar)	\$ <u>0.87</u>	<u>1.07</u>

26. Net interest income

	For the year ended December 31, 2014	For the year ended December 31, 2013
Interest income		
Discount and loans	\$ 2,828,758	2,695,524
Due from Banks	189,364	181,227
Short-term bills and bonds	103,993	108,280
Other	161,366	148,691
Sub-total	<u>3,283,481</u>	<u>3,133,722</u>
Interest expense		
Deposit	1,045,711	1,012,363
Due to other Central Bank and banks and call loans to banks	2,670	3,717
Financial bonds	47,394	47,559
Other	1,266	1,497
Sub-total	<u>1,097,041</u>	<u>1,065,136</u>
	\$ <u>2,186,440</u>	<u>2,068,586</u>

27. Service fee income

	For the year ended December 31, 2014	For the year ended December 31, 2013
Consumer financial center service fee	\$ 15,386	23,435
Guarantee service fee	21,176	22,151
Remittance service fee	13,460	13,177
Trust service fee	13,177	7,947
Insurance agency service fee	162,299	132,738
Fund service fee	32,830	29,821
Other	28,761	26,817
Sub-total	<u>287,089</u>	<u>256,086</u>
Service fee expense	<u>18,145</u>	<u>20,045</u>
	\$ <u>268,944</u>	<u>236,041</u>

(Continued)

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

	For the year ended December 31, 2014	For the year ended December 31, 2013
<u>Disposal gains (losses)</u>		
Convertible bonds	\$ 29,484	31,591
Listed and OTC securities	6,103	16,828
Beneficiary certificates	(46)	1,233
Derivative financial instruments	176	592
Subtotal	35,717	50,244
<u>Valuation(losses) gains</u>		
Convertible bonds	246	(629)
Listed and OTC securities	(1,354)	(1,082)
Beneficiary certificates	(1,823)	(2,512)
Derivative financial instruments	22,030	29,040
Subtotal	19,099	24,817
<u>Dividend and interest income</u>	12,433	3,986
	\$ 67,249	79,047

29. Other net non-interest income

	For the year ended December 31, 2014	For the year ended December 31, 2013
Dividend income	\$ 11,545	7,596
Rental income	18,309	17,919
Net losses on disposal of premises and equipments	(5,489)	(85)
Others	6,593	(7,333)
	\$ 30,958	18,097

30. Bad debt expenses and provision for guarantee reserve

	For the year ended December 31, 2014	For the year ended December 31, 2013
Discounts and loans	\$ 265,782	392,573
Receivables	8,991	7,140
Guarantee reserve	17,500	3,000
	\$ 292,273	402,713

(Continued)

6. Financial Status

31. Employee benefits expenses

	For the year ended December 31, 2014	For the year ended December 31, 2013
Salary expenses	\$ 1,046,499	972,461
Insurance expenses	77,110	70,329
Retirement expenses	52,984	53,306
Other employee benefits	78,571	45,537
	<u>\$ 1,255,164</u>	<u>1,141,633</u>

32. Depreciation and amortization expenses

	For the year ended December 31, 2014	For the year ended December 31, 2013
Depreciation of Property and equipment	\$ 36,474	33,742
Depreciation of investment Property	637	636
Amortization of intangible assets	2,705	2,258
	<u>\$ 39,816</u>	<u>36,636</u>

33. Other general and administrative expenses

	For the year ended December 31, 2014	For the year ended December 31, 2013
Taxes and fees	\$ 157,502	99,764
Insurance expense	48,350	60,777
Rental expense	49,854	47,903
Occupational group membership fee	32,297	25,788
Advertising and printing expense	25,577	26,640
Security fees	18,858	18,682
Other	140,484	131,471
	<u>\$ 472,922</u>	<u>411,025</u>

(Continued)

34. Financial instruments

1) Fair value of financial instruments

	December 31, 2014		December 31, 2013	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and cash equivalents	1,582,775	1,582,775	1,568,318	1,568,318
Due from Central Bank and call loans to bank	21,952,317	21,952,317	22,587,444	22,587,444
Non-Derivative Financial assets measured at fair value through profit or loss	2,179,537	2,179,537	1,811,359	1,811,359
Derivative Financial assets measured at fair value through profit or loss	50,304	50,304	28,373	28,373
Available-for-sale financial assets - net	4,381,065	4,381,065	2,005,933	2,005,933
Securities purchased under reverse repurchase agreements	1,848,138	1,848,138	699,901	699,901
Receivables - net	374,516	374,516	388,615	388,615
Loans - net	100,969,801	100,969,801	96,230,478	96,230,478
Held-to-maturity financial assets - net	3,423,956	3,430,446	3,535,588	3,543,603
Other financial assets - net	185,432	185,432	182,484	182,484
Refundable deposits	32,155	32,155	31,129	31,129
Financial liabilities				
Deposits from Central Bank and other banks	111,139	111,139	114,090	114,090
Financial liabilities measured at fair value through profit or loss	137	137	237	237
Payables	791,644	791,644	721,644	721,644
Deposits and remittances	129,389,480	129,389,480	121,910,933	121,910,933
Financial debentures	1,500,000	1,500,000	1,500,000	1,500,000
Deposits received	7,820	7,820	8,078	8,078

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

(Continued)

6. Financial Status

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

2014.12.31				
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	\$ 23,876	23,876	-	-
Investment in bonds	1,817,721	-	1,817,721	-
Others	337,940	337,940	-	-
Available-for-sale financial assets - net				
Investment in bonds	4,381,065	4,381,065	-	-

2014.12.31				
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	\$ 50,304	-	50,304	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	137	-	137	-

(Continued)

Fair value measurement for financial instruments	2013.12.31			
	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	2013.12.31			
	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	-

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).

- 4) For the year ended December 31, 2014 and 2013, unrealized gains due to the estimated change of fair value recognized by the Group were \$22,276 and \$28,411 thousands, respectively.

(Continued)

6. Financial Status

35. Financial risk information

1) Overview

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

(1) Management of capital adequacy ratio

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

(2) Credit risk management

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

(3) Liquidity risk and market risk management

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

(4) Operational risk management

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

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

2) Organizational structure of risk management

The organizational structure of risk management includes BOD, Risk Committee, Risk Management Committee, Assets and Liabilities Committee, Loan Review Committee, Department of Risk Management, Department of Audit, Department of Law, Credit Management Headquarter and Department of Credit Analysis and Appraisal and other management departments, with BOD as the ultimate responsible unit. The risk committee is subordinated to the BOD, and the member of risk committee is elected from the board of directors, who monitor risks on behalf of the BOD. The BOD and risk committee will

(Continued)

delegate authorities to the general manager and committees in setting management rules as regards to risk identification, measurement, disclosure, report, monitoring and offsetting. The Bank also established independent risk management department to monitor the credit risk, market risk, operational risk and liquidity risk. At the same time, the Bank promotes the framework of new Basel capital agreement that identifies measures, discloses and reports management system and proposes each risk management report for management decision on a regular basis. Also, the law department is set up to carry out law risk management and procedures on review of legal compliance. The business units, which are subordinated to the general manager, ensure the coordination of each risk management policies; establish appropriate internal control and standard operating procedures and support the risk management project based on the business needs. The audit department is responsible for auditing the compliance of all internal and external business norms in all units, as well as the implementation of internal control in practice.

3) Credit risk

(1) The source and definition of credit risk

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

(2) Management policy of credit risk

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

A. Credit investigation

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

B. Credit approval

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

C. Post-lending loan review mechanisms

The corporate banking business of the Bank strengthens the tracking control of the financial and business conditions on creditors, carry out risk assessment report of credit asset portfolio on a regular basis, set-up warning system and adjust business development strategy to cope with economic conditions and changes in asset quality through the account management scheme and regular reassessment system. As regards to delinquent loans, the Bank uses

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6. Financial Status

concentration management method, together with information systems and analysis model to conduct regular review to improve the performance on overdue to expedite the collection of nonperforming loans.

D. Development, application and verification of risk information system

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

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

a. Loans (including credit commitment and guarantee)

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

(A) Classification of credit assets

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

(B) Level of credit quality

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

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

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

(3) Mitigation or hedging of risk

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

(Continued)

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

(4) Maximum exposure credit risk

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

	December 31, 2014	December 31, 2013
Irrevocable loan commitment	\$ 18,060,909	9,808,842
Credit card commitment	20,562	1,511,801
Letter of credit commitment	2,308,648	2,381,700

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

(5) Concentrations of credit risk

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 Bank has 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 Bank. The Bank's most significant concentrations of credit risk are summarized as follows:

(a) Industry

	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Private enterprise	\$ 21,357,258	20.64	18,817,051	19.11
Government-owned businesses	491,752	0.48	2,650,000	2.69
Public Sector	6,032,974	5.83	8,211,086	8.34
Non-profit organization	553,173	0.53	523,320	0.53
Individuals	75,037,650	72.52	68,282,096	69.33
	\$ 103,472,807	100.00	98,483,553	100.00

(Continued)

6. Financial Status

(b) Region

Not applicable since the Bank conducts its business domestically.

(c) Collateral

	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Non-secured	\$ 21,440,479	20.72	25,105,573	25.49
Securities	144,411	0.14	166,941	0.17
Bond	148,420	0.14	227,068	0.23
Real estate	59,597,028	57.6	54,213,239	55.05
Chattel	17,260,467	16.68	13,808,159	14.02
Notes receivables	93,300	0.09	88,398	0.09
Guarantee	4,783,179	4.62	4,874,175	4.95
Other	5,523	0.01	-	-
	\$ 103,472,807	100.00	98,483,553	100.00

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

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

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

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

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

(Continued)

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	10,500	4,003	56,470
Subtotal	349,497	885	65,134	415,516	11,878	28,147	375,491
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

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

2014.12.31	Amount				
	Very Good	Good	Medium	None	Total
Consumers' financing					
- Automobile	7,762,706	7,809,719	300	554	15,573,279
- Real estate	774,200	13,220,762	6,079,006	2,150,236	22,224,204
- Credit loans	5,268,796	1,923,556	19,292	75,802	7,287,446
- Deposit collateral	-	2,719	2,817	97,996	103,532
- Other secured	20,880	480,936	139,139	47,987	688,942
- Other non-secured	100,989	21,616,478	6,030,788	477,696	28,225,951
Corporate financing					
- Government	-	-	-	6,524,726	6,524,726
- Other secured	1,748,608	9,067,499	4,119,463	265,938	15,201,508
- Other non-secured	264,307	3,848,129	1,625,571	562,148	6,300,155
Total	15,940,486	57,969,798	18,016,376	10,203,083	102,129,743

2013.12.31	Amount				
	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

(Continued)

6. Financial Status

(c) Credit Quality Analysis for Security Investments

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

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									
- Equity	129,892	-	-	129,892	-	-	129,892	-	129,892
- Bond	-	-	-	-	-	59,900	59,900	7,563	52,337

(7) 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.

	2014.12.31			2013.12.31		
	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	\$330	121	451	816	69	885
Discounts and loans						
Consumers						
- automobile	1,489	9,616	11,105	1,225	11,260	12,485
- real estate	5,254	72,978	78,232	2,678	35,146	37,824
- credit line	63,421	40,452	103,873	51,803	46,216	98,019
- other secured	1,020	2,967	3,987	1,449	90	1,539
- other non-secured	10,954	13,837	24,791	6	10,507	10,513
- Corporate						
- other secured	8,119	17,672	25,791	-	29,124	29,124
- other non-secured	3,573	7,690	11,263	-	9,985	9,985
Total	\$ 94,160	165,333	259,493	57,977	142,397	200,374

(Continued)

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

Item		Discounts and loans(gross)	
		2014.12.31	2013.12.31
There is objective evidence of impairment on individual asset	Individual impairment	466,940	556,616
	Collective impairment	617,082	685,836
There is no objective evidence of impairment on individual asset	Collective impairment	102,388,785	97,241,101
Total		103,472,807	98,483,553

Item		Allowance for doubtful accounts	
		2014.12.31	2013.12.31
There is objective evidence of impairment on individual asset	Individual impairment	126,632	110,492
	Collective impairment	579,022	628,890
There is no objective evidence of impairment on individual asset	Collective impairment	1,569,557	1,304,689
Total		2,275,211	2,044,071

Item		Receivables(gross)	
		2014.12.31	2013.12.31
There is objective evidence of impairment on individual asset	Individual impairment	22,942	61,881
	Collective impairment	2,513	3,253
There is no objective evidence of impairment on individual asset	Collective impairment	388,974	350,383
Total		414,429	415,517

Item		Allowance for doubtful accounts	
		2014.12.31	2013.12.31
There is objective evidence of impairment on individual asset	Individual impairment	15,550	8,624
	Collective impairment	2,513	3,254
There is no objective evidence of impairment on individual asset	Collective impairment	35,115	28,147
Total		53,178	40,025

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

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

Note 3: As of December 31, 2014 and 2013, tax refund receivables not applied to IAS 39 were \$13,378 thousands, respectively.

(9) Management of foreclosed collateral

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

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

A. Asset quality of nonperforming loan and overdue credits

(Continued)

6. Financial Status

Period			December 31, 2014				
Items			Nonperforming Loans (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate Banking	Secured		104,990	15,475,705	0.68%	341,248	325.03%
	Unsecured		53,922	12,959,452	0.42%	207,780	385.33%
Consumer Banking	Mortgage loans(Note 4)		41,559	19,198,966	0.22%	413,875	995.87%
	Cash card		-	1,846	-	49	-
	Small-scale credit loans (Note 5)		73,772	11,010,357	0.67%	323,303	438.25%
	Other (Note 6)	Secured	67,317	44,242,851	0.15%	947,093	1,406.91%
		Unsecured	12,981	583,630	2.22 %	41,863	322.50%
Total loans			354,541	103,472,807	0.34%	2,275,211	641.73%

	Overdue Receivables	Receivables	Delinquency Ratio	Allowance for Possible Losses	Coverage Ratio
Credit cards	463	148,557	0.31%	28,054	6,059.18%
Accounts receivable factoring without recourse (Note 7)	-	-	-	-	-

Period			December 31, 2013				
Items			Nonperforming Loans (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate Banking	Secured		106,565	13,994,588	0.76%	286,349	268.71%
	Unsecured		35,661	16,247,758	0.22%	215,648	604.72%
Consumer Banking	Mortgage loans(Note 4)		67,120	19,150,193	0.35%	369,474	550.47%
	Cash card		-	2,054	-	70	-
	Small-scale credit loans (Note 5)		81,443	10,651,513	0.76%	359,776	441.75%
	Other (Note 6)	Secured	52,003	37,835,766	0.14%	726,266	1,396.59%
		Unsecured	14,954	601,681	2.49%	86,488	578.36%
Total loans			357,746	98,483,553	0.36%	2,044,071	571.37%

	Overdue Receivables	Receivables	Delinquency Ratio	Allowance for Possible Losses	Coverage Ratio
Credit cards	792	151,454	0.52%	23,849	3,011.24%
Accounts receivable factoring without recourse (Note 7)	-	-	-	-	-

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

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

Note 2: For loan business: NPL ratio= Nonperforming loans ÷ Total loan balance.

For credit card business: Delinquency ratio= Overdue credit card receivables ÷ Credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Overdue credit card receivables.

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

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

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

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

(Continued)

B. Exemption of nonperforming loans and overdue receivables

	December 31, 2014		December 31, 2013	
	Amount exempted from reporting as non-performing loans	Amount exempted from reporting as overdue account receivable	Amount exempted from reporting as non-performing loans	Amount exempted from reporting as overdue account receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	24,087	7,519	34,727	10,456
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	202,118	3,557	209,389	4,406
Total	226,205	11,076	244,116	14,862

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

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

C. Concentration of credit extensions

December 31, 2014			
Rank	Business Groups' Standard Industrial Classification and Symbol	Total Amount of Credit Endorsement or Other Transactions	Percentage of the Bank's Equity (%)
1	D Group-Transportation	530,061	7.97
2	E Group-Real Estate	404,477	6.08
3	d Group-Private Machinery and Equipment Manufacturing	399,170	6.00
4	I Group-Civil Engineering	275,800	4.15
5	B Group-Construction Industry	252,400	3.79
6	b Group-Private Service	240,800	3.62
7	W Group-Real Estate	214,400	3.22
8	A Group-Stay Service	201,447	3.03
9	e Group-Non-profit Organization	180,000	2.71
10	T Group-Wholesale	176,687	2.66
	Total	2,875,242	



(Continued)

6. Financial Status

December 31, 2013			
Rank	Business Groups' Standard Industrial Classification and Symbol	Total Amount of Credit Endorsement or Other Transactions	Percentage of the Bank's Equity (%)
1	D Group-Transportation	354,279	5.60
2	B Group-Construction Industry	296,400	4.68
3	E Group-Real Estate	243,930	3.85
4	A Group-Stay Service	234,749	3.71
5	Y Group-Construction Industry	230,190	3.64
6	I Group-Civil Engineering	224,929	3.55
7	F Group-Wholesale	192,543	3.04
8	W Group-Construction Industry	175,282	2.77
9	J Group-Textile Industry	173,250	2.74
10	V Group-Real Estate	170,330	2.69
	Total	2,295,882	

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

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

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

4) Liquidity risk

(1) Causes and definition of liquidity risk

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

(2) Management policy of liquidity risk

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

(Continued)

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

A. To manage liquidity risk of financial assets held

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

B. Maturity analysis for non-derivative financial liabilities

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

2014.12.31	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	8,556	17,113	25,670	-	59,800	111,139
Receivables	423,770	285,360	7,200	58,409	16,925	791,664
Deposit and remittance	13,433,197	17,485,808	20,392,305	41,892,756	36,185,414	129,389,480
Financial debentures	-	-	-	-	1,500,000	1,500,000

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

(4) Maturity analysis of derivatives

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

(Continued)

6. Financial Status

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

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

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

(5) Maturity analysis for off balance sheet items

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

2014.12.31	0~30 days	31~90 days	91~180 days	181~365 days	Over 365 days	Total
Commitment of loans	2,210,241	4,410,977	6,630,813	4,808,878	-	18,060,909
Commitment for letter of credit	-	178	328	1,268	18,788	20,562
Guarantees	30	9,565	-	2,030	-	11,625

2013.12.31	0~30 days	31~90 days	91~180 days	181~365days	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

(6) Maturity analysis for operating lease

The lease contracts of the Bank are operating lease.

Operating lease commitment refers to, when the Bank is the lesser or lessee and under the irrevocable operating lease conditions, the minimum total future rent payment. Below tables show the maturity analysis of the Bank's operating lease contract commitments:

2014.12.31	Less than 1 year	1-5 year	Over 5 year	Total
Lease commitments				
Operating lease payments (Lessee)	42,758	120,034	2,341	165,133
Operating lease income (Lessor)	18,744	9,962	3,043	31,749

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

(Continued)

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

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

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

December 31, 2013							
	Total	Amount for each remaining period to maturity					
		0~10days	11~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Main capital inflow on maturity	133,358,675	13,088,100	13,022,631	5,113,766	7,017,093	15,340,773	79,776,312
Main capital outflow on maturity	143,325,320	5,055,757	8,398,774	15,528,171	19,881,570	45,036,079	49,424,969
Gap	(9,966,645)	8,032,343	4,623,857	(10,414,405)	(12,864,477)	(29,695,306)	30,351,343

B. Maturity analysis of assets and liabilities in US Dollars

December 31, 2014						
	Total	Amount for each remaining period to maturity				
		0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Main capital inflow on maturity	77,467	32,997	35,889	8,581	-	-
Main capital outflow on maturity	77,467	58,282	14,592	1,997	2,956	-
Gap	-	(25,285)	21,297	6,584	(2,956)	-

December 31, 2013						
	Total	Amount for each remaining period to maturity				
		0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Main capital inflow on maturity	88,109	54,095	28,104	6,000	-	-
Main capital outflow on maturity	88,109	68,346	14,034	2,273	3,432	-
Gap	-	(14,251)	13,980	3,727	(3,432)	-

5) Financial risk information

(1) Market risk

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

(Continued)

6. Financial Status

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

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

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

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

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

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

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)

(2) Exchange rate risk concentration information

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

(Continued)

2014.12.31	USD	EUR	JPY	AUD	CNY	Total
Assets						
Cash and equivalent	22,560	7,314	20,003	-	16,883	66,760
Deposits of other banks	99,595	-	-	-	-	99,595
Available-for-sale assets	55,427	-	-	106,454	-	161,881
Discounts and loans	308,544	10,303	513	-	-	319,360
Receivables	135,641	1,380	70	-	244	137,335
Others	2,688,623	71,883	33,530	95,879	38,352	2,928,267
Total	3,310,390	90,880	54,116	202,333	55,479	3,713,198
Liabilities						
Deposits and remittances	1,148,108	70,823	53,461	116,970	-	1,389,362
Payables	138,079	9	1	201	111	138,401
Others	1,231,218	20,048	654	85,162	-	1,337,082
Total	2,517,405	90,880	54,116	202,333	111	2,864,845

Note: As of December 31, 2014, USD/TWD:31.718; EUR/TWD:38.5501; JPY/TWD:0.2651; AUD/TWD:25.9664; CNY/TWD:5.1153.

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

Note: As of December 31, 2013, USD/TWD: 29.95; EUR/TWD: 41.2891; JPY/TWD: 0.2853; AUD/TWD: 26.7154; NZD/TWD: 24.6009.

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

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

Interest Rate Sensitivity
December 31, 2014

(in thousands of New Taiwan dollars)

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

(Continued)

6. Financial Status

December 31, 2013

(in thousands of New Taiwan dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	\$ 99,935,914	4,280,957	1,847,382	20,193,388	126,257,641
Interest-rate-sensitive liabilities	22,418,230	60,083,133	34,059,380	2,950,695	119,511,438
Interest rate sensitivity gap	77,517,684	(55,802,176)	(32,211,998)	17,242,693	6,746,203
Net worth					6,326,945
Ratio of interest-rate-sensitive assets to liabilities (%)					105.64
Ratio of interest rate sensitivity gap to net worth (%)					106.63

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

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

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

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

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

Interest Rate Sensitivity

December 31, 2014

(in thousands of U.S. dollars)

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

December 31, 2013

(in thousands of U.S. dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	\$ 7,352	4,025	-	-	11,377
Interest-rate-sensitive liabilities	28,762	2,268	3,430	-	34,460
Interest rate sensitivity gap	(21,410)	1,757	(3,430)	-	(23,083)
Net worth					24
Ratio of interest-rate-sensitive assets to liabilities (%)					33.02
Ratio of interest rate sensitivity gap to net worth (%)					(96,179.17)

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

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

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

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

36. Capital management

1) Introduction

In accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" announced by FSC, regular calculation and preparation of related reports and report to the authorities for review are required in order to perform

(Continued)

financial disclosures and conduct internal capital adequacy management. In accordance with the operation plans and budget targets, also considering the Bank's development strategy, capital adequacy, liabilities ratios, and increased of return on equity.

2) Regulatory capital

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

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

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

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

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

(3) Capital Adequacy ratio:

Item			Year	2014.12.31	2013.12.31
Capital	Common stock capital			6,322,519	5,996,666
	Other tier 1 capital			-	-
	Tier II Capital			1,949,132	2,167,578
	Total			8,271,651	8,164,244
Risk-weighted assets	Credit risk	Standardized approach		78,829,506	72,125,004
		Internal-rating-based approach		-	-
		Secularizations		-	-
	Operational risk	Basic indicator approach		4,477,977	4,209,427
		Standardized approach / alternative approach		-	-
		Advanced measurement approach		-	-
	Market risk	Standardized approach		4,247,874	2,098,803
		Internal model approach		-	-
	Total risk-weighted assets			87,555,357	78,433,234
Capital adequacy ratio				9.45%	10.41%
Common stock / risk-weighted assets				7.22%	7.65%
Tier I capital / risk-weighted assets				7.22%	7.65%
Leverage Ratio				3.98%	3.94%

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

Note 2: Formulas used were as follows:

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

(Continued)

6. Financial Status

37. 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, 2014 and 2013, loans to related parties amounted to approximately \$150,682 and \$171,102 thousands, respectively, representing 0.15% and 0.18% of total loans at each date. Interest resulting from such loans was \$3,049 and \$767 thousands, respectively, representing 0.09% and 0.02% of total interest income for 2014 and 2013, respectively. The ranges of interest rates were 1.90%~2.70% and 1.70%~2.70%, respectively.

As of December 31, 2014 and 2013, loans to key management amounted to approximately \$15,034 and \$90 thousands, respectively. Interest resulting from such loans was \$283 and \$2 thousands, respectively, representing 0.01% and 0% of total interest income for 2014 and 2013, respectively, representing 0.01% and 0% of total interest income for 2014 and 2013, respectively. The ranges of interest rates were 1.90% and 1.86%~1.9%, respectively.

(b) Deposits

As of December 31, 2014 and 2013, deposits from related parties were approximately \$151,443 and \$133,617 thousands, respectively, representing 0.12% and 0.11% of total deposits at each date. Interest resulting from such deposits was \$3,019 and \$4,785 thousands, respectively, representing 0.28% and 0.45% of total interest expense for 2014 and 2013. The range for employee demand savings deposits interest rate was approximately 9.15%. The range of interest rate was approximately 0.14%~1.37% and 0.14%~1.36% p.a., respectively.

As of December 31, 2014 and 2013, deposits from key management were approximately \$87,982 and \$55,667 thousands, respectively, representing 0.07% and 0.05% of total deposits at each date. Interest resulting from such deposits was \$1,814 and \$2,350 thousands, respectively, representing 0.17% and 0.22% of total interest expense for 2014 and 2013. The range for employee demand savings deposits interest rate was approximately 9.15%. The range of interest rate was approximately 0.14%~1.37% and 0.14%~1.36% p.a., respectively.

3) Key management personnel compensation

	2014	2013
Salary and other short-term employee benefits	\$ 30,383	28,742
Post-employment benefits	428	570
Share-based payment	-	137
	<u>\$ 30,811</u>	<u>29,449</u>

38. Pledged assets

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

(Continued)

39. Significant commitments and contingencies

(1)

	December 31, 2014	December 31, 2013
Collections received	\$ 1,091,422	9,529,803
Guarantees	2,130,560	2,135,793
Travelers' checks held on consignment	11,822	16,795
Letter of credit commitments	178,088	245,907
Loan commitments	18,093,096	11,320,643

(2) Plaintiff Jan-Heng Corporation and others refused to accept the results of the Bank's board of directors, which reviewed the qualifications of directors (including independent directors). For this reason, plaintiff filed a lawsuit to Taichung District Court. According to the civil judgment, Taichung District Court ruled that the Bank's board of directors was invalid on January 30, 2015. Plaintiff also filed a lawsuit to Taichung District Court according to abolish the elect 6th directors (including independent directors) agenda in 2014 shareholders' meeting. The Bank has engaged a lawyer to defend it and the lawsuit remains under reviewed by the Court. The Bank proposed to elect new board members at 2th interim shareholders' meeting on December 29, 2014. The Bank estimated that the operating business is normal as usual and the operational principles and decision will not be changed significantly.

40. Significant Disaster Loss: None

41. Significant Subsequent Events: None

42. Other Matters

1) Personnel expenses, depreciation, and amortization for the years ended December 31, 2014 and 2013, were summarized as follows:

Function	2014			2013		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel Expenses:						
Salaries	-	1,046,499	1,046,499	-	972,461	972,461
Labor and health insurance	-	77,110	77,110	-	70,329	70,329
Pension	-	52,984	52,984	-	53,306	53,306
Other personnel expenses	-	78,571	78,571	-	45,537	45,537
Depreciation expenses	-	37,111	37,111	-	34,378	34,378
Amortization expenses	-	2,705	2,705	-	2,258	2,258

(Continued)

6. Financial Status

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

Balance Sheet December 31, 2014

Trust Assets		Trust Liabilities	
Deposit in bank	\$ 64,538	Trust capita - money	\$ 5,047,086
Investment in mutual fund	4,982,548		
Total trust assets	<u>\$ 5,047,086</u>	Total trust liabilities	<u>\$ 5,047,086</u>

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		
Total trust assets	<u>\$ 4,735,524</u>	Total trust liabilities	<u>\$ 4,735,524</u>

Property list of trust account December 31, 2014

Items	Amount
Deposits	\$ 64,538
Investment in mutual fund	4,982,548
	<u>\$ 5,047,086</u>

December 31, 2013

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

Income Statement of Trust Accounts For the year ended December 31, 2014

Trust Income	
Interest income	\$ 26
Trust Expense	
Management fees	1,254
Income loss before income taxes	(1,228)
Income tax expense	-
Net loss	<u>\$ (1,228)</u>

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>

(Continued)

3) Profitability

Unit: %

Items		December 31, 2014	December 31, 2013
Return on assets ratio (annual)	Before income tax	0.39	0.44
	After income tax	0.33	0.38
Return on equity ratio (annual)	Before income tax	8.21	9.86
	After income tax	6.79	8.54
Income		17.00	19.33

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

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

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

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

Note 5: The above profitability ratios are at annual rates.

43. Disclosures Required

1) Information on significant transactions:

Following the principle of financial report for public bank, the disclosure of information on significant transaction of the Bank and its Subsidiary were as follow:

- (1) Information regarding securities where the accumulated purchase or sale amounts for the period exceeded NT\$300 million or 10% of the Bank's paid in capital: None.
- (2) Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- (3) Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- (4) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded \$5 million: None.
- (5) Information regarding receivables from related parties for which the amount exceeded \$300 million or 10% of the Bank's paid-in capital: None.
- (6) Information regarding selling non-performing loans: None.
- (7) Approved securitization instrument types and related information according to "asset backed securitization" or "mortgage backed securitization": None.
- (8) Information on significant transactions between parent and subsidiary company were as follow:



(Continued)

6. Financial Status

No.	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Transaction Amount	Transaction Item	Percentage of Consolidated Revenue/ Assets
0	COTA Commercial Bank	COTA Bank Insurance Brokers	1	Service fees	109,693	Same as regular transaction	4.23%
1	COTA Bank Insurance Brokers	COTA Commercial Bank	2	Commission expenses	109,693	Same as regular transaction	4.23%
0	COTA Commercial Bank	COTA Bank Insurance Brokers	1	Receivables	14,269	Same as regular transaction	0.01%
1	COTA Bank Insurance Brokers	COTA Commercial Bank	2	Accrued Expenses	14,269-	Same as regular transaction	0.01%

Note 1: Number is based on the following rules:

The parent company is 0.

Subsidiaries are numbered by company from 1.

Note 2: The relation with trader is numbered as follow:

The parent company to its subsidiary is 1.

The subsidiary to its parent company is 2.

The subsidiary to subsidiary company is 3.

Note 3: The transactions mentioned above have already write-off when building the financial report.

(9) Other material transaction items which were significant to people who use the information in the financial statements:
None.

2) Related information on investee companies:

(In Thousands of New Taiwan Dollars/Thousands of shares)

Names of investee company	Location	Main business scope	Shareholding ratio	Carrying value	Gain(Loss) recognized during the period	Aggregate shareholding of the Bank and its subsidiaries				Remark
						No. of shares	No. of pro-forma shares	Total		
								Number of shares	Shareholding ratio	
COTA Bank Insurance Brokers Co., Ltd.	Taiwan	Financial Service	100 %	24,481	15,514	500,000	-	500,000	100%	The balance above had been eliminated when preparing consolidated financial statement

3) Information regarding investment in China: None.

(Continued)

44. 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:

2014	Consumers' financing	Branches	Others	Elimination	Total
Revenue					
Net interest income	\$ 1,131,784	686,437	368,219	-	2,186,440
Net service income	12,279	60,029	196,636	-	268,944
Other income-net	-	61,433	95,321	(18,833)	137,921
Income between segments	(396,159)	613,007	(216,848)	-	-
Total	747,904	1,420,906	443,328	(18,833)	2,593,305
Expenses					
Bad debt	157,819	175,488	(41,034)	-	292,273
Operating expenses	297,908	689,827	780,486	(319)	1,767,902
Total	455,727	865,315	739,452	(319)	2,060,175
Income before tax	\$ 292,177	555,591	(296,124)	(18,514)	533,130
2014.12.31	Consumers' financing	Branches	Others	Elimination	Total
Assets	\$ 32,389,480	69,429,023	37,680,586	(63,433)	139,435,656
Liabilities	\$ 32,097,302	68,929,078	31,794,928	(38,952)	132,782,356

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

(Continued)

6. Financial Status

1) Service segment information

Services	2014	2013
Interest income for loans	\$ 2,828,758	2,695,524
Other interest income	454,723	438,198
Service income	287,089	256,086
	\$ 3,570,570	3,389,808

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, 2014 and 2013, no individual customer of the Group accounted for 10% or more of the Bank and its subsidiaries' revenue in the statements of income.



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

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

7-1. Financial Status

Unit: TWD thousand

Item \ Year	2014	2013	Difference	
			Amount	%
Total Asset	139,462,706	131,536,015	7,926,691	6.03
Total Liability	132,809,406	125,209,070	7,600,336	6.07
Total Equity	6,653,300	6,326,945	326,355	5.16

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

7-2. Operation Performance

Unit: TWD thousand

Item \ Year	2014	2013	Increase/Decrease	
			Amount	Ratio (%)
Interest income	3,283,481	3,133,722	149,759	4.78
Interest expense	1,097,231	1,065,307	31,924	3.00
Non-interest income, net	365,276	462,295	(97,022)	(20.99)
Net revenue	2,551,523	2,530,710	20,813	0.82
Bad debt expense	292,273	402,713	(110,440)	(27.42)
Operating expense	1,729,298	1,558,492	170,806	10.96
Income before income tax	529,952	569,505	(39,553)	(6.95)
Net income	440,989	495,752	(54,763)	(11.05)

Remarks of Ratio Changes analysis:

1. Interest income increased by TWD149,759 thousand was due to loans increase.
2. Interest expense increased by TWD31,924 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 decreased was due to business volume, sales bonus, and increase on operating expense.

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
20,434,700	(858,412)	(153,912)	19,422,376	-	-

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. Improvement plan on shortage of liquidity: Not applicable as an 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
19,422,376	(520,577)	(200,079)	18,701,720	-	-

Remarks:

The Bank estimates cash outflow about TWD520,577 generated from operating activities in 2015. The estimated cash outflow (investment and financial activities) about minus TWD200,079 thousand in 2015 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

On Jan. 22, 2015 Legislative Yuan pass a finance five the methods draft amendment. Insurance Act add the bank to allow to establish an insurance section, Bank may operate either one of the insurance agent or insurance broker business concurrently upon approval of the competent authority, Strengthen the bank sale insurance responsibility COTA Bank Insurance Broker Co., Ltd., will

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

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 2014

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>

Items	Contents
	<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>
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 lending rate pricing". The standard of lending rate considered the market rate, capital cost, operating cost, risk expected loss cost, reasonable profit. For market competition, the customer integral contribution will be the factor of lending pricing.</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, 2014

Unit: TWD thousand

Category	Exposure amount after risk mitigation	Capital Requirement
Sovereigns	23,409,126	-
Non central government public sector entities	6,570,063	105,121
Banks (multilateral development banks)	338,609	7,191
Corporate (Securities firm and insurance companies)	12,298,396	896,722
Regulatory retail portfolios	64,401,721	4,074,028
Secured by residential property	18,851,877	1,001,264
Equities investment	-	-
Other assets	2,387,323	221,905
Total	128,257,115	6,306,231

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

7-6-1-2. Assets Securitization Risk

Assets Securitization Risk Management System

Year 2014

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 (2) Other risks associated with securitized assets(e.g. liquidity risk)	Not applicable

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

Remarks:

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

The undertaking of securitization: None

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

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

As a credit enhancement agency or liquidating assets agency: None

As a guarantee agency or financial liquidity provider: None

Assets securitization exposures and capital requirements

Dec. 31, 2014

Unit: TWD thousand

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

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

7-6-1-3. Operational Risk

Operational Risk Management System

Year 2014

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. The Bank conducts the self-assessment of the operational events before the end of May every year, compliance system, internal audit system, and self-inspection system to manage and reduce operational risk.

Items	Contents
4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	The Bank hedges and mitigates risks through strengthening internal control system, implementing operational risk monitor, training employees, insurance, and outsourcing. The Bank's emergency center and crisis subcommittee had formulated the strategic manual of the disasters and the contingency measures of the operating crisis to ensure every business that may continue to operate normally when the crisis occurs and to protect significant loss of the Bank.
5. Approach for calculating the Bank's capital requirement	Basic indicator approach

The Operational Risk Capital Charge

Dec. 31, 2014

Unit: TWD thousand

Year	Annual Gross Income	Capital Charge
2012	2,247,026	
2013	2,377,758	
2014	2,539,979	
Total	7,164,763	358,238

7-6-1-4. Market Risk

Market Risk Management System

Year 2014

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>

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

Items	Contents
	<p>(4) Risk Management Center: The subcommittee draws strategies and processes of the market risk management, designs and introduces risk identification, measurement, monitor, and reporting system.</p> <p>(5) Related Units: They execute necessary duties of the risk management such monitoring traders and cooperate with Risk Management Center to finish each item of the risk monitor.</p> <p>(5) Audit Office: The office should establish audit plan and process, and should review the Bank's risk management at least once a year.</p>
3. The Scope and Nature of the Risk Reporting and/or Measurement Systems	Market risk information system should be able to control exposures and provide appropriate risk measurement results. For the purpose of the evaluation, the positions divide into trading book and banking book. The banking book positions evaluate once a month, the trading book positions evaluate on a daily basis. The information about gain/loss and exposures will deliver to management which includes market risk management reporting, derivative financial instruments gain/loss assessment. As close to gain/loss the stop-loss warning of pointers would keep attention to the market changes and take measure to avoid over-limit. Related Units monitor the position of TWD and foreign currency assets, gain/loss and stop-loss alert system for keep the market risk within the limits of the bank strength. In 2015, the Bank will use the PIRS system established by TEJ to pricing Bonds, CBAS, Option to reflect the real market price and compliance with regulations.
4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	The Bank's hedging strategy of the financial products include to use spots or derivatives to evade market price risks and to review each risk limit regularly such as trading position limits, traders' position limits, and stop loss limits. If the assessment indicates the risk overloaded, the Bank will transfer risks and reduce exposures. If dealers exceed their position limits, Risk Management Center should inform the facts and procedures to management and report daily until under limits. If dealers exceed their stop loss limits, they are required to execute positions.
5. Approach for calculating the Bank's capital requirement	Standardized approach

The Market Risk Capital Charge

Dec. 31, 2014

Unit: TWD thousand

Risk Category	Capital Charge
Interest Rate Risk	211,271
Equity Position Risk	57,891
Foreign Exchange Risk	70,668
Option Position	0
Total	339,830



7-6-1-5. Liquidity Risk

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

According to "Standards Implementing the Liquidity Coverage Ratio of Banks" promulgated on December 29, 2014 will effective from February 2015. Liquidity Coverage Ratio (LCR) equals Stock of HQLA / Total net cash outflows over the next 30 calendar days $\geq 100\%$. The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of banks. It does this by ensuring that banks have an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately in private markets into cash to meet their liquidity needs for a 30 calendar day liquidity stress scenario.

Analysis for Time-to-Maturity of the Bank's TWD Assets and Liabilities as of Dec. 31, 2014

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	140,708,670	12,390,534	12,736,571	6,655,928	10,313,900	18,718,225	79,893,512
Major outflows of Matured funds	157,447,059	5,807,024	10,439,555	22,653,679	27,074,921	46,689,995	44,781,885
Maturity Gap	(16,738,389)	6,583,510	2,297,016	(15,997,751)	(16,761,021)	(27,971,770)	35,111,627

Analysis for Time-to-Maturity of the Bank's USD Assets and Liabilities as of Dec. 31, 2014

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	77,467	32,997	35,889	8,581	0	0
Major outflows of Matured funds	77,467	58,282	14,592	1,997	2,596	0
Maturity Gap	0	(25,285)	21,297	6,584	(2,596)	0

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

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 Impact on Basel III

- Change in Regulations

Financial Supervisory Commission and Central Bank of the Republic of China promulgated "Standards Implementing the Liquidity Coverage Ratio of Banks" on Dec. 29, 2014.

- Impact and Adopting Measures

The Basel III made a great impact on Asian banks is the strict regulations on liquidity assets. Liquidity Coverage Ratio (LCR) requires the banks should own high-quality liquidity assets to meet net cash outflow under severe situation within 30 days. The bank's LCR is 274.58% for the first trial calculation based on January 2014 data which has already passed the minimum requirement of the 60%.



7-6-2-2. Impact on the Foreign Account Tax Compliance Act (FATCA)

- Change in Regulations

The government of the United States implemented FATCA, providing income information for US citizens on tax inspection purposes, in July 2014.

- Impact and Adopting Measures

If banks refuse to follow FATCA, it will result in punishment withholding tax of 30% on investment income from the US territory or financial institutions of the FFI (Foreign Financial Institution) agreement. The bank has assigned a task group to deal with FATCA and hired KPMG to provide professional consulting services and to assist the bank in practices. The bank has identified current clients, analyzed account information, and adjusted information system for future reporting. The bank has completed registration and obtained a global intermediary identification number (GIIN) on IRS website on April 22, 2014. The bank will continuously track the related regulations and measures from national government.

7-6-2-3. Impact of Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries:

- Change in Regulations

Financial holding companies and banks should set up a legal affairs and compliance unit under President. The unit is responsible for regulatory compliance planning, management and implementation. In addition, the bank should appoint a senior manager as a head of the unit to deal with legal affairs and report to the Board of Directors and Audit Committee once a half year.

- Impact and Adopting Measures:

The bank adjusted related operation to meet the requirement of the regulation on business, management, and legislation. On February 7, 2015, the bank established the Legal Affairs and Compliance Department under President and appointed a senior manager as a Department General Manager to deal with legal affairs and report to the Board of Directors and Audit Committee once a half year.

7-6-2-4 Impact on Risk Assess of Money Laundering and Support Terrorism

- Change in Regulations

Financial Supervisory Commission announced that the financial institutions should finish the plan of the risk assess and managerial measures on money laundering and support terrorism on December 31, 2015. Banks were required to finish the first trial of risk assess on money laundering and support terrorism and planned to prevent money laundering and support terrorism before June 30, 2016.

- Impact and Adopting Measures

The Business Department should complete risk assess, measures, and plans on money laundering and support terrorism before deadline.

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

The Bank had provided e-bank service to reduce cost and enhance business efficiency. Although it brings convenience and cost-down, it still had some risks of the information safety such as program errors, system crashes, or hacker attacks. They will therefore 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. Financial Status Analysis, Operation Performance Analysis and Risk Management

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

There have been no changes in operating control.

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

7-6-10. Lawsuits

The bank had lawsuits with the shareholder of the Zhang Heng Investment Co., Ltd as follows:

1. Zhang Heng investment Co., Ltd petitioned for a temporary disposition from Taichung District Court and petitioned for a compulsory enforcement from the court prohibiting the election of the 6th board of directors. The bank appealed against the enforcement but was dismissed by Supreme Court.
2. The bank received an administrative fine of TWD 250,000 for violating the execution decree hereinabove. The bank appealed against the administrative fine but was dismissed by Taiwan High Court Taichung Branch Court.
3. Zhang Heng investment Co., Ltd. and 9 other companies filed a declaration of avoidance of board resolution and it was justified by Taichung District Court.
4. Zhang Heng investment Co., Ltd. and 9 other companies took administrative action for revocation of board resolution and this action is ongoing in jure. The litigations have no significant impact on the business policy, decision and operation of the bank.

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

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

7-7. Crisis Handling System:

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

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

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

7-7-4. In the event of natural disasters, the Bank will obey "The operating directions of the averting disasters for financial institutions" and "The operating directions of closed business as disasters occurring for financial institutions" formulated by competent authority. For check cleaning and dishonored check information filing, the Bank will obey "The operating directions of check cleaning and dishonored check information filing for partly office terminate area" formulated by the Taiwan Cleaning House.

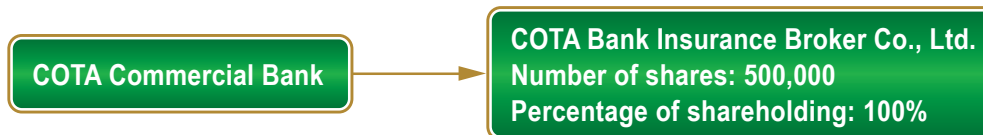
7-8. Other Significant Matters: None

8. Special Notes

8. Special Notes

8-1. Data of Affiliated Company

8-1-1. Organization Chart of Affiliated Company



8-1-2. Profile of Affiliated Company

Unit: TWD thousand

Company name	Established date	Address	Paid-in capital	Major business item
COTA Bank Insurance Broker Co., Ltd.	Apr 16, 2008	3F., No.339, Dazhi Rd., East Dist., Taichung City 401, Taiwan	5,000	Property insurance broker Life insurance broker

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

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

As of Jan.1, 2014

Company name	Title	Name or Represent	Shares	
			Number of shares	Percentage of shareholding (%)
COTA Bank Insurance Broker Co., Ltd.	Chairman	Chan-wen Lin	500,000	100.00
	Director	Yong-Zhi Wang		
	Director	Ying-Che Chang		
	Director	Cai-Xiong Liao		
	Director	Lien-Kui Wang		
	Director	Yao-Ting Li		
	Supervisor	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	36,382	11,901	24,481	162,299	18,502	15,514	31.02

8-1-6. Consolidated Financial Statement of Affiliated Company Details

Please see consolidated financial statement.

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

8-2. Private Placement of Securities: None

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

8-4. Other Matters for Supplementary Explanation: None

**8-5. Pursuant to Item2, Paragraph 2, Article 36 of Security and
Exchange Act, the Incidence Exerting Material Influence on
Shareholders' Rights or Security Prices: None**



Chronological Highlights

1999.01.01	COTA Commercial Bank Co., Ltd. officially inaugurated business services.
1999.01.02	Mr. Liao Chun-Tse, Mr. Yen Chun-chi, Mr. Lin Ping-Chih, Mr. Yang Chao-Hui and Mr. Wu Wen-Hua were elected the managing directors in the first board of directors meeting of the first session, Mr. Liao Chun-Tse elected the chairman and Mr. Wang Chun-chuan appointed the General Manager.
1999.01.03	Started up foreign exchange services with trading of USD, JPY, and HKD in cash and traveler checks.
1999.02.05	Started up comprehensive deposit services.
1999.03.16	Totally replaced stock certificates of Taichung Third Credit Cooperative into common share certificates of COTA Commercial Bank Co., Ltd.
1999.03.25	Donated the TWD 54.2 million Taichung Third Credit Cooperative public welfare fund to COTA 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, Fenge branch, Fengdong branch, Shiqian branch and Sanmin branch.
2006.01.03	Launched Electronic Official Document System.
2006.02.17	Six Branches in Fengyuan started up foreign exchange services in cash and traveler checks.
2006.04.01	Established North Area Office of Credit Management Dept.
2006.06.09	Held 2006 shareholder's regular meeting.

Chronological Highlights

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 Song-Yie, Mr. Chang Ying-Che, Mr. Huang Mu-Chuan, Mr. Wang Yen-Chun were elected as managing directors in board of directors meeting. Mr. Hsiao Kuo-Chao was elected as the chairman.
2011.10.01	Beitun Branch started up credit business.
2012.02.01	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.
2014.03.04	Held 2014 shareholder's extraordinary meeting.
2014.04.22	COTA Bank have registered with the IRS and obtained GIINs.
2014.05.15	Held 2014 shareholder's regular meeting.
2014.05.16	Launched Pre-Construction Real Estate Trust
2014.05.26	Daya Branch grand opening.
2014.07.01	Launched business of Gold Passbook.
2014.12.17	Obtained approval of foreign exchange licenses for branches of Banking Dept., Chenggong, Xinzhuang, Xinzhu and Fengshan.
2014.12.22	COTA Bank was conferred "Golden Security Award" from Joint Credit Information Center.
2014.12.29	Held 2014 shareholder's 2nd extraordinary meeting for voting directors.
2015.01.08	Mr. Liao Song-Yie and Chuan Cheng Hat Co., Ltd. were elected as managing directors in board of directors of the 7th Session of 1st extraordinary meeting.
2015.01.23	Mr. Kun-Hsien Lin, Mr. Kuo-Chao Hsiao and Ying-Che Chang-Corporation Representative of Deng Heng Enterprise Co., Ltd. were elected as managing directors in board of directors, Mr. Liao Sung-Yie was elected as Chairman in board of directors of the 7th Session of 3rd extraordinary meeting.

Head Office and Branches

Unit	Address	Tel	Fax
Head Office	59 Shihfu Road, Central District, Taichung City 400, Taiwan	886-4-22245171	886-4-22275237
Trusts Dept.	2F., .339, Dazhi Road, East District, Taichung City 401, Taiwan	886-4-22807366	886-4-22809021
International Banking Dept.	2F., 246 Yangguang Street, Neihu District, Taipei City 114, Taiwan	886-2-87533599	886-2-87533573
Offshore Banking Branch	2F., 246 Yangguang Street, Neihu District, Taipei City 114, Taiwan	886-2-87533599	886-2-87533573
Consumer Banking Center	10F, 580 Jinhua Road, North District, Taichung City 404, Taiwan	886-4-22384596	886-4-22378150
SME Banking Center	11F, 580 Jinhua Road, North District, Taichung City 404, Taiwan	886-4-22370028	886-4-22372595
Wealth Management Center	2F., .339, Dazhi Road, East District, Taichung City 401, Taiwan	886-4-22800361	886-4-22809747
Credit Card Center	2F., .339, Dazhi Road, East District, Taichung City 401, Taiwan	886-4-22805288	886-4-22807688
Taichung Branch	59 Shihfu Road, Central District, Taichung City 400, Taiwan	886-4-22245161	886-4-22234491
Banking Dept.	32-1 Gongyuan Road, Central District, Taichung City 400, Taiwan	886-4-22211186	886-4-22229536
Chenggong Branch	580 Jinhua Road, North District, Taichung City 404, Taiwan	886-4-22304100	886-4-22304701
Xitun Branch	458 Sec. 2, Henan Road, Xitun District, Taichung City 407, Taiwan	886-4-27062968	886-4-27063816
Guoguang Branch	333 Sec. 3, Fusing Road, South District, Taichung City 402, Taiwan	886-4-22245111	886-4-22229281
Dazhi Branch	339 Dazhi Road, East District, Taichung City 401, Taiwan	886-4-22815998	886-4-22815977
Linsen Branch	99 Linsen Road, West District, Taichung City 403, Taiwan	886-4-23725151	886-4-23723024
Nanmen Branch	75 Nanmen Road, South District, Taichung City 402, Taiwan	886-4-22871146	886-4-22862412
Jinhua Branch	255 Jinhua North Road, North District, Taichung City 404, Taiwan	886-4-22333550	886-4-22335164
Nantun Branch	410 Nantun Road, Nantun District, Taichung City 408, Taiwan	886-4-24718500	886-4-24758522
Beitun Branch	751 Sec. 4, Wunsin Road, Beitun District, Taichung City 406, Taiwan	886-4-22426565	886-4-22417153
Fengyuan Branch	214 Yuanhuan E. Road, Fengyuan District, Taichung City 420, Taiwan	886-4-25151788	886-4-25151895
Zhanghua Branch	181 Sec. 2, Zhongzheng Road, Zhanghua City, Zhanghua County 520, Taiwan	886-4-7298686	886-4-7298585
Yuanlin Branch	189 Sec. 1, Datong Road, Yuanlin Town, Zhanghua County 510, Taiwan	886-4-8383888	886-4-8383666
Taipei Branch	246 Yangguang Street, Neihu District, Taipei City 114, Taiwan	886-2-87512588	886-2-87512788
Taoyuan Branch	9 Sec. 2, Chenggong Road, Taoyuan City, Taoyuan County 330, Taiwan	886-3-3470505	886-3-3357373
Panchiao Branch	260 Minzu Road, Panchiao City, New Taipei City 220, Taiwan	886-2-89536001	886-2-89536011
Fengxin Branch	353, Zhongshan Road, Fengyuan District, Taichung City 420, Taiwan	886-4-25261181	886-4-25269540
Zhongshan Branch	9, Daming Road, Fengyuan District, Taichung City 420, Taiwan	886-4-25277155	886-4-25269553
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
Xinzu Branch	196, Minsheng Road, East District, Hsinchu City 300, Taiwan	886-3-5313225	886-3-5323611
Fengshan Branch	478, Wenheng Road, Fengshan District, Kaohsiung City 830, Taiwan	886-7-7676772	886-7-7678719
Daya Branch	336, Yahuan Road, Daya District, Taichung City 428, Taiwan	886-4-25692549	886-4-25693431



COTA Commercial Bank

2014